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

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Projected benefit obligation	**¥ 37,914**	¥ 34,873	**$ 357,679**
Fair value of plan assets	**(13,065)**	(12,231)	**(123,255)**
Unrecognized actuarial gain	**(5,529)**	(5,310)	**(52,160)**
Unrecognized prior service cost	**620**	827	**5,849**
Prepaid pension cost	**34**	31	**321**
Unrecognized transitional obligation	**(8,206)**	(8,965)	**(77,415)**
Net liability	**¥ 11,768**	¥ 9,225	**$ 111,019**

The components of net periodic benefit costs for the years ended March 31, 2004 and 2003, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Service cost	**¥ 1,381**	¥ 1,820	**$ 13,028**
Interest cost	**853**	970	**8,047**
Expected return on plan assets	**(182)**	(208)	**(1,717)**
Amortization of prior service cost	**(207)**	(237)	**(1,953)**
Recognized actuarial loss	**649**	907	**6,123**
Amortization of transitional obligations	**758**	1,096	**7,151**
Supplemental retirement benefits	**-**	77	**-**
Net periodic retirement benefit costs	**¥ 3,252**	¥ 4,425	**$ 30,679**

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

	2004	2003
Discount rate	**2.0%**	2.5%
Expected rate of return on plan assets	**1.5%**	1.5%
Amortization period of prior service cost	**5 years**	5 years
Recognition period of actuarial gain / loss	**10 years**	5 to 10 years
Amortization period of transitional obligation	**15 years**	15 years

7. Shareholders' Equity

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

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

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

The Company's additional paid-in capital, which was included in the account of capital surplus totaled ¥17,087 million ($161,198 thousand) as of March 31,2003, was netted against the accumulated deficit on resolution by the shareholder's meeting held on June 27, 2003.

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

There were no retained earnings available for dividends under the Code as of March 31, 2004, based on the amount recorded in the Company's general books of account. In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends.

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

i) Issuance of common stock through a third party allotment of shares

On October 30, 2002, by the resolution of the Board of Directors, the Company issued 26,472 thousand shares of its common stock at ¥78 per each share newly issued, through a third-party allotment of shares. The Company received total proceeds of ¥2,064 million, ¥1,032 million of which was recorded in common stock and the remaining ¥1,032 million was recorded in capital surplus.

ii) Issuance of preferred stock through debt-for-equity swap

On December 27, 2002, the Company issued 62,500 thousand shares of its preferred stock at ¥400 per each share newly issued, through a third-party allotment of shares. The issuance was made by debt-equity- swap for the debt of the Company for ¥25,000 million. The amount of the swapped equity was ¥25,000 million in total, ¥12,500 million of which was recorded in common stock and the remaining ¥12,500 million was recorded in capital surplus.

At the extraordinary general shareholders meeting, held on December 10, 2002, articles of incorporation of the Company were amended as follows:

Authorized number of shares was increased to 735,000 thousand shares, which consists of 672,500 thousand shares of common stock, 31,250 thousand shares of Class A preferred stock and 31,250 thousand shares of Class B preferred stock.

As of March 31, 2004, the preferred stock outstanding was as follows:

	Class A	Class B
Number of shares issued	31,250 thousand	31,250 thousand
Issue price	¥ 400 per share	¥ 400 per share
Total issue price	¥ 12,500 million	¥ 12,500 million
Stated capital per share	¥ 200	¥ 200
Total stated capital	¥ 6,250 million	¥ 6,250 million
Preferred dividends	For the fiscal years ended March 31, 2003, 2004, 2005, 2006, and 2007, maximum ¥7.5 per share cumulative and non-participating. For the fiscal years ended March 31, 2008 and thereafter, maximum ¥12 per share non-cumulative and non-participating.	For the fiscal years ended March 31, 2003, 2004, 2005, 2006, and 2007, maximum ¥7.5 per share cumulative and non-participating. For the fiscal years ended March 31, 2008 and thereafter, maximum ¥28 per share non-cumulative and non-participating.
Voting rights	None	None except for a case as follows: -the appropriation of preferred dividends were not resolved at any annual general shareholders' meeting held after March 1, 2007.
Shareholder's option of conversion to common stock	At ¥98 (to be adjusted) from December 1, 2005 to November 30, 2018.	At ¥98 (to be adjusted) from December 1, 2007 to November 30, 2022.
Mandatory conversion to common stock	At the end of December 1, 2018, the outstanding Class A preferred stock shall be mandatory converted to common stock at the prescribed average market price, provided that all the conditions of the Code shall be satisfied.	At the end of December 1, 2022, the outstanding Class B preferred stock shall be mandatory converted to common stock at the prescribed average market price, provided that all the conditions of the Code shall be satisfied.
Distribution of assets	At ¥400 per share and accrued accumulated dividends, preferred distributions to share-holders of common stock.	At ¥400 per share and accrued accumulated dividends, preferred distributions to share-holders of common stock.
Redemption	Redeemable by Board Resolution	Redeemable by Board Resolution

8. Research and Development Costs

Research and development costs charged to income were ¥1,461 million ($13,783 thousand) and ¥936 million for the year ended March 31, 2004 and 2003, respectively.

9. Income Taxes

Under the consolidated corporate tax system, the normal effective statutory tax rate of the Company is approximately 42.0% for the year ended March 31, 2004 and 2003.

The tax effects of significant temporary differences and loss carryforwards which resulted in 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**
Deferred Tax Assets:			
Impairment of investment securities	¥ **1,684**	¥ 1,669	$ **15,887**
Tax loss carryforwards	**12,765**	16,476	**120,424**
Liability for employees' retirement benefits	**4,518**	3,180	**42,623**
Other	**3,452**	3,256	**32,566**
Less: valuation allowance	**(20,840)**	(22,827)	**(196,604)**
Total	¥ **1,579**	¥ 1,754	$ **14,896**
Deferred Tax Liabilities:			
Investment securities	¥ **173**	¥ -	$ **1,632**
Investments	**103**	145	**972**
Land revaluation	**2,174**	2,202	**20,509**
Other	**40**	32	**378**
Total	**2,490**	2,379	**23,491**
Deferred Tax Liabilities, Net:	¥ **(911)**	¥ (625)	$ **(8,595)**