May 21, 2004

Consolidated Financial Results
(April 1, 2003 - March 31, 2004)
for the Fiscal Year Ended March 2004

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, 2004
Accounting method:	Japanese GAAP

1. Financial Results (April 1, 2003 - March 31,2004)

(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 (%)
Fiscal Year Ended March 2004	15,000	16.8	615	452.6	(177)	-
Fiscal Year Ended March 2003	12,845	(13.1)	111	(87.8)	(626)	-

	Net Income		Net Income per Share (Basic)	Net Income per Share (Diluted)
	million yen	%	yen	yen
Fiscal Year Ended March 2004	(645)	-	(37.89)	-
Fiscal Year Ended March 2003	(899)	-	(52.23)	-

	Return on equity	Ordinary income to total assets	Ordinary income to net sales
	%	%	%
Fiscal Year Ended March 2004	(4.9)	(0.6)	(1.2)
Fiscal Year Ended March 2003	(6.1)	(4.2)	(4.9)

Notes: 1. Equity in earnings (losses) of consolidated subsidiaries and affiliates (millions of yen)
Fiscal Year Ended March 2004: (128)
Fiscal Year Ended March 2003: (53)
2. Average number of shares outstanding (consolidation)
Fiscal Year Ended March 2004: 17,029,145 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.
5. We have not listed “net income per share (diluted)” for FY3/03 and FY3/04 because net income per share was negative in those years.

(2) Financial Position

	Total Assets	Shareholders' Equity	Equity to Total Assets Ratio	Shareholders' Equity per Share
	million yen	million yen	%	yen
As of March 31, 2004	28,934	12,555	43.4	738.06
As of March 31, 2003	28,279	13,824	48.9	806.82

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

As of March 31, 2004: 17,011,206 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
Fiscal Year Ended March 2004	1,126	(2,229)	1,366	3,123
Fiscal Year Ended March 2003	(321)	(3,494)	2,827	2,812

(4) Scope of consolidation and application of equity method

Consolidated subsidiaries: 11

Non-consolidated subsidiaries accounted for by the equity method: 0

Affiliates accounted for by the equity method: 2

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

Consolidated subsidiaries

Newly added: 1

Excluded: 0

Affiliates accounted for under the equity method

Newly added: 1

Excluded: 0

2. Forecast for the Fiscal Year Ending March 2005 (April 1, 2004 – March 31, 2005)

	Net Sales	Operating Income	Ordinary Income	Net Income
	million yen	million yen	million yen	million yen
First half	9,500	730	540	200
Full year	20,000	1,200	850	350

Note: Forecast net income per share for full year: (20.57) yen

Notes: The above-mentioned forecast is premised on information obtainable as of the date of publication of this data and assumptions regarding uncertain factors as of the date of this data, which may affect future performances. It is possible that actual performance may vary significantly from this forecast. Please refer to pages 9 of these attached documents for points regarding the assumption for and the use of performance forecasts.

1.The Ferrotec Group

The Ferrotec Group (the “Group”) consists of Ferrotec Corporation (the “Company”) and 18 subsidiaries and affiliates (“Members”: 11 consolidated subsidiaries, 2 equity-method affiliate, 4 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 liquid crystal display (LCD) manufacturing, thermoelectric modules for thermostatic control systems, and computer seals for hard disk drives (HDDs).

The following categories are the same as those for segment information by business.

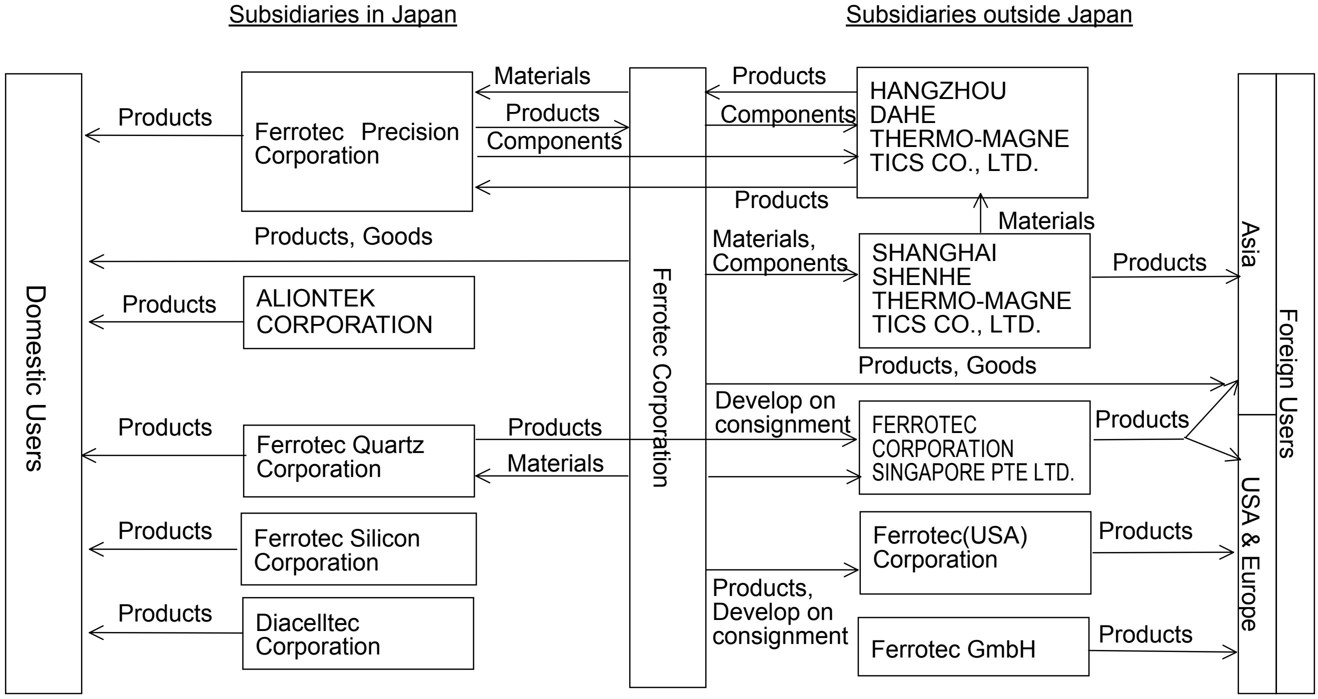
The chart below shows the relationship between the Company and Members for each business category.

	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	o	ALIONTEK 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 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	o	o	Ferrotec (USA) Corporation
				o	SHANGHAI SHENHE THERMO-MAGNETICS CO., LTD.
				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	Ferrotec Silicon Corporation
			o	o	Diacelltec Corporation

Note: Certain major product items are not shown above mainly due to there being 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 four 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 the business with each of them is not customary.

Ferrotec Group



2. Management policies

1) Basic management policy

We aim to become a global manufacturer, not just limited to the electronics industry, that continues to expand core manufacturing technologies to provide high-quality products at globally competitive prices. We also hope to become a company with growth prospects our shareholders can enjoy looking forward to.

With these aims in mind, our basic management policy is to create a corporate group with a high earnings structure by focusing on developing new materials, including ferrofluids, and production technologies, to raise our global market share.

2) Basic profit-sharing principles

Returning profits to shareholders is of the utmost importance to management. We intend to distribute stable profits to shareholders, while maintaining some reserves to strengthen our corporate structure for future growth.

3) Targeted profit indices

We aim for ROE of 10%, and EPS of ¥100, although we are currently investing in capital equipment at a Chinese subsidiary, establishing new subsidiaries, and engaging in M&A activity to expand our business.

4) Medium to long-term business strategy

We expect the electronics industry to continue to expand over the medium to long term along with greater penetration of sophisticated information technology. However, we believe the extremely fast pace of technological progress will create more intense global competition. Our Group must aggressively open new domestic and overseas markets based a medium to long-term strategy that includes technological tie-ups and M&A activity, and of course continue to develop new technologies and reduce manufacturing costs, in order to maintain stable growth.

We intend to expand use of our Chinese subsidiary not only as a manufacturing base, but as a marketing base, and to expand product supply to USA and Europe through our US subsidiary.

Using the funds obtained from the issue of Swiss Franc convertible bonds with stock acquisition rights in November 2003, we have expanded our mainstay products business, and expect greater earnings as a result; we have also expanded our CMS (contract manufacturing service) business, leveraging our expertise in production technology accumulated over many years, to better meet the needs of our global customers. We expect the conversion of convertible bonds to improve our financial condition by strengthening shareholders' equity and reducing interest-bearing debt.

5) Corporate challenges

A major challenge in the electronics industry, of which our company is a part, is dealing with the significant fluctuation in product supply-demand and capital investment trends. We intend to reduce manufacturing costs further, rationalize our domestic manufacturing bases, and expand production in China, to cope in times when demand stagnates for electronic products. We intend to raise sales and profits by strengthening marketing to USA and European markets.

We expect strong growth in electronic products in the Chinese market going forward. China will therefore play an increasingly important role not just in our manufacturing strategy, but our sales strategy as well. We will develop and launch new strategic products, transfer production technology to our Chinese subsidiary, and strengthen personnel support of overseas production and sales management. We have invested in new businesses, such as our CMS business, and will work to improve profits and recover invested funds, by securing stable production volumes through greater productivity.

6) Basic principles and practice of corporate governance

(Basic corporate governance principles)
Our basic corporate governance principle is to ensure fair and speedy management through a clear demarcation of the boundaries between decision-making, auditing, and business execution.

(Basic practice of corporate governance)
a. Corporate governance structure (decision-making, auditing, business execution, etc.)
Our company's board of directors is composed of six members who meet regularly once a month, but also convene when important matters arise. We have introduced an executive officer committee for business execution, and an auditors committee composed of three outside directors who participate actively in board of director meetings and ensure appropriate business execution. We have an internal auditing office, directly responsible to the president, that monitors business across all group companies, and has appropriate functions to ensure compliance with all applicable laws and internal regulations.

We have a contract with the Anderson Mori law firm (Goto law firm from April 1, 2004) to receive legal advice when necessary, and a contract with consulting firm Deloitte Touche Tohmatsu to audit our interim and full fiscal year financial statements.

b. Summary of personal, financial, business, and other relationships between our company and external auditors

We have no particular relationship with any of our three external auditors (of which one is a standing auditor). Furthermore, none of these auditors come from the parent company or any of our affiliated group companies.

c. Efforts over the past year to improve corporate governance

We established a management strategy committee composed of board directors, executive officers, and subsidiary representatives, which examine basic business execution policies and other important matters, and work to improve the parent and group management structure.

We held our General Shareholders' meeting in June 2003 on a day when most other companies did not hold their shareholder meetings to enable greater participation, and held a reception afterward to encourage communication between shareholders and management. We disclose quarterly financial results on our company web site, and have established an automatic fax service for investors. We hold analyst meetings regarding our fiscal results twice a year, and meetings with individual investors several times a year.

3. Business results and financial condition

Consolidated FY3/04 (April 1, 2003 - March 31, 2004) business results

The Japanese economy in FY3/04 was impacted by a delay in economic recovery in the US on geopolitical concerns, and faced temporary economic stagnation due to the SARS scare particularly in China and Southeast Asia.

The electronics industry, of which our company is a part, saw strong demand for components geared for some digital consumer products such as camera phones, thin-screen TVs, and DVD recorders; additionally, semiconductor production equipment demand began to recover from the end of 2003. That said, the recovery in consumption was weak due to sharp yen appreciation from September 2003, and uncertainty over the future of the economy.

In this difficult economic environment, we transferred a portion of our domestic subsidiary's quartz production lines to our Chinese subsidiary, and made other efforts to improve earnings. The SARS scare caused delays in the introduction of capital equipment to China in our CMS business, and delayed marketing activities, which pressured first-half earnings. However, operations were running smoothly by the latter part of the second half of the fiscal year.

FY3/04 consolidated sales were 15,000 million yen (+16.8% year-over-year) and operating income was 615 million yen (+452.6% year-over-year) due to SG&A cost reductions across group companies; however, we posted an ordinary loss of 177 million yen due to forex losses related to yen-denominated bond holdings at overseas subsidiaries on yen appreciation, and a net loss of 645 million yen on costs from the closure of a portion of our domestic subsidiary's quartz factory, and the emergence of investment security valuation losses.

We have three business divisions: the equipment-related business, the electronic devices business, and the CMS business. Below is a summary of results by business division for consolidated FY3/04:

Equipment-related business

Mainstay products in this business include vacuum feedthroughs, quartz products, and silicon products.

Sales of vacuum feedthroughs, which are used in semiconductor and LCD panel production equipment, increased sharply, and significantly exceeded our forecast due to a recovery in capital equipment investment from the end of 2003. Sales of quartz products, production of which we are shifting to our Chinese subsidiary, increased year-over-year, but fell short of our target due to weak semiconductor production at the start of the fiscal year, and a delay in the transfer of production lines to our Chinese subsidiary due to the SARS scare. The successful shift of production to China in the latter part of the second half of the fiscal year helped lower costs and increase profitability. Sales of silicon products fell slightly short of target due to weak market prices in the first half.

Sales in the equipment-related business were 7,921 million yen (+15.6% year-over-year), and operating income 374 million yen.

Electronic devices business

Mainstay products in this business include computer seals, thermoelectric modules, and ferrofluid.

Sales of computer seals, used primarily in hard disk drives (HDDs) of corporate servers, were generally in line with target. Sales of thermoelectric modules used in thermostatic seats for automobiles increased, but fell short of plan due to production adjustment at clients. Sales of ferrofluid for audio speakers were generally in line with plan.

Sales in the electronic devices division were 3,623 million yen (-15.2% year-over-year), and operating income 479 million yen (-4.4%).

CMS (contract manufacturing service) business
We produce a variety of products on contract for other companies in this business. Our confidentiality agreement with clients prevents us from disclosing details, but we can disclose that we process silicon wafer, make machine tools, and refurbishment of parts used for semiconductor or FPD manufacturing equipment.

Sales increased due to growth in silicon wafer processing and other contracting services, but we produced operating losses due to start-up and SARS-related costs.

Sales in the CMS business were 3,458 million yen (+100.8% year-over-year), and operating losses 221 million yen.

The breakdown of sales and profits by region was as follows:

(millions of yen)

	Japan		Asia		USA / Europe	
	Amount	YoY change	Amount	YoY change	Amount	YoY change
Sales	11,490	+24.8%	6,643	+81.3%	3,819	-0.1%
Operating Income	123	-	223	-	203	-37.4%

Note: Sales include inter-divisional sales.

Consolidated FY3/04 (April 1, 2003 - March 31, 2004) financial condition

Cash and cash equivalents at end FY3/04 increased 311 million yen year-over-year to 3,123 million yen, due primarily to the issue of convertible bonds with stock acquisition rights, although net losses before taxes and other adjustments was 559 million yen.

Consolidated FY3/04 cash flows, by activity, were as follows:

(Cash flow from operating activities)
Cash flow from operating activities was 1,126 million yen (an increase of 1,447 million yen year-over-year), despite 559 million yen in net losses before taxes and other adjustments (a 267 million yen improvement year-over-year), as a good portion of costs were due to depreciation (which does not cause cash outflow), and accounts payable increased.

(Cash flow from investing activities)
Cash flow used in investing activities was 2,229 million yen (a decline of 1,264 million yen year-over-year) primarily due to capital equipment investment at the Chinese subsidiary.

(Cash flow from financing activities)
Cash flow from financing activities was 1,366 million yen (a decline of 1,460 million yen year-over-year) due primarily to the issue of Swiss Franc convertible bonds with stock acquisition rights.

Cash flow indices

	FY 2000	FY 2001	FY 2002	FY 2003
Shareholders' equity ratio (%)	48.3	57.4	48.9	43.4
Equity ratio by market capitalization (%)	139.7	105.3	37.0	51.7
Redeemable period of debts (years)	3.2	3.1	-	11.1
Interest coverage ratio	11.2	10.8	-	3.8

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 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.

Consolidated FY3/05 (April 1, 2004 - March 31, 2005) outlook

The electronics industry appears to be heading for a sharp recovery, but there is still much uncertainty: terrorist attacks throughout the world remain a source of concern, expectations for higher interest rates have caused forex rates to fluctuate strongly, prices for crude oil and other raw materials have surged. These uncertain factors could negatively impact capital investment spending and corporate profits in the electronics industry.

We see strength in the equipment-related business during early FY3/05 as semiconductor production equipment investment is picking up, and we expect greater orders in the robust flat panel display (LCD and PDP) market.

We intend to focus more resources on the electronic devices business to improve earnings in the thermoelectric modules business, where orders are strong, and to ensure the rapid attainment of profitability for FFBs (ferrofluid film bearing), for which we have just shipped samples to potential clients.

We will work to recover investments in the CMS business by first and foremost raising productivity through a focus on quality and by significantly raising capacity utilization.

We forecast FY3/05 consolidated sales of 20,000 million yen, operating income of 1,200 million yen, ordinary income of 850 million yen, and net income of 350 million yen.

We assume a forex rate of 105 yen/$ for FY3/05.

4. Plan and actual use (thus far) of funds raised from public subscriptions

We summarize the plan and actual use thus far of the 1,844 million yen in funds we procured from the issue of Swiss Franc convertible bonds with stock acquisition rights on 17 November 2003 (Swiss time). Note that the current plan is not fixed.

(Plan for use of funds)
For investments and loans at subsidiaries, as well as operating funds (including investment in future lines of business).

(Use of funds thus far)
Generally in line with plans.

5. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(thousands of yen)

Item \ Period		FY 2002 As of March 31, 2003 Amount	%	FY 2003 As of March 31, 2004 Amount	%	YoY change
Assets						
I Current assets						
Cash and deposits		2,860,432		3,123,532		263,100
Notes and accounts receivable		3,444,918		4,298,715		853,796
Inventories		2,971,153		2,791,211		(179,942)
Deferred tax assets - current		108,270		113,596		5,326
Other current assets		1,266,366		1,789,459		523,093
Allowance for doubtful receivables		(108,061)		(140,366)		(32,305)
Total current assets		10,543,080	37.3	11,976,148	41.4	1,433,068
II Fixed assets						
(1) Tangible fixed assets	*1					
Buildings and structures	*4	3,631,548		3,234,817		(396,731)
Machinery and equipment		2,634,047		3,445,614		811,567
Tools, furniture and fixtures		1,198,985		963,851		(235,134)
Land	*4	2,673,349		2,602,123		(71,226)
Construction in progress		1,057,438		375,822		(681,616)
Total tangible fixed assets		11,195,370	39.6	10,622,228	36.7	(573,141)
(2) Intangible assets						
Goodwill		1,928,806		1,715,967		(212,839)
Consolidation adjustment		488,454		409,980		(78,474)
Other intangible assets	*4	562,966		518,474		(44,491)
Total intangible assets		2,980,228	10.5	2,644,422	9.1	(335,805)
(3) Investments and advances						
Investment securities	*2	1,273,511		1,643,236		369,725
Long-term loans receivable		389,924		48,649		(341,275)
Deferred tax assets – non current		646,247		381,272		(264,974)
Other investments and advances	*2	1,271,901		1,641,475		369,573
Allowance for doubtful investments		(21,050)		(22,446)		(1,395)
Total investments and advances		3,560,534	12.6	3,692,188	12.8	131,653
Total fixed assets		17,736,133	62.7	16,958,839	58.6	(777,293)
Total Assets		28,279,213	100.0	28,934,988	100.0	655,775

(thousands of yen)

Item \ Period		FY 2002 As of March 31,2003 Amount	%	FY 2003 As of March 31,2004 Amount	%	YoY change
Liabilities						
I Current liabilities						
Notes and accounts payable		1,053,287		1,889,214		835,926
Short-term borrowings	*4	3,363,439		3,197,265		(166,724)
Current portion of long-term debt	*4	2,159,249		2,401,786		242,537
Accrued income taxes		132,997		52,801		(80,195)
Reserve for bonuses payable		127,710		107,394		(20,315)
Other current liabilities		1,788,179		1,605,505		(182,674)
Total current liabilities		8,624,864	30.5	9,253,967	32.0	629,103
II Long-term liabilities						
Convertible bonds with stock acquisition right		-		1,870,150		1,870,150
Bonds		599,500		-		(599,500)
Long-term borrowings	*4	4,933,809		5,053,481		119,672
Liability for retirement benefits		51,753		26,609		(25,144)
Liability for retirement benefits to officers		95,700		105,600		9,900
Deferred tax liabilities		-		377		377
Other long-term liabilities		97,625		45,104		(52,520)
Total long-term liabilities		5,778,388	20.4	7,101,323	24.5	1,322,934
Total Liabilities		14,403,252	50.9	16,355,291	56.5	1,952,038
Minority interests						
Minority interests		51,627	0.2	24,479	0.1	(27,148)
Shareholders' Equity						
I Common stock		5,824,907	20.6	5,824,907	20.1	-
II Capital surplus		6,700,406	23.7	6,700,406	23.2	-
III Retained earnings		1,075,557	3.8	293,249	1.0	(782,308)
IV Unrealized holding loss on securities		(76,419)	(0.3)	210,429	0.7	286,848
V Cumulative translation adjustment		399,485	1.4	(313,692)	(1.1)	(713,177)
VI Treasury stock	*3	(99,605)	(0.3)	(160,082)	(0.6)	(60,477)
Total Shareholders' Equity		13,824,332	48.9	12,555,217	43.4	(1,269,114)
Total Liabilities, Minority Interests and Shareholders' Equity		28,279,213	100.0	28,934,988	100.0	655,775

(2) Consolidated Statements of Income

(thousands of yen)

Item		FY 2002 April 1, 2002 - March 31, 2003 Amount	%	FY 2003 April 1, 2003 - March 31, 2004 Amount	%	YoY change
I Net sales		12,845,187	100.0	15,000,439	100.0	2,155,251
II Cost of sales	*2	8,200,834	63.8	10,218,908	68.1	2,018,073
Gross profit		4,644,352	36.2	4,781,531	31.9	137,178
III Selling, general and administrative expenses	*1,2	4,533,036	35.3	4,166,435	27.8	(366,600)
Operating income		111,316	0.9	615,095	4.1	503,779
IV Non-operating income						
Interest income		61,552		45,621		(15,930)
Dividend income		2,461		5,309		2,848
Lease income		52,829		34,838		(17,991)
Other non-operating income		49,681		93,305		43,624
Total non-operating income		166,524	1.3	179,074	1.2	12,550
V Non-operating expenses						
Interest expense		272,960		292,743		19,783
Loss on disposal of inventories		49,353		-		(49,353)
Loss on valuation of equity in investee		73,277		-		(73,277)
Equity in loss of non-consolidated subsidiaries		53,705		128,993		75,288
Foreign exchange losses		339,129		317,567		(21,562)
Other non-operating expenses		115,973		232,846		116,872
Total non-operating expenses		904,399	7.1	972,150	6.5	67,751
Ordinary loss		626,559	(4.9)	177,980	(1.2)	448,578
VI Extraordinary income						
Gain on sales of fixed assets	*3	113,290		5,203		(108,087)
Gain on sales of investment securities		-		92,685		92,685
Reversal of allowance for liquidation of affiliate		33,388		-		(33,388)
Other extraordinary income		15,631		5,231		(10,400)
Total extraordinary income		162,311	1.3	103,120	0.7	(59,191)
VI Extraordinary losses						
Loss on disposal of fixed assets	*4	49,190		73,467		24,276
Loss on valuation of investment		245,970		187,839		(58,130)
Closing expenses for plants		-		168,107		168,107
Extra retirement payments		23,237		20,869		(2,368)
Other extraordinary losses		44,416		34,498		(9,917)
Total extraordinary losses		362,814	2.8	484,782	3.2	121,967
Net loss before income taxes and minority interests		827,062	(6.4)	559,642	(3.7)	(267,419)
Current income taxes(benefit)		118,476	0.9	24,125	0.2	(94,351)
Deferred income taxes(benefit)		(41,258)	(0.3)	61,393	0.4	102,651
Minority interests		(5,141)	0.0	72	0.0	5,213
Net loss		899,140	(7.0)	645,234	(4.3)	(253,905)

(3) Consolidated Statements of Retained Earnings

(thousands of yen)

Item \ Fiscal year	FY 2002 April 1, 2002 - March 31, 2003 Amount		FY 2003 April 1, 2003 - March 31, 2004 Amount	
Capital surplus				
I Beginning balance of capital surplus		6,697,835		6,700,406
II Increase in capital surplus				
New share issue in capital increase	2,571	2,571	-	-
III Balance of capital surplus at end of period		6,700,406		6,700,406
Retained earnings				
I Beginning balance of retained earnings		2,170,498		1,075,557
II Decrease in retained earnings				
Net loss	899,140		645,234	
Decrease in retained earnings due to change of scope of consolidation	11,724		-	
Cash dividends	172,482		137,073	
Others	11,593	1,094,940	-	782,308
III Balance of retained earnings at end of period		1,075,557		293,249

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 / Period	FY 2002 April 1, 2002 - March 31, 2003 Amount	FY 2003 April 1, 2003 - March 31, 2004 Amount
I Cash flows from operating activities		
Net loss before income taxes and minority interests	(827,062)	(559,642)
Depreciation and amortization	1,101,705	1,180,088
Amortization of consolidation adjustments	114,823	115,936
Increase (decrease) in liability for retirement benefits	22,811	(25,144)
Increase (decrease)in liability for retirement benefits to officers	9,900	9,900
Increase (decrease) in reserve for bonuses payable	9,057	(16,162)
Increase (decrease) in allowance for doubtful receivables	(251,496)	37,320
Interest and dividend income	(64,013)	(50,931)
Interest expense	272,960	292,743
New shares issue expense	161	-
Corporate bond issue costs	-	25,361
Foreign exchange losses (gains)	11,894	102,292
Equity loss of non-consolidated subsidiaries	53,705	128,993
Loss on valuation of equity in investee	73,277	68,218
Loss on sales of tangible fixed assets	(113,290)	(5,203)
Loss on disposal of fixed assets	49,190	73,467
Closing expenses for plants	-	168,107
Loss on sales of investment securities	-	(90,685)
Loss on valuation of investment securities	245,970	187,839
Decrease (increase) in notes and accounts receivable	38,022	(967,636)
(Decrease) increase in inventories	(309,377)	56,155
(Decrease) increase in other assets	(248,980)	(43,057)
Increase (decrease) in notes and accounts payable	(138,397)	904,966
Increase (decrease) in other liabilities	(65,171)	(102,804)
Others	-	559
Sub-total	(14,311)	1,490,682
Interest and dividends received	57,822	44,220
Interest paid	(271,535)	(294,404)
Income taxes paid (refunded)	(93,362)	(114,329)
Net cash provided by (used in) operating activities	(321,386)	1,126,169

(thousands of yen)

Item / Period		FY 2002 April 1, 2002 - March 31, 2003 Amount	FY 2003 April 1, 2003 - March 31, 2004 Amount
II Cash flows from investing activities			
Increase (decrease) in time deposits		(48,427)	43,270
Payments for purchase of tangible fixed assets		(2,372,957)	(1,632,888)
Proceeds from sales of tangible fixed assets		477,377	34,078
Payments for business transferred	*2	(215,091)	-
Payments for purchase of investment securities		(180,270)	(295,750)
Proceeds from sales of investment securities		-	200,530
Income from acquisition of subsidiary stock on changes in consolidated accounts	*3	-	17,430
Payments for additional purchase of shares of consolidated subsidiary		(237,069)	(58,937)
Payments for purchase of shares of affiliates		(245,815)	(9,850)
Issuance of long-term loans receivable		(380,820)	(279,610)
Proceeds from loans receivable		2,708	950
Proceeds from other investing activities		35,751	69,990
Payment for other investing activities		(329,400)	(318,575)
Net cash used in investing activities		(3,494,016)	(2,229,362)
III Cash flows from financing activities			
Increase (decrease) in short-term borrowing		1,846,748	(19,422)
Proceeds from long-term borrowings		3,033,815	2,815,900
Payments of long- term borrowings		(1,784,833)	(2,542,941)
Income from issue of convertible bonds with stock acquisition rights		-	1,844,788
Redemption of bonds		-	(535,650)
Proceeds from issuance of new shares		5,068	-
Proceeds from purchase allocation of new shares to third party in consolidated subsidiary		-	2,736
Acquisition of treasury stock		(99,476)	(60,477)
Dividends paid		(172,148)	(137,218)
Dividends paid to minority shareholders		(2,145)	(916)
Net cash provided by financing activities		2,827,027	1,366,799
IV Effect of exchange rate changes on cash and cash equivalents		142,819	47,921
V Increase (decrease) in cash and cash equivalents		(845,556)	311,528
VI Cash and cash equivalents at the beginning of period		3,657,192	2,812,004
VII Increase in cash and cash equivalents of the new consolidated subsidiaries		368	-
VIII Cash and cash equivalents at end of period	*1	2,812,004	3,123,532

Basis for Presentation of Consolidated Financial Statements

1. Scope of Consolidation

Consolidated subsidiaries: eleven 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
- ALIONTEK CORPORATION
- Ferrotec Silicon Corporation
- Ferrotec Investments LLC
- Ferrotec GmbH

ALIONTEK CORPORATION, which we acquired in consolidated FY3/04, is included as a consolidated subsidiary.

Non-consolidated subsidiaries: four entities as follows;

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

We established Shanghai Broad International Trading Co., Ltd. and Shanghai Plating International Trading Co., Ltd. in consolidated FY3/04.

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

2. Application of Equity Method

Affiliates accounted for by the equity method: two entities as follows:

- Diacelltec Corporation
- Hangzhou Lingri Science and Technology Co., Ltd.

We apply the equity method to Hangzhou Lingri Science and Technology Co., Ltd. established in consolidated FY3/04.

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

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

We established Shanghai Broad International Trading Co., Ltd. and Shanghai Plating International Trading Co., Ltd. in consolidated FY3/04.
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.

3. Fiscal terms of consolidated subsidiaries

The fiscal term for consolidated subsidiary Aliontek Corporation ends 30 April, but we carried out a provisional closing of the books on 31 December 2003 for the subsidiary. The fiscal term for all other consolidated subsidiaries ends 31 December, and we have included these subsidiaries in consolidated results based on this date. We have made necessary adjustments to account for important transactions made up through the end of the consolidated term.

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.

we have applied Code 142 issued by the Financial Accounting Standards Board (US) concerning depreciation of goodwill and other intangible fixed assets for our US consolidated subsidiary; therefore we do not amortize goodwill automatically, but instead make a determination regarding write-downs once a year (or on the emergence of a factor that would cause write-downs to become necessary). We did not write down goodwill in the current consolidated fiscal year based on our judgment that this was not necessary.

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

We booked expected bonus payments for employees in the current consolidated fiscal year.

3) Liability for retirement benefits

The parent company and some domestic consolidated subsidiaries reserve funds for employee retirement benefits considered to have emerged in the current consolidated fiscal year based on an estimate of pension benefit obligations and pension assets at the end of the consolidated fiscal year. (This is not applicable to overseas consolidated subsidiaries.)

4) Liability for retirement benefits to officers

The parent company and some domestic consolidated subsidiaries reserve funds for the payment of retirement bonuses to officers; in line with company by-laws, 100% reserves are required at the end of the fiscal year. (This is not applicable to overseas consolidated subsidiaries.)

(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

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. 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.

Change in display format

(Consolidated statements of income)

"Loss on disposal of inventories" (42,048 thousand yen in the current consolidated fiscal year) and "loss on valuation of equity in investee" (68,218 thousand yen in the current consolidated fiscal year) were displayed separately in the previous consolidated fiscal year's statements, but are included in "others non-operating expenses" in the non-operating cost column of the current consolidated fiscal year because the costs are less than one-tenth of non-operating costs.

Notes to Consolidated Financial Statements
(Consolidated Balance Sheets)

(thousands of yen)

As of March 31, 2003		As of March 31, 2004	
*1. Accumulated depreciation of tangible fixed assets:	5,016,908	*1. Accumulated depreciation of tangible fixed assets:	4,545,338
*2. Notes regarding non-consolidated subsidiaries and affiliates The following are items related to non-consolidated subsidiaries and affiliates included in each category.		*2. Notes regarding non-consolidated subsidiaries and affiliates The following are items related to non-consolidated subsidiaries and affiliates included in each category.	
Investment in securities	192,110	Investment securities (stock)	72,967
		Investments and other assets (equity investments)	16,000
*3. Treasury stock	117,119 shares	*3. Treasury stock	240,119 shares
*4. Pledged assets		*4. Pledged assets	
Buildings and structures	696,196	Buildings and structures	663,404
Land	2,471,139	Land	2,291,139
Other intangible assets	263,626	Other intangible assets	235,552
Total	3,430,963	Total	3,190,097
Liabilities secured with the above listed collateral		Liabilities secured with the above listed collateral	
Short-term borrowings	282,854	Short-term borrowings	135,599
Current portion of long-term debt	507,073	Current portion of long-term debt	386,761
Long-term borrowings	1,325,299	Long-term borrowings	1,298,878
Total	2,115,226	Total	1,821,239
5. Discounted notes receivable:	176,252	5. Discounted notes receivable:	232,240

(Consolidated Statements of Income)

(thousands of yen)

FY 2002 April 1, 2002 - March 31, 2003		FY 2003 April 1, 2003- March 31, 2004	
*1. Significant components of selling, general and administrative expenses:		*1. Significant components of selling, general and administrative expenses:	
Salaries and wages	1,472,518	Salaries and wages	1,423,564
Provision for reserve for bonus payable	64,230	Provision for reserve for bonus payable	66,810
Provision for liability for retirement benefits to officers	9,900	Provision for liability for retirement benefits to officers	9,900
Provision for allowance for doubtful receivables	89,880	Provision for allowance for doubtful receivables	33,115
*2. Research and development expenditure included in selling, general and administrative expenses and production costs:	351,502	*2. Research and development expenditure included in selling, general and administrative expenses and production costs:	188,203
*3. It consists mainly of 110,278 thousand yen in gain on sale of land.		*3. Capital gains on sale of buildings: 2,110 thousand yen; Capital gains on sale of machinery: 1,713 thousand yen.	
*4. Building disposal losses of 40,098 thousand yen.		*4. Building disposal losses of 5,198 thousand yen, and machinery disposal losses of 57,027 thousand yen.	

(Consolidated Statements of Cash Flows)

(thousands of yen)

FY 2002 April 1, 2002 - March 31, 2003	FY 2003 April 1, 2003 - March 31, 2004
*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 *2. Major items increased due to business transferred to us Assets Current assets 86,145 Fixed assets 128,945 Total assets 215,091	*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. 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: ALIONTEK CORPORATION Current assets 176,790 Fixed assets 165,882 Consolidation adjustment 23,922 Current liabilities (174,912) Long-term liabilities (129,130) Minority equity interest (21,633) Acquisition payment for shares 40,920 Cash and cash equivalents 58,350 Net amount paid for / received from acquisition 17,430

(Lease Transactions)

(thousands of yen)

FY 2002 April 1, 2002 - March 31, 2003		FY 2003 April 1, 2003 - March 31, 2004	
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 fiscal year		1. Acquisition amount, accumulated depreciation and the balance of leased assets at end of fiscal year	
Machinery and equipment		Machinery and equipment	
Acquisition amount	321,594	Acquisition amount	220,576
Accumulated depreciation	183,992	Accumulated depreciation	147,179
Balance of leased assets at balance sheets date	137,601	Balance of leased assets at balance sheets date	73,397
Tools, furniture and fixtures		Tools, furniture and fixtures	
Acquisition amount	42,027	Acquisition amount	40,662
Accumulated depreciation	23,058	Accumulated depreciation	13,926
Balance of leased assets at balance sheets date	18,969	Balance of leased assets at balance sheets date	26,735
Others		Others	
Acquisition amount	74,162	Acquisition amount	79,452
Accumulated depreciation	18,116	Accumulated depreciation	21,355
Balance of leased assets at balance sheets date	56,045	Balance of leased assets at balance sheets date	58,096
Total		Total	
Acquisition amount	437,784	Acquisition amount	340,691
Accumulated depreciation	225,167	Accumulated depreciation	182,461
Balance of leased assets at balance sheets date	212,616	Balance of leased assets at balance sheets date	158,229
2. Outstanding lease commitments as of balance sheets date		2. Outstanding lease commitments as of balance sheets date	
Due within one year	72,025	Due within one year	51,582
Due after one year	146,883	Due after one year	110,646
Total	218,909	Total	162,229
3. Lease payments, depreciation and interest equivalents		3. Lease payments, depreciation and interest equivalents	
Lease payments	100,052	Lease payments	81,990
Depreciation equivalents	90,074	Depreciation equivalents	75,306
Interest equivalents	7,958	Interest equivalents	5,482
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.	
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.	

6. Segment Information

(1) Segment information by business category

(thousands of yen)

FY 2002 (April 1, 2002 to March 31, 2003)						
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
FY 2003 (April 1, 2003 to March 31, 2004)						
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	7,921,820	3,619,716	3,458,901	15,000,439	-	15,000,439
(2) Internal sales and transfers	-	3,428	-	3,428	[3,428]	-
Total	7,921,820	3,623,144	3,458,901	15,003,867	[3,428]	15,000,439
Operating expenses	7,547,379	3,143,397	3,680,042	14,370,819	14,523	14,385,343
Operating income (loss)	374,441	479,747	(221,141)	633,047	[17,951]	615,095
II Assets, depreciation and amortization and capital expenditure						
Assets	13,290,676	4,980,500	6,017,310	24,288,487	4,646,500	28,934,988
Depreciation and amortization	582,391	211,358	368,435	1,162,186	17,901	1,180,088
Capital expenditure	338,519	177,483	1,614,127	2,130,131	5,902	2,136,033

Notes:
1. The business segmentation listed above is 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 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.
3. Of operating costs in the previous consolidated fiscal year, elimination and unallotable operating costs in all company categories was 36,687 thousand yen, or depreciation of all company assets.
   Of operating costs in the current consolidated fiscal year, elimination and unallotable operating costs in all company categories was 17,951 thousand yen, or depreciation of all company assets.
4. 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.
   The amount of assets included in “elimination or company-wide” for the fiscal year March 2004 is 4,893,469 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.

(2) Geographical segment information

(thousands of yen)

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
FY 2003 (April 1, 2003 to March 31, 2004)						
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	8,937,469	2,314,774	3,748,195	15,000,439	-	15,000,439
(2) Internal sales and transfers	2,552,782	4,328,271	70,957	6,952,011	[6,952,011]	-
Total	11,490,251	6,643,046	3,819,152	21,952,450	[6,952,011]	15,000,439
Operating expenses	11,366,568	6,419,164	3,615,678	21,401,411	[7,016,068]	14,385,343
Operating income (loss)	123,682	223,882	203,473	551,038	64,056	615,095
II Assets	20,101,603	8,956,067	5,629,124	34,686,795	[5,751,807]	28,934,988

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. Of operating costs in the previous consolidated fiscal year, elimination and unallotable operating costs in all company categories was 36,687 thousand yen, or depreciation of all company assets.
Of operating costs in the current consolidated fiscal year, elimination and unallotable operating costs in all company categories was 17,951 thousand yen, or depreciation of all company assets.

4. 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.
The amount of assets included in “elimination or company-wide” for the fiscal year March 2004 is 4,893,469 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.

(3) Overseas sales

(thousands of yen)

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%
Division			Asia	USA & Europe	Total
FY 2003 (April 1, 2003 to March 31, 2004)	I	Overseas sales	2,964,673	3,748,195	6,712,868
	II	Consolidated sales	-	-	15,000,439
	III	Share of overseas sales among the consolidated sales	19.8%	25.0%	44.8%

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 fiscal year under review are as follows:

(thousands of yen)

Business category	Production amount	
		Year-on-year ratio
Equipment-related	6,653,684	113.0%
Electric devices	3,587,869	94.3%
CMS (contract manufacturing service)	3,300,474	201.9%
Total	13,542,027	119.6%

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 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	8,220,913	118.4%	1,516,523	138.9%
Electric devices (made-to-order items)	2,134,233	83.5%	273,300	150.6%
CMS (contract manufacturing service)	3,524,868	226.1%	103,000	63.2%

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	7,921,820	115.6%
Electric devices	3,619,716	84.8%
CMS (contract manufacturing service)	3,458,901	200.8%
Total	15,000,439	116.8%

Note: The above amounts are exclusive of consumption taxes.

8. Securities

(1) Securities with market quotations classified as “other securities”

(thousands of yen)

		As of March 31, 2004		
		Acquisition cost	Carrying value	Unrealized gain/loss
Securities with carrying value in excess of acquisition cost	(1) Shares	368,875	685,479	316,603
	(2) Bonds	-	-	-
	(3) Others	209,654	260,875	51,220
	Subtotal	578,530	946,354	367,823
Securities with carrying value lower than acquisition	(1) Shares	156,107	128,065	(28,041)
	(2) Bonds	-	-	-
	(3) Others	27,578	25,645	(1,933)
	Subtotal	183,685	153,711	(29,974)
Total		762,216	1,100,065	337,849

(2) Securities classified as “other securities” sold during the fiscal year under review
(April 1, 2003 to March 31, 2004)

(thousands of yen)

Total amount sold	Gains on sales	Losses on sales
200,530	92,685	2,000

(3) Securities without market quotations

(thousands of yen)

	As of March 31, 2004
	Carrying value on the consolidated balance sheets
(1) Bonds held to maturity	
Unlisted bonds	287,000
(2) Other securities	
Unlisted equities other than over-the-counter issues	183,203

(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	-	287,000	-	-
(3) Other bonds	-	-	-	-
2. Others	107,830	25,645	85,887	-
Total	107,830	312,645	85,887	-

9. Derivatives

Transactions

FY 2002 April 1, 2002 - March 31, 2003	FY 2003 April 1, 2003 - March 31, 2004
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. Transactions and the purposes Same as on the left.
(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.	(1) Hedge accounting Same as on the left.
(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	(2) Hedging instruments and risks hedged Same as on the left.
(3) Hedging policy The Group hedges fluctuation risks of interest rates and foreign currency exchanges in accordance with internal rules.	(3) Hedging policy Same as on the left.
(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.	(4) Assessing Effectiveness of Hedges Same as on the left.
2. Policy for derivatives The Company uses derivatives to avoid risks of fluctuating interest rates and foreign exchanges in future, not for speculation.	2. Policy for derivatives Same as on the left.
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.	3. Risks involved in derivatives Same as on the left.
4. Risk control on derivatives Treasury group executes derivative transactions and manages outstanding transactions in accordance with internal rules.	4. Risk control on derivatives Same as on the left.

Evaluation of Transactions

FY 2002 April 1, 2002 - March 31, 2003	FY 2003 April 1, 2003 - March 31, 2004
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.	Same as on the left.

10. 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, 2004

	(Thousand of yen)
Retirement benefit obligation	(256,448)
Pension assets at faire value	274,320
Obligation for retirement benefits	26,609
Prepaid pension expenses	44,481

(Included in “Other investments and advances” under Investments and advances)

(3) Retirement benefit expense

	(Thousand of yen)
Service cost	29,107
Extra retirement payments	20,869
Retirement benefit expenses	49,977

11. Deferred Income Taxes

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

	(thousands of yen) Current consolidated fiscal year (as of March 31, 2004)
Deferred tax assets	
Provision for reserve for bonuses payable excessive of deductible limit	46,551
Loss on valuation of investment securities denied and undeductible	80,596
Provision for liability for retirement benefits to officers excessive of deductible limit	42,675
Provision for allowance for doubtful receivables excessive of deductible limit	53,333
Loss on valuation of golf club membership denied and undeductible	22,412
Accumulated deficits	1,707,197
Loss on valuation of inventories	110,003
Others	52,221
Subtotal, deferred tax assets	2,114,992
Valuation allowance	(1,403,506)
Total, deferred tax assets	711,485
Deferred tax liabilities	
Unrealized holding loss on securities	(144,455)
Prepaid pension expenses	(13,394)
Shortfall in provision for depreciation	(58,148)
Others	(617)
Total, deferred tax liabilities	(216,616)
Deferred tax assets, net	494,869
Deferred tax assets, net	
Others	377
Total, deferred tax liabilities	377

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

	Current consolidated fiscal year (as of March 31, 2004)
Effective statutory tax rate	41.7%
(Reconciliation)	
Permanent differences arising from undeductible expenses such as entertainment expense	(2.4%)
Amortization of consolidation adjustment	(8.6%)
Installment of inhabitant taxes	(2.3%)
Valuation allowance	(26.5%)
Elimination of dividends received from overseas subsidiaries	(7.9%)
Adjustments of taxes levied overseas	(0.6%)
Taxation-wise accumulated deficits	(9.6%)
Others	0.9%
Tax rate after deferred tax treatments	(15.3%)

(3) Adjusted deferred tax assets and liabilities due to changes in corporate tax rates

The legal effective tax rate used to calculate deferred tax assets and liabilities was 41.7% for the liquid category, and 40.4 for the fixed category in the previous consolidated fiscal year; it was 40.4% for both the liquid and fixed categories in the current consolidated fiscal year.

The impact of this change is negligible.

12. Transactions with Related Parties

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

(1) Parent company and major corporate shareholders

Nothing is applicable for 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	Entity majority of whose voting rights are held by an officer and/or his/her relatives
Name		Anderson Mori	Tsubaki Management Research Institute, Ltd.
Address		Minato-ward, Tokyo	Totsuka Ward, Yokohama City, Kanagawa Prefecture
Common stock / equity		Not applicable	10,000
Business / position		Lawyer	Management consultant
Voting rights held		Not applicable	Director Isao Tsubaki directly owns 70%
Relationship	Position	Not applicable	Not applicable
	Business	Legal advisory agreement concluded with the Company	Not applicable
Transaction		Legal advisor	Consultant
Amount		6,333	1,524
Account title		Not applicable	Not applicable
Ending balance		Not applicable	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		Affiliate	
Name		Daiacelltec Corporation	
Address		Chuo Ward, Tokyo	
Common stock / equity		480,000	
Business / position		Manufacturing	
Voting rights		49% held by the Company	
Relationship	Position	Not applicable	
	Business	Not applicable	
Transaction		Loans made by the Company	
Amount		220,500	
Account title		Long-term loans receivable	Sort-term loans receivable
Ending balance		28,028	559,972

Note: 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.

13. Per share data

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

(yen)

Shareholders' equity per share	738.06
Net loss per share (basic)	37.89

We have not listed Net income per diluted share because we booked a net loss per share.

Note: The following is a reconsiliation of net loss per share (basic)

Net loss (thousand yen)	645,234
Net loss not available to common shareholders (thousand yen)	-
Not loss available to common shareholders (thousand yen)	645,234
Weighted average number of shares outstanding	17,029,145
Summary of potential stock not included in the calculation of net income per share (diluted) since there was no dilutive effect.	Stock options resolved at the General Shareholders' Meeting held 24 June 1999 Common stock 100,000 shares Stock options resolved at the General Shareholders' Meeting held 23 June 2000 Common stock 597,000 shares Stock options resolved at the General Shareholders' Meeting held 21 June 2002 Common stock 184,900 shares (New stock acquisition rights 1,849 units)) Stock options resolved at the General Shareholders' Meeting held 24 June 2003 Common stock 400,000 shares (New stock acquisition rights 4,000 units)) Swiss Franc convertible bonds with stock acquisition rights, 17 November 2003 (Swiss time) Common stock 2,104,500 shares (New stock acquisition rights 460 units)