May 14, 2004

Consolidated Financial Results
for the Fiscal Year Ended March 2004
(April 1, 2003 - March 31, 2004)

Company name:	VITEC CO., LTD.
Stock code:	9957
Stock exchange listing:	Tokyo Stock Exchange, Second Section
Address:	Tokyo
URL:	http://www.vitec.co.jp
President & CEO:	Shunichi Shirai
Contact:	Managing Director, Tatsuichi Naruse,
Telephone:	+81-(3)-3458-4611
Board meeting for approving financial results:	May 14, 2004
Accounting principle:	Japanese GAAP

1. Financial Results for the Fiscal Year Ended March 31, 2004 (April 1, 2003 – March 31, 2004)

(1) Results of Operations

Millions of yen, rounded down

	Net sales		Operating income		Ordinary income	
	Million yen	YoY change (%)	Million yen	YoY change (%)	Million yen	YoY change (%)
Fiscal year ended Mar. 2004	130,285	28.9	2,014	93.2	1,817	246.5
Fiscal year ended Mar. 2003	101,055	11.8	1,042	28.9	524	(49.4)

	Net income		Net income per share (basic)	Net income per share (diluted)
	Million yen	YoY change (%)	Yen	Yen
Fiscal year ended Mar. 2004	2,253	—	191.40	144.43
Fiscal year ended Mar. 2003	(3,246)	—	(275.37)	—

	Return on equity	Ordinary income to total assets	Ordinary income to net sales
	%	%	%
Fiscal year ended Mar. 2004	49.6	4.1	1.4
Fiscal year ended Mar. 2003	(63.8)	1.0	0.5

Notes: 1. Equity in earnings (losses) of affiliated companies
Fiscal year ended March 31, 2004: - million yen
Fiscal year ended March 31, 2003: - million yen
2. Average number of shares outstanding (consolidated)
Fiscal year ended March 31, 2004: 11,771,358 shares
Fiscal year ended March 31, 2003: 11,788,631 shares
3. Changes in accounting principles applied: Details as per attached.
4. The percentages shown for net sales, operating income, ordinary income, and net income represent changes from the same period in the previous year.
5. A parenthesis: Loss

(2) Financial Position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2004	41,070	5,670	13.8	482.10
As of Mar. 31, 2003	47,617	3,409	7.2	289.23

Note: Number of shares outstanding at end of period (consolidated)
As of March 31, 2004: 11,761,360 shares
As of March 31, 2003: 11,788,631 shares

(3) Cash Flow Position

	Net cash provided by (used in)			Cash and cash equivalents at end of year
	operating activities	investing activities	financing activities	
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended Mar. 2004	2,482	715	(3,915)	2,720
Fiscal year ended Mar. 2003	703	(2,012)	(2,628)	3,432

(4) The scope of consolidation and the application of the equity method

Consolidated subsidiaries: 13
Unconsolidated subsidiaries accounted for under the equity method: -
Affiliates accounted for under the equity method: -

(5) Changes in the scope of consolidation and affiliates accounted for under the equity method

Consolidated subsidiaries:
Newly added: 1
Excluded: -
Affiliates accounted for under the equity method:
Newly added: -
Excluded: -

2. Forecast for the Year Ending March 31, 2005 (April 1, 2004 - March 31, 2005)

	Net sales	Ordinary income	Net income
	Million yen	Million yen	Million yen
First half	69,000	1,050	600
Full year	138,000	2,400	1,200

Reference: Estimated net income per share for the full year: 102.02 yen

Forecasts regarding future performance in these materials are based on judgments made in accordance with information available at the time this report was prepared. Forecasts therefore embody risks and uncertainties. Actual results may differ significantly from these forecasts for a number of factors. The above forecasts are based on assumptions and other relevant factors discussed in the section on Supplementary Information (Pages: 8, 9).

1. Corporate Group

The Vitec group of companies (the Group) is made up of Vitec Co., Ltd. (the Company) and 17 subsidiaries, 13 of which are consolidated. Major business activities and their positioning are shown below. As more than 90% of net sales are in one business segment, no information on business segments is presented. Consequently, major business divisions are used as the basis for operating information.

1) Electronic Devices Business

This business represents activities as a sales agent for the electronic components of Sony Corporation, a major shareholder of the Company, and of Hynix Semiconductor Japan Inc. and Philips Japan, Ltd., primarily for the sale of these components to customers of all types in Japan as well as to overseas manufacturers of electronic devices.

Companies

VITEC CO., LTD.
VITEC ELECTRONICS (SINGAPORE) PTE LTD
VITEC ELECTRONICS (H. K.) CO., LIMITED
VITEC ELECTRONICS (TAIWAN) CO., LTD.
VITEC ELECTRONICS (SHENZHEN) CO., LIMITED
VITEC ELECTRONICS TRADING (SHANGHAI) CO., LTD.
INOFONICS CO., LTD.

2) Composite Business

This business involves the formulation of strategies as well as sales and manufacturing activities in the procurement business and PCB (printed circuit board) surface mount assembly business.

Companies

GMAC CO., LTD.
GMAC (S) PTE LTD
PT. GMAC BATAM
GMAC (H. K.) CO., LIMITED
GMAC MEXICO SA DE CV
INOFONICS CO., LTD.
INFONICS (HONG KONG) LTD
INFONICS (SINGAPORE) PTE LTD
INFONICS (TAIWAN) CO., LTD.
ARSNET CO., LTD.

3) Support Business

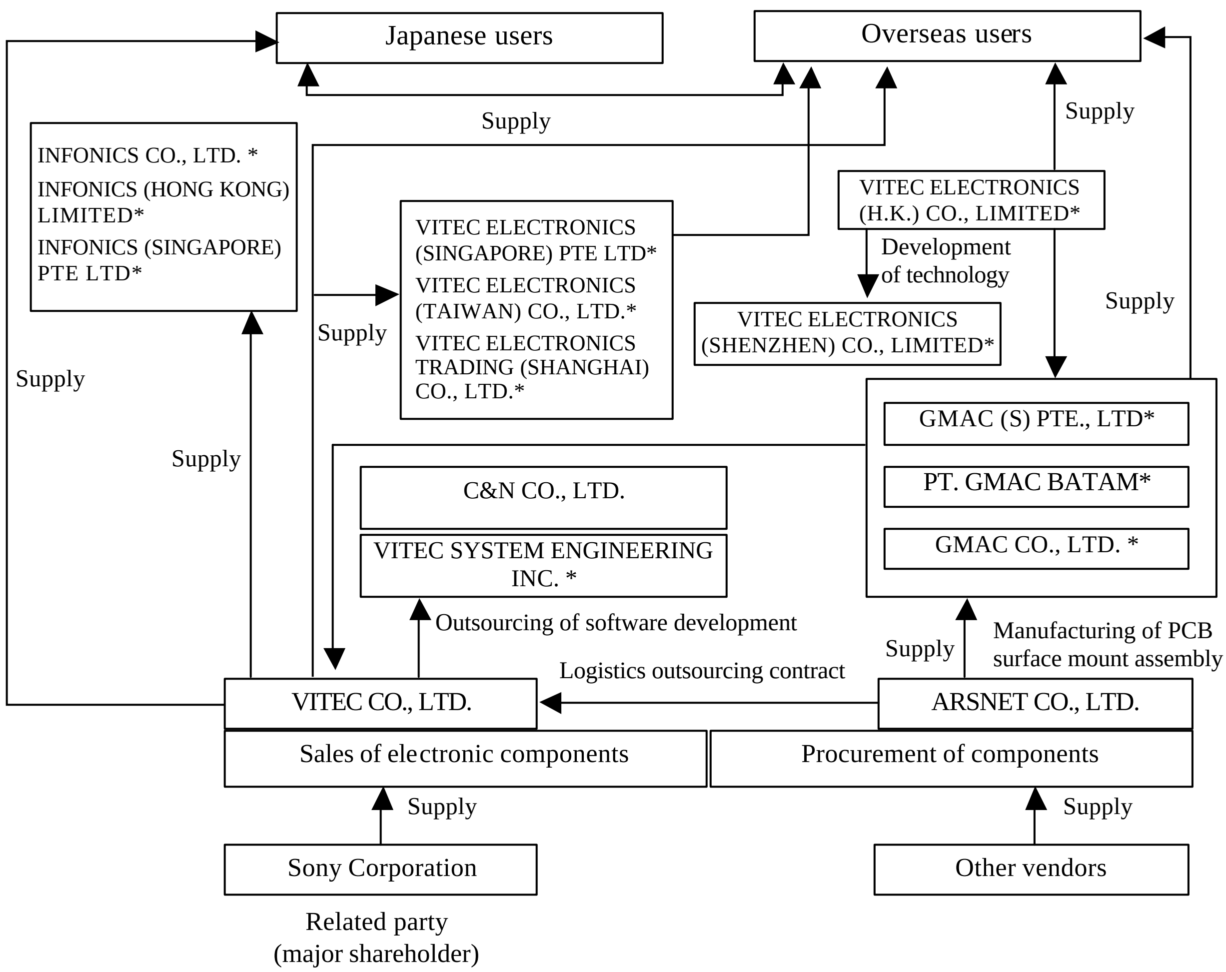
This business is engaged in the development of DVD microprocessor software, the design of AV equipment systems and hardware, and the development and design of new devices (composite modules).

Companies

VITEC SYSTEM ENGINEERING INC.
ARSNET CO., LTD.
C&N CO., LTD.

Non-consolidated subsidiaries GMAC (H.K.) CO., LIMITED, GMAC MEXICO SA DE CV, INFONICS (TAIWAN) CO., LTD and C&N CO., LTD.have been excluded from the scope of consolidation as these companies would not have a material impact on the consolidated financial statements.

The positions and roles of Group companies are as follows.



Note: Consolidated subsidiaries are indicated with an asterisk.

2. Management Policies

I. Fundamental Management Policy

In the electronics industry, a sector that is expected to continue growing, the Vitec Group is transforming itself from a sales-oriented trading company to an electronics devices and design solution provider in order to be an organization that can contribute to society in many ways. In particular, the Group will employ its leading-edge electronic devices and technological skills to supply customers with solutions for applications of the future. In line with this fundamental policy, the Group will upgrade its collective strengths, concentrating all its energy on creating corporate value and increasing earnings to contribute to the prosperity of shareholders and all other stakeholders as well as society.

II. Fundamental Policy Regarding Allocation of Earnings

The Company positions the return of earnings to shareholders as one of its most important management issues. The fundamental policy is to continuously pay a stable dividend while paying commemorative dividends, conducting stock splits and taking other aggressive actions to reward shareholders.

III. Policy Regarding Reduction in Investment Unit

To expand the shareholder base and increase the liquidity of its shares, the Company on August 1, 2000 reduced the *tangen* (unit stock) from 1,000 shares to 100 shares.

IV. Management Strategies and Key Issues

The Company will concentrate on selling devices and developing technologies with a tight focus on new products for market segments where substantial demand exists. Two examples of such attractive markets are mobile information devices, where the introduction of new products is likely to increase demand, and digital audio-visual and digital home electronics products, a market where growth is driven by the geographic expansion of terrestrial digital broadcasts and other trends. In addition, the Company will act vigorously to establish a solid market presence as an integrated electronics technology trading company.

Regarding sales activities, the key issue is deepening ties with major customers for Sony devices and Sony components. The product lineup will be enlarged from a global perspective, a process that will include the aggressive formation of business relationships with overseas firms backed by venture capital. Technological resources and skills will be further upgraded to take the Company beyond the sale of individual devices. The goal is cater to diversifying market needs by building a solutions business that extends to the development and design of modules and the internal development of new products. As the first step in this direction, the Company has begun supplying prototypes of a digital radio reception unit that was developed jointly with FM radio broadcasters and large cellular phone companies, thus setting the stage for the commercialization of this radio.

Regarding earnings, the Group's profit structure will be reformed, and restructuring and other actions taken to achieve management reforms. Additionally, interest-bearing debt will be cut and cash flows improved to give the Group a stronger financial position.

Regarding human resources, employee training programs will be upgraded to develop a workforce that can conduct business from a global perspective and perform the technology-oriented sales activities needed to conduct proposal-driven business operations. For this purpose, the Group will place priority on fostering sales engineers and field application engineers.

V. Measures Regarding Corporate Governance

To enhance the transparency and fairness of its management activities, as well as to ensure that decisions are made quickly, the Company is taking the following actions.

1) Strengthening the Group's management framework

To bolster the Group's management framework, the functions of the Group Company Management Office will be strengthened and steps taken to enact management reforms, improve cash flows and establish self-reliant, autonomous management frameworks at group companies.

2) Election of external director

To promote management that is transparent and fair, an individual from outside the Group who is both an attorney and certified public accountant was elected to the Board of Directors at the annual shareholders meeting held in June 2002. The Company is currently considering the addition of another external director.

3) System for holding board meetings

There are nine directors, one of whom is an external director, and three statutory auditors, two of whom are from outside the Group. Board meetings, which are composed of the directors and statutory auditors, are held monthly. Both the standing and external statutory auditors attend all board meetings. The auditors, in their role as an independent body with responsibilities different from those of directors, actively state their opinions at meetings. This ensures that board meetings are conducted in a manner that can serve as a check on Group management.

4) Investor relations activities

Investor relations activities are conducted in a manner that supplies the greatest amount of information possible, while exercising care regarding important items, along with public relations programs. At annual shareholder meetings, a separate meeting is held to provide an opportunity for the president to explain to shareholders the status of business activities and the policies and strategies that will guide future activities. Regular information meetings for securities analysts, investors and others are generally held at least once each six months. Furthermore, to prevent the unfair provision of information, the Company uses its Web site to disclose information in a timely manner.

5) Environmental Management Activities

The Group is taking every action possible regarding environmental protection, an issue that is becoming increasingly serious worldwide. The head office received ISO14001 certification, an international standard for environmental management systems, on March 26, 2003. Systems are reviewed and training programs strengthened to achieve objectives and targets for environmental management. The Group also contributes to environmental protection by taking steps to conserve energy and resources as well as supplying environmentally responsible products so that its environmental management activities contribute to growth of business operations.

3. Results of Operations and Financial Condition

1. Results of Operations

(1) Summary of the fiscal year

During the fiscal year ended March 31, 2004, the Japanese economy was held back in the year's first half by the war in Iraq and the outbreak of SARS. In the second half, however, the economy staged a slow recovery even though there were no signs of an upturn in consumer spending and employment. Supporting growth was an increase in exports and private-sector capital expenditures backed by the recovery of the U.S. economy.

In electronics and data communications, the two sectors where the Company is active, there was solid growth in demand. One cause was strong sales of digital home electronics products. Demand for cellular phones was strong too as sales of camera-equipped models climbed worldwide. In addition, the personal computer sector expanded steadily as inventory reductions were completed and demand rebounded, mainly for notebook models.

In this environment, growth in demand for L-LCDs (low-temperature polysilicon liquid crystal displays) was so strong that shortages occurred at times. These displays are key devices in digital still cameras, digital video cameras and other popular products. In response, the Group took every action possible to meet the rising output by the buyers of these displays, all of which are large manufacturers. As a result, the Group achieved a substantial increase in sales of CCDs (charge coupled devices) and of bipolar devices, MMICs (monolithic microwave integrated circuits) and other peripheral CCD components. The Group also posted higher sales of memory devices as DVD players, digital still cameras and other products make increasing use of DRAMs.

Due to these factors, there was a year-on-year increase of 28.9% in consolidated net sales to ¥130,285 million. By region, sales in Japan rose 30.5% to ¥113,891 million and sales in Asia were up 6.8% to ¥21,853 million. Regarding earnings, ordinary income increased 246.5% to ¥1,817 million and net income was ¥2,253 million compared with a net loss of ¥3,246 million one year earlier.

Results by business category were as follows.

a. Electronic Devices Business

There was a dramatic increase in sales of CCDs and L-LCD used in digital cameras and growth in memory devices used in DVD players and other digital home electronics products. The result was a 30.9% increase in segment sales to ¥114,634 million.

b. Composite Business

An increase in output plans resulted in growth of circuit board assembly for televisions sales from large manufacturers. However, there was a steep drop in sales of PC inverters and the assembly of car stereo circuit boards because of a large gap between manufacturers' production plans and actual demand. In Asia, sales increased due to a strong performance by the procurement business, the beginning of projector lamp sales and other factors. As a result, segment sales increased 14.3% to ¥14,626 million.

c. Support Business

There was an increase in orders for development projects from large manufacturers. Also contributing to growth were sales by Group companies from the provision of technical support for devices and the development of new technology within the Group. As a result, segment sales increased 43.3% to ¥1,024 million.

Sales by geographic region were as follows.

a. Japan

Expansion of the market for digital cameras and digital home electronics generated extremely strong demand for CCDs, L-LCDs and peripheral components. Results also benefited from higher sales of DRAMs for DVD players. The result was increases of 30.5% in sales to ¥113,891 million and a 99.1% increase in operating income to ¥1,756 million.

b. Asia

Results in Asia benefited from the ongoing shift to this region by large manufacturers of the production of digital cameras, single-reflex digital cameras and surveillance cameras. In addition, sales of DRAMs increased for use in DVD players and digital cameras. As a result, sales increased 6.8% to ¥21,853 million and operating income rose 71.3% to ¥255 million.

(2) Outlook for the fiscal year

The Japanese economy is expected to continue to stage a steady recovery in the current fiscal year, backed by a global economic upturn, with some fluctuations depending on individual nations. In particular, the U.S. economy is posting a strong expansion despite concerns about Iraq. Economic strength is expected to support growth in exports and capital expenditures. And as corporate earnings improve, consumer spending is likely to recover even as unemployment remains high.

In the electronics and data communications industry, strong demand is expected to continue for the industry's new "big three": DVDs, flat-panel TVs and digital cameras. Personal computers have ended a period of weakness, leading to expectations of a solid recovery. Strong growth is also foreseen for cell phones as new capabilities are added, such as better picture quality, faster response times and smooth moving images. In the market for mobile information devices, geographic expansion of digital terrestrial broadcasts and other factors point to the emergence of an increasing number of captivating new products in the digital AV category and other sectors. Based on this outlook, the present outlook for operating results in the current fiscal year is as follows.

a. Electronic Devices Business

Japanese manufacturers have a global market share of about 80% for both image sensors and small to medium-size LCD panels, two components vital to many digital home electronics products. As demand for digital products grows, sophisticated pixel-related electronic components are clearly positioned as key elements of electronics production output within Japan. In this environment, production of digital cameras is expected to continue growing, mainly because of higher exports, indicating that demand will be solid for CCDs for digital still cameras and L-LCDs for digital video cameras. DRAM demand is also expected to be strong due to orders from manufacturers of DVDs and digital still cameras. In addition, more companies are expected to begin manufacturing flash memories for recording media.

b. Composite Business

Strength is foreseen in demand among large manufacturers for the assembly of circuit boards for plasma TVs and LCD TVs. For the assembly of circuit boards for car audio components, the Company is aiming to limit the number of customers to raise efficiency. In the procurement business, further growth is expected in Asia.

c. Support Business

To become an integrated electronics technology trading company, the Group for some time has been engaged in the development of microprocessor software and ASICs for car audio components and Group companies have provided technical support for devices. Now, the Group is going farther by designing and developing new modules and creating its own products. Growth in this segment is thus expected as a solutions business is developed around the Group's own technologies.

Forecasts for Fiscal Year Ending March 31, 2005

	Consolidated		Non-consolidated	
	Million yen	YoY change (%)	Million yen	YoY change (%)
Net sales	138,000	5.9	112,700	9.3
Ordinary income	2,400	32.0	2,150	23.6
Net income	1,200	(46.7)	1,100	20.5

II. Financial Condition

(1) Summary of the fiscal year

Cash and cash equivalents as of March 31, 2004 were ¥2,720 million, ¥711 million less than the ¥3,432 million balance as of March 31, 2003.

Cash flows and major components were as follows:

Operating activities

Net cash provided by operating activities was ¥2,482 million, compared with ¥703 million in the previous fiscal year. This increase mainly represents the sum of income before income taxes and depreciation and amortization. There were large decreases of ¥8,814 million in accounts receivable and ¥5,788 million in the allowance for doubtful account. These declines were due mainly to the removal of bad debt from the balance sheet and had no effect on cash flows.

Investing activities

Net cash provided by investing activities was ¥715 million. One year earlier, investing activities used net cash of ¥2,012 million. The difference was mainly due to the recovery of loans receivable.

Financing activities

Net cash used in financing activities was ¥3,915 million compared with ¥2,628 million one year earlier. Cash was used mainly to reduce interest-bearing liabilities, mostly short-term borrowings, to strengthen the Company's financial position. To procure stable, long-term funds, there were proceeds of ¥1,250 million from long-term loans, ¥2,000 million from the issuance of bonds and ¥588 million from the sale of stock by a subsidiary through a private placement.

(2) Outlook for the fiscal year

In the current fiscal year, the Company is forecasting net operating cash flows of ¥2,000 million, mainly a reflection of earnings, and expects that financing activities will use net cash of ¥2,000 million for the repayment of interest-bearing liabilities. Cash and cash equivalents are expected to be about the same as at March 31, 2004.

The Company is forecasting a large decline in interest-bearing liabilities because of the expected conversion into stock of ¥4,773 million of convertible bonds.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Thousands of yen

Account	Note	FY2003 As of Mar. 31, 2003 Amount		%	FY2004 As of Mar. 31, 2004 Amount		%	YoY change Amount
Assets								
I Current assets								
1. Cash and deposits			3,582,451			2,720,755		(861,696)
2. Notes and accounts receivable - trade			29,552,857			20,101,070		(9,451,786)
3. Inventories			5,518,620			5,249,472		(269,147)
4. Deferred tax assets -current			743,081			1,246,945		503,864
5. Other current assets			4,498,076			2,328,154		(2,169,921)
6. Allowance for doubtful accounts			(7,356,976)			(1,663,110)		5,693,865
Total current assets			36,538,111	76.7		29,983,288	73.0	(6,554,822)
II Fixed assets								
(1) Property and equipment								
1. Buildings and structures		2,338,882			2,237,655			
Accumulated depreciation		334,016	2,004,865		433,531	1,804,124		(200,741)
2. Machinery and automotive equipment		2,222,499			2,165,100			
Accumulated depreciation		860,381	1,362,117		1,052,568	1,112,532		(249,585)
3. Tools, furniture and fixtures		531,816			567,036			
Accumulated depreciation		292,399	239,417		420,908	146,127		(93,290)
4. Land			2,975,066			2,995,066		20,000
Total property and equipment			6,581,467	13.8		6,057,850	14.8	(523,616)
(2) Intangible assets								
1. Goodwill			488,043			227,415		(260,628)
2. Other intangible assets			166,560			120,998		(45,561)
Total intangible assets			654,603	1.4		348,413	0.8	(306,189)
(3) Investments and others								
1. Investment securities	*1		1,758,834			1,851,789		92,955
2. Long-term loans receivable			110,715			228,339		117,623
3. Deferred tax assets -non-current			581,237			1,221,427		640,189
4. Others	*1		1,574,927			1,467,853		(107,074)
5. Allowance for doubtful accounts			(182,871)			(88,055)		94,816
Total investments and others			3,842,844	8.1		4,681,355	11.4	838,510
Total fixed assets			11,078,915	23.3		11,087,620	27.0	8,704
Total assets			47,617,027	100		41,070,908	100	(6,546,118)

Thousands of yen

Account	Note	FY2003 As of Mar. 31, 2003 Amount	%	FY2004 As of Mar. 31, 2004 Amount	%	YoY change Amount
Liabilities						
I Current liabilities						
1. Notes and accounts payable -trade		20,132,125		16,315,928		(3,816,196)
2. Short-term borrowings		13,143,226		6,270,577		(6,872,648)
3. Current portion of bonds		300,000		700,000		400,000
4. Current portion of convertible bonds		-		4,773,000		4,773,000
5. Current portion of long-term borrowings		852,400		1,652,566		800,166
6. Accrued income taxes		102,984		46,127		(56,856)
7. Accrued bonuses		192,845		157,902		(34,942)
8. Other current liabilities		606,755		448,930		(157,825)
Total current liabilities		35,330,336	74.2	30,365,032	73.9	(4,965,303)
II Long-term liabilities						
1. Straight bonds		1,200,000		2,500,000		1,300,000
2. Convertible bonds		4,956,000		-		(4,956,000)
3. Long-term debt		2,120,900		1,718,334		(402,566)
4. Accrued employees' retirement benefits		39,998		36,447		(3,550)
5. Accrued officers' severance benefits		-		138,449		138,449
6. Other long-term liabilities		560,077		432,666		(127,410)
Total long-term liabilities		8,876,976	18.6	4,825,897	11.8	(4,051,078)
Total liabilities		44,207,312	92.8	35,190,930	85.7	(9,016,381)
Minority interests						
Minority interests		-	-	209,866	0.5	209,866
Shareholders' equity						
I Capital Stock	*3	4,325,376	9.1	4,328,875	10.5	3,499
II Capital Surplus		4,137,417	8.7	1,524,409	3.7	(2,613,008)
III Retained earnings		(4,857,288)	(10.2)	1,504	0.0	4,858,792
IV Net unrealized holding loss on securities		(167,326)	(0.3)	(89,913)	(0.2)	77,412
V Foreign currency translation adjustments	*4	(25,422)	(0.1)	(62,165)	(0.1)	(36,742)
VI Treasury stock		(3,042)	(0.0)	(32,600)	(0.1)	(29,557)
Total shareholders' equity		3,409,714	7.2	5,670,111	13.8	2,260,396
Total liabilities and shareholders' equity		47,617,027	100	41,070,908	100	(6,546,118)

(2) Consolidated Statements of Income

Thousands of yen

			FY2003 April 1, 2002 to March 31, 2003			FY2004 April 1, 2003 to March 31, 2004		YoY change
Account	Note	Amount		%	Amount		%	Amount
I Net sales			101,055,379	100		130,285,465	100	29,230,086
II Cost of sales	*1		95,090,319	94.1		123,652,332	94.9	28,562,012
Gross profit			5,965,059	5.9		6,633,132	5.1	668,073
III Selling, general and administrative expenses								
1. Salaries and bonuses		1,469,128			1,293,746			
2. Provision of allowance for accrued bonuses		145,308			95,936			
3. Retirement benefit expenses		77,897			53,256			
4. Rent		322,928			301,882			
5. Lease payments		135,356			125,084			
6. Depreciation and amortization		472,159			360,317			
7. Others		2,299,784	4,922,563	4.9	2,388,752	4,618,975	3.6	(303,588)
Operating income			1,042,495	1.0		2,014,157	1.5	971,661
IV Non-operating income								
1. Interest income		145,142			122,740			
2. Dividends income		7,516			9,406			
3. Exchange profit		-			7,500			
4. Gain on derivatives		281,353			142,458			
5. Other non-operating income		151,615	585,628	0.6	109,849	391,955	0.4	(193,673)
V Non-operating expenses								
1. Interest expenses		352,284			335,646			
2. Bond issue expenses		31,312			32,125			
3. Foreign exchange loss		119,544			-			
4. Depreciation of assets for lease		178,031			137,115			
5. Loss on derivatives		381,621			-			
6. Other non-operating expenses		40,770	1,103,564	1.1	83,375	588,262	0.5	(515,301)
Ordinary income			524,559	0.5		1,817,850	1.4	1,293,290
VI Extraordinary income								
1. Gain on change in equity stake		-			197,058			
2. Gain on sale of fixed assets	*2	4,835			5,498			
3. Gain on sale of investment securities		1,225			3,170			
4. Gain on sale of golf club memberships		-			1,184			
5. Gain on prior period adjustments	*3	-	6,061	0.0	6,818	213,730	0.1	207,669

Thousands of yen

Account	Note	FY2003 April 1, 2002 to March 31, 2003 Amount		%	FY2004 April 1, 2003 to March 31, 2004 Amount		%	YoY change Amount
VII Extraordinary loss								
1. Bad debts written off		-			395,847			
2. Officers' retirement benefits		-			194,242			
3. Provision of allowance for accrued officers' severance benefits		-			122,775			
4. Loss on revaluation of fixed assets		-			77,223			
5. Loss on disposal of merchandise		-			52,769			
6. Provision of allowance for doubtful accounts		3,232,335			37,687			
7. Loss on disposal of fixed assets	*4	1,411			33,546			
8. Loss on sale of investment securities		17			28,542			
9. Loss on revaluation of memberships		2,100			7,688			
10. Loss on valuation of long-term securities		125,271			3,569			
11. Loss on sale of fixed assets	*5	16			48			
12. Loss on prior period adjustments	*6	23,220	3,384,373	3.3	-	953,940	0.7	(2,430,433)
Net income (loss) before income taxes			(2,853,752)	(2.8)		1,077,640	0.8	3,931,393
Current income taxes		80,471			62,669			
Reversal of income taxes payable for the prior year		43,626			—			
Deferred income taxes, credit		-			1,198,384			
Deferred income taxes, debit		307,223	431,320	0.4	-	(1,135,714)	(0.9)	(1,567,035)
Minority interest in loss of subsidiaries			38,733	0.0		39,794	0.0	1,061
Net income (loss)			(3,246,340)	(3.2)		2,253,149	1.7	5,499,490

(3) Consolidated Statements of Retained Earnings

Thousands of yen

		FY2003 April 1, 2002 to March 31, 2003		FY2004 April 1, 2003 to March 31, 2004		YoY change
Account	Note	Amount		Amount		Amount
Capital surplus						
I Capital surplus at beginning of period			5,208,540		4,137,417	(1,071,122)
II Increase in capital surplus						
1. Conversion of convertible bonds		-	-	3,499	3,499	3,499
III Decrease in capital surplus						
1. Reversal of additional paid-in capital		1,071,122	1,071,122	2,616,507	2,616,507	1,545,385
IV Capital surplus at end of period			4,137,417		1,524,409	(2,613,008)
Retained earnings						
I Retained earnings at beginning of period			(2,682,070)		(4,857,288)	(2,175,218)
II Increase in retained earnings						
1. Net income		-		2,253,149		
2. Deficit written-off with reversal of additional paid-in capital		1,071,122	1,071,122	2,616,507	4,869,657	3,798,535
III Decrease in retained earnings						
1. Net loss		3,246,340		-		
2. Decrease in retained earnings due to consolidation of additional consolidated subsidiaries		-	3,246,340	10,864	10,864	(3,235,475)
IV Retained earnings at end of period			(4,857,288)		1,504	4,858,792

(4) Consolidated Statements of Cash Flows

Thousands of yen

		FY2003 April 1, 2002 to March 31, 2003	FY2004 Apr. 1, 2003 to Mar. 31, 2004
Account	Note	Amount	Amount
I Cash flows from operating activities			
Net income (loss) before income taxes		(2,853,752)	1,077,640
Depreciation and amortization		670,036	607,448
Amortization of goodwill		75,420	134,071
Increase (decrease) in allowance for doubtful accounts		3,003,296	(5,788,650)
Increase (decrease) in accrued bonuses		23,784	(35,025)
Interest and dividends income		(152,659)	(132,146)
Interest expenses		352,284	335,646
Bond issue expenses		31,312	32,125
Foreign exchange loss (gain)		92,946	(15,656)
Gain on derivatives		(281,353)	(142,458)
Loss on derivatives		381,621	—
Loss on revaluation of golf club memberships		2,100	7,688
Unrealized loss on investment securities		107,069	3,569
Gain on changes in equity stake		—	(197,058)
Increase (decrease) in accounts receivable -trade		950,340	8,814,922
Increase (decrease) in inventories		1,195,703	198,657
Increase (decrease) in security deposits		(125,433)	21,427
Increase (decrease) in accounts payable -trade		(1,518,528)	(2,529,422)
Increase (decease) in security deposits received		(134,106)	(771)
Others		(822, 882)	392,026
Subtotal		997,200	2,784,034
Interest and dividends received		228,916	132,146
Interest paid		(368,637)	(311,982)
Income taxes paid		(153,732)	(121,847)
Net cash provided by operating activities		703,747	2,482,350

Thousands of yen

		FY2003 Apr. 1, 2002 to Mar. 31, 2003	FY2004 Apr. 1, 2003 to Mar. 31, 2004
Account	Note	Amount	Amount
II Cash flows from investing activities			
Payment for time deposits		(150,000)	—
Proceeds from redemption of time deposits		—	150,000
Payment for acquisition of property and equipment		(502,645)	(70,222)
Proceeds from sale of property and equipment		8,873	7,733
Payment for acquisition of intangible assets		(143,957)	(70,163)
Payment for acquisition of investment securities		(404,890)	(6,375)
Proceeds from sale of investment securities		6,545	30,927
Payment for acquisition of subsidiary stock		(60,572)	(19,000)
Increase (decrease) in short-term loans receivable		(1,152,491)	633,349
Payments for long-term loans receivable		(15,143)	(5,560)
Proceeds from collection of long-term loans receivable		363,169	29,369
Others		38,934	35,862
Net cash provided by (used in) investing activities		(2,012,178)	715,921
III Cash flows from financing activities			
Increase (decrease) in short-term borrowings		(4,440,604)	(6,390,591)
Proceeds from long-term debt		1,000,000	1,250,000
Repayment for long-term borrowings		(652,400)	(852,400)
Proceeds from corporate bonds issue		1,468,688	1,967,875
Redemption of straight bonds		—	(300,000)
Redemption of convertible bonds		—	(176,000)
Payment for acquisition of treasury stock		—	(70)
Cash dividends paid		(941)	(2,001)
Proceeds from issuance of stock to minority shareholders		—	588,000
Cash dividends to minority shareholders		(3,000)	—
Net cash used in financing activities		(2,628,258)	(3,915,187)

Thousands of yen

		FY2003 Apr. 1, 2002 to Mar. 31, 2003	FY2004 Apr. 1, 2003 to Mar. 31, 2004
Account	Note	Amount	Amount
IV Effect of exchange rate changes on cash and cash equivalents		(41,574)	(37,683)
V Net increase (decrease) in cash and cash equivalents		(3,978,262)	(754,599)
VI Cash and cash equivalents at beginning of period		7,410,714	3,432,451
VII Increase in cash and cash equivalents due to consolidation of additional consolidated subsidiaries		—	42,903
VIII Cash and cash equivalents at end of period	*	3,432,451	2,720,755

Significant Accounting Policies in the Preparation of Consolidated Financial Statements

Item	FY2003 April 1, 2002 to March 31, 2003	FY 2004 April 1, 2003 to March 31, 2004
1. Scope of consolidation	Consolidated subsidiaries: 12 Names of consolidated subsidiaries: VITEC ELECTRONICS (SINGAPORE) PTE LTD., VITEC ELECTRONICS (H.K.) CO., LIMITED, VITEC ELECTRONICS (TAIWAN) CO., LTD., VITEC ELECTRONICS (SHENZHEN) CO., LTD., VITEC SYSTEM ENGINEERING INC., ARSNET CO., LTD., GMAC CO., LTD., GMAC (S) PTE LTD, PT. GMAC BATAM, INFONICS CO., LTD., (former NIHON LCR CO., LTD,), INFONICS (HONGKONG) LIMITED (former HONGKONG LCR LTD.), INFONICS (SINGAPORE) PTE LTD. (former LCR ELECTRONICS SINGAPORE LTD) Effective the current consolidated fiscal year, the following subsidiaries were excluded from the consolidation since they have no significant impact on the overall results of the consolidated financial statements: GMAC (H.K.) CO., LTD., GMAC MEXICO SA DE CV, INFONICS (TAIWAN) CO., LTD., VITEC ELECTRONICS TRADING (SHANGHAI) CO., LTD.	Consolidated subsidiaries: 13 Names of consolidated subsidiaries: VITEC ELECTRONICS (SINGAPORE) PTE LTD., VITEC ELECTRONICS (H.K.) CO., LIMITED, VITEC ELECTRONICS (TAIWAN) CO., LTD., VITEC ELECTRONICS (SHENZHEN) CO., LTD., VITEC SYSTEM ENGINEERING INC., ARSNET CO., LTD., GMAC CO., LTD., GMAC (S) PTE LTD, PT. GMAC BATAM, INFONICS CO., LTD., INFONICS (HONGKONG) LIMITED, INFONICS (SINGAPORE) PTE LTD., VITEC ELECTRONICS TRADING (SHANGHAI) CO., LTD. Effective the current consolidated fiscal year period, VITEC ELECTRONICS TRADING (SHANGHAI) CO., LTD. is included in the consolidation, given that it has increased the materiality of impact in the context of consolidated financial statements. Effective the current consolidated fiscal year, the following subsidiaries were excluded from the consolidation since they have no significant impact on the overall results of the consolidated financial statements: GMAC (H.K.) CO., LTD., GMAC MEXICO SA DE CV, INFONICS (TAIWAN) CO., LTD., C&N CO., LTD.
2. Application of the equity method	The Company does not have non-consolidated subsidiaries and affiliates other than the above non-consolidated subsidiaries excluded from the consolidation. The above non-consolidated subsidiaries are excluded from subsidiaries accounted for by the equity method since they have no significant effect on the overall results of the consolidated financial statements.	Same as on the left.

Item	FY2003 April 1, 2002 to March 31, 2003	FY 2004 April 1, 2003 to March 31, 2004
3. Fiscal year end of consolidated subsidiaries:	The fiscal year of the consolidated subsidiary VITEC ELECTRONICS (SHENZEN) CO., LTD. ends on December 31. Financial statements of the consolidated subsidiary as of the consolidated subsidiary's fiscal year balance sheet date are used in the preparation of fiscal year consolidated financial statements since the period between the balance sheet date of the consolidated subsidiary and the Company is less than three months. Appropriate adjustment was made for significant transactions during the period from the balance sheet date of the consolidated subsidiary and the balance sheet date of the fiscal year consolidated financial statements	The fiscal year of the consolidated subsidiary VITEC ELECTRONICS (SHENZEN) CO., LTD. and VITEC ELECTRONICS TRADING (SHANGHAI) CO., LTD. ends on December 31. Financial statements of the consolidated subsidiary as of the consolidated subsidiary's fiscal year balance sheet date are used in the preparation of fiscal year consolidated financial statements since the period between the balance sheet date of the consolidated subsidiary and the Company is less than three months. Appropriate adjustment was made for significant transactions during the period from the balance sheet date of the consolidated subsidiary and the balance sheet date of the fiscal year consolidated financial statements
4. Significant accounting policies		
(1) Valuation criteria and methods for principal assets	Securities Other securities: 1) Securities with market quotations Securities with market quotations are primarily stated at fair value on the consolidated fiscal year balance sheet date. (Unrealized gain or loss is included in shareholders' equity. Cost of securities sold is determined by the moving-average method.) 2) Securities without market quotations Securities without market quotations are stated at cost, cost being determined by the moving-average method. Derivatives Derivatives are primarily stated at fair value. Inventories Merchandise Merchandise is primarily stated at cost, cost being determined by the moving-average method.	Securities Other securities: 1) Securities with market quotations Same as on the left. 2) Securities without market quotations Same as on the left. Derivatives Same as on the left. Inventories Merchandise Same as on the left.

Item	FY2003 April 1, 2002 to March 31, 2003	FY 2004 April 1, 2003 to March 31, 2004
(2) Depreciation of principal fixed assets	Property and equipment 1) The Company and its domestic consolidated subsidiaries Depreciation is computed by the declining-balance method, except for buildings (excluding fixtures) acquired on or subsequent to April 1, 1998, on which depreciation is calculated by the straight-line method. Useful life of principal assets is as follows: Buildings and structures: 8-50 years Machinery and automotive equipment: 2-15 years Tools, furniture and fixtures: 2-20 years 2) Overseas consolidated subsidiaries Depreciation is computed by the straight-line method.	Property and equipment 1) The Company and its domestic consolidated subsidiaries Same as on the left. 2) Overseas consolidated subsidiaries: Same as on the left.
(3) Accounting for deferred assets	Bond issue expenses Bond issue expenses charged to income as accrued.	Bond issue expenses Same as on the left.
(4) Recognition of significant allowances	Allowance for doubtful accounts To prepare for credit losses on accounts receivable, the Company provides allowances equal to the estimated amount of uncollectible receivables for general receivables based on the historical write-off ratio, and bad receivables based on a case-by-case determination of collectibility. Allowance for accrued bonuses To provide for employees' bonuses, the Company and its domestic consolidated subsidiaries provide an allowance in the amount deemed to have accrued at the end of the current consolidated fiscal year from among future estimated bonus obligations.	Allowance for doubtful accounts To prepare for credit losses on accounts receivable, the Company provides allowances equal to the estimated amount of uncollectible receivables for general receivables based on the historical write-off ratio, and bad receivables based on a case-by-case determination of collectibility. Allowance for accrued bonuses To provide for employees' bonuses, the Company and its domestic consolidated subsidiaries provide an allowance in the amount deemed to have accrued at the end of the current consolidated fiscal year from among future estimated bonus obligations. Effective the end of the current consolidated fiscal year, the Company changed its personnel management system to introduce a system of annual performance-based wages for management executives. As a result of this change, the allowance for accrued bonuses declined by ¥41,070 thousand, and operating income, ordinary income and net income before income taxes increased by an equivalent amount, compared to the amounts that would have been reported if the previous standards had been applied consistently.

Item	FY2003 April 1, 2002 to March 31, 2003	FY 2004 April 1, 2003 to March 31, 2004
	Allowance for accrued employees' retirement benefits To provide for accrued employees' retirement benefits, domestic consolidated subsidiaries provide an allowance based on retirement benefit obligations and pension assets at the end of the consolidated fiscal year. Allowance for accrued officers' severance benefits: ―――――――	Allowance for accrued employees' retirement benefits Same as on the left. Allowance for accrued officers' severance benefits To provide for accrued officers' severance benefits, an allowance is provided for the aggregate amount payable at the end of the consolidated fiscal year pursuant to the Company's internal rules. Changes in accounting policies In prior periods, officers' severance benefits were charged to income as accrued. Effective the current consolidated fiscal year, an allowance is provided for the aggregate amount payable at the end of the period pursuant to the Company's internal rules. The changes were a part of the revision of the rules on officers' severance benefits and are intended to better balance income and expenses by distributing officers' severance benefit expenses over the period in office. The changes also reflect the growing materiality of the impact of officers' severance benefits due to the lengthening period in office of the company's officers and the fact that the provision of allowance for officers' severance benefits is becoming a generally accepted accounting practice. As a result of these changes, ¥15,674 thousand in provision of allowance for accrued officers' severance benefits was included in selling, general and administrative expenses. The allowance for prior service (¥122,775 thousand) was recorded as an extraordinary loss. As a result, operating income and ordinary income declined by ¥5,674 thousand each and income before income taxes was ¥138,449 thousand lower, compared to the amounts that would have been reported if the previous accounting policy had been applied consistently.

Item	FY2003 April 1, 2002 to March 31, 2003	FY 2004 April 1, 2003 to March 31, 2004
(5) Translation of principal foreign currency -denominated assets and liabilities	Foreign currency-denominated monetary assets and liabilities (except those accounted as designated fair value hedges) are translated into yen at the exchange spot rate in effect on the fiscal year consolidated balance sheet date. Translation gain or loss is accounted as profit or loss. The balance sheet accounts (assets, liabilities, income and expenses) of overseas consolidated subsidiaries are also translated into yen at the exchange spot rate in effect on the balance sheet dates. Foreign currency translation adjustments are stated as a component of minority interests and shareholders' equity.	Same as on the left.
(6) Accounting for leases	Finance leases other than those which are deemed to transfer the ownership of the leased assets to the lessees are accounted for by a method similar to that applicable to ordinary operating leases.	Same as on the left.
(7) Accounting for hedges	1) Hedge accounting method Forward foreign currency transactions that qualify for designated fair value hedge accounting are accounted by the designated fair value hedge accounting method. Interest rate swaps that qualify for short-cut accounting are accounted by the extraordinary accounting method. 2) Hedging instrument and risk hedged a. Foreign exchange forward contracts Hedging instrument: Foreign exchange forward contracts Risk hedges: Fluctuations in currency rates b. Interest rate swaps Hedging instrument: Interest rate swaps Risk hedged: Fluctuations in interest rates	1) Hedge accounting method Same as on the left. 2) Hedging instrument and risk hedged Same as on the left.

<table>
<tr><th>Item</th><th>FY2003
April 1, 2002 to March 31, 2003</th><th>FY 2004
April 1, 2003 to March 31, 2004</th></tr>
<tr><td></td><td>3) Hedging policy
a. Foreign exchange forward contracts
The Company uses financial derivative instruments to reduce its exposure to future risks from fluctuations in foreign currency exchange on foreign currency-denominated receivables and payables. The Company does not hold or issue financial derivative instruments for trading purposes.

b. Interest rate swaps
The Company uses interest rate swap transactions to reduce exposure to future risks from fluctuations in the interest rate. The Company does not hold or issue derivative financial instruments for trading purposes.

4) Assessing the effectiveness of a hedge
a. Foreign exchange forward contracts
The Company does not evaluate the effectiveness of a hedge transaction since the hedging instrument and the risk hedged are designated in the same currency and effectively offset changes in cash flows arising from fluctuations in foreign currency exchange rates.

b. Interest rate swaps
The Company does not evaluate the effectiveness of a hedge transaction since the primary terms of the hedging instrument and the risk hedged are identical and the cash flows, at the time of initiation and later, effectively offset changes in cash flows arising from fluctuations in interest rates.</td><td>3) Hedging policy
Same as on the left.

b. Interest rate swaps
Same as on the left.

4) Assessing the effectiveness of a hedge
Same as on the left.</td></tr>
</table>

Item	FY2003 April 1, 2002 to March 31, 2003	FY 2004 April 1, 2003 to March 31, 2004
(8) Other significant accounting policies in the preparation	a. Accounting for consumption taxes: Domestic consolidated subsidiaries use the net-of-tax method to account for consumption taxes. b. Accounting for treasury stock and reduction of legal reserve Effective the current consolidated fiscal year, the Company has adopted the new accounting standards for treasury stock and reduction of legal reserves (Financial Accounting Standard No. 1: Accounting Standards for Treasury Stock and Reduction of Legal Reserve; ASBJ), which became effective for fiscal years starting on and after April 1, 2002. The effect of this change on profit/ loss for the current consolidated fiscal year is insignificant. Effective the current consolidated fiscal year, in accordance with the revised Regulations of Consolidated Financial Statements, the "Shareholders' Equity Section" in the "Consolidated balance Sheets" and the "Consolidated Statements of Retained Earnings" conform with the revised Regulations of Consolidated Financial Statements. c. Per-share information Effective the current consolidated fiscal year, the Company adopted the new accounting standards for earnings per share (Accounting Standard No. 2: "Accounting Standards for Earnings Per Share" and Accounting Standard Implementation Guidance No. 4: "Implementation Guidance on Accounting Standard for Earnings Per Share."), which became effective for fiscal years starting on and after April 1, 2002. For details on the effect of the above change in the accounting policy, see the note on Per-share Information.	a. Accounting for consumption taxes: Same as on the left. b. Accounting for treasury stock and reduction of legal reserve ― c. Per-share information ―
5. Re-measurement of Assets and Liabilities of Consolidated Subsidiaries	The full portion of assets and liabilities of consolidated subsidiaries is marked to fair value as of acquisition of control.	Same as on the left.
6. Amortization of consolidation adjustment account	Goodwill is amortized over a period of 5-10 years by the straight-line method.	Same as on the left.
7. Appropriation of Retained Earnings	Appropriation of retained earnings of consolidated subsidiaries is reflected in the consolidated statement of retained earnings in the year they are approved at the general meeting of shareholders.	Same as on the left.

Item	FY2003 April 1, 2002 to March 31, 2003	FY 2004 April 1, 2003 to March 31, 2004
8. Scope of cash and cash equivalents	For the purpose of consolidated statements of cash flows, cash and cash equivalents consist of vault cash, deposits that can be withdrawn on demand, and short-term investments, with original maturities of three months or less, that are readily convertible to known amounts of cash and present insignificant risk of change in value.	Same as on the left.

Notes

Notes to consolidated balance sheets

Thousands of yen

FY2003 As of March 31, 2003	FY 2004 As of March 31, 2004
*l. The following items are applicable to non-consolidated subsidiaries: Investment securities (equity securities) 406,528 Others (investments in partnerships) 59,082	*l. The following items are applicable to non-consolidated subsidiaries: Investment securities (equity securities) 362,446
2. Contingent liability on bills endorsed 7,791,921	2. Contingent liability on bills endorsed 13,937,885
*3. Shares outstanding: 11,790,319 common shares	*3. Shares outstanding: 11,795,927 common shares
*4. Treasury stock: 1,688 common shares	*4. Treasury stock: 34,567 common shares
5. ―――――	5. The Company has signed a commitment line type of term-loan agreement with a syndicate of seven financial institutions. The Company plans to use the commitment line for financing redemption and recall of its outstanding convertible bonds The specified period of the commitment line agreement is one year to March 31, 2005. The balance of unused commitment line as of the end of the current fiscal year was as follows: Total amount of credit commitment 4,500,000 Credit line used - Balance of unused credit 4,500,000

Notes to Consolidated Statements of Income

FY2003 April 1, 2002 to March 31, 2003	FY2004 April 1, 2003 to March 31, 2004
※l. The loss on re-measurement of inventory using the lower of the cost or market method included in the cost of sales amounted to 312,846 thousand.	※l. The loss on re-measurement of inventory using the lower of the cost or market method included in the cost of sales amounted to 234,760 thousand.
※2. Significant components of gain on sale of fixed assets: Tools, furniture and fixtures 4,835	※2. Significant components of gain on sale of fixed assets: Machinery and automotive equipment 5,396 Tools, furniture and fixtures 102
※3. -	※3. Change in prior year depreciation expenses is the principal component of adjustments to previous year income/loss.
※4. Significant components of loss on removal of fixed assets: Buildings and structures 620 Tools, furniture and fixtures 791	※4. Significant components of loss on removal of fixed assets: Buildings and structures 2,341 Machinery and automotive equipment 211 Tools, furniture and fixtures 1,872 Software 29,121
※5. Significant components of gain on sale of fixed assets: Tools, furniture and fixtures 16	※5. Significant components of gain on sale of fixed assets: Tools, furniture and fixtures 48
※6. Change in minority interests is the principal component of adjustments to prior year income/loss.	※6. -

Notes to consolidated statements of cash flows

Thousands of yen

FY 2003 April 1, 2002 to March 31, 2003		FY 2004 April 1, 2003 to March 31, 2004	
l. Reconciliation of balance sheet items to cash and cash equivalents in the consolidated statements of cash flows		l. Reconciliation of balance sheet items to cash and cash equivalents in the consolidated statements of cash flows	
Cash and deposits	3,582,451	Cash and deposits	2,720,755
Deposits with original maturities longer than three months	(150,000)	Cash and cash equivalents	2,720,755
Cash and cash equivalents	3,432,451		

(1) Accounting for leases

Thousands of yen

Item	FY 2003 April 1, 2002 to March 31, 2003	FY 2004 April 1, 2003 to March 31, 2004
1. Finance lease transactions other than in which the title to the leased property is transferred to the lessee.	1. Acquisition cost, accumulated, depreciation and period-end balance equivalents of the leased property. *Furniture and fixtures* Acquisition cost 156,089 Depreciation 62,669 Balance 93,419 *Machinery and automotive equipment* Acquisition cost 16,644 Depreciation 10,061 Balance 6,583 *Others* Acquisition cost 60,096 Depreciation 30,592 Balance 29,503 *Total* Acquisition cost 232,830 Depreciation 103,323 Balance 129,506 Note: Acquisition cost equivalents are computed based on the interest-inclusive method since the weight of minimum future lease payments in the balance of property and equipment at the end of period is insignificant. 2. Outstanding lease commitments as of the end of period: Within one year 45,459 Over one year 84,047 Total 129,506 Note: The outstanding balance of lease commitments as of the end of the fiscal year are calculated based on the interest-inclusive method since the weight of the outstanding lease commitments as of the end of period is insignificant. 3. Lease payments and depreciation equivalents Lease payments 50,603 Depreciation 50,603 4. Calculation of accumulated depreciation equivalents Depreciation is calculated based on the straight-line method, assuming the lease period to be the useful life and a residual value of zero.	1. Acquisition cost, accumulated, depreciation and period-end balance equivalents of the leased property. *Furniture and fixtures* Acquisition cost 177,508 Depreciation 92,277 Balance 85,230 *Machinery and automotive equipment* Acquisition cost 23,495 Depreciation 11,902 Balance 11,593 *Others* Acquisition cost 44,076 Depreciation 25,842 Balance 18,233 *Total* Acquisition cost 245,079 Depreciation 130,022 Balance 115,057 Same as on the left. 2. Outstanding lease commitments as of the end of period: Within one year 46,244 Over one year 68,813 Total 115,057 Same as on the left. 3. Lease payments and depreciation equivalents Lease payments 50,722 Depreciation 50,722 4. Calculation of accumulated depreciation equivalents Same as on the left.

(2) Securities

1. Other securities with market quotations

Thousands of yen

	Security	As of March 31, 2003			As of March 31, 2004		
		Acquisition cost	Carrying value	Valuation gain (loss)	Acquisition cost	Carrying value	Valuation gain (loss)
Securities whose carrying value exceeds their acquisition cost	(1) Equity securities	153,215	162,785	9,570	272,198	375,141	102,942
	(2) Debt securities						
	Govt. and municipal bonds	-	-	-	-	-	-
	Corporate bonds	-	-	-	-	-	-
	Other	-	-	-	-	-	-
	(3) Other	-	-	-	-	-	-
	Subtotal	153,215	162,785	9,570	272,198	375,141	102,942
Securities whose acquisition cost exceeds their carrying value	(1) Equity securities	961,064	668,986	(292,078)	812,600	558,051	(254,548)
	(2) Debt securities	-	-	-	-	-	-
	Govt. and municipal bonds	-	-	-	-	-	-
	Corporate bonds	-	-	-	-	-	-
	Other	-	-	-	-	-	-
	(3) Other	-	-	-	-	-	-
	Subtotal	961,064	668,986	(292,078)	812,600	558,051	(254,548)
Total		1,114,279	831,771	(282,507)	1,084,799	933,193	(151,606)

Notes 1. The amount of impairment losses for the consolidated fiscal year ended March 31, 2003 amounted to ¥52,081thousand with respect to securities with market values classified as Other Securities

2. In the consolidated fiscal year ended March 31, 2004 securities classified as Other Securities were not revalued for impairment losses.

2. Sales of securities classified as Other Securities (FY2003, FY2004)

Thousands of yen

FY 2003 April 1, 2002 to March 31, 2003			FY 2004 April 1, 2003 to March 31, 2004		
Sales amount	Aggregate gain	Aggregate loss	Sales amount	Aggregate gain	Aggregate loss
9,545	1,225	17	30,927	3,170	28,542

3.Other securities without market quotations

Thousands of yen

Security	As of March 31, 2003	As of March 31, 2004
	Carrying value	Carrying value
Other securities		
Unlisted stock (excluding OTC stock)	579,617	556,150
Other	-	-

Note: 1. Unlisted stock valued at ¥54,988 thousand was written down in the previous consolidated fiscal year.
2. Unlisted stock valued at ¥3,569 thousand was written down in the current consolidated fiscal year.

(3) Derivatives

1. Derivatives

Thousands of yen

FY 2003 April 1, 2002 to March 31, 2003	FY 2004 April 1, 2003 to March 31, 2004
(1) Derivative transactions The Company uses financial derivative transactions, which comprise forward foreign exchange contracts and interest rate swaps.	(1) Derivative transactions Same as on the left.
(2) Transaction policy The Company enters into forward foreign exchange contracts within the scope of foreign currency denominated assets and liabilities. The Company does not hold or issue financial derivative instruments for trading purposes.	(2) Transaction policy Same as on the left.
(3) Purpose of derivative transactions The Company uses forward foreign exchange contracts within the scope of foreign currency denominated assets and liabilities to hedge its exposure of exchange rate fluctuations on foreign currency denominated assets and liabilities.	(3) Purpose of derivative transactions Same as on the left.
(4) Transaction risk The Company considers that there is no significant risk upon maturity due to fluctuation foreign currency exchange.	(4) Transaction risk Same as on the left.
(5) Risk management The derivative transactions the Company enters into are executed and managed by the Finance and Accounting Department upon approval by the executive with approval authority. Transaction authority and position limits regarding execution and management of derivative transactions conform to the Company's internal regulation.	(5) Risk management Same as on the left.
(6) Supplementary information on notional principal amounts The forward foreign exchange contracts that are allocated to monetary claims and liabilities denominated in foreign currencies have fixed settlement values in yen and which as a result have been translated and reflected in the accompanying balance sheets are not subject to disclosure of fair value. Interest rate swap transactions that qualify for special accounting treatment are also not subject to disclosure.	(6) Supplementary information on notional principal amounts Same as on the left.

2. Market value of financial derivatives

Currency derivatives

Thousands of yen

Type	Derivative	As of March 31, 2003			
		Notional principal amount	Over one year	Fair value	Unrealized gain (loss)
OTC transactions	Forward foreign exchange				
	Sold				
	US$	53,958	-	53,899	(59)
	US$	665,733	-	597,307	(68,426)
	Total	719,692	-	651,206	(68,485)

Notes:

1. Fair value
   Fair value is based on quotations posted on the balance sheet date by counter party financial institutions etc.
2. Derivative transactions to which the hedge accounting method is applied are not included in the amounts above.

Interest rate derivatives

Thousands of yen

Type	Derivative	As of March 31, 2003			
		Notional principal amount	Over one year	Fair value	Unrealized gain (loss)
OTC transactions	Interest rate swaps				
	Receive/floating (Yen) and pay/fixed (Yen)	5,000,000	5,000,000	(135,225)	(135,225)
	Interest rate caps				
	Bought	1,000,000	1,000,000	4,122	4,122
	Total	6,000,000	6,000,000	(131,103)	(131,103)

Notes:

1. Fair value
   Fair value is based on quotations posted on the balance sheet date by counter party financial institutions etc.
2. Derivative transactions to which the hedge accounting method is applied are not included in the amounts above.

Currency derivatives

Thousands of yen

Type	Derivative	As of March 31, 2004			
		Notional principal amount	Over one year	Fair value	Unrealized gain (loss)
OTC transactions	Forward foreign exchange Sell US$	83,938	-	84,529	590
	Total	83,938	-	84,529	590

Notes:

1. Fair value

   Fair value is based on quotations posted on the balance sheet date by counter party financial institutions etc.

2. Derivative transactions to which the hedge accounting method is applied are not included in the amounts above.

Interest rate derivatives

Thousands of yen

Type	Derivative	As of March 31, 2004			
		Notional amount	Over one year	Fair value	Unrealized gain (loss)
OTC transactions	Interest rate swaps				
	Receive/ floating (yen) and pay/ fixed (yen)	5,000,000	5,000,000	(82,857)	(82,857)
	Receive/ fixed (yen) and pay/ floating (yen)	3,000,000	3,000,000	13,125	13,125
	Interest rate caps Bought	1,000,000	1,000,000	12,010	12,010
	Total	9,000,000	9,000,000	(57,721)	(57,721)

Notes:

1. Fair value

   Fair value is based on quotations posted on the balance sheet date by counter party financial institutions etc.

2. Derivative transactions to which the hedge accounting method is applied are not included in the amounts above.

(4) Retirement benefits

FY 2003 April 1, 2002 to March 31, 2003	FY 2004 April 1, 2003 to March 31, 2004
1.Retirement benefit plans The Company has a retirement benefit system, i.e., tax-qualified retirement benefit plan. Certain domestic consolidated subsidiaries offer the tax-qualified retirement plan, in addition to a lump-sum retirement plan. They also participate in a multi-company pension plan (welfare annuity fund) and the small enterprise mutual aid system for retirement fund (defined contribution plan).	1.Retirement benefit plans Same as on the left.
2.Retirement benefit liabilities The Company uses the simple method to calculate its retirement benefit liability. The retirement benefit reserve of ¥39,998 thousand represents a pension fund liability of ¥298,666 thousand less pension fund assets at fair value of ¥258,668 thousand.	2.Retirement benefit liabilities The Company uses the simple method to calculate its retirement benefit liability. The retirement benefit reserve of ¥36,447 thousand pre-paid pension expenses of ¥1,126 thousand (net ¥35,321 thousand) represents a pension fund liability of ¥305,112 thousand less pension fund assets at fair value of ¥269,790 thousand.
3.Retirement benefit expenses Service cost: ¥61,600 thousand In addition to the above, the Company has contributed¥16,297 thousand to a defined-contribution retirement benefit plan.	3.Retirement benefit expenses Service cost: ¥42,841 thousand In addition to the above, the Company has contributed ¥10,415 thousand to a defined-contribution retirement benefit plan.

(5) Tax-effect Accounting

FY 2003
April 1, 2002 to March 31, 2003

1. Significant components of deferred tax assets and liabilities:

Thousands of yen

Deferred tax assets	Current	Non-current
Provision of allowance for doubtful receivables In excess of tax-allowable maximum	3,071,584	61,162
Unrealized allowance for accrued bonuses In excess of tax-allowable maximum	60,730	-
Unrealized loss on re-measurement of merchandise inventory	72,428	-
Loss on allowance for employees retirement benefits In excess of tax-allowable maximum	-	18,159
Unrealized exchange loss	-	21,423
Unrealized loss on revaluation of golf club memberships	-	70,714
Loss on revaluation of Other Securities Difference	-	112,350
Amortization of goodwill in excess of tax-allowable maximum	-	347,095
Loss carry-forward	596,286	158,585
Others	13,637	15,455
Deferred tax assets – Subtotal	3,814,666	804,946
Valuation reserve	(3,071,584)	(223,708)
Deferred tax assets – Total	743,081	581,237

2. Significant components of the difference between the statutory and effective tax rates

Statutory tax rate	42.1%
(Adjustments)	
Entertainment expenses and other not to be included in expenses indefinitely	(1.5)
Per capital resident tax	(0.5)
Deficit at subsidiary not applying tax-effect accounting	(1.7)
Differences in tax rates with subsidiaries	0.5
Valuation reserve	(56.5)
Other	2.5
Effective tax rate	(15.1)

FY 2004
April 1, 2003 to March 31, 2004

1. Significant components of deferred tax assets and liabilities:

Thousands of yen

Deferred tax assets	Current	Non-current
Provision of allowance for doubtful receivables In excess of tax-allowable maximum	570,848	34,735
Unrealized allowance for accrued bonuses	61,605	-
Unrealized allowance for possible loss on investments	991,633	311,693
Unrealized loss on re-measurement of merchandise inventory	129,609	-
Unrealized provision of allowance for employees retirement benefits	-	17,337
Unrealized provision of allowance for officers' severance benefits	-	56,064
Unrealized loss on revaluation of golf club memberships	-	34,847
Loss on revaluation of Other Securities	-	59,721
Amortization of goodwill in excess of tax-allowable maximum	-	231,396
Loss carry-forward	18,625	1,227,018
Others	34,079	7,867
Deferred tax assets – Subtotal	1,806,402	1,980,680
Valuation reserve	(559,456)	(759,253)
Deferred tax assets – Total	1,246,945	1,221,427

2. Significant components of the difference between the statutory and effective tax rates

Statutory tax rate	42.1%
(Adjustments)	
Entertainment expenses and other not to be included in expenses indefinitely	(3.5)
Per capital resident tax	(2.4)
Deficit at subsidiary not applying tax-effect accounting	(14.1)
Differences in tax rates with subsidiaries	3.5
Valuation reserve	82.7
Other	(2.9)
Effective tax rate	105.4

FY 2003 April 1, 2002 to March 31, 2003	FY 2004 April 1, 2003 to March 31, 2004
3. The statutory tax rate employed for calculating deferred tax assets and liabilities for the current year was changed from 42.1% applied in the previous year to 40.5% (only for items to be realized after January 1, 2005) in compliance with the Partial Revision of the Local Finance Act (Law No. 9 of 2003) that became effective on March 31, 2003. The effect of this change was to decrease deferred tax assets by ¥21,772 thousand, increase income tax-deferred by ¥17,304 thousand and increase unrealized gain on securities by ¥4,467 thousand, compared to the amounts that would have been reported if the previous method had been applied consistently.	3.

(6) Segment information

[Operating segment information]

FY 2003 (April 1, 2002 to March 31, 2003)

The operating segment information is not presented since the Vitec Group operates principally in a single business sector generally described as electronic components trading and the net sales and operating income of the principal business segment exceeded 90% of the aggregate net sales and operating income, respectively.

FY 2004 (April 1, 2003 to March 31, 2004)

The operating segment information is not presented since the Vitec Group operates principally in a single business sector generally described as electronic components trading and the net sales and operating income of the principal business segment exceeded 90% of the aggregate net sales and operating income, respectively.

[Geographical segment information]

Geographical segment information (two-year summary)

FY 2003 (April 1, 2002 to March 31, 2003)

Thousands of yen

	Japan	Asia	Total	Eliminations or Corporate	Consolidated
Ⅰ Sales and operating income or loss					
Total net sales					
(1) Sales to third parties	83,057,215	17,998,163	101,055,379	-	101,055,379
(2) Inter-segment	4,209,910	2,465,456	6,675,367	(6,675,367)	-
Total	87,267,126	20,463,620	107,730,746	(6,675,367)	101,055,379
Operating expenses	86,384,758	20,314,422	106,699,181	(6,686,297)	100,012,883
Operating income	882,367	149,197	1,031,564	10,930	1,042,495
Ⅱ Assets	39,472,407	10,258,274	49,730,681	(2,113,654)	47,617,027

Notes:

1. Countries and regions are classified according to geographical proximity.
2. Countries and regions outside Japan are broken down into the following geographical areas:
   Asia: East Asia, Southeast Asian countries

FY 2004 (April 1, 2003 to March 31, 2004)

Thousands of yen

	Japan	Asia	Total	Eliminations or Corporate	Consolidated
Ⅰ Sales and operating income or loss					
Total net sales					
(1) Sales to third parties	110,334,247	19,951,218	130,285,465	—	130,285,465
(2) Inter-segment	3,557,666	1,902,646	5,460,312	(5,460,312)	—
Total	113,891,914	21,853,864	135,745,778	(5,460,312)	130,285,465
Operating expenses	112,135,509	21,598,360	133,733,869	(5,462,560)	128,271,308
Operating income	1,756,404	255,504	2,011,909	2,247	2,014,157
Ⅱ Assets	39,758,640	7,182,364	46,941,004	(5,870,096)	41,070,908

Notes:

1. Countries and regions are classified according to geographical proximity.
2. Countries and regions outside Japan are broken down into the following geographical areas:
   Asia: East Asia, Southeast Asian countries

[Overseas sales]

Overseas sales as a percentage of consolidated net sales (Two-year summary)

FY 2003 (April 1, 2002 to March 31, 2003)

Thousands of yen

	Asia	Other areas	Total
I. Overseas sales	16,949,064	1,111,662	18,060,726
II. Consolidated sales	-	—	101,055,379
III. Share of consolidated sales in total sales (%)	16.8	1.1	17.9

Notes:

1. Countries and regions are classified according to geographical proximity.
2. Countries and regions outside Japan are broken down into the following geographical areas:
   Asia: East Asia, Southeast Asian countries
   Other areas: U. S. A., etc.
3. Overseas sales represent sales of the Company and its consolidated subsidiaries in countries and regions outside Japan.

FY 2004 (April 1, 2003 to March 31, 2004)

Thousands of yen

	Asia	Other areas	Total
I. Overseas sales	20,634,844	670,613	21,305,457
II. Consolidated sales	—	—	130,285,465
III. Share of consolidated sales in total sales (%)	15.9	0.5	16.4

Notes:

1. Countries and regions are classified according to geographical proximity.
2. Countries and regions outside Japan are broken down into the following geographical areas:
   Asia: East Asia, Southeast Asian countries
   Other areas: U. S. A., etc.
3. Overseas sales represent sales of the Company and its consolidated subsidiaries in countries and regions outside Japan.

(7) Affiliated party transactions

FY 2003 (April 1, 2002 to March 31, 2003)

(1) Parent company, major corporate shareholders, etc.:

Thousands of Yen

Type of affiliated party	Name of related company	Address	Capital or investment in capital	Principal business	Equity ownership percentage by the Company (affiliated party)	Relationship		Transaction details	Transaction amount	Account	Resulting account balances
						Joint directors	Business relationship				
Major shareholder (company etc.)	Sony Corporation	Shinagawa-ku, Tokyo	476,277	Manufacturing and marketing of audio and video devices	Own Direct 0.0 Owned Direct 11.3 Indirect -	Joint: 1	Exclusive sales agency agreement for Sony electronic components	Purchase of electronic components	59,594,058	Accounts payable Notes payable - trade	13,436,789 962,016
								Note 2: Sales of Electronic components	34,073	Accounts receivable Notes receivable - trade	6,724 —

Transactions and the method of determining terms of transactions

Notes

1. The above transaction amounts are inclusive of consumption taxes but resulting account balances are exclusive of consumption taxes.
2. The terms and conditions of the above transactions are the same as those of the arm's-length transactions (The purchase price is decided based on the market price)

2) Directors and major individual shareholders

No reportable information

3) Subsidiaries etc.

No reportable information.

4) Sister companies etc.

Thousands of Yen

Type of affiliated party	Name of related company	Address	Capital or investment in capital	Principal business	Equity ownership percentage by the Company (affiliated party)	Relationship		Transaction details	Transaction amount	Account	Resulting account balances
						Joint directors	Business relationship				
Major shareholder (companies etc.) holding a majority of voting rights (including subsidiaries of such firms)	Sony Trading International Corporation	Shinagawa-ku, Tokyo	550	Digital electronic component trader	None	—	Sale of products	Sale of electronic components Note: 2	275,030	Accounts receivable Notes receivable - trade	21,221 14,136
	Sony EMCS Corp.	Shinagawa-ku, Tokyo	6,741	Manufacture of IT devices	None	—	Sale of products	Sale of electronic components Note: 2	3,912,613	Accounts receivable Notes receivable - trade	414,266 96,575

Transactions and the method of determining terms of transactions

Notes

1. The above transaction amounts are inclusive of consumption taxes but resulting account balances are exclusive of consumption taxes.
2. The terms and conditions for the purchase of electronic components are the same as those of the arm's-length transactions (The purchase price is decided based on the market price)
3. Transactions with Sony Components Corporation reported as a separate line item in the previous fiscal year, are not presented since the company merged with Sony EMCS Corp. on October 1, 2002.

FY 2004 (April 1, 2003 to March 31, 2004)

(1) Parent company, major corporate shareholders, etc.

Thousands of Yen

Type of affiliated party	Name of related company	Address	Capital or investment in capital	Principal business	Equity ownership percentage by the Company (affiliated party)	Relationship		Transaction details	Transaction amount	Account	Resulting account blances
						Joint directors	Business relationship				
Major shareholder (company etc.)	Sony Corporation	Shinagawa-ku, Tokyo	480,266	Manufacturing and marketing of audio and video devices	Own Direct 0.0 Owned Direct 11.3 Indirect -	Joint: 1	Exclusive sales agency agreement for Sony electronic components	Purchase of electronic components Note 2: Sales of Electronic components	84,456,765 47,583	Accounts receivable Notes receivable - trade Accounts payable Notes payable - trade	8,960,730 952,322 4,634 -

Transactions and the method of determining terms of transactions

Notes

1. The above transaction amounts are inclusive of consumption taxes but resulting account balances are exclusive of consumption taxes.
2. The terms and conditions of the above transactions are the same as those of the arm's-length transactions (The purchase price is decided based on the market price)

(2) Directors, major individual shareholders etc.

Thousands of Yen

Type of affiliated party	Name of related company	Address	Capital or investment in capital	Principal business	Equity ownership percentage by the Company (affiliated party)	Relationship		Transaction details	Transaction amount	Account	Resulting account blances
						Joint directors	Business relationship				
Director	Motoyasu Ishido	-	-	Vitec Director	(owned) 0.1	-	-	Monetary loans Interest receivable	- 99	Long-term loans receivable (period-end balance)	7,062
	Akihiko Iida	-	-	Vitec Director	(Owned) 0.1	-	-	Monetary loans Interest receivable	- 161	Long-term loans receivable (period-end balance)	11,655

Transactions and the method of determining terms of transactions

Note: The interest rate is decided based on market interest rates.

(3) Subsidiaries etc.

No reportable information.

(4) Sister companies etc.

Thousands of Yen

Type of affiliated party	Name of related company	Address	Capital or investment in capital	Principal business	Equity ownership percentage by the Company (affiliated party)	Relationship		Transaction details	Transaction amount	Account	Resulting account blances
						Joint directors	Business relationship				
Major shareholder (companies etc.) holding a majority of voting rights (including subsidiaries of such firms)	Sony Trading Internati-onal Corporat-ion	Shinagawa-ku, Tokyo	1,550	Logistics services and import/ex-port forwarding services	None	-	Supply of products	Supply of electronic components Note: 2	517,405	Accounts payable Notes payable - trade	107,976 -
	Sony EMCS Corp.	Shinagawa-ku, Tokyo	6,741	Manufact-ure of IT devices	None	-	Supply of products	Supply of electronic components Note: 2	3,654,842	Accounts payable Notes payable - trade	268,706 -

Transactions and the method of determining terms of transactions

Notes

1. The above transaction amounts are inclusive of consumption taxes but resulting account balances are exclusive of consumption taxes.
2. The terms and conditions for the purchase of electronic components are the same as those of the arm's-length transactions (The purchase price is decided based on the market price)
3. Sony Trading International Corporation (transactions presented separately in the previous fiscal year) on April 1, 2003 merged with Sony Logistics Corp. and was renamed Sony Supply Chain Solutions, Inc.

(Per-share information)

Yen

	FY 2003 April 1, 2002 to March 31, 2003	FY 2004 April 1, 2003 to March 31, 2004
Shareholders' equity per share Net income (loss) per share Diluted net income per share	289.23 (275.37) - Diluted net income per share is not presented since the Company reported a loss. Effective from the current year, the Company adopted the new accounting standards for earnings per share ASBJ Accounting Standard No. 2: "Accounting Standards for Earnings Per Share" and ASBJ Accounting Standard Implementation Guidance No. 4: "Implementation Guidance on Accounting Standard for Earnings Per Share." The effect of this change is insignificant.	482.10 (191.40) 144.43

Note: The following is a reconciliation of basic net income per share to diluted net income per share.

	FY 2003 April 1, 2002 to March 31, 2003	FY 2004 April 1, 2003 to March 31, 2004
Net income/(loss) per share		
Net income/(loss) (thousands of yen)	(3,246,340)	2,253,149
Net income/(loss) not available to common shareholders thousands of yen)	-	-
Net income available to common stock (thousands of yen)	(3,246,340)	2,253,149
Average number of shares outstanding (shares)	11,788,631	11,771,358
Diluted net income per share		
Adjustments to net income (thousands of yen)	-	6,426
[of which interest (Net of taxes)]	[-]	[6,426]
Increase in number of common shares (shares)	-	3,873,089
[of which convertible bonds]	[-]	[3,873,089]
Summary of potential stock not included in the calculation of "diluted net income per share" since there was no dilutive effect.	Convertible bond: One issue (Aggregate par value: ¥4,956 million) New stock acquisition rights: Two issues	New stock acquisition rights: Two issues

Subsequent events

FY 2003 (April 1, 2002 to March 31, 2003)

No reportable information

FY 2004 (April 1, 2003 to March 31, 2004)

No reportable information

5. Production, Orders Received and Net Sales

(1) Production

Production by operating segment in the current consolidated fiscal year is as follows:

Thousands of yen

Operating segment	FY 2004 April 1, 2003 to March 31, 2004	Year-on-year Change (%)
Composite Business	3,016,917	43.3

Note: The above amounts do not include consumption taxes.

(2) Orders received

Orders received and the order backlog by operating segment for the current consolidated fiscal year is as follows:

Thousands of yen

Operating segment	Orders received	YoY change (%)	Order Backlog	YoY change (%)
Composite Business	3,386,769	53.6	934,572	528.9

Note: The above amounts do not include consumption taxes.

(3) Procurement

Procurement by operating segment for the current consolidated fiscal year is as follows:

Thousands of yen

Operating Segment	FY 2004 April 1, 2003 to March 31, 2004	Year-on-year change (%)
Electronic Devices Business	108,184,722	134.2
Composite Business	13,955,623	112.3
Support Business	1,404,529	167.8
Total	123,544,875	131.6

Note: The above amounts do not include consumption taxes.

(4) Net sales

Net sales by operating segment for the current consolidated fiscal year is as follows:

Thousands of yen

Operating Segment	FY 2004 April 1, 2003 to March 31, 2004	Year-on-year change (%)
Electronic Devices Business	114,634,822	130.9
Composite Business	14,626,522	114.3
Support Business	1,024,120	143.3
Total	130,285,465	128.9

Note: The above amounts do not include consumption taxes.

Note: This is a translation of Japanese kessan Tanshin (including attachments), a summary of financial statements prepared in accordance with accounting principles generally accepted in Japan. This translation is prepared and provided for the purpose of the reader's convenience. All readers are recommended to refer to the original version in Japanese of the report for complete information.