

# ANNUAL REPORT

# 2005

Year Ended March 31, 2005



NISSIN ELECTRIC CO., LTD.

# Profile

*Nissin Electric Co., Ltd. is a leading manufacturer of power system equipment and charged particle beam-oriented equipment. Power system equipment is necessary to ensure reliable power supplies. Charged particle beam-oriented equipment includes high technology products such as ion implanters, electron processing systems, and thin-film coating equipment. Nissin also provides a variety of engineering services ranging from installation and adjustment of high technology based products to advanced technical treatments.*

*Nissin operates many production plants and subsidiaries in Japan and overseas. The company is guided by its Corporate slogan — To explore the future potential of human intelligence and technology — . Since its 1917 incorporation in Kyoto, Nissin has grown to global stature as a manufacturer of high-technology products for a broad range of industries.*

## Plan 21

Nissin drew up its medium-term company-wide management plan “Plan 21” in 2000. Since then, it has been reforming its business culture and structure with great speed and fighting spirit.

In the current challenging business environment, Plan 21 reforms Nissin’s business culture to enable it to quickly adjust to global change, aiming at strengthening its existing competitive advantages. This involves changes in the traditional and stable power-company base structure, and reinforcing its power system equipment business.

Plan 21 reforms its business structure, dividing the businesses into three segments: “Solutions”, “Production”, and “Devices”. The aim is for each segment to focus on its competitive products and services.

For the “Solutions” business, Nissin will add new value to customers by proposing new solutions in anticipation of needs. Nissin will provide the best systems and products for the customer by developing these new solutions.

For the “Production” business, Nissin will produce cost competitive components by breaking each one up into modules and standardizing each part. The overseas production facilities in China and Thailand will provide for more cost competitiveness.

For the “Devices” business, Nissin will continue to search and cultivate new businesses that contribute to the company’s growth.

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### Forward-Looking Statements

Statements regarding earnings projections, market outlooks and similar items are forward-looking statements based on information available to the company at the present time and thus contain many uncertainties. Readers should understand that such forward-looking statements embody risks and that actual results, market conditions and other events may differ significantly from the estimates and projections contained in this publication.

# Consolidated Financial Highlights

Nissin Electric Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31

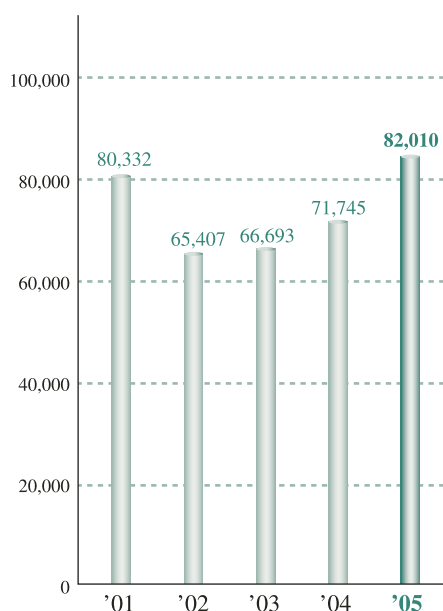
	Millions of yen					Thousands of U.S. dollars
	2005	2004	2003	2002	2001	2005
Net sales .....	<b>¥82,010</b>	¥ 71,745	¥ 66,693	¥ 65,407	¥ 80,332	<b>\$ 766,449</b>
Operating income (loss) .....	<b>6,808</b>	4,151	(1,551)	(253)	3,357	<b>63,626</b>
Net income (loss) .....	<b>2,403</b>	1,664	(3,415)	75	1,275	<b>22,458</b>
Total assets .....	<b>86,146</b>	83,267	77,077	85,641	97,571	<b>805,103</b>
Shareholders' equity .....	<b>40,774</b>	39,169	36,814	41,029	41,611	<b>381,065</b>

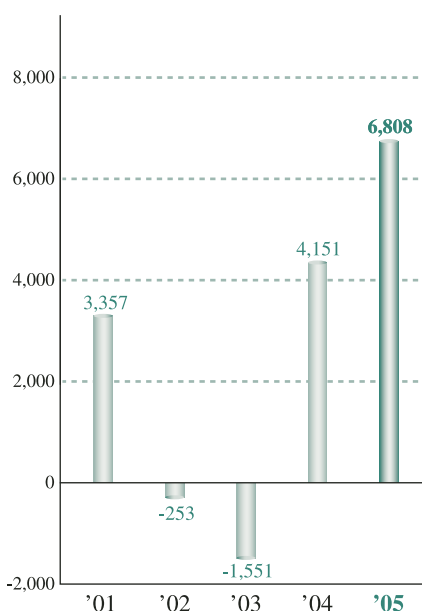
Per share of common stock:	Yen					U.S. dollars
	Net income (loss) .....	<b>¥ 21.98</b>	¥ 15.31	¥ (31.84)	¥ 0.69	¥ 11.84
Diluted net income .....	<b>21.93</b>	15.29	—	—	—	<b>0.20</b>
Cash dividends .....	<b>3.00</b>	3.00	—	3.00	3.00	<b>0.03</b>
Shareholders' equity .....	<b>381.28</b>	366.98	344.20	381.76	386.58	<b>3.56</b>

Note: 1. For convenience only, U.S. dollar amounts are translated from Japanese yen at the rate of ¥107 = US\$1, the approximate exchange rate prevailing on March 31, 2005.  
2. Effective April 1, 2002, the Company adopted the new accounting standard for earnings per share and related guidance (Accounting Standards Board Statement No. 2, "Accounting Standard for Earnings Per Share" and Financial 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), prior year figures have not been restated.

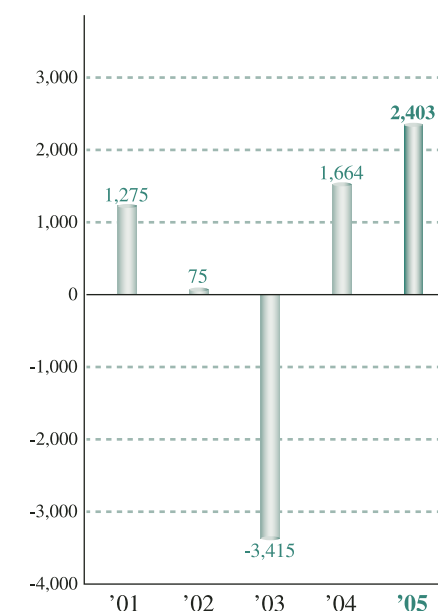
**Net sales**  
(Millions of yen)



**Operating income (loss)**  
(Millions of yen)



**Net income (loss)**  
(Millions of yen)



# Message from the President



## Steady upturn in business results

Fiscal year 2005 ended March 31, 2005, was the second consecutive year of sales and profit growth. We confirmed business recovery was solid. Return on assets (ROA) was 8.0%, up 3.1% from the previous fiscal year and cash flow turned positive and was 1,323 million yen, up 4,132 million yen.

Net sales increased 14.3% to 82,010 million yen from the previous year due to an increase in Ion Implantation System for semiconductor manufactures and growth in the overseas power system equipment.

Operating income recorded 6,808 million yen, up 64.0% from the previous year, due to a sales increase for the Ion Implantation System and the effects of cost cuts. In non-operating elements, gains on sales of securities were 1,000 million yen and projected costs for treating polychlorinated biphenyl (PCB) waste under our control was 2,200 million yen. The latter was computed after the government's determination of the unit price of treating PCB waste.

As a result, net income increased 44.4% to 2,403 million yen.

Business results by segment are as follows.

### The power system equipment segment

Sales improved 3.5% from the previous year to 55,307 million

yen in the power system equipment segment. By product, sales of reactive power compensation equipment, including capacitor facilities for power companies, rose in Asia, mainly in Japan and China. Sales of substation equipment increased in Asia and the Japanese private sector and declined in the public sector and power industry. Sales of control systems expanded for private manufacturers and diminished for public water treatment facilities.

In spite of the effects of increased competition in the domestic market, operating income rose 0.9% from the previous year to 2,779 million yen due to growing business in Asia.

### The charged particle beam-oriented equipment segment

Sales improved 46.0% from the previous year to 26,703 million yen in the charged particle beam-oriented equipment segment. Sales of the Ion Implantation System for semiconductor manufacturers and the ION DOPING® System for liquid crystal panel manufacturers increased in Japan and Asia. Operating income rose 114% from the previous year to 5,291 million yen due to an increase in shipments and the effects of cost-cutting.

## Continue to make efforts to reinforce corporate structure and develop and strengthen businesses

### Reinforce corporate structure

Under the action policy—great speed and fighting spirit—we make efforts to revitalize management and improve business efficiency at the general director and manager levels.

We introduced the executive director system last year and reorganized the business unit, which had been directed by the president, into three business headquarters. We also accelerated the speed of decision-making for management policies and conducted an authority transfer. With regard to elevation of executives, the promotion system based on employers' application was adopted and efforts are put into increasing



human resources such as holding special “Nissin College” seminars at each level.

We have established the Work Restructuring Center, where I serve as the head, to reinforce the series of reforms and translate them into higher enterprise value.

### The power system equipment

#### Strengthen the core business

We have led the innovation of static-heavy electric equipment under the concept “Nissin, a specialist in downsizing.” The world’s smallest sized 66/77 kV class and 24 kV class Gas Insulated Switchgear and 6.6 kV class compact switchgear had been released. In fiscal year 2005, we commercialized a compact transformer “LVACS”, (Liquid Vaporization Advanced Cooling System). By releasing these products and power quality products based on our own technologies and expanding regional bases to respond to increased replacement demand, we further increase customer satisfaction and strengthen the power system equipment in Japan.

In the rapidly growing Chinese market, the production capacity was increased by the completion of a new plant. Overseas production exceeded 11 billion yen including in Thailand and Taiwan, up 34% from the previous year.

### The charged particle beam-oriented equipment

#### Launch and develop new business

We expect the Ion Implantation System and the ION DOPING® System, manufactured by our subsidiary NISSIN ION EQUIPMENT CO., LTD., to further increase in demand. To increase production of the latter product, we are constructing a new plant in Japan. The construction will be completed in the fall of 2005.

We also plan to build a production base mainly for the Electric Beam Processing System, the Japan’s top-share products

manufactured by our subsidiary NHV Corporation in China.

In the thin-film coating business, we will expand business in Japan, Thailand, and China, incorporating coating equipment production and coating service into significant business areas. As part of the strategy, we turned our equity-method affiliated Nippon ITF Inc., into a consolidated subsidiary.

### Research and Development

We have developed power systems aiming to reduce their size, lower energy consumption, and improve power quality; next generation semiconductor and liquid crystal panel manufacturing equipment; thin-film coating related technologies; and new generation SiC device manufacturing equipment and its elemental technologies.

Research and development costs for fiscal year 2005 were 3,345 million yen, which was equivalent to 4.1% of net sales.

Main results are as follows:

- 24 kV Gas Insulated Switchgear downsized by the application of the Auto-Expansion type Gas Circuit Breaker and high-pressure SF6 gas insulation technology (See pic-1 below).
- Completion of developing a CVD Equipment for Carbon Nanotube synthesis
- Advance development of Low Temperature Poly-Silicon Deposition System for liquid crystal display
- Successful field test of our developed SiC device, which are embedded in a direct current power supply for the Electronic Beam Processing System.

Through the above business activities, we will strive to improve business results and enterprise value for the entire Nissin Electric Group.

June 2005



1 Front: The world’s smallest sized 24kV SF6 Gas Insulated Switchgear / Rear: Conventional ones to be replaced

2 Thin-film coated metal parts, a processing service of which has been launched in China

3 Nissin Electric (Wuxi) Co., Ltd., where a new plant has been constructed

# Consolidated Balance Sheets

Nissin Electric Co., Ltd. and Consolidated Subsidiaries  
March 31, 2005 and 2004

Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
<b>Current Assets:</b>			
Cash and cash equivalents .....	¥ 9,389	¥ 8,066	\$ 87,748
Time deposits .....	500	176	4,673
Receivables:			
Trade notes and accounts .....	30,441	29,980	284,495
Other .....	863	1,073	8,066
	<u>31,304</u>	<u>31,053</u>	<u>292,561</u>
Allowance for doubtful receivables .....	(28)	(98)	(262)
	<u>31,276</u>	<u>30,955</u>	<u>292,299</u>
Inventories (Note 4) .....	17,920	16,853	167,476
Deferred tax assets (Note 13) .....	2,249	2,767	21,019
Other current assets .....	722	953	6,748
Total current assets .....	<u>62,056</u>	<u>59,770</u>	<u>579,963</u>
<b>Property, plant and equipment:</b>			
Land .....	2,091	2,086	19,542
Buildings and structures (Note 6) .....	19,758	19,947	184,654
Machinery and equipment .....	27,969	26,104	261,393
Construction in progress .....	1,118	231	10,449
	<u>50,936</u>	<u>48,368</u>	<u>476,038</u>
Accumulated depreciation .....	(35,311)	(34,250)	(330,010)
	<u>15,625</u>	<u>14,118</u>	<u>146,028</u>
<b>Investments and other assets:</b>			
Investment securities (Note 3) .....	3,440	4,862	32,150
Deferred tax assets (Note 13) .....	1,556	1,607	14,542
Other assets .....	2,282	1,834	21,327
Allowance for doubtful receivables .....	(275)	(204)	(2,570)
	<u>7,003</u>	<u>8,099</u>	<u>65,449</u>
	<u>1,462</u>	<u>1,280</u>	<u>13,663</u>
<b>Intangible assets</b> .....	<u>¥ 86,146</u>	<u>¥ 83,267</u>	<u>\$ 805,103</u>

See accompanying notes.

<b>Liabilities, Minority Interests and Shareholders' Equity</b>	Millions of yen		Thousands of U.S. dollars (Note 1)
	<b>2005</b>	2004	<b>2005</b>
<b>Current liabilities:</b>			
Short-term bank loans (Note 5) .....	¥ 4,613	¥ 5,217	\$ 43,112
Payables:			
Trade notes and accounts .....	17,329	19,023	161,953
Construction notes and others .....	1,440	1,128	13,458
	<u>18,769</u>	<u>20,151</u>	<u>175,411</u>
Advances from customers .....	4,405	4,258	41,168
Accrued income taxes (Note 13) .....	863	1,287	8,065
Accrued expenses .....	5,254	4,781	49,103
Other current liabilities .....	493	187	4,608
Total current liabilities .....	<u>34,397</u>	<u>35,881</u>	<u>321,467</u>
<b>Long-term liabilities:</b>			
Long-term debt due after one year (Note 5) .....	367	370	3,430
Employees' retirement benefits (Note 14) .....	6,305	6,424	58,925
Directors and statutory auditors retirement benefits .....	170	123	1,589
Deferred tax liabilities (Note 13) .....	18	—	168
Allowance for environmental protection measures .....	2,200	—	20,561
<b>Contingent liabilities (Note 11):</b>			
Total long-term liabilities .....	<u>9,060</u>	<u>6,917</u>	<u>84,673</u>
<b>Minority interests</b> .....	<b>1,915</b>	1,300	<b>17,898</b>
<b>Shareholders' equity (Note 7):</b>			
Common stock:			
Authorized - 380,000,000 shares			
Issued and outstanding - 107,832,445 shares .....	10,253	10,253	95,822
Capital surplus .....	6,636	6,634	62,018
Retained earnings .....	23,680	21,627	221,308
Net unrealized holding gains on securities .....	1,005	1,363	9,393
Foreign currency translation adjustments .....	(611)	(493)	(5,710)
Treasury stock, at cost:			
1,038,425 shares in 2005 and 1,179,820 shares in 2004 .....	(189)	(215)	(1,766)
Total shareholders' equity .....	<u>40,774</u>	<u>39,169</u>	<u>381,065</u>
	<u>¥ 86,146</u>	<u>¥ 83,267</u>	<u>\$ 805,103</u>

See accompanying notes.

# Consolidated Statements of Income

Nissin Electric Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
<b>Net sales</b> .....	<b>¥ 82,010</b>	¥ 71,745	<b>\$766,449</b>
<b>Cost and expenses:</b>			
Cost of sales (Note 8) .....	<b>59,368</b>	53,403	<b>554,841</b>
Selling, general and administrative expenses (Notes 8 & 9) .....	<b>15,834</b>	14,191	<b>147,982</b>
<b>Operating income</b> .....	<b>6,808</b>	4,151	<b>63,626</b>
<b>Other income (expenses):</b>			
Interest and dividend income .....	<b>63</b>	54	<b>589</b>
Interest expense .....	<b>(126)</b>	(130)	<b>(1,177)</b>
Foreign currency exchange losses .....	<b>(5)</b>	(83)	<b>(46)</b>
Gain resulting from capital increase allocated to minority interests .....	<b>—</b>	84	<b>—</b>
Gain on sale of investment securities .....	<b>1,000</b>	—	<b>9,346</b>
Loss on disposal of property, plant and equipment .....	<b>(397)</b>	(249)	<b>(3,710)</b>
Write-down of investment securities .....	<b>(246)</b>	—	<b>(2,299)</b>
Special early retirement benefits .....	<b>(16)</b>	(124)	<b>(150)</b>
Provision for environmental protection measures .....	<b>(2,200)</b>	—	<b>(20,561)</b>
Restructuring expenses (Note 10) .....	<b>(138)</b>	—	<b>(1,290)</b>
Other, net .....	<b>65</b>	49	<b>607</b>
<b>Income before income taxes and minority interests</b> .....	<b>4,808</b>	3,752	<b>44,935</b>
<b>Income taxes</b> (Note 13):			
Current .....	<b>997</b>	1,463	<b>9,318</b>
Deferred .....	<b>899</b>	320	<b>8,402</b>
Total income taxes .....	<b>1,896</b>	1,783	<b>17,720</b>
<b>Minority interests</b> .....	<b>(509)</b>	(305)	<b>(4,757)</b>
<b>Net income</b> .....	<b>¥ 2,403</b>	¥ 1,664	<b>\$ 22,458</b>
<b>Amounts per share:</b>			
Net income .....	<b>¥ 21.98</b>	¥ 15.31	<b>\$ 0.21</b>
Diluted net income .....	<b>21.93</b>	15.29	<b>0.20</b>
Cash dividends applicable to the period .....	<b>3.00</b>	3.00	<b>0.03</b>

See accompanying notes.



# Consolidated Statements of Shareholders' Equity

Nissin Electric Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
<b>Common stock</b>			
Beginning balance .....	¥ 10,253	¥ 10,253	\$ 95,822
Ending balance .....	¥ 10,253	¥ 10,253	\$ 95,822
<b>Capital surplus</b>			
Beginning balance .....	¥ 6,634	¥ 6,633	\$ 62,000
Gain on sales of treasury stock .....	2	1	18
Ending balance .....	¥ 6,636	¥ 6,634	\$ 62,018
<b>Retained earnings</b>			
Beginning balance .....	¥ 21,627	¥ 19,963	\$ 202,121
Net income .....	2,403	1,664	22,458
Cash dividends paid (¥3.00 per share) .....	(320)	—	(2,991)
Bonuses to directors .....	(30)	(0)	(280)
Ending balance .....	¥ 23,680	¥ 21,627	\$ 221,308
<b>Net unrealized holding gains on securities</b>			
Beginning balance .....	¥ 1,363	¥ 341	\$ 12,739
Net increase (decrease) .....	(358)	1,022	(3,346)
Ending balance .....	¥ 1,005	¥ 1,363	\$ 9,393
<b>Foreign currency translation adjustments</b>			
Beginning balance .....	¥ (493)	¥ (214)	\$ (4,607)
Net change .....	(118)	(279)	(1,103)
Ending balance .....	¥ (611)	¥ (493)	\$ (5,710)
<b>Treasury stock, at cost</b>			
Beginning balance .....	¥ (215)	¥ (162)	\$ (2,009)
Net (increase) decrease .....	26	(53)	243
Ending balance .....	¥ (189)	¥ (215)	\$ (1,766)

See accompanying notes.

# Consolidated Statements of Cash Flows

Nissin Electric Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests .....	¥ 4,808	¥ 3,752	\$ 44,935
Adjustments for:			
Depreciation and amortization .....	1,717	1,720	16,047
Decrease in allowance for doubtful receivables .....	(0)	(76)	1
Decrease in provision for employees' retirement benefits .....	(422)	(263)	(3,944)
Provision for environmental protection measures .....	2,200	—	20,561
Special early retirement benefits .....	16	124	150
Interest and dividend income .....	(63)	(54)	(589)
Interest expense .....	126	130	1,177
Gain resulting from capital increase allocated to minority interests .....	—	(84)	—
Restructuring expenses .....	138	—	1,290
Loss on disposal of property, plant and equipment .....	397	249	3,710
Write-down of investment securities .....	246	42	2,299
Gain on sale of investment securities .....	(1,000)	—	(9,346)
Changes in assets and liabilities:			
Increase in trade receivables .....	(210)	(4,556)	(1,963)
Increase in inventories .....	(1,075)	(3,296)	(10,047)
Increase (decrease) in trade payables .....	(1,798)	3,040	(16,804)
Increase in accrued expenses .....	558	1,141	5,215
Increase in advances from customers .....	163	1,411	1,523
Decrease in consumption tax payable .....	(25)	(267)	(234)
Other, net .....	508	(535)	4,748
Subtotal .....	6,284	2,478	58,729
Interest and dividends received .....	63	53	589
Interest paid .....	(126)	(130)	(1,178)
Payment for special early retirement benefits .....	(36)	(764)	(336)
Income taxes paid .....	(1,575)	(658)	(14,720)
Net cash provided by operating activities .....	4,610	979	43,084
<b>Cash flows from investing activities:</b>			
Payments for purchase of time deposits .....	(923)	(486)	(8,626)
Proceeds from refund of time deposits .....	597	581	5,579
Payments for purchase of investment securities .....	—	(2)	—
Proceeds from sale of investment securities .....	1,354	8	12,654
Payments for purchase of property, plant and equipment .....	(2,832)	(1,318)	(26,467)
Payments for purchase of intangible assets .....	(443)	(563)	(4,140)
Proceeds arising from the acquisition of shares of a newly consolidated subsidiary .....	20	—	187
Other, net .....	(36)	138	(336)
Net cash used in investing activities .....	(2,263)	(1,642)	(21,149)
<b>Cash flows from financing activities:</b>			
Decrease in short-term loans .....	(725)	(2,007)	(6,776)
Proceeds from long-term loans .....	—	2	—
Proceeds from issuance of common stock to minority interests .....	129	146	1,206
Cash dividends paid .....	(320)	—	(2,991)
(Increase) decrease in treasury stock .....	28	(53)	262
Other, net .....	(65)	(93)	(608)
Net cash used in financing activities .....	(953)	(2,005)	(8,907)
<b>Effect of exchange rate changes on cash and cash equivalents .....</b>	<b>(71)</b>	<b>(142)</b>	<b>(664)</b>
<b>Net increase (decrease) in cash and cash equivalents .....</b>	<b>1,323</b>	<b>(2,810)</b>	<b>12,364</b>
<b>Cash and cash equivalents at beginning of year .....</b>	<b>8,066</b>	<b>10,876</b>	<b>75,384</b>
<b>Cash and cash equivalents at end of year .....</b>	<b>¥ 9,389</b>	<b>¥ 8,066</b>	<b>\$ 87,748</b>

See accompanying notes.

# Notes to Consolidated Financial Statements

Nissin Electric Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2005 and 2004

## 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 (“Japanese GAAP”), 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.

In the year ended March 31, 2005, the Company and its consolidated domestic subsidiaries did not adopt early the new accounting standard for impairment of fixed assets (“Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets” issued by the Business Accounting Deliberation Council on August 9, 2002) and the implementation guidance for accounting standard for impairment of fixed assets (the Financial Accounting Standard Implementation Guidance No. 6 issued by the Accounting Standards Board of Japan on October 31, 2003). The Company and its consolidated domestic subsidiaries will adopt these standards effective April 1, 2005. Management believes that adoption of this new accounting standard will have no significant effect on the Company’s consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2005, which was ¥107 to U.S.\$1.00. 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

### Principles of consolidation

The consolidated financial statements include the accounts of the Company and its fourteen (thirteen in 2004) domestic subsidiaries and twelve (thirteen in 2004) overseas subsidiaries. One equity method affiliated company was newly consolidated due to additional acquisition of shares ratio from 45% to 51% in this fiscal year, and one subsidiary was excluded from consolidation due to merger with another consolidated subsidiary. No company was accounted for by the equity method in 2005 (one in 2004).

Material inter-company balances, transactions, and unrealized profits have been eliminated in consolidation.

Balance sheets of consolidated overseas subsidiaries are consolidated using a fiscal period ending December 31, which differs from that of the Company. Any material transactions occurring during the January 1 to March 31 period are adjusted in these consolidated financial statements.

### Translation of foreign currencies

Foreign currency monetary assets and liabilities are translated into Japanese yen at the year-end rates and resulting translation gains or losses are included in net income.

Balance sheets of consolidated overseas subsidiaries are translated into Japanese yen at the year-end rate except for shareholders’ equity accounts, which are translated at the historical rates. Income statements of consolidated overseas subsidiaries are translated at average rates except for transactions with the Company, which are translated at the rates used by the Company.

The Company and its domestic subsidiaries (the “Domestic Companies”) report foreign currency translation adjustments in the shareholders’ equity (and minority interests).

### Cash equivalents

In preparing the consolidated statements of cash flows, cash on hand, readily-available deposits and short-term highly liquid investments

with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

### Securities and investment securities

Investment securities are classified and accounted for, depending on management’s intent, as follows.

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

Available-for-sale securities with available fair market values are stated at fair market value at the fiscal year end, and unrealized gains and losses 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 available-for-sale securities with no available fair market value are stated at moving-average cost.

### Inventories

Inventories are principally stated at cost. Cost is determined by the specific identification method for finished goods and work in process and by the average cost method for raw materials and supplies.

### Property, plant and equipment

As for the Domestic Companies, property, plant and equipment are carried at cost. Depreciation is primarily provided on the declining-balance method over estimated useful lives as prescribed by the Corporation Tax Law of Japan. However, buildings are depreciated using the straight-line method.

Depreciation of property, plant and equipment of the foreign subsidiaries is mainly computed by using the straight-line method over estimated useful lives.

Maintenance and repairs, including minor renewals and betterments, are charged to income as incurred.

### Intangible assets (software costs)

Intangible assets are carried at cost. Depreciation is provided on the straight-line method over the estimated useful lives as prescribed by the Corporation Tax Law of Japan.

Costs of software for in-house use are included in intangible assets and depreciated using the straight-line method over the estimated useful life of five years.

### 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.

### Employees' severance and retirement benefits

The Domestic Companies provide two types of post-employment benefit plans, unfunded lump-sum payment plans and funded defined benefit 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 pension plans are based on Defined Benefit Corporate Pension Law. Also, the Company has set up an employees' retirement benefit trust.

The liability and expenses for severance and retirement benefits are determined based on the amounts actuarially calculated using certain assumptions.

The Domestic Companies provided provisions for employees' severance and retirement benefits at the end of the fiscal year based on the estimated amounts of projected benefit obligation and the fair value of the plan assets.

Past service costs are recognized in expenses in equal amounts over three years, and actuarial gains and losses are recognized in expenses in equal amounts over 15 years, which is within the average of the estimated remaining service lives, commencing with the following period.

### Directors' and statutory auditors' retirement benefits

The Domestic Companies recognize the amount equal to management's estimate of the amounts payable to directors and statutory auditors at the balance sheet dates if they retired at those dates.

Amounts payable to directors and statutory auditors upon retirement are subject to the approval of stockholders. At the general shareholders' meeting on June 28, 2005, it was decided that no more benefits would be provided under this plan.

### Allowance for environmental protection measures

To provide for disposal expenses of PCB waste, the Company accrues the amount of the expense estimated at the balance sheet dates.

### Revenue recognition

The Company principally recognizes sales on the completed contract method for electrical works contracts except those for long-term

and large-scale construction projects with terms over one year and contract amounts of ¥1,000 million or more, which are recognized on the percentage-of-completion method.

### Income taxes

The Company and its consolidated subsidiaries (the "Companies") recognize tax effects of loss carry forwards and 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.

Effective from April 1, 2004, the Company files a tax return under the consolidated tax system, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries.

### Derivatives and hedge accounting

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

The Companies use forward foreign currency contracts as derivative financial instruments only for the purpose of mitigating future risks of fluctuations in foreign currency exchange rates with respect to foreign currency receivables from the sale of the Companies' products and payables from the purchasing of the parts and materials.

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

Hedging instruments:	Hedged items:
Forward foreign exchange contracts	Foreign currency trade receivables and payables

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. When a foreign exchange forward contract meets certain conditions, the hedged item is stated at the forward exchange contract rate.

### Amounts per share

The 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 assumes that all stock options were exercised at the beginning of the year.

In accordance with the Commercial Code of Japan, the declaration of dividends and the appropriations of retained earnings are approved at the general meeting of stockholders held after the end of the fiscal year. However, cash dividends per share shown in the consolidated statements of income reflect the final dividends approved after the end of the relevant fiscal year.

## 3. SECURITIES AND INVESTMENT SECURITIES

The carrying amounts of investment securities at March 31, 2005 and 2004, consist of the following.

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
<b>Available-for-sale securities with available fair values:</b>			
Equity securities .....	¥ 3,163	¥ 4,335	\$ 29,561
<b>Securities with no available fair values:</b>			
Non-listed equity securities issued by subsidiaries and affiliated companies .....	¥ 16	¥ 235	\$ 149
Available-for-sale securities:			
Other non-listed equity securities .....	260	292	2,430
	¥ 276	¥ 527	\$ 2,579

The following is a summary of available-for-sale securities included in investment securities, which have a quoted market value, at March 31, 2005 and 2004.

	Millions of yen			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book (fair) value
<b>2005</b>				
<b>Available-for-sale securities:</b>				
Equity securities .....	¥ 1,459	¥ 1,705	¥ 1	¥ 3,163

	Millions of yen			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book (fair) value
<b>2004</b>				
<b>Available-for-sale securities:</b>				
Equity securities .....	¥ 2,024	¥ 2,507	¥ 196	¥ 4,335

	Thousands of U.S. dollars			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book (fair) value
<b>2005</b>				
<b>Available-for-sale securities:</b>				
Equity securities .....	\$ 13,636	\$ 15,934	\$ 9	\$ 29,561

Proceeds from sales of available-for-sale securities during the year ended March 31, 2005 amounted to ¥1,354 million (\$1,654 thousand) and the related gains amounted to ¥1,000 millions (\$9,346 thousand).

The gross realized gains and losses on sale of available-for-sale securities for the year ended March 31, 2004 are not material.

## 4. INVENTORIES

Inventories at March 31, 2005 and 2004 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Finished goods .....	¥ 3,132	¥ 2,426	\$ 29,271
Work in process .....	12,367	12,447	115,579
Raw materials and supplies .....	2,421	1,980	22,626
	¥ 17,920	¥ 16,853	\$ 167,476

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

Short-term loans at March 31, 2005 and 2004 are represented by short-term notes, bearing average interest rates of 2.10% and 1.65%, respectively.

A summary of long-term debt at March 31, 2005 and 2004 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Loans maturing serially through 2013 bearing average interest rates of 0.41% (2005) and 0.44% (2004) .....	¥ 367	¥ 370	\$ 3,430

The annual maturities of long-term debt outstanding at March 31, 2005 are as follows:

Year ended March 31,	Millions of yen		Thousands of U.S. dollars
2007 .....	¥ 33		\$ 308
2008 .....	33		308
2009 .....	133		1,244
2010 and thereafter .....	33		308
Total .....	¥ 232		\$ 2,168

Since September 25, 2003, the Company had loan commitments from banks aggregating ¥5,000 million. No amount was used at March 31, 2005, and ¥2,500 million was used for short-term loans at March 31, 2004.

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## 6. FIXED ASSETS

At March 31, 2005, temporarily idle buildings included in fixed assets, amounted to ¥592 million (\$5,533 thousand), net of accumulated depreciation.

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## 7. SHAREHOLDERS' EQUITY

Under the Japanese Commercial Code (the "Code"), the entire amount of the issue price of shares is required to be accounted for as 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 unconsolidated financial statements of the Company in accordance with the Japanese Commercial Code.

The Code allows a company to retire a portion of its outstanding shares upon approval of shareholders at the annual general meeting of shareholders or of the Board of Directors if stipulated in the Articles of Incorporation.

The Company has stock-based compensation plans under which stock options are granted to directors and employees at an exercise price determined by the fair market value of Company's stock at the date of grant.

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## 8. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses included in cost of sales and selling, general and administrative expenses for the years ended March 31, 2005 and 2004 were ¥3,345 million (\$31,262 thousand) and ¥2,673million, respectively.

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## 9. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Major components of selling, general and administrative expenses are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Salaries and bonuses for employees .....	¥ 5,183	¥ 4,765	\$ 48,439
Research and development .....	1,802	1,444	16,841
Selling commissions .....	913	907	8,533
Transportation of goods .....	1,157	1,017	10,813
Retirement benefits .....	456	460	4,262
Retirement benefits to directors .....	52	44	486

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## 10. RESTRUCTURING EXPENSES

Restructuring expenses comprise the following:

	Millions of yen		Thousands of U.S. dollars
	2005		2005
Loss on disposal of inventories .....	¥ 101		\$ 944
Loss on cancellation of lease .....	12		112
Other .....	25		234
Total .....	138		1,290

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## 11. CONTINGENT LIABILITIES

Contingent liabilities for loans guaranteed jointly and severally with six other companies at March 31, 2005 amounted to ¥784 million (\$7,327 thousand).

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## 12. DERIVATIVE TRANSACTIONS

The Companies enter into forward currency exchange transactions to hedge the risk of fluctuations in foreign currency exchange rates with respect to monetary receivables and payables denominated in foreign currencies. The Companies use derivative transactions in connection with managing market risk and not for speculation. The Companies deal with highly rated international financial institutions as counterparty to these transactions to

minimize credit risk exposure. The forward exchange transactions are entered into by the operating and purchasing divisions and controlled in accordance with established policies by the accounting divisions.

There is no disclosure of outstanding derivatives as of March 31, 2005 and 2004, because all derivative financial instruments were accounted for as hedges.

## 13. INCOME TAXES

The Companies are subject to several taxes based on income which, in the aggregate, indicate a statutory rate in Japan of approximately 41% and 42% for the years ended March 31, 2005 and 2004, respectively.

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
<b>Deferred tax assets:</b>			
Severance and retirement benefits .....	¥ 2,302	¥ 2,167	\$ 21,514
Employees' bonuses .....	823	744	7,692
Devaluation of inventories .....	496	293	4,636
Tax loss carry forwards .....	1,266	4,364	11,832
Cost of sales .....	413	266	3,860
Depreciation .....	428	306	4,000
Research and development .....	226	250	2,112
Write-down of investment securities and allowance for bad debt to affiliated company .....	692	150	6,467
Enterprise taxes .....	177	104	1,654
Unrealized inter-company profits .....	463	77	4,327
Provision for environmental protection measures .....	893	—	8,346
Other temporary differences .....	1106	813	10,336
Total deferred tax assets .....	9,285	9,534	86,776
Valuation allowance .....	(4,430)	(3,832)	(41,402)
Net deferred tax assets .....	4,855	5,702	45,374
<b>Deferred tax liabilities:</b>			
Depreciation .....	(300)	(309)	(2,804)
Unrealized gains on investment securities .....	(699)	(948)	(6,532)
Other temporary differences .....	(150)	(123)	(1,402)
Total deferred tax liabilities .....	(1,149)	(1,380)	(10,738)
Net deferred tax assets .....	¥ 3,706	¥ 4,322	\$ 34,636

Reconciliations to Balance Sheets are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Deferred tax assets reported in current assets .....	¥ 2,249	¥ 2,767	\$ 21,019
Deferred tax assets reported in investments and other assets .....	1,556	1,607	14,542
Deferred tax liabilities reported in current liabilities (included in other current liabilities) .....	(99)	(52)	(925)
Net deferred tax assets .....	¥ 3,706	¥ 4,322	\$ 34,636

Significant differences between the statutory income tax rate and the effective income tax rate in the consolidated financial statements for the year ended March 31, 2004 were as follows:

	2004
Statutory income tax rate .....	42.0%
Non-deductible expenses .....	2.4
Non-taxable dividend income .....	(0.2)
Inhabitant tax .....	1.8
Loss carried forward for income tax purposes .....	2.6
Other .....	(1.1)
Effective income tax rate .....	47.5%

For the year ended March 31, 2005, a reconciliation is not required to be disclosed because the difference between the rates is less than 5%.

With the enactment of the "Revision of the Local Tax Law" (Legislation No.9, 2003) on March 31, 2003, the tax bases for assessing enterprise taxes comprises "amount of income", "amount of added value" and "amount of capital" commencing April 1, 2004. Enterprise taxes based on "amount of added value" and "amount of capital" are included in "Selling, general and

administrative expenses" commencing this fiscal year pursuant to "Practical Solutions on Presentation for Size-Based Components of Corporate Enterprise Tax on the Income Statement"(Accounting Standards Board, Practical Solution Report No.12 issued on February 13, 2004). As a result of this change, selling, general and administrative expenses increased by ¥145 million (\$1,355 thousand), and operating income and income before income taxes each decreased by the same amount.

## 14. EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

The liabilities for severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2005 and 2004 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Projected benefit obligation .....	¥ 25,677	¥ 25,755	\$ 239,972
Unrecognized past service costs .....	1,012	1,584	9,458
Unrecognized actuarial differences .....	(8,364)	(9,515)	(78,168)
Prepaid pension cost .....	1,053	730	9,841
Less fair value of pension assets .....	(13,073)	(12,130)	(122,178)
Liability for severance and retirement benefits .....	¥ 6,305	¥ 6,424	\$ 58,925

Included in the consolidated statements of income for the years ended March 31, 2005 and 2004 are severance and retirement benefit expenses comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Service costs – benefits earned during the year	¥ 809	¥ 868	\$ 7,561
Interest cost on projected benefit obligation	644	696	6,018
Expected return on plan assets	(281)	(229)	(2,626)
Amortization of past service costs	(576)	(662)	(5,383)
Amortization of actuarial differences	729	857	6,813
Severance and retirement benefit expenses	¥ 1,325	¥ 1,530	\$ 12,383

Assumptions used for the years ended March 31, 2005 and 2004 are set forth as follows:

	2005	2004
Discount rate	2.5%	2.5%
Expected rate of return on plan assets	2.5%	2.5%
Amortization period of prior service cost	3 years	3 years
Amortization period of actuarial gain/loss	15 years	15 years

## 15. RELATED PARTY TRANSACTION

Rent income from Nippon I.T.F. Inc., an equity-method affiliated company, for the years ended March 31, 2005 and 2004 amounted to ¥64 million (\$598 thousand) and ¥48 million, respectively. Nippon I.T.F. Inc. was newly consolidated due to additional acquisition of shares ratio from 45% to 51% at the end of this fiscal year.

## 16. SEGMENT INFORMATION

### A. Industry Segments

The Companies businesses are divided into two principal business segments: Power system equipment and Charged particle beam-oriented equipment

Industry segment information is as follows:

	Millions of yen				
	Power system equipment	Charged particle beam-oriented equipment	Total	Elimination or corporate	Consolidated
<b>Year ended March 31, 2005</b>					
<b>Sales and operating income:</b>					
Sales to outside customers	¥ 55,307	¥ 26,703	¥ 82,010	¥ —	¥ 82,010
Intersegment sales	257	0	257	(257)	—
Total	55,564	26,703	82,267	(257)	82,010
Operating cost and expenses	52,785	21,412	74,197	1,005	75,202
Operating income	¥ 2,779	¥ 5,291	¥ 8,070	¥ (1,262)	¥ 6,808
Assets	¥ 52,691	¥ 23,371	¥ 76,062	¥ 10,084	¥ 86,146
Depreciation and amortization	1,201	438	1,639	78	1,717
Capital expenditures	1,655	502	2,157	102	2,259

	Millions of yen				
	Power system equipment	Charged particle beam-oriented equipment	Total	Elimination or corporate	Consolidated
<b>Year ended March 31, 2004</b>					
<b>Sales and operating income:</b>					
Sales to outside customers	¥ 53,460	¥ 18,285	¥ 71,745	¥ —	¥ 71,745
Intersegment sales	374	0	374	(374)	—
Total	53,834	18,285	72,119	(374)	71,745
Operating cost and expenses	51,081	15,809	66,890	704	67,594
Operating income	¥ 2,753	¥ 2,476	¥ 5,229	¥ (1,078)	¥ 4,151
Assets	¥ 50,530	¥ 22,187	¥ 72,717	¥ 10,550	¥ 83,267
Depreciation and amortization	1,225	403	1,628	92	1,720
Capital expenditures	1,792	381	2,173	36	2,209

	Thousands of U.S. dollars				
	Power system equipment	Charged particle beam-oriented equipment	Total	Elimination or corporate	Consolidated
<b>Year ended March 31, 2005</b>					
<b>Sales and operating income:</b>					
Sales to outside customers	\$ 516,888	\$ 249,561	\$ 766,449	\$ —	\$ 766,449
Intersegment sales	2,402	0	2,402	(2,402)	—
Total	519,290	249,561	768,851	(2,402)	766,449
Operating cost and expenses	493,318	200,112	693,430	9,393	702,823
Operating income	\$ 25,972	\$ 49,449	\$ 75,421	\$ (11,795)	\$ 63,626



Thousands of U.S. dollars

Year ended March 31, 2005	Power system equipment	Charged particle beam-oriented equipment	Total	Elimination or corporate	Consolidated
Assets .....	\$ 492,439	\$ 218,421	\$ 710,860	\$ 94,243	\$ 805,103
Depreciation and amortization .....	11,224	4,094	15,318	729	16,047
Capital expenditures .....	15,467	4,692	20,159	953	21,112

Corporate operating expenses of ¥1,263 million (\$11,804 thousand) and ¥1,079 million for the years ended March 31, 2005 and 2004, respectively, are the expenses of research and development and remuneration to the directors and statutory auditors of the Company.

Corporate assets of ¥10,133 million (\$94,701 thousand) and ¥12,070 million at March 31, 2005 and 2004, respectively, are comprised of cash and time deposits, marketable securities, investment securities and the assets of the research and development division of the Company.

## B. Geographical Segments

Geographical segment information is as follows:

Millions of yen

Year ended March 31, 2005	Japan	Asia	Other	Total	Elimination or corporate	Consolidated
<b>Sales and operating income:</b>						
Sales to outside customers .....	¥ 72,174	¥ 9,755	¥ 81	¥ 82,010	¥ —	¥ 82,010
Intersegment sales .....	2,545	1,241	37	3,823	(3,823)	—
Total .....	74,719	10,996	118	85,833	(3,823)	82,010
Operating cost and expenses .....	68,535	9,139	117	77,791	(2,589)	75,202
Operating income .....	¥ 6,184	¥ 1,857	¥ 1	¥ 8,042	¥ (1,234)	¥ 6,808
Assets .....	¥ 69,268	¥ 12,436	¥ 342	¥ 82,046	¥ 4,100	¥ 86,146

Millions of yen

Year ended March 31, 2004	Japan	Asia	Other	Total	Elimination or corporate	Consolidated
<b>Sales and operating income:</b>						
Sales to outside customers .....	¥ 64,381	¥ 7,312	¥ 52	¥ 71,745	¥ —	¥ 71,745
Intersegment sales .....	2,589	879	40	3,508	(3,508)	—
Total .....	66,970	8,191	92	75,253	(3,508)	71,745
Operating cost and expenses .....	62,627	7,305	92	70,024	(2,430)	67,594
Operating income .....	¥ 4,343	¥ 886	¥ 0	¥ 5,229	¥ (1,078)	¥ 4,151
Assets .....	¥ 67,677	¥ 9,761	¥ 286	¥ 77,724	¥ 5,543	¥ 83,267

Thousands of U.S. dollars

Year ended March 31, 2005	Japan	Asia	Other	Total	Elimination or corporate	Consolidated
<b>Sales and operating income:</b>						
Sales to outside customers .....	\$ 674,524	\$ 91,168	\$ 757	\$ 766,449	\$ —	\$ 766,449
Intersegment sales .....	23,785	11,598	346	35,729	(35,729)	—
Total .....	698,309	102,766	1,103	802,178	(35,729)	766,449
Operating cost and expenses .....	640,515	85,411	1,093	727,019	(24,196)	702,823
Operating income .....	\$ 57,794	\$ 17,355	\$ 10	\$ 75,159	\$ (11,533)	\$ 63,626
Assets .....	\$ 647,365	\$ 116,224	\$ 3,196	\$ 766,785	\$ 38,318	\$ 805,103

Corporate operating expenses of ¥1,263 million (\$11,804 thousand) and ¥1,079 million for the years ended March 31, 2005 and 2004, respectively, are the expenses of research and development and remuneration to the directors and statutory auditors of the Company.

Corporate assets of ¥10,133 million (\$94,701 thousand) and ¥12,070 million at March 31, 2005 and 2004, respectively, are comprised of cash and time deposits, marketable securities, investment securities and the assets of the research and development division of the Company.

## C. Overseas Sales

Overseas sales are as follows:

Year ended March 31, 2005	Millions of yen	Ratio of overseas sales to consolidated net sales	Thousands of U.S. dollars
Asia (China, Taiwan, Korea and others) .....	¥ 21,399	26.09%	\$ 199,990
Other areas (U.S.A. and others) .....	375	0.46	3,505
Total .....	¥ 21,774	26.55%	\$ 203,495

Year ended March 31, 2004	Millions of yen	Ratio of overseas sales to consolidated net sales
Asia (China, Taiwan, Korea and others) .....	¥ 13,845	19.30%
Other areas (U.S.A. and others) .....	357	0.50
Total .....	¥ 14,202	19.80%

# Independent Auditors' Report

To the Board of Directors of  
Nissin Electric Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Nissin Electric Co., Ltd. and consolidated subsidiaries as of March 31, 2005 and 2004, 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 Nissin Electric Co., Ltd. and subsidiaries as of March 31, 2005 and 2004, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2005 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Osaka, Japan  
June 28, 2005

*KPMG AZSA & Co.*

# Corporate Data (as of March 31, 2005)

## Company Outline

### Company Name

Nissin Electric Co., Ltd.

### Founded

November 1910

### Incorporated

April 1917

### Head Office

47 Umezu-takase-cho, Ukyo-ku,  
Kyoto 615-8686, Japan  
Telephone : 81-75-861-3151  
Facsimile : 81-75-872-0742

### Stated Capital

¥10,252,845,127

### Authorized Shares

431,329,000 (as of June 28, 2005)

### Issued Shares

107,832,445

### Employees

3,736

## Board of Directors and Statutory Auditors

(as of June 28, 2005)

### President

Koshi Itaka\*

### Senior Managing Directors

Isao Nishino\*  
Shigeru Tsutsumi\*  
Yoshikazu Amano\*

### Managing Directors

Mitsuyoshi Okabe  
Toshihiro Miyazaki  
Akira Kikuchi  
Yoshinori Goko

### Standing Auditors

Osamu Imai  
Eiichi Fujikawa

### Auditors

Kimio Ishimaru  
Hajime Hitotsuyanagi

\*Representative Director

## Major Offices and Plants

### Head Office and Plant

47 Umezu-takase-cho, Ukyo-ku, Kyoto  
615-8686, Japan  
Telephone : 81-75-861-3151  
Facsimile : 81-75-872-0742

### Tokyo Office

1 Kandaizumi-cho, Chiyoda-ku, Tokyo  
101-0024, Japan  
Telephone : 81-3-5821-5908  
Facsimile : 81-3-5821-5877

### Kansai Office

2-6 Dojima-hama 1-chome, Kita-ku, Osaka  
530-0004, Japan  
Telephone : 81-6-6344-7321  
Facsimile : 81-6-6344-6903

### Central District Office

14-19 Meieki-minami 2-chome, Nakamura-ku,  
Nagoya, Aichi 450-0003, Japan  
Telephone : 81-52-561-5511  
Facsimile : 81-52-561-0369

### Maebashi Plant

2121 Soja, Soja-machi, Maebashi, Gumma  
371-8515, Japan  
Telephone : 81-272-51-1131  
Facsimile : 81-272-51-3257

## Domestic Major Subsidiaries and Affiliates

### Nissin Ion Equipment Co., Ltd.

Business Line : Manufacturing and customer service of LSI/LCD manufacturing equipment

### NHV Corporation

Business Line : Manufacturing and customer service for Electron Processing Systems, Irradiation service of Electron Beam

### Nippon I.T.F. Inc.

Business Line : Thin film coating of various materials

### Nissin Power Distribution Systems Co., Ltd.

Business Line : Manufacturing and sales of switchgears and its parts

### Eco Tron Co., Ltd.

Business Line : R&D, manufacturing and sales of power semi-conductors

### Nissin Technos Co., Ltd.

Business Line : Construction, installation, after-sale service and maintenance

### Nissin Denki Shouji Co., Ltd.

Business Line : Sales of electrical equipment

### Nissin Systems Co., Ltd.

Business Line : Design and sales of computer software

## Overseas Major Subsidiaries and Affiliates

### Nissin Electric (Thailand) Co., Ltd.

Pathumthani, Thailand  
Business Line : Manufacturing and sales of power capacitors and metal parts

### Nissin Allis Electric Co., Ltd.

Taoyuan, Taiwan  
Business Line : Manufacturing and sales of gas insulated switchgears

### Nissin Electric (Wuxi) Co., Ltd.

Wuxi Jiangsu China  
Business Line : Manufacturing and sales of power capacitors and capacitor voltage transformers

### Beijing Beikai Nissin Electric HV Switchgear Equipment Co., Ltd.

Beijing, China  
Business Line : Manufacturing and sales of gas insulated switchgears (GIS)

### Nissin Electric Wuxi Co., Ltd.

Wuxi Jiangsu China  
Business Line : Manufacturing and sales of gas-insulated voltage transformer for GIS

### Nissin Allis Union Ion Equipment Co., Ltd.

Hsin-Chu City, Taiwan  
Business Line : Customer service of LSI/LCD manufacturing equipment

### Nissin Allis Ion Equipment (Shanghai) Co., Ltd.

PuDong New Area, Shanghai, China  
Business Line : Sales and customer service of LSI/LCD manufacturing equipment

### Nissin Ion Korea Co., Ltd.

Kwangju-City, Kyungki-Do Korea  
Business Line : Sales and customer service of LSI/LCD manufacturing equipment

### NHV America Inc.

Methuen, Massachusetts, U.S.A.  
Business Line : Sales and customer service of electron processing systems

### Thai NEB Co., Ltd.

Pathumthani, Thailand  
Business Line : Sales and engineering service of electrical equipment

## NISSIN ELECTRIC CO., LTD.

47, Umezu-Takase-cho, Ukyo-ku, Kyoto  
615-8686, Japan  
Telephone : 81-75-861-3151  
Facsimile : 81-75-872-0742  
<http://nissin.jp/>

### *Cover Story*



#### *Sekison-tei*

*Sekison-tei was the mansion of Junichiro Tanizaki, a great writer known as the author of "The Makioka Sisters". He passed over the residence to Nissin in 1956 when he left Kyoto. At that time, he requested that the mansion be maintained in the same condition, since he wanted to see it on his visits to Kyoto. Nissin has kept this promise to Tanizaki, and is using this mansion as a guest house while maintaining its traditional elegance.*



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