

Significant Accounting Policies:

1. **Basis of Presentation of Consolidated Financial Statements**
The company's consolidated financial statements are prepared in conformity with U.S. GAAP. See Note 2 of Notes to consolidated financial statements on page 16.
2. **Inventories**
Finished goods and work in process are stated at the lower of cost (average) or market. Raw materials are stated at cost, principally on a first-in, first-out basis, not in excess of current replacement cost.
3. **Marketable Securities**
The company accounts for debt and equity securities in accordance with Statement of Financial Accounting Standards (SFAS) No.115, "Accounting for Certain Investments in Debt and Equity Securities."
4. **Property, Plant and Equipment, and Depreciation**
Property, plant and equipment is stated at cost. Depreciation is computed primarily using the declining balance method.
5. **Leases**
The company accounts for leases in accordance with SFAS No.13, "Accounting for Leases."
6. **Income Taxes**
Income taxes are accounted for under the asset and liability method. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the fiscal year that includes the enactment date.
7. **Retirement and Severance Benefits**
The company accounts for retirement and severance benefits in accordance with SFAS No. 87, "Employers' Accounting for Pensions" and SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans."
8. **Derivative Financial Instruments**
The company accounts for derivative financial instruments in accordance with SFAS No.133, "Accounting for Derivative Instruments and Hedging Activities."