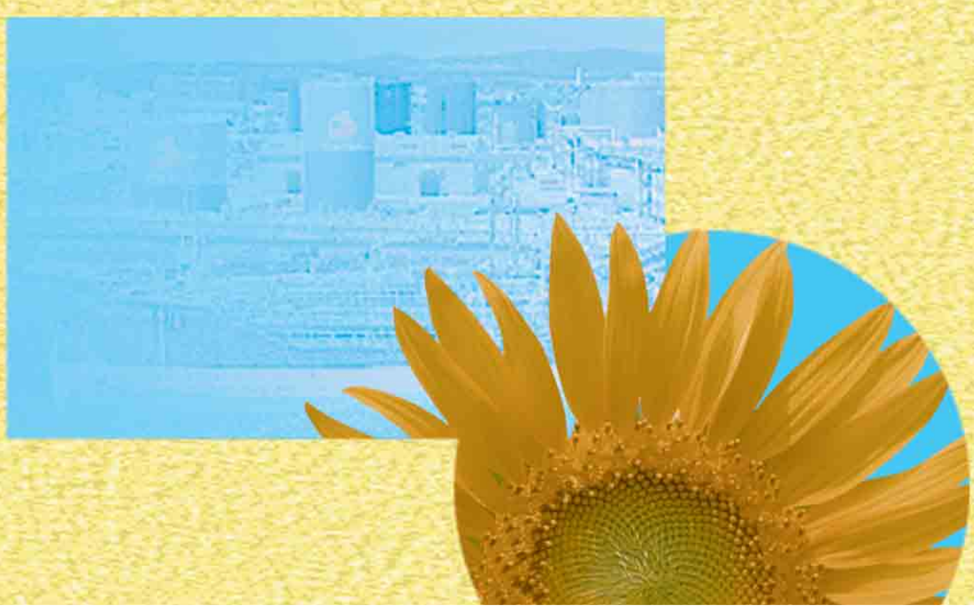
SINANEN

2002 Annual Report



Profile

Originally established in 1927 and incorporated in 1934, Sinanen Co., Ltd. has grown to become Japan's leading full-range supplier of fuel products. By capitalizing on its nation-wide network of regional subsidiaries and affiliates, sales offices and fuel depots, the Company distributes oil products, liquefied petroleum gas (LPG) and solid fuels. It also operates a network of directly managed gasoline service stations and sells a wide range of energy-related housing equipment.

Sinanen has also diversified into non-energy business areas, encompassing the development and marketing of antimicrobial agents, the processing of recycled materials into fuel, and real estate management. The Company is committed to its flagship energy business and to delivering extensive and useful products and services that enhance consumers' lifestyles.

Contents

Consolidated Financial Highlights

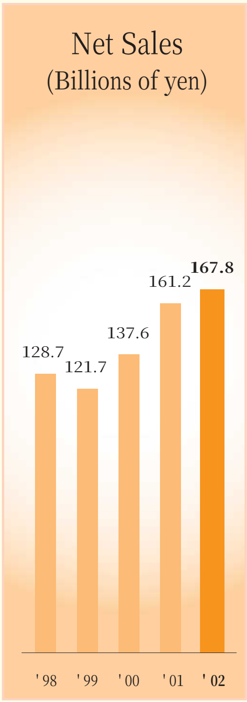
Sinanen Co.,Ltd.,and Consolidated Subsidiaries
Years ended March 31, 2002 and 2001

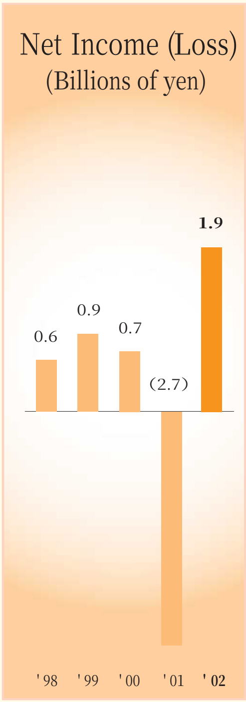
	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
For the year:			
Net sales	¥167,820	¥161,156	$1,259,437
Operating income	4,606	4,186	34,567
Net income (loss)	1,947	(2,666)	14,612
At the year-end:			
Total assets	¥ 94,673	¥102,781	$ 710,492
Total shareholders' equity	45,665	45,588	342,702
Common stock	15,630	15,630	117,298

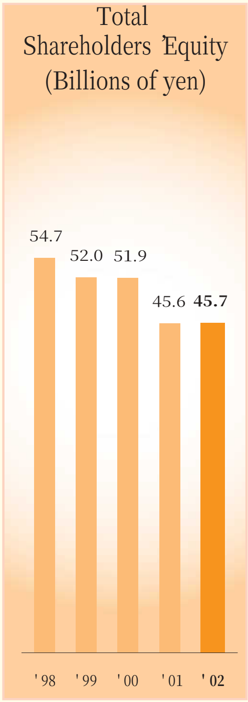
	Yen		U.S. dollars
	2002	2001	2002
Per share of common stock:			
Net income (loss):			
Basic	¥25.39	¥(32.03)	$0.19
Diluted	25.31	—	0.19
Cash dividends attributable to the year	9.00	9.00	0.07

Notes: 1.U.S. dollar amounts presented here and elsewhere in this annual report are translated from yen, for the readers' convenience only, at ¥133.25 = U.S.$1.00, the rate of exchange on March 31, 2002.

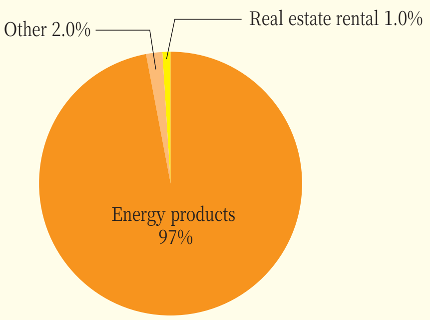
2. The computation of basic net (loss) income per share is based upon the weighted average number of shares outstanding during each year.Diluted net income per share is computed based on the weighted average number of shares of common stock outstanding earch year after giving effect to the dilutive potential of common stock to be issued upon the exercise of stock options.







Net Sales Breakdown for Fiscal 2002



To Our Shareholders

Teruo Hattori
President and CEO

On behalf of all Sinanen employees, I would like to extend our sincere appreciation through this annual report to our shareholders and all other stakeholders for your support for fiscal 2002 ended March 31, 2002. I was appointed President and CEO of the Company at the Board of Directors meeting held on June 26, 2002. Together with all employees, I am firmly determined to continue my challenge to transform the Company with its time-honored traditions into an energetic and strong Sinanen with a bright future.

Overview

In fiscal 2002, the Japanese economy fell further into a deflationary trend as adversely affected by prolonged, slack personal spending, slowed private-sector capital outlays and sluggish IT-related business conditions worldwide. Japan's unemployment rate also remained at a record-high level. With growing concerns over employment and income, we failed to see any signs for recovery of personal spending. The Japanese government implemented measures in an attempt to lift the economy from the deflationary trend, but they fell short of generating positive effects.

During the year under review, Japan's energy industry experienced a difficult business environment to secure sound profits, where price fluctuations of crude oil and retail market conditions were not in tandem. Furthermore, a warm winter caused a drastic drop in demand for kerosene as a home-heating fuel, further deteriorating the market conditions for the industry.

The LPG industry continued to face sluggish demand, while engaging in intensified competition with other energy products such as electricity. At the same time, the intensity of market competition within the industry accelerated, causing a drop in the wholesale price to surpass that in the procurement price. As a result, the industry suffered from eroded earnings.

Performance

Under such an environment, Sinanen worked, on a group-wide basis, to expand the sales volume of its major product lines, such as home-heating kerosene and household-use LPG, while carrying out aggressive measures to reduce physical distribution costs. The Company also stepped up its efforts in selective focus of management resources. Such efforts included the proactive acquisition of LPG sales rights and the reinvestment of proceed from sales of commercial-use real estate in the core business of energy.

As a result, consolidated net sales for fiscal 2002 increased 14.4% over the previous year, to ¥167.8 billion (US$1,259 million). Operating income improved 10.0% to ¥4.6 billion (US$35 million). The Company posted net income of ¥1.9 billion (US$14,612 million) for the year, compared to a net loss of ¥2.666 million for the previous year. Net income for the year included extraordinary profit of ¥8.7 billion (US$66 million) from the sale of Higashi Shinagawa Golf Center; extraordinary loss of ¥8.2 billion (US$62,1 million) for expenses related to acquisition of sales rights for the LPG business from Nichimen Energy Co., Ltd.; and ¥2.0 billion (US$15 million) for net unrealized loss on securities available for sales. As to the cash dividend per share, we set it at ¥9.00 (US$0.07) share for the full year under review.

Under its three-year " N-Plan " since April 1999, Sinanen has worked to build up and establish a management foundation for the Company to expand business in the 21st century. In March 2002, ITOCHU ENEX CO., LTD. acquired 26.82% of the common stock of Sinanen, becoming the largest shareholder of the Company. Under this new relationship, the two companies have agreed that ITOCHU ENEX will send a member for Sinanen's board of directors and that the two will engage in personnel exchanges. On the business front, Sinanen is going to enhance its earnings position by reinforcing collaboration, especially in the area of physical distribution for rationalization and synergy effects. In an effort to maximize shareholder value of Sinanen, the Company has repurchased and retired 2,673,000 shares of the common stock to date. Furthermore, in fiscal 2001 as the final year of this mid-range management plan, Sinanen accomplished the following by business unit.

Energy Business

For oil products, we actively diversified our procurement channels and engaged in future and spot transactions of gasoline and kerosene in order to ensure a stable supply and sharpen our cost competitiveness. At the same time, we strove to expand our sales volume of kerosene by strengthening our sales network with the addition of over 50 kerosene supply facilities and shops during the year.

As for LPG business, we acquired sales rights of the LP business from Nichimen Energy Co., Ltd. In September 2001 and established Nichimen Energy Gas Sales Co., Ltd. as part of our initiative to expand the retail area. Through this new company, we conducted dynamic retailing mainly in the Kanto region. We also established three joint ventures with competitors in Chiba, Ibaraki and Kanagawa prefectures in order to facilitate the reduction of physical distribution costs.

For solid fuels, we focused our efforts on cost reductions in the manufacturing stage and expansion of sales channels for charcoal briquettes, while nationwide demand declined during the year.

For housing equipment, we strengthened sales expansion efforts through sales programs focusing on direct communication with customers. Such programs included the holding of a variety of regionally tailored sales campaigns and the promotion of rent-to-sell activities for water purifiers.

Non-Energy Business

The real estate rental market for office and commercial space remained slack during the year because of the so-called " 2003 problem, " a massive supply of rental office space in the Tokyo metropolitan area anticipated to take place in 2003. Against this backdrop, we strove to secure and maintain earnings of this business. As a result, we posted consolidated sales of ¥1,646 million for fiscal 2002, up 12.8% over the previous year. Operating income totaled ¥692 million for the year, the same as the previous year.

In other businesses, our proprietary inorganic antimicrobial zeolite, Zenomic has enjoyed a global reputation for reliability since 2000 when it was approved by the Food and Drug Administration (FDA) of the United States. During the year under review, it made an entry into the food packaging market in Japan. We have also sustained excellent sales of Zenomic to Shiseido Co., Ltd. for use in deodorant powder spray products. Furthermore, we have launched full-scale shipment of Zeomighty, an antimicrobial compound for concrete.

Commitments

Under the mid-range " N-Plan " during the last three years from April 1999, the Sinanen Group worked to build up a management foundation from which the Company will be able to leap into the 21st century. Based on these accomplishments, we are firmly determined to further strengthen our earnings foundation by accelerating our collaboration with other members of the Group for synergy effects. To this end, we are going to place top priorities on three commitments below.

1.To Ensure Customer-Driven Management

Sinanen has promoted the " Himawari Plan " , designed exclusively to support dealers since 2001. We are ready to accelerate the pace of implementation in order to strengthen proposal-oriented sales activities implemented to satisfy distributors and consumers by collecting, managing and utilizing customer information. We are also going to expand stable transactions based on mutual trust by fortifying the Sinanen Group network with distributors and consumers.

2. To Reinforce Competitiveness

While checking for optimal use of our organizations, manpower, facilities, funds, expenses and other management resources, we are going to enhance our cost competitiveness by increasing synergy effects in the Kanto area.

3. To Improve Assessment Capability

We are going to upgrade our information gathering system and improve our capabilities for risk assessment and project evaluation, as we create new businesses and services.

As to specific management goals, we have set a minimum of 5.0% for ROE and ¥9 for cash dividends per share by upholding the maximization of shareholder value as a basic management policy.

On behalf of all employees of the Sinanen Group, I would like again to express our sincere gratitude to our shareholders for your continued understanding and support.

June 26, 2002

T. Hattori

Teruo Hattori
President and CEO

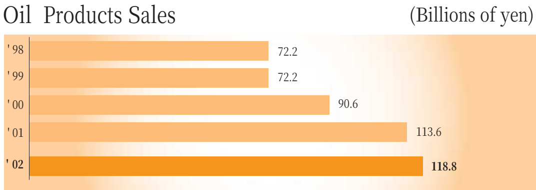
Review of Operations

Energy Products

Consolidated sales of energy products for fiscal 2002 ended March 31, 2002 increased by 3.4% over the previous year, to ¥162.8 billion (US$1,222 million). Including petroleum oil and LPG, sales of energy products represented 97.0% of net sales. Operating income for the year declined by 5.0% to ¥5.4 billion (US$41 million).

OIL PRODUCTS

Oil Products Sales (Billions of yen)



Sinanen's oil storage facilities located in shiogama,miyagi prefecture.

Fiscal 2002 sales of oil products improved 4.3% over the previous year, to ¥118.8 billion (US$892 million).

The procurement price has skyrocketed during recent years, resulting from a series of price hikes of imported crude oil and a high market share of four refining companies. Meanwhile, under an environment of slack growth in demand and intensified competition, the wholesale price fell short of sufficiently compensating for the increased amount of the procurement price, which reduced the margins for the wholesale industry. Sluggish demand in the private sector resulted from a lack of growth in the number of households, and that in the industrial sector, from prolonged sluggish economy and a shift of plants to overseas by Japanese manufacturers who generate a large demand.

Sinanen's oil storage facilities play a key role in ensuring the safe and efficient distribution of oil products throughout Japan

In such conditions, Sinanen converged its efforts to enhance a stable supply and price competitive capabilities by expanding its procurement channels, including futures transactions. To further reinforce its sales network, the Company established its Shizuoka Sales Office in Shimizu City, Shizuoka Prefecture and Yamanashi Sales Office in Higashi-Yashiro County, Yamanashi Prefecture during the year. Furthermore, the Company opened 27 kerosene depots nationwide, increasing the total number to 143 in Japan. As a result, fiscal 2002 sales volume of kerosene expanded by 22.8% over the previous year.

Outlook

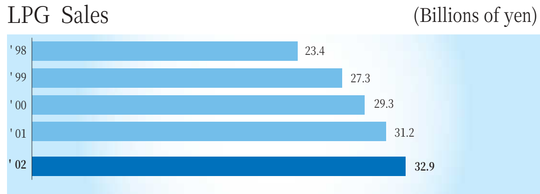
Looking ahead, Sinanen anticipates the price for imported crude oil will remain unstable, reflecting confusion and uncertainty of the Middle East situation. Under such an environment, the Japanese oil industry will meet more difficult business conditions. We also project that industry-wide competition will accelerate with cutthroat competition among retining companies for their market shares and with downstream marketing strategies by trading houses. In response to these conditions,

Sinanen boasts a nationwide network of 115 kerosene centers, which efficiently support the company's kerosene distribution system.

Sinanen is going to focus its efforts on the following strategies: 1) to improve earnings through complete transfer of expanded cost of procurement into the sales price, 2) to implement regionally tailored strategies designed to fully demonstrate the Company's influences on the market, 3) to reduce the cost of sales through innovation of sales methods, 4) to secure sufficient sales volume in order to achieve the budget, 5) to strengthen its supply capability by diversifying procurement channels for oil products, 6) to further expand the number of sales bases for oil products, and 7) to improve the management structure of affiliated service stations.

A sinanen service station

LPG



An LPG gas storage center - sinanen supplies LPG gas through a netwark of 53 such storage centers located throughout Japan.

LPG sales in fiscal 2002 grew by 5.5% over the previous year, to ¥32.9 billion (US$247 million).

During the year under review, sluggish business of the LPG industry became more evident with intensified competition with other energy products such as electricity. Furthermore, with the tendency of the contract price for imports to decline, the wholesale price of LPG dropped more sharply than the procurement price, as affected by additional competition with other energy products on the deregulated market along with intensified competition within the LPG industry. As a result, the industry experienced a substantial decline in profitability.

Our centralized monitoring facility makes a safe and stable supply of LPG possible.

Bulk supplies have enabled sinanen to rationalize deliveries.

Meanwhile, the retail price remained stable in general, in spite of a proclivity for moderate decrease. Against this backdrop, Sinanen worked to shift its business model from LPG supply to integrated energy supply by facilitating the consumer-focused "Himawari (Sunflower)" Plan during the year. Under the plan, the Company worked together with individual retailers to develop their optimal sales strategies and then supported them.

On September 30, 2001, Sinanen acquired the LPG division of Nichimen Energy Inc., a subsidiary of Nichimen Corporation, a general trading house, for ¥10.5 billion (US$79 million). Involving 40,000 retailers and 300 wholesalers in Saitama Prefecture and other cities in the Kanto area, this acquisition represents annual sales of 34,000 tons for the LPG business and related facilities. The Company conducted one-time write-off for this acquisition expense. The Company is reinforcing its branch offices, related facilities and delivery network in this region to enhance its cost competitiveness. Furthermore, the Company projects net profit of ¥0.8 billion for fiscal 2003 from this acquisition.

Also during the year, to cut down physical distribution costs, Sinanen established three filling and delivery companies jointly with competitors, namely Mitsuuroko Co., Itochu Enex Co., Ltd. and Mitsuwa Industry Co., Ltd. in Chiba, Ibaraki and Kanagawa prefectures.

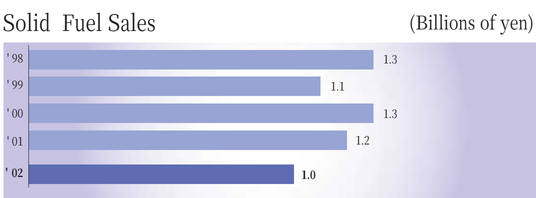
An ecostation combination auto-gas and compressed natural gas (CNG) outlet.

Outlook

Looking into the future, we continue to anticipate intensifying competition on the market with other energy products. In 2007, the Japanese market for electricity for residential use will be deregulated. The Urban Heat Energy Subcommittee of Japan's Ministry of Economy, Trade and Industry has announced a policy of integrating gas products, i.e., LNG, CNG and LPG. In terms of demand for LPG for next fiscal year, we project it will remain at about the same level for the fiscal year under review. When compared to other energy products, however, the market competition will be even more intense, because the import price for LPG is more expensive than that of other energy products. While expanding the points of contact with consumers to improve profits, Sinanen is also going to establish a solid business base by reinforcing its personnel training programs and organizational capabilities to facilitate the integrated energy business as well as developing and providing higher value-added services.

Sinanen's micro gas-turbine co-generation system ensures more efficient use energy and environment friendly.

Solid Fuels



Easy-to-light charcoal briquette requires only one matchstick.

Fiscal 2002 sales of solid fuels fell by 15.6% from the previous year, to ¥1.0 billion (US$8 million).

Total shipments of charcoal briquettes in Japan during the year decreased by 8.7% from the previous year, representing a trend for continued decline. In particular, sales of concrete-use briquettes became sluggish in winter, resulting in their factory shipment being slower than that of ball briquettes. On the market, sales of solid fuels remained at about the same level as last fiscal year, reflecting no significant increase in prices at home improvement centers. Within this context, Sinanen concerted its cost reduction efforts to absorb the price increase of raw materials for charcoal briquettes by changing their mixture contents.

In March 2002, we discontinued production of Shinagawa Briquette Co., Ltd., a consolidated subsidiary and unified production to Ishinen Co., Ltd., another consolidated subsidiary, which had conventionally engaged in production of charcoal briquettes. We have also consigned part of the production to a third party.

Outlook

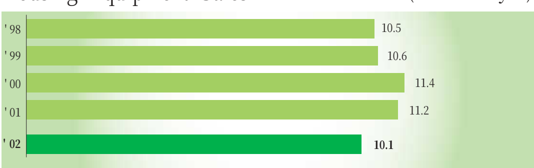
Japanese consumers find Sinanen briquettes very handy for outdoor cooking.

We anticipate the continued decline in demand for charcoal briquettes into the next fiscal year. In response, we are determined to secure sufficient profits by consolidating production and restructuring physical distribution. To promote new businesses and develop demand, we are also going to deploy our proprietary technologies in solidification accumulated through production over the years.

Manufactured from recycled coffee bean extracts using technology independently developed by the company.Hi-Calotan briquettes are ideal for use at barbecues.

Housing Equipment

Housing Equipment Sales (Billions of yen)



Sinanen handles a wide range of household equipment,including kitchen fixtures.

Sales of housing equipment declined by 9.7% from the previous year, to ¥10.1 billion (US$76 million) for fiscal 2002.

New housing starts of construction remained sluggish in 2001, marked by successive monthly declines from the corresponding months last year. As a result, they totaled 1.17 million units, down by 4.6% from 2000. Other market conditions included the transformation into an aging society along with lower birthrates and environmental problems. In response to these societal changes, the Japanese government has advocated for residences equipped with such structural and functional features as no barriers, easy care of bed-ridden senior citizens and low energy consumption. However, such initiatives have been placed recently on the starting line for proliferation.

Sinanen offers technical training seminars to affiliated retailers.

Against this market backdrop, our regional flagship retailers, such as “ Scram Circle ” stores and integrated retailers for housing equipment and all types of fuels, aggressively conducted proposal-based marketing emphasizing comfortable living with the modern housing equipment. Specifically, they implemented locally tailored marketing programs to their customers, including the “ Fureai (More Contacts) ” campaign, “ Himawari (Sunflower) ” inspection service and replacement campaign for equipment. Sinanen also held seminars for flagship retailers who were working to achieve the No. 1 position in their respective regions in order to enhance their capability to develop proposals and improve their work skills. In the water purifier leasing business which Sinanen has undertaken since 2001 in order to improve profits of our fuel retailers, we have topped the 30,000-unit mark in sales and accumulated leasing know-how.

Sinanen publishes bi-monthly magazines for consumers, offering useful pointers for everyday living.

Outlook

We supply our vendors with a range of attractive promotional materials,such as pamphlets,to support their sales efforts.

As our current and future measures for the housing equipment business, we are working to improve our capability for proposals by increasing the opportunities for direct communications with consumers through exhibitions, as we expand our nationwide network with integrated retailers for housing equipment and all types of fuels who are No. 1 regional stores.

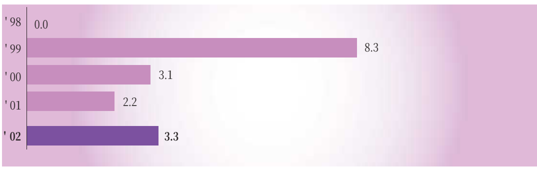
To expand the water purifier business, we have established the Rental Business Promotion Project Team staffed with 10 managers and specialists of branch offices from around the country. Under their leadership, we are sharing information and building on know-how, and have also begun to look into new rental products.

Non-Energy Products

Consolidated sales of non-energy products for fiscal 2002 advanced by 36.2% over the previous year, to ¥5.0 billion (US$38 million). Operating income for the year improved by 15.7% to ¥0.9 billion (US$7 million).

Other

Other Sales (Billions of yen)



For kneading into plastics,the master batch from of our antimicrobial zeolite,Zeomic,is recommended.

Sales from other businesses reached ¥3.3 billion (US$25 million) for the year, registering a significant increase of 51.8% over the previous year. Operating income surged by 216.7% to ¥0.2 billion (US$2 million).

Antimicrobial Products

The antimicrobial agents industry has faced growing demands from customers for low-cost products with smaller amounts of agents used for the same antimicrobial effects, and stepped up efforts to reduce production costs. Furthermore, both supply volume and prices have drastically dropped, partly due to the prolonged sluggish economy in Japan. In the United States, our antimiocrobial zeolite, Zeomic, was approved by FDA (Food and Drug Administration) in June 2000, following the approvals by EPA (Environmental Protection Agency) and NSF (National Sanitation Foundation). During the year, we continued to aggressively broaden the customer portfolio abroad for Zeomic through AgION Technologies L.L.C., our alliance partner in the United States. We also reached supply agreements with DuPont, an international leader of the chemicals industry, and AK Steel Corporation, a leading manufacturer of steel products in the United States, attaining a high degree of reliability for Zeomic in the United States and Europe. In Japan, Zeomic made an inroad to the food packaging industry. Shiseido Co., Ltd., Japan's top manufacturer of cosmetics, has continued to enjoy successful sales of the Zeomic-based Ag+ deodorant spray. During the year, we also launched our sales initiatives for Zeomic to the Japanese textile industry by capitalizing on the deodorant functions. Abroad during the year, Zeomic was adopted by Vygon, a leading manufacturer of medical equipment in Europe, for its catheters.

Zeomic is used in a wide range of applications.

The completion of this new production facility will enable sinanen to triple output of Zeomic.

Outlook

We expect further intensification of pricing competition by antimicrobial agent manufacturers. In Japan, we are going to focus our efforts on the following three areas: 1) sales promotion of a new type of Zeomic which features deodorant in addition to antimicrobial functions, 2) sales expansion of Zeomighty, an antimicrobial agent for Hume concrete products of the sewer system, and 3) entry into areas under the Drugs, Cosmetics and Medical Instruments Act. Overseas, we are going to launch aggressive marketing in China, Korea and Southeast Asian countries.

Environmental Products

In the environmental products market, the Japanese government has introduced a variety of regulations concerning recycling products. However, many manufacturers are still at the stage of trial and error in their operations. As we worked to expand sales of recycled fuels and recycling plants, we have concerted our efforts to develop new business models.

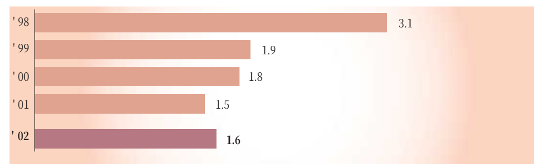
This waste plastic rcycling plant in Niigata reverts plastics into peetroleum.

Outlook

As we look ahead, we are going to continue sales of recycled fuels and step up sales of solid fuels recycled from waste plastics and paper. At the same time, we are also emphasizing the development of new business models such as the recycling of waste plastics into new products as well as the construction of recycling plants.

Real Estate Rental

Real Estate Rental Sales (Billions of yen)



The sinanen canalside building

Sales from the real estate business for fiscal 2002 expanded by 12.8% over the previous year, to ¥1.6 billion (US$12 million). Operating income for the year totaled ¥0.7 billion (US$5 million), about the same figure as last year.

With the so-called " 2003 problem, " an anticipated massive supply of rental office in the Tokyo Metropolitan area, just around the corner, the rental office market remained slack, while we worked to secure earnings during the year under review. To this end, we sold Higashi Shinagawa Golf Center (10,676 square meters) for ¥9.3 billion (US$70 million) in January 2002. We appropriated this proceed for a one-time write-off of expenses for the acquisition of sales rights of the LPG business from Nichimen Energy Co., Ltd.

Consolidated Six-Year Summary

Sinanen Co., Ltd.,and Consolidated Subsidiaries
Years ended March 31

	Millions of yen					
	2002	2001	2000	1999	1998	1997
Net sales	**¥167,820**	¥161,156	¥137,642	¥121,741	¥128,704	¥135,281
Operating income	**4,606**	4,186	3,920	5,260	4,623	4,384
Net income (loss)	**1,947**	(2,666)	738	873	605	1,406
Total assets	**94,673**	102,781	107,595	115,045	109,853	122,602
Total shareholders' equity	**45,665**	45,588	51,948	52,035	54,743	57,078
Common stock	**15,630**	15,630	15,630	15,630	15,630	15,630

	Yen					
	2002	2001	2000	1999	1998	1997
Per share of common stock:						
Net income (loss):						
Basic	**¥25.39**	¥(32.03)	¥8.51	¥10.06	¥6.75	¥15.43
Diluted	**25.31**	–	–	–	–	–
Cash dividends attributable to the year	**9.00**	9.00	9.00	9.00	9.00	9.00

Note: The computation of basic net (loss) income per share is based upon the weighted average number of shares outstanding during each year. Diluted net income per share is computed based on the weighted average number of shares of common stock outstanding each year after giving effect to the dilutive potential of common stock to be issued upon the exercise of stock options.

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Financial Review

Overview

During fiscal 2002, ended March 31, 2002, Sinanen was able to improve both sales and operating income over the previous year. For its mainstay Energy Products business segment, the Company faced a difficult environment in securing sufficient earnings resulting from unmatched price fluctuations between crude oil and oil products for consumers. The market sentiment was rather bearish with excessive competition for sales under slowed domestic demand and surplus supply. As for the LPG market during the year, competition became more intense with other energy products such as electricity. Coupled with severe competition within the industry, the drop in the wholesale price surpassed that of the procurement price, further deteriorating the business conditions for the industry.

Against this backdrop, the Company worked aggressively to reduce physical distribution costs while making group-wide efforts to expand sales volume of major product lines such as kerosene oil for home heating and LPG.

Operating Results

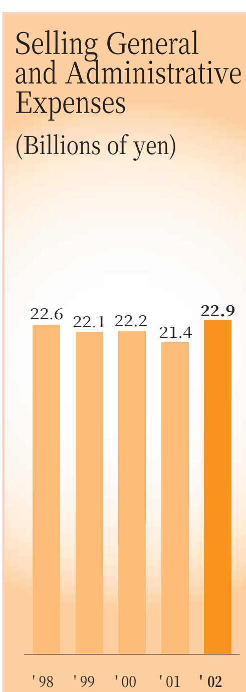
Consolidated net sales for fiscal 2002 increased 4.1% over the previous year, to ¥167,820 million (US$1,259 million). Sales of the energy products business unit grew 3.4% to ¥162,838 million (US$1,221 million) for the year under review, accounting for 97.0% of net sales of the Company. This growth in sales reflects expanded sales volume of kerosene and LPG resulting from the addition of over 50 new kerosene supply facilities and shops and acquisition of sales rights of LPG business from NIchimen Energy Co., Ltd. during the year. The Company also established three filling and delivery companies jointly with competitors.

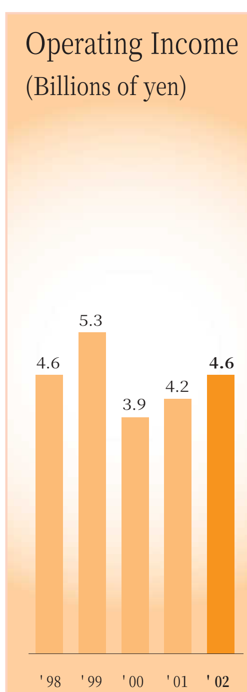
By business segment, sales of oil products for fiscal 2002 grew 4.3% over the previous year, to ¥118,783 million (US$891 million), representing 70.8% of net sales. Sales of LPG reached ¥32,940 million (US$247 million), up 5.5%, and accounted for 19.6% of net sales. Sales of solid fuels declined 15.6% to ¥1,035 million (US$8 million) or 0.6% of net sales. Sales of housing equipment amounted to ¥10,071 million (US$76 million), down 9.7% from the previous year, and represented 6.0% of net sales. The real estate rental business segment recorded sales of ¥1,646 million (US$12 million), up 12.8% over the previous year, accounting for 1.0% of net sales for the year. Sales from other segments boosted 51.8%, to ¥3,342 million (US$25 million), representing 2.9% of net sales.

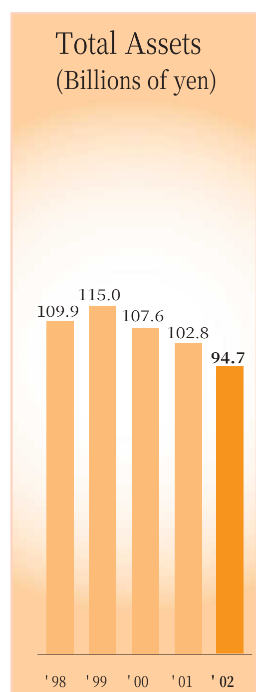
Cost of sales for fiscal 2002 increased 3.5% over the previous year, to ¥140,314 million (US$1,053 million), as affected by higher crude oil and LPG contract prices. Gross profit expanded 7.5%, to ¥27,506 million (US$206 million), and the gross profit margin for the year improved to 16.4% from 15.9% for the previous year. Operating income increased 10.0%, to ¥4,606 million (US$35 million).

The operating margin for fiscal 2002 improved to 2.7% from 2.6% for the previous year. Other income for the year grew 4.2% over the previous year, to ¥1,073 million (US$8 million). Of this amount, interest and dividend income declined 18.5% from the previous year, to ¥339 million (US$3 million).

As for extraordinary income for the year under review, the Company posted ¥9,769 million (US$73 million) compared to ¥28 million last fiscal year. This substantial increase principally reflects ¥8,753 million (US$66 million) for the gain in sales of Higashi Shinagawa Golf Center, a driving range, and ¥917 million (US$7 million) for proceeds from sales of marketable securities. Meanwhile, extraordinary losses for the year expanded 40.2% over the previous year, to ¥11,729 million (US$88 million). This negative growth reflects ¥8,273 million (US$62 million) used to acquire the sales rights for the LPG business from Nichimen Energy Co., Ltd. and ¥2,052 million (US$15 million) for net unrealized loss on securities available for sales. One-time write-off of







¥6,276 million for net retirement benefit obligation at transition was included in extraordinary losses for the previous year.

As a result, net income for fiscal 2002 reached ¥1,947 million (US$15 million), compared to net loss of ¥2,666 million for the previous year. On a per share basis, it improved to ¥25.39 (US$0.2). With respect to cash dividends to shareholders, the Company upheld its corporate policy of maintaining, when possible, a stable level of dividend payout, at ¥9 (US$0.07) per share.

Cash Flows

While Sinanen concerted its efforts for early collection of trade notes receivable and cost reduction during the year under review, cash flow provided by operating activities totaled ¥3,919 million (US$29 million) for fiscal 2002, compared to ¥6,981 million for the previous year. Net cash used in investing activities amounted to ¥1,736 million (US$13 million), compared to ¥1,676 million which was provided the previous year. This change to a negative cash flow reflects the amount of outflow of cash primarily for the acquisition of the LPG business exceeding that of inflow from sales of investment securities and property, plants and equipment. Net cash used in financing activities for fiscal 2002 was ¥7,602 million (US$57 million), compared to ¥10,086 million for the previous year. This decrease is due mainly to a reduced amount of bank borrowings and a smaller amount of additional paid-in capital used in the acquisition of treasury stock, in addition to redemption of a corporate bond during the year.

As a result, cash and cash equivalents at the end of fiscal 2002 totaled ¥12,269 million (US$92 million), compared to ¥17,689 at the previous fiscal year-end.

Financial Position

At the end of fiscal 2002, total current assets were ¥38,568 million (US$289 million), down 15.5% from the previous fiscal year-end, mainly due to the sale of marketable securities. Trade notes and accounts receivable declined 11.5% to ¥19,465 million (US$146 million). Meanwhile, other current assets expanded 137.2% to ¥2,207 million (US$17 million), mainly due to accounts receivable.

Net of property, plants and equipment grew 2.7% over the previous year, to ¥42,842 million (US$322 million), resulting largely from the acquisition of goodwill and land.Investments and other assets declined 14.1% to ¥13,518 million (US$101 million), largely resulting from a 34.5% drop in investment securities held to ¥6,346 million (US$48 million) from ¥9,686 million.

Total current liabilities declined 3.8% from the previous year, to ¥25,757 million (US$193 million) at the end of fiscal 2002, due to reduced notes and accounts payable and short-term bank loans. As a result, the current ratio decreased to 1.5, or a slight decline of 0.2 points from the previous year.

Long-term liabilities at the end of fiscal 2002 dropped 24.1% from the previous year, to ¥22,760 million (US$171 million), reflecting a 33.3% decrease of bonds to ¥10,000 million (US$75 million), zero for deferred tax liabilities from ¥754 million at the end of fiscal 2001, and a 30.2% decline of guaranty deposits to ¥2,893 million (US$22 million).

Total shareholders' equity increased 0.2% over the previous year to ¥45,665 million (US$343 million).

As a result, the Company's debt ratio improved by 3.9 percentage points from the previous year to 51.3%. Similarly, the equity ratio increased to 48.2%, up 3.8 points over the previous year.

Outlook

We anticipate the Japanese economy will remain sluggish into fiscal 2003, ending March 31, 2003. In this environment, Japanese consumers are expected to become more price conscious toward services. New players are entering the market and new competition is emerging. The Sinanen Group is going to offer a diverse range of household services centering on sales of energy products.

The source of our earnings lies in the value which we can add to our services, and cost competitiveness is a premise we hold to win against competitors. We are determined to develop new values for our services by effectively utilizing our management resources and reinforcing our cost competitiveness through strategic means including alliances. The Sinanen Group has worked on the three-year " N-Plan " since April 1999 in order to build up a management foundation from which the Group will accelerate growth in the 21st century. As we capitalize on the results of the " N-Plan " next fiscal year, we are ready to further strengthen our base for earnings through closer collaboration within our Group membership.

We are also continuing our efforts to enhance our financial position by reducing total assets and interest-bearing debt. Organizationally, we are prepared to introduce the executive officer system to our management board in order to accelerate the speed of management decision making and to separate the functions of management and execution.

Consolidated Balance Sheets

Sinanen Co.,Ltd.,and Consolidated Subsidiares
March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2002	2001	**2002**
Assets			
Current Assets:			
Cash and cash equivalents	**¥12,269**	¥ 17,689	**$ 92,075**
Short-term investments (Note 4)	**998**	2,436	**7,490**
Trade notes and accounts receivable	**19,465**	21,983	**146,079**
Less allowance for doubtful accounts	**(160)**	(59)	**(1,201)**
	19,305	21,924	**144,878**
Inventories	**2,520**	2,258	**18,912**
Deferred tax assets (Note 5)	**1,269**	402	**9,523**
Other current assets	**2,207**	930	**16,563**
Total current assets	**38,568**	45,639	**289,441**
Property,plant and equipment (Notes 6 and 7)**:**			
Land	**15,313**	14,012	**114,919**
Buildings and structures	**40,144**	39,496	**301,268**
Machinery and equipment	**8,569**	8,125	**64,308**
Construction in progress	**—**	22	**—**
	64,026	61,655	**480,495**
Less accumulated depreciation	**(21,184)**	(19,927)	**(158,979)**
Property, plant and equipment, net	**42,842**	41,728	**321,516**
Investments and other assets:			
Investments in securities (Note 4)	**6,346**	9,686	**47,625**
Deferred tax assets (Note 5)	**1,481**	644	**11,114**
Other assets	**5,436**	5,084	**40,796**
	13,263	15,414	**99,535**
Total assets	**¥94,673**	¥102,781	**$710,492**

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2002	2001	2002
Liabilities and shareholders' equity			
Current liabilities:			
Short-term bank borrowings (Note 6)	¥ 96	¥ 470	$ 720
Current portion of long-term debt (Note 6)	5,000	5,000	37,523
Trade notes and accounts payable	11,940	15,107	89,606
Income taxes payable (Note 5)	2,276	866	17,081
Deferred tax liabilities (Note 5)	—	0	—
Accrued expenses and other current liabilities	6,445	5,324	48,368
Total current liabilities	25,757	26,767	193,298
Long-term liabilities:			
Long-term debt, less current portion (Note 6)	12,226	17,258	91,752
Accrued retirement benefits (Note 8)	7,458	7,662	55,970
Deferred tax liabilities (Note 5)	—	754	—
Other long-term liabilities	3,076	4,311	23,085
	22,760	29,985	170,807
Minority interests in consolidated subsidiaries	491	441	3,685
Shareholders' equity (Notes 9 and 15)**:**			
Common stock, without par value:			
Authorized — 237,603,000 shares at March 31, 2002 and 240,276,000 shares at March 31, 2001			
Issued — 75,752,958 shares at March 31, 2002 and 78,425,958 shares at March 31, 2001	15,630	15,630	117,298
Additional paid-in capital	11,861	13,194	89,013
Retained earnings	17,846	16,605	133,929
Unrealized gains on other securities	465	160	3,490
Translation adjustments	2	(1)	15
	45,804	45,588	343,745
Treasury stock, at cost	(139)	(0)	(1,043)
Total shareholders' equity	45,665	45,588	342,702
Contingent liabilities (Note 10)			
Total liabilities and shareholders' equity	¥94,673	¥102,781	$710,492

Consolidated Statements of Operations

Sinanen Co.,Ltd.,and Consolidated Subsidiares
Years ended March 31, 2002, 2001 and 2000

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2002	2001	2000	2002
Net sales	¥167,820	¥161,156	¥137,642	$1,259,437
Cost of sales (Note 11)	140,314	135,579	111,539	1,053,013
Gross profit	27,506	25,577	26,103	206,424
Selling, general and administrative expenses (Note 11)	22,900	21,391	22,183	171,857
Operating income	4,606	4,186	3,920	34,567
Other income (expenses):				
Interest and dividend income	280	313	158	2,101
Interest expense	(508)	(651)	(905)	(3,812)
Devaluation loss on securities	(2,069)	(164)	(663)	(15,527)
Gain on sales of property, plant and equipment	8,750	—	—	65,666
Equity in (losses) earnings of affiliates	1	(1)	5	8
Amortization of net retirement benefit obligation at transition	—	(6,277)	—	—
Expenses related to acquisition of business	(8,274)	—	—	(62,094)
Other, net	189	(1,432)	(201)	1,418
	(1,631)	(8,212)	(1,606)	(12,240)
Income (loss) before income taxes	2,975	(4,026)	2,314	22,327
Income taxes (Note 5)**:**				
Current	3,655	1,312	814	27,430
Deferred	(2,677)	(2,596)	717	(20,090)
	978	(1,284)	1,531	7,340
Income (loss) before minority interests	1,997	(2,742)	783	14,987
Minority interests	(50)	76	(45)	(375)
Net income(loss)	¥ 1,947	¥ (2,666)	¥ 738	$ 14,612

	Yen			U.S. dollars (Note 3)
	2002	2001	2000	2002
Amounts per share of common stock:				
Net income (loss)				
Basic	¥25.39	¥(32.03)	¥8.51	$0.19
Diluted	25.31	—	—	0.19
Cash dividends attributable to the year	9.00	9.00	9.00	0.07

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity

Sinanen Co.,Ltd.,and Consolidated Subsidiares
Years ended March 31, 2002, 2001 and 2000

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2002	2001	2000	2002
Common Stock:				
Balance at beginning of year	¥15,630	¥15,630	¥15,630	$117,298
Redemption and retirement of treasury stock (2002 — 2,673 thousand shares; 2001 — 8,224 thousand shares)	—	—	—	—
Balance at end of year	¥15,630	¥15,630	¥15,630	$117,298
Additional paid-in capital				
Balance at beginning of year	¥13,194	¥16,223	¥16,223	$ 99,017
Redemption and retirement of treasury stock	(1,333)	(3,029)	—	(10,004)
Balance at end of year	¥11,861	¥13,194	¥16,223	$ 89,013
Retained earning				
Balance at beginning of year	¥16,605	¥20,095	¥20,182	$124,615
Adjustments for exclusion from consolidation	—	(9)	—	—
Net income (loss)	1,947	(2,666)	738	14,612
Cash dividends paid	(706)	(780)	(780)	(5,298)
Directors' bonuses	—	(35)	(45)	—
Balance at end of year	¥17,846	¥16,605	¥20,095	$133,929
Unrealized gains on other securities				
Balance at beginning of year	¥ 160	¥ —	¥ —	$ 1,201
Net changes during the year	305	160	—	2,289
Balance at end of year	¥ 465	¥ 160	¥ —	$ 3,490
Translation adjustments				
Balance at beginning of year	¥ (1)	¥ —	¥ —	$ (8)
Adjustments arising from translation of foreign currency financial statements	3	(1)	—	23
Balance at end of year	¥ 2	¥ (1)	¥ —	$ 15

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Sinanen Co.,Ltd.,and Consolidated Subsidiares
Years ended March 31, 2002, 2001 and 2000

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2002	2001	2000	2002
Operating activities				
Income (loss) before income taxes	¥ 2,975	¥ (4,026)	¥ 2,314	$22,327
Depreciation and amortization	2,598	2,493	2,429	19,497
Increase (decrease) in allowance for doubtful accounts	13	389	(446)	98
(Decrease) increase in provision for retirement benefit	(569)	7,662	—	(4,270)
Interest and dividend income	(339)	(416)	(266)	(2,544)
Interest expense	508	651	905	3,812
Loss on devaluation of securities	—	—	663	—
Loss on sales of short-term investments	—	—	594	—
Loss on disposal of property, plant and equipment	328	354	160	2,462
(Gain) loss on sales of property, plant and equipment	(8,750)	543	(325)	(65,666)
Loss on cancellation of interest swap transaction	—	—	202	—
Compensation for expropriation	(83)	(11)	(347)	(623)
Expenses related to acquisition of business	8,274	—	—	62,094
Decrease (increase) in trade receivables	3,355	(895)	(3,684)	25,178
Increase in inventories	(97)	(230)	(221)	(728)
(Decrease) increase in trade payables	(3,213)	2,519	5,704	(24,113)
Decrease in deposits received	(1,274)	(341)	(1,103)	(9,561)
Other	2,064	(1,772)	(1,568)	15,490
Sub total	5,790	6,920	5,011	43,453
Interest and dividends received	411	331	267	3,084
Interest paid	(516)	(658)	(935)	(3,872)
Proceeds from compensation for expropriation	82	335	131	615
Income taxes (paid) refund	(1,848)	53	(2,709)	(13,869)
Net cash provided by operating activities	3,919	6,981	1,765	29,411
Investing activities				
Decrease in short-term investments	147	286	4,097	1,103
Proceeds from sales of securities	1,500	381	9,224	11,257
Purchases of short-term investments	(101)	(81)	(5,262)	(758)
Proceeds from sales of investment securities	5,852	3,386	108	43,917
Purchases of investment securities	(3,976)	(1,746)	(474)	(29,839)
Proceeds from sales of property, plant and equipment	8,219	554	311	61,681
Purchases of property, plant and equipment	(1,848)	(1,160)	(2,250)	(13,869)
Decrease in short-term loans	69	111	1,371	518
Collection of long-term loans	6	13	4,002	45
Long-term loans made	(605)	(67)	(2)	(4,540)
Acquisition of business (Note 13)	(11,044)	—	—	(82,882)
Other	45	0	(175)	338
Net cash provided by investing activities	(1,736)	1,677	10,950	(13,029)
Financing activities				
Decrease in bank borrowings	(415)	(1,270)	(4,627)	(3,114)
Repayments or redemption of long-term debt	(5,000)	(5,000)	(7,500)	(37,523)
Payment for cancellation of interest swap transaction	—	—	(202)	—
Cash dividends paid	(709)	(780)	(779)	(5,320)
Cash dividends paid to minority shareholders	(6)	(7)	(8)	(45)
Acquisition of treasury stock	(1,472)	(3,029)	—	(11,047)
Net cash used in financing activities	(7,602)	(10,086)	(13,116)	(57,049)
Effect of exchange rate changes on cash and cash equivalents	(1)	21	(19)	(8)
Net decrease in cash and cash equivalents	(5,420)	(1,407)	(420)	(40,675)
Cash and cash equivalents at beginning of year	17,689	19,096	19,146	132,750
Increase in cash and cash equivalents due to inclusion in consolidation	—	—	370	—
Cash and cash equivalents at end of year	¥12,269	¥17,689	¥19,096	$92,075

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Sinanen Co.,Ltd.,and Consolidated Subsidiares
Years ended March 31, 2002, 2001 and 2000

1. Basis of Preparation

Sinanen Co., Ltd. (the “ Company ”)and its domestic subsidiaries maintain their accounting records and prepare their financial statements in accordance with accounting principles and practices generally accepted and applied in Japan, and its foreign subsidiaries maintain their books of account in conformity with those of the countries of their domicile. The accompanying consolidated financial statements have been compiled from the consolidated financial statements prepared by the Company as required under the Securities and Exchange Law of Japan and, accordingly, have been prepared in accordance with accounting principles and practices generally accepted in Japan, which may differ in certain material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

2. Summary of Significant Accounting Policies

Principles of Consolidation

In accordance with a revised accounting standard for consolidation which became effective the year ended March 31, 2000, the accompanying consolidated financial statements include the accounts of the Company and companies controlled directly or indirectly by the Company. Significant companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements on an equity basis. All significant intercompany balances and transactions have been eliminated in consolidation.

The excess of cost over underlying net assets at fair value at the date of acquisition is amortized over a period of 5 years on a straight-line basis. Such amortization is included in selling, general and administrative expenses.

Investments in companies which are not consolidated or accounted for by the equity method are carried at cost.

Foreign Currency Translation

The revenue and expense accounts of the foreign consolidated subsidiary are translated at the rate of exchange in effect at the balance sheet date, and, except for the components shareholders’ equity, its balance sheet accounts are also translated into yen at the rate of exchange in effect at the balance sheet date.

In accordance with a revised accounting standard for foreign currency translation which became effective April 1, 2000, the Company has presented translation adjustments as a component of shareholders’ equity and minority interests (instead of as a component of assets or liabilities) in its consolidated financial statements for the years ended March 31, 2002 and 2001. However, the adoption of this revised standard had no impact on the consolidated statement of operations for the year ended March 2001.

Cash Equivalents

For the purposes of the consolidated statements of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered cash equivalents.

Inventories

Inventories are stated at cost determined principally by the following methods:

Merchandise -- moving average method

Construction work in progress -- specific identification method

Short-Term Investments and Investment Securities

Until the year ended March 31, 2000, marketable securities had been valued principally at the lower of cost or market, cost being determined by the moving average method, and investment securities other than marketable securities had been stated at cost determined by the moving average method.

A new accounting standard for financial instruments, which became effective April 1, 2000, requires that securities be classified into three categories: trading, held-to-maturity or other securities. Under the new standard, trading securities are carried at fair value and held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with changes in unrealized gain or loss, net of the applicable income taxes, included directly in shareholders’ equity. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method

As of April 1, 2000, the Company and its consolidated subsidiaries assessed their intent to hold their investments in securities and classified their investments as “ held-to-maturity securities ” or “ other securities ” and have accounted for the securities at March 31, 2002 and 2001 in accordance with the new standard referred to above.

The effect of the adoption of this new standard for financial instruments was to decrease loss before income taxes and minority interests by ¥277 million for the year ended March 31, 2001.

Property, Plant and Equipment

Property, plant and equipment is stated at cost. Depreciation is computed by the declining-balance method (excluding buildings and structures for rent and buildings acquired in Japan subsequent to March 31, 1998, on which depreciation is computed by the straight-line method) at the rates based on the estimated useful lives of the respective assets.

Significant renewals and improvements are capitalized at cost. Maintenance and repairs are charged to income as incurred.

Bond Issuance Expenses

Bond issuance expenses are capitalized and amortized over 3 years in accordance with the Commercial Code of Japan.

Research and Development Expenses

Research and development expenses are charged to income as incurred.

A new accounting standard for research and development expenses become effective the fiscal year ended March 31, 2000. However, the adoption of this new standard had no effect on the consolidated statement of operations for the year ended March 31, 2000.

Income Taxes

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

Retirement Benefits

Until the year ended March 31, 2000, accrued retirement benefits were stated at 50% of the amount which would be required to be paid if all employees covered by the plans voluntarily terminated their employment at the balance sheet date.

In accordance with a new accounting standard for retirement benefits which became effective April 1, 2000, accrued retirement benefits for employees at March 31, 2002 and 2001 have been provided mainly at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets at the balance sheet date, as adjusted for unrecognized actuarial loss and unrecognized prior service cost. The retirement benefit obligation is attributed to each period by the straight-line method over the estimated years of service of the eligible employees.

The net retirement benefit obligation at transition was fully charged to income for the year ended March 31, 2001.

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

Actuarial gain or loss is 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 10 years which is shorter than the average remaining years of service of the employees.

The effect of the adoption of the new standard for retirement benefits was to increase loss before income taxes and minority interests by ¥6,032 million for the year ended March 31, 2001.

Leases

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

Derivative Financial Instruments

The Company has entered into various derivative transactions in order to manage certain risks arising from adverse fluctuations in foreign currency exchange rates, interest rates and petroleum product prices. In accordance with a new accounting standard for financial instruments which became effective April 1, 2000, derivative financial instruments are carried at fair value with changes in unrealized gain or loss charged or credited to operations, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as an asset or a liability. Receivables and payables hedged by qualified forward foreign exchange contracts are translated at the corresponding foreign exchange contract rates.

Amounts per Share

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

Cash dividends per share represent the cash dividends declared as applicable to the respective years.

3. U.S. Dollar Amounts

The U.S. dollar amounts included in the accompanying consolidated financial statements present the arithmetic results of translating yen into U.S. dollars at ¥133.25 = U.S.$1, the rate of exchange prevailing on March 31, 2002. The U.S. dollar amounts are included solely for the convenience of the reader and it should not be construed that the assets and liabilities expressed in U.S. dollar equivalents can actually be realized in or extinguished by U.S. dollars at the exchange rate used in the accompanying translation or at any other rate.

4. Securities

a) Information regarding marketable securities classified as held-to-maturity debt securities and other securities as of March 31,2002 and 2001 is as follows:

Marketable held-to-maturity debt securities — As of March 31

	Millions of yen						Thousands of U.S. dollars		
	2002			2001			2002		
	Carrying value	Estimated fair value	Unrealized gain (loss)	Carrying value	Estimated fair value	Unrealized gain (loss)	Carrying value	Estimated fair value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value:									
Government bonds	¥ 10	¥ 10	¥ 0	¥ 10	¥ 10	¥ 0	$ 75	$ 75	$ 0
Corporate bonds	—	—	—	1,300	1,308	8	—	—	—
Subtotal	¥ 10	¥ 10	¥ 0	¥1,310	¥1,318	¥ 8	$ 75	$ 75	$ 0
Securities whose carrying value exceeds their fair value:									
Corporate bonds	¥100	¥100	¥—	¥ 201	¥ 200	¥(1)	$751	$751	$—
Subtotal	¥100	¥100	¥—	¥ 201	¥ 200	¥(1)	$751	$751	$—
Total	¥110	¥110	¥ 0	¥1,511	¥1,518	¥ 7	$826	$826	$ 0

Marketable other securities — As of March 31

	Millions of yen						Thousands of U.S. dollars		
	2002			2001			2002		
	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:									
Stock	¥1,811	¥2,627	¥816	¥2,449	¥3,774	¥ 1,325	$13,591	$19,715	$6,124
Others	—	—	—	1,150	1,159	9	—	—	—
Subtotal	¥1,811	¥2,627	¥816	¥3,599	¥4,933	¥ 1,334	$13,591	$19,715	$6,124
Securities whose acquisition cost exceeds their carrying value:									
Stock	¥1,311	¥1,311	¥ (0)	¥4,824	¥3,768	¥(1,056)	$ 9,839	$ 9,839	$ (0)
Corporate bonds	¥1,550	¥1,535	¥ (15)	—	—	—	$11,632	$11,520	$ (113)
Others	¥ 40	¥ 40	¥ (0)	—	—	—	$ 300	$ 300	$ (0)
Subtotal	¥2,901	¥2,886	¥ (15)	¥4,824	¥3,768	¥(1,056)	$21,771	$21,659	$ (113)
Total	¥4,712	¥5,513	¥801	¥8,423	¥8,701	¥ 278	$35,362	$41,374	$6,011

b) The following is a summary of sales of securities classified as other securities for the years ended March 31, 2002 and 2001:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Proceeds from sales	¥4,602	¥3,188	$34,537
Gains on sales	¥ 887	¥ 426	$ 6,657
Losses on sales	¥ (790)	¥ (504)	$ (5,929)

c) The redemption schedule for securities with maturity dates classified as other securities and held-to-maturity debt securities as of March 31, 2002 is summarized as follows:

	Millions of yen			Thousands of U.S. dollars		
	As of March 31, 2002					
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due in one year or less	Due after one year through five years	Due after five years through ten years
Government bonds	¥ 10	¥ 1	¥ —	$ 75	$ 8	$ —
Corporate bonds	200	1,400	200	1,501	10,507	1,501
Total	¥210	¥1,401	¥200	$1,576	$10,514	$1,501

5. Income Taxes

Income taxes applicable to the Company and its domestic subsidiaries comprise corporation tax, inhabitants' taxes and enterprise tax which, in the aggregate, resulted in a statutory tax rate of 41.7% for 2002, 2001 and 2000. Income taxes of foreign subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

The effective tax rates reflected in the consolidated statements of operations for the years ended March 31, 2002, 2001 and 2000 differ from the statutory rate for the following reasons:

	2002	2001	2000
Statutory tax rates	41.7%	(41.7)%	41.7%
Effects of:			
Expenses not deductible for income tax purposes	3.6	2.7	21.3
Dividend income deductible for income tax purposes	(11.2)	(1.4)	(2.3)
Inhabitants' per capita taxes	2.1	1.5	2.6
Income recognized by consolidated subsidiaries that do not adopt tax-effect accounting	(1.0)	0.3	(1.2)
Increase (decrease) of less valuation allowance	(2.5)	6.4	—
Net operating loss carryforwards	—	—	3.3
Others	0.2	0.3	0.8
Effective tax rates	32.9%	(31.9)%	66.2%

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

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Deferred tax assets:			
Allowance for doubtful accounts	¥ 225	¥212	$ 1,689
Accrued bonuses	153	140	1,148
Accrued enterprise tax	270	100	2,026
Accrued retirement benefits	2,956	2,877	22,184
Net operating loss carryforwards	107	136	803
Inventories	14	13	105
Depreciation	2,676	—	20,083
Others	196	196	1,470
Total gross deferred tax assets	6,597	3,674	49,508
Less valuation allowance	(248)	(380)	(1,861)
Net deferred tax assets	6,349	3,294	47,647
Deferred tax liabilities:			
Allowance for doubtful accounts	(9)	(3)	(67)
Unrealized gains on other securities	(340)	(116)	(2,552)
Reserve for advanced depreciation	(3,251)	(2,884)	(24,398)
Total deferred tax liabilities	(3,600)	(3,003)	(27,017)
Net deferred tax assets	¥2,749	¥291	$20,630

6. Short-Term Bank Borrowings and Long-Term Debt

Short-term bank borrowings were due principally in 365 days, at average interest rates of 1.80% and 2.25% per annum for the years ended March 31, 2002 and 2001, respectively.

A summary of long-term debt at March 31, 2002 and 2001 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
2.4% yen unsecured bonds due 2001	¥ —	¥ 5,000	$ —
2.075% yen unsecured bonds due 2002	5,000	5,000	37,523
2.375% yen unsecured bonds due 2003	5,000	5,000	37,523
3.3% yen unsecured bonds due 2003	5,000	5,000	37,523
Unsecured loans from insurance companies due 2007	2,200	2,200	16,510
Long-term bank borrowing due 2003	26	58	196
	17,226	22,258	129,275
Less current portion	(5,000)	(5,000)	(37,523)
	¥12,226	¥17,258	$91,752

The aggregate annual maturities of long-term debt subsequent to March 31, 2002, are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2003	¥ 5,000	$ 37,523
2004	11,726	88,000
2007 and thereafter	500	3,752
	¥17,226	$129,275

The assets pledged as collateral at March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Land	¥206	¥206	$1,546
Buildings	2	2	15
	¥208	¥208	$1,561

7. Property for Rent

The Company rents out certain land, buildings and structures which were completed in 1993. The acquisition costs and related accumulated depreciation of this property at March 31, 2002 and 2001, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Acquisition costs	¥24,114	¥24,114	$180,968
Accumulated depreciation	(6,619)	(5,945)	(49,673)
Net book value	¥17,495	¥18,169	$131,295

8. 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 reference 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' and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Retirement benefit obligation	**¥(17,199)**	¥(16,932)	**$(129,073)**
Plan assets at fair value	**6,717**	7,175	**50,409**
Unfunded retirement benefit obligation	**(10,482)**	(9,757)	**(78,664)**
Unrecognized actuarial loss	**3,268**	1,685	**24,525**
Unrecognized prior service cost	**(517)**	—	**(3,880)**
	¥ (7,731)	¥ (8,072)	**$ (58,019)**
Other current liabilities	**273**	410	**2,049**
Accrued retirement benefits	**¥ (7,458)**	¥ (7,662)	**$ (55,970)**

The government-sponsored portion of the benefits under the welfare pension fund plans has been included in the amounts shown in the above table.

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

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Service cost	**¥ 612**	¥ 567	**$4,593**
Interest cost	**476**	511	**3,572**
Expected return on plan assets	**(214)**	(265)	**(1,606)**
Amortization of net retirement benefit obligation at transition	**—**	6,277	**—**
Amortization of actuarial loss	**168**	—	**1,261**
Amortization of prior service cost	**(129)**	—	**(968)**
Additional retirement benefits paid	**230**	—	**1,726**
Total retirement benefit expenses	**¥1,143**	¥7,090	**$8,578**

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

	2002	2001
Discount rate	**2.5%**	3.0%
Expected rate of return on assets	**3.0%**	3.5%

9. Shareholders' Equity

In accordance with the Commercial Code of Japan (the "Code"), the Company has provided a legal reserve, which was included in retained earnings. The Code provides that an amount equal to at least 10% of the amount to be disbursed as a distribution of earnings be appropriated to the legal reserve until the total of such reserve and the additional paid-in capital account equals 25% of the common stock account. The legal reserve amounted to ¥1,406 million ($10,552 thousand) and ¥1,316 million as of March 31, 2002 and 2001.

The Code provides that neither additional paid-in capital nor the legal reserve is available for dividends, but both may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the Board of Directors. On October 1, 2001, an amendment (the "Amendment") to the Code became effective. The Amendment provides that if the total amount of additional paid-in capital and the legal reserve exceeds 25% of the amount of common stock, the excess may be distributed to the shareholders either as a return of capital or as dividends subject to the approval of the shareholders. In addition, the Amendment eliminates the stated par value of the Company's outstanding shares, which resulted in all outstanding shares having no par value as of October 1, 2001. The Amendment also provides that all share issuances after September 30, 2001 will be of shares with no par value. Prior to the date on which the Amendment came into effect, the Company's shares had a par value of ¥50.

Pursuant to resolutions approved at the shareholders' meetings held on June 28, 2001 and June 29, 2000, the Company redeemed and retired 2,673 thousand shares and 8,224 thousand shares, respectively, of the Company's common stock for the aggregate amounts of ¥1,333 million ($10,004 thousand) and ¥3,029 million during the years ended March 31, 2002 and 2001, respectively.

On June 28, 2001, the shareholders of the Company approved a stock option plan which entitles the directors and key employees to purchase shares of the Company's common stock at ¥565 ($4.24) per share which had been purchased by the Company on stock exchanges in accordance with the Code. The option price is subject to change if new shares are issued at a price lower than fair market value.

Under this plan, a maximum of 250,000 shares were granted to the directors and employees and the stock options will become exercisable during the period from July 1, 2002 to June 30, 2004.

10. Contingent Liabilities

At March 31, 2002, the Company had contingent liabilities as guarantor of indebtedness of affiliates and employees amounting to ¥254 million ($1,906 thousand).

11. Rasearch and Developmet Expenses

Research and development expenses included in manufacturing costs and selling, general and administrative expenses for the years ended March 31, 2002 and 2001 amounted to ¥54 million ($405 thousand) and ¥74 million, respectively.

12. Leases

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

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Machinery and equipment:			
Acquisition costs	**¥1,564**	¥1,527	**$11,737**
Accumulated depreciation	**(819)**	(845)	**(6,146)**
Net book value	**¥ 745**	¥ 682	**$ 5,591**

Lease payments relating to finance leases accounted for as operating leases amounted to ¥304 million ($2,281 thousand), ¥332 million and ¥359 million, which were equal to the depreciation expense of the leased assets computed by the straight-line method over the lease terms for the years ended March 31, 2002, 2001 and 2000, respectively.

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

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2003	¥246	$1,846
2004 and thereafter	499	3,745
	¥745	$5,591

13. Supplementary Cash Flow Information

The following is a summary of assets and liabilities increased as a result of acquisition of LP-gas business from Nichimen Energy Inc. for the year ended March 31, 2002:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥1,460	$10,957
Fixed assets	1,827	13,711
	¥3,287	$24,668
Current liabilities	¥ 130	$ 976
Long-term liabilities	386	2,897
	¥ 516	$ 3,873

14. Segment Information

The Company and its consolidated subsidiaries are primarily engaged in sales of energy products, including fuel and related equipment,and in the rental of real estate principally in Japan.

The business segment information of the Company and its consolidated subsidiaries for the years ended March 31,2002,2001 and 2000 is as follows:

	Millions of yen					
	Year ended March 31, 2002					
	Energy products	Real estate rental	Other	Total	Eliminations	Consolidated
I.Sales and operating income						
Sales to third parties	¥162,831	¥ 1,646	¥3,343	¥167,820	¥ —	¥167,820
Intra-group sales and transfers	7	253	244	504	(504)	—
Total sales	162,838	1,899	3,587	168,324	(504)	167,820
Operating expenses	157,444	1,207	3,415	162,066	1,148	163,214
Operating income	¥ 5,394	¥ 692	¥ 172	¥ 6,258	¥ (1,652)	¥ 4,606
II.Assets, depreciation and capital expenditures						
Total assets	¥ 52,663	¥18,611	¥1,988	¥ 73,262	¥21,411	¥ 94,673
Depreciation	1,711	682	102	2,495	103	2,598
Capital expenditures	4,665	16	13	4,694	62	4,756

	Thousands of U.S. dollars					
	Year ended March 31,2002					
	Energy products	Real estate rental	Other	Total	Eliminations	Consolidated
I.Sales and operating income						
Sales to third parties	$1,221,996	$ 12,353	$25,088	$1,259,437	$ —	$1,259,437
Intra-group sales and transfers	53	1,899	1,831	3,783	(3,783)	—
Total sales	1,222,049	14,252	26,919	1,263,220	(3,783)	1,259,437
Operating expenses	1,181,568	9,058	25,629	1,216,255	8,615	1,224,870
Operating income	$ 40,481	$ 5,194	$ 1,290	$ 46,965	$ (12,398)	$ 34,567
II.Assets, depreciation and capital expenditures						
Total assets	$ 395,220	$139,670	$14,919	$ 549,809	$160,683	$ 710,492
Depreciation	12,841	5,118	765	18,724	773	19,497
Capital expenditures	35,009	120	98	35,227	465	35,692

	Millions of yen					
	Year ended March 31,2001					
	Energy products	Real estate rental	Other	Total	Eliminations	Consolidated
I.Sales and operating income						
Sales to third parties	¥157,493	¥ 1,460	¥2,203	¥161,156	¥ —	¥161,156
Intra-group sales and transfers	11	252	271	534	(534)	—
Total sales	157,504	1,712	2,474	161,690	(534)	161,156
Operating expenses	151,824	1,019	2,419	155,262	1,708	156,970
Operating income	¥ 5,680	¥ 693	¥ 55	¥ 6,428	¥(2,242)	¥ 4,186
II.Assets, depreciation and capital expenditures						
Total assets	¥ 51,001	¥19,602	¥1,607	¥ 72,210	¥30,571	¥102,781
Depreciation	1,525	744	111	2,380	113	2,493
Capital expenditures	1,888	16	21	1,925	28	1,953

	Millions of yen						
	Year ended March 31, 2000						
	Energy products	Real estate rental	Finance	Other	Total	Eliminations	Consolidated
I.Sales and operating income							
Sales to third parties	¥132,682	¥ 1,764	¥124	¥3,072	¥137,642	¥ —	¥137,642
Intra-group sales and transfers	9	300	17	297	623	(623)	—
Total sales	132,691	2,064	141	3,369	138,265	(623)	137,642
Operating expenses	127,363	1,031	102	3,570	132,066	1,656	133,722
Operating income (loss)	¥ 5,328	¥ 1,033	¥ 39	¥ (201)	¥ 6,199	¥ (2,279)	¥ 3,920
II.Assets, depreciation and capital expenditures							
Total assets	¥ 49,304	¥20,608	¥ 12	¥2,253	¥ 72,177	¥35,418	¥107,595
Depreciation	1,432	743	—	138	2,313	116	2,429
Capital expenditures	3,150	72	—	13	3,235	257	3,492

Overseas sales, which include export sales of the Company and its domestic consolidated subsidiaries and sales (other than exports to Japan) of the foreign consolidated subsidiary constituted less than 10% of consolidated net sales for the years ended March 31, 2002, 2001 and 2000.

15. Subsequent Event

The following appropriations of retained earnings of the Company, which have not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2002, were approved at a shareholders' meeting held on June 26, 2002:

	Millions of yen	Thousands of U.S. dollars
Cash dividends	¥679	$5,096
Directors' bonuses	¥ 21	$ 157

Report of Independent Certified Public Accountants on the Consolidated Financial Statements

The Board of Directors
Sinanen Co., Ltd.

We have examined the consolidated balance sheets of Sinanen Co., Ltd. and consolidated subsidiaries as of March 31, 2002 and 2001, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2002, all expressed in yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements, expressed in yen, present fairly the consolidated financial position of Sinanen Co., Ltd. and consolidated subsidiaries at March 31, 2002 and 2001, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2002 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, Sinanen Co., Ltd. and consolidated subsidiaries have adopted new accounting standards for consolidation and research and development costs effective the year ended March 31, 2000 and for employees' retirement benefits, financial instruments and foreign currency translation effective the year ended March 31, 2001 in the preparation of their consolidated financial statements.

We have reviewed the translation of yen amounts into U.S. dollar amounts and, in our opinion, the translation has been made on the basis set forth in Note 3 to the consolidated financial statements.

Tokyo, Japan
June 26, 2002

Shin Nihon & Co.

See Note 1 to the consolidated financial statements which explains the basis of preparation of the consolidated financial statements of Sinanen Co., Ltd. and consolidated subsidiaries under Japanese accounting principles and practices.

Board of Directors and Auditors

Teruo Hattori
President and
Chief Excutive Officer

Akio Sadanaga
Senior Managing Director

Youichi Shimizu
Managing Director

Genji Nakamura
Managing Director

Directors
Takao Nishiuchi
Takeo Yoshida
Hiroyuki Suzuki
Mutsuo Sezaki
Akihisa Matsumoto

Standing Corporete Auditors
Ryousuke Kakinuma
Takashi Shiga

Corporete Auditor
Senichi Yamagishi

As of June 28, 2002

Corporate Data

Date Established: April 11,1927

Date Incorporated: April 25,1934

Head Office:

4-22, Kaigan 1-Chome,
Minato-ku,Tokyo 105-8525, Japan
Tel : (03) 5470-7104
Fax: (03) 5470-7140
http://www.sinanen.com

Number of Employees: 1,362

Branches:

Kansai(Osaka), Chubu(Aichi), Kanagawa, Kanto(Saitama), Keiyo(Chiba), Ibaraki, Kita-Kanto(Tochigi), Sendai(Miyagi), Morioka(Iwate), Ohu(Aomori), Sapporo(Hokkaido)

Sales Office (Non-Consolidated): 45 throughout Japan

LPG Filling Stations: 51 throughout Japan

As of March 31, 2002

Principal Subsidiaries and Affiliates

Consolidated Subsidiaries

Overseas:

Sinanen Singapore Pte.Ltd.

Domestic:

Chibanen Co., Ltd.
Miyanen Co., Ltd.
Shinagawa Hainen Co., Ltd.
Matuba Sangyo Co., Ltd.
Ishinen Co., Ltd.
Shinagawa Briquette Co., Ltd.
Hidaka City Gas Co., Ltd.
Sinanen Petroleum Sales Co., Ltd.
Tohoku Sinanen Petroleum Sales Co., Ltd.
Chibanen Petroleum Sales Co., Ltd.
Sinanen Auto Gas Co., Ltd.
Miyagi Sinanen Sales Co., Ltd.
Keiyo Sinanen Sales Co., Ltd.
Aomori Sinanen Sales Co., Ltd.
Saitama Sinanen Sales Co., Ltd.
Gifu Sinanen Sales Co., Ltd.
Kanagawa Sinanen Sales Co., Ltd.
Aichi Sinanen Sales Co., Ltd.
Musashi Sinanen Sales Co., Ltd.
Ibaraki Sinanen Sales Co., Ltd.
Iwate Sinanen Sales Co., Ltd.
Osaka Sinanen Sales Co., Ltd.
Nagano Sinanen Sales Co., Ltd.
Fukuyo Gas Co., Ltd.
Shikoku Sinanen Sales Co., Ltd.
Sapporo Sinanen Sales Co., Ltd.
Marutaka Energy Co., Ltd.
Sinanen Zeomic Co., Ltd.
Okano Co., Ltd.
Sinanen Hokkaido Himawari Gas Center Co., Ltd.
Sinanen Tohoku Himawari Gas Center Co., Ltd.
Sinanen Kita-Kanto Himawari Gas Center Co., Ltd.
Sinanen Chuo Himawari Gas Center Co., Ltd.
Sinanen Kanagawa Himawari Gas Center Co., Ltd.
Sinanen Chubu Himawari Gas Center Co., Ltd.
Sinanen Kansai Himawari Gas Center Co., Ltd.
Nanohana Gas Center Co., Ltd.
Hainen Himawari Gas Center Co., Ltd.
Sinanen Musashi Distribution Co., Ltd.
Sinanen Keiyo Distribution Co., Ltd.
Sinanen Distribution Co., Ltd.
Nichimen Energy Gas Sales Co., Ltd.
Tochigi Briquette Co., Ltd.
Shinagawa Development Co., Ltd.

Affiliated Companies

Shinagawa Oil Co., Ltd.
Matsuba Home Gas Co., Ltd.
Niigata Shinagawa Co., Ltd.
Gunshina Co., Ltd.
Yamanashi Shinagawa Fuel Co., Ltd.
Mikawa Shinagawa Fuel Co., Ltd.
Shonai Shinagawa Co., Ltd.
Yamaken Co., Ltd.
K.S.C.M. Co., Ltd.
Security Network Co., Ltd.

As of March 31, 2002

Investor Information

Shares of Common Stock:

Authorized: 237,603,000
Issued: 75,752,958

Capital: ¥15,630 Million

Number of Shareholders: 5,215

Stock Listing: Tokyo Stock Exchange

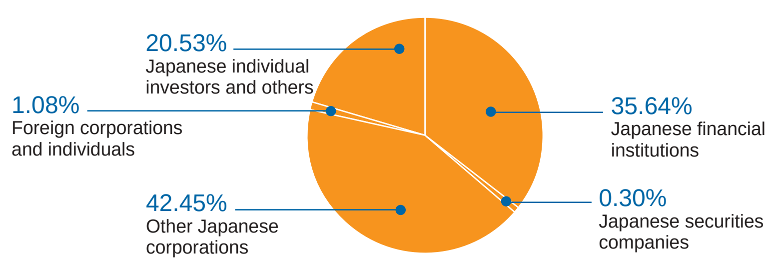
Transfer Agent:

Mizuho Trust & Banking Co., Ltd.
6-2, Marunouchi 1-chome,
Chiyoda-ku,Tokyo 100-0005, Japan

Independent Certified Public Accountants:

Shin Nihon & Co.

Breakdown of Shareholders:



Major Shaareholders:

ITOCHU ENEX Co., LTD.
The Yasuda Mutual Life Insurance Company
The Sumitomo Trust & Banking Co., Ltd.
Sumitomo Mitsui Banking Corporation
The Fuji Bank, Limited

Annuai Meeting of Shareholders:

The annual meeting of shareholders of the Company is normally held in June each year in Tokyo.

As of March 31, 2002

SINANEN CO.,LTD.
4-22, Kaigan 1-chome,
Minato-ku,Tokyo
105-8525, Japan
Tel : (03)5470-7104
Fax: (03)5470-7140
http://www.sinanen.com

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