Combi

Combi Corporation

Consolidated First Half Earnings Report for Fiscal 2004

A LEADING NAME IN JUVENILE PRODUCTS

Since its founding in 1957, Combi Corporation has achieved growth centered on its core Juvenile Product Business. Today, Combi has broadened its scope from an exclusive focus on mothers and infants to the entire family and society as a whole, incorporating fitness, health care and other aspects of daily life into its ever widening business domain.

Combi's Baby Care Products and Toys currently accounts for 90% of the Company's total sales.
While Japan's declining birthrate presents unique challenges to this business on the domestic front, Combi continues to record steady sales growth and actively develop its business on the international stage. Combi is doing this in a number of ways: by deepening the market penetration of its core products, which are backed by high brand recognition and a leading market share, by developing products in diverse new areas and taking other bold steps in terms of products and services.
In operating nursery schools and daycare centers, the Company is also further enhancing its brand image by tackling emerging social concerns in Japan such as the scarcity of daycare services. In Health Care Products, meanwhile, Combi is targeting future business expansion by marketing new products and bolstering sales capabilities.

Combi is confident that these activities will enhance its ability to bring greater comfort to the lives of all stakeholders, a task that will remain the Company's polestar for the foreseeable future.

AT A GLANCE

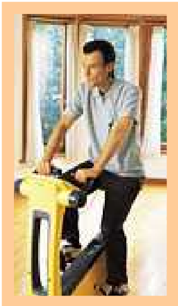
Fitness & Health Care Business

Main Business

Development, manufacture and sale of
fitness and health care-related products
(conducted primarily
by Combi Wellness Corporation)

Core Products

Fitness machines,
assisted living products for the elderly



Juvenile Product Business

Main Business

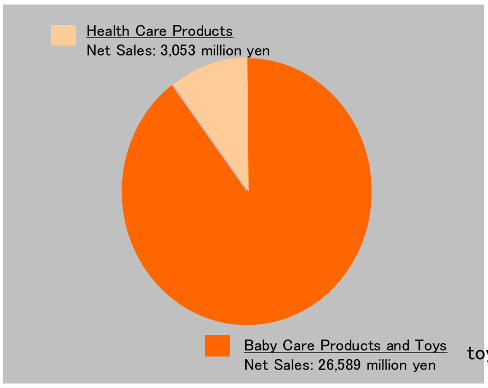
Development, manufacture and sale of
products for infants and toddlers

Core Products

Strollers, high chairs, child car seats,
nursing products, eating utensils,
skincare products, baby carriers, baby shoes

Breakdown of Net Sales by Segment

(Year ended March 31, 2003)



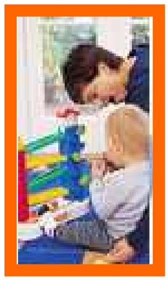
Functional Food Business

Main Business

Development, manufacture and sale of
functional food products

Core Products

Be.Quarter-brand diet drinks,
E.F. Power, *Oxykine*, *Corokaria*, and
Eritadenine shiitake-brand functional food ingredients



Toy Business

Main Business

Development, manufacture and sale of
toys for infants and toddlers (ages 0 to 3 years)

Core Products

Toys for building perceptual, learning and motor skills;
Hello Kitty Babies-brand toys, play gyms,
infant toys, take-along toys,
rattles and teethers, educational toys,
intellectual stimulation toys

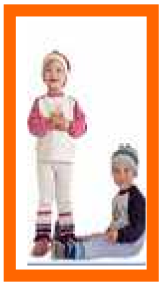
Childcare Environment Support Business

Main Business

Equipment and support services for
child-friendly environments
(conducted primarily by Combi Cha Cha Corporation)

Core Products and Services

Facility planning proposals, baby rests,
diaper changing beds, multipurpose foldaway beds,
facility-use strollers, daycare and babysitting services,
nursery school operations



Child Wear Business

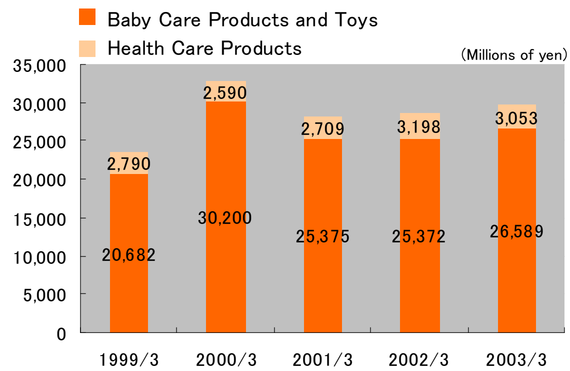
Main Business

Development, manufacture and sale of
apparel for infants and toddlers

Core Products

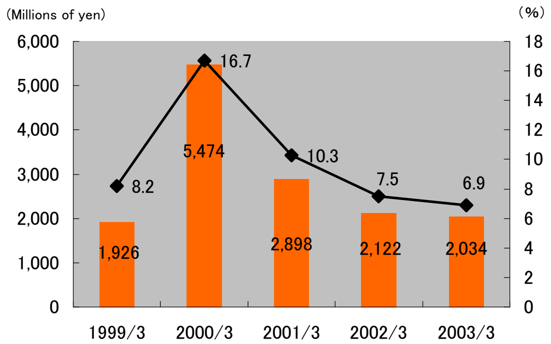
Casual child wear, maternity wear,
child undergarments,
bedding and related products

Consolidated Net Sales

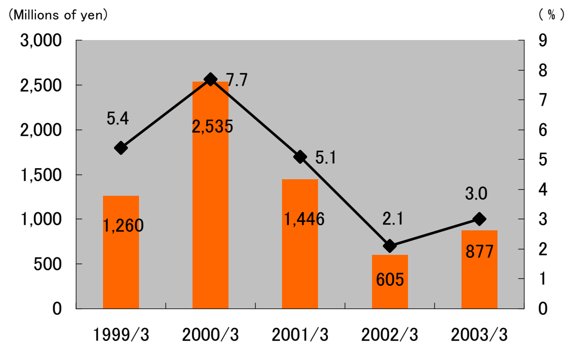


FINANCIAL HIGHLIGHTS

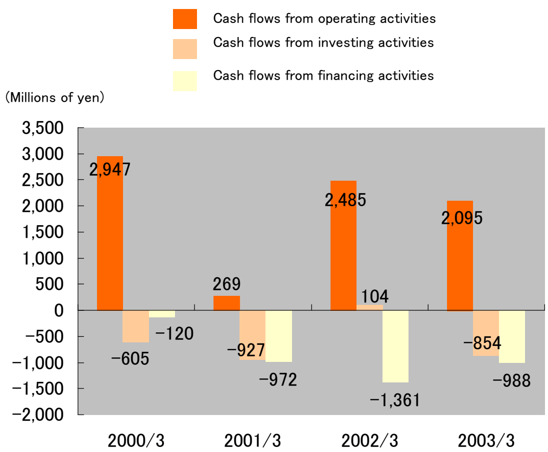
Operating Income/ Operating Income Ratio



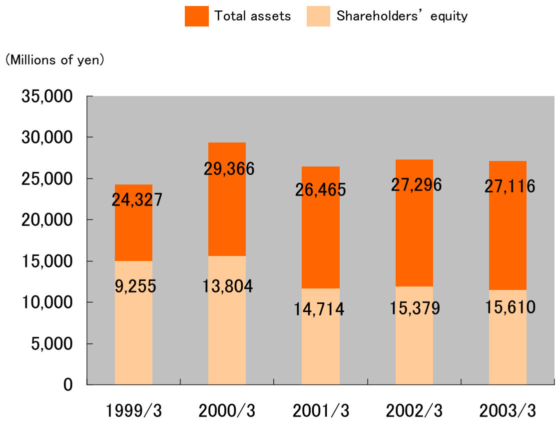
Net Income/Net Income Ratio



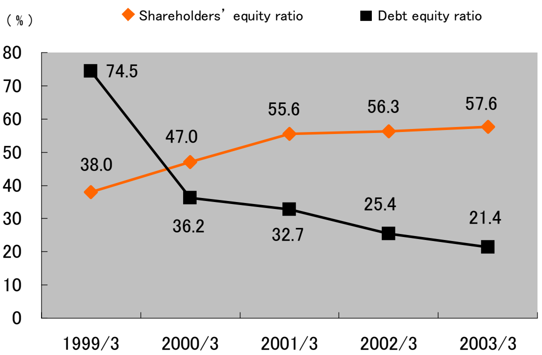
Cash Flows



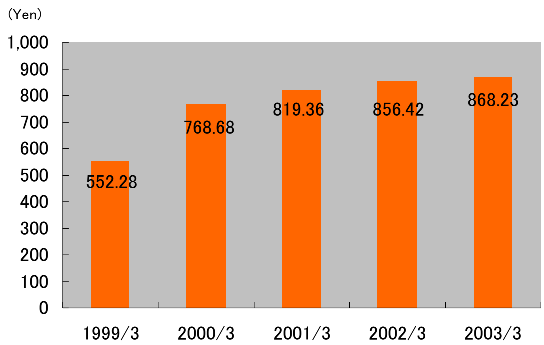
Total Assets/Shareholders' Equity



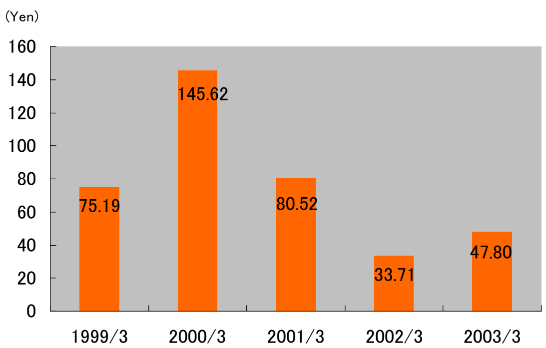
Shareholders' Equity Ratio/Debt Equity Ratio



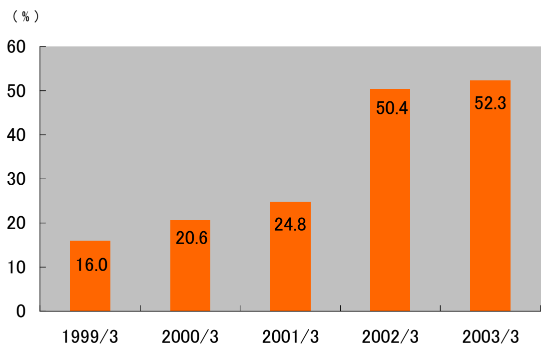
Equity per Share



Earnings per Share



Dividend Payment Ratio



Combi Corporation
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Consolidated First Half Earnings Report for Fiscal 2004

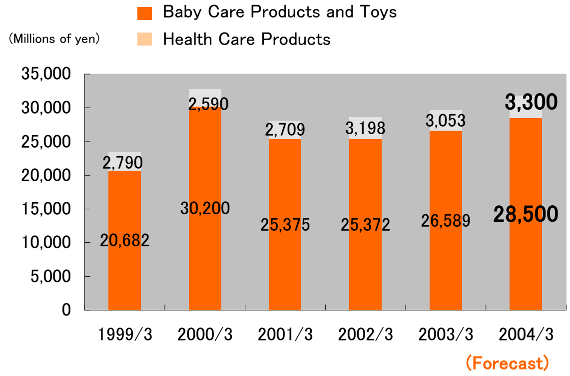
Company Code: 7935
Stock Listing: 1st Section, Tokyo Stock Exchange
President & CEO: Hiromasa Matsuura
Inquiries, Person in Charge: General Manager, Finance, Tsutomu Yokobori
Board of Directors' Meeting to Approve Results: November 19, 2003
Applied U.S. GAAPs: No

Consolidated First Half Results for Fiscal 2004 (April 1, 2003 to September 30, 2003)

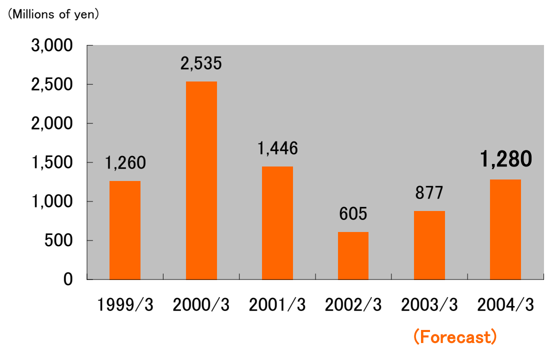
(Millions of yen, except per share amounts)

	1st Half FY04	1st Half FY03	Change	FY03
Net Sales	¥14,163	¥14,278	(0.8) %	¥29,643
Operating Income	472	844	(44.0)	2,034
Net Income	236	353	(33.1)	877
Net Income per Share	13.16	19.66	-	47.80
Total Assets	26,519	26,118	-	27,116
Total Shareholders' Equity	15,574	15,266	-	15,610

Net Sales



Net Income



* The above forecasts are based on information available at the time of announcement and are subject to a number of uncertainties that could affect future results. Consequently, actual results may differ significantly from forecasts due to a number of factors. Please refer to page 15 of the supplementary materials for details of the assumptions upon which the forecasts are based and cautionary statements concerning use of the forecasts.

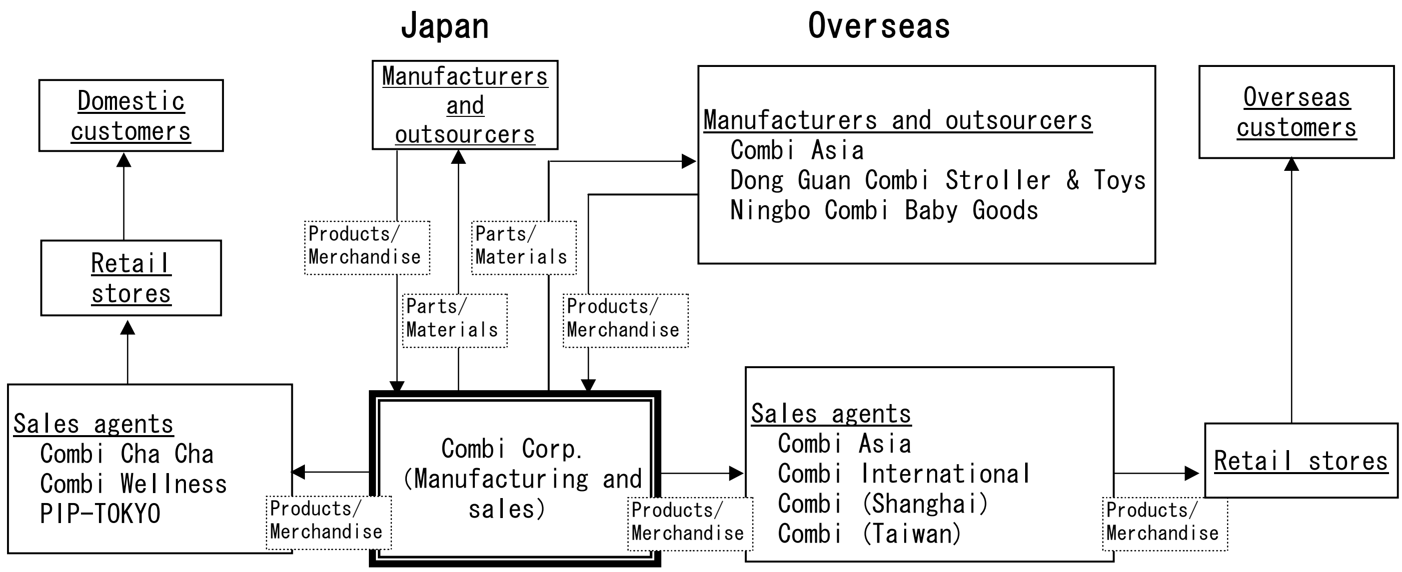
The Combi Group

The Combi Group is made up of the Company and its eight subsidiaries, and is engaged in the manufacture and sale of products in the Baby Care Products and Toys, and Health Care Products segments. The following table shows the specifics of each segment, and the positioning of the Company and its subsidiaries and involvement in each industry segment. The segments shown are the same as the industry segments.

Segment	Main Products	Companies Involved
Baby Care Products & Toys	Strollers, high chairs, child car seats、baby carriers, baby tableware, baby mugs, baby baths, teats, BCS (diaper changing beds, baby rests, etc.), infant toys, educational toys, child wear, nursery school operations, others	Manufacturing: Combi Corporation ※Combi Asia Limited (Hong Kong) ※Dong Guan Combi Stroller & Toys Co., Ltd. (Dongguan, Guangdong) ※Ningbo Combi Baby Goods Co., Ltd. (Yuyao, Zhejiang) Sales: ※Combi International Corporation (Illinois, U.S.) ※Combi Asia Limited (Hong Kong) ※Combi (Shanghai) Co., Ltd. (Shanghai) ※Combi Cha Cha Corporation (Tokyo) ※Combi (Taiwan) Co., Ltd. (Taipei) +PIP-TOKYO Co., Ltd.
Health Care Products	Fitness machines (AEROBIKE, Nautilus equipment, etc.), nursing care products (portable toilets, shower chairs, etc.) functional food products, others	Manufacturing: Combi Corporation ※Combi Asia Limited (Hong Kong) ※Dong Guan Combi Stroller & Toys Co., Ltd. (Dongguan, Guangdong) Sales: ※Combi Wellness Corporation (Tokyo) +PIP-TOKYO Co., Ltd.

(Note) ※ denotes a consolidated subsidiary; + denotes an affiliated company

The following diagram depicts the Combi Group



Subsidiaries

Consolidated Subsidiaries

Company Name	Location	Capital	Main Business Segments	Voting Rights or Shareholdings	Relationships	Notes
Combi Asia Limited	Hong Kong, China	HK$15 mil	Baby care products and toys, health care products	% 100	Manufactures the Company's strollers and walkers as well as selling the Company's baby care products to Southeast Asia. Has concurrently serving directors.	Note 2
Combi International Corporation	Illinois, U.S.	US$8.5 mil	Baby care products and toys	100	Has concurrently serving directors. The Company provides finance to this company and guarantees its bank loans.	Note 2
Combi (Shanghai) Co., Ltd.	Shanghai, China	US$6.3 mil	Baby care products and toys	100	Has concurrently serving directors. The Company guarantees this company's bank loans.	Note 2
Dong Guan Combi Stroller & Toys Co., Ltd.	Guangdong, China	HK$55.435 mil	Baby care products and toys, health care products	100 [100]	Manufactures the Company's strollers and walkers. Wholly owned subsidiary of Combi Asia. Has concurrently serving directors.	Note 2 Note 3
Ningbo Combi Baby Goods Co., Ltd.	Zhejiang, China	US$2 mil	Baby care products and toys	100 [100]	Manufactures the Company's high chairs. Wholly owned subsidiary of Combi Asia.	Note 3
Combi (Taiwan) Co., Ltd.	Taipei, Taiwan	NT$20 mil	Baby care products and toys	75 [75]	Manufactures the Company's baby care products in Taiwan. 75% owned by Combi Asia. Has concurrently serving directors.	Note 3
Combi Cha Cha Corporation	Taito-ku, Tokyo	¥30 mil	Baby care products and toys	100	Sells the Company's baby care products to facilities. Has concurrently serving directors. The Company guarantees this company's bank loans.	
Combi Wellness Corporation	Taito-ku, Tokyo	¥50 mil	Health care products	100	Sells the Company's fitness machines and nursing care products. The Company provides finance to this company. Has concurrently serving directors.	

(Notes) 1. "Main Business Segments" shows the names of industry segments.

2. This company is a specified subsidiary.

3. Figures in parentheses show the percentage indirectly owned through Combi Asia Limited.

4. None of the consolidated subsidiaries files a registration statement or financial report.

5. Because the net sales of each of the consolidated subsidiaries (excluding sales among consolidated subsidiaries) above are less than 10% of consolidated net sales, important earnings and other information has not been presented.

Management Policies

1. Fundamental Management Policy

Combi creates enriching lifestyles full of dreams and provides places for friendly interaction on a global scale.

In line with this corporate philosophy, the Combi Group strives to support mothers and their babies. Since its inception, the Company has been earning customers' trust for its technology and product quality as a supplier of juvenile products. At present, the Company is leveraging its technology to extend operations to encompass families, and in the process, enter business domains that extend from childcare to products for healthy living.

While adhering to its corporate philosophy, Combi is committed to the fundamental management policy of maximizing corporate value. Resources will be allocated primarily to core and growth businesses as the Company works to become more global and realize change from within. The Company aims to be a responsible corporate citizen worthy of the strong support of shareholders, customers, employees and all other stakeholders, while contributing to society in many ways.

2. Fundamental Policy Regarding Allocation of Earnings

Returning earnings to shareholders is one of the highest management priorities of the Combi Group. The fundamental dividend policy is to distribute earnings in a manner that is stable and reflects operating results while ensuring the Group becomes more powerful. In concrete terms, this policy entails dividend payments that are continuous and stable while implementing other earnings distribution measures in accordance with operating results. Retained earnings will be used effectively to support future business development, such as by funding R&D programs to strengthen competitiveness, building a stronger base of operations and expanding global business activities.

In the current fiscal year, the Company plans to pay an interim dividend of ¥10 per share.

3. Targeted Performance Indicators

To increase Combi's corporate value and achieve higher operating efficiency, ROA and ROE have been selected as targeted performance indicators from the fiscal year ended

March 2002. The Group's goal is to achieve a consolidated ROA of 12% (based on recurring income) and ROE of 12% (based on net income) in the fiscal year ending March 2006. To reach these goals, management is focusing on adding more value to its products, cutting costs and streamlining the balance sheet.

4. Medium- and Long-Term Management Strategies

The market for products for babies and preschool children in Japan, the Company's core market, is entering a new stage of development. Although Japan's birth rate is currently in decline, the government is enacting measures to make it easier to raise children and there is growing interest among the general public in ways to deal with the nation's declining population of children and rising numbers of seniors. With the economic climate remaining unfavorable due to weak consumer spending and persistent deflationary forces, competition is certain to intensify going forward. Despite these challenges, the Group believes that the time has come to seek ways to create new forms of value in response to changes in the market. At the same time, the Group believes that growing public interest in healthy lifestyles along with Japan's aging population will lead to growing demand for products that promote good health and for nursing care products and services.

In response, the Group is placing priority on growth strategies in order to become an organization capable of constant expansion. The Group is forcefully implementing these strategies, which center on making operations more global and achieving progress in three areas between now and 2010: raising awareness of Combi as a progressive brand; enhancing the quality of products and services; and raising the vitality of the Company's workforce and organization.

Specific management strategies are listed below. By making every effort to implement these strategies, the Group aims to further increase its corporate value and develop its business operations.

(1) Strengthen and expand the domestic juvenile product business

In the juvenile product business, the Group aims to raise its stature in established businesses by achieving an even greater competitive edge in its three core product categories: strollers, child car seats, and high chairs. The Group already has a high market share in each of these categories. Combi's child wear business is now in its fourth year. Plans call for sustaining growth by enlarging the product lineup, particularly the "Wrap Clutch" series of baby apparel and bedding, and by stepping up sales promotion activities. In addition, through subsidiary Combi Cha Cha Corporation, the Group will aggressively develop the childcare environment support business. In the service sector, the Group is active in many ways to increase the dissemination of information about child rearing. Examples include the "Baby town" web site, which was jointly established by Combi, Unicharm Corporation and Wakodo Co., Ltd.; the Company's own child rearing support site, www.combibaby.com; and the "Ra Coeur" community site offering information on raising babies and toddlers. The Group expects to achieve further growth by capturing synergies from these activities.

(2) Aggressively implement overseas strategy (globalization of sales, manufacturing and purchasing activities)

Outside Japan, the Group has sales bases in North America, China, Hong Kong and Taiwan. Activities are focused on breaking into markets in Asia and the United States by enlarging the range of merchandise Combi offers through the development of products that precisely match consumers' needs in these regions.

The Group is gradually putting in place a manufacturing infrastructure in which production is located in optimal global locations. The manufacture of strollers and high chairs has been transferred to a consolidated subsidiary in China and the manufacture of child car seats is now also being shifted as the Group moves aggressively to cut costs. Actions also include the procurement of parts and products from optimal locations, thereby facilitating a global procurement approach that will yield further reductions in the cost of merchandise.

(3) Achieve further growth in the fitness and health care business

There is a growing social need for nursing care services and products that promote good health. In the fitness business, the Company plans to increase sales to fitness centers by bolstering its ability to offer total fitness solutions and directly sell related equipment. For example, the Company is the Japanese sales agent for products manufactured by U.S.-based Nautilus Inc. Other actions include expanding the lineup of products targeting private users. In the health care business, the Company is introducing new products and taking other steps to enhance its range of merchandise.

(4) Foster new businesses

The functional food business will continue to be developed in pursuit of profitability.

Subsidiary Combi Cha Cha Corporation, which was established to operate nursery schools, opened a government-certified facility in the city of Kawaguchi in Saitama Prefecture in April 2003. This company now operates five nursery schools. In line with its mission of providing quality child development services, Combi Cha Cha Corporation plans to open two more nursery schools during the current fiscal year.

(5) Place priority on R&D programs

As an organization driven by the development of new products and technology, the Group places great importance on R&D activities. The goal is to achieve further improvements in safety, performance, design and other areas in order to offer new products with the quality and added value capable of earning the support of consumers. This will enable the Group to fulfill its social mission of assisting in the upbringing of children.

(6) Reinforce internal systems

One theme is to firmly fix in place and improve the effectiveness of a personnel system that sets out clear roles and responsibilities. This system is designed to inject vitality into the organization and support the skills development of each employee. Other themes are upgrading training programs and building an organization that is slim and powerful. To boost the efficiency of manufacturing and sales activities and upgrade management and administrative functions, the Group is adopting an ERP system. The accounting component of this system became operational in April 2003, and work is now under way to bring about similar reforms in the areas of manufacturing, sales and logistics.

(7) An active stance regarding environmental management systems

The Company's Saitama Plant earned ISO 14001 certification in December 1998. The same certification has subsequently been acquired by subsidiary Combi Cha Cha Corporation, the Tsukuba Distribution Center and the Minami-Urawa Techno-Center. More recently, this certification was received by subsidiary Combi Wellness Corporation in February 2003. As a manufacturer of baby care products that play a key role in peoples' lives, the Group aims to be an organization that is kind to people and the environment. With this in mind, the Group will continue to place priority on environmental activities.

5. Key Issues

(1) Respond to the declining number of children in Japan

Although Japan's population of children continues to decline, the Group will break into new business fields by working aggressively to develop new products in its baby care product business. In Japan, the Group plans to achieve an overwhelming competitive edge in the three core product categories where it has high market shares: strollers, child car seats, and high chairs. Outside Japan as well, the Group plans to rapidly develop its businesses, achieving further growth mainly through steady expansion in Asia and the United States. The Japanese government is rolling out polices designed to halt the decline in Japan's birthrate, including measures to enable parents to raise children while staying in work. The Group will target the growing social need for assistance in child rearing arising from these changes. Key areas will include the nursery school business and offering products and services that make it easier for parents to go outside the home.

(2) Review of operations at three poorly performing subsidiaries

The Company's U.S. subsidiary began by selling strollers, subsequently introducing a line of high chairs in August 2002 and child car seats in September 2003. This company is aiming to improve operating results by broadening its product lineup, increasing sales through major specialty stores, and cutting personnel and other expenses. At the Company's Shanghai subsidiary, which is responsible for the Chinese market, reforms are being implemented that target improvements in efficiency and profitability. These include reducing the number of products and sales channels and fitness and health care-related cutting operating expenses. Actions are also being taken at a fitness and health care-related subsidiary to improve operating results. Initiatives aimed at raising sales include offering more products that target social needs associated with fitness and nursing care for an aging population. Steps will also be taken to boost sales efficiency and cut costs.

6. Fundamental Policy Regarding Corporate Governance and Actions

(1) Fundamental position

To manage operations in a fair manner, the Group believes that one of its highest priorities is the establishment of a management system that is more transparent for shareholders and that can quickly adapt to changes in the operating environment. To accomplish this, importance is placed on clearly defining the roles and responsibilities of managers, facilitating speedy decision-making, strengthening internal controls and conducting a suitable disclosure program.

(2) Status of corporate governance measures

Amid rising demands for effective corporate governance systems, the Group adopted the executive officer system in the year ended March 31, 2000. This system separates management functions to enable the Company to respond more quickly to changes in its market. Directors are responsible for making decisions on important management issues and supervising operations. Executive officers are responsible for the execution of business activities. This system provides a means for strengthening the management structure. There are no external directors.

Regarding auditing, the Company has adopted the corporate auditor system. In June 2002, the Company added one more external auditor. Two of the four corporate auditors are now from outside the Company, thus strengthening the auditing and checking functions. Periodic audits by the corporate auditors are conducted strictly as prescribed. The Company has appointed ChuoAoyama Audit Corp. as its independent public accountants. In addition to interim and year-end audits, this company provides advice regarding the functioning of internal controls. In addition, the Company’s internal auditing office conducts periodic audits to verify that all divisions are conducting their operations properly. This three-part auditing structure heightens the effectiveness of the Group’s system of checks. There are no business ties or other notable financial relationships between the Company’s external auditors and the independent public accountants.

Regarding disclosure activities, the Company has for many years been continuously providing information on operations to shareholders, investors and others. The Company will continue to work on announcing operating results more rapidly and conducting the timely disclosure of other information, as well as on conducting a high-profile IR program. In this manner, the Company is dedicated to fulfilling its obligation to explain its operations to the public.

7. Fundamental Policy Regarding Related-Party Relationships

Yasuo Matsuura, the Company’s chairman and representative director, also serves as chairman of PIP-TOKYO Co., Ltd. (based in Chiyoda-ku, Tokyo), which is a major shareholder of the Company. Prices and other terms for sales of the Company’s products to PIP-TOKYO are no different from those sold to companies that have no equity investment in the Company, and there will be no change in this policy.

Operating Results and Financial Position

1. Operating Results

(1) The Fiscal 2004 Interim Period in Review

① Summary

The Japanese economy in the first half of fiscal 2004, the year ending March 31, 2004, remained clouded in uncertainty. Despite expectations of a recovery in the U.S., a stock market rally in Japan and other positive signs, the Japanese yen strengthened rapidly towards the end of the period.

In the domestic market for products for babies and preschool children, difficult conditions persisted as consumer spending languished, while in the health care products market demand was soft. Determined to overcome these challenging conditions, the Combi Group pushed ahead with actions to improve operating results and establish a firm operating base. To this end, the Group worked to develop new products matched to consumers' needs and to deliver safer, higher quality products, while strengthening sales and promoting greater manufacturing efficiency. At the same time, efforts were made to develop businesses that quickly respond to changes in society and markets.

In the Japanese market, sales of mainstay strollers in the core baby care products area dropped from the previous year as they battled stiffer competition and the contractionary effect of the integration of stroller types. In contrast, sales of child car seats grew on the popularity of "Primlong", a new versatile, long-use product that can be used for children ranging in age from 0 to 7 years. High chairs continued to command a high market share. In other baby care products, nursing-related products struggled, while potty seats, potty trainers, tableware, and bath tubs and accessories saw sales grow thanks to the launch of a new series, "Baby Label", which offers parents a fashionable new choice for raising their children. In the child wear business, which is now in its fourth year, operations are growing in line with plans, on the back of the ever-increasing popularity of the "Combi mini" brand and a more expansive product range and mail-order catalogue. In the health care products segment, another strong performance from fitness machines lifted sales above the previous year. Overseas, the Combi Group sells strollers and other products. While the Company's Hong Kong subsidiary, which looks after the Asian market, posted solid sales growth, subsidiaries in Shanghai and the U.S. saw sales fall. Overall, consolidated net sales decreased year on year as a result of the above and other factors.

On the earnings front, the Combi Group continued its efforts to lower costs, such as by transferring manufacturing to China and procuring more materials locally. Nevertheless, the gross profit ratio declined due to lower sales prices that were the result of deflationary pressures in Japan and stiffer competition. Operating income fell on account of an increase in selling expenses accompanying programs geared toward expanding sales in the apparel business in the year's second half. This decrease was also the result of expenses incurred in introducing an ERP system, which is intended to boost the efficiency of manufacturing, improve sales activities and upgrade management and administrative functions.

Looking at results, consolidated net sales edged down 0.8% to ¥14,163 million, operating income dropped 44.0% to ¥472 million, recurring income fell 48.9% to ¥361 million and net income declined 33.1% to ¥236 million.

② Results by Industry Segment

Results by industry segment were as follows:

<Baby Care Products and Toys>

- Strollers…In March 2003, the Company launched "Well Flat", a new product that meets both type A and B safety guideline standards, meaning that it can be used for infants from 2 months to 2 years of age. This stroller was launched to respond to category changes in the Japanese marketplace. However, sales struggled as the unification of A and B type strollers into one product shrank the market. In the fiscal year's second half, the Combi Group will attempt to expand sales by broadening its lineup of products that respond to changes in the marketplace.
- Child car seats…The popular "Primlong", launched in July 2003, contributed to higher sales. Other child car seats recorded healthy sales growth having won strong support from consumers. This was the result of the Company's clear commitment to safety, underscored by it being first in the industry to assemble a lineup of products meeting the Japanese Ministry of Land, Infrastructure and Transport's new 2003 standards.
- High chairs…Sales remained healthy in this area in which the Company commands a high market share.
- Other baby care products…Sales of nursing-related products were sluggish. However, the "Baby Label" series, which went on sale in March 2003, drove up sales of potty seats, potty trainers and tableware. Setting new standards in terms of

design, functionality and innovativeness, this popular series offers a new approach to child-rearing. The “Baby Label” series received the Good Design Award from the Japan Industrial Design Promotion Organization.

- Childcare environment support and childcare operations…Diaper changing beds, baby rests, shopping trolley baby seats and other products designed to make it easier for parents to go outside with their children showed signs of a recovery. In the new nursery school business, the Combi Group has opened three Combi Plaza nursery schools this year, one in March in Hashimoto and two in April in Minami Senju (Tokyo certified) and Kawaguchi (certified). The Combi Group now operates five nursery schools and plans to open another two in the second half of the fiscal year.
- Child wear…Now in its fourth year, this category saw sales grow sharply, supported by a high response rate and high rate of repeat customers. Driving this performance is increasing recognition of the ease-of-use and value of the “Wrap Clutch” series of baby apparel and “Baby Bedding” as well as an increasing number of requests for catalogues in line with steady expansion of the customer base.
- Toys…Sales dropped year on year as toys designed to stimulate intellectual activity and other products struggled in a generally weak toy market.

As a result, segment sales declined 1.8% to ¥12,755 million and segment operating income fell 27.3% to ¥1,377 million.

<Health Care Products>

- Fitness…Sales increased year on year as sales of “Aerobike” to fitness centers held firm. Other contributors to the rise were sales of dietary supplement drinks and the launch of “Stepwell”, a new product targeted at healthy seniors.
- Health care…Sales fell, despite the launch of a new portable wooden toilet, due to intensifying competition with other products.
- Functional foods…While this is a fledgling sector and therefore not expected to deliver profits at this stage, it is expected to expand steadily in the future. Sales grew year on year on healthy sales of both food ingredients and the “Be.Quarter” diet drink.

Sales rose 9.4% to ¥1,408 million, but the segment recorded an operating loss of ¥89 million.

③ Results by Geographic Segment

<Japan>

Child car seat sales increased year on year, boosted by the release of new products. The launch of the new “Baby Label” series kept sales of baby goods relatively steady. Health care products saw sales increase on a solid performance by fitness machines and functional foods. Furthermore, the child wear business continued to enjoy sales growth. In contrast, strollers, toys and nursing-related items battled stiff competition and sluggish consumption. As a result, sales in Japan decreased 0.9% to ¥13,278 million and operating income decreased 32.3% to ¥1,130 million.

<Asia>

Sales increased thanks to active sales activities in Southeast Asia by Hong Kong and Taiwanese subsidiaries. This was despite lower sales at the Company’s Shanghai subsidiary as it focused on profits by reducing the number of products handled and sales channels. On the manufacturing front, steady progress was made in reducing costs, with the production of strollers and high chairs stable at the Company’s Chinese manufacturing subsidiary and the proportion of locally procured materials increasing.
Sales in the Asia region increased 13.8% to ¥2,753 million and operating income climbed 54.5% to ¥256 million.

<North America>

Sales of high- and medium-priced strollers to specialty retailers and chains languished amid continuing sluggishness in consumer spending. Consequently, sales in North America declined 30.9% to ¥299 million and the segment recorded an operating loss of ¥139 million.

(2) Fiscal 2004 Forecasts

While the operating environment is expected to remain difficult through the end of the fiscal year, the Combi Group is determined to expand business and grow earnings through aggressive new product development and cost-cutting initiatives.

In core baby care products, the Combi Group is focusing its energies on the sale of versatile long-use products in response to new trends in consumption. In strollers, efforts will be center on achieving further sales growth of the “Well Flat” series and the planned launch of “Do kids5”, a stroller that can be used in five different configurations. In child car seats, the Combi Group will strengthen sales of “Primlong”. Efforts will also be made to boost sales of the “Baby Label” series of uniformly designed potty seats, potty trainers, tableware, and bath and bath accessories that went on sale in March this year. More generally, steps will be taken to improve products and offer a broader lineup. In child wear, with the “Combi mini” brand now well established, the Combi Group aims to drive business expansion with a broader product range and sales promotion initiatives. In the childcare environment support business, the focus will be on sales of new baby rests and diaper changing beds to existing customers, while in childcare operations plans call for two new nursery schools to be opened in the second half of the fiscal year as the Combi Group works to provide quality child development services. Overseas, more expansion is planned in Taiwan and other Asian markets outside Japan. At the same time, actions in the U.S. and China will focus on improving profits by revamping sales strategies and drastically cutting costs.

In health care products segment, the fitness business will be aggressively developed by offering total fitness solutions to fitness centers. In the health care business, the release of new products, such as portable wooden toilets, the “Yufuku” series, and the creation of a nursing care network are expected to reinvigorate this business, lifting sales and profits. In the functional food business, the Combi Group will continue to bring new food materials to market and expand sales channels.

Another theme for the second half of the fiscal year is to improve administrative efficiency through ongoing reforms to logistics, management and accounting systems and other areas. This should also yield cost savings.

The implementation of these strategies is expected to result in a 7.3% increase in consolidated net sales to ¥31,800 million, an 18.2% increase in recurring income to ¥2,110 million, and a 45.8% rise in net income to ¥1,280 million.

[Consolidated Net Sales]

(¥ million, %)

Industry Segment	FY03 (Actual)	FY 04 (Forecast)	YoY Change
Baby Care Products and Toys	２６,５８９	２８,５００	１,９１０（７．２）
Health Care Products	３,０５３	３,３００	２４６（８．１）
Total	２９,６４３	３１,８００	２,１５７（７．３）

(Cautionary Statement)

Market forecasts and projections of operating results contained in this earnings release are based on information available to the Company and the Group at the time of announcement and are subject to a number of risks and uncertainties. Readers and potential investors are therefore warned that actual results may differ materially from forecasts due to changes in a number of factors.

Financial Position

(1) Consolidated Financial Position

(¥ million)

	As of Sept. 30, 2002	As of Sept. 30, 2003	YoY Change
Total Assets	26,118	26,519	401
Total Shareholders' Equity	15,266	15,574	308
Debt	3,598	3,345	(252)

Total assets stood at ¥26,519 million as of September 30, 2003, an increase of ¥401 million from a year ago. This reflected efforts to reduce interest-bearing liabilities and improve asset efficiency, such as by reducing inventories, on the one hand, and investments in information systems on the other. Total shareholders' equity was ¥15,574 million, increasing ¥308 million with the recording of net income in the interim period. The equity ratio increased by 0.2 of a percentage point to 58.7%. The debt ratio was 12.6%, an improvement of 0.7 of a percentage point.

(2) Consolidated Cash Flows

(¥ million)

	1st Half FY03	1st Half FY04	YoY Change
Cash flows from operating activities	1,290	17	(1,273)
Cash flows from investing activities	(505)	(763)	(258)
Cash flows from financing activities	(487)	(296)	190
Effect of exchange rates	(70)	(2)	68
Increase (decrease) in cash and cash equivalents	227	(1,045)	(1,272)
Cash and cash equivalents at end of period	5,417	4,296	(1,121)

Cash and cash equivalents on a consolidated basis were ¥4,296 million in the interim period ended September 30, 2003, a decrease of ¥1,121 million from a year earlier.

(Cash Flows From Operating Activities)

Operating activities provided net cash of ¥17 million, a decrease of ¥1,273 million year on year. This mainly reflected a ¥344 million decrease in income before income taxes to ¥347 million, a ¥22 million increase in depreciation and amortization to ¥258 million and a ¥310 million increase in payment of income taxes to ¥608 million.

(Cash Flows From Investing Activities)

Investing activities used net cash of ¥763 million, compared with ¥505 million in the same period of the previous fiscal year. This was mainly due to an increase of ¥330 million to ¥592 million in outflows for the purchase of fixed assets, including investments in a new information system.

(Cash Flows From Financing Activities)

Financing activities used net cash of ¥296 million, compared with ¥487 million a year earlier. The main use of cash was ¥270 million for dividends paid.

(3) Cash Flow Indicators

Cash flows indicators at the Combi Group have trended as follows.

	1st Half FY02	1st Half FY03	1st Half FY04	FY2003
Equity ratio （%）	５７．０	５８．５	５８．７	５７．６
Capital adequacy ratio on a market value basis (%)	４８．８	４３．１	４９．０	４８．１
No. of years to redeem debt (years)	１．６	１．６	１１４．８	１．９
Interest coverage ratio	２４．３	２８．５	０．４	２３．７

Equity ratio: Total shareholders' equity/Total assets

Capital adequacy ratio on a market value basis: Market capitalization/Total assets

No. of years to redeem debt: Interest-bearing liabilities/Cash flows from operating activities (Interim operating cash flows x 2)

Interest coverage ratio: Cash flows from operating activities/Interest payments

Notes:

1. All indicators are computed on a consolidated basis.
2. Cash flows from operating activities are used for cash flows. Interest-bearing liabilities represent all liabilities on the consolidated balance sheets on which interest is paid. Interest payments represent the amount of interest paid as shown on the consolidated statements of cash flows.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Amounts less than one thousand yen have been omitted)

Period / Description	First Half FY2003 (As of September 30, 2002)		First Half FY2004 (As of September 30, 2003)		FY2003 Condensed Balance Sheet (As of March 31, 2003)	
	Amount		Amount		Amount	
(ASSETS)	(¥ thousand)	%	(¥ thousand)	%	(¥ thousand)	%
I Current Assets	18,652,960	71.4	18,300,135	69.0	19,491,269	71.9
Cash on hand and in banks	4,903,382		4,102,543		4,657,504	
Accounts and notes receivables	7,128,365		7,288,691		8,033,391	
Securities	1,888,186		1,476,817		1,900,284	
Inventories	3,883,374		4,254,520		3,889,820	
Deferred tax assets	284,788		336,009		303,056	
Other current assets	660,954		941,889		806,909	
Allowance for doubtful accounts	(96,091)		(100,335)		(99,698)	
II Fixed Assets	7,465,538	28.6	8,219,855	31.0	7,625,095	28.1
1. Tangible Fixed Assets	5,798,083	22.2	5,923,404	22.3	5,753,901	21.2
Buildings and structures	2,312,084		2,233,347		2,283,363	
Machinery and equipment	293,014		316,454		270,684	
Metal molds	150,676		170,430		137,228	
Land	2,730,862		2,786,294		2,730,862	
Others	311,446		416,878		331,762	
2. Intangible Fixed Assets	200,795	0.8	527,883	2.0	432,878	1.6
3. Investments and Others	1,466,659	5.6	1,768,568	6.7	1,438,315	5.3
Investments in securities	816,568		1,016,348		822,924	
Deferred tax assets	57,785		44,574		47,774	
Others	820,242		875,709		773,814	
Allowance for doubtful accounts	(227,937)		(168,064)		(206,198)	
Total Assets	26,118,498	100.0	26,519,991	100.0	27,116,364	100.0

Period / Description	First Half FY2003 (As of September 30, 2002)		First Half FY2004 (As of September 30, 2003)		FY2003 Condensed Balance Sheet (As of March 31, 2003)	
	Amount		Amount		Amount	
(LIABILITIES)	(¥ thousand)	%	(¥ thousand)	%	(¥ thousand)	%
I Current Liabilities	7,750,564	29.7	7,694,970	29.0	8,423,918	31.1
Accounts and notes payable	3,998,219		4,094,611		4,467,235	
Short-term bank loans	1,373,942		1,338,388		1,312,075	
Current portions of long-term loans	216,660		7,500		22,500	
Income taxes payable	452,706		178,097		630,978	
Accrued bonuses to employees	360,683		371,582		402,832	
Other current liabilities	1,348,352		1,704,789		1,588,296	
II Long-Term Liabilities	3,092,627	11.8	3,247,951	12.3	3,079,466	11.3
Bonds	2,000,000		2,000,000		2,000,000	
Long-term bank loans	7,500		–		–	
Accrued retirement benefits for employees	36,330		48,460		38,275	
Accrued retirement benefits for officers	254,992		281,203		266,823	
Other long-term liabilities	793,805		918,288		774,368	
Total Liabilities	10,843,192	41.5	10,942,922	41.3	11,503,384	42.4
(MINORITY INTERESTS)						
Minority interests	9,265	0.0	2,149	0.0	2,811	0.0
I Common stock	2,991,922	11.5	2,991,922	11.3	2,991,922	11.0
II Capital surplus	2,783,731	10.7	2,783,731	10.5	2,783,731	10.3
III Retained earnings	9,363,005	35.8	9,655,779	36.4	9,708,214	35.8
IV Variances on securities valuation	1,704	0.0	22,261	0.0	2,928	0.0
V Foreign currency translation adjustment	126,607	0.5	123,001	0.5	124,777	0.5
VI Treasury stock	(931)	(0.0)	(1,777)	(0.0)	(1,408)	(0.0)
Total Shareholders' Equity	15,266,040	58.5	15,574,919	58.7	15,610,167	57.6
Total Liabilities, Minority Interests and Total Shareholders' Equity	26,118,498	100.0	26,519,991	100.0	27,116,364	100.0

(2) Consolidated Statements of Income

(Amounts less than one thousand yen have been omitted)

Period / Description	First Half FY2003 Ended September 30, 2002		First Half FY2004 Ended September 30, 2003		FY2003 Condensed Statement of Income Ended March 31, 2003	
	Amount		Amount		Amount	
	(¥ thousand)	%	(¥ thousand)	%	(¥ thousand)	%
Ⅰ Net Sales	14,278,245	100.0	14,163,242	100.0	29,643,542	100.0
Ⅱ Cost of Sales	7,729,498	54.1	7,709,103	54.4	16,128,634	54.4
Gross profit	6,548,746	45.9	6,454,138	45.6	13,514,908	45.6
Ⅲ Selling, General and Administrative Expenses	5,704,505	40.0	5,981,494	42.3	11,480,463	38.7
Operating income	844,240	5.9	472,644	3.3	2,034,445	6.9
Ⅳ Non-Operating Income	46,271	0.3	24,135	0.2	76,135	0.2
Interest income	13,670		9,747		24,416	
Dividend income	638		236		5,749	
Other non-operating income	31,962		14,151		45,970	
Ⅴ Non-Operating Expenses	183,675	1.2	135,490	0.9	325,289	1.1
Interest expenses	50,025		39,373		97,880	
Sales discounts	75,254		75,856		152,897	
Exchange losses	51,141		13,569		55,543	
Other non-operating expenses	7,253		6,691		18,968	
Recurring income	706,836	5.0	361,288	2.6	1,785,291	6.0
Ⅵ Extraordinary Income	2,975	0.0	2,728	0.0	66,792	0.2
Ⅶ Extraordinary Losses	17,332	0.1	16,115	0.1	86,873	0.3
Income before income taxes	692,479	4.9	347,900	2.5	1,765,209	5.9
Income taxes	430,571	3.0	155,643	1.1	973,285	3.3
Deferred taxes	(85,912)	(0.6)	(43,424)	(0.3)	(74,248)	(0.3)
Minority interests in losses of consolidated subsidiaries	(5,179)	(0.0)	(625)	(0.0)	(11,614)	(0.0)
Net income	353,000	2.5	236,307	1.7	877,787	3.0

(3) Consolidated Statements of Capital Surplus and Retained Earnings

(Amounts less than one thousand yen have been omitted)

Period / Description	First Half FY2003 Ended Sept. 30, 2002	First Half FY2004 Ended Sept. 30, 2003	FY2003 Condensed Statement Ended March 31, 2003
	Amount	Amount	Amount
	(¥ thousand)	(¥ thousand)	(¥ thousand)
(Capital Surplus)			
Ⅰ Capital Surplus Brought Forward	2,783,731	2,783,731	2,783,731
Ⅱ Capital Surplus Carried Forward	2,783,731	2,783,731	2,783,731
(Retained Earnings)			
Ⅰ Retained Earnings Brought Forward	9,235,453	9,708,214	9,235,453
Ⅱ Increases	353,000	236,307	877,787
1. Net income	353,000	236,307	877,787
Ⅲ Appropriations	225,448	288,742	405,026
1. Cash dividends	215,498	269,355	395,076
2. Officers' bonuses	9,950	19,387	9,950
Ⅳ Retained Earnings Carried Forward	9,363,005	9,655,779	9,708,214

(4) Consolidated Statements of Cash Flows

(Amounts less than one thousand yen have been omitted)

Period / Description	First Half FY2003 Ended Sept. 30, 2002	First Half FY2004 Ended Sept. 30, 2003	FY2003 Condensed Statement Ended March 31, 2003
	Amount	Amount	Amount
	(¥ thousand)	(¥ thousand)	(¥ thousand)
Ⅰ Cash Flows From Operating Activities:			
Income before income taxes	692,479	347,900	1,765,209
Depreciation and amortization	235,811	258,474	464,569
Increase (decrease) in allowance for doubtful receivables	4,418	(44,189)	42,394
Interest and dividend income	(14,308)	(9,983)	(30,165)
Interest expenses	50,025	39,373	97,880
Exchange gain (loss)	(1,191)	(676)	5,105
Write down of investments in securities	-	-	31,556
Loss on sale/disposal of fixed assets, net	7,087	2,897	46,350
Increase (decrease) in trade receivables	793,163	743,544	(92,097)
Increase (decrease) in inventories	77,898	(366,420)	78,995
Decrease in trade payables	(486,656)	(635,908)	(44,835)
Others	230,591	290,971	396,509
Sub-total	1,589,320	625,982	2,761,471
Payment of income taxes	(298,643)	(608,929)	(666,249)
Net cash provided by operating activities	1,290,676	17,052	2,095,222
Ⅱ Cash Flows From Investing Activities:			
Receipt of interest and dividend income	13,882	9,427	31,811
Increase in time deposits	(1,091,046)	(908,987)	(1,872,506)
Decrease in time deposits	775,849	818,479	1,741,820
Proceeds from sale of securities	50,000	54,000	81,000
Payments for purchase of tangible fixed assets	(234,907)	(430,509)	(451,557)
Proceeds from sale of tangible fixed assets	2,480	-	19,586
Payments for purchase of intangible fixed assets	(27,351)	(162,456)	(268,593)
Payments for purchase of investment securities	(49,875)	(193,200)	(129,836)
Proceeds from sale of investment securities	39,802	5,228	39,802
Others	15,763	44,538	(46,054)
Net cash used in investing activities	(505,401)	(763,479)	(854,526)
Ⅲ Cash Flows From Financing Activities:			
Payment of interest expenses	(45,283)	(38,801)	(88,545)
Increase in short-term bank loans	690,057	697,147	932,882
Decrease in short-term bank loans	(586,744)	(669,400)	(897,515)
Decrease in long-term bank loans	(331,043)	(15,000)	(541,208)
Dividends paid	(214,138)	(270,172)	(393,276)
Others	(239)	(369)	(716)
Net cash used in financing activities	(487,391)	(296,597)	(988,378)
Ⅳ Effect of exchange on cash and cash equivalents	(70,732)	(2,717)	(100,797)
Ⅴ Increase (decrease) in cash and cash equivalents	227,150	(1,045,741)	151,519
Ⅵ Cash and cash equivalents at beginning of period	5,190,752	5,342,272	5,190,752
Ⅶ Cash and cash equivalents at end of period	5,417,902	4,296,530	5,342,272

Basis of Presentation of the Consolidated Financial Statements

1. Scope of Consolidation

The Company has eight subsidiaries, all of which are consolidated:
Combi Asia Limited, Combi International Corporation, Combi (Shanghai) Co., Ltd., Dong Guan Combi Stroller & Toys Co., Ltd, Ningbo Combi Baby Goods Co., Ltd., Combi (Taiwan) Co., Ltd., Combi Cha Cha Corporation, Combi Wellness Co., Ltd.

2. Application of Equity Method

There were no non-consolidated subsidiaries or affiliates to which the equity method is applied.

3. Matters Concerning the Interim Period-ends of Consolidated Subsidiaries

Consolidated subsidiaries Combi Asia Limited, Combi International Corporation, Combi (Shanghai) Co., Ltd., Dong Guan Combi Stroller & Toys Co., Ltd, Ningbo Combi Baby Goods Co., Ltd. and Combi (Taiwan) Co., Ltd. have interim period-ends of June 30 each year. The accounts of these subsidiaries have been consolidated using the account balances for this interim period-end with necessary adjustments on consolidation for material transactions occurring between July 1 and September 30, the Company's interim period-end.

4. Summary of Significant Accounting Principles

(1) Valuation Standards and Accounting Treatment for Important Assets

(i) Securities

Held-to-maturity debt securities: Stated at amortized cost (straight-line method)

Other securities:

Securities with market quotations: Stated at fair value determined by the market value at period-end. (Unrealized gains or losses are recorded in shareholders' equity. Cost is determined by the moving-average method.)

Securities without market quotations: Stated at cost determined mainly by the moving-average method.

(ii) Derivatives

Stated at fair value

(iii) Inventories

Stated at cost determined mainly by the average cost method

(2) Depreciation and Amortization of Important Depreciable Assets

(i) Tangible Fixed Assets

The Company and its domestic consolidated subsidiaries compute depreciation on the declining-balance method. However, depreciation expenses for buildings (other than improvements) acquired on or after April 1, 1998 are computed using the straight-line method. Overseas consolidated subsidiaries also use the straight-line method.

(ii) Intangible Fixed Assets

Amortization is computed using the straight-line method.

Amortization of software costs for internal use is computed using the straight-line method based on an internal useful life of 5 years.

(3) Accounting for Allowances

(i) Allowance for Doubtful Accounts

The Company and its domestic consolidated subsidiaries provide for losses on ordinary receivables using the historical default rate, and provide for losses on specific receivables where there is a fear of default based on the estimated amount of uncollectible receivables on an individual basis. Overseas consolidated subsidiaries provide for losses on specific receivables based on the estimated amount of uncollectible receivables.

(ii) Accrued Bonuses to Employees

To provide for the payment of bonuses to employees, the Company and its domestic subsidiaries make provisions for the amount of future payments incurred in the interim period.

(iii) Accrued Retirement Benefits for Employees

To provide for employees' retirement benefits, the Company records an amount that is recognized as arising at the end of the interim period based on the estimated retirement benefit obligations and value of pension assets at the end of the fiscal year concerned.

Unrecognized actuarial differences are amortized using the straight-line method over a set period that is no longer than the average remaining service period for employees in service at the time the liabilities are incurred. In this case, actuarial differences are amortized and expensed over 10 years from the following fiscal year.

(iv) Accrued Retirement Benefits for Officers

To provide for the payment of retirement benefits to directors and executive officers, the Company records an amount to adequately cover payments at the end of the interim period, in accordance with internal regulations.

(4) Standards for the Conversion of Important Foreign Currency-Denominated Assets and Liabilities into Yen

Foreign currency-denominated monetary receivables and payables are converted into Japanese yen at the exchange rate prevailing on the interim period-end, with gains and losses on translation recognized in the consolidated statements of income. The assets and liabilities of overseas subsidiaries are converted into Japanese yen at the exchange rate prevailing on the interim period-end, while revenue and expense accounts are converted at the average exchange rate during the interim period. Gains and losses are included in the "foreign transfer ownership currency translation adjustment" account in Minority Interests and Shareholders' Equity.

(5) Accounting Treatment of Important Lease Transactions

The Company and its domestic consolidated subsidiaries account for finance leases, other than those of the leased property to the lessee, in accordance with standards for ordinary operating leases.

(6) Hedge Accounting

(i) Hedge Accounting

The Company principally applies deferred hedge accounting. When a foreign currency swap contract or a foreign currency option contract fulfills certain conditions, gains or losses are deferred. When an interest rate swap contract fulfils certain special conditions, special accounting is used.

(ii) Hedging Instruments and Hedged Items

Hedging instruments	Hedged items
Foreign currency swap contracts	Foreign currency transactions (including planned transactions)
Foreign currency option contracts	Foreign currency transactions (including planned transactions)
Interest rate swap contracts	Loans

(iii) Hedging Policy

The Company hedges its exposure to the risk of fluctuations in foreign currency exchange rates and interest rates in accordance with the Company's market risk management regulations. With regard to the risk of fluctuations in foreign currency exchange rates on foreign currency-denominated purchase transactions (including planned transactions), the major risk, in principle, the Company hedges no more than 90% of foreign currency transactions due for settlement within one year and no more than 70% of foreign currency transactions due over one year.

(iv) Method for Measuring Hedge Effectiveness

In principle, the Company evaluates the effectiveness of hedges by reference to the accumulated gains or losses on the hedging instruments and movement of cash flow, and the related hedged items and movement of cash flows.

(7) Accounting for Consumption Tax

The Company and its domestic consolidated subsidiaries account for consumption tax using the tax exclusion method.

5. Cash and Cash Equivalents in the First Half Consolidated Statements of Cash Flows

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash on hand, bank deposits able to be withdrawn on demand and short-term investments with an original maturity of three months or less and which represent a minor risk of fluctuation in value.

 (¥ thousand)

First Half FY2003 — As of September 30, 2002

1. Accumulated depreciation on tangible fixed assets 3,929,395

2. Assets pledged as collateral

Deposits	15,320
Buildings and structures	1,165,452
Land	1,160,103
Total	2,340,875

Collateralized obligations

Current portions of long-term loans	140,000
Bonds	2,000,000
Total	2,140,000

3. Guarantee obligations 24,020

4. Main selling, general and administrative expense items:

Freight-out	513,035
Advertising and promotion	961,856
Bonuses and allowances	1,336,995
Retirement benefit expenses	131,542
Provision for employees' bonuses	290,809
Provision for officers' retirement benefits	10,707
Provision for doubtful accounts	6,016
Depreciation and amortization	107,506

5. Main extraordinary income items

Gain on sale of fixed assets	1,314

Main extraordinary loss items

Loss on disposal of fixed assets	8,402
Provision for doubtful accounts	8,930

6. Notes to consolidated statements of cash flows
Reconciliation of cash and cash equivalents at end of period with cash items on balance sheet

Cash on hand and in banks	4,903,382
Securities	1,888,186
Total	6,791,568
Time deposits exceeding three months	(1,288,944)
Bonds with redemption periods exceeding three months	(84,720)
Cash and cash equivalents at end of period	5,417,902

First Half FY2004 — As of September 30, 2003

1. Accumulated depreciation on tangible fixed assets 4,291,834

2. Assets pledged as collateral

Deposits	15,360
Buildings and structures	1,089,639
Land	1,160,103
Other	83,362
Total	2,348,465

Collateralized obligations

Short-term bank loans	54,433
Bonds	2,000,000
Total	2,054,433

3. Guarantee obligations 29,238

4. Main selling, general and administrative expense items:

Freight-out	535,805
Advertising and promotion	1,132,826
Bonuses and allowances	1,359,462
Retirement benefit expenses	120,780
Provision for employees' bonuses	302,227
Provision for officers' retirement benefits	12,712
Depreciation and amortization	139,751

5. Main extraordinary income items

Gain on sale of investments in securities	2,407

Main extraordinary loss items

Loss on disposal of fixed assets	12,340

6. Notes to consolidated statements of cash flows
Reconciliation of cash and cash equivalents at end of period with cash items on balance sheet

Cash on hand and in banks	4,102,543
Securities	1,476,817
Total	5,579,360
Time deposits exceeding three months	(1,209,608)
Bonds with redemption periods exceeding three months	(73,221)
Cash and cash equivalents at end of period	4,296,530

FY2003 — As of March 31, 2003

1. Accumulated depreciation on tangible fixed assets 4,087,619

2. Assets pledged as collateral

Buildings and structures	1,120,753
Land	1,160,103
Other	29,227
Total	2,310,083

Collateralized obligations

Short-term bank loans	25,503
Bonds	2,000,000
Total	2,025,503

3. Guarantee obligations 26,355

4. Main selling, general and administrative expense items:

Freight-out	1,042,913
Advertising and promotion	1,946,317
Bonuses and allowances	3,021,393
Retirement benefit expenses	218,394
Provisions for employees' bonuses	334,131
Provision for officers' retirement benefits	22,538
Provision for doubtful accounts	23,552
Depreciation and amortization	223,758

5. Main extraordinary income items

Subsidies	65,189

Main extraordinary loss items

Loss on disposal of fixed assets	26,672
Loss on sale of fixed assets	19,827
Write down of investment in securities	31,556

6. Notes to consolidated statements of cash flows
Reconciliation of cash and cash equivalents at end of period with cash items on balance sheet

Cash on hand and in banks	4,657,504
Securities	1,900,284
Total	6,557,789
Time deposits exceeding three months	(1,118,766)
Bonds with redemption periods exceeding three months	(96,750)
Cash and cash equivalents at end of period	5,342,272

Segment Information

（１）Segment Information by Industry Segment

The following tables show segment information by industry segment for the first half of fiscal 2003 and fiscal 2004, and for fiscal 2003.

(¥ thousand)

Period		Baby Care Products and Toys	Health Care Products	Total	Eliminations and Corporate	Consolidated
First Half FY2003	Net Sales and Operating Income Net sales (1) Sales to outside customers (2) Intersegment sales/transfers	 12,991,093 －	 1,287,151 －	 14,278,245 －	 － －	 14,278,245 －
Ended Sept. 30, 2002	Total	12,991,093	1,287,151	14,278,245	－	14,278,245
	Operating expenses	11,096,497	1,532,549	12,629,047	804,957	13,434,004
	Operating income (loss)	1,894,595	(245,398)	1,649,197	(804,957)	844,240
First Half FY2004	Net Sales and Operating Income Net sales (1) Sales to outside customers (2) Intersegment sales/transfers	 12,755,240 －	 1,408,002 －	 14,163,242 －	 － －	 14,163,242 －
Ended Sept. 30, 2003	Total	12,755,240	1,408,002	14,163,242	－	14,163,242
	Operating expenses	11,378,068	1,497,754	12,875,822	814,775	13,690,598
	Operating income (loss)	1,377,172	(89,752)	1,287,420	(814,775)	472,644
FY2003	Net Sales and Operating Income Net sales (1) Sales to outside customers (2) Intersegment sales/transfers	 26,589,817 －	 3,053,724 －	 29,643,542 －	 － －	 29,643,542 －
Ended Mar. 31, 2003	Total	26,589,817	3,053,724	29,643,542	－	29,643,542
	Operating expenses	22,675,844	3,293,086	25,968,931	1,640,166	27,609,097
	Operating income (loss)	3,913,973	(239,361)	3,674,611	(1,640,166)	2,034,445

(Notes)

1. Method for Classifying Industry Segments and Main Products in Each Segment
   (1) Industry segments are classified based on the main products handled.
   (2) Main products and business in each industry segment

Industry Segment	Main Products and Businesses
Baby Care Products and Toys	Baby care products, strollers, child car seats, nursing products, toys, BCS products, child wear, etc.
Health Care Products	Fitness machines, nursing care products, functional food products, etc.

2. Unallocatable Expenses Included in "Eliminations and Corporate" Under "Operating Expenses"

(¥ thousand)

	First Half FY2003	First Half FY2004	FY2003	Main Expenses
Unallocatable expenses included in "Eliminations and Corporate"	804,957	814,775	1,640,166	Expenses incurred in the Company's general affairs and personnel, finance, management planning and other management departments.

（２）Segment Information by Geographic Segment

The following tables show segment information by geographic segment for the first half of fiscal 2003 and fiscal 2004, and for fiscal 2003.

(¥ thousand)

Period		Japan	Asia	North America	Total	Eliminations and Corporate	Consolidated
First Half FY2003 Ended Sept. 30, 2002	Net Sales and Operating Income Net Sales (1) Sales to outside customers (2) Intersegment sales /transfers	 13,302,819 93,756	 542,086 1,878,462	 433,339 –	 14,278,245 1,972,219	 – (1,972,219)	 14,278,245 –
	Total	13,396,576	2,420,548	433,339	16,250,464	(1,972,219)	14,278,245
	Operating expenses	11,726,863	2,254,493	573,749	14,555,106	(1,121,102)	13,434,004
	Operating income (loss)	1,669,713	166,054	(140,410)	1,695,357	(851,116)	844,240
First Half FY2004 Ended Sept. 30, 2003	Net Sales and Operating Income Net Sales (1) Sales to outside customers (2) Intersegment sales /transfers	 13,179,178 99,687	 684,770 2,068,899	 299,293 –	 14,163,242 2,168,587	 – (2,168,587)	 14,163,242 –
	Total	13,278,866	2,753,670	299,293	16,331,829	(2,168,587)	14,163,242
	Operating expenses	12,147,932	2,497,125	438,359	15,083,417	(1,392,819)	13,690,598
	Operating income (loss)	1,130,933	256,545	(139,066)	1,248,412	(775,767)	472,644
FY2003 Ended Mar. 31, 2003	Net Sales and Operating Income Net Sales (1) Sales to outside customers (2) Intersegment sales/transfers	 27,889,480 188,903	 912,293 4,205,188	 841,769 –	 29,643,542 4,394,091	 – (4,394,091)	 29,643,542 –
	Total	28,078,383	5,117,481	841,769	34,037,634	(4,394,091)	29,643,542
	Operating expenses	24,364,709	4,790,852	1,134,305	30,289,866	(2,680,769)	27,609,097
	Operating income (loss)	3,713,674	326,629	(292,536)	3,747,767	(1,713,322)	2,034,445

(Notes)1. Regions are classified by geographical proximity.
2. The countries encompassed by geographic segments other than Japan are as follows:
・Asia・・・・China, Taiwan　　・North America・・・・U.S.
3. Unallocatable Expenses Included in "Eliminations and Corporate" Under "Operating Expenses"

(¥ thousand)

	First Half FY2003	First Half FY2004	FY2003	Main Expenses
Unallocatable expenses included in "Eliminations and Corporate"	804,957	814,775	1,640,166	Expenses incurred in the Company's general affairs and personnel, finance, management planning and other management departments.

（３） Overseas Sales (Export Sales and Sales by Overseas Subsidiaries)

First Half FY2003 (April 1, 2002 - September 30, 2002)
Overseas sales have not been presented because they represent less than 10% of total net sales.

First Half FY2004 (April 1, 2003 - September 30, 2003)
Overseas sales have not been presented because they represent less than 10% of total net sales.

FY2003 (April 1, 2002 - March 31, 2003)
Overseas sales have not been presented because they represent less than 10% of total net sales.

Lease Transactions

The Company has not presented information on lease transactions because it discloses information using the electronic disclosure system in accordance with Article 27, Paragraph 30-6 of the Securities and Exchange Law of Japan.

Securities

(1) First Half FY2003 (As of September 30, 2002)

1. Held-to-maturity securities with market value

(¥ thousand)

	Carrying Amount	Market Value	Gross Unrealized Gain
Governmental bonds	248,658	251,238	2,579
Total	248,658	251,238	2,579

2. Other securities with market quotations

(¥ thousand)

	Acquisition Cost	Carrying Amount	Gross Unrealized Gains (Losses)
(1) Equity securities	57,185	54,826	(2,359)
(2) Debt securities			
Corporate bonds	170,113	175,412	5,298
Total	227,299	230,238	2,938

(Note) There was a ¥17,084,000 appraisal loss on other securities with market quotations.

3. Other securities without market quotations

(¥ thousand)

	Carrying Amount
Other securities	
(1) Unlisted equity securities (excluding over-the-counter securities)	422,392
(2) Money management fund	1,803,465
Total	2,225,857

(2) First Half FY2004 (As of September 30, 2003)

1. Held-to-maturity securities with market value

(¥ thousand)

	Carrying Amount	Market Value	Gross Unrealized Gain
Governmental bonds	237,461	240,149	2,688
Total	237,461	240,149	2,688

2. Other securities with market quotations

(¥ thousand)

	Acquisition Cost	Carrying Amount	Gross Unrealized Gains
(1) Equity securities	22,807	55,527	32,719
(2) Debt securities			
Corporate bonds	120,294	124,989	4,694
Total	143,102	180,516	37,413

3. Other securities without market quotations

(¥ thousand)

	Carrying Amount
Other securities	
(1) Unlisted equity securities (excluding over-the-counter securities)	665,592
(2) Money management fund	1,403,595
Total	2,069,188

(３) FY2003 (As of March 31, 2003)

1. Held-to-maturity securities with market value

(¥ thousand)

	Type	Carrying Amount	Market Value	Gross Unrealized Gains (Losses)
Market value exceeds carrying amount	(1) Governmental bonds	197,089	201,405	4,316
	Sub-total	197,089	201,405	4,316
Market value is less than carrying amount	(1) Governmental bonds	73,875	73,874	(1)
	Sub-total	73,875	73,874	(1)
Total		270,964	275,279	4,315

2. Other securities with market quotations

(¥ thousand)

	Type	Acquisition Cost	Carrying Amount	Gross Unrealized Gains (Losses)
Carrying amount exceeds acquisition cost	(1) Equity securities	1,745	2,350	604
	(2) Corporate bonds	139,746	145,126	5,379
	Sub-total	141,492	147,476	5,983
Carrying amount is less than acquisition cost	(1) Equity securities	23,883	22,841	(1,042)
	Sub-total	23,883	22,841	(1,042)
Total		165,376	170,317	4,941

3. Other securities without market quotations

(¥ thousand)

	Carrying Amount
Other securities	
(1) Unlisted equity securities (excluding over-the-counter securities)	472,392
(2) Money management fund	1,803,534
Total	2,275,926

4. Future redemption values of other securities with maturities or held-to-maturity debt securities

(¥ thousand)

	Within One Year	Over One Year But Within Five Years	Over Five Years But Within Ten Years
Debt securities			
(1) Governmental bonds	57,000	185,000	30,000
(2) Corporate bonds	40,000	110,000	-
Total	97,000	295,000	30,000

Derivative Transactions

The Company has not presented information on derivative transactions because it discloses information using the electronic disclosure system in accordance with Article 27, Paragraph 30-6 of the Securities and Exchange Law of Japan.

Status of Production, Orders and Sales

(1) Production

(¥ thousand)

Industry Segment	First Half FY2003 Ended Sept. 30, 2002	First Half FY2004 Ended Sept. 30, 2003	FY2003 Ended March 31, 2003
Baby Care Products and Toys	5,578,302	5,655,997	11,792,812
Health Care Products	797,285	730,039	1,530,297
Total	6,375,588	6,386,037	13,323,109

(Notes) 1. Figures represent the cost of production.
2. The above figures, as well as the figures below, do not include consumption tax.

(2) Orders

The Company does not perform order-based production.

(3) Purchased Products

(¥ thousand)

Industry Segment	First Half FY2003 Ended Sept. 30, 2002	First Half FY2004 Ended Sept. 30, 2003	FY2003 Ended March 31, 2003
Baby Care Products and Toys	1,645,334	1,204,302	2,430,728
Health Care Products	142,458	223,880	420,183
Total	1,787,792	1,428,183	2,850,911

(4) Sales

(¥ thousand)

Industry Segment	First Half FY2003 Ended Sept. 30, 2002	First Half FY2004 Ended Sept. 30, 2003	FY2003 Ended March 31, 2003
Baby Care Products and Toys	12,991,093	12,755,240	26,589,817
Health Care Products	1,287,151	1,408,002	3,053,724
Total	14,278,245	14,163,242	29,643,542

Non-Consolidated First-Half Earnings Report for Fiscal 2004, Ending March 31, 2004

Company Name: Combi Corporation
Stock Listing: 1st Section, Tokyo Stock Exchange
Company Code: ７９３５
Head Office: Tokyo
（ＵＲＬ http://www.combi.co.jp/)
President & CEO: Hiromasa Matsuura
Inquiries, Person in Charge: General Manager, Finance, Tsutomu Yokobori TEL (03) 5828 - 7661
Board of Directors' Meeting to Approve Results: Nov. 19, 2003
Interim Dividend System: Yes
Interim Dividend Payment Date: December 12, 2003
Tangen Trading Unit System: Yes (1 *tangen* = 500 shares)

１. Non-Consolidated First-Half Results for Fiscal 2004 (April 1, 2003 to September 30, 2003)

(1) Non-consolidated Operating Results (Amounts less than one million yen have been omitted)

	Net Sales		Operating Income		Recurring Income	
	(¥ million)	%	(¥ million)	%	¥ million)	%
1st Half FY04	１２，２３８	(2.2)	３９９	(61.0)	３５９	(63.4)
1st Half FY03	１２，５１２	2.6	１，０２３	69.9	９８１	66.7
FY03	２５，９２１	0.8	２，１６８	15.5	２，０９５	13.3

	Net Income		Net Income per Share
	(¥ million)	%	¥
1st Half FY04	２５３	(45.4)	１４．１０
1st Half FY03	４６３	88.2	２５．８２
FY03	１，０５７	118.6	５７．８２

(Notes) ① Average no. of shares outstanding: 1st Half FY04 17,956,899 shares 1st Half FY03 17,958,042 shares FY03 17,957,652 shares
② Changes in accounting methods: No
③ Percentage figures for net sales, operating income, recurring income and net income represent year-on-year changes.

(2) Dividends

	Interim Dividend per Share	Annual Dividend per Share
	¥	¥
1st Half FY04	１０．００	-
1st Half FY03	１０．００	-
FY03	-	２５．００

(3) Non-Consolidated Financial Position

	Total Assets	Total Shareholders' Equity	Equity Ratio	Book Value per Share
	(¥ million)	(¥ million)	%	¥
Sept. 30, 2003	２３，５１３	１４，０８２	５９．９	７８４．２５
Sept. 30, 2002	２２，８４９	１３，６８３	５９．９	７６２．００
FY03	２３，８３１	１４，０９９	５９．２	７８４．０７

(Notes) ① No. of shares outstanding at period-end: 1st Half FY04 17,956,560 shares 1st Half FY03 17,957,810 shares FY03 17,957,030 shares
② No. of treasury shares at period-end: 1st Half FY04 2,598 shares 1st Half FY03 1,348 shares FY03 2,128 shares

２. Forecast for Fiscal 2004 (April 1, 2003 to March 31, 2004)

	Net Sales	Recurring Income	Net Income	Annual Dividend per Share	
				Year-end	
	(¥ million)	(¥ million)	(¥ million)	¥	¥
Full Year	２７，０００	１，９６０	１，２２０	１０．００	２０．００

(Reference) Forecasted Net Income per Share (Full Year) ¥67.94

＊The above forecasts are based on information available at the time of announcement and subject to a number of uncertainties that could affect future results. Consequently, actual results may differ significantly from forecasts due to a number of factors. Please refer to page 15 of the supplementary materials for details of the assumptions upon which the forecasts are based and cautionary statements concerning use of the forecasts.

Non-Consolidated Financial Statements

(1) Non-Consolidated Balance Sheets

(Amounts less than one thousand yen have been omitted)

Period / Description	First Half FY2003 (As of September 30, 2002)		First Half FY2004 (As of September 30, 2003)		FY2003 Condensed Balance Sheet (As of March 31, 2003)	
	Amount		Amount		Amount	
(ASSETS)	(¥ thousand)	%	(¥ thousand)	%	(¥ thousand)	%
I Current Assets	15,148,120	66.3	14,760,301	62.8	15,533,654	65.2
Cash on hand and in banks	3,042,504		1,939,686		2,297,508	
Notes receivable	1,571,445		1,439,564		1,715,212	
Accounts receivable	4,947,834		5,401,251		5,568,889	
Securities	1,888,186		1,476,817		1,900,284	
Inventories	2,945,758		3,288,713		2,899,826	
Deferred tax assets	145,029		155,870		176,658	
Other current assets	679,428		1,122,510		1,046,303	
Allowance for doubtful accounts	(72,067)		(64,113)		(71,030)	
II Fixed Assets	7,701,176	33.7	8,753,626	37.2	8,298,238	34.8
1. Tangible Fixed Assets	5,061,230	22.2	4,973,678	21.2	4,962,118	20.8
Buildings	1,759,546		1,656,498		1,698,225	
Land	2,730,862		2,786,294		2,730,862	
Others	570,821		530,885		533,030	
2. Intangible Fixed Assets	54,214	0.2	408,119	1.7	309,604	1.3
3. Investments and Others	2,585,731	11.3	3,371,828	14.3	3,026,515	12.7
Investments in securities	816,568		1,010,348		816,924	
Related companies' stock	582,575		1,012,375		1,012,375	
Investments in related companies	143,330		444,955		444,955	
Deferred tax assets	322,357		295,632		296,790	
Others	947,786		776,441		660,082	
Allowance for doubtful accounts	(226,887)		(167,924)		(204,612)	
Total Assets	22,849,297	100.0	23,513,927	100.0	23,831,893	100.0

Description / Period	First Half FY2003 (As of September 30, 2002)		First Half FY2004 (As of September 30, 2003)		FY2003 Condensed Balance Sheet (As of March 31, 2003)	
	Amount		Amount		Amount	
(LIABILITIES)	(¥ thousand)	%	(¥ thousand)	%	(¥ thousand)	%
Ⅰ Current Liabilities	6,189,803	27.1	6,324,564	26.9	6,791,937	28.5
Notes payable	2,274,571		2,500,835		2,588,780	
Accounts payable	1,190,294		1,274,288		1,363,644	
Short-term bank loans	750,000		750,000		650,000	
Income taxes payable	391,000		109,000		608,000	
Accrued bonuses to employees	291,757		298,553		319,467	
Other current liabilities	1,292,180		1,391,886		1,262,045	
Ⅱ Long-Term Liabilities	2,975,639	13.0	3,106,910	13.2	2,940,923	12.3
Bonds	2,000,000		2,000,000		2,000,000	
Long-term bank loans	7,500		-		-	
Accrued retirement benefits for employees	36,330		48,460		38,275	
Accrued retirement benefits for officers	254,992		281,203		266,823	
Other long-term liabilities	676,816		777,246		635,825	
Total Liabilities	9,165,442	40.1	9,431,474	40.1	9,732,861	40.8
Ⅰ Common stock	2,991,922	13.1	2,991,922	12.7	2,991,922	12.6
Ⅱ Capital surplus	2,783,731	12.2	2,783,731	11.9	2,783,731	11.7
1. Additional paid-in capital	2,783,731		2,783,731		2,783,731	
Ⅲ Retained earnings	7,907,426	34.6	8,286,315	35.2	8,321,856	34.9
1. Legal earnings reserve	324,459		324,459		324,459	
2. Voluntary reserve	1,036,195		1,024,766		1,036,195	
3. Unappropriated retained earnings	6,546,771		6,937,088		6,961,201	
Ⅳ Variances on securities valuation	1,704	0.0	22,261	0.1	2,928	0.0
Ⅴ Treasury stock	(931)	(0.0)	(1,777)	(0.0)	(1,408)	(0.0)
Total Shareholders' Equity	13,683,854	59.9	14,082,453	59.9	14,099,032	59.2
Total Liabilities and Total Shareholders' Equity	22,849,297	100.0	23,513,927	100.0	23,831,893	100.0

(2) Non-Consolidated Statements of Income

(Amounts less than one thousand yen have been omitted)

Period / Description	First Half FY2003 Ended September 30, 2002		First Half FY2004 Ended September 30, 2003		FY2003 Condensed Statement of Income Ended March 31, 2003	
	Amount		Amount		Amount	
	(¥ thousand)	%	(¥ thousand)	%	(¥ thousand)	%
I Net Sales	12,512,738	100.0	12,238,131	100.0	25,921,606	100.0
II Cost of Sales	7,255,813	58.0	7,237,232	59.1	15,237,309	58.8
Gross profit	5,256,925	42.0	5,000,898	40.9	10,684,297	41.2
III Selling, General and Administrative Expenses	4,233,272	33.8	4,601,656	37.6	8,515,714	32.8
Operating income	1,023,653	8.2	399,241	3.3	2,168,583	8.4
IV Non-Operating Income	106,287	0.8	70,336	0.5	210,376	0.8
V Non-Operating Expenses	148,145	1.2	109,758	0.9	283,955	1.1
Recurring income	981,795	7.8	359,819	2.9	2,095,003	8.1
VI Extraordinary Income	386	0.0	21,110	0.2	398	0.0
VII Extraordinary Losses	180,958	1.4	10,049	0.1	227,733	0.9
Income before income taxes	801,223	6.4	370,880	3.0	1,867,669	7.2
Income taxes	391,908	3.1	108,874	0.9	871,187	3.3
Deferred income taxes	(54,319)	(0.4)	8,805	0.1	(61,160)	(0.2)
Net income	463,634	3.7	253,200	2.0	1,057,643	4.1
Retained earnings brought forward	6,083,136		6,683,888		6,083,136	
Interim dividends	–		–		179,578	
Unappropriated retained earnings	6,546,771		6,937,088		6,961,201	

Basis of Presentation of the Non-Consolidated Financial Statements

1. Valuation Standards and Accounting Treatment for Important Assets

(1) Securities

Held-to-maturity debt securities: Stated at amortized cost (straight-line method)

Subsidiaries' stock: Stated at cost determined by the moving average method

Other securities

Securities with market quotations: Stated at fair value determined by market value at period-end (Unrealized gains or losses are recorded in shareholders' equity. Cost is determined by the moving-average method.)

Securities without market quotations: Stated at cost determined by the moving-average method

(2) Derivatives

Stated at fair value

(3) Inventories

Stated at cost determined by the average cost method

2. Depreciation and Amortization of Fixed Assets

(1) Tangible Fixed Assets

Depreciation is computed using the declining-balance method. However, depreciation for buildings (other than improvements) acquired on or after April 1, 1998 is computed using the straight-line method.

(2) Intangible Fixed Assets

Amortization is computed using the straight-line method.

Amortization of software costs for internal use is computed using the straight-line method based on an internal useful life of 5 years.

3. Accounting for Allowances

(1) Allowance for Doubtful Accounts

To provide for losses on ordinary receivables the historical default rate is used, while to provide for losses on specific receivables where there is a fear of default the amount of uncollectible receivables is estimated on an individual basis.

(2) Accrued Bonuses to Employees

To provide for bonuses to employees, a provision is made for the amount of future payments incurred in the interim period.

(3) Accrued Retirement Benefits for Employees

To provide for employees' retirement benefits, the Company records an amount that is recognized as arising at the end of the interim period based on the estimated retirement benefit obligations and value of pension assets at the end of the fiscal year concerned.

Unrecognized actuarial differences are amortized using the straight-line method over a set period that is no longer than the average remaining service period for employees in service at the time the liabilities are incurred. In this case, actuarial differences are amortized and expensed over 10 years from the following fiscal year.

(4) Accrued Retirement Benefits for Officers

To provide for the payment of retirement benefits to directors and statutory auditors, the Company of the interim period, in accordance with internal regulations.

4. Accounting Treatment for Lease Transactions

Finance leases, other than those that transfer ownership of the leased property to the records an amount to adequately cover payments at the end lessee, are accounted for in accordance with the standard for ordinary operating leases.

5. Hedge Accounting

(1) Hedge Accounting

The Company principally applies deferred hedge accounting. When a foreign currency swap contract or a foreign currency option contract fulfills certain conditions, gains or losses are deferred. When an interest rate swap contract fulfils certain special conditions, special accounting is used.

(2) Hedging Instruments and Hedged Items

Hedging Instruments	Hedged Items
Foreign currency swap contract	Foreign currency transactions (including planned transactions)
Foreign currency option contract	Foreign currency transactions (including planned transactions)
Interest rate swap contract	Loans

(3) Hedging Policy

The Company hedges its exposure to the risk of fluctuations in foreign currency exchange rates and interest rates in accordance with the Company's market risk management regulations. With regard to the risk of fluctuation in currency exchange rates on foreign currency-denominated purchase transactions (including planned transactions) the major risk, in principle, the Company hedges no more than 90% of foreign currency transactions due for settlement within one year and no more than 70% of foreign currency transactions due over one year.

(4) Method for Measuring Hedge Effectiveness

In principle, the Company evaluates the effectiveness of hedges by reference to the accumulated gains or losses on the hedging instruments and movement of cash flow, and the related hedged items and movement of cash flows.

6. Accounting for Consumption Tax

The Company accounts for consumption tax using the tax exclusion method.

Notes to the Non-Consolidated Financial Statements

(¥ thousand)

First Half FY2003 As of September 30, 2002	First Half FY2004 As of September 30, 2003	FY2003 As of March 31, 2003
1. Accumulated depreciation on tangible fixed assets 3,363,415	1. Accumulated depreciation on tangible fixed assets 3,565,481	1. Accumulated depreciation on tangible fixed assets 3,453,775
2. Assets pledged as collateral Buildings 1,038,813 Structures 126,638 Land 1,160,103 Total 2,325,555 Collateralized obligations Current portions of long-term loans 140,000 Bonds 2,000,000 Total 2,140,000	2. Assets pledged as collateral Buildings 981,173 Structures 108,466 Land 1,160,103 Total 2,249,742 Collateralized obligations Bonds 2,000,000	2. Assets pledged as collateral Buildings 1,003,984 Structures 116,769 Land 1,160,103 Total 2,280,856 Collateralized obligations Bonds 2,000,000
3. Guarantee obligations 812,974	3. Guarantee obligations 557,178	3. Guarantee obligations 491,195
4. Main extraordinary income items Gain on sale of fixed assets 386 Main extraordinary loss items Loss on disposal of fixed assets 7,939 Provision for doubtful accounts 8,930 Write down of investments in related companies 164,053	4. Main extraordinary income items Gain on sale of investment in securities 2,407 Reversal of provision for doubtful accounts 18,700 Main extraordinary loss items Loss on disposal of fixed assets 10,005	4. Main extraordinary income items Gain on sale of fixed assets 398 Main extraordinary loss items Bad debts 8,817 Loss on disposal of fixed assets 23,270 Write down of investments in securities 31,556 Write-down of investments in related companies 164,053