2002 Annual Report

Contents

Hakuto Co., Ltd.

To Our Shareholders, Employees and Friends

Several factors combined to create a harsh overall climate for the Japanese economy. These factors include the abrupt deceleration of the American economy, the decline in corporate production and capital investment stemming from the sluggish demand for IT-related equipment and slack exports to the U.S., the bleak employment outlook due to continued corporate bankruptcies and downsizing, and restrained individual consumption caused by further declines in personal income. Several factors overseas also have had a detrimental effect on markets, which in turn have had a significant impact on the economies of Asia and Europe. These include the poor economic performance caused by the downturn in IT-related business, compounded by the terrorist attacks in the U.S. last September.

In these circumstances, we have spared no effort to strengthen our business foundation and profitability. The steps we have taken include continuing the rationalization of our business operations, improving efficiency, developing advanced technical products, focusing business resources investment in promising sectors, and abandoning unprofitable businesses. The results of our efforts are shown in the following consolidated and non-consolidated revenues and earnings reports.

The consolidated sales amount for the period in review was ¥85.8billion, a 16.4% decrease from the preceding year's figure.

Domestic sales decreased 21.1% from the previous term, recording ¥64.4 billion. Overseas sales went up 1.8% , for a total of ¥21.4 billion.

Operating income dropped 86.3% from the preceding year to ¥0.79 billion, while recurring income decreased 82.5% to ¥0.96 billion. While we have promoted greater business efficiency in all our business operations, our profit ratio fell with the decline in the gross profit, precipitated by the massive price reduction for general purpose memory products.

Sales in the electronics business decreased 17.6% to ¥78.4 billion.

In the chemical business, sales decreased 4.6% to ¥6.3 billion.

Sales in other businesses jumped 20.7% from the previous year to ¥1.2 billion.

The Company's objective is to ensure steady income through expanded commercial rights and the development of advanced products that fulfill customer needs, and by continuously promoting the concentration of resources in growing fields. Additionally, the Company is enhancing its business base and profitability via the reorganization of operations and review of unprofitable businesses. Further, we're promoting financial policies with emphasis on cashflow and cost of funds through such means as the liquidation of trade receivables and the issuance of commercial papers.

Shigeo Takayama
Chairman

Toshiaki Hirai
President

The Year in Review

Electronics

The Electronic and Electric Equipment Division sells basic electronics devices, as well as install and adjust the equipment and provide after-sales service. Unfortunately, the worldwide standstill in capital investment, engendered by the collapse of the IT bubble that began in the U.S., resulted in unavoidable long-term repercussions on our business. Sales of chemical compound semiconductor epitaxial equipment and high-definition printed circuit boards were particularly affected by these developments.

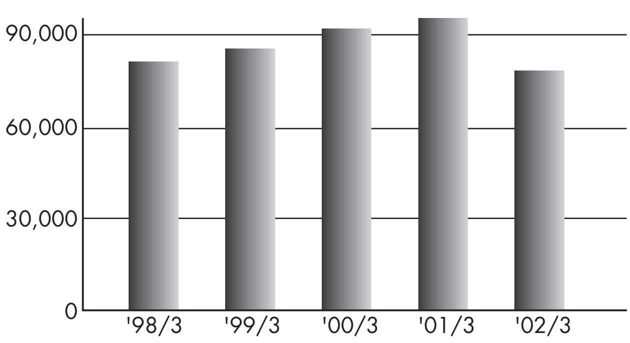
In contrast, demand boomed for large-size televisions with plasma or liquid crystal displays. This translated into higher sales of related production equipment than in an ordinary year.

Our Electronic Parts Division handles a broad range of equipment parts, primarily for advanced semiconductor products, and optical parts. We are devoting extra effort to basic products and intermediate products for the third-generation cellular telephone and broadband markets, as well as products for terminals.

In addition, we have been pursuing sales based on the concept of achieving a balance in our business between products for the individual consumer and those for industrial equipment. More aggressively than we did last year, we have currently been expanding the framework of our sales in the consumer product sector to companies overseas as a way to establish a presence in the Chinese market.

Our company posted sales of ¥78.4 billion, a drop of 17.6% from the year before, due to the decline in sales volume and prices resulting from the plummeting IT market in the U.S. and the stagnant domestic economy.

Sales (Millions of yen)

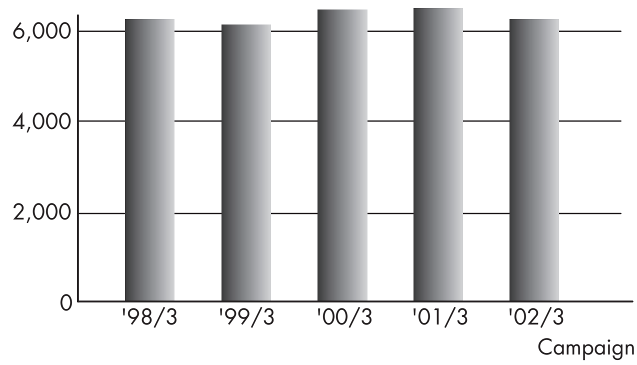


Chemicals

Hakuto's chemical business manufactures and distributes specialty chemicals such as process additives, products additives and water-treatment chemicals for industrial use. Fields of application include oil refineries, petrochemical plants, the steel industry, automobile industry, and facilities manufacturing paper and pulp.

Due to a downward adjustment in production and accompanying decrease in production among domestic material manufacturers, owing to the sluggishness economy, it was inevitable that there would be a decrease in sales prices, as well as a drop in the number of products sold. As a result, sales decrease 4.6% from last year, amounting to ¥6.3 billion.

Sales (Millions of yen)



Others

Human Resources International (HRI), one of our consolidated subsidiaries, is an agency specializing in temporary-employment and job-search services.

The company experienced growth due to our active campaigns under prolonged unemployment situation.

The sales amount was ¥1.2 billion, an increase of 20.7% from last year.

Financial Review

Net Sales

Consolidated net sales amount during this fiscal year ended March 31, 2002 was ¥85.8 billion, which is a decrease of 16.4% from the previous year. Sales of our electronics business decreased 17.6% to ¥78.4 billion. Sales of our chemical business decreased 4.6%, to ¥6.3 billion, because of the fact that domestic chemical industries are still in a severe condition. Regarding our temporary-staffing business, operation's sales increased 20.7%, to ¥1.2 billion due to our active campaigns under prolonged unemployment situation.

Net sales of Hakuto Co., Ltd. (the "Company") in the fiscal year ended March 31, 2002 decreased 22.9%, to ¥63.5 billion. Our electronics business marked a steady achievement during the first half of the fiscal year. However, the sales showed a shrap decrease toward the end of the year due to the severe downturn in the semiconductor markets, which was caused by declining the economic condition in US.

Sales Costs and Gross Profit

The sales-cost ratio increased from 81.0% last year to 83.5% in the fiscal year in review due to a relative decrease in sales of high-margin products. As a result, the gross margin decreased 27.2%, to ¥14.2 billion.

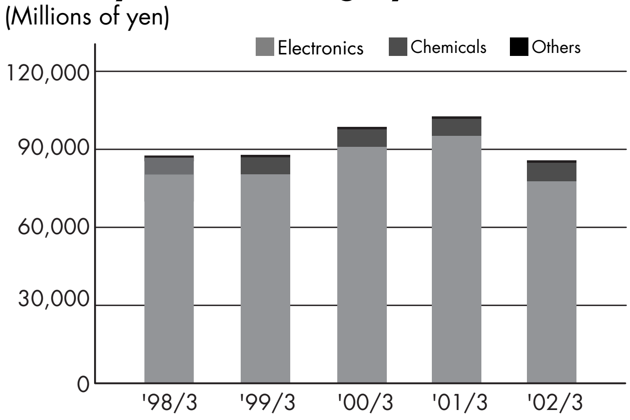
Selling, General and Administrative Expenses

The amount of the expenses was ¥13.4 billion in this fiscal year while ¥13.7 billion in the previous year. The expense ratio, as measured against the sales increased from 13.4% last year to 15.6% this year, due to a decrease in sales. However, overall expenses decrease 2.4% from last year.

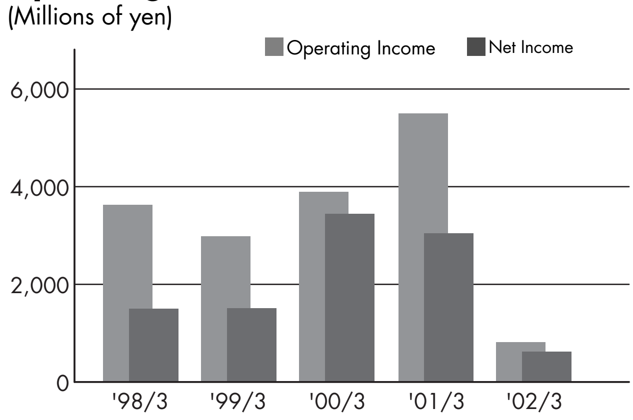
Operating Income and Income Before Taxes

Operating income dropped 86.3%, to ¥0.79 billion due to price erosion in the general purpose memory. Further, the ratio of operating income against the sales decreased from 5.6% in the previous year, to 0.9%. Net income before taxes declined 74.1%, to ¥1.4 billion.

Sales by Product Category
(Millions of yen)



Operating Income and Net Income
(Millions of yen)



Net Income

Net income decreased 80.4%, to ¥0.6 billion. We added a ¥0.93 billion extraordinary profit from the sale of investment securities this year, meanwhile we recorded a ¥0.62 billion extraordinary loss from the impairment of investment securities. The net margin dropped to 0.7%, from 3.0% in the previous year.

Balance Sheet Items

Cash and other current assets at the end of the term decreased 14.2%, to ¥43.4 billion, due to the fact that the balance of trade receivable decreased by the promotion of the collection and the balance of inventories decreased due to the inventory compression. The Company's current ratio increased from 1.99 in 2001 to 2.37 during the term in review.

The total amount of interest-bearing liabilities at the end of the term decreased 7.4%, to ¥10.7 billion. The Group added ¥2.3 billion of unrealized gain on securities to its capital. As a result, the group's ratio of interest-bearing liabilities against its capital increased, from 30.6% in the previous year, to 31.3%.

Additionally, the shareholders' equity ratio against total assets increased from 50.7% to 55.0%. These improvements are attributable to the Group business management, which focuses on cash flow.

Cash Flows

Cash flow from operating activities

There was a ¥6.8 billion increase due to the decline in trade receivables and inventories, but subtracting the ¥5.0 billion decline in notes and accounts payable resulted in an increase of ¥1.9 billion. The company paid ¥3.1 billion in corporate taxes during the year under review. Thus, cash flow from operating activities decreased by ¥0.9 billion.

Cash flow from investing activities

Cash used by the purchase of investment securities amounting to ¥0.9 billion and cash provided by the sale of investment securities amounting to ¥2 billion were significant contributing factors in this category, in addition to purchase of fixed assets and the collection of long-term loans.

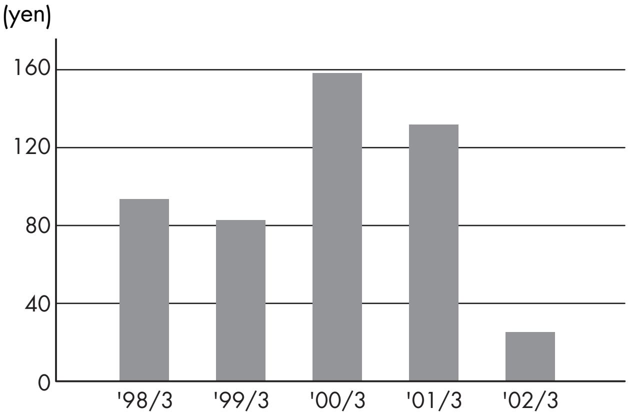
As a result, the cash flow from investment activities totaled ¥1.2 billion.

Cash flow from financing activities

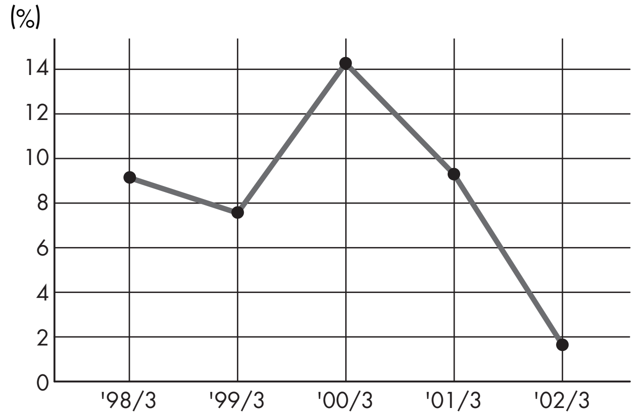
There was a decline of ¥1.3 billion resulting from the refinancing of long-term loans. Another factor behind the lower total in this category was the acquisition of ¥1.9 billion in treasury stock. Despite issuing ¥0.6 billion in bonds and another ¥1 billion in commercial paper, the Company's cash flow from in financing activities decreased by ¥20 billion.

With the above performance, our balance in cash and cash equivalents at end of year totaled ¥6.2 billion, a year-on-year decrease of ¥1.5 billion.

Net Income per Share



Return on Equity



Consolidated Balance Sheets

Hakuto Co.,Ltd.
As of March 31, 2002 and 2001

Assets

Current Assets:	Millions of Yen 2002	Millions of Yen 2001	Thousands of U.S. Dollars (Note 1) 2002
Cash and time deposits (Note 14)	¥6,280	¥7,624	$ 47,218
Short-term investments (Note 3 and 14)	1	502	8
Receivables (Note 10 and 13)			
Notes and accounts receivable-trade	26,166	28,589	196,737
Due from unconsolidated subsidiaries and affiliated companies	1	1	8
Allowance for doubtful accounts	(268)	(292)	(2,015)
Inventories (Note 6)	8,379	12,094	63,000
Income taxes receivable (Note 12)	955	-	7,180
Deferred tax assets (Note 12)	698	564	5,248
Prepaid expenses and other current assets (Note 4)	1,140	1,457	8,571
Total current assets	43,352	50,539	325,955
Property, Plant and Equipment (Note 7):			
Land and land improvements	3,957	3,954	29,752
Buildings and structures	5,759	5,511	43,301
Machinery and equipment	5,003	4,775	37,617
	14,719	14,240	110,670
Accumulated depreciation	(6,396)	(6,018)	(48,090)
	8,323	8,222	62,580
Other Non - Current Assets:			
Investment securities (Notes 3 and 4)	9,513	14,069	71,526
Allowance for loss on investment securities	(110)	-	(827)
Deferred tax assets (Note 12)	13	195	98
Other assets	965	1,254	7,256
	¥ 62,056	¥ 74,279	$ 466,588

See accompanying notes

Liabilities and Shareholders' Equity

Current Liabilities:	Millions of Yen 2002	Millions of Yen 2001	Thousands of U.S. Dollars (Note 1) 2002
Short-term borrowings (Note 7)	¥ 1,805	¥ 1,565	$ 13,572
Long-term debt due within one year (Note 7)	2,269	3,388	17,060
Commercial paper (Note 7)	1,000	-	7,519
Payables:			
Notes and accounts payable-trade	9,764	13,789	73,414
Due to unconsolidated subsidiaries and affiliated companies	153	710	1,150
Income taxes payable (Note 12)	102	1,575	767
Deferred tax liabilities (Note 12)	2	4	15
Accrued bonuses	689	784	5,180
Accrued expenses and other current liabilities (Note 4)	2,515	3,523	18,910
Total current liabilities	18,299	25,338	137,587
Long-term debt (Note 7 and 13)	6,601	6,572	49,632
Employees' severance and retirement benefits (Note 2(i) and 8)	228	342	1,714
Directors' severance and retirement benefits (Note 2(j))	951	959	7,150
Deferred tax liabilities (Note 12)	1,799	3,278	13,526
Other non-current liabilities	51	45	384
Minority interest	-	64	-
Contingent liabilities (Note 10)			
Shareholders' Equity (Note 9):			
Common stock:			
Authorized -54,000,000 shares			
Issued and outstanding -24,137,213 shares	8,100	8,100	60,902
Additional paid-in capital(Note 16)	7,532	7,532	56,632
Retained earnings (Note 16)	19,832	19,806	149,113
Net unrealized holding gains on investment securities	2,261	4,465	17,000
Foreign currency translation adjustments	315	(172)	2,369
	38,040	39,731	286,016
Treasury stock, at cost	(3,913)	(2,050)	(29,421)
Total shareholders' equity	34,127	37,681	256,595
	¥ 62,056	¥ 74,279	$ 466,588

Consolidated Statements of Income

Hakuto Co., Ltd.
Years ended March 31, 2002, 2001 and 2000

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2002	2001	2000	2002
Net Sales (Notes 4 and 17)	¥ 85,790	¥ 102,622	¥ 98,277	$ 645,038
Cost of Sales (Note 4)	71,605	83,146	81,215	538,383
Gross Profit	14,185	19,476	17,062	106,655
Selling, General and Administrative Expenses	13,400	13,730	13,068	100,752
Operating Income (Note 17)	785	5,746	3,994	5,903
Other Income (Expenses):				
Interest and dividend income	89	102	88	668
Interest expenses	(208)	(254)	(246)	(1,564)
Equity in loss of affiliated companies	(26)	(79)	(88)	(195)
Gains on sale of property, plant and equipment	0	9	-	0
Losses on sale of property, plant and equipment	-	(43)	(552)	-
Losses on devaluation of land and buildings	-	(50)	(1,174)	-
Gains on sale of investment securities	928	1,219	6,518	6,977
Loss on devaluation of investment securities	(615)	(1,259)	-	(4,624)
Allowance for loss on investment securities	(110)	-	-	(827)
Amortization of excess of cost over net assets of an acquired company	56	-	-	421
Loss from impairment of consolidation difference for an affiliate	-	-	(259)	-
Gains from forgiveness of development cost	280	-	-	2,105
Compensation for expropriation	190	-	-	1,429
Loss from damage from typhoon	(181)	-	-	(1,361)
Net transition obligation	-	265	-	-
Directors' retirement benefits for past years	-	-	(924)	-
Special retirement benefits	-	-	(886)	-
Other - net	259	(80)	(400)	1,947
	662	(170)	2,077	4,976
Income before Income Taxes and Minority Interest	1,447	5,576	6,071	10,879
Income Taxes Provision (Note 12):	654	2,958	2,723	4,917
Current	186	(431)	(65)	1,398
Deferred	840	2,527	2,658	6,315
Minority interest	(11)	(9)	(6)	(83)
Net Income	¥ 596	¥ 3,040	¥ 3,407	4,481

Amounts per share:	Yen			U.S. Dollars (Note 1)
Net income	¥ 25.37	¥ 131.80	¥ 159.92	$ 0.19
Diluted net income	25.37	131.79	159.87	0.19
Cash dividends applicable to the year	20.00	25.00	30.00	0.15

See accompanying notes

Consolidated Statements of shareholders' Equity

Hakuto Co., Ltd.
Years ended March 31, 2002, 2001 and 2000

	Nomber of shares of common stock (thousands)	Millions of Yen					
		Common stock	Additional paid-in capital	Retained eamings	Net unrealized holding gains on securities	foreign currency translation adjustments	Treasury stock
Balance at March 31, 1999	17,600	¥ 3,164	¥ 2,554	¥ 14,536	¥ -	¥ (107)	¥ (2)
Exercise of warrants	203	197	216	-	-	-	-
Issuance of common stock to public in Japan (Note 9)	1,500	2,040	2,040	-	-	-	-
Stock splits (Note 9)	2,809	-	-	-	-	-	-
Net income	-	-	-	3,407	-	-	-
Adjustments from translation of foreign currency financial statements	-	-	-	-	-	(446)	-
Treasury stock	-	-	-	-	-	-	0
Cash dividends paid (¥20.00 per share)	-	-	-	(386)	-	-	-
Bonuses to directors and corporate auditors	-	-	-	(20)	-	-	-
Bonuses to employees	-	-	-	(0)	-	-	-
Balance at March 31, 2000	22,112	5,401	4,810	17,537	-	(553)	(2)
Exercise of warrants	14	12	14	-	-	-	-
Issuance of common stock to public in Japan (Note 9)	2,000	2,668	2,668	-	-	-	-
Issuance of new shares due to the merger (Note 9)	1,397	2,491	40	-	-	-	-
Cancellation of the shares acquired by the merger (Note 9)	(1,386)	(2,472)	-	-	-	-	-
Decrease of retained earnings due to additions of consolidated subsidiaries	-	-	-	(20)	-	-	-
Net income	-	-	-	3,040	-	-	-
Adoption of new accounting standard for financial instruments (Note 2(d))	-	-	-	-	4,465	-	-
Adjustments from translation of foreign currency financial statements	-	-	-	-	-	381	-
Treasury stock	-	-	-	-	-	-	(2,048)
Cash dividends paid (¥30.00 per share)	-	-	-	(711)	-	-	-
Bonuses to directors and corporate auditors	-	-	-	(40)	-	-	-
Bonuses to employees	-	-	-	(0)	-	-	-
Balance at March 31, 2001	24,137	8,100	7,532	19,806	4,465	(172)	(2,050)
Net income	-	-	-	596	-	-	-
Adoption of new accounting standard for financial instruments (Note 2(d))	-	-	-	-	(2,204)	-	-
Adjustments from translation of foreign currency financial statements	-	-	-	-	-	487	-
Treasury stock	-	-	-	-	-	-	(1,863)
Cash dividends paid (¥25.00 per share)	-	-	-	(530)	-	-	-
Bonuses to directors and corporate auditors	-	-	-	(40)	-	-	-
Bonuses to employees	-	-	-	(0)	-	-	-
Balance at March 31, 2002	**¥ 24,137**	**¥ 8,100**	**¥ 7,532**	**¥ 19,832**	**¥ 2,261**	**¥ 315**	**¥ (3,913)**

	Thousands of U.S Dollars (Note 1)					
	Common stock	Additional paid-in capital	Retained eamings	Net unrealized holding gains on securities	foreign currency translation adjustments	Treasury stock
Balance at March 31, 2001	$ 60,902	$ 56,632	$ 148,917	$ 33,571	$(1,293)	$(15,412)
Net income	-	-	4,481	-	-	-
Adoption of new accounting standard for financial instruments (Note 2(d))	-	-	-	(16,571)	-	-
Adjustments from translation of foreign currency financial statements	-	-	-	-	3,662	-
Treasury stock	-	-	-	-	-	(14,009)
Cash dividends paid ($0.19 per share)	-	-	(3,984)	-	-	-
Bonuses to directors and corporate auditors	-	-	(300)	-	-	-
Bonuses to employees	-	-	(1)	-	-	-
Balance at March 31, 2002	**$ 60,902**	**$ 56,632**	**$ 149,113**	**$ 17,000**	**$ 2,369**	**$(29,421)**

See accompanying notes

Consolidated Statements of Cash Flows

Hakuto Co., Ltd.
Years ended March 31, 2002, 2001 and 2000

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
Cash Flows from Operating Activities:	2002	2001	2000	2002
Income before income taxes and minority interest	¥ 1,447	¥ 5,576	¥ 6,071	10,879
Adjustments to reconcile income before income taxes and minority interest to net cash provided by (used in) operating activities:				
Depreciation and amortization	632	690	567	4,752
Severance and retirement benefits, net	(124)	(519)	761	(932)
Gains on sale of investment securities	(928)	(1,219)	(6,518)	(6,977)
Losses on sale of property and equipment	-	34	552	-
Losses on devaluation of land and buildings	14	50	1,174	105
Losses on devaluation of investment securities	615	1,259	-	4,624
Amortization of excess of cost over net assets of an acquired company	(56)	-	-	(421)
Gains from forgiveness of development cost	(280)	-	-	(2,105)
Compensation for expropriation	(190)	-	-	(1,429)
Loss from damage from typhoon	181	-	-	1,361
Allowance for loss on investment securities	110	-	-	827
Change in receivables	3,018	4,709	(7,829)	22,692
Change in inventories	3,812	(4,973)	(457)	28,662
Change in payables	(4,956)	(78)	(1,091)	(37,263)
Interests and dividends received	89	88	104	669
Interests paid	(203)	(284)	(263)	(1,526)
Income taxes paid	(3,117)	(3,203)	(2,029)	(23,436)
Other	(871)	473	1,444	(6,549)
Net cash provided by (used in) operating activities	(807)	2,603	(7,514)	(6,067)
Cash Flows from Investing Activities:				
Proceeds from sale of property and equipment	31	88	473	233
Payments for purchase of property and equipment	(865)	(702)	(524)	(6,504)
Proceeds from sale of marketable securities and investment securities	2,002	1,949	7,123	15,053
Payments for purchase of marketable securities and investment securities	(875)	(841)	(3,077)	(6,579)
Payments for purchase of subsidiary	(18)	-	(252)	(135)
Collection on loans	264	-	-	1,985
Other	641	(274)	172	4,820
Net cash provided by investing activities	1,180	220	3,915	8,873
Cash Flows from Financing Activities:				
Change in short-term borrowings	121	(6,783)	(2,309)	910
Issuance of commercial paper	8,100	-	-	60,902
Redemption of commercial paper	(7,100)	-	-	(53,383)
Proceeds from long-term debt	2,591	5,027	2,407	19,481
Repayment of long-term debt	(3,353)	(2,652)	(2,373)	(25,211)
Issuance of common stock to public in Japan and exercise of warrants	-	5,420	4,439	-
Cash dividends paid	(524)	(711)	(387)	(3,940)
Payments for purchase of treasury stock	(1,864)	(2,050)	-	(14,015)
Other	0	2	5	0
Net cash used in (provided by) financing activities	(2,029)	(1,747)	1,782	(15,256)
Effect of Exchange Rate Changes on Cash and Cash Equivalent	113	81	(118)	850
Net (Decrease) Increase in Cash and Cash Equivalent	(1,543)	1,157	(1,935)	(11,600)
Increase in Cash and Cash Equivalent Due to Additions of Consolidated Subsidiaries	-	69	-	-
Increase in Cash and Cash Equivalent Due to Merger	-	48	-	-
Cash and Cash Equivalent at Beginning of Year	7,745	6,471	8,406	58,233
Cash and Cash Equivalent at End of Year	¥ 6,202	¥ 7,745	¥ 6,471	¥ 46,633

See accompanying notes

Notes to Consolidated Financial Statements

Hakuto Co., Ltd.
Years ended March 31, 2002, 2001 and 2000

1. Basis of presenting consolidated financial statements

Hakuto Co., Ltd. (the "Company") and its consolidated domestic subsidiaries maintain their official accounting records in Japanese yen and in accordance with the provisions set forth in the Japanese Commercial Code and accounting principles and practices generally accepted in Japan ("Japanese GAAP"). The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles and practices prevailing in the respective countries of domicile. Certain accounting principles and practices generally accepted in Japan are different from International Accounting Standards and standards in other countries in certain respects as to application and disclosure requirements. Accordingly, the accompanying financial statements are intended for use by those who are informed about Japanese accounting principles and practices.

The accompanying financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of statements of shareholders' equity) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation is not presented in the accompanying financial statements.

The translation of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2002, which was ¥133 to U.S. $1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Summary of significant accounting policies

(a) Principles of consolidation - The consolidated financial statements include the accounts of the Company and all its significant subsidiaries (together the "Companies"). All significant intercompany balances and transactions have been eliminated.

Effective from the year ended March 31, 2000, all companies are required to consolidate all significant investees which are controlled through substantial ownership of majority voting rights or existence of certain conditions. There was no effect of applying this rule to the Company's consolidated financial statements. In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are recorded based on the fair value at the time the Company acquired control of the respective subsidiaries.

The excess of cost of investments in subsidiaries and affiliated companies over the equity in the net assets at dates of acquisition is amortized at one time.

(b) Equity method - Investments in affiliated companies (all 20% to 50% owned and certain others 15% to 20% owned) except for an insignificant company are accounted for by the equity method. Prior to April 1, 1999, only investments in companies of which the Company owns 20% to 50% of the voting rights and has the ability to significantly influence financial, operational or business policies were accounted for using the equity method.

Previously, the excess of cost of investments over the equity in the net assets at dates of acquisition was amortized over 20 years for an affiliated company in the United States of America. However, considering the financial conditions and operating results of the affiliated company, the amortization period of has been shortened to 5 years effective from the year ended March 31, 2001.

(c) Inventories - Inventories are stated at cost, determined primarily by the moving-average cost method for merchandise, finished goods, raw material and work in process and by the first-in, first-out cost method for supplies.

(d) Securities - Prior to April 1, 2000, marketable securities listed on stock exchanges were stated at the lower of market or cost determined primarily by the moving-average method. Other securities were stated at cost determined by the moving-average method.

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

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

The Companies had no trading securities or held-to-maturity debt securities. Equity securities issued by subsidiaries are consolidated and affiliated companies except for an insignificant company are accounted for using the equity method. Investments in affiliate not accounted for by the equity method is carried at cost. Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of shareholders' equity. Realized gains and losses on sale of such securities are computed using moving-average cost.

Available-for-sale securities with no available fair market value are stated at moving-average cost, or at amortized cost net of the amount considered not collectible.

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

The effect of the adoption of the new standard is mentioned in Notes 2(o).

Allowance for loss on investment securities is provided for probable losses on certain equity securities with no available fair value based on the evaluation of their financial conditions.

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

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

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

1. If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,
(a) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the income statement in the period which includes the inception date, and
(b) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.
2. If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized.

Hedging derivative financial instruments used by the Companies and items hedged are as follows:

Hedging instruments	Hedged items
Forward foreign exchange contracts	Foreign currency accounts receivable or payable and commitments

The Companies are not required to evaluate hedge effectiveness, because the significant terms of foreign currency transactions of hedging instruments and those of hedged items are the same, and the risk of foreign exchange rate changes would be entirely eliminated.

The effect of the adoption of the new standard is mentioned in Notes 2(o).

(f) Property, plant, equipment and depreciation - Property, plant and equipment are carried at cost. Depreciation is computed primarily using the declining-balance method. In accordance with revisions of the Corporation Tax Law, buildings acquired by the Company and its domestic subsidiaries after March 31, 1998 are depreciated using the straight-line method.
The range of useful lives is from 10 to 50 years for buildings and from 2 to 15 years for machinery and equipment.

(g) Accrued employees' bonuses - The Company accrued the estimated amounts of employees' bonus based on estimated amounts to be paid in the subsequent period.

(h) Income taxes - The Company and its domestic subsidiaries recognize tax effects of temporary differences between the financial statement basis and the tax basis of assets and liabilities.

(i) Employees' severance and retirement benefits - The Company and some of its consolidated subsidiaries provide post-employment benefit plans substantially by funded contributory pension plans and funded non-contributory pension plans, under which all eligible employees are entitled to benefits based on the level of wages and salaries at the time of retirement or termination, length of service and certain other factors. Also, extra severance and retirement benefits would be paid, in case of earlier voluntary retirement etc.
The pension plans cover 100% of total severance and retirement benefits of the Company's employees from the year ended March 31, 2001. Previously, they covered 80% of the amount which would be required if all eligible employees voluntarily retired at the balance sheet date.

Effective from the year ended March 31, 2000, the Company and its consolidated domestic subsidiaries changed accounting policy, and employees' retirement benefits were stated at 100% of the liability which would be required to be paid if all eligible employees voluntarily terminated their employment at the balance sheet date less the portion covered by the funded pension plan. Previously, it was 40% of the liability. The effect of this change for the year ended March 31, 2000 was to increase operating income by ¥54 million and decrease income before income taxes by ¥378 million.

At March 31, 2000, the Companies accrued liabilities for lump-sum severance and retirement payments equal to 100% of the amount required had all eligible employees voluntarily terminated their employment at the balance sheet date. The Company and one of its subsidiaries recognized the past service cost of the pension plan on accrual basis.

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

Under the New Accounting Standard, the liabilities and expenses for severance and retirement benefits are determined based on the amounts actuarially calculated using certain assumptions. The Companies provided allowance for employees' severance and retirement benefits at March 31, 2002 and 2001 based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at those dates.

The excess of the projected benefit obligation over the total of the fair value of pension assets as of April 1, 2000 and the liabilities for severance and retirement benefits and past service liabilities of the pension plan recorded as of April 1, 2000 (the "net transition obligation") amounted to ¥265 million. All of this was recognized in expenses in the year ended March 31, 2001. Actuarial gains and losses are recognized in expenses using the straight-line method over the average of the estimated remaining service lives (10 years) commencing with the following period.

As a result of the adoption of the New Accounting Standard, in the year ended March 31, 2001, severance and retirement benefit expenses increased by ¥28 million ($211 thousand), operating income decreased by ¥28 million and income before income taxes increased by ¥25 million compared with what would have been recorded under the previous accounting standard.

(j) Directors' severance and retirement benefits - Directors and corporate auditors of the Company are entitled to lump-sum payments at the time of severance or retirement, subject to the approval of the shareholders. The liabilities for such benefits are determined based on the Companies' internal rules.

Previously, such liabilities were included in retirement benefits in the balance sheets. Effective from the year ended March 31, 2001, the Companies report the directors' severance and retirement benefits separately from the employees' severance and retirement benefits.

(k) Translation of foreign currency items - Prior to April 1, 2000, foreign currency amounts were translated into Japanese yen at the rate of exchange in effect at the balance sheet date (hereafter, "current rate") for monetary current assets and current liabilities, and at historical rates for other assets and liabilities. Gains or losses resulting from translation of foreign currency transactions were credited or charged to income in the respective periods. When the fluctuation in foreign exchange rates was significant, the current rate was applied for translating non-current receivables and payables denominated in foreign currencies.

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

The effect on the consolidated income statement for the year ended March 31, 2001 of adopting the Revised Accounting Standard was immaterial.

Foreign currency items covered by forward exchange contracts are translated at the contracted rates.

(l) Translation of foreign currency financial statements - Financial statements of consolidated overseas subsidiaries are translated into Japanese yen at the current rate, except that shareholders' equity accounts are translated at historical rates and income statement items resulting from transactions with the Company at the rates used by the Company.

Due to the adoption of the Revised Accounting Standard, the Company reports foreign currency translation adjustments in the shareholders' equity. The prior years' amounts, which were included in assets, has been reclassified to conform to the 2001 presentation.

(m) Amounts per share - The computation of net income per share is based on the weighted average number of shares of common stock outstanding during the year. Stock splits made to shareholders of record as of May 20, 1999 and November 19, 1999 were regarded as made at the beginning of the year ended March 31, 2000 for the computation of net income per share.

Diluted net income per share is computed based on the weighted-average number of shares of common stock and contingent issuance of common stock from the bonds with warrants.

Cash dividends per share presented in the consolidated statements of income represent the cash dividends declared applicable to each year.

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

(o) Additional information - Effective April 1, 2000, the Companies adopted the new Japanese accounting standard for financial instruments, as explained in Note 2 (d) and (e).

As a result of adopting the new accounting standard for financial instruments, income before income taxes and minority interest for the year ended March 31, 2001 decreased by ¥7 million. Also, based on the examination of the intent of holding each security upon application of the new accounting standard on April 1, 2000, available-for-sale securities maturing within one year from the balance sheet date are included in current assets, and other securities are included in other non-current assets. As a result, at April 1, 2000, short-term investments decreased ¥36 million, and investment securities increased by the same amount compared with what would have been reported under the previous accounting policy.

(p) Reclassification - Certain prior year amounts have been reclassified to conform to 2002 presentation. These changes had no impact on previously reported results of operations.

3. Securities

(a) Summarized information of acquisition costs, book values and fair value of securities with available fair values at March 31, 2002 and 2001 was as follows:

2002	Millions of Yen Acquisition Cost	Millions of Yen Book Value	Millions of Yen Difference
Available-for-sale securities with book values (fair values) exceeding acquisition costs:			
Equity securities	¥ 2,920	¥ 6,798	¥ 3,878
Available-for-sale securities with book values (fair values) not exceeding acquisition costs:			
Equity securities	¥ 679	¥ 654	¥ (25)
Others	20	13	(7)
Total	¥ 699	¥ 667	¥ (32)

2001	Millions of Yen Acquisition Cost	Millions of Yen Fair Value	Millions of Yen Difference
Available-for-sale securities with book values (fair values) exceeding acquisition costs:			
Equity securities	¥ 3,278	¥ 11,055	¥ 7,777
Available-for-sale securities with book values (fair values) not exceeding acquisition costs:			
Equity securities	¥ 1,319	¥ 1,251	¥ (68)
Others	20	15	(5)
Total	¥ 1,339	¥ 1,266	¥ (73)

2002	Thousands of U.S. dollars Acquisition Cost	Thousands of U.S. dollars Book Value	Thousands of U.S. dollars Difference
Available-for-sale securities with book values (fair values) exceeding acquisition costs:			
Equity securities	$ 21,955	$ 51,113	$ 29,158
Available-for-sale securities with book values (fair values) not exceeding acquisition costs:			
Equity securities	$ 5,105	$ 4,917	$ (188)
Others	151	98	(53)
Total	$ 5,256	$ 5,015	$ (241)

(b) Summarized information of book values of securities with no available fair values at March 31, 2002 and 2001 was as follows:

	Millions of Yen 2002	Millions of Yen 2001	Thousands of U.S.Dollars 2002
Available-for-sale securities:			
Unlisted domestic bonds	¥ 60	¥ 300	$ 451
Unlisted equity securities	1,157	689	8,699
Money management funds	1	502	9

(c) Summarized information of maturities of securities with maturities at March 31, 2002 and 2001 were as follows:

2002	Millions of Yen Within one year	Millions of Yen Over one year but within five years	Millions of Yen Over five years but within ten years	Millions of Yen Over ten years
Available-for-sale securities				
Bonds:				
Corporate bonds	¥ -	¥ 60	¥ -	¥ -

2001	Millions of Yen Within one year	Millions of Yen Over one year but within five years	Millions of Yen Over five years but within ten years	Millions of Yen Over ten years
Available-for-sale securities				
Bonds:				
Corporate bonds	¥ -	¥ 300	¥ -	¥ -

2002	Thousands of U.S. dollars: Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Available-for-sale securities				
Bonds:				
Corporate bonds	$ -	$ 451	$ -	$ -

(d) Total sales of available-for-sale securities sold for the years ended March 31, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S.Dollars
	2002	2001	2002
Available-for-sale securities:			
Sold	¥ 2,002	¥ 1,949	$ 15,053
Gains	1,200	1,221	9,023
Losses	273	2	2,053

4. Unconsolidated subsidiaries and affiliated companies

Summarized information of balances and transactions with affiliated companies at March 31, 2002 and 2001, and for the years ended March 31, 2002, 2001 and 2000 was as follows:

	Millions of Yen		Thousands of U.S.Dollars
	2002	2001	2002
Advance payments and other current assets	¥ 391	¥ 1	$ 2,940
Investment securities	891	758	7,185

	Millions of Yen			Thousands of U.S.Dollars
	2002	2001	2000	2002
Sales to	¥ 6	¥ 7	¥ 222	$ 45
Purchases from	3,355	5,567	4,023	25,226

5. Related party transactions

Shigeo Takayama, a director and the chairman of the Company, and Takayama International Education Foundation, of which Shigeo Takayama is president, subscribed for all of the Company's bonds issued in the year ended March 31, 2002. At March 31, 2002, the Company's bonds are owned by Shigeo Takayama and Takayama International Education Foundation in the amount of ¥100 million ($752 thousand) and ¥500 million ($3,759 thousand), respectively.

6. Inventories

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

	Millions of Yen		Thousands of U.S.Dollars
	2002	2001	2002
Merchandise	¥ 7,567	¥ 11,278	$ 56,895
Finished goods	379	334	2,850
Raw materials	336	369	2,526
Work in process	76	91	571
Supplies	21	22	158
	¥ 8,379	¥ 12,094	$ 63,000

7. Short-term borrowings and long-term debt

Short-term borrowings consisted principally of loans from banks and commercial paper. The interest rates on short-term borrowings at March 31, 2002 and 2001 ranged from 0.93% to 7.35% and 0.93% to 7.35%, respectively. The interest rates on commercial paper at March 31, 2002 ranged from 0.338% to 0.011%.

Long-term debt at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S.Dollars
	2002	2001	2002
1.14% to 2.29% loans from Japanese banks, due in 2007	¥ 6,295	¥ 7,824	$ 47,331
1.1% to 1.8% loans from Japanese insurance company, due in 2004	1,975	1,735	14,850
No interest-bearing loans from Japanese government agencies	-	302	-
1.5% Japanese bonds with detachable warrants, due in 2007	600	-	4,511
0.1% Japanese bonds with detachable warrants, due in 2001	-	99	-
Other loans	-	-	-
	8,870	9,960	66,692
Less amount due within one year	2,269	3,388	17,060
	¥ 6,601	¥ 6,572	$ 49,632

The indenture covering the 1.5% Japanese yen bonds with detachable warrants, due in 2007, provides, among other things, for (1) the exercise of warrants at the current exercise price of ¥1,666 (subject to change in circumstances) and (2) exercisable period from September 1, 2001 to March 22, 2007.

At the current exercise price, 360,144 shares of common stock were issuable on full exercise of the outstanding warrants at March 31, 2002.

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

	Millions of Yen	Thousands of U.S.Dollars
Land	¥ 319	$ 2,398
Buildings and structures	558	4,195

Annual maturities of long-term debt at March 31, 2002 were as follows:

Year ending March 31	Millions of Yen	Thousands of U.S.Dollars
2003	¥ 2,269	$ 17,060
2004	3,038	22,842
2005	1,258	9,662
2006	478	3,594
2007	1,560	11,729
Thereafter	240	1,805

8. Retirement benefits

As explained in Note 2. Significant Accounting Policies, effective April 1, 2000, the Companies adopted the new accounting standard for employees' severance and retirement benefits, under which the liabilities and expenses for severance and retirement benefits are determined based on the amounts obtained by actuarial calculations.

The liabilities for employees'severance and retirement benefits included in the liability section of the consolidated balance sheet at March 31, 2002 and 2001 consists of the following:

	Millions of Yen		Thousands of U.S.Dollars
	2002	2001	2002
Projected benefits obligation:			
Projected benefit obligation	¥ (2,508)	¥ (2,363)	$ (18,857)
Pension assets	1,920	1,816	14,436
Unfunded projected benefit obligation	(588)	(547)	(4,421)
Unrecognized net transition obligation	-	-	-
Unrecognized actuarial differences	363	205	2,729
Net projected benefits obligation	(225)	(342)	(1,692)
Prepaid pension expense	(3)	-	(22)
Employees' severance and retirement benefits	¥ (228)	¥ (342)	$ (1,714)

Included in the consolidated statements of income for the years ended March 31, 2002 and 2001 are severance and retirement benefit expenses comprised of the following:

	Millions of Yen		Thousands of U.S.Dollars
	2002	2001	2002
Severance and retirement benefit expenses:			
Service costs - benefits earned during the year	¥ 292	¥ 296	$ 2,195
Interest cost on projected benefit obligation	68	65	511
Expected return on plan assets	(72)	(65)	(541)
Amortization of entire net transition obligation	-	(265)	-
Amortization of actual differences	21	-	159
Extra severance and retirement benefits	45	125	338
Severance and retirement benefit expenses	¥ 354	¥ 156	$ 2,662

The discount rate and the rate of expected return on plan assets used by the Companies are 3.0% and 4.0%, respectively. The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years. Actuarial gains and losses are recognized in income statement using the straight-line method over 10 years commencing with the following period.

9. Shareholders' equity

Under the Commercial Code of Japan (the "Code"), at least 50% of the issue price of new shares, is required to be designated as stated capital. The portion which is to be designated as stated capital is determined by resolution of the Board of Directors. Proceeds in excess of the amounts designated as stated capital are credited to additional paid-in capital.

Under the Code, certain amounts of retained earnings equal to at least 10% of cash dividends and bonuses to directors and corporate auditors must be set aside as a legal reserve until the total of additional paid-in capital and legal reserve equals to 25% of common stock. Prior to the revision in the Code effective October 1, 2001, such appropriations as a legal reserve were required until the amount of legal reserve equaled 25% of common stock. The reserve is not available for dividends but may be used to reduce a deficit by resolution of the stockholders or may be capitalized by resolution of the Board of Directors. The legal reserve is included in the retained earnings.

Year-end dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividend is applicable (See Note 14). The maximum amount that the Company can distribute as dividends is calculated based on the unconsolidated financial statements of the Company in accordance with the Code. In addition, semi-annual interim dividend may be paid upon resolution of the Board of Directors, subject to limitations imposed by the Code.

On September 14, 1999, the Company issued 1,500 thousand new shares to the public in Japan. Of total proceeds from the issuance of the new shares amounting to ¥4,080 million, ¥2,040 million was credited to common stock and the remaining ¥2,040 million was credited to additional paid-in capital.

Also, on October 11, 2000, the Company issued 2,000 thousand new shares to the public in Japan. Of total proceeds from the issuance of the new shares amounting to ¥5,336 million, ¥2,668 million was credited to common stock and the remaining ¥2,668 million was credited to additional paid-in capital.

On September 1, 2000, due to the merger with the ST General Limited, the Company issued 1,397 thousand new shares to the shareholders of the ST General Limited at the rate of 0.49 share of the Company for one unit of equity capital of ST General Limited, and at the same time, the Company cancelled 1,386 thousand shares of the Company which had been owned by ST General Limited and acquired by the Company by the merger. The share issuance and the share cancellation resulted in an increase in common stock by ¥2,491 million and a decrease by ¥2,472 million respectively. The excess of the net assets acquired from ST General Limited amounting to ¥2,531 million over ¥2,491 million, which is the amount credited to common stock for the new shares issued to the shareholders of ST General Limited, was credited to additional paid-in capital as of September 1, 2000.

Stock splits are allowed under the Code. Generally, such stock splits, including those that have been made by the Company, do not purport to be distributions of earnings and, in Japan, are not taxable to shareholders.

The Company has a stock option plan for directors and certain employees of the Company. Under the plan, directors and certain employees are given rights to purchase shares of the Company's common stock which had been purchased by the Company, up to the maximum 601,000 shares of the common stock and not exceeding ¥3,000 million until the next annual general meeting, and the options will be exercisable during the period from July 1, 2002 to June 30, 2006.

The Company purchased 1,300,000 outstanding shares of its common stock in the open market on March 25, 2002.

Treasury stock amounting to ¥3,913 million ($29,421 thousand) deducted from the shareholders' equity as of March 31, 2002, is not available for dividends under the Code. The amount included shares acquired for the Company's stock option plan amounting to ¥2,050 million ($15,414 thousand).

10. Contingent liabilities

Contingent liabilities of the Companies at March 31, 2002 were as follows:

	Millions of Yen	Thousands of U.S.Dollars
Notes endorsed	¥ 500	$ 3,759
Guarantees for indebtedness	26	195

11. Research and development expense

Research and development expenses for the development of new products or improvement of existing products are charged to income as incurred. Such amounts charged to income for the years ended March 31, 2002 and 2001 were ¥220 million ($1,654 thousand) and ¥265 million, respectively.

12. Income Taxes

Income taxes applicable to the Company and its domestic consolidated subsidiaries consist of corporation tax, inhabitants' taxes and enterprise tax, which in the aggregate resulted in normal statutory rates of approximately 42% for the years ended March 31, 2002, 2001 and 2000. Income taxes of foreign consolidated subsidiaries are based generally on tax rates applicable in their countries of incorporation.

Significant components of the Company's deferred tax assets and liabilities as of March 31, 2002 and 2001 are as follows:

Deferred tax assets:	Millions of Yen 2002	2001	Thousands of U.S.Dollars 2002
Directors' retirement benefits	¥ 400	¥ 398	$ 3,008
Employees' retirement benefits	47	77	354
Devaluation of inventories	370	131	2,782
Accrued enterprise taxes	5	127	38
Accrued employees' bonus	189	181	1,421
Devaluation of investment securities	124	158	932
Allowance for loss on investment securities	46	-	346
Amortization of the excess of cost of investments over fair value of net assets	-	176	-
Net operating loss carryforwards	103	117	774
Others	288	228	2,165
Less-Valuation allowance	(58)	(88)	(436)
Total deferred tax assets	¥ 1,514	¥ 1,505	$ 11,384
Deferred tax liabilities:			
Net unrealized holding gains on investment securities	(1,640)	(3,240)	(12,331)
Retained earnings of subsidiaries	(640)	(536)	(4,812)
Gain on land valuation	(203)	(203)	(1,526)
Others	(121)	(49)	(910)
Total deferred tax liabilities	(2,604)	(4,028)	(19,579)
Net deferred tax liabilities	¥ (1,090)	¥ (2,523)	$ (8,195)

13. Derivative financial instruments

The Companies use forward foreign currency contracts as derivative financial instruments only for the purpose of mitigating future risks of fluctuation of foreign currency exchange rates with respect to foreign currency accounts receivable or payable and commitments.

The Companies also use interest rate cap contracts as derivative financial instruments only for the purpose of mitigating future risks of interest rate increases with respect to long-term debt.

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

The forward foreign currency contracts are executed and managed by the Company's Finance Department in accordance with the established policies. The Manager of the Finance Department reports information on the aggregate contract amount to the Board of Directors on a monthly basis.

The interest rate cap contracts are executed by the Company's Finance Department based on a resolution of the senior executives' meeting. The Manager of the Finance Department reports information on the aggregate contract amount to the Board of Directors on a monthly basis.

The derivative financial instruments are executed with creditworthy Japanese banks, and the Company's management believes there is little risk of default by counterparties.

Summarized information of the aggregate contract amount, market value and realized gains or losses of derivative transactions for which hedge accounting has not been applied at March 31, 2001 was as follows:

Currency related: 2001	Millions of Yen Contracted amount	Over one year	Market value	Recognized gains(losses)
Forward foreign exchange contracts				
Sell: U.S. dollars	¥ 682	¥ -	¥ 749	¥ (67)

At March 31, 2002, there were no outstanding currency related derivatives for which hedge accounting was not applied.

Interest related: 2002	Millions of Yen Contracted amount	Over one year	Market value	Recognized gains(losses)
Interest rate cap contracts				
Buy	¥ 4,500	¥ -	¥ 0	¥ (0)

Interest related: 2001	Millions of Yen			
	Contracted amount	Over one year	Market value	Recognized gains(losses)
Interest rate cap contracts				
Buy:	¥ 4,500	¥ 4,500	¥ 0	¥ (27)

Interest related: 2002	Thousands of U.S. dollars			
	Contracted amount	Over one year	Market value	Recognized gains(losses)
Interest rate cap contracts				
Buy:	$ 33,835	$ -	$ 0	$ (0)

14. Cash and cash equivalents

The reconciliation between cash and time deposit on the consolidated balance sheets and cash and cash equivalents on the consolidated statements of cash flows at March 31, 2002 and 2001 was as follows:

	Millions of Yen		Thousands of U.S.Dollars
	2002	2001	2002
Cash and time deposits	¥ 6,280	¥ 7,624	$ 47,218
Add: Short-term investments	1	502	8
Total	6,281	8,126	47,226
Less: Time deposits with maturities exceeding three months	(79)	(381)	(593)
Cash and cash equivalents	¥ 6,202	¥ 7,745	$ 46,633

15. Information for certain lease transactions

Finance leases which do not transfer ownership to leasees are not capitalized and accounted for in the same manner as operating leases. Certain information for such non-capitalized finance leases were as follows.

(a) A summary of assumed amounts (inclusive of interest) of acquisition cost, accumulated depreciation and net book value at March 31, 2002 and 2001 was as follows:

	Millions of Yen		Thousands of U.S.Dollars
	2002	2001	2002
Purchase price equivalent:			
Machinery and equipment	¥ 782	¥ 819	$ 5,880
Other assets	106	113	797
Accumulated depreciation equivalent	526	414	3,955
Book value equivalent	¥ 362	¥ 518	$ 2,722

(b) Future minimum lease payments, inclusive of interest, at March 31, 2002 and 2001 were ¥362 million ($2,722 thousand) and ¥518 million, including ¥181 million ($1,361 thousand) and ¥200 million, respectively due within one year.

(c) Lease payments for the years ended March 31, 2002 and 2001 were ¥196 million ($1,474 thousand) and ¥243 million, respectively. Assumed depreciation charges for the years ended March 31, 2002 and 2001 were ¥196 million ($1,474 thousand) and ¥243 million, respectively.

(d) Depreciation charges are computed using the straight-line method over lease terms assuming no residual value.

16. Subsequent events

On June 26, 2002, the shareholders approved (1) payment of year-end cash dividends to shareholders of record as of March 31, 2002 of ¥10 ($0.08) per share or a total of ¥222 million ($1,669 thousand), (2) decreases in additional paid-in capital by ¥5,000 million ($ 37,594 thousand) out of its total of ¥7,532 million ($ 56,632 thousand) and in legal reserve, which is included in retained earnings, by the entire amount of ¥501 million ($3,767 thousand), and (3) purchase of treasury stock within the limits of 1,720,000 shares and ¥3,500 million ($26,316 thousand).

17. Segment information

The Company's primary business activities include (1) electronics division (2) chemical division and (3) other. A summary of net sales, costs and expenses, operating income, identifiable assets, depreciation and amortization, and capital expenditures by segment of business activities for the years ended March 31, 2002, 2001 and 2000 is as follows:

(a) Information by business segment

	Millions of Yen					
2002	Electronics division	Chemical division	Other	Total	Elimination and/or Corporate	Consolidated
Net sales:						
Outside customers	¥ 78,354	¥ 6,266	¥ 1,170	¥ 85,790	¥ -	¥ 85,790
Within consolidated group	3	9	148	160	(160)	-
Total	78,357	6,275	1,318	85,950	(160)	85,790
Costs and expenses	75,934	5,677	1,290	82,901	2,104	85,005
Operating income	¥ 2,423	¥ 598	¥ 28	¥ 3,049	¥ (2,264)	¥ 785
Identifiable assets	¥ 49,530	¥ 5,282	¥ 534	¥ 55,346	¥ 6,710	¥ 62,056
Depreciation and amortization	354	188	2	544	88	632
Capital expenditures	455	266	3	724	151	875

	Millions of Yen					
2001	Electronics division	Chemical division	Other	Total	Elimination and/or Corporate	Consolidated
Net sales:						
Outside customers	¥ 95,085	¥ 6,568	¥ 969	¥102,622	¥ -	¥102,622
Within consolidated group	2	-	143	145	(145)	-
Total	95,087	6,568	1,112	102,767	(145)	102,622
Costs and expenses	87,382	5,909	1,086	94,377	2,499	96,876
Operating income	¥ 7,705	¥ 659	¥ 26	¥ 8,390	¥ (2,644)	¥ 5,746
Identifiable assets	¥ 58,497	¥ 5,233	¥ 469	¥ 64,199	¥ 10,080	¥ 74,279
Depreciation and amortization	336	232	1	569	121	690
Capital expenditures	385	172	3	560	231	791

	Millions of Yen					
2000	Electronics division	Chemical division	Other	Total	Elimination and/or Corporate	Consolidated
Net sales:						
Outside customers	¥ 90,537	¥ 6,522	¥ 1,217	¥ 98,277	¥ -	¥ 98,277
Within consolidated group	-	-	54	54	(54)	-
Total	90,537	6,522	1,271	98,331	(54)	98,277
Costs and expenses	84,436	6,154	1,235	91,825	2,458	94,283
Operating income	¥ 6,101	¥ 368	¥ 36	¥ 6,506	¥ (2,512)	¥ 3,994
Identifiable assets	¥ 49,301	¥ 5,114	¥ 424	¥ 54,839	¥ 11,111	¥ 65,950
Depreciation and amortization	253	201	2	456	111	567
Capital expenditures	414	95	0	509	150	659

	Thousands of U.S.Dollars					
2002	Electronics division	Chemical division	Other	Total	Elimination and/or Corporate	Consolidated
Net sales:						
Outside customers	$ 589,128	$ 47,114	$ 8,796	$ 645,038	$ -	$ 645,038
Within consolidated group	23	67	1,113	1,203	(1,203)	-
Total	589,151	47,181	9,909	646,241	(1,203)	645,038
Costs and expenses	570,932	42,685	9,699	623,316	15,819	639,135
Operating income	$ 18,219	$ 4,496	$ 210	$ 22,925	$(17,022)	$ 5,903
Identifiable assets	$ 372,407	$ 39,714	$ 4,015	$416,136	$ 50,452	$466,588
Depreciation and amortization	2,662	1,414	15	4,091	661	4,752
Capital expenditures	3,421	2,000	23	5,444	1,135	6,579

(b) Information by geographic location

2002	Millions of Yen					
	Japan	Asia	Other area	Total	Elimination and/or Corporate	Consolidated
Net sales:						
Outside customers	¥67,795	¥15,894	¥ 2,101	¥85,790	¥ -	¥85,790
Within consolidated group	1,316	363	132	1,811	(1,811)	-
Total	69,111	16,257	2,233	87,601	(1,811)	85,790
Costs and expenses	66,113	15,810	2,565	84,488	517	85,005
Operating income	¥ 2,998	¥ 447	¥ (332)	¥ 3,113	¥(2,328)	¥ 785
Identifiable assets	¥49,942	¥ 6,763	¥ 2,408	¥59,113	¥ 2,943	¥62,056

2001	Millions of Yen					
	Japan	Asia	Other area	Total	Elimination and/or Corporate	Consolidated
Net sales:						
Outside customers	¥85,864	¥14,792	¥1,966	¥102,622	¥ -	¥102,622
Within consolidated group	2,323	355	42	2,720	(2,720)	-
Total	88,187	15,147	2,008	105,342	(2,720)	102,622
Costs and expenses	80,250	14,333	2,290	96,873	3	96,876
Operating income	¥ 7,937	¥ 814	¥ (282)	¥ 8,469	¥(2,723)	¥ 5,746
Identifiable assets	¥58,239	¥ 6,537	¥3,371	¥68,147	¥ 6,132	¥74,279

2000	Millions of Yen					
	Japan	Asia	Other area	Total	Elimination and/or Corporate	Consolidated
Net sales:						
Outside customers	¥86,489	¥10,201	¥1,587	¥98,277	¥ -	¥98,277
Within consolidated group	848	284	99	1,231	(1,231)	-
Total	87,337	10,485	1,686	99,508	(1,231)	98,277
Costs and expenses	81,324	10,051	1,656	93,031	1,252	94,283
Operating income	¥ 6,013	¥ 434	¥ 30	¥ 6,477	¥(2,483)	¥ 3,994
Identifiable assets	¥50,251	¥ 4,575	¥2,524	¥57,350	¥ 8,602	¥65,952

2002	Thousands of U.S. Dollars					
	Japan	Asia	Other area	Total	Elimination and/or Corporate	Consolidated
Net sales:						
Outside customers	$509,737	$119,504	$ 15,797	$ 645,038	$ -	$ 645,038
Within consolidated group	9,894	2,729	992	13,615	(13,615)	-
Total	519,631	122,233	16,789	658,653	(13,615)	645,038
Costs and expenses	497,090	118,873	19,286	635,249	3,886	639,135
Operating income	$ 22,541	$ 3,360	$ (2,497)	$ 23,404	$(17,501)	$ 5,903
Identifiable assets	$375,504	$ 50,850	$ 18,105	$ 444,459	$ 22,129	$466,588

(c) Overseas sales information

	Millions of Yen			Thousands of U.S.Dollars
	2001	2001	2000	2002
Export sales:				
Asia	¥ 19,049	¥ 18,517	¥ 14,292	$ 143,226
Other area	2,352	2,507	3,389	17,684
Total(A)	21,401	21,024	17,681	160,910
Net sales(B)	85,790	102,622	98,277	645,038
A/B	24.9%	20.5%	18.0%	24.9%

Report of Independent Certified Public Accountants

On the Consolidated Financial Statements

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

We have audited the accompanying consolidated balance sheets of Hakuto Co., Ltd. (a Japanese corporation) and subsidiaries as of March 31, 2002 and 2001, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended March 31, 2002, expressed in Japanese yen. Our audits were made in accordance with generally accepted auditing standards in Japan and, accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of Hakuto Co., Ltd. and subsidiaries as of March 31, 2002 and 2001, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2002 in conformity with accounting principles generally accepted in Japan (Note 1) applied on a consistent basis during the periods, except as noted in the following paragraph.

As explained in Notes 2(d), 2(e), 2(i), 2(k), 2(l) and 2(o), in the year ended March 31, 2001, Hakuto Co., Ltd. and subsidiaries prospectively adopted new Japanese accounting standards for financial instruments, employees' severance and retirement benefits and foreign currency translation. Also, as explained in Notes 2(a) and 2(b) in the year ended March 31, 2000, Hakuto Co., Ltd. and subsidiaries prospectively adopted new Japanese accounting standards for consolidation and equity method accounting. Also, Hakuto Co., Ltd. and subsidiaries made a change, with which we concur, in the method of accounting for retirement benefits, effective April 1, 1999, as referred to in Note 2(i).

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

Asahi & Co.

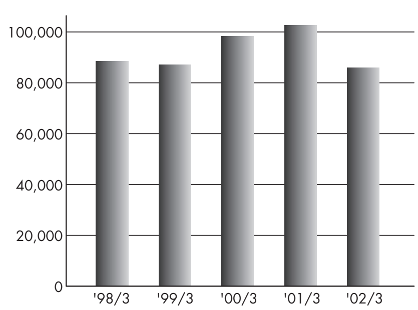
Tokyo, Japan
June 26, 2002

Financial Highlights

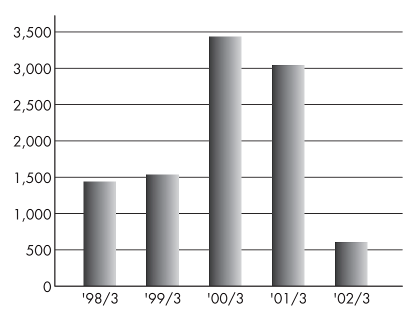
	Million of Yen			Thousands of U.S.Dollars	Percent change between
Operations Data:	2002/3	2001/3	2000/3	2002/3	2001/3 and 2002/3
Net Sales	¥85,790	¥102,622	¥98,277	$645,088	- 16.4%
Income before Income Taxes	1,447	5,576	6,071	10,880	- 74.0%
Net Income	596	3,040	3,407	4,481	- 80.4%
Financial Data:					
Total Assets	62,056	74,279	65,950	466,586	- 16.5%
Shareholders' Equity	34,126	37,681	27,746	256,586	- 9.4%
Per Share Data:	Yen			U.S Dollars	
Net Income per Share	¥25.37	¥131.80	¥159.92	$0.19	- 80.3%
Cash Dividends per Share	20.00	25.00	30.00	0.15	- 20.0%

The United States dollar amounts represent translations of Japanese yen amounts at the rate of ¥ 133=$1.
See Note 1 to consolidated financial statements.

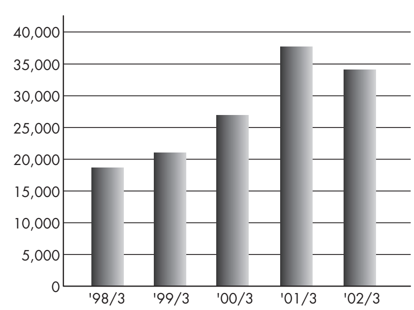
Net Sales
(Millions of yen)



Net Income
(Millions of yen)



Shareholders' Equity
(Millions of yen)



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