

**YOKOWO CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET**  
**Year ended March 31, 2004 and 2003**

<u>ASSETS</u>	Thousands of yen		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
<b>Current assets:</b>			
Cash and cash equivalents	¥ 4,252,832	¥ 7,747,462	\$ 40,239
Marketable securities	-	80,461	-
Receivables:			
Notes and accounts receivable - trade	7,688,888	6,852,664	72,749
Allowance for doubtful accounts	(6,899)	(12,030)	(65)
Inventories	2,348,779	2,156,235	22,223
Deferred tax assets	193,968	201,434	1,835
Other current assets	413,440	292,774	3,912
Total current assets	14,891,008	17,319,000	140,893
<b>Property, plant and equipment:</b>			
Land	834,830	858,189	7,899
Buildings and structures	2,308,100	2,650,720	21,839
Machinery and equipment	7,841,209	7,591,174	74,191
Construction in progress	344,484	231,078	3,259
	11,328,623	11,331,161	107,188
Accumulated depreciation	(6,085,289)	(5,788,549)	(57,577)
Net property, plant and equipment	5,243,334	5,542,612	49,611
<b>Investments and other non-current assets:</b>			
Investment securities :			
Unconsolidated subsidiaries and an affiliated company	69,932	78,383	662
Others	1,296,871	1,288,242	12,271
Development costs of software in progress	258,001	-	2,440
Deferred tax assets	492,904	1,049,648	4,663
Other non-current assets	242,612	299,140	2,296
Allowance for doubtful accounts	(152)	(170)	(1)
	2,360,168	2,715,243	22,331
	¥ 22,494,510	¥ 25,576,855	\$ 212,835

Note 1: U.S. dollar amounts have been translated, for convenience only, at ¥105.69=U.S.\$1.00, the approximate rate of exchange in effect on March 31, 2004

**YOKOWO CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET**  
**Year ended March 31, 2004 and 2003**

<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>	Thousands of yen		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
Current liabilities:			
Short-term borrowings	¥ 500,000	¥ -	\$ 4,731
Convertible bond due within one year	-	4,866,000	-
Notes and accounts payable - trade	3,988,800	3,841,705	37,741
Accrued income taxes	297,509	536,857	2,815
Accrued expenses	261,936	215,179	2,478
Accrued employees' bonuses	262,349	228,024	2,482
Deferred tax liabilities	-	2,253	-
Other current liabilities	788,460	443,707	7,460
Total current liabilities	6,099,054	10,133,725	57,707
Employee's severance and retirement benefits	494,529	1,260,575	4,679
Retirement benefits for directors and corporate auditors	393,010	411,288	3,719
Deferred tax liabilities	3,911	22	37
Shareholders' equity			
Common stock			
Authorized - 40,000,000 shares			
Issued -20,849,878 shares in 2004 and 2003	3,996,269	3,996,269	37,811
Capital Surplus	3,981,928	3,997,503	37,676
Retained earnings	8,685,079	7,150,568	82,175
	16,663,276	15,144,340	157,662
Net unrealized holding gains (losses) on securities	102,386	(242,284)	969
Foreign currency translation adjustments	(500,039)	(312,506)	(4,732)
Treasury stock, at cost			
612,836 shares in 2004	(761,617)		(7,206)
659,436 shares in 2003		(818,305)	
Total shareholders' equity	15,504,006	13,771,245	146,693
	¥ 22,494,510	¥ 25,576,855	\$ 212,835

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**YOKOWO CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
Year ended March 31, 2004 and 2003

	Thousands of yen		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
Net sales	¥ 26,637,418	¥ 23,818,966	\$ 252,034
Costs and expenses			
Cost of sales	18,795,339	17,164,931	177,835
Selling, general and administrative expenses	5,361,659	5,026,046	50,730
	<u>24,156,998</u>	<u>22,190,977</u>	<u>228,565</u>
Operating income	2,480,420	1,627,989	23,469
Other income (expenses):			
Interest and dividend income	10,206	18,395	97
Interest expense	(2,770)	(3,649)	(26)
Loss on sale of investment securities	(258,703)	(62,113)	(2,448)
Gain on sale of investment securities	9,203	42	87
Write-down of investment securities	-	(34,586)	-
Equity in losses of an affiliated company	(68,452)	(66,286)	(648)
Loss on sale of membership	(269)	(10,652)	(3)
Write-down of membership	(2,200)	(3,450)	(21)
Foreign exchange loss, net	(356,285)	(234,492)	(3,371)
Loss on sale and disposal of property, plant and equipment	(120,570)	(36,516)	(1,141)
Gain on sale of property, plant and equipment	152,613	6,926	1,444
Amortization of transition obligation of employees' retirement benefit plans	-	(340,770)	-
Gain on transfer of substitutional portion of employees' pension funds	713,349	-	6,749
Other - net	129,221	7,677	1,223
	<u>205,343</u>	<u>(759,474)</u>	<u>1,942</u>
Income before income taxes	2,685,763	868,515	25,411
Income taxes			
Current	(614,624)	(717,667)	(5,815)
Defferd	(331,145)	322,496	(3,133)
Net income	<u>¥ 1,739,994</u>	<u>¥ 473,344</u>	<u>\$ 16,463</u>

	Yen		U.S. dollars (Note 1)
	2004	2003	2004
Amounts per share of common stock:			
Net income	¥ 86.08	¥ 23.22	\$ 0.81
Diluted net income	77.13	20.89	0.73
Cash dividends applicable to the year	12.00	8.00	0.11

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**YOKOWO CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Year ended March 31, 2004 and 2003**

	Thousands of yen		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
Cash flows from operating activities:			
Income before income taxes	¥ 2,685,763	¥ 868,516	\$ 25,412
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation	876,627	1,009,862	8,294
Increase(decrease) in allowance for doubtful accounts	(4,880)	1,716	(46)
Increase(decrease) in accrued retirement benefits	(784,324)	436,545	(7,421)
Net loss(gain) on sale and disposal of property, plant and equipment	(32,043)	29,590	(303)
Net loss on sale of marketable securities and investments	249,500	62,071	2,361
Net loss on sale of membership	269	10,652	3
Equity in losses of an affiliated company	68,452	66,286	648
Write-down of investment securities	-	34,586	-
Foreign exchange loss , net	4,308	7,456	41
Others	(101,357)	7,254	(959)
Net changes in operating assets and liabilities, net of effect due to additions of consolidated subsidiaries:			
Notes and accounts receivable - trade	(1,143,002)	(1,596,865)	(10,815)
Inventories	(319,188)	216,674	(3,020)
Other assets	49,394	(67,767)	467
Notes and accounts payable - trade	406,458	1,207,499	3,846
Other liabilities	260,490	229,575	2,464
Payments for income taxes	(848,525)	(338,648)	(8,029)
Net cash provided by operating activities	<u>1,367,942</u>	<u>2,185,002</u>	<u>12,943</u>
Cash flows from investing activities:			
Proceeds from sale of property, plant and equipment	337,123	391,084	3,190
Payments for acquisition of property, plant and equipment	(1,102,478)	(1,573,719)	(10,431)
Payments for purchases of investment securities	(415,506)	(751,030)	(3,931)
Proceeds from sale of investment securities	759,097	164,629	7,182
Other - net	162,731	255,972	1,539
Net cash used in investing activities	<u>(259,033)</u>	<u>(1,513,064)</u>	<u>(2,451)</u>
Cash flows from financing activities:			
Payments for redemption of convertible bond	(4,866,000)	-	(46,040)
Net increase (decrease) in short-term borrowings	500,000	(44,970)	4,731
Proceeds from exercise of stock options	40,040	-	379
Increase in treasury stock	(2,328)	(187,643)	(22)
Cash dividends paid	(200,689)	(160,211)	(1,899)
Other - net	(6,083)	-	(58)
Net cash used in financing activities	<u>(4,535,060)</u>	<u>(392,824)</u>	<u>(42,909)</u>
Effect of exchange rate changes on cash and cash equivalents	(68,479)	(58,951)	(648)
Net increase (decrease) in cash and cash equivalents	(3,494,630)	220,163	(33,065)
Cash and cash equivalents at beginning of year	7,747,462	7,527,299	73,304
Cash and cash equivalents at end of year	<u>¥ 4,252,832</u>	<u>¥ 7,747,462</u>	<u>\$ 40,239</u>

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