



COMSYS

—For Excellence in Telecommunications



Nippon COMSYS Corporation

PROFILE



Nippon COMSYS Corporation was established in 1951, during Japan’s post-war turmoil, to undertake the rebuilding of the country’s communications infrastructure. That was the year before Nippon Telegraph and Telephone Public Corporation was privatized, becoming the firm we know today as Nippon Telegraph and Telephone Corporation (NTT). At that time, the primary function of COMSYS was to execute telecommunications construction projects in support of NTT. The Company subsequently made a place for itself in the industry on the basis of its successes in the post-war construction of Japan’s telecommunications infrastructure, and has remained an industry leader to this day.

Because we recognize the importance of novel and creative thinking, each of our employees brings pride to his work, and can take satisfaction in the results of his efforts. Further, by giving maximum freedom of expression to talent and ability, we have fostered an open and innovative corporate culture. In building this team of talented and creative people, we at Nippon COMSYS Corporation are actively working to realize a splendid future, one flourishing with as-yet unborn possibilities.

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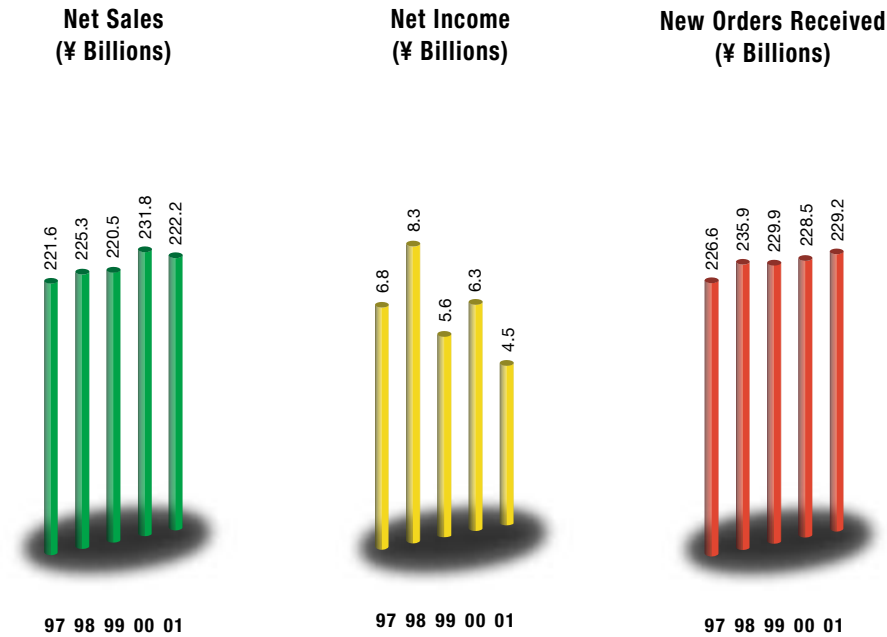
CONSOLIDATED FINANCIAL HIGHLIGHTS

Nippon COMSYS Corporation and Consolidated Subsidiaries
Years ended 31st March, 2000 and 2001



	Millions of yen		Thousands of U.S. dollars	Change (%)
	2000	2001	2001	
Contract backlog at beginning of the year	¥ 78,348	¥ 76,781	\$ 619,701	−2.0%
Contract backlog at beginning of the year adjusted for newly consolidated subsidiaries	1,665	272	2,195	−83.7%
New orders received during the year	228,518	229,211	1,849,968	0.3%
Transfer of contract backlog to an unconsolidated subsidiary and others	—	3,583	28,918	—
Net sales	231,750	222,220	1,793,543	−4.1%
Contract backlog at end of the year	76,781	80,461	649,403	4.8%
Net income	¥ 6,315	¥ 4,498	\$ 36,304	−28.8%
Total assets	188,961	188,250	1,519,370	−0.4%
Shareholders’ equity	115,834	118,055	952,825	1.9%
	Yen		U.S. dollars	
Pershare:				
Net income				
— Basic	¥ 46.73	¥ 33.11	\$ 0.27	−29.1%
— Diluted	44.67	31.70	0.26	−29.0%
Cash dividends	10.00	12.00	0.10	20.0%

Note: For convenience only, the accompanying Japanese yen figures for 2001 have been translated into U.S. dollars at the rate of ¥123.90 to \$1, the rate prevailing on 30th March, 2001.



LETTER FROM THE PRESIDENT

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Environment

As a result of vigorous IT-related capital investment, and of various financial and monetary reforms enacted by the government, business conditions in Japan showed gradual recovery during this term. However, employment and consumer spending both remained at low levels, and the slowdown in the US economy brought recovery in business conditions to a standstill in that country. These factors precluded a full-scale recovery in the Japanese economy.

In contrast, the information and communications industry in which COMSYS operates benefited from rapid growth in the content software market, as well as in the market for telecommunications services. In addition, the IT revolution hurtled on toward the future, bringing growth in demand for internet access, data transmission, e-commerce, and mobile telephony. Despite the fundamentally weak economy, therefore, the information and communications market continued to expand. The high-speed communications sector also expanded, and companies from outside the telecommunications industry are competing for a share of this market. Many telecommunications providers are strengthening themselves through alliances and mergers, and foreign telecommunications firms are also participating in this M&A activity. As this industry becomes global in scope, competition for survival among telecommunications providers is stiffening.

Last July, in response to this unsettled and expanding telecommunications market, COMSYS conducted a sweeping reorganization. To achieve an increase in orders, the sales organizations of the NTT Sector and the non-NTT Sector were integrated, creating a new division to establish sales strategies for the entire company. This has strengthened our customer-specific sales strategy system. Our project-execution organization, on the other hand, combined its NTT and non-NTT Sectors to increase efficiency through better utilization of human resources and enhanced technology-sharing.

Another new organization was established to undertake the Company's vigorous expansion into new fields. Drawing on latent in-house abilities, this sector is uncovering our potential for new, forward-looking operations and expanding the Company's horizons.



President Hironobu Takeuchi

Of course, COMSYS is also striving to further expand orders from NTT and the NTT Group, and is also striving to win more contracts for total solutions, encompassing the full spectrum of project development from business proposal through development and maintenance, with a focus on network construction technology and systems development. We are supporting the preservation of the world's environment through our involvement in wind-powered electricity generation, and are actively involved in CC BOX and CATV projects. In addition, COMSYS is a major participant in overseas construction projects, primarily in Southeast Asia.

Consolidated Performance

With the Southeast Asian economies still unable to achieve recovery, our Overseas Construction Sector was hard pressed regarding consolidated new orders received during the year, as some projects scheduled to begin during the term were cancelled. However, the Domestic Construction and Engineering Sector achieved substantial growth, and this allowed total new orders received during the year to rise 0.3 percent to ¥229.2 billion (US\$1,850 million).

The second half of the fiscal year saw a surge in orders received, but many of these were originally scheduled for completion

during the coming term, and consolidated net sales declined 4.1 percent to ¥222.2 billion (US\$1,794 million).

A companywide reevaluation of operations undertaken as part of the Company's effort to increase profitability has allowed us to achieve greater efficiency, to implement thorough cost control procedures, to strengthen our subcontracting procedures, and to utilize funds with greater efficiency. As a result of this decline in net sales, the stiffer competition for orders, and a decline in the average value of a contract, operating income contracted 25.3 percent to ¥11.6 billion (US\$94 million), and net income dropped 28.8 percent to ¥4.5 billion (US\$36 million).

During this fiscal year COMSYS employed a portion of its negotiable securities holdings to establish an employee retirement benefit trust, to correct the deficit in reserves for employee benefit obligations that materialized with our implementation of new accounting standards. This resulted in a gain on securities contribution to employee retirement benefit trust of ¥5.8 billion (US\$47 million) was posted under other income, and amortization of the difference arising from a change of the accounting standard for accrued severance indemnities of ¥8.8 billion (US\$71 million) was posted under other expenses. As a result, the Company's deficit in reserves for employee benefit obligations has been corrected at one stroke.

Outlook and Important Issues

Looking at next term and beyond, it is thought that orders in the NTT Sector will be affected by NTT's restraint in capital investments related to rationalization of operations, and by the sluggishness of capital investment overall. However, NTT is expected to be investing in its three-year management plan, which is centered on fiber-optic broadband services, and NTT DoCoMo is expected to be investing in its next-generation mobile telephone operations.

The explosive expansion of information technology, the building of the 21st century's worldwide high-order information society, the advent of the Internet, mobile telephony, and broadband access technology have propelled our Non-NTT Sector to new levels of activity. In addition, the Japanese government's e-Japan

Plan calls for Japan to become the world leader in information technology within five years. These developments are forecast to bring wider participation in e-commerce, the expansion of intelligent transportation systems (ITS), and long-term growth in the information technology market. COMSYS will be a strong participant in this field, utilizing its sales and technological capabilities to their utmost, and will also be striving to win more orders for network solutions and other projects. The Company is also actively involved in CC Box, cable television, and the new field of wind power plant construction. We think these operations will contribute most to our effort to expand orders received.

In response to the dramatic changes in the telecommunications market, and to make clear the direction that the Company plans to take, COMSYS has published its *New Medium-Term Business Plan*, which will take effect in fiscal 2001 (the term ending March 31, 2002). Rather than setting out vague goals, this plan specifies concrete actions to be taken. Rather than an outmoded tearing down of existing organizations and processes, the Company seeks with this plan to achieve improved performance through further reforms that will strengthen sales and technological capabilities, while bolstering the Company's cost-competitiveness.

Dividends and Internal Reserves

As the foundation for the continued expansion of a company's operations, dividend policy is one of the most important issues that face any firm. We are also seeking further strengthening of our financial structure and improved return on equity. We also balance the best possible dividend payout to shareholders with considerations of the Company's performance and its continued ability to generate dividends.

In line with this policy, the Company declared a mid-term dividend of ¥5 per share, and a yearend dividend of ¥5 per share. In addition, a special dividend of ¥2 per share was declared to commemorate the 50th anniversary of the Company's founding, for a total of ¥12 per share for the fiscal year. This represents a payout ratio of 38.2 percent, for return on equity of 3.8 percent. The ratio of dividends to shareholders' equity is 1.5 percent.

In addition, as a measure to increase income to shareholders, we have been allocating a portion of revenues to a fund for the retirement of treasury stock. This fiscal year we are setting aside ¥683 million (US\$6 million) for this purpose. This program is scheduled to continue until the midpoint of next fiscal year.

Internal reserves accumulated during this fiscal year we plan to use to reinforce our business base. This will be done by making capital investments in the expansion of training facilities, in the replacement of tools and instruments for purposes of upgrading technology and improving safety, and in the improvement of the work environment through enhancement of construction bases. It is also our intention to make effective investments in the opening up of new fields of business for the Company.

Dividends will continue to be the primary source of shareholder income. However, from the standpoint of diversifying returns to shareholders, we want to continue to retire treasury stock using a fixed percentage of income for the purpose. To this end, COMSYS plans to extend this term's dividend and treasury stock policies into the coming fiscal year.

Capital Investment and Fund Acquisition

Capital investments by the COMSYS group rose to ¥1,390 million (US\$11 million) during the period of this report. These investments were primarily in the construction of a *Technostation* construction base in Adachi. No bonds or other instruments were issued during this term.

Outlook for the Term Ahead

In the coming fiscal year, we will add COMSYS Business Service Co., Ltd. and COMSYS Tsusan Co., Ltd. to our roster of consolidated subsidiaries, bringing our total to sixteen. Looking at the performance of Nippon COMSYS Corporation and its sixteen consolidated subsidiaries during the term to come, consolidated net sales are forecast to rise 7.6 percent to ¥239 billion (US\$1,929 million), while consolidated net income is expected to grow 53.4 percent to ¥6.9 billion (US\$56 million). As we mentioned above, we expect that the contraction of capital investments at NTT will have an effect on our NTT-related orders received. Overall, though, the explosive expan-

sion of the IT revolution has created an opportunity to expand our business.

In response to these conditions, the Company will continue as before to reinforce the management and technological capabilities needed to mount a nimble response to these rapidly changing market conditions. We must also enhance our cost competitiveness in response to today's exacting business environment, deploying the capabilities of the entire Group to achieve stronger and stronger performance.

Recognizing the importance of speed and timing, and to realize the policies set forth in the above-mentioned *New Medium-Term Business Plan*, the Company has established the COMSYS 21 Promotion Committee to facilitate the exchange of ideas on important issues among top management and elicit prompt decisions. We are also actively committed to preservation of the global environment, and won ISO-14001 certification of all our domestic operations in May of 2001.

In December, 2001, COMSYS will celebrate the 50th anniversary of its founding. We are employing the technological expertise accumulated during that history, our sound financial structure, and the trust we have earned in the market to support the growth of the 21st century's high-order information society. In addition, to take another giant stride toward our goal of becoming a true comprehensive engineering firm, we will continue to strengthen our business base. COMSYS requests the continued support of its shareholders, clients, business partners, and employees in these endeavors.

Hironobu Takeuchi
President and Representative Director

Toward a New Leap Forward in the 21st Century —Our Vision of the Future

- As the IT revolution and the building of high-order, information-based societies spread across the face of the globe, the Japanese Government has implemented the e-Japan Priority Policy Program, which calls for Japan to become the world leader in information technology within five years. With e-commerce continuing to expand and intelligent transportation systems (ITS) proliferating, the IT sector is forecast to display long-term growth. COMSYS expects to be deeply involved in the execution of these developments.
- To clarify its response to these trends, COMSYS drafted a medium-term management plan. Recently, we revised that plan from the standpoint of our performance through the fiscal year ending March 31, 2006. Goals now include:
 - Strengthening our NTT construction operations is, of course, a high priority. However, we are putting even more emphasis on increasing the earnings of our domestic and overseas telecommunications construction projects, and information services such as software development. By the fiscal year ending March 31, 2006, on an unconsolidated basis, we will increase total annual revenues to ¥320 billion (US\$2,582 million), while bringing the ratio of NTT contracts down from the current 60 percent to approximately 35 percent. Responding to the stronger cost competition in the market with a companywide efficiency enhancement program, which will encompass not only subsidiaries and affiliates, but subcontractor firms as well; and achieving recurring profits of ¥22 billion (US\$178 million).
 - Strengthening training programs and developing proprietary technology, primarily in the field of construction, in response to today's rapid pace of technological innovation. Continuing to stress mechanization and advanced facilities on our construction sites, for the purposes of improving the work environment and ensuring worker safety.
 - The Ministry of Public Management, Home Affairs, Posts and Telecommunications (formerly the Ministry of Posts and Telecommunications) projects that Japan's information and communications market will grow to ¥125 trillion (US\$1,009 billion) by the year 2010, including a telecommunications market of ¥26.8 trillion (US\$216 billion), an ¥8.4 trillion (US\$68 billion) broadcasting market, a communications and computer terminal market of ¥26.0 trillion (US\$210 billion), and a content (databases, images, video games, software, etc.) market of ¥63.4 trillion (US\$512 billion). Of this, telecommunications and broadcasting industry investment in 2010 is forecast at ¥7.2 trillion (US\$58 billion).
 - COMSYS is resolved to become the leading firm in the field. With a strong commitment to enhancing the quality of everyday life, COMSYS intends to become involved fully in all of the business opportunities represented by these new telecommunications capabilities.



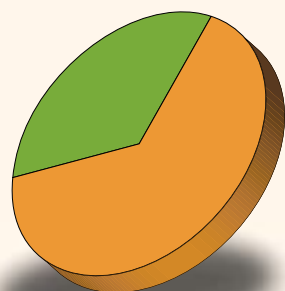
Our Second Corporate Identity Campaign

- The year 2001 will be the first of the 21st century, and will also be the 50th anniversary of this Company's founding. This fiscal year marks the 13th since the inauguration of our first Corporate Identity Campaign, and the 11th since we selected the Company's current name.
- Following the Company's establishment in 1951, COMSYS expanded chiefly on the strength of facilities construction projects for NTT. By the second half of 1970, however, the country's communications infrastructure was virtually completed. COMSYS, which generated over 90 percent of its revenues through NTT projects, found itself in grave difficulty. At that juncture, the Company began planning and preparing for the 21st century, entering the Non-NTT domestic construction and engineering market, and diversifying into the field of software development. This allowed the Company to reduce its reliance on NTT.
- This change in direction required a commitment to the new policies on the part of each employee, and it was to promote the permeation of these ideas throughout the Company that we launched our first Corporate Identity Campaign. In addition to this CI campaign, the Company has also undertaken programs to reevaluate business practices and procedures, bolster the Company's business base, improve its financial condition, and make the Company's stock a more attractive investment.
- As a result of this program, despite the persistently adverse economic conditions that commenced when the economic bubble collapsed, COMSYS was able to achieve continued growth in revenues and profits. Since adopting our current company name of Nippon COMSYS Corporation in the fiscal year ended March 31, 1990, and despite growth of only 10 percent in the work force, net revenues have more than doubled, operating profits tripled and net assets have more than tripled, shareholders' equity has more than quadrupled, and capital has quintupled. Of course, the rapid expansion of demand in connection with new technologies such as cellular telephony, fiber optics, and digital communications played a significant role in this, but it also reflects the success of our CI campaign and other management-improvement measures. The efforts of each employee of the Company are seen in this performance.
- However, our efforts to improve did not end there. The issue of improvement and reform is continuously before the Company. In April 1999 we commenced our Second Corporate Identity Campaign, with the objectives of further reinforcing the permeation of the corporate philosophy and operations policies established in the first CI campaign, of creating a fresh and freer corporate atmosphere, and of creating a stronger sense of unity throughout the COMSYS group. We believe this will allow us to lay the cornerstone of our operations in the 21st century.

66% NTT

34% Non-NTT

Sources of Construction
Contracts



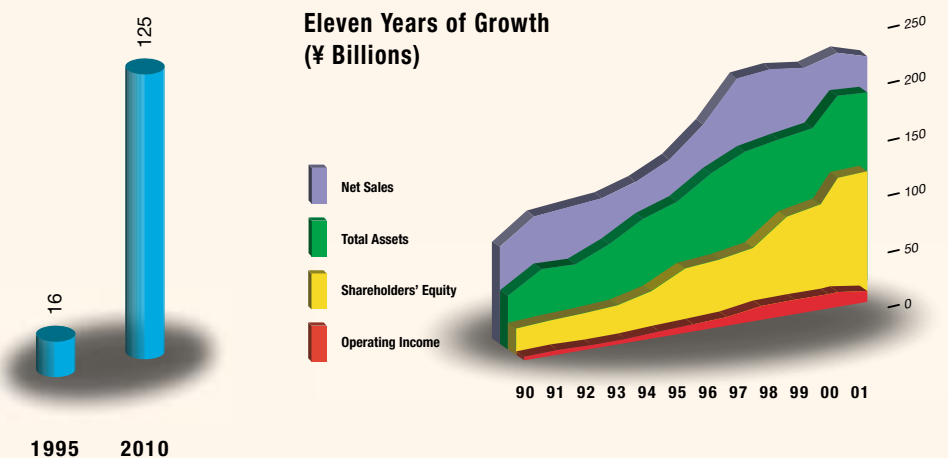
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COMSYS employs a wide spectrum of technological expertise and fine workmanship to its projects, while paying close attention to safety.

¥125trillion (2010)
¥16 trillion (1995)

The Growing
Multimedia Market



5

CORPORATE CITIZENSHIP

● COMSYS always strives to take an active role in the communities that host it, fostering environmental awareness, sponsoring cultural events, and offering disaster-preparedness training.

● In May 2001, all of COMSYS's domestic operations received ISO 14001 certification. Working from the conviction that the protection of the planet is the duty of every business and every company, in February 2000 COMSYS commenced inspection, analysis, and evaluation of every corner of the Company from an environmental perspective. An Environmental Management System was implemented throughout the Company.

● It was necessary to create a new culture in which every employee became highly conscious of environmental problems, and committed to finding solutions. We firmly believe that this will also help strengthen our business base.

● 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.

● COMSYS also undertakes projects in which concern for the environment is a factor. In 1999, we installed a cellular telephone facility in western Japan's Setonaikai National Park. The facility is on the grounds of the Rokkosan Farm, which is operated within the park by the city of Kobe. To ensure that there was no degradation of the natural beauty of the site, to blend in with nature, and to assure compatibility with the park's natural atmosphere, we created an artificial Japanese oak tree for the antenna pole.

The pole is approximately 12 meters tall, and sports an artificial Japanese oak pattern, branches and leaves. Everyone concerned is very pleased with this non-intrusive facility, which greatly increases convenience with no degradation of the environment.

● COMSYS is also an active participant in the regional community. The Omiya Ardija soccer team debuted in the J2 soccer league. The team was founded through joint participation by COMSYS, NTT, and 19 other companies closely associated with NTT. The Japan Professional Football League is composed of regional teams, and develop 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 public in this way.

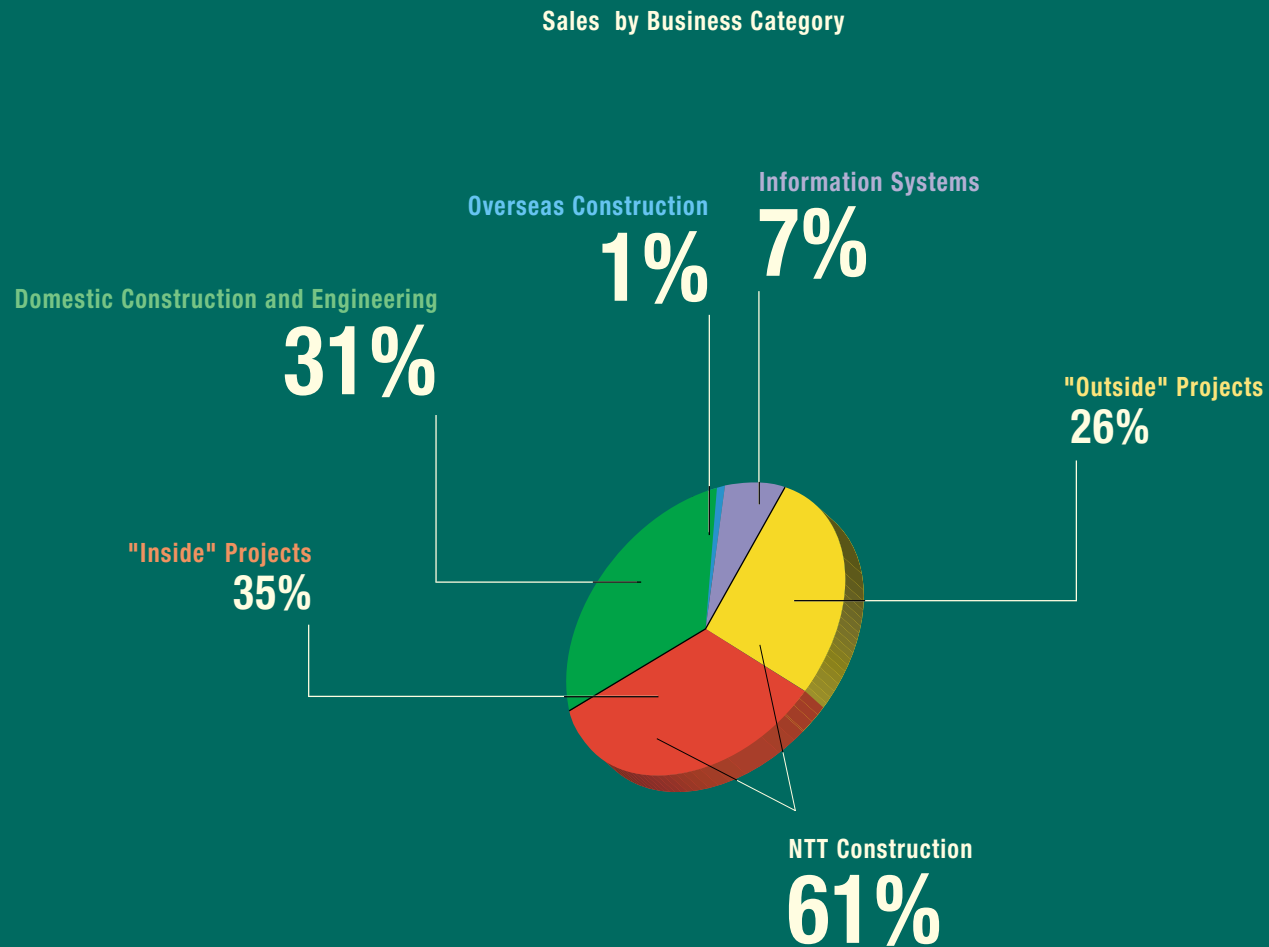
● Another of the Company's activities is supporting The Tokyo Philharmonic Orchestra, of which COMSYS is a special member.

● The Tokyo Philharmonic Orchestra, which celebrates its 90th anniversary in 2001, boasts the most venerable history and tradition of any orchestra in Japan. In April 2001, the orchestra welcomed one of the world's leading conductors, Myung-Whun Chung, as its Special Artistic Advisor. Under the leadership of this conductor, the Tokyo Philharmonic will reach new highs of artistic expression, and take a leap forward in the world of music.

● COMSYS is proud to be able to contribute in this way 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.



REVIEW OF OPERATIONS



NTT CONSTRUCTION

● The structure of the telecommunications market is shifting from fixed communications to mobile communications, and there is also a rapid shift from voice communications to data communications. Our biggest customer, NTT, is responding to these conditions by positioning itself to take the lead in the information and communications era of the 21st century. To this end, NTT is implementing a number of management reform measures, centered on the expansion of broadband services and the efficient deployment of human resources within the NTT group. In addition, NTT DoCoMo is participating in the deployment of IT technology in the financial and societal realms by developing the next-generation of mobile telephones and by expanding its mobile multimedia services.

● COMSYS's NTT Sector is responding to these challenges with changes to its operational structure. First, we have assigned account managers with the direct responsibility for serving each client. This will also help us win more contracts. Next, to further reduce construction costs, we have bolstered our subcontracting procedures, reevaluated our project manager system, and strengthened systems for on-site backup by the Management Support Division. We are improving safety and quality by expanding our "safety patrol" and striving for even closer compliance with ISO 9001. Despite these measures, net sales were adversely affected by NTT's restraint in capital investments and declined 6.5 percent to ¥135.0 billion (US\$1,089 million).

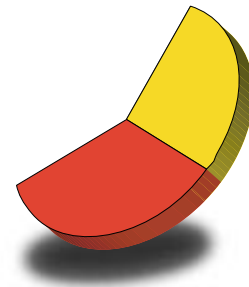
● Representative of this sector's projects during the period of this report was the NTT DoCoMo Nagano Building in Nagano Prefecture, opened in June, 2000. This was a large-scale contract under which COMSYS installed infrastructure, including the electricity generators, radio equipment, transmitters, and switching equipment, as well as the building's LAN. This build-

ing will become the mobile telephony nucleus of Nagano Prefecture. We also installed an environmentally friendly gas-turbine co-generation system in the NTT Osaka Higashi Building. This system uses waste heat from the gas-turbine generators to heat and cool the building, saving energy, reducing costs, and protecting the environment. While few of these systems are yet used in Japan, the number is expected to increase, and we at COMSYS are now well-positioned by our proven performance in this project to compete for these contracts.

● Also during this term, the NTT Sector participated in the installation of antennas at the Kashiwakura base station in Tochigi Prefecture, completed in December 2000. As there is no road leading to the construction site, this project was carried out under unprecedentedly difficult conditions. A monorail and a cable crane were constructed to span the 1,214 feet from the mountainside to the summit, and some materials had to be hauled up the mountainside to the summit by hand. As more such base stations will be constructed in the future, it is certain that we will be faced with diverse working conditions.

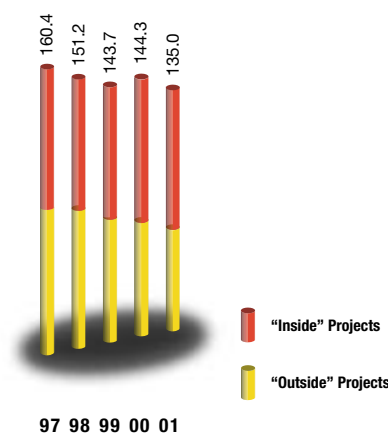
● We are now engaged in a project to lay 1,312 feet of underground conduit at depths of up to 43 feet, under Saitama New Urban Center near Japan Railways Omiya Station. Using our high-precision shield thrust technology and surveying by laser light, our shield machine is laying Hume pipe within tolerances of a few millimeters through a forest of gas lines, water lines, and other impediments, and underneath the buildings of a heavily urbanized area. To work under these unpredictable and highly constricted conditions, COMSYS has deployed an experienced organization with a high level of technological expertise.

● The NTT Sector's operating environment will grow yet more difficult in the coming term, as competition among foreign and domestic communications firms continues to intensify. While striving to improve safety and efficiency, strengthening our subcontracting procedures, and mentoring new technical personnel, the NTT Sector will be endeavoring to increase its orders received.



61%
of Total Revenue

Sales of NTT Construction
(¥ Billions)



2



3



4



1

1. Constructing a steel tower and installing an antenna on the roof of the NTT DoCoMo Building.

2. From trunks connecting major cities to lines serving single homes, COMSYS is engaged in every aspect of television cable and fiber-optic cable installation.

3. COMSYS is building an impressive track record installing switching systems, transmission equipment, and other facilities inside central telephone offices.

4. A cable vault ready to receive telecommunications cables.

DOMESTIC CONSTRUCTION AND ENGINEERING

● The Domestic Construction and Engineering Sector handles all domestic telecommunications construction projects other than those for the NTT Group, as well as ordinary domestic construction projects. This includes contracts with the public Sector, with the “new common carriers,” and with firms in other industries. This Sector is engaged in a broad spectrum of activities, including the construction of telecommunications facilities and electric utility facilities, structural construction, and the installation of “CC Box” (multi-use underground cable conduits), cable TV equipment, and network solutions.

● The sophistication and diversification of data communications networks is accelerating, and IT is permeating the corporate and governmental sectors at a rapid rate. The Japanese government’s e-Japan Priority Policy Program calls for changes in society through IT, including “e-government” and other administrative digitalization, and the building of an ITS infrastructure through public investment. In addition, the plan calls for closing the digital divide by bringing IT to sparsely populated areas and by updating school curricula. Long-term growth is forecast for the IT sector, and these developments will have a favorable impact on the operating environment surrounding the Domestic Construction and Engineering Sector.

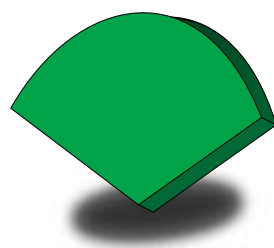
● The Domestic Construction and Engineering Sector pursued the expansion of orders received throughout the period of this report, continuing in its companywide strategy of pressing CC Box and cable TV projects, but centering its efforts on architecture projects. As a result, net sales in this sector showed a significant increase, growing 4.0 percent to ¥69.2 billion (US\$559 million).

● Noteworthy among the Domestic Construction and Engineering Sector’s achievements during this term was being named prime contractor for the construction of a wind power construction plant in Hokkaido. This contract, which represents a new field of business for COMSYS, was tendered by Ino-san Wind Power Generation Co., Ltd., headquartered in Yokohama. Ino-san Wind Power Generation is acquiring sites across Japan for further wind power plants, and COMSYS has hopes that it will build a close association with Ino-san in this project.

● In February, 2001, the Domestic Construction and Engineering Sector completed the replacement of the sound system and electrical wiring in the Musashino City Citizens’ Cultural Hall, a well-known venue located in Musashino city, Tokyo. The sound system in the hall had reached the end of its useful life, and COMSYS replaced it in its entirety, down to power sources, controllers, mixers, and even the associated electrical wiring. A major issue in this project was the very difficult schedule that required us to sandwich the work in the open days between the scheduled programs. In addition, the installation of the electrical wiring and sound system required specialized knowledge, and a thorough familiarity with stage design was needed. Working with stages facilities is a specialized area within the field of remodeling, and COMSYS has been building a track record in this area since we replaced the audio-visual system in Tokyo University’s Yasuda Hall in 1999. We expect, therefore, to win a number of public sector contracts for installation of facilities in music halls and other structures.

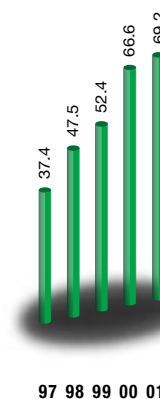
● This field plays a central role in the COMSYS Group’s medium- and long-term operational strategy. Guided by this strategy, the Domestic Construction and Engineering Sector will continue striving to broaden the scope of its operations.

● In the coming term, we will endeavor to increase orders received in this Sector through strategic sales programs based on market sector, by developing and retaining highly skilled personnel, by strengthening our subcontracting system.



31%
of Total Revenue

Sales of Domestic Construction
and Engineering (¥ Billions)



2



3



4



1

1. Telecommunications equipment installation inside the Tokyo Opera City Tower.
2. Our work on Tokyo University's AV system harmonize high-tech with tradition.
3. The 1998 Nagano Winter Olympics Aqua Wing.
4. We are now constructing a wind power plant, and will in the future seek involvement in environmentally friendly projects.

INTERNATIONAL OPERATIONS

● Since the Company's founding, it has assisted a number of countries in Asia, Africa, Central and South America, and other areas to develop needed infrastructure. Over the course of these myriad projects, and from its participation in the domestic telecommunications market and construction projects, COMSYS has developed a wealth of experience and technological expertise. This, in turn, has facilitated the Company's access to these competitive overseas markets.

● During the period of this report, affected by the slowdown in the US economy and the persistent economic doldrums in the Southeast Asian economies, which are our most important market, net sales in the Overseas Construction Sector dropped 56.3 percent to ¥1.3 billion (US\$11 million).

● ISO certification is fast becoming a prerequisite for bidding on construction projects internationally. The Overseas Construction Sector was certified four years ago, and our Philippine subsidiary, COMSYS Philippines, Inc. (CPI) completed ISO 9001 certification two years ago, so COMSYS is well prepared to meet this requirement for international bids when it materializes.

● With the start of a new project, CPI transferred its offices to Davao, the second-largest city on the island of Mindanao. Bayan Telecommunication, Inc., Globe Telecom Inc., and other NCCs are also active in Davao's telecommunications market. CPI's new project is predicted to energize and stimulate capital investment in this newly opened market. In fact, CPI has been awarded a contract from Bayan Telecommunication for cable construction, and Globe Telecom Inc. has awarded CPI a contract for junction line construction.

● The Company's participation in the Asia Multimedia Forum has allowed COMSYS to make a more significant contribution to the development of a high-order information-intensive society in Asia. The Forum, whose aim is to help develop multimedia infrastructure that will be compatible throughout the Asian region, is involved in the testing and trial of multimedia systems, the joint development of multimedia systems and equipment, and other multimedia-related projects in Asia. The Asia Multimedia Forum also holds seminars, symposia, exhibitions, and disseminates information on multimedia-related activities and technology.

● In Samut Prakan, Thailand, we are executing a wastewater management project, our first contract outside the field of telecommunications construction. That we won this contract clearly shows that our tunneling technology has won a worldwide reputation for reliability. This market has considerable potential, and we will continue our vigorous efforts to expand orders, not only in the field of telecommunications construction, but also in the new fields of wastewater management and sewer construction.



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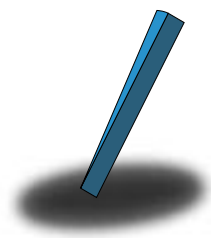


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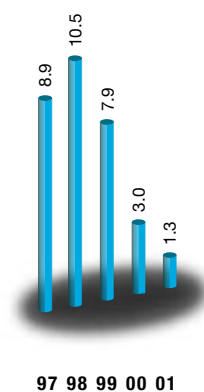
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1. Installing underground cables in Bangkok.
2. Installing aerial CCP cables in a Bangkok suburb.
3. Installing aerial optical fiber cables in Bangkok.
4. Our CAD technology in use in the Philippines.



1%
of Total Revenue

Sales of Overseas
Construction
(¥ Billions)

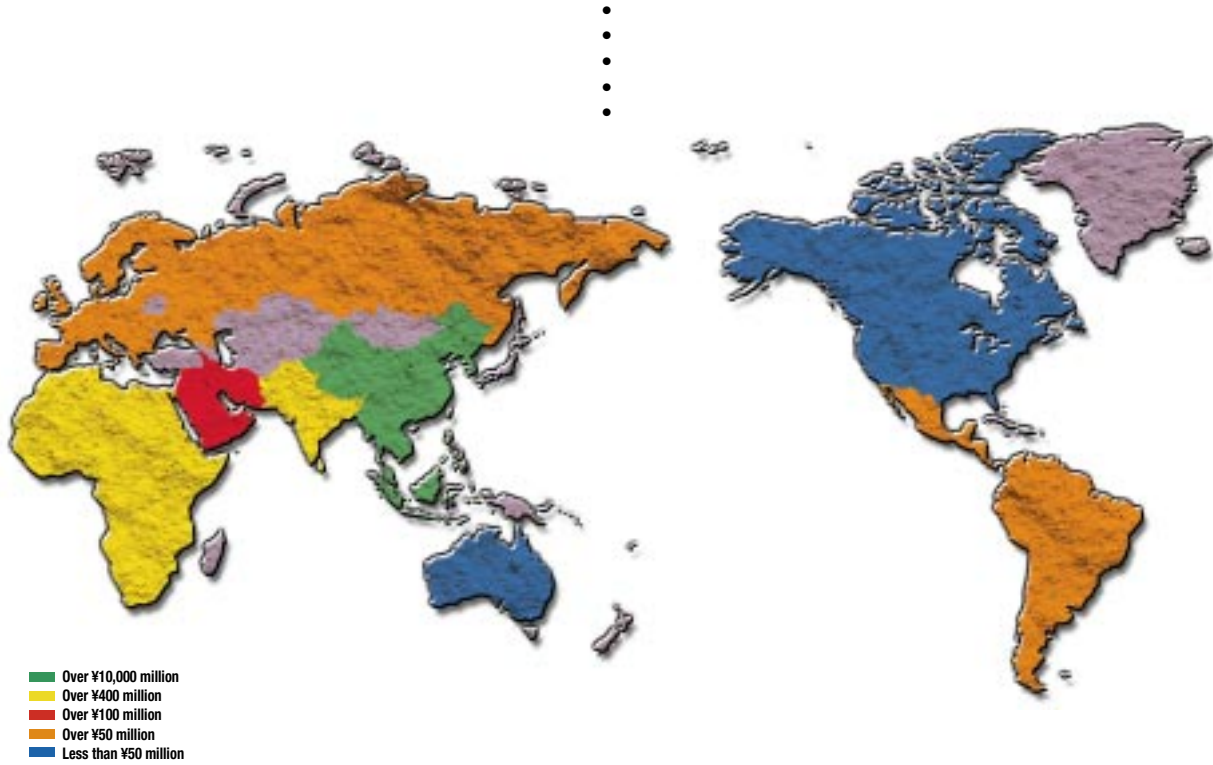


● In the coming term, changes to telecommunications networks and continued privatization will have a tendency to delay major telecommunications network construction projects. COMSYS, therefore, will look overseas, primarily to Thailand and the Philippines. Through the medium of local subsidiaries, we will deepen and strengthen ties with the regions in which we operate,

thereby enhancing our cost-competitiveness. We will become more active and aggressive in our attempts to win contracts in the rapidly expanding fields of fiber-optic cable installation and mobile communications, as well as in the construction of social infrastructure.



CONSTRUCTION REVENUES FOR LAST THREE YEARS



Major Overseas Projects Completed

Nigeria	Ibadan new local line project
Iraq	Installation of telephone lines for 17 local exchanges
Egypt	Supply and installation of telecommunication cable network in Ismailia and Suez
Thailand	Installation of digital exchange equipment
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)

Overseas Projects in Progress (As of June 2001)

Philippines	Supply and installation of local cable and junction network for GLOBE Telecom PHASE-4 in Manila and the provinces
Philippines	Turnkey outside plant network engineering services for EACP in Philippines

INFORMATION SYSTEMS

● The operational environment faced by the Company's Information Systems Sector was characterized by the rapid progress of the IT revolution and by intensifying competition. In response, COMSYS has turned to "total business solutions," by which we mean that we proactively create total business proposals for specific clients, develop all needed plans, and maintain systems and equipment installed.

● Among the products offered by the Information Systems Sector are the Dream Web Server, an all-in-one server that incorporates the router, terminal adapter, digital service unit, firewall, and switching hub into a single PCI card, and the Red Brick DataWarehouse, a quick-loading, high-performance, online analytical processing tool. Other products include the Smart Care computer telephone integration (CTI) customer support system, which provides speedy, efficient, and reliable communications management for small and medium-sized businesses, the CTI+WINE small office CTI system, an economical system which is useful in client management and cost reduction efforts, and the new BL-3000 Digital Monitoring System, which adds digital video monitoring capabilities to existing network systems. The Sector also markets solution package software, such as Cable Manager, a resource management system, The Pert, a project-management package for the construction industry, and CONDUIT-CAD, a full-featured civil-engineering CAD system.

● The computer market is expected to show steady growth during the 21st century, during which e-commerce will become firmly established. Various companies in the information systems field are developing customer relationship management (CRM) systems, which provide an easy means to strengthen ties with each its clients. This presents COMSYS with an opportunity to supply them with CRM software and systems. In addition, the application service provider (ASP) market is expected to show

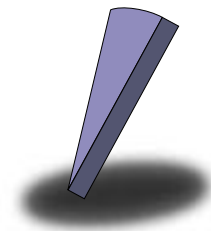
pronounced growth, and the software market is forecast to expand steadily. Participation in Internet-related businesses and CRM operations is increasing. In response, the Information Systems Sector has embarked on a broad spectrum of business activities, which include the presentation of total solutions packages to its clients. Notwithstanding these measures, net sales in this Sector contracted 6.6 percent to ¥16.7 billion (US \$135 million).

● On December 1, 2000, Japan inaugurated digital satellite broadcast television, and COMSYS is producing data-broadcast program contents. In addition to sound and images, data broadcast offers a number of easy-to-use features, including program contents search capability, which allows the user to extract the information he needs, and interactive data communications between the broadcaster and the user. All broadcasts are scheduled to be digital by the year 2010. Japan's three largest metropolitan areas (the Kanto, Kinki, and Tokai regions) will begin ground-based digital broadcasts in 2003. Because satellite broadcasts and ground-based broadcasts alike must be digitized, it is expected that a large demand for programming will be required.

● At present, there are not many companies other than COMSYS that have digital-broadcast technicians and that can prepare digital broadcast programming. Therefore, COMSYS is meeting the needs of the market with comprehensive program production, from planning through writing and design. We intend to pursue this business opportunity and expand sales in this field.

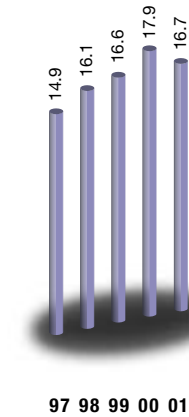
● In the future, this Sector will endeavor to develop systems and software, as well as the technological expertise to meet the demand for total solution packages. Together with our vigorous entry into this new field, we are seeking to expand our presence in this market by concentrating sales efforts on promising customers.

● In the coming term, this sector will carry out strong marketing programs based on our anticipation of market needs, in search of further expansion of orders received.

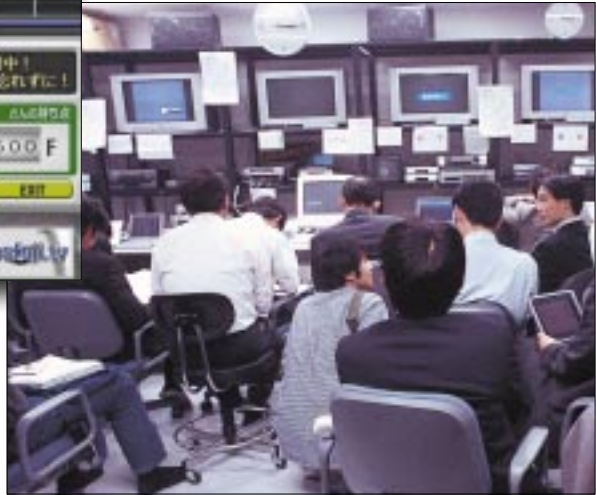


7%
of Total Revenue

**Sales of Information
Systems (¥ Billions)**



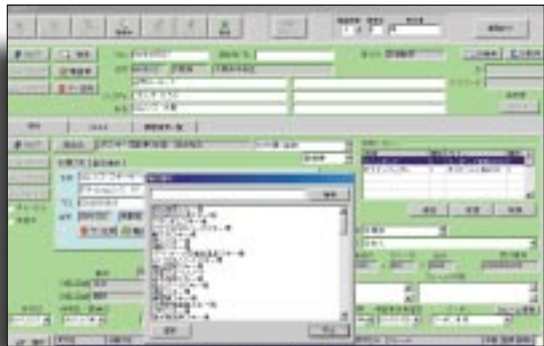
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1. COMSYS personnel preview a satellite-broadcast program with the clients who ordered it.

2. A screen shot from one of the Company's digital satellite broadcast programs.

3. Our BioE System automatic wage-debit software allows a company to set up intranet shopping for its employees, then to automatically deduct the amount of each employee's purchases from his salary. Comsys is directing much of its energy toward making a place for itself in the field of e-commerce.

4. COMSYS has developed many custom software packages for its clients.

MANAGEMENT
As of June 28, 2001

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BOARD OF DIRECTORS



President and Representative Director
Hironobu Takeuchi



Senior Managing Director
Kiyoto Kuwabara



Managing Director
Takuo Sue



Managing Director
Takaaki Okayama



Managing Director
Ko Tamai



Managing Director
Masahide Kajiyama



Director
Michiaki Ono



Director
Yasunobu Sasaki

CORPORATE AUDITORS

Standing Auditors
Teruji Mukai
Masaharu Ogawa

Auditors
Takashi Kakimi
Tadashi Kumakura

CORPORATE EXECUTIVE OFFICERS

Senior Vice Presidents
Tatsuya Sato
Masayuki Nose
Kyoichi Suzuki
Syotaro Chikamoto
Yoichi Chiba
Kaoru Noda
Kenji Kondo

Executive Officers
Suguru Sugiyama
Yoshinobu Tanaka
Yasuhiko Kubota
Etsuo Shibata
Yukuo Asakura
Toyohiro Goto
Akira Takasaki
Katsuo Takeda

Masanori Fukuda
Kazuo Takiguchi
Toshimasa Hattori
Takero Mizoguchi
Minoru Sobami
Takashi Furusho
Hideki Ishikawa
Seiichiro Nakatani

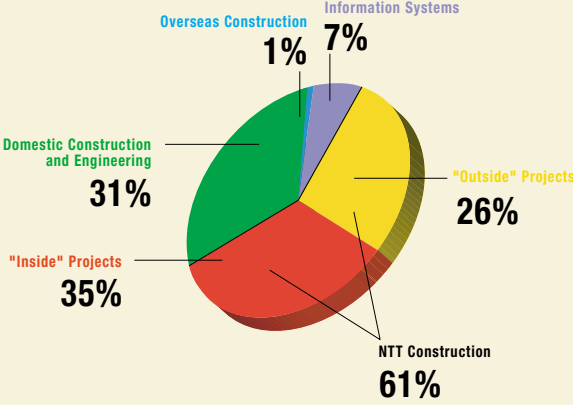
FINANCIAL SECTION

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FINANCIAL REVIEW
Nippon COMSYS Corporation and Consolidated Subsidiaries

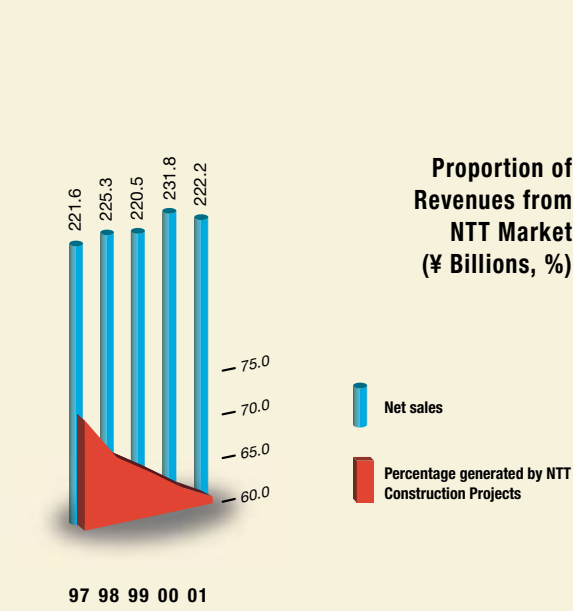
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Sales by Business Category
Nippon COMSYS Corporation and Consolidated Subsidiaries
Years ended 31st March, 1997, 1998, 1999, 2000 and 2001

	Millions of yen					Thousands of U.S. dollars
	1997	1998	1999	2000	2001	2001
Construction Business						
NTT Construction	¥160,432	¥151,207	¥143,705	¥144,296	¥134,981	\$1,089,435
Domestic Construction and Engineering	37,415	47,476	52,412	66,567	69,219	558,668
Overseas Construction	8,926	10,545	7,850	3,007	1,315	10,614
Other Business						
Information Systems	14,863	16,085	16,555	17,880	16,705	134,826
Total	¥221,636	¥225,313	¥220,522	¥231,750	¥222,220	\$1,793,543

Note: For convenience only, the accompanying Japanese yen figures for 2001 have been translated into U.S. dollars at the rate of ¥123.90 to \$1, the rate prevailing on 30th March, 2001.



• **Revenues** •

The Japanese government implemented further financial and monetary reforms during the period of this report, but rising unemployment, weak consumer spending, and non-performing debts in the banking industry continued to weaken the economy. A slowdown in the US economy and continued economic instability in Southeast Asia also had an adverse impact. COMSYS, however, benefited from rapid growth in demand for telecommunications services, content software, Internet access, data transmission, e-commerce, and mobile telephony. Despite these positive developments, net sales declined 4.1 percent to ¥222,220 million (US\$1,794 million).

The NTT Construction Sector saw revenues contract by 6.5 percent to ¥134,981 million (US\$1,089 million), after a 0.4 percent gain in the previous term. The share of the Company's total revenues generated by this sector has declined from 72.4 percent in the fiscal year ended March 31, 1997 to this year's 60.7 percent, demonstrating that the Company's efforts to increase non-NTT revenues is having a consistent effect. "Outside" projects accounted for ¥56,764 million (US\$458 million) of the sector's total, while "inside" projects accounted for the remaining ¥78,217 million (US\$631 million).

After posting double-digit gains in each of the previous five years,

the Domestic Construction and Engineering Sector achieved 4.0 percent growth in revenues during the period of this report, to ¥69,219 million (US\$559 million). The, political and economic woes of South-east Asia continued to have an impact on revenues in the Overseas Construction Sector, which fell a further 56.3 percent to ¥1,315 million (US\$11 million), on the heels of a 61.7 percent contraction in the previous term. Revenues in the Information Systems Sector declined by 6.6 percent to ¥16,705 million (US\$135 million).

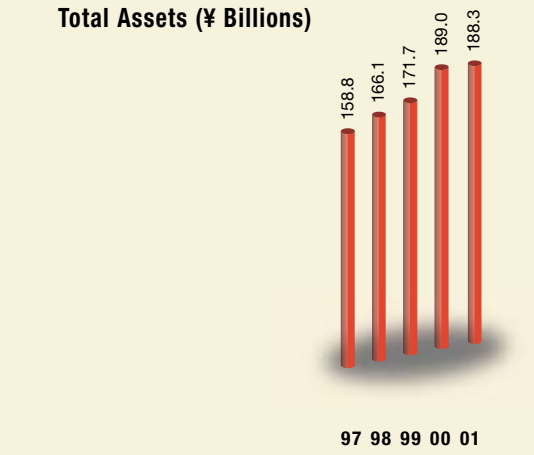
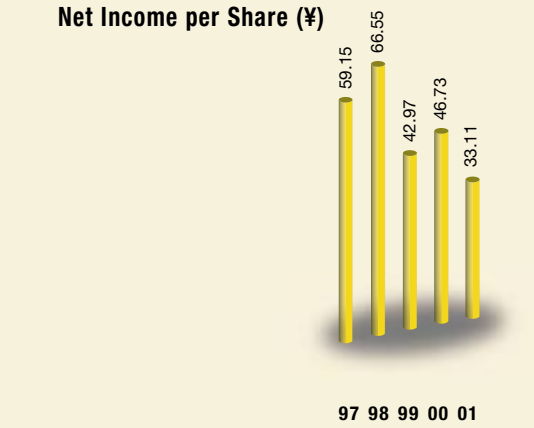
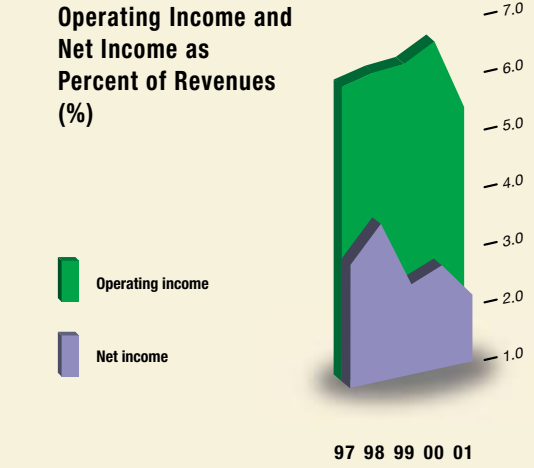
• **Results of Operations** •

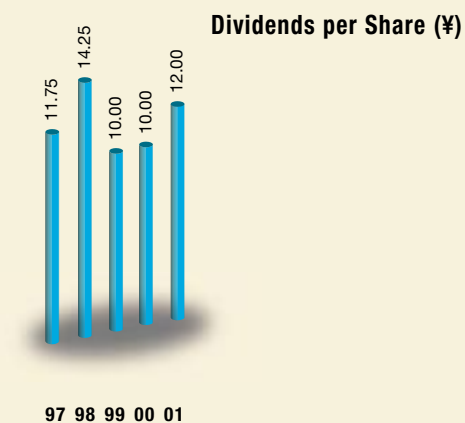
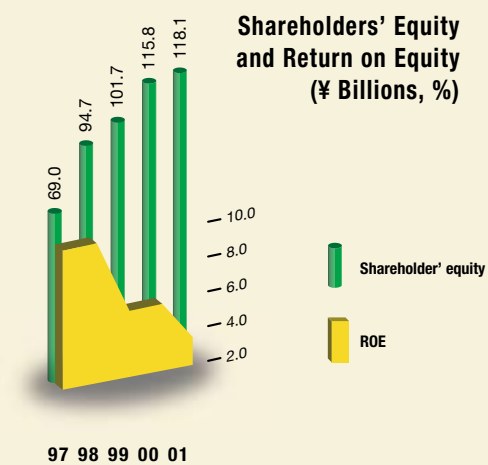
Reflecting our vigorous campaign to win new contracts and enter new fields, cost of sales as a percentage of net sales rose slightly from last year's 86.8 percent to 87.5 percent in the term under review. This and lower net sales caused gross profit to decline 9.5 percent to ¥27,688 million (US\$223 million). Selling, general, and administrative expenses increased by 6.7 percent to ¥16,060 million (US\$130 million), and as a percentage of gross profit rose from 49.2 percent last term to 58.0 percent. These factors resulted in a 25.3 percent decrease in operating income, to ¥11,628 million (US\$94 million). Interest and dividend income increased 74.3 percent to ¥819 million (US\$7 million), but interest expenses also rose. "Other, net" rose 11.2 percent to ¥3,295 million (US\$27 million). The events that led to this included the amortization of the difference arising from the change in the accounting standard on accrued severance indemnities in the amount of ¥8,756 (US\$71 million) and the gain on securities contribution to the employee retirement benefit trust in the amount of ¥5,810 million (US\$47 million). This arose as a result of our contribution of a portion of our negotiable securities holdings to establish an employee retirement benefit trust that corrected the deficit in reserves for employee benefit obligations. A ¥536 million (US\$4 million) write-down of investments and other assets was also included in "Other, net." As a result of the above, income before income taxes and other adjustments to net income fell 30.2 to ¥9,117 million (US\$74 million).

The effective income tax rate rose to 47.2 percent from last year's 47.0 percent, primarily as the result of an increase in expenses permanently not deductible for income tax purpose. Minority interests declined nearly 50 percent, and net income fell 28.8 percent to ¥4,498 million (US\$36 million). The ratio of net income to net sales, which was 2.72 percent for the previous fiscal year, declined to 2.02 percent. Return on equity fell from 5.8 percent last term to 3.8 percent. Net income per share contracted 29.1 percent to ¥33.11 (US\$0.27). Dividends were increased to ¥12.00 (US\$0.10), and we allocated ¥5 per share through the midpoint of the next fiscal year to a fund for the retirement of treasury stock.

• **Financial Position** •

The Company reduced cash and cash equivalents by 5.8 percent to ¥39,473 million (US\$319 million). Short-term investments more than doubled, rising to ¥1,170 million (US\$9 million), largely as a result of a change in Japan's generally accepted accounting procedures that took effect on April 1st, 2000. Notes and accounts receivable increased 4.2 percent to ¥61,825 million (US\$499 million). We posted a 6.0 percent decline in the accumulated cost of construction in progress, to ¥21,138 million (US\$171 million). Deferred income taxes were reduced from ¥2,504 million in the previous term to ¥908 million





(US\$7 million). Other current assets expanded 60.2 percent to ¥2,760 million (US\$22 million). Thus, current assets declined a negligible 0.3 percent to ¥128,136 million (US\$1,034 million).

Looking at liabilities, short-term bank loans rose from ¥632 million in the previous term to ¥1,057 million (US\$9 million). This was chiefly because short-term bank loans of consolidated subsidiaries were increased. Trade payables were almost static, edging up 0.7 percent to ¥35,352 million (US\$285 million), while advances received on construction in progress increased by 18.5 percent to ¥7,094 million (US\$57 million). Other current liabilities rose by 92.8 percent to ¥5,469 million (US\$44 million). As a result of the above, current liabilities declined 3.5 percent to ¥49,760 million (US\$402 million), for a current ratio of 2.6.

After rising for four consecutive terms, investments and other assets declined 1.6 percent to ¥21,508 million (US\$174 million). This was primarily the result of cuts in investment securities and a large increase in the allowance for doubtful receivables. Total property and equipment was reduced less than one percent to ¥38,606 million (US\$312 million) after depreciation. Total assets, then, declined 0.4 percent to ¥188,250 million (US\$1,519 million). Shareholders' equity, though, continued its upward path. After a 13.9 percent increase last term, this year saw a 1.9 percent rise to ¥118,055 million (US\$953 million).

The capital ratio increased from 61.3 percent in the previous term to 62.7 percent. Based on the number of shares outstanding at March 31, 2001, shareholders' equity per share increased to ¥869.84 (US\$7.02) from the ¥851.01 recorded at the end of the previous fiscal year.

• Cash Flows •

Net cash provided by operating activities dropped 73.0 percent to ¥3,397 million (US\$27 million), as income before income taxes and other adjustments to net income fell to ¥9,117 million (US\$74 million). An increase in trade receivables of ¥4,482 million (US\$36 million), an increase in other assets of ¥865 million (US\$7 million), and a decrease in other liabilities of ¥3,960 million (US\$32 million) all played a role in the decline, as did ¥6,336 million (US\$51 million) in cash and cash equivalents paid for income taxes. After a net increase in investment securities of ¥1,000 million (US\$8 million), acquisitions of property and equipment in the amount of ¥1,386 million (US\$11 million), a ¥627 million (US\$5 million) increase in long-term loans, and other investments of ¥1,368 million (US\$11 million), net cash used in investing activities declined 46.3 percent to ¥4,202 million (US\$34 million).

Net cash used in financing activities declined 46.9 percent to ¥1,925 million (US\$16 million), primarily composed of acquisitions of treasury stock in the amount of ¥841 million (US\$7 million) and cash dividends of ¥1,376 million (US\$11 million). Cash and cash equivalents at the beginning of the year were ¥41,892 million (US\$338 million). After a ¥2,730 million (US\$22 million) decrease in cash and cash equivalents, and ¥311 million (US\$3 million) in adjustments for newly consolidated subsidiaries, cash and cash equivalents at the end of the year declined by ¥2,419 (US\$20 million) to ¥39,473 million (US\$319 million).

SELECTED FINANCIAL AND OPERATING DATA

Nippon COMSYS Corporation and Consolidated Subsidiaries
Years ended 31st March, 1997, 1998, 1999, 2000 and 2001

	Millions of yen					Thousands of U.S. dollars
	1997	1998	1999	2000	2001	2001
Results of Operations:						
Net sales	¥221,636	¥225,313	¥220,522	¥231,750	¥222,220	\$1,793,543
Operating income	13,733	14,348	14,261	15,559	11,628	93,850
Income before income taxes and other adjustments to net income	13,675	14,333	13,522	13,054	9,117	73,584
Net income	6,831	8,309	5,625	6,315	4,498	36,304

Financial Position:

Total assets	¥158,839	¥166,067	¥171,669	¥188,961	¥188,250	\$1,519,370
Property and equipment	26,471	27,334	30,976	38,626	38,606	311,590
Long-term debt	25,128	16,791	9,409	9,312	9,312	75,157
Shareholders' equity	68,979	94,654	101,721	115,834	118,055	952,825

Per Share of Common Stock (in yen and U.S. dollars):

Net income						
— Basic	¥ 59.15	¥ 66.55	¥ 42.97	¥ 46.73	¥ 33.11	\$ 0.27
— Diluted	56.13	62.59	40.87	44.67	31.70	0.26
Cash dividends	11.75	14.25	10.00	10.00	12.00	0.10
Shareholders' equity	595.77	725.59	765.74	851.01	869.84	7.02

Financial Ratios:

Operating income to net sales	6.20%	6.37%	6.47%	6.71%	5.23%	
Net income to net sales	3.08	3.69	2.55	2.72	2.02	
Capital ratio	43.4	57.0	59.3	61.3	62.7	
Return on equity	10.4	10.2	5.7	5.8	3.8	

Other Statistics:

New orders received during the year	¥226,643	¥235,923	¥229,875	¥228,518	¥229,211	\$1,849,968
Contract backlog at end of the year	58,385	68,995	78,348	76,781	80,461	649,403
Common stock price range (in yen):						
High	¥ 1,560	¥ 2,020	¥ 1,710	¥ 2,700	¥ 2,370	
Low	1,190	1,240	1,280	1,420	1,636	

Note: For convenience only, the accompanying Japanese yen figures for 2001 have been translated into U.S. dollars at the rate of ¥123.90 to \$1, the rate prevailing on 30th March, 2001.

<div> <div>CONSOLIDATED BALANCE SHEETS</div> <div> Nippon COMSYS Corporation and Consolidated Subsidiaries As of 31st March, 2000 and 2001 </div> </div>			
	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	2000	2001	2001
Current Assets:			
Cash and cash equivalents	¥ 41,892	¥ 39,473	\$ 318,588
Short-term investments (Note 4)	499	1,170	9,443
Notes and accounts receivable—trade	59,355	61,825	498,991
Inventories:			
Accumulated cost of construction in progress	22,488	21,138	170,605
Other	169	991	7,998
Deferred income taxes (Note 8)	2,504	908	7,329
Other current assets	1,723	2,760	22,276
Less: Allowance for doubtful receivables	(149)	(129)	(1,041)
Total current assets	128,481	128,136	1,034,189
Investments and Other Assets:			
Investment securities:			
Unconsolidated subsidiaries and affiliates	1,535	864	6,973
Other (Note 4)	8,136	5,694	45,956
Long-term loans receivable	4,132	4,179	33,729
Deferred income taxes (Note 8)	2,309	3,669	29,613
Other assets	5,875	8,280	66,828
Less: Allowance for doubtful receivables	(133)	(1,178)	(9,508)
Total investments and other assets	21,854	21,508	173,591
Property and Equipment:			
Land (Note 5)	23,585	23,588	190,380
Buildings and structures (Note 5)	17,125	17,361	140,121
Machinery and equipment	7,596	7,509	60,605
Construction in progress	2,076	2,649	21,380
Less: Accumulated depreciation	(11,756)	(12,501)	(100,896)
Total property and equipment	38,626	38,606	311,590
	¥188,961	¥188,250	\$1,519,370

See Notes to the Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
LIABILITIES AND SHAREHOLDERS' EQUITY	2000	2001	2001
Current Liabilities:			
Short-term bank loans (Note 5)	¥ 632	¥ 1,057	\$ 8,531
Accounts payable:			
Trade	35,119	35,352	285,327
Other	4,412	—	—
Advances received on construction in progress	5,989	7,094	57,256
Income taxes payable	2,566	788	6,360
Other current liabilities	2,836	5,469	44,140
Total current liabilities	51,554	49,760	401,614
Long-Term Liabilities:			
Convertibles bonds (Note 5)	9,312	9,312	75,157
Accrued severance indemnities (Note 6)	1,883	3,769	30,420
Provision for possible losses arising from overseas investments	1,442	—	—
Other long-term liabilities	1,945	16	129
Total long-term liabilities	14,582	13,097	105,706
Contingent Liabilities (Note 7)			
Minority Interests in Consolidated Subsidiaries	6,991	7,338	59,225
Shareholders' Equity (Note 11):			
Common stock, par value ¥50 per share:			
Authorized			
— 249,665 thousand shares (31st March, 2000)			
— 249,341 thousand shares (31st March, 2001)			
Issued			
— 137,166 thousand shares (31st March, 2000)	31,141	—	—
— 136,842 thousand shares (31st March, 2001)	—	31,140	251,332
Additional paid-in capital	30,736	30,736	248,071
Retained earnings	55,477	57,828	466,731
Unrealized gain on securities	—	29	234
	117,354	119,733	966,368
Treasury stock, at cost	(1,520)	(1,678)	(13,543)
Total shareholders' equity	115,834	118,055	952,825
	¥188,961	¥188,250	\$1,519,370

<div> <div>CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS</div> <div> Nippon COMSYS Corporation and Consolidated Subsidiaries Years ended 31st March, 2000 and 2001 </div> </div>			
	<div> <div>Millions of yen</div> <div>20002001</div> </div>		<div> <div>Thousands of</div> <div>U.S. dollars (Note 1)</div> <div>2001</div> </div>
Net Sales:			
Construction contracts	¥213,870	¥205,515	\$1,658,717
Other	17,880	16,705	134,826
	231,750	222,220	1,793,543
Cost of Sales:			
Construction contracts	185,932	179,452	1,448,361
Other	15,212	15,080	121,711
	201,144	194,532	1,570,072
Gross profits	30,606	27,688	223,471
Selling, General and Administrative Expenses	15,047	16,060	129,621
Operating income	15,559	11,628	93,850
Other Income (Expenses):			
Interest and dividend income	470	819	6,610
Interest expenses	(13)	(35)	(282)
Other, net (Note 12)	(2,962)	(3,295)	(26,594)
	(2,505)	(2,511)	(20,266)
Income before income taxes and other adjustments to net income	13,054	9,117	73,584
Income Taxes (Note 8):			
Current	7,218	4,082	32,946
Deferred	(1,084)	226	1,824
	6,134	4,308	34,770
Minority Interests	605	311	2,510
Net Income	6,315	4,498	36,304
Retained Earnings:			
Balance at beginning	47,074	55,477	447,756
Increases arising from:			
Adoption of interperiod allocation of income taxes, net	3,208	—	—
Newly consolidated subsidiaries, net	1,050	4	32
	4,258	4	32
Appropriations:			
Cash dividends	1,350	1,366	11,025
Bonuses to directors	155	102	823
Retirement of treasury stocks	665	683	5,513
	2,170	2,151	17,361
Balance at end	¥ 55,477	¥ 57,828	\$ 466,731
	Yen		U.S. dollars (Note 1)
Per Share:			
Net income			
— Basic	¥ 46.73	¥ 33.11	\$ 0.27
— Diluted	44.67	31.70	0.26
Cash dividends	10.00	12.00	0.10
Weighted average number of shares (in thousands)	135,136	135,858	

See Notes to the Consolidated Financial Statements.

<div> <div>CONSOLIDATED STATEMENTS OF CASH FLOWS</div> <div> Nippon COMSYS Corporation and Consolidated Subsidiaries Year ended 31st March, 2000 and 2001 </div> </div>			
	<div> <div>Millions of yen</div> <div>20002001</div> </div>		<div> <div>Thousands of</div> <div>U.S. dollars (Note 1)</div> <div>2001</div> </div>
Cash Flows from Operating Activities:			
Income before income taxes and other adjustments to net income	¥13,054	¥ 9,117	\$ 73,584
Depreciation and amortization	1,665	1,746	14,092
Write-down of investments and other assets	311	536	4,326
Increase in allowance for doubtful receivables	81	170	1,372
(Decrease) increase in accrued severance indemnities	(4,920)	2,019	16,295
Increase in liability for prior service cost	4,241	—	—
Decrease in provision for possible losses arising from overseas investments	(150)	—	—
Interest and dividends received	(470)	(819)	(6,610)
Interest expenses	57	35	282
Loss on disposal of property and equipment	68	47	379
Gain (loss) on sale of securities	(124)	—	—
Gain on securities contributed to employee retirement benefit trust	—	(5,810)	(46,893)
Amortization of the difference arising from change of the accounting standard on accrued severance indemnities	—	8,756	70,670
Decrease (increase) in receivables, trade	2,922	(4,482)	(36,174)
Decrease in inventories	458	2,064	16,658
Increase in payables, trade	3,498	801	6,465
Increase in other assets	—	(865)	(6,981)
Decrease in other liabilities	—	(3,960)	(31,961)
Directors’ bonuses paid	(182)	(133)	(1,073)
Other	443	(205)	(1,655)
	20,952	9,017	72,776
Cash and cash equivalents received on interest and dividends income	462	751	6,061
Cash and cash equivalents paid for interest expenses	(57)	(35)	(282)
Cash and cash equivalents paid for income taxes	(8,793)	(6,336)	(51,138)
Net cash provided by operating activities	12,564	3,397	27,417
Cash Flows from Investing Activities:			
Increase in short-term investments, net	(48)	(1)	(8)
Increase in investment securities, net	—	(1,000)	(8,071)
Acquisitions of property and equipment	(7,018)	(1,386)	(11,186)
Acquisitions of other assets	(702)	(490)	(3,955)
Proceeds from sale of property	166	64	517
Increase in long-term loans	(693)	(627)	(5,061)
Collection of long-term loans	1,120	606	4,891
Other	(651)	(1,368)	(11,041)
Net cash used in investing activities	(7,826)	(4,202)	(33,914)
Cash Flows from Financing Activities:			
Increase in short-term borrowings, net	265	308	2,486
Repayment of long-term debt	(20)	(16)	(129)
Redemption of notes with warrants	(7,373)	—	—
Proceeds from exercise of warrants	6,214	—	—
Acquisitions of treasury stock	(1,348)	(841)	(6,788)
Cash dividends paid	(1,364)	(1,376)	(11,106)
Net cash used in financing activities	(3,626)	(1,925)	(15,537)
Net Increase in Cash and Cash Equivalents	1,112	(2,730)	(22,034)
Cash and Cash Equivalents at Beginning of Year	34,887	41,892	338,111
Cash and Cash Equivalents at Beginning of Year Adjusted for Newly Consolidated Subsidiaries	5,893	311	2,511
Cash and Cash Equivalents at End of Year	¥41,892	¥39,473	\$318,588
Supplemental Disclosure of Cash Flow Information:			
Conversion of convertible bonds to common stock	¥ 97	¥ —	\$ —

See Notes to the Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Nippon COMSYS Corporation and Consolidated Subsidiaries

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared from accounts and records maintained in Japanese yen by Nippon COMSYS Corporation (the “Company”) and its subsidiaries (together, hereinafter referred to as the “Companies”) in conformity with accounting principles and practices generally accepted in Japan (hereinafter referred to as the “GAAP of Japan”), which are different 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 ¥123.90 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) Principle of consolidation

The consolidated financial statements as at, and for the years ended, 31st March, 2000 and 2001, include the accounts of the Company, Okoshi Denken Co., Ltd., Tokyo Denwa Shisetsu Co., Ltd., Tsuken Kiko Co., Ltd., COMSYS Techno Co., Ltd., COMSYS Tec Co., Ltd., Taiei Seisakusho Co., Ltd., Tokyo Tsuken Co., Ltd., and Nitto Tsuken Co., Ltd.

Effective from the year ended 31st March, 2001, COMSYS Tohoku Techno Co., Ltd., COMSYS Kanto Kita Engineering Co., Ltd., COMSYS Kansai Engineering Co., Ltd., COMSYS Kyusyu Engineering Co., Ltd., COMSYS Net Corporation and COMSYS Shinetsu Engineering Co., Ltd. have been consolidated, since their aggregate sales, total assets, net income and retained earnings have become material.

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 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. Investments in unconsolidated subsidiaries and affiliates are carried at cost due to their immateriality.

(b) 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.

(c) Cash and cash equivalents

Cash and cash equivalents include all highly liquid investments, generally with original maturities of three months or less, that 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.

(d) Short-term investments and investment securities

Effective from the financial year beginning on 1st April, 2000, the GAAP of Japan have required 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 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.

The effect of the change of the GAAP on financial instruments, primarily as mentioned above, was to decrease “Income before income taxes and other adjustments to net income” by ¥404 million (US\$3,261 thousand).

(e) Accumulated cost of construction in progress

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

(f) Property and equipment

Property and equipment are stated at cost. Depreciation is computed primarily by the declining-balance method using estimated useful lives of assets principally as follows:

Buildings and structures	7 to 50 years
Machinery and equipment	2 to 45 years

(g) Intangible assets and deferred charges

Intangible assets including software are amortized by the straight-line method over the estimated useful lives of assets. Research and development costs are charged to income as incurred.

(h) 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.

(i) 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. For the purpose of preparing consolidated financial statements, deferred tax assets and liabilities also arose from the elimination of unrealized profits among the Companies and the adjustment of allowance for doubtful receivables caused by the offsetting of inter-company receivables and payables.

(j) 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 13).

(k) 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. Diluted net income per share assumes the dilution that could occur if convertible bonds were converted into common stock. 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. Accounting Changes

Effective from the financial year ended 31st March, 2001, the Companies changed the method of computing costs of securities investments from using periodic average to using moving average. This accounting change was made for the purpose of recognizing and measuring promptly gains or losses on sales of securities investments. As a result of this accounting change, “Income before income taxes and other adjustments to net income” increased by ¥158 million (US\$1,275 thousand).

4. Short-term Investments and Investment Securities-other

Information that is required to be disclosed in the Notes of the consolidated financial statements by the regulations and rules on disclosures under the Securities and Exchange Laws of Japan, as amended to conform with the certain reclassification 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 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars	
	Book value	Fair value	Book value	Fair value
Japanese government bonds	¥1,077	¥1,100	\$8,692	\$8,878

(b) Other securities whose fair value was readily determinable as at 31st March 2001 were as follows:

Classification	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	¥1,144	¥403	¥ 83	¥1,464	\$ 9,233	\$3,253	\$ 670	\$11,816
Bonds and debentures	1,133	37	53	1,117	9,145	298	428	9,015
Others	1,606	2	207	1,401	12,962	16	1,670	11,308
Total	¥3,883	¥442	¥343	¥3,982	\$31,340	\$3,567	\$2,768	\$32,139

(c) Proceeds from sales of other securities were ¥128 million (US\$1,033 thousand) for the year ended 31st March 2001. On those sales, gross realized gains computed on the moving average cost basis were ¥4 million (US\$32 thousand) and gross realized losses were ¥0 million (US\$0 thousand).

(d) Other securities whose fair value was not readily determinable as at 31st March 2001 mainly consisted of unlisted stocks amounted to ¥1,395 million (US\$11,259 thousand).

(e) Debt securities that are expected to be held-to-maturity and other securities with maturity date as at 31st March 2001 consisted of the following:

	Book value			
	Millions of yen			
	Due:	Within 1 yr.	Within 5 yr.	Within 10 yr. After 10 yr.
Bonds and debentures:				
Japanese government bonds	¥	978	¥ 99	¥—
Corporate bonds		—	1,093	7 17
Others		47	150	—
Others				
Investment trust		—	148	—
Total		¥1,025	¥1,490	¥ 7 ¥17

	Thousands of U.S. dollars			
	Due:	Within 1 yr.	Within 5 yr.	Within 10 yr. After 10 yr.
Bonds and debentures:				
Japanese government bonds	\$7,894	\$ 799	\$—	\$ —
Corporate bonds		—	8,822	56 137
Others		379	1,211	—
Others				
Investment trust		—	1,194	—
Total		\$8,273	\$12,026	\$56 \$137

In July 2000, the Company contributed certain marketable equity securities to an employee retirement benefit trust, with no cash proceeds thereon. The fair value of these securities at the time of contribution was ¥8,648 million (US\$69,798 thousand). Upon the contribution of these securities, the net

unrealized gain was realized and included in “Other, net” of “Other Income (Expenses)” in the consolidated statements of income and retained earnings (see Note 12).

5. Short-Term Bank Loans and Long-Term Debt:

The weighted average interest rates of short-term bank loans as at the year ended 31st March, 2001, was approximately 1.3 per cent.

At 31st March, 2001, short-term bank loans of two consolidated subsidiaries amounting to ¥300 million (US\$2,421) in the aggregate 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	¥186	\$1,501
Land	34	274
	¥220	\$1,775

At 31st March, 2000 and 2001, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
31st March	2000	2001	2001
0.3 per cent yen unsecured convertible bonds due 2003	¥9,312	¥9,312	\$75,157

Convertible bonds

At 31st March, 2001, unsecured convertible bonds consisted of the following:

The original amount issued at 24th June, 1996	¥10,000 million
Balance as at 31st March, 2001	¥9,312 million
Interest rate	0.3%
Maturity date	31st March, 2003
Conversion period:	
On and after	1st August, 1996
Up to and including	28th March, 2003
Conversion price:	
At 31st March, 2001	¥1,435 (US\$11.58)

The number of shares of common stock required for conversion of the above unsecured convertible bonds outstanding at 31st March, 2001, at the current conversion price would have been approximately 6,489 thousand. The conversion price is subject to adjustment under certain circumstances, including stock splits pursuant to the relevant agreement.

6. 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.

The Company has a contributory and funded defined benefit pension plan, which are pursuant to the Welfare Pension Insurance Law of Japan. The contributory pension plan covers a portion of the governmental welfare pension program, under which the Company and its employees make the contributions. As mentioned in Note 4 above, in July 2000, the Company contributed certain marketable equity securities to an employee retirement benefit trust. The securities held in this trust are qualified as plan assets under the GAAP of Japan.

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, six of the subsidiaries have funds for tax qualified defined benefit pension plans and two of the subsidiaries have non-contributory and funded defined benefit pension plans.

Effective from the financial year beginning on 1st April, 2000, the GAAP of Japan have required providing “accrued severance indemnities” based on the projected benefit obligation and fair value of pension assets. The effect of this change was to decrease “Income before income taxes and other adjustments to net income” by ¥3,131 million (US\$25,270 thousand).

“Accrued severance indemnities” recognized in the consolidated balance sheet as at 31st March 2001 were as follows:

	Millions of yen	Thousands of U.S. dollars
Projected benefit obligation	¥(47,763)	\$(385,496)
Fair value of plan assets	36,579	295,230
Unfunded benefit obligation	(11,184)	(90,266)
Unrecognized actuarial difference	7,831	63,204
Net amount recognized	¥ (3,353)	\$ (27,062)

“Accrued severance indemnities” in the consolidated balance sheet as at 31st March 2001 also includes the provision for accrued severance indemnities for directors and corporate auditors of the Companies amounted to ¥416 millions (US\$3,358).

Net pension cost of the plans included in the consolidated statements of income and retained earnings for the year ended 31st March 2001 were as follows:

	Millions of yen	Thousands of U.S. dollars
Service cost	¥ 2,671	\$21,558
Interest cost	1,261	10,177
Expected return of plan assets	(1,693)	(13,664)
Amortization of the difference arising from change of the accounting standard	8,756	70,670
Amortization of unrecognized actuarial difference	—	—
Amortization of unrecognized prior service cost (negative)	(219)	(1,768)
Net pension cost	¥10,776	\$86,973

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

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

- | | |
|---|----------------------|
| • Allocation method of benefit obligation | Straight-line method |
| • Discount rate | 3.0% |
| • Expected rate of return on plan assets | 5.8% |
| • Unrecognized prior service cost is amortized at the incurrence. | |
| • Unrecognized actuarial difference is amortized over 15 years. | |
| • The difference arising from change of the accounting standard was fully amortized and recognized at the incurrence. | |

7. Contingent Liabilities

At 31st March, 2000 and 2001, contingent liabilities consisted of the following:

	Millions of yen		Thousands of U.S. dollars
31st March	2000	2001	2001
Guarantee of loans borrowed by:			
Thai Telecommunications Engineering Co., Ltd.	¥2,008	¥1,093	\$ 8,822
COMSYS-TTEC J.V.	2,458	—	—
COMSYS Philippines, Inc.	680	955	7,708
Other	131	455	3,672
	¥5,277	¥2,503	\$20,202

8. 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 two years ended 31st March, 2000 and 2001. The effective tax rate reflected in the accompanying consolidated statements of income and retained earnings for the year ended 31st March, 2000, 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 ended 31st March, 2001, primarily consisted of the following:

Statutory tax rate of the Company	42.0%
Effects of:	
Expenses permanently not deductible for income tax purpose	4.0
Dividend income deductible for income tax purpose	(0.5)
Other, net	1.7
Effective tax rate	47.2%

Deferred tax assets and liabilities of the Companies as of 31st March, 2000 and 2001, primarily consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2000	2001	2001
Deferred tax assets:			
Accrued bonuses	¥1,204	¥ 682	\$ 5,505
Accrued enterprise tax	196	71	573
Accrued severance indemnities	657	2,715	21,913
Accrued prior service cost	1,781	—	—
Allowance for doubtful receivables	—	469	3,785
Write-down of investments in unconsolidated subsidiaries	—	386	3,115
Provision for possible losses arising from overseas investments	606	—	—
Others	426	395	3,188
	4,870	4,718	38,079
Valuation allowance	—	(52)	(420)
	4,870	4,666	37,659

Deferred tax liabilities:			
Deferred gain on exchange of lands	(57)	(91)	(734)
Unrealized gain on securities	—	(21)	(170)
	(57)	(112)	(904)
Net deferred tax assets	¥4,813	¥4,554	\$36,755

9. Leases as 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, 2000 and 2001, which would have been reflected in the consolidated balance sheets if capitalized, were as follows:

	Millions of yen		Thousands of U.S. dollars
31st March	2000	2001	2001
Acquisition costs	¥1,167	¥1,511	\$12,195
Accumulated depreciation	684	755	6,093
Net book value	¥ 483	¥ 756	\$ 6,102

Lease payments relating to financial leases accounted for as transactions of rent amounted to ¥221 million and ¥315 million (US\$2,542 thousand) for the years ended 31st March, 2000 and 2001, respectively.

Obligation (including the interest portion thereon) under financial leases at 31st March, 2000 and 2001, were as follows:

	Millions of yen		Thousands of U.S. dollars
31st March	2000	2001	2001
Due within one year	¥209	¥319	\$2,575
Due after one year	274	437	3,527
Total	¥483	¥756	\$6,102

10. Segment Information

The Companies’ operating results consisted of two business segments. Information by business segment for the years ended and as of 31st March, 2000 and 2001, were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
For the year ended/as of 31st March	2000	2001	2001
(a) Sales, operating expenses and operating income			
Construction business:			
Sales to outside customers	¥213,870	¥205,515	\$1,658,717
Operating expenses	200,315	195,050	1,574,254
Operating income	¥ 13,555	¥ 10,465	\$ 84,463
Other business:			
Sales to outside customers	¥ 17,880	¥ 16,705	\$ 134,826
Operating expenses	15,876	15,542	125,439
Operating income	¥ 2,004	¥ 1,163	\$ 9,387
Total:			
Sales to outside customers	¥231,750	¥222,220	\$1,793,543
Operating expenses	216,191	210,592	1,699,693
Operating income	¥ 15,559	¥ 11,628	\$ 93,850
(b) Assets, depreciation and capital expenditures			
Construction business:			
Assets	¥175,299	¥175,595	\$1,417,231
Depreciation	1,576	1,648	13,301
Capital expenditures	7,188	1,854	14,964
Other business:			
Assets	13,662	12,655	102,139
Depreciation	88	98	791
Capital expenditures	588	156	1,259
Total:			
Assets	¥188,961	¥188,250	\$1,519,370
Depreciation	1,664	1,746	14,092
Capital expenditures	7,776	2,010	16,223

11. Shareholders’ Equity

The Commercial Code of Japan (the “Commercial Code”) provides that an amount of not less than 10 per cent of the amount of cash dividends and bonuses to directors paid be appropriated as legal reserve until such reserve equals 25 per cent of common stock. This reserve is not available for dividends but may, subject to shareholders’ approval, be used to reduce deficits or may be capitalized subject to a resolution of the Board of Directors. The amount of the reserve of the Company included in “Retained earnings” as at 31st March, 2001, was ¥1,983 million (US\$16,005 thousand).

Under the Commercial Code, an amount equivalent to at least one-half of proceeds from issues of shares shall be accounted for as an addition to the common stock account at a minimum of ¥50 per share. The remaining portion of the proceeds is accounted for as an addition to “Additional paid-in capital.”

On 29th June 2000, the shareholders of the Company, pursuant to the regulations under the Commercial Code, authorized the Company to reacquire and cancel outstanding shares of its common stock with its retained earnings up to a total value not exceeding ¥685 million (US\$5,529 thousand), on and after 30th June 2000.

For the year ended 31st March 2001, under this authorization, the Company retired 324 thousand shares of its common stock amounted to ¥683 million (US\$5,513 thousand).

The authorized shares of the Company decreased by 324 thousand, from 249,665 thousand to 249,341 thousand, due to the retirement of treasury stocks as mentioned above.

12. Other Income and Expenses			
“Other, net” in “Other Income (Expenses)” consisted of the following:			
	Millions of yen		Thousands of U.S. dollars
31st March	2000	2001	2001
Reversal from possible losses arising from overseas investments	¥ 150	¥ —	\$ —
Reversal of accrued severance indemnities	4,312	—	—
Amortization of the unrecognized prior service cost	(7,100)	—	—
Gain on securities contributed to employee retirement benefit trust	—	5,810	46,893
Amortization of the difference arising from change of the accounting standard on accrued severance indemnities	—	(8,756)	(70,670)
Write-down of investments and other assets	(311)	(536)	(4,326)
Other	(13)	187	1,509
	¥ (2,962)	¥(3,295)	\$(26,594)

13. Subsequent Events		
On 28th June, 2001, the shareholders of the Company approved the following appropriations of retained earnings:		
	Millions of yen	Thousands of U.S. dollars
Cash dividends	¥955	\$7,708
Transfer to legal reserve	110	888
Bonuses to directors	51	412
Reacquisition and cancellation of common stock	¥685	\$5,529

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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O.Yu. Kyodo Office
CERTIFIED PUBLIC ACCOUNTANTS
公認会計士桜友共同事務所

8TH FLOOR NO.10 MORI BUILDING
1-18-1 TORANOMON MINATO-KU
TOKYO 105-0001 JAPAN

To the Board of Directors,
Nippon COMSYS Corporation

We have examined the consolidated balance sheets of Nippon COMSYS Corporation and its consolidated subsidiaries as of 31st March, 2000 and 2001, and the related consolidated statements of income and retained earnings and cash flows for each of the two years ended 31st March, 2001, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly, the consolidated financial position of Nippon COMSYS Corporation and its consolidated subsidiaries as of 31st March, 2000 and 2001, and the consolidated results of their operations and cash flows for each of the two years ended 31st March, 2001, in conformity with accounting principles and practices generally accepted in Japan (see Note 1) applied on a consistent basis except as follows:

As discussed in Note 3, Nippon COMSYS Corporation and its consolidated subsidiaries changed its method of computing costs of securities investments from using periodic average to using moving average, with effect from the year ended 31st March, 2001. This change was appropriately made from prompt measurement of gains or losses on sales of securities investments. As a result of this accounting change, “income before income taxes and other adjustments to net income” for the year ended 31st March, 2001 increased by ¥158 million.

As mentioned in Note 2(d) and 6, with effect from the year ended 31st March, 2001, accounting principles and practices generally accepted in Japan on financial instruments and accrued severance indemnities were revised. The effect of these revisions were decrease “income before income taxes and other adjustments to net income” for the year ended 31st March, 2001 by ¥404 million and ¥3,131 million, respectively

The U.S. dollar amounts, presented solely for the convenience of the readers, have been translated on the basis stated in Note 1.

Masatoshi Yoshino Eiji Miyashita Hideo Niwa
Certified Public Accountants of Japan
28th June, 2000

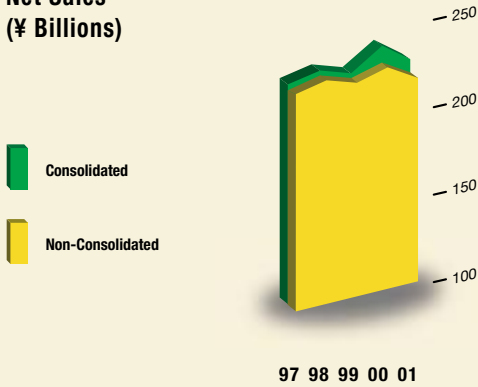
SUPPLEMENTAL NON-CONSOLIDATED FINANCIAL INFORMATION

Nippon COMSYS Corporation
Years ended 31st March, 2000 and 2001

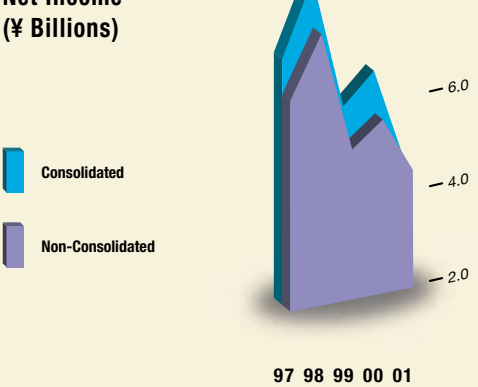
	Millions of yen		Thousands of U.S. dollars	Change (%)
	2000	2001	2001	
Net sales	¥226,146	¥215,586	\$1,740,000	-4.7%
Operating income	13,626	10,402	83,955	-23.7%
Net income	5,818	4,283	34,568	-26.4%
Total assets	171,802	174,118	1,405,311	1.3%
Shareholders' equity	110,400	112,529	908,224	1.9%
	Yen		U.S. dollars	
Per share:				
Net income				
— Basic	¥ 42.78	¥ 31.27	\$ 0.25	-26.9%
— Diluted	40.92	29.98	0.24	-26.7%
Cash dividends	10.00	12.00	0.10	20.0%

Note: For convenience only, the accompanying Japanese yen figures for 2001 have been translated into U.S. dollars at the rate of ¥123.90 to \$1, the rate prevailing on 30th March, 2001.

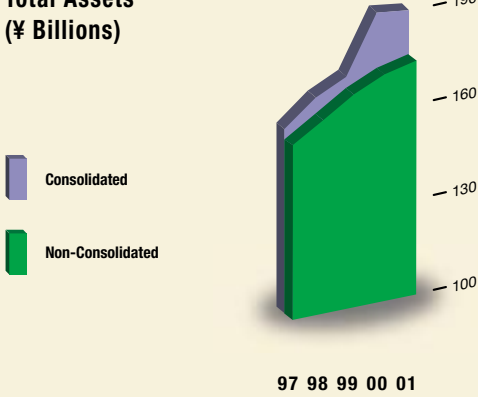
Net Sales
(¥ Billions)



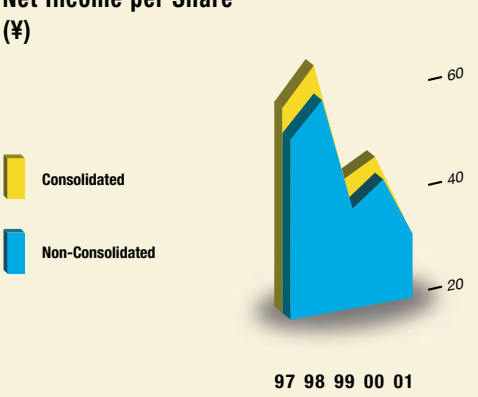
Net Income
(¥ Billions)



Total Assets
(¥ Billions)

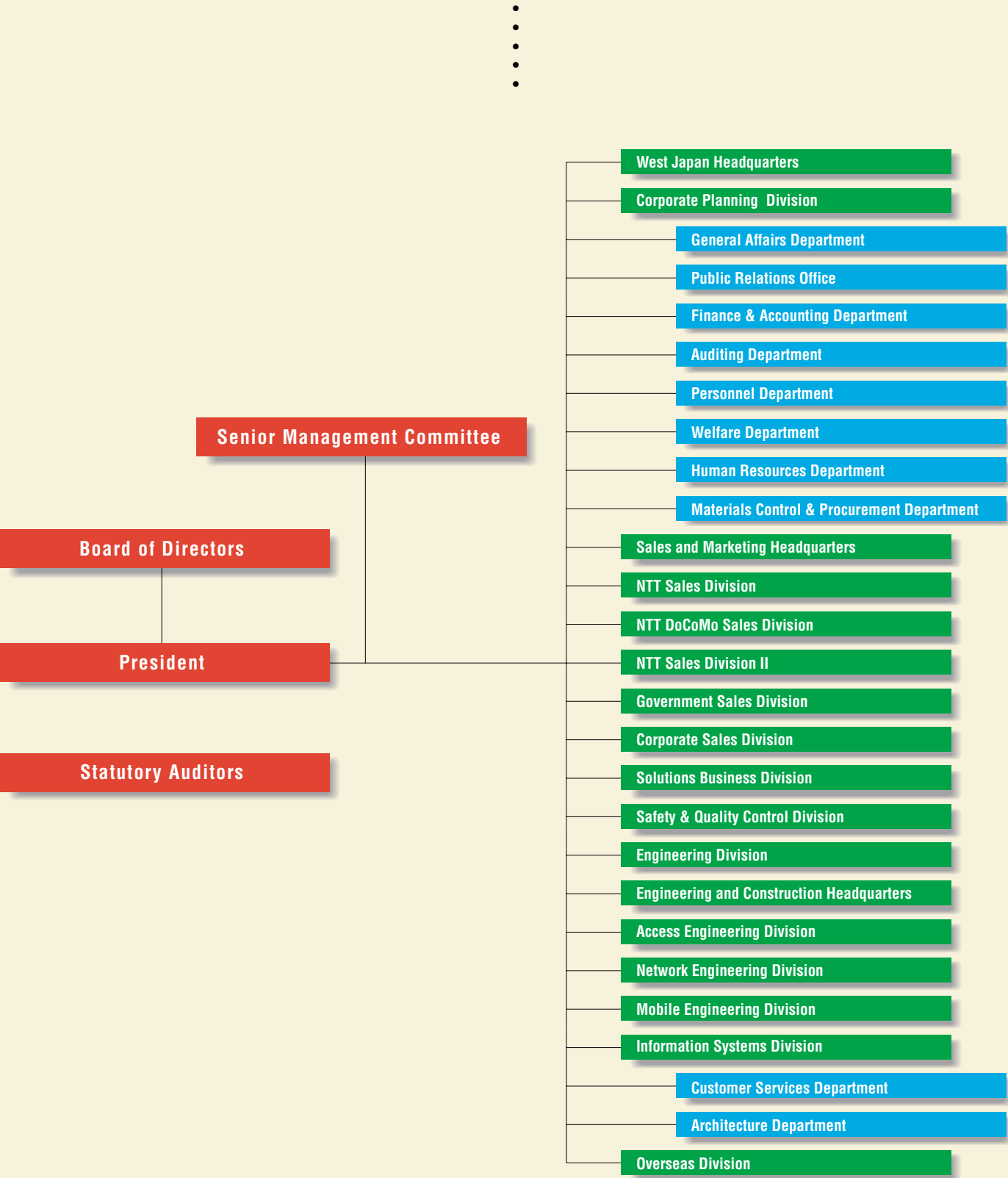


Net Income per Share
(¥)



ORGANIZATION CHART

As of July 1, 2001



CORPORATE INFORMATION

As of March 31, 2001

-
-
-
-
-

Head Office:

17-1, Higashigotanda 2-chome, Shinagawa-ku
Tokyo 141-8647, Japan
Tel: 81 (3) 3448-7031

Overseas Division:

Tel: 81 (3) 3448-7181
Fax: 81 (3) 3440-5941

Branches:

Hokkaido, Tohoku, Akita, Fukushima, Kantominami,
Kantonaka, Tochigi, Shinetsu, Niigata, Tokai,
Hokuriku, Kansai, Chugoku, Shikoku, Takamatsu,
Kyushu, Okinawa

Overseas Liaison Office:

Bangkok, Thailand Tel: 66 (2) 319-5551

Establishment:

1951

Common Stock:

Authorized: 249,341,000 shares
Issued: 136,842,252 shares

Number of Shareholders:

5,753

Paid in Capital:

¥31,141 million

Stock listings:

Common stock—Tokyo, Osaka

Transfer Agent:

The Mitsubishi Trust and Banking Corporation
Securities Department
11-1, Nagatacho 2-chome
Chiyoda-ku, Tokyo 100-0014

Number of Employees:

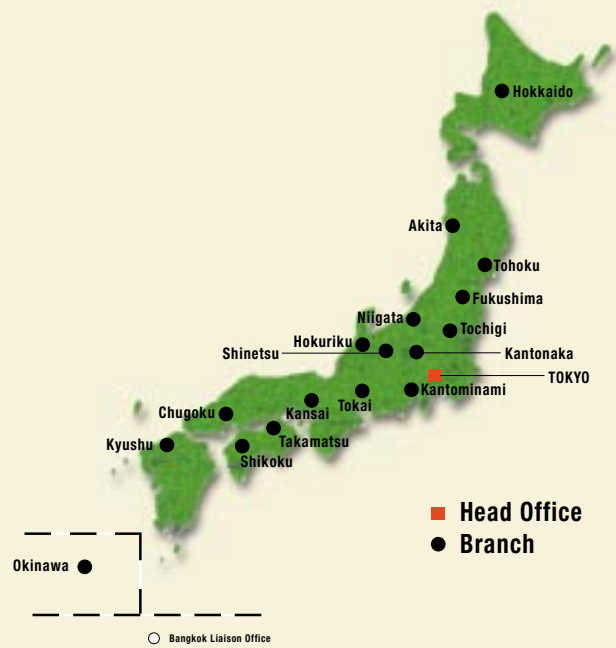
Parent company	3,588
Consolidated subsidiaries	1,298
Total	4,886

Main Clients:

Nippon Telegraph and Telephone Corporation (NTT)
Nippon Telegraph and Telephone East Corporation (NTT EAST)
Nippon Telegraph and Telephone West Corporation (NTT WEST)
NTT Communications Corporation (NTT COMMUNICATIONS)
NTT Data Corporation (NTT DATA)
NTT DoCoMo, Inc. (NTT DoCoMo)
KDDI Corporation (KDDI)
Japan Telecom Co., Ltd. (JAPAN TELECOM)
J-PHONE Communications Co., Ltd. (J-PHONE)
The Tokyo Electric Power Company, Incorporated
The Furukawa Electric Co., Ltd.
Sumitomo Electric Industries, Ltd.
Matsushita Electric Industrial Co., Ltd.
Fujikura Ltd.
Hitachi Cable, Ltd.
NEC Corporation
Sharp Corporation
Fuji Xerox Co., Ltd.
IBM Japan, Ltd.
Fujitsu Limited
Lucent Technologies
Mitsubishi Corporation
Mitsui & Co., Ltd.
Sumitomo Corporation
Marubeni Corporation
Telephone Organization of Thailand (Thailand)
Ministry of Communications (Kuwait)
TelecomAsia Corporation Public Co., Ltd. (Thailand)
Thai Telephone & Telecommunication Public Co., Ltd. (Thailand)
Philippine Long Distance Telephone Co. (Philippines)
Bayan Telecommunications, Inc. (Philippines)
Globe Telecom Inc. (Philippines)
Smart Communications Inc. (Philippines)
East Asia Crossing Philippines Inc. (Philippines)

Bank References:

The Bank of Tokyo-Mitsubishi, Ltd.
The Mitsubishi Trust and Banking Corporation
The Dai-ichi Kangyo Bank, Ltd.
The Fuji Bank, Limited
The Sanwa Bank, Limited
The Sumitomo Mitsui Banking Corporation



CORPORATE DIRECTORY

Nippon COMSYS Corporation

As of March 31, 2001

Company Name	Location	Principal Business	Paid-in Capital	Percentage Owned (%)
Consolidated Subsidiaries and Affiliates				
COMSYS Techno Co., Ltd.	Tokyo, Japan	Planning and consultation with regard	¥ 50 million	100.0%
Tsuken Kiko Co., Ltd.	Tokyo, Japan	Construction of telecommunications facilities	¥ 30 million	100.0
Okoshi Denken Co., Ltd.	Tokyo, Japan	Telecommunications engineering and electrical engineering	¥ 60 million	96.4
Tokyo Denwa Shisetsu Co., Ltd.	Tokyo, Japan	Design of telecommunications facilities and civil engineering projects	¥ 40 million	85.3
COMSYS Tec Co., Ltd.	Tokyo, Japan	Construction of telecommunications facilities	¥ 90 million	81.7
COMSYS Tohoku Techno Co., Ltd.	Miyagi, Japan	Planning and consultation with regard to information-processing technology	¥ 50 million	76.0
COMSYS Kanto Kita Engineering Co., Ltd.	Tochigi, Japan	Construction of telecommunications facilities	¥ 20 million	75.0
COMSYS Kansai Engineering Co., Ltd.	Osaka, Japan	Construction of telecommunications facilities	¥ 15 million	68.0
COMSYS Kyusyu Engineering Co., Ltd.	Fukuoka, Japan	Construction of telecommunications facilities	¥ 15 million	100.0
COMSYS Net Corporation	Tokyo, Japan	Construction of telecommunications facilities	¥ 50 million	52.0
COMSYS Shinetsu Engineering Co., Ltd.	Nagano, Japan	Construction of telecommunications facilities	¥ 30 million	100.0
Taiei Seisakusho Co., Ltd.	Kanagawa, Japan	Design, manufacturing, and sales of telecommunications equipment	¥ 60 million	49.7
Tokyo Tsuken Co., Ltd.	Tokyo, Japan	Construction of telecommunications facilities	¥ 54 million	39.2
Nitto Tsuken Co., Ltd.	Tokyo, Japan	Construction of telecommunications facilities	¥ 60 million	33.3
Major Non-Consolidated Subsidiaries				
COMSYS Tusan Co., Ltd.	Tokyo, Japan	Sales of construction materials	¥ 60 million	94.0
Nippo Kensetsu Kogyo Co., Ltd.	Tokyo, Japan	Civil engineering	¥ 50 million	54.5
COMSYS Business Service Co., Ltd.	Tokyo, Japan	Construction of telecommunications facilities	¥304 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	B 2,000 thousand	49.0
COMSYS Philippines, Inc.	Manila, Philippines	Technological consulting and engineering services	P12,500 thousand	30.0
CMC Engineering SDN. BHD.	Kuala Lumpur, Malaysia	Technological consulting and engineering services	RM1,053 thousand	30.0

*This Company's financial data is available on the Internet at URL <http://www.comsys.co.jp/>



Nippon COMSYS Corporation

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

Telephone: 81(3) 3448-7031

URL <http://www.comsys.co.jp/>