

# Financial Section

財務セクション

Years Ended March 31 3月31日		Millions of Yen 百万円		Thousands of U.S. Dollars (Note) 千米ドル(注記)
		2005	2004	2005
Net sales	売上高	¥155,264	¥140,909	\$1,445,798
Operating income	営業利益	3,364	4,934	31,326
Income before income taxes	税金等調整前当期純利益	2,151	4,889	20,031
Net income	当期純利益	128	1,137	1,189
Total assets	総資産	91,878	87,692	855,558
Shareholders' equity	株主資本	29,424	26,935	273,993
Per share of common stock (Yen and U.S. Dollars): 普通株式 1株当たり				
Basic net income	当期純利益	¥ 73.55	¥3,098.00	\$0.68
Cash dividends applicable to the year	配当金	1,500.00	1,500.00	13.97
Return on equity (%)	株主資本利益率(%)	0.5%	4.1%	
Equity ratio (%)	株主資本比率(%)	32.0%	30.7%	

Note: U.S dollar amounts have been translated from yen, for convenience only, at the rate of ¥107.39=\$1, the approximate exchange rate on March 31, 2005.

(注)米ドル表記は、便宜上、2005年3月31日現在の概算為替レート1米ドル = 107.39円で換算しています。

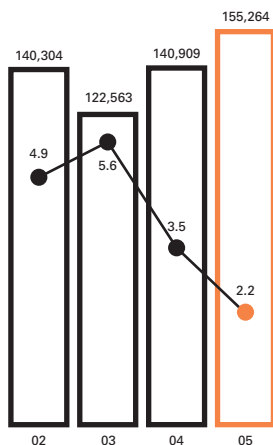
## Cautionary Statements with Respect to Forward-Looking Statements

Statements in this annual report regarding the SHiDAX Group's future performance, plans and targets are based on management's assumptions and beliefs in light of the information currently available to it. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the SHiDAX Group's actual results and achievements to differ materially from the expectations expressed herein. Such factors include, but are not limited to, fluctuating market trends and economic conditions.

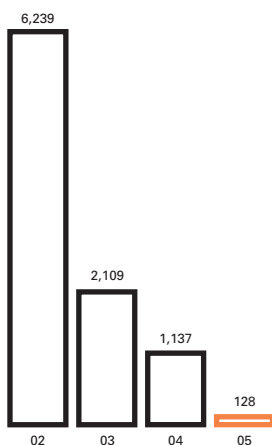
## 見通し、計画値に関する注意事項

このアナニュアルレポートに記載されている、シダックスグループの業績の見通し、計画値等、将来に関する情報は、現段階における各種情報に基づいて当社の経営陣が判断したものであり、潜在的なリスクや不確定性が含まれており、確約するものではありません。したがって、実際は、市場動向、経済情勢などの変動により、かかる情報と大きく異なる可能性があることを、あらかじめご承知おき下さい。

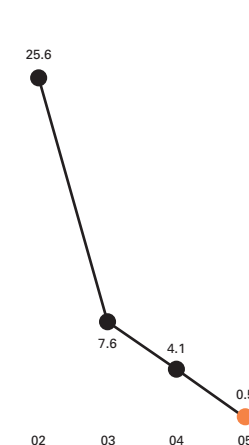
Net Sales & Operating Income Ratio  
売上高 & 営業利益率



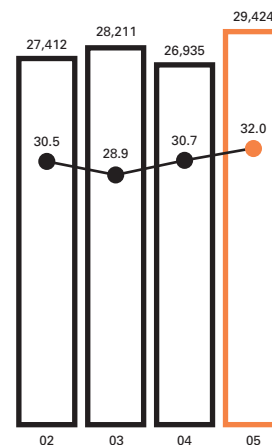
Net Income (¥ millions)  
当期純利益(百万円)



Return on Equity (%)  
株主資本利益率(%)



Shareholders' Equity & Equity Ratio  
株主資本 & 株主資本比率



□ Net sales (¥ millions)  
売上高(百万円)  
● Operating income ratio (%)  
営業利益率(%)

□ Shareholders' Equity (¥ millions)  
株主資本(百万円)  
● Equity Ratio (%)  
株主資本比率(%)

## Financial Review 財務レビュー

### Performance

Consolidated net sales for the Group reached ¥155,264 million for the fiscal year in growing 10.2% year-on-year. This growth mainly reflected an increase in the number of contracted facilities for medical food services and the addition of deli and convenience services, as well as the opening of 22 new outlets in the restaurant and karaoke businesses. However, as the restaurant and karaoke businesses were negatively affected by external factors such as unusual weather and competition for television viewers from the Athens Olympics as well as increased competition among karaoke outlets, customer traffic was limited to 92.9% of previous fiscal year levels.

In terms of earnings, gross profit increased ¥192 million (up 1.1% year-on-year), supported by reduced foodstuff expenses owing to an increased ratio of bulk purchasing through SLOGIX Corp. While selling, general and administrative expenses increased ¥1,762 million (up 13.4% year-on-year), they actually decreased ¥1,512 million if the impact of the inclusion of a new consolidated subsidiary is excluded. However, while profitability improved for the SLOGIX businesses and medical food services, net sales for existing restaurant and karaoke outlets were 7.3% lower than the previous fiscal year levels and as profitability in these businesses also deteriorated, operating income

declined 31.8% from the previous fiscal year to ¥3,364 million. In addition to the absence of the significant extraordinary gain recorded in the previous fiscal year, consolidated net income for the period declined by 88.7% year-on-year to ¥128 million.

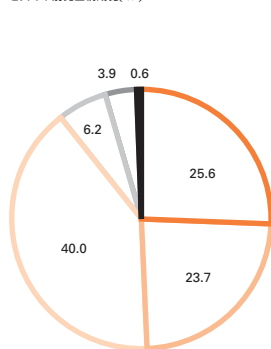
### Financial Position

The balance of current assets at the end of the fiscal year was ¥27,061 million and ¥1,447 million lower than at the end of the previous fiscal year. This decline mainly reflected a ¥2,133 million reduction in cash and cash equivalents in order to increase fund efficiency and a ¥604 million increase in trade notes and accounts receivable that accompanied the increase in sales.

The balance of fixed assets at the end of the period was ¥64,817 million and ¥5,633 million higher than at the end of the previous fiscal year. The main reasons for the increase included an increase in fixed assets of ¥3,415 million that was mainly related to the move of the headquarters offices to a new location and the opening of new outlets in the restaurant and karaoke businesses, and a ¥2,218 million increase in other fixed assets.

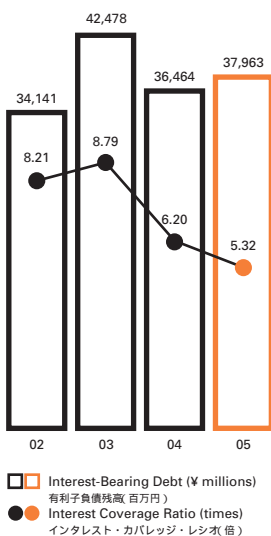
Total outstanding current liabilities at the end of the period were ¥35,278 million, which represents a ¥386 million decline from the end of the previous fiscal year. The decline was mainly attributable to a ¥434

Sales by Business Segment (%)  
セグメント別売上構成比 (%)

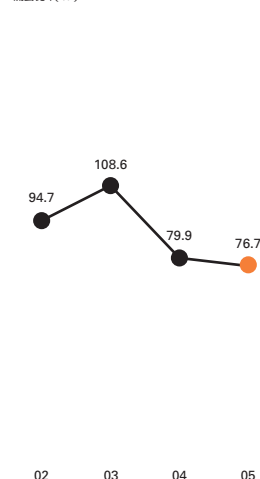


- Contracted Food Services  
コントラクトフードサービス事業
- Medical Food Services  
メディカルフードサービス事業
- Restaurant and Karaoke Businesses  
レストランカラオケ事業
- SLOGIX Businesses  
エスロジックス事業
- Deli and Convenience Services  
コンビニエンス中食事業
- Others  
その他

Interest-Bearing Debt & Interest Coverage Ratio  
有利子負債残高&インテレスト・カバレッジ・レシオ



Current Ratio (%)  
流動比率 (%)



### 経営成績

当社グループの連結売上高は1,552億64百万円となり、前期末と比べ10.2%の増加となりました。これは主に、メディカルフードサービス事業で新規受託の施設数が増加したことやコンビニエンス中食事業が新たなセグメントとして加わったこと、レストランカラオケ事業で新規に22店出店したことによります。しかしながら、レストランカラオケ事業は、天候不順やアテネオリンピックのテレビ観戦など外的環境等の影響および競合との店舗間競争の激化により、お客様の数が前年既存店比92.9%となりました。

一方、利益面に関しては、エス・ロジックス(株)からの一元食材の導入率が向上し食材費等が軽減したことで売上総利益が1億92百万円増加(前期比1.1%増)しました。販売費及び一般管理費が17億62百万円増加(前期比13.4%増)しましたが、これは新規連結子会社となった増加分を除くと15億12百万円減少しています。しかし、エスロジックス事業とメディカルフードサービス事業の収益性が改善されたものの、レストランカラオケ事業で既存店前年売上高が92.7%と収益性が低下したことにより、営業利益は33億64百万円と前期比31.8%減少となりました。当期純利益は、前期末と比べ特別利益が大幅に減少したことにより1億28百万円と前期比88.7%減少となりました。

### 財務状況

当期の流動資産の残高は、270億61百万円となり、前期末と比べ14億47百万円の減少となりました。主な要因は、資金効率向上を目的とした取崩しにより現金及び預金が21億33百万円減少し、売上高の増加にともない受取手形及び売掛金が6億4百万円増加したことによります。

固定資産の残高は、648億17百万円となり、前期末と比べ56億33百万円の増加となりました。主な要因は、本社事務所移転及びレストランカラオケ事業の新規出店等による有形固定資産の増加34億15百万円および投資その他の資産が22億18百万円増加したことによります。

流動負債の残高は、352億78百万円となり、前期末と比べ3億86百万円の減少となりました。主な要因は、一年内返済予定長期借入金が6億96百万円増加したことおよび売上の増加に伴い、未払金が4億34百万円減少したことによります。

固定負債の残高は、268億91百万円となり、前期末と比べ17億98百万円の増加となりました。主な要因は、長期借入金が9億55百万円増加したことによります。これらの結果、負債の合計は621億69百万円となり、前期末と比べ14億12百万円増加となりました。

million decline in accounts payable, while long-term borrowings due within one year increased by ¥696 million.

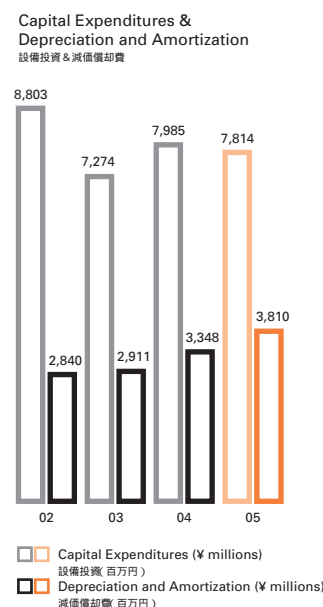
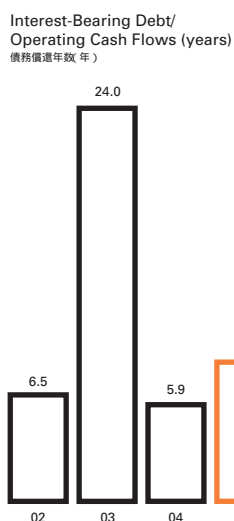
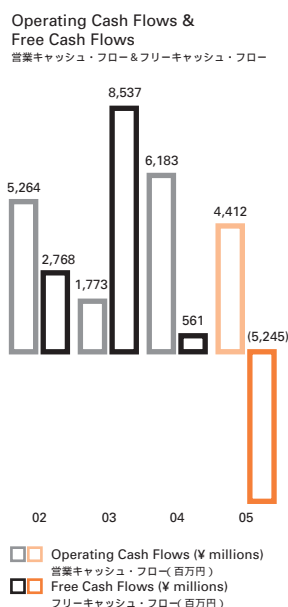
Outstanding long-term liabilities at the end of the period were ¥26,891 million and ¥1,798 million higher than at the end of the previous fiscal year, largely reflecting a ¥955 million increase in long-term borrowings. As a result, total liabilities at the end of the period were ¥62,169 million and ¥1,412 million higher than at the end of the previous fiscal year.

Moreover, minority interests of ¥285 million were recorded as a result of the conversion of SHiDAX i Corporation into a consolidated subsidiary.

Total shareholders' equity at the end of the period was ¥29,424 million and ¥2,489 million higher than at the end of the previous fiscal year. This increase reflected the complete conversion of a ¥3.0 billion issue of non-collateralized convertible notes with stock acquisition rights into underlying shares. In addition, while holdings of treasury stock declined, this stock was issued to investors who exercised stock acquisition rights in the conversion of the non-collateralized convertible notes.

## Cash Flows

Net cash provided by operating activities was ¥4,412 million for the fiscal year. While income before income taxes was ¥2,738 million



なお、シダックスアイ(株)を子会社化したことにより少数株主持分2億85百万円が発生しています。

資本の残高は、294億24百万円と前期に比べ24億89百万円増加となりました。これは、当期に発行した無担保転換社債型新株予約権付社債30億円を全額株式に転換したことなどによるものです。また、自己株式が減少しましたが、無担保転換社債型新株予約権付社債の株式転換に際し自己株式を充当したことによるものです。

## キャッシュ・フロー

営業活動によるキャッシュ・フローは、当期において44億12百万円の資金増加となりました。これは、税金等調整前当期純利益が前期末に比べ27億38百万円減少したことに加え、前期の一時的要因である退職給付引当金減少額47億2百万円の当期への影響が無いことなどによりです。

投資活動によるキャッシュ・フローは、当期において96億57百万円の資金減少となりました。これは主に本店事務所移転および新規出店などによる有形固定資産の取得による支出が前期に比べ20億90百万円増加したことなどによりです。

lower than in the previous fiscal year, the unusually high decline in provisions for retirement allowances recorded last year had no impact this fiscal year.

Net cash used in investing activities was ¥9,657 million, versus ¥5,622 million in the previous fiscal year. This outflow largely reflected a ¥2,090 million increase in expenditures for fixed assets during the period that was related to the move of corporate headquarters offices and the opening of new outlets.

Net cash provided by financing activities was ¥2,916 million, compared to net cash used of ¥8,612 million in the previous fiscal year, and was mainly the result of a ¥5,429 million increase in proceeds long-term borrowings, and a cash inflow of ¥2,984 million from the issuance of corporate bonds.

## Capital Expenditures

Capital expenditures for the fiscal year were ¥7,814 million, and largely consisted of expenditures for the move of corporate headquarters offices, renewal and expansion of kitchen facilities at sales outlets, the expansion of the Group's IT network, and the opening and renewal of restaurant karaoke outlets. In addition, depreciation expenses were ¥3,810 million and ¥462 million higher than the previous fiscal year.

財務活動によるキャッシュ・フローは、当期において29億16百万円の資金増加となりました。これは長期借入金の借入54億29百万円の増加および返済17億41百万円の減少、社債発行による収入29億84百万円の増加によるものです。

## 設備投資

設備投資は、本店事務所移転や営業店の厨房設備の更新・拡充および情報ネットワークの拡充や、レストランカラオケの新規オープン、リニューアルなどにより、78億14百万円となりました。また、減価償却費は38億10百万円となり、前期に比べ4億62百万円の増加となりました。

## Performance by Segment セグメント別概況

### Contracted Food Services

#### Summary of Business

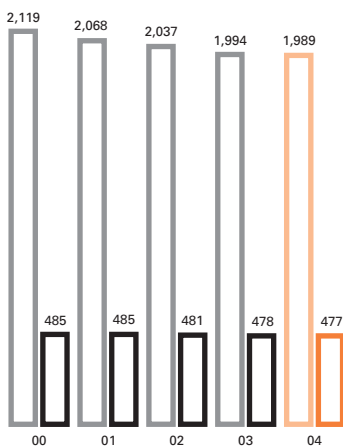
Contracted food services provide high quality meal services to corporate (office, factory, recreational facilities), school and government agency dining facilities. These services are being provided to 1,591 locations as of the end of March 2005. In addition to initiating specialty restaurant operations through SHiDAX Restaurant Management Corp. in 2003, SHiDAX is working to make the quality of contracted food services on par with specialist restaurants. Moreover, SHiDAX Creative Delica Co., Ltd. contracts with public middle schools to provide central kitchen meal services and is building specialty operational expertise in this area.

#### Sales Trends

Net sales in the segment were ¥39,777 million and rose 0.4% for the fiscal year. This growth reflected policies implemented during the year, including a consolidation of unprofitable outlets, successive fairs to increase the number of meals served and the creation of set menus to increase the average meal price per customer. In addition, the contract business headquarters which mainly handles fixed charge contracts was separated from the business restaurant headquarters to improve the effectiveness of headquarters guidance.

Contracted Food Services Market  
(¥ billions)

事業所・学校給食市場の推移 (十億円)

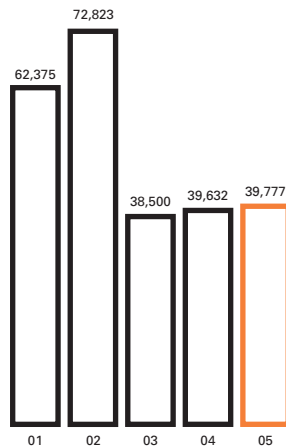


Business Facilities  
企業  
Schools  
学校給食

Source : Food Service Industry Survey Research Center  
出典 : (財) 外食産業総合調査研究センター

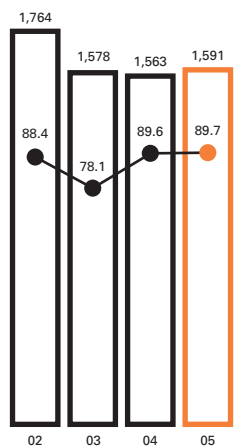
Sales of Contracted Food Services  
(¥ millions)

コントラクトフードサービス事業の売上推移 (百万円)



Trend in Number of Contracted Food Service Contracts

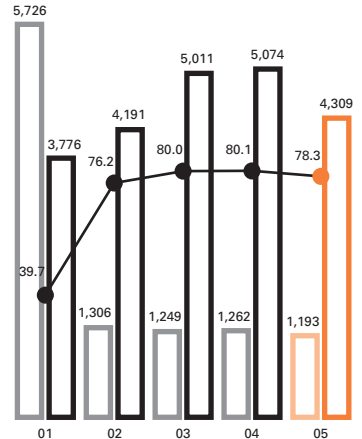
コントラクトフードサービス事業の受託施設数推移



Number of Contracted Facilities  
受託施設数  
Renewal Ratio (%)  
継続率 (%)

Number of Full-Time Employees and Part-Time Employees in Contracted Food Services

コントラクトフードサービス事業の正社員・パート・アルバイト比率



Full-Time Employees  
正社員数  
Part-Time Employees  
パートアルバイト数  
Ratio of Part-Time Employees (%)  
パートアルバイト比率 (%)

## コントラクトフードサービス事業

### 事業概要

企業(オフィス、工場、保養施設)、学校、官庁の食堂などを中心に高品質の給食サービスを提供しています。2005年3月末現在1,591ヶ所で食事提供を行っています。2003年からはシダックスレストランマネジメント(株)が専門レストランハウスの本格展開と同時に、専門レストランに匹敵するコントラクトフードサービスのクオリティー向上に努めています。さらに、シダックスデリカクリエイティブ(株)はセントラルキッチンを利用した公立中学校の給食受託をしており、専門性の高い運営ノウハウを蓄積しています。

### 売上高

2005年3月期の売上高は39,777百万円と前期に比べ0.4%増加となりました。これは、赤字店の整理、食数アップのためのフェアの連打、客単価アップのためのセットメニュー作り等の施策を実行したこと。さらに、管理費制を中心としたコントラクト事業本部と単価制を中心としたビジネスレストラン事業本部に分け、本部指導が浸透したことなどによります。

## Medical Food Services

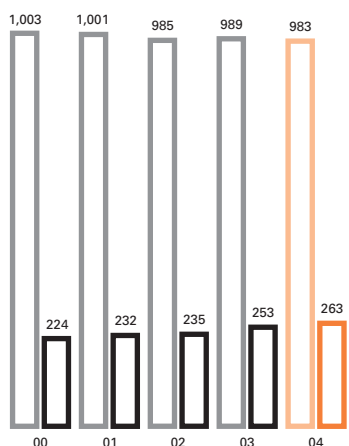
### Summary of Business

SHiDAX is pursuing the provision of not only nutritionally balanced, but also appealing, high value-added food services for hospitals (patient meals and staff dining facilities), welfare facilities for the aged, managed care facilities for the aged, care houses and elderly who are confined to home. In particular, as the outsourcing ratio for hospital dining facilities continues to rise, SHiDAX as of the end of March 2005 was providing meal services for 862 facilities and 83,618 beds.

### Sales Trends

Net sales in the segment were ¥36,875 million and increased 17.0% for the fiscal year. In terms of new contracts during the fiscal year, contracts were signed with a number of large-scale general hospitals, including Kyushu University Hospital, which boasts one of the largest number of beds in Japan, and the Nagoya Second Red Cross Hospital, which is well known for its advanced medical department. These results are a reflection of the steady progress seen in policies to strengthen marketing such as the significant increase in sales development specialists, in policies to strengthen facilities administration by recruiting nutritionists for facility managers and in policies to strengthen employee training in response to the increase in the number of contracted facilities.

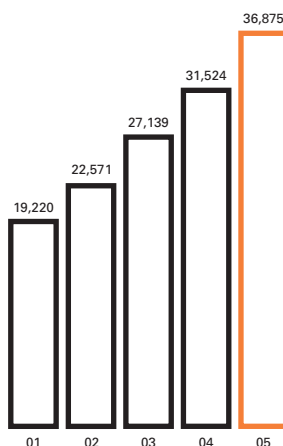
Medical Food Services Market  
(¥ billions)  
メディカル給食市場の推移 (十億円)



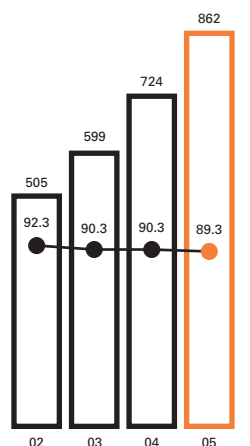
Hospitals  
 病院  
 Child Care Centers  
 保育所

Source : Food Service Industry Survey Research Center  
出典 : (財) 外食産業総合調査研究センター

Sales of Medical Food Services  
(¥ millions)  
メディカルフードサービス事業の売上推移 (百万円)

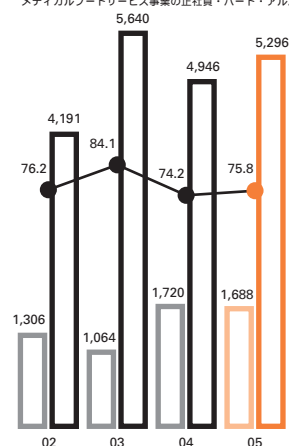


Trend in Number of Medical Food Service Contracts  
メディカルフードサービス事業の受託施設数推移



Number of Contracted Facilities  
 受託施設数  
● Renewal Ratio (%)  
 継続率 (%)

Number of Full-Time Employees and Part-Time Employees in Medical Food Services  
(people / %)  
メディカルフードサービス事業の正社員・パート・アルバイト比率 (人%)



Full-Time Employees  
 正社員数  
 Part-Time Employees  
 パートアルバイト数  
● Ratio of Part-Time Employees (%)  
 パートアルバイト比率 (%)

## メディカルフードサービス事業

### 事業概要

病院(患者食、職員食堂)をはじめ老人福祉施設、養護老人ホーム、ケアハウス、あるいは在宅高齢者の方々に栄養バランスだけでなく、“美味しさ”も楽しんでもいただける高付加価値の食事サービスを追求しています。特に、病院給食の外部委託率が増加する中、2005年3月末現在では862施設83,618床に食事サービスを提供しています。

### 売上高

2005年3月期の売上高は36,875百万円と前期に比べ17.0%増加となりました。新規受託として、日本有数の床数を誇る九州大学病院や高度医療分野で名立たる名古屋第二赤十字病院等の大規模総合病院を受託しました。これは、前期より受託拡大のための営業開発員を大幅に増加させた営業強化策や栄養士を事業所管理者であるマネージャーに登用する運営管理強化策、新規店舗の増加に対応するための従業員教育の強化が着実に結果をあげていることによります。

## Restaurant and Karaoke Businesses

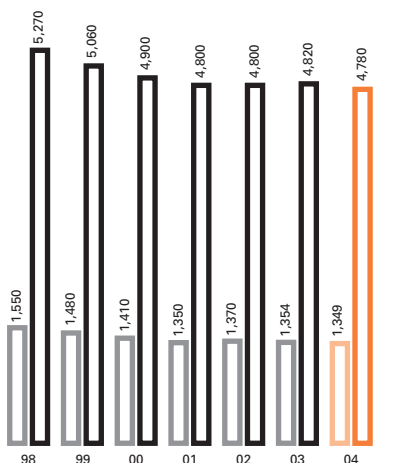
### Summary of Business

SHiDAX continues to expand its nationwide network of restaurant karaoke outlets (15,752 rooms at the end of March 2005), which combine karaoke with restaurant services. In addition to providing family restaurant quality meal services, the Company is aiming for the highest repeater ratio in each region by promoting these outlets as community space for local communities and local society culture schools, welfare activity support and various other activities.

### Sales Trends

Net sales in the segment were ¥62,075 million and 4.9% higher than in the previous fiscal year. In terms of marketing, the number of new outlet openings was accelerated with 22 new outlets being opened in the fiscal year, for a total 303 outlets as of March 31, 2005. In addition, in order to increase customer traffic during daytime hours, we introduced "Abundant Variety Lunch Menus", and as a result of campaigns such as "Junior Lunch Services" and other campaigns, saw a sharp increase in the number of lunch meals served. Moreover, highly experienced SV (supervisors) were assigned to outlets as a means of strengthening quality and thoroughness, fostering better relations with companies and establishing karaoke outlets as an integral part of the community.

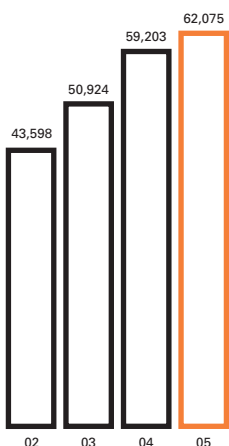
Karaoke Market  
カラオケ市場の推移



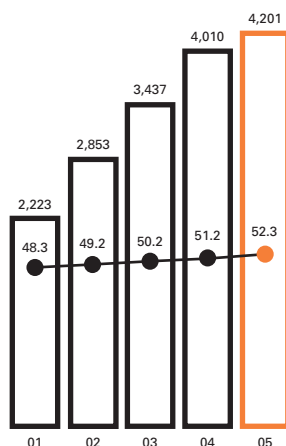
□ Number of Karaoke Rooms (Hundreds)  
カラオケルーム数(百)  
■ Gross Karaoke Customers (Tens of thousands of people)  
カラオケ延べ参加人口(万人)

Source: Karaoke Industrialist Association and Institute for Free Time Design  
出典: 全国カラオケ事業者協会および財団法人自由時間デザイン協会

Sales of Restaurant and Karaoke Businesses (¥ millions)  
レストランカラオケ事業の売上推移(百万円)

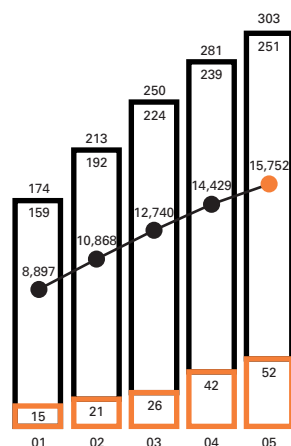


Gross Number of Customers & Ratio of Drinking and Eating Sales  
レストランカラオケ事業の総来客数と飲食収入比率



□ Gross Number of Customers  
総来客数(千人)  
● Ratio of Drinking and Eating to Sales (%)  
飲食収入取(%)

Trend in Restaurant and Karaoke Outlets  
レストランカラオケ事業の店舗数の推移



□ Road-Side Type  
ロードサイド  
■ Amusement District Type  
繁華街  
● Rooms  
ルーム数

## レストランカラオケ事業

### 事業概要

カラオケと食を融合したレストランカラオケ(2005年3月末現在15,752ルーム)を全国で展開しています。また、ファミリーレストラン並みの食事サービスに加え、地域密着型のカルチャースクール、福祉活動支援、各種イベントなど町のコミュニティスペースとしてのサービスも提供し、地域一番のリピーター率を目指しています。

### 売上高

2005年3月期の売上高は62,075百万円と前期に比べ4.9%増加となりました。営業面では、新規の出店を加速させ合計22店舗をオープンし、2005年3月31日現在303店舗としました。また、昼時間の集客力を向上させるために「パラエティーに富んだランチメニュー」を取り揃え、「ちびっこランチサービス」などのキャンペーンを行った結果、ランチ食数が増加いたしました。さらに、サービスの強化・徹底、法人外交の強化や地域密着の拠点としての確立を図るため、経験豊かなSV(スーパーバイザー)の店舗再配置を実施しました。

## SLOGIX Businesses

### Summary of Business

SLOGIX is involved in the foodstuff procurement business and procures the choicest foodstuffs from around the world in bulk through a cooperative agreement with Japan's largest food wholesaler, Kokubu & Co., Ltd., and has developed a unique system to transport these foodstuffs in three temperature ranges (frozen, chilled and ambient). The Company is also able to provide safe and highly reliable foodstuffs through a standardized quality control system that includes foodstuff traceability. In addition, SHiDAX Engineering Corp. is involved in sales of consumables through the operation of a bulk purchasing system and designs and sells kitchens.

### Sales Trends

Net sales in the segment were ¥9,638 million and declined 3.5% from the previous fiscal year. This decline reflected the sale of a portion of external sales operations with the aim of increasing efficiency. During the year, we promoted the introduction of centralized foodstuff purchases utilizing a nationwide distribution network (SHiDAX Group standard foodstuffs handled directly by SLOGIX Corp.) and worked to raise profit margins on balancing account transactions for non-standard

foodstuffs, to develop new products for medical food services, and to narrow the number of items handled.

## Deli and Convenience Services

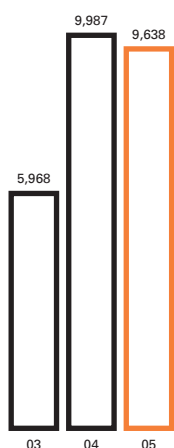
### Summary of Business

Deli and convenience services provide outsourced operation of on-site concessions for products such as foodstuffs, daily necessities, clothing, books / magazines / newspapers and medical hygiene products for hospitals, corporations, public agencies, universities, junior colleges, office buildings and other institutions.

### Sales Trends

Net sales for the segment were ¥5,983 million. Public hospitals and government offices are now seeking to raise the outsourcing ratio for in-house concessions through an open bidding format. While the SHiDAX Group was able to acquire one large concession, a contract for an existing concession was lost because of the shift to open bidding. However, our activities were not limited to concession management, as we also emphasized packaged service contracts for related services in cooperation with linen service providers, and we are beginning to see results.

Sales of SLOGIX Businesses  
(¥ millions)  
エスロジックス事業の売上推移(百万円)



Sales of Deli and Convenience Services  
(¥ millions)  
コンビニエンス中食事業の売上推移(百万円)



## エスロジックス事業

### 事業概要

国内食品卸業最大手の国分株式会社と提携し世界各地から厳選された食材を一括発注し、三温度帯(冷凍、チルド、ドライ)での一括配送を可能にする食材仕入販売事業を展開しています。また、食材のトレーサビリティや品質管理を標準化し、安全性と信頼性の高い食材を提供しています。また、シダックスエンジニアリング(株)は消耗品の一括受発注システムの運営による販売、厨房設計・販売事業を行っています。

### 売上高推移

2005年3月期の売上高は9,638百万円と前期に比べ3.5%減少となりました。これは、事業効率を高めるため外販事業の一部を営業譲渡したことによります。今後は、全国に拡大した物流網を活用した一元食材(エス・ロジックス(株)が直接取り扱う当社グループ標準食材)のグループ内事業所への導入促進、一元食品以外の帳合い取引における利益率アップ、またメディカルフードサービス事業における新商品開発、アイテムの絞込を目標として活動を進めていきます。

## コンビニエンス中食事業

### 事業概要

病院、企業、官公庁、大学・短期大学、オフィスビル等において食料品、日用品、衣料品、書籍・雑誌・新聞、医療衛生用品等を販売する売店の受託運営を行っています。

### 売上高推移

2005年3月期の売上高は5,983百万円となりました。国公立病院や官庁では、売店部門の入札方式による外部委託率は進みつつあります。当期は大型店の新規獲得があった一方で、既存店の入札への変更により受注を失った案件もありました。しかし、店舗運営に限らず床頭業者と提携し、委託先の周辺業務の一括受注に注力した成果が上がり始めました。

**Consolidated Balance Sheets**

March 31, 2005 and 2004

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	¥ 12,503	¥ 14,636	\$ 116,426
Time deposits (Note 12)	250	270	2,331
Accounts and notes receivable:			
Trade	9,258	8,654	86,214
Unconsolidated subsidiaries and affiliates	23		212
Other	1,216	1,365	11,326
Allowance for doubtful accounts	(65)	(97)	(608)
Inventories (Note 3)	1,308	1,064	12,182
Deferred tax assets (Note 11)	737	961	6,858
Prepaid expenses and other current assets	1,831	1,655	17,048
Total current assets	<u>27,061</u>	<u>28,508</u>	<u>251,989</u>
<b>PROPERTY AND EQUIPMENT (Note 5):</b>			
Land	1,182	1,187	11,006
Buildings and structures	50,795	45,172	472,993
Furniture and equipment	6,391	5,549	59,515
Construction in progress	196	41	1,828
Total	<u>58,564</u>	<u>51,949</u>	<u>545,342</u>
Accumulated depreciation	(17,803)	(14,603)	(165,783)
Net property and equipment	<u>40,761</u>	<u>37,346</u>	<u>379,559</u>
<b>INVESTMENTS AND OTHER ASSETS:</b>			
Investment securities (Notes 4 and 12)	685	826	6,380
Investments in and advances to unconsolidated subsidiaries and affiliated companies	221	224	2,057
Software—net	912	739	8,489
Security deposits (Note 15)	11,950	11,634	111,280
Construction assistance fund receivables	4,168	2,576	38,812
Deferred tax assets (Note 11)	3,516	3,163	32,745
Other assets	4,991	5,169	46,472
Allowance for doubtful accounts	(2,387)	(2,493)	(22,225)
Total investments and other assets	<u>24,056</u>	<u>21,838</u>	<u>224,010</u>
<b>TOTAL</b>	<u>¥ 91,878</u>	<u>¥ 87,692</u>	<u>\$ 855,558</u>

See notes to consolidated financial statements.



LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
<b>CURRENT LIABILITIES:</b>			
Short-term borrowings (Note 5)	¥ 2,045	¥ 2,197	\$ 19,045
Current portion of long-term debt (Note 5)	11,973	11,277	111,495
Accounts and notes payable:			
Trade	9,328	8,611	86,860
Other (Note 15)	3,634	5,821	33,842
Accrued income taxes (Note 11)	1,481	1,163	13,789
Accrued expenses	5,861	5,427	54,573
Other current liabilities	956	1,168	8,896
Total current liabilities	35,278	35,664	328,500
<b>LONG-TERM LIABILITIES:</b>			
Long-term debt, less current portion (Note 5)	23,945	22,990	222,970
Retirement allowances for directors and corporate auditors (Note 7)	500	434	4,653
Negative goodwill	1,583	1,322	14,745
Deferred tax liabilities (Note 11)	517	90	4,818
Other long-term liabilities	346	257	3,221
Total long-term liabilities	26,891	25,093	250,407
<b>MINORITY INTERESTS</b>	285		2,658
<b>CONTINGENT LIABILITIES (Note 8)</b>			
<b>SHAREHOLDERS' EQUITY (Notes 9 and 18):</b>			
Common stock—authorized, 1,400,000 shares; issued, 357,214 shares in 2005 and 2004	8,930	8,930	83,158
Capital surplus	8,099	7,848	75,413
Retained earnings	12,484	12,934	116,248
Unrealized gain on available-for-sale securities	102	132	954
Treasury stock—at cost, 2,484 shares in 2005 and 39,610 shares in 2004	(191)	(2,909)	(1,780)
Total shareholders' equity	29,424	26,935	273,993
<b>TOTAL</b>	¥91,878	¥87,692	\$855,558

**Consolidated Statements of Income**

Years Ended March 31, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
<b>NET SALES</b>	<b>¥155,264</b>	¥140,909	<b>\$1,445,798</b>
<b>COST OF SALES</b>	<b>136,980</b>	122,817	<b>1,275,535</b>
Gross profit	<b>18,284</b>	18,092	<b>170,263</b>
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b> (Notes 13 and 15)	<b>14,920</b>	13,158	<b>138,937</b>
Operating income	<b>3,364</b>	4,934	<b>31,326</b>
<b>OTHER INCOME (EXPENSES):</b>			
Dividend and interest income	<b>27</b>	47	<b>254</b>
Interest expense	<b>(638)</b>	(804)	<b>(5,947)</b>
Loss on sales or disposals of property and equipment and other—net	<b>(99)</b>	(317)	<b>(922)</b>
Gain on dissolution of a contributory funded defined benefit pension plan (Note 2,j)		2,999	
Loss from discontinued store operations	<b>(92)</b>	(143)	<b>(857)</b>
Penalty for breaking store leases	<b>(115)</b>		<b>(1,070)</b>
Amortization of negative goodwill	<b>149</b>	131	<b>1,388</b>
Foreign exchange gain (loss)—net	<b>196</b>	(1,374)	<b>1,826</b>
Loss on cancellation of leases		(220)	
Loss on liquidation of security deposits		(487)	
Impairment of goodwill	<b>(760)</b>		<b>(7,075)</b>
Other—net	<b>119</b>	123	<b>1,108</b>
Other expenses—net	<b>(1,213)</b>	(45)	<b>(11,295)</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>2,151</b>	4,889	<b>20,031</b>
<b>INCOME TAXES</b> (Note 11):			
Current	<b>1,808</b>	2,770	<b>16,838</b>
Deferred	<b>267</b>	982	<b>2,490</b>
Total income taxes	<b>2,075</b>	3,752	<b>19,328</b>
<b>MINORITY INTERESTS IN NET INCOME</b>	<b>(52)</b>		<b>(486)</b>
<b>NET INCOME</b>	<b>¥ 128</b>	¥ 1,137	<b>\$ 1,189</b>
		Yen	U.S. Dollars (Note 1)
<b>PER SHARE OF COMMON STOCK</b> (Notes 2,q and 16):			
Basic net income	<b>¥ 73.55</b>	¥3,098.00	<b>\$ 0.68</b>
Diluted net income	<b>70.03</b>		<b>0.65</b>
Cash dividends applicable to the year	<b>1,500.00</b>	1,500.00	<b>13.97</b>

See notes to consolidated financial statements.

**Consolidated Statements of Shareholders' Equity**

Years Ended March 31, 2005 and 2004

	Millions of Yen					
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-Sale Securities	Treasury Stock
<b>BALANCE, APRIL 1, 2003</b>	170,911	¥8,930	¥7,848	¥12,337	¥ 8	¥ (912)
Adjustment of retained earnings for newly consolidated subsidiaries				68		
Net income				1,137		
Cash dividends, ¥3,000 per share				(513)		
Bonuses to directors and corporate auditors				(95)		
Net increase in unrealized gain on available-for-sale securities					124	
Stock splits <i>(Note 9)</i>	170,911					
Purchase of treasury stock <i>(Note 9)</i>	(24,218)					(1,997)
<b>BALANCE, MARCH 31, 2004</b>	317,604	8,930	7,848	12,934	132	(2,909)
Reissuance of treasury stock due to conversion of convertible bonds <i>(Note 9)</i>	37,416		251			2,749
Net income				128		
Cash dividends, ¥1,500 per share				(476)		
Bonuses to directors and corporate auditors				(102)		
Net decrease in unrealized gain on available-for-sale securities					(30)	
Purchase of treasury stock <i>(Note 9)</i>	(290)					(31)
<b>BALANCE, MARCH 31, 2005</b>	<b>354,730</b>	<b>¥8,930</b>	<b>¥8,099</b>	<b>¥12,484</b>	<b>¥102</b>	<b>¥ (191)</b>
		Thousands of U.S. Dollars <i>(Note 1)</i>				
		Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-Sale Securities	Treasury Stock
<b>BALANCE, MARCH 31, 2004</b>		\$83,158	\$73,076	\$120,443	\$1,229	\$(27,092)
Reissuance of treasury stock due to conversion of convertible bonds <i>(Note 9)</i>			2,337			25,599
Net income				1,189		
Cash dividends, \$13.97 per share				(4,436)		
Bonuses to directors and corporate auditors				(948)		
Net decrease in unrealized gain on available-for-sale securities					(275)	
Purchase of treasury stock <i>(Note 9)</i>						(287)
<b>BALANCE, MARCH 31, 2005</b>		<b>\$83,158</b>	<b>\$75,413</b>	<b>\$116,248</b>	<b>\$ 954</b>	<b>\$ (1,780)</b>

**Consolidated Statements of Cash Flows**

Years Ended March 31, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
<b>OPERATING ACTIVITIES:</b>			
Income before income taxes	¥ 2,151	¥ 4,889	\$ 20,031
<b>Adjustments for:</b>			
Income taxes paid	(1,703)	(2,207)	(15,862)
Depreciation and amortization	3,981	3,470	37,075
Provision for accrued bonuses	40	116	375
Reversal of liability for employees' retirement benefits (Reversal of) provision for allowance for doubtful accounts	(148)	(4,702)	(1,380)
Foreign exchange (gain) loss—net	(196)	1,374	(1,826)
Loss on sales or disposals of property and equipment and other—net	99	317	922
Loss on liquidation of security deposits		487	
Impairment of goodwill	760		7,075
Bonuses to directors and corporate auditors	(102)	(95)	(948)
Changes in operating assets and liabilities:			
Increase in accounts and notes receivable	(257)	(455)	(2,398)
Decrease in inventories	234	23	2,177
(Decrease) increase in accounts and notes payable	(1,139)	1,598	(10,603)
Decrease in accrued consumption tax	(225)	(46)	(2,090)
Other—net	917	1,062	8,540
Net cash provided by operating activities	<u>4,412</u>	<u>6,183</u>	<u>41,088</u>
<b>INVESTING ACTIVITIES:</b>			
Purchase of property and equipment and other	(8,886)	(6,796)	(82,742)
Purchase of investment securities	(126)	(3)	(1,176)
Proceeds from sales of investment securities	257	41	2,389
Purchase of subsidiary's stock		(1,027)	
Proceeds from purchase of subsidiary's stock	628	424	5,851
Investment in loans receivable	(441)	(1,080)	(4,110)
Collection of loans receivable	952	1,281	8,861
Payments for security deposits and other	(2,545)	(4,139)	(23,698)
Collection of security deposits and other	424	225	3,948
Proceeds from liquidation of security deposits and other		4,948	
Other—net	80	504	746
Net cash used in investing activities	<u>(9,657)</u>	<u>(5,622)</u>	<u>(89,931)</u>
<b>FINANCING ACTIVITIES:</b>			
Net (decrease) increase in short-term borrowings	(602)	56	(5,601)
Proceeds from long-term debt	13,800	8,371	128,503
Repayments of long-term debt	(12,788)	(14,529)	(119,083)
Proceeds from issuance of convertible bonds with warrants	2,984		27,790
Dividends paid	(476)	(513)	(4,436)
Purchase of treasury stock	(2)	(1,997)	(22)
Net cash provided by (used in) financing activities	<u>2,916</u>	<u>(8,612)</u>	<u>27,151</u>
<b>FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS</b>	<b>196</b>	<b>(1,341)</b>	<b>1,826</b>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(2,133)</b>	<b>(9,392)</b>	<b>(19,866)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>14,636</b>	<b>23,923</b>	<b>136,292</b>
<b>CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES</b>		<b>105</b>	
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>¥ 12,503</b>	<b>¥ 14,636</b>	<b>\$ 116,426</b>
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES (Note 9):</b>			
Decrease in treasury stock due to exercise of warrants	¥ 2,749		\$ 25,599
Increase in capital surplus due to exercise of warrants	251		2,337
Decrease in convertible bonds with warrants due to exercise of warrants	¥ 3,000		\$ 27,936
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION (Note 2.a):</b>			
Current assets		¥ (449)	
Non-current assets		(362)	
Goodwill		(1,266)	
Current liabilities		510	
Non-current liabilities		194	
Acquisition cost		(1,373)	
Cash and cash equivalents held by a subsidiary		346	
Purchase of subsidiary's stock		¥ (1,027)	
Current assets	¥ (2,796)	¥ (628)	\$ (26,035)
Non-current assets	(357)	(53)	(3,323)
Current liabilities	2,263	156	21,073
Non-current liabilities	418		3,891
Goodwill	(670)	435	(6,236)
Minority interests	338		3,143
Acquisition cost	(804)	(90)	(7,487)
Cash and cash equivalents held by a subsidiary	1,432	514	13,338
Proceeds from purchase of a subsidiary's stock	¥ 628	¥ 424	\$ 5,851
Cash paid for interest	¥ 622	¥ 798	\$ 5,788

See notes to consolidated financial statements.

**Notes to Consolidated Financial Statements**

Years Ended March 31, 2005 and 2004

**1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

Certain disclosures contained herein are not required as part of the basic financial statements in Japan but are presented herein as additional information. In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2004 financial statements to conform to the classifications used in 2005.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which SHiDAX CORPORATION (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥107.39 to U.S.\$1, the rate of exchange at March 31, 2005. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a. Consolidation**—The consolidated financial statements as of March 31, 2005 include the accounts of the Company, SHiDAX FOOD SERVICE CORPORATION ("SFSC"), SHiDAX COMMUNITY CORPORATION ("SCC"), SLOGIX CORPORATION, SHiDAX ENGINEERING CORPORATION ("SEC") and seven other significant (four in 2004) subsidiaries (together, the "Group").

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

None of the unconsolidated subsidiaries and affiliated companies are accounted for by the equity method. Investments in two unconsolidated subsidiaries and seven (five in 2004) affiliates are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of the Company's investments in consolidated subsidiaries and affiliated companies accounted for by the equity method over the fair value of the net assets of the acquired subsidiaries and affiliated companies at the date of

acquisition, consolidation goodwill, is being amortized by the straight-line method over the estimated useful life of consolidation goodwill, while it is amortized over 5 years if its useful life is not reasonably estimable. For other than temporary declines in effect, consolidation goodwill is reduced by a charge to income.

Negative goodwill represents the excess of the fair value of the net assets of the acquired subsidiaries and affiliated companies at the date of acquisition over the cost of the Company's investments in consolidated subsidiaries and affiliated companies accounted for by the equity method. Negative goodwill is amortized by the straight-line method over the estimated useful life of negative goodwill, while it is amortized over 5 years if its useful life is not reasonably estimable. For other than temporary declines in effect, negative goodwill is reduced by a charge to income.

All significant intercompany balances and transactions have been eliminated in consolidation. All material intercompany unrealized profit included in assets resulting from transactions within the Group is eliminated.

On April 2, 2001, the Company was established by way of stock transfers with SFSC and SCC. As a result of this transaction, each of SFSC and SCC became a wholly owned subsidiary of the Company.

In accordance with "Accounting for the Consolidation of the Holding Company Established by Stock Exchange or Stock Transfers" (JICPA Accounting Committee Research Report No. 6), SCC was identified as the acquiring enterprise, and the purchase method was applied to SFSC. The purchase method accounts for a business combination as the acquisition of one enterprise by another. The acquiring corporation shall record at cost the acquired assets less liabilities assumed. If the sum of the fair values of tangible and identifiable intangible assets less liabilities assumed exceeds the cost of an acquired enterprise that difference shall be recorded as negative goodwill. The reported income of an acquiring corporation shall include the operations of the acquired enterprise after acquisition, based on the cost to the acquiring corporation.

In addition, the consolidated statements of income give effect to the transaction as if the transaction occurred at the beginning of the fiscal year presented. As there are no accounting requirements for the financial statements to be restated for prior periods under Japanese GAAP, the opening balances of the fiscal year 2002 in the consolidated statements of shareholders' equity are presented, assuming the Company had been consolidated as of April 1, 2001.

On April 1, 2003, SHiDAX FOOD SERVICE HIGASHI-NIPPON CORPORATION, SHiDAX FOOD SERVICE NISHI-NIPPON CORPORATION and SHiDAX FOOD SERVICE KANTO CORPORATION, all of which were consolidated subsidiaries of the Company, were merged into SFSC.

On April 2, 2003, for the purpose of expanding a restaurant business, the Company acquired 100% of the shares of RESTAURANT MONTE ROSA CO., LTD. (currently known as SHiDAX RESTAURANT MANAGEMENT CORPORATION ("SRM")) for the aggregate amount of ¥1,368 million from TOKYU DEPARTMENT STORE CO., LTD. SRM became a consolidated subsidiary of the Company in 2003.

On September 25, 2003, for the purpose of expanding contracted food services, SFSC established SHiDAX FOOD SERVICE HOKKAIDO CORPORATION ("SFSH") with a 100% ownership.

The main business of SFSH is to provide food and management services for dining rooms of companies or schools. SFSH became a consolidated subsidiary of the Company in September 2003.

On October 1, 2003, for the purpose of expanding contracted food services, the Company acquired 100% of the shares of OMRON CREATIVE DELICA CO., LTD. (currently, known as SHiDAX CREATIVE DELICA CO., LTD. ("SDC")) for net proceeds of ¥424 million from OMRON Corporation. SDC became a consolidated subsidiary of the Company in October 2003.

For the year ended March 31, 2004, SEC became a consolidated subsidiary of the Company since SEC's operations have been expanded.

On October 1, 2004, for the purpose of collecting and managing information regarding SHiDAX club's membership, the Company acquired 100% of the shares of SHiDAX CandV NISHINIHON CORPORATION (currently, known as SITEX) from SHiDAX C&V CORPORATION ("SCV"). The main business of SITEX is to manage membership points of SHiDAX club provided to customers. SITEX became a consolidated subsidiary of the Company in October 2004.

On December 22, 2004, for the purpose of strengthening the competitive standing of contracted food services and medical food services, the Company acquired 22.3% of the shares of SCV for net proceeds of ¥628 million (\$5,851 thousand). The main business of SCV is to provide deli and convenience services for hospitals, companies and schools. SCV became a consolidated subsidiary of the Company in October 2004.

On March 18, 2005, for the purpose of expanding contracted food services especially for schools, the Company established S MEAL CORPORATION ("SMC") with a 100% ownership. The main business of SMC is to provide food and management services for dining rooms of schools. SMC became a consolidated subsidiary of the Company in March 2005.

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

**c. Inventories**—Merchandise for deli and convenience services is stated at cost determined by the retail method as generally applied for the retail industry in Japan. Other merchandise is stated at cost determined by the monthly average method. Raw materials and supplies are stated at the most recent purchase price which approximates cost determined by the first-in, first-out method.

**d. Property and Equipment**—Property and equipment are stated at cost. Depreciation is computed by using the straight-line method over the estimated useful lives of the respective assets. The estimated useful lives range principally from 2 to 47 years for buildings and structures and from 2 to 19 years for furniture and equipment.

**e. Investment Securities**—Investment securities are classified as available-for-sale securities. Available-for-sale securities are reported at fair value, with unrealized gains and losses, net of

applicable taxes, reported in a separate component of shareholders' equity. The cost of securities sold is determined by the average cost method.

Non-marketable available-for-sale securities are stated at cost determined by the average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

**f. Software**—Software used for internal purposes is capitalized and stated at cost, less accumulated amortization. Amortization is computed by using the straight-line method over 5 years, the estimated useful life of software.

**g. Other Assets**—Intangible assets and long-term prepaid expenses are carried at cost less accumulated amortization, which is calculated by using the straight-line method.

**h. Allowance for Doubtful Accounts**—The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

**i. Bond Issuance Costs**—Bond issuance costs are charged to income when incurred.

**j. Employees' Retirement Benefits**—The Group had a contributory funded defined benefit pension plan covering substantially all of its employees. The Group accounted for the liability for employees' retirement benefits based on projected benefit obligations and plan assets at the balance sheet date. Actuarial gains or losses calculated at the beginning of each fiscal year were amortized using the straight-line method starting in the following fiscal year. Amortization periods ranged from 6 to 7 years, determined based upon the average length of service expected to be provided by employees to the Group until their termination.

According to the enactment of the Defined Contribution Pension Plan Law in October 2001, the Company implemented a defined contribution pension plan and a prepaid retirement plan on April 1, 2004 by which the former contributory funded defined benefit pension plan was dissolved on March 31, 2004, upon approval of the government. The Company applied accounting treatments specified in the guidance issued by the Accounting Standards Board of Japan ("ASB"). The effect of this dissolution was to increase income before income taxes by ¥2,999 million and this amount was recorded as gain on dissolution of a contributory funded defined benefit pension plan in the consolidated statement of income for the year ended March 31, 2004.

**k. Retirement Allowances for Directors and Corporate Auditors**—Retirement allowances for directors and corporate auditors are recorded to state the liability at the amount that would be required in accordance with the Group's internal policy if all directors and corporate auditors retired at each balance sheet date.

**l. Leases**—All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to

transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain “as if capitalized” information is disclosed in the notes to the lessee’s financial statements.

**m. Income Taxes**—The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

**n. Accounting for Consumption Taxes**—The consumption taxes imposed on revenue from customers for the Group’s services are withheld by the Group at the time funds are received and subsequently paid to the government. The consumption tax withheld upon recognition of revenue and the consumption tax paid by the Group on the purchase of products, merchandise and services from vendors are not included in the related accounts in the accompanying consolidated statements of income. The consumption tax paid is generally offset against the balance of consumption tax withheld, and net overpayment is included in current assets and net overwithholding is included in current liabilities.

**o. Appropriations of Retained Earnings**—Appropriations of retained earnings are reflected in the consolidated financial statements for the following year upon shareholders’ approval.

**p. Derivatives and Hedging Activities**—The Group uses derivative financial instruments to manage its exposures to fluctuations in interest rates. Interest rate swaps and interest rate caps are utilized by the Group to reduce interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statements of income and (b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Interest rate swaps and interest rate caps are utilized to hedge interest rate exposures of long-term debt. These swaps and caps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap and cap agreements is recognized and included in interest expense or income.

**q. Per Share Information**—Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits. The weighted-average number of common shares used in the computation was 320,249 shares for 2005 and 334,150 shares for 2004.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year, which is not retroactively adjusted for stock splits.

**r. New Accounting Pronouncements**—In August 2002, the Business Accounting Council issued a Statement of Opinion, “Accounting for Impairment of Fixed Assets,” and in October 2003 ASB issued ASB Guidance No. 6, “Guidance for Accounting Standard for Impairment of Fixed Assets.” These new pronouncements are effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ending on or after March 31, 2004.

The new accounting standard requires an entity to review its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

The Group expects to adopt these pronouncements as of April 1, 2005 and is currently in the process of assessing the effect of adoption of these pronouncements.

### 3. INVENTORIES

Inventories as of March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Merchandise	¥ 655	¥ 349	\$ 6,104
Raw materials	483	553	4,494
Supplies	170	162	1,584
<b>Total</b>	<b>¥1,308</b>	<b>¥1,064</b>	<b>\$12,182</b>

#### 4. INVESTMENT SECURITIES

Investment securities as of March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Non-current:			
Marketable equity securities	¥231	¥231	\$2,147
Non-marketable equity securities	327	256	3,048
Other	127	162	1,584
<b>Total</b>	<b>¥685</b>	<b>¥826</b>	<b>\$6,380</b>

The carrying amounts and aggregate fair values of investment securities at March 31, 2005 and 2004 were as follows:

March 31, 2005	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	¥110	¥121		¥231
Other	101	31	¥ 8	124

March 31, 2004	Millions of Yen			
Securities classified as available-for-sale:				
Equity securities	106	100	3	203
Other	270	107	10	367

March 31, 2005	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	\$1,027	\$1,121	\$ 1	\$2,147
Other	945	287	75	1,157

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2005 and 2004 were as follows:

	Carrying Amount		Thousands of U.S. Dollars
	Millions of Yen	2004	
	2005	2005	
Available-for-sale:			
Equity securities	¥327	¥256	\$3,048
Other	3		28

For other than temporary declines where fair values of securities at the end of the fiscal year become less than 60% of their acquisition costs or fair values of securities decline by more than 30% of their acquisition costs in two consecutive years, investment securities are reduced to net realizable value by a charge to income. For the years ended March 31, 2005 and 2004, no impairment losses for non-current marketable equity securities were recognized.

Proceeds from sales of available-for-sale securities for the years ended March 31, 2005 and 2004 were ¥257 million (\$2,389 thousand) and ¥41 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥87 million (\$816 thousand) and zero, respectively, for the

year ended March 31, 2005 and zero and ¥5 million, respectively, for the year ended March 31, 2004.

#### 5. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings as of March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Short-term borrowings:			
From banks, 1.375% to 1.625% (1.375% to 1.625% in 2004)	¥1,935	¥2,104	\$18,018
From other, 0.500% (0.500% in 2004)	110	93	1,027
<b>Total</b>	<b>¥2,045</b>	<b>¥2,197</b>	<b>\$19,045</b>

Long-term debt as of March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Loans from financial institutions, 0.787% to 2.620% (1.100% to 2.855% in 2004), due serially to 2010:			
Collateralized	¥ 400	¥ 560	\$ 3,725
Unsecured	35,212	31,620	327,894
Installment payable for equipment, 3.115% to 4.411% (1.053% to 4.663% in 2004), due serially to 2005—Unsecured			
Unsecured installment notes payable for equipment, 4.569% to 4.583% (4.569% to 4.754% in 2004), due serially to 2005	30	126	278
<b>Total</b>	<b>35,918</b>	<b>34,267</b>	<b>334,465</b>
Less current portion	(11,973)	(11,277)	(111,495)
Long-term debt, less current portion	<b>¥23,945</b>	<b>¥22,290</b>	<b>\$222,970</b>

Collateralized loans from banks of ¥160 million (\$1,490 thousand) as of March 31, 2005 were included in the current portion of long-term debt.

The carrying amounts of assets pledged as collateral for long-term debt of ¥400 million (\$3,725 thousand) at March 31, 2005 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Land	¥ 49	\$ 454
Buildings and structures	457	4,253



Annual maturities of long-term debt as of March 31, 2005 for the next five years were as follows:

Year Ending March 31	Thousands of U.S. Dollars	
	Millions of Yen	U.S. Dollars
2006	¥11,973	\$111,495
2007	10,661	99,276
2008	7,684	71,546
2009	3,630	33,802
2010	1,970	18,346
<b>Total</b>	<b>¥35,918</b>	<b>\$334,465</b>

## 6. EMPLOYEES' RETIREMENT BENEFITS

The components of net periodic benefit costs for the years ended March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Service cost	¥ 857		
Interest cost	331		
Expected return on plan assets	(62)		
Recognized actuarial loss	462		
Net periodic benefit costs	1,588		
Gain on dissolution of a contributory defined benefit pension plan	(2,999)		
Contributions to a defined contribution pension plan	¥85		\$795
<b>Total</b>	<b>¥85</b>	<b>¥(1,411)</b>	<b>\$795</b>

Assumptions used for the year ended March 31, 2005 were set forth as follows:

	2005
Discount rate	2.5%
Expected rate of return on plan assets	1.0%
Recognition period of actuarial gain/loss	6 to 7 years

## 7. RETIREMENT ALLOWANCES FOR DIRECTORS AND CORPORATE AUDITORS

Retirement allowances for directors and corporate auditors are paid subject to approval of the shareholders in accordance with the Japanese Commercial Code (the "Code"). The Group recorded a liability for its unfunded retirement allowance plan covering all of its directors and corporate auditors. The annual provision for retirement allowances for directors and corporate auditors for the years ended March 31, 2005 and 2004 was ¥49 million (\$459 thousand) and ¥68 million, respectively.

## 8. CONTINGENT LIABILITIES

For the year ended March 31, 2004, SCC transferred a portion of reimbursement rights of security deposits for store buildings to Millennium Asset Funding Corp. (Tokyo Branch) and Global Factoring, Co. Upon the transfer contracts, SCC as a seller made representation and warranty to the buyers as of the contract dates and the receiving dates of the transfer prices regarding the set of items related to the reimbursement rights transferred and accepted liability for compensation for damages and others defined. As of March 31, 2005, the maximum amount of compensation for damages and others defined on the contracts was ¥4,516 million (\$42,051 thousand).

## 9. SHAREHOLDERS' EQUITY

Japanese companies are subject to the Code.

The Code requires that all shares of common stock are recorded with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital, which is included in capital surplus. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration as a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The Code also provides that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings) until such reserve and additional paid-in capital equals 25% of the balance of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 25% of the balance of common stock may be available for dividends by resolution of the shareholders. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to common stock by resolution of the Board of Directors.

The Code allows Japanese companies to repurchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The repurchased amount of treasury stock cannot exceed the amount available for future dividends plus the amount of common stock, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the shareholders' meeting.

In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends. The amount of retained earnings available for dividends under the Code was ¥11,406 million (\$106,210 thousand) as of March 31, 2005, based on the amount recorded in the parent company's general books of account.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable.

Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

On May 20, 2003, the Company made a stock split by way of a free share distribution at the rate of 2 shares for each outstanding share, and 178,607 shares of common stock with no par value and 7,696 shares of treasury stock were issued to shareholders of record on March 31, 2003. Stated capital was not changed as a result of this stock split. The starting date of the dividend computation for the stock split was set on April 1, 2003.

Upon resolution and approval of the Board of Directors on September 13, 2004, the Company issued ¥3,000 million (\$27,936 thousand) of zero coupon unsecured convertible bonds with warrants to Goldman Sachs International on September 29, 2004. The bonds were due September 29, 2009, and the warrants were exercisable from September 30, 2004 through September 28, 2009.

Upon exercise of the warrants, the bonds were convertible into the Company's common stock. The issue price of the bonds was 100% of the face value of the bonds, and the issue price and the issued number of the warrants were nil and 30 warrants, respectively. The initial conversion price of the warrants was ¥140,700 per share, which was subject to be adjusted, based upon certain formulas. By March 28, 2005, all the warrants were exercised, and the bonds were fully converted into the Company's common stock. Due to this transaction, 37,416 shares of treasury stock were reissued, which resulted in a decrease in treasury stock by ¥2,749 million (\$25,599 thousand) and an increase in capital surplus by ¥251 million (\$2,337 thousand).

For the years ended March 31, 2005 and 2004, the Company repurchased 290 shares and 24,218 shares of its common stock in the aggregate amounts of ¥31 million (\$287 thousand) and ¥1,997 million, respectively.

## 10. LEASES

The Group leases certain equipment, furniture and fixtures, and computer software.

Total rental expenses for the years ended March 31, 2005 and 2004 were ¥17,646 million (\$164,314 thousand) and ¥14,433 million, respectively, including ¥5,576 million (\$51,926 thousand) and ¥5,022 million of lease payments under finance leases.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense and interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2005 and 2004 was as follows:

	Millions of Yen			Thousands of U.S. Dollars	
	2005	2004		2005	
	Furniture and Equipment	Furniture and Equipment	Computer Software	Total	Furniture and Equipment
Acquisition cost	¥23,485	¥22,076	¥ 20	¥22,096	\$218,689
Accumulated depreciation	12,573	8,973	18	8,991	117,081
Net leased property	¥10,912	¥13,103	¥ 2	¥13,105	\$101,60

Obligations under finance leases as of March 31, 2005 and 2004:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Due within one year	¥ 5,128	¥ 4,747	\$ 47,750
Due after one year	6,209	8,783	57,814
<b>Total</b>	<b>¥11,337</b>	<b>¥13,530</b>	<b>\$105,564</b>

Depreciation expense and interest expense under finance leases for the years ended March 31, 2005 and 2004:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Depreciation expense	¥5,065	¥ 4,542	\$47,162
Interest expense	529	579	4,930
<b>Total</b>	<b>¥5,594</b>	<b>¥ 5,121</b>	<b>\$52,092</b>

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of income, are computed by the straight-line method and the interest method, respectively.

The future minimum lease payments under noncancelable operating leases at March 31, 2005 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥158	\$1,465
Due after one year	646	6,017
<b>Total</b>	<b>¥804</b>	<b>\$7,482</b>

## 11. INCOME TAXES

The Group is subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of 40.69% and 42.05% for the years ended March 31, 2005 and 2004, respectively.

The tax effects of significant temporary differences and loss carryforwards that resulted in deferred tax assets and liabilities at March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of
	2005	2004	U.S. Dollars
Deferred tax assets:			
Accrued bonuses	¥ 669	¥ 653	\$ 6,229
Valuation losses of subsidiaries' stock	565		5,266
Valuation losses of investment securities	258	352	2,405
Retirement allowances for directors and corporate auditors	199	181	1,849
Depreciation and amortization	962	865	8,954
Valuation losses of land	49	49	458
Enterprise tax	107	77	996
Allowance for doubtful accounts	924	1,023	8,600
Tax loss carryforwards	3,207	3,513	29,861
Other	210	192	1,955
Less valuation allowance	(1,758)	(1,215)	(16,367)
Deferred tax assets	5,392	5,690	50,206
Deferred tax liabilities:			
Reduction of subsidiaries' stock	(1,424)	(1,424)	(13,260)
Valuation gains of land	(232)	(232)	(2,161)
Deferred tax liabilities	(1,656)	(1,656)	(15,421)
Net deferred tax assets	¥ 3,736	¥ 4,034	\$ 34,785

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2005 and 2004 was as follows:

	2005	2004
Normal effective statutory tax rate	40.69%	42.05%
Permanent differences	3.06	1.30
Inhabitants taxes—per capita	15.78	6.45
Dividend income from subsidiaries	1.26	0.56
Application of tax loss carryforwards	5.24	19.87
Tax on undistributed profits	10.79	6.25
Effect of tax rate reduction		(3.40)
Amortization of goodwill	17.61	1.05
Tax rate difference with subsidiaries	1.37	
Other—net	0.69	2.62
Actual effective tax rate	96.49%	76.75%

## 12. PLEDGED ASSETS

A time deposit of ¥15 million (\$140 thousand) and investment securities of ¥3 million (\$29 thousand) were pledged as security deposits for dealing as of March 31, 2005.

## 13. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the years ended March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of
	2005	2004	U.S. Dollars
Payroll	¥ 4,521	¥ 3,651	\$ 42,096
Commissions	1,031	951	9,603
Provision for accrued bonuses	443	462	4,128
Retirement benefit costs	32	287	293
Provision for retirement allowances for directors and corporate auditors	49	34	459
Depreciation and amortization	415	419	3,862
Provision for allowance for doubtful accounts	1	376	13
Amortization of goodwill	320	253	2,982
Other	8,108	6,725	75,501
Total	¥14,920	¥13,158	\$138,937

## 14. DERIVATIVES

The Group enters into derivatives, in the normal course of business, to reduce the exposure to fluctuations in interest rates. The primary classes of derivatives used by the Group are interest rate swaps and interest rate caps.

The Group has purchased interest rate swaps and interest rate caps to limit the unfavorable impact from increases in interest rates on floating-rate long-term debt. The interest rate swaps and interest rate caps effectively limit the Group's interest expense on specified amounts of floating-rate long-term debt to a maximum rate.

It is the Group's policy to use derivatives only for the purpose of reducing interest rate risks associated with borrowings, and the Group does not hold or issue derivatives for trading purposes.

Derivatives are subject to market risk and credit risk. Market risk is the exposure created by potential fluctuations in market conditions, including interest or foreign exchange rates. Credit risk is the possibility that a loss may result from a counterparty's failure to perform according to the terms and conditions of the contract. Because the counterparties to those derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk. Also, all of the Group's derivative transactions are related to qualified hedges of interest rate risks associated with borrowings, and the Group only purchases those derivatives and pays interest on long-term debt at fixed rates. Therefore, the Group believes they bear no risk of incurring losses related to market risk.

Derivative transactions entered into by the Group have been made in accordance with management approval on request for managerial decision, and the execution and control of derivative transactions are performed by the Finance Department. Each derivative transaction is periodically reported to management, where evaluation and analysis of derivatives are made. In addition, the Group confirms with financial institutions notional amounts and other information for each derivative transaction at the fiscal year end.

Since all of the Group's derivative contracts qualified for hedge accounting for the years ended March 31, 2005 and 2004, these contracts were excluded from disclosure of market value information.

## 15. RELATED PARTY TRANSACTIONS

Transactions of the Group with the related parties for which the Company's directors are major shareholders for the years ended March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Advertising revenue	¥ 11	¥23	\$ 98
Insurance expenses	9	8	86
Rent expenses	550	19	5,119
Purchase of common stock	442		4,116

The balances due to or from these related parties at March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Security deposits	¥ 1,100	¥ 1,100	\$ 10,238
Accounts payable—other		1	

## 16. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the year ended March 31, 2005 was as follows:

Year Ended March 31, 2005	Millions of Yen	Shares	Yen	U.S. Dollars
	Net Income	Weighted-Average Shares	EPS	EPS
Basic EPS—Net income available to common shareholders	¥24	320,249	¥73.55	\$0.68
Effect of dilutive securities—Warrants		16,070		
Diluted EPS—Net income for computation	¥24	336,319	¥70.03	\$0.65

Diluted net income per share for fiscal year 2004 was not disclosed because no warrants or convertible bonds were issued.

## 17. SEGMENT INFORMATION

The Group operates in the following business segments:

"SLOGIX Businesses" consists of sales of foodstuff and consumable supplies to office food service businesses and a restaurant industry and design and sales of kitchen equipment.

"Contracted Food Services" consists of providing food and management services for dining rooms of companies or schools.

"Medical Food Services" consists of providing food service for hospitals.

"Restaurant and Karaoke Businesses" principally consists of management of large entertainment restaurants and online karaoke houses.

"Deli and Convenience Services" consists of providing food prepared for takeout.

"Others" principally consists of retail and restaurant businesses in tourist facilities and a lodging business in sports facilities.

Information about business segments, geographical segments and sales to foreign customers of the Group for the years ended March 31, 2005 and 2004 was as follows:

### (1) Business Segments

#### a. Sales and Operating Income

	Millions of Yen							
	2005							
	SLOGIX Businesses	Contracted Food Services	Medical Food Services	Restaurant and Karaoke Businesses	Deli and Convenience Services	Others	Eliminations/Corporate	Consolidated
Sales to customers	¥ 9,638	¥39,777	¥36,875	¥62,075	¥5,983	¥ 916		¥155,264
Intersegment sales	39,475	50		4		583	¥(40,112)	
Total sales	49,113	39,827	36,875	62,079	5,983	1,499	(40,112)	155,264
Operating expenses	47,181	38,505	37,102	56,094	6,081	1,970	(35,033)	151,900
Operating income (loss)	¥ 1,932	¥ 1,322	¥ (227)	¥ 5,985	¥ (98)	¥ (471)	¥ (5,079)	¥ 3,364

#### b. Total Assets, Depreciation and Capital Expenditures

	Millions of Yen							
	2005							
	SLOGIX Businesses	Contracted Food Services	Medical Food Services	Restaurant and Karaoke Businesses	Deli and Convenience Services	Others	Eliminations/Corporate	Consolidated
Total assets	¥9,863	¥6,943	¥6,533	¥56,615	¥2,632	¥1,006	¥8,286	¥91,878
Depreciation	62	264	138	3,221	9	36	80	3,810
Capital expenditures	103	657	119	6,384	6	198	347	7,814

### a. Sales and Operating Income

Thousands of U.S. Dollars								
2005								
	SLOGIX Businesses	Contracted Food Services	Medical Food Services	Restaurant and Karaoke Businesses	Deli and Convenience Services	Others	Eliminations/ Corporate	Consolidated
Sales to customers	\$ 89,752	\$370,400	\$343,371	\$578,033	\$55,715	\$ 8,527		\$1,445,798
Intersegment sales	367,588	465		38		5,431	\$(373,522)	
Total sales	457,340	370,865	343,371	578,071	55,715	13,958	(373,522)	1,445,798
Operating expenses	439,347	358,556	345,486	522,340	56,627	18,348	(326,232)	1,414,472
Operating income (loss)	\$ 17,993	\$ 12,309	\$ (2,115)	\$ 55,731	\$ (912)	\$ (4,390)	\$ (47,290)	\$ 31,326

### b. Total Assets, Depreciation and Capital Expenditures

Thousands of U.S. Dollars								
2005								
	SLOGIX Businesses	Contracted Food Services	Medical Food Services	Restaurant and Karaoke Businesses	Deli and Convenience Services	Others	Eliminations/ Corporate	Consolidated
Total assets	\$91,843	\$64,649	\$60,835	\$527,193	\$24,510	\$9,367	\$77,161	\$855,558
Depreciation and amortization	584	2,457	1,285	29,999	81	332	743	35,481
Capital expenditures	955	6,118	1,110	59,446	60	1,839	3,235	72,763

### a. Sales and Operating Income

Millions of Yen							
2004							
	SLOGIX Businesses	Contracted Food Services	Medical Food Services	Restaurant and Karaoke Businesses	Others	Eliminations/ Corporate	Consolidated
Sales to customers	¥ 9,987	¥39,632	¥31,524	¥59,203	¥ 563		¥140,909
Intersegment sales	32,749	4		7	11	¥(32,771)	
Total sales	42,736	39,636	31,524	59,210	574	(32,771)	140,909
Operating expenses	41,604	38,326	32,100	51,095	1,092	(28,242)	135,975
Operating income (loss)	¥ 1,132	¥ 1,310	¥ (576)	¥ 8,115	¥ (518)	¥ (4,529)	¥ 4,934

### b. Total Assets, Depreciation and Capital Expenditures

Millions of Yen							
2004							
	SLOGIX Businesses	Contracted Food Services	Medical Food Services	Restaurant and Karaoke Businesses	Others	Eliminations/ Corporate	Consolidated
Total assets	¥8,803	¥7,105	¥5,872	¥54,066	¥748	¥11,098	¥87,692
Depreciation and amortization	132	187	135	2,746	10	138	3,348
Capital expenditures	101	253	152	6,943	395	141	7,985

Notes: 1. Operating expenses mainly incurred in administrative departments and advertising activities were unallocatable and included in "Eliminations/Corporate" of operating expenses with the aggregate amounts of ¥5,038 million (\$46,918 thousand) and ¥4,385 million for the years ended March 31, 2005 and 2004, respectively.

2. Total corporate assets of ¥15,024 million (\$139,901 thousand) and ¥16,914 million included in "Eliminations/Corporate" of total assets as of March 31, 2005 and 2004, respectively, mainly consisted of operating funds (cash and cash equivalents), long-term investment funds (investment securities) and assets used in administrative departments.

3. Due to consolidation into the Group, SCV's business operations and sales of deli and convenience services were added into "Deli and Convenience Services" in the year ended March 31, 2005.

## (2) Geographical Segments

The Company and subsidiaries were located and conducted their operations in Japan in the fiscal years 2005 and 2004; therefore, geographical segment information for the years ended March 31, 2005 and 2004 was not presented.

## (3) Sales to Foreign Customers

No sales to foreign customers were recorded for the years ended March 31, 2005 and 2004; therefore, such information was not presented.

## 18. SUBSEQUENT EVENT

The following appropriations of retained earnings at March 31, 2005 were approved at the Company's general shareholders' meeting held on June 29, 2005:

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Year-end cash dividends, ¥1,500.00 (\$13.97) per share	¥533	\$4,959
Bonuses to directors and corporate auditors	104	970

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of  
SHiDAX CORPORATION:

We have audited the accompanying consolidated balance sheets of SHiDAX CORPORATION and consolidated subsidiaries as of March 31, 2005 and 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of SHiDAX CORPORATION and consolidated subsidiaries as of March 31, 2005 and 2004, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.



June 29, 2005