



Consolidated Financial Statements

for the years ended 31 March 2003 and 2002

CHUGOKU MARINE PAINTS, LTD.

Report of Independent Auditors

To the Board of Directors and Shareholders of
Chugoku Marine Paints, Ltd.

We have audited the accompanying consolidated balance sheets of Chugoku Marine Paints, Ltd. and its subsidiaries as of 31 March 2003 and 2002, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, all expressed in Japanese Yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Chugoku Marine Paints, Ltd. and its subsidiaries as of 31 March 2003 and 2002, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan (see Note 1).

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the readers, have been translated on the basis set forth in Note 3 to the accompanying consolidated financial statements.

ChuoAoyama Audit Corporation
Tokyo, Japan
27 June 2003

CHUGOKU MARINE PAINTS, LTD. AND ITS SUBSIDIARIES

Consolidated Balance Sheets
31 March 2002 and 2003

	Thousands of U.S. Dollars (Note 3)				Thousands of U.S. Dollars (Note 3)		
	Millions of Yen 2002	Millions of Yen 2003	2003		Millions of Yen 2002	Millions of Yen 2003	2003
ASSETS				LIABILITIES AND SHAREHOLDERS' EQUITY			
Current assets:				Current liabilities:			
Cash on hand and in banks	¥ 5,622	¥ 5,717	\$ 47,562	Short-term loans (Note 7)	¥ 21,184	¥ 20,491	\$ 170,474
Trade notes and accounts receivable	17,767	18,586	154,626	Current portion of long-term debt (Note 7)	2,128	931	7,746
Less, allowance for doubtful accounts	(523)	(450)	(3,744)	Notes and accounts payable:			
	17,244	18,136	150,882	Trade	9,047	9,051	75,300
Inventories (Note 5)	10,204	9,648	80,266	Other	2,389	2,234	18,586
Deferred income taxes (Note 12)	864	916	7,621		11,436	11,285	93,886
Other current assets	1,258	976	8,120	Income taxes payable (Note 12)	451	511	4,251
Total current assets	35,192	35,393	294,451	Deferred income taxes (Note 12)	7	-	-
				Other current liabilities	1,603	1,871	15,565
				Total current liabilities	36,809	35,089	291,922
Investments and advances:				Long-term debt (Note 7)	1,851	2,825	23,502
Investments in securities (Notes 4)	5,590	5,016	41,731	Accrued severance indemnities (Note 8)	550	543	4,517
Investments in affiliates	12	3	25	Deferred income taxes on revaluation of land	2,285	2,225	18,511
Claims in bankruptcy and reorganization claims	108	7	58	Deferred income taxes (Note 12)	153	105	874
Other	39	32	266	Other liabilities	100	129	1,073
	5,749	5,058	42,080	Total liabilities	41,748	40,916	340,399
				Minority interests in consolidated subsidiaries	875	1,054	8,769
Property, plant and equipment (Note 7) :				Contingencies (Note 9)			
Buildings and structures	13,040	13,675	113,768	Shareholders' equity (Note 11) :			
Machinery, equipment and vehicles	10,426	10,846	90,233	Common stock :			
Tools, furniture and fixtures	2,815	2,929	24,368	Authorised:			
	26,281	27,450	228,369	31 March 2002-279,774,000 shares			
Less, accumulated depreciation	(17,058)	(17,903)	(148,943)	31 March 2003-277,630,000 shares			
	9,223	9,547	79,426	Issued:			
Land	14,440	14,443	120,158	31 March 2002- 71,212,822 shares	11,626	-	-
Construction in progress	390	37	308	31 March 2003- 69,068,822 shares	-	11,626	96,722
	24,053	24,027	199,892	Additional paid-in capital	8,397	7,784	64,759
Deferred income taxes (Note 12)	302	357	2,970	Retained earnings	5,049	6,420	53,411
Other assets	1,152	1,074	8,935	Net unrealized gain (loss) on securities	(125)	(350)	(2,912)
				Foreign currency translation adjustments	(1,119)	(1,512)	(12,579)
					23,828	23,968	199,401
				Common stock in treasury, at cost			
				31 March 2002- 9,629 shares	(3)	-	-
				31 March 2003- 99,675 shares		(29)	(241)
				Total shareholders' equity	23,825	23,939	199,160
	¥ 66,448	¥ 65,909	\$ 548,328		¥ 66,448	¥ 65,909	\$ 548,328

The accompanying notes are an integral part of these statements.

CHUGOKU MARINE PAINTS, LTD. AND ITS SUBSIDIARIES

Consolidated Statements of Income
For the years ended 31 March 2001, 2002 and 2003

	Millions of Yen			Thousands of U.S. Dollars (Note 3)
	2001	2002	2003	2003
Net sales	¥ 45,822	¥ 48,950	¥ 50,213	\$ 417,745
Cost of sales	30,597	31,923	32,449	269,958
Gross profit	15,225	17,027	17,764	147,787
Selling, general and administrative expenses	13,117	14,134	14,060	116,972
Income from operations	2,108	2,893	3,704	30,815
Other income / (expenses):				
Interest and dividend income	197	134	122	1,015
Interest expense	(679)	(583)	(379)	(3,153)
Gain on sales of investment in securities, net	13	47	8	67
Gain (loss) on sales of property, plant and equipment, net	(42)	75	(2)	(17)
Write-downs of investments in securities	(2,063)	(2,662)	(1,057)	(8,794)
Gain (loss) on equity method	5	(1)	(8)	(66)
Foreign currency exchange (loss) gain, net	(68)	103	(60)	(499)
Royalty income	35	34	43	358
Revenue from technical training	-	11	79	657
Provision for allowance for doubtful accounts	(512)	-	-	-
Reversal of provision for allowance for doubtful accounts	-	14	1	8
Special depreciation for initial cost of business	-	-	(47)	(391)
Write-downs of golf membership	(213)	(26)	(5)	(41)
Other, net	33	(55)	(12)	(100)
	<u>(3,294)</u>	<u>(2,909)</u>	<u>(1,317)</u>	<u>(10,956)</u>
(Loss) income before income taxes and minority interests	(1,186)	(16)	2,387	19,859
Income taxes (Note 12) :				
Current	425	596	653	5,433
Deferred	(186)	(455)	(150)	(1,248)
	<u>239</u>	<u>141</u>	<u>503</u>	<u>4,185</u>
(Loss) income before minority interests	(1,425)	(157)	1,884	15,674
Minority interests in earnings of consolidated subsidiaries	(130)	(281)	(219)	(1,822)
Net (loss) income	<u>¥ (1,555)</u>	<u>¥ (438)</u>	<u>¥ 1,665</u>	<u>\$ 13,852</u>
	<u>Yen</u>			<u>U.S. Dollars</u>
(Loss) earnings per share				
Basic	¥ (20.28)	¥ (5.93)	¥ 23.66	\$ 196.84
Diluted	-	-	-	-
Cash dividends per share	4.0	5.0	6.5	54.08
Weighted average number of shares (in thousands)	76,672	73,742	70,354	

The accompanying notes are an integral part of these statements.

CHUGOKU MARINE PAINTS, LTD. AND ITS SUBSIDIARIES

**Consolidated Statements of Shareholders' Equity
For the years ended 31 March 2001, 2002 and 2003**

(Number of shares of common stock - thousand)	Millions of Yen					
	Common stock	Additional paid-in capital	Retained earnings	Net unrealized loss on securities	Foreign currency translation adjustments	Common stock in treasury, at cost
Balance, 31 March 2000 (78,600)	11,626	10,160	7,943	-	(3,212)	-
Net loss	-	-	(1,555)	-	-	-
Cash dividends	-	-	(511)	-	-	-
Unrealised gain on revaluation of land	-	-	27	-	-	-
Retirement of treasury stock (3,857)	-	(882)	-	-	-	-
Retained earnings of subsidiaries liquidated	-	-	(118)	-	-	-
Foreign currency translation adjustments	-	-	-	-	832	-
Balance, 31 March 2001 (74,743)	11,626	9,278	5,786	-	(2,380)	-
Net loss	-	-	(438)	-	-	-
Cash dividends	-	-	(299)	-	-	-
Net unrealised loss on securities	-	-	-	(125)	-	-
Retirement of treasury stock (3,530)	-	(881)	-	-	-	-
Foreign currency translation adjustments	-	-	-	-	1,261	-
Common stock in treasury, at cost	-	-	-	-	-	(3)
Balance, 31 March 2002 (71,213)	¥ 11,626	¥ 8,397	¥ 5,049	¥ (125)	¥ (1,119)	¥ (3)
Net income	-	-	1,665	-	-	-
Cash dividends	-	-	(356)	-	-	-
Unrealised gain on revaluation of land	-	-	63	-	-	-
Net unrealised loss on securities	-	-	-	(225)	-	-
Retirement of treasury stock (2,144)	-	(613)	-	-	-	-
Retained earnings of a subsidiary liquidated	-	-	(1)	-	-	-
Foreign currency translation adjustments	-	-	-	-	(393)	-
Common stock in treasury, at cost	-	-	-	-	-	(26)
Balance, 31 March 2003 (69,069)	¥ 11,626	¥ 7,784	¥ 6,420	¥ (350)	¥ (1,512)	¥ (29)

	Thousands of U.S. Dollars (Note 3)					
	Common stock	Additional paid-in capital	Retained earnings	Net unrealized loss on securities	Foreign currency translation adjustments	Common stock in treasury, at cost
Balance, 31 March 2002	\$ 96,722	\$ 69,859	\$ 42,005	\$ (1,040)	\$ (9,309)	\$ (25)
Net income	-	-	13,852	-	-	-
Cash dividends	-	-	(2,962)	-	-	-
Unrealised gain on revaluation of land	-	-	524	-	-	-
Net unrealised loss on securities	-	-	-	(1,872)	-	-
Retirement of treasury stock (2,144)	-	(5,100)	-	-	-	-
Retained earnings of a subsidiary liquidated	-	-	(8)	-	-	-
Foreign currency translation adjustments	-	-	-	-	(3,270)	-
Common stock in treasury, at cost	-	-	-	-	-	(216)
Balance, 31 March 2003 (69,069)	\$ 96,722	\$ 64,759	\$ 53,411	\$ (2,912)	\$ (12,579)	\$ (241)

The accompanying notes are an integral part of these statements.

CHUGOKU MARINE PAINTS, LTD. AND ITS SUBSIDIARIES

Consolidated Statement of Cash Flows
For the years ended 31 March 2001, 2002 and 2003

Thousands of
U.S. Dollars
(Note3)

	Millions of Yen			Thousands of U.S. Dollars
	2001	2002	2003	2003
Cash flows from operating activities:				
(Loss) income before income taxes and minority interests	¥ (1,186)	¥ (16)	¥ 2,387	\$ 19,859
Depreciation and amortization	1,255	1,275	1,281	10,657
Increase (decrease) in allowance for doubtful accounts	642	175	(100)	(832)
Increase (decrease) in retirement allowance	208	66	(7)	(58)
Interest and dividend income	(197)	(134)	(122)	(1,015)
Interest expense	679	583	379	3,153
Foreign currency exchange gain, net	(123)	(25)	0	0
Write-downs of investments in securities	2,063	2,662	1,057	8,794
Write-downs of golf membership	213	32	5	42
Loss (gain) on sales of property, plant and equipment, net and so on	42	(48)	21	175
Special depreciation for initial cost of business in foreign subsidiary	-	-	47	391
(Increase) decrease in trade notes and accounts receivable	(1,776)	945	(1,070)	(8,902)
(Increase) decrease in inventories	(669)	(884)	297	2,471
Increase (decrease) in trade notes and accounts payable	662	(1,512)	158	1,314
Other, net	(213)	222	481	4,001
Sub total	1,600	3,341	4,814	40,050
Interest and dividend income received	204	123	118	982
Interest expense paid	(680)	(603)	(390)	(3,245)
Income taxes paid	(356)	(478)	(588)	(4,892)
Net cash provided by operating activities	768	2,383	3,954	32,895
Cash flows from investing activities:				
Deposit for time depositis	-	(550)	(25)	(208)
Withdrawal of time deposits	408	-	-	-
Proceeds from sales of investments in securities	25	62	36	300
Payments for purchases of investments in securities	(118)	(181)	(741)	(6,165)
Payments for purchases of property, plant and equipment	(1,040)	(1,281)	(1,628)	(13,544)
Proceeds from sales of property, plant and equipment	368	145	25	208
Other, net	(100)	(19)	48	399
Net cash used in investing activities	(457)	(1,824)	(2,285)	(19,010)
Cash flows from financing activities:				
Increase (decrease) in short-term loans	1,117	310	(283)	(2,354)
Additions to long-term debt	1,000	-	2,000	16,639
Repayment of long-term debt	(2,192)	(1,129)	(2,222)	(18,486)
Contribution from minority shareholders	-	11	127	1,057
Cash dividends	(511)	(299)	(356)	(2,962)
Payment for purchases of treasury stock	(883)	(883)	(639)	(5,316)
Other, net	(35)	(24)	(149)	(1,240)
Net cash used in financing activities	(1,504)	(2,014)	(1,522)	(12,662)
Effect of exchange rate changes on cash and cash equivalents	105	309	(80)	(666)
Net (decrease) increase in cash and cash equivalents	(1,088)	(1,146)	67	557
Cash and cash equivalents at beginning of year	7,095	6,007	4,861	40,441
Cash and cash equivalents at end of year	¥ 6,007	¥ 4,861	¥ 4,928	\$ 40,998

The accompanying notes are an integral part of this statement.

CHUGOKU MARINE PAINTS, LTD. AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statements

1. Basis of presentation of consolidated financial statements

The accompanying consolidated financial statements have been prepared based on the accounts maintained by Chugoku Marine Paints, Ltd. (the “Company”) and its subsidiaries in accordance with the provisions set forth in the Commercial Code of Japan and the Securities and Exchange Law, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards.

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

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

2. Summary of significant accounting policies

(1) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries (collectively referred to as the “Companies”). As at 31 March 2001 and 2002, the Company consolidated 30 and 29 subsidiaries, respectively. CMP Atak Boya Sanayi Ve Ticaret A.S. has been excluded from the consolidation, as it is under liquidation and immaterial. All significant inter-company accounts and transactions are eliminated in consolidation.

The Company follows the method to value the entire portion of assets and liabilities of consolidated subsidiaries at fair market values at the time of acquiring controls over those companies.

Any difference between the cost of an investment in a subsidiary and the amount of underlying equity in net assets is treated as an asset or a liability, whichever is applicable, and amortised over a period of five years on a straight-line basis.

The fiscal year-ends of consolidated subsidiaries are 31 December, except for Kobe Paints Co., Ltd., which has its year-end at 31 March. For consolidation purpose, the Company uses financial statements of these subsidiaries as of and for the year ended 31 December with necessary consolidation adjustments to reflect any significant transactions occurred between 31 December and 31 March.

Investment in affiliates over which the Company has the ability to exercise significant influences over operating and financial policies of the investees, are accounted for using the equity method. As at 31 March 2001, 2002 and 2003, the Company had one affiliate (Chugoku-Jenson & Nnicholson Ltd.) of which fiscal year-end is 31 December.

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Notes to Consolidated Financial Statements

(2) Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of cash flows are composed of cash on hand, bank deposits withdrawn on demand, and short-term investments with an original maturity of three months or less and which are readily convertible to cash and represent a minor risk of fluctuation in value.

(3) Translation of foreign currencies

All monetary assets and liabilities denominated in foreign currencies, whether long-term or short-term, are translated into Japanese yen at the exchange rates prevailing at the balance sheet date and resulting gains and losses are included in the determination of net income.

Assets and liabilities of foreign consolidated subsidiaries and an affiliate accounted for by the equity method are translated into Japanese yen at the exchange rates in effect at the respective balance sheet dates. Translation adjustments result from the process of translating foreign currency financial statements into Japanese yen. These translation adjustments, which are not included in the determination of net income, are reported separately as a component of shareholders' equity.

(4) Investments in securities

The Companies have no trading securities.

Held-to-maturity debt securities are stated at amortized cost adjusted for the amortization of premiums and the accretion of discounts to maturity.

Other securities for which market value are available are stated at fair value as of the end of the year with unrealized gain and loss, net of applicable deferred income tax assets / liabilities and minority interests, not reflected in income but directly charged into a separate component of shareholders' equity. Realized gain or loss on sales of such securities is computed using moving-average cost. Other securities for which market values are not available are stated at cost, which is determined by the moving-average method.

If a decline in fair value below cost of an individual security is judged to be material and other than temporary, the carrying value of the individual security is written down.

(5) Derivatives and hedge accounting

All derivatives are stated at fair value, with changes in fair value included in net profit or loss for the period in which they arise unless derivative instruments are used for hedging purposes. Certain foreign subsidiaries utilize a foreign exchange forward contract to reduce risk from exchange rate fluctuation in foreign-currency-denominated account receivables. They adopt the method to state account receivables by the forward exchange contracts rate if the contract meets certain conditions.

At the inception date of the forward exchange contracts, they are allocated to the same amount at the same time as the hedged items in accordance with the Company's risk management objective and policy for undertaking the hedge. They judge that hedging relationship about exchange rate fluctuation thereafter qualifies as high effective, so the evaluation of hedge

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effectiveness at the fiscal year-end is not performed.

(6) Allowance for doubtful accounts

Allowance for doubtful accounts is provided in preparation for possible risk of uncollectible accounts. It consists of the estimated uncollectible amount with respect to identified doubtful receivables and an amount calculated on the historical bad debt ratio with respect to remaining receivables.

(7) Inventories

Inventories are stated at cost, which is determined by the moving-average method, except for certain subsidiaries that value inventories at the lower of cost or market, cost being determined by the first-in first-out method.

(8) Property, plant and equipment and depreciation

The Company and its domestic subsidiaries provide for depreciation of “buildings and structures”, “machinery, equipment and vehicles” and “tools, furniture and fixtures” on the declining-balance method at rates based on their estimated useful lives prescribed by the Japanese tax laws, except for buildings (excluding building improvement) acquired on or after 1 April 1998 which are depreciated by the straight-line method. Overseas subsidiaries provide for depreciation of property, plant and equipment over their estimated useful lives primarily on the straight-line method.

The range of useful lives is summarised as follows:

Buildings and structures	7 - 50 years
Machinery, equipment and vehicles	4 - 17 years
Tools, furniture and fixtures	2 - 10 years

Normal repairs and maintenance, including minor renewals and improvements, are charged to income as incurred.

Effective 31 March 2000, the Company revalued its land used for operations in accordance with the Law Concerning the Revaluation of Land (the Law No. 34 promulgated on 31 March 1998 which was partially amended on 31 March 1999). The revaluation was made based on the value used for property tax levy with reasonable adjustments in accordance with the Article 2-3 of the enforcement ordinance of the Law No. 34.

The tax effect of the revaluation difference is recorded as deferred income taxes on revaluation of land (non-current liability) and the remaining after-tax amount is credited to retained earnings. The fair value of the revalued land at 31 March 2003 was ¥2,458 million (\$20,449 thousand) lower than the carrying amount of land after revaluation.

Two overseas subsidiaries revalued their lands in accordance with local regulations and accounting standards. The revaluation resulted in the revaluation gain of ¥80 million (\$666 thousand) of which tax effect of ¥16 million (\$133 thousand) was included in deferred income taxes on revaluation of land, ¥6 million (\$50 thousand) was included in minority interests in consolidated subsidiaries and the remaining after-tax amount of ¥58 million (\$483 thousand)

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was credited to retained earnings.

(9) Intangible assets

Intangible assets, included in other assets, are amortized on a straight-line basis over the period regulated by the Japanese tax laws, except for computer software for internal use which is amortized on a straight-line basis over the estimated useful lives (three to five years).

(10) Deferred assets

Until prior year, the overseas subsidiary in China amortised the initial cost of business over the five-year period on a straight-line basis. At the beginning of this year, the subsidiary depreciated all of the ending balance of the year ended 31 December 2001, amounting to 47 million yen, in accordance with newly adopted accounting standard in China. The effects of this change were to increase income from operation by ¥18 million (\$150 thousand) and decrease income before taxes and minority interests by ¥30 million (\$250 thousand) for the year ended 31 March 2003, as compared with the amount which would have been reported if the previous standard had been applied consistently.

(11) Leases

Finance leases other than those, which are deemed to transfer the ownership of the leased assets to lessees, are accounted for by the method similar to that applicable to ordinary operating leases.

(12) Accrued bonuses

Accrued bonuses are included in other current liabilities. Certain subsidiaries provide for accrued bonuses based on the amount estimated to be paid.

(13) Accrued severance indemnities

The Companies, excluding certain overseas subsidiaries, provide for accrued severance indemnities in preparation for payments of retirement benefits to employees at an amount of projected benefit obligation attributed to the services rendered by the end of year reduced by pension plan assets at fair value at the end of year.

The Company has adopted a funded defined benefit plan covering all of its employees. Subsidiaries, excluding certain overseas subsidiaries, have adopted funded and/or unfunded defined benefit plans. In addition, the Companies may occasionally pay supplementary benefits to retired employees.

The net transition obligation of ¥1,297 million at date of the adoption is amortized on the straight-line method over 15 years. Actuarial gain or loss is amortized on the straight-line method over 10 years from the next year in which it arises.

(14) Product warranty costs

Product warranty costs are included in other current liabilities. Provision for estimated warranty costs is recorded based on the ratio of actual warranty costs incurred for the year

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against related annual sales amounts.

(15) Income taxes

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

Deferred income taxes are determined using the asset and liability approach, whereby deferred tax assets and liabilities are recognized in respect of temporary difference between the tax basis of assets and liabilities and those as reported in the financial statements.

(16) Consumption taxes

The consumption taxes paid and withheld on purchase and sales of goods and services are not included in the amounts of respective cost, expense or revenue in the accompanying consolidated statements of income. Net balance of consumption taxes withheld and paid is included in "other current assets" or "other current liabilities" in the consolidated balance sheets.

(17) Earnings and cash dividends per share

Basic earnings per share of common stock are based on the weighted average number of shares of common stock outstanding during each period. The diluted earnings per share for the years ended 31 March 2001, 2002 and 2003 were not presented, as the Company had no dilutive potential common shares.

Cash dividends per share include those declared by the Companies in the respective periods. Dividends are charged to retained earnings in the year in which they are paid.

(18) Accounting changes

Common stock in treasury and capital and legal reserve

Effective from the year ended 31 March 2003, the Company adopted the Statement of Financial Accounting Standard No. 1 "Accounting for Treasury Stock and Reversal of Capital and Legal Reserves" issued by the Accounting Standards Board of Japan. However, the effect on net income for the period of adopting this new statement was immaterial.

Earnings per share

Effective from the year ended 31 March 2003, the Company adopted the Statement of Financial Accounting Standard No. 2 "Earnings per share" issued by the Accounting Standards Board of Japan. Prior to adopting the new statement, earnings per share were calculated based on the net income shown on the consolidated statements of income. The earnings per share calculation therefore excluded bonuses to directors and corporate auditors, since under the Japanese Commercial Code, these are recognized as an appropriation of retained earnings, in the Consolidated Statements of Shareholders' Equity, rather than as expenses in the consolidated statements of income. However, the new statement requires that net income should be adjusted by deducting bonuses paid to directors and statutory auditors as well as the payment of dividends to shareholders of preferred stocks to be recognized as an

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appropriation of retained earnings, from net income shown in the consolidated statements of income, and the calculation of earnings per share be made on that adjusted net income basis. This accounting change makes no effect to earnings per share, as compared with the amount calculated using the previous method.

3. United States dollar amounts

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥120.20 = U.S.\$1.00, the rate of exchange at 31 March 2003, has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen has been or could be readily converted, realized or settled in U.S. dollars at this rate or any other rate.

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Notes to Consolidated Financial Statements

4. Investments in securities

Other securities and held-to-maturity securities at 31 March 2002 are summarized as follows:

	Millions of yen			
	Acquisition cost	Fair value	Gross unrealized gain	Gross unrealized loss
Other Securities:				
Market value available	¥ 5,238	¥ 5,118	¥ 273	¥ (392)
Market value not available	473	473	-	-
Total other securities	<u>¥ 5,711</u>	<u>¥ 5,591</u>	<u>¥ 273</u>	<u>¥ (392)</u>
Held-to-maturity securities				
Market value available	<u>¥ 11</u>	<u>¥ 11</u>	<u>¥ -</u>	<u>¥ -</u>

All investments in held-to-maturity securities at 31 March 2002 are due after one year through ten years.

Other securities and held-to-maturity securities at 31 March 2003 are summarized as follows:

	Millions of Yen			
	Acquisition cost	Fair value	Gross unrealized gain	Gross unrealized loss
Other Securities:				
Market value available	¥ 4,415	¥ 4,062	¥ 60	¥ (413)
Market value not available	946	946	-	-
Total other securities	<u>¥ 5,361</u>	<u>¥ 5,008</u>	<u>¥ 60</u>	<u>¥ (413)</u>
Held-to-maturity securities				
Market value available	<u>¥ 11</u>	<u>¥ 11</u>	<u>¥ -</u>	<u>¥ -</u>

	Thousands of U.S. Dollars (Note 3)			
	Acquisition cost	Fair value	Gross unrealized gain	Gross unrealized loss
Other Securities:				
Market value available	\$ 36,730	\$ 33,794	\$ 499	\$ (3,436)
Market value not available	7,870	7,870	-	-
Total other securities	<u>\$ 44,601</u>	<u>\$ 41,664</u>	<u>\$ 499</u>	<u>\$ (3,436)</u>
Held-to-maturity securities				
Market value available	<u>\$ 92</u>	<u>\$ 92</u>	<u>\$ -</u>	<u>\$ -</u>

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Other securities with maturity and held-to-maturity securities at 31 March 2003 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 3)	
	Other securities	Held-to-maturity securities	Other securities	Held-to-maturity securities
Due within 1 year	¥ -	¥ 6	\$ -	\$ 50
Due after 1 to 5 years	-	2	-	17
Due after 5 to 10 years	-	3	-	25
	¥ -	¥ 11	\$ -	\$ 92

The impairment losses of other securities for the years ended 31 March 2002 and 2003 amounted to ¥2,662 million and ¥1,057 million (\$8,794 thousand), respectively. Total sales of other securities for the year ended 31 March 2002 and 2003 amount to ¥62 million and ¥36 million (\$300 thousand) and the related gain amount to ¥47 million and ¥8 million (\$67 thousand), respectively.

5. Inventories

Inventories at 31 March 2002 and 2003 were comprised of the followings:

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2002	2003	2003
Finished products	¥ 5,925	¥ 5,684	\$ 47,288
Semi-finished products	353	226	1,880
Raw materials	3,172	2,804	23,328
Work in process	678	884	7,354
Supplies	76	50	416
	¥ 10,204	¥ 9,648	\$ 80,266

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6. Leases

Pro forma information for property held under finance leases other than those, which are deemed to transfer the ownership of the leased assets to lessees, and other relevant information are summarized below.

(1) Lease transactions as lessee

Finance leases

- a) Pro forma information relating to acquisition cost, accumulated depreciation and net book value on an “as if capitalized” basis at 31 March 2002 and 2003 is as follows:

	Millions of Yen					
	2002			2003		
	Machinery, equipment and vehicles	Tools, furniture and fixtures	Total	Machinery, equipment and vehicles	Tools, furniture and fixtures	Total
Acquisition cost	¥ 44	¥ 386	¥ 430	¥ 16	¥ 317	¥ 333
Accumulated depreciation	36	243	279	15	176	191
Net book value	¥ 8	¥ 143	¥ 151	¥ 1	¥ 141	¥ 142

	Thousands of U.S. Dollars (Note 3)		
	2002	2003	2003
	Acquisition cost	\$ 133	\$ 2,637
Accumulated depreciation	125	1,464	1,589
Net book value	\$ 8	\$ 1,173	\$ 1,181

The pro forma acquisition cost information is calculated at the amount including interest expense portion, as the balance of outstanding future lease payments is immaterial to the year-end balance of property, plant and equipment.

- b) Pro forma information relating to outstanding future lease payments on an “as if capitalised” basis at 31 March 2002 and 2003 is as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2002	2003	2003
	Due within one year	¥ 63	¥ 61
Due after one year	88	81	674
Total	¥ 151	¥ 142	\$ 1,181

The pro forma information for the outstanding future lease payments is calculated at the amount including interest expense portion, as the balance of outstanding future lease

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payments is immaterial to the year-end balance of property, plant and equipment.

- c) Total lease payments for the years ended 31 March 2001, 2002 and 2003 were ¥181 million, ¥103 million and ¥69 million (\$574 thousand), respectively. Depreciation expenses, which are not reflected in the accompanying consolidated statements of income, computed by the straight-line method over the lease term with no residual value, would have been the same as the lease payments for the years ended 31 March 2001, 2002 and 2003.

Operating leases

The amounts of outstanding future lease payments for operating lease transactions at 31 March 2002 and 2003 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2002	2003	2003
Due within one year	¥ 74	¥ 86	\$ 715
Due after one year	593	457	3,802
Total	¥ 667	¥ 543	\$ 4,517

(2) Lease transactions as lesser

Lease payments received and depreciation expense for the years ended 31 March 2001, 2002 and 2003 are as follows:

	Millions of Yen			Thousands of U.S. Dollars (Note 3)
	2001	2002	2003	2003
Lease payments received	¥ 8	¥ -	¥ -	\$ -
Depreciation expense	8	-	-	-

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Notes to Consolidated Financial Statements

7. Short-term loans and long-term debt

Short-term loans from banks outstanding at 31 March 2002 and 2003 are primarily represented by 6-month notes issued by the Company to banks, bearing interest at the weighted average interest rate of 1.4% at 31 March 2002 and 2003. Customarily, these notes are renewed at maturity subject to re-negotiation of interest rates and other factors.

Long-term debt at 31 March 2002 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2002	2003	2003
Loans form banks and an insurance Due on varying dates through 2012 at interest rates indicated below (*1)	¥ 3,979	¥ 3,756	\$ 31,248
Less, portion due within one year	<u>(2,128)</u>	<u>(931)</u>	<u>(7,746)</u>
	<u>¥ 1,851</u>	<u>¥ 2,825</u>	<u>\$ 23,502</u>

(*1) The weighted average interest rate on loans from banks and an insurance company is as follows:

at 31 March 2002.....	2.3 %
at 31 March 2003.....	1.8 %

The aggregate annual maturities of long-term debt at 31 March 2003 are as follows:

	Millions of Yen	Thousands of U.S. Dollars (Note 3)
Years ending 31 March:		
2005	¥ 100	\$ 832
2006	1,600	13,311
2007	600	4,991
2008	100	832
2009 and thereafter	<u>425</u>	<u>3,536</u>
Total	<u>¥ 2,825</u>	<u>\$ 23,502</u>

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The Companies' assets pledged as collateral for long-term debt, including the current portion of long-term debt, at 31 March 2003 are summarized as follows:

	Millions of Yen	Thousands of U.S. Dollars (Note 3)
	<u> </u>	<u> </u>
Property, plant and equipment at net book		
Land	¥ 3,788	\$ 31,514
Other	1,154	9,601
	<u>4,942</u>	<u>41,115</u>
Investments in securities	1,772	14,742
Total	<u>¥ 6,714</u>	<u>\$ 55,857</u>

CHUGOKU MARINE PAINTS, LTD. AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statements

8. Accrued severance indemnities

The funded status of the Companies at 31 March 2002 and 2003 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2002	2003	2003
Projected benefit obligations	¥ 6,303	¥ 6,387	\$ 53,137
Unrecognised net actuarial losses	(1,080)	(1,205)	(10,025)
Unrecognised net transition obligation	(1,124)	(1,038)	(8,636)
Plan assets at fair value	(3,549)	(3,627)	(30,175)
Prepaid pension cost	-	26	216
Accrued severance indemnities	<u>¥ 550</u>	<u>¥ 543</u>	<u>\$ 4,517</u>

The net pension expenses related to the retirement benefits for the years ended 31 March 2001, 2002 and 2003 are as follows:

	Millions of Yen			Thousands of U.S. Dollars (Note 3)
	2001	2002	2003	2003
Service cost	¥ 433	¥ 437	¥ 459	\$ 3,819
Interest cost	168	168	114	948
Expected return on plan assets	(123)	(115)	(47)	(391)
Amortization of net actuarial losses	-	31	111	924
Amortization of net transition obligation	86	86	86	715
Net pension expenses	<u>¥ 564</u>	<u>¥ 607</u>	<u>¥ 723</u>	<u>\$ 6,015</u>

Pension benefits are attributed to periods of employee service based on years of service by the straight-line method.

Assumptions used in the accounting for the defined benefit plans for the year ended 31 March 2001, 2002 and 2003 are as follows:

	2001	2002	2003
Discount rate	3.5%	2.1%	2.1%
Long-term rate of return on plan assets	3.5%	3.5%	1.5%

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9. Contingencies

The Companies were contingently liable for outstanding discounted notes of ¥3,804 million (\$31,647 thousand) and endorsed notes of ¥14 million (\$116 thousand) at 31 March 2003.

At 31 March 2003, the Company provided guarantees to an intermediary trading company for ¥980 million (\$8,153 thousand) to assure the collection of its accounts receivable from contracted sales agents/distributors.

10. Derivative financial instruments

(1) Status of transaction

a) Nature and purpose of transactions

The Companies utilize a foreign exchange forward contract to reduce risk from exchange rate fluctuation in Import/Export denominated in U.S. Dollars conducted through ordinary course of operations.

b) Policy to use transactions

The Companies utilize foreign-currency-related derivative financial instruments within the limit not exceeding accounts receivable and payable denominated in foreign currency and contracted sales or purchase amounts and do not use them for speculative transactions.

c) Risks in transactions

Counter parties, which the Companies enter into derivative financial instrument agreements, are highly creditworthy domestic banks and, therefore, the Companies do not expect losses due to non-performance of counter parties.

d) Risk management

Derivative transactions are executed and managed centrally by the Financing Group of the Tokyo Administration Department based on the segregation of duty concept.

e) Other

The contract or notional amount shown in the "Fair value etc. of transaction" below is not indicative of the quantity of market risk.

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(2) Fair value etc. of transactions

Contract or notional amount, fair value and valuation gain or loss of derivative financial instruments at 31 March 2002 and 2003 are summarized as follows:

	Millions of Yen					
	2002			2003		
	Contract or notional amount	Fair value	Valuation gain (loss)	Contract or notional amount	Fair value	Valuation gain (loss)
Foreign currency exchange forward contracts:						
To sell U.S. Dollars	¥ 730	¥ 717	¥ 13	¥ 161	¥ 159	¥ (2)
To buy Japanese yen	15	15	-	-	-	-
	Thousands of U.S. Dollars (Note 3)					
Foreign currency exchange forward contracts:						
To sell U.S. Dollars				\$ 1,340	\$ 1,323	\$ (17)

The fair value is quoted from financial institutions with which the Companies make foreign currency exchange forward contracts.

Derivative financial instruments to allocate foreign currency receivables and payables for hedging are excluded from the above disclosure in accordance with “Accounting Standards for Foreign Currency Transactions and Financial Statements”.

11. Shareholders' equity

Under the Japanese Commercial Code (the “Code”), the entire amount of the issue price of new shares issued is required to be capitalized as stated capital, although the Company may, by resolution of the Board of Directors, capitalize an amount not exceeding one-half of the issue price of the new shares as additional paid-in capital.

The Code requires a domestic company to appropriate as a legal reserve an amount equal to at least 10% of the amount paid out by it as appropriation of retained earnings (including any payment by way of annual dividend and bonuses to Directors and Statutory Auditors) for the period or equal to 10% of any interim dividend until the sum of the legal reserve and the additional paid-in capital equals 25% of its stated capital. The legal reserve and additional paid-in capital may be transferred to stated capital through suitable director actions or used to reduce a deficit through suitable stockholder actions.

Under the Code, the appropriation of retained earnings (including year-end cash dividend payment) proposed by the Board of Directors should be approved at shareholders' meeting, which must be held within three months after the end of each fiscal year. The appropriation of retained earnings reflected in the accompanying consolidated financial statements represents the results of such appropriations which are applicable to the immediately preceding fiscal year but which are approved at the shareholders' meeting and disposed of during the current year.

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As is customary practice in Japan, the payment of bonuses to directors and corporate auditors is made out of retained earnings instead of being charged to net income for the year and constitutes a part of the appropriations cited above.

12. Income taxes

The Companies are subject to several taxes based on income, which in the aggregate, result in statutory income tax rate of approximately 41.7% for the years ended 31 March 2002 and 2003.

Significant components of deferred tax assets and liabilities at 31 March 2002 and 2003 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2002	2003	2003
Deferred tax assets:			
Excess provision for retirement allowance	¥ 171	¥ 172	\$ 1,431
Write-down of investments in securities	117	512	4,259
Write-down of golf membership and excess provision for allowance for doubtful accounts	289	272	2,263
Accrued bonuses	-	165	1,373
Tax loss carryforwards	1,611	774	6,439
Others	444	400	3,328
	<u>2,632</u>	<u>2,295</u>	<u>19,093</u>
Less, valuation allowance	<u>(1,422)</u>	<u>(992)</u>	<u>(8,253)</u>
Total deferred tax assets	<u>1,210</u>	<u>1,303</u>	<u>10,840</u>
Deferred tax liabilities:			
Accelerated depreciation on fixed assets	(119)	(100)	(832)
Others	(85)	(36)	(299)
Total deferred tax liabilities	<u>(204)</u>	<u>(136)</u>	<u>(1,131)</u>
Net deferred tax assets	<u>¥ 1,006</u>	<u>¥ 1,167</u>	<u>\$ 9,709</u>

Reconciliation of the statutory tax rate to the effective income tax rate for the year ended 31 March 2003 is as follows:

	2003
Statutory income tax rate	41.7 %
Increase (decrease) in taxes resulting from:	
Difference in statutory income tax rate between parent and subsidiaries	(14.2)
Entertainment and other non-deductible expenses	4.5
Dividend income and other not taxable incomes	(2.0)
Dividend of retained earnings	5.8
Reversal for valuation allowance of deferred tax assets	(18.0)
Others	3.3
Effective tax rate	21.1 %

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The Companies record net loss before income taxes and minority interests for the year ended 31 March 2002, so reconciliation of the difference between the statutory income tax rate and the effective income tax rate is not required to disclose.

On 31 March 2003, the Japanese National Diet approved various changes to the calculation of the statutory local enterprise tax for companies with capital in excess of ¥100 million, effective 1 April 2004. Under the amended legislation, the enterprise tax will be the sum of the following tax components; a) an income based component, b) a value added component and c) a capital based component, although there was only an “income tax based component” before the amendment. Concurrently, the basic tax rate for the “income based component” has reduced from 9.6% to 7.2%. As a result of this amendment, the tax rate to be applied to deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities, that are expected to reverse in the year beginning 1 April 2004 or later, decreased from 41.7% to 40.5% as at 31 March 2003. For temporary differences that are expected to reverse in the year ending 31 March 2004, a tax rate of 41.7% has continued to be used at that date. This resulted in immaterial effect to deferred income tax liabilities at 31 March 2003 and net income for the year ended 31 March 2003, compared with that would have been recognized if the tax rate of 41.7% had been fully applied to all temporary differences. And also deferred income tax liabilities on revaluation of land decrease and unrealized gain on revaluation of land increase by ¥65 million (\$541 thousand), respectively, at 31 March 2003.

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13. Segment information

The Companies primarily operate in two industry segments: paint-related business (“Paints”) and other business (“Other”), and three geographic areas “Domestic”, “Asia” and “Other”.

Major products of each industry segment are as follows:

<u>Industry segment</u>	<u>Major products</u>
Paints	Marine paints, Synthetic Resin Paints, Thinner and Other Paints, Contracted Painting Works, Painting Technical Assistance
Other	Rent and Management of Real Estate, Development of Computer Software, Financial Service, Building Security Service

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Summarized financial information concerning the industry segments and geographic areas in which the Companies operated at 31 March 2001, 2002 and 2003 for the three years then ended is shown in the following

Industry Segments

	Millions of Yen									
	2001					2002				
	Paints	Other	Total	Elimination or Corporate	Consolidated	Paints	Other	Total	Elimination or Corporate	Consolidated
Net sales:										
External sales	¥ 45,157	¥ 665	¥ 45,822	-	¥ 45,822	¥ 48,309	¥ 641	¥ 48,950	-	¥ 48,950
Intersegment sales or transfer	1	445	446	¥ (446)	-	-	383	383	¥ (383)	-
Total	45,158	1,110	46,268	(446)	45,822	48,309	1,024	49,333	(383)	48,950
Operating expenses (a)	42,391	782	43,173	541	43,714	44,709	607	45,316	741	46,057
Income(loss) from operations	¥ 2,767	¥ 328	¥ 3,095	¥ (987)	¥ 2,108	¥ 3,600	¥ 417	¥ 4,017	¥ (1,124)	¥ 2,893
Assets (b)	¥ 47,497	¥ 9,201	¥ 56,698	¥ 9,459	¥ 66,157	¥ 51,658	¥ 8,952	¥ 60,610	¥ 5,838	¥ 66,448
Depreciation and amortisation	1,009	163	1,172	83	1,255	1,052	127	1,179	95	1,274
Capital expenditure	894	2	896	50	946	1,260	18	1,278	97	1,375
	2003									
	Millions of Yen					Thousands of U.S. Dollars (Note 3)				
Net sales:										
External sales	¥ 49,537	¥ 676	¥ 50,213	-	¥ 50,213	\$ 412,121	\$ 5,624	\$ 417,745	-	\$ 417,745
Intersegment sales or transfer	-	391	391	¥ (391)	-	-	3,253	3,253	\$ (3,253)	-
Total	49,537	1,067	50,604	(391)	50,213	412,121	8,877	420,998	(3,253)	417,745
Operating expenses (a)	45,369	623	45,992	517	46,509	377,446	5,183	382,629	4,301	386,930
Income(loss) from operations	¥ 4,168	¥ 444	¥ 4,612	¥ (908)	¥ 3,704	\$ 34,675	\$ 3,694	\$ 38,369	\$ (7,554)	\$ 30,815
Assets (b)	¥ 51,730	¥ 8,777	¥ 60,507	¥ 5,402	¥ 65,909	\$ 430,366	\$ 73,020	\$ 503,386	\$ 44,942	\$ 548,328
Depreciation and amortisation	1,091	106	1,197	84	1,281	9,076	882	9,958	699	10,657
Capital expenditure	1,521	13	1,534	24	1,558	12,654	108	12,762	200	12,962

(a) Expenses which are not attributable to any industry segments represent primarily expenses incurred at the Company's administration department and included in "Elimination or Corporate" column. Such expenses amounted to ¥988 million, ¥1,130 million and ¥907 million (US\$7,546) for the years ended 31 March 2001, 2002 and 2003, respectively.

(b) Corporate assets, which are included in "Elimination or Corporate" column, are comprised primarily of cash, investments in securities held by the Company and other assets held at its administration department. Balances of those assets were ¥9,524 million, ¥5,908 million and ¥5,498 million (US\$45,740) at 31 March 2001, 2002 and 2003, respectively.

(c) As described in Note 2, the Companies change amortization method of the initial cost of business in the deferred assets. By this accounting policy change, income from operations increases by 18 million yen (US\$ 150) and assets decreases by 30 million yen (US\$ 250), respectively, in the "Paints" industry segment, as compared with the previous method.

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Geographic Segments

	Millions of Yen											
	2001						2002					
	Domestic	Asia (c)	Other (d)	Total	Elimination or Corporate	Consolidated	Domestic	Asia (c)	Other (d)	Total	Elimination or Corporate	Consolidated
Net sales:												
External sales	¥ 29,485	¥ 12,471	¥ 3,866	¥ 45,822	-	¥ 45,822	¥ 29,142	¥ 14,397	¥ 5,411	¥ 48,950	-	¥ 48,950
Intersegment sales or transfer	1,402	1,575	458	3,435	¥ (3,435)	-	2,096	2,607	633	5,336	¥ (5,336)	-
Total	30,887	14,046	4,324	49,257	(3,435)	45,822	31,238	17,004	6,044	54,286	(5,336)	48,950
Operating expenses (a)	28,931	13,343	4,325	46,599	(2,885)	43,714	28,779	15,933	6,052	50,764	(4,707)	46,057
Income(loss) from operations	¥ 1,956	¥ 703	¥ (1)	¥ 2,658	¥ (550)	¥ 2,108	¥ 2,459	¥ 1,071	¥ (8)	¥ 3,522	¥ (629)	¥ 2,893
Assets (b)	¥ 49,121	¥ 17,462	¥ 4,064	¥ 70,647	¥ (4,490)	¥ 66,157	¥ 50,655	¥ 19,342	¥ 5,845	¥ 75,842	¥ (9,394)	¥ 66,448
	2003											
	Millions of Yen						Thousands of U.S. Dollars (Note 3)					
Net sales:												
External sales	¥ 29,651	¥ 15,135	¥ 5,427	¥ 50,213	-	¥ 50,213	\$ 246,681	\$ 125,915	\$ 45,149	\$ 417,745	-	\$ 417,745
Intersegment sales or transfer	3,232	2,534	287	6,053	¥ (6,053)	-	26,888	21,082	2,388	50,358	\$ (50,358)	-
Total	32,883	17,669	5,714	56,266	(6,053)	50,213	273,569	146,997	47,537	468,103	(50,358)	417,745
Operating expenses (a)	30,290	16,213	5,859	52,362	(5,853)	46,509	251,997	134,884	48,743	435,624	(48,694)	386,930
Income(loss) from operations	¥ 2,593	¥ 1,456	¥ (145)	¥ 3,904	¥ (200)	¥ 3,704	\$ 21,572	\$ 12,113	\$ (1,206)	\$ 32,479	\$ (1,664)	\$ 30,815
Assets (b)	¥ 49,643	¥ 21,152	¥ 5,760	¥ 76,555	¥ (10,646)	¥ 65,909	\$ 413,003	\$ 175,974	\$ 47,920	\$ 636,897	\$ (88,569)	\$ 548,328

(a) Company's administration department and included in "Elimination or Corporate" column. Such expenses amounted to ¥988 million, ¥1,130 million and ¥907 million (US\$7,546) for the years ended 31 March 2001, 2002 and 2003, respectively.

(b) Corporate assets, which are included in "Elimination or Corporate" column, are comprised primarily of cash, investments in securities held by the Company and other assets held at its administration department. Balances of those assets were ¥9,524 million, ¥5,908 million and ¥5,498 million (US\$45,740) at 31 March 2001, 2002 and 2003, respectively.

(c) Primarily included are China, Singapore, Hong Kong, Korea, Taiwan, Thailand, Malaysia, Indonesia and Oceania.

(d) Primarily included are Netherlands and U.S.A. in 2001 and Netherlands, U.S.A. and England in 2002 and

(e) As described in Note 2, the Companies change amortization method of the initial cost of business in the deferred assets. By this accounting policy change, income from operations increases by 18 million yen (US\$ 150) and assets decreases by 30 million yen (US\$ 250), respectively, in the "Asia" geographic segment, as compared with the previous method.

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Overseas and export sales for the years ended 31 March 2001, 2002 and 2003 are summarized as follows:

	Millions of Yen			Thousands U.S. Dollars (Note 3)
	2001	2002	2003	2003
Overseas and export sales:				
Asia	¥ 12,528	¥ 14,403	¥ 15,169	\$ 126,198
Other	3,863	5,411	5,406	44,975
	¥ 16,391	¥ 19,814	¥ 20,575	\$ 171,173
Consolidated net sales	¥ 45,822	¥ 48,950	¥ 50,213	\$ 417,745
Percentage of overseas and export sales to consolidated net sales:	2001	2002	2003	
Asia	27.3 %	29.4 %	30.2 %	
Other	8.4	11.1	10.8	
	35.8 %	40.5 %	41.0 %	

Overseas and export sales represent the total amount of export sales of the Company and domestic subsidiaries and sales of the overseas subsidiaries.

14. Supplementary cash flow information

Cash and cash equivalents at 31 March 2002 and 2003 consisted of the following:

	Millions of Yen		Thousands U.S. Dollars (Note 3)
	2002	2003	2003
Cash on hand and in banks	¥ 5,622	¥ 5,717	\$ 47,562
Less, time deposits with deposit term of over three months	(761)	(789)	(6,564)
Cash and cash equivalents	¥ 4,861	¥ 4,928	\$ 40,998