

Notes to Consolidated Financial Statements

Yamatake Corporation and consolidated subsidiaries, for the years ended March 31, 2001 and 2000

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards. The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In accordance with accounting procedures generally accepted in Japan, certain comparative disclosures are not required to be and have not been presented herein.

Certain reclassifications have been made in 2000 consolidated financial statements to conform to the classifications adopted in 2001.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Yamatake Corporation ("Yamatake") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥124 to \$1, the approximate rate of exchange at March 31, 2001. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation —The consolidated financial statements as of March 31, 2001, include the accounts of Yamatake and its six significant (four in 2000) subsidiaries (together, "Yamatake Group").

Under the control or influence concept, those companies in which the Parent, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which Yamatake Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The cost in excess of net assets of subsidiaries and associated companies at the time of acquisition which cannot be specifically assigned to individual assets is amortized on the straight-line basis over five years with the exception of minor amounts which are charged to income in the period of acquisition.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within Yamatake Group is also eliminated.

b. Cash Equivalents —Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, certificate of deposits and beneficiary securities of trust under resale agreements, all of which mature or become due within three months of the date of acquisition.

c. Inventories —Inventories are primarily stated at cost on the specific identification basis. Raw materials are stated at cost determined by the moving-average method.

d. Allowance for Doubtful Receivable —The allowance for doubtful receivable is stated in amounts considered to be appropriate based on Yamatake Group's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

e. Marketable and Investment Securities —Prior to April 1, 2000, marketable and investment securities listed on stock exchanges were

stated at the lower of cost, determined by the moving-average method, or market. Effective April 1, 2000, Yamatake Group adopted a new accounting standard for financial instruments, including marketable and investment securities. Under this standard, all securities are classified as available-for-sale securities and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity. The cost of securities sold is determined based on the moving-average method. The effect of this change was to decrease loss before income taxes and minority interests by ¥216 million (\$1,746 thousand) for the year ended March 31, 2001.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, non-marketable available-for-sale securities are reduced to net realizable value by a charge to income.

f. Property, Plant and Equipment —Property, plant and equipment are stated at cost. Depreciation is computed by the declining-balance method while the straight-line method is applied to buildings acquired after April 1, 1998. The range of useful lives is from 15 to 50 years for buildings and structures, from 4 to 12 years for machinery and equipment, and from 2 to 6 years for furniture and fixtures.

g. Retirement and Pension Plans —Yamatake has two funded pension plans, i.e., a contributory trust employees' pension plan and a non-contributory trust pension plan, together three consolidated subsidiaries covering substantially all of their employees. The contributory trust employees' pension plan was established by an agreement with certain trust banking corporations and insurance companies in accordance with the Japanese Employees' Pension Insurance Law. The non-contributory trust pension plan was established by an agreement with certain trust banking corporations and insurance companies. Certain consolidated subsidiaries have non-contributory trust pension plans or a multiemployer plan which substantially cover all employees.

Prior to April 1, 2000, the liability for employees' retirement benefits was provided at the amount which would be required if all employees had voluntarily retired at the end of the year, after excluding the portion covered by the contributory trust employees' pension plan, plus the non-contributory trust pension plan at the end of the year.

Effective April 1, 2000, Yamatake Group adopted a new accounting standard for employees' retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

The full amount of the transitional obligation of ¥18,984 million (\$153,098 thousand), determined as of the beginning of year, is charged to income and presented as other expense in the consolidated statement of operations. As a result, net periodic benefit costs as compared with the prior method, increased by ¥18,575 million (\$149,800 thousand) and loss before income taxes and minority interests decreased by ¥18,584 million (\$149,870 thousand).

Retirement benefits to directors and corporate auditors are provided at the amount which would be required if all directors and corporate auditors retired at each balance sheet date.

h. Research and Development Costs —Research and development costs are charged to income as incurred.

i. Leases —All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

j. Income Taxes —The provision for income taxes is computed based on the pretax income included in the consolidated statements of operations.

The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

k. **Appropriations of Retained Earnings** —Appropriations of retained earnings are reflected in the financial statements for the following year upon shareholders' approval.

l. **Foreign Currency Transactions** —Prior to April 1, 2000, short-term receivables and payables denominated in foreign currencies were translated into Japanese yen at the current exchange rates at each balance sheet date, while long-term receivables and payables denominated in foreign currencies were translated at historical rates.

Effective April 1, 2000, Yamatake Group adopted a revised accounting standard for foreign currency transactions. In accordance with the revised standard, all short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of operations to the extent that they are not hedged by forward exchange contracts.

m. **Derivatives Financial Instruments** —Yamatake Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts and interest rate swaps are utilized by Yamatake Group to reduce foreign currency exchange and interest rate risks. Yamatake Group does not enter into derivatives for trading or speculative purposes.

Effective April 1, 2000, Yamatake Group adopted a new accounting standard for derivative financial instruments and a revised accounting standard for foreign currency transactions. These standards require that: (a) all derivatives be recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the statement of operations and (b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign exchange forward contracts are utilized to hedge foreign exchange exposures for export sales and import purchases.

Trade receivables and payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

Forward contracts applied for forecasted (or committed) transactions are measured at the fair value but the unrealized gains/losses are deferred until the underlying transactions are completed.

Interest rate swaps are utilized to hedge interest rate exposures of long-term debt. These swaps which qualify for hedge accounting are measured at market value at the balance sheet date and the unrealized gains or losses are deferred until maturity as other assets or liabilities.

The adoption of the new accounting standard for derivative financial instruments and the revised accounting standard for foreign currency transactions did not have a material effect on Yamatake Group's consolidated financial statements.

n. **Per Share Information** —The computation of net income(loss) per share is based on the weighted average number of shares of common stock outstanding during each year, retroactively adjusted for stock splits. The weighted average number of common shares used in the computation was 91,408,069 shares for 2001 and 93,602,878 shares for 2000.

Diluted net income per share is not disclosed because it is anti-dilutive. Cash dividends per share presented in the accompanying consolidated statements of operations are dividends applicable to the respective years including dividends to be paid after the end of the year.

3. SHORT-TERM INVESTMENTS

Short-term investments consisting of the time deposits and banking arrangements other than cash equivalents were ¥582 million (\$4,693 thousand) and ¥1,618 million at March 31, 2001 and 2000, respectively.

4. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2001 and 2000, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Current—Trust fund investments	¥ 5	¥ 9	\$ 40
Non-current:			
Marketable equity securities	¥ 11,422	¥ 9,733	\$ 92,111
Trust fund investments		10	
Total	¥ 11,422	¥ 9,743	\$ 92,111

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2001, were as follows:

	Millions of yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as—				
Available-for-sale:				
Equity securities	¥ 9,050	¥ 2,369	¥ 219	¥ 11,200
Trust fund investments	5			5

	Thousands of U.S. dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as—				
Available-for-sale:				
Equity securities	\$ 72,985	\$ 19,109	\$ 1,773	\$ 90,321
Trust fund investments	40			40

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2001, were as follows:

	Carrying Amount	
	Millions of yen	Thousands of U.S. dollars
Available-for-sale—Equity securities	¥ 222	\$ 1,790

Proceeds from sales of available-for-sale securities for the year ended March 31, 2001 were ¥73 million (\$587 thousand). Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥8 million (\$65 thousand) and ¥2 million (\$16 thousand), respectively.

Carrying amounts and aggregate market values of current and non-current marketable equity securities included in marketable securities and investment securities at March 31, 2000, were as follows:

	Millions of yen		
	Carrying Amount	Aggregate Market Value	Unrealized Gain
Current	¥ 9	¥ 9	
Non-current	9,584	12,543	¥ 2,959
Total	¥ 9,593	¥ 12,552	¥ 2,959

5. INVENTORIES

Inventories at March 31, 2001 and 2000, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Merchandise	¥ 1,753	¥ 1,773	\$ 14,136
Finished products	1,381	1,172	11,137
Work in process	13,253	12,799	106,882
Raw materials	4,454	3,875	35,920
Goods in transit		114	
Total	¥ 20,841	¥ 19,733	\$ 168,075

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2001 and 2000, consisted of notes to banks and bank overdrafts. The annual interest rates applicable to the short-term bank loans ranged from 0.7% to 6.2% and from 0.5% to 6.7% at March 31, 2001 and 2000, respectively.

Long-term debt at March 31, 2001 and 2000, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Loans from banks and other financial institutions, due serially to 2029 with interest rates ranging from 1.3% to 8.9% in 2001 and 2000:			
Collateralized	¥ 2,908	¥ 5,050	\$ 23,454
Unsecured	5,314	3,244	42,852
Total	8,222	8,294	66,306
Less current portion	(2,568)	(665)	(20,708)
Long-term debt, less current portion	¥ 5,654	¥ 7,629	\$ 45,598

At March 31, 2001, Yamatake had an unused line of credit amounting to ¥30,000 million of which ¥10,000 million related to commitment line with five banks and ¥20,000 million related to medium term notes program.

Annual maturities of long-term debt at March 31, 2001, were as follows:

Year Ending March 31	Millions of yen	Thousands of U.S. dollars
2002	¥ 2,568	\$ 20,708
2003	1,135	9,156
2004	149	1,200
2005	3,194	25,759
2006	142	1,144
2007 and thereafter	1,034	8,339
Total	¥ 8,222	\$ 66,306

The carrying amounts of assets pledged as collateral for the above collateralized long-term debt at March 31, 2001, were as follows:

	Millions of yen	Thousands of U.S. dollars
Property, plant and equipment—net of accumulated depreciation	¥ 284	\$ 2,290
Investment securities	1,999	16,123
Total	¥ 2,283	\$ 18,413

As is customary in Japan, Yamatake Group maintains deposit balances with banks with which it has bank loans. Such deposit balances are not legally or contractually restricted as to withdrawal.

In addition, collateral must be provided if requested by the lending banks and certain banks have the right to offset cash deposited with them against any bank loan or obligation that becomes due and, in case of default and certain other specified events, against all other debt payable to the bank concerned. Yamatake Group has never received any such request.

7. RETIREMENT AND PENSION PLANS

Yamatake Group has severance payment plans for employees, directors and corporate auditors.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from Yamatake Group and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age. The liability for retirement benefits for directors and

corporate auditors for the years ended March 31, 2001 and 2000, were ¥738 million (\$5,948 thousand) and ¥753 million, respectively. The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

Effective April 1, 2000, Yamatake Group adopted a new accounting standard for employees' retirement benefits.

The liability for employees' retirement benefits at March 31, 2001, consisted of the following:

	Millions of yen	Thousands of U.S. dollars
Projected benefit obligation	¥ 88,463	\$ 713,411
Fair value of plan assets	(50,857)	(410,133)
Unrecognized prior service cost	(2,427)	(19,570)
Unrecognized actuarial gain	(14,661)	(118,237)
Prepaid pension expense	27	218
Net liability	¥ 20,545	\$ 165,689

The components of net periodic benefit costs for the year ended March 31, 2001, are as follows:

	Millions of yen	Thousands of U.S. dollars
Service cost	¥ 3,256	\$ 26,261
Interest cost	2,269	18,295
Expected return on plan assets	(3,019)	(24,346)
Amortization of prior service cost	12	99
Amortization of transitional obligation	18,984	153,098
Extraordinary severance payment	14	110
Net periodic benefit costs	¥ 21,516	\$ 173,517

Assumptions used for the year ended March 31, 2000, are set forth as follows:

Discount rate	2.5% (3.0% beginning of year)
Expected rate of return on plan assets	5.5%
Amortization period of prior service cost	15–17 years
Recognition period of actuarial gain/loss	15–17 years
Amortization period of transitional obligation	1 year

The expense related to the employees' retirement and pension plans was ¥2,260 million for the year ended March 31, 2000.

8. SHAREHOLDERS' EQUITY

The Japanese Commercial Code (the "Code") requires at least 50% of the issue price of new shares, with a minimum of the par value thereof, to be designated as stated capital as determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital are credited to additional paid-in capital.

The Code provides that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other cash payments which are made as an appropriation of retained earnings applicable to each fiscal period shall be appropriated and set aside as a legal reserve until such reserve equals 25% of stated capital. Yamatake's legal reserve amount, which is included in retained earnings, totals ¥1,627 million (\$13,122 thousand) and ¥1,511 million as of March 31, 2001 and 2000, respectively, and is not available for dividends but may be used to reduce a deficit by resolution of the shareholders.

Yamatake permits to transfer portions of additional paid-in capital and legal reserve to stated capital by resolution of the Board of Directors. The Code also permits to transfer portions of unappropriated retained earnings, available for dividends, to stated capital by resolution of the shareholders.

Under the Code, companies may issue new common shares to existing shareholders without consideration as a stock split pursuant to resolution of the Board of Directors. Companies may make such a stock split to the extent that the aggregate par value of the shares outstanding after the stock split does not exceed the stated capital. However, the amount calculated by dividing the total amount of shareholders' equity by the number of outstanding shares after the stock split cannot be less

than ¥50.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

Yamatake is authorized to repurchase, at management's discretion, up to 7,000 thousand shares of Yamatake's stock (aggregate amount of ¥5,000 million) for the purpose of canceling the shares and charging such amounts to additional paid-in capital.

9. INCOME TAXES

Yamatake and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 42% for the years ended March 31, 2001 and 2000.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2001 and 2000, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Deferred tax assets:			
Pension and severance costs	¥ 8,195	¥ 536	\$ 66,089
Accrued expenses	1,700	1,250	13,707
Depreciation	886	159	7,145
Loss on impairment of land	840		6,774
Tax loss carryforwards	529	1,122	4,267
Software expenses		725	
Others	954	357	7,695
Total	13,104	4,149	105,677
Deferred tax liabilities:			
Net unrealized gain on available-for-sale securities	903		7,281
Special advanced depreciation	368	98	2,965
Others	72	180	589
Total	1,343	278	10,835
Net deferred tax assets	¥ 11,761	¥ 3,871	\$ 94,842

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2001 and 2000, and the actual effective tax rates reflected in the accompanying consolidated statements of operations is as follows:

	2001	2000
Normal effective statutory tax rate	(42.0)%	42.0%
Expenses not deductible for income tax purposes	2.5	4.0
Dividend and other not adding income tax purposes	(0.4)	(0.7)
Equalization tax	1.9	2.8
Tax credit for increased R&D expenses		(2.5)
Amortization of negative goodwill		(1.9)
Unrecognized tax effect for elimination of unrealized profit in inventories		1.8
Others—net	(0.4)	0.9
Actual effective tax rate	(38.4)%	46.4%

At March 31, 2001, Yamatake and certain subsidiaries have tax loss carryforwards aggregating approximately ¥1,260 million (\$10,159 thousand) which are available to be offset against taxable income of such companies in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	Millions of yen	Thousands of U.S. dollars
2004	¥ 1,208	\$ 9,742
2006	52	417
Total	¥ 1,260	\$ 10,159

10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥8,674 million (\$69,954 thousand) and ¥7,482 million for the years ended March 31, 2001 and 2000, respectively.

11. LEASES

(1) Financing Leases as a Lessee

Yamatake Group leases certain machinery, computer equipment, office space and other assets.

Total rental expenses under the above leases for the years ended March 31, 2001 and 2000, were ¥4,506 million (\$36,341 thousand) and ¥4,316 million, respectively, including ¥477 million (\$3,846 thousand) and ¥478 million of lease payments under finance leases.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance lease, depreciation expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2001 and 2000, was as follows:

	Millions of yen			
	2001			
	Buildings and Structures	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	¥ 5	¥ 247	¥ 1,743	¥ 1,995
Accumulated depreciation	3	185	1,470	1,658
Net leased property	¥ 2	¥ 62	¥ 273	¥ 337

	Thousands of U.S. dollars			
	2001			
	Buildings and Structures	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	\$ 41	\$ 1,989	\$ 14,055	\$ 16,085
Accumulated depreciation	21	1,488	11,860	13,369
Net leased property	\$ 20	\$ 501	\$ 2,195	\$ 2,716

Obligations under finance leases:

	Millions of yen	Thousands of U.S. dollars
	2001	2001
Due within one year	¥ 335	\$ 2,707
Due after one year	386	3,111
Total	¥ 721	\$ 5,818

	Millions of yen			
	2000			
	Buildings and Structures	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	¥ 5	¥ 67	¥ 1,750	¥ 1,822
Accumulated depreciation	2	20	1,379	1,401
Net leased property	¥ 3	¥ 47	¥ 371	¥ 421

Obligations under finance leases:

	Millions of yen	
	2000	
Due within one year	¥ 431	
Due after one year	486	
Total	¥ 917	

The above obligations under finance leases include the imputed interest income portion.

Depreciation expense, which is not reflected in the accompanying consolidated statements of operations, computed mainly by the declining balance method at rates based on the period of those financing leases with remaining value of 10% of total lease payment was ¥350 million (\$2,822 thousand) and ¥408 million, for the years ended March 31, 2001 and 2000, respectively.

(2) Financing Leases as a Lessor

Yamatake Group leases certain machinery and equipment.

Pro forma information of leased property as receivables under the finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2001 and 2000, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Receivables under finance leases:			
Due within one year	¥ 20	¥ 20	\$ 162
Due after one year	72	92	580
Total	¥ 92	¥ 112	\$ 742

12. DERIVATIVES

Yamatake Group enters into foreign currency forward contracts and currency options to hedge foreign exchange risk associated with trade receivables and payable denominated in foreign currencies. Yamatake Group also enters into interest rate swap contracts to manage its interest rate exposures on long-term debt.

It is Yamatake Group's policy to use derivatives only for the purpose of reducing market risks associated with assets and liabilities, not to hold or issue derivatives for speculative or trading purposes.

Since all of Yamatake Group's foreign currency forward contracts and currency options are related to qualified hedges of underlying business exposures, market gains or losses risk in the derivative instruments is basically offset by opposite movements in the value of the hedged assets or liabilities.

Yamatake Group's interest rate swap is subject to market risk, which is the exposure created by potential fluctuations in market conditions, including interest rates.

Because the counterparties to these derivatives are limited to major international financial institutions, Yamatake Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by Yamatake Group have been made in accordance with internal policies which regulate the authorization and credit limit amounts.

The fair value of Yamatake Group's derivative financial instruments at March 31, 2000, was as follows:

	Millions of yen	
	2000	
	Contract or Notional Amount	Fair Value
Foreign currency forward contracts:		
Buying U.S. dollars	¥ 32	¥ 32
Buying U.K. pound	3	3
Selling U.S. dollars	15	15
Interest rate swaps—		
Fixed rate payment, floating rate receipt	2,000	

Foreign currency forward contracts which are assigned to associated assets or liabilities and are recorded on the balance sheet at March 31, 2000, are excluded from the disclosure of market value information.

Market value information for the year ended March 31, 2001, is not disclosed because all of the derivatives qualified for hedge

accounting. The amount of deferred loss and swap liability on the interest swap in the amount of ¥63 million (\$509 thousand) is included in other assets in investment and other assets and other in long-term liabilities, respectively.

13. COMMITMENT AND CONTINGENT LIABILITIES

At March 31, 2001, Yamatake Group had the following contingent liabilities:

	Millions of yen	Thousands of U.S. dollars
Trade notes discounted	¥ 37	\$ 302
Guarantees and similar items of loans and sublease	433	3,490

Commitment outstanding at March 31, 2001, for the purchase of property, plant and equipment and other assets were approximately ¥183 million (\$1,478 thousand).

14. SUBSEQUENT EVENT

At the general shareholders meeting held on June 28, 2001, Yamatake's shareholders approved the following purchase of treasury stock for retirement and the related reduction of retained earnings: Yamatake is authorized to repurchase, at management's discretion, up to 8,400 thousand shares of the Yamatake's stock for the purpose of canceling the shares and charging such amounts to retained earnings.

15. SEGMENT INFORMATION

Yamatake is a global automation company focused on creating value through measurement and control technology. The operating segments reported below are the segments of Yamatake for which separate financial information is available and for which operating profit/loss amounts are evaluated regularly by executive management in deciding how to allocate resources and in assessing performance.

The building automation segment designs, develops, manufactures, distributes and provides maintenance services for building automation products, integrated automation systems, security systems and energy and facility management for commercial buildings, manufacturing facilities, government and industrial buildings, hospitals, hotels and schools.

The industrial automation segment is engaged in design, development, manufacturing, distribution for industrial automation products such as field measurement instruments and control valves and factory automation systems, for primarily such markets as petrochemical and chemical, refining, electric power and gas utilities, iron and steel, ships and marine, pulp and paper and semiconductors.

The control products segment designs, develops, manufactures and distributes control products such as machine controllers, automatic recognition machines, simple instrumentation controls, combustion safety controls, recorders, proximity switches, photoelectric switches, electronic air cleaners and central duct air conditioning control systems for highly airtight and insulated residences for semiconductor manufactures, automotive suppliers, food and pharmaceutical companies and home controls market.

The other segment consists of various operating activities primarily including sales of inspection and measurement equipment for automobile and machinery industries.

Information about industry segments of Yamatake Group for the years ended March 31, 2001 and 2000, is as follows:

(1) Industry Segments
a. Sales and Operating income

Millions of yen							
2001							
	Building Automation	Industrial Automation	Control Products	Other	Total	Eliminations/ Corporate	Consolidated
Sales to customers	¥ 87,986	¥ 47,114	¥ 32,480	¥ 10,360	¥ 177,940		¥ 177,940
Intersegment sales	333	2,495	3,226	577	6,631	¥ (6,631)	
Total sales	88,319	49,609	35,706	10,937	184,571	(6,631)	177,940
Operating expenses	77,311	50,426	34,006	11,127	172,870	(6,624)	166,246
Operating income (losses)	¥ 11,008	¥ (817)	¥ 1,700	¥ (190)	¥ 11,701	¥ (7)	¥ 11,694

Millions of yen							
2000							
	Building Automation	Industrial Automation	Control Products	Other	Total	Eliminations/ Corporate	Consolidated
Sales to customers	¥ 82,125	¥ 50,119	¥ 29,303	¥ 8,087	¥ 169,634		¥ 169,634
Intersegment sales	210	1,799	2,801	413	5,223	¥ (5,223)	
Total sales	82,335	51,918	32,104	8,500	174,857	(5,223)	169,634
Operating expenses	73,405	54,269	31,493	8,540	167,707	(5,271)	162,436
Operating income (losses)	¥ 8,930	¥ (2,351)	¥ 611	¥ (40)	¥ 7,150	¥ 48	¥ 7,198

Thousands of U.S. dollars							
2001							
	Building Automation	Industrial Automation	Control Products	Other	Total	Eliminations/ Corporate	Consolidated
Sales to customers	\$ 709,561	\$ 379,955	\$ 261,939	\$ 83,548	\$ 1,435,003		\$ 1,435,003
Intersegment sales	2,682	20,124	26,015	4,658	53,479	\$(53,479)	
Total sales	712,243	400,079	287,954	88,206	1,488,482	(53,479)	1,435,003
Operating expenses	623,471	406,667	274,243	89,734	1,394,115	(53,420)	1,340,695
Operating income (losses)	\$ 88,772	\$ (6,588)	\$ 13,711	\$ (1,528)	\$ 94,367	\$ (59)	\$ 94,308

b. Assets, Depreciation and Capital expenditures

Millions of yen							
2001							
	Building Automation	Industrial Automation	Control Products	Other	Total	Eliminations/ Corporate	Consolidated
Assets	¥ 59,644	¥ 42,308	¥ 26,562	¥ 4,499	¥ 133,013	¥ 53,289	¥ 186,302
Depreciation	795	837	939	84	2,655		2,655
Capital expenditures	1,414	803	1,242	93	3,552		3,552

Millions of yen							
2000							
	Building Automation	Industrial Automation	Control Products	Other	Total	Eliminations/ Corporate	Consolidated
Assets	¥ 49,028	¥ 37,377	¥ 23,105	¥ 3,713	¥ 113,223	¥ 65,831	¥ 179,054
Depreciation	825	968	966	51	2,810		2,810
Capital expenditures	742	721	782	105	2,350		2,350

Thousands of U.S. dollars							
2001							
	Building Automation	Industrial Automation	Control Products	Other	Total	Eliminations/ Corporate	Consolidated
Assets	\$ 480,997	\$ 341,197	\$ 214,209	\$ 36,282	\$ 1,072,685	\$ 429,754	\$ 1,502,439
Depreciation	6,410	6,750	7,574	677	21,411		21,411
Capital expenditures	11,406	6,479	10,013	750	28,648		28,648

Note: Corporate assets of ¥54,278 million (\$437,728 thousand) and ¥66,582 million for the years ended March 31, 2001 and 2000, respectively, included in "Eliminations/Corporate" mainly consist of cash and cash equivalents and investment securities.

(2) Geographical Segments

Overseas sales amounts are less than 10% of consolidated sales.

(3) Sales to Foreign Customers

Sales to foreign customers are less than 10% of consolidated sales.