Notes to Consolidated Financial Statements

Kubota Corporation and Subsidiaries Years Ended March 31, 2002, 2001, and 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Statements

The consolidated financial statements, stated in Japanese yen, reflect certain adjustments, not recorded in the books of account of Kubota Corporation (the parent company) and subsidiaries (collectively the "Company"), to present these statements in accordance with accounting principles generally accepted in the United States of America ("US GAAP") with the exception of FASB Emerging Issues Task Force, Issue No. 91-5, "EITF 91-5, Nonmonetary Exchange of Cost-Method Investments" (see **Investments**). The principal adjustments include: (1) valuation of inventories, (2) accrual of certain expenses, (3) accounting for retirement and pension plans, (4) recognition of warrant values, (5) accounting for stock dividends approved by shareholders in prior years at market value, (6) accounting for derivatives, and (7) recognition of deferred income tax relating to these adjustments. The presentation of segment information required by Statement of Financial Accounting Standards ("SFAS") No. 131, "Disclosures about Segments of an Enterprise and Related Information," also has been omitted.

Certain reclassifications have been made to the consolidated financial statements for 2001 and 2000 to conform with classifications used in 2002.

Translation into United States Dollars

The parent company and its domestic subsidiaries maintain their accounts in Japanese yen, the currency of the country in which they are incorporated and principally operate. The United States dollar amounts included herein represent a translation using the approximate exchange rate at March 31, 2002 of ¥133=US$1, solely for convenience. The translation should not be construed as a representation that the yen amounts have been, could have been, or could in the future be, converted into United States dollars.

Consolidation

The consolidated financial statements include the accounts of the parent company and all majority-owned subsidiaries. Significant intercompany items have been eliminated in consolidation.

Investments mainly in 20%~50%-owned companies (the "affiliated companies") are stated at cost plus equity in undistributed net income from acquisition or formation.

Revenue Recognition

The Company recognizes revenue when (1) persuasive evidence of an arrangement exists, (2) delivery has occurred or services have been rendered, (3) the sales price is fixed or determinable, and (4) collectibility is reasonably assured.

The above-described revenue recognition criteria are met, in most cases, when products are shipped. As for environmental and other plant and equipment, sales are recorded at the time when the installation of plant and equipment is completed and accepted by the customer. For long-term contracts, such sales are recorded under the percentage-of-completion method of accounting. Housing real estate sales are recorded when the title is legally transferred to the customer in accordance with the underlying contract and real estate laws and regulations. Estimated losses on sales contracts are recorded in the period in which they are identified.

In the case of finance receivables in which the face amount includes finance charges (principally retail financing), income is recorded over the terms of the receivables using the interest method.

Inventories

Manufacturing inventories are stated at the lower of cost, substantially determined using the average method, or market. Completed real estate projects are stated at the lower of acquisition cost or fair value less estimated costs to sell. The fair values of those assets are estimates based on the appraised values in the market. Land to be developed and projects under development are carried at cost unless an impairment loss is required. An impairment loss on those assets is recognized when their carrying amounts exceed the undiscounted future cash flows expected to be realized from them and is measured based on the present values of those expected future cash flows.

Investments

Under SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," the Company classifies all its debt securities and marketable equity securities as available for sale and carries them at fair value with a corresponding recognition of the net unrealized holding gain or loss (net of tax) as an other comprehensive income item of shareholders' equity. The fair values of those securities are determined based on quoted market prices.

Gains and losses on sales of available-for-sale securities as well as other nonmarketable equity securities which are carried at cost are computed on the average-cost method. Losses from the impairment of marketable and nonmarketable securities, if any, are charged to expenses in the period in which a decline in fair value is determined to be other than temporary.

On April 1, 1996, The Bank of Tokyo, Ltd. ("BOT") and The Mitsubishi Bank, Limited, merged. Upon the merger, each common share of BOT owned by the Company which had been carried at cost was converted into 0.8 share of the combined entity, The Bank of Tokyo-Mitsubishi, Ltd. (currently part of Mitsubishi Tokyo Financial Group, Inc.) For purposes of comparability with financial statements under Japanese GAAP, the Company did not account for the exchange under EITF 91-5, which requires recognition of a nonmonetary exchange gain on the common shares of BOT.

If EITF 91-5 had been adopted, net income would have decreased by ¥603 million ($4,534 thousand) for the year ended March 31, 2002, decreased by ¥1,650 million for the year ended March 31, 2001, and increased by ¥3,081 million for the year ended March 31, 1997. Retained earnings would have increased by ¥165 million ($1,241 thousand) at March 31, 2002, and ¥768 million at March 31, 2001, with a corresponding decrease in accumulated other comprehensive income. These amounts primarily reflect the unrecognized gain on the initial nonmonetary exchange in 1997 and the losses on impairment of the investment in 2002 and 2001.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost. Depreciation of plant and equipment is principally computed using the declining-balance method based on the estimated useful lives of the assets.

The estimated useful lives are principally as follows:

Buildings	10~50 years
Machinery and equipment	2~14 years

Income Taxes

The Company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes." Under SFAS No. 109, deferred tax assets and liabilities are computed based on the differences between the financial statement and the income tax bases of assets and liabilities and tax loss and other carryforwards using the enacted tax rate. A valuation allowance is established, when necessary, to reduce deferred tax assets to the amount that management believes will more likely than not be realized.

Advertising

The costs of advertising are expensed as incurred.

Shipping and Handling Costs

Shipping and handling costs are included in selling, general, and administrative expenses.

Net Income and Cash Dividends per 20 Common Shares

Per share amounts have been calculated per 20 common shares since each American Depositary Share represents 20 shares of common stock (also see Note 15).

Basic net income per 20 common shares excludes dilution and has been computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding for the period.

Diluted net income per 20 common shares reflects the potential dilution and has been computed on the basis that all convertible debentures were converted at the beginning of the year or at the time of issuance (if later).

Cash dividends per 20 common shares are based on dividends paid during the year.

Derivative Financial Instruments

On April 1, 2001, the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," and No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of FASB Statement No. 133." Both standards establish accounting and reporting standards for derivative instruments and for hedging activities, and require that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value.

On the date the derivative contract is entered into, the Company designates the derivative as a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability ("cash flow" hedge). The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as cash flow hedges to specific assets and liabilities on the consolidated balance sheet or to specific firm commitments or forecasted transactions. The Company considers all hedges to be highly effective in offsetting changes in cash flows of hedged items, because the currency, index of interest rates, amount, and terms of the derivatives correspond to those of the hedged items in accordance with the Company's policy.

Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a cash flow hedge are recorded in other comprehensive income (loss), until earnings are affected by the variability in cash flows of the designated hedged item.

The transition adjustment upon the adoption of SFAS 133 and 138, net of the related income tax effect, was not material.

Prior to the adoption of SFAS 133 and 138, gains and losses on forward contracts were recognized based on changes in exchange rates and were offset against foreign exchange gains or losses on the hedged financing obligations and accounts receivable or payable. Interest rate derivatives and changes in their fair values were not included in the consolidated financial statements. Instead, interest differentials paid or received under interest rate derivatives designated as hedges of exposures to changes in interest rates associated with short- or long-term debt were recorded in interest expense over the contract period as an adjustment to the effective yields of the related debt.

Risks and Uncertainties

The Company is one of Japan's leading manufacturers of a comprehensive range of machinery and other industrial and consumer products, including farm equipment, engines, pipe and fluid systems engineering, industrial castings, environmental control plant, and housing materials and equipment.

The manufacturing operations of the Company are conducted primarily at 21 plants in Japan and at 5 overseas plants located in the United States and certain other countries. Farm equipment, construction machinery, ductile iron pipe, and certain other products are not only sold in Japan but are also sold in overseas markets which consist mainly of North America, Europe, and Asia.

A certain level of group concentrations of the Company's business activities is found in the domestic farm equipment sales through the National Federation of Agricultural Cooperative Associations and affiliated dealers. The concentrated credit risk of the domestic farm equipment business consists principally of notes and accounts receivable and financial guarantees, for which the Company historically has not experienced any significant uncollectibility. Additionally, transactions associated with country risk are limited.

The variety and breadth of the Company's products and customers significantly mitigate the risk that a severe impact will occur in the near term as a result of changes in its customer base, competition, sources of supply, or composition of its markets. Additionally, such diversification enables the Company to significantly minimize the risk of loss associated with an environmental disaster or political crisis in one of the countries in which the Company manufactures or sells its products. The Company has also established a quality control program designed to ensure the safety of the Company's products. The Company believes that this quality control program reduces the risk of product liability claims, from which historically the Company has not experienced any significant losses. As a result, it is unlikely that any one event would have a severe impact on the Company's consolidated financial position, results of operations, or cash flows.

Management uses estimates in preparing the consolidated financial statements in conformity with US GAAP. Significant estimates used in the preparation of the consolidated financial statements are primarily in the areas of collectibility of private-sector notes and accounts receivable, inventory valuation,

valuation allowance for deferred tax assets, and employee retirement and pension plans. These estimates are assessed by the Company on a regular basis and management believes that material changes will not occur in the near term, although actual results could ultimately differ from these estimates.

Valuation of Long-Lived Assets

The Company accounts for the valuation of long-lived assets in accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." Based on this standard, the Company periodically evaluates the carrying value of long-lived assets to be held and used when events and circumstances indicate that the carrying amount of an asset may not be recoverable. In such an event, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the long-lived asset. Fair value is determined primarily using anticipated cash flows discounted at a rate commensurate with the risk involved. In addition, long-lived assets to be disposed of are valued at the lower of cost or fair value less cost to sell.

Cash Flow Information

The Company considers all time deposits with original maturities of one year or less, which can be withdrawn at least at face amount at any time, to be cash equivalents. At March 31, 2002, 2001, and 2000, time deposits of which original maturities were substantially three months or less amounting to ¥13,209 million ($99,316 thousand), ¥13,176 million, and ¥33,134 million, respectively, were included in cash and cash equivalents.

Cash paid for interest amounted to ¥7,123 million ($53,556 thousand), ¥8,048 million, and ¥10,830 million, and for income taxes amounted to ¥24,351 million ($183,090 thousand), ¥22,800 million, and ¥23,610 million in 2002, 2001, and 2000, respectively.

Noncash transactions in 2001 included a contribution of securities with a fair value of ¥33,116 million to the employee retirement benefit trust.

New Accounting Standards

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." These statements will change the accounting for business combinations and goodwill in two significant ways. SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. Use of the pooling-of-interests method will be prohibited. SFAS No. 142 changes the accounting for goodwill from an amortization method to an impairment-only approach. Thus, amortization of goodwill, including goodwill recorded in past business combinations, will cease upon adoption of that statement, which for the Company is April 1, 2002. The Company expects that the effect of the adoption of SFAS No. 142 will not be material.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which is effective for financial statements issued for fiscal years beginning after December 15, 2001. SFAS 144 applies to all long-lived assets (including discontinued operations) and it develops one accounting model for long-lived assets. The Company is currently reviewing this statement to determine its impact on future financial statements.

2. INVENTORIES

Inventories at March 31, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Manufacturing:			
Finished products	**¥ 89,969**	¥102,104	**$ 676,459**
Spare parts	**18,589**	16,455	**139,767**
Work in process	**22,721**	31,239	**170,834**
Raw materials and supplies	**15,565**	16,944	**117,030**
Subtotal	**146,844**	166,742	**1,104,090**
Real estate:			
Completed projects, land to be developed, and projects under development	**8,510**	13,576	**63,985**
	¥155,354	¥180,318	**$1,168,075**

The Company wrote down the value of completed projects, land to be developed, and projects under development by ¥4,132 million ($31,068 thousand) and ¥4,862 million in 2002 and 2001, respectively. These amounts were included in cost of sales in the consolidated statements of income.

3. INVESTMENTS IN AND ADVANCES TO AFFILIATED COMPANIES

Investments in and advances to affiliated companies at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Investments	**¥ 9,967**	¥ 9,411	**$74,940**
Advances	**2,773**	1,367	**20,849**
	¥12,740	¥10,778	**$95,789**

A summary of financial information of affiliated companies is as follows:

	Millions of Yen		Thousands of U.S. Dollars
At March 31, 2002 and 2001	**2002**	2001	**2002**
Current assets	**¥ 76,381**	¥ 89,385	**$ 574,293**
Noncurrent assets	**59,125**	58,325	**444,549**
Total assets	**135,506**	147,710	**1,018,842**
Current liabilities	**81,852**	96,212	**615,429**
Noncurrent liabilities	**26,180**	26,350	**196,842**
Net assets	**¥ 27,474**	¥ 25,148	**$ 206,571**

	Millions of Yen			Thousands of U.S. Dollars
Years ended March 31, 2002, 2001, and 2000	**2002**	2001	2000	**2002**
Net sales	**¥183,161**	¥182,855	¥246,078	**$1,377,150**
Cost of sales	**140,597**	140,668	188,953	**1,057,120**
Other income—net	**2,010**	1,731	3,652	**15,113**
Net income	**2,167**	482	3,594	**16,293**

Trade notes and accounts receivable from affiliated companies at March 31, 2002 and 2001 were ¥29,754 million ($223,714 thousand) and ¥27,797 million, respectively.

Sales to affiliated companies aggregated ¥86,250 million ($648,496 thousand), ¥80,339 million, and ¥114,534 million in 2002, 2001, and 2000, respectively.

Cash dividends received from affiliated companies were ¥457 million ($3,436 thousand), ¥448 million, and ¥555 million in 2002, 2001, and 2000, respectively.

4. SHORT-TERM AND OTHER INVESTMENTS

The cost, fair value, and gross unrealized holding gains and losses for securities by major security type at March 31, 2002 and 2001 were as follows:

	Millions of Yen							
	2002				2001			
	Cost	Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Cost	Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses
Short-term investments:								
Available-for-sale:								
Governmental and corporate debt securities	**¥ 1,394**	**¥ 1,394**	**¥ —**	**¥ —**	¥ 2,348	¥ 2,348	¥ —	¥ —
Other investments:								
Available-for-sale:								
Equity securities of financial institutions	**48,726**	**68,720**	**20,019**	**25**	61,639	135,167	75,048	1,520
Other equity securities	**25,620**	**44,582**	**19,900**	**938**	26,508	46,804	21,325	1,029
Other	**2,391**	**2,392**	**79**	**78**	8,404	8,227	74	251
	¥78,131	**¥117,088**	**¥39,998**	**¥1,041**	¥98,899	¥192,546	¥96,447	¥2,800

	Thousands of U.S. Dollars			
	2002			
	Cost	Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses
Short-term investments:				
Available-for-sale:				
Governmental and corporate debt securities	**$ 10,481**	**$ 10,481**	**$ —**	**$ —**
Other investments:				
Available-for-sale:				
Equity securities of financial institutions	**366,361**	**516,692**	**150,519**	**188**
Other equity securities	**192,632**	**335,203**	**149,624**	**7,053**
Other	**17,977**	**17,985**	**594**	**586**
	$587,451	**$880,361**	**$300,737**	**$7,827**

Proceeds from sales of available-for-sale securities and gross realized gains and losses that have been included in earnings as a result of those sales for the years ended March 31, 2002, 2001, and 2000 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2002	2001	2000	**2002**
Proceeds from sales	**¥ 7,916**	¥2,955	¥10,138	**$59,519**
Gross realized gains	**3,739**	1,354	3,842	**28,113**
Gross realized losses	**(1,161)**	(533)	(1,028)	**(8,730)**

In addition to these sales, the Company contributed available-for-sale marketable equity securities with a fair value of ¥33,116 million to a newly established employee retirement benefit trust, and recognized a gain on this contribution of ¥19,227 million, in the year ended March 31, 2001. There were no proceeds to the Company from this transaction (also see Note 6).

At March 31, 2002, the cost of debt securities classified as available-for-sale due within one year and due over one year were ¥1,328 million ($9,985 thousand) and ¥2,391 million ($17,977 thousand), respectively.

For the years ended March 31, 2002, 2001, and 2000, losses on write-downs of securities were recognized to reflect the decline in fair value considered to be other than temporary totaling ¥9,166 million ($68,917 thousand), ¥2,922 million, and ¥3,260 million, respectively.

5. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

The balances of short-term borrowings at March 31, 2002 and 2001 consisted of notes payable to banks.

Stated annual interest rates of short-term borrowings ranged primarily from 0.3% to 3.03% and from 0.33% to 7.68% at March 31, 2002 and 2001. The weighted average interest rates on such short-term borrowings at March 31, 2002 and 2001 were 1.4% and 3.4%, respectively.

Lines of credit with certain banks totaled ¥30,000 million ($225,564 thousand) and ¥30,000 million at March 31, 2002 and 2001, respectively.

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

		Millions of Yen		Thousands of U.S. Dollars
	Years Ending March 31	**2002**	2001	**2002**
Unsecured bonds:				
2.2% Yen bonds	2002	¥ **—**	¥ 10,000	$ **—**
2.05% Yen bonds	2002	**—**	10,000	**—**
1.51% Yen bonds	2003	**10,000**	10,000	**75,188**
2.7% Yen bonds	2004	**10,000**	10,000	**75,188**
1.475% Yen bonds	2004	**10,000**	10,000	**75,188**
1.8% Yen bonds	2006	**10,000**	10,000	**75,188**
Unsecured convertible bonds:				
1.55% Yen bonds	2002	**—**	9,708	**—**
1.6% Yen bonds	2003	**9,772**	9,772	**73,474**
0.8% Yen bonds	2004	**29,756**	29,756	**223,729**
0.85% Yen bonds	2005	**19,513**	19,513	**146,714**
0.9% Yen bonds	2006	**18,627**	18,627	**140,053**
Loans, principally from banks and insurance companies, maturing serially through 2025:				
Collateralized		**243**	524	**1,827**
Unsecured		**92,015**	101,950	**691,842**
Total		**209,926**	249,850	**1,578,391**
Less current portion		**(42,076)**	(67,612)	**(316,361)**
		¥167,850	¥182,238	**$1,262,030**

The interest rates of the long-term loans from banks and insurance companies were principally fixed and the weighted average rates were 1.7% at March 31, 2002 and 2001.

Annual maturities of long-term debt at March 31, 2002 during the next five years are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Years ending March 31,		
2003	¥42,076	$316,361
2004	71,160	535,038
2005	32,417	243,737
2006	39,559	297,436
2007	17,793	133,782

At March 31, 2002, property, plant, and equipment of ¥140 million ($1,053 thousand) were pledged as collateral on long-term debt of ¥243 million ($1,827 thousand), including current portion of ¥26 million ($195 thousand).

The conversion prices of the unsecured yen convertible bonds range from ¥769 to ¥651 per share and the number of shares into which outstanding bonds were convertible at March 31, 2002 totaled 103,302 thousand shares.

As is customary in Japan, the Company maintains deposit balances with banks and other financial institutions with which the Company has short- or long-term borrowing arrangements. Such deposit balances are not legally or contractually restricted as to withdrawal.

Certain of the loan agreements provide that the lender or trustees for lenders may request the Company to submit for approval proposals to pay dividends.

Certain of the loan agreements also provide that the lender may request the Company to provide additional collateral. As is customary in Japan, collateral must be pledged if requested by a lending bank, and banks have the right to offset cash deposited with them against any long- or short-term debt or obligation that becomes due and, in case of default and certain other specified events, against all debt payable to the banks. The Company has never received any such requests.

6. RETIREMENT AND PENSION PLANS

The parent company and its domestic subsidiaries have a number of unfunded severance indemnity plans and defined benefit pension plans covering substantially all Japanese employees. Most employees of overseas subsidiaries are covered by defined benefit pension plans or defined contribution pension plans.

Among them, the parent company has an unfunded severance indemnity plan partly supplemented by a noncontributory defined benefit pension plan which covers substantially all of its employees (the "Noncontributory Plan"). Employees who terminate their employment at the mandatory retirement age receive benefits in the form of annuity payments and/or lump-sum payments which are principally provided by the Noncontributory Plan and the remaining portion is provided by the unfunded severance indemnity plan. The coverage of the Noncontributory Plan is approximately 80%. Employees who terminate their employment before the mandatory retirement age receive lump-sum payments from the unfunded severance indemnity plan. The pension and the severance payment are determined based on the rate of pay at the time of termination, length of service, and certain other factors. The parent company's funding policy with respect to the Noncontributory Plan is generally to contribute amounts considered deductible under applicable income tax regulations. Plan assets are managed principally by insurance companies and are invested primarily in fixed income and equity securities of Japanese and foreign issuers.

The parent company also has a contributory defined benefit pension plan covering all of its employees (the "Contributory Plan"), which provides lifetime annuity payments commencing at mandatory retirement age. The Contributory Plan consists of a basic component, which has been specified by the Japanese government's welfare pension regulations, and an additional component established by the parent company. Benefits are determined based on the average pay for the periods of service and a factor determined by the date of birth and length of service for the basic part, and on the rate of pay at the time of termination and a factor determined by the length of service and reason for retirement for the additional component. Annual contributions are made by the parent company and employees in accordance with the contribution formula stipulated by the government for the basic part and with an amount determined on the basis of an accepted actuarial method for the additional component. The Contributory Plan is administered by a board of trustees composed of management and employee representatives. Plan assets, which are managed by trust banks, are invested primarily in corporate and government bonds and stocks.

During the year ended March 31, 2001, the Company established the Employee Retirement Benefit Trust (the "Trust"). The purpose of the Trust is to hold and administer certain securities contributed to the Contributory Plan. Additionally, during the year ended March 31, 2001, the Company contributed marketable equity securities valued at ¥33,116 million to the Trust.

In June 2001, the Japanese government issued a new law that regulates retirement benefit plans. Under the new law, effective April 1, 2002, the Company can transfer the obligation for the basic component and corresponding plan assets to the social welfare plan subject to approval by the government. The Company has not yet decided if the Company will apply for the transfer of the basic component but if such an application is made and accepted, it may result in a settlement or curtailment under SFAS No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits." The Company has also not determined the amount of any gain or loss that would result under such circumstances.

Net periodic benefit cost for the Noncontributory Plan and the Contributory Plan of the parent company and for the unfunded severance indemnity plans and noncontributory defined benefit pension plans of certain subsidiaries for the years ended March 31, 2002, 2001, and 2000 consisted of the following components:

	Millions of Yen			Thousands of U.S. Dollars
	2002	2001	2000	**2002**
Service cost	**¥10,884**	¥13,970	¥12,410	**$ 81,835**
Interest cost	**9,719**	10,563	10,992	**73,075**
Expected return on plan assets	**(6,099)**	(6,817)	(5,944)	**(45,857)**
Amortization of transition obligation	**1,615**	1,615	1,614	**12,143**
Amortization of prior service cost	**594**	981	1,233	**4,466**
Recognized actuarial loss	**590**	210	6,270	**4,436**
Actuarial periodic benefit cost	**17,303**	20,522	26,575	**130,098**
Employee contributions	**(1,260)**	(1,288)	(1,365)	**(9,474)**
Net periodic benefit cost	**¥16,043**	¥19,234	¥25,210	**$120,624**

The above net periodic benefit cost excludes the cumulative effect of ¥46,716 million of an accounting change in 2001, described as follows.

Reconciliations of beginning and ending balances of the benefit obligations and the fair value of the plan assets, together with actuarial assumptions and aggregate information for accumulated benefit obligations in excess of plan assets, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Change in benefit obligations:			
Benefit obligations at beginning of year	**¥ 336,359**	¥ 354,997	**$ 2,529,015**
Service cost, less employee contributions	**9,624**	12,682	**72,361**
Interest cost	**9,719**	10,563	**73,075**
Employee contributions	**1,260**	1,288	**9,474**
Amendments	**(5,454)**	(5,764)	**(41,007)**
Actuarial gain	**(2,216)**	(19,621)	**(16,662)**
Benefits paid	**(17,652)**	(17,860)	**(132,722)**
Foreign currency exchange rate changes	**187**	74	**1,406**
Benefit obligations at end of year	**¥ 331,827**	¥ 336,359	**$ 2,494,940**
Change in plan assets:			
Fair value of plan assets at beginning of year	**¥ 207,519**	¥ 194,798	**$ 1,560,293**
Actual return on plan assets	**(18,258)**	(18,604)	**(137,278)**
Employer contribution	**11,728**	10,965	**88,180**
Employee contributions	**1,260**	1,288	**9,474**
Contribution of securities to the employee retirement benefit trust	**—**	33,116	**—**
Benefits paid	**(13,673)**	(14,116)	**(102,805)**
Foreign currency exchange rate changes	**173**	72	**1,301**
Fair value of plan assets at end of year	**¥ 188,749**	¥ 207,519	**$ 1,419,165**
Plans' funded status at end of year:			
Funded status	**¥(143,078)**	¥(128,840)	**$(1,075,775)**
Unrecognized actuarial loss	**65,263**	43,712	**490,700**
Unrecognized prior service benefit	**(9,541)**	(3,493)	**(71,737)**
Unrecognized net obligation at the date of initial application of SFAS No. 87	**2,739**	4,354	**20,594**
Net amount recognized	**¥ (84,617)**	¥ (84,267)	**$ (636,218)**
Amounts recognized in the consolidated balance sheets:			
Accrued retirement and pension costs	**¥(106,206)**	¥ (89,641)	**$ (798,542)**
Prepaid expenses for benefit plans, included in other assets	**433**	290	**3,256**
Intangible assets, included in other assets	**2,757**	5,084	**20,730**
Accumulated other comprehensive income	**18,399**	—	**138,338**
Net amount recognized	**¥ (84,617)**	¥ (84,267)	**$ (636,218)**
Actuarial assumptions:			
Discount rate	**3.0%**	3.0%	
Expected return on plan assets	**3.5%**	3.5%	
Rate of compensation increase	**6.5%**	6.5%	
Retirement and pension plans with accumulated benefit obligations in excess of plan assets:			
Projected benefit obligations	**¥ 330,675**	¥ 335,320	**$2,486,278**
Accumulated benefit obligations	**296,163**	297,829	**2,226,789**
Fair value of plan assets	**187,464**	206,422	**1,409,504**

The unrecognized net obligation at the date of initial application and the prior service costs (benefits) due to amendments of the benefit plans are being amortized over approximately 14 years.

Prior to April 1, 2000, the Company amortized unrecognized actuarial gains and losses in excess of 10% of the larger of the benefit obligations or plan assets over the average plan participants' remaining service period. From April 1, 2000, the Company changed its method of accounting to immediately recognize actuarial gains and losses in excess of 20% of the larger of the benefit obligations or plan assets, and amortize actuarial gains and losses between 10% and 20% percent over the average participants' remaining service period (approximately 15 years). The Company believes that this accelerated recognition of the unrecognized gains or losses more appropriately records the pension liability at an amount closer to its economic liability.

As a result of the change, net income for the year ended March 31, 2001, decreased by ¥19,610 million, including a charge for the cumulative effect on prior years of ¥21,559 million, net of tax benefit of ¥25,157 million. Basic net income per 20 common shares and diluted net income per 20 common shares decreased by ¥278 and ¥254, respectively.

7. SHAREHOLDERS' EQUITY

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

Effective October 1, 2001,

The Code requires at least 50% of the issue price of new shares to be designated as stated capital as determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital, as reduced by stock issue expenses less the applicable tax benefit, are credited to additional paid-in capital. Under the Code, shares are recorded with no par value.

Under the Code, companies may issue new common shares to existing shareholders without consideration as a stock split pursuant to a resolution of the Board of Directors.

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

The Code allows for an appropriation of retained earnings applicable to each fiscal period to be set aside as a legal reserve until the total additional paid-in capital and legal reserve equals 25% of stated capital. The amount of total additional paid-in capital and legal reserve which exceeds 25% of stated capital can be transferred to retained earnings by resolution of the shareholders, which may be available for dividends.

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

Under the Code, the amount available for dividends is based on retained earnings, less treasury stock, as recorded on the books of the parent company. Certain adjustments, not recorded on the parent company's books, are reflected in the consolidated financial statements as described in Note 1. At March 31, 2002, retained earnings, less treasury stock, recorded on the parent company's books of account were ¥184,487 million ($1,387,120 thousand).

The Code allows companies to repurchase treasury stock by a resolution of the shareholders at the general shareholders' meeting and dispose of such treasury stock by resolution of the Board of Directors after March 31, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividends plus the amount of stated capital, additional paid-in capital, or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders' meeting.

In addition, pursuant to a resolution of the Board of Directors, the parent company may purchase its own shares for their retirement, not exceeding 140 million shares, in accordance with its articles of incorporation until the general shareholders' meeting for this fiscal year. Any shares of common stock, in whole or in part, are subject to such purchases made for the purpose of retirement. During the year ended March 31, 2002, approximately 19 million shares of the parent company amounting to ¥6,667 million ($50,127 thousand) were purchased under the above resolution.

Prior to October 1, 2001,

The Code required at least 50% of the issue price of new shares, with a minimum of the par value thereof, to be designated as stated capital. Under the Code, the amount calculated by dividing the total amount of shareholders' equity by the number of outstanding shares after the stock split could not be less than ¥50. The Code also provided that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other cash payments which were made as an appropriation of retained earnings applicable to each fiscal period shall be appropriated and set aside as a legal reserve until such reserve equals 25% of stated capital. In addition, the Code imposed certain restrictions on the repurchase and use of treasury stock.

8. OTHER INCOME (EXPENSES), NET

Other—net as shown in other income (expenses) for the years ended March 31, 2002, 2001, and 2000 consisted of the following:

	Millions of Yen			Thousands of U.S. Dollars
	2002	2001	2000	**2002**
Gain on sales of securities—net	**¥ 2,578**	¥ 821	¥ 2,814	**$ 19,383**
Foreign exchange gain (loss)—net	**561**	(2,368)	(1,494)	**4,218**
Loss from write-downs of securities	**(9,166)**	(2,922)	(3,260)	**(68,917)**
Other—net	**(2,183)**	(554)	(2,613)	**(16,413)**
	¥(8,210)	¥(5,023)	¥(4,553)	**$(61,729)**

9. INCOME TAXES

The approximate effects of temporary differences and tax loss and credit carryforwards that gave rise to deferred tax balances at March 31, 2002 and 2001 were as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2002		2001		**2002**	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
Allowance for doubtful receivables	**¥ 3,302**	**¥ 266**	¥ 2,574	¥ 507	**$ 24,827**	**$ 2,000**
Intercompany profits	**12,312**	**—**	12,471	—	**92,571**	**—**
Adjustments of investment securities	**6,020**	**17,229**	2,216	40,872	**45,263**	**129,541**
Write-downs of inventories and fixed assets	**8,165**	**—**	7,661	—	**61,391**	**—**
Enterprise tax	**1,021**	**—**	1,159	—	**7,677**	**—**
Accrued bonus	**4,495**	**—**	3,742	—	**33,797**	**—**
Retirement and pension costs	**44,198**	**—**	35,752	—	**332,316**	**—**
Unremitted earnings of foreign subsidiaries and affiliates	**—**	**3,106**	—	617	**—**	**23,354**
Other temporary differences	**9,982**	**3,264**	6,822	2,767	**75,052**	**24,541**
Tax loss and credit carryforwards	**8,592**	**—**	6,310	—	**64,602**	**—**
Subtotal	**98,087**	**23,865**	78,707	44,763	**737,496**	**179,436**
Less valuation allowance	**15,878**	**—**	12,454	—	**119,383**	**—**
	¥82,209	**¥23,865**	¥66,253	¥44,763	**$618,113**	**$179,436**

Net deferred tax balances at March 31, 2002 and 2001 were reflected in the accompanying consolidated balance sheets under the following captions:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Other current assets	**¥21,517**	¥19,177	**$161,782**
Other assets	**37,382**	2,675	**281,068**
Other long-term liabilities	**(555)**	(362)	**(4,173)**
Net deferred tax assets	**¥58,344**	¥21,490	**$438,677**

At March 31, 2002, a valuation allowance of ¥15,878 million ($119,383 thousand) was recorded against the deferred tax assets for items which may not be realized. The net changes in the valuation allowance for the years ended March 31, 2002, 2001, and 2000 were an increase of ¥3,424 million ($25,744 thousand), an increase of ¥2,268 million, and a decrease of ¥3,164 million, respectively. Such changes were due primarily to the realization or nonrealization of tax benefits regarding operating losses of subsidiaries.

Based upon the level of historical taxable income and projections for future taxable income over the periods which the net deductible temporary differences are expected to reverse and/or the tax losses and credits are carried forward, management believes it is more likely than not that the Company will realize the benefits of these deferred tax assets, net of the existing valuation allowances at March 31, 2002.

At March 31, 2002, the tax loss carryforwards in the aggregate amounted to approximately ¥21,000 million ($157,895 thousand), which are available to offset future taxable income, and will expire substantially in the period from 2003 through 2007.

The effective income tax rates of the Company for each of the three years in the period ended March 31, 2002 differed from the normal Japanese statutory tax rates as follows:

	2002	2001	2000
Normal Japanese statutory tax rates	**42.0%**	42.0%	42.0%
Increase (decrease) in taxes resulting from:			
Increase (decrease) in valuation allowance	**12.7**	3.8	(13.6)
Permanently nondeductible expenses	**2.9**	1.1	4.9
Nontaxable dividend income	**(2.2)**	(1.1)	(2.7)
Tax differences related to intercompany profits	**—**	0.4	4.2
Provisions for taxes on unremitted earnings of foreign subsidiaries	**5.4**	—	—
Other—net	**3.3**	1.4	3.0
Effective income tax rates	**64.1%**	47.6%	37.8%

Provisions have been recorded for unremitted earnings of all foreign subsidiaries and affiliates of which earnings are not deemed to be permanently reinvested. Substantially all of the undistributed earnings of domestic subsidiaries and affiliates would not, under present Japanese tax law, be subject to tax through tax-free distributions.

10. NET INCOME PER 20 COMMON SHARES

A reconciliation of the numerators and denominators of the basic and diluted net income per 20 common shares computation for the years ended March 31, 2002, 2001, and 2000 is as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2002	2001	2000	**2002**
Income before cumulative effect of an accounting change	**¥9,530**	¥31,354	¥16,428	**$71,654**
Effect of dilutive convertible bonds	**428**	770	887	**3,218**
Diluted income before cumulative effect of an accounting change	**¥9,958**	¥32,124	¥17,315	**$74,872**

	Number of Shares (Thousands)		
Weighted average common shares outstanding	**1,405,564**	1,409,758	1,409,655
Effect of dilutive convertible bonds	**88,291**	137,278	156,413
Diluted common shares outstanding	**1,493,855**	1,547,036	1,566,068

11. OTHER COMPREHENSIVE INCOME (LOSS)

Each component of other comprehensive income (loss), including reclassification adjustments and tax effects for the years ended March 31, 2002, 2001, and 2000, was as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	2002			2002		
	Before-Tax Amount	Tax Benefit	Net-of-Tax Amount	Before-Tax Amount	Tax Benefit	Net-of-Tax Amount
Foreign currency translation adjustments:						
Foreign currency translation adjustments arising during period	**¥ 9,571**	**¥ (492)**	**¥ 9,079**	**$ 71,962**	**$ (3,699)**	**$ 68,263**
Reclassification adjustment for losses realized in net income	**15**	**—**	**15**	**113**	**—**	**113**
	9,586	**(492)**	**9,094**	**72,075**	**(3,699)**	**68,376**
Unrealized losses on securities:						
Unrealized losses on securities arising during period	**(62,084)**	**26,076**	**(36,008)**	**(466,797)**	**196,060**	**(270,737)**
Reclassification adjustment for losses realized in net income	**6,588**	**(2,767)**	**3,821**	**49,534**	**(20,805)**	**28,729**
	(55,496)	**23,309**	**(32,187)**	**(417,263)**	**175,255**	**(242,008)**
Minimum pension liability adjustment	**(18,399)**	**7,728**	**(10,671)**	**(138,338)**	**58,105**	**(80,233)**
Unrealized losses on derivatives:						
Unrealized losses on derivatives arising during period	**(2,673)**	**1,122**	**(1,551)**	**(20,098)**	**8,437**	**(11,661)**
Reclassification adjustments for losses realized in net income	**2,001**	**(840)**	**1,161**	**15,045**	**(6,316)**	**8,729**
	(672)	**282**	**(390)**	**(5,053)**	**2,121**	**(2,932)**
Other comprehensive loss	**¥(64,981)**	**¥30,827**	**¥(34,154)**	**$(488,579)**	**$231,782**	**$(256,797)**

	Millions of Yen		
	2001		
	Before-Tax Amount	Tax Benefit	Net-of-Tax Amount
Foreign currency translation adjustments:			
Foreign currency translation adjustments arising during period	¥ 5,686	¥ 13	¥ 5,699
Reclassification adjustment for gains realized in net income	(42)	—	(42)
	5,644	13	5,657
Unrealized losses on securities:			
Unrealized losses on securities arising during period	(49,321)	20,715	(28,606)
Reclassification adjustment for gains realized in net income	(17,176)	7,214	(9,962)
	(66,497)	27,929	(38,568)
Minimum pension liability adjustment	38,522	(21,715)	16,807
Other comprehensive loss	¥(22,331)	¥ 6,227	¥(16,104)

	Millions of Yen		
	2000		
	Before-Tax Amount	Tax Benefit	Net-of-Tax Amount
Foreign currency translation adjustments	¥ (6,779)	¥ 67	¥ (6,712)
Unrealized gains on securities:			
Unrealized gains on securities arising during period	14,329	(6,017)	8,312
Reclassification adjustment for losses realized in net income	446	(187)	259
	14,775	(6,204)	8,571
Minimum pension liability adjustment	26,510	(11,135)	15,375
Other comprehensive income	¥34,506	¥(17,272)	¥17,234

The balances of each classification within accumulated other comprehensive income were as follows:

	Millions of Yen				
	Cumulative Translation Adjustments	Unrealized Gains (Losses) on Securities	Minimum Pension Liability Adjustment	Unrealized Losses on Derivatives	Accumulated Other Comprehensive Income
Balance, April 1, 2001	¥(6,638)	¥ 40,920	¥ —	¥ —	¥34,282
Current—period change	9,094	(32,187)	(10,671)	(390)	(34,154)
Balance, March 31, 2002	**¥ 2,456**	**¥ 8,733**	**¥(10,671)**	**¥(390)**	**¥ 128**

	Thousands of U.S. Dollars				
	Cumulative Translation Adjustments	Unrealized Gains (Losses) on Securities	Minimum Pension Liability Adjustment	Unrealized Losses on Derivatives	Accumulated Other Comprehensive Income
Balance, April 1, 2001	$(49,910)	$ 307,669	$ —	$ —	$257,759
Current—period change	68,376	(242,008)	(80,233)	(2,932)	(256,797)
Balance, March 31, 2002	**$ 18,466**	**$ 65,661**	**$(80,233)**	**$(2,932)**	**$ 962**

12. FINANCIAL INSTRUMENTS

In the normal course of business, the Company invests in various financial assets and incurs various financial liabilities. The Company also enters into agreements involving derivative instruments to manage its exposure to fluctuations in foreign exchange and interest rates.

Market Risk Management

Market Risk Exposures

The Company is subject to market rate risks due to fluctuation of foreign currency exchange rates, interest rates, and equity prices. Among these risks, the Company manages foreign currency exchange and interest rate risks by using derivative financial instruments in accordance with established policies and procedures. The Company does not use derivative financial instruments for trading purposes. The credit risks associated with these instruments are not considered to be significant since the counterparties are financially capable and reliable major international financial institutions and the Company does not anticipate any such losses. The net cash requirements arising from the previously mentioned risk management activities are not expected to be material.

Foreign Currency Exchange Risks

The Company's foreign currency exposure relates primarily to its foreign currency denominated assets in its international operations and long-term debt denominated in foreign currencies. The Company entered into foreign exchange forward contracts and currency swaps designated to mitigate its exposure to foreign currency exchange risks.

The following table provides information regarding the Company's derivative financial instruments related to foreign currency exchange transactions as of March 31, 2002, which was translated into Japanese yen at the year-end spot rate.

Foreign Exchange Forward Contracts and Currency Swaps

		Millions of Yen		Thousands of U.S. Dollars	
Maturities, Years Ending March 31		2003	2004	2003	2004
Sell U.S. Dollar, buy Yen	Receive	¥13,741	¥ —	$103,316	$ —
	Pay	14,098	—	106,000	—
Sell Euro, buy Yen	Receive	2,008	—	15,098	—
	Pay	2,088	—	15,699	—
Sell Sterling pound, buy Euro	Receive	866	—	6,511	—
	Pay	884	—	6,647	—
Sell Yen, buy U.S. Dollar	Receive	404	106	3,038	797
	Pay	368	92	2,767	692
Receive Yen, pay Canadian Dollar	Receive	92	141	692	1,060
	Pay	113	160	850	1,203

Interest Rate Risks

The Company is exposed to interest rate risks mainly inherent in its debt obligations with both fixed and variable rates. Debt obligations that are sensitive to interest rate changes are disclosed in Note 5. In order to hedge these risks, the Company uses interest rate swap contracts to change the characteristics of its fixed and variable rate exposures.

The following table provides information, by maturity date, about the Company's interest rate swap contracts. The table represents notional principal amounts and weighted average interest rates by expected maturity dates. Notional principal amounts are used to calculate the contractual payments to be exchanged under the contracts as of March 31, 2002, which are translated into Japanese yen at the year-end spot rate.

Interest Rate Swap Contracts

	Weighted Average Rate		Notional Amount	
Maturities, Years Ending March 31,	Receive	Pay	Millions of Yen	Thousands of U.S. Dollars
2003	1.11%	3.13%	¥17,768	$133,594
2004	0.88	2.58	13,865	104,248
2005	0.78	2.31	11,320	85,113
2006	0.47	1.61	6,830	51,353
2007	0.23	0.77	3,000	22,556

Cash Flow Hedges

Changes in the fair value of foreign exchange contracts and interest rate swap agreements designated and qualifying as cash flow hedges are reported in other comprehensive income (loss). These amounts are subsequently reclassified into earnings through other income (expense) in the same period as the hedged items affect earnings. For most forward exchange contracts, the amounts are reclassified when products related to hedged transactions are sold from overseas subsidiaries to customers. In the case of interest rate swaps, the amounts are reclassified when the related interest expense is recognized. Substantially all of the net losses on derivatives included in accumulated other comprehensive income at March 31, 2002 will be reclassified into earnings within the next 12 months.

Equity Price Risks

The Company's short-term and other investments are exposed to changes in equity price risks and consist entirely of available-for-sale securities. Fair value and other information for such equity securities is disclosed in Note 4.

Fair Value of Financial Instruments

The Company had the following financial instruments at March 31, 2002 and 2001:

	Millions of Yen				Thousands of U.S. Dollars	
	2002		2001		**2002**	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:						
Finance receivables	**¥ 88,002**	**¥ 88,051**	¥ 81,148	¥ 81,223	**$ 661,669**	**$ 662,038**
Other investments	**128,876**	**128,876**	196,997	196,997	**968,993**	**968,993**
Financial liabilities:						
Long-term debt	**(206,017)**	**(207,693)**	(246,121)	(251,668)	**(1,549,000)**	**(1,561,602)**
Derivative financial instruments recorded as liabilities:						
Foreign exchange instruments	**(374)**	**(374)**	(2,965)	(2,937)	**(2,812)**	**(2,812)**
Interest rate swaps and other instruments	**(313)**	**(313)**	—	(114)	**(2,353)**	**(2,353)**

The fair values of finance receivables, other investments, and long-term debt are based on quoted market prices when available or discounted cash flows using the current interest rate on similar financing investments or borrowings. The fair value estimates of the financial instruments are not necessarily indicative of the amounts the Company might pay or receive from actual market transactions.

The carrying amounts of cash and cash equivalents, short-term investments, notes and accounts receivable and payable, and short-term borrowings approximate the fair value because of the short maturity of those instruments.

13. SUPPLEMENTAL EXPENSE INFORMATION

Amounts of certain costs and expenses for the years ended March 31, 2002, 2001, and 2000 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2002	2001	2000	**2002**
Research and development expenses	**¥30,186**	¥30,257	¥33,148	**$226,962**
Advertising costs	**10,464**	9,608	8,619	**78,677**
Shipping and handling costs	**36,858**	37,668	40,335	**277,128**

Loss from disposal of businesses and fixed assets for the year ended March 31, 2002 includes a loss of ¥4,734 million ($35,594 thousand) resulting from write-down of long-lived assets to be disposed of, primarily land and rental property with a fair value of ¥2,120 million ($15,940 thousand). Also included is a loss of ¥6,332 million ($47,609 thousand) mainly resulting from the disposal of the prefabricated housing business, and mergers and integration of farm machinery distributors, in connection with the Company's efforts to streamline operations. Certain of these actions have already been completed and others are expected to be completed within the next 12 months.

Loss from disposal of businesses and fixed assets for the year ended March 31, 2000 included a loss of ¥4,673 million resulting from management's decision to substantially discontinue certain lines of business, including the unit bathroom business, in fiscal 2001. The losses primarily consisted of impairment of assets related to these businesses.

14. COMMITMENTS AND CONTINGENCIES

Commitments for capital expenditures outstanding at March 31, 2002 approximated ¥3,940 million ($29,624 thousand).

The Company leases certain offices and other facilities under lease agreements, all of which are substantially cancelable at the Company's option. Rental expenses for the years ended March 31, 2002, 2001, and 2000 amounted to ¥9,220 million ($69,323 thousand), ¥9,472 million, and ¥10,662 million, respectively.

At March 31, 2002, the Company was contingently liable for trade notes discounted with banks in the amount of ¥145 million ($1,090 thousand), which are accounted for as sales when discounted. The banks retain a right of recourse against the Company in the event of nonpayment by customers, for which the Company's management believes that the recourse is remote from exercise.

The Company is contingently liable as guarantor of the indebtedness of distributors and customers for their borrowings from financial institutions. Those amounts were ¥8,163 million ($61,376 thousand) and ¥13,014 million as of March 31, 2002 and 2001, respectively.

In the fiscal year ended March 31, 1999, the Fair Trade Commission of Japan (the "FTCJ") began an investigation of the Company for an alleged violation of the Anti-Monopoly Law (prohibition of private monopoly or unfair trade restraint) relating to participation in fixing the shares of ductile iron straight pipe orders in Japan. In March 1999, the Company received a cease and desist recommendation from the FTCJ, which was accepted by the Company in April 1999.

In connection with this investigation, on December 24, 1999, the Company received a surcharge order of ¥7,072 million from the FTCJ. The Company has challenged this order and filed a petition for the initiation of hearing procedures that were started in March 2000 and continued through the year ended March 31, 2002. Under Section 49 of the Anti-Monopoly Law, upon the initiation of the procedures, the surcharge order lost effect. In addition, Section 7-2 of the law stipulates that surcharges are imposed in cases where price cartels or cartels that influence prices by curtailing the volume of supply are carried out. The Company believes that the alleged share cartel does not meet the requirement of Section 7-2 and has not established any provision for the ultimate liability, if any, which may result from the settlement of this matter. An unfavorable outcome from this issue could materially affect the Company's results of operations or cash flows in a given year. The Company is not able to estimate the likelihood of such an unfavorable outcome.

15. SUBSEQUENT EVENT

On May 23, 2002, the Company's Board of Directors authorized the payment of a cash dividend to shareholders of record on March 31, 2002 of ¥3 per common share (¥60 per 20 common shares) or a total of ¥4,173 million ($31,376 thousand). The Company's Board of Directors also authorized the purchase of up to 50,000,000 shares, or up to ¥20,000 million ($150,376 thousand), of the parent company's common stock on the open market, commencing after the general shareholders' meeting through the next general shareholders' meeting. Both authorizations are subject to shareholders' approval at the general meeting to be held on June 26, 2002.

In addition, on April 25, 2002, the Company's Board of Directors authorized a change in the unit of American Depository Share from 20 common shares to 5. This change is subject to the approval of the U.S. Securities and Exchange Commission, which the Company plans to formally request in June 2002.