

Consolidated Earnings Report for Fiscal 2002 Ended March 31, 2002
May 23, 2002

Company name: Ryosan Co., Ltd.

Stock listings: Tokyo Stock Exchange (First Section)

Code number: 8140

Location of head office: Tokyo

(URL://www.ryosan.co.jp)

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Date of the Board of Directors meeting to settle the year-end consolidated accounts: May 23, 2002

U.S. GAAP not applied

1. Results for the Fiscal Year Ended March 31, 2002
(1) Operating results

Figures less than ¥1 million have been omitted

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal 2002	244,091	25.5	6,147	47.4	6,319	48.3
Fiscal 2001	327,743	20.5	11,697	29.7	12,211	18.1

	Net income		Net income per share	Net income per share after dilution	Return on equity	Recurring profit-to-net capital ratio	Recurring profit-to-net sales ratio
	Millions of yen	%	Yen	Yen	%	%	%
Fiscal 2002	2,885	60.7	71.62	68.05	2.7	3.9	2.6
Fiscal 2001	7,336	21.3	179.70	167.34	7.1	7.2	3.7

Notes: ① Equity in earnings of non-consolidated subsidiaries and affiliates

FY2002 Million of yen FY2001 Million of yen

② Average number of outstanding shares:

FY2002: 40,289,153 shares FY2001: 40,825,503 shares

③ Changes in accounting methods: None

④ Year-on-year changes for net sales, operating income, ordinary income, net income are based on the previous year

(2) Financial Position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
Fiscal 2002	147,074	105,251	71.6	2,661.11
Fiscal 2001	175,010	105,683	60.4	2,588.60

 Note: Number of shares issued and outstanding at fiscal year-end: FY2002 39,551,710 shares
 FY2001 40,826,386 shares

(3) Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at year-end
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal 2002	24,843	4,418	12,202	35,834
Fiscal 2001	980	2,919	465	27,177

(4) Number of Subsidiaries and Affiliates

Consolidated subsidiaries: 8

Non-consolidated subsidiaries accounted for by the equity method: 0

Equity-method affiliates: 0

(5) Changes in Scope of Consolidation and Application of Equity Method

Consolidated subsidiaries (New): 2 Consolidated subsidiaries (Eliminated): 0

Equity-method affiliates (New): 0 Equity-method affiliates (Eliminated): 0

2. Forecast for the Fiscal Year Ending March 31, 2003

	Net sales	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen
Interim period	125,000	2,800	1,300
Fiscal year-end	270,000	6,900	3,600

(Reference) The estimated net income per share for the year ending March 31, 2003 is ¥91.02

Notes: Forecast for operating income for the fiscal year ending March 31, 2003 is as follows:

Interim period ¥2,700 Million of yen Fiscal year-end ¥6,600 Million of yen

The above estimates were made based on the information available as of the date of this release. Actual results could significantly differ from the above estimates due to a variety of factors. Please refer to Section 3—Management Results on page 8 of the attached materials for more information related to the estimates.

1. Group Enterprise

The Ryosan Group consists of Ryosan Company, Limited, eight consolidated subsidiaries, eight non-consolidated subsidiaries and an affiliated company. The group operates primarily as a trading firm that specializes in semiconductors, electronic components and equipment, which it sells to electronic equipment manufacturers both domestically and overseas. It also develops, manufactures and sells its own and other products.

Information about industry segments of the group for the fiscal year ended March 31, 2002 was as follows:

Segment	Main Products	Sales Companies	Development and Manufacturing Companies
Semiconductors	Memories System LSIs Discrete semiconductors	RYOSAN	Road Company, Limited
Electronic Components	Display devices Power supplies Mechanical components	FA Ryosan Company, Limited HONGKONG RYOSAN LIMITED SINGAPORE RYOSAN LIMITED	
Electronic Equipment	Information equipment Production equipment	RYOTAI CORPORATION RYOSAN(MALAYSIA)	
Ryosan Products	Heat sinks	SDN.BHD.	RYOSAN RYOSAN ENGINEERING (MALAYSIA) SDN.BHD. RYOSAN ENGINEERING (THAILAND) CO., LTD.

Information about non-consolidated subsidiaries for the fiscal year ended March 31, 2002 was as follows:

Company Name	Business Area
Will Business Services Company, Limited	Insurance agent and building maintenance
EC Ryosan Company, Limited	Sales agent for electronic components
RYOSAN TECHNOLOGIES USA INC.	Semiconductor and electronic component sales and servicing
ZHONG LING INTERNATIONAL TRADING (SHANGHAI) CO., LTD.	Sales of semiconductors and electronic components
KOREA RYOSAN CORPORATION	Sales agent for semiconductors and electronic components
RYOSAN (THAILAND) CO., LTD.	Sales and sales agent for semiconductors and electronic components

2. Management Policies

(1) Fundamental management policy

Ever since Ryosan was established, we have always been highly conscious of the fact that the corporation is a public institution. In addition, we now no longer see ourselves simply as a trading company, but as an electronics systems coordinator, providing a vital link between our customers' needs and electronics technology. Ryosan aims to achieve consistent long-term growth by stressing this social consciousness and our new role as a systems coordinator.

There are three functions, which are indispensable for an electronics systems coordinator: information, solutions and distribution. Moreover, the continuous evolution of these three functions will lead to improvements in customer satisfaction and our corporate value.

(2) Policy on the allocation of profits

Regarding the allocation of profits, we strive to maintain a healthy balance between ensuring a good return on investment for our shareholders and retaining sufficient earnings with which to foster growth and secure a strong operating base. Our fundamental policy is to increase the return on equity, supporting higher dividend payments while ensuring a stable supply of dividends at an incremental rate. This is done with the goal of making total dividend payments equal to 1.5% of equity.

In line with this policy, we employ retained earnings for investment and loan financing, and for investments in technical development, and plants and facilities.

(3) Policy on reducing Ryosan's trading unit

Ryosan recognizes the importance of expanding its shareholder base and making Ryosan shares easier to trade. This recognition prompted Ryosan to reduce its trading unit from 1,000 shares to 100 shares in August 2001.

(4) Targeted Management Indicators

Ryosan has adopted ROE and net income per share as key management indicators. These in order to preserve its financial health, pursue greater returns on equity, and further

improve corporate value (shareholder value).

(5) Medium- and Long-Term Management Strategy

Ryosan's fifth mid-term management plan covers the period from fiscal 2002 through to fiscal 2004, and has guided the Company's efforts to vigorously pursue a range of business activities. Basically, from fiscal 2003, the second year of the plan, Ryosan targets "analyzing management practices and promoting management reform in order to achieve improved performance." We will use this approach to conduct fair and transparent management and carry out creative and resourceful business activities. To achieve these goals, our basic strategy is to formulate and apply new strategic themes in a powerful manner. As the first step in our growth strategy as a systems coordinator, we have already established four new business models. We have added a fifth business model, grounded on a strategy of expanding business in the Chinese market. Ryosan will now strategically develop five new business models.

The second strategic step has been establishing a strong management infrastructure to support growth and business activities. We are currently implementing three structural management reforms. We are planning to implement a fourth structural management reform, consisting of a new strategy of reforming our cost structure. The following outlines the strategic issues we dealt with in fiscal 2003.

Growth strategy

(1) Commercialize the fabless semiconductor business

In fiscal year 2003, we will make full-scale shipments of ROAD products, showcasing our prowess in technological development. During the year, Ryosan took its first step toward commercializing this business. We will continue to strengthen our development organization by ensuring that we place our best employees in the best positions.

(2) Expand the business of new-resource semiconductor products

In fiscal year 2003, we will consider the characteristics of new-resource semiconductor products, realign the "Push sales" and "Pull sales" systems and implement speedy and flexible business activities. All these activities are directed toward expanding business.

(3) Commercialize the purchasing-agency business

In fiscal year 2002, we intend to accumulate expertise in purchasing-agency operations from a global viewpoint and build value-laden business schemes and infrastructure. We plan to

carefully examine the business's profitability at the end of the fiscal year.

(4) Establish low cost business management

Hitherto we have bolstered profitability by product, but in fiscal 2003 we will refocus on achieving low cost management. In fiscal year 2002, we established a low cost business management scheme.

(5) Expand business in the Chinese market

China's is undergoing dramatic change, in terms of both economic growth and social infrastructure. Indeed, the extent and pace of change in that country are unimaginable. This recognition is behind Ryosan's efforts in the current fiscal year to bolster our policy of placing the best people in the right positions and build a sales network to expand business in the Chinese market.

Segment strategy

(1) Semiconductor business strategy: a strategic core business

In fiscal year 2003, we will continue to bolster our project directed at expanding sales of each product, strengthen our highly autonomous technological support system, and boost sales expansion for growth and priority fields in overseas markets. All three activities were directed at expanding business.

(2) Strategy for electronic components: a stable foundation

In fiscal year 2003, we will carefully identify and forge deeper ties with major customers in growth markets to expand business.

(3) Strategy for electronic equipment: increase synergetic effect

In fiscal year 2003, we will further enhance board solutions and sales expansion by cooperating in server solutions, for information equipment. We will extend the product line-up for production equipment. All actions were taken to increase business.

(4) Production strategy: in our role as a trading company

In fiscal year 2003, we will strive to expand sales of wave coolers by marketing them as a high-added value product.

Establish a strong management infrastructure

(1) Establish a socially responsible corporate governance system

In fiscal year 2003, we will strengthen our audit system to increase capital efficiency, standardize the settlement dates of our overseas subsidiaries and continue to acquire our own shares.

(2) Build and implement a new personnel system

We had already partially designed and implemented a new personnel system for some directors and employees. In fiscal year 2003, we will achieve our plan of including all employees. As a result, we unified our management strategy and personnel system, thereby rationalizing management practices and reenergizing human resources.

(3) Promote the Ryosan Group's BPR Project

In fiscal year 2002, we built our network of overseas subsidiaries and intensified our supervision of business results to bolster group-wide management.

(4) Reform business costs structure

In fiscal year 2002, we reformed the organizational framework to rebuild a profitable cost structure.

Ryosan acknowledges difficulty in meeting the management targets (numerical targets) set forth in our fifth mid-term management plan, due to rapid changes, which have been occurring in the economic and management environments. As a result, we have been compelled to withdraw these numerical targets. From now on, we will not specify medium and long-term numerical targets. We will merely set numerical targets for the fiscal year, enabling us to respond quickly and flexibly to changes in the operating environment.

(6) Overall issues

There are ongoing structural changes in the electronics industry. Factors such as the strategic alliances of major companies, the spread of SCM and the growing industrialization of China are causing rapid changes on an unprecedented scale. The most important issue facing Ryosan is how to rebuild a strong organization, which can rise above these structural changes in this rapidly changing market. Against this backdrop, we are tackling the following issues. Firstly, as a systems coordinator with a growth strategy, we are establishing five new business models to promote growth policies. Secondly, we are pressing

ahead with implementing four management structural reforms to establish a strong management infrastructure that underpins growth and business. A more detailed description of these actions is given in the earlier section, “(5) Our medium and long term management strategy”.

(7) Measures to Enhance Corporate Governance

To build a strong organization, as mandated by Ryosan’s fifth mid-term management plan, we have built a socially responsible corporate governance system. We are now striving to increase transparency and implement a fully accountable style of management. Actions included reforming the functions and responsibilities for operational execution of the Board of Directors, and the Executive Committee to improve the three functions of governance, management strategy and business execution.

3. Management Results

(1) Consolidated results for fiscal year ended March 31, 2002

1. Overview

In fiscal 2002, ended March 31, 2002, Japan’s economy further worsened after the September 11 terrorist attacks in the U.S.A. exacerbated by the already deepening recession in the IT industry. Amidst fears of a global recession and stock market falls, since the beginning of the year the American economy has bottomed out and rallied slightly. Nevertheless, the Japanese economy is still mired in a slowdown resulting from a deflationary spiral.

In the electronics industry, demand fell sharply for IT devices and equipment, and all home electronic and industrial electronic products. This resulted in prolonged production and inventory corrections by manufacturers during the year under review.

Ryosan, in line with the basic strategy of its fifth mid-term management plan, has firmly pushed ahead with the strategic themes of a systems coordinator: growth strategy, segment strategy, and establishing a strong management infrastructure to underpin growth and business. To implement management practices that increase capital efficiency, we endeavored to put current assets on a healthy footing, improve returns on investments and improve shareholder value. However, Ryosan’s business results were greatly affected by the slump in demand for semiconductors and electronic components.

We suffered a 25.5% year-on-year fall in consolidated net sales to ¥244,091 million. Operating income was ¥6,147 million, down 47.4%, and ordinary income decreased 48.3% to ¥6,319 million. Net income plummeted 60.7% to ¥2,885 million.

2. Segment information

Hitherto, Ryosan had three business segments – electronic components, electronic equipment and products. In April 2001 we changed to four business segments – semiconductors, electronic components, electronic equipment and production. This change reflected our organizational reforms designed to enhance our basic strategy of focusing on each product's business, and to enhance the profitability of each product.

a. Semiconductors

The Ryosan Group markets memories, system LSIs and discrete semiconductors, and as a planner and developer of system LSIs. The year under review saw declining demand for ASICs for game devices, microcomputers used in car audio equipment, game devices and DRAMs for PCs. Net sales in this segment decreased 30.8% to ¥122,153 million and operating income fell 53.6% to ¥5,154 million.

b. Electronic components

The Ryosan Group markets display devices, power supplies and mechanical components. The year under review saw waning demand for LCDs for pachinko machines and digital cameras, PC batteries and PC communication units. Net sales in this segment decreased 19.9% to ¥90,993 million and operating income fell 8.4% to ¥2,324 million.

c. Electronic equipment

The Ryosan Group markets information equipment and production equipment. There was a decrease in demand for information equipment during fiscal 2002, including HDDs and controller boxes for OA equipment. As a result, net sales came to ¥25,077 million, down 16.6%, and operating income edged up 1.8% to ¥884 million.

d. Production

The Ryosan Group produces and markets heat sinks, devices that dissipate the heat generated by semiconductors. Net sales were down 22.4% to ¥5,867 million, while operating income sharply fell 42.7% to ¥482 million, due to a decline in demand for heat sinks used in IC testers, machine tools, televisions and other products.

3. Performance by Geographical Region

a. Japan

The year under review saw decreased demand for ASICs for game devices, microcomputers used in car audio equipment, semiconductors for game device and PC memories, LCDs for pachinko machines and digital cameras, electronic components such as communication units for office equipment, HDDs and controller boxes for OA equipment, and heat sinks for use in IC testers, machine tools, televisions and other products. There was a 27.2% decrease in net sales to ¥184,194 million and a drop of 55.2% in operating income to ¥4,118 million.

b. Asia

Fiscal 2002 saw decreased demand for PC memories, semiconductors for batteries and other products, and electronic components. This resulted in a 19.9% drop in net sales to ¥59,897 million and a 24.1% decrease in operating income, to ¥1,775 million.

4. Year-end dividend

We are planning to pay a total annual dividend of ¥30 per share, which consists of an ordinary dividend of ¥15 per share and an interim dividend of ¥15 per share.

(2) Outlook for the next fiscal year

1. Projected operating results

Although some observers expect the U.S. economy to recover in the second half of the current fiscal year, high growth cannot be predicted due to the background of rising uncertainty and increased costs of security on account of the September 11, 2001 terrorist attacks in the U.S.A. Against this backdrop, it appears that the Japanese economy will find it difficult to stage an export-led recovery. At the same time, there are fears that deflation will intensify. Asian economies, excluding China, are heavily influenced by the U.S. economy. This means trends in the U.S. economy will have a significant bearing on economic health. As a result, we anticipate that Ryosan's difficult operating environment will continue.

In these circumstances, the Ryosan Group is committed to striving to improve business results by formulating and applying in a powerful manner the strategies outlined in the basic strategy of our fifth mid-term management plan: growth strategy, segment strategy and establishing a strong management infrastructure.

Earnings forecasts for the fiscal year ending March 31, 2003 is as follows:

Consolidated

Net sales	¥270 billion	10.7%
Operating income	¥6.6 billion	8.2%
Ordinary income	¥6.9 billion	9.5%
Net income	¥3.6 billion	28.6%

Non-consolidated

Net sales	¥195.0 billion	7.8%
Operating income	¥5.2 billion	14.8%
Ordinary income	¥6.4 billion	4.6%
Net income	¥3.5 billion	17.3%

(Y-o-Y % change)

Four consolidated subsidiaries intend to change their settlement date from December to March. Accordingly, the projected operating results for these companies apply to a 15-month period.

Because of the change in settlement date, projected net sales amount to approximately ¥10,000 million, and operating income amounts to approximately ¥300 million.

These estimates represent projected figures subject to certain risks and uncertainties. Thus there may be a significant discrepancy between forecasts and actual results, depending on such factors as:

- Economic trends in major markets (Japan, Asia, etc.); rapid changes in consumer trends and supply and demand dynamics
- Large fluctuations in the dollar/yen exchange rate
- Rapid technological innovations
- Major shifts in capital markets

2. Dividend forecast for the year

Based on the above non-consolidated forecast, Ryosan forecasts an annual dividend for the fiscal year ending March 31, 2002 of ¥30 per share, comprising an interim dividend of ¥15 per share and a year-end dividend of ¥15.

4. Financial Condition

(1) Cash flows

Cash and cash equivalents for the year under review increased 31.8% to ¥35,834 million, ¥8,657 million more than the previous year. Accounts receivable and inventories sharply decreased. Cash also decreased due to lower income before income taxes and minority interests, repayment of the first series of unsecured convertible bonds and acquisition of treasury stock.

Cash flows from operating activities

Net cash provided by operating activities was ¥24,843 million, compared with net cash used of ¥980 million in the previous fiscal year. The main reason was significant decreases in accounts receivable and inventories to ¥28,384 million and ¥8,280 million, respectively, despite a sharp fall in income before income taxes and minority interests.

Cash flows from investing activities

Net cash used in investing activities was ¥4,418 million, compared with ¥2,919 million in net cash provided in the preceding year. This was mainly attributable to an increase in investment securities.

Cash flows from financing activities

Net cash used in financing activities was ¥12,202 million, ¥11,737 million less than the previous fiscal year. This was mainly attributable to the redemption of ¥9,118 million for the first series of unsecured convertible bonds and ¥1,975 million for the acquisition of treasury stock.

CONSOLIDATED BALANCE SHEETS

(¥ million, figures less than ¥1 million have been omitted)

Item		March 31, 2002		March 31, 2001		Change
		Amount	%	Amount	%	Amount
ASSETS						
I	Current assets	120,465	81.9	150,950	86.3	30,485
	1. Cash and deposits	26,978		27,184		205
	2. Trade notes and accounts receivable	71,728		99,256		27,528
	3. Marketable securities	8,995				8,995
	4. Inventories	10,053		17,983		7,929
	5. Accrued income	1,932		1,902		30
	6. Deferred tax assets	132		504		372
	7. Other current assets	818		4,600		3,782
	8. Allowance for doubtful accounts	173		481		308
II	Fixed assets	26,609	18.1	24,060	13.7	2,549
	1. Property, plant and equipment	16,731	11.4	16,938	9.7	207
	(1) Buildings and structures	7,563		7,739		175
	(2) Land	8,216		8,180		35
	(3) Other fixed assets	951		1,018		67
	2. Intangible fixed assets	290	0.2	104	0.0	186
	3. Investments and other assets	9,587	6.5	7,017	4.0	2,570
	(1) Investment securities	6,865		4,915		1,950
	(2) Long-term loans	184		115		69
	(3) Deferred tax assets	968		609		358
	(4) Other	1,902		1,758		144
	(5) Allowance for doubtful accounts	291		382		90
	(6) Allowance for loss on investments	42				42
Total assets		147,074	100.0	175,010	100.0	27,935

(¥ million, figures less than ¥1 million have been omitted)

Item	March 31, 2002		March 31,2001		Change	
	Amount	%	Amount	%	Amount	
LIABILITIES						
I	Current liabilities	39,447	26.8	67,237	38.4	27,790
	1. Trade notes and accounts payable	35,430		45,939		10,509
	2. Short-term bank loans	1,127		889		238
	3. Convertible bonds due within one year	—		9,118		9,118
	4. Accrued income taxes	176		3,551		3,375
	5. Accrued expenses	995		1,722		726
	6. Other current liabilities	1,718		6,017		4,299
II	Long-term liabilities	1,905	1.3	1,786	1.0	118
	1. Employees' retirement benefits	1,251		1,281		29
	2.. Directors' severance payments	389		337		51
	3.. Consolidation adjustment account	—		2		2
	4. Other long-term liabilities	263		165		98
Total liabilities		41,352	28.1	69,024	39.4	27,671
(MINORITY INTERESTS)						
	Minority interests	470	.03	302	0.2	167
SHAREHOLDERS' EQUITY						
I	Common stock	17,690	12.0	17,690	10.1	—
II	Additional paid-in capital	19,114	13.0	19,114	10.9	—
III	Retained earnings	69,584	47.3	68,377	39.1	1,207
IV	Net unrealized gain on other marketable securities	455	0.3	826	0.5	370
V	Foreign currency translation adjustments	197	0.2	325	0.2	522
VI	Treasury stock	1,791	1.2	0	0.0	1,791
Total shareholders' equity		105,251	71.6	105,683	60.4	431
Total liabilities, Minority interest, and shareholders' equity		147,074	100.0	175,010	100.0	27,935

CONSOLIDATED STATEMENTS OF INCOME

(¥ million, figures less than ¥1 million have been omitted)

Item		Year Ended March 31, 2002		Year Ended March 31, 2001		Change
		Amount	%	Amount	%	Amount
I	Net sales	244,091	100.0	327,743	100.0	83,651
II	Cost of sales	222,144	91.0	298,286	91.0	76,142
	Gross profit	21,947	9.0	29,457	9.0	7,509
III	Selling, general and administrative expenses	15,800	6.5	17,759	5.4	1,959
	1. Packaging and freight expenses	717		812		95
	2. Directors' remuneration	617		565		52
	3. Employees' salaries	3,909		4,211		301
	4. Bonuses	1,262		2,225		962
	5. Retirement benefit expense	651		464		187
	6. Provision to allowance for directors' severance payments	62		53		9
	7. Employee benefits	546		749		203
	8. Depreciation and amortization	670		648		22
	9. Others	7,360		8,027		667
	Operating income	6,147	2.5	11,697	3.6	5,550
IV	Non-operating income	755	0.3	1,048	0.3	293
	1. Interest income	105		339		233
	2. Dividend income	38		48		9
	3. Discounts on purchases	173		224		51
	4. Amortization of consolidated adjustment account	—		1		1
	5. Others	437		434		3
V	Non-operating expenses	583	0.2	535	0.2	47
	1. Interest expense	181		172		9
	2. Foreign exchange loss	263		66		197
	3. Others	137		296		158
	Ordinary income	6,319	2.6	12,211	3.7	5,892
VI	Extraordinary gains	173	0.0	1,512	0.5	1,338
	1. Gain on sales of property, plant and equipment	—		229		229
	2. Gain on sales of investment securities	4		595		591
	3. Gain on reversal of allowance for doubtful accounts	169		687		517
VII	Extraordinary losses	782	0.3	477	0.2	304
	1. Loss on sale and disposal of property, plant and equipment	30		161		130
	2. Loss on sale of investment securities	10		—		10
	3. Loss on devaluation of investment securities	573		—		573
	4. Loss on devaluation of golf club memberships	37		—		37
	5. Provision for allowance for loss on investments	42		—		42
	6. Special retirement benefit	89		83		5
	7. Charge for full amount of transitional obligation for employees' retirement benefits	—		232		232
	Income before income taxes and minority interests	5,711	2.3	13,246	4.0	7,534
	Income taxes, current	2,463	1.0	6,172	1.9	3,708
	Deferred income taxes	292	0.1	346	0.1	638
	Minority interests	70	0.0	83	0.0	13
	Net income	2,885	1.2	7,336	2.2	4,450

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(¥ million, figures less than ¥1 million have been omitted)

Item	Year Ended March 31, 2002	Year Ended March 31, 2001	Change
I Consolidated retained earnings at the beginning of the year	68,677	62,869	5,507
II Decrease in consolidated retained earnings	1,677	1,828	150
1, Decrease in retained earnings due to increase in number of consolidated subsidiaries	174	413	238
2. Cash dividends	1,217	1,347	129
3. Directors' bonuses (including corporate auditors)	101	68	33
4. Retirement of treasury stock	184	—	184
III Net income	2,885	7,336	4,450
IV Consolidated retained earnings at the end of the year	69,584	68,377	1,207

CONSOLIDATED STATEMENTS OF CASH FLOWS

(¥ million, figures less than ¥1 million have been omitted)

	Year Ended March 31, 2002	Year Ended March 31, 2001
Item	Amount	Amount
I Operating activities:		
Income before income taxes	5,711	13,246
Depreciation and amortization	837	785
Reversal of allowance for doubtful accounts	502	722
(Decrease) increase in severance allowance for employees	35	131
Increase in retirement allowances for directors	51	29
Interest and dividend income	144	388
Interest expense	181	172
Gains on sales of property, plant and equipment	—	229
Loss on sale and disposal of property, plant and equipment	30	161
Gains on sales of investment securities	—	595
Loss on devaluation of investment securities	573	—
Other expenses	68	229
Decrease (increase) in notes and accounts receivable	28,384	6,354
Decrease (increase) in inventories	8,280	3,391
(Decrease) increase in accounts payable	11,401	336
Directors' bonuses paid	101	68
(Decrease) increase in other assets and liabilities	496	1,227
Subtotal	31,437	4,572
Interest and dividends received	144	390
Interest paid	181	172
Income taxes paid	6,556	5,770
Net cash provided by (used in) operating activities	24,843	980
II Investing activities:		
Increase in deposits	54	—
Proceeds from redemption of marketable securities	—	2,562
Purchases of property, plant and equipment	313	639
Proceeds from sales of property, plant and equipment	5	335
Purchases of investment securities	3,411	37
Proceeds from sales of investment securities	104	1,040
Purchases of equity in affiliated companies	223	168
Increase in loans	113	111
Proceeds from collection of loans	2	65
Decrease in investments and other assets	415	127
Net cash (used in) provided by investing activities	4,418	2,919
III Financing activities:		
Increase in short-term borrowings	109	889
Redemption of bonds	9,118	—
Purchase of treasury stock	1,145	—
Purchases of treasury stock for earnings adjustment purposes	184	—
Purchases of treasury stock for stock options	646	—
Cash dividends paid	1,217	1,354
Net cash used in financing activities	12,202	465
IV Foreign currency translation adjustments on cash and cash equivalents	387	42
V Net increase in cash and cash equivalents	8,610	1,430
VI Cash and cash equivalents, beginning of year	27,177	25,703
VII Cash and cash equivalents of newly consolidated subsidiary	46	43
VIII Cash and cash equivalents, end of year	35,834	27,177

5 — (6) SEGMENT INFORMATION

1. Segment information by business type

Year ended March 31, 2002

(¥ million, figures less than ¥1 million have been omitted)

	Semiconductors	Electronic Components	Electronic Equipment	Ryosan Products	Total	Eliminations or Corporate	Consolidated
I Sales and operating results							
Sales:							
(1) Outside customers	122,153	90,993	25,077	5,867	244,091	—	244,091
(2) Inter-segment	—	—	—	—	—	—	—
Total sales	122,153	90,993	25,077	5,867	244,091	—	244,091
Operating expenses	116,998	88,669	24,193	5,385	235,246	2,697	237,944
Operating income	5,154	2,324	884	482	8,844	2,697	6,147
II Assets, depreciation and capital expenditures:							
Total assets	51,410	38,718	13,731	3,940	107,801	39,273	147,074
Depreciation	376	268	72	96	814	22	837
Capital expenditures	142	309	25	61	539	—	539

Notes:

- Methods of determining business segments and main products classified under each business segment
 - Business segments are classified on the basis of organization, product type and sales structure.
 - Main products of each business segment:

Semiconductors: memories, system LSIs, discrete semiconductors

Electronic components: display devices, power supplies, mechanical components

Electronic equipment: information equipment, production equipment

Ryosan products: heat sinks
- Unallocated operating expenses included in “Eliminations or corporate” totaled ¥2,697 million. These expenses consisted principally of expenses related to the planning, general affairs, personnel and accounting departments of the parent company.
- Total assets includes “Eliminations or corporate” of ¥39,273 million, mainly representing an excess fund for investment at the parent company (marketable securities), long-term investment funds (investment and marketable securities) and assets related to the administration department.

(Change in the method of determining business segments)

Previously the activities of the company were divided into three segments: electronic components, electronic equipment and Ryosan products. As of April 2001, Ryosan reorganized its operating structure into four segments: semiconductors, electronic components, electronic equipment and Ryosan products. This reorganization better reflects the company's fundamental strategy focusing on improving segment quality and its emphasis on segment profitability.

Segment information for the fiscal year ended March 2000 is restated as follows to conform with current operating segments:

Year ended March 31, 2001

(¥ million, figures less than ¥1 million have been omitted)

	Semiconductors	Electronic Components	Electronic Equipment	Ryosan Products	Total	Eliminations or Corporate	Consolidated	
I								
	Sales and operating results							
	Sales:							
(1)	Outside customers	176,591	113,539	30,053	7,559	327,743	—	327,743
(2)	Inter-segment	—	—	—	—	—	—	—
	Total sales	176,591	113,539	30,053	7,559	327,743	—	327,743
	Operating expenses	165,489	111,003	29,184	6,717	312,395	3,650	316,045
	Operating income	11,101	2,536	868	841	15,347	3,650	11,697
II								
	Assets, depreciation and capital expenditures:							
	Total assets	73,305	53,777	14,129	4,825	146,038	28,972	175,010
	Depreciation	371	233	70	84	759	25	785
	Capital expenditures	297	195	62	81	636	9	646

Notes:

1. Unallocated operating expenses included in "Eliminations or corporate" totaled ¥3,650 million. These expenses consisted principally of expenses related to the planning, general affairs, personnel and accounting departments of the parent company.
2. Total assets includes "Eliminations or corporate" of ¥28,972 million, mainly representing an excess fund for investment at the parent company (marketable securities), long-term investment funds (investment and marketable securities) and assets related to the administration department.

2. Geographical segment information

Year ended March 31, 2002

(¥ million, figures less than ¥1 million have been omitted)

	Japan	Asia	Total	Eliminations or Corporate	Consolidated
I Sales and operating results					
Sales:					
Outside customers	184,194	59,897	244,091	—	244,091
Inter-area	3,753	367	4,120	4,120	—
Total	187,947	60,264	248,212	4,120	244,091
Operating expenses	183,828	58,489	242,318	4,374	237,944
Operating income	4,118	1,775	5,893	253	6,147
II Assets	132,262	14,812	147,074	—	147,074

Notes:

1. Country and regional segments are classified on the basis of geographic proximity.
2. Principal countries and regions:
Asia Hong Kong, Singapore, Taiwan, Malaysia and others
3. Operating expenses are allocated to each geographical segment.

Year ended March 31, 2001

(¥ million, figures less than ¥1 million have been omitted)

	Japan	Asia	Total	Eliminations or Corporate	Consolidated
I Sales and operating results					
Sales:					
Outside customers	252,991	74,751	327,743	—	327,743
Inter-area	6,316	1,997	8,314	8,314	—
Total	259,308	76,749	336,057	8,314	327,743
Operating expenses	250,123	74,410	324,533	8,487	316,045
Operating income	9,185	2,339	11,524	173	11,697
II Assets	155,967	19,042	175,010	—	175,010

Notes:

1. Country and regional segments are classified on the basis of geographic proximity.
2. Principal countries and regions:
Asia Hong Kong, Singapore, Taiwan, Malaysia and others
3. Operating expenses are allocated to each geographical segment.

4. As noted in the appendix, the Company adopted a new accounting method for retirement benefits effective from the fiscal year ended March 31, 2001. This change had the effect of reducing operating costs for Japan by ¥97 million and increasing operating costs for Asia by ¥1 million.

3. Overseas sales

Year ended March 31, 2002

(¥ million, figures less than ¥1 million have been omitted)

	Asia	Total
I Overseas sales	63,657	63,657
II Consolidated net sales		244,091
III Ratio of overseas sales to consolidated net sales	26.1	26.1

Notes:

- Country and regional segments are classified on the basis of geographic proximity.
- Principal countries and regions:
Asia Hong Kong, Singapore, Taiwan and others
- Overseas sales represent the total of export sales of the parent company and sales of its consolidated subsidiaries outside Japan (excluding inter-group sales).

Year ended March 31, 2001

(¥ million, figures less than ¥1 million have been omitted)

	Asia	Total
I Overseas sales	76,930	76,930
II Consolidated net sales		327,743
III Ratio of overseas sales to consolidated net sales	23.5	23.5

Notes:

- Country and regional segments are classified on the basis of geographic proximity.
- Principal countries and regions:
Asia Hong Kong, Singapore, Taiwan and others
- Overseas sales represent the total of export sales of the parent company and sales of its consolidated subsidiaries outside Japan (excluding inter-group sales).

9. MANUFACTURING, NEW ORDERS AND SALES

(1) Manufacturing

(¥ million, figures less than ¥1 million have been omitted)

	Year ended March 31, 2002	Year ended March 31, 2001
Heat sinks	4,945	5,611

(2) New Orders

(¥ million, figures less than ¥1 million have been omitted)

	Year ended March 31, 2002	Year ended March 31, 2001
Semiconductors	119,516	187,444
Electronic components	93,205	107,104
Electronic equipment	23,085	29,581
Ryosan Products	6,159	7,703
Total	241,966	331,837

(3) Sales

(¥ million, figures less than ¥1 million have been omitted)

	Year ended March 31, 2002	Year ended March 31, 2001
Semiconductors		
Japan	86,568	124,469
Asia	35,581	52,121
Sub Total	122,153	176,591
Electronic components		
Japan	68,219	92,793
Asia	22,774	20,745
Sub Total	90,993	113,539
Electronic Equipment		
Japan	24,690	29,130
Asia	386	923
Sub Total	25,077	30,053
Ryosan Products		
Japan	4,715	6,598
Asia	1,152	961
Sub Total	5,867	7,559
Total	244,091	327,743