Financial Statements
2005

A MESSAGE FROM THE MANAGEMENT

This report covers Kyokuto Boeki Kaisha, Ltd. (KBK)'s 85th business period—from April 1, 2004, through March 31, 2005—herein referred to as fiscal 2005.

Regarding the Japanese economy during fiscal 2005, in the wake of slack overseas demand, export growth—a factor supporting economic growth up to now—was stagnant and showed no visible signs of an expected recovery in capital spending. Also, high raw material prices such as for oil, longer-than-expected inventory adjustments, particularly in IT-related fields, and other factors contributed to an increasingly harsh business environment.

Against this backdrop, the KBK Group pressed firmly ahead with organizational restructuring and personnel system improvements under its medium-term business plan, *KBK Wisdom 60,* announced in September 2004. At the same time, the Group took steps to restructure its core businesses, including its aerospace and automotive-related businesses. In addition, KBK continued to develop new fields of business in such areas as the environment and security, rapidly introduced new commercial materials and technologies, and aggressively formed capital and operational alliances as part of an overseas business development strategy focused primarily on Asia.

These actions resulted in increased sales of plastic materials and paint to domestic and overseas automotive parts manufacturers on the back of a robust automotive industry. Although shipments of resource development equipment grew, orders for steel products equipment were stagnant and sales of recording media manufacturing equipment to Taiwan declined. Shipments of equipment for public facilities and food processing dropped due to the slow growth of these industries. As a result, net sales amounted to ¥97,312 million, a 16.5% decrease from the previous fiscal year.

Profitability

Although gross profit was down 6.0%, to ¥6,402 million, owing to a drop in shipments of recording media manufacturing equipment and steel products equipment well as other factors, KBK was still able to post an operating income of ¥199 million, thanks to a reduction in SG&A expenses. This resulted in recurring income of ¥193 million. Despite expenses incurred in connection with a loss on the retirement of software and a partial office relocation, KBK posted net income of ¥134 million, thanks to a gain from the sale of marketable securities and investments in securities.

Future Tasks

Regarding prospective business conditions, the world is watching the skyrocketing price of oil with a growing sense of alarm. Although the U.S. economy remains robust, there are concerns regarding a possible slowdown in consumption and investment. In Europe, there is a sense of uncertainty about the future, as evidenced by slower growth in Germany and France, major regional economic powers. As for Asia, while the investment climate in China remains strong, the investment growth rate appears to be slowing, owing to measures taken to curb excessive business growth and the effects of skyrocketing oil prices.

Meanwhile, in Japan, export-related industries, such as the automotive and electric machinery industries, appear to be taking a breather, reflecting a slowdown in overseas business, primarily in the United States and China. The

Shinya Araki
President and Chief Operating Officer

absence of an upsurge in capital expenditures and the apparent effects of skyrocketing oil prices have led to concerns of an intensifying economic slump.

Despite these adverse economic conditions, KBK is taking steps to restructure the entire Group with the goal of raising business profitability and putting the Group's business on a strong foundation based on the *KBK Wisdom 60* plan. In response to deteriorating overseas and domestic business environments, we are aggressively investing management resources in areas of strategic focus and developing new businesses, forming more capital and business tie-ups than in the past, and strengthening our marketing and technical competencies over the near term based on a strategy of "selection and focus." Practically speaking, not only are we investing human resources and financial capital into domestic ventures, we are also collaborating with Japanese-owned companies entering Asian (primarily the Chinese) and European markets, establishing joint ventures with local companies, aggressively promoting capital tie-ups, and expanding the number of Group bases of operation.

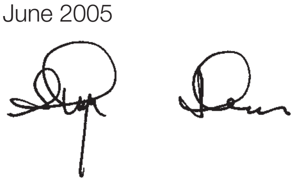
In addition, we are working to further lower costs, including SG&A expenses, by improving our organization and personnel systems and thoroughly boosting operational efficiency. These are all measures that we have been implementing for the past several years to improve operations, and we are confident that they will have a major impact on Group earnings in the years ahead.

In Japan, we are completely restructuring the domestic branch office network with the goals of employing it more strategically and improving profitability. We have already begun to place our network of domestic branch offices under our direct control to improve communication and speed up the decision-making process.

Meanwhile, in the area of management systems, we will further expand the roles that our Board of Directors and Board of Auditors play in terms of corporate governance. At the same time, we will ensure the appropriate disclosure to shareholders, prospective investors, and all stakeholders of information pertaining to our business philosophy, corporate strategy, and other relevant issues. Also, as a result of the growing international awareness of corporate social responsibility (CSR) brought about by economic globalization and the rapid spread of information, we will establish standards for corporate behavior and codes of conduct for executives and employees, with an emphasis on compliance, and foster an ethical business environment within the Group that guides the activities of all employees based on legal compliance in our corporate activities 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 2005



Shinya Araki
President and Chief Operating Officer

CONSOLIDATED BALANCE SHEETS

Kyokuto Boeki Kaisha, Ltd. and Its Consolidated Subsidiaries
March 31, 2004 and 2005

	Millions of yen		Thousands of U.S. dollars (Note)
ASSETS	2004	**2005**	**2005**
Current assets:			
Cash	¥ 2,999	**¥ 2,083**	**$ 19,397**
Time deposits	—	**79**	**743**
Marketable securities	273	**299**	**2,792**
Notes and accounts receivable	25,739	**20,626**	**192,071**
Less: Allowance for doubtful accounts	(39)	**(55)**	**(517)**
	25,700	**20,570**	**191,553**
Inventories	3,769	**3,154**	**29,376**
Deferred income taxes	623	**483**	**4,504**
Other current assets	2,346	**1,900**	**17,699**
Total current assets	35,710	**28,573**	**266,068**
Property and equipment, at cost:			
Buildings	1,255	**1,198**	**11,162**
Equipment	650	**631**	**5,878**
	1,905	**1,830**	**17,040**
Less: Accumulated depreciation	(1,279)	**(1,274)**	**(11,866)**
	626	**555**	**5,174**
Land	375	**299**	**2,784**
Total property and equipment	1,001	**854**	**7,958**
Investments and other assets:			
Investments in securities	6,364	**7,403**	**68,938**
Investments in unconsolidated subsidiaries and affiliates	262	**297**	**2,766**
Deferred income taxes	603	**524**	**4,887**
Other assets:	2,208	**1,748**	**16,278**
Less: Allowance for doubtful accounts	(453)	**(358)**	**(3,333)**
Total investments and other assets	8,984	**9,615**	**89,536**
Total assets	¥45,695	**¥39,043**	**$363,564**

Note: U.S. dollar amounts above and elsewhere in the report represent translations of Japanese yen, for convenience only, at the rate of ¥107.39=US$1, the exchange rate prevailing at March 31, 2005.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2004	2005	Thousands of U.S. dollars (Note) 2005
Current liabilities:			
Short-term debt	¥ 2,538	**¥ 1,542**	**$ 14,359**
Notes and accounts payable	23,178	**18,310**	**170,507**
Accrued income taxes	28	**76**	**713**
Other current liabilities	1,047	**1,148**	**10,696**
Total current liabilities	26,791	**21,078**	**196,277**
Long-term liabilities:			
Long-term debt	367	**0**	**1**
Reserve for employees' retirement benefits	1,224	**1,205**	**11,225**
Reserve for officers' retirement benefits	506	**446**	**4,154**
Total long-term liabilities	2,097	**1,651**	**15,381**
Total liabilities	28,888	**22,730**	**211,658**
Contingent liabilities			
Shareholders' equity:			
Common stock:			
Authorized: 100,000,000 shares			
Issued: 27,899,592 shares at March 31, 2004 and 2005	5,030	**5,030**	**46,840**
Capital surplus	4,630	**4,630**	**43,120**
Retained earnings	6,320	**6,245**	**58,159**
Net unrealized gains on securities	1,012	**904**	**8,422**
Foreign currency translation adjustments	(174)	**(174)**	**(1,628)**
Treasury stock	(11)	**(323)**	**(3,008)**
Total shareholders' equity	16,807	**16,313**	**151,905**
Total liabilities and shareholders' equity	¥45,695	**¥39,043**	**$363,564**

CONSOLIDATED STATEMENTS OF OPERATIONS

Kyokuto Boeki Kaisha, Ltd. and Its Consolidated Subsidiaries
For the years ended March 31, 2003, 2004 and 2005

	Millions of yen			Thousands of U.S. dollars (Note)
	2003	2004	**2005**	**2005**
Net sales	¥114,181	¥116,531	**¥97,312**	**$906,162**
Cost of sales	108,117	109,721	**90,910**	**846,544**
Gross profit	6,064	6,810	**6,402**	**59,618**
Selling, general and administrative expenses	7,757	6,929	**6,203**	**57,764**
Operating income (loss)	(1,693)	(119)	**199**	**1,853**
Other income (expenses):				
Interest and dividend income	60	73	**121**	**1,128**
Interest expense	(8)	(30)	**(15)**	**(140)**
Gain on sale of marketable securities and investments in securities	0	538	**382**	**3,560**
Evaluation loss on marketable securities and investments in securities	(77)	—	**(40)**	**(379)**
Equity in profit (loss) of affiliates	130	(126)	**(137)**	**(1,277)**
Other, net	(218)	12	**(29)**	**(276)**
	(113)	467	**280**	**2,615**
Extraordinary loss:				
Loss on write-down of golf club memberships	(31)	—	**—**	**—**
Additional expenses for early retirement benefits	(1,163)	—	**—**	**—**
	(1,194)	—	**—**	**—**
Income (loss) before income taxes	(2,999)	348	**479**	**4,468**
Income taxes:				
Current	41	35	**53**	**497**
Deferred	(1,154)	280	**291**	**2,715**
	(1,113)	315	**345**	**3,213**
Net income (loss)	¥ (1,886)	¥ 33	**¥ 134**	**$ 1,255**

	Yen			U.S. dollars (Note)
Per share:				
Net income (loss), primary	¥(67.65)	¥1.18	**¥4.90**	**$0.04**
Net income, fully diluted	—	—	**—**	**—**
Dividends, historical	5.00	7.50	**7.50**	**0.06**
Weighted average number of shares of common stock (in thousands)	27,882	27,861	**27,536**	

Note: U.S. dollar amounts above and elsewhere in the report represent translations of Japanese yen, for convenience only, at the rate of ¥107.39=US$1, the exchange rate prevailing at March 31, 2005.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Kyokuto Boeki Kaisha, Ltd. and Its Consolidated Subsidiaries
For the years ended March 31, 2003, 2004 and 2005

	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, 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)
Cash dividends	**—**	**—**	**—**	**(208)**	**—**	**—**	**—**
Directors' and corporate auditors' bonuses	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Sales/purchases of treasury stocks, net	**—**	**—**	**—**	**—**	**—**	**—**	**(311)**
Cumulative effect of the change in the scope of equity companies	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Net income for the year ended March 31, 2005	**—**	**—**	**—**	**134**	**—**	**—**	**—**
Net unrealized loss on securities, net of income taxes	**—**	**—**	**—**	**—**	**(107)**	**—**	**—**
Foreign currency translation adjustments	**—**	**—**	**—**	**—**	**—**	**(0)**	**—**
Balance as at March 31, 2005	**27,899**	**¥5,030**	**¥4,630**	**¥6,245**	**¥ 904**	**¥(174)**	**¥(323)**

	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, 2004	$46,840	$43,120	$58,848	$9,422	$(1,619)	$ (107)
Cash dividends	**—**	**—**	**(1,945)**	**—**	**—**	**—**
Directors' and corporate auditors' bonuses	**—**	**—**	**—**	**—**	**—**	**—**
Sales/purchases of treasury stocks, net	**—**	**—**	**—**	**—**	**—**	**(2,900)**
Cumulative effect of the change in the scope of equity companies	**—**	**—**	**—**	**—**	**—**	**—**
Net income for the year ended March 31, 2005	**—**	**—**	**1,255**	**—**	**—**	**—**
Net unrealized loss on securities, net of income taxes	**—**	**—**	**—**	**(999)**	**—**	**—**
Foreign currency translation adjustments	**—**	**—**	**—**	**—**	**(8)**	**—**
Balance as at March 31, 2005	**$46,840**	**$43,120**	**$58,159**	**$8,422**	**$(1,628)**	**$(3,008)**

Note: U.S. dollar amounts above and elsewhere in the report represent translations of Japanese yen, for convenience only, at the rate of ¥107.39=US$1, the exchange rate prevailing at March 31, 2005.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Kyokuto Boeki Kaisha, Ltd. and Its Consolidated Subsidiaries
For the years ended March 31, 2003, 2004 and 2005

	Millions of yen			Thousands of U.S. dollars (Note)
	2003	2004	**2005**	**2005**
Cash flows from operating activities:				
Income (loss) before income taxes	¥ (2,999)	¥ 348	**¥ 479**	**$ 4,468**
Adjustments for:				
Depreciation and amortization	125	112	**132**	**1,230**
Gain on sale of property	(75)	(114)	**(197)**	**(1,835)**
Equity in loss (profit) of affiliates	(130)	126	**137**	**1,277**
Evaluation loss on marketable securities and investments in securities	77	—	**40**	**379**
Loss on property and equipment and inventories	133	17	**175**	**1,632**
Loss on write-down of golf club memberships	31	—	**—**	**—**
Gain on sale of marketable securities and investments in securities	(0)	(538)	**(382)**	**(3,560)**
Net increase (decrease) in accounts receivable	12,874	(2,561)	**5,075**	**47,259**
Net increase (decrease) in inventories	763	(2,319)	**606**	**5,645**
Net decrease (increase) in advance payments	(651)	520	**175**	**1,637**
Net decrease in accrued revenue	—	(219)	**(442)**	**(4,118)**
Net increase (decrease) in other current assets	—	(680)	**708**	**6,598**
Net increase (decrease) in accounts payable	(11,719)	7,476	**(4,868)**	**(45,337)**
Net increase (decrease) in other current liabilities	170	(274)	**106**	**992**
Net decrease in reserve for retirement benefits	(623)	(7)	**(78)**	**(732)**
Increase (decrease) in provision for allowance for doubtful accounts	52	196	**(77)**	**(723)**
Interest and dividend income	(60)	(73)	**(121)**	**(1,128)**
Interest expense	8	30	**15**	**140**
Others	(326)	56	**49**	**460**
Subtotal	(2,349)	2,096	**1,534**	**14,285**
Interest and dividend income received	63	76	**114**	**1,064**
Interest expense paid	(9)	(29)	**(17)**	**(159)**
Income taxes paid	(76)	(21)	**(45)**	**(427)**
Net cash provided by (used in) operating activities	(2,371)	2,122	**1,585**	**14,763**
Cash flows from investing activities:				
Payment for making time deposits	(64)	—	**(79)**	**(743)**
Proceeds from withdrawal of time deposits	81	84	**—**	**—**
Payment for acquisition of marketable securities	—	—	**(299)**	**(2,792)**
Proceeds from sale of marketable securities	—	—	**272**	**2,540**
Payment for acquisition of investment securities	(244)	(1,270)	**(2,265)**	**(21,094)**
Proceeds from sale of investment securities	1	714	**1,252**	**11,659**
Payment for acquisition of property and equipment	(212)	(121)	**(102)**	**(954)**
Proceeds from sale of property and equipment	83	248	**300**	**2,799**
Net increase (decrease) in short-term loans	2	(0)	**—**	**—**
Net decrease in long-term loans	14	48	**(2)**	**(23)**
Others	345	29	**297**	**2,773**
Net cash provided by (used in) investing activities	5	(268)	**(626)**	**(5,833)**
Cash flows from financing activities:				
Net decrease (increase) in short-term bank loans	1,847	(539)	**(620)**	**(5,774)**
Repayment of long-term debt	(8)	(1,267)	**(733)**	**(6,831)**
Proceeds from long-term bank loans	1,633	—	**—**	**—**
Payment for purchase of treasury stock	(7)	(4)	**(311)**	**(2,900)**
Cash dividends paid to the Company's shareholders	(105)	(243)	**(208)**	**(1,942)**
Net cash provided by (used in) financing activities	3,360	(2,053)	**(1,873)**	**(17,448)**
Effect of exchange rate changes on cash and cash equivalents	(5)	(12)	**(1)**	**(10)**
Net change in cash and cash equivalents	988	(211)	**(916)**	**(8,530)**
Cash and cash equivalents at beginning of year	2,222	3,210	**2,999**	**27,927**
Cash and cash equivalents at end of year	¥ 3,210	¥2,999	**¥2,083**	**$19,397**

Note: U.S. dollar amounts above and elsewhere in the report represent translations of Japanese yen, for convenience only, at the rate of ¥107.39=US$1, the exchange rate prevailing at March 31, 2005.

CONSOLIDATED FINANCIAL HIGHLIGHTS

Kyokuto Boeki Kaisha, Ltd. and Its Consolidated Subsidiaries
Years ended March 31

	Millions of yen					Thousands of U.S. dollars (Note)
	2001	2002	2003	2004	**2005**	**2005**
For the year:						
Net sales	¥163,686	¥121,686	¥114,181	¥116,531	**¥97,312**	**$906,162**
Net income (loss)	922	82	(1,886)	33	**134**	**1,255**
At year-end:						
Total assets	61,712	51,692	40,048	45,695	**39,043**	**363,564**
Total shareholders' equity	19,653	18,955	16,362	16,807	**16,313**	**151,905**
	Yen					U.S. dollars (Note)
Per share:						
Net income (loss), primary	¥33.05	¥2.93	¥(67.65)	¥1.18	**¥4.90**	**$0.04**
Dividends, historical	7.50	7.50	5.00	7.50	**7.50**	**0.06**

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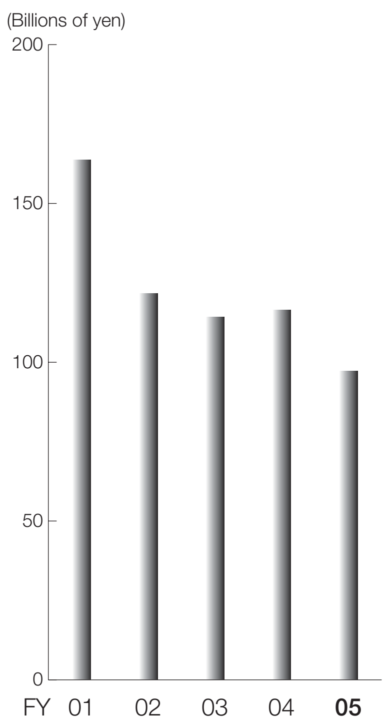
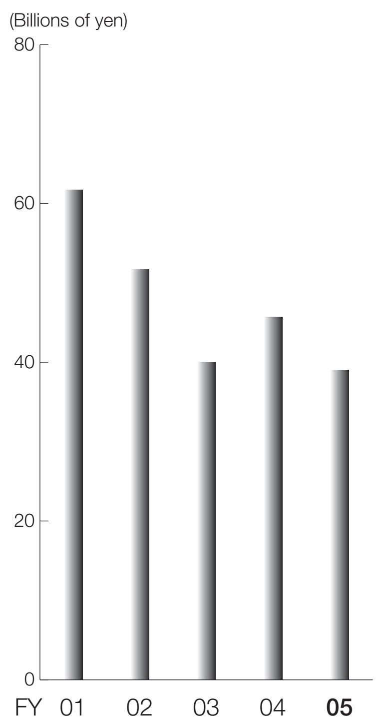
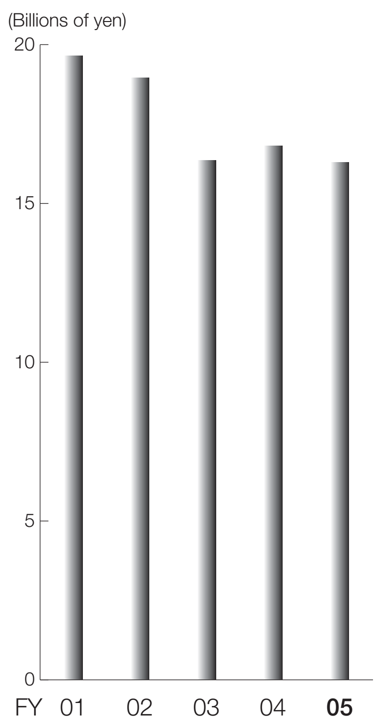
Net Sales



Total Assets



Total Shareholders' Equity



Electrical and Energy-Related Division

Regarding heavy electrical facilities, first half performance was favorable following the market's recovery; however, restructuring within the industry, including consolidation among manufacturers, caused a decline in the second half.

The business environment for 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, an increase in our existing maintenance and inspection business resulted in higher sales.

Sales of resource development equipment were up despite a temporary lull in deep earth drilling and research project-related business thanks to brisk demand from businesses involved in the exploration of the continental shelf.

As a result, the division's consolidated net sales amounted to ¥24,226 million, a 4.8% increase from the previous fiscal year.

Electronics and Aerospace Division

Sales of illumination-related components to automobile manufacturers in North America remained strong. Nevertheless, electronic components for optical communications equipment continued to undergo inventory adjustments, preventing a recovery and resulting in overall slower growth.

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

Consequently, the division's consolidated net sales amounted to ¥31,809 million, down 12.5% from the previous fiscal year.

General Industrial-Related Division

While public works investment appears to be showing moderate upward momentum on the back of post-disaster recovery, public-sector equipment and sewerage and tunneling materials, including bridges and water gates, were unable to reverse the downturn, resulting in a decline.

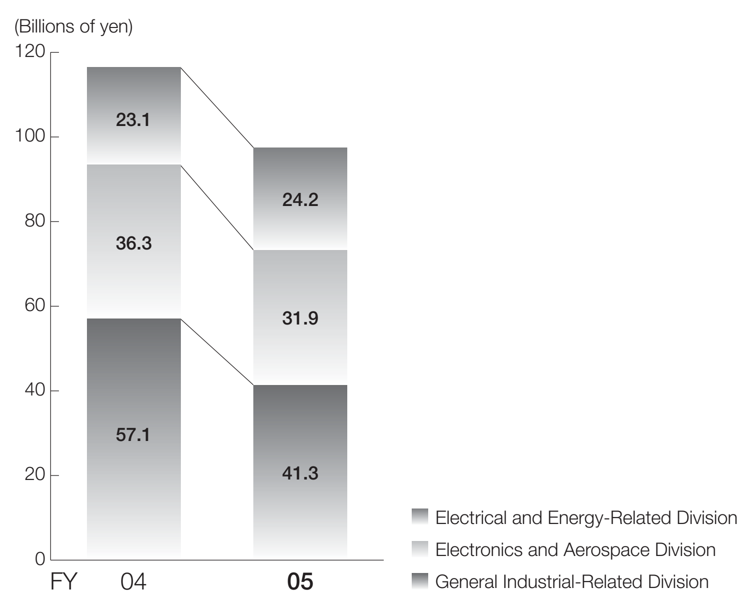
Sales of steel products equipment were stagnant owing to the absence of major new contracts following the completion of a large contract that had run for two years.

In addition, sales of recording media manufacturing equipment to Taiwan dropped substantially because customers have carried their planned large-scale capital expenditures over to the next fiscal year.

The effects of bovine spongiform encephalopathy (BSE) and avian influenza have caused a slowdown in the meatpacking industry, which has led to a year-on-year decline in orders for secondary foodstuff materials and food processing equipment.

In contrast, KBK recorded higher sales in its plastics-related business, including of plastic materials, paint, and other materials, thanks to increased paint shipments to Japanese automobile parts manufacturers in China as well as brisk sales of plastic materials and paint to North American automobile parts manufacturers.

As a result, the division's consolidated net sales amounted to ¥41,275 million, down 27.7% from the previous fiscal year.



SEGMENT INFORMATION

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, 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

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. 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, 2005 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	¥24,226	¥31,809	¥41,275	¥97,312	¥ —	¥97,312
(2) Intersegment internal sales or transfers	—	—	—	—	—	—
Total	24,226	31,809	41,275	97,312	—	97,312
Operating expenses	24,218	31,748	41,139	97,106	7	97,113
Operating income	¥ 8	¥ 61	¥ 136	¥ 206	¥ (7)	¥ 199
II. Total assets, depreciation and capital expenditures						
Total assets	¥ 6,312	¥ 4,123	¥11,199	¥21,635	¥17,407	¥39,043
Depreciation and amortization	3	25	5	34	97	132
Capital expenditures	1	29	7	38	65	104

	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	$225,598	$296,208	$384,355	$906,162	$ —	$906,162
(2) Intersegment internal sales or transfers	—	—	—	—	—	—
Total	225,598	296,208	384,355	906,162	—	906,162
Operating expenses	225,520	295,637	383,084	904,242	66	904,308
Operating income	$ 77	$ 570	$ 1,271	$ 1,919	$ (66)	$ 1,853
II. Total assets, depreciation and capital expenditures						
Total assets	$ 58,782	$ 38,395	$104,289	$201,467	$162,096	$363,564
Depreciation and amortization	31	236	53	322	910	1,232
Capital expenditures	17	272	72	361	608	970

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 ¥17,407 million (US$162,096 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, 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

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, 2005 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	¥93,576	¥ 785	¥—	¥2,951	¥ 97,312	¥ —	¥97,312
(2) Intersegment internal sales or transfers	551	4,869	—	—	5,420	(5,420)	—
Total	94,127	5,654	—	2,951	102,733	(5,420)	97,312
Operating expenses	93,876	5,706	—	2,944	102,527	(5,414)	97,113
Operating income (loss)	¥ 250	¥ (52)	¥—	¥ 6	¥ 205	¥ (6)	¥ 199
II. Assets	¥20,114	¥1,247	¥—	¥ 163	¥ 21,525	¥17,517	¥39,043

	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	$871,367	$ 7,312	$—	$27,482	$906,162	$ —	$906,162
(2) Intersegment internal sales or transfers	5,134	45,340	—	—	50,475	(50,475)	—
Total	876,502	52,653	—	27,482	956,637	(50,475)	906,162
Operating expenses	874,167	53,137	—	27,418	954,724	(50,415)	904,308
Operating income (loss)	$ 2,334	$ (484)	$—	$ 63	$ 1,913	$ (60)	$ 1,853
II. Assets	$187,305	$11,618	$—	$ 1,519	$200,444	$163,119	$363,564

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, 2004 is as follows:

	Millions of yen				
	North America	Europe	Southeast Asia	Other areas	Total
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%

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, 2005 is as follows:

	Millions of yen				
	North America	Europe	Southeast Asia	Other areas	Total
I. Overseas sales	**¥24,203**	**¥2,018**	**¥8,678**	**¥—**	**¥34,900**
II. Consolidated sales					**97,312**
III. Overseas sales as proportion of consolidated sales	**24.9%**	**2.1%**	**8.9%**	**—%**	**35.9%**

	Thousands of U.S. dollars				
	North America	Europe	Southeast Asia	Other areas	Total
I. Overseas sales	**$225,381**	**$18,792**	**$80,811**	**$—**	**$324,986**
II. Consolidated sales					**906,162**

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

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, 2005)

CORPORATE INFORMATION

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Takashi Hiraishi*

President and Chief Operating Officer
Shinya Araki*

Executive Vice President
Kunihiko Irie*

Vice President
Ryuji Sato

Managing Directors
Masami Kurihara
Hiroshi Inoue
Hiroshi Sato

Director
Kosaku Inaba

Corporate Auditors
Shigeru Okuyama
Hideto Miyaguchi
Kozo Fujita
Nobuhiko Tanabe

Established
November 27, 1947

Paid-in Capital
¥5,030 million (US$46,840 thousand)

Number of Employees
318

Common Stock
Authorized: 100,000,000 shares
Issued: 27,899,592 shares

Number of Shareholders
4,771

* Representative Directors

(As of June 23, 2005)

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