

1. Status of Yokogawa Group

The Yokogawa Group comprises 98 subsidiaries and 22 affiliated companies. The major businesses of the group companies and businesses pertaining to each company in the group by segment are as follows:

Note that business activities are classified as either (1) the measurement, control, and information equipment business segment, or (2) the other businesses segment. This classification is based on a consideration of product affiliations and market similarities.

Note also that the group's aerospace, shipping, and marine-related products—which were included in the "other businesses" segment in the previous accounting year—are now classified under the "measurement, control, and information equipment business segment" due to a change in these products' technological characteristics, and that the subsidiaries which manufacture and sell these products on behalf of the parent company are now classified as belonging to this segment.

(1) The measurement, control, and information equipment business: 104 companies

In this business segment, Yokogawa Electric Corporation (“the Company”) is the main manufacturer and seller of equipment. Products manufactured by consolidated subsidiaries such as Yokogawa Electronics Manufacturing and Yokogawa M&C Corporation are also purchased and sold by the Company.

Some consolidated subsidiaries outside Japan manufacture their own goods and purchase products from the Company for sale in their home regions. The main subsidiaries carrying out such activities are Yokogawa Electric Asia Pte. Ltd. and Yokogawa Engineering Asia Pte. Ltd. in Southeast Asia, Yokogawa Europe B.V. in Europe, and Yokogawa Corporation of America in the United States.

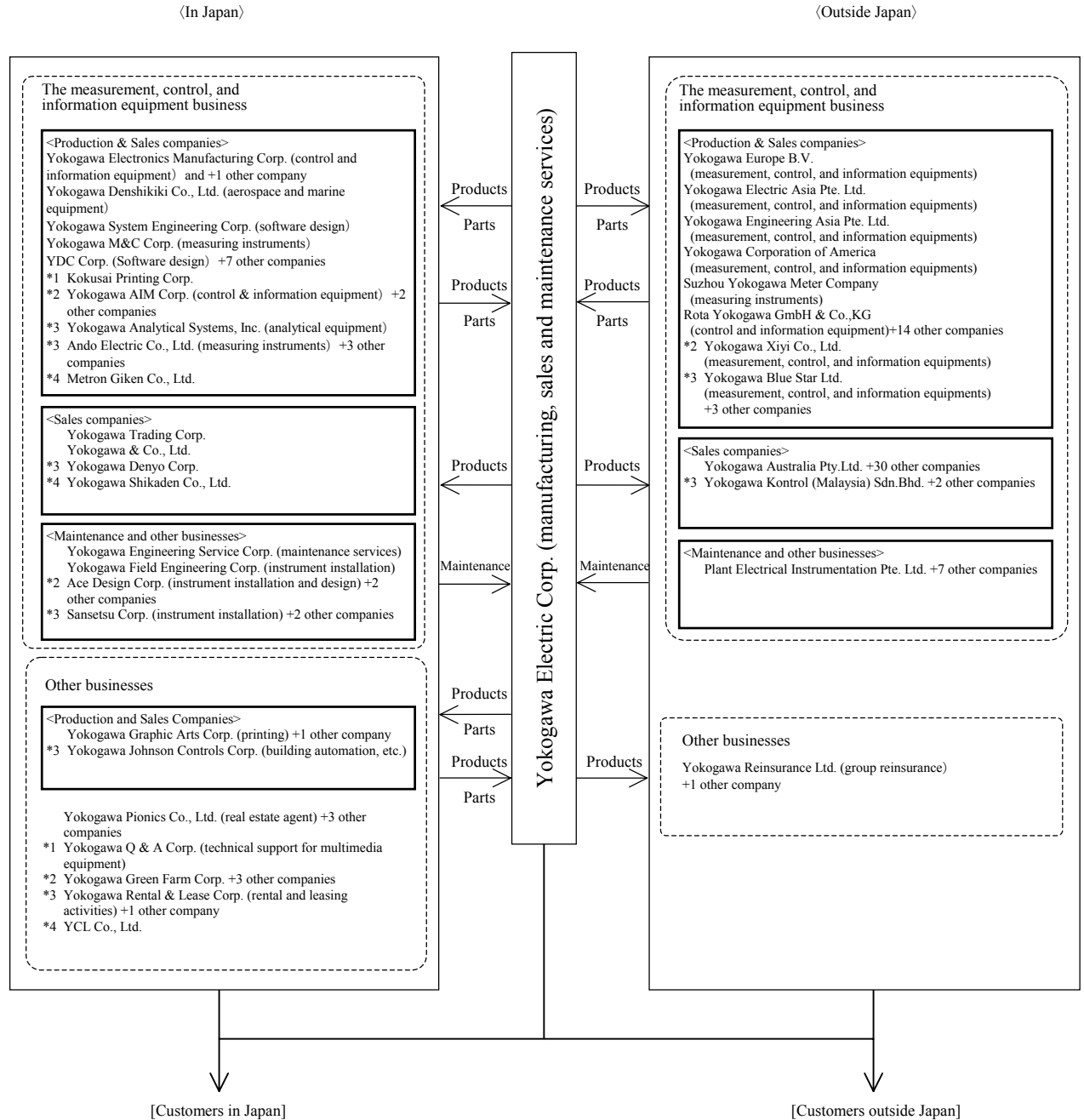
The Company and Yokogawa Engineering Service Corporation oversee engineering and after-sales services. Yokogawa Denshikiki Co., Ltd. is mainly engaged in the production and sale of aerospace electronics equipment, marine equipment, flight ignition equipment, and other products.

(2) Other businesses: 18 companies

Yokogawa Pionics Co., Ltd. handles operations relating to real estate, while Yokogawa Human Create Corporation acts as a temporary staff agency.

Business Overview

The following diagram illustrates the relations of the Group companies mentioned above.



(Note) no indication Consolidated subsidiary

*1 Unconsolidated subsidiary

*2 Unconsolidated subsidiary as to investments in which the equity method has been carried out

*3 Affiliated company as to investments in which the equity method has been carried out

Overview of Affiliated Companies

(1) Consolidated subsidiaries

	Name	Location	Capital or amount invested (million yen)	Business category	Proportion of voting rights (%)	Details				
						Interlocking directors	Funding Support	Business transactions	Equipment leased	Others
1.	Kokusai Chart Corporation	Okegawa-shi, Saitama	376	Measurement, control, and information equipment business	66.8 (0.2)	Yes	—	Production of recording charts	—	* ⑤
2.	Yokogawa Engineering Service Corporation	Tachikawa-shi, Tokyo	1,000	Measurement, control, and information equipment business	100.0	Yes	—	Maintenance, servicing, and repair of measurement, control, and information equipment.	Yes	
3.	Yokogawa Denshikiki Co., Ltd.	Shinjuku-ku, Tokyo	514	Measurement, control, and information equipment business	75.7	Yes	Yes	Production of control equipment	Yes	
4.	Yokogawa Management Service Corporation	Musashino-shi, Tokyo	240	Other businesses	100.0	Yes	Yes	Accounting, personnel, and administration services	Yes	
5.	Yokogawa Infotec Corporation	Musashino-shi, Tokyo	300	Other businesses	100.0	Yes	—	Development and management of information and computer system	Yes	
6.	Yokogawa M&C Corporation	Musashino-shi, Tokyo	290	Measurement, control, and information equipment business	100.0	Yes	—	Sale of measurement, control equipment	Yes	
7.	Yokogawa Pionics co., Ltd	Musashino-shi, Tokyo	217	Other businesses	100.0	Yes	Yes	Management of real estate	Yes	
8.	Yokogawa Trading Corporation	Musashino-shi, Tokyo	395	Measurement, control, and information equipment business	100.0	Yes	Yes	Export/import and procurement	Yes	
9.	Yokogawa MAT Corporation	Musashino-shi, Tokyo	480	Measurement, control, and information equipment business	100.0	Yes	Yes	Development and sale of semiconductor manufacturing devices	Yes	
10.	Yokogawa Electronics Manufacturing Corporation	Akiruno-shi, Tokyo	1,967	Measurement, control, and information equipment business	100.0	Yes	Yes	Production of measurement and control equipment	Yes	* ①
11.	Nippon System Gijutsu Co.	Minato-ku, Tokyo	200	Measurement, control, and information equipment business	76.0	Yes	—	Development of software	—	
12.	Yokogawa & Co., Ltd.	Meguro-ku, Tokyo	114	Measurement, control, and information equipment business	50.0	Yes	Yes	Sale of measurement, control, and information equipment	—	* ③
13.	Yokogawa Field Engineering Corporation	Musashino-shi, Tokyo	150	Measurement, control, and information equipment business	100.0	Yes	—	Installation of equipment	Yes	
14.	YDC Corporation	Fuchu-shi, Tokyo	250	Measurement, control, and information equipment business	100.0	Yes	Yes	Development of software	Yes	
15.	Yokogawa Digital Computer Corporation	Fuchu-shi, Tokyo	200	Measurement, control, and information equipment business	100.0	Yes	Yes	—————	—	
16.	System Plaza Inc.	Shibuya-ku, Tokyo	200	Measurement, control, and information equipment business	100.0	Yes	—	Development of software	—	
17.	Yokogawa Graphic Arts Corporation	Musashino-shi, Tokyo	66	Other businesses	100.0	Yes	—	Production of publications	Yes	

	Name	Location	Capital or amount invested	Business category	Proportion of voting rights (%)	Details				
						Interlocking directors	Funding support	Business transactions	Equipment leased	Others
18.	Yokogawa USA, INC.	Newnan Ga,U.S.A.	US\$95,386,000	Measurement, control, and information equipment business	100.0	Yes	Yes	—————	—	* ②
19.	Yokogawa Corporation of America	Newnan Ga,U.S.A.	US\$1,000	Measurement, control, and information equipment business	100.0 (100.0)	Yes	—	Production, sale, and engineering of measurement, control, and information equipment	—	* ②
20.	Yokogawa Electric Asia Pte. Ltd.	Bedok Singapore	S\$51,020,000	Measurement, control, and information equipment business	100.0	Yes	—	Production of measurement, control, and information equipment	—	* ①
21.	Yokogawa Europe B.V.	Amersfoort The Netherlands	32,177,000 Euros	Measurement, control, and information equipment business	100.0	Yes	Yes	Production, sale and engineering of measurement, control, and information equipment	—	
22.	Yokogawa Australia Pty. Ltd	Sydney Australia	A\$2,000,000	Measurement, control, and information equipment business	100.0	Yes	Yes	Sale and engineering of measurement, control, and information equipment	—	
23.	Yokogawa America do Sul Ltda.	Sao Paulo Brazil	16,055,000 Riyals	Measurement, control, and information equipment business	99.2	Yes	Yes	Production, sale, servicing, and engineering of measurement, control, and information equipment	—	
24.	Yokogawa Middle East E.C.	Muhharraq Bahrain	BD470,000	Measurement, control, and information equipment business	100.0 (11.2)	Yes	Yes	Sale, servicing, and engineering of measurement, control, and information equipment	—	
21.	Yokogawa Engineering Asia Pte. Ltd.	Bedok Singapore	S\$10,000,000	Measurement, control, and information equipment business	100.0 (100.0)	Yes	—	Sale, servicing, and engineering of measurement, control, and information equipment	—	
26.	Yokogawa Electric Korea Co. Ltd. (Yokogawa Manufacturing Korea)	Inchon Korea	W1,960 million	Measurement, control, and information equipment business	100.0	Yes	—	Production, sale, and engineering of measurement, control, and information equipment	—	
27.	Yokogawa Sichuan Instrument Co., Ltd.	Chongging, China	83,112,000 Yuan	Measurement, control, and information equipment business	60.0	Yes	—	Production, sale, and engineering of measurement, control, and information equipment	—	
+ 58 other companies										

(2) Affiliated companies to which the equity method of accounting has been carried out

	Name	Location	Capital or amount invested (million yen)	Business category	Proportion of voting rights (%)	Details				
						Interlocking directors	Funding support	Business transactions	Equipment leased	Others
1.	Yokogawa Analytical Systems Inc.	Musashino-shi, Tokyo	2,000	Measurement, control, and information equipment business	49.0	Yes	—	Production of some of analytical equipment	—	
2.	Yokogawa Johnson Controls Corporation	Chiyoda-ku, Tokyo	800	Measurement, control, and information equipment business	45.0	Yes	—	Production and engineering of some control equipment	—	
3.	Yokogawa Renal & Lease Corporation	Musashino-shi, Tokyo	528	Other" business	47.4	Yes	—	Rental and leasing operations in relation to measurement and control equipment	—	
4.	Ando Electric Co., Ltd.	Kawasaki-shi, Kanagawa	7,597	Measurement, control, and information equipment business	33.0	Yes	—	—	—	* ④
5.	Yokogawa Blue Star Ltd.	Bangalore India	87,500,000 Indian Rupees	Measurement, control, and information equipment business	40.0	Yes	—	Production, sale, and engineering of measurement, control, and information equipment	—	
+ 13 other companies										

Notes

1. The "Business category" lists the name of the business segment to which each company belongs.
2. * (1) Special subsidiary
3. *(2) Yokogawa USA, Inc. is the holding company for Yokogawa Corporation of America.
4. *(3) The Company owns less than 50% but is in effective control, so the Company in question is considered a subsidiary.
5. *(4) Has filed an annual securities report.
6. Figures in brackets in "Proportion of voting rights" column correspond to indirect control of voting rights.
7. In the case of consolidated subsidiaries, profit/loss information is omitted as sales (excluding internal transactions between consolidated companies) account for less than 10% of consolidated sales.

2. Management Policies

In keeping with the core goals of VISION-21 and ACTION-21, a new corporate strategy of the Yokogawa Group aiming at healthy and profitable operations announced in January 2000, the Group is currently pursuing a business strategy aimed at bringing about innovations in business structure and group management.

Driven by the strategic emphasis on innovations in business structure, the Group is implementing several programs to reach the quantitative goals it has set for achievement by the fiscal year 2005. One is to improve profitability through efficiency gains in the industrial automation (IA) field, and particularly within the maturing market for plant control systems. Efforts also are made to encourage a transformation in business structure by shifting more of the Group's resources into markets and industries that appear poised for growth and prosperity in the years ahead, namely information services, fiber-optic communications and multimedia, and semiconductors.

To bring about innovations in Group management, we have embraced a core philosophy of operational autonomy and teamwork, and have embarked on a quest to maximize the consolidated operating income through the realignment and consolidation of the Group companies and other efforts designed to build on and refine the Group's operating frameworks and mechanisms.

Under the new corporate strategy, the Group has classified its operations into three key business domains: the IA and control business, the measurement business, and the information services business. Yokogawa is now pursuing an aggressive business strategy in each of these domains.

The core strategies for each of these domains are outlined below.

Industrial Automation and Control Business

Yokogawa is putting together a more efficient business management framework and solidify its position as a leading company in the global market by continually striving to deliver a highly reliable product mix and optimal system solutions that are tailored to market needs. It is also expanding its service and maintenance operations industry and refine and enlarge Group frameworks to respond to demand in market segments that are expected to grow in the years ahead. On top of that, the Group strives to win more contracts in China, Southeast Asia, the Middle East, Russia, and Europe where levels of capital spending have been strong and sustained. In Japan, it actively taps into markets that has been a focus of intensive investment, such as food and pharmaceuticals, and aims for improved profitability while moving responsively to satisfy replacement demands.

Measurement Business

Yokogawa is expanding the Group's business presence in the semiconductor and communications network equipment market segments through the strategic debut of competitive new products. Although the market for semiconductor testers showed signs of picking up in April 2002, conditions in that market remain bleak. The Group expands operations in the tester segment with a product strategy geared to the provision of devices for use in broadband communications equipment, information appliances, and others that are expected to enjoy strong growth in the years ahead. Further, it reinforces business in the motion and measurement (M&M) segment in collaboration with the tester business and by devising a competitive lineup of distinctive component products for semiconductor fabrication applications as well as a range of IC handler products. It expands operations in the measurement business for development applications by enlarging the Group's line of high-frequency measuring instruments for the development of next-generation information and communications network equipment and information appliances, and by utilizing the latest technologies to perfect and commercialize measuring instruments and related equipment for the optical transmission systems that will pave the way for the emerging age of broadband communications. Also, it opens up new channels for the sale of computer peripheral switching power supplies and other components by tapping into market for information appliances, a future growth segment.

Information Services Business

Yokogawa is expanding the business in medical imaging and information systems, a market segment where the Group already commands a strong share, and sets the stage for early penetration into new markets for the information services business that will harness sophisticated information technologies. In particular, it capitalizes on business alliances with leading global companies to expand the Group presence in the market for information network security monitoring services and the provision of system solutions to companies primarily in the manufacturing trades that are striving for IT-driven business efficiency.

Other Businesses

Yokogawa is expanding operations in the aircraft-related business, which harnesses an array of various measuring technologies, by working more aggressively to accommodate private sector demand. In addition, it pushes forward with efforts to expand the Group's consigned production business through the establishment of an independent electronics manufacturing service (EMS) that enlists a broad array of manufacturing technologies and production management know-how.

We have declared several consolidated management targets for achievement by the fiscal year 2005 through steady implementation of the core strategies outlined above for our principal business domains: consolidated sales of 500 billion yen, consolidated operating income of 50 billion yen, a consolidated ROA of 5.0 percent, and a consolidated ROE of 10.0 percent.

Taking into general consideration such factors as business performance and dividend payout ratios, the Company is determined to maintain a steady flow of dividends to its shareholders and to achieve endless improvements in its corporate worth. In the interest of implementing the innovations in business structure and Group management championed by our new corporate strategy, and thereby bolstering consolidated Group performance, funds from retained earnings have been effectively invested in essential new business ventures, the development of new products for growing markets, and the development of frameworks for efficient consolidated management. To keep the balance sheet healthy and improve a ROE ratio, the Company continually returns profits to our shareholders through the purchase and retirement of its own shares, as appropriate.

The Company recognizes that improving the liquidity of its shares is a matter of top management priority. However, in view of the potentially heavy burden of costs that could accrue from a reduction in the unit investment price, the Company has decided to carefully address this issue with adequate attention to shareholder expectations.

3. Business Results

1) Overview of FY2001

< General Overview >

The slowdown in the IT sector significantly weakened demand for semiconductor-related products of the Yokogawa Group. Compared to the brisk performance of the year before, sales in our semiconductor tester and IC handler business fell steeply. The IT slowdown impacted demand for measuring instruments in general and the Group posted sales down sharply from the preceding year.

In the IA and control business, which centers around plant control systems, the Group executed a series of preferred-supplier contracts for control systems with major global clients, and in other ways vastly expanded its overall presence in the international market. Yokogawa sought to actively spur new replacement demand in the Japanese market, which is still suffering from a slump in capital spending on plants and equipment. As a result of these efforts, sales in the IA and control business at large held almost even with its level the year before.

Consolidated sales totaled 310.8 billion yen, down 41.7 billion yen (11.8 percent) from the previous year. Consolidated operating income totaled 1.7 billion yen, down a sizable 14.4 billion yen from the preceding term. The Group recorded a consolidated ordinary loss of 6.1 billion yen. This was due in part to a 5.8 billion yen investment loss on equity method in Ando Electric Co., Ltd., an affiliate in which the Company owns a 33 percent equity stake, and to a 2.2 billion yen valuation loss on inventory assets. A 5.8 billion yen valuation loss on investment securities, coupled with an extraordinary loss of 15.9 billion yen, left the Group with a dismal consolidated net loss of 23.1 billion yen for the year.

These steep reductions in income and earnings were attributable not only to trends in the business cycle, but also to changes in industrial and social structure. Prompted by that assessment, the Company implemented a variety of structural reforms designed to optimize its business cost structure. In particular, it moved forward with the consolidation and realignment of Group manufacturing companies, the consolidation of Group sales offices, and the adoption of a new compensation framework that rewards management personnel in a manner commensurate with their value-added contributions. As emergency initiatives designed to help the Group as a whole surmount the difficulties of the current business slump, this term in Japan we have implemented steep reductions in our operating costs, subjected directors, managers, and union employees to salary cuts and temporary day offs, reduced the number of our contract employees, and pursued additional personnel cost reductions, all aimed at improving chances for a profit.

<Results by Business Segment>

Sales in our IA and control business were virtually unchanged from the year before. Although business in Japan continued to suffer from the effects of a slowdown in corporate capital spending, sales proved brisk in international markets, particularly in Europe, Russia, the Middle East, China, and Southeast Asia, where levels of capital spending have held relatively firm.

Turning to the measurement business segment, the global IT slump drastically undermined sales for our semiconductor tester business, which includes IC handlers. Sales of measuring instruments for development applications were also heavily impacted by the IT slowdown. The Group initiated an aggressive new business undertaking in the measuring instrument field by pioneering the development and commercialization of a key module for the achievement of 40-gigabit class optical data transmissions that will be needed to help pave the way for the coming broadband age. The Group also entered the field for commercial optical transmission systems in collaboration with Ando Electric to perfect measuring instruments for the development of 40-gigabit optical transmission systems that utilize the new module. Even so, the slump in the IT market dealt a heavy blow to sales and earnings for the measurement business overall.

In the information services business segment, Yokogawa moved ahead with new undertakings in the network security business. These ventures were still in the investment stage and thus did not contribute to earnings in the year under review. However, the Company plans to expand its business into the already established market base for medical information systems, and will strive to cultivate new business with an aggressive thrust into the market for manufacturing system solutions.

In the "other businesses" category, the Company has been working to expand its aircraft-related business beyond traditional defense-industry contracts. In particular, to boost private sector demand, it has begun shipping LCD flat panel displays for use in Airbus airliners.

Within the domain of business strategy, in January 2002 Yokogawa and the U.S. firm, Johnson Controls Inc., agreed to dissolve their building automation joint venture, Yokogawa Johnson Controls Corporation, on the shared realization that the venture had lost its strategic significance as a result of changes in the business climate. Yokogawa also agreed to sell off its shares in the venture firm.

In December 2001, the Company had the shares of a subsidiary, Kokusai Chart Corporation, registered on the JASDAQ exchange. That subsidiary is engaged chiefly in the manufacture and sale of instrument recording chart papers and paper products for use in outdoor meters.

< Results by Region >

Aided by growth in its system-oriented IA and control business, the Group posted sales of 23.0 billion yen in the European market, up 4.5 billion yen (24.5 percent) from the year before. Operating income for the region totaled 800 million yen, a vast improvement (of 143.2 percent) on the 300 million yen total for the preceding year.

In Asia, the Group recorded sales of 33.7 billion yen, down 1.3 billion yen (3.8 percent) from the year before. Operating income for this region totaled 1.3 billion yen, down 900 million yen (42.5 percent) from the previous year.

In North America, the measurement business experienced weaker sales but the IA and control business registered sales growth. In total, sales came to 20.5 billion yen, for a 1.0 billion yen increase (5.2 percent) on the year before. Operating income also raised, to 400 million yen, an increase of 200 million yen (70.0 percent).

Sales in the Japanese market reached 263.1 billion yen, down a sizable 51.9 billion yen (16.5 percent) from the preceding year. This was attributable chiefly to a steep decline in sales of semiconductor testers and other elements of the measurement business. In Japan, the Company recorded an operating loss of 1.7 billion yen.

<Cash Flow Summary>

Cash flow from operating activities totaled a positive 20.4 billion yen, for an impressive 22.9 billion yen gain on the negative 2.4 billion yen level of the year before. Vast reductions in outstanding accounts receivable through liquidation were the main reason for this favorable turnaround.

Negative cash flow from investing activities was held in check at 4.3 billion yen. This was due to curbs on capital investment, sales of negotiable securities through the elimination of cross-shareholding arrangements, and the sale of a percentage of the Company's holdings in Kokusai Chart Corporation, when that subsidiary was publicly listed.

Free cash flow from operating and investing activities combined totaled 16.1 billion yen, an improvement of 6.1 billion yen from the year before.

Cash flow from financing activities was a negative 22.9 billion yen. This was due to several factors, including the May 2001 redemption of 10 billion in straight bond from the Company's initial offering, the repayment of 7.5 billion yen in loans, the payment of 3.0 billion in dividends, and the retirement of 2,643,000 shares of Company stock worth 2.4 billion yen. Incidentally, the Company has established a commitment line of 10.0 billion yen for loan repayment.

At the end of year under review, the balance in cash and cash equivalents stood at 43.9 billion yen, down 6.7 billion yen from the year before.

<Profit Dividend>

In the fiscal year 2001, the Company registered heavy losses and continues to face an unpredictable business climate. Nonetheless, in view of its emphasis on maintaining steady dividends, for the fiscal year 2001 it plans to pay a total dividend of 7.5 yen per share (including an interim dividend of 3.75 yen per share).

2) Outlook of operations for the Ending March 31, 2002

<General Overview>

Although the semiconductor market has begun to show signs of picking up, it is anticipated that hard times will prevail in the first half of the coming business year, giving way to a recovery in the second half. Yokogawa plans to continue implementing its strategy of structural reforms for reduced business costs and improved profits. In addition, though, to boost sales through the reinforcement of existing manufacturing enterprises and by tapping into new markets, it is determined to pursue Group-wide efforts for the expansion of sales and profit with promotional strategies driven by a new organizational framework introduced in April 2002.

The IA and control business, which primarily handles plant control systems, has been registering improved sales in international markets where the levels of capital investment have been intense: namely, in China, Southeast Asia, the Middle East, and Russia. Furthermore, Yokogawa has earned unprecedented levels of trust and acclaim for its stable service offerings and technological prowess from an array of major oil firms and other leading global corporations. These factors have led to plans for increased sales through enhancements of the worldwide capabilities and resources. Yokogawa will actively strive to spur new replacement demand in the domestic market, which is still suffering from a slump in capital spending on plants and equipment.

In the measurement business, and particularly the market for semiconductor testers, the Group is determined to implement a business strategy that will help it prepare for the market recovery and offer fine-tuned solutions that better satisfy customer needs. It also is determined to spur heightened sales in the measuring instrument business by expanding its lineup with the introduction of new products. In particular, it plans to step up its collaborative undertakings with Ando Electric Co., Ltd. and reinforce and expand its semiconductor tester business as well as its business directed to the communications sector.

In the information services segment, Yokogawa plans to move forward with the expansion of its medical information systems business, begin offering system solutions to the manufacturing sector at an early date, and accelerate the cultivation of new business ventures in the network security field.

In its "other businesses" segment, Yokogawa will continue working to spur private sector demand for its aerospace products.

In relation to cash flow, the Company is scheduled to redeem 10.0 billion yen in straight bond (from its second domestic issue) in July 2002 and again (from its third domestic issue) in February 2003. It will continue striving to trim its assets and improve its balance sheet health.

To attain its goals of innovation in business structure and Group management, in the years ahead the Yokogawa Group is determined to pursue its new business strategy with gusto and accordingly satisfy the expectations of its shareholders.

< Consolidated Forecasts for FY2002 >

Net sales	365 billion yen (up 17.4 percent)
Operating income	7.2 billion yen (up 312.6 percent)
Ordinary income	5.4 billion yen (-)
Net income for the year	4.8 billion yen (-)

< Parent Forecasts for FY2002 >

Net sales	86.5 billion yen (up 0.9 percent)
Operating income	-2.0 billion yen (-)
Ordinary income	-2.0 billion yen (-)
Net income for the year	3.0 billion yen (-)

Note: The consolidated forecast assumes an average exchange rate of US\$1 = 125 yen throughout FY2002.

In line with Group business reorganization plans slated for implementation on October 1, 2002 (Please refer to the attached document: Notice: Ando Electric Co., Ltd. to Become Wholly Owned Subsidiary of Yokogawa Electric Corporation; Yokogawa to Underwrite New Ando Shares Allotted to Third Party, Yokogawa Electric (on an unconsolidated basis) will undergo certain changes in business makeup and organization. However, because details pertaining to those changes remain uncertain at this time, we have refrained from including a forecast of unconsolidated business performance for the full fiscal year 2002.

< Notes Regarding Forecasts >

The above forecasts are based on certain assumptions deemed reasonable by Yokogawa at the present time, and may differ from actual business results.

Major factors that may affect business performance include the following:

- Fluctuations in the U.S. dollar, European currencies, and Asian currencies relative to the yen
- Sudden changes in economic conditions in major markets, or in trade regulations or other aspects of the business environment
- Sudden fluctuations in product supply or demand
- Rapid technological innovations
- Fluctuations in Japanese share prices
- Protection of Yokogawa patents and the licensing of patents held by other companies
- Alliances with other companies for product development or other ends.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheets

(¥ million)

	<u>March 31,2001</u>		<u>March 31,2002</u>	
Current Assets:		%		%
Cash on hand and in bank	26,533		30,003	
Notes and accounts receivables	116,013		96,895	
Marketable securities	25,108		14,382	
Inventories	43,067		35,938	
Deferred tax assets - current	4,763		4,000	
Other current assets	18,289		14,021	
Allowance for doubtful accounts	<u>(1,410)</u>		<u>(1,299)</u>	
Total currents assets	232,364	56.6	193,943	54.8
Fixed Assets:				
(Tangible fixed assets)				
Building and structures	42,265		40,146	
Machinery, transportation equipment	8,825		8,326	
Land	14,957		15,040	
Construction in progress	266		673	
Tools, furniture and fixtures	<u>10,083</u>		<u>8,881</u>	
Total tangible fixed assets	76,399	18.6	73,068	20.6
(Intangible fixed assets)				
Consolidated goodwill	433		142	
Others	<u>10,608</u>		<u>11,761</u>	
Total intangible fixed assets	11,042	2.7	11,903	3.4
(Investment and other assets)				
Investments in securities	64,150		40,325	
Long-term loans	313		-	
Deferred tax assets - non-current	13,022		20,061	
Other investments	13,953		15,192	
Allowance for doubtful accounts	<u>(451)</u>		<u>(606)</u>	
Total investment and other assets	90,988	22.1	74,972	21.2
Total fixed assets	178,429	43.4	159,945	45.2
Deferred assets	37	0.0	11	0.0
Total Assets	<u>410,831</u>	100.0	<u>353,899</u>	100.0

(¥ million)

	<u>March 31, 2001</u>		<u>March 31, 2002</u>	
Current liabilities:		%		%
Notes and accounts payable	35,709		28,890	
Short-term bank loans	9,698		6,657	
Current portion of bonds	10,000		20,000	
Accrued expenses	9,072		-	
Income taxes payable	2,280		1,524	
Deferred tax liabilities - current	1		-	
Accrued bonuses	8,306		6,791	
Other current liabilities	<u>20,814</u>		<u>35,435</u>	
Total current liabilities	95,883	23.3	101,299	28.6
Long-term liabilities:				
Long-term bonds	42,000		20,000	
Long-term bank loans	20,165		16,794	
Deferred tax liabilities - non-current	211		2,094	
Reserve for retirement payments	48,556		38,914	
Reserve for retirement payments of directors	1,078		963	
Other reserves	128		146	
Others	<u>613</u>		<u>1,727</u>	
Total long-term liabilities	112,753	27.5	80,641	22.8
Total liabilities	208,637	50.8	181,940	51.4
Minority interests in consolidated subsidiaries	2,154	0.5	2,901	0.8
Shareholders' equity:				
Common stock	32,306	7.9	32,306	9.1
Additional paid-in capital	35,020	8.5	35,020	9.9
Retained earnings	133,697	32.5	104,814	29.6
Variances on securities valuations	5,535	1.3	1,114	0.3
Foreign currency translation adjustments	(6,371)	(1.5)	(3,991)	(1.1)
Treasury stock	(28)	(0.0)	(85)	(0.0)
Subsidiary holdings in parent company	<u>(121)</u>	<u>(0.0)</u>	<u>(121)</u>	<u>(0.0)</u>
Total shareholders' equity	200,039	48.7	169,057	47.8
Total liabilities and stockholders' equity	<u>410,381</u>	100.0	<u>353,899</u>	100.0

Consolidated Statements of Income

(¥ million)

	March 312001		March 312002	
		%		%
Net sales	352,611	100.0	310,828	100.0
Cost of sales	236,009	66.9	209,759	67.5
Gross profit	116,602	33.1	101,068	32.5
Selling, general and administrative expenses	100,386	28.5	99,323	31.9
Operating profit	16,216	4.6	1,744	0.6
Non-operating profit:				
Interest income	485		689	
Dividend income	1,677		2,139	
Gain on sale of securities	9		-	
Rent earned	464		-	
Foreign exchange gain	1,188		-	
Profit from investments in subsidiaries and affiliates accounted for by the equity method	805		-	
Others	1,317		2,042	
Total non-operating profit	5,948	1.7	4,871	1.5
Non-operating expenses:				
Interest expense	1,991		1,852	
Loss on disposal of inventories	2,151		1,230	
Loss on price declines of inventories	573		2,210	
Rent expense	201		-	
Investment loss of equity method	-		5,234	
Others	1,936		2,205	
Total non-operating expenses	6,855	1.9	12,733	4.1
Recurring profit	15,309	4.4	(6,116)	(2.0)
Extraordinary profit:				
Gain on sales of property	267		621	
Gain on sales of investments in marketable securities	41,676		396	
Others	495		287	
Total extraordinary profit	42,439	12.0	1,305	0.4
Extraordinary loss:				
Loss on sales of property	862		88	
Loss on retirement of property	951		676	
Loss on sales of investments in marketable securities	4		200	
Loss on devaluation of investments in marketable securities	3,012		5,857	
Loss from investments in subsidiaries and affiliates accounted for by the equity method	10,280		6,577	
Retirement benefit costs income tax and residential tax refund	2,021		-	
Others	3,574		2,592	
Total extraordinary loss	20,707	5.9	15,993	5.1
Income before income taxes	37,041	10.5	(20,803)	(6.7)
Corporate, resident and enterprise tax	2,891		2,652	
Income tax and residential tax refund	258		11	
Adjustment of corporate tax, etc.	9,132		(793)	
Minority shareholders' loss	(139)		460	
Net income	25,415	7.2	(23,112)	(7.4)

Statements of Consolidated Retained Earnings

(¥ million)

	<u>March 31, 2001</u>	<u>March 31, 2002</u>
Consolidated balance at the beginning of period:		
Consolidated balance at the beginning of period	110,445	133,697
Previous-period tax effect adjustment	<u>-</u>	<u>-</u>
Total consolidated balance beginning of period	110,445	133,697
Consolidated amount of increase in retained earnings:		
Increase due to change in the number of unconsolidated subsidiaries and affiliates applying the equity method	46	-
Other increase	<u>29</u>	<u>-</u>
Total consolidated amount of increase in retained earnings	76	-
Consolidated amount of decrease in retained earnings:		
Dividends	1,838	3,065
Bonuses to directors and corporate auditors	117	115
Change in the number of unconsolidated subsidiaries and affiliates applying the equity method	49	132
Redemption of treasury stock	-	2,393
Decrease due to currency fluctuation	115	33
Decrease due to merger of subsidiaries	83	-
Others	<u>33</u>	<u>31</u>
Total consolidated amount of decrease in retained earnings	2,239	5,771
Net profit (loss) for the period under review	25,415	(23,112)
Consolidated balance at the end of period	<u><u>133,697</u></u>	<u><u>104,814</u></u>

Consolidated Cash Flow Statements

(¥ million)

	March31, 2001	March 31, 2002
I Cash flows from operating activities		
Net profit (loss) for the period under review before tax and other adjustment	37,041	(20,803)
Depreciation	13,190	13,964
Amortization of consolidated goodwill	472	370
Changes in allowance for doubtful accounts	391	(35)
Decrease in reserve for retirement allowances	(8,515)	-
Increase in reserve for retirement payments	48,556	(9,675)
Increase in accrued bonuses	1,919	(1,568)
Interest and dividend income	(2,162)	(2,829)
Interest expenses	1,991	1,852
Gain on equity method	9,475	11,811
Gain on investment in marketable securities	(41,671)	(67)
Changes in trades receivables	(14,778)	20,062
Changes in inventories	904	8,768
Changes (increase) in trade payable	448	(8,722)
Decrease (increase) in pension payable	(54,653)	-
Others	7,063	3,344
Subtotal	(326)	16,471
Interest and dividend income received	2,288	4,381
Interest expenses paid	(2,029)	(2,128)
Income taxes paid	(2,378)	1,758
Total net cash provided by operating activities	(2,445)	20,483
II Cash flows from investing activities		
Payments for deposit in time deposits	(2,342)	(1,417)
Proceeds from return on time deposits	2,262	2,603
Payments for purchase of property, plant and equipment	(14,769)	(8,124)
Payments from sales of property, plant and equipment	2,554	1,608
Payments for purchase of investments in marketable securities	(26,950)	(2,919)
Proceeds from sales of investments in marketable securities	53,637	6,994
Others	(1,981)	(3,118)
Total net cash provided by investing activities	12,409	(4,374)
III Cash flows from financing activities		
Decrease in short-term bank borrowings, net	(16,013)	(6,689)
Issuance of long-term debt	76	79
Repayment of long-term debt	(1,350)	(891)
Corporate bond redemption	-	(10,000)
Paid of undertaking of increase of capital of minority shareholders	-	252
Paid of gain of treasury stock	-	(2,450)
Cash dividends paid	(1,838)	(3,065)
Dividend paid of minority shareholders	-	(120)
Others	(75)	(52)
Total net cash used in financing activities	(19,202)	(22,937)
IV Effect of exchange rate on cash and cash equivalents	256	63
V Net increase (decrease) in cash and cash equivalents	(8,981)	(6,765)
VI Cash and cash equivalents at the beginning of the period	59,741	50,759
VIII Cash and cash equivalents at the end of the period	50,759	43,994