

NextCom K. K.

Financial Statements

For the years ended March 31, 2003 and 2004

Report of Independent Auditors

To the Board of Directors and Shareholders of
NextCom K.K.

We have audited the accompanying balance sheets of NextCom K.K. as of March 31, 2003 and 2004, and the related statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese Yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NextCom K.K. as of March 31, 2003 and 2004, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the readers, have been translated on the basis set forth in Note 1 to the accompanying financial statements.



ChuoAoyama PricewaterhouseCoopers

Tokyo, Japan

June 18, 2004

Balance Sheets
As of March 31, 2003 and 2004

	Thousands of yen		Thousands of U.S. dollars (Note 1)
	2003	2004	2004
<u>ASSETS</u>			
Current assets			
Cash on hand and at banks (Notes 3 and 7)	¥ 1,948,228	¥ 2,989,965	\$ 28,303
Deposits with Group Cash Management Scheme (Notes 3 and 5)	61	280,775	2,658
Marketable securities (Note 3)	60,105	-	-
Notes and accounts receivable, trade	9,923,721	9,017,186	85,358
Less: allowance for doubtful accounts	(37,104)	(36,067)	(341)
	9,886,617	8,981,119	85,017
Inventories	4,646,488	4,544,944	43,023
Prepaid expense	41,357	38,571	365
Deferred income taxes (Note 11)	158,967	204,690	1,938
Foreign exchange forward contracts (Note 2(11))	162,587	5,798	55
Other current assets (Note 2(10))	86,602	55,393	523
Total current assets	16,991,012	17,101,255	161,882
Property and equipment (Note 7)			
Land	2,104,603	-	-
Buildings and structures	1,285,443	59,731	566
Machinery and equipment	1,403,934	1,562,974	14,795
	4,793,980	1,622,705	15,361
Less: accumulated depreciation	(1,151,066)	(868,898)	(8,225)
Net property and equipment	3,642,914	753,807	7,136
Investments and other assets			
Investments in securities	116,060	85,395	808
Deferred income taxes (Note 11)	94,692	117,441	1,112
Foreign exchange forward contracts (Note 2(11))	207,932	15,253	144
Deferred losses on hedging activities (Note 2(11))	643,937	1,776,200	16,814
Guarantee deposits	915,715	1,554,933	14,719
Others	147,444	154,666	1,464
Total investments and other assets	2,125,780	3,703,888	35,061
Total assets	¥ 22,759,706	¥ 21,558,950	\$ 204,079

The accompanying notes are an integral part of these financial statements.

Balance Sheets
As of March 31, 2003 and 2004

	Thousands of yen		Thousands of U.S. dollars (Note 1)
	2003	2004	2004
<u>LIABILITIES AND</u>			
<u>SHAREHOLDERS' EQUITY</u>			
Current liabilities:			
Short-term loans (Note 6)	¥ 2,324,000	¥ 30,000	\$ 284
Current portion of long-term debt (Note 6)	-	10,000	95
Notes and accounts payable, trade	7,164,861	6,119,220	57,925
Income taxes payable	496,896	497,494	4,709
Consumption taxes payable	-	204,772	1,938
Accrued expenses	304,650	407,184	3,854
Advances received	535,129	647,290	6,127
Accrued bonuses to employees	135,257	195,296	1,849
Deferred profits on hedging activities (Note 2(11))	182,736	6,969	66
Other current liabilities	19,734	26,050	247
Total current liabilities	11,163,263	8,144,275	77,094
Long-term liabilities:			
Long-term debt (Note 6)	10,000	-	-
Reserve for retirement benefits (Note 8)	218,337	240,857	2,280
Deposits received for guarantees	670	-	-
Deferred profits on hedging activities (Note 2(11))	229,126	15,253	144
Derivative contracts with negative fair value (Note 2(11))	692,888	1,843,017	17,447
Total long-term liabilities	1,151,021	2,099,127	19,871
Total liabilities	12,314,284	10,243,402	96,965
Commitments and contingent liabilities (Notes 9 and 12)			
Shareholders' equity: (Note 13)			
Common stock, no par value			
Authorized: 400,000 shares at March 31, 2003 and 2004, respectively			
Issued: 103,512 shares at March 31, 2003 103,884 shares at March 31, 2004	2,893,750	2,909,250	27,539
Additional paid-in capital	4,594,109	4,609,919	43,638
Legal reserve	11,721	11,721	111
Retained earnings	2,946,260	3,784,658	35,826
Unrealized loss on Other securities	(418)	-	-
Total shareholders' equity	10,445,422	11,315,548	107,114
Total liabilities and shareholders' equity	¥ 22,759,706	¥ 21,558,950	\$ 204,079

The accompanying notes are an integral part of these financial statements.

Statements of Income

For the years ended March 31, 2003 and 2004

	Thousands of yen		Thousands of U.S. dollars (Note 1)
	2003	2004	2004
Net sales	¥ 27,530,170	¥ 32,879,295	\$ 311,239
Cost of sales	22,934,605	27,590,183	261,172
Gross profit	4,595,565	5,289,112	50,067
Selling, general and administrative expenses (Note 10)	3,339,137	3,604,936	34,124
Operating income	1,256,428	1,684,176	15,943
Other income (expenses):			
Interest income	519	1,191	11
Exchange gain	410,826	179,972	1,704
Property rental activities	(19,416)	(39,251)	(372)
Interest expenses	(43,720)	(12,244)	(116)
Loss on disposal of inventories	(15,900)	(26,609)	(252)
Stock issue expenses	(894)	(5,941)	(56)
Loss on disposal of property and equipment	(2,486)	(49,344)	(467)
Loss on write-down of investment securities	-	(31,367)	(297)
Loss on cancellation of interest rate swap	(71,094)	-	-
Others, net	7,805	4,639	44
	265,640	21,046	199
Income before income taxes	1,522,068	1,705,222	16,142
Income taxes (Note 11)			
- Current	672,783	814,649	7,712
- Deferred	(6,109)	(68,756)	(651)
	666,674	745,893	7,061
Net income	¥ 855,394	¥ 959,329	\$ 9,081

	Yen		U.S. dollars (Note 1)
	2003	2004	2004
Per share information (Note 2 (15)):			
Net income per share			
- Basic earnings	¥ 8,114.12	¥ 9,057.49	\$ 85.739
- Diluted earnings	8,057.71	8,982.93	85.033
Cash dividends per share	500.00	500.00	4.733

The accompanying notes are an integral part of these financial statements.

Statement of Changes in Shareholders' Equity
For the years ended March 31, 2003 and 2004

	Thousands of yen					
	Number of common stock	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Unrealized loss on Other securities
Balance at March 31, 2002	102,096	¥ 2,834,750	¥ 4,533,929	¥ 11,721	¥ 2,218,270	¥ -
Net income	-	-	-	-	855,394	-
Cash dividends	-	-	-	-	(51,048)	-
Bonuses to directors and corporate auditors	-	-	-	-	(24,600)	-
Interim dividends	-	-	-	-	(51,756)	-
New stock issued upon exercise of warrant	1,416	59,000	60,180	-	-	-
Unrealized loss on Other securities	-	-	-	-	-	(418)
Balance at March 31, 2003	103,512	¥2,893,750	¥ 4,594,109	¥11,721	¥ 2,946,260	¥ (418)
Net income	-	-	-	-	959,329	-
Cash dividends	-	-	-	-	(51,756)	-
Bonuses to directors and corporate auditors	-	-	-	-	(17,400)	-
Interim dividends	-	-	-	-	(51,775)	-
New stock issued upon exercise of warrant and stock option	372	15,500	15,810	-	-	-
Unrealized loss on Other securities	-	-	-	-	-	418
Balance at March 31, 2004	103,884	¥ 2,909,250	¥ 4,609,919	¥ 11,721	¥ 3,784,658	-

	Thousands of U.S. dollars (Note 1)				
	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Unrealized loss on Other securities
Balance at March 31, 2003	\$ 27,393	\$ 43,488	\$ 111	\$ 27,890	\$ (4)
Net income	-	-	-	9,081	-
Cash dividends	-	-	-	(490)	-
Bonuses to directors and corporate auditors	-	-	-	(165)	-
Interim dividends	-	-	-	(490)	-
New stock issued upon exercise of warrant and stock option	146	150	-	-	-
Unrealized loss on Other securities	-	-	-	-	4
Balance at March 31, 2004	\$ 27,539	\$ 43,638	\$ 111	\$ 35,826	-

The accompanying notes are an integral part of these financial statements.

Statements of Cash flows
For the years ended March 31, 2003 and 2004

	Thousands of yen		Thousands of U.S. dollars (Note 1)
	2003	2004	2004
Cash flows from operating activities:			
Income before income taxes	¥ 1,522,068	¥ 1,705,222	\$ 16,142
Adjustments for -			
Depreciation	292,484	277,870	2,630
Decrease in allowance for doubtful accounts	(41,566)	(1,037)	(10)
Increase (decrease) in accrued bonuses to employees	(21,474)	60,039	568
Increase in reserve for retirement benefits	27,650	22,520	213
Interest income	(5,922)	(1,583)	(15)
Interest expenses	43,907	12,244	116
Loss on disposal of property and equipment	2,486	49,344	467
Loss on disposal of inventories	15,900	26,609	252
Loss on write-down of investment securities	-	31,367	297
Gain on sale of investments in securities	(500)	-	-
Decrease in notes and accounts receivable, trade	603,385	1,018,697	9,643
Decrease (increase) in inventories	(2,013,624)	74,936	709
Increase(decrease) in notes and accounts payable, trade	1,281,227	(1,045,690)	(9,899)
Increase (decrease) in consumption taxes payable	(200,253)	262,521	2,485
Decrease in long-term prepaid expenses	14,289	294	3
Increase in guarantee deposits	(849,373)	(639,218)	(6,051)
Bonuses to directors and corporate auditors	(24,600)	(17,400)	(165)
Others, net	(342,262)	80,199	761
Subtotal	303,822	1,916,934	18,146
Interest received	6,203	1,409	13
Interest paid	(47,094)	(8,181)	(77)
Income taxes paid	(524,879)	(814,051)	(7,706)
Net cash provided by (used in) operating activities	<u>(261,948)</u>	<u>1,096,111</u>	<u>10,376</u>
Cash flows from investing activities:			
Decrease in time deposit, net	300,000	-	-
Purchase of property and equipment	(241,738)	(290,914)	(2,754)
Sale of property and equipment	-	2,887,822	27,336
Purchase of intangible assets	(103,277)	(63,414)	(600)
Purchase of investments in securities	(36,762)	-	-
Sale of investments in securities	500	-	-
Net cash provided by (used in) investing activities	<u>(81,277)</u>	<u>2,533,494</u>	<u>23,982</u>
Cash flows from financing activities:			
Proceeds from short-term loans	6,078,000	850,000	8,046
Repayments of short-term loans	(4,674,000)	(3,144,000)	(29,761)
Repayments of long-term debt	(1,778,000)	-	-
New stock issue	119,180	31,310	296
Cash dividends paid	(102,804)	(103,530)	(980)
Net cash used in financing activities	<u>(357,624)</u>	<u>(2,366,220)</u>	<u>(22,399)</u>
Effect of exchange rate changes on cash and cash equivalents	4,693	(1,039)	(10)
Net increase (decrease) in cash and cash equivalents	(696,156)	1,262,346	11,949
Cash and cash equivalents at beginning of the year	2,694,550	1,998,394	18,917
Cash and cash equivalents at end of the year (Note 3)	<u>¥ 1,998,394</u>	<u>¥ 3,260,740</u>	<u>\$ 30,866</u>

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

I Basis of Presentation of Financial Statements

The accompanying financial statements of NextCom K.K. (the "Company") are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the financial statements prepared by the Company as required by the Securities and Exchange Law of Japan.

The company has no subsidiary and has not prepared consolidated financial statements, accordingly.

Relevant notes have been added, and certain reclassifications and recapitulations of account balances as disclosed in the financial statements submitted to the Director of Kanto Financial Bureau in Japan have been made so as to present them in a form which is more familiar to the readers outside Japan.

Although the statements of shareholders' equity are not disclosed in Japan for domestic reporting purposes, such statements have been prepared for the purpose of inclusion in this document.

The amounts presented in the financial statements are rounded to the nearest thousand yen.

The Company maintains its accounting records in Japanese yen. The U.S. dollar amounts included in the accompanying financial statements and notes thereto represent the arithmetical results of translating Japanese yen into U.S. dollars at the rate of ¥105.64 = U.S.\$1.00 prevailing at March 31, 2004. The inclusion of such U.S. dollar amounts is solely for the convenience of the readers and is not intended to imply that Japanese yen amounts have been or could be converted, realized or settled in U.S. dollars at that or any other rate.

Notes to Financial Statements

2 Summary of Significant Accounting Policies

(1) Marketable securities and Investments in securities

Effective April 1, 2000, the new accounting standard for financial instruments was applied by the Company. The standard requires all applicable securities to be classified and accounted for, depending on management's intent, as follows,

Trading securities, which are held for the purpose of earning capital gains in near time, are reported at fair value, and the related unrealized gains and losses are included in earnings. Held-to-maturity securities, which are expected to be held to maturity with the positive intent and ability to hold maturity, are reported at amortized cost. The Company has no trading securities and held-to-maturity securities as of March 31, 2003 and 2004. Securities other than trading securities and hold-to-maturity securities are classified as available-for-sale securities. Available-for-sale securities that are publicly traded are reported at fair market value, with unrealized gains and losses, net of applicable taxes, reported in a traded are reported in a separate component of shareholders' equity. Available-for-sale securities that are not publicly trade are stated at cost; cost being determined using the moving-average method.

(2) Inventories

Inventories are stated at cost determined by the moving-average method.

(3) Property and equipment

Property and equipment are stated at cost. Depreciation is computed based on the declining-balance method while the straight-line method is applied to buildings acquired on and after April 1, 1998.

The rates of depreciation applied to property and equipment are based on the estimated useful lives of the relevant assets prescribed by the Japanese income tax laws.

(4) Intangible assets

Intangible assets are amortized on straight-line basis. Software for internal use is amortized over the period of the estimated useful life (5 years).

(5) Stock issue expenses

Stock issue expenses are charged to income when incurred.

Notes to Financial Statements

(6) Allowance for doubtful accounts

For normal receivables: Allowance for doubtful accounts for debtors, who are not in trouble with their financial status, is determined by applying the historical credit loss rates to the balance at the end of period.

For doubtful receivables: Allowance for doubtful accounts for debtors, who have not failed but has a probability to be in serious financial trouble for repayments of debts, is determined by estimating the uncollectible amount of such receivables respectively.

(7) Accrued bonuses to employees

Accrued bonuses to employees represents the estimated amounts of bonuses to employees attributable to their services rendered within the respective period.

(8) Reserve for retirement benefits

The Company has a lump-sum retirement payment scheme and a defined benefit pension plan for employees and a retirement benefit plan for directors and corporate auditors.

The reserve for retirement benefits to employees is provided in the amount that would have been borne by the Company if all employees had voluntarily retired at the balance sheet date, whereas the contribution to the retirement fund is charged to income as incurred.

The reserve for retirement benefit to directors and corporate auditors is recorded in the amount calculated in accordance with the relevant internal rule on the assumption that all directors and corporate auditors had retired at the respective balance sheet dates. Payment of the retirement benefits to directors and corporate auditors requires the shareholders' prior approval, however the reserve for the retirement benefits to directors and corporate auditors is recognized as the generally accepted customary practice in Japan.

(9) Income taxes

Income taxes of the Company consist of corporate income taxes, corporate inhabitant taxes and enterprise taxes. Enterprise taxes are deductible when paid for the computation of other income taxes.

Deferred tax accounting is applied and the asset and liability approach is employed in accordance with the Japanese accounting standards.

(10) Consumption taxes

The consumption taxes are imposed at the flat rate of 5% on all domestic consumption of goods and services with certain exceptions.

The consumption taxes paid for purchase and consumption tax withheld from sales are excluded from expenses and sales amounts in the accompanying financial statements. Net consumption taxes receivable was recorded in the amount of ¥57,749 thousand in other current assets in the accompanying balance sheet as of March 31, 2003.

(11) Derivatives and hedging activities

The Company uses foreign exchange forward contract, foreign currency options, foreign currency swaps, marketable securities and time deposits denominated in foreign currencies to hedge the exchange risks associated with payables, contract obligations on import transactions and anticipated transactions denominated in foreign currencies.

The Company does not enter into derivatives for trading purposes or speculative purpose. Internal rules have been established with respect to the purposes, policies, procedures and approvals, and reporting. As to the hedging transactions, the effectiveness of hedge over the hedged items is constantly monitored.

Where the transactions do not satisfy the certain conditions stipulated in the Japanese accounting standards for financial instruments, such derivative arrangements and financial instruments are valued at fair value and resulting unrealized gains or losses are included in the determination of the current year's income, whereas a deferral method of accounting is applied where transactions are fallen into the category of hedging transactions (hedge accounting). Under the hedge accounting, unrealized gains and losses on the hedge instruments are carried as assets or liabilities in the balance sheets until the profits and losses on the corresponding hedged items are realized.

(12) Leases

Lease transactions are accounted for in conformity with the Japanese accounting standards on leases.

All leases other than those under which the title of ownership is deemed to be transferred to the leases are accounted for as operating leases.

(13) Appropriation of retained earning

The Japanese Commercial Code (the "Code") requires the appropriation including cash dividends of retained earnings to be approved at the shareholders meeting to be held within three months after the balance sheet date. Also the Code allows the Board of Directors to make interim cash distribution (interim cash dividends) if certain conditions are satisfied.

The amounts of cash dividends shown in the accompanying statements of changes in shareholders' equity is the total of such interim cash dividends and the cash dividends paid during the respective periods.

Notes to Financial Statements

(14) Cash and cash equivalents

For the purpose of the statement of cash flows, "Cash and cash equivalents" consists of cash on hand, demand deposits and certain investments with original maturity of three months or less with virtually no risk of loss of value.

(15) Earnings and dividends per share

Basic earnings per share is computed based on the weighted-average number of shares of common stock outstanding during each period.

Diluted earnings per share reflects the potential dilution that could occur when dilutive securities were converted into common shares.

The amount of cash dividends is total of interim cash dividends paid during the respective periods and such dividends declared as applicable to the respective periods.

3 Cash and cash equivalents

	Thousands of yen		Thousands of U.S. dollars
	2003	2004	2004
Cash on hand and at banks	¥ 1,948,228	¥ 2,989,965	\$ 28,303
Deposits with Group Cash Management Scheme	61	280,775	2,658
Marketable securities	60,105	-	-
Less: Time deposits with maturity over 3 months	<u>(10,000)</u>	<u>(10,000)</u>	<u>(95)</u>
Total cash and cash equivalents	<u>¥ 1,998,394</u>	<u>¥ 3,260,740</u>	<u>\$ 30,866</u>

4 Derivative financial instruments

The derivative transactions of the Company as of March 31, 2003 and 2004 were as follows:

	Thousands of yen					
	2003			2004		
	Notional Amount	Market Value	Unrealized Loss	Notional Amount	Market Value	Unrealized Loss
Options						
Sold (US\$)	¥ 1,798,080	(¥ 50,861)	(¥ 50,861)	¥ 1,079,205	(¥ 72,451)	(¥ 72,451)
Put						
				Thousands of U.S. dollars		
				2004		
	Notional Amount	Market Value	Unrealized Loss			
Options						
Sold (US\$) Put				\$ 10,216	(\$ 686)	(\$ 686)

Notes to Financial Statements

- Derivative transactions to which hedge accounting is applied are excluded from the above table.
- Unrealized loss in the above table is charged to income for the year.

5 Deposits with Group Cash Management Scheme

Parent company of the Company, CSK Corporation (“CSK”), adopted the CSK Group Cash Management System to enhance efficient use of surplus fund within the group companies of CSK. Deposits with Group Cash Management Scheme in the accompanying balance sheets represents the surplus fund of the Company deposited under the cash management system sited above.

6 Short-term loans and Long-term debt

(1) Short-term loans

The weighted-average interest rates on short-term bank loans for the years ended March 31, 2003 and 2004 were 1.293% and 1.086%, respectively.

	Thousands of yen		Thousands of U.S. dollars
	2003	2004	2004
Payable to domestic banks			
Collateralized	¥ 1,564,000	¥ -	\$ -
Unsecured	760,000	30,000	284
Current portion of long-term debt	-	10,000	95
	<u>¥ 2,324,000</u>	<u>¥ 40,000</u>	<u>\$ 379</u>

(2) Long-term debt

The interest rate for unsecured bonds was 6 months Yen TIBOR plus 1.80% as of March 31, 2003 and 2004.

	Thousands of yen		Thousands of U.S. dollars
	2003	2004	2004
Unsecured bonds with detachable warrants due April 30, 2004	¥ 10,000	¥ 10,000	\$ 95
Less: Amounts due within one year	-	(10,000)	(95)
	<u>¥ 10,000</u>	<u>¥ -</u>	<u>\$ -</u>

Notes to Financial Statements

7 Assets pledged as collateral

Assets pledged as collateral for short-term loans and long-term debt as of March 31, 2003 and 2004 were as follows:

	Thousands of yen		Thousands of U.S. dollars
	2003	2004	2004
Cash at banks	¥ 10,000	¥ 10,000	\$ 95
Property and equipment (net book value)	2,951,824	-	-
	<u>¥ 2,961,824</u>	<u>¥ 10,000</u>	<u>\$ 95</u>

8 Reserve for retirement benefits

The balances of reserve for retirement benefits as of March 31, 2003 and 2004 are consisted of the followings.

	Thousands of yen		Thousands of U.S. dollars
	2003	2004	2004
Retirement benefits to:			
-Employees	¥ 62,107	¥ 69,967	\$ 662
-Directors and corporate auditors	156,230	170,890	1,618
Total	<u>¥ 218,337</u>	<u>¥ 240,857</u>	<u>\$ 2,280</u>

The composition of cost of reserve for retirement benefits to employees for the years ended March 31, 2003 and 2004 were as follows:

	Thousands of yen		Thousands of U.S. dollars
	2003	2004	2004
Service cost	¥ 22,245	¥ 20,044	\$ 190
Pension premium	35,057	45,590	431
Total cost of reserve retirement benefits	<u>¥ 57,302</u>	<u>¥ 65,634</u>	<u>\$ 621</u>

9 Contingent Liabilities

As of March 31, 2003 and 2004, the Company had no contingent liabilities.

Notes to Financial Statements

10 Research and development

Research and development expenditure charged to income was ¥24,187 thousand and ¥44,083 thousand (\$417 thousand) for the year ended March 31, 2003 and 2004, respectively.

11 Income taxes

At March 31, 2003 and 2004, significant components of deferred tax assets were as follows :

	Thousands of yen		Thousands of U.S. dollars
	2003	2004	2004
Deferred income tax assets:			
Accrued bonuses to employees	¥ 75,808	¥ 125,942	\$ 1,192
Accrued enterprise taxes	43,820	42,445	402
Depreciation	10,123	9,024	85
Reserve for retirement benefits	84,285	95,651	906
Allowance for doubtful accounts	10,995	9,519	91
Others	28,628	39,550	374
Net deferred tax assets	¥ 253,659	¥ 322,131	\$ 3,050

The effective statutory tax rate is approximately 42% for the year ended March 31, 2003 and 2004.

Amendments to the national laws relating to local taxes were made by the National Diet on March 24, 2003 and the new enterprise tax rate was applied effective from the year commenced on April 1, 2004. Accordingly the deferred income taxes non-current is recognized at the effective income tax rate of 40.7% reflecting the new enterprise tax rate.

Notes to Financial Statements

12 Lease Commitments

The Company uses certain machinery and equipment under the finance lease contracts. Total lease payments were ¥10,776 thousand and ¥25,003 thousand (\$237 thousand) for the years ended March 31, 2003 and 2004, respectively.

Pro forma information regarding the leased property such as acquisition cost, accumulated depreciation and future minimum lease payments under finance leases that do not transfer the ownership of the leased property to the lessee for the years ended March 31, 2003 and 2004 were as follows:

	Thousands of yen		Thousands of U.S. dollars
	2003	2004	2004
Machinery and equipments			
Acquisition cost	¥ 51,672	¥ 104,013	\$ 984
Accumulated depreciation	30,046	51,870	491
Net book value	<u>21,626</u>	<u>52,143</u>	<u>493</u>
Depreciation	¥ 9,608	¥ 23,341	\$ 221
Interest	¥ 929	¥ 1,562	\$ 15

	Thousands of yen		Thousands of U.S. dollars
	2003	2004	2004
Future minimum lease payments			
Due within one year	¥ 11,575	¥ 22,627	\$ 214
Due after one year	11,821	30,474	289
Total	<u>¥ 23,396</u>	<u>¥ 53,101</u>	<u>\$ 503</u>

The amounts of acquisition costs and future minimum lease payments under finance leases shown above included the imputed interest lease portion.

Notes to Financial Statements

13 Shareholders' Equity

Under the Japanese Commercial Code (the "Code"), at least 50% of the issue price of new shares is required to be designated as stated capital, which is determined by a resolution of the Board of Directors. Proceeds in excess of the amount designated as stated capital are credited to additional paid-in capital.

Under the Code, an amount equivalent to 10% of interim cash distribution (interim cash dividends) and at least 10% of cash distribution including cash dividends made as a result of the appropriation of retained earnings is required to be transferred to the legal reserve until the balance of that reserve reached 25% of the stated share capital.

In October, 2001 the Code was amended and transfer to the legal reserve is no longer required if the balance of the total of the additional paid-in capital and the legal reserve stated above reaches 25% of the stated share capital. The amount in excess of 25% of the stated share capital is allowed to be distributed as dividends when certain conditions specifically stipulated in the Code are satisfied.

The Company issued unsecured bonds with detachable warrants on April 17, 2000 but retired the portion of bonds during the year ended March 31, 2001. Detached convertible rights outstanding as of March 31, 2004 represent potential issue of 336 shares at ¥83,333 (\$788).

The Company had introduced stock-based compensation plans as an incentive for certain persons who hold office of directors or corporate auditors of the Company or its related companies and who are employees at the time of exercise of such rights. The outline of each plans is summarized below. Exercise price of the above rights are subject to subsequent adjustment in certain events including new share issue below market price. Number of shares of common stock to be issued is as follows:

(1) Approved on June 22, 2001

Persons qualified	Number of shares of common stock	Exercise price	Exercise period
Directors, corporate auditors and employees	2,510	¥ 303,000	from October 1, 2002 to September 30, 2005

(2) Approved on June 18, 2003

Persons qualified	Number of shares of common stock	Exercise price	Exercise period
Directors and employees	1,693	¥ 134,470	from July 1, 2005 to June 30, 2008
Persons qualified	Number of shares of common stock	Exercise price	Exercise period
Directors and employees	469	¥ 216,219	from July 1, 2005 to June 30, 2008

Notes to Financial Statements

14 Related Party Transactions

The parent company of the Company is CSK Corporation, which owns 43.0% and 42.9% of shares of the Company as of March 31, 2003 and 2004, respectively, which have been listed their shares in Tokyo Stock Exchange.

The Company's transactions with CSK Corporation for the years ended March 31, 2003 and 2004 were as follows.

Company	Transaction	Thousands of yen		Thousands of U.S. dollars
		2003	2004	2004
CSK Corporation	Sales	¥ 459,140	¥ 522,239	\$ 4,944
	Deposit of funds		- 4,570,100	42,665
	Short term money deposit		- 280,775	2,658

- Deposit of funds is related with making a deposit to CSK Group Cash Management (CMS).

Transactions between the Company and directors for the years ended March 31, 2003 and 2004 were as follows:

Directors	Transaction	Thousands of yen		Thousands of U.S. dollars
		2003	2004	2004
Hideki Fujiyama	Provision of accommodation	¥ 1,291	¥ -	\$ -

Notes to Financial Statements

15 Subsequent Events

(1) Appropriation of retained earnings of the Company for the year ended March 31, 2004, which was proposed by the Board of Directors and approved at the stockholders' meeting held on June 18, 2004 is as follows:

	Thousands of yen	Thousands of U.S. dollars
Retained earnings at March 31, 2004	¥ 3,784,658	\$ 35,826
Appropriations:		
Cash dividends (¥500 per share)	51,942	492
Directors' and corporate auditors' bonuses	20,800	197
Total	72,742	689
Retained earnings to be carried forward	¥ 3,711,916	\$ 35,137

(2) The Company listed its shares on the 2nd Section of Tokyo Stock Exchange on April 6, 2004, which resulted in issue of 5,500 new shares and allotment of 500 new shares. As the consequence of such new issue common stock and additional paid - in capital were increased by ¥730,020 thousands, respectively.