

Notes to the Consolidated Financial Statements

AISIN SEIKI CO., LTD. and Its Consolidated Subsidiaries
Years ended March 31, 2001 and 2000

1. Basis of Presenting Financial Statements

The accompanying consolidated financial statements have been prepared based on the accounts maintained by AISIN SEIKI CO., LTD. (the "Company") and its consolidated 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 from application and disclosure requirements of International Accounts 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 operation and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

2. Yen and U.S. Dollar Amounts

All yen figures have been rounded to millions of yen. The United States dollar amounts included herein are solely for convenience. The translation should not be construed as representations that Japanese yen have been, could have been, or may in the future be, converted into United States dollars. The exchange rate at March 31, 2001 of ¥123.90=US\$1 has been used in the translation.

3. Reclassification

Certain comparative figures have been reclassified to conform with the current year's presentations.

4. Summary of Significant Accounting Policies

(1) Principles of Consolidation

As of March 31, 2001, the consolidated financial statements include the accounts of the Company and its 89 subsidiaries (56 domestic subsidiaries and 33 overseas subsidiaries). All significant intercompany accounts and transactions and unrealized profit among the Companies, if any, have been eliminated in consolidation. There are no unconsolidated subsidiaries.

The Company's overseas consolidated subsidiaries close their book at December 31 every year, three months earlier than the Company. Among the Company's domestic consolidated subsidiaries, 5 consolidated subsidiaries close their book at January 31 every year and 16 consolidated subsidiaries close their book at February 28 every year. The Company consolidated such subsidiaries' financial statements as of their year-end. Significant transactions for the period between subsidiaries' year-end and the Company's year-end are adjusted on consolidation.

Overseas consolidated subsidiaries adopt accounting principles generally accepted in their respective countries, and no material adjustments have been made to their financial statements in consolidation to conform with accounting principles and practices generally accepted in Japan due to no material differences of accounting principles between their respective countries and Japan.

Since fiscal year of March 31, 2000, Consolidation difference are amortized for 5 years from occurred period. But if that amount is not significant, it is charged to income as incurred. And for the fiscal year of March 31, 2000, it was charged to income as incurred.

Assets and liabilities of consolidated subsidiaries are revalued at their fair value as of the date of acquisition of the control based on the full fair value method.

(2) Investments in Affiliates

The investments in all affiliates (13 companies) are accounted for by the equity method.

(3) Cash and Cash Equivalents

For the purposes of the consolidated statements of cash flow, all highly liquid debt instruments that have an original maturity of three months or less are considered as cash equivalents.

(4) Financial Instruments

Until the year ended March 31, 2000, securities with market quotations on stock exchanges were mainly stated at the lower of market or moving average cost. Other securities were mainly stated at the moving average cost.

Effective from the year ended March 31, 2001, the Company and its subsidiaries adopted the new Japanese accounting standard for financial instruments, which is effective for years beginning on and after April 1, 2000.

As a result of adoption of new standard, loss before income taxes and minority interests for the year ended March 31, 2001 has increased by ¥801 million (\$6 million), as compared with the amount which would have been reported if the previous standard had been applied consistently.

Under the new standard, trading securities and debt securities due within one year are presented as "current" and all the other securities are presented as "non-current". The securities held by the Company and its subsidiaries have been reclassified as of April 1, 2000 (the beginning of year). As a result of such reclassification, the securities in the current portfolio have increased by ¥6,239 million (\$50 million) and the securities in the non-current portfolio have decreased by the same amount.

(a) Securities

The Company and its subsidiaries do not have trading securities, which are held for the purpose of generating profits on short-term differences in prices and held-to-maturity debt securities, that the Company and its subsidiaries have intent to hold to maturity. Other securities for which market quotations are available are stated at fair value.

Gains and losses on disposition of investments securities are computed by the moving average method.

Net unrealized gains or losses on these securities are reported as a separate item in the shareholders' equity at a net-of-tax amount.

(b) Derivatives

Under the new standard, all derivatives are stated at fair value, with change in fair value included in net profit or loss for the period in which they arise.

The derivatives designated as hedging instruments by the Company and its subsidiaries are principally interest swaps and forward exchange contracts.

The related hedged items are trade accounts receivable, loans, securities and long-term debt.

The Company and its subsidiaries have a policy to utilize the above hedging instruments in order to reduce the exposure to the risk of interest rate and exchange rate fluctuation.

Thus, the Company and its subsidiaries' purchase of the hedging instruments are limited to, at maximum, the amounts of the hedged items.

The company and its subsidiaries evaluate effectiveness of its hedging activities by reference to the accumulated gains or losses on the hedging instruments and the related hedged items from the commencement of the hedges.

(5) Inventories

Finished products, work in process and supplies (excluding steel supplies and fuel) are mainly stated at cost, as determined by the periodic average method. Raw materials, steel supplies and fuel are mainly stated at the lower of cost, as determined by the last-in, first-out method, or market.

(6) Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is computed by the declining balance method at rates based on the useful lives and residual values of the assets decided by the tax law. Normal repairs and maintenance, including minor renewals and improvements, are charged to income as incurred.

(7) Accounting for finance lease

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

(8) Employee retirement benefits

Until the year ended March 31, 2000, retirement and severance benefits was calculated at the 100% of the liability based on the amount that would be paid if all employees voluntarily retired at the year-end.

Effective for the year ended March 31, 2001, the Company and its subsidiaries adopted new accounting standards for retirement benefits for employees. The Company and its subsidiaries accrue amount which is considered to be incurred in the period based on the estimated benefit obligations and estimated pension assets at the end of year.

As the result of this change, the transition provision arising from adopting the new standard of ¥69,602 million on April 1, 2000 (the beginning of year) is recorded as Special Loss, and the unrecognized prior service cost and unrecognized actuarial differences are amortized on a straight-line basis over the period of 10 years from the year in which they arise. As a result of adopting the new standard, net pension expenses for the year ended March 31, 2001 has increased by ¥71,119 million (\$574 million) and loss before income taxes and minority interests has increased by ¥71,119 million (\$574 million) as

compared with the amounts which would have been reported if the previous standard has been applied consistently.

(9) Retirement benefits for directors and corporate auditors

Until the year ended March 31, 2000, the Company and most subsidiaries charged Retirement benefits for directors and corporate auditors to cost as occurred. Effective from the year ended March 31, 2001, the Company and all subsidiaries have changed their methods of retirement benefits for directors and corporate auditors to provide for the accrued cost of retirement benefits payable to Directors and Corporate Auditors at an amount equivalent to 100 per cent of such benefits the Company and subsidiaries would be required to pay on the directors' retirement benefit rule.

As the result of this change, operating income and ordinary income decreased by ¥562 million (\$5 million), and loss before income taxes and minority interest in income of consolidated subsidiaries increased by ¥2,754 million (\$22 million).

(10) Allowance for doubtful accounts

Effective April 1, 2000, in accordance with the amendment of the accounting standard, allowance for doubtful accounts has been provided for at the aggregate amount of estimated credit loss for doubtful or troubled receivables and a general reserve for other receivables calculated based on the historical loss experience for a certain past period. Until the year ended March 31, 2000, allowance for doubtful accounts was provided for as a general reserve at the maximum amount which could be charged to income using a legal provision ratio method under the Japanese income tax laws.

(11) Income taxes

Income taxes are accounted for in accordance with "Opinion Concerning Establishment of Standards for Tax Effects" issued by the Business Accounting Deliberation Council of Japan in October 1998, which requires the accounting for income taxes to recognize the deferred taxes under the asset and liability method. Under the accounting standard, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities and their respective tax bases, and measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date.

(12) Translation of foreign currency accounts

Effective April 1, 2000, the Company and its subsidiaries adopted "Opinion Concerning Revision of Accounting Standard for Foreign Currency Translation" issued by the Business Accounting Deliberation Council of Japan. In accordance with this new standard, receivables, payables and securities, other than stocks of subsidiaries and certain other securities, are translated into Japanese Yen at the exchange rates at the fiscal year-end.

Transactions in foreign currencies are recorded based

on the prevailing exchange rates on the transaction dates. Resulting translation gains or losses are included in the current earnings. Until the year ended March 31, 2000, receivables and payables denominated in foreign currencies and covered by firm forward exchange contracts were translated into Yen at such forward contract rates. Current receivables and payables denominated in foreign currencies not covered by forward exchange contracts were translated into Yen at the exchange rates in effect at the year-end.

Non-current assets and liabilities denominated in foreign currencies not covered by forward exchange contracts were translated into Yen at historical exchange rates, unless having significant exchange loss. Adoption of the revised accounting standard resulted in an increase in loss before income taxes and minority interests by ¥559 million (\$5 million) for the year ended March 31, 2001, as compared with previous accounting method.

In respect of the financial statement items of overseas consolidated subsidiaries, all asset and liability accounts are translated into Japanese Yen by applying the exchange rates in effect at the fiscal year-end. All income and expense accounts are translated at the average rates of exchange prevailing during the fiscal year.

Translation differences, after allocating to minority interest for portions attributable to minority interest, are reported as foreign currency translation adjustment in a separate component of shareholders' equity in the accompanying consolidated balance sheets. Until the year ended March 31, 2000, such translation differences were debited to the "Foreign currency translation adjustments" account in the accompanying consolidated balance sheets.

(13) Appropriation of retained earnings

Cash dividends and bonuses to directors and corporate auditors are recorded in the fiscal year when a proposed appropriation of retained earnings is approved by the Board of Directors and/or shareholders.

(14) Per share data

Basic net income per share is based on the weighted average number of shares of common stock outstanding during the respective years. Diluted net income per share is computed assuming convertible bonds were converted at the time of issue unless having anti-dilutive effects and as if warrants were exercised at the beginning of the relevant year or (if later) on their first exercise date and as if the funds obtained thereby were used to purchase common stock at the average market price during the respective years under the treasury stock method.

Cash dividends per share shown for each fiscal year in the accompanying consolidated statements of operations represent dividends declared as applicable to the respective years.

5. Cash and Cash Equivalents

Cash and Cash Equivalents on March 31, 2001 and 2000 consist of :

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	2001
Cash in hand and at bank	¥ 62,363	¥58,913	\$ 503
Short-term investments	71,260	35,448	575
Total	133,623	94,361	1,078
Cash at bank with maturities of longer than three months	(4,108)	(11,041)	(33)
Investments with maturities of longer than three months	(23,503)	(7,192)	(189)
Cash and Cash Equivalents	¥106,012	¥76,128	\$ 856

6. Marketable Securities

At March 31, 2000, fair value of marketable securities and related net unrealized gains were as follows:

	Carrying value	Fair value	Net unrealized gains
			Millions of Yen
Short-term investments	¥123	¥3,201	¥3,078
Investment in securities	50,020	184,905	134,884

Effective from the year ended March 31, 2001, marketable investment securities are classified as other than trading or held-to-maturity, that is to say, available-for-sale securities, and are stated at fair value with unrealized gains and losses excluded from the current earnings and reported as a net amount within the shareholders' equity account until realized. At March 31, 2001, gross unrealized gains and losses for marketable securities are summarized as follows :

	Millions of Yen		
	2001		
	Carrying Value	Fair Market Value	Unrealized Gains
(1) Stocks	¥38,248	¥144,429	¥106,181
(2) Bonds			
Government	3,107	3,250	143
Corporate	20,220	20,362	142
Others	1,259	1,260	1
(3) Others	4,171	4,261	90
Total	¥67,005	¥173,562	¥106,557

	Millions of Yen		
	2001		
	Carrying Value	Fair Market Value	Unrealized Losses
(1) Stocks	¥ 4,038	¥ 3,993	(¥45)
(2) Bonds			
Government	884	881	(3)
Corporate	9,907	9,858	(49)
Others	1,699	1,697	(2)
(3) Others	140	140	(0)
Total	¥16,668	¥ 16,569	(¥99)
Grand Total	¥83,673	¥190,131	¥106,458

Millions of U.S. Dollars			
2001			
	Carrying Value	Fair Market Value	Unrealized Gains
(1) Stocks	\$309	\$1,166	\$857
(2) Bonds			
Government	25	26	1
Corporate	163	164	1
Others	10	10	0
(3) Others	34	35	1
Total	\$541	\$1,401	\$860

Millions of U.S. Dollars			
2001			
	Carrying Value	Fair Market Value	Unrealized Losses
(1) Stocks	\$ 33	\$ 32	(\$1)
(2) Bonds			
Government	7	7	(0)
Corporate	80	80	(0)
Others	14	14	(0)
(3) Others	1	1	(0)
Total	\$135	\$ 134	(\$1)
Grand Total	\$676	\$1,535	\$859

7. Investments in Affiliates

The amounts of investments in affiliates included in Investments in securities are ¥6,434 million (\$52 million).

8. Inventories

At March 31, 2001 and 2000, inventories consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	2001
Finished products	¥27,331	¥20,980	\$221
Work in process	18,213	17,942	147
Raw materials and supplies	21,121	15,954	170
	¥66,665	¥54,876	\$538

9. Assets pledged as collateral for short-term debt, long-term debt and guarantees as at March 31, 2001 and 2000 were as follows:

	Millions of Yen		Millions of U.S. Dollars
March 31,	2001	2000	2001
Investments in securities	¥19,404	¥ 9,160	\$156
Property, plant and equipment (at net book value)	14,456	13,523	117
Other investments	390	1,534	3
	¥34,250	¥24,217	\$276

10. Contingent Liabilities

Total contingent liabilities at the end of each fiscal year are as shown below.

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	2001
Guarantee of Bank Loans of			
Employees	¥ 45	¥ 66	\$ 0
Subsidiaries	—	1,686	—
Others	1	—	0
Total	¥ 46	¥ 1,752	0
Export Bills Discounted	¥ 1,464	¥ 1,178	\$ 12

11. Research and Development Expenses

Our Research and Development Organizations are made of Corporate R & D Center and Engineering Department of each Division, and are proceeding development activities. Engineering Department is proceeding to progress current Automobile Parts and Creative Life Style Products. Corporate R & D Center is developing forefront automotive technologies, products of new field for the future, and also proceeding new materials and manufacturing methods to assist these developments. Main subjects, which we are paying the most attention on are electronics, utilizing light materials, creating the suitable designing (small size, light weight), and so on.

Research and development expenses included in general and administrative expenses and manufacturing costs for the year ended March 31, 2001 and 2000 were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	2001
Research and Development Expenses	¥58,831	¥53,086	\$475

12. Leases

Finance leases other than those where ownership is considered to be transferred to the lessee at end of each fiscal year are as shown below.

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	2001
Future minimum payments under Finance Leases (Due within One Year)	¥1,982	¥1,880	\$16
Future minimum payments under Finance Leases (Due after One Year)	3,240	3,051	26
Total	¥5,222	¥4,931	\$42
Lease Expenses for Fiscal Year	¥2,245	¥2,433	\$18

13. Derivatives

All derivatives are utilized for the hedge purpose of reducing its exposure to adverse fluctuations in interest rates and foreign exchange rates. The trades of derivatives are limited by internal regulations.

14. Bonds Payable and Borrowings

Bonds payable at March 31, 2001 consisted of the following :

Issued by	Item	Millions of Yen		Millions of U.S. Dollar 2001	Annual interest	Year of Due
		2001	2000			
AISIN SEIKI	Unsecured Convertible Bonds	¥29,117	¥29,117	\$235	2.00%	2004
AISIN SEIKI	Unsecured Straight Bonds	10,000	10,000	81	1.95	2003
AISIN SEIKI	Unsecured Straight Bonds	15,000	15,000	121	2.65	2008
AISIN AW	Unsecured Straight Bonds	5,000	5,000	40	1.59	2004
AISIN AW	Unsecured Straight Bonds	5,000	5,000	41	1.35	2003
AISIN AW	Unsecured Straight Bonds	5,000	5,000	40	1.07	2002
Total		¥69,117	¥69,117	\$558		

Borrowings at March 31, 2001 consisted of the following :

Issued by	Item	Millions of Yen		Millions of U.S. Dollar 2001	Annual interest	Year of Due
		2001	2000			
	Short-term Borrowings	¥41,908	¥34,530	\$338	2.22%	
	Transfer to short-term borrowings due within one year	13,617	3,803	110	2.02	
	Long-term Borrowings	24,052	39,874	194	1.63	2002–2005
Total		¥79,577	¥78,207	\$642		

Conversion into shares of common stock at the current conversion price per share of ¥1,435 (\$11.58) (subject to adjustment in certain circumstances)

15. Annual Maturities of Long-term Debt are as follows:

Year ending 31st March,	Millions of Yen	Millions of U.S. Dollars
2001	¥13,617	\$110
2002	1,645	13
2003	20,037	162
2004	172	1
2005 and thereafter	2,198	18
	¥37,669	\$304

16. Employee Retirement Benefits

The Company and its subsidiaries have a defined benefit pension plans and lump-sum retirement benefit plans which substantially cover all employees.

As disclosed in Note 4(8), the Company and its subsidiaries adopted the new accounting standard for retirement benefits from the year ended March 31, 2001. The following table reconciles the benefit obligation and net periodic retirement benefit expense as at or for the year ended March 31, 2001.

	Millions of Yen	Thousands of U.S. Dollars
Projected benefit obligation	¥308,643	\$2,491
Fair value of pension plan assets at end of year	(158,867)	(1,282)
Projected benefit obligation in excess of pension plan assets	149,776	1,209
Less, unrealized actuarial differences (loss)	(22,273)	(180)
Net amounts of employee retirement benefit liability recognized on the consolidated balance sheets	¥127,503	\$1,029

Note: The above table includes the amounts related to the portion subject to the Japanese Welfare Pension Insurance Law.

Component of net periodic retirement benefit expense:	Millions of Yen	Thousands of U.S. Dollars
Service cost	¥13,708	\$111
Interest cost	8,539	69
Expected return of plan assets	(8,987)	(73)
Initial transitional provision	69,602	562
Net periodic retirements benefit expense	¥82,862	\$669

Major assumptions:	For the year 2001
Method attributing the projected benefits to periods of services	Straight-line method
Discount rate	3.0%
Expected rate of return on pension plan assets	5.5%
Amortization of prior service cost	10 years
Amortization of unrealized actuarial differences	10 years
Amortization of initial transitional provision	1 year

17. Deferred Income Taxes

In fiscal 2001, the method of tax effect accounting was applied in accordance with accounting standard.

1.A summary of the components of the provision for deferred income taxes

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	2001
Deferred Tax Assets			
Deferred Tax Assets			
Retirement and Severance Benefits	¥ —	¥16,437	\$ —
Employee retirement benefit liability	41,091	—	332
Accrued Expenses	10,035	7,455	81
Depreciation	6,607	5,390	53
Accrued Warranty Cost	4,364	4,357	35
Others	21,978	8,120	178
Deferred Tax Assets Sub-Total	84,075	41,759	679
Valuation Allowance	(1,038)	(96)	(9)
Deferred Tax Assets Total	83,037	41,663	670
Deferred Tax Liabilities			
Unrealized gain on available-for-sale securities	43,295	—	349
Special Depreciation of Acquired Assets	2,880	3,061	23
Special Depreciation Reserves	1,703	1,573	14
Depreciation	1,619	914	13
Others	1,015	14	8
Deferred Tax Liabilities	50,512	5,562	407
Net Deferred Taxes	¥32,525	¥36,101	\$263

2. Reconciliation of the difference between Statutory Tax Rate and the Effective Income Tax Rate

	%	
	2001	2000
Statutory Tax Rate	—	41.24
(Adjustment)		
Different Tax Rate(Term Differences)	—	3.87
Equity Earnings	—	(3.04)
Non-deductible Expenses	—	1.16
Others	—	4.44
Effective Income Tax Rate	—	47.67

Reconciliation for the year 2001 was not presented, as loss before income taxes was recorded.

18. Segment Information

1. Industry Segments

The company's main business is manufacturing and sales of automotive parts. Sales, operating income and assets occupy over 90% in all segments. Therefore industry segments are omitted.

2. Geographical Segments

		Millions of Yen		Millions of U.S. Dollars	
		2001	2000	2001	
Sales	Japan	Customers	¥ 971,869	¥907,778	\$7,844
		Intersegment	95,297	79,392	769
		Total	1,067,166	987,170	8,613
	North America	Customers	107,876	61,318	871
		Intersegment	2,621	1,374	21
		Total	110,497	62,692	892
	Europe	Customers	39,481	27,612	319
		Intersegment	2,359	1,590	19
		Total	41,840	29,202	338
	Others	Customers	9,257	3,935	75
		Intersegment	4,665	3,295	37
		Total	13,922	7,230	112
	Eliminations		(104,941)	(85,651)	(847)
	Consolidated		1,128,484	1,000,643	9,108
Operating Income	Japan	62,810	48,922	507	
	North America	856	1,836	7	
	Europe	245	197	2	
	Others	906	316	7	
	Eliminations		(0)	(476)	(0)
	Consolidated		64,817	50,795	523
Assets	Japan	970,472	825,271	7,833	
	North America	100,426	54,821	810	
	Europe	27,826	25,935	225	
	Others	19,401	7,163	157	
	Eliminations		(13,483)	15,729	(109)
	Consolidated		¥1,104,642	¥928,919	\$8,916

Main countries or regions are:

(1) North America: U.S.A., Mexico (2) Europe: Belgium, UK (3) Others: Taiwan, Thailand

Assets Eliminations mainly consists of Cash and Cash Equivalents of AISIN SEIKI CO., LTD.

Some Companies of North America and Europe are only nine Months term due to the change of fiscal term with year 2000.

3. Sales by Geographic Area

		Millions of Yen		Millions of U.S. Dollars
		2001	2000	2001
Sales	Japan	¥ 904,041	¥ 847,409	\$7,296
	North America	108,099	61,565	873
	Europe	71,407	57,470	576
	Others	44,937	34,199	363
	Consolidated		¥1,128,484	¥1,000,643

Main countries or regions are:

(1) North America: U.S.A., Canada (2) Europe: Sweden, Germany (3) Others: Korea, Taiwan

19. Related Party Transactions

During the years ended March 31, 2001 and 2000, the Company and its subsidiaries had operational transactions with Toyota Motor Corporation, 26.8% shareholders of the Parent.

A summary of the significant transactions with the company for the years ended, or as at March 31, 2001 and 2000 is as follows:

	Millions of Yen		Millions of U.S. Dollars
	2001	2000	2001
For the year:			
Purchases of parts	¥ 25,871	¥ 20,319	\$ 209
Sales of automotive parts	306,782	285,579	2,476
At the year-end:			
Accounts receivable	¥ 44,079	¥ 39,688	\$ 356
Accounts payable	4,817	3,852	39

20. Shareholders' Equity

(a) The authorized number of shares of common stock, with a par value of ¥50 per share, is 700 million at March 31, 2001, unless there may be a reduction due to a cancellation of treasury stock acquired.

Pursuant to the articles of incorporation of the Company revised upon the approval of shareholders at the general meeting on June 26, 1998, the Company can purchase and cancel the treasury stock of the Company up to 28 million shares through a charge to retained earnings, subject to the resolution of the Board of Directors, in accordance with the Law Concerning Special Measures under the Commercial Code with Respect to Procedures of Cancellation of Stocks.

(b) At March 31, 2001 and 2000, retained earnings included legal reserve of the Company in the amounts of ¥10,285 million (\$83 million) and ¥10,285 million, respectively.

The Commercial Code of Japan provides that an amount equivalent to at least 10% of cash payments as an appropriation of retained earnings shall be appropriated as a legal reserve until such reserve equals 25% of common stock. The legal reserve is not available for the distribution as dividends, but may be used to reduce a deficit or may be transferred to common stock by proper actions of the Board of Directors and/or shareholders of the Company.

21. Subsequent Event

(a) On June 27, 2001, the following appropriations of retained earnings were approved at an annual general meeting of shareholders of the Company:

Year ending 31st March,	Millions of Yen	Millions of U.S. Dollars
Cash dividends	¥1,880	\$15
Bonuses to directors and corporate auditors	193	2

(b) Pension plan

The Company and 19 domestic consolidated subsidiaries participate in a contributory defined benefit welfare pension plan for employees. Partial amendments of pension benefit formula of the plan as of April 1, 2001 were subsequently approved by Ministry of Health, Labor and Welfare. In addition, the plan was also amended to defer the commencing age for the annuity payments in relation to the portion regulated in accordance with the revised Japanese Welfare Pension Insurance Law. As a result, prior service cost resulting from the plan amendments has incurred and projected benefit obligation has decreased by ¥20,746 million as of April 1, 2001. Under the Company's policy, unrecognized prior service cost is amortized on a straight-line basis over ten years from the fiscal year ended March 31, 2002.