

# ANNUAL REPORT 2002

Fiscal Year Ended March 31, 2002

Nippon Valqua Industries, Ltd.

## **Profile**

*Nippon Valqua Industries, Ltd., founded in 1927, is Japan's leading manufacturer of industrial packing and gaskets, producing rubber, fiber products, high-performance resins, and metal packing. A pioneer in seal engineering in Japan, Valqua is a leading producer of seal materials, and is also in the forefront of the fluorocarbon resin industry.*

*The corporate name of the Valqua group is a contraction of the phrase that has been the Company's motto since its founding — "Value and Quality." Throughout that time, we have striven to develop and market products that offer real value, that carry high levels of reliability and product quality. As we enter the new millennium, the words we often repeat, "Creates new corporate value and improves the quality of our business operations," take on new meaning. While responding swiftly to the requirements of the new era, this Company is striving to build its corporate value, chiefly by expanding cash flows, and to improve management quality through a diverse reevaluation of management processes. The Valqua Group is laboring to provide optimum satisfaction to its stockholders, customers, employees, and all the stakeholders in the regional society.*

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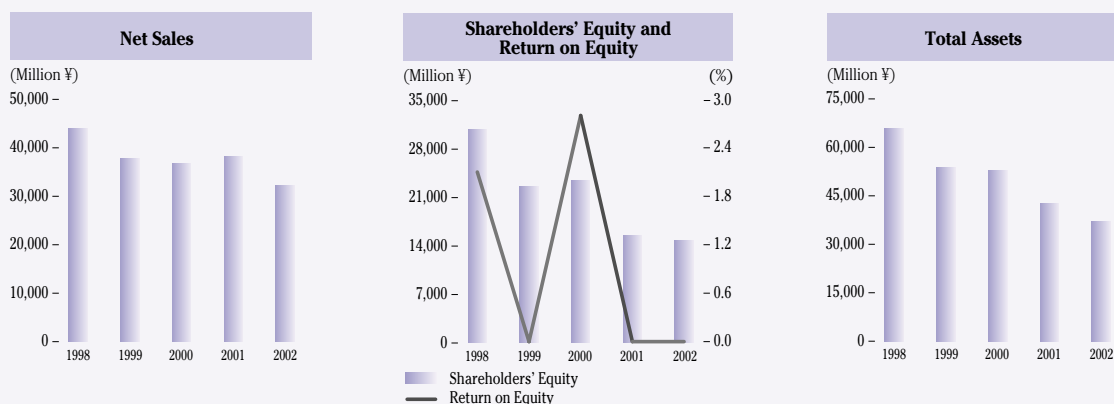
Value and Quality:  
Living up to the  
challenge of tomorrow's  
technology needs

## Five-Year Summary of Selected Financial Data

Nippon Valqua Industries, Ltd. and Consolidated Subsidiaries  
Years Ended March 31

	Millions of yen					Thousands of U.S. dollars
	2002	2001	2000	1999	1998	2002
<b>Net sales</b>	<b>¥32,329</b>	¥38,170	¥36,729	¥37,697	¥43,952	<b>\$242,619</b>
<b>Operating income</b>	<b>718</b>	2,610	1,013	30	1,799	<b>5,388</b>
<b>Net income (loss)</b>	<b>(491)</b>	(7,275)	643	(7,987)	648	<b>(3,685)</b>
<b>Total assets</b>	<b>36,941</b>	42,572	52,906	53,664	65,907	<b>272,231</b>
<b>Property, plant and equipment, net</b>	<b>15,052</b>	15,886	18,929	19,354	21,080	<b>112,961</b>
<b>Research and development expenses</b>	<b>669</b>	821	966	1,063	1,028	<b>5,021</b>
<b>Shareholders' equity</b>	<b>14,759</b>	15,522	23,496	22,629	30,770	<b>110,762</b>
	Yen					U.S. dollars
<b>Per share of common stock:</b>						
Net income (loss)	<b>¥ (5.71)</b>	¥(84.60)	¥ 7.52	¥(93.36)	¥ 7.58	<b>\$ (0.043)</b>
Shareholders' equity	<b>171.68</b>	180.51	275.15	264.49	359.63	<b>1.288</b>
Cash dividends	—	—	3.00	—	5.00	—
<b>Financial ratios:</b>						
Operating income to net sales	<b>2.22%</b>	6.84%	2.76%	0.08%	4.09%	
Net income to net sales	—	—	1.75	—	1.47	
Equity ratio	<b>40.0</b>	36.5	44.4	42.2	46.7	
Return on equity	—	—	2.8	—	2.1	

Notes: Yen amounts are translated into dollars, for convenience only, at the rate of ¥133.25=US\$1.



## Letter from the President

### *Environment and the Company's Performance*

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Conditions were stagnant in all industries in Japan during the March 31, 2002 fiscal year, but particularly in the semiconductor-related industries. Restrained capital investment in the private sector and increased unemployment brought further declines in both corporate and consumer demand, and Japan's deflationary economy remained in the doldrums.

Valqua responded to these conditions by moving forward with the optimization of the locations of its manufacturing facilities, the transfer of administrative works to a newly established subsidiary, and the outsourcing of logistic functions, as called for in the New Valqua Stage One (NV-S1) medium-term management plan. At the same time, the Company has implemented an enterprise resource planning (ERP) system as a new efficiency enhancement measure. In addition, the Company reorganized its marketing structure, establishing separate organizations according to industry sectors, and driving forward with aggressive marketing activities. Despite these efforts, net sales for the term fell 15.3%, or ¥32,329 million (US\$243 million), largely due to the effect of the plunge in sales to the semiconductor industry. The Company strove for reductions in production cost and various operating expenses, but operating income plunged 72.5% to ¥718 million (US\$5 million). Looking at other income and expenses, gain on sale or disposal of fixed assets of ¥626 million (US\$5 million) was posted, but this was more than offset by a loss on write-down of investment in securities of ¥677 million (US\$5 million) and ¥832 million (US\$6 million) in amortization of the difference arising from a change of accounting standards for accrued severance indemnities. As a result, the Company posted a net loss of ¥491 million (US\$4 million). This represents a ¥6,784 million (US\$51 million) improvement over last term's net loss of ¥7,275 million.



**Toshikazu Takisawa, President**

### *Dividends*

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Valqua is striving to ensure the stability of its business performance and to strengthen its business base. In addition to strengthening our financial structure by increasing internal reserves, we project that future intensification of competition will require investments in research and development, and in plant and equipment. We also must consider the future expansion of our operations. Our policy, therefore, is to look to the future as we set dividends for shareholders.

Although we regret the necessity, in view of the fact that the Company suffered a net loss again in the current term, we are not declaring a dividend at this time. We will exert ourselves to the utmost to resume dividends in the coming term, and ask the understanding of the Company's shareholders in the meantime.

### *Capital Investments and Fund Raising*

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The capital investments of the Valqua Group for this fiscal year totaled ¥1,138 million (US\$9 million), on a cost of completed construction basis. In accordance with its "selection and concentration" strategy, the Group centered capital investments on strategic businesses and worked to increase the efficiency of its capital investments overall.

R&D investments in the Valqua Group were ¥669 million (US\$5 million). No equity financing was conducted during this fiscal year.

### *Our Medium-Term Management Strategy*

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The Valqua Group is implementing a variety of measures intended to realize the policies set forth in the Group's Begin∞2010 long-term management plan, launched in December 1997 on the 70th anniversary of the Company's founding. Most recently, the Valqua Group's operating environment has been characterized by five developments: the intensification of the so-called "mega-competition" borne of globalization; changes in business activities caused by the information technology (IT) revolution; changes in the composition of the Group's income structure occasioned by changes in industrial structure; the adoption of current value accounting, retirement benefit accounting, and other changes to accounting standards; and a heightened commitment to the generation of corporate value for shareholders.

In view of these changes, we judged that further operational improvements were needed, over and above those called for in the Begin∞2010 plan. As a first step, we devised the New Valqua

Stage One (NVS1) medium term management plan. This is a strategy for growing corporate value, to be implemented over the period April 2000 through March 2003. Specific measures include the restructuring of operations to place emphasis on cash flow, "selection and concentration," the implementation of a performance-oriented incentives system, and the reorganization of marketing groups into market-specific organizations. Valqua's R&D strategy concentrates management resources in growth markets such as semiconductors, information & communications, environmental protection, and human services. Using the expertise amassed in the conduct of its processing business, the Company strives to develop high-function, high-quality products that meet customers' increasingly sophisticated demands. In China, the expansion of the Company's manufacturing facilities and sales organizations represents not only the strengthening of existing manufacturing capabilities, but an integrated development of operation in the Chinese market.

Valqua's administrative divisions in charge of general affairs, personnel, accounting, finance, and procurement were spun off into a separate company, Valqua Business Service Co., Ltd. This was a step to improve cost efficiency as called for in NVS1. To counter the rapid degradation of the operating environment, the Company restructured its board of directors and implemented an executive officer system. This will strengthen our management structure and our business execution capabilities, produce gains in management efficiency, and further reinforce corporate governance.

In addition, management cadre in the rank of general manager and above will be working under an incentive plan that governs annual salary and stock options, further reinforcing the Company's results-oriented stance.

## **Outlook for the Coming Term**

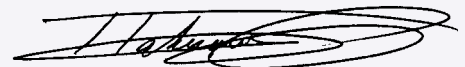
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There are some indications that some sectors of the business environment will improve to some degree in the coming fiscal year, but the course of the economy overall is increasingly opaque. No path to a full-scale recovery in business conditions is visible. In the March 31, 2003 fiscal year, which is the last of the NVS1 plan, the Company will be adopting the separate strategies approach that became an issue in the earlier years of the plan and establishing continuity with NVS2, the next step in our program. Forecasts for the coming term are for net sales of ¥33,310 million (US\$250 million) and net income of ¥800 million (US\$6 million).

Establishing subsidiaries for each function is an agenda item under the NVS1 Plan, and in accordance with this we have established network management. In this pursuit, we will be organizing the necessary functions of a corporation—manufacturing, marketing, distribution, R&D, back-office functions—into optimized units, and spinning these off into independent companies. This will not only accelerate the pace of operations and increase efficiency in each business, but will bring revenue growth in the Group as a whole. We believe this will allow us to pass along profits to shareholders and the rest of the Group stakeholders. The establishment of the aforementioned Valqua Business Service Co., Ltd. is the first step in the execution of this policy. As we strive to meet the needs of the markets, we will in the future consider the spin-off of manufacturing and marketing operations, as needed, to move forward with the reinforcement and expansion of organizational systems.

Valqua will mark the 75th anniversary of its founding in the March 31, 2003 fiscal year. At this juncture, this new point of departure, the Company needs to rebuild its management base to meet the needs of

the next era. Based on its information strategy, the Company is moving forward with implementation of an enterprise resource planning (ERP) system and, together with this, is stressing the development of new technologies and products, and the upgrade of its manufacturing technology. The achievement of greater management agility will allow a shift to a high-profit structure, and make us the kind of exciting company that can earn the trust of customers and shareholders.



**Toshikazu Takisawa**

*President and Representative Director, CEO*

## Review of Operations

### Plant and Equipment Division

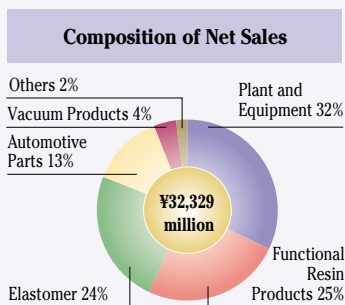
The plant and equipment business has been affected by a cooling in the petrochemical market overall, and is in a trough of the repair cycle. As a result, net sales in this division slid 1.6% to ¥10,296 million (US\$77 million). The Company made capital investments of ¥330 million (US\$2 million) in the expansion of production capacity in this business sector, primarily in the upgrade of manufacturing facilities at its Shinshiro Plant and the installation of fiber manufacturing equipment in connection with the commencement of full-scale operations at Valqua Seal Shanghai Limited Public Corporation, a manufacturing subsidiary established in the previous fiscal year.

### Functional Resin Division

Sales of functional resin products to the office equipment manufacturing industry were healthy, but sales of sheet lining and other products were heavily impacted by the slump in the semiconductor industry. As a result, net sales in this division fell 24.2% to ¥8,002 million (US\$60 million). Capital investment in this business sector totaled ¥352 million (US\$3 million), primarily in the replacement and upgrading of facilities leased to subcontractors, and the replacement and upgrading of manufacturing facilities at manufacturing subsidiaries in China and Taiwan.

### Elastomer Division

Sales in construction machinery industry, which is the core of the hydraulic equipment industry, were flat as a result of the slowdown in public- and private-sector capital investment. In addition, sales of high-performance fluoro-rubber products dropped significantly because of the worldwide downturn in the semiconductor industry. Sales in the Elastomer Division, therefore, fell 14.0% to ¥7,833 million (US\$59 million).



Capital investment in this sector was ¥262 million (US\$2 million), chiefly in the new R&D facility at Valqua's Nara Plant, completed during this fiscal year, as well as in the expansion of the Company's elastomer product manufacturing facilities, and the replacement of equipment and environmental improvements at the elastomer product manufacturing facilities of our subsidiary, Valqua Elastomer, Ltd.

### Automotive Parts Division

As a result of the indirect effects of the decline in automobile exports to the US, sales in the Automotive Parts Division dropped 11.8% to ¥4,128 million (US\$31 million). Capital investment in this business sector was ¥121 million (US\$1 million), primarily in expansion and upgrading of manufacturing facilities at our Shinshiro Plant and an Indonesian manufacturing subsidiary.

### Vacuum Products Division and Other Businesses

Sales of metal bellows, which account for over 80% of this division's products, were adversely affected by the poor conditions in the semiconductor industry. Net sales in the Vacuum Products Division fell 37.2% as a result, to ¥1,213 million (US\$9 million). Investments of ¥67 million (US\$503,000) were made in this business sector, directed at the expansion of manufacturing facilities for vacuum-related metal products at the Shinshiro Plant and the Hamamatsu Branch of Valqua Seiki, Ltd. Net sales of

other businesses plunged 40.4% to ¥844 million (US\$6 million).

Total orders received for all business divisions stood at ¥1,477 million (US\$11 million) at March 31, 2002.

### Valqua—For Excellence In Technology

Valqua's electrode membrane for electric double layer capacitors (EDLCs) won first place in the Asia-Pacific Region in the annual DuPont Plunket Awards 2002 competition for innovation with DuPont Teflon, Tefzel, and other fluoropolymer resins. Valqua developed and readied for market an activated carbon electrode membrane for EDLCs using powder continuity membrane technology. EDLCs are attracting notice as environmentally cleaner power sources, and Valqua's new development is highly regarded. EDLCs have the potential to spark a technological revolution in the development of environmentally friendly battery-powered automobiles. Valqua's electrode membrane will also be applied to various sorts of batteries, and this technology will make possible the manufacture of continuous sheets with ceramic powder



*Valqua's electrode membrane for electric double layer capacitors (EDLCs)*



and other properties, contributing to the mass production of various types of functional membrane.

In 1993, Valqua won a 1st place Plunkett Prize for its Teflon PFA and PTFE bar-code technology; in 1995 the company took a 3rd place for a PFA thin tube for use in copiers, and in 1997 it took another 1st for development of a large tank lined with fluorocarbon resin sheeting.

This year's Plunkett Prize is the Company's fourth, and renews our commitment to research and development that addresses the needs of society.

## International Operations

### *Valqua Seal Products (Shanghai) Commences Full-Scale Operations*

The seal manufacturing and sale subsidiary the Company founded in Shanghai, China, was introduced in last fiscal year's annual report. In March, 2002, Valqua Seal Products (Shanghai) Co., Ltd. commenced full-scale operations. We are very pleased to have accomplished this shift of production to China only a year and a half after the policy was adopted, and consider this to be a significant success in the realization of the goals of SV-S1. As the Company pushes forward with the transfer of seal manufacturing overseas, it will expand its share of the Chinese market for mature products and increase these revenues, and will win a larger share of world markets through strengthened cost competitiveness.

We will continue to evolve our domestic operations into a "high-value-added think tank," which will concentrate on new product development and technological improvements to products and production technology.

### *China Operations Launched*

On April 1, 2002, Valqua established a China Business Division.

Since the August 1995 establishment of



*The Headquarters of Valqua Seal Products (Shanghai) Co., Ltd.*

Shanghai Valqua Fluorocarbon Products Co., Ltd., the Company has been proceeding aggressively with the placement of business bases in China, and two years ago launched its China Project, which led to the establishment of Valqua Seal Products (Shanghai) in December 2000 and the opening of a Shanghai representative office in October 2001. With these steps, Valqua has built and strengthened a sales organization in the Chinese market.

The establishment of the China Business Division is intended to further strengthen and expand business activities in the Chinese market. Business activities that were formerly scattered among the International Division and other places within the Company have been consolidated in one organization. Valqua's future business expansion in China will be under the purview of the new division, which will clarify responsibilities and authority and allow speedier progress.

### *Technology Tie-up with VAT of Switzerland*

Valqua has entered into a business alliance with VAT, Vakuu ventile AG (President, Dr. Richard E Fischer), a major manufacturer of components used in semiconductor manufacturing. The alliance involves the production of gate seals for vacuum gate valves.

Since the Company launched its Armor®

Series of elastomer sealing material for use in the semiconductor drying process in 1998, the reputation of the Company's high-purity sealing material has been growing among semiconductor manufacturers, device makers, and in a wide range of other fields.

The business alliance with VAT involves the transfer of Armor® Seal special forming technology to VAT, while Valqua will receive exclusive Asian and North American sales rights to VAT's MONOVAT gate valves, which use Valqua's Armor® Seal material. Valqua will also receive rights to use VAT's patented flat-seal design in its one-cushion type, large-diameter gate valves, and will commence the marketing and sale of new, high-performance products incorporating the MONOVAT gate design.

This alliance will allow Valqua to open a new market with the sale of VAT's MONOVAT gate valves, which use Valqua's Armor® Seal material, expanding its share of the gate-valve market. At the same time, increasing the sales of value of the Company's large gate valves through higher added value will expand its business base. Sales of ¥500 million (US\$4 million) for the first year and ¥1,000 million (US\$8 million) for the third year are projected.

## Financial Review

### Revenues

Deflation was the keynote in the Japanese economy throughout the fiscal year ended March 31, 2002. The semiconductor-related industries were hard hit by a worldwide downturn. Private-sector capital investment and unemployment reflected these developments, and both corporate and consumer demand continued to slump. Although the marketing initiative called for under the New Valqua Stage One medium-term management plan brought growth in net sales during the previous fiscal year, this term net sales dropped 15.3% to ¥32,329 million (US\$242 million). Operating income fell 72.5% to ¥718 million (US\$53 million).

Net sales in the Plant and Equipment Division slid 1.6% to ¥10,296 million (US\$77 million), accounting for 32% of Valqua's total net sales. The Functional Resin Division saw net sales fall 24.2% to ¥8,012 million (US\$60 million), which was 25% of total net sales. In the Elastomer Division, net sales dropped 14.0% to ¥7,833 million (US\$59 million), and accounted for 24% of the Company's total. Net sales in the Automotive Parts Division dropped 11.8% to ¥4,128 million (US\$31 million), amounting to 13% of total net sales. Net sales of Vacuum Products and Other Businesses fell 61.5% to ¥2,057 million (US\$15 million), which was 6% of total net sales.

### Results of Operations

Cost control measures and enhanced efficiency resulted in a 14.3% reduction in

cost of sales, to ¥22,733 million (US\$171 million). Cost of sales as a percentage of net sales however, rose from 69.5% in the previous term to 70.3% in the March 31, 2002 fiscal year. Despite the improvements in cost of sales, lower net sales resulted in a 17.6% falloff in gross profit, to ¥9,595 million (US\$72 million). We succeeded in reducing selling, general, and administrative expenses, by 1.8% to ¥8,876 million (US\$67 million), but as a percentage of gross profit this figure rose 77.6% last fiscal year to 92.5%. The ratio of selling, general, and administrative expenses to sales also increased from 23.7% in the previous term to 27.5%. Research and development expenses for the fiscal year ended March 31, 2002 decreased by ¥152 million (US\$1 million), or 18.5%, to ¥669 million (US\$5 million) compared with the previous year and decreased from 2.2% to 2.1% as a percentage of sales. As a result of the foregoing, operating income plunged 72.5% to ¥718 million (US\$5 million). The operating margin also decreased from 6.8% to 2.2%.

Interest and dividend income increased 4.7% to ¥45 million (US\$338 thousand), and interest expenses fell 26.2% to ¥312 million (US\$2 million). Equity in earnings of affiliates soared 57.8% to ¥131 million (US\$983 thousand). Loss on write-down of investments in securities contracted by 89.2% to ¥677 million (US\$5 million), and no past period service costs of employee retirement benefits plan were posted. After increasing more than forty-fold in the previous term, other expenses fell 87.5% to ¥1,224 million (US\$9 million). As a result,

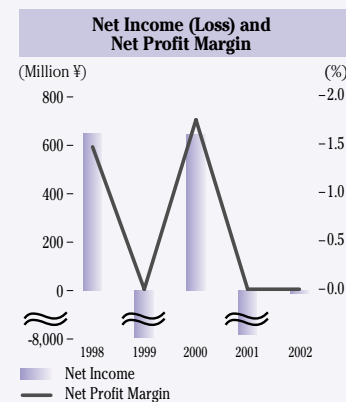
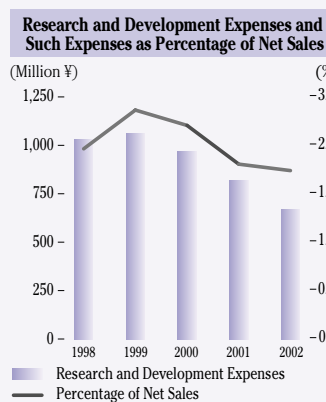
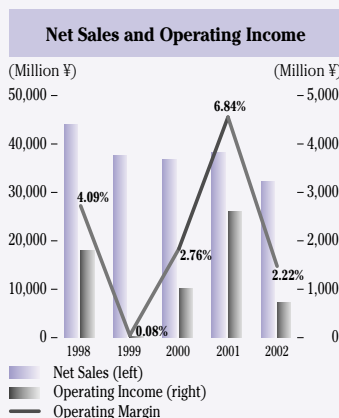
our loss before income taxes improved from ¥7,156 million in the previous fiscal year to ¥506 million (US\$4 million).

Income taxes of ¥85 million (US\$638 thousand) were paid, and a further ¥99 million (US\$743 thousand) were deferred. The Company's net loss for the term was ¥491 million (US\$4 million).

### Financial Position

The Company reduced cash and time deposits by 28.7% to ¥2,599 million (US\$20 million). Trade notes and accounts receivable decreased 9.2% to ¥12,181 million (US\$91 million). Inventories were curtailed by 16.3% to ¥2,573 million (US\$19 million). Deferred income taxes were reduced to ¥39 million (US\$293 thousand) from ¥45 million in the previous term. Prepaid expenses and other current assets, which more than doubled in the previous term, edged down 4.1% to ¥1,635 million (US\$12 million). As a result, current assets contracted by 13.0% to ¥18,991 million (US\$143 million).

Short-term loans and the current portion of long-term debt edged down 1.6% to ¥8,440 million (US\$63 million), and trade payables fell 37.3% to ¥4,790 million (US\$36 million). Accrued expenses dropped 17.8% to ¥439 million (US\$3 million), accrued income taxes fell 48.2% to ¥71 million (US\$533 thousand), and other current liabilities declined 2.2% to ¥1,237 million (US\$9 million). Current liabilities, therefore, dropped 17.5% to ¥14,980 million (US\$112 million), for a current ratio of 1.3.



Investments and other assets were reduced a further 45.5% to ¥2,363 million (US\$18 million), after a substantial 59.8% cut in the previous fiscal year. Investments in securities were reduced a further 36.3% to ¥1,246 million (US\$9 million), but more significant was the elimination of investments in non-consolidated subsidiaries and affiliates. Total property, plant, and equipment declined 5.2% to ¥15,052 million (US\$113 million). Land was reduced 16.4% to ¥3,506 million (US\$26 million), and machinery and equipment edged down slightly, but buildings and structures edged up 1.7% to ¥12,323 million (US\$92 million). Construction in progress, which rose by almost a factor of ten in the previous fiscal year, rose a further 56.3% to ¥469 million (US\$4 million). Intangible fixed assets, increased 8.7% to ¥474 million (US\$4 million), and deferred charges dropped 19.2% to ¥59 million (US\$443 thousand). These factors resulted in a 13.2% reduction in total assets to ¥36,941 million (US\$277 million).

At ¥14,759 million (US\$111 million), shareholders' equity as of March 31, 2002 was down 4.9% from a year earlier. Causes included the Company's ¥1,214 million (US\$9 million) deficit, unrealized gain on securities of ¥59 million (US\$443 thousand), and foreign statement translation adjustments of ¥403 million (US\$3 million). The equity ratio increased from 36.5% in the previous term to 40.0%. Based on the number of shares outstanding at March 31, 2002, shareholders' equity per share decreased from ¥180.51 at the

end of the previous fiscal year to ¥171.68 (US\$1.288) recorded.

### Cash Flows

Looking at cash flows from operating activities, the Company posted a loss before income taxes and other adjustments to net income for this fiscal year, partly as a result of a loss on write-down of investments in securities and other expenses. The principal adjustments to the Company's loss before income taxes and other adjustments to net income were depreciation and amortization of ¥1,298 million (US\$10 million), a write-down of investments in securities of ¥677 million (US\$5 million), a gain on the sale of fixed assets of ¥713 million (US\$5 million), a ¥1,621 million (US\$12 million) increase in net accounts receivable, and a ¥535 million (US\$4 million) contraction in inventories. The Company posted interest paid in the amount of ¥305 million (US\$2 million), and ¥150 million (US\$1 million) in income taxes paid.

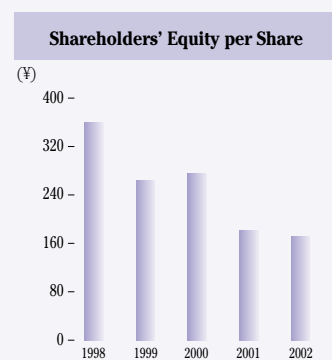
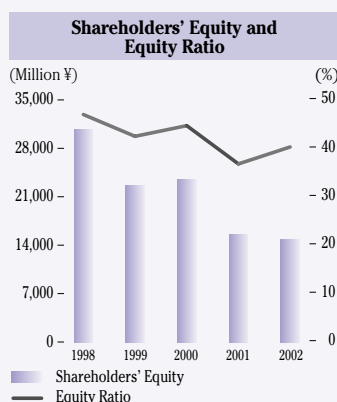
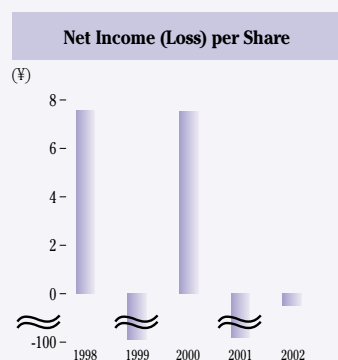
Although accounts receivable were reduced significantly, accounts payable also declined, and net cash used by operating activities totaled ¥460 million (US\$3 million). This represents a ¥2,698 million (US\$20 million) difference from the previous fiscal year, when net cash provided by operating activities amounted to ¥2,229 million.

With regard to cash flows from investing activities, the company vigorously pared its assets during this fiscal year, selling unused real estate and stock in associ-

ated companies. The most significant factors affecting this figure were payment for purchase of property, plant, and equipment in the amount of ¥1,388 million (US\$10 million), and proceeds from the sale of property, plant, and equipment in the amount of ¥2,035 million (US\$15 million). As a result, net cash used in investing activities declined by ¥1,329 million (US\$10 million), to ¥1,513 million (US\$11 million).

Turning to cash flows from financing activities, the Company strove to reduce its debts and interest expenses, using returns on investments and operating capital to pay down debt. Cash flows from financing activities, therefore, were primarily influenced by proceeds from long-term debt of ¥580 million (US\$4 million) and repayments of long-term debt of ¥2,873 million (US\$22 million). As a result, net cash used in financing activities declined by ¥2,120 million (US\$16 million), to ¥2,301 million (US\$17 million).

As a result of the foregoing, cash and cash equivalents at the end of the year, including cash and cash equivalents of newly consolidated subsidiaries at the beginning of the year of ¥200 million (US\$2 million), declined by ¥1,034 million (US\$7 million) to ¥2,518 million (US\$19 million).



## Consolidated Balance Sheets

Nippon Valqua Industries, Ltd. and Consolidated Subsidiaries  
March 31, 2002 and 2001

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 3)
	2002	2001	2002
<b>Current assets:</b>			
Cash and time deposits	¥ 2,599	¥ 3,644	\$ 19,505
Notes and accounts receivable, trade	12,181	13,408	91,415
Allowance for doubtful accounts	(36)	(42)	(270)
Inventories	2,573	3,073	19,310
Deferred income taxes	39	45	293
Prepaid expenses and other	1,635	1,705	12,270
Total current assets	18,991	21,835	142,522
<b>Investments and other assets:</b>			
Investments in securities (Note 4)	1,246	1,957	9,351
Investments in non-consolidated subsidiaries and affiliates	—	766	—
Deferred income taxes	210	184	1,576
Other	1,009	1,524	7,572
Allowance for doubtful accounts	(102)	(92)	(765)
Total investments and other assets	2,363	4,339	17,734
<b>Property, plant and equipment:</b>			
Land	3,506	4,192	26,311
Buildings and structures	12,323	12,121	92,480
Machinery and equipment	15,437	15,549	115,850
Construction in progress	469	300	3,520
	31,738	32,162	238,184
Accumulated depreciation	(16,686)	(16,275)	(125,223)
Total property, plant and equipment	15,052	15,886	112,961
<b>Intangible fixed assets</b>	474	436	3,557
<b>Deferred charges</b>	59	73	443
	¥36,941	¥42,572	\$277,231

The accompanying notes are an integral part of these statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 3)
	2002	2001	2002
<b>Current liabilities:</b>			
Short-term bank loans and current portion of long-term debt (Note 5)	¥ 8,440	¥ 8,580	\$ 63,340
Notes and accounts payable, trade	4,790	7,638	35,947
Accrued expenses	439	534	3,295
Accrued income taxes	71	137	533
Other current liabilities	1,237	1,265	9,283
Total current liabilities	14,980	18,157	112,420
<b>Long-term liabilities:</b>			
Long-term debt (Note 5)	4,366	6,419	32,765
Deferred income taxes	3	78	23
Accrued retirement benefits (Note 6)	1,955	1,670	14,672
Other long-term liabilities	544	377	4,083
Total long-term liabilities	6,869	8,545	51,550
<b>Minority interests in consolidated subsidiaries</b>	<b>331</b>	<b>346</b>	<b>2,484</b>
<b>Contingent liabilities (Note 7)</b>			
<b>Shareholders' equity:</b>			
Common stock, par value ¥50 —			
Authorized: 340,000,000 shares			
Issued:			
March 2002—86,011,668 shares	13,100	—	98,311
March 2001—86,011,668 shares	—	13,100	—
Additional paid-in capital	3,345	10,417	25,103
Deficit	(1,214)	(7,591)	(9,111)
Unrealized gain on securities	(59)	—	(443)
Foreign statement translation adjustments	(403)	(398)	(3,024)
Treasury stock, at cost	(8)	(6)	(60)
Total shareholders' equity	14,759	15,522	110,762
	¥36,941	¥42,572	\$277,231

## Consolidated Statements of Income and Deficit

Nippon Valqua Industries, Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2002	2001	2002
<b>Net sales</b>	<b>¥32,329</b>	¥38,170	<b>\$242,619</b>
<b>Cost of sales</b>	<b>22,733</b>	26,524	<b>170,604</b>
Gross profit	<b>9,595</b>	11,646	<b>72,008</b>
<b>Selling, general, and administrative expenses</b>	<b>8,876</b>	9,035	<b>66,612</b>
Operating income	<b>718</b>	2,610	<b>5,388</b>
<b>Other income (expenses):</b>			
Interest and dividend income	<b>45</b>	43	<b>338</b>
Interest expense	<b>(312)</b>	(423)	<b>(2,341)</b>
Equity in earnings of affiliates	<b>131</b>	83	<b>983</b>
Gain on sale or disposal of fixed assets	<b>626</b>	1,125	<b>4,698</b>
Loss on write-down of investments in securities	<b>(677)</b>	(6,287)	<b>(5,081)</b>
Special severance payments and other restructuring expenses	<b>(54)</b>	(387)	<b>(405)</b>
Past period service costs of employee retirement benefits plan	<b>—</b>	(2,567)	<b>—</b>
Amortization of the difference arising from change of the accounting standard on accrued severance indemnities	<b>(832)</b>	(832)	<b>(6,244)</b>
Retirement allowance paid to directors and auditors	<b>(30)</b>	(38)	<b>(225)</b>
Other, net	<b>(121)</b>	(483)	<b>(908)</b>
	<b>(1,224)</b>	(9,766)	<b>(9,186)</b>
Loss before income taxes	<b>(506)</b>	(7,156)	<b>(3,797)</b>
<b>Income taxes:</b>			
Current	<b>85</b>	166	<b>638</b>
Deferred	<b>(99)</b>	(68)	<b>(743)</b>
	<b>(14)</b>	98	<b>(105)</b>
Income (loss) before consolidated operations	<b>(492)</b>	(7,254)	<b>(3,692)</b>
<b>Minority interests</b>	<b>(0)</b>	(21)	<b>(0)</b>
<b>Net income (loss)</b>	<b>(491)</b>	(7,275)	<b>(3,685)</b>
<b>Deficit</b>			
At beginning of year	<b>(7,591)</b>	(6)	<b>(56,968)</b>
Add: Increase resulting from subsidiaries newly accounted for on a consolidated basis	<b>—</b>	(35)	<b>—</b>
Transfer of capital in connection with the merger of consolidated subsidiaries	<b>—</b>	(14)	<b>—</b>
Increase due to exclusion of three affiliates from the equity method	<b>(202)</b>	—	<b>(1,516)</b>
Transfer from additional paid-in capital	<b>7,072</b>	—	<b>53,073</b>
	<b>(721)</b>	(55)	<b>(5,411)</b>
Deduct:			
Cash dividends	<b>—</b>	258	<b>—</b>
Bonuses to directors and statutory auditors	<b>3</b>	—	<b>23</b>
	<b>3</b>	258	<b>23</b>
At end of year	<b>¥ (1,214)</b>	¥ (7,591)	<b>\$ (9,111)</b>
		Yen	U.S. dollars
<b>Per share:</b>			
Net income	<b>¥ (5.71)</b>	¥ (84.60)	<b>\$ (0.043)</b>
Cash dividends	<b>—</b>	—	<b>—</b>

The accompanying notes are an integral part of these statements.

## Consolidated Statements of Cash Flows

Nippon Valqua Industries, Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2002	2001	2002
<b>Cash flows from operating activities:</b>			
Income (loss) before income taxes and other adjustments to net income	¥ (506)	¥(7,156)	\$ (3,797)
Depreciation and amortization	1,298	1,291	9,741
Interest and dividends received	(46)	(43)	(345)
Interest expenses	312	423	2,341
Equity in earnings of affiliates	(131)	(83)	(983)
Past period service costs of employee retirement benefits plan	—	2,567	—
Increase in retirement allowances, net	284	675	2,131
Write-down of investments in securities	677	6,287	5,081
Gain on sale of fixed assets	(713)	(1,498)	(5,351)
Loss on disposal of fixed assets	87	373	653
Decrease (increase) in accounts receivable, net	(1,621)	1,028	(12,165)
Decrease in inventories	535	899	4,015
Other, net	(228)	(22)	(1,711)
	(50)	4,741	(375)
Contributions to employee retirement benefit trust	—	(2,000)	—
Interest and dividends received	47	43	353
Interest paid	(305)	(416)	(2,289)
Income taxes paid	(150)	(139)	(1,126)
Net cash provided by operating activities	(460)	2,229	(3,452)
<b>Cash flows from investing activities:</b>			
Decrease in time deposits, net	34	311	255
Proceeds from sales of marketable securities	—	177	—
Payment for purchase of property, plant and equipment	(1,388)	(1,019)	(10,417)
Proceeds from sales of property, plant and equipment	2,035	3,907	15,272
Acquisition of intangible fixed assets	(106)	(230)	(795)
Payment for purchase of investments securities	(2)	(62)	(15)
Proceeds from sales of investments securities	775	59	5,816
Increase in guarantee and lease deposits paid to lessors	(24)	(117)	(180)
Disbursements for loans	(152)	—	(1,141)
Proceeds from collection of loans	6	44	45
Other, net	337	(226)	2,529
Net cash used in investing activities	1,513	2,842	11,355
<b>Cash flows from financing activities:</b>			
Decrease in short-term bank borrowings, net	13	(5,683)	98
Proceeds from long-term debt	580	4,455	4,353
Repayments of long-term debt	(2,873)	(2,906)	(21,561)
Cash dividends paid	(18)	(282)	(135)
Other, net	(1)	(4)	(8)
Net cash used in financing activities	(2,301)	(4,421)	(17,268)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>14</b>	<b>1</b>	<b>105</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(1,233)</b>	<b>651</b>	<b>(9,253)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>3,615</b>	<b>2,915</b>	<b>27,129</b>
<b>Cash and cash equivalents of newly consolidated subsidiaries, beginning of year</b>	<b>200</b>	<b>47</b>	<b>1,501</b>
<b>Cash and cash equivalents at end of year</b>	<b>¥ 2,581</b>	<b>¥ 3,615</b>	<b>\$ 19,370</b>

The accompanying notes are an integral part of these statements.

# Notes to Consolidated Financial Statements

Nippon Valqua Industries, Ltd. and Consolidated Subsidiaries  
March 31, 2002 and 2001

## 1. BASIS OF PREPARATION

Nippon Valqua Industries, Ltd. (the Company) and its domestic subsidiaries maintain their accounting records and prepare their financial statements in accordance with the provisions set forth in the Commercial Code of Japan and the 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. Foreign subsidiaries have prepared their financial statements in conformity with those of the countries of their domicile.

The accompanying consolidated financial statements have been prepared in accordance with principles and practices generally accepted in Japan, and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan. In the accompanying consolidated financial statements, certain items presented in the original consolidated financial statements in Japanese have been reclassified and some additional financial information has been included for the convenience of readers outside Japan.

Regarding those foreign subsidiaries that close their fiscal years as of December 31, proper adjustments are made for significant transactions during the period between that date and the end of the parent company's fiscal year on March 31.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and most of its subsidiaries. Material intercompany balances, transactions, and profits have been eliminated on consolidation. Investments in non-consolidated subsidiaries and affiliates that are not accounted for by the equity method, are carried at cost.

### (b) Foreign Currency Translation

The balance sheet accounts of the foreign consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, except for the components of shareholders' equity which are translated at their historical exchange rates. Revenue and expense accounts are translated into yen in the same manner. A revised accounting standard for foreign currency translation became effective April 1, 2000. The effect of the adoption of the revised standard on the consolidated financial

statements was immaterial for the year ended March 31, 2001. Due to change effective the year ended March 31, 2001 in the regulations relating to the presentation of translation adjustments, 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.

### (c) Cash Equivalents

All highly liquid investment with a maturity of three months or less when purchased are considered cash equivalents.

### (d) Inventories

Inventories are all stated at cost, determined by the periodic average method.

### (e) Marketable Securities and Investments in Securities

Effective April 1, 2000, the Company and its consolidated subsidiaries (the "Companies") adopted the new Japanese accounting standard for financial instruments ("Opinion Concerning Establishment of Accounting Standard for Financial Instruments" issued by the Business Accounting Deliberation Council on January 22, 1999).

In accordance with the new accounting standard, the Companies examine the intent of holding each security and classify those securities as securities held for trading purposes, debt securities intended to be held to maturity, equity securities issued by subsidiaries and affiliated companies, and other securities that are not classified in any of the above categories.

Equity securities issued by subsidiaries and affiliated companies, which are not consolidated or accounted for using the equity method, are stated at cost, determined by the moving average method.

Prior to April 1, 2001, other securities with a market value were stated at cost, determined by the moving average method.

Effective April 1, 2001, other securities with a market value are stated at market value. Unrealized gains or losses on these securities are reported as a separate component of shareholders' equity. Realized gains and losses on sales of such securities are computed using the moving-average cost method. During the year ended March 31, 2002, the Companies did not have any trading securities.

Other securities without a market value are stated at cost, determined principally by the moving average method.

#### **(f) Depreciation and Amortization**

Depreciation of property, plant, and equipment is computed by the straight-line method over their estimated useful lives. Intangible assets are also amortized using the straight-line method.

#### **(g) Research and Development and Computer Software**

Research and development expenditure is charged to income when incurred. Expenditure relating to computer software developed for internal use is charged to income when incurred, except if it contributes to the generation of income or future cost savings. Such expenditure capitalized as an asset is amortized using the straight-line method over its estimated useful life of 5 years.

#### **(h) Income Taxes**

The Valqua Group recorded income taxes payable based upon taxable income determined for each Group company in accordance with applicable tax laws.

#### **(i) Retirement Benefits**

In accordance with a new accounting standard for the retirement benefits which became effective April 1, 2000, accrued retirement benefits for employees at March 31, 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 March 31, 2001, as adjusted for unrecognized net retirement benefit obligation at transition, 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 is being amortized principally over a period of 5 years by the straight-line method.

Actuarial gain and loss are amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over a period of 5 years which are shorter than the average remaining years of service of the employees. Certain foreign consolidated subsidiaries have adopted the corridor approach for the amortization of actuarial gain and loss.

Prior service cost is being amortized as incurred by the straight-line method over a period of 5 years which are shorter than the average remaining years of service of the employees.

#### **(j) Financial Instruments**

Effective April 1, 2000 the Company adopted the accounting standard for the financial instruments which were issued by the Business Accounting Council.

The effect of the adoption of the revised standards on the consolidated financial standards was immaterial by the year ended March 31, 2001.

#### **(k) Leases**

Finance leases without covenants transferring ownership of the leased property to the lessor are not capitalized and dealt with in the same way as operating leases.

#### **(l) Additional Paid-in Capital**

The Commercial Code of Japan provides that additional paid-in capital and the legal reserve are not available for dividends, but may be used to reduce a capital deficit by resolution of the shareholders or may be capitalized by resolution of the board of directors.

#### **(m) Appropriation of Retained Earnings**

Cash dividends and bonuses to directors and statutory auditors are recorded in the fiscal year in which the proposed appropriation is approved by a general meeting of shareholders.

#### **(n) Net Income per Share**

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

### **3. U. S. DOLLAR AMOUNTS**

Japanese yen amounts are translated into U.S. dollars, for convenience only, at the approximate prevailing exchange rate as of March 31, 2002, of ¥133.25 to U.S. \$1. These translations should not be construed as representations that the Japanese yen amounts actually represent or have been or could be converted into U.S. dollars at that or any other rate.

### **4. INVESTMENTS IN SECURITIES**

The cost and related aggregate market values of other securities with a market value as of March 31, 2002 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Cost	¥968	\$7,265
Market value	913	6,852
Gross unrealized gain	92	690
Gross unrealized loss	148	1,111

Proceeds from sales of available-for-sale securities and resultant gross realized gains and losses for the year ended March 31, 2002 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Proceeds	¥118	\$886
Realized gains	36	270
Realized losses	—	—

The book value of securities not carried at market value as of March 31, 2002 and 2001 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Other securities:			
Equity securities-unquoted	¥209	¥199	\$1,568
Perpetual subordinated bonds	20	20	150
Others	10	10	75

## 5. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2002 is as follow:

	Millions of yen	Thousands of U.S. dollars	The annual average interest rates
Loans from banks	¥6,635	\$49,794	1.5%

Long-term debt at March 31, 2002 consists of the following:

	Millions of yen	Thousands of U.S. dollars
Loans, principally from banks and insurance companies, maturing 2002—2007, at an average rate of 1.6%	¥6,171	\$46,311
Others, maturing 2003—2012, at an average rate of 2.1%	222	1,666
	6,393	47,977
Less current portion	1,805	13,546
	¥4,588	\$34,432

The aggregate annual maturity of long-term debt are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2003	¥1,645	\$12,345
2004	1,360	10,206
2005	1,429	10,724
2006	86	645
Thereafter	68	510
	¥4,588	\$34,432

## 6. RETIREMENT BENEFIT PLANS

The Company and its domestic consolidated subsidiaries have defined benefit plans, i.e., welfare pension fund plans, tax-qualified pension plans and lump-sum payment plans, covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by references to their basic rates of pay, length of service, and the conditions under which termination occurs.

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 consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Retirement benefit obligation	¥(22,248)	¥(21,012)	\$(166,964)
Plan assets at fair value	15,016	16,413	112,690
Unfunded retirement benefit obligation	(7,231)	(4,599)	(54,266)
Unrecognized net retirement benefit obligation at transition	2,496	3,328	18,732
Unrecognized actuarial gain or loss	4,131	1,338	31,002
Unrecognized prior service cost	(1,352)	(1,738)	(10,146)
Net retirement benefit obligation	(1,955)	(1,670)	(14,672)
Prepaid pension cost	—	—	—
Accrued retirement benefits	¥ (1,955)	¥ (1,670)	\$ (14,672)

The government-sponsored portion of the benefits under the welfare pension fund plans has been included in the amounts shown in the above table. In the year ended March 31, 2001, the Company and certain consolidated subsidiaries made amendments to their welfare pension fund plans with respect to the age of eligibility for annuity payments for the government-sponsored portion of the benefits in accordance with the amendments to the Welfare Pension Insurance Law of Japan in March 2000, and also made amendments to their lump-sum payment plans and tax-qualified pension plans. As a result, prior service cost was incurred.

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	¥ 547	¥ 638	\$ 4,105
Interest cost	724	804	5,433
Expected return on plan assets	(492)	(546)	(3,692)
Amortization of net retirement benefit obligation at transition	832	3,399	6,244
Amortization of actuarial gain or loss	267	—	2,004
Amortization of prior service cost	(386)	193	(2,897)
Total	¥1,492	¥4,103	\$11,197

Assumption used as of March 31, 2002 and 2001 are as follows:

	2002	2001
Discount rate	2.8%	3.5%
Expected return on plan assets	2.8	3.5

## 7. CONTINGENT LIABILITIES

The Company had the following contingent liabilities at March 31, 2002 and 2001.

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Notes receivable discounted	¥484	¥1,890	\$3,632
Guarantees of loans to affiliates and other companies	59	60	443

## 8. LEASES

Payments for finance leases without covenants transferring ownership of the leased property to the lessor totaled ¥231 million (US\$1,734 thousand) for the year ended March 31, 2002.

## Report of Independent Certified Public Accountants on the Consolidated Financial Statements

### The Board of Directors and Shareholders Nippon Valqua Industries, Ltd.

We have audited the consolidated balance sheets of Nippon Valqua Industries, Ltd. and consolidated subsidiaries as of March 31, 2002 and 2001, and the related consolidated statements of operations, and cash flows for the years then ended, all expressed in yen. Our audits 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 Nippon Valqua Industries, Ltd. and consolidated subsidiaries as of March 31, 2002 and 2001, and the consolidated results of their operations and 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 2 to the consolidated financial statements, Nippon Valqua Industries, Ltd. and consolidated subsidiaries have adopted a new accounting procedure for other securities that includes a new accounting standard for financial instruments for the year ended March 31, 2002, and last fiscal year adopted new accounting standards for employees' retirement and severance benefits, financial instruments and translation of foreign currency transactions, and financial statements in the preparation of their consolidated financial statements for the year ended March 31, 2001, and new accounting standards for consolidation.

The U.S. 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 U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.



Osaka, Japan  
June 27, 2002

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*See note 1 to the consolidated financial statements which explains the basis of preparing the consolidated financial statements of Nippon Valqua Industries, Ltd. under Japanese accounting principles and practices.*

## Corporate Directory

Nippon Valqua Industries, Ltd.

As of March 31, 2002

Company Name	Location	Paid-in Capital	Percentage Owned (%)	Principal Business
<b>Consolidated Subsidiaries:</b>				
Valqua Materials Co., Ltd.	Kagoshima, Japan	¥50 million	100.0%	Production of sealing products and industrial products
Valqua Kohsan Co., Ltd.	Osaka, Japan	¥20 million	100.0%	Leasing and management of real-estate
Kyushu Valqua Co., Ltd.	Fukuoka, Japan	¥30 million	100.0%	Production of sealing products and industrial products
Valqua Elastomer, Ltd.	Fukushima, Japan	¥25 million	100.0%	Production of sealing products and industrial products
Valqua Seiki, Ltd.	Aichi, Japan	¥300 million	100.0%	Manufacture of bellows and related equipment
Sanwa Industries, Ltd.	Aichi, Japan	¥21 million	55.0%	Production of sealing products and industrial products
Vans Co., Ltd.	Kanagawa, Japan	¥60 million	75.5%	Production of sealing products and industrial products
Valqua Techno Tokyo Co., Ltd.	Tokyo, Japan	¥10 million	100.0%	Sales agent for Valqua products
Valqua Techno Osaka Ltd.	Osaka, Japan	¥20 million	100.0%	Sales agent for Valqua products
Valqua SES Chiba Co., Ltd.	Chiba, Japan	¥30 million	100.0%	Sales agent for Valqua products
Valqua Business Service Co., Ltd.	Tokyo, Japan	¥30 million	100.0%	Administrative services for the Valqua Group
Shanghai Valqua Fluorocarbon Products Co., Ltd.	Shanghai, P.R.C	¥500 million	70.0%	Production and sales of resin and related products
Valqua Industries (Thailand), Ltd.	Samutprakarn, Thailand	B61 million	90.4%	Production of sealing products and industrial products
Taiwan Valqua Industries, Ltd.	Kaohsiung, Taiwan	NT\$36 million	55.0%	Production of sealing products and industrial products
P.T. Valqua Indonesia	East Java, Indonesia	Rp3,878 million	51.0%	Production of sealing products and industrial products
Valqua Seal Products (Shanghai) Co., Ltd.	Shanghai, P.R.C	¥543 million	100.0%	Production of sealing products and industrial products
Valqua America Inc.	New York, U.S.A	US\$160 thousand	100.0%	Sales agent for Valqua products
Valqua Singapore Pte Ltd.	United Square, Singapore	S\$219 thousand	100.0%	Sales agent for Valqua products
Taiwan Valqua Engineering International, Ltd.	Taipei, Taiwan	NT\$1 million	100.0%	Sales agent for Valqua products
<b>Consolidated Affiliate:</b>				
Atsugi Hyuutekku Co., Ltd.	Osaka, Japan	¥80 million	25.0%	Production of sealing products and industrial products

## Management

As of June 27, 2002

### **Board of Directors**

*President and Representative Director,  
Chief Executive Officer*  
Toshikazu Takisawa

*Senior Managing Directors*  
Shiro Hayashi  
Kiyotaka Kurokawa

*Managing Director*  
Nobuya Igarashi

### **Corporate Auditors**

*Standing Auditors*  
Yoshiaki Mori  
Yasushi Rakuma

*Auditors*  
Mamoru Ueda  
Keishiro Nakagami

### **Corporate Executive Officers**

*Senior Executive Vice President*  
Robert Lo

*Senior Vice Presidents*  
Keiji Kato  
Taminori Suematsu  
Teruyoshi Joya  
Haruka Hayashi

*Vice Presidents*  
Masaaki Kumada  
Kenichi Kobayashi  
Takemi Shizawa  
Hiroshi Hamada

## Corporate Information

As of March 31, 2002

### **Established:**

January 21, 1927

### **Common Stock:**

Authorized: 340,000,000 shares  
Issued: 86,011,668 shares

### **Number of Shareholders:**

14,427

### **Paid-in Capital:**

¥13,100 million

### **Stock Listing:**

Tokyo, Osaka

### **Transfer Agent:**

The Sumitomo Trust & Banking Co., Ltd.

### **Number of Employees:**

Parent company	774
Domestic subsidiaries	392
Overseas subsidiaries	724
Total	1,890

### **Head Office:**

Shinjuku Mitsui Bldg.  
1-1, Nishishinjuku 2-chome  
Shinjuku-ku, Tokyo 163-0406, Japan  
Telephone: 81 (3) 5325-3421  
Facsimile: 81 (3) 5325-3436  
<http://www.valqua.co.jp/>

### **Branches:**

Tokyo, Osaka

### **Plants:**

Shinshiro, Nara

### **Overseas Office:**

Shanghai, Seoul

### **Overseas Subsidiaries and Affiliates:**

Taiwan Valqua Industries, Ltd.  
No. 379 Chung Shan Road  
Chutung Tsun Luchu Hsiang  
Kaohsiung Hsien, Taiwan  
Telephone: 886-7-696-2401, 2402  
Facsimile: 886-7-696-7100

Taiwan Valqua Engineering International, Ltd.  
6F No. 3.  
(Top Sung Chiang Bldg.)  
Sung Chiang Road  
Taipei, Taiwan  
Telephone: 886-2-2506-7606  
Facsimile: 886-2-2506-7639

PT Valqua Indonesia

Raya Banjar Sugihan No. 7  
Desa Banjar Sugihan, KEC  
Tandes Surabaya  
East Java, Indonesia  
Telephone: 62-31-7405548  
Facsimile: 62-31-7405549

Valqua Industries (Thailand), Ltd.  
538 Soi 9B, Sukhumvit Road  
Bangpoo Industrial Estate  
Muang District Samutprakarn 10280  
Thailand  
Telephone: 66-2-324-0400, 0401  
Facsimile: 66-2-324-0787

Valqua Singapore Pte Ltd.  
101 Thomson Road  
#26-01 United Square  
Singapore 307591  
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