Financial Section
財務セクション

Financial Summary 財務サマリー

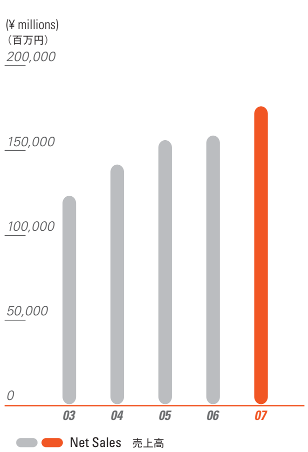
Years Ended March 31 3月31日		Millions of Yen 百万円 2007	2006
For the Year:	連結会計年度：		
Net sales	売上高	¥175,151	¥157,950
Operating income	営業利益	7,908	6,360
Income before income taxes and minority interests	税金等調整前当期純利益	4,784	3,283
Net income	当期純利益	1,528	608
Operating cash flows	営業活動によるキャッシュ・フロー	11,256	8,637
Investing cash flows	投資活動によるキャッシュ・フロー	(27,341)	5,034
Financing cash flows	財務活動によるキャッシュ・フロー	12,916	(6,970)
Free cash flows	フリーキャッシュ・フロー	(16,085)	13,671
At Year-End:	連結会計年度末：		
Total assets	総資産	126,021	85,131
Total net assets	純資産	32,338	29,719
Per Share (Yen and U.S. Dollars):	1株当たり指標：		
Basic net income (Yen)	当期純利益（円）	¥4,331.76	¥1,427.33
Diluted net income (Yen)	潜在株式調整後当期純利益（円）	—	—
Cash dividends applicable to the year (Yen)	配当金（円）	1,500.00	1,500.00
Shareholders' equity (Yen)	自己資本（円）	86,128.32	82,912.34
Financial Indicators:	財務指標：		
Return on assets (%)	ROA（%）	1.4%	0.7%
Return on equity (%)	ROE（%）	5.1%	2.1%
Equity ratio (%)	自己資本比率（%）	24.1%	34.5%

Notes 1. U.S dollar amounts have been translated from yen, for convenience only, at the rate of ¥118.05=$1, the approximate exchange rate on March 31, 2007.
2. From the fiscal year to March 2003, calculation of net income per share and full-diluted net income per share have been based on "Accounting Standards for Net Income per Share" (Corporate Accounting Standards Number 2) and "Net Income per Share Accounting Standards Guideline" (Corporate Accounting Standards Applications Guideline Number 4).
3. During the fiscal year ended March 2004, a 1:2 stock split was effected on May 20, 2003. Consequently, net income per share for the fiscal year to March 2004 is calculated assuming the stock split occurred at the beginning of the fiscal year.
4. From the subject consolidated fiscal year SHiDAX Corporation has applied the "Accounting Standard for the Presentation of Net Assets in the Balance Sheets" (Corporate Accounting Standard No. 5) and "Implementation Guidance on Accounting Standards for the Presentation of Net Assets in Balance Sheets" (Corporate Accounting Standard No. 8).

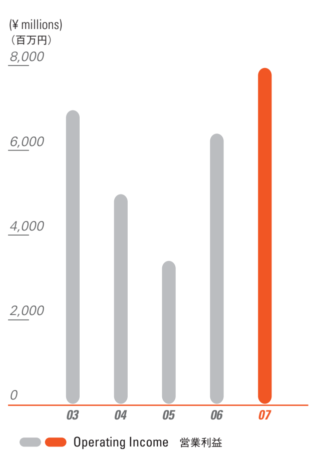
Cautionary Statements with Respect to Forward-Looking Statements

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.

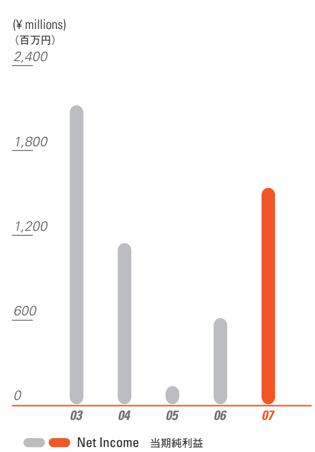
Net Sales
売上高



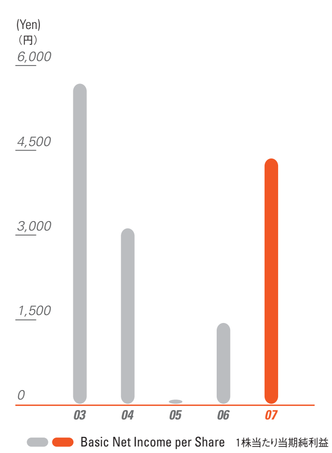
Operating Income
営業利益



Net Income
当期純利益



Basic Net Income per Share
1株当たり当期純利益



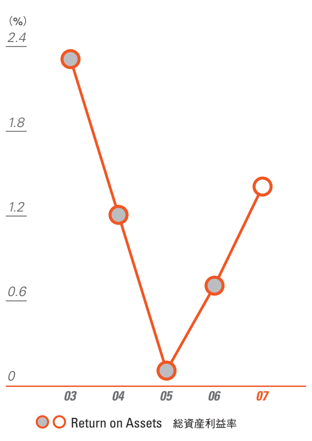
Millions of Yen 百万円				Thousands of U.S. Dollars *(Note 1)* 千米ドル(注記1)
2005	2004	2003	2002	**2007**
¥155,264	¥140,909	¥122,563	¥140,304	**$1,483,702**
3,364	4,934	6,912	6,849	**66,991**
2,151	4,889	4,602	11,799	**40,525**
128	1,137	2,109	6,239	**12,941**
4,412	6,183	1,773	5,264	**95,352**
(9,657)	(5,622)	6,764	(2,496)	**(231,611)**
2,916	(8,612)	7,242	(4,610)	**109,413**
(5,245)	561	8,537	2,768	**(136,259)**
91,878	87,692	97,557	89,906	**1,067,520**
29,424	26,935	28,211	27,412	**273,933**
¥ 73.55	¥3,098.00	¥11,304.39	¥34,935.77	**$36.69**
70.03	—	—	—	**—**
1,500.00	1,500.00	3,000.00	2,000.00	**12.71**
82,654.36	84,486.57	164,508.81	153,485.38	**729.59**
0.1%	1.2%	2.3%	—	
0.5%	4.1%	7.6%	—	
32.0%	30.7%	28.9%	30.5%	

（注）1. 米ドル表記は、便宜上、2007年3月31日現在の概算為替レート1米ドル＝118.05円で換算しています。
2. 2003年3月期から、１株当たり純資産額、１株当たり当期純利益金額および潜在株式調整後１株当たり当期純利益金額の算定に当たっては、「１株当たり当期純利益に関する会計基準」（企業会計基準第２号）および「１株当たり当期純利益に関する会計基準の適用指針」（企業会計基準適用指針第４号）を適用しています。
3. 2004年3月期において、2003年5月20日付で株式1株につき2株の株式分割を行いました。なお、2004年3月期の１株当たり当期純利益金額および1株当たり純資産額は期首に分割が行われたものとして計算しています。
4. 2007年3月期から「貸借対照表の純資産の部の表示に関する会計基準」（企業会計基準第5号）及び「貸借対照表の純資産の部の表示に関する会計基準等の運用指針」（企業会計基準適用指針第8号）を適用しております。

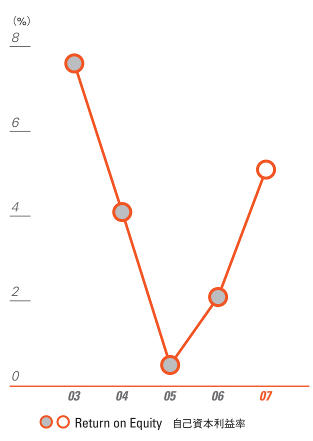
見通し、計画値に関する注意事項

このア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。

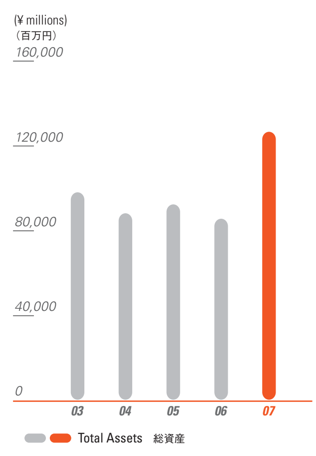
Return on Assets
総資産利益率



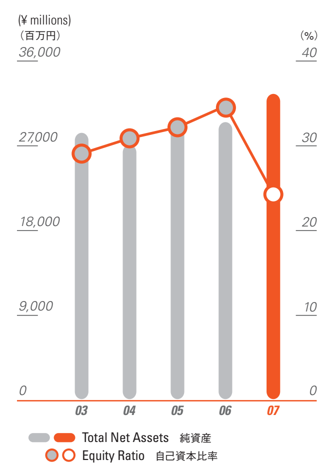
Return on Equity
自己資本利益率



Total Assets
総資産



Total Net Assets & Equity Ratio
純資産／自己資本比率



Financial Review 財務レビュー

Performance

The SHiDAX Group posted consolidated net sales of ¥175,151 million for the subject fiscal year (ended March 31, 2007), an increase of ¥17,201 million (10.9%) from the previous fiscal year. This was due mainly to an increase in new contracts in the Contracted Food Services and Medical Food Services, along with an increase of ¥11,243 million in overseas sales in the Specialty Restaurant Businesses stemming from the acquisition of a U.S. corporate group during the subject fiscal year, and in the Restaurant and Karaoke Businesses, which achieved a sales level of 100.9% year on year at existing locations.

In terms of earnings, gross profit increased ¥3,247 million (15.6%) year on year to ¥24,094 million. This stemmed mainly from continued reduction in foodstuff costs in the Group's foodstuff purchasing operations, realized from further development of an integrated food purchasing scheme linked to the standardized menu creation system and menus, as well as a steadily growing merit of scale in food purchasing utilizing the joint purchasing structure. Operating income rose ¥1,548 million (24.3%) year on year to ¥7,908 million, the result of a decrease in indirect expenses stemming from consolidation of sales promotion planning, which was formerly dispersed among each business subsidiary, along with increases in production and marketing capabilities realized from mutual utilization of specialist know-how. Net income increased ¥920 million (151.4%) from a year earlier to ¥1,528 million.

Financial Position

The SHiDAX Group pursued an aggressive program of corporate acquisition and business mergers during the subject fiscal year as part of its group development strategy. As a result, total assets at the end of the subject fiscal year amounted to ¥126,021 million, up ¥40,889 million (48.0%) from the end of the previous fiscal year.

Current assets at the end of the subject fiscal year totaled ¥39,188 million, up ¥6,059 million from the end of the previous fiscal year. Although cash and cash equivalents decreased ¥3,154 million as a result of a drawdown, assets rose mainly due to increases of ¥5,486 million in receivables stemming from corporate acquisition and other sources, along with ¥1,989 million in deferred tax assets.

Total fixed assets (net property and equipment plus total investments and other assets) were ¥86,833 million, and ¥34,831 million higher than at the end of the previous fiscal year. This mainly reflected increases of ¥6,267 million in property and equipment due to business acquisition and other factors, and ¥20,195 million in goodwill (compared to negative goodwill of ¥1,568 million in the previous fiscal year).

Total current liabilities were ¥50,836 million, an increase of ¥17,175 million from the end of the previous fiscal year. This mainly reflected increases of ¥2,279 million in short-term borrowings and ¥3,964 million in long-term debt less current portion, as well as increases in all liabilities due to business acquisition and other factors.

Long-term liabilities were ¥42,847 million, and ¥21,095 million higher than at the end of the previous fiscal year. This was mainly due to a ¥21,715 million increase in long-term borrowings. As a result, total liabilities were ¥93,683 million, representing a ¥38,270 million increase from the end of the previous fiscal year.

Net assets at the end of the subject fiscal year were ¥32,338 million, an increase of ¥2,619 million from the end of the previous fiscal year. This mainly reflected increases of ¥1,591 million in minority interests due to business acquisition, and ¥892 million in retained earnings.

Note: End-of-year figures in the net assets section have been recalculated following application of the "Accounting Standards for the Presentation of Net Assets in the Balance Sheets" and "Application Guidelines for Accounting Standards for the Presentation of Net Assets in the Balance Sheets, etc." See Note 2.s in the "Notes to Consolidated Financial Statements" for more details.

Cash Flows

Consolidated cash and cash equivalents at the end of subject fiscal year were ¥16,050 million, and ¥3,154 million (16.4%) lower than at the end of the previous fiscal year.

Net cash provided by operating activities was ¥11,256 million, which represents a ¥2,619 million (30.3%) increase from net cash provided the previous fiscal year. The mainly reflected a ¥1,500 million increase in income before income taxes and minority interests, and a ¥1,840 million increase in accounts and notes payable.

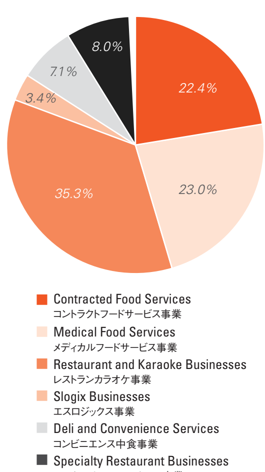
Net cash used in investing activities was ¥27,341 million, compared to net cash provided of ¥5,034 million in the previous fiscal year, for a total difference of ¥32,375 million. This mainly reflected expenditures of ¥25,204 million for purchase of subsidiary's stock following a change in the scope of consolidation, and ¥597 million arising from a business transfer, along with a ¥6,200 million decline in proceeds from sales of investment securities.

Net cash provided by financing activities was ¥12,916 million, compared to net cash used of ¥6,970 million in the previous fiscal year, for a total difference of ¥19,887 million. This was due mainly to financing from borrowing and the issuance of corporate bonds for the purpose of purchasing shares in a subsidiary.

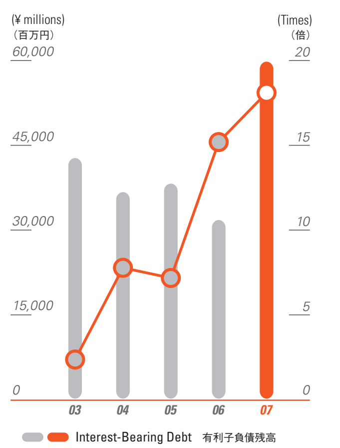
Capital Expenditures

Capital expenditures amounted to ¥2,132 million. This consisted mainly of expenditures for information system and information network equipment enhancements, along with new construction and renovation of restaurants and restaurant/karaoke facilities. Depreciation expenses were ¥3,253 million, and ¥528 million lower than in the previous fiscal year.

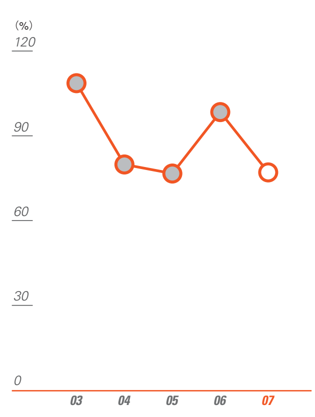
Sales by Business Segment
セグメント別売上構成比



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



Current Ratio
流動比率



経営成績

シダックスグループの連結売上高は、175,151百万円となり前連結会計年度と比べ17,201百万円増加（前年同期比10.9%増）しました。これは主に、コントラクトフードサービス事業、メディカルフードサービス事業の新規受託が拡大したことや当連結会計年度において米国企業グループを取得したことにより、スペシャリティーレストラン事業としての海外売上高が11,243百万円増加したことと、レストランカラオケ事業において売上高の既存店前年同期比が100.9%と前期水準を維持したことなどによります。

一方、利益面に関しては、グループの食材調達事業において、標準メニューの作成システムとメニューに連動する統一食材の調達の仕組みが進捗したことに加え、共同購買機構を活用した食材購買のスケールメリット効果が着実に表れたことで、食材原価の低減が一段と進捗し売上総利益は3,247百万円増加（前年同期比15.6%増）し24,094百万円となりました。また、各事業子会社に分散していた販売促進企画などの共通機能を集約し、専門ノウハウの相互活用による生産性及び運営能力の向上を果たした結果、間接費の削減が実現し営業利益は1,548百万円増加（前年同期比24.3%増）し7,908百万円となりました。当期純利益は前連結会計年度に比べ920百万円増加（前年同期比151.4%増）し1,528百万円となりました。

財務状況

シダックスグループは当連結会計年度において、グループ戦略推進のための積極的な企業買収及び事業買収を行いました。この結果、シダックスグループの総資産は、126,021百万円となり前連結会計年度末と比べ40,889百万円増加（前連結会計年度比48.0%増）しました。

流動資産の残高は、39,188百万円となり前連結会計年度末と比べ6,059百万円増加しました。主な要因は、取崩しにより現金及び預金が3,154百万円減少したものの、企業買収等により受取債権が5,486百万円、短期繰延税金資産が1,989百万円それぞれ増加したことによります。

固定資産の残高は、86,833百万円となり前連結会計年度末と比べ34,831百万円増加しました。主な要因は、企業買収等により有形固定資産が6,267百万円、のれん（前連結会計年度末は負ののれん1,568百万円）が20,195百万円それぞれ増加したことによります。

流動負債の残高は、50,836百万円となり前連結会計年度末と比べ17,175百万円増加しました。主な要因は、短期借入金が2,279百万円、一年内返済予定の長期借入金等が3,964百万円それぞれ増加したこと及び企業買収等によって各々の負債が追加され増加したことによります。

固定負債の残高は、42,847百万円となり前連結会計年度末と比べ21,095百万円増加しました。主な要因は、長期借入金等が21,715百万円増加したことによります。これらの結果、負債合計は93,683百万円となり、前連結会計年度末と比べ38,270百万円増加しました。

純資産の残高は、32,338百万円となり前連結会計年度末と比べ2,619百万円増加しました。主な要因は、企業買収により少数株主持分が1,591百万円増加したこと及び利益剰余金が892百万円増加したことによります。

※純資産の部においては「貸借対照表の純資産の部の表示に関する会計基準」及び「貸借対照表の純資産の部の表示に関する会計基準等の適用指針」を適用したことにより、前連結会計年度末の数字を組替えております。詳細は、注記No.2-sをご覧ください。

キャッシュ・フロー

当連結会計年度における現金及び現金同等物は、前連結会計年度に比べ3,154百万円減少（前年同期比16.4%減）し16,050百万円となりました。

営業活動によるキャッシュ・フローは、当連結会計年度において11,256百万円の資金増加となりました。前連結会計年度に比べ営業活動による収入が2,619百万円増加（前年同期比30.3%増）しました。これは主に、業績が順調に進捗していることによる税金等調整前当期純利益1,500百万円の増加、仕入債務が1,840百万円増加したことなどによります。

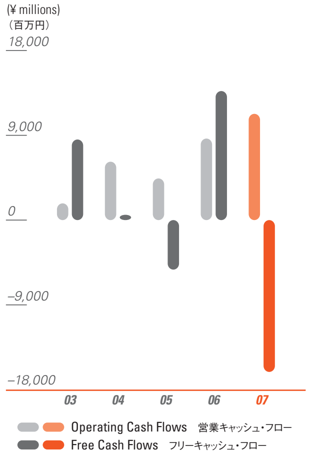
投資活動によるキャッシュ・フローは、当連結会計年度において27,341百万円の資金減少となりました。前連結会計年度は5,034百万円の資金増加であり、前連結会計年度に比べ32,375百万円資金が減少しております。これは主に、連結範囲の変更を伴う子会社株式の取得による支出25,204百万円、事業譲受けによる支出597百万円が発生し、有形固定資産の売却による収入が6,200百万円減少したことなどによります。

財務活動によるキャッシュ・フローは、当連結会計年度において12,916百万円の資金増加となりました。前連結会計年度は6,970百万円の資金減少であり、前連結会計年度に比べ19,887百万円の資金が増加しております。これは主に、子会社株式取得のための借入金及び社債発行による資金調達によります。

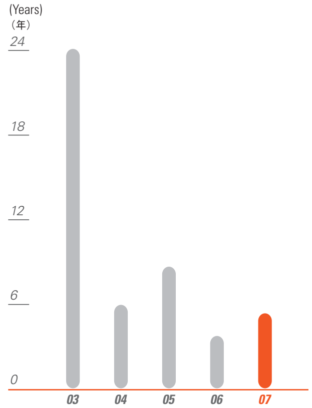
設備投資

設備投資は、情報システムの構築及び情報ネットワーク機器の拡充、レストラン店舗及びレストランカラオケ店舗設備の新設・更新などにより、2,132百万円となりました。また、減価償却費は3,253百万円となり前連結会計年度に比べ528百万円減少となりました。

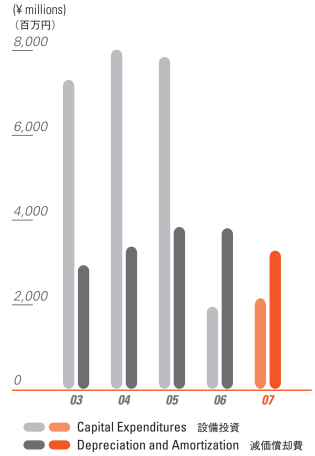
Operating Cash Flows & Free Cash Flows
営業キャッシュ・フロー&フリーキャッシュ・フロー



Interest-Bearing Debt/ Operating Cash Flows
債務償還年数



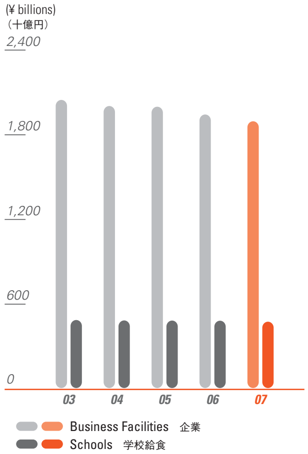
Capital Expenditures & Depreciation and Amortization
設備投資&減価償却費



Segment Information セグメント情報

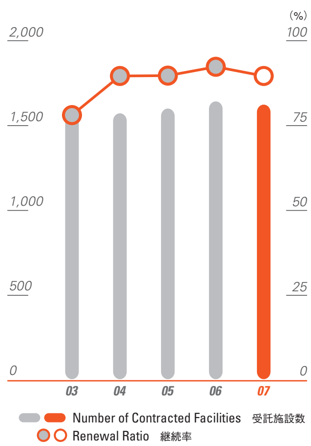
Contracted Food Services コントラクトフードサービス事業

Contracted Food Services Market
事業所・学校給食市場の推移

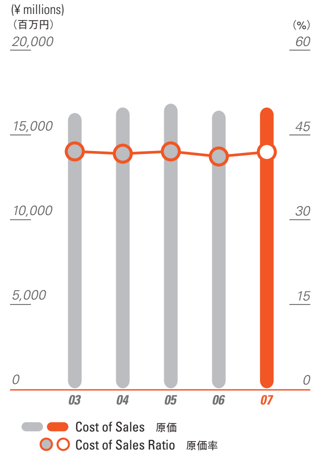


Source: Food Service Industry Survey Research Center.
出典：（財）外食産業総合調査研究センター

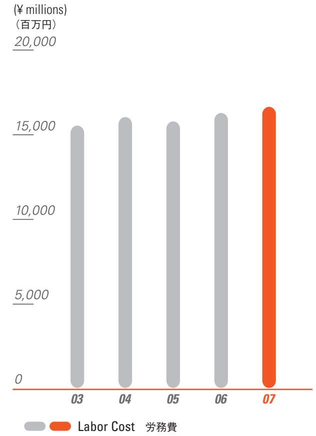
Trend in Number of Contracted Food Services Contracts
コントラクトフードサービス事業の受託施設数推移



Cost of Sales and Cost of Sales Ratio in Contracted Food Services
コントラクトフードサービス事業の原価・原価率推移

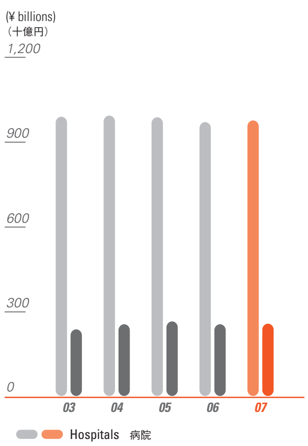


Labor Cost in Contracted Food Services
コントラクトフードサービス事業の労務費推移



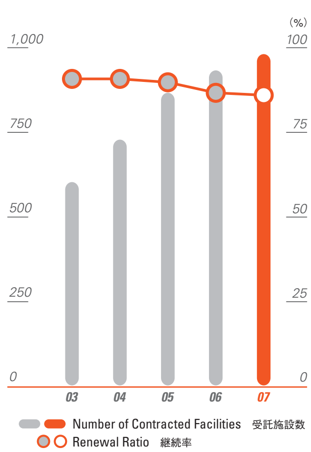
Medical Food Services メディカルフードサービス事業

Medical Food Services Market
メディカル給食市場の推移

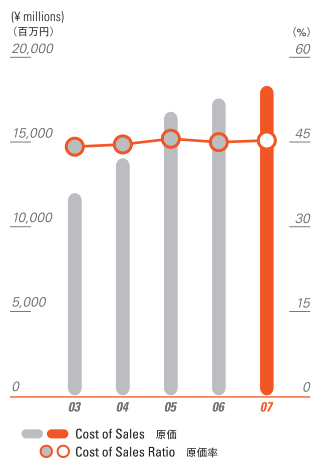


Source: Food Service Industry Survey Research Center.
出典：（財）外食産業総合調査研究センター

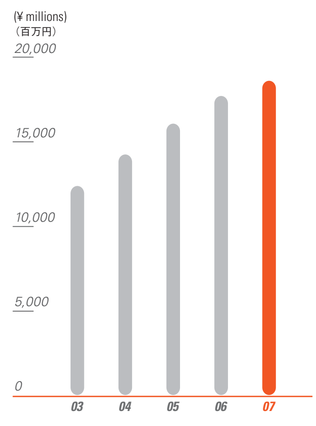
Trend in Number of Medical Food Services Contracts
メディカルフードサービス事業の受託施設数推移



Cost of Sales and Cost of Sales Ratio in Medical Food Services
メディカルフードサービス事業の原価・原価率推移

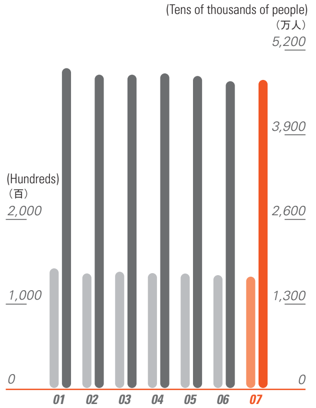


Labor Cost in Medical Food Services
メディカルフードサービス事業の労務費推移



Restaurant and Karaoke Businesses　レストランカラオケ事業

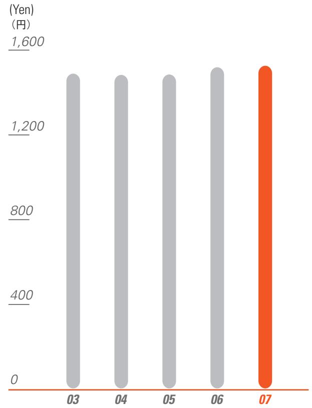
Karaoke Market
カラオケ市場の推移



Number of Karaoke Rooms　カラオケルーム数
Gross Karaoke Customers　カラオケ延べ参加人口

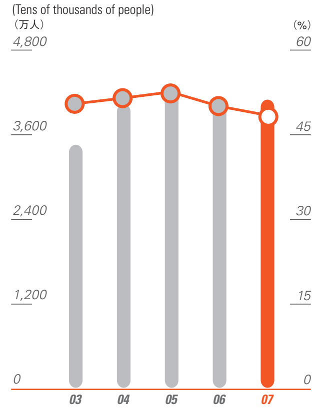
Source: Karaoke Industrialist Association and Institute for Free Time Design.
出典:全国カラオケ事業者協会および財団法人自由時間デザイン協会

Sales per Customer
客単価の推移



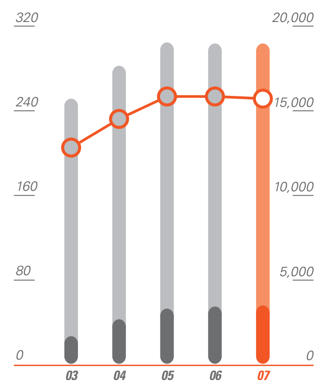
Sales per Customer　客単価の推移

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
Ratio of Drinking and Eating to Sales　飲食収入率

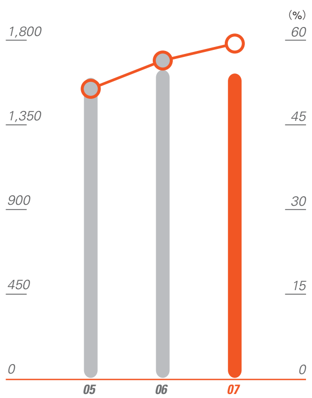
Trend in Restaurant and Karaoke Outlets
レストランカラオケ事業の店舗数の推移



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

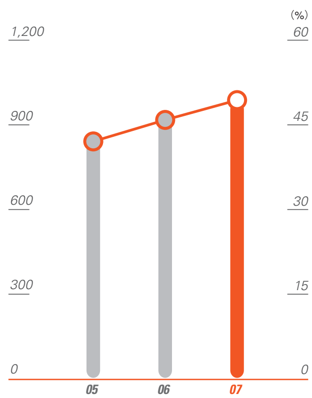
Slogix Businesses　エスロジックス事業

Number of Contracted & Consolidated Distribution Ratio (Contracted Food Services)
店舗数と一元物流導入率（コントラクトフードサービス事業）



Number of Contracted　店舗数
Consolidated Distribution Ratio　一元物流導入率

Number of Contracted & Consolidated Distribution Ratio (Medical Food Services)
店舗数と一元物流導入率（メディカルフードサービス事業）



Number of Contracted　店舗数
Consolidated Distribution Ratio　一元物流導入率

Business and Other Risks 事業等のリスク

The major potential business and other risks that could possibly have an impact on investor decisions are listed below. In addition to being aware of these risks, the Group makes every effort to prevent such risks and to quickly respond should they occur. In addition, the potential risks include forward-looking items which are based on information available and management decisions as of the end of the consolidated fiscal year under review. Changes in various factors may cause actual results to differ materially from what is indicated.

1. Factors Affecting Business Performance

Competition with Other Companies in the Same Industry

Businesses in which the Group is involved face severe competition from other companies in the same industry. In Contracted Food Services and Medical Food Services, prices for outsourcing contracts have continued to decline over the past several years due to competition for orders among major companies in the segment. In the Restaurant and Karaoke Businesses, business is easily affected by the number of customers and the average expenditure per customer, given the per-hour services consumed format of the business and the diversified customer needs of each age group. In the Specialty Restaurant Businesses, customer tastes are diversifying in the restaurant market in general, while customers are demanding more highly specialized and diversified services. In the Deli and Convenience Services home meal replacement segment, saturation of the convenience store sector has resulted in an active advance by convenience stores into in-house convenience outlets, in which the Group has already established many outlets. As a result, the Group's business performance could be adversely affected by unforeseen restraints on its business plans.

Personnel Securement and Education

All of the Group's businesses are related to the services industry, and it employs a total of approximately 30,000 full-time and part-time employees. As a result, it is crucial to secure and train a sufficient number of capable individuals for upper management, administrative, and on-site positions, and particularly persons with such specialist qualifications as national registered dietician, which designated staff members are legally required to hold. The Group's business performance could be materially affected by lack of sufficient personnel which would cause difficulties in new business development, and a decline in customer service levels.

Foodstuff Procurement

The Group's Slogix Businesses provide unified foodstuff distribution operations mainly for the Contracted Food Services, Medical Food Services, Restaurant and Karaoke Businesses, and Specialty Restaurant Businesses. The Group is working to build a distribution system that provides for dependable and safe foodstuffs as well as global environmental considerations, and in addition, the Group implements plans for stable foodstuff prices and supply. However, sudden changes in the supply demand-balance, quality, or prices due to unforeseen changes in the procured foodstuffs market or foreign exchange market as well as natural disasters could have a material impact on the Group's business performance.

Rising Energy Prices

The Group's Total Outsourcing Businesses attempt basically to shift the amount of increases in purchasing costs for gasoline, kerosene or similar products due to an appreciation of crude oil prices or other factors to customers as much as possible. However, in the event that they are unable to do so, this could have a material impact on the Group's business performance.

Food Poisoning

The Group is involved in the provision of food services. The outbreak of food poisoning caused by a problem with the Group's sanitation management could result in a temporary business suspension or claim for damages, which could have a material impact on the Group's overall business performance.

Capital and Business Alliances

The Group made DAISHINTO Inc. a consolidated subsidiary on March 22, 2007, entering the total outsourcing business and providing vehicle operations on a contract basis. As such, there is a possibility that the Group will incur liability for damages or oversight in the event of an accident.

The Group made Restaurant Hospitality, LLC a consolidated subsidiary on June 28, 2006, developing its Specialty Restaurant Businesses in the United States. As such, there is a possibility that the Group's business performance will be affected by fluctuations in exchange rates.

With the aim of expanding its business domain and growth potential, the Group sometimes invests in other companies and forms business alliances where large synergies with the Group's businesses are expected. In the implementation of these policies, the occurrence of unforeseen factors beyond management's control such as changes in the operating environment or legal regulations may have a material impact on the Group's business performance.

Impairment Accounting

The Group reported consolidated fixed asset impairment losses of ¥2,733 million for the subject fiscal year, due to the adoption of standards for the accounting of impairment on fixed assets. In the future, fluctuations in the Group's revenues could result in the recording of impairment losses, and have an impact on the Group's business performance.

The Group has recorded goodwill as a result of the capital and business alliances described in the preceding section, amounting to ¥4,586 million in Restaurant Hospitality, LLC (amortized equally over 10 years), and ¥17,490 million in DAISHINTO Inc. (amortized equally over 20 years). Should the contribution to earnings from these businesses not proceed in accordance with plan, their earnings deteriorate and the Group is therefore forced to record the unamortized portion of goodwill as an impairment loss, this could have a material impact on the Group's business performance.

当社グループの事業その他に関するリスクについて、投資家の判断に影響を及ぼす可能性があると考えられる主なものとしては、以下の内容が挙げられます。また、当社グループは、これらのリスクを認識した上で、事態の発生の回避及び発生した場合の迅速な対応に努める所存です。なお、本項においては将来に関する事項も含まれておりますが、当該事項は当連結会計期間期末現在において判断したものであり、さまざまな要因によって実際の結果と異なる可能性があります。

1. 業績の変動要因について

同業者との競合について

当社グループが属する業界は同業者間の競争が一層激しくなっております。コントラクトフードサービス事業及びメディカルフードサービス事業では、大手同業者間でこの数年間は激しい受注合戦が繰り広げられ受託価格の低下傾向が続いております。レストランカラオケ事業では、時間消費型サービス業態の拡大及びお客様の世代毎のニーズが多様化していることにより、客数と客単価が影響を受けやすくなっております。スペシャリティーレストラン事業においては外食市場全般でお客様の志向が多様化し、サービスの専門性を高めるとともに多様なサービス対応も求められております。コンビニエンス中食事業では、コンビニエンス業界の飽和感により、当社グループが多く出店する病院施設内に大手コンビニエンスチェーンが積極的に出店を進めております。各事業の事業計画において想定しない阻害要因が発生した場合には、当社グループの業績に影響を及ぼす可能性があります。

人材の確保と育成について

当社グループの全ての事業がサービス産業に属しており、正社員に加えて臨時従業員を含めると約3万人の雇用者が従事しております。したがって、経営層・管理職・現場従事者、特に法律上設置義務がある管理栄養士等の専門有資格者に至るまで優秀な人材の確保とその育成が不可欠であります。人材の確保と育成が十分に為されず新規営業開発の進捗やお客様へのサービスレベルの低下を招く場合には、当社グループの業績に影響を及ぼす可能性があります。

食材調達について

当社グループのエスロジックス事業については、コントラクトフードサービス事業、メディカルフードサービス事業、レストランカラオケ事業、スペシャリティーレストラン事業等への食材一元物流事業を行っております。当該事業では、食材の安心・安全を追求し、地球環境へ配慮した物流体制を構築し、そのうえで食材価格や物量の安定調達を計画実行しておりますが、調達食材が市況・為替相場・自然災害等で需給バランスが崩れ品質や価格が変化した場合には、当社グループの業績に影響を及ぼす可能性があります。

燃料費の高騰について

当社グループのトータルアウトソーシング事業については、原油価格の高騰等によりガソリン、軽油等の仕入原価が増加した場合、基本的には費用増の相当分を顧客に転嫁させて頂くよう努めておりますが、それができない場合には当社グループの業績に影響を及ぼす可能性があります。

食中毒について

当社グループは、食材・食事の提供サービスを行っております。当社グループの衛生管理等に起因する食中毒が発生した場合には、一定期間の営業停止や損害賠償責任の発生等、当社グループの業績に影響を及ぼす可能性があります。

資本・事業提携等について

当社グループは平成19年3月22日付で大新東株式会社を連結子会社としており、トータルアウトソーシング事業に参入し自動車の運転を受託しておりますが、交通事故等に起因して損害賠償責任や監督責任が問われる可能性があります。

また、当社グループは平成18年6月28日付でRestaurant Hospitality, LLCを連結子会社としており、スペシャリティーレストラン事業を米国で展開していることから為替変動による影響を受ける可能性があります。

更に当社グループの事業領域の拡大及び成長発展を目的として、資本提携や当社グループの各事業とのシナジー効果が見込める事業提携等を実施することがあります。これらの施策を実行するにあたり、経済環境や法規制等の変化等、経営のコントロールを超える予期し得ない要因が発生した場合には、当社グループの業績に影響を及ぼす可能性があります。

減損会計の影響について

当社グループが所有する固定資産につきまして、「固定資産の減損に係る会計基準」の適用により当連結会計年度において2,733百万円の減損損失を計上いたしました。今後、当社グループの収益の変動によっては減損損失を計上し、業績に影響を及ぼす可能性があります。

なお、当社グループは、前記資本・事業提携等に伴いのれん（Restaurant Hospitality, LLCののれんが4,586百万円（10年均等償却）、大新東株式会社ののれんが17,490百万円（20年均等償却））が生じており、収益への貢献が計画どおりに進まなかった場合、当該事業に係る収益の悪化や、ひいてはのれんの未償却残高を減損損失として計上せざるを得ない事態が発生する等、当社グループの業績に影響を及ぼす可能性があります。

Interest-Bearing Debt Dependency

The Group incurs interest-bearing debts procuring capital from financial institutions for new store openings in mainly its Restaurant and Karaoke Businesses. Consolidated interest-bearing debt at March 31, 2007, was ¥59,496 million, a dependency ratio of 47.2%. The majority of the Group's capital procurement is in the form of long-term debt at fixed rates of interest, so interest rate fluctuations have little impact in the short term. However, the Group plans to procure capital for new store development expenses mainly through interest-bearing debt, so there is a possibility that interest rate movements, financial condition and other factors could have a material impact on the Group's business performance or development.

Deferred Tax Assets

The Group considers the deferred tax assets recorded mainly by DAISHINTO Inc. at the end of the subject fiscal year to be fully recoverable through the future earnings (taxable income) of that subsidiary. However, business performance, progress toward achieving the business plan or other factors could have a material impact on the Group's business performance.

2. Legal Restrictions and Voluntary Restraints

The SHiDAX Group is subject to the following major legal restrictions and voluntary restraints. Should these restrictions be revised or changed, it could have a material impact on the Group's business performance.

Major Legal Restrictions

The major legal restrictions to which the Group is subject include the Food Sanitation Law, the Food Recycling Law, the Building Standards Law, the Fire Defense Law and the Copyright Law, as well as ordinances governing outdoor advertising.

Trends in Medical Welfare Administration

The financial condition of hospitals and welfare facilities that are the Group's customers, as well as trends in medical welfare administration, have a significant impact on the Group's Medical Food Services business. Should there be revisions to the Medical Insurance System or Nursing Insurance Law, the impact these amendments will have on hospitals, welfare facilities, and others could have a material impact on the Group's business performance.

Expansion of the Scope of Social Insurance

The Ministry of Health, Labour and Welfare is considering expanding the scope of the social insurance system to cover employees who work shorter hours. Should the system be revised and enacted the Group's insurance expense burden will increase, which could have a material impact on its business performance.

Personal Information Protection Law

The Group's SITEX Corp. subsidiary primarily manages personal information on members in the Restaurant and Karaoke Businesses. In order to abide by the Private Information Protection Law and provide appropriate information management, the Group has created a privacy protection policy and an information management manual, and is working to educate companies with which it does business as well as its directors and employees in order to take every step necessary to prevent leakages of personal information. This notwithstanding, leakages of personal information through negligence in the Group's information management could expose the Group to liability for damages or other claims which could have a material financial impact on the Group's business performance.

3. Significant Transactions between SHiDAX CORPORATION and Its Directors or Shareholders Holding more than Half the Outstanding Voting Rights

Real Estate Transactions

The SHiDAX Group rents its headquarters offices, and the Group's consolidated subsidiary SHiDAX Community Corporation rents its hotel facilities and winery facilities from Shida Holdings Co., Ltd., of which the Group's Chairman of the Board, Tsutomu Shida, serves as the representative director. Security deposits and rent on these properties are determined by an appraisal report prepared by a licensed real estate appraiser.

有利子負債の依存度について

当社グループは、主にレストランカラオケ事業及びスペシャリティーレストラン事業の出店費用を金融機関より調達しております。平成19年3月31日現在連結有利子負債残高は59,496百万円であり、有利子負債依存度は47.2%であります。現在は、当該資金を主として固定金利に基づく長期借入金により調達しているため、短期的には金利変動の影響を受けにくくなっておりますが、今後も出店費用を主に有利子負債で調達する計画であり、当社の業績及び事業展開は金利動向及び金融情勢等の影響を受ける可能性があります。

繰延税金資産について

主に大新東株式会社が当連結会計年度末において計上している繰延税金資産については、同社における今後の利益（課税所得）をもって全額回収可能と考えておりますが、業績や事業計画の達成状況等により当社グループの業績に影響を及ぼす可能性があります。

2. 法的規制及び自主規制について

当社グループが規制を受けている主な法的規制及び自主規制は、以下のとおりであり、当該法規制等が改正又は変更された場合には、当社グループの業績に影響を及ぼす可能性があります。

主な法的規制について

当社グループは、主に食品衛生法、食品リサイクル法、建築基準法、消防法、著作権法等及び屋外広告物条例等の規制を受けております。

医療・福祉行政の動向について

当社グループのメディカルフードサービス事業においては、お客様である病院・福祉施設等の経営状況は、医療・福祉行政の動向に大きな影響を受けます。医療保険制度や介護保険法等の改定が行われた場合、病院・福祉施設等に与える影響の程度により、当社グループの業績に影響を及ぼす可能性があります。

社会保険の適用拡大について

厚生労働省は、短時間労働者に対する社会保険の適用を拡大する方向で検討しております。当該制度が改正・施行された場合、当社グループの保険料負担が増加し、当社グループの業績に影響を及ぼす可能性があります。

個人情報保護法について

当社グループの連結子会社であるエス・アイテックス株式会社は、主にレストランカラオケ事業における個人の会員情報を管理しております。個人情報保護法を遵守し、適切に管理するために、当社グループのプライバシーポリシー及び管理マニュアルを定め、関連する取引先企業及び当社グループの役員、従業員に対して教育を行う等、会員情報の漏洩防止に関してできる限りの手立てをとっております。しかしながら、当社グループの管理責任の不備により個人情報が漏洩した場合には、損害賠償責任の発生等により、当社グループの業績に影響を及ぼす可能性があります。

3. 会社と役員又は議決権の過半数を実質的に所有している株主との間の重要な取引関係等に係るもの

不動産の賃貸借取引について

当社代表取締役会長の志太勤が代表取締役を兼任している志太ホールディングス株式会社より、当社は本社事務所を、当社の連結子会社でありますシダックス・コミュニティー株式会社は、ホテル設備及びワイナリー設備を賃借しております。賃借することにより発生する敷金及び賃借料は、不動産鑑定士による鑑定評価書に基づき決定しております。

SHiDAX CORPORATION and Consolidated Subsidiaries

Consolidated Balance Sheets

March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars *(Note 1)*
ASSETS	**2007**	2006	**2007**
CURRENT ASSETS:			
Cash and cash equivalents	**¥ 16,050**	¥ 19,204	**$ 135,956**
Time deposits *(Note 15)*	**711**	250	**6,020**
Accounts and notes receivable:			
Trade	**14,065**	9,121	**119,144**
Unconsolidated subsidiaries and affiliates	**34**	15	**292**
Other	**1,296**	774	**10,982**
Allowance for doubtful accounts	**(119)**	(63)	**(1,010)**
Inventories *(Note 3)*	**2,134**	1,379	**18,076**
Deferred tax assets *(Note 14)*	**2,845**	856	**24,102**
Prepaid expenses and other current assets	**2,172**	1,593	**18,403**
Total current assets	**39,188**	33,129	**331,965**
PROPERTY AND EQUIPMENT *(Notes 5 and 7)*:			
Land	**3,421**	1,137	**28,982**
Buildings and structures	**45,395**	38,997	**384,543**
Furniture and equipment	**7,121**	5,799	**60,322**
Total	**55,937**	45,933	**473,847**
Accumulated depreciation	**(19,432)**	(15,695)	**(164,616)**
Net property and equipment	**36,505**	30,238	**309,231**
INVESTMENTS AND OTHER ASSETS:			
Investment securities *(Notes 6 and 15)*	**774**	829	**6,559**
Investments in and advances to unconsolidated subsidiaries and affiliated companies	**138**	177	**1,170**
Goodwill *(Note 4)*	**20,195**		**171,072**
Software—net	**627**	687	**5,308**
Security deposits *(Note 18)*	**11,551**	11,501	**97,845**
Construction assistance fund receivables	**2,502**	3,646	**21,194**
Deferred tax assets *(Note 14)*	**10,040**	2,501	**85,051**
Other assets	**7,375**	4,704	**62,475**
Allowance for doubtful accounts	**(2,874)**	(2,281)	**(24,350)**
Total investments and other assets	**50,328**	21,764	**426,324**
TOTAL	**¥126,021**	¥ 85,131	**$ 1,067,520**

See notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of Yen 2007	2006	Thousands of U.S. Dollars (Note 1) 2007
CURRENT LIABILITIES:			
Short-term borrowings *(Note 7)*	**¥ 3,623**	¥ 1,344	**$ 30,692**
Current portion of long-term debt *(Note 7)*	**15,572**	11,608	**131,913**
Accounts and notes payable:			
Trade	**10,326**	9,256	**87,476**
Unconsolidated subsidiaries and affiliates	**346**		**2,929**
Other	**5,108**	3,112	**43,273**
Accrued income taxes *(Note 14)*	**2,767**	991	**23,438**
Accrued bonuses	**2,841**	1,670	**24,062**
Other accrued expenses	**7,017**	4,235	**59,436**
Other current liabilities	**3,236**	1,444	**27,408**
Total current liabilities	**50,836**	33,660	**430,627**
LONG-TERM LIABILITIES:			
Long-term debt, less current portion *(Note 7)*	**40,301**	18,586	**341,393**
Retirement allowances for directors and corporate auditors *(Note 9)*	**566**	509	**4,790**
Retirement allowances for employees	**398**		**3,376**
Negative goodwill		1,568	
Deferred tax liabilities *(Note 14)*	**497**	506	**4,207**
Other long-term liabilities	**1,085**	583	**9,194**
Total long-term liabilities	**42,847**	21,752	**362,960**
CONTINGENT LIABILITIES *(Note 10)*			
NET ASSETS *(Notes 2.s, 11 and 20)*:			
Shareholders' equity:			
Common stock—authorized, 1,400,000 shares; issued, 357,214 shares in 2007 and 2006	**8,930**	8,930	**75,649**
Capital surplus	**8,112**	8,112	**68,715**
Retained earnings	**13,347**	12,455	**113,064**
Treasury stock—at cost, 4,552 shares in 2007 and 4,537 shares in 2006	**(349)**	(347)	**(2,960)**
Total shareholders' equity	**30,040**	29,150	**254,468**
Valuation, translation adjustments and others:			
Unrealized gain on available-for-sale securities	**154**	196	**1,308**
Foreign currency translation adjustments	**180**		**1,523**
Total valuation, translation adjustments and others	**334**	196	**2,831**
Minority interests	**1,964**	373	**16,634**
Total net assets	**32,338**	29,719	**273,933**
TOTAL	**¥126,021**	¥85,131	**$ 1,067,520**

Consolidated Statements of Income

Years Ended March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	**2007**
NET SALES	**¥175,151**	¥157,950	**$ 1,483,702**
COST OF SALES	**151,057**	137,103	**1,279,602**
Gross profit	**24,094**	20,847	**204,100**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES *(Notes 16 and 18)*	**16,186**	14,487	**137,109**
Operating income	**7,908**	6,360	**66,991**
OTHER INCOME (EXPENSES):			
Dividend and interest income	**11**	22	**97**
Gain on sales of karaoke machines	**594**	117	**5,029**
Interest expense	**(617)**	(576)	**(5,230)**
Loss from discontinued store operations	**(183)**	(102)	**(1,550)**
Amortization of negative goodwill	**159**	149	**1,347**
Loss on liquidation of security deposits	**(300)**	(149)	**(2,542)**
Impairment of long-lived assets *(Note 5)*	**(2,733)**	(2,638)	**(23,154)**
Other—net	**(55)**	100	**(463)**
Other expenses—net	**(3,124)**	(3,077)	**(26,466)**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**4,784**	3,283	**40,525**
INCOME TAXES *(Note 14)*:			
Current	**3,825**	1,873	**32,404**
Deferred	**(491)**	816	**(4,162)**
Total income taxes	**3,334**	2,689	**28,242**
MINORITY INTERESTS IN NET INCOME	**(78)**	(14)	**(658)**
NET INCOME	**¥ 1,528**	¥ 608	**$ 12,941**

	Yen		U.S. Dollars (Note 1)
	2007	2006	**2007**
PER SHARE OF COMMON STOCK *(Note 2.q)*:			
Basic net income	**¥4,331.76**	¥1,427.33	**$36.69**
Diluted net income			
Cash dividends applicable to the year	**1,500.00**	1,500.00	**12.71**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Years Ended March 31, 2007 and 2006

	Outstanding Number of Shares of Common Stock	Millions of Yen									
		Common Stock	Capital Surplus	Retained Earnings	Treasury Stock at Cost	Total Shareholders' Equity	Unrealized Gain (Loss) on Available-for-sale Securities	Foreign Currency Translation Adjustments	Total Valuation, Translation Adjustments and Others	Minority Interests	Total Net Assets
BALANCE, MARCH 31, 2005	354,730	¥8,930	¥8,099	¥12,484	¥(191)	¥29,322	¥102		¥102	¥ 285	¥29,709
Sales of treasury stock *(Note 11)*			13		29	42					42
Net income				608		608					608
Cash dividends, ¥1,500 per share				(533)		(533)					(533)
Bonuses to directors and corporate auditors				(104)		(104)					(104)
Purchase of treasury stock *(Note 11)*	(2,053)				(185)	(185)					(185)
Net changes during the year							94		94	88	182
BALANCE, MARCH 31, 2006	352,677	8,930	8,112	12,455	(347)	29,150	196		196	373	29,719
Sales of treasury stock *(Note 11)*			**(0)**		**3**	**3**					**3**
Net income				**1,528**		**1,528**					**1,528**
Cash dividends, ¥1,500 per share				**(529)**		**(529)**					**(529)**
Bonuses to directors and corporate auditors				**(107)**		**(107)**					**(107)**
Purchase of treasury stock *(Note 11)*	**(16)**				**(5)**	**(5)**					**(5)**
Net changes during the year							**(42)**	**180**	**138**	**1,591**	**1,729**
BALANCE, MARCH 31, 2007	**352,661**	**¥8,930**	**¥8,112**	**¥13,347**	**¥(349)**	**¥30,040**	**¥154**	**¥180**	**¥334**	**¥1,964**	**¥32,338**

	Thousands of U.S. Dollars *(Note 1)*									
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock at Cost	Total Shareholders' Equity	Unrealized Gain (Loss) on Available-for-sale Securities	Foreign Currency Translation Adjustments	Total Valuation, Translation Adjustments and Others	Minority Interests	Total Net Assets
BALANCE, MARCH 31, 2006	$75,649	$68,718	$105,503	$(2,944)	$246,926	$1,659		$1,659	$ 3,161	$251,746
Sales of treasury stock *(Note 11)*		**(3)**		**27**	**24**					**24**
Net income			**12,941**		**12,941**					**12,941**
Cash dividends, $12.71 per share			**(4,481)**		**(4,481)**					**(4,481)**
Bonuses to directors and corporate auditors			**(899)**		**(899)**					**(899)**
Purchase of treasury stock *(Note 11)*				**(43)**	**(43)**					**(43)**
Net changes during the year						**(351)**	**1,523**	**1,172**	**13,473**	**14,645**
BALANCE, MARCH 31, 2007	**$75,649**	**$68,715**	**$113,064**	**$(2,960)**	**$254,468**	**$1,308**	**$1,523**	**$2,831**	**$16,634**	**$273,933**

See notes to consolidated financial statements.

SHiDAX CORPORATION and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

Years Ended March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	**2007**
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	**¥ 4,784**	¥ 3,283	**$ 40,525**
Adjustments for:			
Income taxes paid	**(2,155)**	(2,245)	**(18,258)**
Depreciation and amortization	**3,253**	3,780	**27,558**
Impairment of long-lived assets	**2,733**	2,638	**23,154**
Amortization of consolidation goodwill	**194**	(15)	**1,642**
Provision for accrued bonuses	**152**	(3)	**1,284**
Provision for liability for employees' retirement benefits	**(61)**		**(519)**
Retirement allowances for directors and corporate auditors	**33**	9	**283**
Provision (Reversal) for allowance for doubtful accounts	**10**	(108)	**88**
Loss on liquidation of security deposits	**300**	149	**2,542**
Bonuses to directors and corporate auditors	**(106)**	(104)	**(899)**
Changes in operating assets and liabilities:			
(Increase) decrease in accounts and notes receivable	**(1,171)**	587	**(9,918)**
(Increase) in inventories	**(27)**	(71)	**(227)**
Increase (decrease) in accounts and notes payable	**1,579**	(261)	**13,372**
Increase in accrued expenses	**842**	43	**7,136**
Increase in accrued consumption tax	**38**	449	**324**
Condemnation proceeds by outlets assets	**177**		**1,496**
Other—net	**681**	506	**5,769**
Net cash provided by operating activities	**11,256**	8,637	**95,352**
INVESTING ACTIVITIES:			
Purchase of property and equipment and other	**(2,181)**	(2,023)	**(18,475)**
Proceeds from sales of property and equipment	**104**	6,304	**881**
Purchase of investment securities	**(4)**	(26)	**(35)**
Proceeds from sales of investment securities	**123**	152	**1,038**
Payments for purchase of subsidiary's stock	**(25,204)**		**(213,504)**
Payments for business transfer	**(597)**		**(5,058)**
Investment in loans receivable	**(113)**	(97)	**(961)**
Collection of loans receivable	**116**	292	**978**
Payments for security deposits and other	**(1,156)**	(459)	**(9,789)**
Collection of security deposits and other	**314**	197	**2,664**
Proceeds from liquidation of security deposits and other	**1,698**	1,127	**14,383**
Other—net	**(441)**	(433)	**(3,733)**
Net cash (used in) provided by investing activities	**(27,341)**	5,034	**(231,611)**
FINANCING ACTIVITIES:			
Net increase (decrease) in short-term borrowings	**1,381**	(701)	**11,699**
Proceeds from long-term debt	**22,891**	6,200	**193,908**
Repayments of long-term debt	**(12,778)**	(12,431)	**(108,239)**
Proceeds from issuance of bonds	**2,250**	491	**19,059**
Redemption of bonds	**(300)**		**(2,541)**
Dividends paid	**(529)**	(533)	**(4,481)**
Other—net	**1**	4	**8**
Net cash provided by (used in) financing activities	**12,916**	(6,970)	**109,413**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**15**	0	**129**
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(3,154)**	6,701	**(26,717)**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**19,204**	12,503	**162,673**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥ 16,050**	¥ 19,204	**$135,956**

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION *(Note 2.a)*:

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
	2007	**2007**
SHiDAX USA CORP. and Restaurant Hospitality LLC, Patina Restaurant Group, LLC and other fourteen subsidiaries		
Current assets	**¥ 1,907**	**$ 16,154**
Non-current assets	**8,144**	**68,991**
Goodwill	**4,586**	**38,850**
Current liabilities	**2,976**	**25,209**
Non-current liabilities	**1,242**	**10,525**
Minority interests		
Foreign currency translation adjustment	**78**	**662**
Acquisition cost	**10,341**	**87,599**
Cash and cash equivalents held by the subsidiary	**601**	**5,091**
Proceeds from purchase of the subsidiary's stock	**¥ 9,740**	**$ 82,508**
DAISHINTO Inc. and DAISHINTO HUMAN SERVICE Inc.		
Current assets	**¥ 9,375**	**$ 79,415**
Non-current assets	**10,304**	**87,288**
Goodwill	**17,490**	**148,160**
Current liabilities	**3,698**	**31,328**
Non-current liabilities	**12,528**	**106,128**
Minority interests	**1,635**	**13,849**
Acquisition cost	**19,308**	**163,558**
Cash and cash equivalents held by the subsidiary	**3,797**	**32,161**
Proceeds from purchase of the subsidiary's stock	**¥ 15,511**	**$ 131,397**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years Ended March 31, 2007 and 2006

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, 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 2006 financial statements to conform to the classifications used in 2007.

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 ¥118.05 to U.S.$1, the rate of exchange at March 31, 2007. 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, 2007 include the accounts of the Company, SHiDAX FOOD SERVICE CORPORATION ("SFSC"), SHiDAX COMMUNITY CORPORATION ("SCC"), SLOGIX CORPORATION, SHiDAX i CORPORATION ("SDXi") and 27 other significant (7 in 2006) 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.

An affiliated company, SHISCA CORPORATION ("SISC") is accounted for by the equity method, the other immaterial unconsolidated subsidiaries and affiliated companies are not accounted for by the equity method, but 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 consolidation goodwill is defined as the difference between the Company's investments in consolidated subsidiaries or affiliated companies and the fair value of the net assets of them at the date of acquisition. The goodwill is amortized by the straight-line method for 5 to 20 years, or in case the effect of the goodwill should be consumed, would be reduced correspondingly.

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 June 28, 2006, SHiDAX USA Corporation ("SUC"), a wholly owned subsidiary established in the United States on April 27, 2006, acquired a stake in Restaurant Hospitality, LLC, making Patina Restaurant Group, LLC and other 14 LLCs the consolidated subsidiaries of the Company.

On May 8, 2006, VAS Food Service Corporation, a wholly owned consolidated subsidiary established on April 19, 2006, took over all businesses of office KOBAYASHI Co.,Ltd. including the restaurant business, systems business, and planning business, and concluded a business transfer agreement with office KOBAYASHI Co.,Ltd. the same day.

At a meeting of the Board of Directors held on January 29, 2007, the Company resolved to make a tender offer to and form a capital alliance with DAISHINTO Inc. After the Company made a tender offer in the time between January 30, 2007, and March 13, 2007, would acquire a stake in DAISHINTO Inc. the consolidated subsidiaries of the Company on March 22, 2007. DAISHINTO became our new subsidiary in March 2007, and the Company consolidated only the balance sheet as of March 31, 2007, without its statement of income.

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. Construction in process is stated at cost determined by the specific identification method.

d. Property and Equipment—Property and equipment are stated at cost. Depreciation is mainly computed by using the straight-line method over the estimated useful lives of the respective assets. But some of the consolidated subsidiaries are applied to the declining balance method. Their estimated useful lives range principally from 8 to 47 years for buildings and structures and from 2 to 20 years for furniture and equipment.

e. Long-lived Assets—In August 2002, the Business Accounting Council ("BAC") issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets," and in October 2003 the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Guidance No. 6, "Guidance for Accounting Standard for Impairment of Fixed Assets."

The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate 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.

f. Investment Securities—All investment securities are classified as available-for-sale securities. Marketable available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of net assets. 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.

g. 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 five years, the estimated useful life of software.

h. 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.

i. 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.

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

k. Employees' Retirement Benefits—The Group has a defined contribution pension plan and a prepaid retirement benefit plan.

l. 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.

m. Leases—The Company and domestic subsidiary's 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. In addition the consolidated subsidiaries of the Company in the United States apply the "accounting for the leases" issued by FASB.

n. 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 tax assets and liabilities are measured by applying currently enacted tax rates to the temporary differences.

The Group files a tax return under the consolidated corporate-tax system from the fiscal year ended March 31, 2006, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries.

o. 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.

p. Derivatives and Hedging Activities—The Group uses derivative financial instruments to manage 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 352,658 shares for 2007 and 352,651 shares for 2006.

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.

Diluted net income per share is not disclosed because it is anti-dilutive in 2007.

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.

r. Foreign Currency Translation—The revenue and expense accounts of the overseas consolidated subsidiaries are translated into yen at the average rate during the period. The balance sheet accounts, except for the components of net assets, are also translated into yen at the rate of exchange in effect at the balance sheet date. The components of net assets are translated at their historical exchange rates.

The resulting exchange loss or gain is charged or credited as foreign currency translation adjustment or minority interest.

Monetary assets and liabilities of the Company denominated in foreign currencies are translated at the current exchange rates in effect at each balance sheet date. All revenues and expenses denominated in foreign currencies are translated at the rate of exchange prevailing when such transactions were made.

s. New Accounting Pronouncements

Business combination and business separation

In October 2003, the BAC issued a Statement of Opinion, "Accounting for Business Combinations," and on December 27, 2005 the ASBJ issued "Accounting Standard for Business Separations" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Separations." These new accounting pronouncements are effective for fiscal years beginning on or after April 1, 2006.

The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. These specific criteria are as follows:

(a) the consideration for the business combination consists solely of common shares with voting rights,

(b) the ratio of voting rights of each predecessor shareholder group after the business combination is nearly equal, and

(c) there are no other factors that would indicate any control exerted by any shareholder group other than voting rights.

For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures. Goodwill, including negative goodwill, is to be systematically amortized over 20 years or less, but is also subject to an impairment test.

Under the accounting standard for business separations, in a business separation where the interests of the investor no longer continue and the investment is settled, the difference between the fair value of the consideration received for the transferred business and the book value of net assets transferred to the separated business is recognized as a gain or loss on business separation in the statement of income. In a business separation where the interests of the investor continue and the investment is not settled, no such gain or loss on business separation is recognized.

Presentation of Net Assets

Effective the year ended March 31, 2007, the Company and its consolidated subsidiaries have adopted an accounting standard for presentation of net assets in the balance sheet.

The amounts corresponding to total net assets for the years ended March 31, 2007 and 2006 under the previous standards were ¥30,374 million ($257,299 thousand) and ¥29,346 million, respectively. However, the adoption of this standard had no material effect on the statements of income for the year ended March 31, 2007.

This standard requires that balance sheets be presented as follows:

(a) the balance sheet divided into "Assets," "Liabilities," and "Net assets" sections. "Net assets" is divided into "Shareholders' equity," "Valuation, translation adjustments and others" and "Minority interests."

(b) "Shareholders' equity" is divided into "Common stock," "Capital surplus," "Retained earnings" and "Treasury stock —at cost."

"Valuation, translation adjustments and others" is divided into "Unrealized gain on available-for-sale securities" and "Foreign currency translation adjustments."

3. INVENTORIES

Inventories as of March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Merchandise	**¥ 824**	¥ 671	**$ 6,982**
Raw materials	**1,011**	506	**8,559**
Supplies	**290**	202	**2,458**
Payment for construction in process	**9**		**77**
Total	**¥2,134**	¥1,379	**$18,076**

4. GOODWILL

Offsetting of goodwill and negative goodwill as of March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Goodwill	**¥ 22,133**	¥ 469	**$187,485**
Negative goodwill	**(1,938)**	(2,037)	**(16,413)**
Total	**¥ 20,195**	¥(1,568)	**$171,072**

5. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of the year ended March 31, 2007 and, as a result, recognized an impairment loss of ¥2,365 million ($20,034 thousand) as other expense for certain sales outlets and kitchen facilities due to continuous operating losses. The carrying amount of the relevant assets was written down to the recoverable amount.

In addition, the Group recognized an impairment loss of ¥368 million ($3,120 thousand) as other expense for goodwill. The carrying amount was written down to the recoverable amount.

Following table summarized impairment losses for the year ended March 31, 2007:

Differently constructed by property	Millions of Yen	Thousands of U.S. Dollars
Building and structures	¥1,912	$16,197
Furniture and equipment	147	1,241
Leased properties	306	2,590
Goodwill	368	3,120
Software	0	6
Total	¥2,733	$23,154

The long-lived assets are grouped based on the minimum units for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities.

The recoverable amount is determined by comparing the net selling price with the value in use. The net selling price is the appraised value with rational adjustments, whereas value in use is the sum of the net projected future cash flows discounted at a rate of 5%.

6. INVESTMENT SECURITIES

Investment securities as of March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Non-current:			
Marketable equity securities	**¥367**	¥345	**$3,112**
Non-marketable equity securities	**226**	308	**1,917**
Other	**181**	176	**1,530**
Total	**¥774**	¥829	**$6,559**

The carrying amounts and aggregate fair values of investment securities at March 31, 2007 and 2006 were as follows:

	Millions of Yen			
March 31, 2007	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	**¥159**	**¥211**	**¥3**	**¥367**
Other	**103**	**68**	**0**	**171**
March 31, 2006				
Securities classified as available-for-sale:				
Equity securities	¥111	¥234		¥345
Other	102	71		173

	Thousands of U.S. Dollars			
March 31, 2007	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	**$1,349**	**$1,785**	**$22**	**$3,112**
Other	**875**	**577**	**0**	**1,452**

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2007 and 2006 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Available-for-sale:			
Equity securities	**¥226**	¥308	**$1,917**
Other	**9**	3	**78**

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, 2007 and 2006, 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, 2007 and 2006 were ¥122 million ($1,038 thousand) and ¥152 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥63 million ($530 thousand) and zero, respectively, for the year ended March 31, 2007 and ¥50 million and zero, respectively, for the year ended March 31, 2006.

7. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings as of March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Short-term borrowings:			
From banks, 1.207% to 6.090% (1.375% to 1.625% in 2006)	**¥3,518**	¥1,250	**$29,801**
From other, 1.600% (0.500% in 2006)	**105**	94	**891**
Total	**¥3,623**	¥1,344	**$30,692**

Long-term debt as of March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Loans from financial institutions, 0.790% to 6.110% (0.790% to 2.620% in 2006), due serially to 2014:			
Collateralized	**¥ 12,605**	¥ 540	**$ 106,777**
Unsecured	**40,818**	29,154	**345,776**
Unsecured 1.09% to 1.59% (1.09%) Japanese yen bonds due serially to 2012	**2,450**	500	**20,753**
Total	**55,873**	30,194	**473,306**
Less current portion	**(15,572)**	(11,608)	**(131,913)**
Long-term debt, less current portion	**¥ 40,301**	¥ 18,586	**$ 341,393**

Collateralized loans from banks of ¥2,794 million ($23,668 thousand) as of March 31, 2007 were included in the current portion of long-term debt.

The carrying amounts of assets pledged as collateral for long-term debt of ¥12,605 million ($106,777 thousand) at March 31, 2007 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Land	¥1,802	$15,265
Buildings and structures	1,534	12,997
Others	311	2,637

Annual maturities of long-term debt as of March 31, 2007 for the next five years and thereafter were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2008	¥15,572	$131,913
2009	9,679	81,991
2010	13,850	117,323
2011	4,212	35,682
2012	5,407	45,806
2013 and thereafter	7,153	60,591
Total	¥55,873	$473,306

8. EMPLOYEES' RETIREMENT BENEFITS

The components of net periodic benefit costs for the years ended March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Contributions to a defined contribution pension plan	**¥72**	¥79	**$614**

9. 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 a new corporate law (the "Corporate Law"). 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, 2007 and 2006 was ¥42 million ($353 thousand) and ¥32 million, respectively.

10. CONTINGENT LIABILITIES

a. Liability for Compensation for Damages and Other Defined

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), Global Factoring Corp and Fuyou Sougou Lease, 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, 2007, the maximum amount of compensation for damages and others defined in the contracts was ¥6,049 million ($51,240 thousand).

b. Residual Value Guarantees in a Sale and Leaseback Agreement

As of March 1, 2006, SCC transferred a portion of the internal equipment in its outlets to SMBC Leasing Company Limited and then entered into a sale and leaseback agreement with SMBC Leasing Company Limited. The agreement stipulates that when it expires, SCC may continue the agreement by paying an estimated disposal price of ¥2,751 million ($23,303 thousand), determined at the time the agreement was concluded, as a minimum principal, or may terminate the agreement by having the property revert to the appraisal or disposal value at the time it is returned and then paying the difference between the value and the estimated disposal price. Under the agreement, SCC shall pay a guarantee of ¥45 million ($388 thousand) each month and deposit a total of ¥2,751 million ($23,303 thousand) during the lease agreement term to secure debt consisting of lease payments and a residual value guarantee of ¥2,751 million ($23,303 thousand). Deposited guarantees outstanding as of March 31, 2007 totaled ¥550 million ($4,661 thousand).

11. NET ASSETS

On May 1, 2006, the Corporate Law became effective, which reformed and replaced the Japanese Commercial Code (the "Former Code") with various revisions that would, for the most part, be applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarized below:

a. Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as: (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) if the company has prescribed so in its articles of incorporation.

The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. Under the Former Code, certain limitations were imposed on the amount of capital surplus and retained earnings available for dividends. The Corporate Law also provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

In addition to the provision that requires an appropriation for a legal reserve in connection with the cash outlays, the Corporate Law also imposes certain limitations on the amount of capital surplus and retained earnings available for dividends. The amount of capital surplus and retained earnings available for dividends under the Corporate Law was ¥13,439 million ($113,840 thousand) as of March 31, 2007, based on the amount recorded in the parent company's general books of account.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Former Code, the aggregate amount of additional paid-in capital and legal reserve that exceeds 25% of the common stock may be made available for dividends by resolution of the shareholders. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation of such threshold. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of shareholders' equity.

The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of shareholders' equity or deducted directly from stock acquisition rights.

On December 9, 2005, the ASBJ published a new accounting standard for presentation of net assets. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of net assets. Such items include stock acquisition rights, minority interest, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006.

For the years ended March 31, 2007 and 2006, the Group repurchased 41 shares and 2,053 shares of its common stock in the aggregate amounts of ¥5 million ($44 thousand) and ¥185 million, respectively.

In addition, for the years ended March 31, 2007 and 2006, the Group disposed of 26 shares and 1,220 shares of its common stock in the amounts of ¥3 million ($27 thousand) and ¥42 million, respectively. As a result, the Group recognized gain on disposal as capital surplus in the amounts of ¥(0) million ($(3) thousand) and ¥13 million, respectively.

12. STOCK OPTION

On June 29, 2005, meeting of shareholders of DAISHINTO Inc. approved a stock option plan for the 9 directors, 3 auditors, 294 employees and 14 employees of DAISHINTO HUMAN SERVICE Inc. of its consolidated subsidiary that will enable them to purchase up to 3,000 thousand shares of its common stock in the period from July 1, 2007 to June 30, 2010. On April 18, 2006, the options were granted at an exercise price of ¥482 per share.

On May 28, 2006, an extraordinary meeting of shareholders of DAISHINTO Inc. approved a stock option plan for the 1,211 sales workers and 520 sales workers of DAISHINTO HUMAN SERVICE Inc. of its consolidated subsidiary that will enable them to purchase up to 200 thousand shares of its common stock in the period from October 1, 2006 to May 31, 2007. On April 18, 2006, the options were granted at an exercise price of ¥1 per share of the appropriate stock option was purchased up to 166 thousand shares and 34 thousand shares lapsed in the period of exercise of right.

13. LEASES

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

Total rental expenses including lease payments for the years ended March 31, 2007 and 2006 were ¥18,036 million ($152,783 thousand) and ¥18,242 million, respectively.

For the year ended March 31, 2007, the Group recorded an impairment loss of ¥306 million ($2,590 thousand) on certain leased property held under finance leases that do not transfer ownership and an allowance for impairment loss on leased property, which is included in other long-term liabilities.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligations under finance leases, depreciation expense, interest expense and other information on 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, 2007 and 2006 was as follows:

	Millions of Yen			Thousands of U.S. Dollars	
	2007		2006	2007	
	Furniture and Equipment	Computer Software	Furniture and Equipment	Furniture and Equipment	Computer Software
Acquisition cost	¥25,421	¥222	¥26,648	$215,341	$1,882
Accumulated depreciation	9,801	96	12,572	83,021	817
Accumulated impairment loss	594		314	5,031	
Net leased property	¥15,026	¥126	¥13,762	$127,289	$1,065

Obligations under finance leases as of March 31, 2007 and 2006:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Due within one year	¥ 4,973	¥ 4,575	$ 42,126
Due after one year	10,810	9,679	91,568
Total	¥15,783	¥14,254	$133,694

Allowance for impairment loss on leased property of ¥332 million ($2,816 thousand) as of March 31, 2007 is deducted from the obligations under finance leases.

Depreciation expense, interest expense and other information under finance leases for the years ended March 31, 2007 and 2006:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Depreciation expense	¥5,264	¥5,124	$44,587
Interest expense	451	390	3,824
Total	¥5,715	¥5,514	$48,411
Lease payments	¥5,760	¥5,610	$48,789
Reversal of allowance for impairment loss on leased property	¥ 189	¥ 168	$ 1,602
Impairment loss	¥ 306	¥ 384	$ 2,590

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 as of March 31, 2007 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥228	$1,932
Due after one year	431	3,650
Total	¥659	$5,582

14. INCOME TAXES

The Group is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of 40.69% for the years ended March 31, 2007 and 2006.

The tax effects of significant temporary differences and loss carryforwards that resulted in deferred tax assets and liabilities at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Deferred tax assets:			
Accrued bonuses	**¥ 995**	¥ 700	**$ 8,431**
Valuation losses of subsidiaries' stock	**859**	569	**7,274**
Valuation losses of investment securities	**259**	258	**2,198**
Retirement allowances for directors and corporate auditors	**236**	213	**1,999**
Depreciation and amortization	**2,133**	1,140	**18,066**
Impairment	**1,484**	929	**12,574**
Valuation losses of fixed assets	**500**		**4,239**
Valuation losses of investment real estate	**1,275**		**10,798**
Enterprise tax	**249**	174	**2,108**
Allowance for doubtful accounts	**1,611**	1,343	**13,643**
Tax loss carryforwards	**10,251**	1,730	**86,835**
Other	**1,110**	205	**9,406**
Less valuation allowance	**(6,799)**	(2,754)	**(57,597)**
Deferred tax assets	**14,163**	4,507	**119,974**
Deferred tax liabilities:			
Reduction of subsidiaries' stock	**(1,424)**	(1,424)	**(12,063)**
Valuation gains of land	**(232)**	(232)	**(1,966)**
Other	**(118)**		**(999)**
Deferred tax liabilities	**(1,774)**	(1,656)	**(15,028)**
Net deferred tax assets	**¥12,389**	¥2,851	**$104,946**

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2007 and 2006 was as follows:

	2007	2006
Normal effective statutory tax rate	**40.69%**	40.69%
Permanent differences	**1.10**	1.63
Inhabitants taxes—per capita	**8.35**	11.18
Dividend income from subsidiaries		0.01
Application of tax loss carry forwards	**5.39**	5.83
Tax on undistributed profits	**7.76**	24.89
Amortization of goodwill	**1.65**	(0.19)
Impairment	**3.13**	
Tax rate difference with subsidiaries	**1.42**	0.85
Other—net	**0.20**	(2.99)
Actual effective tax rate	**69.69%**	81.90%

15. PLEDGED ASSETS

The asset pledged as collateral for long-term debts for the years ended March 31, 2007 was ¥3,648 million ($30,899 thousand) as mentioned in Note 7. Moreover, time deposits of ¥15 million ($127 thousand) and investment securities of ¥3 million ($25 thousand) were pledged as security deposits for dealing as of March 31, 2007. In addition, our consolidated subsidiary's stock of 19,688,200 shares was reserved for collateral.

16. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the years ended March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Payroll	**¥ 5,586**	¥ 4,694	**$ 47,318**
Commissions	**890**	782	**7,545**
Provision for accrued bonuses	**489**	451	**4,146**
Retirement benefit costs	**29**	28	**241**
Provision for retirement allowances for directors and corporate auditors	**42**	32	**353**
Traveling expenses	**1,153**	1,116	**9,764**
Depreciation and amortization	**444**	496	**3,765**
Provision for allowance for doubtful accounts	**70**	3	**593**
Amortization of goodwill	**353**	134	**2,989**
Other	**7,130**	6,751	**60,395**
Total	**¥16,186**	¥14,487	**$137,109**

17. 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 interests 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 derivatives 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, 2007 and 2006, these contracts were excluded from disclosure of market value information.

18. 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, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Rent expenses	**¥577**	¥550	**$4,890**

The balances due to or from these related parties at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Security deposits	**¥1,100**	¥1,100	**$9,314**

19. SEGMENT INFORMATION

The Group operates in the following business segments:

“Slogix Businesses” consists of sales of groceries and consumable supplies to office food service businesses, 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 the management of large entertainment restaurants and online karaoke houses.

“Specialty Restaurant Businesses” principally consists of the management of restaurants.

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

“Total Outsourcing Businesses” principally consists of vehicle administration and social services.

“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, 2007 and 2006 was as follows:

(1) Business Segments

a. Sales and Operating Income

	Millions of Yen									
	2007									
	Slogix Businesses	Contracted Food Services	Medical Food Services	Restaurant and Karaoke Businesses	Specialty Restaurant Businesses	Deli and Convenience Services	Total Outsourcing Businesses	Others	Eliminations/ Corporate	Consolidated
Sales to customers	¥ 5,876	¥39,321	¥40,337	¥61,791	¥14,054	¥12,366		¥1,406		¥175,151
Intersegment sales	49,820	148	14	99	51			791	¥(50,923)	
Total sales	55,696	39,469	40,351	61,890	14,105	12,366		2,197	(50,923)	175,151
Operating expenses	51,884	38,127	41,098	54,083	14,040	12,509		2,551	(47,049)	167,243
Operating income (loss)	¥ 3,812	¥ 1,342	¥ (747)	¥ 7,807	¥ 65	¥ (143)		¥ (354)	¥ (3,874)	¥ 7,908

b. Total Assets, Depreciation, Impairment Loss and Capital Expenditures

	Millions of Yen									
	2007									
	Slogix Businesses	Contracted Food Services	Medical Food Services	Restaurant and Karaoke Businesses	Specialty Restaurant Businesses	Deli and Convenience Services	Total Outsourcing Businesses	Others	Eliminations/ Corporate	Consolidated
Total assets	¥12,061	¥4,847	¥6,283	¥44,175	¥17,920	¥2,023	¥37,170	¥752	¥790	¥126,021
Depreciation	2	139	65	2,328	345	17		89	269	3,254
Impairment loss		84		2,020	203	368			58	2,733
Capital expenditures		28	48	1,079	284	40		9	145	1,633

a. Sales and Operating Income

	Thousands of U.S. Dollars									
	2007									
	Slogix Businesses	Contracted Food Services	Medical Food Services	Restaurant and Karaoke Businesses	Specialty Restaurant Businesses	Deli and Convenience Services	Total Outsourcing Businesses	Others	Eliminations/ Corporate	Consolidated
Sales to customers	$ 49,778	$333,090	$341,693	$523,433	$119,054	$104,747		$11,907		$1,483,702
Intersegment sales	422,025	1,253	122	839	431			6,703	$(431,373)	
Total sales	471,803	334,343	341,815	524,272	119,485	104,747		18,610	(431,373)	1,483,702
Operating expenses	439,506	322,973	348,142	458,136	118,934	105,963		21,607	(398,550)	1,416,711
Operating income (loss)	$ 32,297	$ 11,370	$ (6,327)	$ 66,136	$ 551	$ (1,216)		$ (2,997)	$ (32,823)	$ 66,991

b. Total Assets, Depreciation, Impairment Loss and Capital Expenditures

	Thousands of U.S. Dollars									
	2007									
	Slogix Businesses	Contracted Food Services	Medical Food Services	Restaurant and Karaoke Businesses	Specialty Restaurant Businesses	Deli and Convenience Services	Total Outsourcing Businesses	Others	Eliminations/ Corporate	Consolidated
Total assets	$102,169	$41,056	$53,225	$374,210	$151,801	$17,140	$314,863	$6,370	$(15,717)	$1,045,117
Depreciation	10	1,181	552	19,719	2,921	145		758	2,278	27,564
Impairment loss		708		17,110	1,724	3,120			492	23,154
Capital expenditures		240	411	9,138	2,404	338		75	1,229	13,835

a. Sales and Operating Income

	Millions of Yen							
	2006							
	Slogix Businesses	Contracted Food Services	Medical Food Services	Restaurant and Karaoke Businesses	Deli and Convenience Services	Others	Eliminations/ Corporate	Consolidated
Sales to customers	¥ 5,203	¥39,630	¥39,087	¥61,185	¥11,815	¥1,030		¥157,950
Intersegment sales	40,199	49	15	5		735	¥(41,003)	
Total sales	45,402	39,679	39,102	61,190	11,815	1,765	(41,003)	157,950
Operating expenses	42,849	37,668	39,084	54,507	12,030	2,177	(36,725)	151,590
Operating income (loss)	¥ 2,553	¥ 2,011	¥ 18	¥ 6,683	¥ (215)	¥ (412)	¥ (4,278)	¥ 6,360

b. Total Assets, Depreciation, Impairment Loss and Capital Expenditures

	Millions of Yen							
	2006							
	Slogix Businesses	Contracted Food Services	Medical Food Services	Restaurant and Karaoke Businesses	Deli and Convenience Services	Others	Eliminations/ Corporate	Consolidated
Total assets	¥10,491	¥ 6,317	¥ 6,100	¥48,363	¥ 2,268	¥ 856	¥ 10,736	¥ 85,131
Depreciation	53	220	107	3,154	15	93	139	3,781
Impairment loss		402	10	2,204			22	2,638
Capital expenditures	17	100	41	1,467	39	157	111	1,932

Changes in business segment

The Company had separated its business in 6 segments until the prior year from the viewpoint of "Business Category," "Business Characteristics," etc.

Because of new consolidated subsidiaries, the Company added two business segments, namely, "Specialty Restaurant Businesses" and "Total Outsourcing Businesses."

As the results, in 2007 fiscal year, "Total sales ¥14,105 million (Sales to customers ¥14,054 million) and Operating expenses ¥14,040 million" of "Specialty Restaurant Businesses" are newly presented, and the same accounts of "Contracted Food Services" are decreasing by the same amounts, in comparison with the prior year's segmentation method.

In compliance with the new segmentation method, the prior year segment information is restated as follows. As the results, in 2006 restatement segment information, Total sales ¥1,520 million (Sales to customers ¥1,464 million), and Operating expenses ¥1,578 million of "Specialty Restaurant Businesses" were presented, and the same accounts of "Contracted Food Services" decreased by the same amounts.

a. Sales and Operating Income

	Millions of Yen									
	2006									
	Slogix Businesses	Contracted Food Services	Medical Food Services	Restaurant and Karaoke Businesses	Specialty Restaurant Businesses	Deli and Convenience Services	Total Outsourcing Businesses	Others	Eliminations/ Corporate	Consolidated
Sales to customers	¥ 5,203	¥38,166	¥39,087	¥61,185	¥1,464	¥11,815		¥1,030		¥157,950
Intersegment sales	40,200	5	15	5	57			735	¥(41,017)	
Total sales	45,403	38,171	39,102	61,190	1,521	11,815		1,765	(41,017)	157,950
Operating expenses	42,849	36,131	39,084	54,507	1,578	12,030		2,177	(36,766)	151,590
Operating income (loss)	¥ 2,554	¥ 2,040	¥ 18	¥ 6,683	¥ (57)	¥ (215)		¥ (412)	¥ (4,251)	¥ 6,360

b. Total Assets, Depreciation, Impairment Loss and Capital Expenditures

	Millions of Yen									
	2006									
	Slogix Businesses	Contracted Food Services	Medical Food Services	Restaurant and Karaoke Businesses	Specialty Restaurant Businesses	Deli and Convenience Services	Total Outsourcing Businesses	Others	Eliminations/ Corporate	Consolidated
Total assets	¥10,491	¥ 5,588	¥ 6,100	¥48,363	¥ 729	¥ 2,268		¥ 856	¥ 10,736	¥ 85,131
Depreciation	53	169	108	3,154	51	15		93	138	3,781
Impairment loss		264	10	2,204	134				26	2,638
Capital expenditures	17	88	41	1,467	12	39		157	111	1,932

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 ¥3,808 million ($32,254 thousand) and ¥4,271 million for the years ended March 31, 2007 and 2006, respectively.

2. Total corporate assets of ¥12,342 million ($104,550 thousand) and ¥17,694 million included in "Eliminations/Corporate" of total assets as of March 31, 2007 and 2006, 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, SHiDAX USA's business operations and sales of providing high-quality meals and services were added into "Specialty Restaurant Businesses" in the year ended March 31, 2007.

(2) Geographical Segments

The Company and subsidiaries were located and conducted their operations in Japan and North America in the year ended March 31, 2007. But the Company and subsidiaries were located and conducted their operations only in Japan in the year ended March 31, 2006; therefore, geographical segment information for the year ended March 31, 2006 was not presented.

	Millions of Yen				
	2007				
	Japan	North America	Total	Eliminations/ Corporate	Consolidated
Sales to customers	¥163,908	¥11,243	¥175,151		¥175,151
Intersegment sales		8	8	¥(8)	
Total sales	163,908	11,251	175,159	(8)	175,151
Operating expenses	156,224	11,027	167,251	(8)	167,243
Operating income	¥ 7,684	¥ 224	¥ 7,908		¥ 7,908

	Thousands of U.S. Dollars				
	2007				
	Japan	North America	Total	Eliminations/ Corporate	Consolidated
Sales to customers	$1,388,465	$95,237	$1,483,702		$1,483,702
Intersegment sales		67	67	$(67)	
Total sales	1,388,465	95,304	1,483,769	(67)	1,483,702
Operating expenses	1,323,371	93,407	1,416,778	(67)	1,416,711
Operating income	$ 65,094	$ 1,897	$ 66,991		$ 66,991

(3) Sales to Foreign Customers

Sales to foreign customers are sales by the Company's consolidated foreign subsidiaries, and sales in the overseas countries or areas.

	Millions of Yen		Thousands of U.S. Dollars	
	2007		2007	
	North America	Total	North America	Total
Sales to foreign customers (A)	¥11,243	¥ 11,243	$95,237	$ 95,237
Consolidated sales (B)		175,151		1,483,702
Ratio = (A) / (B)		6.4%		6.4%

No sales to foreign customers were recorded for the years ended March 31, 2006; therefore, such information was not presented.

20. SUBSEQUENT EVENTS

Appropriations of Retained Earnings

The following appropriations of retained earnings at March 31, 2007 were approved at the Company's board of directors meeting held on May 23, 2007:

Amount:	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥1,500.00 ($12.71) per share	¥529	$4,481

Effective payment date: June 13, 2007

The cash dividends are paid to the Company's shareholders, registered as at March 31, 2007.

TOHO AUDIT CORPORATION

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Independent Auditors' Report

The Board of Directors
SHiDAX CORPORATION

We have audited the accompanying consolidated balance sheet of SHiDAX CORPORATION (The "Company") and consolidated subsidiaries (The "Group") as of March 31, 2007 and the related consolidated statements of income, changes in net assets, and cash flows for the year 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, 2007 and the consolidated results of their operations and their cash flows for the year 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 snd, 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.

Toho Audit Corporation

TOHO AUDIT CORPORATION

June 28, 2007