

Summary of Nonconsolidated Financial Statements for the Year Ended March 31, 2004

May 14, 2004

Name of Listed Company: ZEON CORPORATION

Location of Head Office (Prefecture): Metropolis of Tokyo

Ticker Code: 4205

Listed Stock Exchange: Tokyo Stock Exchange and Osaka Securities Exchange

(URL: <http://www.zeon.co.jp/>)

Representative: Naozumi Furukawa, President & CEO

Contact: Yoichi Mishima, Managing Director and General Manager, Finance & Accounting Department

Phone: +81-3-3216-1785

Date of the Board of Directors Meeting held for Closing of Accounts: May 14, 2004

Date of Ordinary General Shareholders' Meeting: June 29, 2004

Interim Dividend System: Applied

Unit (*tangen*) Stock System: Adopted (Unit (*tangen*) stock of shares: 1,000 shares)

1. Nonconsolidated Performance for the Year Ended March 31, 2004 (April 1, 2003, through March 31, 2004)

(1) Nonconsolidated operating results

(All figures less than one million yen in the tables below are truncated.)

	Net sales		Operating income		Ordinary income	
	(Millions of yen)	(%)	(Millions of yen)	(%)	(Millions of yen)	(%)
Year ended March 2004	122,234	3.6	12,510	33.6	12,368	57.1
Year ended March 2003	117,948	5.3	9,366	22.7	7,874	30.6

	Net income		Net income per share	Fully diluted net income per share	Return on shareholders' equity	Ordinary income to total assets	Ordinary income to net sales
	(Millions of yen)	(%)	(Yen)	(Yen)	(%)	(%)	(%)
Year ended March 2004	1,983	(22.8)	7.99	—	3.1	7.8	10.1
Year ended March 2003	2,569	—	10.41	—	4.2	4.8	6.7

Notes:

- Average number of shares outstanding during the period
 Year ended March 31, 2004 242,056,861 shares
 Year ended March 31, 2003 242,069,156 shares
- Change in accounting method: None
- The percentage figures of net sales, operating income, ordinary income and net income indicate year-over-year change.

(2) Dividends

	Annual dividend per share (Yen)			Total amount of dividends (annually) (Millions of yen)	Payout ratio (%)	Ratio of dividends to shareholders' equity (%)
	Interim (Yen)	Year-end (Yen)				
Year ended March 2004	6.00	3.00	3.00	1,452	75.1	2.2
Year ended March 2003	5.00	2.50	2.50	1,210	48.0	2.0

(3) Nonconsolidated financial position

	Total assets (Millions of yen)	Shareholders' equity (Millions of yen)	Equity ratio (%)	Shareholders' equity per share (Yen)
Year ended March, 2004	161,673	65,889	40.8	272.01
Year ended March, 2003	153,824	60,642	39.4	250.32

Notes:

1. Number of shares outstanding at the end of the respective periods:
242,053,220 shares at March 31, 2004
242,059,585 shares at March 31, 2003
2. Number of treasury stock of shares at the end of the respective periods:
22,336 shares at March 31, 2004
15,971 shares at March 31, 2003

2. Projected Nonconsolidated Performance for the Year Ending March 31, 2005 (April 1, 2004, through March 31, 2005)

	Net sales (Millions of yen)	Ordinary income (Millions of yen)	Net income (Millions of yen)	Annual dividend per share		
				Interim (Yen)	Year-end (Yen)	(Yen)
Interim period	59,850	4,660	2,100	3.00	-	-
Full-year	124,310	10,950	5,100	-	3.00	6.00

(Reference) Projected net income per share (full year):

Note: These projected performance figures are based on information available to ZEON's management at the time this report was prepared. There are many uncertain factors inherent in forecasting, and there might be cases in which actual results differ from forecast values. See page 10 of "Consolidated Financial Flash Report" for further information on forecasts.

(1) Nonconsolidated Financial Statements
1. Comparative Balance Sheet

(Amounts are rounded down to the nearest ¥ million)

Account item	Previous fiscal year (As of March 31, 2003)			Current fiscal year (As of March 31, 2004)			Year-over- year change () shows decline	
	Breakdown amount	Amount	Composi- tion %	Breakdown amount	Amount	Composi- tion %	Amount	Rate %
(Assets)								
Current assets		62,024	40.3		59,790	37.0	(2,234)	(3.6)
Cash and bank deposits		3,199			4,656			
Notes receivable—trade		620			274			
Accounts receivable—trade		22,241			20,279			
Marketable securities		30			—			
Merchandise		1,912			2,255			
Finished products		10,337			10,332			
Raw materials		1,776			2,016			
Work in process		2,159			1,912			
Supplies		856			821			
Prepaid expenses		326			357			
Deferred tax assets		1,370			1,069			
Short-term loans receivable from affiliates		2,402			1,018			
Accounts receivable—other		15,218			14,409			
Other current assets		214			546			
Allowance for doubtful accounts		(642)			(158)			
Fixed assets:		91,800	59.7		101,883	63.0	10,083	11.0
Property, plant and equipment		53,299	34.7		56,380	34.9	3,081	5.8
Buildings	22,135			23,890				
Accumulated depreciation	(11,351)	10,783		(11,839)	12,051			
Structures	10,488			10,505				
Accumulated depreciation	(6,830)	3,658		(7,020)	3,484			
Machinery and equipment	122,091			123,459				
Accumulated depreciation	(96,183)	25,907		(98,007)	25,452			
Vehicles and transportation equipment	223			201				
Accumulated depreciation	(156)	67		(138)	62			
Tools, furniture and fixtures	10,053			9,755				
Accumulated depreciation	(8,204)	1,848		(7,718)	2,036			
Land		9,031			8,627			
Construction in progress		2,002			4,665			
Intangible assets		2,654	1.7		2,503	1.5	(150)	(5.7)
Goodwill		5			3			
Patent rights		47			7			
Leasehold		4			4			
Trademark rights		1			1			
Software		2,559			2,453			
Other intangible assets		35			33			

Account item	Previous fiscal year (As of March 31, 2003)			Current fiscal year (As of March 31, 2004)			Year-over- year change () shows decline	
	Breakdown amount	Amount	Composi- tion %	Breakdown amount	Amount	Composi- tion %	Amount	Rate %
Investments and other assets		35,846	23.3		42,999	26.6	7,152	20.0
Investment securities		16,393			24,455			
Investments in stocks of affiliates		14,005			13,418			
Investments in capital of affiliates		473			574			
Long-term loans receivable		814			776			
Long-term loans receivable from employees		3			2			
Long-term loans receivable from affiliates		224			640			
Long-term prepaid expenses		1,022			1,362			
Deferred tax assets		2,241			1,443			
Other investments and other assets		1,063			2,128			
Valuation reserve for investments		(40)			—			
Allowance for doubtful accounts		(356)			(1,803)			
Total Assets		153,824	100.0		161,673	100.0	7,848	5.1

Account item	Previous fiscal year (As of March 31, 2003)			Current fiscal year (As of March 31, 2004)			Year-over-year change	
	Breakdown amount	Amount	Composi- tion %	Breakdown amount	Amount	Composi- tion %	Amount	Rate %
(Liabilities)								
Current liabilities		70,517	45.9		69,880	43.2	(637)	(0.9)
Notes payable—trade		49			2			
Accounts payable—trade		30,872			30,475			
Short-term loans payable		20,742			16,050			
Bonds redeemable within one year		10,000			10,000			
Accounts payable-other		4,449			8,543			
Accrued expenses		1,118			1,479			
Accrued income taxes		1,744			2,192			
Deposits received		151			127			
Reserve for bonuses		860			871			
Reserve for repairs		339			—			
Other current liabilities		190			138			
Long-term liabilities		22,664	14.7		25,903	16.0	3,238	14.3
Bonds payable		10,000			—			
Long-term loans payable to affiliates		—			7,000			
Long-term loans payable		4,675			5,375			
Long-term account payable		—			3,714			
Allowance for employees’ retirement benefits		7,283			9,159			
Retirement allowances for directors and statutory auditors		670			639			
Reserve for repairs		—			14			
Other long-term liabilities		34			—			
Total Liabilities		93,181	60.6		95,783	59.2	2,601	2.8
(Shareholders’ equity)								
Common stock		24,211	15.8		24,211	15.0	—	—
Capital surplus		18,335	11.9		18,335	11.3	—	—
Additional paid-in capital		18,335			18,335			
Retained earnings		18,066	11.7		18,668	11.6	601	3.3
Revenue reserve		3,026			3,026			
Voluntary reserves								
Reserve for advanced depreciation of fixed assets		1,437			1,885			
Reserve for special depreciation		45			31			
General reserve		9,081			9,081			
Reserve for special account for advanced depreciation of fixed assets		545			—			
Unappropriated retained earnings		3,929			4,642			
Net unrealized holding gain (loss) on available-for-sale securities		36	0.0		4,686	2.9	4,650	12,653.1
Treasury stock, at cost		(7)	(0.0)		(12)	(0.0)	(4)	67.5
Total Shareholders’ equity		60,642	39.4		65,889	40.8	5,246	8.7
Total Liabilities and Shareholders’ equity		153,824	100.0		161,673	100.0	7,848	5.1

2. Comparative Statement of Income

(Amounts are rounded down to the nearest ¥ million)

Account item	Previous fiscal year (As of March 31, 2003)			Current fiscal year (As of March 31, 2004)			Year-over-year change	
	Breakdown amount	Amount	Composi- tion %	Breakdown amount	Amount	Composi- tion %	Amount	Rate %
Net sales		117,948	100.0		122,234	100.0	4,285	3.6
Cost of sales		84,013	71.2		84,284	69.0	271	0.3
Gross profit		33,934	28.8		37,949	31.0	4,014	11.8
Selling, general and administrative expenses		24,568	20.8		25,439	20.8	870	3.5
Operating income		9,366	8.0		12,510	10.2	3,143	33.6
Nonoperating income								
Interest income	121			50				
Interest on securities	15			15				
Dividend income	529			803				
Rental income	150			164				
Gain on sales of utilities	217			244				
Other nonoperating income	181	1,216	1.0	257	1,536	1.3	319	26.3
Nonoperating expenses								
Interest expense	319			226				
Bond interest	550			294				
Foreign exchange loss	607			686				
Loss on disposal of inventories	690			84				
Amortization of research and development expenses	156			—				
Other nonoperating expenses	384	2,708	2.3	385	1,677	1.4	(1,031)	(38.1)
Ordinary income		7,874	6.7		12,368	10.1	4,494	57.1
Extraordinary gains								
Gain on sales of fixed assets	32			9				
Gain on sales of investment securities	286			39				
Gain on liquidation of affiliates	—			59				
Reversal of allowance for doubtful accounts	107	426	0.3	—	108	0.1	(318)	(74.6)
Extraordinary losses								
Loss on disposal of fixed assets	250			905				
Amortization of net retirement benefit obligation at transition	2,040			2,029				
Loss caused by transition of retirement benefit scheme	—			3,533				
Provision for allowance for doubtful accounts	—			1,648				
Loss on devaluation of stocks of affiliates	—			949				
Loss on devaluation of investment securities	1,918			2				
Other	316	4,525	3.8	241	9,309	7.6	4,784	105.7
Income before income taxes		3,775	3.2		3,167	2.6	(607)	(16.1)
Income, inhabitant and enterprise taxes		1,761			3,184		1,422	80.8
Income taxes—deferred		(556)	1.0		(2,000)	1.0	(1,443)	259.5
Net income		2,569	2.2		1,983	1.6	(586)	(22.8)
Retained earnings brought forward		1,964			3,385			
Interim dividends		605			726			
Unappropriated retained earnings at end of year		3,929			4,642			

3. Proposal for Appropriation of Retained Earnings

(Amounts are rounded down to the nearest ¥ million)

Account item	Previous fiscal year (As of March 31, 2003)		Current fiscal year (As of March 31, 2004)		Increasing and decreasing () shows decreasing Amount
	Breakdown amount	Amount	Breakdown amount	Amount	
Unappropriated retained earnings at the end of the year		3,929		4,642	713
Reversal of voluntary reserves					
Reversal of reserve for special depreciation	14		13		
Reversal of reserve for special account for advanced depreciation of fixed assets	545		—		
Reversal of reserve for advanced depreciation of fixed assets	177	737	218	231	(506)
Total		4,667		4,874	207
To be appropriated as follows					
Cash dividends	605		726		
Bonuses to directors and statutory auditors	50		50		
(including bonuses to statutory auditors)	(3)		(4)		
Reserve for special depreciation	0		—		
Reserve for advanced depreciation of fixed assets	625	1,281	—	776	(505)
Retained earnings carried forward		3,385		4,098	712

Significant Accounting Policies

Previous fiscal year (78th fiscal year) From April 1, 2002 to March 31, 2003	Current fiscal year (79th fiscal year) From April 1, 2003 to March 31, 2004
<p>1. Valuation basis and method for securities</p> <p>(1) Held-to-maturity securities. At amortized cost calculated by the straight-line method.</p> <p>(2) Stocks of subsidiaries and affiliates At cost determined by the moving-average method.</p> <p>(3) Available-for-sale securities: Available-for-sale securities for which the fair value is readily determinable At fair value as of the balance sheet date with corresponding unrealized holding gain or loss, net of the applicable income taxes, recorded directly as a separate component of shareholders' equity. The cost of securities sold is determined by the moving-average method. Available-for-sale securities for which the fair value is not readily determinable At cost determined by the moving-average method</p>	<p>1. Valuation basis and method for securities Same as left</p>
<p>2. Valuation method for derivative instruments Market value method.</p>	<p>2. Valuation method for derivative instruments Same as left</p>
<p>3. Valuation basis and method for inventories</p> <p>Merchandise, finished products At cost determined by the gross average method.</p> <p>Work in process At cost determined by the gross average method.</p> <p>Major raw materials At cost determined by the gross average method.</p> <p>Other raw materials and supplies At cost determined by the moving-average method.</p>	<p>3. Valuation basis and method for inventories Same as left</p>
<p>4. Depreciation method of fixed assets</p> <p>Property, plant and equipment By the straight-line method.</p> <p>Intangible assets By the straight-line method. Computer software for internal use is amortized by the straight-line method over the estimated useful life (5 years).</p>	<p>4. Depreciation method of fixed assets Same as left</p>
<p>5. Accounting for deferred charges</p> <p>(1) Research and development expenses Certain research and development expenses are amortized on straight-line basis over a period of 5 years in accordance with the Commercial Code. (Additional information) In accordance with the transitional guideline of the "Practical guideline concerning the accounting treatment for research and development expenses and software" (Company Accounting System Committee Report No. 12 of the Japanese Institute of Certified Public Accountants, issued on March 31, 1999), the Company continues to apply the previous accounting method to the Company's balance of research and development expenses at March 31, 1999, by adopting the transitional measure set forth in the guideline, whereas the expenses incurred during the year ended March 31, 2003, are amortized as incurred when disbursed.</p>	<p>5. —</p>
<p>6. Basis of translation of assets and liabilities denominated in foreign currencies into yen Receivables and payables denominated in foreign currencies are translated into yen at the spot rate of exchange in effect at the balance-sheet date. The resulting exchange differences are charged or credited to income.</p>	<p>6. Basis of translation of assets and liabilities denominated in foreign currencies into yen Same as left</p>

Previous fiscal year (78th fiscal year) From April 1, 2002 to March 31, 2003	Current fiscal year (79th fiscal year) From April 1, 2003 to March 31, 2004
<p>7. Accounting standard for reserves</p> <p>(1) An allowance for doubtful accounts The allowance for doubtful accounts is provided for possible loss from bad debt at an amount estimated based on a loan-loss ratio for normal receivables, plus anticipated uncollectible amounts determined by reference to the collectability of individual doubtful receivables.</p> <p>(2) A valuation reserve for investments The valuation reserve for investments is provided at an amount corresponding to the estimated possible losses due to the declined investment value of investments in the stocks of investee companies for which the financial conditions have deteriorated.</p> <p>(3) A reserve for bonuses The reserve for bonuses is provided at an amount considered sufficient to cover estimated possible payment.</p> <p>(4) An allowance for employees' retirement benefits The allowance for employees' retirement benefits is provided at an amount to be accrued at the balance-sheet date, and which is calculated based on the projected benefit obligation and fair value of pension plan assets at the end of this fiscal year ended March 31, 2004. The net retirement benefit obligation at transition (¥15,162 million) is being amortized as incurred on a pro-rata basis by the straight-line method over five years, excluding the portion covered by the employees' retirement benefit trust. The unrecognized actuarial gain or loss is amortized on a pro-rata basis by the straight-line method over a certain period (13 years), which is not over than the average remaining service years for employees when incurred, from the following fiscal year of the accrual.</p> <p>(5) Retirement allowances for directors and statutory auditors The retirement allowances for directors and statutory auditors are provided for possible payments at an amount that would be required to be paid in accordance with the Company's internal rules if all eligible directors and statutory auditors resign their positions as of the balance-sheet date.</p> <p>(6) A reserve for repairs The reserve for repairs is provided for periodic repairs of manufacturing facilities at an amount corresponding to the portion for the year March 31, 2003, by allocating the estimated expenses that would be necessary for periodic repairs to a fixed period.</p>	<p>7. Accounting standard for reserves</p> <p>(1) An allowance for doubtful accounts Same as left</p> <p>(2) —</p> <p>(3) A reserve for bonuses Same as left</p> <p>(4) An allowance for employees' retirement benefits The allowance for employees' retirement benefits is provided at an amount to be accrued at the balance-sheet date, and which is calculated based on the projected benefit obligation and fair value of pension plan assets at the end of this fiscal year ended March 31, 2004. The net retirement benefit obligation at transition (¥15,162 million) is being amortized as incurred on a pro-rata basis by the straight-line method over five years, excluding the portion covered by the employees' retirement benefit trust. The prior service cost is amortized as incurred on a pro-rata basis by the straight-line method over a certain period (13 years), which is shorter than the average remaining service years for employees at the time of recognition. The unrecognized actuarial gain or loss is amortized on a pro-rata basis by the straight-line method over a certain period (13 years), which is shorter than the average remaining service years for employees at the time of recognition, from the following fiscal year of recognition. (Additional information) The Company changed a part of tax-qualified pension plan to a defined contribution pension plan, retirement benefit in advance plan and lump-sum severance indemnity plan from March 2004. Based upon this change, the Company canceled the employees' retirement benefit trust. The amount of effected due to this change ¥ 3,533 million was accounted for extraordinary loss.</p> <p>(5) Retirement allowances for directors and statutory auditors Same as left</p> <p>(6) A reserve for repairs Same as left</p>
<p>8. Accounting for leases Finance leases which are not deemed to transfer ownership of leased property to lessee are accounted for in the same manner as operating leases.</p>	<p>8. Accounting for leases Same as left</p>

Previous fiscal year (78th fiscal year) From April 1, 2002 to March 31, 2003	Current fiscal year (79th fiscal year) From April 1, 2003 to March 31, 2004
3. Affiliates related	3. Affiliates related
Sales to affiliates ¥ 38,872 million	Sales to affiliates ¥ 44,993 million
Purchase from affiliates ¥ 40,404 million	Purchase from affiliates ¥ 42,357 million
Nonoperating income	Nonoperating income
Interest income ¥ 100 million	Interest income ¥ 25 million
Dividend income ¥ 292 million	Dividend income ¥ 501 million
Rental income ¥ 419 million	Rental income ¥ 540 million
Gain on allotment sale ¥ 674 million	Gain on allotment sale ¥ 883 million

(Notes to Lease Transactions)

Previous fiscal year (78th fiscal year) From April 1, 2002 to March 31, 2003	Current fiscal year (79th fiscal year) From April 1, 2003 to March 31, 2004																																																
1. Finance leases that do not transfer ownership of leased property to the lessee	1. Finance leases that do not transfer ownership of leased property to the lessee																																																
(1) Assumed data as to acquisition cost, accumulated depreciation and net book value at the end of the year	(1) Assumed data as to acquisition cost, accumulated depreciation and net book value at the end of the year																																																
(Millions of yen)	(Millions of yen)																																																
<table border="1"> <thead> <tr> <th></th> <th>Acquisition cost</th> <th>Accumulated depreciation</th> <th>Net book value</th> </tr> </thead> <tbody> <tr> <td>Machinery and equipment</td> <td style="text-align: center;">19</td> <td style="text-align: center;">7</td> <td style="text-align: center;">12</td> </tr> <tr> <td>Vehicles and transportation equipment</td> <td style="text-align: center;">328</td> <td style="text-align: center;">154</td> <td style="text-align: center;">173</td> </tr> <tr> <td>Tools, furniture and fixtures</td> <td style="text-align: center;">2,394</td> <td style="text-align: center;">1,349</td> <td style="text-align: center;">1,045</td> </tr> <tr> <td>Intangible assets</td> <td style="text-align: center;">432</td> <td style="text-align: center;">268</td> <td style="text-align: center;">164</td> </tr> <tr> <td>Total</td> <td style="text-align: center;">3,175</td> <td style="text-align: center;">1,779</td> <td style="text-align: center;">1,396</td> </tr> </tbody> </table>		Acquisition cost	Accumulated depreciation	Net book value	Machinery and equipment	19	7	12	Vehicles and transportation equipment	328	154	173	Tools, furniture and fixtures	2,394	1,349	1,045	Intangible assets	432	268	164	Total	3,175	1,779	1,396	<table border="1"> <thead> <tr> <th></th> <th>Acquisition cost</th> <th>Accumulated depreciation</th> <th>Net book value</th> </tr> </thead> <tbody> <tr> <td>Machinery and equipment</td> <td style="text-align: center;">19</td> <td style="text-align: center;">6</td> <td style="text-align: center;">13</td> </tr> <tr> <td>Vehicles and transportation equipment</td> <td style="text-align: center;">312</td> <td style="text-align: center;">144</td> <td style="text-align: center;">167</td> </tr> <tr> <td>Tools, furniture and fixtures</td> <td style="text-align: center;">1,877</td> <td style="text-align: center;">1,206</td> <td style="text-align: center;">671</td> </tr> <tr> <td>Intangible assets</td> <td style="text-align: center;">401</td> <td style="text-align: center;">322</td> <td style="text-align: center;">79</td> </tr> <tr> <td>Total</td> <td style="text-align: center;">2,611</td> <td style="text-align: center;">1,680</td> <td style="text-align: center;">931</td> </tr> </tbody> </table>		Acquisition cost	Accumulated depreciation	Net book value	Machinery and equipment	19	6	13	Vehicles and transportation equipment	312	144	167	Tools, furniture and fixtures	1,877	1,206	671	Intangible assets	401	322	79	Total	2,611	1,680	931
	Acquisition cost	Accumulated depreciation	Net book value																																														
Machinery and equipment	19	7	12																																														
Vehicles and transportation equipment	328	154	173																																														
Tools, furniture and fixtures	2,394	1,349	1,045																																														
Intangible assets	432	268	164																																														
Total	3,175	1,779	1,396																																														
	Acquisition cost	Accumulated depreciation	Net book value																																														
Machinery and equipment	19	6	13																																														
Vehicles and transportation equipment	312	144	167																																														
Tools, furniture and fixtures	1,877	1,206	671																																														
Intangible assets	401	322	79																																														
Total	2,611	1,680	931																																														
(2) Assumed future lease payments at end of year	(2) Assumed future lease payments at end of year																																																
<table border="1"> <tbody> <tr> <td>Due within one year</td> <td style="text-align: center;">¥693 million</td> </tr> <tr> <td>Due after one year</td> <td style="text-align: center;">¥702 million</td> </tr> <tr> <td>Total</td> <td style="text-align: center;">¥1,396 million</td> </tr> </tbody> </table>	Due within one year	¥693 million	Due after one year	¥702 million	Total	¥1,396 million	<table border="1"> <tbody> <tr> <td>Due within one year</td> <td style="text-align: center;">¥ 484 million</td> </tr> <tr> <td>Due after one year</td> <td style="text-align: center;">¥ 447 million</td> </tr> <tr> <td>Total</td> <td style="text-align: center;">¥ 931 million</td> </tr> </tbody> </table>	Due within one year	¥ 484 million	Due after one year	¥ 447 million	Total	¥ 931 million																																				
Due within one year	¥693 million																																																
Due after one year	¥702 million																																																
Total	¥1,396 million																																																
Due within one year	¥ 484 million																																																
Due after one year	¥ 447 million																																																
Total	¥ 931 million																																																
Assumed acquisition cost and future lease payments at the end of the year are calculated by including the interest portion thereon because the ratio of outstanding future lease payments to property, plant and equipment at the end of the year is low.	Same as left																																																
(3) Lease payments and assumed depreciation cost	(3) Lease payments and assumed depreciation cost																																																
<table border="1"> <tbody> <tr> <td>Lease payments</td> <td style="text-align: center;">¥818 million</td> </tr> <tr> <td>Assumed depreciation cost</td> <td style="text-align: center;">¥ 818 million</td> </tr> </tbody> </table>	Lease payments	¥818 million	Assumed depreciation cost	¥ 818 million	<table border="1"> <tbody> <tr> <td>Lease payments</td> <td style="text-align: center;">¥ 709 million</td> </tr> <tr> <td>Assumed depreciation cost</td> <td style="text-align: center;">¥ 709 million</td> </tr> </tbody> </table>	Lease payments	¥ 709 million	Assumed depreciation cost	¥ 709 million																																								
Lease payments	¥818 million																																																
Assumed depreciation cost	¥ 818 million																																																
Lease payments	¥ 709 million																																																
Assumed depreciation cost	¥ 709 million																																																
(4) Calculation method on assumed depreciation cost Straight-line method using the lease period as the useful life and with no residual value.	(4) Calculation method on assumed depreciation cost Same as left																																																
2. Operating leases Future lease payments	2. Operating leases Future lease payments																																																
<table border="1"> <tbody> <tr> <td>Due within one year</td> <td style="text-align: center;">¥ 126 million</td> </tr> <tr> <td>Due after one year</td> <td style="text-align: center;">¥ 157 million</td> </tr> <tr> <td>Total</td> <td style="text-align: center;">¥ 284 million</td> </tr> </tbody> </table>	Due within one year	¥ 126 million	Due after one year	¥ 157 million	Total	¥ 284 million	<table border="1"> <tbody> <tr> <td>Due within one year</td> <td style="text-align: center;">¥ 126 million</td> </tr> <tr> <td>Due after one year</td> <td style="text-align: center;">¥ 31 million</td> </tr> <tr> <td>Total</td> <td style="text-align: center;">¥ 157 million</td> </tr> </tbody> </table>	Due within one year	¥ 126 million	Due after one year	¥ 31 million	Total	¥ 157 million																																				
Due within one year	¥ 126 million																																																
Due after one year	¥ 157 million																																																
Total	¥ 284 million																																																
Due within one year	¥ 126 million																																																
Due after one year	¥ 31 million																																																
Total	¥ 157 million																																																

(Notes to Securities)

The Company had no available-for-sale securities for which the fair value is readily determinable in its stocks of subsidiaries and affiliates for the years ended March 31, 2004 and 2003.

(Notes to Tax — Effect Accounting)

Previous fiscal year (78th fiscal year) As of March 31, 2003		Current fiscal year (79th fiscal year) As of March 31, 2004	
(Millions of yen)		(Millions of yen)	
1. The significant components of deferred tax assets and liabilities are summarized as follows:		1. The significant components of deferred tax assets and liabilities are summarized as follows:	
(Deferred tax assets)		(Deferred tax assets)	
Inventories	405	Inventories	211
Allowance for doubtful accounts	345	Allowance for doubtful accounts	331
Investment securities	86	Investment securities	243
Accrued enterprise tax	174	Stock investment in subsidiaries	196
Reserve for bonuses	304	Accrued enterprise tax	235
Allowance for employees' retirement benefits	4,426	Reserve for bonuses	392
Retirement allowances for directors and statutory auditors	273	Allowance for employees' retirement benefits	3,116
Other	<u>328</u>	Retirement allowances for directors and statutory auditors	255
Total deferred tax assets	6,345	Account payable—other	1,981
		Other	<u>256</u>
(Deferred tax liabilities)		Sub-total deferred tax assets	7,220
Reserve for deferred gain on fixed assets for tax purposes	(1,268)	Valuation allowance	<u>(439)</u>
Gain on contribution of securities to employees' retirement benefit trust	(1,417)	Total deferred tax assets	6,781
Net unrealized holding gain on available-for-sale securities	(24)	(Deferred tax liabilities)	
Other	<u>(21)</u>	Reserve for deferred gain on fixed assets for tax purposes	(1,111)
Total deferred tax liabilities	<u>(2,732)</u>	Net unrealized holding gain on available-for-sale securities	(3,124)
Net deferred tax assets	3,612	Other	<u>(32)</u>
		Total deferred tax liabilities	<u>(4,268)</u>
		Net deferred tax assets	2,512
2. A reconciliation of the differences between the statutory tax rate and the effective tax rates is as follows;		2. A reconciliation of the differences between the statutory tax rate and the effective tax rates is as follows;	
(Unit %)		(Unit %)	
Statutory tax rate	42.0	Statutory tax rate	42.0
(Adjustment)		(Adjustment)	
Permanently nondeductible expenses such as entertainment expenditures	0.1	Permanently nondeductible expenses such as entertainment expenditures	1.2
Permanent exclusion from gross revenue such as dividends received	(2.3)	Permanent exclusion from gross revenue such as dividends received	(6.5)
Inhabitant tax per capita	1.1	Inhabitant tax per capita	0.8
Tax credit	(6.1)	Tax credit	(17.6)
Effect due to tax rate change	3.4	Effect due to tax rate change	4.3
Other	(6.3)	Other	13.2
Total	(10.1)	Total	(4.6)
Effective tax rates when tax-effect accounting is applied	31.9	Effective tax rates when tax-effect accounting is applied	37.4

(2) Transfers of Directors and Statutory Auditors

1. Candidate for new representative of the Company
Not yet determined
2. Retiring representative director
Executive Managing Director: Yutaka Otawa
3. Candidate for newly appointed director
Director: Mineo Iwata
4. Retiring director
None
5. Candidate for newly appointed statutory auditor
None
6. Retiring statutory auditor
None
7. Director being promoted
None