Six Operating Divisions and Three Subsidiaries;

As End of September 30, 2003

BUSINESS TERRITORY AND STORE EXPANSION

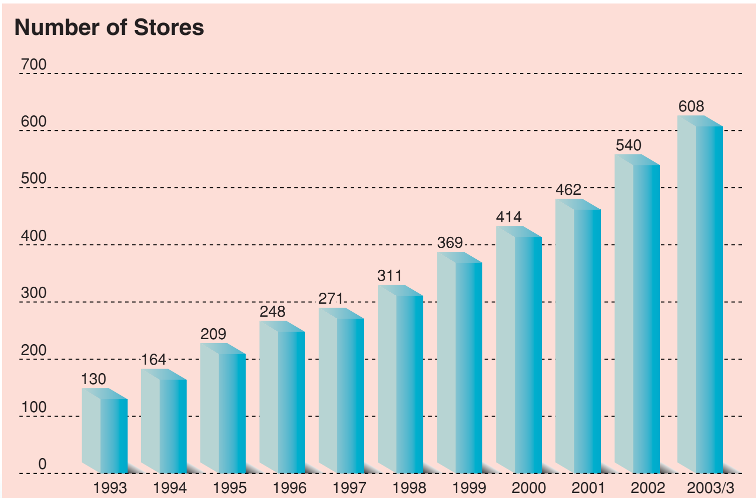
As of the end of September 2003, Komeri Co., Ltd. will operate 623 stores in 34 prefectures out of 47 prefectures in Japan. By establishing new divisional office for management and distribution center along with territory expansion, Komeri can prevent declining in management efficiency and realize more flexible operations corresponding to local conditions and requirements. In April 2003, the sixth divisional office and distribution center has opened at Okayama, one of the key points in western Japan. Komeri is going to accelerate its store openings and chain expansion towards 3,000 stores network in all over the nation.

M&A AS ANOTHER GROWTH DRIVER

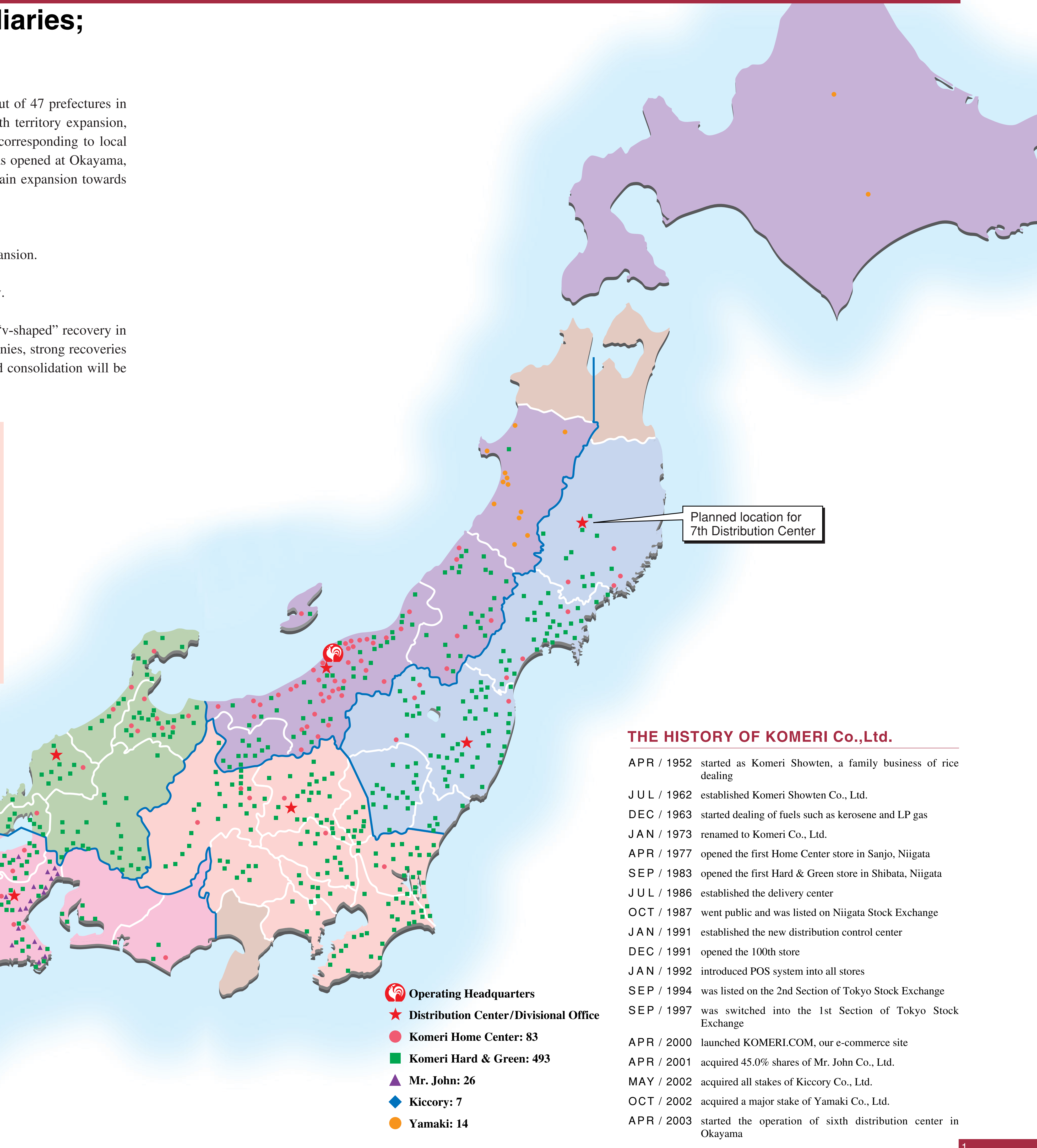
Komeri also takes M&A strategy into account for accelerating market dominance and further expansion.

- In April 2001, Komeri has acquired a major stake of Mr. John Co., Ltd.
- In May 2002, Kiccory Co., Ltd. has joined into the Komeri group as 100% owned subsidiary.
- In October 2002, Komeri has bought major shares of Yamaki Co., Ltd.

By introducing 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. As for other two companies, strong recoveries are expected as well. Under tougher competition and weak consumer spending, the trend toward consolidation will be stronger than ever in the industry. Komeri is expected to take a major role in this movement.



Note: Store count includes those of subsidiaries.



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.
MAY / 2002	acquired all stakes of Kiccory Co., Ltd.
OCT / 2002	acquired a major stake of Yamaki Co., Ltd.
APR / 2003	started the operation of sixth distribution center in Okayama

10-YEAR SUMMARY OF FINANCIAL AND OPERATING RESULTS

KOMERI Co., Ltd. and Subsidiaries

amounts in millions, except where noted	5-Year Compound Annual Growth Rate	Years ended March 31									
		2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Statements of Income Data	(%)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)
Total revenues	18.6	200,489	170,367	127,508	113,332	97,322	85,486	78,022	68,193	58,629	47,903
Total revenues increase(%)	---	17.7	33.6	12.5	16.5	13.8	9.6	14.4	16.3	22.4	14.3
Cost of sales	18.4	134,702	114,130	85,175	76,635	65,334	57,976	52,931	46,229	39,878	32,877
Selling, general, and administrative expenses	19.2	54,303	45,316	34,255	29,482	25,865	22,580	20,290	17,913	15,237	11,817
Operating income	18.4	11,484	10,920	8,078	7,216	6,123	4,929	4,801	4,052	3,515	3,210
Operating income increase (%)	---	5.2	35.2	12.0	17.8	24.2	2.7	18.5	15.3	9.5	8.9
Income before income taxes	21.5	11,288	9,672	7,186	6,093	5,503	4,260	3,985	3,451	2,791	2,737
Net income	23.2	6,224	5,635	3,965	3,328	2,449	2,196	1,881	1,834	1,352	1,341
Net income increase(%)	---	10.5	42.1	19.1	35.9	11.5	16.7	2.6	35.6	0.9	16.3
Earnings per share	17.1	118.68	123.18	88.19	75.96	59.08	53.90	51.88	56.82	49.39	57.14
Earnings per share increase(%)	---	-3.7	39.7	16.1	28.6	9.6	3.9	-8.7	15.0	-13.6	3.9
Weighted average number of shares outstanding (thousand)	5.0	51,959	45,748	44,962	43,814	41,462	40,740	36,254	32,280	27,379	23,460
Gross margin-% of revenues	---	32.8	33.0	33.2	32.4	32.9	32.2	32.2	32.2	32.0	31.4
SG&A expenses-% of revenues	---	27.1	26.6	26.9	26.0	26.6	26.4	26.0	26.3	26.0	24.7
Operating margin-% of revenues	---	5.7	6.4	6.3	6.4	6.3	5.8	6.2	5.9	6.0	6.7
Net interest expense-% of revenues	---	0.3	0.5	0.4	0.5	0.6	0.7	0.7	0.8	1.0	1.1
Income before income taxes-% of revenues	---	5.6	5.7	5.6	5.4	5.7	5.0	5.1	5.1	4.8	5.7
Net income-% of revenues	---	3.1	3.3	3.1	2.9	2.5	2.6	2.4	2.7	2.3	2.8
Balance Sheet Data and Financial Ratios		(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)
Total assets	19.8	167,460	135,431	101,227	88,405	77,681	67,767	60,385	55,251	49,437	39,286
Merchandise inventories	20.6	49,902	38,621	30,026	27,381	22,308	19,538	16,522	15,692	14,709	10,445
Net property and equipment	21.1	83,360	64,178	48,802	40,892	37,381	31,991	27,581	24,512	21,883	18,020
Long-term liabilities	13.9	30,344	20,640	20,812	19,317	19,660	15,853	12,898	11,242	11,831	10,507
Shareholders' equity	23.9	64,356	59,695	40,785	37,835	23,745	22,073	19,180	17,881	16,565	10,142
Book value per share (yen)	18.4	1,239	1,149	907	841	573	532	521	545	580	426
Long-term liabilities to equity (%)	---	47.2	34.6	51.0	51.1	82.8	71.8	67.2	62.9	71.4	103.6
Current ratio	---	0.95:1	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
Equity Ratio(%)	---	38.4	44.1	40.3	42.8	30.6	32.6	31.8	32.4	33.5	25.8
Inventory turnover (month)	---	3.9	3.6	4.0	3.9	3.8	3.7	3.7	3.9	3.8	3.3
Return on equity (%)	---	10.0	11.2	10.1	10.8	10.7	10.6	10.2	10.6	10.1	13.9
Return on assets (%)	---	4.1	4.8	4.2	4.0	3.4	3.4	3.3	3.5	3.0	3.9
Statement of Cash Flows Data		(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)	(¥)
Depreciation and amortization	20.7	5,347	4,940	3,597	3,174	2,762	2,086	1,855	1,620	1,336	1,006
Capital investment	12.1	12,862	8,859	11,144	7,387	9,180	7,258	5,570	4,520	6,602	6,523
Cash dividends per share (yen)	8.2	26.0	26.0	21.0	20.0	18.0	17.5	16.0	16.0	16.0	15.0
Store Data											
Number of stores (actual);	14.3	608	540	462	414	369	311	271	248	209	164
Komeri Home Center	9.9	80	75	72	62	55	50	46	39	37	30
Komeri Hard & Green	13.0	480	440	390	352	314	261	225	209	172	134
Stores operated by subsidiaries	---	48	25								
Weighted average selling space (square meters)*	17.9	590,654	553,272	474,740	394,640	313,988	258,868	201,302	169,468	130,997	95,299
Weighted average number of employees(actual)*	13.9	3,711	3,197	2,910	2,561	2,256	1,938	1,772	1,568	1,318	1,105
Sales per employee(thousands of yen)*	-0.1	41,056	42,449	41,227	41,614	40,517	41,344	41,298	40,833	41,791	41,095
Comparable store sales increase (%)*	---	2.9	2.4	0.2	1.1	0.9	-3.1	19.1	0.1	-0.7	-1.6

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

REVENUES

Net sales for the fiscal year ended March 31, 2003, rose 17.6% to ¥193,708 million (US$1,614,237 thousand). This increase was brought from a 17.4% rise in sales at Home Center (HC) stores, as well as a 14.8% increase in Hard & Green (H & G) store sales. Same store sales rose 2.9% in spite of depressed economy in Japan. The opening of 50 H & G stores and 6 HCs contributed to the Company's strong sales performance as well. Sales growth was also supported by acquisitions of Kiccory Co., Ltd. and Yamaki Co., Ltd. Those two local HC chains contributed to revenue increase by ¥11,600 million (US$96,667 thousand) in the corresponding term. Other operating revenues increased 18.6% to ¥6,782 million (US$56,513 thousand). Total revenues went up 17.7% to ¥200,490 million (US$1,670,750 thousand), and recorded the 16th consecutive year of growth since 1987 when the Company went public.

COSTS AND EXPENSES

Operating income was ¥11,484 million (US$95,701 thousand), 5.2% higher than previous term. Cost of sales as a percentage of total revenues increased 0.2 percentage point to 67.2%, and selling, general and administrative (SG&A) expenses as a percentage of total revenues rose 0.5 percentage point to 27.1%. Consequently, the operating income margin went down 0.7 percentage point to 5.7%.

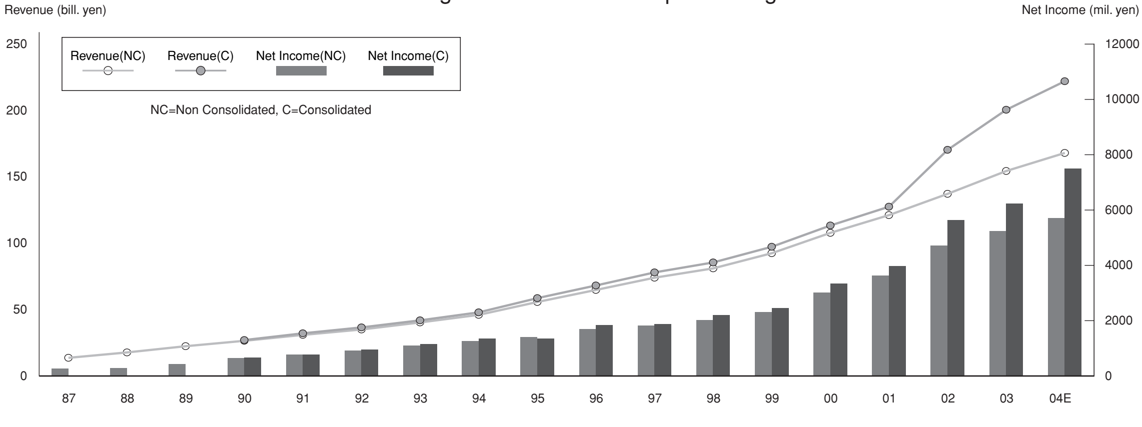
Supported by a decrease in other expenses, net, of ¥1,248 million to ¥196 million (US$1,630 thousand), income before income taxes grew 16.7% to ¥11,288 million (US$94,071 thousand). Net income went up 10.5% to ¥6,224 million (US$51,872 thousand).

The net income margin decreased by 0.2 percentage point to 3.1%, and net income per share declined by ¥4.5 to ¥118.68 (US$0.99). As the Company converted last year’s commemorative dividend into regular one, cash dividend for this year was ¥26.00 (US$0.22) per share.

CASH FLOWS

Net cash provided by operating activities was ¥5,914 million (US$49,289 thousand). An increase in inventories was ¥7,643 million (US$63,695 thousand), 117% higher than previous year, as a result of two acquisitions and the delay of spring season. Also, an increase in trade payables was ¥2,187 million (US$18,227 thousand), down 42.1% from previous term. Depreciation went up 8.2% to ¥5,347 million (US$44,559 thousand), and net cash flow (net income plus depreciation minus bonuses to directors and cash dividends paid) was ¥9,974 million (US$83,119 thousand), or 4.3% above the previous term.

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).

Net cash used in investing activities increased 5.0% to ¥9,499 million (US$79,160 thousand). The purchase of property, plant and equipment went up 35.2% to ¥11,885 million (US$99,045 thousand), and leasehold deposits decreased ¥192 million (US$1,599 thousand). In addition, an acquisition of subsidiaries brought net cash of ¥2,909 million (US$24,240 thousand) with it.

Capital investment went up 45.2% to ¥12,862 million (US$107,183 thousand), as the company built its 6th logistic center and opened large scale stores more aggressively than previous term. In addition, all of Kiccory’s stores are renewed as Komeri’s store in all aspects, including appearance, equipment, and merchandise assortment.

Net cash provided by financing activities was ¥1,393 million (US$11,606 thousand). Increase in short-term bank loans was ¥4,994 million (US$41,614 thousand), and proceeds from long-term debts were ¥11,930 million (US$99,416 thousand), compared with ¥1,662 million in the previous fiscal year. Repayments of long-term debt and bond were ¥9,986 million (US$83,215 thousand) and ¥4,000 million (US$33,333 thousand) respectively.

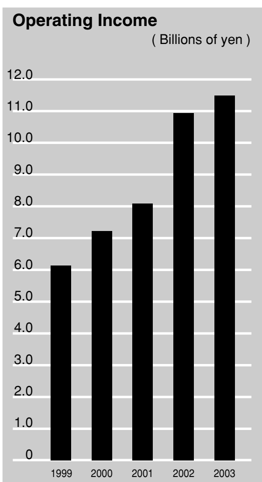
In aggregate, cash and cash equivalents, end of year, decreased ¥1,929 million to ¥8,047 million (US$67,059 thousand).

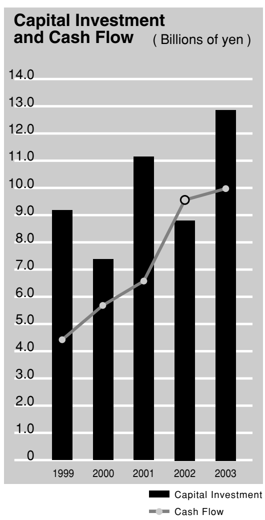
FINANCIAL POSITION

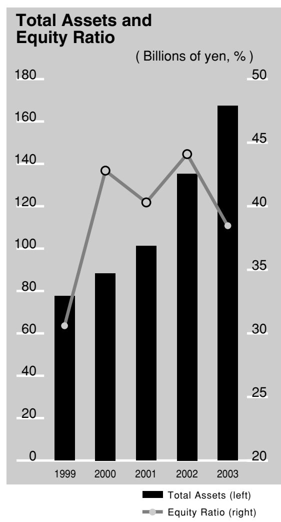
Total current assets grew ¥10,458 million to ¥65,305 million (US$544,211 thousand), resulting mainly from rises in merchandise inventories of ¥11,275 million, to ¥49,852 million (US$415,435 thousand). Total current liabilities increased ¥15,916 million to ¥69,078 million (US$575,648 thousand), as short-term bank loans went up ¥9,237 million (US$76,975 thousand) because of two acquisitions. Trade notes and accounts payable rose by ¥4,826 million to ¥30,581 million (US$254,844 thousand). The current ratio for the term was 0.95 times, compared with 1.03 for the previous fiscal year.

Long-term liabilities went up ¥9,704million to ¥30,344 million (US$252,868 thousand). Total assets rose 23.6% to ¥167,460 million (US$1,395,501 thousand). The opening of 57 new stores and an acquisition of two companies pushed net property, plant and equipment up ¥19,182 million to ¥83,361 million (US$694,674 thousand), accounting for 49.8% of total assets. Asset turnover was 1.3 times, down 0.1 percentage point from the previous term. Return on average assets was 4.1%, 0.7 percentage point lower than the previous term.

Total shareholders' equity increased 7.8% to ¥64,356 million (US$536,301 thousand). Return on average equity was 10.0%, 1.2 percentage point lower than the previous term.







Consolidated Balance Sheets

KOMERI Co., Ltd. and Consolidated Subsidiaries

March 31, 2003 and 2002	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	**2003**	2002	**2003**
CURRENT ASSETS:			
Cash and cash equivalents	**¥ 8,047**	¥ 9,976	**$ 67,059**
Short-term investments	**819**	763	**6,824**
Receivables:			
Trade notes and accounts	**4,280**	3,293	**35,669**
Unconsolidated subsidiaries		231	
Allowance for doubtful receivables	**(2)**	(4)	**(21)**
Inventories (Note 4)	**49,902**	38,622	**415,850**
Deferred tax assets (Note 8)	**1,095**	980	**9,127**
Prepaid expenses and other current assets	**1,164**	986	**9,703**
Total current assets	**65,305**	54,847	**544,211**
PROPERTY, PLANT AND EQUIPMENT (Note 5):			
Land	**20,714**	14,690	**172,619**
Buildings and structures	**88,182**	70,371	**734,853**
Machinery and equipment	**3,889**	3,363	**32,404**
Construction in progress	**4,493**	817	**37,437**
Other	**4,998**	4,417	**41,648**
Total	**122,276**	93,658	**1,018,961**
Accumulated depreciation	**(38,915)**	(29,479)	**(324,287)**
Net property, plant and equipment	**83,361**	64,179	**694,674**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 5)	**452**	548	**3,767**
Investments in unconsolidated subsidiaries	**22**	54	**183**
Consolidation goodwill (Note 2.a)		81	
Intangible assets	**4,593**	4,024	**38,275**
Leasehold deposits (Note 5)	**10,489**	8,967	**87,412**
Deferred charges	**39**	70	**322**
Deferred tax assets (Note 8)	**996**	768	**8,300**
Other assets (Note 5)	**2,203**	1,893	**18,357**
Total investments and other assets	**18,794**	16,405	**156,616**
TOTAL	**¥ 167,460**	¥ 135,431	**$1,395,501**

See notes to consolidated financial statements.

March 31, 2003 and 2002	Millions of Yen		Thousands of U.S. Dollars (Note 1)
LIABILITIES AND SHAREHOLDERS' EQUITY	**2003**	2002	**2003**
CURRENT LIABILITIES:			
Short-term bank loans (Note 5)	**¥ 17,124**	¥ 7,887	**$ 142,700**
Current portion of long-term debt (Note 5)	**8,736**	9,911	**72,799**
Payables:			
Trade notes and accounts	**30,581**	25,755	**254,844**
Construction and other	**7,378**	4,410	**61,480**
Income taxes payable	**2,770**	2,801	**23,085**
Accrued expenses	**1,816**	1,565	**15,132**
Other current liabilities	**673**	833	**5,608**
Total current liabilities	**69,078**	53,162	**575,648**
LONG-TERM LIABILITIES:			
Long-term debt (Note 5)	**22,475**	16,328	**187,295**
Liability for retirement benefits (Notes 2.g and 6)	**1,610**	1,377	**13,417**
Retirement benefits for directors and corporate auditors (Note 6)	**1,145**	770	**9,543**
Lease deposits from lessees	**2,404**	1,973	**20,031**
Liability for obligations to customers (Note 2.h)	**165**	122	**1,376**
Negative goodwill (Note 2.a)	**2,288**		**19,062**
Deferred tax liabilities (Note 8)	**162**	67	**1,351**
Other long-term liabilities	**95**	3	**793**
Total long-term liabilities	**30,344**	20,640	**252,868**
MINORITY INTERESTS	**3,682**	1,934	**30,684**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 10, 11 and 12)			
SHAREHOLDERS' EQUITY (Notes 7 and 13):			
Common stock—authorized, 131,000,000 shares; issued and outstanding, 51,961,693 shares in 2003 and 2002	**18,802**	18,802	**156,685**
Capital surplus	**18,570**	18,570	**154,751**
Retained earnings	**27,003**	22,311	**225,021**
Unrealized gain (loss) on available-for-sale securities	**(3)**	15	**(21)**
Total	**64,372**	59,698	**536,436**
Treasury stock—at cost, 5,297 shares in 2003 and 912 shares in 2002	**(16)**	(3)	**(135)**
Total shareholders' equity	**64,356**	59,695	**536,301**
TOTAL	**¥ 167,460**	¥ 135,431	**$1,395,501**

See notes to consolidated financial statements.

Consolidated Statements of Income

KOMERI Co., Ltd. and Consolidated Subsidiaries

Years Ended March 31, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	**2003**
REVENUES:			
Net sales	**¥ 193,708**	¥ 164,648	**$1,614,237**
Other operating revenues	**6,782**	5,720	**56,513**
Total revenues	**200,490**	170,368	**1,670,750**
COST OF SALES	**134,703**	114,130	**1,122,521**
Gross profit	**65,787**	56,238	**548,229**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	**54,303**	45,317	**452,528**
Operating income	**11,484**	10,921	**95,701**
OTHER INCOME (EXPENSES):			
Interest and dividends	**35**	35	**297**
Interest expense	**(660)**	(837)	**(5,503)**
Loss on disposal of property, plant and equipment	**(108)**	(182)	**(897)**
Amortization of negative goodwill	**334**		**2,780**
Other—net	**203**	(264)	**1,693**
Other expenses—net	**(196)**	(1,248)	**(1,630)**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**11,288**	9,673	**94,071**
INCOME TAXES (Note 8):			
Current	**5,113**	4,535	**42,604**
Deferred	**(234)**	(759)	**(1,948)**
Total income taxes	**4,879**	3,776	**40,656**
MINORITY INTERESTS IN NET INCOME	**(185)**	(262)	**(1,543)**
NET INCOME	**¥ 6,224**	¥ 5,635	**$ 51,872**

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2.m):			
Basic net income	**¥ 118.68**	¥ 122.03	**$ 0.99**
Cash dividends applicable to the year	**26.00**	26.00	**0.22**

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

KOMERI Co., Ltd. and Consolidated Subsidiaries

Years Ended March 31, 2003 and 2002	Outstanding Number of Shares of Common Stock	Millions of Yen				
		Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain (Loss) on Available-for-sale Securities	Treasury Stock
BALANCE, APRIL 1, 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)		
Increase in treasury stock						¥ (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)
Net income				6,224		
Cash dividends, ¥26 per share				(1,480)		
Bonuses to directors and corporate auditors				(52)		
Increase in treasury stock						(13)
Net decrease in unrealized gain on available-for-sale securities					(18)	
BALANCE, MARCH 31, 2003	**51,961,693**	**¥ 18,802**	**¥ 18,570**	**¥ 27,003**	**¥ (3)**	**¥ (16)**

	Thousands of U.S. Dollars (Note 1)				
	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain (Loss) on Available-for-sale Securities	Treasury Stock
BALANCE, MARCH 31, 2002	$ 156,685	$ 154,751	$ 185,925	$ 121	$ (22)
Net income			51,872		
Cash dividends, $0.22 per share			(12,340)		
Bonuses to directors and corporate auditors			(436)		
Increase in treasury stock					(113)
Net decrease in unrealized gain on available-for-sale securities				(142)	
BALANCE, MARCH 31, 2003	**$ 156,685**	**$ 154,751**	**$ 225,021**	**$ (21)**	**$ (135)**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

KOMERI Co., Ltd. and Consolidated Subsidiaries

Years Ended March 31, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	**2003**
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 11,288	¥ 9,673	$ 94,071
Adjustments for:			
Income taxes—paid	(5,165)	(3,698)	(43,042)
Depreciation	5,347	4,940	44,559
Amortization of goodwill—net	(314)		(2,619)
Loss on disposal of property, plant and equipment	108	139	897
Bonuses to directors and corporate auditors	(52)	(46)	(436)
Changes in assets and liabilities:			
Increase in trade accounts receivable	(254)	(86)	(2,115)
Increase in inventories	(7,643)	(3,529)	(63,695)
Increase in trade accounts payable	2,187	3,777	18,227
Increase in liability for retirement benefits	233	140	1,944
Increase in retirement benefits for directors and corporate auditors	57	8	474
Increase in liability for obligations to customers	43	122	355
Other—net	79	411	669
Total adjustments	(5,374)	2,178	(44,782)
Net cash provided by operating activities	5,914	11,851	49,289
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(11,885)	(8,789)	(99,045)
Decrease in leasehold deposits	192	124	1,599
Cash acquired from purchase of subsidiaries—net (Note 9)	2,909	409	24,240
Increase in other assets	(715)	(790)	(5,954)
Net cash used in investing activities	(9,499)	(9,046)	(79,160)
FINANCING ACTIVITIES:			
Increase (decrease) in short-term bank loans—net	4,994	(3,977)	41,614
Proceeds from long-term debt	11,930	1,662	99,416
Repayments of long-term debt	(9,986)	(6,535)	(83,215)
Repayments of bond	(4,000)	(2,076)	(33,333)
Dividends paid	(1,482)	(966)	(12,348)
Dividends paid for minority	(63)		(528)
Proceeds from issuance of common stock, net of issuance costs		14,245	
Net cash provided by financing activities	1,393	2,353	11,606
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	¥ (2,192)	¥ 5,158	$ (18,265)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	9,976	4,818	83,129
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR	263		2,195
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 8,047	¥ 9,976	$ 67,059

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

KOMERI Co., Ltd. and Consolidated Subsidiaries

Years Ended March 31, 2003 and 2002

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 Financial Reporting 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 addition, certain reclassifications have been made in the 2002 financial statements to conform to the classifications used in 2003.

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 ¥120 to $1, the approximate rate of exchange at March 31, 2003. 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, 2003, include the accounts of the Company and its 12 significant (8 in 2002) 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.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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.

Consolidation goodwill and negative goodwill, the differences of the cost between acquisition and the fair value of the net assets of the acquired subsidiary at the date of acquisition, are being amortized over 5 years.

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.

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. Investment Securities—Investment securities not classified as either held-to-maturity securities or trading securities are classified as available-for-sale securities. The Group has no held-to-maturity nor trading securities.

Marketable available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes 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 decline 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 Cost—Stock issue cost is reported in the balance sheet as deferred charges and amortized by the straight-line method over 3 years.

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

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 for 5 years from 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. Liability for Obligations to Customers—The Company has adopted a point service plan for its registered customers. In the point service plan, the pre-registered customers acquire service points in proportion to their actual purchases. The acquired service points are accumulated up to certain level and then may be exchanged for gift certificates.

The Company recognizes a liability for obligations to customers at the point that the customers acquire the service points in amounts considered to be appropriate based on past experience.

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 swap (substantially functions as foreign exchange forward contracts) and interest rate swap (including rate floor) 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 purposes are measured at the fair value and the unrealized losses are recognized in income.
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—Effective April 1, 2002, the Company adopted a new accounting standard for earnings per share of common stock issued by the Accounting Standards Board of Japan. Under the new standard, basic net income per share is computed by dividing net income available to common shareholders, which is more precisely computed than under previous practices, by the weighted-average number of common shares outstanding for the period.
Diluted net income per share is not disclosed because of no dilutive potential common shares.
Net income per share for the years ended March 31, 2003 and 2002 are computed in accordance with the new standard.
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, 2003 and 2002, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Non-current:			
Marketable equity securities	**¥ 418**	¥ 447	**$ 3,484**
Trust fund investments and other	**34**	101	**283**
Total	**¥ 452**	¥ 548	**$ 3,767**

The carrying amounts and aggregate fair values of marketable investment securities at March 31, 2003 and 2002 were as follows:

	Millions of Yen								Thousands of U.S. Dollars			
	March 31, 2003				March 31, 2002				**March 31, 2003**			
	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	**¥ 359**	**¥ 40**	**¥ 28**	**¥ 371**	¥ 405	¥ 59	¥ 17	¥ 447	**$ 2,993**	**$ 330**	**$ 233**	**$ 3,090**
Trust fund investments and other	**49**		**15**	**34**	63		11	52	**410**		**127**	**283**

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2003 and 2002 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Available-for-sale—Equity securities	**¥ 47**	¥ 80	**$ 394**

4. INVENTORIES

Inventories at March 31, 2003 and 2002, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Merchandise	**¥ 49,852**	¥ 38,577	**$ 415,435**
Supplies	**50**	45	**415**
Total	**¥ 49,902**	¥ 38,622	**$ 415,850**

5. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2003 and 2002 consisted of notes to banks and bank overdrafts. The annual weighted average interest rate applicable to the short-term bank loans was 1.1% and 1.5% at March 31, 2003 and 2002, respectively.
Long-term debt at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Unsecured 3.4% domestic bonds due 2002		¥ 4,000	
Secured 2.4% domestic bonds due 2006	**¥ 200**	200	**$ 1,667**
Secured 2.4% domestic bonds due 2007	**100**	100	**833**
Secured 1.9% domestic bonds due 2005	**100**	100	**833**
Loans from banks and other financial institutions, due serially to 2015 with weighted average interest rates 2.0% (2003) and 2.1% (2002):			
Collateralized	**18,754**	16,433	**156,282**
Unsecured	**12,057**	5,406	**100,479**
Total	**31,211**	26,239	**260,094**
Less current portion	**(8,736)**	(9,911)	**(72,799)**
Long-term debt, less current portion	**¥ 22,475**	¥ 16,328	**$ 187,295**

Annual maturities of long-term debt at March 31, 2003 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2004	¥ 8,736	$ 72,799
2005	7,303	60,860
2006	4,943	41,196
2007	3,685	30,709
2008	3,350	27,917
2009 and thereafter	3,194	26,613
Total	¥ 31,211	$ 260,094

The carrying amounts of assets pledged as collateral for short-term bank loans of ¥5,506 million ($45,885 thousand) and the above collateralized long-term debt at March 31, 2003, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Property, plant and equipment—net of accumulated depreciation	**¥ 29,719**	**$ 247,660**
Investment securities	**89**	**744**
Leasehold deposits	**525**	**4,373**
Other assets	**69**	**578**
Total	**¥ 30,402**	**$ 253,355**

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 and some consolidated subsidiaries, and in the form of annuity payments from a trustee for the other 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 liability for retirement benefits at March 31, 2003 for directors and corporate auditors is ¥1,145 million ($9,543 thousand). 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, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Projected benefit obligation	**¥2,074**	¥ 1,749	**$ 17,280**
Fair value of plan assets	**(269)**	(188)	**(2,241)**
Unrecognized actuarial gain	**(257)**	(184)	**(2,138)**
Prepaid pension cost	**62**		**516**
Net liability	**¥ 1,610**	¥ 1,377	**$ 13,417**

The components of net periodic benefit costs for the years ended March 31, 2003 and 2002 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Service cost	**¥ 297**	¥ 213	**$ 2,476**
Interest cost	**35**	41	**292**
Expected return on plan assets	**(5)**	(5)	**(41)**
Recognized actuarial loss	**37**	1	**309**
Required contribution for the multiemployer plan	**377**	342	**3,140**
Net periodic benefit costs	**¥ 741**	¥ 592	**$ 6,176**

Assumptions used for the years ended March 31, 2003 and 2002, are set forth as follows:

	2003	2002
Discount rate	**2.0%**	2.0%–3.0%
Expected rate of return on plan assets	**3.0%**	3.0%
Recognition period of actuarial gain/loss	**5 years**	5 years

7. SHAREHOLDERS' EQUITY

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

The Code was revised whereby common stock par value was eliminated resulting in all shares being recorded with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital, which is included in capital surplus. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration as a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The revised Code also provides that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings) until such reserve and additional paid-in capital equals 25% of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 25% of the common stock may be available for dividends by resolution of the shareholders. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The revised Code eliminated restrictions on the repurchase and use of treasury stock allowing Japanese 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 beginning April 1, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amount of common stock, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders meeting.

The amount of retained earnings available for dividends under the Code was ¥22,636 million ($188,636 thousand) as of March 31, 2003, based on the amount recorded in the Company's general books of account. In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends.

At February 19, 2002, the Company issued 7,000 thousand shares of common stock at ¥2,035 per share by public offering; resulting in an increase in common stock of ¥7,126 million and capital surplus of ¥7,119 million.

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, 2003 and 2002.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2003 and 2002, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Deferred tax assets:			
Inventories	**¥ 125**	¥ 97	**$ 1,044**
Accrued enterprise taxes	**288**	243	**2,398**
Accrued bonuses	**326**	255	**2,713**
Liabilities for retirement benefits	**588**	480	**4,902**
Retirement benefits for directors and corporate auditors	**464**	321	**3,870**
Tax loss carryforwards	**1,158**	397	**9,645**
Other	**528**	220	**4,400**
Less valuation allowance	**(1,111)**		**(9,257)**
Total	**2,366**	2,013	**19,715**
Deferred tax liabilities:			
Property and equipment	**(209)**	(178)	**(1,740)**
Other	**(228)**	(154)	**(1,899)**
Total	**(437)**	(332)	**(3,639)**
Net deferred tax assets	**¥ 1,929**	¥ 1,681	**$ 16,076**

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2003 and 2002, and the actual effective tax rates reflected in the accompanying consolidated statements of income are as follows:

	2003	2002
Normal effective statutory tax rate	**42%**	42%
Per capita portion	**2**	2
Tax loss carryforwards		(5)
Amortization of negative goodwill	**(1)**	
Actual effective tax rate	**43%**	39%

On March 31, 2003 tax reform law was enacted in Japan which changed the normal effective statutory tax rate from approximately 42% to 41%, effective for years beginning April 1, 2004. The effect of this change on deferred taxes in the consolidated statement of income for the year ended March 31, 2003 is not material.

At March 31, 2003, certain subsidiaries have tax loss carryforwards aggregating approximately ¥2,857 million ($23,808 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
2004	¥ 286	$ 2,380
2005	493	4,110
2006	89	745
2007	182	1,517
2008 and thereafter	1,807	15,056
Total	¥ 2,857	$ 23,808

9. CASH FLOWS

Cash acquired from purchase of subsidiaries—net at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Current assets	**¥ 6,731**	¥ 7,330	**$ 56,094**
Property, plant and equipment	**11,488**	12,433	**95,733**
Investments and other assets	**1,862**	2,940	**15,516**
Goodwill	**(2,313)**	54	**(19,271)**
Current liabilities	**(9,101)**	(9,782)	**(75,846)**
Long-term liabilities	**(5,387)**	(10,435)	**(44,888)**
Minority interests	**(2,027)**	(1,628)	**(16,895)**
Acquisition costs	**1,253**	912	**10,443**
Accepted cash and cash equivalents	**4,162**	1,321	**34,683**
Cash acquired from purchase of subsidiaries—net	**¥ 2,909**	¥ 409	**$ 24,240**

10. LEASES

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

Total rental expenses for the years ended March 31, 2003 and 2002, were ¥9,453 million ($78,772 thousand) and ¥9,980 million, respectively, including ¥2,376 million ($19,799 thousand) and ¥1,908 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, 2003 and 2002, are as follows:

	Millions of Yen								Thousands of U.S. Dollars			
	March 31, 2003				March 31, 2002				**March 31, 2003**			
	Building	Machinery and Equipment	Furniture and Fixtures	Total	Building	Machinery and Equipment	Furniture and Fixtures	Total	Building	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	**¥ 1,064**	**¥ 872**	**¥ 11,659**	**¥ 13,595**	¥ 1,064	¥ 868	¥ 9,159	¥ 11,091	**$ 8,864**	**$ 7,267**	**$ 97,161**	**$113,292**
Accumulated depreciation	**144**	**609**	**6,608**	**7,361**	91	508	4,971	5,570	**1,198**	**5,077**	**55,065**	**61,340**
Net leased property	**¥ 920**	**¥ 263**	**¥ 5,051**	**¥ 6,234**	¥ 973	¥ 360	¥ 4,188	¥ 5,521	**$ 7,666**	**$ 2,190**	**$ 42,096**	**$ 51,952**

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Due within one year	**¥ 1,973**	¥ 1,628	**$ 16,439**
Due after one year	**4,514**	4,054	**37,618**
Total	**¥ 6,487**	¥ 5,682	**$ 54,057**

Depreciation expense and interest expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Depreciation expense	**¥ 2,161**	¥ 1,790	**$ 18,005**
Interest expense	**276**	186	**2,300**
Total	**¥ 2,437**	¥ 1,976	**$ 20,305**

Depreciation expense and interest expense, which are not reflected in the accompanying 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, 2003:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	**¥ 83**	**$ 694**
Due after one year	**776**	**6,465**
Total	**¥ 859**	**$ 7,159**

11. DERIVATIVES

The Group enters into 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 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 no derivatives contracts outstanding at March 31, 2003 and had the following derivatives contracts at March 31, 2002:

	Millions of Yen		
	2002		
	Contract Amount	Fair Value	Unrealized Loss
Interest rate swaps (fixed rate payment, floating rate receipt)	**¥ 243**	**¥ (2)**	**¥ (2)**

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.

12. CONTINGENT LIABILITIES

At March 31, 2003, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees of bank loans	**¥ 6**	**$ 47**

13. SUBSEQUENT EVENT

The following appropriations of retained earnings at March 31, 2003, were approved at the Company's shareholders meeting held on June 27, 2003:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥16 ($0.12) per share	**¥ 675**	**$ 5,629**
Bonuses to directors and corporate auditors	**56**	**465**

14. SEGMENT INFORMATION

(1) Industry Segments

Information about industry segments is not shown since substantially all consolidated net sales, operating income and identifiable assets for 2003 and 2002 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

Tohmatsu & Co.
MS Shibaura Building
13-23, Shibaura 4-chome
Minatoku, Tokyo 108-8530,
JAPAN
Telephone :81-3-3457-7321
Facsimile :81-3-3769-8508

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of KOMERI Co., Ltd. and consolidated subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of KOMERI Co., Ltd. and consolidated subsidiaries as of March 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan.

Our audits 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, 2003

Non-consolidated Balance Sheets

KOMERI Co., Ltd.

March 31, 2003 and 2002

ASSETS	Millions of Yen 2003	Millions of Yen 2002	Thousands of U.S. Dollars 2003
CURRENT ASSETS:			
Cash and cash equivalents	**¥ 5,432**	¥ 8,435	**$ 45,265**
Short-term investments		62	
Receivables:			
Trade notes and accounts	**3,251**	2,602	**27,092**
Subsidiaries	**2,050**	651	**17,084**
Allowance for doubtful receivables	**(2)**	(3)	**(21)**
Inventories	**39,369**	32,912	**328,077**
Deferred tax assets	**613**	480	**5,109**
Prepaid expenses and other current assets	**580**	609	**4,834**
Total current assets	**51,293**	45,748	**427,440**
PROPERTY, PLANT AND EQUIPMENT:			
Land	**8,161**	7,914	**68,011**
Buildings and structures	**61,389**	53,702	**511,576**
Machinery and equipment	**2,440**	2,005	**20,333**
Construction in progress	**2,759**	706	**22,995**
Other	**1,385**	1,166	**11,537**
Total	**76,134**	65,493	**634,452**
Accumulated depreciation	**(22,815)**	(19,414)	**(190,126)**
Net property, plant and equipment	**53,319**	46,079	**444,326**
INVESTMENTS AND OTHER ASSETS:			
Investment securities	**366**	453	**3,047**
Investments in and advances to subsidiaries	**6,260**	3,616	**52,170**
Intangible assets	**2,674**	2,609	**22,280**
Leasehold deposits	**6,922**	7,252	**57,684**
Deferred charges	**31**	63	**263**
Deferred tax assets	**909**	754	**7,577**
Other assets	**1,523**	1,365	**12,690**
Total investments and other assets	**18,685**	16,112	**155,711**
TOTAL	**¥ 123,297**	¥ 107,939	**$1,027,477**

March 31, 2003 and 2002

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 2003	Millions of Yen 2002	Thousands of U.S. Dollars 2003
CURRENT LIABILITIES:			
Short-term bank loans	**¥ 8,250**	¥ 3,850	**$ 68,750**
Current portion of long-term debt	**4,638**	7,516	**38,649**
Payables:			
Trade notes and accounts	**22,905**	19,886	**190,878**
Subsidiaries	**1,410**	1,819	**11,748**
Construction and other	**6,115**	4,181	**50,958**
Income taxes payable	**2,372**	2,341	**19,769**
Accrued expenses	**1,269**	1,239	**10,575**
Other current liabilities	**386**	201	**3,218**
Total current liabilities	**47,345**	41,033	**394,545**
LONG-TERM LIABILITIES:			
Long-term debt	**10,803**	6,026	**90,023**
Liability for retirement benefits	**1,444**	1,236	**12,029**
Retirement benefits for directors and corporate auditors	**866**	759	**7,219**
Lease deposits from lessees	**1,546**	1,386	**12,886**
Liabilty for obligations to customers	**154**		**1,284**
Other long-term liabilities	**89**	122	**745**
Total long-term liabilities	**14,902**	9,529	**124,186**
CONTINGENT LIABILITIES			
SHAREHOLDERS' EQUITY:			
Common stock—authorized, 131,000,000 shares; issued and outstanding, 51,961,693 shares in 2003 and 2002	**18,802**	18,802	**156,685**
Capital surplus	**18,570**	18,570	**154,751**
Retained earnings	**23,695**	19,995	**197,461**
Unrealized gain (loss) on available-for-sale securities	**(1)**	13	**(16)**
Total	**61,066**	57,380	**508,881**
Tresury stock—at cost,5,297 shares in 2003 and 912 shares in 2002	**(16)**	(3)	**(135)**
Total shareholders' equity	**61,050**	57,377	**508,746**
TOTAL	**¥ 123,297**	¥ 107,939	**$1,027,477**

Non-consolidated Statements of Income

KOMERI Co., Ltd.

Years Ended March 31, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
REVENUES:			
Net sales	**¥ 152,359**	¥ 135,712	**$ 1,437,352**
Other operating revenues	**2,004**	1,496	**18,903**
Total revenues	**154,363**	137,208	**1,456,255**
COSTS AND EXPENSES:			
Cost of sales	**108,215**	95,189	**1,020,892**
Selling, general and administrative expenses	**36,774**	33,240	**346,925**
Total costs and expenses	**144,989**	128,429	**1,367,817**
Operating income	**9,374**	8,779	**88,438**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**297**	173	**2,799**
Interest expense	**(230)**	(433)	**(2,167)**
Other—net	**(49)**	(172)	**(468)**
Other income (expenses)—net	**18**	(432)	**164**
INCOME BEFORE INCOME TAXES	**9,392**	8,347	**88,602**
INCOME TAXES:			
Current	**4,438**	3,916	**41,866**
Deferred	**(277)**	(287)	**(2,618)**
Total income taxes	**4,161**	3,629	**39,248**
NET INCOME	**¥ 5,231**	¥ 4,718	**$ 49,354**

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK:			
Basic net income	**¥ 99.61**	¥ 103.12	**$ 0.83**
Cash dividends applicable to the year	**26.00**	26.00	**0.22**

Directors and Auditors

Chairman and Chief Executive Officer
Kenichi Sasage

President and Chief Operating Officer
Yuichiro Sasage

Managing Directors
Toshimoto Kosugi
Takayoshi Itagaki

Directors
Shigeru Yamagishi
Yoshihito Hasegawa
Shuichi Matsuda

Standing Statutory Auditor
Kinji Sasage

Statutory Auditors
Seiichi Nishitani
Zenroku Fujita
Shigeo Misaki

Executive Officers

Kenichi Sasage
Yuichiro Sasage
Toshimoto Kosugi
Takayoshi Itagaki
Shigeru Yamagishi
Yoshihito Hasegawa
Kazuo Sugita
Kazuhisa Yajima
Shojiro Sumiyoshi
Shigeki Sakamoto
Noboru Ishizawa
Yasuo Toujou
Takamitsu Moriyama

Investor Information

As of March 31, 2003

Paid-in Capital
¥18,802 million

Common Stock
Authorized: 131,000,000 shares
Issued: 51,961,693 shares
Number of Shareholders: 3,795

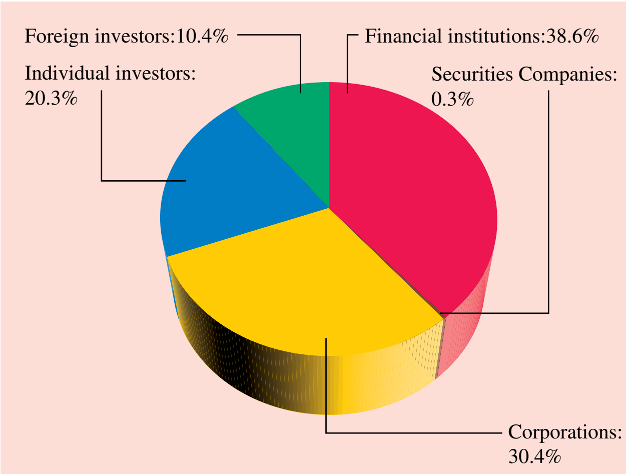
Annual Meeting of Shareholders
The annual meeting of shareholders of the Company is normally held in June each year in Niigata, Japan.

Stock Exchange Listing
Tokyo Stock Exchange (first section, code 8218)

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, 2003

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

Official 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
KOMERI HOLDINGS CO., LTD.(*1)	Holding company of Mr. John and Yamaki	¥ 20 million	100.0%
MR. JOHN CO., LTD.	HC chain based in western Japan	¥ 1,592 million	59.2%
YAMAKI CO., LTD.	HC chain based in northern Japan	¥ 1,373 million	66.0%
KICCORY CO., LTD.	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.	Credit card services	¥ 450 million	100.0%
ATHENA CO., LTD.	Retailing of home furnishing	¥ 400 million	20.0 %(*2)

Foreign Subsidiary

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

Note: 1. Renamed in Oct. 23, 2002 from Kinki Komeri Holdings Co., Ltd.
2. In addition to 20.0% shares which Komeri owns directly, the group that has close relationship to Komeri holds 61.7%. Athena is listed here as a subsidiary because Komeri is regarded to hold actual control over it.