FerroTec

May 23, 2005

Consolidated Financial Results

(April 1, 2004 - March 31, 2005)
for the Fiscal Year Ended March 2005

Company:	Ferrotec Corporation
Stock code:	6890
Stock exchange listing:	JASDAQ
Representative Director & President:	Akira Yamamura
Address:	Tokyo
URL:	http:// www.ferrotec.co.jp
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Board meeting for approval:	May 23, 2005
Accounting method:	Japanese GAAP

1. Financial Results (April 1, 2004 - March 31,2005)

(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 2005	21,105	40.7	1,762	186.5	1,456	-
Fiscal Year Ended March 2004	15,000	16.8	615	452.6	(177)	-

	Net Income		Net Income per Share (Basic)	Net Income per Share (Diluted)
	million yen	%	yen	yen
Fiscal Year Ended March 2005	633	-	36.69	32.17
Fiscal Year Ended March 2004	(645)	-	(37.89)	-

	Return on Equity	Ordinary Income to Total Assets	Ordinary Income to Net Sales
	%	%	%
Fiscal Year Ended March 2005	4.6	4.9	6.9
Fiscal Year Ended March 2004	(4.9)	(0.6)	(1.2)

Notes: 1. Equity in earnings (losses) of consolidated subsidiaries and affiliates (millions of yen)
Fiscal Year Ended March 2005: (58)
Fiscal Year Ended March 2004: (128)
2. Average number of shares outstanding (consolidated)
Fiscal Year Ended March 2005: 17,274,075 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 with the same period of the previous year.
5. We have not listed “Net Income per Share (Diluted)” for fiscal year ended March 2004 because net income per share was negative in that year.

(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, 2005	30,041	14,789	49.2	742.57
As of March 31, 2004	28,934	12,555	43.4	738.06

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

As of March 31, 2005: 19,916,406 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
Fiscal Year Ended March 2005	2,149	(2,349)	273	3,188
Fiscal Year Ended March 2004	1,126	(2,229)	1,366	3,123

(4) Scope of consolidation and application of equity method

Consolidated subsidiaries: 13

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: 2

Excluded: 0

Affiliates accounted for under the equity method

Newly added: 0

Excluded: 0

2. Forecast for the Fiscal Year Ending March 2006 (April 1, 2005 – March 31, 2006)

	Net Sales	Operating Income	Ordinary Income	Net Income
	million yen	million yen	million yen	million yen
First half	10,100	340	170	90
Full year	22,400	1,800	1,500	700

Note: Forecast net income per share for full year: 35.15 yen

Notes: The above-mentioned forecasts are premised on available information, and assumptions regarding uncertain factors which may affect future performance, as of the publication of this report. Actual performance may vary significantly from these forecasts. Please refer to page 12 for assumptions used in making these forecasts.

1.The Ferrotec Group

The Ferrotec Group (the "Group") consists of Ferrotec Corporation (the "Company") and 21 subsidiaries and affiliates ("Members": 13 consolidated subsidiaries, 2 equity-method affiliates, 5 non-consolidated subsidiaries, and 1 non-equity-method affiliate).

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

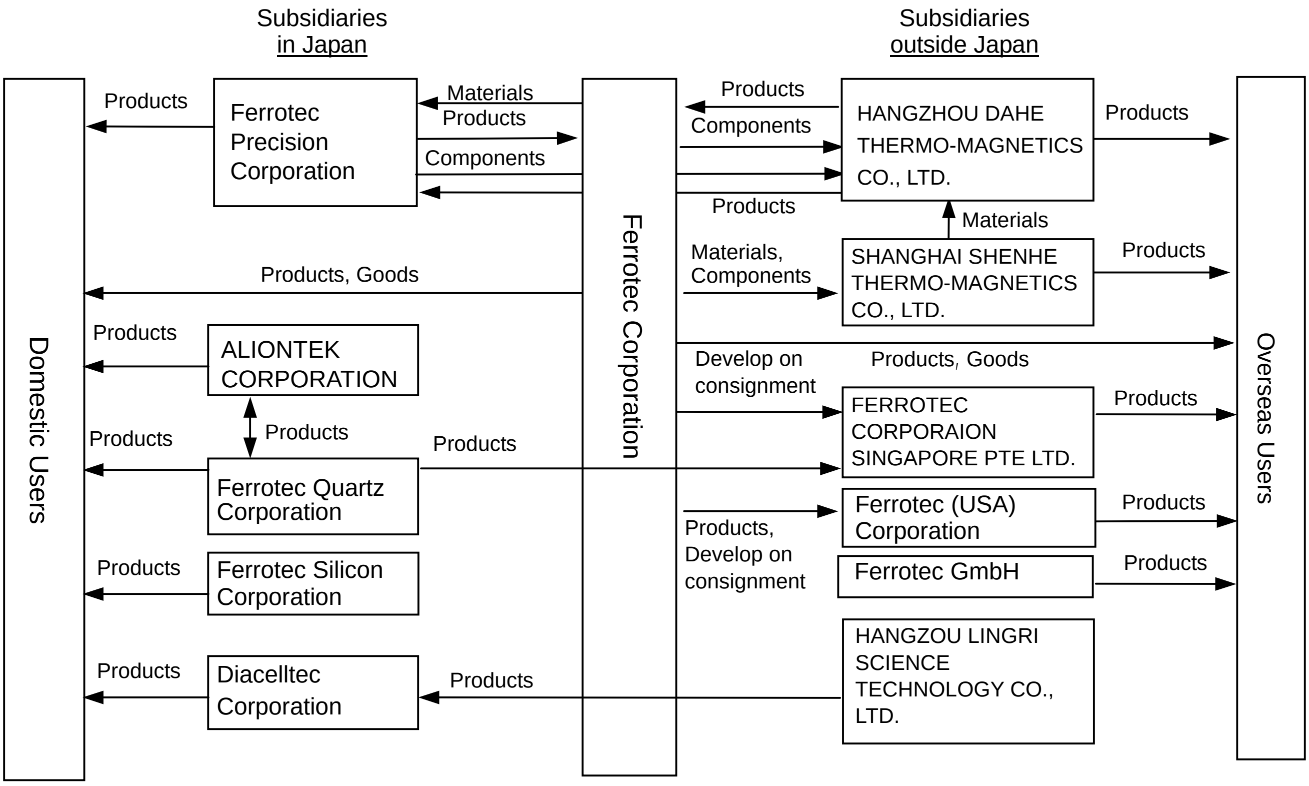
The chart below shows the relationship between the Company and Members for each business category.

	Major products	Development	Manufacturing	Sales	Major Companies
Equipment- related business	Vacuum feedthroughs	o		o	Ferrotec Corporation
			o		Ferrotec Precision Corporation
			o		HANGZHOU DAHE THERMO-MAGNETICS CO., LTD.
		o	o	o	Ferrotec (USA) Corporation
	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.
			o	o	SHANGHAI HANHONG PRECISION MACHINERY CO., LTD.
			o	o	Techno Tooling Systems Co., Ltd.

Note: Certain product items are not shown because of the wide range of products we handle, and because of our confidentiality obligation to clients.

The chart set below illustrates operation flows within the Group, excluding five non-consolidated subsidiaries and one affiliate for which the equity method is not applied.
We have not included Hangzhou Nippon-Magnetics Science Industry Park Development Co., Ltd. and Ferrotec Investments, LLC , because we do not have a regular business relationship with them; also, we have not included SHANGHAI HANHONG PRECISION MACHINERY CO., LTD. and Techno Tooling Systems Co., Ltd. because they were just established at the end of the fiscal year.

Ferrotec Group



2. Management policies

1) Basic management policy

Our company aims, as a global manufacturer, to provide high-quality products at competitive prices, by expanding our core manufacturing technologies to supply a variety of industries beyond just the electronics industry. 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 business strategy

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.

5) Corporate challenges

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 intend to increase the transfer of production technologies and methods to our Chinese subsidiaries, work to ensure they win product certification from a large variety of foreign companies operating in China, and provide them with sales and other support. Our CMS (contract manufacturing service) business, we have invested in new businesses 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.)

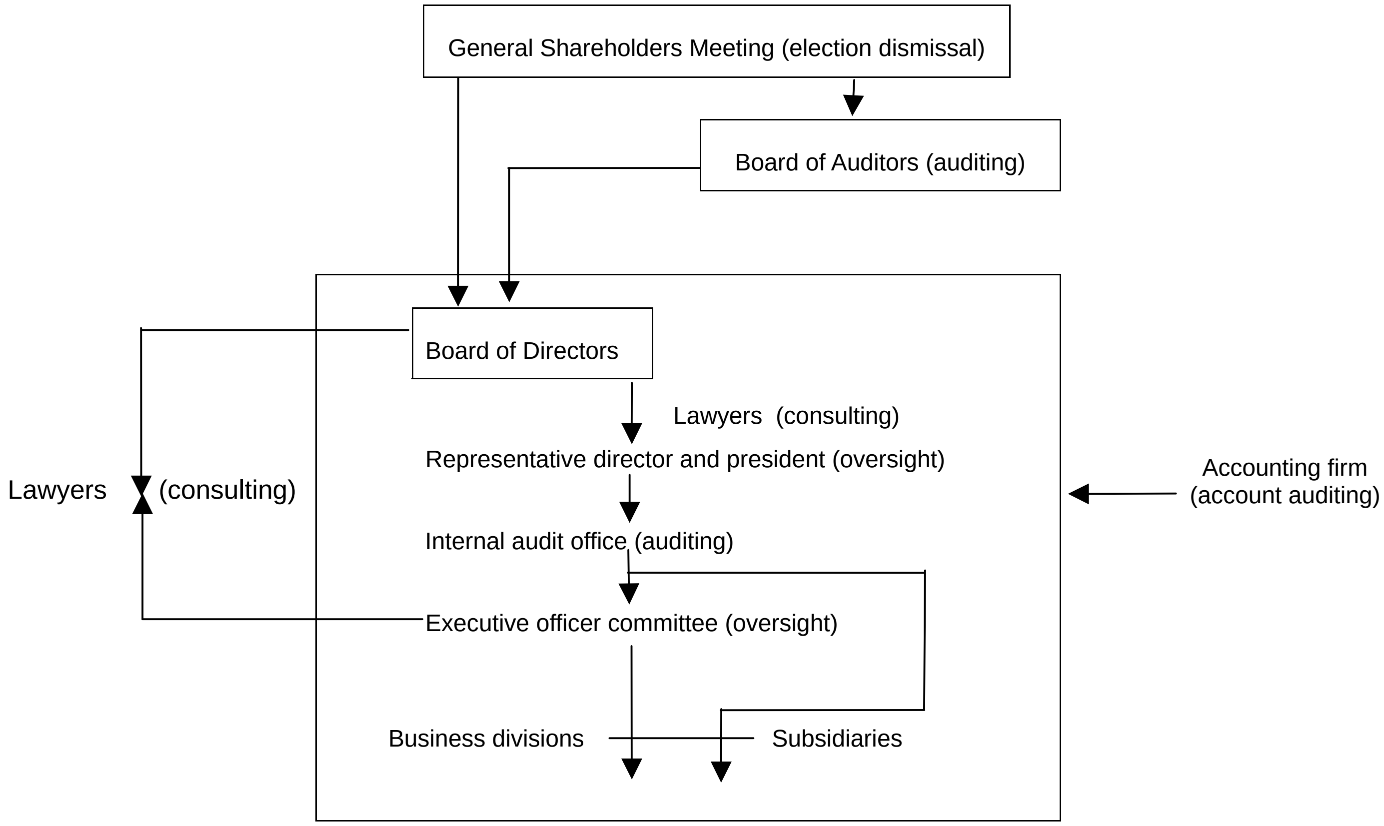
Our company's board of directors is composed of seven members who hold the board meeting once a month, but also convene when important matters arise. We have introduced an executive officer committee for business execution, and an auditors committee composed of three outside directors who participate 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. System of internal control and risk management

We have formulated various company-wide codes—a Code of Administrative Authority, a Code of Administrative Separation, and a Code of Information Management—to clarify the roles and responsibilities of each organization, and to ensure internal control and risk management through organizations involved in business execution and oversight in line with other corporate governance systems.

*Below is a diagram of our corporate governance system



c. 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), and none are originally from the parent company or any group affiliate.

d. 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 website, and have established an automatic fax service for investors since the third quarter of FY2002 (ended March 2003).

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

Consolidated FY2004 (April 1, 2004 - March 31, 2005) business results

The global economy remained strong in the current fiscal year under review, despite concerns about the impact of surging crude oil prices and prolonged hostilities in Iraq, as the US economy posted greater than expected growth, and the Chinese economy remained strong.

The electronics industry saw brisk activity through mid-year as the Athens Olympics boosted digital consumer electronics demand. The market for new Internet-based portable music players expanded, digital SLR cameras saw brisk demand, and automobile penetration in the Chinese market improved. However, the electronics market appears to have plateaued from mid-2004 due to fierce price competition and reduced investment spending and inventory adjustment in the semiconductor and flat panel display (FPD) industries.

In this environment, our group profits recovered smoothly as a result of expanded capital spending in the electronics industry through mid-2004. In the equipment-related business, we accelerated the transfer of domestic quartz production lines to China to strengthen price competitiveness, and improved productivity at domestic factories by shifting production to high value-added products. In the contract manufacturing service (CMS) business, we increased silicon wafer processing orders following the introduction of technology and capital equipment in our Chinese factories, and captured greater machine tool manufacturing orders by opening new sales channels. In the electronic devices business, demand for our group's mainstay computer seals declined significantly due to a shift in market demand to fluid dynamic bearing (FDB) motors. However, we anticipated this trend and continued to develop a substitute product, fluid film bearings (FFBs).

There was no significant foreign exchange impact in the fiscal year under review as foreign currency markets were comparatively stable.

Consolidated sales in the fiscal year under review increased 40.7% year-over-year to 21,105 million yen. Operating income increased 186.5% to 1,762 million yen with ordinary income of 1,456 million yen. Net income recovered significantly to 633 million yen.

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

Equipment-related business

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

Sales of vacuum feedthroughs, used in semiconductor and FPD production equipment, increased year-over-year due to a rebound in capital spending at semiconductor makers, and firm investment in the FPD TV (LCD and plasma) industry.

Having transferred most production of quartz to our Chinese subsidiaries, and sales increased significantly year-over-year on a robust overall market and greater product certification by foreign companies (as well as local Chinese makers) operating in China and seeking low-priced quartz.

Electronic devices business

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

Sales of computer seals, used primarily in the hard disk drives (HDDs) of corporate servers, declined in line with forecasts due to a shift in market demand to FDB motors. Sales of thermoelectric modules, used for climate controlled car seats and in the semiconductor and biotechnology industries, were generally on target.

CMS (contract manufacturing service) business

We manufacture items commissioned to us by other companies in this business category. We cannot discuss details due to confidentiality obligations to customers. Some of the manufacturing activities in this business category able to be disclosed are silicon wafer processing, machine tool assembly, and equipment parts cleaning.

Sales increased significantly in the CMS business driven by strong silicon wafer processing demand. Machine tool manufacturing sales also increased as we opened new sales channels in the Chinese market. We also captured equipment cleaning & purification orders as we aggressively marketed to, and won certification by, foreign IC manufacturers in China.

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
Sales	11,203	41.4%	3,578	(1.2)%	6,325	82.9%
Operating Income	1,374	267.1%	245	(48.7)%	181	-

Note: Sales include inter-divisional sales.

Performance by geographical area was as follows:

(millions of yen)

	Japan		Asia		USA / Europe	
	Amount	YoY change	Amount	YoY change	Amount	YoY change
Sales	13,708	19.3%	11,201	68.6%	4,892	28.1%
Operating Income	883	614.0%	534	138.7%	417	105.0%

Note: Sales include inter-divisional sales.

Consolidated FY2004 (April 1, 2004 - March 31, 2005) financial condition

Cash and cash equivalents increased 65 million yen year-over-year to 3,188 million yen at the end of the current consolidated fiscal year under review.

Consolidated FY2004 cash flows, by activity, were as follows:

(Cash flow from operating activities)

Cash flow from operating activities was 2,149 million yen (+1,022 million yen year-over-year): net income before taxes was 1,210 million yen (+1,770 million yen), net of depreciation and other non-cash expenses.

(Cash flow from investing activities)

Cash flow used in investing activities was 2,349 million yen (+120 million yen year-over-year), due primarily to capital investment at Chinese subsidiaries.

(Cash flow from financing activities)

Cash flow from financing activities was 273 million yen (-1,093 million yen year-over-year). Income from the issue of new shares totaled 2,049 million yen, with net debt outlays of 1,655 million yen, and dividend payments.

Cash flow indices

	FY 2001	FY 2002	FY 2003	FY 2004
Shareholders' equity ratio (%)	57.4	48.9	43.4	49.2
Equity ratio by market capitalization (%)	105.3	37.0	51.7	51.7
Redeemable period of debts (years)	3.1	-	11.1	5.0
Interest coverage ratio	10.8	-	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.

Consolidated FY2005 (April 1, 2005 - March 31, 2006) outlook

The Japanese economy is currently continuing strong, but we are concerned about the impact of rising crude oil and raw materials prices, and a potential slowdown in the US and Chinese economies, which have been driving the global economy. In the electronics industry, electronic parts inventories continue to adjust, and we expect capital spending in the semiconductor and FPD industry to remain flat over the near term.

In the equipment-related business, we will launch collaborative development, sales, and aftermarket service for vacuum feedthroughs with a Korean company with which we have concluded a mutual sales agency agreement. In the electronic devices business, we will continue to focus on improving thermoelectric module performance, and developing new applications for a variety of industries, and therefore not limiting ourselves to the climate-controlled auto thermostatic seat application. Regarding our company's core ferrofluid technology, we will continue working on developing mass-production technology to prepare for the start of shipments of our new fluid film bearing (FFB) product. In our CMS business, which became profitable for the first time last fiscal year, we will work to increase profitability by improving capacity utilization and yields for each specific contract business, particularly silicon wafer processing.

We forecast consolidated sales of 22,400 million yen, operating income of 1,800 million yen, ordinary income of 1,500 million yen, and net income of 700 million yen, for the new fiscal year.

Our forecasts assume a foreign exchange rate of 105 yen/$.

The media has frequently reported on several anti-Japan demonstrations held recently in China, but we are happy to report there were no demonstrations around our factories in Shanghai and Hangzhou, and our factories operated as usual. We are also pleased to announce that we finished construction in May of our new Hangzhou factory, which we hope will further expand our business in China.

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

We raised 2,049 million yen through a public subscription capital increase and third-party allocation in March 2005. See below for our planned use of funds, and actual use of funds.

(Planned use of funds)
We plan to use the raised funds to invest in subsidiaries by providing them with capital equipment and working capital.

Capital equipment will primarily be used in the CMS business to make new products.

(Actual use of funds)
Generally in line with plans.

5. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(thousands of yen)

Item / Period		FY 2003 As of March 31, 2004 Amount	%	FY 2004 As of March 31, 2005 Amount	%	YoY change
Assets						
I Current assets						
Cash and deposits		3,123,532		3,188,815		65,282
Notes and accounts receivable		4,298,715		5,065,736		767,021
Inventories		2,791,211		2,922,602		131,391
Deferred tax assets - current		113,596		133,622		20,026
Other current assets		1,789,459		1,442,192		(347,266)
Allowance for doubtful receivables		(140,366)		(153,287)		(12,921)
Total current assets		11,976,148	41.4	12,599,681	41.9	623,532
II Fixed assets						
(1) Tangible fixed assets	*1					
Buildings and structures	*4	3,234,817		3,047,344		(187,472)
Machinery and equipment		3,445,614		3,608,437		162,822
Tools, furniture and fixtures		963,851		955,263		(8,587)
Land	*4	2,602,123		2,552,187		(49,935)
Construction in progress		375,822		1,027,323		651,500
Total tangible fixed assets		10,622,228	36.7	11,190,556	37.2	568,327
(2) Intangible assets						
Goodwill		1,715,967		1,943,271		227,304
Consolidation adjustment		409,980		177,280		(232,700)
Other intangible assets	*4	518,474		522,142		3,667
Total intangible assets		2,644,422	9.1	2,642,694	8.8	(1,727)
(3) Investments and other assets						
Investment securities	*2	1,643,236		1,558,071		(85,165)
Long-term loans receivable		48,649		817,391		768,742
Deferred tax assets – non current		381,272		27,053		(354,218)
Other investments and other assets	*2	1,641,475		1,366,734		(274,740)
Allowance for doubtful investments		(22,446)		(160,575)		(138,129)
Total investments and other assets		3,692,188	12.8	3,608,676	12.0	(83,512)
Total fixed assets		16,958,839	58.6	17,441,927	58.1	483,087
Total Assets		28,934,988	100.0	30,041,608	100.0	1,106,620

(thousands of yen)

Item \ Period		FY 2003 As of March 31, 2004		FY 2004 As of March 31, 2005		YoY change
		Amount	%	Amount	%	
Liabilities						
I Current liabilities						
Notes and accounts payable		1,889,214		1,840,305		(48,908)
Short-term borrowings	*4	3,197,265		3,093,292		(103,972)
Current portion of long-term debt	*4	2,401,786		2,219,172		(182,614)
Accrued income taxes		52,801		166,589		113,787
Reserve for bonuses payable		107,394		134,247		26,853
Other current liabilities		1,605,505		2,094,755		489,250
Total current liabilities		9,253,967	32.0	9,548,363	31.8	294,395
II Long-term liabilities						
Convertible bonds with stock acquisition right		1,870,150		1,776,643		(93,506)
Long-term borrowings	*4	5,053,481		3,637,991		(1,415,489)
Liability for retirement benefits		26,609		30,114		3,504
Liability for retirement benefits to officers		105,600		114,500		8,900
Deferred tax liabilities		377		-		(377)
Other long-term liabilities		45,104		61,317		16,213
Total long-term liabilities		7,101,323	24.5	5,620,567	18.7	(1,480,755)
Total Liabilities		16,355,291	56.5	15,168,930	50.5	(1,186,360)
Minority interests						
Minority interests		24,479	0.1	83,423	0.3	58,944
Shareholders' Equity						
I Common stock		5,824,907	20.1	6,910,461	23.0	1,085,553
II Capital surplus		6,700,406	23.2	7,784,251	25.9	1,083,845
III Retained earnings		293,249	1.0	762,141	2.5	468,891
IV Unrealized holding loss on securities		210,429	0.7	153,732	0.5	(56,696)
V Cumulative translation adjustment		(313,692)	(1.1)	(661,220)	(2.2)	(347,527)
VI Treasury stock	*3	(160,082)	(0.6)	(160,112)	(0.5)	(30)
Total Shareholders' Equity		12,555,217	43.4	14,789,254	49.2	2,234,036
Total Liabilities, Minority Interests and Shareholders' Equity		28,934,988	100.0	30,041,608	100.0	1,106,620

(2) Consolidated Statements of Income

(thousands of yen)

Item / Period		FY 2003 April 1, 2003 - March 31, 2004 Amount	%	FY 2004 April 1, 2004 - March 31, 2005 Amount	%	YoY change
I Net sales		15,000,439	100.0	21,105,746	100.0	6,105,307
II Cost of sales	*2	10,218,908	68.1	14,423,382	68.3	4,204,474
Gross profit		4,781,531	31.9	6,682,364	31.7	1,900,833
III Selling, general and administrative expenses	*1,2	4,166,435	27.8	4,920,338	23.3	753,903
Operating income		615,095	4.1	1,762,026	8.3	1,146,930
IV Non-operating income						
Interest income		45,621		42,227		(3,394)
Dividend income		5,309		2,279		(3,029)
Commission income		-		40,847		40,847
Lease income		34,838		40,810		5,972
Other non-operating income		93,305		118,625		25,319
Total non-operating income		179,074	1.2	244,791	1.2	65,716
V Non-operating expenses						
Interest expense		292,743		303,861		11,117
Loss on disposal of inventories		-		84,331		84,331
Equity in loss of non-consolidated subsidiaries		128,993		58,743		(70,250)
Foreign exchange losses		317,567		-		(317,567)
Other non-operating expenses		232,846		103,251		(129,594)
Total non-operating expenses		972,150	6.6	550,187	2.6	(421,963)
Ordinary income (loss)		(177,980)	(1.2)	1,456,630	6.9	1,634,610
VI Extraordinary income						
Gain on sales of fixed assets	*3	5,203		48,686		43,482
Gain on sales of investment securities		92,685		95,107		2,422
Other extraordinary income		5,231		69,019		63,787
Total extraordinary income		103,120	0.7	212,813	1.0	109,693
VII Extraordinary losses						
Loss on disposal of fixed assets	*4	73,467		89,767		16,300
Loss on valuation of investment		187,839		-		(187,839)
Closing expenses for plants		168,107		-		(168,107)
Extra retirement payments		20,869		-		(20,869)
Provision for allowance for doubtful receivables		-		130,000		130,000
Amortization of consolidation	*5	-		188,406		188,406
Other extraordinary losses		34,498		50,594		16,095
Total extraordinary losses		484,782	3.2	458,768	2.2	(26,013)
Net income (loss) before income taxes and minority interests		(559,642)	(3.7)	1,210,674	5.7	1,770,317
Current income taxes		24,125	0.2	182,238	0.9	158,112
Deferred income taxes		61,393	0.4	350,687	1.7	289,294
Minority interests		72	0.0	43,967	0.2	43,895
Net income (loss)		(645,234)	(4.3)	633,780	3.0	1,279,015

(3) Consolidated Statements of Retained Earnings

(thousands of yen)

Item \ Fiscal year	FY 2003 April 1, 2003 - March 31, 2004 Amount		FY 2004 April 1, 2004 - March 31, 2005 Amount	
Capital surplus				
I Beginning balance of capital surplus		6,700,406		6,700,406
II Increase in capital surplus				
New share issue in capital increase	-	-	1,083,845	1,083,845
III Balance of capital surplus at end of period		6,700,406		7,784,251
Retained earnings				
I Beginning balance of retained earnings		1,075,557		293,249
II Increase in retained earnings				
Net income	-		633,780	633,780
III Decrease in retained earnings				
Net loss	645,234		-	
Decrease in retained earnings due to change of scope of consolidation	-		-	
Cash dividends	137,073		136,089	
Others	-	782,308	28,799	164,888
IV Balance of retained earnings at end of period		293,249		762,141

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 2003 April 1, 2003 - March 31, 2004 Amount	FY 2004 April 1, 2004 - March 31, 2005 Amount
I Cash flows from operating activities		
Net income (loss) before income taxes	(559,642)	1,210,674
Depreciation and amortization	1,180,088	1,359,496
Amortization of consolidation adjustments	115,936	232,700
Increase (decrease) in liability for retirement benefits	(25,144)	3,504
Increase (decrease)in liability for retirement benefits to officers	9,900	8,900
Increase (decrease) in reserve for bonuses payable	(16,162)	27,516
Increase (decrease) in allowance for doubtful receivables	37,320	152,331
Interest and dividend income	(50,931)	(44,507)
Interest expense	292,743	303,861
New shares issue expense	-	26,787
Corporate bond issue costs	25,361	-
Foreign exchange losses (gains)	102,292	(49,448)
Equity loss of non-consolidated subsidiaries	128,993	58,743
Loss on valuation of equity in investee	68,218	(8,938)
Loss on sales of tangible fixed assets	(5,203)	(30,984)
Loss on disposal of fixed assets	73,467	89,767
Closing expenses for plants	168,107	-
Loss on sales of investment securities	(90,685)	(93,944)
Loss on valuation of investment securities	187,839	3,253
Decrease (increase) in notes and accounts receivable	(967,636)	(845,572)
(Decrease) increase in inventories	56,155	(180,331)
(Decrease) increase in other assets	(43,057)	(277,953)
Increase (decrease) in notes and accounts payable	904,966	(2,006)
Increase (decrease) in other liabilities	(102,804)	505,482
Others	559	31,080
Sub-total	1,490,682	2,480,413
Interest and dividends received	44,220	38,224
Interest paid	(294,404)	(305,034)
Income taxes paid (refunded)	(114,329)	(64,482)
Net cash provided by (used in) operating activities	1,126,169	2,149,121

(thousands of yen)

Item / Period		FY 2003 April 1, 2003 - March 31, 2004 Amount	FY 2004 April 1, 2004 - March 31, 2005 Amount
II Cash flows from investing activities			
Increase (decrease) in time deposits		43,270	-
Payments for purchase of tangible fixed assets		(1,632,888)	(2,324,040)
Proceeds from sales of tangible fixed assets		34,078	383,137
Payments for business transferred	*2	-	(323,400)
Payments for purchase of investment securities		(295,750)	(93,029)
Proceeds from sales of investment securities		200,530	304,609
Income from acquisition of subsidiary stock on changes in consolidated accounts	*3	17,430	-
Payments for additional purchase of shares of consolidated subsidiary		(58,937)	-
Payments for purchase of shares of affiliates		(9,850)	-
Issuance of long-term loans receivable		(279,610)	(199,000)
Proceeds from loans receivable		950	2,230
Proceeds from other investing activities		69,990	46,926
Payment for other investing activities		(318,575)	(146,957)
Net cash used in investing activities		(2,229,362)	(2,349,524)
III Cash flows from financing activities			
Increase (decrease) in short-term borrowing		(19,422)	(55,921)
Proceeds from long-term borrowings		2,815,900	1,497,061
Payments of long- term borrowings		(2,542,941)	(3,096,368)
Income from issue of convertible bonds with stock acquisition rights		1,844,788	-
Redemption of bonds		(535,650)	-
Proceeds from issuance of new shares		-	2,049,104
Proceeds from issuance of shares to minority shareholders		-	15,500
Proceeds from purchase allocation of new shares to third party in consolidated subsidiary		2,736	-
Acquisition of treasury stock		(60,477)	(30)
Dividends paid		(137,218)	(135,745)
Dividends paid to minority shareholders		(916)	(250)
Net cash provided by financing activities		1,366,799	273,349
IV Effect of exchange rate changes on cash and cash equivalents		47,921	(7,663)
V Increase (decrease) in cash and cash equivalents		311,528	65,282
VI Cash and cash equivalents at the beginning of period		2,812,004	3,123,532
VII Cash and cash equivalents at end of period	*1	3,123,532	3,188,815

Basis for Presentation of Consolidated Financial Statements

1. Scope of Consolidation

Consolidated subsidiaries: 13 entities as follows;

- Ferrotec Quartz Corporation
- Ferrotec Precision Corporation
- Ferrotec Silicon Corporation
- ALIONTEK CORPORATION
- Techno Tooling Systems Co., Ltd.
- HANGZHOU DAHE THERMO-MAGNETICS CO., LTD.
- HANGZHOU NIPPON-MAGNETICS SCIENCE INDUSTRY PARK DEVELOPMENT CO., LTD.
- SHANGHAI SHENHE THERMO-MANETICS CO., LTD.
- SHANGHAI HANHONG PRECISION MACHINERY CO., LTD.
- Ferrotec (USA) Corporation
- Ferrotec GmbH
- Ferrotec Investments LLC
- FERROTEC CORPORATION SINGAPORE PTE LTD.

Techno Tooling Systems Co., Ltd. and SHANGHAI HANHONG PRECISION MACHINERY CO., LTD. both acquired in the current consolidated fiscal year under review, have been newly included in consolidated results.

Non-consolidated subsidiaries: five entities as follows;

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

We have not included the five non-consolidated subsidiaries in our consolidated accounts because they are small in terms of total assets, sales, net income, and retained earnings, and therefore have little impact on consolidated results.

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.

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 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. 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.
As for marketable securities of "investment business limited associations" and similar such associations as defined in Article 2, Section 2 of the Securities Exchanges Law, we book the proportional value based on the most recent available financial report of the association, according to the financial settlement date stipulated in the association contract.

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 taxes

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

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 Balance Sheets)

Due to a partial revision to the Securities Exchange Law (2004 revised law No.97), which was promulgated on June 9, 2004 and went into effect on December 1, 2004, and a revision to the Practical Guideline for Financial Product Accounting (Accounting Standards Committee Report No.14) announced February 15, 2005, marketable securities of “investment business limited associations” and similar such associations as defined in Article 2, Section 2 of the Securities Exchanges Law, which were previously presented as “equity in investee” under the heading “investments and other assets,” have been reclassified and presented as a component of “Investment marketable securities” starting in the current fiscal year under review.

The marketable securities of “investment business limited associations” presented under “Investment marketable securities” totaled 182,478 thousand yen in the current fiscal year under review; the marketable securities of “investment business limited associations” presented as “equity in investee” in the previous fiscal year totaled 195,698 thousand yen.

(Consolidated Income Statements)

“Commission income,” included in the “others” category of non-operating income in the previous fiscal year, was presented separately in the current fiscal year under review as it exceeded one-tenth of non-operating income.

“Commission income” in the previous fiscal year totaled 12,887 thousand yen.

(Additional information)

Size-based corporate taxation

We have included the 36,142 thousand yen portion of “proportional added value” and “proportional capital” corporate taxes as a component of SG&A expenses in the current consolidated fiscal year under review in line with the Practical Guideline for Presenting the Size-Based Corporate Taxation Portion of Overall Corporate Taxes in the Income Statement (Accounting Standards Committee Report No.12) announced February 13, 2004.

Notes to Consolidated Financial Statements
(Consolidated Balance Sheets)

(thousands of yen)

As of March 31, 2004		As of March 31, 2005	
*1. Accumulated depreciation of tangible fixed assets:	4,545,338	*1. Accumulated depreciation of tangible fixed assets:	5,203,630
*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 securities (stock)	72,967	Investment securities (stock)	20,466
Investments and other assets (equity investments)	16,000	Investments and other assets (equity investments)	16,000
*3. Treasury stock	240,119 shares	*3. Treasury stock	240,144 shares
*4.Pledged assets		*4.Pledged assets	
Buildings and structures	663,404	Buildings and structures	1,358,039
Land	2,291,139	Land	2,253,150
Other intangible assets	235,552	Other intangible assets	304,713
Total	3,190,097	Total	3,915,902
Liabilities secured with the above listed collateral		Liabilities secured with the above listed collateral	
Short-term borrowings	135,599	Short-term borrowings	277,311
Current portion of long-term debt	386,761	Current portion of long-term debt	358,964
Long-term borrowings	1,298,878	Long-term borrowings	757,251
Total	1,821,239	Total	1,393,526
5. Discounted notes receivable:	232,240	5. Discounted notes receivable:	197,548

(Consolidated Statements of Income)

(thousands of yen)

FY 2003 April 1, 2003 - March 31, 2004		FY 2004 April 1, 2004 - March 31, 2005	
*1. Significant components of selling, general and administrative expenses:		*1. Significant components of selling, general and administrative expenses:	
Salaries and wages	1,423,564	Salaries and wages	1,601,334
Provision for reserve for bonus payable	66,810	Provision for reserve for bonus payable	74,756
Provision for liability for retirement benefits to officers	9,900	Provision for liability for retirement benefits to officers	14,400
Provision for allowance for doubtful receivables	33,115	Provision for allowance for doubtful receivables	26,251
*2. Research and development expenditure included in selling, general and administrative expenses and Production costs:	188,203	*2. Research and development expenditure included in selling, general and administrative expenses and Production costs:	109,872
*3. Capital gains on sale of buildings: 2,110 thousand yen; Capital gains on sale of machinery: 1,713 thousand yen.		*3. Capital gains on sale of machinery: 43,110 thousand yen.	
*4. Building disposal losses of 5,198 thousand yen, and machinery disposal losses of 57,027 thousand yen.		*4. Machinery disposal losses: 83,426 thousand yen.	
		*5. One-off amortization of consolidated account adjustments for Ferrotec Silicon Corporation.	

(Consolidated Statements of Cash Flows)

(thousands of yen)

FY 2003 April 1, 2003 - March 31, 2004	FY 2004 April 1, 2004 - March 31, 2005
*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.	*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. -	*2. Major items increased due to business transferred to us Assets Fixed assets 323,400
*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	*3. -

(Lease Transactions)

(thousands of yen)

FY 2003 April 1, 2003 - March 31, 2004		FY 2004 April 1, 2004 - March 31, 2005	
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	220,576	Acquisition amount	219,032
Accumulated depreciation	147,179	Accumulated depreciation	80,230
Balance of leased assets at balance sheets date	73,397	Balance of leased assets at balance sheets date	138,802
Tools, furniture and fixtures		Tools, furniture and fixtures	
Acquisition amount	40,662	Acquisition amount	47,509
Accumulated depreciation	13,926	Accumulated depreciation	22,008
Balance of leased assets at balance sheets date	26,735	Balance of leased assets at balance sheets date	25,501
Others		Others	
Acquisition amount	79,452	Acquisition amount	95,768
Accumulated depreciation	21,355	Accumulated depreciation	37,531
Balance of leased assets at balance sheets date	58,096	Balance of leased assets at balance sheets date	58,236
Total		Total	
Acquisition amount	340,691	Acquisition amount	362,309
Accumulated depreciation	182,461	Accumulated depreciation	139,770
Balance of leased assets at balance sheets date	158,229	Balance of leased assets at balance sheets date	222,539
2. Outstanding lease commitments as of balance sheets date		2. Outstanding lease commitments as of balance sheets date	
Due within one year	51,582	Due within one year	64,676
Due after one year	110,646	Due after one year	162,003
Total	162,229	Total	226,680
3. Lease payments, depreciation and interest equivalents		3. Lease payments, depreciation and interest equivalents	
Lease payments	81,990	Lease payments	73,947
Depreciation equivalents	75,306	Depreciation equivalents	69,171
Interest equivalents	5,482	Interest equivalents	4,407
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 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
FY 2004 (April 1, 2004 to March 31, 2005)						
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	11,203,550	3,577,173	6,325,023	21,105,746	-	21,105,746
(2) Internal sales and transfers	-	1,415	-	1,415	[1,415]	-
Total	11,203,550	3,578,589	6,325,023	21,107,162	[1,415]	21,105,746
Operating expenses	9,829,122	3,332,638	6,143,886	19,305,646	38,073	19,343,720
Operating income (loss)	1,374,427	245,950	181,137	1,801,515	[39,489]	1,762,026
II Assets, depreciation and amortization and capital expenditure						
Assets	13,806,946	4,130,820	8,161,888	26,099,656	3,941,952	30,041,608
Depreciation and amortization	586,303	220,575	512,292	1,319,171	40,324	1,359,496
Capital expenditure	796,497	301,625	728,851	1,826,974	246,790	2,073,765

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 17,951 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 39,489 thousand yen, or depreciation of all company assets.
4. 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.
   The amount of assets included in “elimination or company-wide” for the fiscal year March 2005 is 4,359,995 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 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

FY 2004 (April 1, 2004 to March 31, 2005)						
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	11,901,638	4,368,312	4,835,795	21,105,746	-	21,105,746
(2) Internal sales and transfers	1,806,903	6,832,983	57,188	8,697,074	[8,697,074]	-
Total	13,708,542	11,201,295	4,892,984	29,802,821	[8,697,074]	21,105,746
Operating expenses	12,825,492	10,666,776	4,475,818	27,968,088	[8,624,367]	19,343,720
Operating income (loss)	883,049	534,518	417,165	1,834,733	[72,707]	1,762,026
II Assets	20,403,011	11,324,965	5,632,538	37,360,515	[7,318,906]	30,041,608

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 17,951 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 39,489 thousand yen, or depreciation of all company assets.
4. 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.
   The amount of assets included in “elimination or company-wide” for the fiscal year under review is 4,359,995 thousand yen, primarily consisting of investment securities, equities stakes, main building and land at the Company, and land-use rights at Chinese subsidiaries.

(3) Overseas sales

(thousands of yen)

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%
Division			Asia	USA & Europe	Total
FY 2004 (April 1, 2004 to March 31, 2005)	I	Overseas sales	3,290,223	4,924,795	8,215,019
	II	Consolidated sales	-	-	21,105,746
	III	Share of overseas sales among the consolidated sales	15.6%	23.3%	38.9%

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	10,571,349	158.9%
Electronic devices	3,430,425	95.6%
CMS (contract manufacturing service)	6,205,611	188.0%
Total	20,207,385	149.2%

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	11,055,004	134.5%	1,368,428	90.2%
Electronic devices (made-to-order items)	1,293,729	60.6%	43,797	16.0%
CMS (contract manufacturing service)	6,307,504	178.9%	85,000	82.5%

Notes: 1. We use expected production value for thermoelectric module orders in the electronic devices business.
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	11,203,550	141.4%
Electronic devices	3,577,173	98.8%
CMS (contract manufacturing service)	6,325,023	182.9%
Total	21,105,746	140.7%

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			As of March 31, 2005		
		Acquisition cost	Carrying value	Unrealized gain/loss	Acquisition cost	Carrying value	Unrealized gain/loss
Securities with carrying value in excess of acquisition cost	(1) Shares	368,875	685,479	316,603	453,159	677,846	224,686
	(2) Bonds	-	-	-	-	-	-
	(3) Others	209,654	260,875	51,220	109,654	164,782	55,127
	Subtotal	578,530	946,354	367,823	562,814	842,628	279,813
Securities with carrying value lower than acquisition	(1) Shares	156,107	128,065	(28,041)	30,799	24,625	(6,174)
	(2) Bonds	-	-	-	100,000	91,250	(8,640)
	(3) Others	27,578	25,645	(1,933)	27,578	26,317	(1,260)
	Subtotal	183,685	153,711	(29,974)	158,377	142,302	(16,074)
Total		762,216	1,100,065	337,849	721,191	984,931	263,739

(2) Other marketable securities sold in the previous or current consolidated fiscal year under review

(thousands of yen)

As of March 31, 2004			As of March 31, 2005		
Total amount sold	Gains on sales	Losses on sales	Total amount sold	Gains on sales	Losses on sales
200,530	92,685	2,000	283,239	93,453	-

(3) Securities without market quotations

(thousands of yen)

	As of March 31, 2004	As of March 31, 2005
	Carrying value on the consolidated balance sheets	Carrying value on the consolidated balance sheets
(1) Bonds held to maturity		
Unlisted bonds	287,000	293,000
(2) Other securities		
Unlisted equities other than over-the-counter issues	183,203	77,195
Equity in investment business associations	-	182,478

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

(thousands of yen)

	As of March 31, 2004				As of March 31, 2005			
	Within one year	One to five years	Five to ten years	Over ten years	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	-	-	-	293,000	-	-
(3) Other bonds	-	-	-	-	-	-	-	-
2. Others	107,830	25,645	85,887	-	26,317	-	99,473	-
Total	107,830	312,645	85,887	-	26,317	293,000	99,473	-

9. Derivatives

Transactions

FY 2003 April 1, 2003 - March 31, 2004	FY 2004 April 1, 2004 - March 31, 2005
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 2003 April 1, 2003 - March 31, 2004	FY 2004 April 1, 2004 - March 31, 2005
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, 2005

	(thousands of yen)
Retirement benefit obligation	(289,401)
Pension assets at faire value	317,704
Obligation for retirement benefits	30,114
Prepaid pension expenses	58,417

(Included in “Other investments and other assets” under Investments and other assets)

(3) Retirement benefit expense

	(thousands of yen)
Service cost	47,821
Retirement benefit expenses	47,821

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, 2005)
Deferred tax assets	
Provision for reserve for bonuses payable excessive of deductible limit	49,296
Loss on valuation of investment securities denied and undeductible	55,940
Provision for liability for retirement benefits to officers excessive of deductible limit	46,274
Provision for allowance for doubtful receivables excessive of deductible limit	112,899
Loss on valuation of golf club membership denied and undeductible	34,006
Accumulated deficits	621,326
Loss on valuation of inventories	140,728
Others	106,673
Subtotal, deferred tax assets	1,167,145
Valuation allowance	(684,761)
Total, deferred tax assets	482,384
Deferred tax liabilities	
Unrealized holding loss on securities	(104,208)
Prepaid pension expenses	(17,065)
Shortfall in provision for depreciation	(20,630)
Book value adjustments based on market valuations	(179,803)
Total, deferred tax liabilities	(321,707)
Deferred tax assets, net	160,676
Deferred tax assets, net	
Others	381
Total, deferred tax liabilities	381

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

	Current consolidated fiscal year (as of March 31, 2005)
Effective statutory tax rate	40.4%
(Reconciliation)	
Permanent differences arising from undeductible expenses such as entertainment expense	1.4%
Amortization of consolidation adjustment	7.8%
Installment of inhabitant taxes	1.3%
Valuation allowance	(9.9%)
Elimination of dividends received from overseas subsidiaries	10.0%
Tax difference with consolidated subsidiaries	(12.9%)
Taxation-wise accumulated deficits	6.7%
Others	(0.8%)
Tax rate after deferred tax treatments	44.0%

12. Transactions with Related Parties

FY 2004 (April 1, 2004 - March 31, 2005)

(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
Name		Tsubaki Management Research Institute, Ltd.
Address		Totsuka Ward, Yokohama City, Kanagawa Prefecture
Common stock / equity		10,000
Business / position		Management consultant
Voting rights held		Director Isao Tsubaki directly owns 70%
Relationship	Position	Not applicable
	Business	Not applicable
Transaction		Consultant
Amount		1,527
Account title		Not applicable
Ending balance		Not applicable

Notes:1. The amount of transaction does not include consumption taxes, etc.

2. Terms and conditions of transaction

Determined after taking examples of similar transactions in the marketplace into account.

(3) Subsidiaries and affiliates

(thousands of yen)

Classification		Affiliate
Name		Daiacelltec Corporation
Address		Chuo Ward, Tokyo
Common stock / equity		320,000
Business / position		Manufacturing
Voting rights		18.38% held by the Company
Relationship	Position	Not applicable
	Business	Not applicable
Transaction		Loans made by the Company
Amount		199,000
Account title		Long-term loans receivable
Ending balance		787,000

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 2004 (April 1, 2004- March 31, 2005)

	(yen)
Shareholders' equity per share	742.57
Net loss per share (basic)	36.69

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

Net loss (thousand yen)	633,780
Net loss not available to common shareholders (thousand yen)	-
Not loss available to common shareholders (thousand yen)	633,780
Weighted average number of shares outstanding	17,274,075
Diluted net income per share	32.17
Adjusted net income	1,804
(interest payments, after tax and other adjustments)	1,456
(clerical fees, after tax and other adjustments)	348
Common shares	2,480,700 shares
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 23 June 2000 Common stock 572,000 shares Stock options resolved at the General Shareholders' Meeting held 21 June 2002 Common stock 178,900 shares (New stock acquisition rights 1,789 units) Stock options resolved at the General Shareholders' Meeting held 24 June 2003 Common stock 378,000 shares (New stock acquisition rights 3,780 units) Stock options resolved at the General Shareholders' Meeting held 25 June 2004 Common stock 461,000 shares (New stock acquisition rights 4,610 units)