

Summary of Nonconsolidated Financial Statements
Fiscal year ended December 31, 2004
(UNAUDITED)

February 14, 2005

PALTEK CORPORATION

Security code number: 7587 (URL <http://www.paltek.co.jp/>)
 Shares traded: JASDAQ
 Location of headquarters: Kanagawa
 Name & Executive position of legal representative: Tadahito Takahashi
 President
 Please address all communications to: Tadashi Ito, Director, General Manager of
 Operational Service Division and Environment
 Phone: +81-45-477-2000

Date of Board of Directors' Meeting for approval
 of financial results: February 14, 2005
 Date of ordinary general meeting of shareholders: March 26, 2005
 Adoption of system of interim dividends: Yes
 Application of unit trading system: Yes (100 shares per unit)

1. Nonconsolidated operating results (From January 1, 2004 to December 31, 2004)**(1) Nonconsolidated financial results**

(In millions of yen, with fractional amounts discarded)

	Net sales		Operating income		Ordinary income	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
Fiscal 2004	15,697	11.8	673	(36.6)	845	(31.1)
Fiscal 2003	14,046	21.6	1,061	20.0	1,226	24.1

	Net income		Net income per share	Net income per share, fully diluted	Return on shareholders' equity	Ratio of ordinary income to total assets	Ratio of ordinary income to net sales
	(Millions of yen)	%	(Yen)	(Yen)	%	%	%
Fiscal 2004	484	(26.5)	40.07	39.97	5.7	7.3	5.4
Fiscal 2003	659	54.1	53.60	-	8.1	11.1	8.7

(Notes)

- Average number of shares outstanding during term (nonconsolidated basis):
 December 2004 term: 11,825,029 shares December 2003 term: 11,835,295 shares
- Changes in accounting policy during term: None
- The percentages shown next to net sales, operating income, ordinary income and net income represent year-on-year changes.

(2) Dividends

	Annual dividend per share			Total dividend paid (for the year) (Millions of yen)	Dividend payout ratio %	Dividends/ Shareholders' equity %
	(Yen)	Interim (Yen)	End of term (Yen)			
Fiscal 2004	10.00	0.00	10.00	117	25.0	1.4
Fiscal 2003	10.00	0.00	10.00	118	18.0	1.4

(3) Nonconsolidated financial position

	Total assets (Millions of yen)	Shareholders' equity (Millions of yen)	Shareholders' equity ratio %	Shareholders' equity per share (Yen)
December 31, 2004	11,962	8,682	72.6	738.47
December 31, 2003	11,199	8,391	74.9	706.99

(Notes)

Number of shares issued and outstanding at the end of term (nonconsolidated):

December 2004 term: 11,742,332 shares

December 2003 term: 11,833,880 shares

Number of treasury stocks at the end of term (nonconsolidated):

December 2004 term: 107,567 shares

December 2003 term: 5,519 shares

2. Nonconsolidated forecasts for December 2005 term

(From January 1, 2005 to December 31, 2005)

	Net sales (Millions of yen)	Operating income (Millions of yen)	Ordinary income (Millions of yen)	Net income (Millions of yen)	Annual dividend per share		
					Interim (Yen)	End of term (Yen)	(Yen)
Interim 2005	7,369	132	119	71	0.00	-	-
Fiscal 2005	17,500	704	666	395	-	10.00	10.00

(N.b.) Projected net income per share for fiscal 2005: 33.64 yen

The forecasts stated above are based on our current expectations and assumptions prepared using information available at present and subject to various uncertainties. Actual results may differ significantly due to a variety of causes. Please refer to the Page 15 in the Summary of Consolidated Financial Statements for information regarding the preparation of the forecasts.

Nonconsolidated balance sheet

Thousands of yen	December 31, 2003	%	December 31, 2004	%	Year-on-year change
Current assets					
Cash and bank deposits	869,833		2,258,701		
Notes receivable	506,807		250,236		
Accounts receivable	3,098,571		2,941,561		
Merchandise	3,745,256		3,688,947		
Supplies	5,896		8,883		
Advances paid	22,050		-		
Prepaid expenses	111,017		111,577		
Deferred tax assets	239,549		54,701		
Other accounts receivable	38,748		3,586		
Income tax refunds receivable	214,242		-		
Consumption taxes receivable	496,312		837,521		
Others	2,145		9,103		
Allowance for doubtful accounts	(6,111)		(6,472)		
	<u>9,344,319</u>	83.4	<u>10,158,348</u>	84.9	<u>814,029</u>
Fixed assets					
Tangible fixed assets					
Buildings	128,852		129,437		
Accumulated depreciation	65,510		74,453		
	<u>63,341</u>		<u>54,983</u>		
Furniture and fixtures	354,308		354,927		
Accumulated depreciation	269,700		288,072		
	<u>84,607</u>		<u>66,855</u>		
Land	14,138		14,138		
	<u>162,087</u>	1.5	<u>135,977</u>	1.1	<u>(26,110)</u>
Intangible fixed assets					
Telephone rights	2,577		2,577		
Trade marks	200		100		
Software	175,605		113,394		
	<u>178,382</u>	1.6	<u>116,071</u>	1.0	<u>(62,310)</u>
Investments and other assets					
Investment securities	202,588		222,070		
Investments in subsidiaries and associated companies	903,709		903,709		
Investments in partnerships	60,142		63,247		
Claims in bankruptcy	8,346		-		
Long-term prepaid expenses	419		203		
Deferred tax assets	115,030		113,404		
Fixed leasehold deposits	131,176		130,978		
Others	101,688		118,636		
Allowance for doubtful accounts	(8,346)		-		
	<u>1,514,754</u>	13.5	<u>1,552,250</u>	13.0	<u>37,495</u>
Total fixed assets	<u>1,855,225</u>	16.6	<u>1,804,299</u>	15.1	<u>(50,925)</u>
Total assets	<u>11,199,544</u>	100.0	<u>11,962,647</u>	100.0	<u>763,103</u>

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Thousands of yen	December 31, 2003	%	December 31, 2004	%	Year-on-year change
Current liabilities					
Accounts payable	714,452		841,883		
Short-term bank loans	1,450,000		1,600,000		
Other payables	227,787		224,414		
Accrued expenses	34,724		34,090		
Income taxes payable	2,840		175,000		
Deposits received	30,299		28,581		
Accrued bonuses	45,157		39,033		
Others	7		4,843		
	<u>2,505,268</u>	22.4	<u>2,947,845</u>	24.6	442,576
Long-term liabilities					
Liability for employees' retirement benefits	19,884		30,119		
Liability for directors' and corporate auditors' retirement benefits	208,672		217,206		
Others	74,590		85,343		
	<u>303,146</u>	2.7	<u>332,668</u>	2.8	29,522
Total liabilities	<u>2,808,415</u>	25.1	<u>3,280,514</u>	27.4	472,098
Shareholders' equity					
Capital stock	1,335,487	11.9	1,339,634	11.2	4,147
Capital surplus					
Capital reserve	<u>1,674,375</u>		<u>1,678,512</u>		
	1,674,375	14.9	1,678,512	14.0	4,137
Retained earnings					
Legal reserve	46,100		46,100		
Voluntary reserve					
General reserve	4,400,000		5,000,000		
Unappropriated retained earnings	<u>928,930</u>		<u>670,484</u>		
	5,375,030	48.0	5,716,584	47.8	341,553
Unrealized gains (losses) on securities - net	10,170	0.1	20,279	0.2	10,108
Treasury stock	<u>(3,935)</u>	(0.0)	<u>(72,877)</u>	(0.6)	(68,942)
	<u>8,391,128</u>	74.9	<u>8,682,133</u>	72.6	291,004
Total liabilities and shareholders' equity	<u>11,199,544</u>	100.0	<u>11,962,647</u>	100.0	763,103

Nonconsolidated statement of income

Thousands of yen	Year ended December 31, 2003	%	Year ended December 31, 2004	%	Year-on-year change
Net sales	14,046,239	100.0	15,697,237	100.0	1,650,997
Cost of sales					
Beginning inventory - Merchandise	3,072,386		3,745,256		
Purchase of merchandise	11,149,822		12,514,255		
Processing cost	96,878		91,451		
	<u>14,319,086</u>		<u>16,350,963</u>		
Transfers to other accounts	14,776		5,346		
Ending inventory - Merchandise	3,745,256		3,688,947		
	<u>10,559,054</u>	75.2	<u>12,656,669</u>	80.6	2,097,615
Gross profit	3,487,184	24.8	3,040,567	19.4	(446,617)
Selling, general and administrative expenses					
Directors' and corporate auditors' salaries	141,932		135,060		
Salary	681,467		724,497		
Bonuses	204,697		177,356		
Employee benefit expenses	125,222		120,360		
Provision for bonuses	44,018		37,947		
Provision for directors' and corporate auditors' retirement benefits	20,205		20,184		
Rent expenses	363,743		351,014		
Depreciation	118,319		107,100		
Commissions paid	125,882		115,973		
Others	600,098		577,586		
	<u>2,425,587</u>	17.2	<u>2,367,081</u>	15.1	(58,505)
Operating income	1,061,597	7.6	673,485	4.3	(388,111)
Nonoperating income					
Interest income	230		20		
Dividend income	1,374		5,338		
Foreign exchange gain	214,454		189,721		
Gain on sale of investment securities	2,822		3,516		
Others	14,621		17,459		
	<u>233,503</u>	1.6	<u>216,055</u>	1.4	(17,447)
Nonoperating expenses					
Interest expenses	18,944		15,717		
Loss on sale of investment securities	3,417		-		
Commissions paid	17,771		11,453		
Payment for settlement of lawsuit	22,500		-		
Loss on assignment of promissory notes	-		5,054		
Losses on assignment of receivables	-		7,635		
Others	5,897		4,310		
	<u>68,532</u>	0.5	<u>44,172</u>	0.3	(24,359)
Ordinary income	1,226,568	8.7	845,368	5.4	(381,199)

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Thousands of yen	Year ended December 31, 2003	%	Year ended December 31, 2004	%	Year-on-year change
Extraordinary income					
Gain on sales of fixed assets	478		-		
Gain on reversal of directors' and corporate auditors' retirement benefits	-		900		
Reversal of allowance for doubtful accounts	559		36		
	<u>1,037</u>	0.0	<u>936</u>	0.0	(101)
Extraordinary losses					
Loss on sales of fixed assets	8,700		-		
Loss on disposal of fixed assets	8,954		6,046		
Loss on devaluation of investment securities	28,181		-		
Loss on liquidation of subsidiaries	18,145		-		
	<u>63,981</u>	0.4	<u>6,046</u>	0.0	(57,934)
Income before income taxes	1,163,624	8.3	840,258	5.4	(323,366)
Income taxes - current	4,707		176,097		
Income taxes - deferred	499,835		179,553		
	<u>504,542</u>	3.6	<u>355,651</u>	2.3	(148,891)
Net income	659,082	4.7	484,607	3.1	(174,475)
Retained earnings at the beginning of period	269,847		185,876		(83,970)
Unappropriated retained earnings	928,930		670,484		(258,446)

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Proposed appropriation of unappropriated retained earnings

Thousands of yen	Year ended December 31, 2003	Year ended December 31, 2004	Year-on-year change
Unappropriated retained earnings	928,930	670,484	(258,446)
Appropriations			
Dividends	118,338	117,423	
Bonuses paid to directors and corporate auditors	24,715	10,730	
[Bonuses for corporate auditors]	[3,525]	[2,850]	
Voluntary reserve			
General reserve	600,000	400,000	
	743,053	528,153	(214,900)
Unappropriated retained earnings carried forward	185,876	142,330	(43,545)

Summary of significant accounting policies

Item	December 31, 2003	December 31, 2004
1. Valuation of securities	(1) Securities of subsidiaries and associated companies: Stated at moving average cost	(1) Securities of subsidiaries and associated companies: Same as previous year
	(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 nonconsolidated balance sheet. Sales cost is calculated using the moving average method) Available-for-sale securities without market values: Stated at moving average cost	(2) Available-for-sale securities: Available-for-sale securities with market values: Same as previous year Available-for-sale securities without market values: Same as previous year
2. Valuation of derivative instruments, etc.	Derivatives: As a principle, derivatives are stated at fair market value.	Derivatives: Stated at fair market value
3. Valuation of inventories	(1) Merchandise: Stated by moving average cost	(1) Merchandise: Same as previous year
	(2) Supplies: Stated by last purchased price method	(2) Supplies: Same as previous year
4. Depreciation of fixed assets	(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	(1) Tangible fixed assets: Same as previous year
	(2) Intangible fixed assets: The straight-line method: Useful life of the software for internal use is 5 years.	(2) Intangible fixed assets: Same as previous year
5. Transaction of foreign currency denominated assets and liabilities into Japanese yen	Foreign currency denominated monetary rights and obligations are translated into Japanese yen using the prevailing spot exchange rate as of the balance sheet date. Transaction differences are recognized as foreign exchange gains or losses. 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.	Same as previous year
6. Allowances	(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.	(1) Allowance for doubtful accounts: Same as previous year
	(2) Accrued bonuses: Reserves are provided to cover the estimated amount of bonuses payable to employees.	(2) Accrued bonuses: Same as previous year
	(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.	(3) Liability for employees' retirement benefits: Same as previous year

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Item	December 31, 2003	December 31, 2004
	(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.	(4) Liability for directors' and corporate auditors' retirement benefits: Same as previous year
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	(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 payable to be translated using the corresponding foreign exchange contract rates.	(1) Hedge accounting method: Same as previous year
	(2) Hedging instruments and targets: Hedging instruments: Forward foreign exchange contract Hedging targets: Foreign currency denominated monetary liabilities and transactions scheduled to be denominated in a foreign currency.	(2) Hedging instruments and targets: Hedging instruments: Same as previous year Hedging targets: Same as previous year
	(3) Hedging policies: Eligible hedging instruments are approved at the Board of Directors Meeting at the time of the preparation of the import plan.	(3) Hedging policies: Same as previous year
	(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.	(4) Method of assessing effectiveness of hedges: Same as previous year
9. Other	(1) Treatment of consumption tax: Transactions subject to consumption tax are recorded at amounts exclusive of consumption taxes.	(1) Treatment of consumption tax: Same as previous year
	(2) Per share information Starting on April 1, 2002, companies have been required to apply ASBJ 2, "Financial Standards Relating to Net Earnings Per Share," and ASBJ Interpretation 4, "Guidelines for Applying Financial Standards Relating to Net Earnings Per Share." Consequently, the Company's financial statements for the term ended December 2003 have been prepared in accordance with this new standard and new guideline. A comment on the impact of this change appears under "Note regarding per share information."	(2) -

Changes in method of presentation

Thousands of yen	
December 31, 2003	December 31, 2004
(Nonconsolidated statement of income)	(Nonconsolidated statement of income)
<p>1. Through the year ended December 31, 2002, "directors' salaries" had been included in the "others" category of selling, general and administrative expenses. But because such expenses exceeded 5 percent of all selling, general and administrative expenses during the current report period, they are shown as a separate category. For comparison purposes "directors' salaries" amounted to ¥116,430 thousand in the year ended December 31, 2002.</p>	<p>1. Through the year ended December 31, 2003, "loss on assignment of promissory notes" had been included in the "others" category of nonoperating expenses. But because such expenses exceeded 10 percent of all nonoperating expenses during the current report period, they are shown as a separate category. For comparison purposes "loss on assignment of promissory notes" amounted to ¥958 thousand in the year ended December 31, 2003.</p>
<p>2. Through the year ended December 31, 2002, "employee benefit expenses" had been included in the "others" category of selling, general and administrative expenses. But because such expenses exceeded 5 percent of all selling, general and administrative expenses during the current report period, they are shown as a separate category. For comparison purposes "employee benefit expenses" amounted to ¥109,532 thousand in the year ended December 31, 2002.</p>	<p>2. Through the year ended December 31, 2003, "losses on assignment of receivables" had been included in the "others" category of nonoperating expenses. But because such expenses exceeded 10 percent of all nonoperating expenses during the current report period, they are shown as a separate category. For comparison purposes "losses on assignment of receivables" amounted to ¥948 thousand in the year ended December 31, 2003.</p>
<p>3. Because they amounted to less than 10 percent of total nonoperating income during the current reporting period, "rent revenue" (¥3,103 thousand during the year to December 2003) are no longer shown as a separate category but instead are reported as a part of "others" nonoperating income.</p>	

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Notes (Nonconsolidated balance sheet)

Thousands of yen	December 31, 2003		December 31, 2004
1. Total number of authorized shares		1. Total number of authorized shares	
Common stock	23,562,000 shares	Common stock	23,562,000 shares
Total number of shares issued		Total number of shares issued	
Common stock	11,839,399 shares	Common stock	11,849,899 shares
2.	-	2. Retroactive liability due to securitization	325,221
3. Contingent liabilities		3. Contingent liabilities	
(1) Guarantee of subsidiaries' borrowings from financial institutions		(1) Guarantee of subsidiaries' borrowings from financial institutions	
Alpha Electronics, Inc.	216,670	Alpha Electronics, Inc.	267,520
(2) Guarantee of a subsidiary's accounts payable		(2) Guarantee of a subsidiary's accounts payable	
Alpha Electronics, Inc.	168,497	Alpha Electronics, Inc.	160,916
(3) Guarantee of subsidiary's obligations under discounted promissory notes		(3) Guarantee of subsidiary's obligations under discounted promissory notes	
Alpha Electronics, Inc.	26,661	Alpha Electronics, Inc.	36,255
4. For more efficient financing of working capital, the Company has entered into overdraft and loan commitment agreements with four banks. As of the end of the fiscal year, it had the following unused lines of credit on these loan facilities.		4. For more efficient financing of working capital, the Company has entered into overdraft and loan commitment agreements with four banks. As of the end of the fiscal year, it had the following unused lines of credit on these loan facilities.	
Overdraft and loan commitment agreements	7,900,000	Overdraft and loan commitment agreements	7,900,000
Amounts drawn down	1,350,000	Amounts drawn down	1,350,000
Unused lines of credit	6,550,000	Unused lines of credit	6,550,000
5. Number of treasury shares held		5. Number of treasury shares held	
Common stock	5,519 shares	Common stock	107,567 shares
6. Assets relating to affiliates		6. Assets relating to affiliates	
Accounts receivable, etc.	143,634	Accounts receivable, etc.	101,502
7.	-	7. Liabilities relating to affiliates	
		Short-term bank loans	150,000
8. Dividend restrictions		8. Dividend restrictions	
Amounts whose use is restricted for dividend purposes under the provisions of Article 124-3 of the Commercial Code comprise increases in net assets due to market value appreciation totaling ¥10,170 thousand.		Amounts whose use is restricted for dividend purposes under the provisions of Article 124-3 of the Commercial Code comprise increases in net assets due to market value appreciation totaling ¥20,279 thousand.	

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(Nonconsolidated statement of income)

Thousands of yen	December 31, 2003		December 31, 2004
1. Costs associated with programming inspection and sorting of merchandise purchased.		1. Costs associated with programming inspection and sorting of merchandise purchased.	
Labor cost	32,061	Labor cost	33,369
Outsourcing cost	34,929	Outsourcing cost	31,165
Depreciation	3,191	Depreciation	2,769
Others	26,695	Others	24,146
	96,878		91,451
2. "Transfer to other accounts" represents the amount transferred from the merchandise account to the advertising expense account.		2. Same as previous year	
3. Total research and development expenses		3. Total research and development expenses	
Research and development expenditures included in selling, general and administrative expenses	68,599	Research and development expenditures included in selling, general and administrative expenses	21,000
4. Breakdown of gains on sale of fixed assets		4.	-
Buildings	226		
Land	251		
5. Breakdown of loss on sale of fixed assets		5.	-
Buildings	3,218		
Land	5,482		
6. Breakdown of loss on disposal of fixed assets		6. Breakdown of loss on disposal of fixed assets	
Buildings	4,534	Buildings	49
Furniture and fixtures	976	Furniture and fixtures	1,096
Software	3,443	Software	4,900
7. Breakdown of loss on liquidation of subsidiaries		7.	-
axelec corporation	10,600		
HYPER-PALTEK Corporation	5,893		
Cygnat Technologies, Inc	2,042		
AlphaMetric, Inc.	(391)		

Lease transactions

1. Finance lease where ownership does not transfer the lessee

(1) Acquisition cost equivalent, accumulated depreciation equivalent and book value equivalent of leased properties as of the end of this accounting period.

Thousands of yen	December 31, 2003	December 31, 2004
Software		
Acquisition cost equivalent	560,391	560,391
Accumulated depreciation equivalent	378,221	490,299
Book value equivalent	182,170	70,091
Vehicle equipment		
Acquisition cost equivalent	-	29,880
Accumulated depreciation equivalent	-	1,447
Book value equivalent	-	28,433
Total		
Acquisition cost equivalent	560,391	590,272
Accumulated depreciation equivalent	378,221	491,746
Book value equivalent	182,170	98,525

(2) Future minimum lease payments

Thousands of yen	December 31, 2003	December 31, 2004
Within one year	114,840	72,079
Over one year	72,794	29,264
	187,634	101,343

(3) Lease expenses and pro forma data as to depreciation expenses and interest expenses are summarized as follows

Thousands of yen	December 31, 2003	December 31, 2004
Lease payments	117,287	118,870
Depreciation equivalent	112,078	113,525
Interest expense equivalent	4,495	2,698

(4) Calculation of depreciation equivalent

Depreciation is based on the straight-line method over the lease term of the leased assets with no residual value.

(5) Calculation of interest expense equivalent

The interest expense equivalent is calculated by taking the difference between the total amount of lease payment and acquisition cost equivalent of the leased property, and amortizing it over the lease period based on the interest method.

Securities

The Company held no securities with market values issued by subsidiaries and associated companies.

Tax effect accounting

Thousands of yen	December 31, 2003		December 31, 2004
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	13,512	Accrued enterprise tax	15,979
Liability for retirement benefits to directors' and corporate auditors'	84,804	Loss on valuation of inventories	11,458
Loss on devaluation of investment securities	25,066	Accrued bonuses in excess of tax limit	15,863
Loss on liquidation of subsidiaries and associated companies	13,414	Loss on devaluation of investment securities	16,505
Loss on valuation of investment in subsidiaries	27,630	Liability for employees' for retirement benefits	12,272
Loss carry forward	184,201	Liability for retirement benefits to directors and corporate auditors	88,272
Others	35,898	Others	16,838
	384,528		177,191
Deferred tax liabilities		Deferred tax liabilities	
Enterprise-tax refund receivable	(19,635)	Revaluation gain on investment securities	(9,085)
Revaluation gain on investment securities	(10,312)		(9,085)
	(29,948)	Net deferred tax assets	168,105
Net deferred tax assets	354,579		
2. Reconciliation between the statutory tax rate and the effective tax rate		2. Reconciliation between the statutory tax rate and the effective tax rate	
Pursuant to provisions of Article 8-12-3 of the rules relating to financial statements, etc., the difference between the effective tax rate as stipulated by law and the corporate tax rate after application of interperiod tax allocation is less than 5 percent, therefore the figure is not reported in this section.		Same as previous year	
3. The normal effective statutory tax rate used in calculations of deferred tax assets and liabilities have been affected by an amendment to the Local Tax Law, which provides for the assessment of enterprise taxes based on size of business after April 1, 2004. In accordance with this amendment, the Company applies different tax rates to the temporary differences recognized as of the end of the fiscal year to December 31, 2003. For temporary differences that will be reversed during the fiscal year to December 31, 2004, it applies the tax rates in effect prior to the amendment; for temporary differences that will be reversed after January 1, 2005, it applies the new tax rates. This change in tax rates has resulted in a reduction in deferred tax assets of ¥3,849 thousand as of the end of the fiscal year to December 2003 (net of deferred tax liabilities), an increase in valuation differences on other investment securities of ¥233 thousand, and an increase in corporate tax adjustments of ¥4,082 thousand.		3. -	

Per share-related financial information

Yen	December 31, 2003		December 31, 2004
Net assets per share	706.99	Net assets per share	738.47
Net income per share	53.60	Net income per share	40.07
		Net income per share, fully diluted	39.97

There is no entry for net income per share, fully diluted for the fiscal year ended December 31, 2003 because the Company had no residual securities capable of diluting earnings.

The Company began applying ASBJ 2, "Financial Standards Relating to Net Earnings Per Share," and ASBJ Interpretation 4, "Guidelines for Applying Financial Standards Relating to Net Earnings Per Share," during the consolidated fiscal year to December 2003.

If this new standard and set of guidelines had been applied to the results of the previous consolidated fiscal year, the Company would have reported the following per-share figures:

Net assets per share	661.11
Net income per share	35.08

(Note) The basic facts underlying calculations of net income per share and net income per share, fully diluted are as follows.

Thousands of yen	December 31, 2003	December 31, 2004
Net income per share		
Net income	659,082	484,607
Amount not attributable to common shareholders	24,715	10,730
[Of which, amount paid out as bonuses to directors and corporate auditors pursuant to Statement of Appropriation of Net Income]	[24,715]	[10,730]
Net income related to common stock	634,367	473,877
Average number of shares outstanding during term (shares)	11,835,295	11,825,029
Net income per share, fully diluted		
Adjustment for net income	-	-
Increase in common stock	-	29,757
[Warrants]	[-]	[17,973]
[New share subscription rights]	[-]	[11,784]
Residual securities which were not included in calculations of net income per share after adjustment for residual securities because they had no dilutive effect.	(Warrants based on Article 280-19 of the Old Commercial Code) 4 types of warrants (number of shares to be issued through exercise of warrants: 539,600 shares) (Stock acquisition rights based on Articles 280-20 and 280-21 of the Commercial Code) 1 type, 800 stock acquisition rights (number of shares to be issued through the exercise of stock acquisition rights: 80,000 shares)	(Warrants based on Article 280-19 of the Old Commercial Code) 2 types of warrants (number of shares to be issued through exercise of warrants: 246,900 shares) (Stock acquisition rights based on Articles 280-20 and 280-21 of the Commercial Code) 1 type, 1,200 stock acquisition rights (number of shares to be issued through the exercise of stock acquisition rights: 120,000 shares)

Significant subsequent events

December 2004 term

(Freeze on system of retirement benefits for directors and corporate auditors)

At its Board of Directors Meeting held on February 14, 2005, the Company resolved to freeze its system of retirement benefits for directors as of the end of the Regular General Meeting of Shareholders held on March 26, 2005.

For payments covering periods of service up to the date of the suspension of the system (i.e., up to the conclusion of said Regular General Meeting of Shareholders), the Company shall propose such payments at the General Shareholders Meetings convened for the periods in which each director retires or resigns and shall receive the approval of shareholders for such payments.

(Acquisition of treasury stock)

In accordance with Article 211-3-1-2 of the Commercial Code and with provisions of the Company's Articles of Incorporation, the Board of Directors at its meeting on February 14, 2005 approved the acquisition of treasury stock in the manner detailed below.

1. Type of stock to be acquired: common stock
2. Total number of shares to be acquired: 1,000,000 shares (maximum)
3. Total value of shares to be acquired: ¥100,000,000 (maximum)
4. Period in which purchases will be made: From February 15, 2005 to June 30, 2005
5. Method of purchasing shares

On the market, through the Jasdaq Securities Exchange

Changes in Management

The following nominations were proposed and approved at the Board of Directors Meeting on February 14, 2005. This proposed change is subject to approval at the 23rd Regular Shareholders Meeting, which is scheduled on March 26, 2005.

1. Change in representative director:

N/A

2. Other changes

(Candidate for Director)

Director, Hajime Yamazaki (Currently, General Manager, Digital Consumer Division)

(Candidate for Corporate auditor)

N/A

(Retiring Director)

N/A

(Retiring Corporate auditor)

N/A