

Notes to Consolidated Financial Statements

Yamatake Corporation and consolidated subsidiaries, for the years ended March 31, 2002 and 2001

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.

Certain reclassifications have been made in the 2001 consolidated financial statements to conform to the classifications adopted in 2002.

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 ¥133 to \$1, the approximate rate of exchange as of March 31, 2002. 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, 2002, include the accounts of Yamatake and its 17 significant (6 in 2001) 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.

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 acquisitions.

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** —Effective April 1, 2000, marketable and investment 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.

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 and two consolidated subsidiaries have two funded pension plans, i.e., a contributory trust employees' pension plan and a non-contributory trust pension plan 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.

The liability for employees' retirement benefits is provided at the amount based on the projected benefit obligations and plan assets at the balance sheet date.

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** —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. **Foreign Currency Financial Statements** —The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for shareholders' equity, which is translated at the historical rate.

Differences arising from such translation were shown as "Foreign currency translation adjustments" in a separate component of shareholders' equity. Revenue and expense accounts of consolidated foreign subsidiaries are also translated into yen at the current exchange rate as of the balance sheet date.

n. **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.

All derivatives are 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 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.

o. **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 84,564,518 shares for 2002 and 91,408,069 shares for 2001.

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 ¥564 million (\$4,243 thousand) and ¥582 million as of March 31, 2002 and 2001, respectively.

4. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2002 and 2001, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Current—Trust fund investments	¥	5	
Non-current:			
Marketable equity securities	¥ 8,456	¥ 11,422	\$ 63,579
Trust fund investments and other	2,000		15,038
Total	¥ 10,456	¥ 11,422	\$ 78,617

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2002 and 2001, were as follows:

	Millions of yen			
	2002		2001	
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	¥ 8,540	¥ 1,336	¥ 1,525	¥ 8,351
Trust fund investments				

	Millions of yen			
	2001		2002	
	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			
	2001		2002	
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	\$64,210	\$10,044	\$11,464	\$62,790
Trust fund investments				

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2002 and 2001, were as follows:

	Carrying Amount		
	Millions of yen	2001	Thousands of U.S. dollars
	2002	2001	2002
Available-for-sale:			
Equity securities	¥ 105	¥ 222	\$ 784
Trust fund investments and other	2,000		15,038

Proceeds from sales of available-for-sale securities for the years ended March 31, 2002 and 2001 were ¥197 million (\$1,483 thousand) and ¥73 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥140 million (\$1,056 thousand) and ¥0 million (\$0 thousand), respectively, for the year ended March 31, 2002 and ¥8 million and ¥2 million, respectively, for the year ended March 31, 2001.

5. INVENTORIES

Inventories as of March 31, 2002 and 2001, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Merchandise	¥ 1,937	¥ 1,753	\$ 14,560
Finished products	1,375	1,381	10,341
Work in process	12,137	13,253	91,257
Raw materials	4,512	4,454	33,924
Total	¥ 19,961	¥ 20,841	\$150,082

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings as of March 31, 2002 and 2001, mainly consisted of notes to banks and bank overdrafts. The annual interest rates applicable to the short-term bank loans ranged from 0.6% to 2.5% and from 0.7% to 6.2% as of March 31, 2002 and 2001, respectively.

Long-term debt as of March 31, 2002 and 2001, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Loans from banks and other financial institutions, due serially to 2027 with interest rates ranging from 0.7% to 5.5% in 2002 and from 1.3% to 8.9% in 2001:			
Collateralized	¥ 2,876	¥ 2,908	\$ 21,621
Unsecured	4,435	5,314	33,346
Total	7,311	8,222	54,967
Less current portion	(737)	(2,568)	(5,538)
Long-term debt, less current portion	¥ 6,574	¥ 5,654	\$ 49,429

As of March 31, 2002, Yamatake had an unused line of credit amounting

to ¥30,000 million (\$225,564 thousand) of which ¥10,000 million (\$175,188 thousand) related to commitment line with five banks and ¥20,000 million (\$150,376 thousand) related to medium term notes program.

Annual maturities of long-term debt as of March 31, 2002, were as follows:

Year Ending March 31	Millions of yen	Thousands of U.S. dollars
2003	¥ 737	\$ 5,538
2004	2,317	17,419
2005	3,220	24,212
2006	153	1,150
2007	142	1,069
2008 and thereafter	742	5,579
Total	¥ 7,311	\$ 54,967

The carrying amounts of assets pledged as collateral for the above collateralized long-term debt at March 31, 2002, were as follows:

	Millions of yen	Thousands of U.S. dollars
Land	¥ 40	\$ 301
Buildings and structures	222	1,669
Investment securities	1,941	14,594
Total	¥ 2,203	\$ 16,564

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, 2002 and 2001, were ¥867 million (\$6,521 thousand) and ¥738 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 full amount of the transitional obligation of ¥18,894 million, determined as of the beginning of year, was charged to income and presented as other expense in the consolidated statement of operations for the year ended March 31, 2001.

The liability for employees' retirement benefits as of March 31, 2002 and 2001, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Projected benefit obligation	¥ 88,950	¥ 88,463	\$ 668,800
Fair value of plan assets	(50,260)	(50,857)	(377,896)
Unrecognized prior service cost	1,367	(2,427)	10,279
Unrecognized actuarial gain	(18,355)	(14,661)	(138,011)
Prepaid pension expense	67	27	505
Net liability	¥ 21,769	¥ 20,545	\$ 163,677

The components of net periodic benefit costs for the years ended March 31, 2002 and 2001, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Service cost	¥ 4,042	¥ 3,256	\$ 30,393
Interest cost	2,208	2,269	16,603
Expected return on plan assets	(2,795)	(3,019)	(21,019)
Amortization of prior service cost	129	12	971
Amortization of actuarial gain	959		7,213
Amortization of transitional obligation		18,984	
Extraordinary severance payment	43	14	320
Net periodic benefit costs	¥ 4,586	¥ 21,516	\$ 34,481

Assumptions used for the years ended March 31, 2002 and 2001, are set forth as follows:

	2002	2001
Discount rate	2.5%	2.5% (3.0% beginning of year)
Expected rate of return on plan assets	5.5%	5.5%
Amortization period of prior service cost	15–17 years	15–17 years
Recognition period of actuarial gain/loss	15–17 years	15–17 years
Amortization period of transitional obligation		1 year

8. SHAREHOLDERS' EQUITY

Japanese companies are subject to the Japanese Commercial Code (the "Code") to which certain amendments became effective from October 1, 2001.

Prior to October 1, 2001, the Code required 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 were credited to additional paid-in capital. Effective October 1, 2001, the Code was revised and common stock par values were eliminated resulting in all shares being recorded with no par value.

Prior to October 1, 2001, the Code also provided 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. Effective October 1, 2001, the revised Code allows for such appropriations to be set aside as a legal reserve until the total additional paid-in capital and legal reserve equals 25% of stated capital. The amount of total additional paid-in capital and legal reserve which exceeds 25% of stated capital can be transferred to retained earnings by resolution of the shareholders, which may be available for dividends. The Yamatake's legal reserve amount, which is included in retained earnings, totals ¥1,678 million (\$12,616 thousand) and ¥1,627 million as of March 31, 2002 and 2001, respectively. Under the Code, companies may issue new common shares to existing shareholders without consideration as a stock split pursuant to a resolution of the Board of Directors. Prior to October 1, 2001, the amount calculated by dividing the total amount of shareholders' equity by the number of outstanding shares after the stock split could not be less than ¥50. The revised Code eliminated this restriction.

Prior to October 1, 2001, the Code imposed certain restrictions on the repurchase and use of treasury stock. Effective October 1, 2001, the Code eliminated these restrictions allowing companies to repurchase treasury stock by a resolution of the shareholders at the general shareholders meeting and dispose of such treasury stock by resolution of the Board of Directors after March 31, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amount of stated capital, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders meeting.

The Code permits companies to transfer a portion of additional paid-in capital and legal reserve to stated capital by resolution of the Board of Directors. The Code also permits to transfer a portion of unappropriated

retained earnings, available for dividends, to stated capital by resolution of the shareholders.

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 8,400 thousand shares of Yamatake's stock for the purpose of canceling the shares and charging such amounts to retained earnings.

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, 2002 and 2001.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities as of March 31, 2002 and 2001, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Deferred tax assets:			
Pension and severance costs	¥ 9,135	¥ 8,195	\$ 68,688
Accrued expenses	2,065	1,742	15,524
Depreciation	781	886	5,870
Loss on impairment of land	840	840	6,316
Loss on investment securities	515		3,876
Tax loss carryforwards	1,526	529	11,474
Others	858	912	6,448
Less valuation allowance	(371)		(2,788)
Total	15,349	13,104	115,408
Deferred tax liabilities:			
Net unrealized gain on available-for-sale securities	38	903	285
Special advanced depreciation	486	368	3,653
Others	45	72	338
Total	569	1,343	4,276
Net deferred tax assets	¥ 14,780	¥ 11,761	\$ 111,132

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2002 and 2001, and the actual effective tax rates reflected in the accompanying consolidated statements of operations is as follows:

	2002	2001
Normal effective statutory tax rate	42.0%	(42.0)%
Expenses not deductible for income tax purposes	5.4	2.5
Dividend and other not adding income tax purposes		(0.4)
Equalization tax	3.7	1.9
Others—net	(0.7)	(0.4)
Actual effective tax rate	50.4%	(38.4)%

As of March 31, 2002, Yamatake and certain subsidiaries have tax loss carryforwards aggregating approximately ¥3,824 million (\$28,749 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
2005	¥ 1,208	\$ 9,083
2007	1,616	12,152
2008 and thereafter	1,000	7,514
Total	¥ 3,824	\$ 28,749

10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥8,770 million (\$65,943 thousand) and ¥8,674 million for the years ended March 31, 2002 and 2001, 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, 2002 and 2001, were ¥4,648 million (\$34,945 thousand) and ¥4,506 million, respectively, including ¥399 million (\$3,001 thousand) and ¥477 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, 2002 and 2001, was as follows:

	Millions of yen			
	2002			
	Buildings and Structures	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	¥ 5	¥ 251	¥ 1,287	¥ 1,543
Accumulated depreciation	3	211	946	1,160
Net leased property	¥ 2	¥ 40	¥ 341	¥ 383
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				
2002				
	Buildings and Structures	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	\$ 38	\$ 1,886	\$ 9,680	\$ 11,604
Accumulated depreciation	25	1,582	7,114	8,721
Net leased property	\$ 13	\$ 304	\$ 2,566	\$ 2,883

Obligations under finance leases:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Due within one year	¥ 423	¥ 335	\$ 3,180
Due after one year	1,494	386	11,231
Total	¥ 1,917	¥ 721	\$ 14,411

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 ¥335 million (\$2,516 thousand) and ¥350 million, for the years ended March 31, 2002 and 2001, 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, 2002 and 2001, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Receivables under finance leases:			
Due within one year	¥ 113	¥ 20	\$ 853
Due after one year	1,108	72	8,329
Total	¥ 1,221	¥ 92	\$ 9,182

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 loss risk in the derivative instruments is effectively 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.

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 is included in other assets in investment and other assets and other in long-term liabilities, respectively.

The fair value of Yamatake Group's derivative financial instruments as of March 31, 2002, was as follows:

	Millions of yen		
	Contract or Notional Amount	Fair Value	Unrealized Loss
Interest rate swaps—Pay fixed/receive floating	¥ 2,000	¥ (63)	¥ 3

	Thousands of U.S. dollars		
	Contract or Notional Amount	Fair Value	Unrealized Loss
Interest rate swaps—Pay fixed/receive floating	\$ 15,038	\$ (474)	\$ 25

Foreign currency forward contracts which qualify for hedge accounting for the year ended March 31, 2002 and such amounts which are assigned to the associated assets and liabilities and are recorded on the consolidated balance sheets as of March 31, 2002, are excluded from disclosure of market value information.

13. COMMITMENT AND CONTINGENT LIABILITIES

As of March 31, 2002, Yamatake Group had the following contingent liabilities:

	Millions of yen	Thousands of U.S. dollars
Trade notes discounted	¥ 55	\$ 413
Guarantees and similar items of loans and sublease	306	2,301

Commitment outstanding at March 31, 2002, for the purchase of property, plant and equipment and other assets were approximately ¥73 million (\$549 thousand).

14. SUBSEQUENT EVENTS

At the general shareholders meeting held on June 27, 2002, Yamatake's shareholders approved the following:

a. Purchase of Treasury Stock

Yamatake is authorized to repurchase, at management's discretion, up to 12,000 thousand shares of the Yamatake's stock (aggregate amount of ¥12,000 million).

b. Appropriations of Retained Earnings at March 31, 2002

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥6.0 (\$0.05) per share	¥ 507	\$ 3,815
Bonuses to directors and corporate auditors	27	203

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, 2002 and 2001, was as follows:

(1) Industry Segments
a. Sales and Operating Income

Millions of yen							
2002							
	Building Automation	Industrial Automation	Control Products	Other	Total	Eliminations/ Corporate	Consolidated
Sales to customers	¥ 80,890	¥ 51,161	¥ 24,605	¥ 10,508	¥167,164		¥167,164
Intersegment sales	631	1,582	1,823	724	4,760	¥ (4,760)	
Total sales	81,521	52,743	26,428	11,232	171,924	(4,760)	167,164
Operating expenses	73,963	52,989	28,061	12,376	167,389	(4,752)	162,637
Operating income (losses)	¥ 7,558	¥ (246)	¥ (1,633)	¥ (1,144)	¥ 4,535	¥ (8)	¥ 4,527

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

Thousands of U.S. dollars							
2002							
	Building Automation	Industrial Automation	Control Products	Other	Total	Eliminations/ Corporate	Consolidated
Sales to customers	\$608,200	\$384,670	\$184,999	\$ 79,002	\$ 1,256,871		\$ 1,256,871
Intersegment sales	4,742	11,894	13,706	5,448	35,790	\$ (35,790)	
Total sales	612,942	396,564	198,705	84,450	1,292,661	(35,790)	1,256,871
Operating expenses	556,117	398,411	210,984	93,053	1,258,565	(35,733)	1,222,832
Operating income (losses)	\$ 56,825	\$ (1,847)	\$ (12,279)	\$ (8,603)	\$ 34,096	\$ (57)	\$ 34,039

b. Assets, Depreciation and Capital Expenditures

Millions of yen							
2002							
	Building Automation	Industrial Automation	Control Products	Other	Total	Eliminations/ Corporate	Consolidated
Assets	¥ 55,831	¥ 42,757	¥ 23,404	¥ 4,757	¥126,749	¥ 54,209	¥180,958
Depreciation	971	843	928	67	2,809		2,809
Capital expenditures	718	862	647	28	2,255		2,255

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

Thousands of U.S. dollars							
2002							
	Building Automation	Industrial Automation	Control Products	Other	Total	Eliminations/ Corporate	Consolidated
Assets	\$419,779	\$321,482	\$175,967	\$ 35,769	\$952,997	\$ 407,593	\$ 1,360,590
Depreciation	7,300	6,337	6,977	506	21,120		21,120
Capital expenditures	5,396	6,484	4,865	210	16,955		16,955

Note: Corporate assets of ¥55,386 million (\$416,439 thousand) and ¥54,278 million for the years ended March 31, 2002 and 2001, 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.