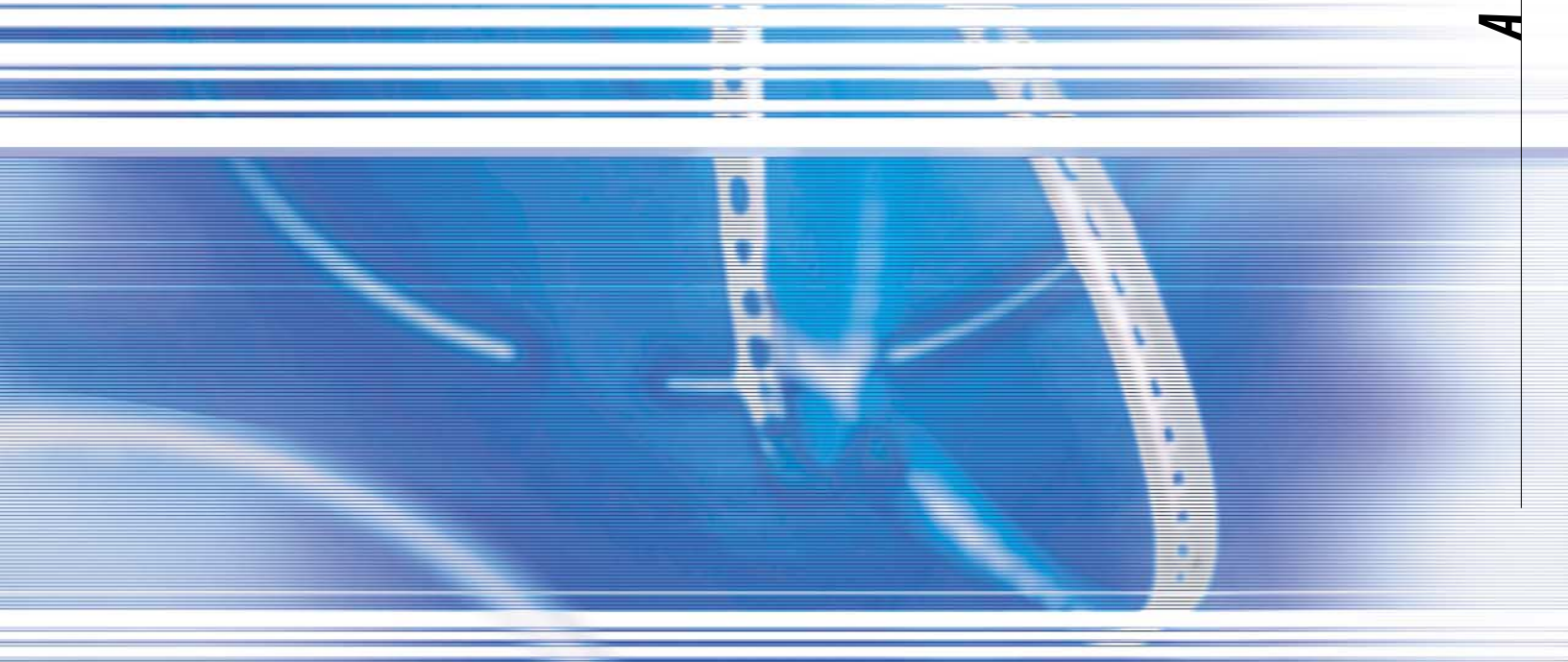


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*Annual Report*

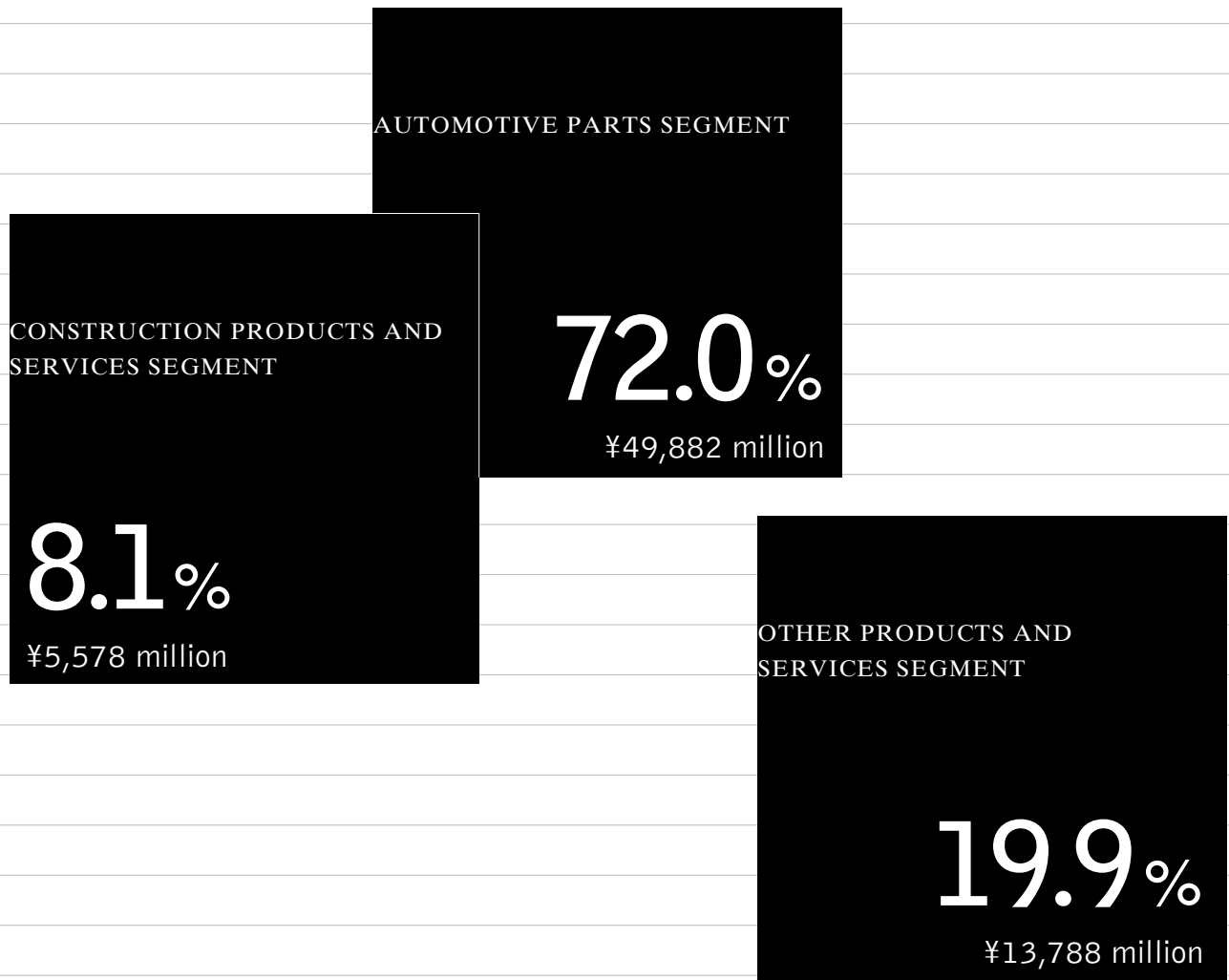


For the year ended March 31, 2002

**RIKEN CORPORATION**

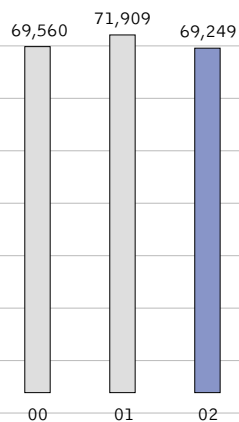


## BREAKDOWN OF OPERATING REVENUES

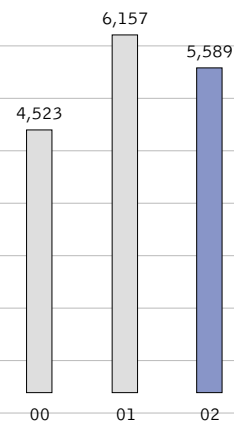


## PRINCIPAL FINANCIAL FIGURES

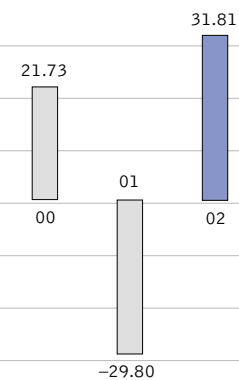
NET SALES  
(¥ million)



OPERATING INCOME  
(¥ million)



NET INCOME PER SHARE  
(¥)



TO OUR SHAREHOLDERS



*From left to right: Executive Vice President Toshinaga Koizumi, President Kunihiko Oguchi, Chairman Seiji Nemoto*

## **MID-TERM MANAGEMENT POLICY**

Since April 2000, the Riken Group has been implementing Plan 2002, our 3-year, mid-term business plan that was formulated on the theme of "Raising our competitive position and strengthening our presence in world markets." In Plan 2002, the Group strives to improve corporate value by 1) establishing technological superiority across all product lines, 2) improving global price competitiveness, and 3) making managerial reform part of our management policy.

1) To establish technological superiority, it is critical to develop highly functional piston rings that provide for low fuel consumption and high output to address global environmental issues. The Group is conducting R&D primarily on thin, light-weight piston rings and surface treatment technology that will result in higher compatibility between sealing strength and lubricity. Other key R&D projects include as-cast hollow camshafts and weight reduction of cast iron chassis parts.

2) To improve price competitiveness we will dramatically improve operational efficiency through gains made from current business reform activities, achieving broad cost reductions and globally competitive pricing. We will do so while upgrading and innovating our manufacturing processes.

3) To reform our managerial framework, we are planning to expedite and enhance management to more effectively meet international competition and increase corporate value. This will be accomplished by reassessing our organizational and managerial decision-making structures and by continually practicing management reform, including the creation of financial and accounting systems for consolidated group management.

## **BUSINESS ENVIRONMENT AND OPERATIONAL REVIEW**

During the Group's consolidated fiscal year, the world economy suffered a setback when the rapidly ailing US economy, beset by the bursting of the IT bubble, extended its influence to the European and Asian economies. Domestically, exports and production fell off drastically following the world economic slowdown that led to lower personal consumption as unemployment fears grew. This in turn led to an even deeper setback in the economy and created a harsh business climate for the Group.

In the automobile industry, in which the Riken Group's consolidated businesses operate, automobile production peaked as a result of the slowdown in the

world economy. Overall automobile demand continued to fall, resulting in a 2.6% decline over the previous year to 5.81 million units. Contributing to the worsening overall demand was a decline in exports as a result of the auto manufacturers' increased production overseas. The ill effects of economic stagnation in Asia and Europe held domestic automobile production to only 9.8 million units. Additionally, despite support from rentals and subdivisions, the domestic housing and construction industry also saw a large decline in owner-occupied housing as a result of becoming less effective of tax relief measures. New housing starts were down to 1.17 million units, below the previous year's figures. Even square footage of non-residential construction was 10.8% less than the year before due to a large decline in demand for outlets and factories.

The Group endeavored to expand its business and secure new customers under this harsh business environment. As a result we raised sales revenues for piston rings, the Group's core product, by increasing our share of both domestic and overseas OEMs (Original Equipment Manufacturers) business and by expanding sales of stock supplies overseas. However, in our other business operations, staggering demand and a decline in sales prices, due to market competition, resulted in consolidated sales revenues of ¥69,249 million, a 3.7% decline from the previous year. Consolidated operating income was ¥5,589 million, a 9.2% decline from the previous year resulting from the lower level of sales revenue. We were able to maintain an operating income margin of 8% through continued rationalization measures that resulted in reduced costs. Consolidated net income was a record-breaking ¥3,344 million. (With the introduction of new accounting standards in Japan for retirement benefits we made a one-time ¥16,100 million write off unfunded pension liabilities. This resulted in a net loss of ¥3,100 million in the previous fiscal year.) Additionally the Group was able to achieve a consolidated ROA of 4.6%. As was initially planned, we declared a dividend of ¥7.5 per share, an increase of ¥2.5 per share for the year.

Furthermore, in order to strengthen the Group's sales capacity and realize efficiency gains from its sales related-companies, Riken Trading Co., Ltd. and Osaka Kiki Hanbai, Ltd., both wholly owned subsidiaries, merged on April 1st, 2001 to form Riken Trading Co., Ltd.

## OUTLOOK FOR NEXT YEAR

With regard to future economic trends, we cannot expect a strong recovery from those economic doldrums over the short term. As for the automobile industry, we fear that slumping demand for passenger cars and trucks, and expansion of overseas production by automobile manufacturers will lead to reduced domestic production in the future.

It is in just such an environment that we will move forward to the next year, the final year of our mid-term business plan. During that period we will identify customer needs and expand sales of automotive parts, led by such core products as piston rings and camshafts, by developing environmentally-friendly and lighter products with enhanced technology. Between existing customers and new customer development in the world market, we expect this Group will achieve consolidated sales revenues of ¥68,000 million. This will be achieved by leveraging our production and sales bases across Europe, the Americas and Asia, with the Japanese base as the main hub. We plan to establish optimal business systems in each region while attaining competitive excellence based on the development, quality and price-competitiveness of new products.

We will enhance our profitability by improving turnover of inventory and accounts receivables, through operational reform practices that streamline the supply chain, while endeavoring to improve mass production technology and cost reduction. In addition to these managerial structure enhancements we will further increase the Group's corporate value by improving capital efficiency brought by making use of a commitment-line and the strict execution of a cash-management service. For next year we are forecasting a consolidated operating income of ¥5,600 million and a consolidated net income of ¥3,400 million. Finally, we intend to continue to declare a dividend of ¥7.5 per share for next year.

Thank you for your ongoing support.



Kunihiko Oguchi  
President

## REVIEW OF OPERATIONS

### AUTOMOTIVE PARTS

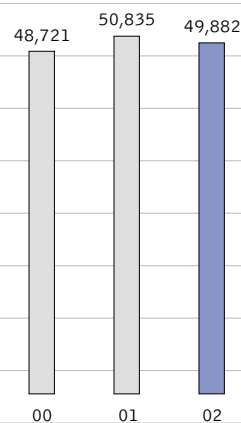
Current sales revenue for this division, which includes the Group's core products: piston rings, camshafts, valve lifters, and steering knuckles, was ¥49,882 million, a 1.9% decline from the previous year. Operating income was ¥4,760 million, an 8.4% decline from the previous year.

Piston rings are just one of many Riken Group products that include surface processing technology and contribute to lighter, more fuel-efficient automobiles. The market share for piston rings grew for domestically produced engines. Overseas sales revenue also grew significantly as a result of new ring sales to European OE manufacturers and growth in replacement part sales to the Asian and Middle-Eastern markets. Valve lifter sales also increased due to increased engine production by our major customers. However, market competition resulted in a decline in the unit prices of engine parts, such as valve seats, camshafts, and chassis parts, leading to a decline in overall sales revenues.

In the future, product sophistication and lighter-weight automobiles will be the critical concerns for the industry. The Riken Group is conducting R&D, with an emphasis on developing thinner, lighter, and highly durable piston rings in conjunction with advancements in surface-treatment technology that will enhance the compatibility between ring sealing strength and lubricity. Other R&D projects include improvements in valve lifter functionality, reduced-weight camshafts, and thin-walled cast iron chassis parts.



SEGMENT SALES  
(¥ million)



## CONSTRUCTION PRODUCTS & SERVICES

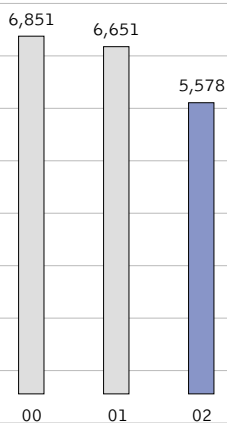


Responsible for the manufacture and sale of piping equipment and materials, this division strove to expand sales and secure new customers. It did so by investing from the start of the year in SUSFIT fittings for stainless-steel pipe in response to changing demand. Sales were ¥5,578 million, a 16.1% decline from the previous year, resulting from the overall price reductions associated with the slump in the construction and housing industry. However, the operating income ratio improved as a result of productivity enhancements and operational efficiencies, reducing the operating loss to ¥106 million.

Going forward, the plan is to realize further cost reductions by optimizing production volume and to expand sales by developing products that respond to market needs by focusing on high value-added mechanical fittings, such as our package of stainless steel fittings.



### SEGMENT SALES (¥ million)



## OTHER PRODUCTS & SERVICES

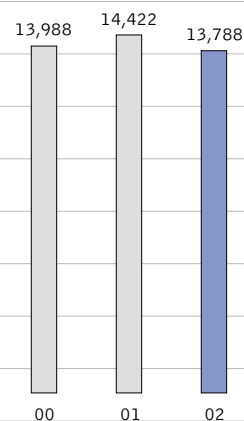
Responsible for the installation of radio frequency anechoic chambers, shield rooms and industrial furnaces, this division had sales revenues of ¥13,788 million, a 4.4% decline from the previous year. Operating income was ¥936 million, a 28.5% decline from the previous year. The overall decline resulted from an IT-glut-induced slump in industrial furnaces for semiconductor use and a decline in equipment exports to overseas markets. This occurred despite a favorable 9% year-to-year increase in sales of radio frequency anechoic chambers and shield rooms, primarily to automobile and automotive parts manufacturers.

With the growing trend in ITS (Intelligent Transport System) related business, beginning with ETC (Electronic Toll Collection), there has been growing activity in the development of devices and systems that use radio waves. This trend is making radio-wave absorbers and high frequency anechoic chambers critical components for the automobile industry. In addition, public authorities have started to establish signal leakage standards.

Given these circumstances, and with the help of design considerations at the planning stage, we will continue to develop sales by fully leveraging our automotive industry track record and Riken's sales force.



SEGMENT SALES  
(¥ million)



# FINANCIAL SECTION

## TWO-YEAR AND FIVE-YEAR SUMMARIES

Riken Corporation and Consolidated Subsidiaries

Millions of yen

### CONSOLIDATED

	2001	2002
Net sales	¥ 71,909	¥ 69,249
Operating income	6,157	5,589
Net income (loss)	(3,173)	3,344
Total assets	76,877	72,849
Net assets per share (yen)	213.02	245.89
Net income (loss) per share (yen)	(29.80)	31.81
Diluted net income per share (yen)	—	—
Capital ratio (%)	29.5	35.3
Net cash provided by operating activities	8,213	5,333
Net cash used in investing activities	(1,863)	(3,314)
Net cash used in financing activities	(9,032)	(4,623)
Cash and cash equivalents at end of year	9,331	7,258
Number of employees	3,979	3,850

Millions of yen

### NON-CONSOLIDATED

	1998	1999	2000	2001	2002
Net sales	¥ 70,817	¥ 63,116	¥ 63,274	¥ 64,253	¥ 61,740
Operating income	2,390	764	3,644	5,175	4,465
Net income (loss)	1,034	(5,352)	1,319	(3,169)	2,639
Capital	8,573	8,573	8,573	8,573	8,573
Common shares issued (shares)	109,959,667	109,959,667	106,484,667	106,484,667	106,484,667
Total assets	77,720	73,774	73,634	63,428	58,574
Net assets per share (yen)	238.50	184.57	212.08	177.06	192.71
Amount of a dividend per share (yen)	5	3	5	5	7.50
Net income (loss) per share (yen)	9.41	(48.68)	12.12	(29.76)	25.12
Diluted net income per share (yen)	8.32	—	10.71	—	—
Capital ratio (%)	33.7	27.5	30.7	29.7	34.4
Number of employees	1,837	1,776	1,698	1,634	1,564

## CONSOLIDATED BALANCE SHEETS

Riken Corporation and Consolidated Subsidiaries  
Years ended March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2002	2001	2002
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	¥ 7,258	¥ 9,331	\$ 54,571
Time deposits	89	367	669
Notes and accounts receivable	18,955	21,106	142,519
Less allowance for doubtful receivable	(2)	(63)	(15)
Marketable securities (Notes 1(f) and 3)	5	6	38
Inventories (Note 4)	7,694	7,799	57,850
Deferred tax assets (Notes 1(k) and 7)	671	731	5,045
Other current assets	499	707	3,752
<b>Total current assets</b>	<b>35,171</b>	<b>39,987</b>	<b>264,444</b>
<b>Non-current assets:</b>			
Property, plant and equipment, at cost (Notes 5 and 6):			
Land	3,432	3,287	25,805
Buildings	8,301	8,532	62,414
Machinery and equipment	12,742	11,971	95,805
Construction in progress	755	1,182	5,677
<b>Total property, plant and equipment</b>	<b>25,232</b>	<b>24,974</b>	<b>189,714</b>
Investments in unconsolidated subsidiaries and affiliates	2,633	1,870	19,797
Investments in other securities (Notes 1(f) and 3)	1,639	1,699	12,323
Deferred tax assets (Notes 1(k) and 7)	5,679	5,745	42,699
Other non-current assets	2,493	2,601	18,744
<b>Total non-current assets</b>	<b>37,678</b>	<b>36,889</b>	<b>283,293</b>
<b>Total assets</b>	<b>¥ 72,849</b>	<b>¥ 76,877</b>	<b>\$ 547,737</b>

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2002	2001	2002
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Notes and accounts payable	¥ 10,861	¥ 12,099	\$ 81,662
Short-term debt (Note 6)	11,301	12,942	84,970
Current portion of long-term debt (Note 6)	1,548	1,617	11,639
Accrued income taxes (Note 7)	964	3,076	7,248
Accrued expenses and other current liabilities (Note 8)	5,905	5,671	44,398
<b>Total current liabilities</b>	<b>30,581</b>	<b>35,407</b>	<b>229,932</b>
<b>Long-term liabilities:</b>			
Long-term debt (Note 6)	9,252	10,740	69,564
Deferred tax liabilities (Notes 1(k) and 7)	10	13	75
Accrued retirement benefits (Notes 1(j) and 9)	6,822	7,621	51,293
Excess of net assets acquired over cost	128	167	962
Other long-term liabilities	7	7	53
<b>Total long-term liabilities</b>	<b>16,221</b>	<b>18,550</b>	<b>121,962</b>
Minority interests in consolidated subsidiaries	351	236	2,639
<b>Shareholders' equity (Note 10):</b>			
Common stock:			
Authorized - 196,525,000 shares			
Issued - 106,484,667 shares at March 31, 2002 and 2001	8,573	8,573	64,459
Capital surplus	6,604	6,604	49,654
Retained earnings	12,152	9,157	91,368
Unrealized holding gains on other securities (Notes 1(f) and 3)	5	—	38
Translation adjustments (Note 1(c))	(835)	(1,652)	(6,278)
Less treasury common stock, at cost	(806)	(0)	(6,060)
<b>Total shareholders' equity</b>	<b>25,695</b>	<b>22,683</b>	<b>193,195</b>
<b>Contingent liabilities (Note 12)</b>			
<b>Total liabilities and shareholders' equity</b>	<b>¥ 72,849</b>	<b>¥ 76,877</b>	<b>\$ 547,737</b>

The accompanying notes are an integral part of these statements.

## CONSOLIDATED STATEMENTS OF OPERATIONS

Riken Corporation and Consolidated Subsidiaries  
Years ended March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2002	2001	2002
<b>Net sales</b>	<b>¥ 69,249</b>	¥ 71,909	<b>\$ 520,669</b>
<b>Cost of sales</b>	<b>53,266</b>	55,347	<b>400,496</b>
Gross profit	<b>15,983</b>	16,561	<b>120,173</b>
<b>Selling, general and administrative expenses</b>	<b>10,393</b>	10,403	<b>78,143</b>
Operating income	<b>5,589</b>	6,157	<b>42,023</b>
<b>Other income (expenses):</b>			
Interest and dividend income	<b>312</b>	389	<b>2,346</b>
Interest expense	<b>(458)</b>	(529)	<b>(3,444)</b>
Equity in earnings of investees	<b>341</b>	272	<b>2,564</b>
Loss on disposal of inventories	<b>(296)</b>	(155)	<b>(2,226)</b>
Gain on sales of fixed assets	–	595	–
Gain on reversal of allowance for doubtful receivables	<b>3</b>	113	<b>23</b>
Gain from contribution of securities to retirement benefit trust	–	3,619	–
Loss on disposal of fixed assets	<b>(120)</b>	(150)	<b>(902)</b>
Devaluation of investment in securities	<b>(62)</b>	(220)	<b>(466)</b>
Amortization of net retirement benefit obligation at transition (Note 9)	–	(16,158)	–
Other, net	<b>146</b>	221	<b>1,098</b>
Income (loss) before income taxes and minority interests	<b>5,455</b>	(5,844)	<b>41,015</b>
<b>Income taxes (Notes 1(k) and 7):</b>			
Current	<b>1,928</b>	3,160	<b>14,496</b>
Deferred	<b>124</b>	(5,770)	<b>932</b>
	<b>2,052</b>	(2,609)	<b>15,429</b>
Minority interests in earnings of consolidated subsidiaries	<b>58</b>	(61)	<b>436</b>
<b>Net income (loss) (Note 15)</b>	<b>¥ 3,344</b>	¥ (3,173)	<b>\$ 25,143</b>

The accompanying notes are an integral part of these statements.

## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Riken Corporation and Consolidated Subsidiaries  
Years ended March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2002	2001	2002
<b>Common stock</b>			
Balance at beginning of the year	¥ 8,573	¥ 8,573	\$ 64,459
Balance at end of the year	¥ 8,573	¥ 8,573	\$ 64,459
<b>Capital surplus</b>			
Balance at beginning of the year	¥ 6,604	¥ 6,604	\$ 49,654
Balance at end of the year	¥ 6,604	¥ 6,604	\$ 49,654
<b>Retained earnings</b>			
Balance at beginning of the year	¥ 9,157	¥ 12,363	\$ 68,850
Add:			
Net income (loss)	3,344	(3,173)	25,143
Adjustment for inclusion in consolidation or equity method of accounting	211	164	1,586
Adjustment for revaluation of fixed assets in a foreign consolidated subsidiary	-	362	-
Deduct:			
Cash dividends applicable to the year	(532)	(532)	(4,000)
Bonuses to directors and statutory auditors	(28)	(28)	(211)
Balance at end of the year	¥ 12,152	¥ 9,157	\$ 91,368
<b>Unrealized holding gains on other securities</b>			
Balance at beginning of the year	¥ -	¥ -	\$ -
Net change during the year	5	-	38
Balance at end of the year (Notes 1(f) and 3)	¥ 5	¥ -	\$ 38
<b>Translation adjustments</b>			
Balance at beginning of the year	¥ (1,652)	¥ -	\$ (12,421)
Net change during the year	816	(1,652)	6,135
Balance at end of the year (Note 1(c))	¥ (835)	¥ (1,652)	\$ (6,278)

The accompanying notes are an integral part of these statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Riken Corporation and Consolidated Subsidiaries  
Years ended March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2002	2001	2002
<b>Operating activities</b>			
Income (loss) before income taxes and minority interests	¥ 5,455	¥ (5,844)	\$ 41,015
Depreciation and amortization	4,051	4,153	30,459
Equity in earnings of investees	(341)	(272)	(2,564)
Reversal of accrued retirement benefits	(821)	–	(6,173)
Amortization of net retirement benefit obligation at transition	–	16,158	–
Gain from contribution of securities to retirement benefit trust	–	(3,619)	–
Reversal of provision for loss on investments	–	(103)	–
Provision for (reversal of) allowance for doubtful receivables	154	(109)	1,158
Loss on devaluation of securities	62	220	466
Gain on sales of fixed assets	–	(595)	–
Loss on disposals of fixed assets	120	150	902
Decrease (increase) in notes and accounts receivable	2,758	(928)	20,737
Decrease (increase) in inventories	235	(42)	1,767
(Decrease) increase in notes and accounts payable	(1,441)	299	(10,835)
Decrease in notes receivable discounted	(497)	(100)	(3,737)
Other, net	(234)	(703)	(1,759)
Subtotal	9,500	8,660	71,429
Interest received	312	389	2,346
Interest paid	(430)	(525)	(3,233)
Income taxes paid	(4,049)	(310)	(30,444)
Net cash provided by operating activities	5,333	8,213	40,098
<b>Investing activities</b>			
Additions to property, plant and equipment	(3,845)	(3,688)	(28,910)
Proceeds from sales of property, plant and equipment	435	1,894	3,271
Additions to investments in securities	(1,008)	(1,124)	(7,579)
Proceeds from sales of investments in securities	1,007	1,182	7,571
Other, net	97	(128)	729
Net cash used in investing activities	(3,314)	(1,863)	(24,917)
<b>Financing activities</b>			
Proceeds of short-term bank loans	10,469	15,453	78,714
Repayments of short-term bank loans	(12,168)	(16,833)	(91,489)
Proceeds of long-term bank loans	124	153	932
Repayments of long-term bank loans	(1,700)	(2,273)	(12,782)
Redemption of convertible bonds	–	(4,999)	–
Acquisition of treasury stock	(806)	(0)	(6,060)
Cash dividends paid	(532)	(532)	(4,000)
Other, net	(9)	–	(68)
Net cash used in financing activities	(4,623)	(9,032)	(34,759)
Effect of exchange rate changes on cash and cash equivalents	530	358	3,985
Net decrease in cash and cash equivalents	(2,073)	(2,323)	(15,586)
Cash and cash equivalents at beginning of the year	9,331	11,555	70,158
Increase in cash and cash equivalents due to inclusion in consolidation	–	99	–
Cash and cash equivalents at end of the year	¥ 7,258	¥ 9,331	\$ 54,571

The accompanying notes are an integral part of these statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Riken Corporation and Consolidated Subsidiaries  
March 31, 2002

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) BASIS OF PRESENTATION

Riken Corporation (the "Company") and its domestic subsidiaries maintain their books of account in conformity with the financial accounting standards of Japan, and its foreign subsidiaries maintain their books of account in conformity with those of their countries of domicile.

The accompanying consolidated financial statements have been compiled from the consolidated financial statements prepared by the Company as required under the Securities and Exchange Law of Japan and have been prepared in accordance with accounting principles and practices generally accepted in Japan, which may differ in certain material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

As permitted by the regulations under the Securities and Exchange Law of Japan, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and in U.S. dollars) do not necessarily agree with the sums of the individual amounts.

#### (b) PRINCIPLES OF CONSOLIDATION AND ACCOUNTING FOR INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES AND AFFILIATED COMPANIES

The accompanying consolidated financial statements include the accounts of the Company and any significant subsidiaries and affiliates controlled directly or indirectly by the Company. Subsidiaries and affiliates over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements on an equity basis. All significant intercompany balances and transactions have been eliminated.

The excess of cost over the underlying equity in net assets at the dates of acquisition of the major consolidated subsidiaries is charged to income for the five years by the straight-line method.

Investments in unconsolidated subsidiaries and affiliates, not accounted for by the equity method, are stated at cost or less.

#### (c) TRANSLATION OF FOREIGN CURRENCIES

Accounts of foreign consolidated subsidiaries are translated into yen as follows: all assets, liabilities, retained earnings at the end of the year and items in the statement of operations including net income, at the rate of exchange in effect at the year end; capital stock, at historical rates; and dividends paid, at the rate of exchange in effect when paid.

In accordance with a new accounting standard for foreign currency translation which became effective April 1, 2000, the Company has presented translation adjustments as a component of shareholders' equity and minority interests in consolidated subsidiaries (instead of as a component of assets or liabilities) in its consolidated financial statements for the year ended March 31, 2001. However, the adoption of this new standard had no material impact on the consolidated statement of income for the year ended March 2001.

#### (d) APPROPRIATION OF RETAINED EARNINGS

Cash dividends paid, transfer to the legal reserve and bonuses to directors and statutory auditors are recorded in the financial year in which the proposed appropriations of retained earnings are approved by the Board of Directors and/or shareholders.

#### (e) CASH EQUIVALENTS

The Company and its consolidated subsidiaries substantially consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

#### (f) SECURITIES

Until the year ended March 31, 2000, marketable securities had been stated at cost, determined by the moving average method.

A new accounting standard for financial instruments, which became effective April 1, 2000, requires that securities be classified into three categories: trading, held-to-maturity or other securities. Under the new standard, trading securities are carried at fair value and held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at cost except for securities written down the investments to reflect its impairment. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method. The carrying value and fair value of other securities at March 31, 2001 are ¥230 million and ¥232 million, respectively.

A new accounting standard for financial instruments regarding valuation of other securities, which became effective April 1, 2001, requires the other securities be carried at fair value. The effect of this change is not significant.

As of April 1, 2000, the Company and its subsidiaries assessed their intent to hold their investments in securities and classified their investments as "other securities" and accounted for the securities at March 31, 2001 in accordance with the new standard referred to above. As a result, marketable securities of ¥11,569 million were reclassified to investments in other securities at April 1, 2000.

The effect of the adoption of this new standard for financial instruments was to decrease income before income taxes by ¥143 million for the year ended March 31, 2001.

**(g) INVENTORIES**

Inventories are stated at cost, cost being determined mainly by the average method.

**(h) PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION**

Depreciation of buildings and of machinery and equipment is determined mainly by the declining-balance method, except for buildings acquired in Japan subsequent to March 31, 1998 on which depreciation is computed by the straight-line method, at rates based on the estimated useful lives of the respective assets.

**(i) LEASES**

Noncancelable lease transactions are primarily accounted for as operating leases (whether such leases are classified as operating or finance leases) except that lease agreements which stipulate the transfer of ownership of the leased assets to the lessee are accounted for as finance leases.

**(j) RETIREMENT BENEFITS**

Until the year ended March 31, 2000, accrued severance indemnities at March 31, are stated at 40 percent of the amount which would be required to be paid if all eligible employees covered by the severance indemnities plan voluntarily terminated their employment as of the respective balance sheet date.

In accordance with a new accounting standard for retirement benefits which became effective April 1, 2000, accrued employees' retirement benefits at March 31, 2002 and 2001 have been provided mainly at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of balance sheet dates, as adjusted for unrecognized actuarial gain or loss and unrecognized prior service cost. The retirement benefit obligation is attributed to each period by the straight-line method over the estimated years of service of the eligible employees. The net retirement benefit obligation at transition was fully charged to income for the year ended March 31, 2001. Actuarial gain and loss are amortized in the year following the year in which the gain or loss is recognized by the straight-line method over periods (principally 10 years) which are shorter than the average remaining years of service of the employees.

The effect of the adoption of the new standard for retirement benefits was to decrease income before income taxes by ¥15,925 million for the year ended March 31, 2001.

**(k) INCOME TAXES**

Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

**(l) RESEARCH AND DEVELOPMENT COSTS**

Research and development costs are charged to income when incurred.

## **2. U.S. DOLLAR AMOUNTS**

The translation of yen amounts into U.S. dollar amounts is included solely for convenience and has been made, as a matter of arithmetic computation only, at ¥133 = U.S.\$1.00, the approximate rate of exchange on March 31, 2002. The translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at that or any other rate.

### 3. SECURITIES

(a) Information regarding marketable securities classified as held-to-maturity debt securities as of March 31, 2002 is as follows:

<b>March 31, 2002</b>						
	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Fair value	Unrealized gain (loss)	Carrying value	Fair value	Unrealized gain (loss)
Securities whose fair value exceeds carrying value:						
Corporate bonds	¥ 2	¥ 2	¥ 0	\$ 15	\$ 15	\$ 2
Subtotal	2	2	0	15	15	2
Securities whose carrying value exceeds fair value:						
Corporate bonds	1	0	(0)	8	7	(1)
Subtotal	1	0	(0)	8	7	(1)
<b>Total</b>	<b>¥ 3</b>	<b>¥ 3</b>	<b>¥ 0</b>	<b>\$ 23</b>	<b>\$ 23</b>	<b>\$ 1</b>

(b) Information regarding marketable securities classified as other securities as of March 31, 2002 is as follows:

<b>March 31, 2002</b>						
	Millions of yen			Thousands of U.S. dollars		
	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Stock	¥ 23	¥ 60	¥ 37	\$ 173	\$ 451	\$ 278
Subtotal	23	60	37	173	451	278
Securities whose acquisition cost exceeds their carrying value:						
Stock	199	171	(27)	1,496	1,286	(203)
Subtotal	199	171	(27)	1,496	1,286	(203)
<b>Total</b>	<b>¥ 222</b>	<b>¥ 232</b>	<b>¥ 10</b>	<b>\$ 1,669</b>	<b>\$ 1,744</b>	<b>\$ 75</b>

Acquisition cost and Carrying Value are written down ¥61 million (\$459 thousand) to reflect its impairment.

(c) Sales of securities classified as other securities amounted to ¥1,000 million (\$7,519 thousand) with aggregate gain and loss of ¥0 million (\$0 thousand) and ¥0 million (\$1 thousand), respectively, for the year ended March 31, 2002.

(d) The carrying value and details of securities not carried at fair value as of March 31, 2002, is as follows:

	<b>Carrying value</b>	
	Millions of yen	Thousands of U.S. dollars
Held-to-maturity debt securities:		
Others	¥ 6	\$ 45
Other securities:		
Unlisted securities (Except for over-the-counter stock)	1,400	10,526
Others	2	15

(e) The redemption schedule for securities with maturity dates classified as other securities and held-to-maturity debt securities is summarized as follows:

<b>March 31, 2002</b>				
Millions of yen				
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Corporate bonds	¥ –	¥ 3	¥ –	¥ –
Other debt securities	5	0	–	–
Other securities	–	278	–	–
<b>Total</b>	<b>¥ 5</b>	<b>¥ 281</b>	<b>¥ –</b>	<b>¥ –</b>

<b>March 31, 2002</b>				
Thousands of U.S. dollars				
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Corporate bonds	\$ –	\$ 23	\$ –	\$ –
Other debt securities	38	7	–	–
Other	–	2,090	–	–
<b>Total</b>	<b>\$ 38</b>	<b>\$ 2,113</b>	<b>\$ –</b>	<b>\$ –</b>

(f) Information regarding marketable securities classified as other securities as of March 31, 2001 is as follows:

<b>March 31, 2001</b>			
Millions of yen			
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose acquisition cost exceeds their carrying value:			
Stock	¥ 50	¥ 50	¥ –
Bonds:			
Corporate bonds	0	0	–
<b>Total</b>	<b>¥ 51</b>	<b>¥ 51</b>	<b>¥ –</b>

Acquisition cost and Carrying Value are written down ¥205 million to reflect its impairment.

(g) Sales of securities classified as other securities amounted to ¥15,800 million with aggregate gain and loss of ¥3,625 million and ¥2 million, respectively, for the year ended March 31, 2001. The Company contributed marketable securities with a fair value of ¥14,621 million to its employees' retirement benefit trust, which resulted in a gain of ¥3,619 million included in the above aggregate gain.

(h) The redemption schedule for securities with maturity dates classified as other securities and held-to-maturity debt securities is summarized as follows:

<b>March 31, 2001</b>				
Millions of yen				
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Other debt securities	¥ 6	¥ 1	¥ –	¥ –
<b>Total</b>	<b>¥ 6</b>	<b>¥ 1</b>	<b>¥ –</b>	<b>¥ –</b>

#### 4. INVENTORIES

Inventories at March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Finished products	¥ 2,897	¥ 2,911	\$ 21,782
Goods for resale	778	738	5,850
Work in process	2,952	3,037	22,195
Other	1,065	1,111	8,008
	¥ 7,694	¥ 7,799	\$ 57,850

#### 5. DEPRECIATION

Depreciation of property, plant and equipment for the years ended March 31, 2002 and 2001 amounted to ¥3,795 million (\$28,534 thousand) and ¥4,139 million, respectively.

Accumulated depreciation of property, plant and equipment at March 31, 2002 and 2001 amounted to ¥59,041 million (\$443,917 thousand) and ¥57,267 million, respectively.

#### 6. SHORT-TERM DEBT AND LONG-TERM DEBT

At March 31, 2002 and 2001, short-term debt and the current portion of long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Loans, principally from banks	¥ 11,301	¥ 12,942	\$ 84,970
Current portion of long-term debt	1,548	1,617	11,639
	¥ 12,849	¥ 14,559	\$ 96,609

The annual interest rates applicable to short-term debt outstanding at March 31, 2002 and 2001 ranged principally from 0.614 percent to 7.341 percent and from 0.87 percent to 10.5 percent, respectively.

At March 31, 2002 and 2001, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Secured loans from banks, insurance company, due through 2009 at interest rates ranging from 0.348 percent to 10.106 percent	¥ 10,544	¥ 11,971	\$ 79,278
Unsecured loans from banks, insurance company and others due through 2029 at interest rates ranging from 0.83 percent to 7.25 percent	256	385	1,925
	10,800	12,357	81,203
Less current portion	(1,548)	(1,617)	(11,639)
	¥ 9,252	¥ 10,740	\$ 69,564

The maturities of long-term debt are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2003	¥ 1,548	\$ 11,639
2004	8,997	67,647
2005	76	571
2006 and thereafter	177	1,331
	<b>¥ 10,800</b>	<b>\$ 81,203</b>

The assets pledged as collateral for short-term debt of ¥1,955 million (\$14,699 thousand) and long-term debt of ¥9,088 million (\$68,331 thousand) at March 31, 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Property, plant and equipment, at net book value	¥ 7,812	¥ 9,158	\$ 58,737
Other	61	102	459
	<b>¥ 7,873</b>	<b>¥ 9,261</b>	<b>\$ 59,195</b>

## 7. INCOME TAXES

Income taxes applicable to the Company and its domestic subsidiaries comprise corporation tax, inhabitants' taxes and enterprise tax which, in the aggregate, resulted in a statutory tax rate of 41.8 percent for 2002 and 2001. Income taxes of the foreign subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

The significant components of deferred tax assets and liabilities as of March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Deferred tax asset:			
Current assets:			
Accrued bonuses	¥ 424	¥ 363	\$ 3,188
Accrued enterprise tax	142	260	1,068
Other, net	104	107	782
Total deferred tax assets (current)	<b>¥ 671</b>	<b>¥ 731</b>	<b>\$ 5,045</b>
Non-current assets:			
Accrued retirement benefits	¥ 7,970	¥ 8,085	\$ 59,925
Depreciation	138	124	1,038
Loss carryforward	27	36	203
Other, net	110	57	827
Elimination to deferred tax liabilities (non-current)	<b>(2,566)</b>	<b>(2,559)</b>	<b>(19,293)</b>
Total deferred tax assets (non-current)	<b>¥ 5,679</b>	<b>¥ 5,745</b>	<b>\$ 42,699</b>
Deferred tax liabilities:			
Current liabilities	¥ -	¥ -	\$ -
Non-current liabilities:			
Gain from contribution of securities to retirement benefit trust	¥ (2,430)	¥ (2,408)	\$ (18,271)
Depreciation	(100)	(108)	(752)
Other, net	(45)	(55)	(338)
Elimination to deferred tax assets (non-current)	<b>2,566</b>	<b>2,559</b>	<b>19,293</b>
Total deferred tax liabilities (non-current)	<b>¥ (10)</b>	<b>¥ (13)</b>	<b>\$ (75)</b>

The effective tax rate reflected in the consolidated statement of income for the year ended March 31, 2002 differs from the statutory tax rate for the following reasons:

	2002
Statutory tax rate	41.8%
Effect of:	
Expenses not deductible for income tax purposes	0.5
Dividend income deductible for income tax purposes	(0.5)
Parity taxation of inhabitants' taxes	0.5
Differences in tax rates applicable to foreign subsidiaries	(2.2)
Equity in earnings of investees	(2.6)
Other, net	0.1
Effective tax rate	37.6%

As net loss, and as the difference of the effective tax rate from the statutory rate is less than 5%, the reason of the difference is omitted for 2001.

## 8. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

At March 31, 2002 and 2001, accrued expenses and other current liabilities consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Accrued bonuses	¥ 1,917	¥ 2,069	\$ 14,414
Other	3,987	3,601	29,977
	¥ 5,905	¥ 5,671	\$ 44,398

## 9. RETIREMENT BENEFIT PLANS

The Company has defined benefit plans, i.e., funded non-contributory tax-qualified, lump-sum payments and a welfare pension plan by the Welfare Pension Law of Japan, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs. In addition, domestic subsidiaries have primarily defined benefit plans, funded non-contributory tax-qualified, and lump-sum payments. Certain foreign subsidiaries have defined benefit plans.

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheet as of March 31, 2002 and 2001, for the Company's and the subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Retirement benefit obligation	¥ (47,138)	¥ (42,537)	\$ (354,421)
Plan assets at fair value	30,612	33,695	230,165
Unfunded retirement benefit obligation	(16,526)	(8,841)	(124,256)
Unrecognized actuarial gain or loss	9,704	1,219	72,962
Unrecognized prior service cost	-	-	-
Accrued retirement benefits	¥ (6,822)	¥ (7,621)	\$ (51,293)

The components of retirement benefit expenses for the year ended March 31, 2002 and 2001, are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Service cost	<b>¥ 1,266</b>	¥ 1,276	<b>\$ 9,519</b>
Interest cost	<b>1,366</b>	1,359	<b>10,271</b>
Expected return on plan assets	<b>(559)</b>	(632)	<b>(4,203)</b>
Amortization of net retirement benefit obligation at transition	–	16,158	–
Amortization of actuarial gain or loss	<b>121</b>	–	<b>910</b>
Amortization of prior service cost	–	–	–
Other	<b>38</b>	–	<b>286</b>
<b>Total</b>	<b>¥ 2,233</b>	¥ 18,162	<b>\$ 16,789</b>

On June 19, 2000, the Company entered into a retirement benefit trust agreement with a trust bank, and entrusted securities with an aggregate book value and market value of ¥11,002 million and ¥14,621 million, respectively, to a trust account legally segregated from the Company's assets for the future payments of employees' retirement benefits. This action was taken to mitigate the impact on the Company's future operating results of a new accounting standard in Japan for employees' retirement benefits which will become effective the year ended March 31, 2001.

The gain arising from this trust transaction of ¥3,619 million will be recorded as other income. The amount of ¥14,621 million, which is equivalent to the market value of the securities entrusted, is included in amortization of net retirement benefit obligation at transition of ¥16,158 million.

The assumptions used in accounting for the above plans were as follows:

	2002	2001
Discount rates	<b>2.5%</b>	3.5%
Expected return on plan assets	<b>3.5%</b>	3.5%

## 10. SHAREHOLDERS' EQUITY

On October 1, 2001, an amendment (the "Amendment") to the Commercial Code of Japan (the "Code") became effective. The Amendment eliminates the stated par value of the Company's outstanding shares, which resulted in all outstanding shares having no par value as of October 1, 2001. The Amendment also provides that all shares issuances after September 30, 2001 will be of shares with no par value. Prior to the date on which the Amendment became effective, the Company's shares had a par value of ¥50 per share.

The Code provides that an amount equal to at least 10% of the amounts to be disbursed as distributions of earnings be appropriated to the legal reserve until the legal reserve and additional paid-in capital equals 25% of the common stock account. The Code also stipulates that, to the extent that the sum of the additional paid-in capital account and the legal reserve exceeds 25% of the common stock account, the amount of any such excess is available for appropriation by resolution of the shareholders.

Retained earnings also include retained earnings appropriated for special reserves in accordance with the Special Taxation Measures Law and the Commercial Code of Japan. The reserves are deducted from taxable income when provided and are to be reversed to taxable income in subsequent years through direct appropriations of retained earnings.

## 11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs included in selling, general and administrative expenses and manufacturing costs for the years ended March 31, 2002 and 2001 amounted to ¥1,200 million (\$9,023 thousand) and ¥1,152 million, respectively.

## 12. CONTINGENT LIABILITIES

At March 31, 2002 and 2001, the Company and its consolidated subsidiaries had the following contingent liabilities:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
As endorser of trade notes discounted and endorsed	¥ 186	¥ 628	\$ 1,398
As guarantor of transferred account receivable	500	–	3,759
As guarantor of indebtedness of:			
Employees	207	190	1,556
Affiliated companies	–	321	–
Other	127	120	955
	¥ 1,021	¥ 1,261	\$ 7,677

## 13. LEASES

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property as of March 31, 2002 and 2001, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Acquisition costs:			
Machinery and equipment	¥ 2,406	¥ 2,511	\$ 18,090
Other assets	263	355	1,977
	¥ 2,669	¥ 2,867	\$ 20,068
Accumulated depreciation:			
Machinery and equipment	¥ 1,126	¥ 1,023	\$ 8,466
Other assets	166	220	1,248
	¥ 1,293	¥ 1,243	\$ 9,722
Net book value:			
Machinery and equipment	¥ 1,279	¥ 1,487	9,617
Other assets	96	135	722
	¥ 1,375	¥ 1,623	\$ 10,338

Lease payments relating to finance leases accounted for as operating leases amounted to ¥415 million (\$3,120 thousand) and ¥434 million, which were equal to the depreciation expense of the leased assets computed by the straight-line method over the lease terms, for the years ended March 31, 2002 and 2001, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2002 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2003	¥ 359	\$ 2,699
2004 and thereafter	1,016	7,639
Total	¥ 1,375	\$ 10,338

## 14. DERIVATIVE TRANSACTIONS

The Company has entered into foreign exchange contracts to reduce its exposure to adverse fluctuations in foreign exchange rates relating to receivables and payables denominated in foreign currencies.

In addition, the Company has entered into interest rate swap agreements to reduce its exposure to adverse fluctuations in interest rates relating to long-term debt.

The disclosure of fair value information for interest-related derivative transactions has been omitted since all derivatives have been accounted for as hedges at March 31, 2002 and 2001.

## 15. AMOUNTS PER SHARE

The computation of basic net income (loss) per share is based on the weighted average number of shares of common stock outstanding during each year. If applicable, diluted net income per share is computed based on the weighted average number of shares of common stock outstanding each year after giving effect to the dilutive potential of the shares of common stock to be issued upon the stock option plan.

Cash dividends per share represent dividends declared as applicable to the year.

Net assets per share are based on the number of shares outstanding at year end.

	Yen	U.S. dollars
	2002	2001
		2002
Net income (loss):		
Basic	¥ 31.81	¥ (29.80)
Diluted	—	—
Net assets	245.89	213.02
Cash dividends applicable to the year	7.50	5.00
		0.239
		1.849
		0.056

No diluted net income per share is presented for the year ended March 31, 2002 and 2001.

## 16. SEGMENT INFORMATION

### (a) BUSINESS SEGMENTS

The business segments information for the Company and its subsidiaries for the years ended March 31, 2002 and 2001 is summarized as follows:

	Year ended March 31, 2002					
	Millions of yen					
	Automobile	Construction	Other	Total	Eliminations or corporate	Consolidated
I. Sales:						
Sales to third parties	¥ 49,882	¥ 5,578	¥ 13,788	¥ 69,249	¥ —	¥ 69,249
Intersegment sales and transfers	—	—	—	—	(—)	—
Total	49,882	5,578	13,788	69,249	(—)	69,249
Operating expenses	45,122	5,685	12,852	63,659	(—)	63,659
Operating income (loss)	¥ 4,760	¥ (106)	¥ 936	¥ 5,589	¥ (—)	¥ 5,589
II. Assets, depreciation expenses, capital expenditures:						
Assets	¥ 47,443	¥ 7,609	¥ 10,398	¥ 65,451	¥ 7,398	¥ 72,849
Depreciation expenses	¥ 3,017	¥ 276	¥ 716	¥ 4,011	¥ 38	¥ 4,049
Capital expenditures	¥ 3,094	¥ 152	¥ 866	¥ 4,113	¥ —	¥ 4,113

Year ended March 31, 2002						
Thousands of U.S. dollar						
	Automobile	Construction	Other	Total	Eliminations or corporate	Consolidated
I. Sales:						
Sales to third parties	\$ 375,053	\$ 41,940	\$ 103,669	\$ 520,669	\$ –	\$ 520,669
Intersegment sales and transfers	–	–	–	–	(–)	–
Total	375,053	41,940	103,669	520,669	(–)	520,669
Operating expenses	339,263	42,744	96,632	478,639	(–)	478,639
Operating income (loss)	\$ 35,789	\$ (797)	\$ 7,038	\$ 42,023	\$ (–)	\$ 42,023
II. Assets, depreciation expenses, capital expenditures:						
Assets	\$ 356,714	\$ 57,211	\$ 78,180	\$ 492,113	\$ 55,624	\$ 547,737
Depreciation expenses	\$ 22,684	\$ 2,075	\$ 5,383	\$ 30,158	\$ 286	\$ 30,444
Capital expenditures	\$ 23,263	\$ 1,143	\$ 6,511	\$ 30,925	\$ –	\$ 30,925

Year ended March 31, 2001						
Millions of yen						
	Automobile	Construction	Other	Total	Eliminations or corporate	Consolidated
I. Sales:						
Sales to third parties	¥ 50,835	¥ 6,651	¥ 14,422	¥71,909	¥ –	¥ 71,909
Intersegment sales and transfers	–	–	–	–	(–)	–
Total	50,835	6,651	14,422	71,909	(–)	71,909
Operating expenses	45,636	7,002	13,112	65,751	(–)	65,751
Operating income (loss)	¥ 5,198	¥ (350)	¥ 1,309	¥ 6,157	¥ (–)	¥ 6,157
II. Assets, depreciation expenses, capital expenditures:						
Assets	¥ 49,779	¥ 8,821	¥ 11,648	¥70,249	¥ 6,627	¥ 76,877
Depreciation expenses	¥ 3,131	¥ 366	¥ 553	¥ 4,051	¥ 88	¥ 4,139
Capital expenditures	¥ 3,175	¥ 412	¥ 655	¥ 4,243	¥ –	¥ 4,243

As a result of the adoption of the new standard for foreign currency translation as explained in Note 1(c), assets of Eliminations and corporate decreased by ¥1,652 million.

(b) GEOGRAPHICAL SEGMENT

The geographical segment information for the Company and its subsidiaries for the years ended March 31, 2002 and 2001 is summarized as follows:

Year ended March 31, 2002					
Millions of yen					
	Japan	Other geographic	Total	Eliminations and corporate	Consolidated
Sales to third parties	¥ 60,462	¥ 8,787	¥ 69,249	¥ –	¥ 69,249
Interarea sales and transfers	4,183	932	5,116	(5,116)	–
Total	64,645	9,720	74,365	(5,116)	69,249
Operating expenses	58,782	9,248	68,031	(4,371)	63,659
Operating income	¥ 5,863	¥ 471	¥ 6,334	¥ (744)	¥ 5,589
Total assets	¥ 56,697	¥ 8,753	¥ 65,451	¥ 7,398	¥ 72,849

**Year ended March 31, 2002**

Thousands of U.S. dollar					
	Japan	Other geographic	Total	Eliminations and corporate	Consolidated
Sales to third parties	\$ 454,602	\$ 66,068	\$ 520,669	\$ –	\$ 520,669
Interarea sales and transfers	31,451	7,008	38,466	(38,466)	–
Total	486,053	73,083	559,135	(38,466)	520,669
Operating expenses	441,970	69,534	511,511	(32,865)	478,639
Operating income	\$ 44,083	\$ 3,541	\$ 47,624	\$ (5,594)	\$ 42,023
Total assets	\$ 426,293	\$ 65,812	\$ 492,113	\$ 55,624	\$ 547,737

**Year ended March 31, 2001**

Millions of yen					
	Japan	Other geographic	Total	Eliminations and corporate	Consolidated
Sales to third parties	¥ 64,210	¥ 7,699	¥ 71,909	¥ –	¥ 71,909
Interarea sales and transfers	4,101	753	4,855	(4,855)	–
Total	68,311	8,453	76,765	(4,855)	71,909
Operating expenses	61,755	8,175	69,931	(4,179)	65,751
Operating income	¥ 6,556	¥ 277	¥ 6,833	¥ (675)	¥ 6,157
Total assets	¥ 62,099	¥ 8,150	¥ 70,249	¥ 6,627	¥ 76,877

As a result of the adoption of the new standard for foreign currency translation as explained in Note 1(c), assets of eliminations and corporate decreased by ¥1,652 million.

(c) OVERSEAS SALES

Overseas sales, which include export sales of the Company and its domestic subsidiaries and sales (other than exports to Japan) of the foreign subsidiaries, for the years ended March 31, 2002 and 2001 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	<b>2002</b>	2001	<b>2002</b>
Overseas sales	<b>¥ 16,834</b>	¥ 15,173	<b>\$ 126,571</b>
Consolidated net sales	<b>69,249</b>	71,909	<b>520,669</b>
Overseas sales as a percentage of consolidated net sales	<b>24.3%</b>	21.1%	<b>24.3%</b>

As overseas sales of each segment constituted less than 10% of the consolidated totals for the years ended March 31, 2002 and 2001, the overseas sales information has been omitted.

## AUDITOR'S REPORT

The Board of Directors  
Riken Corporation

We have examined the consolidated balance sheets of Riken Corporation and consolidated subsidiaries as of March 31, 2002 and 2001, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years then ended, all expressed in 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 accompanying consolidated financial statements, expressed in yen, present fairly the consolidated financial position of Riken Corporation and consolidated subsidiaries at March 31, 2002 and 2001, 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 applied on a consistent basis.

As described in Note 1 to the consolidated financial statements, Riken Corporation and consolidated subsidiaries have adopted new accounting standards for employees' retirement benefits, financial instruments and foreign currency translation for the year ended March 31, 2001 in the preparation of their consolidated financial statements.

The U.S. dollar amounts in the accompanying consolidated financial statements are presented solely for convenience. Our examination also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

June 27, 2002

See Note 1 to the consolidated financial statements which explains the basis of preparing the consolidated financial statements of Riken Corporation and consolidated subsidiaries under Japanese accounting principles and practices.

## OVERSEAS ACTIVITY



The beginning of Riken's full-scale expansion overseas can be traced back to the establishment of Taiwan Riken Ind. Co., Ltd. in 1968. Starting with the production and manufacture of piston rings through joint ventures with local business conglomerates, we have built production bases in countries including Korea and Thailand through joint ventures that use local capital. In line with expansion in Asia, we established wholly owned sales subsidiaries in the United States and Germany in the 1970s to address heightened interest in our products in Europe and North America, and began supplying automakers in various countries. Furthermore, we founded Allied Ring Corporation in the 1980s as a joint-venture company in response to local procurement by Japanese automakers, and to supply steel piston ring blanks for the joint venture partner who is a main supplier to the "Big Three" automakers. Moreover, we provide piston ring technology in India and Brazil through capital and technological tie-ups.

Riken is also involved in fields beyond piston rings. In Indonesia, we manufacture high-grade cast-iron products through the joint venture company P. T. Pakarti Riken Indonesia, and engage in technological transfer of such products as knuckles and camshafts with local companies in Europe and North America. Riken currently has 9 subsidiaries and affiliates, excluding holding companies, and has established partnerships with five companies in capital and technological tie-ups. In addition to piston rings, Riken also provides a variety of products and technologies for automobile parts and piping component through its global network.



#### OVERSEAS SUBSIDIARIES

**1 TAIWAN RIKEN IND. CO., LTD.**  
41, Chen-Tai Road Sec. 3, Wu-Ku Hsiang,  
Taipei Hsien, Taiwan  
TEL: (886) 2-2291-4551  
FAX: (886) 2-2291-5136

**2 P.T. PAKARTI RIKEN INDONESIA**  
JI. Sukodono, Gedangan, Sidoarjo 61254  
Indonesia  
TEL: (62) 31-891-2555  
FAX: (62) 31-891-0088

**3 SIAM RIKEN INDUSTRIAL CO., LTD.**  
61/2 K.M.21, Bangna-Trad Rd., Amphur  
Bangsaothong, Samutprakarn 10540  
Thailand  
TEL: (66) 2-740-0410  
FAX: (66) 2-312-8505

**4 RIKEN OF KOREA INC.**  
#261 Shintanjin-dong, Daeduk-ku,  
Daejeon, Korea  
TEL: (82) 42-934-1500  
FAX: (82) 42-931-2366

**5 XIAMEN RIKEN IND. CO., LTD.**  
No.12 Xibin Road, Xinglin District,  
Xiamen, 361022, China  
TEL: (86) 592-621-3087  
FAX: (86) 592-621-3134

**6 RIKEN OF AMERICA, INC.**  
4709 Golf Road, Suite 807, Skokie, Illinois,  
60076 U.S.A.  
TEL: (1) 847-673-1400  
FAX: (1) 847-673-1457

**7 ALLIED RING CORPORATION**  
916, West State Street, St. Johns, Michigan,  
48879 U.S.A.  
TEL: (1) 989-224-2384  
FAX: (1) 989-224-3280

**8 EURO-RIKEN GMBH**  
Schiess Strasse, 58, 40549, Dusseldorf,  
Germany  
TEL: (49) 211-5135450  
FAX: (49) 211-51354529

**9 RIKEN ESPAÑA, S.A.**  
Poligono Industrial de Constanti  
(Tarragona), Spain  
TEL: (34) 977-52-0506  
FAX: (34) 977-52-2306

#### CAPITAL AND TECHNOLOGICAL TIE-UPS

**A SHRIRAM PISTONS & RINGS LIMITED**  
23 Kasturba Gandhi Marg, New Delhi, 110001 India  
TEL: (91) 11-3315941  
FAX: (91) 11-3311203

**B EISENGIESSEREI MONFORTS GMBH & CO.**  
Schwalmstrasse 301 D-41238 Monchengladbach, Germany  
TEL: (49) 2161-401447  
FAX: (49) 2161-401466

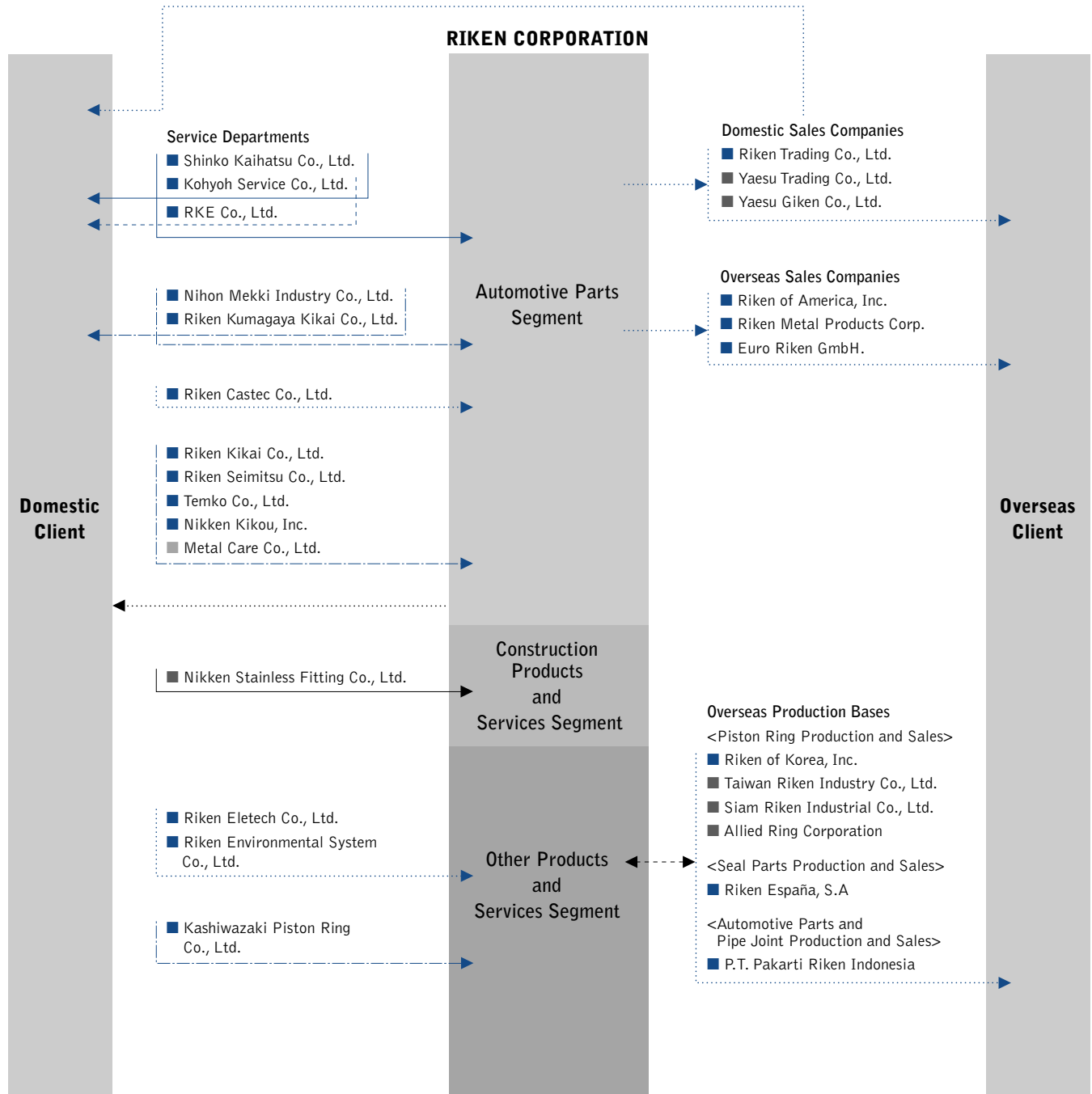
**C GREDE FOUNDRIES, INC.**  
9898 West Bluemound Rd. Milwaukee, Wisconsin  
53226-0499 U.S.A.  
TEL: (1) 414-257-3600  
FAX: (1) 414-256-9399

**D INTERMET CORPORATION**  
5445 Corporate Drive, Suite 200 Troy, Michigan  
48098-2683 U.S.A.  
TEL: (1) 248-952-2513  
FAX: (1) 248-952-1512

**E DANA ALBARUS S.A. INDÚSTRIA E COMÉRCIO**  
Rua Ricardo Bruno Albarus, 201  
Distrito Industrial PO Box 104  
Gravatá-Rs 94000-970 Brazil  
TEL: (55) 51-489-1144  
FAX: (55) 51-489-1265

# CORPORATE DIRECTORY

As of June 29, 2002



- ▶ Service
- - - -▶ Construction • Service
- - - -▶ Outsourcing • Order Handling
- .....▶ Products
- ▶ Parts
- - - -▶ Parts and Materials Integrated Supply
- .....▶ Products • Service
- Consolidated subsidiaries
- Non-Consolidated subsidiaries
- Affiliates

#### HEAD OFFICE

13-5, Kudankita 1-chome, Chiyoda-ku, Tokyo 102-8202, Japan  
TEL: 03-3230-3911  
FAX: 03-3230-3919

#### DOMESTIC SALES OFFICES

##### SAPPORO SALES OFFICE

5-39, Chuo-2joh 1-chome, Shiroishi-ku, Sapporo 003-0012, Japan  
TEL: 011-832-6690  
FAX: 011-832-6681

##### SENDAI SALES OFFICE

4-18, Tsutsujigaoka 3-chome, Miyagino-ku, Sendai, Miyagi 983-0852, Japan  
TEL: 022-256-5101  
FAX: 022-256-5103

##### KANAGAWA SALES OFFICE

3-9, Naka-machi 3-chome, Atsugi, Kanagawa 243-0018, Japan  
TEL: 0462-25-7111  
FAX: 0462-25-7118

##### HAMAMATSU SALES OFFICE

319-28, Kaji-cho, Hamamatsu, Shizuoka 430-0933, Japan  
TEL: 053-457-1155  
FAX: 053-454-1453

##### NAGOYA SALES OFFICE

17-13, Nishiki 1-chome, Naka-ku, Nagoya 460-0003, Japan  
TEL: 052-201-8681  
FAX: 052-201-5057

##### OSAKA SALES OFFICE

13-9, Utsubohonmachi 1-chome, Nishi-ku, Osaka 550-0004, Japan  
TEL: 06-6479-5050  
FAX: 06-6479-5055

##### HIROSHIMA SALES OFFICE

9-28, Hikarimachi 1-chome, Higashi-ku, Hiroshima 730-0052, Japan  
TEL: 082-506-2455  
FAX: 082-506-2457

##### FUKUOKA SALES OFFICE

11-2, Higashiie 3-chome, Hakata-ku, Fukuoka 812-0007, Japan  
TEL: 092-474-2175  
FAX: 092-474-2435

#### PLANTS

##### KASHIWAZAKI PLANT

1-37, Hokuto-cho, Kashiwazaki, Niigata 945-8555, Japan  
TEL: 0257-23-3113  
FAX: 0257-24-3309

##### TSURUGI PLANT

949-1, Shimosakai, Tsurugi, Kashiwazaki, Niigata 945-0105, Japan  
TEL: 0257-22-5959  
FAX: 0257-22-0210

##### KUMAGAYA PLANT

14-1, Suehiro 4-chome, Kumagaya, Saitama 360-8522, Japan  
TEL: 048-521-3511  
FAX: 048-524-8110

## INVESTOR INFORMATION

As of March 31, 2002

### REESTABLISHED

December 1, 1949

### COMMON SHARES ISSUED

106,484,667

### CAPITAL

¥8.5 billion

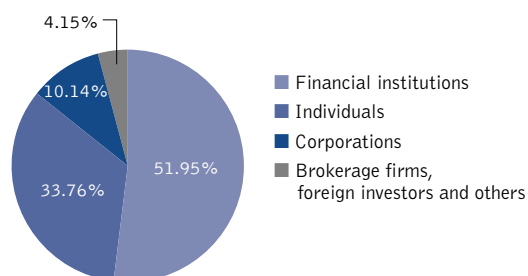
### NUMBERS OF SHAREHOLDERS

16,032

### EMPLOYEES

1,564

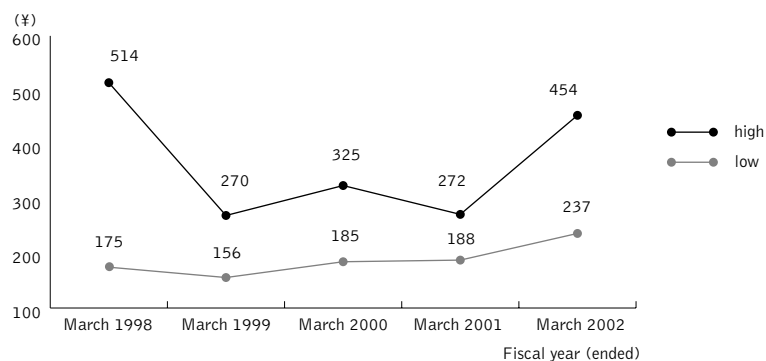
### DISTRIBUTION OF SHAREHOLDERS



### DIVIDENDS POLICY

Our fundamental policy toward dividends, over time, is to pay a steady dividend upon building a solid foundation for our operations.

### ANNUAL STOCK PRICE SUMMARY



### TRANSFER AGENT AND REGISTRAR

The Chuo Mitsui Trust and Banking Company, Limited is the Company's principal transfer and registry agent.

3-33-1 Shiba, Minato-ku, Tokyo, 105-8574, Japan

## BOARD OF DIRECTORS

As of June 27, 2002

### CHAIRMAN

Seiji Nemoto

### PRESIDENT

Kunihiko Oguchi

### EXECUTIVE VICE PRESIDENT

Toshinaga Koizumi

### MANAGING DIRECTORS

Fumio Kiyota

Masaki Munakata

Koichi Yamazaki

### DIRECTORS

Satoshi Hoshihara

Michio Furuta

Noritada Okano

Haruhito Watanabe

Kensei Matsuki

Tatsuo Fujita

Kenichiro Takagi

### AUDITORS

Junshichi Nakao

Takio Shibano

Takashi Ishitani

Shigekazu Kamiki

**RIKEN**  
**RIKEN CORPORATION**

13-5, Kudan-kita 1-chome,  
Chiyoda-ku, Tokyo 102-8202, Japan  
TEL: (03)3230-3911  
FAX: (03) 3230-3919