

7. Other Income (Expenses)

The components of "Other, net" in "Non-operating income (expenses)" for each of the three years in the period ended March 31, 2004 were as follows:

	Year ended March 31,			
	2004	2003	2002	2004
	<i>(Thousands of yen)</i>			<i>(Thousands of U.S. dollars)</i>
Dividends received	¥ 55,320	¥ 44,178	¥ 33,342	\$ 527
Exchange (loss) gain, net	(342,910)	43,490	72,756	(3,266)
Gain on sales of property and equipment	306,203	196,849	9,998	2,916
Gain on sales of investments in securities	123,114	1,446	2,773	1,173
Reversal of allowance for doubtful accounts	—	—	14,577	—
Loss on disposal of property and equipment	(51,981)	(23,734)	(68,839)	(495)
Loss on revaluation of investments in affiliates	—	—	(19,999)	—
Loss on revaluation of investments in securities	(7,800)	(12,750)	(1,659)	(74)
Special termination benefits	—	(77,554)	—	—
Loss on advanced repayment of bank loans	(47,574)	—	—	(453)
Other, net	67,581	38,553	106,405	644
	<u>¥ 101,954</u>	<u>¥210,478</u>	<u>¥149,355</u>	<u>\$ 971</u>

8. Income Taxes

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

	March 31,		
	2004	2003	2004
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Deferred tax assets:			
Accrued bonuses	¥255,323	¥177,980	\$2,432
Elimination of unrecognized gain on intercompany accounts and transactions	66,475	60,135	633
Directors' and statutory auditors' retirement benefits	56,612	55,134	539
Accrued enterprise tax	64,039	59,532	610
Allowance for doubtful accounts	104,380	61,306	994
Accrued pension and severance costs	86,194	44,109	821
Other	157,801	127,393	1,503
Subtotal	<u>790,827</u>	<u>585,591</u>	<u>7,532</u>
Valuation allowance	—	(5,946)	—
Total deferred tax assets	<u>790,827</u>	<u>579,645</u>	<u>7,532</u>
Deferred tax liabilities:			
Depreciation	(7,178)	(15,669)	(68)
Accumulated earnings of consolidated subsidiaries	(44,007)	(56,170)	(419)
Other	(9,463)	(6,064)	(90)
Total deferred tax liabilities	<u>(60,648)</u>	<u>(77,905)</u>	<u>(578)</u>
Net deferred tax assets	<u>¥730,178</u>	<u>¥501,740</u>	<u>\$6,954</u>

8. Income Taxes (continued)

The difference between the statutory tax rate and the effective tax rate for the years ended March 31, 2003 represented less than 5% of the statutory tax rate. As a result, a reconciliation is not required to be disclosed.

A reconciliation between the statutory tax rate and the effective tax rate for the year ended March 31, 2004 and 2002 are presented as follows:

	Year ended March 31,	
	2004	2002
Statutory tax rate	42.05%	42.05%
Disallowed expenses, including entertainment expenses	3.70	5.38
Other	0.88	1.81
Effective tax rate	<u>46.63%</u>	<u>49.24%</u>

Reflecting a change in the local tax rates, the statutory tax rate used in determining deferred tax assets and liabilities has been applied as follows. The current rate (42.05%) has been applied to temporary differences expected to be deducted for tax purposes by the end of March 2004 and the new rate (40.49%) has been applied to those to be utilized after April 2004. As a result of this change, deferred tax assets net of deferred tax liabilities at March 31, 2003 increased by ¥24,609 thousand and income taxes – deferred charged to income for the year decreased by ¥24,691 thousand.

9. Stockholders' Equity

The Commercial Code of Japan (the "Code") provides that an amount equal to at least 10% of the amount disbursed as distributions of earnings be appropriated to the legal reserve until the sum of the reserve and the additional paid-in capital account, which is included in capital surplus in the consolidated balance sheets, equals 25% of the common stock account. The Code provides that neither additional paid-in capital nor the legal reserve is available for dividends, but both may be used to reduce or eliminate a deficit by resolution of the stockholders or may be transferred to common stock upon approval by the Board of Directors. The Code further provides that if the total amount of additional paid-in capital and the legal reserve exceeds 25% of the amount of common stock, the excess may be distributed to the stockholders either as a return of capital or as dividends subject to the approval of the stockholders. The Company's shares of common stock have no par value in accordance with the Code.

Effective April 1, 2002 the Company and its consolidated subsidiaries adopted a new accounting standard for treasury stock and the reduction of legal reserves. The effect of the adoption of this new accounting standard on operating results was immaterial for the year ended March 31, 2003.

10. Leases

As lessee under financing and operating leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property held under financing accounted for as operating leases at March 31, 2004 and 2003, and the related depreciation and interest expense for the years ended March 31, 2004, 2003 and 2002, respectively, which would have been reflected in the consolidated balance sheets and the related consolidated statements of income:

	March 31, 2004		
	Property and equipment – other	Software	Total
	<i>(Thousands of yen)</i>		
Acquisition costs	¥442,750	¥32,563	¥475,313
Less accumulated depreciation	349,530	26,189	375,719
Net book value	<u>¥ 93,220</u>	<u>¥ 6,373</u>	<u>¥ 99,594</u>

	March 31, 2004		
	Property and equipment – other	Software	Total
	<i>(Thousands of U.S. dollars)</i>		
Acquisition costs	\$4,217	\$310	\$4,527
Less accumulated depreciation	3,329	249	3,578
Net book value	<u>\$ 888</u>	<u>\$ 61</u>	<u>\$ 949</u>

	March 31, 2003		
	Property and equipment – other	Software	Total
	<i>(Thousands of yen)</i>		
Acquisition costs	¥674,382	¥32,563	¥706,945
Less accumulated depreciation	551,092	19,676	570,769
Net book value	<u>¥123,290</u>	<u>¥12,886</u>	<u>¥136,176</u>

	Year ended March 31,			
	2004	2003	2002	2004
	<i>(Thousands of yen)</i>			<i>(Thousands of U.S. dollars)</i>
Depreciation expense	<u>¥83,951</u>	<u>¥122,252</u>	<u>¥140,459</u>	<u>\$800</u>
Interest expense	<u>¥ 4,511</u>	<u>¥ 7,411</u>	<u>¥ 11,702</u>	<u>\$ 43</u>

10. Leases (continued)

As lessee under financing and operating leases (continued)

Lease expenses relating to the financing leases accounted for as operating leases amounted to ¥91,306 thousand (\$870 thousand), ¥133,781 thousand and ¥152,754 thousand for the years ended March 31, 2004, 2003 and 2002, respectively.

Future rental expenses under financing leases accounted for as operating leases outstanding at March 31, 2004 and 2003 are summarized as follows:

	March 31,		2004 (Thousands of U.S. dollars)
	2004 (Thousands of yen)	2003 (Thousands of yen)	
Within 1 year	¥ 53,987	¥ 79,718	\$514
Over 1 year	48,945	62,640	466
	<u>¥102,933</u>	<u>¥142,358</u>	<u>\$980</u>

Future rental expenses under operating leases outstanding at March 31, 2004 and 2003 are summarized as follows:

	March 31,		2004 (Thousands of U.S. dollars)
	2004 (Thousands of yen)	2003 (Thousands of yen)	
Within 1 year	¥ 54,094	¥ 27,448	\$ 515
Over 1 year	324,315	156,493	3,089
	<u>¥378,409</u>	<u>¥183,942</u>	<u>\$3,604</u>

As lessor under operating leases

Certain consolidated subsidiaries lease equipment under operating leases. Future rental income under operating leases outstanding at March 31, 2004 and 2003 are summarized as follows:

	March 31,		2004 (Thousands of U.S. dollars)
	2004 (Thousands of yen)	2003 (Thousands of yen)	
Within 1 year	¥ 572,506	¥ 585,177	\$ 5,452
Over 1 year	2,830,828	2,918,403	26,960
	<u>¥3,403,335</u>	<u>¥3,503,580</u>	<u>\$32,413</u>

10. Leases (continued)

As lessee and lessor under subleases

The Company subleases equipment to a third party, and the lease agreements between the two original parties remain in effect. The original and the new lease agreements are operating leases.

Future rental revenues as lessor under the new lease agreements outstanding at March 31, 2004 and 2003 are summarized as follows:

	March 31,		
	2004	2003	2004
	(Thousands of yen)		(Thousands of U.S. dollars)
Within 1 year	¥47,686	¥ 62,984	\$454
Over 1 year	43,803	87,430	417
	<u>¥91,490</u>	<u>¥150,414</u>	<u>\$871</u>

Future rental expenses as lessee under the original lease agreements outstanding at March 31, 2004 and 2003 are summarized as follows:

	March 31,		
	2004	2003	2004
	(Thousands of yen)		(Thousands of U.S. dollars)
Within 1 year	¥46,664	¥ 61,569	\$444
Over 1 year	42,879	85,568	408
	<u>¥89,543</u>	<u>¥147,137</u>	<u>\$853</u>

11. Contingent Liabilities

At March 31, 2004, contingent liabilities for guarantees amounted to ¥8,812 thousand (\$84 thousand).

12. Amounts Per Share

Net income per share is computed based on the weighted average number of shares of common stock outstanding during each year. The Company and its consolidated subsidiaries have not issued any potentially dilutive stocks during either year. Accordingly, fully diluted net income per share and basic net income per share for the years ended March 31, 2004, 2003 and 2002 were the same.

	Year ended March 31,			
	2004	2003	2002	2004
		(Yen)		(U.S. dollars)
Net income per share	¥86.21	¥83.62	¥59.38	\$0.821

12. Amounts Per Share

Net assets per share are computed based on the number of shares of common stock outstanding at each balance sheet date.

	March 31,		
	2004	2003	2004
	(Yen)		(U.S. dollars)
Net assets per share	¥819.13	¥757.02	\$7.801

Effective April 1, 2002, the Company and its consolidated subsidiaries adopted a new accounting standard for per share information, under which the amount which is not available to stockholders of shares of common stock is excluded from the calculation of earnings per share. The effect of the adoption of this standard was not significant. No prior year earnings per share amounts have been restated and therefore, the basis of computation of per share information for 2002 has not been presented.

The following table sets forth the basis of the computation of net income per share for the year ended March 31, 2004 and 2003:

	Year ended March 31,		
	2004	2003	2004
	(Thousands of yen, except share)		(Thousands of U.S. dollars, except share)
Net income	¥1,085,411	¥1,032,999	\$10,337
Less: appropriation of bonuses to directors and statutory auditors	(19,195)	(9,549)	(183)
Net income available to stockholders of shares of common stock	¥1,066,216	¥1,023,449	\$10,154
Weighted average number of shares of common stock outstanding	12,367,114	12,239,538	12,367,114