
Trusco Nakayama Corporation

*Non-Consolidated Financial Statements for the
Years Ended March 31, 2002 and 2001, and
Independent Auditors' Report*

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Trusco Nakayama Corporation:

We have examined the non-consolidated balance sheets of Trusco Nakayama Corporation as of March 31, 2002 and 2001, and the related non-consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the non-consolidated financial statements referred to above present fairly the financial position of Trusco Nakayama Corporation as of March 31, 2002 and 2001, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan consistently applied during the period except for the changes, with which we concur, in the accounting for sales discounts and purchase discounts as discussed in Note 3.

As described in Note 2, effective April 1, 2000, the non-consolidated financial statements have been prepared in accordance with a new accounting standard for employee's retirement benefits.

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

June 14, 2002

Trusco Nakayama Corporation

Non-Consolidated Balance Sheets March 31, 2002 and 2001

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)	LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2002	2001	2002		2002	2001	2002
CURRENT ASSETS:				CURRENT LIABILITIES:			
Cash and cash equivalents	¥ 6,822	¥ 4,598	\$ 51,290	Notes payable - trade (Note 12)	¥ 14,399	¥ 16,646	\$ 108,262
Marketable securities (Note 4)	15	360	113	Accounts payable - trade (Note 12)	8,010	10,134	60,222
Short-term investments (Note 5)	40	80	301	Other payables	895	1,190	6,728
Notes receivable - trade	25,127	30,990	188,928	Income taxes payable	543	2,457	4,087
Accounts receivable - trade (Note 12)	13,551	15,678	101,887	Accrued expenses	569	792	4,282
Inventories (Note 6)	12,356	11,082	92,899	Other current liabilities	84	76	630
Deferred tax assets (Note 11)	321	462	2,413				
Other current assets	242	354	1,818	Total current liabilities	24,500	31,295	184,211
Allowance for doubtful accounts	(63)	(114)	(471)				
Total current assets	58,411	63,490	439,178	LONG-TERM LIABILITIES:			
PROPERTY, PLANT AND EQUIPMENT:				Retirement benefits for directors and corporate auditors (Note 9)	489	428	3,674
Land (Note 7)	7,854	8,862	59,056	Employees' retirement benefits (Note 8)	102		766
Buildings and structures	12,435	11,233	93,496	Other	137	117	1,029
Machinery and equipment	2,670	3,540	20,064	Total long-term liabilities	728	545	5,469
Construction in progress	57	82	430				
Total	23,016	23,717	173,046	SHAREHOLDERS' EQUITY (Notes 10 and 13):			
Accumulated depreciation	(7,429)	(7,623)	(55,851)	Common stock - authorized, 57,190,000 shares in 2002 and 2001; issued, 33,004,372 shares in 2002 and 2001; and outstanding, 33,003,506 in 2002 and 33,004,372 in 2001	5,022	5,022	37,762
Net property, plant and equipment	15,587	16,094	117,195	Additional paid-in capital	4,710	4,710	35,413
OTHER ASSETS:				Legal reserve	1,256	1,256	9,441
Investments in subsidiary and affiliate (Note 11)	99	153	744	Land revaluation difference (Note 7)	(992)		(7,462)
Investment securities (Note 4)	778	1,341	5,850	Retained earnings	42,014	39,779	315,892
Long-term receivables	143	199	1,076	Unrealized gain on available-for-sale securities	44	11	332
Insurance premiums	720	709	5,417	Treasury stock - at cost 866 shares in 2002 (Note 2)	(2)		(9)
Security deposits	426	396	3,201	Total shareholders' equity	52,052	50,778	391,369
Deferred tax assets (Note 11)	291	199	2,188				
Deferred tax assets on land revaluation difference (Note 7)	716		5,381				
Other	264	248	1,985				
Allowance for doubtful accounts	(155)	(211)	(1,166)				
Total other assets	3,282	3,034	24,676				
TOTAL	¥77,280	¥ 82,618	\$ 581,049	TOTAL	¥ 77,280	¥ 82,618	\$ 581,049

See notes to non-consolidated financial statements.

Trusco Nakayama Corporation

Non-Consolidated Statements of Income Years Ended March 31, 2002 and 2001

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2002</u>	<u>2001</u>	<u>2002</u>
NET SALES (Note 12)	¥ 102,334	¥ 109,193	\$ 769,427
COST OF GOODS SOLD (Note 12)	84,443	89,083	634,907
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	<u>12,868</u>	<u>12,071</u>	<u>96,754</u>
OPERATING INCOME	<u>5,023</u>	<u>8,039</u>	<u>37,766</u>
OTHER INCOME (EXPENSES):			
Interest and dividend income	25	57	187
Interest expense	(1)	(7)	(2)
Purchase discounts (Note 3)	760		5,714
Sales discounts (Note 3)	(182)		(1,369)
Gain on sales of property, plant and equipment	9		67
Losses on sales and disposals of property, plant and equipment	(118)	(53)	(886)
Loss on devaluation of marketable and investment securities	(206)	(12)	(1,552)
Gain on sale of investment in affiliate		9	
Loss on sale of investment in subsidiary	(5)		(39)
Reversal of allowance for doubtful accounts		88	
Reversal of expired warrants		43	
Other income (expenses) - net	<u>31</u>	<u>(18)</u>	<u>237</u>
Total other income	<u>313</u>	<u>107</u>	<u>2,357</u>
INCOME BEFORE INCOME TAXES	5,336	8,146	40,123
INCOME TAXES (Note 11):			
Current	2,366	3,718	17,790
Deferred	<u>25</u>	<u>(177)</u>	<u>190</u>
Total	<u>2,391</u>	<u>3,541</u>	<u>17,980</u>
NET INCOME	<u>¥ 2,945</u>	<u>¥ 4,605</u>	<u>\$ 22,143</u>
	<u>Yen</u>		<u>U.S. Dollars</u>
AMOUNTS PER SHARE (Notes 2 and 13):			
Net income	¥89.24	¥135.77	\$0.67
Cash dividends applicable to the year	20.00	18.50	0.15

See notes to non-consolidated financial statements.

Trusco Nakayama Corporation

**Non-Consolidated Statements of Shareholders' Equity
Years Ended March 31, 2002 and 2001**

	Thousands of Shares Issued	Millions of Yen						Treasury Stock
		Common Stock	Additional Paid-in Capital	Legal Reserve	Land Revaluation Difference	Retained Earnings	Unrealized Gain on Available-for- Sale Securities	
BALANCE, APRIL 1, 2000	36,004	¥ 5,022	¥ 4,710	¥ 1,256		¥ 39,796		
Net income						4,605		
Cash dividends, ¥17 per share						(587)		
Repurchase and cancellation of common shares	(3,000)					(4,005)		
Bonuses to directors and corporate auditors						(30)		
Unrealized gain on available-for-sale securities							¥ 11	
BALANCE, MARCH 31, 2001	33,004	5,022	4,710	1,256		39,779	11	
Net income						2,945		
Cash dividends, ¥20 per share						(660)		
Bonuses to directors and corporate auditors						(50)		
Repurchase of treasury stock (866 shares)								¥ (2)
Increase in revaluation difference					¥ (992)			
Unrealized gain on available-for-sale securities							33	
BALANCE, MARCH 31, 2002	<u>33,004</u>	<u>¥ 5,022</u>	<u>¥ 4,710</u>	<u>¥ 1,256</u>	<u>¥ (992)</u>	<u>¥ 42,014</u>	<u>¥ 44</u>	<u>¥ (2)</u>

	Thousands of U.S. Dollars (Note 1)						
	Common Stock	Additional Paid-in Capital	Legal Reserve	Land Revaluation Difference	Retained Earnings	Unrealized Gain on Available-for- Sale Securities	Treasury Stock
BALANCE, MARCH 31, 2001	\$ 37,762	\$ 35,413	\$ 9,441		\$ 299,091	\$ 83	
Net income					22,143		
Cash dividends, \$0.15 per share					(4,963)		
Bonuses to directors and corporate auditors					(379)		
Repurchase of treasury stock (866 shares)							\$ (9)
Increase in revaluation difference				\$ (7,462)			
Unrealized gain on available-for-sale securities						249	
BALANCE, MARCH 31, 2002	<u>\$ 37,762</u>	<u>\$ 35,413</u>	<u>\$ 9,441</u>	<u>\$ (7,462)</u>	<u>\$ 315,892</u>	<u>\$ 332</u>	<u>\$ (9)</u>

See notes to non-consolidated financial statements.

Trusco Nakayama Corporation

Non-Consolidated Statements of Cash Flows Years Ended March 31, 2002 and 2001

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2002</u>	<u>2001</u>	<u>2002</u>
OPERATING ACTIVITIES:			
Income before income taxes	¥ 5,336	¥ 8,146	\$ 40,123
Adjustments for:			
Income taxes paid	(4,279)	(2,519)	(32,174)
Depreciation and amortization	879	864	6,606
Increase in retirement benefits for directors and corporate auditors	60	39	453
Increase in employees' retirement benefits	102		766
Decrease in allowance for doubtful accounts		(76)	
Loss on devaluation of marketable and investment securities	206	12	1,552
Interest and dividend income	(25)	(57)	(187)
Interest expense		7	
Loss on sales and disposal of property, plant and equipment	118	53	886
Gain on sales of property, plant and equipment	(9)		(67)
Changes in assets and liabilities:			
Decrease (increase) in notes and accounts receivable	7,939	(6,973)	59,692
Increase in inventories	(1,273)	(1,755)	(9,574)
Increase (decrease) in notes and accounts payable	(4,371)	3,462	(32,869)
Other - net	(639)	300	(4,807)
Interest and dividends received	28	102	212
Interest paid		(19)	
Net cash provided by operating activities	<u>4,072</u>	<u>1,586</u>	<u>30,612</u>
INVESTING ACTIVITIES:			
Purchases of marketable and investment securities	(1)	(7)	(5)
Decrease in short-term investments	40	1,750	301
Proceeds from sales of marketable and investment securities	815		6,128
Purchases of property, plant and equipment	(2,144)	(2,463)	(16,123)
Proceeds from sales of property, plant and equipment	136		1,023
Other - net	(35)	867	(263)
Net cash provided by (used in) investing activities	<u>(1,189)</u>	<u>147</u>	<u>(8,939)</u>
FINANCING ACTIVITIES:			
Payments for bond redemption		(425)	
Repurchase of common shares		(4,005)	
Dividends paid	(659)	(587)	(4,958)
Net cash used in financing activities	<u>(569)</u>	<u>(5,017)</u>	<u>(4,958)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,224	(3,284)	16,715
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>4,598</u>	<u>7,882</u>	<u>34,575</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>¥ 6,822</u>	<u>¥ 4,598</u>	<u>\$ 51,290</u>

See notes to non-consolidated financial statements.

Trusco Nakayama Corporation

Notes to Non-Consolidated Financial Statements Years Ended March 31, 2002 and 2001

1. BASIS OF PRESENTING NON-CONSOLIDATED FINANCIAL STATEMENTS

The accompanying non-consolidated financial statements have been prepared from the accounts maintained by Trusco Nakayama Corporation (the "Company") in accordance with the provisions set forth in the Japanese Commercial Code (the "Code") and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards. The non-consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In preparing these financial statements, certain reclassifications and rearrangements have been made to the Company's financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥133 to \$1, the approximate rate of exchange at March 31, 2002. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Non-Consolidation - The financial statements do not include the accounts of a subsidiary. Investments in the subsidiary and an affiliated company (20% - 50% ownership) are stated at cost.

Consolidation of the Company's subsidiary and accounting for the affiliated company under the equity method would not significantly change the total assets, net sales, or net income reported in the accompanying non-consolidated financial statements.

Cash and Cash Equivalents - Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, certificate of deposits and money market funds that mature or become due within three months of the date of acquisition.

Marketable and Investment Securities - Marketable and investment securities are classified and accounted for, based on management's intent, as available-for-sale securities, and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported as a separate component of shareholders' equity.

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

Inventories - Merchandise, finished products, work in process, raw materials and most supplies are stated at cost determined by the moving average method. Certain supplies are stated at cost determined by the most recent purchase price method.

Property, Plant and Equipment - Property, plant and equipment are stated at cost. Depreciation is computed by the declining-balance method while the straight-line method is applied to buildings acquired after April 1, 1998. The range of useful lives is principally from 10 to 50 years for buildings and structures, and from 3 to 12 years for machinery and equipment.

Allowance for Doubtful Accounts - The allowance for doubtful accounts is stated in amounts considered to be appropriated based on the companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding.

Employees' Retirement Benefits - The Company has a non-contributory funded pension plan covering substantially all of its employees. Effective April 1, 2000, the Company adopted a new accounting standard for employees' retirement benefits and accounted for the liability for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date. The transitional obligation of ¥513 million as of April 1, 2000 is being amortized over two years and the annual amortization is presented in selling, general and administrative expenses in the statement of income.

Retirement Benefits for Directors and Corporate Auditors - Retirement allowances for directors and corporate auditors are recorded to state the liability at the amount that would be required if all directors and corporate auditors retired at each balance sheet date.

Income Taxes - The Company accounts for income taxes based on the asset and liability method. Deferred income taxes are recorded to reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

Research and Development Costs - Research and development costs are charged to income as incurred in accordance with the accounting standard for research and development costs.

Leases - All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that are deemed to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

Appropriations of Retained Earnings - Appropriations of retained earnings at each fiscal period end are reflected in the financial statements in the following period after shareholders' approval has been obtained.

Treasury Stock - Prior to April 1, 2001, treasury stock was included in other assets. Effective April 1, 2001, treasury stock is presented as a separate component of shareholders' equity in accordance with the new disclosure requirement for treasury stock.

Per Share Information - The computation of net income per share is based on the weighted average number of shares of common stock outstanding during each year, retroactively adjusted for stock splits. The average number of common shares used in the computation was 33,004,063 shares for the year ended March 31, 2002 and 33,916,701 shares for the year ended March 31, 2001.

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

3. ACCOUNTING CHANGES

Sales Discounts

Prior to April 1, 2001, cash discounts were deducted from net sales. Effective April 1, 2001, the Company changed its method of accounting to record such discounts as other expenses.

As a result of this change, operating income for the year ended March 31, 2002, increased by ¥198 million (\$1,493 thousand) and income before income taxes increased by ¥16 million (\$124 thousand), compared to the previous method. Amounts for the year ended March 31, 2001, have not been reclassified.

Purchase Discounts

Prior to April 1, 2001 cash purchase discounts were deducted from cost of goods sold. Effective April 1, 2001, the Company changed its method of accounting to record such discounts as other income.

As a result of this change, operating income for the year ended March 31, 2002, decreased by ¥672 million (\$5,056 thousand) and income before income taxes increased by ¥87 million (\$658 thousand), compared to the previous method. Amounts for the year ended March 31, 2001, have not been reclassified.

4. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2002</u>	<u>2001</u>	<u>2002</u>
Current:			
Government and corporate bonds	<u>¥ 15</u>	<u>¥ 360</u>	<u>\$ 113</u>
Total	<u>¥ 15</u>	<u>¥ 360</u>	<u>\$ 113</u>
Non-current:			
Equity securities	¥ 429	¥ 555	\$ 3,226
Government and corporate bonds	2	17	15
Trust fund investments and other	<u>347</u>	<u>769</u>	<u>2,609</u>
Total	<u>¥ 778</u>	<u>¥ 1,341</u>	<u>\$ 5,850</u>

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2002 and 2001 were as follows:

	Millions of Yen			
	2002			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	¥ 337	¥ 98	¥ 25	¥ 410
Government and corporate bonds	16	1		17
Trust fund investments and other	<u>314</u>	<u>2</u>	<u>—</u>	<u>316</u>
Total	<u>¥ 667</u>	<u>¥ 101</u>	<u>¥ 25</u>	<u>¥ 743</u>

	Millions of Yen			
	2001			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	¥ 502	¥ 120	¥ 86	¥ 536
Government and corporate bonds	359	19	1	377
Trust fund investments and other	<u>772</u>	<u>3</u>	<u>36</u>	<u>739</u>
Total	<u>¥ 1,633</u>	<u>¥ 142</u>	<u>¥ 123</u>	<u>¥ 1,652</u>

	Thousands of U.S. Dollars			
	2002			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	\$ 2,535	\$ 736	\$ 191	\$ 3,080
Government and corporate bonds	117	11		128
Trust fund investments and other	<u>2,365</u>	<u>16</u>	<u>—</u>	<u>2,381</u>
Total	<u>\$ 5,017</u>	<u>\$ 763</u>	<u>\$ 191</u>	<u>\$ 5,589</u>

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2002 and 2001 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	<u>2002</u>	<u>2001</u>	<u>2002</u>
Available-for-sale:			
Equity securities	¥ 19	¥ 19	\$ 149
Trust fund investment and other	<u>30</u>	<u>30</u>	<u>226</u>
Total	<u>¥ 49</u>	<u>¥ 49</u>	<u>\$ 375</u>

There were no sales of available-for-sale securities during the year ended March 31, 2002.

5. SHORT-TERM INVESTMENTS

Short-term investments at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2002</u>	<u>2001</u>	<u>2002</u>
	Time deposits other than cash equivalents	¥40	¥80

6. INVENTORIES

Inventories at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2002</u>	<u>2001</u>	<u>2002</u>
	Merchandise	¥ 12,356	¥ 10,700
Finished products		318	
Work in process		14	
Raw materials and supplies		<u>50</u>	
Total	<u>¥ 12,356</u>	<u>¥ 11,082</u>	<u>\$ 92,899</u>

7. LAND REVALUATION

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

The resulting land revaluation difference represents the net unrealized devaluation of land values and is stated, net of income taxes, as a component of shareholders' equity. There is no effect on the statement of income. The details of the one-time revaluation as of March 31, 2002 were as follows:

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Land before revaluation	¥ 9,563	\$ 71,899
Land after revaluation	<u>7,854</u>	<u>59,056</u>
Land revaluation difference	1,708	12,843
Deferred tax assets on land revaluation	<u>716</u>	<u>5,381</u>
 Net land revaluation difference	 <u>¥ 992</u>	 <u>\$ 7,462</u>

8. EMPLOYEES' RETIREMENT BENEFITS

Under the Company's pension plan, employees terminating their employment are, in most circumstances, entitled to pension payments based on their average pay during their employment, length of service and certain other factors.

Effective April 1, 2000, the Company adopted a new accounting standard for employees' retirement benefits.

The liability (asset) for employees' retirement benefits at March 31, 2002 and 2001 consisted of the following:

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	<u>2002</u>	<u>2001</u>	<u>2002</u>
Projected benefit obligation	¥ 2,939	¥ 2,735	\$ 22,101
Fair value of plan assets	(2,698)	(2,406)	(20,285)
Unrecognized actuarial loss	(139)	(85)	(1,050)
Unrecognized transitional obligation	<u> </u>	<u>(257)</u>	<u> </u>
 Net liability (asset)	 <u>¥ 102</u>	 <u>¥ (13)</u>	 <u>\$ 766</u>

The components of net periodic benefit costs for the years ended March 31, 2002 and 2001 are 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	¥ 190	¥ 193	\$ 1,433
Interest cost	63	60	472
Expected return on plan assets	(67)	(58)	(503)
Amortization of transitional obligation	257	257	1,929
Recognized actuarial loss	<u>46</u>	<u> </u>	<u>345</u>
 Net periodic benefit costs	 <u>¥ 489</u>	 <u>¥ 452</u>	 <u>\$ 3,676</u>

Assumptions used for the years ended March 31, 2002 and 2001 are set forth as follows:

Discount rate	2.30 %
Expected rate of return on plan assets	2.78 %
Recognition period of actuarial gain/loss	3 years
Amortization period of transitional obligation	2 years

9. RETIREMENT BENEFITS FOR DIRECTORS AND CORPORATE AUDITORS

Retirement benefits for directors and corporate auditors are paid subject to approval of the shareholders in accordance with the Japanese Commercial Code. The Company recorded a liability for 100% of the unfunded retirement benefits for all of its directors and corporate auditors.

10. SHAREHOLDERS' EQUITY

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

Prior to October 1, 2001, the Code required at least 50% of the issue price of new shares, with a minimum of the par value thereof, to be designated as stated capital as determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital were credited to additional paid-in capital. Effective October 1, 2001, the Code was revised and common stock par values were eliminated resulting in all shares being recorded with no par value.

Prior to October 1, 2001, the Code also provided that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other cash payments which are made as an appropriation of retained earnings applicable to each fiscal period shall be appropriated and set aside as a legal reserve until such reserve equals 25% of stated capital. Effective October 1, 2001, the revised Code allows for such appropriations to be set aside as a legal reserve until the total additional paid-in capital and legal reserve equals 25% of stated capital. The amount of total additional paid-in capital and legal reserve which exceeds 25% of stated capital can be transferred to retained earnings by resolution of the shareholders, and may be available for dividends. Under the Code, the Company may issue new common shares to existing shareholders without consideration as a stock split pursuant to a resolution of the Board of Directors. Prior to October 1, 2001, the amount calculated by dividing the total amount of shareholders' equity by the number of outstanding shares after the stock split could not be less than ¥50. The revised Code eliminated this restriction.

Prior to October 1, 2001, the Code imposed certain restrictions on the repurchase and use of treasury stock. Effective October 1, 2001, the Code eliminated these restrictions allowing the Company to repurchase treasury stock by a resolution of the shareholders at the general shareholders' meeting and dispose of such treasury stock by resolution of the Board of Directors after March 31, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amount of stated capital, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders' meeting.

The Code permits the Company to transfer a portion of additional paid-in capital and legal reserve to stated capital by resolution of the Board of Directors. The Code also permits the Company to transfer a portion of unappropriated retained earnings, available for dividends, to stated capital by resolution of the shareholders.

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

In 2001, the Company repurchased and cancelled 3 million shares of the Company's stock for ¥4,005 million (\$32,298 thousand).

11. INCOME TAXES

The Company is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 41.9% for the years ended March 31, 2002 and 2001.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2002 and 2001 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2002</u>	<u>2001</u>	<u>2002</u>
Deferred tax assets - current assets			
Enterprise taxes	¥ 50	¥ 231	\$ 373
Loss on devaluation of merchandise	99	93	743
Accrued employees' bonuses	139	75	1,046
Other	<u>33</u>	<u>70</u>	<u>251</u>
Total	<u>321</u>	<u>469</u>	<u>2,413</u>
Net unrealized gain on available-for-sale securities	<u> </u>	<u>(7)</u>	<u> </u>
Net deferred tax assets - current	<u>¥ 321</u>	<u>¥ 462</u>	<u>\$ 2,413</u>
Deferred tax assets - non-current assets			
Retirement benefits for directors and corporate auditors	205	180	1,539
Allowance for doubtful accounts	30		222
Employees' retirement benefits	43		321
Other	<u>73</u>	<u>55</u>	<u>560</u>
Total	<u>351</u>	<u>235</u>	<u>2,642</u>
Deferred tax liabilities - non-current liabilities			
Tax purpose reserves regulated by Japanese tax law	(29)	(29)	(215)
Net unrealized gain on available-for-sale securities	(31)	(1)	(239)
Other	<u> </u>	<u>(6)</u>	<u> </u>
Total	<u>(60)</u>	<u>(36)</u>	<u>(454)</u>
Net deferred tax assets - non-current	<u>¥ 291</u>	<u>¥ 199</u>	<u>\$ 2,188</u>

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2002 and 2001 and the actual effective tax rates reflected in the non-consolidated statements of income is as follows:

	<u>2002</u>	<u>2001</u>
Normal effective statutory tax rate	41.9%	41.9%
Inhabitant tax (per capita levy)	1.4	0.9
Permanently non-deductible expenses	1.8	
Other - net	<u>(0.3)</u>	<u>0.7</u>
Actual effective tax rate	<u>44.8%</u>	<u>43.5%</u>

12. RELATED PARTY TRANSACTIONS

The Company owns the following subsidiary and affiliated company as of March 31, 2002 and 2001:

	Percentage of Ownership	
	<u>2002</u>	<u>2001</u>
Toyo Steel Corporation	28.0%	53.0%
Union Steel Corporation	29.3%	29.3%

Transactions of the Company with the subsidiary and affiliated company for the years ended March 31, 2002 and 2001 were as follows :

	Millions of Yen		Thousands of U.S. Dollars
	<u>2002</u>	<u>2001</u>	<u>2002</u>
Sales	¥ 56	¥ 89	\$ 421
Purchases	1,144	1,357	8,599

The balances due to or from the subsidiary and affiliated company at March 31, 2002 and 2001 were as follows :

	Millions of Yen		Thousands of U.S. Dollars
	<u>2002</u>	<u>2001</u>	<u>2002</u>
Accounts receivable	¥ 25	¥ 13	\$ 186
Trade notes and accounts payable	386	522	2,905

13. SUBSEQUENT EVENT

Appropriations of Retained Earnings - The following appropriations of retained earnings at March 31, 2002 were approved at the shareholders meeting held on June 14, 2002:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends ¥10 (\$0.08) per share	¥ 330	\$ 2,481
Bonuses to directors and corporate auditors	32	242

* * * * *