April 24, 2003

Fiscal Year Ending March 31, 2003
Closing Announcement (Consolidation)

Name of Listed Company: Arisawa Manufacturing Co., Ltd.

Listed on the 1st Section of Tokyo Stock Exchange

Code No.: 5208
(url http://www.arisawa.co.jp/)
Prefecture where Head Office is located: Nigata Prefecture
Representative: President and CEO: Sanji Arisawa
Contact Person: Senior Managing Director: Kazuo Mori TEL: (025) 524-7101
Date of Board of Directors Meeting for Closing: April 24, 2003
Adoption of US accounting standards: None

1. Consolidated Results for Fiscal Year Ending March 31, 2003 (From April 1, 2002 to March 31, 2003)

(1) Consolidated Operating Results

(Note) Indicated by rounding off an amount less than 1 million yen

	Sales		Operating profit		Ordinary profit	
	(million yen)	%	(million yen)	%	(million yen)	%
Fiscal Year Ending March 31, 2003	37,004	28.9	4,435	39.9	5,276	39.2
Fiscal Year Ending March 31, 2002	28,711	Δ6.5	3,170	Δ17.1	3,791	Δ21.3

	Current net profit		Current net profit per share	Fully diluted current net profit per share	ROE	Ordinary profit ratio of gross capital	Ordinary profit ratio of sales
	(million yen)	%	(Yen, Sen)	(Yen, Sen)	%	%	%
Fiscal Year Ending March 31, 2003	3,119	32.2	115.15	114.96	11.0	12.8	14.3
Fiscal Year Ending March 31, 2002	2,358	Δ24.4	106.08	106.03	9.8	10.6	13.2

(Note) 1) Equity method investment income: Fiscal Year Ending March 31, 2003: 878 million yen,
Fiscal Year Ending March 31, 2002: 499 million yen
2) Average number of shares during the period (consolidation): Fiscal Year Ending March 31, 2003: 26,756,971 shares
Fiscal Year Ending March 31, 2002: 22,236,357 shares
3) Change in accounting method: None
4) Indication of percentage of sales, operating profit, ordinary profit and current net profit shows the rate of increase or decrease against the previous year.

(2) Consolidated Financial Conditions

	Total assets	Shareholder equity	Equity ratio	Shareholder equity per share
	(million yen)	(million yen)	%	(Yen, Sen)
Fiscal Year Ending March 31, 2003	44,712	29,314	65.7	1,092.69
Fiscal Year Ending March 31, 2002	37,851	27,385	72.3	1,126.44

(Note) Number of outstanding shares at the end of period (consolidation): Fiscal Year Ending March 31, 2003: 26,792,883 shares
Fiscal Year Ending March 31, 2002: 24,311,486 shares

(3) Status of Consolidated Cash Flow

	Cash flow from operating activities	Cash flow from investment activities	Cash flow from financial activities	Closing balance of cash and cash equivalents
	(million yen)	(million yen)	(million yen)	(million yen)
Fiscal Year Ending March 31, 2003	6,783	Δ5,381	Δ799	5,773
Fiscal Year Ending March 31, 2002	4,030	Δ4,380	3,951	5,251

(4) Scope of Consolidation and Matters related to Application of Equity Method

Number of consolidated subsidiaries: 10 companies, Number of non-consolidated subsidiaries to which equity method is applied: 0, Number of affiliated companies to which equity method is applied: 5 companies

(5) Scope of Consolidation and Changes in Application of Equity Method

Consolidation (New) 1 company, (Exclusion) 1, Equity method (New) 1, (Exclusion) 0

2. Expected Consolidated Results for Fiscal Year Ending March 31, 2004 (From April 1, 2003 to March 31, 2004)

	Sales	Ordinary profit	Current net profit
	(million yen)	(million yen)	(million yen)
Interim Term	21,000	3,350	1,900
Full year	44,500	7,250	4,300

(Reference) Expected current net profit per share (Full year) 145 yen 90 sen
(Note) Calculated based on the predicted number of shares of 29,472,171 after a stock split.

* The above projections were made based on the available information as of the date of announcement and future results may differ due to various factors.

Present Conditions of Business Group

With respect to our Group (filing company and the affiliated companies of the filing company), one subsidiary (Arisawa P. G. Co., Ltd.) has increased and regarding Color Link Japan Co., Ltd., a subsidiary has become an affiliated company due to a decrease in shareholders equity.

The Group consists of the Company, 14 subsidiaries and 7 affiliated companies and has been engaged in sales of electronic materials, display materials, electric insulation materials and industrial application structural materials. Our companies also conduct such business as the sales of products related to each business, distribution and other services and sales of sporting goods.

Positioning and relationship to each segment by business category of our group are as follows. In this regard, the classification of two businesses, “Manufacture and sales business of industrial materials, etc.” and “Other businesses” are the same as the segment information by business category set forth in “No. 5 Segment Information of Accounting Condition”.

(1) Manufacture and Sales of Industrial Materials, etc.

1) Electronic materials

The Company carries out manufacture and sales of base materials for flexible and rigid printed-wiring boards, etc., to be used as electronic materials and Arisawa Fiber Glass Co., Ltd., one of our subsidiaries conducts manufacture of glass cloth for printed-wiring boards. An affiliated company, Taiflex Scientific Co., Ltd. is engaged in the manufacture and sales of base materials for flexible printed-wiring boards.

2) Display Materials

The Company manufactures and sells Fresnel lenses and anti-reflection plates, etc. for rear projection TVs used as display materials and Arisawa Optec Co., Ltd., a subsidiary, manufactures and sells anti-glare filters, etc., and Arisawa P. G. develops special optical glasses. Also, an affiliated company, Polatechno Co., Ltd. carries out manufacture and sales of polarizing plates for liquid crystal displays, etc., and Scala Co., Ltd. carries out the manufacture and sales of optical apparatuses for the medical field, while Color Link Japan Co., Ltd. is engaged in the manufacture of special optical films.

3) Electric Insulation Materials

Arisawa Fiber Glass Co., Ltd., a subsidiary, manufactures glass cloth tapes used as electric insulation materials and the Company sells these while other subsidiaries Yuai Sangyo Ltd. and Howa Sangyo Ltd. and an affiliated company, Tochio Nakajin Shosen, Ltd. manufacture these products.

Also, the Company manufactures and sells mica tapes for fireproof electrical wiring, pre-preg for electrical insulation, etc., while subsidiaries, Myoko Shinko Co., Ltd. and Arisawa Resin Co., Ltd.

4) Industrial application structural materials

While the Company manufactures and sells FW molded products used as industrial application structural materials, and honeycomb panels and pre-preg, etc., for aircraft, Arisawa Polywork Co., Ltd., a subsidiary, and, Shinao Co., Ltd. an affiliated company manufacture drawing molded products and FRP ski sheets, etc.

5) Others

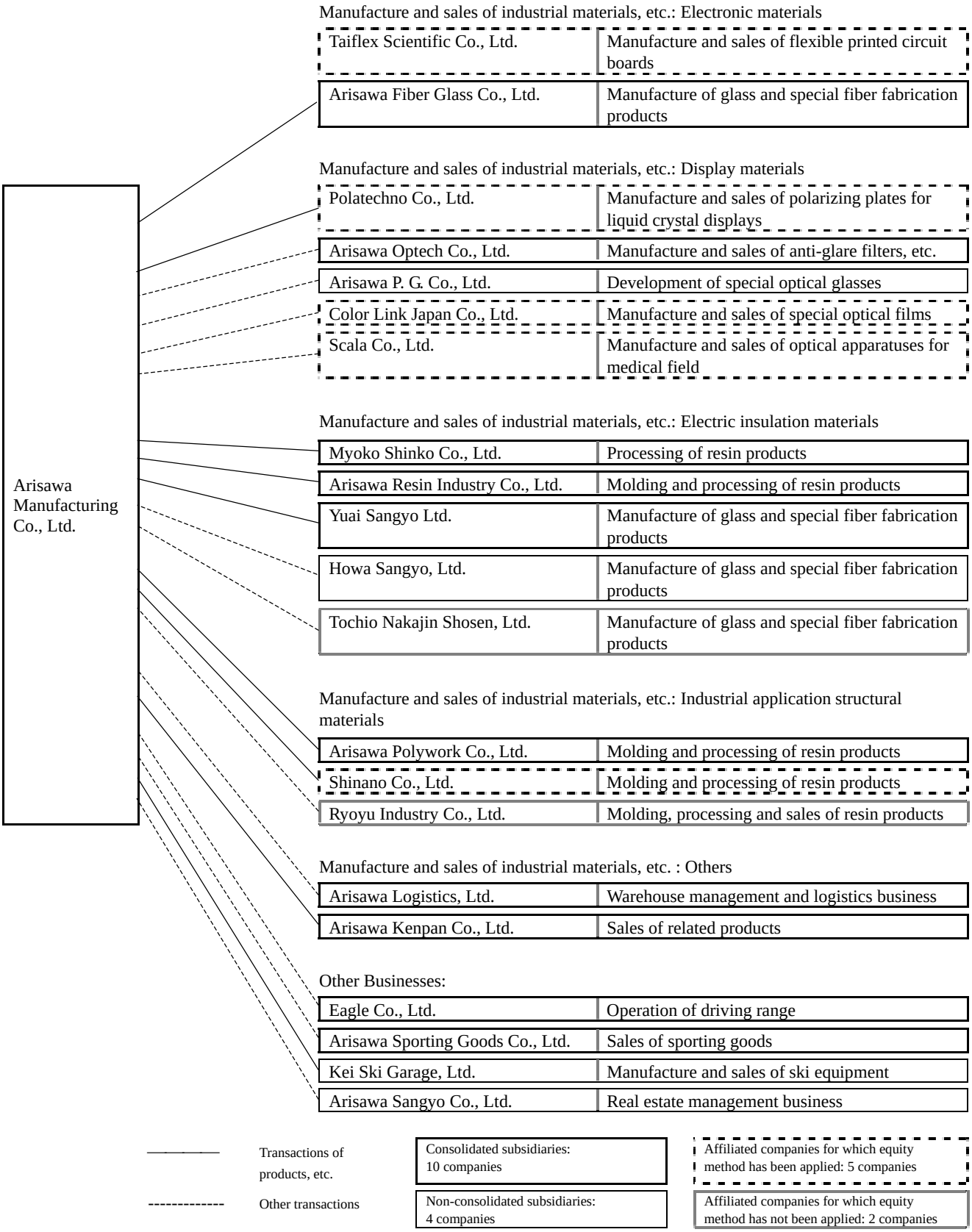
Related products of 3) and 4) in the above are sold by the Company and also by Arisawa Kenhan Co., Ltd. In addition, Arisawa Distribution Ltd., a subsidiary, is engaged in warehouse management and logistics of related products.

(2) Other Businesses

Eagle Co., Ltd., a subsidiary, operates a driving range, Arisawa Sporting Goods Co., Ltd. sells sporting goods and Kei Ski Garage Ltd. manufactures and sells sporting goods.

The above matters shall be shown by a business activities diagram.

(Business Activities Diagram)



(Note) 1. Arisawa Polywork Co., Ltd. is an indirectly owned subsidiary in which Arisawa Logistics, Ltd. has invested.
2. Arisawa Sporting Goods Co., Ltd. is an indirectly owned subsidiary in which Arisawa Resin Industry Co., Ltd. has invested.

Corporate Policy

The Company has set out “creation, innovation and challenge” as the corporate philosophy and has established a corporate policy that promotes differentiated businesses through speed and mobility, anticipating changes in the market and contributing to social development.

Based on its corporate policy, the Company aims at creating corporate value and increasing shareholder value through improvements in customer satisfaction levels, increased speed in new product development and strengthening profitability via thorough cost reductions.

Basic Policy for Profit Distribution

Regarding the dividend policy of the Company, profit returns to all shareholders are a top priority of management. While the Company pays attention to internal reserves, preparing for future business development and strengthening corporate structure, the Company has decided on a policy of implementing profit distribution coupled with performance, based on the concept of mixmizing dividend to all shareholders. With respect to internal reserves, the Company will appropriate capital for research and development and capital investment for business expansion, etc., in order to increase profits for our shareholders in the future. Specifically speaking, the amount of capital investment in FY 2003 was 3,670 million yen and in FY 2004, it is estimated to reach 4,360 million yen.

In order to secure shareholder-oriented management, improvement in liquidity of shares of the Company and expansion of investors, a resolution was adopted at a meeting of the board of directors held on February 20, 2003, which will split, as at May 19, 2003, 1 stock into 1.1 stocks (free issue) to shareholders as of March 31, 2003. This is the fourth consecutive implementation of the split since FY 1999.

Target Management Index

Our target management index is set out for mid and long-term as follows: a new product sales ratio exceeds 50%, ordinary profit is of more than 12% and ROE (Return on Equity) is of more than 10%. Particularly, with respect to a new product sales ratio, we have moved above 50% compared with that of 35% in the previous year by accelerating the speed of development through strengthening of development resources.

Mid and Long-Term Corporate Strategy

The Company will concentrate business resources in the electronic materials and display materials fields and, with provision of members contributing highly added value produced by our unique technology, aim at achieving the top share in the niche market into which larger companies have difficulty entering. In the field of electronic materials, we aim at increasing the share of flexible printed circuit boards materials and in the field of display materials, we will make efforts to increase productivity of Fresnel lenses and sales of anti-reflection plates and films.

Tasks to be Tackled by the Company

Tasks with top priority are as follows, which must be tackled by the Company to survive international competition.

1) To aim at becoming a technologically oriented company possessing high level technology by promoting speedy and flexible customer relations and development of unique technology.
2) To enhance the operational efficiency of the organization and increase the individual capacity to support operations.
3) To realize more efficient use of business resources through implementation of “scrap and build,” anticipating changes in the marketplace.
4) To aim at utilizing a network system and promoting reinforcement of mobility through anticipation and sharing of information.

Basic Idea of Corporate Governance and Implementation Status of the Measures

"Basic Idea of Corporate Governance"

Our Group aims to gather highly accurate information in order to carry out expeditious decision-making. To achieve this objective, we believe it is desirable to have a management system of a selected few appointed directors as required minimum number. We have also introduced the outside directors system to incorporate the opinions of the outside and the board of directors is a forum for chief decision making. In implementation of day-to-day business activities, we have introduced an operating officers system.

In order to improve communications with our shareholders and investors, we have carried out active and expeditious disclosure activities, including disclosure of quarterly settlements, a closing presentation meeting, company briefing, etc.

"Implementation Status of Corporate Governance"

(1) Present Status of Management Organization concerning Decision Making and Execution and Supervision of Corporate Affairs and Other Corporate Governance System

1) Classification as to whether a committee has been established or an auditor system has been adopted.

Auditor system has been adopted.

2) Appointment Status of Outside Directors and Outside Auditors

Outside directors are two (part-time) out of nine directors. Outside auditors are three out of three auditors (out of which part-time auditors are two)

3) Assignment of Full-time staffs to Outside Auditors

General Affairs Department, General Affairs Group is handling this matter.

4) Mechanism of Business Execution and Supervision

In addition to the regular and extraordinary meetings of the board of directors held each month, while we carry out efficient business execution through the standing officers meeting and management meeting held each month, and information exchange in the mornings every two days, auditors conduct an audit of business performance of directors.

5) Mechanism of Internal Control

Under the President, four divisions of sales, manufacture, technology and administration are carrying out efficient internal checks and are also conducting regular internal audits through the internal audit office.

6) Status of Third Parties, including Attorneys and Accounting Audit Corporations, etc.

The Company has entered into a legal counsel contract with the Toshiaki Kawakami Law Firm and receives legal advice, when appropriate. The Company receives an ordinary business audit through the Shin Nihon Audit Corporation, which is an accounting auditor.

(2) Summary of Human Relations, Capital Relations or Transaction Relations and Other Interests between the Company and Outside Directors and Outside Auditors

One outside director among the two is an advisor to clients of the Company and the clients are also our shareholders.

Two auditors among three auditors are full-time auditors of our client banks and the client banks are also our shareholders.

Business Results

In the current consolidated accounting period, economic conditions remained extremely severe due to deterioration in the US economy and a decrease in domestic capital investment, sluggish stock markets and worsening employment conditions.

In related industries of the Company, in the electronics materials field, supplies of materials for information related devices, including DVDs, digital cameras and mobile phones have increased. In the display materials field, demand for projection TVs in the markets of the United States and China has increased.

Supply of optical film materials has increased due to growth of LCD projectors. In the applied industrial structure materials field, sales have increased slightly as a result of an increase in orders for FRP seawater desalination pipes. With respect to the electric insulation materials field and related products, sales have decreased due to the decline in capital investment and the continued stagnation in the domestic economy.

Under such circumstances, our Group has concentrated business resources in electronic materials and display materials as well as accelerated development of new products, along with allocating business resources more efficiently and implementing thorough cost reductions. As a result, consolidated sales of the Company reached 37,004 million yen (increase of 28.9% over the previous year). Regarding profits, operating profits totaled 4,435 million yen (increase of 39.9% over the previous year) and ordinary profit reached 5,276 million yen (increase of 39.2% over the previous year) while net profit was 3,119 million yen (increase of 32.2% over the previous year).

Sales of the parent company only recorded 34,594 million yen (32.7% increase over the previous year). In the electronic materials field, information-related devices, including mobile phones, digital cameras and flexible printed wiring boards materials for DVDs have grown to record a sales increase of 49.1% over the previous year. In the display materials field, sales have increased by 48.7% over the previous year due to an increase in Fresnel lenses and anti-reflection plates on account of growth in projection TVs and an increase in front board processing for PDPs. In the electric insulation field, income has decreased by 7.1% due to the contractions in domestic capital investment of each electric power company. In the applied industrial structure materials field, income has recorded an increase of 2.9% from the previous year as a result of an increase in FRP seawater desalination pipes. With respect to related products, income was down by 21.5% from the previous year due to a decrease in the sales of purchased goods. With respect to profits, operating profit was 4,382 million yen (increase of 41.7% over the previous year), ordinary profit was 4,552 million yen (increase of 32.9% over the previous year) and net profit reached 2,469 million yen (increase of 22.9% over the previous year).

Performance Forecast

The Japanese economy remains uncertain in the immediate future and it is unlikely to recover soon. Accordingly, a severe business environment is expected to continue. Under such circumstances, the Company will tackle the aforementioned tasks with an increase in revenues and profits as a top priority.

With respect to the forecast of consolidated results for the full year, we expect sales of 44,500 million yen (20.3% increase over the previous year) due to an increase in sales of the electronic materials and display materials fields. As for profits, we expect ordinary profit of 7,250 million yen (increase 37.4% over the previous year) and net profit of 4,300 million yen (increase 37.9% over the previous year).

Regarding the parent company only, sales are anticipated to be 42,000 million yen (increase 21.4% over the previous year), ordinary profit will reach 6,050 million yen (increase 32.9% over the previous year) and net profit of 3,350 million yen (increase 35.7% over the previous year) is expected. We have set a exchange rate as ¥120 = $1.

Cash Flow

Cash and cash equivalents at the end of the current consolidated fiscal year (hereinafter referred to as “Funds”) were 5,773 million yen, which increased by 521 million yen from the end of the previous FY. Conditions of cash flow and each factor are as follows.

(Cash Flow from Operating Activities)

In addition to an increase in Funds revenues due to an expansion in performance in electronic materials and display materials field, on account of an increase in purchase liabilities, etc., cash flow from operating activities recorded Funds revenues of 6,783 million yen, which was a 63.8% increase from the previous fiscal year.

(Cash Flow from Investment Activities)

Cash flow from investment activities recorded a use of Funds of 5,381 million yen, which was a 22.8% increase from the previous fiscal year as a result of Funds operations and acquisition of fixed assets.

(Cash Flow from Financial Activities)

Cash flow from financial activities recorded a use of Funds of 799 million yen due to repayment of borrowings, etc. In the previous fiscal year, 3,951 million yen in Funds revenues have been earned due to the issuance of new stock.

1. Consolidated Financial Statement

(1) Consolidated Balance Sheet

	Previous consolidated fiscal year (As of March 31, 2002)			Current consolidated fiscal year (As of March 31, 2003)		
Item	Amount (Thousands of yen)		Composition ratio (%)	Amount (Thousands of yen)		Composition ratio (%)
(Assets)						
Ⅰ. Current Assets						
1. Cash and deposits		6,731,657			9,597,300	
2. Trade notes & Accounts receivable		7,989,490			8,698,369	
3. Securities		160,498			160,595	
4. Inventories		3,564,263			4,233,998	
5. Deferred taxable assets		228,199			590,633	
6. Others		433,414			369,057	
Allowance for doubtful accounts		△ 11,135			△ 18,305	
Total Current Assets		19,096,389	50.5		23,631,648	52.9
Ⅱ. Fixed Assets						
1. Tangible Fixed Assets						
(1) Buildings & Structures	10,398,770			10,911,390		
Accumulated depreciation	5,443,933	4,954,837		5,854,618	5,056,772	
(2) Machinery, equipment and delivery equipment	13,332,402			14,816,012		
Accumulated depreciation	9,709,540	3,622,861		10,570,647	4,245,364	
(3) Tools and fixture	1,281,563			1,266,907		
Accumulated depreciation	1,055,391	226,171		1,072,243	194,664	
(4) Land		1,741,055			1,567,699	
(5) Construction in progress		814,787			2,123,713	
Total Tangible Fixed Assets		11,359,714	30.0		13,188,213	29.5
2. Intangible Fixed Assets		17,658	0.0		61,913	0.0
3. Investments and Other Assets						
(1) Investment securities		6,974,669			7,217,025	
(2) Long-term loans		43,224			64,989	
(3) Deferred taxable assets		123,622			358,346	
(4) Others		274,853			216,552	
Allowance for doubtful accounts		△ 38,362			△ 25,752	
Total Investment and Other Assets		7,378,008	19.5		7,831,161	17.5
Total Fixed Assets		18,755,381	49.5		21,081,288	47.1
Total Assets		37,851,770	100.0		44,712,937	100.0

	Previous consolidated fiscal year (As of March 31, 2002)			Current consolidated fiscal year (As of March 31, 2003)		
Item		Amount (Thousands of yen)	Composition ratio (%)		Amount (Thousands of yen)	Composition ratio (%)
(Liabilities)						
Ⅰ. Current Liabilities						
1. Trade notes payable & Accounts payable		5,868,712			8,430,821	
2. Short-term loans		967,264			646,000	
3. Business taxes, etc. payable		562,829			1,623,019	
4. Deferred taxable liabilities		564			—	
5. Reserve for bonuses		646,321			1,093,757	
6. Others		1,650,297			3,093,285	
Total Current Liabilities		9,695,990	25.7		14,886,884	33.2
Ⅱ. Fixed Liabilities						
1. Long term loans		22,000			31,000	
2. Deferred taxable liabilities		396,631			—	
3. Reserve for retirement granting allowance		136,515			291,712	
4. Reserve for officers' retirement bonus		149,997			169,053	
5 Consolidation adjustments account		—			5,352	
6. Others		54,708			14,536	
Total Fixed Liabilities		759,852	2.0		511,654	1.1
Total Liabilities		10,455,842	27.7		15,398,539	34.3
(Minority Interest)						
Minority interest		10,428	0.0		—	—
(Shareholders' Equity)						
Ⅰ. Capital		6,320,255	16.7		6,378,708	14.3
Ⅱ. Capital reserve		5,432,618	14.4		5,491,071	12.3
Ⅲ. Consolidated surplus		14,888,501	39.3		17,437,129	39.0
Ⅳ. Other revaluation balance of securities		727,768	1.9		71,659	0.2
Ⅴ. Exchange rate adjusting accounts		17,680	0.0		△ 42,086	△0.1
Ⅵ. Treasury Stocks		△ 1,325	△0.0		△ 22,084	△0.0
Total Shareholders' Equity		27,385,499	72.3		29,314,397	65.7
Liabilities, Minority Interest & Shareholders' Equities		37,851,770	100.0		44,712,937	100.0

(2) Consolidated Profit and Loss Statement

Item	Previous consolidated fiscal year (From April 1, 2001 to March 31, 2002) Amount (Thousand of yen)		Ratio (%)	Current consolidated fiscal year (From April 1, 2002 to March 31, 2003) Amount (Thousand of yen)		Ratio (%)
Ⅰ. Sales		28,711,026	100.0		37,004,746	100.0
Ⅱ. Cost of Goods Sold		22,717,855	79.1		29,024,559	78.4
Gross Profit on Sales		5,993,171	20.9		7,980,186	21.6
Ⅲ. Selling, General & Admin. Expenses						
1. Freight and packaging cost	488,376			1,046,414		
2. Wage allowances	783,710			823,193		
3. Transfer to reserve for bonus	144,819			214,697		
4. Transfer to retirement wage allowance	47,992			53,955		
5. Transfer to officers' retirement allowance	21,905			19,256		
6. Others	1,336,327	2,823,131	9.9	1,387,023	3,544,540	9.6
Operating profit		3,170,039	11.0		4,435,645	12.0
Ⅳ. Non-operating Income						
1. Interest received	7,620			31,209		
2. Dividend received	36,522			39,198		
3. Profit on equity method	499,400			878,516		
4. Rent income	110,545			114,836		
5. Others	195,689	849,777	3.0	104,823	1,168,585	3.2
Ⅴ. Non-operating Expenses						
1. Interest paid	17,247			15,100		
2. Disposal loss of Inventories	—			161,435		
3. Reserve against defaults	61,835			51,429		
4. Expenses for new share issuance	51,044			—		
5. Rent payment	43,908			47,622		
6. Others	54,404	228,440	0.8	52,218	327,806	0.9
Ordinary Profits		3,791,377	13.2		5,276,424	14.3
Ⅵ. Extraordinary Profits						
1. Sale of investment securities	84,173			—		
2. Sale of fixed assets	38,192	122,366	0.4	18,290	18,290	0.0
Ⅶ. Extraordinary Losses						
1. Retirement loss of fixed assets	46,907			29,147		
2. Write-off of balance due to change of accounting standard for retirement wage allowance	77,251			83,609		
3 Dispute reconciliation cost	—			137,622		
4 Investment valuable securities appraisal loss	—			97,727		
5. Others	18,411	142,570	0.5	4,725	352,833	1.0
Net profits before taxes, etc.		3,771,173	13.1		4,941,882	13.3
Corporate taxes, inhabitant taxes and business taxes payable	1,417,961			2,350,500		
Adjusted amount of income taxes, etc.	18,967	1,436,929	5.0	△ 523,264	1,827,235	4.9
Profit attributable to minority interest		△ 24,602	△ 0.1		△ 4,475	
Net Profits		2,358,846	8.2		3,119,122	8.4

(3) Consolidated Earned Surplus Statement

	Previous consolidated fiscal year (From April 1, 2001 to March 31, 2002)		Current consolidated fiscal year (From April 1, 2002 to March 31, 2003)	
Item	Amount (Thousand of yen)		Amount (Thousand of yen)	
(Capital retained earnings)				
Ⅰ. Balance at the beginning of the period		2,988,713		5,432,618
Ⅱ. Adjustment of retained earnings				
1. New share issue by capital increase	2,443,905	2,443,905	58,452	58,452
Ⅲ. Balance of the end of the period		5,432,618		5,491,071
(Profit retained earnings)				
Ⅰ. Balance at the beginning of the period		13,101,170		14,888,501
Ⅱ. Earned surplus increase amount				
1. Increase in surplus due to decrease of consolidated subsidiaries	—		112,135	
2. Quarterly (current) net profit	2,358,846	2,358,846	3,119,122	3,231,257
Ⅲ. Earned surplus decrease amount				
1. Decrease in surplus due to increase of consolidated subsidiaries	48,797		139,187	
2. Dividends	475,001		510,541	
3. Bonuses for directors	47,716	571,515	32,901	682,629
Ⅳ. Balance of the end of the period		14,888,501		17,437,129

(4) Consolidated Cash Flow Statements

	Previous consolidated fiscal year (From April 1, 2001 to March 31, 2002)	Current consolidated fiscal year (From April 1, 2002 to March 31, 2003)
Item	Amount (Thousand of yen)	Amount (Thousand of yen)
I. Cash flow from operational activities:		
Net profit before tax, etc.	3,771,173	4,941,882
Depreciation costs	1,559,313	1,577,790
Profit on equity method	△ 499,400	△ 878,516
Sale of investment securities	△ 84,173	—
Sale of fixed assets	△ 38,192	△ 18,290
New share issuance expenses	51,044	1,957
Retirement loss of tangible fixed assets	46,907	29,147
Revaluation loss of investment securities	13,709	97,727
Exchange gains/losses	△ 4,516	154,752
Increase/(decrease) in reserves of retiring officers bonuses	△ 81,299	19,056
Increase/(decrease) in reserves for bonuses	646,321	464,803
Increase/(decrease) in reserves for retirement allowance	111,710	143,943
Increase/(decrease) in provisions for doubtful accounts	△ 36,553	△ 5,439
Interest received and dividend received	△ 44,142	△ 70,408
Interest paid	17,247	15,100
(Increase)/decrease in accounts receivables	2,293,516	△ 711,222
(Increase)/decrease in inventories	328,390	△ 692,859
Increase/(decrease) in trade payable	△ 1,070,702	2,586,658
Increase/(decrease) in consumption tax, etc. payable	△ 123,090	97,721
(Increase)/decrease in other assets	64,474	46,838
Increase/(decrease) in other debts	△ 796,443	138,173
Officers bonuses	△ 47,753	△ 32,901
Subtotal	6,077,540	7,905,916
Interest and dividends received	99,942	120,492
Interest paid	△ 18,006	△ 14,559
Corporate income tax, etc. paid	△ 2,128,875	△ 1,228,453
Cash flow from operation activities	4,030,601	6,783,396
Ⅱ. Cash flow from investment activities		
Expenses for deposits in fixed accounts	△ 1,555,947	△ 3,898,351
Income from refunds of fixed deposit	121,690	1,452,024
Expenses to acquire tangible fixed assets	△ 2,771,139	△ 2,537,787
Income from sale of tangible fixed assets	46,039	191,914
Expenses to purchase investment securities	△ 396,508	△ 782,136
Income from sale of investment securities	191,810	—
Expenses of lending	△ 70,000	△ 81,848
Income from collection of loans	55,209	301,602
Others	△ 2,000	△ 26,888
Cash flow from investing activities	△ 4,380,845	△ 5,381,470

	Previous consolidated fiscal year (From April 1, 2001 to March 31, 2002)	Current consolidated fiscal year (From April 1, 2002 to March 31, 2003)
Item	Amount (Thousand of yen)	Amount (Thousand of yen)
Ⅲ. Cash flow from financing activities		
Net decrease in sort-term loans	△ 382,245	△ 347,064
Expenses of repayment of long-term loans	△ 27,280	△ 36,200
Proceeds from equity issues	4,836,765	114,947
Balance between expenses and income from acquisition/sale of treasury stocks	△ 1,079	—
Expense by acquisition of repurchased stock	—	△ 20,759
Dividends paid	△ 474,968	△ 510,133
Cash flow from financing activities	3,951,192	△ 799,209
Ⅳ. Conversion differences in cash and cash equivalents	4,516	△ 52,195
Ⅴ. Increase/(decrease) in cash and cash equivalents	3,605,465	550,520
Ⅵ. Cash and cash equivalents at start of the term	1,593,945	5,251,197
Ⅶ. Cash and cash equivalents at start of the term of newly consolidated subsidiaries	51,786	11,519
Ⅷ. Cash and cash equivalents at the middle end of the term of consolidated exclusion company	—	△ 40,069
Ⅸ. Cash and cash equivalents at end of the term	5,251,197	5,773,168

Underlying Substantial Matters for Preparation of Consolidated Financial Statements

(1) Matters related to the Scope of Consolidation

1) Number of Consolidated Subsidiaries: 10

Arisawa Kenhan Co., Ltd., Arisawa Resin Industry Co., Ltd. Arisawa Polywork Co., Ltd. Arisawa Sporting Goods Co., Ltd., Arisawa Fiber Glass Co., Ltd., Eagle Co., Ltd., Myoko Shinko Co., Ltd., Arisawa Logistics Ltd. Yuai Sangyo Ltd., Arisawa Optech Co., Ltd.

Arisawa Opetech Co., Ltd. was included in the scope of consolidation as its significance has increased. With respect to Color Link Japan Co., Ltd., as equity ratio has decreased due to a capital increase in October 2002, it was excluded from the scope of consolidation to be included in the affiliated companies to which the equity method has been applied as of September 30, 2002.

2) Number of Non-consolidated Subsidiaries: 4

Arisawa Sangyo Co., Ltd., Howa Sangyo Ltd., Kei Ski Garage Ltd., Arisawa B. G. Co., Ltd.

Arisawa B. G. Co., Ltd. was incorporated in December 2002.

3) The reasons for exclusion of non-consolidated subsidiaries from consolidation

Non-consolidated subsidiaries are excluded from consolidation because each is a small business and none of the total aggregated assets, sales, net income (equity amount) and surplus (equity amount) have substantially affected the consolidated financial statements.

(2) Matters related to Application of Equity Method

1) Number of affiliated companies to which equity method applies: 5

Polatechno Co., Ltd., Shinano Co., Ltd., Taiflex Scientific Co., Ltd., Scala Co., Ltd. and Color Link Japan Co., Ltd.

With respect to Color Link Japan Co., Ltd., as the equity ratio has decreased due to a capital increase in October 2002, it was excluded from the scope of consolidation as of September 30, 2002 to be an affiliated company to which the equity method has been applied.

2) Four non-consolidated subsidiaries and one affiliated company, Ryoyu Industry Co., Ltd. have been excluded from application of the equity method as a total of current income (equity amount) and a surplus (equity amount) does not prevent from making a reasonable judgment about business results of the Business Group if they are excluded from application of the equity method.

3) Among the companies to which the equity method applies, with respect to companies whose closing date is different from the consolidated closing date, we have used financial statements of the accounting period of each company.

(3) Matters concerning the Accounting Period of Consolidated Subsidiaries

Closing date of consolidated subsidiaries is the same as the consolidated closing date except for that of Arisawa Sporting Goods, Co., Ltd. and Arisawa Polywork Co., Ltd. The closing date of both companies is the last day of January, and in preparation of the consolidated financial statements, we have used the financial statements as of the same day. With respect to significant transactions that have occurred between the consolidated closing date and the said date we have adjusted for matters necessary for consolidation.

(4) Matters concerning Accounting Standards

1) Appreciation Standards and Method for Substantial Assets

a) Securities:

Securities held to maturity: amortized cost method (fixed amount method)

Other securities:

* Securities for which market value is available:

Marked to market based on the market price, etc., of the closing day (valuation difference was treated by direct transfer by the capital method and cost of products sold has been calculated by the periodic average method)

* Securities for which market value is not available:

Valued by the periodic average method at cost

b) Inventories:

Products, commodities, semi- finished goods, and goods in process:

These are mainly valued at cost by the FIFO method, but 4 companies among the consolidated subsidiaries are valued at cost by the periodic average method.

Raw materials and purchased supplies:

Periodic average method is used at cost.

c) Derivatives: Mark to market method

2) Depreciation Method of Substantial Depreciable Assets

a) Tangible fixed assets:

Fixed percentage method:

With respect to the buildings acquired after April 1, 1998 (excluding the annexed facilities of the building), fixed amount method has been applied. Major service life shall be as follows.

Building and Structure:	10 year - 31 years
Machinery/Equipment and Vehicle:	4 years - 9 years

b) Intangible fixed assets:

Fixed amount method:

With respect to software for internal use, the fixed amount method on the basis of service life (5 years) in-company has been applied.

3) Allocation of Standards for Substantial Allowances

a) Reserve for doubtful accounts:

In preparation for losses from credit loss, we have appropriated an uncollectible amount at an actual bad debt ratio for general credits, and by considering possible individual collectibility as for special credits such as doubtful loans.

b) Reserve for bonuses:

In preparation for the bonuses to be paid to employees, we have appropriated an amount for the current accounting period based on the estimated amount of payment.

c) Reserve for retirement benefits:

In preparation for the payment of retirement bonuses to employees, we have appropriated an amount deemed to accrue based on the estimated amount of retirement benefits liabilities and pension assets at the end of current consolidated fiscal year.

As to the difference resulting from the changes in accounting standards (250,829 thousand yen), a proportional amount for three years was appropriated in extraordinary losses.

Mathematical calculation difference is treated by recording in accordance with the fixed method the proportional amount for the fixed period of five (5) years within the average remaining employment years of employees as expenses in the following consolidated fiscal year of the accrual.

d) Reserve for officer retirement bonuses:

In preparation for the payment of officer retirement bonuses in case of retirement of officers, the parent and certain subsidiaries have appropriated, pursuant to by-laws, the amount necessary for the payment at the end of year.

4) Treatment of Substantial Lease Transactions

Finance lease transactions other than those for which ownership is deemed fully transferred to the lessee are treated pursuant to accounting standards in the manner as applied to ordinary lease transactions.

5) Other Underlying Substantial Matters for Preparation of Consolidated Financial Statements

a) Treatment of deferred assets:

Expenses for shares issued are all treated as expenses where incurred.

b) Accounting treatment of consumption tax, etc.:

Accounting treatment of consumption tax adopts pretax method.

c) Reversal accounting of treasury stocks and statutory reserves:

“Accounting Standards for Reversal of Treasury Stocks and Statutory Reserves” (Business Accounting Standards, No.1) has been applied from the current consolidated period. This application has not affected to the income of the current consolidated fiscal year.

In this connection, through the revision of the rule for consolidated financial statements, Shareholders’ Equity in the consolidated balance sheet and consolidated earned surplus statement have been prepared in accordance with the revised rule for consolidate financial

statements.

d) Tax Effect Accounting in connection with Introduction of Pro Forma Standard Taxation System in Corporate Enterprise Tax:

As pro forma standard taxation system will be introduced in Corporate Enterprise Tax from the accounting period commencing after April 1, 2004, we have reviewed the statutory effective tax rate to be applied to the deferred tax assets and deferred tax liabilities concerning temporary difference, etc., which is expected to be resolved after April 1, 2004. The impact of this review on the net profit for the current consolidated financial year is slight.

(5) Scope of Funds in Consolidated Interim Statement of Cash Flow

The funds are cash, demand deposits that can be withdrawn at any time and short-term investments which can easily be converted into cash that carry only a small risk in price fluctuations and a maturity date which will arrive within 3 months from the date of acquisition.

Explanatory Notes on Financial Statements

		(Previous consolidated Fiscal Year)	(Current consolidated Fiscal Year)
(1)	Those concerning non-consolidated subsidiaries and affiliated companies:		
	Investment securities (stocks):	4,080,441 thousand yen	4,971,953 thousand yen
	Others (Investments and other assets) (Contributions):	15,940 thousand yen	15,940 thousand yen
(2)	Assets pledged as collateral:	4,628,111 thousand yen	4,036,674 thousand yen
(3)	Discount of Notes receivable:	86,327 thousand yen	33,387 thousand yen
(4)	Guaranteed obligations:	201,000 thousand yen	82,000 thousand yen

(Note) Among which, 130,000 thousand yen for the previous period and the current amount are jointly guaranteed by Nippon Kayaku Co., Ltd.

(5) Relations between the balance of cash and cash equivalents at end of year and amount of items listed on the consolidated balance sheet.:

Cash and deposits:	6,731,657 thousand yen	9,597,300 thousand yen
Time deposits over 3 months of depositing period:	Δ1,640,958 thousand yen	Δ3,984,727 thousand yen
Securities (MMF):	160,498 thousand yen	160,595 thousand yen
Cash and cash equivalents:	5,251,197 thousand yen	5,773,168 thousand yen

Other Matters Noted

(1) Segment Information

[Segment Information by Business Category]

Previous Consolidated Fiscal Year (From April 1, 2001 to March 31, 2002)

	Manufacture and sale of industrial materials (thousand yen)	Other businesses (thousand yen)	Total (thousand yen)	Extinguishment or all companies (thousand yen)	Consolidation (thousand yen)
I Sales and Operating Profit					
Sales					
(1) Sales to outside customers	27,779,209	931,817	28,711,026	—	28,711,026
(2) Inter-segmental internal sales or transfers	58,178	—	58,178	(58,178)	—
Total	27,837,388	931,817	28,769,205	(58,178)	28,711,026
Operating Expenses	24,639,249	959,959	25,599,208	(58,220)	25,540,987
Operating Income	3,198,139	Δ28,141	3,169,997	41,974	3,170,039
II Assets, depreciation and capital expenditure					
Assets	26,901,382	986,353	27,887,736	9,964,033	37,851,770
Depreciation	1,535,128	24,186	1,559,313	—	1,559,313
Capital expenditure	2,108,608	3,771	2,112,380	—	2,112,380

Current Consolidated Fiscal Year (From April 1, 2002 to March 31, 2003)

	Manufacture and sale of industrial materials (thousand yen)	Other businesses (thousand yen)	Total (thousand yen)	Extinguishment or all companies (thousand yen)	Consolidation (thousand yen)
I Sales and Operating Profit					
Sales					
(1) Sales to outside customers	36,212,786	791,959	37,004,746	—	37,004,746
(2) Inter-segmental internal sales or transfers	32,736	—	32,736	(32,736)	—
Total	36,245,523	791,959	37,037,482	(32,736)	37,004,746
Operating Expenses	31,732,505	866,724	32,599,229	(30,129)	32,569,100
Operating Income	4,513,017	Δ76,764	4,438,252	(2,607)	4,435,645
II Assets, depreciation and capital expenditure					
Assets	34,661,077	945,641	35,606,718	9,106,218	44,712,937
Depreciation	1,557,235	20,555	1,577,790	—	1,577,790
Capital expenditure	3,666,756	3,950	3,670,706	—	3,670,706

(Note) 1. Segmentation of Businesses

Company businesses are segmented, taking into consideration product lines and similarity of related markets.

2. Major products classified into each business category

Business Category	Major Products, etc.
Manufacture and sale of industrial materials, etc.	Manufacture and sale of electronic materials, optical materials, electric insulation materials and applied industrial structure materials, and purchase and sale of related products
Other Businesses	Management of golf training courses, and purchase and sale of sports and recreation equipment

3. Among assets, the amount of assets of all the companies which have been included in extinguishment or items of all the companies was 10,150,902 thousand yen for the previous consolidated FY and 9,598,218 thousand yen for the current consolidated FY. Major items among them are a surplus fund working capital (cash and deposits), long-term investment funds (investment securities) and assets pertinent to the administrative department, etc.

[Segment Information by Location]

In the previous consolidated FY and current consolidated FY, there is no pertinent matter as there is no consolidated subsidiary and overseas office, which is located in countries or areas other than Japan.

[Overseas Sales]

Previous Consolidated Fiscal Year (From April 1, 2001 to March 31, 2002)

	Asia	North America	Other regions	Total
Ⅰ. Overseas Sales (thousand yen)	4,688,707	3,974,199	786,868	9,449,775
Ⅱ. Consolidated Sales (thousand yen)	—	—	—	28,711,026
Ⅲ. Proportion of Overseas Sales to Consolidated Sales (%)	16.3	13.9	2.7	32.9

Current Consolidated Fiscal Year (From April 1, 2002 to March 31, 2003)

	North America	Asia	Other regions	Total
Ⅰ. Overseas Sales (thousand yen)	8,441,111	5,223,005	684,817	14,348,934
Ⅱ. Consolidated Sales (thousand yen)	—	—	—	37,004,746
Ⅲ. Proportion of Overseas Sales to Consolidated Sales (%)	22.8	14.1	1.9	38.8

(Note) 1. The regions are classified by geographical proximity.
2. The respective regions are composed of the following countries.
North America: USA and Canada
Asia: Korea, China, Taiwan, Malaysia, etc.
3. Overseas sales are sales (including indirect exports) by the Company to respective regions.

(2) Tax Effect Accounting

1. Breakdown of Accrual of Deferred taxable assets and Deferred taxable liabilities according to major causes

	Previous Consolidated Fiscal Year (as of March 31, 2002)	Current Consolidated Fiscal Year (as of March 31, 2003)
	(thousand yen)	(thousand yen)
Deferred Taxable Assets (current)		
Excess of maximum deductible amount from reserve for bonuses	151,144	405,393
Denial of accrued corporate enterprise tax	48,502	143,141
Others	34,461	43,447
	234,107	591,982
Deferred Taxable Labilities (current)		
Reserve for special depreciation	Δ1,020	Δ1,349
Others	Δ5,451	–
	Δ6,472	Δ1,349
Net of Deferred Taxable Assets	227,635	590,633
Deferred Taxable Assets (fixed)		
Denial of transfer to reserve for officer retirement bonuses	62,608	68,835
Excess of maximum deductible amount from reserve for retirement benefits	52,189	110,127
Valuation loss on investment securities	–	44,833
Tax losses brought forward	97,415	141,728
Others	44,072	45,708
	256,286	411,232
Deferred Taxable Liabilities (fixed)	Δ521,115	Δ50,314
Valuation difference on other securities	Δ6,121	Δ4,332
Reserve for special depreciation	Δ2,058	Δ1,691
Others	Δ529,295	Δ56,338
Net of Deferred Taxable Assets (Liabilities)	Δ273,008	354,894

(3) Securities

1. Other securities for which market value is available:

Type	Previous Consolidated Fiscal Year (as of March 31, 2002)			Current Consolidated Fiscal Year (as of March 31, 2003)		
	Acquisition cost (thousand yen)	Appropriated amount in consolidated balance sheet (thousand yen)	Difference (thousand yen)	Acquisition cost (thousand yen)	Appropriated amount in consolidated balance sheet (thousand yen)	Difference (thousand yen)
Where the appropriated amount in consolidated balance sheet exceeds the acquisition cost						
Stocks	732,520	1,949,753	1,217,232	200,922	553,619	352,696
Bonds						
National and local bonds, etc.	–	–	–	–	–	–
Corporate bonds	–	–	–	–	–	–
Others	–	–	–	–	–	–
Others	–	–	–	–	–	–
Sub-total	732,520	1,949,753	1,217,232	200,922	553,619	352,696
Where the appropriated amount in the consolidated balance sheet does not exceed the acquisition cost						
Stocks	287,934	255,656	Δ32,277	893,979	679,551	Δ214,427
Bonds						
National and local bonds, etc.						
Corporate bonds						
Others						
Others	162,155	145,599	Δ16,555	162,155	129,832	Δ32,323
Sub-total	450,089	401,256	Δ48,833	1,056,134	809,383	Δ246,750
Total	1,182,610	2,351,009	1,168,399	1,257,057	1,363,003	105,945

2. Other securities sold during the previous consolidated fiscal year and current consolidated fiscal year:

Previous Consolidated Fiscal Year (From April 1, 2001 to March 31, 2002)			Current Consolidated Fiscal Year (From April 1, 2002 to March 31, 2003)		
Sale value (thousand yen)	Total profit on sale (thousand yen)	Total loss on sale (thousand yen)	Sale value (thousand yen)	Total profit on sale (thousand yen)	Total loss on sale (thousand yen)
107,637	84,173	–	–	–	–

3. Details of securities for which market value is not available:

Type	Previous Consolidated Fiscal Year (as of March 31, 2002)	Current Consolidated Fiscal Year (as of March 31, 2003)
	Appropriated amount in consolidated balance sheet (thousand yen)	Appropriated amount in consolidated balance sheet (thousand yen)
Other Securities		
MMF	160,498	160,595
Unlisted stocks (Excluding OTC stocks)	543,217	612,750

4. Anticipated future redemption of securities having maturity and bonds held to maturity among other securities:

	Within 1 year (thousand yen)	Between 1 year and 5 years (thousand yen)	Between 5 years and 10 years (thousand yen)	Over 10 years (thousand yen)
1. Bonds				
(1) National and local bonds, etc.	–	–	–	–
(2) Corporate bonds	–	–	–	–
(3) Others	–	269,318	–	–
Others	–	–	–	–
Sub-total	–	269,318	–	–

(4) Retirement Benefits

1. Summary of Retirement Benefits Scheme adopted

Our Group has established qualified retirement pension plan and retirement lump-sum payment scheme. The filing company has transferred to the qualified retirement pension plan from the 33rd term (April Term of 1981), part of severance pay (equivalent to 50%), and from the 42nd term (March Term of 1990), total amount of severance pay.

2. Retirement Benefit Liabilities and Breakdown

	Previous Consolidated Fiscal Year (as of March 31, 2002)	Current Consolidated Fiscal Year (as of March 31, 2003)
	(thousand yen)	(thousand yen)
(1) Retirement benefit liabilities	Δ3,404,712	Δ3,436,841
(2) Pension assets	2,546,981	2,243,634
(3) Unappropriated retirement benefit liabilities (1) + (2)	Δ857,730	Δ1,193,206
(4) Cost of amortization of difference resulting from change in accounting standards	77,251	–
(5) Unrecognized mathematical calculation difference	643,963	901,494
(6) Unrecognized past employment liabilities (reduction of liabilities)	–	–
(7) Net of appropriated amount in consolidated balance sheet (3) + (4) + (5) + (6)	Δ136,515	Δ291,712
(8) Prepaid pension expenses	–	–
(9) Reserve for retirement benefits (7) – (8)	Δ136,515	Δ291,712

(Note) Certain subsidiaries have adopted simplified method in calculation of retirement benefit liabilities.

3. Break Down of Retirement Allowance Costs

	Previous Consolidated Fiscal Year (From April 1, 2001 to March 31, 2002)	Current Consolidated Fiscal Year (From April 1, 2002 to March 31, 2003)
	(thousand yen)	(thousand yen)
Retirement allowance costs	298,042	386,525
(1) Employment costs	145,203	164,695
(2) Interest costs	91,890	83,883
(3) Expected operation gains (subtraction)	89,745	89,144
(4) Cost of amortization of difference resulting from change in accounting standards	77,251	83,609
(5) Cost of amortization of mathematical calculation difference	73,442	143,481

(Note) Retirement allowance costs of the consolidated subsidiaries that have adopted the simplified method have been appropriated in “(1) Employment costs”.

4. Underlying Substantial Matters for Calculation of Retirement Benefit Liabilities, etc.

	Previous Consolidated Fiscal Year (as of March 31, 2002)	Current Consolidated Fiscal Year (as of March 31, 2003)
(1) Discount rate (%)	2.50	2.50
(2) Expected operation gains rate (%)	3.50	3.50
(3) Periodic allocation method of expected amount of retirement benefits	Fixed amount standard for the period	Fixed amount standard for the period
(4) Years of amortization of past employment liabilities (years)	–	–
(5) Years of amortization of mathematical calculation difference (years)	3	3
(6) Years of amortization of difference resulting from change in accounting standards (years)	5	5

Fiscal Year Ending March 31, 2003

April 24, 2003

Summary of Individual Financial Statements

Name of Listed Company: Arisawa Manufacturing Co., Ltd.

Listed on the 1st Section of Tokyo Stock Exchange

Code No.: 5208

Prefecture where Head Office is located: Nigata Prefecture

(url http://www.arisawa.co.jp/)

Representative: President and CEO: Sanji Arisawa

Contact Person: Senior Managing Director: Kazuo Mori TEL: (025) 524-7101

Date of Board of Directors Meeting for Closing: April 24, 2003

Existence of interim dividend plan: Yes

Date of Annual General Meeting of Shareholders: June 27, 2003

Adoption of group share plan: Yes (1 group: 100 shares)

1. Consolidated Results for Fiscal Year Ending March 31, 2003 (From April 1, 2002 to March 31, 2003)

(1) Operating Results

(Note) Indicated by rounding off an amount less than 1 million yen

	Sales		Operating profit		Ordinary profit	
	(million yen)	%	(million yen)	%	(million yen)	%
Fiscal Year Ending March 31, 2003	34,594	32.7	4,382	41.7	4,552	32.9
Fiscal Year Ending March 31, 2002	26,063	Δ5.3	3,093	Δ6.2	3,425	Δ2.9

	Current net profit		Current net profit per share	Fully diluted current net profit per share	ROE	Ordinary profit ratio of gross capital	Ordinary profit ratio of sales
	(million yen)	%	(Yen, Sen)	(Yen, Sen)	%	%	%
Fiscal Year Ending March 31, 2003	2,469	22.9	90.87	90.72	10.1	12.7	13.2
Fiscal Year Ending March 31, 2002	2,009	0.3	90.36	90.31	9.8	11.1	13.1

(Note) 1) Average number of shares during the accounting period: Fiscal Year Ending March 31, 2003: 26,756,971 shares
Fiscal Year Ending March 31, 2002: 22,236,357 shares

2) Change in accounting method: None

3) Indication of percentage of sales, operating profit, ordinary profit and current net profit shows the rate of increase or decrease against the previous year.

(2) Dividend Status

	Annual dividend per share			Total dividends (annual)	Dividend ration	Ratio of dividends to shareholders' equity
		Interim of the term	End of the term			
	(Yen, Sen)	(Yen, Sen)	(Yen, Sen)	(million yen)	(%)	(%)
Fiscal Year Ending March 31, 2003	23.00	0.00	23.00	616	25.3	2.5
Fiscal Year Ending March 31, 2002	21.00	0.00	21.00	510	25.4	2.2

(3) Financial Conditions

	Total assets	Shareholder equity	Equity ratio	Shareholder equity per share
	(million yen)	(million yen)	%	(Yen, Sen)
Fiscal Year Ending March 31, 2003	39,185	25,015	63.8	932.23
Fiscal Year Ending March 31, 2002	32,718	23,645	72.3	972.60

(Note) 1) Number of outstanding shares at the end of period: Fiscal Year Ending March 31, 2003: 26,792,883 shares
Fiscal Year Ending March 31, 2002: 24,311,486 shares

2) Number of treasury stocks at the end of period: Fiscal Year Ending March 31, 2003: 8,995 shares
Fiscal Year Ending March 31, 2002: 494 shares

2. Expected Business Results for Fiscal Year Ending March 31, 2004 (From April 1, 2003 to March 31, 2004)

	Sales amount	Ordinary profit	Current net profit	Annual dividend per share		
				Interim of the term	End of the term	
	(million yen)	(million yen)	(million yen)	(Yen, Sen)	(Yen, Sen)	(Yen, Sen)
Interim Term	19,750	2,800	1,480	0.00	–	–
Full year	42,000	6,050	3,350	–	23.00	23.00

(Reference) Expected current net profit per share (Full year) 113 yen 67 sen

(Note) Calculated based on the predicted number of shares of 29,472,171 after a stock split.

* The above projections were made based on available information as of the date of announcement and future results may differ due to various factors.

2. Financial Statement

(1) Balance Sheet

Item	54th Term (As of March 31, 2002) Amount (Thousands of yen)		Composition ratio (%)	55th Term (As of March 31, 2003) Amount (Thousands of yen)		Composition ratio (%)
(Asset)						
Ⅰ. Current Assets						
1. Cash and deposits		5,975,503			8,747,119	
2. Trade notes receivable		1,620,862			1,403,892	
3. Accounts receivable		5,724,019			6,638,548	
4. Securities		160,498			160,595	
5. Finished goods and merchandise		18,589			18,150	
6. Semi-finished goods		899,271			1,349,097	
7. Raw materials		242,640			604,217	
8. Work-in-progress		867,594			1,024,736	
9. Stores		16,104			28,655	
10. Prepaid expenses		17,349			21,670	
11. Deferred taxable assets		167,693			493,298	
12. Loans to the affiliates		300,000			549,266	
13. Receivables		50,623			101,009	
14. Others		3,967			45,735	
Allowance for doubtful accounts		△ 7,056			△ 8,125	
Total Current Assets		16,057,661	49.1		21,177,867	54.1
Ⅱ. Fixed Assets						
1. Tangible fixed assets						
(1) Buildings	8,701,540			9,177,790		
Accumulated depreciation	4,298,139	4,403,400		4,641,427	4,536,363	
(2) Structures	685,404			707,749		
Accumulated depreciation	443,687	241,716		481,476	226,272	
(3) Machinery and equipment	12,765,900			14,329,664		
Accumulated depreciation	9,331,036	3,434,864		10,185,917	4,143,746	
(4) Vehicles and delivery equipment	91,129			96,215		
Accumulated depreciation	76,273	14,856		82,356	13,858	
(5) Tools and fixtures	1,072,129			1,065,930		
Accumulated depreciation	873,476	198,653		889,669	176,261	
(6) Land		1,580,747			1,407,391	
(7) Construction in progress		814,787			2,123,713	
Total Tangible Fixed Assets		10,689,026	(32.7)		12,627,607	(32.2)

	54th Term (As of March 31, 2002)			55th Term (As of March 31, 2003)		
Item	Amount (Thousands of yen)		Composition ratio (%)	Amount (Thousands of yen)		Composition ratio (%)
2. Intangible Fixed Assets						
(1) Telephones subscription rights		9,095			9,095	
(2) Facilities utilization rights		2,724			2,229	
(3) Patent license		187			23,284	
(4) Software		121			65	
(5) Others		1,991			1,541	
Total Intangible Fixed Assets		14,120	(0.0)		36,215	(0.1)
3. Investments and Other Assets						
(1) Investment securities		2,891,779			2,243,311	
(2) Securities of affiliates		1,868,759			1,974,259	
(3) Contributions		1,215			515	
(4) Contributions to affiliates		36,790			36,790	
(5) Long-term loans		11,063			35,754	
(6) Long-term loans to employees		8,904			8,402	
(7) Long-term loans to affiliates		1,012,680			763,560	
(8) Deferred tax assets					179,780	
(9) Long-term prepaid expenses		25,048			20,648	
(10) Investment real estate		5,154			5,154	
(11) Others		129,141			91,464	
Allowance for doubtful accounts		△ 33,095			△ 15,585	
Total Investment and other Assets		5,957,440	(18.2)		5,344,054	(13.6)
Total Fixed Assets		16,660,587	50.9		18,007,877	45.9
Total Assets		32,718,248	100.0		39,185,744	100.0

Item	54th Term (As of March 31, 2002) Amount (Thousands of yen)		Composition ratio (%)	55th Term (As of March 31, 2003) Amount (Thousands of yen)		Composition ratio (%)
(Liabilities)						
Ⅰ. Current Liabilities						
1. Trade notes payable		3,019,748			4,262,097	
2. Accounts payable		2,461,688			3,775,722	
3. Short-term loans payable		360,000			210,000	
4. Long-term loan repayable within one year		12,200			—	
5. Accruals		551,815			963,256	
6. Accrued expenses		30,148			30,403	
7. Income taxes payable		519,920			1,530,291	
8. Cash deposited		23,165			30,115	
9. Reserve for bonus		496,224			920,683	
10. Deposit received from employees		377,352			387,203	
11. Equipment notes payable		567,533			1,650,158	
12. Others		1,908			2,832	
Total Current Liabilities		8,421,705	25.7		13,762,767	35.1
Ⅱ. Fixed Liabilities						
1. Deferred taxable liabilities		396,631			—	
2. Reserve for retirement allowance		98,491			228,944	
3. Reserve for officers' retirement bonus		147,049			166,105	
4. Others		9,105			12,736	
Total Fixed Liabilities		651,277	2.0		407,786	1.1
Total Liabilities		9,072,982	27.7		14,170,553	36.2
(Shareholders' Equity)						
Ⅰ. Capital		6,320,255	19.3		6,378,708	16.3
Ⅱ. Capital surplus						
1. Capital reserve	5,432,618			5,491,071		
Total capital		5,432,618	16.6		5,491,071	14.0
Ⅲ. Earned surplus						
1. Revenue reserve	748,262			748,262		
2. Voluntary reserve						
(1) Dividend reserve	171,600			171,600		
(2) Reserve for advanced depreciation of fixed assets	3,396			2,873		
(3) Reserve for special redemption	11,851			9,968		
(4) General reserve	7,730,000			9,130,000		
3. Unappropriated retained earnings at the end of term	2,501,242			3,031,483		
Total earned surplus		11,166,352	34.2		13,094,187	33.4
Ⅴ. Other securities appreciation differences		727,364	2.2		73,308	0.2
Ⅵ. Treasury Stock		△ 1,325	△0.0		△ 22,084	△0.1
Total Stockholder's Equity		23,645,266	72.3		25,015,191	63.8
Total Liabilities, Minority Interest and Stockholder's Equity		32,718,248	100.0		39,185,744	100.0

(2) Profit and Loss Statement

Item	54th Term (From April 1, 2001 to March 31, 2002) Amount (Thousand of yen)		Ratio (%)	55th Term (From April 1, 2002 to March 31, 2003) Amount (Thousand of yen)		Ratio (%)
Ⅰ. Sales						
1. Sales of finished goods and merchandise		26,063,674	100.0		34,594,599	100.0
Ⅱ. Cost of Goods Sold						
1. Opening inventory of finished goods and merchandise	946,815			917,861		
2. Purchases for the term	4,716,706			3,980,634		
3. Cost of manufactured goods for the term	16,123,947			23,748,627		
Subtotal	21,787,469			28,647,122		
4. Transfer to other accounts	△ 64,550			△ 36,667		
5. Closing inventory of finished goods and merchandise	917,861	20,805,057	79.9	1,367,247	27,243,207	
Gross Profit on Sales		5,258,616	20.1		7,351,391	21.3
Ⅲ. Selling, Gen. & Adm. Expenses						
1. Freight and packaging cost	531,954			1,169,203		
2. Transfer to reserve for bad loans	3,110			638		
3. Officers' compensation	171,639			172,608		
4. Wage allowances	448,205			426,911		
5. Bonus	97,767			149,637		
6. Transfer to reserve for bonuses	104,405			174,101		
7. Transfer to reserve for Officers' Retirement Bonuses	21,905			19,256		
8. Transfer to allowance for retirement wage	46,127			52,101		
9. Depreciation expense	62,839			86,839		
10. Other expenses	676,890	2,164,844	8.3	717,529	2,968,827	8.6
Operating Income		3,093,772	11.8		4,382,563	12.7
Ⅳ. Non-operating Revenue						
1. Interest receivable	23,296			45,979		
2. Dividend receivable	96,798			99,474		
3. Rent income	509,957			490,623		
4. Others	202,929	832,981	3.2	96,595	732,672	2.1
Ⅴ. Non-operating Expenses						
1. Interest expenses	9,696			3,410		
2. Rent expenses	357,906			320,549		
3 Exchange losses	—			157,857		
4. New Stock Issue Expenses	51,044			—		
5. Others	82,296	500,943	1.9	80,572	562,389	1.6
Ordinary Income		3,425,810	13.1		4,552,846	13.2

Item	54th Term (From April 1, 2001 to March 31, 2002) Amount (Thousand of yen)		Ratio (%)	55th Term (From April 1, 2002 to March 31, 2003) Amount (Thousand of yen)		Ratio (%)
Ⅵ. Extraordinary Profit						
1. Sale of fixed assets	38,192			19,584		
2. Sale of investment securities	84,173	122,366	0.5	—	19,584	0.1
Ⅶ. Extraordinary Loss						
1. Loss on retirement of fixed assets	45,868			24,296		
2. Investment valuable securities appraisal loss	13,109			97,727		
3. Redemption of balance at the time of change of accounting standard for retirement wage	65,898			65,898		
4 Dispute reconciliation cost	—			137,622		
5. Others	5,301	130,177	0.5	4,725	330,270	1.0
Income before taxes		3,417,998	13.1		4,242,159	12.3
Income taxes, inhabitant taxes and business taxes payable	1,309,000			2,204,000		
Adjustment of Income tax, etc.	99,711	1,408,711	5.4	△ 431,215	1,772,784	5.2
Net income for current term		2,009,287	7.7		2,469,375	7.1
Profit brought forward from the previous term		491,954			562,107	
Unappropriated regained earnings at the end of term		2,501,242			3,031,483	

Statement of Cost of Manufactured Goods

Item	54th Term (From April 1, 2001 to March 31, 2002) Amount (Thousand of yen)		Ratio (%)	55th Term (From April 1, 2002 to March 31, 2003) Amount (Thousand of yen)		Ratio (%)
Ⅰ. Materials costs		9,984,744	61.0		15,013,142	62.8
Ⅱ. Labour expenses		3,176,049	19.4		4,040,717	16.9
Ⅲ. Expenses		3,197,870	19.6		4,851,908	20.3
(Expenses arising from outside manufactures included above)	(605,654)			(1,840,612)		
(Depreciation expenses included above)	(1,106,137)			(1,156,637)		
(Other expenses included above)	(1,486,079)			(1,854,658)		
Gross manufacturing expenses for the term		16,358,663	100.0		23,905,768	100.0
Opening inventory of work-in-progress		632,878			867,594	
Subtotal		16,991,542			24,773,363	
Closing inventory of work-in-progress		867,594			1,024,736	
Cost of Manufactured Goods for the current term		16,123,947			23,748,627	

Cost calculation method is according to pre-determined unit price for raw materials, and as for processing costs, this is in accordance with simple general cost calculation by product according to the allocation rate by unit, which has adjusted the results of the previous year. The difference from the actual cost has been proportionally adjusted at the end of the term into disbursed products during the term and products at end of term, half-finished products and the balance of work in progress.

(3) Statement of Profit Appropriations

	54th Term (Approval Date of Ordinary General Meeting of Shareholders: June 28, 2002)		55th Term	
Item	Amount (Thousands of yen)		Amount (Thousands of yen)	
Ⅰ. Unappropriated retained earnings		2,501,242		3,301,483
Ⅱ. Deduction in voluntary reserves				
1. Deduction in reserve for advanced depreciation of fixed assets		523	452	
2. Deduction in reserve for special redemption		1,883	1,883	2,335
Total		2,503,648		3,033,818
Ⅲ. Appropriated amount				
1. Dividends *1	510,541		616,236	
2. Bonuses to directors	31,000		38,000	
3. Retained earnings				
(1) Reserve for advanced depreciation of fixed assets			54	
(2) Reserve for special redemption			138	
(3) General reserve	1,400,000	1,941,541	1,700,000	2,354,428
Ⅳ. Profit carried forward to the next term		562,107		679,390

*1 Dividend per share is ¥21 for the 54th and ¥23 for the 55th term.

Significant Accounting Policy

(1) Valuation Standards and Valuation Method of Securities:

Bonds held to maturity: Depreciation cost method (fixed amount method)

Stocks of subsidiaries and affiliates: Periodic average method at cost

Other securities:

* Securities for which market value is available:

Marked to market based on the market price, etc., of the closing date (valuation difference was treated by direct transfer by the capital method and cost of products sold has been calculated by the periodic average method)

* Securities for which market value is not available:

Valued by the periodic average method at cost

(2) Derivatives: Mark to market method

(3) Valuation Standards and Valuation Method of Inventories:

Products, commodities, semi- finished goods, and goods in process:

First in, first out method at cost

Raw materials and purchased supplies:

Periodic average method at cost

(4) Depreciation method of fixed assets:

Tangible fixed assets:

Fixed percentage method:

With respect to the buildings acquired after April 1, 1998 (excluding the annexed facilities of the buildings), fixed amount method has been applied. Major service life shall be as follows.

Building:	15 years - 31 years
Machinery/Equipment:	8 years - 9 years

Intangible fixed assets:

Fixed amount method:

With respect to software for internal use, the fixed amount method on the basis of service life (5 years) in-company has been applied.

(5) Treatment of deferred assets:

All expenses for new issuance of stock have been appropriated as costs at the time of expenditure.

(6) Appropriation Standards of Reserve:

Reserve for doubtful accounts:

In preparation for losses from credit loss, we have appropriated an uncollectible amount at an actual bad debt ratio for general credits, and by considering possible individual collectibility as for special credits such as doubtful loans.

Reserve for bonuses:

In preparation for bonuses to be paid to employees, we have appropriated an amount for the current accounting period based on the estimated amount of payment.

Reserve for retirement benefits:

In preparation for the payment of retirement benefits to employees, it has been appropriated based on the estimated amount of retirement benefit liabilities and pension assets at end of the current accounting period. With respect to the difference resulting from a change in accounting standards (197,694 thousand yen), it has been proportionally appropriated for 3 years.

Mathematical calculation difference is amortized in the following accounting period in accordance with fixed amount method for a fixed number of years (5 years) within the average remaining employment period of employees at the time of accrual.

Reserve for officer retirement bonuses:

In preparation for the payment of officer retirement bonuses upon retirement of officers, the amount necessary for payment at the end of year is appropriated as reserve under by- laws.

(7) Treatment of Lease Transactions:

Finance lease transactions other than those for which ownership is deemed fully transferred to the lessee are treated pursuant to accounting standards in the manner as applied to ordinary lease transactions.

(8) Accounting treatment of consumption tax, etc.:

Accounting treatment of consumption tax adopts pretax method.

(9) Others:

Reversal Accounting of Treasury Stocks and Statutory Reserve:

From the current accounting period, "Accounting Standards for Reversal of Treasury Stocks and Statutory Reserve" (Accounting Standards, No. 1) has been applied. This has not affected the income of the current accounting period.

As such, by a revision of the rule for financial statements, Shareholders' Equity on the balance sheet has been prepared in accordance with a revised rule for financial statements.

Tax Effect Accounting in connection with Introduction of Pro Forma Standard Taxation System in Corporate Enterprise Tax:

From the accounting period commencing after April 1, 2004, pro forma standard taxation system will be introduced in the corporate enterprise tax. We are now reviewing the statutory effective tax rate to be applied to the amount of deferred taxable assets and deferred taxable liabilities concerning temporary difference, etc., which is expected to be resolved after April 1, 2004. This will only slightly affect current net profit for the current accounting period.

Explanatory Notes on Financial Statements

		(Previous Term) (thousand yen)	(Current) (thousand yen)
(1)	Assets Pledged as Collateral:	4,371,460	3,792,440
(2)	Assets and Liabilities to Affiliates:		
	Notes receivable	199,194	209,662
	Accounts receivable	61,995	107,034
	Notes payable	462,097	495,748
	Accounts payable	331,287	337,932
(3)	Guaranteed Liabilities:	780,053	539,421
	(Note) Out of which, 130,000 thousand yen for the previous year and 82,000 thousand yen for the current year are jointly guaranteed by Nippon Kayaku Co., Ltd.		
(4)	Transactions with Affiliates:		
	Major Items and Amount		
	Rental rate from affiliates	481,243	461,384
	Profit on sale of fixed assets (land) of affiliates	–	19,584

Increase in Number of Outstanding Shares

(1) Stock Split (Free Issue)

As of May 20, 2002, the Company carried out a stock split of the shares held by the shareholders recorded in the list of shareholders and the list of actual shareholders as of March 31, 2002 at a ratio of 1 share to 1.1 shares. Fractional shares of less than one share arising from the split, however, were sold en bloc, and disposal funds were distributed according to fractions to shareholders whose shares generated fractions. The increase in the number of outstanding shares as a result of the split was 2,431,198 shares.

(2) Exercise of Preemptive Rights under the Commercial Code, Article 280-19, paragraph 2.

Number of shares issued	58,700	shares
Issue price	116,905,400	yen
Capitalization amount	58,452,700	yen

Significant Subsequent Events

At the meeting of board of directors held on February 20, 2003, resolution of stock split (free issue) was adopted.

(1) Stock Split (free issue)

Number of shares increasing by the stock split: Common stocks: 2,680,187 shares

Method of Split: Stock split will be carried out as of May 19, 2003 for shares held by the shareholders recorded in the list of shareholders and the list of actual shareholders as of March 31, 2003 at a ratio of 1 share to 1.1 shares. Fractional shares of less than one share arising from the split, however, were sold en bloc, and disposal funds were distributed according to fractions to shareholders whose shares generated fractions.

Initial Date of Reckoning of Dividend: April 1, 2003

Tax Effect Accounting

1. Breakdown of Accrual of Deferred taxable assets and Deferred taxable liabilities according to major causes

	54th Term (as of March 31, 2002)	55th Term (as of March 31, 2003)
	(thousand yen)	(thousand yen)
Deferred Taxable Assets (current)		
Excess of maximum deductible amount from reserve for bonuses	116,925	345,831
Denial of accrued corporate enterprise tax	44,861	135,250
Others	6,926	13,564
	168,713	494,647
Deferred Taxable Labilities (current)		
Reserve for special depreciation	Δ1,020	Δ1,349
	Δ1,020	Δ1,349
Net of Deferred Taxable Assets	167,693	493,298
Deferred Taxable Assets (fixed)		
Denial of transfer to reserve for officer retirement bonuses	61,378	67,604
Excess of maximum deductible amount from reserve for retirement benefits	41,110	93,180
Valuation loss on investment securities	–	42,577
Others	30,175	32,755
	132,664	236,118
Deferred Taxable Liabilities (fixed)		
Valuation difference on other securities	Δ521,115	Δ50,314
Reserve for special depreciation	Δ6,121	Δ4,332
Others	Δ2,058	Δ1,691
	Δ529,295	Δ56,338
Net of Deferred Taxable Assets (Liabilities)	Δ396,631	179,780

(2) Changes in Officers

TBD

1. Summary of Closing

Consolidated (million yen)

	Year ended March 31, 2002 (results)		Year ended March 31, 2003 (results)		Year ended March 31, 2004 (forecast)	
		compared with the previous fiscal year		compared with the previous fiscal year		compared with the previous fiscal year
Sales	28,711	93,5%	37,004	128.9%	44,500	120.3%
Ordinary profit	3,791	78.7%	5,276	139.2%	7,250	137.4%
Current net profit	2,358	75.6%	3,119	132.2%	4,300	137.9%

Parent only

	Year ended March 31, 2002 (results)		Year ended March 31, 2003 (results)		Year ended March 31, 2004 (forecast)	
		compared with the previous fiscal year		compared with the previous fiscal year		compared with the previous fiscal year
Sales	26,063	94.7%	34,594	132.7%	42,000	121.4%
Ordinary profit	3,425	97.1%	4,552	132.9%	6,050	132.9%
Current net profit	2,009	100.3%	2,469	122.9%	3,350	135.7%

2. Sales by Sector

Parent only

	Year ended March 31, 2002 (results)		Year ended March 31, 2003 (results)		Year ended March 31, 2004 (forecast)	
		compared with the previous fiscal year		compared with the previous fiscal year		compared with the previous fiscal year
Electronic Materials	9,608	79.4%	14,329	149.1%	20,108	140.3%
Display Materials	8,894	128.8%	13,228	148.7%	15,774	119.3%
Electric Insulation Materials	3,405	86.7%	3,163	92.9%	3,052	96.5%
Industrial Application Structural Materials	2,508	88.7%	2,581	102.9%	2,364	91.6%
Related Products	1,648	93.8%	1,293	78.5%	702	54.3%
Total	26,063	94.7%	34,594	132.7%	42,000	121.4%