

Consolidated Financial Results

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

1. Results of Operation

Years ended October 31	2001		2000	
	Millions of yen	Change from the previous year (%)	Millions of yen	Change from the previous year (%)
Sales	50,029	(0.7)	50,400	13.0
Operating income	764	(54.4)	1,675	49.5
Recurring profit	1,047	(37.2)	1,668	46.3
Net income	171	(75.7)	706	40.4
Net income per share	¥16.29		¥64.67	
Return on equity	1.4%		5.8%	
Return on assets	3.7%		5.5%	
Recurring profit/sales	2.1%		3.3%	

Notes: (1) The equity in net earnings of affiliated companies for the fiscal years ended October 2000 and 2001 were none.

(2) An average number of outstanding shares (consolidated) during the years ended October 31, 2001 and 2000 were 10,532,665 and 10,922,198 respectively.

(3) There is no change in accounting methods other than those altered by accounting standard regulations.

2. Assets and Shareholder's Equity

October 31, 2001 and 2000	Millions of yen	
	2001	2000
Assets (A)	25,842	30,659
Shareholder's equity (B)	12,256	12,330
(B)/(A)	47.4%	40.2%
Shareholder's equity per share	¥1,163.64	¥1,170.69

Note: A number of outstanding shares (consolidated) at October 2001 and 2000 were 10,533,094 and 10,532,444 respectively.

3. Cash Flows

Years ended October 31	Millions of yen	
	2001	2000
Net cash provided by operating activities	263	1,347
Net cash used in investing activities	252	403
Net cash used in financing activities	1,400	903
Consolidated cash and cash equivalent, October 31	2,233	3,527

4. Consolidation and Application of the Equity Method

Reportable subsidiaries, whose accounts were consolidated in Fiscal 2001, are 5.

One additional account of the subsidiary was consolidated in Fiscal 2001.

5. Prospects for the Year ending October 31, 2002

	Millions of yen	
	6 months ending April 30, 2002	The year ending October 31, 2002
Sales	24,690	47,290
Recurring profit	560	780
Net income	160	220

We expect that consolidated net income per share for the year ending October 31, 2002 will be ¥20.89.

Tomoe Engineering and Companies

Tomoe Group consists of Tomoe Engineering, 7 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 following 3 main categories. "Business Segments," which will be discussed in a later section, are based on following business activity segments. Since "Other Business Activities" involve no consolidated subsidiary, "Business Segments" do not include figures related to them.

Machinery manufacture & sale:

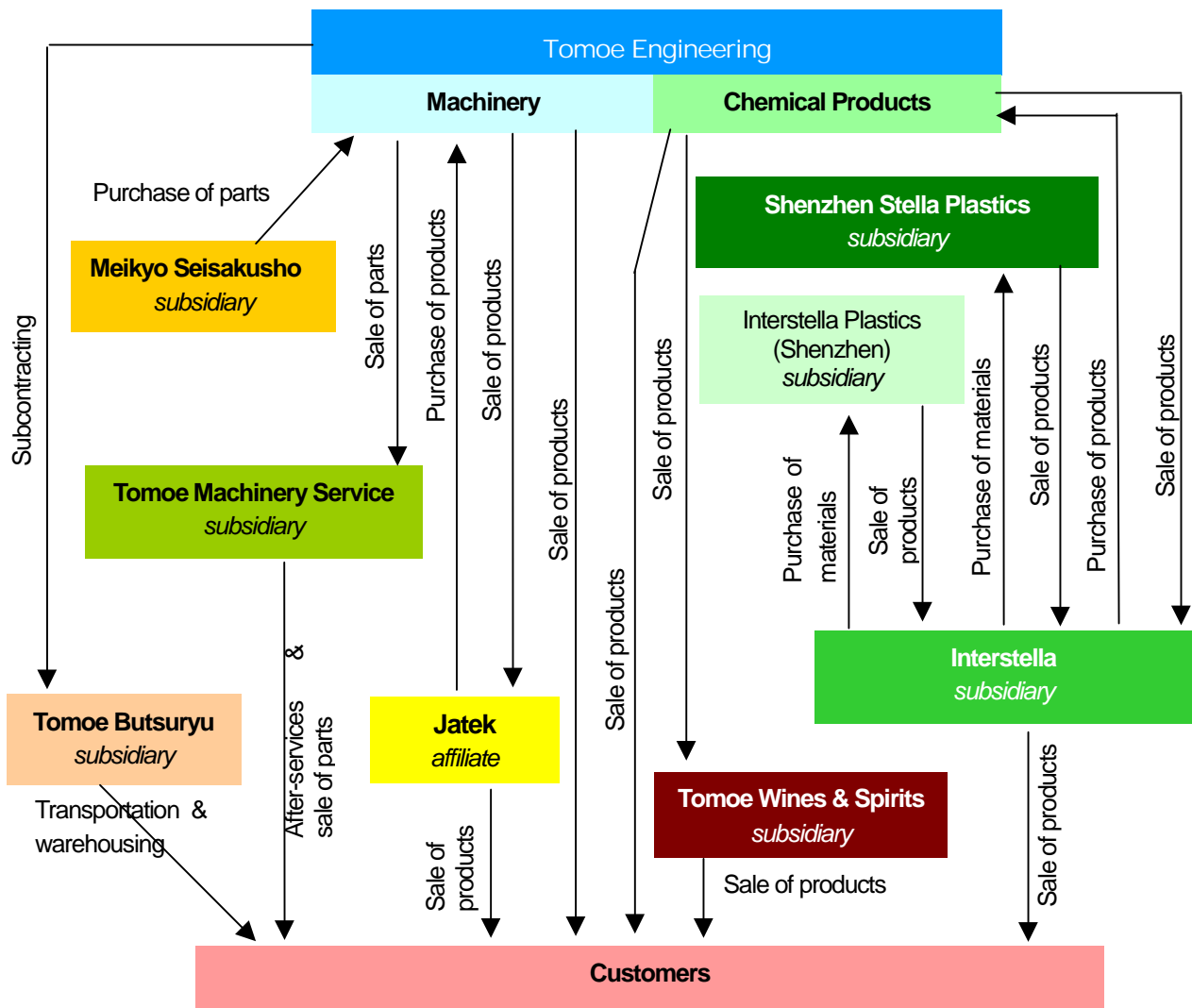
Tomoe Engineering manufactures and sells centrifuges. Tomoe Machinery Service provides centrifuge users with after-sales services and parts. Meikyo Seisakusho machines, plates and grinds centrifuge components. Jatek sells fluorocarbon recovery equipment and special tools for automobile maintenance services.

Chemical product trading:

Shenzhen Stella Plastics and Interstella Plastics (Shenzhen) are engaged in coloring and compounding of plastic materials. Interstella was established for a purpose of investment in Shenzhen Stella Plastics and Interstella Plastics (Shenzhen), who sell and buy products through Interstella. Tomoe Engineering supplies them with plastic materials and buys back a part of their products. Tomoe Wines & Spirits sells wines and spirits imported by Tomoe Engineering.

Other businesses:

Tomoe Butsuryu subcontracts to transport and warehouse products and commodities of the parent company.



Management Policies

1. Basic Management Goals

Tomoe Engineering's basic goals are to grow and develop operation taking the entrepreneurial and creative approaches, contribute to society providing the products of advanced technology and high quality, and help all people who work with and for Tomoe Engineering, as well as its subsidiaries and affiliates, to pave the way for their bright future.

2. Basic Policy Regarding the Appropriation of Retained Earnings

Since one of our important management goals is to distribute a fair share of company's earnings to shareholders, our basic dividend policy is based on proportional appropriation of earnings for the dividends. At the same time the amount of dividends is determined taking account of continuation of its stable payment and accumulation of retained earnings. The earnings are used for streamlining and reinforcement of the current business structure, invested in new product development programs, and saved for the future business plans.

3. Reduction of a face amount of the share

Tomoe Engineering recognizes that a reduction in investment price for one unit of shares is important in order to encourage circulation of our shares and to increase a number of shareholders. We will deliberate this issue.

4. Three Year Strategy

Tomoe Engineering, its subsidiaries and affiliates have been operated aiming at a constant growth of recurring profit to achieve ¥2 billion in Fiscal 2006. Taking the current economic uncertainty into account, we set forth an intermediate objective to achieve ¥1.65 billion recurring profit in October 2004. In order to achieve the objective we are striving for building sound and solid financial standing by slashing inventory and down-sizing the balance sheets.

Operating divisions are managed by means of the following basic strategies.

Machinery & Equipment Division:

- New applications of centrifuges and sales increase in foreign markets.
- Further product competitiveness by means of advanced technology and cost-reduction.
- Development and sales promotion of new products other than the centrifuge

Chemical Product Division

- Review of trading company's functions (value-added services with the engineering concept)
- Expansion of the business related to information technology
- Sales promotion of specialty products in niche business fields

5. Management Actions

Stagnation of the world economy will continue further depending on the US economy. The Japanese economy is still struggling against difficult problems, such as writing-off of bad loans of financial institutions, under heavy pressure of deflation and yet it will take substantial time further to get out of it.

Tomoe Engineering and companies will make a significant reduction in cost by streamlining the manufacturing systems in the field of Machinery division and increase profitability by developing highly value-added products that meet user's requirements in the field of Chemical division. We also make effort to slash inventories by way of reviewing order-placement procedures of all companies and increase cash-flow efficiency by way of improving the collection terms of receivables and cutting down liabilities in order to build the solid business organizations.

Activities and Results

1. Outlook of Fiscal 2001

(1) Operating Highlights

In the fiscal year ended October 31, 2001, Japanese economy was pushed back to recession further in spite of government's recovery programs. A drop in exportation owing to a slowdown in the US economy triggered off a sudden downturn of the information technology industry and plunge of stock prices, while consumer spending stayed low owing to weakness of employment. Furthermore, it was plunged into uncertainty toward to the end of Fiscal 2001, as a negative mood prevailed over the world economy due to the terrorist attacks in US.

In this environment sales of **Machinery & Equipment Division** decreased 14.9% to ¥12,173 million. In the domestic market, total sales in the private sector did not change, as new applications of the existing products and other efforts covered the decline in sales of general products. In the public sector, sales dropped significantly owing to a decline of the public investments. In the overseas market, sales did not grow due to weak demand.

Sales of **Chemical Products Division** grew 4.9% to ¥37,856 million. In the domestic market sales of inorganic material products increased steadily, though sales of plastic-related products decreased owing to relocation of domestic plants to overseas. In the foreign market sales of products related to the chip packaging industry grew significantly in the first fiscal half but plunged in the second half.

Overall, domestic net sales decreased 0.7% to ¥50,029 million, its recurring profit decreased 37.2% to ¥1,047 million and net income dropped 75.7% to ¥171 million owing to amortization of the unfunded companies' obligations to the tax exempt pension plan.

From the geographical viewpoint, domestic sales and operational income dropped 3.8% to ¥36,730 million and 68.3% to ¥400 million. Sales in the Asian market increased 8.9% to ¥13,298 million with help of a significant increase in sales of the chip-packaging related products in China but its operating income declined 11.5% to ¥363 million owing to building expenses of the new plant in Shenzhen.

(2) Cash Flows

In Fiscal 2001, ended October 31, 2001, the company's consolidated cash position decreased 36.7% (¥1,293 million) to ¥2,233 million.

Net cash provided by operating activities decreased 80.5% (¥1,084 million). It was primarily resulted from decrease in net income before taxes and trade payables, and increase in taxes.

Net cash used by investment activities increased 37.4% (¥150 million) to ¥252 million owing to capital expenditures on the plant of the consolidated subsidiary.

Net cash used in financing activities dropped 54.9% (¥496 million) due to repayments of the short-term loans.

2. Outlook for Fiscal 2002

The Japanese economy will stay stagnant further during Fiscal 2002 under uncertainty of the world economy.

In the circumstances we expect that the companies' total sales will decrease 5.5% to ¥47,290 million and recurring profit will drop 25.5% to ¥780 million. We expect a growth of income in the Machinery & Equipment segment, as an increase in export compensates a drop of demand in the public sector. However, sales in the Chemical Products segment decreases significantly.

Net income will increase 28.7% to ¥220 million in spite of a decrease in recurring profit, since extraordinary losses drop significantly owing to a decrease in an amount of the amortized unfunded companies' obligations to the tax-exempt pension plan.

Consolidated Financial Statements

Balance Sheets

October 31, 2001 and 2000	Thousands of yen		
Assets	2001	2000	Changes
Current assets			
Cash and deposits	2,333,955	3,627,726	(1,293,770)
Trade receivables	12,885,835	14,551,897	(1,666,062)
Inventories	4,591,607	6,026,235	(1,434,628)
Deferred tax assets	166,082	333,396	(167,313)
Other current assets	531,781	332,114	199,667
Allowance for doubtful receivables	(239,607)	(121,522)	(118,085)
Total current assets	20,269,655	24,749,849	(4,480,193)
Fixed assets			
Tangible fixed assets			
Buildings	2,055,818	2,020,969	
Accumulated depreciation	(916,204)	(823,496)	
Net	1,139,613	1,197,472	(57,859)
Machinery, equipment & vehicles	3,141,078	3,410,799	
Accumulated depreciation	(2,135,974)	(2,399,775)	
Net	1,005,104	1,011,004	(5,900)
Land	1,049,391	1,063,900	(14,509)
Other fixed assets	1,010,932	906,971	
Accumulated depreciation	(775,641)	(779,503)	
Net	235,290	127,468	107,822
Total tangible fixed assets	3,429,400	3,399,846	29,553
Intangible fixed assets	207,735	189,184	18,554
Investments and others			
Investments in securities (Notes 1, 2)	702,768	804,891	(102,213)
Guarantee deposits	606,286	734,777	(128,491)
Deferred tax assets	381,180	125,617	255,563
Other investments	381,796	497,996	(116,199)
Allowance for doubtful receivables	(136,801)	(51,018)	(85,782)
Total investment and others	1,935,230	2,112,354	(177,124)
Total fixed assets	5,572,370	5,701,385	(129,015)
Foreign currency translation adjustments	0	208,380	(208,380)
Total assets	25,842,025	30,659,615	(4,817,590)

Liabilities and Shareholder's Equity	Thousands of yen		
	2001	2000	Change
Current liabilities			
Payable-trade (Note 3)	8,699,783	11,019,285	(2,319,501)
Short-term debt (Note 4)	1,349,844	2,563,906	(1,214,061)
Account payable-others	581,333	584,389	(3,056)
Accrued income tax	40,288	506,044	(465,755)
Advances from customers	27,460	324,308	(296,848)
Accrued employee's bonuses		706,845	(706,845)
Other current liabilities	701,859	318,757	383,102
Total current liabilities	11,400,571	16,023,537	(4,622,966)
Long-term liabilities			
Long-term debt (Notes 3, 4)	1,593,227	1,628,598	(35,371)
Accrued pension and severance liabilities (Note 5)	51,012	21,367	29,645
Officer's retirement allowance	209,600	265,030	(55,430)
Total long-term liabilities	1,853,839	1,914,995	(61,155)
Total liabilities	13,254,411	17,938,533	(4,684,122)
Minority interests	330,917	390,825	(59,907)
Shareholder's equity			
Common stock	1,061,210	1,061,210	
Capital surplus	1,483,410	1,483,410	
Retained earnings	9,789,611	9,786,202	(3,408)
Unrealized gains and losses on marketable securities and investments	18,654		18,654
Foreign currency translation adjustment	(96,108)		(96,108)
Total	12,256,776	12,330,822	(74,045)
Issued shares reacquired	(79)	(566)	486
Total shareholder's equity	12,256,696	12,330,256	(73,559)
Total	25,842,025	30,659,615	(4,817,590)

Statements of Consolidated Income

Years ended October 31, 2001 and 2000

Thousands of yen

	2001	2000	Change
Net sales (Notes 6, 7)	50,029,576	50,400,087	(370,511)
Cost of sales	42,873,529	42,412,564	460,965
Gross profit	7,156,046	7,987,523	(831,476)
Selling, general and administrative (Notes 8, 9)	6,391,777	6,311,986	79,791
Operating income	764,268	1,675,536	(911,267)
Other income			
Interests	36,970	26,546	
Dividends	25,469	46,527	
Rents	10,939	4,736	
Foreign exchange gains	313,517	41,967	
Sundry	70,363	40,819	
Other income total	457,260	160,597	296,662
Other expenses			
Interests	104,334	151,625	
Discounts on bills of exchange	58,619		
Sundry	11,301	16,221	
Other expense total	174,255	167,846	6,409
Recurring profit	1,047,273	1,668,287	(621,013)
Extraordinary gains			
Gain on securities contributed to the employee retirement benefit trust	206,528		
Gains on property and equipment	15,789		
Provision for doubtful receivables	23,588		
Extraordinary gains total	245,906	0	245,906
Extraordinary losses			
Losses on property and equipment (Note 10)	12,703	132,641	
Contribution to the employee retirement benefit trust	440,754		
Amortization of unrecognized benefit obligation existing at transition	325,921		
Pension liability adjustment		222,609	
Others	106,867		
Extraordinary losses total	886,246	355,251	530,994
Income before income taxes	406,934	1,313,035	(906,101)
Income tax (Note 11)			
Current	341,305	804,726	
Deferred	(101,647)	(243,727)	
Income taxes total	239,657	560,998	(321,341)
Gains to minority interests	(4,343)	45,654	(49,998)
Income from consolidated operations	171,620	706,382	(534,762)

Consolidated Retained Earnings
 Years ended October 31, 2001 and 2000

Thousands of yen

	2001	2000	Change
Balance, beginning of year			
Retained earnings	9,786,202	9,378,201	
Net income	171,620	706,382	
Deferred income taxes		215,286	
Total	9,957,822	10,299,869	(342,047)
Deduct:			
Cash dividend paid	136,921	142,777	
Officer's bonuses	31,290	15,390	
Retirement of reacquired shares of stock	0	355,500	
Total	168,211	513,667	(345,455)
Balance, end of year	9,789,611	9,786,202	3,408

Statements of Consolidated Cash Flows

Years ended October 31, 2001 and 2000

Thousands of yen

	2001	2000	Change
Operating activities:			
Net income	406,934	1,313,035	(906,101)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	394,921	422,393	(27,472)
Increase (decrease) in accrued employee's bonuses	(706,845)	127,167	(834,013)
Increase (decrease) in accrued pension and severance liabilities	29,645	38,780	(9,135)
Decrease in officer's retirement allowance	(55,430)		(55,430)
Provision for doubtful receivables	203,868	(80,096)	283,964
Unrealized loss on investments	60,943	13,741	47,202
Interest and dividend income	(62,439)	(73,073)	10,634
Interest expense	104,334	151,625	(47,290)
Gain on foreign exchanges	(76,893)	(34,995)	(41,897)
Gain on securities contributed to the employee retirement benefit trust	(206,528)		(206,528)
Gain on property and equipment	(15,789)		(15,789)
Loss on property and equipment	12,703	132,641	(119,938)
Contribution to the employee retirement benefit trust	440,754		440,754
Other extraordinary loss	7,054		7,054
Decrease in trade receivables	1,633,983	126,231	1,507,751
(Increase) decrease in inventories	1,428,798	(558,019)	1,986,818
Increase (decrease) in account payables	(2,288,949)	264,593	(2,553,543)
Increase (decrease) in account payable-others	(23,310)	18,525	(41,835)
Increase (decrease) in advances from customers	(296,847)	71,275	(368,123)
Increase (decrease) in accrued consumption tax	(73,044)	73,835	(146,880)
Officer's bonuses	(31,290)	(15,390)	(15,900)
Others	338,489	(31,405)	369,894
Sub total	1,225,061	1,960,866	(735,805)
Interests and dividends received	62,655	71,047	(8,392)
Interest paid	(83,949)	(160,820)	76,870
Income tax paid	(940,698)	(523,980)	(416,717)
Net cash provided by operating activities	263,068	1,347,112	(1,084,044)
Investing activities			
Increase in time deposits	(100,000)	(100,000)	
Decrease in time deposits	100,000	100,000	
Acquisition of marketable securities		(24,379)	24,379
Proceeds from sales of investments	17,058	30,000	(12,941)
Acquisition of investments	(43,978)	(21,553)	(22,424)
Expenditures for properties and equipment	(412,975)	(337,349)	(75,625)
Proceeds from sales of properties and equipment	27,500		27,500
Expenditures for intangible fixed assets	(6,562)		(6,562)
Collection of loans receivable	90,264		90,264
Increase in loans receivable	(42,970)	(143,022)	100,052
Decrease in bad debts		78,290	(78,290)
Decrease in guarantee deposits	128,491	17,201	111,290
Decrease in other investments	(9,269)	(2,474)	(6,795)
Net cash provided by investing activities	(252,440)	(403,288)	150,847

Financing activities:			
Decrease in short-term debt	(1,174,091)	(332,991)	(841,100)
Repayment of long-term debt	(89,622)	(72,420)	(17,202)
Gain on sale of reacquired shares of stocks	1,498		1,498
Reacquisition of issued shares of stocks	(1,012)	(355,500)	354,487
Cash dividends paid	(136,921)	(142,777)	5,855
Net cash used in financing activities	<u>(1,400,148)</u>	<u>(903,689)</u>	<u>(496,459)</u>
Cash and cash equivalents (Note 14)			
Effect of exchange rate changes	95,750	15,746	80,003
Increase in cash and cash equivalent	(1,293,770)	55,882	(1,349,653)
Cash and cash equivalents at the beginning of year	3,527,726	3,471,844	55,882
Cash and cash equivalents at end of year	<u>2,233,955</u>	<u>3,527,726</u>	<u>(1,293,770)</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., Shenzhen Stella Plastics Co., Ltd., Interstella Plastics (Shenzhen) Co., Ltd. and Interstella Co., Ltd.

Interstella Plastics (Shenzhen) Co., Ltd. was established as the subsidiary 100% owned by Interstella Co., Ltd. and consolidated in Fiscal 2001.

And unconsolidated subsidiaries are Tomoe Butsuryu Co., Ltd., and Tomoe Wines & Spirits Co., Ltd. These unconsolidated subsidiaries are small in size and their aggregated assets, sales, incomes and reserves, and make no significant contributions to those of the parent company.

(2) Equity-method

None of accounts of subsidiaries and affiliated companies are accounted for by the equity method. Main subsidiaries and affiliated companies, whose accounts are not accounted for by the equity method, are Tomoe Butsuryu Co., Ltd., Tomoe Wines & Spirits Co., Ltd. and Jatek Ltd. The investments in these companies are stated at cost, since they make minimal contributions to consolidated earnings and reserves, or make no significant contributions to the general consolidated financial standings.

(3) Fiscal periods of consolidated subsidiaries

Accounts of Interstella Co., Ltd., Shenzhen Stella Plastics Co., Ltd. and Interstella Plastics (Shenzhen) Co., Ltd., whose fiscal term ends on December 31, 2001, are closed temporarily on September 30, 2001, and necessary adjustments are made on their transactions from October 1, 2001 to the date of consolidation.

Significant Accounting Policies

(1) Marketable securities and other investments

Marketable securities are stated at fair value at October 31, 2001 (unrealized gains and losses, which are computed at cost on the moving average basis, are included in the equity account). Other securities are stated at cost on the moving average basis.

The companies applied the market value accounting to the securities outstanding at October 31, 2001. It caused an increase of recurring profit and income before taxes by ¥34,580 thousand each. The companies also classified equity and debt securities into the available-for sale securities and held-to maturity securities. This classification caused a decrease in the current assets and an increase in the investments and others by ¥133,983 thousand each.

(2) Foreign currency transactions

Foreign currency receivables and payables are translated into Japanese yen at the respective year-end and resulting exchange gains and losses are recognized in earnings. This change decreased recurring profit and income before taxes by ¥9,200 thousand each. Further, "foreign currency translation adjustment," which was included in the assets of balance sheets at October 31, 2000, was included in "shareholders equity" at October 31, 2001.

(3) 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 works-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.

(4) Depreciation

Depreciation of "tangible fixed assets" is computed principally under the declining-balance method. However, the straight-line method is applied to buildings (excluding attached facilities) acquired after April 1, 1998. The buildings are amortized over their depreciable life of 5-47 years while equipment and vehicles are depreciated over 2-15 years.

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

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

- (5) Allowances
An allowance for doubtful receivables is established in amounts considered to be appropriate based on the company's past credit loss experience with regard to the general receivables outstanding and individual evaluation of potential loss with regard to the impaired receivables outstanding.
Officer's retirement allowance is established in the amounts of grants payable to the officers as of October 31, 2001 in accordance with the company's by-law.
"Accrued employee's bonuses" was included in "other current liabilities" at October 31, 2001 in accordance with the accounting guidance.
- (6) Derivative financial instruments
The companies are parties to derivative financial instruments, which are used in the normal course of business to reduce exposure to fluctuation in foreign exchange rates and interest rates. The companies enter into foreign exchange forward contracts and currency swap agreements to reduce exposure to fluctuation in foreign exchange rates associated with existing assets and obligations denominated in foreign currency. The companies also enter into the interest rate swap agreement to convert the floating rate debt to a fixed basis.
Assets and liabilities denominated in foreign currencies, whose cash flows are hedged by the forward exchange contracts or currency swap agreements, are translated into Japanese yen at their contract rates. The differences between their amounts on the financial statements and those translated at spot rates at acquisition dates of assets and liabilities are deferred and stated on the consolidated financial statements as the deferred gains or losses.
Paid or received interests on the debts or assets, whose cash flows have been hedged by the interest swap agreements, are stated in the net amounts, setting-off by the fixed-rate and floating-rate interest amounts.
The companies deal with selective domestic financial institutions to minimize the credit risk exposure of derivative financial instruments. Credit risk exposure of these financial instruments is controlled through credit approvals, limits and monitoring procedures based on the company credit policy. The company does not hold or use derivative financial instruments for speculation purposes.
- (7) Consumption tax
The consumption taxes are separately stated with no inclusion to goods and services imposed.
- (8) Assets and liabilities of consolidated subsidiaries
All the assets and liabilities of consolidated subsidiaries are valued at market.
- (9) 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.
- (10) 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.

Notes to Consolidated Financial Statements

1. Marketable Securities and Investments

The aggregate cost, gross unrealized holding gains and losses, and aggregate fair value for marketable equity securities and debt securities as available-for-sale security type at October 31, 2001 were as follows:

October 31, 2001	Cost	Fair value	Thousands of yen Unrealized holding gains
Appreciated marketable securities			
Shares	157,227	222,461	65,324
Bonds			
Treasury and municipal bonds	0	0	0
Corporate bonds	5,826	8,161	2,334
Other bonds	0	0	0
Other securities			0
Sub-total	163,053	230,622	67,569
Depreciated marketable securities			
Shares	217,198	165,284	(51,913)
Bonds			
Treasury and municipal bonds			
Corporate bonds			
Other bonds			
Other securities	11,428	7,342	(4,086)
Sub-total	228,626	172,626	(56,000)
Total	391,680	403,249	11,569

Investments other than investments in marketable equity securities and debt securities at October 31, 2001 were as follows:

	Thousands of yen Carrying value
Other securities	0
Unlisted securities (except for OTC market securities)	174,329
MMF	64,089
Total	238,418

Debt securities classified as held-to-maturity at October 31, 2001 mature as follows:

Contractual maturities:	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	Thousands of yen After 10 years
Bond				
Treasury and municipal bonds				
Corporate bonds		8,161		
Other bonds				
Other securities			7,342	
Total		8,161	7,342	

2. Investments in Non-consolidated and Affiliated Companies

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

At October 31	2001	Thousands of yen 2000
Investments in securities (capital stocks)	61,100	61,100

3. Pledged Assets

At October 31, 2001 and 2000 the following assets were pledged as collateral for certain liabilities of the Company.

At October 31		2001	Thousands of yen 2000
Collateral	Investment securities:	150,546	177,803
Related liabilities	Long-term debt	60,000	120,000
	Accounts payable	300,759	341,928

4. Short-term Borrowing and Long-term Debt

At October 31		2001	Weighted average interest rate	Thousands of yen 2000
Short-term bank loans		1,314,743	2.00%	2,488,564
Long-term debt maturing in 2002		35,371	1.95%	75,342
Long-term debt maturing in 2003-2007		1,593,227	2.42%	1,628,598
Total		<u>2,943,072</u>		<u>4,192,504</u>

The parent company maintained committed lines with Japanese banking syndicates totaling Japanese yen facility of ¥3,000 million at October 31, 2001 to finance daily operation. The unused committed lines were totaling ¥1,000 million at October 31, 2001.

Maturities of long-term debt (less current maturities) outstanding at October 31, 2001 were as follows:

At October 31, 2001	Thousands of yen
2003	35,401
2004	1,532,154
2004	11,652
2005	14,019
Total	<u>1,593,227</u>

Notes discounted with banks at October 31, 2001 were:

At October 31	2001	Thousands of yen 2000
Notes discounted with banks	3,329,643	3,799,099
(The above does not include the bills received from non-consolidated and affiliated companies.)		

5. Accrued Pension and Severance Indemnities

The companies have defined benefit pension plans covering substantially all employees other than directors. In the year ended October 31 2001, the companies applied the actuarial funding method to accounting of the pension and severance liabilities. Owing to this change recurring profit and income before taxes for the year ended October 31, 2001 decreased by ¥28,464 thousand and ¥261,220 thousand respectively.

Net periodic pension and severance cost for the year ended October 31, 2001 included the following components:

Year ending October 31	Thousands of yen
Service cost – benefits earned during the year	161,786
Interest cost on projected benefit obligation	87,056
Expected return on plan assets	(54,278)
Amortization of unrecognized net obligation at transition	325,921
Contribution to the employee benefit trust	440,754
Net periodic pension and severance cost	<u>961,239</u>

Benefit obligation existing at transition, amounting to ¥651,842 thousand, is supposed to be amortized in 2

years. The amount amortized for the year ended October 31, 2001 was stated in "extraordinary losses."

The following table sets forth the reconciliation of benefit obligation, plan assets and funded status of the plans:

At October 31, 2001	Thousands of yen
Projected benefit obligation at end of year	2,817,556
Fair values of plan assets at end of year	1,821,911
Fair value of the employee benefit trust funds at end of year	370,690
Fair values of plan assets at end of year	2,192,601
Funded status	624,955
Unrecognized net actuarial loss	(248,020)
Unrecognized net obligation at transition	(325,921)
Accrued pension liabilities	51,012

A discount rate of 3.0% and an expected long-term rate of return on plan assets of 3.0% were used in measuring pension obligation at October 31, 2001.

Owing to application of the actuarial funding method recurring profit and net income before taxes declined by ¥28,464 thousand and ¥261,220 thousand respectively.

6. Segment Information

The companies' reportable operating segments aggregated based on the nature of the products and other criteria into two product-wise reportable operating segments and two region-wise reportable operating segments.

Machinery & Equipment manufactures, sells and trades centrifuges, separators and other machines.

Chemical Products trades and sells plastics, inorganic materials and other chemical products.

Operating Segment Information

The companies' operating segment information for the years ended October 31, 2001 and 2000 were as follows:

Year ended October 31, 2001	Machinery & Equipment	Chemical Products	Total	Thousands of yen	
				Elimination & Other	Consolidated
Net sales					
External customers	12,173,518	37,856,058	50,029,576	0	50,029,576
Intersegment	0	0	0	0	0
Total	12,173,518	37,856,058	50,029,576	0	50,029,576
Operation costs	12,066,307	37,198,999	49,265,307	0	49,265,307
Operating income	107,210	657,058	764,268	0	764,268
Segment assets	9,074,440	12,498,398	21,572,838	4,269,186	25,842,025
Depreciation	266,537	128,383	394,921	0	394,921
Capital expenditures	159,116	260,420	419,537	0	419,537
Year ended October 31, 2000	Machinery & Equipment	Chemical Products	Total	Elimination & Other	Thousands of yen 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	14,305,245	36,094,841	50,400,087	0	50,400,087
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	121,024	422,393	0	422,393
Capital expenditures	236,313	115,629	351,942	0	351,942

Corporate assets that are not allocated to reportable segments (“elimination & other”) consist primarily of cash, time deposits, securities for financial and investments activities.

Geographic Area Information

Net sales, which are attributed to areas based on the locations of the assets producing revenues for years ended October 31, 2001 and 2000, were as follows:

Year ended October 31, 2001	Thousands of yen				
	Japan	Asia	Total	Elimination & Other	Consolidated
Net sales					
External customers	36,730,666	13,298,909	50,029,576	0	50,029,576
Intersegment	129,109	0	129,109	(129,109)	0
Total	36,859,776	13,298,909	50,158,685	(129,109)	50,029,576
Operation costs	36,407,947	12,935,347	49,343,295	(77,987)	49,265,307
Operating income	451,828	363,561	815,390	(51,121)	764,268
Identifiable assets	19,687,193	1,885,645	21,572,838	4,269,186	25,842,025

Year ended October 31, 2000	Thousands of yen				
	Japan	Asia	Total	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

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

Total net sales to external customers outside Japan for the years ended October 31, 2001 and 2000 were as follows:

Year ended October 31	2001			2000		
	Asia	Other areas	Total	Asia	Other areas	Total
Total net sales to external customers	13,725,344	362,513	14,087,857	11,204,530	351,971	11,556,501
Consolidated net sales	50,029,576			50,400,087		
Ratio to consolidated net sales	27.4%	0.7%	28.2%	22.2%	0.7%	22.9%

(The Asian area consists of primarily China, Korea, Taiwan and Indonesia. And other areas consist of mainly North America and Europe.)

7. Intercompany Transactions

Transactions between the parent company and subsidiaries for years ended October 31, 2001 and 2000 are as follows:

Subsidiary	Capital	Share-holding	Main businesses	Parent company's directors	Transaction with them	Thousands of yen	
						Annual transactions 2001	Annual transactions 2000
Tomoe Butsuryu	30,000	100%	Transportation and warehousing	3	Subcontract	546,633	479,328
Tomoe Wines & Spirits	30,000	71.7%	Distribution of wine and spirits	3	Sale of products	542,162	534,059

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

The trade and subcontract 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.

8. Selling, General and Administrative

Significant components of "selling, general and administrative" for the years ended October 31, 2001 and 2000 were as follows:

Years ended October 31, 2001 and 2000	Thousands of yen	
	2001	2000
Shipping & packaging costs:	598,135	595,949
Provision for doubtful receivables	224,144	15,780
Provision for retirement allowance	108,786	1,810
Provision for officer's indemnities	52,400	37,310
Employee's pay-rolls	1,912,318	1,933,730
Provision for accrued employee's bonuses	317,716	446,369
Welfare expenses	421,794	412,487
Travel expenses	358,509	382,434
Depreciation	121,464	136,541
Rents	422,748	411,337
Other expenses	382,558	418,137

9. Research and Development

Research and development costs were charged to expenses ("selling, general and administrative" and cost of sales) as incurred. They amounted to ¥196,924 thousand and ¥228,956 thousand for the years ended October 31, 2001 and 2000, respectively.

10. Loss on Property and Equipment

The companies assessed the potential impairment of long-lived assets. The following written-down amounts of these assets, which were included in "loss on property and equipment," were determined as the difference between the carrying value and the estimated fair value of them.

Years ended October 31, 2001 and 2000	Thousands of yen	
	2001	2000
Equipment and vehicles	12,057	125,503
Other assets	646	7,137
Total	12,703	132,641

11. Income Taxes

Significant components of deferred tax assets and liabilities as of October 31, 2001 and 2000 were as follows:

October 31, 2001 and 2000	2001	Thousands of yen 2000
Deferred Tax Assets:		
Accrued pension and severance liabilities	125,029	
Accrued local business tax		43,265
Allowances for bonuses	71,363	133,692
Estimated losses on inventory	40,818	43,997
Depreciation	23,572	40,174
Loss on marketable securities	36,982	
Accrued work expenses		31,232
Allowances for officer's bonuses	87,612	110,782
Allowance for doubtful receivables	126,914	21,886
Others	86,318	69,667
Total deferred tax assets	598,611	494,699
Deferred Tax Liabilities:		
Deferred income tax on gains on land sold	(29,192)	(30,924)
Gains on other securities	(13,397)	
Others	(8,756)	(4,760)
Total deferred tax liabilities	(51,347)	(35,685)
Net deferred tax assets	547,263	459,014

A reconciliation of the combined statutory tax rates for the year ended October 31, 2001 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	13.3
Residential taxes (not proportional to the income amount)	3.6
Income not taxable	(2.0)
Others	2.2
Effective income tax rate	58.9 %

12. Finance Leases

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.

Lessee

The companies lease machinery, equipment and other certain properties and sublease some of them further to the subcontractors.

Equivalent values of lease properties were estimated at October 2001 and 2000 as follows:

October 31, 2001 and 2000	2001	Thousands of yen 2000
Machinery, equipment and vehicles		
Purchase price equivalents	411,018	411,018
Accumulated depreciation equivalents	(331,860)	(244,867)
Net value equivalence	79,157	166,150
Others		
Purchase price equivalents	445,929	462,429
Accumulated depreciation equivalents	(265,514)	(242,017)
Net value equivalence	180,414	220,412
Total	259,572	386,562

Equivalent values of the subleased properties at October 2001 and 2000 were estimated at ¥67,884 thousand and ¥141,290 thousand respectively.

Accrued rental expenses outstanding at October 31, 2001 and 2000 were as follows:

	Thousands of yen	
	2001	2000
Due in one year or less	129,591	184,071
Due after one year	146,769	228,676
Total	276,361	412,747

Accrued rental expenses for the subleased properties outstanding at October 31, 2001 and 2000 were ¥67,884 thousand and ¥165,042 thousand respectively.

Rental expenses paid for the year ended October 31, 2001 and 2000 were as follows:

Years ended October 31	Thousands of yen	
	2001	2000
Rental expenses paid	190,061	196,982
Depreciation portion	183,943	155,887
Interest portion	20,613	16,701

Rental expenses paid for the subleased properties for the year ended October 31, 2001 and 2000 were ¥77,841 thousand and ¥87,119 thousand respectively.

The depreciation portion was computed by the straight-line method estimating that each rental period is a useful life and each remaining value is zero. The interest portion was 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.

13. Contingent Liabilities

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

At October 31, 2001 and 2000	Thousands of yen	
	2001	2000
Guarantees	53,464	67,185

14. Cash and Cash Equivalents

Relationship between "cash and deposits" in Balance Sheets and "cash and cash equivalents" of in Statements of Consolidated Cash Flows at October 31, 2001 and 2000 were as follows:

	Thousands of yen	
	2001	2000
Cash and deposits	2,333,955	3,627,726
Time deposits with contractual period more than 3 months	(100,000)	(100,000)
Cash and cash equivalents	2,233,955	3,527,726