- “Cash flow hedge”: a hedge of the variability of cash flow to be received or paid related to an unrecognized forecast transaction or a recognized asset or liability. The changes in fair value of derivative instruments that are designated and qualify as cash flow hedges are recorded in accumulated other comprehensive income (loss) if the hedges are considered highly effective.

  This treatment is continued until earnings are affected by the variability in cash flows to be received or paid related to the unrecognized forecast transactions or the recognized assets or liabilities designated as the hedged items. The ineffective portion of the hedge is reported in earnings.

- “Foreign currency hedge”: a hedge of foreign-currency fair value or cash flow. The changes in fair value or cash flow of recognized assets or liabilities, unrecognized firm commitments or forecast transactions and derivatives that are designated and qualify as foreign-currency fair value or cash flow hedges are recorded in either earnings or accumulated other comprehensive income (loss) if the hedges are considered highly effective.

  Recognition in earnings or accumulated other comprehensive income (loss) is dependent on the treatment of foreign currency hedges as fair value hedges or cash flow hedges.

The Company and its subsidiaries meet the documentation requirements as prescribed by SFAS 133 and SFAS 138, which include their risk-management objective and strategy for undertaking various hedge transactions.

In addition, a formal assessment is made at the hedge’s inception and periodically on an on-going basis, as to whether the derivatives used in hedging activities are highly effective in off-setting changes in fair values or cash flows of hedged items.

Hedge accounting is discontinued for ineffective hedges, if any. The changes in fair value of derivative instruments related to discontinued hedges are recognized in earnings currently. The changes in fair value of derivative instruments for trading purposes are recorded in earnings.

Costs Associated with Exit or Disposal Activities

In June 2002, the FASB issued Statement of Financial Accounting Standards No.146, “Accounting for Costs Associated with Exit or Disposal Activities” (SFAS 146). SFAS 146 requires that a liability be recognized for those costs related to exit or disposal activities performed after December 31, 2002 only when the liability is incurred, that is, when it meets the definition of a liability in the conceptual framework of the FASB. SFAS 146 also establishes fair value as the objective for initial measurement of liabilities related to exit or disposal activities. The adoption of SFAS 146 did not have a material effect on the consolidated financial position and results of operations.

Issuance of Stock by Subsidiaries or Associated Companies

With respect to such transactions as a subsidiary or an associated company issuing its shares to third parties, the resulting gains or losses arising from the change in interest of the Company are recorded in income or loss for the period when such shares are issued.

Depreciation

Depreciation of property and equipment (including property leased to others) is computed principally by the straight-line method using rates based upon the estimated useful lives of the related units of property.

Net Income (Loss) Per Ten Shares

Net income (loss) per ten shares is computed based on the weighted average number of shares of common stock outstanding. Diluted net income (loss) per ten shares is computed reflecting potentially dilutive securities.

Comprehensive Income (Loss)

The Company and its subsidiaries have adopted Statement of Financial Accounting Standards No.130, “Reporting Comprehensive Income” (SFAS 130). This statement establishes standards for the reporting and display of comprehensive income (loss) and its components (revenues, expenses, gains and losses) in a full set of general-purpose financial statements and requires that all items be reported in a financial statement that is displayed with the same prominence as other financial statements. Comprehensive income (loss) consists of net income (loss), foreign currency translation adjustments, change in minimum pension liability adjustments, change in net unrealized gains or losses on marketable securities and other investments, and change in net unrealized gains or losses on derivative instruments.

Guarantees

In November 2002, the FASB issued FASB Interpretation No.45, “Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others” (FIN 45). FIN 45 requires that a liability be recorded in the guarantor’s balance sheet upon issuance of a guarantee. The Company and its subsidiaries adopted the recognition provisions of FIN 45 prospectively to guarantees issued after December 31, 2002. The disclosures related to guarantees are shown in Note 22 “Contingent Liabilities”.

Variable Interest Entities

In January 2003, the FASB issued FASB Interpretation No.46, “Consolidation of Variable Interest Entities” (FIN 46). FIN 46 defines the entities of which equity has specified characteristics as variable interest entities, and also requires that the primary beneficiary which owns a majority of the variable interests consolidate the variable interest entities. Variable interests are rights and obligations that convey economic gains or losses from changes in the values of the variable interest entities’ assets and liabilities. The Company and its subsidiaries adopted FIN 46 for variable interest entities established after January 31, 2003, and will also adopt FIN 46 on July 1, 2003 for variable interest entities established before February 1, 2003. On adoption of FIN 46, the Company and its subsidiaries have no material matters to disclose as of March 31, 2003.

Use of Estimates

Management of the Company has made a number of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

Change in Presentation on the Consolidated Statements of Income

“Minority interests”, which were previously included in “Other-net”, have been separately stated below “Income taxes” in the consolidated statements of income since fiscal year 2003. Accordingly, the consolidated statements of income before fiscal year 2002 have been restated.