FerroTec

November 26, 2004

Consolidated Interim Financial Results
(April 1, 2004 - September 30, 2004)
for the Fiscal Year Ending March 2005

Company:	Ferrotec Corporation
Stock code:	6890
Stock exchange listing:	JASDAQ
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Board meeting for approval:	November 26, 2004
Accounting method:	Japanese GAAP

1. Interim Financial Results (April 1, 2004 - September 30, 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 (%)
Interim ended Sept. 2004	10,783	58.0	1,063	6162.5	940	-
Interim ended Sept. 2003	6,824	9.0	16	(94.8)	(267)	-
Fiscal Year ended March 2004	15,000		615		(177)	

	Net Income		Net Income per Share (Basic)	Net Income per Share (Diluted)
	million yen	YoY change (%)	yen	yen
Interim ended Sept. 2004	458	-	26.80	23.99
Interim ended Sept. 2003	(499)	-	(29.33)	-
Fiscal Year ended March 2004	(645)		(37.89)	-

Notes: 1. Equity in earnings (losses) of non-consolidated subsidiaries and affiliates (millions of yen)
Interim ended September 2004: (99)
Interim ended September 2003: (81)
Fiscal Year ended March 2004: (128)
2. Average number of shares outstanding (consolidation)
Interim ended September 2004: 17,099,735 shares
Interim ended September 2003: 17,047,084 shares
Fiscal Year ended March 2004: 17,029,145 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, 2004	29,992	12,813	42.7	748.63
As of Sept. 30, 2003	28,075	13,391	47.7	787.21
As of March 31, 2004	28,934	12,555	43.4	738.06

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

As of September 30, 2004: 17,116,406 shares
As of September 30, 2003: 17,011,206 shares
As of March 31, 2004: 17,011,206 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. 2004	1,070	(953)	(251)	2,973
Interim ended Sept. 2003	701	(1,293)	69	2,336
Fiscal Year ended March 2004	1,126	(2,229)	1,366	3,123

(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: 0
- Excluded: 0

Affiliates accounted for under the equity method
- Newly added: 0
- 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
Full year	20,800	1,650	1,300	620

Note: Forecast net income per share for full year: 36.22 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 9 regarding assumptions for performance forecasts.

1. The Ferrotec Group

The Ferrotec Group (the “Group”) consists of Ferrotec Corporation (the “Company”) and 19 subsidiaries and affiliates (“Members”: 11 consolidated subsidiaries, 2 equity-method affiliates, 5 non-consolidated subsidiaries, and 1 non-equity-method affiliates).

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.

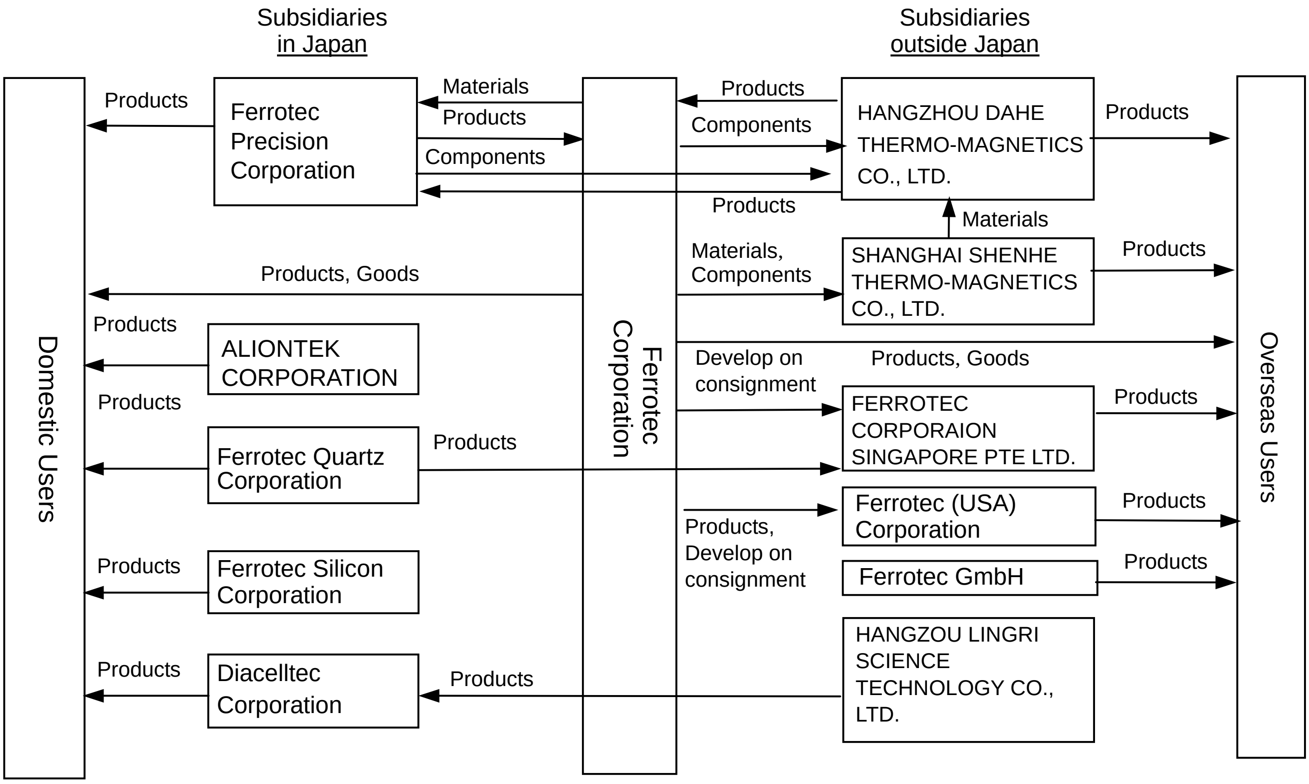
	Major products	Development	Manufacturing	Sales	Major Companies
Equipment- related business	Vacuum feedthroughs	o		o	Ferrotec Corporation
			o		Ferrotec Precision Corporation
			o		HANGZHOU DAHE THERMO-MAGNETICS CO., LTD.
		o	o	o	Ferrotec (USA) Corporation
	Quartz products		o	o	Ferrotec Quartz Corporation
			o	o	ALIONTEK CORPORATION
				o	FERROTEC CORPORATION SINGAPORE PTE LTD.
	Others		o	o	Ferrotec Corporation
			o	o	Ferrotec GmbH
			o	o	Ferrotec Silicon Corporation
Electronic device 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	Diacelltec Corporation
			o	o	HANGZOU LINGRI SCIENCE & TECHNOLOGY CO., LTD.

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 five-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) Basic management policy

Ferrotec Corporation aims to be a global manufacturer by improving and expanding core technologies, not only in the electronics industry, but in manufacturing in general, to offer high-quality products at internationally competitive prices. At the same time, we plan to continue actively pursuing environmental protection in all corporate endeavors, and are eager to be a company whose shareholders can look forward to future growth.

From this standpoint, our fundamental management policy is to focus on development of new materials such as ferrofluids, and manufacturing technologies, and by doing so, increase our share of the global market, while enhancing group profitability.

2) Basic profit-sharing principles

Based on our fundamental management policy, we believe it is important to return profits on a stable basis to shareholders, while also ensuring sufficient retained earnings to strengthen the company for future business expansion.

3) Targeted profit indices

We aim for ROE of 10%, and EPS of 100 yen, 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 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, and plan to expand product supply to European markets through our US subsidiaries.

We issued Swiss Franc convertible notes with stock acquisition rights in November 2003 to secure funds to build a new factory in Hangzhou, China, to expand our mainstay products business.

5) Current key issues

An important characteristic of the electronics industry is that product demand is very volatile, and capital investment fluctuates cyclically and sharply. To better cope when demand for electronic products stagnates, we intend to cut production costs further, rationalize our domestic production network, and shift it to China. We also intend to boost sales and profits by strengthening our sales branches and product development in the European market.

We believe it is increasingly important to have a marketing strategy for China as we expect the market there for electronic industrial products to expand in the near future. We also intend to step up transfer of production technologies and methods to our Chinese subsidiaries, support them in winning product certification from client companies, and provide them with more marketing support and information.

We have invested in new businesses, such as our CMS (contract manufacturing service) business, and will work to improve profits and recover invested funds, by securing stable production volumes through increased productivity.

6) Corporate governance principles

Basic policy on corporate governance:

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 seven members who hold the board meeting 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.

Our Company is engaged in a legal advisory agreement with Goto law firm, consulting the firm when necessary from time to time. Our Company has concluded an auditory contract with Deloitte Touche Tohmatsu as an accounting auditor. Tohmatsu audits our group regularly on closing accounts.

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 independent outside auditors, one of which is a standing auditor.

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 on a day when most other companies did not hold their shareholder's meeting 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 since 2002.

We broadcast two results meetings we have each year over the Internet, and hold several meetings with individual investors every year, including in regional cities.

3. Business results and financial condition

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

The global economy trended firm in the current consolidated interim period, driven by the US economy, which was supported by capital investment and consumer spending, and the Chinese economy, which continued strong growth. However, increasing tension in the Middle East and surging crude oil prices were causes of concern.

The electronics industry, of which our company is a part, saw many positive developments in the interim period: strong digital home electronics demand, particularly for flat-panel TVs and DVD recorders, due to the Athens Olympics; special demand for air-conditioners due to a summer heat wave; an expanding market for new music players that can download music from the Internet; greater demand for digital SLR cameras; and greater penetration of camera-embedded mobile phones in Asia.

In this environment, capital equipment investment grew steadily in the electronics industry, and this benefited our revenues. To strengthen our competitiveness in the expanding Chinese market, we transferred domestic quartz production lines to our Chinese subsidiaries, and began marketing activities there. In the CMS business, we fully launched silicon wafer processing following the introduction of technology and manufacturing equipment, and expanded sales channels for equipment parts cleansing. We had expected demand for our mainstay HDD computer seals to decline due to a shift in the HDD industry to FDB (fluid dynamic bearing) motors, however, demand was relatively stable due to delays in FDB motor adoption. The foreign exchange (forex) impact was minimal in the consolidated interim period due to comparatively stable forex markets.

In the current consolidated interim period, sales increased 58.0% on-year to 10,783 million yen, operating income increased 6,162.5% to 1,063 million yen, ordinary income was 940 million yen, and net income 458 million yen.

Our businesses are categorized into “equipment-related business,” “electronic devices business,” and “CMS business” by similarity in use of products and type orders.

Equipment-related business

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

Sales of vacuum feedthroughs, used in semiconductor and LCD panel production equipment, increased on-year and exceeded our initial forecast due to a rebound in capital investment at semiconductor makers, and expanding capital investment in LCD and PDP production equipment.

Sales of quartz products, the manufacturing of which we transferred to our Chinese subsidiaries, increased significantly on-year, due to greater sales from a more brisk market, and product certification from foreign companies looking to buy parts made in China.

Electronic devices business

Mainstay products in this business include computer seals, thermoelectric modules, and ferrofluid.
Sales of computer seals, which are used in HDDs geared for corporate server computers, exceeded our initial target as end-users pushed back plans to use next-generation FDB motors.

Sales of thermoelectric modules, used primarily for thermostatic seats in automobiles, exceeded our initial target due to strong demand from semiconductor and biotechnology applications.

Sales of ferrofluids met our target on firm demand from the car audio speaker application.

CMS (contract manufacturing service) business

We manufacture 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 that we are able to disclose are silicon wafer processing, machine tool assembly, and equipment parts cleansing.

Sales increased dramatically due to the full launch of silicon wafer processing, and our aggressive marketing to foreign LSI manufacturers in China enabled us to acquire certification—and orders—for equipment parts cleansing. Machine tool assembly for the Chinese market also trended strong.

Performance by business segment was as follows:

(millions of yen)

	Equipment-related business		Electronic devices business		CMS business	
	Amount	YoY change	Amount	YoY change	Amount	YoY change
Net sales	5,339	41.3%	2,115	16.2%	3,328	171.2%
Operating income	692	2423.4%	316	53.3%	75	-

Note: Net sales figures include interdivisional sales.

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	7,372	41.6%	5,850	101.4%	2,425	22.0%
Operating income	520	-	351	1574.5%	242	295.1%

Note: Net sales figures include interdivisional sales.

Forecast for the full consolidated fiscal year (April 1, 2004 - March 31, 2005)

We expect the domestic economy to gradually recover, but are concerned about high crude oil prices and other raw material prices, and the impact of yen appreciation on corporate earnings. The outlook is uncertain for the electronics industry, of which our company is a part, as we are concerned that robust capital equipment investment at semiconductor and LCD/PDP manufacturers is weakening due to inventory adjustment for electronic parts.

In this environment, we intend to maintain robust orders for quartz products in the equipment-related business by expanding product certification from US clients; we also plan to expand our vacuum feedthrough business by concluding an exclusive supply contract with AFC (Germany), and by strengthening our business strategy through the AFS (UK)'s acquisition of goodwill.

In the electronic devices business, we plan to pour resources into R&D and marketing of thermoelectric modules so we can expand sales, from primarily auto thermostatic seats, to a broad range of industries. We will also focus on developing volume manufacture of FFB (fluid film bearings) which use our core ferrofluid technology, to establish a solid medium to long-term earnings structure.

In the CMS business, we will work to ensure that the full launch of production leads to greater capacity utilization and yields, and ultimately greater profits.

We forecast full-year consolidated sales of 20,800 million yen, operating income of 1,650 million yen, ordinary income of 1,300 million yen, and net income of 620 million yen.

Our full-year forecasts are based on a foreign exchange rate of 105 yen to the U.S. dollar for the second half.

Cash flows position

Consolidated cash and cash equivalents fell to 2,973 million yen at the end of the interim period, down 150 million yen from the end of the previous fiscal year, and up 637 million yen from the end of the previous interim period.

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

[Cash flow from operating activities]
Cash flow from operating activities was 1,070 million yen (up 369 million yen on-year), mainly due to income before income taxes of 729 million yen (up 1,272 million yen on-year), and expenses like depreciation which do not cause cash outflow.

[Cash flow from investing activities]
Cash flow used in investing activities was 953 million yen (down 339 million yen on-year), mainly due to 1,100 million yen in payment for the purchase of tangible fixed assets, primarily capital equipment for our Chinese subsidiary's CMS business.

[Cash flow from financing activities]
Cash flow used in financing activities was 251 million yen (down 321 million yen on-year), mainly due to net debt outflow (inflow minus outflow) of 115 million yen, and dividends paid.

Cash flow indices

	FY 3/03		FY 3/04		FY 3/05
	Interim	Yearend	Interim	Yearend	Interim
Shareholders' equity ratio (%)	53.9	48.9	47.7	43.4	42.7
Equity ratio by market capitalization (%)	79.2	37.0	50.8	51.7	47.9
Redeemable period of debts (years)	-	-	16.1	11.1	11.5
Interest coverage ratio	-	-	4.5	3.8	7.0

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 = year-end stock price x year-end 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.

5. Interim Consolidated Financial Statements

(1) Interim Consolidated Balance Sheets

(thousands of yen)

Item / Period		As of Sept. 30, 2003		As of Sept. 30, 2004		As of March 31, 2004	
		Amount	%	Amount	%	Amount	%
Assets							
I Current assets							
Cash and deposits		2,336,087		2,973,452		3,123,532	
Notes and accounts receivable		3,542,552		5,261,784		4,298,715	
Inventories		2,969,302		3,037,798		2,791,211	
Other current assets		947,670		1,624,658		1,903,056	
Allowance for doubtful receivables		(110,118)		(162,357)		(140,366)	
Total current assets		9,685,495	34.5	12,735,336	42.5	11,976,148	41.4
II Fixed assets							
(1) Tangible fixed assets	*1						
Buildings and structures	*2	3,795,614		3,425,943		3,234,817	
Machinery and vehicles		3,677,323		3,630,709		3,445,614	
Tools, furniture and fixtures		1,108,835		1,033,021		963,851	
Land	*2	2,681,272		2,601,404		2,602,123	
Construction in progress		313,798		465,248		375,822	
Total tangible fixed assets		11,576,844	41.3	11,156,329	37.1	10,622,228	36.7
(2) Intangible assets							
Goodwill		1,919,757		1,747,687		1,715,967	
Consolidation adjustment		437,256		199,427		409,980	
Other intangible assets	*2	630,373		503,781		518,474	
Total intangible assets		2,987,387	10.6	2,450,896	8.2	2,644,422	9.1
(3) Investments and advances							
Investment securities		1,646,563		1,315,873		1,643,236	
Other investments and advances		2,196,818		2,364,970		2,071,397	
Allowance for doubtful receivables		(17,952)		(30,496)		(22,446)	
Total investments and advances		3,825,429	13.6	3,650,347	12.2	3,692,188	12.8
Total fixed assets		18,389,660	65.5	17,257,572	57.5	16,958,839	58.6
Total Assets		28,075,156	100.0	29,992,909	100.0	28,934,988	100.0

(thousands of yen)

Item / Period		As of Sept. 30, 2003		As of Sept. 30, 2004		As of March 31, 2004	
		Amount	%	Amount	%	Amount	%
Liabilities							
I Current liabilities							
Notes and accounts payable		1,071,011		2,377,856		1,889,214	
Short-term borrowings	*2	3,212,464		3,768,706		3,197,265	
Current portion of long-term debt	*2	2,420,455		2,361,409		2,401,786	
Reserve for bonuses payable		100,938		136,209		107,394	
Other current liabilities		1,966,154		2,094,468		1,658,307	
Total current liabilities		8,771,023	31.2	10,738,650	35.8	9,253,967	32.0
II Long-term liabilities							
Convertible bonds with stock acquisition rights		-		1,776,643		1,870,150	
Bonds		566,055		-		-	
Long-term borrowings	*2	5,103,446		4,448,125		5,053,481	
Liability for retirement benefits		30,344		29,099		26,609	
Liability for retirement benefits to officers		100,649		110,049		105,600	
Other long-term liabilities		58,360		30,722		45,482	
Total long-term liabilities		5,858,856	20.9	6,394,641	21.3	7,101,323	24.5
Total Liabilities		14,629,880	52.1	17,133,291	57.1	16,355,291	56.5
Minority Interests							
Minority interests		53,800	0.2	45,801	0.2	24,479	0.1
Shareholders' Equity							
I Common stock		5,824,907	20.7	5,871,661	19.5	5,824,907	20.1
II Capital surplus		6,700,406	23.9	6,747,159	22.5	6,700,406	23.2
III Retained earnings		438,521	1.6	615,351	2.1	293,249	1.0
IV Unrealized holding loss on securities		116,127	0.4	117,204	0.4	210,429	0.7
V Foreign exchange translation adjustment		471,593	1.7	(377,447)	(1.3)	(313,692)	(1.1)
VI Treasury stock		(160,082)	(0.6)	(160,112)	(0.5)	(160,082)	(0.6)
Total Shareholders' Equity		13,391,475	47.7	12,813,816	42.7	12,555,217	43.4
Total Liabilities, Minority Interests and Shareholders' Equity		28,075,156	100.0	29,992,909	100.0	28,934,988	100.0

(2) Interim Consolidated Statements of Income

(thousands of yen)

Item \ Period		April 1, 2003 - Sept. 30, 2003		April 1, 2004 - Sept. 30, 2004		April 1, 2003 - March 31, 2004	
		Amount	%	Amount	%	Amount	%
I Net sales		6,824,934	100.0	10,783,567	100.0	15,000,439	100.0
II Cost of sales		4,678,127	68.5	7,366,197	68.3	10,218,908	68.1
Gross profit		2,146,807	31.5	3,417,370	31.7	4,781,531	31.9
III Selling, general and administrative expenses	*1	2,129,825	31.3	2,353,904	21.8	4,166,435	27.8
Operating income		16,981	0.2	1,063,466	9.9	615,095	4.1
IV Non-operating income							
Interest income		22,349		26,945		45,621	
Rent income		19,897		11,819		34,838	
Foreign exchange gains		-		121,959		-	
Other non-operating income		50,561		75,502		98,614	
Total non-operating income		92,808	1.4	236,226	2.2	179,074	1.2
V Non-operating expenses							
Interest expense		155,169		151,427		292,743	
Loss on valuation of equity in investee		48,371		171		68,218	
Loss on disposal of investories		-		46,592		-	
Equity in loss of non-consolidated subsidiaries		81,252		99,978		128,993	
Foreign exchange losses		51,491		-		317,567	
Other non-operating expenses		40,647		61,233		164,627	
Total non-operating expenses		376,931	5.5	359,403	3.3	972,150	6.5
Ordinary income		(267,141)	(3.9)	940,289	8.7	(177,980)	(1.2)
VI Extraordinary income							
Gain on sales of investment securities		39,363		26,744		92,685	
Gain on sale of fixed assets	*3	8,294		39,231		5,203	
Reversal of allowance for doubtful receivables		8,081		-		-	
Other extraordinary income		185		6,287		5,231	
Total extraordinary income		55,924	0.8	72,263	0.7	103,120	0.7
VII Extraordinary losses							
Loss on disposal of fixed assets	*4	9,435		86,211		73,467	
Loss on valuation of investment securities		164,837		3,253		187,839	
Amortization of consolidation adjustments	*5	-		188,406		-	
Closing expenses for plants		135,431		-		168,107	
Other extraordinary losses		22,179		4,854		55,368	
Total extraordinary losses		331,884	4.9	282,726	2.6	484,782	3.2
Income before income taxes		(543,101)	(8.0)	729,826	6.8	(559,642)	(3.7)
Income taxes paid-current	*2	(42,860)	(0.6)	243,682	2.3	24,125	0.2
Income taxes paid-deferred	*2	(620)	0.0	6,513	0.1	61,393	0.4
Minority interests		340	0.0	21,438	0.2	72	0.0
Net income		(499,962)	(7.3)	458,191	4.2	(645,234)	(4.3)

(3) Interim Consolidated Statements of Retained Earnings

(thousands of yen)

Item \ Period	April 1, 2003 - Sept. 30, 2003		April 1, 2004 - Sept. 30, 2004		April 1, 2003 - March 31, 2004	
	Amount		Amount		Amount	
Capital surplus						
I Beginning balance of capital surplus		6,700,406		6,700,406		6,700,406
II Increase in capital surplus						
New share issue in capital increase	-	-	46,753	46,753	-	-
III Balance of capital surplus at end of period		6,700,406		6,747,159		6,700,406
Retained earnings						
I Beginning balance of retained earnings		1,075,557		293,249		1,075,557
II Increase in retained earnings						
Net income	-	-	458,191	458,191	-	-
III Decrease in retained earnings						
Net loss	499,962		-		645,234	
Cash dividends	137,073	637,035	136,089	136,089	137,073	782,308
IV Balance of retained earnings at end of period		438,521		615,351		293,249

(4) Interim Consolidated Statements of Cash Flows

(thousands of yen)

Item \ Period	April 1, 2003 - Sept. 30, 2003	April 1, 2004 - Sept. 30, 2004	April 1, 2003 - March 31, 2004
	Amount	Amount	Amount
I Cash flows from operating activities			
Net loss before income taxes and minority interests	(543,101)	729,826	(559,642)
Depreciation and amortization	620,449	650,435	1,180,088
Amortization of consolidation adjustments	50,155	210,553	115,936
Increase (decrease) in liability for retirement benefits	(21,409)	2,489	(25,144)
Increase (decrease) in liability for retirement benefits to officers	4,949	4,449	9,900
Increase (decrease) in reserve for bonuses payable	(26,688)	28,519	(16,162)
Decrease (increase) in allowance for doubtful receivables	(980)	29,544	37,320
Interest and dividend income	(24,025)	(28,687)	(50,931)
Interest expense	155,169	151,427	292,743
Corporate bond issue costs	-	-	25,361
Foreign exchange losses (gains)	26,765	(126,215)	102,292
Equity loss of non-consolidated subsidiaries	81,252	99,978	128,993
Loss on valuation of equity in investee	48,297	171	68,218
Loss (gain) on sales of tangible fixed assets	(8,294)	(38,641)	(5,203)
Loss on disposal of fixed assets	9,435	86,211	73,467
Closing expenses for plants	135,431	-	168,107
Loss (gain) on sales of investment securities	(39,363)	(25,551)	(90,685)
Loss on valuation of investment securities	164,837	3,253	187,839
Decrease (increase) in notes and accounts receivable	(102,138)	(932,972)	(967,636)
Increase (decrease) in inventories	(2,720)	(228,535)	56,155
Decrease (increase) in other assets	507,217	(37,417)	(43,057)
Increase (decrease) in notes and accounts payable	23,350	465,022	904,966
Increase (decrease) in other liabilities	(99,114)	219,793	(102,804)
Others	-	1,431	559
Sub-total	959,475	1,265,086	1,490,682
Interest and dividends received	19,305	26,058	44,220
Interest paid	(155,966)	(152,754)	(294,404)
Income taxes paid	(121,482)	(67,462)	(114,329)
Net cash provided by (used in) operating activities	701,332	1,070,927	1,126,169

(thousands of yen)

Item \ Period	April 1, 2003 - Sept. 30, 2003	April 1, 2004 - Sept. 30, 2004	April 1, 2003 - March 31, 2004
	Amount	Amount	Amount
II Cash flows from investing activities			
Increase (decrease) in time deposits	48,387	-	43,270
Payments for purchase of tangible fixed assets	(910,167)	(1,100,047)	(1,632,888)
Proceeds from sales of tangible fixed assets	43,627	90,753	34,078
Payments for purchase of investment securities	(327,587)	(7,909)	(295,750)
Proceeds from sales of investment securities	80,745	146,423	200,530
Income from acquisition of subsidiary stock on changes in consolidated accounts	-	-	17,430
Payments for additional purchase of consolidated subsidiary stock	-	-	(58,937)
Payments for purchase of affiliate stock	-	-	(9,850)
Payment for loans receivable	(31,028)	(49,000)	(279,610)
Proceeds from loans receivable	400	640	950
Proceeds from other investing activities	27,448	20,637	69,990
Payment for other investing activities	(225,542)	(55,416)	(318,575)
Net cash used in investing activities	(1,293,716)	(953,917)	(2,229,362)
III Cash flows from financing activities			
Increase (decrease) in short-term borrowings	(144,263)	555,360	(19,422)
Proceeds from long-term borrowings	1,679,739	603,870	2,815,900
Payments of long-term borrowings	(1,271,370)	(1,274,829)	(2,542,941)
Income from issue of convertible bonds with stock acquisition rights	-	-	1,844,788
Redemption of bonds	-	-	(535,650)
Proceeds from purchase allocation of new shares to third party in consolidated subsidiary	3,064	-	2,736
Acquisition of treasury stock	(60,477)	(30)	(60,477)
Dividends paid	(136,961)	(135,658)	(137,218)
Dividends paid to minority shareholders	-	-	(916)
Net cash provided by (used in) financing activities	69,731	(251,288)	1,366,799
IV Effect of exchange rate changes on cash and cash equivalents	46,736	(15,802)	47,921
V Increase (decrease) in cash and cash equivalents	(475,916)	(150,080)	311,528
VI Cash and cash equivalents at the beginning of period	2,812,004	3,123,532	2,812,004
VII Cash and cash equivalents at end of period	2,336,087	2,973,452	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

Non-consolidated subsidiaries: five entities as follows;

Ferrotec Engineering SRL
Shanghai Broad International Trading Co., Ltd.
Shanghai Plating International Trading Co., Ltd.
Two of other companies

Reason for exclusion:

Each one of the above-listed five 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 entity as follows:

Daiacelltec Corporation
Hangzou Lingri Science and Technology Co., Ltd.

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

Ferrotec Engineering SRL
Shanghai Broad International Trading Co., Ltd.
Shanghai Shoda International Trade Co., Ltd.
Shanghai Plating International Trading Co., Ltd.
Two of other companies

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. Interim Fiscal Year of Consolidated Subsidiaries

The interim period of consolidated subsidiary Aliontec Corporation ends October 31, but we calculated provisional results on June 30 for consolidation purposes; the interim period of other consolidated subsidiaries ends on June 30, and we have consolidated their results as of that day. We have made necessary adjustments at the consolidated level for important transactions that occurred between June 30 and 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.

However, regarding goodwill at our US consolidated subsidiary, we follow the US Financial Accounting Standards Board's Standard No.142 which discusses the treatment of goodwill and other non-tangible fixed assets. As such, we have not amortized goodwill at the US subsidiary, but will make a judgment concerning amortization once a year, or whenever an event occurs that would necessitate this. We have not amortized in the current consolidated interim period based on our judgment.

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 provide for employee bonuses, we booked reserves in the current consolidated interim period based on estimate of interim-period bonus obligations.

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 period 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, liabilities, 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 foreign exchange 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 taxes

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

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.

Change in display format

Consolidated statements of income:

In the previous consolidated interim period, we included loss on disposal of in inventories the ‘others’ category of the non-operating expense column; however, we added the category “Loss on disposal of in inventories” in the current consolidated interim period because the amount exceeded 10% of total non-operating expenses.

For reference, inventory asset valuation losses in the previous consolidated interim period totaled 5,151thousand yen.

Notes to Consolidated Financial Statements
Interim Consolidated Balance Sheets

(thousands of yen)

As of September 30, 2003	As of September 30, 2004	As of March 31, 2004
*1. Accumulated depreciation of tangible fixed assets: 5,208,051	*1. Accumulated depreciation of tangible fixed assets: 5,088,031	*1. Accumulated depreciation of tangible fixed assets: 4,545,338
*2. Pledged assets	*2. Pledged assets	*2. Pledged assets
Buildings and structures 1,166,771	Buildings and structures 1,574,094	Buildings and structures 663,404
Land 2,471,139	Land 2,253,150	Land 2,291,139
Other intangible assets 262,693	Other intangible assets 493,572	Other intangible assets 235,552
Total 3,900,604	Total 4,320,816	Total 3,190,097
Liabilities secured with the above listed collateral	Liabilities secured with the above listed collateral	Liabilities secured with the above listed collateral
Short-term borrowings 189,341	Short-term borrowings 267,609	Short-term borrowings 135,599
Current portion of long-term debt 440,933	Current portion of long-term debt 361,483	Current portion of long-term debt 386,761
Long-term borrowings 1,544,843	Long-term borrowings 1,115,532	Long-term borrowings 1,298,878
Total 2,175,117	Total 1,744,624	Total 1,821,239
3. Discounted notes receivable: 166,537	3. Discounted notes receivable: 203,587	3. Discounted notes receivable: 232,240

Interim Consolidated Statements of Income

(thousands of yen)

<table>
<tr><th>April 1, 2003 - September 30, 2003</th><th>April 1, 2004 - September 30, 2004</th><th>April 1, 2003 - March 31, 2004</th></tr>
<tr><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</td><td>*1. Significant components of selling, general and administrative expenses:
Salaries and wages 803,145
Provision for reserve for bonus payable 101,136
Provision for liability for retirement benefits to officers 11,349
Provision for allowance for doubtful receivables 21,065</td><td>*1. Significant components of selling, general and administrative expenses:
Salaries and wages 1,423,564
Provision for reserve for bonus payable 66,810
Provision for liability for retirement benefits to officers 9,900
Provision for allowance for doubtful receivables 33,115</td></tr>
<tr><td>*2. As for deferred tax accounting, the Company and 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 taxes.</td><td>*2. Same as on the left.</td><td>-</td></tr>
<tr><td>*3. It consists mainly of 5,672 thousand yen in gain on sale of buildings.</td><td>*3. It consists mainly of 37,950 thousand yen in gain on sale of machinery.</td><td>*3. It consists mainly of 2,110 thousand yen in gain on sale of buildings, and 1,713 thousand yen in gain on sales of machinery.</td></tr>
<tr><td>*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>*4. It consists of 81,969 thousand yen in losses from the disposal of machinery.</td><td>*4. It consists mainly of 5,198 thousand yen in losses from the disposal of building, and 57,027 thousand yen in losses from the disposal of machinery.</td></tr>
<tr><td>-</td><td>*5. We amortized at once consolidated account adjustments related to Ferrotec Silicon Corporation.</td><td>-</td></tr>
</table>

Interim Consolidated Statements of Cash Flows

(thousands of yen)

April 1, 2003 - September 30, 2003	April 1, 2004 - September 30, 2004	April 1, 2003 - March 31, 2004
*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 the end of the fiscal year Reconciled with the "cash and deposits" stated in the consolidated balance sheets.
-	-	*2. 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/ received from acquisition 17,430

Lease Transactions

(thousands of yen)

April 1, 2003 - September 30, 2003	April 1, 2004 - September 30, 2004	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	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 vehicles: Acquisition amount 285,824 Accumulated depreciation 174,727 Period-end balance 111,097	Machinery and vehicles: Acquisition amount 257,475 Accumulated depreciation 109,378 Period-end balance 148,097	Machinery and vehicles: Acquisition amount 220,576 Accumulated depreciation 147,179 Period-end balance 73,397
Tools, furniture and fixtures: Acquisition amount 34,370 Accumulated depreciation 18,614 Period-end balance 15,755	Tools, furniture and fixtures: Acquisition amount 44,255 Accumulated depreciation 17,855 Period-end balance 26,399	Tools, furniture and fixtures: Acquisition amount 40,662 Accumulated depreciation 13,926 Period-end balance 26,735
Others: Acquisition amount 90,232 Accumulated depreciation 23,882 Period-end balance 66,349	Others: Acquisition amount 79,452 Accumulated depreciation 29,300 Period-end balance 50,151	Others: Acquisition amount 79,452 Accumulated depreciation 21,355 Period-end balance 58,096
Total: Acquisition amount 410,427 Accumulated depreciation 217,224 Period-end balance 193,202	Total: Acquisition amount 381,183 Accumulated depreciation 156,534 Period-end balance 224,648	Total: Acquisition amount 340,691 Accumulated depreciation 182,461 Period-end balance 158,229
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 59,633 Due after one year 168,706 Total 228,340	2. Outstanding lease commitments as of balance sheets date Due within one year 51,582 Due after one year 110,646 Total 162,229
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 37,076 Depreciation equivalents 34,591 Interest equivalents 2,252	3. Lease payments, depreciation and interest equivalents Lease payments 81,990 Depreciation equivalents 75,306 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.	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)

April 1, 2003 to September 30, 2003						
Division	Equipment-related business	Electronic devices business	CMS business	Total	Eliminations or corporate	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	(1,332)	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

April 1, 2004 to September 30, 2004						
Division	Equipment-related business	Electronic devices business	CMS business	Total	Eliminations or corporate	Consolidated
Net sales						
(1) Net sales to third parties	5,339,672	2,115,327	3,328,567	10,783,567	-	10,783,567
(2) Internal sales and transfers	-	883	-	883	(883)	-
Total	5,339,672	2,116,221	3,328,567	10,784,451	(883)	10,783,567
Operating expenses	4,646,860	1,799,449	3,253,519	9,699,830	20,271	9,720,101
Operating income (loss)	692,811	316,761	75,048	1,084,621	(21,155)	1,063,466

April 1, 2003 to March 31, 2004						
Division	Equipment-related business	Electronic devices business	CMS business	Total	Eliminations or corporate	Consolidated
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

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: We manufacture products on contract for other companies, but refrain from listing those products due to confidentiality obligations with clients, and because of the wide variety of products handled.

(2) Geographical segment information

(thousands of yen)

April 1, 2003 to September 30, 2003						
Division	Japan	Asia	USA & Europe	Total	Eliminations or corporate	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
April 1, 2004 to September 30, 2004						
Division	Japan	Asia	USA & Europe	Total	Eliminations or corporate	Consolidated
Net sales						
(1) Net sales to third parties	6,118,819	2,286,804	2,377,944	10,783,567	-	10,783,567
(2) Internal sales and transfers	1,253,280	3,563,321	47,848	4,864,450	(4,864,450)	-
Total	7,372,099	5,850,126	2,425,792	15,648,018	(4,864,450)	10,783,567
Operating expenses	6,852,081	5,498,679	2,183,442	14,534,203	(4,814,102)	9,720,101
Operating income (loss)	520,018	351,446	242,349	1,113,814	(50,348)	1,063,466
April 1, 2003 to March 31, 2004						
Division	Japan	Asia	USA & Europe	Total	Eliminations or corporate	Consolidated
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

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
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
April 1, 2004 to September 30, 2004	I	Overseas sales	1,733,907	2,377,944	4,111,852
	II	Consolidated sales	-	-	10,783,567
	III	Share of overseas sales among the consolidated sales	16.1	22.1	38.1
Division			Asia	USA & Europe	Total
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 Interim period under review are as follows:

(thousands of yen)

Business category	Production amount	
		Year-on-year ratio
Equipment-related	5,025,996	147.5%
Electric devices	2,149,899	114.2%
CMS (contract manufacturing service)	3,197,056	284.0%
Total	10,372,951	161.7%

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	5,445,455	143.4%	1,622,306	131.3%
Electric devices (made-to-order items)	905,342	91.5%	191,458	122.6%
CMS (contract manufacturing service)	3,442,567	237.5%	292,000	112.6%

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	5,339,672	141.3%
Electric devices	2,115,327	116.3%
CMS (contract manufacturing service)	3,328,567	271.2%
Total	10,783,567	162.3%

Note: The above amounts are exclusive of consumption taxes.

8. Securities

FY 3/03 Interim (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
(1) Bonds held to maturity	
Unlisted bonds	284,000
(2) Other securities	
Unlisted shares	135,475
Unlisted bonds	78,076

FY 3/04 Interim (As of September 30,2004)

1. Securities with market quotations classified as "other securities"

(thousands of yen)

	Acquisition cost	Carrying value	Unrealized gain/loss
(1) Shares	483,958	648,429	164,471
(2) Bonds	-	-	-
(3) Others	137,233	179,926	42,692
Total	621,191	828,356	207,164

2. Securities without market quotations

(thousands of yen)

	Carrying value on the interim consolidated balance sheets
(1) Bonds held to maturity	
Unlisted bonds	290,000
(2) Other securities	
Unlisted shares	62,785
Unlisted bonds	114,266

FY 3/04 (As of March 31, 2004)

1. Securities with market quotations classified as "other securities"

(thousands of yen)

	Acquisition cost	Carrying value	Unrealized gain/loss
(1) Shares	524,983	813,545	288,561
(2) Bonds	-	-	-
(3) Others	237,233	286,520	49,287
Total	762,216	1,100,065	337,849

2. Securities without market quotations

(thousands of yen)

	Carrying value
(1) Bonds held to maturity	
Unlisted bonds	287,000
(2) Other securities	
Unlisted shares	91,717
Unlisted bonds	91,486

9. Derivatives

April 1, 2003 – Sept. 30, 2003	April 1, 2004 – Sept. 30, 2004	April 1, 2003- March 31, 2004
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)

April 1, 2003 – Sept. 30, 2003	April 1, 2004 – Sept. 30, 2004	April 1, 2003- March 31, 2004
Net assets 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 assets per share 748.63 Net loss per share 26.80 Diluted net income per share 23.99	Net assets per share 738.06 Net loss per share 37.89 Diluted net income per share is omitted due to net loss for the fiscal year under review.

(thousands of yen)

	April 1, 2003 – Sept. 30, 2003	April 1, 2004 – Sept. 30, 2004	April 1, 2003- March 31, 2004
Net loss	(499,962)	458,191	(645,234)
Amount not attribute to shareholders	-	-	-
[of which, directors' bonus in the appropriation of retained earnings]	[-]	[-]	[-]
Net income (or loss) related to common stock	(499,962)	458,191	(645,234)
Average number of shares outstanding	17,047,084	17,099,735	17,029,145
Adjusted net income	-	886	-
[of which, interest paid after tax deduction]	[-]	(721)	[-]
[of which, paperwork fees after tax deduction]	[-]	(164)	[-]
Increase in common stock	-	2,032,956	-
Dilutive potential shares excluded from the dilution information due to improbability (shares)	Dilutive potential shares: Stock acquisition rights Common shares: 1,233,500 shares	Dilutive potential shares: Stock acquisition rights Common shares: 1,218,600 shares	Dilutive potential shares: Stock acquisition rights Common shares: 1,226,900 shares Convertible bonds with stock acquisition rights (face value of 1,870 million yen)

11. Significant subsequent events

April 1, 2003 – Sept. 30, 2003	April 1, 2004 – Sept. 30, 2004	April 1, 2003- March 31, 2004
Swiss Franc convertible notes with stock acquisition rights: The Company resolved to issue Swiss Franc convertible notes with stock acquisition 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 acquisition rights: 460 units 9. Issue price of a Stock acquisition right: Nil 10. Amount to be paid for a share issued on exercise of Stock acquisition right: Equals to the issue price of the convertible bond 11. Exercise period of Stock acquisition 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.*