

**Data Communication System Co., Ltd.**

**Balance Sheets**  
**March 31, 2000 and 1999**

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)	LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2000	1999	2000		2000	1999	2000
<b>CURRENT ASSETS:</b>				<b>CURRENT LIABILITIES:</b>			
Cash and cash equivalents	¥ 6,018	¥ 4,960	\$ 56,694	Payables:			
Marketable securities (Note 4)	1	126	9	Trade accounts	¥ 1,485	¥ 1,086	\$ 13,990
Receivables:				Other	893	589	8,413
Trade accounts	4,884	3,894	46,010	Income taxes payable	862	889	8,120
Other	13	21	123	Accrued expenses	1,081	985	10,184
Allowance for doubtful receivables	(19)	(19)	(179)	Other current liabilities	368	296	3,467
Inventories (Note 5)	911	407	8,582				
Deferred tax assets (Note 9)	344		3,241	Total current liabilities	4,689	3,845	44,174
Prepaid expenses and other current assets	60	69	565				
Total current assets	12,212	9,458	115,045	<b>LONG-TERM LIABILITIES:</b>			
<b>PROPERTY, PLANT AND EQUIPMENT (Note 6):</b>				Long-term debt (Note 6)	23	162	217
Land	5,946	5,946	56,015	Accrued prior service costs (Note 3)	439		4,135
Buildings and structures	4,896	4,870	46,123	Retirement allowances for directors and corporate auditors	516	433	4,861
Machinery and equipment	71	167	669				
Vehicles	1	2	9	Total long-term liabilities	978	595	9,213
Furniture and fixtures	722	600	6,802				
Total	11,636	11,585	109,618	<b>SHAREHOLDERS' EQUITY (Notes 6, 7 and 12.b):</b>			
Accumulated depreciation	(1,936)	(1,709)	(18,238)	Common stock, ¥50 par value—authorized, 18,000,000 shares; issued and outstanding, 12,609,575 shares in 2000 and 12,555,022 shares in 1999	6,111	6,055	57,569
Net property, plant and equipment	9,700	9,876	91,380	Additional paid-in capital	6,166	6,105	58,088
<b>INVESTMENTS AND OTHER ASSETS:</b>				Legal reserve	303	272	2,854
Investment securities (Note 4)	464	445	4,371	Retained earnings	5,199	3,857	48,978
Deferred tax assets (Note 9)	442		4,164				
Other assets	628	950	5,916	Total shareholders' equity	17,779	16,289	167,489
Total investments and other assets	1,534	1,395	14,451				
<b>TOTAL</b>	<b>¥ 23,446</b>	<b>¥ 20,729</b>	<b>\$ 220,876</b>	<b>TOTAL</b>	<b>¥ 23,446</b>	<b>¥ 20,729</b>	<b>\$ 220,876</b>

See notes to financial statements.

## Data Communication System Co., Ltd.

### Statements of Income Years Ended March 31, 2000 and 1999

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2000</u>	<u>1999</u>	<u>2000</u>
NET SALES	¥ 23,333	¥ 20,511	\$ 219,812
COST OF SALES	<u>18,467</u>	<u>16,167</u>	<u>173,971</u>
Gross profit	4,866	4,344	45,841
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 8)	<u>1,917</u>	<u>1,810</u>	<u>18,060</u>
Operating income	<u>2,949</u>	<u>2,534</u>	<u>27,781</u>
OTHER INCOME (EXPENSES):			
Interest and dividends	10	29	94
Interest expense	(2)	(10)	(19)
Loss on sales of marketable and investment securities	(8)	(71)	(75)
Loss on devaluation of marketable and investment securities		(74)	
Amortization of prior service costs of retirement benefits for directors and corporate auditors	(68)	(68)	(640)
Stock issuance costs		(172)	
Bond issuance costs		(11)	
Foreign exchange loss	(8)	(50)	(75)
Loss on valuation of membership right	(93)		(876)
Prior service costs	(591)		(5,568)
Other—net	<u>(15)</u>	<u>(48)</u>	<u>(142)</u>
Other expenses—net	<u>(775)</u>	<u>(475)</u>	<u>(7,301)</u>
INCOME BEFORE INCOME TAXES	<u>2,174</u>	<u>2,059</u>	<u>20,480</u>
INCOME TAXES (Notes 2.j and 9):			
Current	1,274	1,236	12,002
Deferred	<u>(286)</u>		<u>(2,695)</u>
Total	<u>988</u>	<u>1,236</u>	<u>9,307</u>
NET INCOME	<u>¥ 1,186</u>	<u>¥ 823</u>	<u>\$ 11,173</u>
	<u>Yen</u>		<u>U.S. Dollars</u>
PER SHARE OF COMMON STOCK (Note 2.1):			
Net income	¥ 94.27	¥ 70.53	\$ 0.89
Fully diluted net income	94.15	68.21	0.89
Cash dividends applicable to the year	29.00	21.00	0.27

See notes to financial statements.

**Data Communication System Co., Ltd.**

**Statements of Shareholders' Equity  
Years Ended March 31, 2000 and 1999**

	Outstanding Number of Shares of Common Stock	Millions of Yen			
		Common Stock	Additional Paid-in Capital	Legal Reserve	Retained Earnings
BALANCE, APRIL 1, 1998	8,982,089	¥ 4,337	¥ 4,382	¥ 253	¥ 3,242
Net income					823
Cash dividends, ¥17.0 per share					(160)
Bonuses to directors and corporate auditors					(29)
Transfer to legal reserve				19	(19)
Public offering of common stock	1,000,000	1,215	1,215		
Shares issued upon conversion of convertible bonds	480,258	437	436		
Exercise of warrants	58,000	66	72		
Stock split	<u>2,034,675</u>				
BALANCE, MARCH 31, 1999	12,555,022	6,055	6,105	272	3,857
Adjustment of retained earnings for the adoption of accounting standard for interperiod allocation of income taxes (Note 2.j)					501
Net income					1,186
Cash dividends, ¥21.0 per share					(264)
Bonuses to directors and corporate auditors					(50)
Transfer to legal reserve				31	(31)
Shares issued upon conversion of convertible bonds	16,053	13	13		
Exercise of warrants	<u>38,500</u>	<u>43</u>	<u>48</u>		
BALANCE, MARCH 31, 2000	<u>12,609,575</u>	<u>¥ 6,111</u>	<u>¥ 6,166</u>	<u>¥ 303</u>	<u>¥ 5,199</u>

	Thousands of U.S. Dollars (Note 1)			
	Common Stock	Additional Paid-in Capital	Legal Reserve	Retained Earnings
BALANCE, MARCH 31, 1999	\$ 57,042	\$ 57,513	\$ 2,562	\$ 36,335
Adjustment of retained earnings for the adoption of accounting standard for interperiod allocation of income taxes (Note 2.j)				4,720
Net income				11,173
Cash dividends, \$0.20 per share				(2,487)
Bonuses to directors and corporate auditors				(471)
Transfer to legal reserve			292	(292)
Shares issued upon conversion of convertible bonds	122	123		
Exercise of warrants	<u>405</u>	<u>452</u>		
BALANCE, MARCH 31, 2000	<u>\$ 57,569</u>	<u>\$ 58,088</u>	<u>\$ 2,854</u>	<u>\$ 48,978</u>

See notes to financial statements.

## Data Communication System Co., Ltd.

### Statements of Cash Flows Years Ended March 31, 2000 and 1999

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2000	1999	2000
<b>OPERATING ACTIVITIES:</b>			
Income before income taxes	¥ 2,174	¥ 2,059	\$ 20,480
Adjustments for:			
Income taxes paid	(1,300)	(804)	(12,247)
Depreciation	409	297	3,853
Provision for retirement allowances for directors and corporate auditors	83	115	782
Foreign exchange loss		50	
Loss on valuation of membership right	93		876
Stock and bond issuance costs		183	
Changes in assets and liabilities:			
Increase in receivables	(982)	(740)	(9,251)
Increase in inventories	(504)	(112)	(4,748)
Decrease (increase) in prepaid expenses and other current assets	115	(13)	1,084
Increase in payables	658	371	6,199
Increase in accrued expenses	96	171	904
Increase in accrued prior service costs	439		4,136
Increase (decrease) in other current liabilities	76	(38)	716
Other—net	17	(27)	160
Total adjustments	(800)	(547)	(7,536)
Net cash provided by operating activities	1,374	1,512	12,944
<b>INVESTING ACTIVITIES:</b>			
Proceeds from sale of marketable and investment securities	152	588	1,432
Purchases of marketable and investment securities	(53)	(91)	(499)
Purchases of property, plant and equipment	(157)	(1,510)	(1,479)
Net decrease (increase) in other assets	40	(14)	377
Net cash used in investing activities	(18)	(1,027)	(169)
<b>FINANCING ACTIVITIES:</b>			
Repayment of long-term debt		(863)	
Redemption of bonds	(113)		(1,065)
Public offering of common stock		2,258	
Exercise of warrants	87	132	820
Issuance of bonds with warrants		215	
Cash dividends paid	(264)	(160)	(2,487)
Net cash (used in) provided by financing activities	(290)	1,582	(2,732)
<b>FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS</b>			
	(8)		(75)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS—(Forward)</b>	¥ 1,058	¥ 2,067	\$ 9,968

## Data Communication System Co., Ltd.

### Statements of Cash Flows Years Ended March 31, 2000 and 1999

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	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	<u>2000</u>	<u>1999</u>	<u>2000</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS—(Forward)	¥ 1,058	¥ 2,067	\$ 9,968
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>4,960</u>	<u>2,893</u>	<u>46,726</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>¥ 6,018</u>	<u>¥ 4,960</u>	<u>\$ 56,694</u>
NONCASH INVESTING AND FINANCING ACTIVITIES:			
Conversion of convertible bonds into common stock	¥26	¥873	\$245
Transfer of warrants to additional paid-in capital upon exercise	4	6	38

See notes to financial statements.

# Data Communication System Co., Ltd.

## Notes to Financial Statements

Years Ended March 31, 2000 and 1999

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### 1. BASIS OF PRESENTING FINANCIAL STATEMENTS

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

Effective April 1, 1999, statements of cash flows are required to be prepared under Japanese accounting standards, and such statements for the years ended March 31, 2000 and 1999, are presented herein.

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

Certain reclassifications have been made in the 1999 financial statements to conform to the classifications used in 2000.

The financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥106.15 to \$1, the approximate rate of exchange in effect at March 31, 2000. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The scope of cash equivalents in 1999 was changed from all time deposits and marketable securities to that as indicated above to conform with the presentation in 2000.

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

- c. Marketable and Investment Securities*—Current and non-current marketable securities listed on stock exchanges are stated at the lower of cost, determined by the moving-average method, or market. Other investments are stated at cost being determined by the moving-average method.

- d. Property, Plant and Equipment*—Property, plant and equipment are stated at cost. Depreciation is computed by the declining-balance method while the straight-line method is applied to buildings acquired after April 1, 1998. Assets with an acquisition cost from ¥100,000 to ¥200,000 are depreciated over three years. The range of useful lives is principally from 3 to 50 years for buildings and structures, from 5 to 15 years for machinery and equipment, 5 years for vehicles and from 2 to 15 years for tools, furniture and fixtures.
- e. Software Costs*—Prior to April 1, 1999, the purchased software costs were deferred and amortized by the straight-line method over five years. Effective April 1, 1999, however, the accounting standard for software has been changed and those costs are charged to income as incurred because of the uncertainty that such costs will be recovered from related future economic benefits. For the year ended March 31, 2000, software costs totaling ¥58,075 million (\$547,103 thousand) were charged to income.
- f. Deferred Charges*—Stock issuance costs and bond issuance costs are charged to income as incurred.
- g. Employees' Pension Plan*—The Company's policy for its contributory and non-contributory funded pension plans, which cover substantially all employees, is to charge to operations normal costs to the pension plan and the present value of prior service costs at the most recent valuation date of the pension plan (see Note 3).
- h. Retirement Allowances for Directors and Corporate Auditors*—Directors and corporate auditors are generally entitled to receive lump-sum payments based on compensation at the time of resignation and years of service when they resign from the Company. The accrued provisions are not funded and any amounts payable to directors and corporate auditors upon resignation are subject to the approval of the shareholders. The annual provision for severance payments is calculated to state the severance liability at the amount that would be payable if all directors and corporate auditors were to resign at the balance sheet date. The prior service costs are amortized over five years.
- i. Research and Development Costs*—Research and development costs are charged to income as incurred.
- j. Income Taxes*—Effective April 1, 1999, the Company adopted an accounting method for interperiod allocation of income taxes based on the asset and liability method. The cumulative effect of the application of interperiod tax allocation in prior years in the amount of ¥501 million (\$4,720 thousand) is included as an adjustment to retained earnings as of April 1, 1999. Such cumulative effect is calculated by applying the income tax rate stipulated by enacted tax laws as of April 1, 1999.
- Deferred income taxes are recorded to reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These deferred taxes are measured by applying currently enacted tax laws to the temporary differences.
- k. Foreign Currency Transactions*—Convertible bonds denominated in foreign currency are translated into Japanese yen at historical rates.
- l. Per Share Information*—The computation of net income per share is based on the weighted average number of shares of common stock outstanding during each year, retroactively adjusted for stock splits. The weighted average number of shares of common stock used in the computation was 12,583,437 shares for 2000 and 11,672,070 shares for 1999.

Fully diluted net income per share of common stock assumes full conversion of the outstanding convertible bonds at the beginning of the year or at the date of issuance with an applicable adjustment for related interest expense (net of tax), and full exercise of outstanding warrants at the end of the year.

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

### 3. ACCOUNTING CHANGE

Prior to April 1, 1999, the prior service costs under the non-contributory pension plan for employees were charged to income when they were paid. Effective April 1, 1999, the Company changed its method of accounting for such prior service costs to charge the present value of unamortized prior service costs at the most recent valuation date of the pension plan to income. The Company believes that this method provides more appropriate recognition of pension costs and contributes to financial soundness of the Company since employees' service period and age composition have been recently changed and prior service costs may continue to incur.

The effect of this change was to decrease income before income taxes for the year ended March 31, 2000, by ¥439 million (\$4,136 thousand).

### 4. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2000 and 1999, consisted of the following:

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	<u>2000</u>	<u>1999</u>	<u>2000</u>
Current—			
Marketable equity securities	¥ <u>1</u>	¥ <u>126</u>	\$ <u>9</u>
Non-current—			
Marketable and non-marketable equity securities	¥ <u>464</u>	¥ <u>445</u>	\$ <u>4,371</u>

The carrying value and aggregate market value of marketable securities excluding certain securities for which market information is not available at March 31, 2000 and 1999, were as follows:

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	<u>2000</u>	<u>1999</u>	<u>2000</u>
Current:			
Carrying value	¥ <u>1</u>	¥ <u>126</u>	\$ <u>9</u>
Aggregate market value	<u>1</u>	<u>103</u>	<u>9</u>
Unrealized loss	<u>Nil</u>	¥ <u>23</u>	<u>Nil</u>
Non-current:			
Carrying value	¥ <u>390</u>	¥ <u>418</u>	\$ <u>3,674</u>
Aggregate market value	<u>430</u>	<u>454</u>	<u>4,051</u>
Unrealized gain	¥ <u>40</u>	¥ <u>36</u>	\$ <u>377</u>



## 5. INVENTORIES

Inventories at March 31, 2000 and 1999, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2000</u>	<u>1999</u>	<u>2000</u>
Merchandise	¥ 281	¥ 22	\$ 2,647
Work in process	616	370	5,803
Supplies	<u>14</u>	<u>15</u>	<u>132</u>
Total	<u>¥ 911</u>	<u>¥ 407</u>	<u>\$ 8,582</u>

## 6. LONG-TERM DEBT

Long-term debt at March 31, 2000 and 1999, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2000</u>	<u>1999</u>	<u>2000</u>
Unsecured 0.5% Swiss franc convertible bonds, due March 2000		¥ 26	
Unsecured 2.0% bonds, due December 2002	<u>¥ 23</u>	<u>136</u>	<u>\$ 217</u>
Long-term debt	<u>¥ 23</u>	<u>¥ 162</u>	<u>\$ 217</u>

Annual maturities of long-term debt at March 31, 2000, were as follows:

<u>Year Ending March 31</u>	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
2003	<u>¥ 23</u>	<u>\$ 217</u>

The carrying amounts of fixed assets pledged as collateral for which there was no debt at March 31, 1999, were as follows:

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Buildings and structures	¥ 238	\$ 1,974
Land	<u>870</u>	<u>7,217</u>
Total	<u>¥ 1,108</u>	<u>\$ 9,191</u>

There were no fixed assets pledged as collateral at March 31, 2000.

The conversion price of the 0.5% Swiss franc convertible bonds was ¥1,656 per share at March 31, 1999, using a fixed exchange rate of SFr.1 = ¥88.62. At March 31, 1999, such bonds were convertible into 16,053 shares of the Company's common stock.

The current portion of convertible bonds, which are included in long-term debt, are translated into Japanese yen at the historical rate because the Company judged the convertible bonds to be converted in consideration of the trend of the exchange rates and the stock price.

The warrants issued with the 2.0% bonds are detachable and entitle the holders to subscribe for shares of the Company's common stock through December 6, 2002, at the exercise price of ¥2,260 per share at March 31, 2000. The warrants were purchased by the Company and then granted to certain directors, corporate auditors and employees as part of an incentive stock appreciation rights plan. If all these outstanding warrants had been exercised at March 31, 2000, 3,500 shares of common stock would have been issued.

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

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

## **7. SHAREHOLDERS' EQUITY**

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

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

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

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

On September 6, 1998, the Company issued 1,000,000 shares of common stock at the price of ¥2,430 per share through a public offering in Japan.

On November 20, 1998, the Company made a stock split by way of a free share distribution at the rate of 0.2 share for each outstanding share and 2,034,675 shares were issued to shareholders of record on September 30, 1998. Stated capital was not changed as a result of this stock split.

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

## **8. RESEARCH AND DEVELOPMENT COSTS**

Research and development costs charged to income were ¥75 million (\$707 thousand) for the year ended March 31, 2000.

## 9. INCOME TAXES

The Company is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rates of approximately 42% and 47% for the years ended March 31, 2000 and 1999, respectively.

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

	March 31, 2000	
	Millions of Yen	Thousands of U.S. Dollars
Deferred tax assets:		
Accrued bonuses	¥ 263	\$ 2,478
Enterprise tax payable	76	716
Retirement allowances for directors and corporate auditors	217	2,044
Accrued prior service costs	185	1,743
Other	<u>83</u>	<u>782</u>
Deferred tax assets	<u>824</u>	<u>7,763</u>
Deferred tax liabilities:		
Special reserve for tax-purpose depreciation for personal computer	35	330
Other	<u>3</u>	<u>28</u>
Deferred tax liabilities	<u>38</u>	<u>358</u>
Net deferred tax assets	<u>¥ 786</u>	<u>\$ 7,405</u>

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

	Year Ended March 31, 2000
Normal effective statutory tax rate	42%
Expenses not deductible for income tax purposes	2
Per capita levy of inhabitant taxes	<u>1</u>
Actual effective tax rate	<u>45%</u>

The normal effective tax rate reflected in the accompanying statements of income for the year ended March 31, 1999, differs from the actual effective tax rate, primarily due to the effect of permanently non-deductible expenses and temporary differences in the recognition of asset and liability items for tax and financial reporting purposes.

## 10. PENSION PLAN

Under the pension plans, employees terminating their employment are, in most circumstances, entitled to pension payments based on their pay at retirement, period of service and certain other factors.

The assets of the non-contributory pension plan totaled ¥1,347 million (\$12,690 thousand) at March 31, 2000. The prior service costs are amortized and funded over 4.4 years. The amounts funded to the plan were ¥325 million (\$3,062 thousand) and ¥172 million for the years ended March 31, 2000 and 1999, respectively.

The Company also has a contributory funded employees' pension plan together with companies in the same line of business. The assets in the contributory pension plan, including a government pension fund required by a Japanese law, were ¥179,481 million (\$1,690,824 thousand) at March 31, 1999 (the most recent date of available information). The number of the Company employees in the plan approximated 1.7% of the total participating employees at March 31, 1999.

## 11. RELATED PARTY TRANSACTIONS

Transactions of the Company with DTS CO., LTD. whose major shareholder and representative director is also the major shareholder and representative director of the Company for the years ended March 31, 2000 and 1999, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Redemption of bonds	¥ 113	¥ 90	\$ 1,065
Interest expenses	2	1	19

The balances due to DTS CO., LTD. at March 31, 2000 and 1999, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Long-term debt	¥ 23	¥ 136	\$ 217

## 12. SUBSEQUENT EVENTS

### a. Issuance of Bonds with Warrants

On June 15, 2000, the Company issued ¥1,000 million (\$9,421 thousand) of unsecured 2.0% bonds with detachable warrants. The bonds are due June 15, 2004, and the warrants are exercisable from August 1, 2000 through June 14, 2004. The issue price of the bonds was 105.5% of the face value of the bonds and the initial exercise price of the warrants is ¥6,570 per share. This issue is for a stock appreciation rights plan as an incentive plan for certain directors, corporate auditors and employees.

### b. Appropriations of Retained Earnings

The following appropriations of retained earnings at March 31, 2000, were approved at the shareholders meeting held on June 28, 2000:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥23.00 (\$0.22) per share	¥ 290	\$ 2,732
Transfer to legal reserve	36	339
Bonuses to directors and corporate auditors	72	678

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