



2004 ANNUAL REPORT



Inabata & Co., Ltd. provides innovative solutions and services for information technology, electronics, chemicals, plastics, housing materials and food enterprises worldwide.

For more than a century, Inabata's specialized functions have satisfied a vast range of client requirements through business planning, marketing, manufacturing and logistics.

Inabata is determined to further integrate its global business network and continue to generate new value in today's changing world.

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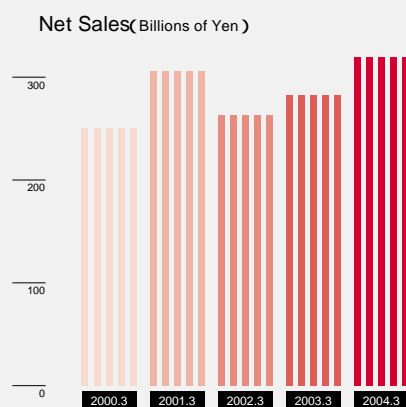
# Selected Consolidated Financial Data (Years ending March 31, 2004, 2003, 2002, 2001, and 2000)

(Yens in millions and U.S. dollars in thousands, except per share amounts)

(Note)

	2000.3	2001.3	2002.3	2003.3	2004.3	2004.3
Net Sales	¥ 267,894	¥ 301,350	¥ 270,291	¥ 288,937	¥ 331,781	\$ 3,139,190
Net Income	3,098	5,183	1,874	348	3,452	32,662
Shareholders' Equity	39,629	43,733	45,802	45,878	50,310	476,015
Total Assets	180,706	194,150	175,055	182,566	193,748	1,833,173
Net Assets per Share	703.21	776.03	812.77	814.72	892.75	8.45
Net Income per Share	54.98	91.97	33.25	6.19	60.85	0.58
Net Income per Share - diluted	46.27	77.11	28.19	5.65	-	-
Equity Ratio( % )	21.9	22.5	26.2	25.1	26.0	26.0
Return on Equity( % )	8.1	12.4	4.2	0.8	7.2	7.2

Notes : U.S. dollar amounts have been converted from Japanese yen, for convenience only, at the rate of ¥ 105.69=U.S.\$ 1. (March 31, 2004)



# To Our Shareholders



Chairman  
Katsuo Inabata

It is with pleasure that we present the results of our 143rd business term, covering the year April 1, 2003 to March 31, 2004.

The economies of Asia and the United States are steadily growing. For the first time in ten years, Japan, the world's second largest economy is also seeing signs of growth. Under such circumstance, we have proactively developed our operations domestically and abroad. IT and electronics business led by flat panel displays (FPD) and our overseas ventures are doing well.

Consolidated sales were up 14.8 percent from the previous year to 331.7 billion yen, while current profit increased 33.9 percent to 6.608 billion yen. Net income came to 3.451 billion yen. On an unconsolidated basis, sales rose by 15.5 percent from the previous year to 254.5 billion yen. Current profit increased 4.1 percent to 3.648 billion yen. We posted a net profit of 1.024 billion yen.

Last year, a three-year medium term business plan was implemented. It focuses on the advancement of capabilities and specialties in our major business fields, strengthening the management and marketing of overseas regions, and effectively using the financial resources of the group. All divisions, from marketing to administration, have rallied in a company wide effort to implement the plan.

The company will accelerate concentration in the fields of IT and electronics, housing materials, chemicals, plastics, and food, while fostering an innovative mindset in new business enterprises.

Outside Japan, these locations form our regional axis: Singapore and Thailand (Southeast Asia), Hong Kong, Shanghai and Taiwan (Northeast Asia), New York (the Americas), London and Paris (Europe). We aim to have each region, including Japan, clearly define its mission, devise a strategy and concentrate its efforts in the major growth fields worldwide.

The financial strategy will further focus on shareholders' interests when deciding the dividend policy, improving capital adequacy ratio and strengthening the revenue base, with a view to making positive new investments. As we enhance our group business capabilities, we aim to improve our financial standing by developing the efficiency of our funds operations. In addition, unsecured convertible bonds were issued for a total amount of 5 billion yen on June 17, 2004. It provided a means of low-cost funding, and a way to strengthen the financial foundation through equity capital enhancement and interest-bearing debt reduction.



President  
Takeo Inabata

Inabata values its people, its employees. The vitalization of our human resources is an extremely important issue for the company. Human resources was reviewed last July and is being revitalized. We work to make the company a place where rich ideas and creativity thrive. We strive for people to work to the best of their abilities and their achievements to be judged fairly.

Inabata aims to be a workplace where all can demonstrate their unique ability regardless of gender, nationality or seniority, where all can achieve their dreams, where all can work with pride.

Last year, "executive officer system" was introduced. Accordingly, roles and responsibilities have been divided and defined. Directors focus on the management policies, and ensure its practice and dissemination. Executive officers manage their various duties in their specialized fields.

Administration was also reorganized and linked closer to the management nerve center.

This marks our 114th year in business and we will continue to evolve with our traditions, culture and enterprises. We embrace change, value the adventurous spirit and accept challenges, all with the aim of setting a new direction and fostering the company's values.

We ask for your continued support.

Thank you.

August 2004

A handwritten signature in black ink, appearing to read "Katsuo Inabata".

Chairman Katsuo Inabata

A handwritten signature in black ink, appearing to read "Takeo Inabata".

President Takeo Inabata

# Worldwide Network



Director,  
Managing Executive  
Officer  
Yuji Fujita



Director,  
Managing Executive  
Officer  
Yoshinobu Nakano



Director,  
Managing Executive  
Officer  
Nobuhiro Otsuki

## [ FRANCE ]

Inabata France S.A.

## [ BELGIUM ]

Inabata Europe S.A.

## [ UK ]

Inabata UK Limited  
Bio-Signal Corporation Ltd.  
IK Precision Company Limited  
Nobel Enterprises

## [ JAPAN ]

Osaka Head Office  
Tokyo Head Office  
Nagoya Office  
Matsumoto Office  
Hokuriku Office  
Mie Office  
Kyushu Office

## [ CHINA ]

Inabata Sangyo (H.K.) Ltd.  
Inabata Sangyo (H.K.) Ltd., Beijing Representative Office  
Inabata Sangyo (H.K.) Ltd., Dalian Representative Office  
Inabata Sangyo (H.K.) Ltd., Guangzhou Representative Office  
Inabata Sangyo (H.K.) Ltd., Qingdao Representative Office  
Inabata Sangyo (H.K.) Ltd., Shanghai Representative Office  
Inabata Sangyo (H.K.) Ltd., Tianjin Representative Office  
Inabata Industry & Trade (Dalian F.T.Z.) Co., Ltd.  
Jiangyin TSI Chemicals Co., Ltd.  
Langfang Zhongben Package Co., Ltd.  
Sanyo-IK Color (H.K.) Ltd. Dongguan Plant  
Dongguan Sanyo-IK Engineering Plastics Co., Ltd.  
Shanghai Inabata Trading Co., Ltd.  
Shanghai Inabata Trading Co., Ltd. Suzhou Office  
Shanghai Nippo Plastics Precision Molding Co., Ltd.  
Shanghai Scheco-Inabata Dyestuff Application  
Technical Research Center Co., Ltd.  
Sumika Electric Materials(Shanghai) Co., Ltd.  
Tianjin Inabata Trading Co., Ltd.  
TSI (China) Co., Ltd.  
Xuzhou TSI Natural Products Co., Ltd.  
Yangzhou TSI Nutritional Products Co., Ltd.  
Yantai Otowa Packaging Co., Ltd.

## ( TAIWAN )

Taiwan Inabata Sangyo Co., Ltd.  
Taiwan Inabata Sangyo Co., Ltd.  
Tainan Branch  
Sumika Technology Co., Ltd.

## [ THAILAND ]

Inabata Thai Co., Ltd.  
Apple Film Co., Ltd.  
Hi-Tech Rubber Products Co., Ltd.  
KOKUYO-IK (Thailand) Co., Ltd.  
SENKA (Thailand) Co., Ltd.  
SIK (Thailand) Ltd.  
Takahashi Korat (1995) Co., Ltd.  
Takahashi Plastics Ltd.  
TIK Manufacturing Co., Ltd.

## [ VIETNAM ]

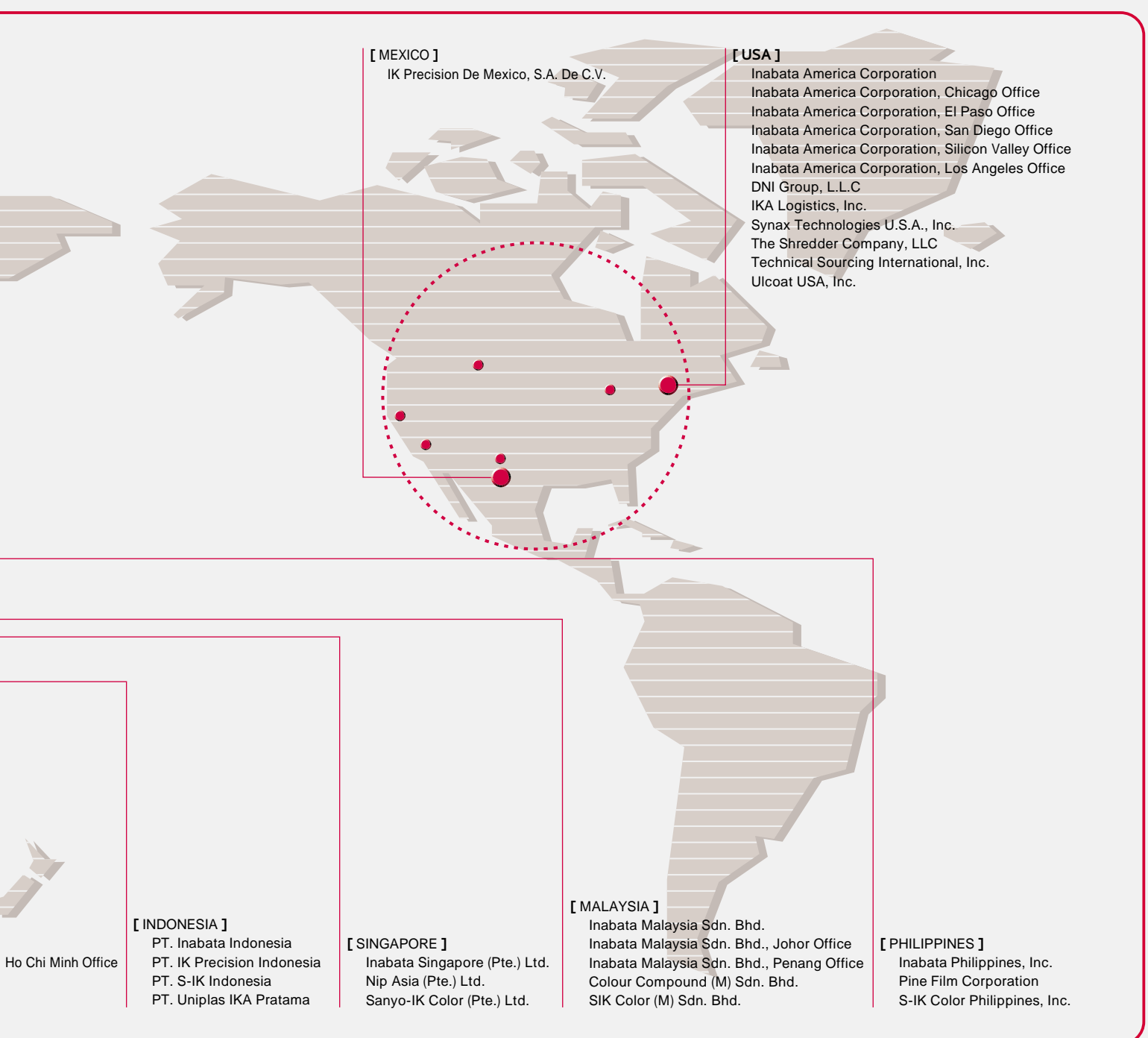
Inabata Singapore (Pte.) Ltd.,  
Saigon Daryar Plastic Co., Ltd.  
SIK Vietnam Co., Ltd.



Director,  
Managing Executive  
Officer  
Nobukuni Taneya



Director,  
Managing Executive  
Officer  
Katsutaro Inabata



Ho Chi Minh Office

(As of September 1, 2004)



Toyohiro Akao



Toshiyuki Suganuma

## **Toyohiro Akao** *General Manager of Display and Imaging Division*

On April 1<sup>st</sup> 2004, the IT & Electronics Division was reorganized into two divisions. They are now known as the Display and Imaging Division and the Electronics Materials and Equipment Division. The Display and Imaging Division deals with various materials for electronics components. The division deals with materials related to FPDs (flat panel displays) typified by LCDs and PDP, as well as raw materials for toner inks for copiers and printers.

Our work is stamped with a high degree of professionalism. Delivery of quality service and distribution of our products is a company wide effort. The Electronics Materials and Equipment Division and other Inabata divisions work in concert to achieve its aims. Asia's economic progress prompts us to extend our reach in the region and broaden our network.

We continue to maintain the high standards of our core products. However, many challenges lie ahead. We aim to enter new fields and contribute to various industry segments in each region. Our efforts will contribute towards raising Inabata's corporate values.

## **Toshiyuki Suganuma** *Executive Officer, General Manager of Electronics Materials and Equipment Division*

The Electronics Materials and Equipment Division supplies manufacturing and testing equipment as well as raw materials to manufacturers of semiconductors and flat panel display (FPD) products, which are indispensable in today's technologically driven society. We supply leading semiconductor manufacturers with Ulvac vacuum equipment to produce semiconductors and FPDs, together with thin-film measuring equipment and IC test handlers. We also supply materials such as mask blanks, pellicles and agents.

Technological advances are there in all aspects of our society and with that will come an ever-increasing demand for semiconductors and FPD devices. Our role and commitment is to offer total support to manufacturers.

## **Achievements in FY 2003 and future perspectives**

Consolidated sales in the IT and electronics sector in fiscal 2003 rose by ¥22.4 billion from the previous period to ¥93.6 billion.

Fiscal 2003 saw the boom in flat panel display (FPD) related products. Sales of polarizing film – our core business in this field – grew dramatically both in Japan and abroad. Inabata will strengthen its FPD-related manufacturing and business partnerships in Japan, Taiwan and China, while exploring materials other than polarizing film. Another business opportunity lies in organic electro-luminescent displays and field emission displays. Growth in the semiconductor-related market translates to increased sales of raw materials. Yet another indication of growth is in the sales of mask blanks to Taiwan and China. Inabata will seek to expand sales by enhancing its partnerships in Japan, the United States and Asia, while developing new products.

Business inquiries related to semiconductors and liquid crystal displays are increasing. Semiconductor testing equipment is on the upswing. Sales of ink and products related to the information media have been brisk, due to the growing digital appliances market and PC sales recovery. Our main customers' expansion of overseas production have helped fuel growth. Electronics components also saw an increase in sales, supported by new products including condenser film.



Yutaka Ochi



Takashi Uesugi

## Yutaka Ochi *Executive Officer, General Manager of Chemicals Division*

We are leaders in the chemicals business, dynamically pioneering new fields based on years of achievements and experience. The hallmark of chemicals business environment is change. Our ability to display the expertise and to compete on a global stage is constantly being tested. In order to deal with such challenges, the former Chemicals Division was reorganized into the Fine Chemicals Division and the Chemicals Division in April 2004.

Inabata's Chemicals Division has an unbroken tradition of experience and achievements that have been handed down over the years. Our strength lies in preserving what is good about the old, while constantly rising to the challenge of the new.

We strive to refine our specialized capabilities, developing new business supported by our technical expertise and information network, as well as searching for new ideas in the commodity chemicals market.

The Chemicals Division actively develops business outside Japan with an emphasis on China. Our import and export activities are expected to increase substantially in the near future.

For a partner you can trust, look no further than us.

## Takashi Uesugi *General Manager of Fine Chemicals Division*

The Fine Chemicals Division is made up of two groups; the Chemical Intermediates Group, dealing mainly in custom synthesis, and the Performance Chemicals Group, dealing mainly in plastics raw materials and additives, and in raw materials for car components. With many years of experience and knowledge behind them, our specialist groups are constantly in pursuit of the highest level of expertise.

Bearing in mind the outsourcing capacity we are able to offer – time and space – we lay emphasis on "speed and partnership" so that our customers' management resources are utilized efficiently. This puts us ahead of our competitors.

We continue to improve on our planning capabilities by consolidating our resources and functions and gaining an insight of the market needs, while fully utilizing our expertise in organic synthesis.

In response to the strategic needs of our customers operating globally, we will provide OEM bases in addition to logistics services.

"Chemistry" is often about reaction and change. However our commitment to a global partnership with our customers is constant.

## Achievements in FY2003 and future perspectives

Consolidated sales in the chemicals sector rose by ¥7.7 billion from the previous period to ¥64.4 billion.

In performance chemicals, resin additives grew due to increased demands for engineering plastics and other IT-related plastics. Auto-related chemicals, such as aramid fiber, also increased. Pharmaceutical ingredients and intermediates performed steadily, as pharmaceutical manufacturers stepped up their outsourcing moves. Inabata will make full use of its group capabilities in this aspect.

Dyestuffs in Japan faced a severe environment due to the shrinking market. Sales however steadied in China and Inabata will redouble its efforts to expand sales there. Raw materials for paint, ink and adhesives performed solidly. Inabata will expand sales of nitrocellulose manufactured at Nobel Enterprises in UK, the company Inabata acquired from ICI in 2002. In home products, deodorants and fragrances saw gains. A competitive environment led paper chemicals to a slump.



Satoru Kaneko



Yoshikazu Honda

### **Satoru Kaneko** *Executive Officer, General Manager of Plastics Division*

Our strength and uniqueness lies in the people with foresight and specialized capabilities as well as the coloring and compounding plants in Asia. Inabata constantly anticipates the needs of our customers and consolidates its own resources in order to meet the clients' needs.

Our partnerships with our customers is based on our unique plans born out of our knowledge of the environment, as well as safety, and technical innovation.

Plastics Division I is always ready to meet new challenges, while maintaining our leadership position in the plastics industry.

### **Yoshikazu Honda** *Executive Officer, General Manager of Plastics Division*

Plastics Division II's aim is to be the customers' optimum business partner at every step of the production process.

In 1990, we set up Apple Film Co., Ltd. in Thailand, and started to export polyethylene (PE) products to Japan. Currently, products are shipped to Japan from the Philippines, Vietnam, and China, in addition to Thailand. We look to further expand in Chinese and Southeast Asian markets and to increase our exports of new materials from Japan.

In developing new packaging goods, our main concern is environmental safety. At Inabata, we focus on the development of eco-friendly products, such as recyclable goods, shrink nylon, and heat resistant PET sheets. With the packaging business as its core, Plastics Division II cultivates new markets in every sphere, both at home and abroad.

China is now one of our major targets. There, we will continue to look for new business opportunities, while strengthening local production of nylon film.

### **Achievements in FY2003 and future perspectives**

Consolidated sales in this sector rose by ¥9.6 billion from the previous period to ¥119 billion.

Sales of high performance plastics for digital home appliances moved up. While consolidating the functions of overseas bases, Inabata will collaborate with manufacturers to draft new ideas. Our focus remains the boosting of sales of high performance plastics for auto-related and digital appliance industries.

Sales of commodity resins such as polypropylene, polystyrene and ABS for use in audio-visual and everyday goods increased as well. In the pipeline are projects to develop and market plastics products for housing use. These are done in collaboration with the Housing Materials Division.

In the area of sheet products for food packaging, our customer base increased and business performance improved as Inabata succeeded to provide timely delivery service.

Sales of polyethylene used for packaging materials such as shopping bags increased as well. This was accomplished as Inabata strengthened its group capability ranging from dealing with raw materials to processing and sales.

Inabata seeks to expand sales of high value-added goods such as polyolefin sheets, which do not emit dioxins when incinerated. With regard to polyethylene goods imported from overseas, Inabata will further consolidate our partnerships with distribution businesses in order to sell directly to convenience stores and drugstores.

Among performance film, which is mainly used for food-related products, shrink label film for PET bottles increased, while laminated goods for cosmetics products grew.



Masaaki Asaumi

**Masaaki Asaumi** *Executive Officer, General Manager of Housing Materials Division*

Inabata's Housing Materials Division creates "housing that is both people friendly and environmentally friendly." Our success lies in the way we use our networks both at home and abroad, in particular China and Europe to procure the materials and manufactured goods we need.

In Japan, we respond to our customers by providing unique and consistent solution from raw materials to finished products. Our focus remains and will continue to be on environmentally friendly products such as particle boards. We will pursue the needs of the senior generation and the demands of the younger population. The senior generation seek multi-function, high value-added housing while the younger look for distinctive housing outside the realm of traditional floor plans.

Given these demands we have created a network of architect offices capable of tailor making solutions based on the needs of the clients. In the process, Inabata provides the best materials to meet the needs of the clients.

Inabata's Housing Materials Division establishes unique business models by proposing a total scheme for rapidly developing housing companies, from construction methods to designing stages.

**Achievements in FY 2003 and future perspectives**

Consolidated sales in the housing materials sector rose by ¥70 million from the previous period to ¥26.8 billion.

Imports of raw materials for laminated lumber and laminated lumber products used in housing posts, beams and reinforcing components increased especially those from Europe and China. Demand for high strength, warp-free laminated lumber is on the rise.

However, the overall business environment remains severe due to fierce competition. Increased competition calls for new measures. Inabata will enhance the laminated lumber business by increasing the number of materials suppliers.

High value added products gives Inabata the edge and to maintain that competitive edge we import log houses from northern Europe and China.

Inabata places an emphasis on custom-built houses and renovation aimed at individual customers through our "think net" system – a network of approximately 400 architects' offices.



Seiichi Sato

### Seiichi Sato *Executive Officer, General Manager of Food Division*

Our food division is engaged in three commodity areas covering marine, agricultural and meat products. The aim is to ensure stable supplies to the Japanese market from all over the world.

In the area of seafood products, we are pioneers in the local processing and import of peeled shrimp. We also export Japanese food to the United States, where Japanese cuisine is becoming increasingly popular.

As for agricultural products, we assure the freshness in the processing of blueberries, strawberries and other fruits. Quality is our uppermost concern at all times.

In the field of meat products we ensure the fresh, quality, high grade meat products delivered and processed for Korean barbecues and other restaurant chains.

Expansion plans are on the cards. We wish to expand our operations beyond only supplying primary commodities in each of these fields. Incrementally we are working to promote the import and export of processed goods which meet user specifications and its direct distribution to our clients.

### Achievements in FY 2003 and future perspectives

Consolidated sales in the food sector rose by ¥3.3 billion from the previous period to ¥22.9 billion.

In marine products, we are creating new pillar markets in sea-urchin and salmon from Chile. Our core business in shrimp continues to grow, with a boom in sales to restaurant chains.

Our meat products related business was affected by the outbreak of BSE in the United States in the second half of the fiscal period. Still, our dealings with barbecue restaurant chains were generally successful, and the year overall saw large growth.

In agricultural products, there was a boom in sales of aloe and blueberries for yoghurt. The increased awareness of a healthy lifestyle is one reason for its growth. There was also increased growth in various types of fruit juice for alcoholic beverages.

Our aim in the future is to focus on direct sales to our clients. The Marine Products Group will target conveyor-belt sushi restaurants and Japanese pub chains, and the Meat Products Group will strengthen sales to barbecue restaurant chains. The Agricultural Products Group will promote different types of domestically produced vegetables, while searching for new products.

# Achievements in 2003 and Outlook by Region

*Inabata is strengthening its regional operations in Southeast Asia, Northeast Asia, the Americas, and Europe.*

## Southeast Asia

Economies in Asia are growing and that in turn provides our company with growth opportunities. Still there are shifts in production patterns with the boom in China. Inabata keeps a watchful eye on these developments.

In Thailand there was an increase in general sales of plastics for home appliances and automobiles. In the chemicals sector there was an increase in the sales of products for the paper and automotive industries.

We will continue to build on the strength of our coloring and compounding business.

Indonesia saw an increase in the sales of high performance plastics for the office equipment industry.

Although there was growth in ink-related business in Singapore, the relocation overseas of our main users led to a decrease in sales of plastics for the home appliances industry. Our future plans include focusing on the development of our chemicals, IT and electronics related businesses, in addition to plastics.

Customers' shift towards China brought about harsh business conditions in Malaysia. The challenge we face and aim to take up is winning new customers with our coloring and compounding capacities.

In Vietnam we set up a new resin coloring and compounding company in Haiphong, on the outskirts of Hanoi in 2003. We aim to expand our sales of plastics, particularly to the audio-visual, office equipment and automotive industries.

In the Philippines, in addition to our existing plastics business, we will strengthen sales in semiconductor testing equipment and office equipment related products.

## Northeast Asia

In China and Hong Kong, growth came in the plastics for the audio-visual and office equipment industries. The coloring and compounding business also saw increases. There was growth too, in the sales of molding machines. In addition to this, there was a general boom in chemicals-related and dyestuffs business and in sales of materials for liquid crystal displays.

Our resin coloring and compounding capacities in Dalian and Dongguan will aid us in our future plans to strengthen our plastics business.

In Shanghai we are actively promoting our joint enterprise with Sumitomo Chemical Co., Ltd. The venture is about producing polarizing film for liquid crystal displays and gallium refining.

Also, at our group firm on the outskirts of Shanghai, work is ongoing in the business related to raw materials for health food supplements and organic synthesis.

At the same time, our joint venture in Taiwan with Sumitomo Chemical Co., Ltd., in the production of polarizing film for liquid crystal displays is doing well. This business will be one of the major pillars of our IT and electronics business.

## The Americas

In the Americas there was a general growth in the IT & Electronics sector, particularly in ink for printers. In the future, in addition to our existing pellicle products, we will concentrate on sales of mask blanks in the US domestic market and on sales of thin-film characterization measuring equipment for the Japanese market.

In the chemicals-related area there was an increase in the sales of pharmaceutical raw materials.

Meanwhile, a drop in retail prices led to a slight decline in raw materials for health food supplements. However future expansion is expected.

There was a boom in food demand, with an increase in exports of blueberries and other agricultural-related products to Japan. Inabata's group firm, DNI, which deals in imports of marine products from Southeast Asia, performed steadily.

Plastics generally performed well. Plans for the future include making inroads into the automotive-related business from our Chicago office, established in 2003. Still, that is in addition to sales of plastics to the audio-visual industry from our San Diego base.

## Europe

Inabata's European IT and electronics business is developed mainly in the UK. Although the second half saw a revival in demand for semiconductor related products such as mask blanks and testing equipment, the year overall saw a slight drop.

There was a general expansion in our pharmaceutical intermediates business, based mainly in France, with flourishing imports of Chinese products into Europe.

# Financial Section

## Consolidated Balance Sheets

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES  
March 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents (Notes 7 and 10)	¥ 5,625	¥ 9,644	\$ 53,222
Receivables:			
Trade notes and accounts :			
Unconsolidated subsidiaries and affiliates	5,444	5,170	51,509
Sumitomo Chemical Company, Limited	1,304	969	12,338
Other	81,658	69,562	772,618
Other	6,359	6,724	60,167
Allowance for doubtful receivables	(574)	(1,099)	(5,431)
	94,191	81,326	891,201
Inventories	17,646	16,706	166,960
Deferred tax assets (Note 6)	1,298	702	12,281
Other	3,434	3,379	32,491
Total current assets	122,194	111,757	1,156,155
<b>Investments and long-term receivables:</b>			
Investment securities (Notes 3, 4 and 7):			
Unconsolidated subsidiaries and affiliates	31,347	28,871	296,594
Other	12,769	11,464	120,816
Long-term loans receivable:			
Unconsolidated subsidiaries and affiliates	1,527	1,950	14,448
Other	1,445	1,743	13,672
Other	4,219	4,764	39,919
Allowance for doubtful receivables	(1,307)	(2,986)	(12,367)
	50,000	45,806	473,082
<b>Property and equipment (Note 7) :</b>			
Land	2,794	5,335	26,436
Buildings and structures	12,232	13,168	115,735
Machinery and equipment	14,520	10,410	137,383
Leased machinery and equipment (Note 11)	16,481	17,077	155,937
Construction in progress	973	22	9,206
	47,000	46,012	444,697
Less accumulated depreciation	(27,804)	(25,783)	(263,071)
	19,196	20,229	181,626
<b>Other assets</b>			
Deferred tax assets (Note 6)	206	2,796	1,949
Intangible assets	2,152	1,978	20,361
	2,358	4,774	22,310
	¥ 193,748	¥ 182,566	\$ 1,833,173

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
<b>Liabilities, Minority Interests and Shareholders' Equity</b>			
<b>Current liabilities:</b>			
Short-term loans (Note 8)	¥ 32,525	¥ 35,301	\$ 307,740
Convertible bonds due within one year (Note 8)	-	9,127	-
<b>Payables:</b>			
Trade notes and accounts :			
Unconsolidated subsidiaries and affiliates	3,716	3,259	35,159
Sumitomo Chemical Company, Limited	13,760	9,219	130,192
Other	59,927	55,486	567,007
Accrued employees' bounuses	717	764	6,784
Other	1,464	908	13,853
	<u>79,584</u>	<u>69,636</u>	<u>752,995</u>
Income taxes and enterprise tax payable	205	428	1,940
Accrued expenses	1,719	969	16,265
Other current liabilities	6,777	6,643	64,120
<b>Total current liabilities</b>	<u>120,810</u>	<u>122,104</u>	<u>1,143,060</u>
<b>Long-term liabilities:</b>			
Long-term debt (Note 8)	18,496	11,600	175,002
Severance and retirement benefits (Note 9)	1,302	514	12,319
Directors' retirement benefits	476	481	4,504
Deferred tax liabilities (Note 6)	114	33	1,079
Other non-current liabilities	1,554	1,132	14,703
	<u>21,942</u>	<u>13,760</u>	<u>207,607</u>
Minority interests	686	824	6,491
<b>Contingent liabilities (Note 15)</b>			
<b>Shareholders' equity (Note 13):</b>			
<b>Common stock :</b>			
Authorized - 160,000,000 shares			
Issued 56,357,009 shares in 2004 and 56,354,531 shares in 2003	5,793	5,792	54,811
Capital surplus	4,138	4,137	39,152
Retained earnings	39,167	36,275	370,584
Net unrealized holding gains on securities	2,560	301	24,222
Foreign currency translation adjustments	(1,330)	(598)	(12,584)
<b>Treasury stock, at cost:</b>			
31,295 shares in 2004 and 43,362 shares in 2003	(18)	(29)	(170)
<b>Total shareholders' equity</b>	<u>50,310</u>	<u>45,878</u>	<u>476,015</u>
	<u>¥ 193,748</u>	<u>¥ 182,566</u>	<u>\$ 1,833,173</u>

See accompanying Notes to Consolidated Financial Statements.

# Consolidated Statements of Income

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES  
Years ended March 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
<b>Revenues:</b>			
Net sales	¥ 331,781	¥ 288,937	\$ 3,139,190
<b>Cost and expenses:</b>			
Cost of sales	309,570	269,172	2,929,038
Selling, general and administrative expenses	17,987	17,163	170,186
Operating income	4,224	2,602	39,966
<b>Other income (expenses):</b>			
Interest and dividend income	556	517	5,261
Interest expense	(908)	(927)	(8,591)
Gain on sale of investment securities	854	-	8,080
Write - down of marketable securities	-	(159)	-
Write - down of investment securities	-	(2,127)	-
Write - down of securities of subsidiaries and affiliates	(68)	(14)	(643)
Write - down of golf club memberships	-	(54)	-
Write - down of inventories	(144)	(734)	(1,362)
Gain on sale of property and equipment	-	202	-
Loss on sale of property and equipment	(841)	(161)	(7,957)
Write-down of land and buildings (Note 16)	(593)	-	(5,611)
Provision for allowance for doubtful accounts	(423)	(859)	(4,002)
Equity in income of unconsolidated subsidiaries and affiliates	2,666	2,943	25,225
Gain (loss) on foreign exchange	24	(126)	227
Impairment loss of long-lived assets (Note 3)	(305)	-	(2,886)
Other, net	133	150	1,257
	951	(1,349)	8,998
Income before income taxes	5,175	1,253	48,964
Provision for income taxes (Note 6)			
Current	570	589	5,393
Deferred	698	178	6,604
	1,268	767	11,997
Minority interests	(455)	(138)	(4,305)
Net income	¥ 3,452	¥ 348	\$ 32,662
<b>Amounts per share:</b>		Yen	U.S. dollars (Note 1)
Net income per share - basic	¥ 60.85	¥ 6.19	\$ 0.58
Net income per share - diluted	-	5.65	-
Cash dividends per share applicable to the year	6.00	6.00	0.06

See accompanying Notes to Consolidated Financial Statements.

# Consolidated Statements of Shareholders' Equity

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES  
Years ended March 31, 2004 and 2003

	Thousands				Millions of yen			
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Net unrealized holding gains (losses) on securities	Foreign currency translation adjustments	Treasury stock	
Balance at March 31, 2002	56,355	¥ 5,792	¥ 4,137	¥ 36,096	¥ (23)	¥ (199)	¥ (1)	
Net income	-	-	-	348	-	-	-	
Adjustments from translation of foreign currency financial statements	-	-	-	-	-	(399)	-	
Net unrealized gains on available-for-sale securities	-	-	-	-	324	-	-	
Treasury stock	-	-	-	-	-	-	(28)	
Adjustments for the effects of increase in investment in consolidated subsidiaries	-	-	-	204	-	-	-	
Adjustments for the effects of increase in affiliates accounted for by the equity method, net	-	-	-	(12)	-	-	-	
Adjustments for the effects of decrease in affiliates accounted for by the equity method	-	-	-	58	-	-	-	
Adjustments for the effects of increase in consolidated subsidiaries	-	-	-	(23)	-	-	-	
Adjustments for the effects of increase in investment in affiliates accounted for by the equity method	-	-	-	(43)	-	-	-	
Cash dividends paid - ¥6 per share	-	-	-	(338)	-	-	-	
Bonuses to directors	-	-	-	(15)	-	-	-	
Balance at March 31, 2003	56,355	¥ 5,792	¥ 4,137	¥ 36,275	¥ 301	¥ (598)	¥ (29)	
Net income	-	-	-	3,452	-	-	-	
Conversion of convertible bonds	2	1	1	-	-	-	-	
Adjustments from translation of foreign currency financial statements	-	-	-	-	-	(732)	-	
Net unrealized gains on available-for-sale securities	-	-	-	-	2,259	-	-	
Treasury stock, net	-	-	-	-	-	-	11	
Losses of disposal of treasury stock	-	-	-	(2)	-	-	-	
Adjustments for the effects of increase in consolidated subsidiaries	-	-	-	(220)	-	-	-	
Cash dividends paid - ¥6 per share	-	-	-	(338)	-	-	-	
Balance at March 31, 2004	56,357	¥ 5,793	¥ 4,138	¥ 39,167	¥ 2,560	¥ (1,330)	¥ (18)	

	Thousands of U.S. dollars (Note 1)						
	Common stock	Capital surplus	Retained earnings	Net unrealized holding gains (losses) on securities	Foreign currency translation adjustments	Treasury stock	
Balance at March 31, 2003	\$ 54,802	\$ 39,143	\$ 343,221	\$ 2,848	\$ (5,658)	\$ (274)	
Net income	-	-	32,662	-	-	-	
Conversion of convertible bonds	9	9	-	-	-	-	
Adjustments from translation of foreign currency financial statements	-	-	-	-	(6,926)	-	
Net unrealized gains on available-for-sale securities	-	-	-	21,374	-	-	
Treasury stock	-	-	-	-	-	104	
Losses of disposal of treasury stock	-	-	(19)	-	-	-	
Adjustments for the effects of increase in consolidated subsidiaries	-	-	(2,082)	-	-	-	
Cash dividends paid - ¥6 per share	-	-	(3,198)	-	-	-	
Balance at March 31, 2004	\$ 54,811	\$ 39,152	\$ 370,584	\$ 24,222	\$ (12,584)	\$ (170)	

See accompanying Notes to Consolidated Financial Statements.

# Consolidated Statements of Cash Flows

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES  
Years ended March 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
Cash flows from operating activities:			
Income before income taxes	¥ 5,175	¥ 1,253	\$ 48,964
Adjustments to reconcile net income before income taxes to cash provided by operating activities:			
Depreciation and amortization	4,177	4,184	39,521
Allowance for doubtful accounts	(91)	667	(861)
Interest and dividend income	(556)	(2,028)	(5,261)
Interest expense	908	927	8,591
Equity in income of unconsolidated subsidiaries and affiliates, less dividends	(1,715)	(1,432)	(16,227)
Write-down of marketable securities	-	159	-
Gain on sale of property and equipment	-	(202)	-
Loss on sale of property and equipment	841	161	7,957
Write-down of land and buildings	593	-	5,611
Impairment loss of long-lived assets	305	-	2,886
Gain on sale of investment securities	(854)	-	(8,080)
Write-down of investment securities	-	2,127	-
Write-down of golf club memberships	-	54	-
Increase in receivables	(12,009)	(9,083)	(113,625)
Increase in inventories	(188)	(1,385)	(1,779)
Increase in advances to suppliers	(170)	(51)	(1,608)
Decrease (increase) in other current assets	504	(569)	4,769
Increase in payables	7,994	494	75,636
Increase in other current liabilities	625	191	5,914
Other - net	(730)	458	(6,907)
	4,809	(4,075)	45,501
Interest and dividends received	423	2,050	4,002
Interest paid	(973)	(906)	(9,206)
Income taxes paid	(780)	(990)	(7,380)
Net cash provided by (used in) operating activities	3,479	(3,921)	32,917
Cash flows from investing activities:			
Acquisitions of property and equipment	(4,916)	(2,761)	(46,513)
Proceeds from sale of property and equipment	605	819	5,724
Acquisitions of intangible assets	(1,052)	(697)	(9,954)
Payments for purchase of investment securities	(1,673)	(3,655)	(15,829)
Proceeds from sale of investment securities	3,417	96	32,330
Net increase in short-term loans receivable	(89)	(535)	(842)
Long-term loans receivable advanced	(573)	(1,904)	(5,422)
Proceeds from collection of long-term loans receivable	366	207	3,463
Other - net	363	591	3,435
Net cash used in investing activities	(3,552)	(7,839)	(33,608)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	(2,205)	2,804	(20,863)
Proceeds from long-term debt	11,759	8,525	111,259
Repayment of long-term debt	(3,764)	(2,236)	(35,614)
Repayment of convertible bonds	(9,125)	-	(86,337)
Dividends paid	(338)	(338)	(3,198)
Dividends paid to minority interests	(14)	(14)	(132)
Other - net	(4)	(14)	(38)
Net cash provided by (used in) financing activities	(3,691)	8,727	(34,923)
Effects of foreign exchange rates on cash and cash equivalents	(234)	(164)	(2,214)
Net decrease in cash and cash equivalents	(3,998)	(3,197)	(37,828)
Cash and cash equivalents at beginning of year	9,578	12,504	90,624
Cash and cash equivalents of newly consolidated subsidiaries	-	271	-
Cash and cash equivalents at end of year (Note 10)	¥ 5,580	¥ 9,578	\$ 52,796

See accompanying Notes to Consolidated Financial Statements.

# Notes to Consolidated Financial Statements

INABATA & CO., LTD. AND CONSOLIDATED SUBSIDIARIES

## 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.

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

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

## 2. Summary of significant accounting policies

### (a) Consolidation

The consolidated financial statements include the accounts of the Company and its 40 (36 in 2003) significant domestic and foreign subsidiaries (together the "Companies"), the management of which is controlled by the Company. Investments in unconsolidated subsidiaries and affiliates are, with minor exceptions, accounted for by the equity method. The Company has 23 (23 in 2003) affiliates accounted for by the equity method. Intercompany transactions and accounts have been eliminated. In the elimination of investments in subsidiaries, the portion of assets and liabilities of a subsidiary attributable to the subsidiary's shares acquired by the Company are evaluated at the fair value as of the respective dates when such shares were acquired. The amounts of assets and liabilities attributable to minority shareholders of the subsidiary are determined using the financial statements of the subsidiary. The difference of costs of the Company's investments in subsidiaries and affiliates over its equity in the net assets at dates of acquisition is, with minor exceptions, being amortized on the straight-line basis over a period of five years.

Most consolidated subsidiaries have fiscal years ending on December 31 (four consolidated subsidiaries have fiscal years ending on January 31, one consolidated subsidiary has a fiscal year ending on February 29). Significant transactions between subsidiaries' fiscal years and March 31 are reflected in the consolidated financial statements.

### (b) Cash and cash equivalents

In preparing the consolidated statements of cash flows, cash on hand, readily-available deposits and short-term highly liquid investments with maturities of not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

### (c) Allowance for doubtful receivables

The allowance for doubtful receivables is provided to cover possible losses on collection.

With respect to normal trade accounts receivable, it is stated at an amount based on the actual rate of historical bad debts, and for certain doubtful receivables, the uncollectible amount has been individually estimated.

The allowance for doubtful receivables of overseas consolidated subsidiaries is determined by estimates of management.

(d) Securities

Trading securities are stated at fair market value. Gains and losses realized on disposal and unrealized gains and losses from market value fluctuations are recognized as gains or losses in the period of the change. Held-to-maturity debt securities are stated at amortized cost.

Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are stated at moving-average cost.

Available-for-sale equity securities with available fair market values are stated at the average of fair market values for the last month of the year (See Note 3). Non-equity available-for-sale securities with available fair market values are stated at fair market values on the last day of the year. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of shareholders' equity. Realized gains and losses on sale of such securities are computed using moving-average cost. Other securities with no available fair market value are stated at moving-average cost.

(e) Derivative transactions and hedge accounting

Derivatives are generally stated at market value.

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

However, in cases where forward foreign exchange contracts are used as hedges and meet certain hedging criteria, forward foreign exchange contracts and hedged items are accounted for in the following manner:

1. If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,
  - (1) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the income statement in the period which includes the inception date, and
  - (2) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract
2. If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized.

Also, if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the asset or liability for which the swap contract was executed.

(f) Inventories

The Company's inventories are stated at the lower of cost or market. Cost is determined by the first-in first-out (FIFO) method.

Most subsidiaries' inventories are stated at the lower of cost or market. Cost is determined by the FIFO method or the moving average method.

(g) Property and equipment

Property and equipment are carried at cost and depreciated mainly by the declining balance method (straight-line method for certain subsidiaries ) over estimated useful lives, except that buildings acquired after March 31, 1998 are depreciated using the straight-line method.

(h) Accounting for leases

Finance leases which do not transfer ownership are accounted for in the same manner as operating leases in accordance with Japanese GAAP.

(i) Income taxes

Income taxes comprise corporation tax, prefectural and municipal inhabitants taxes and enterprise tax. The Companies recognize tax effects of temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting purposes. 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 of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

(j) Translation of foreign currencies

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end rates.

Financial statements of overseas subsidiaries are translated into Japanese yen at year-end exchange rates except for shareholders' equity accounts which are translated at historical exchange rates. The resulting translation adjustments are separately presented in the consolidated financial statements as foreign currency translation adjustments and in minority interests.

(k) Retirement benefits

The Companies provide lump-sum payment plans and funded non-contributory pension plans, under which all eligible employees are entitled to benefits based on the level of wages and salaries at the time of retirement or termination, length of service and certain other factors. The Companies sometimes make additional payments which are not based on the amounts obtained by actuarial calculations. The Company has employee retirement benefit trusts for both plans.

The Companies provide for employees' severance and retirement benefits based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at the end of the year. Actuarial gains and losses are recognized in expenses using the straight-line method within the average of the estimated remaining service lives commencing with the following period.

Directors, statutory auditors and operating officers of the Company and certain subsidiaries receive lump-sum payments based on established guidelines similar to the employees' lump-sum benefit plan, subject to shareholders' approval. Retirement benefits provided for directors and statutory auditors are sufficient to cover stipulated benefits arising from services performed to the balance sheet date.

(l) Accrued employees' bonuses

The Company and certain subsidiaries accrue the estimated amounts of employees' bonuses based on estimated amounts to be paid in the subsequent period.

(m) Reclassifications

Certain reclassifications of the accompanying consolidated financial statements as of and for the year ended March 31, 2003 have been made to conform to the 2004 presentation.

(n) Net income per share

Computations of net income per share of common stock are based on the weighted average number of shares outstanding during each period.

Diluted net income per share of common stock is calculated assuming conversion of all dilutive convertible bonds at the beginning of the year or later date of issuance.

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

Income per share for the year ended March 31, 2002 would have been reported as follows, if this new accounting standard were applied retroactively:

	For the year ended March 31, 2002
Net income per share	
- Basic	33.00
- Diluted	27.98

### 3. Changes in accounting policy

#### (a) Securities

Effective April 1, 2002, the Company changed its method of accounting for the carrying value of available-for-sale equity securities with available fair market values from the fair market value on March 31, 2003, to the average of fair market values in March, 2003 because the Company believes that the application of the average of fair market value in March, 2003, reduces the influence on the statement of income and balance sheet of short-term price fluctuations.

As a result of this change in accounting policy, investment securities and net unrealized holding gains on securities increased ¥56 million and ¥92 million, respectively. Income before income taxes and deferred tax assets decreased ¥102 million and ¥23 million, respectively.

#### (b) Property and equipment

Commencing in the year ended March 31, 2004, the Company and its subsidiaries adopted early the new Japanese accounting standard for impairment of long-lived assets ("Opinion Concerning Establishment of Accounting Standard for Impairment of Long-Lived Assets" issued by the Business Accounting Deliberation Council of Japan on August 9, 2002) and the Implementation Guidance for Accounting Standard for Impairment of Long-Lived Assets (the Financial Accounting Standard Implementation Guidance No.6 issued by the Accounting Standards Board of Japan on October 31, 2003).

As a result, net income before income taxes for the year ended March 31, 2004 decreased by ¥305 million (\$2,886 thousand) compared with what would have been reported if the new accounting standard had not been adopted early.

Recognized loss on impairment of long-lived assets has been deducted from acquisition costs.

In applying the accounting standard for impairment of long-lived assets, the Company and its subsidiaries evaluated indications of impairment grouping assets on the industry segment basis. Assets leased to others and idle assets were evaluated on an individual asset basis.

The Company and its subsidiaries estimated the future cash flows for assets for which there were indications of impairment due to the continuous decline in land prices in Japan.

To assess the recoverable amount of the long-lived assets, appraised prices were principally used as the basis for the measurement.

As a result of recoverability testing, for the year ended March 31, 2004, 305 million (\$2,886) loss was recognized in the consolidated statement of income, as follows:

Purpose (Current state)	Industry segment (Location)	Millions of yen		
		Land	Buildings	Total
Lease (Lease)	Other (Kobe, Hyogo)	¥ 27	¥ 10	¥ 37
Common use (Idle)	Information technology (Matsumoto, Nagano)	206	45	251
Common use (Idle)	Chemicals (Kiso, Nagano)	7	-	7
Common use (Idle)	Corporate (Minamitsuru, Nagano)	10	-	10
	<b>Total</b>	<b>¥ 250</b>	<b>¥ 55</b>	<b>¥ 305</b>

Purpose (Current state)	Industry segment (Location)	Thousands of U.S. dollars		
		Land	Buildings	Total
Lease (Lease)	Other (Kobe, Hyogo)	\$ 255	\$ 95	\$ 350
Common use (Idle)	Information technology (Matsumoto, Nagano)	1,949	426	2,375
Common use (Idle)	Chemicals (Kiso, Nagano)	66	-	66
Common use (Idle)	Corporate (Minamitsuru, Nagano)	95	-	95
	<b>Total</b>	<b>\$ 2,365</b>	<b>\$ 521</b>	<b>¥ 2,886</b>

### 4. Securities

(a) The following summarizes information on securities with available fair values as of March 31, 2004 and 2003 :

#### (1) Trading securities :

At March 31, 2004 and 2003, there were no trading securities with fair market values, but for the year ended March 31, 2003 net losses on such securities of ¥159 million were included in the income statement.

(2) Available-for-sale securities as of March 31, 2004 and 2003 :

Securities with book values (fair values) exceeding acquisition costs :

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Equity securities:			
Acquisition costs	¥ 4,239	¥ 2,237	\$ 40,108
Book values	8,016	3,176	75,845
Difference	¥ 3,777	¥ 939	\$ 35,737
Other:			
Acquisition costs	¥ 19	¥ -	\$ 180
Book values	19	-	180
Difference	¥ 0	¥ -	\$ 0

Other securities:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Equity securities:			
Acquisition costs	¥ 825	¥ 4,392	\$ 7,806
Book values	689	3,735	6,519
Difference	¥ (136)	¥ (657)	\$ (1,287)
Other:			
Acquisition costs	¥ -	¥ 551	\$ -
Book values	-	551	-
Difference	¥ -	¥ (0)	\$ -

(b) The following table summarizes book values of securities with no available fair values as of March 31, 2004 and 2003:

	Millions of yen		Book value Thousands of U.S. dollars
	2004	2003	2004
Non-quoted equity securities	¥ 4,045	¥ 4,002	\$ 38,272
Subsidiaries and affiliates	¥ 31,347	¥ 28,871	\$ 296,594

(c) The following table summarizes information on available-for-sale securities sold in the years ended March 31, 2004 and 2003:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Total sales of available-for-sale securities	¥ 3,452	¥ 96	\$ 32,662
Amount of related gains	888	-	8,402
Amount of related losses	34	-	322

In the year ended March 31, 2003, the Company transferred marketable securities to available-for-sale securities, because the Company changed its money management policy. As a result of this change, marketable securities decreased ¥532 million and available-for-sale securities increased in the same amount.

## 5. Derivative financial instruments and hedging transactions

The Companies enter into forward foreign exchange contracts, interest rate swap transactions, interest rate cap transactions and currency swap transactions to control risks related to foreign currencies and interest rates. Forward foreign exchange contracts and currency swap transactions are used to hedge the risk of fluctuations in foreign currency exchange rates with respect to monetary receivables and payables denominated in foreign currencies, and interest rate swap transactions and interest rate cap transactions are used to convert variable rates to fixed rates and mitigate future risks of interest rate increases with respect to borrowings. The Companies use derivative transactions in connection with managing their market risk and not for speculation or dealing purposes.

The Companies minimize credit risk exposure of these derivative transactions by limiting the counterparties to highly rated financial institutions. The derivative transactions are entered into by the finance and accounting division in accordance with risk management policies and rules approved by the Board of Directors, who receive periodic reports of the results of derivative transactions.

The following summarizes hedging derivative financial instruments used by the Companies and items hedged:

Hedging instruments:	Hedged items:
Forward foreign exchange contracts and currency swap transactions	Future transactions denominated in foreign currencies
Interest rate swap transactions and interest rate cap transactions	Interest expense on borrowings

The Companies evaluate hedge effectiveness by comparing the cumulative changes in cash flows or the changes in fair value of hedged items and the corresponding changes in the hedging derivative instruments.

The following tables summarize market value information as of March 31, 2004 and 2003 of derivative transactions for which hedge accounting has not been applied:

(a) Currency related

	Millions of yen			Millions of yen			Thousands of U.S. dollars
	Contracted amount	Current market amount	2004 Recognized gains (losses)	Contracted amount	Current market amount	2003 Recognized gains (losses)	2004 Recognized gains (losses)
Forward foreign exchange contracts:							
Sell:							
U.S. dollars	¥ 796	¥ 795	¥ 1	¥ 57	¥ 58	¥ (1)	\$ 9
Japanese yen	303	302	1	15	15	-	9
Euro	1,053	1,071	(18)	-	-	-	(170)
Thai Baht	88	88	(0)	-	-	-	(0)
Purchase:							
U.S. dollars	586	577	(9)	482	481	(1)	(85)
Japanese yen	303	305	2	355	360	5	19
Currency swap:							
Receive foreign currency and pay Japanese yen	20,710	(96)	(96)	-	-	-	(908)
			<u>¥ (119)</u>			<u>¥ 3</u>	<u>\$ (1,126)</u>

The market value amounts are based on the year end forward rates. Forward currency exchange contracts for which the forward rates were used to translate year end receivables and payables denominated in foreign currencies are excluded from the above schedule.

(b) Interest related

	Millions of yen			Millions of yen			Thousands of U.S. dollars
	Principal amount of contract	Amount of principal due over one year	2004 Recognized gains	Principal amount of contract	Amount of principal due over one year	2003 Recognized gains (losses)	2004 Recognized gains
Interest rate swap:							
Receive variable rate and pay fixed rate	¥ 300	¥ -	¥ (0)	¥ 2,393	¥ 200	¥ (18)	\$ (0)
Interest rate cap:							
Purchase	-	-	-	1,489	769	12	-
			<u>¥ (0)</u>			<u>¥ (6)</u>	<u>\$ (0)</u>

The gains and losses are estimated by the counterparty financial institutions.

## 6. Income taxes

The Company and domestic subsidiaries are subject to a number of taxes based on income, which, in the aggregate, indicate a statutory income tax rate in Japan of approximately 41.8% for the years ended March 31, 2004 and 2003.

The following table summarizes the significant differences between the statutory tax rate and the effective tax rate for financial statement purposes:

	2004	2003
Statutory tax rate	41.8%	41.8%
Equity in income of unconsolidated subsidiaries and affiliates	(20.9)	(98.2)
Non-deductible expenses	3.0	11.1
Dividend income, not taxable	(4.8)	-
Tax loss carry forwards of consolidated subsidiaries	4.2	66.2
Foreign subsidiaries tax rate	(4.7)	(17.5)
Unrealized gains	-	3.8
Elimination of dividends earned	6.8	43.8
Effect of change in statutory income tax rate	-	8.5
Other	(0.9)	1.7
Effective tax rate	<u>24.5%</u>	<u>61.2%</u>

Significant components of the Companies' deferred tax assets and liabilities are as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Deferred tax assets:			
Excess bad debt expenses	¥ 184	¥ 644	\$ 1,741
Severance and retirement benefits	1,055	973	9,982
Loss carry forwards	1,962	2,183	18,564
Unrealized profit on property and equipment	495	490	4,684
Write-down of investment securities	802	797	7,588
Write-down of golf club memberships	128	179	1,211
Depreciation	185	145	1,750
Excess bonuses accrued	268	228	2,536
Other	379	493	3,586
Total deferred tax assets	<u>5,458</u>	<u>6,132</u>	<u>51,642</u>
Valuation allowance	(1,555)	(1,337)	(14,713)
Net deferred tax assets	<u>3,903</u>	<u>4,795</u>	<u>36,929</u>
Deferred tax liabilities:			
Gain on securities contributed to employee retirement benefit trust	(876)	(876)	(8,288)
Deferred gains on real properties	(28)	(333)	(265)
Net unrealized holding gains on securities	(1,443)	-	(13,653)
Other	(170)	(121)	(1,609)
Total deferred tax liabilities	<u>(2,517)</u>	<u>(1,330)</u>	<u>(23,815)</u>
Net deferred tax assets	<u>¥ 1,386</u>	<u>¥ 3,465</u>	<u>\$ 13,114</u>

Change in effective tax rates to be used in calculating deferred taxes due to the revised local tax law:

The aggregate statutory income tax rate will be reduced for the years commencing on April 1, 2004 or later due to the revised local tax law. At March 31, 2003, the Company and consolidated domestic subsidiaries applied the reduced aggregate statutory income tax rate of 40.5% for calculating deferred tax assets and liabilities that are expected to be recovered or settled in the years commencing on April 1, 2004 or later. As a result for the year ended March 31, 2003 deferred taxes assets decreased by ¥105 million, provision for deferred income taxes increased by ¥ 107 million and net unrealized holding gains on securities increased by ¥ 2 million.

## 7. Pledged assets

(a) At March 31, 2004 and 2003, the following are pledged as security for trading transactions:

	Millions of yen		Thousands of
	2004	2003	U.S. dollars
Investment securities	¥ 984	¥ 477	\$ 9,310

(b) At March 31, 2004 and 2003, the following are pledged as collateral for long-term debt of ¥447 million (\$4,229 thousand) (¥ 592 million in 2003) and short-term loans of ¥97 million (\$ 918 thousand) (¥ 105 million in 2003):

	Millions of yen		Thousands of
	2004	2003	U.S. dollars
Cash equivalents (time deposits)	¥ 9	¥ 11	\$ 85
Property and equipment			
less accumulated depreciation	1,433	2,138	13,559
	¥ 1,442	¥ 2,149	\$ 13,644

## 8. Short-term loans and long-term debt

Short-term loans at March 31, 2004 and 2003 are represented by bank loans, bearing interest at average annual rates of 1.59% and 1.71%, respectively. Long-term loans due within one year at March 31, 2004 and 2003 are represented by bank loans, bearing interest at average annual rates of 0.99% and 1.41%, respectively

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

	Millions of yen		Thousands of
	2004	2003	U.S. dollars
Unsecured loans from			
banks and insurance companies			
due through 2010 -			
interest principally at 0.84% - 1.83%	¥ (*)15,760	¥ 11,008	\$ 149,115
Secured loans from			
banks due through 2007 -			
interest principally at 0.82% - 3.25%	8,465	4,602	80,093
0.55% unsecured convertible bonds			
due 2003	-	9,127	-
Less amounts due within one year	(5,729)	(13,137)	(54,206)
	¥ 18,496	¥ 11,600	\$ 175,002

(\*) To redeem the convertible bonds, the Company made a term loan contract of ¥ 9,000 million (\$85,155 thousand) with 9 banks.

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

Year ending March 31,	Millions of yen	Thousands of
2006	¥ 5,380	\$ 50,904
2007	1,801	17,040
2008	391	3,699
2009 and later	10,924	103,359
	¥ 18,496	\$ 175,002

## 9. Employees' severance and pension benefits

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

	Millions of yen		Thousands of
	2004	2003	U.S. dollars
Projected benefit obligation	¥ 6,305	¥ 5,556	\$ 59,654
Fair value of pension assets	(5,252)	(4,179)	(49,692)
Unrecognized pension assets	272	-	2,574
Unrecognized actuarial differences	(733)	(1,494)	(6,935)
Prepaid expense for pension assets	710	631	6,718
Liability for severance and retirement benefits	¥ <u>(*)1,302</u>	¥ <u>514</u>	\$ <u>12,319</u>

(\*) Including the allowance for the operating officers of ¥ 20 million (\$189 thousand).

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

	Millions of yen		Thousands of
	2004	2003	U.S. dollars
Service costs – benefits earned during the year	¥ (*1)462	¥ 423	\$ 4,371
Interest cost on projected benefit obligation	135	143	1,268
Expected return on plan assets	(42)	(47)	(397)
Amortization of actuarial differences	123	90	1,164
Others (*2)	38	29	359
Severance and retirement benefit expenses	¥ <u>715</u>	¥ <u>638</u>	\$ <u>6,765</u>

(\*1) Including the allowance for the operating officers of ¥ 20 million (\$189 thousand).

(\*2) Including the payment for the defined contribution pension plan of ¥ 11 million (\$104 thousand) in 2004 (¥ 4 million in 2003), and the payment to the mutual aid pension of ¥ 26 million (\$246 thousand) in 2004 (¥ 25 million in 2003).

The discount rate used by the Company at March 31, 2004 and 2003 is 2.5%. The rate of expected return on plan assets used by the Company at March 31, 2004 and 2003 is 1.0%. The estimated amount of all retirement benefits to be paid at future retirement dates is allocated equally to each service year using the estimated number of total service years. Actuarial gains or losses are recognized in the income statement using the straight-line method over 13 years at March 31, 2004 (15 years in 2003).

## 10. Cash and cash equivalents

The reconciliations of cash and cash equivalents in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows at March 31, 2004 and 2003, are as follows:

	Millions of yen		Thousands of
	2004	2003	U.S. dollars
Cash and cash equivalents in balance sheets	¥ 5,625	¥ 9,644	\$ 53,222
Time deposits maturing after three months	(45)	(66)	(426)
Cash and cash equivalents in statements of cash flow	¥ <u>5,580</u>	¥ <u>9,578</u>	\$ <u>52,796</u>

## 11. Finance leases

Information relating to finance leases, excluding those leases for which the ownership of the leased assets is considered to be transferred to the lessee, as of, and for the years ended March 31, 2004 and 2003, is as follows:

### (a) As lessee

(1) Acquisition cost, accumulated depreciation and book value of lease properties, excluding interest:

	Millions of yen		Thousands of
	2004	2003	U.S. dollars
Machinery and equipment:			2004
Acquisition cost	¥ 21	¥ 21	\$ 199
Accumulated depreciation	(15)	(12)	(142)
Book value	<u>¥ 6</u>	<u>¥ 9</u>	<u>\$ 57</u>
Other:			
Acquisition cost	¥ 8	¥ 12	\$ 76
Accumulated depreciation	(8)	(11)	(76)
Book value	<u>¥ 0</u>	<u>¥ 1</u>	<u>\$ 0</u>

(2) Future minimum lease payments, excluding interest

	Millions of yen		Thousands of
	2004	2003	U.S. dollars
Due within one year	¥ 3	¥ 4	\$ 28
Due over one year	4	7	38
Total	<u>¥ 7</u>	<u>¥ 11</u>	<u>\$ 66</u>

(3) Lease payments, depreciation and interest expense

	Millions of yen		Thousands of
	2004	2003	U.S. dollars
Lease payments	¥ 4	¥ 5	\$ 38
Depreciation	4	5	38
Interest expense	0	0	0

### (b) As lessor

(1) Acquisition cost, accumulated depreciation and book value of lease properties:

	Millions of yen		Thousands of
	2004	2003	U.S. dollars
Machinery and equipment:			2004
Acquisition cost	¥ 16,481	¥ 17,077	\$ 155,937
Accumulated depreciation	(10,701)	(11,686)	(101,249)
Book value	<u>¥ 5,780</u>	<u>¥ 5,391</u>	<u>\$ 54,688</u>
Other:			
Acquisition cost	¥ 4,083	¥ 3,721	\$ 38,632
Accumulated depreciation	(2,238)	(2,232)	(21,175)
Book value	<u>¥ 1,845</u>	<u>¥ 1,489</u>	<u>\$ 17,457</u>

(2) Future minimum lease receipts, excluding interest

	Millions of yen		Thousands of
	2004	2003	U.S. dollars
Due within one year	¥ 2,745	¥ 2,494	\$ 25,972
Due over one year	5,210	4,522	49,295
Total	<u>¥ 7,955</u>	<u>¥ 7,016</u>	<u>\$ 75,267</u>

(3) Lease receipts, depreciation and interest income

	Millions of yen		Thousands of
	2004	2003	U.S. dollars
Lease receipts	¥ 3,355	¥ 3,585	\$ 31,744
Depreciation	2,628	2,658	24,865
Interest income	364	374	3,444

## 12. Segment information

(a) The Companies operate principally in six industry segments as follows:

Information Technology :	Semiconductor manufacturing equipment	Chemicals :	Pharmaceutical and agricultural chemicals
	Electronic materials, including parts		and bulk raw materials
	Dyes for printing		Raw materials for insecticides
	Raw materials for copying		Raw materials for toiletries
	IT software		Raw materials for plastic resin
Housing and Construction :	Lumber		Dyestuffs
	Composite materials	Plastics :	General purpose plastics
	Wooden building materials		Engineering plastics
	Residential housing equipment	Foodstuffs :	Raw and processed agricultural products
			Raw and processed marine products
			Raw and processed livestock products
		Other:	Leasing

Operating results, total assets, depreciation and amortization and capital expenditure by industry segment for the years ended March 31, 2004 and 2003 were as follows:

Year ended March 31, 2004								Millions of yen
	Information Technology	Housing and Construction	Chemicals	Plastics	Foodstuffs	Others	Elimination and Corporate	Consolidated
Revenues:								
Outside customers	¥ 93,686	¥ 26,881	¥ 64,481	¥ 119,004	¥ 22,939	¥ 4,790	¥ -	¥ 331,781
Operating expenses	92,654	26,895	63,510	117,358	22,588	4,552	-	327,557
Operating income (loss)	¥ 1,032	¥ (14)	¥ 971	¥ 1,646	¥ 351	¥ 238	¥ -	¥ 4,224
Total assets	¥ 46,139	¥ 10,337	¥ 29,726	¥ 53,445	¥ 7,767	¥ 14,525	¥ 31,810	¥ 193,748
Depreciation and amortization	362	67	182	716	29	2,821	-	4,177
Loss on impairment of long-lived assets	252	-	7	-	-	37	9	305
Capital expenditure	612	58	834	693	60	3,707	-	5,964

Year ended March 31, 2003								Millions of yen
	Information Technology	Housing and Construction	Chemicals	Plastics	Foodstuffs	Others	Elimination and Corporate	Consolidated
Revenues:								
Outside customers	¥ 71,204	¥ 26,811	¥ 56,684	¥ 109,308	¥ 19,603	¥ 5,327	¥ -	¥ 288,937
Operating expenses	70,620	26,921	56,574	107,880	19,321	5,019	-	286,335
Operating income (loss)	¥ 584	¥ (110)	¥ 110	¥ 1,428	¥ 282	¥ 308	¥ -	¥ 2,602
Total assets	¥ 39,238	¥ 10,850	¥ 25,166	¥ 52,568	¥ 8,886	¥ 18,139	¥ 27,719	¥ 182,566
Depreciation and amortization	280	92	115	746	30	2,921	-	4,184
Capital expenditure	343	13	127	499	18	2,620	-	3,620

Year ended March 31, 2004								Thousands of U.S. dollars
	Information Technology	Housing and Construction	Chemicals	Plastics	Foodstuffs	Others	Elimination and Corporate	Consolidated
Revenues:								
Outside customers	\$ 886,423	\$ 254,338	\$ 610,096	\$ 1,125,972	\$ 217,040	\$ 45,321	\$ -	\$ 3,139,190
Operating expenses	876,658	254,471	600,908	1,110,398	213,719	43,070	-	3,099,224
Operating income (loss)	\$ 9,765	\$ (133)	\$ 9,188	\$ 15,574	\$ 3,321	\$ 2,251	\$ -	\$ 39,966
Total assets	\$ 436,550	\$ 97,805	\$ 281,257	\$ 505,677	\$ 73,489	\$ 137,430	\$ 300,965	\$ 1,833,173
Depreciation and amortization	3,425	634	1,722	6,775	274	26,691	-	39,521
Loss on impairment of long-lived assets	2,384	-	66	-	-	350	86	2,886
Capital expenditure	5,791	549	7,891	6,557	568	35,073	-	56,429

Corporate assets, included above in the elimination and corporate columns, in the amounts of ¥ 31,810 million (\$ 300,965 thousand) and ¥27,719 million for the years ended March 31, 2004 and 2003, respectively, were mainly comprised of cash and cash equivalents, marketable securities, investment securities and assets of administrative divisions.

(b) Operating results and total assets by geographic area for the years ended March 31, 2004 and 2003 were as follows:

Year ended March 31, 2004							Millions of yen
	Japan	Southeast Asia	Northeast Asia	North America	Europe	Elimination and Corporate	Consolidated
Revenues:							
Outside customers	¥ 247,585	¥ 32,613	¥ 22,498	¥ 16,690	¥ 12,395	¥ -	¥ 331,781
Inter-areas	22,576	1,519	515	2,381	569	(27,560)	-
Total	270,161	34,132	23,013	19,071	12,964	(27,560)	331,781
Operating expenses	267,586	33,608	22,429	18,990	12,542	(27,598)	327,557
Operating income	¥ 2,575	¥ 524	¥ 584	¥ 81	¥ 422	¥ 38	¥ 4,224
Total assets	¥ 118,649	¥ 16,613	¥ 10,786	¥ 9,305	¥ 7,221	¥ 31,174	¥ 193,748

Year ended March 31, 2003							Millions of yen
	Japan	Asia	Other Areas	Elimination and Corporate	Consolidated		
Revenues:							
Outside customers	¥ 216,438	¥ 49,600	¥ 22,899	¥ -	¥ 288,937		
Inter-areas	19,201	1,745	2,413	(23,359)	-		
Total	235,639	51,345	25,312	(23,359)	288,937		
Operating expenses	234,326	50,016	25,380	(23,387)	286,335		
Operating income (loss)	¥ 1,313	¥ 1,329	¥ (68)	¥ 28	¥ 2,602		
Total assets	¥ 119,213	¥ 25,338	¥ 12,799	¥ 25,216	¥ 182,566		

Year ended March 31, 2004							Thousands of U.S. dollars
	Japan	Southeast Asia	Northeast Asia	North America	Europe	Elimination and Corporate	Consolidated
Revenues:							
Outside customers	\$ 2,342,558	\$ 308,572	\$ 212,868	\$ 157,915	\$ 117,277	\$ -	\$ 3,139,190
Inter-areas	213,606	14,372	4,873	22,528	5,384	(260,763)	-
Total	2,556,164	322,944	217,741	180,443	122,661	(260,763)	3,139,190
Operating expenses	2,531,801	317,987	212,215	179,676	118,668	(261,123)	3,099,224
Operating income	\$ 24,363	\$ 4,957	\$ 5,526	\$ 767	\$ 3,993	\$ 360	\$ 39,966
Total assets	\$ 1,122,613	\$ 157,186	\$ 102,053	\$ 88,041	\$ 68,323	\$ 294,957	\$ 1,833,173

Corporate assets, included above in the elimination and corporate columns, in the amounts of ¥ 31,810 million (\$ 300,965 thousand) and ¥ 27,719 million for the years ended March 31, 2004 and 2003, respectively, were mainly comprised of cash and cash equivalents, marketable securities, investment securities and assets of administrative divisions.

Geographic classifications were changed in the year ended March 31, 2004 to Japan, Southeast Asia, Northeast Asia, North America and Europe, according to the management regions.

Under the new classification policy of this fiscal year, operating results and total assets by geographic area for the year ended March 31, 2003 were as follows:

Year ended March 31, 2003							Millions of yen
	Japan	Southeast Asia	Northeast Asia	North America	Europe	Elimination and Corporate	Consolidated
Revenues:							
Outside customers	¥ 216,438	¥ 30,424	¥ 19,176	¥ 17,167	¥ 5,732	¥ -	¥ 288,937
Inter-areas	19,201	1,557	560	2,337	765	(24,420)	-
Total	235,639	31,981	19,736	19,504	6,497	(24,420)	288,937
Operating expenses	234,326	31,115	19,272	19,434	6,640	(24,452)	286,335
Operating income (loss)	¥ 1,313	¥ 866	¥ 464	¥ 70	¥ (143)	¥ 32	¥ 2,602
Total assets	¥ 119,213	¥ 17,398	¥ 7,940	¥ 9,891	¥ 2,908	¥ 25,216	¥ 182,566

Principal countries and areas in each segment are as follows:  
2004

Southeast Asia : Singapore, Thailand, Malaysia, Indonesia

Northeast Asia : China, Taiwan

North America : America

Europe : Britain

2003

Asia : Singapore, Thailand, China, Taiwan

Other areas : America, Europe

(c) Overseas trading transactions

Overseas trading transactions for the years ended March 31, 2004 and 2003 were ¥ 102,777 million (\$972,438 thousand) and ¥ 84,365 million, respectively. For the year ended March 31, 2004 overseas trading transactions in the Southeast Asia region were ¥ 34,008 million (\$321,771 thousand), in the Northeast Asia region were ¥ 38,130 million (\$360,772 thousand), in the North America region were ¥ 20,069 million (\$189,886 thousand), in the Europe region were ¥ 10,570 million (\$100,009 thousand). For the year ended March 31, 2003 overseas trading transactions in the Asia region were ¥ 61,114 million.

Overseas trading transactions include overseas subsidiaries' sales to overseas third parties as well as the Company's and domestic subsidiaries' export sales to third parties.

Principal countries and areas in each segment are as follows:

2004

Southeast Asia : Singapore, Thailand, Malaysia, Indonesia

Northeast Asia : China, Taiwan

North America : America

Europe : Britain

2003

Asia : Singapore, Thailand, China, Taiwan

Other areas : America, Europe

Geographic classifications were changed in the year ended March 31, 2004 to Southeast Asia, Northeast Asia, North America and Europe, according to the management regions.

Under the new classification policy of this fiscal year, operating results and total assets by geographic area for the year ended March 31, 2003 were as follows: for the years ended March 31, 2003 overseas trading transactions in the Southeast Asia region were ¥ 31,512 million, in the Northeast Asia region were ¥ 29,601 million, in the North America region were ¥ 17,270 million and in the Europe region were ¥ 5,981 million.

### 13. Shareholders' equity

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

The Code provides that an amount equal to at least 10% of cash dividends and other cash appropriations shall be appropriated and set aside as a legal reserve until the total amount of legal reserve and additional paid-in capital equals 25% of common stock. The legal reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the stockholders' meeting or may be capitalized by resolution of the Board of Directors. On condition that the total amount of legal reserve and additional paid-in capital remains being equal to or exceeding 25% of common stock, they are available for dividends by the resolution of shareholders' meeting. Legal reserve is included in retained earnings in the accompanying financial statements.

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

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

The adoption of new accounting standard had no impact on the financial statements.

## 14. Related party transactions

The Company is an affiliate of Sumitomo Chemical Company, Limited which owned 24.7% of the Company's voting shares at March 31, 2004 and 2003. Significant sales to and purchases from related parties for the years ended March 31, 2004 and 2003, were as follows:

	Millions of yen		Thousands of
	2004	2003	U.S. dollars
Net sales:			2004
Unconsolidated subsidiaries and affiliates	¥ -	¥ 1,518	\$ -
Sumitomo Chemical Company, Limited	-	2,321	-
Purchases			
Unconsolidated subsidiaries and affiliates	6,561	4,892	62,078
Sumitomo Chemical Company, Limited	36,348	23,509	343,911

## 15. Contingent liabilities

(a) At March 31, 2004, the Company and its consolidated subsidiaries were contingently liable as follows:

	Millions of yen		Thousands of
	2004	2003	U.S. dollars
As endorser of notes discounted or endorsed	¥ 41		\$ 388
As guarantors of indebtedness of :			
Unconsolidated subsidiaries and affiliates		2,605	24,648
Others		100	946
		2,705	25,594
	¥ 2,746		\$ 25,982

(b) At March 31, 2004, the Company was contingently liable for conditional assignment of ¥ 1,105 million (\$ 10,455 thousand) of trade notes and accounts receivable with recourse obligation.

## 16. Write-down of land and buildings

The following table shows write-down of land and buildings in 2004 as a result of sales among the Companies.

	Millions of yen		Thousands of
	2004	2003	U.S. dollars
Land	¥ 358		\$ 3,387
Buildings		235	2,224
	¥ 593		\$ 5,611

## 17. Subsequent events

(a) Convertible bonds

The meeting of the Board of Directors held on June 1, 2004, approved the issue of convertible bonds. On June 17, 2004, the Company issued convertible bonds. The terms and conditions of the Company's convertible bonds are summarized as follows;

1. Initial principal amount of the bonds ¥5,000 million
2. Issue price 100 per cent of the principal amounts of the bonds
3. Rate of interest Zero interest
4. Date of issue of the bonds On June 17, 2004
5. Redemption at maturity On June 17, 2009
6. Conversion Period From June 18, 2004 to June 16, 2009
7. Conversion Price ¥816 per share (Adjusted if the Company would issue dilutive securities)
8. Purpose of issue Investments in new business and repayment of debt
9. Way for subscription Allocation to Goldman Sachs International

(b) Cash dividends

At the ordinary shareholders' meeting of the Company held on June 29, 2004, the appropriation of non-consolidated retained earnings for the year ended March 31, 2004 was duly approved as follows:

	Millions of yen		Thousands of
	2004	2003	U.S. dollars
Cash dividends - ¥3.00 (\$0.028) per share	¥ 169		\$ 1,599

# Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets of Inabata & 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, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Inabata & 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

Without qualifying our opinion, we draw attention to the following.

- (1) As explained in Note 3(a), in the year ended March 31, 2003, Inabata & Co., Ltd. changed its method of accounting for the carrying value of available-for-sale equity securities.
- (2) As explained in Note 3(b), in the year ended March 31, 2004, Inabata & Co., Ltd. and its subsidiaries adopted the new Japanese accounting standard for impairment of long-lived assets.
- (3) As explained in Note 12, in the year ended March 31, 2004, Inabata & Co., Ltd. changed its geographic classifications for segment information.
- (4) As explained in Note 17(a), Inabata & Co., Ltd. issued convertible bonds on June 17, 2004.

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

Osaka, Japan  
June 29, 2004

*KPMG AZSA & Co.*

# Corporate Data



Osaka



Tokyo

Founded	October 1, 1890
Incorporated	June 10, 1918
Paid-in Capital	¥5,792 million
Location	Osaka Head Office 1-15-14, Minamisetemba, Chuo-ku, Osaka 542-8558, Japan Tel +81-6-6267-6051 Fax +81-6-6267-6042 Tokyo Head Office 2-8-2, Nihonbashihoncho, Chuo-ku, Tokyo 103-8448, Japan Tel +81-3-3639-6415 Fax +81-3-3639-6410 Website : <a href="http://www.inabata.co.jp">www.inabata.co.jp</a>
Number of Shareholders	4,010
Number of Shares Issued and Outstanding	56,357,009
Number of Employees	533 (2,450 on consolidated basis)
Independent Auditors	Azsa & Co.
Principal Shareholders	The 10 largest shareholders of the Company and their respective shareholdings as of March 31, 2004 are as follows:

	Number of Shares Held (Thousands)	Percentage of Total Shares Outstanding (%)
Sumitomo Chemical Co., Ltd.	13,836	24.7
The Chase Manhattan Bank	3,594	6.4
Japan Trustee Service Bank, Ltd. (Trust Account)	2,861	5.1
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,454	4.4
Trust & Custody Services Bank, Ltd.(Mizuho Corporate Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.)	1,736	3.1
The Melon Bank Treaty Clients Omnibus	1,255	2.2
Katsuo Inabata	1,138	2.0
Pictet and Cie	758	1.4
State Street Bank and Trust Company	721	1.3
Sumitomo Mitsui Banking Corporation	624	1.1

**Stock Listing** Inabata & Co., Ltd.'s stock is listed on the Tokyo Stock Exchange and the Osaka Securities Exchange.

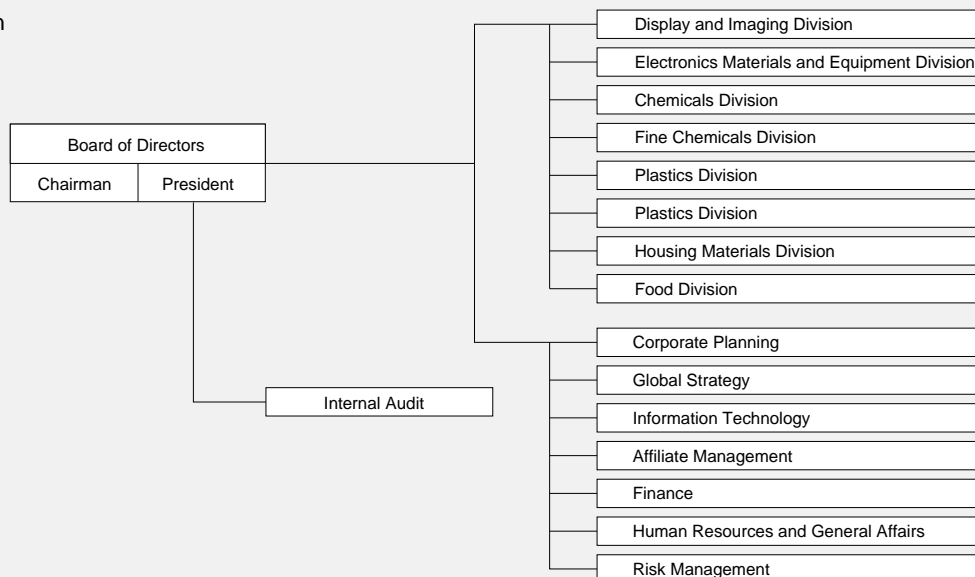
**Transfer Agent of Common Stock Shareholders' Meeting** The Sumitomo Trust and Banking Co., Ltd.  
The ordinary shareholders' meeting is held in June at the company's head office located at 1-15-14, Minamisetemba, Chuo-ku, Osaka 542-8558, Japan.

(As of March 31, 2004)

## Management

Chairman	Katsuo Inabata		Executive Officers	Shigeki Masui □ President, Inabata America Corporation
President	Takeo Inabata			Yasutaka Takahashi □ General Manager, Risk Management & Internal Audit
Directors Managing Executive Officers	Yuji Fujita	□ Affiliate Management, Finance, Human Resources and General Affairs, Risk management		Satoru Kaneko □ General Manager, Plastics Division
	Yoshinobu Nakano	□ Display & Imaging, Electronics Materials & Equipment, Chemicals, Fine Chemicals		Seiichi Satou □ General Manager, Food Division
	Nobuhiro Otsuki	□ Housing Materials, Plastics		Masaaki Asaumi □ General Manager, Housing Materials Division
	Nobukuni Taneya	□ Chemicals, Fine Chemicals, Food, Corporate Planning, Display & Imaging, Electronics Materials & Equipment, Human Resources and General Affairs, Americas		Yutaka Ochi □ General Manager, Chemicals Division
	Katsutaro Inabata	□ Global strategy, Information Technology, Corporate Planning		Seikou Kuroutsu □ General Manager, Human Resources & General Affairs; Corporate Planning
Director	Akio Kosai	□ Counselor, Sumitomo Chemical Company, Limited		Yasujiro Sumiya □ Corporate Planning
Corporate Auditors	Seiichiro Nanbara			Yoshikazu Honda □ General Manager, Plastics Division
	Yukitsura Takahashi			Masatsugu Hoshita □ General Manager, Southeast Asia
	Morio Yamane			Osamu Nishimura □ General Manager, Northeast Asia
	Minoru Ihara			Toshiyuki Suganuma □ General Manager, Electronics Materials & Equipment Division
Counselor	Takeshi Hijikata	□ Counselor, Sumitomo Chemical Company, Limited		

## Organization



(As of July 1, 2004)

## Offices in Japan

### Osaka Head Office

1-15-14, Minamimemba, Chuo-ku, Osaka 542-8558  
Tel +81-6-6267-6051 Fax +81-6-6267-6042

### Tokyo Head Office

2-8-2, Nihonbashihoncho, Chuo-ku, Tokyo 103-8448  
Tel +81-3-3639-6415 Fax +81-3-3639-6410

### Nagoya Office

3-22-8, Meieki, Nakamura-ku, Nagoya 450-8521  
Tel +81-52-562-2901 Fax +81-52-562-2908

### Matsumoto Office

3967-29, Nishihara Wadaminami, Matsumoto 390-1242  
Tel +81-263-40-1453 Fax +81-263-40-1456

### Hokuriku Office

4-4-69, Nagasakicho, Komatsu 923-0004  
Tel +81-761-23-6620 Fax +81-761-23-6625

### Mie Office

20, Hiraomachi, Matsuzaka 515-0036  
Tel +81-0598-23-2890 Fax +81-0598-23-2889

### Kyushu Office

1290-11, Muke, Kokubu, Kagoshima 899-4352  
Tel +81-995-45-0777 Fax +81-995-45-0145

## Domestic Network

### Sumitomo Pharmaceuticals Co., Ltd.

Manufacturing of pharmaceuticals  
Tel +81-6-6229-5711 Fax +81-6-6233-2288

### Ulvac Coating Corp.

Manufacturing and sales of electronics and optical industrial materials  
Tel +81-494-24-6511 Fax +81-494-24-9651

### Kyoto Pharmaceutical Industries, Ltd.

Manufacturing and sales of pharmaceuticals  
Tel +81-75-802-3371 Fax +81-75-802-3374

### Nihon Jyunryo Chemicals Co., Ltd.

Manufacturing and sales of dyes and chemicals  
Tel +81-6-6381-3021 Fax +81-6-6381-4007

### Elementis Japan K.K.

Sales of specialty chemicals  
Tel +81-6-6267-6211 Fax +81-6-6267-6215

### Higashimaru International Corp.

Processing and sales of marine products  
Tel +81-3-3863-5951 Fax +81-3-3863-5234

### Clean Assist Co., Ltd.

Sales of plastic films and plastic sundries  
Tel +81-3-3225-6541 Fax +81-3-3225-4545

### Daishoku Co., Ltd.

Processing and sales of marine products  
Tel +81-6-6538-6565 Fax +81-6-6538-3533

### Daiwa Shokugyo Company Limited

Wholesale of agricultural and marine products  
Tel +81-878-45-6117 Fax +81-878-45-7181

### I&P Co., Ltd.

Manufacturing and sales of molding and assembly  
Tel +81-493-35-1846 Fax +81-493-35-1965

### IK Butsuryu Co., Ltd.

Real estate lease and management, warehousing, packaging and shipping  
Tel +81-43-498-3600 Fax +81-43-498-3603

### IK Lease & Insurance Co., Ltd.

Lease and indemnity insurance agency  
Tel +81-6-6267-6371 Fax +81-6-6267-6369

### Ikkoen Co., Ltd.

Manufacturing and sales of rice, seasoning and marine products  
Tel +81-72-244-0501 Fax +81-72-244-0701

### IK Pharmacy Co., Ltd.

Sales of pharmaceuticals and medical equipment  
Tel +81-6-4305-5010 Fax +81-6-4305-5060

### Inabata Giken Co., Ltd.

Testing for dye finish molding/ provision of technical information regarding dyes and woven stuff  
Tel +81-6-6267-6161 Fax +81-6-6267-6167

### Inabata Kaseihin Co., Ltd.

Sales of chemicals  
Tel +81-6-6267-6161 Fax +81-6-6267-6167

### Inter Galaxy Systems Corp.

Software development and sales  
Tel +81-6-6267-6361 Fax +81-6-6267-6366

### Ordii Co., Ltd.

Processing and sales of plastic films  
Tel +81-6-6360-1017 Fax +81-6-6360-1018

### Kansai Kobunshi Co., Ltd.

Manufacturing and sales of plastic films  
Tel +81-743-59-0781 Fax +81-743-59-1625

### Musashino Fine Glass Co., Ltd.

Glass cutting and SiO<sub>2</sub> coating service  
Tel +81-492-66-3988 Fax +81-492-66-8817

### Nagano Co., Ltd.

Sales of packing materials and PD equipment  
Tel +81-6-6744-7771 Fax +81-6-6744-7775

### Nihon B.F. & Co., Ltd.

Manufacturing and sales of health foods, beverages and household goods  
Tel +81-3-3639-6580 Fax +81-3-3639-6540

### N-I-C Co., Ltd.

Processing and sales of plastic films  
Tel +81-3-3650-6511 Fax +81-3-3671-8071

### Nobelpharma Co., Ltd.

Manufacturing, processing, development and import/export of pharmaceuticals and their raw materials.  
Tel +81-3-5651-1160 Fax +81-3-5651-1222

### Sankyo Chemical Industry Co., Ltd.

Manufacturing and sales of synthetic resin products  
Tel +81-545-52-5730 Fax +81-545-52-5089

### Shinano Electronics Co., Ltd.

Manufacturing of electronic equipment and measuring devices  
Tel +81-263-40-1111 Fax +81-263-48-1510

### Taiyo Plastics Co., Ltd.

Manufacturing and sales of plastic films  
Tel +81-48-766-8411 Fax +81-48-766-8414

### Tigold Corp.

Vacuum deposition service and product sales  
Tel +81-475-89-1581 Fax +81-475-89-1583

### WorksOne Co., Ltd.

Architectural planning, designing, supervision and consultation  
Tel +81-6-6266-4910 Fax +81-6-6266-4978

### Yamato Kakou Co., Ltd.

Manufacturing and sales of FRP products  
Tel +81-53-588-1400 Fax +81-53-588-2886

## Overseas Network

### Southeast Asia

#### Singapore

##### **Inabata Singapore (Pte.) Ltd.**

Import/export and sales of synthetic resins, chemicals and semiconductor related equipment

Tel +65-6220-0796 Fax +65-6222-7972

##### **Nip Asia (Pte.) Ltd.**

Molding and processing of synthetic resins

Tel +65-6368-9391 Fax +65-6368-9565

##### **Sanyo-IK Color (Pte.) Ltd.**

Coloring and processing of synthetic resins

Tel +65-6265-0288 Fax +65-6265-6006

#### Thailand

##### **Inabata Thai Co., Ltd.**

Import/export and sales of synthetic resin products, chemicals, foodstuffs and machinery

Tel +66-2-625-3200 Fax +66-2-231-3346

##### **Apple Film Co., Ltd.**

Manufacturing and sales of plastic films

Tel +66-2-324-0704 Fax +66-2-324-0707

##### **Hi-Tech Rubber Products Co., Ltd.**

Molding and processing of rubber and silicon

Tel +66-35-716-471 Fax +66-35-716-470

##### **KOKUYO-IK (Thailand) Co., Ltd.**

Manufacturing, processing and sales of stationary

Tel +66-2-709-4675 Fax +66-2-709-4680

##### **SENKA (Thailand) Co., Ltd.**

Manufacturing and sales of dyed goods

Tel +66-2-709-3685 Fax +66-2-323-0926

##### **SIK (Thailand) Ltd.**

Coloring and processing of synthetic resins

Tel +66-2-324-0595 Fax +66-2-324-0813

##### **Takahashi Korat (1995) Co., Ltd.**

Molding, processing and assembly of synthetic resins

Tel +66-44-375-110 Fax +66-44-375-017

##### **Takahashi Plastics Ltd.**

Molding, processing and assembly of synthetic resins

Tel +66-2-324-0597 Fax +66-2-324-0699

##### **TIK Manufacturing Co., Ltd.**

Molding, processing and assembly of synthetic resins

Tel +66-2-324-0193 Fax +66-2-324-0195

#### Indonesia

##### **PT. Inabata Indonesia**

Import/export and sales of synthetic resins and chemicals

Tel +62-21-252-1514 Fax +62-21-252-1979

##### **PT. IK Precision Indonesia**

Molding and processing of synthetic resins

Tel +62-21-8910-6602 Fax +62-21-8910-6604

##### **PT. S-IK Indonesia**

Coloring and processing of synthetic resins

Tel +62-21-897-0432 Fax +62-21-897-0344

##### **PT. Uniplas IKA Pratama**

Molding and processing of synthetic resins

Tel +62-21-893-4010 Fax +62-21-893-5959

#### Malaysia

##### **Inabata Malaysia Sdn. Bhd.**

Import/export and sales of synthetic resins etc.

Tel +60-3-2078-8588 Fax +60-3-2078-8051

##### **Inabata Malaysia Sdn. Bhd., Johor Office**

Tel +60-7-224-6387 Fax +60-7-224-7153

##### **Inabata Malaysia Sdn. Bhd., Penang Office**

Tel +60-4-263-1372 Fax +60-4-263-1360

##### **Colour Compound (M) Sdn. Bhd.**

Coloring and processing of synthetic resins

Tel +60-3-5191-2661 Fax +60-3-5191-2667

##### **SIK Color (M) Sdn. Bhd.**

Coloring and processing of synthetic resins

Tel +60-7-652-3306 Fax +60-7-652-3570

#### Philippines

##### **Inabata Philippines, Inc.**

Sales of synthetic resins etc.

Tel +63-2-812-1869 Fax +63-2-819-5926

##### **Pine Film Corporation**

Manufacturing and sales of plastic films

Tel +63-46-437-2820 Fax +63-46-437-2824

##### **S-IK Color Philippines, Inc.**

Coloring and processing of synthetic resins

Tel +63-2-812-1869 Fax +63-2-819-5926

#### Vietnam

##### **Inabata Singapore (Pte.) Ltd., Ho Chi Minh Office**

Tel +84-8-823-4255 Fax +84-8-823-4319

##### **Saigon Daryar Plastic Co., Ltd.**

Manufacturing and sales of plastic films

Tel +84-8-9100292 Fax +84-8-9101549

##### **SIK Vietnam Co., Ltd.**

Coloring and processing of synthetic resins

Tel +84-31-618660 Fax +84-31-618661

#### Northeast Asia

#### China

##### **Inabata Sangyo (H.K.) Ltd.**

Import/export and sales of synthetic resins, machinery, electronic materials and chemicals

Tel +852-2521-3669 Fax +852-2810-4807

##### **Inabata Sangyo (H.K.) Ltd., Beijing Representative Office**

Tel +86-10-8526-1158 Fax +86-10-6525-0608

##### **Inabata Sangyo (H.K.) Ltd., Dalian Representative Office**

Tel +86-411-8264-6917 Fax +86-411-8264-6939

##### **Inabata Sangyo (H.K.) Ltd., Guangzhou Representative Office**

Tel +86-20-8669-2206 Fax +86-20-8669-2216

##### **Inabata Sangyo (H.K.) Ltd., Qingdao Representative Office**

Tel +86-532-5798-490 Fax +86-532-5798-495

##### **Inabata Sangyo (H.K.) Ltd., Shanghai Representative Office**

Tel +86-21-6841-1780 Fax +86-21-6841-1785

##### **Inabata Sangyo (H.K.) Ltd., Tianjin Representative Office**

Tel +86-22-23118272 Fax +86-22-23118273

##### **Inabata Industry & Trade (Dalian F.T.Z) Co., Ltd.**

Coloring and processing of synthetic resins

Import/export and sales of synthetic resins and chemicals

Tel +86-411-8732-4831 Fax +86-411-8732-4851

##### **Jiangyin TSI Chemicals Co., Ltd.**

Manufacturing and sales of raw materials for health food

Tel +86-510-6668170 Fax +86-510-6667920

**Langfang Zhongben Package Co., Ltd.**

Processing of films  
Tel +86-316-6088452 Fax +86-316-6088994

**Sanyo-IK Color (H.K.) Ltd. Dongguan Plant**

Coloring and processing of synthetic resins  
Tel +86-769-611-1088 Fax +86-769-611-1039

**Dongguan Sanyo-IK Engineering Plastics Co., Ltd.**

Tel +86-769-618-8280 Fax +86-769-618-8180

**Shanghai Inabata Trading Co., Ltd.**

Import/export and sales of synthetic resins and chemicals  
Tel +86-21-6841-1780 Fax +86-21-6841-1785

**Shanghai Inabata Trading Co., Ltd. Suzhou Office**

Tel +86-512-6841-7528 Fax +86-512-6841-7538

**Shanghai Nippo Plastics Precision Molding Co., Ltd.**

Molding and processing of synthetic resins  
Tel +86-21-5866-8001 Fax +86-21-5866-8003

**Shanghai Scheco-Inabata Dyestuff Application Technical Research Center Co., Ltd.**

Provision of technical information and analytical data of dyes and auxiliary agents  
Tel +86-21-5132-0068 Fax +86-21-5132-0062

**Sumika Electric Materials(Shanghai) Co., Ltd.**

Tel +86-21-5046-2296 Fax +86-21-5046-3133

**Tianjin Inabata Trading Co., Ltd.**

Import/export and sales of synthetic resins and chemicals  
Tel +86-22-23118270 Fax +86-22-23118273

**TSI (China) Co., Ltd.**

Manufacturing and sales of raw materials for health food  
Tel +86-21-6495-0900 Fax +86-21-6495-1094

**Xuzhou TSI Natural Products Co., Ltd.**

Manufacturing and sales of raw materials for health food  
Tel +86-516-3454999 Fax +86-516-3882221

**Yangzhou TSI Nutritional Products Co., Ltd.**

Manufacturing of raw materials for health food  
Tel +86-514-4549146 Fax +86-514-4549548

**Yantai Otowa Packaging Co., Ltd.**

Manufacturing and sales of plastic films  
Tel +86-535-7477299 Fax +86-535-7477358

**Taiwan**

**Taiwan Inabata Sangyo Co., Ltd.**

Import/export and sales of electronic materials, semiconductor related equipment and chemicals  
Tel +886-3-525-6261 Fax +886-3-521-7458

**Taiwan Inabata Sangyo Co., Ltd., Tainan Branch**

Import/export and sales of electronic materials, semiconductor related equipment and chemicals  
Tel +886-6-599-6990 Fax +886-6-599-7136

**Sumika Technology Co., Ltd.**

Processing and sales of polarizing film for LCDs  
Tel +886-7-364-1316 Fax +886-7-364-6994

**Americas**

**USA**

**Inabata America Corporation**

Import/export and sales of chemicals, electronic materials, raw materials for foodstuffs and synthetic resins  
Tel +1-212-586-7764 Fax +1-212-245-2876

**Inabata America Corporation, Chicago Office**

Tel +1-847-884-8452 Fax +1-847-884-8459

**Inabata America Corporation, El Paso Office**

Tel +1-915-790-2565 Fax +1-915-790-2930

**Inabata America Corporation, San Diego Office**

Tel +1-858-678-0211 Fax +1-858-678-0212

**Inabata America Corporation, Silicon Valley Office**

Tel +1-510-438-5573 Fax +1-510-580-2846

**Inabata America Corporation, Los Angeles Office**

Tel +1-714-242-2200 Fax +1-714-242-2222

**DNI Group, L.L.C**

Import/export and sales of foodstuffs  
Tel +1-415-382-9999 Fax +1-415-382-9990

**IKA Logistics, Inc.**

Warehousing and logistics(Inabata America El Paso Office)  
Tel +1-915-790-2565 Fax +1-915-790-2930

**Synax Technologies U.S.A., Inc.**

Maintenance and servicing of device handlers/ engineering support  
Tel +1-408-496-5737 Fax +1-408-496-5736

**The Shredder Company, LLC**

Manufacturing and sales of shredder machines and parts  
Tel +1-915-877-3814 Fax +1-915-877-4603

**Technical Sourcing International, Inc.**

Sales of raw materials for health food  
Tel +1-406-549-9123 Fax +1-406-549-6139

**Ulcoat USA, Inc.**

Import and sales of mask blanks  
Tel +1-510-490-6661 Fax +1-510-490-6832

**Mexico**

**IK Precision De Mexico, S.A. de C.V.**

Molding and processing of synthetic resins  
Tel +52-656682-4274 Fax +52-656682-4281

**Europe**

**UK**

**Inabata UK Limited**

Import/export and sales of IT related products and fine chemicals  
Tel +44-20-7603-0152 Fax +44-20-7603-0153

**Bio-Signal Corporation Ltd.**

Manufacturing and sales of quality-control equipment for beer servers  
Tel +44-1534-880106 Fax +44-1534-880107

**IK Precision Company Ltd.**

Molding, processing and sales of various metal/plastic parts  
Tel +44-1952-670118 Fax +44-1952-603903

**Nobel Enterprises**

Manufacturing of ink and raw materials for dyes  
Tel +44-1294-487000 Fax +44-1294-487111

**Belgium**

**Inabata Europe S.A.**

Import/export and sales of chemicals and electronic materials  
Tel +32-2-640-4995 Fax +32-2-640-1026

**France**

**Inabata France S.A.**

Import/export and sales of chemicals  
Tel +33-1-4286-5959 Fax +33-1-4286-5370

# Outline of Corporate History



Katsutaro's spirit is symbolized in the Inabata logomark "I" and "K." It not only represents his initials, but stands for love (ai) and respect (kei) in Japanese.

- 1890 Establishes Inabata Senryoten as importer of dyestuffs in Kyoto
- 1895 Opens Tokyo branch office
- 1897 Head office moves to Osaka
- 1918 The company incorporated and renamed as Inabata Shoten (Inabata & Co., Ltd.)
- 1922 Osaka Chamber of Commerce and Industry appoints Katsutaro Inabata as its 10<sup>th</sup> president, and remained in the post until 1934
- 1926 Katsutaro Inabata assumes presidency of Nippon Senryo Seizo KK, manufacturer of dyestuffs
- 1937 Representative office opens in Brussels
- 1938 Nagoya branch office opens
- 1940 Representative office opens in Batavia (now known as Jakarta)
- 1943 "Inabata Sangyo" becomes the Japanese company name  
Representative offices in Keijo (now Seoul), Shanghai, Tianjin, Qingdao, and Hoten(now Shenyang) upgraded to branch offices  
Representative office opens in Jogjakarta
- 1944 Nippon Senryo merges into Sumitomo Chemical Co. Ltd.  
Inabata Co. Ltd. becomes exclusive distributor of dyestuffs, chemicals, and pharmaceuticals for Sumitomo Chemical Co., Ltd.
- 1961 Stock listed on Second Section of Osaka Securities Exchange
- 1962 Stock listed on Second Section of Tokyo Stock Exchange
- 1966 Pharmaceuticals Division expands its business by enhancing its structure
- 1970 Upgrades Dyestuffs, Chemicals, Plastics, Machinery, General Affairs and Personnel departments as 'divisions'
- 1973 Stock listed on first section of Tokyo Stock Exchange and Osaka Securities Exchange
- 1974 Building Materials Division becomes independent from Plastics Division
- 1975 Foodstuffs Department set up within Chemicals Division
- 1976 Inabata Singapore (Pte.) Ltd. set up to become the first overseas office after World War II
- 1978 Inabata America Corporation launched in New York.
- 1979 Establishes Overseas Division
- 1983 Tokyo Branch office becomes Tokyo Head Office  
Sets up Machinery and Electronics Materials Division
- 1984 Separates Pharmaceuticals Division and establishes Sumitomo Pharmaceuticals Co., Ltd. in a joint venture with Sumitomo Chemical Co., Ltd.
- 1987 Establishes Siam Inabata Co., Ltd. (now Inabata Thai Co., Ltd.) in Thailand
- 1988 Foodstuffs Division becomes independent of the Chemicals Division  
Establishes Inabata Sangyo (H.K.) Ltd. in Hong Kong  
Establishes Inabata Europe S.A. in Belgium
- 1990 Builds "Villa Kujoyama" in Kyoto (completed November 1992) for Société de Rapprochement Intellectuel Franco-Japonais to commemorate Inabata's centennial anniversary  
Rebuilds Osaka Head Office
- 1999 Launches IT & Electronics, Housing Materials, Chemicals, Plastics, and Food divisions to concentrate resources on the major business domains  
Corporate Strategic Planning and Global Environment office functions set up
- 2000 Supports land mine removal in Cambodia to commemorate Inabata's 110 year anniversary  
Establishes Inabata UK Ltd. in London
- 2001 Sets up SC-IK Technology Co., Ltd. in Taiwan with Sumitomo Chemical Co., Ltd. to manufacture polarizing films for liquid crystal displays  
Sets up Shanghai Sumika High Purity Metal Ltd. in Shanghai with Sumitomo Chemical Co., Ltd. to refine gallium  
Resumes operations in Tianjin, China, with the opening of Tianjin branch of Inabata Sangyo (H.K.) Ltd.
- 2002 Establishes Inabata Industry & Trade (Dalian F.T.Z.) Co., Ltd. in Dalian, China  
Resumes operations in Beijing, with the opening of Beijing branch of Inabata Sangyo (H.K.) Ltd.  
Establishes branch office of Inabata Sangyo (H.K.) Ltd. in Qingdao, China  
Acquires Nobel Enterprises, an independent nitrocellulose business of Britain's Imperial Chemical Industries PLC
- 2003 Establishes SIK Vietnam in Hiphong, Vietnam  
Implements "executive officer system"  
Launches new human resources system

**IK INABATA & CO., LTD.**

Osaka Head Office 1-15-14, Minamisemba, Chuo-ku, Osaka 542-8558, Japan Tel +81-6-6267-6051 Fax +81-6-6267-6042  
Tokyo Head Office 2-8-2, Nihonbashihoncho, Chuo-ku, Tokyo 103-8448, Japan Tel +81-3-3639-6415 Fax +81-3-3639-6410