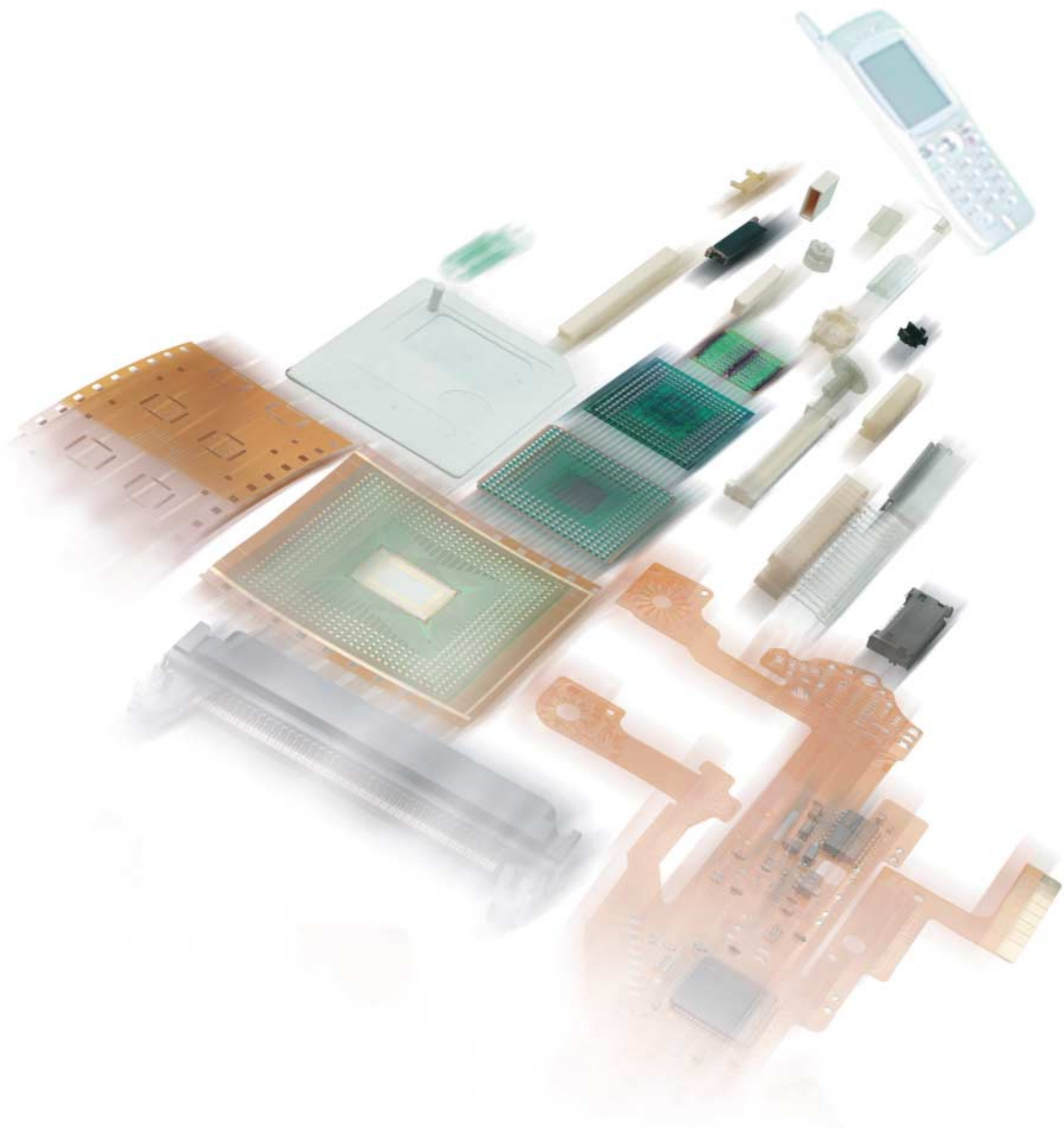
Report and Accounts 2001



Sodick Co., Ltd.

Sodick Assists Customers
in
Manufacturing Industrial Products

The manufacture of high-quality molds definitely starts with high-accuracy molds. The excellence of Japanese products owes everything to the unsurpassed high level of this mold manufacturing technology. Sodick satisfies customer needs by participating in each stage from the design and manufacture of molds to the finished products.

We challenged the development of the numerically controlled electrical discharge machine (NC-EDM) and succeeded in introducing the first NC-EDM in the world in 1976. Our machine contributed to the unmanned operation of electrical discharge machining, higher machining accuracy and greater versatility in the applications of electrical discharge machining.

Contents

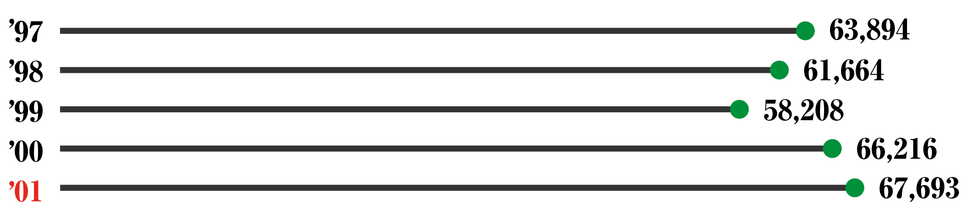
Financial Highlights (Consolidated)

Sodick Co.,Ltd. and Consolidated Subsidiaries
Years ended 31st March, 2001 and 2000

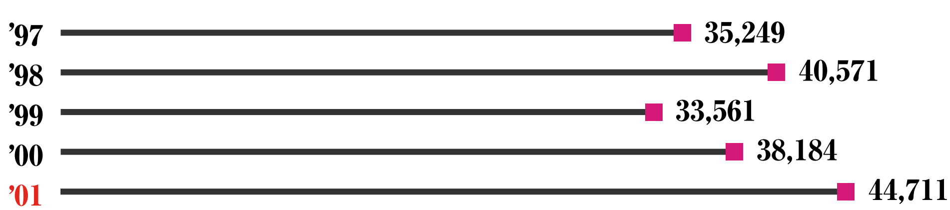
	Millions of yen		Thousands of U.S. dollars*	
	2001	2000	**2001**	2000
Net sales	**¥44,711**	¥38,184	**$360,864**	$308,184
Operating income	**1,570**	2,672	**12,672**	21,566
Net income	**1,472**	647	**11,881**	5,222
Total assets	**67,693**	66,216	**546,352**	534,431
Net income per share				
	Yen		U.S. dollars	
Basic	**¥37.21**	¥20.05	**$0.30**	$0.16
Diluted	**31.50**	16.17	**0.25**	0.13
Cash dividends applicable to the year	**5.00**	—	**0.04**	—

*For reference only, U.S. dollar figures have been converted from yen at the rate of ¥123.90 to US$1.00, the approximate rate in effect on 31st March, 2001.

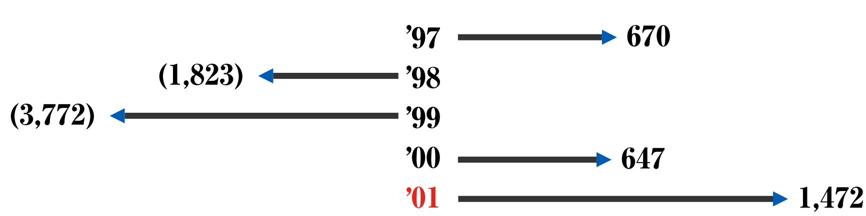
Total Assets
(Millions of Yen)



Net Sales
(Millions of Yen)



Net Income (loss)
(Millions of Yen)



Message from the Management

Let me take this opportunity to report on the business results of Sodick Co., Ltd. and subsidiaries for the fiscal year ended 31st March, 2001.

In the current fiscal year, Japanese economy showed slight improvement due to realization of the complex effects of government fiscal stimulus, low-interest rate policy and positive corporate restructuring during the 1st half of the year. However, this economic recovery has slowed due to the higher price of crude oil and sluggish semi-conductor market. The overall world economy has slowed due to a downward shift in the U. S. economy.

Under these conditions, our consolidated group business saw increases in both revenue and profits due to a favorable demand for our products. In the first half of the year the demand came from advanced technology, such as cellular phones, mobiles and liquid crystal panels at the core of IT (Information Technology) related industries. While demand for optical fiber mainly from high-capacity and high-speed telecommunication related industries drove demand in the 2nd half of the year. Our consolidated sales increased by ¥6,526 million (17.1%) over the corresponding period from the previous year to ¥44,711 million. Our consolidated net income increased by ¥824 million (127.4%) over the corresponding period from the previous year to ¥1,472 million.

The follow show conditions and sales in each business segument.

- Machine tool business: In this business, we didn't benefit from a dramatic recovery due to limited capital investment by our customers who are undergoing restructuring. This was in spite of increased demand from IT related companies and the electrical appliance industry, as well the recovery of cash flows by our customers enabling more capital investment.

  Due to our consolidated group promoting activities to increase demand for machine tools for special connector manufacturing for WDM (optical multiplex wavelength transmission), optical fiber cable extracting molding manufacturing, and NC wire-cut EDM with linear servo motor widely, which was introduced this period, sales in this business increased by ¥7,380 million (28.7%) over the corresponding period from the previous year to ¥33,091 million.
- Industrial tool business: In this business, like in the machine tool business, capital investment increased for our customers in IT and high-capacity and high-speed telecommunication-related companies in the electrical appliance industry.

  Our consolidated group experienced increases in demand and sales of electrical/hydraulically-operated hybrid drive system material super-precision and high-response injection molding machine "TR" series for ferrule manufacturing of WDM, and lead ray plate of crystal panel. As a result, sales in this business increased by ¥2,656 million (64.5%) over the corresponding period from the previous year to ¥6,773 million.
- Other business: In this business, we focused on the development and sales of our automatic mold design system (CAD/CAM) and Web browser based central-control software for machinery. As well as on positive promotions mainly to

WDM related companies in the precision metal working industry to obtain new customers. However, sales decreased by ¥5,319 million (48.6%) over the corresponding period from the previous year to ¥5,634 million due to a revised business classification.

Our group's mid-term management strategy is to improve our profitability by providing a "Total Manufacturing Solution" for industrial goods and services, which meet our customers needs. Our product line will include our NC-EDM at the core, automatic 3D mold design system, injection molding machine for super-precision plastic molding, linear servo motor unit, as well as Web browser based central-control software for machinery that is to be introduced this March.

We will strive to strengthen our mutual cooperation between our domestic/overseas production and our sales network which will allow us to realize the effects on group profits, as well as a tightened relationship within the group. This will allow us to focus on new business opportunities based on comments made by our customers. We will continue to expand our management basis and recreate our business structure as a "Problem Solution-Type Engineering Corporation".

Another our group's basic policies is to improve shareholder value by squeezing our interest bearing debt to improve our capital efficiency, as well as to maximize corporate value by successively promoting public offerings for our subsidiaries.

Our group has also set our corporate governance goal to practice transparent and sound management, which provides disclosure of information that meets all applicable rules and regulations.

It is our basic policy to continue paying the highest possible annual dividends to our shareholders, while striving to expand our business and earn profits utilizing the capital of our shareholders.

However, we must also maintain internal reserves for the purposes of re-investment in research and development and capital investments, so we can constantly continue to improve our business in the long run as described in our management policy above.

Therefore, total profit sharing for our shareholders are determined from our operating performance and financial standing each fiscal year, as well as from the conditions described above.

For the fiscal year ended 31st March, 2001, we pay to dividend after 9 consecutive periods with no dividends. This is due to the

New high-speed NC wire-cut EDM "AQ550L" with linear servo motors.

favorable results from our investments in our new businesses over the past several years.

Japanese economy is facing dramatic reforms and rapid changes in the global economic environment. Our group's customers in industries such as electrical appliance and device, automobile, precision machinery and aerospace, are also in the middle of significant reform, selecting and transferring their own business, reviewing business strategies etc. Under these conditions a developing "New Economy", we expect a steady increase in capital investment by our major customers involved in optical high-capacity and high-speed telecommunication and mobile computer-related next generation infrastructure in the mid and long- term.

These increases will be in spite of any expected influence from the global economy.

In the field of metal processing technology, industrial goods utilizing the latest technology are in demand, due to the current processing controls shifting from the micron unit to the more precise nanometer unit.

Our corporate group looks at this era of economic reform and technological advances as an opportunity to apply our stored technological power based on our research and development activities and expand our business. We will increase demand in the fields requiring our nanometer technology, such as our Products with our original numerically controller and linear servo-motor. We will also strive to improve our profitability by promoting our business solutions for industrial goods using a global perspective to increase sales, as well as tie-ups with our original products such as electrical/hydraulically-operated hybrid drive system super-precision injection molding machine linear pressing center and automatic 3D mold design system, etc.

We will do our best to enrich the companies of the Sodick group to lay a foundation for the future in 2001.

President

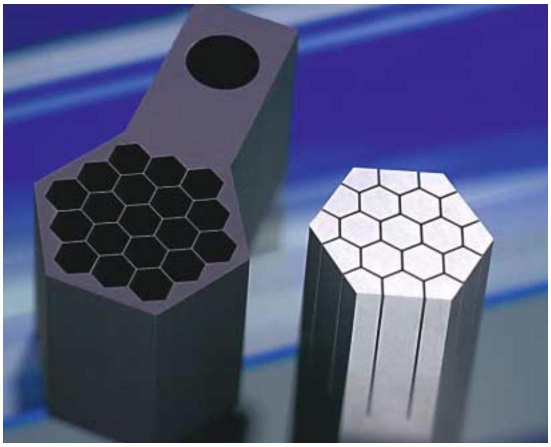
Shigeo Shioda
President

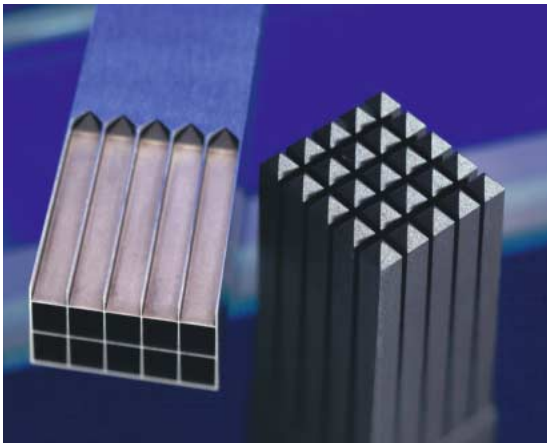
Research and Development
New Linear Servo Motors ‘Revolutionizes EDM metal working Speed and Accuracy’

The combination of the linear servo motor drive system and the newly developed NC power supply unit provides you a variety of machining; such as making die and molds, electrodes, microscopic parts and all others.

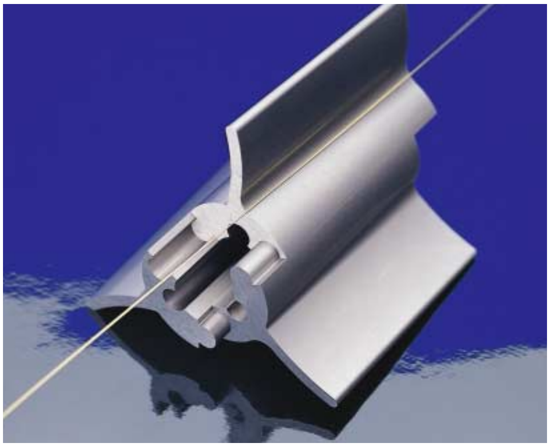
In addition, the highly responsive servo system guarantees ever obtained surface finish in any shapes of machining in this class.

The superiority of the linear servo motor drive ensures stable machinig at all times, as well as boosting the machinig speed for higher profitability.





Various dies and molds made by NC wire-cut EDM with linear servo motors.



Sodick is 21st century Total Manufacturing Solution Company

Design | CAD data | Drawing

DiPro WIN
CAD/CAM system

DiPro SOLID
3D CAD/CAM system

NC wire-cut EDM
AQ750L

NC die-sinker EDM
AQ35L

High-speed small hole drilling EDM
K1BL

Machining Center
MC180L

Precision Die & Mold

Achieves unbelievably High speed & Accuracy by Sodick original Linear Servo Motor Technolgy

High End value Products

Injection Molding Machine
TR40EH

Linear Pressing Center
SP20L

Sodick assists all manufacturing needs with various products

Financial Section

Consolidated Balance Sheets

Sodick Co., Ltd. and Consolidated Subsidiaries
31st March, 2001 and 2000

	Millions of Yen		Thousands of U.S.Dollars (Note 1)	
ASSETS	**2001**	2000	**2001**	2000
Current assets :				
Cash and cash equivalents	**¥ 6,963**	¥ 4,232	**$ 56,199**	$ 34,157
Time deposits	**1,291**	1,542	**10,420**	12,446
Marketable securities	**—**	174	**—**	1,404
Trade notes and accounts receivable	**19,212**	19,483	**155,052**	157,247
Less-Allowance for doubtful accounts	**(837)**	(359)	**(6,755)**	(2,897)
Inventories—				
Finished goods	**8,111**	6,547	**65,464**	52,841
Work in process and raw materials	**5,037**	5,994	**40,654**	48,378
Other current assets	**3,498**	2,160	**28,232**	17,433
Total current assets	**43,275**	39,773	**349,266**	321,009
Plant and equipment, at cost :				
Land	**7,757**	7,849	**62,607**	63,349
Buildings and structures	**12,692**	12,388	**102,438**	99,984
Machinery and equipment	**7,875**	8,548	**63,567**	68,991
Leased equipment	**2,791**	2,817	**22,526**	22,736
	31,115	31,602	**251,138**	255,060
Less-accumulated depreciation	**(12,638)**	(13,293)	**(102,002)**	(107,288)
	18,477	18,309	**149,136**	147,772
Other assets :				
Investment securities	**3,115**	3,602	**25,141**	29,072
Other	**2,826**	4,532	**22,809**	36,578
	5,941	8,134	**47,950**	65,650
	¥ 67,693	¥ 66,216	**$ 546,352**	$ 534,431

The accompanying notes to the consolidated financial statements are an integral part of these balance sheets.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 2001	Millions of Yen 2000	Thousands of U.S. Dollars (Note 1) 2001	Thousands of U.S. Dollars (Note 1) 2000
Current liabilities :				
Short-term borrowings	**¥ 16,209**	¥ 22,614	**$ 130,824**	$ 182,519
Current portion of long-term debt	**5,395**	3,132	**43,543**	25,278
Trade notes and accounts payable	**13,211**	12,761	**106,626**	102,995
Income taxes payable	**300**	119	**2,421**	960
Accrued expenses and other current liabilities	**2,102**	1,963	**16,965**	15,843
Total current liabilities	**37,217**	40,589	**300,379**	327,595
Long-term liabilities :				
Long-term debt	**14,071**	13,302	**113,567**	107,361
Estimated termination and retirement allowances	**32**	4	**258**	32
Other long-term liabilities	**434**	229	**3,503**	1,848
	14,537	13,535	**117,328**	109,241
Minority Interest	**1,717**	1,896	**13,859**	15,303
Commitments and contingent liabilities				
Shareholders' Equity :				
Common stock, par value ¥50 per share : Authorised--98,000,000 shares at 31st March, 2000 and 2001 Outstanding--34,491,909 shares at 31st March, 2000 and 40,845,097 shares at 31st March, 2001	**¥ 14,628**	¥ 12,925	**$ 118,063**	$ 104,318
Additional paid-in capital	**6,387**	3,775	**51,550**	30,468
Accumulated deficit	**(5,190)**	(6,502)	**(41,889)**	(52,478)
Net unrealized holding losses on securities	**(942)**	—	**(7,603)**	—
Foreign currency translation adjustments	**(660)**	—	**(5,327)**	—
	14,223	10,198	**114,794**	82,308
Less-treasury common stock, at cost: 2,754 shares at 31st March, 2000 and 2,442 shares at 31st March, 2001	**(1)**	(2)	**(8)**	(16)
	¥ 67,693	¥ 66,216	**$ 546,352**	$ 534,431

Consolidated Statements of Income

Sodick Co., Ltd. and Consolidated Subsidiaries
For the years, ended 31st March 2001 and 2000

	Millions of Yen		Thousands of U.S. Dollars (Note 1)	
	2001	2000	**2001**	2000
Net sales	**¥ 44,711**	¥ 38,184	**$ 360,864**	$ 308,184
Cost of sales	**30,941**	25,330	**249,726**	204,439
Gross profit	**13,770**	12,854	**111,138**	103,745
Selling, general and administrative expenses	**12,200**	10,182	**98,466**	82,179
Operating income	**1,570**	2,672	**12,672**	21,566
Other income (expenses) :				
Interest expense	**(1,031)**	(1,203)	**(8,321)**	(9,709)
Interest and dividend income	**118**	140	**952**	1,130
Exchange gain(loss), net	**1,275**	(1,366)	**10,292**	(11,026)
Loss from valuation of marketable and investment securities	**(656)**	(38)	**(5,295)**	(307)
Gains on sales of investment securities	**18**	167	**145**	1,348
Gains on sales of securities of affiliated company	**1,133**	180	**9,144**	1,453
Other, net	**(543)**	29	**(4,383)**	234
Total	**314**	(2,091)	**2,534**	(16,877)
Income before income taxes and minority interest	**1,884**	581	**15,206**	4,689
Provision for income taxes :				
Current	**353**	108	**2,849**	871
Deferred	**(319)**	(5)	**(2,575)**	(40)
Total	**34**	103	**274**	831
Net income before minority interest	**1,850**	478	**14,932**	3,858
Minority interest	**(378)**	169	**(3,051)**	1,364
Net income	**¥ 1,472**	¥ 647	**$ 11,881**	$ 5,222

	Yen		U.S. dollars	
Net income per share :				
Basic	**¥ 37.21**	¥ 20.05	**$ 0.30**	$ 0.16
Diluted	**31.50**	16.17	**0.25**	0.13

The accompanying notes to the consolidated financial statements are an integral part of these statements

Consolidated Statements of Shareholders' Equity

Sodick Co., Ltd. and Consolidated Subsidiaries
For the years, ended 31st March 2001 and 2000

	Millions of yen		Thousands of U.S. dollars	
	2001	2000	**2001**	2000
Common stock				
Beginning balance	**¥ 12,925**	¥ 11,265	**$ 104,318**	$ 90,920
Conversion of convertible bond, 3,084,740 shares in 2000 and 5,143,238 shares in 2001	**1,643**	1,212	**13,261**	9,782
Stock swaps : 1,209,950 shares in 2001	**60**	—	**484**	—
Issurance of common stock 1,400,000 share in 2000	—	448	—	3,616
Ending balance	**¥ 14,628**	¥ 12,925	**$ 118,063**	$ 104,318
Additional paid-in capital				
Beginning balance	**¥ 3,775**	¥ 5,877	**$ 30,468**	$ 47,433
Conversion of convertible bond	**1,643**	1,212	**13,261**	9,782
Stock swaps	**969**	—	**7,821**	—
Issurance of common stock	—	448	—	3,616
Transfer to accumulated deficit	—	(3,762)	—	(30,363)
Ending Balance	**¥ 6,387**	¥ 3,775	**$ 51,550**	$ 30,468
Accumulated deficit				
Beginning balance	**¥ (6,502)**	¥ (10,737)	**$ (52,478)**	$ (86,659)
Transfer from additional paid-in capital	—	3,762	—	30,363
Effect of changing subsidiaries' share holding raito	**(160)**	—	**(1,292)**	—
Effect of adopting new consolidation policy	—	(174)	—	(1,404)
Net income	**1,472**	647	**11,881**	5,222
Ending balance	**¥ (5,190)**	¥ (6,502)	**$ (41,889)**	$ (52,478)
Other				
Beginning balance	**¥ (2)**	¥ (8)	**$ (16)**	$ (64)
Net unrealized holding losses on securities	**(942)**	—	**(7,603)**	—
Foreign currency translation adjustments	**(660)**	—	**(5,327)**	—
Less-Treasury common stock, at cost: 2,754 shares at 31th March, 2000 and 2,442 shares at 31th March, 2001	**1**	6	**8**	48
Ending balance	**¥ (1,603)**	¥ (2)	**$ (12,938)**	$ (16)

The accounting notes to the consolidated financial statements are an integral part of these starements

Consolidated Statement of Cash Flows

Sodick Co., Ltd. and Consolidated Subsidiaries
For the years, ended 31st March 2001 and 2000

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2001	2000	**2001**	2000
Cash flows from operationg activities :				
Income before income taxes	**¥ 1,884**	¥ 581	**$ 15,206**	$ 4,689
Adjustments to reconcile income before income taxes to net cash used in operating activities :				
Depreciation and amortization	**1,672**	1,869	**13,495**	15,085
Change in allowance for doubtful accounts	**796**	(36)	**6,424**	(290)
Interest and dividend income	**(169)**	(140)	**(1,364)**	(1,130)
Interest expenses	**1,031**	1,203	**8,321**	9,710
Exchange gain	**(636)**	—	**(5,133)**	—
Equity gains	**(192)**	—	**(1,550)**	—
Loss from valuation of marketable and investment securities	**717**	38	**5,787**	307
Gains (Loss) on marketable securities	—	(199)	—	(1,606)
Gains (Loss) on investment securities	**(1,151)**	(180)	**(9,290)**	(1,453)
Change in assets and liabilities, net :				
Decrease (Increase) in trade receivables	**39**	(7,471)	**315**	(60,299)
Decrease (Increase) in inventories	**68**	(2,732)	**549**	(22,050)
Increase (Decrease) in trade payables	**(172)**	2,802	**(1,388)**	22,615
Increase in discounted trade notes	**1,085**	1,667	**8,757**	13,454
Increase (Decrease) in other payables	**346**	(419)	**2,793**	(3,382)
Others net	**46**	2,634	**371**	21,259
Sub total	**5,364**	(383)	**43,293**	(3,091)
Interest and dividends income	**168**	137	**1,356**	1,106
Interest paid	**(972)**	(1,202)	**(7,845)**	(9,701)
Income taxes paid	**(149)**	(49)	**(1,203)**	(396)
Net cash provided (used) in operating activities	**¥ 4,411**	¥ (1,497)	**$ 35,601**	$ (12,082)
Cash flows from investing activities:				
Decrease in time deposits	**¥ 251**	¥ 428	**$ 2,026**	$ 3,454
Expenditure for plant and equipment	**(1,611)**	(1,479)	**(13,003)**	(11,937)
Proceeds from sales of plant and equipment	**482**	165	**3,890**	1,332
Payments for acquisition of intangible assets	**(381)**	—	**(3,075)**	—
Payments for acquisition of marketable and investment securities	**(1,039)**	(24)	**(8,386)**	(194)
Proceeds from sales of marketable and investment securities	**320**	307	**2,583**	2,478
Payments for acquisition of subsidiaries and affiliates	**(29)**	(240)	**(234)**	(1,937)
Proceeds from sales of subsidiaries and affiliates	**1,840**	—	**14,851**	—
Payments on loan receivables	**(1,534)**	(20)	**(12,381)**	(161)
Proceeds from collection of loans receivables	**750**	540	**6,053**	4,358
Decrease in other assets	—	168	—	1,356
Net cash used in investing activities	**¥ (951)**	¥ (155)	**$ (7,676)**	$ (1,251)

The accompanying notes to consolidated finanscial statements are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2001	2000	**2001**	2000
Cash flows from financing activities:				
Changes in short-term borrowings	**¥ (7,009)**	¥ 3,692	**$ (56,570)**	$ 29,798
Proceeds from long-term debt	**2,485**	1,791	**20,056**	14,455
Repayment of long-term debt	**(4,386)**	(4,954)	**(35,399)**	(39,984)
Proceeds from issuance of convertible bond	**8,220**	5,000	**66,344**	40,355
Repayment of convertible bond	**—**	(4,293)	**—**	(34,649)
Proceeds from issuance of common stock	**—**	896	**—**	7,232
Proceeds from issuance of common stock to minority shareholders	**79**	—	**638**	—
Repayment of financial leases obligations	**(153)**	(100)	**(1,235)**	(807)
Cash dividends paid	**(16)**	(14)	**(129)**	(113)
Net cash (used in) provided by financing activities	**(780)**	2,018	**(6,295)**	16,287
Effect of exchange rate on cash and cash equivalents	**51**	(75)	**412**	(605)
Net increase in cash and cash equivalents	**2,731**	291	**22,042**	2,349
Cash and cash equivalents beginning balance	**4,232**	3,817	**34,157**	30,807
Increase of cash and cash equivalents resulting from adopting new consolidation policy	**—**	124	**—**	1,001
Cash and cash equivalents ending balance	**¥ 6,963**	¥ 4,232	**$ 56,199**	$ 34,157

The accompanying notes to consolidated finanscial statements are an integral part of these statements.

Notes to Consolidated Financial Statements

Sodick Co., Ltd. and Consolidated Subsidiaries

11. Significant Accounting and Reporting Policies

The following is a summary of the significant accounting and reporting policies adopted by Sodick Co., Ltd. (the “Company”)and its consolidated subsidiaries in the preparation of the accompanying consolidated financial statements.

(a) Basis of Presenting Consolidated Financial Statements

The Company and its consolidated domestic subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Japanese Commercial Code and the Securities and Exchange Law and in conformity with accounting principles and practices generally accepted in Japan, (“Japanese GAAP”), which are different from the accounting and disclosure requirements of International Accounting Standards. The accounts of overseas consolidated subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles and practices prevailing in the respective countries of domicile.

The accompanying consolidated financial statements are a translation of the audited consolidated financial statements of the Company which were prepared in accordance with Japanese GAAP and were filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made in the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. The consolidated statements of shareholders' equity for 2001 and 2000 have been prepared for the purpose of inclusion in the accompanying consolidated financial statements, although such statements were not required for domestic purposes and were not filed with the regulatory authorities.

The translation of the Japanese yen amounts into U.S. dollars are included solely for the convenience of the readers, using the prevailing exchange rate at 31st March 2001, which was ￥123.90 to U.S.$1.00. The convenience translation should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

(b) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all of its subsidiaries, except for certain minor subsidiaries. All significant intercompany transactions and account balances are eliminated.

The Company consolidates all significant investees which are controlled through substantial ownership of majority voting rights or existence of certain conditions.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiaries.

Investments in affiliated companies (20% to 50% owned) are accounted for by the equity method. And, investments in companies of which the Company has at least 15% and less than 20% of the voting rights are also accounted for using the equity method in the cases where the Company has ability to exercise significant influence over operating and financial policies of the investees.

The excess of cost over the underlying equity at acquisition dates of investments in subsidiaries and affiliates is being amortized using the straight-line method over five years.

(c) Foreign Currency Translation

Short-term receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end rates. Prior to 1st April, 2000, long-term receivables and payable denominated in foreign currencies were translated at historical rates.

Effective 1st April, 2000, the Company and its consolidated subsidiaries adopted the revised accounting standard for foreign currency translation, “Opinion Concerning Revision of Accounting Standard for Foreign Currency Translation”, issued by the Business Accounting Deliberation Council on 22nd October, 1999 (the “Revised Accounting Standard”). Under the Revised Accounting Standard, long-term receivables and payables denominated in foreign currencies are also translated into Japanese yen at the year-end rate.

As a result of the adoption of the Revised Accounting Standard, in the year ended 31st March, 2001, operating income and income before income taxes and minority interest increased by ￥34 million ($274 thousand) compared with what would have been recorded under the previous accounting standard.

Financial statements of consolidated overseas subsidiaries are translated into Japanese yen at the year-end rate, except that shareholders' equity accounts are translated at historical rates and income statement items resulting from transactions with the Company at the rate used by the Company.

Due to the adoption of the Revised Accounting Standard, the Company and its domestic subsidiaries report foreign currency translation adjustments in the shareholders' equity (and minority interests). The prior year's amount, which is included in assets, has not been reclassified.

(d) Allowance for Doubtful Receivables

The Company and its subsidiaries provide the allowance for doubtful accounts in an amount sufficient to cover possible losses on collection by estimating individually uncollectible amounts and applying a percentage based on collection experience to the remaining accounts.

(e) Inventories

Finished goods and work in process are stated at the specific identification cost. Raw materials are stated at cost, being determined by the first-in, first-out method.

(f) Securities

Prior to 1st April, 2000, securities of the Company and its consolidated subsidiaries (the "Companies") were stated at moving-average cost.

Effective 1st April, 2000, the Companies adopted the new Japanese accounting standard for financial instruments ("Opinion Concerning Establishment of Accounting Standard for Financial Instruments" issued by the Business Accounting Deliberation Council on 22nd January, 1999).

Upon applying the new accounting standard, all companies are required to examine the intent of holding each security and classify those securities as (a) securities held for trading purposes (hereafter, "trading securities"), (b) debt securities intended to be held to maturity (hereafter, "held-to-maturity debt securities"), (c) equity securities issued by subsidiaries and affiliated companies, and (d) for all other securities that are not classified in any of the above categories (hereafter, "available-for-sale securities"). As a result, Marketable securities and Investment securities as of 1st April, 2000 were classified (c) and (d).

Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are stated at moving-average cost. Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate componet of shareholders' equity. Realized gains and losses on sale of such securities are computed using moving-average cost. Other securities with no available fair market value are stated at moving-average cost.

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

As a result of adopting the new accounting standard for financial instruments, income before income taxes and minority interest increased by ¥29 million ($234 thousand). Also, based on the examination of the intent of holding each security upon application of the new accounting standard on 1st April, 2000, available-for-sale securities maturing within one year from the balance sheet date are included in current assets, and other securities are included in investments and other assets. As a result, at 1st April, 2000, securities in current assets decreased by ¥174 million ($1,404 thousand) and investment securities increased by the same amount compared with what would have been reported under the previous accounting policy.

(g) Depreciation

Depreciation of buildings is computed primarily using the straight-line method and depreciation of other plant and equipment is primarily provided on the declining-balance method over their estimated useful lives.

The estimated useful lives are as follows;

Buildings and structures 3 to 50 years

Machinery and equipment 2 to 17 years

Ordinary maintenance and repairs are charged to income as incurred.

Major replacements and betterments are capitalized.

(h) Software costs

The Company and its subsidiaries depreciated software in accordance with the Accounting Committee Report No. 12 "Practical Guidance for Accounting for

Research and Development Costs, etc." Depreciation of software for internal use is computed using the straight-line method over the estimated lives (5 years). Depreciation of software for sales is the greater of the amount computed using (a) the ratio that current unit sales for product bear to the total of current and anticipated future unit sales for that product or (b) the straight-line method over the remaining estimated economic life of the product (3 years).

(i) Employees' severance and retirement benefits

The Company and certain subsidiaries have a funded pension plan covering all its employees to replace the former unfounded terminaiton and retirement allowances plan under which the Company and certain subsidiaries have accrued a liability for such termination and retirement allowances equal to the amount payable if all employees voluntarily terminated their employment at the year-end up until 30th September, 1986. The balance of accrued termination and retirement allowances was reversed to income over the amortization period of prior service cost. Under the funded plan, the employees are entitled to lump-sum payments or pension payments.

Under the founded pension plan, it was the Company's policy to charge to income the annual pension payments to the trustee, including the prior service cost which was amortized over approximately 14 years.

Effective 1st April, 2000, the Companies adopted the new accounting standard, "Opinion on Setting Accounting Standard for Employees' Severance and Pension Benefits", issued by the Business Accounting Deliberation Council on 16th June, 1998 (the "New Accounting Standard").

Under the New Accounting Standard, the liabilities and expenses for severance and retirement benefits are determined based on the amounts actuarially calculated using certain assumptions.

The Company and its consolidated subsidiaries provided allowance or prepaid expense for employees' severance and retirement benefits at 31st March, 2001 based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at that date.

The excess of the projected benefit obligation over the total of the fair value of pension assets as of 1st April, 2000 and the liabilities for severance and retirement benefits recorded as of 1st April, 2000 (the "net transition obligation") amounted to ¥161 million ($1,299 thousand). The net transition obligation will be recognized in expenses in equal amounts over 5 years commencing with the year ended 31st March, 2001. Actuarial gains and losses are recognized in expenses using the declining-balance method over 10 years commencing with the following period.

As a result of the adoption of the new accounting standard, in the year ended 31st March, 2001, severance and retirement benefit expenses decreased by ¥4 million ($32 thousand), operating income increased by ¥36 million ($291 thousand) and income before income taxes and minority interest increased by ¥4 million ($32 thousand) compared with what would have been recorded under the previous accounting standard.

(j) Research and Development

Research and development costs were charged to income as incurred.

Total amounts charged to income were ¥1,415 million ($11,421 thousand) and ¥1,252 million ($10,105 thousand) in 2001 and 2000, respectively.

(k) Income Taxes

The Company recognizes tax effects of temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting. And, the provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize defferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

(l) Statement of Cash Flows

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

(m) Derivatives and hedge accounting

The new accounting standard for financial instruments, effective from the year ended 31st March, 2001, requires companies to state derivative financial instruments at fair value and to recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

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

However, in cases where forward foreign exchange contracts are used as hedges and meet certain hedging criteria, forward foreign exchange contracts and hedged items are accounted for in the following manner:

If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,

(a) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the income statement in the period which includes the inception date, and

(b) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.

If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized.

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

(n) Effect of bank holiday on 31st March, 2001

As financial institutions in Japan were closed on 31st March, 2001, ¥294 million ($2,373 thousands) of trade notes receivable, ¥948 million ($7,651 thousands) of trade notes payable and ¥134 million ($1,082 thousand) of discounted bill maturing on 31st March, 2001, were settled on the following business day, 2nd April, 2001, and accounted for accordingly.

2. Marketable Securities and Investment Securities

The following tables summarize acquisition costs, book values and fair value of securities with available fair values as of 31st March, 2001:

Available-for-sale securities
Securities with book values exceeding acquisition costs

2001	Millions of yen		
Type	Acquisition cost	Book value	Difference
Equity securities	¥ 145	¥ 160	¥ 15
Bonds			
Government bonds	999	1,003	4
Total	¥ 1,144	¥ 1,163	¥ 19

2001	Thousands of U.S.dollars		
Type	Acquisition cost	Book value	Difference
Equity securities	$ 1,170	$ 1,291	$ 121
Bonds			
Government bonds	8,063	8,095	32
Total	$ 9,233	$ 9,386	$ 153

Other securities

2001	Millions of yen		
Type	Acquisition cost	Book value	Difference
Equity securities	¥ 2,826	¥ 1,867	¥ △959
Investment trust	5	3	△2
Total	¥ 2,831	¥ 1,870	¥ △961

2001	Thousands of U.S.dollars		
Type	Acquisition cost	Book value	Difference
Equity securities	$ 22,809	$ 15,069	$ △7,740
Investment trust	40	24	△16
Total	$ 22,849	$ 15,093	$ △7,756

The following tables summarize book values of securities with no available fair values as of 31st March, 2001:

Available-for-sale securities

2001	Millions of yen	Thousands of U.S.dollars
Type	Book value	
Non-consolidated subsidiaries and affiliates securities	¥ 258	$ 2,074
Non-listed securities	19	153
Investment fund	514	4,157
Total	¥ 791	$ 6,384

Available-for-sale securities with maturities are as follows:

2001	millions of yen			
Type	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Available-for-sale securities with maturities:				
Government bonds	¥ —	¥ 1,003	¥ —	¥ —
Others				
Investment trust	—	—	3	—
Investment fund	—	435	79	—
Total	¥ —	¥ 1,438	¥ 82	¥ —

2001	Thousands of U.S.dollars			
Type	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Available-for-sale securities with maturities:				
Government bonds	$ —	$ 8,095	$ —	$ —
Others				
Investment trust	—	—	24	—
Investment fund	—	3,511	638	—
Total	$ —	$11,606	$ 662	$ —

Total sales of available for sale securities sold in the year ended 31st March, 2001 and the related gains and losses were immaterial.

Marketable securities and investment securities as at 31st March, 2000 consisted of the following:

	Millions of yen	Thousands of U.S.dollars
	2000	2000
Marketable securities—		
Marketable equity securities	¥ 174	$ 1,404
Total	¥ 174	$ 1,404
Investment securities—		
Marketable equity securities	¥ 3,384	$ 27,313
Others	1,047	8,450
Total	¥ 4,431	$ 35,763

As at 31st March 2000, gross unrealized gains and losses for marketable equity securities were as follows:

	Millions of yen		Thousands of U.S.dollars	
	Gains	Losses	Gains	Losses
Current	¥ 3	¥ 29	$ 24	$ 234
Noncurrent	48	1,231	387	9,935

3. Derivatives and hedge accounting

The Companies use forward foreign currency contracts and interest rate swaps as derivative financial instruments only for the purpose of mitigating future risks of fluctuation of foreign currency exchange rates with respect to foreign currency receivables and payables and interest rate increases with respect to borrowings, within the amounts of floating rate borrowings.

Forward foreign currency and interest rate swap contracts are subject to risks of foreign exchange rate changes and interest rate changes, respectively.

The derivative transactions are executed and managed by the Company's Finance Department in accordance with the established policies and within the specified limits on the amounts of derivative transactions allowed.

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

Hedging instruments:
- Forward foreign exchange contracts
- Interest rate swap contracts

Hedged items:
- Foreign currency trade receivables and trade payables
- Interest on loans payable

The Companies evaluate hedge effectiveness semi-annually by comparing the cumulative changes in cash flows from or the changes in fair value of hedged items and the corresponding changes in the hedging derivative instruments.

The following tables summarize market value information as of 31st March, 2001 and 2000 of derivative transactions for which hedge accounting has not been applied:

Interest related (millions of yen)

	Type	Year ended 31st March, 2001				
		Contracted amount	Over one year	Market value	Unrealized gains (losses)	Realized gains (losses)
Items not traded on exchanges	Interest rate swap Pay variable, receive fixed	¥5,000	¥5,000	¥(171)	¥(113)	¥(58)
	Total	¥5,000	¥5,000	¥(171)	¥(113)	¥(58)

Interest related (thousands of U.S. dollars)

	Type	Year ended 31st March, 2001				
		Contracted amount	Over one year	Market value	Unrealized gains (losses)	Realized gains (losses)
Items not traded on exchanges	Interest rate swap Pay variable, receive fixed	$40,355	$40,355	$(1,380)	$(912)	$(468)
	Total	$40,355	$40,355	$(1,380)	$(912)	$(468)

Interest related (millions of yen)

	Type	Year ended 31st March, 2000				
		Contracted amount	Over one year	Market value	Unrealized gains (losses)	Realized gains (losses)
Items not traded on exchanges	Interest rate option call	¥2,650 (2)	¥ 550 (4)	¥ (5)	¥ (6)	¥—
	Interest rate swap	5,700	5,500	(158)	(158)	—
Total		¥8,350	¥6,050	¥(163)	¥(164)	¥—

Interest related (thousands of U.S. dollers)

	Type	Year ended 31st March, 2000				
		Contracted amount	Over one year	Market value	Unrealized gains (losses)	Realized gains (losses)
Items not traded on exchanges	Interest rate option call	$21,388 (16)	$ 4,439 (32)	$ (40)	$ (48)	$—
	Interest rate swap	$46,005	$44,391	$(1,276)	$(1,276)	—
Total		$67,393	$48,830	$(1,316)	$(1,324)	$—

4. Income Taxes

The Company is subject to a number of taxes based on income, which, in the aggregate, indicate statutory rates in Japan of approximately 42.0% for the both years ended 31st March, 2001 and 2000.

The following table summarizes the significant differences between the statutory tax rate and the Company's effective tax rate for financial statement purposes for the year ended 31st March, 2001 and 2000:

	2001	2000
Statutory tax rate	**42.0%**	42.0%
Non-Japanese taxes	**△ 6.2**	△ 9.0
Non-deductible expenses	**2.5**	11.1
Per capita inhabitant tax	**2.1**	7.9
Loss carried forward	**△21.1**	△38.4
Valuation allowance	**△16.4**	—
Prior year tax	—	4.3
Other	**△ 1.1**	△ 0.2
Effective tax rate	**1.8%**	17.7%

Significant components of the Company's deferred tax assets and liabilities as of 31st March, 2001 and 2000 are as follows:

	Millons of yen		Thousands of U.S.dollars	
	2001	2000	**2001**	2000
Deferred tax assets;				
Allowance for doubtful accounts	**¥ 1,733**	¥ 1,594	**$ 13,987**	$ 12,865
Loss from valuation of inventories	**396**	338	**3,196**	2,728
Excess bonuses accrued	**109**	151	**880**	1,219
Loss from valuation of securities	**2,216**	2,081	**17,885**	16,796
Loss carried forward	**1,233**	361	**9,952**	2,913
Other	**406**	632	**3,277**	5,101
Total deferred tax assets	**6,093**	5,157	**49,177**	41,622
Valuation allowance	**(5,771)**	(5,152)	**(46,578)**	(41,582)
Net deferred tax assets	**¥ 322**	¥ 5	**$ 2,599**	$ 40

5. Short-term Borrowings

Short-term borrowings outstanding at the year end are due in 11 months. The interest rates on these borrowings were 0.8% to 8.5%, with weighted averages of 2.5% as at 31st March, 2001.

As is the customary practice in Japan, the Company has substantial time deposits with banks from which they have short-term and / or long-term borrowings; however, there are no formal compensating balance agreements with any banks. The weighted average interest rates on time deposits were 0.2% and 0.1% as at 31st March, 2001 and 2000, respectively.

6. Long-term Debt

Long-term debt as at 31st March, 2001 and 2000 consisted of the following:

	Millions of yen		Thousands of U.S.dollars	
	2001	2000	**2001**	2000
1.4% to 4.7% mortgage loans from Japanese banks and financial institutions, due in installments through 2010	¥ **7,250**	¥ 9,151	**$58,515**	$73,858
4.77% debenture bonds, due in 2002	**3,000**	3,000	**24,213**	24,213
Zero Coupon JPY Convertible Bonds payable Japanese yen, due in 2004	**997**	4,283	**8,047**	34,568
4.32% debenture Bonds, due in 2003	**2,000**	—	**16,142**	—
Zero Coupon JPY Convertible Bonds payable Japanese Yen, due in 2004	**6,000**	—	**48,426**	—
1.16% debenture Bonds due in 2003	**220**	—	**1,776**	—
	19,467	16,434	**157,119**	132,639
Less-Current portion included in current liabilities	**(5,396)**	(3,132)	**(43,552)**	(25,278)
	¥ **14,071**	¥13,302	**$113,567**	$107,361

Cash and cash equivalents of ¥271 million ($2,187 thousand) and ¥403 million ($3,253 thousand), trade notes and accounts receivable of ¥1,317 million ($10,630 thousand) and ¥1,276 million ($10,299 thousand), other current assets of ¥455 million ($3,672 thousand) and ¥613 million ($4,948 thousand), plant and equipment with a net book value of ¥12,966 million ($104,649 thousand) and ¥14,193 million ($114,552 thousand) and investments in marketable equity securities of ¥1,249 million ($10,081 thousand) and ¥2,814 million ($22,712 thousand), at 31st March, 2001 and 2000, respectively, were pledged as collateral for certain short-term borrowings and long-term debt.

On 18th February, 1999, the Company issued the 4.77% Euroyen debenture bonds.

On 13th December, 1999, the Company issued the 0% convertible bonds in Japanese yen.

This convertible bonds are convertible into common stock at option of holders currently at conversion price of ¥502 per share.

During the year ended 31st March, 2001, 65.7% of the convertible bonds were converted into 5,143,238 common shares with the remaining 19.9% outstanding at 31st March, 2001.

This financial year, the Company issued the 4.32% Euroyen debenture bonds at 28th April, 2000, the 0% convertible bonds in Japanese yen at 11th September, 2000, and the 1.16% debenture bonds in Japanese yen at 25th September, 2000.

This convertible bonds are convertible into common stock at option of holders currently at conversion price of ¥787 per share. During the year ended 31st March, 2001, none of the convertible bonds were converted.

As is customary in Japan, substantially all of the bank borrowings are subject to a general agreement with each bank which provides, among other things, that the bank may request additional security for the loans concerned and may treat any security furnished to the bank for all present and future indebtedness and has the right to offset cash deposited against any short-term or long-term debt that becomes due, and, in case of default and certain other specified events, against all other debt payable to the bank. The Company has never been requested to submit such additional security.

As at 31st March, 2001, the aggregate annual maturity of long-term debt subsequent to 31st March, 2002, were as follows:

Year ending 31st March	Millions of yen	Thousands of U.S.dollars
2003	¥ 1,805	$ 14,568
2004	4,410	35,593
2005	6,816	55,012
2006	430	3,471
2007 and thereafter	610	4,923
	¥ 14,071	$ 113,567

7. Employees' severance and pension benefits

As explained in Note 1 (i) effective 1st April, 2000, the Companies adopted the new accounting standard for employees' severance and retirement benefits, under which the liabilities and expenses for severance and retirement benefits are determined based on the amounts obtained by actuarial calculations.

The liabilities for severance and retirement benefits included in the liability section of the consolidated balance sheet as of 31st March, 2001 consists of the following:

	Millions of yen	Thousands of U.S.dollars
	2001	**2001**
Projected benefit obligation	¥△1,390	$△11,219
Less fair value of plan assets	1,095	8,838
Funded status	△ 295	△ 2,381
Unrecognized net transition obligation	129	1,041
Unrecognized actuarial loss	163	1,316
Unrecognized prior service costs	—	—
Liability for severance and retirement benefit, net	△ 3	△ 24
Prepaid pension expenses	29	234
Liability for severance and retirement benefit	¥△ 32	$ △ 258

Included in the consolidated statement of income for the year ended 31st March, 2001 are severance and retirement benefit expenses comprised of the following:

	Millions of yen	Thousands of U.S.dollars
	2001	**2001**
Service costs-benefits earned during the year	¥157	$1,267
Interest cost on projected benefit obligation	40	323
Expected return on plan assets	△52	△419
Amortization of net transition obligation	32	258
Severance and retirement benefit expenses	¥177	$1,429

The discount rate and the rate of expected return on plan assets used by the Company are 3.0% and 5.5%, respectively. The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years. Actuarial gains/losses are recognized in income statement using the declining-balance method over 10 years.

8. Shareholders' Equity

The Japanese Commercial Code provides that an amount equivalent to at least 10% of cash dividends paid and other cash outlays resulting from appropriation of retained earnings with respect to each annual or interim six month period be appropriated as a legal reserve until such reserve equals 25% of the stated capital. This reserve and additional paid-in capital are not available for dividends, but may be used to reduce a capital deficit by resolution of the shareholders or may be capitalized by resolution of the Board of Directors.

The Japanese Commercial Code provides that at least one-half of the issue price of new shares, with a minimum of the par value thereof, be included in common stock. In conformity therewith, proceeds received on conversion of convertible bonds and sale of common stock were equally divided into common stock and additional paid-in capital.

Semi-annual cash dividends are approved by the shareholders after the end of each financial period or declared by the Board of Directors after the end of each interim six-month period. Such dividends are payable to shareholders of record at the end of each such financial or interim six-month period.

The maximum amount that the Company can distribute as dividends is calculated based on the unconsolidated financial statements of the Company in accordance with the Commercial Code of Japan.

9. Per Share Data

Net income per share is based on the weighted average number of outstanding shares of common stock.

Diluted net income per share is based on the weighted average number of outstanding shares of common stock and common stock equivalents. The 0% convertible bonds were considered as common stock equivalents.

10. Commitments and Contingent Liabilities

Under the Consolidated Company's capital expenditure program, management estimates that approximately ¥1,400 million ($11,299 thousand) will be expended during the year ending 31st March, 2002.

As at 31st March, 2001, the Company and certain subsidiaries were contingently liable for discounted notes receivable with banks of ¥6,129 million ($49,467 thousand).

As at 31st March, 2001, the Company and its subsidiaries have cancelable and non-cancelable long-term lease agreements, principally for office space, machinery, and computer equipment, Rental expenses for the years ended 31st March, 2001 and 2000, were ¥772 million ($6,231 thousand) and ¥601 million ($4,851 thousand), respectively.

Nature of Business Segment Information

For the years ended 31st March, 2001 and 2000.

The Company and its consolidated subsidiaries operate primarily in the production and sales of machine tools, industrial tools and others. Machine tools comprise NC-EDM such as linear servo motor equipped high speed die-sinking EDM, wire-cut EDM, high speed small hole drilling EDM, machining center and equipment for these machine; industrial tools comprise injection molding machine, linear servo motor equipped press machine, and equipment for these machine; others comprise CAD/CAM system for mold design and production, computer softwares for FA network applications, synthesis resin products and related machine, and equipment for these machine.

For the year ended 31st March, 2001, the Company and its consolidated subsidiaries have changed the segmentation to reclass KHS Co., Ltd. results in machine tools. Prior to the year ended 31st March 2001, KHS Co., Ltd. results were included in others. Because KHS Co., Ltd. transferred business of mold, plastic products, and electronic parts to MIR Co., Ltd. in 1st August, 2000. Sales, Operating profit, identifiable assets, depreciation and amortization and capital expenditures of machine tools amounted to ¥27,904 million ($225,214 thousand), ¥3,066 million ($24,746 thousand), ¥39,539 million ($319,120 thousand), ¥1,358 million ($10,960 thousand) and ¥1,281 million ($10,339 thousand) for the year ended 31st March 2000, respectively. And Sales, Operating profit, identifiable assets, depreciation and amortization and capital expenditures of others amounted to ¥6,467 million ($52,195 thousand), ¥339 million ($2,736 thousand), ¥10,374 million ($83,729 thousand), ¥339 million ($2,736 thousand) and ¥254 million ($2,050 thousand) for the year ended 31st March 2000, respectively.

	Millions of yen					
2000	Machine tools	Industrial tools	Others	Total	Eliminations and corporate	Consolidated
Sales to third parties	¥ 24,660	¥ 4,037	¥ 9,487	¥ 38,184	¥ —	¥ 38,184
Intersegment sales and transfers	1,051	80	1,466	2,597	(2,597)	—
Total sales	25,711	4,117	10,953	40,781	(2,597)	38,184
Cost of sales and selling, general and administrative expenses	22,824	3,706	10,605	37,135	(1,623)	35,512
Operating income	2,887	411	348	3,646	(974)	2,672
Identifiable assets	37,611	5,310	13,459	56,380	9,836	66,216
Depreciation	1,357	101	341	1,799	70	1,869
Capital expenditure	1,281	2,197	254	3,732	(2,109)	1,623

	Thousands of U.S. dollars					
2000	Machine tools	Industrial tools	Others	Total	Eliminations and corporate	Consolidated
Sales to third parties	$ 199,031	$ 32,583	$ 76,570	$ 308,184	$ —	$ 308,184
Intersegment sales and transfers	8,483	645	11,832	20,960	(20,960)	—
Total sales	207,514	33,228	88,402	329,144	(20,960)	308,184
Cost of sales and selling, general and administrative expenses	184,213	29,911	85,593	299,717	(13,099)	286,618
Operating income	23,301	3,317	2,809	29,427	(7,861)	21,566
Identifiable assets	303,559	42,857	108,628	455,044	79,387	534,431
Depreciation	10,953	815	2,752	14,520	565	15,085
Capital expenditure	10,339	17,732	2,050	30,121	(17,022)	13,099

2001	Millions of yen					
	Machine tools	Industrial tools	Others	Total	Eliminations and corporate	Consolidated
Sales to third parties	¥ 32,926	¥ 6,707	¥ 5,078	¥ 44,711	¥ —	¥ 44,711
Intersegment sales and transfers	165	66	556	787	(787)	—
Total sales	33,091	6,773	5,634	45,498	(787)	44,711
Cost of sales and selling, general and administrative expenses	31,057	6,461	5,146	42,664	477	43,141
Operating income	2,034	312	488	2,834	(1,264)	1,570
Identifiable assets	39,226	8,092	8,687	56,005	11,688	67,693
Depreciation	1,109	172	327	1,608	64	1,672
Capital expenditure	1,519	253	475	2,247	27	2,274

2001	Thousands of U.S. dollars					
	Machine tools	Industrial tools	Others	Total	Eliminations and corporate	Consolidated
Sales to third parties	$ 265,746	$ 54,132	$ 40,986	$ 360,864	$ —	$ 360,864
Intersegment sales and transfers	1,332	533	4,487	6,352	(6,352)	—
Total sales	267,078	54,665	45,473	367,216	(6,352)	360,864
Cost of sales and selling, general and administrative expenses	250,662	52,147	41,534	344,343	3,850	348,192
Operating income	16,416	2,518	3,939	22,873	(10,202)	12,672
Identifiable assets	316,594	65,311	70,113	452,018	94,334	546,352
Depreciation	8,951	1,388	2,639	12,978	508	13,486
Capital expenditure	12,260	2,042	3,834	18,136	218	18,354

Geographical Segment Information

For the years, ended 31st March, 2001 and 2000

2000	Millions of yen						
	Japan	America	Europe	Asia	Total	Eliminations and corporate	Consolidated
Sales to third parties	¥ 25,959	¥ 5,491	¥ 2,975	¥ 3,759	¥ 38,184	¥ —	¥ 38,184
Interarea sales and transfers	10,306	177	14	8,768	19,265	(19,265)	—
Total sales	36,265	5,668	2,989	12,527	57,449	(19,265)	38,184
Cost of sales and selling, general and administrative expenses	32,101	5,931	3,129	12,043	53,204	(17,692)	35,512
Operating income	4,164	△ 263	△ 140	484	4,245	(1,573)	2,672
Identifiable assets	46,271	5,559	3,873	11,629	67,332	(1,116)	66,216

2000	Thousands of U.S. dollars						
	Japan	America	Europe	Asia	Total	Eliminations and corporate	Consolidated
Sales to third parties	$ 209,516	$ 44,318	$ 24,011	$ 30,339	$ 308,184	$ —	$ 308,184
Interarea sales and transfers	83,180	1,428	113	70,767	155,488	(155,488)	—
Total sales	292,696	45,746	24,124	101,106	463,672	(155,488)	308,184
Cost of sales and selling, general and administrative expenses	259,088	47,869	25,254	97,199	429,410	(142,792)	286,618
Operating income	33,608	△ 2,123	△ 1,130	3,907	34,262	(12,696)	21,566
Identifiable assets	373,454	44,867	31,259	93,858	543,438	(9,007)	534,431

2001	Millions of yen						
	Japan	America	Europe	Asia	Total	Eliminations and corporate	Consolidated
Sales to third parties	¥ 32,815	¥ 3,388	¥ 2,631	¥ 5,877	¥ 44,711	¥ —	¥ 44,711
Interarea sales and transfers	7,573	385	159	10,415	18,532	(18,532)	—
Total sales	40,388	3,773	2,790	16,292	63,243	(18,532)	44,711
Cost of sales and selling, general and administrative expenses	36,447	4,528	3,304	15,286	59,565	(16,424)	43,141
Operating income	3,941	△ 755	△ 514	1,006	3,678	(2,108)	1,570
Identifiable assets	50,139	5,890	4,316	11,326	71,671	(3,978)	67,693

2001	Thousands of U.S. dollars						
	Japan	America	Europe	Asia	Total	Eliminations and corporate	Consolidated
Sales to third parties	$ 264,851	$ 27,345	$ 21,235	$ 47,433	$ 360,864	$ —	$ 360,864
Interarea sales and transfers	61,122	3,107	1,283	84,060	149,572	(149,572)	—
Total sales	325,973	30,452	22,518	131,493	510,436	(149,572)	360,864
Cost of sales and selling, general and administrative expenses	294,164	36,546	26,667	123,374	480,751	(132,559)	348,192
Operating income	31,809	△ 6,094	△ 4,149	8,119	29,685	(17,013)	12,672
Identifiable assets	404,673	47,538	34,835	91,412	578,458	(32,106)	546,352

Overseas Sales Information

For the years ended 31st March, 2001 and 2000.

The amount of overseas sales and the ratios thereof to consolidated net sales for the years ended 31st March, 2001 and 2000, were summarizaed as follows:

	Millions of Yen			
	America	Europe	Asia	Total
2001				
Overseas sales	¥ 3,597	¥ 2,835	¥ 11,020	¥ 17,452
Consolidated net sales	—	—	—	44,711
The ratio of overseas sales to consolidated net sales	8.0%	6.3%	24.6%	38.9%
2000				
Overseas sales	¥ 5,509	¥ 2,982	¥ 6,109	¥ 14,600
Consolidated net sales	—	—	—	38,184
The ratio of overseas sales to consolidated net sales	14.4%	7.8%	16.0%	38.2%

	Thousands of U.S. dollars			
	America	Europe	Asia	Total
2001				
Overseas sales	$ 29,031	$ 22,881	$ 88,943	$ 140,855
Consolidated net sales	—	—	—	360,864
The ratio of overseas sales to consolidated net sales	8.0%	6.3%	24.6%	38.9%
2000				
Overseas sales	$ 44,463	$ 24,068	$ 49,306	$ 117,837
Consolidated net sales	—	—	—	308,184
The ratio of overseas sales to consolidated net sales	14.4%	7.8%	16.0%	38.2%

Report of Independent Public Accountants

To the Shareholders and the Board of Directors of Sodick Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Sodick Co., Ltd. (a Japanese corporation) and consolidated subsidiaries, as at 31st March, 2001 and 2000, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, expressed in Japanese yen. Our audits were made in accordance with generally accepted auditing standards in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of Sodick Co., Ltd. and consolidated subsidiaries as at 31st March, 2001 and 2000, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan applied on a consistent basis during the periods, except as noted in the following paragraph and for the change made as at 1st April, 2000, in the method of business segmentation referred to Nature of Business Segment Infomation.

As explained in Note 1, in the year ended 31st March, 2001, Sodick Co., Ltd. and consolidated subsidiaries prospectively adopted new Japanese accounting standards for financial instruments, employee's severance and retirement benefits and foreign currency translation.

Also, in our opinion, the U. S. dollar amounts in the accompanying consolidated financial statements have been translated from Japanese yen on the basis set forth in Note 1.

Asahi & Co.

(A Member Firm of Andersen Worldwide SC)
Tokyo, Japan
28th June, 2001

Statement on Accounting Principles and Auditing Standards

This statement is to remind users that accounting principles and auditing standards and their application in practice may vary among nations and therefore could affect, possibly materially, the reported financial position and results of operations. The accompanying financial statements are prepared based on accounting principles generally accepted in Japan, and the auditing standards and their application in practice are those generally accepted in Japan. Accordingly, the accompanying consolidated financial statements and the auditors' report presented above are for users familiar with Japanese accounting principles, auditing standards and their application in practice.

Main Products

NC die-sinking EDM
FINE Sodick AQ, AM and A Series

NC wire-cut EDM
FINE Sodick AQ, AP, ASX and EXC Series

High-speed Small Hole Drilling EDM
K Series

Machining Center
MC Series

Automatic 3D Mold Design System (CAD/CAM) and Computer Softwares for FA network applications
DiPro and @factory Series

Injection Molding Machines
TUPARL Series

Linear Servo Motor and Motion Controller
SL, ST and SC Series

Pressing Center
SP Series

High-quality Ceramics
FINEXCERA

Board of Directors
(As of 28th June, 2001)

Chairman
Toshihiko Furukawa

President
Shigeo Shioda

Vice-President
Yoshitaka Maruta

Senior Managing Director
Akio Hosaka
Shigeru Fujimaki

Managing Directors
Takashi Yamamoto
Kazuo Kato

Directors
Jiro Kitamura
Takeo Fujita
Takeshi Ichikawa
Kousaku Karato
Keisuke Takagi

Corporate Standing Statutory Auditor
Tadashi Nakada

Corporate Statutory Auditors
Sadao Simoyama
Masao Degura
Toshihiko Tanishige

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