

2004 ANNUAL REPORT

For the year ended March 31, 2004

**IWATSU
ELECTRIC
CO., LTD.**

OVERVIEW OF FISCAL 2004

During fiscal 2004, ended March 31, 2004, some sectors of the Japanese economy displayed signs of sluggish recovery. Led by recovery in the world economy, led by the United States and Asia, Japan's exports and capital investment increased, corporate earnings took an upturn, and stock prices rose.

Operating within this business environment, the Iwatsu Electric Group formulated its Fundamental Business Restructuring Plan in April 2003 with the chief objectives of quickly restoring profitability and promoting its IP business. The entire Group has since been actively engaged in the implementation of this plan.

Measures to recover profitability included the June 2003 introduction of a special early retirement program, and the strengthening of cost competitiveness through the centralization of manufacturing functions in Fukushima Iwatsu Co., Ltd.

To promote its IP business, Iwatsu's Sales Department has reorganized its Head Telecommunications Sales Division, and has developed new products such as the Acteto II and other key telephone systems for Internet providers. The Company has made expanding the sales of these products its top priority. Iwatsu Electric is also moving forward with alliances and cooperative activities, and has established a joint venture company in the ISP business.

As a result of the measures described above, although net sales declined 4.3% to ¥41,359 million, the Company posted consolidated net income for the fiscal year of ¥479 million, after a net loss of ¥3,219 million in the previous term.

Although the Company climbed back into the black, the profit level is at a low 3%, and the profit level in the domestic telecommunications division is likewise low. Careful consideration of future trends reveals a need to further enhance cost competitiveness.

Faced with the circumstances described above, in fiscal 2004 the Company formulated the Iwatsu 530.3C medium-term management plan, which will run for three years from fiscal 2004 through fiscal 2006. The entire Group is energetically implementing the provisions for this new medium-term management plan. Iwatsu Electric would like to ask each of its stockholders for their continued support and encouragement.

Performance Targets

	Fiscal 2005 Plan	¥ millions (US\$ thousands) Fiscal 2007 Plan
Net sales	43,300 (409,689)	50,000 (473,082)
Operating income	1,400 (13,246)	3,000 (28,385)
Net income	1,200 (11,354)	1,700 (16,085)

Action Guidelines

Commitment: Every employee must be resolved.

Cooperation: The whole Group must pull together.

Change: Embrace the need for change.

CONTENTS

Consolidated Statements of Operations	1
Consolidated Balance Sheets	2
Consolidated Statements of Stockholders' Equity	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6
Independent Auditors' Report	12
Directors and Auditors/Corporate Data	13

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended March 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2004	2003	2004	2003
Net sales (Note 12)	¥41,360	¥43,238	\$391,333	\$409,102
Costs and expenses (Note 12):				
Cost of sales (Note 13)	27,941	31,870	264,367	301,542
Selling, general and administrative expenses (Notes 7 and 13)	12,230	12,837	115,716	121,459
	40,171	44,707	380,083	423,001
Operating income (loss) (Note 12)	1,189	(1,469)	11,250	(13,899)
Other income (expenses):				
Interest and dividend income	29	29	274	274
Interest expense	(86)	(97)	(814)	(918)
Gain on sale of investment securities, net	413	0	3,908	0
Loss on write-down of investment securities and investments in affiliated companies	(3)	(796)	(28)	(7,531)
Loss on write-down and disposal of inventories	—	(329)	—	(3,113)
Exchange losses	(219)	(163)	(2,072)	(1,542)
Gain on sale of property, plant and equipment	2	258	19	2,441
Loss on sale and disposal of property, plant and equipment	(27)	(299)	(255)	(2,829)
Settlement expense	(250)	—	(2,365)	—
Special severance and retirement benefits	(634)	(73)	(5,999)	(691)
Other—net	59	(94)	557	(889)
	(716)	(1,564)	(6,775)	(14,798)
Income (Loss) before income taxes and minority interests	473	(3,033)	4,475	(28,697)
Income taxes (Note 8):				
Current	158	209	1,495	1,978
Deferred	(169)	(25)	(1,599)	(237)
	(11)	184	(104)	1,741
Income (Loss) before minority interests	484	(3,217)	4,579	(30,438)
Minority interests	(4)	(3)	(37)	(28)
Net income (loss)	¥ 480	¥(3,220)	\$ 4,542	\$ (30,466)
		Yen		U.S. dollars (Note 1)
Net income (loss) per share	¥ 4.62	¥(31.98)	\$ 0.04	\$ (0.30)
Cash dividends per share	—	2.50	—	0.02

See accompanying notes.

CONSOLIDATED BALANCE SHEETS

March 31, 2004 and 2003

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2004	2003	2004	2003
Current assets:				
Cash	¥ 7,806	¥ 6,486	\$ 73,858	\$ 61,368
Notes and accounts receivable—trade:				
Outside	10,757	10,825	101,779	102,422
Unconsolidated subsidiaries and affiliated companies	604	488	5,715	4,617
Inventories (Note 3)	6,930	7,284	65,569	68,919
Deferred tax assets (Note 8)	426	401	4,031	3,794
Other current assets	288	330	2,724	3,122
Allowance for doubtful accounts	(12)	(22)	(114)	(208)
Total current assets	<u>26,799</u>	<u>25,792</u>	<u>253,562</u>	<u>244,034</u>
Property, plant and equipment, at cost (Note 6):				
Land	951	963	8,998	9,112
Buildings and structures	10,944	10,914	103,548	103,264
Machinery and equipment	18,083	18,401	171,095	174,104
	29,978	30,278	283,641	286,480
Accumulated depreciation	(24,066)	(23,958)	(227,704)	(226,682)
	<u>5,912</u>	<u>6,320</u>	<u>55,937</u>	<u>59,798</u>
Intangible assets	2,032	1,709	19,226	16,170
Investments and other assets:				
Investment securities (Notes 4 and 6)	2,345	1,588	22,188	15,025
Investments in unconsolidated subsidiaries and affiliated companies (Note 4) ...	251	245	2,375	2,318
Long-term loans receivable:				
Unconsolidated subsidiaries and affiliated companies	23	36	218	341
Other	48	49	454	464
Long-term prepaid expenses	38	83	360	785
Deferred tax assets (Note 8)	88	82	833	776
Other assets	933	924	8,826	8,742
Allowance for doubtful accounts	(209)	(198)	(1,977)	(1,873)
	<u>3,517</u>	<u>2,809</u>	<u>33,277</u>	<u>26,578</u>
	<u>¥ 38,260</u>	<u>¥ 36,630</u>	<u>\$ 362,002</u>	<u>\$ 346,580</u>

See accompanying notes.

LIABILITIES AND STOCKHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2004	2003	2004	2003
Current liabilities:				
Short-term loans payable (Notes 5 and 6)	¥ 2,414	¥ 2,612	\$ 22,840	\$ 24,714
Long-term debt due within one year (Notes 5 and 6)	500	620	4,731	5,866
Notes and accounts payable—trade:				
Outside	5,031	4,524	47,601	42,804
Unconsolidated subsidiaries and affiliated companies	72	68	681	643
Accounts payable—other	81	74	766	700
Accrued liabilities	2,341	2,295	22,150	21,714
Income taxes payable (Note 8)	117	111	1,107	1,050
Other current liabilities	739	848	6,993	8,025
Total current liabilities	11,295	11,152	106,869	105,516
Long-term debt due after one year (Notes 5 and 6)	2,177	1,746	20,598	16,520
Severance and retirement benefits for employees (Note 7)	5,223	5,363	49,418	50,743
Deferred tax liabilities (Note 8)	678	405	6,415	3,832
Other liabilities	232	404	2,198	3,822
Contingent liabilities (Note 9)				
Minority interests	13	8	120	76
Stockholders' equity (Note 11):				
Common stock:				
Authorized —300,000,000 shares				
Issued—100,803,447 shares	6,025	6,025	57,006	57,006
Capital surplus	6,942	6,942	65,683	65,683
Retained earnings	5,496	4,979	52,001	47,109
Net unrealized holding gains (losses) on securities	730	(37)	6,907	(350)
Foreign currency translation adjustments	(534)	(344)	(5,052)	(3,254)
	18,659	17,565	176,545	166,194
Less treasury stock of 112,272 shares (92,414 shares in 2003), at cost	(17)	(13)	(161)	(123)
Total stockholders' equity	18,642	17,552	176,384	166,071
	¥38,260	¥36,630	\$362,002	\$346,580

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Years ended March 31, 2004 and 2003

	Number of shares of common stock	Millions of yen					
		Common stock	Capital surplus	Retained earnings	Net unrealized holding gains (losses) on securities	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 2002	100,803,447	¥ 6,025	¥ 6,942	¥ 8,374	¥ (402)	¥ (186)	¥ (2)
Net loss	—	—	—	(3,220)	—	—	—
Adjustments from translation of foreign currency financial statements	—	—	—	—	—	(158)	—
Decrease of net unrealized holding losses on securities	—	—	—	—	365	—	—
Treasury stock	—	—	—	—	—	—	(11)
Increase due to merger of unconsolidated subsidiary	—	—	—	5	—	—	—
Increase due to newly consolidated subsidiaries	—	—	—	114	—	—	—
Cash dividends	—	—	—	(252)	—	—	—
Bonuses to directors	—	—	—	(42)	—	—	—
Balance at March 31, 2003	100,803,447	¥ 6,025	¥ 6,942	¥ 4,979	¥ (37)	¥ (344)	¥ (13)
Net income	—	—	—	480	—	—	—
Adjustments from translation of foreign currency financial statements	—	—	—	—	—	(190)	—
Increase of net unrealized holding gains on securities	—	—	—	—	767	—	—
Treasury stock	—	—	—	—	—	—	(4)
Increase due to newly consolidated subsidiaries	—	—	—	40	—	—	—
Bonuses to directors	—	—	—	(3)	—	—	—
Balance at March 31, 2004	100,803,447	¥6,025	¥6,942	¥ 5,496	¥ 730	¥(534)	¥(17)

Thousands of U.S. dollars (Note 1)

	Thousands of U.S. dollars (Note 1)					
	Common stock	Capital surplus	Retained earnings	Net unrealized holding gains (losses) on securities	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 2002	\$ 57,006	\$ 65,683	\$ 79,232	\$ (3,804)	\$ (1,760)	\$ (19)
Net loss	—	—	(30,466)	—	—	—
Adjustments from translation of foreign currency financial statements	—	—	—	—	(1,494)	—
Decrease of net unrealized holding losses on securities	—	—	—	3,454	—	—
Treasury stock	—	—	—	—	—	(104)
Increase due to merger of unconsolidated subsidiary	—	—	47	—	—	—
Increase due to newly consolidated subsidiaries	—	—	1,078	—	—	—
Cash dividends	—	—	(2,385)	—	—	—
Bonuses to directors	—	—	(397)	—	—	—
Balance at March 31, 2003	\$ 57,006	\$ 65,683	\$ 47,109	\$ (350)	\$ (3,254)	\$ (123)
Net income	—	—	4,542	—	—	—
Adjustments from translation of foreign currency financial statements	—	—	—	—	(1,798)	—
Increase of net unrealized holding gains on securities	—	—	—	7,257	—	—
Treasury stock	—	—	—	—	—	(38)
Increase due to newly consolidated subsidiaries	—	—	378	—	—	—
Bonuses to directors	—	—	(28)	—	—	—
Balance at March 31, 2004	\$57,006	\$65,683	\$52,001	\$ 6,907	\$ (5,052)	\$ (161)

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended March 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2004	2003	2004	2003
Cash flows from operating activities:				
Income (Loss) before income taxes and minority interests	¥ 473	¥ (3,033)	\$ 4,475	\$ (28,697)
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation	1,963	2,216	18,573	20,967
Increase in allowance for doubtful accounts	1	6	9	57
Decrease in severance and retirement benefits	(145)	(65)	(1,372)	(615)
Interest and dividend income	(29)	(29)	(274)	(274)
Interest expense	86	97	814	918
Loss on write-down of investment securities and investments in affiliated companies	3	796	28	7,531
Gain on sale of investment securities, net	(413)	(0)	(3,908)	(0)
Gain on sale of property, plant and equipment	(2)	(258)	(19)	(2,441)
Loss on sale and disposal of property, plant and equipment	27	299	255	2,829
Settlement expense	250	—	2,365	—
Changes in operating assets and liabilities—net:				
Decrease (Increase) in notes and accounts receivable—trade	(43)	1,961	(407)	18,554
Decrease in inventories	232	2,423	2,195	22,926
Increase (Decrease) in notes and accounts payable—trade	562	(1,879)	5,317	(17,778)
Decrease in accrued expenses	(43)	(273)	(407)	(2,583)
Other—net	(109)	195	(1,028)	1,844
Subtotal	2,813	2,456	26,616	23,238
Interest and dividend received	27	28	255	265
Interest paid	(86)	(97)	(814)	(918)
Settlement expense paid	(250)	—	(2,365)	—
Income taxes paid	(156)	(250)	(1,476)	(2,365)
Net cash provided by operating activities	2,348	2,137	22,216	20,220
Cash flows from investing activities:				
Decrease (Increase) in time deposits	(3)	44	(28)	416
Proceeds from sale of investment securities	800	1	7,569	9
Payment for purchase of investment securities	(49)	(60)	(464)	(568)
Proceeds from sale of properties	11	1,304	104	12,338
Payment for purchase of properties, intangible assets and long-term prepaid expenses	(1,955)	(1,967)	(18,497)	(18,611)
Proceeds from redemption of investments in trusts	53	—	501	—
Other—net	8	55	76	521
Net cash used in investing activities	(1,135)	(623)	(10,739)	(5,895)
Cash flows from financing activities:				
Decrease in short-term bank loans	(178)	(794)	(1,684)	(7,513)
Proceeds from long-term debt	1,003	996	9,490	9,424
Repayments of long-term debt	(719)	(179)	(6,803)	(1,694)
Dividends paid	(1)	(247)	(9)	(2,337)
Other—net	(4)	(10)	(38)	(94)
Net cash provided by (used in) financing activities	101	(234)	956	(2,214)
Effect of exchange rate changes on cash and cash equivalents	(68)	(45)	(643)	(426)
Net increase in cash and cash equivalents	1,246	1,235	11,790	11,685
Cash and cash equivalents at beginning of the year	6,350	4,935	60,081	46,693
Increase in cash and cash equivalents resulting from newly consolidated subsidiaries	71	175	671	1,656
Increase in cash and cash equivalents resulting from merger	—	5	—	47
Cash and cash equivalents at end of the year (Note 2 (2))	¥ 7,667	¥ 6,350	\$ 72,542	\$ 60,081
Supplemental information of cash flows:				
Non-cash investing and financing activities				
Increase of intangibles due to merger of subsidiary	¥ —	¥ 2	\$ —	\$ 19

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2004 and 2003

1. Basis of presenting consolidated financial statements

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

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 stockholders' equity) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

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

2. Significant accounting policies

(1) *Principles of consolidation*—The consolidated financial statements include the accounts of the Company and its significant subsidiaries (15 subsidiaries in 2004 and 14 subsidiaries in 2003). All significant inter-company transactions and accounts have been eliminated.

All companies are required to consolidate all significant investees which are controlled through substantial ownership of majority voting rights or existence of certain conditions. Companies are required to account for investments in non-consolidated subsidiaries and affiliates over which they have the ability to exercise significant influence over operating and financial policies of the investees, on the equity method.

Investments in unconsolidated subsidiaries and other affiliated companies are stated at cost because the income or losses of the companies are not significant for the Company's equity.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority stockholders, are recorded based on the fair value at the time the Company acquired control of the respective subsidiaries in accordance with the accounting standard for consolidation.

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

The following table reconciles the difference between the cash stated on the consolidated balance sheets as of March 31, 2004 and 2003, and cash and cash equivalents at end of the year stated on the consolidated statements of cash flows for the years then ended.

	Millions of yen		Thousands of U.S. dollars	
	2004	2003	2004	2003
Cash	¥7,806	¥6,486	\$73,858	\$61,368
Time deposits included in cash	(139)	(136)	(1,316)	(1,287)
Cash and cash equivalents	¥7,667	¥6,350	\$72,542	\$60,081

(3) *Foreign currency translation*—All assets and liabilities denominated in foreign currencies are translated into Japanese yen at the year-end rates.

All revenues and expenses associated with foreign currencies are translated into Japanese yen at the exchange rates prevailing when such transactions are made.

The Company and its domestic subsidiaries report foreign currency translation adjustments in the stockholders' equity.

The Company translates the financial statements of overseas subsidiaries into Japanese yen, using year-end rates for assets and liabilities, historical rates for stockholders' equity, and average rates of the year for income and expenses in accordance with the Accounting Standards for Foreign Currency Transactions.

(4) *Securities*—By the intent of holding, each security is classified as (a) securities held for trading purposes (hereafter, "trading securities"), (b) debt securities intended to be held to maturity (hereafter, "held-to-maturity debt securities"), (c) equity securities issued by subsidiaries and affiliated companies, and (d) for all other securities that are not classified in any of the above categories (hereafter, "available-for-sale securities").

The Companies had no trading securities or held-to-maturity debt securities. 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. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of stockholders' equity. Realized gains and losses on sale of such securities are computed using moving-average cost. Available-for-sale securities with no available fair market value are stated at moving-average cost.

If the market value of equity securities issued by unconsolidated subsidiaries and affiliated companies, and available-for-sale securities, declines significantly, such securities are stated at fair market value and the difference between fair market value and the carrying amount is recognized as loss in the period of the decline. If the fair market value of equity securities issued by unconsolidated subsidiaries and affiliated companies not on the equity method is not readily available, such securities should be written down to net asset value with a corresponding charge in the income statement in the event net asset value declines significantly. In these cases, such fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

(5) *Allowance for doubtful accounts*—Allowance for doubtful accounts is provided in amounts sufficient to cover probable losses on collection.

Allowance for doubtful accounts consists of the estimated uncollectible amount with respect to specific items, and the amount calculated using the actual percentage of collection losses in the past with respect to other item.

(6) *Inventories*—Inventories are stated at cost which is principally determined by the moving-average cost method.

(7) *Property, plant and equipment and depreciation*—Property, plant and equipment are carried at cost. Depreciation is computed primarily using the declining-balance method at rates based on the estimated useful lives of assets except that buildings acquired after March 31, 1998 are depreciated using the straight-line method.

The ranges of useful lives used in the computation of depreciation are generally as follows:

Buildings and structures	3 to 50 years
Machinery and equipment	2 to 20 years

(8) *Accounting for certain lease transactions*—Finance leases which do not transfer ownership to lessees are accounted for in the same manner as operating leases under accounting principles generally accepted in Japan.

(9) *Software costs*—Software included in intangible assets is amortized using the straight-line method over the estimated useful lives (3 to 5 years).

(10) *Research and development*—Research and development costs for new products are charged to income when incurred.

(11) *Severance and retirement benefits*—The Company and some of its consolidated domestic subsidiaries have unfunded lump-sum payment plans and funded pension plans covering all employees. Under the terms of the plan, eligible employees are entitled at the mandatory retirement age or earlier voluntary retirement, to severance payments based on the length of service and base salary at the time of retirement.

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

The excess of the projected benefit obligation over the total of the fair value of pension assets as of April 1, 2000, when this accounting standard was adopted, and the liabilities for severance and retirement benefits recorded as of April 1, 2000 (the “net transition obligation”) amounted to ¥4,261 million, of which ¥823 million was recognized as an expense as a result of the contribution of investment securities worth ¥823 million to the employee retirement benefit trust in September 2000. The remaining net transition obligation amounting ¥3,438 million is recognized in expenses in equal amounts primarily over 10 years commencing with the year ended March 31, 2001. Prior service costs are recognized in expenses in equal amounts over the periods (13 years) within the average of the estimated remaining service lives of the employees, and actuarial gains and losses are recognized in expenses using the straight-line method over the periods (13 years) within the average of the estimated remaining service lives commencing with the succeeding period.

(12) *Derivatives and hedge accounting*—Companies are required to state derivative financial instruments at fair value and to recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

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

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

(13) *Net income per share*—The computation of net income per share is based on the weighted average number of shares of common stock outstanding during each year.

Diluted net income per share is not presented, since there were no outstanding securities with dilutive effects, such as bonds with warrants and convertible bonds.

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).

The effect on earnings per share of the adoption of the new accounting standard was not material.

Cash dividends per share represent the actual amount declared as applicable to the respective years.

(14) *Accounting standard for treasury stock and reversal of statutory reserves*—Effective April 1, 2002, the Company adopted the new accounting standard for treasury stock and reversal of statutory reserves (Accounting Standards Board Statement No. 1, “Accounting Standard for Treasury Stock and Reversal of Statutory Reserves,” issued by the Accounting Standards Board of Japan on February 21, 2002). The effect on net income of the adoption of the new accounting standard was not material.

(15) *Accounting standard for impairment of fixed assets*—In the year ended March 31, 2004, the Company 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 new accounting standard is required to be adopted in periods beginning on or after April 1, 2005, but the standard does not prohibit earlier adoption.

The Company has begun its analysis of possible impairment of fixed assets. The Company cannot currently estimate the effect of adoption of the new standard, because the Company has not yet completed its analysis.

(16) *Reclassifications*—Certain prior year amounts have been reclassified to conform to the 2004 presentation. These changes had no impact on previously reported results of operations or stockholders’ equity.

3. Inventories

Inventories at March 31, 2004 and 2003 were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2004	2003	2004	2003
Finished products	¥2,659	¥3,037	\$25,158	\$28,735
Work in process	1,081	1,267	10,228	11,988
Raw materials and supplies	3,190	2,980	30,183	28,196
	¥6,930	¥7,284	\$65,569	\$68,919

4. Securities

Acquisition costs, book value, fair value and the related unrealized gain of securities as of March 31, 2004 and 2003 were as follows:

2004	Millions of yen		
	Acquisition cost	Book value	Difference
Available-for-sale securities with fair market value exceeding acquisition costs:			
Equity securities	¥ 568	¥1,862	¥1,294
Other than equity securities and bonds	85	88	3
Subtotal	¥ 653	¥1,950	¥1,297
Available-for-sale securities with fair market value not exceeding acquisition costs:			
Equity securities	¥ 76	¥ 69	¥ (7)
Other than equity securities and bonds	188	160	(28)
Subtotal	¥ 264	¥ 229	¥ (35)
Total	¥ 917	¥2,179	¥1,262

2004	Thousands of U.S. dollars		
	Acquisition cost	Book value	Difference
Available-for-sale securities with fair market value exceeding acquisition costs:			
Equity securities	\$5,374	\$17,618	\$12,244
Other than equity securities and bonds	804	832	28
Subtotal	\$6,178	\$18,450	\$12,272
Available-for-sale securities with fair market value not exceeding acquisition costs:			
Equity securities	\$ 719	\$ 653	\$ (66)
Other than equity securities and bonds	1,779	1,514	(265)
Subtotal	\$2,498	\$ 2,167	\$ (331)
Total	\$8,676	\$20,617	\$11,941

2003	Millions of yen		
	Acquisition cost	Book value	Difference
Available-for-sale securities with fair market value exceeding acquisition costs:			
Equity securities	¥ 333	¥ 587	¥ 254
Other than equity securities and bonds	105	112	7
Subtotal	¥ 438	¥ 699	¥ 261
Available-for-sale securities with fair market value not exceeding acquisition costs:			
Equity securities	¥ 438	¥ 366	¥ (72)
Other than equity securities and bonds	475	356	(119)
Subtotal	¥ 913	¥ 722	¥ (191)
Total	¥1,351	¥1,421	¥ 70

2003	Thousands of U.S. dollars		
	Acquisition cost	Book value	Difference
Available-for-sale securities with fair market value exceeding acquisition costs:			
Equity securities	\$ 3,151	\$ 5,554	\$ 2,403
Other than equity securities and bonds	994	1,060	66
Subtotal	\$ 4,145	\$ 6,614	\$ 2,469
Available-for-sale securities with fair market value not exceeding acquisition costs:			
Equity securities	\$ 4,144	\$ 3,463	\$ (681)
Other than equity securities and bonds	4,494	3,368	(1,126)
Subtotal	\$ 8,638	\$ 6,831	\$(1,807)
Total	\$12,783	\$13,445	\$ 662

Book values of securities with no available fair values as of March 31, 2004 and 2003 were as follows:

2004	Millions of yen	Thousands of U.S. dollars
	Available-for-sale securities:	
Non-listed equity securities	¥166	\$1,571
Equity securities issued by subsidiaries and affiliated companies not consolidated or accounted for using the equity method	¥251	\$2,375
Total	¥417	\$3,946

2003	Millions of yen	Thousands of U.S. dollars
	Available-for-sale securities:	
Non-listed equity securities	¥ 167	\$ 1,580
Equity securities issued by subsidiaries and affiliated companies not consolidated or accounted for using the equity method	¥245	\$ 2,318
Total	¥412	\$ 3,898

Total sales of available-for-sale securities sold in the year ended March 31, 2004 amounted to ¥800 million (U.S.\$7,569 thousand) and the related net gains amounted to ¥413 million (U.S.\$3,908 thousand).

Total sales of available-for-sale securities sold in the year ended March 31, 2003 amounted to ¥1 million (U.S.\$9 thousand) and the related net gains amounted to ¥0 million (U.S.\$0 thousand).

5. Short-term loans payable and long-term debt

Short-term loans payable were represented by short-term notes payable to banks which are due principally in 360 days and weighted average interest rates were 1.72% and 1.70% at March 31, 2004 and 2003, respectively.

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

	Millions of yen		Thousands of U.S. dollars	
	2004	2003	2004	2003
0.25% unsecured bonds due in 2006	¥ 340	¥ 500	\$ 3,217	\$ 4,731
0.30% unsecured bonds due in 2006	500	500	4,731	4,731
0.37% unsecured bonds due in 2007	704	-	6,661	-
Loans principally from banks and insurance companies with interest at rates of 1.6% to 2.76% due through 2006	1,133	1,366	10,720	12,924
Less amount due within one year	(500)	(620)	(4,731)	(5,866)
	<u>¥2,177</u>	<u>¥1,746</u>	<u>\$20,598</u>	<u>\$16,520</u>

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

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2005	¥ 500	\$ 4,731
2006	1,649	15,602
2007	400	3,785
2008	128	1,211

6. Pledged assets

The following assets were pledged as collateral for bank loans and long-term debt amounting to ¥3,380 million (U.S.\$31,980 thousand) at March 31, 2004.

	Millions of yen	Thousands of U.S. dollars
Investment securities	¥1,052	\$ 9,954
Net book value of property, plant and equipment:		
Land	5	47
Buildings and structures	963	9,112
Machinery and equipment	13	123
	<u>¥2,033</u>	<u>\$19,236</u>

7. Employees' severance and pension benefits

The liabilities and expenses for severance and retirement benefits are determined based on the amounts obtained by actuarial calculations.

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

	Millions of yen		Thousands of U.S. dollars	
	2004	2003	2004	2003
Projected benefit obligation	¥(9,379)	¥(10,706)	\$(88,741)	\$(101,296)
Unrecognized actuarial differences	902	1,469	8,534	13,899
Less fair value of pension assets ..	1,143	1,391	10,815	13,161
Less unrecognized net transition obligation	2,111	2,483	19,974	23,493
Liability for severance and retirement benefits	<u>¥(5,223)</u>	<u>¥ (5,363)</u>	<u>\$(49,418)</u>	<u>\$ (50,743)</u>

Included in the consolidated statement of income for the year ended March 31, 2004 and 2003 are severance and retirement benefits expenses comprised of the following:

	Millions of yen		Thousands of U.S. dollars	
	2004	2003	2004	2003
Service costs—benefits earned during the year	¥ 551	¥ 607	\$ 5,214	\$ 5,743
Interest cost on projected benefit obligation	133	234	1,258	2,214
Amortization of net transition obligation	373	355	3,529	3,359
Amortization of actuarial differences	120	72	1,135	681
Severance and retirement benefit expenses	<u>¥1,177</u>	<u>¥1,268</u>	<u>\$11,136</u>	<u>\$11,997</u>

The discount rate used by the Company is 2%. The rate of expected return on plan assets used by the Company is 0%. The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years.

Prior service costs are recognized as an expense in equal amounts over 13 years, and actuarial gains and losses are recognized in the income statements using the straight-line method over 13 years.

8. Income taxes

The Company is subject to a number of taxes based on income, which, in the aggregate, indicate statutory rates in Japan of approximately 42.0% for the year ended March 31, 2004 and 2003.

The following table summarizes the significant differences between the statutory tax rate and the Company's effective tax rate for financial statement purposes for the years ended March 31, 2004:

	2004
Statutory tax rate	42.0%
Non-taxable dividend income	(1.1)
Non-deductible expenses	15.5
Per capita inhabitants' tax	5.3
Decrease in valuation allowance ..	(68.1)
Other	4.1
Effective tax rate	<u>(2.3)%</u>

Information for 2003 was not prepared as the Company incurred net loss in the year ended March 31, 2003.

Significant components of the Company's deferred tax assets and liabilities as of March 31, 2004 and 2003 are as follows:

	Millions of yen		Thousands of U.S. dollars	
	2004	2003	2004	2003
Deferred tax assets:				
Retirement benefits	¥ 2,088	¥ 2,125	\$ 19,756	\$ 20,106
Loss on devaluation of investment securities and affiliated companies	1,182	1,222	11,184	11,562
Tax-loss carryforwards	1,418	1,824	13,417	17,258
Other	1,376	1,926	13,019	18,223
Valuation allowance	(5,544)	(6,609)	(52,455)	(62,532)
Offset against deferred tax liabilities	(6)	(5)	(57)	(47)
Total deferred tax assets	¥ 514	¥ 483	\$ 4,864	\$ 4,570
Deferred tax liabilities:				
Gain on sale of marketable and investment securities	(152)	(303)	(1,438)	(2,867)
Net unrealized holding gain on securities	(532)	(107)	(5,034)	(1,012)
Offset against deferred tax assets	6	5	57	47
Total deferred tax liabilities	¥ (678)	¥ (405)	\$ (6,415)	\$ (3,832)
Net deferred tax assets (liabilities)	<u>¥ (164)</u>	<u>¥ 78</u>	<u>\$ (1,551)</u>	<u>\$ 738</u>

9. Contingent liabilities

The Company and certain consolidated subsidiaries were contingently liable with respect to notes receivable discounted with banks in the amount of ¥482 million (U.S.\$4,561 thousand) and guarantees for bank borrowings of an unconsolidated subsidiary in the amount of ¥10 million (U.S.\$95 thousand) at March 31, 2004.

10. Derivative transactions

The Company enters into interest rate swap contracts as derivative financial instruments. This transaction is made in order to convert interest on certain long-term debt from variable to fixed rates.

The Company's derivative transactions are executed based on the internal rules and approved by the responsible officials. Account balances of such transactions are periodically confirmed with counterparties.

The derivative financial instruments are executed with creditworthy financial institutions, and the Company's management believes there is little default risk of counterparties.

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

Hedging instruments: Interest rate swap contracts
Hedged items: Interest on loans payable

11. Stockholders' equity

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

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 earnings reserve until the total amount of legal earnings reserve and additional paid-in capital equals 25% of common stock. The legal earnings 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 earnings reserve and additional paid-in capital remains being equal to or exceeding 25% of common stock, they are available for distributions or certain other purposes by the resolution of the stockholders' meeting. Legal earnings 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 and in accordance with the Code.

12. Segment information

The Company's primary businesses are the manufacture and sale of (1) telecommunications equipment, (2) electric measuring equipment and (3) reprographic equipment.

A summary of net sales, costs and expenses and operating income (loss) by business segment for the years ended March 31, 2004 and 2003 is as follows:

	Millions of yen					
	Tele-communications equipment	Electric measuring equipment	Reprographic equipment	Total	Elimination or corporate	Consolidated
For the year ended March 31, 2004:						
Net sales:						
Outside customers	¥28,413	¥8,280	¥4,667	¥41,360	¥ —	¥41,360
Within consolidated group	127	—	—	127	(127)	—
Total	28,540	8,280	4,667	41,487	(127)	41,360
Costs and expenses	28,192	8,196	3,911	40,299	(128)	40,171
Operating income	¥ 348	¥ 84	¥ 756	¥ 1,188	¥ 1	¥ 1,189
Identifiable assets	¥21,243	¥5,910	¥3,719	¥30,872	¥7,388	¥38,260
Depreciation	1,457	315	191	1,963	—	1,963
Capital expenditures	1,570	135	101	1,806	—	1,806

For the year ended

March 31, 2003:

Net sales:						
Outside customers	¥ 30,343	¥ 8,559	¥ 4,336	¥ 43,238	¥ —	¥ 43,238
Within consolidated group	194	—	—	194	(194)	—
Total	30,537	8,559	4,336	43,432	(194)	43,238
Costs and expenses	31,558	9,326	4,017	44,901	(194)	44,707
Operating income (loss) ..	¥ (1,021)	¥ (767)	¥ 319	¥ (1,469)	¥ 0	¥ (1,469)
Identifiable assets	¥ 20,400	¥ 7,361	¥ 3,382	¥ 31,143	¥ 5,487	¥ 36,630
Depreciation	1,567	445	204	2,216	—	2,216
Capital expenditures	1,256	520	252	2,028	—	2,028

	Thousands of U.S. dollars					
	Tele-communications equipment	Electric measuring equipment	Reprographic equipment	Total	Elimination or corporate	Consolidated
For the year ended March 31, 2004:						
Net sales:						
Outside customers	\$268,833	\$78,343	\$44,157	\$391,333	\$ —	\$391,333
Within consolidated group	1,202	—	—	1,202	(1,202)	—
Total	270,035	78,343	44,157	392,535	(1,202)	391,333
Costs and expenses	266,742	77,548	37,004	381,294	(1,211)	380,083
Operating income	\$ 3,293	\$ 795	\$ 7,153	\$ 11,241	\$ 9	\$ 11,250
Identifiable assets	\$200,993	\$55,918	\$35,188	\$292,099	\$69,903	\$362,002
Depreciation	13,786	2,980	1,807	18,573	—	18,573
Capital expenditures	14,855	1,277	956	17,088	—	17,088

For the year ended

March 31, 2003:

Net sales:						
Outside customers	\$ 287,094	\$ 80,982	\$ 41,026	\$ 409,102	\$ —	\$ 409,102
Within consolidated group	1,836	—	—	1,836	(1,836)	—
Total	288,930	80,982	41,026	410,938	(1,836)	409,102
Costs and expenses	298,590	88,239	38,008	424,837	(1,836)	423,001
Operating income (loss) ..	\$ (9,660)	\$ (7,257)	\$ 3,018	\$ (13,899)	\$ 0	\$ (13,899)
Identifiable assets	\$ 193,018	\$ 69,647	\$ 31,999	\$ 294,664	\$ 51,916	\$ 346,580
Depreciation	14,827	4,210	1,930	20,967	—	20,967
Capital expenditures	11,884	4,920	2,384	19,188	—	19,188

A summary of net sales, costs and expenses, operating income (loss) and identifiable assets by geographic area for the years ended March 31, 2004 and 2003 is as follows:

	Millions of yen					
	Japan	North America	Asia	Total	Elimination or corporate	Consolidated
For the year ended March 31, 2004:						
Net sales:						
Outside customers	¥38,233	¥ 2,966	¥ 161	¥41,360	¥ —	¥41,360
Within consolidated group	1,480	14	1,860	3,354	(3,354)	—
Total	39,713	2,980	2,021	44,714	(3,354)	41,360
Costs and expenses	38,554	2,919	2,009	43,482	(3,311)	40,171
Operating income	¥ 1,159	¥ 61	¥ 12	¥ 1,232	¥ (43)	¥ 1,189
Identifiable assets	¥31,161	¥ 1,586	¥1,244	¥33,991	¥4,269	¥38,260

	Thousands of U.S. dollars					
	Japan	North America	Asia	Total	Elimination or corporate	Consolidated
For the year ended March 31, 2003:						
Net sales:						
Outside customers	¥39,723	¥ 3,295	¥ 220	¥43,238	¥ —	¥ 43,238
Within consolidated group	1,265	13	1,422	2,700	(2,700)	—
Total	40,988	3,308	1,642	45,938	(2,700)	43,238
Costs and expenses	42,412	3,369	1,799	47,580	(2,873)	44,707
Operating loss	¥ (1,424)	¥ (61)	¥ (157)	¥ (1,642)	¥ 173	¥ (1,469)
Identifiable assets	¥31,659	¥ 1,593	¥1,234	¥34,486	¥2,144	¥36,630

	Thousands of U.S. dollars					
	Japan	North America	Asia	Total	Elimination or corporate	Consolidated
For the year ended March 31, 2004:						
Net sales:						
Outside customers	\$361,747	\$28,063	\$ 1,523	\$391,333	\$ —	\$391,333
Within consolidated group	14,003	132	17,599	31,734	(31,734)	—
Total	375,750	28,195	19,122	423,067	(31,734)	391,333
Costs and expenses	364,784	27,619	19,008	411,411	(31,328)	380,083
Operating income	\$ 10,966	\$ 576	\$ 114	\$ 11,656	\$ (406)	\$ 11,250
Identifiable assets	\$294,834	\$15,006	\$11,770	\$321,610	\$40,392	\$362,002

	Thousands of U.S. dollars					
	Japan	North America	Asia	Total	Elimination or corporate	Consolidated
For the year ended March 31, 2003:						
Net sales:						
Outside customers	\$ 375,844	\$ 31,176	\$ 2,082	\$409,102	\$ —	\$ 409,102
Within consolidated group	11,969	123	13,454	25,546	(25,546)	—
Total	387,813	31,299	15,536	434,648	(25,546)	409,102
Costs and expenses	401,287	31,876	17,021	450,184	(27,183)	423,001
Operating loss	\$ (13,474)	\$ (577)	\$ (1,485)	\$ (15,536)	\$ 1,637	\$ (13,899)
Identifiable assets	\$ 299,546	\$ 15,072	\$ 11,676	\$ 326,294	\$ 20,286	\$ 346,580

Overseas net sales by the Company and consolidated subsidiaries for the years ended March 31, 2004 and 2003 were as follows:

	Millions of yen			
	North America	Asia	Other Areas	Total
For the year ended March 31, 2004:				
Overseas net sales	¥3,919	¥1,746	¥233	¥ 5,898
Consolidated net sales	—	—	—	41,360
Ratios of overseas net sales to consolidated net sales	9.5%	4.2%	0.6%	14.3%

	Thousands of U.S. dollars			
	North America	Asia	Other Areas	Total
For the year ended March 31, 2003:				
Overseas net sales	¥ 5,026	¥ 1,688	¥206	¥ 6,920
Consolidated net sales	—	—	—	43,238
Ratios of overseas net sales to consolidated net sales	11.6%	3.9%	0.5%	16.0%

	Thousands of U.S. dollars			
	North America	Asia	Other Areas	Total
For the year ended March 31, 2004:				
Overseas net sales	\$37,080	\$16,520	\$ 2,205	\$ 55,805
Consolidated net sales	—	—	—	391,333
Ratios of overseas net sales to consolidated net sales	9.5%	4.2%	0.6%	14.3%

	Thousands of U.S. dollars			
	North America	Asia	Other Areas	Total
For the year ended March 31, 2003:				
Overseas net sales	\$ 47,554	\$ 15,971	\$ 1,949	\$ 65,474
Consolidated net sales	—	—	—	409,102
Ratios of overseas net sales to consolidated net sales	11.6%	3.9%	0.5%	16.0%

13. Research and development expenses

Research and development expenses of the Companies for the years ended March 31, 2004 and 2003 were ¥3,028 million (U.S.\$28,650 thousand) and ¥2,993 million (U.S.\$28,319 thousand), respectively, and are included in manufacturing costs and selling, general and administrative expenses.

14. Information for certain lease payments

Finance leases which do not transfer ownership of properties to lessees are not capitalized and are accounted for in the same manner as operating leases. Certain information for such non-capitalized finance leases on a consolidated basis is as follows:

(1) Assured purchase price, accumulated depreciation and book value of leased properties which include interest were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2004	2003	2004	2003
Machinery and equipment:				
Purchase price	¥63	¥ 54	\$596	\$511
Accumulated depreciation	35	24	331	227
Book value	28	30	265	284

(2) Future lease payments, inclusive of interest, at March 31, 2004 were ¥28 million (U.S.\$265 thousand), including ¥11 million (U.S.\$104 thousand) due within one year.

(3) Lease payments for the years ended March 31, 2004 and 2003 were ¥11 million (U.S.\$104 thousand) and ¥9 million (U.S.\$85 thousand), respectively.

(4) Assumed depreciation charges are computed using the straight-line method over the lease terms assuming no residual values.

INDEPENDENT AUDITORS' REPORT

1-2 TSUKUDO-CHO,
SHINJUKU-KU, TOKYO
JAPAN 162-8551

To the Board of Directors of
IWATSU ELECTRIC CO., LTD.:

We have audited the accompanying consolidated balance sheets of IWATSU ELECTRIC CO., LTD. and consolidated subsidiaries as of March 31, 2004 and 2003, and the related consolidated statements of operations, stockholders' 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 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 IWATSU ELECTRIC CO., LTD. and subsidiaries as of March 31, 2004 and 2003, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2004 and 2003 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.

Tokyo, Japan
June 29, 2004

DIRECTORS AND AUDITORS

Chairman:

Kuniaki Ohara

President:

Yoshiyuki Ishibashi

Managing Directors:

Kazuhiko Nanao

Nobuo Sato

Yoshihiro Kawata

Directors:

Tadashi Koubayashi

Yutaro Takahashi

Hiroshi Sugawara

Noboru Mihara

Auditors:

Eiji Morigami

Hiroto Yoshimura

Yoshimasa Kushibe

Shinji Kiyohara

(As of June 2004)

CORPORATE DATA

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Fax: 201-935-2075

Iwatsu Malaysia Sdn. Bhd.
Kawasan Perusahaan Tuanku Jaafar,
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Iwatsu Hong Kong Limited
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China Hong Kong City, 33 Canton Road,
Tsim Sha Tsui, Kowloon, Hong Kong
Tel: 852-2375-9998
Fax: 852-2375-2993

Consolidated Subsidiaries:

Japan

Fukushima Iwatsu Co., Ltd.
Manufacture of telecommunications
products, measuring parts and
reprographic equipment
Denshi Kako Co., Ltd.
Manufacture of platemaker supplies
Iwatsu System Solution Co., Ltd.
Sales, installation and maintenance of
telecommunications products
Iwatsu Information Systems Engineering
& Components Co., Ltd.
Manufacture of electronic parts and
components
Iwatsu System & Software Co., Ltd.
Software and design sales
Totsu Industrial Works Co., Ltd.
Repair of telecommunications
products
Iwatsu Logistics Co., Ltd.
Transport and warehousing of
products in all sectors
Iwatsu Test Instruments Corporation
Sales and development of measuring
instruments
Iwatsu Technosystem Co., Ltd.
Manufacture, sales and development
of measuring instruments
Intec Measuring Co., Ltd.
Sales of measuring instruments
Iwatsu TME Services Co., Ltd.
Maintenance and calibration of
measuring instruments
Iwatsu Test Instruments Works
Corporation
Manufacture of measuring instruments

Overseas

Iwatsu America Inc.
Sales of telecommunications
products
Iwatsu Malaysia Sdn. Bhd.
Manufacture of telecommunications
products

Stock Exchange Listing:

Tokyo Stock Exchange, First Section

Transfer Agent and Registrar:

UFJ Trust Bank Limited
Securities Service Section
4-3, Marunouchi 1-chome, Chiyoda-ku,
Tokyo 100-8214, Japan

Annual Meeting of Stockholders:

The annual meeting of stockholders of
the Company is normally held in June in
Tokyo, Japan.

IWATSU ELECTRIC CO., LTD.