November 26, 2003

Consolidated Interim Financial Results

(April 1, 2003 – September 30, 2003)
for the Fiscal Year Ending March 2004

Company:	Ferrotec Corporation
Stock code:	6890
Stock exchange listing:	JASDAQ
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Board meeting for approval:	November 26, 2003
Accounting method:	Japanese GAAP

1. Interim Financial Results (April 1, 2003 – September 30, 2003)

(1) Results of Operations

(Note: Rounded down to million yen)

	Net Sales		Operating Income		Ordinary Income	
	million yen	YoY change (%)	million yen	YoY change (%)	million yen	YoY change (%)
Interim ended Sept. 2003	6,824	9.0	16	(94.8)	(267)	-
Interim ended Sept. 2002	6,262	(28.2)	324	(68.4)	(87)	-
Fiscal Year ended March 2003	12,845		111		(626)	

	Net Income		Net Income per Share (Basic)	Net Income per Share (Diluted)
	million yen	%	yen	yen
Interim ended Sept. 2003	(499)	-	(29.33)	-
Interim ended Sept. 2002	(168)	-	(9.78)	-
Fiscal Year ended March 2003	(899)		(52.23)	-

Notes: 1. Equity in earnings (losses) of non-consolidated subsidiaries and affiliates (millions of yen)

Interim ended September 2003:	(81)
Interim ended September 2002:	-
Fiscal Year ended March 2003:	(53)

2. Average number of shares outstanding (consolidation)

Interim ended September 2003:	17,047,084 shares
Interim ended September 2002:	17,249,802 shares
Fiscal Year ended March 2003:	17,215,340 shares

3. Changes in accounting methods applied: No
4. “YoY change” represents relevant change in percentage compared to the same period of the previous year.

(2) Financial Position

	Total Assets	Shareholders' Equity	Equity to Total Assets Ratio	Shareholders' Equity per Share
	million yen	million yen	%	yen
As of Sept. 30, 2003	28,075	13,391	47.7	787.217
As of Sept. 30, 2002	27,020	14,564	53.9	844.258
As of March 31, 2003	28,279	13,824	48.9	806.82

Note: Outstanding shares at the end of period (consolidated)

As of September 30, 2003: 17,011,206 shares
As of September 30, 2002: 17,251,206 shares
As of March 31, 2003: 17,134,206 shares

(3) Cash Flows

	Net Cash Provided by (Used in)			Cash and Cash Equivalents at End of Period
	Operations	Investments	Financing	
	million yen	million yen	million yen	million yen
Interim ended Sept. 2003	701	(1,293)	69	2,336
Interim ended Sept. 2002	(135)	(1,218)	1,572	3,967
Fiscal Year ended March 2003	(321)	(3,494)	2,827	2,812

(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: 0
Excluded: 0
Affiliates accounted for under the equity method
Newly added: 0
Excluded: 0

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

	Net Sales	Operating Income	Ordinary Income	Net Income
	million yen	million yen	million yen	million yen
Full year	15,700	450	(230)	(620)

Note: Forecast net income per share for full year: (36.45) yen

Notes: The above-mentioned forecast is premised on information available as of the date of publication of this data and on assumptions regarding uncertain factors as of the date of this data, which may affect future performances. Actual performance may vary significantly from this forecast. Please refer to page 8 regarding assumptions for performance forecasts.

1. The Ferrotec Group

The Ferrotec Group (the “Group”) consists of Ferrotec Corporation (the “Company”) and 15 subsidiaries and affiliates (“Members”: 10 consolidated subsidiaries, 1 equity-method affiliate, 3 non-consolidated subsidiaries, and 1 non-equity-method affiliate).

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

The chart below shows the relationship between the Company and Members for each business category.

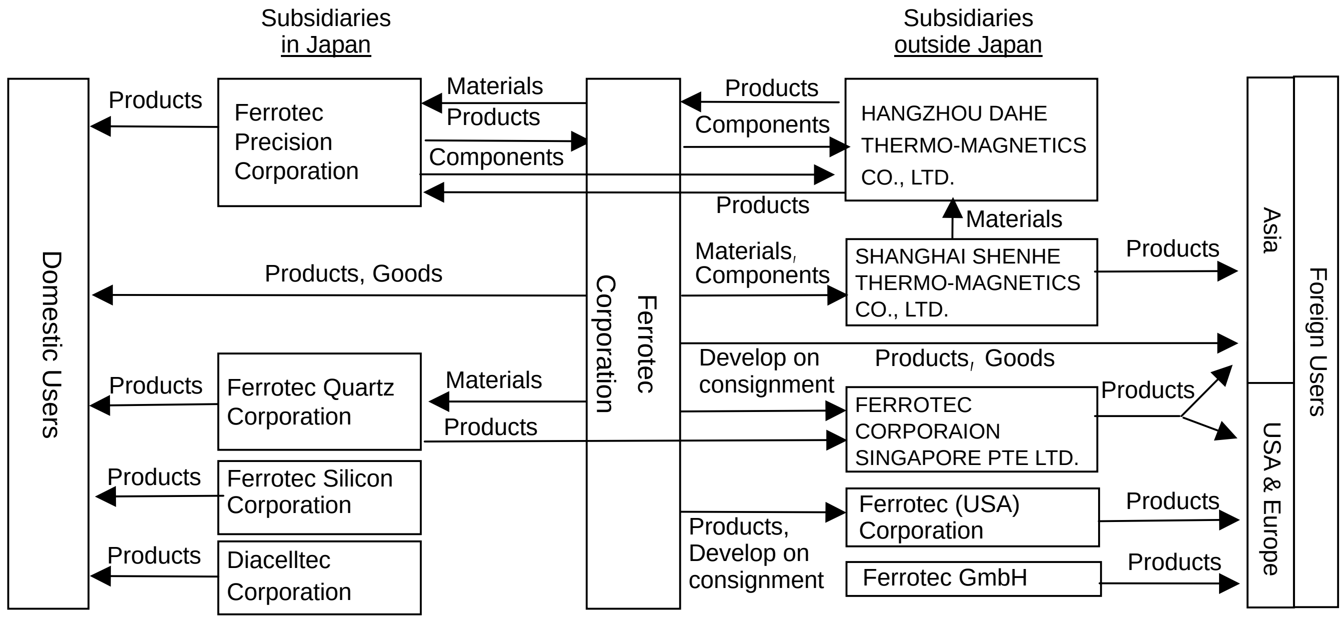
	Major products	Development	Manufacturing	Sales	Major Companies
Equipment- related business	Vacuum feedthroughs	o		o	Ferrotec Corporation
			o		Ferrotec Precision Corporation
			o		HANGZHOU DAHE THERMO-MAGNETICS CO., LTD.
		o	o	o	Ferrotec (USA) Corporation
	Coating equipment			o	Ferrotec Corporation
				o	FERROTEC CORPORATION SINGAPORE PTE LTD.
	Quartz products		o	o	Ferrotec Quartz Corporation
			o		HANGZHOU DAHE THERMO-MAGNETICS CO., LTD.
				o	FERROTEC CORPORATION SINGAPORE PTE LTD.
	Others		o	o	Ferrotec Corporation
			o	o	Ferrotec GmbH
			o	o	Ferrotec Silicon Corporation
Electronic devices business	Computer seals	o		o	Ferrotec Corporation
			o		HANGZHOU DAHE THERMO-MAGNETICS CO., LTD.
				o	FERROTEC CORPORATION SINGAPORE PTE LTD.
	Thermoelectric modules	o		o	Ferrotec Corporation
		o		o	Ferrotec (USA) Corporation
			o		HANGZHOU DAHE THERMO-MAGNETICS CO., LTD.
			o		SHANGHAI SHENHE THERMO-MAGNETICS CO., LTD.
	Ferro fluid	o	o	o	Ferrotec Corporation
				o	SHANGHAI SHENHE THERMO-MAGNETICS CO., LTD.
				o	Ferrotec (USA) Corporation
				o	FERROTEC CORPORATION SINGAPORE PTE LTD.
	Others		o	o	Ferrotec Precision Corporation
CMS business*			o	o	HANGZHOU DAHE THERMO-MAGNETICS CO., LTD.
			o	o	SHANGHAI SHENHE THERMO-MAGNETICS CO., LTD.
			o	o	Diacelltec Corporation

CMS: contract manufacturing service

Note: *Certain major product items are not shown above as there is a wide spectrum of products, and due to our confidentiality obligation to clients.

The chart set below illustrates the operation flows within the Group, excluding three non-consolidated subsidiaries and one affiliate for which the equity method is not applied. 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.

Ferrotec Group



2. Management Policies

1) Fundamental management policy:

Ferrotec Corporation strives to improve and expand its core technologies not only in the electronics industry and manufacturing in general, but also in the automotive and consumer products industries. In order to compete on a global basis, the Company has made significant progress in developing a low cost manufacturing base in China. Through our focused effort on developing manufacturing processes, we believe that our subsidiaries are well positioned to offer, on an international basis, high quality products with competitive pricing. Although our subsidiaries operate autonomously, they are required to utilize Chinese manufacturing facilities whenever possible.

From this standpoint, the fundamental management policy of the Company focuses on the development of new materials for its core technologies (such as ferro fluid and thermoelectric substrates) and the constant improvement of its manufacturing processes. In doing so, the Company believes it will be able to increase its market share in the industries (or markets) it competes while at the same time building Group profitability.

2) Dividend policy:

The Company believes it is important to return profits to shareholders. It is also the Company's policy to ensure there are sufficient retained earnings to strengthen the Company's finances and to expand the business.

*The Company paid a cash dividend of 8 yen per share for the fiscal year ended March 31, 2003.

	Interim Dividend Per Share	Year-End Dividend Per Share
	yen	yen
Interim ended Sept. 2003	0.00	-
Interim ended Sept. 2002	0.00	-
Fiscal Year ended March 2003	-	8.00

3) Medium- to 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 the rapid pace of technical innovation and fierce international competition. In order to grow steadily in this difficult business environment, we must not only continue to develop our own core (or proprietary) technology we must also aggressively expand domestic and overseas markets. Our medium- to long-term business strategy includes M&A activity as well as entering into strategic joint ventures and long-term manufacturing supply agreements. Specifically, we aim for the subsidiaries in China to function not only as production bases but also as marketing bases.

As stated in “Significant subsequent events” in this report, we issued Swiss franc convertible bonds with stock rights to secure funds to expand our development efforts of our mainstay products and to actively pursue M&A activities. By leveraging our manufacturing expertise accumulated over the years, we plan to enhance plant capacity in China in order to better respond to demands from our global contract manufacturing customers. By accomplishing our profitability goals, we expect the holders of the convertible bonds to convert the bonds to common stock. Such conversion will strengthen the Company financially by increasing our equity and by reducing future cash outflows for interest and principal payments.

4) Current key issues

Characteristically in the electronics industry, product demand is very volatile, and capital investment moves cyclically and sharply. To cope especially with the downturn in this industry, we intend to increase our marketing activities in American and European markets and at the same time, increase our production capacity in China to provide products more timely and at a lower cost. We also believe that the next biggest electronic industrial products market will be China. As such, we intend to increase our marketing activities in China to take advantage of our local presence. In order to be effective in our marketing efforts, we are committing resources to develop new products, release strategic products to market, and deploy human resources to assist the Chinese subsidiaries in manufacturing technology, production control, sales and administration.

In addition, we intend to aggressively market our contract manufacturing services (CMS) globally in order to further utilize the production capacity currently available. It is our belief that as the global economy expands, the demand for offshore manufacturing in the US and Europe will grow tremendously.

Corporate governance

(Basic policy on corporate governance)

The company maintains proper corporate governance through the principle of ensuring the separation of decision, supervisory, and execution functions to ensure fair management.

(Actions taken and current situation)

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

The Company has an auditory system. The board of directors consists of six members which hold a monthly meeting regularly. Upon rise of a significant issue, the Company calls an extraordinary meeting. The Company adopts an executive officer system for operational execution. The board of directors includes three independent outside auditors. These individuals usually involve themselves in discussions at board of director meetings and monitor the directors' operations. The Company has set up an internal auditory office under the direct authority of the president. The internal auditor 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, consulting the firm when necessary from time to time. The Company has concluded an auditory contract with Deloitte Touche Tohmatsu as an accounting auditor. Tohmatsu audits the Group regularly on closing accounts.

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

The Company has invited three independent outside auditors, one of which is a standing auditor. The Company has no financial interest with any of the directors and auditors, and none of them has ever worked for the Company or any Member of the Group.

c. Actions taken over the past year in corporate governance:

In February 2003, the Company set up a management strategy committee which is composed of directors and executive officers of the Company as well as representatives of subsidiaries. The committee is responsible for overseeing the fundamental policy on operational execution as well as reinforcing the Company's internal control systems.

The general meeting of shareholders was held on a day in June 2003 that did not fall on the so-called "concentrated date."* We aimed for a very open shareholders' meeting and held a reception afterwards at which directors and shareholders could freely meet. We have worked to ensure sufficient investor disclosure by building an investor's section in the Company's web page and by starting an automatic FAX service for investors. The Company began quarterly disclosure of consolidated financial results with a report for the quarter ended 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 potential extortionists to be able to attend only one of the general meetings targeted by him/her. It is also controversial because innocent investors owning shares in various corporations are able to attend only one meeting.

3. Results of Operations and Financial Position

Review of operations for interim period (April 1, 2003 – September 30, 2003)

The global economy got off to a weak start at the beginning of the current interim period due to the impact of the Iraq war and SARS, but gradually picked up due to a rebound in the US economy, stronger corporate earnings, and higher stock prices. Nevertheless, the electronics industry in general faced continued weakness in end-user demand. There were segments however, that showed strong demand, such as digital consumer electronics and camera phones, but overall orders still showed little sign of recovery. There were no signs of recovery in Japan as consumption continued to be stagnant as an unusually cool summer further depressed consumer spending.

In this difficult environment, low capital equipment spending in the electronics sector impacted earnings. The Group aimed to lower costs by transferring production of quartz and SMT (Surface Mounting Technology) in Japan to subsidiaries in China. We worked to start the CMS business in China in earnest through introducing silicon wafer processing technology and capital equipment to subsidiaries there. Unfortunately, the spread of SARS caused us to temporarily suspend the transfer of quartz and silicon wafer processing production lines from Japan to China. The Chinese subsidiary of our affiliate Diacelltec Corporation, which makes rechargeable lithium-ion batteries, was also forced to delay operations due to SARS. Our earnings were also adversely impacted by the sudden rise of the yen against the US dollar from mid-September.

Consolidated sales in the interim period increased 9.0% year-over-year to 6,824 million yen; operating income fell 94.8% to 16 million yen due to a change in the product mix and the impact of SARS on Chinese subsidiaries; ordinary losses amounted to 267 million yen due to foreign exchange losses resulting from the strengthening yen; and net losses were 499 million yen due to costs related to the planned closure of a portion of the factory at a subsidiary that makes quartz products as well as losses on valuation of investment securities.

Our businesses are categorized into “equipment-related,” “electronic devices,” and “CMS” by similarity in use of products and type orders. Their operations during the interim period were as follows:

Equipment-related business
Major lines of products in this category are vacuum feedthroughs and quartz products.

Vacuum feedthroughs are used primarily in semiconductor and LCD production equipment. Although sales to manufacturers of capital equipment were adversely impacted by the continued economic slump, our sales were almost in line with our initial target. Sales of quartz products, for which we have worked diligently to transfer production to our Chinese subsidiaries, rose year-over-year, but still fell short of our initial target due to delays in the transfer of production to China that was caused by SARS and the Iraq war.

Sales in the equipment-related business increased 10.7% year-over-year to 3,778 million yen, but operating income fell 16.0% to 27 million yen.

Electronic devices business

Mainstay products in this category include computer seals, thermoelectric modules, and surface mounting technology (SMT).

Sales of computer seals, which are used in HDDs geared for computer servers used mostly by corporate users, were generally in line with our initial target. Sales of thermoelectric modules grew generally in line with expectations due to steadily growing demand for used in thermostatic seats for automobiles. Sales of SMT, production of which we are switching to China, fell.

Sales in the electronic devices business fell 22.8% year-over-year to 1,819 million yen, and operating income fell 48.2% to 206 million yen.

CMS business

The Company manufactures items commissioned to us by other companies in this business category. We cannot discuss details as we have a confidentiality obligation to our customers, and we manufacture too broad a range of products to explain briefly. Some of the activities in this business include silicon wafer processing, assembly of machine tools and refurbishment of parts used for semiconductors or FPD manufacturing equipment.

The start up of silicon wafer processing significantly boosted sales, but we produced an operating loss due to SARS-related costs, and start-up costs for silicon wafer processing.

Sales in the CMS business increased 149.0% year-over-year to 1,227 million yen, but there was an operating loss of 202 million yen.

Performance by geographical area was as follows:

(millions of yen)

	Japan		Asia		USA & Europe	
	Amount	YoY change	Amount	YoY change	Amount	YoY change
Net sales	5,206	17.7%	2,904	92.1%	1,988	7.6%
Operating income	(67)	-	20	(49.2)%	61	(72.2)%

Note: Net sales figures include interdivisional sales.

Forecast for the full consolidated fiscal year (April 1, 2003 – March 31, 2004)

The economy appears to be heading towards recovery, but uncertainty remains due to concerns regarding terror warnings across the world, and the impact of yen appreciation on corporate earnings.

In this forecast environment, we will strive for profits by focusing our resources on thermoelectric modules in the electronic devices business, demand for which is strong, and equipment related products, for which we expect increased orders due to a rebound in capital equipment spending in the semiconductor industry. We also plan to complete the full transition of SMT production to Chinese subsidiaries to reduce production costs. Despite a delay in profitability in the CMS business due to SARS, we plan to make up for this by boosting the capacity utilization rate and raising yields.

We are forecasting net sales over the fiscal year to rebound to 15,700 million yen (8,876 million yen for the second half), operating income to rebound to 450 million yen (434 million yen for the second half), and ordinary losses to decrease to 230 million yen (37 million yen gain for the second half). We are forecasting a net loss of 620 million yen (121 million yen loss for the second half).

We assume a foreign exchange rate of 110 yen per US$ for the second half.

Cash flow or Liquidity and Capital Resources

Consolidated cash and cash equivalents fell to 2,336 million yen at the end of the interim period, down 475 million yen from the end of the previous fiscal year, and down 1,631 million yen from the end of the previous interim period.

Cash flows in the current consolidated interim period were as follows:

[Operating activity cash flow]

Cash flow from operating activities was 701 million yen. Although we posted a net loss before income taxes and minority interests of 543 million yen, a large portion of this loss consisted of depreciation and other non-cash items. In addition, we saw a decrease in other current assets which generated the overall positive operating cash flow.

[Investing activity cash flow]

Cash flow used in investing activities was 1,293 million yen, up 75 million yen year-over-year. This was primarily due to the acquisition of 910 million yen of tangible fixed assets for the CMS business at Chinese subsidiaries.

[Financing activity cash flow]

Cash flow from financing activities was 69 million yen, down 1,503 million yen on a year-over-year basis. During the period, the Company obtained approximately 1,680 million yen and repaid approximately 1,271 million yen on its long-term borrowings.

Trend in cash flow indices over the past three years

	FY 2001		FY 2002		FY 2003
	Interim	Yearend	Interim	Yearend	Interim
Shareholders' equity ratio (%)	45.1	57.4	53.9	48.9	47.7
Equity ratio by market capitalization (%)	69.8	105.3	79.2	37.0	50.8
Redeemable period of debts (years)	14.3	3.1	-	-	16.1
Interest coverage ratio	8.3	10.8	-	-	4.5

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 on a consolidated basis.
3. Market capitalization = yearend stock price x yearend number of outstanding shares after accounting for treasury stock.
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 from the relevant consolidated statements of cash flows for each year.

4. Use of funds from capital increase on public offering at market prices

On November 17, 2003, we issued Swiss franc convertible bonds maturing March 31, 2008 with stock subscriptions rights. The following is a summary of the transaction:

Total issue: 23,000,000 Swiss francs

Number of new stock subscription rights: 460 units

Planned proceeds from issue: 1,920 million yen   Actual proceeds from issue: 1,870 million yen

Plan for use of funds:

We plan to use the 1,870 million yen in actual proceeds to finance subsidiaries' cash flow needs, fund corporate operating activities, and invest in future businesses.

5. Interim Consolidated Financial Statements

(1) Interim Consolidated Balance Sheets

(thousands of yen)

Item / Period		As of Sept. 30, 2002		As of Sept. 30, 2003		As of March 31, 2003	
		Amount	%	Amount	%	Amount	%
Assets							
I Current assets							
Cash and deposits	*2	3,967,656		2,336,087		2,860,432	
Notes and accounts receivable		2,977,203		3,542,552		3,444,918	
Inventories		2,892,828		2,969,302		2,971,153	
Other current assets		788,837		947,670		1,374,636	
Allowance for doubtful receivables		(66,160)		(110,118)		(108,061)	
Total current assets		10,560,364	39.1	9,685,495	34.5	10,543,080	37.3
II Fixed assets							
(1) Tangible fixed assets	*1						
Buildings and structures	*2	3,431,041		3,795,614		3,631,548	
Machinery and equipment		2,506,442		3,677,323		2,634,047	
Tools, furniture and fixtures		1,243,499		1,108,835		1,198,985	
Land	*2	2,657,494		2,681,272		2,673,349	
Construction in progress		248,742		313,798		1,057,438	
Total tangible fixed assets		10,087,220	37.3	11,576,844	41.3	11,195,370	39.6
(2) Intangible assets							
Goodwill		1,851,359		1,919,757		1,928,806	
Consolidation adjustment		545,866		437,256		488,454	
Other intangible assets	*2	660,257		630,373		562,966	
Total intangible assets		3,057,484	11.3	2,987,387	10.6	2,980,228	10.5
(3) Investments and advances							
Investment securities		1,397,909		1,646,563		1,273,511	
Other investments and advances		2,155,694		2,196,818		2,308,074	
Allowance for doubtful investments		(237,803)		(17,952)		(21,050)	
Total investments and advances		3,315,799	12.3	3,825,429	13.6	3,560,534	12.6
Total fixed assets		16,460,504	60.9	18,389,660	65.5	17,736,133	62.7
Total Assets		27,020,869	100.0	28,075,156	100.0	28,279,213	100.0

(thousands of yen)

Item \ Period		As of Sept. 30, 2002		As of Sept. 30, 2003		As of March 31, 2003	
		Amount	%	Amount	%	Amount	%
Liabilities							
I Current liabilities							
Notes and accounts payable		931,745		1,071,011		1,053,287	
Short-term borrowings	*2	3,197,761		3,212,464		3,363,439	
Current portion of long-term debt	*2	1,743,146		2,420,455		2,159,249	
Reserve for bonuses payable		119,926		100,938		127,710	
Other current liabilities		1,416,294		1,966,154		1,921,176	
Total current liabilities		7,408,874	27.4	8,771,023	31.2	8,624,864	30.5
II Long-term liabilities							
Bonds		597,500		566,055		599,500	
Long-term borrowings	*2	4,148,562		5,103,446		4,933,809	
Liability for retirement benefits		32,290		30,344		51,753	
Liability for retirement benefits to officers		89,999		100,649		95,700	
Other long-term liabilities		123,131		58,360		97,625	
Total long-term liabilities		4,991,484	18.5	5,858,856	20.9	5,778,388	20.4
Total Liabilities		12,400,358	45.9	14,629,880	52.1	14,403,252	50.9
Minority Interests							
Minority interests		56,161	0.2	53,800	0.2	51,627	0.2
Shareholders' Equity							
I Common stock		5,824,907	21.6	5,824,907	20.7	5,824,907	20.6
II Capital surplus		6,700,406	24.8	6,700,406	23.9	6,700,406	23.7
III Retained earnings		1,813,179	6.7	438,521	1.6	1,075,557	3.8
IV Unrealized holding loss on securities		(96,531)	(0.4)	116,127	0.4	(76,419)	(0.3)
V Cumulative translation adjustment		322,636	1.2	471,593	1.7	399,485	1.4
VI Treasury stock		(249)	0.0	(160,082)	(0.6)	(99,605)	(0.3)
Total Shareholders’ Equity		14,564,349	53.9	13,391,475	47.7	13,824,332	48.9
Total Liabilities, Minority Interests and Shareholders’ Equity		27,020,869	100.0	28,075,156	100.0	28,279,213	100.0

(2) Interim Consolidated Statements of Income

(thousands of yen)

Item		Interim 2002 April 1, 2002 – Sept. 30, 2002 Amount	%	Interim 2003 April 1, 2003 – Sept. 30, 2003 Amount	%	FY 2002 April 1, 2002 – March 31, 2003 Amount	%
I Net sales		6,262,560	100.0	6,824,934	100.0	12,845,187	100.0
II Cost of sales		3,781,479	60.4	4,678,127	68.5	8,200,834	63.8
Gross profit		2,481,080	39.6	2,146,807	31.5	4,644,352	36.2
III Selling, general and administrative expenses	*1	2,156,232	34.4	2,129,825	31.3	4,533,036	35.3
Operating income		324,847	5.2	16,981	0.2	111,316	0.9
IV Non-operating income							
Interest income		33,412		22,349		61,552	
Lease income		25,494		19,897		52,829	
Other non-operating income		38,882		50,561		52,142	
Total non-operating income		97,790	1.5	92,808	1.4	166,524	1.3
V Non-operating expenses							
Interest expense		112,836		155,169		272,960	
Loss on valuation of equity in investee		-		48,371		73,277	
Equity in loss of non-consolidated subsidiaries		-		81,252		53,705	
Foreign exchange losses		294,349		51,491		339,129	
Other non-operating expenses		102,472		40,647		165,326	
Total non-operating expenses		509,659	8.1	376,931	5.5	904,399	7.1
Ordinary loss		(87,020)	(1.4)	(267,141)	(3.9)	(626,559)	(4.9)
VI Extraordinary income							
Gain on sales of investment securities		-		39,363		-	
Gain on sales of fixed assets	*3	105,620		8,294		113,290	
Reversal of allowance for liquidation of affiliate		-		-		33,388	
Reversal of allowance for doubtful accounts		-		8,081		-	
Other extraordinary income		4,994		185		15,631	
Total extraordinary income		110,615	1.8	55,924	0.8	162,311	1.3
VII Extraordinary losses							
Loss on disposal of fixed assets	*4	4,091		9,435		49,190	
Loss on valuation of investment securities		106,308		164,837		245,970	
Closing expenses for plants		-		135,431		-	
Other extraordinary losses		29,713		22,179		67,653	
Total extraordinary losses		140,113	2.3	331,884	4.9	362,814	2.8
Net loss before income taxes and minority interests		(116,518)	(1.9)	(543,101)	(8.0)	(827,062)	(6.4)
Current income taxes (benefit)		43,945	0.7	(42,860)	(0.7)	118,476	0.9
Deferred income taxes (benefit)	*2	11,122	0.2	(620)	0.0	(41,258)	(0.3)
Minority interests		(2,820)	(0.1)	340	0.0	(5,141)	0.0
Net loss		(168,765)	(2.7)	(499,962)	(7.3)	(899,140)	(7.0)

(3) Interim Consolidated Statements of Retained Earnings

(thousands of yen)

Item \ Fiscal year	Interim 2002 April 1, 2002 – Sept. 30, 2002		Interim 2003 April 1, 2003 – Sept. 30, 2003		FY 2002 April 1, 2002 – March 31, 2003	
	Amount		Amount		Amount	
Capital surplus						
I Beginning balance of capital surplus		6,697,835		6,700,406		6,697,835
II Increase in capital surplus						
New share issue in capital increase	2,571	2,571	-	-	2,571	2,571
III Balance of capital surplus at end of period		6,700,406		6,700,406		6,700,406
Retained earnings						
I Beginning balance of retained earnings		2,170,498		1,075,557		2,170,498
II Decrease in retained earnings						
Net loss	168,765		499,962		899,140	
Decrease in retained earnings due to change of scope of consolidation	11,724		-	-	11,724	
Cash dividends	172,482		137,073		172,482	
Others	4,345	357,319	-	637,035	11,593	1,094,940
III Balance of retained earnings at end of period		1,813,179		438,521		1,075,557

Note: “Others” stated under “Decrease in retained earnings” in Interim 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) Interim Consolidated Statements of Cash Flows

(thousands of yen)

Item / Period	Interim 2002 April 1, 2002 – Sept. 30, 2002 Amount	Interim 2003 April 1, 2003 – Sept. 30, 2003 Amount	FY 2002 April 1, 2002 - March 31, 2003 Amount
I Cash flows from operating activities			
Net loss before income taxes and minority interests	(116,518)	(543,101)	(827,062)
Depreciation and amortization	483,481	620,449	1,101,705
Amortization of consolidation adjustments	57,411	50,155	114,823
Increase (decrease) in liability for retirement benefits	3,347	(21,409)	22,811
Increase in liability for retirement benefits to officers	4,199	4,949	9,900
Increase (decrease) in reserve for bonuses payable	1,437	(26,688)	9,057
Decrease in allowance for doubtful receivables	(76,554)	(980)	(251,496)
Interest and dividend income	(35,848)	(24,025)	(64,013)
Interest expense	112,836	155,169	272,960
New shares issue expense	76	-	161
Foreign exchange losses (gains)	(7,634)	26,765	11,894
Equity loss of non-consolidated subsidiaries	-	81,252	53,705
Loss on valuation of equity in investee	28,831	48,297	73,277
Loss on sales of tangible fixed assets	(103,914)	(8,294)	(113,290)
Loss on disposal of fixed assets	4,091	9,435	49,190
Closing expenses for plants	-	135,431	-
Loss on sales of investment securities	-	(39,363)	-
Loss on valuation of investment securities	106,308	164,837	245,970
Decrease (increase) in notes and accounts receivable	(373,305)	(102,138)	38,022
Increase in inventories	(319,290)	(2,720)	(309,377)
Decrease (increase) in other assets	158,695	507,217	(248,980)
Increase (decrease) in notes and accounts payable	(259,286)	23,350	(138,397)
Increase (decrease) in other liabilities	155,600	(99,114)	(65,171)
Sub-total	(176,034)	959,475	(14,311)
Interest and dividends received	31,126	19,305	57,822
Interest paid	(113,891)	(155,966)	(271,535)
Income taxes paid (refunded)	122,972	(121,482)	(93,362)
Net cash provided by (used in) operating activities	(135,827)	701,332	(321,386)
II Cash flows from investing activities			
Increase (decrease) in time deposits	-	48,387	(48,427)
Payments for purchase of tangible fixed assets	(874,225)	(910,167)	(2,372,957)
Proceeds from sales of tangible fixed assets	423,322	43,627	477,377
Payments for business transferred	-	-	(215,091)
Payments for purchase of investment securities	(167,268)	(327,587)	(180,270)
Proceeds from sales of investment securities	-	80,745	-
Payments for additional purchase of shares of consolidated subsidiary	(237,069)	-	(237,069)
Payments for purchase of shares of affiliates	(245,815)	-	(245,815)
Issuance of long-term loans receivable	(7,077)	(31,028)	(380,820)
Proceeds from loans receivable	1,625	400	2,708
Proceeds from other investing activities	65,847	27,448	35,751
Payment for other investing activities	(177,942)	(225,542)	(329,400)
Net cash used in investing activities	(1,218,604)	(1,293,716)	(3,494,016)

(thousands of yen)

Item / Period	Interim 2002 April 1, 2002 – Sept. 30, 2002	Interim 2003 April 1, 2003 – Sept. 30, 2003	FY 2002 April 1, 2002 - March 31, 2003
	Amount	Amount	Amount
III Cash flows from financing activities			
Increase (decrease) in short-term borrowings	1,679,457	(144,263)	1,846,748
Proceeds from long-term borrowings	968,205	1,679,739	3,033,815
Payments of long- term borrowings	(908,683)	(1,271,370)	(1,784,833)
Proceeds from issuance of new shares	5,068	-	5,068
Proceeds from purchase allocation of new shares to third party in consolidated subsidiary	-	3,064	-
Acquisition of treasury stock	-	(60,477)	(99,476)
Dividends paid	(171,187)	(136,961)	(172,148)
Dividends paid to minority shareholders	-	-	(2,145)
Net cash provided by (used in) financing activities	1,572,860	69,731	2,827,027
IV Effect of exchange rate changes on cash and cash equivalents	91,667	46,736	142,819
V Increase in cash and cash equivalents	310,096	(475,916)	(845,556)
VI Cash and cash equivalents at the beginning of period	3,657,192	2,812,004	3,657,192
VII Increase in cash and cash equivalents of the new consolidated subsidiaries	368	-	368
VIII Cash and cash equivalents at end of period	3,967,656	2,336,087	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 GmbH
- Ferrotec Investments, LLC

Non-consolidated subsidiaries: three entities as follows;

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

Reason for exclusion: Each one of the above-listed three has negligible total assets, net sales, net income (loss) and retained earnings, and as a result, they collectively have very little impact on consolidation. Shanghai Broad International Trading Co., Ltd. was newly established in the interim period under review.

2. Application of Equity Method

Affiliates accounted for by the equity method: one entity as follows:

- Daiacelltec Corporation

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

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

Reason for exclusion: Each one of the above-listed subsidiaries and an affiliate 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. Shanghai Broad International Trading Co., Ltd. was newly established in the interim period under review.

3. Interim Fiscal Year of Consolidated Subsidiaries

At the consolidated subsidiaries, the interim period ends on June 30. The interim 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 June 30 and the consolidated balance sheets date, September 30.

4. Significant Accounting Standards

(1) Valuation Standards and Method for Major Assets

1) Securities

Bonds held to maturity:

Valued at cost and are being amortized by the straight-line method.

Other securities:

Securities with market quotations:

Valued at 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.

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 period 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) Hedging instrument: Interest rate swap Risks hedged: Interests payable on borrowings

b) Hedging instrument: Currency option Risks hedged: 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

Consumption tax

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

5. Cash and cash equivalents on the Interim 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 three months from the acquisition that has little risk on changes in valuation.

Notes to Consolidated Financial Statements

(Interim Consolidated Balance Sheets)

(thousands of yen)

<table>
<tr><th>As of September 30, 2002</th><th>As of September 30, 2003</th><th>As of March 31, 2003</th></tr>
<tr>
<td>*1. Accumulated depreciation of tangible fixed assets:
4,623,928

*2. Pledged assets
Time deposit 19,298
Buildings and structures 1,177,309
Land 2,203,139
Total 3,399,747

Liabilities secured with the above listed collateral
Short-term borrowings 162,366
Current portion of long-term debt 443,808
Long-term borrowings 1,262,234
Total 1,868,408

3. Discounted notes receivable:
53,720</td>
<td>*1. Accumulated depreciation of tangible fixed assets:
5,208,051

*2. Pledged assets
Buildings and structures 1,166,771
Land 2,471,139
Other intangible assets 262,693
Total 3,900,604

Liabilities secured with the above listed collateral
Short-term borrowings 189,341
Current portion of long-term debt 440,933
Long-term borrowings 1,544,843
Total 2,175,117

3. Discounted notes receivable:
166,537</td>
<td>*1. Accumulated depreciation of tangible fixed assets:
5,016,908

*2. 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

3. Discounted notes receivable:
176,252</td>
</tr>
</table>

(Interim Consolidated Statements of Income)

(thousands of yen)

<table>
<tr><th>Interim 2002
April 1, 2002 - September 30, 2002</th><th>Interim 2003
April 1, 2003 - September 30, 2003</th><th>FY 2002
April 1, 2002 - March 31, 2003</th></tr>
<tr>
<td>*1. Significant components of selling, general and administrative expenses:
Salaries and wages 657,521
Provision for reserve for bonus payable 60,284
Provision for liability for retirement benefits to officers 4,199
Provision for allowance for doubtful receivables 1,009

*2. As for deferred tax accounting, the subsidiaries adopt the “simple method,” which is based on expected net income and permanent differences for relevant fiscal year, and their deferred income taxes are included in current income taxes.

*3. It consists mainly of 104,734 thousand yen in gain on sale of land.

―――――</td>
<td>*1. Significant components of selling, general and administrative expenses:
Salaries and wages 729,234
Provision for reserve for bonus payable 42,643
Provision for liability for retirement benefits to officers 4,949
Provision for allowance for doubtful receivables 4,942

*2. Same as on the left.

*3. It consists mainly of 5,672 thousand yen in gain on sale of buildings.

*4. It consists mainly of 4,185 thousand yen in loss on disposal of software and 1,938 thousand yen on disposal of tools, furniture and fixtures.</td>
<td>*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 89,800

―――――

*3. It consists mainly of 110,278 thousand yen in gain on sale of land.

*4. It consists mainly of 40,098 thousand yen in loss on sale of buildings.</td>
</tr>
</table>

(Interim Consolidated Statements of Cash Flows)

(thousands of yen)

Interim 2002 April 1, 2002 - September 30, 2002	Interim 2003 April 1, 2003 - September 30, 2003	FY 2002 April 1, 2002 - March 31, 2003
*1. The balance of cash and cash equivalents at end of period Reconciled with the “cash and deposits” stated in the consolidated balance sheets.	*1. The balance of cash and cash equivalents at end of period Same as on the left.	*1.The balance of cash and cash equivalents at end of fiscal year Cash and deposits 2,860,432 3-month or longer time deposits (48,427) Cash and cash equivalents 2,812,004 *2. Major items increased due to business transferred to us Current assets 86,145 Fixed assets 128,945 Total assets 215,091

(Lease Transactions)

(thousands of yen)

Interim 2002 April 1, 2002 - September 30, 2002	Interim 2003 April 1, 2003 - September 30, 2003	FY 2002 April 1, 2002 - 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	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 end of period	1. Acquisition amount, accumulated depreciation and the balance of leased assets at end of period	1. Acquisition amount, accumulated depreciation and the balance of leased assets at end of fiscal year
Machinery and equipment Acquisition amount 827,616 Accumulated depreciation 472,541 Balance of leased assets at balance sheets date 355,074	Machinery and equipment Acquisition amount 285,824 Accumulated depreciation 174,727 Balance of leased assets at balance sheets date 111,097	Machinery and equipment Acquisition amount 321,594 Accumulated depreciation 183,992 Balance of leased assets at balance sheets date 137,601
Tools, furniture and fixtures Acquisition amount 73,645 Accumulated depreciation 39,222 Balance of leased assets at balance sheets date 34,423	Tools, furniture and fixtures Acquisition amount 34,370 Accumulated depreciation 18,614 Balance of leased assets at balance sheets date 15,755	Tools, furniture and fixtures Acquisition amount 42,027 Accumulated depreciation 23,058 Balance of leased assets at balance sheets date 18,969
Total Acquisition amount 901,262 Accumulated depreciation 511,764 Balance of leased assets at balance sheets date 389,497	Others Acquisition amount 90,232 Accumulated depreciation 23,882 Balance of leased assets at balance sheets date 66,349	Others Acquisition amount 74,162 Accumulated depreciation 18,116 Balance of leased assets at balance sheets date 56,045
	Total Acquisition amount 410,427 Accumulated depreciation 217,224 Balance of leased assets at balance sheets date 193,202	Total Acquisition amount 437,784 Accumulated depreciation 225,167 Balance of leased assets at balance sheets date 212,616
2. Outstanding lease commitments as of balance sheets date Due within one year 156,357 Due after one year 251,469 Total 407,827	2. Outstanding lease commitments as of balance sheets date Due within one year 69,352 Due after one year 129,851 Total 199,204	2. Outstanding lease commitments as of balance sheets date Due within one year 72,025 Due after one year 146,883 Total 218,909
3. Lease payments, depreciation and interest equivalents Lease payments 95,229 Depreciation equivalents 83,910 Interest equivalents 8,781	3. Lease payments, depreciation and interest equivalents Lease payments 42,167 Depreciation equivalents 38,675 Interest equivalents 3,061	3. Lease payments, depreciation and interest equivalents Lease payments 100,052 Depreciation equivalents 90,074 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 period using the simple-interest method.	4. Calculation of accumulated depreciation equivalents Same as on the left.	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 period using the simple-interest method.	5. Calculation of interest equivalents Same as on the left.	5. Calculation of interest equivalents Same as on the left.

6. Segment Information

(1) Segment information by business category

(thousands of yen)

Interim 2002 (April 1, 2002 to September 30, 2002)						
Division	Equipment-related business	Electronic devices business	CMS business	Total	Elimination or Company-wide	Consolidated
Net sales						
(1) Net sales to third parties	3,412,018	2,357,688	492,853	6,262,560	-	6,262,560
(2) Internal sales and transfers	-	2,255	-	2,255	[2,255]	-
Total	3,412,018	2,359,943	492,853	6,264,815	[2,255]	6,262,560
Operating expenses	3,379,337	1,961,466	599,163	5,939,967	[2,255]	5,937,712
Operating income (loss)	32,681	398,476	(106,310)	324,847	[-]	324,847

Interim 2003 (April 1, 2003 to September 30, 2003)						
Division	Equipment-related business	Electronic devices business	CMS business	Total	Elimination or Company-wide	Consolidated
Net sales						
(1) Net sales to third parties	3,778,384	1,819,411	1,227,138	6,824,934	-	6,824,934
(2) Internal sales and transfers	-	1,322	-	1,322	[1,322]	-
Total	3,778,384	1,820,734	1,227,138	6,826,257	[1,322]	6,824,934
Operating expenses	3,750,928	1,614,157	1,429,245	6,794,330	13,622	6,807,953
Operating income (loss)	27,456	206,576	(202,106)	31,926	[14,945]	16,981

FY 2002 (April 1, 2002 to March 31, 2003)						
Division	Equipment-related business	Electronic devices business	CMS business	Total	Elimination or Company-wide	Consolidated
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

Notes: 1. The business segmentation listed above is based on similarity in use of products and form of transactions.

(1) Equipment-related business: Vacuum feedthroughs, quartz products, etc. for manufacturing devices of semiconductors and FPDs

(2) Electronic devices business: Computer seals applied for HDDs and thermoelectric modules used for thermostats

(3) CMS business: Items produced by commission from other manufacturers. Detail is not disclosed here because of broad range of products and fiduciary obligation of confidentiality.

(2) Geographical segment information

(thousands of yen)

Interim 2002 (April 1, 2002 to September 30, 2002)						
Division	Japan	Asia	USA & Europe	Total	Elimination or Company-wide	Consolidated
Net sales						
(1) Net sales to third parties	4,078,632	341,640	1,842,287	6,262,560	-	6,262,560
(2) Internal sales and transfers	345,008	1,170,822	5,678	1,521,510	[1,521,510]	-
Total	4,423,641	1,512,463	1,847,965	7,784,070	[1,521,510]	6,262,560
Operating expenses	4,449,715	1,471,136	1,627,396	7,548,248	[1,610,535]	5,937,712
Operating income	(26,074)	41,326	220,569	235,822	89,025	324,847
Interim 2003 (April 1, 2003 to September 30, 2003)						
Division	Japan	Asia	USA & Europe	Total	Elimination or Company-wide	Consolidated
Net sales						
(1) Net sales to third parties	3,979,270	880,092	1,965,572	6,824,934	-	6,824,934
(2) Internal sales and transfers	1,227,122	2,024,844	23,209	3,275,176	[3,275,176]	-
Total	5,206,392	2,904,936	1,988,782	10,100,111	[3,275,176]	6,824,934
Operating expenses	5,273,670	2,883,947	1,927,447	10,085,065	[3,277,111]	6,807,953
Operating income (loss)	(67,277)	20,988	61,335	15,046	1,935	16,981
FY 2002 (April 1, 2002 to March 31, 2003)						
Division	Japan	Asia	USA & Europe	Total	Elimination or Company-wide	Consolidated
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

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) Overseas sales

(thousands of yen)

Division			Asia	USA & Europe	Total
Interim 2002 (April 1, 2002 to September 30, 2002)	I	Overseas sales	1,254,796	1,842,287	3,097,083
	II	Consolidated sales	-	-	6,262,560
	III	Share of overseas sales among the consolidated sales	20.0%	29.4%	49.5%
Division			Asia	USA & Europe	Total
Interim 2003 (April 1, 2003 to September 30, 2003)	I	Overseas sales	1,173,854	1,965,572	3,139,427
	II	Consolidated sales	-	-	6,824,934
	III	Share of overseas sales among the consolidated sales	17.2%	28.8%	46.0%
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.

7. Production, Orders and Sales

(1) Production

Production amounts by business category in the Interim period under review are as follows:

(thousands of yen)

Business category	Production amount	
		Year-on-year ratio
Equipment-related	3,407,148	114.4%
Electric devices	1,882,125	83.5%
CMS (contract manufacturing service)	1,125,770	264.9%
Total	6,415,043	113.4%

Note: 1. Amounts are stated at sales price.
2. The above amounts are exclusive of consumption taxes.

(2) Orders

Orders received by business category for the Interim period under review are as follows:

(thousands of yen)

Business category	Orders received		Orders outstanding	
		Year-on-year ratio		Year-on-year ratio
Equipment-related	3,796,862	109.0%	1,235,908	115.3%
Electric devices (made-to-order items)	989,332	60.5%	156,219	59.8%
CMS (contract manufacturing service)	1,374,440	318.3%	259,335	156.2%

Notes: 1. Thermoelectric modules of the electronic devices business are produced in prospect of demands.
2. The above amounts are exclusive of consumption taxes.

(3) Sales

Sales amounts by business category for the Interim period under review are as follows:

(thousands of yen)

Business category	Production amount	
		Year-on-year ratio
Equipment-related	3,778,384	110.7%
Electric devices	1,819,411	77.2%
CMS (contract manufacturing service)	1,227,138	249.0%
Total	6,824,934	109.0%

Note: The above amounts are exclusive of consumption taxes.

8. Securities

Interim 2002（As of September 30,2002）

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

(thousands of yen)

	Acquisition cost	Carrying value	Unrealized gain/loss
(1) Shares	482,587	301,505	(181,082)
(2) Bonds	-	-	-
(3) Others	289,204	207,117	(82,086)
Total	771,791	508,622	(263,169)

2. Securities without market quotations

(thousands of yen)

	Carrying value on the interim consolidated balance sheets
(1) Bonds held to maturity	
Unlisted bonds	278,000
(2) Other securities	
Unlisted shares	288,531
Unlisted bonds	76,940

Interim 2003（As of September 30,2003）

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

(thousands of yen)

	Acquisition cost	Carrying value	Unrealized gain/loss
(1) Shares	553,446	771,449	218,003
(2) Bonds	-	-	-
(3) Others	237,233	234,866	(2,366)
Total	790,679	1,006,316	215,636

2. Securities without market quotations

(thousands of yen)

	Carrying value on the interim consolidated balance sheets
(1) Bonds held to maturity	
Unlisted bonds	284,000
(2) Other securities	
Unlisted shares	135,475
Unlisted bonds	78,076

FY2002（As of March 31, 2003）

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

(thousands of yen)

	Acquisition cost	Carrying value	Unrealized gain/loss
(1) Shares	482,587	251,154	(231,433)
(2) Bonds	-	-	-
(3) Others	236,990	200,257	(36,733)
Total	719,578	451,411	(268,166)

2. Securities without market quotations

(thousands of yen)

	Carrying value on the consolidated balance sheets
(1) Bonds held to maturity	
Unlisted bonds	281,000
(2) Other securities	
Unlisted shares	348,989

9. Derivatives

Interim 2002 April 1, 2002 – Sept. 30, 2002	Interim 2003 April 1, 2003 – Sept. 30, 2003	FY 2002 April 1, 2001- March 31, 2003
It is omitted here because all derivatives transactions outstanding as of the end of the interim period under review are applicable to the hedge accounting.	Same as on the left.	It is omitted here because all derivatives transactions outstanding as of the end of the fiscal year under review are applicable to the hedge accounting.

10. Per share data

(yen)

Interim 2002 April 1, 2002 – Sept. 30, 2002	Interim 2003 April 1, 2003 – Sept. 30, 2003	FY 2002 April 1, 2001- March 31, 2003
Net worth per share 844.25 Net loss per share 9.78 Diluted net income per share is omitted due to net loss for the interim period under review.	Net worth per share 787.21 Net loss per share 29.33 Diluted net income per share is omitted due to net loss for the interim period under review.	Net worth per share 806.82 Net loss per share 52.23 Diluted net income per share is omitted due to net loss for the fiscal year under review.

(thousands of yen)

	Interim 2002 April 1, 2002 – Sept. 30, 2002	Interim 2003 April 1, 2003 – Sept. 30, 2003	FY 2002 April 1, 2001- March 31, 2003
Net loss	168,765	499,962	899,140
Amount not attribute to shareholders	—	—	—
Net loss attributing to common stock	168,765	499,962	899,140
Average number of shares outstanding	17,249,802	17,047,084	17,215,340
Dilutive potential shares excluded from the dilution information due to improbability (shares)	Dilutive potential shares: Stock subscription rights Common shares: 890,100 shares	Dilutive potential shares: Stock subscription rights Common shares: 1,290,100 shares	Dilutive potential shares: Stock subscription rights Common shares: 890,100 shares

11. Significant subsequent events

Interim 2002 April 1, 2002 - Sept. 30, 2002	Interim 2003 April 1, 2003 - Sept. 30, 2003	FY 2002 April 1, 2001- March 31, 2003
―――――	Swiss franc Convertible bonds stock subscription rights: The Company resolved to issue Swiss franc convertible bonds with stock subscription rights at board meetings on October 28 and 30, 2003, and issued as follows; 1. Total issue: 23,000,000 Swiss franc in face value 2. Issue price: At par of face amount 3. Issue date: November 17, 2003 4. Maturity: March 31, 2008 5. Coupon rate: 0.125% p.a. on face amount 6. Exercise price: 900 yen per share 7. Security: Non-secured and non-guaranteed 8. Total number of stock subscription rights: 460 units 9. Issue price of a subscription right: Nil 10. Amount to be paid for a share issued on exercise of subscription right: Equals to the issue price of the convertible bond 11. Exercise period of subscription right: From April 1, 2004 to March 17, 2008 12. Use of funds raised: To finance certain subsidiaries and use for operating capital, including investment in future businesses	―――――

**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.*