

# Summary of Financial Results (Consolidated)

Fiscal Year 2003 (April 1, 2003 to March 31, 2004)

May 27, 2004

Company: Densei-Lambda K.K.  
 Code No.: 6917  
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Exchanges on which listed: Tokyo and Osaka  
 Head office location: Tokyo

Date of Board of Directors' Meeting for approval of closing of accounts : May 27, 2004

Parent company : INVENSYS plc (Code no.: \_\_\_) Ownership ratio by parent company : 58.2 %  
 Adoption of US GAAP (yes/no): No

## 1. Consolidated financial results for FY2003 (April 1, 2003 to March 31, 2004)

### (1) Consolidated financial results

	Net sales	Operating income	Ordinary income
	JPY million	JPY million	JPY million
March 2004	34,105 ( 5.4%)	1,474 (407.9%)	1,453 (391.1%)
March 2003	32,342 (- 13.7%)	290 ( -- %)	295 ( -- %)

	Net income	Net income per share	Net income per share, fully diluted	Net income to shareholders' equity	Ordinary income to total assets	Ordinary income margin
	JPY million	JPY	JPY	%	%	%
March 2004	409 ( -- %)	18.16	18.15	2.4	4.3	4.3
March 2003	- 350 ( -- %)	- 16.27	--	- 1.9	0.8	0.9

Notes:

1. Equity in earning (loss) of associates to:

March 2004: - million yen March 2003: - million yen

2. Average number of shares in issue during period to (Consolidated):

March 2004: 21,529,929 shares March 2003: 21,535,950 shares

3. Change in accounting policies (yes/no): No

4. Figures in bracket under net sales, operating income, ordinary income and net income refer to year-on-year percentage change.

### (2) Consolidated financial position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	JPY million	JPY million	%	JPY
March 2004	33,583	17,275	51.4	802.47
March 2003	33,991	17,404	51.2	808.32

Notes: Number of shares outstanding at end of term (Consolidated):

March 2004: 21,528,043 shares March 2003: 21,531,222 shares

(3) Consolidated statement of cash flow

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	JPY million	JPY million	JPY million	JPY million
March 2004	2,003	-892	- 1,009	4,122
March 2003	714	91	- 1,525	4,177

(4) Consolidated subsidiaries and application of the equity method

Number of consolidated subsidiaries: 10

Number of non-consolidated subsidiaries with equity method applied: 0

Number of associated companies: 0

(5) Change in consolidated subsidiaries and application of the equity method

New consolidated subsidiaries: 0

Excluded consolidated subsidiaries: 1

Equity method newly applied: 0

Excluded equity method: 0

2. Consolidated financial forecast for FY2004 (April 1, 2004 to March 31, 2005)

	Net sales	Ordinary income	Net income
	JPY million	JPY million	JPY million
Interim	17,000	700	400
Full year	37,000	2,000	1,000

Note: The estimated net income per share for the fiscal year is 46.45 yen.

\*The above forecast is based on the information available as of the date when this information is disclosed, so our actual performance could be different from it due to possible factors from now on.

# 1. Management Policies

## (1) Principle Management Policies

Our principle policy at Densei-Lambda is to utilize our comprehensive expertise in advanced technology, research and development, production, sales and marketing to provide value-adding total power solutions for our customers, and thereby become the world's leading supplier of electronic power equipment.

We are also striving to ensure "safety and a sense of security" and provide "profitability and pride" on behalf of the many customers, investors and shareholders who have high expectations for the Company, and to establish a firm business foundation as a leading manufacturer of switching power supplies and uninterruptible power systems (UPS).

[Corporate Philosophy]

Densei-Lambda, as a total power solution provider, shall pledge to:

- Provide safety and a sense of security to its customers.
- Provide clean-power products that are friendly to the global environment.
- Become number one in the world by constantly embracing change and reform.

## (2) Basic Profit-Appropriation Policies

We at Densei-Lambda believe that an increase in equity capital, which enables further investments in the future, will lead to lasting business growth and ultimately serve shareholder interests in the long run.

Therefore, our basic policy regarding the appropriation of profits is to maintain stable dividends over the long term. We determine dividend ratios by taking into account a range of factors, such as the Company's balance sheet, business environment and projected earnings.

Retained earnings are to be used to finance investments, such as capital investments on production facilities and research and development.

## (3) Medium- and Long-Term Business Strategies

As Japan continues to experience a prolonged economic downturn, the business environment surrounding the Group is becoming increasingly challenging. Amid this tough environment, Densei-Lambda plans to implement the following measures to expand its business:

[1] Further expand the switching power supply business and UPS business.

- Export core technologies and products to the global marketplace.
- Expand the scope of business in order to achieve continued growth, both organically and through M&A and business tie-ups.

[2] Achieve world-class standards in production, distribution, technological development and quality.

- Further streamline the production and distribution systems to reduce costs, shorten lead time, scale back inventories and improve quality.
- Promote joint development and technical partnerships with other companies and thereby increase the speed and efficiency of technological development.
- Develop new products for the global marketplace, as well as original products based on our proprietary technologies.

- [3] Practice customer-oriented thinking at all levels of operations.
- Enhance business relationships with key customers, and develop new customers and markets.
  - Implement sales strategies that meet the needs of each region in which we operate and build a thorough, detailed sales network.
- [4] Implement efforts to preserve the global environment.
- Reduce environmental loadings generated from production activities and step up the initiatives toward total elimination of toxic substances and expansion of “green” purchasing.
- [5] Ensure “openness and transparency.”
- Enhance corporate transparency by putting in place a proper disclosure system and releasing the necessary information in a timely manner, thus facilitating accurate assessment of the Company’s business and operating conditions.

#### (4) Issues Facing the Company

- Commensurate with the full-scale launch of digital terrestrial broadcasting, we will actively develop the market for power supplies used in broadcasting equipment by anticipating increased capital investment throughout this sector.
- In the area of switching power supplies we will reinforce our sales efforts in the semiconductor production systems market, which is expected to enjoy continued growth. At the same time we will strengthen our relationships with sales agents while exploring and expanding new sales channels that are tied to the respective sales territories. This will enable us to provide services that are more finely tailored to the needs of local customers and thereby achieve their greater satisfaction. Overseas, we will expand the sales of new products in the FA markets of Europe and the U.S., bolster our relationships with Japanese companies operating in Asia, and expand our share in the respective markets of Latin America and Russia.
- With respect to uninterruptible power systems (UPS), we are planning to expand the market for Power-EX, Power-MAX and Power-SOL products. Accordingly, we will train our sales representatives by furnishing them with more knowledge and expertise about these products. We will step up the sales activities of local offices, restructure our existing sales channels, and actively propose power supply system solutions incorporating these products.
- To improve production efficiency we will drive further production reforms and transplant the efforts to our overseas factories. We will also continue our current strategy of actively adopting materials and parts produced overseas in order to achieve cost savings. Moreover, it will help accelerate the introduction of Web-EDI and its integration with the logistics system, thereby shortening lead times, improving delivery control and reducing stock throughout the entire Group.
- We will quickly grasp the changing needs of the telecommunications and IT markets on one hand and the FA and core industry markets on the other, and will accelerate product developments targeting the global marketplace to become a total power solution provider. We will also standardize components and conduct value engineering (VE) and value analysis (VA) with regard to existing products in order to reduce costs. Concurrently we will bolster advance development efforts and joint research projects with other companies in order to provide new technologies and value-added products that will meet the power supply needs of tomorrow.

- We are committed to the task of providing energy-efficient, resource-saving products that contribute to environmental protection throughout the globe. In February of this year all of our facilities—including head office operations—became certified under ISO 14001. In the meantime, preparations are now complete to put in place a system for total elimination of lead solder. Accordingly, we will eliminate the use of lead solder in our factories by March 2005 and thus satisfy the “green” purchasing needs of our customers. As for the RoHS Directive, an EU regulation to take effect in July 2006 that will restrict the use of six environmentally hazardous substances, we are driving reduction efforts to ensure the compliance of our key standard products ahead of schedule. As part of the RoHS initiative we will propose a series of fifth-generation switching power supplies offering high efficiency in an ultra-compact body.

## (5) Basic Policy on Corporate Governance and Implementation of Related Measures

Densei-Lambda recognizes the importance of corporate governance. Accordingly, we make it our objective to promote communication with the shareholders and investors and set forth appropriate disclosure standards in order to achieve higher transparency.

We have introduced an executive officer system designed to separate the function of managing/supervising the Company from the function of executing the corporation’s business affairs, thereby reinforcing the management/supervisory function and ensuring speedy decision making on management issues. To manage the Company in compliance with the applicable laws and regulations, our 11-member Board of Directors now comprises five external directors, including a lawyer with relevant expertise. This will ensure better decision making in regard to the matters specified by law or in the Company’s Articles of Incorporation and other regulations, as well as important management issues. It will also provide appropriate supervision based on reports on the state of Company business affairs. The Board of Executive Officers, which consists of directors, auditors and executive officers, is tasked with scrutinizing all important matters and issues relative to the Company’s business operations.

The Company also employs an auditor system in which one full-time statutory auditor attends every important meeting, including the meeting of the Board of Directors, in order to audit the execution of duties by the directors. To ensure impartial assessment, half of our statutory auditors are external auditors. The annual shareholders’ meeting, to be held in June 2004, will approve the appointment of one more external auditor for the purpose of bolstering the Company’s auditing system. We will have a total of four statutory auditors, including three external auditors.

We retain the firm of Shin Nihon & Co., Certified Public Accountants, to audit our annual and interim financial statements, along with multiple corporate counsels who advise us on legal issues when applicable.

To clearly define the business responsibilities of the respective departments, in April of last year we adopted a new, division-based organizational structure. Moreover, to ensure appropriate disclosure and maintain thorough transparency, we placed the IR and public-relations functions within the Office of the President, which is positioned directly under the Company President, thus facilitating better communication with shareholders and investors. In the business year in review we conducted two presentations that explained the Company’s interim and final business results and disclosed financial information, including the consolidated balance sheet and income statement on a quarterly basis.

Seeking to ensure that our business activities are always in compliance with the highest standards of corporate ethics as well as the applicable laws and regulations, we have defined our corporate motto and action guidelines. These are being communicated to all employees in order to enhance their awareness in regard to compliance.

(6) Basic Policies Concerning Relationships with Affiliated Parties (including the parent company)

Lambda Holdings Inc., which is headquartered in Melville, New York, USA, is DENSEI-Lambda's parent company, holding 59.32% of the Company's total voting rights (including 9.59% held indirectly).

All voting rights of Lambda Holdings Inc. are indirectly yet wholly owned by Invensys plc, whose head office is in London, U.K. The Company is therefore an indirect subsidiary of Invensys plc. The Invensys Group is a London-based global conglomerate in industrial electric equipment and parts. Currently Invensys plc is implementing a group-wide restructuring effort geared toward the selective allocation and concentration of management resources. The Lambda Power Division, to which the Company belongs, is included in the restructuring plan.

## 2. Business Results and Financial Condition

(1) Business Results

[1] Overview of the Business Year in Review

The Japanese economy saw increased capital investment during the business year in review. This was partly due to a better export environment backed by the strong U.S. and Chinese economies, and partly due to improved corporate earnings. However, personal spending remains depressed amid the continuing deflation. All in all, the trend of the nation's economy has been one of slow but gradual improvement.

The electronics industry failed to experience a full-scale recovery in the communications and IT sectors. This was despite the fact that the digital consumer electronics sector continued in strong form.

Given the challenges of this business environment, the Company has implemented the following measures:

- We changed the function-based organizational structure to one that is division-based. Namely, the operations were divided into the Switching Power Supply Division and the UPS Division. This was done as a means of defining the business responsibilities of each division and enabling speedy decision making regarding the running of each business operation through collaboration among the Sales, Engineering and Production departments.
- Following its implementation in Japan, the enterprise-resource planning (ERP) system is now fully operational at our overseas subsidiaries (five locations), marking the completion of a global enterprise business system. The ERP system allows for centralized information control through the integration of enterprise operations in procurement, manufacturing, sales and accounting, and thus enhances the efficiency of our operations.

- Turning to switching power supplies, we implemented regional sales strategies and organized special sales teams to look after five products in three market segments. This was done as a means of expanding the sales of new products and developing new customers. In North America we increased the number of Japanese staff to bolster our sales activity, and we also increased the levels of customer service and technical support. In Asia we introduced a range of new products with the goal of developing new markets.
- Regarding our UPS operation, we continued to market actively to IT companies—particularly system integrators—while exploring business opportunities with the local governments that are proceeding consolidation of municipalities as well as relay stations and base stations for digital terrestrial broadcasting. Additionally, we proposed power supply system solutions centered on the Power-SOL product developed in the previous business year, seeking to boost sales. In the area of maintenance and service we ran a “free battery diagnosis” campaign to provide our customers a sense of safety and security, and jointly developed the “Computer Terminal Board” that allows the extension and upgrading of computer systems in a shorter period.
- Seeking to strengthen our production competitiveness in Japan, we implemented production reforms including the introduction of a cell production system and automated production lines. We also accelerated the procurement of materials and parts from overseas in order to achieve cost savings. To improve operational efficiency and shorten production lead time, we also introduced a Web-based Electronic Data Interchange (EDI) function that is linked to the ERP system. In a move toward “green” production, our key overseas subsidiaries and Japanese plants introduced production facilities that eliminate the use of lead solder.

Given the measures described above—and with the strong demand from manufacturers of semiconductor production systems we have experienced since the second quarter—the Group reported consolidated sales of 34,105 million yen, an increase of 5.4% relative to the previous business year. As for the profit-and-loss situation, increased sales, ongoing cost-reduction and expense-controlling measures, and lump-sum amortization of the balance of expenses incurred on the acquisition of goodwill, etc. in the previous year, have heightened our efficiency. On the other hand, the Group reported an extraordinary loss comprising the expenses associated with office closures under the office-consolidation plan, which will be implemented in the next fiscal year. Accordingly, our consolidated ordinary income resulted in 1,453 million yen, up 391.1% from the previous year. Consolidated net income increased to 409 million yen, compared with the consolidated net loss of 350 million yen recorded for the previous year.

The Company’s non-consolidated sales, on the other hand, were up 6.3% to 30,498 million yen. Ordinary income also rose to 876 million yen, compared with the ordinary loss of 199 million yen recorded for the previous year. Net income also grew to 277 million yen against a net loss of 597 million yen in the previous year.

Looking at the results by product category, net sales from our operation in switching power supplies rose 12.0% from the previous year to 26,948 million yen. The revived demand for semiconductors, as applied to digital consumer electronics, boosted the demand for system power suppliers among manufacturers of semiconductor production systems. In the FA market the new products we have introduced (such as the DLP Series and Alpha II Series) have done well, and our unit power supplies and modular watt boxes have experienced brisk sales on the back of growing trends for increased production capacity and equipment upgrades among manufacturers. The communications sector remained depressed, but the active effort to expand our share in the Chinese market boosted the sales of our power modules there.

Sales of UPS products dropped to 7,156 million yen, down 13.6% relative to the previous year. The decline in equipment sales was partly because there were fewer large orders for three-phase UPS models as the communications and IT companies continued to restrain their capital spending, and partly because there was a subsidence in special demand for generators in the communications sector. Income from maintenance and service increased, however, mainly due to the successful implementation of a “free battery diagnosis” campaign implemented during the period of the power crisis.

## [2] Business Outlook for the Next Business Year

Going forward, although exports are expected to remain strong thanks to strong economies in the U.S. and Asian countries, various negative factors such as the strengthening of the yen, soaring material and resource prices, uncertainty over the Middle East situations and continued weakness in the labor market are making it difficult to predict economic trends.

Turning to the electronics industry, the digital consumer electronics sector will likely drive the economy as it did the past year. However, increasing competition in the market cautions against projections that are overly optimistic.

The Group projects 37,000 million yen in consolidated sales for the next business year, with a consolidated ordinary income of 2,000 million yen and consolidated net income of 1,000 million yen.

## (2) Financial Condition

Cash and cash equivalents decreased 55 million yen from the end of the previous consolidated business year to 4,122 million yen at the end of the consolidated business year in review. This was due to the appropriation of cash provided by operating activities, including 1,292 million yen recorded as net income before taxes, mainly to cover the purchases of capital items such as tangible fixed assets and software, loan repayments, etc.

The condition of each respective cash-flow category as of the end of the current consolidated business year, including key items of cash flow, is summarized below:

### [1] Cash flow from operating activities

Net cash provided by operating activities was 2,003 million yen.

This was mainly due to increases in cash due to the recording of net income before taxes (1,292 million yen) and depreciation expenses (637 million yen), decreased note and accounts payables (538 million yen), and others (987 million yen), which together exceeded cash decreases of 1,515 million yen as a result of increased notes and accounts receivable.

### [2] Cash flow from investing activities

Net cash used in investing activities was 892 million yen.

This was chiefly attributable to an expenditure arising from the purchase of tangible fixed assets in order to upgrade equipment to meet our environmental objective (677 million yen), expenditures consequent upon purchases of intangible fixed assets associated with the introduction of business management systems (387 million yen), and proceeds from the sale of investment securities (89 million yen).

[3] Cash flow from financing activities

Net cash provided by financing activities was 1,009 million yen.

This was mainly because the reductions in cash, chiefly as the result of a decrease in short-term borrowings (1,463 million yen), repayment of long-term debt (1,500 million yen) and payment of dividends (215 million yen), were offset by an increase in cash provided by long-term debt (2,180 million yen).

The trends in the Group's cash flow indices are shown below:

	2000	2001	2002	2003	2004
Net-worth ratio (%)	34.6	41.1	52.6	51.2	51.4
Net-worth ratio based on market price (%)	110.3	78.3	90.1	36.5	58.4
Number of debt-repayment years	-	4.4	1.4	7.7	2.4
Interest-coverage ratio	-	13.6	38.1	6.1	15.4

- \* Net-worth ratio : Net assets / Total assets  
Net-worth ratio based on market price : Total market value of outstanding shares / Total assets  
Number of debt-repayment years : Interest-bearing debt / Operating cash flow  
Interest-coverage ratio : Operating cash flow / Interest-payment expenses

(Note)

1. Each index is calculated from financial figures on a consolidated basis.
2. The total market value of outstanding shares is calculated by "Closing price of share at end of period" x "Total number of shares outstanding at end of period (after deducting treasury stocks)."
3. Operating cash flow represents the cash flow from operating activities on the consolidated statements of cash flows. Interest-bearing debt covers all debts recorded on the consolidated balance sheet that are subject to interest payments. Interest-payment expenses indicate the amount of interest payable on the consolidated statements of cash flows.

## Consolidated Balance Sheets

(Thousands of yen)

	FY2002		FY2003		Change
	As of March 31, 2003		As of March 31, 2004		
ASSETS		%		%	
<b>Current assets</b>	<b>20,569,018</b>	60.5	<b>20,702,240</b>	61.6	<b>133,222</b>
Cash and deposits	4,192,775		4,132,557		
Notes and accounts receivable-trade	9,009,491		10,199,044		
Inventories	5,245,312		4,823,457		
Deferred tax assets	1,130,087		924,978		
Others	1,034,467		674,108		
Allowance for doubtful accounts	-43,116		-51,907		
<b>Fixed assets</b>	<b>13,422,630</b>	39.5	<b>12,881,465</b>	38.4	<b>-541,165</b>
Tangible fixed assets	8,198,792	24.1	7,685,213	22.9	-513,579
Buildings and structures	1,714,275		1,490,242		
Machinery and delivery equipment	1,766,468		1,543,991		
Land	4,079,629		4,050,757		
Construction in progress	10,883		37,585		
Others	627,534		562,636		
Intangible fixed assets	1,719,154	5.1	1,655,175	4.9	-63,979
Others	1,719,154		1,655,175		
Investments and others	3,504,684	10.3	3,541,076	10.6	36,392
Investment securities	1,421,878		1,785,174		
Deferred tax assets	1,713,353		1,400,765		
Others	433,851		406,851		
Allowance for doubtful accounts	-64,399		-51,714		
<b>Total assets</b>	<b>33,991,649</b>	100.0	<b>33,583,705</b>	100.0	<b>-407,943</b>

(Thousands of yen)

	FY2002		FY2003		Change
	As of March 31, 2003		As of March 31, 2004		
LIABILITIES		%		%	
<b>Current liabilities</b>	<b>13,497,079</b>	39.7	<b>11,256,725</b>	33.5	<b>-2,240,354</b>
Notes and accounts payable-trade	6,006,776		6,280,361		
Short-term borrowings	4,000,000		2,536,985		
Current portion of long-term debt	1,500,000		60,000		
Income taxes payable	205,265		151,359		
Reserve for bonuses	468,681		511,648		
Others	1,316,356		1,716,371		
<b>Long-term liabilities</b>	<b>3,061,556</b>	9.0	<b>5,027,406</b>	15.0	<b>1,965,849</b>
Long-term debt	-		2,120,000		
Deferred tax liabilities	92,012		34,890		
Revaluation of deferred tax liabilities	329,263		329,263		
Reserve for employees' retirement benefits	2,369,199		2,238,509		
Reserve for directors' retirement allowances	132,420		172,110		
Others	138,662		132,633		
<b>Total liabilities</b>	<b>16,558,636</b>	48.7	<b>16,284,131</b>	48.5	<b>-274,504</b>
MINORITY INTEREST IN CONSOLIDATED COMPANIES	28,843	0.1	23,972	0.1	-4,871
SHAREHOLDERS' EQUITY					
Common stock	2,941,025	8.7	2,941,025	8.8	-
Additional paid-in capital	2,803,150	8.2	2,803,150	8.3	-
Retained earnings	12,216,847	35.9	12,406,394	36.9	189,546
Revaluation account for land	479,737	1.4	479,737	1.4	-
Unrealized gains or losses on other securities	220,381	0.7	487,754	1.5	267,372
Foreign currency translation adjustments	-777,953	-2.3	-1,360,728	-4.1	-582,775
Treasury stock	-479,020	-1.4	-481,731	-1.4	-2,711
<b>Total shareholders' equity</b>	<b>17,404,168</b>	51.2	<b>17,275,601</b>	51.4	<b>-128,567</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>33,991,649</b>	100.0	<b>33,583,705</b>	100.0	<b>-407,943</b>

## Consolidated Statements of Income

(Thousands of yen)

	FY2002		FY2003		Change
	(From April 1, 2002 to March 31, 2003)		(From April 1, 2003 to March 31, 2004)		
		%		%	
<b>Net sales</b>	<b>32,342,785</b>	100.0	<b>34,105,108</b>	100.0	<b>1,762,322</b>
Cost of sales	24,742,427	76.5	25,372,391	74.4	629,964
<b>Gross profit</b>	<b>7,600,358</b>	23.5	<b>8,732,717</b>	25.6	<b>1,132,358</b>
Selling, general and administrative expenses	7,309,955	22.6	7,257,765	21.3	-52,190
<b>Operating income</b>	<b>290,402</b>	0.9	<b>1,474,951</b>	4.3	<b>1,184,548</b>
Non-operating income	254,630	0.8	222,251	0.7	-32,379
Interest income	48,684		27,632		
Dividend income	32,261		28,580		
Dormitory income	57,494		51,153		
Others	116,188		114,884		
Non-operating expenses	249,156	0.8	244,086	0.7	-5,069
Interest payment	119,986		128,273		
Foreign exchange losses	42,016		50,113		
Others	87,152		65,700		
<b>Ordinary income</b>	<b>295,876</b>	0.9	<b>1,453,116</b>	4.3	<b>1,157,239</b>
Extraordinary income	678,822	2.1	4,738	0.0	-674,083
Revised profit carried from previous term	128,065		-		
Gain on sales of fixed assets	-		2,797		
Gain on sales of investment securities	550,757		-		
Others	-		1,941		
Extraordinary losses	1,090,303	3.4	165,659	0.5	-924,644
Loss on disposal of fixed assets	12,396		65,922		
Loss on valuation of investment securities	131,487		982		
One-time amortization of goodwill and consolidation translation adjustment	922,034		-		
Extraordinary loss from office closure	-		94,965		
Others	24,386		3,788		
<b>Net income (loss) before taxes and other adjustments</b>	<b>-115,604</b>	<b>-0.4</b>	<b>1,292,195</b>	3.8	<b>1,407,800</b>
Corporate, inhabitant and enterprise taxes	334,396	1.0	313,746	0.9	-20,650
Corporate tax refunded	3,206	0.0	8,373	0.0	5,167
Deferred taxes	-104,063	-0.3	577,939	1.7	682,003
Minority interest in income of consolidated companies	7,658	0.0	-286	0.0	-7,945
<b>Net income (loss)</b>	<b>-350,391</b>	<b>-1.1</b>	<b>409,169</b>	1.2	<b>759,560</b>

## Consolidated Statements of Retained Earnings

(Thousands of yen)

	FY2002 (From April 1, 2002 to March 31, 2003)	FY2003 (From April 1, 2003 to March 31, 2004)	Change
( ADDITIONAL PAID-IN CAPITAL )			
Additional paid-in capital at beginning of period	2,803,150	2,803,150	-
Additional paid-in capital at end of period	2,803,150	2,803,150	-
( RETAINED EARNINGS )			
Retained earnings at beginning of period	12,794,773	12,216,847	-577,925
Increase of retained earnings	-	409,169	409,169
Net income	-	409,169	
Decrease of retained earnings	577,925	219,622	-358,303
Net loss	-350,391	-	
Dividends	215,381	215,306	
Decrease of retained earnings for decrease of consolidated subsidiaries	2,271	-	
Staff and workers' welfare fund of the subsidiaries	9,882	4,315	
Retained earnings at end of period	12,216,847	12,406,394	189,546

## Consolidated Statements of Cash Flows

(Thousands of yen)

	FY2002 (From April 1, 2002 to March 31, 2003)	FY2003 (From April 1, 2003 to March 31, 2004)	Change
<b>1. Cash flows from operating activities</b>			
Net income (loss) before taxes and other adjustments	-115,604	1,292,195	
Depreciation	628,633	637,190	
Amortization of goodwill and consolidation translation adjustments	1,229,379	-	
Increase (decrease) in employees' bonus allowances	-62,727	48,338	
Increase (decrease) in other allowances	-273,784	-84,838	
Interest and dividend income	-80,946	-56,213	
Interest expenses	119,987	128,273	
Foreign exchange gains (losses)	41,631	224,028	
Loss on valuation and sales of investment securities	133,878	982	
Gain on sales of investment securities	-550,757	-	
Gain (loss) on disposal and sales of tangible fixed assets	12,396	63,125	
Decrease (increase) in notes and accounts receivable	10,745	-1,515,730	
Decrease (increase) in inventories	-686,600	159,437	
Increase (decrease) in notes and accounts payable	736,603	538,330	
Others	-146,022	987,996	
Sub-total	996,812	2,423,113	1,426,301
Interest and dividend income	80,949	55,999	
Interest expenses	-116,724	-130,087	
Income tax and others	-246,820	-345,138	
Net cash provided by operating activities	714,217	2,003,887	1,289,670

(Thousands of yen)

	FY2002 (From April 1, 2002 to March 31, 2003)	FY2003 (From April 1, 2003 to March 31, 2004)	Change
<b>2. Cash flows from investing activities</b>			
Increase in time deposits	-	5,000	
Payments for acquisition of tangible fixed assets	-413,425	-677,235	
Proceeds from sales of tangible fixed assets	16,545	19,228	
Payments for acquisition of intangible fixed assets	-534,155	-387,931	
Proceeds from sales of intangible fixed assets	2,493	-	
Payments for acquisition of investment securities	-5,022	-2,800	
Proceeds from sales of investment securities	664,122	89,403	
Payments for liquidation and the sale of shares of subsidiaries associated with changes in the scope of consolidation	-2,271	-	
Proceeds from the sale of business	253,637	-	
Payments for other investments	-36,163	-14,153	
Proceeds from other investments	146,201	76,428	
Net cash used in (provided by) investing activities	91,962	-892,060	-984,022
<b>3. Cash flows from financing activities</b>			
Net increase (decrease) in short-term borrowings	-1,300,000	-1,463,015	
Proceeds from increase in long-term debt	-	2,180,000	
Payments for long-term debt	-	-1,500,000	
Payments for purchase of treasury stock	-6,026	-2,712	
Dividends paid	-215,381	-215,306	
Dividends paid to minority shareholders	-4,409	-8,366	
Net cash used in financing activities	-1,525,816	-1,009,399	516,417
<b>4. Effect of exchange rate changes on cash and cash equivalents</b>	-204,387	-157,646	46,741
<b>5. Increase (decrease) in cash and cash equivalents</b>	-924,024	-55,218	868,806
<b>6. Cash and cash equivalents at beginning of period</b>	5,101,799	4,177,775	-924,024
<b>7. Cash and cash equivalents at end of period</b>	4,177,775	4,122,557	-55,218