

# Summary of Consolidated Financial Statements for the Interim Period Ended September 30, 2002

These financial statements have been prepared for reference only in accordance with accounting principles and practices generally accepted in Japan.

November 8, 2002

## Nissin Food Products Co., Ltd.

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Stock exchange listings:

Tokyo, Osaka, Nagoya

Code number:

2897

Board of Directors meeting:

November 8, 2002

Use of U.S. accounting standards:

No

## 1. Results for the Interim Period Ended September 30, 2002 (April 1, 2002-September 30, 2002)

### (1) Sales and Income

Note: All amounts are rounded down to the nearest million yen.

	Net sales (¥ million)	Year-on-year change (%)	Operating income (¥ million)	Year-on-year change (%)	Ordinary income (¥ million)	Year-on-year change (%)
Interim period ended Sept. 30, 2002	149,002	2.9	11,586	10.9	12,634	(6.2)
Interim period ended Sept. 30, 2001	144,790	3.5	10,450	(4.4)	13,470	0.1
Year ended March 31, 2002	308,462		24,816		29,993	

	Net income (¥ million)	Year-on-year change (%)	Earnings per share (¥)
Interim period ended Sept. 30, 2002	6,908	0.8	55.30
Interim period ended Sept. 30, 2001	6,852	6.6	53.78
Year ended March 31, 2002	11,936		93.91

Notes:

1. Equity in earnings of affiliates accounted for by the equity method:

Interim period ended Sept. 30, 2002: ¥316 million Interim period ended Sept. 30, 2001: ¥235 million

Year ended March 31, 2002: ¥525 million

2. Average number of shares outstanding (consolidated):

Interim period ended Sept. 30, 2002: 124,917,285 shares Interim period ended Sept. 30, 2001: 127,412,162 shares

Year ended March 31, 2002: 127,106,163 shares

3. Changes in accounting methods: No

4. Year-on-year change for net sales, operating income, ordinary income and net income is based on the previous interim period.

### (2) Financial Position

	Total assets (¥ million)	Shareholders' equity (¥ million)	Shareholders' equity/Total assets (%)	Shareholders' equity per share (¥)
September 30, 2002	322,341	228,133	70.8	1,840.20
September 30, 2001	327,861	235,388	71.8	1,847.46
March 31, 2002	326,913	230,581	70.5	1,835.04

Note: Number of shares outstanding at end of period (consolidated):

Interim period ended Sept. 30, 2002: 123,971,946 shares Interim period ended Sept. 30, 2001: 127,412,162 shares

Year ended March 31, 2002: 125,655,014 shares

### (3) Cash Flows

	Cash flows from operating activities (¥ million)	Cash flows from investing activities (¥ million)	Cash flows from financing activities (¥ million)	Cash and cash equivalents at end of period (¥ million)
Interim period ended Sept. 30, 2002	4,235	(19,128)	(9,322)	65,908
Interim period ended Sept. 30, 2001	5,027	2,447	(2,975)	73,988
Year ended March 31, 2002	22,810	5,433	(7,400)	91,122

(4) Scope of consolidation and application of the equity method:

Consolidated subsidiaries: 24 companies

Unconsolidated subsidiaries accounted for by the equity method: None

Affiliated companies accounted for by the equity method: 1 company

(5) Changes in scope of consolidation and application of the equity method:

Consolidation: (New) 2 companies (Eliminated) None

Equity method: (New) None (Eliminated) None

## 2. Projected Results for Fiscal 2003 (April 1, 2002-March 31, 2003)

	Net sales (¥ million)	Ordinary income (¥ million)	Net income (¥ million)
Year ending March 31, 2003	317,000	28,000	16,000

Reference: Estimated earnings per share: ¥129.06

Note: Projected results are forward-looking statements based on estimates made as of the day of release of these materials. Actual results may differ depending on a number of factors including but not limited to changes in exchange rates. For the assumptions and other issues related to the above projected results, please refer to page 7.

# **1. Management Policies**

## **(1) Basic Management Policy**

Under its founding philosophy of “People Can Only Be Content When There Is Enough Food,” Nissin has set a mission of bringing enjoyment to people’s lives through the creation and development of new foods since the invention of the world’s first instant noodle product. With some 50 billion servings consumed annually worldwide (based on 2001 estimate by the International Ramen Manufacturers Association), instant ramen continues to grow in popularity as an international food created in Japan. To offer satisfaction to people worldwide, the Company develops creative products and technologies and promotes marketing policies that put customers first, and will continue to develop its business with the aim of contributing to people’s health.

“Creating Foods To Serve Society” – Nissin’s credo.

## **(2) Basic Policy for Allocating Earnings**

At the same time as it seeks to raise shareholder profits by regularly increasing corporate value, Nissin’s primary management task is to strengthen its operating base and profitability in order to continue to provide stable dividends to shareholders. Nissin works to maintain dividends, with a target payout ratio of 30 percent on a nonconsolidated basis.

In addition, Nissin strives to further expand shareholder value through the priority allocation of retained earnings toward capital investment, research and development costs, and mergers and acquisitions in order to expand the Company’s global operations from a long-term perspective, and through the effective management of surplus funds, while giving full consideration to risk factors.

## **(3) Views and Policy Regarding Reduction of Minimum Investment**

As a company that manufactures and sells food products closely related to its customers’ lives, Nissin would like to create a closer presence among individual investors, including housewives. To raise the liquidity of its stock and expand its investor base, Nissin reduced the number of shares in a unit of its stock from 1,000 to 100 as of August 2, 1999.

## **(4) Medium- to Long-Term Management Strategies**

Nissin has set the medium-term objective of raising its share of the domestic instant noodle market, its core business, on a sales value basis from the current 42 percent to 50 percent. In addition, Nissin is investing management resources into its chilled and frozen foods businesses in order to develop these businesses as the second and third pillars of its operating base, thus expanding business while increasing synergy as a comprehensive noodle manufacturer.

Overseas, Nissin will move forward with its global strategy of bringing happiness and great taste to people in every country as the pioneer in the field of instant ramen, a product created in Japan that has become an international food. At the same time, in view of the need for lower-cost, higher-quality ingredients to raise cost competitiveness, Nissin is proceeding with an international purchasing system that makes use of its overseas production network consisting of 25 plants in eight countries.

## **(5) Establishment of a Corporate Management Organization**

To respond swiftly to changes in the business environment, a corporate executive officer system was established in June 1998, thus delineating the duties of the Board of Directors, who formulate basic management policies and strategies, and the corporate executive officers, who implement them. This initiative is aimed at streamlining the Board of Directors and increasing the speed of decision-making.

In addition, questions are being raised about food safety in response to such issues as genetically modified foods and unapproved food additives. To deal with this situation, Nissin has established the Food Safety Research Institute, and is working to strengthen its quality management system in order to respond more quickly to the concerns of customers.

## **(6) Company Initiatives**

We are deeply conscious of Nissin's social responsibility as a good corporate citizen, and act in harmony with local communities around the world and in accord with social ethics. In addition, as a manufacturer of food products, we place great emphasis on compliance, and have made it our mission to provide safe, reliable products to customers.

All domestic plants have obtained ISO 9001 certification of their quality assurance systems, and quality management systems based on ISO 9001 are being established at overseas plants. In addition, the Company is working to expand the product inspection system at the Food Safety Research Institute while strengthening acceptance tests of raw materials, development of ingredients and processing guidance.

Nissin will consider the global environment in carrying out business activities that take into account the protection of the environment and the conservation of natural resources in co-existence with society. Nissin's four directly managed plants have obtained ISO 14001 certification of their environmental management systems, and beginning in fiscal 2001, the Company introduced environmental accounting in order to quantitatively determine the costs of environmental protection. Nissin's head offices in Osaka and Tokyo are also working to obtain ISO 14001 certification.

## **(7) Fiscal 2002 Business Objectives**

Amid the prolonged recession, a deflationary spiral and competition on a global scale, the structure of industry is undergoing a major transformation. Nissin will take a reading of this new age with sensitivity and actively incorporate its conclusions into its management, while developing its business on a worldwide scale.

### **• Strengthening and Promoting Brand Management**

Since the Company's establishment, Nissin's management has been centered on its brands. During this period of declining product prices, building brands that customers love and trust has become essential. Therefore, the Company plans to further strengthen its competitive structure by expanding the Brand Manager System, which was introduced in 1990, to its chilled and frozen foods operations, and implementing the Brand Fight System to further strengthen brand creation and the training system.

### **• Enlarging Chilled and Frozen Foods Businesses**

Amid a growing shift back toward eating at home, Nissin will make the most of its advanced noodle technologies and strengthen their development for the chilled and frozen foods business as a comprehensive noodle manufacturer. Under the principles of creation and development expressed in the Company's corporate philosophy, Nissin will provide products with a high level of added value and expand its business.

### **• Expanding Operations in North America and the People's Republic of China (P.R.C.)**

Instant noodles are an international food, with annual consumption at 50 billion servings and steadily rising. In consideration of this growing market, overseas expansion is a primary business initiative, which will need to be accelerated in the future. North America and the P.R.C. are regions of the highest strategic importance, where Nissin will invest greater management resources.

### **• Ensuring Food Safety**

As a food manufacturer, Nissin's primary mission is to provide safe food products that customers can rely on. To this end, the Company will strengthen its quality assurance system and work to maintain the trust of consumers.

## 2. Results of Operations and Financial Position

### (1) Results of Operations

#### Overview of the Interim Period

In the Japanese economy, corporate earnings showed signs of a slight recovery due to an increase in exports and efforts to streamline operations, but a deflationary economy persisted, leading to continued reductions in capital investment and uncertainty over the employment situation. In addition, factors such as the slowdown of the United States economy during the latter half of the period as well as delays in disposing of the bad debts of financial institutions have caused share prices to fall, making the future economic outlook appear increasingly challenging.

In the domestic food industry, incidents including the use of unapproved food additives, misrepresentation of the origin of beef and false labeling of food products have resulted in a loss of consumer trust. In addition, concern over pesticide residue on vegetables imported from China has escalated to the point of requiring official talks between the two governments. In response to conditions of stronger than ever demands for safety and reliability of food products, Nissin expanded its existing organization with the establishment of the Food Safety Research Institute, a specialized institution devoted to food safety and environmental measures, in June 2002. In the future, the Company will work to further strengthen quality control from the standpoint of consumers, primarily through the Food Safety Research Institute and the ISO 9001 quality management system at manufacturing plants.

In the domestic instant noodle market, sales increased steadily from the start of the interim period but suffered during the latter half due to the hot weather that began in late July and the lingering summer heat that ensued. In addition, amid the deflationary economy, the trend toward lower product prices continued, and sales competition intensified further. Nissin dealt with the increase in sales costs by reducing production costs through the introduction of high-speed production lines for higher productivity and efforts to hold down the cost of raw materials. Amid these conditions, consumers have a consciousness of safeguarding their lifestyles due to the prolonged economic recession, choosing to dine at home instead of at restaurants. This has resulted in a shift in demand toward more economical products, as well as a return to trusted brands as consumers demand greater food safety. As a result, long-selling products such as *Chicken Ramen* and *Cup Noodle* experienced significant growth.

Overseas markets expanded, particularly Asia and the Americas, and Nissin is working to reinforce production capacity and develop aggressive marketing activities in order to expand sales areas in these regions. However, as in Japan, sales competition is becoming increasingly fierce.

Looking at sales by region, demand in Asia, particularly the P.R.C., increased substantially. Nissin considers the P.R.C. to be its most promising future market, and is strengthening marketing strategies with a focus on new product development. In addition, the United States market, including Mexico, is a stable market that values the convenience and low price of instant noodles, and Nissin is working to steadily expand its market share.

(Consolidated basis; ¥ million)

	Net sales	Operating income	Ordinary income	Net income
Interim period ended September 30, 2002	149,002	11,586	12,634	6,908
Interim period ended September 30, 2001	144,790	10,450	13,470	6,852
Year-on-year change (%)	2.9	10.9	(6.2)	0.8

As a result, during the interim period net sales rose in all divisions, increasing 2.9 percent compared to the same period of the previous year to ¥149,002 million.

Operating income increased 10.9 percent to ¥11,586 million despite an increase in selling expenses resulting from the challenging marketing environment, due to a decrease in the cost of goods sold and a decrease in expenses associated with retirement benefits.

Ordinary income decreased 6.2 percent to ¥12,634 million, as net non-operating income declined ¥1,972 million absent the gain on sales of investment securities recorded during the same period of the previous

year, and due to the exchange loss recorded on a yen loan at an overseas subsidiary.

As a result of decreases in items including loss from devaluation of investment securities compared to the same period of the previous year, net income for the interim period was ¥6,908 million, an increase of 0.8 percent compared to the same period of the previous year.

### Information by Business Area

Because parent company sales account for more than 80 percent of consolidated sales, the following discussion of net sales by business area concentrates on nonconsolidated (domestic) sales.

Business area	Consolidated net sales (¥ million)	Year-on-year change (%)	Nonconsolidated net sales (¥ million)	Year-on-year change (%)
Pillow-type instant noodles	21,016	1.2	14,092	3.9
Cup-type instant noodles	93,284	0.2	85,054	0.5
Chilled and frozen foods	19,280	6.3	14,448	11.9
Others	15,420	20.2	7,234	6.8
Total	149,002	2.9	120,829	2.5

#### *Pillow-type Instant Noodles*

The domestic market for pillow-type instant noodles has contracted for the past several years. However, amid the continuing deflationary economy, there has been a re-evaluation of low-priced, delicious pillow-type instant noodles. This, coupled with stronger than ever demands from consumers for safety and reliability from food products, has contributed to higher sales of such long-selling products as *Chicken Ramen* and *Demae Itcho*.

In overseas markets, sales increased in North America, where Nissin employed aggressive marketing strategies, but net sales translated into yen declined because the yen increased 4 percent in value against both the U.S. dollar and the Hong Kong dollar compared to the same period of the previous year.

As a result, net sales of pillow-type instant noodles increased 1.2 percent compared to the same period of the previous year to ¥21,016 million.

#### *Cup-type Instant Noodles*

In the mainstay *Cup Noodle* line, the series of international flavors including *Kankoku-fu Karakuchi Cup Noodle* and *Chichukai-fu Shio Cup Noodle* was a hit, and sales of established products were also strong. In addition, the *Nissin no Donbei* line of Japanese-style *donburi*-type dishes recorded higher sales during the interim period, and *Nissin Menshokunin* and *Nissin Men-no-Tatsujin*, Chinese-style bowl-type dishes that offer delicious, high-quality noodles, also contributed to higher revenues, supported by increasing demand for non-fried noodles.

Amid a pronounced decline in sales prices, higher-priced menu-type product *Nissin Yakibutaya* and products developed jointly with convenience stores continued to perform well. However, sales of similarly priced long-life fresh noodle products such as *Nissin Rao* and *Nissin no Gonbuto* declined, due to competition with higher-priced non-fried noodles.

Overseas, Nissin worked to expand its sales areas through measures such as commencing production of *Cup Noodles* in Brazil, and successfully increased sales volume in all regions, particularly in North America, but the effect of the stronger yen was a negative factor on sales when translated into yen.

As a result, net sales of cup-type instant noodles increased 0.2 percent compared to the same period of the previous year to ¥93,284 million.

#### *Chilled and Frozen Foods*

In chilled foods, Nissin has gained market recognition for its superiority by shifting away from low-priced sales and focusing on the development of high-quality and high-value-added products and brand extension strategies using instant noodle brands. Product lines such as *Nissin no Ramenyan*, which offers soup quality on a par with ramen shops, *Gyoretsu-no-Dekiru-Mise-no-Ramen* and *Hiyashi-Chuka-Tappuri-Tare* continued to post stable sales, and sales of *Nissin Yakisoba*, which features improved noodle quality, increased substantially, contributing to an improved earnings structure.

In frozen foods, in addition to strong performance by the *Nissin no Ramenyan* line, which offers flavor

available only in a frozen noodle, and the *Nissin no Donbei* line, inclusion of a separate package of chopped vegetables in certain products also contributed to increased sales. *Nissin Yakisoba Spicy Sauce (pillow-type)*, launched under the slogan “High-Quality Noodles and Plentiful Ingredients,” also recorded strong sales.

As a result, net sales of chilled and frozen foods increased 6.3 percent compared to the same period of the previous year to ¥19,280 million.

### ***Others***

In the snacks and confectioneries sector, sales of biscuits and cereals increased, and in the beverages sector, hit product *Fruits & Vitamins* contributed to sales. Sales in other sectors were also strong. As a result, net sales for this segment increased 20.2 percent compared to the same period of the previous year to ¥15,420 million.

## Outlook for the Fiscal Year Ending March 31, 2003

Although the Japanese government has assembled a comprehensive package of measures to tackle deflation, including reforms to the financial system and the tax system, many destabilizing factors such as the slowdown in the U.S. economy and falling stock prices in Japan make it difficult to forecast the future economic situation.

In the domestic market, amid a continuing deflationary economy, there is expected to be further strengthening of the tendency of consumers to seek out lower prices for food products, which are a daily necessity. In addition, manufacturers must effect greater improvements in quality control in order to regain consumers' trust regarding food safety.

Under these circumstances, Nissin is working to increase sales by revitalizing established brands that are recording sales growth while aggressively launching new products during the second half of the fiscal year, which is the period of highest demand for instant ramen. One such product will be new *Nissin GooTa*, the latest in a line of higher-priced products that have recorded strong sales particularly at convenience stores. Marketed under the concept of "A Cup-Type Noodle with Astonishing Ingredients," *Nissin GooTa* will respond to consumer demands with not only improved noodle and soup quality but also a larger volume of higher-quality ingredients.

In addition, the Food Safety Research Institute will perform regular analyses of products manufactured at Nissin's four directly-managed plants and other cooperating plants, in order to improve the management of product safety and promote the standardization of products manufactured at each plant to a high level of quality. Strengthening its quality management system will enable Nissin to offer uniform products with a high level of accomplishment.

Overseas, Nissin will make use of its holding company established during the previous fiscal year in the Chinese market, which continues to grow, and work to increase sales in each region through measures including developing business strategies. With worldwide consumption estimated at 50 billion servings annually, the global market for instant noodles is projected to expand while competition continues to intensify. Nissin will open new markets and speed up the development of international operations, including entry into new regions in the future.

For the current fiscal year, Nissin projects net sales of ¥317.0 billion (a year-on-year increase of 2.8 percent), supported by increased sales in the domestic instant noodle business and the chilled and frozen foods business, despite lower sales at overseas subsidiaries due to the effect of the stronger yen.

Operating income for the interim period increased more than 10 percent compared to the same period of the previous year. However, because the market environment is likely to remain challenging both in Japan and overseas, and selling expenses are expected to increase during the second half due to the launch of new products in Japan, Nissin projects operating income of ¥25.5 billion (a year-on-year increase of 2.8 percent) for the fiscal year. Absent the gain on sales of investment securities recorded during the previous period, and due to the exchange loss recorded on yen loans at overseas subsidiaries, Nissin projects ordinary income of ¥28.0 billion (a year-on-year decrease of 6.6 percent).

However, net income is projected at ¥16.0 billion (a year-on-year increase of 34.0 percent) due to a decrease in loss from devaluation of investment securities.

Projected exchange rates for primary currencies relevant to the results of overseas subsidiaries are ¥122.00 to US\$1.00 and ¥15.00 to HK\$1.00.

## **(2) Financial Position**

Cash and cash equivalents (hereafter referred to as “net cash”) as of September 30, 2002 totaled ¥65,908 million, a decrease of ¥25,213 million compared with the end of the previous fiscal year, due to a decrease in cash resulting mainly from the purchase of bonds, despite income before income taxes and other adjustments of ¥11,703 million.

### **Cash Flows From Operating Activities**

Net cash provided by operating activities was ¥4,235 million. Positive factors included income before income taxes and other adjustments (¥11,703 million) and depreciation and amortization (¥3,531 million), while negative factors included cash paid for income taxes (¥7,132 million) and fluctuations in assets and liabilities.

### **Cash Flows From Investing Activities**

Net cash used in investing activities was ¥19,128 million. For more efficient management of funds, the Company shifted from deposits to investments in securities, resulting in a decrease in cash.

### **Cash Flows From Financing Activities**

Net cash used in financing activities was ¥9,322 million. Primary uses of cash included cash dividends paid (¥3,769 million) and share repurchase expenses (¥4,066 million).

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

(Millions of yen)

	As of September 30, 2002		As of September 30, 2001		As of March 31, 2002	
<b>ASSETS</b>						
<b>Current assets</b>	<b>125,355</b>	38.9%	<b>133,437</b>	40.7%	<b>150,396</b>	46.0
Cash and deposits	58,788		52,922		91,631	
Notes and accounts receivable - trade	37,042		37,302		37,473	
Marketable securities	11,776		25,544		4,379	
Inventories	13,046		12,358		11,632	
Deferred tax assets	3,422		3,570		3,720	
Other current assets	1,549		1,981		1,815	
Allowance for doubtful receivables	(269)		(242)		(257)	
<b>Fixed assets</b>	<b>196,985</b>	61.1	<b>194,424</b>	59.3	<b>176,516</b>	54.0
Tangible fixed assets:	<b>89,008</b>	27.6	<b>95,138</b>	29.0	<b>82,444</b>	25.2
Buildings and structures	34,875		32,353		32,981	
Machinery, equipment and carriers	19,771		18,730		19,276	
Land	30,351		40,298		28,178	
Construction in progress	853		2,653		911	
Other tangible fixed assets	3,156		1,102		1,096	
Intangible fixed assets	<b>988</b>	0.3	<b>1,053</b>	0.3	<b>1,084</b>	0.3
Investments and other assets:	<b>106,988</b>	33.2	<b>98,232</b>	30.0	<b>92,988</b>	28.5
Investment securities	86,345		85,286		70,749	
Investment in capital	6,946		5,105		6,714	
Long-term loans	271		286		271	
Deferred tax assets	6,582		4,984		8,215	
Deferred tax assets related to revaluation of land	4,683		—		4,683	
Other investments and other assets	2,180		2,591		2,374	
Allowance for doubtful receivables	(21)		(22)		(21)	
<b>Total assets</b>	<b>322,341</b>	100.0%	<b>327,861</b>	100.0%	<b>326,913</b>	100.0%

(Millions of yen)

	As of September 30, 2002		As of September 30, 2001		As of March 31, 2002	
<b>LIABILITIES</b>						
<b>Current liabilities</b>	<b>76,150</b>	23.6%	<b>76,555</b>	23.3%	<b>79,310</b>	24.3%
Notes and accounts payable - trade	32,549		35,054		34,684	
Short-term borrowings	5,195		7,105		7,056	
Accrued payables	19,071		19,939		21,623	
Accrued income taxes	4,152		4,704		6,825	
Other current liabilities	15,183		9,751		9,121	
<b>Long-term liabilities</b>	<b>11,490</b>	3.6	<b>10,418</b>	3.2	<b>11,118</b>	3.4
Reserve for employees' retirement benefits	9,472		8,428		9,087	
Reserve for directors' retirement benefits	1,558		1,471		1,517	
Other long-term liabilities	458		519		513	
<b>Total liabilities</b>	<b>87,640</b>	27.2	<b>86,974</b>	26.5	<b>90,428</b>	27.7
<b>MINORITY INTERESTS</b>						
<b>Minority interests</b>	<b>6,566</b>	2.0	<b>5,498</b>	1.7	<b>5,903</b>	1.8
<b>SHAREHOLDERS' EQUITY</b>						
<b>Common stock</b>	—	—	25,122	7.7	25,122	7.7
<b>Additional paid-in capital</b>	—	—	48,370	14.7	48,370	14.8
<b>Adjustment due to revaluation of land</b>	—	—	—	—	(6,558)	(2.0)
<b>Consolidated retained earnings</b>	—	—	159,367	48.6	164,451	50.3
<b>Unrealized gain on securities</b>	—	—	1,837	0.6	1,543	0.5
<b>Translation adjustment account</b>	—	—	791	0.2	2,048	0.6
<b>Treasury stock</b>	—	—	(0)	(0.0)	(4,293)	(1.3)
<b>Parent company stock held by consolidated subsidiaries</b>	—	—	(101)	(0.0)	(103)	(0.1)
<b>Common stock</b>	25,122	7.8	—	—	—	—
<b>Capital surplus</b>	48,370	15.0	—	—	—	—
<b>Retained earnings</b>	167,845	52.1	—	—	—	—
<b>Adjustment due to revaluation of land</b>	(6,558)	(2.0)	—	—	—	—
<b>Unrealized gain on securities</b>	1,925	0.6	—	—	—	—
<b>Translation adjustment account</b>	(164)	(0.1)	—	—	—	—
<b>Treasury stock</b>	(8,406)	(2.6)	—	—	—	—
<b>Total shareholders' equity</b>	<b>228,133</b>	70.8	<b>235,388</b>	71.8	<b>230,581</b>	70.5
<b>Total liabilities, minority interests and shareholders' equity</b>	<b>322,341</b>	100.0%	<b>327,861</b>	100.0%	<b>326,913</b>	100.0%

## (2) Consolidated Statements of Income

(Millions of yen)

	Interim Period Ended September 30, 2002		Interim Period Ended September 30, 2001		Year Ended March 31, 2001	
Net sales	149,002	100.0%	144,790	100.0%	308,462	100.0%
Cost of sales	76,253	51.2	75,233	52.0	157,662	51.1
Gross profit	72,748	48.8	69,557	48.0	150,800	48.9
Selling, general and administrative expenses	61,161	41.0	59,106	40.8	125,983	40.9
Operating income	11,586	7.8	10,450	7.2	24,816	8.0
<b>Non-operating income:</b>	<b>1,828</b>	<b>1.2</b>	<b>3,218</b>	<b>2.2</b>	<b>5,666</b>	<b>1.8</b>
Interest income	520		1,110		1,863	
Dividends received	288		503		614	
Gain on sales of securities	3		962		1,229	
Equity in earnings of affiliates	316		235		525	
Foreign exchange gain	—		79		700	
Other non-operating income	699		327		731	
<b>Non-operating expenses:</b>	<b>781</b>	<b>0.5</b>	<b>198</b>	<b>0.1</b>	<b>488</b>	<b>0.1</b>
Interest expenses	30		67		127	
Loss on sales of securities	—		4		5	
Foreign exchange loss	646		—		—	
Other non-operating expenses	104		126		355	
Ordinary income	12,634	8.5	13,470	9.3	29,993	9.7
<b>Extraordinary gains:</b>	<b>1</b>	<b>0.0</b>	<b>88</b>	<b>0.1</b>	<b>97</b>	<b>0.0</b>
Gain on sales of fixed assets	1		1		13	
Other extraordinary gains	—		86		84	
<b>Extraordinary losses:</b>	<b>932</b>	<b>0.6</b>	<b>2,682</b>	<b>1.9</b>	<b>10,016</b>	<b>3.2</b>
Evaluation loss on investment securities	642		2,502		8,108	
Evaluation loss on investment in capital	200		—		373	
Evaluation loss on golf club membership rights	14		18		45	
Uncollectable debt	—		19		18	
Other extraordinary losses	74		142		1,469	
Income before income taxes and other adjustments	11,703	7.9	10,876	7.5	20,074	6.5
Corporate, inhabitant's and enterprise taxes	4,453	3.0	5,108	3.5	12,146	3.9
Adjustment to corporate taxes, etc.	250	0.2	(1,360)	(0.9)	(4,533)	(1.5)
Minority interests	91	0.1	275	0.2	525	0.2
Net income	6,908	4.6	6,852	4.7	11,936	3.9

**(3) Consolidated Statements of Retained Earnings**

(Millions of yen)

	Interim Period Ended September 30, 2002	Interim Period Ended September 30, 2001	Year Ended March 31, 2002
<b>Consolidated retained earnings at beginning of period</b>	—	<b>155,635</b>	<b>155,635</b>
<b>Decrease in consolidated retained earnings</b>	—	<b>3,119</b>	<b>3,119</b>
Cash dividends paid	—	3,057	3,057
Bonuses to directors	—	62	62
<b>Net income</b>	—	<b>6,852</b>	<b>11,936</b>
<b>Consolidated retained earnings at end of period</b>	—	<b>159,367</b>	<b>164,451</b>
<b>CAPITAL SURPLUS</b>			
Capital surplus at beginning of period	48,370	—	—
Capital surplus at end of period	48,370	—	—
<b>RETAINED EARNINGS</b>			
<b>Retained earnings at beginning of period</b>	<b>164,451</b>	—	—
<b>Increase in retained earnings</b>	<b>7,225</b>	—	—
Net income	6,908	—	—
Increase related to increase in consolidated subsidiaries	316	—	—
<b>Decrease in retained earnings</b>	<b>3,831</b>	—	—
Cash dividends paid	3,769	—	—
Bonuses to directors	61	—	—
<b>Retained earnings at end of period</b>	<b>167,845</b>	—	—

**(4) Consolidated Statements of Cash Flows**

(Millions of yen)

	Interim Period Ended September 30, 2002	Interim Period Ended September 30, 2001	Year Ended March 31, 2002
<b>I. Cash flows from operating activities</b>			
Income before income taxes and other adjustments	11,703	10,876	20,074
Depreciation and amortization	3,531	3,462	7,223
Increase (decrease) in allowance for doubtful accounts	22	17	24
Increase (decrease) in reserve for employees' retirement benefits	344	862	1,525
Interest and dividend income	(809)	(1,613)	(2,478)
Interest expenses	30	67	127
Foreign currency exchange loss (gain)	407	(78)	(469)
Equity in earnings of affiliates	(316)	(235)	(525)
Loss (gain) on disposal and sales of property, plant and equipment	38	83	241
Loss (gain) on sales of investment securities	(3)	(958)	(1,223)
Devaluation of investment securities	862	2,574	8,535
Evaluation loss on golf club membership rights	14	18	45
Decrease (increase) in notes and accounts receivable	(25)	358	542
Decrease (increase) in inventories	(1,701)	(1,385)	(458)
Increase (decrease) in notes and accounts payable	(1,976)	(2,617)	(3,169)
Increase (decrease) in accrued consumption tax	(233)	(264)	(168)
Bonuses to directors	(64)	(62)	(62)
Others	(1,399)	295	3,431
<b>Subtotal</b>	<b>10,425</b>	<b>11,401</b>	<b>33,217</b>
Cash received from interest and dividend income	973	1,572	2,517
Cash paid for interest expenses	(30)	(67)	(127)
Cash paid for income taxes	(7,132)	(7,879)	(12,797)
<b>Net cash provided by operating activities</b>	<b>4,235</b>	<b>5,027</b>	<b>22,810</b>
<b>II. Cash flows from investing activities</b>			
Payment of funds into time deposits	—	(663)	(694)
Proceeds from redemption of time deposits	414	—	660
Payment for purchases of marketable securities	(1,000)	(2,999)	(4,999)
Proceeds from sales of marketable securities	2,433	4,981	7,915
Payment for purchases of property, plant and equipment and others	(2,532)	(3,453)	(6,303)
Proceeds from sales of property, plant and equipment and others	239	6	153
Payment for purchases of investment securities	(20,308)	(8,364)	(17,963)
Proceeds from sales of investment securities	1,550	12,918	27,205
Proceeds from loans	1	21	36
Others	74	—	(576)
<b>Net cash (used in) provided by investing activities</b>	<b>(19,128)</b>	<b>2,447</b>	<b>5,433</b>
<b>III. Cash flows from financing activities</b>			
Proceeds from short-term borrowings	—	75	119
Repayment of short-term borrowings	(1,729)	(558)	(732)
Proceeds from minority shareholders	249	582	582
Share repurchase expenses	(4,066)	(2)	(4,297)
Cash dividends paid	(3,769)	(3,057)	(3,057)
Dividends paid to minority shareholders	(6)	(14)	(14)
<b>Net cash used in financing activities</b>	<b>(9,322)</b>	<b>(2,975)</b>	<b>(7,400)</b>
<b>IV. Effect of exchange rate changes on cash and cash equivalents</b>	<b>(1,211)</b>	<b>722</b>	<b>1,511</b>
<b>V. Increase (decrease) in cash and cash equivalents</b>	<b>(25,426)</b>	<b>5,221</b>	<b>22,355</b>
<b>VI. Cash and cash equivalents at the beginning of the period</b>	<b>91,122</b>	<b>68,766</b>	<b>68,766</b>
<b>VII. Increase in cash and cash equivalents due to consolidation of additional subsidiaries</b>	<b>213</b>	<b>—</b>	<b>—</b>
<b>VIII. Cash and cash equivalents at the end of the period</b>	<b>65,908</b>	<b>73,988</b>	<b>91,122</b>