

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 telecommunications infrastructure. That was the year before the establishment of Nippon Telegraph and Telephone Public Corporation, which was later privatized and renamed Nippon Telegraph and Telephone Corporation (NTT). At that time, the primary function of COMSYS was to execute telecommunications network 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 postwar 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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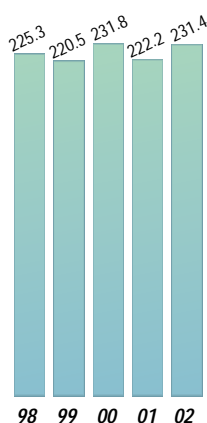
Consolidated Financial Highlights

Nippon COMSYS Corporation and Consolidated Subsidiaries
Years ended 31st March, 2001 and 2002

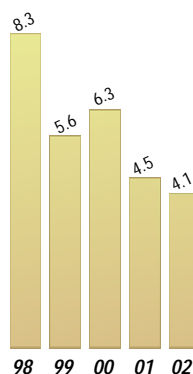
	Millions of yen		Thousands of U.S. dollars	Change
	2001	2002	2002	(%)
Contract backlog at beginning of the year	¥ 76,781	¥ 80,461	\$ 603,835	4.8%
Contract backlog at beginning of the year adjusted for newly consolidated subsidiaries	272	1,192	8,946	338.2%
New orders received during the year	229,211	213,986	1,605,899	-6.6%
Transfer of contract backlog to an unconsolidated subsidiary and others	3,583	—	—	—
Net sales	222,220	231,351	1,736,218	4.1%
Contract backlog at end of the year	80,461	64,288	482,462	-20.1%
Net income	¥ 4,498	¥ 4,107	\$ 30,822	-8.7%
Total assets	188,250	190,576	1,430,214	1.2%
Shareholders' equity	118,055	111,919	839,917	-5.2%
	Yen		U.S. dollars	
Per share:				
Net income				
— Basic	¥ 33.11	¥ 30.39	\$ 0.23	-8.2%
— Diluted	31.70	29.10	0.22	-8.2%
Cash dividends	12.00	10.00	0.08	-16.7%

Note: For convenience only, the accompanying Japanese yen figures for 2002 have been translated into U.S. dollars at the rate of ¥133.25 to \$1, the rate prevailing on 29th March, 2002.

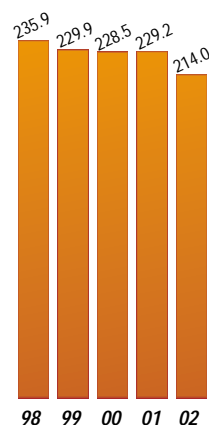
Net Sales
(¥ Billions)



Net Income
(¥ Billions)



**New Orders
Received**
(¥ Billions)



Letter from the President



Hironobu Takeuchi
President and Representative Director

Environment

During the fiscal year ended March 31, 2002, the Japanese economy was characterized by a severe unemployment situation and a weak stock market. As a result, there was no recovery in consumer spending. Falling prices and the business recession sent the economy into a deflationary spiral, and uneasiness with regard to the economy's course deepened steadily.

However, in the midst of the general economic doldrums, the information and communications industry in which COMSYS is engaged benefited from both the e-Japan Strategy and the public- and private-sector IT innovation boom that began last fiscal year. As a result, capital investment remained vigorous, particularly in IP (Internet Protocol) networks. In addition, with the rapid proliferation of broadband services and the evolutionary advances in mobile communication, a society in which telecommunications are ubiquitous is unfolding before our eyes. In the broadband market, though, which is global in scope, competition continues to worsen. These conditions led to an increase in tie-ups among telecommunications firms. Competition for subscribers caused providers to undercut one another on user fees, and as fees spiraled downward, the struggle for survival among telecommunications firms intensified yet further.

Given this state of affairs, and anticipating expansion in currently troubled information and communications markets, COMSYS moved to efficiently implement new measures through a broad-ranging structural reorganization in May 2001. The Company reorganized its marketing organization from a layered structure to a more simple and efficient system.

Our technical organization was restructured to give the Engineering Division a major role in the formulation of strategy. By pressing forward with the implementation of new technologies, increased efficiency in project execution, and the maintenance and improvement of quality, this Division tailored its operations to its mission. At the same time, the Tokyo area construction organization had grown too large. Therefore, it was split into separate organizations according to function, which

enhanced overall project execution capabilities.

The Company is making IP network business a core business, and in October 2001, inaugurated the Comsys IP Network Integration Support (COINS) project. COINS was formed around a cohort of experts in advanced technologies, and provides integrated network services. To expand our activities in the network solutions business, we established an IT Business Division within the Company, and an IT office within each branch in March 2002.

The Company also organized an independent division to handle its environment-related business, including the sale, installation, and maintenance of wind power and solar power equipment.

To facilitate entry into new fields of business, the Company implemented an internal venture system that creates an environment that encourages employees with business ideas to develop those proposals themselves, and also promotes joint business activities with firms in other industries.

Consolidated Performance

Looking at consolidated orders received for this fiscal year, orders from NTT DoCoMo in connection with FOMA (Freedom of Mobile Multimedia Access) service were healthy, but NTT restrained capital investments, and public-sector demand also contracted. These factors caused a 6.6% decline in total orders received, to ¥213.9 billion (US\$1,606 million).

Consolidated net sales rose 4.1% to ¥231.3 billion (US\$1,736 million), primarily because the Company added two consolidated subsidiaries during this fiscal year, because completed NTT DoCoMo projects were higher than in the previous term, and because construction projects brought forward from last term were completed.

The Company took various measures to improve profitability, including transfers of personnel at affiliates, reduction of labor costs through decreased use of temporary employees, improvement of construction site administration, reduction of subcontracting expenses through contracting with blue-chip firms, and strengthening our subsidiary and affiliate structure through

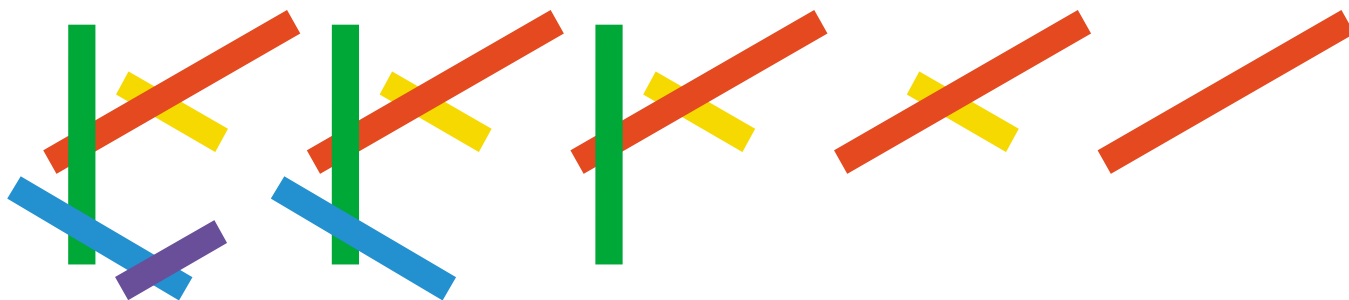
mergers and alliances, reductions in materials costs through detailed implementation of centralized purchasing, and the efficient applications of funds. Despite these efforts, competition for orders caused the value of orders to fall off, and retirement benefit obligations increased. As a result, consolidated operating income declined 9.7% to ¥10.5 billion (US\$79 million). Consolidated net income fell 8.7% to ¥4.1 billion (US\$31 million), primarily as a result of a ¥1.6 billion (US\$13 million) transfer to the allowance for losses on debt guarantees. This step was taken in preparation for the possibility that the Company may become liable for the debts of an unconsolidated subsidiary which has excessive debts.

To improve asset health and maintain financial transparency, the Company re-valued its commercial real estate in accordance with the Land Revaluation Law, and posted a land revaluation excess of ¥8.6 billion (US\$65 million) in the assets section of its balance sheets.

Outlook and Important Issues

The telecommunications market, which is COMSYS's sphere of operation, anticipates significant capital investment from NTT in its new high-capacity, high-speed broadband network, "HIKARI." At the same time, though, NTT is expected to restrain its capital investments and prolong the existing adverse operating environment. We look for substantial capital investment from NTT DoCoMo, however, in connection with FOMA.

In non-NTT markets, measures by the Japanese government to promote the IT revolution are expected to produce growth in that field. In the telecommunications market, though, the acceleration of technological progress and the new entries into this market are causing a continual escalation of competition. At COMSYS, to meet the challenges of this rapidly changing era of IT innovation, we are increasing the consolidation of our operations, heightening the cumulative strengths of the companies of the COMSYS Group, strengthening the management of Group companies, and enacting the revolutionary reforms described below:



1. Dynamic deployment and right-sizing of the workforce—training, integration, and proper organization of IP technicians

Operational personnel will be organized into a pool to facilitate support, and IP technological capabilities will be strengthened as called for in the COINS Project. Marketing personnel will be reorganized according to their skills and market needs, and the administrative sector will be slimmed down.

2. Shifting to a winning personnel and remuneration structure

The Company will implement a wage structure corresponding to the Company's performance, a regional wage structure that reflects actual competitive conditions, an annual salary system for all management-level employees, reforms of the personnel system to include an ability-based grade system, and a re-evaluation of the wage structure.

3. Enhancing project-execution capabilities by strengthening the affiliate structure, and optimizing subcontracting expenses

This will involve concentrating capabilities by reorganizing the Companies of the Group, fostering superior subsidiaries, affiliates, and associates through directed subcontracting, and reducing subcontracting costs through enhanced and strengthened subcontracting control.

4. Broad-ranging enhancement of administrative efficiency

Efficiency gains will be enhanced through the establishment of a computerized work-site administrative support system. Together with this, Group administration will be concentrated through joint administration and outsourcing.

5. Expanding our sphere of operations

The Company will strengthen its involvement in wind and solar power generation projects, as well as its involvement in "total business solutions." We will also press forward in joint businesses with firms in other industries, as well as expanding the scope of new businesses.

Through these measures the Company will eradicate outdated thinking and procedures to reform and regenerate itself. We will utilize marketing and technological capabilities to overcome the harsh business environment and further increase our cost competitiveness, in this way achieving improved performance.

Dividends and Internal Reserves

Dividend policy is one of the most important issues that face any firm. It is the foundation for the continued expansion of a company's operations, and through it the strengthening of its financial structure and improvements in return on equity. COMSYS balances the imperative to provide the best possible dividend payout to shareholders with considerations of the Company's performance and its continued ability to generate dividends.

In accordance with this policy, COMSYS declared a midterm dividend of ¥5 per share, and plans to declare a year-end dividend of ¥5 per share, for a total dividend of ¥10 per share for this fiscal year. This will generate a payout ratio of 39.1%, return on equity of 3.2%, and a ratio of dividends to shareholders' equity of 1.3%.

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 purchased and retired 1,578 shares.

This fiscal year we will again use internal reserves to reinforce our business base through capital investments in the expansion of training facilities, in the replacement of tools and instruments to upgrade technology and improve safety, and in the enhancement of construction bases through improvement of the work environment. It is also our intention to make effective investments in the opening up of new fields of business for the Company.

Dividends continue to be the primary source of shareholder income. However, the Company wants to continue to retire treasury stock to diversify returns to shareholders, using a fixed percentage of income. Therefore, these dividend and treasury stock policies will remain in place in the coming fiscal year.

Capital Investment and Fund Acquisition

Capital investments were ¥3,790 million (US\$28 million) during this fiscal year, primarily in the construction of the COMSYS Adachi Building (the Adachi Technostation), which was completed in May 2001, and the Higashi Gotanda Redevelopment Building (our new headquarters office building), completed in June 2001. No bonds or other instruments were issued during this term.

Outlook for the Term Ahead

Three of the Company's consolidated subsidiaries, Okoshi Denken Co., Ltd., Tokyo Denwa Shisetsu Co., Ltd., and COMSYS Kanto Kita Engineering Co., Ltd., merged on January 1, 2002 to become OT Engineering Co., Ltd. This brings the Company's total number of consolidated subsidiaries to fourteen.

During the term to come, Nippon COMSYS Corporation and its fourteen consolidated subsidiaries are forecast to post consolidated net sales of ¥214 billion (US\$1,606 million), a decline of 7.5%, but consolidated net income is predicted to grow 51.0% to ¥6.2 billion (US\$47 million). The continued restraint in capital investment at NTT will again affect NTT-related orders received.

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, as well as to the worldwide slump in IT-related industries. We will 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.

COMSYS celebrated the 50th anniversary of its founding in December 2001. Building on the foundation of technological expertise, knowledge, and tradition amassed throughout our years of operation, we will in the coming term implement new measures to facilitate the flexible provision of high-quality products and services that contribute to our customers' profitability. We will endeavor to maintain our sound financial structure and the trust we have earned in the market, employing them in support of the growth of the 21st century's high-order information society. We will also continue to strengthen our business base to advance toward our goal of becoming a true comprehensive engineering firm, COMSYS requests the continued support of its shareholders, clients, business partners, and employees in these endeavors.

Hironobu Takeuchi

Hironobu Takeuchi
President and Representative Director

Head Office



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

Last fiscal year the Japanese Government implemented the e-Japan Priority Policy Program in response to the IT revolution and the building of high-order, information-based societies across the face of the globe. The e-Japan Priority Policy Program calls for Japan to become the world leader in information technology within five years. The IT sector is forecast to display long-term growth despite the slump seen during the period of this report. COMSYS expects to be deeply involved in these developments. In addition, the needs of customers in the telecommunications market are rapidly shifting from fixed communications to mobile com-

munications, from the telephone to the Internet, and from narrow band to broadband. Together with this, changes in the social economy are also emerging. In response to these, our most important customer, NTT, is concentrating its investments in broadband capabilities and the expansion of its IP network. These trends indicate rapid changes in COMSYS's operating environment.

To clarify its response to the current situation, COMSYS drafted a medium-term management plan, then revised that plan from the standpoint of the Company's performance through the fiscal year ending March 31, 2007. Goals now include:

- Strengthening our NTT construction operations. 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, 2007, on an unconsolidated basis, we will increase total annual revenues to ¥310 billion (US\$2,326 million), while bringing the ratio of NTT contracts down from the current 60% to approximately 35%.

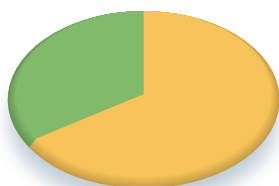
- Responding to the stronger cost competition in the market with a companywide efficiency enhancement program, which will encompass not only subsidiaries and affiliates, but subcontractor firms as well, and achieving recurring profits of ¥16 billion (US\$120 million).

- Strengthening training programs and developing proprietary technology, primarily in the field of construction, in response to today's rapid pace of technological innovation.

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\$9,380 billion) by

Sources of Construction Contracts

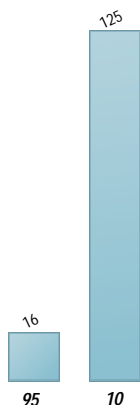
64% NTT
36% Non-NTT



The Growing Multimedia Market

¥125 trillion
(2010)

¥16 trillion
(1995)



Eleven Years of Growth (¥ Billions)

the year 2010, including a telecommunications market of ¥26.8 trillion (US\$201 billion), a broadcasting market of ¥8.4 trillion (US\$63 billion), a communications and computer terminal market of ¥26.0 trillion (US\$195 billion), and a content (databases, images, video games, software, etc.) market of ¥63.4 trillion (US\$476 billion). Of this, telecommunications and broadcasting industry investment in 2010 is forecast at ¥7.2 trillion (US\$54 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 developments in telecommunications.

With Gratitude on our 50th Anniversary

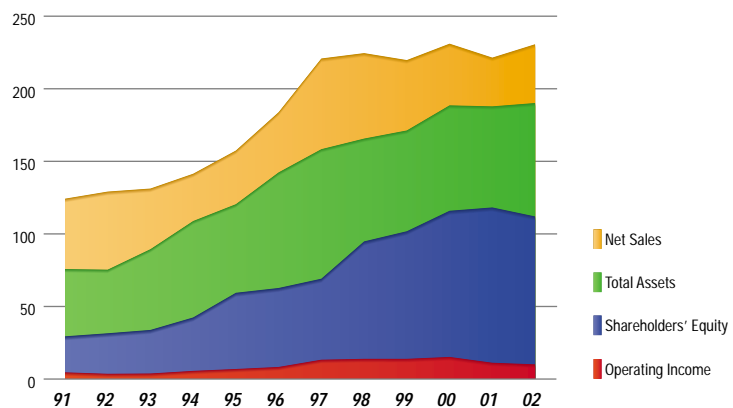
COMSYS celebrated the 50th anniversary of its founding on December 20th, 2001. As we commemorate our first 50 years in the first year of the 21st century, we would like to express our sincere gratitude to our shareholders, business partners, and employees.

From the time of the Company's establishment in 1951, COMSYS expanded primarily on the strength of facilities construction projects for NTT. In 1957, the Company undertook Japan's first microwave communication system. In 1962 we were listed on the second section of the Tokyo Stock Exchange. We won our first overseas contract in 1965, from BNP for a project in Bangkok, Thailand. In 1972 the Company was listed on the first sections of both the Tokyo and Osaka stock exchanges. In 1978 COMSYS laid Japan's first optical communications cables. Through this track record the Company has consistently shown itself to be the leading company in the telecommunications construction industry.

The Company grew on the strength of construction projects for NTT during its first 50 years. With the completion of Japan's communications infrastructure, there had been times that we felt the adverse wind as COMSYS had come to depend on NTT for 90% of its net revenues. The Company had already begun to implement operational changes, and quickly began to diversify into new fields such as software development and to make inroads into the domestic construction market. Now, the weight of NTT contracts in our net revenues has fallen to 60%.

In 1998 COMSYS began working on a new corporate philosophy and new operational policies, which were instituted in 1990. Our first corporate identity campaign, under which we changed our name to Nippon COMSYS Corporation, and, for the sake of achieving a change in direction suited to the 21st century, succeeded in creating a new consciousness throughout the Company.

In addition to this corporate identity campaign,



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

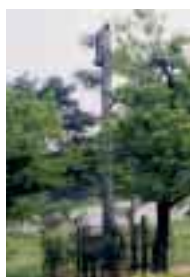
the Company has also undertaken programs to reevaluate business practices and procedures, bolster its business base, improve its financial condition, and make its stock a more attractive investment.

Notwithstanding the persistently adverse economic conditions ushered in when the economic bubble collapsed in the 1990s, COMSYS has posted continued growth in revenues and profits. Despite growth of only 10% in the Company's work force, net revenues have more than doubled, operating profits have tripled, net assets have more than tripled, shareholders' equity has more than quadrupled, and capital has quintupled. New technologies such as cellular telephony, fiber optics, and digital communications have shown rapid expansion of demand, but the growth in our profitability also reflects the success of our corporate identity campaign and other reform measures. The efforts of each employee of the Company are evident in this performance.

The issue of improvement and reform remains a top priority for the Company. In April 1999 we commenced our second corporate identity campaign, which has the objectives of further strengthening consciousness of the corporate philosophy and operations policies established in the first corporate identity campaign, as well as creating a fresh and freer corporate atmosphere and a stronger sense of unity throughout the Group. We believe this will provide a solid foundation for our operations in the 21st century.

Corporate Citizenship

This antenna blends in perfectly with the natural surroundings.



COMSYS supports the J league soccer team, Omiya Ardija.



The Tokyo Philharmonic Orchestra.



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



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

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

An Environmental Management System is in effect throughout the Company.

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

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.

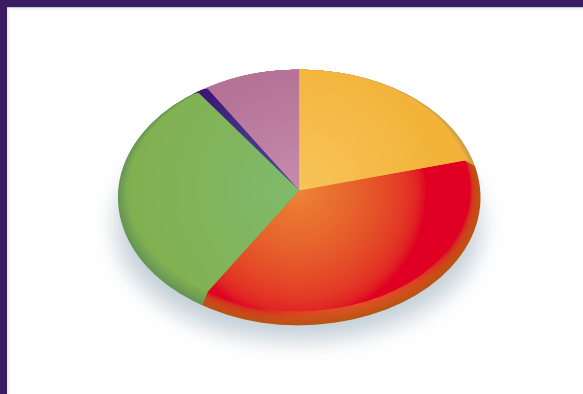
COMSYS is also an active participant in the regional community. The Omiya Ardija soccer team, founded through joint participation by COMSYS, NTT, and 19 other companies closely associated with NTT, is active in the J2 soccer league. The Japan Professional Football League is composed of regional teams, and develops players at all levels, from youth to professional. Omiya Ardija is intended to support and participate in player development, as well as being a club that all can enjoy. We are pleased and happy to have the opportunity to contribute to the wellbeing of the public in this way.

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

The Tokyo Philharmonic Orchestra, which celebrated 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 is reaching new heights of artistic expression, and taking a great step 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	59%
"Outside" Projects	21%
"Inside" Projects	38%
Domestic Construction and Engineering	31%
Overseas Construction	1%
Information Systems	9%

NTT Construction

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



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



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



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 Construction 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, re-evaluated our project manager system, and strengthened systems for on-site backup by the Management Support Division. As a result, while the Company was affected by the cutback in NTT's capital investments, there was growth in some "outside" project areas, including the laying of optical access cables. Some "inside" project areas also showed expansion, such as electrical power switching projects in connection with DSL facilities. COMSYS also won a contract for a FOMA project from NTT DoCoMo. Net revenues, therefore, rose 0.7% to ¥135,963 million (US\$1,020 million).

Of particular note among this sector's projects

during this fiscal year was the construction of a small-scale base transceiver station in Shikoku's Ehime Prefecture. The construction site was in the Hinoki Forest, a difficult place to lay both electric power lines and NTT cables. For that reason, we installed unique solar power generation equipment. In the future, we will certainly make use of our experience in using this environmentally friendly solar power generation technology.

We are improving safety and quality by expanding our "safety patrols" and striving for even closer compliance with ISO 9001. We received recognition from the Labor Standards Bureau of the Ministry of Health, Labour and Welfare for completing the optical fiber project on the Osaka NWC—Naniwa NWC network without accident. There are few examples anywhere in the country of a project on this scale, and it could be called a showcase of the Company's practical and technological expertise.

In the coming term, the NTT Construction Sector will be affected by NTT's continued restraint in capital investment, and, with the exception of optical cable projects, "outside" projects will decline. With the proliferation of IP networks, investment in telephone land lines will contract significantly, and this will cause "inside" projects to fall off as well. In preparing for IP network construction, the Company has trained a staff of 1,100 to receive their vendor qualifications as IP technicians, to staff the Comsys IP Network Integration Support (COINS) system.

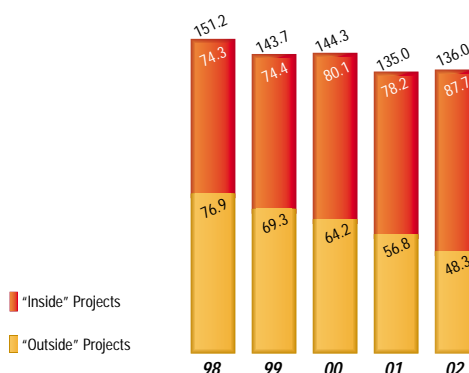
The NTT Construction Sector will be endeavoring to increase its revenues, while working to improve safety and efficiency, to strengthen its subcontracting procedures, and to train new technical personnel.



A cable vault ready to receive telecommunications cables.



59%
of Total Revenue



**Sales of
NTT Construction
(¥ Billions)**

Domestic Construction and Engineering

Telecommunications equipment installation inside the Tokyo Opera City Tower.



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



The installation of emergency telephones in a tunnel on *Ken-o-do* (Metropolitan Inter-city Expressway)



The Domestic Construction and Engineering Sector handles all domestic telecommunications construction projects other than those for the NTT Group's communications infrastructure construction, as well as 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 increased 5.5% to ¥73,025 million (US\$548 million).

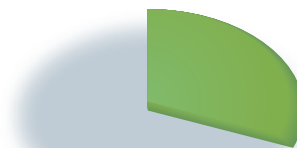


Noteworthy projects in the Domestic Construction and Engineering Sector this fiscal year included the installation of emergency telephones in a tunnel on *Ken-o-do* (Metropolitan Inter-city Expressway) between the Hinode interchange and the Ome interchange. This contract from the Public Roads Administration required the laying of metal cable to link facilities throughout the entire area. We also installed optical cable for observation equipment in this area under a contract from KDDI. In projects involving the installation of communications equipment in new highway construction, it is customary to delay the communications project until the road construction itself is completed. This project, though, had an extremely tight schedule for all phases, including road construction. In addition, it was necessary to take the greatest care not to disturb a goshawk nesting ground in the Tama Hills area near the Hinode Interchange. COMSYS provided high-quality services even under these constraints.

In the general construction field, the Company was lead contractor for the construction of condominiums in the highly popular residential areas of Yokohama and Fujisawa in Kanagawa Prefecture. The units in Fujisawa are equipped with dual satellite broadcast and communications satellite antennas, are wired for cable television, and are equipped with a residential LAN that offers 24-hour Internet access. COMSYS's capabilities in multimedia technology were valuable in the execution of this project, and the Company's Customer Services Department was chosen to perform the design, installation, and maintenance of the LAN equipment.

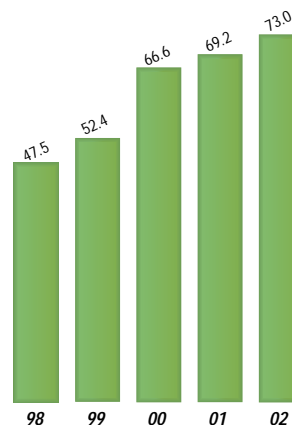
Guided by the COMSYS Group's medium- and long-term operational strategy, the Domestic Construction and Engineering Sector will continue striving to broaden the scope of its operations.

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, and by strengthening our subcontracting system.



Civil engineering and architectural expertise gained through cable-tunnel construction is applied to building and condominium construction.

31%
of Total Revenue



Sales of
Domestic
Construction
and Engineering
(¥ Billions)

International Operations

Installing underground cables in Bangkok.



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

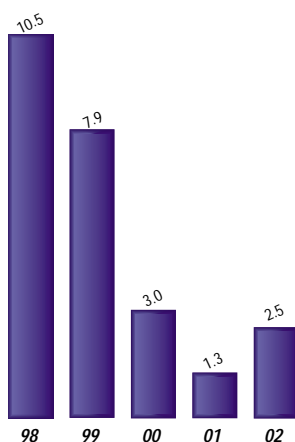


Left: Installing aerial optical fiber cables in Bangkok.



1%
of Total Revenue

Sales of
Overseas
Construction
(¥ Billions)



Since the Company's founding, it has contributed to development in a number of countries in Asia, Africa, the Middle East, South America, and other areas working to develop needed telecom 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 this fiscal year, the Company won contracts for the installation of optical communications equipment in the Philippines. As a result, net revenues in this sector almost doubled, rising to ¥2,499 million (US\$19 million).

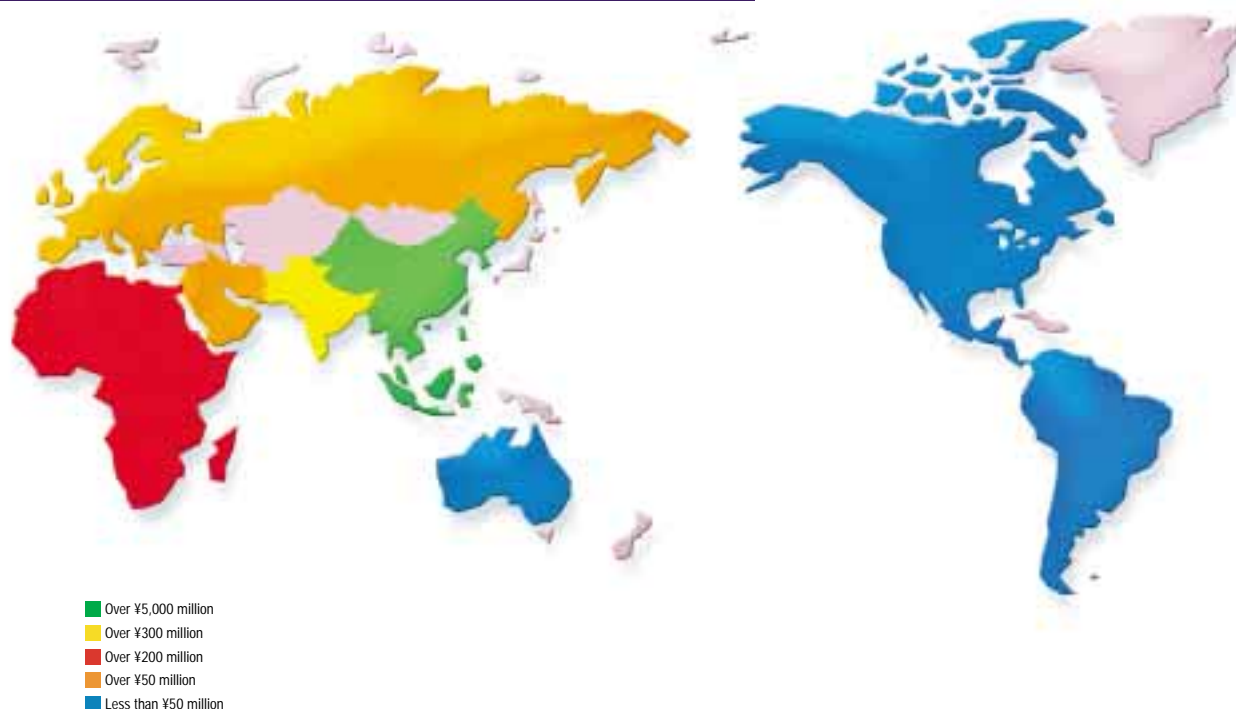
ISO certification is fast becoming a prerequisite for bidding on construction projects internationally. The Overseas Construction Sector was certified five years ago, and our overseas subsidiaries, COMSYS Philippines, Inc. (CPI) and COMSYS Thailand Co., Ltd. (CTC) completed ISO 9001 certification a few years ago, so COMSYS is well prepared to meet this requirement for international bids.

The Company was particularly active in Thailand this fiscal year, with several major projects under way. These included the Optical Fiber Transmission Network Expansion Project and the 100,000 Telephone Line Expansion Project, which COMSYS Thailand Co., Ltd. (CTC) is executing for TOT in Thailand's northeast, north, south and central regions. CTC's excellent performance and the high quality of its work has made it one of the most respected telecommunications network construction companies in Thailand.

In Samut Prakan Province, Thailand, we are executing a wastewater management project, our first contract outside the field of telecommunications network construction. The fact 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 network construction, but also in the new fields of wastewater management and sewer construction.

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 South-east Asia. 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 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)
Philippines	Turnkey backhaul fiber optic network construction for DCI in Philippines

Overseas Projects in Progress (As of June 2002)

Philippines	Supply and installation of local cable and junction network for GLOBE Telecom PHASE-4 in Manila and the provinces
Thailand	Optic Fiber Transmission Network Expansion Project for TOT
Thailand	100,000 Telephone Line Expansion Project in the North-East, North, South and Central Regions for TOT

Information Systems

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



COMSYS has developed many custom software packages for its clients.



Our BtoE 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.



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.

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 their 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. As a result, net revenues in this sector jumped 18.9% to ¥19,861million (US\$149 million).

On December 1, 2000, Japan inaugurated digital satellite broadcast television, and COMSYS is producing data-broadcast program contents. 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 few 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.

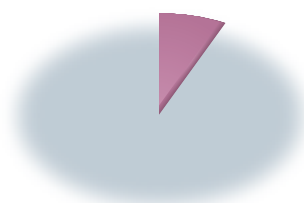
Another new business is the "LAN Convenience Store" service, inaugurated in June 2001, which is engaged in assisting small and medium-sized users such as small office and home office businesses (SOHO) and Internet service providers to build LANs and WANs. The LAN Convenience Store system handles initial contacts, requests for service, subcontracting, scheduling, invoice administration, and maintenance completely through the Internet, so customers can build a network as easily as going shopping. Further, costs are lower because service is provided as a package.

Beginning in the middle of this fiscal year, the Company developed and commenced sales of a revolutionary automated key control system that uses a personal computer. The case is locked and unlocked using a non-contact IC card to read the user's ID card, and the system controls keys individually, keeping track of who has removed which key and who returned it, and storing all data automatically in the computer. This eliminates the need for a key custodian, is much more accurate and reliable than a ledger system, and data can be read via the Internet from distant locations. We are marketing this system to such potential users as office buildings that are open 24 hours a day and hospitals.

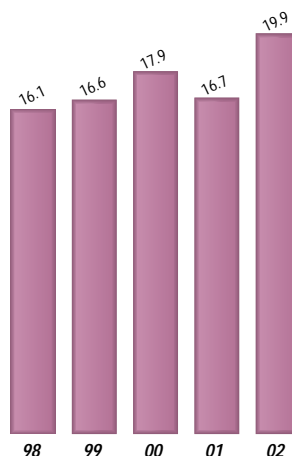
In the year to come, this sector will carry out strong marketing programs based on our anticipation of market needs, in search of further expansion of orders received.



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



9%
of Total Revenue



Sales of
Information
Systems
(¥ Billions)

Management

As of June 27, 2002

BOARD OF DIRECTORS



President and Representative Director
Hironobu Takeuchi



Senior Executive Vice President and Director
Hirofumi Shimada



Senior Managing Director
Kiyoto Kuwabara



Managing Director
Takuo Sue



Managing Director
Takaaki Okayama



Managing Director
Masahide Kajiyama



Managing Director
Yoichi Chiba



Managing Director
Kaoru Noda

CORPORATE AUDITORS

Standing Auditors
Teruji Mukai
Masaharu Ogawa

Auditors
Takashi Kakimi
Tadashi Kumakura

CORPORATE EXECUTIVE OFFICERS

Senior Vice Presidents
Masayuki Nose
Kyoichi Suzuki
Syotaro Chikamoto
Kenji Kondo
Toyohiro Goto
Yoshihiro Yoshioka

Executive Officers
Yoshinobu Tanaka
Yasuhiko Kubota
Etsuo Shibata
Yukuo Asakura
Akira Takasaki
Katsuo Takeda
Masanori Fukuda
Kazuo Takiguchi
Toshimasa Hattori

Takero Mizoguchi
Minoru Sobami
Takashi Furusho
Hideki Ishikawa
Seiichiro Nakatani
Akiyoshi Sekiguchi
Shuichi Tominaga
Akinori Ishigaki

Financial Section

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Financial Review

Sales by Business Category

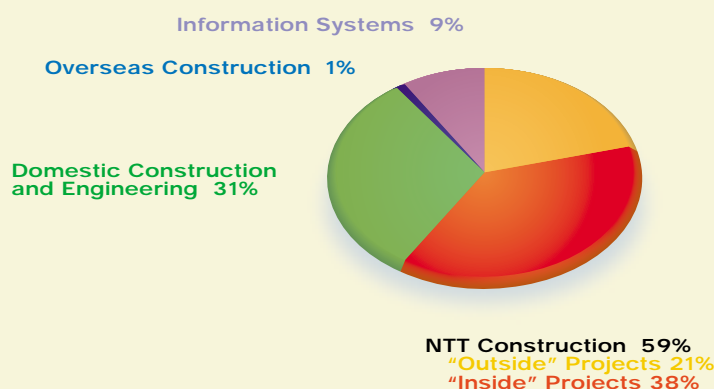
Nippon COMSYS Corporation and Consolidated Subsidiaries
Years ended 31st March, 1998, 1999, 2000, 2001 and 2002

	Millions of yen					Thousands of U.S. dollars
	1998	1999	2000	2001	2002	2002
Construction Business						
NTT Construction	¥151,207	¥143,705	¥144,296	¥134,981	¥135,964	\$1,020,368
Domestic Construction and Engineering	47,476	52,412	66,567	69,219	73,025	548,030
Overseas Construction	10,545	7,850	3,007	1,315	2,500	18,762
Other Business						
Information Systems	16,085	16,555	17,880	16,705	19,862	149,058
Total	¥225,313	¥220,522	¥231,750	¥222,220	¥231,351	\$1,736,218

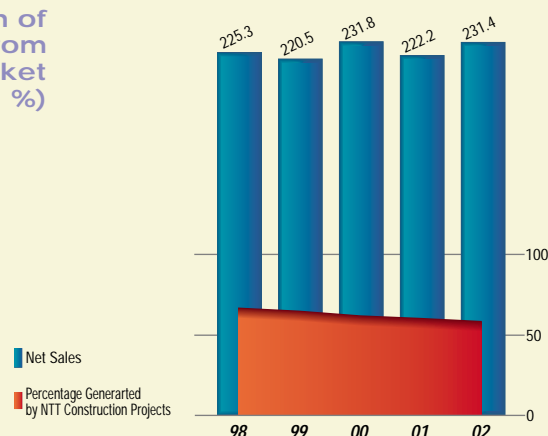
Note: For convenience only, the accompanying Japanese yen figures for 2002 have been translated into U.S. dollars at the rate of ¥133.25 to \$1, the rate prevailing on 29th March, 2002.

Share of Sales by Business Category

Year ended 31st March, 2002



Proportion of Revenues from NTT Market (¥ Billions, %)



REVENUES

Severe unemployment and a declining stock market precluded a recovery in consumer spending during the fiscal year ended March 31, 2002. Competition in the broadband market intensified further, and many telecommunications firms experienced financial difficulties. COMSYS embarked on a sweeping structural reorganization in May 2001. Because the Company added two new consolidated subsidiaries during the period of this report and projects completed for NTT DoCoMo increased, net sales grew 4.1% to ¥231,351 million (US\$1,736 million).

Net revenues in the NTT Construction Sector edged up 0.7% to ¥135,964 million (US\$1,020 million). "Outside" projects accounted for ¥48,287 million (US\$362 million) of the sector's total, while "inside" projects accounted for the remaining ¥87,677 million (US\$658 million). The Domestic Construction and Engineering Sector extended its unbroken run of growth to seven years, this term increasing 5.5% to ¥73,025 million (US\$548 million). Despite instability in economies around the world, the Overseas Construction Sector achieved the beginnings of a recovery in this term. Net revenues soared 90.1% to ¥2,500 million (US\$19 million), gaining back well over half the decline suffered in the March 31, 2001 fiscal year. With the Japanese government's e-Japan Strategy and the private-sector IT upgrade boom, revenues in the Information Systems Sector advanced 18.9% to ¥19,862 million (US\$149 million).

RESULTS OF OPERATIONS

Cost of sales for the fiscal year ended March 31, 2002 increased by ¥9,557 million, or 4.9%, to ¥204,089 million (US\$1,532 million), and increased as a percentage of sales from 87.5% last term to 88.2% this term. The increase in cost of sales was primarily due to growth in construction project-related

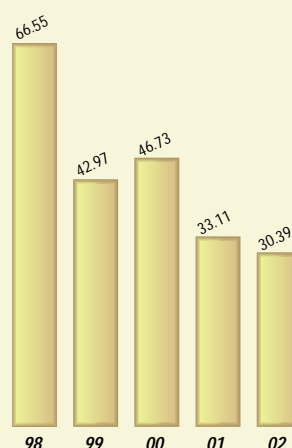
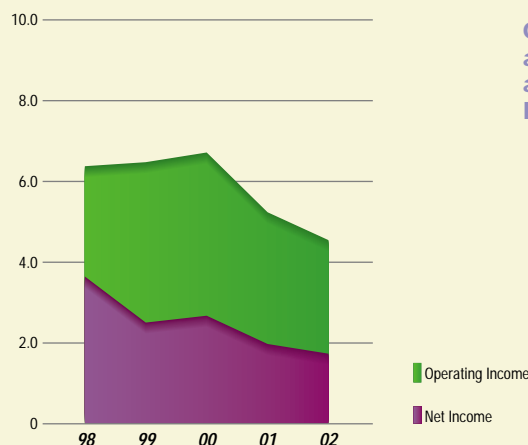
expenses such as raw materials and other expenses. The increase in cost of sales, together with a decline in the value of contracts brought by intensifying competition, caused gross profit to slip 1.5% to ¥27,262 million (US\$205 million) despite the growth in net sales. Selling, general, and administrative expenses increased by 4.4% to ¥16,762 million (US\$126 million), and as a percentage of gross profit grew from 58.0 percent last term to 61.5 percent. However, the ratio of selling, general, and administrative expenses to sales was virtually unchanged from the previous year at 7.2%. These factors drove operating income down by 9.7%, to ¥10,500 million (US\$79 million). The operating margin also decreased from 5.2% to 4.5%. Interest and dividend income fell 64.7% to ¥289 million (US\$2 million). Interest expenses rose, but other expenses fell 44.7% to ¥1,822 million (US\$14 million). The difference arising from the change in the accounting standard for accrued severance indemnities were completely amortized last term, and so did not impact other expenses this term, but an allowance for losses arising from guarantees of the loans of a non-consolidated subsidiary in the amount of ¥1,680 million (US\$13 million) was posted. The contraction of income before income taxes and other adjustments to net income was therefore limited to 2.2%, and this figure declined to ¥8,913 million (US\$67 million).

Income taxes for the fiscal year ended March 31, 2002 decreased by ¥80 million, or 1.9%, to ¥4,228 million (US\$32 million), and the ratio of income taxes to income before income taxes (the effective tax ratio) increased from 47.2% to 47.4%. Minority interests jumped 85.9% to ¥578 million (US\$4 million). Net income, as a result of the foregoing, decreased 8.7% to ¥4,107 million (US\$31 million). The ratio of net income to net sales declined from 2.0% a year earlier to 1.8%, and return on equity slid to 3.6%. Basic net income per share decreased 8.2% to ¥30.39 (US\$0.23), and diluted net income per share decreased 8.2% to ¥29.10 (US\$0.22). Dividends of ¥10.00 (US\$0.08) were declared.

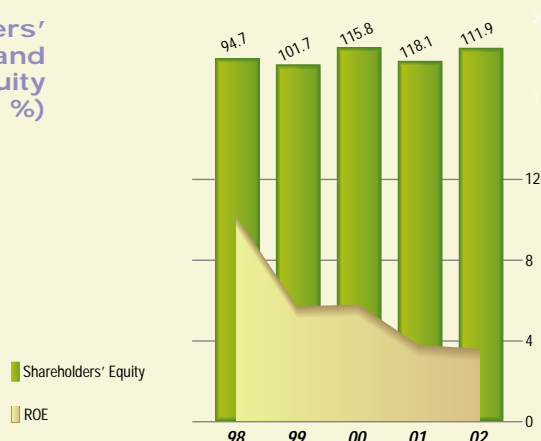
FINANCIAL POSITION

Cash and cash equivalents were increased 9.0% to ¥43,036 million (US\$323 million), while short-term investments were reduced 3.2% to ¥1,132 million (US\$8 million). Notes and accounts receivable grew 5.0% to ¥64,888 million (US\$487 million). The accumulated cost of construction in progress dropped 22.8% to ¥16,328 million (US\$123 million). Deferred income taxes were increased from ¥908 million in the previous fiscal year to ¥1,542 (US\$12 million). Other current assets rose 6.8% to ¥2,948 million (US\$22 million). Thus, total current assets edged up 1.7% to ¥130,358 million (US\$978 million).

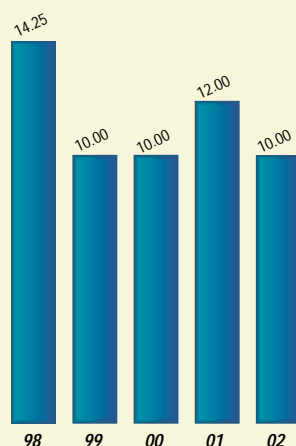
Turning to liabilities, short-term bank loans more than doubled, rising 227.1% to ¥3,457 million (US\$26 million). A figure of ¥9,312 million (US\$70 million) was posted under the current portion of convertible bonds. Trade payables edged up 3.6% to ¥36,607 million (US\$275 million), but advances



Shareholders' Equity and Return on Equity (¥ Billions, %)



Dividends per Share (¥)



received on construction in progress fell 39.0% to ¥4,327 million (US\$32 million), and other current liabilities declined 4.4% to ¥5,230 million (US\$39 million). Current liabilities therefore climbed 25.5% to ¥62,471 million (US\$469 million), for a current ratio of 2.0.

Investments and other assets slipped 2.2% to ¥21,040 million (US\$158 million), primarily as a result of reductions in investment securities. Total property and equipment increased 1.5% to ¥39,178 million (US\$294 million) after depreciation. As a result of the above, total assets edged up 1.2% to ¥190,576 million (US\$1,430 million). To strengthen the Company's financial structure and to increase the transparency of its operations, a revaluation of land for business was conducted during this fiscal year. As a result, an unrealized loss on land revaluation in the amount of ¥8,633 million (US\$65 million) was posted under shareholders' equity. This caused shareholders' equity to contract by 5.2% to ¥111,919 million (US\$840 million).

The capital ratio decreased from 62.7% in the previous term to 58.7%. Based on the number of shares outstanding at March 31, 2002, shareholders' equity per share decreased to ¥835.04 (US\$6.27) from the ¥869.84 recorded at the end of the previous fiscal year.

CASH FLOWS

Net cash provided by operating activities more than doubled, jumping 240.9% to ¥11,582 million (US\$87 million). Although income before income taxes and other adjustments to net income slipped 2.2% to ¥8,913 million (US\$67 million), depreciation and amortization soared 92.6% to ¥3,363 million (US\$25 million), an increase in the allowance for losses arising from guarantees of loans of ¥1,680 million (US\$13 million) was posted, and the decrease in inventories soared 172.7% to ¥5,628 million (US\$42 million). In addition, cash and cash equivalents paid for income taxes fell 56.4% to ¥2,762 million (US\$21 million).

Net cash used in investing activities rose to ¥5,900 million (US\$44 million). COMSYS posted an increase in short-term investments of ¥999 million (US\$7 million), while acquisitions of property and equipment soared 324.5% to ¥5,884 million (US\$44 million). Collection of long-term loans dropped 23.4% to ¥464 million (US\$3 million), and cash used in other investing activities fell from ¥1,368 million to ¥88 million (US\$0.7 million).

Net cash used in financing activities was ¥2,766 million (US\$21 million), primarily used for acquisitions of treasury stock in the amount of ¥1,884 million (US\$14 million), and cash dividends of ¥1,638 million (US\$12 million). In addition, repayment of long-term debt of ¥184 million (US\$1 million) was posted.

The above resulted in a net increase in cash and cash equivalents of ¥2,916 million (US\$22 million). Cash and cash equivalents at the beginning of the year were ¥39,473 million (US\$296 million). After ¥647 million (US\$5 million) in adjustments for newly consolidated subsidiaries, cash and cash equivalents at the end of the year were ¥43,036 million (US\$323 million).

Selected Financial and Operating Data

Nippon COMSYS Corporation and Consolidated Subsidiaries
Years ended 31st March, 1998, 1999, 2000, 2001 and 2002

	Millions of yen					Thousands of U.S. dollars
	1998	1999	2000	2001	2002	2002
Results of Operations:						
Net sales	¥225,313	¥220,522	¥231,750	¥222,220	¥231,351	\$1,736,218
Operating income	14,348	14,261	15,559	11,628	10,500	78,799
Income before income taxes and other adjustments to net income	14,333	13,522	13,054	9,117	8,913	66,889
Net income	8,309	5,625	6,315	4,498	4,107	30,822
Financial Position:						
Total assets	¥166,067	¥171,669	¥188,961	¥188,250	¥190,576	\$1,430,214
Property and equipment	27,334	30,976	38,626	38,606	39,178	294,019
Long-term debt	16,791	9,409	9,312	9,312	—	—
Shareholders' equity	94,654	101,721	115,834	118,055	111,919	839,917
Per Share of Common Stock (in yen and U.S. dollars):						
Net income						
— Basic	¥ 66.55	¥ 42.97	¥ 46.73	¥ 33.11	¥ 30.39	\$ 0.23
— Diluted	62.59	40.87	44.67	31.70	29.10	0.22
Cash dividends	14.25	10.00	10.00	12.00	10.00	0.08
Shareholders' equity	725.59	765.74	851.01	869.84	835.04	6.27
Financial Ratios:						
Operating income to net sales	6.37%	6.47%	6.71%	5.23%	4.54%	
Net income to net sales	3.69	2.55	2.72	2.02	1.78	
Capital ratio	57.0	59.3	61.3	62.7	58.7	
Return on equity	10.2	5.7	5.8	3.8	3.6	
Other Statistics:						
New orders received during the year	¥235,923	¥229,875	¥228,518	¥229,211	¥213,986	\$1,605,899
Contract backlog at end of the year	68,995	78,348	76,781	80,461	64,288	482,462
Common stock price range (in yen):						
High	¥ 2,020	¥ 1,710	¥ 2,700	¥ 2,370	¥ 2,095	
Low	1,240	1,280	1,420	1,636	580	

Note: For convenience only, the accompanying Japanese yen figures for 2002 have been translated into U.S. dollars at the rate of ¥133.25 to \$1, the rate prevailing on 29th March, 2002.

Consolidated Balance Sheets

Nippon COMSYS Corporation and Consolidated Subsidiaries
As of 31st March, 2001 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	2001	2002	2002
Current Assets:			
Cash and cash equivalents	¥ 39,473	¥ 43,036	\$ 322,972
Short-term investments (Note 3)	1,170	1,132	8,495
Notes and accounts receivable—trade	61,825	64,888	486,964
Inventories:			
Accumulated cost of construction in progress	21,138	16,328	122,537
Other	991	611	4,585
Deferred income taxes (Note 7)	908	1,542	11,572
Other current assets	2,760	2,948	22,124
Less: Allowance for doubtful receivables	(129)	(127)	(953)
Total current assets	128,136	130,358	978,296
Investments and Other Assets:			
Investment securities:			
Unconsolidated subsidiaries and affiliates	864	630	4,728
Other (Note 3)	5,694	4,806	36,068
Long-term loans receivable	4,179	3,716	27,887
Deferred income taxes (Note 7)	3,669	4,636	34,792
Other assets	8,280	8,599	64,533
Less: Allowance for doubtful receivables	(1,178)	(1,347)	(10,109)
Total investments and other assets	21,508	21,040	157,899
Property and Equipment:			
Land (Note 4)	23,588	18,629	139,805
Buildings and structures (Note 4)	17,361	23,713	177,959
Machinery and equipment	7,509	14,867	111,572
Construction in progress	2,649	0	0
Less: Accumulated depreciation	(12,501)	(18,031)	(135,317)
Total property and equipment	38,606	39,178	294,019
	¥188,250	¥190,576	\$1,430,214

See Notes to the Consolidated Financial Statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2002	2002
Current Liabilities:			
Short-term bank loans (Note 4)	¥ 1,057	¥ 3,457	\$ 25,944
Current portion of convertible bonds (Note 4)	—	9,312	69,884
Accounts payable—trade	35,352	36,607	274,724
Advances received on construction in progress	7,094	4,327	32,473
Income taxes payable	788	3,538	26,552
Other current liabilities	5,469	5,230	39,249
Total current liabilities	49,760	62,471	468,826
Long-Term Liabilities:			
Convertibles bonds (Note 4)	9,312	—	—
Accrued severance indemnities (Note 5)	3,769	3,640	27,317
Allowance for losses arising from guarantees of loans	—	1,680	12,608
Deferred tax liabilities for unrealized gains on land revaluation (Note 11)	—	2,484	18,642
Other long-term liabilities	16	888	6,664
Total long-term liabilities	13,097	8,692	65,231
Minority Interests	7,338	7,494	56,240
Contingent Liabilities (Note 6)			
Shareholders' Equity (Note 10):			
Common stock, par value ¥50 per share:			
Authorized			
— 249,341 thousand shares (31st March, 2001)			
— 247,763 thousand shares (31st March, 2002)			
Issued			
— 136,842 thousand shares (31st March, 2001)	31,140	—	—
— 135,264 thousand shares (31st March, 2002)	—	31,140	233,696
Additional paid-in capital	30,736	30,736	230,664
Retained earnings	57,828	60,725	455,722
Unrealized loss on land revaluation (Note 11)	—	(8,633)	(64,788)
Unrealized gain (loss) on securities	29	(172)	(1,291)
	119,733	113,796	854,003
Treasury stock, at cost	(1,678)	(1,877)	(14,086)
Total shareholders' equity	118,055	111,919	839,917
	¥188,250	¥190,576	\$1,430,214

Consolidated Statements of Income and Retained Earnings

Nippon COMSYS Corporation and Consolidated Subsidiaries
Years ended 31st March, 2001 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2002	2002
Net Sales:			
Construction contracts	¥205,515	¥211,489	\$1,587,160
Other	16,705	19,862	149,058
	222,220	231,351	1,736,218
Cost of Sales:			
Construction contracts	179,452	185,735	1,393,884
Other	15,080	18,354	137,741
	194,532	204,089	1,531,625
Gross profits	27,688	27,262	204,593
Selling, General and Administrative Expenses	16,060	16,762	125,794
Operating income	11,628	10,500	78,799
Other Income (Expenses):			
Interest and dividend income	819	289	2,169
Interest expenses	(35)	(54)	(405)
Other, net (Note 12)	(3,295)	(1,822)	(13,674)
	(2,511)	(1,587)	(11,910)
Income before income taxes and other adjustments to net income	9,117	8,913	66,889
Income Taxes (Note 8):			
Current	4,082	5,521	41,433
Deferred	226	(1,293)	(9,703)
	4,308	4,228	31,730
Minority Interests	311	578	4,337
Net Income	4,498	4,107	30,822
Retained Earnings:			
Balance at beginning	55,477	57,828	433,981
Increases arising from newly consolidated subsidiaries, net	4	2,205	16,548
Appropriations:			
Cash dividends	1,366	1,624	12,188
Bonuses to directors	102	107	803
Retirement of treasury stocks	683	1,684	12,638
	2,151	3,415	25,629
Balance at end	¥ 57,828	¥ 60,725	\$ 455,722

	Yen		U.S. dollars (Note 1)
Per Share:			
Net income			
— Basic	¥ 33.11	¥ 30.39	\$ 0.23
— Diluted	31.70	29.10	0.22
Cash dividends	12.00	10.00	0.08
Weighted average number of shares (in thousands)	135,858	135,139	

See Notes to the Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Nippon COMSYS Corporation and Consolidated Subsidiaries
Years ended 31st March, 2001 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2002	2002
Cash Flows from Operating Activities:			
Income before income taxes and other adjustments to net income	¥ 9,117	¥ 8,913	\$ 66,889
Depreciation and amortization	1,746	3,363	25,238
Write-down of investments and other assets	536	142	1,066
Increase in allowance for doubtful receivables	170	113	848
(Decrease) increase in accrued severance indemnities	2,019	(267)	(2,004)
Increase in allowance for losses arising from guarantees of loans	—	1,680	12,608
Interest and dividends received	(819)	(289)	(2,169)
Interest expenses	35	54	405
Loss on disposal of property and equipment	47	84	630
Gain on securities contributed to employee retirement benefit trust	(5,810)	—	—
Amortization of the difference arising from change of the accounting standard on accrued severance indemnities	8,756	—	—
Increase in receivables—trade	(4,482)	(1,583)	(11,880)
Decrease in inventories	2,064	5,628	42,237
Increase in payables—trade	801	173	1,298
Decrease in other assets	(865)	(235)	(1,763)
Decrease in other liabilities	(3,960)	(3,416)	(25,636)
Directors' bonuses paid	(133)	(137)	(1,028)
Other	(205)	(113)	(848)
	9,017	14,110	105,891
Cash and cash equivalents received on interest and dividends income	751	288	2,161
Cash and cash equivalents paid for interest expenses	(35)	(54)	(405)
Cash and cash equivalents paid for income taxes	(6,336)	(2,762)	(20,728)
Net cash provided by operating activities	3,397	11,582	86,919
Cash Flows from Investing Activities:			
(Increase) decrease in short-term investments, net	(1)	999	7,497
Increase in investment securities, net	(1,000)	(678)	(5,088)
Acquisitions of property and equipment	(1,386)	(5,884)	(44,158)
Acquisitions of other assets	(490)	(485)	(3,640)
Proceeds from sale of property	64	125	938
Increase in long-term loans	(627)	(353)	(2,649)
Collection of long-term loans	606	464	3,482
Other	(1,368)	(88)	(660)
Net cash used in investing activities	(4,202)	(5,900)	(44,278)
Cash Flows from Financing Activities:			
Increase in short-term borrowings, net	308	183	1,373
Repayment of long-term debt	(16)	(184)	(1,381)
Proceeds from long-term debt	—	757	5,681
Acquisitions of treasury stock	(841)	(1,884)	(14,139)
Cash dividends paid	(1,376)	(1,638)	(12,292)
Net cash used in financing activities	(1,925)	(2,766)	(20,758)
Net Increase in Cash and Cash Equivalents	(2,730)	2,916	21,883
Cash and Cash Equivalents at Beginning of Year	41,892	39,473	296,233
Cash and Cash Equivalents at Beginning of Year Adjusted for Newly Consolidated Subsidiaries	311	647	4,856
Cash and Cash Equivalents at End of Year	¥39,473	¥43,036	\$322,972

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 ¥133.25 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, 2001 and 2002, include the accounts of the Company and 12 subsidiaries and affiliates (see "Corporate Directory" at the last page of this annual report).

Effective from the year ended 31st March 2002, COMSYS Tusan Co., Ltd. and COMSYS Business Service 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 effect 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

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

- i) Debt securities that are expected to be held-to-maturity: carried at accumulated cost using straight-line method.

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

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

(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, while the straight-line method is applied to building acquired after 1st April, 1998, both using estimated useful lives of assets principally as follows:

Buildings and structures	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. 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 and 2002, were as follows:

	Millions of yen				Thousands of U.S. dollars	
	31st March, 2001		31st March, 2002		31st March, 2002	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
Japanese government bonds	¥1,077	¥1,100	¥99	¥100	\$743	\$750

(b) Other securities whose fair value was readily determinable as at 31st March, 2001 and 2002, were as follows:

Classification	Millions of yen							
	31st March, 2001				31st March, 2002			
	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	¥1,128	¥219	¥278	¥1,069
Bonds and debentures	1,133	37	53	1,117	1,010	20	8	1,022
Others	1,606	2	207	1,401	1,491	1	180	1,312
Total	¥3,883	¥442	¥343	¥3,982	¥3,629	¥240	¥466	¥3,403

Classification	Thousands of U.S. dollars				
	31st March, 2002				
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	
Stocks	\$ 8,465	\$1,643	\$2,086	\$ 8,022	
Bonds and debentures	7,580	150	60	7,670	
Others	11,189	8	1,351	9,846	
Total	\$27,234	\$1,801	\$3,497	\$25,538	

(c) Proceeds from sales of other securities and realized gains/losses on sales of them, cost of the sales being determined by moving average method, for the year ended 31st March, 2001 and 2002, were as follows:

	Millions of yen		Thousands of U.S. dollars	
	For the year ended 31st March		For the year ended 31st March	
	2001	2002	2002	
Proceeds from sales	¥128	¥324	\$2,432	
Realized gains	4	9	68	
Realized Losses	0	38	285	

(d) Other securities whose fair value was not readily determinable as at 31st March 2001 and 2002 mainly consisted of unlisted stocks amounted to ¥1,395 million and ¥2,029 million (US\$15,227 thousand), respectively.

(e) Debt securities that are expected to be held-to-maturity and other securities with maturity date as at 31st March, 2001 and 2002 consisted of the following:

31st March, 2001	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

31st March, 2002	Due:	Book value			
		Millions of yen			
		Within 1 yr.	Within 5 yr.	Within 10 yr.	After 10 yr.
Bonds and debentures:					
Japanese government bonds		¥ —	¥100	¥—	¥—
Corporate bonds		500	280	10	—
Others		267	—	—	—
Total		¥767	¥380	¥10	¥—

31st March, 2002	Due:	Book value			
		Thousands of U.S. dollars			
		Within 1 yr.	Within 5 yr.	Within 10 yr.	After 10 yr.
Bonds and debentures:					
Japanese government bonds		\$ —	\$ 751	\$—	\$ —
Corporate bonds		3,752	2,101	75	—
Others		2,004	—	—	—
Total		\$5,756	\$2,852	\$75	\$ —

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).

For the year ended 31st March, 2002, the Companies made write-down of investment securities, whose fair value was readily determinable, amounted to ¥15 million (US\$ 113 thousand), following an accounting policy of the Companies which requires a write-down of investment securities whose fair value at the fiscal year's end declined to the amount not more than 50% of the book value.

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

The weighted average interest rates of short-term bank loans as at the year ended 31st March, 2002, was approximately 0.9 per cent.

At 31st March, 2002, short-term bank loans of consolidated two subsidiaries and one affiliate amounting to ¥1,133 million (US\$8,503) 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	¥363	\$2,724
Land	34	255
	¥397	\$2,979

At 31st March, 2001 and 2002, long-term debt consisted of the following:

31st March	Thousands of U.S. dollars		
	Millions of yen		
	2001	2002	2002
0.3 per cent yen unsecured convertible bonds due 2003	¥9,312	¥9,312	\$69,884
Less: Current portion	—	9,312	69,884
Total	¥9,312	¥ —	\$ —

Convertible bonds

At 31st March, 2002, unsecured convertible bonds consisted of the following:

The original amount issued at 24th June, 1996	¥10,000 million
Balance as at 31st March, 2002	¥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, 2002	¥1,435 (US\$10.77)

The number of shares of common stock required for conversion of the above unsecured convertible bonds outstanding at 31st March, 2002, 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.

5. Accrued Severance Indemnities

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

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 3 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, several subsidiaries have funds for tax qualified defined benefit pension plans and a few subsidiaries have non-contributory and funded defined benefit pension plans.

"Accrued severance indemnities" recognized in the consolidated balance sheet as at 31st March, 2001 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Projected benefit obligation	¥(47,763)	¥(47,594)	\$(357,178)
Fair value of plan assets	36,579	35,813	268,765
Unfunded benefit obligation	(11,184)	(11,781)	(88,413)
Unrecognized actuarial difference	7,831	8,529	64,008
Net amount recognized	¥ (3,353)	¥ (3,252)	\$ (24,405)

"Accrued severance indemnities" in the consolidated balance sheet as at 31st March 2001 and 2002 also includes the provision for accrued severance indemnities for directors and corporate auditors of the Companies amounted to ¥416 million and ¥388 million (US\$2,912), respectively.

Net pension cost of the plans included in the consolidated statements of income and retained earnings for the year ended 31st March, 2001 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Service cost	¥ 2,671	¥2,593	\$19,460
Interest cost	1,261	1,351	10,139
Expected return of plan assets	(1,693)	(497)	(3,730)
Amortization of the difference arising from change of the accounting standard	8,756	—	—
Amortization of unrecognized actuarial difference	—	522	3,917
Amortization of unrecognized prior service cost (negative)	(219)	(596)	(4,473)
Other	—	22	165
Net pension cost	¥10,776	¥3,395	\$25,478

Unrecognized actuarial difference are amortized and charged to income on a straight-line method from a succeeding year of the incurrence over 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 1.7%
- 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.

6. Contingent Liabilities

At 31st March, 2001 and 2002, contingent liabilities consisted of the following:

	Millions of yen		Thousands of U.S. dollars
31st March	2001	2002	2002
Guarantees of loans borrowed by:			
COMSYS Thailand Co., Ltd.	¥1,093	¥1,590	\$11,932
COMSYS Philippines, Inc.	955	1,032	7,745
Other	455	98	736
	¥2,503	¥2,720	\$20,413

7. Income Taxes

The Companies are subject to corporate (national), inhabitant and enterprise (local) taxes based upon taxable income, which resulted in statutory tax rates of approximately 42%, in aggregate, for the two years ended 31st March, 2001 and 2002. The effective tax rate reflected in the accompanying consolidated statements of income and retained earnings differs from the statutory tax rate primarily due to such items as permanently non-deductible expenses and timing differences in recognizing certain income and expense items for financial and tax reporting purposes.

The differences between the statutory tax rate and effective tax rate reflected in the consolidated statements of income for the ended 31st March, 2002, primarily consisted of the following:

Statutory tax rate of the Company	42.0%
Effects of:	
Expenses permanently not deductible for income tax purpose	3.6
Dividend income deductible for income tax purpose	(0.4)
Other, net	2.2
Effective tax rate	47.4%

Deferred tax assets and liabilities of the Companies, except for that relating to land revaluation mentioned in Note 11, as of 31st March, 2001 and 2002, primarily consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
Deferred tax assets:			
Accrued bonuses	¥ 682	¥ 878	\$ 6,589
Accrued enterprise tax	71	294	2,207
Accrued severance indemnities	2,715	2,542	19,077
Allowance for doubtful receivables	469	506	3,797
Allowance for losses arising from guarantees of loans	—	706	5,298
Write-down of investments in unconsolidated subsidiaries	386	467	3,505
Others	395	902	6,769
	4,718	6,295	47,242
Less: Valuation allowance	(52)	(100)	(750)
	4,666	6,195	46,492
Deferred tax liabilities:			
Deferred gain on exchange of lands	(91)	(90)	(675)
Unrealized gain on securities	(21)	(3)	(23)
	(112)	(93)	(698)
Net deferred tax assets	¥4,554	¥6,102	\$45,794

8. Leases

(As a Lessee)

The Companies lease mainly machinery and equipment by financial leases. Pro forma amounts of the acquisition costs (including the interest portion thereon), accumulated depreciation (depreciation expenses of the leased property were computed by the straight-line method over the respective lease terms) and net book value of leased property as of 31st March, 2001 and 2002, which would have been reflected in the consolidated balance sheets if capitalized, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
31st March			
Acquisition costs	¥1,511	¥394	\$2,957
Accumulated depreciation	755	217	1,629
Net book value	¥ 756	¥177	\$1,328

Lease payments relating to financial leases accounted for as transactions of rent amounted to ¥315 million and ¥67 million (US\$503 thousand) for the years ended 31st March, 2001 and 2002, respectively.

Obligation (including the interest portion thereon) under financial leases at 31st March, 2001 and 2002, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2002	2002
31st March			
Due within one year	¥319	¥ 62	\$ 465
Due after one year	437	115	863
Total	¥756	¥177	\$1,328

(As a Lessor)

One of the Companies leases mainly machinery and equipment by financial leases. Future lease receipt, inclusive of interest, at 31st March, 2002 were as follows:

	Millions of yen	Thousands of U.S. dollars
Due within one year	¥248	\$1,861
Due after one year	469	3,520
Total	¥717	\$5,381

Lease fees received and depreciation charges for the year ended 31st March, 2002 were as follows:

	Millions of yen	Thousands of U.S. dollars
Lease fees received	¥383	\$2,874
Depreciation	221	1,659

9. Segment Information

The Companies' operating results consisted of two business segments. Information by business segment for the years ended and as of 31st March, 2001 and 2002, were summarized as follows:

	Millions of yen				
	For the year ended/as of 31st March, 2001				
	Construction	Other	Total	Corporate/ Eliminations	Consolidated
Sales to customers	¥205,515	¥16,705	¥222,220	¥ —	¥222,220
Intersegment sales/ transfers	—	—	—	—	—
Total	205,515	16,705	222,220	—	222,220
Operating expenses	195,050	15,542	210,592	—	210,592
Operating income	¥ 10,465	¥ 1,163	¥ 11,628	¥ —	¥ 11,628
Assets	¥175,595	¥12,655	¥188,250	¥ —	¥188,250
Depreciation and amortization	1,648	98	1,746	—	1,746
Capital expenditures	1,854	156	2,010	—	2,010
	Millions of yen				
	For the year ended/as of 31st March, 2002				
	Construction	Other	Total	Corporate/ Eliminations	Consolidated
Sales to customers	¥211,489	¥19,862	¥231,351	¥ —	¥231,351
Intersegment sales/ transfers	—	7,258	7,258	(7,258)	—
Total	211,489	27,120	238,609	(7,258)	231,351
Operating expenses	201,795	26,247	228,042	(7,191)	220,851
Operating income	¥ 9,694	¥ 873	¥ 10,567	¥ (67)	¥ 10,500
Assets	¥177,083	¥13,493	¥190,576	¥ —	¥190,576
Depreciation and amortization	2,776	587	3,363	—	3,363
Capital expenditures	5,815	575	6,390	—	6,390

	Thousands of U.S. dollars				
	For the year ended/as of 31st March, 2002				
	Construction	Other	Total	Corporate/ Eliminations	Consolidated
Sales to customers	\$1,587,160	\$149,058	\$1,736,218	\$ —	\$1,736,218
Intersegment sales/ transfers	—	54,469	54,469	(54,469)	—
Total	1,587,160	203,527	1,790,687	(54,469)	1,736,218
Operating expenses	1,514,409	196,976	1,711,385	(53,966)	1,657,419
Operating income	\$ 72,751	\$ 6,551	\$ 79,302	\$ (503)	\$ 78,799
Assets	\$1,328,953	\$101,261	\$1,430,214	\$ —	\$1,430,214
Depreciation and amortization	20,833	4,405	25,238	—	25,238
Capital expenditures	43,640	4,315	47,955	—	47,955

10. Shareholders' Equity

The amended Commercial Code of Japan (the "Commercial Code"), effective on 1 October, 2001, provides that an amount not less than 10 per cent of cash dividends and bonuses to directors paid as appropriations of retained earnings, as well as the amount of 10 per cent of interim cash dividends, be set aside in legal reserve until an aggregate amount of additional paid-in capital and the legal reserve equals 25 per cent of the amount of stated capital. The additional paid-in capital and the legal reserve may be transferred to stated capital by a resolution of the board of directors or used to reduce a deficit by shareholders' resolution, but they are not available for dividend payment. On condition that the aggregate amount of additional paid-in capital and the legal reserve remains equal to or exceeding 25 per cent of the amount of stated capital, it is available for distributions by the resolution of the shareholders' meeting within a certain limit. The amounts of the reserve of the Company included in "Retained earnings" as at 31st March, 2001 and 2002 were ¥1,983 million and ¥2,093 million (US\$15,707 thousand), respectively.

Under the Commercial Code, the entire amount of the issue price of new shares is required to be accounted for as "Common stock" although a company may, by resolution of its board of directors, account for an amount not exceeding one-half of the issue price of such new shares as "Additional paid-in capital."

On 28th June, 2001, the board of directors of the Company, pursuant to the regulations under the Commercial Code, resolved to reacquire and cancel outstanding share of its common stock with its retained earnings up to a total value not exceeding ¥1,685 million (US\$12,645 thousand). For the year ended 31st March, 2002, under the resolution, the Company retired 1,578 thousand shares of its common stock amounted to ¥1,684 million (US\$12,638 thousand) and the authorized shares of the Company decreased by 1,578 thousand, from 249,341 thousand to 247,763 thousand, due to the retirement of common stocks.

11. Revaluation of Land for Business

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

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

	Millions of yen	Thousands of U.S. dollars
Book value:		
Before revaluation	¥22,995	\$172,570
After revaluation	16,847	126,431
Unrealized—		
Gains	5,915	44,390
Losses	12,063	90,529
Net (Loss)	¥ 6,148	\$ 46,139

Deferred tax assets and liabilities relating to revaluation of land of the Company consisted of the following:

	Millions of yen	Thousands of U.S. dollars
Deferred tax assets:		
Relating to unrealized losses	¥5,066	\$38,019
Less: Valuation allowance	(5,066)	(38,019)
	—	—
Deferred tax assets:		
Relating to unrealized gains	2,484	18,642
Net: Deferred tax liabilities	¥2,484	\$18,642

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	2001	2002	2002
Foreign exchange gains	¥ —	¥ 154	\$ 1,156
Allowance for doubtful receivables	—	(242)	(1,816)
Gain on securities contributed to employee retirement benefit trust	5,810	—	—
Allowance for losses arising from guarantees of loans	—	(1,680)	(12,608)
Amortization of the difference arising from change of the accounting standard on accrued severance indemnities	(8,756)	—	—
Write-down of investments and other assets	(536)	(142)	(1,066)
Amortization of newly consolidation adjustments	—	304	2,281
Other	187	(216)	(1,621)
	¥ (3,295)	¥(1,822)	\$ (13,674)

13. Subsequent Events

On 27th June, 2002, the shareholders of the Company approved the following appropriations of retained earnings:

	Millions of yen	Thousands of U.S. dollars
Cash dividends	¥674	\$5,058
Reacquisition and cancellation of common stock	674	5,058

Report of Independent Certified Public Accountants

O.Yu Kyodo Office

CERTIFIED PUBLIC ACCOUNTANTS

公認会計士桜友共同事務所

11TH FLOOR NO.10 MORI BUILDING
1-13-1 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, 2001 and 2002, and the related consolidated statements of income and retained earnings and cash flows for each of the two years ended 31st March, 2002, 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, 2001 and 2002, and the consolidated results of their operations and cash flows for each of the two years ended 31st March, 2002, in conformity with accounting principles and practices generally accepted in Japan (see Note 1) applied on a consistent basis.

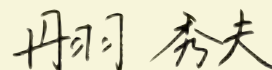
The U.S. dollar amounts, presented solely for the convenience of the readers, have been translated on the basis stated in Note 1.



Masatoshi Yoshino



Eiji Miyashita



Hideo Niwa

Certified Public Accountants of Japan

27th June, 2002

Supplemental Non-Consolidated Financial Information

Nippon COMSYS Corporation
Years ended 31st March, 2001 and 2002

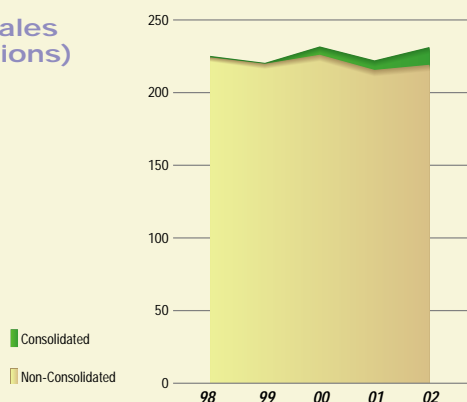
	Millions of yen		Thousands of U.S. dollars	Change (%)
	2001	2002	2002	
Net sales	¥215,586	¥219,206	\$1,645,073	1.7%
Operating income	10,402	8,526	63,985	-18.0%
Net income	4,283	3,461	25,974	-19.2%
Total assets	174,118	159,344	1,195,827	-8.5%
Shareholders' equity	112,529	102,883	772,105	-8.6%
	Yen		U.S. dollars	

Per share:

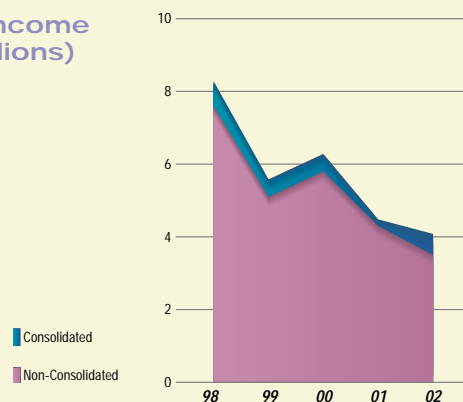
Net income				
— Basic	¥ 31.27	¥ 25.48	\$ 0.19	-18.5%
— Diluted	29.98	24.41	0.18	-18.6%
Cash dividends	12.00	10.00	0.08	-16.7%

Note: For convenience only, the accompanying Japanese yen figures for 2002 have been translated into U.S. dollars at the rate of ¥133.25 to \$1, the rate prevailing on 29th March, 2002.

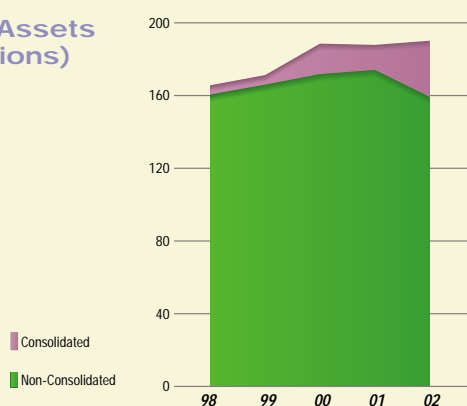
Net Sales
(¥ Billions)



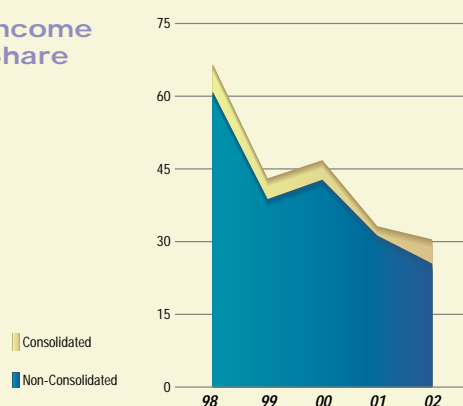
Net Income
(¥ Billions)



Total Assets
(¥ Billions)

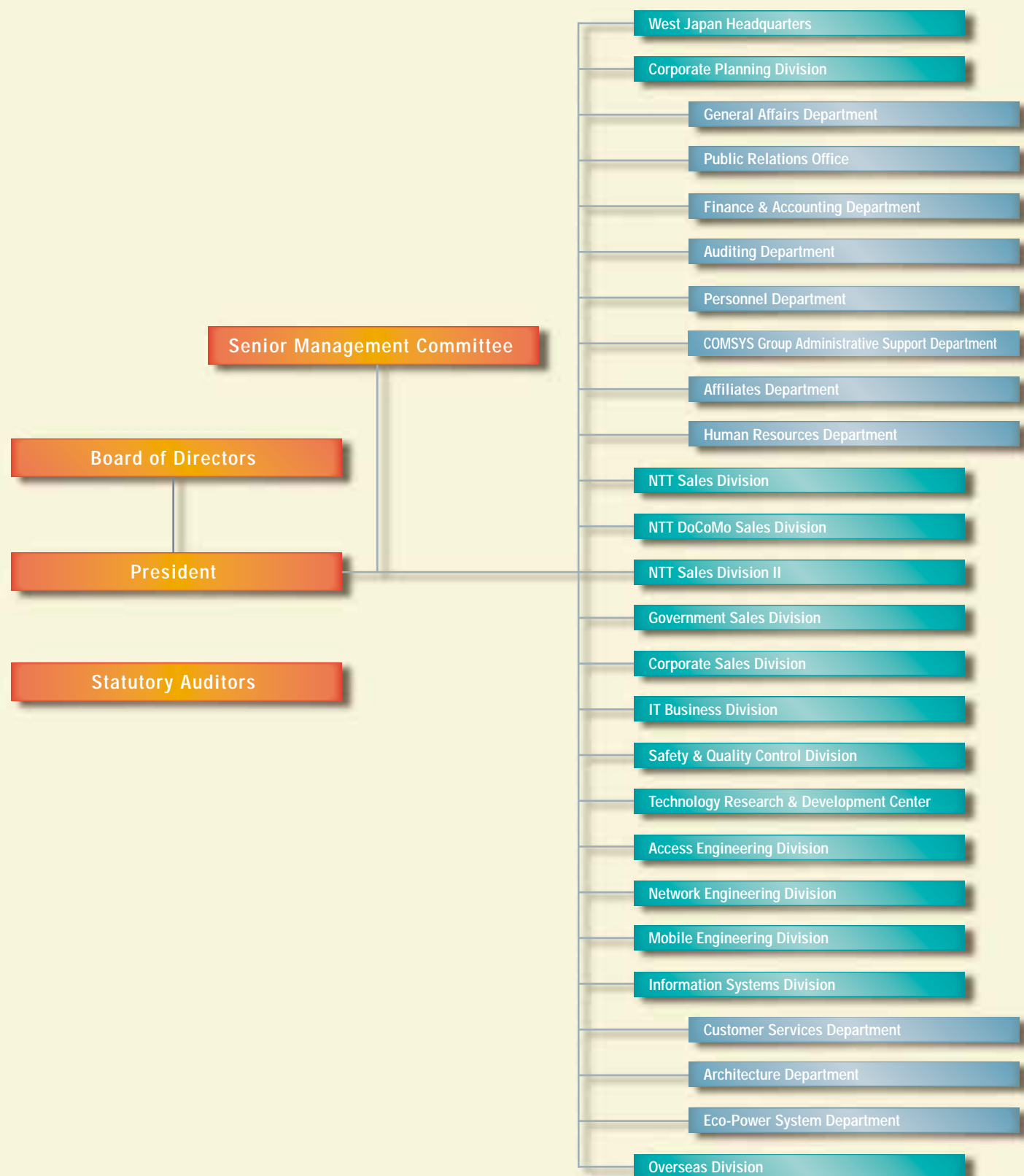


Net Income
per Share
(¥)



Organization Chart

As of June 27, 2002



Corporate Information

As of March 31, 2002

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: 247,763,000 shares
Issued: 135,264,252 shares

Number of Shareholders:

9,641

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:

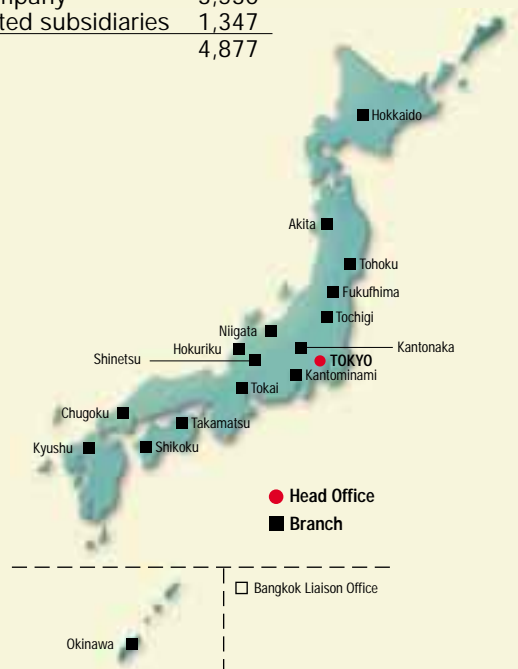
Parent company	3,530
Consolidated subsidiaries	1,347
Total	4,877

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
TOT Corporation (Thailand)
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)
Ministry of Communications (Kuwait)

Bank References:

The Bank of Tokyo-Mitsubishi, Ltd.
The Mitsubishi Trust and Banking Corporation
Mizuho Bank, Ltd.
UFJ Bank, Limited
The Sumitomo Mitsui Banking Corporation



Corporate Directory

Nippon COMSYS Corporation
As of March 31, 2002

Company Name	Location	Principal Business	Paid-in Capital	Percentage Owned (%)
Consolidated Subsidiaries and Affiliates				
OT Engineering Co., Ltd.*	Tokyo, Japan	Telecommunications engineering and electrical engineering	¥120 million	98.0
Tsuken Kiko Co., Ltd.	Tokyo, Japan	Construction of telecommunications facilities	¥30 million	100.0
COMSYS Techno Co., Ltd.	Tokyo, Japan	Planning and consultation with regard to information-processing technology	¥50 million	100.0
COMSYS Tec Co., Ltd.	Tokyo, Japan	Construction of telecommunications facilities	¥90 million	83.6
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
Taiei Selsakusho Co., Ltd.	Kanagawa, Japan	Design, manufacturing, and sales of telecommunications equipment	¥60 million	49.7
COMSYS Tusan Co., Ltd.	Tokyo, Japan	Sales of construction materials	¥60 million	100.0
COMSYS Business Service Co., Ltd.	Tokyo, Japan	Construction of telecommunications facilities	¥304 million	100.0
COMSYS Net Corporation	Tokyo, Japan	Construction of telecommunications facilities	¥50 million	100.0
COMSYS Tohoku Techno Co., Ltd.	Miyagi, Japan	Planning and consultation with regard to information-processing technology	¥50 million	100.0
COMSYS Shinetsu Engineering Co., Ltd.	Nagano, Japan	Construction of telecommunications facilities	¥30 million	100.0
COMSYS Kansai Engineering Co., Ltd.	Osaka, Japan	Construction of telecommunications facilities	¥15 million	68.0
COMSYS Kyusyu Engineering Co., Ltd.	Fukuoka, Japan	Construction of telecommunications facilities	¥15 million	100.0
Major Non-Consolidated Subsidiaries and Affiliates				
Nippo Kensetsu Kogyo Co., Ltd.	Tokyo, Japan	Civil engineering	¥250 million	91.0
Jinwa Co., Ltd.	Saitama, Japan	Construction of telecommunications facilities	¥60 million	35.0
Overseas Affiliates				
COMSYS Thailand Co., Ltd.	Bangkok, Thailand	Technological consulting and engineering services	B15,000 thousand	48.0
Thai COMSYS & Jackson Co., Ltd.	Bangkok, Thailand	Technological consulting and engineering services	B2,000 thousand	49.0
COMSYS Philippines, Inc.	Manila, Philippines	Technological consulting and engineering services	P12,500 thousand	30.0
CMC Engineering SDN. BHD.	Kuala Lumpur, Malaysia	Technological consulting and engineering services	RM1,053thousand	30.0

*OT Engineering Co., Ltd. was incorporated at 1st January 2002 by merging Okoshi Denken Co., Ltd. (a survivor as a legal entity), Tokyo Denwa Shisetsu Co., Ltd. and COMSYS Kanto Kita Engineering Co., Ltd.

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



This entire annual report is printed on 100% recycled paper.

Nippon COMSYS Corporation

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

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