

## Financial Section

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## Five-Year Summary

MARUWA CO., LTD. and consolidated subsidiaries  
For years ended 31st March 2000, 2001, 2002, 2003 and 2004

	Millions of yen					Thousands of U.S. dollars
	For year ended 31st March					For year ended 31st March
	2000	2001	2002	2003	2004	2004
<b>For the year</b>						
Net sales .....	¥12,168	¥16,100	¥9,933	¥10,337	<b>¥12,003</b>	<b>\$113,568</b>
Operating income (loss) .....	1,796	3,633	(1,200)	307	<b>686</b>	<b>6,491</b>
Income (loss) before income taxes .....	1,540	3,572	(1,288)	233	<b>711</b>	<b>6,727</b>
Net income (loss) .....	913	2,632	(1,239)	105	<b>475</b>	<b>4,494</b>
<b>At year-end</b>						
Total shareholders' equity .....	20,983	24,797	24,246	23,488	<b>23,429</b>	<b>221,677</b>
Total assets.....	23,941	30,943	26,730	26,880	<b>26,664</b>	<b>252,285</b>
	Yen					U.S. dollars
<b>Per share amounts</b>						
Net income (loss) .....	¥90.88	¥261.42	(¥112.70)	¥8.99	<b>¥42.67</b>	<b>\$0.40</b>
Cash dividends .....	12.00	12.00	14.00	14.00	<b>14.00</b>	<b>0.13</b>

### Increased revenue and profit for the second consecutive year

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Net sales for the fiscal year ended 31st March 2004 were ¥12,003 million, an increase of ¥1,666 million (16.1%) from the previous fiscal year. In the first quarter, transition costs associated with the acquisition of former Tokyo Fine Glass Co., Ltd. in March 2003 to form a wholly owned subsidiary MARUWA TFG Co., Ltd. in June 2003 impacted our financial base. The subsidiary, however, returned to the black in the second quarter and has been a contributor of profit

thereafter. An uplift in the market primarily in the digital equipment sector since the third quarter, combined with effective internal reform efforts, led MARUWA to post ¥686 million in operating income, an increase of ¥379 million (123.5%) from the previous fiscal year. Net income for the fiscal year was ¥475 million, an increase of ¥370 million (352.4%) from the previous fiscal year.

### Revenue conditions reflecting enhanced management efficiency and effective M&A results

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During the fiscal year ended 31st March 2004, MARUWA pursued an operating strategy aimed at strengthening sales, production and development on the whole and succeeded in enhancing its core material technology on a company-wide basis. Moreover, concentration in improving yield, reducing lead time, as well as reconstructing a development system (linked directly to market needs) and a flexible material production system led the Company to post net sales of ¥12,003 million, an increase of 16.1 % from the previous fiscal year. Net sales by product were: Circuit Ceramics at ¥5,433 million (percentage of consolidated net sales: 45.3%), an increase of 16.0% from the previous year; Machinery Ceramics at ¥2,708 million (percentage of consolidated net sales: 22.6%), an increase of 110.7% from the previous year; Radio Frequency Products at ¥988 million (percentage of consolidated net sales: 8.2%), a decrease of 22.1% from the previous year; and EMC Components Products at ¥2,874 million (percentage of consolidated net sales: 23.9%), a decrease of 7.4% from the previous year. The prominent percentage surge of Machinery Ceramics in overall net sales was a result of notable contribution by MARUWA TFG, a consolidated subsidiary established in fiscal 2003, and the percentage of consolidated net sales rose accordingly by 10.2%.

Gross profit for the fiscal year increased 27.5% to ¥2,981 million, supported by expansion in net sales. Gross profit

margin improved 2.2% to 24.8%, which was a result of improvement in productivity supported primarily by recovery in loss-incurring divisions, reduction in material costs and streamlining of production lines.

While selling, general and administrative (SG&A) expenses included increased costs associated with the new consolidated subsidiary MARUWA TFG as well as with R&D, we made efforts to contain personnel expenses and other fixed costs over our revenue growth rate. Consequently, MARUWA posted a total of ¥2,295 million in SG&A expenses, an increase of 13.0% from the previous fiscal year. The percentage of SG&A expenses to net sales decreased 0.5% to 19.1%. As a result, operating income for the fiscal year under review was ¥686 million, an increase of 123.5% from the previous fiscal year.

Other income on a net basis was impacted by loss on disposal of inventories worth ¥100 million and loss from valuation of inventories worth ¥56 million. However, income of ¥354 million, including a ¥119 million amortisation of consolidating adjustment account (associated with the consolidated subsidiary MARUWA TFG established in fiscal 2003) resulted in an increase of ¥25 million.

Consequently, income before income taxes for the fiscal year was ¥711 million, while net income after taxes (including corporate tax, inhabitant tax and enterprise tax) was ¥475 million, an increase of 352.4% from the previous fiscal year.

### Strengthened financial structure reflected on various financial indices

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Total assets as at the end of the fiscal term decreased by ¥216 million to ¥26,664 million. By category, cash and deposits rose ¥911 million to ¥6,202 million, which reflects the gradual effects of our commitment in pursuing a company-wide management style of focusing on consolidated cash flows. While the result in one perspective is a reflection of the high level of retained earnings relative to the size of our business, our immediate objective lies in being able to readily respond to market needs. Hence, we find it important for us to pursue effective use of M&A strategies while maintaining highly

maneuverable operative conditions. Trade notes and accounts receivable increased ¥491 million, supported by strong business results, while the receivables turnover ratio improved from 31.4% to 31.2%. Inventories decreased ¥567 million to ¥3,280 million as a result of proactive reductions of inventory assets, including a loss of ¥100 million on disposal of inventories and ¥56 million in loss from valuation of inventories. Consequently, total current assets rose 6.8% from the previous fiscal year to ¥13,554 million.

Total fixed assets declined ¥1,074 million to ¥13,110 million partly due to the decrease of ¥1,202 million in net property, plant and equipment. With an aim at gaining maximum amount of cash on minimal level of assets, we focused on renewing existing facilities to enhance operating efficiency. As a result, depreciation of ¥1,466 million exceeded capital expenditure of ¥742 million, which led to the decline in net property, plant and equipment.

Meanwhile, ratio of current liabilities to total liabilities rose 5.2% from the previous fiscal year. Current liabilities totaled ¥2,030 million as a consequence primarily of an increase of ¥181 million in trade notes and accounts payable in conjunction with the increase in procurement. Long-term liabilities amounted to ¥1,205 million as a result of amortisation

of ¥119 million to consolidating adjustment account and a decrease of ¥148 million in long-term debt. Interest-bearing debts declined to ¥630 million from ¥782 million in the previous fiscal year. As a result, debt-equity ratio dropped from 3.3% in the previous fiscal year to 2.7%, reflecting a stronger financial structure.

Consequently, total liabilities decreased 4.6% or ¥157 million to ¥3,235 million.

Shareholders' equity was down ¥59 million to ¥23,429 million compared to the previous year's ¥23,488 million, due to negative ¥1,215 million in foreign currency translation adjustment and ¥303 million in treasury stocks. As a result, the equity ratio was 87.9% as of 31st March 2004.

### Increase in free cash flow

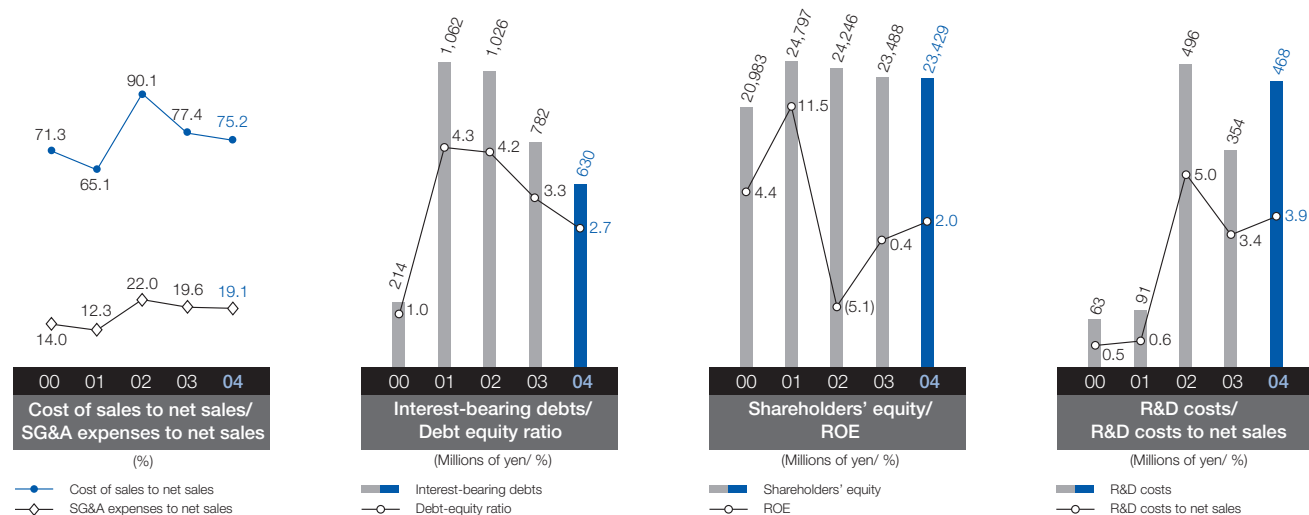
Net cash provided by operating activities rose ¥211 million from the previous fiscal year to ¥2,102 million. Income before income taxes was ¥711 million, up ¥478 million from the previous fiscal year. Cash from the reduction of inventories was ¥477 million, a year-on-year increase of ¥523 million. Depreciation cost was up ¥6 million from the previous fiscal year to ¥1,466 million. Consolidation of a new subsidiary MARUWA TFG caused an increase in trade notes and accounts receivable, which resulted in a decrease of ¥295 million in cash. With the receipt of tax refunds, income taxes (previously paid) posted a positive ¥119 million in fiscal 2003. However, they turned to a negative ¥100 million for this fiscal term.

Net cash used in investing activities totaled ¥708 million, a decrease of ¥338 million from the previous year's ¥1,046 million which included the purchase of shares of the subsidiaries worth ¥137 million. Payments for purchase of

property, plant and equipment, primarily including renewal of facilities and metal molds at home and abroad, totaled ¥733 million, a decrease of ¥50 million from the previous fiscal year. Meanwhile, sales of investment securities resulted in a cash increase of ¥133 million.

Consequently, free cash flow increased 65.0% from the previous year's ¥845 million to ¥1,394 million.

Net cash used in financing activities amounted to ¥407 million, down ¥606 million from the prior year's ¥1,013 million in total, which included payments of long-term debt worth ¥858 million in conjunction with the consolidation of a new subsidiary. The breakdown of payments for the fiscal year 2004 shows ¥101 million paid in purchase of treasury stocks, ¥152 million in repayment of long-term debt and ¥154 million in cash dividends paid. As a result, the balance of cash and cash equivalents at the end of March 2004 was ¥6,202 million, an increase of ¥911 million from the previous fiscal year.



# Consolidated Balance Sheets

MARUWA CO., LTD. and consolidated subsidiaries

As of 31st March 2003 and 2004

	Millions of yen		Thousands of
	As of 31st March		U.S. dollars
	2003	2004	As of 31st March
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and deposits .....	¥5,291	¥6,202	\$58,681
Trade notes and accounts receivable .....	3,249	3,740	35,387
Inventories (Note 5) .....	3,847	3,280	31,034
Deferred tax assets (Note 10) .....	43	81	766
Other current assets .....	268	252	2,384
Allowance for doubtful accounts .....	(2)	(1)	(9)
Total current assets .....	12,696	13,554	128,243
<b>Property, plant and equipment (Note 7):</b>			
Land .....	2,541	2,548	24,108
Buildings and structures .....	5,772	5,634	53,307
Machinery and equipment .....	9,831	9,115	86,243
Other .....	2,424	2,508	23,730
Construction in progress.....	128	152	1,438
Total.....	20,696	19,957	188,826
Less—Accumulated depreciation .....	(8,784)	(9,247)	(87,492)
Net property, plant and equipment .....	11,912	10,710	101,334
<b>Investments and other assets:</b>			
Investment securities (Notes 4, 7 and 8).....	661	662	6,263
Deferred tax assets (Note 10) .....	26	244	2,309
Property and equipment for investments.....	1,016	996	9,424
Other .....	569	498	4,712
Total investments and other assets.....	2,272	2,400	22,708
Total assets .....	¥26,880	¥26,664	\$252,285

The accompanying notes are an integral part of these financial statements.

	Millions of yen		Thousands of
	As of 31st March		U.S. dollars
	2003	2004	As of 31st March
			2004
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Trade notes and accounts payable.....	¥489	¥670	\$6,339
Current portion of long-term debt (Notes 6 and 7) .....	152	148	1,400
Accrued income taxes .....	54	88	833
Accrued bonus.....	136	137	1,296
Stock purchase warrants (Note 11).....	11	11	104
Notes payable for property acquisitions .....	341	328	3,104
Other current liabilities .....	768	648	6,131
Total current liabilities.....	1,951	2,030	19,207
<b>Long-term liabilities:</b>			
Long-term debt (Notes 6 and 7).....	630	482	4,561
Accrued retirement benefits (Note 17) .....	139	176	1,665
Consolidating adjustment account (negative goodwill) .....	596	477	4,513
Other .....	76	70	662
Total long-term liabilities .....	1,441	1,205	11,401
<b>Shareholders' equity (Note 11):</b>			
Common stock, no par value; authorised: 26,000,000 shares; issued and outstanding: 11,050,000 shares in 2003 and 2004 .....	6,683	6,683	63,232
Capital surplus .....	9,710	9,710	91,873
Retained earnings .....	7,748	8,516	80,575
Net unrealised gains (losses) on other securities.....	(7)	38	360
Foreign currency translation adjustment .....	(444)	(1,215)	(11,496)
Treasury stock, at cost—57,126 shares in 2003 and 125,800 shares in 2004.....	(202)	(303)	(2,867)
Total shareholders' equity .....	23,488	23,429	221,677
Total liabilities and shareholders' equity .....	¥26,880	¥26,664	\$252,285

# Consolidated Statements of Operations

MARUWA CO., LTD. and consolidated subsidiaries

For years ended 31st March 2002, 2003 and 2004

	Millions of yen			Thousands of U.S. dollars
	For year ended 31st March			For year ended 31st March
	2002	2003	2004	2004
<b>Net sales</b> (Note 18) .....	¥9,933	¥10,337	<b>¥12,003</b>	<b>\$113,568</b>
<b>Cost of sales</b> .....	8,946	7,999	<b>9,022</b>	<b>85,363</b>
Gross profit .....	987	2,338	<b>2,981</b>	<b>28,205</b>
<b>Selling, general and administrative expenses</b> (Notes 14 and 15).....	2,187	2,031	<b>2,295</b>	<b>21,714</b>
Operating (loss) income .....	(1,200)	307	<b>686</b>	<b>6,491</b>
<b>Other income (expenses):</b>				
Interest and dividend income .....	114	6	<b>13</b>	<b>123</b>
Interest expenses .....	(17)	(15)	<b>(13)</b>	<b>(123)</b>
Foreign exchange gain (loss), net .....	49	(56)	<b>31</b>	<b>293</b>
Other, net .....	(234)	(9)	<b>(6)</b>	<b>(57)</b>
Other income, net .....	(88)	(74)	<b>25</b>	<b>236</b>
(Loss) income before income taxes .....	(1,288)	233	<b>711</b>	<b>6,727</b>
<b>Income tax expenses (benefits)</b> (Note 10):				
Current .....	16	48	<b>112</b>	<b>1,060</b>
Deferred .....	(65)	80	<b>124</b>	<b>1,173</b>
	(49)	128	<b>236</b>	<b>2,233</b>
Net (loss) income.....	<b>(¥1,239)</b>	<b>¥105</b>	<b>¥475</b>	<b>\$4,494</b>
			Yen	U.S. dollars
<b>Net (loss) income per share:</b>				
Basic .....	(¥112.70)	¥8.99	<b>¥42.67</b>	<b>\$0.40</b>
Diluted.....	—	¥8.98	<b>¥42.67</b>	<b>\$0.40</b>
<b>Cash dividends per share</b> .....	<b>¥14.00</b>	<b>¥14.00</b>	<b>¥14.00</b>	<b>\$0.13</b>

The accompanying notes are an integral part of these financial statements.

# Consolidated Statements of Shareholders' Equity

MARUWA CO., LTD. and consolidated subsidiaries

For years ended 31st March 2002, 2003 and 2004

	Number of shares of common stock (Thousands)	Millions of yen						
		Common stock	Capital surplus	Retained earnings	Net unrealised gains (losses) on other securities	Foreign currency translation adjustment	Treasury stock	Total shareholders' equity
<b>Balance at 31st March 2001</b> .....	11,050	¥6,683	¥9,710	¥9,186	¥79	(¥659)	(¥202)	¥24,797
Net loss .....				(1,239)				(1,239)
Cash dividends .....				(143)				(143)
Change in net unrealised gains on other securities.....					7			7
Translation adjustments.....						830		830
Directors' and corporate auditors' bonuses...				(7)				(7)
Changes in treasury stock .....							1	1
<b>Balance at 31st March 2002</b> .....	11,050	6,683	9,710	7,797	86	171	(201)	24,246
Net income .....				105				105
Cash dividends .....				(154)				(154)
Change in net unrealised losses on other securities.....					(93)			(93)
Translation adjustments.....						(615)		(615)
Changes in treasury stock .....							(1)	(1)
<b>Balance at 31st March 2003</b> .....	11,050	6,683	9,710	7,748	(7)	(444)	(202)	23,488
Cumulative effect on change of deferred income tax accounting adopted by overseas consolidated subsidiary.....				453				453
Net income .....				475				475
Cash dividends .....				(154)				(154)
Directors' bonus.....				(6)				(6)
Change in net unrealised gains on other securities.....					45			45
Translation adjustments.....						(771)		(771)
Changes in treasury stock .....							(101)	(101)
<b>Balance at 31st March 2004</b> .....	<b>11,050</b>	<b>¥6,683</b>	<b>¥9,710</b>	<b>¥8,516</b>	<b>¥38</b>	<b>(¥1,215)</b>	<b>(¥303)</b>	<b>¥23,429</b>

	Thousands of U.S. dollars						
	Common stock	Capital surplus	Retained earnings	Net unrealised gains (losses) on other securities	Foreign currency translation adjustment	Treasury stock	Total shareholders' equity
<b>Balance at 31st March 2003</b> .....	\$63,232	\$91,873	\$73,308	(\$66)	(\$4,201)	(\$1,911)	\$222,235
Cumulative effect on change of deferred income tax accounting adopted by overseas consolidated subsidiary .....			4,286				4,286
Net income .....			4,495				4,495
Cash dividends .....			(1,457)				(1,457)
Directors' bonus .....			(57)				(57)
Change in net unrealised gains on other securities.....				426			426
Translation adjustments .....					(7,295)		(7,295)
Changes in treasury stock .....						(956)	(956)
<b>Balance at 31st March 2004</b> .....	<b>\$63,232</b>	<b>\$91,873</b>	<b>\$80,575</b>	<b>\$360</b>	<b>(\$11,496)</b>	<b>(\$2,867)</b>	<b>\$221,677</b>

The accompanying notes are an integral part of these financial statements.

# Consolidated Statements of Cash Flows

MARUWA CO., LTD. and consolidated subsidiaries

For years ended 31st March 2002, 2003 and 2004

	Millions of yen			Thousands of U.S. dollars
	For year ended 31st March			For year ended 31st March
	2002	2003	2004	2004
<b>Cash flows from operating activities:</b>				
(Loss) income before income taxes .....	(¥1,288)	¥233	¥711	\$6,727
Adjustments for:				
Depreciation .....	1,540	1,460	1,466	13,871
Amortisation of consolidated adjustment account (negative goodwill) ...	—	—	(119)	(1,126)
Decrease in allowance for doubtful accounts .....	(31)	(13)	(20)	(189)
(Decrease) increase in accrued pension and severance costs .....	(7)	28	36	341
Loss on disposal of property, plant and equipment .....	47	82	51	482
Interest and dividend income .....	(114)	(6)	(13)	(123)
Foreign exchange (gain) loss.....	(59)	43	7	66
Write-down of investment securities .....	27	9	—	—
Decrease (increase) in trade notes and accounts receivable.....	1,610	(310)	(605)	(5,724)
Decrease (increase) in inventories.....	470	(46)	477	4,513
(Decrease) increase in trade accounts payable .....	(916)	(66)	207	1,959
Other.....	(281)	367	(6)	(57)
Sub-total .....	998	1,781	2,192	20,740
Interest and dividend income received.....	114	6	12	113
Interest expenses paid.....	(21)	(15)	(2)	(19)
Income taxes (paid) refunded .....	(860)	119	(100)	(946)
Net cash provided by operating activities .....	231	1,891	2,102	19,888
<b>Cash flows from investing activities:</b>				
Payments for purchase of property, plant and equipment .....	(3,729)	(783)	(733)	(6,935)
Proceeds from sales of property, plant and equipment .....	84	88	38	360
Payments for purchase of investment securities .....	(172)	(267)	(41)	(388)
Proceeds from sales of investment securities .....	118	—	133	1,258
Acquisition of new consolidated subsidiary (Note 3).....	—	(55)	—	—
Payments for loans made .....	(60)	—	—	—
Collection of loan receivables .....	62	—	1	9
Increase in intangible fixed assets .....	(89)	(33)	(109)	(1,031)
Other .....	—	4	3	28
Net cash used in investing activities.....	(3,786)	(1,046)	(708)	(6,699)
<b>Cash flows from financing activities:</b>				
Issuance of long-term debt.....	164	—	—	—
Payments of long-term debt .....	(200)	(858)	(152)	(1,438)
Cash dividends paid .....	(144)	(154)	(154)	(1,457)
Purchase of treasury stock .....	(1)	(1)	(101)	(956)
Sales of treasury stock .....	1	—	—	—
Net cash used in financing activities .....	(180)	(1,013)	(407)	(3,851)
<b>Effect of exchange rate changes on cash and cash equivalents .....</b>	<b>(27)</b>	<b>(33)</b>	<b>(76)</b>	<b>(719)</b>
<b>Net (decrease) increase in cash and cash equivalents.....</b>	<b>(3,762)</b>	<b>(201)</b>	<b>911</b>	<b>8,619</b>
<b>Cash and cash equivalents at beginning of year.....</b>	<b>9,254</b>	<b>5,492</b>	<b>5,291</b>	<b>50,062</b>
<b>Cash and cash equivalents at end of year (Note 3).....</b>	<b>¥5,492</b>	<b>¥5,291</b>	<b>¥6,202</b>	<b>\$58,681</b>

The accompanying notes are an integral part of these financial statements.

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## 1. Basis of presentation of consolidated financial statements:

The accompanying consolidated financial statements have been prepared based on the accounts maintained by MARUWA CO., LTD. (the Company) and its consolidated subsidiaries (collectively, "MARUWA") in accordance with the provisions set forth in the Commercial Code of Japan and the Securities and Exchange Law of Japan, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Accounting Standards.

Certain items presented in the consolidated financial statements submitted to the Director of Kanto Finance

Bureau in Japan have been reclassified in these accounts for the convenience of readers outside Japan.

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥105.69 = U.S.\$1, the rate of exchange on 31st March 2004 has been used for translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realised or settled in U.S. dollars at this or any other rate. Therefore, amounts in U.S. dollars have not been audited.

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## 2. Summary of significant accounting policies:

### *Consolidation*

The consolidated financial statements include the accounts of the Company and its significant subsidiaries (four subsidiaries in 2002 and five subsidiaries in 2003 and 2004). Differences between the acquisition cost of investment in subsidiaries and the underlying equity in their net assets adjusted based on the fair value at the time of acquisition are deferred and amortised over five years. The Company acquired the whole voting interest of a certain new consolidated subsidiary at 31st March 2003, and has amortised consolidating adjustment account (negative goodwill) from the year ended 31st March 2004. Amortisation in the amount of ¥119 million (\$1,126 thousand) is included in other income in the accompanying consolidated statements of operations for the year ended 31st March 2004. The Company consolidated the balance sheet of the new consolidated subsidiary as at its fiscal year-end. All significant intercompany balances and transactions have been eliminated. The unconsolidated subsidiaries are excluded from consolidation and stated at cost due to their insignificant effect on the consolidated financial statements taken as a whole.

### *Cash and cash equivalents*

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash on hand, bank deposits and marketable securities, both of which have original maturities of three months or less and which have minor risk of fluctuations in value.

### *Marketable securities and investment securities*

Other securities with readily determinable fair values are stated at fair value based on market prices at the end of the fiscal year. Unrealised gains and losses are included in "Net unrealised gains (losses) on other securities" at a net-of-tax amount as a separate component of shareholders' equity. Cost of sales of such securities is determined by the moving average method. Other securities without readily determinable fair values are stated at cost, as determined by the moving average method.

### *Inventories*

Inventories held by the Company are stated at cost determined by the moving average method. Inventories held by its consolidated subsidiaries are principally stated at the lower of moving average cost.

### *Property, plant and equipment and property and equipment for investments*

Property, plant and equipment and property and equipment for investments are stated at cost. Depreciation is mainly computed using the declining-balance method, except for buildings acquired on or after 1st April 1998 which are depreciated using a straight-line method, by the Company and its domestic consolidated subsidiaries, and computed principally using the straight-line method by its overseas consolidated subsidiaries, at rates based on estimated useful lives of the assets.

#### *Allowance for doubtful accounts*

Allowance for doubtful accounts is calculated based on the aggregate amount of estimated credit losses for doubtful receivables plus an amount for receivables other than doubtful receivables calculated using historical write-off experience from certain prior periods.

#### *Accrued bonus*

Accrued bonus to employees is provided for estimated amounts which MARUWA is obliged to pay to employees based on services provided until the fiscal year-end.

#### *Retirement benefits for employees*

Under the terms of the employee retirement plans of the Company and its consolidated subsidiaries in Japan, substantially all employees are entitled to indemnities at the time of their severance. The amount of the benefit is, in general, based on the length of service, basic salary at the time of severance and the circumstances under which severance occurs.

MARUWA has principally recognized the retirement benefits for employees including pension cost and related liability based on actuarial present value of projected benefit obligation using actuarial appraisal approach and the pension plan assets available for benefits at the fiscal year-end.

Actuarial gains or losses are amortised using the straight-line method over certain years less than the average remaining service period of employee (10 years) starting from the following year.

#### *Bond issuing expenses*

Bond issuing expenses are charged to income as incurred.

#### *Income taxes*

Income taxes of the Company and its domestic subsidiaries consist of corporate income taxes, local inhabitants taxes and enterprise taxes.

The Company, its domestic subsidiaries and certain overseas subsidiaries adopted deferred tax accounting in accordance with the regulations for preparation of the consolidated financial statements. Deferred income taxes were determined using the asset and liability approach, whereby deferred tax assets and liabilities were recognized in respect of temporary differences between the tax base of assets and liabilities and those as reported in the financial statements.

A certain overseas subsidiary located in Malaysia changed calculation method for deferred taxes from the liability method to the asset and liability method from

the current year ended 31st March 2004 in accordance with the local accounting standard generally accepted in its country. MARUWA recorded the effect of this change as the cumulative effect of change of the accounting method on the accompanying consolidated statements of shareholders' equity.

#### *Lease transactions*

Where financing leases do not transfer ownership of the leased property to the lessee during the term of the lease, the leased property of the Company and its domestic consolidated subsidiaries is not capitalized and the relating rental and lease expenses are charged to income as incurred.

#### *Foreign currency translation*

All assets and liabilities accounts of overseas consolidated subsidiaries are translated into Japanese yen at appropriate year-end rates. Shareholders' equity of overseas consolidated subsidiaries is translated at historical rates. All income and expenses are translated at an average rate.

Translation differences are reported as foreign currency translation adjustment in a separate component of shareholders' equity in the accompanying consolidated balance sheets.

#### *Per share data*

Net income per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during each period. All prior-period net income per share was restated to conform with the current computation. Diluted per share amount is not presented for the year ended 31st March 2002 due to recording of a net loss although there is stock purchase warrant outstanding. At 31st March 2004, potential common stock outstanding subject to the computation of diluted earnings per share is 50,000 shares for stock purchase warrant. Cash dividends per share shown for each year in the consolidated statements of operations represent dividends declared as applicable to the respective years.

#### *Consumption tax*

The consumption tax under the Japanese Consumption Tax Law withheld by the Company and its domestic consolidated subsidiaries on sales of goods is not included in the amount of net sales in the accompanying consolidated statements of operations, and the consumption tax paid by the Company and its domestic consolidated subsidiaries under the law on purchases of goods and services, and expenses is not included in the related amount.

### 3. Supplemental cash flow information:

Cash and cash equivalents at 31st March 2002, 2003 and 2004 are comprised of cash and bank deposits on the consolidated balance sheets, respectively.

Cash outflow paid at 31st March 2003 for the acquisition of new consolidated subsidiary consisted of the following:

	Millions of yen
Current assets .....	¥982
Non current assets .....	573
Current liabilities .....	(136)
Non current liabilities .....	(708)
Consolidating adjustment account .....	(596)
Total acquisition cost .....	115
Less, cash and cash equivalents .....	(60)
Cash outflow, net .....	¥55

### 4. Investment securities:

Aggregate cost and market value (carrying value) of investment securities, which have market values, at 31st March 2003 and 2004 are as follows:

	At 31st March 2003		
	Millions of yen		
	Cost	Market value (Carrying amount)	Unrealised gain (loss)
Securities with the carrying amount exceeding acquisition costs			
Equity securities .....	¥117	¥163	¥46
Sub-total .....	117	163	46
Securities with the carrying amount not exceeding the cost			
Equity securities .....	228	171	(57)
Sub-total .....	228	171	(57)
Total .....	¥345	¥334	(¥11)
	At 31st March 2004		
	Millions of yen		
	Cost	Market value (Carrying amount)	Unrealised gain (loss)
Securities with the carrying amount exceeding acquisition costs			
Equity securities .....	¥144	¥228	¥84
Sub-total .....	144	228	84
Securities with the carrying amount not exceeding the cost			
Equity securities .....	129	108	(21)
Sub-total .....	129	108	(21)
Total .....	¥273	¥336	¥63

	At 31st March 2004		
	Thousands of U.S. dollars		
	Cost	Market value (Carrying amount)	Unrealised gain (loss)
Securities with the carrying amount exceeding acquisition cost			
Equity securities .....	\$1,362	\$2,157	\$795
Sub-total .....	1,362	2,157	795
Securities with the carrying amount not exceeding the cost			
Equity securities .....	1,221	1,022	(199)
Sub-total .....	1,221	1,022	(199)
Total .....	\$2,583	\$3,179	\$596

During the years ended 31st March 2002 and 2004, MARUWA sold investment securities. Proceeds from sales of investment securities were ¥118 million and ¥133 million (\$1,258 thousand) for the years ended 31st March 2002 and 2004. On those sales, MARUWA recorded realised gains of ¥15 million and ¥21 million (\$189 thousand) for the year

ended 31st March 2002 and 2004, respectively, and realised losses of ¥84 million for the year ended 31st March 2002. The Company recorded a loss on write-down of marketable securities due to permanent diminution in value in the amount of ¥9 million for the year ended 31st March 2003.

## 5. Inventories:

Inventories at 31st March 2003 and 2004 comprise the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Finished products .....	¥1,268	¥1,319	\$12,480
Work in process .....	1,493	1,292	12,224
Raw materials.....	780	401	3,794
Supplies .....	306	268	2,536
Total.....	¥3,847	¥3,280	\$31,034

## 6. Bank loans and long-term debt:

Borrowings at 31st March 2003 and 2004 are comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Secured loans, representing obligations principally to banks, due 2004 to 2036 with a weighted-average interest of 1.7% per annum at 31st March 2003 and 2004, respectively.....	¥782	¥630	\$5,961
Less-Current portion due within one year.....	(152)	(148)	(1,400)
Total.....	¥630	¥482	\$4,561

The aggregate amounts of annual maturities of long-term debt are as follows:

Year ending 31st March	Millions of yen	Thousands of U.S. dollars
2005 .....	¥148	\$1,400
2006 .....	148	1,400
2007 .....	148	1,400
2008 .....	52	492
2009 .....	4	38
2010 and thereafter .....	130	1,231
<b>Total .....</b>	<b>¥630</b>	<b>\$5,961</b>

#### 7. Assets pledged as collateral:

Assets pledged as collateral at 31st March 2003 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Land .....	¥139	¥139	\$1,315
Buildings and structures .....	188	38	360
Investment securities .....	39	—	—
<b>Total .....</b>	<b>¥366</b>	<b>¥177</b>	<b>\$1,675</b>

Related liabilities secured by the pledged asset at 31st March 2003 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Current portion of long-term debt .....	¥9	¥5	\$47
Long-term debt .....	154	149	1,410
<b>Total .....</b>	<b>¥163</b>	<b>¥154</b>	<b>\$1,457</b>

#### 8. Investments in unconsolidated subsidiaries:

Investment securities and other assets included investments in unconsolidated subsidiaries at 31st March 2003 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Investment securities .....	¥327	¥327	\$3,094
Other .....	31	31	293

#### 9. Related party transactions:

The Company purchased land at ¥52 million from K Maruwa Co.,Ltd. for the year ended 31st March 2002. K Maruwa Co.,Ltd.'s 67% shares are owned by the chairman and

president of the Company. This transaction was performed on an arms-length basis. For the year ended 31st March 2003 and 2004, there were no related party transactions.

## 10. Income taxes:

Significant components of the deferred tax assets and liabilities at 31st March 2003 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
<b>Deferred tax assets:</b>			
Accrued pension and severance costs .....	¥73	<b>¥106</b>	<b>\$1,003</b>
Accrued bonus .....	46	<b>47</b>	<b>445</b>
Operating loss carryforwards for tax purposes .....	386	<b>591</b>	<b>5,592</b>
Investment securities .....	14	<b>14</b>	<b>132</b>
Net unrealised losses on other securities .....	4	—	—
Write-down of inventories .....	—	<b>109</b>	<b>1,031</b>
Other .....	50	<b>33</b>	<b>312</b>
Total deferred tax assets .....	573	<b>900</b>	<b>8,515</b>
Less, valuation allowance .....	(473)	<b>(518)</b>	<b>(4,901)</b>
Total deferred tax assets, net of valuation allowance .....	100	<b>382</b>	<b>3,614</b>
<b>Deferred tax liabilities:</b>			
Gain on securities contributed to employee retirement benefit trust .....	(29)	<b>(29)</b>	<b>(274)</b>
Net unrealised gains on other securities .....	—	<b>(25)</b>	<b>(237)</b>
Other .....	(2)	<b>(3)</b>	<b>(28)</b>
Total deferred tax liabilities .....	(31)	<b>(57)</b>	<b>(539)</b>
Net deferred tax assets .....	¥69	<b>¥325</b>	<b>\$3,075</b>

Reconciliation of differences between the statutory rate of income taxes and the effective rate of income taxes for the years ended 31st March 2003 and 2004 was as follows:

	2003	2004
Statutory rate of income taxes .....	41.75%	<b>41.75%</b>
Addition (reduction) in taxes resulting from:		
Local minimum taxes per capita levy .....	5.65	<b>3.69</b>
Change in valuation allowance .....	26.06	<b>6.30</b>
Tax exemptions due to incentives on investments in foreign subsidiaries .....	(20.67)	—
Differences between Japanese and foreign tax rates .....	—	<b>(10.40)</b>
Tax credit for research and development expenses .....	—	<b>(2.15)</b>
Amortisation of consolidating adjustment account (negative goodwill) .....	—	<b>(6.67)</b>
Other .....	2.25	<b>0.60</b>
Effective rate of income taxes .....	55.04%	<b>33.12%</b>

Since loss before income taxes were resulted, above table is not disclosed for the year ended 31st March 2002. A change in tax rate for the calculation of deferred tax assets and liabilities, which is expected to decrease from 41.75% to

40.41% effective for the period subsequent to 1st April 2004, resulted in a decrease in deferred tax assets by ¥1 million at 31st March 2003.

### 11. Shareholders' equity:

At 31st March 2003 and 2004, respectively, capital surplus consisted of additional paid-in capital.

Under the Commercial Code of Japan, a company is required to appropriate an amount equal to at least 10% of cash dividends paid and other cash distributions from retained earnings to legal reserve. This appropriation is continued until the total amount of additional paid-in capital and legal reserve becomes 25% of the common stock amount. The legal reserve is not available for dividends but may be used to reduce a deficit with shareholder approval

or can be capitalized by resolution of the Board of Directors. Retained earnings presented in the accompanying consolidated financial statements included such legal reserves of ¥1,671 million (\$15,810 thousand) as at 31st March 2003 and 2004, respectively.

The following appropriations of retained earnings at 31st March 2004 were approved at the general meeting of shareholders held on 22nd June 2004. These appropriations were not recorded in the consolidated financial statements for the year ended 31st March 2004.

	Millions of yen	Thousands of U.S. dollars
Appropriation for:		
Cash dividends ¥7 (\$0.07) per common share.....	¥76	\$719
Directors' bonus .....	¥7	\$66

Stock purchase warrants allow the holder to purchase the common stock of the Company at ¥2,400 (\$23). Consideration of stock purchase warrants was recorded as a liability in amount of ¥11 million (\$104 thousand) at 31st March 2003 and 2004, respectively.

### 12. Contingent liabilities:

At 31st March 2003 and 2004, the Company had no contingent liabilities and had no material litigation or claims outstanding, nor was there any pending or threatened against them.

### 13. Leased assets:

Periodic lease payments under finance lease contracts totaled ¥7 million and ¥6 million (\$57 thousand) for the years ended 31st March 2003 and 2004, respectively, and were charged to income.

Committed future lease payments at 31st March 2003 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Within one year .....	¥6	¥5	\$47
Later years .....	8	3	29
Total.....	¥14	¥8	\$76

An analysis of amounts, as if they had been capitalized, related to leased assets under finance lease contracts, which were not capitalized at 31st March 2003 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Machinery and equipment .....	¥39	¥30	\$284
Accumulated depreciation .....	(25)	(22)	(208)
Net amount.....	¥14	¥8	\$76

Depreciation and interest expenses relating to these leased assets, if they had been capitalized, for the years ended 31st March 2003 and 2004 are estimated ¥7 million and ¥6 million (\$57 thousand).

Depreciation is computed using a straight-line method over the term of the underlying lease contracts.

#### 14. Selling, general and administrative expenses:

Selling, general and administrative expenses for the years ended 31st March 2002, 2003 and 2004 are comprised of the following:

	Millions of yen			Thousands of U.S. dollars
	2002	2003	2004	2004
Directors' remuneration .....	¥114	¥88	¥89	\$842
Salaries and bonuses.....	529	487	531	5,024
Provision for bonus .....	41	43	52	492
Retirement benefit expenses .....	13	23	25	236
Depreciation.....	212	263	192	1,817
Research and development costs .....	496	354	468	4,428
Other .....	782	773	938	8,875
Total.....	¥2,187	¥2,031	¥2,295	\$21,714

#### 15. Research and development costs:

Research and development costs charged to selling, general and administrative expenses were ¥496 million, ¥354 million and ¥468 million (\$4,428 thousand) for the years ended 31st March 2002, 2003 and 2004, respectively.

#### 16. Derivative financial instruments:

The only derivatives used by the Company are foreign exchange forward contracts in order to manage exposures resulting from fluctuations in foreign currency exchange associated with certain assets and liabilities denominated in foreign currencies. The Company does not use derivative transactions for speculative or trading purposes.

The Company established credit guidelines and only enters into transactions with financial institutions of investment grade or better. The Company considers the risk of counter-party default to be minimal.

The execution and control of foreign exchange forward contracts are managed by the financial department applying internal policies which regulate the authorisation and credit limit amount. At 31st March 2004, aggregate contract balances of derivative instruments, other than those accounted for by the hedge accounting, amounted to ¥54 million. Relating unrealised losses of ¥2 million (\$19 thousand) were recorded as other expenses for the year ended 31st March 2004. At 31st March 2002 and 2003 MARUWA had no outstanding derivative instrument contracts.

## 17. Retirement benefits for employees:

The Company and a domestic subsidiary (MARUWA TFG Co., Ltd.) maintain tax qualified pension plans and lump-sum indemnities plans, both of which are non-contributory defined benefit pension plans. In addition, a domestic subsidiary (MARUWA KCK Co., Ltd.) maintains lump-sum indemnities plans. Also, the Company established an employee retirement benefit trust.

Lump-sum indemnities plans of both the Company and consolidated subsidiaries were adopted at the establishment of the companies. Tax qualified pension plan was adopted by the Company in 1992, and by a domestic subsidiary (MARUWA TFG) in 1990.

Components of accrued pension and severance costs as of 31st March 2003 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Benefit obligations .....	¥360	¥399	\$3,775
Plan assets .....	(136)	(137)	(1,296)
Benefit obligations in excess of plan assets .....	224	262	2,479
Unrecognized actuarial losses .....	(85)	(86)	(814)
Accrued pension and severance costs .....	¥139	¥176	\$1,665

Components of retirement benefit expenses for the years ended 31st March 2002, 2003 and 2004 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2002	2003	2004	2004
Service cost .....	¥37	¥49	¥41	\$388
Interest cost .....	5	6	6	57
Expected return on plan assets .....	(2)	(1)	(1)	(10)
Lump-sum provision for the change from the simplified calculation method to the actuarial appraisal method*1 .....	—	—	20	189
Amortisation of actuarial gains and losses .....	4	5	10	95
Total retirement benefit expenses .....	¥44	¥59	¥76	\$719

\*1 Until the year ended 31st March 2003, one of the consolidated subsidiaries provided for its projected benefit obligation using simplified calculation method as permitted by the accounting standard for employee retirement benefits. Effective the current fiscal year, it has recognized the retirement liability based on actuarial present value of projected benefit obligation using actuarial appraisal approach.

Assumptions used for calculation of retirement benefits for the years ended 31st March 2002, 2003 and 2004 are as follows:

	2002	2003	2004
Discount rate .....	2.5%	2.5%	2.5%
Expected return on plan assets .....	3.5%	2.0%	2.0%
Method of attribution of estimated retirement benefits to periods of employee service .....	Straight-line method	Straight-line method	Straight-line method
Amortisation period of unrecognized actuarial gains or losses .....	10 years	10 years	10 years

## 18. Segment information:

MARUWA operates as one business segment that represents manufacturing and selling electronic components and ceramics for electronic parts in Japan and foreign

countries. Geographical segment information for the years ended 31st March 2002, 2003 and 2004 is as follows:

	For the year ended 31st March 2002				
	Millions of yen				
	Japan	Asia	Europe and America	Eliminations or corporate	Consolidated
Sales:					
To customers.....	¥7,151	¥2,608	¥174	¥ —	¥9,933
Intersegment.....	429	723	3	(1,155)	—
Total net sales.....	7,580	3,331	177	(1,155)	9,933
Operating expenses.....	7,679	3,762	227	(535)	11,133
Operating loss.....	(¥99)	(¥431)	(¥50)	(¥620)	(¥1,200)
Identifiable assets.....	¥22,718	¥7,092	¥715	(¥3,795)	¥26,730
	For the year ended 31st March 2003				
	Millions of yen				
	Japan	Asia	Europe and America	Eliminations or corporate	Consolidated
Sales:					
To customers.....	¥7,309	¥2,774	¥254	¥ —	¥10,337
Intersegment.....	470	862	1	(1,333)	—
Total net sales.....	7,779	3,636	255	(1,333)	10,337
Operating expenses.....	7,198	3,350	362	(880)	10,030
Operating income (loss).....	¥581	¥286	(¥107)	(¥453)	¥307
Identifiable assets.....	¥24,484	¥6,559	¥872	(¥5,035)	¥26,880
	For the year ended 31st March 2004				
	Millions of yen				
	Japan	Asia	Europe and America	Eliminations or corporate	Consolidated
Sales:					
To customers.....	¥8,877	¥2,707	¥419	¥ —	¥12,003
Intersegment.....	567	1,003	2	(1,572)	—
Total net sales.....	9,444	3,710	421	(1,572)	12,003
Operating expenses.....	8,776	3,127	508	(1,094)	11,317
Operating income (loss).....	¥668	¥583	(¥87)	(¥478)	¥686
Identifiable assets.....	¥23,804	¥6,382	¥853	(¥4,375)	¥26,664
	For the year ended 31st March 2004				
	Thousands of U.S. dollars				
	Japan	Asia	Europe and America	Eliminations or corporate	Consolidated
Sales:					
To customers.....	\$83,991	\$25,613	\$3,964	\$ —	\$113,568
Intersegment.....	5,365	9,490	19	(14,874)	—
Total net sales.....	89,356	35,103	3,983	(14,874)	113,568
Operating expenses.....	83,036	29,586	4,806	(10,351)	107,077
Operating income (loss).....	\$6,320	\$5,517	(\$823)	(\$4,523)	\$6,491
Identifiable assets.....	\$225,225	\$60,384	\$8,071	(\$41,395)	\$252,285

Principal countries or jurisdictions in each geographic segment are as follows:

“Asia” includes Malaysia and Taiwan.

“Europe and America” includes the United Kingdom.

Operating expenses of ¥651 million, ¥485 million and ¥449 million (\$4,248 thousand) included in “Eliminations or corporate” for the years ended 31st March 2002, 2003 and 2004, respectively, are unallocatable amounts related mainly to cost of administrative and management division in the Company.

The amount of corporate assets included in “Eliminations or corporate” are ¥5,753 million, ¥5,321 million and ¥4,800 million (\$45,416 thousand) at 31st March 2002, 2003 and 2004, respectively, and mainly consisted of surplus funds (cash and marketable securities) and long-term investment funds (investment securities and others) owned by the Company.

Overseas sales for the years ended 31st March 2002, 2003 and 2004 are as follows:

	For the year ended 31st March 2002			
	Millions of yen			
	Asia	Europe	Other	Total
Overseas sales .....	¥4,743	¥228	¥166	¥5,137
Total consolidated sales .....				¥9,933
Percentage .....	47.7%	2.3%	1.7%	51.7%
	For the year ended 31st March 2003			
	Millions of yen			
	Asia	Europe	Other	Total
Overseas sales .....	¥4,925	¥294	¥143	¥5,362
Total consolidated sales .....				¥10,337
Percentage .....	47.7%	2.8%	1.4%	51.9%
	For the year ended 31st March 2004			
	Millions of yen			
	Asia	Europe	Other	Total
Overseas sales .....	¥5,019	¥287	¥376	¥5,682
Total consolidated sales .....				¥12,003
Percentage .....	41.8%	2.4%	3.1%	47.3%
	For the year ended 31st March 2004			
	Thousands of U.S. dollars			
	Asia	Europe	Other	Total
Overseas sales .....	\$47,488	\$2,715	\$3,558	\$53,761
Total consolidated sales .....				\$113,568

Principal countries or jurisdictions in each geographic segment are as follows:

“Asia” includes Malaysia, Taiwan, Korea and Hong Kong.

“Europe” includes Germany and the United Kingdom.

“Other” includes the United States of America.

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#### 19. Significant subsequent events:

At 1st April 2004, the Company acquired a 100.0% interest in the issued and outstanding shares of common stock of Kimmon Quartz Co., Ltd. ("Kimmon") with the approval of the Board of Directors on 5th March 2004. Kimmon is renamed to MARUWA QUARTZ CO., LTD.

The purpose of this acquisition is in order to expand the scale of fused quartz business, which is basic production of the Company, and obtain stable profit-earning ability in this field.

- (a) Counterparty  
Kimmon Manufacturing Co.,Ltd.
- (b) Kimmon's business field  
Production and distribution of fused quartz
- (c) Common stock of Kimmon  
¥100 million (\$946 thousand)

- (d) Number of acquired stock  
One share
- (e) Tentative consideration of acquired stock  
¥664 million (\$6,093 thousand)

Information for tentative price was based on the appraisal as of 31st December 2003. Final consideration is expected to be settled in July 2004, after final settlement of accounts for the year ended 31st March 2004. Payment is expected to be made by 20th August 2004.

- (f) Equity interest percentage after acquisition  
100%

ChuoAoyama PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS 

Dai Nagoya Building  
3-28-12, Meieki, Nakamura-ku  
Nagoya, 450-8565 Japan  
Telephone 81-52-551-3001  
Facsimile 81-52-551-3005

**Report of Independent Auditors**

To the Board of Directors and Shareholders of MARUWA CO., LTD.

We have audited the accompanying consolidated balance sheets of MARUWA CO., LTD. and its consolidated subsidiaries as of 31st March 2003 and 2004, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended 31st March 2004, all expressed in Japanese Yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of MARUWA CO., LTD. and its consolidated subsidiaries as of 31st March 2003 and 2004 and the consolidated results of their operations and their cash flows for each of the three years in the period ended 31st March 2004 in conformity with accounting principles generally accepted in Japan.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 1 to the accompanying consolidated financial statements.

*ChuoAoyama PricewaterhouseCoopers*

ChuoAoyama PricewaterhouseCoopers  
Nagoya, Japan  
22nd June 2004

# Global Network

(As of June 2003)

## Offices and Plants

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### Head Office

3-83, Minamihonjigahara-cho, Owariasahi-City, Aichi 488-0044, Japan

### Hokkaido Sales Office

1007-47, Izumisawa, Chitose-shi, Hokkaido 066-0051, Japan

### Tohoku Sales Office

7-1, Taihei, Kumagami, Miharu-machi, Tamura-county, Fukushima 963-7704, Japan

### Hokushinetsu Sales Office

1-4, Fukuda-machi, Joetsu-City, Niigata 942-0032, Japan

### Kitakanto Sales Office

750 Shimoakasaka, Kawagoe-City, Saitama 350-1150, Japan

### Tokyo Sales Office

2-17-8, Shinyokohama, Kouhoku-ku, Yokohama-City, Kanagawa 222-0033, Japan

### Kansai Sales Office

1-28-6, Tarumi-cho, Suita-City, Osaka 564-0062, Japan

### Kyushu Sales Office

1462-17, Imaizumihei, Kiyotake-town, Miyazaki-gun, Miyazaki 889-1602, Japan

### Toki Plant

2322-3, Kakinohirohata, Tsurusato-cho, Toki-City, Gifu 509-5312, Japan

### Yamanota Plant

92-1, Yamanota-cho, Seto-City, Aichi 489-0975, Japan

## Domestic Subsidiaries

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### MARUWA KCK Co., Ltd.

3-2-6, Kasugayama-machi, Joetsu-City, Niigata 943-0807, Japan

### MARUWA TFG Co., Ltd.

7-1, Taihei, Kumagami, Miharu-machi, Tamura-county, Fukushima 963-7704, Japan

### MARUWA QUARTZ Co., Ltd.

750 Shimoakasaka, Kawagoe-City, Saitama 350-1150, Japan

## Overseas Subsidiaries

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### Maruwa (Malaysia) Sdn. Bhd.

Lot 27 & 28, Batu Berendam, Ftz., Phase 3, Industrial Estate, 75350, Melaka, Malaysia

### Taiwan Maruwa Co., Ltd.

1F, No.30, Sec.2, Chung Cheng Road, Taipei, Taiwan R.O.C.

### Korea Maruwa Co.,Ltd.

926-11, Kyiwin-dong, Dongan-ku, Anyang-si, Kyungki-do, Republic of Korea

### Maruwa Electronics (HK) Co., Ltd.

Suite No.B, 17th/fl, Ritz Plaza, No.122 Austin Road, Kowloon, Hong Kong S. A. R.

### Maruwa (Shanghai) Trading Co., Ltd.

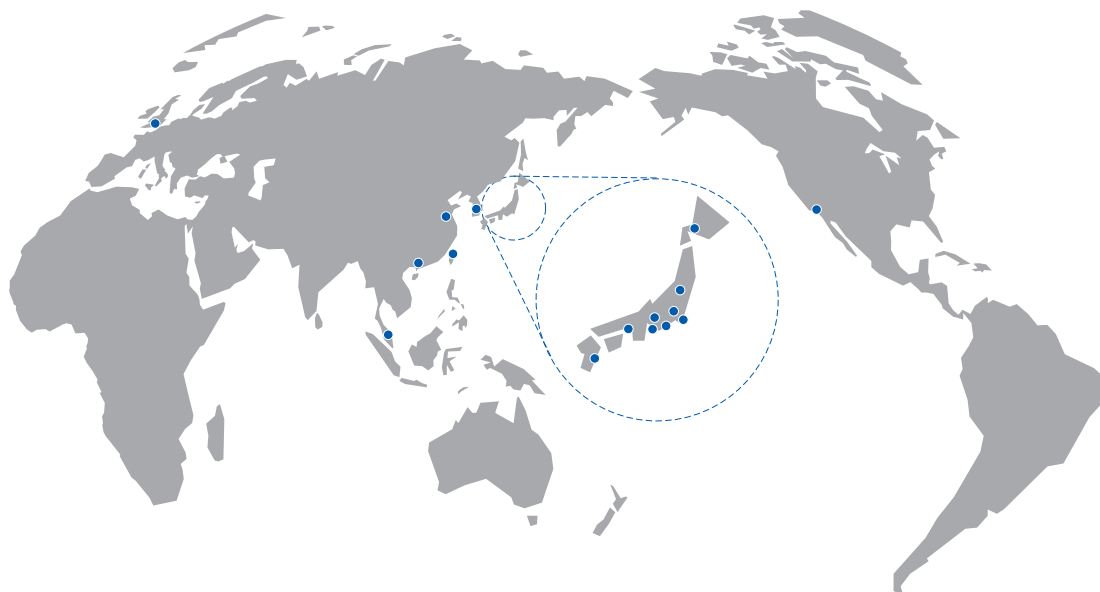
Room 709 Pine City, No.8 Dong An Road, Xu Hui Qu, Shanghai 200032, P. R. C.

### Maruwa Europe Ltd.

The Boulevard Orbital Park, Ashford, Kent TN24 OGA, U.K.

### Maruwa America Corporation

3655 Torrance Blvd. Suite#358, Torrance, CA 90503, U.S.A.



## Investor Information

### Corporate Data (As of April 2004)

#### Head Office

3-83, Minamihonjigahara-cho, Owariasahi-City,  
Aichi 488-0044, Japan  
TEL: +81-561-51-0841  
FAX: +81-561-51-0845

#### Established

5th April, 1973

#### Paid-in Capital

¥6,683,450,000

### Management (As of 22nd June 2004)

#### Board of Directors

##### Chairman and Representative Director

Yoshiki Kanbe

##### President and Representative Director

Sei Kanbe

##### Senior Managing Director

Kazunari Kawabata

#### Directors

Tetsuya Nagamitsu  
Akio Kato  
Kenji Okumura  
Akira Uchida  
Chunting Li  
Manimaran Anthony

#### Corporate Auditors

##### Standing Auditor

Koji Chujo

##### Outside Corporate Auditors

Toshihiro Yamanaka  
Katsuhiro Muranaka

### Stock Information (As of 31st March 2004)

#### Common Stock

Authorized 26,000,000 shares  
Issued 11,050,000 shares  
Number of shareholders 5,554  
Stock exchange listings Tokyo, Nagoya, London, Singapore

#### Principal Shareholders

	Shares	Percentage*
K Maruwa Co., Ltd.	3,171,220	28.69
Lombard Odier Darier Hentsch & Cie	410,000	3.71
Japan Trustee Services Bank, Ltd. (Trust Account)	407,800	3.69
The Master Trust Bank of Japan, Ltd. (Trust Account)	380,600	3.44
Sei Kanbe	287,070	2.59
Yoshiki Kanbe	278,070	2.51
Dexia BIL Julius Baer Multistock Japan leading	216,500	1.95
Setsuya Kanbe	215,880	1.95
MARUWA employees' shareholding union	171,289	1.61
SIS Segaintersettle AG	147,200	1.33

\*Percentage of total number of shares in issue

#### Transfer Agent

The Chuo Mitsui Trust and Banking Company, Limited

