

BUSINESS REPORT 2004

- April 1, 2003 to March 31, 2004 -

SHINKO ELECTRIC INDUSTRIES CO., LTD.

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Overview

The business results of SHINKO ELECTRIC INDUSTRIES CO., LTD., for the 69th business period (April 1, 2003 to March 31, 2004) were as follows.

Looking at the future of the semiconductor industry, ongoing advances toward achieving ever higher integration and processing speeds as well as other technological innovations will require substantial investments and worldwide competition is expected to become even more intense. At the same time, it is anticipated that the market will continue to evolve and expand over the medium-to-long term as Internet-related sectors continue to grow with the spread of broadband technology, the digitization of consumer appliances progresses, and PC and mobile communication devices become increasingly sophisticated.

In response, we at SHINKO are utilizing state-of-the-art semiconductor assembly and packaging technologies to provide a broad range of semiconductor packaging products, including leadframes, PLPs (Plastic Laminated Packages), and glass-to-metal seal parts, while strengthening our capabilities both to develop new products aligned with evolving market requirements and to cultivate new sources of demand.

In the fiscal year under review, the Company enjoyed favorable conditions in the semiconductor market and achieved a year-on-year increase in net sales by working vigorously to upgrade its output of products that meet market needs and launching new products. We also attained year-on-year growth in net income, not only on the strength of the increase in sales, but through a dramatic revision of our production system, companywide cost reduction initiatives, and the recording of a gain on the exemption from the substitutional portion of the employees' pension fund. In addition, we set shareholder year-end dividends at ¥12 per share, which, in combination with the interim dividend of ¥12 per share, brought dividends applicable to the fiscal year under review to ¥24 per share.

The semiconductor industry remains in a state of upheaval, characterized by persistently intense competition, and the SHINKO ELECTRIC Group is firmly aware that its survival and future growth depend on its realizing a corporate structure that is capable of prompt response to change. While observing the basic principles of the manufacturing industry, such as meeting the customer's quality and lead time needs and supplying products at reasonable prices, we are moving forward to engage in new and greater endeavors using a thoroughly hands-on approach. The Company will focus on innovation at all stages of its craftsmanship, from product development, through design, production, and delivery. At the same time, we will leverage the technological strengths we have accumulated throughout our history to develop original products that meet our customers' needs and work to ensure profitability. Furthermore, in accordance with our slogan "Focused on the Green," we at SHINKO will exert proactive efforts to harmonize our business activities with the global environment.

Management Review

1. Summary of Business Results

During fiscal 2003, ended March 31, 2004, the Japanese economy displayed signs of a gradually emerging recovery. Despite the appreciation of the yen and the delay in job market recovery, exports picked up, the stock market improved, and capital investment was strong. Overseas, in the United States, consumer spending remained firm while capital investment, particularly in the IT sector, recovered. Economies in Asia also showed signs of recovery, driven by growing consumption in China, and gave generally strong performances in the second half.

In the semiconductor sector, in addition to a substantial increase in demand for such digital appliances as digital cameras and DVD players, recovery was seen in the mobile phone and PC markets, and, despite heightened competition and the resulting decline in selling prices, the market as a whole was strong for the term.

Against this backdrop, SHINKO and its consolidated subsidiaries upgraded semiconductor package production and boldly launched new products to meet the needs of the market. The Company also worked to thoroughly reduce costs in all areas, further improve productivity, and secure profitability.

During the consolidated fiscal year under review, despite a decline in product prices caused by heightened competition and the yen's sudden appreciation in the middle of the term, demand for new products grew as the semiconductor market gained strength, and the Company recorded net sales of ¥135.8 billion, up 11.9% from the previous fiscal year. Increased profitability brought about by the growth in net sales combined with ongoing dynamic cost reduction initiatives, substantial revision of production systems, and withdrawal from under-performing product areas resulted in a

40.7% increase in recurring income, to ¥10.7 billion. Approval attained for exemption from future contributions of the substitutional portion of the Fujitsu Pension Fund, in which SHINKO is enrolled, further enabled the Company to record an extraordinary gain on this exemption, and as a result, net income surged 109.6%, to ¥8.0 billion.

Regarding non-consolidated business results for the year under review, net orders amounted to ¥136.2 billion, a year-on-year increase of 16.3%, net sales were ¥132.5 billion, a gain of 13.6%, recurring income was ¥9.6 billion, an increase of 41.5%, and net income for the year was ¥6.9 billion, an increase of 105.8%.

2. Outlook for Fiscal 2004

Although the outlook for the Japanese economy leaves little room for optimism, as concerns that U.S. economic policy regarding financial administration and corporate revenue and expenditure may cause instability in currency exchange rates, full-scale recovery is nevertheless anticipated along with the restoration of domestic demand through growth in exports and capital investment.

Given the overall recovery in the global economy, a full recovery is expected in the semiconductor industry as the digital appliances market continues to grow, and demand increases for PCs, mobile phones, and other IT related products. However, the second half of fiscal 2004, ending March 31, 2005, is expected to see a slowdown in semiconductor demand as the PC market struggles for growth and the demand-boosting effects of the Olympics begin to recede. As corporate competition also continues to rise, demands for higher quality and lower prices are expected to increase, giving rise to concern over the increasing severity of the market environment.

Under these circumstances, to strengthen the Group as a whole, SHINKO and its consolidated subsidiaries will work to raise productivity and improve efficiency in all areas of business and enhance product quality and cost competitiveness, which are essential to profit. Also, the Company and its consolidated subsidiaries will further accelerate the adjustment of production systems and implement sweeping operational reforms groupwide to boost overall productivity. In addition, while further bolstering R&D initiatives and enhancing customer satisfaction, SHINKO will continue to promptly introduce products that are in line with market trends and meet customer needs.

3. Performance by Product Category

IC Leadframes

Although selling prices continue to decline as competition increases, SHINKO nevertheless increased its leadframe purchase orders on the strength of growth in demand for digital appliances and recovery in the PC market, which brought about an increase in high pin count leadframes for optical disc drives, primarily for use in DVD players, and reinforced sales of LOC type leadframes for memory ICs. As a result of the Company's withdrawal from under-performing products, however, consolidated net sales in this segment slipped 3.3% compared with the previous fiscal year, to ¥33.3 billion.

Matrix-Type Leadframes

Along with SHINKO's core super fine pitch leadframes and high pin count leadframes, demand is rising for matrix-type leadframes, which are leadframes manufactured in matrix (multiple row) configurations and offer the benefits of low cost and short lead times.

IC Packages

Demand of PLPs for MPUs increased on the strength of firm demand for notebook PC products. Benefiting from expansion in the markets for camera-equipped mobile phones, digital cameras, and other digital consumer devices, tape ball grid arrays (BGAs) and BGA circuit boards displayed strong performance, and demand for BGA-type IC assemblies that are compatible with compact and thin constructions grew dramatically. As a result, consolidated net sales rose 15.4% compared with the previous fiscal year, to ¥83.3 billion.

Flip Chip Type Package

Flip chip type packages employ a packaging method by which IC chips are connected directly to printed circuit boards through bumps on the front side of the chip. Compatible with compact, high speed, and high pin count configurations, flip chip type packages are used in PCs, mobile phones, and other products that require high-density IC packaging, and further expansion in applications is expected.

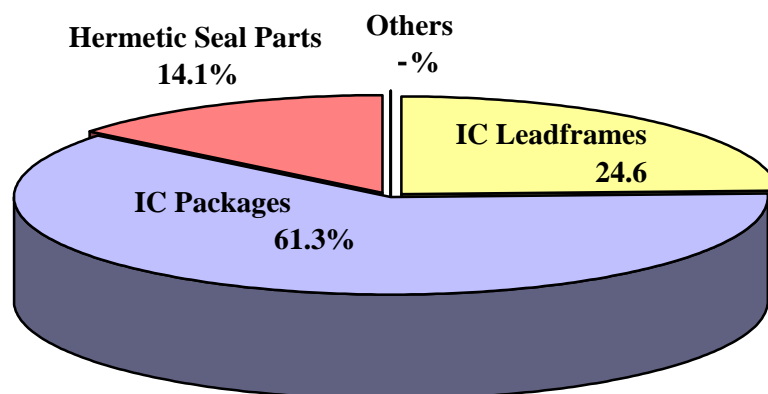
Hermetic Seal Parts

The digital appliance market continues to grow rapidly, and although increasing competition caused a decline in selling prices, demand increased for glass-to-metal seal parts and LIDs, particularly in the DVD, projector, and digital television sectors, and sales rose substantially. As a result, consolidated net sales for this segment climbed 30.6%, to ¥19.2 billion.

Glass-to-Metal Seal Parts for Laser Diodes

Demand is growing for glass-to-metal seal parts for laser diodes as part of the optical element package for DVD players and other digital appliances. SHINKO's glass-to-metal seal parts are composed of metal and glass and incorporate a variety of technologies accumulated by the Company throughout its history, including metal machining technologies, deposition technologies, and plating technologies.

< Sales by Product Category >



4. Topics

Lead-Free Caps for Laser Diodes

To reduce the environmental impact of its products, SHINKO endeavors to directly incorporate consideration for the environment in the manufacturing process from the planning and development stages and takes measures to reduce product size as well as promote recycling and the reuse of packaging materials while implementing green procurement. SHINKO now provides lead-free laser diode caps, demand for which is growing in DVD players and other digital appliances.

This line of products has been extremely well received by SHINKO's customers who appreciate its use of lead-free glass with a low melting point and the fact that the Company has minimized the increase in cost by using existing equipment and processes.

Development of the Industry's Smallest RF Module for RFID Reader/Writers

Using System in Package (SiP) and other high-density packaging technologies, SHINKO has developed the industry's smallest (7mm square) RF module for RFID reader/writers that complies with meets ISO/IEC 15693 standards.

RFID technology, which uses electric waves to identify and read and write information and data stored on IC tags, is attracting increasing attention as an alternative to barcodes, particularly in such fields as production management, distribution, and logistics. In the months and years ahead, RFID technology will be incorporated in increasingly multifunctional and sophisticated mobile phones and other consumer digital portable devices, and RFID applications are expected to rapidly permeate many areas of our lives.

Financial Statements March 2004

The Financial Statements have been prepared in accordance with accounting principles and practices generally accepted in Japan.

Notes: 1. U.S. dollar amounts in this report are converted from yen, for convenience only, at the rate of 105.69 yen = U.S.\$1.00, the approximate rate of exchange in effect on March 31, 2004.
2. The Company's fiscal year runs from April 1 through March 31.

1. Financial Highlights

(1) Consolidated Basis

	Yen (millions)		U.S. Dollars (thousands)
Years ended March 31	2004	2003	2004
Net sales	135,882	121,429	1,285,667
Net income	8,080	3,855	76,459
Per share (Yen/U.S. Dollars)	177.70	83.50	1.681
Total assets	153,056	141,601	1,448,169
Shareholders' equity	92,254	85,619	872,876
Net sales by product category			
IC Leadframes	33,351	34,479	315,558
IC Packages	83,301	72,187	788,171
Hermetic Seal Parts	19,214	14,717	181,798
Others	14	44	140
Total	135,882	121,429	1,285,667

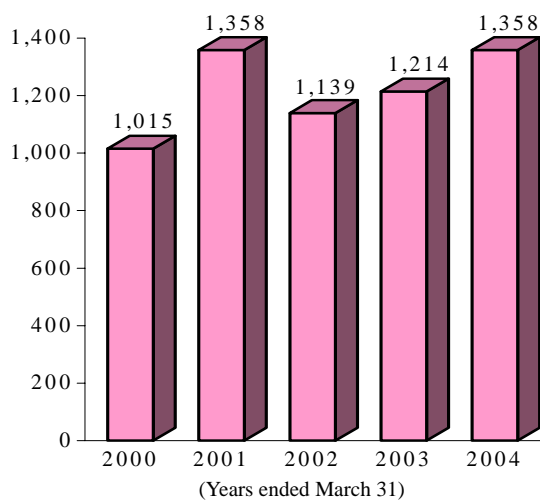
(2) Non-consolidated Basis

	Yen (millions)		U.S. Dollars (thousands)
Years ended March 31	2004	2003	2004
Net sales	132,543	116,674	1,254,082
Net income	6,902	3,354	65,307
Cash dividends paid	1,076	986	10,185
Per share (Yen/U.S. Dollars)	24.0	22.0	0.227
Total assets	152,426	141,688	1,442,200
Shareholders' equity	92,988	87,085	879,818
<hr/>			
Number of employees	4,330	4,369	

【Consolidated Basis】

Net sales

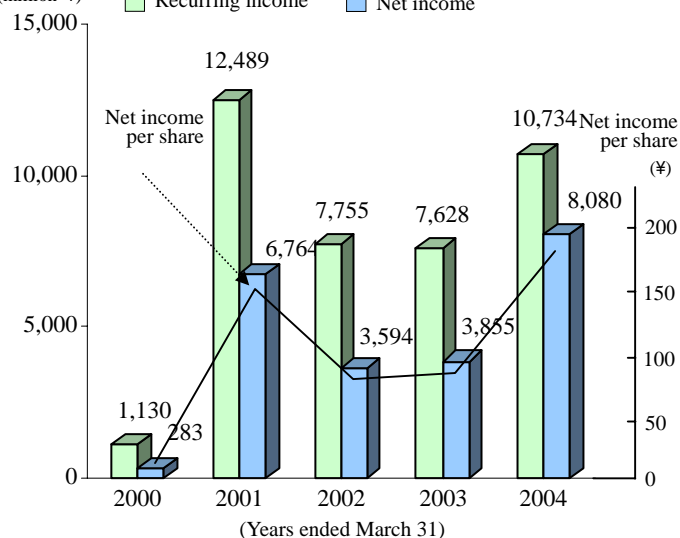
(100 million ¥)



Recurring income / Net income

(million ¥)

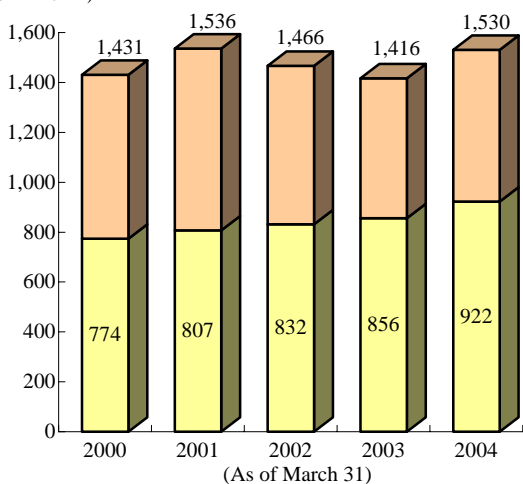
Recurring income Net income



Total assets / Shareholders' equity

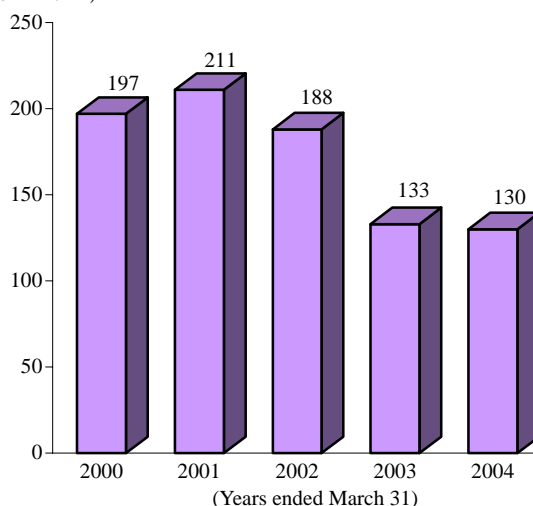
(100 million ¥)

Total assets Shareholders' equity



Capital expenditure

(100 million ¥)

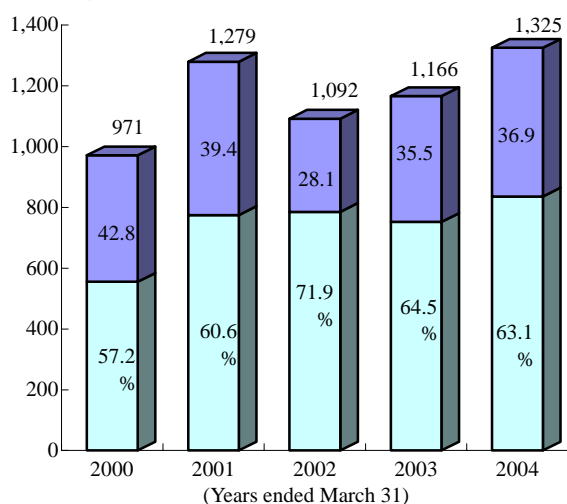


【Non-consolidated Basis】

Net sales

(100 million ¥)

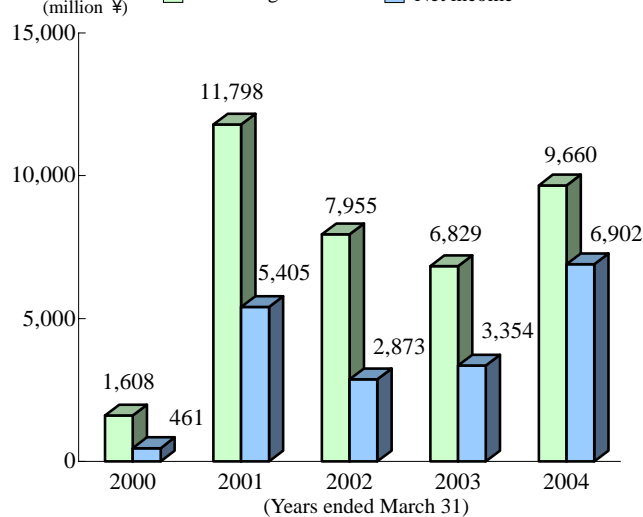
Net domestic sales Net overseas sales



Recurring income / Net income

(million ¥)

Recurring income Net income



2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	Yen (millions)		U.S. Dollars (thousands)
As of March 31	<u>2004</u>	<u>2003</u>	<u>2004</u>
Assets			
Current assets:			
Cash and time deposits	20,140	21,312	190,563
Receivables, trade:			
Notes and Accounts	42,119	31,845	398,517
Allowance for doubtful receivables	(43)	(110)	(414)
Inventories	8,795	9,312	83,220
Other current assets	19,144	15,627	181,142
Total current assets	<u>90,156</u>	<u>77,986</u>	<u>853,029</u>
Fixed assets:			
Property, plant and equipment	57,170	57,477	540,929
Intangible assets	1,301	1,233	12,310
Investments and other assets	4,428	4,903	41,900
Total fixed assets	<u>62,900</u>	<u>63,615</u>	<u>595,139</u>
 Total assets	 <u>153,056</u>	 <u>141,601</u>	 <u>1,448,169</u>

	Yen (millions)		U.S. Dollars (thousands)
	<u>2004</u>	2003	<u>2004</u>
Liabilities			
Current liabilities:			
Payables, trade	18,644	13,952	176,406
Short-term borrowings, including current portion of long-term debt	6,166	2,168	58,344
Other current liabilities	16,520	12,355	156,308
Total current liabilities	41,331	28,475	391,060
Long-term liabilities:			
Long-term debt	20,312	28,475	192,190
Total liabilities	61,643	56,951	583,250
Minority interests in consolidated subsidiaries	(841)	(969)	(7,957)
Shareholders' equity			
Common stock	24,223	24,223	229,189
Capital surplus	24,150	24,150	228,504
Retained earnings	47,245	40,350	447,017
Unrealized gains on securities	192	4	1,824
Foreign currency translation adjustments	(2,891)	(2,445)	(27,358)
Treasury stock	(665)	(664)	(6,301)
Total shareholders' equity	92,254	85,619	872,876
Total liabilities and shareholders' equity	153,056	141,601	1,448,169

(2) Consolidated Statements of Income

	Yen (millions)		U.S. Dollars (thousands)
Years ended March 31	<u>2004</u>	<u>2003</u>	<u>2004</u>
Net sales	135,882	121,429	1,285,667
Operating costs and expenses:			
Cost of goods sold	109,720	100,134	1,038,138
Selling, general and administrative expenses	<u>12,232</u>	<u>12,125</u>	<u>115,742</u>
	<u>121,953</u>	<u>112,260</u>	<u>1,153,881</u>
Operating income	13,928	9,169	131,786
Other income (expenses):			
Interest received	138	165	1,308
Interest charges	(363)	(436)	(3,441)
Other, net	<u>(1,152)</u>	<u>(2,258)</u>	<u>(10,902)</u>
	<u>(1,377)</u>	<u>(2,529)</u>	<u>(13,034)</u>
Income before income taxes and minority interests	12,550	6,640	118,751
Income taxes:			
Current	4,610	3,070	43,622
Deferred	<u>(261)</u>	<u>(559)</u>	<u>(2,475)</u>
	<u>4,348</u>	<u>2,510</u>	<u>41,147</u>
Minority interests in income (loss) of consolidated subsidiaries	121	274	1,145
Net income	<u><u>8,080</u></u>	<u><u>3,855</u></u>	<u><u>76,459</u></u>

(3) Consolidated Statements of Cash Flows

	Yen (millions)		U.S. Dollars (thousands)
Years ended March 31	<u>2004</u>	<u>2003</u>	<u>2004</u>
Cash flows from operating activities	19,523	20,386	184,722
Cash flows from investing activities	(15,692)	(13,918)	(148,479)
Cash flows from financing activities	(2,446)	(12,195)	(23,144)
Effect of exchange rate changes on cash and cash equivalents	(590)	(487)	(5,587)
Net increase (decrease) in cash and cash equivalents	793	(6,214)	7,511
Cash and cash equivalents at beginning of year	33,083	39,298	313,028
Cash and cash equivalents at end of year	33,877	33,083	320,539

3. Non-consolidated Financial Statements

(1) Non-consolidated Balance Sheets

	Yen (millions)		U.S. Dollars (thousands)
As of March 31	<u>2004</u>	2003	<u>2004</u>
Assets			
Current assets:			
Cash and time deposits	14,591	16,873	138,061
Receivables, trade:			
Notes and Accounts	43,861	33,083	414,997
Allowance for doubtful receivables	0	(104)	0
Inventories	8,138	8,626	77,003
Other current assets	18,922	15,530	179,039
Total current assets	<u>85,514</u>	<u>74,008</u>	<u>809,102</u>
Fixed assets:			
Property, plant and equipment	54,962	55,245	520,038
Intangible assets	1,298	1,231	12,286
Investments and other assets	10,650	11,201	100,772
Total fixed assets	<u>66,912</u>	<u>67,679</u>	<u>633,097</u>
 Total assets	 <u>152,426</u>	 <u>141,688</u>	 <u>1,442,200</u>

	Yen (millions)		U.S. Dollars (thousands)
	<u>2004</u>	<u>2003</u>	<u>2004</u>
Liabilities			
Current liabilities:			
Payables, trade	18,437	13,888	174,450
Short-term borrowings, including current portion of long-term debt	5,583	1,200	52,824
Other current liabilities	16,083	12,138	152,174
Total current liabilities	40,103	27,226	379,448
Long-term liabilities:			
Long-term debt	19,334	27,375	182,932
Total liabilities	59,438	54,602	562,381
Shareholders' equity			
Common stock:			
Authorized - 124,344,000 shares			
Issued			
- 45,057,314 shares (2004)	24,223		229,189
- 45,057,314 shares (2003)		24,223	
Capital surplus and legal reserve	24,150	24,150	228,504
Retained earnings	45,087	39,371	426,601
Unrealized gains on securities	192	4	1,824
Treasury stock	(665)	(664)	(6,301)
Total shareholders' equity	92,988	87,085	879,818
Total liabilities and shareholders' equity	152,426	141,688	1,442,200

(2) Non-consolidated Statements of Income

	Yen (millions)		U.S. Dollars (thousands)
Years ended March 31	<u>2004</u>	<u>2003</u>	<u>2004</u>
Net sales	132,543	116,674	1,254,082
Operating costs and expenses:			
Cost of goods sold	107,094	95,822	1,013,292
Selling, general and administrative expenses	12,639	12,543	119,592
	<u>119,734</u>	<u>108,366</u>	<u>1,132,885</u>
Operating income	12,809	8,308	121,196
Other income (expenses):			
Interest and dividends received	99	205	944
Interest charges	(351)	(395)	(3,323)
Other, net	(1,080)	(2,277)	(10,224)
	<u>(1,332)</u>	<u>(2,466)</u>	<u>(12,603)</u>
Income before income taxes	11,477	5,841	108,593
Income taxes:			
Current	4,417	3,016	41,799
Deferred	157	(528)	1,486
	<u>4,574</u>	<u>2,487</u>	<u>43,286</u>
Net income	<u>6,902</u>	<u>3,354</u>	<u>65,307</u>
Unappropriated retained earnings at the end of this year	<u>8,002</u>	<u>5,277</u>	<u>75,712</u>
		Yen	U.S. Dollars
Net income per share	<u>151.43</u>	<u>72.33</u>	<u>1.432</u>
Cash dividends per share	24.0	22.0	0.227

(3) Non-consolidated Appropriation of Retained Earnings

	Yen (millions)		U.S. Dollars (thousands)
Years ended March 31	<u>2004</u>	<u>2003</u>	<u>2004</u>
Unappropriated retained earnings	8,002	5,277	75,712
Reversal of reserve for special depreciation	<u>-</u>	<u>8</u>	<u>1</u>
	<u>8,002</u>	<u>5,286</u>	<u>75,714</u>
To be appropriated as follows:			
Dividends	538	538	5,092
	¥12.0 per share	¥12.0 per share	
Bonuses to directors and statutory auditors	110	110	1,040
Reserve for:			
Special depreciation	56		538
General reserve	5,000	3,000	47,308
Retained earnings carried forward to next period	2,297	1,637	21,733

Note: The Company paid interim dividends of ¥10.0 per share on December 10, 2002, and ¥12.0 per share on December 10, 2003.

Corporate Outline

1. Outline

Name: SHINKO ELECTRIC INDUSTRIES CO., LTD.

Date of Establishment: September 12, 1946

Head Office: 80, Oshimada-machi, Nagano-shi, 381-2287 Japan

Phone: (81-26)283-1000 Facsimile: (81-26)284-8861

Major Business Lines:

Manufacturing and sales of leadframe, plastic laminated package (PLP), glass-to-metal seals, arrester and precision contact parts

IC assembly

Development and sales of software

Number of Employees: 4,330 (as of March 31, 2004)

Plants:

Kohoku Plant

Kurita Plant

Wakaho Plant

Takaoka Plant

Arai Plant

Kyogase Plant

Shinko R&D Center

Overseas Representative Offices:

Düsseldorf

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Phone: (49-211)1795380

Facsimile: (49-211)1795381

Shanghai

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Phone: (86-21)6445-0898

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Hong Kong

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Island East, Hong Kong

Phone: (852)2828-2685 Facsimile: (852)2828-2686

Manila

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Makati-city, Metro Manila, Philippines

Phone: (63-2)848-5169 Facsimile: (63-2)848-5145

Subsidiaries:

(Japan)

SHINKO PARTS CO., LTD.

SHINKO TECHNOSERVE CO., LTD.

(Overseas)

SHINKO ELECTRONICS (MALAYSIA) SDN. BHD.

Lot Pt717A, Jalan Serendah 26/17, Seksyen 26, 40400 Shah Alam,
Selangor Darul Ehsan, Malaysia

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SHINKO ELECTRIC AMERICA, INC.

2880 Zanker Road, Suite 204, San Jose, CA 95134 U.S.A.

Phone: (1-408)232-0499 Facsimile: (1-408)955-0368

KOREA SHINKO TRADING CO., LTD.

Hyundai Venture Building 1223, 713 Suseo-dong, Kangnam-ku,
Seoul, 135-884 Republic of Korea

Phone: (82-2)538-2851 Facsimile: (82-2)451-6714

TAIWAN SHINKO ELECTRONICS CO., LTD.

5F, 87 Sung Chiang Road, Taipei, Taiwan

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SHINKO ELECTRONICS (SINGAPORE) PTE. LTD.

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Phone: (65)6-225-3411 Facsimile: (65)6-225-8984

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SHINKO ELECTRIC INDUSTRIES(WUXI) CO.,LTD.

2# of Wangzhuang Industrial Park, Block 100 of Wuxi New District,

Wuxi, Jiangsu, 214028, China

Phone: (86-510)534-3008 Facsimile: (86-510)534-3180

2. Shareholders' Data (as of March 31, 2004)

Capital: ¥ 24,223,020,480

Common Stock:	Authorized	124,344,000 shares
	Issued	45,057,314 shares
	Number of Shareholders	9,413

Principal Shareholders:

Name	No. of shares held (thousands)	Percentage of total shares outstanding
Fujitsu Limited	22,529	50.00 %
Japan Trustee Services Bank, Ltd. (Trust Accounts)	2,343	5.20
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,072	4.60
Mizuho Bank, Ltd.	918	2.04
Government of Singapore Investment Corporation P. Limited	861	1.91
The Hachijuni Bank, Ltd.	612	1.36
Trust & Custody Services Bank, Ltd. (Trust Account B)	558	1.24
Dexia-BIL S/A Julius Baer Multistock Japan Leading Stock FD	550	1.22
The Chase Manhattan Bank , N.A. London	514	1.14
The Chase Manhattan Bank 385036	495	1.10

Stock Exchange Listing:

The First Section of The Tokyo Stock Exchange

3. Board of Directors (as of June 29, 2004)

President and Representative Director	Mamoru Kuroiwa
Executive Managing Directors	Fumio Kuraishi
	Hiroaki Ikuine
Managing Directors	Akio Imoto
	Akira Fujimoto
	Tetsushi Wakabayashi
Directors	Makoto Ibi
	Shin-ichi Wakabayashi
	Akihiko Murata
	Yoshihiko Ogawa
	Kazuharu Iguchi
	Kunihiko Imai
Standing Auditor	Masaji Yokoyama
Auditors	Takashi Takaya
	Junichi Murashima