

Financial Review

Consolidated Operating Results

Net sales

Net sales amounted to ¥ 177,940 million (\$ 1,435 million), an increase of 4.9% over the previous term. Building Automation sales were up by 7.3% supported by active investment in IT especially at manufacturers' plants for energy conservation and ideal environments. Sales of Control Products increased 11.2% over the previous year, thanks to improved markets for semiconductors and electric/electronic parts. The sluggish recovery of the Southeast Asian economy resulted in overseas sales of Industrial Automation falling 4.4% from the previous term. Sales growth of each business varied.

Operating expenses

The cost of sales ratio dropped 2.4 percentage point to 62.3%. Cost-reduction efforts and operational rationalization resulted in improved respective sales ratios for Building Automation, Industrial Automation and Control Products.

Sales, general and administrative expenses rose 5.3% to ¥ 55,388 million (\$ 447 million). This represented 31.1% of sales, the same as the previous term. R&D expenses, included in the SG&A expenses, were up by 15.9% to ¥ 8,674 million (\$ 70 million) due to active investment in some new technologies.

Operating income

Operating income rose 62.5% to ¥ 11,694 million (\$ 94 million) thanks to a strong growth of sales and a lowering of cost of sales although SG&A expenses increased. A remarkable increase was recorded in Building Automation and Control Products. Industrial Automation also reduced the amount of operating loss by an increase of profit in Japan and an improvement in overseas.

Other income and expenses

The company took an extraordinary loss of ¥ 22,385 million (\$ 181 million), which included the full amount of the transitional obligation of ¥ 18,984 million (\$ 153 million) and the losses on impairment of a plant site in Kobe of ¥ 2,000 million (\$ 16 million) and investment securities of ¥ 771 million (\$ 6 million) in accordance with new accounting standards for employees' retirement benefits and financial instruments.

Loss of income before income taxes

Loss before income taxes came to ¥ 9,576 million (\$ 77 million). Although operating income expanded, the company appropriated the above extraordinary loss.

Net loss of income

The company recorded a net loss of ¥ 5,918 million (\$ 48 million). This loss was temporary, however, resulting from the appropriation of an extraordinary loss according to a new accounting standard for employees' retirement benefits.

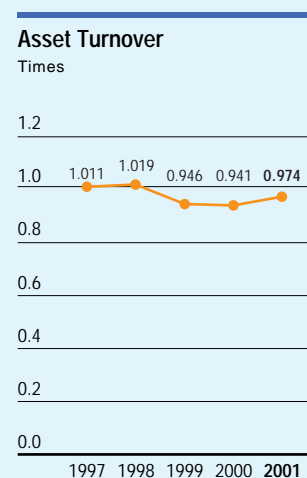
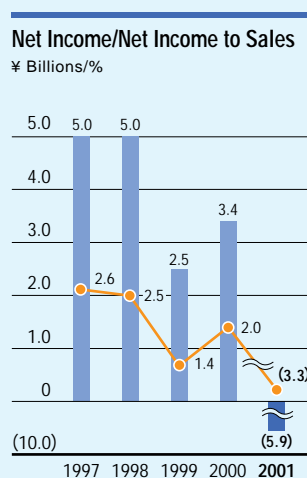
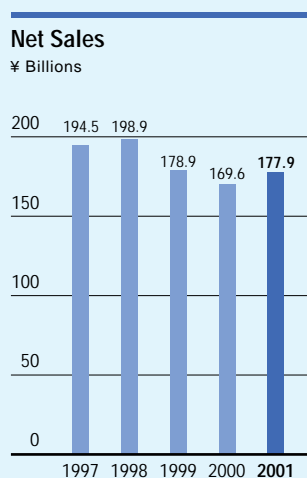
Financial Position

Assets

Although trade receivables rose by increase of net sales, current assets remained at ¥ 135,162 million (\$ 1,090 million) almost the same as the previous year. This was due to a sharp decrease in cash and cash equivalents using for a share buyback.

Fixed assets declined 9.8% to ¥ 18,386 million (\$ 148 million) because of the appropriation of a ¥ 2,000 million (\$ 16 million) impairment loss on a plant site in Kobe.

For investment securities, an unrealized gains of ¥ 2,150 million (\$ 17 million) was appropriated by application of a new accounting



standard for financial instruments. Deferred tax assets rose sharply due to the transitional obligation for employees' retirement benefits. As a result, investment and other assets rose 40.5%.

Liabilities and shareholders' equity

The sum of current and long-term liabilities rose 35.4% to ¥ 86,604 million (\$ 698 million). Trade payables, borrowings and liabilities for retirement benefits increased.

Shareholders' equity decreased 13.2% from the end of the previous term to ¥ 99,495 million (\$ 802 million) by deficit and the retirement of shares. The ratio of shareholders' equity to total assets dropped to 53.4% from 64.0% of the previous term.

Cash Flows

Cash and cash equivalents (hereafter "cash") decreased by ¥ 11,381 million (\$ 92 million) to ¥ 32,859 million (\$ 265 million). Cash flows from operating activities increased, however, cash flows from financial activities decreased sharply.

Cash flows from operating activities

Cash provided by operating activities amounted to ¥ 3,027 million (\$ 24 million). While there was a sharp rise in cash by increase in liabilities for retirement benefits of ¥ 20,545 million (\$ 166 million), loss before income taxes of ¥ 9,576 million (\$ 77 million), increase in accounts receivable of ¥ 9,275 million (\$ 75 million), and income taxes paid of ¥ 4,493 million (\$ 36 million), reduced cash.

Cash flows from investing activities

Cash used in investing activities amounted to ¥ 3,168 million (\$ 26 million). This mainly came from the purchase of fixed assets of ¥ 3,150 million (\$ 25 million).

Cash flows by financing activities

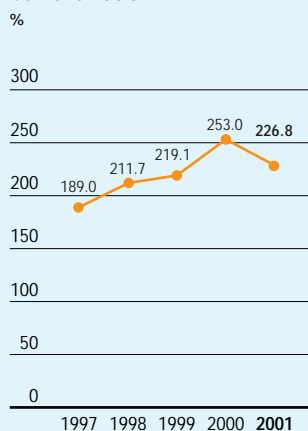
Cash used in financing activities amounted to ¥ 11,224 million (\$ 91 million), mainly due to spending at ¥ 9,895 million (\$ 80 million) to repurchase and retire 9.3 million shares by profits. Dividends paid were ¥ 1,125 million (\$ 9 million).

Business Segment Information

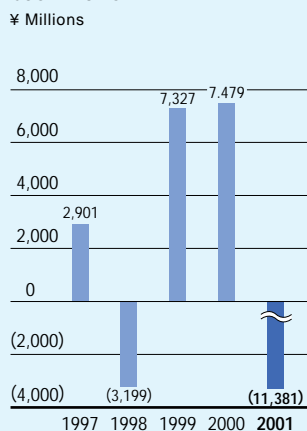
Sales and Operating income by business are as follows:

	Millions of yen		% Change
	2001	2000	
Sales			
Building Automation	88,319	82,335	7.3
Industrial Automation	49,609	51,918	(4.4)
Control Products	35,706	32,104	11.2
Other	10,937	8,500	28.7
Inter-segment elimination	(6,631)	(5,223)	-
Consolidated sales	177,940	169,634	4.9
Operating income			
Building Automation	11,008	8,930	23.3
Industrial Automation	(817)	(2,351)	-
Control Products	1,700	611	178.3
Other	(190)	(40)	-
Inter-segment elimination	(7)	48	-
Consolidated income	11,694	7,198	62.5

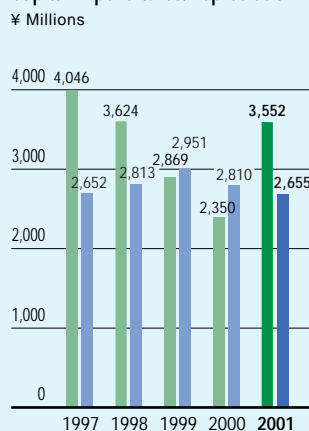
Current Ratio



Cash Flows



Capital Expenditures/Depreciation



Shareholders' Equity to Total Assets

