



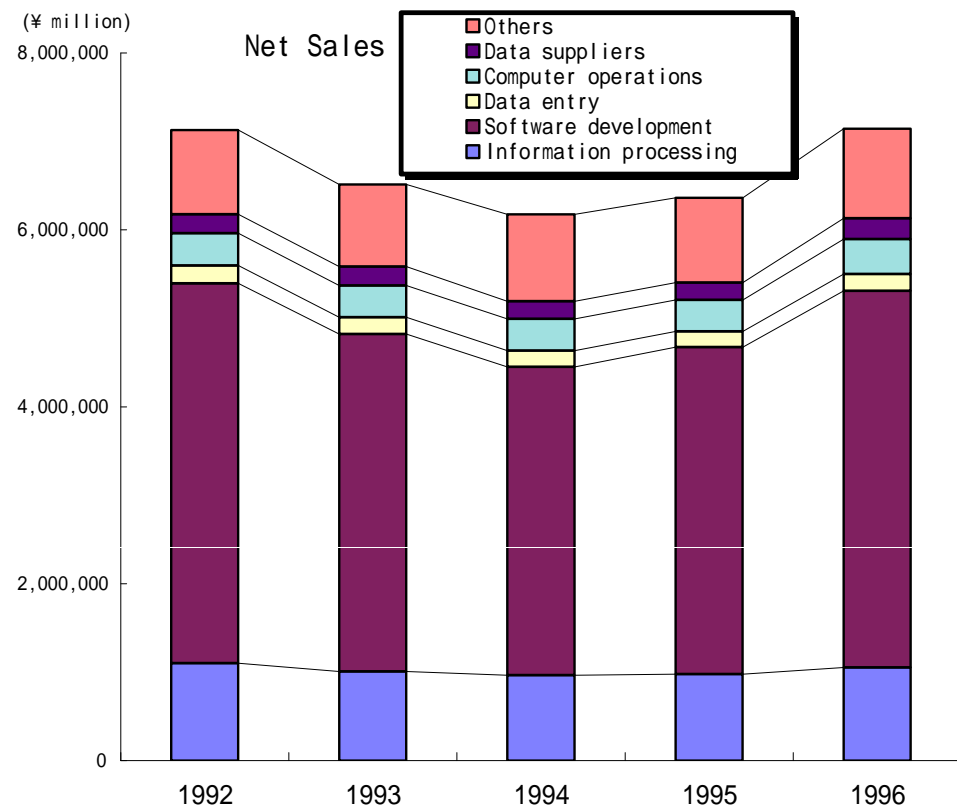
**Japan Information Processing Service Co., Ltd.**

**Fact Book (the First Half of the Fiscal Year  
Ending March 31, 1999)**

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# 1. The Information Processing Services Industry

## 1.1 Scale



Calendar year	1992	1993	1994	1995	1996
<b>Total net sales</b>	7,127,618	6,514,358	6,177,007	6,362,183	7,143,543
<b>Information processing</b>	1,100,128	1,008,248	965,992	976,424	1,052,009
<b>Software development</b>	4,295,891	3,813,287	3,485,844	3,697,132	4,259,115
<b>Data entry</b>	201,178	191,396	184,276	177,529	188,739
<b>Computer operations</b>	363,394	359,084	358,524	356,335	395,967
<b>Data suppliers</b>	214,064	211,508	198,839	197,291	235,439
<b>Others</b>	952,963	930,835	983,532	957,472	1,012,274

Calendar year	1992	1993	1994	1995	1996
<b>Total net sales</b>	-	-8.6%	-5.2%	3.0%	12.3%
<b>Information processing</b>	-	-8.4%	-4.2%	1.1%	7.7%
<b>Software development</b>	-	-11.2%	-8.6%	6.1%	15.2%
<b>Data entry</b>	-	-4.9%	-3.7%	-3.7%	6.3%
<b>Computer operations</b>	-	-1.2%	-0.2%	-0.6%	11.1%
<b>Data suppliers</b>	-	-1.2%	-6.0%	-0.8%	19.3%
<b>Others</b>	-	-2.3%	5.7%	-2.6%	5.7%

Calendar year	1992	1993	1994	1995	1996
<b>Total net sales</b>	100.0%	100.0%	100.0%	100.0%	100.0%
<b>Information processing</b>	15.4%	15.5%	15.6%	15.3%	14.7%
<b>Software development</b>	60.3%	58.5%	56.4%	58.1%	59.6%
<b>Data entry</b>	2.8%	2.9%	3.0%	2.8%	2.6%
<b>Computer operations</b>	5.1%	5.5%	5.8%	5.6%	5.5%
<b>Data suppliers</b>	3.0%	3.2%	3.2%	3.1%	3.3%
<b>Others</b>	13.4%	14.3%	15.9%	15.0%	14.2%

Source: Compiled by JIPS based on data in "Report on Surveys of Results in Selected Service Industries" published by MITI.

## 1.2 Growth Rate

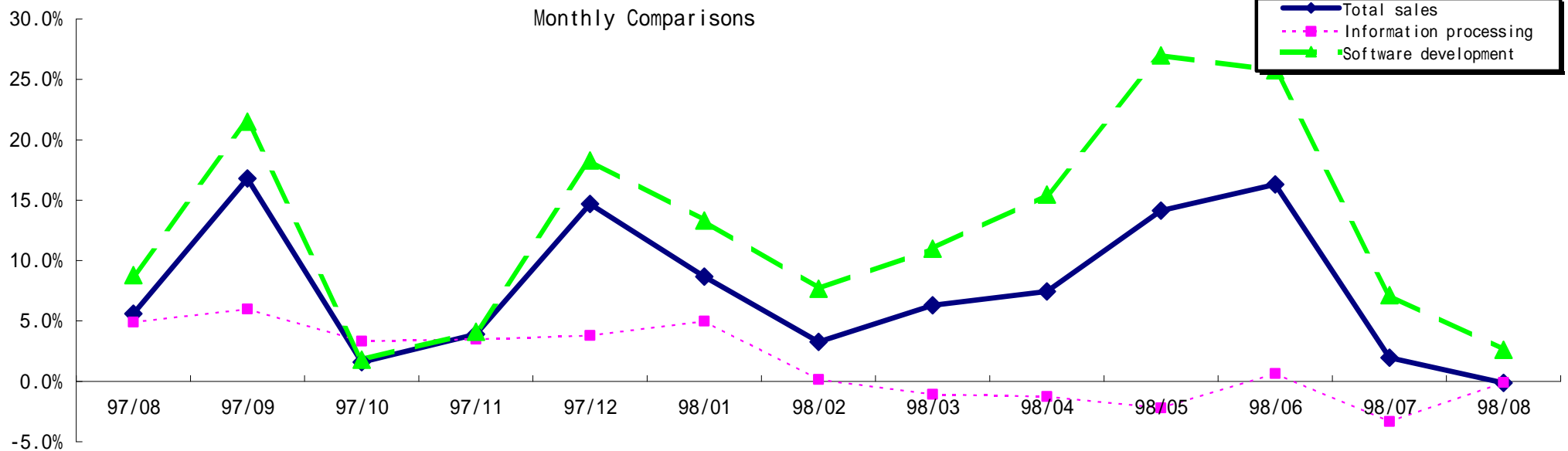
### Net Sales

	[¥ million]													
End of month	97/08	97/09	97/10	97/11	97/12	98/01	98/02	98/03	98/04	98/05	98/06	98/07	98/08	
<b>Total sales</b>	296,872	607,218	282,460	293,888	414,395	314,854	333,474	878,102	263,013	308,976	399,955	319,829	296,492	
<b>Information processing</b>	52,781	62,759	50,839	52,012	57,389	52,110	52,607	76,606	50,412	51,284	56,099	53,286	52,738	
<b>Software development</b>	180,417	463,285	168,153	177,448	284,945	203,882	224,051	701,482	155,202	200,679	279,927	208,655	185,131	
<b>Computer operations</b>	19,358	20,859	17,453	18,172	21,609	18,157	17,923	24,759	18,537	20,014	22,425	19,854	21,414	
<b>Data suppliers</b>	10,635	12,539	11,555	11,465	11,707	10,785	11,166	13,240	13,679	11,368	11,660	11,224	10,535	

### Monthly Comparisons

	[%]													
End of month	97/08	97/09	97/10	97/11	97/12	98/01	98/02	98/03	98/04	98/05	98/06	98/07	98/08	
<b>Total sales</b>	5.6%	16.8%	1.6%	3.9%	14.7%	8.7%	3.3%	6.3%	7.4%	14.1%	16.3%	2.0%	-0.1%	
<b>Information processing</b>	4.9%	6.0%	3.3%	3.5%	3.8%	5.0%	0.2%	-1.1%	-1.3%	-2.2%	0.6%	-3.3%	-0.1%	
<b>Software development</b>	8.8%	21.5%	1.8%	4.1%	18.3%	13.3%	7.7%	11.0%	15.5%	27.0%	25.8%	7.1%	2.6%	
<b>Computer operations</b>	7.7%	13.3%	11.5%	15.2%	26.6%	15.3%	14.4%	13.6%	14.6%	22.9%	23.4%	14.5%	10.6%	
<b>Data suppliers</b>	-2.2%	4.2%	3.5%	0.7%	5.9%	-4.3%	-0.4%	-2.6%	11.1%	-1.3%	-1.4%	-2.5%	-0.9%	

Source: Compiled by JIPS based on data in "Monthly Statistical Report on Trends in Selected Service Industries" published by MITI.



## 2 . Peer Company Comparisons

### 2.1 Industry Ranking

Net Sales (year ended March 31, 1998)

[¥ million]

Ranking	Company	Net Sales	Notes
1	NTT Data Communications Systems	669,228	Listed
2	Fujitsu Business Systems	203,557	Listed
3	Toshiba Engineering	133,288	
4	Nomura Research Institute	132,592	
5	Hitachi Software Engineering	120,024	Listed
6	CSK	104,529	Listed
7	Hitachi Information Systems	94,296	Listed
8	Nippon Steel Information & Communication Systems	82,941	
9	INTEC	75,568	Listed
10	Catena	74,086	Listed
11	Fujitsu Facom Information Processing	68,053	
12	Toyo Information Systems	67,233	Listed
13	The Japan Research Institute	64,528	
14	Toshiba Information Systems	61,013	
15	Nippon Information and Communication	56,797	
16	NEC Information Service	55,296	
17	JT Soft Service	54,855	
18	JR East Japan Information Systems	51,077	
19	Daiwa Institute of Research Ltd.	44,734	July year end
20	Information Services International-Dentsu	41,447	
21	TKC	41,441	Sept.year end,listed
22	QUICK Corporation	41,041	Dec.year end
23	Japan Information Processing Service	40,653	Listed
24	NEC Software	40,524	
25	NK-EXA	40,262	

This listing was compiled by JIPS based on data in the September 1998 issue of Computopia, which is published by Computer Age. All data are for fiscal years ended March 31, 1998 unless otherwise noted.

## 2.2 Sales Composition

Net Sales (year ended March 31, 1998)

[¥ million]

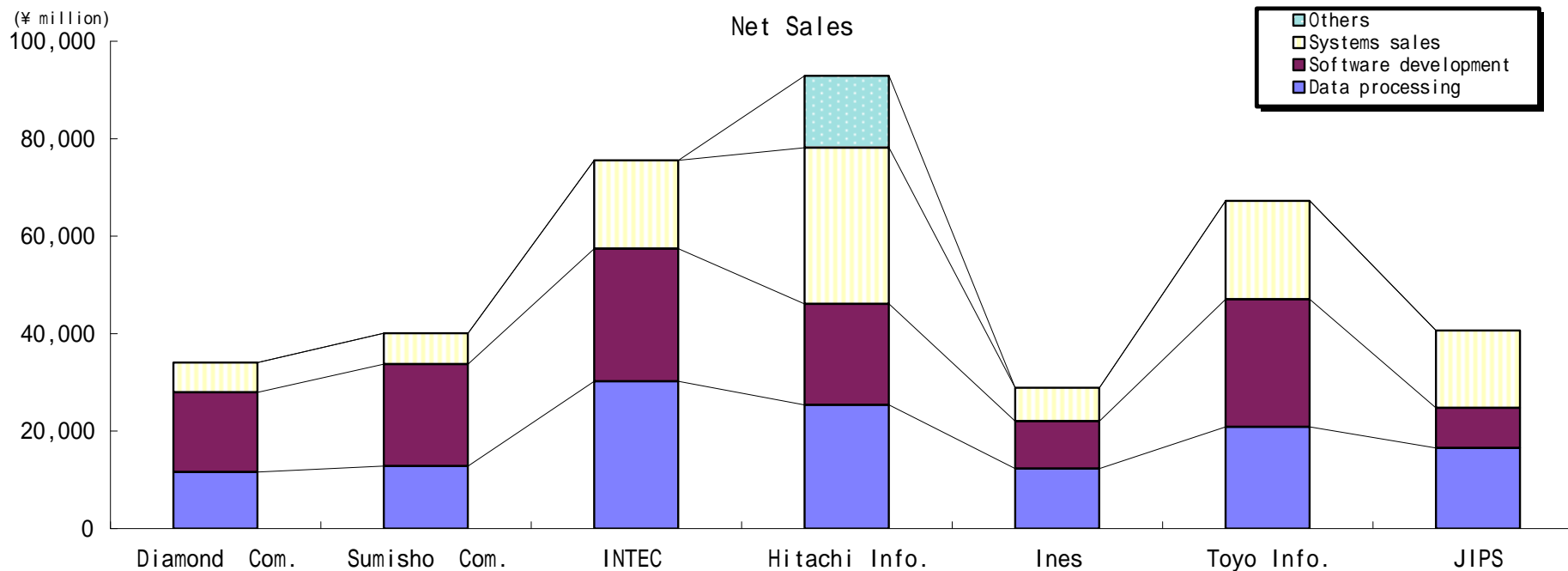
	Diamond Com.	Sumisho Com.	INTEC	Hitachi Info.	Ines	Toyo Info.	JIPS
Net Sales	34,092	39,507	75,568	94,296	28,634	67,232	40,653
Data processing	11,591	12,821	30,227	25,368	12,313	20,842	16,540
Software development	16,364	20,920	27,204	20,742	9,736	26,220	8,205
Systems sales	6,137	6,321	18,136	32,033	6,872	20,170	15,894
Others	0	0	0	14,774	0	0	0

### Composition

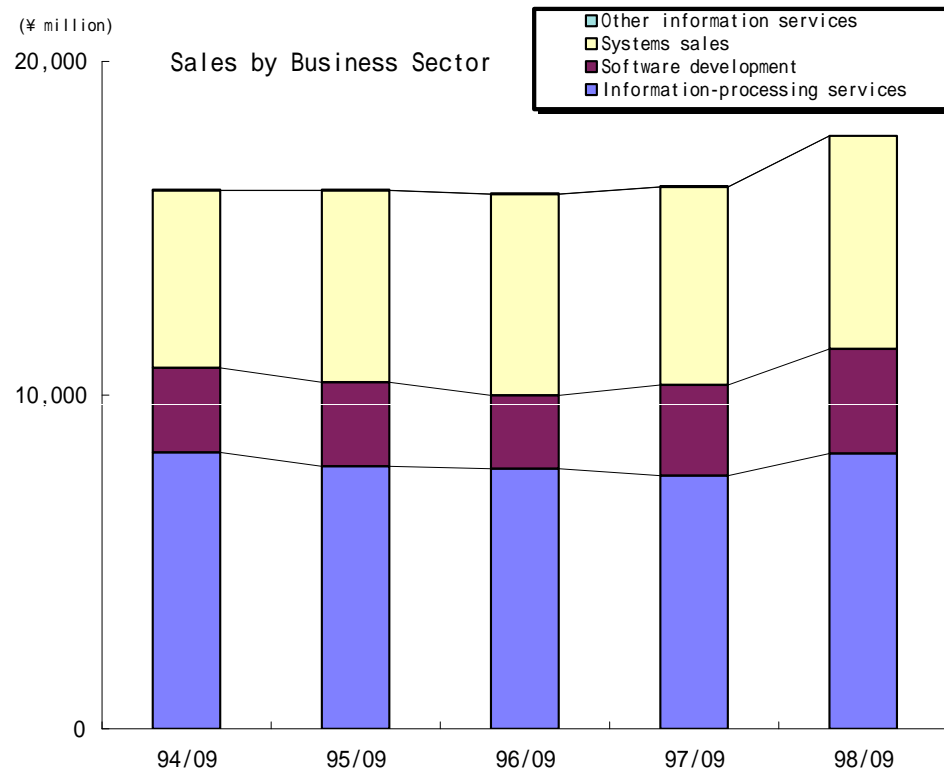
[%]

	Diamond Com.	Sumisho Com.	INTEC	Hitachi Info.	Ines	Toyo Info.	JIPS
Net Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Data processing	34.0%	32.5%	40.0%	26.9%	43.0%	31.0%	40.7%
Software development	48.0%	53.0%	36.0%	22.0%	34.0%	39.0%	20.2%
Systems sales	18.0%	16.0%	24.0%	34.0%	24.0%	30.0%	39.1%
Others	0.0%	0.0%	0.0%	15.7%	0.0%	0.0%	0.0%

Data represent JIPS estimates based on financial materials from each company.



### 3 . Sales by Business Sector



### Sales by Business Sector

[¥ million]

First half of year ended March 31	94/09	95/09	96/09	97/09	98/09
<b>Net sales</b>	16,140	16,137	16,028	16,241	17,767
<b>Information-processing services</b>	8,280	7,867	7,794	7,586	8,247
<b>Outsourcing</b>	7,681	7,321	7,210	6,969	7,446
<b>Information services</b>	411	392	410	403	460
<b>Others</b>	188	152	174	213	340
<b>Software development</b>	2,534	2,517	2,197	2,714	3,135
<b>Consignment development</b>	1,503	1,586	1,237	1,722	1,946
<b>Package software sales</b>	1,019	915	920	970	1,172
<b>Others</b>	11	15	40	20	17
<b>Systems sales</b>	5,319	5,745	6,025	5,934	6,384
<b>Hardware and other equipment</b>	3,929	4,247	4,254	4,007	4,441
<b>Sales of purchased software</b>	505	558	811	793	744
<b>Hardware maintenance services</b>	660	725	766	949	997
<b>Others</b>	224	214	192	183	199
<b>Other information services</b>	4	7	10	6	0

### Change

[%]

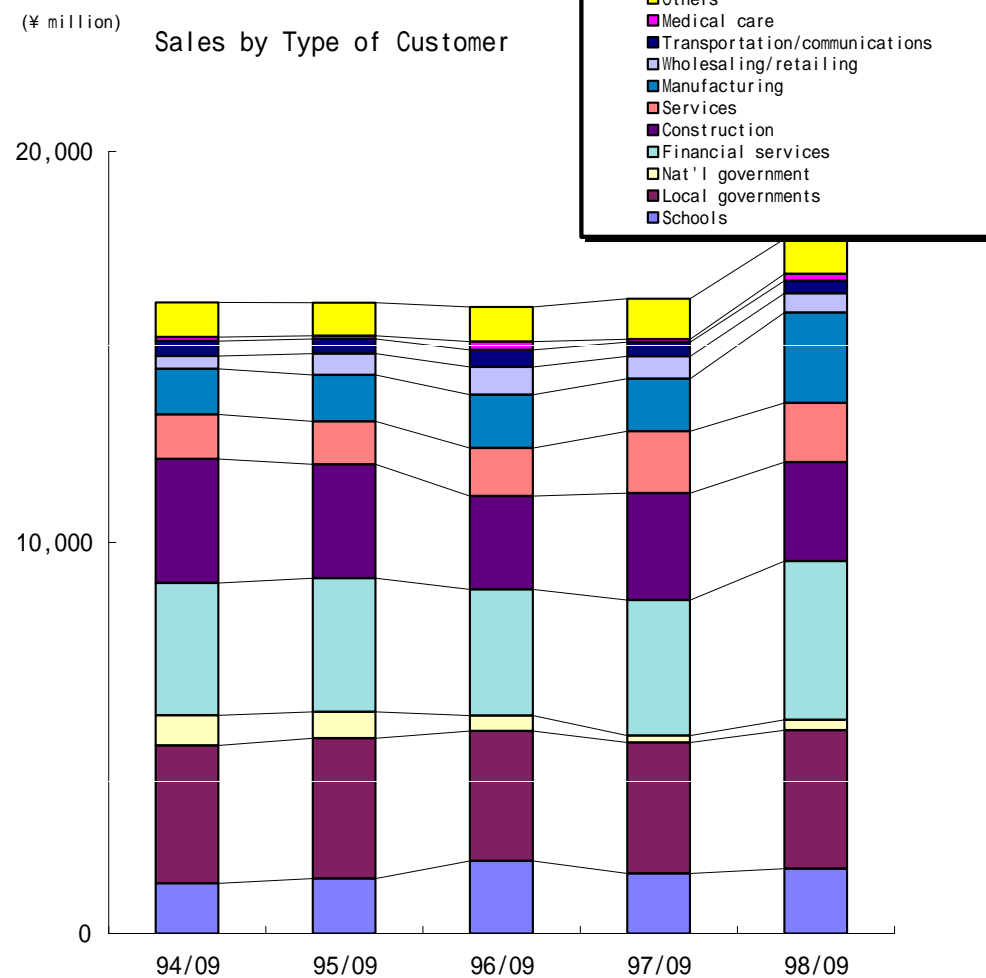
First half of year ended March 31	94/09	95/09	96/09	97/09	98/09
<b>Net sales</b>	-	0.0%	-0.7%	1.3%	9.4%
<b>Information-processing services</b>	-	-5.0%	-0.9%	-2.7%	8.7%
<b>Outsourcing</b>	-	-4.7%	-1.5%	-3.3%	6.8%
<b>Information services</b>	-	-4.6%	4.6%	-1.7%	14.1%
<b>Others</b>	-	-19.1%	14.5%	22.4%	59.6%
<b>Software development</b>	-	-0.7%	-12.7%	23.5%	15.5%
<b>Consignment development</b>	-	5.5%	-22.0%	39.2%	13.0%
<b>Package software sales</b>	-	-10.2%	0.5%	5.4%	20.8%
<b>Others</b>	-	36.4%	166.7%	-50.0%	-15.0%
<b>Systems sales</b>	-	8.0%	4.9%	-1.5%	7.6%
<b>Hardware and other equipment</b>	-	8.1%	0.2%	-5.8%	10.8%
<b>Sales of purchased software</b>	-	10.5%	45.3%	-2.2%	-6.2%
<b>Hardware maintenance services</b>	-	9.8%	5.7%	23.9%	5.1%
<b>Others</b>	-	-4.5%	-10.3%	-4.7%	8.7%
<b>Other information services</b>	-	75.0%	42.9%	-40.0%	-100.0%

### Sales Composition

[%]

First half of year ended March 31	94/09	95/09	96/09	97/09	98/09
<b>Net sales</b>	100.0%	100.0%	100.0%	100.0%	100.0%
<b>Information-processing services</b>	51.3%	48.8%	48.6%	46.7%	46.4%
<b>Outsourcing</b>	47.6%	45.4%	45.0%	42.9%	41.9%
<b>Information services</b>	2.5%	2.4%	2.6%	2.5%	2.6%
<b>Others</b>	1.2%	0.9%	1.1%	1.3%	1.9%
<b>Software development</b>	15.7%	15.6%	13.7%	16.7%	17.6%
<b>Consignment development</b>	9.3%	9.8%	7.7%	10.6%	11.0%
<b>Package software sales</b>	6.3%	5.7%	5.7%	6.0%	6.6%
<b>Others</b>	0.1%	0.1%	0.2%	0.1%	0.1%
<b>Systems sales</b>	33.0%	35.6%	37.6%	36.5%	35.9%
<b>Hardware and other equipment</b>	24.3%	26.3%	26.5%	24.7%	25.0%
<b>Sales of purchased software</b>	3.1%	3.5%	5.1%	4.9%	4.2%
<b>Hardware maintenance services</b>	4.1%	4.5%	4.8%	5.8%	5.6%
<b>Others</b>	1.4%	1.3%	1.2%	1.1%	1.1%
<b>Other information services</b>	0.0%	0.0%	0.1%	0.0%	0.0%

## 4 . Sales by Type of Customer



### Sales by Type of Customer

[¥ million]

First half of year ended March 31	94/09	95/09	96/09	97/09	98/09
<b>Net sales</b>	16,140	16,137	16,028	16,241	17,767
<b>Schools</b>	1,280	1,404	1,853	1,538	1,656
<b>Local governments</b>	3,526	3,586	3,325	3,344	3,542
<b>Nat'l government</b>	771	681	398	178	268
<b>Financial services</b>	3,389	3,415	3,221	3,470	4,057
<b>Construction</b>	3,169	2,914	2,389	2,735	2,530
<b>Services</b>	1,136	1,094	1,232	1,579	1,513
<b>Manufacturing</b>	1,171	1,189	1,359	1,346	2,316
<b>Wholesaling/retailing</b>	323	547	708	572	488
<b>Transportation/communications</b>	387	373	437	361	324
<b>Medical care</b>	98	83	216	72	174
<b>Others</b>	887	847	886	1,040	894

### Change

[%]

First half of year ended March 31	94/09	95/09	96/09	97/09	98/09
<b>Net sales</b>	-	0.0%	-0.7%	1.3%	9.4%
<b>Schools</b>	-	9.7%	32.0%	-17.0%	7.7%
<b>Local governments</b>	-	1.7%	-7.3%	0.6%	5.9%
<b>Nat'l government</b>	-	-11.7%	-41.6%	-55.3%	50.6%
<b>Financial services</b>	-	0.8%	-5.7%	7.7%	16.9%
<b>Construction</b>	-	-8.0%	-18.0%	14.5%	-7.5%
<b>Services</b>	-	-3.7%	12.6%	28.2%	-4.2%
<b>Manufacturing</b>	-	1.5%	14.3%	-1.0%	72.1%
<b>Wholesaling/retailing</b>	-	69.3%	29.4%	-19.2%	-14.7%
<b>Transportation/communications</b>	-	-3.6%	17.2%	-17.4%	-10.2%
<b>Medical care</b>	-	-15.3%	160.2%	-66.7%	141.7%
<b>Others</b>	-	-4.5%	4.6%	17.4%	-14.0%

### Sales Composition

[%]

First half of year ended March 31	94/09	95/09	96/09	97/09	98/09
<b>Net sales</b>	100.0%	100.0%	100.0%	100.0%	100.0%
<b>Schools</b>	7.9%	8.7%	11.6%	9.5%	9.3%
<b>Local governments</b>	21.8%	22.2%	20.7%	20.6%	19.9%
<b>Nat'l government</b>	4.8%	4.2%	2.5%	1.1%	1.5%
<b>Financial services</b>	21.0%	21.2%	20.1%	21.4%	22.8%
<b>Construction</b>	19.6%	18.1%	14.9%	16.8%	14.2%
<b>Services</b>	7.0%	6.8%	7.7%	9.7%	8.5%
<b>Manufacturing</b>	7.3%	7.4%	8.5%	8.3%	13.0%
<b>Wholesaling/retailing</b>	2.0%	3.4%	4.4%	3.5%	2.7%
<b>Transportation/communications</b>	2.4%	2.3%	2.7%	2.2%	1.8%
<b>Medical care</b>	0.6%	0.5%	1.3%	0.4%	1.0%
<b>Others</b>	5.5%	5.2%	5.5%	6.4%	5.0%

## 5 . Balance Sheets

[¥ thousand]

First half of year ended March 31	94/09		95/09		96/09		97/09		98/09	
	Amounts	Share	Amounts	Share	Amounts	Share	Amounts	Share	Amounts	Share
<b>Assets</b>										
<b>Current assets</b>										
Cash and deposits	948,621		1,624,780		1,124,414		1,103,330		677,847	
Trade notes receivable *3	290,802		348,743		379,294		275,499		354,890	
Accounts receivable	5,177,941		5,504,805		5,754,284		6,171,187		7,520,351	
Marketable securities *4	1,978		22,887		1,454,804		2,161,057		1,716,809	
Inventories	2,155,063		2,438,246		2,556,409		3,580,191		4,398,478	
Short-term loans	1,800,000		45,000		1,452,000		140,000		70,000	
Others	1,074,149		1,122,293		1,468,755		2,071,681		1,780,146	
Allowance for doubtful accounts	-42,745		-34,687		-36,351		-39,036		-43,571	
<b>Total current assets</b>	<b>11,405,810</b>	<b>66.2%</b>	<b>11,072,069</b>	<b>65.3%</b>	<b>14,153,612</b>	<b>68.7%</b>	<b>15,463,912</b>	<b>69.6%</b>	<b>16,474,951</b>	<b>71.2%</b>
<b>Fixed assets</b>										
<b>Tangible fixed assets *1</b>										
Buildings *2	1,188,390		1,090,641		1,166,737		1,066,846		967,629	
Others *2	699,361		837,346		760,975		590,583		510,233	
<b>Total tangible fixed assets</b>	<b>1,887,751</b>	<b>11.0%</b>	<b>1,927,987</b>	<b>11.4%</b>	<b>1,927,712</b>	<b>9.4%</b>	<b>1,657,429</b>	<b>7.5%</b>	<b>1,477,862</b>	<b>6.4%</b>
<b>Intangible fixed assets</b>	<b>114,448</b>	<b>0.6%</b>	<b>110,019</b>	<b>0.6%</b>	<b>107,241</b>	<b>0.5%</b>	<b>102,426</b>	<b>0.5%</b>	<b>99,044</b>	<b>0.4%</b>
<b>Investments and other assets</b>										
Investment securities *4	1,029,209		1,041,144		1,381,431		1,623,344		1,474,728	
Security deposits	1,821,765		1,847,064		1,702,027		1,683,952		1,723,243	
Software	-		-		-		1,204,811		1,368,870	
Others	985,507		965,038		1,322,825		475,229		526,682	
Allowance for doubtful accounts	-6,039		-14,326		-6,893		-5,432		-160	
<b>Total investments and other assets</b>	<b>3,830,442</b>	<b>22.2%</b>	<b>3,838,920</b>	<b>22.7%</b>	<b>4,399,390</b>	<b>21.4%</b>	<b>4,981,904</b>	<b>22.4%</b>	<b>5,093,364</b>	<b>22.0%</b>
<b>Total fixed assets</b>	<b>5,832,643</b>	<b>33.8%</b>	<b>5,876,928</b>	<b>34.7%</b>	<b>6,434,345</b>	<b>31.3%</b>	<b>6,741,760</b>	<b>30.4%</b>	<b>6,670,270</b>	<b>28.8%</b>
<b>Total assets</b>	<b>17,238,453</b>	<b>100.0%</b>	<b>16,948,997</b>	<b>100.0%</b>	<b>20,587,957</b>	<b>100.0%</b>	<b>22,205,673</b>	<b>100.0%</b>	<b>23,145,222</b>	<b>100.0%</b>

Note: In respect of figures for the interim period ended September 1998, subsequent revisions may occur as auditing of the results has not been completed.

[¥ thousand]

First half of year ended March 31	94/09		95/09		96/09		97/09		98/09	
	Amounts	Share	Amounts	Share	Amounts	Share	Amounts	Share	Amounts	Share
<b>Liabilities</b>										
<b>Current Liabilities</b>										
Notes payable	15,093		9,404		-		-		-	
Accounts payable	2,975,479		3,380,596		3,525,222		4,044,642		4,477,905	
Short-term borrowings *2	3,059,000		2,733,000		2,237,000		1,791,000		2,159,000	
Repayments due within one year *2										
Current portion of long-term debt *2	347,000		38,000		24,000		16,000		-	
Accrued income taxes	394,061		50,385		18,627		148,600		167,071	
Accrued enterprise tax	108,044		12,665		2,511		39,557		44,901	
Accrued consumption tax *4	85,576		76,601		70,069		130,659		129,817	
Allowance for bonuses	737,711		801,328		789,415		779,693		831,803	
Others	757,712		993,294		1,005,237		1,498,884		1,402,746	
Total current liabilities	8,479,679	49.2%	8,095,277	47.7%	7,672,082	37.3%	8,449,037	38.1%	9,213,246	39.8%
<b>Long-Term Liabilities</b>										
Long-term debt	38,000		-		16,000		-		-	
Allowance for retirement benefits	1,456,966		1,505,053		1,552,715		1,585,387		1,603,985	
Others	12,187		-		56,663		58,803		59,073	
Total fixed liabilities	1,507,154	8.7%	1,505,053	8.9%	1,625,378	7.9%	1,644,191	7.4%	1,663,059	7.2%
Total liabilities	9,986,833	57.9%	9,600,330	56.6%	9,297,461	45.2%	10,093,229	45.5%	10,876,305	47.0%
<b>Shareholders' Equity</b>										
<b>Common stock</b>	1,200,000	7.0%	1,200,000	7.1%	2,460,000	11.9%	2,460,000	11.1%	2,460,000	10.6%
<b>Additional paid-in capital</b>	400,000	2.3%	400,000	2.4%	2,997,910	14.6%	2,997,910	13.5%	2,997,910	13.0%
<b>Legal reserve</b>	71,900	0.4%	85,700	0.5%	103,300	0.5%	120,899	0.5%	144,496	0.6%
<b>Retained earnings</b>										
<b>Voluntary reserves</b>	4,847,701		5,185,137		5,592,810		6,049,910		6,456,677	
<b>Unappropriated earnings</b>	732,018		477,829		136,475		483,723		209,832	
<b>Total retained earnings</b>	5,579,720	32.4%	5,662,966	33.4%	5,729,285	27.8%	6,533,634	29.4%	6,666,510	28.8%
<b>Total shareholders' equity</b>	7,251,620	42.1%	7,348,666	43.4%	11,290,495	54.8%	12,112,443	54.5%	12,268,916	53.0%
<b>Liabilities and shareholders' equity</b>	17,238,453	100.0%	16,948,997	100.0%	20,587,957	100.0%	22,205,673	100.0%	23,145,222	100.0%

Note: In respect of figures for the interim period ended September 1998, subsequent revisions may occur as auditing of the results has not been completed.

## 6 . Statements of Income

[¥ thousand]

First half of year ended March 31	94/09		95/09		96/09		97/09		98/09	
	Amounts	Share	Amounts	Share	Amounts	Share	Amounts	Share	Amounts	Share
Total sales *1	16,140,164	100.0%	16,137,176	100.0%	16,028,809	100.0%	16,241,669	100.0%	17,767,104	100.0%
Cost of sales	11,794,680	73.1%	12,289,159	76.2%	12,305,710	76.8%	12,301,252	75.7%	13,770,316	77.5%
Gross profit	4,345,484	26.9%	3,848,016	23.8%	3,723,099	23.2%	3,940,417	24.3%	3,996,787	22.5%
SGA expenses	3,574,001	22.1%	3,699,853	22.9%	3,540,820	22.1%	3,559,731	21.9%	3,693,323	20.8%
Operating income	771,483	4.8%	148,162	0.9%	182,279	1.1%	380,685	2.4%	303,464	1.7%
Other income *2	113,823	0.7%	90,875	0.6%	69,402	0.4%	75,151	0.4%	66,768	0.4%
Other expenses *3	58,676	0.4%	60,147	0.4%	22,433	0.1%	27,334	0.2%	23,338	0.1%
Current income	826,630	5.1%	178,890	1.1%	229,248	1.4%	428,503	2.6%	346,893	2.0%
Extraordinary income *4	11,519	0.1%	20,997	0.1%	34,268	0.2%	36,848	0.2%	33,022	0.2%
Extraordinary losses *5	63,959	0.4%	69,332	0.4%	486,408	3.0%	149,148	0.9%	247,545	1.4%
Income before taxes	774,190	4.8%	130,556	0.8%	-222,892	-1.4%	316,202	1.9%	132,370	0.8%
Income taxes	393,848	2.4%	41,577	0.2%	12,425	0.1%	150,498	0.9%	174,270	1.0%
Net income	380,342	2.4%	88,979	0.6%	-235,317	-1.5%	165,704	1.0%	-41,899	-0.2%
Unappropriated earnings brought forward	351,676		388,850		371,792		318,018		251,732	
Unappropriated earnings	732,018		477,829		136,475		483,723		209,832	

Note: In respect of figures for the interim period ended September 1998, subsequent revisions may occur as auditing of the results has not been completed.

## 7. Significant Accounting Policies

First half of year ended March 31	94/09	95/09	96/09	97/09	98/09
<p><b>1. Accounting standards that differ from the rules and procedures used to produce the financial statements for the current fiscal year.</b></p>	<p>(1) Standards for computing depreciation Depreciation for assets held from the beginning of the period is half of the estimated applicable depreciation for the entire fiscal year. Depreciation for assets acquired during the period is computed based on the number of months owned.</p> <p>(2) Selling, general and administrative expenses The sales of the company are not divided evenly between the first and second halves of the fiscal year. Therefore, actual personnel expenses (compensation for directors, salaries and other compensation, reserves for bonuses, etc.) from within the portion Interim personnel expense adjustment: Subtract from selling, general and administrative expenses for the first half of the fiscal year the result of the following equation: Multiply sales for the first half of the fiscal year by the figure obtained by dividing the full-year estimate of selling, general and administrative expenses by estimated sales for the year. The resulting adjustment is added back into selling, general and administrative expenses for the entire fiscal year.</p> <p>(3) Standards for income, inhabitant and enterprise taxes Taxes are calculated and charged as if a tax return had been submitted treating the interim period as a complete fiscal year.</p>	<p>(1) Standards for computing depreciation Same as in previous year</p> <p>(2) Selling, general and administrative expenses Same as in previous year</p> <p>(3) Standards for income, inhabitant and enterprise taxes Same as in previous year</p>	<p>(1) Standards for computing depreciation Same as in previous year</p> <p>(2) Selling, general and administrative expenses Same as in previous year</p> <p>(3) Standards for income, inhabitant and enterprise taxes Same as in previous year</p>	<p>(1) Standards for computing depreciation Same as in previous year</p> <p>(2) Selling, general and administrative expenses Same as in previous year</p> <p>(3) Standards for income, inhabitant and enterprise taxes Same as in previous year</p>	<p>(1) Standards for computing depreciation Same as in previous year</p> <p>(2) Selling, general and administrative expenses Same as in previous year</p> <p>(3) Standards for income, inhabitant and enterprise taxes Same as in previous year</p>

Note: In respect of figures for the interim period ended September 1998, subsequent revisions may occur as auditing of the results has not been completed

First half of year ended March 31	94/09	95/09	96/09	97/09	98/09
<b>2. Inventories</b>	(1) Raw materials and products Cost method based on the moving-average method  (2) Finished products and work in process Cost method based on individual items  (3) Other goods Last-in cost method	(1) Raw materials and products Same as in previous year (2) Finished products and work in process Same as in previous year (3) Other goods Same as in previous year	(1) Raw materials and products Same as in previous year (2) Finished products and work in process Same as in previous year (3) Other goods Same as in previous year	(1) Raw materials and products Same as in previous year (2) Finished products and work in process Same as in previous year (3) Other goods Same as in previous year	(1) Raw materials and products Same as in previous year (2) Finished products and work in process Same as in previous year (3) Other goods Same as in previous year
<b>3. Evaluation method for assets other than inventories and not employing the cost method</b>	The value of listed securities is determined using the lower of cost or market based on the moving-average method.	Same as in previous year	Same as in previous year	Same as in previous year	Same as in previous year
<b>4. Depreciation of tangible fixed assets</b>	Tangible fixed assets are depreciated using the straight-line method over the useful lives prescribed in the Tax Code.	Same as in previous year	Same as in previous year	Same as in previous year	Same as in previous year
<b>5. Leases</b>	Financing lease transactions are accounted for as loan transactions in all cases except in instances where ownership of the leased item is to be transferred to the lessee.	Same as in previous year	Same as in previous year	Same as in previous year	Same as in previous year
<b>6. Other significant interim accounting policies</b>	Consumption tax is not included in sales and other applicable figures in the financial statements.	Same as in previous year	Same as in previous year	Consumption tax and local consumption taxes are excluded from the figures in the financial statements.	Same as in previous year

Note: In respect of figures for the interim period ended September 1998, subsequent revisions may occur as auditing of the results has not been completed.

## 8. Revisions in Accounting Policies

First half of year ended March 31	94/09	95/09	96/09	97/09	98/09
			<p>Change in method for treatment of non-operating income from "Rental income for company housing and others"</p> <p>Through the previous fiscal year, expenses for the rental by the company of dormitories and other housing for employees was included in selling, general and administrative expenses. The corresponding rental income from employees was listed in non-operating income as rental income for company housing and others.</p> <p>Beginning with the interim period ended September 30, 1996, the above rental income from employees is being deducted from the corresponding expenses in selling, general and administrative expenses.</p> <p>This change is due to the decline in company-held property generating such rental income. As a result, almost all company housing expenses represent rental expenses and income. To clarify such expenses, management decided to include all figures in operating expenses to generate a more accurate representation of operating results.</p> <p>This change has the effect of reducing selling, general and administrative expenses and non-operating income by ¥17,792 thousand, thereby increasing operating income by the same amount. There was no net effect on income before income taxes.</p>		

Note: In respect of figures for the interim period ended September 1998, subsequent revisions may occur as auditing of the results has not been completed.

## 9.Revisions in Methods of Disclosure

First half of year ended March 31	94/09	95/09	96/09	97/09	98/09
				<p>Until the previous interim period Software was included in Investments and Other Assets under the heading Others. At the end of the interim period under review, this amount exceeded 5% of total assets. Therefore, its materiality required separate disclosure.</p> <p>As of the end of the interim period under review, Software totaled ¥935,901 thousand.</p>	

Note: In respect of figures for the interim period ended September 1998, subsequent revisions may occur as auditing of the results has not been completed.

# 10. Notes to Financial Statements

## 10.1 Notes to Interim Balance Sheets

First half of year ended March 31	94/09	95/09	96/09	97/09	98/09
*1 Cumulative depreciation on tangible fixed assets	2,927,047thousand	3,165,837thousand	2,655,344thousand	2,756,630thousand	2,851,344thousand
*2 Assets pledged as collateral are as follows:					
Buildings	828,698thousand	769,078thousand	713,258thousand		
Land	239,685thousand	239,685thousand	239,685thousand		
Total	1,068,383thousand	1,008,763thousand	952,943thousand		
Liabilities secured thereby are as follows:					
Short-term borrowings	63,000thousand	63,000thousand	63,000thousand		
Current portion of long-term loans					
Long-term loans	11,000thousand				
Total	74,000thousand	63,000thousand	63,000thousand		
*3 Promissory notes due at end of period		Promissory notes coming due on the last day of the interim period, a banking holiday, remain on the balance sheet and were treated as having matured on the next business day. Such notes in the amount of ¥77,930 thousand are included in trade notes receivables as of September 30, 1995.			
*4 Main foreign currency-denominated assets					
Marketable securities				US\$280,000 (¥26,355 thousand)	Same as in previous year
Investment securities				US\$2,340,000 (¥269,012 thousand)	Same as in previous year
*5 Consumption tax	Consumption taxes accrued and payable are offset, and the net amount is shown as consumption taxes payable.	Same as in previous year	Same as in previous year	Provisional consumption tax payable and receivable are offset and the balance shown as accrued consumption tax	Same as in previous year

Note: In respect of figures for the interim period ended September 1998, subsequent revisions may occur as auditing of the results has not been completed.

## 10.2 Notes to Interim Income Statements

First half of year ended March 31	94/09	95/09	96/09	97/09	98/09
<b>*1 Sales during past year</b>	Due to the nature of the company's operations, sales are normally not divided evenly between the first and second halves of the fiscal year. Sales for the 12-month period ended September 30, 1994 are as follows:	Same as in previous year	Same as in previous year	Same as in previous year	Same as in previous year
Second half of previous fiscal year	21,096,185thousand	20,349,000thousand	22,131,692thousand	24,340,458thousand	24,411,630 thousand
Current interim period	16,140,164thousand	16,137,176thousand	16,028,809thousand	16,241,669thousand	17,767,104 thousand
Total	37,236,350thousand	36,486,177thousand	38,160,502thousand	40,582,128thousand	42,178,734 thousand
<b>*2 Major components of non-operating income</b>					
Interest and discounts received	33,541thousand	22,425thousand	13,423thousand	3,530 thousand	2,806 thousand
Interest on marketable securities				14,311 thousand	12,520 thousand
Rental income from company housing and others	33,292thousand	22,664thousand	thousand		
			See section on changes in accounting methods for more information.		
Insurance payments received	22,639thousand			17,790 thousand	3,000 thousand
Dividends received		16,361thousand	17,135thousand	22,210 thousand	21,320 thousand
		Most dividend payments are received during the first half of the fiscal year. The company estimates that dividend payments received in the second half of the year will approximate ¥1 million.	Most dividend payments are received during the first half of the fiscal year. The company estimates that dividend payments received in the second half of the year will approximate ¥2 million.	Most dividend payments are received during the first half of the fiscal year. The company estimates that dividend payments received in the second half of the year will approximate ¥3 million.	Most dividend payments are received during the first half of the fiscal year. The company estimates that dividend payments received in the second half of the year will approximate ¥3 million.
<b>*3 Major components of non-operating expenses</b>					
Interest expenses and discounts	58,656thousand	43,207thousand	21,599thousand	16,333thousand	16,783 thousand
Stock listing expenses		13,801thousand			
Losses on revaluation of marketable securities				8,822 thousand	5,135 thousand
<b>*4 Major component of extraordinary gains</b>					
Reversal of reserve for doubtful accounts		20,997thousand	27,708thousand	36,513thousand	33,022 thousand
<b>*5 Major components of extraordinary losses</b>					
Disposal of fixed assets					
Buildings			137,264thousand	1,175thousand	314 thousand
Others			8,310thousand	11,405thousand	941 thousand
Accrued severance indemnities	47,105thousand	51,125thousand	53,154thousand	53,008thousand	80,788 thousand
Devaluation of investment securities	10,103thousand			72,322thousand	164,952 thousand
Losses on cancellation of office leases, etc.			287,678thousand		
<b>*6 Depreciation expenses</b>					
Tangible assets	103,918thousand	150,880thousand	136,097thousand	103,625thousand	84,167 thousand
Intangible assets	3,041thousand	1,965thousand	1,966thousand	1,935thousand	1,683 thousand

Note: In respect of figures for the interim period ended September 1998, subsequent revisions may occur as auditing of the results has not been completed.

### 10.3 Lease Transactions

First half of year ended March 31	94/09	95/09	96/09	97/09	98/09																																																												
Finance leases, except in instances where ownership of the leased assets are to be transferred to the lessee.  Lease payments 817,582 thousand	1. Lessee Transactions (1) -	1. Lessee Transactions (1) Figures representing equivalent acquisition costs, cumulative depreciation and balances at the end of the interim period are as follows:	1. Lessee Transactions (1) Figures representing equivalent acquisition costs, cumulative depreciation and balances at the end of the interim period are as follows:	1. Lessee Transactions (1) Figures representing equivalent acquisition costs, cumulative depreciation and balances at the end of the interim period are as follows:	1. Lessee Transactions (1) Figures representing equivalent acquisition costs, cumulative depreciation and balances at the end of the interim period are as follows:																																																												
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	(2) Future payments required under finance leases as of September 30, 1996 were as follows: One year or less 1,189,753 thousand After one year 1,865,518 thousand Total 3,055,271 thousand	(2) Future payments required under finance leases as of the end of the interim period were as follows: One year or less 1,330,737 thousand After one year 2,510,619 thousand Total 3,841,357 thousand	(2) Future payments required under finance leases as of the end of the interim period were as follows: One year or less 1,782,532 thousand After one year 3,115,123 thousand Total 4,897,655 thousand	(2) Future payments required under finance leases as of the end of the interim period were as follows: One year or less 2,198,321 thousand After one year 3,088,763 thousand Total 5,287,085 thousand																																																													
	Note: Lease commitments at the interim period are calculated in accordance with applicable regulations governing financial statements and dated March 1, 1994 and use the interest-payable-included method.	Notes: 1. Lease commitments at the interim period include the interim balance of future payments on sub-leases.  2. The above amounts do not include figures corresponding to interest payments. If interest payments are included in the calculations, the amounts are as follows:  One year or less 1,502,395 thousand After one year 2,664,864 thousand Total 4,167,259 thousand	Notes: 1. Lease commitments at the interim period include the interim balance of future payments on sub-leases.	Notes: 1. Lease commitments at the interim period include the interim balance of future payments on sub-leases.																																																													
	(3) Lease payments for the interim period ended September 30, 1995 totaled ¥766,188 thousand.	(3) Amounts corresponding to lease payment commitments, depreciation and interest payments as of the end of the interim period are as follows: Lease payments 853,484 thousand Depreciation 749,361 thousand Interest payments 115,094 thousand	(3) Amounts corresponding to lease payment commitments, depreciation and interest payments as of the end of the interim period are as follows: Lease payments 1,047,472 thousand Depreciation 946,333 thousand Interest payments 107,687 thousand	(3) Amounts corresponding to lease payment commitments, depreciation and interest payments as of the end of the interim period are as follows: Lease payments 1,262,219 thousand Depreciation 1,173,608 thousand Interest payments 105,592 thousand																																																													
	(4) -	(4) Calculation of depreciation expenses Depreciation is calculated using the straight-line method based on the assumptions that the useful lives of the assets are the same as the lease period and that the residual value is zero in all cases.	(4) Same as in previous year	(4) Same as in previous year																																																													
	(5) -	(5) Calculation of interest portion The interest portion of a lease is obtained by subtracting the equivalent acquisition cost from an amount representing lease payments. The interest method is used to allot the resulting interest expenses over the life of the lease.	(5) Same as in previous year	(5) Same as in previous year																																																													

Note: In respect of figures for the interim period ended September 1998, subsequent revisions may occur as auditing of the results has not been completed.

First half of year ended March 31	94/09	95/09	96/09	97/09	98/09																																																															
2. Operating leases	2.Lessor Transactions (1) Figures representing equivalent acquisition costs, cumulative depreciation and balances at the end of the interim period are as follows:	2.Lessor Transactions (1) Figures representing equivalent acquisition costs, cumulative depreciation and balances at the end of the interim period are as follows:	2.Lessor Transactions (1) Figures representing equivalent acquisition costs, cumulative depreciation and balances at the end of the interim period are as follows:	2.Lessor Transactions (1) Figures representing equivalent acquisition costs, cumulative depreciation and balances at the end of the interim period are as follows:	2.Lessor Transactions (1) Figures representing equivalent acquisition costs, cumulative depreciation and balances at the end of the interim period are as follows:																																																															
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