1. Nature of Operations and Summary of Significant Accounting Policies

(a) Nature of Operations

The Company is a multinational manufacturer of ferrite products and a producer of inductor, ceramic, magnetic head and other components and recording media and systems. The Company, a Tokyo-based company founded in 1935 to commercialize ferrite, now manufactures and sells a broad range of products. The Company's two business segments are electronic materials and components, and recording media and systems, which accounted for 79% and 21% of net sales, respectively, for the year ended March 31, 2004. The main products which are manufactured and sold by the two business segments are as follows:

a) *Electronic materials and components products:*

Ferrite cores, Ceramic capacitors, High-frequency components, Inductors, GMR heads, and Semiconductors

b) *Recording media and systems products:*

Audio tapes, Video tapes, CD-Rs, MDs, and DVDs

The Company sells electronic materials and components products to electric and communication equipment manufacturers and audio equipment manufacturers, mainly in Asia and Japan, and recording media and systems products to distribution agents and audio equipment manufacturers, mainly in Japan, Europe, and North America.

(b) Basis of Presentation

The Company and its domestic subsidiaries maintain their books of account in conformity with financial accounting standards of Japan, and its foreign subsidiaries in conformity with those of the countries of their domicile.

The consolidated financial statements presented herein reflect certain adjustments, not recorded on the primary books of the Company and subsidiaries, to present the financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Such adjustments relate principally to accounting for issue costs for debt with stock purchase warrants, retirement and severance benefits and impairment of long-lived assets including goodwill.

(c) Consolidation Policy

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

In December 2003, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 46 (revised December 2003) ("FIN 46R"), "Consolidation of Variable Interest Entities", which addresses the consolidation by primary beneficiary of variable interest entities ("VIEs") as defined in the Interpretation. FIN 46R replaces FASB Interpretation No. 46, "Consolidation of Variable Interest Entities", which was issued in January 2003. FIN 46R is effective immediately for all VIEs created or acquired after January 31, 2003 and effective for other VIEs as of March 31, 2004. The Company has not created or acquired any VIEs after January 31, 2003. For VIEs created or acquired before February 1, 2003, the adoption of FIN 46R for these entities did not have a material effect on the Company's consolidated financial statements.

The investments in affiliates in which the Company's ownership is 20% to 50% and the Company exercises significant influence over their operating and financial policies are accounted for by the equity method. All significant intercompany profits from these affiliates have been eliminated.

(d) Cash Equivalents

Cash equivalents include all highly liquid debt instruments purchased with an original maturity of three months or less.

(e) Allowance for Doubtful Receivables

The allowance for doubtful receivables is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivables. An additional reserve for individual receivables is recorded when the Company becomes aware of a customer's inability to meet its financial obligations, such as in case of bankruptcy filings or deterioration in the customer's operating results or financial position. If circumstances related to customers change, estimates of the recoverability of receivables would be further adjusted.

(f) Investments in Securities

The Company classifies its debt and equity securities into one of three categories: trading, available-for-sale, or held-to-maturity. Trading securities are bought and held principally for the purpose of selling them in the near term. Held-to-maturity securities are those securities in which the Company has the ability and intent to hold the security until maturity. All securities not included in trading or held-to-maturity are classified as available-for-sale.

Trading and available-for-sale securities are recorded at fair value. Held-to-maturity securities are recorded at amortized cost, adjusted for the amortization or accretion of premiums or discounts. Unrealized holding gains and losses on trading securities are included in earnings. Unrealized holding gains and losses, net of the related tax effect, on available-for-sale securities are excluded from earnings and are reported as a separate component of accumulated other comprehensive income (loss) until realized. As of March 31, 2004 and 2003, the Company did not hold any trading or held-to-maturity securities. Available-for-sale securities, which mature or are expected to be sold in less than one year, are classified as current assets.

A decline in the fair value of any available-for-sale security below cost that is deemed to be other-than-temporary results in a reduction in carrying amount to fair value. The impairment is charged to earnings and a new cost basis for the security is established. To determine whether an impairment is other-than-temporary, the Company periodically reviews fair value of available-for-sale security for possible impairment by taking into consideration of the financial and operating conditions of the issuer, the general market conditions in the issuer's industry, degree and period of the decline in fair value and other relevant factors.

Nonmarketable securities are recorded at cost as fair value is not readily determinable. The Company periodically evaluates the values of nonmarketable securities for possible impairment by taking into consideration of the financial and operating conditions of the issuer, the general market conditions in the issuer's industry and period of the decline in the estimated fair value and other relevant factors. If the impairment is determined to be other-than-temporary, nonmarketable securities is written down to its impaired value through a charge to earnings.

(g) Inventories

Inventories are stated at the lower of cost or market. Cost is determined principally by the average method.

(h) Property, Plant and Equipment

Depreciation of property, plant and equipment is principally computed by the declining-balance method for assets located in Japan and of certain foreign subsidiaries and by the straight-line method for assets of other foreign subsidiaries based on the following estimated useful lives:

Buildings	3 to 60 years
Machinery and equipment	2 to 22 years

In June 2001, the FASB issued Statement of Financial Accounting Standards No. 143 ("SFAS 143"), "Accounting for Asset Retirement Obligations", which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and associated asset retirement costs. SFAS 143 applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and (or) the normal operation of a long-lived asset, except for certain obligations of lessees. SFAS 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and subsequently allocated to expense over the asset's useful life. The Company adopted SFAS 143 on April 1, 2003. The adoption of SFAS 143 did not have a material effect on the Company's consolidated financial statements.

(i) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(j) Stock Option Plan

In December 2002, the FASB issued Statement of Financial Accounting Standards No. 148 ("SFAS 148"), "Accounting for Stock-Based Compensation - Transition and Disclosure", which amends FASB Statement No. 123 ("SFAS 123"), "Accounting for Stock-Based Compensation". SFAS 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS 148 amends the disclosure requirements of SFAS 123 to require more prominent and more frequent disclosures in financial statements about the effects of stock-based compensation. However, it gives an entity a choice of recognizing related compensation expense by adopting the fair value method or to continue to measure compensation using the intrinsic value-based method prescribed under Accounting Principles Board Opinion No.25 ("APB 25"), "Accounting for Stock Issued to Employees", the former standard. The Company has chosen to use the measurement principle prescribed by APB 25. As such, stock-based compensation cost is recognized by the Company only if the market price of the underlying common stock exceeds the exercise price on the date of grant. Accordingly, no stock option related compensation cost has been recognized in fiscal 2004, fiscal 2003 and fiscal 2002 for the Company's stock based compensation plan. The Company was required to adopt SFAS 148 for the year ended March 31, 2003. The adoption of SFAS 148 did not have an impact on the consolidated results of operation or financial position of the Company for fiscal 2004 and 2003. The following table illustrates the effect on net income (loss) and net income (loss) per share if the fair-value-based method had been applied to all outstanding and unvested stock based awards with such costs recognized ratably over the vesting period of the underlying instruments.

	Yen (Millions)			U.S. Dollars (Thousands)
	2004	2003	2002	**2004**
Net income (loss), as reported	**¥42,101**	12,019	(25,771)	**$397,179**
Deduct total stock-based employee compensation expense determined under fair-value-based method for all awards, net of tax	**(330)**	(241)	(280)	**(3,113)**
Pro forma net income (loss)	**41,771**	11,778	(26,051)	**394,066**
	Yen			U.S. Dollars
Basic net income (loss) per share:				
As reported	**¥317.80**	90.56	(193.91)	**$3.00**
Pro forma	**315.31**	88.74	(196.02)	**2.97**
Diluted net income (loss) per share:				
As reported	**¥317.69**	90.56	(193.91)	**$3.00**
Pro forma	**315.20**	88.74	(196.02)	**2.97**

(k) Advertising Costs

Advertising costs are expensed as incurred.

(l) Foreign Currency Translation

Foreign currency financial statements have been translated in accordance with Statement of Financial Accounting Standards No. 52 ("SFAS 52"), "Foreign Currency Translation". Under SFAS 52, the assets and liabilities of the Company's subsidiaries located outside Japan are translated into Japanese yen at the rates of exchange in effect at the balance sheet date. Revenue and expense items are translated at the average exchange rates prevailing during the year. Gains and losses resulting from foreign currency transactions are included in other income (deductions), and those resulting from translation of financial statements are excluded from the statements of operations and are accumulated in stockholders' equity as a component of accumulated other comprehensive income (loss).

(m) Use of Estimates

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with U. S. GAAP. Significant items subject to such estimates and assumptions include the valuation of intangible assets, property, plant and equipment, trade receivables, inventories, and deferred income tax assets, and assumptions related to the estimation of actuarial determined employee benefit obligations. Actual results could differ from those estimates.

(n) Accounting for the Impairment or Disposal of Long-Lived Assets

In August 2001, the FASB issued Statement of Financial Accounting Standards No. 144 ("SFAS 144"), "Accounting for the Impairment or Disposal of Long-Lived Assets" which supersedes both Statement of Financial Accounting Standards No.121 ("SFAS 121"), "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" and the accounting and reporting provisions of APB Opinion No.30 ("Opinion 30"), "Reporting the Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions", for the disposal of a segment of a business (as previously defined in that Opinion). SFAS 144 retains the fundamental provisions in SFAS 121 for recognizing and measuring impairment losses on long-lived assets held for use and long-lived assets to be disposed of by sale, while also resolving significant implementation issues associated with SFAS 121. The Company adopted the provision of SFAS 144 on April 1, 2002.

The Company's long-lived assets and certain identifiable intangibles with finite useful lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows (undiscounted and without interest charges) expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

(o) Goodwill and Other Intangible Assets

In June 2001, the FASB issued Statement of Financial Accounting Standards No. 141 ("SFAS 141"), "Business Combinations", and Statement of Financial Accounting Standards No. 142 ("SFAS 142"), "Goodwill and Other Intangible Assets". SFAS 141 requires the use of the purchase method of accounting for business combinations. SFAS 141 also specifies the types of acquired intangible assets that are required to be recognized and reported separately from goodwill and those acquired intangible assets that are required to be included in goodwill. Under SFAS 142 goodwill is no longer amortized, but instead is tested for impairment at least annually. Intangible assets are amortized over their respective estimated useful lives and reviewed for impairment in accordance with Statement of Financial Accounting Standards No.144, "Accounting for the Impairment or Disposal of Long-Lived Assets". Any recognized intangible asset determined to have an indefinite useful life will not be amortized, but instead is tested for impairment until its life is determined to no longer be indefinite.

The Company conducts its annual impairment test at the end of each fiscal year.

(p) Derivative Financial Instruments

In June 1998, the FASB issued Statement of Financial Accounting Standards No. 133 ("SFAS 133"), "Accounting for Derivative Instruments and Hedging Activities". In June 2000, the FASB also issued Statement of Financial Accounting Standards No. 138 ("SFAS 138"), "Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of the FASB Statement No. 133". Both standards establish accounting and reporting standards for derivative instruments and for hedging activities, and require that an entity recognize all derivatives as either assets or liabilities in the balance sheets and measure those instruments at fair value. SFAS 133, as amended, and 138 are effective for fiscal years beginning after June 15, 2000. The Company adopted SFAS 133 and 138 as of April 1, 2001. The Company has not elected to apply hedge accounting. Accordingly, changes in the fair value of derivatives are recognized in earnings in the period of the changes.

(q) Net Income per Share

Basic net income per share has been computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding during each year. Diluted net income per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock of the Company. Stock options were not included in the calculation of diluted earnings per share for the years ended March 31, 2003 and 2002 as their effect would be antidilutive. For the year ended March 31, 2004, stock options to purchase 170,400 shares were excluded from the calculation of diluted earnings per share as the effect would have been antidilutive.

(r) Revenue Recognition

The Company generates revenue principally through the sale of electronic materials & components and recording media & systems under separate contractual arrangements for each. The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred and title and risk of loss have been transferred to the customer, the sales price is fixed or determinable, and collectibility is probable.

Revenue from sales of electronic materials & components including electronic materials, electronic devices and recording devices is recognized when the products are received by customers based on the free-on board destination sales term. With regards to sales of electronic materials & components, the Company's policy is not to accept product returns unless the products are defective. The conditions of acceptance are governed by the terms of the contract or customer arrangement and those not meeting the predetermined specification are not recorded as revenue.

Revenue from sales of recording media & systems products such as videotape and DVD sold is also recognized when the products are received by customers based on the free-on board destination sales term. With regards to sales of recording media & systems products, the Company provides sales incentive programs to resellers and retailers. The sales incentive programs include product discount, volume-based rebates and consumer promotion to support retailers' advertisement expenses. The Company records estimated reductions in sales at the time of sales for sales incentive program. Estimated reduction in sales are based upon historical trends and other known factors at the time of sales. The Company allows limited right of returns in certain cases and reduces revenue for estimated future returns based upon historical experience at the time the related revenue is recorded.

No products warranties are offered on the Company's products.

In November 2002, the Emerging Issues Task Force reached a consensus on Issue 00-21 ("EITF 00-21"), "Accounting for Revenue Arrangements with Multiple Deliverables". EITF 00-21 provides guidance on when and how to account for arrangements that involve the delivery or performance of multiple products, services and/or rights to use assets. The Company adopted EITF 00-21 on July 1, 2003. The adoption of EITF 00-21 did not have a material effect on the Company's consolidated financial position and results of operations.

(s) Reclassifications

Certain reclassifications have been made to the prior year's consolidated financial statements to conform to the presentation used for the year ended March 31, 2004.

2. Financial Statement Translation

The consolidated financial statements are expressed in yen, the functional currency of the Company. Supplementally, the Japanese yen amounts as of and for the year ended March 31, 2004, have also been translated into U.S. dollar amounts, solely for the convenience of the reader, at the rate of ¥106=U.S.$1, the approximate exchange rate on the Tokyo Foreign Exchange Market on March 31, 2004. This translation should not be construed as a representation that the amounts shown could be converted into U.S. dollars at such rate.

3. Foreign Operations

Amounts included in the consolidated financial statements relating to subsidiaries operating in foreign countries are summarized as follows:

	Yen (Millions)			U.S. Dollars (Thousands)
	2004	2003	2002	**2004**
Net assets	**¥318,915**	304,645	312,539	**$3,008,632**
Net sales	**497,255**	436,062	391,740	**4,691,085**
Net income (loss)	**37,477**	9,101	(20,519)	**353,557**

4. Marketable Securities and Investments in Securities

Marketable securities and investments in securities at March 31, 2004 and 2003, are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2004	2003	**2004**
Short-term marketable securities	**¥ 402**	–	**$ 3,792**
Long-term marketable securities	**4,535**	4,180	**42,783**
Nonmarketable securities	**419**	2,681	**3,953**
Investments in affiliates	**13,427**	11,861	**126,670**
	¥18,783	18,722	**$177,198**

Marketable securities and investments in securities include available-for-sale securities. Information with respect to such securities at March 31, 2004 and 2003, is as follows:

	2004				2003			
	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Yen (Millions):								
Equity securities	**¥2,782**	**1,054**	**–**	**3,836**	1,500	193	11	1,682
Debt securities	**1,101**	**–**	**–**	**1,101**	2,495	3	–	2,498
	¥3,883	**1,054**	**–**	**4,937**	3,995	196	11	4,180
U.S. Dollars (Thousands):								
Equity securities	**$26,246**	**9,943**	**–**	**36,189**				
Debt securities	**10,386**	**–**	**–**	**10,386**				
	$36,632	**9,943**	**–**	**46,575**				

Debt securities classified as available-for-sale at March 31, 2004 mature in fiscal 2005 through 2006 (weighted average remaining term of 1.3 years).

The proceeds from sale and settlement of available-for-sale securities are ¥1,814 million ($17,113 thousand), ¥1,511 million and ¥323 million for the years ended March 31, 2004, 2003 and 2002, respectively. The gross realized gains on the sale and settlement of available-for-sale securities are ¥135 million ($1,274 thousand), ¥4 million and ¥120 million for the years ended March 31, 2004, 2003 and 2002, respectively. The Company recorded a write-down of ¥1,228 million ($11,585 thousand), ¥3,302 million and ¥327 million on certain available-for-sale securities and nonmarketable securities representing other-than-temporary declines in the fair value of the available-for-sale securities for the years ended March 31, 2004, 2003 and 2002, respectively.

Investments in affiliates accounted for by the equity method consist of 26.1% of the common stock of Semiconductor Energy Laboratory Co., Ltd., a research and development company, 50.0% of the common stock of Tokyo Magnetic Printing Co., Ltd., a magnetic products manufacturing company, and six other affiliated companies, collectively, which are not significant. The unamortized amounts of goodwill related to affiliated companies were ¥1,231 million ($11,613 thousand) at March 31, 2004. In accordance with SFAS 142, this equity-method goodwill is no longer amortized, but is being analyzed for impairment.

5. Inventories

Inventories at March 31, 2004 and 2003, are summarized as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2004	2003	**2004**
Finished goods	**¥34,104**	33,151	**$321,736**
Work in process	**21,351**	21,681	**201,425**
Raw materials	**21,846**	19,085	**206,094**
	¥77,301	73,917	**$729,255**

6. Short-Term and Long-Term Debt

Short-term debt and weighted average interest rates at March 31, 2004 and 2003, are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)	Weighted average interest rate	
	2004	2003	**2004**	**2004**	2003
Short-term bank loans	**¥315**	1,431	**$2,972**	**1.36%**	2.54%

At March 31, 2004, unused short-term credit facilities for issuance of commercial paper amounted to ¥31,971 million ($301,613 thousand).

Long-term debt at March 31, 2004 and 2003, is set forth below:

	Yen (Millions)		U.S. Dollars (Thousands)
	2004	2003	**2004**
Lease obligation (weighted average: 2004 4.25%, 2003 9.98%)	**¥128**	582	**$1,208**
	128	582	**1,208**
Less current installments	**101**	488	**953**
	¥ 27	94	**$ 255**

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

	Yen (Millions)	U.S. Dollars (Thousands)
Year ending March 31,		
2005	¥101	$ 953
2006	24	227
2007	3	28
	¥128	$1,208

Short-term and long-term bank loans are made under general agreements that provide that under certain circumstances security and guarantees for present and future indebtedness will be given upon request of the bank, and that the bank shall have the right, as the obligations become due, or in the event of their default, to offset cash deposits against such obligations due the bank.

7. Income Taxes

The Company and its domestic subsidiaries are subject to a national corporate tax of 30%, an inhabitants tax of between 5.2% and 6.2% and a deductible enterprise tax of between 9.6% and 10.1%, which in the aggregate resulted in a statutory rate of approximately 41% in the years ended March 31, 2004, 2003 and 2002.

Amendments to Japanese tax regulations were enacted into law on March 24, 2003. As a result of this amendment, the statutory income tax rate was reduced from approximately 41% to 40% effective from April 1, 2004. Current income taxes were calculated at the rate of 41%, in effect for the years ended March 31, 2004, 2003 and 2002, respectively. Deferred tax assets and liabilities expected to be realized or settled on or after April 1, 2004 have been calculated at the rate of 40%.

The effects of the income tax rate reduction on deferred income tax balances as of March 31, 2003 reduced the net deferred tax asset by approximately ¥1,044 million.

The effective tax rate of the Company for the years ended March 31, 2004, 2003 and 2002, are reconciled with the Japanese statutory tax rate in the following table:

	2004	2003	2002
Japanese statutory tax rate	**41.0%**	41.0%	(41.0)%
Expenses not deductible for tax purposes	**1.2**	0.5	0.2
Non taxable income	**(0.0)**	(2.4)	(1.0)
Difference in statutory tax rates of foreign subsidiaries	**(23.1)**	(22.6)	(3.0)
Change in the valuation allowance	**6.4**	14.8	4.8
Change in enacted tax laws and rates	**0.3**	5.8	–
Currency translation adjustment	**(0.0)**	(3.3)	–
Investment tax credit	**(1.6)**	(4.5)	(1.0)
Other	**(0.6)**	0.0	2.1
Effective tax rate	**23.6%**	29.3%	(38.9%)

Total income taxes for the years ended March 31, 2004, 2003 and 2002 are allocated as follows:

	Yen (Millions)			U.S. Dollars (Thousands)
	2004	2003	2002	**2004**
Income (loss) before income taxes	**¥13,143**	5,296	(16,994)	**$123,991**
Stockholders' equity, accumulated other comprehensive income (loss):				
Foreign currency translation adjustments	**245**	(242)	642	**2,311**
Net unrealized gains (losses) on securities	**348**	(166)	436	**3,283**
Minimum pension liability adjustments	**9,422**	(10,950)	(24,901)	**88,887**
Total income taxes	**¥23,158**	(6,062)	(40,817)	**$218,472**

Income (loss) before income taxes and income taxes for the years ended March 31, 2004, 2003 and 2002, are summarized as follows:

		Income (loss) Before Income Taxes	Income Taxes		
			Current	Deferred	Total
Yen (Millions):	2004				
	Japanese	**¥ 8,611**	**4,411**	**(7)**	**4,404**
	Foreign	**46,992**	**5,864**	**2,875**	**8,739**
		¥ 55,603	**10,275**	**2,868**	**13,143**
	2003				
	Japanese	6,932	(1,929)	5,977	4,048
	Foreign	11,149	2,924	(1,676)	1,248
		18,081	995	4,301	5,296
	2002				
	Japanese	(20,395)	(660)	(14,483)	(15,143)
	Foreign	(23,302)	(2,537)	686	(1,851)
		(43,697)	(3,197)	(13,797)	(16,994)
U.S. Dollars (Thousands):	2004				
	Japanese	**$ 81,236**	**41,613**	**(66)**	**41,547**
	Foreign	**443,321**	**55,321**	**27,123**	**82,444**
		$524,557	**96,934**	**27,057**	**123,991**

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at March 31, 2004 and 2003, are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2004	2003	2004
Deferred tax assets:			
Trade accounts receivable, principally due to allowance for doubtful receivables	¥ 217	486	$ 2,047
Inventories	251	625	2,368
Accrued business tax	344	31	3,245
Accrued expenses	3,605	3,215	34,009
Retirement and severance benefits	12,334	9,465	116,358
Net operating loss carryforwards	12,427	13,215	117,236
Tax credit carryforwards	559	1,429	5,273
Minimum pension liability adjustments	29,133	38,613	274,840
Property, plant, and equipment, principally due to differences in depreciation	1,219	–	11,500
Other	1,276	2,218	12,037
Total gross deferred tax assets	61,365	69,297	578,913
Less valuation allowance	(11,028)	(9,690)	(104,037)
Net deferred tax assets	¥ 50,337	59,607	$ 474,876
Deferred tax liabilities:			
Investments, principally due to differences in valuation	(7,329)	(6,420)	(69,142)
Undistributed earnings of foreign subsidiaries	(2,773)	(738)	(26,160)
Property, plant, and equipment, principally due to differences in depreciation	–	(515)	–
Net unrealized gains on securities	(420)	(77)	(3,962)
Other	(1,068)	(514)	(10,075)
Total gross deferred tax liabilities	(11,590)	(8,264)	(109,339)
Net deferred tax assets	¥ 38,747	51,343	$ 365,537

The net changes in the total valuation allowance for the years ended March 31, 2004, 2003 and 2002, are an increase of ¥1,338 million ($12,623 thousand), ¥2,246 million and ¥1,798 million, respectively. The valuation allowance primarily relates to valuation allowance for deferred tax assets associated with net operating loss carryforwards incurred by certain foreign subsidiaries. Decrease in the valuation allowance attributable to preacquisition tax benefits recognized during the year ended March 31, 2004 amounted to ¥1,122 million. The reversal of the valuation allowance upon realization of tax benefits resulted in the reduction of goodwill. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considered the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods which the deferred tax assets are deductible, management believes it is more likely than not the Company will realize the benefits of these deductible differences, net of the existing valuation allowance at March 31, 2004.

At March 31, 2004, the Company and certain subsidiaries have net operating loss carryforwards for income tax purposes of ¥39,573 million ($373,330 thousand) which are available to offset future taxable income, if any.

Periods available to offset future taxable income vary in each tax jurisdiction and range from one year to an indefinite period as follows:

	Yen (Millions)	U.S. Dollars (Thousands)
Within 1 year	¥ 11	$ 104
1 to 5 years	7,848	74,038
5 to 20 years	14,043	132,481
Indefinite periods	17,671	166,707
	¥39,573	$373,330

Certain subsidiaries have tax credit carryforwards for income tax purposes of ¥559 million ($5,273 thousand) which are available to reduce future income taxes, if any. Approximately ¥151 million ($1,425 thousand) and ¥269 million ($2,538 thousand) of the tax credit carryforwards expire in fiscal 2005 and through 2018, respectively, while the remainder have an indefinite carry-forward period.

Net deferred income tax assets and liabilities at March 31, 2004 and 2003, are reflected in the accompanying consolidated balance sheets under the following captions:

	Yen (Millions)		U.S. Dollars (Thousands)
	2004	2003	**2004**
Prepaid expenses and other current assets	**¥ 5,105**	7,555	**$ 48,160**
Deferred income taxes (noncurrent assets)	**34,140**	43,948	**322,075**
Other current liabilities	**(283)**	(147)	**(2,670)**
Deferred income taxes (noncurrent liabilities)	**(215)**	(13)	**(2,028)**
	¥38,747	51,343	**$365,537**

As of March 31, 2004 and 2003, the Company did not recognize deferred tax liabilities of approximately ¥50,714 million ($478,434 thousand) and ¥43,083 million, respectively, for certain portions of undistributed earnings of foreign subsidiaries because the Company currently does not expect those unremitted earnings to reverse and become taxable to the Company in the foreseeable future. A deferred tax liability will be recognized when the Company expects that it will recover those undistributed earnings in a taxable manner, such as through receipt of dividends or sale of the investments. As of March 31, 2004 and 2003, the undistributed earnings of these subsidiaries are approximately ¥208,991 million ($1,971,613 thousand) and ¥178,373 million, respectively.

8. Retirement and Severance Benefits

The Company and certain subsidiaries have noncontributory retirement and severance plans that provide for pension or lump-sum payment benefits, based on length of service and certain other factors, to employees who retire or terminate their employment for reasons other than dismissal for cause. In addition, the majority of the employees of the Company are covered by a contributory pension plan, whose benefits are based on length of service and certain other factors and include a portion representing the government social security welfare pension. The Company's funding consists of the Employees' Pension Fund ("EPF") in accordance with welfare pension regulations, the fund in accordance with income tax regulations and the voluntary pension fund. The Company also has an unfunded retirement plan for statutory auditors.

Net periodic benefit cost included in cost of sales and selling, general and administrative expenses for the Company's employee retirement and severance defined benefit plans for the years ended March 31, 2004, 2003 and 2002 consisted of the following components:

	Yen (Millions)			U.S. Dollars (Thousands)
	2004	2003	2002	**2004**
Service cost–benefits earned during the year	**¥10,341**	9,383	8,924	**$97,557**
Interest cost on projected benefit obligation	**6,271**	5,985	6,359	**59,160**
Expected return on plan assets	**(2,640)**	(3,678)	(4,321)	**(24,906)**
Amortization of transition assets	**(1,331)**	(1,331)	(1,331)	**(12,556)**
Recognized actuarial loss	**7,480**	5,963	3,461	**70,566**
Amortization of unrecognized prior service benefit	**(1,353)**	(1,342)	–	**(12,764)**
	¥18,768	14,980	13,092	**$177,057**
Weighted-average assumptions:				
Discount rate	**2.1%**	2.6%	3.0%	
Assumed rate of increase in future compensation levels	**3.0%**	3.0%	3.0%	
Expected long-term rate of return on plan assets	**2.2%**	2.6%	3.0%	

Reconciliations of beginning and ending balances of the benefit obligations and the fair value of the plan assets are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2004	2003	**2004**
Change in benefit obligations:			
Benefit obligations at beginning of period	**¥250,625**	238,838	**$2,364,386**
Service cost	**10,341**	9,383	**97,557**
Interest cost	**6,271**	5,985	**59,160**
Plan participants' contributions	**405**	621	**3,821**
Plan amendments	**68**	(4,838)	**642**
Actuarial loss (gain)	**(1,223)**	11,594	**(11,538)**
Benefits paid	**(6,692)**	(10,346)	**(63,132)**
Translation adjustment	**(804)**	(612)	**(7,585)**
Benefit obligations at end of period	**258,991**	250,625	**2,443,311**
Change in plan assets:			
Fair value of plan assets at beginning of period	**146,573**	166,253	**1,382,764**
Actual return on plan assets	**21,458**	(17,914)	**202,434**
Employer contributions	**6,434**	7,293	**60,698**
Plan participants' contributions	**405**	621	**3,821**
Benefits paid	**(5,588)**	(9,400)	**(52,717)**
Translation adjustment	**(369)**	(280)	**(3,481)**
Fair value of plan assets at end of period	**168,913**	146,573	**1,593,519**
Funded status	**(90,078)**	(104,052)	**(849,792)**
Unrecognized net transition obligation being recognized over 18 years	**(5,046)**	(6,377)	**(47,604)**
Unrecognized net actuarial loss	**113,550**	142,621	**1,071,226**
Unrecognized prior service benefit	**(18,891)**	(20,312)	**(178,217)**
Net amount recognized	**¥ (465)**	11,880	**$ (4,387)**
Amounts recognized in consolidated balance sheets consist of:			
Retirement and severance benefits	**(73,521)**	(84,971)	**(693,594)**
Intangible assets	**64**	251	**603**
Accumulated other comprehensive income	**72,992**	96,600	**688,604**
Net amount recognized	**¥ (465)**	11,880	**$ (4,387)**
Actuarial present value of accumulated benefit obligations at end of period	**¥237,868**	229,466	**$2,244,038**

Weighted-average assumptions:			
Discount rate	**2.1%**	2.1%	
Assumed rate of increase in future compensation levels	**3.0%**	3.0%	
Expected long-term rate of return on plan assets	**2.2%**	2.2%	

In December 2003, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 132 (revised 2003) ("SFAS 132R"), "Employers' Disclosures about Pensions and Other Postretirement Benefits". SFAS 132R revises and prescribes employers' disclosures about pension plans and other postretirement benefits plans; it does not change the measurement or recognition of those plans. SFAS 132R retains the disclosure requirements contained in the original SFAS 132. It also requires additional disclosures about the assets, obligations, cash flows, and net periodic benefit cost of defined benefit pension plans and other postretirement benefit plans. SFAS 132R is generally effective for fiscal years ending after December 15, 2003. The adoption of SFAS 132R did not have a material impact on the Company's consolidated financial statements.

Information with respect to domestic plans is as follows:

Measurement date

The Company and its domestic subsidiaries use a January 1 measurement date for their plans:

Assumptions

Weighted-average assumptions used to determine benefit obligations at March 31:	2004	2003
Discount rate	2.0%	2.0%
Assumed rate of increase in future compensation levels	3.0%	3.0%

Weighted-average assumptions used to determine net periodic benefit cost for the years ended March 31:	2004	2003	2002
Discount rate	2.0%	2.5%	3.0%
Assumed rate of increase in future compensation levels	3.0%	3.0%	3.0%
Expected long-term rate of return on plan assets	2.0%	2.5%	3.0%

The Company determines the expected long-term rate of return based on the expected long-term return of the various asset categories in which it invests. The Company considers the current expectations for future returns and the actual historical returns of each plan asset category.

Obligations

The accumulated benefit obligation for all domestic defined benefit plans was ¥229,566 million ($2,165,717 thousand) and ¥222,679 million at March 31,2004 and 2003, respectively.

Plan assets

The Company's domestic benefit plan weighted-average asset allocations at March 31, 2004 and 2003 by asset category are as follows:

Asset Category

	2004	2003
Equity securities	54.5%	50.8%
Debt securities	19.8%	40.7%
Cash	20.3%	3.4%
Other	5.4%	5.1%
	100.0%	100.0%

The Company's investment policies are designed to ensure adequate plan assets are available to provide future payments of pension benefits to eligible participants. Taking into account the expected long-term rate of return on plan assets, the Company formulates a "model" portfolio comprised of the optimal combination of equity securities and debt securities. Plan assets are invested in individual equity and debt securities using the guidelines of the "model" portfolio in order to produce a total return that will match the expected return on a mid-term to long-term basis. The Company evaluates the gap between expected return and actual return of invested plan assets on an annual basis to determine if such differences necessitate a revision in the formulation of the "model" portfolio. The Company revises the "model" portfolio when and to the extent considered necessary to achieve the expected long-term rate of return on plan assets.

Cash flows

The Company expects to contribute ¥3,386 million ($31,943 thousand) to its domestic defined benefit plan in the year ending March 31, 2005.

The domestic EPF plan is composed of (1) a corporate defined benefit portion established by the Company and (2) a substitutional portion based on benefits prescribed by the government (similar to social security benefits in the United States). The Company has been exempted from contributing to the Japanese Pension Insurance ("JPI") program that would otherwise have been required if it had not elected to fund the government substitutional portion of the benefit through an EPF arrangement. The plan assets of the EPF are invested and managed as a single portfolio for the entire EPF and are not separately attributed to the substitutional and corporate portions. In June 2001, the Japanese pension law was amended to permit an employer to elect to transfer the entire substitutional portion benefit obligation from the EPF to the government together with a specified amount of plan assets pursuant to a government formula. After such transfer, the employer would be required to make periodic contributions to JPI, and the Japanese government would be responsible for all benefit payments. The corporate portion of the EPF would continue to exist exclusively as a corporate defined benefit pension plan.

In this regard, the Company has elected to transfer the substitutional portion of its EPF to the government. The Company will account for the transfer in accordance with the Emerging Issues Task Force issue 03-2 ("EITF 03-2"), "Accounting for the Transfer to the Japanese Government of the Substitutional Portion of Employee Pension Fund Liabilities".

EITF 03-2 addresses accounting for a transfer to the Japanese government of a substitutional portion of an EPF plan, which is a defined benefit pension plan established under the Welfare Pension Insurance Law. EITF 03-2 requires employers to account for the separation process of the substitutional portion from the entire EPF plan (which includes a corporation portion) upon completion of the transfer to the government of the substitutional portion of the benefit obligation and related plan assets. The separation process is considered the culmination of a series of steps in a single settlement transaction. Under this approach, the difference between the fair value of the obligation and the assets required to be transferred to the government should be accounted for and separately disclosed as a subsidy.

On September 25, 2003, the Company was approved by the minister of Health, Labour and Welfare for an exemption from the obligation to pay benefits for future employee service related to the substitutional portion of an EPF plan and will transfer the benefit obligation and related plan assets to government, which is presently expected to be completed by February, 2005. Accordingly, there is no effect on the Company's consolidated financial statement for the fiscal year ended March 31, 2004. The aggregate effect of this separation will be determined based on the Company's total pension benefits obligation as of the date the transfer is completed and the amount of plan assets required to be transferred.

9. Legal Reserve and Dividends

The Japanese Commercial Code ("JCC") had provided that earnings in an amount equal to at least 10 percent of appropriations of retained earnings to be paid in cash should be appropriated as a legal reserve until such reserve equals 25 percent of the common stock by each legal-entity.

Effective October 1, 2001, the JCC was amended to require earnings in an amount to at least 10 percent of appropriations of retained earnings to be paid in cash should be appropriated as a legal reserve until total additional paid-in capital and legal reserve equals 25 percent of common stock by each legal-entity. Either additional paid-in capital or legal reserve may be available for dividends by resolution of the shareholders to the extent that the amount of total additional paid-in capital and legal reserve exceeds 25 percent of common stock by each legal-entity.

Certain foreign subsidiaries are also required to appropriate earnings to legal reserve, under the laws of the respective countries.

Cash dividends and appropriations to the legal reserve charged to retained earnings during the periods represent dividends paid out during the periods and related appropriations to the legal reserve. The accompanying consolidated financial statements do not include any provision for the dividend proposed by the Board of Directors of ¥30 ($0.28) per share aggregating ¥3,972 million ($37,472 thousand) in respect of the year ended March 31, 2004, or for the related appropriation to the legal reserve.

Cash dividends per common share are computed based on dividends paid for the year.

10. Stock Option Plan

The Company obtained approval of the Ordinary General Meeting of Shareholders held on June 27, 2003 regarding the issuance of stock acquisition rights as stock options (the Stock Acquisition Rights) to Board members, Corporate Officers and select senior executives, pursuant to Articles 280-20 and 280-21 of the Japanese Commercial Code. Upon approval, the Board of Directors has adopted resolutions to issue at no charge an aggregate of 2,547 Stock Acquisition Rights, each representing a stock option to purchase 100 shares of common stock of the Company, to the 179 Directors, Corporate Officers and select senior executives of the Company, and the Directors and select senior executives of affiliates. The Stock Acquisition Rights issued on August 7, 2003 are exercisable during the period from August 1, 2005 to July 31, 2009. The amount to be paid by qualified persons upon the exercise of each Stock Acquisition Rights is set at ¥6,954 ($65.60) per share of common stock, which was calculated by a formula approved by shareholders at the said annual shareholders meeting and is subject to an adjustment in certain events, including but not limited to a stock split, stock dividend and issue of new shares at a price less than the current market price of the shares of the Company. The exercise price of each Stock Acquisition Right was equal to or greater than the fair market value of the Company's common stock on the date of grant. To cover these options the Company purchased on the Tokyo Stock Exchange a total of 260,000 common shares with an aggregate purchase price of ¥1,847 million ($17,425 thousand) from August 8, 2003 through August 18, 2003.

The Company obtained approval of the Ordinary General Meetings of Shareholders held on June 27, 2002 regarding the issuance of the Stock Acquisition Rights to Board members, Corporate Officers and select senior executives, pursuant to Articles 280-20 and 280-21 of the Japanese Commercial Code as amended. Upon approval, the Board of Directors has adopted resolutions to issue at no charge an aggregate of 2,236 Stock Acquisition Rights, each representing a stock option to purchase 100 shares of common stock of the Company, to the 197 Directors, Corporate Officers and select senior executives of the Company, and the Directors and select senior executives of affiliates. The Stock Acquisition Rights issued on August 9, 2002 are exercisable during the period from August 1, 2004 to July 31, 2008. The amount to be paid by qualified persons upon the exercise of each Stock Acquisition Rights is set at ¥5,909 per share of common stock, which was calculated by a formula approved by shareholders at the said annual shareholders meeting and is subject to an adjustment in certain events, including but not limited to a stock split, stock dividend and issue of new shares at a price less than the current market price of the shares of the Company. The exercise price of each Stock Acquisition Right was equal to or greater than the fair market value of the Company's common stock on the date of grant. To cover these options the Company purchased on the Tokyo Stock Exchange a total of 223,600 common shares with an aggregate purchase price of ¥1,209 million from August 12, 2002 through August 19, 2002.

The Ordinary General Meeting of Shareholders held on June 28, 2001 approved to implement the Company's stock option plan for Directors and certain employees of the Company, and to purchase the Company's own shares for transfer to them under the plan, pursuant to Article 210-2 of the Japanese Commercial Code. Stock options (rights to purchase common shares) were provided to the then 12 Directors on the Board and 184 associate directors and officials in amounts ranging from 500 to 10,000 common shares each, exercisable from August 1, 2003 to April 30, 2007, at an exercise price of ¥6,114 per share, which was calculated by a formula approved by shareholders at the said annual shareholders meeting and is subject to an adjustment in certain events, including but not limited to a stock split, stock dividend and issue of new shares at price less than the current market price of the shares of the Company. The exercise price of each Stock Acquisition Right was equal to or greater than the fair market value of the Company's common stock on the date of grant. To cover these options the Company purchased on the Tokyo Stock Exchange a total of 158,000 common shares with an aggregate purchase price of ¥917 million from July 2, 2001 through July 23, 2001.

The Ordinary General Meeting of Shareholders held on June 29, 2000 approved to implement the Company's stock option plan for Directors and certain employees of the Company, and to purchase the Company's own shares for transfer to them under the plan, pursuant to Article 210-2 of the Japanese Commercial Code. Stock options (rights to purchase common shares) were provided to the then 13 Directors on the Board and 191 associate directors and officials in amounts ranging from 500 to 10,000 common shares each, exercisable from August 1, 2002 to April 30, 2006, at an exercise price of ¥15,640 per share, which was calculated by a formula approved by shareholders at the said annual shareholders meeting and is subject to an adjustment in certain events, including but not limited to a stock split, stock dividend and issue of new shares at price less than the current market price of the shares of the Company. The exercise price of each Stock Acquisition Right was equal to or greater than the fair market value of the Company's common stock on the date of grant. To cover these options the Company purchased on the Tokyo Stock Exchange a total of 170,400 common shares with an aggregate purchase price of ¥2,665 million from July 3, 2000 through August 2, 2000.

The Company currently accounts for these four stock option plans as fixed plans pursuant to APB 25.

A summary of the status of the Company's four stock option plans as of March 31, 2004, 2003 and 2002, and of the activity during the years ending on those dates is as follows:

	2004		2003		2002		**2004**
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price	Weighted average exercise price
		Yen		Yen		Yen	U.S. Dollars
Outstanding at beginning of year	**551,000**	**8,977**	328,400	11,057	170,400	15,640	**84.69**
Granted	**254,700**	**6,954**	223,600	5,909	158,000	6,114	**65.60**
Exercised	**46,900**	**6,114**	–	–	–	–	**57.68**
Forfeited or Expired	**2,300**	**6,136**	1,000	5,909	–	–	**57.89**
Outstanding at end of year	**756,500**	**8,482**	551,000	8,977	328,400	11,057	**80.02**
Exercisable at end of year	**281,500**	**11,880**	170,400	15,640	–	–	**112.08**

Information about stock options outstanding at March 31, 2004 is as follows:

Range of exercise prices	Options Outstanding: Number outstanding at March 31, 2004	Weighted average remaining contractual life	Weighted average exercise price	
Yen			Yen	U.S. Dollars
6,954	**254,200**	5.3	6,954	65.60
5,909	**220,800**	4.3	5,909	55.75
6,114	**111,100**	3.1	6,114	57.68
15,640	**170,400**	2.1	15,640	147.55
5,909 to 15,640	**756,500**	3.7	8,482	80.02

The fair value of these stock options was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	2004	2003	2002
Grant-date fair value	**¥1,849 ($17.44)**	¥1,569	¥1,567
Expected life	**4.0 years**	4.0 years	3.9 years
Risk-free interest rate	**0.47%**	0.35%	0.34%
Expected volatility	**39.65%**	39.96%	39.86%
Expected dividend yield	**0.75%**	0.80%	1.03%

11. Other Comprehensive Income (Loss)

Change in accumulated other comprehensive income (loss) for the years ended March 31, 2004, 2003 and 2002, are as follows:

	Yen (Millions)			U.S. Dollars (Thousands)
	2004	2003	2002	**2004**
Foreign currency translation adjustments:				
Balance at beginning of period	**¥(26,520)**	(7,773)	(23,798)	**$(250,189)**
Adjustments for period	**(26,287)**	(18,747)	16,025	**(247,990)**
Balance at end of period	**(52,807)**	(26,520)	(7,773)	**(498,179)**
Net unrealized gains (losses) on securities:				
Balance at beginning of period	**110**	379	(329)	**1,038**
Adjustments for period	**538**	(269)	708	**5,075**
Balance at end of period	**648**	110	379	**6,113**
Minimum pension liability adjustments:				
Balance at beginning of period	**(52,414)**	(36,605)	(724)	**(494,472)**
Adjustments for period	**14,186**	(15,809)	(35,881)	**133,830**
Balance at end of period	**(38,228)**	(52,414)	(36,605)	**(360,642)**
Total accumulated other comprehensive income (loss):				
Balance at beginning of period	**(78,824)**	(43,999)	(24,851)	**(743,623)**
Adjustments for period	**(11,563)**	(34,825)	(19,148)	**(109,085)**
Balance at end of period	**¥(90,387)**	(78,824)	(43,999)	**$(852,708)**

Tax effects allocated to each component of other comprehensive income (loss) and reclassification adjustments for the years ended March 31, 2004, 2003 and 2002, are as follows:

	Yen (Millions)		
	Before tax amount	Tax (expense) or benefit	Net-of-tax amount
2004			
Foreign currency translation adjustments:			
Amount arising during the year on investments in foreign entities held at end of period	**¥(26,464)**	**(245)**	**(26,709)**
Reclassification adjustments for the portion of gains and losses realized upon liquidation and sale of investments in foreign entities	**422**	**–**	**422**
Net foreign currency translation adjustments	**(26,042)**	**(245)**	**(26,287)**
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising for period	**886**	**(348)**	**538**
Minimum pension liability adjustments	**23,608**	**(9,422)**	**14,186**
Other comprehensive income (loss)	**¥ (1,548)**	**(10,015)**	**(11,563)**
2003			
Foreign currency translation adjustments:			
Amount arising during the year on investments in foreign entities held at end of period	¥(19,751)	242	(19,509)
Reclassification adjustments for the portion of gains and losses realized upon liquidation of investments in foreign entities	762	–	762
Net foreign currency translation adjustments	(18,989)	242	(18,747)
Unrealized gains (losses) on securities:			
Unrealized holding gains arising for period	104	(41)	63
Reclassification adjustments for (gains) losses realized in net income	(539)	207	(332)
Net unrealized gains (losses)	(435)	166	(269)
Minimum pension liability adjustments	(26,759)	10,950	(15,809)
Other comprehensive income (loss)	¥(46,183)	11,358	(34,825)
2002			
Foreign currency translation adjustments	¥ 16,667	(642)	16,025
Unrealized gains (losses) on securities:			
Unrealized holding gains arising for period	1,144	(436)	708
Minimum pension liability adjustments	(60,782)	24,901	(35,881)
Other comprehensive income (loss)	¥(42,971)	23,823	(19,148)

	U.S. Dollars (Thousands)		
	Before tax amount	Tax (expense) or benefit	Net-of-tax amount
2004			
Foreign currency translation adjustments:			
Amount arising during the year on investments in foreign entities held at end of period	**$(249,660)**	**(2,311)**	**(251,971)**
Reclassification adjustments for the portion of gains and losses realized upon liquidation and sale of investments in foreign entities	**3,981**	**–**	**3,981**
Net foreign currency translation adjustments	**(245,679)**	**(2,311)**	**(247,990)**
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising for period	**8,358**	**(3,283)**	**5,075**
Minimum pension liability adjustments	**222,717**	**(88,887)**	**133,830**
Other comprehensive income (loss)	**$ (14,604)**	**(94,481)**	**(109,085)**

12. Leases

The companies occupy offices and other facilities under various cancellable lease agreements expiring in fiscal 2005 through 2006. Lease deposits made under such agreements, aggregating ¥2,079 million ($19,613 thousand) and ¥1,838 million, at March 31, 2004 and 2003, respectively, are included in other assets on the accompanying consolidated balance sheets.

The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of March 31, 2004:

	Yen (Millions)	U.S. Dollars (Thousands)
Year ending March 31,		
2005	¥ 3,347	$ 31,575
2006	2,444	23,057
2007	1,892	17,849
2008	1,266	11,943
2009	731	6,896
Later years	1,229	11,595
	¥10,909	$102,915

13. Commitments and Contingent Liabilities

At March 31, 2004, commitments outstanding for the purchase of property, plant and equipment approximated ¥8,846 million ($83,453 thousand). The Company has entered into several purchase agreements with certain suppliers whereby the Company committed to purchase minimum amount of raw materials to be used in the manufacture of its products. Future minimum purchase remaining under the agreements approximated ¥1,411 million ($13,311 thousand) at March 31, 2004.

The Company and certain of its subsidiaries provide guarantees to third parties of bank loans of its employees. The guarantees for the employees are principally made for their housing loans. For each guarantees issued, if the employees default on a payment, the Company would be required to make payments under its guarantees. The maximum amount of undiscounted payments the Company would have to make in the event of default is ¥6,605 million ($62,311 thousand) and ¥7,247 million at March 31, 2004 and 2003, respectively. As of March 31, 2004, the liability recognized for the Company's obligation under the guarantee arrangement is not material.

Several claims and legal actions against the Company and certain subsidiaries are pending. Provision has been made for the estimated liabilities for certain items. In the opinion of management, based upon discussion with counsel, any additional liability will not materially affect the consolidated financial position and results of operations of the Company.

14. Risk Management Activities and Derivative Financial Instruments

The Company and its subsidiaries operate internationally which exposes them to the risk of changes in foreign exchange rates and interest rates, and therefore utilize derivative financial instruments to reduce these risks. The Company and its subsidiaries do not hold or issue financial instruments for trading purposes. The Company is exposed to credit related losses in the event of nonperformance by the counterparties to those financial instruments, but does not expect any counterparties to fail to meet their obligations given their high credit ratings. The credit exposure of currency swaps, interest rate and currency swaps, forward foreign exchange contracts and currency option contracts is represented by the fair values of contracts.

The Company and one of its subsidiaries have currency swaps and interest rate and currency swaps with certain financial institutions to limit their exposure to fluctuations in foreign exchange rates and interest rates involved mainly in loans made by the Company to its subsidiaries in a total amount of ¥12,605 million ($118,915 thousand) and ¥13,794 million at March 31, 2004 and 2003, respectively. These swaps require the Company and the subsidiary to pay principally euros and U.S. dollars and to receive Japanese yen at a specified rate on specific dates. The remaining terms of these swaps range from one month to six months as of March 31, 2004. Gains or losses on interest and currency swaps and currency swaps are included in interest expense and foreign exchange gain (loss) in the consolidated statements of operations, respectively. The swap contracts are measured at fair value and are included in prepaid expenses and other current assets or other current liabilities, as the case may be, in the consolidated balance sheets.

Forward exchange contracts and currency option contracts have been entered into to hedge adverse effects of foreign currency exchange rate fluctuations mainly on foreign-currency-denominated trade receivables and foreign-currency-denominated forecasted transactions.

At March 31, 2004 and 2003, the Company and certain of its subsidiaries had forward exchange contracts to sell and buy foreign currencies (principally U.S. dollars and Japanese Yen) and currency option contracts for a contract amount of ¥18,638 million ($175,830 thousand) and ¥19,016 million, respectively. Gains or losses on forward exchange contracts and currency option contracts are included in foreign exchange gain (loss) in the consolidated statements of operations. These contracts are measured at fair value and are included in prepaid expenses and other current assets or other current liabilities, as the case may be, in the consolidated balance sheets.

15. Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of financial instruments in cases for which it is practicable:

(a) Cash and cash equivalents, Trade receivables, Other current assets, Short-term debt, Trade payables, Accrued salaries and wages, Accrued expenses, Income taxes payables and Other current liabilities.

The carrying amount approximates fair value because of the short maturity of these instruments.

(b) Marketable securities and Investments in securities

The fair values of marketable securities and investments in securities are estimated based on quoted market prices for these instruments. For other securities for which there are no quoted market prices, a reasonable estimate of fair values could not be made without incurring excessive costs. Additional information pertinent to the value of unquoted investments is provided below.

(c) Long-term debt

The fair values of each of the Company's long-term debts are estimated based on the amount of future cash flows associated with each instrument discounted using the Company's current borrowing rate for similar debt of comparable maturity, or based on the quoted market prices for the same or similar issues.

(d) Currency Swaps, Currency and Interest Rate Swaps, Forward Foreign Exchange Contracts and Foreign Currency Option Contracts

The fair values of currency swaps, currency and interest rate swaps, forward foreign exchange contracts and foreign currency option contracts are estimated by obtaining quotes from financial institutions.

The carrying amounts and estimated fair values of the Company's financial instruments at March 31, 2004 and 2003, are summarized as follows:

	Yen (Millions)				U.S. Dollars (Thousands)	
	2004		2003		2004	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Nonderivatives:						
Assets:						
Investments in securities and other assets for which it is:						
Practicable to estimate fair value	¥6,180	6,180	5,205	5,205	$58,302	58,302
Not practicable to estimate fair value	1,135	–	3,290	–	10,708	–
Liability:						
Long-term debt, including current portion	(128)	(128)	(582)	(582)	(1,208)	(1,208)
Derivatives:						
Currency and interest rate swaps in a:						
Gain position	287	287	6	6	2,708	2,708
Loss position	(35)	(35)	(293)	(293)	(330)	(330)
Forward foreign exchange contracts in a:						
Gain position	403	403	42	42	3,802	3,802
Loss position	(7)	(7)	(3)	(3)	(66)	(66)
Currency option contracts in a:						
Gain position	91	91	–	–	858	858

The carrying amounts of the nonderivative assets and liabilities are included in the consolidated balance sheets under the indicated captions. The carrying amounts of the currency swaps, the currency and interest rate swaps, forward foreign exchange contracts and foreign currency option contracts in a gain position are included in prepaid expenses and other current assets, while those in a loss position are included in other current liabilities.

It is not practicable to estimate the fair value of investments in untraded companies. Management believes that the carrying amounts approximate fair value.

Limitations

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

16. Restructuring Charges

During the year ended March 31, 2003, the Company recorded a restructuring charge of ¥5,345 million. As a result of the restructuring, a total of 1,302 regular employees were terminated through March 31, 2003. The Company and domestic subsidiaries released 237 employees in Japan and overseas subsidiaries released 1,065 employees mainly in the Americas and Europe. The Company recorded a workforce reduction charge of approximately ¥2,346 million relating primarily to severances. The Company recorded a restructuring charge of ¥2,999 million mainly relating to losses in the disposal of property, plant and equipment in Japan, in the Americas and in Europe.

The downturn in the U.S. economy from the fourth quarter ended March 31, 2001 and the recent reduction in IT investment volume on a world-wide basis had an adverse effect on the Company. Under the circumstances, the Company believes offering competitive pricing is essential to maintaining its advantageous position in the market of electronic components. Additionally, many of the Company's customers who manufacture consumer products have transferred their manufacturing facilities to Asian countries, in particular China. As a result, the Company, as a supplier of electronic components to these customers, will be required to transfer certain of its factories to these Asian countries in order to meet the customer's logistical needs. Given the global economic conditions, the Company decided to restructure its organization to improve its competitive and financial position on a world-wide basis. The structural reforms implemented over the past two years, including manufacturing plant integration and closure, reduction of headcount and other rationalization plans, have almost been accomplished on schedule through March 31, 2003.

During the year ended March 31, 2002, the Company recorded a restructuring charge of ¥25,872 million. As a result of the restructuring, a total of 5,066 regular employees were terminated across all business functions, operating units and geographic regions through March 31, 2002. The Company recorded a workforce reduction charge of approximately ¥19,884 million relating primarily to severances. In Japan, the Company released 853 employees and domestic subsidiaries released 1,709 employees.

Overseas subsidiaries released 2,504 employees mainly in the Americas and Asia (excluding Japan). The Company recorded a restructuring charge of ¥5,988 million mainly relating to losses in the disposal of property, plant and equipment in Japan and in the Americas. The Company reorganized several production lines to strengthen the competitive power of the existing plant in Asia.

Changes of the restructuring liabilities for the years ended March 31,2004 and 2003, are outlined as follows:

	Yen (Millions)					
	2004			2003		
	Workforce reduction	Loss on disposal of property, plant and equipment	Total	Workforce reduction	Loss on disposal of property, plant and equipment	Total
Beginning balance	**¥226**	**–**	**226**	11,272	–	11,272
Costs and expenses	**–**	**–**	**–**	2,346	2,999	5,345
Payments	**226**	**–**	**226**	13,392	2,999	16,391
Ending balance	**¥ –**	**–**	**–**	226	–	226

	U.S. Dollars (Thousands)		
Beginning balance	**$2,132**	**–**	**2,132**
Costs and expenses	**–**	**–**	**–**
Payments	**2,132**	**–**	**2,132**
Ending balance	**$ –**	**–**	**–**

Restructuring liabilities were included in Accrued expenses in the consolidated balance sheets as of March 31, 2003.

Through March 31,2003, the Company had paid ¥5,119 million of the ¥5,345 million restructuring charges. The Company paid all of the remaining restructuring costs by the end of first quarter of fiscal 2004.

17. Goodwill and Other Intangible Assets

The Company adopted Statement of Financial Accounting Standards No.142 (“SFAS 142”), “Goodwill and Other Intangible Assets”, effective April 1, 2001. Under SFAS 142, goodwill is no longer amortized but is reviewed for impairment annually, or more frequently if certain indicators arise. In addition, the statement requires reassessment of the useful lives of previously recognized intangible assets. With the adoption of SFAS 142, the Company ceased amortization of goodwill as of April 1, 2001. As of March 31, 2004 and 2003, the Company completed a goodwill impairment test. No impairment was indicated at that time.

The components of acquired intangible assets excluding goodwill at March 31, 2004 and 2003, are as follows:

	Yen (Millions)						U.S. Dollars (Thousands)		
	2004			2003			**2004**		
	Gross Carrying Amount	Accumulated Amortization	Net Amount	Gross Carrying Amount	Accumulated Amortization	Net Amount	Gross Carrying Amount	Accumulated Amortization	Net Amount
Amortized intangible assets:									
Patent	**¥10,349**	**1,259**	**9,090**	11,213	1,122	10,091	**$ 97,632**	**11,877**	**85,755**
Software	**7,359**	**4,207**	**3,152**	6,985	3,471	3,514	**69,425**	**39,689**	**29,736**
Other	**2,739**	**870**	**1,869**	2,235	692	1,543	**25,840**	**8,208**	**17,632**
Total	**20,447**	**6,336**	**14,111**	20,433	5,285	15,148	**192,897**	**59,774**	**133,123**
Unamortized intangible assets	**¥ 916**		**916**	1,270		1,270	**$ 8,641**		**8,641**

Aggregate amortization expense for the years ended March 31, 2004, 2003 and 2002 was ¥2,626 million ($24,774 thousand), ¥1,762 million and ¥1,394 million, respectively. Estimated amortization expense for the next five years is: ¥2,364 million in 2005, ¥2,198 million in 2006, ¥1,677 million in 2007, ¥1,316 million in 2008, and ¥1,093 million in 2009.

The changes in the carrying amount of goodwill by segment for the year ended March 31, 2004 is as follows:

	Yen (Millions)			U.S. Dollars (Thousands)		
	Electronic materials and components	Recording media and systems	Total	Electronic materials and components	Recording media and systems	Total
April 1, 2002	¥11,003	497	11,500			
Additions	3,553	–	3,553			
Translation adjustment	(922)	–	(922)			
March 31, 2003	**13,634**	**497**	**14,131**	**$128,623**	**4,689**	**133,312**
Additions	**76**	**–**	**76**	**717**	**–**	**717**
Deductions	**(2,128)**	**(497)**	**(2,625)**	**(20,076)**	**(4,689)**	**(24,765)**
Translation adjustment	**(1,553)**	**–**	**(1,553)**	**(14,651)**	**–**	**(14,651)**
March 31, 2004	**¥10,029**	**–**	**10,029**	**$ 94,613**	**–**	**94,613**

Goodwill deductions during the year ended March 31, 2004 consists of a reclassification to intangible assets in the amount of ¥1,006 million resulting from the finalization of the purchase price allocation of a subsidiary acquired in 2003, a reclassification to deferred income taxes in the amount of ¥1,122 million related to post-acquisition adjustment resulting from recognition of preacquisition tax benefits, and sale of a certain subsidiary in the amount of ¥497 million.

Goodwill addition during the year ended March 31, 2003 principally represents the excess of purchase price over the fair value of assets acquired and liabilities assumed for several immaterial acquisitions made during the year.

18. Net Income per Share

A reconciliation of the numerators and denominators of the basic and diluted net income per share computations is as follows:

	Yen (Millions)			U.S. Dollars (Thousands)
	2004	2003	2002	**2004**
Net income (loss) available to common stockholders	**¥42,101**	12,019	(25,771)	**$397,179**

	Number of shares (Thousands)		
	2004	2003	2002
Weighted average common shares outstanding	**132,475**	132,716	132,900
Effect of dilutive stock options	**48**	–	–
Diluted common shares outstanding	**132,523**	132,716	132,900

	Yen			U.S. Dollars
	2004	2003	2002	**2004**
Net income (loss) per share:				
Basic	**¥317.80**	90.56	(193.91)	**$3.00**
Diluted	**317.69**	90.56	(193.91)	**3.00**

19. Business and Credit Concentrations

One significant customer related to electronic materials and components business accounted for 12.1% of the Company's net sales for the year ended March 31, 2004 and 10.2% of trade receivables at March 31, 2004.

20. Supplementary Information

	Yen (Millions)			U.S. Dollars (Thousands)
	2004	2003	2002	**2004**
(a) Statement of Operations				
Research and development	**¥34,495**	31,862	38,630	**$325,425**
Rent	**8,230**	9,410	11,538	**77,642**
Maintenance and repairs	**12,184**	11,534	11,437	**114,943**
Advertising costs	**6,269**	5,546	10,489	**59,142**
(b) Statement of Cash Flows				
Cash paid during year for:				
Interest	**¥ 350**	646	1,162	**$ 3,302**
Income taxes	**¥ 4,299**	(1,270)	22,026	**$ 40,557**

Noncash activities

In 2004, 2003 and 2002, there were no material noncash investing and financing activities.