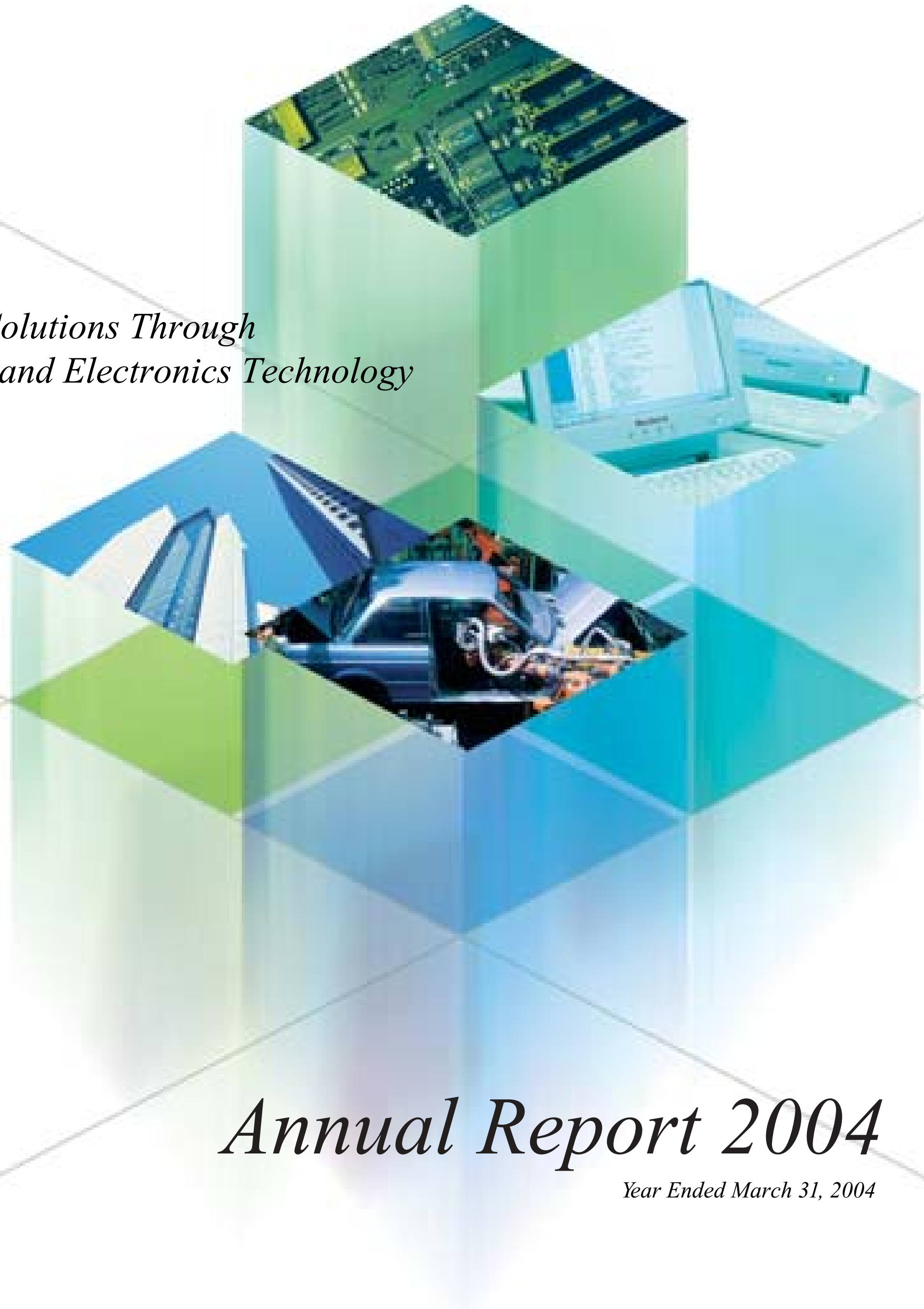
TACHIBANA ELETECH

TACHIBANA ELETECH CO., LTD.

Providing High Value-added Solutions Through Electric and Electronics Technology



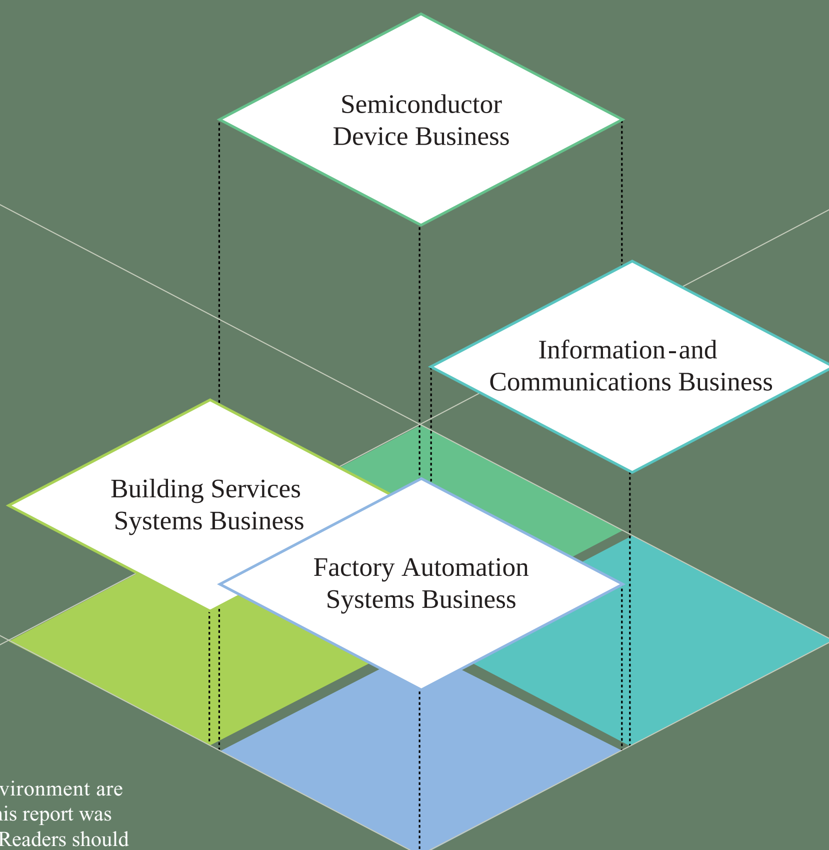
Annual Report 2004

Year Ended March 31, 2004

Corporate Profile

Established in 1921 *to distribute electrical products and engage in electrical construction, Tachibana Shokai went on to become a sales agent for Mitsubishi Electric Corporation. The Company excelled at selling motors, circuit breakers, and other electrical devices, and over the years people in the industry came to associate the name Tachibana Shokai with industrial electrical equipment. Capitalizing on this strength, in 1976 the Company established a management philosophy that took it beyond the mere sale of equipment to encompass technical services while dealing in semiconductors and other electrical parts and devices, adopted the motto "A Technology-driven Trading Company," and became involved in electrical hardware and software engineering. Since that time, we have aggressively pursued joint development projects with suppliers and reinforced the applications engineering services we provide our customers. Since the listing of the Company's shares on the Osaka Securities Exchange in 1986, we have further expanded business activities characteristic of a trading company with technological expertise.*

On the occasion of the 80th anniversary of the Company's foundation, in 2001 we changed our name from Tachibana Shokai Ltd. to Tachibana Eletech Co., Ltd. In adopting the new company name we dropped the word shokai, leaving behind the image of a wholesaler that it evokes, and expressed the Company's domain of business by adding "Eletech," a portmanteau derived from the corporate slogan "Electric and Electronics Technology." With this as our rallying cry, the management and employees of Tachibana Eletech will strive to achieve renewed growth in the years ahead.



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Forward-Looking Statements

Projections of operating results and changes in the operating environment are based on information available to the management at the time this report was prepared. As such, these projections entail risks and uncertainties. Readers should be aware that actual results may differ substantially from these projections.

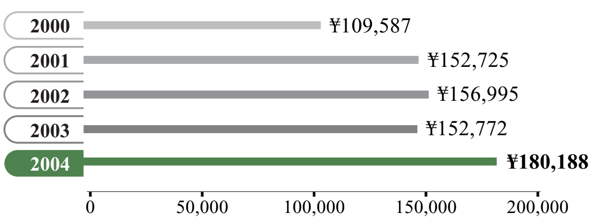
Consolidated Financial Highlights

Tachibana Eletech Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31

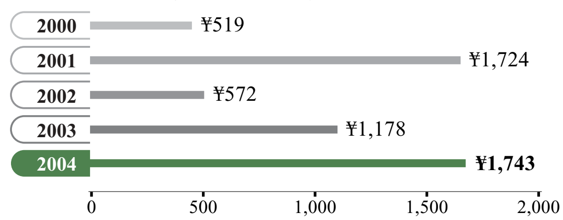
	Millions of Yen					Thousands of U.S. Dollars (Note)
	2004	2003	2002	2001	2000	**2004**
For the Year:						
Net Sales	**¥ 180,188**	¥ 152,772	¥ 156,995	¥ 152,725	¥ 109,587	**$ 1,704,873**
Operating Income	**3,176**	2,653	3,102	4,186	1,263	**30,050**
Net Income	**1,743**	1,178	572	1,724	519	**16,492**
At Year-End:						
Shareholders' Equity	**¥ 22,898**	¥ 20,612	¥ 20,093	¥ 19,829	¥ 18,059	**$ 216,652**
Total Assets	**84,567**	80,547	72,959	89,956	61,557	**800,142**
Shareholders' Equity per Share (Yen)	**1,415.34**	1,277.20	1,221.79	1,205.27	1,097.70	**13.39**
Net Income per Share (Yen)	**105.68**	69.90	32.34	104.79	31.52	**1.00**
Diluted Net Income per Share (Yen)	**104.71**	—	—	—	—	**0.99**
Equity Ratio (%)	**27.1**	25.6	27.5	22.0	29.3	**27.1**
Return on Equity (%)	**8.0**	5.8	2.9	9.1	2.9	**8.0**

Note1. Sales figures do not include sales tax.
2. Although the company issued corporate bonds with stock purchase warrants, these have not been shown in fully diluted net income per share in 1999 because no premiums accrued to these warrants.
3. Issues of convertible bonds have not been shown in fully diluted net income per share for 2000 and 2001 because no convertible bonds were issued in these years.
4. Although dilutive stocks exist in the form of stock purchase warrants, these have not been shown in fully diluted net income per share for 2002 and 2003 because no premiums accrued to these warrants.
5. The U.S. dollar amounts are provided solely for convenience at the rate of ¥105.69 U.S. $1, the approximate exchange rate at March 31, 2004.
6. Basic net income per share for the years ended March 31, 2004, 2003 and 2002 are computed in accordance with the new standard. (See note 2-l p.22)

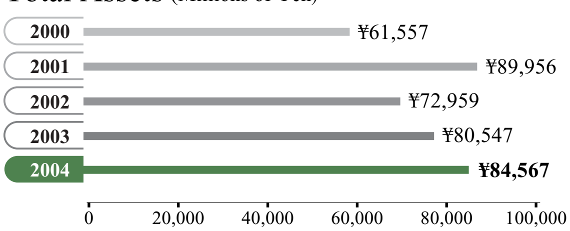
Net Sales (Millions of Yen)



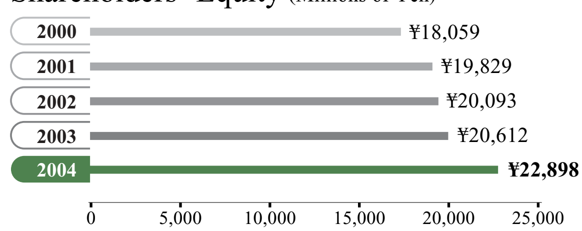
Net Income (Millions of Yen)



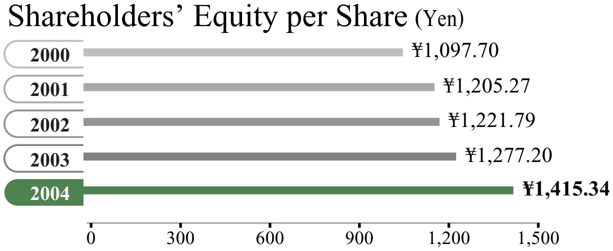
Total Assets (Millions of Yen)



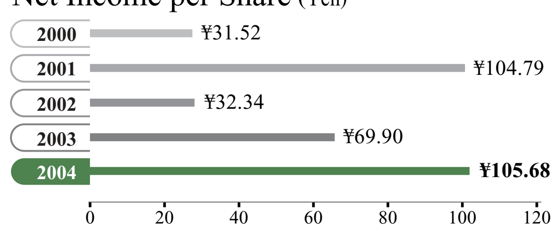
Shareholders' Equity (Millions of Yen)



Shareholders' Equity per Share (Yen)



Net Income per Share (Yen)



To Our Shareholders and Friends

Takeo Watanabe
President and Representative Director

Double achievement: Record sales and listing on the Tokyo Stock Exchange Section 2

Looking back on the Japanese economy during the fiscal year, we witnessed improvement in corporate profits primarily driven by increased production and exports and started to see some brightness in the future notably represented by recovery in stock prices. At the same time, however, deflation continued to plague the nation and the employment situation remained difficult, warning against undue optimism. Rising demand for the application in automobile and digital information appliances put the semiconductor and LCD industries on a recovery track. But influences of the rising tide fell short of the overall resurgence of manufacturing activities and capital expenditures remained uneven among companies. Such uncertainties persisted in the business environment in which we operated.

Against these backdrops, our sales recovered led by semiconductor devices including industrial-use PLCs (programmable logic controllers) for application in digital information appliances; automobile and food processing equipment; flash memory for FA equipment, such as inverters and cellular handsets; and microcontrollers for DVD players/recorders and DSCs (digital still cameras). The consolidated sales of the company grew 17.9% from the previous year to a record of 180,188 million yen. Accordingly, operating income and net income for fiscal year 2003, both on a consolidated basis, saw dynamic year-on-year growth of 19.7% and 48.0% to 3,176 million yen and 1,743 million yen, respectively.

This fiscal year was a memorable one for our company: we accomplished the listing of our shares on the Tokyo Stock Exchange Section 2 on March 4, 2004. Not only does the realization of fair value for the company's shares enhance its enterprise value, but the listing on the TSE also has many other merits including increased social credibility and public recognition, improved access to talented manpower, and elevated morale among employees. It had long been my belief that the TSE listing was essential in order for the company to keep growing as a trading company specialized in electrical and electronic engineering products and services. Now that we have our shares listed on the Tokyo and Osaka Stock Exchanges, we are keenly aware of the missions and responsibilities that we are entrusted with and determined to work our hardest towards further development of our business.

Aiming higher with GT21, our new mid- to long-term vision

In September 2001, we changed our name from Tachibana Shokai Ltd. to Tachibana Eletech Co., Ltd. Towards the goal of reinforcing the operating infrastructure and streamlining corporate management, the company has been implementing various measures. In order to improve financial conditions, inventory levels have been optimized, stringent credit risk management system has been installed, and SG&A expenses have been rationalized. In terms of upgrading the organizational structure, we have established a logistic management subsidiary for reorganizing our distribution activities. Also established was an affiliate that oversees the streamlining of the operation of the company's subsidiaries. We also acquired ISO 9001 certification, an international standard for quality management systems, as a foothold for the future development of a specialty trading company of highly engineered products.

Our capabilities in system solutions and cooperative design have never been stronger. One out of four of our employees are engineers. We do not simply broker finished products between manufacturers and customers but also add value by providing system consultation and proposing solutions. Our business now encompasses even joint development of new technologies and products with our customers. With the formation of Renesas Technology Corp., our focus this year was to develop new business in semiconductors for application in digital home appliances and automobiles. In 2004 and on, we aim to further grow our business in microcontrollers and system LSIs, where we have traditionally held leading positions.

These initiatives led to increased sales and profits this year but we cannot afford to stand still content with the present. It has been more than 80 years since the company was founded, and we are in the renaissance of the corporate history. Our performance is solid and our shares are listed on the TSE. We must, however, aim high to reward the support and patronage that our shareholders and customers haven given us. We have thus drawn up a new mid- to long-term plan through fiscal March 2010, "Growing Tachibana 21st Century" (GT21).

Highly cherishing trust and integrity in the spirit of harmony: On our way to 230 billion yen in sales by March 2010

What we strive to achieve through this plan is to become an Asian leader as a trading company specialized in electrical and electronic engineering products and services. We aim to enhance our enterprise value by realizing strong profitability while adhering to our basic stance of placing top priority on trust from customers and the social responsibilities of the company.

Our business principles that we have stress innovativeness, creativity, and entrepreneurship of our people and that we always remain fair, just, and equitable in every respect. Based on these, we respect differences among our employees and emphasize teamwork.

In terms of corporate performance, we aim to achieve the following sales and profit goals by fiscal March 2010:

- **Consolidated sales of 230 billion yen (compared with 180.2 billion yen in March 2004)**
- **Consolidated reccuring income of 7 billion yen (compared with 3 billion yen in March 2004)**
- **Consolidated net income of 3.5 billion yen (compared with 1.7 billion yen in March 2004)**

We also aim to achieve the four management benchmarks below:

- **Consolidated ordinary margin at 3% or above (compared with 1.7% in March 2004)**
- **Consolidated shareholders' equity ratio at 32% or above (compared with 27.1% in March 2004)**
- **Consolidated return on shareholders' equity at 10% or above (compared with 8% in March 2004)**
- **Consolidated return on total asset at 6% or above (compared with 3.6% in March 2004)**

In order to achieve these objectives, we aspire to increase the ratio of direct customers and sales and boost the sales of strategic products, which we are involved in from the development stage, to more than 10% of the total. With respect to administrative functions, improvement in efficiency will be sought after through further compilation of manuals for routine tasks and automation.

In working out GT21, we paid special attention to two aspects. One is that the details of the plan and its goals are socially reasonable and valuable and the other is that the plan is based on self-awareness that our future is to be built by ourselves. Representatives from our employees teamed up and formed taskforces in discussing, improving, and determining this plan.

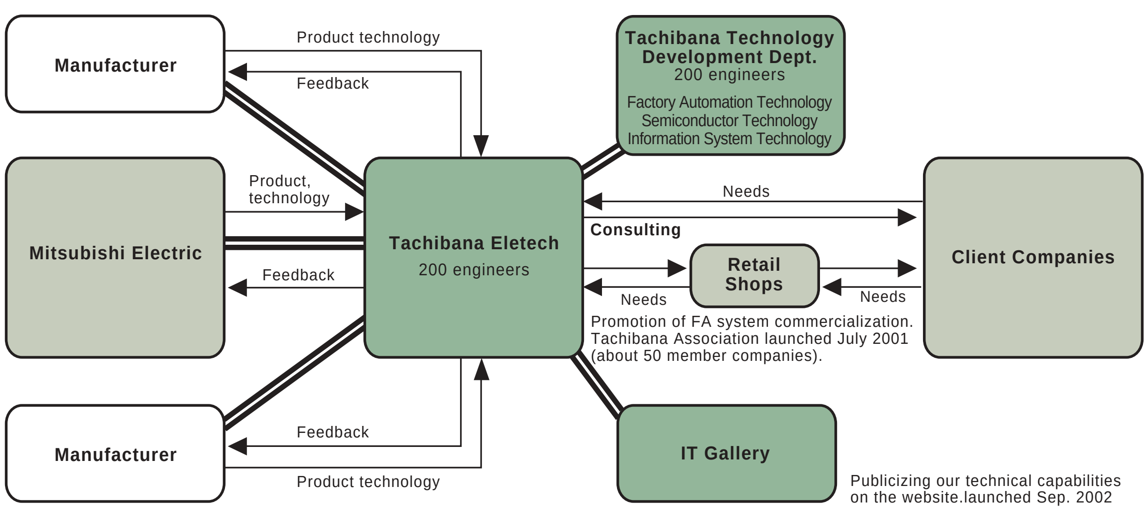
Providing total solutions with our technical expertise: Sales initiatives on all fronts of the IT industry

In the coming years under the GT21 plan, we aim to operate as a systems integrator that combines different technologies in FA, semiconductors, IT, and other multi-disciplinary areas. In this endeavor, we seek to provide not only product knowledge and support but also become a total solutions provider that takes advantage of expertise in application systems and finds an integrated solution to challenges and demands our customers bring forward to us.

In fiscal 2004, the first year of the plan, areas including digital information appliances are expected to show continued strength while the US economy may possibly slow down and influence the Japanese economy. With these in mind, we will make proactive efforts in expanding sales into various areas of the IT industry. The further development of EMS (electronic manufacturing service) business will also be focused on. We will target Japanese companies that have been transferring manufacturing operations to China and aim to expand our client base there. Our performance goals for fiscal March 2005 are 183.2 billion yen in total sales, 3.4 billion yen in operating income, and 1.8 billion yen in net income, all on a consolidated basis. We are determined to achieve and exceed these and will greatly appreciate unwavering support from our shareholders and investors.

Takeo Watanabe
President and Representative Director

Tachibana Eletech's Strengths
Systems proposal-based marketing and joint development



Business Review

As the company and consolidated subsidiaries are engaged in a single business, financial information is not classified by business segment or geographical area. However, to enable shareholders and investors to more fully understand our business performance, we have provided
a comparison of sales contribution by product type for the fiscal year under review with that of the previous fiscal year.

Main Products by Business Division

Net Sales Increase *31.4%*

Semiconductor Device Business

Memory ICs, microcomputers, ASIC, power modules, applied semiconductor products, optical devices, LCD modules, Projector lamps, thermal heads, assembly board, others

Other Products

Semiconductor-related materials, sling chains, power transmission cables, carrier tapes, others

Net Sales Increase *6.4%*

Building Services Systems Business

Elevators, escalators, incoming and transforming facility equipment, monitoring and control systems, uninterruptible power systems,lighting equipment, package air conditioners and other air conditioning equipment, refrigerating equipment, showcases, room air conditioners, heating equipment, water heaters, ventilating fans, disaster prevention and crime prevention equipment, HA systems, bus ducts, others

Net Sales Increase *18.7%*

Information-and Communications Business

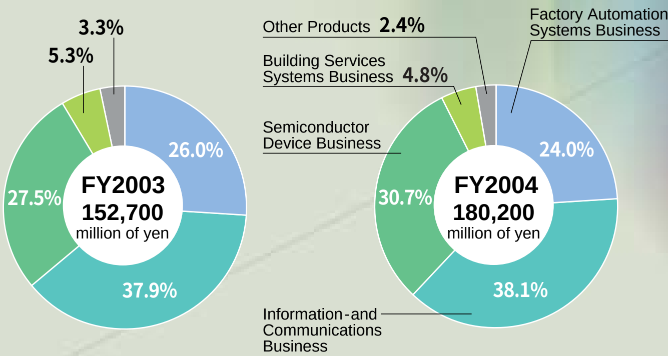
Client-server systems, POS systems, office computers, personal computers, Liquid crystal monitors, CRT monitors, facsimiles, telecommunications equipment, multiplex transmission devices, Ultra sonic defectoscopes, image display devices, others

Net Sales Increase *8.7%*

Factory Automation Systems Business

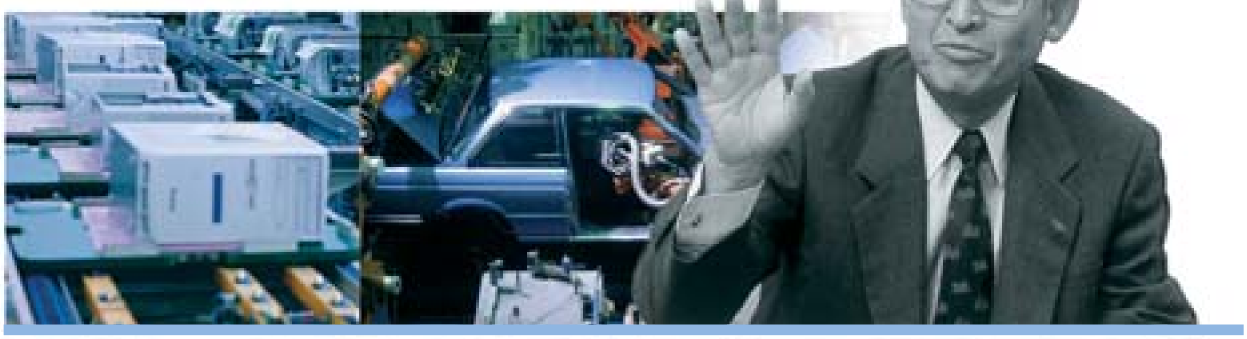
Motors, variable speed equipment, electromagnetic clutches, electromagnetic switches, inverters, servo units, sequencers, indicators, factory automation systems, transformers, high-voltage power fuses, high-voltage circuit breakers, electric discharge machines, electronic beam machines, laser processing systems, CAD / CAM systems, machine tools, industrial robots, NC systems, induction furnace systems, presses, furnaces, boilers, others

Main Products by Market Share



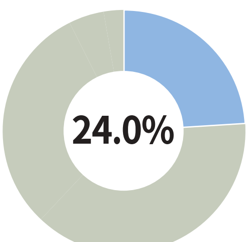
Factory Automation Systems Business

Strong results on increased capital spending: Focus on the development and marketing of proprietary products



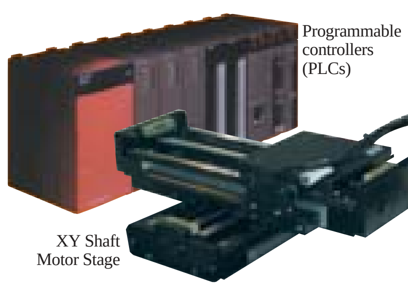
Tatsuo Shiraishi
Executive Managing Director,
Factory Automation Systems

Main Products by Market Share



In March 2004, the Factory Automation Systems Division recorded 43.2 billion yen in sales, representing an 8.7% increase from 39.8 billion yen in the previous year. Operating income grew in tandem with the sales and the division generally performed well in the past year. This was mainly due to greater demand for products we deal in as manufacturers of automobile, LCDs and semiconductors, with stepped up capital expenditures. Some of the factory automation systems products have been experiencing a tight supply since fiscal 2003, which helped the division to achieve record performance.

By product, electrical equipment posted strong sales increase of 12.9% driven by programmable controllers (PLCs), inverters and servomotors, with certain models in short supply. Sales in industrial machinery increased 3.2% year-on-year. A strong recovery in IT-related demand fueled capital spending in manufacturing equipment for LCDs for cellular handsets, DVDs and PDPs. This, in turn, resulted in increased demand for discharge processors for mold manufacturing and laser processing systems.



Programmable controllers (PLCs)

XY Shaft Motor Stage

We were awarded an order for plant facility renovation stemming from a large-scale merger of power generating equipment manufacturers. The division also participated in the retooling of steel mills. Sales in electrical equipment such as motors were flat year-on-year.

In the coming years, we aim to increase sales in strategic products, which are internally named “S Products.” One example is the XY Shaft Motor Stage. By adopting a shaft motor for the driving power, the product realizes high-speed and precise positioning. We launched the new product in 2002, and its sales started to ramp up. Our goal is to register 300 million yen or more in sales in March 2007.

We will also focus our sales efforts in the areas where actual manufacturing is done. In the Kanto region, factories have been concentrating into the northern part of Ibaraki and Tochigi prefectures, and our Northern Kanto Branch has been taking leading initiatives in responding to such changes. Similarly, the Mikawa Branch focuses on the Nagaya area and the Kyusyu Branch in Fukuoka covers the Kyusyu region.

The division's first overseas expansion into China set upon a full-fledged market development initiative in spring of 2004. In addition to tooling steel mills, we will ship control systems to a Japanese affiliated company. The systems include electrical and factory automation equipment and will be incorporated into the tunnel machines the customer is building. More than 100 tunnel machines are planned for the next several years, and the business is expected to be long term for us.

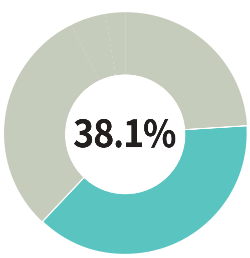
The division mainly deals in factory automation equipment from Mitsubishi Electric Corporation. As the leading sales agent, we enjoy a stable margin in distributing their products. At the same time, we are expanding our business in non-Mitsubishi products and will seek to develop proprietary products in collaboration with other manufacturers. The division targets 52 billion yen in sales by March 2007, when the current mid-term plan will end.

Information and Communications Business

Sixty percent more PHS base stations shipped to China: Core element in creating added value

Motomichi Hirakawa
Executive Managing Director,
Information and Communication Systems

Main Products
by Market Share



In March 2004, the Information and Communication Division recorded 68.7 billion yen in sales, representing an 18.7% increase from 57.8 billion yen in the previous year. Sales grew across the Division, ranging from a year-to-year increase of almost 60% in OEM sales of PHS base stations for the rapidly growing Chinese market to an increase of about 20% from the previous year in the sales of bedside terminals to be used in hospitals, which have wide functionality from calling a nurse to viewing medical records.

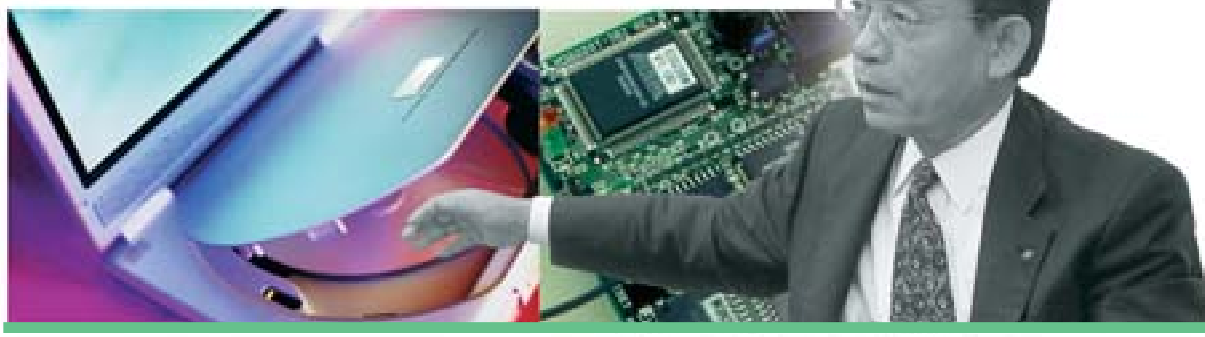
The Division focuses on three areas-computers, communications and imaging. OEM production of PHS base stations leads the communications area. We develop stations jointly with telecommunication equipment manufacturers and supply economical, small and light products to Chinese PHS operators. Along with strength in OEM production of cellular handsets and development and sales of software for handset, sales in the communications-related business increased 20.7% year on year. In the imaging business, sales increased 23.6% year on year, led by touch panels and anti-theft surveillance closed circuit TVs, as well as bedside terminals for medical institutions. In computers, Nexterm thin client terminals, which we co-developed with the manufacturer and hold the exclusive distributorship of, makes HDD in individual machines obsolete. The product had an increase in demand from municipalities and academic institutions, who valued functionality, ease of maintenance, and the high security of the product. As a result, the sales of Nexterm grew sevenfold from the previous year. Despite this development, sales from computers declined 13.6% from the previous year, dragged down by weak demand for office servers and related products. In March 2005, we aim to further increase the sales of Nexterm while working toward the commercialization of RFID (wireless IC tag) with large market potential in the future.

Nexterm thin client terminals

Considering the current situations where information leakage is becoming a social issue, we acquired ISMS certification (Information Security Management System), a standard that evaluates and certifies information security of an organization. We plan to encourage our employees to acquire the ISMS registrar qualification and seek business potential in information security. In electrical and electronic equipment industries, integrated manufacturers are outdated, and companies are specializing in businesses where they have competitive strength. This is where we see business opportunities. By offering integration services on behalf of manufacturers, we aspire to play a central role in creating new value. The division targets 70 billion yen in sales by March 2007, when the current mid-term plan will end.

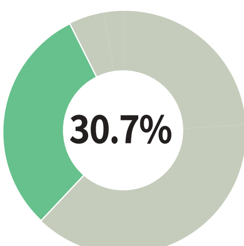
Semiconductor Device Business

Dramatically increased shipments of flash memory for cellular handsets:
In pursuit of a more diversified product offering



Hiroshi Konuma
Director,
Semiconductors and Electronic Devices

Main Products by Market Share



The Semiconductor Division showed strong overall performance in March 2004, driven by booming demand for digital home appliances. Sales jumped to 55.3 billion yen, up 31.4% from 42.1 billion in the previous year. The substantial sales expansion was fueled by increases of over 70% in shipments of flash memory for cellular handsets, our mainstay product, and ASICs for camera modules. Due to intensifying competition in the cellular handset market, we faced strong demand for discounts from large electronic manufacturing customers, and our future challenge is to improve gross margin rates. In addition to the above, shipments of microcontrollers for digital home appliances and power modules for air conditioner power supplies and hybrid ICs have all faired well. We also had increased sales in power modules for industrial machinery control, printed circuit boards, and light source lamps for projectors. The EMS operation in collaboration with a Chinese PCB maker saw its business grow in PCB manufacturing and assembly services.

The brisk business trend has extended into the current year but the growth in the North American market has started to taper off, and China has adopted restrictive economic policies, casting clouds over the global economic outlook. Against these backdrops, we believe it is important to expand our client base with increased variety in suppliers and product types, as well as to increase the penetration into existing clients with products from Renesas Technology, our main supplier.

Original IC

Renesas Technology is the third largest manufacturer of system LSIs and ranks first in the production of microcontrollers. This division aims to maintain the brisk sell-through of Renesas semiconductors for application in cellular handsets and, at the same time, increase sales of their microcontrollers, system LSIs, and power devices in order to offset the variability of sales of products for cellular handset applications. Further increasing sales of Renesas products, we intend to establish our leadership among Renesas sales agents, following on the second ranked position out of 30 agents in 2003.

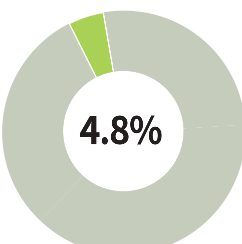
For the purpose of expanding our client base, we have been actively adding semiconductors and electronic devices from foreign makers and extending our offerings. This is exemplified in the case of LEDs, which is increasingly used in traffic lights and backup lights for cars and is one of the growth areas for the division. We source power amplifiers for cellular phones from Skyworks Solutions Inc. of the U.S., the global top-share manufacturer and will focus on expanding their sales. The division targets 71 billion yen in sales by March 2007, when the current mid-term plan will end.

Building Services Systems Business

All-electric apartment facilities running in high gear: Higher profitability goals with human resources development

Yoshio Kawashima
Director,
Building Services Systems

Main Products by Market Share



The Building Facilities Engineering Division registered 8.6 billion yen in sales, representing a 6.4% increase from 8.1 billion yen in the previous year. In March 2003, we benefited from the so-called "Year 2003 Issue," or simultaneous completion of large-scale commercial developments in the metropolitan Tokyo area. Faced with a tough comparison this year, sales were shored up by power access and transformation installation and elevators for large commercial facilities and LCD plants in the Kansai region. HVAC demand was weak under the influence of a cool summer. Housing equipment such as ventilation fans had flat sales from the previous year.

Growth in 2003 came from facilities for all-electric apartments, which registered a sales increase of almost 20%. The growth was concentrated in Kansai, while the Kanto region lagged due to company-specific issues at Tokyo Electric. Demand in Kanto has been rapidly catching up in 2004. Currently, we have an inquiry to furnish 1,600 apartments with eco-friendly water heating systems and IH cooking heaters. Demand for all-electric housing continues to grow hand-in-hand with the apartment construction boom, most notably in the Tokyo area. These systems are aged-friendly with no fire, and we expect to see demand growth for them in the coming years. In addition, electric floor heaters have started to garner attention, and we will launch a new Plaheat, electric floor heater for residential applications in March 2005.

Plaheat, electric floor heater for residential applications

We will also focus on developing business related to industrial HVAC facilities including a low-temperature warehouse. Despite tough pricing negotiations, there is limited competition in the business. Once installed, the facilities are expected to generate follow-on demand.

The division so far shipped refrigeration facilities to a transportation concern for installation at a warehouse for imported flowers and foliage near Kansai International Airport in Osaka. We have undertaken the installation of HVAC facilities for the same client at another warehouse for storing yeast.

The division aims to become an integrated engineering company that collaborates with contractors from construction to installation. We also intend to foster the apartment-related operation, which faces growing demand as mentioned above, into a mainstay business along with the operation relating to large commercial and industrial facilities. In the Tokyo area, we will focus on improving penetration into the high-rise apartment market.

Captive contracts are increasingly common in equipping apartment buildings, requiring contractors to complete tubing, power supply installation and system setting at a fixed price. In this case, total cost management is the key to profitability. The division encourages its employees and contractors to qualify as first class installation administrators. By enriching human resources in and around the division, it seeks to offer new value for clients and achieve higher levels of profitability. The division targets 9.3 billion yen in sales in March 2005 and 10 billion yen by March 2007, when the current mid-term plan will end.

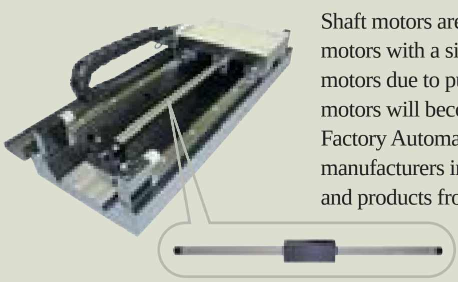
News & Topics for 2003-2004

Achieving the TSE Section 2 listing: Further effort to reinforce the soundness and transparency of corporate management

We accomplished the listing of our shares on the Tokyo Stock Exchange Section 2 in March 2004. Our shares have been listed on the Osaka Stock Exchange Section 2 since September 1990, and we now enjoy a joint listing on the two largest stock exchanges of the country in Tokyo and Osaka.

The Japanese economy is still in the midst of revolutionary changes. In order for our company to continue to meet the expectations of our customers and shareholders, we need to promote integrity and vigor in our corporate culture and further improve our enterprise value. We believe the listing on the TSE was not only an important step towards realizing these goals but also has many other merits including increased social credibility and public recognition and elevated morale among employees. On the occasion of the TSE listing, we will make additional efforts to reinforce the soundness and transparency of corporate management through further enhancement in compliance active IR activities. We are determined to meet the expectations and reward the trusts of our shareholders and other stakeholders, as well as to execute the social responsibilities of the company listed on the TSE.

Boosting sales of shaft motors: Improved precision and ease of maintenance



Shaft motors are compact, high-powered new generation motors with a simple structure and no cogging (vibration of motors due to pulsation of driving torque). We believe shaft motors will become one of the mainstay products in the Factory Automation Division and are collaborating with manufacturers in the development of applied technologies and products from the design stage. Our motors come in different power and size specifications for different uses and may be integrated with other components including servo and control computer to form a system. Shaft motors have a structure that encloses magnets inside a stainless steel tube and a coil covering around the tube without touching it. When electric current flows through the coil, the shaft with enclosed magnets rotates. This is exactly opposite to the structure of conventional motors, where magnets cover the circumference of a coil-shaft complex. Shaft motors are capable of smooth, precise movement, improving positioning precision, and uniformity of motion. They are also easy to maintain due to their simple structure.

Super Plaheat residential floor heating systems: Increased shipments to the apartment market

In cooperation with Misato Co., Ltd., and Kyusyu Electric Power Co., Inc., we have developed and started to market Super Plaheat, positive temperature coefficient (PTC) element for residential floor heating systems. The product improved upon Plaheat for commercial buildings. Heat emitting elements made of electrically conductive resin with an insulation covering radiates heat when electrical current flows through it. Once a certain temperature is reached, heat expansion will partially block the flow of the electrical current, automatically controlling further temperature increases. The product is very safe and boasts lower running costs than other heating devices. It also excels in durability, and thin panels are easy to install.

Recently, shipments of housing equipment for all-electric apartments is growing, and Super Plaheat is also meant for upgrading the offering of electrical equipment. It is expected that apartment demand will continue to grow, most notably in the Tokyo area. We aim to expand our sales in residential housing equipment including Super Plaheat.

The achievement of ISO 9001 certification and extension of scope of registration for ISO 14001 certification

We obtained ISO 9001: 2000 certification, an international standard for quality management systems on August 8, 2003. By using the challenging economic environment as an opportunity for self-reinvention, we strive to strengthen our organization by reinventing the wheel of daily operation through the introduction of the new system.

ISO 9001: 2000, the 2000 edition of the ISO 9000 standard requirements, focuses on quality management as opposed to quality assurance for which the 1994 edition had been meant. Under the new edition, an organization ultimately aims to enhance customer satisfaction. On the basis of the certification, we strive to continuously improve our quality management system and enhance our standing as a specialty trading company of highly engineered products, as well as to build higher levels of trust and confidence among our customers.

We are also pleased to report that, on June 29, 2004, Tachibana Sales (Singapore) Pte. Ltd., one of our overseas subsidiaries, was additionally included in the registration scope of ISO 14001 certification, an international standard for environmental management. All members of our group in Japan obtained the certification in 2001, and this move represented an extension of our initiative overseas. We are invariably committed to conserving the global environment and promoting eco-friendly products.

Risk Factors

1 Variation in operating performance

The company and its affiliates (the “Group”) mainly distribute electronic and information equipment including sequencers and inverters and semiconductor devices including memory and microcontrollers. Sales of these products are subject to influences from factors such as customer demand, product competitiveness, product obsolescence and competitive environment. There is, therefore, no guarantee that the Group will be able to repeat the performance of the previous year. The performance of the Group may also be affected by market conditions in electrical and/or electronic products, production capacity of suppliers and fluctuations in cost base, among others.

2 Dependence on certain customers or suppliers

1. Customers

The Group has a disproportionately high percentage of sales to Sanyo Electric Co., Ltd. It supplies flash memory for cellular handsets and other products to Sanyo and derived approximately 40% of total sales in March 2004. The operating performance and financial conditions of the Group, therefore, may be impacted by sales trends, marketing initiatives, and product strategies of Sanyo and their products including cellular handsets. The Group has historically maintained good and close relationships with the customer by offering technological expertise as well as selling products, but there is no guarantee that Sanyo will continue to source components and systems from the Group in the future.

2. Suppliers

In terms of suppliers, the Group has high dependence on large electrical equipment and semiconductor manufacturers including Mitsubishi Electric Corporation and Renesas Technology Sales Co., Ltd. The operating performance and financial conditions of the Group, therefore, may be impacted by factors such as changes in their business strategies.

Additionally, the Group may not be able to source products it distributes in case their manufacturing is halted on the side of the supplier. It would be difficult for the Group to control the immediate situation in such an occurrence.

3 Credit risk

The Group deals with many customers and enters into various types of transactions. It, therefore, bears the credit risk that the Group may incur losses due to worsening of credit and/or bankruptcy of counterparties. We have taken certain measures to manage such risk, including company-wide seminars on credit risk management, but there is no guarantee that the credit risk can be eliminated. If the Group should incur losses exceeding the amount provided for by risk hedges, the operating performance and financial conditions of the Group may be negatively impacted.

Financial Review

Analysis of management results for this fiscal year

Overview of this fiscal year

For the year ended March 2004, the world economy recovered on the back of China's rapid growth and swift recovery of the IT industry from mid-year onwards. The Japanese economy during this period also showed signs of improvement; exports and production increased moderately, corporate earnings improved, and share prices recovered. However, the economic environment generally remained harsh as deflation still continued, public investment level remained low, employment was difficult, and personal consumption struggled at low levels.

In industries concerning our Group, semiconductors and LCD devices showed some signs of recovery on the back of strong automobiles and digital information appliances, but it failed to lead to full-scale recovery in the manufacturing industry as a whole. The level of capital investment differed among companies, and the business environment remained severe.

Under these circumstances, our Group has taken the following measures. On the management front, management structure has been improved; management responsibility has been clarified further and management flexibility has been raised by shortening director's term to one year. A system of executive directors has been introduced. Established in April last year, were a logistics management company to restructure the logistics system, and a subsidiary management company to promote management efficiency in subsidiaries. On the business front, sales was expanded on existing products as well as new products, developed on the strength of our technology which is the core in each business division. Efforts were made to develop new semiconductor business following the establishment of Runesas Techonology Corporation, a new semiconductor business integration company of Hitachi Ltd., and Mitsubishi Electric Corporation. IT related areas in general, which showed rapid recovery, were positively explored. In addition, recognizing that it is our mission as a technologically capable trading company to respond to customers' trust by guaranteeing the quality of our products and technology, we obtained Quality Management System ISO 9001 certification, which is an international standard for quality management and improved customer satisfaction. On the financial front, efficiency was pursued in every aspect from the cash-flow point of view, by further optimizing inventory, by thorough management of credit risks, and controlling sales management expenses. Efforts have been made to rationalize the overall management structure and to strengthen the financial constitution. As a result, net sales reached a record high of ¥180,188 million (up by 17.9% from previous year). Net income for this fiscal year was ¥1,743 million (up by 48%).

Net sales

Consolidated net sales of this fiscal year jumped to ¥180,188 million, a 17.9% increase from previous year. This is largely due to significant growth in flash memories for mobile phones in the semiconductor device business division and servo device and PLC programmable controller in electronics and information equipment division. 41.9% of these consolidated net sales, ¥75,558 million, were for Sanyo Electric Co., Ltd., most of which was custom manufacturing of semiconductors for mobile phones, as well as mobile phones. Net sales by division are summarized below.

In electric equipment, net sales increased by 5.8% to ¥17,605 million.

Motors remained strong as a whole, especially the standard and special motors for machinery manufacturers. In the non-motors section, non-fuse and electromagnetic circuit breakers for board manufacturers remained strong. Energy-saving equipment, such as circuit breakers, electric power meter units, high-efficiency transformers, also posted growth.

Net sales for electronic and information equipment increased by 17.3% to ¥89,087 million compared to the previous year.

Factory automation equipment (FA equipment) grew in most major product areas including servo units, sequencers, invertors, indicators, supported by increased capital investment from digital information home appliances, automobiles and food manufacturers. Of these, high spec sequencers and remote input and output devices for system control showed especially significant growth. In imaging equipment related to information equipment, orders from medical institutions for image display equipment remained strong and contributed to the net sales. In communication equipment, custom manufacturing of mobile phones stayed strong, supported by eagerness to upgrade to mobile phones with cameras. Orders for PHS base stations for China remained steady as well.

Net sales of semiconductor devices increased by 31.4% from the previous fiscal year to ¥55,263 million.

In semiconductors, microcomputers for DVD and DSC remained strong, supported by growth in digital information home appliances. Flash memory and ASIC (camera module) for mobile phones posted a large increase due to generation changes fuelled by upgraded mobile phone functions. Power modules and hybrid ICs for electric semiconductors for air conditioning units remained strong as well. In electronic devices, print boards and lamps for projectors grew significantly.

Net sales for industrial machines rose by 3.2% from the previous fiscal year to ¥5,225 million.

In industrial machines, as demands in IT related areas recovered significantly, capital investment in LCD manufacturing machines for mobile phones and flat panel display manufacturing machines for DVD and PDP increased, and wire-cutting discharge processors remained strong. Laser processors for construction machines and ship building machines for China were robust as well

Net sales for plant and others decreased slightly by 0.5% to ¥1,308 million.

In construction related equipment, air-conditioning and heating units decreased as a result of continued recession and weak recovery of capital investment in the construction industry. However, all-electric appliances including electric water heaters and floor heaters remained strong. Large construction projects in the western region contributed to the sale of elevators. In trade, electronics related products such as nickel paste for chip condensers for Taiwan, chemical compounds including carrier tapes for Taiwan and Hong Kong remained strong. Ship valves and interior metal fittings for automobiles were also strong and contributed to the sales.

Cost of sales, selling, general and administrative expenses

Cost of sales rose by 18.9% from the previous fiscal year to ¥167,204 million, following increase in net sales. Gross margin ratio, however, decreased from the previous 8.0% to 7.2%. This is because semiconductor devices business, information and communications business, and others have been suffered from the increased demand for price reductions from customers in the face of increased competition in the finished product market, and increase in custom manufacturing of mobile phones which has a low gross margin ratio.

Selling, general and administrative expenses rose by 3.3% from the previous year to ¥988 million. This is mainly attributed to the increase in personnel expenses. Salaries and other allowances rose by 2.9% to ¥4,232 million and bonus payment reserve rose by 33.9% to ¥693 million. Increased sales led to an increase of 12.1% in freight and warehouse fees to ¥988 million.

Operating income, non-operating profit and loss, special profit and loss, income before income taxes

Consolidated operating income rose by 19.7% from ¥2,653 million for the previous year to ¥3,176 million.

The net amount of non-operating profit and loss was ¥11 million. This is a vast improvement of 98.5% from the previous year. This is mainly because the write-down of investment securities was reduced to 10% of previous amount of ¥386 million due to recovery of share prices, and ¥192 million for the return of provisions for doubtful receivables being received following the decrease in the actual rate of doubtful receivables. Receipt of lawsuit reconciliation fees concerning software development, and decreased interest payments following repayment of long-term borrowing, both contributed to the improved profit and loss. As a result, consolidated net income before income taxes for this fiscal year reached ¥3,165 million, a significant increase of 63.1% from ¥1,940 million of the previous fiscal year.

Income taxes

After the application of taxation accounting, the actual effective tax rate for income before income taxes for this fiscal year was 44.9% compared to statutory effective tax rate of 41.6%. It is a 5.6 points increase from 39.3% of the previous year. This is mainly because there was no income tax refund following liquidation of subsidiary as in the previous year. The difference with the statutory effective rate is permanent and mostly related to entertainment expenses. The income taxes rose by 86.6% from the previous fiscal year to ¥1,422 million.

Net Income for this fiscal year

As a result of the above, consolidated net income for the year ended March 2004, grew by 48% from ¥1,178 million of the previous fiscal year to ¥1,743 million. Basic net income per share for this fiscal year rose by 51.2% to ¥105.68. Net income per share after residual securities adjustment was ¥104.71.

Sources of liquidity and funds

In cash flow from operating activities, ¥2,119 million was obtained this fiscal year, down from ¥2,355 million of the previous fiscal year. Although the income before income taxes increased significantly this year, inventories jumped to ¥2,415 million, more than four times compared to the previous fiscal year. This is because advance arrangements were made to deal with tight supply. Trade receivables which grew significantly in the previous fiscal year turned down, but trade payables on the other hand, reduced their rate of growth from the previous large increase. As a result, cash flow from operating activities decreased compared to the previous year.

Cash flow from investing activities recorded a smaller cash expenditure of ¥14 million, down by ¥368 million from the previous fiscal year. This is due to a large drop in expenditure on investment securities and an increase in income from the sale of investment securities. As a result, operating activities less investing activities, i.e. the net cash flow, decreased by ¥1,987 million from the previous fiscal year to ¥2,105 million.

Cash flow from financing activities recorded a smaller expenditure of ¥232 million, down by ¥301 million compared to the previous fiscal year. Revenue and expenditure on treasury stock turned to positive this fiscal year from negative for the previous fiscal year due to the sale of treasury stock following the exercise of stock options. There were also receipts from increased short-term borrowing.

As a result of these activities, end-of-year balance of cash and cash equivalents increased to ¥11,925 million, up by ¥1,770 million from the previous fiscal year.

Assets, shareholders' equities and liabilities

Assets

Total assets at the end of this fiscal year increased by 5.0% to ¥84,567 million from the previous fiscal year. This is mainly due to the increase in current assets.

Current assets

Current assets at the end of this fiscal year grew by 4.6% to ¥77,191 million. The main causes of this increase were a growth in inventories by ¥2,391 million from the previous fiscal year due to advance preparations for orders already accepted in response to possible shortage of semiconductors, and an increase in cash and deposit with banks which exceeds ¥1,770 million.

Fixed assets

Fixed assets at the end of this fiscal year rose by 9.0% from the previous fiscal year to ¥7,376 million.

Property and equipment decreased by 4.9% from the previous fiscal year to ¥3,134 million. This is mainly because capital investment for this year was small and depreciation exceeded the increase of facilities.

Investments and other assets rose by 22.1% from the previous fiscal year to ¥4,242 million. This is because investment securities increased significantly due to higher share prices.

Liabilities

Liabilities at the end of this fiscal year rose by 2.9% from the previous fiscal year to ¥61,669 million.

Current liabilities

Current liabilities at the end of this fiscal year rose by 3.0% to ¥59,762 million. Trade account payables increased following the increase in sales. As the profit for this year turned upwards, the tax amount increased and so did the income taxes payable.

Long-term liabilities

Long-term liabilities at the end of this fiscal year rose slightly by 0.9% from the previous fiscal year to ¥1,907 million. Although long-term borrowing decreased, deferred tax liability increased due to an increase in unrealised gains on marketable securities following the share price recovery.

The total of long and short term interest accruing liabilities at the end of this fiscal year decreased by 1.8% from the previous fiscal year to ¥3,978 million.

Share-holders' equity

Share-holders' equity at the end of this fiscal year rose by 11.1% from the previous fiscal year to ¥22,898 million. This is because a positive net income was declared this year and accumulated earnings increased as a result. Unrealized gains on marketable securities were also declared following the recovery in share prices. Equity ratio rose by 1.5 points from the previous fiscal year to 27.1%.

Consolidated Balance Sheets

Tachibana Eletech Co., Ltd. and Subsidiaries
March 31, 2004 and 2003

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	**2004**
CURRENT ASSETS:			
Cash and cash equivalents	**¥ 11,925**	¥ 10,155	**$ 112,830**
Receivables:			
Trade notes	**7,747**	7,561	**73,299**
Trade accounts	**47,402**	48,809	**448,500**
Associated company	**54**	46	**511**
Other	**2,033**	1,731	**19,236**
Allowance for doubtful receivables	**(172)**	(351)	**(1,627)**
Inventories (Note 4)	**7,539**	5,148	**71,331**
Prepaid expenses and other current assets (Note 9)	**663**	680	**6,273**
Total current assets	**77,191**	73,779	**730,353**
PROPERTY AND EQUIPMENT:			
Land (Note 5)	**447**	447	**4,229**
Buildings and structures (Note 5)	**5,684**	5,658	**53,780**
Machinery and equipment	**73**	72	**691**
Furniture and fixtures	**480**	513	**4,542**
Total	**6,684**	6,690	**63,242**
Accumulated depreciation	**(3,550)**	(3,396)	**(33,589)**
Net property and equipment	**3,134**	3,294	**29,653**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	**3,431**	2,274	**32,463**
Investments in associated company	**10**	9	**94**
Other assets (Note 9)	**801**	1,191	**7,579**
Total investments and other assets	**4,242**	3,474	**40,136**
TOTAL	**¥ 84,567**	¥ 80,547	**$ 800,142**

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	**2004**
CURRENT LIABILITIES:			
Short-term bank loans (Note 5)	**¥ 2,606**	¥ 2,223	**$ 24,657**
Current portion of long-term debt (Note 5)	**318**	505	**3,009**
Payables:			
Trade notes	**4,630**	4,958	**43,807**
Trade accounts	**48,886**	47,804	**462,542**
Associated company	**0**	1	**0**
Other	**604**	501	**5,715**
Income taxes payable (Note 9)	**1,040**	440	**9,840**
Accrued expenses	**839**	649	**7,938**
Other current liabilities	**839**	963	**7,938**
Total current liabilities	**59,762**	58,044	**565,446**
LONG-TERM LIABILITIES:			
Long-term debt (Note 5)	**1,054**	1,322	**9,973**
Liability for retirement benefits (Note 6)	**447**	427	**4,229**
Retirement allowances for directors and corporate auditors (Note 6)	**134**	142	**1,268**
Deferred tax liabilities (Note 9)	**272**		**2,574**
Total long-term liabilities	**1,907**	1,891	**18,044**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 10, 11 and 12)			
SHAREHOLDERS' EQUITY (Notes 7, 8 and 14):			
Common stock – authorized, 40,000,000 shares; issued, 16,452,757 shares in 2004 and 2003	**4,227**	4,227	**39,994**
Capital surplus	**4,075**	4,031	**38,556**
Retained earnings	**14,084**	12,571	**133,258**
Unrealized gain (loss) on available-for-sale securities	**777**	(31)	**7,351**
Foreign currency translation adjustments	**(72)**	(6)	**(681)**
Total	**23,091**	20,792	**218,478**
Cost of treasury stock – 306,801 shares in 2004 and 343,220 shares in 2003	**(193)**	(180)	**(1,826)**
Total shareholders' equity	**22,898**	20,612	**216,652**
TOTAL	**¥ 84,567**	¥ 80,547	**$ 800,142**

Consolidated Statements of Income

Tachibana Eletech Co., Ltd. and Subsidiaries
Years Ended March 31, 2004 and 2003

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	**2004**
NET SALES	**¥ 180,188**	¥ 152,772	**$ 1,704,873**
COST OF SALES	**167,204**	140,625	**1,582,023**
Gross profit	**12,984**	12,147	**122,850**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 10)	**9,808**	9,494	**92,800**
Operating income	**3,176**	2,653	**30,050**
OTHER INCOME (EXPENSES):			
Interest and dividends	**43**	39	**407**
Interest expense	**(68)**	(77)	**(643)**
Sales discounts	**(171)**	(153)	**(1,618)**
Write-down of investment securities	**(33)**	(386)	**(312)**
Reversal of allowance for doubtful accounts	**192**		**1,816**
Other - net	**26**	(136)	**246**
Other expenses-net	**(11)**	(713)	**(104)**
INCOME BEFORE INCOME TAXES	**3,165**	1,940	**29,946**
INCOME TAXES (Note 9):			
Current	**1,456**	791	**13,776**
Deferred	**(34)**	(29)	**(322)**
Total income taxes	**1,422**	762	**13,454**
NET INCOME	**¥ 1,743**	¥ 1,178	**$ 16,492**

	Yen		U.S. Dollars
	2004	2003	**2004**
PER SHARE OF COMMON STOCK (Note 2.m and 13):			
Basic net income	**¥ 105.68**	¥ 69.90	**$ 1.00**
Diluted net income	**104.71**		**0.99**
Cash dividends applicable to the year	**14.00**	12.00	**0.13**

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Tachibana Eletech Co., Ltd. and Subsidiaries
Years Ended March 31, 2004 and 2003

	Thousands	Millions of Yen					
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain/loss on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE, APRIL 1, 2002	16,446	¥ 4,227	¥ 4,031	¥ 11,620	¥ 186	¥ 33	¥ (4)
Net income				1,178			
Increase of retained earnings resulting from liquidation of a subsidiary				10			
Cash dividends, ¥12 per share				(197)			
Bonuses to directors and corporate auditors				(40)			
Purchase of treasury stock	(336)						(176)
Net decrease in unrealized gain on available-for-sale securities					(217)		
Net change in foreign currency translation adjustments						(39)	
BALANCE, MARCH 31, 2003	16,110	¥ 4,227	¥ 4,031	¥ 12,571	¥ (31)	¥ (6)	¥ (180)
Net income				1,743			
Cash dividends, ¥14 per share				(193)			
Bonuses to directors and corporate auditors				(37)			
Gain on disposition of treasury stock			44				
Net decrease in treasury stock	36						(13)
Net increase in unrealized gain on available-for-sale securities					808		
Net change in foreign currency translation adjustments						(66)	
BALANCE, MARCH 31, 2004	**16,146**	**¥ 4,227**	**¥ 4,075**	**¥ 14,084**	**¥ 777**	**¥ (72)**	**¥ (193)**

	Thousands of U.S. Dollars (Note 1)					
	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain/loss on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE, MARCH 31, 2003	$ 39,994	$ 38,140	$ 118,942	$ (294)	$ (57)	$ (1,703)
Net income			16,492			
Cash dividends, $0.13 per share			(1,826)			
Bonuses to directors and corporate auditors			(350)			
Gain on disposition of treasury stock		416				
Net decrease in treasury stock						(123)
Net increase in unrealized gain on available-for-sale securities				7,645		
Net change in foreign currency translation adjustments					(624)	
BALANCE, MARCH 31, 2004	**$ 39,994**	**$ 38,556**	**$ 133,258**	**$ 7,351**	**$ (681)**	**$ (1,826)**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Tachibana Eletech Co., Ltd. and Subsidiaries
Years Ended March 31, 2004 and 2003

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	**2004**
OPERATING ACTIVITIES:			
Income before income taxes	**¥ 3,165**	¥ 1,940	**$ 29,946**
Adjustments for:			
Income taxes – paid	**(855)**	(683)	**(8,090)**
Depreciation and amortization	**337**	344	**3,189**
Provision for doubtful receivables	**(491)**	(421)	**(4,646)**
Provision for employees bonuses	**175**	(9)	**1,656**
Loss on disposal of property and equipment	**4**	5	**38**
Loss on revaluation of intangible assets	**22**		**208**
Loss on sales of investment securities	**(27)**	5	**(255)**
Write-down of investment securities	**33**	386	**312**
Bonuses to directors and corporate auditors	**(37)**	(40)	**(350)**
Changes in assets and liabilities:			
Decrease (increase) in receivables – trade	**1,120**	(3,336)	**10,597**
Increase in account receivables - other	**(303)**	(124)	**(2,867)**
Increase in inventories	**(2,415)**	(564)	**(22,850)**
Increase in trade payable	**912**	6,967	**8,629**
Increase in liability for retirement benefits	**13**	92	**123**
Other	**466**	(88)	**4,409**
Total adjustments	**(1,046)**	2,534	**(9,897)**
Net cash provided by operating activities	**2,119**	4,474	**20,049**
INVESTING ACTIVITIES:			
Proceeds from sales of property and equipment	**0**	2	**0**
Purchases of property and equipment	**(56)**	(28)	**(530)**
Purchases of intangible assets	**(127)**	(163)	**(1,201)**
Proceeds from sales of investment securities	**284**	48	**2,687**
Purchases of investment securities	**(87)**	(376)	**(823)**
Loans to investees	**(81)**	(10)	**(766)**
Collection of loans	**7**	11	**66**
Other	**46**	134	**435**
Net cash used in investing activities	**(14)**	(382)	**(132)**
FINANCING ACTIVITIES:			
Increase in short-term bank loans - net	**384**	42	**3,633**
Proceeds from long-term debt	**50**		**473**
Proceeds from issuance of bonds		300	
Repayments of long-term debt	**(503)**	(503)	**(4,759)**
Dividends paid	**(193)**	(196)	**(1,826)**
Other	**30**	(176)	**284**
Net cash used in financing activities	**(232)**	(533)	**(2,195)**
EFFECT OF FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**(103)**	(73)	**(975)**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**1,770**	3,486	**16,747**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**10,155**	6,669	**96,083**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥ 11,925**	¥ 10,155	**$ 112,830**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Tachibana Eletech Co., Ltd. and Subsidiaries
Years Ended March 31, 2004 and 2003

1. BASIS OF PRESENTING CONSOLIDATED 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.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2003 financial statements to conform to the classifications used in 2004.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which TACHIBANA ELETECH CO., LTD. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥105.69 to $1, the approximate rate of exchange at March 31, 2004. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements as of March 31, 2004 and 2003 include the accounts of the Company and all subsidiaries (together, the "Group").

Investments in associated companies are accounted for by the equity method.

Under the control or influence concept, those companies in which the Parent, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the group has the ability to exercise significant influence are accounted for by the equity method.

The excess of cost over the fair value of the Group's share of the net assets of subsidiaries acquired is charged to income when incurred.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

b. Cash Equivalents—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, all of which mature within three months of the date of acquisition.

c. Allowance for Doubtful Receivables—The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

d. Inventories—Inventories are stated at cost, principally determined by the average cost method.

e. Investment Securities—All of the Group's investment securities are classified as available-for-sale securities and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity. The cost of securities sold is determined based on the moving-average method. Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, securities are reduced to net realizable value by a charge to income.

f. Property and Equipment— Property and equipment are stated at cost. Depreciation is computed substantially by the declining-balance method while the straight-line method is applied to buildings acquired after April 1, 1998.

The range of useful lives is principally from 3 to 50 years for buildings and structures, from 2 to 15 years for machinery and equipment, and from 2 to 20 years for furniture and fixtures.

g. Retirement Benefits—The Group has a non-contributory funded pension plan covering substantially all of its employees. The liability for employees' retirement benefits are accounted for based on projected benefit obligations and plan assets at the balance sheet date.

Retirement allowances for directors and corporate auditors are recorded to state the liability at the amount that would be required if all directors and corporate auditors retired at each balance sheet date.

h. Leases—All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

i. Income Taxes—The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

j. Appropriations of Retained Earnings—Appropriations of retained earnings are reflected in the financial statements of the following year upon shareholder's approval.

k. Foreign Currency Transactions—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the income statement to the extent that they are not hedged by forward exchange contracts.

l. Foreign Currency Financial Statements—The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for shareholders' equity, which is translated at the historical rate. Differences arising from such translations are shown as "Foreign currency translation adjustments" as a separate component of shareholders' equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the current exchange rate.

m. Per Share Information—Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if stock options were exercised. Diluted net income per share of common stock assumes full exercise of outstanding stock options.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

n. New Accounting Pronouncements—In August 2002, the Business Accounting Council issued a Statement of Opinion, “Accounting for Impairment of Fixed Assets”, and in October 2003 the Accounting Standards Board of Japan (ASB) issued ASB Guidance No.6, “Guidance for Accounting Standard for Impairment of Fixed Assets”. These new pronouncements are effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ending on or after March 31, 2004.

The new accounting standard requires an entity to review its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

The Group is currently in the process of assessing the effect of adoption of these pronouncements.

3. INVESTMENT SECURITIES

Investment securities as of March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Non-current:			
Marketable equity securities	**¥ 3,212**	¥ 2,052	**$ 30,391**
Non-marketable equity securities	**107**	141	**1,012**
Trust fund investments	**102**	71	**965**
Commodity fund investments	**10**	10	**95**
Total	**¥ 3,431**	¥ 2,274	**$ 32,463**

Information regarding each category of securities at March 31, 2004 and 2003 was as follows:

	Millions of Yen			
March 31, 2004	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	**¥ 1,921**	**¥ 1,298**	**¥ 7**	**¥ 3,212**
Trust fund investments	**84**	**18**		**102**
Commodity fund investments	**10**	**0**		**10**
Total	**¥ 2,015**	**¥ 1,316**	**¥ 7**	**¥ 3,324**
March 31, 2003				
Equity securities	¥ 2,084	¥ 355	¥ 387	¥ 2,052
Trust fund investments	90		19	71
Commodity fund investments	10	0		10
Total	¥ 2,184	¥ 355	¥ 406	¥ 2,133

March 31, 2004	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	$ 18,176	$ 12,281	$ 66	$ 30,391
Trust fund investments	795	170		965
Commodity fund investments	95	0		95
Total	$ 19,066	$ 12,451	$ 66	$ 31,451

Securities whose fair value is not readily determinable as of March 31, 2004 and 2003 were as follows:

	Carrying amount		
	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Non-marketable equity securities	¥ 107	¥ 141	$ 1,012

4. INVENTORIES

Inventories at March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Merchandise	¥ 7,034	¥ 4,627	$ 66,553
Work in process	505	521	4,778
Total	¥ 7,539	¥ 5,148	$ 71,331

5. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2004 and 2003 consisted of notes to banks and bank overdrafts. The annual interest rates applicable to the short-term bank loans ranged from 0.59% to 1.50% and 0.58% to 1.50% at March 31, 2004 and 2003, respectively.

Long-term debt at March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Secured 2.29% yen bonds, due 2006	**¥ 400**	¥ 400	**$ 3,785**
Unsecured 0.93% yen bonds, due 2007	**300**	300	**2,838**
Unsecured 0.64% yen bonds, due 2008	**300**	300	**2,838**
Loans from banks and other financial institutions, due serially to 2006 with interest rates ranging from 1.54% to 3.00%:			
Collateralized	**15**	29	**143**
Unsecured	**357**	798	**3,378**
Total	**1,372**	1,827	**12,982**
Less current portion	**(318)**	(505)	**(3,009)**
Long-term debt, less current portion	**¥ 1,054**	¥ 1,322	**$ 9,973**

Annual maturities of long-term debt at March 31, 2004 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2005	**¥ 318**	**$ 3,009**
2006	**404**	**3,823**
2007	**350**	**3,312**
2008	**300**	**2,838**
Total	**¥ 1,372**	**$ 12,982**

The carrying amounts of assets pledged as collateral for short-term bank loans of ¥6 million ($57 thousand) and the above secured and collateralized long-term debt at March 31, 2004 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Land	**¥ 108**	**$ 1,022**
Buildings and structures - net of accumulated depreciation	**80**	**757**
Total	**¥ 188**	**$ 1,779**

6. RETIREMENT BENEFITS

Under the pension plan, employees terminating their employment are, in most circumstances, entitled to pension payments based on their average pay during their employment, length of service and certain other factors.

The liability for employees' retirement benefits at March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Projected benefit obligation	**¥ 2,887**	¥ 2,923	**$ 27,316**
Fair value of plan assets	**(2,094)**	(1,877)	**(19,813)**
Unrecognized actuarial loss	**(346)**	(619)	**(3,274)**
Net liability	**¥ 447**	¥ 427	**$ 4,229**

The components of net periodic benefit costs are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Service cost	**¥ 156**	¥ 163	**$ 1,476**
Interest cost	**73**	74	**690**
Expected return on plan assets	**(14)**	(16)	**(132)**
Recognized actuarial loss	**56**	78	**530**
Net periodic benefit costs	**¥ 271**	¥ 299	**$ 2,564**

Assumptions used for the years ended March 31, 2004 and 2003 are set forth as follows:

	2004	2003
Discount rate	**2.5%**	2.5%
Expected rate of return on plan assets	**0.75%**	0.75%
Recognition period of actuarial loss	**10 years**	10 years

The Company recorded a liability for its unfunded retirement allowance plan covering all of its directors and corporate auditors. The annual provisions for retirement allowances for directors and corporate auditors for the years ended March 31, 2004 and 2003 were ¥24 million ($227 thousand) and ¥24 million, respectively.

Retirement allowances for directors and corporate auditors are paid subject to approval of the shareholders in accordance with the Japanese Commercial Code.

7. STOCK OPTION PLAN

The stock option plan which was approved by the shareholders meeting held on June 28, 2001, provides options to purchase the Company's common stock up to an aggregate maximum of 800 thousand shares for directors and employees of the Company. The exercise period of stock options is between July 1, 2003 and June 30, 2005, at an exercise price of ¥802 per share. As of March 31, 2004, options to purchase 496,700 shares of common stock were outstanding. Options for 2,000 shares were available for future grant under this plan at March 31, 2004.

At the general shareholders meeting held on June 27, 2003, the Company's shareholders approved the stock option plan which provides for granting options to directors and key employees of the Company and domestic subsidiaries to purchase up to 1,400 thousand shares of the Company's common stock in the period from July 1, 2005 to June 30, 2007. The option will be granted at the price of 105 percent of the average market value of the Company's common stock in the period of the month to which the option grant occurs or the fair market value at the pervious date of option grant, which ever is higher. As of March 31, 2004, options to purchase 1,067,000 shares of common stock were outstanding. Options for 314,000 shares were available for future grant under this plan.

As of March 31, 2004, the Company had reserved 306,801 shares of common stock for exercise of options.

Subsequent to March 31, 2004, at the general shareholders meeting held on June 29, 2004, the Company's shareholders approved the authorization of an additional 150 thousand shares for issuance under the Company's stock option plan for directors and key employees of the Company and domestic subsidiaries. The option, exercisable from July 1, 2006 through June 30, 2008, will be granted at the price of 105 percent of the average market value of the Company's common stock in the period of the month to which the option grant occurs or the fair market value at the pervious date of option grant, which ever is higher.

The exercise price of stock options is subject to adjustment in certain circumstances.

8. SHAREHOLDERS' EQUITY

Japanese companies are subject to the Japanese Commercial Code (the "Code") to which various amendments have become effective from October 1, 2001.

The Code was revised whereby common stock par value was eliminated resulting in all shares being recorded with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital, which is included in capital surplus. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration as a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The revised Code also provides that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings) until such reserve and additional paid-in capital equals 25% of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 25% of the common stock may be available for dividends by resolution of the shareholders. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The revised Code eliminated restrictions on the repurchase and use of treasury stock allowing Japanese companies to repurchase treasury stock by a resolution of the shareholders at the general shareholders meeting or by resolution of the Board of Directors provided it is stipulated in an article of incorporation and dispose of such treasury stock by resolution of the Board of Directors. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amount of common stock, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders meeting.

The amount of retained earnings available for dividends under the Code was ¥12,817 million ($121,270 thousand) as of March 31, 2004, based on the amount recorded in the parent company's general books of account. In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

9. INCOME TAXES

The company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 41.6% for years ended March 31, 2004 and 2003. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

On March 31, 2003, a tax reform law concerning enterprise tax was enacted in Japan which changed the normal effective statutory tax rate, effective for year beginning on or after April 1, 2004. The deferred tax assets and liabilities which will realize on or after April 1, 2004 are measured at the effective tax rate of 40.6% and 40.4% as at March 31, 2004 and 2003, respectively. The effect of this change were increase income-tax deferred by ¥9 million ($85 thousand) and ¥15 million for the year ended March 31, 2004 and 2003, respectively.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2004 and 2003 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Deferred tax assets:			
Bad debt allowance	**¥ 44**	¥ 234	**$ 416**
Accrued bonuses	**280**	180	**2,649**
Enterprise tax	**91**	36	**861**
Write-down of investment securities	**116**	103	**1,098**
Retirement allowance for directors and corporate auditors	**55**	57	**521**
Liability for retirement benefits	**202**	193	**1,911**
Tax loss carryforward	**9**	37	**85**
Unrealized loss on available-for-sale securities		21	
Other	**140**	69	**1.325**
Total gross deferred tax assets	**937**	930	**8,866**
Less valuation allowance	**(10)**	(38)	**(95)**
Net deferred tax assets	**¥ 927**	¥ 892	**$ 8,771**
Deferred tax liabilities:			
Undistributed earnings of subsidiaries	**¥ 190**	¥ 168	**$ 1,798**
Unrealized gain on available-for-sale securities	**531**		**5,024**
Total gross deferred tax liabilities	**721**	168	**6,822**
Net deferred tax assets	**¥ 206**	¥ 724	**$ 1,949**

Net deferred tax assets and liabilities at March 31, 2004 and 2003 are reflected in the accompanying consolidated balance sheets under the following captions:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Other current assets	**¥ 473**	¥ 352	**$ 4,476**
Other assets	**5**	372	**47**
Deferred tax liabilities	**(272)**		**(2,574)**
Net deferred tax assets	**¥ 206**	¥ 724	**$ 1,949**

A reconciliation between the normal effective statutory tax rates for the years ended March 31, 2004 and 2003 and the actual effective tax rates reflected in the accompanying consolidated statements of income as follows:

	2004	2003
Normal effective statutory tax rate	**41.6%**	41.6%
Expenses not deductible for income tax purposes	**2.5**	3.4
Income not taxable for income tax proposes	**(0.2)**	
Taxation on per capita basis	**0.9**	1.6
Tax effect of liquidation of subsidiary		(9.5)
Recognition of undistributed earnings of subsidiaries		0.8
Effect of tax rate reduction	**0.3**	0.8
Other - net	**(0.2)**	0.6
Actual effective tax rate	**44.9%**	39.3%

At March 31, 2004, certain subsidiaries have tax loss carryforwards aggregating approximately ¥51 million ($483 thousand) which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2005	**¥ 19**	**$ 180**
Total	**¥ 19**	**$ 180**

10. LEASES

The Group leases certain machinery, computer equipment and other assets. Total rental expenses for the years ended March 31, 2004 and 2003 were ¥521 million ($4,930 thousand) and ¥534 million, respectively, including ¥59 million ($558 thousand) and ¥72 million of lease payments under finance leases.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance lease, depreciation expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2004 and 2003 was as follows:

	As of March 31, 2004			As of March 31, 2003		
	Millions of Yen			Millions of Yen		
	Machinery and Equipment	Furniture and Fixtures	Total	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	**¥ 8**	**¥ 310**	**¥ 318**	¥ 8	¥ 330	¥ 338
Accumulated depreciation	**5**	**155**	**160**	4	183	187
Net leased property	**¥ 3**	**¥ 155**	**¥ 158**	¥ 4	¥ 147	¥ 151

	As of March 31, 2004		
	Thousand of U.S. Dollars		
	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	**$ 75**	**$ 2,934**	**$ 3,009**
Accumulated depreciation	**47**	**1,467**	**1,514**
Net leased property	**$ 28**	**$ 1,467**	**$ 1,495**

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Due within one year	**¥ 59**	¥ 59	**$ 558**
Due after one year	**99**	92	**937**
Total	**¥ 158**	¥ 151	**$ 1,495**

The cost of leased property and obligations under finance leases includes the imputed interest expense.

Depreciation expenses, which are not reflected in the accompanying statements of income, computed by the straight-line method were ¥59 million ($558 thousand) and ¥72 million for the years ended March 31, 2004 and 2003, respectively.

11. DERIVATIVES

The Company enters into derivative financial instruments, including foreign currency forward contracts, to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. It is the Company's basic policy to use such contracts within the amount of contracted orders for the purpose of reducing foreign exchange risk associated with payments and receipts of foreign currencies related to the purchase and sale of goods overseas.

All derivative transactions are entered into to hedge foreign currency exposures incorporated within its business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

Derivative financial instruments are accounted for as follows: 1) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the income statement and 2) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Because the counterparties to these derivatives are limited to major international financial institutions, the Company does not anticipate any losses arising from credit risk.

The execution of these derivative transactions entered into by the Company are executed by the International Division.

The control of these derivative transactions entered into by the Company are controlled by the Financial Department in accordance with internal policies which regulate the authorization and credit limit amount.

Foreign currency forward contracts which qualify for hedge accounting are excluded from the disclosure of market value information.

12. CONTINGENT LIABILITIES

At March 31, 2004, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Trade notes discounted	**¥ 754**	**$ 7,134**
Guarantees of bank loans	**10**	**95**

13. NET INCOME PER SHARE

The average number of common shares used in the computation was 16,055,334 shares for 2004 and 16,316,384 shares for 2003.

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the year ended March 31, 2004 and 2003 is as follows:

	Millions of Yen	Thousands of shares	Yen	Dollars
For the year ended March 31, 2004	Net income	Weighted average shares	EPS	
Basic EPS				
Net income available to common shareholders	¥ 1,697	16,055	¥ 105.68	$ 1.00
Effect of dilutive securities stock options		149		
Dilutive EPS				
Net income for computation	¥ 1,697	16,204	¥ 104.71	$ 0.99
For the year ended March 31, 2003				
Basic EPS				
Net income available to common shareholders	¥ 1,140	16,316	¥ 69.90	

Diluted net income per share for 2003 is not disclosed because it is anti-dilutive.

14. SUBSEQUENT EVENTS

The following were approved at the Company's shareholders meeting held on June 29, 2004:

a. Appropriations of Retained Earnings at March 31, 2004

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥8 ($0.08) per share	¥ 129	$ 1,221
Bonuses to directors and corporate auditors	45	426

15. SEGMENT INFORMATION

a. Industry Segments

Industry segment information is not shown since substantially all consolidated net sales, operating income and identifiable assets for fiscal 2004 and 2003 resulted from the primary business of the Group, which is to be engaged in marketing, engineering and servicing of electric devices, industrial products, building equipment, and other products as the agent of Mitsubishi Electric Corporation.

b. Geographical Segments

Segment information by geographic area is not shown because operating income and total assets of the Company and domestic subsidiaries for fiscal 2004 and 2003 were more than 90% of the consolidated operating income and assets of respective years.

c. Sales to Foreign Customers

Sales to foreign customers for fiscal 2004 and 2003 were less than 10% of consolidated sales of the respective years. Accordingly, sales to foreign customers are not required to be disclosed.

Deloitte.

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Independent Auditors' Report

To the Board of Directors of TACHIBANA ELETECH CO., LTD.:

We have audited the accompanying consolidated balance sheets of TACHIBANA ELETECH Co., Ltd. and subsidiaries as of March 31, 2004 and 2003, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended , all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards, generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 TACHIBANA ELETECH Co., Ltd. and 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.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 29, 2004

Company Data

(as of July 1, 2004)

Trade Name
TACHIBANA ELETECH CO., LTD.

Founded
September 1, 1921

ISO14001 Certificate Number :
JP-JQA-EM1654

ISO9001: 2000 Certificate Number :
JP-JQA-QMA10303

Subsidiaries and Affiliates

TACHIBANA ES LTD.
1-13-25, Nishi-honmachi, Nishi-ku, Osaka 550-8555
Tel. 81-6-6539-2708

TACHIBANA CREATE LTD.
1-13-25, Nishi-honmachi, Nishi-ku, Osaka 550-8555
Tel. 81-6-6539-3124

KENDEN INDUSTRY Co., Ltd.
2-6-23, Mitejima, Nishiyodogawa-ku, Osaka 555-0012
Tel. 81-6-6471-9451

TACHIBANA SOLUTIONS PLAZA LTD.
1-13-25, Nishi-honmachi, Nishi-ku, Osaka 550-8555
Tel. 81-6-6539-5155

ADVANCED LOGISTICS LTD.
10-28, Toyohara-Cho, Ibaragi 567-0053
Tel. 81-72-640-3575

TACHIBANA MANAGEMENT SERVICE LTD.
1-13-25, Nishi-honmachi, Nishi-ku, Osaka 550-8555
Tel. 81-6-6539-5021

TECHNOLOGY NETWORK,INC.
3-8-15, Hinaga-higashi, Yokkaichi 510-0886
Tel. 81-593-45-9090

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Tel. 7343432

TACHIBANA SALES(H.K.) LTD.
22/F, KWAI Hung Holdings Center, 89 Kings Road,
North Point, H.K.
Tel. 28388103

TACHIBANA SALES TAIWAN LTD.
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Taiwan, R.O.C.
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TACHIBANA SALES(SHANGHAI) LTD.
UNIT G, C16F., HAIXING PLAZA, No.1, RUIJIN ROAD(S.),
SHANGHAI, CHINA. 200023
Tel. 02134160817

Board of Directors and Auditors

President, CEO & COO
Takeo Watanabe

Chief Executive Director,
Operating Officer
Masaya Sasaki

Executive Director,
Operating Officer
Tatsuo Shiraishi

Executive Director,
Operating Officer
Motomichi Hirakawa

Managing Director,
Operating Officer
Akira Kikuchi

Managing Director,
Operating Officer
Norio Shimada

Director,
Operating Officer
Yasutoshi Mitsubayashi

Director,
Operating Officer
Yoshio Kawashima

Director,
Operating Officer
Hiroshi Konuma

Director,
Operating Officer
Michiyasu Yamamoto

Director,
Operating Officer
Hideyuki Shimoyoshi

Operating Officer
Akifumi Hamamoto

Operating Officer
Tamio Ueno

Operating Officer
Yukio Ueda

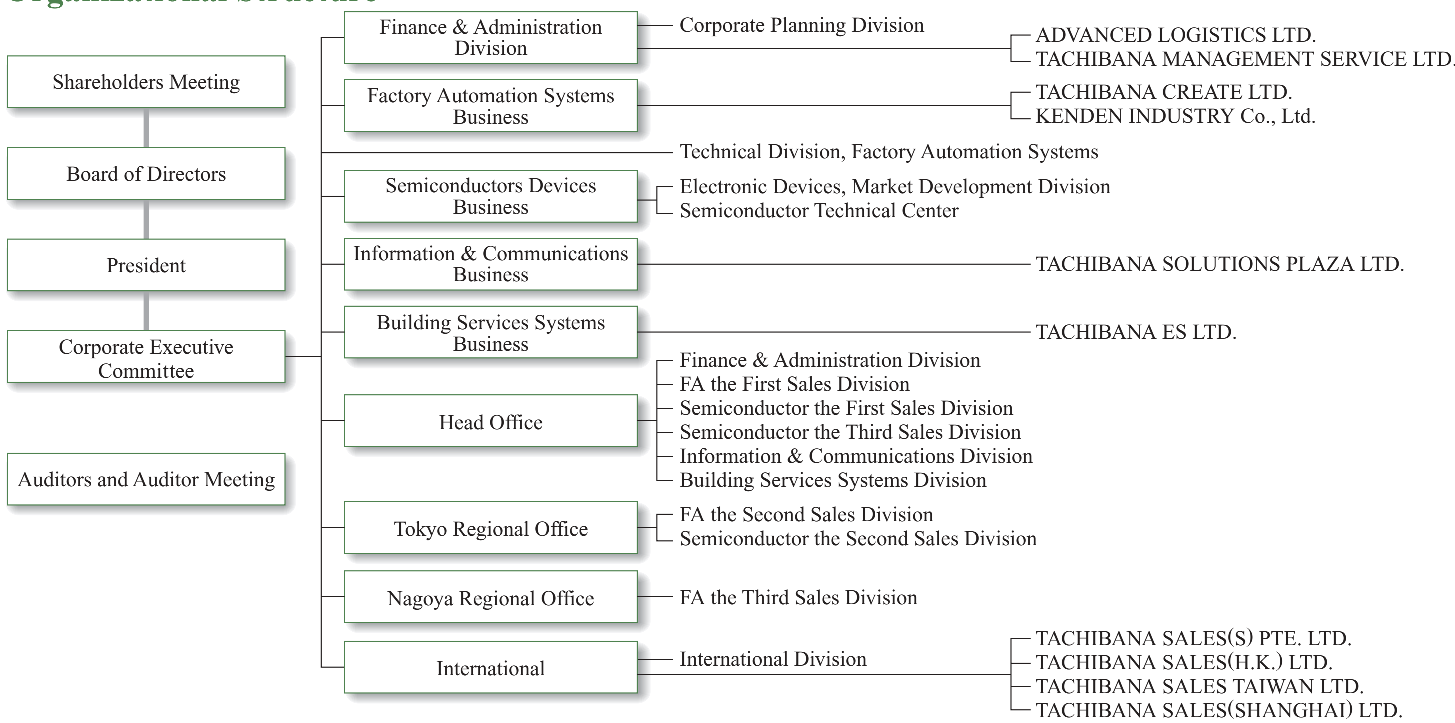
Standing Auditor
Akio Okamura

Standing Auditor
Tsunemi Seki

Auditor
Toshiharu Sugahara

Auditor
Yasuhiro Otani

Organizational Structure



Investor Information

(as of March 31, 2003)

Authorized Number of Shares:
40,000,000

Issued Number of Shares:
16,452,757

Number of Shareholders:
2,505

Listings:
Osaka Stock Exchange 2nd Section
Tokyo Stock Exchange 2nd Section

Major Shareholders

Shareholders	Shares (stocks)	Ratio of stocks held to total outstanding share volume (%)
Mitsubishi Electric Corporation	1,294,815 stocks	7.87 %
Sansei Technos Co., Ltd.	1,136,000	6.90
Tachibana Eletech's Employees Shareholders' Association	1,070,429	6.51
The Bank of Tokyo-Mitsubishi, Ltd.	658,738	4.00
The Goldman Sachs Group, Inc.	450,700	2.74
Namiko Tachibana	394,912	2.40
Nippon Life Insurance Co.	392,509	2.39
Chigusa Satake	371,449	2.26
The Iyo Bank, Ltd.	330,034	2.01
Meiji Yasuda Life Insurance Company	308,792	1.88

Distribution by Shareholdery Type

	National Government and Local Public Organization	Financial Institutions	Securities Firms	Other Corporations	Non-Japanese Corporations	Other Corporations	Total
Number of Shareholders	0	23	14	106	8	2,354	**2,505**
Shares(stocks)	0	4,109,772	21,376	4,146,781	882,800	7,292,028	**16,452,757**

Distribution by Number of Shares Held

	500,000 or more	100,000 or more	50,000 or more	10,000 or more	5,000 or more	1,000 or more	Less than 1,000	Total
Number of Shareholders	4	24	18	110	151	1,245	453	**2,505**
Shares(stocks)	4,159,982	5,692,511	1,190,352	2,102,117	975,974	2,100,635	231,191	**16,452,757**

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