

## Summary of Consolidated Financial Results for the First Half ended September 30, 2004

October 28, 2004

Hitachi Maxell, Ltd.

Code No: 6810

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### 1. Business results and financial position for the period ended September 30, 2004 (April 1, 2004 through September 30, 2004)

(1) Operating Results (Amounts less than ¥1million, except per share amounts, have been omitted)

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2004	100,754	(5.9)	4,472	(27.9)	5,738	(12.5)
September 30, 2003	107,035	1.5	6,205	(18.0)	6,560	(12.8)
March 31, 2004	212,698	-	11,134	-	12,810	-

	Net income		Net income per share	Net income per share (Diluted)
	Millions of yen	%	Yen	Yen
September 30, 2004	3,482	(6.4)	35.21	-
September 30, 2003	3,722	(2.9)	37.64	-
March 31, 2004	7,106	-	71.52	-

Note: 1. Equity in earnings of affiliates: September 30, 2004 ¥ 22 million; September 30, 2003 ¥ 158 million  
March 31, 2004 ¥ 257 million

2. Average number of shares outstanding during the period (Consolidated): September 30, 2004 98,892,497 shares; September 30, 2003 98,886,203 shares  
March 31, 2004 98,889,196 shares

3. Change in accounting policies: No

4. Percentage change is the ratio of increase or decrease in each item of business results for the period ended September 30, 2003.

### (2) Financial Position

	Total assets	Stockholders' equity	Stockholders' equity ratio	Stockholders' equity per share
	Millions of yen	Millions of yen	%	Yen
September 30, 2004	296,303	198,365	66.9	2,005.85
September 30, 2003	295,150	193,861	65.7	1,960.32
March 31, 2004	300,054	195,438	65.1	1,975.94

Note: Number of shares issued and outstanding: September 30, 2004 98,893,287 shares; September 30, 2003 98,892,494 shares  
March 31, 2004 98,891,767 shares

### (3) Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
September 30, 2004	93	503	(788)	25,956
September 30, 2003	9,739	(10,165)	(777)	25,019
March 31, 2004	24,255	(21,984)	(2,696)	25,713

### (4) Scope of Consolidation and Application of Equity Method:

Consolidated subsidiaries: 21; Subsidiaries under equity method: 11; Affiliates under equity method: 2

### (5) Changes in Scope of Consolidation and Application of Equity Method:

Consolidation: Increase - company; Decrease - company Equity method: Increase - company; Decrease 1 company

## 2. Forecast for business results for the fiscal ending March 31, 2005 (April 1, 2004 through March 31, 2005)

	Net sales	Operating income	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2005	209,000	8,500	10,000	6,300

Note: Projected net income per share (consolidated) ¥63.71

\*With regard to projections set forth above, please refer to the attached materials on page 7.

# **1.Management Policies**

## **(1) Basic Management Policy**

The Hitachi Maxell Group is committed to its formative philosophy advocating harmony and concord and calling on employees to work with heart and soul, and to be of service to society. We encourage our employees to be proud members of the Hitachi Maxell Group and to contribute to society through the development of outstanding and unique technology and products. At the same time, the Group is aware that a corporation is itself a member of society and, besides ensuring that its conduct is fair and transparent, seeks, as a good corporate citizen, to contribute to the creation of a truly rich society by working in harmony with the environment and by engaging in corporate citizenship activities. In addition, the Group strives to increase corporate value by implementing management strategies from the standpoint of the stockholders, investors, customers, employees and all the other stakeholders in the Hitachi Maxell Group.

## **(2) Basic Profit Distribution Policy**

The Group regards the return of profits to shareholders as one of the most important tasks of corporate management, and our policy to make stable, appropriate distributions after comprehensive consideration of such factors of financial status, profit level and dividend payout ratio. Internal reserves will be appropriated for research and development, investment in new business areas, facilities and equipment to increase production and improve operational efficiency, and information technology. In addition, the use of internal reserves is linked to achieving most advantageous cash flow and to improving corporate value overall.

## **(3) Basic Approach and Policy on the Minimum Investment Unit**

In order to increase share liquidity and increase the number of potential investors, the Group lowered the minimum investment unit from 1,000 shares to 100 shares on August 1 2002. Currently, we have achieved satisfactory share liquidity. Future measures in this regard will be taken in full consideration of changes in share prices and the state of the stock market, as well as the cost involved.

## **(4) Medium and Long-term Management Strategies and Benchmarks**

Hitachi Maxell's management strategies are based on the Group vision of maximizing return to stakeholders by increasing corporate value. The Group's existence is founded on good relations with all of our stakeholders, and return to those stakeholders means providing high performance and high quality goods and services to customers, distributing dividends and increasing stock prices for shareholders and investors, creating a fair compensations system and comfortable working environment for employees, as well as fulfilling our corporate responsibility to society. The Hitachi Maxell vision goes beyond this, as we carry out management practices in the realization that increasing corporate value is created in the synergistic interrelationship of these returns, rather than in isolation.

Our mid-term mission is to get back on line to growth, with minimum management targets of net sales of 250 billion yen, operating profit margin of 7% and ROA of 7%. These targets will be achieved by implementing the three fundamental strategies described below: actively developing the Next Keystone business, strengthening the core business areas, and bolstering global operations.

### **Actively developing the Next Keystone business**

The Group is based on “Memory and Mobility”, the two foundational business areas of recording media and batteries, and we are now actively pursuing continuing growth through a paradigm shift to a new business domain. Until now we have developed new business by using Maxell Group core technologies expanding out toward the periphery of our existing markets. The Next Keystone business is in addition to our existing core areas, and is cultivated as a new revenue source, providing positive cash flows. Next Keystone business creates value through innovative and advanced new products, in three categories that put our core technologies to new use: optical components, network devices and functional materials.

In the future we will be actively investing resources into these three categories, expanding the business into fields including mobile IT equipment, automobiles, health care, securing, and public services and education, bringing the ubiquitous computing society one step closer.

### **Strengthening the core business areas**

Even as we pursue continuing growth through a paradigm shift to a new domain, strengthening our established core business areas is an important factor in supporting that growth. Our core business areas are magnetic tape, optical media and batteries and electric appliances, and we will continue to invest management resources even more efficiently than in the past to maintain these areas as stable, continuing sources of revenue while our business undergoes major changes.

### **Bolstering global operations**

Market globalization is advancing rapidly in consumer markets, particularly in the recent rapidly expanding Asian market, including China, and in Central and Eastern Europe. The Hitachi Maxell Group is proud that 60% of total sales volume is generated in the world market outside of Japan, fruit of our efforts to build a global Maxell. We will continue to enhance and build sales outlets in the Central and Eastern Europe, and the China and Asia regions where market growth can be anticipated, as well as strengthening advertising and increasing operational efficiency worldwide, including Japan, Europe, and the US.

In addition to these three fundamental medium-term management strategies, engaging in corporate social responsibility (CSR), operations considering the protection of the environment and activities contributing to society, is one of the Group’s most important management concerns. For the protection of the environment, we established the Hitachi Maxell FY 2004 environmental action plan, implemented environmental protection measures centering on consideration for environmental issues in products and in production, with the objective of building a sustainable recycling society. Also, under the theme of corporate social responsibility (CSR), we are strengthening corporate governance as a means to fulfilling compliance, and working toward harmonious coexistence with the local community.

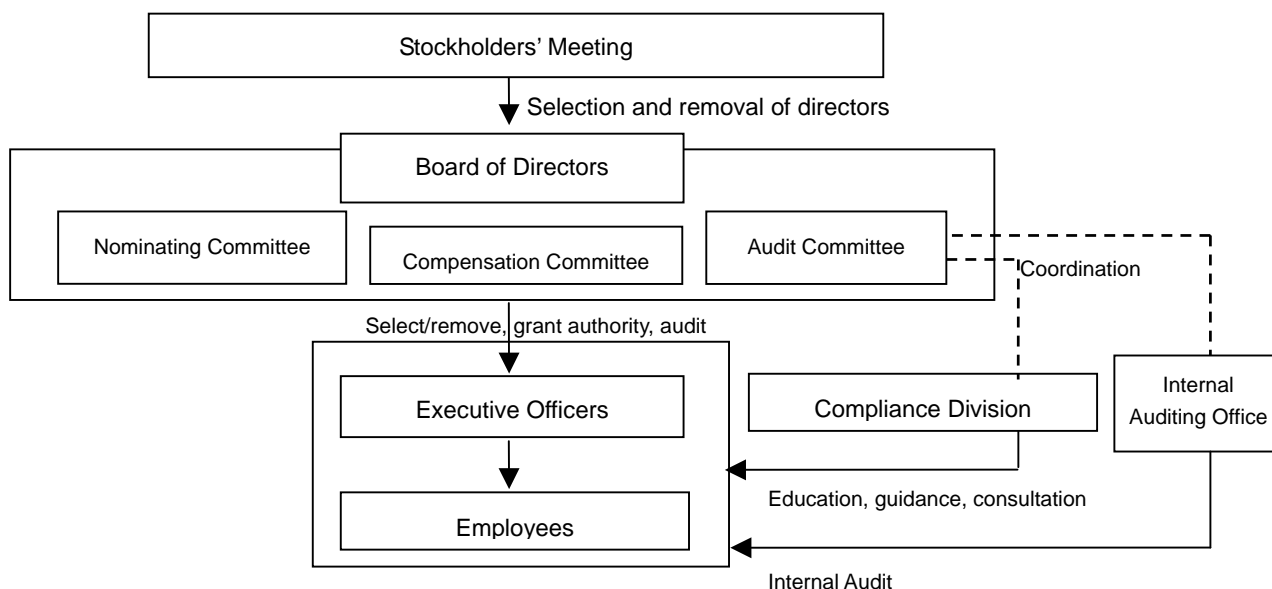
## (5) Basic Approach and Implementation of Corporate Governance

The Hitachi Maxell Group management vision of maximizing return to our stakeholders by increasing corporate value forms the context in which one of our most important management policies is fulfilling compliance by speeding management decision-making, enhancing management oversight, and strengthening corporate governance.

To speed decision-making and enhance oversight, the Group adopted the committee system in June 2003. This system clarifies the division between operational and oversight functions, makes faster decision-making possible by granting significantly broader authority to executive officers, and will ensure highly transparent management with oversight of executive actions through an enhanced audit function for outside directors on the Board of Directors. Of the eight members of the Board of Directors on September 30 2004, three are outside directors. Also, there are 12 executive directors responsible for business operations.

In the fulfillment of compliance, we are also conducting internal audits and educating and guiding employees company-wide on the topic of compliance management. Specifically, we have an established Hitachi Maxell Group Code of Conduct and Hitachi Maxell Group Ethical Guidelines for everyone the group, top management and employee alike, to heighten awareness of compliance issues, and have also introduced the Maxell Compliance Help Line for timely opinions on and prevention of compliance problems.

### Overview of Compliance System



## (6) Basic Policy Relating to Parent Company and Other Affiliated Parties

The parent company Hitachi Ltd. owned, including indirect holdings, 52.1% of Hitachi Maxell voting rights as of the end of September 2004. Each of the Hitachi Maxell Group companies has a close cooperative relationship with Hitachi Ltd., and the Group's management strategy is strengthened, leading to increased corporate value, by utilizing Hitachi Group management resources to the utmost.

## **2. Business Results and Financial Status**

### **(1) Business Performance**

#### **1) Current Conditions / Overview**

The global economy showed a trend towards recovery during this half year in spite of worsening perceptions of a slowing American economy, supported by booming American and Chinese markets. Further, continuing capital investment, and improvements in the consumer and employment environments buoyed by the effects of the Athens Olympics are gradually increasing support for a steadying Japanese economy.

In our business environment, in spite of recovering demand in IT related businesses, and expansions in the market for digital household electronics, the effects of dropping product prices due to price wars and the significant effect of increasing crude oil prices on raw materials costs have lead to very difficult conditions.

Due to these conditions, group sales for this mid-term have declined 5.9% from the same term last year to 100,754 million yen (ratios given below will be on the same basis). Costs were reduced through increased productivity and reduction of expenditures, but operating income was down 27.9% to 4,472 million yen, ordinary income down 12.5% to 5,738 million yen, and net income was down 6.4% to 3,482 million yen. As a result the per-share net profit was 35.21 yen. The average exchange rate for this term was 110 yen to the dollar.

Results by business segment for the term are given below.

#### **Information Storage Media**

In optical media, the penetration of DVD recorders and drives for PCs has lead to great increases in sales of recordable DVD media, but falling unit prices have resulted in sluggish growth in operating income. In the new "Next Keystone" businesses, the optical-component camera-lens unit focused on mobile phone applications, and the re-writable RFID system used mainly in the amusements industry, have both seen sales growth developing as expected. Computer tape has seen expanding demand for increased capacity tapes, with the over 100GB types particularly showing sales growth, but rising materials costs and falling prices due to competition from other formats have resulted in decreased sales and operating income.

As a result, the Information Storage Media segment saw an overall drop in sales of 3.9% to 52,820 million yen, and operating income down 39.9% to 2,515 million yen.

## Audio-Video Tape

Demand for video has decreased due to the move toward the use of recordable DVD for video, and audio tape has seen similarly declining demand due to the move to audio discs. In this environment, we have shifted emphasis to higher added-value products like tape for video cameras, to developing products to meet particular customer needs, and to using our brand recognition to develop global sales. As a result of increased demand during the Olympics curbing the decrease in sales, together with cost-cutting measures, we were able to maintain incomes this term.

The result was an 18.1% drop in sales to 16,382 million yen for the Audio-Video Tape sector, with operating income increasing 19.5% to 663 million yen.

## Batteries and Electric Appliances

In rechargeable batteries, sales of our high-reliability, high-capacity prismatic lithium-ion batteries increased as they have become preferred for use in mobile phones which continue to gain more new features. Sales of alkaline dry batteries have dropped on strong pricing competition and slow domestic demand, but proactive investment in high-performance alkaline cells has contributed to increased prices. Micro batteries sales were down due to inventory adjustments in the high-volume zone.

As a result, the battery and electric appliance sector had a 1.6% decrease in sales to 31,552 million yen, with operating income falling 11.5% to 1,294 million yen.

## Business Results

	The First Half of Fiscal 2005 (April 1, 2004 through September 30, 2004)		The First Half of Fiscal 2004 (April 1, 2003 through September 30, 2003)		Increase/ decrease (Millions of yen)	Change (%)
	Millions of yen	% to net sales	Millions of yen	% to net sales		
Net sales	100,754	100.0	107,035	100.0	(6,281)	(5.9)
Information Storage Media	52,820	52.4	54,960	51.3	(2,140)	(3.9)
Audio-Video Tape	16,382	16.3	20,007	18.7	(3,625)	(18.1)
Battery and Electric Appliance	31,552	31.3	32,068	30.0	(516)	(1.6)
Net sales (Overseas)	63,325	62.9	69,307	64.8	(5,982)	(8.6)
Net sales (Domestic)	37,429	37.1	37,728	35.2	(299)	(0.8)
Operating income	4,472	100.0	6,205	100.0	(1,733)	(27.9)
Information Storage Media	2,515	56.3	4,188	67.5	(1,673)	(39.9)
Audio-Video Tape	663	14.8	555	8.9	108	19.5
Battery and Electric Appliance	1,294	28.9	1,462	23.6	(168)	(11.5)
Ordinary income	5,738	-	6,560	-	(822)	(12.5)
Net income	3,482	-	3,722	-	(240)	(6.4)
Capital Investment	8,113	-	7,090	-	1,023	14.4
Depreciation	5,352	-	5,074	-	278	5.5
R&D Expenditures	4,999	-	5,218	-	(219)	(4.2)

## 2) Full Year Outlook

Due to difficult conditions for the Information Storage Media division in the mid-term, we will be revising our projected results downward for the term ending March 2005. Sales of 209,000 million yen, operating income of 8,500 million yen, ordinary income of 10,000 million yen and net income of 6,300 million yen are projected. Exchange rates for the second term are estimated at 105 yen to the dollar (previous term rate was 113 yen/1 dollar).

### Outlook for the fiscal year ending March 31, 2005(April 1, 2004 through March 31, 2005)

		Net sales	Operating income	Ordinary income	Net income
Previous forecast (A))	Millions of yen	217,000	12,000	13,000	7,800
New forecast (B)	Millions of yen	209,000	8,500	10,000	6,300
Increase/decrease (B – A)	Millions of yen	(8,000)	(3,500)	(3,000)	(1,500)
Change	%	(3.7)	(29.2)	(23.1)	(19.2)
Financial results for fiscal 2004	Millions of yen	212,698	11,134	12,810	7,106

## 3) Financial Status

### Overview

Cash and cash equivalents (hereafter, “cash”) at the end of this mid-term is 25,956 million yen, up 243 million yen from the previous term. The cash-flow status for each type is given below.

### Cash-flow from Operating Activities

Pre-tax net income for the mid-term was 5,582 million yen, increases in depreciation and amortization of 5,352 million yen, corporate tax payments of 4,211 million yen and reduction of accounts payable by 3,721 million yen, inventory increase of 1,313 million yen yielded a net in-flow of 93 million yen from operating activities.

### Cash-Flow from Investment Activities

Acquisition of property and equipment of 8,686 million yen, and income of 8,957 million yen on trading of investment securities and marketable securities yielded net cash in-flow of 503 million yen.

### Cash-flow from financial activities

Mainly as a result of a 940 million yen dividend payment, cash used in financial activities was a 788 million yen.

Trends in the Group’s cash flow indices are as follows:

	FY 3/2002	FY 3/2003	FY9/2003	FY 3/2004	FY 9/2004
Shareholders' equity rate (%)	64.7	66.6	65.7	65.1	66.9
Shareholders’ equity rate at market value (%)	57.1	61.0	60.0	53.3	49.8
Years to debt redemption (year)	1.4	1.2	1.7	1.3	175.7
Interest coverage ratio	19.4	25.3	16.2	22.1	0.2

Shareholders' equity rate: shareholders' equity/total assets

Shareholders’ equity rate at market value: market capitalization/total assets

Years to debt redemption: interest-bearing debt/operating cash flow

Interest coverage ratio: operating cash flow/interest payments

The number of years until debt redemption calculated at the interim period have doubled due to the conversion of operating cash flow to an annualized amount.

Note: \* all indices are calculated on a consolidated basis.

\* market capitalization is final share price times number of shares outstanding as of the end of the period

\* cash flows from operating activities uses data from the Consolidated Statements of Cash Flows cash flows from operating activities section. Interest-bearing debt is all debt on the Consolidated Balance Sheet that is interest bearing. Interest payments are the payments of interest on the Consolidated Statement of Cash Flows.

Note: This document contains forward-looking statements which reflect management's current views and judgments with respect to certain future plans, events and strategies based on currently available information and do not constitute promises, commitments or guarantees. The forward-looking statements involve known and unknown risks and uncertainties that can cause actual results to differ materially from those projected or implied therein. Factor that can cause actual results to differ materially from those projected or implied in the forward looking statements and from historical events include, but are not limited to, future economic trends, competition in the industrial sector, market demand, rates of exchange, and sociopolitical conditions and circumstances.

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

Description	The First Half of Fiscal 2005 (As of September 30, 2004)		The First Half of Fiscal 2004 (As of September 30, 2003)		Fiscal 2004 (As of March 31, 2004)	
	Amount	Composition	Amount	Composition	Amount	Composition
	Millions of yen	%	Millions of yen	%	Millions of yen	%
<b>Current assets</b>	115,265	38.9	116,151	39.4	119,474	39.8
Cash and time deposits	10,367		15,365		13,641	
Trade notes and Accounts receivables	40,150		40,590		37,845	
Marketable securities	19,540		19,163		25,588	
Inventories	31,986		29,095		29,761	
Deferred tax assets	7,029		7,808		8,144	
Other current assets	7,172		5,607		5,644	
Allowance for doubtful accounts	(979)		(1,477)		(1,149)	
<b>Fixed assets</b>	181,038	61.1	178,999	60.6	180,580	60.2
Tangible fixed assets	87,213	29.4	85,170	28.8	84,385	28.1
Buildings and structures	26,066		26,565		26,023	
Machinery and equipment	19,922		19,388		18,251	
Land	33,524		33,603		33,569	
Construction in progress	3,458		1,623		2,633	
Other fixed assets	4,243		3,991		3,909	
Intangible fixed assets	2,065	0.7	1,959	0.7	2,182	0.7
Investments and other assets	91,760	31.0	91,870	31.1	94,013	31.4
Investment securities	78,430		77,163		80,430	
Deferred tax assets	10,527		9,422		9,643	
Other investments	4,480		5,290		5,613	
Allowance for doubtful accounts	(1,677)		(5)		(1,673)	
<b>Total assets</b>	<b>296,303</b>	<b>100.0</b>	<b>295,150</b>	<b>100.0</b>	<b>300,054</b>	<b>100.0</b>

Description	The First Half of Fiscal 2005 (As of September 30, 2004)		The First Half of Fiscal 2004 (As of September 30, 2003)		Fiscal 2004 (As of March 31, 2004)	
	Amount	Composition	Amount	Composition	Amount	Composition
	Millions of yen	%	Millions of yen	%	Millions of yen	%
<b>Current liabilities</b>	46,570	15.8	50,277	17.0	52,917	17.7
Trade notes and Accounts payables	16,801		16,897		19,225	
Short-term bank loans	1,714		2,370		1,486	
Accounts payable	5,558		5,121		5,982	
Accrued expenses	18,188		19,652		18,887	
Accrued income taxes	2,100		3,873		5,008	
Other current liabilities	2,209		2,364		2,329	
<b>Long-term liabilities</b>	51,275	17.3	50,927	17.3	51,612	17.2
Bonds	30,000		30,000		30,000	
Long-term debt	-		152		-	
Allowance for retirement benefit	17,169		16,237		16,735	
Allowance for directors' retirement bonuses	483		406		488	
Other fixed liabilities	3,623		4,132		4,389	
(Total liabilities)	97,845	33.1	101,204	34.3	104,529	34.9
Minority interests	93	0.0	85	0.0	87	0.0
Common stock	12,203	4.1	12,203	4.1	12,203	4.1
Capital surplus	22,325	7.5	22,325	7.6	22,325	7.4
Retained earnings	170,889	57.7	165,938	56.2	168,383	56.1
Net unrealized holding gain on securities	(1,563)	(0.5)	(625)	(0.2)	(880)	(0.3)
Foreign currency translation adjustments	(4,428)	(1.5)	(4,917)	(1.6)	(5,529)	(1.8)
Cost of treasury stock	(1,061)	(0.4)	(1,063)	(0.4)	(1,064)	(0.4)
(Total stockholders' equity)	198,365	66.9	193,861	65.7	195,438	65.1
Total liabilities, minority interests and stockholders' equity	296,303	100.0	295,150	100.0	300,054	100.0

**(2) Consolidated Statements of Income**

Description	The First Half of Fiscal 2005 (April 1, 2004 through September 30, 2004)		The First Half of Fiscal 2004 (April 1, 2003 through September 30, 2003)		Fiscal 2004 (April 1, 2003 through March 31, 2004)	
	Amount	Composition	Amount	Composition	Amount	Composition
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Net sales	100,754	100.0	107,035	100.0	212,698	100.0
Cost of sales	67,947	67.4	68,675	64.2	138,151	65.0
Gross profit	32,807	32.6	38,360	35.8	74,547	35.0
Selling, general and administrative expenses	28,335	28.2	32,155	30.0	63,413	29.8
Operating income	4,472	4.4	6,205	5.8	11,134	5.2
<b>Non-operating income</b>	2,260	2.3	1,968	1.8	4,707	2.2
Interest and dividend income	1,124		1,114		2,614	
Equity in earnings of non-consolidated subsidiaries and affiliates	22		158		257	
Miscellaneous income	1,114		696		1,836	
<b>Non-operating expenses</b>	994	1.0	1,613	1.5	3,031	1.4
Interest expenses	481		579		1,094	
Miscellaneous expenses	513		1,034		1,937	
<b>Ordinary income</b>	5,738	5.7	6,560	6.1	12,810	6.0
<b>Extraordinary gains</b>	552	0.5	639	0.6	1,705	0.8
Gain on sales of fixed assets	12		158		166	
Gain on sales of investment securities	540		481		1,131	
Gain on liquidation of investments in subsidiaries	-		-		2	
Gain from reversal of accrued expenses	-		-		406	
<b>Extraordinary losses</b>	708	0.7	535	0.5	2,891	1.3
Loss on disposal of fixed assets	132		521		1,216	
Loss on sales of investment securities	11		2		2	
Loss on revaluation of investment securities	564		8		8	
Provision of allowance for bad debts	-		-		1,661	
Write-down of golf club membership	1		4		4	
Income before income taxes and minority interest	5,582	5.5	6,664	6.2	11,624	5.5
Income taxes - current	1,276	1.2	3,439	3.2	5,850	2.8
Income taxes - deferred	817	0.8	(493)	(0.5)	(1,331)	(0.6)
Minority interests	7	0.0	(4)	(0.0)	(1)	(0.0)
<b>Net income</b>	3,482	3.5	3,722	3.5	7,106	3.3

**(3) Consolidated Statements of Shareholders' Equity**

Description	The First Half of Fiscal 2005 (April 1, 2004 through September 30, 2004)	The First Half of Fiscal 2004 (April 1, 2003 through September 30, 2003)	Fiscal 2004 (April 1, 2003 through March 31, 2004)
	Millions of yen	Millions of yen	Millions of yen
(Capital surplus)			
Capital surplus at beginning of period	22,325	22,325	22,325
Capital reserve at beginning of period	22,325	22,325	22,325
Increase in Capital surplus	0	0	0
Gains on sales of treasury stock	0	0	0
Capital surplus at end of period	22,325	22,325	22,325
(Retained earnings)			
Retained earnings at beginning of period	168,383	163,254	163,254
Consolidated surplus at beginning of period	168,383	163,254	163,254
Increase in retained earnings	3,482	3,722	7,106
Net income	3,482	3,722	7,106
Decrease in retained earnings	976	1,038	1,977
Cash dividend	940	939	1,878
Directors' bonuses	36	99	99
Retained earnings at end of period	170,889	165,938	168,383

#### (4) Consolidated Statements of Cash Flows

Description	The First Half of Fiscal 2005 (April 1, 2004 through September 30, 2004)	The First Half of Fiscal 2004 (April 1, 2003 through September 30, 2003)	Fiscal 2004 (April 1, 2003 through March 31, 2004)
	Amount	Amount	Amount
<b>I Cash flows from operating activities</b>	Millions of yen	Millions of yen	Millions of yen
Net profit before income taxes and minority interests	5,582	6,664	11,624
Depreciation and amortization	5,352	5,074	10,901
Increase (decrease) in retirement benefit	429	477	974
Increase (decrease) in allowance for directors' retirement bonuses	(5)	(72)	10
Interest and dividend income	(1,124)	(1,114)	(2,614)
Interest expenses	481	579	1,094
Equity in earnings of non-consolidated subsidiaries and affiliates	(22)	(158)	(257)
Gain on sales of investment securities	(540)	(481)	(1,131)
Gain on sales of fixed assets	(12)	(158)	(166)
Loss on disposal of fixed assets	132	521	1,216
Decrease (increase) in trade notes and accounts receivables	(998)	58	2,472
Decrease (increase) in inventories	(1,313)	(2,371)	(3,546)
Increase (decrease) in trade notes and accounts payables	(3,721)	1,239	4,045
Increase in accrued expenses	(760)	375	(424)
Directors' bonuses	(37)	(99)	(99)
Other	237	(351)	890
Subtotal	3,681	10,183	24,989
Proceeds from interest and dividend income	1,088	1,198	2,678
Payments of interest	(465)	(600)	(1,098)
Payments of income taxes	(4,211)	(1,042)	(2,314)
<b>Net cash provided by operating activities</b>	93	9,739	24,255
<b>II Cash flows from investing activities</b>			
Payments to time deposits	(40)	(1)	(2)
Proceeds from time deposits	1	1	2
Purchase of marketable securities	(6,500)	(7,498)	(24,496)
Proceeds from sales of marketable securities	15,000	9,300	23,800
Purchase of tangible fixed assets	(8,686)	(7,219)	(11,904)
Proceeds from sales of tangible fixed assets	312	217	258
Purchase of investment securities	(6,593)	(11,454)	(32,135)
Proceeds from sales of investment securities	7,050	6,495	23,051
Distribution from liquidated non-consolidated subsidiary	88	-	-
Payment of loan receivables	(20)	(13)	(16)
Collection on loan receivables	14	18	33
Other	(123)	(11)	(575)
<b>Net cash used in investing activities</b>	503	(10,165)	(21,984)
<b>III Cash flows from financing activities</b>			
Increase (decrease) in short-term debt	299	499	421
Payments on long-term debt	(150)	(355)	(1,256)
Dividends paid to stockholders	(940)	(939)	(1,878)
Repurchase of common stock	(1)	(1)	(2)
Proceeds from sales of common stock	4	19	19
<b>Net cash used in financing activities</b>	(788)	(777)	(2,696)
<b>IV Effect of exchange rate changes on cash and cash equivalents</b>	435	(537)	(621)
<b>V Net increase (decrease) in cash and cash equivalents</b>	243	(1,740)	(1,046)
<b>VI Cash and cash equivalents at beginning of year</b>	25,713	26,151	26,151
<b>VII Cash and cash equivalents of initially consolidated subsidiaries at beginning</b>	-	608	608
<b>VIII Cash and cash equivalents at end of year</b>	25,956	25,019	25,713

## 4. Geographic Segment Information

### The First Half of Fiscal 2005 (April 1, 2004 through September 30, 2004)

	Japan	America	Europe	Asia and other	Total	Corporate (Elimination)	Consolidated total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Sales and operating expenses							
Sales							
(1) Sales to third parties	42,724	30,966	18,612	8,452	100,754	-	100,754
(2) Intersegment sales	30,224	50	94	3,908	34,276	(34,276)	-
Total sales	72,948	31,016	18,706	12,360	135,030	(34,276)	100,754
Operating expenses	69,263	30,922	18,430	12,059	130,674	(34,392)	96,282
Operating income	3,685	94	276	301	4,356	116	4,472

### The First Half of Fiscal 2004 (April 1, 2003 through September 30, 2003)

	Japan	America	Europe	Asia and other	Total	Corporate (Elimination)	Consolidated total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Sales and operating expenses							
Sales							
(1) Sales to third parties	41,204	34,285	21,716	9,830	107,035	-	107,035
(2) Intersegment sales	32,819	58	189	3,565	36,631	(36,631)	-
Total sales	74,023	34,343	21,905	13,395	143,666	(36,631)	107,035
Operating expenses	69,879	33,748	21,373	13,036	138,036	(37,206)	100,830
Operating income	4,144	595	532	359	5,630	575	6,205

### Fiscal 2004 (April 1, 2003 through March 31, 2004)

	Japan	America	Europe	Asia and other	Total	Corporate (Elimination)	Consolidated total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Sales and operating expenses							
Sales							
(1) Sales to third parties	83,072	66,682	43,835	19,109	212,698	-	212,698
(2) Intersegment sales	64,293	107	445	6,951	71,796	(71,796)	-
Total sales	147,365	66,789	44,280	26,060	284,494	(71,796)	212,698
Operating expenses	140,034	65,555	43,139	25,216	273,944	(72,380)	201,564
Operating income	7,331	1,234	1,141	844	10,550	584	11,134

### Overseas sales

	America		Europe		Asia and other		Total		Consolidated total
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen
The First Half of Fiscal 2005 (April 1, 2004 through September 30, 2004)	31,060	30.9	18,967	18.8	13,298	13.2	63,325	62.9	100,754
The First Half of Fiscal 2004 (April 1, 2003 through September 30, 2003)	34,310	32.1	22,042	20.6	12,955	12.1	69,307	64.8	107,035
Fiscal 2004 (April 1, 2003 through March 31, 2004)	66,747	31.4	44,697	21.0	25,845	12.1	137,289	64.5	212,698

Note: Overseas sales are the consolidated sales to other than Japan.