

The Semi-Annual Financial Results For The Year Ending March 31, 2004

Date : November 11, 2003

Name of Listed Company : Yokogawa Electric Corporation (the "Company")
Stock Code : 6841

Stock Exchanges Where the Company's Shares are Listed :
Tokyo Stock Exchange
Location of Company Head Office: Tokyo

Personnel to whom inquiries should be addressed:

Name and Position of the Person in Charge :
Masatoshi Okabe
General Manager of Public Relations & Investor Relations
Telephone Number : 81-422-52-5530

Date of Resolution of the Board of Directors Approving the Financial Results :
November 11, 2003

1. Business results for the six months ended September 30, 2003 (April 1, 2003 – September 30, 2003)

(1) Results of operations on a consolidated basis (Any amount less than one million yen is disregarded.)

	Net Sales		Operating Income		Ordinary Income	
	¥ mil	%	¥ mil	%	¥ mil	%
For the six months ended September 30, 2003	166,472	7.3	4,661	-	3,204	-
For the six months ended September 30, 2002	155,118	1.8	(2,712)	-	(4,944)	-
For the year ended March 31, 2003	328,766		1,561		(1,233)	

	Net Income		Net Earnings per Share	Diluted Net Earnings per Share
	¥ mil	%	¥	¥
For the six months ended September 30, 2003	(255)	-	(1.05)	-
For the six months ended September 30, 2002	(2,882)	-	(11.94)	-
For the year ended March 31, 2003	(26,232)	-	(108.39)	

(Note)

1) Profit or loss from investments in subsidiaries and affiliates accounted for by the equity method :

For the six months ended September 30, 2003 ¥ 655million
For the six months ended September 30, 2002 ¥ 467million
For the year ended March 31, 2003 ¥ 657million

2) Average number of shares on a consolidated basis

For the six months ended September 30, 2003 242,965,803
For the six months ended September 30, 2002 241,368,417
For the year ended March 31, 2003 242,247,362

3) Change of accounting method : None

4) Presentation of percentages in the above list shows increase or decrease ratio in comparison with the corresponding period of the previous fiscal year.

(2) Financial conditions on a consolidated basis

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity per Share
	¥ mil	¥ mil	%	¥
For the six months ended September 30, 2003	355,035	133,957	37.7	551.42
For the six months ended September 30, 2002	367,728	157,260	42.8	666.96
For the year ended March 31, 2003	364,730	131,784	36.1	542.20

(3) Conditions of cash flows on a consolidated basis

	Net cash provided by operating activities	Net cash provided by (used in) investing activities	Net cash used in financing activities	Cash and cash equivalents at the end of period
	¥ mil	¥ mil	¥ mil	¥ mil
For the six months ended September 30, 2003	(1,954)	(5,465)	(8,591)	32,270
For the six months ended September 30, 2002	3,359	3,823	(6,529)	46,254
For the year ended March 31, 2003	1,829	(3,053)	3,643	47,809

(4) Matters concerning the consolidated subsidiaries and affiliates as to investments in which the equity method of accounting has been carried out.

Number of consolidated subsidiaries : 86
Number of unconsolidated subsidiaries as to investments in which the equity method of accounting has been carried out : 5
Number of affiliates as to investments in which the equity method of accounting has been carried out : 13

(5) Changes of the extent of consolidation and companies as to investments in which the equity method of accounting has been carried out :

Consolidated subsidiaries Newly included : 3 Exclusion : 5
Companies as to investments in which the equity method of accounting has been carried out Newly included : 0 Exclusion : 4

2. Business forecast for the year ending March 31, 2004 (April 1, 2003 – March 31, 2004)

	Net Sales	Ordinary Income	Net income
	¥ mil	¥ mil	¥ mil
For the year ended March 31, 2004	365,000	12,000	4,000

(Reference)

Earnings per share expected for the year ending March 31, 2004 on a consolidated basis : ¥16.47

1. Status of the Yokogawa Group

The Yokogawa Group (“the Group”) consists of Yokogawa Electric Corporation (“the Company”), 99 subsidiaries and 16 affiliated companies. The major businesses of the Group companies and businesses pertaining to each company in the Group by segment are as follows:

Note that business activities are classified as either (1) the measurement, control, and information equipment business segment, or (2) the “other businesses” segment. This classification is based on a consideration of product affiliations and market similarities.

(1) The measurement, control, and information equipment business: 105 companies

The Company is the main seller in Japan of products manufactured by consolidated subsidiaries such as Yokogawa Electronics Manufacturing Corporation and Yokogawa Electric Asia Pte. Ltd. The Company and Yokogawa Engineering Service Corporation oversee engineering and after-sales services.

The main subsidiaries carrying out sales, engineering and service activities are Yokogawa Engineering Asia Pte. Ltd. in Southeast Asia, Yokogawa Europe B.V. in Europe, and Yokogawa Corporation of America in North America. They purchase goods from the Company and Yokogawa Electric Asia Pte. Ltd.

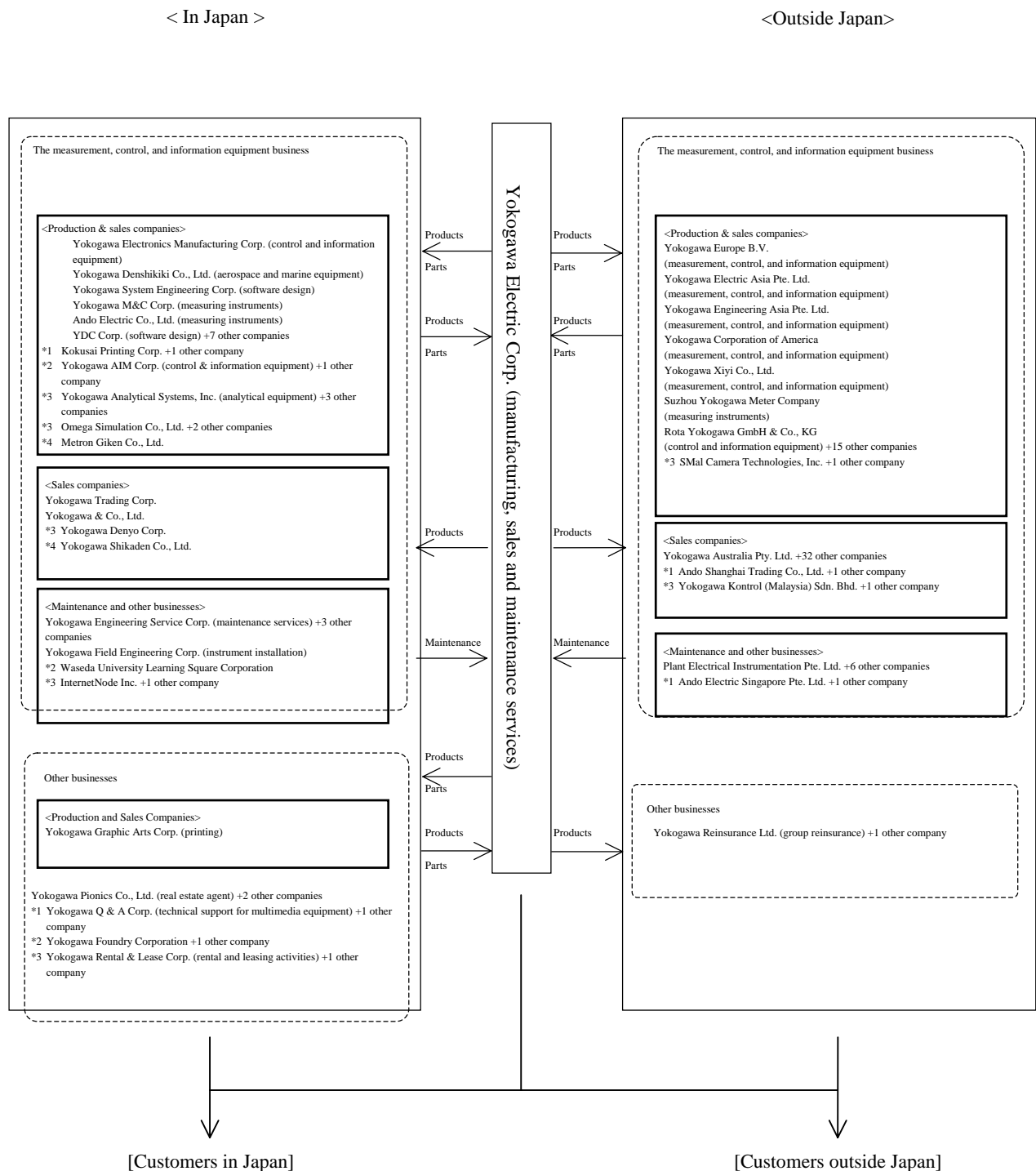
The Company and Yokogawa Denshikiki Co., Ltd. are engaged in the production and sale of marine and flight information equipment.

(2) Other businesses: 12 companies

Yokogawa Pionics Co., Ltd. handles operations relating to real estate, while Yokogawa Human Create Corporation acts as a temporary staffing agency.

Business Overview

The following diagram illustrates the relations of the Group companies mentioned above.



(Notes)

no indication

*1

*2

*3

*4

Consolidated subsidiary

Unconsolidated subsidiary

Unconsolidated subsidiary as to investments in which the equity method has been carried out

Affiliated company as to investments in which the equity method has been carried out

Affiliated company as to investments in which the equity method has not been carried out

2. Management Policies

(1) Core Management Policies

In keeping with the core goals of VISION-21 and ACTION-21, which embrace the corporate strategy of the Group aiming at healthy and profitable operations and which were announced in January 2000, the Group is currently pursuing a business strategy aimed at bringing about innovations in business structure and group management.

Driven by the strategic emphasis on innovations in business structure, the Group is implementing several programs to reach the initial quantitative goals it has set for achievement by fiscal year 2005. One is to improve profitability through efficiency gains in the industrial automation and control business focused on plant control systems. Concurrently, measures are being taken to boost order volumes in prospective control markets outside Japan. Another program is to encourage a major transformation in business structure by shifting more of the Group's resources into markets and industries that appear poised for growth and prosperity in the years ahead, namely semiconductors, fiber-optic communications, multimedia, biotechnology, and information services.

To bring about innovations in Group management, our efforts range from the realignment and consolidation of the Group companies to innovations in the quality of our business management. We are thus endeavoring to build on and refine the Group's operating frameworks and mechanisms, in order to maximize consolidated operating income.

(2) Policy on Appropriation of Profit

The Company is aware that one of its most important policies is to establish a stable yet flexible management infrastructure and distribute profits by taking into general consideration such factors as business performance and dividend payout ratios. Its core policy therefore is to continue providing a steady flow of dividends to its shareholders.

In the interest of implementing our new corporate strategy, funds from retained earnings have been effectively invested in new business ventures, budgeted for the development of new products for growing markets, and invested in the development of a framework for efficient consolidated management. The Company is thus committed to improving business performance on a Group-wide, consolidated basis.

(3) Stance on Reduction of the Minimum Trading Unit of Shares

The Company recognizes that improving the liquidity of its shares and encouraging an even wider range of investors to have a stake in the Company is a matter of top management priority.

To this effect the Company continues studying this matter, taking into consideration the stock price, the number of shareholders and the financial position, focusing on the possibility of reducing the minimum trading unit of shares. Specific measures and a specific timeframe are under discussion.

(4) Management Targets

We have declared several consolidated management targets for achievement by fiscal year 2005 through steady implementation of the core strategies outlined in VISION-21 and ACTION-21 for our principal business domains: a consolidated operating income of 50 billion yen, a consolidated net sales of 500 billion yen, a consolidated ROA of 5.0 percent, and a consolidated ROE of 10.0 percent.

(5) Medium- and Long-term Business Strategies

The Company has classified its operations into four key business domains: industrial automation and control, test and measurement, information systems, and aviation and industry support. Yokogawa is now pursuing an aggressive business strategy in each of these domains, the core strategies for which are outlined below.

Industrial Automation and Control Business

The Company is shoring up its system for increasing order volumes in overseas markets where many large-scale projects for petroleum, petrochemical, and natural gas production facilities are being planned. In Japan, it is also making efforts to boost order volumes by agilely responding to market needs, including the gradually recovering demand for replacement of customers' facilities. In addition, the Company aims to enhance profitability through cost reductions based on production transfer to overseas locations and reinforcement of its engineering system utilizing resources available outside Japan. Through continued R&D activities, the Company is offering highly reliable new products and system solutions tailored to market needs. Concurrently, it is expanding its demand-responsive, customer-focused service system in order to solidify the industrial automation and control business.

Test and Measurement Business

The Company is expanding the Group's business presence in the semiconductor and communications network equipment market segments through the strategic debut of competitive new products. In the market segment for semiconductor testers, the Group is expanding

operations with a product strategy geared to the provision of devices and memory products for use in broadband communications equipment, digital information appliances, and related areas. In the measuring instruments business, the Group is expanding operations by enhancing its line of high-frequency measuring instruments for the development of next-generation information and communications network equipment and digital information appliances. To also expand this business area, it is utilizing the latest technologies to commercialize measuring instruments and related equipment for the optical transmission systems, which will pave the way for the emerging age of broadband communications.

Information Systems Business

The Company is expanding its business in medical imaging and information systems, a market segment in which the Group already commands a strong share. Concurrently, it is offering system solutions to companies primarily in the manufacturing trades that are striving for IT-driven business efficiency. Furthermore, the Company is aggressively expanding this business area into the field of information services based on the IPv6 next-generation Internet protocol, as well as the field of network security.

Aviation and Industry Support Business

Yokogawa is expanding operations in the aircraft instrumentation business by working more aggressively to accommodate private sector demand, in addition to existing governmental and other public sector demand.

(6) Challenges for the Company

In keeping with the core goals of VISION-21 and ACTION-21, namely, a healthy and profitable operation, the Group is pursuing a business strategy aimed at increasing sales turnover and improving net profit on a Group-wide consolidated basis. To this end the Company is 1) strengthening the management structure that ensures stable and increased profitability in the control business area, 2) building an organizational system that will obtain maximum synergy in its communication and measurement businesses from last year's acquisition of Ando Electric, and 3) releasing new products tailored to customers' testing needs in order to win new customers and expand this business area.

Furthermore, the Company is planning to complete the ongoing realignment of factories and plants in Japan as scheduled, put overseas production on track, further improve product quality, and reduce production costs on a Group-wide, consolidated basis.

(7) Basic Concepts on Corporate Governance and Measures That Have Been Implemented

The Company defines the maximizing of corporate worth as the primary mission of its business management and corporate governance as the mechanism for fulfilling that mission, and it is committed to reinforcing this mechanism. Specifically, the board of directors is viewed as holding the executive and supervisory functions entrusted by shareholders to implement and supervise management strategies, and the board of corporate auditors as overseeing the supervisory functions. The Company's reinforcement of these two functions will enhance managerial transparency, objectiveness and appropriateness, and further strengthen corporate governance.

In line with this basic philosophy, Masahisa Naito was appointed as an outside director at the 2003 General Meeting of Shareholders and is providing the Company objective, wide-ranging advice. The board of corporate auditors consists of four corporate auditors, two of whom are from outside the Company. In addition, the Company has instituted a Group auditor board consisting of auditors from the Group companies. This board is responsible for overseeing and auditing the Group as a whole in accordance with Group-wide, consolidated management requirements. The Company has thus built a system that will ensure audits are fair.

In the aspect of compliance, the Company has instituted the Standards of Business Conduct for the Yokogawa Group in order to thoroughly cultivate a corporate culture that encourages each and every employee to act in accord with a strong sense of corporate ethics. Furthermore, the Company has set up the Audit and Compliance Headquarters with the aim of verifying compliance with the Group's Standards of Business Conduct and applicable laws and regulations.

3. Business Results and Financial Status

(1) Business Results

<General Overview>

The industrial automation and control business, which focuses on the provision of plant control systems, has been extremely active in the international market, thanks to the series of orders received for large-scale projects. Furthermore, the long-ailing Japanese market seems to have reached the bottom and signs of recovery in capital investment have been seen in the basic materials industry in particular. As a result, this business area has also been favorable as a whole in Japan and sales revenue has risen.

The test and measurement business has also been active and sales revenue has increased dramatically in the semiconductor tester business segment. Consequently, this business area as a whole has posted a dramatic sales increase, though sales revenue in the measuring instruments business segment remains sluggish. Sales revenues in the information systems business and the aviation and industry support business have decreased from the same term last year due to the market slump.

As a result of the positive developments noted above, the Company posted consolidated net sales of 166.4 billion yen, an increase of 11.3 billion yen, or 7.3 percent, from the same term last year. Consolidated operating income increased dramatically to 4.6 billion yen (up 7.3 billion yen from the same term last year). Consolidated ordinary income improved to 3.2 billion yen (up 8.1 billion yen from the same term last year), though it should be noted that this figure was influenced by exchange-rate fluctuations. Consolidated interim net loss was 255 million yen (a 2.6 billion yen improvement from the same term last year), which was due to the extraordinary loss recorded as the result of realigning production systems in Japan.

Yokogawa worked hard in the first half to boost sales through the reinforcement of existing business operations and by tapping into new growth markets. To this end, it implemented a sales expansion strategy under a new organizational framework. Concurrently, the Company realigned the production systems in Japan and facilitated production transfer to overseas locations. Thus it continued to promote radical restructuring toward improving production costs from a global point of view. In addition, the Company formed and started projects on a Group-wide scale, with a view to improving profitability and its financial position.

<Results by Business Segment>

Results by individual business segment are outlined below.

Industrial Automation and Control Business

Net sales outside Japan remained firm and signs of recovery were seen in the long-ailing industrial automation and control market in Japan.

Test and Measurement Business

Although the measuring instruments business segment remained sluggish mainly due to a decline in product prices, the semiconductor tester business segment was lively, contributing to the sales increase as a whole.

Information Systems Business

An initiative to improve profitability in this segment has been undertaken. The Company is also expanding its presence in the medical information systems business and the systems solutions business for the manufacturing industry.

Aviation and Industry Support

The Company concentrated on the civil aircraft and magnetoencephalograph systems business segments, in order to boost private sector demand.

<Results by Region>

Results by region were as follows.

In Asia, net sales totaled 16.6 billion yen (up 4.9 billion yen, or 41.7%, from the same term last year), thanks to the robust industrial automation and control business in Southeast Asia and inclusion of Yokogawa Blue Star Ltd. in India as a new consolidated subsidiary. Operating income increased to 1.3 billion yen (up 219 million yen, or 19.7%, from the same term last year).

In Europe, net sales increased to 13.7 billion yen (up 2.9 billion yen, or 27.8%, from the same term last year) and operating income increased to 739 million yen (up 274 million yen, or 58.9%, from the same term last year) thanks to the dynamic industrial automation and control business and appreciation of the Euro.

In North America, sales revenue increased to 10.1 billion yen (up 1.4 billion yen, or 16.9%, from the same term last year). However, operating income decreased as the US subsidiary suffered an operating loss of 45 million yen (down 120 million yen from the same term last year).

In the Middle East and other regions combined, net sales increased to 5.8 billion yen (up 1.1 billion yen, or 25.4%, from the same term last year), thanks to the vigorous industrial automation and control business in Australia. Operating income decreased, however, to 146 million yen (down 55 million from the same term last year).

(2) Financial Status

On a consolidated basis, the balance in cash and cash equivalents totaled 32.2 billion yen in the

first half, down 15.5 billion yen from the level recorded a year earlier. In addition, free cash flow from operating and investing activities combined was a negative 7.4 billion yen (compared with a positive 7.1 billion yen in the previous first half).

<Cash Flow from Operating Activities>

For the half-year term under review, cash flow from operating activities was a negative 1.9 billion yen (compared with a positive 3.3 billion yen in the previous first half). This was primarily due to a 7.2 billion increase in inventories from the same term last year, though the amount of accounts receivable decreased by 6.2 billion yen from the same term last year.

<Cash Flow from Investing Activities>

Cash flow from investing activities was a negative 5.4 billion yen (compared with a positive 3.8 billion yen in the previous first half). Acquisition of fixed assets in the current first half amounted to 7.6 billion yen, including such intangible fixed assets as software. The Company sold out its 2.9 billion yen share in financial institutions to unravel cross-shareholding and made a 1.7 billion investment in promising companies such as those related to semiconductor manufacturing.

<Cash Flow from Financing Activities>

Cash flow from financing activities was a negative 8.5 billion yen (compared with a negative 6.5 billion yen in the previous first half). In addition, the Company repaid 7.5 billion yen in interest-bearing debt, including short-term loans such as commercial paper and long-term loans such as bonds.

The Company also paid 911 million in end-of-term dividends in the first half.

It should be noted that the Company did not acquire any of its treasury stocks, except for odd lots that shareholders requested to be bought off.

<Interim Dividend>

The half-year term under review saw signs of recovery from the significant deficits that the Company suffered during the first half of each of the two previous financial years. Although the Company unfortunately registered a 255 million yen deficit, it has nonetheless decided to pay the same interim dividend as last year: 3.75 yen per share. This is in line with the Company's emphasis on maintaining steady dividends.

The Company remains committed to strengthening its financial position to increase corporate

worth. Concurrently, it endeavors to improve the return on equity and further increase shareholder value. All these efforts are being made with an emphasis on maintaining steady dividends under the basic philosophy that the Company will meet the shareholders' expectations.

(3) Full Year Outlook for Operations

<General Overview>

It is anticipated that demand for semiconductor testers will grow dramatically in keeping with the large-scale expansion in the market for information appliances and a new-generation of cell phones that together are anticipated to lead the transition to the broadband age. Accordingly, the Company will accelerate the development of testing technologies to win new customers in the memory tester market and solidify its presence in the Asian LCD driver tester market. In addition, it will promote business strategies aimed at meeting the needs of customers in the fields of system-on-chip devices, video-related devices and telecommunication LSI devices. In the measurement business segment, the Company's strategy will be to expand and refine product lineups and boost sales accordingly for all Group units, including Ando Electric.

Under the circumstances where capital spending in plant equipment remains active in markets outside Japan, Yokogawa's industrial automation and control systems business has earned unprecedented levels of trust and acclaim for its comprehensive strengths from an array of major overseas-based corporate clients. Naturally, the Company plans to capitalize on these strengths and continue working to expand its customer base and win more contracts in the international marketplace, while continuing to release strategic products. In the meantime, it will also actively strive to boost its sales in the Japanese market through efforts to spur replacement demand.

In the information services business segment, Yokogawa plans to move forward with the expansion of its medical information systems business and the system solutions business geared to the manufacturing industry.

Among its undertakings in the Aviation and Industry Support Business category, the Company will focus on aircraft instrumentation and magnetoencephalograph systems, and continue working to spur growth in private sector demand in these products' respective marketplaces.

In connection with cash flow, the Company plans to redeem 10 billion yen in straight bonds from its fourth issue in Japan in November 2003, as well as another 10 billion yen from its fifth issue in March 2004.

In the mean time, a corporate resolution was passed on October 15, 2003 regarding the issuance of Euro-Yen Zero Coupon Convertible Bonds due 2010, and 30.0 billion yen was paid in on November 4. Major terms of issuance are as follows:

- Issue value: 30.0 billion yen
- Term of validity: 7 years
- Zero-coupon bonds
- Conversion price: 1,514 yen
- 120% call provision (second year and beyond)

The Company plans to use the funds for the redemption of straight bonds issued in Japan and for investment in equipment and plants. It will continue making efforts to further streamline its assets and improve its financial position.

Also during the current term, the Company will remain committed to reinforcing its existing business areas and cultivating new market segments, in order to boost sales revenue.

Concurrently, it will further reorganize production systems in Japan and promote production transfer to overseas locations, thus taking an even stronger approach toward cost reduction and expansion in sales revenue and operating income. With these efforts, the Company is determined to satisfy the expectations of its shareholders.

<Consolidated Forecasts for FY2003>

Net sales: 365.0 billion yen (up 11.0 percent)
 Operating income: 15.0 billion yen (up 860.9 percent)
 Ordinary income: 12.0 billion yen (—)
 Net income for the year: 4.0 billion yen (—)

<Non-consolidated Forecasts for FY2003>

Net sales: 200.0 billion yen (up 10.0 percent)
 Operating income: 4.0 billion yen (—)
 Ordinary income: 5.0 billion yen (—)
 Net income for the year: 3.0 billion yen (—)

Note: The consolidated business forecast assumes an average exchange rate of US\$1 = 110 yen for the second half of the year.

<Notes Regarding Forecasts>

The above forecasts are based on certain assumptions deemed reasonable by Yokogawa at the present time, and may differ from actual business results.

Major factors that may affect business performance include the following:

- Fluctuations in the U.S. dollar, European currencies, and Asian currencies relative to the yen

- Sudden changes in economic conditions in major markets, or in trade regulations or other aspects of the business environment
- Sudden fluctuations in product supply or demand
- Rapid technological innovations
- Fluctuations in Japanese share prices
- Protection of Yokogawa patents and the licensing of patents held by other companies
- Alliances with other companies for product development or other purposes.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheets

(¥ million)

	<u>Sep. 30,2002</u>		<u>Sep. 30,2003</u>		<u>March 31,2003</u>	
Current Assets:		%		%		%
Cash on hand and in bank	38,743		32,829		48,242	
Notes and accounts receivables	94,675		99,136		102,766	
Marketable securities	7,629		100		100	
Inventories	48,011		51,225		43,236	
Others	17,704		16,767		19,608	
Allowance for doubtful accounts	<u>-994</u>		<u>-1,267</u>		<u>-1,323</u>	
Total currents assets	205,769	56.0	198,792	56.0	212,630	58.3
Fixed Assets:						
(Tangible fixed assets)						
Building and structures	40,315		38,299		39,047	
Others	<u>37,170</u>		<u>37,397</u>		<u>35,675</u>	
Total tangible fixed assets	77,486	21.1	75,696	21.3	74,722	20.5
(Intangible fixed assets)						
Consolidated goodwill	71		-		-	
Others	<u>12,543</u>		<u>12,807</u>		<u>12,685</u>	
Total intangible fixed assets	12,614	3.4	12,807	3.6	12,685	3.5
(Investment and other assets)						
Investments in securities	38,381		38,311		33,617	
Others	34,386		30,615		31,972	
Allowance for doubtful accounts	<u>-910</u>		<u>-1,188</u>		<u>-897</u>	
Total investment and other assets	71,857	19.5	67,738	19.1	64,692	17.7
Total fixed assets	161,958	44.0	156,242	44.0	152,100	41.7
Deferred assets	-910		-1,188		-897	
Total Assets	<u><u>367,728</u></u>	<u>100.0</u>	<u><u>355,035</u></u>	<u>100.0</u>	<u><u>364,730</u></u>	<u>100.0</u>

(¥ million)

	<u>Sep. 30,2002</u>		<u>Sep.30, 2003</u>		<u>March 31,2003</u>	
		%		%		%
Current liabilities:						
Notes and accounts payable	27,601		28,297		32,484	
Short-term bank loans	12,152		8,336		6,238	
Commercial paper	-		29,000		35,000	
Current portion of bonds	10,000		20,000		20,000	
Accrued bonuses	6,720		7,080		7,085	
Other current liabilities	<u>39,857</u>		<u>37,610</u>		<u>36,848</u>	
Total current liabilities	96,331	26.2	130,323	36.7	137,655	37.8
Long-term liabilities:						
Long-term bonds	30,000		20,000		20,000	
Long-term bank loans	32,029		24,563		27,436	
Reserve for retirement payments	44,439		39,428		40,248	
Other reserves	1,051		1,182		1,087	
Others	<u>4,009</u>		<u>1,939</u>		<u>3,624</u>	
Total long-term liabilities	111,540	30.3	87,114	24.6	92,397	25.3
Total liabilities	<u>207,872</u>	56.5	<u>217,438</u>	61.3	<u>230,053</u>	63.1
Minority interests in consolidated subsidiaries	<u>2,595</u>	0.7	<u>3,640</u>	1.0	<u>2,893</u>	0.8
Shareholders` equity:						
Common stock	32,306	8.8	32,306	9.1	32,306	8.8
Additional paid-in capital	35,020	9.5	35,256	9.9	35,255	9.7
Retained earnings	101,024	27.5	75,548	21.3	76,777	21.0
Variances on securities valuations	-195	-0.0	4,441	1.3	977	0.3
Foreign currency translation adjustments	-5,565	-1.5	-5,555	-1.6	-5,562	-1.5
Treasury stock	<u>-5,329</u>	-1.5	<u>-8,040</u>	-2.3	<u>-7,968</u>	-2.2
Total shareholders` equity	157,260	42.8	133,957	37.7	131,784	36.1
Total liabilities and stockholders` equity	<u>367,728</u>	100.0	<u>355,035</u>	100.0	<u>364,730</u>	100.0

Consolidated Statements of Income

(¥ million)

	Apr.1, 2002- Sep. 30, 2002		Apr.1, 2003- Sep. 30, 2003		Apr.1, 2002- March 31, 2003	
	%				%	
Net sales	155,118	100.0	166,472	100.0	328,766	100.0
Cost of sales	102,478	66.0	107,638	64.7	218,989	66.6
Gross profit	52,640	34.0	58,834	35.3	109,777	33.4
Selling, general and administrative expenses	55,353	35.7	54,172	32.5	108,215	32.9
Operating profit	-2,712	-1.7	4,661	2.8	1,561	0.5
Non-operating profit:						
Interest income	257		156		492	
Dividend income	238		153		1,243	
Profit from investments in subsidiaries and affiliates accounted for by the equity method	467		655		657	
Others	597		689		1,487	
Total non-operating profit	1,561	1.0	1,654	1.0	3,880	1.1
Non-operating expenses:						
Interest expense	965		610		1,692	
Loss on disposal of inventories	352		622		932	
Foreign exchange loss	1,418		921		1,926	
Others	1,057		956		2,123	
Total non-operating expenses	3,793	2.5	3,111	1.9	6,675	2.0
Ordinary profit	-4,944	-3.2	3,204	1.9	-1,233	-0.4
Extraordinary profit:						
Gain on sales of investments in marketable securities	7,049		1,224		7,373	
Gain on sales of property	313		36		409	
Gain on change of equity method company	-		260		-	
Others	207		283		4,146	
Total extraordinary profit	7,571	4.9	1,804	1.1	11,929	3.6
Extraordinary loss:						
Loss on sales of property	329		588		286	
Loss on retirement of property	282		369		1,864	
Loss on devaluation of investments in marketable securities	599		44		8,451	
Loss on reorganization of business	-		2,206		17,876	
Welfare facilities of the previous year	-		785		-	
Others	587		465		1,832	
Total extraordinary loss	1,799	1.2	4,459	2.7	30,312	9.2

Income before income taxes	<u>827</u>	0.5	<u>548</u>	0.3	<u>-19,617</u>	-6.0
Corporate, resident and enterprise tax	1,016		1,290		2,305	
Income tax and residential tax refund	20		5		197	
Adjustment of corporate tax, etc.	2,646		-827		4,138	
Minority shareholders` gain	<u>67</u>		<u>347</u>		<u>367</u>	
Net income	<u>-2,882</u>	-1.8	<u>-255</u>	-0.2	<u>-26,232</u>	-8.0

Statements of Consolidated Retained Earnings

(¥ million)

	Apr.1, 2002- Sep.30,2002(a)	Apr.1, 2003- Sep.30,2003(b)	(b)-(a)	Apr.1, 2002- Mar.31, 2003
(Additional paid-in capital)				
Additional paid-in capital at the beginning of period:	35,020	35,255	234	35,020
Increase in Additional paid-in capital	-	1	1	234
Gain on sales of treasury stock	-	1		-
Other increase	-	-		234
Balance of additional paid-in capital at the end of period	35,020	35,256	235	35,255
(Retained earnings)				
Retained earnings at the beginning of period	104,814	76,777	-28,036	104,814
Increase in retained earnings	95	2	-93	146
Decrease in retained earnings	3,886	1,231	2,654	28,183
Dividends	909	911		1,793
Bonuses to directors and corporate auditors	33	29		33
Net loss for the period under review	2,882	255		26,232
Other decrease	61	35		123
Balance of Retained earnings at the end of period	101,024	75,548	-25,475	76,777

Consolidated Cash Flow Statements

(¥ million)

	Apr.1, 2002- Sep. 30,2002(a)	Apr.1, 2003- Sep. 30,2003(b)	(b)-(a)	Apr.1, 2002- Mar.31,2003
I Cash flows from operating activities				
Net profit (loss) for the period under review before tax and other adjustment	827	548	-278	-19,617
Depreciation	7,111	6,530	-580	14,298
Amortization of consolidated goodwill	71	101	29	170
Increase in allowance for doubtful accounts	191	227	35	231
Decrease in reserve for retirement payments	-2,297	-761	1,536	-7,214
Decrease in accrued bonuses	-25	-14	11	-16
Loss on valuation of investment in marketable securities	-	44	44	8,322
Interest and dividend income	-496	-309	186	-1,735
Interest expenses	965	610	-355	1,692
Gain on equity method	-467	-655	-187	-657
Gain on change of equity method company	-	-260	-260	-
Gain on investment in marketable securities	-7,049	-1,113	5,935	-6,884
Loss on elimination of fixed assets	-	362	362	2,155
Decrease in trades receivables	12,720	6,246	-6,474	6,552
Changes in inventories	-2,171	-7,222	-5,050	3,114
Changes in trade payable	-4,639	-4,682	-43	294
Others	306	-649	-955	2,953
Subtotal	5,046	-998	-6,044	3,660
Interest and dividend income received	242	1,291	1,049	1,591
Interest expenses paid	-921	-570	350	-1,777
Income taxes paid or adjustment	-1,007	-1,676	-669	-1,646
Total net cash provided by operating activities	3,359	-1,954	-5,313	1,829
II Cash flows from investing activities				
Payments for deposit in time deposits	-4	-248	-244	-354
Proceeds from return on time deposits	274	128	-146	430
Payments for purchase of property, plant and equipment	-4,401	-4,833	-432	-8,181
Proceeds from sales of property, plant and equipment	231	523	291	1,000
Payment of purchase of intangible fixed assets	-	-2,824	-2,824	-4,304
Payments for purchase of investments in marketable securities	-453	-1,782	-1,329	-2,578
Proceeds from sales of investments in marketable securities	9,813	2,962	-6,850	9,925
Others	-1,636	610	2,246	1,009
Total net cash provided by investing activities	3,823	-5,465	-9,288	-3,053
III Cash flows from financing activities				
Decrease in short-term bank borrowings, net	-16,600	-980	15,620	-24,693
Increase or decrease commercial paper, net	-	-6,000	-6,000	35,000

Increase in borrowings of long-term debt	9,500	-	-9,500	9,865
Decrease in repayment of long-term debt	-1,680	-331	1,349	-4,599
Increase in issuance of long-term bonds	10,000	-	-10,000	20,000
Decrease in repayment of long-term bonds	-12,000	-255	11,745	-22,000
Cash dividends paid	-909	-911	-1	-1,793
Paid of gain of treasury stock	-5,112	-71	5,041	-7,752
Dividend paid of minority shareholders	-225	-48	176	-276
Others	10,500	5	-10,494	-106
Total net cash used in financing activities	-6,529	-8,591	-2,062	3,643
IV Effect of exchange rate on cash and cash equivalents	-183	-7	176	-437
V Net increase or decrease in cash and cash equivalents	469	-16,019	-16,488	1,981
VI Cash and cash equivalents at the beginning of the period	43,994	47,809	3,815	43,994
VII Increase in cash and cash equivalents because of changing of subsidiary	1,790	479	-1,310	1,833
VIII Cash and cash equivalents at the end of the period	46,254	32,270	-13,983	47,809