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KOMERI

INVESTORS' GUIDE 2002

KOMERI

Five Operating Divisions and Stores;

As End of March 31, 2002

BUSINESS TERRITORY AND STORE EXPANSION

As of the end of March 2002, Komeri Co., Ltd. operates 515 stores in 27 prefectures out of 47 prefectures in Japan. By establishing new divisional office for management and distribution center along with territory expansion, we can prevent declining in management efficiency and realize more flexible operations corresponding to local conditions.

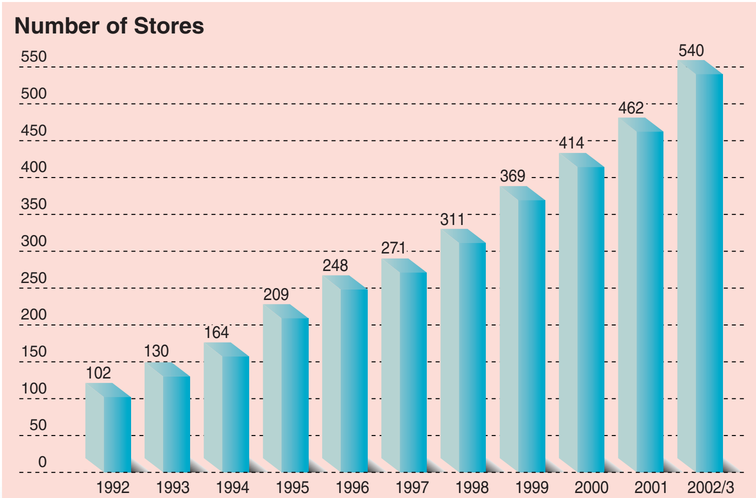
In January 2003, the sixth divisional office and distribution center will be opened at Okayama, one of the key points in western Japan. Komeri is going to accelerate its store openings and chain expansion towards 1,000 stores network in all over the nation.

M&A AS ANOTHER GROWTH DRIVER

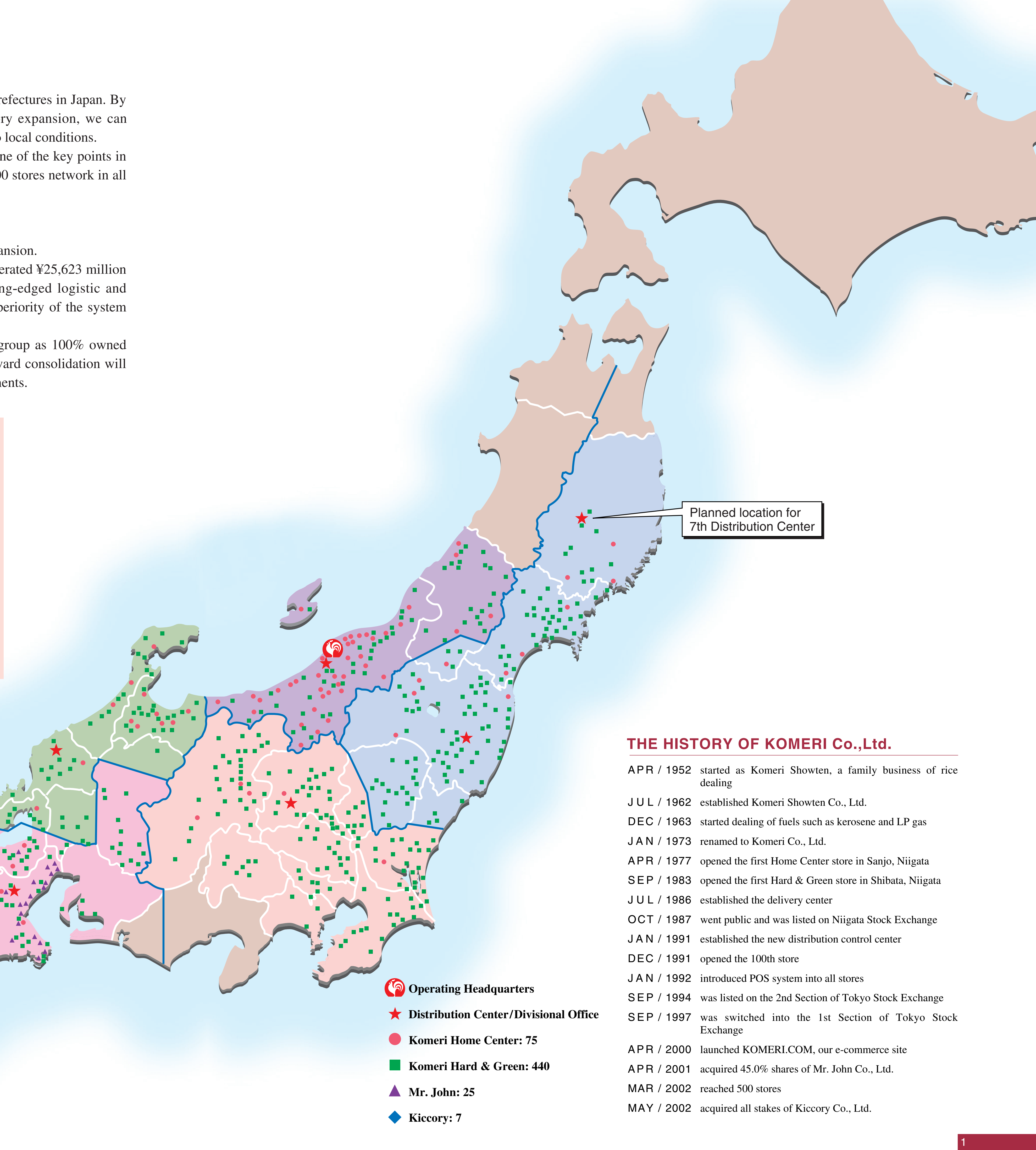
Komeri also takes M&A strategy into account for accelerating market dominance and further expansion.

In April 2001, Komeri acquired the stake of Mr. John Co., Ltd., a local HC chain which had generated ¥25,623 million revenues from its 25 stores in FY2000, but suffered in operating loss. With Komeri's cutting-edged logistic and information system, Mr. John has achieved “v-shaped” recovery in FY2001 and proved the superiority of the system developed by Komeri.

Following above, Kiccory Co., Ltd., an operator of 7 DIY stores, has joined into the Komeri group as 100% owned subsidiary in May 2002. Under tougher competition and weak consumer spending, the trend toward consolidation will become stronger than ever in the industry. Komeri is expected to take a major role in such movements.



Notes: store count as of 2002/3 includes 25 stores of Mr. John.



THE HISTORY OF KOMERI Co.,Ltd.

APR / 1952	started as Komeri Showten, a family business of rice dealing
JUL / 1962	established Komeri Showten Co., Ltd.
DEC / 1963	started dealing of fuels such as kerosene and LP gas
JAN / 1973	renamed to Komeri Co., Ltd.
APR / 1977	opened the first Home Center store in Sanjo, Niigata
SEP / 1983	opened the first Hard & Green store in Shibata, Niigata
JUL / 1986	established the delivery center
OCT / 1987	went public and was listed on Niigata Stock Exchange
JAN / 1991	established the new distribution control center
DEC / 1991	opened the 100th store
JAN / 1992	introduced POS system into all stores
SEP / 1994	was listed on the 2nd Section of Tokyo Stock Exchange
SEP / 1997	was switched into the 1st Section of Tokyo Stock Exchange
APR / 2000	launched KOMERI.COM, our e-commerce site
APR / 2001	acquired 45.0% shares of Mr. John Co., Ltd.
MAR / 2002	reached 500 stores
MAY / 2002	acquired all stakes of Kiccory Co., Ltd.

10-YEAR SUMMARY OF FINANCIAL AND OPERATING RESULTS

KOMERI Co., Ltd. and Subsidiaries

	5-Year Compound	Years ended March 31									
amounts in millions, except where noted	Annual Growth Rate	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Statements of Income Data	(%)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)
Total revenues	16.9	170,367	127,508	113,332	97,322	85,486	78,022	68,193	58,629	47,903	41,927
Total revenues increase(%)	---	33.6	12.5	16.5	13.8	9.6	14.4	16.3	22.4	14.3	14.7
Cost of sales	16.6	114,130	85,175	76,635	65,334	57,976	52,931	46,229	39,878	32,877	29,124
Selling, general, and administrative expenses	17.4	45,316	34,255	29,482	25,865	22,580	20,290	17,913	15,237	11,817	9,854
Operating income	17.9	10,920	8,078	7,216	6,123	4,929	4,801	4,052	3,515	3,210	2,948
Operating income increase (%)	---	35.2	12.0	17.8	24.2	2.7	18.5	15.3	9.5	8.9	16.4
Income before income taxes	19.4	9,672	7,186	6,093	5,503	4,260	3,985	3,451	2,791	2,737	2,400
Net income	24.5	5,635	3,965	3,328	2,449	2,196	1,881	1,834	1,352	1,341	1,152
Net income increase(%)	---	42.1	19.1	35.9	11.5	16.7	2.6	35.6	0.9	16.3	22.6
Earnings per share (actual)	18.9	123.18	88.19	75.96	59.08	53.90	51.88	56.82	49.39	57.14	55.01
Earnings per share increase(%)	---	39.7	16.1	28.6	9.6	3.9	-8.7	15.0	-13.6	3.9	9.1
Weighted average number of shares outstanding (thousand)	4.8	45,748	44,962	43,814	41,462	40,740	36,254	32,280	27,379	23,460	20,946
Gross margin-% of revenues	---	33.0	33.2	32.4	32.9	32.2	32.2	32.2	32.0	31.4	30.5
SG&A expenses-% of revenues	---	26.6	26.9	26.0	26.6	26.4	26.0	26.3	26.0	24.7	23.5
Operating margin-% of revenues	---	6.4	6.3	6.4	6.3	5.8	6.2	5.9	6.0	6.7	7.0
Net interest expense-% of revenues	---	0.5	0.4	0.5	0.6	0.7	0.7	0.8	1.0	1.1	1.0
Income before income taxes-% of revenues	---	5.7	5.6	5.4	5.7	5.0	5.1	5.1	4.8	5.7	5.7
Net income-% of revenues	---	3.3	3.1	2.9	2.5	2.6	2.4	2.7	2.3	2.8	2.7
Balance Sheet Data and Financial Ratios		(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)
Total assets	17.5	135,431	101,227	88,405	77,681	67,767	60,385	55,251	49,437	39,286	30,045
Merchandise inventories	18.5	38,621	30,026	27,381	22,308	19,538	16,522	15,692	14,709	10,445	7,872
Net property and equipment	18.4	64,178	48,802	40,892	37,381	31,991	27,581	24,512	21,883	18,020	13,809
Long-term liabilities	9.9	20,640	20,812	19,317	19,660	15,853	12,898	11,242	11,831	10,507	7,749
Shareholders' equity	25.5	59,695	40,785	37,835	23,745	22,073	19,180	17,881	16,565	10,142	9,162
Book value per share (actual)	17.1	1,149	907	841	573	532	521	545	580	426	431
Long-term liabilities to equity (%)	---	34.6	51.0	51.1	82.8	71.8	67.2	62.9	71.4	103.6	84.6
Current ratio	---	1.03:1	1.00:1	1.14:1	0.85:1	0.86:1	0.83:1	0.84:1	0.90:1	0.76:1	0.83:1
Equity Ratio(%)	---	44.1	40.3	42.8	30.6	32.6	31.8	32.4	33.5	25.8	30.5
Inventory turnover (month)	---	3.6	4.0	3.9	3.8	3.7	3.7	3.9	3.8	3.3	2.9
Return on equity (%)	---	11.2	10.1	10.8	10.7	10.6	10.2	10.6	10.1	13.9	13.2
Return on assets (%)	---	4.8	4.2	4.0	3.4	3.4	3.3	3.5	3.0	3.9	4.2
Statement of Cash Flows Data		(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)
Depreciation and amortization	21.6	4,940	3,597	3,174	2,762	2,086	1,855	1,620	1,336	1,006	855
Capital investment	9.7	8,859	11,144	7,387	9,180	7,258	5,570	4,520	6,602	6,523	4,240
Cash dividends per share (actual)	10.2	26.0	21.0	20.0	18.0	17.5	16.0	16.0	16.0	15.0	14.0
Store Data											
Number of stores (actual);	14.8	540	462	414	369	311	271	248	209	164	130
Komeri Home Center	10.3	75	72	62	55	50	46	39	37	30	24
Komeri Hard & Green	14.4	440	390	352	314	261	225	209	172	134	106
Mr. John	---	25									
Weighted average selling space (square meters)*	22.4	553,272	474,740	394,640	313,988	258,868	201,302	169,468	130,997	95,299	76,168
Weighted average number of employees(actual)*	12.5	3,197	2,910	2,561	2,256	1,938	1,772	1,568	1,318	1,105	960
Sales per employee(thousands of yen)*	0.6	42,449	41,227	41,614	40,517	41,344	41,298	40,833	41,791	41,095	41,418
Comparable store sales increase (%)*	---	2.4	0.2	1.1	0.9	-3.1	19.1	0.1	-0.7	-1.6	3.7

Note: Figures with asterisk(*) are calculated on non-consolidated basis.

REVENUES

Net sales for the fiscal year ended March 31, 2002, rose 34.1% to ¥164,648 million (US$1,237,958 thousand). The big leap was mainly brought from an acquisition of Mr.John Co., Ltd., a local HC chain whose revenue was ¥26,795 million (US$201,467 thousand) in the corresponding term. Higher sales were also supported by a 10.3% rise in sales at Home Center stores, as well as a 14.1% increase in Hard & Green (H & G) store sales. The opening of 55 H & G stores and 4 Home Centers contributed to the Company's strong sales performance as well. Same store sales rose 2.4% in spite of depressed economy in Japan. Other operating revenues increased 20.7% to ¥5,720 million (US$43,004 thousand). Total revenues went up 33.6% to ¥170,368 million (US$1,280,962 thousand), the 15th consecutive year of growth since 1987 when the company went public.

COSTS AND EXPENSES

Operating income was ¥10,921 million (US$82,110 thousand), 35.2% higher than previous term. Cost of sales as a percentage of total revenues increased 0.2 percentage point to 67.0%, but selling, general and administrative (SG&A) expenses as a percentage of total revenues improved 0.3 percentage point to 26.6%. Consequently, the operating income margin went up 0.1 percentage point to 6.4%.

In spite of an increase in other expenses, net, of ¥892 million to ¥1,248 million (US$9,383 thousand), income before income taxes grew 34.6% to ¥9,673 million (US$72,727 thousand). Net income jumped up 42.1% to ¥5,635 million (US$42,369 thousand).

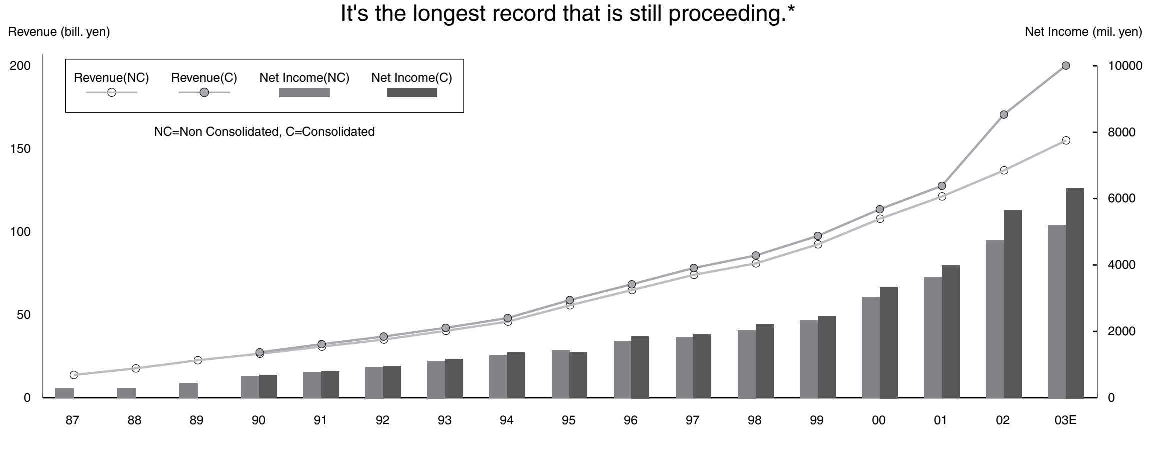
The net income margin improved 0.2 percentage point to 3.3%. Net income per share gained ¥35 to ¥123 (US$0.93), and the Company increased cash dividends applicable to the year by ¥5.00 to ¥26.00 (US$0.20) per share in commemoration of 50th anniversary.

CASH FLOWS

Net cash provided by operating activities was ¥11,851 million (US$89,103 thousand). An increase in inventories was ¥3,529 million (US$26,535 thousand), 32% higher than previous year, as a result of an acquisition. Also, an increase in trade payables was ¥3,777 million (US$28,399 thousand), up 51.4% from previous term. Depreciation went up 37.3% to ¥4,940 million (US$37,144 thousand), and net cash flow (net income plus depreciation minus bonuses to directors and cash dividends paid) was ¥9,563 million (US$71,904 thousand), or 45.4% above the previous term.

Net cash used in investing activities decreased 21.5% to ¥9,046 million (US$68,022 thousand).

Komeri marks 15 Years' Consecutive Growth in both of Revenue and Income.
It's the longest record that is still proceeding.*



*Among the companies listed in Tokyo Stock Exchange (1st section).

The purchase of property, plant and equipment went down 16.0% to ¥8,789 million (US$66,086 thousand), and leasehold deposits decreased ¥124 million (US$934 thousand) in contrast to an increase ¥493 million in the previous term. In addition, an acquisition of Mr. John brought net cash of ¥409 million (US$3,074 thousand) with it.

Capital investment went down 20.5% to ¥8,859 million (US$66,609 thousand), as the company opened less number of larger stores, and no investment onto new logistic facility occurred. This year, the number of store opening decreased all over the retail industry in Japan because there was so-called “shifting period” for the new law to control large store openings.

Net cash provided by financing activities was ¥2,353 million (US$17,694 thousand). Proceeds from issuance of common stock, net of issuance costs were ¥14,245 million (US$107,105 thousand). Decrease in short-term bank loans was ¥3,977 million, and repayments of long-term debt and bond were ¥6,535 million (US$49,130 thousand) and ¥2,076 million (US$15,611 thousand) respectively. Proceeds from long-term debts were ¥1,662 million (US$12,496 thousand), compared with ¥7,255 million in the previous fiscal year.

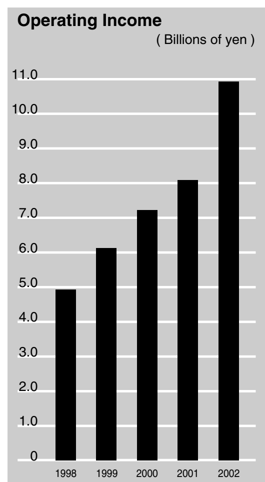
In aggregate, cash and cash equivalents, end of year, increased ¥5,158 million to ¥9,976 million (US$75,003 thousand).

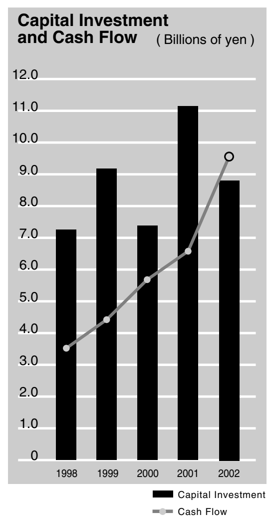
FINANCIAL POSITION

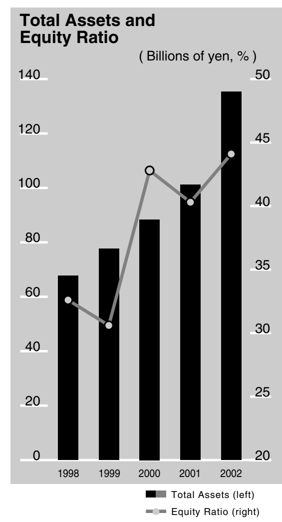
Total current assets grew ¥15,326 million to ¥54,847 million (US$412,382 thousand), resulting mainly from rises in merchandise inventories of ¥8,565 million, to ¥38,622 million (US$290,389 thousand), and in cash and cash equivalents stated above. Total current liabilities increased ¥13,532 million to ¥53,162 million (US$399,714 thousand), as trade notes and accounts payable rose by ¥6,739 million to ¥25,755 million (US$193,646 thousand). The current ratio for the term was 1.03 times, compared with 1.00 for the previous fiscal year.

Long-term liabilities went down ¥172 million to ¥20,640 million (US$155,191 thousand). Total assets rose 33.8% to ¥135,431 million (US$1,018,279 thousand). The opening of 59 new stores and an acquisition of Mr. John pushed net property, plant and equipment up ¥15,377 million to ¥64,179 million (US$482,549 thousand), accounting for 47.4% of total assets. Asset turnover was 1.4 times, up 0.1 percentage point from the previous term. Return on average assets was 4.7%, 0.5 percentage point higher than the previous term.

Total shareholders' equity increased 46.4% to ¥59,695 million (US$448,836 thousand). Return on average equity was 11.2%, 1.1 percentage point higher than the previous term.







Consolidated Balance Sheets

KOMERI Co., Ltd. and Consolidated Subsidiaries

March 31, 2002 and 2001	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	2002	2001	2002
CURRENT ASSETS:			
Cash and cash equivalents	¥ 9,976	¥ 4,818	$ 75,003
Time deposits	763	167	5,739
Receivables:			
Trade notes and accounts	3,293	2,854	24,760
Unconsolidated subsidiaries	231	387	1,738
Allowance for doubtful receivables	(4)	(7)	(31)
Inventories (Note 4)	38,622	30,057	290,389
Deferred tax assets (Note 8)	980	467	7,368
Prepaid expenses and other current assets	986	778	7,416
Total current assets	54,847	39,521	412,382
PROPERTY, PLANT AND EQUIPMENT (Note 5):			
Land	14,690	9,628	110,453
Buildings and structures	70,371	52,893	529,105
Machinery and equipment	3,263	2,482	24,535
Construction in progress	817	741	6,142
Other	4,517	3,031	33,964
Total	93,658	68,775	704,199
Accumulated depreciation	(29,479)	(19,973)	(221,650)
Net property, plant and equipment	64,179	48,802	482,549
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 5)	548	514	4,119
Investments in and advances to unconsolidated subsidiaries	54	276	407
Goodwill	81		612
Intangible assets	4,024	2,989	30,255
Leasehold deposits (Note 5)	8,967	7,645	67,420
Deferred charges	70	24	529
Deferred tax assets (Note 8)	768	654	5,776
Other assets	1,893	802	14,230
Total investments and other assets	16,405	12,904	123,348
TOTAL	¥ 135,431	¥ 101,227	$1,018,279

See notes to consolidated financial statements.

March 31, 2002 and 2001	Millions of Yen		Thousands of U.S. Dollars (Note 1)
LIABILITIES AND SHAREHOLDERS' EQUITY	2002	2001	2002
CURRENT LIABILITIES:			
Short-term bank loans (Note 5)	¥ 7,887	¥ 5,834	$ 59,302
Current portion of long-term debt (Note 5)	9,911	6,157	74,517
Payables:			
Trade notes and accounts	25,755	19,016	193,646
Construction and other	4,410	5,080	33,161
Income taxes payable (Note 8)	2,801	1,958	21,057
Accrued expenses	1,565	1,172	11,771
Other current liabilities	833	413	6,260
Total current liabilities	53,162	39,630	399,714
LONG-TERM LIABILITIES:			
Long-term debt (Note 5)	16,328	17,503	122,765
Liability for employees' retirement benefits (Note 6)	1,377	1,146	10,352
Retirement benefits for directors and corporate auditors (Note 6)	770	709	5,793
Lease deposits from lessees	1,973	1,426	14,836
Deferred tax liabilities (Note 8)	67	23	501
Provisions for point service obligations to customers	122		921
Other long-term liabilities	3	5	23
Total long-term liabilities	20,640	20,812	155,191
MINORITY INTERESTS	1,934		14,538
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 9, 10 and 11)			
SHAREHOLDERS' EQUITY (Notes 7 and 12):			
Common stock—authorized, 131,000,000 shares; issued, 51,961,693 shares in 2002 and 44,961,693 shares in 2001	18,802	11,676	141,369
Additional paid-in capital	18,570	11,451	139,625
Retained earnings	22,311	17,689	167,752
Unrealized gain (loss) on available-for-sale securities	15	(31)	110
Total	59,698	40,785	448,856
Treasury stock—at cost, 912 shares in 2002 and 33 shares in 2001	(3)		(20)
Total shareholders' equity	59,695	40,785	448,836
TOTAL	¥ 135,431	¥ 101,227	$1,018,279

See notes to consolidated financial statements.

Consolidated Statements of Income

KOMERI Co., Ltd. and Consolidated Subsidiaries

Years Ended March 31, 2002 and 2001

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2002	2001	**2002**
REVENUES:			
Net sales	**¥ 164,648**	¥ 122,768	**$1,237,958**
Other operating revenues	**5,720**	4,740	**43,004**
Total revenues	**170,368**	127,508	**1,280,962**
COST OF SALES	**114,130**	85,175	**858,123**
Gross profit	**56,238**	42,333	**422,839**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	**45,317**	34,255	**340,729**
Operating income	**10,921**	8,078	**82,110**
OTHER INCOME (EXPENSES):			
Interest and dividends	**35**	24	**261**
Interest expense	**(837)**	(576)	**(6,294)**
Loss on disposal of property, plant and equipment	**(182)**	(67)	**(1,368)**
Charge for full amount of transitional obligation for employees' retirement benefits		(407)	
Other—net	**(264)**	134	**(1,982)**
Other expenses—net	**(1,248)**	(892)	**(9,383)**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**9,673**	7,186	**72,727**
INCOME TAXES (Note 8):			
Current	**4,535**	3,463	**34,099**
Deferred	**(759)**	(242)	**(5,709)**
Total income taxes	**3,776**	3,221	**28,390**
MINORITY INTERESTS IN NET INCOME	**(262)**		**(1,968)**
NET INCOME	**¥ 5,635**	¥ 3,965	**$ 42,369**

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2.m):			
Net income	**\ 123.18**	\ 88.19	**$ 0.93**
Cash dividends applicable to the year	**26.00**	21.00	**0.20**

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

KOMERI Co., Ltd. and Consolidated Subsidiaries

Years Ended March 31, 2002 and 2001	Issued Number of Shares of Common Stock	Millions of Yen				
		Common Stock	Additional Paid-in Capital	Retained Earnings	Unrealized Gain (Loss) on Available-for-sale Securities	Treasury Stock
BALANCE, APRIL 1, 2000	44,961,693	¥ 11,676	¥ 11,451	¥ 14,709		¥ (1)
Net income				3,965		
Cash dividends, ¥20 per share				(944)		
Bonuses to directors and corporate auditors				(41)		
Net decrease in treasury stock (167 shares)						1
Net decrease in unrealized gain on available-for-sale securities					¥ (31)	
BALANCE, MARCH 31, 2001	44,961,693	11,676	11,451	17,689	(31)	
Issuance of common stock (Note 7)	7,000,000	7,126	7,119			
Net income				5,635		
Cash dividends, ¥21 per share				(967)		
Bonuses to directors and corporate auditors				(46)		
Net increase in treasury stock (879 shares)						(3)
Net increase in unrealized gain on available-for-sale securities					46	
BALANCE, MARCH 31, 2002	**51,961,693**	**¥ 18,802**	**¥ 18,570**	**¥ 22,311**	**¥ 15**	**¥ (3)**

	Thousands of U.S. Dollars (Note 1)				
	Common Stock	Additional Paid-in Capital	Retained Earnings	Unrealized Gain (Loss) on Available-for-sale Securities	Treasury Stock
BALANCE, MARCH 31, 2001	$ 87,790	$ 86,099	$ 132,996	$ (228)	
Issuance of common stock (Note 7)	53,579	53,526			
Net income			42,369		
Cash dividends, $0.16 per share			(7,268)		
Bonuses to directors and corporate auditors			(345)		
Net increase in treasury stock (879 shares)					$ (20)
Net increase in unrealized gain on available-for-sale securities				338	
BALANCE, MARCH 31, 2002	**$ 141,369**	**$ 139,625**	**$ 167,752**	**$ 110**	**$ (20)**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

KOMERI Co., Ltd. and Consolidated Subsidiaries

Years Ended March 31, 2002 and 2001	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2002	2001	**2002**
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 9,673	¥ 7,186	$ 72,727
Adjustments for:			
Income taxes—paid	(3,698)	(2,941)	(27,807)
Depreciation	4,940	3,598	37,144
Loss on disposal of property, plant and equipment	139	67	1,047
Bonuses to directors and corporate auditors	(46)	(41)	(344)
Changes in assets and liabilities:			
Increase in trade accounts receivable	(86)	(187)	(651)
Increase in inventories	(3,529)	(2,676)	(26,535)
Increase in trade accounts payable	3,777	2,494	28,399
Increase in liability for retirement benefits	140	530	1,052
Increase in retirement benefits for directors and corporate auditors	8	55	63
Other—net	533	(86)	4,008
Total adjustments	2,178	813	16,376
Net cash provided by operating activities	11,851	7,999	89,103
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(8,789)	(10,465)	(66,086)
Decrease (increase) in leasehold deposits	124	(493)	934
Net of cash acquired from purchase of subsidiary	409		3,074
Increase in other assets	(790)	(570)	(5,944)
Net cash used in investing activities	(9,046)	(11,528)	(68,022)
FINANCING ACTIVITIES:			
Increase (decrease) in short-term bank loans—net	(3,977)	391	(29,901)
Proceeds from long-term debt	1,662	7,255	12,496
Repayments of long-term debt	(6,535)	(3,160)	(49,130)
Repayments of bond	(2,076)		(15,611)
Proceeds from issuance of common stock, net of issuance costs	14,245		107,105
Dividends paid	(966)	(944)	(7,265)
Net cash provided by financing activities	2,353	3,542	17,694
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,158	13	38,775
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,818	4,805	36,228
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 9,976	¥ 4,818	$ 75,003

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

KOMERI Co., Ltd. and Consolidated Subsidiaries

Years Ended March 31, 2002 and 2001

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards. The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In accordance with accounting procedures generally accepted in Japan, certain comparative disclosures are not required to be and have not been presented herein.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which KOMERI Co., Ltd. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥133 to $1, the approximate rate of exchange at March 31, 2002. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements as of March 31, 2002, include the accounts of the Company and its eight significant (five in 2001) subsidiaries (together, the "Group").

Under the control or influence concept, those companies in which the Parent, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investment in one unconsolidated subsidiary is accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

Goodwill, the excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition, is being amortized over a period of 5 years.

b. Cash Equivalents—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include deposits in banks(including time deposits), all of which mature or become due within three months of the date of acquisition.

c. Inventories—Merchandise inventories in retail stores are stated at cost as determined by the retail method as generally applied by the retail industry in Japan. Supplies are stated at cost using the last purchase price method.

d. Marketable and Investment Securities—Debt and equity securities not classified as either held-to-maturity securities or trading securities are classified as available-for-sale securities and reported at market value, with unrealized gains and losses excluded from earnings and reported in a separate component of shareholders' equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

e. Property, Plant and Equipment—Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated subsidiaries is computed substantially by the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to buildings acquired after April 1, 1998. The range of useful lives is principally from 3 to 60 years for buildings and structures, and from 4 to 12 years for machinery and equipment.

f. Stock Issue Costs—Stock issue costs are amortized by the straight-line method over 3 years.

g. Retirement and Pension Plans—The Company and certain subsidiaries have a non-contributory funded pension plan for employees who leave the company upon reaching retirement age or death. Other subsidiaries have an unfunded retirement benefit plan.

Effective April 1, 2000, the Group adopted a new accounting standard for employees' retirement benefits and accounted for the liability for retirement benefits based on projected benefit obligations and plan assets (if any) at the balance sheet date.

The full amount of the transitional obligation of ¥407 million, determined as of April 1, 2000, is charged to income and presented as other expense in the income statement.

The gain or loss component of net periodic pension cost (the difference between the actual return on plan assets and the expected return on plan assets, etc.) is amortized over 5 years starting in the next fiscal year.

The Company also participates in a multiemployer (in a common industry association) defined benefits plan. As to the multiemployer plan, the required contribution for the period is included in a net pension cost.

Retirement benefits to directors and corporate auditors are provided at the amount which would be required if all directors and corporate auditors retired at the balance sheet date.

h. Provisions for the Point Service Obligations to Customers—The Company has adopted the point service plan for its registered customers. In the point service plan, the pre-registered customers acquire the service point in proportion to their purchase amount. The acquired service points are accumulated up to the certain amount and exchanged for a gift certificate.

Prior to April 1, 2001, the point service obligations were recognized as a discount for sales at the point that the gift certificates were utilized. Effective April 1, 2001, however, the Company applied new method of accounting for such point service obligations to recognize a provision for the point service obligations to customers, at the point that the customers earn the service points. The Company adopted this new method of accounting because the Company recognized that substantially all service points would be utilized based on past experience.

The effect of adopting this new method of accounting was to decrease income before income taxes for the year ended March 31, 2002 by ¥122 million ($921 thousand) which included a cumulative effect of ¥69 million ($521 thousand) at March 31, 2001. This cumulative effect was included in other expenses—net in the 2002 consolidated statement of income.

i. Leases—All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

j. Income Taxes—The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

k. Appropriations of Retained Earnings—Appropriations of retained earnings are reflected in the financial statements for the following year upon shareholders' approval.

l. Derivatives and Hedging Activities—The Group uses derivative financial instruments ("derivatives") to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts, currency swaps (substantially functions as foreign exchange forward contracts) and interest rate swaps (including rate floors) are utilized by the Group to reduce foreign currency exchange and interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.
The foreign exchange forward contracts employed to hedge foreign exchange exposures for import purchases are measured at the fair value and the unrealized gains and losses are recognized in the income statement.
Long-term debt denominated in foreign currencies, for which currency swaps are used to hedge the foreign currency fluctuations, is translated at the swapped rate if the currency swaps qualify for hedge accounting.
The interest rate swaps are utilized to hedge interest rate exposures of long-term debt. These swaps, which qualify for hedge accounting (excluding those mentioned below), are measured at market value at the balance sheet date and the unrealized gains or losses are deferred until maturity as other liability or asset.
The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense or income.

m. Per Share Information—The computation of net income per share is based on the weighted average number of shares of common stock outstanding during each year. The weighted average number of common shares used in the computation was 45,747,659 shares for 2002 and 44,961,577 shares for 2001.
Diluted net income per share is not disclosed because it is anti-dilutive.
Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

3. INVESTMENT SECURITIES
Investment securities as of March 31, 2002 and 2001, consisted of the following:

	Millions of Yen		Thousands of U.S.Dollars
	2002	2001	**2002**
Non-current:			
Marketable equity securities	**¥ 447**	¥ 423	**$ 3,364**
Trust fund investments and other	**101**	91	**755**
Total	**¥ 548**	¥ 514	**$ 4,119**

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2002 and 2001 were as follows:

	Millions of Yen								Thousands of U.S. Dollars			
	March 31, 2002				March 31, 2001				**March 31, 2002**			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:												
Equity securities	**¥ 405**	**¥ 59**	**¥ 17**	**¥ 447**	¥ 470	¥ 27	¥ 74	¥ 423	**$ 3,049**	**$ 443**	**$ 129**	**$ 3,363**
Trust fund investments and other	**63**		**11**	**52**	63		5	58	**477**		**83**	**394**

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2002 and 2001 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Available-for-sale—Equity securities	**¥ 80**	¥ 66	**$ 604**
Total	**¥ 80**	¥ 66	**$ 604**

4. INVENTORIES
Inventories at March 31, 2002 and 2001, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Merchandise	**¥ 38,577**	¥ 29,994	**$ 290,052**
Supplies	**45**	63	**337**
Total	**¥ 38,622**	¥ 30,057	**$ 290,389**

5. SHORT-TERM BANK LOANS AND LONG-TERM DEBT
Short-term bank loans at March 31, 2002 and 2001, consisted of notes to banks and bank overdrafts. The annual weighted average interest rate applicable to the short-term bank loans was 1.5% and 1.2% at March 31, 2002 and 2001, respectively.
Long-term debt at March 31, 2002 and 2001, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Unsecured 5.0% German mark (DM 30,000 thousand) guaranteed bonds due 2002		¥ 2,076	
Unsecured 3.4% domestic bonds due 2002	**¥ 4,000**	4,000	**$ 30,075**
Secured 2.4% domestic bonds due 2006	**200**		**1,504**
Secured 2.4% domestic bonds due 2007	**100**		**752**
Secured 1.9% domestic bonds due 2005	**100**		**752**
Loans from banks and other financial institutions, due serially to 2015 with weighted average interest rates 2.1% (2002) and 2.4% (2001):			
Collateralized	**16,433**	9,859	**123,558**
Unsecured	**5,406**	7,725	**40,641**
Total	**26,239**	23,660	**197,282**
Less current portion	**(9,911)**	(6,157)	**(74,517)**
Long-term debt, less current portion	**¥ 16,328**	¥ 17,503	**$ 122,765**

Annual maturities of long-term debt at March 31, 2002, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2003	¥ 9,911	$ 74,517
2004	4,897	36,816
2005	4,029	30,295
2006	2,410	18,123
2007	1,485	11,168
2008 and thereafter	3,507	26,363
Total	¥ 26,239	$ 197,282

The carrying amounts of assets pledged as collateral for short-term bank loans of ¥3,486 million($26,209 thousand) and the above collateralized long-term debt at March 31, 2002, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Property, plant and equipment—net of accumulated depreciation	**¥ 21,402**	**$ 160,914**
Investment securities	**132**	**992**
Leasehold deposits	**560**	**4,214**
Total	**¥ 22,094**	**$ 166,120**

As is customary in Japan, the Company maintains substantial deposit balances with banks with which it has borrowings. Such deposit balances are not legally or contractually restricted as to withdrawal.
General agreements with respective banks provide, as is customary in Japan, that additional collateral must be provided under certain circumstances if requested by such banks and that certain banks have the right to offset cash deposited with them against any long-term or short-term debt or obligation that becomes due and, in case of default and certain other specified events, against all other debt payable to the banks. The Company has never been requested to provide any additional collateral.

6. RETIREMENT AND PENSION PLANS
The Company and its certain consolidated subsidiaries have severance payment plans for employees, directors and corporate auditors.
Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from certain consolidated subsidiaries. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.
The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.
The Company also participates in a multiemployer (in a common industry association) defined benefit plan.
The liability for employees' retirement benefits at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Projected benefit obligation	**¥ 1,749**	¥ 1,144	**$ 13,149**
Fair value of plan assets	**(188)**		**(1,412)**
Unrecognized actuarial (gain) loss	**(184)**	2	**(1,385)**
Net liability	**¥ 1,377**	¥ 1,146	**$ 10,352**

The components of net periodic benefit costs for the years ended March 31, 2002 and 2001 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	**2002**
Service cost	**¥ 213**	¥ 163	**$ 1,602**
Interest cost	**41**	29	**305**
Expected return on plan assets	**(5)**		**(39)**
Recognized actuarial loss	**1**		**10**
Charge for transitional obligation		407	
Required contribution for the multiemployer plan	**342**	259	**2,574**
Net periodic benefit costs	**¥ 592**	¥ 858	**$ 4,452**

Assumptions used for the years ended March 31, 2002 and 2001, are set forth as follows:

	2002	2001
Discount rate	2.0%-3.0%	3.0%
Expected rate of return on plan assets	3.0%	
Recognition period of actuarial gain/loss	5 years	5 years
Amortization period of transitional obligation		1 year

7. SHAREHOLDERS' EQUITY

Japanese companies are subject to the Japanese Commercial Code (the "Code") to which certain amendments became effective from October 1, 2001.

Prior to October 1, 2001, the Code required at least 50% of the issue price of new shares, with a minimum of the par value thereof, to be designated as stated capital as determined by resolution of the Board of Directors.

Proceeds in excess of amounts designated as stated capital were credited to additional paid-in capital. Effective October 1, 2001, the Code was revised and common stock par values were eliminated resulting in all shares being recorded with no par value.

Prior to October 1, 2001, the Code also provided that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other cash payments which are made as an appropriation of retained earnings applicable to each fiscal period shall be appropriated and set aside as a legal reserve until such reserve equals 25% of stated capital. Effective October 1, 2001, the revised Code allows for such appropriations to be set aside as a legal reserve until the total additional paid-in capital and legal reserve equals 25% of stated capital. The amount of total additional paid-in capital and legal reserve which exceeds 25% of stated capital can be transferred to retained earnings by resolution of the shareholders, which may be available for dividends. The Company's legal reserve amount, which is included in retained earnings, totals ¥1,025 million ($7,705 thousand) and ¥970 million as of March 31, 2002 and 2001, respectively. Under the Code, companies may issue new common shares to existing shareholders without consideration as a stock split pursuant to a resolution of the Board of Directors. Prior to October 1, 2001, the amount calculated by dividing the total amount of shareholders' equity by the number of outstanding shares after the stock split could not be less than ¥50. The revised Code eliminated this restriction.

Prior to October 1, 2001, the Code imposed certain restrictions on the repurchase and use of treasury stock. Effective October 1, 2001, the Code eliminated these restrictions allowing companies to repurchase treasury stock by a resolution of the shareholders at the general shareholders meeting and dispose of such treasury stock by resolution of the Board of Directors after March 31, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amount of stated capital, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders meeting.

The Code permits companies to transfer a portion of additional paid-in capital and legal reserve to stated capital by resolution of the Board of Directors. The Code also permits companies to transfer a portion of unappropriated retained earnings, available for dividends, to stated capital by resolution of the shareholders.

At February 19, 2002, the Company issued 7,000 thousand shares of common stock to at ¥2,035 per share by public offering; resulting in an increase in capital stock of ¥7,126 million ($53,579 thousand) and an increase in additional paid-in capital of ¥7,119 million ($53,526 thousand).

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

8. INCOME TAXES

The Company and its subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 42% for the years ended March 31, 2002 and 2001.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2002 and 2001, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Deferred tax assets:			
Inventories	¥ 97	¥ 94	$ 726
Accrued enterprise taxes	243	172	1,823
Accrued bonuses	255	139	1,920
Liabilities for retirement benefits	480	389	3,610
Retirement benefits for directors and corporate auditors	321	295	2,415
Tax loss carryforwards	397		2,985
Other	220	185	1,660
Total	2,013	1,274	15,139
Deferred tax liabilities:			
Property and equipment	(178)	(176)	(1,341)
Other	(154)		(1,156)
Total	(332)	(176)	(2,497)
Net deferred tax assets	¥ 1,681	¥ 1,098	$ 12,642

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2002 and 2001, and the actual effective tax rates reflected in the accompanying consolidated statements of income is as follows:

	2002	2001
Normal effective statutory tax rate	42%	42%
Expenses not deductible for income tax purposes		1
Per capita portion	2	3
Consideration to offset tax loss carryforwards	(5)	
Other—net		(1)
Actual effective tax rate	39%	45%

At March 31, 2002, certain subsidiaries have tax loss carryforwards aggregating approximately ¥951 million($7,150 thousand) which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2003	¥ 17	$ 124
2006	807	6,068
2007 and thereafter	127	958
Total	¥ 951	$ 7,150

9. LEASES

The Group leases certain machinery, computer equipment, office space and other assets.

Total rental expenses for the years ended March 31, 2002 and 2001, were ¥7,980 million ($60,000 thousand) and ¥6,191 million, respectively, including ¥1,908 million ($14,348 thousand)and ¥1,562 million of lease payments under finance leases.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance lease, depreciation expense, interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2002 and 2001, was as follows:

	Millions of Yen							Thousands of U.S. Dollars			
	March 31, 2002				March 31, 2001			March 31, 2002			
	Building	Machinery and Equipment	Furniture and Fixtures	Total	Machinery and Equipment	Furniture and Fixtures	Total	Building	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	¥ 1,064	¥ 868	¥ 9,159	¥ 11,091	¥ 921	¥ 7,644	¥ 8,565	$ 7,997	$ 6,528	$ 68,869	$ 83,394
Accumulated depreciation	91	508	4,971	5,570	426	3,837	4,263	681	3,823	37,380	41,884
Net leased property	¥ 973	¥ 360	¥ 4,188	¥ 5,521	¥ 495	¥ 3,807	¥ 4,302	$ 7,316	$ 2,705	$ 31,489	$ 41,510

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Due within one year	¥ 1,628	¥ 1,469	$ 12,243
Due after one year	4,054	2,903	30,484
Total	¥ 5,682	¥ 4,372	$ 42,727

Depreciation expense and interest expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Depreciation expense	¥ 1,790	¥ 1,464	$ 13,455
Interest expense	186	107	1,399
Total	¥ 1,976	¥ 1,571	$ 14,854

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of income, are computed by the straight-line method and the interest method, respectively.

The minimum rental commitments under noncancelable operating leases at March 31, 2002:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥ 83	$ 626
Due after one year	859	6,460
Total	¥ 942	$ 7,086

10. DERIVATIVES

The Group enters into derivative financial instruments ("derivatives"), including foreign exchange forward contracts, to hedge foreign exchange risk associated with a part of imported goods. The Group also enters into interest rate swap (including rate floor) agreements as a means of managing its interest rate exposures on certain assets and liabilities.

Foreign exchange forward contracts and currency swaps are subject to foreign exchange risk. And interest rate swap (including rate floor) agreements are subject to interest rate exposures.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

The execution and control of derivatives are controlled by the Company's Accounting Department in accordance with its internal policies.

The Group had the following derivatives contracts outstanding at March 31, 2002 and 2001:

	Millions of Yen						Thousands of U.S. Dollars		
	2002			2001			2002		
	Contract Amount	Fair Value	Unrealized Gain (Loss)	Contract Amount	Fair Value	Unrealized Gain (Loss)	Contract Amount	Fair Value	Unrealized Gain (Loss)
Interest rate swaps (fixed rate payment, floating rate receipt)	¥ 243	¥ (2)	¥ (2)	¥ 487	¥ (8)	¥ (8)	$ 1,827	$ (16)	$ (16)

The contract or notional amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

11. CONTINGENT LIABILITIES

At March 31, 2002, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees of bank loans	¥ 1,574	$ 11,838

12. SUBSEQUENT EVENT

The following appropriations of retained earnings at March 31, 2002, were approved at the Company's shareholders meeting held on June 27, 2002:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥16 ($0.12) per share	¥ 805	$ 6,056
Bonuses to directors and corporate auditors	50	377

13. SEGMENT INFORMATION

(1) Industry Segments

Information about industry segments is not shown since substantially all consolidated net sales, operating income and identifiable assets for 2002 and 2001 resulted from the primary business of the Group, which was to sell hardware, gardening tools, etc.

(2) Geographical Segments

There are no consolidated subsidiaries located in countries or areas other than Japan.

(3) Sales to Foreign Customers

The Group operates only in Japan and does not have export sales.

Deloitte Touche Tohmatsu

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
KOMERI Co., Ltd.:

We have examined the consolidated balance sheets of KOMERI Co., Ltd. and consolidated subsidiaries as of March 31, 2002 and 2001, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of KOMERI Co., Ltd. and consolidated subsidiaries as of March 31, 2002 and 2001, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan consistently applied during the period.

Our examinations also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 27, 2002

Non-consolidated Balance Sheets

KOMERI Co., Ltd.

March 31, 2002 and 2001

	Millions of Yen		Thousands of U.S. Dollars
ASSETS	**2002**	2001	**2002**
CURRENT ASSETS:			
Cash and cash equivalents	**\ 8,435**	\4,231	**$ 63,424**
Time deposits	**62**	84	**466**
Receivables:			
Trade notes and accounts	**2,602**	2,407	**19,563**
Subsidiaries	**651**	494	**4,893**
Allowance for doubtful receivables	**(3)**	(6)	**(25)**
Inventories	**32,912**	29,495	**247,456**
Deferred tax assets	**480**	346	**3,611**
Prepaid expenses and other current assets	**609**	615	**4,580**
Total current assets	**45,748**	37,666	**343,968**
PROPERTY, PLANT AND EQUIPMENT:			
Land	**7,914**	7,768	**59,501**
Buildings and structures	**53,702**	47,947	**403,777**
Machinery and equipment	**2,005**	1,323	**15,072**
Construction in progress	**706**	742	**5,313**
Other	**1,166**	992	**8,768**
Total	**65,493**	58,772	**492,431**
Accumulated depreciation	**(19,414)**	(16,264)	**(145,970)**
Net property, plant and equipment	**46,079**	42,508	**346,461**
INVESTMENTS AND OTHER ASSETS:			
Investment securities	**453**	513	**3,404**
Investments in and advances to subsidiaries	**3,616**	1,009	**27,188**
Intangible assets	**2,609**	2,568	**19,617**
Leasehold deposits	**7,252**	7,338	**54,523**
Deferred charges	**63**	24	**474**
Deferred tax assets	**754**	633	**5,672**
Other	**1,365**	745	**10,264**
Total investments and other assets	**16,112**	12,830	**121,142**
TOTAL	**\ 107,939**	\93,004	**$ 811,571**

March 31, 2002 and 2001

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 2002	Millions of Yen 2001	Thousands of U.S. Dollars 2002
CURRENT LIABILITIES:			
Short-term bank loans	\ 3,850	\ 4,850	$ 28,947
Current portion of long-term debt	7,516	5,570	56,514
Payables:			
Trade notes and accounts	19,886	17,413	149,517
Subsidiaries	1,819	1,579	13,680
Construction and other	4,181	4,417	31,437
Income taxes payable	2,341	1,763	17,602
Accrued expenses	1,239	1,035	9,317
Other current liabilities	201	182	1,504
Total current liabilities	41,033	36,809	308,518
LONG-TERM LIABILITIES:			
Long-term debt	6,026	13,542	45,310
Liability for employees' retirement benefits	1,236	1,105	9,294
Retirement benefits for directors and corporate auditors	759	709	5,703
Lease deposits from lessees	1,386	1,453	10,420
Provisions for point service obligations to customers	122		921
Total long-term liabilities	9,529	16,809	71,648
CONTINGENT LIABILITIES			
SHAREHOLDERS' EQUITY:			
Common stock—authorized, 131,000,000 shares; issued and outstanding, 51,961,693 shares in 2002 and 44,961,693 shares in 2001	18,802	11,676	141,369
Additional paid-in capital	18,570	11,451	139,625
Legal reserve	1,025	971	7,705
Retained earnings	18,970	15,318	142,633
Unrealized gain (loss) on available-for-sale securities	13	(30)	93
Treasury stock—at cost, 912 shares in 2002 and 33 shares in 2001	(3)		(20)
Total shareholders' equity	57,377	39,386	431,405
TOTAL	\ 107,939	\ 93,004	$ 811,571

Non-consolidated Statements of Income

KOMERI Co., Ltd.

Years Ended March 31, 2002 and 2001

	Millions of Yen 2002	Millions of Yen 2001	Thousands of U.S. Dollars 2002
REVENUES:			
Net sales	\ 135,712	\ 119,973	$ 1,020,388
Other operating revenues	1,496	1,222	11,251
Total revenues	137,208	121,195	1,031,639
COSTS AND EXPENSES:			
Cost of sales	95,189	84,414	715,708
Selling, general and administrative expenses	33,240	29,506	249,921
Total costs and expenses	128,429	113,920	965,629
Operating income	8,779	7,275	66,010
OTHER INCOME (EXPENSES):			
Interest and dividends	173	133	1,302
Interest expense	(433)	(442)	(3,256)
Other — net	(172)	(492)	(1,295)
Other expenses — net	(432)	(801)	(3,249)
INCOME BEFORE INCOME TAXES	8,347	6,474	62,761
INCOME TAXES:			
Current	3,916	3,159	29,449
Deferred	(287)	(305)	(2,158)
Total	3,629	2,854	27,291
NET INCOME	\ 4,718	\ 3,620	$ 35,470

	Yen 2002	Yen 2001	U.S. Dollars 2002
PER SHARE OF COMMON STOCK:			
Net income	\ 103.12	\ 80.50	$ 0.78
Cash dividends applicable to the year	26.00	21.00	0.20

Directors and Auditors

President and Chief Executive Officer
Kenichi Sasage

Executive Vice President and Chief Operating Officer
Yuichiro Sasage

Managing Directors
Toshimoto Kosugi
Takayoshi Itagaki

Directors
Kazuo Sugita
Kazuhisa Yajima
Shigeru Yamagishi
Shuichi Matsuda
Yoshihito Hasegawa
Tadakatsu Inoue
Yuji Fukito
Shojiro Sumiyoshi

Standing Statutory Auditor
Kinji Sasage

Statutory Auditors
Seiichi Nishitani
Zenroku Fujita
Shigeo Misaki

Investor Information

As of March 31, 2002

Paid-in Capital
¥18,802 million

Common Stock
Authorized: 131,000,000 shares
Issued: 51,961,693 shares
Number of Shareholders: 5,821

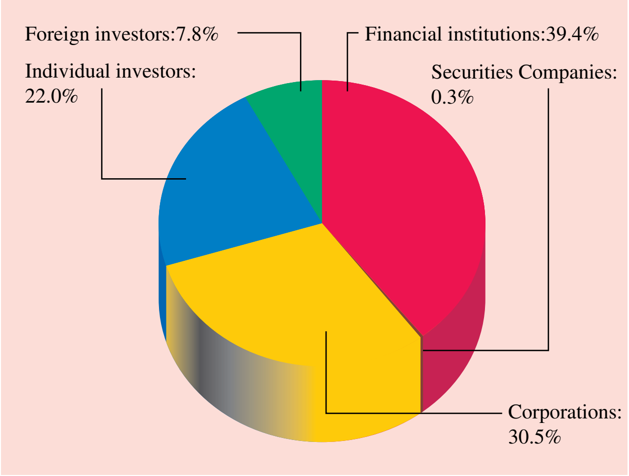
Annual Meeting of Shareholders
The annual meeting of shareholders of the Company is normally held in June each year in Niigata, Japan.

Stock Exchange Listing
Tokyo Stock Exchange (first section)

Transfer Agent for Common Stock
The Chuo Mitsui Trust & Banking Co., Ltd.
33-1, Shiba 3-chome, Minato-ku, Tokyo 105-8574, Japan

Independent Public Accountants
Deloitte Touche Tohmatsu

Composition of Shareholders



Officer of Investor Relations
Yoshi Tomidokoro
Phone: 81-25-371-4112
E-Mail: ir@bit.or.jp

Corporate Data

As of March 31, 2002

KOMERI CO., LTD.

Date of Foundation : April 1952
Date of Establishment : July 1962

Operating Headquarters : 4453-1 Ibarasone, Shirone-shi, Niigata 950-1492, Japan
Phone: 81-25-371-4111
Fax: 81-25-371-4151
URL: http://www.komeri.bit.or.jp/
E-mail: Komeri@bit.or.jp

Registered Head Office : 4-1-28 Yoneyama, Niigata-shi, Niigata 950-0916, Japan

KOMERI Group Companies

Subsidiaries

	Type of business	Paid-in Capital	Company's Share of Ownership
KINKI KOMERI HOLDINGS CO., LTD.	Holding company of Mr. John Co., Ltd. and Kiccory Co., Ltd.	¥ 20 million	100.0%
MR. JOHN CO., LTD.	HC chain based in western Japan	¥ 1,593 million	59.3%
KICCORY CO., LTD. (*1)	HC chain based in Osaka	¥ 300 million	100.0%
LIFE KOMERI CO., LTD.	Wholesale/retail of fuels	¥ 30 million	100.0%
HOKUSEI SANGYO CO., LTD.	Logistics	¥ 336 million	100.0%
BREEZY GREEN CO., LTD.	Plant sourcing & distribution	¥ 150 million	100.0%
MOVIE TIME CO., LTD.	Video rental and book store	¥ 248 million	100.0%
BIT-A CO., LTD.	Information systems	¥ 50 million	100.0%
AQUA CO., LTD. (*2)	Credit card services	¥ 100 million	100.0%

Affiliated Company

ATHENA CO., LTD	Retailing of home furnishing	¥ 400 million	20.0 %

Foreign Subsidiary

DALIAN KOMERI HAICHEN MARKET CO., LTD	DIY Retailing in China	US$ 2.55 million	82.3 %

*Note: Those two companies are shown here just as an additional information for investors.
1. Komeri acquired all the stake of Kiccory in May 17th, 2002.
2. AQUA is established by Komeri in April 1st, 2002.