

ADVANCED ENERGY INDUSTRIES INC

FORM 8-K/A (Unscheduled Material Events)

Filed 4/2/2002 For Period Ending 1/18/2002

Address	1625 SHARP POINT DR FT COLLINS, Colorado 80525
Telephone	970-221-4670
CIK	0000927003
Industry	Electronic Instr. & Controls
Sector	Technology
Fiscal Year	12/31

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K/A

**CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported): JANUARY 18, 2002

ADVANCED ENERGY INDUSTRIES, INC.
(Exact Name of Registrant as Specified in Charter)

DELAWARE	000-26966	84-0846841
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

1625 SHARP POINT DRIVE, FORT COLLINS, COLORADO 80525
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: (970) 221-4670

N/A
(Former Name or Former Address, if Changed Since Last Report)

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

(a) Financial Statements of Business Acquired

Included with this report on Form 8-K/A as Exhibit 99.2 is the consolidated balance sheet of Aera Japan Limited, a Japanese corporation and its wholly owned subsidiaries, at June 30, 2001, and the related consolidated statements of operations, stockholders' equity and cash flows of Aera for the twelve-month period ended June 30, 2001, prepared in accordance with United States generally accepted accounting principles, and the related report of independent auditors.

Also included with this report on Form 8-K/A as Exhibit 99.3 is an unaudited consolidated condensed balance sheet of Aera and its wholly owned subsidiaries at December 31, 2001 and 2000, and the related consolidated condensed statements of operations and cash flows of Aera for the six-month periods then ended, also prepared in accordance with United States generally accepted accounting principles.

(b) Pro Forma Financial Information

The unaudited pro forma combined condensed balance sheet and statement of operations included as Exhibit 99.4 are presented for illustrative purposes only and are not necessarily indicative of the combined financial position or results of operations for future periods or the results that actually would have been realized had Advanced Energy Industries, Inc. and its consolidated subsidiaries and Aera been a combined company as of December 31, 2001 and during the specified periods. The pro forma statements, including the notes thereto, are qualified in their entirety by reference to, and should be read together with, the historical consolidated financial statements of Advanced Energy included in Advanced Energy's Form 10-K for the year ended December 31, 2001, and together with the historical consolidated financial statements of Aera, included elsewhere in this Form 8-K/A.

The following pro forma statements give effect to the acquisition of Aera using the purchase method of accounting. The purchase price (cash paid and liabilities assumed) was allocated based upon the estimated fair value of assets acquired. The preliminary purchase price allocation is based on Advanced Energy's estimates of fair value, and is subject to change based upon final determination and appraisal of fair values. Accordingly, the accompanying pro forma financial statements do not reflect the actual liabilities assumed and goodwill or other intangible assets that will result from the transaction.

The unaudited pro forma combined condensed balance sheet assumes that the business combination took place on December 31, 2001, and combined Aera's unaudited condensed consolidated balance sheet as of December 31, 2001 with Advanced Energy's audited condensed consolidated balance sheet as of December 31, 2001. The unaudited pro forma combined condensed statement of operations assumes the business combination took place as of January 1, 2001, and combined Aera's unaudited condensed consolidated statement of operations for the twelve-month period ended December 31, 2001 with

(c) Exhibits

Exhibit No. -----	Description -----
2.1	Stock Purchase Agreement (incorporated by reference to Advanced Energy's Registration Statement on Form S-3, as amended, File No. 333-72748)
2.2	Amendment No. 1 to Stock Purchase Agreement (incorporated by reference to Advanced Energy's Current Report on Form 8-K, filed February 1, 2002)
2.3	Forms of Minority Stock Purchase Agreements (incorporated by reference to Advanced Energy's Current Report on Form 8-K, filed February 1, 2002)
23.1	Consent of Deloitte Touche Tohmatsu, independent auditors
99.1	Press release issued by Advanced Energy dated January 22, 2002 (incorporated by reference to Advanced Energy's Current Report on Form 8-K, filed February 1, 2002)
99.2	Consolidated financial statements of Aera Japan Limited at June 30, 2001
99.3	Unaudited condensed consolidated financial statements of Aera Japan Limited at December 21, 2001 and 2000
99.4	Pro Forma financial information

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: April 2, 2002

Advanced Energy Industries, Inc.

By: /s/ Michael El-Hillow

Name: Michael El-Hillow

*Title: Senior Vice President and Chief
Financial Officer (Principal
Financial Officer & Principal
Accounting Officer)*

INDEX TO EXHIBITS

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EXHIBIT 23.1

INDEPENDENT AUDITORS' CONSENT

WE CONSENT TO THE INCORPORATION BY REFERENCE IN REGISTRATION STATEMENT NO.'S 333-37378 AND 333-47114 OF ADVANCED ENERGY INDUSTRIES, INC. ON FORMS S-3 AND REGISTRATION STATEMENT NO.'S 333-01616, 333-04073, 333-46705, 333-57233, 333-65413, 333-79425, 333-79429, 333-62760, 333-69148 AND 333-69150 OF ADVANCED ENERGY INDUSTRIES, INC. ON FORMS S-8 OF OUR REPORT, DATED AUGUST 24, 2001, EXCEPT FOR NOTES 9 AND 14, AS TO WHICH THE DATE IS MARCH 1, 2002, ON OUR AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS OF AERA JAPAN LIMITED AND SUBSIDIARIES AS OF JUNE 30, 2001, AND FOR THE YEAR THEN ENDED APPEARING IN THIS CURRENT REPORT ON FORM 8-K/A OF ADVANCED ENERGY INDUSTRIES, INC. UNDER THE SECURITIES EXCHANGE ACT OF 1934 DATED JANUARY 18, 2002.

DELOITTE TOUCHE TOHMATSU

TOKYO, JAPAN

APRIL 2, 2002

EXHIBIT 99.2

**AERA JAPAN LIMITED
AND SUBSIDIARIES**

Consolidated Financial Statements for
the Year Ended June 30, 2001, and
Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of Aera Japan Limited
(Nihon Aera Kabushiki Kaisha):

We have audited the accompanying consolidated balance sheet of Aera Japan Limited (Nihon Aera Kabushiki Kaisha) and subsidiaries as of June 30, 2001, and the related consolidated statements of operations, shareholders' equity, and cash flows for the year then ended (all expressed in Japanese yen). These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Aera Japan Limited and subsidiaries at June 30, 2001, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the consolidated financial statements, Aera Japan Limited and subsidiaries changed their method of accounting for revenue recognition in 2001.

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts included in the consolidated financial statements and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

DELOITTE TOUCHE TOHMATSU

Tokyo, Japan

August 24, 2001, except for Notes 9 and 14, as to which the date is March 1, 2002

AERA JAPAN LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

JUNE 30, 2001

ASSETS	Thousands of Yen	Thousands of U.S. Dollars (Note 1)
-----	-----	-----
CURRENT ASSETS:		
Cash and cash equivalents	Y. 1,844,474	\$ 14,756
Time deposits (Note 4)	140,502	1,124
Marketable equity securities (Notes 2 and 4)	2,555	20
Receivables:		
Trade notes	503,790	4,030
Trade accounts (Note 11)	2,038,627	16,309
Due from officer (Note 11)	319,529	2,556
Other	93,083	744
Allowance for doubtful receivables	(43,356)	(347)
Inventories (Note 3)	3,908,823	31,271
Deferred tax assets (Note 7)	418,819	3,351
Prepaid expenses and other current assets	34,094	273
	-----	-----
Total current assets	9,260,940	74,087
	-----	-----
PROPERTY AND EQUIPMENT (Note 4):		
Land	608,470	4,868
Buildings and structures	1,544,182	12,353
Machinery and equipment (Note 5)	1,090,971	8,728
Computer software (Note 5)	273,780	2,190
Furniture and fixtures	146,026	1,168
	-----	-----
Total	3,663,429	29,307
Accumulated depreciation and amortization	(1,791,137)	(14,329)
	-----	-----
Net property and equipment	1,872,292	14,978
	-----	-----
OTHER ASSETS:		
Deferred tax assets (Note 7)	154,781	1,238
Investments (Note 2):		
Marketable equity securities (Note 4)	59,451	476
Sundry investments and other	97,331	779
Lease deposits	29,232	234
Other assets (Note 4)	18,738	150
	-----	-----
Total other assets	359,533	2,877
	-----	-----
TOTAL	Y. 11,492,765	\$ 91,942
	=====	=====

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Thousands of Yen	Thousands of U.S. Dollars (Note 1)
-----	-----	-----
CURRENT LIABILITIES:		
Short-term debt (Notes 4 and 6)	Y. 1,779,751	\$ 14,238
Current maturities of long-term debt (Notes 4 and 6)	779,728	6,238
Current maturities of lease obligations (Note 5)	123,150	985
Payable:		
Trade notes	1,344,625	10,757
Trade accounts (Note 11)	457,479	3,660
Other	166,656	1,333
Accrued expenses:		
Accrued income taxes (Note 7)	641,372	5,131
Other accrued expenses	458,663	3,669
Other current liabilities (Note 7)	18,420	148
	-----	-----
Total current liabilities	5,769,844	46,159
	-----	-----
LONG-TERM LIABILITIES:		
Long-term debt, less current maturities (Notes 4 and 6)	1,607,206	12,857
Lease obligations, less current maturities (Note 5)	169,875	1,359
Accrued pension cost and liability for severance indemnities (Notes 8 and 14)	808,581	6,469
Other long-term liabilities	16,994	136
	-----	-----
Total long-term liabilities	2,602,656	20,821
	-----	-----
COMMITMENTS AND CONTINGENT LIABILITIES (Note 13)		
SHAREHOLDERS' EQUITY (Note 9):		
Common stock, Y.500 par value--authorized, 250,000 shares; issued and outstanding, 68,000 shares	288,000	2,304
	-----	-----
Capital surplus (Note 6)	269,000	2,152
	-----	-----
Retained earnings (Note 14):		
Appropriated for legal reserve	59,582	477
Unappropriated	2,509,303	20,074
	-----	-----
Subtotal	2,568,885	20,551
	-----	-----
Accumulated other comprehensive income (loss) (net of tax):		
Net unrealized gains on available-for-sale securities	1,889	15
Foreign currency translation adjustments	(7,509)	(60)
	-----	-----
Subtotal	(5,620)	(45)
	-----	-----
Total shareholders' equity	3,120,265	24,962
	-----	-----
TOTAL	Y. 11,492,765	\$ 91,942
	=====	=====

AERA JAPAN LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED JUNE 30, 2001

	Thousands of Yen	Thousands of U.S. Dollars (Note 1)
NET SALES (Note 11)	Y. 13,620,297	\$ 108,962
COST OF SALES (Note 11)	8,224,738	65,798
	-----	-----
Gross profit	5,395,559	43,164
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 12)	3,356,203	26,849
	-----	-----
Operating income	2,039,356	16,315
	-----	-----
OTHER INCOME (EXPENSES):		
Interest expenses (net of interest income of Y.15,014 thousand--\$120 thousand) (Note 11)	(164,382)	(1,315)
Foreign exchange gain--net	385,162	3,081
Gain on securities (Note 2)	2,451	20
Miscellaneous income--net	2,303	18
	-----	-----
Other income--net	225,534	1,804
	-----	-----
INCOME BEFORE INCOME TAXES	2,264,890	18,119
	-----	-----
PROVISION FOR INCOME TAXES (Note 7):		
Current	1,147,851	9,183
Deferred	91,003	728
	-----	-----
Total	1,238,854	9,911
	-----	-----
INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGES	1,026,036	8,208
CUMULATIVE EFFECT OF ACCOUNTING CHANGES (NET OF Y.32,549 THOUSAND (\$260 THOUSAND) INCOME TAX EFFECT)	(40,595)	(325)
	-----	-----
NET INCOME	Y. 985,441	\$ 7,883
	=====	=====

See notes to consolidated financial statements.

AERA JAPAN LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

YEAR ENDED JUNE 30, 2001

	Thousands of Yen		
	Common Stock	Capital Surplus	Retained Earnings Appropriated for Legal Reserve
BALANCE, JULY 1, 2000	Y. 288,000	Y. 269,000	Y. 47,884
Comprehensive income (loss):			
Net income			
Other comprehensive loss, net of tax:			
Changes in unrealized holding gains, net of tax effect of Y.6,632 thousand			
Reclassification adjustments for gains credited to net income, net of tax effect of Y.1,078 thousand			
Changes in foreign currency translation adjustments			
Total other comprehensive loss			
Total comprehensive income			
Cash dividends paid			11,698
Transfer to retained earnings appropriated for legal reserve			
BALANCE, JUNE 30, 2001	Y. 288,000	Y. 269,000	Y. 59,582

	Thousands of Yen		
	Unappropriated Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
BALANCE, JULY 1, 2000	Y. 1,552,560	Y. 58,349	Y. 2,215,793
Comprehensive income (loss):			
Net income	985,441		985,441
Other comprehensive loss, net of tax:			
Changes in unrealized holding gains, net of tax effect of Y.6,632 thousand		(9,717)	(9,717)
Reclassification adjustments for gains credited to net income, net of tax effect of Y.1,078 thousand		(1,373)	(1,373)
Changes in foreign currency translation adjustments		(52,879)	(52,879)
Total other comprehensive loss			
Total comprehensive income			
Cash dividends paid	(17,000)		(17,000)
Transfer to retained earnings appropriated for legal reserve	(11,698)		
BALANCE, JUNE 30, 2001	Y. 2,509,303	Y. (5,620)	Y. 3,120,265

	Thousands of Yen		
	Comprehensive Income (Loss)		
BALANCE, JULY 1, 2000	Y. 985,441		
Comprehensive income (loss):			
Net income			
Other comprehensive loss, net of tax:			
Changes in unrealized holding gains, net of tax effect of Y.6,632 thousand	(9,717)		
Reclassification adjustments for gains credited to net income, net of tax effect of Yen 1,078 thousand	(1,373)		
Changes in foreign currency translation adjustments	(52,879)		
Total other comprehensive loss	(63,969)		
Total comprehensive income	Y. 921,472		
Cash dividends paid			
Transfer to retained earnings appropriated for legal reserve			

BALANCE, JUNE 30, 2001

Thousands of U.S. Dollars (Note 1)			
	Common Stock	Capital Surplus	Retained Earnings Appropriated for Legal Reserve
BALANCE, JULY 1, 2000	\$2,304	\$2,152	\$383
Comprehensive income (loss):			
Net income			
Other comprehensive loss, net of tax:			
Changes in unrealized holding gains, net of tax effect of \$53 thousand			
Reclassification adjustments for gains credited to net income, net of tax effect of \$9 thousand			
Changes in foreign currency translation adjustments			
Total other comprehensive loss			
Total comprehensive income			
Cash dividends paid			
Transfer to retained earnings appropriated for legal reserve			94
BALANCE, JUNE 30, 2001	\$2,304	\$2,152	\$477

Thousands of U.S. Dollars (Note 1)			
	Unappropriated Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
BALANCE, JULY 1, 2000	\$12,421	\$467	\$17,727
Comprehensive income (loss):			
Net income	7,883		7,883
Other comprehensive loss, net of tax:			
Changes in unrealized holding gains, net of tax effect of \$53 thousand		(78)	(78)
Reclassification adjustments for gains credited to net income, net of tax effect of \$9 thousand		(11)	(11)
Changes in foreign currency translation adjustments		(423)	(423)
Total other comprehensive loss			
Total comprehensive income			
Cash dividends paid	(136)		(136)
Transfer to retained earnings appropriated for legal reserve	(94)		
BALANCE, JUNE 30, 2001	\$20,074	\$(45)	\$24,962

Thousands of U.S. Dollars (Note 1)	
	Comprehensive Income (Loss)
BALANCE, JULY 1, 2000	
Comprehensive income (loss):	
Net income	\$7,883
Other comprehensive loss, net of tax:	
Changes in unrealized holding gains, net of tax effect of \$53 thousand	(78)
Reclassification adjustments for gains credited to net income, net of tax effect of \$9 thousand	(11)
Changes in foreign currency translation adjustments	(423)
Total other comprehensive loss	(512)
Total comprehensive income	\$7,371
Cash dividends paid	
Transfer to retained earnings appropriated for legal reserve	
BALANCE, JUNE 30, 2001	

See notes to consolidated financial statements.

AERA JAPAN LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2001

	Thousands of Yen	Thousands of U.S. Dollars (Note 1)
	-----	-----
OPERATING ACTIVITIES:		
Net income	Y. 985,441	\$ 7,883
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	336,939	2,696
Restoration of doubtful receivables	(6,325)	(50)
Gain on sales of property and equipment	(535)	(4)
Gain on short-term and other investments	(2,451)	(20)
Deferred income tax	91,003	728
Accrued pension and severance liabilities	45,225	362
Cumulative effect of accounting changes (Note 1)	40,595	325
Changes in:		
Notes and accounts receivable	790,765	6,326
Inventories	(518,292)	(4,146)
Prepaid expenses and other current assets	(841)	(7)
Notes and accounts payable	(827,760)	(6,622)
Accrued income taxes	(196,311)	(1,571)
Accrued expenses	105,704	845
Others	(10,547)	(84)
	-----	-----
Net cash provided by operating activities	832,610	6,661
	-----	-----
INVESTING ACTIVITIES:		
Increase in time deposits	(186,028)	(1,488)
Decrease in time deposits	246,078	1,969
Purchase of property and equipment	(150,324)	(1,203)
Purchase of investments	(20,658)	(165)
Proceeds from sale of property and equipment	5,190	41
Proceeds from the sales/maturities of investments	148	1
	-----	-----
Net cash used in investing activities	(105,594)	(845)
	-----	-----
FINANCING ACTIVITIES:		
Net decrease in short-term borrowings	(103,234)	(825)
Principal payments under capital lease obligations	(125,970)	(1,008)
Proceeds from long-term debt	768,784	6,150
Repayments of long-term debt	(860,869)	(6,887)
Payment of dividends	(17,000)	(136)
	-----	-----
Net cash used in financing activities	(338,289)	(2,706)
	-----	-----
FORWARD	Y. 388,727	\$ 3,110

(Continued)

AERA JAPAN LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2001

	Thousands of Yen	Thousands of U.S. Dollars (Note 1)
	-----	-----
FORWARD	Y. 388,727	\$ 3,110
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	7,444	59
	-----	-----
NET INCREASE IN CASH AND CASH EQUIVALENTS	396,171	3,169
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,448,303	11,587
	-----	-----
CASH AND CASH EQUIVALENTS, END OF YEAR	Y. 1,844,474	\$ 14,756
	=====	=====
CASH PAID DURING THE YEAR FOR:		
Interest paid	Y. 177,362	\$ 1,419
Income tax paid	1,352,497	10,820
NON-CASH FINANCING ACTIVITIES:		
Capital lease obligations	76,599	613

See notes to consolidated financial statements.

(Concluded)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2001

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) BASIS OF PRESENTATION

BASIS OF FINANCIAL STATEMENTS--The accompanying consolidated financial statements are stated in Japanese yen, the currency of the country in which Aera Japan Limited ("Company") is incorporated. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of Y.125 = U.S.\$1, the approximate rate of exchange at June 30, 2001. The translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at the above or any other rate.

The accompanying consolidated financial statements have been prepared on the basis of accounting principles generally accepted in the United States of America ("US GAAP"). Effect has been given in the consolidated financial statements to adjustments which have not been entered in the general books of account of the Company and its subsidiaries (together, the "Companies") (as defined below) maintained in accordance with accounting practices prevailing in the countries of incorporation. The principal adjustments include those relating to (1) accounting for leases, (2) accounting for insurance cost, (3) valuation of inventory, (4) valuation of investments, (5) accounting for pension costs and severance indemnities and (6) accrual of certain expenses and losses.

NATURE OF OPERATIONS--The Company was incorporated in Japan in November 1976 as Nippon Tylan Corporation, and changed its name to Aera Japan Limited in November 1992. The Company with its four overseas subsidiaries, located in the United States of America, the United Kingdom, Germany and Korea, engage in the manufacture and supply of mass flow controllers and related devices which are used for controlling process gases in the production of semiconductors. The Company's customers are manufacturers in the semiconductor industry and the Company's business is subject to industry-wide fluctuations.

USE OF ESTIMATES--The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CONSOLIDATION--The consolidated financial statements include the accounts of the Companies. All significant intercompany items have been eliminated.

REVENUE RECOGNITION--Effective July 1, 2000, the Companies changed their revenue recognition policy by adopting Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements" issued by the U.S. Securities and Exchange Commission.

As a result, the Companies recognize certain revenues upon the customers' completion of inspection procedures in instances whereby the related sales contracts stipulate that such procedures be completed in order for the title of the products to be transferred to the customers. Previously, all revenues were recognized upon shipment of the products when the Companies' obligations pursuant to the sales contracts were considered substantially completed. The Companies have recorded a one-time non-cash charge of Y.40,595 thousand (\$325 thousand), net of income tax effect of Y.32,549 thousand (\$260 thousand), to reflect the cumulative effect of the change as of the beginning of the fiscal year. The accounting change did not have a material effect on the Companies' consolidated statement of operations (before the cumulative effect) for the year ended June 30, 2001.

Estimated warranty costs and provisions for returns and allowances are recorded at the time the revenue is recognized.

CASH AND CASH EQUIVALENTS--Cash and cash equivalents consist of cash on hand and deposits in banks including time deposits, with original maturities of three months or less, that are readily convertible into cash and have no significant risk of change in value.

INVESTMENTS--The Companies' investments in marketable equity securities are classified as available-for-sale securities which are stated at fair value based on quoted market prices with unrealized gains and losses excluded from earnings and reported in accumulated other comprehensive income (loss).

The cost of securities sold is determined based on the average-cost method.

Life insurance contracts included in sundry investments are stated at cash surrender value.

INVENTORIES--Inventories are stated at the lower of cost, which is determined principally by the average-cost method, or market.

DEPRECIATION AND AMORTIZATION--Depreciation of property and equipment is computed principally under the declining-balance method over the estimated useful lives of related assets. Machinery and equipment under capital leases is amortized principally using the declining-balance method over the lease terms. Computer software under capital leases is recorded at cost less accumulated amortization and is amortized on a straight-line method over the lease terms.

Estimated useful lives for property and equipment, and lease terms of computer software are as follows:

Buildings and structures	3 to 45 years
Machinery and equipment	3 to 15 years
Furniture and fixtures	3 to 20 years
Computer software	3 to 6 years

The cost and accumulated depreciation of property and equipment sold, retired, or otherwise disposed of are relieved from the accounts, and any resulting gains or losses are reflected in income.

LONG-LIVED ASSETS--Long-lived assets and certain identifiable intangibles to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the sum of the expected undiscounted future cash flows is less than the carrying amount of the asset, an impairment loss is recognized. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset. Fair market value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Losses on long-lived assets to be disposed of are determined in a similar manner, except that fair market values are reduced for the cost to dispose. There was no significant impairment loss recognized for long-lived assets during the year ended June 30, 2001.

INCOME TAXES--The provision for income taxes is determined using the asset and liability method of accounting for income taxes. Under this method, the tax effect of temporary differences between the financial statements and income tax basis of assets and liabilities is recognized as deferred income taxes, using enacted tax rates applicable to the periods in which the differences are expected to affect taxable income. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recognized for any portion of the deferred tax assets where it is considered more likely than not that the asset will not be realized.

PENSION AND SEVERANCE INDEMNITIES PLANS--The Company has a pension plan and a severance indemnities plan covering substantially all employees, other than directors. The Company adopted Statement of Financial Accounting Standards ("SFAS") No. 87, "Employers' Accounting for Pensions" effective July 1, 1998, and the costs of the pension plan and severance indemnities plan are accrued based on amounts determined using actuarial methods in accordance with the statement. The transition asset is amortized over 16.5 years commencing with the statement's effective date.

The costs of the severance indemnities plan of a subsidiary and the directors' severance indemnities plan of the Company are accrued based on the vested benefit obligation, which is the amount required to be paid if all employees/directors terminated their employment/appointments at each balance sheet date.

FOREIGN CURRENCY TRANSLATION--Foreign currency financial statements of subsidiaries are measured using local currencies as the functional currency. Assets and liabilities are translated into Japanese yen at year-end rates of exchange and all income and expense accounts are translated at average rates of exchange for the year. The resulting translation adjustments are included in accumulated other comprehensive income (loss).

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

2. INVESTMENTS

MARKETABLE EQUITY SECURITIES--At June 30, 2001, the aggregate cost, gross unrealized gains and losses and fair value on available-for-sale securities, consisting of marketable equity securities, were as follows:

	Thousands of Yen	Thousands of U.S. Dollars
	-----	-----
Cost	Y. 57,103	\$ 457
Unrealized gains	14,684	117
Unrealized losses	(9,781)	(78)
	-----	-----
Fair value	Y. 62,006	\$ 496
	=====	=====

There were no sales of available-for-sale securities for the year ended June 30, 2001.

On April 1, 2001, in connection with the merger of The Sumitomo Bank, Limited and The Sakura Bank, Limited ("Sakura"), the Company exchanged shares of Sakura for those of Sumitomo Mitsui Banking Corporation. In accordance with EITF 91-5, "Nonmonetary Exchange of Cost-Method Investments," a non-cash gain of Y.2,451 thousand (\$20 thousand) was recorded for the year ended June 30, 2001, as a result of the exchange.

SUNDRY INVESTMENTS (OTHER THAN MARKETABLE EQUITY SECURITIES) AND OTHER--At June 30, 2001, sundry investments and other consisted of the following:

	Thousands of Yen	Thousands of U.S. Dollars
	-----	-----
Cash surrender value of life insurance contracts	Y. 94,524	\$ 756
Non-current time deposit	1,500	12
Long-term receivables	249	2
Other	1,058	9
	-----	-----
Total sundry investments and other	Y. 97,331	\$ 779
	=====	=====

3. INVENTORIES

Inventories at June 30, 2001, consisted of the following:

	Thousands of Yen	Thousands of U.S. Dollars
	-----	-----
Finished products	Y. 960,687	\$ 7,686
Work in process	204,238	1,634
Materials	2,703,288	21,626
Supplies and other	40,610	325
	-----	-----
Inventory	Y. 3,908,823	\$31,271
	=====	=====

4. PLEDGED ASSETS

At June 30, 2001, assets pledged as collateral for short-term debt and long-term debt of the Company were as follows:

	Thousands of Yen	Thousands of U.S. Dollars
	-----	-----
Time deposits	Y. 18,000	\$ 144
Marketable equity securities	46,800	374
Property and equipment (net of accumulated depreciation)	1,275,325	10,203
Other assets	1,700	14
	-----	-----
Total	Y. 1,341,825	\$ 10,735
	=====	=====

The above pledged assets are classified by the type of liabilities to which they relate as follows:

	Thousands of Yen	Thousands of U.S. Dollars
	-----	-----
Short-term debt	Y. 606,108	\$ 4,849
Long-term debt	735,717	5,886
	-----	-----
Total	Y. 1,341,825	\$10,735
	=====	=====

See Note 6 for a description of the right of the lending banks to require the Company to provide collateral (or additional collateral) not included in pledged assets summarized above, and assets collateralized under the loan and security agreement of the US subsidiary.

5. LEASES

CAPITAL LEASES--The Company leases the following assets under capital lease agreements, which are comprised of machinery and equipment used in production, office equipment and computer software:

	Thousands of Yen	Thousands of U.S. Dollars
	-----	-----
Machinery and equipment	Y. 517,870	\$ 4,143
Less accumulated amortization	(386,980)	(3,096)
	-----	-----
Net	130,890	1,047
	-----	-----
Computer software	157,666	1,261
Less accumulated amortization	(97,817)	(782)
	-----	-----
Net	59,849	479
	-----	-----
Total capital lease assets--net	Y. 190,739	\$ 1,526
	=====	=====

OPERATING LEASES--The Company leases certain office space, principally under cancelable lease agreements and certain other assets under noncancelable lease agreements. Rental expense under operating leases for the year ended June 30, 2001, was Y.99,338 thousand (\$795 thousand).

At June 30, 2001, future lease payments under capital leases and non-cancelable operating leases were as follows:

	Thousands of Yen		Thousands of U.S. Dollars	
	Capital Leases	Operating Leases	Capital Leases	Operating Leases
Year ending June 30:				
2002	Y. 132,849	Y. 74,437	\$ 1,063	\$ 595
2003	107,731	43,094	862	345
2004	43,533	24,270	348	194
2005	16,798	586	135	5
2006	7,047	464	56	4
Thereafter	916		7	
Total minimum lease payments	308,874	Y. 142,851	2,471	\$ 1,143
Less amounts representing interest	(15,849)		(127)	
Present value of net minimum capital lease payments	293,025		2,344	
Less current portion	(123,150)		(985)	
Non-current	Y. 169,875		\$ 1,359	

6. SHORT-TERM AND LONG-TERM DEBT

Short-term debt at June 30, 2001, consisted of bank loans and bank overdrafts of Yen 1,779,751 thousand (\$14,238 thousand). Stated annual interest rates on the Company's short-term debt ranged from 1.38% to 2.25% at June 30, 2001, and their weighted average rate at June 30, 2001, were 1.72%. In June 2000, the Company's US subsidiary entered into a Loan and Security Agreement (the "Agreement") that provides a line of credit up to Y.997,840 thousand (\$7,983 thousand) in borrowings through November 2002. As of June 30, 2001, Y.524,191 thousand (\$4,193 thousand) was outstanding under the line of credit at an interest of 10%, which was included in short-term debt in the consolidated balance sheet.

Long-term debt at June 30, 2001, consisted of the following:

	Thousands of Yen	Thousands of U.S. Dollars
Bank loans, maturing serially through 2019, with annual interest of 1.48% to 3.30%:		
With collateral	Y. 2,024,976	\$ 16,200
Without collateral	352,100	2,817
Japanese yen bond with stock purchase warrants maturing serially through 2002, with interest of 2.1%, net of unamortized discount of Y.142 thousand (\$1 thousand)	9,858	78
Total	2,386,934	19,095
Less current maturities	(779,728)	(6,238)
Long-term debt, less current maturities	Y. 1,607,206	\$ 12,857

A portion of proceeds from the sales of the Japanese yen bond with stock purchase warrants amounting to Y.1,000 thousand has been ascribed to the warrants and credited to capital surplus in 1995. The warrants were held by the Company's president. (See Notes 9 and 14.)

Substantially all short-term and long-term debt are made under agreements which, as is customary in Japan, provide that under certain conditions the banks may require the borrower to provide collateral or guarantees with respect to the debt and that the banks may treat any collateral, whether furnished as security for short-term or long-term debt or otherwise, as collateral for all indebtedness to such banks. Also, provisions of certain loan agreements grant certain rights of possession to the lenders in the event of default. The Company's president provides guarantees to the banks for certain of the short-term and long-term debt (see Note 11). See also Note 4 with regard to assets pledged as collateral for short-term and long-term debt.

The Company has bank overdraft agreements with certain Japanese banks for which the unused balance outstanding as of June 30, 2001 was Y.10,660 thousand (\$85 thousand).

The Agreement, which was referred to in the first paragraph of this note, also provides for a term loan, the principal amount of which shall be due and payable monthly in 60 equal installments beginning on October 15, 1999. There are no borrowings under the term loan as of June 30, 2001. An unused line of credit fee of 0.50% per annum is due monthly on the difference between the average monthly loan balance and Y.498,920 thousand (\$3,991 thousand). The loans are collateralized by substantially all the assets of the US subsidiary. The balance of the US subsidiary's assets, which is included the accompanying consolidated balance sheet as of June 30, 2001, amounted approximately to Y.2.6 billion (\$21 million).

Maturities of long-term debt outstanding at June 30, 2001, are as follows:

Year Ending June 30	Thousands of Yen	Thousands of U.S. Dollars
-----	-----	-----
2002	Y. 779,728	\$ 6,238
2003	620,312	4,962
2004	431,824	3,455
2005	294,494	2,356
2006	132,972	1,064
Thereafter	127,604	1,020
	-----	-----
Total	Y. 2,386,934	\$19,095
	=====	=====

7. INCOME TAXES

Income before income taxes for the year ended June 30, 2001 included the following:

	Thousands of Yen	Thousands of U.S. Dollars
	-----	-----
Japanese income	Y. 1,873,942	\$14,991
Foreign income	390,948	3,128
	-----	-----
Total	Y. 2,264,890	\$18,119
	=====	=====

Income taxes imposed in Japan applicable to the Company, by the national, prefectural and municipal governments, resulted in the aggregate, in normal effective statutory tax rate of approximately 44.5% (the rate changed from 44% effective July 1, 2000) which include the undistributed profit tax at the rate of 2.5% (the rate changed from 2% effective July 1, 2000) imposed on a family owned corporation, for the year ended June 30, 2001.

A reconciliation between taxes calculated at the combined normal effective statutory tax rates in the accompanying consolidated statement of operations and the Company's provision for income taxes for the year ended June 30, 2001, was as follows:

	Thousands of Yen	Thousands of U.S. Dollars
	-----	-----
Taxes calculated at the combined normal effective statutory tax rate	Y. 1,004,519	\$ 8,036
Expenses not deductible	68,488	548
Lower tax rates applicable to loss (income) in foreign countries	(38,225)	(306)
Change in valuation allowance	124,084	993
Effect of tax rate changes	(8,738)	(70)
Other--net	88,726	710
	-----	-----
Total provision for income taxes	Y. 1,238,854	\$ 9,911
	=====	=====

The tax effects of temporary differences and carryforwards giving rise to deferred tax assets and liabilities at June 30, 2001, were as follows:

	Thousands of Yen	Thousands of U.S. Dollars
	-----	-----
Deferred tax assets:		
Cost for pension and severance indemnities	Y. 346,829	\$ 2,775
Net operating loss carryforwards	109,290	874
Unrealized intercompany profit	141,739	1,134
Depreciation	92,529	740
Accrued enterprise tax	55,781	446
Inventories	228,405	1,827
Lease	46,956	376
Other	97,177	778
	-----	-----
Total gross deferred tax assets	1,118,706	8,950
Less valuation allowance	(504,066)	(4,033)
	-----	-----
Net deferred tax assets	614,640	4,917
Total gross deferred tax liabilities	47,102	377
	-----	-----
Net deferred tax assets	Y. 567,538	\$ 4,540
	=====	=====

Other current liabilities included deferred tax liabilities amounting to Y.6,062 thousand (\$49 thousand) at June 30, 2001.

At June 30, 2001, the valuation allowance for deferred tax assets has been provided for in the accompanying consolidated financial statements to reflect uncertainty associated with realization of such assets. The net change in the valuation allowance for deferred tax assets during the year ended June 30, 2001, was an increase of Y.162,620 thousand (\$1,301 thousand).

Certain subsidiaries of the Company have tax operating loss carryforwards which are available to reduce future taxable income amounting to Y.377,021 thousand (\$3,016 thousand) at June 30, 2001. The loss carryforwards will expire in 2006 or thereafter.

8. PENSION COSTS AND SEVERANCE INDEMNITIES

PLAN CONCERNING THE COMPANY'S DIRECTORS

Directors of the Company, who are also shareholders, are not covered by a funded pension plan and an unfunded severance indemnities plan for employees, but are covered by an unfunded severance indemnities plan. Benefits under the plan are based on the level of compensation at retirement, the length of service and other factors. Liability for severance indemnities under the directors' plan at June 30, 2001, amounting to Y.725,425 thousand (\$5,804 thousand), are stated on the vested benefit obligation basis, which is the amount required to be paid if all directors terminated their appointments at balance sheet dates. Charges to operations for the year ended June 30, 2001 with respect to the directors' plan were Y.37,087 thousand (\$297 thousand).

PLAN CONCERNING THE COMPANY'S EMPLOYEES OTHER THAN DIRECTORS

The Company has a funded pension plan and an unfunded severance indemnities plan which cover substantially all of its employees, other than directors, who are entitled upon mandatory retirement at normal retirement age or earlier termination of employment, to pension or lump-sum severance indemnities based on the length of service and other factors.

Net periodic pension cost for the year ended June 30, 2001, consisted of the following components:

	Thousands of Yen	Thousands of U.S. Dollars
	-----	-----
Service cost--benefits earned during the period	Y. 16,719	\$134
Interest cost on projected benefit obligation	4,611	37
Expected return on plan assets	(1,379)	(12)
Amortization of unrecognized asset at transition	(3,032)	(24)
	-----	----
Net periodic pension cost	Y. 16,919	\$135
	=====	====

The following table sets forth the reconciliation of benefit obligations, plan assets and funded status of the plan at June 30, 2001:

	Thousands of Yen	Thousands of U.S. Dollars
	-----	-----
Changes in benefit obligation:		
Benefit obligation at beginning of year	Y. 187,930	\$1,503
Service cost	16,719	134
Interest cost	4,611	37
Actuarial (gain) loss	15,410	123
	-----	-----
Benefit obligation at end of year	224,670	1,797
	-----	-----
Change in plan assets:		
Fair value of plan assets at beginning of year	135,238	1,082
Actual return on plan assets	3,114	25
Employer contribution	8,781	70
	-----	-----
Fair value of plan assets at end of year	147,133	1,177
	-----	-----
Funded status at end of year	(77,537)	(620)
Unrecognized actuarial loss	21,573	172
Unrecognized net asset at transition being recognized over 16.5 years	(13,647)	(109)
	-----	-----
Net amount recognized in the consolidated balance sheets as a part of pension cost and liability for severance indemnities	Y. (69,611)	\$ (557)
	=====	=====

Assumptions used for the year ended June 30, 2001, in determining costs for the plan shown above were as follows:

Discount rate	2.0%
Expected return on plan assets	1.0%
Rate of increase in future compensation levels	2.8% to 4.0%

SUBSIDIARIES' PLAN

The costs of severance indemnities plan for the Company's Korean subsidiary are accrued based on the vested benefit obligation, which is the amount required to be paid if all employees terminated their employment at balance sheet dates. Liability for severance indemnities for this plan at June 30, 2001, amounted to Y.13,545 thousand (\$108 thousand), and charges to operations for the year ended June 30, 2001, with respect to this plan were Y.4,377 thousand (\$35 thousand).

Amounts recognized in the consolidated balance sheets under accrued pension cost and liability for severance indemnities relate to the following defined benefit plans:

	Thousands of Yen	Thousands of U.S. Dollars
	-----	-----
The Parent's plans:		
Directors	Y. 725,425	\$5,804
Employee other than directors	69,611	557
The Korean subsidiary plan	13,545	108
	-----	-----
Total	Y. 808,581	\$6,469
	=====	=====

In addition to the above defined benefit plans, the Company's US subsidiary and UK subsidiary have the defined contribution plans described below.

The Company's US subsidiary has 401(k) tax deferred savings and investment plans under which they match 25% to 50% of certain employees' contributions. Employees may contribute to the plan up to 12% of their gross pay to a maximum contribution of \$9,240. The subsidiary's contributions for the year ended June 30, 2001, were approximately Y.28,319 thousand (\$227 thousand).

UK subsidiary's defined contribution plan covers certain employees, and the subsidiary's contributions for the year ended June 30, 2001, were approximately Y.913 thousand (\$7 thousand).

9. SHAREHOLDERS' EQUITY

COMMON STOCK AND CAPITAL SURPLUS

At June 30, 2001, the Company ownership is as follows:

Hisanori Aoyama, President and Representative Director	27.2%
Takenobu Inagaki, Managing Director	17.5
Hiroko Aoyama, a spouse of the President and Representative Director	10.3
Nobuo Kawakami, Senior Managing Director	7.9
The Diamond Capital Company Limited	7.9
The Bank of Tokyo-Mitsubishi, Ltd.	3.5
Others (19 shareholders, owning less than 3.5% each)	25.7

Total	100.0%
	=====

All of the 7,000 shares formerly held by Kawasho Corporation ("Kawasho") were sold to Hiroko Aoyama, a spouse of the President and Representative Director, in April 2001.

On January 18, 2002, the Company became a wholly owned subsidiary of Advanced Energy Industries, Inc. (See Note 14.)

The Company is subject to the Japanese Commercial Code (the "Code") to which certain amendments became effective as of 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 capital surplus account. 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. (Previously, par value per common share of the Company was Y.500.)

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 determined based on total capital surplus and legal reserve. The amount of total capital surplus and legal reserve which exceeds 25% of stated capital can be transferred to retained earnings unappropriated by resolution of the shareholders.

The Code permits Japanese companies to transfer a portion of unappropriated retained earnings, available for dividends, to stated capital by resolution of the shareholders.

The Code also permits Japanese companies to transfer a portion of capital surplus and legal reserve to stated capital by resolution of the Board of Directors. The amounts available for transfer are based on capital surplus as defined by accounting practices prevailing in Japan. Additional amounts recorded as capital surplus to conform with US GAAP may not be transferred. Such additional amounts relate to accounting for warrants and amounted to Y.1,000 thousand (\$8 thousand) at December 31, 2001.

The Code permits Japanese companies, upon approval by the Board of Directors, to issue shares in the form of a "stock split" as defined to shareholders.

The Code permits companies to repurchase their own stock by a resolution of the shareholders, the aggregate amount of the repurchase price may not exceed the total of (1) the amount available for dividend as defined and (2) the amounts of transfers, if any, to unappropriated retained earnings from common stock, capital surplus or legal reserve in accordance with the shareholders' approval. Effective April 1, 2002, the Code also permits to retire the treasury stock acquired by resolution of its Board of Directors.

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

Retained earnings that are not restricted as to the payment of dividends under the Code amounted to Y.3,450,068 thousand (\$27,601 thousand) at June 30, 2001.

WARRANTS--At June 30, 2001, warrants to purchase 5,000 shares of common stock of the Company were outstanding all of which were held by the Company's president. The warrants have strike price of Y.20,000, and are exercisable through June 26, 2002.

10. FINANCIAL INSTRUMENTS AND CONCENTRATIONS OF CREDIT RISK

CONCENTRATIONS OF CREDIT RISK--Financial instruments that potentially subject the Companies to concentrations of credit risk consist primarily of bank deposits and trade receivables. The Companies' bank deposits are placed with a number of major financial institutions, and concentration of credit risk is mitigated by limiting the amount of credit exposure to any one institution. The Companies' risk associated with the concentration of trade receivables is limited due to the large number of customers which are mostly major manufacturers and trading companies in the semiconductor industry, composing the Companies' customer base and their geographic dispersion. The Companies have two customers which accounted for approximately 15% and 14% of revenues in 2001.

FAIR VALUE OF FINANCIAL INSTRUMENTS--The following table presents the carrying amounts and fair values of the Company's financial instruments at June 30, 2001:

	Thousands of Y.		Thousands of U.S. Dollars	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets:				
Marketable equity securities	Y. 62,006	Y. 62,006	\$ 496	\$ 496
Sundry investments and other	97,331	97,331	779	779
Financial liabilities--Long-term debt, excluding lease obligations	2,386,934	2,269,052	19,095	18,152

The fair values of marketable equity securities is based on quoted market prices. The fair values of life insurance is based on net cash surrender value. The fair values of long-term debt is based on discounted cash flows using the current interest rate on similar financing investments and borrowings. The fair values estimates of the financial instruments are not necessarily indicative of the amounts the Company might pay or receive from actual market transactions.

The carrying amounts of cash and cash equivalents, time deposits, notes and accounts receivable, short-term debt, and notes and accounts payable approximate the fair value because of the short maturity of those instruments.

11. RELATED PARTY TRANSACTIONS

The Company has transactions with Kawasho, formerly a 10.3% shareholder of the Company, and Kawasho International (U.S.A.) Inc., its 100% owned subsidiary. Purchases of materials from Kawasho International (U.S.A.) Inc. for the year ended June 30, 2001, amounted to Y.17,746 thousand (\$142 thousand), and accounts payable with Kawasho International (U.S.A.) Inc. as a result of these transactions at June 30, 2001, amounted to Y.8,065 thousand (\$65 thousand). Kawasho sold all of its holdings of the Company's shares to Hiroko Aoyama, which transaction was approved by the Board of Directors at a meeting held on April 5, 2001.

Receivables due from officer represent amounts receivable from the Company's president as a refund of amounts previously paid to him for research and development. Effective November 10, 2000, the balance bears interest at 2.8% per annum and is due on the earlier of December 31, 2001 or the date of disposition of all common shares of the Company owned by the president (18,500 shares as of June 30, 2001). Interest received for the year ended June 30, 2001 amounted to Y.5,711 thousand (\$46 thousand). Under the terms of the agreement, as amended on June 22, 2001, the receivables are collateralized by 12,730 common shares, the severance indemnities due to the president and, in the event of default, right to offset the receivable with remuneration or bonuses payable to the president. The terms of the agreement also provide that in the event that the debtor is unable to make payment in full by December 31, 2001 (the date was extended from June 30, 2001 on June 22, 2001), the due dates will be extended provided that the debt restructuring plan proposed by the debtor is acceptable to the Company.

The president of the Company guarantees certain of the short-term and the long-term debt of the Company. Such guarantees at June 30, 2001, amounted to Y.3,632,636 thousand (\$29,061 thousand). See Note 9 for the warrants held by the Company's president.

12. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses for the year ended June 30, 2001, amounted to Y.222,365 thousand (\$1,779 thousand).

13. COMMITMENTS AND CONTINGENT LIABILITIES

INCOME TAX RETURNS--The Company has filed income tax returns for several recent years which, upon inspection by taxation authorities, may be subject to dispute and the risk that certain penalties may be imposed upon the Company exists. The Company believes that it has taken appropriate measures to ensure its compliance with the tax regulations, including the filing of amended returns, and that it is probable that the amount of penalty, if any, would not be material to the Company's financial position or operations.

DEFERRED COMPENSATION AGREEMENTS--Effective January 1, 1997, the US subsidiary executed the Salary Continuation Plan (the "Plan") with six key members of management. At June 30, 2001, only five of these individuals remained employed by the US subsidiary. The Plan requires the US subsidiary to pay an aggregate of Y.280,643 thousand (\$2,245 thousand) to these remaining five employees for a period of ten years after the employee attains age 60, payable in equal monthly installments. In accordance with SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," the costs of those benefits are accrued over the period of an employee's service. The costs associated with the plan have been recorded within selling, general and administrative on the consolidated statement of operations.

14. SUBSEQUENT EVENTS

On September 28, 2001, the shareholders authorized:

(1) payment of a cash dividend of Y.250 (\$2) per share, or a total of Y.17,000 thousand (\$136 thousand) to shareholders of record on June 30, 2001 and a transfer from unappropriated retained earnings to retained earnings appropriated for legal reserve of Y.10,000 thousand (\$80 thousand).

(2) payment of a severance indemnity of Y.123,430 thousand (\$987 thousand) payable in a lump sum at the end of October 2001 to Mr. Takenobu Inagaki, Managing Director of the Company and a shareholder, who terminated his appointment on September 28, 2001. The portion of the benefit accrued through June 30, 2001 of Y.121,951 thousand (\$976 thousand) will be accounted for as a settlement of "Accrued pension cost and liability for severance indemnities" in the accompanying consolidated balance sheet at June 30, 2001, and remaining portion will be charged to operations subsequent to June 30, 2001.

On October 1, 2001, the Company also entered into an employment agreement with Mr. Inagaki, under which the Company pays Mr. Inagaki monthly compensation of Y.1,000 thousand (\$8 thousand). On January 18, 2002, the Company terminated this agreement, which also provides, among others, for the Company's option to cancel the agreement upon acquisition of the Company's ownership by Advanced Energy Industries, Inc.

On January 17, 2002, the Company issued 5,000 shares of its common stock for cash upon the exercise of all outstanding stock purchase warrants held by Mr. Aoyama. The proceeds aggregating Y.100,000 thousand (\$800 thousand) were accounted for by crediting Y.50,000 thousand each to common stock account and capital surplus account.

On January 18, 2002, the shareholders of the Company referred to in Note 9 sold all of their Company ownership to the Japanese subsidiary of Advanced Energy Industries, Inc. (a United States corporation). The severance indemnity of Y.488,610 thousand (\$3,909 thousand) was paid in lump sum on January 18, 2002 to Mr. Hisanori Aoyama, the former shareholder and representative director of the Company, who terminated his appointment on January 18, 2002. The portion of its benefits accrued through June 30, 2001 of Y.477,300 thousand (\$3,818 thousand) was accounted for settlement of "Accrued pension cost and liabilities for severance indemnities" in the accompanying consolidated balance sheet at June 30, 2001, and the remaining portion of Y.11,310 thousand (\$91 thousand) was charged to operations for the subsequent period.

In connection with Mr. Aoyama's retirement, life insurance contracts associated with Mr. Aoyama, with a cash surrender value of Y.11,934 thousand (\$96 thousand) as of June 30, 2001, which are classified as "Sundry investments" in the accompanying consolidated balance sheet at June 30, 2001, were cancelled on February 12, 2002. The cash refund for the termination of the contract amounted to Y.12,102 thousand (\$97 thousand), and the excess portion of Y.168 thousand (\$1 thousand) was charged to income for the subsequent period.

The Company's debt guaranteed by Mr. Aoyama are scheduled to be removed and replaced by Advanced Energy Industries, Inc.

* * * * *

EXHIBIT 99.3

AERA JAPAN LIMITED AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

	DECEMBER 31, 2001	DECEMBER 31, 2000
	-----	-----
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 9,368	\$ 14,754
Marketable securities	1,219	1,411
Accounts receivable, net	9,409	28,637
Notes receivable - trade	3,055	9,643
Inventories, net	17,921	34,741
Other current assets	334	3,857
	-----	-----
Total current assets	41,306	93,043
	-----	-----
PROPERTY AND EQUIPMENT, net	13,658	16,742
OTHER ASSETS	951	4,583
	-----	-----
Total assets	\$ 55,915	\$ 114,368
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 1,547	\$ 8,275
Trade notes payable	3,665	16,271
Other accrued expenses	6,400	10,756
Notes payable	11,007	16,281
Current portion of long-term debt	8,377	8,638
Other current liabilities	180	254
	-----	-----
Total current liabilities	31,176	60,475
	-----	-----
LONG-TERM LIABILITIES:		
Senior borrowings	13,895	16,756
Other long-term liabilities	2,995	8,817
	-----	-----
	16,890	25,573
	-----	-----
Total liabilities	48,066	86,048
	-----	-----
STOCKHOLDERS' EQUITY	7,849	28,320
	-----	-----
Total liabilities and stockholders' equity	\$ 55,915	\$ 114,368
	=====	=====

The accompanying notes to unaudited condensed consolidated financial statements are an integral part of these unaudited condensed consolidated balance sheets.

AERA JAPAN LIMITED AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS)

	SIX-MONTH PERIOD ENDED DECEMBER 31, 2001	SIX-MONTH PERIOD ENDED DECEMBER 31, 2000
SALES	\$ 20,601	\$ 69,248
COST OF SALES	22,304	39,817
Gross (loss) profit	(1,703)	29,431
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	10,517	13,850
(LOSS) INCOME FROM OPERATIONS	(12,220)	15,581
OTHER INCOME, NET	1,251	607
(LOSS) INCOME BEFORE INCOME TAXES	(10,969)	16,188
PROVISION FOR INCOME TAXES	4,492	6,419
(LOSS) INCOME BEFORE CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE	(15,461)	9,769
Cumulative effect of a change in accounting principle ...	--	(370)
NET (LOSS) INCOME	\$ (15,461)	\$ 9,399
	=====	=====

The accompanying notes to unaudited condensed consolidated financial statements are an integral part of these unaudited condensed consolidated statements of operations.

AERA JAPAN LIMITED AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	SIX-MONTH PERIOD ENDED DECEMBER 31, 2001	SIX-MONTH PERIOD ENDED DECEMBER 31, 2000
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net cash from operating activities	\$ (4,813)	\$ 600
INVESTING ACTIVITIES:		
(Increase) decrease in time deposits, net	(138)	458
Purchase of property and equipment, net	(163)	(988)
Proceeds from the cancellation of life insurance contracts	500	--
	-----	-----
Net cash from investing activities	199	(530)
	-----	-----
FINANCING ACTIVITIES:		
Net decrease in short-term borrowings	(2,658)	876
Principal payments under capital lease obligations	(464)	(259)
Proceeds from issuance of long-term debt, net	3,052	1,773
Payment of dividends	(130)	(155)
	-----	-----
Net cash from financing activities	(200)	2,235
	-----	-----
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(574)	862
	-----	-----
NET CHANGE IN CASH AND CASH EQUIVALENTS	(5,388)	3,167
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	14,756	11,587
	-----	-----
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 9,368	\$ 14,754
	=====	=====

The accompanying notes to unaudited condensed consolidated financial statements are an integral part of these unaudited condensed consolidated statements of cash flows.

AERA JAPAN LIMITED AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. BASIS OF PRESENTATION AND MANAGEMENT OPINION

The accompanying unaudited condensed consolidated balance sheets and statements of operations and cash flows contain all adjustments necessary to present fairly the financial position of Aera Japan Limited and Subsidiaries at December 31, 2001 and 2000, and the results of its operations and cash flows for the six-month periods ended December 31, 2001 and 2000.

The condensed unaudited financial statements presented herein have been prepared in accordance with the instructions related to the preparation of condensed interim financial statements and do not include all the information and note disclosures required by generally accepted accounting principles. The financial statements should be read in conjunction with the audited financial statements and notes thereto contained in Exhibit 99.2.

The preparation of condensed consolidated financial statements requires management to make certain estimates and assumptions that affect the amounts reported and disclosed in the accompanying condensed consolidated financial statements. Actual results could differ from those estimates.

NOTE 2. SUBSEQUENT EVENTS

On January 18, 2002, the shareholders of Aera sold all of their Company ownership to the Japanese subsidiary of Advanced Energy Industries, Inc. (a Delaware corporation). The severance indemnity of \$3.73 million was paid in lump sum on January 18, 2002 to Mr. Hisanori Aoyama, the former shareholder and representative director of the Company, who terminated his appointment on January 18, 2002. The portion of its benefits accrued through December 31, 2001 of \$3.72 million was accrued for and reflected as an other accrued expense in the accompanying consolidated balance sheet at December 31, 2001, and the remaining portion of approximately \$12,000 was charged to operations for the subsequent period.

EXHIBIT 99.4

ADVANCED ENERGY AND AERA

**UNAUDITED PRO FORMA COMBINED CONDENSED BALANCE SHEET
(IN THOUSANDS)**

	ADVANCED ENERGY DECEMBER 31, 2001 -----	AERA DECEMBER 31, 2001 -----	PRO FORMA ADJUSTMENTS -----	PRO FORMA -----
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 81,955	\$ 9,368	\$ (45,000) (1)	\$ 46,323
Marketable securities	190,023	1,219	--	191,242
Accounts receivable, net	30,812	9,409	--	40,221
Notes receivable -- trade	--	3,055	--	3,055
Inventories, net	45,248	17,921	--	63,169
Income tax receivable	15,862	--	--	15,862
Other current assets	15,378	334	--	15,712
	-----	-----	-----	-----
Total current assets	379,278	41,306	(45,000)	375,584
	-----	-----	-----	-----
PROPERTY AND EQUIPMENT, net	31,095	13,658	--	44,753
OTHER ASSETS:				
Goodwill and intangibles, net	23,072	--	37,151 (1)	60,223
Deferred debt issuance costs	5,736	--	--	5,736
Other	11,014	951	--	11,965
	-----	-----	-----	-----
Total assets	\$ 450,195	\$ 55,915	\$ (7,849)	\$ 498,261
	=====	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES:				
Accounts payable	\$ 10,231	\$ 1,547	\$ --	\$ 11,778
Trade notes payable	--	3,665	--	3,665
Other accrued expenses	14,263	6,400	--	20,663
Notes payable	--	11,007	--	11,007
Current portion of long-term debt	1,130	8,377	--	9,507
Other current liabilities	3,211	180	--	3,391
	-----	-----	-----	-----
Total current liabilities	28,835	31,176	--	60,011
	-----	-----	-----	-----
LONG-TERM LIABILITIES:				
Senior borrowings	--	13,895	--	13,895
Convertible subordinated notes payable	206,600	--	--	206,600
Other long-term liabilities	415	2,995	--	3,410
	-----	-----	-----	-----
	207,015	16,890	--	223,905
	-----	-----	-----	-----
Total liabilities	235,850	48,066	--	283,916
	-----	-----	-----	-----
STOCKHOLDERS' EQUITY	214,345	7,849	(7,849) (1)	214,345
	-----	-----	-----	-----
Total liabilities and stockholders' equity	\$ 450,195	\$ 55,915	\$ (7,849)	\$ 498,261
	=====	=====	=====	=====

The accompanying notes to unaudited pro forma combined condensed financial statements are an integral part of this unaudited pro forma combined condensed balance sheet.

ADVANCED ENERGY AND AERA

UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENT OF OPERATIONS (IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	ADVANCED ENERGY YEAR ENDED DECEMBER 31, 2001	AERA YEAR ENDED DECEMBER 31, 2001	PRO FORMA ADJUSTMENTS	PRO FORMA COMBINED
SALES	\$ 193,600	\$ 69,793	\$ --	\$ 263,393
COST OF SALES	136,168	54,236	--	190,404
Gross profit	57,432	15,557	--	72,989
OPERATING EXPENSES:				
Research and development	45,151	1,800	--	46,951
Selling, general and administrative	45,306	23,919	2,654(2)	71,879
Restructuring charges	3,070	--	--	3,070
Impairment of goodwill, investments and advances	12,292	--	--	12,292
Litigation recovery	(1,500)	--	--	(1,500)
Total operating expenses	104,319	25,719	2,654	132,692
LOSS FROM OPERATIONS	(46,887)	(10,162)	(2,654)	(59,703)
OTHER (EXPENSE) INCOME	(2,078)	2,582	(1,800)(3)	(1,296)
Net loss before income taxes and minority interest	(48,965)	(7,580)	(4,454)	(60,999)
(BENEFIT) PROVISION FOR INCOME TAXES	(17,441)	8,987	(1,860)(4)	(10,314)
MINORITY INTEREST IN NET LOSS	(145)	--	--	(145)
NET LOSS	\$ (31,379)	\$ (16,567)	\$ (2,594)	\$ (50,540)
BASIC LOSS PER SHARE	\$ (0.99)			\$ (1.59)
DILUTED LOSS PER SHARE	\$ (0.99)			\$ (1.59)
BASIC WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING	31,712			31,712
DILUTED WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING	31,712			32,712

The accompanying notes to unaudited pro forma combined condensed financial statements are an integral part of this unaudited pro forma combined condensed statement of operations.

**ADVANCED ENERGY AND AERA
NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED
FINANCIAL STATEMENTS**

NOTE 1. BASIS OF PRESENTATION

The unaudited pro forma combined condensed balance sheet assumes that the business combination took place December 31, 2001, and combined Aera's unaudited condensed consolidated balance sheet as of December 31, 2001 with Advanced Energy's audited condensed consolidated balance sheet as of December 31, 2001. The unaudited pro forma combined condensed statement of operations assumes the business combination took place as of January 1, 2001, and combined Aera's unaudited condensed consolidated statement of operations for the twelve-month period ended December 31, 2001 with Advanced Energy's audited condensed consolidated statement of operations for the twelve-month period ended December 31, 2001.

There were no material transactions between Advanced Energy and Aera during the period presented.

There are no material differences between the accounting policies of Advanced Energy and Aera.

The pro forma combined benefit for income taxes may not represent the amounts that would have resulted had Advanced Energy and Aera filed consolidated income tax returns for the period presented.

NOTE 2. PRO FORMA ADJUSTMENTS

The purchase price (cash paid and the fair value of the liabilities assumed) was allocated based upon the estimated fair value of assets acquired as of the purchase date of January 18, 2002. The pro forma purchase price allocation is based on Advanced Energy's preliminary estimates of the fair value of Aera's assets, and is applied to the December 31, 2001 balance sheet of Aera. Therefore, such allocation may not reflect the actual liabilities assumed and goodwill or other intangible assets that will result from the transaction. Advanced Energy is awaiting additional information related to the fair value of certain assets acquired and liabilities assumed. Management does not expect the finalization of this matter to have a material effect on the purchase price allocation.

(1) Adjustment to record the components of the purchase price -- Cash of approximately \$44.0 million was paid to the stockholders of Aera for net assets of approximately \$7.8 million. Advanced Energy also paid approximately \$1 million in acquisition-related costs. The excess of purchase price over the estimated fair value of intangible assets of approximately \$37.2 million was allocated to non-amortizable goodwill and amortizable identifiable intangibles, with approximately 50% to goodwill and 50% to intangibles.

(2) Adjustment to record amortization of intangibles -- Advanced Energy estimated that the amortizable intangibles have an average life of approximately seven years. This adjustment reflects one year of amortization of these intangibles.

(3) Adjustment to record effect on interest income due to cash purchase - The cash of approximately \$45.0 million that is assumed to have been used to purchase Aera on January 1, 2001 generated approximately \$1.8 million of interest income in 2001 to Advanced Energy when invested as marketable securities. This adjustment is to increase before-tax loss by this amount, based on the assumption of a 4% interest rate on the investments.

(4) Adjustment to record income tax effect of other pro forma income statement adjustments -- Advanced Energy assumes that Aera's marginal income tax rate is approximately 45% for intangible amortization that would occur in Japan and approximately 37% for the assumed lost interest income that would have occurred in the U.S.

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