## Basic Accounting Policies:

1. Basis of Presentation of Consolidated Financial Statements
The company's consolidated financial statements are prepared in conformity with U.S. generally accepted accounting principles. See Note 2 of Notes to consolidated financial statements on page 13.

2. Inventories
Finished goods and work in process are stated at the lower of cost (average) or market. Raw materials are stated at cost, principally on a first-in, first-out or average basis, not in excess of current replacement cost.

3. Marketable Securities
The company accounts for debt and equity securities in accordance with the provision of ASC 320, “Investments-Debt and Equity Securities.”

4. Property, Plant and Equipment, and Depreciation
Property, plant and equipment are stated at cost. Depreciation is computed primarily using the straight-line method.

5. Leases
The company accounts for leases in accordance with the provision of ASC 840, "Leases."

6. Income Taxes
Income taxes are accounted for under the asset and liability method. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the fiscal year that includes the enactment date.

7. Retirement and Severance Benefits
The company accounts for retirement and severance benefits in accordance with the provision of ASC715, “Compensation-Retirement Benefits.”

8. Derivative Financial Instruments
The company accounts for derivative instruments in accordance with the provision of ASC 815, "Derivative and Hedging."