002341 / 30

ANNUAL REPORT

MITSUBISHI ELECTRIC EUROPE B.V.
AMSTERDAM, THE NETHERLANDS,

Year ended March 31, 2004

Vastgesteld in de algemene vergadering van aandeelhouders van 7 maart 2005

Adopted in the shareholders meeting of 7 March 2005.

CONTENTS

MANAGING DIRECTORS' REPORT

The directors are pleased to submit their report together with the annual accounts of the Company for the year ended March 31, 2004. These financial statements have been audited. The Auditor's Report is included in Other Information.

Principal activities

The principal activities of the Group are as follows:

a The sales and service of:
- Consumer electric products;
- Industrial, electrical and electronic equipment and
- Electronic and information technology systems, components and software.

b The undertaking of electronic contract business

c The engineering design, project management and internal construction relating to power substations, building service modules, large screen display systems and power line *communication* systems.

Activities and results

The removal of semiconductor LSI business reduced sales by EUR 160.2 million compared to last year. We are however pleased to report the sales of Living Environment Systems, Factory Automation Systems, and Automotive Equipment each increased and the total turnover amounted to EUR 1.408 million. In particular, Living Environment Systems increased sales of air-conditioners under the booming market due to the hot summer in Europe in 2003. Overall the year sales decrease was EUR 77.4 million compared to the previous year.

Profit after tax was EUR 21.1 million, an increase of EUR 10.2 million compared with last year. It was boosted by the improvement of operating profit due to the good condition of each business. As a result of the year profit, the retained loss of the company was erased and the cash flows improved. It is of note borrowings were reduced comparing with last year.

Prospects

While expanding the existing business with good profitability, the company is also challenging new business such as Photovoltaic business and Power Line Communication and new market areas such as Central & East Europe and Russia.
As the financial situation has become stronger, the company has a plan to pay dividends to shareholder from next financial year onwards and is structuring the internal cash distribution in order to carry out the dividend plan.

MITSUBISHI ELECTRIC EUROPE B.V.,
AMSTERDAM

Regarding the prospects for year 2005, sales will increase with operating profit level increasing accordingly. The acquisition of the telecom sales business in October 2004 by our French branch will have a positive effect on our turnover for the year-ended March 31, 2005.

Amsterdam, December 23, 2004

Managing Directors

T. Sasakawa

F.J. Madigan Fergus Madigan

G. Debry

T. Yamaoka

R. Kanai

K. Uruma

T. Ito

BALANCE SHEET
March 31, 2004

A s s e t s

	Notes	March 31, 2004		March 31, 2003	
		EUR'000	EUR'000	EUR'000	EUR'000
Long-term assets					
Property, plant and equipment:					
• Land and buildings		14,806		17,924	
• Plant and equipment		11,195		14,057	
• Financial lease		4,117		4,377	
Total property, plant and equipment	3		30,118		36,358
Intangible assets	4	2,040		2,362	
Deferred tax assets	20	4,628		4,297	
Total long-term assets			6,668		6,659
Current assets					
Inventories	5	252,099		299,848	
Trade and other receivables	6	352,661		349,394	
Cash and cash equivalents	7	62,231		61,400	
Total current assets			666,991		710,642
Total assets			703,777		753,659

See accompanying notes.

Group equity and liabilities

	Notes	March 31, 2004		March 31, 2003	
		EUR'000	EUR'000	EUR'000	EUR'000
Group equity					
Share capital		83,975		83,975	
Share premium		16,855		16,855	
Foreign currency translation		(1,670)		(1,239)	
Retained earnings		9,377		(11,710)	
Total shareholders' equity	8		108,537		87,881
Long-term liabilities					
Finance lease liabilities	9	4,373		4,724	
Pension liability	10	7,148		5,939	
Interest-bearing loans and borrowings	11	5,439		5,439	
Provisions	12	11,169		9,946	
Deferred tax liabilities	20	66		–	
Total long-term liabilities			28,195		26,048
Current liabilities					
Trade and other payables to affiliates	23	447,132		485,097	
Interest-bearing loans and borrowings	11	10,660		36,693	
Creditors		38,912		38,479	
Other current liabilities		63,918		74,583	
Income tax payable		6,423		4,878	
Total current liabilities			567,045		639,730
Total group equity and liabilities			703,777		753,659

INCOME STATEMENT
Year ended March 31, 2004

	Notes	**01-04-03 – 31-03-04**		01-04-02 – 31-03-03	
		EUR'000	EUR'000	EUR'000	EUR'000
Net sales	14,22	1,407,957		1,485,385	
Cost of sales		(1,172,120)		(1,254,132)	
Gross profit			235,837		231,253
Selling, general and administrative expenses	16	(232,779)		(239,365)	
Other operating income	17	36,257		33,420	
Other operating expense	18	(7,554)		(10,424)	
			(204,076)		(216,369)
Operating profit			31,761		14,884
Financial expense (net)	19		(2,407)		(5,612)
Profit on ordinary activities before taxation			29,354		9,272
Income tax	20		8,267		(1,667)
Net profit			21,087		10,939

See accompanying notes.

CASH FLOW STATEMENT
Year ended March 31, 2004

	Notes	**01-04-03 – 31-03-04**		01-04-02 – 31-03-03	
		EUR'000	EUR'000	EUR'000	EUR'000
Cash flow from operating activities					
Net result before taxation		29,354		9,272	
Adjustments:					
• loss on disposal of long-term assets		1,044		–	
• gain on disposal of operations		(10,200)		–	
• depreciation, amortisation, revaluation and impairment charges on long-term assets		6,703		7,551	
• (increase)/decrease in trade and other receivables		(7,226)		12,905	
• decrease in inventories		31,586		38,489	
• (decrease)/increase in current liabilities		(15,610)		(3,153)	
• income taxes paid		(7,055)		(7,041)	
Net cash provided by operating activities			28,596		58,023
Cash flow from investing activities					
Disposal of operations		29,638		–	
Purchase of long-term assets		(5,750)		(9,635)	
Sale of joint venture		–		204	
Proceeds from sales of equipment		3,007		4,487	
Net cash provided by (used in) investing activities			26,895		(4,944)
Cash flow from financing activities					
Change in balances with MEFE		(54,334)		(36,341)	
Interest paid		(3,457)		(7,133)	
Interest received		1,050		1,521	
Increase in long-term liabilities		2,081		5,320	
Net cash (used in) provided by financing activities			(54,660)		(36,633)
Net increases in cash and cash equivalents			831		16,446
Cash and cash equivalents at beginning of period			61,400		44,954
Cash and cash equivalents at end of period	8		62,231		61,400

See accompanying notes.

STATEMENT OF CHANGES IN EQUITY
Year ended March 31, 2004

	Notes	Amounts		Shares	
		2003/2004	2002/2003	**2003/2004**	2002/2003
		EUR'000	EUR'000		
Share capital					
Balance, beginning of year		83,975	83,975	83,975	83,975
Balance, end of year		83,975	83,975	83,975	83,975
Share premium					
Balance, beginning of year		16,855	16,855		
Balance, end of year		16,855	16,855		
Foreign currency translation reserve					
Balance, beginning of year		(1,239)	(2,775)		
Translation adjustment		(431)	1,536		
Balance, end of year		(1,670)	(1,239)		
Retained earnings					
Balance, beginning of year		(11,710)	(22,649)		
Net result for the year		21,087	10,939		
Balance, end of year		9,377	(11,710)		
Total equity and shares outstanding	8	108,537	87,881	83,975	83,975

NOTES TO THE FINANCIAL STATEMENTS
March 31, 2004

1 Corporate information

Mitsubishi Electric Europe B.V., Amsterdam, the Netherlands ('The Company' or 'MEU') was incorporated on April 17, 1996 and operates as the European sales organisation of Mitsubishi Electric Corporation ('MELCO'), Tokyo, Japan, its parent company. The registered office of MEU is located at Capronilaan 46, Schiphol-Rijk, Amsterdam, The Netherlands.

MEU carries out its operations primarily through branches which it has in France, Germany, Ireland, Italy, the Netherlands, Portugal, Spain, Sweden and the United Kingdom.

2 Summary of significant accounting policies

General

The financial statements have been prepared in accordance with the requirements of the Netherlands Civil Code and in accordance with International Financial Reporting Standards (IFRS), which comprise standards and interpretations approved by the IASB, and International Accounting Standards and Standing Interpretations Committee interpretations approved by the IASC that remain in effect. The reporting currency is the Euro, the measurement currency of the company.

The financial statements of the company have been prepared on a historical cost basis, unless otherwise noted.

All amounts are stated in thousand of euros unless otherwise stated.

For comparison purposes, certain amounts in the financial statements as of March 31, 2003 have been reclassified.

Changes in accounting policies

As of April 1, 2003, the Company adopted the allowed alternative treatment under IAS 16 'Property, Plant and Equipment', for its class office buildings, including land. The office buildings (including land) are now recorded in the balance sheet at the revaluated amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The change in revaluated amount is included in selling, general and administrative expenses.
Previously, the Company recorded office buildings (including land) at its cost less any accumulated depreciation and any accumulated impairment losses and was presented with other buildings in one group 'land and buldings'.

In accordance with IAS 16 the accumulated depreciation is eliminated against the gross carrying amount of the office buildings (including land) and the net amount restated to the revalued amount of the office buildings (including land). To reflect this change in accounting policy, the net profit for the year ended March 31, 2004 decreased with EUR 2,870,000.

Branches

The financial information of the branches is fully aggregated in the financial statements. Internal transactions and balances and unrealised profits on internal transactions are eliminated on aggregation.
The branches are considered to be foreign entities because the activities are not an integral part of the enterprise which is e.g. evidenced by the fact that the costs of the branches are primarily paid or settled in the local currency of the country of residence.

Foreign currency translation

Transactions and balances in foreign currencies

Transactions in foreign currencies are translated into local currency at exchange rates ruling on the transaction date in the accounting records of the company and its branches. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at exchange rates ruling on the balance sheet date. Both realised and unrealised gains and losses are recognised in the profit and loss account.

Branches

The branches maintain their accounting records in their respective currencies. For inclusion in the company's financial statements the balance sheets of the branches are translated into Euros at exchange rates ruling on the balance sheet date. The profit and loss accounts are translated into Euros at the average exchange rates prevailing during the year. The exchange differences arising on the retranslation are taken directly to equity.

Intangible assets

Software is capitalised at cost price and amortized over the useful life. At each balance sheet date, the Company assesses whether there is any indication of impairment. If any such indication exists, the recoverable amount will be estimated.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value for the classes technical equipment, office equipment and cars. The class office buildings (including land) is stated at the revaluated amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Land is not depreciated. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

- buildings - based on contract (rental or useful life);
- technical equipment 3 to 5 years;
- office equipment 5 to 10 years;
- cars 3 to 5 years.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may be not recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of property, plant and equipment is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their net present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognised in the income statement.

Construction contracts

Contract revenue and contract costs are recognized as revenue and expenses, respectively, when the outcome of a construction contract can be estimated reliable.

Revenue arising from fixed price contracts is recognized in accordance with the percentage of completion method. The stage of completion is measured by reference to the actual costs incurred to date as a percentage of the total expected costs for each contract.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

Trade and other receivables

Trade receivables are recognized and carried at original invoice amount less an allowance for any uncollectable amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off when identified.

Inventories

Inventories are stated at the lower of cost and net realisable value. The weighted average cost method is applied.

Income taxes

The charge for taxes includes Dutch and foreign income taxes. Income tax is calculated in accordance with local standard rates. Deferred income taxes are provided using the liability method for all temporary differences between tax and financial reporting. Where applicable, deferred income taxes are reduced by the tax effect of available tax loss carry-forwards. Any remaining tax losses carried forward are carried as an asset in the balance sheet, only when their recoverability is considered to be probable.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of transaction costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings, are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any transaction costs, and any discount or premium on settlement.

Gains and losses are recognised in net profit or loss when the liabilities are derecognised, as well as through the amortisation process.

Leases

Assets held under finance leases which are leases where substantially all the risks and rewards of ownership have passed to the company are capitalised in the balance sheet at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments and depreciated over their useful lives or the shorter lease period. The present value of the minimal lease payments of future obligations under leases are included as liabilities in the balance sheet.

The interest element of the rental obligation is charged to the profit and loss account over the period of the lease.

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Pensions

MEU and its branches have insured some contributory pension plans and defined benefit plans. Pension expense includes amounts for both current service and back-service. Pension obligations are funded through annual premiums. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit actuarial valuation method.

Actuarial gains and losses are recognised as income or expense when the cumulative unrecognised actuarial gains or losses for each individual plan exceed 10% of the higher of defined benefit obligation and the fair value of plan assets. These gains or losses are recognised over the expected average remaining working lives of the employees participating in the plans.

Provisions

Provisions are recognized when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Other assets and liabilities

All other assets and liabilities are stated at the amounts at which they were acquired or incurred.

Income and expense

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

Turnover is stated net of discounts and value-added taxes.

Revenue on sales of goods is recognized when the risks and rewards of ownership of the goods have passed to the buyer.

Revenue on construction projects is recognized by reference to the stage of completion. The stage of completion of each project is determined by expressing actual cost incurred as a percentage of total costs. Other revenue is recognized only to the extent of the expenses which are recoverable.

Cost of sales includes depreciation of inventories.

Other income, costs and expenses are allocated to the year to which they relate.

Cash flow statement

The cash statement is prepared using the indirect method. Cash consists of current (including short-term deposit) accounts with banks and cash in hand.

Payments of interest and income tax are included in cash flows from operating activities.

Financial instruments

The company uses derivative financial instruments such as foreign currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are stated at fair value.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

For the purposes of hedge accounting, hedges are classified as either fair value hedges where they hedge the exposure to changes in the fair value of a recognised asset or liability; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

In relation to cash flow hedges (forward foreign currency contracts) to hedge firm commitments which meet the conditions for special hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in net profit or loss.

When the hedged firm commitment results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability. For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to the income statement in the same period in which the hedged firm commitment affects the net profit and loss, for example when the future sale actually occurs.

For derivatives that do not qualify for special hedge accounting, any gains or losses arising from changes in fair value are taken directly to net profit or loss for the period.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for special hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

3 Property, plant and equipment

	Office buildings including land	Other buildings including land	Plant and equipment	Financial lease	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Cost					
Opening balance	13,393	9,241	57,209	8,063	87,906
Additions	3	7	5,227	–	5,237
Revaluation	(6,436)	–	–	–	(6,436)
Disposals	–	–	(12,772)	–	(12,772)
Translation adjustments	218	–	694	–	912
Closing balance	7,178	9,248	50,358	8,063	74,847
Accumulated depreciation					
Opening balance	3,558	1,152	43,152	3,686	51,548
Charge for the year	225	258	4,214	260	4,957
Revaluation	(3,566)	–	–	–	(3,566)
Disposals	–	–	(8,915)	–	(8,915)
Translation adjustments	(7)	–	712	–	705
Closing balance	210	1,410	39,163	3,946	44,729
Net book value at March 31, 2004	6,968	7,838	11,195	4,117	30,118
Net book value at March 31, 2003	9,835	8,089	14,057	4,377	36,358

The existence and amounts of restrictions on title, and property, plant and equipment was pledged as security for long-term borrowings and amounted to EUR 5,439.

Financial lease comprises buildings.

The office buildings (including land) have been revalued by an independent valuer. The valuation date was February 16, 2004. The basis for the revaluation was market value. The carrying amount of the office buildings would have been EUR 2.9 million higher had the assets been carried at cost less accumulated depreciation.

4 Intangible assets

Intangible assets comprises computer software.

	EUR'000
Cost	
Opening balance	10,005
Additions	1,043
Disposals	(1,840)
Translation adjustments	83
Closing balance	9,291
Accumulated amortization	
Opening balance	7,643
Charge for the year	1,187
Disposals	(1,646)
Translation adjustments	67
Closing balance	7,251
Net book value at March 31, 2004	2,040
Net book value at March 31, 2003	2,362

5 Inventories

	March 31, 2004	March 31, 2003
	EUR'000	EUR'000
Power Systems	1,508	77
Building Systems	4	4
Industrial Products	32,749	32,088
Industrial Automations Systems	18,177	21,057
Industrial Sewing Machines	1,649	2,000
Automotive	39,344	35,285
Electronic Systems	–	9,069
Telecommunication systems	171	117
Semiconductors	9,603	25,012
Home Appliances & Digital Media	46,455	52,663
Carry forward	149,660	177,372

	March 31, 2004	March 31, 2003
	EUR'000	EUR'000
Brought forward	149,660	177,372
Visual Information Technology	35,680	45,703
Aircon & Refrig. Systems	63,876	73,161
Others	2,883	3,612
	252,099	299,848
Inventories at cost	179,351	218,112
Inventories at net realizable value	19,917	26,029
Work in process	4	80
Goods in transit	52,827	55,627
	252,099	299,848

6 Trade and other receivables

	March 31, 2004	March 31, 2003
	EUR'000	EUR'000
Trade receivables	303,944	284,643
Trade and other receivables from affiliated companies	24,194	36,529
Other current assets	14,136	14,273
Prepaid expenses	10,387	13,949
	352,661	349,394

Trade receivables are stated net of a provision for doubtful debts of EUR 12,935 (March 31, 2003: EUR 12,241).

7 Cash

All the cash is available upon immediate demand.

8 Shareholder's equity

The authorised share capital amounts to EUR 150 million consisting of 150,000 shares of EUR 1,000 each.

The issued share capital at March 31, 2004 comprises 83,975 shares of EUR 1,000 each, all of which are fully paid.

The foreign currency translation reserve is a not distributable reserve.

9 Finance lease liabilities

	2003/2004	2002/2003	Amounts due after five years 2003/2004	Amounts due after five years 2002/2003
	EUR'000	EUR'000	EUR'000	EUR'000
Long-term obligations due under finance leases	4,723	5,074	–	1,396
Less amounts due with in one year	350	350	–	–
	4,373	4,724	–	1,396

The effective interest rates applicable on the lease liabilities range from 5.5% to 7.5% (2003: 5.5% to 7.5%).

10 Employee benefits

Pension benefit plans

The group has defined benefit pension plans and defined contribution pension plans, covering a number of its employees, both of which require contributions to be made to separate administration funds.

The following tables summarise the components of net benefit expense recognised in the income statement and the funded status and amounts recognised in the balance sheet for the respective plans.

Net benefit expense

	01-04-03 - 31-02-04	01-04-02 - 31-03-03
	EUR'000	EUR'000
Current service cost	(1,104)	(1,223)
Interest cost on benefit obligation	(2,176)	(1,995)
Expected return on plan assets	1,402	1,760
Net actuarial gain/(loss) recognised in the year	(442)	(508)
Amortization of transition amount	(913)	(1,362)
Additional charges	95	(20)
	(3,138)	(3,348)
Actual return on plan assets	3,866	(3,703)

Benefit asset/(liability)

	March 31, 2004	March 31, 2003
	EUR'000	EUR'000
Benefit obligation	(51,393)	(43,158)
Plan assets	30,195	23,301
Funded status pension liabilities	(21,198)	(19,857)
Unrecognised net actuarial losses	14,050	13,062
Unrecognised transitional amounts	–	856
	(7,148)	(5,939)

Movements in the benefit/(liability) during the years ended March 31, are as follows:

	2004/2003	2003/2002
	EUR'000	EUR'000
At April 1	(5,939)	(4,470)
Benefit expense	(3,138)	(3,348)
Contributions	2,167	1,288
Exchange adjustment	(238)	591
At March 31	(7,148)	(5,939)

The principal assumptions used in determining pension benefit obligations for the Company's plans are shown below:

	01-04-03 - 31-02-04	01-04-02 - 31-03-03
Discount rate	5.50%	5.30%
Expected rate of return in assets	7.00%	6.50%
Future salary increase	4.50%	4.25%
Future pension increase	3.00%	3.00%
Future price inflation	3.00%	2.75%

Total pension expenses recognized in the income statement can be summarized as follows:

	01-04-03 - 31-02-04	01-04-02 - 31-03-03
	EUR'000	EUR'000
Pension costs of benefit plans	3,138	3,348
Pension costs of contribution plans and other employee benefits	889	1,747
	4,027	5,095

11 Interest-bearing loans and borrowings

This item comprises various bank overdrafts with an effective interest rate of 2.0% to 4.0% (March 31, 2003: 3.5% to 5.5%).

12 Provisions

	Warranties	Restructuring	Other	Total
	EUR'000	EUR'000	EUR'000	EUR'000
At April 1, 2003	4,585	3,013	2,348	9,946
Arising during the year	3,564	2,402	704	6,670
Utilised	(1,787)	(2,700)	(652)	(5,139)
Released	(267)	(35)	(6)	(308)
At March 31, 2004	6,095	2,680	2,394	11,169

Warranties

A provision for warranty is recognized for all products under warranty at the balance sheet date based on past experience of the level of repairs and returns. It is expected that these costs will have been incurred within two years of the balance sheet date.

Restructuring

A restructuring provision is recorded mainly in the Italian and German branches for various severance payments. It is expected that most of these costs will be incurred in the next financial year and all will have been incurred within two years of the balance sheet date.

Other

Other provision includes provision for statutory required severance indemnity payments.

13 Commitments and contingencies

Long-term commitments

The outstanding commitments for capital expenditure at March 31, 2004 amount to EUR nil (2003: EUR nil).

Operating lease commitments

The total of future minimum lease payments under non-cancellable operating leases are as follows as of March 31:

	2004	2003
	EUR'000	EUR'000
Within one year	4,900	2,319
After one year but not more than five years	5,903	5,143
More than five years	1,919	844
	12,722	8,306

Delta Résistance S.A.

In August 2003 two former distributors of factory automation products in France, Delta Résistance S.A., ('Delta') and Etude Ingénérie Automation S.A.S. ('EIA'), filed a lawsuit against the Company. The two plaintiffs are stating that the Company has planned and initiated the enticement of Delta's and EIA's key employees to a new distributor and, furthermore, has systematically induced former customers of EIA and Delta to change to the new distributor and later on to the Company. For their loss of profits and for further damages due to 'commercial turbulence' the plaintiffs are claiming compensation of EUR 9 million, which is made up of the approximate amount of total turnover of the two former distributors for a period of three years plus EUR 2 million for 'lost investments'.

Since the Company has not yet received any evidence that would allow a reliable estimate of the probability and the amount of a potential obligation, no provision has been recorded in the financial statements in relation to this matter.

OP Computers

In 2004, the Company received a formal writing for a claim from a liquidator of a former Italian customer ('OP Computers S.p.A.') of the semiconductor business division. With reference to an Italian bankruptcy law (Article 67, Second Paragraph of Royal Degree 267 of 16 March 1942) the liquidator requires the return of payments, amounting to EUR 1.8 million received by the Company from OP Computers S.p.A. in business year 1999. These payments were received in the context of usual sales business. The claim is based on the aforementioned bankruptcy law, following the argumentation that the Company knew about the liquidity problems of OP Computers S.p.A. when the payments were accepted. In this context the liquidator has the burden to proof that the Company's management knew about the bad liquidity situation of OP Computers S.p.A. However the liquidator has not mentioned any amount with respect to the claim. The Company's management is convinced that it can be demonstrated that the company had no knowledge about liquidity problems of OP Computers S.p.A. at the time, when the payments were received.

End of December 2004 the company was informed that a first hearing was fixed for May 6, 2005 by the Italian authorities.

14 Net sales

Reference is made to note 22 for segment information. For the net turnover of sales to affiliated companies reference is also made to note 22.

15 Construction contracts

	2003/2004	2002/2003
	EUR'000	EUR'000
Contract revenue recognised this period	56,974	56,368
Aggregate amount of costs incurred and recognised profits and losses to date	330,933	237,220
Total advances and progress payments received	340,125	293,631
Amount of retention	464	1,167
Gross amount due from customers for contracts work and included in the assets	185	1,558
Gross amount due to customers for contract work and included in the liabilities	9,381	22,049

16 Selling, general and administrative expenses

Selling, general and administrative expenses includes depreciation and amortisation of EUR 6,144 (2002/2003: EUR 7,551), revaluation charges of EUR 2,870 (2002/2003: EUR nil), selling expenses of EUR 44,335 (2002/2003: EUR 41,649) and advertising expenses of EUR 24,741 (2002/2003: EUR 22,087).

Breakdown of personnel expenses:

	01-04-03– 31-03-04	01-04-02– 31-03-03
	EUR'000	EUR'000
Wages and salaries	77,746	87,326
Social security costs	13,589	13,523
Pension costs and other employee benefits	4,027	5,095
	95,362	105,944

Remuneration (including pension costs) of the Managing Directors amounted to EUR 3,000 (2002/2003: nil).

17 Operating income

	01-04-03–31-03-04	01-04-02–31-03-03
	EUR'000	EUR'000
Other operating income includes amounts based on agreements from Melco Japan and affiliated companies for MEU for marketing and advertising costs	26,057	33,420
Gain on disposing the System LSI business	10,200	–
	36,257	33,420

18 Other operating expenses

	01-04-03–31-03-04	01-04-02–31-03-03
	EUR'000	EUR'000
Other operating expenses to affiliated companies	(6,163)	(7,571)
Foreign exchange result	(141)	(1,127)
(Loss)/gain on disposal of long-term assets	(1,045)	47
Other (net)	(205)	(1,773)
	(7,554)	(10,424)

19 Financial expense (net)

	01-04-03–31-03-04	01-04-02–31-03-03
	EUR'000	EUR'000
Interest income	1,050	1,521
Interest expense	(3,457)	(7,133)
	(2,407)	(5,612)

Financial expense includes a net expense to related parties of EUR 2,009 (2003: EUR 3,795).

20 Income taxes

	March 31, 2004	March 31, 2003
	EUR'000	EUR'000
Deferred income tax at March 31 relates to the following:		
Deferred tax assets		
Inventory valuation	1,237	1,169
Provision for doubtful debts	915	582
Leasing liability	727	730
Other provisions (pensions/warranty/restructuring)	460	1,476
Tax loss carryforward	708	–
Other	581	340
	4,628	4,297
Deferred tax liabilities		
Untaxed reserves	66	–
	66	–

Major components of tax expense for the year ended were:

Current:		
Domestic	(8)	728
Foreign	8,541	6,157
	8,543	6,885
Deferred:		
Domestic	10	(55)
Foreign	(276)	(2,960)
	(266)	(3,015)
Tax expense on operations	8,267	3,870
Release of tax provision	–	(5,537)
Income tax expense/(benefit)	8,267	(1,667)

The release of the tax provision in 2002/2003 is related to the reaching of a final agreement with the Dutch tax authority mid year 2003 with respect to the Dutch tax residence of MEU.

A reconciliation of the statutory tax rate to the Company's effective tax rate applicable to income from ordinary activities for the years ended March 31, 2003 and 2004 was as follows:

	March 31, 2004	March 31, 2003
	%	%
Domestic statutory rate	34.5	34.5
Higher (lower) tax rates of other countries	1.7	1.1
Unrecognized tax losses	2.9	20.4
Offsetting past losses	(12.6)	(13.7)
Other	1.7	(0.6)
Release of tax provision	–	(59.7)
Effective tax rate	28.2	(18.0)

At balance sheet date the company has consolidated foreign tax losses of EUR 46.3 million (as at March 31, 2003: EUR 46.2 million) that are available indefinitely for offset against future profits of the Company. Deferred tax assets have not been recognised in respect of these losses as they relate to foreign branches and their recoverability is considered to be not probable since the respective branches have been loss-making for some time.

21 Employee information

The average number of personnel employed during the year was 1,327 people (2002/2003: 1,528). At year-end 1,308 people (March 31, 2003: 1,500) were employed; sales 1,097 (March 31, 2003: 1,261) and administrative 211 (March 31, 2003: 239).

22 Segment information

The company's operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The automotive and equipment segment is a supplier of electronic car audio and navigation systems and electrical automotive equipments.

The semi-conductor segment is a supplier of memory and non-memory chips.

The Home Appliances and Digital Media segment is a supplier of room air conditioners and LCD projectors and Video Copy Processors.

The Air-Conditioner and Refridge systems segment is a supplier of package Air Conditioners, Compressors and Air Ventilation Systems.

Business segment 2004

	Automotive equipment	Semi-conductors	Home Appliances and Digital Media	Air Conditioners and Refrigerating Systems	Others	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Sales to affiliated customers	889	147	27	10	60,890	61,963
Sales to third party	357,307	89,069	232,194	266,113	401,311	1,345,994
Total revenue	358,196	89,216	232,221	266,123	462,201	1,407,957

Business segment 2003

	Automotive equipment	Semi-conductors	Home Appliances and Digital Media	Air Conditioners and Refrigerating Systems	Others	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Sales to affiliated customers	1,562	1,031	15,748	(48)	32,544	50,837
Sales to third party	333,314	225,842	199,561	250,918	424,913	1,434,548
Total revenue	334,876	226,873	215,309	250,870	457,457	1,485,385

The Company's operating businesses are organized to geographic areas. Revenues are attributed to geographic areas based on where the company's customers are located.

Geographical segments

	Europe		Other		Consolidated	
	2003/2004	2002/2003	**2003/2004**	2002/2003	**2003/2004**	2002/2003
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Sales to affiliated customers	21	1,300	61,942	49,537	61,963	50,837
Sales to third party	1,300,311	1,400,622	45,683	33,926	1,345,994	1,434,548
Total revenue	1,300,333	1,401,922	107,625	83,463	1,407,957	1,485,385

Since no shares or debt securities of the company are traded on any public market, the Company does not disclose the segment information required by IFRS 14. The segment information as presented in this Note is presented solely for Dutch GAAP purposes.

23 Related party disclosures

During the year, group companies entered into transactions with related parties who are not members of the group. Those transactions, along with related balances at March 31, 2004 and 2003 and for the years then ended, are presented in the following table:

	Melco, Japan		Other		Total	
	2003/2004	2002/2003	**2003/2004**	2002/2003	**2003/2004**	2002/2003
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Sales of goods	61,380	47,121	583	3,716	61,963	50,837
Purchases of goods	1,349,199	1,216,229	68,126	96,777	1,417,325	1,313,006
Trade and other receivables	12,488	13,994	11,706	22,535	24,194	36,529
Trade and other payables	289,790	303,583	157,342	181,514	447,132	485,097
Other operating income from affiliated companies	15,576	20,359	20,681	13,061	36,257	33,420
Finance expense (net)	–	–	2,009	3,795	2,009	3,795

Sales of goods to related parties and purchases from related parties were made at the Company's usual price list.

24 Financial instruments

Financial risk management objectives and policies

The company's principal instruments, other than derivates, comprise loans/deposits with Mitsubishi Electric Finance Europe PLC, bank loans/deposits and finance leases. The main purpose of these financial instruments is to raise finance for the company's operations. The company has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The company also enters into derivative transactions, principally forward currency contracts. The purpose is to manage the currency risks arising from the company's operations.

It is, and had been throughout the period under review, the company's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the company's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarized below. The company also monitors the market price risk arising from all financial instruments. The magnitude of this risk that has arisen over the period is detailed below. The company's accounting policies in relation to derivates are set out in note 2.

Fair values

Set out below is a comparison by category of carrying amounts and fair values of all of the company's financial instruments.

	Carrying amount		Fair value	
	March 31, 2004	March 31, 2003	**March 31, 2004**	March 31, 2003
	EUR'000	EUR'000	EUR'000	EUR'000
Financial assets				
Cash and cash equivalents	62,231	61,400	62,231	61,400
Trade receivables	303,944	284,643	303,944	284,643
Trade and other receivables from affiliated companies	24,194	36,529	24,194	36,529
Other current assets	14,136	14,273	14,136	14,273
Financial liabilities				
Financial lease liabilities	4,723	5,074	4,723	4,724
Trade and other payables to affiliates	447,132	485,097	447,132	485,097
Interest-bearing loans and borrowings	16,099	42,132	16,099	42,132
Creditors	38,912	38,479	38,912	38,479
Other current liabilities	63,568	74,233	63,568	74,233

Interest-bearing loans and borrowings include the long-term and short-term portions.

Interest rate risk

The company's exposure to interest rate risk relates to changes in market interest rates primarily to the company's borrowings and finance lease liabilities. Wherever practical interest payable profiles are matched to the underlying asset categories. The company's policy is to manage its interest cost by strict cash flow management to reduce the need for funding.

Finance lease liabilities and interest-bearing loans and borrowings are exposed to interest rate risk. For more information on the terms of these liabilities see Notes 9 and 11.

Trade and other receivables from affiliated companies include short-term loans to Mitsubishi Electric Finance Europe PLC for an amount of EUR 11,035 at March 31, 2004 (March 31, 2003: EUR 16,685). The effective interest rates on these loans range between 2.5% and 4% (March 31, 2003: 2% and 5%).

Trade and other payables to affiliated companies include short-term loans from Mitsubishi Electric Finance Europe PLC for an amount of EUR 37,310 at March 31, 2004 (March 31, 2003: EUR 97,216). The effective interest rates on these loans range between 2.5% and 4% (March 31, 2003: 2% and 5%).

Foreign currency risk

The company has transactional currency exposures. Such exposures arise from sales or purchases of goods in currencies other than the unit's measurement currency. Occasionally, the company uses forward exchange contracts to hedge foreign currency exchange exposures arising on known material receipts and payments in foreign currencies. As a result, the company had significant currency exposures in respect of its monetary assets and liabilities during the year under review. To mitigate this risk in the future, management agreed since the start of 2003 with their major customers to invoice them in the same transactional currency as the purchases. The company did not apply special hedge accounting in the years ended March 31, 2004 and March 31, 2003.

Price risk

The company's exposure to price risk is low since most of the purchased goods are bought from affiliated factories with which longer-term price agreements have been negotiated.

Credit risk

The company's exposure to credit risk arises from defaults by customers. The company sets individual customer credit limited and these are closely monitored. Credit control is taken seriously by the company and policies are in place to limit any affect by a defaulting party.

Trade receivables are recognized net of a provision for doubtful debts. Periodically, the Company reviews the collectability of the trade receivables taking into account the history of the customer, recent financial performance and proposals to pay the amounts due. An estimate for doubtful debts is made when the collection of the full amount is no longer probable.

The amounts receivable are due within normal trade terms, which generally range between 30 and 90 days.

Liquidity risk

The company's objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts, short-term loans and finance leases. The company's policy is to match the maturity of assets and liabilities as far as possible.

25 Discontinuing operations

In October 2002, Mitsubishi Electric Europe B.V. announced the decision of its Managing Directors to dispose part of the semi-conductors business, a division that sells semi-conductors components and constitutes a separate business segment. System LSI business has been transferred to a new semi-conductor company, Renesas Technology Corp., a joint venture between Mitsubishi Electric Corp. and Hitachi. The disposal of part of this semi-conductors business was completed on April 1, 2003, where as the same date another part of the semi-conductors business, the DRAM business, was given up.

The results of the parts of the semi-conductors business (including DRAM business), for the period until disposal have been included as discontinuing operations in the following presentation of the consolidated income statement.

	Continuing operations	Dis-continuing operations	Total	Continuing operations	Dis-continuing operations	Total
	March 31, 2004			March 31, 2003		
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Net sales	1,407,957	–	1,407,957	1,324,705	160,680	1,485,385
Cost of sales	(1,172,120)	–	(1,172,120)	(1,111,384)	(142,748)	(1,254,132)
Gross profit (carry forward)	235,837	–	235,837	213,321	17,932	231,253

	Continuing operations	Dis-continuing operations	Total	Continuing operations	Dis-continuing operations	Total
	March 31, 2004			March 31, 2003		
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Gross profit (brought forward)	235,837	–	235,837	213,321	17,932	231,253
Selling and general administrative expenses	(232,779)	–	(232,779)	(214,075)	(25,290)	(239,365)
Other operation income	26,057	10,200	36,257	26,319	7,101	33,420
Other operation expenses	(7,554)	–	(7,554)	(9,815)	(609)	(10,424)
	(214,276)	10,200	(204,076)	(197,571)	(18,798)	(216,369)
Operating result	21,561	10,200	31,761	15,750	(866)	14,884
Financial expense	(2,407)	–	(2,407)	(5,464)	(148)	(5,612)
Profit on ordinary activities before taxation	19,154	10,200	29,354	10,286	(1,014)	9,272
Income tax	4,326	3,941	8,267	(1,673)	6	(1,667)
Net profit	14,828	6,259	21,087	11,959	(1,020)	10,939

The cash-flow incurred by the parts of the semi-conductors business (including DRAM business) for the period to date of disposal and for the year to March 31, 2004 are as follows:

	March 31, 2004	March 31, 2003
	EUR'000	EUR'000
Operating	27,066	4,218
Investing	2,572	–
Net cash inflow	29,638	4,218

Carrying amounts of net assets of the system LSI business disposed of:

	March 31, 2004	March 31, 2003
	EUR'000	EUR'000
Property, plant and equipment	–	2,311
Inventories	–	17,410
	–	19,721
Other liabilities	–	283
Net assets	–	19,438

The disposing of the System LSI business was effectuated on April 1, 2003. A consideration in cash was received for EUR 29,638,000, reflecting the fair value of the net assets disposed of, which resulted in a gain on disposal of EUR 10,200,000.

The tax expense relating to the gain on disposal is EUR 3,570,000. The net gain of EUR 6,630,000 is included in the financial statements for the year ended March 31, 2004.

* * * * *

Managing directors

T. Sasakawa

F.J. Madigan

G. Debry

T. Yamaoka

R. Kanai

K. Uruma

T. Ito

Amsterdam, December 23, 2004

OTHER INFORMATION

Appropriation of net profit

According to Article 33 of MEU's articles of association, the annual meeting of shareholders determines the appropriation of MEU's net result for the year.

The Managing Directors propose that the net profit for the year be taken to shareholders' equity. This proposal has been reflected in the financial statements.

Subsequent events

In October 2004, the French branch of the Company acquired the assets and liabilities of the MELCO Mobile Communications Europe S.A. (MMCE) Telecom business. The purchase price was EUR 10.2 million for net assets acquired of EUR 9.3 million, resulting in a goodwill of EUR 0.9 million. The expected contribution of this transaction to the Company's turnover for the year ending March 31, 2005 is expected to be EUR 59 million.

The financial effect of the above event has not been recognized in the annual accounts for the year ended March 31, 2004.

Branch offices

- Automotive Equipment Business Unit, Amsterdam/The Netherlands
- Dutch branch, Mijdrecht/The Netherlands
- Scandinavian branch, Sollentuna/Sweden
- UK branch, Hatfield/Great Britain
- Project engineering division, Croydon/Great Britain (including Cairo office)
- Corporate office, London/Great Britain
- European Purchase Center, London/Great Britain
- French branch, Nanterre/France
- Spanish branch, Barcelona/Spain
- Italian branch, Milano/Italy
- Irish Branch, Dublin/Republic of Ireland
- German branch, Ratingen/Germany
- Portugese branch, Lisbon/Portugal
- Representative office in Moscow (Russian Federation)

AUDITORS' REPORT

Introduction
We have audited the financial statements of Mitsubishi Electric Europe B.V, Amsterdam, for the year ended March 31, 2004. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Opinion
In our opinion, the financial statements give a true and fair view of the financial position of the company as at March 31, 2004 and of the result for the year then ended in accordance with International Financial Reporting Standards and accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code.

Amsterdam, December 23, 2004

Ernst & Young Accountants

BAKER & MCKENZIE

ATTORNEYS AT LAW, TAX ADVISORS AND CIVIL-LAW NOTARIES

ISSUED AS A TRUE COPY of the annual report of **Mitsubishi Electric Europe B.V.** for the year ended, March 31, 2004, that has been shown to me and that has been returned to its presenter after having been compared with the original, by me, Johannes Cornelis Christiaan Paans, Esq., acting as a substitute of Mark Peter Bongard, Esq., civil-law notary in Amsterdam.

This statement explicitly contains no judgement as to the contents of this document.

Amsterdam, April 26, 2005

MR. M.P. BONGARD NOTARIS TE AMSTERDAM

APOSTILLE

Convention de La Haye du 5 octobre 1961

1. Country: THE NETHERLANDS
   This public document
2. Has been signed by: mr.C.C. Paans
3. Acting in the capacity of: kandidaat-notaris te Amsterdam
4. Bears the seal/stamp of
   mr.M.P. Bongard
   Certified
5. At Amsterdam
6. The 26 APR 2005
7. By the registrar of the Court in Amsterdam
8. No: 002066
9. Seal/Stamp
10. Signature
    dhr. F. Wardenaar

RECHTBANK AMSTERDAM