

FINANCIAL REPORT

Consolidated Balance Sheets

Takuma Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2004 and 2003

ASSETS	Millions of Yen		Thousands of U.S.dollars (Note 1)	LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen		Thousands of U.S.dollars (Note 1)
	2004	2003	2004		2004	2003	2004
Current assets:				Current liabilities:			
Cash and time deposits (Notes 4 and 7)	¥ 60,102	¥ 73,540	\$ 568,663	Short-term bank loans (Notes 7 and 9)	¥ 6,226	¥ 6,675	\$ 58,908
Marketable securities (Notes 4 and 5)	225	148	2,129	Current portion of long-term debt (Notes 7 and 9)	233	278	2,205
Notes and accounts receivable:				Notes and accounts payable:			
Trade	27,713	45,465	262,210	Trade	36,283	50,894	343,296
Unconsolidated subsidiaries and affiliated companies	1,057	1,287	10,001	Unconsolidated subsidiaries and affiliated companies	1,194	1,000	11,297
Other	355	333	3,359	Other	998	1,020	9,443
Less: Allowance for doubtful accounts	(582)	(391)	(5,507)		38,475	52,914	364,036
	28,543	46,694	270,063	Accrued income taxes (Note 14)	535	1,060	5,062
Inventories	8,431	8,857	79,771	Consumption tax payable	62	3,739	587
Deferred tax assets (Note 14).....	2,569	2,552	24,307	Accrued expenses	2,828	3,809	26,758
Advanced money.....	859	630	8,127	Allowance for losses on sales contracts	655	782	6,197
Other	3,349	1,638	31,687	Advances received	6,813	10,024	64,462
Total current assets	104,078	134,059	984,747	Other	423	495	4,002
				Total current liabilities	56,250	79,776	532,217
Investments:				Long-term debt (Notes 7 and 9)	348	371	3,293
Investment securities (Note 5)	16,712	11,209	158,123	Allowance for employees' retirement benefits (Note 10)	6,711	7,614	63,497
Investments in:				Allowance for directors' and corporate auditors' retirement benefits.....	555	619	5,251
Unconsolidated subsidiaries and affiliated companies	4,897	2,306	46,334	Deferred tax liabilities (Note 14).....	29	60	274
Other	2,614	2,740	24,733	Deferred tax liability for revaluation reserve for land (Notes 8 and 14) ..	232	232	2,195
Less: Allowance for doubtful accounts.....	(450)	(404)	(4,258)	Total liabilities	64,125	88,672	606,727
	7,061	4,642	66,809	Minority interests in consolidated subsidiaries	3,554	3,543	33,627
Deferred tax assets (Note 14).....	1,751	2,893	16,567	Contingent liabilities (Notes 6, 11 and 16)			
	25,524	18,744	241,499	Shareholders' equity:			
Property, plant and equipment:				Common stock			
Land (Notes 7 and 8).....	3,307	3,499	31,290	Authorized: 321,840,000 shares			
Buildings and structures (Note 7)	10,215	10,311	96,650	Issued: 87,799,248 shares	13,367	13,367	126,474
Machinery and equipment	9,765	9,901	92,393	Capital surplus (Note 12)	12,407	12,407	117,390
Construction in progress	18	17	170	Retained earnings (Note 12)	44,479	46,426	420,844
	23,305	23,728	220,503	Revaluation reserve for land (Note 8)	197	197	1,864
Less: Accumulated depreciation	(13,843)	(13,433)	(130,977)	Net unrealized holding gain on available-for-sale securities	3,288	189	31,110
	9,462	10,295	89,526	Foreign currency translation adjustments	(47)	(25)	(445)
Other assets	883	1,106	8,355	Less: Treasury stock	(1,423)	(572)	(13,464)
	¥139,947	¥ 164,204	\$ 1,324,127	Total shareholders' equity	72,268	71,989	683,773
					¥139,947	¥ 164,204	\$ 1,324,127

See accompanying notes.

Consolidated Statements of Operations

Takuma Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2004 and 2003

	Millions of Yen		Thousands of U.S.dollars (Note 1)
	2004	2003	2004
Net sales (Note 15)	¥ 95,183	¥ 161,289	\$ 900,587
Cost of sales (Notes 13 and 15)	78,651	129,190	744,167
Gross profit	16,532	32,099	156,420
Selling, general and administrative expenses (Notes 13 and 15)	16,701	16,901	158,019
Operating income (loss) (Note 15)	(169)	15,198	(1,599)
Other income (expenses):			
Interest and dividend income	247	237	2,337
Interest expense	(64)	(82)	(606)
Foreign currency exchange loss	(88)	(126)	(833)
Write-down of marketable securities and investment securities	(5)	(1,455)	(47)
Write-down of investments in unconsolidated subsidiaries and affiliated companies	(51)	-	(483)
Loss from liquidation of an unconsolidated subsidiary	(1)	(299)	(9)
Gain (loss) on disposal of property, plant and equipment	168	(332)	1,590
Technical assistance fee	338	306	3,198
Equity in earnings of affiliated companies	227	-	2,148
Provision for doubtful accounts	(202)	(330)	(1,911)
Provision for losses on sales contracts	-	(782)	-
Write-down of golf club memberships	(10)	(37)	(95)
Amortization of net transition obligation resulting from the adoption of new accounting standard for retirement benefits (Note 10)	-	(178)	-
Additional retirement payments (Note 10)	(848)	-	(8,023)
Other, net	(23)	(132)	(218)
	(312)	(3,210)	(2,952)
Income (loss) before income taxes and minority interests	(481)	11,988	(4,551)
Income taxes (Note 14):			
Current	1,196	4,603	11,316
Past	358	-	3,387
Deferred	(1,039)	1,804	(9,831)
	515	6,407	4,872
Minority interests in earnings of consolidated subsidiaries	36	359	341
Net income (loss)	¥ (1,032)	¥ 5,222	\$ (9,764)
	Yen		U.S.dollars (Note 1)
Per share:			
Net income (loss)	¥ (12.66)	¥ 58.21	\$ (0.12)
Diluted net income	-	57.95	-
Cash dividends applicable to the year	10.00	15.00	0.09

See accompanying notes.

Consolidated Statements of Shareholders' Equity

Takuma Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2004 and 2003

	Millions of Yen							
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Revalu- ation reserve for land	Net unrealized holding gain on available- for-sale securities	Foreign currency translation adjust- ments	Treasury stock
Balance as of March 31, 2002	87,799,248	¥ 13,367	¥ 12,407	¥ 42,654	¥ 197	¥ 523	¥ (3)	¥ (991)
Net income	-	-	-	5,222	-	-	-	-
Net unrealized holding gain on available-for-sale securities	-	-	-	-	-	(334)	-	-
Foreign currency translation adjustments	-	-	-	-	-	-	(22)	-
Decrease in treasury stock	-	-	-	-	-	-	-	419
Cash dividends (¥15.00 per share)	-	-	-	(1,297)	-	-	-	-
Bonuses to directors and corporate auditors	-	-	-	(153)	-	-	-	-
Balance as of March 31, 2003	87,799,248	¥ 13,367	¥ 12,407	¥ 46,426	¥ 197	¥ 189	¥ (25)	¥ (572)
Net loss	-	-	-	(1,032)	-	-	-	-
Net unrealized holding gain on available-for-sale securities	-	-	-	-	-	3,099	-	-
Foreign currency translation adjustments	-	-	-	-	-	-	(22)	-
Increase in treasury stock	-	-	-	-	-	-	-	(851)
Increase due to increase in number of affiliates accounted for by the equity method	-	-	-	67	-	-	-	-
Cash dividends (¥10.00 per share)	-	-	-	(855)	-	-	-	-
Bonuses to directors and corporate auditors	-	-	-	(127)	-	-	-	-
Balance as of March 31, 2004	87,799,248	¥ 13,367	¥ 12,407	¥ 44,479	¥ 197	¥ 3,288	¥ (47)	¥ (1,423)
		Thousands of U.S.dollars (Note 1)						
Balance as of March 31, 2003		\$ 126,474	\$ 117,390	\$ 439,266	\$ 1,864	\$ 1,788	\$ (237)	\$ (5,412)
Net loss		-	-	(9,764)	-	-	-	-
Net unrealized holding gain on available-for-sale securities		-	-	-	-	29,322	-	-
Foreign currency translation adjustments		-	-	-	-	-	(208)	-
Increase in treasury stock		-	-	-	-	-	-	(8,052)
Increase due to increase in number of affiliates accounted for by the equity method		-	-	634	-	-	-	-
Cash dividends (\$0.09 per share)		-	-	(8,090)	-	-	-	-
Bonuses to directors and corporate auditors		-	-	(1,202)	-	-	-	-
Balance as of March 31, 2004		\$ 126,474	\$ 117,390	\$ 420,844	\$ 1,864	\$ 31,110	\$ (445)	\$ (13,464)

See accompanying notes.

Consolidated Statements of Cash Flows

Takuma Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2004 and 2003

	Millions of Yen		Thousands of U.S.dollars (Note 1)
	2004	2003	2004
Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	¥ (481)	¥ 11,988	\$ (4,551)
Adjustments to reconcile income (loss) before income taxes and minority interests to net cash provided by (used in) operating activities:			
Depreciation	1,101	1,144	10,417
Write-down of marketable securities and investment securities	5	1,455	47
Write-down of investments in unconsolidated subsidiaries and affiliate companies ..	51	-	483
Loss from liquidation of an unconsolidated subsidiary	1	299	9
Loss (Gain) on disposal of property, plant and equipment	(168)	332	(1,590)
Write-down of golf club memberships	10	37	95
Additional retirement payments	848	-	8,023
Increase in allowance for doubtful accounts	237	92	2,242
Decrease in allowance for losses on sales contracts	(126)	(564)	(1,192)
Decrease in pension benefit obligation	(967)	(335)	(9,149)
Interest and dividend income	(247)	(237)	(2,337)
Interest expense	64	82	606
Equity in earnings of affiliated companies.....	(227)	-	(2,148)
Net decrease in notes and accounts receivable and advance received.....	15,010	21,241	142,019
Decrease in inventories	425	4,122	4,021
Decrease (Increase) in consumption tax receivable	(1,430)	94	(13,530)
Increase in other current assets	(16)	(44)	(151)
Net decrease in notes and accounts payable and advance money.....	(14,478)	(18,521)	(136,986)
Increase (Decrease) in consumption tax payable	(3,677)	3,513	(34,790)
Increase (Decrease) in other current liabilities	(150)	334	(1,419)
Payment of bonuses to directors and corporate auditors.....	(144)	(175)	(1,362)
Other.....	(875)	275	(8,279)
Subtotal	(5,234)	25,132	(49,522)
Interest and dividend received	268	239	2,536
Interest paid	(64)	(84)	(606)
Income taxes paid	(2,415)	(11,643)	(22,850)
Additional retirement payments	(848)	-	(8,023)
Net cash provided by (used in) operating activities	(8,293)	13,644	(78,465)
Cash flows from investing activities:			
Net decrease in time deposits	239	1,531	2,261
Purchase of property, plant and equipment	(400)	(402)	(3,785)
Sales of property, plant and equipment	454	200	4,296
Purchase of intangible fixed assets	(69)	(564)	(653)
Purchase of investment securities	(812)	(3,228)	(7,683)
Sales of investment securities	499	718	4,721
Investments in unconsolidated subsidiaries and affiliated companies	(2,136)	(509)	(20,210)
Disbursement for loans receivable	(660)	(400)	(6,245)
Collection of loans receivable	286	134	2,706
Other	54	(410)	511
Net cash used in investing activities	(2,545)	(2,930)	(24,081)
Cash flows from financing activities:			
Net decrease in short-term bank loans	(444)	(945)	(4,201)
Proceeds from long-term debt	240	390	2,271
Payment of long-term debt	(308)	(583)	(2,914)
Redemption of bond	-	(591)	-
Purchase of treasury stock	(852)	(186)	(8,061)
Payment of cash dividends to the Company's shareholders	(855)	(1,297)	(8,090)
Payment of cash dividends to minority interests	(34)	(31)	(322)
Net cash used in financing activities.....	(2,253)	(3,243)	(21,317)
Effect of exchange rate changes on cash and cash equivalents	(83)	(86)	(785)
Net increase (decrease) in cash and cash equivalents	(13,174)	7,385	(124,648)
Cash and cash equivalents at beginning of year (Note 4)	69,494	62,109	657,527
Cash and cash equivalents at end of year (Note 4)	¥ 56,320	¥ 69,494	\$ 532,879

See accompanying notes.

Notes to Consolidated Financial Statements

Takuma Co., Ltd. and Consolidated Subsidiaries

1. Basis of presenting financial statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of consolidated statements of shareholders' equity) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2004, which was ¥105.69 to U.S. \$1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Summary of significant accounting policies

(a) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its 12 significant subsidiaries (the "Companies"). All significant inter-company transactions and unrealized profits among the Companies have been eliminated in consolidation. Investments in certain significant affiliates, which the Company and its subsidiaries are able to influence, in a material degree, their financial and operating decision-making, other than consolidated

subsidiaries, are accounted for by the equity method after the elimination of unrealized inter-company profits. Investments in the remaining unconsolidated subsidiaries and affiliated companies are not accounted for by the equity method because of the immaterial effect on the consolidated financial statements. Therefore, such investments are carried at cost, adjusted for any substantial and non-recoverable decline in value, and income from those unconsolidated subsidiaries and affiliated companies is recognized only when the Companies receive dividends therefrom.

(b) Foreign currency translation

Revenue and expense are translated at the rates of exchange prevailing when transactions are made. Assets and liabilities denominated in foreign currencies are generally translated into each reporting currency at the rate of foreign exchange prevailing at the balance sheet dates and the resulting translation gains or losses are included in earnings.

Financial statements of a consolidated overseas subsidiary are translated into Japanese yen at the year-end rate, except that shareholders' equity accounts are translated at historical rates and income statement items resulting from transactions with the Company at the rates used by the Company. The resulting translation adjustments are shown as "Foreign currency translation adjustments", a separate component of shareholders' equity.

(c) Cash and cash equivalents

In preparing the consolidated statements of cash flows, cash and cash equivalents include cash on hand, readily-available deposits and short-term investments with maturities of not exceeding three months from the date of acquisition which have high liquidity and low risk of price fluctuation.

(d) Securities

Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are stated at moving-average cost. Available-for-sale securities with available fair market value are stated at fair market value, and unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component

of shareholders' equity. Realized gains and losses on sale of such securities are computed using moving-average cost. Other securities with no available fair market value are stated at moving-average cost.

If the market value of equity securities issued by unconsolidated subsidiaries and affiliated companies, and available-for-sale securities declines significantly, such securities are stated at fair market value and the difference between fair market value and the carrying amount is recognized as loss in the period of the decline. If the fair market value of securities is not readily available, such securities should be written down to net asset value with a corresponding charge in the income statement in the event net asset value declines significantly. In these cases, such fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

(e) Allowance for doubtful accounts

The Company and its domestic subsidiaries adopt the policy of providing the allowance for doubtful accounts by estimating individually uncollectible amounts and by applying percentage based on collection experience to the remaining.

(f) Inventories

Work in process is stated at cost as determined by the identified cost method. Materials and supplies are stated at cost by the average method.

(g) Property, plant and equipment

Property, plant and equipment are depreciated using the declining-balance method over the estimated useful lives of the assets. However, buildings acquired after March 31, 1998, are depreciated using the straight-line method.

The range of useful lives is principally from 3 to 60 years for buildings and structures and from 2 to 20 years for machinery, equipment and other. Maintenance and repairs, including minor renewals and improvements, are charged to income as incurred.

In the year ended March 31, 2004, the Company did not adopt early the new accounting standard for impairment of fixed Assets ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council on August 9, 2002) and the implementation guidance for accounting standard for impairment of fixed assets

(the Financial Accounting Standard Implementation Guidance No. 6 issued by the Accounting Standards Board of Japan on October 31, 2003). The new accounting standard is required to be adopted in periods beginning on or after April 1, 2005, but the standard does not prohibit earlier adoption. The Company will adopt these standards effective April 1, 2005.

The Company has begun its analysis of possible impairment of fixed assets. The Company cannot currently estimate the effect of adoption of the new standard, because the Company has not yet completed its analysis.

(h) Accounting for leases

Finance lease which do not transfer ownership of the leased assets to the lessee, are accounted for in the same manner as operating leases.

(i) Allowance for losses on sales contracts

Among sales orders of the Company on hand at balance sheet date, for projects in which the estimated cost is expected to exceed the amount of the sales order by a wide margin, allowance for losses on sales contracts is recognized at the estimated aggregate amount of such losses.

(j) Allowance for employees' retirement benefits

The Companies provide two types of post-employment benefit plans, unfunded lump-sum payment plans and funded non-contributory pension plans. Under which all eligible employees are entitled to benefits based on the level of wages and salaries at the time of retirement or termination, length of service and certain other factors.

The Companies provided allowance for employees' severance and retirement benefits as of March 31, 2004 and 2003 based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at the balance sheet date.

The excess of the projected benefit obligation over the total of the fair value of plan assets as of April 1, 2000 and the liabilities for retirement benefits recorded as of April 1, 2000 (the "net transition obligation") amounted to ¥561 million. The net transition obligation is recognized in expenses in equal amounts primarily over 3 years commencing with the year ended March 31, 2001.

Actuarial gains or losses are recognized in expense using straight-line method over 10 years commencing with the following period.

Prior service costs are recognized in expense using straight-line method over 10 years from when incurred.

(k) Allowance for directors' and corporate auditors' retirement benefits

Directors and corporate auditors are generally entitled to receive retirement benefits based on the Companies' internal rules. The Companies provided allowance for directors' and corporate auditors' retirement benefits computed on the assumption that all directors and corporate auditors retired at the balance sheet date.

(l) Revenue recognition

Net sales from contracts are recognized at the time the contracts are completed, except that net sales for projects with construction lasting more than one year and contract amount over ¥1,000 million are recognized using the percentage-of-completion method. Net sales and gross profit recognized on the percentage-of-completion method for the years ended March 31, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S.dollars
	2004	2003	2004
Net sales	¥ 29,264	¥ 82,171	\$ 276,885
Gross profit	4,218	15,197	39,909

(m) Income taxes

The Companies are subject to corporation tax, inhabitants tax and enterprise tax, which are based on taxable income. The Companies recognize the tax effects of the temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting. The provision for income taxes is computed based on the pretax income of each of the Companies, with certain adjustments required for consolidation and tax purposes. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences.

(n) Net income and cash dividends per share

Net income per share is computed based on the weighted average number of common stock outstanding during each period. Diluted net income per share is computed by the assumption that all con-

vertible bonds were converted into common stock at the beginning of each period.

Effective April 1, 2002, the Companies adopted the new accounting standard for earnings per share and related guidance (Accounting Standards Board Statement No.2, "Accounting Standard for Earnings Per Share" and Financial Standard Implementation Guidance No.4, "Implementation Guidance Accounting Standard for Earnings Per Share", issued by the Accounting Standards Board of Japan on September 25, 2002). Net income per share and diluted net income per share for the year ended March 31, 2003 would have been ¥60.41 and ¥60.14, respectively, if the previous accounting standard were applied.

Cash dividends per share represent interim dividends declared by the Board of Directors in each year and year-end dividends approved by the shareholders at the annual meeting held subsequent to the end of the fiscal year.

(o) Derivatives and hedge accounting

The Companies generally state derivative financial instruments at fair value and recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Companies generally defer recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related gains or losses on the hedged items are recognized.

The Company uses currency forward contract to hedge its accounts receivable and accounts payable denominated in foreign currencies against foreign exchange risk that comes from foreign currency transactions (mainly U.S.dollars).

(p) Valuation of assets and liabilities of consolidated subsidiaries

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiaries.

(q) Reclassifications

Certain prior year amounts have been reclassified to conform to 2004 presentation. These changes had no impact on previously

reported results of operations or shareholders' equity.

3. Changes in accounting policies

(a) Accounting standard for treasury stock and reversal of statutory reserves

Effective April 1, 2002, the Companies adopted the new accounting standard for treasury stock and reversal of statutory reserves (Accounting Standards Board Statement No.1 "Accounting Standard for Treasury Stock and Reversal of Statutory Reserves", issued by the Accounting Standards Board of Japan on February 21, 2002).

The effect on net income of adopting the new accounting standard

was not material.

(b) Accounting standard for earnings per share

Effective April 1, 2002, the Companies adopted the new accounting standard for earnings per share and related guidance (Accounting Standards Board Statement No.2, "Accounting Standard for Earnings Per Share" and Financial Standard Implementation Guidance No.4, "Implementation Guidance Accounting Standard for Earnings Per Share", issued by the Accounting Standards Board of Japan on September 25, 2002).

The effect of adopting of the new standard and guidance is disclosed in Note 2 (n).

4. Amounts of cash and cash equivalents

Amounts of cash and cash equivalents as of March 31, 2004 and 2003 were reconciled with cash and time deposits as follows:

	Millions of Yen		Thousands of U.S.dollars
	2004	2003	2004
Cash and time deposits.....	¥ 60,102	¥ 73,540	\$ 568,663
Time deposits with maturities exceeding three months from the date of acquisition.....	(3,812)	(4,077)	(36,068)
Short-term highly liquid investments with maturities not exceeding three months.....	30	31	284
Total : Cash and cash equivalents.....	¥ 56,320	¥ 69,494	\$ 532,879

5. Securities

(a) Acquisition costs and book values of available-for-sale securities with available fair values as of March 31, 2004 and 2003 were as follows:

As of March 31, 2004	Millions of Yen		
	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:			
Equity securities	¥ 7,676	¥ 13,235	¥ 5,559
Debt securities	57	64	7
Others	905	963	58
Subtotal	8,638	14,262	5,624
Others:			
Equity securities	257	243	(14)
Others	122	106	(16)
Subtotal	379	349	(30)
Total	¥ 9,017	¥ 14,611	¥ 5,594

As of March 31, 2003

Securities with book values exceeding acquisition costs:

	Millions of Yen		
	Acquisition cost	Book value	Difference
Equity securities	¥ 1,983	¥ 3,264	¥ 1,281
Debt securities	169	180	11
Others	1,040	1,046	6
Subtotal	3,192	4,490	1,298
Others:			
Equity securities	5,292	4,356	(936)
Others	326	275	(51)
Subtotal	5,618	4,631	(987)
Total	¥ 8,810	¥ 9,121	¥ 311

As of March 31, 2004

Securities with book values exceeding acquisition costs:

	Thousands of U.S.dollars		
	Acquisition cost	Book value	Difference
Equity securities	\$ 72,628	\$ 125,225	\$ 52,597
Debt securities	539	606	67
Others	8,563	9,111	548
Subtotal	81,730	134,942	53,212
Others:			
Equity securities	2,432	2,299	(133)
Others	1,154	1,003	(151)
Subtotal	3,586	3,302	(284)
Total	\$ 85,316	\$ 138,244	\$ 52,928

(b) Book values of available-for-sale securities with no fair values as of March 31, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S.dollars
	2004	2003	2004
Non-listed equity securities.....	¥ 2,296	¥ 2,205	\$ 21,724
Debt security investment trust which equivalent to cash	30	31	284

(c) Available-for-sale securities sold for the years ended March 31, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S.dollars
	2004	2003	2004
Total sales amount	¥ 499	¥ 718	\$ 4,721
Gains	3	0	28
Losses	2	3	19

(d) Maturities of available-for-sale securities as of March 31, 2004 and 2003 were as follows:

	Millions of Yen			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
As of March 31, 2004				
Debt securities	¥ 23	¥ 13	¥ 27	¥ -
Others	188	-	-	-
Total	¥ 211	¥ 13	¥ 27	¥ -

	Millions of Yen			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
As of March 31, 2003				
Debt securities	¥ 116	¥ 26	¥ 27	¥ -
Others	-	104	-	-
Total	¥ 116	¥ 130	¥ 27	¥ -

	Thousands of U.S.dollars			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
As of March 31, 2004				
Debt securities	\$ 217	\$ 123	\$ 255	\$ -
Others	1,779	-	-	-
Total	\$ 1,996	\$ 123	\$ 255	\$ -

6. Lease

(a) Finance lease

The Companies are obligated under several non-cancelable finance leases without transfer of ownership. Total expenses for non-capitalized finance leases, which are accounted for in the same manner as operating leases, for the years ended March 31, 2004 and 2003 were ¥175 million (\$1,656 thousand) and ¥222 million, respectively.

If such finance leases were capitalized including interest as of March 31, 2004 and 2003, they would be recorded in the consolidated balance sheets as follows:

	Millions of Yen					
	2004			2003		
	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
Machinery and equipment	¥ 681	¥ 354	¥ 327	¥ 795	¥ 498	¥ 297
Other assets	85	39	46	142	107	35
Total.....	¥ 766	¥ 393	¥ 373	¥ 937	¥ 605	¥ 332

	Thousands of U.S.dollars		
	2004		
	Acquisition cost	Accumulated depreciation	Book value
Machinery and equipment	\$ 6,444	\$ 3,350	\$ 3,094
Other assets	804	369	435
Total.....	\$ 7,248	\$ 3,719	\$ 3,529

If depreciation expense on such finance leases was incurred for the years ended March 31, 2004 and 2003, the amounts would be ¥175 million (\$1,656 thousand) and ¥222 million, respectively.

The scheduled future payments of such lease obligations, including interest, as of March 31, 2004 and 2003, were as follows:

	Millions of Yen		Thousands of U.S.dollars
	2004	2003	2004
Due within one year	¥ 128	¥ 153	\$ 1,211
Due after one year	245	179	2,318
Total	¥ 373	¥ 332	\$ 3,529

(b) Operating lease

The scheduled future payments of operating lease, including interest, as of March 31, 2004 and 2003, were as follows:

	Millions of Yen		Thousands of U.S.dollars
	2004	2003	2004
Due within one year	¥ 6	¥ 14	\$ 57
Due after one year	6	11	57
Total	¥ 12	¥ 25	\$ 114

7. Pledged assets

The following assets were pledged to secure short-term bank loans, long-term debt, notes discounted and fulfillment of a contract as of March 31, 2004 and 2003:

	Millions of Yen		Thousands of U.S.dollars
	2004	2003	2004
Land	¥ 1,087	¥ 1,123	\$ 10,285
Buildings and structures	435	461	4,116
Time deposits	73	78	690
Total	¥ 1,595	¥ 1,662	\$ 15,091

8. Revaluation reserve for land

Pursuant to "Law concerning Revaluation Reserve for Land" (the Law), enacted March 31, 1998, and partial revision to the Law on March 31, 2001, land held by one of the consolidated subsidiaries has been revalued. As the result, the applicable income tax portion of related unrealized gain was reported "Deferred tax liability for revaluation reserve for land" in liabilities section, and the related unrealized gain (net of applicable income tax) was recognized in minority interests in consolidated subsidiaries section and "Revaluation reserve for land" in shareholders' equity section.

	Millions of Yen
Book value of land before revaluation	¥ 259
Book value of land after revaluation	826
Date of revaluation March 31, 2002	

As of March 31, 2004, the fair market value of land was below the book value of land after revaluation by ¥61 million (\$577 thousand).

9. Short-term bank loans and long-term debt

Short-term bank loans outstanding were generally represented by bank overdrafts bearing interest at average rates of 1.0% and 1.0% per annum as of March 31, 2004 and 2003, respectively.

Long-term debt as of March 31, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S.dollars
	2004	2003	2004
Loans from banks and other financial institutions due 2004 to 2017 interest at rates of 0.8% to 4.0% per annum in 2004 and 2003:			
Secured	¥ 552	¥ 492	\$ 5,223
Unsecured	29	157	275
	581	649	5,498
Less: Current portion.....	(233)	(278)	(2,205)
	¥ 348	¥ 371	\$ 3,293

The aggregate annual maturities of long-term debt as of March 31, 2004 were summarized below:

Years ending March 31,	Millions of Yen	Thousands of U.S.dollars
2005	¥ 233	\$ 2,205
2006	117	1,107
2007	189	1,788
2008	24	227
2009	17	161
2010 and thereafter	1	10

10. Allowance for employees' retirement benefits

The liabilities for severance and retirement benefits included in the liabilities section of the consolidated balance sheets as of March 31, 2004 and 2003 consist of the following:

	Millions of Yen		Thousands of U.S.dollars
	2004	2003	2004
Projected benefit obligation.....	¥ 14,707	¥ 15,731	\$ 139,152
Fair value of plan assets	(6,939)	(6,279)	(65,654)
Unfunded projected benefit obligation	7,768	9,452	73,498
Unrecognized prior service cost	398	482	3,766
Less: unrecognized actuarial differences	(1,455)	(2,320)	(13,767)
Allowance for employees' retirement benefits	¥ 6,711	¥ 7,614	\$ 63,497

Included in the consolidated statements of operations for the years ended March 31, 2004 and 2003 were severance and retirement benefit expenses comprised of the following:

	Millions of Yen		Thousands of U.S.dollars
	2004	2003	2004
Service costs – benefits earned during the year.....	¥ 785	¥ 1,072	\$ 7,427
Interest cost on projected benefit obligation	260	309	2,460
Expected return on plan assets	(53)	(50)	(501)
Amortization of net transition obligation	-	178	-
Amortization of actuarial differences	268	180	2,535
Amortization of prior service cost	(53)	(54)	(501)
Additional retirement payments and others	985	-	9,320
Employees' retirement benefit expenses	¥ 2,192	¥ 1,635	\$ 20,740

Additional retirement payments and others for the year ended March 31, 2004 consisted of premium severance payments of the Company of ¥848 million (\$8,023 thousand) and a charge for the amount of unrecognized prior service cost and actuarial differences of the Company of ¥137 million (\$1,296 thousand) relating to the voluntary retirement plans.

The discount rate and the rate of expected return on plan assets used by the Companies are mainly 2.0% and 1.0%, respectively. The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years. Net transition obligation is recognized in expenses in equal amounts over 3 years commencing with the year ended March 31, 2001. Prior service costs are recognized in expense using the straight-line method over 10 years from when incurred. Actuarial gains or losses are recognized in expense using the straight-line method over 10 years commencing with the succeeding period.

11. Contingent liabilities

The Companies were contingently liable under guarantees for bank loans of unconsolidated subsidiaries, affiliated companies and other companies as of March 31, 2004 and 2003 amounting to ¥5,439 million (\$51,462 thousand) and ¥5,580 million, respectively.

Also, the Companies were contingently liable for notes discounted and endorsed as of March 31, 2004 and 2003 amounting to ¥827 million (\$7,825 thousand) and ¥927 million, respectively.

12. Shareholders' equity

Under the Japanese Commercial Code (the "Code"), the entire amount of the issue price of shares is required to be accounted for as common stock, although a company may, by resolution of its Board of Directors, account for an amount not exceeding one-half of the issue price of the new shares as additional paid-in capital, which is included in capital surplus.

Effective October 1, 2001, the Code provides that an amount equal to at least 10% of cash dividends and other cash appropriations shall be appropriated and set aside as a legal earnings reserve until the total amount of legal earnings reserve and additional paid-in capital equals 25% of common stock. (The total amount of legal earnings reserve and additional paid-in capital of the Company has been reached to 25% of common stock, and therefore the Company is not required to provide legal earnings reserve any more.) The legal earnings reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the shareholders' meeting or may be capitalized by resolution of the Board of Directors. On condition that the total amount of legal earnings reserve and additional paid-in capital remains being equal to or exceeding 25% of common stock, they are available for distribution by the resolution of shareholders' meeting. Legal earnings reserve is included in retained earnings in the accompanying financial statements.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Code.

13. Research and development expenses

Research and development expense is charged to income as incurred. Such amount included in cost of sales, and selling, general and administrative expenses for the years ended March 31, 2004 and 2003 were ¥1,263 million (\$11,950 thousand) and ¥1,556 million, respectively.

14. Income taxes

The Companies are subject to a number of taxes based on income, which, in the aggregate, indicate statutory rates in Japan of approximately 42.0% for the years ended March 31, 2004 and 2003.

The following table summarizes the significant differences between the statutory tax rate and the Companies' effective tax rate for financial statement purposes for the year ended March 31, 2003:

	2003
Statutory tax rate	42.0%
(Adjustment)	
Non-deductible item	5.0
Non-taxable item	(0.7)
Per capita inhabitants taxes	0.5
Undistributed earnings of consolidated subsidiaries	4.3
Other	2.3
Effective tax rate	53.4%

The above information is not shown for the year ended March 31, 2004 because of the loss before income taxes and minority interests for the year.

Components of the Companies' deferred tax assets and liabilities as of March 31, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S.dollars
	2004	2003	2004
Deferred tax assets:			
Allowance for employees' retirement benefits	¥ 2,457	¥ 2,652	\$ 23,247
Accrued cost of sales	1,182	1,000	11,184
Accrued bonuses to employees	739	705	6,992
Allowance for losses on sales contracts	266	328	2,517
Unrealized profits	507	505	4,797
Operating loss carryforward for tax purposes	1,662	317	15,725
Other	1,847	1,858	17,476
Total deferred tax assets	8,660	7,365	81,938
Valuation allowance	(1,152)	(1,044)	(10,900)
Net deferred tax assets	¥ 7,508	¥ 6,321	\$ 71,038
Deferred tax liabilities:			
Net unrealized holding gains on available-for-sale securities	(2,317)	(140)	(21,923)
Valuation difference in land of consolidated subsidiary	(161)	(161)	(1,523)
Net unrealized gains on revaluated land	(232)	(232)	(2,195)
Other	(739)	(635)	(6,992)
Total deferred tax liabilities	(3,449)	(1,168)	(32,633)
Net deferred tax assets	¥ 4,059	¥ 5,153	\$ 38,405

The aggregate statutory income tax rate was reduced for the year commencing on April 1, 2004.

At March 31, 2004, the Company and consolidated domestic subsidiaries applied the reduced aggregate statutory income tax rate of 40.6% for calculating all deferred tax assets and liabilities. As a result, deferred tax assets decreased by ¥75 million (\$710 thousand) and provision for deferred income taxes increased by ¥75 million (\$710 thousand) compared with what would have been reported under the way of the prior fiscal year, respectively.

At March 31, 2003, the Company and consolidated domestic subsidiaries applied the reduced aggregate statutory income tax rate of 40.6% for calculating deferred tax assets and liabilities that are expected to be recovered or settled in the years commencing on April 1, 2004 or later. As a result, deferred tax assets decreased by ¥74 million, provision for deferred income taxes and net unrealized holding gain on available-for-sale securities increased by ¥78 million and ¥4 million compared with what would be reported using the tax rate of 42.0%, respectively.

15. Segment information

Business segment information for the years ended March 31, 2004 and 2003 were as follows:

Year ended March 31, 2004	Millions of Yen						Consolidated
	Machinery division	Environmental control plants division	Operation and maintenance division	Real estate division	Total	Elimination or corporate	
Sales:							
Outside customers	¥ 38,005	¥ 48,058	¥ 9,037	¥ 83	¥ 95,183	¥ -	¥ 95,183
Intersegment	310	219	98	278	905	(905)	-
Total	38,315	48,277	9,135	361	96,088	(905)	95,183
Operating expenses	39,418	46,118	8,243	171	93,950	1,402	95,352
Operating income (loss)	¥ (1,103)	¥ 2,159	¥ 892	¥ 190	¥ 2,138	¥ (2,307)	¥ (169)
Identifiable assets, depreciation expense and capital expenditure:							
Assets	¥ 30,408	¥ 30,091	¥ 8,390	¥ 301	¥ 69,190	¥ 70,757	¥ 139,947
Depreciation	375	677	27	24	1,103	(2)	1,101
Capital expenditure	149	176	4	0	329	(5)	324

Year ended March 31, 2003	Millions of Yen						Consolidated
	Machinery division	Environmental control plants division	Operation and maintenance division	Real estate division	Total	Elimination or corporate	
Sales:							
Outside customers	¥ 45,640	¥ 107,236	¥ 8,331	¥ 82	¥ 161,289	¥ -	¥ 161,289
Intersegment	730	252	794	292	2,068	(2,068)	-
Total	46,370	107,488	9,125	374	163,357	(2,068)	161,289
Operating expenses	48,410	88,938	8,459	212	146,019	72	146,091
Operating income (loss)	¥ (2,040)	¥ 18,550	¥ 666	¥ 162	¥ 17,338	¥ (2,140)	¥ 15,198
Identifiable assets, depreciation expense and capital expenditure:							
Assets	¥ 33,530	¥ 51,790	¥ 6,655	¥ 295	¥ 92,270	¥ 71,934	¥ 164,204
Depreciation	409	692	18	27	1,146	(2)	1,144
Capital expenditure	366	657	47	0	1,070	(3)	1,067

Thousands of U.S.Dollars

Year ended March 31, 2004	Machinery division	Environmental control plants division	Operation and maintenance division	Real estate division	Total	Elimination or corporate	Consolidated
Sales:							
Outside customers	\$ 359,590	\$ 454,707	\$ 85,505	\$ 785	\$ 900,587	\$ -	\$ 900,587
Intersegment	2,933	2,072	927	2,630	8,562	(8,562)	-
Total	362,523	456,779	86,432	3,415	909,149	(8,562)	900,587
Operating expenses	372,959	436,352	77,992	1,617	888,920	13,266	902,186
Operating income (loss)	\$ (10,436)	\$ 20,427	\$ 8,440	\$ 1,798	\$ 20,229	\$(21,828)	\$ (1,599)
Identifiable assets, depreciation expense and capital expenditure:							
Assets	\$ 287,709	\$ 284,710	\$ 79,383	\$ 2,848	\$ 654,650	\$669,477	\$1,324,127
Depreciation	3,548	6,406	255	227	10,436	(19)	10,417
Capital expenditure	1,410	1,665	38	0	3,113	(47)	3,066

Corporate expenses included in operating expenses and not allocated to segment in 2004 and 2003 were general affairs department expenses of the Company amounting to ¥2,731 million (\$25,840 thousand) and ¥2,543 million, respectively.

Assets under the elimination or corporate in 2004 and 2003 were ¥74,291 million (\$702,914 thousand) and ¥75,722 million, consisting principally cash and time deposits, marketable securities (current) and investment securities (non-current) of the Company.

Geographic segment information is not shown, due to net sales by overseas consolidated subsidiaries being not material compared to consolidated net sales.

Information for overseas sales is not disclosed due to overseas sales being not material compared to consolidated net sales.

16. Related party transactions

The Company owns 50 per cent of voting rights of Campo Recycle Plaza Co., Ltd. The Company guarantees for bank loans of Campo Recycle Plaza Co., Ltd.

The transactions amounts were as follows:

	Millions of Yen		Thousands of U.S.dollars
	2004	2003	2004
Guarantee of bank loans	¥ 1,884	¥ 2,150	\$ 17,826

Terms of transactions are determined under general market condition.

17. Subsequent event

On June 29, 2004, the shareholders of the Company approved the following appropriations:

	Millions of Yen	Thousands of U.S.dollars
Cash dividends	¥ 430	\$ 4,069

Independent Auditors' Report

To the Shareholders and Board of Directors of Takuma Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Takuma Co., Ltd. And its consolidated subsidiaries as of March 31, 2004 and 2003, and the related consolidated statements of operations, shareholders' equity and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall 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 Takuma Co., Ltd. and its consolidated subsidiaries as of March 31, 2004 and 2003, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2004 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
June 29, 2004