

The logo for KBK is rendered in a bold, black, sans-serif font. The letters are set against a background of a stylized circuit board pattern in shades of orange and grey. The pattern consists of various geometric shapes, lines, and dots, resembling a printed circuit board (PCB) layout. The overall design is modern and technical.

KBK

Financial Statements 2004

2004

Financial Statements

This report covers Kyokuto Boeki Kaisha, Ltd.'s (KBK's) 84th business period—from April 1, 2003, through March 31, 2004—herein referred to as fiscal 2004.

Regarding the Japanese economy during fiscal 2004, the overall level of public-sector investment was weak, and the continued harsh household income and employment environments kept personal consumption flat. However, against a backdrop of robust exports and rising production, there were emerging signs of corporate optimism regarding Japan's economy and a nascent recovery in corporate capital investment, principally among large companies and manufacturers. These conditions, together with such factors as a drop in concerns regarding yen appreciation and a general trend of rising stock prices, enabled an economic recovery, albeit a gradual one.

Amid this environment, KBK dynamically moved farther ahead with various structural reform strategies initiated during the previous fiscal year while undertaking additional business optimization measures. Aiming to initiate operations in new business fields and begin handling additional types of products, the Company has proactively proceeded with steps to make equity- and operational-collaboration arrangements with additional partners and other types of alliances.

As a result of these initiatives, KBK was able to increase its consolidated net sales to ¥116,531 million, up 2.1% from the previous fiscal year. This rise reflected a large surge in shipments of recording media manufacturing equipment to Taiwan and higher sales in such fields as aircraft-related equipment marketing and the sale of paints and other products to customers in China. These gains were partially offset by decreases owing to sluggish demand for electronic components and for secondary materials and manufacturing equipment related to food products as well as slack conditions in such industries as those focused on heavy electric facilities and public facilities.

Profitability

On a consolidated basis, gross profit rose 12.3%, to ¥6,810 million, but the impact of such factors as a delay in the recovery of the market for such electronic components as optical communications semiconductors and a drop in sales of secondary materials and manufacturing equipment related to food products led to an operating loss of ¥119 million. However, gain on investments in securities generated ¥538 million in extraordinary income, and net income amounted to ¥33 million.

Future Tasks

Regarding prospective business conditions, the Asian economy centered on China is projected to sustain its strength and the U.S. economy is expected to remain robust, largely because of personal consumption. Thus, a general trend toward economic recovery overseas is anticipated. On the other hand, there are significant concerns with respect to the strife in Iraq as well as a possible overheating in the Chinese economy, so forecasting economic trends remains quite difficult.

In Japan, continued gradual economic recovery supported by rising exports is anticipated against the backdrop of positive economic trends overseas, and capital investment and personal consumption are projected to increase. However, notable rises in raw material prices as well as in the prices of such basic materials as steel and chemical



Takashi Hiraishi
President and Chief Executive Officer

products are putting pressure on corporate profitability. In view of this, the economy may decelerate, and it is projected that progress in escaping from deflation will not be easily achieved.

Amid this harsh economic environment, all units within KBK will concertededly work to achieve the Company's most urgent goal of regaining business profitability. We are rigorously assessing our existing operations and moving to strategically invest management resources in business fields offering the potential for profitability and growth. Moreover, besides further augmenting our efforts to develop new business and proceeding with the proactive arrangement of capital and operational alliances, we are positively considering means of developing our business through equity investments and M&A transactions. In addition, we are initiating additional operational reform measures designed to maximize the benefits of the various reforms we have implemented to date.

In November 2007, KBK will celebrate the 60th anniversary of its founding. Aiming to become a "strong company" and a "noteworthy company" by that time, the Company will be striving to transform its condition and reform its operations during the next three years. In particular, we are further stepping up our dynamic efforts to develop additional business involving equipment and other products related to information media, aircraft, security, and automobiles.

Furthermore, KBK is placing still greater emphasis on global operations. Noting the rapid development of Chinese markets, the Company worked through its Shanghai-based subsidiary to open a liaison office in Guangzhou on April 1, 2003, thereby establishing a three-base network in China. In January 2004, we closed our London branch and consolidated its operations within our subsidiary in Düsseldorf, which we have renamed KBK Europe GmbH and are progressively reorganizing. The subsidiary now has a structure conducive to more efficient and flexible operations in European markets. In these and other ways, we are seeking to augment our profitability by upgrading the capabilities of our overseas network in North America, Europe, and Asia.

Regarding management systems, we are putting even greater emphasis on corporate governance than in the past. While expanding the roles of our board of directors and the board of auditors, we are stepping up our efforts to ensure the appropriate disclosure to shareholders and prospective investors of information on our corporate goals, strategies, challenges, and other relevant issues. We are also reconfirming our determination to maintain effective compliance systems that guide the activities of all employees based on highly rigorous legal compliance and corporate ethics standards.

I thank KBK's shareholders for their confidence in the Company up to now, and I hope for their continued support in the future.

June 2004

Takashi Hiraishi
President and Chief Executive Officer



Kyokuto Boeki Kaisha, Ltd. and Its Consolidated Subsidiaries
March 31, 2003 and 2004

ASSETS	Millions of yen		Thousands of U.S. dollars (Note)
	2003	2004	2004
Current assets:			
Cash	¥ 3,210	¥ 2,999	\$ 28,272
Time deposits	84	—	—
Marketable securities	273	273	2,572
Notes and accounts receivable	23,395	25,739	242,635
Less: Allowance for doubtful accounts	(27)	(39)	(364)
	23,368	25,700	242,271
Inventories	1,489	3,769	35,532
Deferred income taxes	502	623	5,877
Other current assets	2,139	2,346	22,109
Total current assets	31,065	35,710	336,633
Property and equipment, at cost:			
Buildings	1,341	1,255	11,832
Equipment	837	650	6,128
	2,178	1,905	17,960
Less: Accumulated depreciation	(1,447)	(1,279)	(12,060)
	731	626	5,900
Construction in progress	6	—	—
Land	459	375	3,541
Total property and equipment	1,196	1,001	9,441
Investments and other assets:			
Investments in securities	4,039	6,364	59,994
Investments in unconsolidated subsidiaries and affiliates	208	262	2,467
Deferred income taxes	1,519	603	5,685
Other assets:	2,290	2,208	20,812
Less: Allowance for doubtful accounts	(269)	(453)	(4,270)
Total investments and other assets	7,787	8,984	84,688
Total assets	¥40,048	¥45,695	\$430,762

Note: U.S. dollar amounts above and elsewhere in the report represent translations of Japanese yen, for convenience only, at the rate of ¥106.08=US\$1, the exchange rate prevailing at March 31, 2004.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note)
	2003	2004	2004
Current liabilities:			
Short-term debt	¥ 3,151	¥ 2,538	\$ 23,920
Notes and accounts payable	15,794	23,178	218,499
Accrued income taxes	15	28	262
Other current liabilities	1,301	1,047	9,874
Total current liabilities	20,261	26,791	252,555
Long-term liabilities:			
Long-term debt	1,634	367	3,460
Reserve for employees' retirement benefits	1,231	1,224	11,538
Reserve for officers' retirement benefits	559	506	4,773
Total long-term liabilities	3,424	2,097	19,771
Total liabilities	23,686	28,888	272,326
Contingent liabilities			
Shareholders' equity:			
Common stock:			
Authorized: 52,800,000 shares			
Issued: 27,899,592 shares at March 31, 2003 and 2004	5,030	5,030	47,419
Capital surplus	4,630	4,630	43,653
Retained earnings	6,569	6,320	59,575
Net unrealized gains on securities	262	1,012	9,538
Foreign currency translation adjustments	(123)	(174)	(1,640)
Treasury stock	(8)	(11)	(109)
Total shareholders' equity	16,362	16,807	158,436
Total liabilities and shareholders' equity	¥40,048	¥45,695	\$430,762

Kyokuto Boeki Kaisha, Ltd. and Its Consolidated Subsidiaries
For the years ended March 31, 2002, 2003 and 2004

	Millions of yen			Thousands of U.S. dollars (Note)
	2002	2003	2004	2004
Net sales	¥121,686	¥114,181	¥116,531	\$1,098,523
Cost of sales	113,015	108,117	109,721	1,034,325
Gross profit	8,671	6,064	6,810	64,198
Selling, general and administrative expenses	8,545	7,757	6,929	65,322
Operating income (loss)	126	(1,693)	(119)	(1,124)
Other income (expenses):				
Interest and dividend income	72	60	73	686
Interest expense	(9)	(8)	(30)	(286)
Gain on sale of marketable securities and investments in securities	453	0	538	5,075
Evaluation loss on marketable securities and investments in securities	(122)	(77)	—	—
Equity in profit (loss) of affiliates	(49)	130	(126)	(1,189)
Other, net	30	(218)	12	114
	375	(113)	467	4,400
Extraordinary loss:				
Loss on write-down of golf club memberships	(11)	(31)	—	—
Additional expenses for early retirement benefits	—	(1,163)	—	—
	(11)	(1,194)	—	—
Income (loss) before income taxes	490	(2,999)	348	3,276
Income taxes:				
Current	279	41	35	328
Deferred	129	(1,154)	280	2,639
	408	(1,113)	315	2,967
Net income (loss)	¥ 82	¥ (1,886)	¥ 33	\$ 309
Per share:				
Net income (loss), primary	¥2.93	¥(67.65)	¥1.18	\$0.01
Net income, fully diluted	—	—	—	—
Dividends, historical	7.50	5.00	7.50	0.07
Weighted average number of shares of common stock (in thousands)	27,897	27,882	27,861	

Note: U.S. dollar amounts above and elsewhere in the report represent translations of Japanese yen, for convenience only, at the rate of ¥106.08=US\$1, the exchange rate prevailing at March 31, 2004.

Kyokuto Boeki Kaisha, Ltd. and Its Consolidated Subsidiaries
For the years ended March 31, 2002, 2003 and 2004

	Number of shares of common stock (thousands)	Millions of yen					
		Common stock	Capital surplus	Retained earnings	Net unrealized gains on securities	Foreign currency translation adjustments	Treasury stock, at cost
Balance as at March 31, 2001	27,899	¥5,030	¥4,630	¥8,723	¥1,333	¥(63)	¥ (0)
Cash dividends	—	—	—	(209)	—	—	—
Directors' and corporate auditors' bonuses	—	—	—	(35)	—	—	—
Sales/purchases of treasury stocks, net	—	—	—	—	—	—	(1)
Cumulative effect of the change in the scope of equity companies	—	—	—	—	—	—	—
Net income for the year ended March 31, 2002	—	—	—	82	—	—	—
Net unrealized loss on securities, net of income taxes	—	—	—	—	(538)	—	—
Foreign currency translation adjustments	—	—	—	—	—	3	—
Balance as at March 31, 2002	27,899	5,030	4,630	8,561	795	(60)	(1)
Cash dividends	—	—	—	(105)	—	—	—
Directors' and corporate auditors' bonuses	—	—	—	(1)	—	—	—
Sales/purchases of treasury stocks, net	—	—	—	—	—	—	(7)
Cumulative effect of the change in the scope of equity companies	—	—	—	—	—	—	—
Net loss for the year ended March 31, 2003	—	—	—	(1,886)	—	—	—
Net unrealized loss on securities, net of income taxes	—	—	—	—	(533)	—	—
Foreign currency translation adjustments	—	—	—	—	—	(63)	—
Balance as at March 31, 2003	27,899	5,030	4,630	6,569	262	(123)	(8)
Cash dividends	—	—	—	(244)	—	—	—
Directors' and corporate auditors' bonuses	—	—	—	—	—	—	—
Sales/purchases of treasury stocks, net	—	—	—	—	—	—	(3)
Cumulative effect of the change in the scope of equity companies	—	—	—	(38)	—	—	—
Net income for the year ended March 31, 2004	—	—	—	33	—	—	—
Net unrealized loss on securities, net of income taxes	—	—	—	—	750	—	—
Foreign currency translation adjustments	—	—	—	—	—	(51)	—
Balance as at March 31, 2004	27,899	¥5,030	¥4,630	¥6,320	¥1,012	¥(174)	¥(11)

	Thousands of U.S. dollars (Note)					
	Common stock	Capital surplus	Retained earnings	Net unrealized gains on securities	Foreign currency translation adjustments	Treasury stock, at cost
Balance as at March 31, 2003	\$47,419	\$43,653	\$61,922	\$2,191	\$(1,025)	\$ (65)
Cash dividends	—	—	(2,298)	—	—	—
Directors' and corporate auditors' bonuses	—	—	—	—	—	—
Sales/purchases of treasury stocks, net	—	—	—	—	—	(44)
Cumulative effect of the change in the scope of equity companies	—	—	(357)	—	—	—
Net income for the year ended March 31, 2004	—	—	309	—	—	—
Net unrealized loss on securities, net of income taxes	—	—	—	7,347	—	—
Foreign currency translation adjustments	—	—	—	—	(615)	—
Balance as at March 31, 2004	\$47,419	\$43,653	\$59,575	\$9,538	\$(1,640)	\$(109)

Note: U.S. dollar amounts above and elsewhere in the report represent translations of Japanese yen, for convenience only, at the rate of ¥106.08=US\$1, the exchange rate prevailing at March 31, 2004.

Kyokuto Boeki Kaisha, Ltd. and Its Consolidated Subsidiaries
For the years ended March 31, 2002, 2003 and 2004

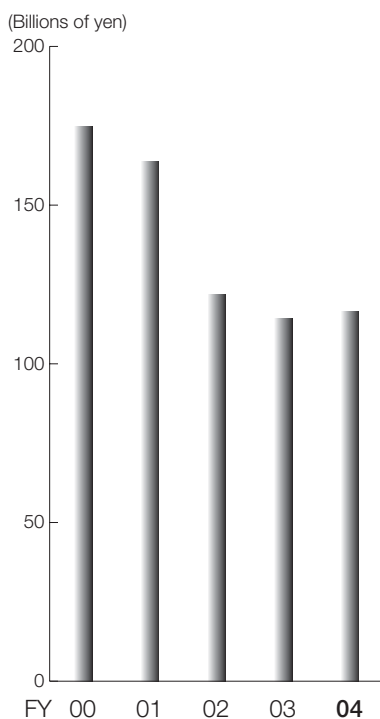
	Millions of yen			Thousands of U.S. dollars (Note)
	2002	2003	2004	2004
Cash flows from operating activities:				
Income (loss) before income taxes	¥ 490	¥ (2,999)	¥ 348	\$ 3,276
Adjustments for:				
Depreciation and amortization	157	125	112	1,056
Gain on sale of property	—	(75)	(114)	(1,070)
Equity in loss (profit) of affiliates	49	(130)	126	1,189
Evaluation loss on marketable securities and investments in securities	122	77	—	—
Loss on property and equipment and inventories	7	133	17	163
Loss on write-down of golf club memberships	11	31	—	—
Gain on sale of marketable securities and investments in securities	(453)	(0)	(538)	(5,075)
Net increase (decrease) in accounts receivable	6,268	12,874	(2,561)	(24,138)
Net increase (decrease) in inventories	585	763	(2,319)	(21,861)
Net decrease (increase) in advance payments	(164)	(651)	520	4,897
Net decrease in accrued revenue	—	—	(219)	(2,065)
Net decrease in other current assets	—	—	(680)	(6,416)
Net increase (decrease) in accounts payable	(7,717)	(11,719)	7,476	70,478
Net increase (decrease) in other current liabilities	(822)	170	(274)	(2,589)
Net decrease in reserve for retirement benefits	(177)	(623)	(7)	(166)
Increase (decrease) in provision for allowance for doubtful accounts	(59)	52	196	1,848
Interest and dividend income	(72)	(60)	(73)	(686)
Interest expense	9	8	30	286
Others	55	(326)	56	56
Subtotal	(1,711)	(2,349)	2,096	19,757
Interest and dividend income received	63	63	76	720
Interest expense paid	(9)	(9)	(29)	(271)
Income taxes paid	(1,110)	(76)	(21)	(205)
Net cash provided by (used in) operating activities	(2,767)	(2,371)	2,122	20,001
Cash flows from investing activities:				
Payment for making time deposits	(101)	(64)	—	—
Proceeds from withdrawal of time deposits	43	81	84	788
Payment for acquisition of marketable securities	(6,500)	—	—	—
Proceeds from sale of marketable securities	9,140	—	—	—
Payment for acquisition of investment securities	(671)	(244)	(1,270)	(11,969)
Proceeds from sale of investment securities	841	1	714	6,732
Payment for acquisition of property and equipment	(273)	(212)	(121)	(1,139)
Proceeds from sale of property and equipment	—	83	248	2,337
Net increase (decrease) in short-term loans	63	2	(0)	(1)
Net decrease in long-term loans	30	14	48	454
Others	(132)	345	29	276
Net cash provided by (used in) investing activities	2,440	5	(268)	(2,522)
Cash flows from financing activities:				
Net decrease (increase) in short-term bank loans	148	1,847	(539)	(5,085)
Repayment of long-term debt	(2)	(8)	(1,267)	(11,947)
Proceeds from long-term bank loans	—	1,633	—	—
Payment for purchase of treasury stock	—	(7)	(4)	(36)
Cash dividends paid to the Company's shareholders	(209)	(105)	(243)	(2,287)
Net cash provided by (used in) financing activities	(63)	3,360	(2,053)	(19,355)
Effect of exchange rate changes on cash and cash equivalents	4	(5)	(12)	(115)
Net change in cash and cash equivalents	(386)	988	(211)	(1,991)
Cash and cash equivalents at beginning of year	2,608	2,222	3,210	30,264
Cash and cash equivalents at end of year	¥2,222	¥ 3,210	¥2,999	\$28,272

Note: U.S. dollar amounts above and elsewhere in the report represent translations of Japanese yen, for convenience only, at the rate of ¥106.08=US\$1, the exchange rate prevailing at March 31, 2004.

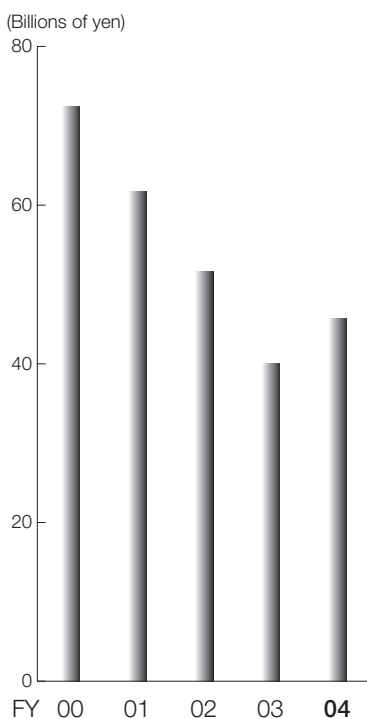
	Millions of yen					Thousands of U.S. dollars (Note)
	2000	2001	2002	2003	2004	2004
For the year:						
Net sales	¥174,910	¥163,686	¥121,686	¥114,181	¥116,531	\$1,098,523
Net income (loss)	451	922	82	(1,886)	33	309
At year-end:						
Total assets	72,464	61,712	51,692	40,048	45,695	430,762
Total shareholders' equity	17,790	19,653	18,955	16,362	16,807	158,436
	Yen					U.S. dollars (Note)
Per share:						
Net income (loss), primary	¥16.64	¥33.05	¥2.93	¥(67.65)	¥1.18	\$0.01
Dividends, historical	10.00	7.50	7.50	5.00	7.50	0.07

Note: U.S. dollar amounts above and elsewhere in the report represent translations of Japanese yen, for convenience only, at the rate of ¥106.08=US\$1, the exchange rate prevailing at March 31, 2004.

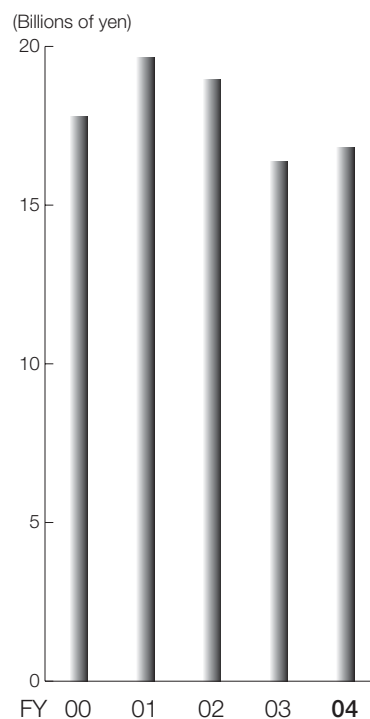
Net Sales



Total Assets



Total Shareholders' Equity



Electrical and Energy-Related Division

Regarding heavy electrical facilities, a drop in work associated with large-scale projects that had been steady through fiscal 2003 had the unavoidable effect of keeping sales at a low level during fiscal 2004.

The environment for business in thermal power plant control equipment remained extremely harsh, as electric power companies' efforts to restrain their capital investment continued to make obtaining new orders difficult. However, KBK's steps to adjust its related business units in line with the decreasing scale of demand enabled the Company to considerably improve its profitability.

Sales of resource development equipment were lower than in the previous year, as a large drop in private-sector demand was only partially offset by the firmness of public-sector demand.

As a result, the division's consolidated net sales amounted to ¥23,127 million, down 26.7% from the previous fiscal year.

Electronics and Aerospace Division

Sales of illumination-related components to automobile manufacturers in the United States increased smoothly, reflecting the robustness of U.S. personal consumption. Demand was relatively weak for electronics components, particularly communications-related items, an area in which KBK is particularly strong. There were some signs of recovery, but the upturn was sluggish and orders from Japanese communications product manufacturers were delayed.

Regarding aircraft-related equipment, KBK recorded robust sales of peripheral airframe equipment and wireless communications equipment to Japan's Defense Agency, but sales to private-sector aerospace companies were somewhat slack.

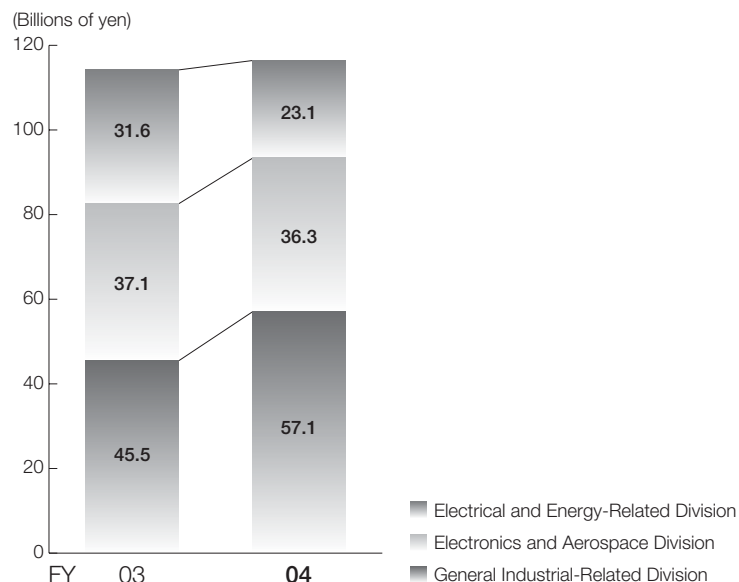
Consequently, the division's consolidated net sales totaled ¥36,335 million, a decline of 2.1% from the previous fiscal year.

General Industrial-Related Division

The continued low level of public works investment in Japan depressed KBK's sales of construction materials with applications associated with environmental facilities and other public works projects. Moreover, the weak overall condition of the meatpacking industry led to a large drop in orders for secondary foodstuff materials and food processing equipment.

In contrast, KBK recorded a strong performance in business related to such products as iron and steel, plastic materials, and paint. This reflected the successful development of dynamically growing business supplying products in China to Japan-affiliated manufacturers of automobiles and automobile components as well as the receipt from customers in Taiwan of large-scale orders for recording media manufacturing equipment. Each of these factors made large contributions to the Company's overall performance.

Thus, the division's consolidated net sales amounted to ¥57,070 million, up 25.4% from the previous fiscal year.



Segment Information

(1) Information by Business Segment

The Company and its consolidated subsidiaries engage in a comprehensive range of business activities that center on the domestic and overseas trading of various commodities. As a trading company with engineering expertise, the Company provides numerous financial and other services that are integrated with its trading transactions.

The business segment categories used correspond to categories the Company uses to organize its business management structure.

The business segment information for the Company and its consolidated subsidiaries for the year ended March 31, 2003 is as follows:

	Millions of yen					
	Electrical and Energy-Related Division	Electronics and Aerospace Division	General Industrial-Related Division	Total	Elimination or corporate	Consolidated
I. Sales and operating income						
Sales						
(1) Sales to external customers	¥31,551	¥37,101	¥45,528	¥114,181	¥ —	¥114,181
(2) Intersegment internal sales or transfers	—	—	—	—	—	—
Total	31,551	37,101	45,528	114,181	—	114,181
Operating expenses	33,055	37,152	45,677	115,885	(11)	115,874
Operating loss	¥ (1,503)	¥ (51)	¥ (149)	¥ (1,704)	¥ 11	¥ (1,693)
II. Total assets, depreciation and capital expenditures						
Total assets	¥ 9,097	¥ 4,681	¥10,430	¥ 24,208	¥15,840	¥ 40,048
Depreciation and amortization	19	30	6	55	70	125
Capital expenditures	20	28	3	51	160	212

Notes: 1. Business classification method:

Businesses are classified based on similarities among products and markets.

2. Capital expenditures include long-term prepaid expenses.

3. Principal products in each business segment:

Business Segment	Principal Products
Electrical and Energy-Related Division	Electrical machinery facilities, measuring and control systems, drilling equipment, oil and gas exploration services and other natural resource development equipment
Electronics and Aerospace Division	Electronic equipment, electronic components and software, image processing equipment, aircraft-mounted avionics, ground support electronic equipment, aircraft machinery and automotive illumination equipment
General Industrial-Related Division	Steel, nonferrous metals, automobile chemicals, ships, plant engineering related machinery, environmental preservation facilities, composite materials manufacturing facilities, textile processing machinery, food processing machinery, resin processing machinery, painting facilities, measuring and analysis devices and associated secondary foodstuff materials, industrial resins and paints, construction materials, synthetic composite materials, drop-forged products and textile products

4. The amount of corporate assets, included in those under the elimination or corporate heading, was ¥15,840 million. The principal items were the Company's surplus funds under management (cash and marketable securities), long-term investment funds (investment securities), administrative division related assets and other assets.

The business segment information for the Company and its consolidated subsidiaries for the year ended March 31, 2004 is as follows:

	Millions of yen					
	Electrical and Energy-Related Division	Electronics and Aerospace Division	General Industrial-Related Division	Total	Elimination or corporate	Consolidated
I. Sales and operating income						
Sales						
(1) Sales to external customers	¥23,127	¥36,335	¥57,070	¥116,532	¥ —	¥116,532
(2) Intersegment internal sales or transfers	—	—	—	—	—	—
Total	23,127	36,335	57,070	116,532	—	116,532
Operating expenses	23,303	36,493	56,853	116,649	2	116,651
Operating income (loss)	¥ (176)	¥ (158)	¥ 217	¥ (117)	¥ (2)	¥ (119)
II. Total assets, depreciation and capital expenditures						
Total assets	¥ 8,322	¥ 5,380	¥14,513	¥ 28,215	¥17,480	¥ 45,695
Depreciation and amortization	5	25	6	36	76	112
Capital expenditures	2	14	7	23	98	121

	Thousands of U.S. dollars					
	Electrical and Energy-Related Division	Electronics and Aerospace Division	General Industrial-Related Division	Total	Elimination or corporate	Consolidated
I. Sales and operating income						
Sales						
(1) Sales to external customers	\$218,009	\$342,520	\$537,994	\$1,098,523	\$ —	\$1,098,523
(2) Intersegment internal sales or transfers	—	—	—	—	—	—
Total	218,009	342,520	537,994	1,098,523	—	1,098,523
Operating expenses	219,673	344,011	535,944	1,099,628	19	1,099,647
Operating income (loss)	\$ (1,664)	\$ (1,491)	\$ 2,050	\$ (1,105)	\$ (19)	\$ (1,124)
II. Total assets, depreciation and capital expenditures						
Total assets	\$ 78,450	\$ 50,711	\$136,814	\$ 265,975	\$164,787	\$ 430,762
Depreciation and amortization	47	239	56	342	713	1,056
Capital expenditures	17	132	68	217	922	1,139

Notes: 1. Business classification method:

Businesses are classified based on similarities among products and markets.

2. Capital expenditures include long-term prepaid expenses.

3. Principal products in each business segment:

Business Segment	Principal Products
Electrical and Energy-Related Division	Electrical machinery facilities, measuring and control systems, drilling equipment, oil and gas exploration services and other natural resource development equipment
Electronics and Aerospace Division	Electronic equipment, electronic components and software, image processing equipment, aircraft-mounted avionics, ground support electronic equipment, aircraft machinery and automotive illumination equipment
General Industrial-Related Division	Steel, nonferrous metals, automobile chemicals, ships, plant engineering related machinery, environmental preservation facilities, composite materials manufacturing facilities, textile processing machinery, food processing machinery, resin processing machinery, painting facilities, measuring and analysis devices and associated secondary foodstuff materials, industrial resins and paints, construction materials, synthetic composite materials, drop-forged products and textile products

4. The amount of corporate assets, included in those under the elimination or corporate heading, was ¥17,480 million (US\$151,662 thousand). The principal items were the Company's surplus funds under management (cash and marketable securities), long-term investment funds (investment securities), administrative division related assets and other assets.

(2) Segment Information by Geographical Area

The Company's operating results by geographical area for the year ended March 31, 2003 are summarized as follows:

	Millions of yen						
	Japan	North America	Europe	Southeast Asia	Total	Elimination or corporate	Consolidated
I. Sales and operating income							
Sales							
(1) Sales to external customers	¥113,604	¥ 169	¥136	¥271	¥114,181	¥ —	¥114,181
(2) Intersegment internal sales or transfers	367	5,779	—	—	6,146	(6,146)	—
Total	113,971	5,949	136	271	120,327	(6,146)	114,181
Operating expenses	115,593	6,012	156	265	122,026	(6,153)	115,874
Operating income (loss)	¥ (1,622)	¥ (63)	¥ (20)	¥ 5	¥ (1,699)	¥ 7	¥ (1,693)
II. Assets	¥ 38,682	¥2,057	¥ 55	¥148	¥ 40,942	¥ (894)	¥ 40,048

Notes: 1. The country or regional classification categories are based on geographical contiguity.

2. Principal regional classifications other than Japan:

(1) North America: United States, Canada (2) Europe: United Kingdom, France (3) Southeast Asia: Taiwan

The Company's operating results by geographical area for the year ended March 31, 2004 are summarized as follows:

	Millions of yen						
	Japan	North America	Europe	Southeast Asia	Total	Elimination or corporate	Consolidated
I. Sales and operating income							
Sales							
(1) Sales to external customers	¥114,067	¥1,523	¥ 10	¥931	¥116,531	¥ —	¥116,531
(2) Intersegment internal sales or transfers	489	4,330	—	—	4,819	(4,819)	—
Total	114,556	5,853	10	931	121,350	(4,819)	116,531
Operating expenses	114,638	5,870	42	916	121,466	(4,816)	116,650
Operating income (loss)	¥ (82)	¥ (17)	¥(32)	¥ 15	¥ (116)	¥ (3)	¥ (119)
II. Assets	¥ 26,372	¥1,542	¥ 1	¥146	¥ 28,061	¥17,634	¥ 45,695

	Thousands of U.S. dollars						
	Japan	North America	Europe	Southeast Asia	Total	Elimination or corporate	Consolidated
I. Sales and operating income							
Sales							
(1) Sales to external customers	\$1,075,291	\$14,359	\$ 91	\$8,782	\$1,098,523	\$ —	\$1,098,523
(2) Intersegment internal sales or transfers	4,615	40,813	—	—	45,428	(45,428)	—
Total	1,079,906	55,172	91	8,782	1,143,951	(45,428)	1,098,523
Operating expenses	1,080,673	55,333	398	8,641	1,145,045	(45,398)	1,099,647
Operating income (loss)	\$ (767)	\$ (161)	\$(307)	\$ 141	\$ (1,094)	\$ (30)	\$ (1,124)
II. Assets	\$ 248,604	\$14,537	\$ 15	\$1,376	\$ 264,532	\$166,230	\$ 430,762

Notes: 1. The country or regional classification categories are based on geographical contiguity.

2. Principal regional classifications other than Japan:

(1) North America: United States, Canada (2) Europe: United Kingdom, France (3) Southeast Asia: Taiwan

(3) Overseas Sales

Overseas sales information of the Company and its consolidated subsidiaries for the fiscal year ended March 31, 2003 is as follows:

	Millions of yen				Total
	North America	Europe	Southeast Asia	Other areas	
I. Overseas sales	¥27,123	¥2,424	¥8,008	¥1,076	¥ 38,632
II. Consolidated sales					114,181
III. Overseas sales as proportion of consolidated sales	23.8%	2.1%	7.0%	0.9%	33.8%

Notes: 1. The regional classification categories are based on geographical contiguity.

2. Principal regional classifications:

- (1) North America: United States, Canada
- (2) Europe: United Kingdom, Netherlands, Norway, Sweden
- (3) Southeast Asia: China, Taiwan, Singapore, South Korea
- (4) Other areas: Middle East, Australia

3. Overseas sales are sales of the Company and its consolidated subsidiaries to countries and regions other than Japan.

Overseas sales information of the Company and its consolidated subsidiaries for the fiscal year ended March 31, 2004 is as follows:

	Millions of yen				Total
	North America	Europe	Southeast Asia	Other areas	
I. Overseas sales	¥27,282	¥3,222	¥16,019	¥108	¥ 46,631
II. Consolidated sales					116,531
III. Overseas sales as proportion of consolidated sales	23.4%	2.8%	13.7%	0.1%	40.0%

	Thousands of U.S. dollars				Total
	North America	Europe	Southeast Asia	Other areas	
I. Overseas sales	\$257,185	\$30,368	\$151,007	\$1,021	\$ 439,581
II. Consolidated sales					1,098,523

Notes: 1. The regional classification categories are based on geographical contiguity.

2. Principal regional classifications:

- (1) North America: United States, Canada
- (2) Europe: United Kingdom, Netherlands, Norway, Sweden
- (3) Southeast Asia: China, Taiwan, Singapore, South Korea
- (4) Other areas: Middle East, Australia

3. Overseas sales are sales of the Company and its consolidated subsidiaries to countries and regions other than Japan.

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(As of August 31, 2004)

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▶ **Executive Vice President**

Kunihiko Irie*

▶ **Senior Managing Directors**

Shinya Araki

Ryuji Sato

▶ **Managing Directors**

Masami Kurihara

Hiroshi Inoue

▶ **Director and Senior Counselor**

Hisago Miyoshi

▶ **Directors**

Kosaku Inaba

Hiroshi Sato

▶ **Corporate Auditors**

Shigeru Okuyama

Hideto Miyaguchi

Kozo Fujita

▶ **Established**

November 27, 1947

▶ **Paid-in Capital**

¥5,030 million (US\$47,419 thousand)

▶ **Number of Employees**

325

▶ **Common Stock**

Authorized: 52,800,000 shares

Issued: 27,899,592 shares

▶ **Number of Shareholders**

5,212

* Representative Directors

(As of June 20, 2004)

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Printed on recycled paper in Japan