

5. Financial Statements

(1) Balance Sheet

(Unit: Thousand Yen)

Items	Period	As of May 31, 2001		As of May 31, 2002		Difference
		Amount	%	Amount	%	Amount
(Assets)						
Current Assets						
1. Cash and Cash Equivalents		541,868		616,490		74,621
2. Trade Notes Receivable		9,555		4,830		(4,725)
3. Account Receivable		284,932		115,833		(169,099)
4. Securities		10,000		50,019		40,019
5. Finished Goods		32,149		34,711		2,561
6. Raw Materials		56,578		61,434		4,856
7. Work in Process		27,895		34,350		6,455
8. Supplies		-		1,802		1,802
9. Prepaid Expenses		9,772		6,060		(3,712)
10. Deferred Tax Assets		6,312		859		(5,453)
11. Other Current Assets		681		6,172		5,490
Total Current Assets		979,747	90.6	932,563	76.6	(47,183)
Fixed Assets						
1. Tangible Fixed Assets						
(1) Buildings		2,278		1,608		(670)
(2) Machinery and Equipment		15,365		12,603		(2,762)
(3) Vehicles		13,985		9,524		(4,461)
(4) Tools, Furniture and Fixtures		8,191		5,422		(2,769)
Total Tangible Fixed Assets	1	39,820	3.7	29,157	2.4	(10,663)
2. Intangible Fixed Assets						
(1) Telephone Rights		233		233		-
(2) Patent Rights		657		547		(109)
(3) Software		1,252		2,241		989
Total Intangible Fixed Assets		2,143	0.2	3,022	0.3	879
3. Investments and Other Assets						
(1) Investment Securities		31,579		102,421		70,842
(2) Capital Contributions		10		10		-
(3) Long-Term Prepaid Expenses		2,663		6,423		3,760
(4) Deposits		17,727		22,104		4,376
(5) Reserves for Insurance		5,758		6,315		557
(6) Deferred Tax Assets		1,758		114,878		113,120
Total Investments and Other Assets		59,496	5.5	252,153	20.7	192,657
Total Fixed Assets		101,460	9.4	284,334	23.4	182,874
Total Assets		1,081,207	100.0	1,216,898	100.0	135,690

(Unit: Thousand Yen)

<div>Period</div> <div>Items</div>		As of May 31, 2001		As of May 31, 2002		Difference
		Amount	%	Amount	%	Amount
2	(Liabilities)					
	Current Liabilities					
	1. Account payable –trade	29,451		26,315		(3,136)
	2. Short-Term Loans Payable	233,400		106,720		(126,680)
	3. Current Portion Long-Term Loans Payable	42,756		192,358		149,602
	4. Accounts Payable - Other	25,684		27,465		1,781
	5. Accrued Expenses	-		646		646
	6. Income Taxes Payable	45,012		-		(45,012)
	7. Accrued Consumption Taxes	7,923		-		(7,923)
	8. Deposit Liabilities	2,874		2,727		(147)
	9. Reserves for After Sales Service of Products	4,054		2,096		(1,958)
	Total Current Liabilities	391,155	36.1	358,328	29.4	(32,827)
	Long-Term Liabilities					
	1. Bonds outstanding	-		150,000		150,000
	2. Long-Term Loans Payable	98,355		302,051		203,696
	3. Long-Term Accounts Payable	11,941		7,803		(4,137)
	4. Reserves for Retirement Allowances	1,758		2,245		487
	Total Long Term Liabilities	112,054	10.4	462,099	38.0	350,045
	Total Liabilities	503,209	46.5	820,427	67.4	317,218
	(Shareholders' Equity)					
	Common Stock	260,000	24.1	260,000	21.4	-
	Additional Paid-in Capital	191,000	17.7	191,000	15.7	-
	Legal Reserve of Earnings	-	-	2,600	0.2	2,600
	Other Reserves (Deficit)					
	1. Unappropriated Retained Earnings for the period	129,003		(50,646)		(179,650)
(Deficit)						
Total Other Reserves (Deficit)	129,003	11.9	(50,646)	(4.2)	(179,650)	
Valuation Variance of Other Securities with Market Value	(2,005)	(0.2)	(6,482)	(0.5)	(4,477)	
Total Shareholders' Equity	577,998	53.5	396,470	32.6	(181,527)	
Total Liabilities and Shareholders' Equity	1,081,207	100.0	1,216,898	100.0	135,690	

(2) Income Statement

(Unit: Thousand Yen)

Items	Period	Fiscal Year ended May 31, 2001 From June 1, 2000 to May 31, 2001		Fiscal Year ended May 31, 2002 From June 1, 2001 to May 31, 2002		Difference
		Amount	%	Amount	%	Amount
Sales						
1. Sales of Goods		805,672	100.0	242,939	100.0	(562,732)
Cost of Goods Sold						
1. Beginning Inventory		7,944		32,149		24,204
2. Purchases for the Period		22,500		4,000		(18,500)
3. Manufacturing Cost of Goods Produced		369,302		135,734		(233,567)
4. Transfer Balance from Other Accounts	1	-		4,200		4,200
Total		399,746		176,083		(223,662)
5. Transfer Balance to Other Accounts	2	4,200		1,968		(2,231)
6. Ending Inventory		32,149		34,711		2,561
Total Costs of Sales		363,397	45.1	139,404	57.4	(223,993)
Gross Income		442,274	54.9	103,535	42.6	(338,739)
Selling, General and Administrative Expenses						
1. Directors Remunerations		65,000		60,173		(4,826)
2. Salary Expenses		32,657		47,301		14,643
3. Bonuses		8,403		10,159		1,756
4. Sales Commissions		3,230		14,720		11,490
5. Traveling Expenses		16,203		15,946		(257)
6. Rents		16,196		17,561		1,364
7. Payment Commissions		36,923		41,095		4,172
8. Depreciation and Amortization		6,955		7,325		370
9. Retirement Allowance		508		177		(330)
10. Provisions for Product Liabilities		4,054		2,096		(1,958)
11. Research and Development	3	35,088		60,087		24,998
12. Others		80,835		65,975		(14,859)
Total Selling, General and Administrative Expenses		306,056	38.0	342,621	141.0	36,564
Operating Income (Loss)		136,218	16.9	(239,085)	(98.4)	(375,303)
Non-Operating Income						
1. Interest Income		107		140		33
2. Interest Income - Bonds		-		1,126		1,126
3. Dividends Received		150		0		(150)
4. Foreign Currency Gains		3,527		966		(2,560)
5. Miscellaneous Income		39		1,812		1,773
Total Non-Operating Income		3,824	0.5	4,046	1.7	221
Non-Operating Expenses						
1. Interest Expenses		7,971		11,178		3,207
2. Interest Payment on Bonds		-		417		417
3. Fees on Guarantees Loan		846		1,278		432
4. Stock Issuance Costs		9,416		-		(9,416)
5. Bonds Issuance Costs		-		3,975		3,975
6. Miscellaneous Losses		1,345		1,840		494
Total Non-Operating Expenses		19,580	2.4	18,690	7.7	(889)
Ordinary Income (Loss)		120,462	15.0	(253,729)	(104.4)	(374,192)

(Unit: Thousand Yen)

Items	Period	Fiscal Year ended May 31, 2001 From June 1, 2000 to May 31, 2001		Fiscal Year ended May 31, 2002 From June 1, 2001 to May 31, 2002		Difference
		Amount	%	Amount	%	Amount
Extraordinary Income						
1.Reversal of Allowances for Doubtful Accounts		364	0.0	-	-	(364)
Extraordinary Losses						
1.Losses on Sales of Fixed Assets	4	869		-		(869)
2.Losses on Sales of Investment Securities		-		143		143
3. Losses on Adjustment for Previous Year's Accounts	5	-		3,600		3,600
Total Extraordinary Losses		869	0.1	3,743	1.6	2,874
Net Income before Taxes for the Year (Loss)		119,958	14.9	(257,473)	(106.0)	(377,431)
Provision for Income Taxes		54,644	6.8	290	0.1	(54,354)
Reversal from Provision for Income Tax for Previous Year		-	-	(2,156)	(0.9)	(2,156)
Adjustments for Income Taxes and others		333	0.0	(104,556)	(43.0)	(104,889)
Net Income (Losses)		64,980	8.1	(151,050)	(62.2)	(216,030)
Retained Earnings Brought Forward		64,023		100,403		36,380
Unappropriated Retained Earnings (Deficit)		129,003		(50,646)		(179,650)

Manufacturing Statement

(Unit: Thousand Yen)

Items	Period	Fiscal Year ended May 31, 2001 From June 1, 2000 to May 31, 2001		Fiscal Year ended May 31, 2002 From June 1, 2001 to May 31, 2002		Difference
		Amount	%	Amount	%	Amount
Material Costs	1	144,720	39.8	39,928	27.4	(104,791)
Labor Costs		53,463	14.7	33,908	23.3	(19,555)
Production Costs Paid to Subcontractors		116,973	32.1	39,687	27.2	(77,285)
Expenses		48,615	13.4	32,161	22.1	(16,453)
Total Manufacturing Costs		363,773	100.0	145,686	100.0	(218,086)
Beginning Work in Process	2	44,984		27,895		(17,088)
Total		408,757		173,582		(235,175)
Ending Work in Process		27,895		34,350		6,455
Transfer balance to other Account		11,559		3,496		(8,063)
Manufacturing Costs of Goods Produced		369,302		135,734		(233,567)

Notes

Fiscal Year ended May 31,2001 (From June 1,2000 to May 31,2001)		Fiscal Year ended May 31,2002 (From June 1,2001 to May 31,2002)	
1	Major items of expenses (In Thousand Yen)	1	Major items of expenses (in Thousand Yen)
	Traveling Expenses 14,255		Traveling Expenses 8,104
	Transportation Costs 8,095		Transportation Costs 7,118
	Rents 10,186		Rents 9,815
2	Details of Transfer Balance to Other Accounts (In Thousand Yen)	2	Details of Transfer Balance to Other Accounts (In Thousand Yen)
	Machinery and Equipment 7,507		Machinery and Equipment 227
	Tools, Furniture and Fixtures 253		Selling, General and Administrative Expenses <u>3,269</u>
	Selling, General and Administrative Expenses <u>3,799</u>		Total <u>3,496</u>
	Total <u>11,559</u>		
3	Cost Accounting	3	Cost Accounting
	Job Cost Costing based on Actual Costs		Same as left

(3) Cash Flows Statement

(Unit: Thousand Yen)

Items	Period	FY ended May 31, 2001 From June 1, 2000 to May 31, 2001	FY ended May 31, 2002 From June 1, 2001 to May 31, 2002	Difference
		Amount	Amount	Amount
Cash Flows from Operating Activities				
1. Net Income before Taxes		119,958	(257,473)	(377,431)
2. Depreciation and Amortization		11,747	12,600	852
3. Decreases in Allowances for Doubtful Accounts		(364)	-	364
4. Decreases in Reserves for After Sales Service of Products		(4,214)	(1,958)	2,256
5. Decrease in Reserves for Employee Retirement Allowances		(510)	-	510
6. Increases in Reserves for Employee Retirement Allowances		1,758	487	(1,271)
7. Interest and Dividend Income		(257)	(141)	116
8. Interest Expenses Fees on Guarantee		8,817	12,457	3,639
9. Stock Issuance Costs		9,416	-	(9,416)
10. Bond issuance Costs		-	3,975	3,975
11. Foreign Exchange Gains		(3,527)	(20)	3,506
12. Loss on Sales of Tangible Fixed Assets		869	-	(869)
13. Loss on Sales of Investment Securities		-	143	143
14. Adjustment for Previous Year's Accounts		-	3,600	3,600
15. Decrease in Account Receivables (Increase)		(228,770)	166,024	394,794
16. Increase in Inventories		(28,462)	(11,475)	16,987
17. Increase in Account Payables (Decrease)		9,749	(3,136)	(12,885)
18. Increase in Other Assets and Liabilities		4,249	(6,410)	(10,659)
Sub-total		(99,540)	(81,327)	18,213
19. Receipt of Interest and Dividend Income		257	117	(139)
20. Payment of Interest Expense and Fees on Guarantee		(8,216)	(17,119)	(8,903)
21. Payment of Income Tax		(51,855)	(43,254)	8,601
Net Cash Used in Operating Activities		(159,354)	(141,583)	17,771
Cash Flows from Investing Activities				
1. Payments to Time Deposits		(48,103)	(56,704)	(8,601)
2. Proceeds from Time Deposits		13,400	60,301	46,901
3. Purchases of Securities		(10,000)	(60,000)	(50,000)
4. Proceeds from Sales of Securities		-	20,004	20,004
5. Purchases of Fixed Assets		(43,005)	(5,204)	37,801
6. Proceeds from Sales of Fixed Assets		428	-	(428)
7. Purchases of Intangible Fixed Assets		(1,116)	(1,750)	(634)
8. Purchases of Investment Securities		(34,978)	(88,107)	(53,129)
9. Proceeds from Sales of Investment Securities		-	9,533	9,533
10. Other, Net		(14,390)	(4,934)	9,456
Net Cash used in Investing Activities		(137,766)	(126,863)	10,903
Cash Flows from Financing Activities				
1. Increase in Short-Term Debt (Decrease)		233,400	(126,680)	(360,080)
2. Proceeds from Long-Term Debts		20,000	500,000	480,000
3. Repayment of Long-Term Debts		(39,786)	(146,702)	(106,916)
4. Proceeds from Issuance of New Shares		266,583	-	(266,583)
5. Proceeds from Issuance of Bonds		-	146,025	146,025
6. Payment of Dividend		-	(26,000)	(26,000)
Net Cash Provided by Financing Activities		480,197	346,643	(133,554)
Effect of Exchange Rate Changes on Cash and Cash Equivalents		1,627	20	(1,606)
Increases in Cash and Cash Equivalents		184,703	78,217	(106,485)
Cash and Cash Equivalents at Beginning of Year		304,551	489,254	184,703
Cash and Cash Equivalents at End of Year		489,254	567,472	78,217

(4) Statement of Appropriation of Retained Earnings and Disposition of Deficit

Appropriation of Retained Earnings

Disposition of Deficit

(Unit: Thousand Yen)

<div><div>Period</div><div>Items</div></div>	Fiscal Year ended May 31, 2001 Approved at AGM on August 29, 2001		<div><div>Period</div><div>Items</div></div>	Fiscal Year ended May 31, 2002 To be approved at AGM on August 28, 2002	
	Amount			Amount	
Unappropriated Retained Earning for the period		129,003	Balance of Deficit at the end of the Period		46,486
Profit Appropriations			Deficit carried forward		
1. Legal Reserves	2,600				46,486
2. Dividends	26,000	28,600			
Unappropriated Retained Earnings Carried Foward		100,403			

Important Accounting Policies

Item	Period	Fiscal Year ended May 31, 2001 (From June 1, 2000 to May 31, 2001)	Fiscal Year ended May 31, 2002 (From June 1, 2001 to May 31, 2002)
1. Securities Valuation Basis and Valuation Methodology		Securities Securities with Market Value Market value method using market prices at the fiscal year end. (Differences in valuation are included in capital accounts using the moving average method for cost calculation.) Non-marketable Securities Cost Method on Moving Average	Securities Securities with Market Value Same as left Non-marketable Securities Same as left
2. Inventory Valuation Basis and Valuation Methodology		(1) Finished Goods • Work in Process Same as last year (2) Raw Materials FIFO Basis Cost Method	(1) Finished Goods • Work in Process Same as left (2) Raw Materials Same as left
3. Depreciation of Fixed Assets		(1) Tangible Fixed Assets The depreciation method of tangible fixed assets is based on the declining balance method Assets with acquired costs of over 100 thousand Yen but less than 200 thousand Yen are depreciated over 3 years in the fixed amount method	(1) Tangible Fixed Assets Same as left
		(2) Intangible Fixed Assets The amortization method of software used is based on the straight-line method over the life of assets of 5 years.	(2) Intangible Fixed Assets Same as left
4. Deferred Assets		(1) Stock Issuance Costs Treated as expenses at the time of issuance.	(1) Stock Issuance Costs _____ (2) Bond Issuance Costs Treated as expenses at the time of issuance
5. Foreign Exchange Translation Standards for Assets and Liabilities in Foreign Currencies		Foreign currency assets and liabilities are converted to Japanese Yen using the spot rates for the year-end, and differences in valuation should be treated in profit or loss.	Same as left

Item	Period	Fiscal Year ended May 31, 2001 (From June 1, 2000 to May 31, 2001)	Fiscal Year ended May 31, 2002 (From June 1, 2001 to May 31, 2002)
6 . Recognition Standards for Reserves		<p>(1) Allowances for Doubtful Accounts In order to properly reserve for loss from uncollectible accounts, reserve is set up by the following method</p> <p>a. for regular receivables, based on actual default ratio experienced</p> <p>b. for doubtful accounts, based on estimated uncollectible amount examining credit risk of each account.</p> <p>(2) Reserves for After Sales Service of Products Reserves for After Sales Service of Products are set up at the amount estimated for the service costs within the warranty period.</p> <p>(3) Reserves for Retirement Allowances Reserves for Retirement Allowances were set up in accordance with Guidelines for Accounting of Retirement Allowance (Accounting System Committee Report No.13), the necessary payments of retirement allowances were computed under the retirement allowance regulations on the assumption that employees retire for personal reasons at the end of year. There is no impact to the financial statements made due to the change of accounting standards.</p> <p>(Additional Information) Beginning in the current period, Accounting Principles for Retirement Allowance (“Opinion for setting up accounting standards with regards to retirement allowance”, Corporate Accounting Committee, June 16, 1998) are applied. There is no impact to the financial statements made due to this change of accounting standards. The amount indicated includes reserve for retirement annuity.</p>	<p>(1) Allowances for Doubtful Accounts Same as left</p> <p>(2) Reserves for After Sales Service of Products Same as left</p> <p>(3) Reserves for Retirement Allowances Reserves for Retirement Allowances were set up in accordance with Guidelines for Accounting of Retirement Allowance (Accounting System Committee Report No.13), the necessary payments of retirement allowances were computed under the retirement allowance regulations on the assumption that employees retire for personal reasons at the end of year.</p>
7.Accounting Treatment for Lease Transactions		Except for Leases where ownership transfers to Lessee, financing lease transactions are booked according to the regular accounting treatment for ordinary rent/borrow transactions.	Same as left
8.Definition of Cash in Cash Flows Statements		Definition of cash (cash and cash equivalents) in the cash flows statement is cash on hand, bank deposit in savings A/C and short-term investments with maturity not exceeding 3 months, with little risk of change in valuation, and easy convertibility to cash.	Same as left
9.Other significant items in prepaing this year’s financial statement		(1)Accounting treatment for Consumption Taxes Revenue is recorded excluding collected consumption tax.	(1) Accounting treatment for Consumption Taxes Same as left

Additional Information

Fiscal Year ended May 31, 2001 (From June 1, 2000 to May 31, 2001)	Fiscal Year ended May 31, 2002 (From June 1, 2001 to May 31, 2002)
<p>(Financial Product Accounting)</p> <p>This fiscal year, we adopted the Financial Products Accounting Standard for setting up accounting standards with regard to financial products (Corporate Accounting Committee, January 22, 1999), which affected our securities valuation method. The effect of the adoption of this standard is immaterial.</p> <p>(Foreign Currency Transaction Accounting)</p> <p>This fiscal year, we adopted the Foreign Currency Transaction Accounting Standards for revising foreign currency transaction accounting standards (Corporate Accounting Committee, October 22, 1999.) The effect of the adoption of this standard is immaterial.</p>	<p>—</p> <p>—</p>

Notes

(Balance Sheet Related)

As of May 31, 2001	As of May 31, 2002
<p>1 Accumulated Depreciation of Tangible Fixed Assets 17,870 thousand Yen</p> <p>2 Authorized & Issued Share Capital</p> <p>Authorized shares 44,000 shares Issued shares 13,000 shares</p>	<p>1 Accumulated Depreciation of Tangible Fixed Assets 29,600 thousand Yen</p> <p>2 Authorized & Issued Share Capital</p> <p>Authorized shares 44,000 shares Issued shares 13,000 shares</p>

(Income Statement Related)

Fiscal Year ended May 31, 2001 (From June 1, 2000 to May 31, 2001)	Fiscal Year ended May 31, 2002 (From June 1, 2001 to May 31, 2002)
<p>2 . Transfer balance to other accounts Machinery and Equipment 4,200 thousand Yen</p> <p>3 Total R&D expenditures R&D expenses included in general administrative expenses 35,088 thousand Yen</p> <p>4 . Losses in Sales of Fixed Assets Vehicles 869 thousand Yen</p>	<p>1 . Transfer balance from other accounts Return of Goods sold 4,200 thousand Yen</p> <p>2 . Transfer balance to other accounts Tools, Furniture and Fixtures 479 thousand Yen Raw Material 1,489 thousand Yen Total 1,968 thousand Yen</p> <p>3 . Total R&D expenditures R&D expenses included in general administrative expenses 60,087 thousand Yen</p> <p>5 Losses on adjustment for previous year's accounts Adjustment of sales amount made due to return of goods sold.</p>

(Cash Flows Statement Related)

Fiscal Year ended May 31, 2001 (From June 1, 2000 to May 31, 2001)	Fiscal Year ended May 31, 2002 (From June 1, 2001 to May 31, 2002)
Breakdown of Balance of Cash & Cash Equivalents (in thousands of Yen)	Breakdown of Balance of Cash & Cash Equivalents (in thousands of Yen)
Amount indicated in Cash & Cash Equivalents A/C of B/S 541,868	Amount indicated in Cash & Cash Equivalents A/C of B/S 616,490
Balance of fixed deposits of more than 3 months tenure (52,613)	Balance of fixed deposits of more than 3 months tenure (49,017)
Amount of Cash & Cash Equivalents A/C 489,254	Amount of Cash & Cash Equivalents A/C 567,472

(Lease Related Transactions)

Fiscal Year ended May 31, 2001 (From June 1, 2000 to May 31, 2001)	Fiscal Year ended May 31, 2002 (From June 1, 2001 to May 31, 2002)
Finance Leases other than that of ownership transfers to Lessee	Finance Leases other than that of ownership transfers to Lessee
1. Acquisition amount, accumulated depreciation and fiscal year end balance equivalent of the lease property Item Type: Tools, Furniture & Fixtures Acquisition price equivalent 4, 070 thousand Yen Accumulated depreciation equivalent 732 thousand Yen Fiscal year end balance equivalent 3,338 thousand Yen	1. Acquisition amount, accumulated depreciation and fiscal year end balance equivalent of the lease property Item Type: Tools, Furniture & Fixtures Acquisition price equivalent 4, 070 thousand Yen Accumulated depreciation equivalent 1,432 thousand Yen Fiscal year end balance equivalent 2,637 thousand Yen
2. Lease payment balance at the end of fiscal year Less than a year 679 thousand Yen More than a year 2,695 thousand Yen Total 3,374 thousand Yen	2. Lease payment balance at the end of fiscal year Less than a year 694 thousand Yen More than a year 2,001 thousand Yen Total 2,695 thousand Yen
3. Lease Payments, depreciation expense and interest payment equivalents Lease Payments 745 thousand Yen Depreciation Expenses 700 thousand Yen Interest Payments 80 thousand Yen	3. Lease Payments, depreciation expense and interest payment equivalents Lease Payments 745 thousand Yen Depreciation Expenses 700 thousand Yen Interest Payments 66 thousand Yen
4. Depreciation equivalent calculation method We use the straight-line method with the lease period as depreciable life and a residual value of zero.	4. Depreciation equivalent calculation method Same as left
5. Calculation method for interest payment equivalents The difference between total lease payments and acquisition price equivalents is treated as interest equivalent. It is allocated to each period using the interest method.	5. Calculation method for interest payment equivalents Same as left

(Securities Related)

Fiscal Year ended May 31, 2001 (As of May 31, 2001)

Securities

1. Other Securities with Market Price

(Unit: Thousand Yen)

Type	Cost	Amount listed on the current balance sheet	Difference
Securities with market value exceeding amount initially listed on balance sheet			
Stocks	-	-	-
Bonds	-	-	-
Others	-	-	-
Securities with market value not exceeding amount initially listed on balance sheet			
Stocks	-	-	-
Bonds	-	-	-
Others	34,978	31,579	(3,399)
Subtotal	34,978	31,579	(3,399)
Total	34,978	31,579	(3,399)

2. Securities without Market Price

(Unit: Thousand Yen)

Type	Amount listed on balance sheet
Other Securities: Money Management Fund	10,000

Fiscal Year ended May 31, 2002 (As of May 31, 2002)

Securities

1. Other Securities with Market Price

(Unit: Thousand Yen)

Type	Cost	Amount listed on the current balance sheet	Difference
Securities with market value exceeding amount initially listed on balance sheet			
Stocks	-	-	-
Bonds	-	-	-
Others	-	-	-
Securities with market value not exceeding amount initially listed on balance sheet			
Stocks	-	-	-
Bonds	-	-	-
Others	113,409	102,421	(10,987)
Subtotal	113,409	102,421	(10,987)
Total	113,409	102,421	(10,987)

2. Securities without Market Price

(Unit: Thousand Yen)

Type	Amount listed on balance sheet
Other Securities:	
Free Financial Fund	50,011
Medium-term Government Bond Funds	8
Total	50,019

3. Securities Sold during the period from June 1, 2001 to May 31, 2002

Detailed explanations are omitted due to immateriality of gain/loss out of sales of securities.

(Derivatives related)

Fiscal Year ended May 31, 2001 (From June 1, 2000 to May 31, 2001)

The company did not use derivative transactions; thus no disclosure is required on derivatives.

Fiscal Year ended May 31, 2001 (From June 1, 2001 to May 31, 2002)

The company did not use derivative transactions; thus no disclosure is required on derivatives.

(Retirement Allowance Related)

1. General Description of Retirement Allowances Arrangement instituted

Company has a retirement allowance payment arrangement based on in-house rules of Company retirement regulations.

2. Retirement Allowance Liabilities

(Unit: Thousand Yen)

	As of May 31, 2001	As of May 31, 2002
Retirement Allowance Liabilities	1,758	2,245
Retirement Allowance Reserves	1,758	2,245

3. Retirement Allowance Expenses

(Unit: Thousand Yen)

	Fiscal Year ended May 31, 2001 (From June 1, 2000 to May 31, 2001)	Fiscal Year ended May 31, 2002 (From June 1, 2001 to May 31, 2002)
Employment Expenses	1,248	487
Retirement Allowance Expenses	1,248	487

(Deferred Tax Related)

As of May 31, 2001	As of May 31, 2002
1. Deferred tax assets and deferred tax liabilities details (Deferred tax assets) Accrued enterprise tax denied 3,753 thousand Yen Product warranty reserves denied 1,662 thousand Yen Retirement allowance reserves exceeding allowable loss limit 364 thousand Yen Other securities valuation differences 1,393 thousand Yen Others <u>895 thousand Yen</u> Total deferred tax assets 8,070 thousand Yen (Deferred tax liabilities) <u>—</u> Net deferred tax assets <u>8,070 thousand Yen</u>	1. Deferred tax assets and deferred tax liabilities details (Deferred tax assets) Product warranty reserves denied 859 thousand Yen Retirement allowance reserves exceeding allowable loss limit 766 thousand Yen Other securities valuation differences 4,504 thousand Yen Deficit carried forward 108,555 thousand Yen Others <u>1,051 thousand Yen</u> Total deferred tax assets 115,738 thousand Yen (Deferred tax liabilities) <u>—</u> Net deferred tax assets <u>115,738 thousand Yen</u>
2. Details of items generating a difference between effective tax rates and legal effective tax rates after tax effect accounting Legal effective tax rate 41.0% (Adjustments) Permanent differences such as entertainment 1.5 Inhabitants tax installment 0.2 Tax on reserves 2.3 Others <u>(0.8)</u> Effective corporate tax rate after tax effect accounting <u>45.8%</u>	2. Details of items generating a difference between effective tax rates and legal effective tax rates after tax effect accounting Notes relating to the difference between legal effective tax rate and effective corporate tax rate after tax effect accounting are omitted because the difference is less than 5% of legal effective tax.

(Equity Method Income or Losses)

Fiscal Year ended May 31, 2001 (From June 1, 2000 to May 31, 2001)

Not applicable.

Fiscal Year ended May 31, 2002 (From June 1, 2001 to May 31, 2002)

Not applicable.

(Transactions with Related Parties)

Fiscal Year ended May 31, 2001 (From June 1, 2000 to May 31, 2001)

Directors and Individual Shareholders

(Unit: Thousand Yen)

Type	Name of shareholder	Address	Capital or Investment	Business engaged in or job title	Voting power percentage	Relationship		Transaction types	Transaction amounts	Accounts	Ending balance
						Directors served on both companies	Business relationship				
Main shareholder (Individual) Director and his family	Hideo Kiji	—	—	President	Direct ownership 43.7%	—	—	Loan Guarantee	230,236	—	—
Main shareholder (Individual) Director and his family	Masaaki Kurimura	—	—	Managing Director	Direct ownership 12.4%	—	—	Loan Guarantee	121,826	—	—

(Notes)

1. Transaction amounts listed above do not include consumption tax.
2. Loan guaranteed by the President of 230,236 thousand Yen includes the 121,826 thousand Yen jointly guaranteed by our Managing Director of the company.

(Transaction Terms and Principles of Determining Transaction Terms)

Loan guarantees are applied for financial institutions and there is no guarantee payment.

Fiscal Year ended May 31, 2002 (From June 1, 2001 to May 31, 2002)

Directors and Individual shareholders

(Unit: Thousand Yen)

Type	Name of shareholder	Address	Capital or Investment	Business engaged in or job title	Voting power percentage	Relationship		Transaction Types	Transaction amounts	Accounts	Ending balance
						Directors served on both companies	Business relationship				
Main shareholder (Individual) Director and his family	Hideo Kiji	—	—	President	Direct ownership 44.2%	—	—	Loan Guarantee	96,132	—	—
Main shareholder (Individual) Director and his family	Masaaki Kurimura	—	—	Managing Director	Direct ownership 9.7%	—	—	Loan Guarantee	81,118	—	—

(Notes)

1. Transaction amounts listed above do not include consumption tax.
2. Loan guaranteed by the President of 96,132 thousand Yen includes the 81,118 thousand Yen jointly guaranteed by our Managing Director of the company.

(Transaction Terms and Principles of Determining Transaction Terms)

Loan guarantees are applied for financial institutions and there is no guarantee payment.

(Per Share Information)

Item \ Period	Fiscal Year ended May 31, 2001 (From June 1, 2000 to May 31, 2001)	Fiscal Year ended on May 31, 2002 (From June 1, 2001 to May 31, 2002)
Net Asset per Share	44,461.41 Yen	30,497.73 Yen
Net Income (Loss) per Share	5,608.51 Yen	(11,619.29 Yen)
	Net income per share after dilution is not disclosed since no new bonds with subscription rights nor convertible bonds were issued this year.	Net income per share after dilution is not disclosed since no stock option becomes exercisable at the end of the period under the Company' Stock Option Scheme.

6. Production, Sales Order and Sales

(1) Production

(Unit: thousand Yen)

	Fiscal Year ended May 31, 2001 (From June 1, 2000 to May 31, 2001)	Fiscal Year ended May 31, 2002 (From June 1, 2001 to May 31, 2002)	Difference	
	Amount (In Thousand Yen)	Amount (In Thousand Yen)	Amount (In Thousand Yen)	In percentage
Illuminator	803,051	185,351	(617,700)	(76.9)
Others	49,962	49,188	(774)	(1.5)
Total	853,014	234,539	(618,474)	(72.5)

(Notes) 1. The figures above are based on sales figures.

2. The amounts do not include consumption tax.

(2) Received Orders

(Unit: thousand Yen)

	Fiscal Year ended May 31, 2001 (From June 1, 2000 to May 31, 2001)		Fiscal Year ended May 31, 2002 (From June 1, 2001 to May 31, 2002)		Difference	
	Received Orders (In Thousand Yen)	Back Orders (In Thousand Yen)	Received Orders (In Thousand Yen)	Back Orders (In Thousand Yen)	Received Orders (In Thousand Yen)	Back Orders (In Thousand Yen)
Illuminator	1,098,764	487,004	164,600	452,853	(934,164)	(34,151)
Others	49,962	-	84,188	40,000	34,225	40,000
Total	1,148,726	487,004	248,788	492,853	(899,938)	5,849

(Notes) The amounts do not include consumption taxes.

(3) Sales Performance

(Unit: thousand Yen)

	Fiscal Year ended May 31, 2001 (From June 1, 2000 to May 31, 2001)	Fiscal Year ended May 31, 2002 (From June 1, 2001 to May 31, 2002)	Difference	
	Amount (In Thousand Yen)	Amount (In Thousand Yen)	Amount (In Thousand Yen)	In percentage
Illuminator	755,710	198,751	556,958	(73.7)
Others	49,962	44,188	5,774	(11.6)
Total	805,672	242,939	562,732	(69.8)

(Notes) 1. The amounts do not include consumption tax.

2. The following table indicates breakdown of export amounts by region, shares in the company's export by region and ratio of export to total sales for the last two fiscal years. Export is defined as sales to non-resident. Figure in () indicate ratio of export to total sales. The amounts do not include consumption tax.

Destination	Fiscal Year ended May 31, 2001 (From June 1, 2000 to May 31, 2001)		Fiscal Year ended May 31, 2002 (From June 1, 2001 to May 31, 2002)	
	Amount (In Thousand Yen)	%	Amount (In Thousand Yen)	%
North America	62,240	38.9	595	0.8
Europe	-	-	23,199	29.4
Asia	97,614	61.1	55,088	69.8
Total	159,854 (19.8%)	100.0	78,883 (32.5%)	100.0

3. The following table indicates sales amount to major customers and ratio of sales to individual major customers to total sales amount. The amounts do not include consumption tax.

Customers	Fiscal Year ended May 31, 2001 (From June 1, 2000 to May 31, 2001)		Fiscal Year ended May 31, 2002 (From June 1, 2001 to May 31, 2002)	
	Amount (In Thousand Yen)	%	Amount (In Thousand Yen)	%
Iwate Toshiba Electronics Co., Ltd.	28,691	3.6	43,473	17.9
Matsushita Electric Industrial Co., Ltd. (Formerly Matsushita Electronics Corporation)	255,360	31.7	10,602	4.4
Others	521,620	64.7	188,864	77.7
Total	805,672	100.0	242,939	100.0

7. Change in members of Board of Directors

Not Applicable

This financial report is solely a translation of summary of "Kessan Tanshin" (in Japanese, including attachments),

which has been prepared in accordance with accounting principles and practices generally accepted in Japan,

for the convenience of readers who prefer an English translation.