ALTECH Co., Ltd. and Consolidated Subsidiaries

Consolidated Financial Statements for the Years Ended November 30, 2004 and 2003, and Independent Auditors' Report

Deloitte.

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of ALTECH Co., Ltd. and consolidated subsidiaries as of November 30, 2004 and 2003, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ALTECH Co., Ltd. and consolidated subsidiaries as of November 30, 2004 and 2003, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

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

Deloitte Touche Tohmatsu

February 25, 2005

ALTECH Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheets
November 30, 2004 and 2003

ASSETS	Thousands of Yen 2004	Thousands of Yen 2003	Thousands of U.S. Dollars (Note 1) 2004
CURRENT ASSETS:			
Cash	¥ 3,250,653	¥ 2,648,251	$ 31,505
Time deposits		200,000	
Receivables:			
Trade notes	1,299,101	1,450,290	12,591
Trade accounts	5,344,090	5,355,442	51,794
Unconsolidated subsidiary and associated companies	489,867	1,019,051	4,747
Other	279,504	167,066	2,709
Allowance for doubtful receivables	(72,008)	(56,072)	(698)
Inventories (Note 4)	1,275,749	977,297	12,364
Advances paid	954,622	720,503	9,252
Deferred tax assets (Note 7)	141,938	101,650	1,376
Prepaid expenses and other current assets	579,867	837,851	5,620
Total current assets	13,543,383	13,421,329	131,260
PROPERTY, PLANT AND EQUIPMENT (Note 5):			
Land	3,835,469	3,840,518	37,173
Buildings and structures	3,562,476	3,504,131	34,527
Machinery and equipment	2,374,288	1,024,696	23,011
Furniture and fixtures	643,930	434,405	6,241
Construction in progress	525,288	800,206	5,091
Total	10,941,451	9,603,956	106,043
Accumulated depreciation	(1,509,790)	(1,229,480)	(14,633)
Net property, plant and equipment	9,431,661	8,374,476	91,410
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 5)	1,034,311	386,350	10,024
Investments in unconsolidated subsidiary and associated companies	558,887	106,859	5,417
Long-term loans receivable	257,730	307,629	2,498
Leasehold deposits	68,900	66,477	668
Directors' insurance funds	677,842	777,065	6,570
Deferred tax assets (Note 7)	520,157	392,111	5,041
Other assets	562,251	402,300	5,449
Allowance for doubtful receivables	(76,408)	(193,052)	(741)
Total investments and other assets	3,603,670	2,245,739	34,926
TOTAL	¥ 26,578,714	¥ 24,041,544	$ 257,596

LIABILITIES AND SHAREHOLDERS' EQUITY	Thousands of Yen 2004	Thousands of Yen 2003	Thousands of U.S. Dollars (Note 1) 2004
CURRENT LIABILITIES:			
Short-term bank loans (Note 5)	¥ 1,851,581	¥ 1,550,000	$ 17,945
Current portion of long-term debt (Note 5)	1,781,050	1,099,367	17,262
Payables:			
Trade notes	1,366,552	1,464,322	13,244
Trade accounts	4,226,879	3,954,904	40,966
Unconsolidated subsidiary and associated companies	61,314	50,963	594
Other	688,857	409,809	6,676
Advances received	1,002,885	1,114,055	9,720
Income taxes payable (Note 7)	446,190	12,436	4,324
Accrued expenses	619,722	657,349	6,007
Other current liabilities	344,875	816,886	3,343
Total current liabilities	12,389,905	11,130,091	120,081
LONG-TERM LIABILITIES:			
Long-term debt (Note 5)	5,510,693	3,826,188	53,409
Other long-term liabilities	122,126	253,805	1,183
Total long-term liabilities	5,632,819	4,079,993	54,592
MINORITY INTERESTS	46,169	25,093	448
CONTINGENT LIABILITIES (Note 11)			
SHAREHOLDERS' EQUITY (Notes 6 and 14.a):			
Common stock, no par value— authorized, 40,000 thousand shares; issued, 10,284 thousand shares; outstanding, 10,024 thousand shares in 2004 and 10,065 thousand shares in 2003	3,914,287	3,914,287	37,936
Capital surplus	4,454,225	4,454,225	43,169
Retained earnings	365,350	737,912	3,541
Net unrealized loss on available-for-sale securities	(31,612)	(22,543)	(306)
Foreign currency translation adjustments	28,500	(74,583)	276
Treasury stock—at cost, 260 thousand shares in 2004 and 219 thousand shares in 2003	(220,929)	(202,931)	(2,141)
Total shareholders' equity	8,509,821	8,806,367	82,475
TOTAL	¥ 26,578,714	¥ 24,041,544	$ 257,596

See notes to consolidated financial statements.

ALTECH Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Operations
Years Ended November 30, 2004 and 2003

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	2004
NET SALES (Note 13)	¥ 30,237,944	¥ 28,809,234	$ 293,060
COST OF SALES (Note 13)	26,442,374	25,740,099	256,274
Gross profit	3,795,570	3,069,135	36,786
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 9)	3,429,896	3,326,012	33,242
Operating income (loss)	365,674	(256,877)	3,544
OTHER INCOME (EXPENSES):			
Interest and dividends income	55,043	25,770	533
Interest expense	(195,872)	(133,924)	(1,898)
Equity in earnings of associated companies	36,901	11,657	358
Foreign exchange loss	(129,641)	(40,480)	(1,257)
Director's retirement benefits	(135,490)	(16,800)	(1,313)
Loss on business restructuring (Note 8)		(365,517)	
Other—net	62,325	(33,040)	604
Other expenses—net	(306,734)	(552,334)	(2,973)
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTERESTS	58,940	(809,211)	571
INCOME TAXES (Note 7):			
Current	455,560	50,651	4,415
Deferred	(165,914)	(196,770)	(1,608)
Total income taxes	289,646	(146,119)	2,807
MINORITY INTERESTS IN NET INCOME (LOSS)	21,077	(1)	204
NET LOSS	¥ (251,783)	¥ (663,091)	$ (2,440)

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2.m):			
Net loss	¥ (28.53)	¥ (65.88)	$ (0.28)
Cash dividends applicable to the year	12.00	12.00	0.12

See notes to consolidated financial statements.

ALTECH Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Shareholders' Equity
Years Ended November 30, 2004 and 2003

	Thousands	Thousands of Yen					
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Net Unrealized Loss on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE, DECEMBER 1, 2002	10,066	¥ 3,914,287	¥ 4,454,225	¥ 1,521,798	¥ (30,457)	¥ 13,952	¥ (202,310)
Net loss				(663,091)			
Cash dividends, ¥12 per share				(120,795)			
Purchase of treasury stock	(1)						(621)
Net increase in unrealized gain on available-for-sale securities					7,914		
Net change in foreign currency translation adjustments						(88,535)	
BALANCE, NOVEMBER 30, 2003	10,065	3,914,287	4,454,225	737,912	(22,543)	(74,583)	(202,931)
Net loss				(251,783)			
Cash dividends, ¥12 per share				(120,779)			
Purchase of treasury stock	(41)						(17,998)
Net decrease in unrealized gain on available-for-sale securities					(9,069)		
Net change in foreign currency translation adjustments						103,083	
BALANCE, NOVEMBER 30, 2004	10,024	¥ 3,914,287	¥ 4,454,225	¥ 365,350	¥ (31,612)	¥ 28,500	¥ (220,929)

	Thousands of U.S. Dollars (Note 1)					
	Common Stock	Capital Surplus	Retained Earnings	Net Unrealized Loss on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE, NOVEMBER 30, 2003	$ 37,936	$ 43,169	$ 7,152	$ (218)	$ (723)	$ (1,967)
Net loss			(2,440)			
Cash dividends, $0.12 per share			(1,171)			
Purchase of treasury stock						(174)
Net decrease in unrealized gain on available-for-sale securities				(88)		
Net change in foreign currency translation adjustments					999	
BALANCE, NOVEMBER 30, 2004	$ 37,936	$ 43,169	$ 3,541	$ (306)	$ 276	$ (2,141)

See notes to consolidated financial statements.

ALTECH Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows
Years Ended November 30, 2004 and 2003

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	2004
OPERATING ACTIVITIES:			
Income (loss) before income taxes and minority interests	¥ 58,940	¥ (809,211)	$ 571
Adjustments for:			
Income taxes—paid	(30,134)	(285,370)	(292)
Income taxes—refunded	101,585		984
Depreciation and amortization	352,940	308,025	3,421
Equity in earnings of associated companies	(36,901)	(11,657)	(358)
Changes in assets and liabilities:			
Decrease in receivables	678,995	875,184	6,581
(Increase) decrease in inventories	(298,512)	282,117	(2,893)
(Increase) decrease in advances paid	(230,405)	647,854	(2,233)
Increase (decrease) in payables	145,998	(729,718)	1,415
Decrease in advances received	(113,847)	(361,159)	(1,103)
(Decrease) increase in accrued expenses	(17,045)	257,732	(165)
Other—net	28,954	53,545	280
Total adjustments	581,628	1,036,553	5,637
Net cash provided by operating activities	640,568	227,342	6,208
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(1,481,229)	(1,431,739)	(14,356)
Proceeds from sales of property, plant and equipment		7,524	
Purchases of investment securities	(725,334)	(169,534)	(7,030)
Proceeds from sales of investment securities	43,488	70,719	421
Purchases of investments in associated companies	(421,428)		(4,084)
Increase of long-term deposits, except cash equivalents	(200,000)		(1,938)
Collection of long-term loans receivable	513,892	83,341	4,980
Additions to long-term loans receivable	(447,300)	(178,755)	(4,335)
Other—net	(47,068)	(31,923)	(456)
Net cash used in investing activities	(2,764,979)	(1,650,367)	(26,798)
FINANCING ACTIVITIES:			
Increase in short-term bank loans—net	305,070	31,540	2,957
Proceeds from long-term debt	3,930,000	1,509,799	38,089
Repayments of long-term debt	(1,563,812)	(997,434)	(15,156)
Dividends paid	(120,779)	(120,796)	(1,171)
Other—net	(30,665)	(12,677)	(297)
Net cash provided by financing activities	2,519,814	410,432	24,422
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS—(Forward)	¥ 395,403	¥ (1,012,593)	$ 3,832

(Continued)

ALTECH Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows
Years Ended November 30, 2004 and 2003

	Thousands of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	2004
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS—(Forward)	¥ 395,403	¥ (1,012,593)	$ 3,832
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	6,999	(1,427)	68
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,848,251	3,862,271	27,605
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 2.b)	¥ 3,250,653	¥ 2,848,251	$ 31,505

See notes to consolidated financial statements.

(Concluded)

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

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

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

Certain reclassifications and rearrangements have been made in the 2003 financial statements to conform to the classifications and presentations used in 2004.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which ALTECH Co., Ltd. (the "Company") is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥103.18 to $1, the approximate rate of exchange at November 30, 2004. Such translation should not be construed as representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***a. Consolidation*—**The consolidated financial statements as of November 30, 2004 and 2003, include the accounts of the Company and its significant 14 (7 in 2003) subsidiaries (together, the "Group").

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

On December 1, 2003, the Company established 5 subsidiaries, ALTECH APS Co., Ltd., ALTECH COMMUNICATIONS Co., Ltd., ALTECH ALT Co., Ltd., ALTECH ADS Co., Ltd. and ALTECH ARS Co., Ltd., by the means of corporate separation, which resulted in the Company being a holding company of these subsidiaries.

In 2004, the Company consolidated these 5 subsidiaries, and 2 other subsidiaries which were newly established in current year.

Investments in 3 (2 in 2003) associated companies are accounted for by the equity method. Investments in the remaining 1 unconsolidated subsidiary and 2 (1 in 2003) associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

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

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

The reconciliation between cash and time deposits in the accompanying consolidated balance sheets and cash and cash equivalents in the accompanying consolidated statements of cash flows is as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Cash	¥ 3,250,653	¥ 2,648,251	$ 31,505
Time deposits		200,000	
Cash and cash equivalents	¥ 3,250,653	¥ 2,848,251	$ 31,505

c. ***Investment Securities—***Marketable available-for-sale securities, which are not classified as either trading securities or held-to-maturity debt securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, non-marketable available-for-sale securities are reduced to net realizable value by a charge to income.

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

e. ***Inventories—***Inventories of consolidated subsidiaries, except Chinese consolidated subsidiaries, are stated at cost determined by the specific identification method. Inventories of Chinese consolidated subsidiaries are stated at the lower of cost, determined by the moving-average method, or market.

f. ***Property, Plant and Equipment—***Property, plant and equipment are stated at cost. Depreciation of the Company and its consolidated subsidiaries, except Chinese consolidated subsidiaries, is computed by the declining-balance method, while the straight-line method is applied to the buildings acquired after April 1, 1998, at rates based on the estimated useful lives of the assets. The range of useful lives is principally from 3 to 50 years for buildings and structures, and from 2 to 15 years for machinery and equipment. Depreciation of Chinese consolidated subsidiaries is computed by the straight-line method. The range of useful lives is principally from 5 to 20 years for buildings and structures, and from 5 to 10 years for machinery and equipment.

g. ***Income Taxes—***The Group accounts for interperiod allocation of income taxes based on the asset and liability method.

Deferred income taxes are recorded to reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

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

i. ***Foreign Currency Financial Statements—***The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for shareholders' equity, which is translated at the historical rate.

Differences arising from such translation were shown as "Foreign currency translation adjustments" in a separate component of shareholders' equity.

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

j. ***Derivatives and Hedging Activities—***The Group uses derivative financial instruments to manage their exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts, currency swaps and interest rate swaps are utilized by the Group to reduce foreign currency exchange and interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.

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

Foreign currency forward contracts are utilized to hedge foreign currency exposures in export sales and in purchase of goods from overseas suppliers. Trade receivables and trade payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

Forward contracts utilized for forecasted (or committed) transactions are also measured at the fair value, but the unrealized gains/losses are deferred until the underlying transactions are completed.

Currency swaps are utilized to hedge foreign currency exposures of long-term loans receivable. These swaps are measured at fair value and the unrealized gains/losses are recognized in the consolidated statements of operations.

Interest rate swaps are utilized to hedge interest rate exposures of long-term debt. Swaps which qualify for hedge accounting are measured at market value at the balance sheet date, and the unrealized gains or losses are deferred until maturity as other liability or asset. Additionally, swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense or income.

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

l. ***Appropriations of Retained Earnings***—Appropriations of retained earnings at each year end are reflected in the financial statements for the following year upon shareholders' approval.

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

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

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

3. INVESTMENT SECURITIES

Investment securities as of November 30, 2004 and 2003, consisted of the following:

	Thousands of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Non-current:			
Marketable equity securities	¥ 310,792	¥ 187,215	$ 3,012
Government bonds	10,543	10,559	102
Other investment securities	712,976	188,576	6,910
Total	¥ 1,034,311	¥ 386,350	$ 10,024

The carrying amounts and aggregate fair values of investment securities at November 30, 2004 and 2003, were as follows:

	Thousands of Yen			
November 30, 2004	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	¥ 359,084	¥ 8,928	¥ (57,220)	¥ 310,792
Debt securities	10,000	543		10,543
November 30, 2003				
Securities classified as available-for-sale:				
Equity securities	227,653	17,627	(58,065)	187,215
Debt securities	10,000	559		10,559

November 30, 2004	Thousands of U.S. Dollars Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	$ 3,480	$ 87	$ (555)	$ 3,012
Debt securities	97	5		102

Available-for-sale securities whose fair value is not readily determinable as of November 30, 2004 and 2003, were as follows:

	Carrying Amount Thousands of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Available-for-sale—Equity securities	¥ 712,976	¥ 188,576	$ 6,910

Proceeds from sales of available-for-sale securities for the years ended November 30, 2004 and 2003, were ¥43,488 thousand ($421 thousand) and ¥70,719 thousand, respectively. Gross realized gains on these sales, computed on the moving average cost basis, were ¥24,960 thousand ($242 thousand) and ¥18,726 thousand for the years ended November 30, 2004 and 2003, respectively.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale at November 30, 2004, are as follows:

	Thousands of Yen	Thousands of U.S. Dollars
	Available for Sale	Available for Sale
Due after five years through ten years	¥ 10,543	$ 102

4. INVENTORIES

Inventories at November 30, 2004 and 2003, consisted of the following:

	Thousands of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Merchandise	¥ 899,830	¥ 752,192	$ 8,721
Finished products	226,162	53,249	2,192
Work in process	7,078	3,515	68
Raw materials and supplies	142,679	168,341	1,383
Total	¥ 1,275,749	¥ 977,297	$ 12,364

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

Short-term bank loans at November 30, 2004 and 2003, consisted of notes to banks and bank overdrafts. The annual interest rates applicable to the short-term bank loans ranged from 0.560% to 2.785% and from 0.480% to 1.375% at November 30, 2004 and 2003, respectively.

Long-term debt at November 30, 2004 and 2003, consisted of the following:

	Thousands of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Unsecured 0.37% yen straight bonds, due 2005	¥ 100,000	¥ 100,000	$ 969
Loans from banks and other financial institutions, due serially to 2011 with interest rates ranging from 1.30% to 4.33% (1.30% to 4.33% in 2003):			
Collateralized	3,133,200	2,310,000	30,367
Unsecured	4,058,543	2,515,555	39,335
Total	7,291,743	4,925,555	70,671
Less current portion	(1,781,050)	(1,099,367)	(17,262)
Long-term debt, less current portion	¥ 5,510,693	¥ 3,826,188	$ 53,409

Annual maturities of long-term debt at November 30, 2004, were as follows:

Year Ending November 30	Thousands of Yen	Thousands of U.S. Dollars
2005	¥ 1,781,050	$ 17,262
2006	1,562,635	15,145
2007	1,891,532	18,332
2008	1,104,526	10,705
2009	514,000	4,982
2010 and thereafter	438,000	4,245
Total	¥ 7,291,743	$ 70,671

The carrying amounts of assets pledged as collateral for short-term bank loans of ¥900,000 thousand ($8,723 thousand) and the above collateralized long-term debt at November 30, 2004, were as follows:

	Thousands of Yen	Thousands of U.S. Dollars
Property, plant and equipment—net of accumulated depreciation	¥ 5,860,015	$ 56,794
Investment securities	40,171	389
Total	¥ 5,900,186	$ 57,183

6. SHAREHOLDERS' EQUITY

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

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

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

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

The amount of retained earnings available for dividends under the Code was ¥532,548 thousand ($5,161 thousand) as of November 30, 2004, based on the amount recorded in the parent company's general books of account. In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends.

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

7. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 42.1% for the years ended November 30, 2004 and 2003.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at November 30, 2004 and 2003, are as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Current:			
Deferred tax assets:			
Accrued enterprise tax	¥ 39,379	¥ 189	$ 381
Inventories	12,583	43,672	122
Accrued expenses	21,844	20,062	212
Allowance for doubtful receivables	24,635	13,193	239
Other	64,847	34,543	629
Less valuation allowance	(21,023)		(204)
Total	142,265	111,659	1,379
Deferred tax liabilities:			
Enterprise tax receivable		9,682	
Dividends receivable	327	327	3
Total	327	10,009	3
Net deferred tax assets—current	¥ 141,938	¥ 101,650	$ 1,376
Non-current—Deferred tax assets:			
Unrealized gain on associated companies' machinery	¥ 93,378	¥ 43,539	$ 905
Subsidiaries' stock	64,681		627
Tax loss carryforwards	552,900	245,545	5,359
Net unrealized loss on available-for-sale securities	20,483	15,466	198
Other investments assets	79,692	103,426	772
Other	45,922	29,308	445
Less valuation allowance	(336,899)	(45,173)	(3,265)
Deferred tax assets—non-current	¥ 520,157	¥ 392,111	$ 5,041

A reconciliation between the normal effective statutory tax rate for the years ended November 30, 2004 and 2003, and the actual effective tax rate reflected in the accompanying consolidated statements of operations is as follows:

	2004	2003
Normal effective statutory tax rate	42.1 %	(42.1) %
Expenses not deductible for income tax purposes	30.4	2.6
Per capita levy of local taxes	14.8	1.0
Effect of tax rate reduction		1.4
Lower income tax rates applicable to income in certain foreign countries	97.4	3.2
Valuation allowance	392.3	3.1
Tax benefits not recognized on unrealized gain (loss)	(60.1)	14.5
Equity in earnings of associated companies	(26.3)	(0.6)
Other—net	0.8	(1.2)
Actual effective tax rate	491.4 %	(18.1) %

On March 31, 2003, a tax reform law concerning enterprise tax was enacted in Japan which changed the normal effective statutory tax rate from approximately 42.1% to 40.7%, effective for years beginning on or after April 1, 2004. The effect of this change was to decrease deferred tax assets—non-current by ¥11,650 thousand, increase income taxes—deferred by ¥11,134 thousand and increase unrealized loss on available-for-sale securities by ¥517 thousand in the consolidated financial statements for the year ended November 30, 2003.

The Group intends to file a tax return under the consolidated corporate-tax system in the fiscal year ending November 30, 2005. Accounting treatments for deferred tax assets and liabilities are subject to the newly applied consolidated corporate-tax system.

8. LOSS ON BUSINESS RESTRUCTURING

Loss on business restructuring for the year ended November 30, 2003, consists of loss on disposal of merchandise ¥277,512 thousand and loss from revaluation of merchandise ¥88,005 thousand due to withdrawal from loss making business.

9. LEASES

The Group leases certain machinery, computer equipment, office space and other assets.

Total rental expenses for the years ended November 30, 2004 and 2003, were ¥179,465 thousand ($1,739 thousand) and ¥191,971 thousand, respectively, including ¥99,716 thousand ($966 thousand) and ¥124,802 thousand of lease payments under finance leases.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance leases, depreciation expense, interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended November 30, 2004 and 2003, was as follows:

For the Year Ended November 30, 2004

	Thousands of Yen			Thousands of U.S. Dollars		
	Machinery and Equipment	Other Assets	Total	Machinery and Equipment	Other Assets	Total
Acquisition cost	¥ 530,572	¥ 45,298	¥ 575,870	$ 5,142	$ 439	$ 5,581
Accumulated depreciation	365,639	24,707	390,346	3,544	239	3,783
Net leased property	¥ 164,933	¥ 20,591	¥ 185,524	$ 1,598	$ 200	$ 1,798

Obligations under finance leases:

	Thousands of Yen	Thousands of U.S. Dollars
Due within one year	¥ 76,098	$ 737
Due after one year	124,430	1,206
Total	¥ 200,528	$ 1,943

Depreciation expense and interest expense under finance leases:

	Thousands of Yen	Thousands of U.S. Dollars
Depreciation expense	¥ 91,760	$ 889
Interest expense	10,055	98
Total	¥ 101,815	$ 987

For the Year Ended November 30, 2003

	Thousands of Yen		
	Machinery and Equipment	Other Assets	Total
Acquisition cost	¥ 547,801	¥ 36,684	¥ 584,485
Accumulated depreciation	313,577	17,923	331,500
Net leased property	¥ 234,224	¥ 18,761	¥ 252,985

Obligations under finance leases:

	Thousands of Yen
Due within one year	¥ 94,182
Due after one year	180,579
Total	¥ 274,761

Depreciation expense and interest expense under finance leases:

	Thousands of Yen
Depreciation expense	¥ 114,695
Interest expense	11,227
Total	¥ 125,922

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of operations, are computed by the straight-line method and the interest method, respectively.

10. DERIVATIVES

The Company enters into derivative financial instruments ("derivatives"), including foreign exchange forward contracts and currency swaps to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Company also enters into interest rate swap contracts to manage its interest rate exposures on certain liabilities.

Derivatives are subject to market risk and credit risk. Market risk is the exposure created by potential fluctuations in market conditions, including foreign exchange rates or interest rates. Credit risk is the possibility that a loss may result from a counterparty's failure to perform according to the terms and conditions of the contract.

All derivative transactions are entered into to hedge foreign currency exposures and interest incorporated within its business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities. The Company does not hold or issue derivatives for trading purposes.

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

Derivative transactions entered into by the Company have been made in accordance with internal policies which regulate the authorization. Interest rate swap contracts are also approved by the Board of Directors. The execution and control of derivatives are controlled by the Accounting Division.

The Company had the following derivatives contracts outstanding at November 30, 2004 and 2003:

	Thousands of Yen					
	2004			2003		
	Contract or Notional Amount	Fair Value	Unrealized Gain (Loss)	Contract or Notional Amount	Fair Value	Unrealized Gain (Loss)
Forward exchange contracts:						
Buying foreign currency:						
U.S. dollar	¥ 1,997,054	¥ 1,849,668	¥ (147,386)	¥ 5,779,491	¥ 5,385,543	¥ (393,948)
Euro	792,279	820,493	28,214	1,392,887	1,409,889	17,002
Other currencies	68,193	68,193		12,789	13,152	363
Total	¥ 2,857,526	¥ 2,738,354	¥ (119,172)	¥ 7,185,167	¥ 6,808,584	¥ (376,583)
Selling foreign currency:						
U.S. dollar	¥ 818,019	¥ 772,713	¥ 45,306	¥ 68,943	¥ 69,081	¥ (138)
Euro	381,180	383,515	(2,335)	5,299	5,096	203
Other currencies				17	18	(1)
Total	¥ 1,199,199	¥ 1,156,228	¥ 42,971	¥ 74,259	¥ 74,195	¥ 64
Currency swaps—Yen receipt, U.S. dollar payment	¥ 1,107,288	¥ 117,020	¥ 117,020	¥ 1,790,410	¥ 5,747	¥ 5,747
Interest rate swaps (fixed rate payment, floating rate receipt)	¥ 5,469,000	¥ (124,358)	¥ (124,358)	¥ 3,748,000	¥ (79,169)	¥ (79,169)

	Thousands of U.S. Dollars		
	2004		
	Contract or Notional Amount	Fair Value	Unrealized Gain (Loss)
Forward exchange contracts:			
Buying foreign currency:			
U.S. dollar	$ 19,355	$ 17,927	$ (1,428)
Euro	7,679	7,952	273
Other currencies	661	661	
Total	$ 27,695	$ 26,540	$ (1,155)
Selling foreign currency:			
U.S. dollar	$ 7,928	$ 7,489	$ 439
Euro	3,694	3,717	(23)
Total	$ 11,622	$ 11,206	$ 416
Currency swaps—Yen receipt, U.S. dollar payment	$ 10,732	$ 1,134	$ 1,134
Interest rate swaps (fixed rate payment, floating rate receipt)	$ 53,004	$ (1,205)	$ (1,205)

Forward exchange contracted amounts which are assigned to associated assets or liabilities and are reflected on the balance sheet at year end, are not subject to the disclosure of market value information.

The contract or notional amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

11. CONTINGENT LIABILITIES

At November 30, 2004, the Group had the following contingent liabilities:

	Thousands of Yen	Thousands of U.S. Dollars
Guarantees of bank loans of associated companies	¥ 539,500	$ 5,229

12. SEGMENT INFORMATION

Information about industry segments, geographical segments and sales to foreign customers of the Company and consolidated subsidiaries for the years ended November 30, 2004 and 2003, is as follows:

(1) Industry Segments

Industry segment information for the year ended November 30, 2003 is not shown because sales, operating income and identifiable assets from the primary business of the Group, which is the trading of specialized industrial machinery and sales of related goods and services, were more than 90% of the consolidated sales, operating income and assets.

Industry segment information for the year ended November 30, 2004 is not shown because the Group operated principally in the trading of specialized industrial machinery and sales of related goods and services.

(2) Geographical Segments

The geographical segment information for the year ended November 30, 2003 is not shown because domestic sales and total assets of the Company and domestic subsidiaries were more than 90% of the consolidated sales and assets.

The geographical segments of the Company and its subsidiaries for the year ended November 30, 2004 are as follows:

	Thousands of Yen				
	2004				
	Japan	Asia	Others	Eliminations/ Corporate	Consolidated
Sales to customers	¥ 29,386,651	¥ 435,092	¥ 416,201		¥ 30,237,944
Interarea transfer	1,195,128	78,220		¥ (1,273,348)	
Total sales	30,581,779	513,312	416,201	(1,273,348)	30,237,944
Operating expenses	29,672,608	826,382	441,679	(1,068,399)	29,872,270
Operating income (loss)	¥ 909,171	¥ (313,070)	¥ (25,478)	¥ (204,949)	¥ 365,674
Total assets	¥ 15,405,140	¥ 5,658,803	¥ 188,562	¥ 5,326,209	¥ 26,578,714

	Thousands of U.S. Dollars				
	2004				
	Japan	Asia	Others	Eliminations/ Corporate	Consolidated
Sales to customers	$ 284,809	$ 4,217	$ 4,034		$ 293,060
Interarea transfer	11,583	758		$ (12,341)	
Total sales	296,392	4,975	4,034	(12,341)	293,060
Operating expenses	287,581	8,009	4,281	(10,355)	289,516
Operating income (loss)	$ 8,811	$ (3,034)	$ (247)	$ (1,986)	$ 3,544
Total assets	$ 149,304	$ 54,844	$ 1,828	$ 51,620	$ 257,596

(3) Sales to Foreign Customers

Sales to foreign customers for the years ended November 30, 2004 and 2003 amounted to ¥3,961,117 thousand ($38,390 thousand) and ¥2,464,509 thousand, respectively.

13. RELATED PARTY TRANSACTIONS

Transactions of the Group with unconsolidated subsidiary and associated companies for the years ended November 30, 2004 and 2003, were as follows:

	Thousands of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Sales	¥ 4,001,407	¥ 5,874,175	$ 38,781
Purchases of inventories	105,073	164,733	1,018

14. SUBSEQUENT EVENTS

a. The following appropriations of retained earnings at November 30, 2004, were approved at the Company's shareholders meeting held on February 25, 2005:

	Thousands of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥12 ($0.12) per share	¥ 120,292	$ 1,166

b.(1) The Company signed the syndicated loan agreement in which the arranger is The Bank of Tokyo-Mitsubishi, Ltd. Details are shown below:

(a)	Agreement Date:	December 15, 2004
(b)	Maximum Amount:	¥2,100,000 thousand
(c)	Interest:	TIBOR + 1.5%
(d)	Drawdown Date:	The proposed date from the agreement date till May 31, 2005
(e)	Repayment:	Repayment equally every half year from November 30, 2005
(f)	Final Repayment Date:	November 30, 2011
(g)	Lender:	The Bank of Tokyo-Mitsubishi, Ltd., Mizuho Bank, Ltd., UFJ Bank Limited, Bank of China, Sumitomo Mitsui Banking Corporation, Resona Bank, Ltd., The Sumitomo Trust & Banking Co., Ltd., The Norinchukin Bank, The Gunma Bank, Ltd. and The Mitsubishi Trust and Banking Corporation
(h)	Purpose:	Increasing the capital of Altech New Materials (Suzhou) Co., Ltd. and Altech New Materials (Guangzhou) Co., Ltd.

(2) Altech New Materials (Guangzhou) Co., Ltd. signed the syndicated loan agreement in which the arranger is The Bank of Tokyo-Mitsubishi, Ltd. Details are shown below:

(a)	Agreement Date:	December 28, 2004
(b)	Maximum Amount:	RMB 124,400 thousand
(c)	Interest:	The rate determined based on the rate for an RMB advance of more than five years published by the People's Bank of China
(d)	Drawdown Date:	The proposed date within one year of the agreement date
(e)	Repayment:	Repayment RMB 10,360 thousand every half year from June 20, 2006 (Final repayment amount is RMB 10,440 thousand)
(f)	Final Repayment Date:	December 20, 2011
(g)	Lender:	The Bank of Tokyo-Mitsubishi, Ltd., UFJ Bank Limited, Mizuho Corporate Bank, Ltd. and Sumitomo Mitsui Banking Corporation
(h)	Purpose:	The general capital expenditure of Altech New Materials (Guangzhou) Co., Ltd.

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