

Consolidated Financial Results

* Any fractional sums less than one million (or one thousand) yen are disregarded.

1. Results of Operation

Years ended October 31	2002		2001	
	Millions of yen	Change from the previous year (%)	Millions of yen	Change from the previous year (%)
Sales	42,920	(14.2)	50,029	(0.7)
Operating income	835	9.3	764	(54.4)
Recurring profit	896	(14.4)	1,047	(37.2)
Net income	292	70.4	171	(75.7)
Net income per share	¥27.76		¥16.29	
Return on equity	2.4%		1.4%	
Return on assets	3.5%		3.7%	
Recurring profit/sales	2.1%		2.1%	

Notes: (1) The equities in net earnings of subsidiaries and the affiliated company for the fiscal years ended October 31, 2002 and 2001 were none.

(2) An average number of outstanding shares (consolidated) during the years ended October 31, 2002 and 2001 were 10,531,879 and 10,532,665 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, 2002 and 2001	2002	Millions of yen 2001
Assets (A)	24,845	25,842
Shareholder's equity (B)	12,399	12,256
(B)/(A)	49.9%	47.4%
Shareholder's equity per share	¥1,177.38	¥1,163.64

Note: A number of outstanding shares (consolidated) at October 2002 and 2001 were 10,531,394 and 10,533,094 respectively.

3. Cash Flows

Years ended October 31	2002	Millions of yen 2001
Net cash provided by operating activities	1,153	263
Net cash used in investing activities	174	252
Net cash used in financing activities	730	1,400
Consolidated cash and cash equivalent, October 31	2,494	2,233

4. Consolidation and Application of the Equity Method

Reportable subsidiaries, whose accounts were consolidated in Fiscal 2002, are 5.

5. Prospects for the Year ending October 31, 2003

	6 months ending April 30, 2003	Millions of yen The year ending October 31, 2003
Sales	21,280	41,620
Recurring profit	840	760
Net income	370	320

We expect that consolidated net income per share for the year ending October 31, 2003 will be ¥30.39.

Tomoe Engineering and Companies

Tomoe Group consists of Tomoe Engineering, its 7 subsidiaries and 1 affiliated company. Its group is mainly engaged in manufacture and distribution of centrifuges, trading of chemical products and the business related to them. Business activities of the 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 businesses" involve no consolidated subsidiary, "Business Segments" do not include figures related to them.

Machinery manufacture & distribution:

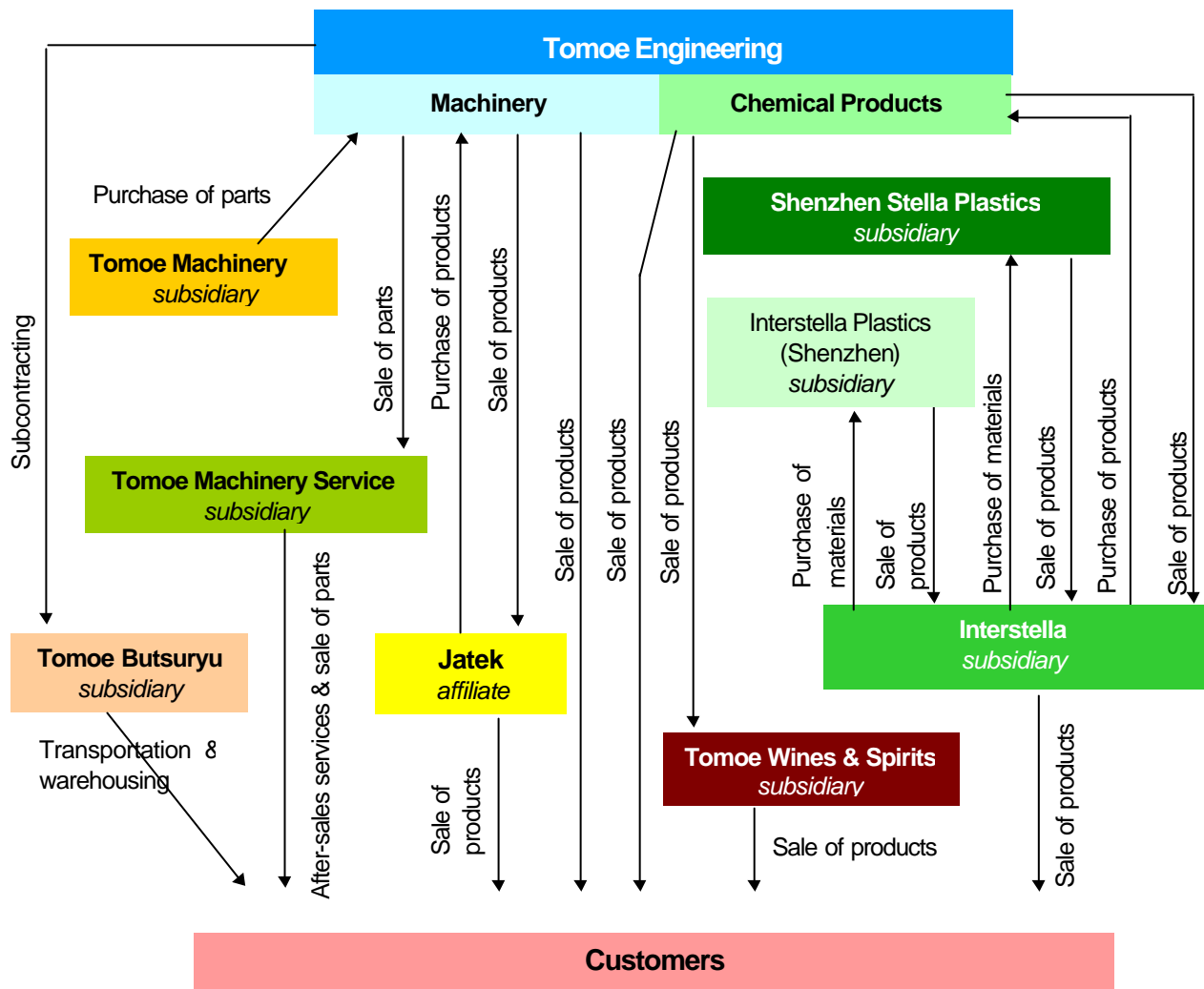
Tomoe Engineering manufactures and distributes centrifuges. Tomoe Machinery Service provides centrifuge users with after-sales services and parts. Tomoe Machinery, to which Meikyo Machinery changed its name effective on November 1, 2001, undertakes machining, sheet-metal processing and grinding of centrifuge components and building of the small sized centrifuges. Jatek supplies 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). Tomoe Engineering supplies them with plastic materials and buys back a part of their products through Interstella. However, Shenzhen Stella Plastics has been dormant since July 2002, as their production facilities were transferred to Interstella Plastics (Shenzhen). Tomoe Wines & Spirits distributes wines and spirits imported by Tomoe Engineering.

Other businesses:

Tomoe Butsuryu subcontracts with the Company for transportation and warehousing.



Management Policies

1. 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. 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 to streamline and reinforce the current business structure, invested in new product development programs and saved for the future business plans.

2. 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 its shares and to increase a number of shareholders. We will deliberate this issue.

3. Three-Year Plan

Tomoe Engineering, its subsidiaries and the affiliate have been operated aiming at a constant growth of recurring profit to achieve ¥2 billion in years to come, setting forth an intermediate objective to achieve ¥1.65 billion recurring profit in October 2004. Although recurring profit in Fiscal 2001 (the first year) reached close to the target, profit in Fiscal 2002 fell far below the plan owing to the persistent depression.

In spite of the retreat in Fiscal 2002, the Company holds fast to Three-Year Plan and will maximize the revenue. The Company expands sales by pursuing the basic strategies shown below and minimizes exposure to risk of non-performing assets by strengthening the credit control.

Operating divisions are managed subject to the following basic strategies.

Machinery & Equipment Division:

- Diversification of centrifuge application and foreign marketing
- New technology, price reduction and increase of competitiveness
- Marketing of new products

Chemical Products Division

- Redefinition of the corporate role (value-added services with the engineering concept)
- Expansion of the information technology business
- Marketing of specialty products in niche fields

Activities and Results

1. Outlook of Fiscal 2002

(1) Operating Highlights

Tomoe Engineering's consolidated net sales and its recurring profit decreased 14.2% to ¥42,920 million and 14.4% to ¥896 million respectively. However, net income grew 70.4% to ¥292 million compared with Fiscal 2001, in which a significant amount of unfunded companies' obligations to the tax-exempt pension plan was amortized.

Sales of **Machinery & Equipment Division** decreased 3.1% to ¥11,794 million. In the domestic market, sales in the industrial sector were generally stagnant owing to low demand and those in the public sector were also influenced by restriction of the public investments.

Sales of **Chemical Products Division** dropped 17.8% to ¥31,125 million. In the domestic market sales of plastic-related products decreased owing to the persistent depression of the domestic economy and those of inorganic material products were slow owing to the sluggish construction industry. In the foreign market sales of products related to the chip-packaging industry decreased significantly.

From the geographical viewpoint, domestic sales and operational income dropped 9.0% to ¥33,422 million and 27.3% to ¥575 million respectively. Sales in the Asian market decreased 28.6% to ¥9,498 million owing to a significant decrease in sales of the chip-packaging related products in China and its operating income declined 28.1% to ¥261 million.

(2) Cash Flows

In Fiscal 2002, ended October 31, 2002, the Company's consolidated cash position increased 11.7% (¥260 million) to ¥2,494 million.

Net cash provided by operating activities increased 338.7% (¥890 million) to ¥1,153 million. It was primarily resulted from an increase in net income before taxes and trade payables and a decrease in inventory.

Net cash used by investment activities decreased 31.0% (¥78 million) to ¥174 million owing to capital expenditures.

Net cash used in financing activities dropped 47.8% (¥669 million) to ¥730 million due to repayments of the short-term loans.

2. Outlook for Fiscal 2003

In the circumstances we expect that the Companies' total sales and recurring profit will decrease 3.0% to ¥41,620 million and 15.2% to ¥760 million respectively. Net income will increase 9.6% to ¥320million, since extraordinary losses drop significantly.

We expect sales the Machinery & Equipment segment decline significantly owing to low demand in domestic industry and a keener competition in the foreign markets. Sales in the Chemical Products segment will fall below the Fiscal 2002 level.

Consolidated Financial Statements

Balance Sheets

October 31, 2002 and 2001

Thousands of yen

Assets	2002	2001	Changes
Current assets			
Cash and deposits	2,594,721	2,333,955	260,765
Trade receivables	13,193,223	12,885,835	307,388
Inventories	3,111,235	4,591,607	(1,480,371)
Deferred tax assets	298,849	166,082	132,766
Other current assets	363,771	531,781	(168,010)
Allowance for doubtful receivables	(206,140)	(239,607)	33,467
Total current assets	19,355,661	20,269,655	(913,993)
Fixed assets			
Tangible fixed assets			
Buildings	2,114,845	2,055,818	
Accumulated depreciation	(999,281)	(916,204)	
Net	1,115,564	1,139,613	(24,049)
Machinery, equipment & vehicles	2,991,469	3,141,078	
Accumulated depreciation	(2,150,552)	(2,135,974)	
Net	840,916	1,005,104	(164,187)
Land	1,049,391	1,049,391	0
Other fixed assets	992,465	1,010,932	
Accumulated depreciation	(773,404)	(775,641)	
Net	219,061	235,290	(16,229)
Total tangible fixed assets	3,224,934	3,429,400	(204,466)
Intangible fixed assets	213,006	207,738	5,267
Investments and others			
Investments in securities (Notes 1, 2)	583,602	702,768	(119,165)
Guarantee deposits	580,115	606,286	(26,170)
Deferred tax assets	436,691	381,180	55,510
Financial derivatives	267,233		267,233
Other investments	458,982	381,796	77,185
Allowance for doubtful receivables	(274,476)	(136,801)	(137,674)
Total investment and others	2,052,149	1,935,230	116,918
Total fixed assets	5,490,089	5,572,370	(82,280)
Total assets	24,845,751	25,842,025	(996,273)

Liabilities and Shareholder's Equity	Thousands of yen		
	2002	2001	Change
Current liabilities			
Payable-trade (Note 3)	7,341,506	8,699,783	(1,358,277)
Short-term debt (Note 4)	798,592	1,349,844	(551,252)
Account payable-others	489,389	581,333	(91,943)
Accrued income tax	384,877	40,288	344,588
Advances from customers	99,404	27,460	71,943
Other current liabilities	801,352	701,859	99,493
Total current liabilities	9,915,123	11,400,571	(1,485,447)
Long-term liabilities			
Long-term debt (Notes 3, 4)	1,557,825	1,593,227	(35,401)
Accrued pension and severance liabilities (Note 5)	208,119	51,012	157,106
Officer's retirement allowance	248,300	209,600	38,700
Financial derivatives	267,233		267,233
Total long-term liabilities	2,281,478	1,853,839	427,638
Total liabilities	12,196,602	13,254,411	(1,057,808)
Minority interests	249,738	330,917	(81,178)
Shareholder's equity			
Common stock	1,061,210	1,061,210	
Capital surplus	1,483,410	1,483,410	
Retained earnings	9,933,458	9,789,611	143,846
Unrealized gains and losses on marketable securities and investments	2,775	18,654	(15,879)
Foreign currency translation adjustment	(80,196)	(96,108)	15,912
Total	12,400,656	12,256,776	143,879
Issued shares reacquired	(1,246)	(79)	(1,166)
Total shareholder's equity	12,399,410	12,256,696	142,713
Total	24,845,751	25,842,025	(996,273)

Statements of Consolidated Income

Years ended October 31, 2002 and 2001

Thousands of yen

	2002	2001	Change
Net sales (Notes 6, 7)	42,920,680	50,029,576	(7,108,896)
Cost of sales	36,139,948	42,873,529	(6,733,581)
Gross profit	6,780,731	7,156,046	(375,314)
Selling, general and administrative (Notes 8, 9)	5,945,320	6,391,777	(446,457)
Operating income	835,411	764,268	71,142
Other income			
Interests	19,656	36,970	
Dividends	45,517	25,469	
Rents	20,123	10,939	
Foreign exchange gains	30,870	313,517	
Sundry	60,832	70,363	
Other income total	177,000	457,260	(280,260)
Other expenses			
Interests	82,928	104,334	
Discounts on bills of exchange	17,507	58,619	
Sundry	15,093	11,301	
Other expense total	115,529	174,255	(58,725)
Recurring profit	896,881	1,047,273	(150,391)
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	120,835	23,588	
Extraordinary gains total	120,835	245,906	(125,070)
Extraordinary losses			
Losses on property and equipment (Note 10)	59,959	12,703	
Contribution to the employee retirement benefit trust		440,754	
Amortization of unrecognized benefit obligation existing at transition	325,921	325,921	
Others (Note 11)	89,110	106,867	
Extraordinary losses total	474,990	886,246	(411,255)
Income before income taxes	542,726	406,934	135,792
Income tax (Note 12)			
Current	519,580	341,305	
Deferred	(176,872)	(101,647)	
Income taxes total	342,707	239,657	103,050
Losses on minority interests	(92,338)	(4,343)	(87,994)
Income from consolidated operations	292,357	171,620	120,736

Consolidated Retained Earnings

Years ended October 31, 2002 and 2001		Thousands of yen		
		2002	2001	Change
Balance, beginning of year				
Retained earnings		9,789,611	9,786,202	
Net income		292,357	171,620	
Deferred income taxes		0	0	
	Total	10,081,968	9,957,822	124,146
Deduct:				
Cash dividend paid		136,930	136,921	
Officer's bonuses		11,580	31,290	
	Total	148,510	168,211	(19,701)
Balance, end of year		9,933,458	9,789,611	143,846

Statements of Consolidated Cash Flows

Years ended October 31, 2002 and 2001

Thousands of yen

	2002	2001	Change
Operating activities:			
Net income before income taxes	542,726	406,934	135,792
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	390,890	394,921	(4,030)
Increase (decrease) in accrued employee's bonuses		(706,845)	706,845
Increase (decrease) in accrued pension and severance liabilities	157,106	29,645	127,461
Increase (decrease) in officer's retirement allowance	38,700	(55,430)	94,130
Provision for doubtful receivables	104,207	203,868	(99,660)
Unrealized loss on investments	45,342	60,943	(15,600)
Interest and dividend income	(65,173)	(62,439)	(2,733)
Interest expense	82,928	104,334	(21,405)
Loss (gain) on foreign exchanges	2,163	(76,893)	79,056
Gain on securities contributed to the employee retirement benefit trust		(206,528)	206,528
Gain on property and equipment	3,811	(15,789)	19,600
Write-off of property and equipment	59,959	12,703	47,256
Contribution to the employee retirement benefit trust		440,754	(440,754)
Other extraordinary loss	7,096	7,054	41
(Increase) decrease in trade receivables	(317,022)	1,633,983	(1,951,006)
(Increase) decrease in inventories	1,478,219	1,428,798	49,420
Increase (decrease) in account payables	(1,335,366)	(2,288,949)	953,583
Increase (decrease) in account payable-others	(71,021)	(23,310)	(47,711)
Increase (decrease) in advances from customers	71,943	(296,847)	368,791
Increase (decrease) in accrued consumption tax	71,961	(73,044)	145,055
Officer's bonuses	(11,580)	(31,290)	19,710
Others	98,132	338,489	(240,357)
Sub total	1,355,025	1,225,061	129,963
Interests and dividends received	67,739	62,655	5,083
Interest paid	(93,783)	(83,949)	(9,833)
Income tax paid	(174,991)	(940,698)	765,706
Net cash provided by operating activities	1,153,988	263,068	890,920
Investing activities			
Increase in time deposits	(100,000)	(100,000)	
Decrease in time deposits	100,000	100,000	
Proceeds from sales of investments	2	17,058	(17,056)
Acquisition of investments	(17,552)	(43,978)	26,425
Expenditures for properties and equipment	(271,525)	(412,975)	141,449
Proceeds from sales of properties and equipment	23,766	27,500	(3,733)
Expenditures for intangible fixed assets	(7,003)	(6,562)	(441)
Collection of loans receivable	98,564	90,264	8,299
Increase in loans receivable	(38,140)	(42,970)	4,830
Decrease in guarantee deposits	26,170	128,491	(102,321)
Decrease in other investments	11,571	(9,269)	20,841
Net cash provided by investing activities	(174,146)	(252,440)	78,293

Financing activities:			
Decrease in short-term debt	(557,000)	(1,174,091)	617,091
Repayment of long-term debt	(35,371)	(89,622)	54,250
Gain on sale of reacquired shares of stocks		1,498	(1,498)
Reacquisition of issued shares of stocks	(1,166)	(1,012)	(154)
Cash dividends paid	(130,930)	(136,921)	(8)
Net cash used in financing activities	<u>(730,468)</u>	<u>(1,400,148)</u>	<u>669,680</u>
Cash and cash equivalents (Note 15)			
Effect of exchange rate changes	11,391	95,750	(84,358)
Increase in cash and cash equivalents	260,765	(1,293,770)	1,554,536
Cash and cash equivalents at the beginning of year	<u>2,233,955</u>	<u>3,527,726</u>	<u>(1,293,770)</u>
Cash and cash equivalents at end of year	<u>2,494,721</u>	<u>2,233,955</u>	<u>260,765</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 Tomoe Machinery Co., Ltd., Tomoe Machinery Service Co., Ltd., Shenzhen Stella Plastics Co., Ltd., Interstella Plastics (Shenzhen) Co., Ltd. and Interstella Co., Ltd.

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 Company.

(2) Equity-method

None of accounts of subsidiaries and affiliated companies are accounted for by the equity method. Main subsidiaries and the affiliated company, 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, 2002, are closed temporarily on September 30, 2002, and necessary adjustments are made on their transactions from October 1, 2002 to the date of consolidation.

Significant Accounting Policies

(1) Marketable securities and other investments

Marketable securities are stated at fair value at October 31, 2002 (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.

(2) Foreign currency transactions

Foreign currency receivables and payables are translated into Japanese yen at the respective year-end exchange rates and resulting exchange gains and losses are recognized in earnings.

(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, 2002 in accordance with the Company's by-law.

(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 companies do 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 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, 2002 and 2001 were as follows:

October 31	2002			Thousands of yen 2001		
	Cost	Fair value	Unrealized holding gains	Cost	Fair value	Unrealized holding gains
Appreciated marketable securities						
Shares	124,523	164,140	39,616	157,227	222,461	65,234
Bonds						
Treasury and municipal bonds	0	0	0			0
Corporate bonds	5,826	8,315	2,488	5,826	8,161	2,334
Other bonds	0	0	0			0
Other securities						0
Sub-total	130,349	172,455	42,105	163,053	230,622	67,569
Depreciated marketable securities						
Shares	222,110	169,028	(53,082)	217,198	165,284	(51,913)
Bonds						
Treasury and municipal bonds						
Corporate bonds						
Other bonds						
Other securities	11,428	5,996	(5,432)	11,428	7,342	(4,086)
Sub-total	233,538	175,024	(58,514)	228,626	172,626	(56,000)
Total	363,888	347,479	(16,409)	391,680	403,249	(11,569)

Investments other than investments in marketable equity securities and debt securities at October 31, 2002 and 2001 were as follows:

October 31	Thousands of yen Carrying value	
	2002	2001
Unlisted securities (except for OTC market securities)	175,023	174,329
MMF	0	64,089
Total	175,023	238,418

Debt securities classified as held-to-maturity at October 31, 2002 mature as follows:

Contractual maturities:	Thousands of yen			
	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	After 10 years
Bond				
Treasury and municipal bonds				
Corporate bonds		8,315		
Other bonds				
Other securities			5,996	
Total	0	8,315	5,996	0

2. Investments in Non-consolidated and Affiliated Companies

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

October 31	Thousands of yen	
	2002	2001
Investments in securities (capital stocks)	61,100	61,100

3. Pledged Assets

At October 31, 2002 and 2001 the following assets were pledged as collateral for certain liabilities of the Company.

October 31		Thousands of yen	
		2002	2001
Collateral	Investment securities:	124,536	150,546
Related liabilities	Long-term debt	40,000	60,000
	Accounts payable	137,828	300,759

4. Short-term Borrowing and Long-term Debt

October 31	2002		2001	
	Outstanding balance	Weighed average interest rate	Outstanding balance	Weighed average interest rate
Short-term bank loans	763,190	1.2%	1,314,473	2.00%
Long-term debt maturing in 1 year	35,401	2.0%	35,371	1.95%
Long-term debt maturing after 1 year	1,557,825	2.44%	1,593,227	2.42%
Total	2,356,417		2,943,072	

The Company maintained committed lines with Japanese banking syndicates totaling Japanese yen facility of ¥5,880 million as of October 31, 2002 to finance daily operation. The unused committed lines were totaling ¥500 million as of October 31, 2002.

Maturities of long-term debt subsequent to October 31, 2003 are as follows:

Year ending October 31	Thousands of yen
2004	1,532,501
2005	11,304
2006	10,812
2007	3,207
Total	1,557,825

Notes discounted with banks at October 31, 2002 were:

October 31	Thousands of yen	
	2002	2001
Notes discounted with banks	0	3,329,643
	(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. Net periodic pension and severance cost for the year ended October 31, 2002 and 2001 included the following components:

Year ending October 31	Thousands of yen	
	2002	2001
Service cost – benefits earned during the year	137,145	161,786
Interest cost on projected benefit obligation	82,985	87,056
Expected return on plan assets	(54,357)	(54,278)
Amortization of unrecognized net obligation at transition	325,921	76,675
Amortized arithmetic error	24,802	0
Contribution to the employee benefit trust		440,754
Net periodic pension and severance cost	516,496	961,239

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, 2002 was stated in "extraordinary losses."

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

October 31	2002	Thousands of yen 2001
Projected benefit obligation at end of year	3,134,367	2,817,556
Fair values of plan assets at end of year	1,723,951	1,821,911
Fair value of the employee benefit trust funds at end of year	326,252	370,690
Fair values of plan assets at end of year	2,050,204	2,192,602
Funded status	1,084,162	624,954
Unrecognized arithmetic error	(876,043)	(248,020)
Unrecognized net obligation at transition	0	(325,921)
Accrued pension liabilities	208,119	51,012

A discount rate of 1.75% and an expected long-term rate of return on plan assets of 1.50% were used in measuring pension obligation outstanding as of October 31, 2002.

The unrecognized arithmetic error is amortized evenly over 10 years, which is within the average remaining service years of employees.

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 Segment manufactures and distributes centrifuges, separators and other machines.

Chemical Products Segment distributes plastics, inorganic materials and other chemical products.

Operating Segment Information

The companies' operating segment information for the years ended October 31, 2002 and 2001 were as follows:

Year ended October 31, 2002	Machinery & Equipment	Chemical Products	Total	Thousands of yen	
				Elimination & Other	Consolidated
Net sales					
External customers	11,794,736	31,125,944	42,920,680	0	42,920,680
Intersegment	0	0	0	0	0
Total	11,794,736	31,125,944	42,920,680	0	42,920,680
Operation costs	11,286,255	30,799,014	42,085,269	0	42,085,269
Operating income	508,481	326,930	835,411	0	835,411
Segment assets	7,192,317	13,273,796	20,466,114	4,379,637	24,845,751
Depreciation	227,193	163,697	390,890	0	390,890
Capital expenditures	213,850	64,678	278,529	0	278,529

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

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, 2002 and 2001, were as follows:

Year ended October 31, 2002	Japan	Asia	Total	Thousands of yen	
				Elimination & Other	Consolidated
Net sales					
External customers	33,422,674	9,498,005	42,920,680	0	42,920,680
Intersegment	12,611	0	12,611	(12,611)	0
Total	33,435,285	9,498,005	42,938,291	(12,611)	42,920,680
Operation costs	32,860,137	9,236,631	42,096,769	(11,500)	42,085,269
Operating income	575,148	261,374	836,522	(1,111)	835,411
Identifiable assets	19,219,746	1,246,368	20,466,114	4,379,637	24,845,751

Year ended October 31, 2001	Japan	Asia	Total	Thousands of yen	
				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

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

Total net sales to external customers outside Japan for the years ended October 31, 2002 and 2001 were as follows:

Year ended October 31, 2002 & 2001	2002			2001		
	Asia	Other areas	Total	Asia	Other areas	Total
Total net sales to external customers	9,684,108	1,300,874	10,984,983	13,725,344	362,513	14,087,857
Consolidated net sales	42,920,680			50,029,576		
Ratio to consolidated net sales	22.6%	3.0%	25.6%	27.4%	0.7%	28.2%

(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 Company and subsidiaries for years ended October 31, 2002 and 2001 are as follows:

Subsidiary	Capital	Share- holding	Main businesses	Directors from the Company	Transaction s	Thousands of yen Annual transactions	
						2002	2001
Tomoe Butsuryu	30,000	100%	Transportation and warehousing	3	Subcontract	335,510	546,633
Tomoe Wines & Spirits	30,000	71.7%	Distribution of wine and spirits	3	Sale of products	493,148	542,162

Annual transactions 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 the same as the general trading terms with customers with whom the 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, 2002 and 2001 were as follows:

Years ended October 31, 2002 and 2001	Thousands of yen	
	2002	2001
Shipping & packaging costs:	585,385	598,135
Provision for doubtful receivables	182,670	224,144
Provision for retirement allowance	111,645	108,786
Provision for officer's indemnities	38,700	52,400
Employee's pay-rolls	1,768,253	1,912,318
Welfare expenses	411,128	421,794
Travel expenses	323,912	358,509
Depreciation	131,623	121,464
Rents	428,790	422,748
Other expenses	349,177	382,558

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 ¥208,557 thousand and ¥196,924 thousand for the years ended October 31, 2002 and 2001, 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	Thousands of yen	
	2002	2001
Equipment and vehicles	50,083	12,057
Other assets	9,875	646
Total	59,956	12,703

11. Extraordinary Losses-Others

Components of other extraordinary losses for the years ended October 31, 2002 and 2001 were as follows:

Years ended October 31, 2002 and 2001	Thousands of yen	
	2002	2001
Unrealized losses on investments in securities	45,342	60,943
Provision for doubtful receivables	32,860	38,870
Unrealized losses on certificates of deposit	7,096	7,054
Realized losses on fixed assets	3,811	
Other extraordinary losses	89,110	106,867

12. Income Taxes

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

October 31, 2002 and 2001	2002	Thousands of yen 2001
Deferred Tax Assets:		
Accrued pension and severance liabilities	188,708	125,029
Allowances for bonuses	158,621	71,363
Estimated losses on inventory	49,667	40,818
Depreciation	23,316	23,571
Loss on marketable securities	55,936	36,982
Allowances for officer's bonuses	103,789	87,612
Allowance for doubtful receivables	70,361	126,914
Others	118,313	86,318
Total deferred tax assets	768,713	598,611
Valuation allowance for deferred tax assets	(3,598)	0
Deferred Tax Liabilities:		
Deferred income tax on gains on land sold	(27,579)	(29,192)
Gains on other securities	(1,993)	(13,397)
Others	0	(8,756)
Total deferred tax liabilities	(29,573)	(51,347)
Net deferred tax assets	735,540	547,263

A reconciliation of the combined statutory tax rates for the year ended October 31, 2002 and 2001 to the effective rates of income taxes reflected in the accompanying statements of consolidated income is as follows:

Years ended October 31	2002	2001
Combined statutory income tax rate	41.8	41.8 %
Increases (decreases) in taxes resulting from:		
Expenses not deductible for tax purposes	7.3	13.3
Residential taxes (not proportional to the income amount)	2.9	3.6
Income not taxable	(0.5)	(2.0)
Unrecognized deferred tax assets	10.4	
Others	1.2	2.2
Effective income tax rate	63.1 %	58.9 %

13. 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 31, 2002 and 2001 as follows:

October 31, 2002 and 2001	2002	Thousands of yen 2001
Machinery, equipment and vehicles		
Purchase price equivalents	190,418	411,018
Accumulated depreciation equivalents	(152,511)	(331,860)
Net value equivalence	37,906	79,157
Others		
Purchase price equivalents	317,562	445,929
Accumulated depreciation equivalents	(185,390)	(265,514)
Net value equivalence	132,171	180,414
Total	170,078	259,572

Equivalent values of the subleased properties at October 31, 2002 and 2001 were estimated at ¥30,998

thousand and ¥67,884 thousand respectively.

Accrued rental expenses outstanding at October 31, 2002 and 2001 were as follows:

Years ended October 31	2002	Thousands of yen
		2001
Due in one year or less	105,437	129,591
Due after one year	73,418	146,769
Total	178,891	276,361

Accrued rental expenses for the subleased properties outstanding at October 31, 2002 and 2001 were ¥35,463 thousand and ¥67,884 thousand respectively.

Rental expenses paid for the year ended October 31, 2002 and 2001 were as follows:

Years ended October 31	2002	Thousands of yen
		2001
Rental expenses paid	141,797	190,061
Depreciation portion	129,534	183,943
Interest portion	8,007	20,613

Rental expenses paid for the subleased properties for the year ended October 31, 2002 and 2001 were ¥42,459 thousand and ¥77,841 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.

14. Contingent Liabilities

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

At October 31, 2002 and 2001	2002	Thousands of yen
		2001
Guarantees	39,575	53,464

15. 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:

	2002	Thousands of yen
		2001
Cash and deposits	2,594,721	2,333,955
Time deposits with contractual period more than 3 months	(100,000)	(100,000)
Cash and cash equivalents	2,494,721	2,233,955