Fair Values of Derivative Financial Instruments

The estimated fair values of derivative financial instruments as of March 31, 2003 and 2002 were as follows:

	Millions of Yen				Thousands of U.S. dollars	
	2003		2002		2003	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets for derivative financial instruments:						
Foreign exchange contracts (inclusive of currency swap agreements) ...	¥ 3,776	3,776	7,722	7,722	$ 31,414	31,414
Interest rate swap agreements ...	19,749	19,749	26,141	26,141	164,301	164,301
Interest rate option agreements ...	335	335	223	223	2,787	2,787
Liabilities for derivative financial instruments:						
Foreign exchange contracts (inclusive of currency swap agreements) ...	¥ 480	480	2,355	2,355	$ 3,993	3,993

The fair values of derivative financial instruments reflect the estimated amounts that the Company and its subsidiaries would receive or pay to terminate the contracts at the reporting dates.

Foreign Exchange Contracts (Inclusive of Currency Swap Agreements):

The fair values of foreign exchange contracts are estimated based on the quoted market prices of comparable contracts.

Interest Rate Swap Agreements:

The fair values of interest rate swap agreements are estimated using discounted cash flow analyses, based on the current swap rates for interest rate swap agreements with similar terms and remaining periods.

Interest Rate Option Agreements:

The fair values of interest rate option agreements are estimated using option pricing model.

Limitations:

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Derivative Instruments and Hedging Activities

Overall Risk Profile

The Company and certain subsidiaries operate internationally and are exposed to market risks such as from changes in foreign exchange rates, interest rates and commodity prices.

The Company and certain subsidiaries utilize certain derivative instruments principally in order to reduce these market risks.

The Company and certain subsidiaries are exposed to foreign exchange rate risk resulting from transactions internationally and enter into derivative financial instruments, such as foreign exchange contracts (inclusive of currency swap agreements), primarily to hedge foreign exchange rate risk.

The Company and certain subsidiaries are exposed to interest rate risk resulting from holding a variety of interest rate-sensitive assets and liabilities and enter into derivative financial instruments, such as interest rate swap agreements, primarily to hedge interest rate risk.

The Company and certain subsidiaries are exposed to commodity price risk and enter into derivative instruments, such as commodity price contracts, (commodity future and forward contracts), primarily to hedge commodity price risk.

The Company and its subsidiaries have various derivative instruments, which are exposed to credit-related losses in the event of non-performance by counterparties. Numerous counterparties are utilized to ensure that there is no significant concentration of credit risk with any individual counterparty or groups of counterparties. Derivative instruments are entered into with limited major counterparties to minimize credit risk exposure. The policies of the Company and its subsidiaries prescribe monitoring of creditworthiness and exposure on a counterparty-by-counterparty basis.

Foreign Exchange Rate Risk Management

The Company and certain subsidiaries have assets and liabilities which are exposed to foreign exchange rate risk and, as a result, they enter into foreign exchange contracts (inclusive of currency swap agreements) for the purpose of hedging these risks.

Foreign exchange contracts are used principally to manage foreign exchange exposure between U.S. dollar and Japanese yen.

These contracts are primarily used to fix future net cash flows from recognized receivables and payables and unrecognized firm commitments denominated in foreign currencies.

The Company and its subsidiaries measure the volume and due date of future net cash flows by currency.

In accordance with their policy, a certain portion of measured net cash flows is covered by using foreign exchange contracts (inclusive of currency swap agreements).

Most hedging relationships between the derivative financial instruments and hedged items are highly effective in off-setting changes in foreign exchange rates.

Interest Rate Risk Management

The Company and certain subsidiaries' exposure to interest rate risk is related principally to debt obligations.

These debt obligations expose the Company and certain subsidiaries to variability in future cash outflows of interest payments or to fluctuations in fair value due to changes in interest rates.

The Company and certain subsidiaries principally enter into