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2004

Financial Results for the 1st Quarter
ended 31 March 2004

SUMIDA CORPORATION
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CEO's Message for the First Quarter of Fiscal 2004

We are well into the year 2004 and there is still worldwide instability and global uncertainties such as the continuing conflict in Iraq and the concern about Bird Flu. On the other hand, In Japan economic recovery is becoming more and more apparent, especially in the private sector which is being led by market recovery and business confidence, together with an improvement in the employment situation. Furthermore, the continuous growth in the U.S. economy, especially in the information technology related sectors such as the PC market have been enjoying strong consumer demand. This is also the case in the mobile phone market which continues to support industry growth. The visual equipment market has also experienced rapid growth due to the strong demand for digital cameras, digital flat screened TVs and DVDs along with the automotive related product market which is showing remarkable growth.

This year of 2004 is the year of the Olympics and further increases in consumer demand should be expected. In such a favorable market environment, we achieved a very good 2004 start with positive business results for the first quarter.

From January 1, 2004, Sumida Group introduced five in-house product management companies with each in-house company taking charges of their technology, manufacturing and sales operations.

Business performance for the first quarter of 2004 resulted in sales in excess of 8.19 billion yen, which was 5.7% higher than the commitment level. Operating income was 760 million yen, 52.8% higher than the commitment level while ordinary income reached 630 million yen, 56.3% more than the commitment level.

In March we made a further investment in Arima Devices which is a joint venture we started two years ago with Arima Group in Taiwan. Further investment was required by the company because of a higher than expected execution of several business plans and we expect the company to generate a profit contribute for us from the fourth quarter, 2004 on a consolidated basis. Meanwhile, we decided to merge four subsidiaries in the U.S. into one effective April 1 in order to rationalize the management of North American operations.

In regard to the business outlook for the second quarter, we are focusing on total sales of 9.7 billion yen with an increase of 35.4% versus the same period of the previous year. Operating income is expected to be 1 billion yen which is 75.1% higher than the second quarter, 2003, with an improvement in the sales operating income ratio from 9% for the first quarter up to 10%. Ordinary income should be 920 million yen, an 88.5% increase compared to the second quarter of last year within a good business environment and efficient reorganization of Sumida Group.

We will give continuous effort to achieve our Mid-Term Vision of the One Billion US Dollar Company with an ordinary income of 100 Million US Dollars in 2007.



Shigeyuki Yawata
Sumida Group CEO

Consolidated Financial Highlights for the 1st Quarter ended 31 March 2004

1. Consolidated Results of Operations

(Million yen, %)

Period Category	1st Quarter				
	2004	% Of Total	2003	% Of Total	% Change
Net sales	8,188	100.0	7,202	100.0	13.7
Operating income	764	9.3	301	4.2	154.2
Ordinary income	625	7.6	306	4.2	104.3
Income before income taxes	625	7.6	(934)	(13.0)	—
Net income	475	5.8	(942)	(13.1)	—
Net income per common share (yen)					
Net income: (Basic)	30.55	—	(63.82)	—	—
Net income: (Fully diluted)	29.51	—	—	—	—

2. Consolidated Financial Conditions

(Million yen)

Period Category	1st Quarter		
	2004	2003	Increase/Decrease
Total assets	29,980	28,458	1,522
Paid in capital	6,378	5,530	848
Total shareholders' equity	19,177	17,848	1,329
Total numbers of stock issued (thousand shares)	15,633	14,771	862
Shareholders' equity per share (yen)	1,226.75	1,208.33	18.42
Shareholders' equity ratio (%)	64.0	62.7	—

3. Consolidated Statements of Cash Flows

(Million yen)

Category \ Period	1st Quarter		
	2004	2003	Increase/Decrease
Cash flows from operating activities	355	(51)	406
Cash flows from investing activities	(720)	(297)	(423)
Cash flows from financing activities	220	(394)	614
Cash and cash equivalents, end of period	4,223	4,041	182

Estimation of 2nd Quarter 2004

Category \ Period	2004 2Q (Estimation)	2003 2Q (Actual)	%Change
Net sales (million yen)	9,700	7,162	35.4
Operating income (million yen)	1,000	571	75.1
Ordinary income (million yen)	920	488	88.5
Net income (million yen)	600	481	24.7
Net income per share (yen)	38.60	32.61	18.4

Consolidated Quarterly Business Results

(Million yen)

Category \ Period	2004	2003				2002			
	1Q	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
Net sales	8,188	8,140	8,033	7,162	7,202	8,018	8,474	9,349	8,955
Operating income	764	813	709	571	301	434	641	592	504
Ordinary income	625	559	607	488	306	398	614	589	514
Income before income taxes	625	95	472	440	(934)	7	571	566	509
Net income	475	374	402	481	(942)	(194)	428	502	382

Consolidated Yearly Business Results

(Million yen)

	2003	2002	2001	2000	1999
Net sales	30,537	34,796	31,558	33,575	24,574
Operating income	2,394	2,171	1,112	3,318	2,687
Ordinary income	1,960	2,116	82	2,967	2,439
Income before income taxes	73	1,653	(1,779)	2,632	1,580
Net income	315	1,118	(1,037)	1,973	1,003
Shareholders' equity	18,809	18,910	19,534	18,581	15,083
Total assets	29,941	30,666	32,340	32,000	26,220
Per share (yen)					
EPS	21.21	83.64	(78.11)	163.43	101.56
Shareholders' equity	1,220.14	1,408.72	1,471.29	1,539.48	1,374.60

*Cumulative translation adjustments are included in shareholders' equity

Sales by Product Category

(Unit: thousand yen, %)

Category	1st quarter				
	FY2003	%	FY2004	%	% Change
Coil Business					
AV Coils	418,605	5.8	726,499	8.9	73.6
IT Communications Coils	3,253,602	45.2	3,925,111	48.0	20.6
Other Coils	446,361	6.2	460,273	5.6	3.1
Automotive Coils	1,847,576	25.6	1,976,301	24.1	7.0
Total Coils	5,966,144	82.8	7,088,184	86.6	18.8
Optoelectronics	820,118	11.4	688,562	8.4	△ 16.0
Electromagnetics	415,593	5.8	411,082	5.0	△ 1.1
Total	7,201,855	100.0	8,187,828	100.0	13.7

Sales by Area

(Unit: thousand yen, %)

Area	1st quarter				
	FY2003	%	FY2004	%	% Change
Japan	2,039,499	28.3	2,278,284	27.8	11.7
Hong Kong/China	1,248,865	17.4	1,595,484	19.5	27.8
ASEAN	477,500	6.6	627,839	7.7	31.5
Taiwan/Korea	1,451,269	20.2	1,587,775	19.4	9.4
NAFTA	830,105	11.5	991,670	12.1	19.5
EU	1,154,617	16.0	1,106,776	13.5	△ 4.1
Total	7,201,855	100.0	8,187,828	100.0	13.7

Product Segment Information

(Unit : Million Yen, %)

	2002					2003					2004	
	1Q	2Q	3Q	4Q	YTD	1Q	2Q	3Q	4Q	YTD	1Q	
Sales												
Coil Business	6,291	6,481	5,993	5,949	24,714	5,966	6,286	7,002	6,912	26,166	7,088	
Optoelectronics	1,315	1,452	1,094	904	4,765	820	531	656	830	2,837	689	
Electromagnetics	1,349	1,416	1,387	1,165	5,317	416	345	375	398	1,534	411	
Elimination	-	-	-	-	-	-	-	-	-	-	-	
Total	8,955	9,349	8,474	8,018	34,796	7,202	7,162	8,033	8,140	30,537	8,188	
Operating expense												
Coil Business	5,006	5,115	4,732	4,870	19,723	5,032	5,130	5,652	5,431	21,245	5,698	
Optoelectronics	1,232	1,364	988	893	4,477	805	547	668	794	2,814	669	
Electromagnetics	1,682	1,703	1,539	1,303	6,227	543	417	474	513	1,947	481	
Elimination	531	575	574	518	2,198	521	497	530	589	2,137	576	
Total	8,451	8,757	7,833	7,584	32,625	6,901	6,591	7,324	7,327	28,143	7,424	
Operating Income												
Coil Business	1,285	1,366	1,261	1,079	4,991	934	1,156	1,350	1,481	4,921	1,390	
Optoelectronics	83	88	106	11	288	15	△ 16	△ 12	36	23	20	
Electromagnetics	△ 333	△ 287	△ 152	△ 138	△ 910	△ 127	△ 72	△ 99	△ 115	△ 413	△ 70	
Elimination	△ 531	△ 575	△ 574	△ 518	△ 2,198	△ 521	△ 497	△ 530	△ 589	△ 2,137	△ 576	
Total	504	592	641	434	2,171	301	571	709	813	2,394	764	
OPR												
Coil Business	20.4	21.1	21.0	18.1	20.2	15.7	18.4	19.3	21.4	18.8	19.6	
Optoelectronics	6.3	6.1	9.7	1.2	6.0	1.8	△ 3.0	△ 1.8	4.3	0.8	2.9	
Electromagnetics	△ 24.7	△ 20.3	△ 11.0	△ 11.8	△ 17.1	△ 30.5	△ 20.9	△ 26.4	△ 28.9	△ 26.9	△ 17.0	
Elimination	-	-	-	-	-	-	-	-	-	-	-	
Total	5.6	6.3	7.6	5.4	6.2	4.2	8.0	8.8	10.0	7.8	9.3	

Overview of Consolidated Business Results for the 1st Quarter of 2004

In the 1st quarter of 2004, demand for electronic parts has been on an upward trend following a stop to protracted inventory adjustment thanks to revival of the world economic situation and proliferation of new digital equipment along with active production.

Audio visual equipment business is increasingly growing in Hong Kong, China and ASEAN countries while demand for LCD TVs and DVD recorders in Japan market is going on expansion in view of the popularity of digital appliances. For personal computers, shipment volume has recorded ongoing double-digit increase since the 2nd quarter of 2003 and is keeping on increasing in the 1st quarter of 2004. Shipment volume for digital camera with strong demand kicking off in Japan is correspondingly intensifying in the U.S. market while demand in Europe and ASEAN countries is coming in to extend the growth. For cellular phones, demand for those with colored liquid-crystal display and those with camera lays good support for relatively larger shipment volume. In the automotive equipment field, evolution of the digitalization is stepping up the demand for automotive electronic parts and peripheral.

Under such circumstances, Sumida Group has been developing its business activities by focusing on prospective growing fields. Our new Group structure consists of companies to engage in business operations in five major product categories. A President has been appointed on each product category to concentrate efforts and provide services throughout the entire product cycle which ranges from research & development, manufacturing to sales activities aiming to gain customer satisfaction and deepen the growth of markets for automotive electronic parts, inverter units and transformers for flat panels as well as coils for DVD recorders and digital cameras. In addition to the removal of components division of our electromagnetic business last year, we are extending efforts not only to scale down the remaining magnetics division and to shrink OEM production of optical pickups in our optical electronic business but also to boost the manufacturing efficiency as well.

Overall sales of the 1st quarter of 2004 were up 13.7% from the same term last year to ¥8,188 million. Sales of the unprofitable businesses like magnetics and optical electronics declined as planned whereas sales in automotive electronics parts, coils for audio visual equipment and for information technology and communication equipment considerably increased 18.8%.

Operating income increased to ¥764 million, up 154.2% over the year-before figure, on account of sustainable growth of sales and substantial improvement on gross profit due to slash on raw material costs and manufacturing expenses for general coils, decreased operating loss in the declining magnetics business by reduction of manufacturing and development expenses, and constant operating income in our optical electronic business resulting from improved manufacturing efficiency despite the drop in sales. Meanwhile, ordinary income reached ¥625 million, up 104.3% over the year-before figure, though the unrealized exchange loss arising from valuation of foreign currency deposits and trade account receivables at overseas subsidiaries caused by the strong Japanese yen in addition to the loss through the equity method remained unfavorable to the result. The dramatic loss imputed to the disposal of components division in last term caused to reflect a remarkable growth on earnings. Net income of the current term maintained at ¥475 million.

Business Segment Information

* Notes:

- 1) In explanation of business results in the 1st quarter of 2004, the year-on-year increase/decrease is expressed in the Japanese yen and also in the local currency. When any single local currency is applicable, figures in such single local currency are adopted, and when multiple local currencies are applicable, figures converted into the U.S. dollar are adopted.
- 2) In the segment information by type of business, basic research and development expenses and head office expenses so far included in operating expenses of our coil business have been separated as "eliminated and included company-wide" from the 2nd quarter of 2003. Thus figures calculated by adopting such method are indicated in "Table: Segment Information by Type of Business" on a quarterly basis from the 1st quarter of 2002. The year-on-year increase/decrease of operating income in the following Business Segment Information is also based on the figures after such modification. Sumida group's business is composed of the coil business, the optical electronic business and the electromagnetic business.

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1. Coil business

Sales in our coil business totaled ¥7,088 million, up 18.8% from the same term last year (or up 32.9% from the same term last year in the local currency) since sales of coils for audio visual equipment and for information technology and communication equipment as well as for other coils and automotive electronic parts all increased sharply. Operating income recorded a 48.8% year-on-year gain to ¥1,390 million as a result of the reduction of raw material costs and manufacturing expenses for both of general coils and ABS coils.

a) Coils for audio visual

Sales of coils for audio visual equipment reached ¥727 million, up 73.6% from the same term last year (or up 94.2% from the same term last year in the local currency).

In terms of area, sales in Japan were satisfactory and increased 58.3% on the year to ¥364 million principally for use in liquid-crystal display TVs. Overseas, sales in Hong Kong and China increased 85.2% on the year to ¥187 million and sales in ASEAN countries increased 100.0% on the year to ¥176 million.

b) Coils for information technology and communication

Sales of coils for information technology and communication equipment amounted to ¥3,925 million, up 20.6% from the same term last year (or up 35% from the same term last year in the local currency).

For sales by product used, compared with the same term last year, sales of coils for cellular phones decreased 60.3% to ¥23 million, but sales of coils for PCs and other information technology and communication equipment increased 14.7% to ¥2,291 million, those for digital cameras increased 25.9% to ¥243 million and those for inverter units increased 36.0% to ¥1,368 million.

In terms of area, sales increased 13.5% to ¥924 million in Japan, 6.5% to ¥1,433 million in Taiwan, 15.7% to ¥287 million in ASEAN countries and 75.8% to ¥320 million in Americas respectively from a year earlier. Sales in Hong Kong and China

recorded a 44.7% year-on-year increase to ¥961 million, to which inverter units from Suzhou, China has been under full-scale operation.

c) Other coils

Sales of other coils totaled ¥460 million, up 3.1% (or up 15.3% from the same term last year in the local currency). Sales of 4V coils for switching between cooling and heating and coils for FA equipment and hot-water supply equipment were going up.

d) Coils for automobiles

Sales of automotive electronic parts reached to ¥1,976 million, up 7.0% from the year-before figure (or up 19.7% from the same term last year in the local currency). For ABS coils, sales reduced by 2.3% from the figure of previous term to ¥1,087 million despite the completion of inventory adjustment of automotive makers. Sales of transformers for HID (high-intensity discharger) lamps declined 16.7% from a year earlier to ¥70 million. In addition, sales of coils for EPS (electronic power steering) decreased 25.0% from a year earlier to ¥30 million, and sales of other automotive electronic parts such as for car audio equipment, car navigation system, keyless entry, etc. were trending upward and increased significantly by 29.1% from the previous term to ¥789 million.

2. Optical electronic business

Sales of optical electronic equipment-related parts dropped to ¥689 million, down 16.0% from the year-before figure (or down 6.1% from the previous term in the local currency). Sales of optical pickups for CD amounted to ¥469 million, down 6.0% from the year-before term. Sales of lens holders, actuators, etc. used as parts of such optical pickups and other optical electronic parts also decreased 47.0% on the year to ¥122 million. However, sales of optical pickups for DVD expanded 7.7% on the year to ¥98 million. Operating income decreased to ¥20 million, up by 33.3% in the same term last year, as a result of our efforts to cut labor expenses and to improve production efficiency in spite of decreased sales.

3. Electromagnetic business

Sales in our electromagnetic business dropped to ¥411 million, down 1.1% from the same term last year (but up 10.7% from the same term last year in the local currency). Operating loss improved from ¥127 million in the same period of the previous year to ¥70 million attributable to contraction of labor costs and manufacturing expenses as well as R&D Expenses as a whole.

The Future Management Environment and Business Development Policy

The discussion below is future management environment and our business development policy for each of business segments. The following descriptions include Sumida group's forecasts of future prospects, which Sumida group judged from an independent standpoint and adopted as management guidelines. In reality, however, actual results may sometimes deviate largely from such forecasts owing to various factors such as change of economic environment in each country of the world, outbreak of any unforeseen event, etc. Thus readers are requested to refrain from relying fully on these forecasts.

1. Coil business

Orders for coils received by Sumida group are restoring after the slow-down by the Chinese Lunar New Year in January 2004.

The monthly volume of orders received for coils (orders received during the current month and scheduled to sell during the current month) after a breakthrough of 80 million pieces on average in the 3rd quarter of 2003 increased to 90 million pieces on average in the 4th quarter of 2003, and further to 91 million pieces on average in the 1st quarter of 2004, renewing an all-time high month after month.

For sales by product, sales of general coils have been dramatically increased since February, 2004. Sales in this March was about to surpass our record-high sales in October, 2000. Sales of inverter units have been expanding in spite of reduction in January as a result of delay in transferring inverter-unit orders for notebook-sized-computers from Taiwan to Suzhou in China. Sales of ABS coils that had been stagnant in the second half of 2003 is expected to restore to the same level in the first half of last year.

Shipment volume of personal computers in the world has recorded double-digit growth since the 2nd quarter of 2003 and is upholding in the 1st quarter of 2004. With shipment volume for personal computers is expected to stretch out the United States and Europe to the Asia Pacific areas where the demand for personal computers is vigorously boosting, the double-digit growth is foreseen to remain in the coming two years.

Shipment volume of digital cameras is projected to increase 38.3% from the previous year to 60 million pieces in 2004 and to expand following the strong demand in Japan and the United States and the rapidly emerging demand in the European and ASEAN markets. Sales of cellular phones is expected to increase 11.5% from the previous year to about 580 million pieces in 2004 attributable to proliferation of those with colored liquid-crystal display and those with camera as well as the imminent maturity of third-generation terminals.

Demand for liquid-crystal display TVs in the globe is anticipated to raise sharply from 4 million sets in 2003 to 8 million sets in 2004 as a result of the Summer Olympics in Athens and to further expand to 12 million sets in 2005. Market for DVD recorders is estimated to increase from 4.4 million sets in 2003 to 13.6 million sets in 2004 and then to 22.6 million sets in 2005. Demand for DVD recorders is predicted to expose to rapid expansion in light of 2006 World Cup Football in Germany and 2008 World Olympics in Beijing. Moreover, Beijing in China targets to start the digital broadcast in 2005 and roll it out to the entire territory by 2010 following broadcast in the United States, Europe, Japan and Korea, shipment volume for liquid-crystal display TVs and DVD recorders is expected to grow even more robustly in the coming years.

Besides, the number of new cars sales in the European market decreased in the first half and the hot summer of 2003 resulted in 1.5% down from the sales in 2002. However, total new cars sales in this March were up 6.9% over the same month last year. In the U.S. market, the number of new cars sales remaining at high level with 3.3% up from the previous March while the sales in Japan in this January and February also recorded slight growth over the same term a year before. In general, the number of new car sales is expected to climb further in the coming days.

Under such business environment, Sumida group is promoting its business activities by focusing on prospective growing fields. In power inductors segment, in addition to keeping up sales of notebook-sized computers, digital cameras and HDD, Sumida is directing more emphasis on development of new parts and sales for cellular phones where we are relatively less keen on. Furthermore, to cope with the increasing demand in Japan,

Taiwan and Korea for electronic parts used in flat panel TVs, we are devoting efforts to expand sales by launching the latest type of inverters and leakage transformers to the market.

For ABS coils, delivery to new customers started from the second half of 2002 and has fully contributed to our sales in 2003. We are endeavoring to explore more new customers in such sales. For automotive electronic parts other than ABS coils, our sales force is in full speed to drive sales of coils for intelligent-key entry, immobilizer, navigation system, direct-injection engine, EPS (electronic power steering) and air bag.

2. Optical electronic business

In our optical electronic business, we had withdrawn from ODM production of optical pickups in the 3rd quarter of 2002. For OEM supply of optical pickups, our policy is to scale down this operation.

For lens holders and actuators used in optical pickups, our products are receiving a certain appraisal in the optical electronic equipment industry by using the winding machine developed by ourselves. Thus it is our policy to continue sales promotion of lens holders and actuators to new customers in the future.

3. Electromagnetic business

In response to expectations of customers in the United States to maintain certain portion of purchase from NAFTA manufacturers for risk management, Sumida that always stresses on profitable business is making efforts to enhance productivity and to reduce manufacturing expenditures at the remaining magnetics division.

Forecast of Business Results in the 2nd Quarter of 2004

Sumida group is publishing the forecast of business results by compiling commitments submitted from each of our divisions covering the next quarter. Under the unstable and suddenly changing economic environment, it is difficult for us to forecast business results for the full term correctly as there might arise a substantial deviation of the actual figures from the figures forecast at the beginning of the term according to circumstances. Thus it is our policy to disclose the contents of our forecast covering the coming next quarter only as it is our first consideration to provide appropriate and correct information to our investors.

The following is our forecast at this point of business results in the 2nd quarter of 2004.

Forecast of consolidated business results in the 2nd quarter of 2004 (from April 1 to June 30, 2004)		Actual of consolidated business results in the 2nd quarter of 2003 (from April 1 to June 30, 2003)	
Sales	¥9,700 million	Sales	¥7,162 million
Ordinary income	¥920 million	Ordinary income	¥488 million
Net income	¥600 million	Net income	¥481 million

(Exchange rate is premised at ¥110 per U.S.\$1)

Consolidated Balance Sheets

(Unit: thousand yen)

	1Q 2004	%	1Q 2003	%	Dec 2003	%
ASSETS						
I Current assets						
1.Cash and cash equivalents	4,223,344		4,040,814		4,471,169	
2.Trade receivables	6,957,136		6,256,515		6,879,959	
3.Inventories	3,273,457		2,858,674		3,138,318	
4.Others	2,296,029		1,624,456		2,311,849	
5.Allowance for doubtful accounts	(224,677)		(41,147)		(232,727)	
Total current assets	16,525,289	55.1	14,739,312	51.8	16,568,568	55.3
II Fixed assets						
(1) Tangible fixed assets						
1.Buildings	6,127,359		6,318,670		6,211,182	
2.Machinery and equipment	8,832,582		9,323,039		8,842,647	
3.Furniture and fixture	2,632,764		2,827,653		2,660,313	
4.Land	1,252,354		1,255,277		1,252,063	
5.Construction in progress	230,979		140,518		145,089	
6.Accumulated depreciation	(9,601,016)		(9,537,558)		(9,524,680)	
Total tangible fixed assets	9,475,022	31.6	10,327,599	36.3	9,586,614	32.0
(2) Intangible fixed assets						
1.Leasehold rights	503,755		583,077		522,732	
2.Software	124,969		70,688		129,577	
3.Others	19,140		2,707		3,965	
Total intangible fixed assets	647,864	2.2	656,472	2.3	656,274	2.2
(3) Investments and other assets						
1.Investments in securities	231,230		143,813		385,512	
2.Others	3,100,469		2,590,977		2,744,017	
Total investments and other assets	3,331,699	11.1	2,734,790	9.6	3,129,529	10.5
Total fixed assets	13,454,585	44.9	13,718,861	48.2	13,372,417	44.7
TOTAL ASSETS	29,979,874	100.0	28,458,173	100.0	29,940,985	100.0

Consolidated Balance Sheets

	1Q 2004		1Q 2003		Dec 2003	
LIABILITIES						
I Current liabilities						
1.Trade payables	2,422,251		1,913,207		2,522,924	
2.Short-term borrowings	4,271,808		5,153,456		4,116,808	
3.Others	1,700,377		1,933,101		1,836,654	
Total current liabilities	8,394,436	28.0	8,999,764	31.6	8,476,386	28.3
II Fixed liabilities						
1.Straight bond	1,200,000		—		1,200,000	
2.Long-term loans	841,106		1,142,914		1,045,308	
3.Deferred income taxes	211,265		204,611		231,705	
4.Others	155,764		259,160		178,416	
Total fixed liabilities	2,408,135	8.0	1,606,685	5.7	2,655,429	8.9
Total liabilities	10,802,571	36.0	10,606,449	37.3	11,131,815	37.2
MINORITY INTERESTS						
Minority interests	—	—	3,725	0.0	—	—
SHAREHOLDERS' EQUITY						
I Paid in capital	6,377,628	21.3	5,529,733	19.4	6,164,619	20.6
II Capital reserve	6,186,755	20.6	5,327,897	18.7	5,971,416	19.9
III Retained earnings	9,552,191	31.9	8,121,885	28.5	9,231,414	30.8
IV Unrealized gains/losses on securities at market valuation	78,758	0.3	28,360	0.1	90,708	0.3
V Cumulative translation adjustments	(2,993,491)	(10.0)	(1,144,444)	(4.0)	(2,626,162)	(8.7)
VI Treasury stock	(24,538)	(0.1)	(15,432)	(0.0)	(22,825)	(0.1)
Total shareholders' equity	19,177,303	64.0	17,847,999	62.7	18,809,170	62.8
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	29,979,874	100.0	28,458,173	100.0	29,940,985	100.0

Consolidated Statements of Income

(Unit : thousand yen)

	1Q			
	2004		2003	
	Amount	% of Sales	Amount	% of Sales
I Net sales	8,187,828	100.0	7,201,855	100.0
II Cost of sales	5,909,479	72.2	5,373,119	74.6
Gross profit on sales	2,278,349	27.8	1,828,736	25.4
III Sales, general and administrative	1,514,177	18.5	1,528,111	21.2
Operating income	764,172	9.3	300,625	4.2
IV Non-operating income (expenses)				
Interest and dividends received	6,636		9,373	
Interest paid	12,317		18,468	
Exchange gain (loss)	(46,358)		7,711	
Other non-operating income (expenses)	(87,522)		6,519	
Non-operating income (expenses)	(139,561)	(1.7)	5,135	0.0
Ordinary income	624,611	7.6	305,760	4.2
V Extraordinary income (losses)				
Gain on sales of fixed assets	1,844		1,203	
Loss on disposal of fixed assets	—		3	
Directors' retirement bonus	—		50,000	
Loss on sales of subsidiary	—		1,191,178	
Other extraordinary losses	1,330		—	
Total extraordinary income (losses)	514	0.0	(1,239,978)	(17.2)
Income before income taxes	625,125	7.6	(934,218)	(13.0)
Income taxes	150,191	1.8	8,060	0.1
Net income	474,934	5.8	(942,278)	(13.1)

Consolidated Statements of Cash Flows

(Unit: thousand yen)

	1st Quarter	
	2004	2003
I . Cash flows from operating activities		
Net income	474,934	(942,278)
Depreciation and amortization	353,427	349,257
Gain on sales of fixed assets	(1,844)	(1,203)
Loss on disposal of fixed assets	—	3
Loss on sales of subsidiaries	—	1,191,178
Changes in accounts receivable	(156,940)	(112,818)
Changes in inventory	(213,214)	236,809
Changes in accounts payable	(55,503)	(174,848)
Others	(46,039)	(596,755)
Cash flows from operating activities	354,821	(50,655)
II . Cash flows from investing activities		
Purchase of tangible fixed assets	(304,062)	(231,536)
Proceeds from sales of tangible fixed assets	2,249	1,758
Decrease in cash equivalents due to sales of subsidiaries	—	(63,042)
Others	(418,389)	(3,908)
Cash flows from investing activities	(720,202)	(296,728)
III . Cash flows from financing activities		
Changes in short-term borrowings	155,000	(83,457)
Changes in long-term borrowings	(204,202)	(181,006)
Cash dividends paid	(154,156)	(134,237)
Revenue from issuance of stock	425,885	5,100
Others	(2,155)	—
Cash flows from financing activities	220,372	(393,600)
IV . Effect of exchange rate changes on cash and cash equivalents	(102,816)	(7,477)
V . Net increase (decrease) in cash and cash equivalents	(247,825)	(748,460)
VI . Cash and cash equivalents at the beginning of the period	4,471,169	4,789,274
VII . Cash and cash equivalents at the end of the period	4,223,344	4,040,814