

Consolidated Financial Results

* Any fractional sums less than one millions yen are disregarded.

1. Results of Operation

Years ended October 31	2000		1999	
	Millions of yen	Change from the previous year	Millions of yen	Change from the previous year
Sales	50,400	13.0%	44,596	-7.9%
Operating income	1,675	49.5%	1,120	-20.6%
Recurring profit	1,668	46.3%	1,140	0.6%
Net income	706	40.4%	503	0.3%
Net income per share	¥64.67		¥45.82	
Return on equity	5.8%		4.3%	
Return on assets	5.5%		4.0%	
Recurring profit/sales	3.3%		2.6%	

Note: • Changes in accounting are none.
 • Unrealized gains on securities are ¥348 million and unrealized losses on derivative financial instruments and foreign currency transactions are ¥33 million for the year ended October 31, 2000.

2. Assets and Shareholder's Equity

October 31, 2000 and 1999	Millions of yen	
	2000	1999
Assets (A)	30,659	29,758
Shareholder's equity (B)	12,330	11,922
(B)/(A)	40.2%	40.1%
Shareholder's equity per share	¥1,170.69	¥1,085.56

3. Cash Flows

Years ended October 31	Millions of yen	
	2000	1999
Net cash provided by operating activities	1,347	
Net cash used in investing activities	403	
Net cash used in financing activities	903	
Consolidated cash, April 30, 2000	3,527	

4. Consolidation and Application of the Equity Method

- Subsidiaries whose accounts are consolidated are 4 (Meikyo Seisakusho Co., Ltd., Tomoe Machinery Service Co., Ltd., Interstella Co., Ltd., Shenzhen Stella Plastics Co., Ltd.).
- Subsidiaries whose account are not consolidated are 2 (the equity-method subsidiaries are none).
- Affiliated company is 1 (the equity-method affiliated is none).
- Changes in consolidation and application of the equity method are none.

5. Prospects for the Year ending October 31, 2001

Years ended October 31	Millions of yen	
	6 months ending April 30, 2001	The year ending October 31, 2001
Sales	27,400	53,860
Recurring profit	1,140	1,620
Net income	420	570

Note: We expect that consolidated net income per share for the year ending October 31, 2001 will be ¥54.11.

Tomoe Engineering and Companies

Tomoe Group consists of Tomoe Engineering, 6 subsidiaries and 1 affiliated company. Our group is mainly engaged in manufacture and sale of centrifuges, trading of chemical products and the business related to them.

Business activities of our group are divided into 3 main categories. “Business Segments” discussed in a later section of this report is based on following business activity segments. Since “Other Business Activities” involve no consolidated subsidiary, “Business Segments” do not include figures related to their activities.

Machinery manufacture & sale:

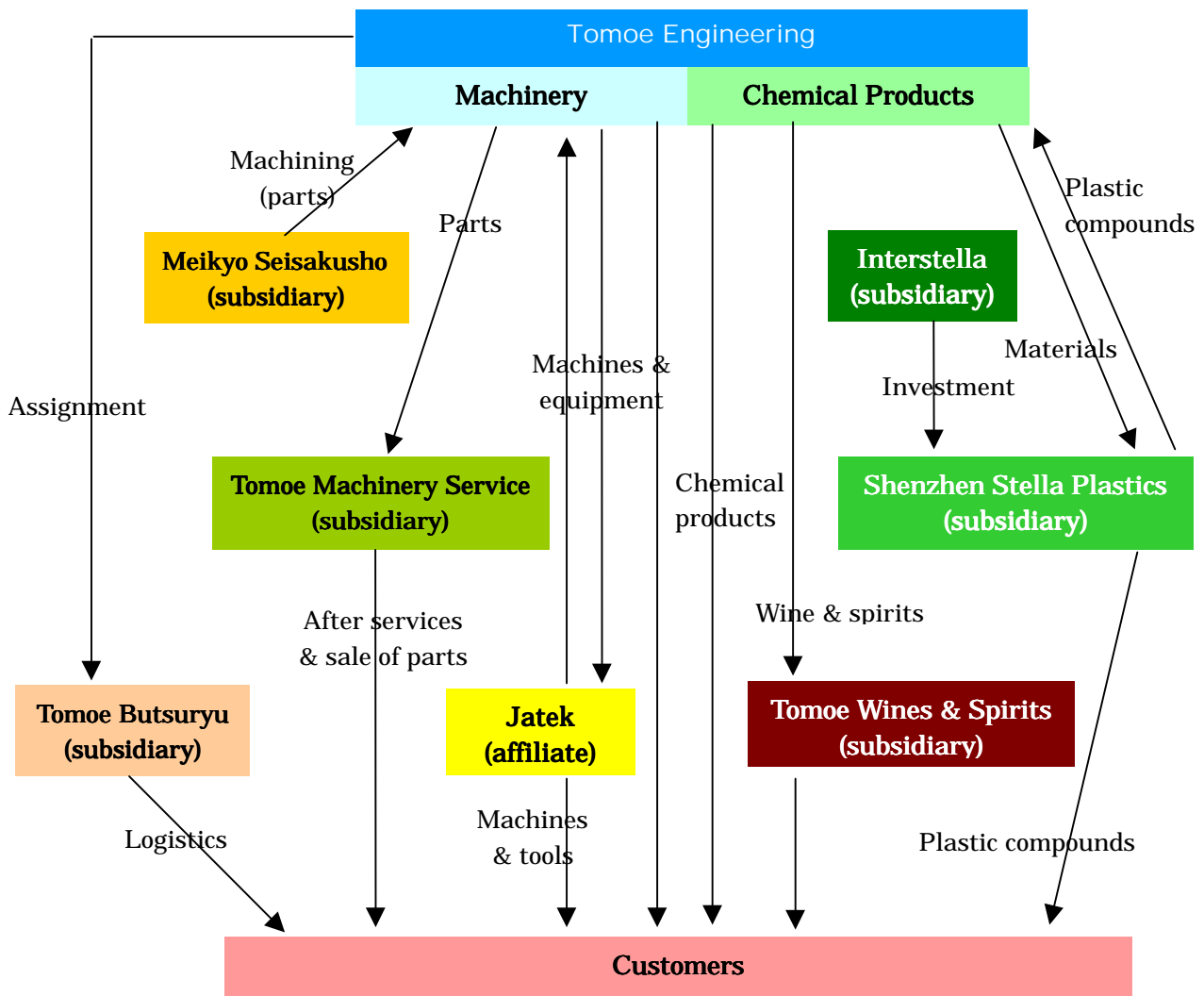
Tomoe Engineering manufactures and sells centrifuges. Tomoe Machinery Service provides after-services for the installed centrifuges and sells related parts. Meikyo Seisakusho machines, plates and grinds centrifuge parts as well as assembles small sized centrifuges. Jatek sells fluid discharge equipment and special tools for automobile maintenance services.

Chemical product trading:

Shenzhen Stella Plastics is engaged in coloring and compounding of plastic materials. Tomoe Engineering supplies them with plastic materials and buys back a part of their products. Interstella was established for a purpose of investment in Shenzhen Stella Plastics and Tomoe Engineering owns a 72.3% capital of Interstella. Tomoe Wines & Spirits sells wines and spirits imported by Tomoe Engineering.

Other businesses:

Tomoe Butsuryu ships products and commodities and manages their inventory.



Management Policies

1. Basic Management Goals

Tomoe Engineering's basic goals are to grow and develop the company's operations with creative mind, contribute to society providing the products of advanced technology and high quality, and help people who are working for Tomoe Engineering and its subsidiaries and affiliates to realize their affluent life in future.

2. Basic Policy regarding the Appropriation of Retained Earnings

Since one of our important management goals is to distribute company's earnings to shareholders, our basic dividend policy is based on proportional appropriation of earnings for the dividends. At the same time dividends are determined so that the company can maintain their stable payment and increase retained earnings to invest in improvement and strengthening of an operational foundation as well as in development of new products and prepare for future operational development.

3. Three Year Strategy

Tomoe Engineering and its subsidiaries and affiliates are operated based on the three-year management plan which started in November 1998. Its main objective is to achieve recurring profit constantly more than ¥2 billion.

In order to achieve the above objective, Tomoe Engineering is driving to strengthen core businesses and expand operations in the growing markets. Operating groups are implementing the following practical strategies.

Machinery & Equipment Division is developing new applications of the centrifuge (their main product), such as treatment of waste plastic materials, and promoting sale of centrifuges in China and Southeast Asia. Also this division is marketing new machinery and equipment, separating machines other than centrifuges: for example, "the rainwater screen" that removes floating objects in wastewater before it overflows into rivers in rainstorm and "the grinder" that grinds large screenings in wastewater and effluent.

Also this division started sale of the system that carbonizes domestic waste sludge, livestock waste sludge and beer grain waste, without incinerating them, to reuse them efficiently.

Chemical Product Division is implementing the following strategies that were set by product groups.

Plastic Products:

The division is creating sales channels in the domestic market for new products such as biodegradable plastics and corrosion preventive films. Also they established the representative office in Shenzhen to strengthen a distribution channel to Japanese makers in Hong Kong and Shenzhen, and plan to increase production facilities of the subsidiary who colors and compounds plastics.

Inorganic Chemical Products:

The division is striving to find out new customers who apply ceramic heaters and aluminum foams to semiconductor manufacturing equipment, products related to rapidly growing information technology, and marketing new products—such as Nanosensor, niche and highly value-added equipment for an extremely fine optical microscope—communicating closely with foreign suppliers.

Other Products:

The division participated into the domestic trade shows actively to promote sale of chip bonding tools and expanded the technology development laboratory to provide with customers technical services more extensively.

Also the division increases manpower of offices in Hong Kong and Shenzhen to strengthen the chip packaging business in Shenzhen, China and is vigorously increasing investments in the chip packaging sub-contractor in China.

4. Management Goals

Uncertain economic situations will continue further. Because, although Japanese economy is

recovering, personal consumption remains still stagnant and there are some fears for stagnation of Japanese corporate stock prices, a decline of US economy and a rise of oil prices.

In these situations Tomoe Engineering will make decisions more promptly to respond to quick changes of economic environment, launch new products that meet the user's needs into the markets and reduce costs and expenses by streamlining the workflow of all departments. Through these actions we will strive to strengthen the operational constitution, the operational foundation and profitability.

Activities and Results

1. Outlook of Fiscal 2000

(1) Operating Highlights

In fiscal 2000, ended October 31, 2000, Japanese economy was on a slow recovery trend but failed to take a course of self-sustaining full-scale recovery. Though corporate earnings showed some improvements and capital expenditures—mainly in the information technology industry—were recovered, personal consumption did not rise.

In this circumstances sales of **Machinery & Equipment Division** increased 6.4% to ¥14,305 million. In the domestic market, sales of equipment for treatment of effluent and waste materials in the private sector increased and sales related to wastewater treatment in the public sector continued to grow. Further, in the overseas market, sales in the Asian market increased owing to a recovery of the Asian economy.

Sales of **Chemical Product Division** grew 15.9% to ¥36,094 million. Sales of electronic and ceramic materials increased steadily in the domestic market and sales of products related to the chip packaging industry grew significantly in the foreign market.

Overall, net sales of Fiscal 2000 increased 13.0% to ¥50,400 million, recurring profit rose 46.3% to ¥1,668 million and net income increased 40.4% to ¥706 million.

(2) Cash Flows

In fiscal 2000, ended October 31, 2000, the company's consolidated cash position increased ¥55 million from that in fiscal 1999 to ¥3,527 million. Though income before taxes and other adjustments increased 15.9% to ¥1,313 million, its portion was offset by acquisition of properties and repurchase of company's own shares.

In fiscal 2000 net cash provided by operating activities was ¥1,347 million, which was primarily resulted from net income before taxes amounting to ¥1,313 million, and various depreciation and amortization.

Net cash used in investment activities was ¥403 million, mainly for acquisition of properties.

Net cash used in financing activities was ¥903 million, primarily for repurchase of the company's own shares.

Details of operating, investment and financing activities in fiscal 1999 were not reported in the consolidated statement of cash flows, as the report was adopted in fiscal 2000 at the first time.

2. Outlook for Fiscal 2001

Japanese economic circumstances in the coming year will be still unpredictable. Though capital expenditures—especially in the information technology related industries—and other fundamental economic figures are on the recovery trend, personal consumption has not recovered yet. Further, there are some fears for stagnation of domestic corporate stock prices, a decline of US economy and a rise of oil prices.

In these circumstances we expect a 6.9% increase of sales to ¥53,860 million for the year ending October 31, 2001. However, recurring profit will drop 2.9% to ¥1,620 million and net income will decrease 19.3% to ¥570 million owing to amortization of the unfunded company's obligations to the tax exempt contributory pension plan.

We expect an 11.9% increase of sales in chemical product trading, in which sales of information technology related products will continue to grow. However, sales of machinery and equipment will decrease 6.3%, because the significant drop of public sector's demand is expected owing to the decrease of the public works.

Consolidated Financial Statements

Balance Sheets

October 31, 2000 and 1999

Assets	Thousands of yen			
	2000	Ratio	1999	Ratio
Current assets				
Cash and deposits	3,627,726		3,571,844	
Receivables-trade	14,551,897		14,599,459	
Inventories	6,026,235		5,468,216	
Deferred tax assets	333,396			
Other current assets	332,114		340,677	
Allowance for doubtful receivables	(121,522)		(124,056)	
Total current assets	24,749,849	80.7%	23,856,140	80.2%
Fixed assets				
Tangible fixed assets				
Buildings	2,020,969		1,935,342	
Accumulated depreciation	(823,496)		(745,811)	
Net	1,197,472		1,189,531	
Machinery, equipment & vehicles	3,410,779		3,311,178	
Accumulated depreciation	(2,399,775)		(2,100,321)	
Net	1,011,004		1,210,857	
Land	1,063,900		1,063,900	
Other fixed assets	906,971		921,503	
Accumulated depreciation	(779,503)		(765,771)	
Net	127,468		155,732	
Total tangible fixed assets	3,399,846	11.1%	3,620,021	12.1%
Intangible fixed assets	189,184	0.6%	177,482	0.6%
Investments and others				
Investments in securities	804,981		827,168	
Guarantee deposits	734,777		751,979	
Deferred tax assets	125,617			
Other investments	497,996		446,097	
Allowance for doubtful receivables	(51,018)		(128,580)	
Total investment and others	2,112,354	6.9%	1,896,665	6.4%
Total fixed assets	5,701,385	18.6%	5,694,168	19.1%
Foreign currency Translation adjustments	208,380	0.7%	208,314	0.7%
Total Assets	30,659,615	100.0%	29,758,623	100.0%

Liabilities and Shareholder's Equity	Thousands of yen			
	2000	Ratio	1999	Ratio
Current liabilities				
Payable-trade	11,019,285		10,694,904	
Short-term debt	2,563,906		2,896,897	
Account payable-others	584,389		565,864	
Accrued income tax	506,044		225,298	
Advances from customers	324,308		253,032	
Accrued employee's bonuses	706,845		579,678	
Other current liabilities	318,757		327,709	
Total current liabilities	16,023,537	52.3%	15,543,385	52.2%
Long-term liabilities				
Long-term debt	1,628,598		1,701,019	
Retirement allowances	21,367		19,896	
Officer's retirement allowance	265,030		227,720	
Total long-term liabilities	1,914,995	6.2%	1,948,635	6.5%
Total liabilities	17,938,533	58.5%	17,492,021	58.7%
Minority interests	390,825	1.3%	343,974	1.2%
Shareholder's equity				
Common stock	1,061,210	3.5%	1,061,210	3.6%
Capital surplus	1,483,410	4.8%	1,483,410	5.0%
Retained earnings	9,786,202	31.9%	9,378,201	31.5%
Total	12,330,822	40.2%	11,922,821	40.1%
Issued shares reacquired	(566)	0.0%	(193)	0.0%
Total shareholder's equity	12,330,256	40.2%	11,922,627	40.1%
Total	30,659,615	100.0%	29,758,623	100.0%

Statements of Consolidated Income and Retained Earnings

Years ended October 31, 2000 and 1999

Thousands of yen

	2000	Ratio	1999	Ratio
Net sales	50,400,087	100.0%	44,596,690	100.0%
Cost of sales	42,412,564	84.2%	37,472,845	84.0%
Gross profit	7,987,523	15.8%	7,123,844	16.0%
Selling, general and administrative	6,311,986	12.5%	6,003,443	13.5%
Operating income	1,675,536	3.3%	1,120,400	2.5%
Other income				
Interests	26,546		26,865	
Dividends	46,527		23,861	
Rents	4,736		866	
Revenue from joint R & D	0		20,063	
Allowance for doubtful receivables in excess of the uncollectable	0		43,361	
Foreign exchange gains	41,967		47,235	
Sundry	40,819		44,499	
Other income total	160,597	0.3%	206,752	0.4%
Other expenses				
Interests	151,625		175,707	
Sundry	16,221		11,305	
Other expense total	167,846	0.3%	187,012	0.4%
Recurring profit	1,668,287	3.3%	1,140,140	2.5%
Extraordinary losses				
Losses on marketable securities			7,298	
Loss on property and equipment	132,641			
Pension liability adjustments	222,609			
Extraordinary losses total	355,251	0.7%	7,298	0.0%
Income before income taxes	1,313,035	2.6%	1,132,842	2.5%
Income tax	804,726	1.6%	574,162	1.3%
Deferred income tax	(243,727)	(0.5%)		
Gains to minority interests	45,654	0.1%	55,411	0.1%
Total				
Income from consolidated operations	706,382	1.4%	503,267	1.1%
Retained earnings:				
Balance, beginning of year				
Retained earnings	9,378,201		8,867,006	
Retained earnings-other reserve			170,000	
Retained earnings-legal reserve			170,000	
Net income	706,382		503,267	
Deferred income taxes	215,286			
Total	10,299,869		9,540,274	
Deduct:				
Cash dividend paid	142,777		142,773	
Officer's bonuses	15,390		19,300	
Retirement of reacquired shares of stock	355,500			
Total	513,667		162,073	
Balance, end of year	9,786,202		9,378,201	

Statements of Consolidated Cash Flows

Years ended October 31, 2000

Thousands of yen

Operating activities:	
Net income	1,313,035
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	422,393
Increase in accrued employee's bonuses	127,167
Increase in retirement allowances	38,780
Decrease in allowances for doubtful receivables	(80,096)
Loss on marketable securities and investments	13,741
Interest and dividend income	(73,073)
Interest expense	151,625
Loss (gain) on foreign exchanges	(34,995)
Loss on property and equipment	132,641
Decrease in account receivables	126,231
Increase in inventories	(558,019)
Increase in account payables	264,593
Increase in account payable-others	18,525
Increase in advances from customers	71,275
Increase in accrued consumption tax	73,835
Officer's bonuses	(15,390)
Others	(31,405)
Sub total	<u>1,960,866</u>
Interests and dividends received	71,047
Interest paid	(160,820)
Income tax paid	(523,980)
Net cash provided by operating activities	<u>1,347,112</u>
Investing activities	
Increase in time deposits	(100,000)
Decrease in time deposits	100,000
Acquisition of marketable securities	(24,379)
Proceeds from sales of investments	30,000
Acquisition of investments	(21,553)
Expenditures for properties and equipment	(337,349)
Collection of loans receivable	(143,022)
Decrease in other investments	93,018
Net cash used in investing activities	<u>(403,288)</u>
Financing activities:	
Decrease in short-term debt	(332,991)
Repayment of long-term debt	(72,420)
Reacquisition of issued shares of stocks	(355,500)
Cash dividends paid	(142,777)
Net cash used in financing activities	<u>(903,689)</u>
Cash and cash equivalents	
Effect of exchange rate changes	15,746
Increase in cash and cash equivalent	55,882
Cash and cash equivalents at the beginning of year	<u>3,471,844</u>
Cash and cash equivalents at end of year	<u>3,527,726</u>

Basis of Financial Statements and Summary of Significant Accounting Policies

Significant accounting policies applied in the preparation of the financial statements are summarized below:

Consolidation

(1) Consolidated subsidiaries

Consolidated subsidiaries are Meikyo Seisakusho Co., Ltd., Tomoe Machinery Service Co., Ltd., Interstella Co. Ltd. and Shenzhen Stella Plastics Co., Ltd. And unconsolidated subsidiaries are Tomoe Butsuryu Co., Ltd., and Tomoe Wines & Spirits Co., Ltd. All shares of Akashi Mannequin Co. Ltd. were sold off. The above unconsolidated subsidiaries are small in size and their aggregated assets, sales, incomes and reserves make no significant contributions to those of the parent company.

(2) Equity-method subsidiaries and affiliates

Subsidiaries and affiliated companies whose accounts are consolidated by the equity method are none. Main subsidiaries and affiliated companies are Tomoe Butsuryu Co., Ltd., Tomoe Wines & Spirits Co., Ltd. and Jatek Co., Ltd. The investments in these companies are stated at cost, since they make no significant contributions to consolidated earnings and reserves as well as to the general consolidated financial standings.

(3) Fiscal periods of consolidated subsidiaries

Accounts of Interstella Co., Ltd. and Shenzhen Stella Plastics Co., Ltd., whose fiscal period ends on December 31, 2000, are closed temporarily on September 30, 2000, and necessary adjustments are made on their transactions from October 1, 2000 to the date of consolidation.

Significant Accounting Policies

(1) Marketable securities and other investments

Marketable securities are stated at the lower of cost or market on the moving average basis (the wash-again method) and other securities are stated at cost on the moving average basis

(2) Inventories

Commodities are stated principally at cost on the moving average basis (specific commodities are stated at cost on the specific identification basis). Finished products and work in process are stated at cost on the specific identification basis. Raw materials are stated at cost by the first-in, first-out method. Consumables are stated by the last purchase price method.

(3) Depreciation

Depreciation of "tangible fixed assets" is computed principally under the declining-balance method specified in the Japanese corporate tax law. However, the straight-line method is applied to buildings (excluding attached facilities) acquired after April 1, 1998.

The petty-sum depreciable assets in acquired amounts of ¥100–200 thousand are included in the assets and depreciated evenly in 3 years.

Assets of Shenzhen Stella Plastics Co., Ltd. are computed under the declining-balance method.

Depreciation of "intangible fixed assets" is computed under the straight-line method specified in the Japanese corporate tax law. However, company's internal-use software is computed under the straight line method based on estimated useful life (5 years).

(4) Allowances

"Allowance for doubtful receivables" is established in amounts considered to be impaired in the receivables outstanding at the end of the fiscal term. It consists of the amounts estimated based upon an evaluation of potential losses in the receivables regardless of the limit, to which tax exemption is applicable under the corporate tax law.

"Accrued employee's bonuses" are established in the amount considered to be payable to employees, as bonuses, within the fiscal term under the company's pay-roll policy.

"Retirement allowances" mainly consist of the reserve in the amount equivalent to 40% of a total amount payable to employees assuming that all of them are retiring from subsidiaries

voluntarily on October 31, 2000. These allowances also include the reserve for a possible maximum amount payable to local employees employed at our Seoul branch office as of October 31, 2000 in accordance with the Korean Labor Law.

“Officer’s retirement allowance” is established in the possible maximum amounts of grants payable to the officers as of October 31, 2000 in accordance with the company’s by-law.

(5) Lease

Finance lease transactions are treated in accordance with the generally accepted accounting method for the ordinary lease transactions, except for the case in which ownership to property is considered that it is transferred to the lessee under lease agreement.

(6) Pension plan

Company and subsidiaries have contributory benefit pension plans. The prior service cost is amortized over 4 years and a half. A fair value of plan assets at October 31, 2000 amounts to ¥1,859,585 thousand.

Though amortization of the prior service cost had been based upon the 10% straight-line method (the funding period over 12 years and 9 months), it has been changed to the 50% declining-balance method (the funding period over 4 years and half) since May 1, 2000. This change increases the contribution amount by ¥222,609 thousand and it is stated as “pension plan liability adjustments” in the “extraordinary losses” account.

(7) Consumption tax

The consumption taxes are separately stated with no inclusion to goods and services imposed.

(8) Assets and liabilities of consolidated subsidiaries

Assets and liabilities of consolidated subsidiaries are all valued at market.

(9) Differences between acquisition cost and the underlying net equity

Differences between acquisition cost and the underlying net equity at the time of acquisition were charged or credited to income at the end of the fiscal year.

(10) Retained earnings

Consolidated statements of income and appropriation of retained earnings are reported based on earnings appropriated by the consolidated subsidiaries during the fiscal term of the parent company.

(11) Cash and cash equivalents

Cash and cash equivalents stated in statements of consolidated cash flow consist of cash in hand, the readily withdrawable deposits and the short term investments of maturity within 3 months, which are easily cashable and run low risks against fluctuation of prices.

(12) Deferment of corporate taxes

Deferred income taxes are provided for difference between tax and financial recognition of income and expenses since this fiscal term. By this change “income from consolidated operations” and “consolidated retained earnings” within this fiscal term increased by ¥243 million and ¥459 million respectively, compared with figures those would have been if tax allocation were not applied. Further, the deferred tax assets are stated in the amount of ¥459 million newly (¥333 million in current assets and ¥125 million in fixed assets).

(13) Software

Internal-use software is included in “intangible fixed assets” in the balance sheets in fiscal 2000. The account was changed from “other investments” of “investments and others” in accordance with the guidance of Accounting Standards Committee of Japan State Board of Public Accountancy (Report No.12 issued on March 31, 1999). Depreciation is computed under the straight-line method based on the estimated useful lives (5 years).

Notes to Consolidated Financial Statements

Balance Sheets

(1) Investments in non-consolidated and affiliated companies

The following items in balance sheets are related to non-consolidated and affiliated companies.

October 31, 2000 and 1999	Thousands of yen	
	2000	1999
Investments in securities (capital stocks)	61,100	91,100

(2) Pledged Assets

At October 31, 2000 the following assets were pledged as collateral for certain liabilities of the company.

Collateral		Liabilities which they relate	
		Thousands of yen	
Investment securities:	177,803	Long-term debt	120,000
		Accounts receivable	341,928

(3) Contingent Liabilities

Contingent liabilities at October 31, 2000 and 1999 are as follows.

October 31, 2000		October 31, 1999	
Thousands of yen		Thousands of yen	
Guarantees:		Guarantees:	
Banks (a)	67,185	Banks (a)	85,047
		Yamagata Asahi Electric (Shenzhen)	21,000
		Jatek	40,000
Notes discounted with banks(b)		Notes discounted with banks(b)	
Banks	3,799,099	Banks	3,207,312

(a) Tomoe Engineering guarantees indebtedness of employees who took mortgage loans in accordance with company's mortgage loan program.

(b) The above does not include the bills received from non-consolidated and affiliated companies.

Statements of Consolidated Income and Retained Earnings

The following expenses are included in "selling, general and administrative."

Years ended October 31	Thousand of yen	
	2000	1999
Shipping & packaging costs:	595,949	538,591
Provision for doubtful receivables	15,780	
Provision for retirement allowance	1,810	1,219
Provision for officer's indemnities	37,310	36,480
Employee's pay-rolls	1,933,730	1,950,327
Provision for accrued employee's bonuses	446,369	348,482
Welfare expenses	412,487	404,646
Travel expenses	382,434	352,983
Depreciation	136,541	123,963
Rents	411,337	425,418
Other expenses	418,137	399,471

Expenses for research and development included in "selling, general and administrative" and manufacturing costs are ¥228,956 thousand.

Statements of Consolidated Cash Flow

Balances of cash and cash equivalents outstanding as of October 31, 2000 are as follows.

	<u>Thousand of yen</u>
Cash and deposits	3,627,726
Time deposits maturing after 3 months	<u>(100,000)</u>
Cash and cash equivalents	3,527,726

Finance Lease Transactions

Details of finance lease transactions other than those, in which ownership to properties is recognized that it was transferred to the lessees, are:

(1) Breakdown of outstanding balances (lessee)

October 31, 2000 and 1999	<u>Thousands of yen</u>	
	2000	1999
Machinery, equipment and vehicles		
Purchase prices portion	411,018	428,818
Accumulated depreciation portion	<u>244,867</u>	<u>180,737</u>
Outstanding net balance	166,150	248,080
Others		
Purchase prices portion	462,429	365,559
Accumulated depreciation portion	<u>242,017</u>	<u>155,432</u>
Outstanding net balance	<u>220,412</u>	<u>210,126</u>
Total	<u>386,562</u>	<u>458,207</u>

(2) Accrued rental expenses

Years ended October 31	<u>Thousands of yen</u>	
	2000	1999
Due in one year or less	184,071	170,204
Due after one year	<u>228,676</u>	<u>331,129</u>
Total	412,747	501,333

(3) Rental expenses paid

Years ended October 31	<u>Thousands of yen</u>	
	2000	1999
Rental expenses paid	196,982	184,442
Depreciation portion	155,887	162,162
Interest portion	16,701	21,632

(4) Computation of depreciation and interest portions

“Depreciation portion” is computed by the straight-line method estimating that each rental period is a useful life and each remaining value is zero.

“Interest portion” is computed by the interest method estimating that a difference between an aggregate rental fee amount and an assumed acquisition cost of each rental asset is an assumed interest amount.

Income Taxes

- (1) Significant components of deferred tax assets and liabilities as of October 31, 2000 are as follows.

	<u>Thousands of yen</u> <u>October 31, 2000</u>
Deferred Tax Assets:	
Accrued local business tax	43,265
Allowances for bonuses	133,692
Estimated losses on inventory	43,997
Depreciation	40,174
Accrued work expenses	31,232
Allowances for officer's bonuses	110,782
Allowance for doubtful receivables	21,886
Others	69,667
Total deferred tax assets	<u>494,699</u>
Deferred Tax Liabilities:	
Deferred income tax on gains on land sold	30,924
Others	4,760
Total deferred tax liabilities	<u>35,685</u>
Net deferred tax assets	<u>459,014</u>

- (2) A reconciliation of the combined statutory tax rates for the year ended October 31, 2000 to the effective rates of income taxes reflected in the accompanying statements of consolidated income is as follows:

Combined statutory income tax rate	41.8 %
Increases (decreases) in taxes resulting from:	
Expenses not deductible for tax purposes	3.8
Residential taxes (not proportional to the income amount)	1.1
Income not taxable	(1.3)
Others	(2.7)
Effective income tax rate	<u>42.7 %</u>

Segment Information

- (1) Operating Segment Information

Year ended October 31, 2000	Machinery & Equipment	Chemical Products	Total	<u>Thousands of yen</u>	
				Elimination & Other	Consolidated
Net sales					
External customers	14,305,245	36,094,841	50,400,087	0	50,400,087
Intersegment	0	0	0	0	0
Total	<u>14,305,245</u>	<u>36,094,841</u>	<u>50,400,087</u>	<u>0</u>	<u>50,400,087</u>
Operation costs	13,442,445	35,282,105	48,724,551	0	48,724,551
Operating income	862,800	812,736	1,675,536	0	1,675,536
Segment assets	10,446,260	14,339,289	24,785,550	5,874,065	30,659,615
Depreciation	301,368	217,135	518,504	0	518,504
Capital expenditures	236,313	115,629	351,942	0	351,942

Sales of Machinery & Equipment and Chemical Products to external customers outside Japan for the year ended October 31, 2000 are ¥2,443,750 thousand and ¥9,112,751 thousand respectively.

Year ended October 31, 1999	Machinery & Equipment	Chemical Products	Total	Thousands of yen	
				Elimination & Other	Consolidated
Net sales					
External customers	13,446,120	31,150,570	44,596,690	0	44,596,690
Intersegment	0	0	0	0	0
Total	13,446,120	31,150,570	44,596,690	0	44,596,690
Operation costs	12,724,554	30,751,736	43,476,290	0	43,476,290
Operating income	721,566	398,834	1,120,400	0	1,120,400
Segment assets	11,106,750	13,073,759	24,180,509	5,578,113	29,758,623
Depreciation	235,866	89,236	325,102	0	325,102
Capital expenditures	839,730	26,596	866,326	0	866,326

Note:

1. The companies' reportable operating segments consist of the following business groups.

Machinery & Equipment: Sale of centrifuges, separators and other machines.

Chemical Products: Sale of Chemical Products plastics, inorganic materials and other chemical products.

2. Total assets of "Elimination and Other" for the year ended October 31, 2000 are ¥5,874,065. They consist primarily of time deposits, securities and investments for financial activities.

(2) Geographic Area Information

Net sales which are attributed to areas based on the location of the assets producing revenues for years ended October 31, 2000 and 1999 were as follows:

Year ended October 31, 2000	Japan	Asia	Total	Thousands of yen	
				Elimination & Other	Consolidated
Net sales					
External customers	38,184,646	12,215,441	50,400,087	0	50,400,087
Intersegment	72,493	0	72,493	(72,493)	0
Total	38,257,139	12,215,441	50,472,580	(72,493)	50,400,087
Operation costs	36,989,384	11,804,802	48,794,186	(69,635)	48,724,551
Operating income	1,267,755	410,639	1,678,394	(2,857)	1,675,536
Identifiable assets	22,787,121	1,998,428	24,785,550	5,874,065	30,659,615

Year ended October 31, 1999	Japan	Asia	Total	Thousands of yen	
				Elimination & Other	Consolidated
Net sales					
External customers	36,228,443	8,368,247	44,596,690	0	44,596,690
Intersegment	200,041	0	200,041	(200,041)	0
Total	36,428,484	8,368,247	44,796,731	(200,041)	44,596,690
Operation costs	35,010,299	8,641,107	43,651,406	(175,116)	43,476,290
Operating income	1,418,185	(272,860)	1,145,325	(24,925)	1,120,400
Identifiable assets	22,690,539	1,489,970	24,180,509	5,578,113	29,758,623

Note:

Countries included in Asia are China, Korea, Taiwan and Indonesia.

Total Net Sales to External Customers Outside Japan for Years Ended October 31, 2000 and 1999.

Year ended	Thousands of yen		
	Asia	Other areas	Total
October 31, 2000			
Total net sales to external customers outside Japan	11,204,530	351,971	11,556,501
Consolidated total			50,400,087
Percentage of total net sales to external customers outside Japan out of consolidated total	22.2%	0.7%	22.9%
Year ended			
October 31, 1999			
Total net sales to external customers outside Japan	8,864,377	216,624	9,081,001
Consolidated total			44,596,690
Percentage of total net sales to external customers outside Japan out of consolidated total	19.9%	0.5%	20.4%

Note:

Each part consists primarily of the following countries and areas.

Asia: China, Korea, Taiwan and Indonesia

Other areas: North America and Europe

(4) Sales of Products Manufactured by the Companies for the Year Ended October 31, 2000

	Thousands of yen
Machinery & Equipment: Sales to external customers outside Japan	2,355,015
Total production	12,343,505

Note: 1. Amounts are stated in sold price.

2. The above amounts do not include consumption taxes.

(5) Orders Received for the Year Ended October 31, 2000

Operating segment	Thousands of yen	
	Orders received for the year	Orders in hand
Machinery & Equipment	9,723,449	5,770,272
*From external customers outside Japan	949,556	933,743

Securities

	Thousands of yen					
	October 31, 2000			October 31, 1999		
	Book value	Fair value	Unrealized gains/losses	Book value	Fair value	Unrealized gains/losses
Current assets						
Shares	32,992	39,730	6,738	33,444	55,732	22,287
Bonds	5,826	10,656	4,829	5,826	9,989	4,162
Others	11,428	9,580	(1,848)	11,428	10,842	(586)
Sub-total	50,246	59,966	9,719	50,699	76,563	25,863
Fixed assets						
Shares	556,691	895,109	338,418	550,979	1,160,890	609,911
Bonds						
Others						
Sub-total	556,691	895,109	338,418	550,979	1,160,890	609,911
Total	606,938	955,076	348,137	601,678	1,237,453	635,774

- Note: 1. Fair values of the above securities are determined in accordance with the following indications.
- Listed shares are valued mainly at closing prices on the Tokyo Stock Exchange. Treasury bonds are valued at indication prices publicized by the Japan Security Dealers Association.
 - Shares which are tradable in the over the counter market are valued at trading prices publicized by the Japan Security Dealers Association.
 - Governmental corporations' bonds (except for listed shares and shares tradable in the over the counter market) are valued at indication prices publicized by the Japan Security Dealers Association.
 - Security investment trusts are valued at standard prices.
 - Bonds other than the above are valued at the prices which are computed based on the over-the-counter indication prices for government corporation bonds publicized by the Japan Security Dealers Association and the remaining periods to redemption. The redemption date is assumed to be the date on which each type of bonds is mostly redeemed. Also it is assumed that the bond is redeemed in June or December.
2. Unrealized losses on repurchased shares at the October 31, 2000 are ¥38 thousand.
3. The following securities in the balance sheets are excluded from above information.

		Thousands of yen
		October 31, 2000
Current assets	Medium term government bond funds	83,736
Fixed Assets:	Unlisted shares excluding OTC shares	* 248,289
		* It includes shares of affiliates for 61,100

Derivative Financial Instruments and Foreign Currency Transactions

(1) Foreign Currency Transactions

		Thousands of yen		
		October 30, 2000		
		Carrying Amount	Estimated Fair Value	Gains & Losses
Forward Contracts				
Hedges against obligation				
	US dollars	24,875	25,520	644
	Others	2,474	2,458	(16)
Interest Rate Swaps				
	Contracts due after 1 year or more	1,120,000	(33,778)	(33,778)
	Total	1,147,350	(5,800)	(33,150)

- Note: 1. Estimated fair values are stated at values declared by the contract financial institutions.
2. The foreign financial assets hedged by the foreign exchange forward contracts are stated in the balance sheets in the amounts translated into Japanese yen at the contracts rates, as their yen equivalents at maturity are determined. Such foreign exchange forward contracts are excluded from above information.
3. Forward contracts due after 1 year or more were not outstanding as of October 31, 2000 and 1999.

Intercompany Transactions for the Year Ended October 31, 2000

(1) Parent company's transactions with companies' officers and major shareholders

Name & title	Residence	Relationship	Voting right	Transactions
Hideaki Fukuma, Director	Chofu, Tokyo	President, Tomoe Butsuryu	0.139%	See (2) Transactions with Tomoe Butsuryu

(2) Parent company's transactions with subsidiaries

Thousands of yen

Subsidiary and affiliates			Transactions with the subsidiary			
			Amounts for the year ended October 31, 2000		Outstanding balances at October 1, 2000	
Tomoe Butsuryu	Address:	Shinagawa, Tokyo	Sale to them	none	Accounts receivable	0
	Capital:	30,000	Assignment of machining	14,049	Accounts payable	13
	Line:	Transportation & warehousing	Assignment of logistics	479,328	Notes payable	64,368
	Voting right	100%	Office lease	866	Current assets	191
	Concurrent service	3 officers				
	Business relation	Assignment of the logistic process				
Tomoe Wines & Spirits	Address:	Chuoku, Tokyo	Sale to them	534,059	Accounts receivable	284,901
	Capital:	30,000	Purchase from them	none	Accounts payable	3,314
	Line:	Sale of imported wine & spirit	Gift purchase from them	4,549	Accounts payable	648
	Voting right	71.7%	Receipt of the proceeds	none	Customer's deposit	408
	Concurrent service	3 officers	Office lease	3,870	Current assets	153
	Business relation	Sale to the them				
Jatek	Address:	Kohokuku, Yokohama	Sale to them	10,378	Accounts receivable	
	Capital:	48,000	Purchase from them	587,939	Notes payable	180,761
	Line:	Manufacture of chemical machines and special tools				
	Voting right	28.6%				
	Concurrent service	2 officers				
	Business relation	Sale to and purchase from them				

* Annual transaction amounts do not include consumption taxes, while outstanding balances at the fiscal year end include them.

Trading terms:

1. The sale and purchase terms with subsidiaries and affiliates are same as the general trading terms with customers with whom the parent company has no capital relationship. Those terms are determined individually based on market prices.
2. Commissions for assignment and other trading terms with subsidiaries and affiliates are same as the general trading terms with customers with whom the parent company has no capital relationship. Those commissions and terms are determined individually based on market prices and reasonable costs.
3. Rents are determined based on trading prices at which the closest premises are traded.