

**CONSOLIDATED FINANCIAL STATEMENTS  
TAMURA CORPORATION  
AS OF MARCH 31 , 2002 AND 2001**

**TAMURA CORPORATION AND ITS CONSOLIDATED SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
	March 31,		March 31,
	2002	2001	2002
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and time deposits (Note 2)	¥ 15,961	¥ 13,746	\$ 120,008
Securities in the current portfolio (Note 2)	-	4,932	-
Notes and accounts receivable-trade:			
Non-consolidated subsidiaries (and affiliates)	590	995	4,436
Other	21,755	24,600	163,572
Allowance for doubtful accounts	(133)	(43)	(1,000)
	22,212	25,552	167,008
Inventories (Note 4)	10,627	11,259	79,902
Deferred tax assets (Note 10)	800	717	6,015
Other current assets	1,531	3,615	11,511
Total current assets	51,131	59,821	384,444
<b>Investments and Other Assets:</b>			
Securities in the non-current portfolio (Note 3)	4,012	9,625	30,165
Investments in non-consolidated subsidiaries (and affiliates)	853	513	6,414
Deferred tax assets (Note 10)	3,036	1,562	22,827
Other assets	2,238	2,000	16,827
Total investments and other assets	10,139	13,700	76,233
<b>Property, Plant and Equipment (Note 5):</b>			
Land	6,248	6,445	46,977
Buildings and structures	13,160	13,264	98,947
Machinery and equipment	21,977	22,053	165,241
Construction in progress	687	198	5,165
	42,072	41,960	316,330
Accumulated depreciation	(23,374)	(23,798)	(175,744)
Net property, plant and equipment	18,698	18,162	140,586
Total assets	¥ 79,968	¥ 91,683	\$ 601,263

The accompanying Notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
	March 31,		March 31,
	2002	2001	2002
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current Liabilities:</b>			
Short-term loans (Note 5)	¥ 6,771	¥ 6,681	\$ 50,910
Current portion of long-term debt (Note 5)	3,466	10,372	26,060
Notes and accounts payable-trade:			
Non-consolidated subsidiaries (and affiliates)	417	138	3,135
Other	8,313	12,084	62,504
	<u>8,730</u>	<u>12,222</u>	<u>65,639</u>
Accrued income taxes	181	1,921	1,361
Deferred tax liabilities (Note 10)	9	6	68
Other current liabilities	5,336	4,976	40,120
Total current liabilities	<u>24,493</u>	<u>36,178</u>	<u>184,158</u>
<b>Long-term Debt (Note 5)</b>	12,714	9,676	95,594
<b>Reserve for retirement benefits (Note 6)</b>	1,460	1,542	10,977
<b>Accrued severance indemnities for directors</b>	449	489	3,376
<b>Deferred tax liabilities (Note 10)</b>	71	26	534
<b>Other Long-term Liabilities</b>	1,207	433	9,075
<b>Contingent Liabilities (Note 13)</b>			
<b>Minority interest in consolidated subsidiaries</b>	142	92	1,068
<b>Shareholders' Equity (Note 7)</b>			
Common stock:	11,829	11,829	88,940
Authorized - 252,000,000 shares			
Issued and outstanding - 75,067,736 shares			
Additional paid-in capital	15,341	15,341	115,346
Retained earnings	12,955	17,601	97,406
Unrealized gain on securities	84	-	631
Translation adjustments	(702)	(1,524)	(5,278)
	<u>39,507</u>	<u>43,247</u>	<u>297,045</u>
Treasury stock, at cost (Note 8)	(75)	(0)	(564)
Total shareholders' equity	<u>39,432</u>	<u>43,247</u>	<u>296,481</u>
Total liabilities, minority interest in consolidated subsidiaries and shareholders' equity	<u>¥ 79,968</u>	<u>¥ 91,683</u>	<u>\$ 601,263</u>

The accompanying Notes are an integral part of these statements.

**TAMURA CORPORATION AND ITS CONSOLIDATED SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS**

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
	March 31,		March 31,
	2002	2001	2002
<b>Net sales</b>	¥ 69,204	¥ 84,498	\$ 520,331
<b>Operating cost and expenses:</b>			
Cost of sales	56,097	67,962	421,782
Selling, general and administrative expenses (Note 9)	12,371	11,908	93,015
	<u>68,468</u>	<u>79,870</u>	<u>514,797</u>
Operating income	736	4,628	5,534
<b>Other income (expenses):</b>			
Interest and dividend income	215	295	1,617
Interest expenses	(716)	(740)	(5,384)
Gain on sales of securities	12	810	90
Exchange gain	1,009	1,604	7,586
Write-down of other securities	(3,632)	(203)	(27,308)
Investment profit due to equity method	-	197	-
Loss on sales of non-consolidated subsidiary's and affiliate's securities	( - )	(724)	( - )
Recognition of net transition obligation expense	(492)	(3,238)	(3,699)
Gain(loss) on setting up the trust for retirement benefits	(367)	1,541	(2,759)
Other, net	(1,692)	(1,020)	(12,722)
	<u>(5,663)</u>	<u>(1,478)</u>	<u>(42,579)</u>
Income (loss) before income taxes	(4,927)	3,150	(37,045)
<b>Income taxes (Note 10)</b>			
Current	495	3,126	3,722
Deferred	(1,517)	(1,200)	(11,406)
<b>Minority interest in loss of consolidated subsidiary</b>	4	0	30
Net income (loss)	(3,901)	1,224	(29,331)
<b>Retained earnings:</b>			
At beginning of year	17,601	17,361	132,338
Increase arising from the addition of consolidated subsidiaries	28	-	211
Decrease arising from the deconsolidation of consolidated subsidiaries	(210)	( - )	(1,579)
Disposal of treasury stock due to profit	( - )	(427)	( - )
Cash dividends paid	(450)	(452)	(3,383)
Bonuses to directors and statutory auditors	(113)	(105)	(850)
At end of year	<u>¥ 12,955</u>	<u>¥ 17,601</u>	<u>\$ 97,406</u>
	<u>yen</u>		<u>U.S. dollars</u>
<b>Per share:</b>			
Primary net income (loss)	¥(52.10)	¥16.29	\$(0.39)
Fully diluted net income	(52.10)	15.22	(0.39)
Cash dividends per share	6.00	6.00	0.05

The accompanying Notes are an integral part of these statements.

**TAMURA CORPORATION AND ITS CONSOLIDATED SUBSIDIARIE**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

	Millions of yen		Thousands of U.S. dollars (Note 1(a))
	March 31,		March 31,
	2002	2001	2002
<b>Cash flows from operating activities:</b>			
Income (loss) before income taxes	¥ (4,927)	¥ 3,150	\$ (37,045)
Depreciation	2,368	2,386	17,805
Increase (decrease) in reserve for retirement benefits	(121)	570	(910)
Increase in allowance for doubtful accounts	48	178	361
Write-down of investments in securities	3,632	203	27,308
Interest and dividend income	(216)	(296)	(1,624)
Interest expenses	716	740	5,383
Exchange gain	(277)	(1,010)	(2,083)
Gain on sales of marketable securities and investments in securities	(12)	(810)	(90)
Bonuses to directors and statutory auditors	(112)	(104)	(842)
Investment profit due to equity method	( - )	(197)	( - )
Decrease in trade receivable	5,628	910	42,316
(Increase) decrease in inventories	1,319	(2,114)	9,917
Decrease in trade payable	(5,584)	(672)	(41,985)
Other, net	3,348	1,324	25,173
	<u>5,810</u>	<u>4,258</u>	<u>43,684</u>
Interest and dividend received	411	225	3,090
Interest paid	(710)	(747)	(5,338)
Income taxes paid	(2,563)	(2,075)	(19,271)
Net cash provided by operating activities	<u>2,948</u>	<u>1,661</u>	<u>22,165</u>
<b>Cash flows from investing activities:</b>			
Acquisition of tangible fixed assets	(2,835)	(3,753)	(21,316)
Proceeds from sale of tangible fixed assets	182	885	1,369
Increase in investments in securities	(3,117)	(4,086)	(23,436)
Proceeds from sale of investments in securities	4,401	6,620	33,090
Other, net	145	2,933	1,090
Net cash used in investing activities	<u>(1,224)</u>	<u>2,599</u>	<u>(9,203)</u>
<b>Cash flows from financing activities:</b>			
Increase in short-term loans	28	1,561	210
Proceeds from long-term debt	5,194	5,308	39,053
Repayment of long-term debt	(1,665)	(5,551)	(12,519)
Acquisition of treasury stock	(79)	(427)	(594)
Cash dividends paid	(448)	(452)	(3,368)
Proceeds from bond issuance	1,449	-	10,895
Redemption of convertible bond	(9,342)	-	(70,241)
Other, net	4	(13)	30
Net cash used in financing activities	<u>(4,859)</u>	<u>426</u>	<u>(36,534)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	238	189	1,790
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(2,897)</u>	<u>4,875</u>	<u>(21,782)</u>
<b>Cash and cash equivalents at beginning of year</b>	18,211	13,962	136,925
<b>Increase in cash and cash equivalents of newly consolidated subsidiaries</b>	466	-	3,504
<b>Decrease in cash and cash equivalents arising from the deconsolidation of consolidated subsidiary</b>	(21)	(626)	(158)
<b>Cash and cash equivalents at end of year (Note 3)</b>	<u>¥ 15,759</u>	<u>¥ 18,211</u>	<u>\$ 118,489</u>

The accompanying Notes are an integral part of these statements.

# TAMURA CORPORATION AND ITS CONSOLIDATED SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. Significant Accounting Policies

#### (a) Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared from the accounts maintained by Tamura Corporation and its consolidated subsidiaries (the "Companies") 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, which are different in certain respects as to application and disclosure requirements from International Accounting Standards.

Certain items presented in the consolidated financial statements submitted to the Director of Kanto Finance Bureau in Japan have been reclassified for the convenience of readers outside Japan.

The consolidated financial statements are not intended to present the consolidated financial position and results of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Amounts in U.S. dollars are included solely for the conveniences of readers outside Japan. The rate of ¥133= U.S.\$1, the rate of exchange on March 31, 2002 has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at the rate or any other rate.

#### (b) Principles of Consolidation

The consolidated financial statements include the accounts of Tamura Corporation (the "Company") and, with exceptions which are not material, those of its 24 majority owned subsidiaries. All significant inter-company accounts and transactions have been eliminated on consolidation.

Investments in non-consolidated subsidiaries have been carried at cost, since their total assets, net sales and the Company's equity in their net income (loss), or retained earnings, in aggregate, do not have material effects on the consolidated financial statements.

Foreign currency financial statements have been translated into yen at the appropriate year-end current rate except for common stock, capital surplus and certain other inter-company accounts. Translation difference resulting therefrom have been deferred and are reflected in the accompanying consolidated balance sheets as "Translation adjustments".

### (c) Financial instruments

#### (1) Derivatives

All derivatives are stated at fair value, with changes in fair value included in net profit or loss for the period in which they arise, except for derivatives that are designated as “hedging instruments” (see (3) Hedge accounting below).

#### (2) Securities

Securities held by the Companies are classified as follows;

At March 31, 2001, other securities with market values and without market values are stated moving average cost, except as stated in the paragraph below.

In cases where the fair value of held-to-maturity debt securities, equity securities issued by non-consolidated subsidiaries and affiliates, or other securities has declined significantly and such impairment of the value is not deemed temporary, those securities are written down to the fair value and the resulting losses are included in net profit or loss for the period.

Effective April 1, 2001, the Companies adopted the new Japanese Accounting Standards for Financial Instruments. Under the new standards, other securities with market values are stated at fair value. Net unrealized gains and losses on these securities are reported as a separate component in shareholders' equity at a net-of-tax amount.

As a result of adoption of the new standard, “Net unrealized gains on other securities”, included in “Shareholders' equity”, increased by ¥84 million (\$631 thousand) and “Deferred tax assets”, included under “Investment securities and other assets”, decreased by ¥60 million (\$451 thousand).

#### (3) Hedge accounting

Gains or losses arising from changes in fair value of the derivatives designated as “hedging instruments” are deferred as assets or liabilities and included in net profit or loss in the same period during which the gains and losses on the hedged items or transactions are recognized.

The derivatives designated as hedging instruments by the Companies are principally interest swaps and forward exchange contracts. The related hedged items are trade accounts payable and long-term bank loan.

The Companies have a policy to utilize the above hedging instruments in order to reduce the Companies' exposure to the risk of exchange rate and interest rate fluctuation. Thus, the Companies' purchases of the hedging instruments are limited to, at maximum, the amount of the hedged items.

The Companies evaluate effectiveness of its hedging activities by reference to the accumulated gains or losses on the hedging instruments and the related hedged items from the commencement of the hedges.

(d) Allowance for doubtful accounts

Allowance for doubtful accounts is provided principally at an estimated amount of uncollectible receivable at the balance sheet date plus the maximum amount permitted to be charged to income.

(e) Inventories

Inventories are stated at cost, the cost of finished goods and work-in process being principally determined by the retail method and the cost of other inventories being determined by the latest purchase cost method.

(f) Property, plant and equipment, and depreciation

Property, plant and equipment, including significant renewals and additions, are stated at cost and have been principally depreciated by the declining-balance method at rates based on the estimated useful lives of the assets. Repairs and maintenance expenses are charged to income as incurred.

(g) Reserve for retirement benefits

The reserve for retirement benefits represents the estimated present value of projected benefit obligations in excess of the fair value of the plan assets except, as permitted under the new standard, the unrecognized transitional liability arising from adoption of the new standard of ¥5,202 million (\$39,113 thousand), the unrecognized prior service costs and unrecognized actuarial differences are accounted for as follows:

A part of the unrecognized transitional liability arising from adoption of the new standard (¥2,740 million (\$20,602 thousand)) was amortized by setting up the trust which was used only for retirement benefits in 2001. The rest of this (¥2,462 million (\$18,511 thousand)) is amortized on a straight-line basis over 5 years. The unrecognized prior service costs are amortized on straight-line basis over the period of 6 ~ 12 years from the year in which they arise, and the unrecognized actuarial differences are amortized on straight-line basis over the period of 6 ~ 12 years from the next year in which they arise.

(h) Accrued severance indemnities for directors and statutory auditors

The Company and a part of its consolidated subsidiaries provide for severance indemnities for directors and statutory auditors at an amount which would be required in accordance with their rules for directors' and statutory auditors' severance indemnities, if they retired at the balance sheet date.

(i) Lease

Leases that transfer substantially all the risks and rewards of ownership of the assets are accounted for as capital leases, except that leases which do not transfer ownership of the assets at the end of the lease term are accounted for as operating leases, in accordance with accounting principles and practices generally accepted in Japan.

(j)Income taxes

Income taxes of the Company and its domestic subsidiaries consist of corporate income taxes, local inhabitants taxes and enterprise taxes.

Income taxes were determined using the assets and liabilities approach, whereby deferred tax assets and liabilities were recognized in respect of temporary differences between the tax basis of assets and liabilities and those as reported in the financial statements.

Deferred tax assets relating to tax loss carryforwards are recorded because the Japanese accounting standard requires that the benefit of tax loss carryforwards be estimated and recorded as assets, with deduction of a valuation allowance if it is expected that some portion or all of the deferred tax assets will not be realized.

(k)Foreign currency translation

All monetary assets and liabilities denominated in foreign currencies, whether long-term or short-term, are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting gains and losses are included in net profit or loss for the period.

(l)Net income per share

Primary net income per share of common stock is computed on the basis of the weighted average number of shares of common stock outstanding during the respective years. The fully diluted net income per share calculation assumes conversion of all convertible bonds outstanding with related reduction in interest expenses. Cash dividends per share represent the dividends declared as applicable to the respective period.

(m)Income of technical assistance

Income of technical assistance which was formerly included in other income, is to be included in net sales from the year ended March 31, 2002. This change indicates recognizing that technical assistance is now one of the main operating activities of the Company and a part of its consolidated subsidiaries, which drives the expansion of the foreign subsidiaries' activities. As a result of this change, net sales and operating income have increased by ¥100 million (\$752 thousand), as compared with the amount which would have been reported if the previous standard had been applied consistently, where as income (loss) before income taxes has not changed.

(n)Reclassifications

Certain reclassifications of the financial statements and related footnote amounts in the years ended March 31, 2001 and 2000 have been made to conform to the presentation in the year ended March 31, 2002.

## 2. Cash and cash equivalents

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

At March 31, cash and cash equivalents consisted of:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Cash and time deposits	¥ 15,961	¥ 13,746	\$ 120,008
Securities in the current portfolio	-	4,932	-
Total	15,961	18,678	120,008
Time deposits with deposit term of over 3 months	(202)	(467)	(1,519)
Cash and cash equivalents	¥ 15,759	¥ 18,211	\$ 118,489

## 3. Securities

At March 31, securities in the current portfolio and in the non-current portfolio consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Other securities for which market quotation is available			
At cost	¥ 3,228	¥ 8,924	\$ 24,271
Fair value	3,372	8,379	25,354
Net	144	(545)	1,083
Other securities without market quotation:			
Unlisted securities	237	245	1,782
MMF	-	1,560	-
Funds of intermediate government bonds	-	2,270	-
Free financial funds	-	1,101	-
Others	403	457	3,030
Total	¥ 640	¥ 5,633	\$ 4,812

Other securities which the Companies sold during this consolidated fiscal year:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Sales value	¥ 14,587	¥ 14,583	\$ 109,677
Gain on sales	36	2,501	271
Loss on sales	461	150	3,466

#### 4. Inventories

At March 31, inventories consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Merchandise	¥ 973	¥ 1,170	\$ 7,316
Finished goods	2,402	2,621	18,060
Work in process	2,822	2,974	21,218
Raw materials and supplies	4,430	4,494	33,308
Total	¥ 10,627	¥ 11,259	\$ 79,902

#### 5. Short-term Loans and Long-term Debt

Short-term loans at March 31, 2002 and 2001 were principally bank overdrafts and short-term notes bearing interest at annual rates ranging from 0.49 per cent. to 7.85 per cent.

At March 31, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
2.1 per cent. convertible bonds due 2002 convertible currently at ¥720 per share	¥ -	¥ 9,342	\$ -
1.7 per cent. mortgage bonds due 2003	500	500	3,759
1.2 per cent. mortgage bonds due 2003	500	500	3,759
0.95 per cent. straight bonds due 2007	1,500	-	11,279
Loans, principally from banks, bearing interest at annual rates ranging from 0.525 per cent to 7.675 per cent.	13,680	9,706	102,857
	16,180	20,048	121,654
Less: current portion	(3,466)	(10,372)	(26,060)
Total	¥ 12,714	¥ 9,676	\$ 95,594

The aggregate annual maturities of long-term debt at March 31, 2002 were as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31, 2004	¥ 2,181	\$ 16,399
2005	212	1,594
2006	5,101	38,353
After 2007	5,220	39,248

At March 31, 2002, the following assets were pledged as collateral for long-term debt:

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Buildings and structures	¥ 1,003	\$ 7,541
Land	994	7,474

## 6. Retirement benefit plan

The Company and a part of consolidated subsidiaries have defined benefit retirement plans covering substantially all employees. Benefits under the plans are covered by two plans. One is governed by the regulations of the Japanese Welfare Pension Insurance Law, and the other is severance indemnities by Companies.

The reserve for retirement benefits as of March 31, is analyzed as follows:

	<u>Millions of yen</u>		<u>Thousands of U.S. dollars</u>
	<u>2002</u>	<u>2001</u>	<u>2002</u>
Projected benefit obligations	¥ 15,829	¥ 14,882	\$ 119,015
Plan assets	<u>8,582</u>	<u>8,457</u>	<u>64,526</u>
	7,247	6,425	54,489
Unrecognized transition amount	1,476	2,001	11,098
Unrecognized prior service cost	(396)	(430)	(2,977)
Unrecognized actuarial differences	<u>4,707</u>	<u>3,312</u>	<u>35,391</u>
	<u>¥ 1,460</u>	<u>¥ 1,542</u>	<u>\$ 10,977</u>

(Notes: The above table includes the amounts related to the portion subject to the Japanese Welfare Pension Insurance Law.)

Net pension expense related to the retirement benefits for the year ended March 31, 2002 and 2001, were as follows:

	<u>Millions of yen</u>		<u>Thousands of U.S. dollars</u>
	<u>2002</u>	<u>2001</u>	<u>2002</u>
Service cost	¥ 683	¥ 638	\$ 5,135
Interest cost	412	437	3,098
Expected return on plan assets	(253)	(258)	(1,902)
Recognition of net transition obligation expense	492	3,238	3,699
Amortization of prior service cost	(39)	-	(293)
Amortization of actuarial differences	<u>283</u>	<u>-</u>	<u>2,128</u>
Net pension expense	<u>¥ 1,578</u>	<u>¥ 4,055</u>	<u>\$ 11,865</u>

Assumptions used in calculation of the above information were as follows:

	<u>2002</u>	<u>2001</u>
Discount rate	3.0%	3.0%
Expected rate of return on plan assets	3.0%	3.5%
Method of attributing the projected benefits to periods of services	straight-line basis	straight-line basis
Amortization of prior service cost	6 ~ 12 years	5 ~ 12 years
Amortization of transition amount	5 years	5 years
Amortization of actuarial differences	6 ~ 12 years	5 ~ 12 years

## 7.Shareholders' equity

The Commercial Code of Japan provides that:

- (a) Upon a resolution of the Board of Directors, appropriations of interim cash dividends and the related transfer to the legal earned reserve as described in (c) below, can be made from unappropriated retained earnings brought forward;
- (b) All other appropriations of retained earnings, including year end dividends and bonuses to directors and statutory auditors, require approval by the shareholders at the General Meeting of Shareholders; and
- (c) An amount equal to at least 10 per cent of cash dividends and other cash distributions paid by the Company from retained earnings must be appropriated from retained earnings as a legal earned reserve; no further appropriation is required when the combined amount of capital reserve and the legal earned reserve pursuant to the Japanese Commercial Code equals 25 per cent of stated capital.

In accordance with customary practice in Japan, appropriations of retained earnings are recorded in the accounting period in which shareholders' approval is obtained. The fiscal year ended March 31, 2002 appropriation of retained earnings of the Company, which was approved at the General Meeting of Shareholders held in June 27, 2002, is presented below:

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Appropriation for:		
Legal reserve	¥ -	\$ -
Cash dividends	224	1,684
Bonuses to directors and statutory auditors	-	-

## 8. Treasury stocks

The Company has acquired treasury stocks of 196,329 shares and 1,760 shares for the fiscal year ended March 31, 2002 and 2001, respectively in order to prepare principally for exercising stock options granted to certain directors and certain employees with the approval of the ordinary shareholders' meetings.

The amount of treasury stocks is stated at cost and is presented as a separate deduction item in the shareholders' equity.

Effective from October 1, 2001, the Company is allowed to acquire its own shares to the extent that the aggregate cost of treasury stocks does not exceed the maximum amount available for dividends. On June 27, 2002, the ordinary shareholders' meeting has approved to acquire its own shares with a limit of 4,000,000 shares of which amount is limited to ¥1,400 million (\$10,526 thousand) until the date of next ordinary shareholders' meeting.

## 9. Research and development expenditures

Total of research and development expenditures included in selling, general and administrative expenses amounted to ¥772 million (\$ 5,805 thousand) in the year ended March 31, 2002 and ¥1,001 million in the year ended March 31, 2001.

## 10. Income taxes

The effective statutory tax rate used for calculating deferred tax assets and deferred tax liabilities as of March 31, 2002 and 2001, was 42.0%.

At March 31, significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of
	2002	2001	U.S. dollars
Deferred tax assets:			2002
Accrued bonuses	¥ 224	¥ 249	\$ 1,684
Accrued enterprise taxes	9	205	68
Reserve for retirement benefits	2,079	1,832	15,632
Unrealized earnings	237	81	1,782
Tax loss carryforwards	959	200	7,210
Loss on setting up the trust for retirement benefits	154	-	1,158
Other	1,700	701	12,782
Total	5,362	3,268	40,316
Valuation allowance	(844)	(342)	(6,346)
Deferred tax assets	¥ 4,518	¥ 2,926	\$ 33,970
Deferred tax liabilities:			
Gain on setting up the trust for retirement benefits	¥ 647	¥ 647	\$ 4,865
Other	116	32	872
Total deferred tax liabilities	763	679	5,737
Net deferred tax assets	¥ 3,755	¥ 2,247	\$ 28,233

At March 31, the reconciliation of the statutory tax rate to the effective income tax rate is as follows:

	<u>2001</u>
Statutory tax rate	42.0 %
Increase (decrease) in taxes resulting from	
Permanent differences	1.2
Loss on sales of subsidiary's securities in the consolidated financial statements	8.0
Other	9.9
Effective income tax rate	<u>61.1 %</u>

The year ended March 31, 2002, the reconciliation of the statutory tax rate to the effective income tax rate is not presented because a result of making a loss before income taxes.

### 11. Leases

Pro forma information regarding the leased property such as acquisition cost and accumulated depreciation under the Companies' finance leases that do not transfer the ownership of the leased property to the lessee for the years ended March 31, 2002 and 2001 were as follows:

	<u>Millions of yen</u>		<u>Thousands of U.S. dollars</u>
	<u>2002</u>	<u>2001</u>	<u>2002</u>
Structures and machinery and equipment			
Cost	¥ 1,966	¥ 2,059	\$ 14,782
Accumulated depreciation	<u>1,404</u>	<u>1,149</u>	<u>10,556</u>
Net amount	<u>¥ 562</u>	<u>¥ 910</u>	<u>\$ 4,226</u>

The following is a schedule of the future minimum lease payments under such lease contracts as of March 31:

	<u>Millions of yen</u>		<u>Thousands of U.S. dollars</u>
	<u>2002</u>	<u>2001</u>	<u>2002</u>
Due within one year	¥ 326	¥ 391	\$ 2,451
Due over one year	<u>256</u>	<u>544</u>	<u>1,925</u>
	<u>¥ 582</u>	<u>¥ 935</u>	<u>\$ 4,376</u>

Total lease expenses under finance lease for the years ended March 31, 2002 and 2001 were as follows.

	<u>Millions of yen</u>		<u>Thousands of U.S. dollars</u>
	<u>2002</u>	<u>2001</u>	<u>2002</u>
Lease rental expenses	¥ 419	¥ 434	\$ 3,150
Depreciation cost	394	407	2,962
Interest expense	19	26	143

## 12. Derivative financial instruments

The Companies do not hold or issue derivatives for trading purposes and it is the Companies' policy to use derivatives only for the purpose of reducing market risks and financing costs in accordance with internal criteria.

The Companies do not anticipate any losses resulting from default of the counterparties as they are limited to major financial institutions with sound operational foundations.

## 13. Contingent Liabilities

The Companies were contingently liable for notes discounted with banks in the ordinary course of business in the amount of ¥120 million (\$902 thousand) at March 31, 2002. In addition, the Companies were contingently liable as guarantor of borrowings, principally by non-consolidated subsidiaries, in the amount of ¥854 million (\$6,421 thousand) at March 31, 2002.

## 14. Segment Information

(a) Industry segments:

The operations of the Companies for the years ended March 31, 2002 and 2001 were summarized by business group as follows:

	Year ended March 31, 2002						Consoli - dated
	Millions of yen						
	Information/ Communi - cation equipment	Electronic components and Power supplies	Electro - chemical materials and Soldering systems	Other	Corporate and Elimination		
Sales and operating revenue							
Sales- Customers	¥ 6,202	¥ 42,260	¥ 20,715	¥ 27	¥ -	¥ 69,204	
Inter-segment	-	329	10	538	(877)	-	
	6,202	42,589	20,725	565	(877)	69,204	
Operating costs and expenses	5,862	42,822	17,634	581	1,569	68,468	
Operating income (loss)	¥ 340	¥ (233)	¥ 3,091	¥ (16)	¥ (2,446)	¥ 736	
Identifiable assets	¥ 3,212	¥ 32,496	¥ 24,692	¥ 319	¥ 19,249	¥ 79,968	
Depreciation and amortization	¥ 87	¥ 1,425	¥ 769	¥ 0	¥ 87	¥ 2,368	
Capital expenditures	¥ 106	¥ 1,240	¥ 1,351	¥ -	¥ 116	¥ 2,813	

		Year ended March 31, 2001					
		Millions of yen					
	Information/ Communi - cation equipment	Electronic components and Power supplies	Electro - chemical materials and Soldering systems	Other	Corporate and Elimination	Consoli - dated	
Sales and operating revenue							
Sales- Customers	¥ 5,488	¥ 54,026	¥ 24,958	¥ 26	¥ -	¥ 84,498	
Inter-segment	-	149	6	644	(799)	-	
	5,488	54,175	24,964	670	(799)	84,498	
Operating costs and expenses	5,617	51,384	20,760	664	1,445	79,870	
Operating income (loss)	¥ (129)	¥ 2,791	¥ 4,204	¥ 6	¥ (2,244)	¥ 4,628	
Identifiable assets	¥ 4,289	¥ 37,421	¥ 25,277	¥ 331	¥ 24,365	¥ 91,683	
Depreciation and amortization	¥ 102	¥ 1,537	¥ 633	¥ 0	¥ 114	¥ 2,386	
Capital expenditures	¥ 67	¥ 2,874	¥ 886	¥ -	¥ 71	¥ 3,898	
		Year ended March 31, 2002					
		Thousands of U.S. dollars					
	Information/ Communi - cation equipment	Electronic components and Power supplies	Electro - chemical materials and Soldering systems	Other	Corporate and Elimination	Consoli - dated	
Sales and operating revenue							
Sales- Customers	\$ 46,632	\$ 317,744	\$ 155,752	\$ 203	\$ -	\$ 520,331	
Inter-segment	-	2,474	75	4,045	(6,594)	-	
	46,632	320,218	155,827	4,248	(6,594)	520,331	
Operating costs and expenses	44,075	321,970	132,586	4,368	11,798	514,797	
Operating income (loss)	\$ 2,557	\$ (1,752)	\$ 23,241	\$ (120)	\$ (18,392)	\$ 5,534	
Identifiable assets	\$ 24,150	\$ 244,331	\$ 185,654	\$ 2,399	\$ 144,729	\$ 601,263	
Depreciation and amortization	\$ 654	\$ 10,715	\$ 5,782	\$ 0	\$ 654	\$ 17,805	
Capital expenditures	\$ 797	\$ 9,323	\$ 10,158	\$ -	\$ 872	\$ 21,150	

(b)Geographic areas:

The operations of the Companies for the years ended March 31, 2002 and 2001 were summarized by geographic areas as follows:

Year ended March 31, 2002						
Millions of yen						
	Japan	Asia	Europe	North and South America	Corporate and Elimination	Consoli - dated
Sales and operating revenue						
Sales- Customers	¥ 35,289	¥ 25,681	¥ 5,134	¥ 3,100	¥ -	¥ 69,204
Inter-segment	6,026	6,867	774	10	(13,677)	-
	41,315	32,548	5,908	3,110	(13,677)	69,204
Operating costs and expenses	38,327	31,486	6,465	3,377	(11,187)	68,468
Operating income	¥ 2,988	¥ 1,062	¥ (557)	¥ (267)	¥ (2,490)	¥ 736
Identifiable assets	¥ 46,416	¥ 22,723	¥ 3,676	¥ 1,439	¥ 5,714	¥ 79,968
Year ended March 31, 2001						
Millions of yen						
	Japan	Asia	Europe	North and South America	Corporate and Elimination	Consoli - dated
Sales and operating revenue						
Sales- Customers	¥ 43,704	¥ 28,361	¥ 8,793	¥ 3,640	¥ -	¥ 84,498
Inter-segment	6,268	11,322	1,068	15	(18,673)	-
	49,972	39,683	9,861	3,655	(18,673)	84,498
Operating costs and expenses	45,927	37,066	9,666	3,589	(16,378)	79,870
Operating income	¥ 4,045	¥ 2,617	¥ 195	¥ 66	¥ (2,295)	¥ 4,628
Identifiable assets	¥ 54,401	¥ 19,732	¥ 4,514	¥ 1,077	¥ 11,959	¥ 91,683

Year ended March 31, 2002						
Thousands of U.S. dollars						
	Japan	Asia	Europe	North and South America	Corporate and Elimination	Consolidated
Sales and operating revenue						
Sales- Customers	\$ 265,331	\$ 193,090	\$ 38,602	\$ 23,308	\$ -	\$ 520,331
Inter-segment	45,308	51,632	5,819	75	(102,834)	-
	<u>310,639</u>	<u>244,722</u>	<u>44,421</u>	<u>23,383</u>	<u>(102,834)</u>	<u>520,331</u>
Operating costs and expenses	<u>288,173</u>	<u>236,737</u>	<u>48,609</u>	<u>25,391</u>	<u>(84,113)</u>	<u>514,797</u>
Operating income	<u>\$ 22,466</u>	<u>\$ 7,985</u>	<u>\$ (4,188)</u>	<u>\$ (2,008)</u>	<u>\$ (18,721)</u>	<u>\$ 5,534</u>
Identifiable assets	\$ 348,992	\$ 170,850	\$ 27,639	\$ 10,820	\$ 42,962	\$ 601,263

Total amounts of export by domestic operations and sales by overseas branches and subsidiaries for the years ended March 31, 2002 and 2001, were as follows:

Year ended March 31, 2002					
Millions of yen					
	Asia	Europe	North and South America	Other	Total
Export sales	¥ 27,665	¥ 5,002	¥ 4,187	¥ 5	¥ 36,859
Consolidated sales					69,204
Percentage of export sales over consolidated sales	<u>40.0%</u>	<u>7.2%</u>	<u>6.1%</u>	<u>0.0%</u>	<u>53.3%</u>

  

Year ended March 31, 2001					
Millions of yen					
	Asia	Europe	North and South America	Other	Total
Export sales	¥ 31,326	¥ 8,588	¥ 6,964	¥ 5	¥ 46,883
Consolidated sales					84,498
Percentage of export sales over consolidated sales	<u>37.1%</u>	<u>10.2%</u>	<u>8.2%</u>	<u>0.0%</u>	<u>55.5%</u>

Year ended March 31, 2002

Thousands of U.S. dollars

	Asia	Europe	North and South America	Other	Total
Export sales	\$ 208,007	\$ 37,609	\$ 31,481	\$ 38	\$ 277,135
Consolidated sales					520,331
Percentage of export sales over consolidated sales	40.0%	7.2%	6.1%	0.0%	53.3%