

## 12. Foreign Exchange Gains and Losses

Net foreign exchange losses of ¥5,164 million (\$42,962 thousand), gains of ¥10,108 million and ¥11,967 million for the years ended

March 31, 2003, 2002 and 2001, respectively, were included in the accompanying consolidated statements of income.

## 13. Income Taxes

The Company and its domestic subsidiaries are subject to a number of taxes based on income, which in aggregate result in a normal tax rate of approximately 42%.

In accordance with a change in the tax regulations in fiscal 2003, the normal tax rate decreases to 41% in aggregate with effect for the fiscal year ended March 31, 2005.

Foreign subsidiaries are subject to income taxes of the

countries where they operate.

The Company adopted a consolidated taxation system in fiscal 2003.

A reconciliation of the Japanese normal tax rate and the effective tax rate as a percentage of income before income taxes, minority interests and equity in earnings (losses) was as follows:

	2003	2002	2001
Japanese normal income tax rate .....	42.0%	42.0%	42.0%
Expenses not deductible for tax purposes .....	2.8	2.6	2.2
Difference of tax rates for foreign subsidiaries .....	(3.0)	(3.0)	(1.5)
Tax benefits not recognized on operating losses of subsidiaries .....	(3.6)	1.5	1.6
Tax on dividends .....	20.5	10.0	5.7
Effect on deferred tax assets and deferred tax liabilities from a change in the tax regulations .....	3.8	—	—
Deduction for foreign taxes .....	5.3	6.7	2.4
Other .....	11.4	1.9	4.8
	79.2%	61.7%	57.2%

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and deferred tax liabilities at March 31, 2003 and 2002 were presented below:

	Millions of Yen		Thousands of U.S. dollars
	2003	2002	2003
Deferred tax assets:			
Inventories, property and equipment .....	¥ 48,193	54,623	\$ 400,940
Allowance for doubtful accounts .....	63,252	73,329	526,223
Net operating loss carryforwards .....	55,414	48,781	461,015
Accrued retirement and severance benefits .....	5,366	3,875	44,642
Marketable securities and other investments .....	43,676	38,700	363,361
Other .....	36,578	17,929	304,310
Total gross deferred tax assets .....	252,479	237,237	2,100,491
Less valuation allowance .....	(59,962)	(51,919)	(498,852)
Net deferred tax assets .....	192,517	185,318	1,601,639
Deferred tax liabilities			
Installment sales .....	(853)	(1,223)	(7,097)
Accrued retirement and severance benefits .....	(56,198)	(51,320)	(467,537)
Marketable securities and other investments .....	(892)	(14,936)	(7,421)
Other .....	(23,854)	(8,372)	(198,453)
Total gross deferred tax liabilities .....	(81,797)	(75,851)	(680,508)
Net deferred tax assets .....	¥110,720	109,467	\$ 921,131

The net changes in the total valuation allowance for the years ended March 31, 2003, 2002 and 2001 were an increase of ¥8,043 million (\$66,913 thousand), and decreases of ¥3,104 million, ¥19,998 million, respectively.

Net operating loss carryforwards are available to reduce future income taxes. A certain portion of the net operating losses will expire by 2008 and the remainder may be utilized indefinitely.

Income taxes have not been accrued on a part of undistributed earnings of foreign affiliated companies in the amount of ¥27,627 million (\$229,842 thousand), ¥35,163 million and ¥36,005 million at March 31, 2003, 2002 and 2001, respectively, because the undistributed earnings are considered to be permanently invested.