Data Communication System Co., Ltd.

Financial Statements for the
Years Ended March 31, 2001 and 2000,
and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
Data Communication System Co., Ltd.:

We have examined the balance sheets of Data Communication System Co., Ltd. as of March 31, 2001 and 2000, and the related statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Data Communication System Co., Ltd. as of March 31, 2001 and 2000, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

As discussed in Note 2, effective April 1, 2000, the financial statements have been prepared in accordance with new accounting standards for employees' retirement benefits and financial instruments.

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

June 27, 2001

Data Communication System Co., Ltd.

Balance Sheets
March 31, 2001 and 2000

ASSETS	Millions of Yen 2001	Millions of Yen 2000	Thousands of U.S. Dollars (Note 1) 2001
CURRENT ASSETS:			
Cash and cash equivalents	¥ 8,577	¥ 6,018	$ 69,225
Receivables (Note 10):			
Trade accounts	6,302	4,884	50,863
Other	26	13	210
Allowance for doubtful receivables	(19)	(19)	(153)
Inventories (Note 3)	840	911	6,780
Deferred tax assets (Note 9)	625	344	5,044
Prepaid expenses and other current assets	69	61	557
Total current assets	16,420	12,212	132,526
PROPERTY, PLANT AND EQUIPMENT:			
Land	5,945	5,946	47,982
Buildings and structures	4,912	4,896	39,646
Machinery and equipment	43	71	347
Vehicles	1	1	8
Furniture and fixtures	864	722	6,973
Total	11,765	11,636	94,956
Accumulated depreciation	(2,193)	(1,936)	(17,700)
Net property, plant and equipment	9,572	9,700	77,256
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 4)	321	464	2,591
Investments in subsidiaries (Note 4)	30		242
Guarantee money deposit	298	220	2,405
Life insurance costs	308	294	2,486
Deferred tax assets (Note 9)	500	442	4,036
Other assets	149	114	1,202
Total investments and other assets	1,606	1,534	12,962
TOTAL	¥ 27,598	¥ 23,446	$ 222,744

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 2001	Millions of Yen 2000	Thousands of U.S. Dollars (Note 1) 2001
CURRENT LIABILITIES:			
Payables (Note 10):			
Trade accounts	¥ 1,842	¥ 1,485	$ 14,867
Other	1,422	893	11,477
Income taxes payable	1,222	862	9,863
Accrued expenses	1,284	1,081	10,363
Other current liabilities	608	368	4,907
Total current liabilities	6,378	4,689	51,477
LONG-TERM LIABILITIES:			
Long-term debt (Note 5)	1,023	23	8,257
Liability for employees' retirement benefits (Note 6)	394		3,180
Accrued prior service costs		439	
Retirement allowances for directors and corporate auditors	528	516	4,261
Total long-term liabilities	1,945	978	15,698
SHAREHOLDERS' EQUITY (Notes 7 and 11.b):			
Common stock, ¥50 par value—authorized, 18,000,000 shares; issued and outstanding, 12,609,633 shares in 2001 and 12,609,575 shares in 2000	6,111	6,111	49,322
Additional paid-in capital	6,189	6,166	49,952
Legal reserve	350	303	2,825
Retained earnings	6,676	5,199	53,882
Net unrealized loss on available-for-sale securities	(51)		(412)
Total shareholders' equity	19,275	17,779	155,569
TOTAL	¥ 27,598	¥ 23,446	$ 222,744

See notes to financial statements.

Data Communication System Co., Ltd.

Statements of Income
Years Ended March 31, 2001 and 2000

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2001	2000	2001
NET SALES	¥ 29,654	¥ 23,333	$ 239,338
COST OF SALES (Notes 6 and 10)	23,705	18,467	191,323
Gross profit	5,949	4,866	48,015
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 6 and 8)	2,174	1,917	17,547
Operating income	3,775	2,949	30,468
OTHER INCOME (EXPENSES):			
Interest and dividends	17	10	137
Interest expense	(16)	(2)	(129)
Loss on sales of marketable and investment securities		(8)	
Loss on devaluation of marketable and investment securities	(12)		(97)
Loss on liquidation of invested company	(145)		(1,170)
Amortization of prior service costs of retirement benefits for directors and corporate auditors		(68)	
Amortization of transitional obligations for retirement benefits	(56)		(452)
Bond issuance costs	(13)		(105)
Foreign exchange loss		(8)	
Loss on devaluation of membership rights	(24)	(93)	(194)
Prior service costs		(591)	
Other—net	11	(15)	89
Other expenses—net	(238)	(775)	(1,921)
INCOME BEFORE INCOME TAXES	3,537	2,174	28,547
INCOME TAXES (Note 9):			
Current	1,852	1,274	14,948
Deferred	(302)	(286)	(2,438)
Total	1,550	988	12,510
NET INCOME	¥ 1,987	¥ 1,186	$ 16,037

(Continued)

Data Communication System Co., Ltd.

Statements of Income
Years Ended March 31, 2001 and 2000

	Yen		U.S. Dollars
	2001	2000	2001
PER SHARE OF COMMON STOCK (Note 2.k):			
Net income	¥ 157.54	¥ 94.27	$ 1.27
Fully diluted net income	157.49	94.15	1.27
Cash dividends applicable to the year	48.00	29.00	0.39

See notes to financial statements.

(Concluded)

Data Communication System Co., Ltd.

Statements of Shareholders' Equity
Years Ended March 31, 2001 and 2000

	Outstanding Number of Shares of Common Stock	Millions of Yen				
		Common Stock	Additional Paid-in Capital	Legal Reserve	Retained Earnings	Net Unrealized Loss on Available-for-sale Securities
BALANCE, APRIL 1, 1999	12,555,022	¥ 6,055	¥ 6,105	¥ 272	¥ 3,857	
Adjustment of retained earnings for the adoption of accounting standard for interperiod allocation of income taxes (Note 2.j)					501	
Net income					1,186	
Cash dividends, ¥21.0 per share					(264)	
Bonuses to directors and corporate auditors					(50)	
Transfer to legal reserve				31	(31)	
Shares issued upon conversion of convertible bonds	16,053	13	13			
Exercise of warrants	38,500	43	48			
BALANCE, MARCH 31, 2000	12,609,575	6,111	6,166	303	5,199	
Net income					1,987	
Cash dividends, ¥31.0 per share					(391)	
Bonuses to directors and corporate auditors					(72)	
Transfer to legal reserve				47	(47)	
Shares issued upon merger with DTS CO., LTD. (Note 7)	653,890	695	22			
Cancellation of shares held by DTS CO., LTD. (Note 7)	(654,832)	(696)				
Exercise of warrants	1,000	1	1			
Valuation of investment securities						¥ (51)
BALANCE, MARCH 31, 2001	12,609,633	¥ 6,111	¥ 6,189	¥ 350	¥ 6,676	¥ (51)

	Thousands of U.S. Dollars (Note 1)				
	Common Stock	Additional Paid-in Capital	Legal Reserve	Retained Earnings	Net Unrealized Loss on Available-for-sale Securities
BALANCE, MARCH 31, 2000	$ 49,322	$ 49,766	$ 2,446	$ 41,961	
Net income				16,037	
Cash dividends, $0.25 per share				(3,156)	
Bonuses to directors and corporate auditors				(581)	
Transfer to legal reserve			379	(379)	
Shares issued upon merger with DTS CO., LTD. (Note 7)	5,609	178			
Cancellation of shares held by DTS CO., LTD. (Note 7)	(5,617)				
Exercise of warrants	8	8			
Valuation of investment securities					$ (412)
BALANCE, MARCH 31, 2001	$ 49,322	$ 49,952	$ 2,825	$ 53,882	$ (412)

See notes to financial statements.

Data Communication System Co., Ltd.

Statements of Cash Flows
Years Ended March 31, 2001 and 2000

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2001	2000	2001
OPERATING ACTIVITIES:			
Income before income taxes	¥ 3,537	¥ 2,174	$ 28,547
Adjustments for:			
Income taxes paid	(1,492)	(1,300)	(12,042)
Depreciation	356	409	2,873
Loss on liquidation of invested company	145		1,170
Provision for retirement allowances for directors and corporate auditors	12	83	97
Loss on devaluation of membership rights	24	93	194
Bond issuance costs	13		105
Changes in assets and liabilities:			
Increase in receivables	(1,418)	(982)	(11,445)
Decrease (increase) in inventories	71	(504)	573
Decrease (increase) in prepaid expenses and other current assets	(71)	115	(573)
Increase in payables	868	658	7,006
Increase in accrued expenses	203	96	1,638
Increase in liability for employees' retirement benefits	394		3,180
Increase (decrease) in accrued prior service costs	(439)	439	(3,543)
Increase in other current liabilities	191	76	1,542
Other—net	(198)	17	(1,597)
Total adjustments	(1,341)	(800)	(10,822)
Net cash provided by operating activities	2,196	1,374	17,725
INVESTING ACTIVITIES:			
Proceeds from sale of marketable and investment securities		152	
Purchase of marketable and investment securities		(53)	
Purchase of investments in subsidiary	(30)		(242)
Purchases of property, plant and equipment	(226)	(157)	(1,824)
Other—net	(55)	40	(444)
Net cash used in investing activities	(311)	(18)	(2,510)
FINANCING ACTIVITIES:			
Redemption of bonds		(113)	
Exercise of warrants	2	87	16
Issuance of bonds with warrants	1,043		8,418
Cash dividends paid	(388)	(264)	(3,132)
Net cash provided by (used in) financing activities	657	(290)	5,302
FORWARD	¥ 2,542	¥ 1,066	$ 20,517.

(Continued)

Data Communication System Co., Ltd.

Statements of Cash Flows
Years Ended March 31, 2001 and 2000

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2001	2000	2001
FORWARD	¥ 2,542	¥ 1,066	$ 20,517
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS		(8)	
CASH AND CASH EQUIVALENTS INCREASED BY MERGER (Note 7)	17		137
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,559	1,058	20,654
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,018	4,960	48,571
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 8,577	¥ 6,018	$ 69,225
NONCASH INVESTING AND FINANCING ACTIVITIES:			
Conversion of convertible bonds into common stock		¥26	
Transfer of warrants to additional paid-in capital upon exercise		4	

See notes to financial statements.

(Concluded)

1. BASIS OF PRESENTING FINANCIAL STATEMENTS

The accompanying financial statements have been prepared from the accounts maintained by Data Communication System Co., Ltd. (the "Company") in accordance with the provisions set forth in the Japanese Commercial Code (the "Code"), the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of the International Accounting Standards. The financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In preparing these financial statements, certain reclassifications and rearrangements have been made to the financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥123.90 to $1, the approximate rate of exchange at March 31, 2001. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Cash Equivalents*****—**Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include demand deposits, time deposits and other short-term investments, all of which mature or become due within three months of the date of acquisition.

b. ***Inventories*****—**Merchandise is stated at cost determined by the moving-average method. Work in process is stated at cost determined by the specific identification method. Supplies are stated at cost determined by the last purchase cost method.

c. ***Property, Plant and Equipment*****—**Property, plant and equipment are stated at cost. Depreciation is computed by the declining-balance method while the straight-line method is applied to buildings acquired after April 1, 1998. Assets with an acquisition cost from ¥100,000 to ¥200,000 are depreciated over 3 years. The range of useful lives is principally from 3 to 50 years for buildings and structures, from 5 to 15 years for machinery and equipment, 5 years for vehicles and from 2 to 15 years for furniture and fixtures.

d. ***Software Costs*****—**Software development costs, incurred through the completion of a Beta version of specific software for sale to the market, are charged to income when incurred. Such costs incurred subsequent to the completion of the Beta version are deferred and amortized at the higher of either the amount to be amortized in proportion of the actual sales volume and revenue of the software during the current year to the estimated total sales volume and revenue over the estimated salable years of the software up to three years or the amount to be amortized by the straight-line method over such salable years. Purchased software costs are charged to income as incurred because of the uncertainty that such costs will be recovered from related future economic benefits.

e. ***Investment Securities*—**Prior to April 1, 2000, current and non-current securities listed on stock exchange were stated at the lower of cost, determined by the moving-average method, or market. Effective April 1, 2000, the Company adopted a new accounting standard for financial instruments, including investment securities.

The standard requires all applicable securities to be classified and accounted for, depending on management's intent, as follows: (1) investment securities in subsidiaries are reported at cost and (2) available-for-sale securities, which are not classified as investment securities in subsidiaries, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity. The cost of securities sold is determined based on the moving-average method.

The effect of adoption of the new standard was to increase income before income taxes by ¥88 million ($710 thousand).

Non-marketable available-for-sale securities are stated at cost being determined by the moving-average method.

f. ***Deferred Charges*—**Stock issuance costs and bond issuance costs are charged to income as incurred.

g. ***Employees' Retirement Benefits*—**The Company has a contributory and a non-contributory funded pension plans covering substantially all of its employees.

Prior to April 1, 2000, the Company's policy for its non-contributory funded pension plans was to charge to operations normal costs to the pension plan and the present value of prior service costs determined at the most recent valuation date of the pension plan.

Effective April 1, 2000, the Company adopted a new accounting standard for employees' retirement benefits and accounted for the liability for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date for its non-contributory funded pension plans. The transitional obligation of ¥56 million ($4,520 thousand) at the beginning of the year is charged to operations as of April 1, 2000. As a result of adopting this new standard, income before income taxes as compared with the prior method, increased by ¥11 million ($89 thousand).

The Company's policy for its contributory pension plan is to charge operations normal costs to the pension plan as accrued on the basis of an accepted actuarial method plus amortization of prior service costs.

h. ***Retirement Allowances for Directors and Corporate Auditors*—**Directors and corporate auditors are generally entitled to receive lump-sum payments based on compensation at the time of resignation and years of service when they resign from the Company. The accrued provisions are not funded and any amounts payable to directors and corporate auditors upon resignation are subject to the approval of the shareholders. The annual provision for severance payments is calculated to state the severance liability at the amount that would be payable if all directors and corporate auditors were to resign at the balance sheet date. The prior service costs are amortized over five years.

i. ***Research and Development Costs*—**Research and development costs are charged to income as incurred.

j. ***Income Taxes*—**Deferred income taxes are recorded to reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes, based on the asset and liability method. These deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

k. ***Per Share Information***—The computation of net income per share is based on the weighted average number of shares of common stock outstanding during each year, retroactively adjusted for stock splits. The weighted average number of shares of common stock used in the computation was 12,610,075 shares for 2001 and 12,583,437 shares for 2000.

Fully diluted net income per share of common stock assumes full exercise of outstanding warrants at the end of the year.

Cash dividends per share presented in the accompanying statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year without giving retroactive adjustment for subsequent stock split.

3. INVENTORIES

Inventories at March 31, 2001 and 2000, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Merchandise	¥ 19	¥ 281	$ 154
Work in process	807	616	6,513
Supplies	14	14	113
Total	¥ 840	¥ 911	$ 6,780

4. INVESTMENT SECURITIES

Investment securities as of March 31, 2001 and 2000, consisted of the non-current marketable equity securities.

The acquisition cost and aggregate fair value of investment securities at March 31, 2001, were as follows:

	Millions of Yen			
	2001			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as—				
Available-for-sale equity securities	¥ 377		¥ 89	¥ 288

	Thousands of U.S. Dollars			
	2001			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as—				
Available-for-sale equity securities	$ 3,043		$ 718	$ 2,325

Proceeds from sales of available-for-sale securities for the year ended March 31, 2001, were ¥2 million ($16 thousand).

Investment securities in subsidiaries and available-for-sale securities whose fair value is not readily determinable as of March 31, 2001, were as follows:

	Carrying Amount	
	Millions of Yen	Thousands of U.S. Dollars
Investments in subsidiaries	¥ 30	$ 242
Investment securities, available-for-sale equity securities	33	266
Total	¥ 63	$ 508

The carrying amounts and aggregate market values of current and non-current marketable equity securities included in investment securities at March 31, 2000, were as follows:

	Millions of Yen		
	Carrying Amount	Aggregate Market Value	Unrealized Gain
Non-current	¥ 390	¥ 430	¥ 40
Total	¥ 390	¥ 430	¥ 40

The difference between the above carrying value and the amounts shown in the accompanying balance sheets consists of non-marketable securities for which there is no readily-available market from which to obtain or calculate the market value thereof.

5. LONG-TERM DEBT

Long-term debt at March 31, 2001 and 2000, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Unsecured 2.0% bonds, due December 2002	¥ 23	¥ 23	$ 186
Unsecured 2.0% bonds, due June 2004	1,000		8,071
Long-term debt	¥ 1,023	¥ 23	$ 8,257

Annual maturities of long-term debt at March 31, 2001, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2003	¥ 23	$ 186
2005	1,000	8,071
Total	¥ 1,023	$ 8,257

The warrants issued with the 2.0% bonds due 2002 are detachable and entitle the holders to subscribe for shares of the Company's common stock through December 6, 2002, at the exercise price of ¥2,260 per share at March 31, 2001. The warrants were purchased by the Company and then granted to certain directors, corporate auditors and employees as part of an incentive stock appreciation rights plan. If all these outstanding warrants had been exercised at March 31, 2001, 2,500 shares of common stock would have been issued.

The warrants issued with the 2.0% bonds due 2004 are detachable and entitle the holders to subscribe for shares of the Company's common stock through June 15, 2004, at the exercise price of ¥6,570 per share at March 31, 2001. The warrants were purchased by the Company and then granted to certain directors, corporate auditors and employees as part of an incentive stock appreciation rights plan. If all these outstanding warrants had been exercised at March 31, 2001, 152,207 shares of common stock would have been issued.

The proceeds of bonds with warrants are allocated between a bond portion and a warrant portion. The amounts ascribed to warrants are stated as other current liabilities.

The exercise price of the warrants is subject to adjustments to reflect stock splits and certain other events.

6. EMPLOYEES' RETIREMENT BENEFITS

Under the pension plan, employees terminating their employment were, in most circumstances, entitled to pension payments based on their average pay during their employment, length of service and certain other factors.

The amounts contributed to the fund which were charged to income for the year ended March 31, 2000, were ¥325 million. Effective April 1, 2000, the Company adopted a new accounting standard for employees' retirement benefits.

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

	Millions of Yen	Thousands of U.S. Dollars
Projected benefit obligation	¥ 2,221	$ 17,926
Fair value of plan assets	(1,669)	(13,471)
Unrecognized actuarial loss	(158)	(1,275)
Net liability	¥ 394	$ 3,180

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

	Millions of Yen	Thousands of U.S. Dollars
Service cost	¥ 263	$ 2,123
Interest cost	58	468
Expected return on plan assets	(43)	(347)
Amortization of transitional obligation for retirement benefits	56	452
Net periodic benefit costs	¥ 334	$ 2,696

The contributory funded employees' pension plan, with companies in the same line of business, was not included in above tables as the fair value of plan assets corresponding to the Company's contribution cannot be reasonably computed. The contribution to the plan, except for employees' bearing, which is charged to operations, amounted to ¥223 million ($1,800 thousand) for the year ended March 31, 2001. The amount of plan assets as of March 31, 2001, applicable to the Company based on its contribution to the fund was ¥3,544 million ($28,604 thousand).

Assumptions used for the year ended March 31, 2001, are set forth as follows:

Discount rate	3.0%
Expected rate of return on plan assets	3.0%
Recognition period of actuarial gain	5 years
Amortization period of transitional obligation	1 year

7. SHAREHOLDERS' EQUITY

The Code requires at least 50% of the issue price of new shares, with a minimum of the par value, to be designated as stated capital as determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital are credited to additional paid-in capital.

The Code also requires companies to appropriate from retained earnings to a legal reserve an amount equal to at least 10% of all cash payments which are made as an appropriation of retained earnings until such reserve equals 25% of stated capital. This reserve is not available for dividends but may be used to reduce a deficit by resolution of the shareholders.

The Company may transfer portions of additional paid-in capital and legal reserve to stated capital by resolution of the Board of Directors. The Company may also transfer portions of unappropriated retained earnings, available for dividends, to stated capital by resolution of the shareholders.

Under the Code, the Company may issue new common shares to existing shareholders without consideration as a stock split pursuant to resolution of the Board of Directors. The Company may make such a stock split to the extent the aggregate par value of the shares outstanding after the stock split does not exceed the stated capital. However, the amount calculated by dividing the total amount of shareholders' equity by the number of outstanding shares after the stock split shall not be less than ¥50.

On March 22, 2001, the Company merged with DTS CO., LTD., a shareholder of the Company. Under the terms and conditions of the merger, the Company issued 23 shares of its common stock for each DTS CO., LTD. common share, which resulted in issuance of 653,890 shares and increased common stock of the Company by ¥695 million ($5,609 thousand). The Company canceled 654,832 shares of common stock of the Company at the time of the merger held by DTS CO., LTD., and decreased common stock by ¥696 million ($5,617 thousand).

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

8. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥140 million ($1,130 thousand) for the year ended March 31, 2001.

9. INCOME TAXES

The Company is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 42% for the years ended March 31, 2001 and 2000.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2001 and 2000, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Deferred tax assets:			
Accrued bonuses	¥ 513	¥ 263	$ 4,140
Enterprise tax payable	111	76	896
Retirement allowances for directors and corporate auditors	222	217	1,792
Liability for employees' retirement benefits	165		1,332
Accrued prior service costs		185	
Other	184	83	1,485
Total	1,195	824	9,645
Deferred tax liabilities:			
Special reserve for tax-purpose depreciation for personal computer	58	35	468
Other	12	3	97
Total	70	38	565
Net deferred tax assets	¥ 1,125	¥ 786	$ 9,080

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2001 and 2000, and the actual effective tax rates reflected in the accompanying statements of income is as follows:

	2001	2000
Normal effective statutory tax rate	42%	42%
Expenses not deductible for income tax purposes	1	2
Per capita levy of inhabitant taxes	1	1
Actual effective tax rate	44%	45%

10. RELATED PARTY TRANSACTIONS

Transactions of the Company with those whose parent was a major shareholder as well as a representative director of the Company, for the year ended March 31, 2001, were as follows:

	Numbers of Common Stock Issued and Allocated upon the Merger with DTS CO., LTD.
Ms. Shirane Maita	217,810 shares
Mr. Tetsuya Sasanuki	217,810 shares
Ms. Kumiko Akiyama	217,810 shares

Transactions of the Company with DTS CO., LTD. whose major shareholder and representative director is also a major shareholder and representative director of the Company for the year ended March 31, 2000, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2000	2000
Redemption of bonds	¥ 113	$ 1,065
Interest expenses	2	19

The balances due to DTS CO., LTD. at March 31, 2000, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2000	2000
Long-term debt	¥ 23	$ 217

11. SUBSEQUENT EVENTS

a. Acquisition

On April 9, 2001, the Board of Directors of the Company approved the acquisition, dated April 16, 2001, of 7,200 shares in DATA LINKS CO., LTD. for the purpose of expanding the basis of the business. As a result of this acquisition, DATA LINKS CO., LTD. became the Company's subsidiary. The acquisition, to be accounted for under purchase method, totaled ¥681 million ($5,496 thousand) in cash.

b. Appropriations of Retained Earnings

The following appropriations of retained earnings at March 31, 2001, were approved at the shareholders meeting held on June 26, 2001:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥40 ($0.32) per share	¥ 504	$ 4,068
Transfer to legal reserve	62	500
Bonuses to directors and corporate auditors	118	952

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