

(Excerpt translation)

**BRIEF STATEMENT OF ACCOUNTS  
FOR THE YEAR ENDED MARCH 31, 2001  
(CONSOLIDATED)**

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May 21, 2001

Name of the Company:	MegaChips Corporation
Listing:	Tokyo Stock Exchange
Code number:	6875
Name of prefecture where head office is located:	Osaka
Inquiries to be directed to:	Tetsuo Hikawa Director and Executive Officer, General Manager of Corporate Planning
	Tel. (06)-6399-2884
Date of meeting of the Board of Directors for settlement of accounts:	May 21, 2001
Parent company:	-
Rate of shareholdings of the parent company in the Company:	- %
Application of US GAAP:	No.

**1. Consolidated business results for the year ended March 2001 (April 1, 2000 through March 31, 2001):**

(1) Consolidated operating results

(Note) figures are stated by discarding fractions of one million yen.

	Year ended March 31,	
	2001	2000
Sales .....	¥53,851 million (42.7 %)	¥37,737 million ( - %)
Operating profit .....	¥3,306 million (56.4 %)	¥2,113 million ( - %)
Ordinary profit .....	¥3,731 million (68.8 %)	¥2,210 million ( - %)
Profit for the year.....	¥1,866 million (45.4 %)	¥1,283 million ( - %)
Per-share profit for the year.....	¥75.87	¥54.61
Per-share profit for the year after adjustment of potential stocks .....	¥ -	¥ -
Ratio of profit to net worth (owned capital) for the year.....	13.3%	12.8%
Ratio of ordinary profit to total liabilities and net worth .....	17.4%	11.1%
Ratio of ordinary profit to sales.....	6.9%	5.9%

(Notes)

1. Gain (loss) on equity method investments:

Year ended March 31, 2001:	¥ -
Year ended March 31, 2000:	¥ -

2. Average number of shares outstanding during the business year (consolidated):

Year ended March 31, 2001:	24,596,850 shares
Year ended March 31, 2000:	23,499,459 shares

3. Changes in accounting methods: None.

4. The percentages in the items of sales, operating profit, ordinary profit and profit for the year indicate the rates of increase or decrease from the previous year.

(2) Consolidated financial condition

	Year ended March 31,	
	2001	2000
Total assets .....	¥21,638 million	¥21,324 million
Net worth (owned capital).....	¥14,624 million	¥13,525 million
Ratio of net worth to total liabilities and net worth....	67.6%	63.4%
Net worth (owned capital) per share.....	¥595.04	¥548.45
Note: Number of shares outstanding as of the end of the business year (consolidated):	24,577,258 shares	24,660,719 shares

(3) Consolidated cash flow condition

	Year ended March 31,	
	2001	2000
	(millions of yen)	
Cash flows from operating activities .....	¥1,616	¥1,132
Cash flows from investing activities .....	(28)	(269)
Cash flows from financing activities.....	(1,621)	(842)
Cash and cash equivalents at the end of the year.....	1,713	1,692

(4) Matters related to the consolidation and the scope of application of equity method

Number of consolidated subsidiaries:	2
Number of non-consolidated subsidiaries subject to the equity method:	0
Number of affiliated companies subject to the equity method:	0

(5) Situation of changes in the consolidation and the scope of application of equity method

Consolidated subsidiaries

Included:	0
Excluded:	0

Companies subject to the equity method

Included:	0
Excluded:	0

**2. Forecast of consolidated business results for the next year ending on March 31, 2002 (April 1, 2001 through March 31, 2002):**

	<u>First six months</u>	<u>Whole-year period</u>
	(Millions of yen)	
Sales.....	¥20,750	¥55,000
Ordinary profit .....	1,290	4,000
Profit for the period.....	710	2,100

(Reference) Forecast of per-share profit for the period (whole-year period): ¥85.44

## **STATE OF CORPORATE GROUP**

The Company's corporate group (the "Group"), which comprises the Company (MegaChips Corporation) and its three subsidiaries and one affiliated company, principally engages in the development, manufacture and sale of system LSIs and system products.

The content of operations of the Group and the positioning of the Company and its related companies in such operations are described below.

The business categories described herein are the same as those in the segment information by business category described in the "Notes to consolidated financial statements (segment information)".

### (1) LSI business:

The principal lines of this business comprise customer-specific LSIs (ASIC) with optimal functions and performances for devices of specific customers and application-specific LSIs (ASSP) with optimal functions and performances for specific devices of unspecific customers. Additionally, the Company markets standard LSLs manufactured by its consigned semiconductor manufacturers.

Customer-specific LSIs.....These products are developed by the Company, manufactured by its consigned semiconductor manufacturers and marketed by the Company.

Application-specific LSIs .....These products are developed by the Company, manufactured by its consigned semiconductor manufacturers and marketed by the Company.

Other LSIs.....These products are developed and manufactured by the Company's consigned semiconductor manufacturers and marketed by the Company.

### (2) System business:

The principal lines of this business comprise industrial system products for use in the industrial and business sectors and consumer system products for use in SOHO (small office/home office) and households, as well as other system products, including "rich media" services and audio related system products.

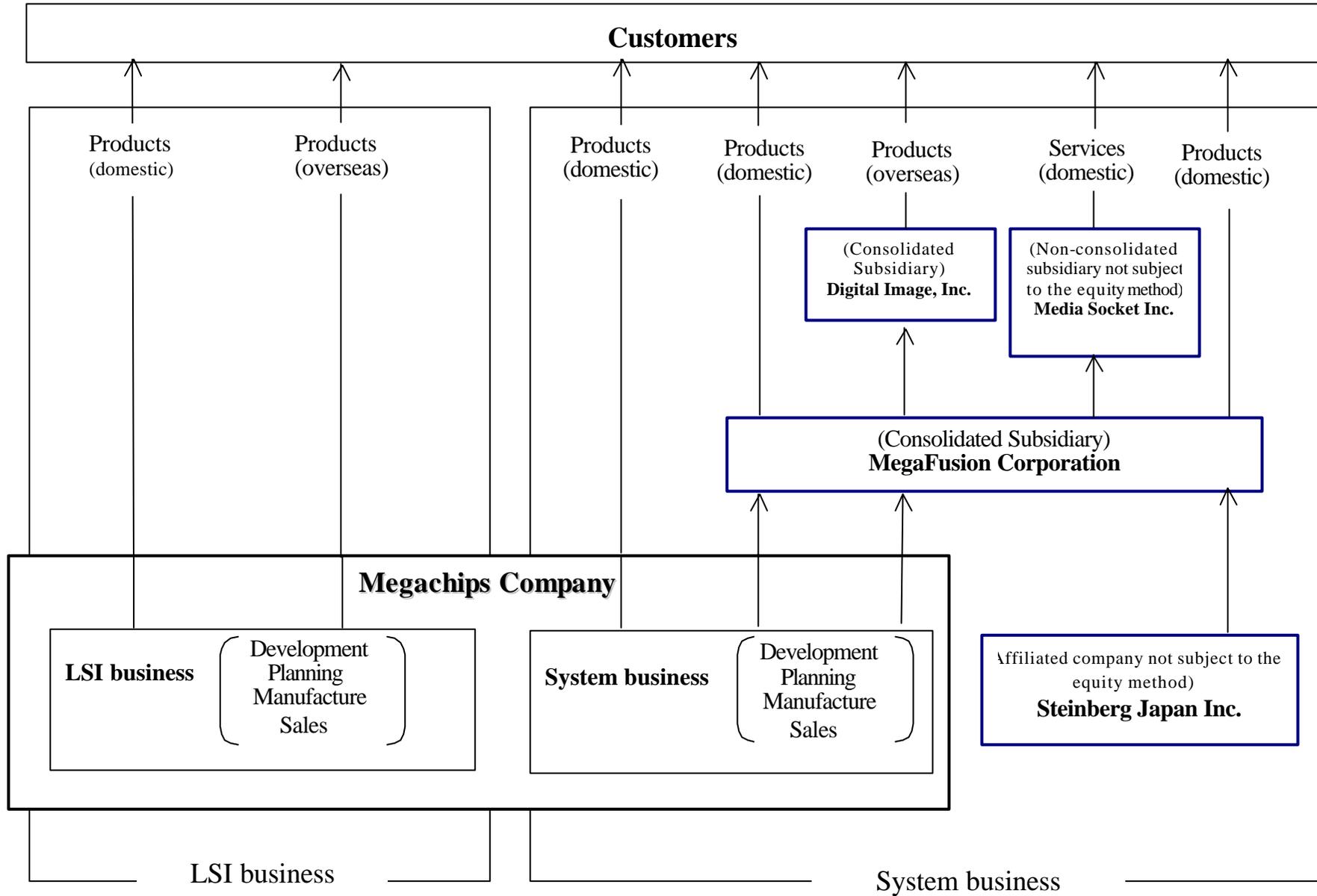
Industrial system products .....These products are developed by the Company, manufactured by its consigned semiconductor manufacturers and marketed by the Company. Additionally, these products are marketed by its subsidiary MegaFusion Corporation in Japan and by its subsidiary Digital Image Inc. overseas.

Consumer system products.....These products are developed by the Company, manufactured by its consigned semiconductor manufacturers and marketed by the Company via its

subsidiary MegaFusion Corporation.

Other system products

With regard to "rich media" services, the Company develop hardware devices to be connected with networks. By using such devices, its subsidiary MegaFusion Corporation engages in technological development and integration services of the whole system, including preparation and distribution of content. Audio-related system products are developed and manufactured by system makers and marketed by MegaFusion Corporation.



State of related companies

Consolidated subsidiaries

Company	Location	Capital	Main business	Ratio of holding of voting rights	Relationship	Note
Digital Image, Inc.	CA, U.S.A.	\$3,500 thousand	System business	87.1%	The subsidiary markets the Company's system products and related products and provides support services in North America. The concurrent holding of the offices of officers of both companies is applicable.	
MegaFusion Corporation	Chiyoda-ku, Tokyo	¥336,750 thousand	System business	59.5%	The subsidiary markets the Company's system products and related products and provides support and system integration services in Japan. The concurrent holding of the offices of officers of both companies is applicable.	*1

(Notes)

1. In the column of main business, the segment names by business category are listed.
2. \*1: Visual Communication Inc. (a consolidated subsidiary of the Company) merged with CAMEO INTERACTIVE, LTD. as of April 1, 2001 and changed its trade name to MegaFusion Corporation.

## **BUSINESS POLICY AND OPERATING RESULTS**

### **1. Business Policy**

#### **(1) Basic management policy**

Under the philosophy of expanding business by "Innovation", remaining coexistent with customers by "Credibility" and continuing to make contributions to society by "Creation", the Company has shown good growth as a R&D-oriented, fables and high-tech business, unique in Japan, since its incorporation in 1990. Its competitiveness derives from "Specialization" in products for specific customers and for application in the growing image-, sound- and communication-related market, "Concentration" of its resources on research and development activities to provide most advanced technologies and products, the business development based not on a factory platform relying on production capacity but on a technology platform relying on its competitive advantage in technology related with and capability to develop images, sounds and communications, and the showing of its "Uniqueness" by developing business which provides optimal solutions to its customers through integrating its systems and LSI knowledge.

Under such philosophy, the Company has pursued a basic policy of distributing returns to its investors by exerting efforts to show good growth and increase its value by taking the lead in providing unique system LSIs and system products in the market.

#### **(2) Basic principles concerning the distribution of profits**

The Company has continuously followed a policy of paying at least 15% of the par value of each share as a dividend. The Company gives a top priority to distributing profits to the shareholders as an important policy of management and intends to follow a fundamental policy of maintaining the constant payment of dividends. With regard to the allocation of profits, while keeping internal reserves necessary for research and development activities to develop new products, future business development and strengthening of its corporate base, the Company intends to make stock splits (free issues of shares) and increase dividends, taking into consideration the future outlook of our industry and the dividend propensity. With regard to internal reserves, in preparation for any change in the business conditions expected to occur, the Company intends to make efficient investments to further improve research and development activities, expand its business base and build up its financial base.

#### **(3) The Company's medium- to long-term management strategy**

An information technology (IT) revolution, which is producing an powerful effect on corporate activities and personal life, is expected to accelerate with the development of broadband in wired and wireless communication infrastructures. Consequently, online distribution of rich media, or multiple information comprising characters, music, sounds, still images, videos, etc., and online interactive services fully utilizing such rich media information are expected to spread on a full scale. The Company intends to exert efforts to expand its traditional business based on the technologies it has long cultivated in the fields of images, sounds and communications, as well as focus on system LSIs and system products applicable to such new services and take the lead in launching unique products, whereby building a stronger business base and keeping growing.

Additionally, a highly developed network society requires the Company to provide not only specific functions of hardware and software of LSIs and devices but also total solutions to application needs.

The Group intends to meet such needs of the times, by assigning to the Company the role of concentrating its resources on the research and development of system LSIs and system products required for communication, preparation and reading of rich media information) and to its consolidated subsidiary MegaFusion Corporation the role of applying such products to develop and provide total systems of rich media services covering content preparation and distribution systems to meet needs of content and service providers.

While the Company maintains its properties as a R&D-oriented company and MegaFusion Corporation takes advantage of its technology and experiences in the application field and the capability to build business alliances across different fields to provide solutions to customers, the Group intends to support the continued growth by building up their respective strength. Furthermore, with the aim of maximizing its value, the Group will actively promote initial public offerings of its consolidated companies.

As management indexes, the Company intends to place importance on consolidated cash flows and consolidated ROE (Return On Equity) and on a non-consolidated basis, increase per-head operating profit plus per-head research and development expenses, defined as per-head added value, as a R&D-oriented company.

#### **(4) Measures to incorporate more rules of corporate governance**

The Company regards it as an great responsibility to its investors and interested parties to establish a sound and transparent management system and keep effective the rules of corporate governance. The Company has employed an executive officer system to secure adequate and quick decision-making by its Board of Directors upon full deliberations and clearly separate the duties of Directors to make managerial decisions and control the execution of business from the duties of executive officers to execute business. The Company also reports its financial status to its investors and interested parties timely and property through its active IR (investor relations) and other activities and discloses without delay the occurrence of any important event relating to business and management of the Group, to enhance transparency of management.

#### **(5) Future Challenges**

The Japanese economy is expected to make no rapid recovery and continue to be faced with the difficult conditions. However, the development of IT has made corporate activities more efficient and households and individuals accessible to a greater amount of information and brought about changes to the whole society.

Under these circumstances, the Company intends to continue efforts to build up its technological platform in the field of images, sounds and communication and promote its solution providing business by which it will solve its customers' problems and enhance consumer satisfaction by integrating its system (product) and LSI knowledge, whereby further developing its "Uniqueness". Also, to make its system LSIs and system products more competitive, the Company intends to continue to actively build up development staff

and acquire intellectual property rights. Specifically, with regard to application-specific LSIs and system products, the Company intends to take the lead in developing unique products, which will contribute to materializing a real communication society, based on its core technology and development capability and continually, with the aim of business expansion.

Furthermore, to cover content distribution and services in the field of rich media where such content distribution and services are expected to develop on a full scale, the Group intends to actively provide total solutions required for rich media services, covering not only system LSIs and system products for use in such field but also content production and transmission systems, whereby contributing to materializing a real communication society and aggressively promote the development of higher value added business.

## **2. Operating Results**

### **Overview of the business year under review**

#### **(1) Overview of operating results as a whole**

The Japanese economy during the business year under review showed signs of self-sustained recovery, such as improved corporate earnings and increased capital investment in some industries. However, as shown in a sharp decline in corporate earnings in the second half of the business year, severe employment situations, a slump in private spending and a sluggish stock market, the economy has not yet come out of the recession.

In the electronic machinery and equipment industry in which the Group (the Company and its subsidiaries) belongs, due to continued vigorous investment in digital information, or information technology (IT) among other things, and the continued rapid spread of information networks represented by the Internet, the market for personal computers, portable information and other telecommunications devices and digital audio-visual (AV) equipment expanded steadily. The security and monitoring market also continued to expand steadily due to the prevalence of digital networks.

The Group actively engaged in business activities by targeting such growing markets to increase sales of customer-specific LSIs (ASIC) and also exerted efforts to develop and market application-specific LSIs (ASSP), promising products, and system products equipped with its originally developed system LSIs. As a result, on a consolidated basis, the Company earned record sales, ordinary profit and profit for the year, respectively accounting for ¥53,851 million (a 42.7% increase from the previous business year), ¥3,731 million (a 68.8% increase) and ¥1,866 million (a 45.4% increase).

The state of consolidated cash flows for the business year under review is described below:

Cash flows from operating activities resulted in an increase of ¥1,616 million (a 42.7% increase from the previous business year), principally due to an increase of ¥545 million (a 58.6% increase) of corporate income taxes paid, though income before income taxes and others recorded a high level of ¥3,322 million (a 50.3% increase).

Cash flows from investing activities resulted in a decrease of ¥28 million as cash

outflows due to purchase of investment securities, and tangible fixed assets, etc. exceeded inflows due to distribution of capital investment, etc.

Cash flows from financing activities resulted in a decrease of ¥1,621 million (a 92.4% decrease from the previous business year) due to repayment of short-term and long-term debts, acquisition of the Company's own shares, etc.

As a result, cash and cash equivalents decreased ¥16 million to account for ¥1,713 million at the end of the year (a 1.2% increase from the previous business year), due to an increase resulting from the merger of its consolidated subsidiary.

## **(2) Overview of operating results by segment**

In the LSI business, due to firm demand, especially for LSIs for storing game software (custom mask ROMs), consolidated sales of customer-specific LSIs (ASIC) amounted to ¥43,322 million (a 36.2% increase from the previous business year). Consolidated sales of application-specific LSIs (ASSP) amounted to ¥4,106 million (a 54.8% increase), due to an increase in sales of LSIs for controlling TV multi-windows, LSIs for processing VCR images, LSIs used in data backup memories, etc. Consequently, consolidated sales in the LSI business, including sales of other LSIs, amounted to ¥48,045 million (a 38.4% increase from the previous business year). Operating profit amounted to ¥4,375 million (a 47.9% increase).

In the system business, consolidated sales in the industrial system business amounted to ¥2,232 million (an 11.5% increase from the previous business year), due to an increase in sales of digital image recording and transmitting systems resulting from the advance of digitalization and aggressive business development in the security and monitoring field. In the consumer system business, consolidated sales amounted to ¥1,114 million (a 16.5% decrease) due to decreased demand for Internet access units with TV phone functions. Consequently, consolidated sales in the system business, including sales of other systems, amounted to ¥5,806 million (a 92.8% increase). However, due to an increase in operating expenses, including research and development expenses, among other things, operating loss amounted to ¥172 million.

## **(3) Distribution of profits**

As a dividend for the business year under review, the Company intends to pay an annual dividend of ¥10 per share, an increase of ¥2 per share from the previous business year (to commemorate the listing of its shares on the stock market), to the shareholders as of March 31, 2001.

## **Prospect for the next business year**

### **(1) Prospect for operating results as a whole**

During the next business year, the Japanese economy, which is expected to remain in difficult conditions, will make no full-scale recovery. Overseas, the U.S. economy is decelerating faster than forecasted and the Asian economy has plunged sharply. Thus, the world economy is also expected to remain in very severe conditions.

Under these circumstances, however, the Company intends to meet firm demand for customer-specific LSIs (ASIC) and exert further efforts to develop application-specific LSIs (ASSP) to be installed in digital AV equipment and telecommunications devices and engage in customer development. With regard to its industrial and consumer system products, the Company also intends to take the lead in bringing high value added new products to the market. Furthermore, together with its subsidiary MegaFusion Corporation, the Company intends to develop diversifying application fields and customer needs and aggressively engage in the development of total solution providing business that may yield great customer satisfaction.

As a result of such efforts, for the whole next business year, consolidated sales, operating profit, ordinary profit and profit for the year are expected to account for ¥55,000 million (a 2.1% increase from the business year under review), ¥4,000 million (a 21.0% increase), ¥4,000 million (a 7.2% increase) and ¥2,100 million (a 12.5% increase), respectively.

The following is the forecast for consolidated sales by segment:

LSI business:	¥48,000 million (a 0.1% decrease from the business year under review)
System business:	¥7,000 million (a 20.6% increase)

## **(2) Prospect for the distribution of profits**

As a dividend for the next business year, the Company, taking into consideration operating results for the next business year, future funding requirements and other factors, intends to continue to pay an annual dividend of ¥10 per share.

## CONSOLIDATED FINANCIAL STATEMENTS

### 1. Consolidated Balance Sheets

(thousands of yen)

	Year ended March 31, 2001 (as at March 31, 2001)	Year ended March 31, 2000 (as at March 31, 2000)	Increase or decrease
<b><u>ASSETS</u></b>			
<b>I. Current assets</b>			
1. Cash and deposits .....	1,713,239	1,693,620	19,619
2. Trade notes and trade accounts receivable .....	17,009,698	17,536,136	-526,438
3. Marketable securities .....	-	54,369	-54,369
4. Inventories .....	858,068	439,297	418,770
5. Deferred income taxes .....	208,051	91,454	116,597
6. Others .....	103,556	20,147	83,408
7. Allowance for doubtful receivables ..	-6,161	-113,681	107,519
Total current assets .....	19,886,452	19,721,344	165,107
<b>II. Fixed assets</b>			
1. Tangible fixed assets			
(1) Buildings .....	258,044	91,471	166,572
(2) Land .....	104,677	31,190	73,487
(3) Others .....	85,485	44,035	41,449
Total tangible fixed assets .....	448,207	166,697	281,510
2. Intangible fixed assets			
(1) Consolidation adjustment .....	27,710	5,314	22,395
(2) Others .....	73,860	52,205	21,654
Total intangible fixed assets .....	101,570	57,520	44,049
3. Investments and other assets			
(1) Investment securities .....	274,015	309,750	-35,734
(2) Prepaid pension cost .....	27,913	-	27,913
(3) Deferred income taxes .....	248,319	92,715	155,603
(4) Others .....	652,504	936,074	-283,569
(5) Allowance for doubtful receivables .....	-	-656	656
Total investments and other assets .....	1,202,751	1,337,883	-135,131
Total fixed assets .....	1,752,529	1,562,100	190,428
<b>III. Deferred assets .....</b>	-	4	-4
<b>IV. Translation adjustment .....</b>	-	40,795	-40,795
<b>TOTAL ASSETS .....</b>	21,638,981	21,324,245	314,736

	(thousands of yen)		
	Year ended March 31, 2001 (as at March 31, 2001)	Year ended March 31, 2000 (as at March 31, 2000)	Increase or decrease
<b><u>LIABILITIES</u></b>			
<b>I. Current liabilities</b>			
1. Trade accounts payable .....	3,419,582	4,078,749	-659,166
2. Short-term loans payable .....	1,700,000	2,036,674	-336,674
3. Accrued corporate income taxes.....	919,521	697,742	221,778
4. Allowance for bonuses.....	174,402	108,689	65,713
5. Others.....	417,376	652,868	-235,491
Total current liabilities.....	<u>6,630,882</u>	<u>7,574,723</u>	<u>-943,841</u>
<b>II. Fixed liabilities</b>			
1. Reserve for employee severance benefits .....	-	13,176	-13,176
2. Reserve for employee severance allowances .....	10,546	-	10,546
3. Provision for officers' retirement allowances .....	148,356	97,326	51,030
4. Others .....	1,275	-	1,275
Total fixed liabilities.....	<u>160,178</u>	<u>110,502</u>	<u>49,675</u>
Total liabilities.....	<u>6,791,061</u>	<u>7,685,226</u>	<u>-894,165</u>
<b><u>MINORITY INTEREST</u></b>			
Minority interest.....	223,311	113,604	109,707
<b><u>SHAREHOLDERS' EQUITY</u></b>			
<b>I. Capital</b> .....	4,840,313	4,840,313	-
<b>II. Capital reserve</b> .....	5,936,081	5,936,081	-
<b>III. Consolidated surplus</b> .....	4,336,825	2,751,198	1,585,627
<b>IV. Translation adjustment</b> .....	-23,986	-	-23,986
Total shareholders' equity .....	<u>15,089,233</u>	<u>13,527,592</u>	<u>1,561,640</u>
<b>V. Treasury stock</b> .....	-464,624	-2,178	-462,446
Total shareholders' equity .....	<u>14,624,608</u>	<u>13,525,414</u>	<u>1,099,194</u>
<b>TOTAL LIABILITIES, MINORITY INTEREST AND SHAREHOLDERS' EQUITY</b> .....	<u><u>21,638,981</u></u>	<u><u>21,324,245</u></u>	<u><u>314,736</u></u>

## 2. Consolidated Profit and Loss Statements

(thousands of yen)

	Year ended March 31, 2001 (from April 1, 2000 to March 31, 2001)	Year ended March 31, 2000 (from April 1, 1999 to March 31, 2000)	Increase or decrease
<b>I. Sales</b> .....	53,851,374	37,737,765	16,113,608
<b>II. Cost of sales</b> .....	47,225,781	33,412,844	13,812,936
Gross profit on sales .....	6,625,592	4,324,920	2,300,672
<b>III. Selling, general and administrative expenses</b> .....	3,319,418	2,211,104	1,108,313
Operating profit .....	3,306,174	2,113,816	1,192,358
<b>VI. Non-operating profit</b>	524,214	213,948	310,265
1. Interest received .....	6,483	8,871	
2. Income from investments in partnership .....	444,386	34,257	
3. Gain on sale of marketable securities ..	-	142,548	
4. Gain on sale of investment securities ..	55,198	-	
5. Miscellaneous income.....	18,144	28,270	
<b>V. Non-operating expenses</b>	98,603	117,532	-18,929
1. Interest paid .....	31,661	31,324	
2. Loss from sale of trade notes .....	25,356	-	
3. Stock issue costs.....	805	37,415	
4. Valuation loss of investment securities .....	-	18,000	
5. Eligible prior service costs of retirement pension plan.....	-	16,463	
6. Valuation loss of merchandize.....	9,954	-	
7. Miscellaneous losses .....	30,824	14,330	
Ordinary profit .....	3,731,785	2,210,231	1,521,553
<b>VI. Special income</b>	171,136	-	171,136
1. Transfer back from allowance for doubtful receivables .....	111,707	-	
2. Effect of change of accounting for employee severance allowances .....	26,843	-	
3. Gain from fluctuations of interest .....	32,585	-	
<b>VII. Special loss</b>	580,772	-	580,772
1. Loss from disposition of system products .....	259,696	-	
2. Valuation loss of investment securities .....	226,879	-	
3. Loss from liquidation of related companies.....	75,422	-	
4. Valuation loss of golf club membership .....	18,773	-	
Income before income taxes and others....	3,322,149	2,210,231	1,111,917
Corporate income taxes, inhabitant taxes and enterprise taxes.....	1,696,909	1,044,657	652,251
Interperiod tax allocation.....	-266,590	-101,918	-164,682
Minority interest in net profit/loss .....	25,490	-15,972	41,462
Profit for the year .....	<u>1,866,340</u>	<u>1,283,465</u>	<u>582,875</u>

### 3. Consolidated Surplus Statements

	(thousands of yen)		
	Year ended March 31, 2001 (from April 1, 2000 to March 31, 2001)	Year ended March 31, 2000 (from April 1, 1999 to March 31, 2000)	Increase or decrease
<b>I. Beginning balance of consolidated surplus</b>			
1. Beginning balance of consolidated surplus .....	2,751,198	1,553,379	
2. Prior year tax-effect adjustment .....	-	82,251	1,635,630
	<u>2,751,198</u>	<u>1,635,630</u>	<u>1,115,567</u>
<b>II. Decrease in consolidated surplus</b>			
1. Decrease in surplus due to merger of consolidated subsidiary.....	23,427	-	
2. Cash dividends .....	197,285	115,898	
3. Bonuses for officers .....	60,000	52,000	167,898
	<u>280,713</u>	<u>167,898</u>	<u>112,815</u>
<b>III. Profit for the year.....</b>	<u>1,866,340</u>	<u>1,283,465</u>	<u>582,875</u>
<b>IV. Ending balance of consolidated surplus .....</b>	<u>4,336,825</u>	<u>2,751,198</u>	<u>1,585,627</u>

#### 4. Consolidated Statements of Cash Flows

	Year ended March 31, 2001 (from April 1, 2000 to March 31, 2001)	Year ended March 31, 2000 (from April 1, 1999 to March 31, 2000)	(thousands of yen)  Increase or Decrease
<b>I. Cash flows from operating activities</b>			
Income before income taxes and others .....	3,322,149	2,210,231	1,111,917
Depreciation .....	133,641	33,048	100,593
Amortization of long-term prepaid expenses .....	140,952	109,865	31,087
Loss on disposition of fixed assets .....	7,641	11,214	(3,573)
Gain on fluctuations of interest.....	(32,585)	-	(32,585)
Decrease in allowance for doubtful accounts.....	(111,864)	(9,137)	(102,727)
Increase in allowance for bonuses .....	41,024	28,940	12,084
Decrease in reserve for employee severance benefits .....	(13,176)	(6,588)	(6,588)
Increase in reserve for employee severance allowances .....	10,546	-	10,546
Increase in prepaid pension cost.....	(27,913)	-	(27,913)
Increase in reserve for officers' retirement allowances .....	51,030	24,693	26,337
Interest and dividend income .....	(6,598)	(9,286)	2,688
Gain on sale of marketable securities .....	-	(142,548)	142,548
Gain on sale of investment securities.....	(55,198)	-	(55,198)
Income from investments in partnership .....	(444,386)	(34,257)	(410,129)
Exchange (gain)/loss.....	(6,334)	5,047	(11,381)
Interest expense.....	31,661	31,324	337
Stock issue expenses .....	805	37,415	(36,610)
Loss from disposition of system products.....	336,096	-	336,096
Valuation loss of investment securities .....	226,879	18,000	208,879
Loss from liquidation of related companies .....	75,422	-	75,422
Valuation loss of golf club membership .....	18,773	-	18,773
(Increase)/decrease in receivables .....	988,347	(2,233,200)	3,221,547
Increase in inventories .....	(382,044)	(5,738)	(376,306)
Increase/(decrease) in trade payables.....	(882,615)	1,741,553	(2,624,168)
Officers' bonuses paid .....	(60,000)	(52,000)	(8,000)
(Increase)/decrease in other current assets .....	(33,396)	36,385	(69,781)
Increase/(decrease) in other current liabilities .....	(233,220)	290,539	(523,759)
Others .....	22,063	1,533	20,530
Subtotal	3,117,702	2,087,035	1,030,667
Interest and dividend income .....	6,667	10,438	(3,771)
Interest paid .....	(32,984)	(34,974)	1,990
Corporate income taxes paid.....	(1,475,250)	(930,160)	(545,090)
Net cash provided by operating activities .....	1,616,134	1,132,339	483,795
<b>II. Cash flows from investing activities</b>			
Withdrawal of time deposits .....	101,000	-	101,000
Purchase of marketable securities .....	-	(300,545)	300,545
Sale of marketable securities .....	-	513,793	(513,793)
Purchase of tangible fixed assets .....	(211,305)	(26,456)	(184,849)
Purchase of intangible fixed assets .....	(203,145)	-	(203,145)
Purchase of investment securities .....	(250,569)	(147,000)	(103,569)
Sale of investment securities .....	119,550	-	119,550
Distribution of capital investment .....	425,762	42,446	383,316
Paid for long-term prepaid expenses .....	(78,490)	(205,597)	127,107
Guarantee.....	(72,685)	(139,621)	66,936
Refund of guarantee .....	117,462	-	117,462

	Year ended March 31, 2001 (from April 1, 2000 to March 31, 2001)	Year ended March 31, 2000 (from April 1, 1999 to March 31, 2000)	(thousands of yen)  Increase or Decrease
Refund premiums .....	38,271	-	38,271
Others .....	(14,848)	(6,354)	(8,494)
Net cash provided by investing activities .....	(28,998)	(269,334)	240,336
<b>III. Cash flows from financing activities</b>			
Net decrease in short-term debt.....	(825,000)	(5,700,000)	4,875,000
Repayment of long-term debt.....	(170,968)	(894,164)	723,196
Redemption of bonds .....	(1,000)	-	(1,000)
Issuance of shares .....	-	5,801,761	(5,801,761)
Issuance of shares to minority shareholders .....	35,194	67,805	(32,611)
Net increase in treasury stock.....	(462,446)	(2,178)	(460,268)
Cash dividends .....	(197,020)	(115,898)	(81,122)
Net cash provided by financing activities .....	(1,621,241)	(842,674)	(778,567)
<b>IV. Translation gain/loss related to cash and cash equivalents</b>	17,566	(22,623)	40,189
<b>V. Net change in cash and cash equivalents</b>	(16,538)	(2,291)	(14,247)
<b>VI. Cash and cash equivalents at beginning of year</b>	1,692,620	1,694,911	(2,291)
<b>VII. Increase in cash and cash equivalents related to merger of consolidated subsidiary</b>	37,158	-	37,158
<b>VIII. Cash and cash equivalents at end of year</b>	<u>1,713,239</u>	<u>1,692,620</u>	<u>20,619</u>