AMADA Annual Report 2004

Profile

The Amada Group and its flagship company, Amada Co., Ltd., comprise a truly global corporate presence with operations in Japan, the rest of Asia, North America, Europe, and other countries that develop, manufacture, market, and provide services for sheet-metalworking machinery, shearing machinery, presses, and machine tools, as well as related supplies, peripheral devices, software, and other products.

In terms of production volume, the Amada Group is the largest manufacturer of its kind in Japan, and is steadily building up its overseas operations, earning Amada an excellent reputation as a competitive player in the global market. Utilizing the integration of hardware and software, we supply products of the highest quality to ensure total customer satisfaction and offer consulting and other services that feature special attention to detail. Currently, we are expanding our solutions business to respond to the increasing sophistication, complexity, and diversity of our customers' needs and the issues they face.

To ensure a bright future in manufacturing, the Amada Group has adopted the management philosophy of always paying attention to the relationship between people and machines as well as between the global environment and industry while providing the best solutions and contributing to the international community through the advancement of industry under the creed of, "Creative solutions for your success."

Contents

COVER: Plaza of Creativity
Artist: Arnaldo Pomodoro, born 1926 in Morciano, Romagna, Italy
This work is based on the concept of harmonious coexistence with the natural environment.
Amada seeks out deeply creative craftsmanship in cooperation with its customers under the motto, "Creative solutions for your success," which is also the Company's slogan.

Financial Highlights

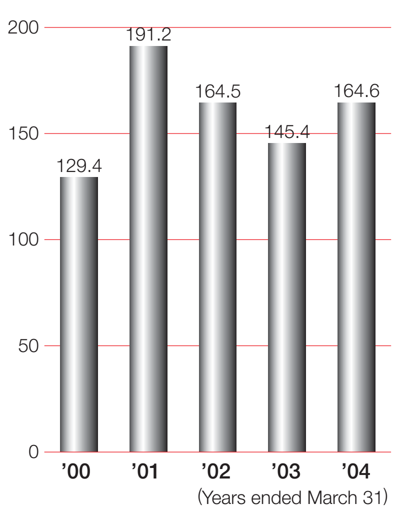
Amada Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2004, 2003 and 2002

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2004	2003	2002	**2004**
For the year:				
Net sales	**¥164,614**	¥145,425	¥164,520	**$1,557,524**
Operating income (loss)	**2,445**	(5,033)	(2,912)	**23,139**
Net income (loss)	**372**	(6,588)	(539)	**3,523**
At year-end:				
Total shareholders' equity	**358,342**	286,728	298,462	**3,390,502**
Total assets	**457,283**	392,047	425,709	**4,326,644**
Per share of common stock (yen and U.S. dollars):				
Net income (loss)—				
Basic	**¥ 0.90**	¥ (19.64)	¥ (1.59)	**$ 0.00**
Cash dividends applicable to the year	**5.00**	5.00	5.00	**0.04**

Notes: 1. U.S. dollar figures have been translated from yen, for convenience only, at the rate of ¥105.69=US$1, the exchange rate at March 31, 2004.
2. The yen figures presented in the financial highlights are rounded down to millions of yen, except for per share amounts.
3. Amada Co., Ltd., merged with Amada Machinics Co., Ltd., on October 1, 2003. The pre-fiscal 2004 figures shown in the financial highlights are those of Amada before the merger.

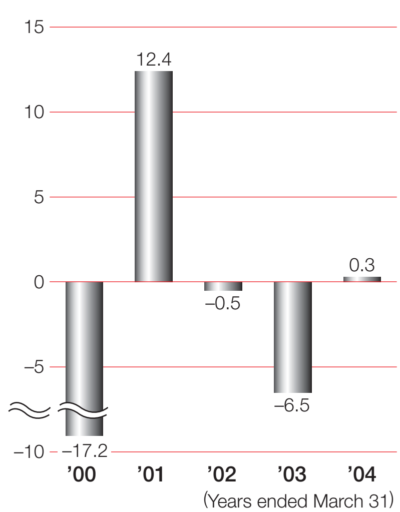
NET SALES

(Billions of yen)



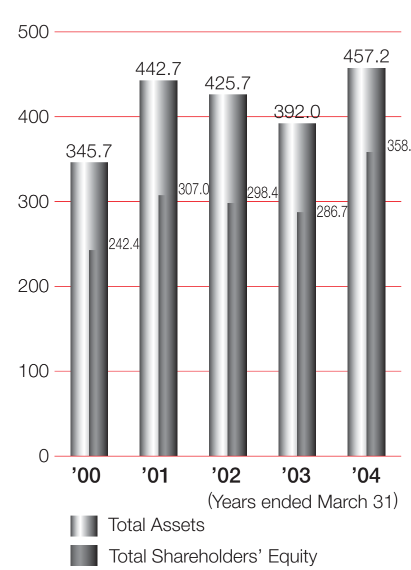
NET INCOME (LOSS)

(Billions of yen)



TOTAL ASSETS AND TOTAL SHAREHOLDERS' EQUITY

(Billions of yen)



A Message from the President

Mitsuo Okamoto President

Fiscal 2004 in Review

In fiscal 2004, ended March 31, 2004, strong consumer and capital spending in the United States and signs of an economic pickup in Europe prompted a solid recovery in the global economy. Furthermore, positive economic conditions continued to prevail in Asia, with growth seen in the People's Republic of China as well as Thailand, Malaysia, and other countries.

However, in Japan consumer spending remained slack and the economy did not recover substantially, although a tendency toward a turnaround in private-sector capital spending supported by export gains and improved corporate profits indicated a gradual economic upturn was under way.

In the machine industry, continued strong sales to automotive industry customers, healthy demand for electrical and precision machinery spurred by the expanded production of digital products, and other factors helped put domestic demand on a recovery path. In overseas operations, markets in China and the rest of East Asia continued to perform well, and the industry finally started to cut itself free from this difficult business environment.

Responding to these business conditions, the Group merged with Amada Machinics Co., Ltd., on October 1, 2003, combining the two companies' development, manufacturing, marketing, and service functions. Amada has channeled all of its energies to construct a management base that, by promoting its policies, cements the Group's position as an industry-leading comprehensive engineering company while maintaining a global perspective under the slogan "Creative solutions for your success."

Furthermore, in addition to revising the work flow and the placement of human resources, integrating common operations, and implementing other measures aimed at rationalizing and streamlining operations, Amada strategically reallocated its management resources, seeking to enable the quick provision of distinctive products and services that deliver high customer satisfaction and focusing on improving profitability and ensuring growth. In marketing and services, we worked to expand sales of new products as well as of strategic focus products, reviewed marketing expenses, and expanded sales while paring costs. In addition, we redoubled efforts to establish ourselves as a solutions business by leveraging our unrivaled expertise to help customers resolve urgent management issues and offering advice on how to increase profitability.

In development and manufacturing, the two collateral divisions operate under a collaborative system wherein they proactively work together to develop products, improve quality, and shorten lead times. In addition, Amada has sought to promote the standardization and modularization of parts, reorganized its production bases for dies and parts, and taken other measures to reduce costs and enhance manufacturing efficiency.

In overseas operations, Amada continued to pursue locally concentrated business activities in the three economic centers of North America, Europe, and Asia. In North America and Europe, we promoted sales of automated, networked, and other high-valued-added products, actively reviewed local subsidiaries and operations bases, and carried out a program to distinguish our products from the competition's to ensure our leadership of economically advanced markets. However, in China, we centered the brisk expansion of our business activities in coastal areas, where economic development is most pronounced, and devoted efforts to broadening the cultivation and support of new demand.

As a result, consolidated order volume for the period under review grew 16.1% from fiscal 2003, to ¥172.3 billion ($1,630.7 million), and consolidated net sales were up 13.2%, to ¥164.6 billion ($1,557.5 million).

With regard to income and loss, increased revenues, an improvement in the gross profit margin, and cost-cutting resulted in operating income of ¥2.4 billion ($23.1 million), reversing a loss recorded in the prior fiscal year. In addition, although we recorded a cumulative effect of accounting change for retirement benefits for retired directors and corporate auditors as an extraordinary loss of ¥1.2 billion ($11.4 million), this did not prevent net income for the period from rebounding to ¥0.3 billion ($3.5 million).

Dividends paid to shareholders in fiscal 2004 were unchanged from the previous fiscal year, at ¥5.00 ($0.04) per share.

Future Outlook

In the machinery industry in fiscal 2005, some encouraging signs are evident in orders, but it is difficult to imagine a sharp rise in overall demand. Moreover, the circumstances surrounding the industry are changing fundamentally amid intensifying price competition and heightening demand for shortened delivery periods, and we are entering a new age where industry participants' ability to cope will be tested.

Under these conditions, the Group will strive to improve performance by vigorously promoting a package of initiatives to augment profitability, including the creation of a new business style and other measures elaborated on the following pages of this annual report.

September 2004
Mitsuo Okamoto, President

Mitsuo Okamoto

Amada Engineering

Providing Comprehensive Consulting Services

The Group intends to establish a new business model to reinforce its management base through the integration of manufacturing and marketing operations and cement its dominance in the global marketplace with the ultimate goal of improving income levels.

To accomplish this aim, we have formulated the following three initiatives.

1. Development of new highly profitable products and market expansion

2. Construction of a new engineering business

3. New overseas expansion

1. Development of new highly profitable products and market expansion

Through this initiative, Amada will actively promote the development of differentiated products and boost the ratio of sales accounted for by new products. Amada's product development concepts are "High productivity with speed and precision," "Integration of sheetmetal processing," "Automation for setup operations," and "Improvement in sound, vibration, and energy environment." Specific development projects include "EM automation," the "Development of EM and laser combination machines," and the "Achievement of linked laser and punching processes."

By increasing the proportion of net sales accounted for by such high-profitability products, Amada will strive to improve its financial position.

2. Construction of a new engineering business

Our new engineering business model improves upon the conventional business method. Until now, we have separately marketed and sold machines, peripheral equipment, tooling equipment, and other products. From now on, at the experimental proof processing plant where differentiation machines, peripheral equipment, tools, and software are built, we assess the processing technology of a customer's work with the customer and empirically verify whether full operation of the customer's plant can be guaranteed through the Machine Home Doctor (MHD), so that they can then purchase solutions products.

In this way, Amada is creating a business that provides solutions for all the processing work conducted in customers' plants to bolster the growth of profits of both the Company and its customers.

3. New overseas expansion

Through this initiative, Amada aims to reform its marketing and reorganize manufacturing bases in the United States, rationalize marketing and service operations in Europe, and nurture the market in China.

In the United States, Amada consolidated 6 branch offices in three districts from 11 branch offices in four districts, with the aim of paring costs and making marketing more efficient. In manufacturing, we are moving peripheral equipment production from Atlanta, Georgia, to Los Angeles, California, in an effort to centralize design, manufacturing, and test-run operations.

In Europe, the merger of Amada S.A., a French marketing subsidiary, and Amada Metrecs S.A., a French after-service subsidiary, provided the opportunity to streamline the Company's marketing and after-service systems in the region. We are also implementing other initiatives, including the dispatch of Fujinomiya Plant experts to Amada Europe S.A. (France), a manufacturing base, to bring its quality, cost, and delivery in line with Japanese operations.

In China, we have divided operations in the coastal areas into three regions where growth is most prominent: the northern, eastern, and southern districts of the country, and, along with developing comprehensive activities to expand sales, we are devoting our energies into service activities and sales of high-value-added products, tools, and other consumables that will make it possible to depart from price competition.

Amada's top-of-the-line flagship machine takes the highly praised AC servo direct twin drive construction equipped EM and adds laser-machining functions—EML-Z3510NT.

Review of Operations by Group

Amada offers EM Bundled Solutions for the more efficient utilization of EM, which is known for its high productivity—EM2510NT+RMP+MARS.

SHEET-METALWORKING MACHINES

Amada's Sheet-Metalworking Machines Group spans press brakes, sheet-metal bending robots, shearing machines, laser-cutting machines, punch/laser-combination machines, sheet-metalworking system lines, and other related equipment.

With regard to our press brakes and related products, due to increased demand for precision sheet metal in IT-related businesses and other areas, we redoubled marketing efforts centered on the HDS-NT series and other high-productivity and high-precision products that respond to networking and automation needs.

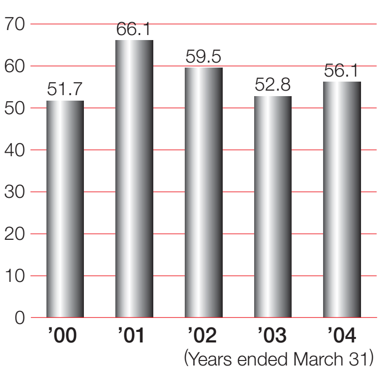
In shearing machines and related equipment, we worked to spark new demand for our mainstay products—sheet metal machining and steel materials—by offering solutions in such areas as automation and systemization.

In laser-cutting machines and related equipment, we upgraded the FO series, which can quickly process everything from ultrathin sheet metal to slab, with new models that respond to increased size and networking requirements, further filled out our product lineup, and worked to supply products to meet customers' diverse needs.

The Sheet-Metalworking Machines Group's sales increased 6.2%, to ¥56.1 billion ($531.4 million).

SHEET-METALWORKING MACHINES GROUP SALES

(Billions of yen)



PRESSES

The Presses Group includes computer numerical controlled (CNC) turret punch presses, mechanical presses, punch presses, set presses, corner notcher machines, and other related equipment.

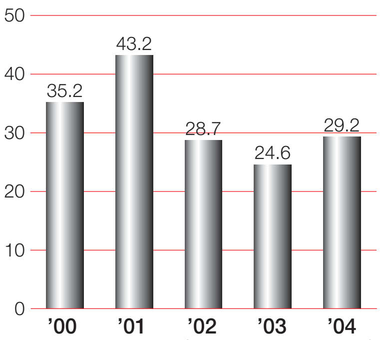
With regard to CNC turret punch presses and related equipment, we steadfastly worked to expand sales of strategically positioned products, including the EM series, which features higher energy-saving, higher speed punching, and quieter operations as a result of a conversion from a conventional hydraulic motor driven design to a servo-motor driven design.

With presses and other equipment, Amada sought to stimulate demand in the market for light electric appliances and electronic components, the leading products in this group.

The Presses Group's sales increased 18.8%, to ¥29.2 billion ($276.8 million).

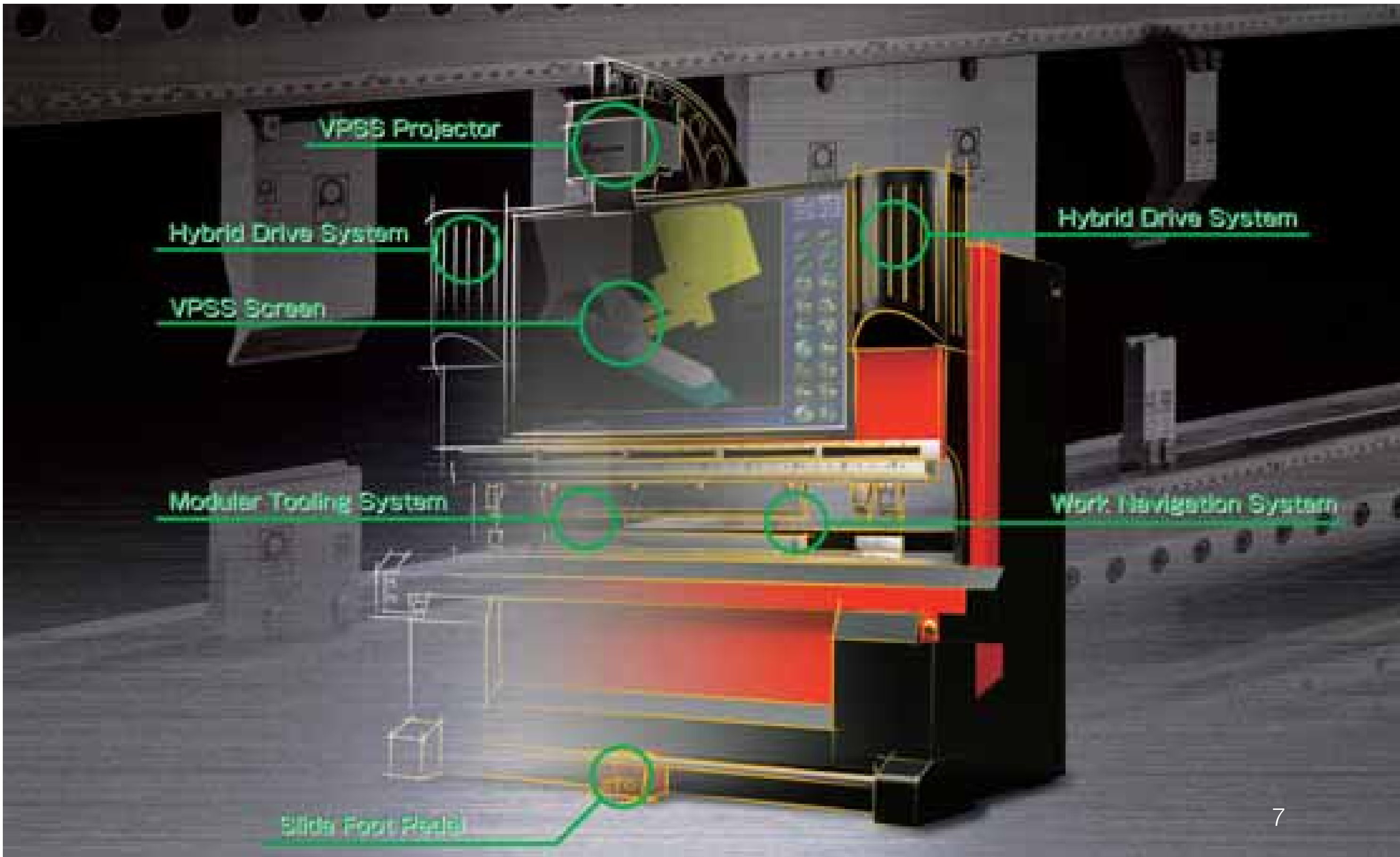
PRESSES GROUP SALES

(Billions of yen)



(Years ended March 31)

The framework for new product creation: Amada proposes HDS Bundled Solutions that achieve VPSS (display of a three-dimensional image on a large screen and shared product creation through digital technologies).



BANDSAWS AND OTHER METAL-MACHINING EQUIPMENT

This group handles metal-cutting bandsaws, structural steel-cutting bandsaws, drilling machines, and other related equipment.

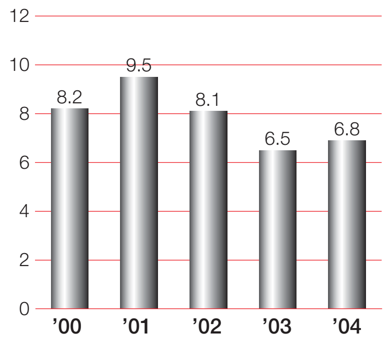
In the area of metal-cutting bandsaws, we experienced an increase in replacement demand in our main area of sales, the steel materials business, and promoted sales of automated and systematized products and environment-friendly products.

With drilling machines and related equipment, demand from construction-related business continued at low levels.

The group's sales in fiscal 2004 rose 5.1%, to ¥6.8 billion ($64.8 million).

BANDSAWS AND OTHER METAL-MACHINING EQUIPMENT GROUP SALES

(Billions of yen)



(Years ended March 31)

Using the Company's digital production management system "AM-HIT's," Amada can achieve just-in-time production for all customer specifications—at Fujinomiya Plant.

SOFTWARE AND FACTORY AUTOMATION EQUIPMENT

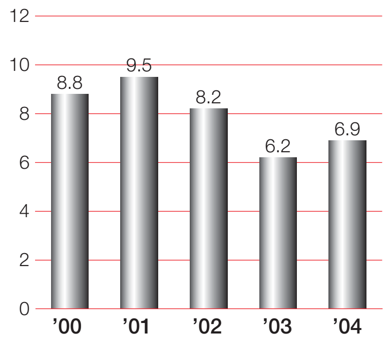
The products marketed by the Software and Factory Automation Equipment Group comprise factory automation (FA) computer systems and software for the automatic programming and process management of presses and sheet-metalworking machinery in the area of software as well as related systems.

With regard to FA computer equipment and software, to provide solutions to customer management issues in such areas as production efficiency and improvement to the machine working ratio, we are implementing initiatives to augment hardware and software and other measures to increase value added and enhance product reliability.

The group's sales in this group rose 10.7%, to ¥6.9 billion ($65.4 million).

SOFTWARE AND FACTORY AUTOMATION EQUIPMENT GROUP SALES

(Billions of yen)



(Years ended March 31)

SERVICES

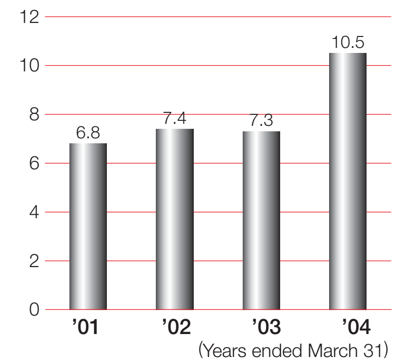
The Services Group provides repair, maintenance, checkup, inspection, and other machine- and equipment-related services for Amada products.

During the period under review, Amada continued to expand its technical service centers, thereby improving operational effectiveness and accelerating customer response through networking activities, and took other steps as a part of a program to increase customer satisfaction.

The group's sales jumped 42.5%, to ¥10.5 billion ($99.5 million).

SERVICES GROUP SALES

(Billions of yen)



BANDSAW BLADES AND OTHER PRODUCTS

The Bandsaw Blades and Other Products Group offers bandsaw blades, punches and dies, and other machine parts.

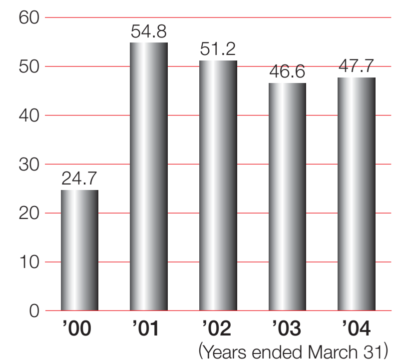
With bandsaw blades, we have promoted routine maintenance inspections among Amada equipment users and have worked to spur new demand through various suggestions concerning cutting processes.

In the area of punches and dies, strong sales were seen for NEX TOOL, high-value-added toolings that improve the performance of the new EM series CNC turret punch press and other products.

The group's sales in fiscal 2004 rose 2.3%, to ¥47.7 billion ($451.5 million).

BANDSAW BLADES AND OTHER PRODUCTS GROUP SALES

(Billions of yen)



MACHINE TOOLS

Along with Amada's merger with Amada Machinics, Tecno Wasino Co., Ltd., which runs machine tools operations, was made a consolidated subsidiary in the second half of fiscal 2004, and as a result, the Machine Tools Group was established in fiscal 2004.

The group's sales amounted to ¥5.7 billion ($54.2 million) for the second half of the fiscal year.

Financial Summary

Amada Co., Ltd. and Consolidated Subsidiaries
Years ended March 31

	Millions of yen				
	2004	2003	2002	2001	2000
For the year:					
Net sales	**¥164,614**	¥145,425	¥164,520	¥191,207	¥129,403
Sales to foreign customers	**66,526**	64,021	74,751	89,590	64,195
Cost of goods sold	**94,371**	84,758	98,791	103,655	81,939
Gross profit	**70,243**	60,666	65,728	87,552	47,463
Selling, general and administrative expenses	**66,515**	66,876	71,190	73,424	47,060
Net changes in deferred profit on installment sales	**(1,282)**	1,176	2,549	335	2,644
Operating income (loss)	**2,445**	(5,033)	(2,912)	14,463	3,048
Other income (expenses)—net	**2,704**	(2,466)	3,714	6,290	(24,781)
Income (loss) before income taxes and minority interests	**5,150**	(7,499)	801	20,753	(21,733)
Net income (loss)	**372**	(6,588)	(539)	12,433	(17,237)
Purchases of property, plant and equipment	**3,740**	4,433	8,401	6,638	6,073
Depreciation and amortization	**9,069**	10,504	10,171	9,311	7,566
Research and development costs	**7,161**	6,345	6,063	5,527	5,364
At year-end:					
Total shareholders' equity	**358,342**	286,728	298,462	307,022	242,415
Total assets	**457,283**	392,047	425,709	442,741	345,763
Total long-term liabilities	**31,995**	26,823	30,843	18,160	13,815
Per share of common stock (yen):					
Net income (loss)—					
Basic	**¥ 0.90**	¥ (19.64)	¥ (1.59)	¥ 36.73	¥ (59.46)
Cash dividends applicable to the year	**5.00**	5.00	5.00	6.00	5.00
Sales composition:					
Sheet-metalworking machines	**¥ 56,170**	¥ 52,869	¥ 59,596	¥ 66,137	¥ 51,760
Presses	**29,257**	24,624	28,705	43,226	35,207
Bandsaws and other metal-machining equipment	**6,852**	6,521	8,170	9,529	8,214
Software and factory automation equipment	**6,914**	6,249	8,282	9,531	8,875
Services	**10,525**	7,384	7,412	6,834	
Bandsaw blades and other products	**47,721**	46,635	51,244	54,882	24,721
Machine tools	**5,735**				
Real estate leasing	**1,435**	1,141	1,108	1,066	623
Number of employees	**4,793**	4,133	4,353	4,408	2,933

Notes: 1. The yen figures presented in the financial summary are rounded down to millions of yen, except for per share amounts.
2. Amada Co., Ltd., merged with Amada Metrecs Co., Ltd., on April 1, 2000. The fiscal 2000 figures shown in the financial summary are those of Amada before the merger.
3. Amada Co., Ltd., merged with Amada Machinics Co., Ltd., on October 1, 2003. The pre-fiscal 2004 figures shown in the financial summary are those of Amada before the merger.

Financial Review

EXTERNAL ECONOMIC ENVIRONMENT

In terms of global economic scenes, the U.S. economy showed a firm recovery encouraged by private consumption and capital investment and in Europe, an uptrend was seen from the second half of the term as well. Also, in Asia, such countries as China, Thailand, and Malaysia showed further economic expansion and economic conditions remained favorable.

In Japan, although employment and income conditions remained harsh and with slower growth on private consumption, economic conditions failed to lead to any significant recovery phase, although some improvement in sentiment was seen supported by export growth and a turnaround in capital investment after corporate profit recoveries.

In the machine industry, demand for the automobile industry remained firm and that for the electronics and precision industries grew, encouraged by growth in digital product sales. All in all, domestic demand reported a recovery phase. In overseas markets, a rebound in demand has become clear as a positive trend is still continuing in eastern Asian markets, such as China.

EARNINGS

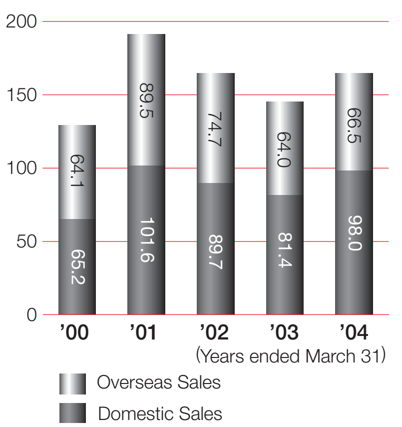
Amid such economic circumstances, net sales in the period under review increased 13.2%, to ¥164.6 billion (US$1,557.5 million). Sales to foreign customers increased 3.9%, to ¥66.5 billion (US$629.4 million).

The cost of goods sold amounted to ¥94.3 billion (US$892.9 million), up 11.3% from the previous fiscal year, and the cost of goods sold as a percentage of net sales decreased 1.0 percentage point, to 57.3%. Selling, general and administrative (SG&A) expenses dropped 0.5%, to ¥66.5 billion (US$629.3 million), and as a proportion of net sales, decreased from 46.0% to 40.4%. Research and development expenses accounted for ¥7.1 billion (US$67.7 million) of SG&A expenses.

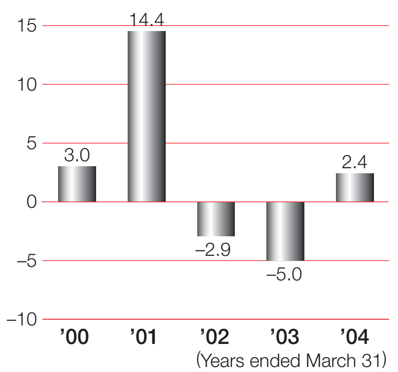
Net changes in deferred profit on installment sales were recorded as a carryforward of ¥1.2 billion (US$12.1 million). Due to growth in turnover and lower growth in expenses, in the year under review, an operating profit of ¥2.4 billion (US$23.1 million) was recorded after a loss of ¥5.0 billion in the previous fiscal year.

Other income (expenses)—net has shifted from ¥2.4 billion in expenses in the previous fiscal year to ¥2.7 billion (US$25.5 million) in income in the year under review. This was mainly because of a gain on securities appraisal due to market recoveries. On the other hand, there was a cost of ¥1.2 billion (US$11.4 million) from the cumulative effect of accounting change for retirement benefits to directors and corporate auditors. Consequently, we recorded net income of ¥0.3 billion (US$3.5 million) in the year under review after a net loss of ¥6.5 billion in the previous fiscal year. Net income per share

DOMESTIC SALES AND OVERSEAS SALES
(Billions of yen)



OPERATING INCOME (LOSS)
(Billions of yen)



(basic), which totaled a loss of ¥19.64 in the previous fiscal year, was ¥0.90 ($0.00) in fiscal 2004.

FINANCIAL POSITION

Total assets increased 16.6%, to ¥457.2 billion (US$4,326.6 million), compared with the previous fiscal year-end, mainly due to transferred assets from the merger with Amada Machinics Co., Ltd., and an increasing number of consolidated subsidiaries. Current assets resulted in an increase of 14.8%, to ¥250.5 billion (US$2,370.3 million). In current liabilities, such factors as drops in both short-term bank loans and notes and accounts payable led to a fall in this line item of 8.4%, to ¥64.9 billion (US$614.9 million), contributing to a rise in the current ratio of 77.9 percentage points, to 385.4%.

Net property, plant and equipment, which includes land and machinery and equipment, amounted to ¥105.3 billion (US$996.9 million), an increase of 16.2%. Total investments and other assets also increased, up 21.9%, to ¥101.3 billion (US$959.4 million), led by an increase in investment securities.

Total long-term liabilities came to ¥31.9 billion (US$302.7 million), an increase of 19.3% that was mainly attributable to an increase in liability for employees' retirement benefits.

Total shareholders' equity surged 25.0%, to ¥358.3 billion (US$3,390.5 million). This surge was attributable mainly to an increase in retained earnings that reflected the fiscal 2004 net earnings and that in capital surplus due to profit from amalgamation. Due to the bigger increase in shareholders' equity, the shareholders' equity ratio rose 5.3 percentage points, to 78.4%.

CASH FLOWS

Net cash provided by operating activities totaled ¥19.7 billion (US$186.8 million) in the year under review, up ¥3.1 billion year on year. This was mainly due to income before income taxes and minority interests.

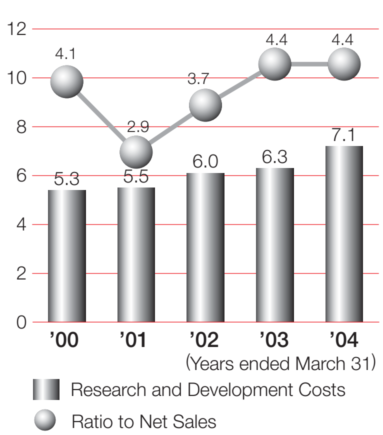
Net cash used in investing activities rose ¥12.6 billion, to ¥14.7 billion (US$139.5 million), mainly due to increases of net investments in securities and to the decrease in proceeds from sales and redemption of investment securities.

Net cash used in financing activities amounted to ¥10.6 billion (US$101.1 million), compared with ¥5.9 billion used in the previous fiscal year. This was mainly due to decreases in borrowings.

As a result of the preceding factors and the merger with Amada Machinics Co., Ltd., cash and cash equivalents, end of year, increased ¥12.1 billion, to ¥66.5 billion (US$629.4 million).

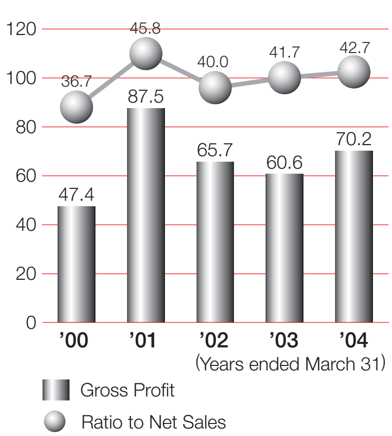
RESEARCH AND DEVELOPMENT COSTS AND RATIO TO NET SALES

(Billions of yen, %)



GROSS PROFIT AND RATIO TO NET SALES

(Billions of yen, %)



Consolidated Financial Statements

Consolidated Balance Sheets

Amada Co., Ltd. and Consolidated Subsidiaries
March 31, 2004 and 2003

ASSETS	Millions of yen 2004	Millions of yen 2003	Thousands of U.S. dollars (Note 1) 2004
Current assets:			
Cash and cash equivalents (Notes 5 and 7)	**¥ 66,528**	¥ 54,411	**$ 629,470**
Short-term investments (Notes 5 and 7)	**14,984**	8,503	**141,781**
Notes and accounts receivable (Notes 4 and 7)—			
Trade	**121,496**	114,538	**1,149,553**
Unconsolidated subsidiaries and associated companies	**3,568**	1,837	**33,760**
Other	**1,242**	467	**11,752**
Allowance for doubtful receivables	**(3,554)**	(4,272)	**(33,627)**
Inventories (Note 6)	**38,464**	34,179	**363,941**
Deferred tax assets (Note 10)	**4,768**	4,210	**45,113**
Prepaid expenses and other current assets	**3,017**	4,300	**28,550**
Total current assets	**250,516**	218,174	**2,370,296**
Property, plant and equipment:			
Land	**33,015**	28,280	**312,378**
Buildings and structures	**90,066**	76,283	**852,177**
Machinery and equipment (Note 7)	**37,668**	27,185	**356,403**
Equipment for lease	**24,082**	24,803	**227,859**
Buildings, structures and land for rent (Note 8)	**18,807**	10,349	**177,951**
Construction in progress	**686**	370	**6,491**
Total	**204,326**	167,274	**1,933,262**
Accumulated depreciation	**(98,959)**	(76,560)	**(936,319)**
Net property, plant and equipment	**105,366**	90,713	**996,943**
Investments and other assets:			
Investment securities (Note 5)	**75,654**	38,168	**715,813**
Investments in and advances to unconsolidated subsidiaries and associated companies	**3,704**	22,601	**35,048**
Software	**3,857**	4,072	**36,497**
Deferred tax assets (Note 10)	**10,274**	13,824	**97,215**
Other assets	**7,908**	4,491	**74,830**
Total investments and other assets	**101,399**	83,158	**959,405**
Total	**¥457,283**	¥392,047	**$4,326,644**

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2004	Millions of yen 2003	Thousands of U.S. dollars (Note 1) 2004
Current liabilities:			
Short-term bank loans (Note 7)	**¥ 5,391**	¥ 11,372	**$ 51,016**
Current portion of long-term debt (Note 7)	**2,153**	1,422	**20,373**
Notes and accounts payable—			
Trade	**21,501**	8,177	**203,436**
Unconsolidated subsidiaries and associated companies	**1,163**	19,551	**11,011**
Other	**3,267**	2,467	**30,914**
Deferred profit on installment sales (Note 4)	**17,378**	16,095	**164,429**
Accrued expenses	**7,407**	6,619	**70,089**
Income taxes payable (Note 10)	**1,491**	595	**14,110**
Other current liabilities	**5,240**	4,644	**49,581**
Total current liabilities	**64,995**	70,946	**614,964**
Long-term liabilities:			
Long-term debt (Note 7)	**1,746**	7,897	**16,528**
Liability for employees' retirement benefits (Note 9)	**16,469**	10,065	**155,829**
Retirement allowance for directors and corporate auditors (Notes 2 and 9)	**807**		**7,642**
Deposit received (Note 8)	**7,544**	3,546	**71,381**
Other long-term liabilities (Note 10)	**5,427**	5,314	**51,349**
Total long-term liabilities	**31,995**	26,823	**302,731**
Minority interests	**1,949**	7,548	**18,446**
Commitments and contingent liabilities (Notes 14, 15 and 16)			
Shareholders' equity (Notes 11 and 18):			
Common stock—			
Authorized—550,000 thousand shares			
Issued—406,434 thousand shares (2004)	**54,768**		**518,197**
338,748 thousand shares (2003)		54,768	
Capital surplus	**163,249**	117,782	**1,544,608**
Retained earnings	**153,135**	127,358	**1,448,907**
Land revaluation difference (Note 1 (h))	**(8,764)**	(8,764)	**(82,927)**
Net unrealized gain (loss) on available-for-sale securities	**3,732**	(1,496)	**35,313**
Foreign currency translation adjustments	**(3,626)**	(1,955)	**(34,309)**
Total	**362,494**	287,692	**3,429,787**
Treasury stock, at cost—			
14,583 thousand shares in 2004 and 3,302 thousand shares in 2003	**(4,152)**	(964)	**(39,285)**
Total shareholders' equity	**358,342**	286,728	**3,390,502**
Total	**¥457,283**	¥392,047	**$4,326,644**

Consolidated Statements of Operations

Amada Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2004, 2003 and 2002

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2004	2003	2002	**2004**
Net sales	**¥164,614**	¥145,425	¥164,520	**$1,557,524**
Cost of goods sold (Note 6)	**94,371**	84,758	98,791	**892,905**
Gross profit	**70,243**	60,666	65,728	**664,619**
Selling, general and administrative expenses (Note 13)	**66,515**	66,876	71,190	**629,342**
Net changes in deferred profit on installment sales (Note 4)	**(1,282)**	1,176	2,549	**(12,137)**
Operating income (loss)	**2,445**	(5,033)	(2,912)	**23,139**
Other income (expenses):				
Interest and dividend income	**1,801**	1,535	2,006	**17,040**
Interest expense	**(459)**	(631)	(581)	**(4,348)**
Commissions earned	**582**	555	379	**5,507**
Gain from appreciation of securities	**1,451**			**13,729**
Equity in earnings of unconsolidated subsidiaries and associated companies	**170**	66	1,923	**1,616**
Foreign exchange loss	**(526)**	(722)	(1,084)	**(4,984)**
Cumulative effect of accounting change for retirement benefits to directors and corporate auditors (Note 2)	**(1,212)**			**(11,474)**
Other, net (Note 12)	**899**	(3,269)	1,072	**8,506**
Other income (expenses)—net	**2,704**	(2,466)	3,714	**25,593**
Income (loss) before income taxes and minority interests	**5,150**	(7,499)	801	**48,733**
Income taxes (Note 10):				
Current	**1,950**	(893)	2,048	**18,451**
Deferred	**2,758**	413	(720)	**26,101**
Total income taxes	**4,708**	(479)	1,328	**44,553**
Minority interests in net income (loss)	**69**	(430)	12	**656**
Net income (loss)	**¥ 372**	¥ (6,588)	¥ (539)	**$ 3,523**

	Yen			U.S. dollars (Note 1)
Per share of common stock:				
Net income (loss)				
Basic	**¥ 0.90**	¥ (19.64)	¥ (1.59)	**$ 0.00**
Cash dividends applicable to the year	**5.00**	5.00	5.00	**0.04**

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Amada Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2004, 2003 and 2002

	Issued number of shares outstanding (thousands)	Millions of yen						
		Common stock	Capital surplus	Retained earnings	Land revaluation difference	Net unrealized gain (loss) on available-for-sale securities	Foreign currency translation adjustments	Treasury stock
Balance, March 31, 2001	338,502	¥54,752	¥117,779	¥138,403		¥1,682	¥(5,594)	¥ (0)
Stock issued on conversion of debt	8	3	3					
Adjustment of retained earnings for merger of consolidated subsidiaries				10				
Increase in revaluation difference					¥(8,870)			
Net change in unrealized gain (loss) on available-for-sale securities						(1,899)		
Net change in foreign currency translation adjustments							4,905	
Net loss				(539)				
Appropriations:								
Cash dividends, ¥6.00 per share				(2,031)				
Bonuses to directors and corporate auditors				(122)				
Net increase of treasury stock								(20)
Balance, March 31, 2002	338,510	54,756	117,782	135,721	(8,870)	(217)	(688)	(21)
Stock issued for merger	237	11						
Adjustment of retained earnings for merger				56				
Net change in unrealized gain (loss) on available-for-sale securities						(1,278)		
Net change in foreign currency translation adjustments							(1,266)	
Net loss				(6,588)				
Reversal of land revaluation difference				(105)	105			
Appropriations:								
Cash dividends, ¥5.00 per share				(1,677)				
Bonuses to directors and corporate auditors				(47)				
Net increase of treasury stock								(942)
Balance, March 31, 2003	338,748	54,768	117,782	127,358	(8,764)	(1,496)	(1,955)	(964)
Increase resulting from merger (Note 3)	**67,686**		**45,416**	**27,087**				**(2,947)**
Disposal of treasury stock			**50**					
Net change in unrealized gain (loss) on available-for-sale securities						**5,228**		
Net change in foreign currency translation adjustments							**(1,670)**	
Net income				**372**				
Appropriations:								
Cash dividends, ¥5.00 per share				**(1,677)**				
Bonuses to directors and corporate auditors				**(6)**				
Net increase of treasury stock								**(240)**
Balance, March 31, 2004	**406,434**	**¥54,768**	**¥163,249**	**¥153,135**	**¥(8,764)**	**¥3,732**	**¥(3,626)**	**¥(4,152)**

	Thousands of U.S. dollars (Note 1)						
	Common stock	Capital surplus	Retained earnings	Land revaluation difference	Net unrealized gain (loss) on available-for-sale securities	Foreign currency translation adjustments	Treasury stock
Balance, March 31, 2003	$518,197	$1,114,415	$1,205,016	$(82,927)	$(14,155)	$(18,504)	$ (9,125)
Increase resulting from merger (Note 3)		**429,714**	**256,294**				**(27,891)**
Disposal of treasury stock		**477**					
Net change in unrealized gain (loss) on available-for-sale securities					**49,469**		
Net change in foreign currency translation adjustments						**(15,805)**	
Net income			**3,523**				
Appropriations:							
Cash dividends, $0.04 per share			**(15,869)**				
Bonuses to directors and corporate auditors			**(58)**				
Net increase of treasury stock							**(2,269)**
Balance, March 31, 2004	**$518,197**	**$1,544,608**	**$1,448,907**	**$(82,927)**	**$ 35,313**	**$(34,309)**	**$(39,285)**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Amada Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2004, 2003 and 2002

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2004	2003	2002	**2004**
Operating activities:				
Income (loss) before income taxes and minority interests	**¥ 5,150**	¥ (7,499)	¥ 801	**$ 48,733**
Adjustments for:				
Income taxes paid	**(1,794)**	(2,236)	(7,140)	**(16,979)**
Refund of income taxes	**2,034**	1,967	74	**19,245**
Depreciation and amortization	**9,069**	10,504	10,171	**85,813**
Gain from appreciation of securities	**(1,451)**			**(13,729)**
Loss on impairment of investment securities	**38**	3,634	3,826	**362**
Equity in earnings of unconsolidated subsidiaries and associated companies	**(170)**	(66)	(1,923)	**(1,616)**
Gain on exemption from future pension obligation of the governmental program		(2,880)		
Changes in assets and liabilities, net of effects from newly consolidated and previously unconsolidated subsidiaries and net of effects from merger:				
(Increase) decrease in receivables, net of deferred profit on installment sales	**(5,493)**	11,709	29,400	**(51,973)**
Decrease (increase) in inventories	**3,588**	11,109	(7,413)	**33,956**
Increase (decrease) in payables	**5,526**	(12,907)	(19,632)	**52,286**
Increase in liabilities for employees' retirement benefits	**1,775**	2,035	936	**16,802**
Other—net	**1,474**	1,261	513	**13,955**
Total adjustments	**14,598**	24,129	8,813	**138,122**
Net cash provided by operating activities	**19,748**	16,630	9,615	**186,855**
Investing activities:				
Proceeds from sales of property, plant and equipment	**203**	581	804	**1,927**
Purchases of property, plant and equipment	**(3,740)**	(4,433)	(8,401)	**(35,393)**
Proceeds from sales and redemption of marketable securities	**12,514**	3,941	3,033	**118,404**
Purchases of marketable securities	**(1,584)**	(500)	(4,563)	**(14,987)**
Proceeds from sales and redemption of investment securities	**14,308**	19,978	20,995	**135,386**
Purchases of investment securities	**(31,980)**	(21,421)	(29,169)	**(302,592)**
Payment for purchase of newly consolidated subsidiaries, net of cash acquired			(1,421)	
Purchase of long-term time deposits	**(2,000)**	(297)		**(18,923)**
Net change in other assets	**(2,474)**	(75)	1,289	**(23,414)**
Net cash used in investing activities	**(14,753)**	(2,076)	(17,432)	**(139,592)**
Financing activities:				
Proceeds from long-term liabilities		181	10,067	
Repayment of long-term liabilities	**(2,941)**	(295)	(4,982)	**(27,832)**
Net (decrease) increase in short-term borrowings	**(5,825)**	(3,955)	4,438	**(55,115)**
Cash dividends paid	**(1,687)**	(1,678)	(2,030)	**(15,970)**
Other—net	**(238)**	(206)	(351)	**(2,257)**
Net cash (used in) provided by financing activities	**(10,693)**	(5,955)	7,141	**(101,175)**
Foreign currency translation adjustments on cash and cash equivalents	**(396)**	(303)	802	**(3,747)**
Cash and cash equivalents increased by merger	**15,398**	1,293		**145,697**
Net increase in cash and cash equivalents	**9,304**	9,589	126	**88,038**
Cash and cash equivalents of newly consolidated subsidiaries	**2,812**			**26,612**
Cash and cash equivalents excluding previously consolidated subsidiaries		(333)		
Cash and cash equivalents, beginning of year	**54,411**	45,155	45,028	**514,819**
Cash and cash equivalents, end of year	**¥ 66,528**	¥54,411	¥45,155	**$629,470**
Non-cash investing and financing activities:				
Issuance of common stock on conversion of convertible debentures			¥ 6	
Assets increased as a result of consolidation of previously unconsolidated subsidiaries	**¥ 15,590**			**$147,514**
Liabilities increased as a result of consolidation of previously unconsolidated subsidiaries	**8,663**			**81,968**
Assets acquired and liabilities assumed in merger (Note 3):				
Assets: Current assets	**46,146**			**436,618**
Non-current assets	**59,302**			**561,098**
Total	**¥105,448**		¥ 6	**$997,717**
Liabilities: Current liabilities	**¥ 10,636**			**$100,640**
Non-current liabilities	**7,189**			**68,021**
Total	**¥ 17,825**			**$168,661**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Amada Co., Ltd. and Consolidated Subsidiaries

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements include the accounts of Amada Co., Ltd. (the "Company") and its significant subsidiaries (together, the "Companies").

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications and rearrangements have been made in the 2003 and 2002 consolidated financial statements in order for them to conform to the classifications and presentations used in 2004.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Amada Co., Ltd. is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥105.69 to US$1, the rate of exchange at March 31, 2004. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

The yen figures presented in the consolidated financial statements are rounded down to millions of yen, except for per share amounts.

b) Principles of consolidation
The consolidated financial statements as of March 31, 2004 include the accounts of the Company and its 48 (45 in 2003 and 46 in 2002) significant subsidiaries. Consolidation of the remaining subsidiaries would not have a material effect on the accompanying consolidated financial statements.

Under the control-or-influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Companies have the ability to exercise significant influence are accounted for by the equity method.

Investments in 80 (81 in 2003 and 81 in 2002) unconsolidated subsidiaries and 8 (18 in 2003 and 17 in 2002) associated companies are accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition is being amortized on a straight-line basis principally over five years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Companies is eliminated.

c) Cash equivalents
Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits and mutual funds investing in bonds that represent short-term investments, all of which mature or become due within three months of the date of acquisition.

d) Allowance for doubtful accounts
The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Companies' past credit loss experience and an evaluation of potential losses in receivables outstanding.

e) Inventories
Machinery inventory of merchandise, finished products and work in process are stated at cost determined by the specific identification basis. Other inventories are stated at cost determined principally by the moving-average method.

f) Marketable and investment securities
Marketable and investment securities are classified and accounted for, depending on management's intent, as follows:

Held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to be held to maturity, are reported at amortized cost, and available-for-sale securities, which are not classified as the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity. The cost of securities sold is determined based on the moving-average method.

Non-marketable available-for-sale securities are stated at cost determined by the moving average method. For other than temporary declines in fair value, available-for-sale securities are reduced to net realizable value by a charge to income.

g) Property, plant and equipment
Property, plant and equipment are stated at cost. Depreciation is computed principally by the declining-balance method over the estimated useful lives of the assets while the straight-line method is applied to buildings acquired after April 1, 1998. Equipment for lease is depreciated by the straight-line method over the respective lease periods (mainly seven years). Buildings, structures and land for rent are depreciated by the straight-line method over their estimated useful lives.

Estimated useful lives are as follows:

Buildings and structures	8 to 60 years
Machinery and equipment	2 to 17 years
Equipment for lease	Principally 7 years
Buildings, structures and land for rent	8 to 39 years

h) Land revaluation
Under the "Law of Land Revaluation," promulgated on March 31, 1998 and revised on March 31, 1999 and 2001, the Company effected a one-time revaluation of its own-use land to a value based on real estate appraisal information as of March 31, 2002.

The resulting land revaluation loss represents unrealized depreciation of land and is stated as a component of shareholders' equity. There was no effect on the consolidated statements of operations. Continuous readjustment is not permitted.

As at March 31, 2004, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥5,538 million.

i) Software
Software development costs, incurred through the completion of a beta version of specific software for sale to the market, are charged to income when incurred. Such costs incurred subsequent to the completion of the beta version are deferred and amortized at the higher of either the amount to be amortized in the proportion of the actual sales volume of the software during the current year to the estimated total sales volume over the estimated salable years of the software or the amount to be amortized by the straight-line method over three years.

The cost of computer software obtained for internal use is principally amortized using the straight-line method over the estimated useful lives of five years.

j) Employees' retirement benefits
The Company has a contributory funded pension plan together with principal domestic Group companies covering substantially all of their employees.

k) Retirement allowances for directors and corporate auditors
Retirement allowances for directors and corporate auditors are recorded to state the liability at the amount which would be required if all directors and corporate auditors retired at the balance sheet date (see Note 2).

l) Treasury stock
Effective April 1, 2002, the Company adopted a new accounting standard for treasury stock issued by the Accounting Standards Board of Japan. This standard requires that where an associated company holds a parent company's stock, a portion that represents an equivalent ownership interest in such stock should be presented as treasury stock in a separate component of shareholders' equity and the carrying value of the investment in the associated company should be reduced by the same amount. The Company adopted this accounting standard for the year ended March 31, 2003. Such treasury stock was not reflected in the Company's consolidated financial statements for the years ended March 31, 2002 and 2001 since no accounting treatment was previously prescribed for the parent company's stock held by an associated company.

m) Sales recognition
Domestic sales of machines are recognized upon customer inspection and approval.

Profit arising from installment sales is deferred and amortized over the contracted collection periods.

n) Foreign currency transactions
All current and non-current monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of operations to the extent that they are not hedged by forward exchange contracts.

o) Foreign currency financial statements
The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for shareholders' equity, which is translated at historical rates. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the current exchange rates.

Differences arising from such translation were shown as "Foreign currency translation adjustments" in a separate component of shareholders' equity.

p) Research and development costs
Research and development costs are generally charged to income as incurred.

q) Income taxes
The provision for income taxes is computed based on the pretax income included in the consolidated statements of operations. The asset-and-liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

r) Appropriations of retained earnings
Appropriations of retained earnings at each year-end are reflected in the financial statements for the following year upon shareholders' approval.

s) Leases
All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that do not transfer ownership of the leased property to the lessee are permitted to be accounted for as rental transactions if certain "as-if-capitalized" information is disclosed in the notes to the lessee's consolidated financial statements.

t) Derivatives
The Companies use derivative financial instruments ("derivatives") to manage their exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts, currency options, interest rate swaps and interest rate swaptions are utilized by the Companies to reduce foreign currency exchange and interest rate risks. The Companies do not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: i) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statements of operations and ii) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until the maturity of the hedged transactions.

The foreign currency forward contracts and currency options are utilized to hedge foreign currency exposures for import and export transactions. Trade payables and receivables denominated in foreign currencies are translated at the contracted rates if the forward contracts and currency options qualify for hedge accounting. Interest rate swaps and interest rate swaptions are utilized to hedge interest rate exposures of long-term debt. The interest rate swaps which could meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

u) Net income loss per share
Effective April 1, 2002, the Company adopted a new accounting standard for earnings per share of common stock issued by the Accounting Standards Board of Japan. Under the new standard, basic net income per share is computed by dividing net income available to common share holders, which is more precisely computed than under previous practices, by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share was computed based on the weighted-average number of shares which would have been outstanding had all dilutive convertible debentures been converted at the beginning of each period, or on the subsequent date of issue, and all outstanding warrants had been exercised. Net income (loss) has been adjusted to give effect to the elimination of interest expense on convertible debentures and related income taxes.

Cash dividends per share presented in the accompanying consolidated statements of operations are dividends applicable to the respective years including dividends to be paid after the end of the year.

As a result of adopting this new standard, basic net income (loss) per share, computed in accordance with the prior method, was ¥(19.47) for the year ended March 31, 2003.

The average number of shares used in computing net income (loss) per share assuming no dilution was 363,703 thousand shares in 2004, 335,480 thousand shares in 2003 and 335,480 thousand shares in 2002. For 2002, 2003 and 2004, fully diluted net income per share is not disclosed because it is anti-dilutive or of the Company's net loss position.

v) New accounting pronouncements

In August 2002, the Business Accounting Council issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets," and in October 2003 the Accounting Standards Board of Japan (ASB) issued ASB Guidance No. 6, "Guidance for Accounting Standard for Impairment of Fixed Assets." These new pronouncements are effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ending on or after March 31, 2004.

The new accounting standard requires an entity to review its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

The Company is currently in the process of assessing the effect of adoption of these pronouncements.

2 ACCOUNTING CHANGE

Prior to April 1, 2003, no provision was recorded for retirement benefits to be paid to the Company's directors and corporate auditors. Effective April 1, 2003, however, the Company changed its method of accounting for such retirement benefits to an accrual basis to reflect periodic income and expenses more appropriately due to the reformation of the regulation on officers' retirement allowance. The effect of this change was to decrease income before income taxes for the year ended March 31, 2004 by ¥774 million ($7,332 thousand), which included a cumulative effect of ¥1,212 million ($11,474 thousand) at March 31, 2003. This cumulative effect was included in other expenses in the 2004 consolidated statement of operations.

3 MERGER WITH AMADA MACHINICS

In accordance with the merger agreement approved at the General Meeting of Shareholders of the Company and Amada Machinics Co., Ltd. held on June 27, 2003, the Company merged with Amada Machinics on October 1, 2003.

The Company issued 67,686 thousand shares to the shareholders of Amada Machinics, which resulted in an increase in the capital surplus account of the Company of ¥45,416 million ($429,714 thousand).

4 NOTES AND ACCOUNTS RECEIVABLE

Sales on an installment basis consisted of 16%, 15% and 13% of consolidated net sales in the years ended March 31, 2004, 2003 and 2002, respectively.

Annual maturities of notes and accounts receivable—trade at March 31, 2004, and related amortization of deferred profit on installment sales were as follows:

	Millions of yen		Thousands of U.S. dollars	
	Receivables	Deferred profit on installment sales	Receivables	Deferred profit on installment sales
Total notes receivable (Years ending March 31):				
2005	¥ 26,988	¥ 4,672	$ 255,352	$ 44,206
2006	13,372	3,924	126,529	37,136
2007	10,262	3,097	97,098	29,306
2008	7,586	2,459	71,780	23,274
2009	5,138	1,721	48,615	16,284
2010 and thereafter	4,271	1,503	40,414	14,221
Subtotal	67,619	17,378	639,790	164,429
Less—notes from unconsolidated subsidiaries and associated companies	(329)		(3,115)	
Add—accounts receivable	54,206		512,878	
Total notes and accounts receivable	¥121,496	¥17,378	$1,149,553	$164,429

5 SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities as of March 31, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Current:			
Government and corporate bonds	**¥11,107**	¥ 7,301	**$105,094**
Trust fund investments and other	**3,877**	1,202	**36,686**
Total	**¥14,984**	¥ 8,503	**$141,781**
Non-current:			
Marketable equity securities	**¥12,389**	¥ 4,325	**$117,220**
Government and corporate bonds	**39,645**	23,421	**375,109**
Trust fund investments and other	**23,619**	10,421	**223,482**
Total	**¥75,654**	¥38,168	**$715,813**

The carrying amounts and aggregate fair values of the securities classified as available-for-sale and held-to-maturity securities at March 31, 2004 and 2003 were as follows:

	Millions of yen			
March 31, 2004	Cost	Unrealized gains	Unrealized losses	Fair value
Available-for-sale:				
Equity securities	**¥ 5,308**	**¥7,093**	**¥ 12**	**¥12,389**
Government and corporate bonds	**57,640**	**229**	**1,122**	**56,747**
Trust fund investments and other	**21,824**	**559**	**495**	**21,889**
Total	**¥84,773**	**¥7,882**	**¥1,630**	**¥91,026**
Held-to-maturity	**¥ 300**		**¥ 0**	**¥ 299**

	Millions of yen			
March 31, 2003	Cost	Unrealized gains	Unrealized losses	Fair value
Available-for-sale:				
Equity securities	¥ 4,851	¥ 761	¥1,287	¥ 4,325
Government and corporate bonds	29,472	40	204	29,308
Trust fund investments and other	9,371	398	2,095	7,674
Total	¥43,695	¥1,200	¥3,587	¥41,308
Held-to-maturity	¥ 1,507	¥ 9	¥ 8	¥ 1,507

	Thousands of U.S. dollars			
March 31, 2004	Cost	Unrealized gains	Unrealized losses	Fair value
Available-for-sale:				
Equity securities	**$ 50,225**	**$67,116**	**$ 121**	**$117,220**
Government and corporate bonds	**545,375**	**2,172**	**10,620**	**536,927**
Trust fund investments and other	**206,494**	**5,296**	**4,684**	**207,106**
Total	**$802,095**	**$74,585**	**$15,426**	**$861,255**
Held-to-maturity	**$ 2,838**		**$ 0**	**$ 2,837**

The bonds which are booked as cash and cash equivalents in consolidated balance sheets are included in above “available-for-sale” securities.

The carrying amounts of available-for-sale securities whose fair values are not readily determinable as of March 31, 2004 and 2003 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Available-for-sale:			
Equity securities	**¥3,581**	¥2,567	**$33,885**
Government and corporate bonds	**119**	114	**1,132**
Total	**¥3,700**	¥2,682	**$35,017**

Proceeds from sales of available-for-sale securities for the years ended March 31, 2004 and 2003 were ¥3,004 million ($28,425 thousand) and ¥2,683 million, respectively. Gross realized gains and losses on these sales, computed on a moving average cost basis, were ¥155 million ($1,466 thousand) and ¥324 million ($3,068 thousand), respectively, for the year ended March 31, 2004 and ¥6 million and ¥140 million, respectively, for the year ended March 31, 2003.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale and held-to-maturity at March 31, 2004 are as follows:

	Available-for-sale		Held-to-maturity	
	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
Due in one year or less	¥20,092	$190,103		
Due after one year through five years	30,643	289,937		
Due after five years through ten years	9,298	87,979	¥300	$2,838
Due after ten years	8,817	83,424		
Total	¥68,851	$651,445	¥300	$2,838

6 INVENTORIES

Inventories at March 31, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Merchandise	**¥19,994**	¥28,887	**$189,177**
Finished products	**8,581**	1,338	**81,199**
Work in process	**3,775**	1,579	**35,722**
Raw materials and parts	**6,113**	2,373	**57,844**
Total	**¥38,464**	¥34,179	**$363,941**

A substantial portion of the companies' sales is composed of products manufactured by associated companies. Purchases of merchandise from unconsolidated subsidiaries and associated companies amounted to ¥9,772 million ($92,464 thousand), ¥30,225 million and ¥26,015 million for the years ended March 31, 2004, 2003 and 2002, respectively. As the result of the merger with Amada Machinics Co., Ltd., the amount for March 31, 2004 decreased compared with March 31, 2003 and 2002.

7 SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Interest ranging from 0.74% to 7.12% at March 31, 2004 and from 1.37% to 7.375% at March 31, 2003	**¥5,391**	¥11,372	**$51,016**

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

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Unsecured 1.5% bonds with stock purchase warrants, due 2005		¥ 930	
Unsecured U.S. dollar loans, 5.43% to 6.28% (2.03% to 6.27% in 2003), due serially 2006	**¥3,750**	7,197	**$35,483**
Loan from banks, 2.58% to 6.0% (2.59% to 6.0% in 2003), due serially to 2010			
Collateralized	**149**	201	**1,418**
Unsecured		990	
Total	**3,900**	9,319	**36,092**
Less—current portion	**(2,153)**	(1,422)	**(20,373)**
Long-term debt, less current portion	**¥1,746**	¥7,897	**$16,528**

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

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2005	¥2,153	$20,373
2006	1,608	15,217
2007	10	98
2008		
2009		
2010 and thereafter	128	1,212
Total	¥3,900	$36,902

The carrying amounts of assets pledged as collateral for short-term bank loans of ¥57 million ($540 thousand) and long-term debt of ¥139 million ($1,321 thousand) at March 31, 2004 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2004	**2004**
Accounts receivable	**¥163**	**$1,549**
Short-term investments	**226**	**2,145**
Machinery and equipment—net	**29**	**276**

The unsecured 1.5% bonds with detachable stock purchase warrants were issued on July 12, 2000, and their proceeds are allocated between a bond portion resulting in a bond discount and a warrant portion. The bonds mature on July 12, 2004. The warrants are exercisable from December 1, 2000 to July 9, 2004. The warrants outstanding at March 31, 2004 were exercisable to purchase up to 1,000 thousand shares of common stock of the Company at an exercise price of ¥930 per share. The amounts allocated to warrants are stated as other current liabilities.

The exercise price of the warrants are subject to adjustments to reflect stock splits and certain other events.

As a result of the merger with Amada Machinics Co., Ltd., the Company acquired bonds issued by the Company and assumed bonds with warrants issued by Amada Machinics Co., Ltd. These bonds were offset by each other on the consolidated balance sheets as of March 31, 2004.

8 DEPOSIT RECEIVED

Deposit received is collateralized by buildings, structures and land for rent having a book value of ¥3,008 million ($28,464 thousand) of ¥3,986 million ($37,715 thousand) at March 31, 2004.

9 RETIREMENT AND PENSION PLANS

The Company and domestic consolidated subsidiaries have retirement and pension plans for employees.

Under the contributory pension plan, employees terminating their employment are in most circumstances entitled to pension distributions based on the average rate of pay at the time of termination, period of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from certain consolidated subsidiaries and the annuity payments from a trustee. Employees are entitled to greater payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

The contributory funded defined benefit pension plan, which is established under the Japanese Welfare Pension Insurance Law, covers a substitutional portion of the governmental pension program managed by the Company on behalf of the government and a corporate portion established at the discretion of the Company. In accordance with the enactment of the Defined Benefit Pension Plan Law in April 2002, the Company applied for an exemption from the obligation to pay benefits for future employee services related to the substitutional portion which would result in the transfer of the pension obligations and related assets to the government by another subsequent application. The Company obtained an approval of exemption from future obligation by the Ministry of Health, Labour and Welfare on January 1, 2003.

As a result of this exemption, the Company and certain subsidiaries recognized a gain on exemption from future pension obligation of the governmental program in the amount of ¥2,880 million in accordance with a transitional measurement of the accounting standard for employees' retirement benefits for the year ended March 31, 2003.

The substitutional portion of the plan assets which would be transferred to the government in the subsequent year was measured to be approximately ¥10,380 million at March 31, 2003.

Effective January 23, 2004, the Company and domestic consolidated subsidiaries determined to revise their contributory funded defined benefit pension plans to a cash balance pension plan.

Retirement allowances for directors and corporate auditors are paid subject to approval of the shareholders in accordance with the Japanese Commercial Code.

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

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Projected benefit obligation	**¥32,516**	¥28,145	**$307,661**
Fair value of plan assets	**(16,649)**	(7,099)	**(157,531)**
Unrecognized prior service cost	**9,805**	(40)	**92,775**
Unrecognized actuarial gain	**(9,203)**	(10,940)	**(87,076)**
Net liability	**¥16,469**	¥10,065	**$155,829**

The effect of the determination to revise the pension plan described above was to decrease unrecognized prior service cost at January 23, 2004 by ¥10,648 million ($100,753 thousand).

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

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Service cost	**¥1,141**	¥1,339	**$10,799**
Interest cost	**863**	981	**8,168**
Expected return on plan assets		(439)	
Amortization of prior service cost	**(203)**	(117)	**(1,922)**
Recognized actuarial loss	**1,574**	1,455	**14,901**
Net periodic benefit costs	**¥3,376**	¥3,219	**$31,947**

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

	2004	2003
Discount rate	**2.5%**	2.5%
Expected rate of return on plan assets		2.5%
Amortization period of prior service cost	**10 years**	10 years
Recognition period of actuarial gain/loss	**10 years**	10 years

10 INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 42% for the years ended March 31, 2004, 2003 and 2002.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2004 and 2003 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Deferred tax assets:			
Allowance for doubtful accounts	**¥ 1,143**	¥ 1,207	**$ 10,823**
Tax loss carryforwards	**5,284**	4,400	**50,001**
Inventories—intercompany profits and write-downs	**1,009**	1,597	**9,555**
Enterprise taxes payable	**103**		**978**
Provisions for bonus payment	**508**	219	**4,814**
Deferred profit on installment sales	**150**	125	**1,428**
Investment securities	**1,291**	1,440	**12,224**
Research and development costs	**3,443**	3,505	**32,582**
Pension and severance costs—prior service cost	**6,573**	3,652	**62,196**
Retirement allowance for directors and corporate auditors	**327**		**3,103**
Property, plant and equipment—intercompany profits and depreciation expenses	**1,519**	1,386	**14,381**
Land revaluation difference	**4,334**	3,540	**41,007**
Unrealized loss on available-for-sale securities		968	
Other	**1,517**	1,204	**14,358**
Less valuation allowance	**(6,837)**	(4,086)	**(64,693)**
Total	**20,372**	19,162	**192,761**
Deferred tax liability:			
Property, plant and equipment—special reserve	**(1,548)**	(923)	**(14,653)**
Land revaluation difference	**(775)**		**(7,338)**
Unrealized gain on available-for-sale securities	**(2,549)**		**(24,122)**
Allowance for doubtful accounts		(95)	
Other	**(456)**	(108)	**(4,318)**
Total	**(5,330)**	(1,127)	**(50,432)**
Net deferred tax assets	**¥15,042**	¥18,034	**$142,328**
Deferred tax liability:			
Special depreciation reserve		¥ 351	
Other	**¥ 30**	28	**$ 290**
Total	**30**	379	**290**
Deferred tax assets:			
Allowance for doubtful accounts		(218)	
Other	**(1)**	(79)	**(6)**
Total	**(1)**	(298)	**(6)**
Net deferred tax liability	**¥ 29**	¥ 81	**$ 283**

A reconciliation between the normal effective statutory tax rates for the years ended March 31, 2004, 2003 and 2002 and the actual effective tax rates reflected in the accompanying consolidated statements of operations is as follows:

	2004	2003	2002
Normal effective statutory tax rate	**42.0%**	(42.0)%	42.0%
Increase (decrease) in tax rate resulting from:			
Expenses not deductible for income tax purposes	**7.4**	9.9	132.9
Non-taxable dividend income	**(3.1)**	(7.6)	(18.7)
Inhabitants' tax—per capita	**1.5**	0.8	7.7
Foreign tax credit		1.1	(51.1)
Tax benefits not recognized on operating losses of subsidiaries	**19.9**	0.3	64.1
Equity in earnings of unconsolidated subsidiaries and affiliates	**(1.4)**	(0.2)	(93.7)
Change in valuation allowance	**26.2**	11.3	39.7
Elimination of intercompany dividend income	**4.4**	4.3	87.6
Lower income tax rates applicable to income in certain foreign countries	**(4.7)**	4.2	(44.6)
Elimination of deferred tax assets due to nonqualified merger		6.4	
Effect of tax rate reduction	**(1.4)**	6.3	
Other—net	**0.6**	(0.8)	(0.3)
Actual effective tax rate	**91.4%**	(6.0)%	165.6%

On March 31, 2003, a tax reform law concerning enterprise tax was enacted in Japan which changed the normal effective statutory tax rate from 42.0% to 40.4%, effective for years beginning on or after April 1, 2004. The effect of this change was to decrease deferred tax assets—non-current by ¥507 million, increase income taxes—deferred by ¥470 million, and increase net unrealized loss on available-for-sale securities by ¥36 million in the consolidated financial statements for the year ended March 31, 2003. The effect of this change on deferred taxes in the consolidated statements of operations for the year ended March 31, 2003 was to increase net loss by ¥470 million.

At March 31, 2004, the Company and certain subsidiaries had tax loss carryforwards aggregating approximately ¥13,080 million ($123,766 thousand), which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire for the years ending March 31, 2009 and thereafter.

11 SHAREHOLDERS' EQUITY

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

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

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

The revised Code eliminated restrictions on the repurchase and use of treasury stock, allowing Japanese companies to repurchase treasury stock by resolution of the shareholders at the general shareholders' meeting and dispose of such treasury stock by resolution of the Board of Directors beginning April 1, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividends plus the amounts of common stock, additional paid-in capital or the legal reserve to be reduced in the case where such reduction was resolved at the general shareholders' meeting.

The Special Taxation Measures Law in Japan permits companies to take tax deductions for certain reserves if provided through the appropriation of retained earnings. Under Japanese tax laws, these reserves must be reversed to income in future years. The deferred gains included in retained earnings provided under the Special Taxation Measures Law at March 31, 2004 and 2003 were ¥2,371 million ($22,434 thousand) and ¥1,392 million, respectively.

Under the Code, the amount available for dividends is based on retained earnings recorded on the books of the Company. At March 31, 2004, the amount available for dividends was ¥109,957 million ($1,040,375 thousand).

Dividends are approved by the shareholders at a meeting held subsequent the end of the fiscal year to which the dividends are applicable. However, a semiannual interim dividend may be paid upon resolution of the Board of Directors subject to limitations imposed by the Code.

12 OTHER INCOME (EXPENSES)—OTHER, NET

Other income (expenses)—other, net, for the years ended March 31, 2004, 2003 and 2002 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2004	2003	2002	**2004**
Rental income	**¥ 39**	¥ 36	¥ 677	**$ 374**
Gain on sales of securities	**8**	5	0	**76**
Loss on sales of securities	**(70)**	(96)	(168)	**(663)**
Gain on sales of investment securities	**146**	1	952	**1,389**
Loss on sales of investment securities	**(254)**	(44)	(829)	**(2,405)**
Loss on impairment of investment securities	**(38)**	(3,634)	(3,826)	**(362)**
Income from collection on previously written-off security			4,571	
Gain on exemption from future pension obligation of the governmental program		2,880		
Employees' retirement special benefits		(2,505)		
Other	**1,067**	88	(306)	**10,096**
Total	**¥ 899**	¥(3,269)	¥1,072	**$ 8,506**

13 RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥7,161 million ($67,758 thousand), ¥6,345 million and ¥6,063 million for the years ended March 31, 2004, 2003 and 2002, respectively.

14 LEASES

a) Lessee

The Companies lease certain equipment and other assets.

Total lease payments were ¥347 million ($3,291 thousand), ¥289 million and ¥467 million for the years ended March 31, 2004, 2003 and 2002, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation and depreciation expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as-if-capitalized" basis for the years ended March 31, 2004 and 2003 is as follows:

	Millions of yen			Thousands of U.S. dollars		
	2004			**2004**		
	Machinery and equipment	Other assets	Total	Machinery and equipment	Other assets	Total
Acquisition cost	**¥1,922**	**¥97**	**¥2,020**	**$18,189**	**$927**	**$19,116**
Accumulated depreciation	**1,187**	**73**	**1,260**	**11,237**	**691**	**11,928**
Net leased property	**¥ 734**	**¥24**	**¥ 759**	**$ 6,952**	**$235**	**$ 7,187**

	Millions of yen		
	2003		
	Machinery and equipment	Other assets	Total
Acquisition cost	¥1,328	¥115	¥1,444
Accumulated depreciation	644	65	710
Net leased property	¥ 683	¥ 50	¥ 734

Pro forma information of leased property such as obligations under finance leases that do not transfer ownership of the leased property to the lessee on an "as-if-capitalized" basis for the years ended March 31, 2004 and 2003 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Obligations under finance leases:			
Due within one year	**¥371**	¥278	**$3,518**
Due after one year	**387**	455	**3,669**
Total	**¥759**	¥734	**$7,187**

The amount of obligations under finance leases includes the imputed interest expense portion. Depreciation expense, which was not reflected in the consolidated statements of operations, computed by the straight-line method was ¥347 million ($3,291 thousand) for the year ended March 31, 2004.

The minimum rental commitments under non-cancelable operating leases at March 31, 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Operating leases:			
Due within one year	**¥365**	¥254	**$3,453**
Due after one year	**548**	483	**5,187**
Total	**¥913**	¥738	**$8,641**

b) Lessor

The Companies also have a number of lease agreements as lessor, primarily for certain machinery, equipment and other assets.

Total lease income was ¥5,193 million ($49,139 thousand), ¥5,960 million and ¥6,025 million for the years ended March 31, 2004, 2003 and 2002, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation and depreciation expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as-if-capitalized" basis for the years ended March 31, 2004 and 2003 is as follows:

	Millions of yen			Thousands of U.S. dollars		
	2004			**2004**		
	Machinery and equipment	Other assets	Total	Machinery and equipment	Other assets	Total
Acquisition cost	**¥17,998**	**¥370**	**¥18,369**	**$170,297**	**$3,504**	**$173,801**
Accumulated depreciation	**9,420**	**201**	**9,621**	**89,131**	**1,903**	**91,034**
Net leased property	**¥ 8,578**	**¥169**	**¥ 8,747**	**$ 81,166**	**$1,600**	**$ 82,767**

	Millions of yen		
	2003		
	Machinery and equipment	Other assets	Total
Acquisition cost	¥19,720	¥352	¥20,073
Accumulated depreciation	10,087	160	10,247
Net leased property	¥ 9,633	¥191	¥ 9,825

Pro forma information of leased property such as obligations under finance leases that do not transfer ownership of the leased property to the lessee on an "as-if-capitalized" basis for the years ended March 31, 2004 and 2003 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Receivables under finance leases:			
Due within one year	**¥ 3,637**	¥ 3,980	**$ 34,415**
Due after one year	**9,938**	11,292	**94,037**
Total	**¥13,576**	¥15,272	**$128,453**

Depreciation expense was ¥2,805 million ($26,540 thousand) and ¥3,165 million for the years ended March 31, 2004 and 2003, respectively.

Interest income, which was not reflected in the consolidated statements of operations, computed by the interest method was ¥1,124 million ($10,636 thousand) and ¥1,326 million for the years ended March 31, 2004 and 2003, respectively.

The minimum rental commitments under non-cancelable operating leases at March 31, 2004 and 2003 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Operating leases:			
Due within one year	**¥ 843**	¥ 847	**$ 7,976**
Due after one year	**9,078**	9,746	**85,899**
Total	**¥9,921**	¥10,593	**$93,876**

15 CONTINGENT LIABILITIES

At March 31, 2004 and 2003, the Companies had the following contingent liabilities:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Customers' (81 companies in 2004 and 91 companies in 2003) bank loans	**¥ 683**	¥536	**$ 6,469**
Payment for subcontract companies from factoring companies	**1,463**		**13,846**

16 DERIVATIVES

The Companies enter into derivatives including foreign exchange forward contracts and currency options, to hedge foreign exchange risk associated with notes and accounts receivable denominated in foreign currencies. The Companies also enter into interest rate swap contracts and interest rate swaption contracts to manage their interest rate exposures on certain liabilities. It is the Companies' policy to use derivatives only for the purpose of reducing market risks associated with assets and liabilities. The Companies do not hold or issue derivatives for trading purposes.

Derivatives are subject to market risk and credit risk. All derivative transactions, however, are entered into to hedge foreign currency and interest exposures incorporated within the Companies' business; therefore, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities. Because the counterparties to these derivatives are limited to major domestic banks, the Companies do not anticipate any losses arising from credit risk.

The execution and understanding of derivatives are carried out by the Company's Finance Department. The Finance Department also reports monthly the contractual amounts and other information related to derivatives to the Accounting Department, where monitoring of derivatives is performed. The Finance Department's review procedures are focused on whether the derivatives are being effective as a means of hedging, whether they are used within the balances of assets and liabilities and whether the Companies are exposed to a large amount of risk.

All forward exchange contracted amounts and currency options are assigned to associated assets or liabilities and are reflected on the consolidated balance sheets at year-end, and all interest rate swaps meet specific matching criteria, so the market value information is not disclosed.

17 SEGMENT INFORMATION

The Company operates in the following industries.

Industry A consists of machine tools.

Industry B consists of real estate rental income.

The Company disclosed information about industry segments for the year ended March 31, 2004 due to the materiality of the industry of real estate rental income as a result of the merger with Amada Machinics Co., Ltd.

a) Industry Segments

I. Sales and Operating Income (Loss)

	Millions of yen				
	2004				
	Industry A	Industry B	Others	Eliminations/ corporate	Consolidated
Sales to customers	**¥162,546**	**¥1,448**	**¥620**		**¥164,614**
Intersegment sales		**274**	**0**	**¥(275)**	
Total sales	**162,546**	**1,723**	**621**	**(275)**	**164,614**
Operating expenses	**160,726**	**1,087**	**631**	**(275)**	**162,169**
Operating income (loss)	**¥ 1,820**	**¥ 635**	**¥ (10)**		**¥ 2,445**

II. Total Assets, Depreciation and Capital Expenditures

	Millions of yen				
	2004				
	Industry A	Industry B	Others	Eliminations/ corporate	Consolidated
Total assets	**¥299,991**	**¥16,407**	**¥939**	**¥139,944**	**¥457,283**
Depreciation	**8,721**	**276**	**71**		**9,069**
Capital expenditures	**5,076**	**47**	**15**		**5,139**

I. Sales and Operating Income

	Thousands of U.S. Dollars				
	2004				
	Industry A	Industry B	Others	Eliminations/ corporate	Consolidated
Sales to customers	**$1,537,957**	**$13,700**	**$5,866**		**$1,557,524**
Intersegment sales		**2,601**	**9**	**$(2,611)**	
Total sales	**1,537,957**	**16,302**	**5,875**	**(2,611)**	**1,557,524**
Operating expenses	**1,520,731**	**10,287**	**5,977**	**(2,611)**	**1,534,384**
Operating income (loss)	**$ 17,226**	**$ 6,015**	**$ (101)**		**$ 23,139**

II. Total Assets, Depreciation and Capital Expenditures

	Thousands of U.S. Dollars				
	2004				
	Industry A	Industry B	Others	Eliminations/ corporate	Consolidated
Total assets	**$2,838,410**	**$155,241**	**$8,889**	**$1,324,103**	**$4,326,644**
Depreciation	**82,521**	**2,611**	**680**		**85,813**
Capital expenditures	**48,035**	**446**	**145**		**48,627**

Corporate assets principally consist of cash and cash equivalents, short-term investments and investment securities of the Company.

Corporate assets were ¥139,944 million ($1,324,103 thousand) for the year ended March 31, 2004.

Information about geographic segments and sales to foreign customers of the Company and subsidiaries for the years ended March 31, 2004 and 2003 is as follows:

b) Geographical Segments

The geographical segments of the Companies for the years ended March 31, 2004 and 2003 were summarized as follows:

	Millions of yen						
	2004						
	Japan	North America	Europe	Asia	Others	Eliminations/ corporate	Consolidated
I. Sales:							
Outside customers	**¥103,756**	**¥20,818**	**¥26,474**	**¥13,028**	**¥536**		**¥164,614**
Interarea	**16,777**	**637**	**2,075**	**631**	**6**	**¥(20,128)**	
	120,533	**21,455**	**28,550**	**13,660**	**543**	**(20,128)**	**164,614**
Operating expenses	**118,902**	**23,137**	**27,595**	**12,704**	**577**	**(20,749)**	**162,169**
Operating (loss) income	**¥ 1,630**	**¥ (1,682)**	**¥ 954**	**¥ 956**	**¥ (33)**	**¥ 620**	**¥ 2,445**
II. Assets	**¥275,794**	**¥31,785**	**¥36,891**	**¥15,442**	**¥503**	**¥ 96,865**	**¥457,283**

The effect of the change in the accounting for retirement allowances for directors and corporate auditors in Note 2 was to decrease operating income of Japan for the year ended March 31, 2004 by ¥44 million from such segment in the prior year.

	Thousands of U.S. dollars						
	2004						
	Japan	North America	Europe	Asia	Others	Eliminations/ corporate	Consolidated
I. Sales:							
Outside customers	**$ 981,702**	**$196,973**	**$250,496**	**$123,272**	**$5,079**		**$1,557,524**
Interarea	**158,738**	**6,029**	**19,635**	**5,979**	**66**	**$(190,449)**	
	1,140,441	**203,003**	**270,131**	**129,252**	**5,145**	**(190,449)**	**1,557,524**
Operating expenses	**1,125,013**	**218,920**	**261,100**	**120,206**	**5,465**	**(196,321)**	**1,534,384**
Operating (loss) income	**$ 15,427**	**$ (15,917)**	**$ 9,030**	**$ 9,046**	**$ (320)**	**$ 5,872**	**$ 23,139**
II. Assets	**$2,609,464**	**$300,745**	**$349,055**	**$146,113**	**$4,763**	**$ 916,502**	**$4,326,644**

	Millions of yen						
	2003						
	Japan	North America	Europe	Asia	Others	Eliminations/ corporate	Consolidated
I. Sales:							
Outside customers	¥ 84,371	¥25,341	¥25,315	¥10,146	¥251		¥145,425
Interarea	11,546	480	1,480	268	0	¥(13,777)	
	95,917	25,822	26,795	10,415	251	(13,777)	145,425
Operating expenses	102,445	29,956	26,598	9,829	335	(18,706)	150,458
Operating (loss) income	¥ (6,528)	¥ (4,134)	¥ 197	¥ 585	¥ (83)	¥ 4,929	¥ (5,033)
II. Assets	¥248,130	¥43,879	¥33,907	¥11,885	¥305	¥ 53,939	¥392,047

Corporate assets principally consist of cash and cash equivalents, short-term investments and investment securities of the Company.

Corporate assets were ¥139,944 million ($1,324,103 thousand) and ¥88,012 million for the years ended March 31, 2004 and 2003, respectively.

c) Sales to foreign customers

Sales to foreign customers for the years ended March 31, 2004 and 2003 were as follows:

	Millions of yen				
	2004				
	North America	Europe	Asia	Others	Total
Sales to foreign customers	**¥20,753**	**¥26,833**	**¥17,870**	**¥1,069**	**¥66,526**

	Thousands of U.S. dollars				
	2004				
	North America	Europe	Asia	Others	Total
Sales to foreign customers	**$196,361**	**$253,884**	**$169,082**	**$10,117**	**$629,446**

	Millions of yen				
	2003				
	North America	Europe	Asia	Others	Total
Sales to foreign customers	¥25,045	¥25,425	¥12,850	¥700	¥64,021

18 SUBSEQUENT EVENTS

a) Stock option plan

At the general shareholders' meeting held on June 29, 2004, the Company's shareholders approved the following stock option plan for the directors, executive advisers and key employees of the Company and its unconsolidated subsidiaries and associated companies.

The plan provides for granting options to them to purchase up to 1,400 thousand shares of the Company's common stock. The issued stock options are exercisable from July 1, 2006 to June 30, 2011.

b) Appropriations of retained earnings

The following appropriations of retained earnings at March 31, 2004 were approved by the shareholders at the Company's general shareholders' meeting held on June 29, 2004.

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥5.00 ($0.04) per share	¥1,959	$18,537
Bonuses to directors and corporate auditors	45	425

Independent Auditors' Report

Deloitte.

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MS Shibaura Building
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Japan

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Amada Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Amada Co., Ltd. and consolidated subsidiaries as of March 31, 2004 and 2003, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2004, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Amada Co., Ltd. and consolidated subsidiaries as of March 31, 2004 and 2003, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2004, in conformity with accounting principles generally accepted in Japan.

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of accounting for retirement benefits to directors and corporate auditors as of April 1, 2003.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 29, 2004

The Amada Group

(As of October 1, 2004)

AMADA CO., LTD.

Head Office
200, Ishida, Isehara,
Kanagawa 259-1196, Japan
Phone: (0463) 96-1111
Facsimile: (0463) 94-9781
URL: http://www.amada.co.jp/

Fujinomiya Plant
7020, Kitayama, Fujinomiya,
Shizuoka 418-0012, Japan
Phone: (0544) 54-2111
Facsimile: (0544) 54-1900

Ono Plant
56, Hatacho, Ono,
Hyogo 675-1377, Japan
Phone: (0794) 62-5931
Facsimile: (0794) 62-4351

Isehara Plant
806, Takamori, Isehara,
Kanagawa 259-1196, Japan
Phone: (0463) 91-8066
Facsimile: (0463) 96-3278

PRINCIPAL DOMESTIC GROUP COMPANIES

Amada Cutting Co., Ltd.*
200, Ishida, Isehara,
Kanagawa 259-1196, Japan
Phone: (0463) 96-3351
Facsimile: (0463) 96-0109
Major Activities: Manufacture, sales and after-sales service of Amada bandsaw machines and sales of blades

Nicotec Co., Ltd.*
15-12, Tamagawa Denenchofu 1-chome,
Setagaya-ku, Tokyo 158-0085, Japan
Phone: (03) 3722-5995
Facsimile: (03) 3721-6092
Major Activities: Sales of Amada products for the sales agent market and the manufacture and sales of metalworking machines and machine tools

Amada Press Technology Co., Ltd.*
200, Ishida, Isehara,
Kanagawa 259-1196, Japan
Phone: (0463) 96-3222
Facsimile: (0463) 93-7515
Major Activities: Sales and after-sales service of Amada presses and press tools

Tecno Wasino Co., Ltd.*
2-158, Nakashima, Shimoobari,
Komaki, Aichi 485-0051, Japan
Phone: (0568) 71-8821
Facsimile: (0568) 71-8850
Major Activities: Manufacture and sales of machine tools, mainly CNC lathes and CNC grinders

Amada Lease Co., Ltd.*
200, Ishida, Isehara,
Kanagawa 259-1196, Japan
Phone: (0463) 96-3663
Facsimile: (0463) 96-2382
Major Activities: Lease of metalworking machines and machine tools and related products

Amada Butsuryu Co., Ltd.*
200, Ishida, Isehara,
Kanagawa 259-1196, Japan
Phone: (0463) 96-3334
Facsimile: (0463) 93-1300
Major Activities: Distribution service and agency for exporting and importing Amada products

Amada Soft Service Co., Ltd.*
200, Ishida, Isehara,
Kanagawa 259-1196, Japan
Phone: (0463) 96-3476
Facsimile: (0463) 96-3477
Major Activities: Manufacture and sales of software for machine tools and sheet-metalworking machines

Amada Ailink Service Co., Ltd.*
15-14, Noge 2-chome,
Setagaya-ku, Tokyo 158-0092, Japan
Phone: (03) 5758-5622
Facsimile: (03) 5706-6636
Major Activities: Information service and sales intermediation for metalworking machines and electric equipment through the Internet

Amada Franchise Center Co., Ltd.*
200, Ishida, Isehara,
Kanagawa 259-1196, Japan
Phone: (0463) 96-3535
Facsimile: (0463) 93-3533
Major Activities: Sales of metalworking machines and electronic equipment; management consulting for franchise-operating corporations and outlets; and agency for sales handling charge accounting and processing of accounting documents

PRINCIPAL OVERSEAS GROUP COMPANIES

NORTH AMERICA

Amada America, Inc.*
7025 Firestone Blvd.,
Buena Park, CA 90621, U.S.A.
Phone: (714) 739-2111
Facsimile: (714) 739-4099
Major Activities: Sales and after-sales service of Amada products for the North American market

Amada Mfg America, Inc.*
14646 E. Northam St.,
La Mirada, CA 90638, U.S.A.
Phone: (714) 690-5600
Facsimile: (714) 994-6143
Major Activities: Manufacture and sales of metal-working machines, mainly CNC turret punch presses

Amada Cutting Technologies, Inc.*
14849 E. Northam St.,
La Mirada, CA 90638, U.S.A.
Phone: (714) 670-1704
Facsimile: (714) 670-2017
Major Activities: Sales and after-sales service of Amada bandsaw machines and blades for the North American market

Amada Laser America Inc.*
11100 Alcovy Road,
Covington, GA 30014, U.S.A.
Phone: (770) 385-5114
Facsimile: (770) 788-9051
Major Activities: Sales and after-sales service of Amada laser cutting machines for the North American market

Wasino Corp. USA*
4070 Winnetka Avenue, Rolling Meadows,
IL 60008, U.S.A.
Phone: (847) 797-8700
Facsimile: (847) 797-5644
Major Activities: Sales and after-sales service of machines and tools, mainly CNC lathes and CNC grinders for the North American market

Amada Canada Ltd.*
885, Avenue Georges Cros, Granby,
Quebec J2J 1E8, Canada
Phone: (450) 378-0111
Facsimile: (450) 378-4903
Major Activities: Sales and after-sales service of Amada products for the Canadian market

EUROPE

Amada United Kingdom Limited*
Spennells Valley Road, Kidderminster,
Worcestershire DY10 1XS, U.K.
Phone: (01562) 749-500
Facsimile: (01562) 749-510
Major Activities: Sales and after-sales service of Amada products for the U.K. market

Amada GmbH*
Westfalenstr. 6, D-42781 Haan,
North Rhine-Westphalia, Germany
Phone: (02129) 57901
Facsimile: (02129) 59183
Major Activities: Sales and after-sales service of Amada products for the European market

Amada Europe S.A.*
Avenue de la Pyramide,
93290, Tremblay-en-France, France
Phone: (1) 4990-3000
Facsimile: (1) 4990-3199
Major Activities: Development, manufacture, and sales of metalworking machines and machine tools

Amada S.A.*
Avenue de la Pyramide,
93290, Tremblay-en-France, France
Phone: (1) 4990-3000
Facsimile: (1) 4990-3199
Major Activities: Sales and after-sales service of Amada products for the European market

Amada European Headquarters S.a.r.l.*
Avenue de la Pyramide,
93290, Tremblay-en-France, France
Phone: (1) 4990-3000
Facsimile: (1) 4990-3031
Major Activities: Coordination of activities of European Amada Group companies

Amada Europe Software Support Call Center, S.A.S.*
Avenue de la Pyramide,
93290, Tremblay-en-France, France
Phone: (1) 4990-7638
Facsimile: (1) 4990-7637
Major Activities: Development, sales, maintenance and operating support for software and information network systems used in sheet-metalworking machinery

Amada Italia S.r.l.*
Via Artigiani 21/23, loc. Cabina,
29020 Vigolzone, Piacenza, Italy
Phone: (0523) 872111
Facsimile: (0523) 872101
Major Activities: Sales and after-sales service of Amada products for the Italian market

CREA S.r.l.*
Via Asti, 43 10026 Santena, Turin, Italy
Phone: (011) 9496211
Facsimile: (011) 9496296
Major Activities: Research and development of metalworking machines

Amada Maquinaria S.l.*
Calle Marina N. 12/14, Cornella De Llobregat,
08940 Barcelona, Spain
Phone: 93-4742725
Facsimile: 93-3779196
Major Activities: Sales and after-sales service of Amada products for the Spanish market

Amada Austria GmbH*
Wassergasse 1, A-2630 Ternitz, Austria
Phone: (02630) 35170
Facsimile: (02630) 35165
Major Activities: Manufacture and sales of bandsaw blades and punches and dies

Amada Sweden AB*
Borgens Gata 16-18,
44139 Alingsas, Sweden
Phone: (032) 21-8900
Facsimile: (032) 26-37180
Major Activities: Sales and after-sales service of Amada products for the Swedish market

Amada Limited Liability Company*
4-j Roschinsky proezd, 20, str. 9
Moscow 115191, Russian Federation
Phone: (095) 518-96-50
Facsimile: (095) 518-96-51
Major Activities: Sales and after-sales service of Amada products for the Russian market

ASIA

Amada Taiwan Inc.*
No. 21, Wenming Road, Linkou 3 Ind. Park,
Kweishan, Taoyuan Hsien, Taiwan
Phone: (03) 328-3511
Facsimile: (03) 328-4200
Major Activities: Sales and after-sales service of Amada products for the Taiwanese market and manufacture of punches and dies for CNC turret punch presses

Amada Taiwan Precision Machines, Inc.*
No. 4, Industry North 6th Road,
Nankung Industrial Park, Nantou City, Taiwan
Phone: (049) 225-1387
Facsimile: (049) 225-3442
Major Activities: Manufacture of Amada bandsaw machines

Amada Hong Kong Co., Ltd.*
Unit 1808, 18/F Miramar Tower,
1 Kimberley Road, Tsimshatsui, Kowloon,
Hong Kong, S.A.R., People's Republic of China
Phone: 2868-9186
Facsimile: 2521-1363
Major Activities: Holding shares for investment as well as international trading and sales of Amada products for the Chinese market

Beijing Amada Machine & Tooling Co., Ltd.*
No. 3, 705 Yong Chang Bei Lu, Beijing
Economic Technological Development Area,
People's Republic of China
Phone: (010) 6786-9380
Facsimile: (010) 6786-9392
Major Activities: Manufacture and sales of punches and dies for punch presses and sales and after-sales service of Amada products for the Chinese market

Amada Lianyungang Machinery Co., Ltd.*
No. 18, Hailian West Road,
Xinpu, Lianyungang, Jiangsu,
People's Republic of China
Phone: (0518) 548-7565
Facsimile: (0518) 548-7570
Major Activities: Manufacture, sales, and after-sales service of bandsaw machines and blades for the Chinese market

Amada Shanghai Punch & Shear Co., Ltd.**
No. 202, Yun Ling East Road,
Shanghai, People's Republic of China
Phone: (021) 5281-1540
Facsimile: (021) 5280-7737
Major Activities: Manufacture, sales, and after-sales service of metalworking machines for the Chinese market

Amada International Industry & Trading (Shanghai) Co., Ltd.*
No. 125, Lao Hu Min Road, Shanghai,
People's Republic of China
Phone: (021) 6212-1111
Facsimile: (021) 6240-4105
Major Activities: Sales and after-sales service of Amada products for the Chinese market and international trading

Amada International Trading (Shenzhen) Co., Ltd.*
Rms. 801-803, 8F, Talfook Chong, No. 9,
Shihua Road, Futian Free Trade Zone,
Shenzhen, People's Republic of China
Phone: (0755) 8358-0011
Facsimile: (0755) 8359-7489
Major Activities: Sales and after-sales service of Amada products for the Chinese market and international trading

Amada Korea Co., Ltd.*
635-1, Kojan-dong, Namdong-Ku,
Inchon, Republic of Korea
Phone: (032) 821-6010
Facsimile: (032) 821-6015
Major Activities: Sales and after-sales service of Amada products for the South Korean market

Amada Singapore (1989) Pte Ltd.*
12, Tannery Road,
#05-01/02 HB Centre,
Singapore 347722
Phone: 6743-6334
Facsimile: 6743-3134
Major Activities: Sales and after-sales service of Amada products for the Singapore market

Amada (Thailand) Co., Ltd.*
Thosaphol Land 3 Bldg., 6th Fl.,
947 Moo 12, Bangna-Trad Road, Km. 3,
Kwang Bangna, Khet Bangna,
Bangkok 10260, Thailand
Phone: (2361) 9152
Facsimile: (2361) 9165
Major Activities: Sales and after-sales service of Amada products for the Thai market

Amada (Malaysia) Sdn. Bhd.*
No. 38, Jalan Kartunis, U1/47, Temasya
Industrial Park Section U1,
Glenmarie, 40150 Shah Alam,
Selangor Darul Ehsan, Malaysia
Phone: (03) 5569-1035
Facsimile: (03) 5569-1042
Major Activities: Sales and after-sales service of Amada products for the ASEAN market

Amada (India) Pvt. Ltd.*
C-Wing-412, Floral Deck Plaza, MIDC, Opp.
Seepz, Andheri (East), Mumbai-400 093, India
Phone: (022) 823-5406
Facsimile: (022) 823-5405
Major Activities: Sales intermediation for and after-sales service of Amada products for the Indian market

AmadaSoft (India) Pvt. Ltd.*
54/55 North Usman Road, T. Nagar,
Chennai-600 017, India
Phone: (044) 823-6634
Facsimile: (044) 823-2216
Major Activities: Research and development of software for machine tools and sheet-metalworking machines

OTHER AREAS

Amada Oceania Pty Ltd.*
24/5 Salisbury Road, Castle Hill,
NSW 2154, Australia
Phone: (02) 9680-8900
Facsimile: (02) 9680-9855
Major Activities: Sales and after-sales service of Amada products for the Oceanian market

* Subsidiary
**Affiliate

Investor Information

Founded
September 10, 1946

Incorporated
May 1, 1948

Number of Shares of Common Stock
(As of September 30, 2004)
Authorized: 550,000,000 shares
Issued: 406,434,117 shares

Number of Shareholders
(As of March 31, 2004)
42,613

Stock Listings
Tokyo Stock Exchange, Inc., First Section
Osaka Securities Exchange Co., Ltd., First Section

Quarterly Stock Price Range on Tokyo Stock Exchange (¥)

	2003				**2004**		
	1st	2nd	3rd	4th	1st	2nd	3rd
High	395	392	550	590	677	722	730
Low	289	269	371	445	553	564	550

Ordinary General Meeting of Shareholders
June

Stock Transfer Agent
The Mitsubishi Trust and Banking Corporation
4-5 Marunouchi, 1-chome, Chiyoda-ku, Tokyo 100-8212, Japan

Major Shareholders
(As of March 31, 2004)

Name	Number of shares held (thousands)	Percentage of shareholding (%)
Japan Trustee Services Bank, Ltd. (Trust account)	48,428	11.92
The Master Trust Bank of Japan, Ltd. (Trust account)	22,088	5.43
Trust & Custody Services Bank, Ltd. (Retirement benefit trust, Mizuho Bank account—see Note 1)	16,742	4.12
Amada Foundation for Metal Work Technology	9,936	2.44
Nippon Life Insurance Company	8,945	2.20
Trust & Custody Services Bank, Ltd. (Trust account)	8,875	2.18
Nikko Citi Trust and Banking Corporation (Trust account)	8,630	2.12
State Street Bank and Trust Company	7,804	1.92
Resona Bank, Limited	7,111	1.75
Aioi Insurance Co., Ltd.	6,228	1.53

Notes: 1. The 16,742 thousand shares held by Trust & Custody Services Bank, Ltd. (retirement benefit trust, Mizuho Bank account) are a retirement payment trust, which has been entrusted to Trust & Custody Services Bank by Mizuho Bank, Ltd. The rights to specify how proxy voting rights of these shares will be exercised are retained by Mizuho Bank, Ltd.
2. The Company holds 14,583 thousand shares of treasury stock (14,586 thousand in the Company's Shareholders' Registry), and these stocks have been excluded from the above holdings of major shareholders.

Board of Directors and Corporate Auditors

(As of October 1, 2004)

Chairman
Ryuharu Emori*

President
Mitsuo Okamoto*

Directors
Oichi Yonebayashi
Akiyoshi Yoneda
Atsuzo Yajima
Toshio Takagi
Masayuki Shimizu
Koshichi Kikuchi
Kojiro Hirosawa
Mitsuaki Amada

Corporate Auditors
Akio Abe
Teruo Yoshino
Tatsumi Sato
Chikara Shinozuka

*Representative Director

AMADA CO., LTD.
200, Ishida, Isehara, Kanagawa 259-1196, Japan

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