



COMSYS Holdings Corporation

Annual Report 2004

Fiscal Year Ended March 31, 2004



COMSYS Group—Excellence in Telecommunications and Solutions

Establishment of COMSYS Holdings

| | |
|---------------------------|---|
| December 20, 2002 | Nippon COMSYS and SANWA ELEC announce their intention to look into a business merger. |
| April 10, 2003 | Nippon COMSYS, SANWA ELEC, and TOSYS reach basic agreement to establish a joint holding company. |
| May 20, 2003 | At extraordinary meetings of the Nippon COMSYS Board of Directors, and of the SANWA ELEC and TOSYS boards of directors, decisions were taken regarding the following items: <ul style="list-style-type: none"> ● The proportion of shares to be transferred. ● The company name, location, president, and capitalization. |
| June 26, 2003 | General Shareholder's Meeting for TOSYS. |
| June 27, 2003 | General Shareholder's Meetings for Nippon COMSYS and SANWA ELEC. |
| September 22, 2003 | Share listings for Nippon COMSYS and SANWA ELEC withdrawn from the stock markets. |
| September 29, 2003 | Establishment of COMSYS Holdings. Shares listed on the First Sections of the Tokyo Stock Exchange and the Osaka Stock Exchange. |

COMSYS Holdings Goals and Course of Action (Vision)



1. Reallocation of business resources in the group

Optimize allocation of business resources, including "people, things, money, and information," and become a group that is proactive about building a business structure capable of the best service and project effectiveness.

3. Fostering job satisfaction

Become a group where employee's job satisfaction is the energy for growth.

2. Group unification

Become an organic group sharing dreams and aspirations toward attainment of a group vision, with COMSYS Holdings at the core.

4. Creation of an enthusiastic corporate culture

Become a group with an active corporate culture where creativity, enthusiasm, and sincerity are clearly evident.

5. Providing strong management leadership

Lead the group forward, demonstrating management vision and powerful leadership, staying one step ahead of trends in the group's environment.

Profiles of the Three Major Partners

Nippon COMSYS Corporation



Nippon COMSYS Corporation was established in 1951, during the time of Japan's post-war recovery, to build telecommunications infrastructure for NTT (the former Nippon Telegraph and Telephone Public Corporation). Since that time, Nippon COMSYS has been engaged comprehensively in all aspects of telecommunications facilities work, from the laying and installation of telephone communication lines to the installation of switching equipment and construction of wireless base stations. For more than half a century, Nippon COMSYS has built a high degree of trust and performance as a leader of the

Japanese telecommunications construction industry.

Today, the trend in telecommunications is toward IP networks, a shift driven by diversification of customer needs. In response, Nippon COMSYS offers experience and value-added services in the construction of LAN and WAN computer networks, as well as in the provision of business solutions, all backed by years of software development, system construction, and other computer technologies. The company's comprehensive sales network of 20 regional offices (including the headquarters and branch offices) throughout Japan, and one office overseas, as well as its sales offices in all of Japan's major cities, constitute a dynamic network focused on increasing customer satisfaction.



*The headquarters of
Nippon COMSYS Corporation*

SANWA ELEC Co., Ltd.



SANWA ELEC was established in 1947, and since that time has developed into a total engineering company with balanced experience in Japan and abroad in both the electrical facilities and the information and communications sectors. In so doing, SANWA ELEC has carved out a firm position as a builder of social and industrial infrastructure.

SANWA ELEC offers support for a broad range of sectors, from telecommunications infrastructure work for telecommunications companies to corporate information network services. Its capacities range from civil engineering work, power supply work, and environmental infrastructure, to software applications. In the electrical facilities sector, in particular, SANWA ELEC offers integration in all kinds of construction work extending well beyond telecommunications facilities. SANWA ELEC also has much experience in expressway construction, air traffic control and security systems, and other aspects of transportation infrastructure. With the increasing dependence of society on information technology, SANWA ELEC makes the most of its solutions know-how, backed by comprehensive technology skills and rich experience, to promote technical integration.



*The headquarters of
SANWA ELEC Co., Ltd.*

TOSYS Corporation



TOSYS was established in 1960 for the purpose of building telecommunications infrastructure in the area spanning Nagano and Niigata prefectures, and since that time has contributed greatly to the construction and continued development of telecommunications infrastructure in that region. To this day, TOSYS remains an important player in the region's telecommunications construction business, and maintains its company headquarters in Nagano, Nagano Prefecture.

TOSYS is a specialist in many sectors related to electrical and telecommunications systems, including the laying of telecommunications cables, wireless base station construction, electrical facilities for supply of energy, and civil engineering and construction work for telecommunications. Moreover, in the information and communications sector, TOSYS offers total support for the planning, design, and construction of various network systems, including development of commercial software for businesses. TOSYS responds to customer needs through the comprehensive integration of its technical skills and experience in each individual sector.



*The headquarters of
TOSYS Corporation*



About the Logo Mark

Shape: Image of a rotating, expanding “C”

C for COMSYS

S for Solutions

G for Group

Colors

Red: Enthusiasm

Green: Harmony with the environment

Blue: Advanced technology

Purple: Spirit of intellectual innovation

Yellow: People (At COMSYS Group, people are everything)

On September 29, 2003, the three companies of Nippon COMSYS Corporation, SANWA ELEC Co., Ltd., and TOSYS Corporation established COMSYS Holdings Corporation, the first joint holding company in the Japanese telecommunications construction industry. With this bold move, the new COMSYS Group made a new beginning in the utilization, selection, and concentration of its combined business resources to maximize corporate value.

Contents

| | |
|---|-------------------|
| At a Glance | Fold-out |
| Consolidated Financial Highlight | 1 |
| Letter to Our Shareholders | 2 |
| Organizational Structure of the COMSYS Group | 4 |
| The First Medium-Term Management Plan | 7 |
| Review of Operations | |
| Nippon COMSYS Group | 9 |
| SANWA ELEC Group | 15 |
| TOSYS Group | 19 |
| Research and Development | 23 |
| Basic Philosophy Regarding Corporate Governance | 24 |
| Corporate Citizenship | 25 |
| Management | 26 |
| Financial Section | 27 |
| Corporate Directory | 42 |
| COMSYS Holdings Information | 44 |
| Corporate Data | 44 |
| Investor Information | Inside Back Cover |

Cautionary Statement with Respect to Forward-Looking Statements

This Annual Report contains forward-looking statements that reflect management's views and assumptions in the light of information currently available with respect to certain future events, including expected financial position, operating results and business strategies. These statements can be identified by the use of terms such as “will,” “believes,” “should,” “projects,” “plans,” “expects” and similar terms and expressions that identify future events or expectations. Actual results may differ materially from those projected, and the events and results of such forward-looking assumptions cannot be assured. Any forward-looking statements speak only as of the date of this Annual Report, and COMSYS Group assumes no duty to update such statements.

Factors that may cause actual results to differ materially from those predicted by such forward-looking statements include, but are not limited to, unanticipated changes in demand for the Company's principal business, owing to changes in the economic conditions in the Company's principal markets; the impact of increased competition; uncertainties as to the results of the Company's research and development efforts and its ability to access and protect certain intellectual property rights; and the impact of regulatory changes and accounting principles and practices.

Consolidated Financial Highlights

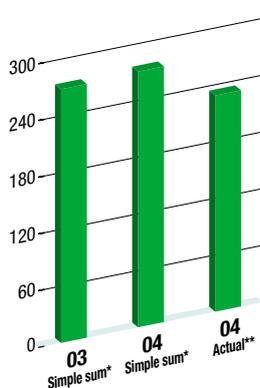
COMSYS Holdings Corporation and Consolidated Subsidiaries

Year ended 31st March, 2004

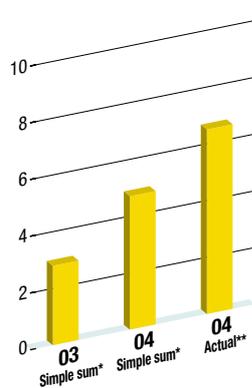
| | Millions of yen | Thousands of U.S. dollars |
|--------------------------------------|-----------------|---------------------------|
| | 2004 | 2004 |
| For the Year | | |
| New orders received during the year | ¥235,747 | \$2,230,552 |
| Net sales | 248,961 | 2,355,578 |
| Operating income | 10,786 | 102,053 |
| Net income | 6,592 | 62,371 |
| Cash flows from operating activities | 12,101 | 114,499 |
| Cash flows from investing activities | (83) | (786) |
| Cash flows from financing activities | (8,457) | (80,018) |
| At Year-End | | |
| Total assets | ¥211,718 | \$2,003,198 |
| Shareholders' equity | 121,326 | 1,147,942 |
| Interest-bearing debt | 11,484 | 108,657 |
| | Yen | U.S. dollars |
| Per Share of Common Stock: | | |
| Net income | | |
| — Basic | ¥ 45.96 | \$0.43 |
| — Diluted | — | — |
| Cash dividends | 7.00 | 0.07 |
| Shareholders' equity | 859.24 | 8.13 |
| Number of employees | 7,091 | |

Note: 1. For convenience only, the accompanying Japanese yen figures for 2004 have been translated into U.S. dollars at the rate of ¥105.69 to \$1, the rate prevailing on 31st March, 2004.

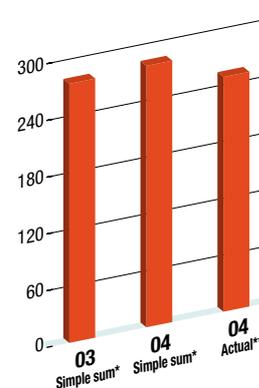
New Orders Received
(¥ Billions)



Net Income
(¥ Billions)



Net Sales
(¥ Billions)



* The above figures represent the simple sum of the consolidated figures of Nippon COMSYS, Sanwa ELEC, and TOSYS.

** The Company's consolidated results for the fiscal year ended March 2004 include the consolidated results of Nippon COMSYS for the fiscal year from April 1, 2003 to March 31, 2004 and the consolidated results of both Sanwa ELEC and TOSYS for the half-year period from October 1, 2003 to March 31, 2004 (October 1, 2003 being the deemed date of acquisition).

Letter to Our Shareholders

The current term is the first for COMSYS Holdings (the Company), the new holding company for the three companies of Nippon COMSYS, SANWA ELEC, and TOSYS, which pooled their shares to establish the Company on September 29, 2003.

The three companies that form the core of COMSYS Holdings and their affiliates are re-enterprising to achieve the most effective structure of business resources for the COMSYS Group. With this action, the core companies are seeking to align themselves more closely with the expectations of stakeholders, and with changes in the corporate environment, and striving to develop an excellent corporate group that is capable of dramatically and creatively enhancing corporate value, and of continuously improving income and profits. The specific role of COMSYS Holdings includes group supervision, group management strategy, group finance, quicker release of consolidated results, PR and IR activities, merging of internal corporate systems, and compliance activities.

Year 1 Consolidated Results (fiscal year ended March 31, 2004)

Orders received by the Company during Year 1 were ¥235.7 billion (US\$2,230 million), while total net sales were ¥248.9 billion (US\$2,355 million), operating income was ¥10.7 billion (US\$102 million), and net income was ¥6.5 billion (US\$62 million).

Note that while the Company was established on September 29, 2003, its consolidated results for the fiscal year ended March 2004 include the consolidated results of Nippon COMSYS for the fiscal year from April 1, 2003 to March 31, 2004, and the consolidated results of both SANWA ELEC and TOSYS for the half-year period from October 1, 2003 to March 31, 2004 (October 1, 2003 being the deemed date of acquisition).

Concerning payment of dividends to shareholders, the Company positions appropriate return of profits to shareholders as one of its most important management issues, and is striving to harmonize internal reserves in order to improve the



Hironobu Takeuchi
Chairman of the Board

Hirofumi Shimada
President

financial constitution of the group as a whole, and to shore up management foundations, toward realization of a stable dividend and an improved share price over the medium term. Based on this policy, the dividend that will be paid out at the end of this fiscal year is ¥7 per share.

Moreover, on December 10, 2003, in place of the interim dividend, shareholders and registered pledgees listed or recorded on the final list of Nippon COMSYS and TOSYS shareholders (including the list of actual shareholders) were paid a transfer subsidy of ¥5 per Nippon COMSYS share held, and ¥5 per TOSYS share held, on the day previous (September 28, 2003) to the day of the share transfer.

The First Medium-Term Management Plan

In the information and communications market, where the group's business activities are concentrated, the government's promotion of the e-Japan Strategy is encouraging development of infrastructure that will enable high-speed Internet access for 30 million households, and ultra-high-speed access for 10 million households. At present, the investment structure is shifting toward development of new business focused on the broadband market, and consumers are looking for faster speeds, greater diversification, and more globalization, aiming for more efficient socio-economic activities through the use of IT.

In this environment, the Company moved to maximize the merger's effectiveness by adopting the First Medium-Term Management Plan, which is to serve as a guideline for the group's business management through the fiscal year ending March 31, 2006. The group's Management Vision includes: (1) become the top brand, with one-stop solutions; (2) be seen as the "best choice" company by all stakeholders; and (3) build a company capable of continuously improving group income and profits. Based on the plan, the Company intends to focus efforts on sectors where the group's core competencies can be found, to promote the selection and concentration of business projects, and to further strengthen management foundations.

Moving Forward with the COMSYS Group

While maintaining a technology base in the telecommunications infrastructure construction sector where the group's strengths have been positioned in the past (the legacy sector), the COMSYS Group is turning its focus toward IT-related sectors where potential for more growth lies.

The Company plans to build on its unique concept of "Planning and Proposals to Assist Customers with Management Improvements," a hardware-to-software solution that links all aspects of information technology, to bring IT-related business up to about 40% of total sales by the fiscal year ending March 31, 2006.

Nippon COMSYS Group

As a comprehensive engineering service company, the Nippon COMSYS Group actively aims to provide proposal-type one-stop solutions on a nationwide scale, and also to develop IP (Internet Protocol) experts capable of responding to the unfolding development of IP networks. In addition, Nippon COMSYS is engaged in cost analysis and in reviews of outside vendor expenses to improve on-site operational efficiency, toward improvement of its income and expenditure balance, particularly in access-related projects. Nippon COMSYS is also expanding the mobile solutions business, which involves the interweaving of mobile terminals and network infrastructure, toward the goal of expanded business with NTT and NTT DoCoMo, as well as improved profitability.

SANWA ELEC Group

The SANWA ELEC Group, which concentrates the electrical facilities businesses of the three companies, is improving management efficiency in order to achieve expansion of electrical facilities projects. Particular emphasis is being placed on expansion of business in the private sector, where SANWA ELEC has a proven track record. Implementation of these business projects will serve to put finances on a sounder footing, by maintaining profitability, reducing interest bearing debt, and improving the capital adequacy ratio.

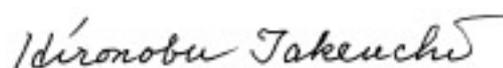
TOSYS Group

The TOSYS Group aims to create a business project model in the solutions sector that makes use of added value based on strong regional ties to improve customer satisfaction. For access-related projects, TOSYS is working to establish a system of national-scale work projects toward establishment of a rational project management model. In addition, TOSYS is using a review of cost structures implemented in response to customer demands for cost reductions in order to promote further improvements in finance and profits.

Our aim is to make the most of the new holding company structure to build a solid group management structure that maximizes group capabilities, and to provide shareholders with a continuous, stable flow of dividends.

Finally, on behalf of all the members of the Board, we would like to extend our sincere appreciation for the support of our valued shareholders, customers, business partners, and employees around the world.

June 2004



Chairman of the Board
Hironobu Takeuchi



President
Hirofumi Shimada

Organizational Structure of the COMSYS Group

The group supporting COMSYS Holdings consists of 33 companies (as of March 31, 2004)



* As a result of a capital increase, paid-in capital was ¥3,624 million as of September 30, 2004.

** COMSYS Shinetsu Engineering Co., Ltd. and TOSYS UNITEC Co., Ltd. merged to become a single company on July 1, 2004, and the new company was named Alstar Co., Ltd.

*** This company's main business was transferred to COMSYS Tsusan Co., Ltd. on August 1, 2004. As a result, starting from the first half of the fiscal year ending March 31, 2005, this company has not been included in the consolidated financial statements.

**** Ibaraki Denden Kensetsu Co., Ltd. and San Access Co., Ltd. merged to become a single company on October 1, 2004, and the new company was named San Net Com Co., Ltd.

COMSYS Group

On September 29, 2003, the three companies of Nippon COMSYS Corporation, SANWA ELEC Co., Ltd., and TOSYS Corporation, established COMSYS Holdings Corporation, the first joint holding company in the telecommunications network construction industry, to mark the launch of the new COMSYS Group with core businesses in the information and communications construction business, the electrical facilities construction business, and information processing-related businesses.

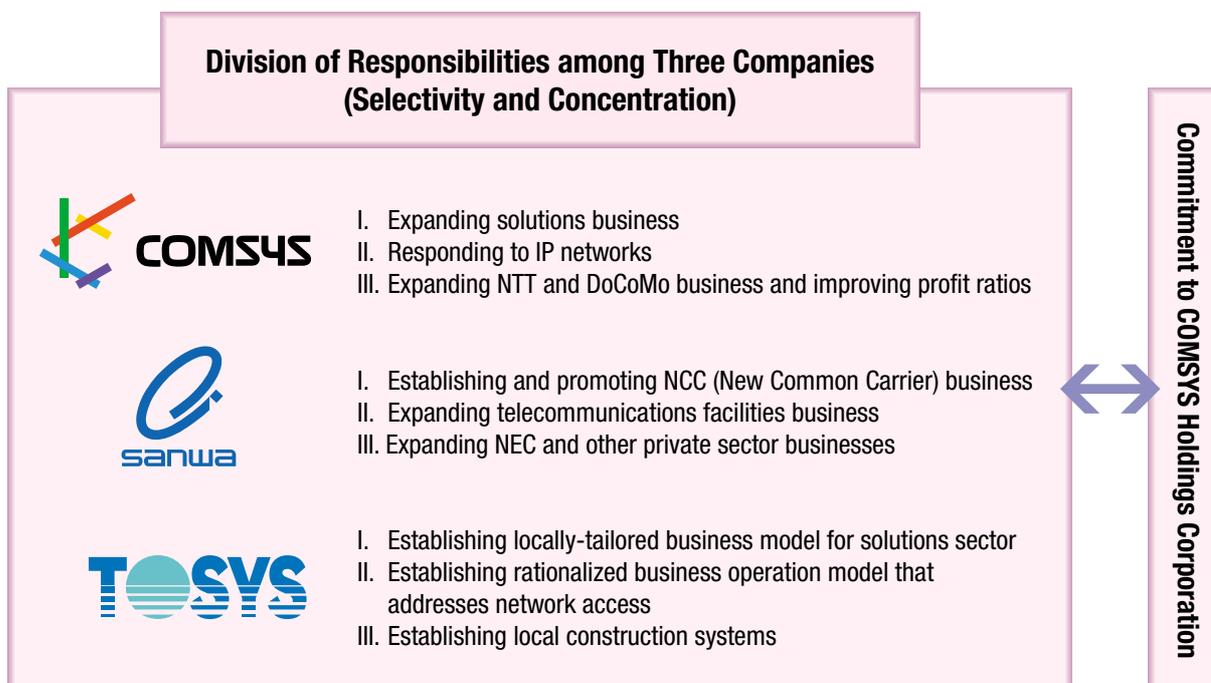
Also, on October 1, 2003, COMSYS Shared Service Co., Ltd. (CSS) was established for the purpose of optimizing the business resources of COMSYS Group companies. CSS will

concentrate operations shared by the three core companies, Nippon COMSYS, SANWA ELEC, and TOSYS, as well as by their consolidated subsidiaries, to promote standardization and systematization of business operations, and rationalization of business administration.

The COMSYS Group is re-enterprising to achieve the most effective structure of business resources. With this action, the COMSYS Group is seeking to align itself more closely with the expectations of stakeholders, and with changes in the corporate environment, and aims to maximize the group's corporate value.

Management of Group Companies

As of September 30, 2004



Business Re-Enterprise Schedule

As of September 30, 2004

| 2004 | 2005 | | | | 2006 | | | | 2007 |
|-------------|---|--|---|-------------|-------------|-------------|-------------|-------------|------|
| 4th Quarter | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter | |
| | | 1. Integration of Nagano and Niigata area business (from Nippon COMSYS to TOSYS) | | | | | | | |
| | | | 2. Integration of Tokyo Metropolitan area NTT business (from SANWA ELEC to Nippon COMSYS) | | | | | | |
| | 3. Integration of Tokyo Metropolitan area electrical facilities business (from Nippon COMSYS to SANWA ELEC) | | | | | | | | |
| | 4. Integration of NCC business (from Nippon COMSYS to SANWA ELEC) | | | | | | | | |
| | 5. Integration of internal systems (infrastructure and main systems) | | | | | | | | |
| | 6. Further concentration of administration, finance, and other operations (folded into COMSYS Shared Service Co., Ltd.) | | | | | | | | |

Establishment of COMSYS Shared Services

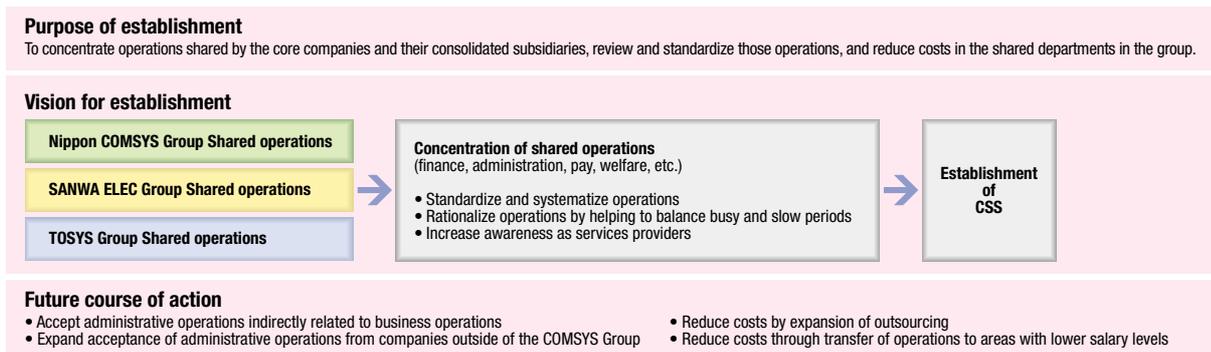
Aims to reduce costs through concentration and standardization of shared operations COMSYS Shared Services Co., Ltd. (CSS) was established on October 1, 2003 to optimize the business resources of the COMSYS Group companies. CSS will concentrate operations shared by the three core companies, Nippon COMSYS, SANWA ELEC, and TOSYS, as well as by their consolidated subsidiaries, to promote standardization and systematization of business operations, and rationalization of business administration.

The major operations at CSS consist of general support for personnel administration, including management of conferences and events, secretarial services, reform and administra-

tion of personnel systems, and administration of training and education; general support for finance, including preparation of consolidated business results and administration of CMS operations; and general support for personnel pay and social insurance administration, including management of employee qualification tests and information about changes, calculation of wage and bonus payments, and preparation and submission of documents related to social insurance.

This streamlining of administration for the shared departments of group companies is expected to result in a 30% reduction in costs by the fiscal year ending in March 2006, compared to the fiscal year ended in March 2003.

Establishment of COMSYS Shared Services Co., Ltd.



Integrating In-House Systems of Group Companies

To promote sharing of information within the group, and to smooth administrative processes, COMSYS Group is integrating the in-house systems of group companies.

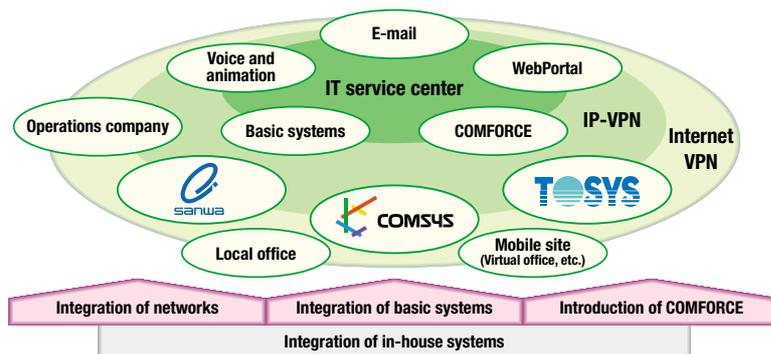
At Nippon COMSYS, one of the group's core companies, an IP-VPN system connecting about 200 sites throughout Japan originally formed the basis of a system handling personnel matters and finance. Now, the COMFORCE system has been installed to manage front information for sales and bill collection.

Now, the basic systems in operation at SANWA ELEC

and TOSYS are being integrated into the IT service center established at Nippon COMSYS. Moreover, COMFORCE is to be introduced and expanded, to link 330 sites in the group by April 2005, enabling utilization by more than 7,000 people.

The development of COMFORCE and unified use of the system will speed up the orders process, reduce project expenses, and allow quicker release of consolidated results. Know-how in this area will also help to expand orders in IT-related business.

IP-VPN: Internet Protocol-Virtual Private Network



The First Medium-Term Management Plan

Early Realization of Management Integration Effects

Expanded profits

COMSYS Holdings aims to undertake business restructuring that selects and concentrates projects where group companies are strongest, in order to achieve reduced costs and increased profits.

Financial Targets in the First Medium-Term Management Plan

(Consolidated basis)

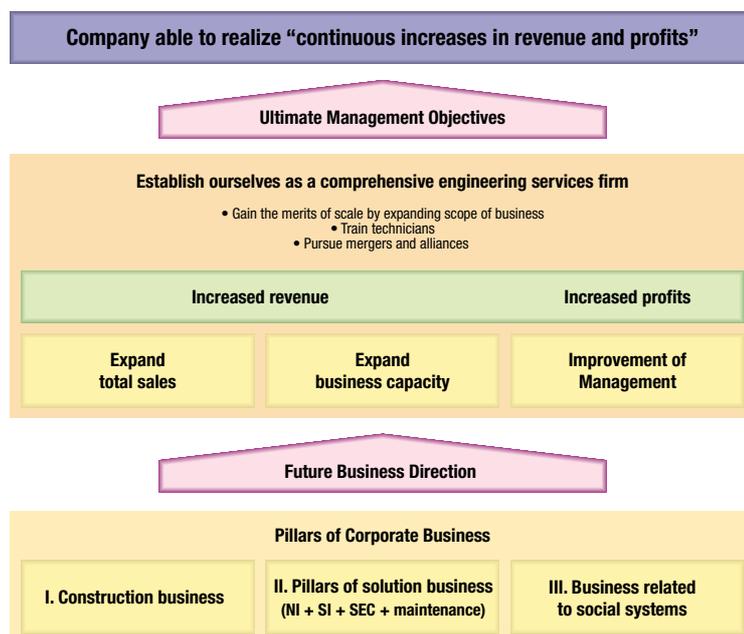
| | Billions of yen, except where noted | | |
|-----------------------|---|---|-----------------------------|
| | Year ended March 31, 2004 (Performance) | Year ending March 31, 2006 (Target) | Percent change 2006/2004 |
| Net sales | 276 | 290 | 5.0 |
| Operating income | 9 | 14 | 42.9 |
| Net income | 4 | 7 | 48.9 |
| Operating margin (%) | 3.5 | 4.8 | |
| Net profit margin (%) | 1.7 | 2.4 | |
| Interest-bearing debt | 11 | 8 | -29.8 |

Note. The COMSYS Holdings results of the year ended March 31, 2004 are three-company simple totals.

Continuing growth

As of September 30, 2004

As a one-stop solutions provider with a core competence in information and communications engineering technology, COMSYS Holdings aims to develop into a corporation that is capable of continuing growth in a changing market environment.



The First Medium-Term Management Plan

Use Solutions Business to Expand Operations

Training engineers

The Company is moving forward with powerful and speedy training of engineers, to support customer management reforms throughout Japan.

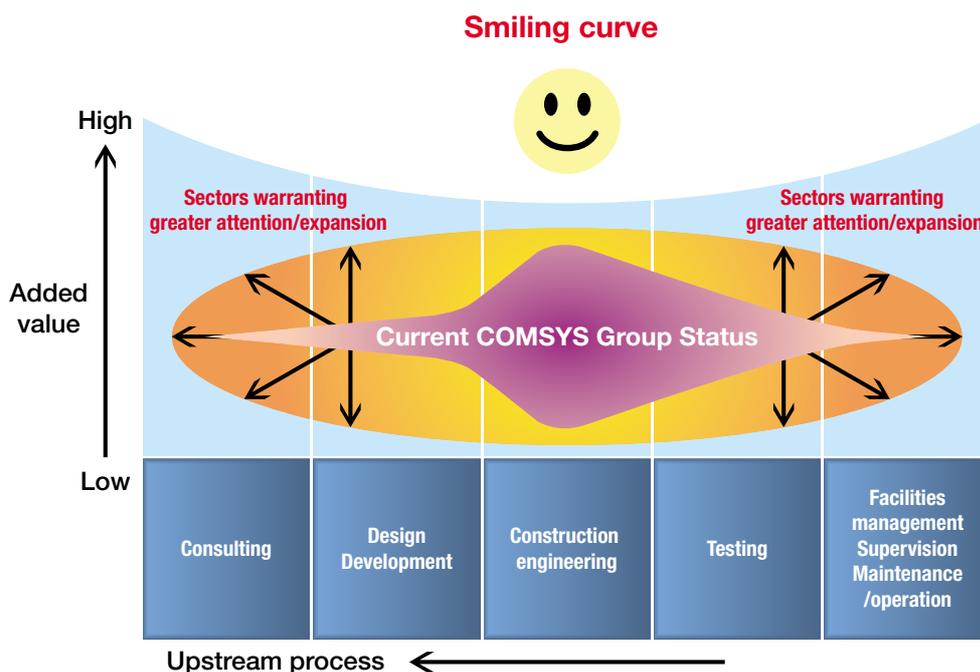
Acquisition of Main Vendor Qualifications

Years ended March 31

| | 2004 | | | | 2006 Estimates |
|---------------------------|---------------|------------|------------|--------------|-------------------|
| | Nippon COMSYS | SANWA ELEC | TOSYS | Total | |
| Cisco Certified Engineer | 724 | 65 | 103 | 892 | 1,500 |
| Oracle Certified Engineer | 85 | 1 | 3 | 89 | 130 |
| Linux | 42 | 10 | 1 | 53 | 120 |
| Microsoft | 602 | 56 | 47 | 705 | 1,200 |
| Total | 1,453 | 132 | 154 | 1,739 | 2,950 |

Focus on sectors with greater added value

The Company aims to provide comprehensive services, from prior consulting to repair maintenance and operations, so as to become the top brand in one-stop solutions.



Review of Operations

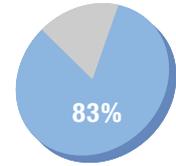


Hirofumi Shimada
President and Representative Director
Nippon COMSYS Corporation

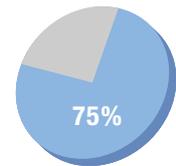
In July 2003, the Nippon COMSYS Group implemented a major reorganization to streamline and enhance the efficiency of operations, establishing a new Corporate Management Division to unify the sales and operational sides of the business and offer company-wide project support for sales, technology, and cost reduction strategies. In the IT business, as well, the IT Management Division was launched to strengthen nationwide support functions for IT-related technology design and execution, and to propose product plans and new large-scale businesses. With these moves, the Nippon COMSYS Group has achieved a comprehensive engineering services company structure that can dynamically offer proposal-type one-stop solutions on a nationwide scale.

For sales activities, in August 2003, the IT Management Division and other departments together commenced development of business in the information security sector, taking advantage of the newly certified Information Security Management System (ISMS). Also, in October 2003, the Nippon COMSYS Group expanded into the IP solutions sector through a business tie-up with Nissho Electronics Corporation and Nissho Techno System Corporation. In the e-Japan sector, the Nippon COMSYS Group is actively engaged in sales activities promoting construction of regional intranets for merged municipalities and optical fiber cable constructions using sewer pipe, making the most of its new CF-SS Cable Method, which achieves shorter construction times at lower costs.

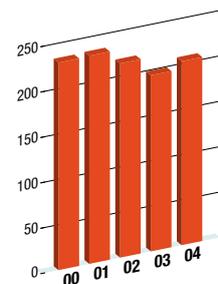
In these conditions, orders received in this fiscal year, while boosted by strong orders in the NTT Construction Sector for works related to broadband Internet services (B Flets), and by orders from NTT DoCoMo for FOMA-related works, were also affected by slower growth in the Domestic Construction and Engineering Sector, where investment in public sector projects was restrained. As a result, total orders received increased 1.5% to ¥202,560 million (US\$1,916 million). Net sales, meanwhile, were boosted by completed construction works related to B Flets projects, for a 2.9% increase to ¥206,517 million (US\$1,953 million). Profits continued to come under pressure, as severe competition drove down order prices. Nevertheless, as a result of the increase in net sales, and of reduction in personnel expenses through transfer of personnel to affiliated companies, as well as improved performance through the use of collective purchasing to keep material purchase prices under control, operating income rose sharply, by 23.0%, to ¥7,983 million (US\$75 million). In net income, as well, while other expenses of ¥1,945 million (US\$18 million) including a write-down of investments in securities of ¥1,071 million (US\$10 million) was recorded, other income of ¥1,393 million (US\$13 million) including a gain on transfer of the substitutional portion of the contributory pension plan of ¥1,104 million (US\$10 million) was recorded, resulting in growth of 85.7% over the previous year, to ¥4,584 million (US\$43 million).



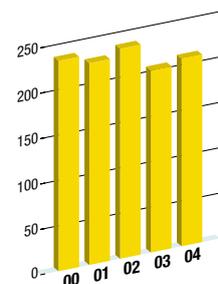
Share of Net Sales
Year ended March 31, 2004
(Actual)



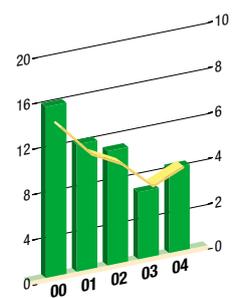
Share of Net Sales
Year ended March 31, 2004
(Simple sum)



New Orders Received (¥ Billions)



Net Sales (¥ Billions)



Operating Income (Left)
Operating Margin (Right)

Operating Income and
Operating Margin (¥ Billions, %)



Cable Engineering Works Project (installation of optical fiber cables)

Cable-Tunnel Construction Project (underground tunnel construction)

Switching System and Transmission Equipment Projects

Electric Power Equipment Projects

A Steel Tower for a Mobile Telecommunications System

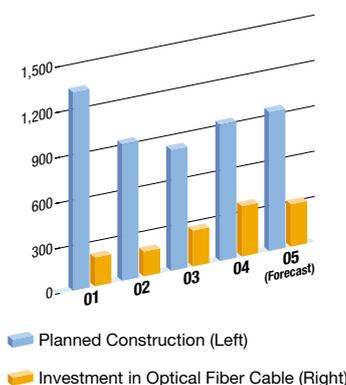
NTT Construction

The NTT Construction Sector is the core business for Nippon COMSYS, and includes the telecommunications infrastructure business for all sectors of NTT and the NTT Group. Ever since its establishment in 1951, Nippon COMSYS's NTT Construction Sector, with its reliable technological strengths, has been a leader in the telecommunications construction industry, contributing greatly to the building of Japan's telecommunications infrastructure. In the IT revolution of recent years, as well, the NTT Construction Sector, in contributing to the new communication society, has consistently demonstrated a spirit of determination to pursue the latest technologies and a strong spirit of challenge.

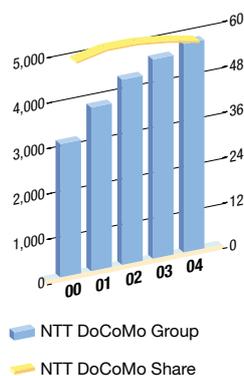
Nippon COMSYS's largest customer, Nippon Telegraph and Telephone Corporation (NTT), is making a concerted effort to create new services. NTT recently announced its vision for the next generation, which calls for a transition from fixed telephone networks to internet protocol (IP) networks and the emergence of a ubiquitous broadband era over the next four years, through the use of optical fiber. In these conditions, the spread of cell phones, coupled with the introduction of IP phones, means that

works related to the maintenance and management of the NTT and NTT DoCoMo circuit switching network will surely develop into an important market for the industry in the near future. Moreover, in regards to FTTH construction, progress is expected toward conversion of the access networks into optical systems, while works for laying optical cable into customer residences are also expected to increase as the number of subscribers rises. At NTT DoCoMo, meanwhile, work projects are expected to focus on conversion of transmission routes to IP networks, and FOMA related works for third-generation cell phones. Intensifying competition among telecommunications carriers, however, will result in high demand for reducing facilities construction costs as well as the need to further enhance cost competitiveness going forward.

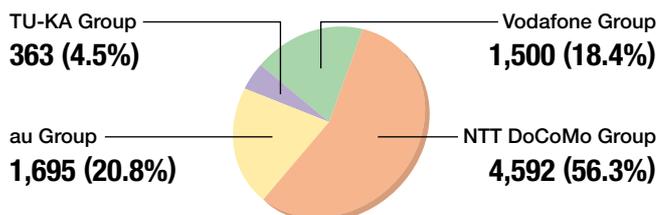
With the shift of telecommunications infrastructure to IP networks, Nippon COMSYS is actively engaged in the training of IP specialists to ensure a swift response to IP network issues. As noted above, the NTT Construction Sector, while improving safety and operations efficiency, rationalizing and strengthening outside orders, and developing technology specialists, has set improvement of profitability as its most important issue, and is exerting all its efforts toward maximization of profits.



Projected NTT Operations (¥ Billions)



The NTT DoCoMo Group Subscribers (Ten thousand, %)



Number of Subscribers by Carriers As of March 31, 2004 (Ten thousand)



We are now constructing a wind power plant, and will in the future seek involvement in environmentally friendly projects



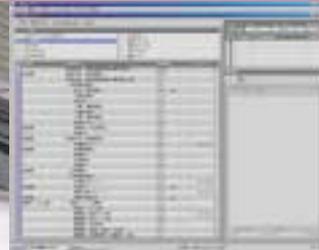
The Mio Castello Koutoku ILVIALE Condominiums, a COMSYS project



Presentation made at the 11th "NetWorld+Interop 2004 Tokyo"



Cable Engineering Works Project for TEPCO (installation of optical fiber cables)



IP phone active screen

Domestic Construction and Engineering

The Domestic Construction and Engineering Sector handles all domestic telecommunications construction projects other than those for the NTT Group's communications infrastructure construction, as well as construction projects and IT solutions business. This sector is engaged in a broad spectrum of activities, including the construction of telecommunications infrastructure and electric utility facilities, structural construction, and the installation of "CC Box" (multi-use underground cable conduits), cable TV equipment, eco businesses such as wind and solar power, and IT solutions which has been a recent focus.

The Domestic Construction and Engineering Sector plays an extremely important role in the process of Nippon COMSYS's growth. The sector plans to build on its performance in construction of NTT and NTT DoCoMo telecommunication infrastructure, which have long been core project activities, to develop an IT solutions business focused on network integration, in order to actively contribute to the Nippon COMSYS performance.

In other construction projects, the sector actively develops proposals for the IT conversion of apartment complexes and other residential structures, and makes the IT solutions business a core part of the sector's activities.

As part of its efforts to develop IT solutions business as a core area, the sector is strengthening its nationwide support functions for IT-related technology design and implementation programs, and has also launched an IT Management Division for developing product planning and new large-scale business proposals. With these efforts, the Domestic Construction and Engineering Sector has successfully built up a comprehensive engineering services organization capable of offering dynamic one-stop solutions on a nationwide scale.

Moreover, Nippon COMSYS is making aggressive efforts in the eco business, in fields such as the environment, resources, and energy that hold promise for future growth. The Domestic Construction and Engineering Sector will work to expand the scope of its business going forward.

Promotion of Business Tie-up in the IP Solutions Sector

On September 30, 2003, Nippon COMSYS formed a business tie-up with Nissho Electronics Corporation and Nissho Techno System Corporation for construction of network infrastructure and provision of IP (Internet Protocol) solutions.

The companies participating in the tie-up plan to develop business targeting NTT and others in the telecommunications industry, as well as other corporations, on a nationwide scale, and will provide solutions such as high-end routers for IP networks, which are showing strong growth worldwide.

Moreover, in the area of network engineering and technical support, as well, the tie-up participants plan to build mutually complementary structures in order to provide one-stop services for network design, consulting, construction, and testing, development of new technologies and services, and constant network monitoring.

The tie-up agreement is expected to bring in sales of ¥20.0 billion for the three participating companies in the fiscal year ending March 2006.





An outside plant project in Cebu, the Philippines' second most developed island after Luzon.

Installing aerial optical fiber cables in Bangkok.

Installing underground cables in Bangkok.

Optical fiber cable installation projects in Manila.

Improvement of the water supply in the Philippines.

International Operations

Since Nippon COMSYS was founded, we have contributed to development in a number of countries in Asia, Africa, the Middle East, South America, and other areas attempting to develop needed telecom infrastructure. Over the course of these myriad projects, and from its participation in the domestic telecommunications market and construction projects, Nippon COMSYS has developed a wealth of experience and technological expertise. This, in turn, has facilitated Nippon COMSYS's access to these competitive overseas markets.

Nippon COMSYS conducts its overseas business under its basic strategy, with a special emphasis on Southeast Asia.

Nevertheless, with the global economic slowdown brought on by the Asian currency crisis of 1997, and with the rapid changes in telecommunications technology seen in recent years, infrastructure investment in various countries dropped sharply, and opportunities for orders unavoidably declined.

Specific actions include the following:

- (1) Expand business in Southeast Asia, mainly in Thailand.
- (2) Closely monitor project trends in other regions, and respond as needed.
- (3) Pursue sales, in conjunction with domestic business sectors, to foreign-affiliated clients and the overseas operations of domestic clients.

Information Systems

Nippon COMSYS is engaged in the development of commercial systems, and has built a strong track record through the development of many business applications, networks, and database solutions. Nippon COMSYS has also developed many applications and control systems for various types of infrastructure for the NTT Group and other telecommunications firms, offering total solutions service packages encompassing everything from design to maintenance and administration.

Other information systems businesses include the production of interactive programming for digital satellite broadcasts, which allow viewers to interact with broadcast stations. Nippon COMSYS will be watching the rapid progress of IT for opportu-

nities to employ its high level of technological expertise in crafting proposals for new services.

In order to achieve a "paradigm shift to become a comprehensive engineering services company," Nippon COMSYS aims to deliver high value-added solutions services, shift from contract software development to systems integration, and participate in upstream processes. It is also working to strengthen its information business by training engineers and developing an organization capable of providing integrated network, software, and hardware solutions. Going forward, given the increasingly competitive economic environment, Nippon COMSYS hopes to differentiate itself from other companies and gain a competitive advantage by moving forward aggressively in developing Nippon COMSYS brand products.



Development of Application for Electronic Signature System



CRM Solutions—Contact Center Construction Template—Quick Builder



Disaster Survivor Detection System



MR Sales Support System

Construction Revenues for Last Three Years



Major Overseas Projects Completed

| | | |
|-------------|---|-----------------------|
| Nigeria | Ibadan new local line project | Over ¥4,000 million |
| Iraq | Installation of telephone lines for 17 local exchanges | Over ¥50 million |
| Egypt | Supply and installation of telecommunication cable network in Ismailia and Suez | Over ¥25 million |
| Thailand | Installation of digital exchange equipment | Less than ¥25 million |
| Taiwan | Installation of highway traffic control system | |
| Sri Lanka | Installation of local telephone lines in the Badulla and Anuradhapura regions | |
| Nepal | Installation of microwave telecommunications system (inside and remote) | |
| Thailand | Fifth local cable network installation for TOT in Bangkok and provinces | |
| Kuwait | Installation of digital loop coil system in Farwaniah Exchange | |
| Tanzania | Rehabilitation of telecommunications network in Dar es Salaam | |
| Thailand | Seventh local cable network for TelecomAsia and TT& T | |
| Philippines | Supply and installation of local cable network for Major Telecom Inc. in Mindanao | |
| Philippines | Supply and installation of OSP equipment and optical fiber cable for ICC in Manila | |
| Philippines | Installation of trunk lines and local network for GLOBE Telecom PHASE-2 in Manila and the provinces | |
| Thailand | The telephone expansion project to overcome short-term line shortage/B. E. 1996-1998 for TOT (800K) | |
| Philippines | Supply contract for OSP & optical fiber cable (BAYANTEL 40K) | |
| Philippines | Turnkey backhaul fiber optic network construction for DCI in Philippines | |
| Thailand | 100,000 Telephone Line Expansion Project in the North-East, North, South and Central Regions for TOT | |
| Philippines | Supply and installation of local cable and junction network for GLOBE Telecom PHASE-4 in Manila and the provinces | |

Overseas Projects in Progress

As of June 2004

| | |
|----------|--|
| Thailand | Optic Fiber Transmission Network Expansion Project for TOT |
| Thailand | Thailand wireless Local Loop Project for TOT |

Implementation of the Construction Occupational Health & Safety Management System (COHSMS)

Thorough safety and health management can strengthen the risk management structure

Effective January 1, 2004, Nippon COMSYS implemented the Construction Occupational Health & Safety Management System (COHSMS), which was recently adopted by the Japan Construction Safety and Health Association and is currently being promoted by the Ministry of Land, Infrastructure, and Transport for implementation throughout the construction industry. Nippon COMSYS is the first company in the Japanese information and communications infrastructure construction industry to introduce the system. Where previously the normal method in the construction industry was to utilize OHSAS18007 (Occupational Health and Safety Assessment Series) to respond to labor safety and health management issues, the introduction of COHSMS, with its specific targeting of construction industry safety and health issues, should serve to raise standards throughout the construction industry.

Nippon COMSYS is always striving to improve management systems, and has to date received certification under ISO9001 (quality management system standards), ISO14001 (environmental management system standards), and ISMS (Information Security Management System), culminating now in implementation of COHSMS, a new management system for more thorough safety and health management. Nippon COMSYS has now enhanced development of a total risk management structure that aims for safer information and communications construction work through reduction of potentially hazardous occupational elements in project operations and among employees, and that strives to promote worker health and comfortable working environments.

Company-Wide Certification under the Information Security Management System (ISMS) Acquired, First in the Japanese Information and Communications Infrastructure Construction Industry

Scope widens to all parts of the company, to strengthen information security policies

Effective August 4, 2004, Nippon COMSYS acquired certification under the Information Security Management System (ISMS) conformance evaluation system (in accordance with ISO/IEC17799) throughout all parts of the company, becoming the first company to do so in the Japanese information and communications infrastructure construction industry.

Through this certification, Nippon COMSYS has boosted the security awareness of all employees, ensured information security at a higher level through implementation of security measures, and built the capacity to provide the safe and reliable total solutions service expected of a one-stop solutions provider.

In future, Nippon COMSYS hopes to make use of the company-wide acquisition of ISMS for expansion of the IT business. Already, in August 2003, Nippon COMSYS successfully implemented ISMS in two divisions, the IT Management Division-Sales Engineering Group and the Corporate Management

Division-Technology Research & Development Center, for the first such certification in the Japanese information and communications construction industry.



Review of Operations



Chusei Sonta
President and Representative Director
 SANWA ELEC Co., Ltd.

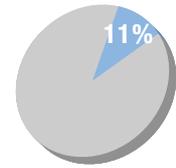
Based on the changing market environment with its expanding broadband services and progressive implementation of corporate IT, the SANWA ELEC Group has drawn up some basic tactics for expansion of orders and sales in the telecommunications infrastructure sector. The group is also actively cultivating new customers and sectors, in IP networks and solutions, and in improving cell phone sensitivity and maintenance, etc. In the electrical facilities sector, the difficult market environment due to declining public-sector investment and increasing competition in the private sector brought orders and net sales down, but development of sales strategies that emphasize profitability through entry into the renewal sector resulted in an improved profit margin.

To enhance competitiveness, meanwhile, the SANWA ELEC Group introduced the Special Early Retirement Program to reduce employee numbers, made changes to retirement age and retirement benefit programs, and worked to redesign cost control methods. Furthermore, introduction of the 2000 version of ISO9001 brought about a revolution in awareness, with more emphasis being placed on customer satisfaction.

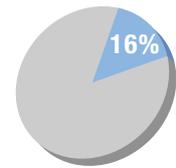
In this situation, orders received in the fiscal year ended March 2004, while boosted by strong orders for works related to NTT's B Fleets, and for mobile-related works, also saw steep declines switching works of information and communications related business, and in works related to wireless transmission and electrical facilities related business, stood at ¥20,486 million (US\$193 million), and net sales were ¥28,098 million (US\$265 million). Operating income was ¥1,596 million (US\$15 million), and net income was ¥559 million (US\$5 million).

Though COMSYS Holdings was established on September 29, 2003, for SANWA ELEC, with October 1, 2003 being the deemed date of acquisition, the consolidated performance described above is for the half-year period from October 1, 2003 to March 31, 2004.

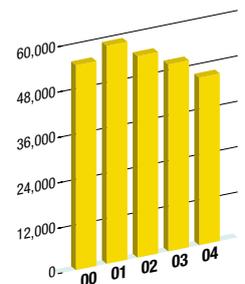
For SANWA ELEC's performance for the full fiscal year, net sales were ¥44,318 million (US\$419 million), a decline of 10.4% from the previous year. Nevertheless, compression of sales costs and reduction of personnel expenses resulted in a 7.0% increase in operating income to ¥942 million (US\$8 million). However, as a result of introduction of the Special Early Retirement Program and other system reforms, extraordinary losses of ¥1,240 million (US\$11 million) were recorded, which included special payments on employees' retirement of ¥290 million (US\$2 million), reserve for directors' retirement allowance of ¥212 million (US\$ 2 million), loss from financial support of affiliated companies of ¥187 million (US\$1 million) and allowance for doubtful receivables of ¥152 million (US\$1 million). As a result, a net loss of ¥165 million (US\$1 million) was recorded for the term.



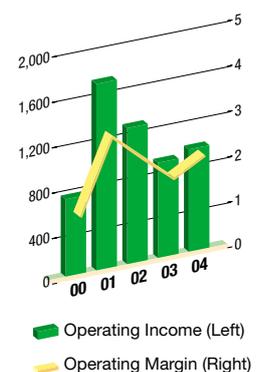
Share of Net Sales
 Year ended March 31, 2004
 (Actual)



Share of Net Sales
 Year ended March 31, 2004
 (Simple sum)



Net Sales (¥ Millions)



Operating Income and Operating Margin (¥ Millions, %)



C.C. Box Installation Work

Digital Switchboard Installation

Wireless LAN (hotel)

VHF Omni-directional Radio Range/Distance Measuring Equipment station (VOR/DME)

The SANWA ELEC Group business spans a broad range of sectors—from telecommunications infrastructure, electrical facilities, solutions, and transport infrastructure to environment and energy, and overseas projects—developed in a comprehensive balance, and the group works daily to realize its corporate philosophy, “Build a society where people can live truly abundant lives.”

Information and Communications Related Business

This Business Division is engaged in the design and implementation of telecommunications facilities for information and communications companies, and also in the design and implementation of information and communications systems, as well as software development, for NEC Corporation and public authorities at various levels.

Diversification of telecommunications methods is changing and affecting the environment, education, welfare, and other aspects of people’s lives. With projects to bury electrical power lines underground now being implemented by the Ministry of Land, Infrastructure and Transport, and by local government entities, as well as the information box project to link the entire nation with fiber optic cable, SANWA ELEC is responding to a broad array of needs to build the next-generation telecommunications society.

Moreover, SANWA ELEC is participating in the next-generation transport system ITS project, to support safer, more comfortable transport for people. SANWA ELEC has a great deal of experience in dealing with expressway safety and operation, from transformers, illumination, telecommunications, wireless infrastructure, and ITS systems, to maintenance and repair of disaster prevention facilities.

NTT Related Business

This Business Division designs and executes telecommunications infrastructure for NTT and its group companies. SANWA ELEC has been a certified general contractor for NTT for many years, and has made important contributions to the construction to Japan’s electrical and telecommunications network. In

Furthermore, SANWA ELEC is taking advantage of its strengths as a multi-vendor to provide IT solutions that support the total business, from proposals for the construction of LAN, WAN, and Internet systems, to their design, execution, maintenance, and operational management, and to contribute to development of a comfortable information systems environment.

SANWA ELEC’s information and communications related business is not limited to Japan, but extends overseas as well. SANWA ELEC assists in the construction of systems based on such new technologies as WDM, SDH, and CDMA, through the laying of international undersea cables, fiber optic cables and other telecommunications lines, and the construction of microwave stations, etc., and has made large contributions to the construction of the international telecommunications backbone network in the Americas, Europe, Africa, and Asia.

At a time when infrastructure investment by information and communications companies is on the decline, SANWA ELEC intends to continue growing by taking more orders for works related to fiber optic cables, LANs, and local intranets, and to develop a proposal-type solutions business to develop new customers.

In addition, the arrival of diversified media has made development of the telecommunications infrastructure a social imperative. In particular, with the rapid progress in globalization of wireless telecommunications networks, the mobile business can be expected to see further expansion of services. SANWA ELEC



Tokyo International Forum
Electrical Installation Work



Mobile phone base station
in Portugal



Submarine optical fiber
cable installation



Installation of ETC system
(Yokohama-Yokosuka Road)

has developed telecommunications formats that are capable of handling both next-generation mobile telephone services and high-speed, diverse broadband services.

At the present time, services are moving away from the fixed landline telephone network to IP networks, and construc-

tion of NTT telecommunications infrastructure is moving along with this trend. SANWA ELEC intends to expand its orders related to fiber optic cables, IP networks, and ADSL and other broadband works.

Electrical Facilities Related Business

This Business Division engages in comprehensive operations, from design of electrical related facilities for various types of structures, to their execution and maintenance, and SANWA ELEC offers combined capabilities for both electrical and information and communications facilities needs.

The range of services offered by SANWA ELEC includes support for intelligent buildings, Internet apartments, hospitals, schools, and other facilities with high public profiles and which utilize the latest business IT facilities, as well as construction of all types of information and communications systems for national and local institutions.

In recent years, SANWA ELEC has demonstrated its expertise in responding to increased demand for renewal of electrical facilities. Services offered include a total management package that begins with inspection and diagnosis of current conditions, follows up with execution and maintenance, and

extends to planning of renewals for the future.

SANWA ELEC is also actively involved in the next-generation energy sector, and is targeting projects that contribute to environmental conservation. Specifically, areas where SANWA ELEC is a participant include wind power generation systems, solar power generation systems, co-generation systems, air conditioning duct cleaning systems, and other projects that take the environment into careful consideration.

With investment in conventional public works projects declining sharply, SANWA ELEC is exerting efforts to develop new business sectors.

Aeronautical Information System Related Business

This Business Division operates as a sales representative for NEC, for the sale, installation, and maintenance of aviation control information systems.

For support of air transport, SANWA ELEC has rich experience in the construction and maintenance of aviation security facilities, air traffic control facilities, and information processing systems, including Air Route Surveillance Radar (ARSR/SSR), Very High Frequency Omnidirectional Range facilities (VOR/DME), Remote Communication Air-Ground facilities

(RCAG), Airport Surveillance Radar (ASR/SSR), Instrument Landing Systems (ILS), Flight Data Processing System (FDP), Radar Data Processing systems (RDP), and the Common Aeronautical Data Interchange Network (CADIN).

In the future, SANWA ELEC will strive to continue earning customer trust in support of safe air transport with comprehensive electrical and telecommunications technologies and service structures.

Construction of Electrical Facilities for the Kodama General Park Gymnasium

In June 2003, the Kodama General Park Gymnasium was completed in Kodama, Saitama Prefecture. The building is a two-story reinforced concrete structure, and the roof is covered with 60,000 locally made tiles.

In regards to construction of this gymnasium, SANWA ELEC received an order from the Urban Development Corporation for electrical facilities work. Because the ceiling was concrete surfacing formed into an arch, installation work for the interior illumination (96 lights) necessitated careful precautions for each light fixture to ensure that each one was horizontal against the curve of the ceiling, and that each part of the floor received the same amount of illumination. As a result, the work proceeded with careful inspections each step of the way.

Kodama is a sports-oriented town, and is particularly known all across Japan for its strong youth basketball programs. This gymnasium will contribute greatly to development of local sports.



Participation in the Shiodome Redevelopment Project

For the Tokyo Shiodome Urban Redevelopment Project, SANWA ELEC received orders from the Urban Development Corporation for electrical facilities work in the H-block parking garage being built for the high-rise rental apartment complex Acti Shiodome, and the project was completed in March 2004.

The parking garage is conveniently positioned, with the Metropolitan Expressway on the east side, and the Tokyo Waterfront New Transit YURIKAMOME on the west side. Improvement of the Shiodome skyline was an important factor in the design and execution. As a result specialized light sources were used for illumination, including garden lights, and lighting that illuminates the entire structure. The design has won plaudits from local residents and many others from farther afield, and is already becoming a well-known “oasis” for urban relaxation.



Review of Operations



Joichi Magara
President and Representative Director
TOSYS Corporation

The TOSYS Group operates on the basis of the “customer satisfaction first” principle, developing projects from the customer point of view. In April 2002, the solutions business and SI business were launched to add value to construction work on telecommunications infrastructure through the provision of comprehensive information and communications services for all processes, ranging from planning proposals and other upstream processes to maintenance, operations, and other downstream processes, so as to respond firmly to diversified customer needs. These efforts to strengthen operations will lead to realization of even more added value.

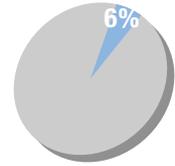
In addition, TOSYS is actively engaged in the development of TOSYS original products, including the development and sales of the TOSCOM basic accounting system for the construction industry.

Moreover, in order to ensure stable profits in the midst of ever more severe price competition, TOSYS is enhancing price competitiveness through continuous implementation of cost restructuring measures, and also through concentration of operations shared within the group, and other new measures.

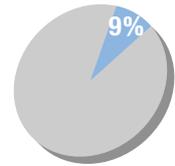
In this situation, orders received in this fiscal year were stronger on increased works related to NTT’s B Fleets, and to the solutions business, reaching ¥13,071 million (US\$123 million). Net sales moved generally with orders, registering ¥15,359 million (US\$145 million). A combination of increased net sales and cost reduction measures resulted in operating income of ¥945 million (US\$8 million) and net income of ¥434 million (US\$4 million).

Though COMSYS Holdings was established on September 29, 2003, for TOSYS, with October 1, 2003 being the deemed date of acquisition, so that the above consolidated performance is for the half-year period from October 1, 2003 to March 31, 2004.

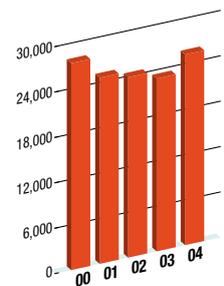
For TOSYS’s performance for the full fiscal year, net sales were ¥25,379 million (US\$240 million), an increase of 5.2% from the previous year. As a result of a review of materials and subcontract costs, which reduced the sales cost ratio by 0.6 percentage points, operating income rose by 35.5% to ¥947 million (US\$8 million). Income before income taxes rose by 39.7% to ¥902 million (US\$8 million). Current income taxes were ¥501 million (US\$4 million), and accrued deferred income taxes totaled ¥115 million (US\$1 million). After minority interests of ¥156 million (US\$1 million), net income rose by 15.6% to ¥360 million (US\$3 million).



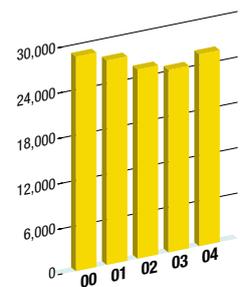
Share of Net Sales
Year ended March 31, 2004
(Actual)



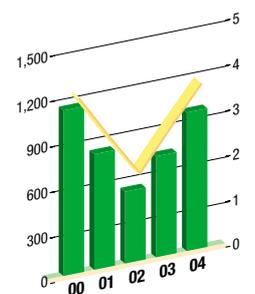
Share of Net Sales
Year ended March 31, 2004
(Simple sum)



New Orders Received (¥ Millions)



Net Sales (¥ Millions)



Operating Income (Left)
Operating Margin (Right)

Operating Income and
Operating Margin (¥ Millions, %)



Cable Engineering Works Project (installation of optical fiber cables)

Cable Engineering Works Project (installation of optical fiber cables)

Switchboard Expansion and Testing

Connection to Optical Fiber Cable Terminal Board

TOSYS Corporation was originally created as a regional company for handling NTT telecommunications infrastructure construction, utilizing advanced technological skills for the construction of electrical and telecommunications systems, mainly in the two prefectures of Nagano and Niigata, to generate steady business performance. TOSYS has accumulated much know-how in the construction and development of Japan's information and communications network, and its strengths lie in its ability to provide powerful network solutions.

Business Operations

TOSYS business operations can be divided into four construction sectors, including NTT related electrical and telecommunications operations, which include work laying telecommunications lines for NTT and the NTT Group, telecommunications civil engineering work, and switching, transmission, and power construction work; telecommunications systems work, network integration, and other information and communications related operations for New Common Carriers (NCC), private-sector corporations, and government and public offices; electrical facilities related work, including non-NTT electrical facilities work and highway infrastructure work; and

civil engineering related work. A fifth sector is handled by a subsidiary company, Tulip Life Co., Ltd., and includes such diverse activities as automobile inspections, insurance agency work, and petroleum sales, etc.

TOSYS is a telecommunications construction company specializing in a certain region (Nagano and Niigata prefectures) where it has deep roots and can handle projects of differing scale. Other than this regional focus and scale difference, however, TOSYS basically covers the same types of business operations as Nippon Comsys Corporation.

Maximization of Shareholder Value

On September 29, 2003, TOSYS transferred its shares to the COMSYS Holding Corporation, and integrated its management into the holding company. On the same day, COMSYS Holdings listed its shares on the Tokyo Stock Exchange and the Osaka Stock Exchange.

With this action, TOSYS was in effect also listed on the

stock exchange, so that its corporate activities became more widely recognized by society and value could be returned to shareholders. Moreover, as part of efforts to respond to the increased social responsibility that comes with a listed company, TOSYS is strengthening its compliance capabilities.



PC Set-up for LAN
Construction



Shiga Kogen Ski Resort
Surveillance Camera
Installation Work



Mercury Lamp Stabilizer
Check Test in Gymnasium



Telecommunications Carrier
Switchboard Installation Work

Toward Early Realization of the Effects of Management Integration

As the first salvo in the pursuit of greater effectiveness through management integration, the COMSYS Group launched COMSYS Shared Service Co., Ltd. on October 1, 2003, and entrusted it with the group's shared operations. At that time, Nippon COMSYS and SANWA ELEC transferred their shared administrative operations to the new company, to promote more efficiency and rationalization. In the TOSYS Group, shared group operations are already being outsourced to the subsidiary company Tulip Life, and studies into how to optimize operating procedures at COMSYS Shared Services and Tulip Life are now in progress.

The maximum objective for TOSYS for the moment is to secure greater efficiency through the merger of operations in the Nagano and Niigata areas. In this regard, all Nippon COMSYS execution and operations in the two prefectures, and

also NTT construction operations in the area, are to be unified by the spring of 2005. In particular, merger of the execution departments is expected to result in huge gains in efficiency and improved quality.

In the area of materials procurement and capital procurement, as well, TOSYS is taking advantage of the merits of scale offered by the COMSYS Group. Furthermore, in the solutions business, unification with the large-scale operations promoted by Nippon COMSYS and SANWA ELEC will help to ensure the quality and scale of TOSYS solutions. In this area, the group companies can expand their businesses by sharing case studies of successful solutions, and through mutual deployment of system engineers and other effective collaborative efforts.

Medium-Term Issues for the TOSYS Group

Reduction of general administrative and selling expenses and sales expenses

At the present time, TOSYS has the highest expense ratio within the COMSYS Group, an artifact of its smaller business scale. The TOSYS group plans to fully utilize shared companies and materials procurement companies to reduce the expense ratio.

Improvement of net sales per employee

While net sales per employee at TOSYS is near the top for its industry on a non-consolidated basis, the rate is the lowest of the three companies in the COMSYS Group when calculated on a consolidated base. TOSYS plans to improve this situation by taking such measures as reducing about 180 employees from its consolidated subsidiaries to bring net sales per employee to over ¥30 million (US\$283 thousand).

Eliminating interest-bearing debt

While TOSYS has to date worked to maintain virtually debt-free management operations, use of cash management services (CMS) to improve its capital investment activities should reduce the level of interest-bearing debt completely to zero.

Reinforcing solution business initiatives

TOSYS' solution business accounted for about 15% of total sales in the fiscal year ending March 2003. The specific sales goal for the fiscal year ending March 2006, however, is ¥4.0 billion (US\$37 million), or reaching 20% or more of total net sales.

Improvement in the operating margin

Implementation of the above measures should ensure an operating margin of more than 4%, thus contributing to the goal of ¥14.0 billion (US\$132 million) in operating income for the COMSYS Group as a whole in the fiscal year ending March 2006.

Role in Conversion of Shiga Kogen to Broadband Resort

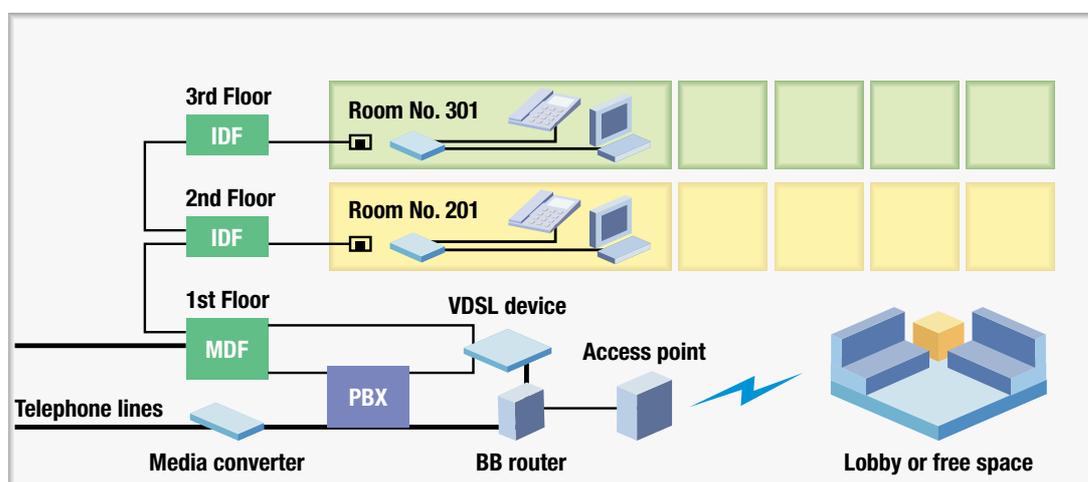
IT hotels are on the increase in the town of Yamanouchi in Shimotakai of Nagano Prefecture. In response to a “broadband resort declaration” issued by the Shiga Kogen Tourist Association, TOSYS proposed introduction of various services to places of lodging in the town, and then built the facilities, to launch the first fiber optic B Flets service ever seen at a tourist destination in Japan.

The B Flets service was incorporated into every lodging facility, allowing short-range, large-volume cable VDSL in the rooms, as well as wireless LAN, which can be used anywhere,

to create a convenient Internet environment. Moreover, PCs for accessing Internet content were installed in hotel lobbies and elsewhere, to enhance convenience for hotel guests.

In addition, large-throughput fiber optic cable was installed to facilitate live web cams of the area, displayed on real-time camera monitors. The live views of the hotels or of the mountain scenery have been received with great satisfaction by prospective tourists, as well as local residents who now have the ability to check traffic conditions in real-time using live camera feeds.

View inside the hotel



Construction of Resort Hotel System for Sala Karuizawa Hotel

In Karuizawa, the resort that is most representative of Nagano prefecture, and which hosts 8 million visitors per year, the Sala Karuizawa Hotel was reopened in April 2004 after undergoing an extensive renovation, based on the concept of maintaining repeat visitors while also attracting new visitors. The renovation project made use of proposal for a “hotel system” presented by TOSYS, and an IT-driven hotel service program was implemented.

In this system, a marketing support system based on CRM was implemented, enabling effective utilization of reservation and lodging history, and other guest data, to increase the capacity usage ratio, strengthen guest management, and improve services. In addition, the data can be used to set up planning proposals for highly accurate marketing strategies, using the following flow sequence: analysis, segment model adoption, action plan adoption, action verification, and feedback.

Future proposals include plans to link up with the CTI reservation system for assurance of smooth guest arrivals, and expansion of channels, as well as proposals to implement the system at other resort hotels.



Research and Development

In the market for the information and communications sector, which is expected to see further expansion as the IT revolution progresses, the COMSYS Group is engaged in research and development for the efficient and safe execution of its primary business focus, which is construction of electrical and telecommunications infrastructure. Moreover, with society undergoing a rapid shift from the telephone era to the IP broadband era, the group is prioritizing R&D into technologies for new sectors to prepare for moving into new markets, as well as development of systems related to rationalization of management.

Research and development expenses in the fiscal year ended March 31, 2004, were ¥385 million (US\$3 million). The research and development structure for the COMSYS Group includes Nippon COMSYS's Technology Research & Development Center, SANWA ELEC's Technology Research & Development Center, and TOSYS's Technology Research Center.

Research and development results obtained in the electrical telecommunications infrastructure construction sector were as follows.

Note that there are no exceptional R&D activities taking place outside of this sector.

Nippon Comsys Corporation

(1) R&D into technologies for more efficient execution

- Development of omnidirectional inspection camera inside pipes
- Development of all-purpose waterproof frame
- Development of peripheral jig tool for B Flets work
- Development of inner tube (MaxCell) peripheral technology
- Development of bedrock and concrete boring tool, "Hole in One"

(2) R&D into technologies for construction safety and improvement of quality

- Development of operations platform with ladder (for optical connections)
- Development of optical test code for IDM and FTM bracing

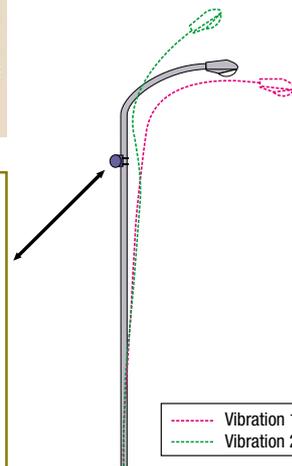
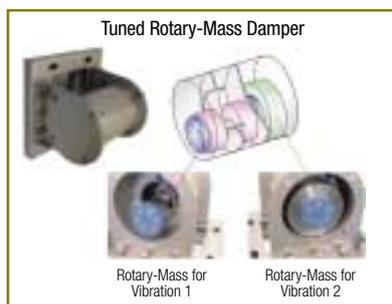
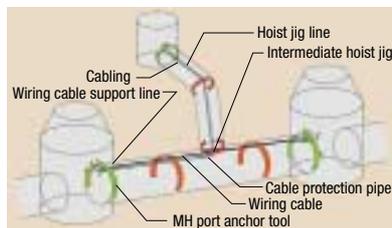
Features

Nippon COMSYS Develops New Method for Laying Fiber Optic Cable Inside Sewer Pipes—CF-SS (Self-Support) Cable Method

Nippon COMSYS has developed a new method for laying fiber optic cable inside sewer pipes, called the CF-SS Cable Method.

This method involves laying self-support type cable directly inside sewer pipes, using an anchor tool to prevent damage to the pipe and fix the cable in place at the head of the pipe with virtually no slack. Compared to previous methods, the burden on the sewer pipe is small, there is no need to stop sewerage flow, and the operation can be completed in a short time at low cost.

With the government's e-Japan plan, greater demand is expected for the laying of optical fiber cable inside sewer pipes, because of its low cost and high reliability. Nippon COMSYS is promoting use of this method, and is approaching local government entities as clients in the construction of a nationwide optical fiber cable network.



(3) R&D into new technologies and systems

- Development of technology for FTTH
- Development of IP maintenance technology (using RFID tags)
- Development of system (ledger) for preparation of integration system data estimates

Sanwa ELEC Co., Ltd.

(1) Development of laborsaving equipment and tools

- Development of terminal box adaptor for laying additional optical cables, etc., along existing underground lines
- Development of LIVIS Test device for motion check tests of low-pressure insulated monitoring devices
- Improvement of concrete pillar cutting tool

(2) Development of safety equipment and tools

- Development of hands-free speaker for mobile phones
- Development of power line evacuation cable device

TOSYS Corporation

(1) R&D into technologies for construction safety and improvement of quality

- Development of fixed support tool for optical cable connections (7SC connection)

Aside from the three main companies, no exceptional research and development activities are in progress at subsidiary companies.

Vibration-Damping Multi-Mode Device for Cancellation of Two Streetlight Pole Vibrations Developed, Joining the Tuned Rotary-Mass Damper Jointly Developed by Nippon COMSYS and Tokai University

Low-cost device with excellent vibration-damping effects based on roller theory proposed in industry-academia cooperation

The tuned rotary-mass damper for damping vibrations in structures was jointly developed in November 2001 by Nippon COMSYS and the Engineering Department of Tokai University, based on Nippon COMSYS's own roller theory. Now a new multi-mode type capable of damping two different vibrations at once has been developed, and Nippon COMSYS will commence sales activities based on the new product.

The tuned rotary-mass damper is used to control vibrations that may arise in structures due to earthquakes, wind, or traffic vibrations. It has an extremely simple structure, consisting solely of a cylindrical weight (roller) fitted inside a cylindrical vessel (shell). It has already been tested on streetlight poles, and its damping effectiveness was clearly demonstrated.

The new multi-mode type retains the damping performance of the previous type, and uses the device's compactness to form an expanded version that enables a damping response on two different kinds of vibrations at once. The multi-mode type demonstrated its effectiveness in damping out wind-swayed images taken by road surface surveillance cameras mounted on streetlight poles. Wind swaying had become a problem because wind direction and wind speed were generating different kinds of streetlight pole vibrations. The multi-mode type meets this problem by damping the two most likely types of vibrations, thus providing an effective vibration control measure.

Besides the tuned rotary-mass damper, Nippon COMSYS and Tokai University are currently engaged in research and development on other vibration-damping technologies, as well. One of these is a vibration-damping device for long-wave vibrations. The object of this research is control of vibrations in structures due to the relatively long-wave seismic vibrations generated by marine-type seismic waves, and this will result in a long-wave vibration-damping device that is an application of the roller mechanism. Another example of research and development into vibration-damping structures is the vibration control damper designed to control vertical vibrations in bridge girders. This is a vibration control technology that utilizes the horizontal displacement that occurs at the connection points between the girders and props due to vertical distortions in the girders. Nippon COMSYS and Tokai University have jointly secured a patent for the device.

Nippon COMSYS actively promotes joint research and development efforts between industry and academia, and supports the development of a more efficient and safer societal environment.

Basic Philosophy Regarding Corporate Governance

One of the management visions listed by the COMSYS Group is to be seen as the “best choice” company by all stakeholders. In addition, the group aims to continuously optimize the placement of business resources, and to maximize corporate value. The Company believes that strengthening corporate governance, in order to realize a group that operates in an honest, highly transparent management mode, is one of management’s most important issues.

COMSYS Holdings employs an auditor system, and the Board of Directors meets once a month. The Board of Directors consists of nine executive directors, and no outside directors have been selected. The Board takes decisions regarding items stipulated by laws and regulations, and regarding important management issues, and its performance is monitored by the four auditors in attendance.

The Senior Management Committee convenes twice each month, to discuss implementation of group operations and plans, based on the basic policies drawn up by the Board of Directors. Because of the need to accelerate and rationalize discussions regarding group operations, and because the Senior Management Committee is an important institution for discussions, the meeting is attended by the nine executive directors and one auditor, for effective and appropriate monitoring of legal issues.

The Statutory Auditors includes two outside auditors, for a total of four auditors. Each auditor attends Board meet-

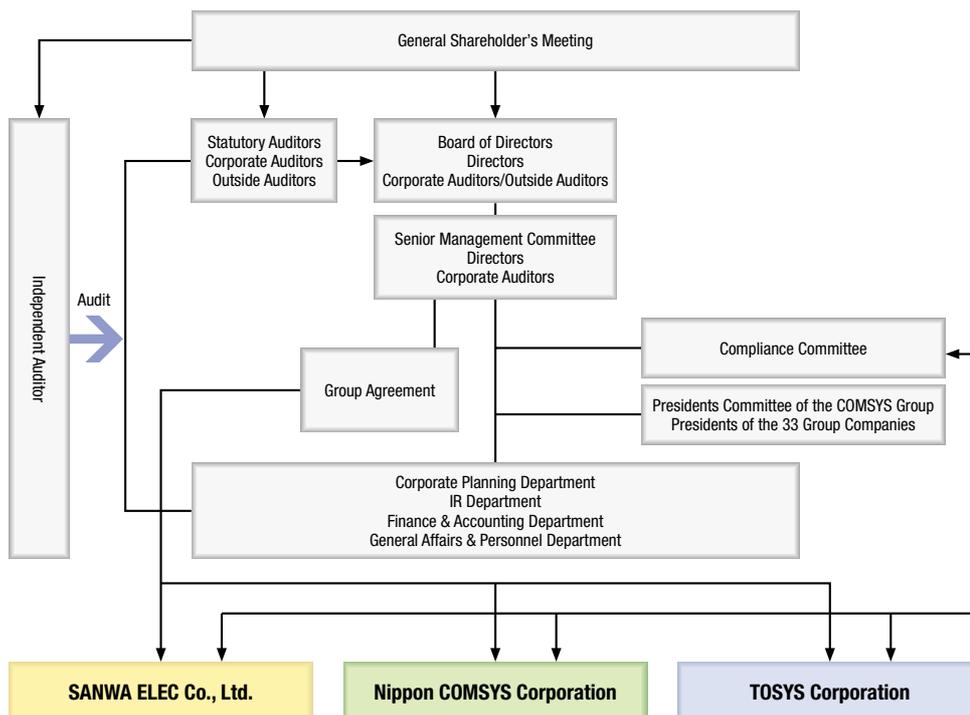
ings and other important meetings, and performs appropriate auditing of operations and execution. Auditors do not have a separate organization or staff to perform their functions.

For independent auditor, the Company has signed a contract with the O. Yu Kyodo Office Certified Public Accountants, which performs account auditing in cooperation with the Statutory Auditors.

Furthermore, the COMSYS Group has signed an agreement with the three companies regarding fulfillment of the group’s corporate responsibilities to society to establish the basic rules for group management, and to strengthen management controls. A basic rule, for example, is that each company confirms basic items related to group management, and refers important matters for discussion to the Company’s Management Meeting and Board of Directors.

Moreover, the Company has adopted a Compliance Program for observance of legal and corporate ethics, and established a Corporate Compliance Committee consisting of executives drawn from group member companies. This committee now meets regularly, once a month. The committee coordinates with the Compliance Committees of each of the three companies to improve and disseminate awareness of compliance issues throughout the group. To minimize the risks to group management, the committee also works with the auditor departments of the three companies to strengthen and standardize internal controls.

Corporate Governance Organization Chart



Corporate Citizenship



COMSYS supports the J league soccer team, Omiya Ardija.



In May 2001 COMSYS won ISO 14001 certification for all its domestic operations, demonstrating due concern with environmental protection.



The training courses for personal computer assistants for people with visual and hearing challenges.

The COMSYS Group is strongly conscious of its duty to the communities in which it operates. The Company engages in activities that promote environmental awareness, sponsors cultural events, and provides disaster-preparedness training.

In February 2000 Nippon COMSYS commenced inspection, analysis, and evaluation of every corner of Nippon COMSYS from an environmental perspective. It was necessary to create a new culture in which every employee became highly conscious of environmental problems, and committed to finding solutions. In May 2001, all of Nippon COMSYS's domestic operations received ISO 14001 certification. An Environmental Management System is in effect throughout Nippon COMSYS.

While offering our clients trusted, high-quality services, supported by strong technological capabilities, we are also protecting the environment, saving energy, and conserving materials. This not only strengthens our competitiveness, but supports the development of the 21st century's high-order, information-intensive society. We firmly believe that this will also help strengthen our business base.

The COMSYS Group is also an active participant in the regional community. The Omiya Ardija soccer team, founded through joint participation by Nippon COMSYS, NTT, and 19 other companies closely associated with NTT, is active in the J2 soccer league. The Japan Professional Football League is composed of regional teams, and develops players at all levels, from youth to professional. Omiya Ardija is intended to support and participate

in player development, as well as being a club that all can enjoy. We are pleased and happy to have the opportunity to contribute to the wellbeing of the public in this way.

In another field, training courses for assistants who support people with visual and hearing challenges using personal computers were held in April 2003 at the Nippon COMSYS IT Plaza, located on the Kantonaka Branch premises. At the Nippon COMSYS IT Plaza, people can experience ADSL, ISDN and B-Flets, and personal computing classes are held regularly for members of the local community. Computers are a powerful communications tool, and a tool for obtaining information for people with visual and hearing challenges. However, the number of these people who make use of the Internet is extremely low compared to that for people without such challenges. Thus, Nippon COMSYS has planned and held training courses for personal computer assistants for people with visual and hearing challenges, so that as many people as possible will be able to enjoy the benefits of the IT society. It is our hope that those who complete the course will take on roles as assistants who support people with these challenges at various public or welfare facilities in the future.

The COMSYS Group is proud to be able to contribute in all of these ways to the culture and society of our host regions. By doing so, we are able to give something in return to the communities that have made our existence and growth possible.

Management

As of June 29, 2004

BOARD OF DIRECTORS



Hironobu Takeuchi
*Chairman and Representative Director
(Chairman and Representative Director of
Nippon COMSYS Corporation)*



Hirofumi Shimada
*President and Representative Director
(President and Representative Director of
Nippon COMSYS Corporation)*

CORPORATE AUDITORS

Standing Auditor
Masahiro Yoshihara

Auditors
Takeru Mizoguchi
Takashi Kakimi
Tadashi Kumakura



Chusei Sonta
*Director
(President and Representative
Director of SANWA ELEC Co., Ltd.)*



Joichi Magara
*Director
(President and Representative
Director of TOSYS Corporation)*



Kenji Kondo
*Director
(Specializing in Business
Planning Promotion)*



Yoichi Chiba
*Director
(Specializing in Compliance)*



Kaoru Noda
*Director
(General Manager of Corporate
Planning Department, Specializing
in Corporate Strategy)*



Yoshiaki Miyawaki
*Director
(General Manager of General
Affairs & Personnel Department,
Specializing in Shared Operations)*



Yoshihiro Mimata
*Director
(General Manager of Finance &
Accounting Department,
Specializing in Investor Relations)*

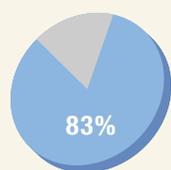
Financial Section

| | |
|--|----|
| Financial Review | 28 |
| Selected Financial and Operating Data | 31 |
| Consolidated Balance Sheets | 32 |
| Consolidated Statements of Income | 34 |
| Consolidated Statements of Shareholders' Equity | 34 |
| Consolidated Statements of Cash Flows | 35 |
| Notes to the Consolidated Financial Statements | 36 |
| Report of Independent Certified Public Accountants | 41 |

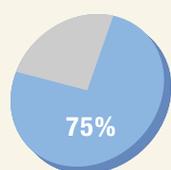
Financial Review



COMSYS Holdings Corporation (the Company) was established as a holding company through a transfer of shares on September 29, 2003, with Nippon COMSYS, Sanwa ELEC and TOSYS becoming fully owned subsidiaries. The Company's consolidated results for the fiscal year ended March 2004 include the consolidated results of Nippon COMSYS for the fiscal year from April 1, 2003 to March 31, 2004 and the consolidated results of both Sanwa ELEC and TOSYS for the half-year period from October 1, 2003 to March 31, 2004 (October 1, 2003 being the deemed date of acquisition). In the consolidation of Nippon COMSYS, Sanwa ELEC and TOSYS, the Company applied the pooling-of-interests method to Nippon COMSYS and its consolidated subsidiaries, identified as the acquiring group, and the purchase method to Sanwa ELEC and TOSYS and their consolidated subsidiaries, identified as the acquired group, considering comprehensively the ratio of the transfer of shares of each company.



Share of Net Sales
Year ended March 31, 2004
(Actual)



Share of Net Sales
Year ended March 31, 2004
(Simple sum)

Overview

In NTT operations, which make up the main business of the COMSYS Group, orders for Internet services (B Flets)-related construction and mobile telecommunications construction for FOMA from NTT DoCoMo were strong. In non-NTT operations, while the IT-related and solutions businesses performed well, both telecommunications construction and electrical facility construction faced a challenging environment for winning orders due to restrained public works investment and intensified competition in the private demand sector.

Results of Operations

In the fiscal year ended March 31, 2004, orders received stood at ¥235,747 million (US\$2,230 million) and net sales at ¥248,961 million (US\$2,355 million). Cost of sales was ¥220,037 million (US\$2,081 million), or 88.4% of the amount of net sales. Gross profit was ¥28,924 million (US\$273 million). Selling, general and administrative expenses stood at ¥18,138 million (US\$171 million), or 62.7% of the amount of gross profit on sales. The ratio of selling, general and administrative expenses to net sales was 7.3%. As a result

Supplemental Consolidated Financial Information

Nippon COMSYS Corporation and Consolidated Subsidiaries

Years ended 31st March, 2003 and 2004

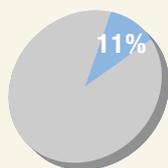
| | Millions of yen | | Percentage change |
|-------------------------------------|-----------------|----------------|-------------------|
| | 2003 | 2004 | |
| For the Year | | | |
| New Orders Received during the Year | 199,495 | 202,560 | 1.5% |
| Net Sales | 200,610 | 206,517 | 2.9 |
| Operating Income | 6,490 | 7,983 | 23.0 |
| Net Income | 2,468 | 4,584 | 85.7 |
| At Year-End | | | |
| Total Assets | 166,528 | 177,140 | 6.4 |
| Shareholders' Equity | 111,724 | 116,624 | 4.4 |

of the foregoing, operating income was ¥10,786 million (US\$102 million). The operating margin was 4.3%. Interest and dividend income was ¥193 million (US\$1 million), and interest expenses were ¥149 million (US\$1 million). The net amount of other expenses stood at ¥425 million (US\$4 million). This figure includes other income of ¥1,104 million (US\$10 million) in gains on the transfer of the substitutional portion of the contributory pension plan, ¥888 million (US\$8 million) in amortization of consolidation adjustments arising from the business combination, and ¥594 million (US\$5 million) in amortization of other consolidation adjustments. It also includes other expenses of ¥1,071 million (US\$10 million) on the write-down of investments in securities, ¥549 million (US\$5 million) in allowance for doubtful receivables, and ¥283 million (US\$2 million) in special payments on employees' retirement. As a result of the foregoing, income before income taxes and other adjustments to net income was ¥11,255 million (US\$106 million).

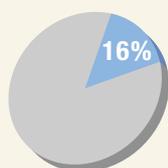
Income taxes for the fiscal year ended March 31, 2004 totaled ¥4,337 million (US\$41 million), and the ratio of income taxes to income before income taxes (the effective

tax rate) was 38.5%. Minority interests stood at ¥326 million (US\$3 million). As a result of the foregoing, net income was ¥6,592 million (US\$62 million), and the ratio of net income to net sales was 2.6%. Net income per share was ¥45.96 (US\$0.43). Diluted net income per share is not reported, as there were no residual securities outstanding at the end of the term. Dividends of ¥7 (US\$0.07) were declared.

Compared to results forecasts made at the time of the establishment of the Company, net sales were off 0.4%, operating income was up 21.2%, and net income was 9.8% better than forecasted. Net sales very nearly achieved forecasts, and income exceeded what was projected. This positive performance was the result of a reduction in the cost of sales ratio of 0.7 points from the projected 89.1% to 88.4%, as described above. This was achieved through a rationalization of outsourcing expenses, centralized purchasing of construction materials, reduced personnel expenses and a reduction in interest payments due to the introduction of group finance.



Share of Net Sales
Year ended March 31, 2004
(Actual)



Share of Net Sales
Year ended March 31, 2004
(Simple sum)

Supplemental Consolidated Financial Information

SANWA ELEC Co., Ltd. and Consolidated Subsidiaries

Years ended 31st March, 2003 and 2004

| | Millions of yen | | Percentage change |
|--------------------------------------|-----------------|---------------|-------------------|
| | 2003 | 2004 | |
| For the Year | | | |
| New Orders Received during the Year* | — | — | —% |
| Net Sales | 49,455 | 44,318 | -10.4 |
| Operating Income | 880 | 942 | 7.0 |
| Net Income (Loss) | 54 | (165) | — |
| At Year-End | | | |
| Total Assets | 32,943 | 28,266 | -14.2 |
| Shareholders' Equity | 3,209 | 3,350 | 4.4 |

*SANWA ELEC Co., Ltd. does not disclose New Orders Received on a consolidated basis.

Financial Position

At the end of the term, cash and cash equivalents stood at ¥32,889 million (US\$311 million), and short-term investments were ¥418 million (US\$3 million). Notes and accounts receivable totaled ¥80,578 million (US\$762 million). The accumulated cost of construction in progress was ¥23,425 million (US\$221 million). Deferred tax assets stood at ¥2,215 million (US\$20 million). Other current assets totaled ¥2,999 million (US\$28 million). As a result of the foregoing, current assets stood at ¥142,289 million (US\$1,346 million).

Reviewing liabilities, short-term bank loans were ¥6,034 million (US\$57 million), while the current portion of long-term debt stood at ¥1,300 million (US\$12 million). Trade payables totaled ¥43,364 million yen (US\$410 million). Advances received on construction in progress came to ¥6,527 million (US\$61 million), income tax payable was ¥4,373 million (US\$41 million), and other current liabilities totaled ¥5,588 million (US\$52 million). As a result of the foregoing, current liabilities came to ¥67,186 million (US\$635 million), for a current assets to current liabilities ratio of 2.1.

Investments and other assets stood at ¥18,777 million (US\$177 million). Total property and equipment came to ¥50,652 (US\$479 million) after depreciation. As a result, total assets stood at ¥211,718 million (US\$2,003 million). Share-

holders' equity was ¥121,326 million (US\$1,147 million), while the capital ratio stood at 57.3%. Shareholders' equity per share calculated on the basis of the number of shares outstanding at March 31, 2004 was ¥859.24 (US\$8.13).

The COMSYS Group conducted ¥2,950 (US\$27 million) million in capital expenditure which included increasing and updating offices, construction sites, tools and equipment, and fixtures accompanying an expansion in business size as well as the promotion of work automation and training of engineers.

Cash Flows

Cash flows for the fiscal year ended March 2004 saw income of ¥12,101 million (US\$114 million) in cash flows from operating activities and expenditure of ¥83 million (US\$785 thousand) in cash flows from investing activities. Cash flows from financing activities came to ¥8,457 million (US\$80 million) in expenditure. As a result of the foregoing, net cash and cash equivalents increased by ¥3,561 million (US\$33 million) from ¥25,411 million (US\$240 million) at the beginning of the fiscal year, and there was also an increase of ¥3,917 million (US\$37 million) due to business combination. As a result, cash and cash equivalents at the end of the fiscal year stood at ¥32,889 million (US\$311 million).



Share of Net Sales
Year ended March 31, 2004
(Actual)



Share of Net Sales
Year ended March 31, 2004
(Simple sum)

Supplemental Consolidated Financial Information

TOSYS Corporation and Consolidated Subsidiaries

Years ended 31st March, 2003 and 2004

| | Millions of yen | | Percentage change |
|-------------------------------------|-----------------|---------------|-------------------|
| | 2003 | 2004 | |
| For the Year | | | |
| New Orders Received during the Year | 23,472 | 25,833 | 10.1% |
| Net Sales | 24,130 | 25,379 | 5.2 |
| Operating Income | 699 | 947 | 35.5 |
| Net Income | 311 | 360 | 15.6 |
| At Year-End | | | |
| Total Assets | 14,373 | 15,092 | 5.0 |
| Shareholders' Equity | 7,856 | 7,307 | -7.0 |

Selected Financial and Operating Data

COMSYS Holdings Corporation and Consolidated Subsidiaries

Year ended 31st March, 2004

| | Millions of yen | Thousands of U.S. dollars |
|--|-----------------|------------------------------|
| | 2004 | 2004 |
| Results of Operations: | | |
| New orders received during the year | ¥235,747 | \$2,230,552 |
| Net sales | 248,961 | 2,355,578 |
| Operating income | 10,786 | 102,053 |
| Income before income taxes and other adjustments to net income | 11,255 | 106,491 |
| Net income | 6,592 | 62,371 |
| Capital expenditure | 2,950 | 27,912 |
| Research and development expenditure | 385 | 3,643 |
| Financial Position: | | |
| Total assets | ¥211,718 | \$2,003,198 |
| Property and equipment | 50,652 | 479,251 |
| Long-term debt | 4,150 | 39,266 |
| Shareholders' equity | 121,326 | 1,147,942 |
| Interest-bearing debt | 11,484 | 108,657 |
| Modified working capital | 58,205 | 550,719 |
| Per Share of Common Stock (in yen and U.S. dollars): | | |
| Net income | ¥ 45.96 | \$0.43 |
| Cash dividends | 7.00 | 0.07 |
| Shareholders' equity | 859.24 | 8.13 |
| Financial Ratios: | | |
| Operating income to net sales | 4.3 | |
| Net income to net sales | 2.6 | |
| R&D expenses to net sales | 0.2 | |
| SG&A expenses to net sales | 7.3 | |
| Equity ratio | 57.3 | |
| Return on equity | 5.7 | |
| Return on total assets | 4.1 | |
| Interest coverage (times) | 73.58 | |
| Debt/equity ratio | 0.09 | |
| Other Statistics: | | |
| Number of employees at fiscal year-end (persons) | 7,091 | |
| Common stock issued (thousand shares) | 145,977 | |
| Common stock price range (for six months period ended 31st March, 2004, in yen): | | |
| High | 898 | |
| Low | 504 | |

Note: 1. For convenience only, the accompanying Japanese yen figures for 2004 have been translated into U.S. dollars at the rate of ¥105.69 to \$1, the rate prevailing on 31st March, 2004.

Consolidated Balance Sheets

COMSYS Holdings Corporation and Consolidated Subsidiaries

As of 31st March, 2004

| | Millions of yen | Thousands of U.S. dollars (Note 1) |
|--|-----------------|---------------------------------------|
| ASSETS | 2004 | 2004 |
| Current Assets: | | |
| Cash and cash equivalents | ¥ 32,889 | \$ 311,184 |
| Short-term investments (Notes 3 and 4) | 418 | 3,955 |
| Notes and accounts receivable—trade | 80,578 | 762,399 |
| Inventories: | | |
| Accumulated cost of construction in progress | 23,425 | 221,639 |
| Deferred income taxes (Note 7) | 2,215 | 20,958 |
| Other current assets | 2,999 | 28,375 |
| Less: Allowance for doubtful receivables | (235) | (2,224) |
| Total current assets | 142,289 | 1,346,286 |
| Investments and Other Assets: | | |
| Investment securities: | | |
| Unconsolidated subsidiaries and affiliates | 590 | 5,582 |
| Other (Notes 3 and 4) | 5,035 | 47,639 |
| Long-term loans receivable | 3,170 | 29,994 |
| Deferred income taxes (Note 7) | 2,952 | 27,931 |
| Other assets | 9,296 | 87,955 |
| Less: Allowance for doubtful receivables | (2,266) | (21,440) |
| Total investments and other assets | 18,777 | 177,661 |
| Property and Equipment: | | |
| Land (Note 4) | 27,418 | 259,419 |
| Buildings and structures (Note 4) | 30,812 | 291,532 |
| Machinery and equipment | 19,124 | 180,944 |
| Construction in progress | 2 | 19 |
| Less: Accumulated depreciation | (26,704) | (252,663) |
| Total property and equipment | 50,652 | 479,251 |
| | ¥211,718 | \$2,003,198 |

See Notes to the Consolidated Financial Statements.

| | Millions of yen | Thousands of U.S. dollars (Note 1) |
|---|-----------------|---------------------------------------|
| LIABILITIES AND SHAREHOLDERS' EQUITY | 2004 | 2004 |
| Current Liabilities: | | |
| Short-term bank loans (Note 4) | ¥ 6,034 | \$ 57,091 |
| Current portion of long-term debt (Note 4) | 1,300 | 12,300 |
| Accounts payable—Trade | 43,364 | 410,294 |
| Advances received on construction in progress | 6,527 | 61,756 |
| Income taxes payable | 4,373 | 41,376 |
| Other current liabilities | 5,588 | 52,872 |
| Total current liabilities | 67,186 | 635,689 |
| Long-Term Liabilities: | | |
| Long-term debt (Note 4) | 4,150 | 39,266 |
| Accrued severance indemnities (Note 5) | 7,021 | 66,430 |
| Deferred income taxes (Note 7) | 1,160 | 10,975 |
| Deferred tax liabilities for unrealized gains on land revaluation (Note 10) | 2,366 | 22,386 |
| Consolidation adjustments account | 7,056 | 66,761 |
| Other long-term liabilities | 47 | 445 |
| Total long-term liabilities | 21,800 | 206,264 |
| Minority Interests | 1,406 | 13,303 |
| Contingent Liabilities (Note 6) | | |
| Shareholders' Equity (Note 9): | | |
| Common stock, par value ¥50 per share: | | |
| Authorized 580,000 thousand shares | | |
| Issued 145,977 thousand shares | 10,000 | 94,616 |
| Additional paid-in capital | 56,613 | 535,652 |
| Retained earnings | 66,845 | 632,463 |
| Unrealized loss on land revaluation (Note 10) | (8,514) | (80,556) |
| Unrealized gain (loss) on securities | 211 | 1,996 |
| | 125,155 | 1,184,171 |
| Treasury stock, at cost | (3,829) | (36,229) |
| Total shareholders' equity | 121,326 | 1,147,942 |
| | ¥211,718 | \$2,003,198 |

Consolidated Statements of Income

COMSYS Holdings Corporation and Consolidated Subsidiaries

Year ended 31st March, 2004

| | Millions of yen | Thousands of U.S. dollars (Note 1) |
|--|-----------------|---------------------------------------|
| | 2004 | 2004 |
| Net Sales | ¥248,961 | \$2,355,578 |
| Cost of Sales | 220,037 | 2,081,910 |
| Gross profits | 28,924 | 273,668 |
| Selling, General and Administrative Expenses | 18,138 | 171,615 |
| Operating income | 10,786 | 102,053 |
| Other Income (Expenses): | | |
| Interest and dividend income | 193 | 1,826 |
| Interest expenses | (149) | (1,409) |
| Other, net (Note 11) | 425 | 4,021 |
| | 469 | 4,438 |
| Income before income taxes and other adjustments to net income | 11,255 | 106,491 |
| Income Taxes (Note 7): | | |
| Current | 4,876 | 46,135 |
| Deferred | (539) | (5,100) |
| | 4,337 | 41,035 |
| Minority Interests | 326 | 3,085 |
| Net Income | ¥ 6,592 | \$ 62,371 |

| | Yen | U.S. dollars (Note 1) |
|--|---------|-----------------------|
| Amounts per share: | | |
| Net income | | |
| —Basic | ¥45.96 | \$0.43 |
| —Diluted | — | — |
| Cash dividends | 7.00 | 0.07 |
| Weighted average number of shares (in thousands) | 145,977 | |

See Notes to the Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity

COMSYS Holdings Corporation and Consolidated Subsidiaries

Year ended 31st March, 2004

| | Millions of yen | Thousands of U.S. dollars (Note 1) |
|---|-----------------|---------------------------------------|
| | 2004 | 2004 |
| Common stock: | | |
| Balance at beginning of the year | ¥10,000 | \$ 94,616 |
| Balance at end of the year | ¥10,000 | \$ 94,616 |
| Additional paid-in capital: | | |
| Balance at beginning of the year | ¥30,736 | \$290,813 |
| Increases arising from business combination | 25,877 | 244,839 |
| Balance at end of the year | ¥56,613 | \$535,652 |
| Retained earnings: | | |
| Balance at beginning of the year | ¥61,158 | \$578,655 |
| Net income | 6,592 | 62,371 |
| Increase arising from merger of consolidated subsidiaries | 85 | 804 |
| Cash dividends | (918) | (8,686) |
| Bonuses to directors | (72) | (681) |
| Balance at end of the year | ¥66,845 | \$632,463 |

See Notes to the Consolidated Financial Statements.

Consolidated Statements of Cash Flows

COMSYS Holdings Corporation and Consolidated Subsidiaries

Year ended 31st March, 2004

| | Millions of yen | Thousands of U.S. dollars (Note 1) |
|---|-----------------|---------------------------------------|
| | 2004 | 2004 |
| Cash Flows from Operating Activities: | | |
| Income before income taxes and other adjustments to net income | ¥ 11,255 | \$ 106,491 |
| Depreciation and amortization | 3,945 | 37,326 |
| Write-down of investments in securities | 1,071 | 10,133 |
| Increase in allowance for doubtful receivables | 558 | 5,280 |
| Decrease in accrued severance indemnities | (921) | (8,714) |
| Interest and dividends received | (193) | (1,826) |
| Interest expenses | 149 | 1,410 |
| Loss on disposal of property and equipment | 138 | 1,306 |
| Increase in receivables—trade | (11,296) | (106,879) |
| Decrease in inventories | 4,227 | 39,994 |
| Increase in payables—trade | 5,075 | 48,018 |
| Decrease in other assets | 231 | 2,186 |
| Decrease in other liabilities | (2,070) | (19,586) |
| Directors' bonuses paid | (80) | (757) |
| Amortization of consolidation adjustments | (1,482) | (14,022) |
| Other, net | 90 | 851 |
| | 10,697 | 101,211 |
| Cash and cash equivalents received on interest and dividends income | 180 | 1,703 |
| Cash and cash equivalents paid for interest expenses | (138) | (1,306) |
| Cash and cash equivalents paid for income taxes | (835) | (7,900) |
| Cash and cash equivalents refunded for income taxes | 2,197 | 20,787 |
| Net cash provided by operating activities | 12,101 | 114,495 |
| Cash Flows from Investing Activities: | | |
| Decrease in short-term investments, net | 1,153 | 10,909 |
| Decrease in investment securities, net | 638 | 6,037 |
| Acquisitions of property and equipment | (1,815) | (17,173) |
| Acquisitions of other assets | (620) | (5,866) |
| Proceeds from sale of property | 104 | 984 |
| Increase in long-term loans | (312) | (2,952) |
| Collection of long-term loans | 588 | 5,563 |
| Other | 181 | 1,713 |
| Net cash used in investing activities | (83) | (785) |
| Cash Flows from Financing Activities: | | |
| Decrease in short-term borrowings, net | (4,746) | (44,905) |
| Repayment of long-term debt | (1,761) | (16,662) |
| Proceeds from long-term debt | 388 | 3,671 |
| Acquisitions of treasury stock | (735) | (6,954) |
| Cash dividends paid | (924) | (8,743) |
| Share transfer payments | (679) | (6,424) |
| Net cash used in financing activities | (8,457) | (80,017) |
| Net Increase in Cash and Cash Equivalents | 3,561 | 33,693 |
| Cash and Cash Equivalents at Beginning of Year | 25,411 | 240,430 |
| Increase due to Business Combination | 3,917 | 37,061 |
| Cash and Cash Equivalents at End of Year | ¥ 32,889 | \$ 311,184 |

See Notes to the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

COMSYS Holdings Corporation and Consolidated Subsidiaries

1. Basis of Presenting Consolidated Financial Statements

COMSYS Holdings Corporation (the "Company") was established on 29th September, 2003 as a business combination by the transfer of shares of Nippon Comsys Corporation ("COMSYS"), Sanwa ELEC Co., Ltd. ("ELEC") and TOSYS Corporation ("TOSYS") as stipulated in Article 364 of the Commercial Code of Japan (the "Commercial Code"). As a result of this transfer of shares, COMSYS, ELEC and TOSYS became wholly owned subsidiaries of the Company. All of the three subsidiaries are mainly engaged in construction of telecommunications infrastructure.

The accompanying consolidated financial statements have been prepared from accounts and records maintained in Japanese yen by the Company and its subsidiaries (together, the "Companies") in conformity with accounting principles and practices generally accepted in Japan (the "GAAP of Japan"), which differ in certain respects as to application and disclosure requirements from International Accounting Standards. Also, the accompanying consolidated financial statements have been prepared from the consolidated financial statements filed with the Ministry of Finance of Japan as required by the Securities and Exchange Laws of Japan. Certain reclassifications of account balances have been made so as to present the financial statements in a form that is more familiar to readers outside Japan.

The accounts and records of the Companies are maintained in Japanese yen. The accompanying consolidated financial statements have been presented in Japanese yen and have also been presented in U.S. dollars by translating all Japanese yen amounts using the rate of ¥105.69 to US\$1. The presentation of such dollar amounts is solely for the convenience of the reader and is not intended to imply that yen amounts have been or could be converted, realized or settled in dollars at that or at any other rate.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and 33 subsidiaries (see "Corporate Directory" at the last page of this annual report) over which the Company exerts substantial control either through majority ownership of voting shares and/or by other means. For the purposes of preparing the consolidated financial statements, all significant inter-company transactions, account balances and unrealized profits among the Companies have been eliminated.

The accounts of other subsidiaries and affiliates were not consolidated, since their aggregate sales, total assets, net income and retained earnings have little affect upon the total consolidated results of operations and assets. Also, investments in unconsolidated subsidiaries and affiliates are carried at cost due to their immateriality.

Certain subsidiaries are consolidated on the basis of fiscal periods ending 31st December, a closing date which differs from that of the Company; however, the necessary adjustments have been made if the effect of the difference is deemed material.

In the consolidation of COMSYS, ELEC and TOSYS, the Company comprehensively applied the pooling-of-interest method to COMSYS and its subsidiaries as the acquiring group and the purchase method to ELEC and TOSYS and their subsidiaries as the acquired group, after considering the ratio of the transfer of shares of each company as well as other factors in accordance with "Accounting for the Consolidation of the Holding Company Established by Exchange or Transfer of Shares" (JICPA Accounting Committee Research Report No.6). Consequently, the results of operations and cash flows of COMSYS and its subsidiaries for the year started from 1st April, 2003 and ended 31st March, 2004 have been included in the

accompanying consolidated financial statements; while those of ELEC and TOSYS and their subsidiaries for the period started from 29th September, 2003 and ended 31st March, 2004 have been included in the accompanying consolidated financial statements.

Goodwill arising from the afore-mentioned business combination is amortized at the incurrence; while others are mainly amortized over a period of 5 years using a straight-line method.

(b) Use of estimates

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities to prepare the accompanying consolidated financial statements in conformity with the GAAP of Japan. Actual results could differ from these estimates.

(c) Point of sales—construction contracts

Construction contracts of the Companies are accounted for by the completed-contract method. The accumulated cost of uncompleted construction is shown as "Accumulated cost of construction in progress" and the related billings (advances received) on uncompleted construction contracts are shown as "Advances received on construction in progress" in the accompanying balance sheets.

(d) Cash and cash equivalents

Cash and cash equivalents include all highly liquid investments, generally with original maturities of three months or less, those are readily convertible to known amounts of cash and are so near maturity that they present insignificant risk of changes in value because of changes in interest rates.

(e) Short-term investments and investment securities

The GAAP of Japan requires the classification of short-term investments and investment securities (except for "unconsolidated subsidiaries and affiliates") of the Companies into three categories as follows:

- i) Debt securities that are expected to be held-to-maturity: carried at accumulated cost using straight-line method.
- ii) Other securities whose fair values are readily determinable: carried at fair value with unrealized gains or losses included in Stockholders' Equity as "Unrealized gain (loss) on securities," net of applicable income taxes.
- iii) Other securities whose fair values are not readily determinable: carried at cost using moving-average method.

With respect to investments in unconsolidated subsidiaries and affiliates, the Companies are carrying their amounts at cost, determined by the moving average cost.

(f) Derivative Financial Instruments

A certain subsidiary uses financial instruments to manage exposures of interest rates and foreign currency exchange rates incurred in the ordinary course of business. Hedging instruments include interest rate options contracts, interest rate swap contracts and forward foreign exchange contracts.

Derivatives are recorded at fair value.

(g) Accumulated cost of construction in progress

In connection with (c) above, "Accumulated cost of construction in progress" is stated at cost based on an individual project basis.

(h) Property and equipment

Property and equipment are stated at cost. Depreciation is computed primarily by the declining-balance method; while the straight-line method is applied to building acquired after 1st April, 1998, both using estimated useful lives of assets principally as follows:

Buildings and structures 2 to 50 years

(i) Intangible assets and deferred charges

Intangible assets including software are carried at cost and amortized by the straight-line method over the estimated useful lives of assets. The useful life of software utilized in the Companies is estimated to be 5 years. Research and development costs are charged to income as incurred.

(j) Leases

Financial leases that do not transfer ownership of the property to lessee are accounted for as transactions of rent. Under the GAAP of Japan, financial leases in which ownership of the property is deemed to be transferred to the lessee are treated as capital leases; while it is permitted to treat others as operating leases if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

(k) Income taxes

Deferred tax assets and liabilities arising from temporary differences between financial and tax reporting are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse. In the preparation of the consolidated financial statements, deferred tax assets and liabilities also arose from the elimination of unrealized profits among the Companies and the adjustment of the allowance for doubtful receivables caused by the offsetting of inter-company receivables and payables.

(l) Appropriations of retained earnings

Appropriations of retained earnings of the Company at each year-end are reflected in the consolidated financial statements for the following year upon shareholders' approval (See Note 12).

(m) Net income and cash dividends per share

The computations of basic net income per share are based on the weighted average number of shares outstanding during each year. The GAAP of Japan requires deductions of the amounts with which stockholders of common stock are not vested (e.g. bonus paid to directors and corporate auditors) from net income when computing net income per share.

Cash dividends per share are based on the cash dividends applicable to the respective years, including dividends to be paid after the end of the year.

3. Short-Term Investments and Investment Securities-Other

Information that is required to be disclosed in the Notes to the consolidated financial statements by the regulations and rules on disclosures under the Securities and Exchange Laws of Japan, as amended to conform to certain reclassifications of account balances made to present the consolidated financial statements, consists of the following:

(a) Debt securities that are expected to be held-to-maturity whose fair value was readily determinable as at 31st March, 2004, were as follows:

| | 31st March, 2004 | | | |
|---------------------------|------------------|------------|---------------------------|------------|
| | Millions of yen | | Thousands of U.S. dollars | |
| | Book value | Fair value | Book value | Fair value |
| Japanese government bonds | ¥10 | ¥10 | \$95 | \$95 |

(b) Other securities whose fair value was readily determinable as at 31st March, 2004, were as follows:

| Classi- fication | 31st March, 2004 | | | | Thousands of U.S. dollars | | | |
|-------------------------|------------------|------------------------|-------------------------|------------|---------------------------|------------------------|-------------------------|------------|
| | Millions of yen | | | | Thousands of U.S. dollars | | | |
| | Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value | Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| Stocks | ¥1,294 | ¥574 | ¥133 | ¥1,735 | \$12,243 | \$5,431 | \$1,258 | \$16,416 |
| Bonds and debentures | 158 | 2 | — | 160 | 1,495 | 19 | — | 1,514 |
| Others | 1,156 | 9 | 90 | 1,075 | 10,938 | 85 | 852 | 10,171 |
| Total | ¥2,608 | ¥585 | ¥223 | ¥2,970 | \$24,676 | \$5,535 | \$2,110 | \$28,101 |

(c) Proceeds from sales of other securities and realized gains/losses on such sales, cost of the sales being determined by moving average method, for the year ended 31st March, 2004, were as follows:

| | Millions of yen | | Thousands of U.S. dollars | |
|---------------------|-------------------------------|---------|-------------------------------|------|
| | For the year ended 31st March | | For the year ended 31st March | |
| | 2004 | 2004 | 2004 | 2004 |
| Proceeds from sales | ¥767 | \$7,257 | | |
| Realized gains | 121 | 1,145 | | |
| Realized losses | 11 | 104 | | |

(d) Other securities whose fair value was not readily determinable as at 31st March, 2004 mainly consisted of unlisted stocks amounted to ¥2,210 million (US\$20,910 thousand).

(e) Debt securities that are expected to be held-to-maturity and other securities with maturity dates as at 31st March, 2004 consisted of the following:

| 31st March, 2004 | Book value | | | |
|------------------------------|-------------------|--------------|---------------|--------------|
| | Millions of yen | | | |
| | Due: Within 1 yr. | Within 5 yr. | Within 10 yr. | After 10 yr. |
| Bonds and debentures: | | | | |
| Japanese government bonds | ¥ — | ¥ 10 | ¥— | ¥ — |
| Corporate bonds | 100 | 58 | — | — |
| Others | — | 80 | — | — |
| Total | ¥100 | ¥148 | ¥— | ¥ — |

| 31st March, 2004 | Thousands of U.S. dollars | | | |
|------------------------------|---------------------------|--------------|---------------|--------------|
| | Due: Within 1 yr. | Within 5 yr. | Within 10 yr. | After 10 yr. |
| | Bonds and debentures: | | | |
| Japanese government bonds | \$ — | \$ 95 | \$— | \$ — |
| Corporate bonds | 946 | 548 | — | — |
| Others | — | 757 | — | — |
| Total | \$946 | \$1,400 | \$— | \$ — |

For the years ended 31st March, 2004, the Companies made write-down of investment securities, whose fair value was readily determinable, amounting to ¥19 million (US\$ 180 thousand), following an accounting policy of the Companies which requires a write-down of investment securities whose fair value at the fiscal year's end declined to an amount not more than 50% of the book value.

4. Short-Term Bank Loans and Long-Term Debt

The weighted average interest rates of short-term and long-term bank loans as at the year ended 31st March, 2004, were approximately 1.48 per cent. and 2.28 per cent., respectively.

At 31st March, 2004, consolidated subsidiaries' short-term bank loans amounting to ¥2,883 million (US\$27,278 thousand), long-term bank loans amounting to ¥4,065 million (US\$38,462 thousand) and bonds due 2004 amounting to ¥1,300 million (US\$12,300 thousand) were secured. A summary of assets pledged as collateral consisted of the following:

| | Millions of yen | Thousands of U.S. dollars |
|---|-----------------|---------------------------|
| Buildings and structures, net of accumulated depreciation | ¥2,592 | \$24,525 |
| Land | 5,054 | 47,819 |
| Investment securities | 484 | 4,579 |
| Short-term investments (time deposits) | 10 | 95 |
| | ¥8,140 | \$77,018 |

At 31st March, 2004, long-term debt consisted of the following:

| | Millions of yen | Thousands of U.S. dollars |
|--|-----------------|---------------------------|
| 2.05 per cent yen secured bonds due 2004 | ¥ 500 | \$ 4,731 |
| 2.09 per cent yen secured bonds due 2004 | 300 | 2,838 |
| 2.30 per cent yen secured bonds due 2004 | 500 | 4,731 |
| Loans from banks | 7,090 | 67,083 |
| Less: Current portion | 4,240 | 40,117 |
| Total | ¥4,150 | \$39,266 |

5. Accrued Severance Indemnities

Employees of the Companies are usually entitled to lump-sum severance indemnities determined by reference to their current basic rate of pay, length of service and conditions under which the termination occurs. With respect to directors and corporate auditors of the Companies, lump-sum severance indemnities are calculated using a similar formula and are normally paid subject to the approval at the shareholders' meeting of each of the Companies.

COMSYS has a contributory and funded defined benefit pension plan, which is pursuant to the Welfare Pension Insurance Law of Japan. The contributory pension plan covers a portion of the governmental welfare pension program (the so-called "substitutional portion"), under which they and their employees make the contributions.

On 13th August, 2003, the above mentioned pension plan obtained approval from Ministry of Health, Labor and Welfare of Japan for exemption from the future benefit obligation arising from the substitutional portion. In conformity with a transitional accounting method as prescribed in paragraph 47-2 of "Practical Guidelines of Accounting for Retirement Benefits (Interim Report)" (JICPA Accounting Committee Report No.13), COMSYS recognized the settlement of the substitutional portion at that date of approval.

As qualified and allowed under the GAAP of Japan, the plan assets include an employee retirement benefit trust to which COMSYS, ELEC and TOSYS contributed certain marketable equity securities.

Other consolidated subsidiaries provide for severance indemnities based on the liability if all eligible employees were to voluntarily terminate employment on the balance sheet date. In addition, certain subsidiaries have funds for tax qualified defined benefit pension plans and a few subsidiaries have non-contributory and funded defined benefit pension plans.

"Accrued severance indemnities" recognized in the consolidated balance sheet as at 31st March, 2004 were as follows:

| | Millions of yen | Thousands of U.S. dollars |
|-----------------------------------|-----------------|---------------------------|
| | 2004 | 2004 |
| Projected benefit obligation | ¥(50,420) | \$(477,056) |
| Fair value of plan assets | 35,006 | 331,214 |
| Unfunded benefit obligation | (15,414) | (145,842) |
| Unrecognized actuarial difference | 9,413 | 89,062 |
| Unrecognized prior service cost | (226) | (2,138) |
| Net amount recognized | ¥ (6,227) | \$ (58,918) |

"Accrued severance indemnities" in the consolidated balance sheet as at 31st March, 2004 includes the provision for accrued severance indemnities for directors and corporate auditors of the Companies amounted to ¥794 million (US\$7,512 thousand).

Net pension cost of the plans included in the consolidated statements of income for the years ended 31st March, 2004 was as follows:

| | Millions of yen | Thousands of U.S. dollars |
|---|-----------------|---------------------------|
| Service cost | ¥2,217 | \$20,977 |
| Interest cost | 1,245 | 11,780 |
| Expected return of plan assets | (34) | (322) |
| Amortization of unrecognized actuarial difference | 1,040 | 9,840 |
| Amortization of unrecognized prior service cost (negative) | (229) | (2,167) |
| Other | 34 | 322 |
| Net pension cost | ¥4,273 | \$40,430 |
| Gain on transfer of the substitutional portion of contributory pension plan | (1,104) | (10,446) |
| Total, net | ¥3,169 | \$29,984 |

Unrecognized actuarial differences are amortized and charged to income using a straight-line method from the succeeding year of the incurrence over the average remaining years of service of employees at the incurrence.

Significant assumptions used to calculate the above-mentioned amount were as follows:

- Allocation method of benefit obligation Straight-line method
- Discount rate 2.5%
- Expected rate of return on plan assets 0.1% (mainly)
- Unrecognized prior service cost is mainly amortized at the incurrence.
- Unrecognized actuarial difference is amortized over mainly 15 years from the succeeding fiscal year of the incurrence.

6. Contingent Liabilities

At 31st March, 2004, contingent liabilities consisted of the following:

| | Millions of yen | Thousands of U.S. dollars |
|----------------------------------|-----------------|---------------------------|
| Guarantees of loans borrowed by: | | |
| COMSYS Thailand Co., Ltd. | ¥1,485 | \$14,050 |
| Other | 110 | 1,041 |
| | ¥1,595 | \$15,091 |

7. Income Taxes

The Companies are subject to corporate (national), inhabitant and enterprise (local) taxes based upon taxable income, which resulted in statutory tax rates of approximately 42%, in aggregate, for the year ended 31st March, 2004. The effective tax rate reflected in the accompanying consolidated statements of income and retained earnings differs from the statutory tax rate primarily due to such items as permanently non-deductible expenses and timing differences in recognizing certain income and expense items for financial and tax reporting purposes.

The differences between the statutory tax rate and effective tax rate reflected in the consolidated statements of income for the year ended 31st March, 2004, primarily consisted of the following:

| | Millions of yen | Thousands of U.S. dollars |
|--|-----------------|---------------------------|
| Statutory tax rate of the Company | | 42.0% |
| Effects of: | | |
| Expenses permanently not deductible for income tax purpose | 2.5 | |
| Dividend income deductible for income tax purpose | (0.2) | |
| Amortization of newly consolidation adjustments | (5.5) | |
| Other, net | (0.3) | |
| Effective tax rate | | 38.5% |

Deferred tax assets and liabilities of the Companies, except for that relating to land revaluation of COMSYS mentioned in Note 10, as of 31st March, 2004, primarily consisted of the following:

| | Millions of yen | Thousands of U.S. dollars |
|--|-----------------|---------------------------|
| Deferred tax assets: | | |
| Accrued expenses and enterprise taxes | ¥ 1,777 | \$ 16,813 |
| Accrued severance indemnities | 3,818 | 36,124 |
| Allowance for doubtful receivables | 818 | 7,740 |
| Revaluation of land owned by consolidated subsidiaries | 1,077 | 10,190 |
| Write-down of investments in unconsolidated subsidiaries | 358 | 3,387 |
| Net operation loss carried forward | 558 | 5,280 |
| Others | 833 | 7,883 |
| | 9,239 | 87,416 |
| Less: Valuation allowance | (2,948) | (27,893) |
| | 6,291 | 59,523 |
| Deferred tax liabilities: | | |
| Deferred gain on exchange of lands | (157) | (1,485) |
| Revaluation of land owned by consolidated subsidiaries | (1,903) | (18,006) |
| Others | (224) | (2,119) |
| | (2,284) | (21,610) |
| Net deferred tax assets | ¥ 4,007 | \$ 37,913 |

8. Leases

(As a Lessee)

The Companies lease mainly machinery and equipment by financial leases. Pro forma amounts of the acquisition costs (including the interest portion thereon), accumulated depreciation (depreciation expenses of the leased property were computed by the straight-line method over the respective lease terms) and net book value of leased property as of 31st March, 2004, which would have been reflected in the consolidated balance sheets if capitalized, were as follows:

| | Millions of yen | Thousands of U.S. dollars |
|--------------------------|-----------------|---------------------------|
| Acquisition costs | ¥843 | \$7,976 |
| Accumulated depreciation | 447 | 4,229 |
| Net book value | ¥396 | \$3,747 |

Lease payments relating to financial leases accounted for as transactions of rent amounted to ¥176 million (US\$1,665 thousand) for the years ended 31st March, 2004.

Obligation (including the interest portion thereon) under financial leases at 31st March, 2004, were as follows:

| | Millions of yen | Thousands of U.S. dollars |
|---------------------|-----------------|---------------------------|
| Due within one year | ¥132 | \$1,249 |
| Due after one year | 264 | 2,498 |
| Total | ¥396 | \$3,747 |

(As a Lessor)

One of the Companies leases mainly machinery and equipment by financial leases. Future lease receipts, inclusive of interest, at 31st March, 2004 were as follows:

| | Millions of yen | Thousands of U.S. dollars |
|---------------------|-----------------|---------------------------|
| Due within one year | ¥ 434 | \$ 4,106 |
| Due after one year | 806 | 7,626 |
| Total | ¥1,240 | \$11,732 |

Lease fees received and depreciation charges for the years ended 31st March, 2004 were as follows:

| | Millions of yen | Thousands of U.S. dollars |
|---------------------|-----------------|---------------------------|
| Lease fees received | ¥438 | \$4,144 |
| Depreciation | 337 | 3,189 |

9. Shareholders' Equity

Under the Commercial Code, the additional paid-in capital may be transferred to stated capital by a resolution of the board of directors or used to reduce a deficit by shareholders' resolution, but they are not available for dividend payment. On condition that the aggregate amount of additional paid-in capital remains equal to or exceeding 25 per cent of the amount of stated capital, it is available for distributions by the resolution of the shareholders' meeting within a certain limit. The amount of the additional paid-in capital of the Company included in "Additional paid-in capital" and "Retained earnings" of the accompanying consolidated balance sheets as at 31st March, 2004 was ¥98,816 million (US\$934,961 thousand).

10. Revaluation of Land for Business

At 31st March, 2002, land owned by the COMSYS was revalued under the Land Revaluation Law and related regulations. Net unrealized gains and losses resulting from the revaluation were debited directly to shareholders' equity as a negative revaluation surplus after adding the related deferred tax liabilities as mentioned below. The negative revaluation surplus will be credited as a gain or loss when a part of the land is sold.

The book value before and after revaluation and unrealized gains and losses resulting from the revaluation at 31st March, 2002, in the aggregate, were as follows:

| | Millions of yen |
|--------------------|-----------------|
| Book value: | |
| Before revaluation | ¥22,995 |
| After revaluation | 16,847 |
| Unrealized— | |
| Gains | 5,915 |
| Losses | 12,063 |
| Net (loss) | ¥ (6,148) |

The fair value for the revalued land mentioned above as of 31st March, 2004 has been reduced by ¥1,494 million (US\$14,136 thousand) in the aggregate, but the book value has not been restated, as allowed by the GAAP of Japan.

Deferred tax assets and liabilities relating to revaluation of land of the Company as of 31st March, 2004 consisted of the following:

| | Millions of yen | Thousands of U.S. dollars |
|-------------------------------|-----------------|---------------------------|
| Deferred tax assets: | | |
| Relating to unrealized losses | ¥ 4,825 | \$ 45,652 |
| Less: Valuation allowance | (4,825) | (45,652) |
| | — | — |
| Deferred tax assets: | | |
| Relating to unrealized gains | 2,366 | 22,386 |
| Net: Deferred tax liabilities | ¥ 2,366 | \$ 22,386 |

11. Other Income and Expenses

"Other, net" in "Other Income (Expenses)" consisted of the following:

| | Millions of yen | Thousands of U.S. dollars |
|---|-----------------|---------------------------|
| Gain on transfer of substitutional portion of contributory pension plan | ¥ 1,104 | \$ 10,446 |
| Amortization of consolidation adjustments arising from business combination | 888 | 8,402 |
| Amortization of other consolidation adjustments | 594 | 5,620 |
| Write-down of investments in securities | (1,071) | (10,133) |
| Allowance for doubtful receivables | (549) | (5,195) |
| Special payments on employees' retirement | (283) | (2,678) |
| Foreign exchange losses | (171) | (1,618) |
| Amortization of business start-up expenditures | (149) | (1,410) |
| Other | 62 | 587 |
| | ¥ 425 | \$ 4,021 |

12. Subsequent Events

On 29th June, 2004, the shareholders of the Company approved the following appropriations of retained earnings:

| | Millions of yen | Thousands of U.S. dollars |
|----------------|-----------------|---------------------------|
| Cash dividends | ¥1,021 | \$9,660 |

Also, the shareholders of the Company approved a transfer of the additional paid-in capital to general capital surplus amounting to ¥40,000 million (US\$378,465 thousand), pursuant to the Commercial Code as mentioned in Note 9 above.

Report of Independent Certified Public Accountants

O-Yu Kyodo Office

CERTIFIED PUBLIC ACCOUNTANTS

有限会社大友共同事務所

5TH FLOOR NO. 10 MORI BUILDING
1-18-1 TORANOMON MINATO-KU
TOKYO 105-0001 JAPAN

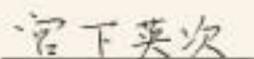
To the Board of Directors,
COMSYS Holdings Corporation

We have audited the accompanying consolidated balance sheets of COMSYS Holdings Corporation (the “Company”) and its consolidated subsidiaries as of 31st March, 2004 and the related consolidated statements of income, shareholders’ equity and cash flows for the year ended 31st March, 2004, all expressed in Japanese yen. Preparing these financial statements is the responsibility of the Company’s management. Our responsibility is limited to express an independent opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied in Japan, which require that we plan and perform the audits to obtain reasonable assurance that the financial statements are free of material misstatement. Our audits include examining evidence supporting the amounts and disclosures of the financial statements on a test basis, and also include assessing the accounting policies and significant estimates adopted and applied by the Company’s management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of COMSYS Holdings Corporation and its consolidated subsidiaries as of 31st March, 2004 and the consolidated results of their operations and cash flows for the year ended 31st March, 2004, in conformity with accounting principles and practices generally accepted in Japan as described in Note 1 to the consolidated financial statements.

The U.S. dollar amounts, presented solely for the convenience of the readers, have been translated on the basis as described in Note 1 to the consolidated financial statements.



Eiji Miyashita



Hideo Niwa



Takashi Saitou

Certified Public Accountants of Japan

Tokyo, Japan

29th June, 2004

Corporate Directory

As of March 31, 2004

Nippon COMSYS Group

| Company Name | Location | Principal Business | Paid-in Capital | Percentage Owned (%) |
|---|---------------------|--|------------------|----------------------|
| Consolidated Subsidiaries and Affiliates | | | | |
| Nippon COMSYS Corporation | Tokyo, Japan | Telecommunications engineering and electrical engineering | ¥31,140 million | 100.0 |
| OT Engineering Co., Ltd. | Tokyo, Japan | Telecommunications engineering and electrical engineering | ¥120 million | 99.7 |
| COMSYS Techno Co., Ltd. | Tokyo, Japan | Planning and consultation with regard to information-processing technology | ¥50 million | 100.0 |
| Tokyo Tsuken Co., Ltd. | Tokyo, Japan | Construction of telecommunications facilities | ¥54 million | 100.0 |
| Nitto Tsuken Co., Ltd. | Tokyo, Japan | Construction of telecommunications facilities | ¥60 million | 91.5 |
| Taiei Seisakusho Co., Ltd. | Tokyo, Japan | Design, manufacturing, and sales of telecommunications equipment | ¥60 million | 49.7 |
| COMSYS Tsusan Co., Ltd. | Tokyo, Japan | Sales of construction materials | ¥60 million | 100.0 |
| COMSYS Business Service Co., Ltd. | Tokyo, Japan | Construction of telecommunications facilities | ¥304 million | 100.0 |
| COMSYS Net Corporation | Tokyo, Japan | Construction of telecommunications facilities | ¥50 million | 100.0 |
| COMSYS Tohoku Techno Co., Ltd. | Miyagi, Japan | Planning and consultation with regard to information-processing technology | ¥50 million | 100.0 |
| COMSYS Shinetsu Engineering Co., Ltd.** | Nagano, Japan | Construction of telecommunications facilities | ¥30 million | 100.0 |
| COMSYS Kansai Engineering Co., Ltd. | Osaka, Japan | Construction of telecommunications facilities | ¥50 million | 100.0 |
| COMSYS Kyusyu Engineering Co., Ltd. | Fukuoka, Japan | Construction of telecommunications facilities | ¥50 million | 100.0 |
| Chuo Denki Tsushin Kensetsu Co. Ltd.* | Tokyo, Japan | Construction of telecommunications facilities | ¥80 million | 100.0 |
| Overseas Affiliates | | | | |
| COMSYS Thailand Co., Ltd. | Bangkok, Thailand | Technological consulting and engineering services | B15,000 thousand | 48.0 |
| Thai COMSYS & Jackson Co., Ltd. | Bangkok, Thailand | Technological consulting and engineering services | B2,000 thousand | 49.0 |
| COMSYS Philippines, Inc. | Manila, Philippines | Technological consulting and engineering services | P12,500 thousand | 40.0 |

* Chuo Denki Tsushin Kensetsu Co. Ltd. changed its name to Chuo. C Co. Ltd. on April 1, 2004.

** COMSYS Shinetsu Engineering Co., Ltd. and TOSYS UNITEC Co., Ltd. merged to become a single company on July 1, 2004, and the new company was named Alstar Co., Ltd.

SANWA ELEC Group

| Company Name | Location | Principal Business | Paid-in Capital | Percentage Owned (%) |
|---|---------------------|---|-------------------|----------------------|
| Consolidated Subsidiaries and Affiliates | | | | |
| SANWA ELEC Co., Ltd. | Tokyo, Japan | Telecommunications engineering and electrical engineering | ¥1,374 million* | 100.0 |
| Road-Techno Co., Ltd. | Tokyo, Japan | Design and construction of electric and other facilities for the Metropolitan Expressway | ¥50 million | 100.0 |
| San Access Co., Ltd.** | Tokyo, Japan | Engineering work, design and construction work related to telecommunications | ¥50 million | 100.0 |
| SEC Hi Tec Co., Ltd. | Tokyo, Japan | Development and design of hardware and software | ¥30 million | 100.0 |
| SANWA Co., Ltd.** | Tokyo, Japan | Non-life insurance agency, and leasing of automobiles, etc. | ¥30 million | 100.0 |
| Ibaraki Denden Kensetsu Co., Ltd.** | Ibaraki, Japan | Engineering work, design and construction work related to telecommunications | ¥30 million | 100.0 |
| SANWA Denshi Inc. | Tokyo, Japan | Design and construction of electric and electronic telecommunication appliances and equipment | ¥112 million | 99.3 |
| SEM Co., Ltd. | Tokyo, Japan | Manufacture of automobile parts and accessories | ¥35 million | 69.2 |
| Sannect Co., Ltd. | Tokyo, Japan | Sales and maintenance of machines and equipment related to the aviation industry | ¥10 million | 60.0 |
| SANWA Support Engineering Co., Ltd. | Tokyo, Japan | Design and construction of telecommunications facilities | ¥20 million | 90.0 |
| Overseas Affiliates | | | | |
| P.T. Sarana Ekacitra Indonesia | Jakarta, Indonesia | Construction of telecommunications facilities | Rp1,884 million | 40.0 |
| SECM. S.A. DE C.V. | Mexico D.F., Mexico | Construction of telecommunications facilities | NS\$1,054 million | 100.0 |

* As a result of a capital increase, paid-in capital was ¥3,624 million as of September 30, 2004.

** This company's main business was transferred to COMSYS Tsusan Co., Ltd. on August 1, 2004. As a result, starting from the first half of the fiscal year ending March 31, 2005, this company has not been included in the consolidated financial statements.

*** Ibaraki Denden Kensetsu Co., Ltd. and San Access Co., Ltd. merged to become a single company on October 1, 2004, and the new company was named San Net Com Co., Ltd.

TOSYS Group

| Company Name | Location | Principal Business | Paid-in Capital | Percentage Owned (%) |
|---|----------------|--|-----------------|----------------------|
| Consolidated Subsidiaries and Affiliates | | | | |
| TOSYS Corporation | Nagano, Japan | Telecommunications engineering and electrical engineering | ¥360 million | 100.0 |
| TOSYS Nagano Co., Ltd. | Nagano, Japan | Construction of telecommunications and electric facilities | ¥21 million | 71.7 |
| TOSYS UNITEC Co., Ltd.** | Nagano, Japan | Construction of telecommunications and electric facilities | ¥31 million | 100.0 |
| TOSYS Nigata Co., Ltd. | Niigata, Japan | Construction of telecommunications and electric facilities | ¥40 million | 61.6 |
| TOSYS Actis Co., Ltd. | Niigata, Japan | Construction of telecommunications and electric facilities | ¥49 million | 52.5 |
| Tulip Keibi Co., Ltd. | Niigata, Japan | Security maintenance business for construction sites | ¥30 million | 100.0 |
| Tulip Life Co., Ltd. | Niigata, Japan | Repair, processing, sales, etc., of automobile | ¥40 million | 100.0 |
| TOSYS Ryokuka Co., Ltd. | Niigata, Japan | Landscape architecture and construction business | ¥10 million | 100.0 |
| Yoshimoto Kensetsu Co., Ltd. | Nagano, Japan | General engineering and construction business | ¥44 million | 100.0 |

** COMSYS Shinetsu Engineering Co., Ltd. and TOSYS UNITEC Co., Ltd. merged to become a single company on July 1, 2004, and the new company was named Alstar Co., Ltd.

COMSYS Holdings Information

Corporate Data

As of March 31, 2004

Name:

COMSYS Holdings Corporation

Head Office:

17-1, Higashigotanda 2-chome, Shinagawa-ku,
Tokyo 141-8647, Japan

URL:

<http://www.comsys-hd.co.jp/>

Date of Establishment:

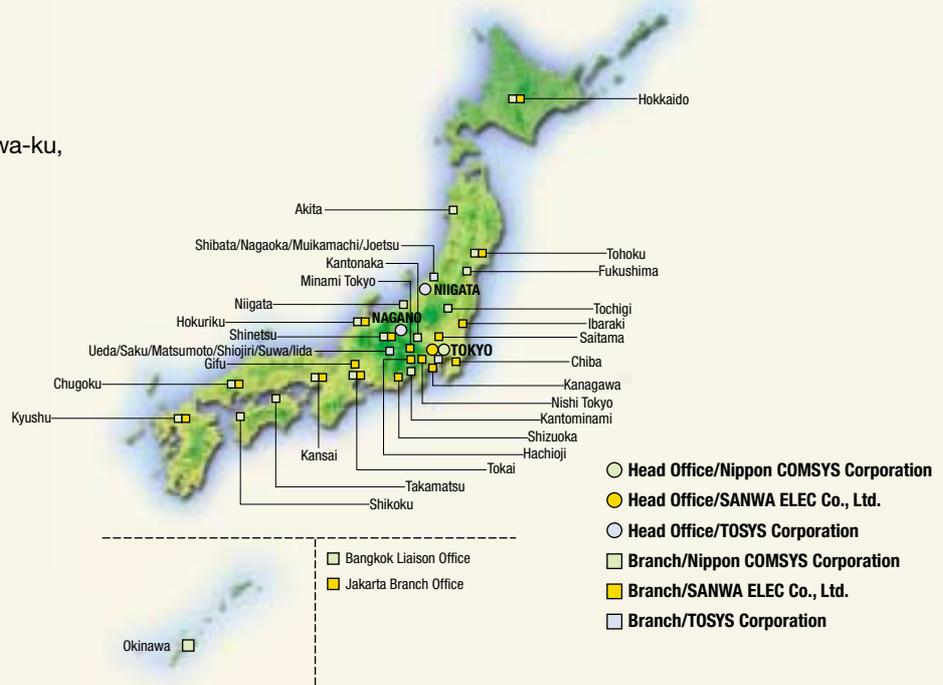
September 29, 2003

Paid in Capital:

¥10 billion

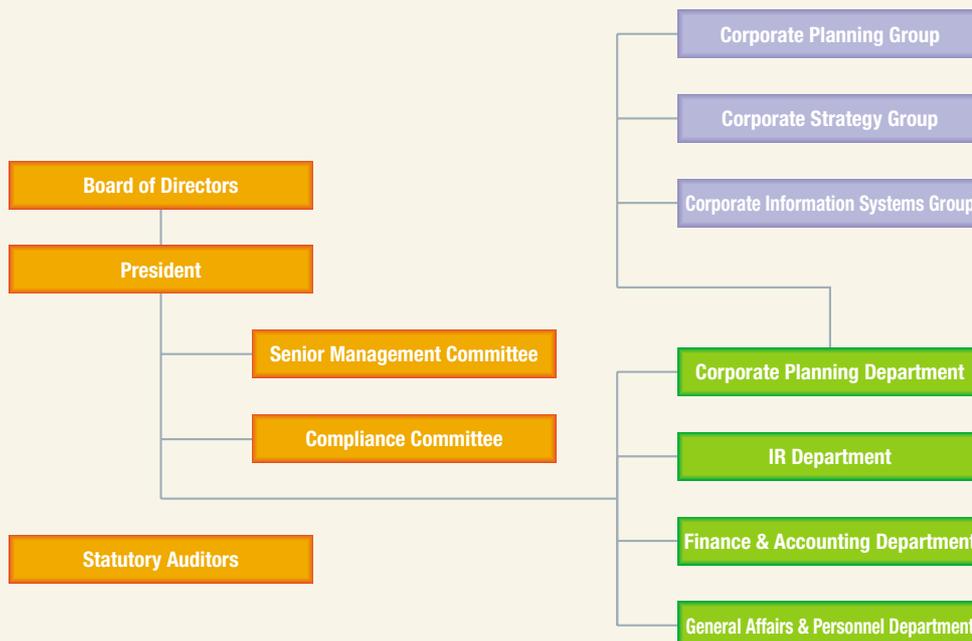
Number of Employees (Consolidated):

7,091



Organization Chart

As of July 1, 2004



Investor Information

As of March 31, 2004

Fiscal Year-End:

March 31, 2004

Annual Shareholders' Meeting:

June 29, 2004

Common Stock:

Authorized: 580,000,000 shares

Issued: 145,977,886 shares

Number of Shareholders:

11,429

Date of Listing:

September 2003

Stock Exchange Listing:

First Section of Tokyo Stock Exchange
and Osaka Securities Exchange
(Securities code: 1721)

Transfer Agent:

The Mitsubishi Trust and Banking Corporation
Securities Department
4-5, Marunouchi 1-chome
Chiyoda-ku, Tokyo 100-8212

Auditor:

Certified Public Accountants of Japan
O-Yu Kyodo Office

For Further Information

and additional copies of this annual report, Please Contact

IR Department

Telephone: +81-3-3448-7000 (direct)

Facsimile: +81-3-3448-7001

E-Mail: IR@comsys-hd.co.jp

Major Shareholders:

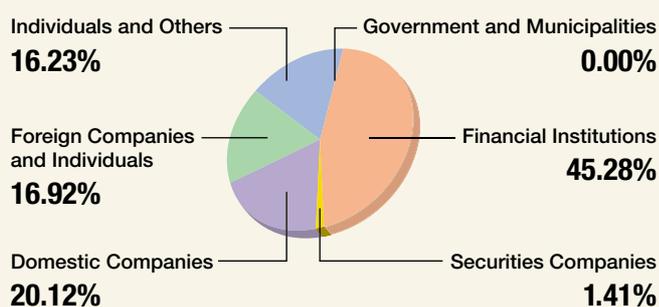
As of March 31, 2004

| Shareholders | Share Held (Thousands) | Percentage of Total (%) |
|--|---------------------------|-------------------------------|
| Japan Trustee Services Bank, Ltd. (Trust Account) | 26,505 | 18.15 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 12,999 | 8.90 |
| Fujikura Ltd. | 6,835 | 4.68 |
| Sumitomo Electric Industries, Ltd. | 5,166 | 3.53 |
| The Furukawa Electric Co., Ltd. | 5,166 | 3.53 |
| Nippon COMSYS Corporation* | 4,638 | 3.17 |
| Deutsche Securities Limited (Tokyo Branch) | 2,966 | 2.03 |
| Nippon Life Insurance Company | 2,683 | 1.83 |
| Fujitsu Limited | 2,413 | 1.65 |
| COMSYS Holdings Employee Shareholders Association | 2,053 | 1.40 |

*The shares held by Nippon Comsys Corporation in the new company do not carry voting rights, as provided for in Article 241, Paragraph 3, of the Commercial Code of Japan.

Composition of Shareholders:

As of March 31, 2004





17-1, Higashigotanda 2-chome, Shinagawa-ku,
Tokyo 141-8647, Japan
Telephone: 81-3-3448-7100
<http://www.comsys-hd.co.jp/>



Printed in Japan on recycled paper made from 100% post-consumer materials.