RAITO KOGYO CO., LTD.

Annual Report 2002

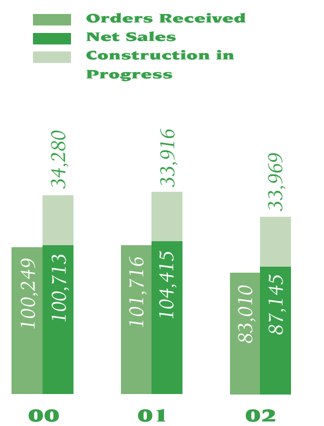
Contents

Consolidated Financial Highlights

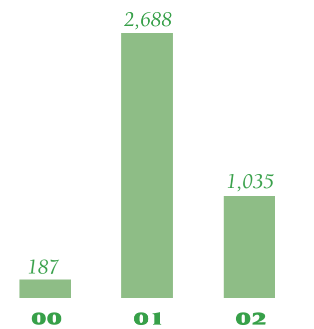
	Millions of yen			Thousands of U.S. dollars
Years ended March 31	*2002*	*2001*	*2000*	*2002*
For the year:				
Orders received	¥ 83,010	¥101,716	¥100,249	$622,964
Net sales	87,145	104,415	100,713	653,993
Income before income taxes	2,347	4,900	1,003	17,616
Net income	1,035	2,688	187	7,769
At year-end:				
Total assets	¥ 80,549	¥ 83,284	¥ 85,430	$604,493
Shareholders' equity	47,282	46,599	44,781	354,839
Common stock	6,119	6,119	6,119	45,925
Amounts per share:				
(in yen and dollars)				
Net income	¥ 17.91	¥ 46.50	¥ 3.23	$ 0.13

Note: U.S. dollar amounts here and elsewhere in this annual report are translated from yen at the rate ¥133.25 = US$1.00, the rate on March 31, 2002 for the readers' convenience only.

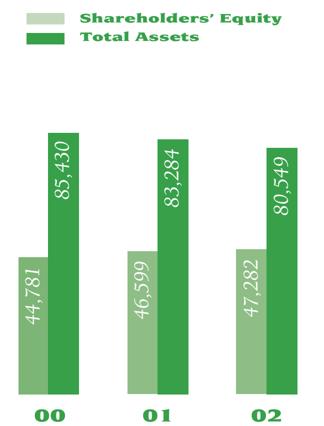
Orders Received, Net Sales and Construction in Progress
(Millions of yen)



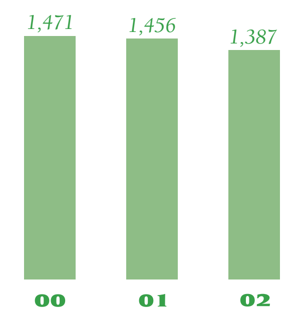
Net Income
(Millions of yen)



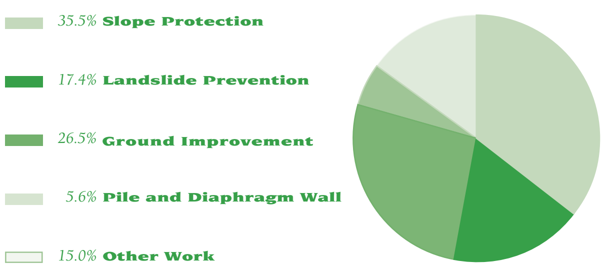
Shareholders' Equity and Total Assets
(Millions of yen)



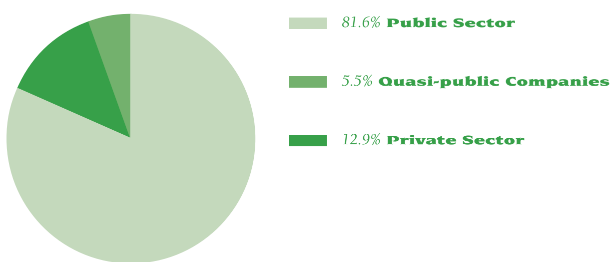
Number of Employees



Orders Received by Type of Work *(%)*



Orders Received by Type of Client *(%)*



Operating Environment

During the fiscal year ended March 31, 2002, the economy in the U.S. and other countries around the world performed poorly. Exports and manufacturing activities declined, and the downward trend in corporate earnings grew stronger. Consumer spending and unemployment were unstable, declining wages ensured continued economic stagnation, and business conditions became extremely adverse.

In the construction industry, financial conditions produced further declines in public works investment, private-sector investment in construction, and corporate capital investment, making for a stringent contracting environment.

Under these difficult conditions, consolidated net revenues for the Raito Kogyo Co., Ltd. and its Group companies totaled ¥87,145 million (US$653,993 thousand), operating income was ¥3,064 million, (US$22,993 thousand) and net income of ¥1,035 million (US$7,769 thousand) was posted.

To improve financial health through impairment accounting, a revaluation of commercial real-estate assets was conducted, and a gain on land revaluation of ¥370 million (US$2,777 thousand) was posted under shareholders' equity. In addition, we established a commitment line of ¥10,000 million (US$75,047 thousand) with the object of stable fund acquisition and the improvement of asset efficiency.

Yuji Samaru

Sales and Orders

The Group's total orders for the March 31, 2002 fiscal year totaled ¥83,010 million (US$622,964 thousand), of which slope protection projects accounted for ¥29,475 million (US$221,207 thousand), landslide prevention projects for ¥14,408 million (US$108,132 thousand), ground improvement projects for ¥22,026 million (US$165,301 thousand), and pile and diaphragm wall projects for ¥4,644 million (US$34,856 thousand). In the other projects category, sewer construction orders totaled ¥6,506 million (US$48,828 thousand), and other orders were ¥5,948 million (US$44,639 thousand).

Construction revenues for the term totaled ¥81,559 million (US$612,078 thousand), of which slope protection projects represented ¥30,849 million (US$231,517 thousand), or 35.4% of the total. Landslide prevention project revenues were ¥15,463 million (US$116,048 thousand), or 17.7% of total construction revenues, ground improvement project revenues were ¥19,213 million (US$144,188 thousand), or 22.0%, and pile and diaphragm wall projects accounted for ¥4,329 million (US$32,441 thousand), or 5%. Sewer construction revenues were ¥6,499 million (US$48,778 thousand), or 7.5%, and other construction revenues were ¥5,204 million (US$39,055 thousand), or 6.0%. Sales of materials and goods totaled ¥5,585 million, (US$41,915 thousand), accounting for 6.4% of the total.

Principal construction projects completed during the fiscal year included ground improvement work in connection with the Tokyo Waterfront Area Rapid Transit Oimachi Station, earth retaining work for the Tobuki Tunnel Facilities Project, and an earthquake-resistance upgrade project on the Tohoku Expressway's Nishi Gongen Bridge.

Among projects in progress are the Tokyo Gaikan Expressway Takano-Kita viaduct, base structure construction for the Sanwa Bridge on the Banetsu Expressway, and ground improvement work in the area surrounding the Kita-Senju entrance to the Chiyoda subway line. In accordance with the completed-contract accounting method, revenues from these projects will be reported in the year in which they are completed.

Cost of Sales

For the March 31, 2002 fiscal year, cost of sales was ¥73,724 million (US$553,270 thousand), yielding a cost of sales ratio of 84.6%. Gross profit totaled ¥13,421 million (US$100,723 thousand), for a gross profit margin of 15.4%.

Net Income

Consolidated operating income was ¥3,064 million (US$22,993 thousand). The Company posted net interest expenses of ¥23 million (US$175 thousand) and, under other expenses, bonuses in connection with voluntary retirement in the amount of ¥385 million (US$2,889 thousand). A loss of ¥147 million (US$1,102 thousand) on revaluation of golf club memberships was posted. As a result of the foregoing, net income for the fiscal year was ¥1,035 million (US$7,769 thousand), and the ratio of net income to net revenues was 1.2%.

Dividends

In declaring dividends, the Company strives to balance the need to build internal reserves to fund future business expansion against the imperative of providing stable dividends to shareholders. For the March 31, 2002 fiscal year, the Company maintained dividends at ¥12 (US$0.09) per share. Retained earnings will be invested in strengthening the Company's project-execution capabilities and competitiveness.

Capital Investment and R&D Expenditures

Capital investments during this fiscal year totaled ¥882 million (US$6,619 thousand) including purchases of construction machinery and equipment.

R&D expenditures for the term amounted to ¥496 million (US$3,722 thousand). Principal research programs included development of slope protection technology to withstand natural disasters; anti-liquefaction soil treatment measures and other earthquake countermeasures, and methods for stabilizing soft ground; soil contamination countermeasures; repair technology for aging concrete structures; technology for rooftop horticulture; and the development of technologies for reusing and reducing the volume of waste soil generated during ground improvement projects.

Cash Flows

Net cash used in operating activities totaled ¥3,082 million (US$23,128 thousand), reflecting a net decrease of ¥4,980 million (US$37,380 thousand), primarily as the result of an increase in advances received on uncompleted contracts and a decline in accounts payable. Net cash used in investing activities was ¥550 million (US$4,127 thousand), a decrease of ¥567 million (US$4,258 thousand) from the previous year, and was affected by an increase in proceeds from sales of marketable securities. Net cash used in financing activities fell ¥840 million (US$6,308 thousand) to ¥334 million (US$2,505 thousand). An increase in short-term borrowing was the primary factor in this development.

Shareholders' Equity

At March 31, 2002, shareholders' equity stood at ¥47,282 million (US$354,839 thousand), and the shareholders' equity ratio was 58.7%. The decline in net income caused return on equity to decline to 2.2%.

Liquidity

On average, the Company's liquid assets were sufficient to fund the Company's ongoing operations for 1.44 months during the fiscal year under review. The current ratio was 194%, and cash and time deposits accounted for 15.3% of current assets.

Outlook

Some economic indicators show signs of having bottomed out, but it is forecast that time will be required before a recovery is seen in consumer spending and private-sector capital investment. The business community views the prospect of economic stagnation with concern.

The construction industry has misgivings that the decline in public-sector investment and the trend toward restraint in private-sector capital investment will persist, bringing further deterioration in the contracting environment.

The Company is meeting these challenges through further expansion of its efforts to win new contracts, not only in its existing business domains, but also in the fields of soil liquefaction countermeasures, structural preservation, environmental protection, and other new businesses. Together with this, Raito Kogyo is working to strengthen competitiveness, upgrade project-execution technologies, re-evaluate internal systems and organizations, and reduce fixed expenses.

The Company currently holds 227 patents, and has 172 patents pending.

We would like to express our gratitude for the continued support of our shareholders.

August 2002

Yuji Samaru
President

Consolidated Balance Sheets

March 31, 2002 and 2001	Millions of yen 2002	Millions of yen 2001	Thousands of U.S. dollars (Note 3) 2002
ASSETS			
Current assets:			
Cash and time deposits (Note 14)	¥ 8,655	¥ 11,143	$ 64,956
Marketable securities (Notes 6, 14)	1,830	3,302	13,732
Notes and accounts receivable, trade:			
Notes	8,335	9,549	62,552
Accounts	26,230	24,581	196,844
Non-consolidated subsidiaries and affiliate	76	63	570
Allowance for doubtful accounts	(297)	(412)	(2,233)
Inventories (Note 4)	9,846	8,281	73,894
Deferred tax assets (Note 13)	749	573	5,623
Other current assets	1,112	1,012	8,342
Total current assets	56,535	58,091	424,280
Property and equipment:			
Land (Notes 7, 8)	9,972	9,335	74,833
Buildings (Note 8)	8,976	8,977	67,364
Machinery and equipment	24,491	23,675	183,794
Construction in progress	1	15	11
Others	70	68	529
	43,510	42,071	326,531
Accumulated depreciation	(24,591)	(22,949)	(184,548)
Net property and equipment	18,919	19,122	141,983
Investment and other assets:			
Investment in securities (Note 6)	885	1,192	6,640
Investment in non-consolidated subsidiaries and affiliate	190	140	1,426
Long-term loans to unconsolidated subsidiaries and affiliate	70	—	525
Deferred tax assets (Note 13)	1,947	2,052	14,615
Others	2,253	2,808	16,910
Allowance for doubtful accounts	(251)	(120)	(1,886)
Total investment and other assets	5,094	6,071	38,230
Total assets	¥ 80,549	¥ 83,284	$ 604,493
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term bank loans payable (Note 8)	¥ 3,286	¥ 2,863	$ 24,663
Current portion of long-term bank loans payable (Note 8)	529	29	3,968
Notes and accounts payable, trade:			
Notes	6,738	8,278	50,566
Accounts	8,264	10,091	62,018
Non-consolidated subsidiaries and affiliate	14	28	108
Notes and accounts payable, other:			
Notes	147	174	1,100
Accounts	103	292	772
Non-consolidated subsidiaries and affiliate	—	1	—
Advance received on uncompleted contracts	5,714	5,172	42,884
Accrued expenses	2,574	2,041	19,314
Accrued income taxes	1,252	1,974	9,393
Other current liabilities	498	628	3,739
Total current liabilities	29,118	31,570	218,525
Long-term liabilities:			
Long-term bank loans payable, less current portion (Note 8)	208	737	1,564
Deferred tax liabilities (Note 13)	7	—	50
Deferred liabilities on revaluation of land (Note 7)	266	—	1,998
Reserve for employees' retirement benefits (Note 9)	3,028	3,875	22,727
Reserve for directors' retirement benefits (Note 9)	542	471	4,066
Other long-term liabilities	96	31	724
Total long-term liabilities	4,148	5,115	31,129
Total liabilities	33,266	36,685	249,654
Contingent Liabilities (Note 12)			
Shareholders' equity (Note 10):			
Common stock, ¥50 par value:			
Authorized—198,000,000 shares			
Issued—57,804,450 shares as of March 31, 2002	6,119	6,119	45,925
Additional paid-in capital	6,358	6,358	47,716
Revaluation surplus of land (Note 7)	370	—	2,777
Retained earnings	34,367	34,096	257,915
Unrealized gain on available-for-sale securities	(21)	(2)	(158)
Foreign currency translation adjustments	89	28	665
Total	47,282	46,599	354,840
Treasury stock	(0)	(0)	(1)
Total shareholders' equity	47,282	46,599	354,839
Total liabilities and shareholders' equity	¥ 80,549	¥ 83,284	$ 604,493

The accompanying notes are an integral part of this statement.

Consolidated Statements of Income

For the years ended March 31, 2002 and 2001	*Millions of yen* 2002	2001	*Thousands of U.S. dollars (Note 3)* 2002
Net sales:			
Sales of construction	¥81,559	¥92,820	$612,078
Sales of goods	5,585	11,595	41,915
Cost of sales:			
Cost of construction	68,438	77,479	513,603
Cost of goods sales	5,286	11,071	39,667
Gross profit	13,421	15,865	100,723
Selling, general and administrative expenses	10,357	10,846	77,730
Income from operations	3,064	5,019	22,993
Other income (expenses):			
Interest and dividend income	75	159	564
Interest expense	(98)	(115)	(739)
Gain on securities contributed to employees' retirement benefit trusts	—	1,244	—
Amortization of transitional obligation	—	(1,195)	—
Other—net	(693)	(212)	(5,202)
Income before income taxes	2,347	4,900	17,616
Income taxes (Note 13)**:**			
Current	1,327	2,306	9,955
Deferred	(14)	(95)	(108)
	1,312	2,212	9,847
Minority interest in net income	—	1	—
Net income	¥ 1,035	¥ 2,688	$ 7,769

	Yen		*U.S. dollars (Note 3)*
Amounts per share (Note 11)**:**			
Net income	¥ 17.91	¥ 46.50	$0.13

The accompanying notes are an integral part of this statement.

Consolidated Statements of Shareholders' Equity

For the years ended March 31, 2002 and 2001	*Millions of yen* 2002	2001	*Thousands of U.S. dollars (Note 3)* 2002
Common stock:			
Balance at beginning of the year	¥ 6,119	¥ 6,119	$ 45,925
Balance at end of the year	6,119	6,119	45,925
Additional paid-in capital:			
Balance at beginning of the year	¥ 6,358	¥ 6,358	$ 47,716
Balance at end of the year	6,358	6,358	47,716
Revaluation surplus of land			
Balance at beginning of the year	¥ 370	—	$ 2,777
Balance at end of the year	370	—	2,777
Retained earnings:			
Balance at beginning of the year	¥34,096	¥32,303	$255,877
Net income for the year	1,035	2,688	7,769
Cash dividends	(694)	(809)	(5,206)
Bonuses to directors and statutory auditors	(70)	(86)	(525)
Balance at end of the year	34,367	34,096	257,915
Unrealized gain on available-for-sale securities:			
Balance at beginning of the year	¥ (2)	¥ —	$ (16)
Net change during the year	(19)	(2)	(142)
Balance at end of year	(21)	(2)	(158)
Foreign currency translation adjustments:			
Balance at beginning of the year	¥ 28	¥ —	$ 208
Net change during the year	61	28	457
Balance at end of the year	89	28	665
Treasury stock			
Balance at beginning of the year	¥ (0)	¥ (0)	$ (1)
Increase in treasury stock	(0)	(0)	(0)
Balance at end of the year	(0)	(0)	(1)

The accompanying notes are an integral part of this statement.

Consolidated Statements of Cash Flows

For the years ended March 31, 2002 and 2001	Millions of yen 2002	Millions of yen 2001	Thousands of U.S. dollars (Note 3) 2002
Cash flows from operating activities:			
Income before income taxes	¥ 2,347	¥ 4,900	$ 17,616
Adjustments to reconcile income before income taxes to net cash provided by (used in) operating activities:			
Depreciation and amortization	2,002	2,203	15,024
Increase in allowance for doubtful accounts	17	182	124
Decrease in reserve for employee's retirement benefits	(847)	(386)	(6,355)
Increase (decrease) in reserve for directors' retirement benefits	70	(118)	528
Amortization of transitional obligation	—	1,195	—
Gain on securities contributed to employees' retirement benefit trust	—	(1,244)	—
Interest income and dividends received recognized on statement of income	(75)	(159)	(564)
Interest payment recognized on statement of income	98	115	739
Increase in notes and accounts receivable	(400)	(3,256)	(3,000)
Decrease (increase) in accumulated construction cost in progress	(879)	237	(6,600)
Decrease (increase) in other inventories	(698)	908	(5,238)
Decrease in notes and accounts payable	(3,380)	(408)	(25,369)
Increase (decrease) in advance received on uncompleted contracts	536	(66)	4,026
Others	218	43	1,631
Subtotal	(991)	4,146	(7,438)
Interest income and dividends received (cash basis)	75	159	564
Interest payment (cash basis)	(98)	(115)	(739)
Income taxes paid	(2,049)	(2,253)	(15,376)
Others	(19)	(38)	(139)
Net cash provided by (used in) operating activities	(3,082)	1,899	(23,128)
Cash flows from investing activities:			
Purchases of fixed assets	(1,050)	(939)	(7,883)
Proceeds from sales of fixed assets	17	39	131
Purchases of investment securities	(419)	(336)	(3,144)
Proceeds from sales of investment securities	610	92	4,578
Others	292	25	2,191
Net cash used in investing activities	(550)	(1,117)	(4,127)
Cash flows from financing activities:			
Net increase (decrease) in short-term borrowing	389	(339)	2,917
Proceeds from long-term borrowing	—	152	—
Repayment of long-term borrowing	(29)	(179)	(216)
Dividends paid to minority shareholders	(694)	(809)	(5,206)
Net cash used in financing activities	(334)	(1,174)	(2,505)
Effects of changes in exchange rates on cash and cash equivalents	6	2	42
Net decrease in cash and cash equivalents	(3,960)	(390)	(29,718)
Cash and cash equivalents at beginning of the year	14,445	14,836	108,406
Cash and cash equivalents at end of the year (Note 14)	¥10,485	¥14,445	$ 78,688

The accompanying notes are an integral part of this statement.

1. Basis of Presenting Financial Statements

The accompanying consolidated financial statements have been prepared from the accounts maintained by RAITO KOGYO CO., LTD. (the Company) and its consolidated subsidiaries in accordance with the provisions set forth in the Japanese Commercial Code and Securities and Exchange Law, and in conformity with accounting principles and practices generally accepted in Japan, which may differ in some material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In order to facilitate the understanding of readers outside Japan, certain reclassifications have been made to the consolidated financial statements prepared for domestic purposes and relevant notes and statements of shareholders' equity have been added. In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

The amounts are rounded to the nearest millions of yen. Therefore, total or subtotal amounts do not correspond with the aggregation of such account balance.

2. Summary of Significant Accounting Policies

a) Principles of consolidation

(i) Consolidated subsidiaries

The consolidated financial statements include the accounts of the Company and its 2 significant subsidiaries (TWENTY ONE CREATE CO., LTD., and RAITO, INC.), after the elimination of all significant intercompany transactions, balances and unrealized profits.

The consolidated financial statements do not include the accounts of RAITO STAFF SERVICE CO., LTD., EDO ENTERPRISE CO., LTD., C.E. CREATE CO., LTD., SENDAI REALIZE CO., LTD., FUKUOKA REALIZE CO., LTD., since the combined total assets, sales, net income, and retained earnings of these subsidiaries are not significant and would not have a material impact on the consolidated financial statements.

(ii) Equity method

Investments in unconsolidated subsidiaries mentioned above and affiliate (FUGRO GEOSCIENCE CO., LTD.) are not carried using the equity method, since the effect of applying the equity method in these subsidiaries and affiliate is not material.

Investments in unconsolidated subsidiaries and affiliate have been carried at cost.

(iii) Balance sheet date of subsidiaries

The fiscal year-ends of all the consolidated subsidiaries are March 31.

(iv) Goodwill on consolidation

Any difference between the cost of an investment in consolidated subsidiaries and the amount of the underlying equity in the fair value of the net assets of the subsidiaries is charged to income in the year in which it occurs.

b) Recognition of net sales and related costs

Net sales and the related costs of construction contracts are recorded on the completed-contract method regarding the Company and its domestic subsidiaries, and on the percentage-of-completion method regarding the foreign subsidiaries.

In addition, during the construction period, accumulated costs on uncompleted contracts are included as inventories and advances received on uncompleted contracts are stated in current liabilities by the completed-contract method.

c) Marketable securities and investments in securities

Effective April 1, 2000, the Company and its consolidated subsidiaries adopted a new accounting standard for financial instruments, including marketable securities and investments in securities. It requires all applicable securities to be classified and accounted for, depending on management's intent, as follows:

(i) Trading securities, which are held for the purpose of earning capital gains in near term, are reported at fair value and the related unrealized gains and losses are included in the earnings;

(ii) Held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost;

(iii) Available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity.

The Company and its consolidated subsidiaries classify all of marketable securities and investment in securities as available-for-sale securities, which are carried at cost determined by the moving-average method.

As a result of the application of this standard, certain securities amounted to ¥827 million were reclassified from current assets to non-current assets at the beginning of the year ended March 31, 2001.

The effect of the adoption of the new-standard was to decrease income before income taxes by ¥397 million for the year ended March 31, 2001.

d) Inventories

Inventories other than materials and supplies are stated at accumulated construction cost for each project. Selling, general and administrative expenses are excluded from such cost.

Materials and supplies are stated at cost determined by the first-in, first-out method.

e) Property and equipment, depreciation and lease transaction

Property and equipment, including significant renewals and additions, are carried at cost. Maintenance and repairs, including minor renewals and improvements, are charged to income as incurred.

Regarding the Company and its domestic subsidiaries, depreciation for buildings acquired before April 1, 1998, machinery and equipment is mainly computed by the declining balance method, and depreciation for buildings acquired after April 1, 1998 is computed by the straight-line method over the applicable useful lives.

Regarding the foreign subsidiaries, depreciation is mainly computed by the straight-line method over the estimated useful lives.

Finance lease transactions, except for those which meet the condition that the ownership of the leased asset is substantially transferred to the lessee, are accounted for the same as operating lease transactions.

f) Software

Software used by the Company and its consolidated subsidiaries is depreciated using the straight-line method, based on the useful life as determined by the Company and its consolidated subsidiaries (generally 5 years).

g) Allowance for doubtful accounts

Allowance for doubtful accounts of the Company and its consolidated subsidiaries is provided as follows:

For general receivables, allowance is provided at rates derived from historical credit loss experiences.

For doubtful receivables, allowance is provided at the amount considered uncollectible based on respective assessment of collectability.

h) Reserve for retirement benefits

Effective April 1, 2000, the Company and its consolidated subsidiaries adopted the new accounting standard for the employees' retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the each balance sheet date.

Unrecognized actuarial gains or losses are recognized as income or expenses from the following fiscal year under the straight-line method over the average remaining service period of the current employee.

The full amount of the transitional obligation of ¥1,195 million at the beginning of the year ended March 31,2001 was charged to income and presented as other expense in the consolidated statements of income.

As a result of the application of this standard, the related cost increased by ¥491 million, and operating income and income before income taxes decreased by ¥468 million for the year ended March 31, 2001.

In September 2000, the Company contributed certain available-for-sale securities with a fair value to employees' retirement benefit trust and recognized a non-cash gain of ¥1,244 million as other income in the consolidated statements of income. The securities held in this trust are qualified as plan assets.

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

i) Income taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effects of deferred tax assets and liabilities on a change in tax rates are recognized in income in the period that includes the enacted date.

j) Appropriations of retained earnings

Appropriations of retained earnings are accounted for and reflected in the accompanying financial statements when approved by the meeting of the shareholders.

k) Foreign currency translation

Effective April 1, 2000, the Company and its consolidated domestic subsidiary adopted a revised accounting standard for foreign currency transaction. In accordance with the revised standard, all monetary receivables and payables in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income.

The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as at the balance sheet date except for shareholders' equity, which is translated at the historical rate.

The effect of the adoption of the revised standard on the consolidated financial statement is immaterial for the year ended March 31, 2001.

3. United States Dollar Amounts

The United States dollar amounts presented in the accompanying financial statements are included solely for convenience and are stated, as a matter of arithmetical computation only, at the rate of ¥133.25=US$1.00, which was the exchange rate prevailing at March 31, 2002.

4. Inventories

Inventories as of March 31, 2002 and 2001 comprised the following:

	Millions of yen		*Thousands of U.S. dollars*
	2002	*2001*	*2002*
Accumulated construction cost in progress	¥8,921	¥8,040	$66,948
Materials and supplies	925	241	6,946
	¥9,846	¥8,281	$73,894

5. Leases

a) The following is certain information on finance leases accounted for in the same manner as operating leases since ownership of the leased assets is not substantially transferred to the lessee.

The analysis of the leased assets as of March 31, 2002 and 2001 is as follows. The acquisition cost equivalent is computed based on undiscounted lease payments at the inception of the leases.

	Millions of yen		*Thousands of U.S. dollars*
	2002	*2001*	*2002*
Machinery and equipment:			
Acquisition cost equivalent	¥560	¥523	$4,199
Accumulated depreciation equivalent	254	260	1,906
Net book value equivalent	¥306	¥263	$2,293

Undiscounted future lease payments as of March 31, 2002 and 2001, are as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2002	*2001*	*2002*
Due within one year	¥102	¥ 93	$ 769
Thereafter	203	170	1,524
	¥306	¥263	$2,293

Lease payments for the years ended March 31, 2002 and 2001, are ¥104 million ($784 thousand) and ¥99 million, respectively. Depreciation expense equivalent is computed on a straight-line basis over the lease term with no residual value, and amounted to ¥104 million ($784 thousand) and ¥99 million for the years ended March 31, 2002 and 2001, respectively.

b) Future payments of operating lease as of March 31, 2002 and 2001, are as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2002	*2001*	*2002*
Due within one year	¥20	¥ 45	$147
Thereafter	34	65	258
	¥54	¥110	$405

6. Marketable Securities and Investment in Securities

Effective April 1, 2000, the Company and its consolidated subsidiaries adopted a new accounting standard for financial instruments, including marketable securities and investments in securities. (See Note 2. c)

The market value of listed securities, which are classified as available-for-sale securities, as of March 31, 2002 and 2001, are as follows:

	Millions of yen		
		Fair Value	
As of March 31, 2002	*Cost*	*(Carrying amount)*	*Unrealized gain (loss)*
Marketable equity securities	¥284	¥332	¥ 48
Debentures	0	0	0
Fund trust and other	563	478	(85)
Total	¥847	¥811	¥(37)

	Thousands of U.S. dollars		
		Fair Value	
As of March 31, 2002	*Cost*	*(Carrying amount)*	*Unrealized gain (loss)*
Marketable equity securities	$2,130	$2,492	$ 362
Debentures	0	0	0
Fund trust and other	4,227	3,590	(637)
Total	$6,357	$6,082	$(275)

	Millions of yen		
		Fair Value	
As of March 31, 2001	*Cost*	*(Carrying amount)*	*Unrealized gain (loss)*
Marketable equity securities	¥ 158	¥ 221	¥ 63
Debentures	0	0	0
Fund trust and other	999	932	(67)
Total	¥1,156	¥1,153	¥ (3)

7. Revaluation of Land

Under the "Law of Land Revaluation", promulgated on March 31, 1998 and revised on March 31, 2001, the Company has elected a one-time revaluation of its own-use land.

The resulting land revaluation excess represents unrealized appreciation of land and is stated, net of income taxes, as a component of shareholders' equity. There is no effect on the statements of operations. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation excess account and related deferred tax liabilities. The details of the one-time revaluation as of March 31, 2002 were as follows:

	Millions of yen	*Thousands of U.S. dollars*
Land before revaluation	¥8,809	$66,110
Land after revaluation	9,445	70,885
Land revaluation excess	636	4,775
Revaluation surplus of land	370	2,777

8. Short-Term Bank Loans Payable and Long-Term Bank Loans Payable

a) Short-term bank loans payable

Short-term bank loans payable are mostly unsecured loans bearing interest at market rates.

b) Long-term bank loans payable

The annual maturities of long-term bank loans payable outstanding as of March 31, 2002, are as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2003	¥529	$3,968
2004	179	1,342
2005	30	222

c) Pledged assets

A summary of assets pledged as collateral for long-term and short-term bank loans as of March 31, 2002 and 2001, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Land	¥412	¥412	$3,091
Buildings	393	417	2,946

9. Employees' Retirement Benefit and Pension Plan

The Company and its consolidated subsidiaries have severance payment plans for employees.

Effective April 1, 2000, the Company and its consolidated subsidiaries adopted a new accounting standard for employees' retirement benefits.

The liability for employees' retirement benefits obligation at March 31, 2002 and 2001, consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Projected benefit obligation	¥(14,914)	¥(15,219)	$(111,926)
Plan assets at fair value	6,406	6,191	48,072
Retirement benefit trusts	2,034	3,352	15,265
Unrecognized actuarial loss	3,446	1,801	25,862
Net liability	¥ (3,028)	¥ (3,875)	$ (22,727)

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

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Service cost	¥664	¥ 601	$ 4,985
Interest cost	426	491	3,198
Expected return on plan assets	(248)	(246)	(1,858)
Amortization of transitional obligation	120	1,195	901
Net periodic benefit costs	¥963	¥2,041	$7,226

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

	2002	2001
Discount rate	2.8%	2.8%
Expected rate of return on plan assets	4.0%	4.0%
Amorization period of actuarial gain/loss	15 years	15 years
Amortization period of transitional obligation	—	1 year

10. Shareholders' Equity

Dividends may be approved by the shareholders after the end of each fiscal period. In accordance with the Commercial Code, these dividends and the related appropriations of retained earnings are not reflected in the financial statements at the end of such fiscal year but are recorded at the time they are approved. However, dividends per share shown in the accompanying statements of income and retained earnings are included in the years to which they relate.

11. Net Income per Share

Net income per share is based upon the weighted average number of shares of common stock outstanding during each year.

12. Contingent Liabilities

As of March 31, 2002 and 2001, the Company and its consolidated subsidiaries were contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Notes receivable discounted	¥1,719	¥4,166	$12,901
Notes receivable endorsed	1,310	1,411	9,833
Guarantees of loans	—	44	—

13. Income Taxes

Income taxes applicable to the Company and its consolidated subsidiaries comprise (1) corporation tax, (2) enterprise tax, and (3) inhabitant tax. While the normal statutory tax rates were approximately 41.9 percent, these income taxes resulted in effective tax rates of approximately 55.9 percent and 45.1 percent for the years ended March 31, 2002 and 2001, respectively.

The following table reconciles above statutory tax rate to the Company's effective tax rate for the years ended March 31, 2002 and 2001.

	2002	2001
Statutory rate	41.9%	41.9%
Non-deductible items	6.9	4.1
Non-taxable items	(0.1)	(0.2)
Inhabitant minimum taxes	3.5	1.6
Net loss in subsidiary	0.3	0.3
Other, net	3.4	(2.6)
Effective tax rate	55.9%	45.1%

The significant components of the Company's deferred tax assets and liabilities as of March 31, 2002 and 2001, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Deferred tax assets:			
Reserve for employees' retirement benefits	¥1,406	¥1,590	$10,551
Reserve for directors' retirement benefits	227	197	1,702
Amortization of transitional obligation	500	500	3,754
Accrued expenses	363	258	2,723
Enterprise tax payable	108	161	814
Other	657	484	4,926
Total deferred tax assets	¥3,261	¥3,191	$24,470
Deferred tax liabilities:			
Gain on securities contributed to employees' retirement benefits	520	520	3,906
Special depreciation allowance for tax purposes	43	46	326
Other	7	—	50
Total deferred tax liabilities	¥ 571	¥ 566	$ 4,282
Total net deferred tax assets	¥2,690	¥2,625	$20,188

14. Cash and Cash Equivalents

For the purpose of the consolidated statements of cash flows, the Company and its consolidated subsidiaries consider all highly liquid investments with insignificant risk of changes in value and original maturity of three months or less at the date of acquisition to be cash equivalents.

Reconciliation between cash and time deposits and marketable securities on the consolidated balance sheet as of March 31, 2002 and 2001 and cash and cash equivalents at end of year on the statement of cash flows for the year ended March 31, 2002 and 2001, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Cash and time deposits on the consolidated balance sheet	¥8,655	¥11,143	$64,956
Marketable securities on the consolidated balance sheet	1,830	3,302	13,732
Cash and cash equivalents on the statement of cash flows	¥10,485	¥14,445	$78,688

15. Segment Information

(1) Industry segments

Summarized financial information by industry segment for the years ended as of March 31, 2002 and 2001 is as follows:

	Millions of Yen				
	Year ended March 31, 2002				
	Construction	Goods sales	Total	Elimination	Consolidated
Revenues:					
Customers	¥81,559	¥ 5,585	¥87,145	¥ —	¥87,145
Inter-segment	1	1,195	1,196	(1,196)	—
Total	81,561	6,780	88,341	(1,196)	87,145
Operating expenses	78,739	6,580	85,319	(1,239)	84,081
Operating income	¥ 2,822	¥ 200	¥ 3,022	¥ 42	¥ 3,064
Assets	¥62,185	¥11,140	¥73,325	¥ 7,223	¥80,549
Depreciation	1,972	31	2,003	(1)	2,002
Capital expenditures	1,029	2	1,031	0	1,031

	Thousands of U.S. dollars				
	Year ended March 31, 2002				
	Construction	*Goods sales*	*Total*	*Elimination*	*Consolidated*
Revenues:					
Customers	$612,078	$41,915	$653,993	$ —	$653,993
Inter-segment	10	8,967	8,977	(8,977)	—
Total	612,088	50,882	662,970	(8,977)	653,993
Operating expenses	590,910	49,384	640,294	(9,294)	631,000
Operating income	$ 21,178	$ 1,498	$ 22,676	$ 317	$ 22,993
Assets	$466,682	$83,602	$550,284	$54,209	$604,493
Depreciation	14,803	231	15,034	(10)	15,024
Capital expenditures	7,720	18	7,738	(1)	7,737

	Millions of Yen				
	Year ended March 31, 2001				
	Construction	*Goods sales*	*Total*	*Elimination*	*Consolidated*
Revenues:					
Customers	¥92,820	¥11,595	¥104,415	¥ —	¥104,415
Inter-segment	3	1,135	1,138	(1,138)	—
Total	92,823	12,730	105,553	(1,138)	104,415
Operating expenses	88,130	12,386	100,517	(1,121)	99,396
Operating income	¥ 4,693	¥ 344	¥ 5,036	¥ (17)	¥ 5,019
Assets	¥61,253	¥ 4,400	¥ 65,653	¥17,630	¥ 83,284
Depreciation	2,169	35	2,204	(2)	2,203
Capital expenditures	881	—	881	(1)	881

(2) Geographical segment and Overseas sales

Disclosure of geographical segment information and overseas sales have been omitted due to immateriality.

16. Subsequent Event

On June 27, 2002, the following appropriations of retained earnings were approved at the shareholders' meeting of the Company:

	Millions of yen	*Thousands of U.S. dollars*
Cash dividends of ¥12.0 ($0.09) per share (final for the year ended March 31, 2002)	¥694	$5,206
Bonuses to directors	60	450

17. Additional Information

(a) A consolidated subsidiary, TWENTY ONE CREATE CO., LTD., brought forward the lawsuit to Tokyo District Court and Takamatsu District Court in quest for carry out the debt to FUSO WATER INDUSTRIES CO., LTD., which had been a main customer, based on a payment agreement and debt guarantee.

(b) The Company received exclusion advice in which the Fair Trade Commission pointed out that they had acted against Antitrust Law on May 16, 2002 regarding the selective bid for the slope protection construction ordered by Kanagawa Prefecture.

Report of the Independent Certified Public Accountants

To the Board of Directors of
RAITO KOGYO CO., LTD.

We have audited the consolidated balance sheets of RAITO KOGYO CO., LTD. and its consolidated subsidiaries as of March 31, 2002 and 2001, and the related consolidated statements of income, shareholders' equity and cash flows for each of the years then ended. Our audits were made in accordance with auditing standards, procedures and practices generally accepted in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of RAITO KOGYO CO., LTD. and its consolidated subsidiaries as of March 31, 2002 and 2001, and the consolidated results of their operations and their cash flows for the years ended in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

The United States dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2002 are presented solely for convenience. Our audit also included the translation of yen amounts into United States dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

June 27, 2002
Tokyo, Japan

Shin Nihon & Co.

Shin Nihon & Co.
Certified Public Accountants

See Note 1 to the consolidated financial statements which explains the basis of preparing the consolidated financial statements of RAITO KOGYO CO., LTD. and its consolidated subsidiaries under Japanese accounting principles and practices.

RAITO KOGYO CO., LTD.

Board of Directors and Auditors

President
Yuji Samaru

Senior Managing Directors
Nobuyuki Akiyama
Masaji Kobayashi
Katsunori Negishi
Yoshitomo Kinoshita

Managing Directors
Isao Ozawa
Tsuneo Motegi
Yasunori Yoshida
Katsumi Murao
Haruto Kawashima
Shin Yoshizawa
Haruo Aoki

Directors
Takao Ogawa
Kenji Kurosaka
Tatsuhiko Yamamoto
Gojiro Nishida
Takatomo Matsunaga

Standing Auditors
Ryosuke Sakai
Eiji Nakagawa

Auditors
Kenichi Kondo
Hidenori Miyake

(as of June 27, 2002)

Share Information

Common Stock:

Authorized shares
198,000,000 shares (as of March 31, 2002)

Issued and outstanding shares
57,804,450 shares (as of June 27, 2002)

Number of shareholders
11,424 (as of March 31, 2002)

Fiscal Year-End:
End of March each year

Annual Meeting:
In June of each year in Tokyo, Japan

Transfer Agent, Registrar and Dividend Payments:
The Chuo Mitsui Trust and Banking Co., Ltd.
3-33-1 Shiba, Minato-ku,
Tokyo 105-8574, Japan
Phone: 81-3-5232-8618
Fax: 81-3-5232-8698

Dividends:
Dividends are normally paid in the month of June.

Please direct inquiries to:
Publicity Office
Raito Kogyo Co., Ltd.
4-2-35 Kudan-kita, Chiyoda-ku,
Tokyo 102-8236, Japan
Phone: 81-3-3265-2551
Fax: 81-3-3265-0879

Corporate Data

Head Office:
4-2-35 Kudan-kita, Chiyoda-ku,
Tokyo 102-8236, Japan

Capital:
¥6,119,475,000
US$45,924,765
(as of March 31, 2002)

Date of Establishment:
September 28, 1948

Stock Trading:
Tokyo Stock Exchange,
First Section

Major Shareholders:
UFJ Trust Bank Limited (Trust Account A)
Sumitomo Mitsui Banking Corp.
The Taiyo Mutual Life Insurance Co.
Nippon Life Insurance Company, and others
The Asahi Bank, Ltd.

Employees:
1,387 (as of March 31, 2002)

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