

(3) Non-consolidated Financial Position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	¥ millions	¥ millions	%	¥
Fiscal 2002	10,816	7,837	72.5	662.16
Fiscal 2001	10,357	7,542	72.8	637.16

Notes: 1. Number of shares issued and outstanding at the end of the period :

Year ended December 31, 2002: 11,836,272 shares

Year ended December 31, 2001: 11,838,466 shares

2. Number of treasury stocks at the end of the period:

Year ended December 31, 2002: 3,127 shares

Year ended December 31, 2001: 933 shares

2. Projections for Fiscal 2003 (January 1, 2003 to December 31, 2003)

	Sales	Operating income	Ordinary income	Net income	Annual dividend per share		
					Interim	End of term	
	¥ millions	¥ millions	¥ millions	¥ millions	¥	¥	¥
Interim 2003	6,500	388	363	210	0.00	-	-
Fiscal 2003	13,500	888	838	486	-	10.00	10.00

Note: Projected net income per share for fiscal 2003: ¥41.06

* The above projections represent our estimate based on available information as of the date of publication of this materials, so the actual results might be different from figures due to the various factors afterwards. Please refer to page 10 of the attachment for assumptions and other matters related to the projections.

5. Non-consolidated Financial Statements

(1) Financial Statements

1. Non-consolidated Balance Sheets

	Notes #	As of December 31, 2001		As of December 31, 2002		Increase (Decrease)
		Amount (Yen in thousands)	Ratio (%)	Amount (Yen in thousands)	Ratio (%)	
(Assets)						
I Current assets						
1. Cash and bank deposits		1,323,375		746,779		(576,596)
2. Notes receivable		911,163		1,077,930		166,767
3. Accounts receivable		2,264,511		2,834,474		569,963
4. Merchandise		2,505,379		3,072,386		567,006
5. Supplies		8,052		5,674		(2,378)
6. Prepaid expenses		117,570		117,852		281
7. Deferred tax assets		259,554		364,173		104,618
8. Other accounts receivable		152,283		19,708		(132,574)
9. Consumption tax receivable		230,781		340,476		109,695
10. Other current assets		15,268		1,375		(13,892)
11. Allowance for doubtful accounts		(2,924)		(6,712)		3,787
Total current assets		7,785,015	75.2	8,574,119	79.3	789,103
II Fixed assets						
1. Tangible fixed assets						
(1) Buildings		160,107		155,105		
Accumulated depreciation		64,712	95,395	73,959	81,145	(14,249)
(2) Furniture and fixtures		357,931		353,228		
Accumulated depreciation		231,030	126,900	241,357	111,871	(15,029)
(3) Land			56,868		36,629	(20,238)
Total tangible fixed assets			279,164		229,646	(49,517)
2. Intangible fixed assets						
(1) Telephone rights			2,577		2,577	-
(2) Trade marks			400		300	(100)
(3) Software			253,626		201,124	(52,502)
Total intangible fixed assets			256,603	2.5	204,001	(52,602)

	Notes #	As of December 31, 2001		As of December 31, 2002		Increase (Decrease)
		Amount (Yen in thousands)	Ratio (%)	Amount (Yen in thousands)	Ratio (%)	
3. Investments and other assets						
(1) Investment securities		245,160		109,315		(135,845)
(2) Investments in subsidiaries and associated companies		909,142		903,707		(5,435)
(3) Investments in partnerships		66,496		61,400		(5,095)
(4) Long-term loans receivable		58,461		53,302		(5,158)
(5) Long-term loans to employees		749		62		(687)
(6) Claims in bankruptcy		13,518		12,565		(952)
(7) Long-term prepaid expenses		19,040		8,861		(10,179)
(8) Deferred tax assets		497,207		509,538		12,331
(9) Fixed leasehold deposits		132,026		131,110		(916)
(10) Other		108,775		84,740		(24,035)
(11) Allowance for doubtful accounts		(13,518)		(65,868)		(52,350)
Total investments and other assets		2,037,060	19.6	1,808,736	16.7	(228,324)
Total fixed assets		2,572,828	24.8	2,242,384	20.7	(330,444)
Total Assets		10,357,844	100.0	10,816,504	100.0	458,659

	Notes #	As of December 31, 2001		As of December 31, 2002		Increase (Decrease)
		Amount (Yen in thousands)	Ratio (%)	Amount (Yen in thousands)	Ratio (%)	
(Liabilities)						
Current liabilities						
1. Accounts payable		758,400		1,082,716		324,315
2. Short-term bank loans		1,150,000		1,150,000		
3. Other payables		182,731		206,841		24,109
4. Accrued expenses		30,343		28,228		(2,114)
5. Income taxes payable		3,045		197,000		193,955
6. Deposits received		17,087		17,508		420
7. Accrued bonuses		25,192		34,424		9,232
8. Reserve for operating losses of subsidiaries		403,745		12,482		(391,262)
9. Other current liabilities		1,918		646		(1,271)
Total current liabilities		2,572,463	24.8	2,729,847	25.2	157,384
II Long-term liabilities						
1. Liabilities for directors' and corporate auditors' retirement benefits		183,712		201,698		17,985
2. Other long-term liabilities		58,684		47,475		(11,209)
Total long-term liabilities		242,397	2.4	249,173	2.3	6,775
Total Liabilities		2,814,861	27.2	2,979,021	27.5	164,159
(Shareholders' equity)						
I Capital stock	*1	1,335,487	12.9	1,335,487	12.3	-
II Capital surplus						
1. Capital reserve		1,674,375		1,674,375		
Total capital surplus		1,674,375	16.2	1,674,375	15.5	-
III Retained earnings						
1. Legal reserve		46,100		46,100		
2. Voluntary reserve		4,343,036		4,318,560		
(1) Reserve for the development of domestic market for imported goods		43,036		18,560		
(2) General reserve		4,300,000		4,300,000		
3. Unappropriated retained earnings		148,296		482,060		
Total retained earnings		4,537,432	43.7	4,846,720	44.8	309,287
IV Net unrealized loss on securities		(3,577)	(0.0)	(17,032)	(0.1)	(13,455)
V Treasury stock		(734)	(0.0)	(2,067)	(0.0)	(1,332)
Total shareholders' equity		7,542,983	72.8	7,837,483	72.5	294,499
Total liabilities and shareholders' equity		10,357,844	100.0	10,816,504	100.0	458,659

2. Non-consolidated Statements of Income

	Notes #	January 1, 2001-December 31, 2001			January 1, 2002-December 31, 2002			Increase (Decrease)
		Amount (Yen in thousands)		Ratio (%)	Amount (Yen in thousands)		Ratio (%)	
I Net sales			13,624,685	100.0		11,554,934	100.0	(2,069,751)
II Cost of sales								
1. Beginning inventory-Merchandise		3,696,244			2,505,379			
2. Purchase of merchandise		8,587,588			8,810,571			
3. Processing cost	*1	100,318			75,263			
Total		12,384,151			11,391,214			
4. Transfers to other accounts	*2	26,710			8,157			
5. Ending inventory-Merchandise		2,505,379	9,852,062	72.3	3,072,386	8,310,670	71.9	(1,541,391)
Gross profit			3,772,623	27.7		3,244,263	28.1	(528,359)
III Selling, general and administrative expenses								
1. Provision for doubtful accounts					11,296			
2. Salary		721,943			693,287			
3. Bonuses		165,342			187,409			
4. Provision for bonuses		24,241			34,021			
5. Provision for directors' and corporate auditors' retirement benefits		12,260			17,985			
6. Rent expense		395,019			386,361			
7. Depreciation		141,375			135,032			
8. Commissions paid		204,983			183,790			
9. Other		857,865	2,523,032	18.5	710,460	2,359,646	20.4	(163,386)
Operating income			1,249,590	9.2		884,617	7.7	(364,973)
IV Non-operating income								
1. Interest income		1,490			501			
2. Dividend income	*3	5,068			5,338			
3. Foreign exchange gain					174,530			
4. Gain on sale of investment securities		13,999			4,289			
5. Rent revenue		4,453			10,964			
6. Other		11,416	36,428	0.3	14,682	210,307	1.8	173,879
V Non-operating expenses								
1. Interest expense		47,581			16,524			
2. Provision for doubtful accounts					57,522			
3. Foreign exchange loss		56,763						
4. Loss on surrender of insurance policy		8,867			14,094			
5. Commissions paid		3,742			14,000			
6. Other		17,074	134,029	1.0	4,730	106,872	0.9	(27,157)
Ordinary income			1,151,989	8.5		988,053	8.6	(163,936)

	Notes #	January 1, 2001-December 31, 2001			January 1, 2002-December 31, 2002		Increase (Decrease)	
		Amount (Yen in thousands)		Ratio (%)	Amount (Yen in thousands)			Ratio (%)
VI Extraordinary income								
1. Reversal of allowance for doubtful accounts		19,000	19,000	0.1			(19,000)	
VII Extraordinary losses								
1. Loss on disposal of fixed assets	*4				8,225			
2. Loss on devaluation of fixed assets	*5				22,585			
3. Loss on devaluation of investment in subsidiaries		986,377			20,000			
4. Allowance for operating losses of subsidiaries		403,745			12,482			
5. Loss on sale of investment securities		39,920						
6. Loss on devaluation of investment securities					25,988			
7. Loss on liquidation of subsidiaries	*6				143,240			
8. Charge for full amount of transitional obligation for employees' retirement benefits		6,300	1,436,343	10.5	232,521	2.0	(1,203,822)	
(Loss) income before income taxes			(265,353)	(1.9)	755,531	6.6	1,020,885	
Income taxes-current		474,038			435,066			
Income taxes-deferred		(576,223)	(102,184)	(0.7)	(107,206)	327,859	2.9	225,674
Net (loss) income			(163,168)	(1.2)		427,672	3.7	590,840
Retained earnings at the beginning of period			311,464			54,387		(257,077)
Unappropriated retained earnings			148,296			482,060		333,763

3. Statements of Retained Earnings

	Notes #	As of December 31, 2001		As of December 31, 2002		Increase (Decrease)
		Amount (Yen in thousands)		Amount (Yen in thousands)		
I Unappropriated retained earnings			148,296		482,060	333,763
II Reversal of voluntary reserve						
1. Reversal of reserve for development of domestic market for imported goods		24,476	24,476	18,560	18,560	(5,916)
Total			172,772		500,620	327,847
III Appropriations						
1. Dividends		118,384		118,362		
2. Bonuses paid to directors and corporate auditors (Bonuses for corporate auditors)		()		12,410		
3. Voluntary reserve						
(1) General reserve			118,384	100,000	230,772	112,388
IV Unappropriated retained earnings carried forward			54,387		269,847	215,459

Summary of significant accounting policies

	January 1, 2001-December 31, 2001	January 1, 2002-December 31, 2002
1. Valuation of securities	<p>(1) Securities of subsidiaries and associated companies: Stated at moving average cost</p> <p>(2) Available-for-sale securities: Available-for-sale securities with market values: Stated at fair market value as of balance sheet date. (Unrealized gains and losses are reported in the shareholders' equity section of the non-consolidated balance sheet. Sales cost is calculated using the moving average method)</p> <p>Available-for-sale securities without market values: Stated at moving average cost.</p>	<p>(1) Securities of subsidiaries and associated companies: Same as previous year</p> <p>(2) Available-for-sale securities: Available-for-sale securities with market values: Same as previous year</p> <p>Available-for-sale securities without market values: Same as previous year</p>
2. Valuation of derivative instruments, etc.	<p>Derivatives: As a principle, derivatives are stated at fair market value.</p>	<p>Derivatives: Same as previous year</p>
3. Valuation of inventories	<p>(1) Merchandise: Stated by moving average cost</p> <p>(2) Supplies: Stated by last purchased price method</p>	<p>(1) Merchandise: Same as previous year</p> <p>(2) Supplies: Same as previous year</p>
4. Depreciation of fixed assets	<p>(1) Tangible fixed assets: Declining balance method (Note: Buildings, excluding ancillary facilities, acquired on or after April 1, 1998 are depreciated based on the straight line method) Useful lives are as follows: Buildings 10 – 45 years Furniture and fixtures 5 – 15 years</p> <p>(2) Intangible fixed assets: The straight line method: Useful life of the software for internal use is 5 years.</p>	<p>(1) Tangible fixed assets: Same as previous year</p> <p>(2) Intangible fixed assets: Same as previous year</p>

	January 1, 2001-December 31, 2001	January 1, 2002-December 31, 2002
5. Translation of foreign currency denominated assets and liabilities into Japanese yen	<p>Foreign currency denominated monetary rights and obligations are translated into Japanese yen using the prevailing spot exchange rate as of the balance sheet date. Translation differences are recognized as foreign exchange gains or losses.</p> <p>Foreign currency denominated monetary obligations that are subject to hedging by forward foreign exchange contracts are translated into Japanese yen using the actual contracted exchange rate.</p>	Same as previous year
6. Allowances	<p>(1) Allowance for doubtful accounts: An allowance for doubtful accounts is provided to cover possible losses from bad debts. The allowance with respect to non-classified loans/receivables is calculated based on historical default rates. For classified loans/receivables, the Company states an amount deemed to be unrecoverable based on the prospect of recovery of individual loans/receivables.</p> <p>(2) Accrued bonuses: Reserves are provided to cover the estimated amount of bonuses payable to employees.</p> <p>(3) Liability for employees' retirement benefits: The amount estimated to represent the potential liability as of the end of fiscal year is calculated by taking retirement benefit liabilities and the estimated value of pension assets into consideration. For the current fiscal year, prepaid pension cost in the amount of ¥4,152 thousand is recognized and included in the long-term prepaid expense account, as the plan assets exceeded the amount of retirement benefit obligations as of the end of the fiscal year. A differential resulting from the change in accounting standard (¥6,300 thousand) is expensed as extraordinary expense during this fiscal year.</p>	<p>(1) Allowance for doubtful accounts: Same as previous year</p> <p>(2) Accrued bonuses: Same as previous year</p> <p>(3) Liability for employees' retirement benefits: The amount estimated to represent the potential liability as of the end of fiscal year is calculated by taking retirement benefit liabilities and the estimated value of pension assets into consideration. For the current fiscal year, prepaid pension cost in the amount of ¥7,581 thousand is recognized and included in the long-term prepaid expense account, as the plan assets exceeded the amount of retirement benefit obligations as of the end of the fiscal year.</p>

	January 1, 2001-December 31, 2001	January 1, 2002-December 31, 2002
	<p>(4) Liability for directors' and corporate auditors' retirement benefits: An allowance is provided to cover the estimated amount of retirement benefits payable to directors and corporate auditors.</p> <p>(5) Allowance for operating losses of subsidiaries: An allowance is provided to cover potential losses related to business failure of subsidiaries by estimating the amount of loss incurred by the Company over and above the amount of investment.</p>	<p>(4) Liability for directors' and corporate auditors' retirement benefits: Same as previous year</p> <p>(5) Allowance for operating losses of subsidiaries: Same as previous year</p>
7. Lease transactions	Finance leases for which ownership does not transfer to the lessee are not capitalized, and are accounted for in the same manner as operating leases.	Same as previous year
8. Hedge accounting	<p>(1) Hedge accounting method: The Company adopts deferred hedge accounting. Derivatives that meet the criteria for hedging accounting are accounted for using deferral hedge accounting, which requires unrealized gains or losses to be deferred as liabilities or assets. Foreign exchange contracts that are effective hedges are accounted for using the allocation method, which requires recognized foreign currency receivables or payables to be translated using the corresponding foreign exchange contract rates.</p> <p>(2) Hedging instruments and targets: Hedging instruments: Forward foreign exchange contract</p> <p>Hedging targets: Foreign currency denominated monetary liabilities and transactions scheduled to be denominated in a foreign currency.</p> <p>(3) Hedging policies: Eligible hedging instruments are approved at the Board of Directors Meeting at the time of the preparation of the import plan.</p>	<p>(1) Hedge accounting method: Same as previous year</p> <p>(2) Hedge instruments and targets: Hedging instruments: Same as previous year</p> <p>Hedging targets: Same as previous year</p> <p>(3) Hedging policies: Same as previous year</p>

	January 1, 2001-December 31, 2001	January 1, 2002-December 31, 2002
	<p>(4) Method of assessing effectiveness of hedges: Accumulated changes in the cash flow of hedged items are compared to the accumulated changes in the cash flow of hedging instruments on a semi-annual basis. The effectiveness of hedging is evaluated by taking the degree of changes in cash flows of the hedged item and hedging transaction into consideration.</p>	<p>(4) Method of assessing effectiveness of hedges: Same as previous year</p>
9. Other	<p>Treatment of consumption tax: Transactions subject to consumption tax are recorded at amounts exclusive of consumption taxes.</p>	<p>Treatment of consumption tax: Same as previous year</p>

Additional information

January 1, 2001-December 31, 2001	January 1, 2002-December 31, 2002
<p>(Accounting for retirement benefits) Effective this fiscal year, the Company adopted the Accounting Standard for Retirement Benefit (“Opinions concerning Establishment of Accounting Standard for Retirement Benefits” by the Business Accounting Deliberation Council on June 16, 1998). As a result, retirement benefit expense decreased by ¥4,152 thousand, ordinary income increased by ¥10,453 thousand, and net loss before income taxes decreased by ¥4,152 thousand as compared to the amounts calculated under the previous accounting method.</p>	<p>_____</p>
<p>(Accounting for financial instruments) Effective this fiscal year, the Company adopted the Accounting Standard for Financial Instruments (“Opinion concerning Establishment of Accounting Standard for Financial Instruments” by the Business Accounting Deliberation Council on January 22, 1999). As a result, net loss before income taxes decreased by ¥13,599 thousand as compared to the amount calculated under the previous accounting method.</p> <p>The standard requires applicable securities to be classified and accounted for, depending on management’s intent. Available-for-sale securities are classified as investment securities. As a result, securities classified as current assets decreased by ¥172,969 thousand and investment securities increased by the same amount.</p> <p>The entire amount of the “allowance for investment losses” was reversed during this fiscal year and offset against the “investments in subsidiaries and associated companies.”</p>	<p>_____</p>
<p>(Accounting standard for foreign currency transactions) Effective this fiscal year, the Company adopted revised accounting standards for foreign currency (“Opinion concerning Revision of Accounting Standard for Foreign Currency Transactions” by the Business Accounting Deliberation Council on October 22, 1999). This change had no effect on the reported amounts in the income statement.</p>	<p>_____</p>

January 1, 2001-December 31, 2001	January 1, 2002-December 31, 2002
<p>(Treasury stock)</p> <p>In accounting with the revision of the accounting standard, treasury stock, reported as a current asset item until the previous fiscal year in the amount of ¥384 thousand, is included in shareholder's equity as the amount to be deducted from shareholder's equity effective from this fiscal year.</p> <p style="text-align: center;">_____</p> <p style="text-align: center;">_____</p>	<p style="text-align: center;">_____</p> <p>(Presentation of balance sheet)</p> <p>The shareholders' equity section of the balance sheets are presented in a manner consistent with the Regulations Concerning Financial Statements as revised in accordance with the provisions of the second paragraph of the Supplementary Provision to the "The Cabinet Office Ordinance Regarding Partial Revision of the Regulations Concerning Terminology, Forms and Preparation of Financial Statements (The Cabinet Office Ordinance No. 11 on March 26, 2002)".</p> <p>(Treasury stock and reversal of legal reserves)</p> <p>Effective this fiscal year, the Company has adopted the "Accounting Standard for Treasury Stock and Reduction of Legal Reserves" (Financial Accounting Standards No. 1.) The change on the operating results for this fiscal year under review has no effect.</p>

Notes
(Balance Sheet)

(Yen in thousands)

As of December 31, 2001	As of December 31, 2002
<p>1. Total number of authorized shares: 23,562,000 shares</p> <p>Total number of shares issued: 11,839,399 shares</p> <p>*2. Contingent liabilities (Yen in thousands)</p> <p>(1) Guarantee of a subsidiary's borrowings from financial institutions: Alpha Electronics, Inc. ¥329,803</p> <p>(2) Guarantee of a subsidiary's accounts payable: Alpha Electronics, Inc. ¥116,913</p> <p>The above amounts represent net amounts of contingent liabilities after deducting the amount provided in the allowance for operating losses of a subsidiaries in the total amount of ¥299,224 thousand.</p>	<p>1. Total number of authorized shares: 23,562,000 shares</p> <p>Total number of shares issued: 11,839,399 shares</p> <p>*2. Contingent liabilities (Yen in thousands)</p> <p>(1) Guarantee of subsidiaries' borrowings from financial institutions: Alpha Electronics, Inc. ¥270,002 <u>axelec corporation</u> ¥10,517 Total ¥280,519</p> <p>(2) Guarantee of a subsidiary's accounts payable: Alpha Electronics, Inc. ¥136,283</p> <p>(3) Guarantee of a subsidiary's obligations under discounted promissory notes: Alpha Electronics, Inc. ¥57,390</p> <p>The above amounts represent net amounts of contingent liabilities after deducting the amount provided in the allowance for operating losses of a subsidiaries in the total amount of ¥12,482 thousand.</p>

(Income statement)

(Yen in thousands)

January 1, 2001-December 31, 2001	January 1, 2002-December 31, 2002
<p>*1. Costs associated with programming, inspection and sorting of merchandise purchased.</p> <p>Labor cost ¥21,804 Outsourcing cost ¥57,810 Depreciation ¥1,434 <u>Other</u> ¥19,268 Total ¥100,318</p> <p>*2. "Transfers to other accounts" represents the amount transferred from the merchandise account to the advertising expense account.</p> <p>*3. Includes transactions related to a subsidiary as follows: Dividend income ¥5,015</p> <p>*4. _____</p> <p>*5. _____</p> <p>*6. _____</p>	<p>*1. Costs associated with programming, inspection and sorting of merchandise purchased.</p> <p>Labor cost ¥20,774 Outsourcing cost ¥29,308 Depreciation ¥3,019 <u>Other</u> ¥22,162 Total ¥75,263</p> <p>*2. Same as previous year</p> <p>*3. _____</p> <p>*4. Breakdown of loss on disposal of fixed assets: Buildings ¥2,197 Furniture and fixtures ¥3,705 Software ¥2,322</p> <p>*5 Breakdown of loss on devaluation of planned sales of fixed assets whose book values have substantially declined: Buildings ¥2,347 Land ¥20,238</p> <p>*6 Breakdown of loss on liquidation of subsidiaries: Cygnat Technologies, Inc. ¥137,421 AlphaMetric, Inc. ¥5,818</p>

(Tax effect accounting)

(Yen in thousands)

January 1, 2001-December 31, 2001	January 1, 2002-December 31, 2002
1. A breakdown of deferred tax assets and liabilities are noted below:	1. A breakdown of deferred tax assets and liabilities are noted below:
Deferred tax assets:	Deferred tax assets:
Loss on valuation of inventories 83,379	Loss on valuation of inventories 17,131
Loss on valuation of investment in subsidiaries 427,718	Liability for retirement benefits to directors' and corporate auditors' 84,713
Liability for retirement benefits to directors' and corporate auditors' 77,159	Allowance for bad debts in excess of tax limit 27,091
Allowance for operating losses of subsidiaries 169,573	Loss on devaluation of investment securities 14,068
Other 24,167	Loss on liquidation of subsidiaries 231,173
<u>Total deferred tax assets 781,998</u>	Loss on valuation of investment in subsidiaries 438,176
	Accrued enterprise tax 17,671
	Other 49,481
	<u>Total deferred tax assets 879,508</u>
Deferred tax liabilities:	Deferred tax liabilities:
Reserve for the development of domestic market for imported goods (13,440)	Reserve for the development of domestic market for imported goods (3,184)
Other (11,796)	Revaluation gain on investment securities (2,611)
<u>Total deferred tax liabilities (25,236)</u>	<u>Total deferred tax liabilities (5,796)</u>
<u>Net deferred tax assets 756,762</u>	<u>Net deferred tax assets 873,712</u>
2. Reconciliation between the statutory tax rate and the effective tax rate:	2. Reconciliation between the statutory tax rate and the effective tax rate is not provided as the difference between the two was insignificant.
(%)	
Statutory tax rate 42.00	
(Decrease) increase in taxes resulting from:	
Entertainment expenses, etc. non deductible portion (2.16)	
Non taxable dividends received 0.16	
Inhabitants tax (1.94)	
Other 0.45	
<u>Effective income tax rate 38.51</u>	

Year ended 2001	Year ended 2002												
<p>The Company approved a resolution to withdraw from the management of its overseas subsidiary, Cygnet Technologies, Inc. , at its Board of Directors Meeting held on February 8, 2002. Subsequent to the board resolution, the Company has been negotiating the sale of the shares of Cygnet Technologies, Inc. held by the Company to Cygnet Technologies, Inc. In the event the negotiation turns out to be unsuccessful, Cygnet Technologies, Inc. will commence liquidation procedures on or around March 29, 2002.</p> <p>(1) Outline of Cygnet Technologies, Inc. (as of December 31, 2001):</p> <table data-bbox="263 571 774 952"> <tr> <td>Location:</td> <td>Texas, USA</td> </tr> <tr> <td>Capital:</td> <td>USD 7,755 thousand</td> </tr> <tr> <td>Total liabilities:</td> <td>USD 2,636 thousand</td> </tr> <tr> <td>Equity ownership by the Company:</td> <td>93.5%</td> </tr> <tr> <td>Outstanding guarantees issued by the Company for Cygnet Technologies, Inc.:</td> <td>¥299,224 thousand</td> </tr> <tr> <td>Line of business:</td> <td>Design and development of network equipment and software</td> </tr> </table> <p>(2) Reasons for withdrawal:</p> <p>Cygnet Technologies, Inc. has been engaged in the development and design of network equipment and software. The company ran into a negative net worth position during the fiscal year due to the burden of substantial Research and Development expenditures and poor sales performance. While efforts have been made by Cygnet Technologies, Inc. to reorganize its business under the support provided by the Company, prospects for recovery remain unclear, and the Company and Cygnet Technologies, Inc. have been unable to reach an agreement as to Cygnet Technologies, Inc.'s future direction. Against such background, the Company decided to withdraw from the management of Cygnet Technologies, Inc.</p> <p>(3) Expected amount of losses in case of liquidation:</p> <p>While an allowance for operating losses of the subsidiaries is being provided this fiscal year in anticipation of liquidation, additional losses may be incurred by the Company depending on the terms of sale of Cygnet Technologies, Inc.'s assets. It is currently difficult to make a reasonable assessment of expected losses.</p>	Location:	Texas, USA	Capital:	USD 7,755 thousand	Total liabilities:	USD 2,636 thousand	Equity ownership by the Company:	93.5%	Outstanding guarantees issued by the Company for Cygnet Technologies, Inc.:	¥299,224 thousand	Line of business:	Design and development of network equipment and software	
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6. Changes in Management

The following nominations were proposed and approved at the Board of Directors Meeting on February 18, 2003. This proposed change is subject to approval at the 21st regular Shareholders Meeting, which is scheduled on March 29, 2003.

1. Change in representative director:

N/A

2. Other changes

(Candidate for Director)

Director: Tadashi Ito (Currently Senior Manager in charge of Finance & legal, Operational Service Division)

(Candidate for Auditor)

Standing auditor: Yukio Miura (Currently Director, General Manager of Operational Service Division, and Environmental)

Auditor: Tatsuo Kawasaki (Currently President, System LSI Center Co., Ltd.)

(Retiring Director)

Director: Yukio Miura

(Retiring Auditor)

Standing auditor: Noboru Maruyama (Currently Standing Auditor)