

## Summary of Consolidated Financial Statements for the Fiscal Year Ended March 31, 2004

May 17, 2004

These financial statements have been prepared for reference only in accordance with accounting principles and practices generally accepted in Japan.

### Nissin Food Products Co., Ltd.

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Stock exchange listings: Tokyo, Osaka  
Code number: 2897  
Board of Directors meeting: May 17, 2004  
Use of U.S. accounting standards: No

## 1. Operating Results for Fiscal 2004 (April 1, 2003-March 31, 2004)

(1) Sales and Income Note: All amounts are rounded down to the nearest million yen.

	Net sales (¥ million)	Year-on-year change (%)	Operating income (¥ million)	Year-on-year change (%)	Ordinary income (¥ million)	Year-on-year change (%)
Fiscal 2004	320,032	1.5	23,203	(12.1)	25,620	(10.7)
Fiscal 2003	315,279	2.2	26,400	6.4	28,676	(4.4)

	Net income (¥ million)	Year-on-year change (%)	Earnings per share (¥)	Earnings per share (diluted) (¥)	Return on equity (%)	Ordinary income/total assets (%)	Ordinary income/net sales (%)
Fiscal 2004	14,050	(2.6)	113.61	—	5.9	7.6	8.0
Fiscal 2003	14,422	20.8	115.65	—	6.2	8.7	9.1

Notes:

- Equity in earnings of affiliates: ¥317 million (Fiscal 2003: ¥290 million)
- Average number of shares outstanding (consolidated): 123,432,833 shares (Fiscal 2003: 124,176,048 shares)
- Changes in accounting methods: None
- Year-on-year change for net sales, operating income, ordinary income and net income is based on the previous fiscal year.

### (2) Financial Position

	Total assets (¥ million)	Shareholders' equity (¥ million)	Shareholders' equity ratio (%)	Shareholders' equity per share (¥)
Fiscal 2004	343,644	244,439	71.1	1,980.14
Fiscal 2003	331,994	233,707	70.4	1,892.89

Note: Number of shares outstanding at end of period (consolidated): 123,432,039 shares (Fiscal 2003: 123,433,868 shares)

### (3) Cash Flows

	Cash flows from operating activities (¥ million)	Cash flows from investing activities (¥ million)	Cash flows from financing activities (¥ million)	Cash and cash equivalents at end of period (¥ million)
Fiscal 2004	22,213	(20,453)	(3,813)	72,140
Fiscal 2003	23,027	(29,030)	(10,374)	73,882

### (4) Scope of consolidation and application of the equity method:

Consolidated subsidiaries: 23 companies

Unconsolidated subsidiaries accounted for by the equity method: None

Affiliated companies accounted for by the equity method: 1 company

### (5) Changes in scope of consolidation and application of the equity method:

Consolidation: (New) 1 company (Eliminated) 2 companies

Equity method: (New) None (Eliminated) None

## 2. Projected Results for Fiscal 2005 (April 1, 2004-March 31, 2005)

	Net sales (¥ million)	Ordinary income (¥ million)	Net income (¥ million)
Interim period	157,000	13,000	5,500
Fiscal 2005	330,000	30,000	14,500

Reference: Estimated earnings per share (fiscal 2005): ¥117.27

Note: Projected results are forward-looking statements based on estimates made as of the day of release of these materials. Actual results may differ depending on a number of factors including but not limited to changes in exchange rates. For the assumptions and other issues related to the above projected results, please refer to page 6 of the attached materials.

# 1. Management Policies

## (1) Basic Management Policy

Under its founding philosophy of “People Can Only Be Content When There Is Enough Food,” Nissin has established a corporate philosophy of bringing enjoyment to people’s lives through the creation and development of new foods. As the company that invented instant noodles, Nissin will continue to develop products and technologies to offer satisfaction to all people in all countries and regions. Nissin contributes to people’s health with its customer-focused marketing policies. Moreover, Nissin works to maximize corporate value while building a solid management base to further strengthen brand strategies in a global competitive framework.

## (2) Basic Policy for Allocating Earnings

Nissin’s primary management task is to continue to provide stable dividends to shareholders by working to strengthen its sales and earnings capabilities to raise shareholder profits regularly. Nissin’s dividend policy targets a payout ratio of 30 percent on a nonconsolidated basis. Based on this policy, for the year ending March 31, 2004 Nissin plans to pay a regular dividend of ¥30.00 per share.

In addition, Nissin strives to expand corporate value further through the priority allocation of retained earnings toward capital investment, research and development costs, and mergers and acquisitions in order to expand its operations globally from a long-term perspective, and through the effective management of surplus funds, based on ensuring the safety of principal value.

## (3) Views and Policy Regarding Reduction of Minimum Investment

Because Nissin manufactures and sells food products closely related to its customers’ lives, it would like to have a closer presence among many individual investors. To raise the liquidity of its stock and expand its investor base, Nissin reduced the minimum trading unit of its stock from 1,000 to 100 in August 1999. In addition, Nissin executed a secondary market offering of 4,060,000 shares in February 2003 in order to improve stock distribution and increase liquidity.

As a result, the number of shareholders increased from 8,742 at the end of March 1999 to 19,038 at the end of March 2004.

## (4) Medium- to Long-Term Management Strategies

Nissin has set the medium-term objective of raising its share of the domestic instant noodle market, its core business, to 50 percent on a sales value basis. With the aim of strengthening responsiveness to customers amid the coming environmental changes, Nissin has introduced marketing strategies such as the “Frequent Shoppers Program,” a series of promotions and preferential offers aimed at valued customers, and “Target Marketing,” and is working to raise brand value through highly efficient, high-value-added marketing.

In addition, Nissin is investing management resources into its chilled and frozen foods businesses in order to develop these businesses as the second and third pillars of its operating base, thus expanding business while increasing synergy as a comprehensive noodle manufacturer.

Overseas, Nissin will move forward with its global strategy of bringing happiness and great taste to people in every country and region as the pioneer in the field of instant noodles, a product created in Japan that has become an international food. At the same time, Nissin will promote international procurement of ingredients and materials that makes the most of its overseas network to purchase higher-quality raw materials at lower prices.

## (5) Basic Policy Regarding Corporate Governance and Status of Implementation of Measures

Nissin is committed to providing safe and reliable products, while ensuring that its operations provide the maximum benefit to all stakeholders, including its shareholders, consumers, business partners and employees as well as local communities.

To achieve this aim, Nissin has already taken the step of appointing several outside directors and outside corporate auditors, in order to revitalize management by incorporating the opinions of experts from outside Nissin. At present, two of the twelve directors are outside directors and two of the four corporate auditors are outside corporate auditors.

In Nissin’s management organization, the Board of Directors formulates basic management policies and strategies, and the corporate executive officers implement them. By clarifying the roles of directors and corporate executive officers in this way, Nissin reduced the size of the Board of Directors, thus enabling acceleration of management decision-making. Moreover, the corporate auditors oversee the performance of the duties of the Board of Directors through measures including attendance at Board of Directors’ meetings and other important meetings.

In addition, Nissin has formulated the Nissin Code of Ethics, which is the basis of the management organization mentioned above, and all executives and employees have a deep awareness of corporate social

responsibilities, comply strictly with relevant laws and regulations in conducting day-to-day business, and carry out their activities in accordance with social ethics.

(6) Company Initiatives

As a manufacturer of food products, Nissin complies strictly and thoroughly with laws and regulations, and has made providing safe and reliable products to customers its mission.

As a quality control system, Nissin has established the Food Safety Research Institute as a specialized organization that deals with food safety and environmental countermeasures, in order to provide safe food products that customers can rely on with regard to food safety issues such as residual pesticides and unauthorized food additives. Moreover, all domestic plants as well as the Food Safety Research Institute have obtained ISO 9001 certification of their quality assurance systems, and quality management systems based on ISO 9001 are being established at overseas plants.

Nissin will consider the global environment in carrying out business activities that take into account the protection of the environment and the conservation of natural resources in co-existence with the natural environment. Nissin's four company plants and the head offices in Tokyo and Osaka have obtained ISO 14001 certification of their environmental management systems. In addition, Nissin introduces and discloses the results of environmental accounting in order to quantitatively determine the costs of environmental protection.

## 2. Results of Operations and Financial Position

### (1) Results of Operations

#### Overview of the Fiscal Year

During the fiscal year, despite the impact of the war in Iraq and SARS, the Japanese economy began at last to emerge from the economic slowdown that has been persisting for many years. Supported by strong exports and robust private capital investment, conditions displayed steady steps toward recovery, centered on the manufacturing industry. Employment conditions gradually improved, and personal consumption showed indications of a rebound.

In the food industry, severe conditions persisted, with a slowdown in sales of summer products due to the cool summer, and successive problems that called food safety into question, including the outbreak of BSE in the United States and spreading transmission of avian influenza. On the other hand, with steady recovery in the stock market and an increase in capital investment, indications of change began to be felt.

The domestic instant noodle market displayed solid sales growth, due to a cool summer that supported higher sales than the norm for most years, as well as aggressive new product introductions throughout the year. Although sales competition in the market remained severe, Nissin worked to promote sales and implemented customer-oriented measures. In particular, grasping the consumer psychology of willingness to spend money for products they truly want, Nissin developed *Nissin GooTa* and other high-value-added products to open up a new market in the higher price range.

*Chicken Ramen*, which reached its 45th anniversary in August 2003, achieved record annual sales volume (5.9 million cases) due to a renewal with an “Egg Pocket” and a promotional campaign to thank customers for their many years of loyalty. In addition an episode of the popular NHK television drama *Teruteru Kazoku* dealt with the invention of instant ramen, modeled on Nissin’s Chairman Momofuku Ando, offering a good opportunity to make viewers feel a closer connection to Nissin products.

Stable sales growth of the *Cup Noodle* series, a mainstay product, contributed to higher earnings, with new product *Cup Noodle Sio* becoming a hit. Stronger consumer demand for product safety benefited long-selling, trusted brands such as *Chicken Ramen* and *Cup Noodle*.

Since its launch in fall 2002, *Nissin GooTa* has continued its stable sales growth as the cornerstone product in the higher price range. *Nissin Shantanmen*, a product launched in fall 2003 targeting the elder category of consumers aged from 45 to 59, contributed to an increase in new customers.

In overseas markets, total worldwide demand for instant noodles is 65.3 billion servings (according to the fiscal 2003 survey by the International Ramen Manufacturers Association) and the market for instant noodles is expanding, primarily in Asia. Nissin is increasing production capacity and conducting aggressive sales activities to broaden its market areas in this region.

Particularly, in the People’s Republic of China (P.R.C.), the world’s largest consumer of instant noodles where total annual demand has reached 27.7 billion servings (same source as above), the future annual growth rate is forecast to be around 20 percent. Nissin worked to increase sales there by expanding its sales routes from a sales strategy focused on major coastal cities to include the interior.

Although sales increased in North America on a local currency basis, profits declined because of higher costs due to factors including a sharp rise in the cost of raw materials.

(Consolidated basis; ¥ million)

	Net sales	Operating income	Ordinary income	Net income
Year ended March 31, 2004	320,032	23,203	25,620	14,050
Year ended March 31, 2003	315,279	26,400	28,676	14,422
Year-on-year change (%)	1.5	(12.1)	(10.7)	(2.6)

As a result of the above, net sales for the fiscal year rose in all business areas, increasing 1.5 percent compared with the previous year to ¥320,032 million.

Despite the increase in net sales, operating income declined 12.1 percent to ¥23,203 million because of an increase in expenses related to retirement benefits that are expensed on a one-time basis in the fiscal year after they occur.

Ordinary income decreased 10.7 percent to ¥25,620 million. Net non-operating income improved ¥141 million over the previous year due to increases in gain on sales of securities and dividends received.

Net income decreased 2.6 percent to ¥14,050 million as factors including a decrease in evaluation loss on investment securities resulted in a net improvement of ¥2,240 million in extraordinary losses.

### Information by Business Category

Because parent company sales account for more than 80 percent of consolidated sales, the following discussion of net sales by business category concentrates on nonconsolidated (domestic) sales.

Business category	Consolidated net sales (¥ million)	Year-on-year change (%)	Nonconsolidated net sales (¥ million)	Year-on-year change (%)
Pillow-type instant noodles	45,511	5.2	31,079	8.1
Cup-type instant noodles	203,337	0.4	187,667	1.4
Chilled and frozen foods	39,701	1.6	29,803	2.8
Others	31,482	3.8	16,318	9.9
Total	320,032	1.5	264,868	2.8

#### *Pillow-type Instant Noodles*

Sales increased, particularly in eastern Japan, for *Chicken Ramen*, a long-selling product that has reached its 45th anniversary, and it achieved record annual sales volume (5.9 million cases).

In overseas markets, sales expanded substantially in the P.R.C., where demand is rising. Sales also increased in North America, but the effect of the stronger yen on exchange rates restrained sales after currency translation to the same level as the previous year.

As a result, net sales of pillow-type instant noodles increased 5.2 percent compared with the previous year to ¥45,511 million.

#### *Cup-type Instant Noodles*

In the mainstay *Cup Noodle* series, sales of regular products *Cup Noodle*, *Cup Noodle Seafood* and *Cup Noodle Curry* were solid and *Cup Noodle Sio* was a hit product, contributing to increased sales.

*Nissin GooTa*, launched in fall 2002, successively introduced new variations and succeeded in establishing itself as a mainstay product among higher-priced cup-type instant noodles. In addition, *Nissin Shantanmen*, which was launched in fall 2003, tapped new demand in the elder category of middle-aged and elderly consumers.

*Nissin Menshokunin*, a Chinese-style bowl-type dish that offers delicious noodles, and *Tongarashimen*, in which red pepper is kneaded into the noodle, both sold well.

In overseas markets, sales of *UFO*, a Japanese domestic brand, and other cup-type yakisoba products increased in the P.R.C. In North America, where competition is intensifying, Nissin implemented an aggressive marketing strategy, but the effect of the stronger yen on the exchange rate had a negative impact on sales.

As a result, net sales of cup-type instant noodles increased 0.4 percent compared with the previous year to ¥203,337 million.

#### *Chilled and Frozen Foods*

In chilled foods, an aggressive marketing strategy bore fruit, and *Nissin Yakisoba* contributed to an increase in sales. *Nissin GooTa* and other high-quality, high-value-added products sold well.

In frozen foods, in addition to solid sales of *Reito Nissin Spa-O*, which offer flavor available only in a frozen noodle, and *Reito Nissin Donbei*, for which demand expanded due to the boom in popularity of Sanuki udon, *Reito Nissin GooTa*, a frozen noodle product with additional ingredients, also contributed to sales growth.

As a result, net sales of chilled and frozen foods increased 1.6 percent compared with the previous year to ¥39,701 million.

## ***Others***

A strategy of offering more volume at the same price for the *Ciscorn Big* line of cereals substantially increased sales. Biscuits, backed by favorable sales of the *Coconut Sable* variety, and *Crisp Choco* and other chocolate snacks contributed to increased sales.

In the beverages sector, *Tokachi Nomu Yogurt* and other products posted stable sales, particularly *Pilkul*, which received approval from Japan's Ministry of Health, Labour and Welfare as a Food for Specified Health Use.

As a result, net sales for this category increased 3.8 percent compared to the same period of the previous year to ¥31,482 million.

## Outlook for the Fiscal Year Ending March 31, 2005

Against a backdrop of improved corporate earnings and a recovery in global economic conditions, the Japanese economy is expected to continue to show a steady recovery trend. However, due to causes for concern such as increased prices for raw materials and ingredients, led by the P.R.C., which continues its high growth, and the strengthening of the yen, continued close attention to economic trends is thought to be necessary.

In the food industry, consumers are becoming increasingly discerning about food safety, and even more thorough quality management is required.

Under these circumstances, Nissin will work to expand sales by stimulating existing brands that are posting sales growth, while further strengthening brand marketing. Among existing brands, Nissin will work to strengthen marketing, centered on long-selling products *Chicken Ramen* and *Cup Noodle*. In addition, Nissin will continue marketing activities to create new markets, actively offering products including *Nissin Shantanmen*, which was launched to target the elder category, and *Collagen 1000mg Iri Soup Noodle*, which targets the category of strongly health-conscious women.

In addition, the Food Safety Research Institute will perform regular safety analyses of all products manufactured at Nissin's four company plants and other cooperating plants to ensure thorough quality management.

In the expanding worldwide market for instant noodles, the competitive environment is expected to become increasingly fierce, but Nissin will cultivate new markets by accelerating development of its international operations, including entry into new regions in the future. In the P.R.C., which is the world's largest consumer of instant noodles, Nissin has made a capital participation in Hebei Hualong F&N Industry Group Co., Ltd., the second-largest manufacturer of instant noodles and flour miller in the P.R.C. Through this move, Nissin will accelerate expansion from its P.R.C. strategy focused on major coastal cities to include the interior.

For the fiscal year ending March 31, 2005, Nissin expects increased sales, centered on the core domestic instant noodle business, the chilled and frozen foods business, and the U.S. and Asian regions overseas. Consequently, Nissin projects net sales of ¥330.0 billion (a year-on-year increase of 3.1 percent), operating income of ¥28.5 billion (a year-on-year increase of 22.8 percent), ordinary income of ¥30.0 billion (a year-on-year increase of 17.1 percent), and net income of ¥14.5 billion (a year-on-year increase of 3.2 percent).

Projected exchange rates for major currencies relevant to the results of overseas subsidiaries are ¥107.00 to US\$1.00, ¥14.00 to HK\$1.00, and ¥13.00 to 1 yuan.

## (2) Financial Position

Cash and cash equivalents (hereinafter referred to as “cash”) as of March 31, 2004 amounted to ¥72,140 million, a decrease of ¥1,741 million from the end of the previous fiscal year. Although cash flows from operating activities were positive as a result of income before income taxes and minority interest of ¥24,705 million, cash flows from investing activities were negative due to the purchase of bonds.

### Cash Flows from Operating Activities

Net cash provided by operating activities was ¥22,213 million. Net income before income taxes and minority interests (¥24,705 million) and depreciation and amortization (¥7,078 million) were among the positive factors contributing to net cash. Negative factors included cash paid for income taxes (¥11,903 million) and an increase in notes and accounts receivable.

### Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥20,453 million. For more efficient management of funds, Nissin shifted from deposits to investments in securities, resulting in a decrease in net cash.

### Cash Flows from Financing Activities

Net cash used in financing activities was ¥3,813 million. The primary use of cash was cash dividends paid (¥3,702 million).

Trends in Nissin’s cash flow indicators are as follows:

		Year ended March 31, 2001	Year ended March 31, 2002	Year ended March 31, 2003	Year ended March 31, 2004
Shareholders’ equity ratio	%	70.8	70.5	70.4	71.1
Shareholders’ equity ratio on a market value basis	%	110.1	92.4	91.5	95.4
Debt repayment period	Years	0.3	0.3	0.2	0.2
Interest coverage ratio		145.6	178.9	471.5	412.6

Notes:

Shareholders’ equity ratio = Shareholders’ equity/Total assets

Shareholders’ equity ratio on a market value basis = Total market value of stock/Total assets

Debt repayment period = Interest-bearing liabilities/Net cash provided by operating activities

Interest coverage ratio = Net cash provided by operating activities/Interest expenses

- \* All indicators are calculated on a consolidated basis.
- \* Total market value of stock is calculated by multiplying the total number of shares outstanding at the end of the period (excluding treasury stock) by the closing share price at the end of the period.
- \* Net cash provided by operating activities is as reported on the consolidated statements of cash flows.
- \* Interest-bearing liabilities are all liabilities stated on the consolidated balance sheets on which interest is paid.

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2004		As of March 31, 2003		Increase (decrease)
<b>ASSETS</b>					
<b>I Current assets</b>	<b>138,368</b>	<b>40.3%</b>	<b>139,733</b>	<b>42.1%</b>	<b>(1,365)</b>
Cash and deposits	72,024		64,264		
Notes and accounts receivable - trade	39,774		37,209		
Marketable securities	6,496		20,697		
Inventories	11,922		11,895		
Deferred tax assets	5,763		3,428		
Other current assets	2,766		2,577		
Allowance for doubtful receivables	(379)		(339)		
<b>II Fixed assets</b>	<b>205,276</b>	<b>59.7</b>	<b>192,260</b>	<b>57.9</b>	<b>13,015</b>
<b>Tangible fixed assets:</b>	<b>81,243</b>	<b>23.6</b>	<b>87,536</b>	<b>26.4</b>	<b>(6,293)</b>
Buildings and structures	29,850		33,730		
Machinery, equipment and carriers	18,762		18,858		
Tools and fixtures	1,248		1,243		
Land	29,010		30,783		
Construction in progress	377		927		
Other tangible fixed assets	1,993		1,991		
<b>Intangible fixed assets</b>	<b>813</b>	<b>0.2</b>	<b>984</b>	<b>0.3</b>	<b>(170)</b>
<b>Investments and other assets:</b>	<b>123,219</b>	<b>35.9</b>	<b>103,740</b>	<b>31.2</b>	<b>19,479</b>
Investment securities	109,945		81,581		
Investment in capital	6,075		7,820		
Long-term loans	246		271		
Deferred tax assets	4,315		7,332		
Deferred tax assets related to revaluation of land	1,481		4,516		
Other investments and other assets	1,156		2,238		
Allowance for doubtful receivables	(2)		(21)		
<b>Total assets</b>	<b>343,644</b>	<b>100.0%</b>	<b>331,994</b>	<b>100.0%</b>	<b>11,650</b>

(Millions of yen)

	As of March 31, 2004		As of March 31, 2003		Increase (decrease)
<b>LIABILITIES</b>					
<b>I Current liabilities</b>	<b>76,349</b>	<b>22.2%</b>	<b>79,689</b>	<b>24.0%</b>	<b>(3,339)</b>
Notes and accounts payable - trade	34,299		35,563		
Short-term borrowings	5,117		5,246		
Accrued payables	21,210		20,708		
Accrued income taxes	3,398		6,476		
Other current liabilities	12,324		11,694		
<b>II Long-term liabilities</b>	<b>16,175</b>	<b>4.7</b>	<b>11,739</b>	<b>3.5</b>	<b>4,435</b>
Reserve for employees' retirement benefits	14,223		9,768		
Reserve for directors' retirement benefits	1,640		1,602		
Other long-term liabilities	311		368		
<b>Total liabilities</b>	<b>92,525</b>	<b>26.9</b>	<b>91,428</b>	<b>27.5</b>	<b>1,096</b>
<b>MINORITY INTERESTS</b>					
<b>Minority interests</b>	<b>6,680</b>	<b>2.0</b>	<b>6,857</b>	<b>2.1</b>	<b>(177)</b>
<b>SHAREHOLDERS' EQUITY</b>					
<b>I Common stock</b>	<b>25,122</b>	<b>7.3</b>	<b>25,122</b>	<b>7.6</b>	<b>—</b>
<b>II Capital surplus</b>	<b>48,370</b>	<b>14.1</b>	<b>48,370</b>	<b>14.5</b>	<b>0</b>
<b>III Retained earnings</b>	<b>180,876</b>	<b>52.6</b>	<b>175,365</b>	<b>52.8</b>	<b>5,511</b>
<b>IV Adjustment due to revaluation of land</b>	<b>(2,192)</b>	<b>(0.6)</b>	<b>(6,699)</b>	<b>(2.0)</b>	<b>4,507</b>
<b>V Unrealized gain on securities</b>	<b>4,631</b>	<b>1.3</b>	<b>1,406</b>	<b>0.4</b>	<b>3,224</b>
<b>VI Translation adjustment account</b>	<b>(2,622)</b>	<b>(0.8)</b>	<b>(115)</b>	<b>(0.0)</b>	<b>(2,506)</b>
<b>VII Treasury stock</b>	<b>(9,747)</b>	<b>(2.8)</b>	<b>(9,742)</b>	<b>(2.9)</b>	<b>(4)</b>
<b>Total shareholders' equity</b>	<b>244,439</b>	<b>71.1</b>	<b>233,707</b>	<b>70.4</b>	<b>10,731</b>
<b>Total liabilities, minority interests and shareholders' equity</b>	<b>343,644</b>	<b>100.0%</b>	<b>331,994</b>	<b>100.0%</b>	<b>11,650</b>

## (2) Consolidated Statements of Income

(Millions of yen)

	Year Ended March 31, 2004		Year Ended March 31, 2003		Increase (decrease)
<b>I Net sales</b>	<b>320,032</b>	<b>100.0%</b>	<b>315,279</b>	<b>100.0%</b>	<b>4,753</b>
<b>II Cost of sales</b>	<b>161,978</b>	<b>50.6</b>	<b>160,258</b>	<b>50.8</b>	<b>1,720</b>
<b>Gross profit</b>	<b>158,053</b>	<b>49.4</b>	<b>155,021</b>	<b>49.2</b>	<b>3,032</b>
<b>III Selling, general and administrative expenses</b>	<b>134,850</b>	<b>42.1</b>	<b>128,620</b>	<b>40.8</b>	<b>6,229</b>
<b>Operating income</b>	<b>23,203</b>	<b>7.3</b>	<b>26,400</b>	<b>8.4</b>	<b>(3,197)</b>
<b>IV Non-operating income</b>	<b>3,668</b>	<b>1.1</b>	<b>3,427</b>	<b>1.1</b>	<b>241</b>
Interest income	1,081		1,192		
Dividends received	764		490		
Gain on sales of securities	980		393		
Equity in earnings of affiliates	317		290		
Other non-operating income	524		1,058		
<b>V Non-operating expenses</b>	<b>1,250</b>	<b>0.4</b>	<b>1,150</b>	<b>0.4</b>	<b>99</b>
Interest expenses	53		48		
Loss on sales of securities	5		189		
Evaluation loss on securities	33		17		
Loss on redemption of securities	—		27		
Foreign exchange loss	768		728		
Non-operating taxes	115		21		
Other non-operating expenses	273		117		
<b>Ordinary income</b>	<b>25,620</b>	<b>8.0</b>	<b>28,676</b>	<b>9.1</b>	<b>(3,055)</b>
<b>VI Extraordinary gains</b>	<b>256</b>	<b>0.1</b>	<b>29</b>	<b>0.0</b>	<b>226</b>
Gain on sales of fixed assets	2		29		
Gain on sale of stock of affiliates	112		—		
Gain from collection of written-off receivables	122		—		
Reimbursement of allowance for doubtful receivables	18		—		
Other extraordinary gains	—		0		
<b>VII Extraordinary losses</b>	<b>1,171</b>	<b>0.4</b>	<b>3,185</b>	<b>1.0</b>	<b>(2,013)</b>
Loss on sales of fixed assets	187		2		
Loss on disposal of fixed assets	423		155		
Evaluation loss on investment securities	14		2,649		
Evaluation loss on investment in affiliates	—		201		
Evaluation loss on golf club membership rights	7		84		
Uncollectable debt	31		0		
Special retirement benefits	421		—		
Other extraordinary losses	86		92		
<b>Income before income taxes and minority interests</b>	<b>24,705</b>	<b>7.7</b>	<b>25,520</b>	<b>8.1</b>	<b>(815)</b>
<b>Corporate, inhabitant's and enterprise taxes</b>	<b>8,901</b>	<b>2.8</b>	<b>10,929</b>	<b>3.5</b>	<b>(2,028)</b>
<b>Adjustment to corporate taxes, etc.</b>	<b>1,535</b>	<b>0.5</b>	<b>(28)</b>	<b>(0.0)</b>	<b>1,564</b>
<b>Minority interests</b>	<b>217</b>	<b>0.0</b>	<b>196</b>	<b>0.0</b>	<b>20</b>
<b>Net income</b>	<b>14,050</b>	<b>4.4</b>	<b>14,422</b>	<b>4.6</b>	<b>(371)</b>

**(3) Consolidated Statements of Retained Earnings**

(Millions of yen)

	Year Ended March 31, 2004	Year Ended March 31, 2003
CAPITAL SURPLUS		
<b>I Capital surplus at beginning of period</b>	<b>48,370</b>	<b>48,370</b>
<b>II Increase in capital surplus</b>	<b>0</b>	<b>—</b>
Gain on retirement of treasury stock	0	—
<b>III Capital surplus at end of period</b>	<b>48,370</b>	<b>48,370</b>
RETAINED EARNINGS		
<b>I Retained earnings at beginning of period</b>	<b>175,365</b>	<b>164,451</b>
<b>II Increase in retained earnings</b>	<b>14,050</b>	<b>14,760</b>
Net income	14,050	14,422
Increase due to increase in consolidated subsidiaries	—	338
<b>III Decrease in retained earnings</b>	<b>8,539</b>	<b>3,846</b>
Cash dividends paid	3,702	3,769
Bonuses to directors	60	61
Decrease due to increase in consolidated subsidiaries	271	—
Reversal of adjustment due to revaluation of land	4,505	15
<b>IV Retained earnings at end of period</b>	<b>180,876</b>	<b>175,365</b>

**(4) Consolidated Statements of Cash Flows**

(Millions of yen)

	Year Ended March 31, 2004	Year Ended March 31, 2003
<b>I Cash flows from operating activities</b>		
Income before income taxes and minority interests	24,705	25,520
Depreciation and amortization	7,078	7,459
Amortization of goodwill	—	(153)
Increase (decrease) in allowance for doubtful receivables	36	91
Increase (decrease) in reserve for employees' retirement benefits	4,455	640
Interest and dividend income	(1,846)	(1,683)
Interest expenses	53	48
Foreign currency exchange loss (gain)	156	264
Equity in earnings of affiliates	(317)	(290)
Loss (gain) on disposal and sales of property, plant and equipment	608	128
Loss (gain) on sales of investment securities	(1,087)	(203)
Evaluation loss on marketable and investment securities and others	47	2,867
Evaluation loss on golf club membership rights	7	84
Gain from collection of written-off receivables	(122)	—
(Increase) decrease in notes and accounts receivable	(2,982)	(208)
(Increase) decrease in inventories	(366)	(722)
Increase (decrease) in notes and accounts payable	(994)	1,089
Increase (decrease) in accrued consumption tax	478	80
Bonuses to directors	(60)	(61)
Others	2,229	(2,456)
Subtotal	32,078	32,495
Cash received from interest and dividend income	2,092	1,919
Cash paid for interest expenses	(53)	(48)
Cash paid for income taxes	(11,903)	(11,338)
<b>Net cash provided by operating activities</b>	<b>22,213</b>	<b>23,027</b>
<b>II Cash flows from investing activities</b>		
Payment of funds into time deposits	(2,498)	(61)
Proceeds from redemption of time deposits	190	475
Payment for purchases of marketable securities	(6,000)	(7,000)
Proceeds from sales and redemption of marketable securities	16,803	8,468
Payment for purchases of property, plant and equipment and others	(7,364)	(6,831)
Proceeds from sales of property, plant and equipment and others	4,190	332
Payment for purchases of investment securities	(57,345)	(38,313)
Proceeds from sales and redemption of investment securities	31,546	13,865
Payment for increase in equity of consolidated subsidiaries	—	(15)
Payment for loans	(2)	(2)
Proceeds from loans	27	2
Others	—	49
<b>Net cash used in investing activities</b>	<b>(20,453)</b>	<b>(29,030)</b>
<b>III Cash flows from financing activities</b>		
Proceeds from short-term borrowings	433	328
Repayment of short-term borrowings	(533)	(2,010)
Proceeds from long-term borrowings	10	—
Proceeds from minority shareholdings	—	496
Share repurchase expenses	(7)	(5,404)
Cash dividends paid	(3,702)	(3,769)
Dividends paid to minority shareholders	(13)	(14)
<b>Net cash used in financing activities</b>	<b>(3,813)</b>	<b>(10,374)</b>
<b>IV Effect of exchange rate changes on cash and cash equivalents</b>	<b>(1,375)</b>	<b>(1,075)</b>
<b>V Increase (decrease) in cash and cash equivalents</b>	<b>(3,428)</b>	<b>(17,452)</b>
<b>VI Cash and cash equivalents at beginning of period</b>	<b>73,882</b>	<b>91,122</b>
<b>VII Increase in cash and cash equivalents due to consolidation of additional subsidiaries</b>	<b>1,686</b>	<b>213</b>
<b>VIII Cash and cash equivalents at end of period</b>	<b>72,140</b>	<b>73,882</b>