

SHiDAX
Please!



CREATING HEALTH SHiDAX CORPORATION Annual Report 2003



SHiDAX CORPORATION was established in April 2001 as the parent company of SHiDAX Food Service Corporation and SHiDAX Community Corporation. The management integration of the two companies to form a holding company has broadened our food businesses to include new components. Under a corporate mission of “Creating Health,” we will work toward the infinite possibilities to maximize the value of the Company, while expanding our meal services, restaurant and karaoke businesses, and foodstuff distribution business.

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シダックス株式会社は、2001年4月シダックスフードサービス株式会社とシダックス・コミュニティー株式会社の共同完全親会社として誕生しました。この両企業の融合により、食を通じた私たちのビジネスフィールドは新たな広がりを見せています。私たちは、これからも“健康を創る”という経営理念のもとで、給食事業、レストランカラオケ事業、食材流通事業を展開するとともに、無限の可能性にチャレンジし企業価値の最大化を目指します。

Financial Highlights Years ended March 31

財務ハイライト 各年3月31日

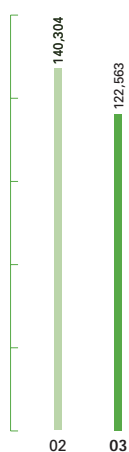
	Millions of Yen 百万円		Thousands of U.S. Dollars (Note) 千米ドル(注記)
	2003	2002	2003
Net sales 売上高	¥ 122,563	¥ 140,304	\$ 1,019,660
Operating income 営業利益	6,912	6,849	57,501
Income before income taxes and minority interests 税金等調整前当期純利益	4,602	11,799	38,287
Net income 当期純利益	2,109	6,239	17,549
Total assets 総資産	97,557	89,906	811,625
Total shareholders' equity 株主資本	28,211	27,412	234,704

	Yen 円	U.S. Dollars (Note) 米ドル(注記)	
Per share of common stock (Yen and U.S. Dollars): 普通株式1株当たり			
Basic net income 当期純利益	¥ 11,304.39	¥ 34,935.77	\$ 94.05
Cash dividends applicable to the year 配当金	3,000.00	2,000.00	24.96
Ratios: 指標			
Return on equity 株主資本利益率	7.6%	25.6%	
Equity ratio 株主資本比率	28.9%	30.5%	

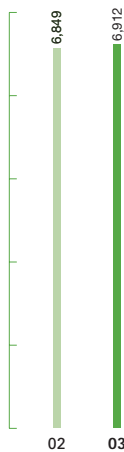
Note: U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥120.20=\$1, the approximate exchange rate on March 31, 2003.

注)米ドル表記は、便宜上、2002年3月31日現在の概算為替レート1米ドル = 120.20円で換算しています。

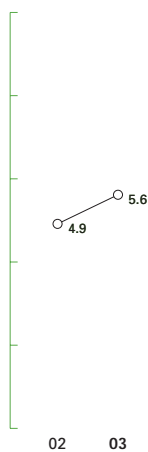
Net Sales (¥ millions)
売上高(百万円)



Operating Income
(¥ millions)
営業利益(百万円)



Operating Income Ratio (%)
営業利益率(%)



Cautionary Statement with Respect to Forward-Looking Statements

見通し、計画値に関する注意事項

Statements in this annual report regarding 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 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.

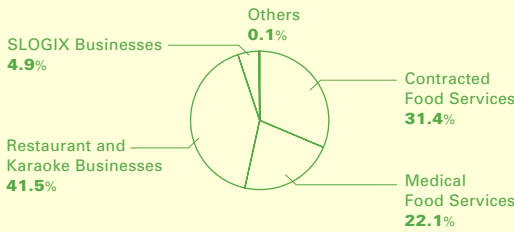
このアナニュアルレポートに記載されている、シダックスグループの業績の見通し、計画値等、将来に関する情報は、現段階における各種情報に基づいて当社の経営陣が判断したものであり、潜在的なリスクや不確実性が含まれており、確約するものではありません。したがって、実際は、市場動向、経済情勢などの変動により、かかる情報と大きく異なる可能性があることを、あらかじめご承知おき下さい。

Creative Solutions for a Healthy

—the past and for the future— これまでも、これからも。「健康を創る」を原点に。



Sales by Business Segment



Lifestyle



Contracted Food Services

コントラクトフードサービス事業
SHiDAX FOOD SERVICE CORPORATION
シダックスフードサービス株式会社

Sales (¥38,500 million)
Operating Income (¥1,824 million)
SHiDAX FOOD SERVICE Corp. provides quality meal services, primarily through the operation of dining facilities at businesses (offices, factories, care facilities), schools, and government offices. At present, the company provides 290,000 meals daily at 1,578 client facilities. SHiDAX FOOD SERVICE acquired the Western-style restaurant operator Restaurant Monte Rosa Co., Ltd. in April 2003, and will continue to expand its restaurant business, while at the same time working to raise its contracted food services to a restaurant quality.

売上高(38,500百万円)
営業利益(1,824百万円)
企業(オフィス、工場、保養施設)、学校、官庁の食堂などを中心に高品質の給食サービスを提供しています。現在1,578カ所に1日29万食の食事提供を行っています。また、2003年4月には洋食レストラン「(株)レストランモンテローザ」が傘下に入り、専門レストランハウスの本格展開と同時に、専門レストランに匹敵するコントラクトフードサービスのクオリティ向上に努めています。



Medical Food Services

メディカルフードサービス事業
SHiDAX FOOD SERVICE CORPORATION
シダックスフードサービス株式会社

Sales (¥27,139 million)
Operating Loss (¥94 million)

These operations provide high-value-added food service to hospitals, (both patient meals and staff dining rooms), living assistance facilities for seniors, nursing homes for seniors, and home-meals programs for seniors, providing not just nutritional balance, but tasty meals that offer an enjoyable dining experience. Primarily as the result of increased outsourcing at hospitals, SHiDAX FOOD SERVICE now provides meal services daily for 108,323 beds at 599 facilities.

売上高(27,139百万円)
営業利益(94百万円)
病院(患者食、職員食堂)をはじめ老人福祉施設、養護老人ホーム、ケアハウス、あるいは在宅高齢者の方々に栄養バランスだけでなく、“おいしさ”も楽しんでいたただける高付加価値の食事サービスを追求しています。特に、病院給食の外部委託率が増加する中、現在は599施設108,323床に食事サービスを提供しています。



Restaurant and Karaoke Businesses

SHiDAX COMMUNITY CORPORATION
シダックス・コミュニティー株式会社

Sales (¥50,925 million)
Operating Income (¥7,825 million)
SHiDAX COMMUNITY Corp. operates 250 combined restaurant and karaoke outlets nationwide (as of March 31, 2003), which together total 12,740 karaoke rooms. These outlets offer food service on a par with family restaurants. In an effort to build return business, these businesses provide “community space” services to their areas in the form of venues for regionally oriented culture schools, welfare support activities, and various other events.

売上高(50,925百万円)
営業利益(7,825百万円)
カラオケと食を融合したレストランカラオケ(2003年3月末現在250店、12,740ルーム)を全国で展開しています。また、ファミリーレストラン並みの食事サービスに加え、地域密着型のカルチャースクール、福祉活動支援、各種イベントなど町のコミュニティスペースとしてのサービスも提供し、地域一番のリピーター率を目指しています。



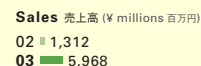
SLOGIX Businesses

エス・ロジックス事業
SLOGIX CORPORATION
エス・ロジックス株式会社

Sales (¥5,968 million)
Operating Income (¥792 million)

SLOGIX Corp. procures the choicest foodstuffs from around the world in bulk through a tie-up with Japan's largest foodstuff wholesaler, Kokubu & Co., Ltd. The company then utilizes its unique system to distribute these foodstuffs in the three different temperature ranges (frozen, chilled, and room-temperature) simultaneously. At present, SLOGIX is also engaged in sales outside the Group, and is realizing economics of scale through bulk procurement.

売上高(5,968百万円)
営業利益(792百万円)
国内食品卸業最大手の国分株式会社と提携し世界各地から厳選された食材を一括発注し、三温度帯(冷凍、チルド、ドライ)での一括配送を可能にする食材仕入販売事業を展開しています。現在、グループ内だけでなく、外部販売に向けた営業展開を積極的に進めており、大量仕入れによるスケールメリットの向上に努めています。





To Our Shareholders *Kinichi Shida, President*

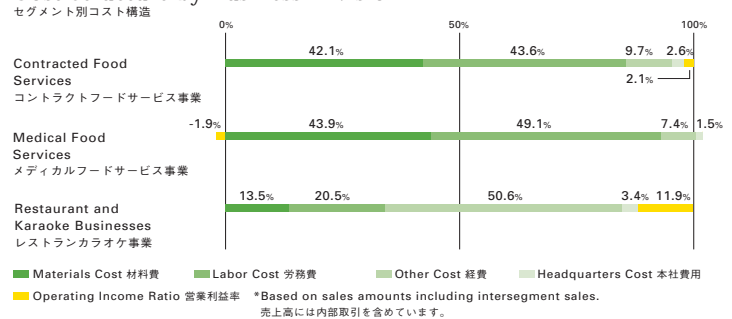
株主の皆様へ 志太 勤一 代表取締役社長

In fiscal 2002, ended March 31, 2003, the food service industry contended with Japan's prolonged economic downturn, intensifying competition, and a dizzying pace of change in customer preferences. This is an extremely demanding environment, in which a business cannot afford a moment's inattention. The SHiDAX Group is pursuing a bold growth strategy despite these adverse conditions.

当事業年度におけるフードサービス業界は、景気低迷、競争激化という厳しい環境に加え、お客様のニーズが目まぐるしく変わり、しかも、多様化・個性化しており、一瞬たりとも気の抜けない状況となっています。しかしながら、シダックスグループは、スケールメリットを生かし、あえて拡大戦略を進めます。

IMPROVING PERFORMANCE

Cost Structure by Business Division



The year in review

2003年3月期を振り返って

SHiDAX consolidated its business base through an aggressive domestic strategy of concentrating management resources in promising and profitable areas. As the Company expanded its business domains through mergers and acquisitions, the effects of sweeping structural reforms gradually began to surface, and the profitability of existing operations steadily improved. This notwithstanding, the persistent weakness of consumer spending necessitated a cutback in the establishment of new karaoke halls. This, together with anticipatory investments in our medical food services resulted in a decline in net income. Our best judgment, however, is that the concentration of management resources and M&A activity mentioned above constitute a proactive and effective adjustment to the adverse economic environment.

During the fiscal year under review, reorganization and the optimization of management-resource allocation were virtually completed. The sale of our U.S. subsidiaries in the previous fiscal year had a substantial impact on consolidated net sales, which declined 12.6% to ¥122,563 million in fiscal 2002. In contrast, domestic net sales grew 15.4%, and efforts to improve the Group's profitability resulted in a 0.9% increase in operating income, to ¥6,912 million.

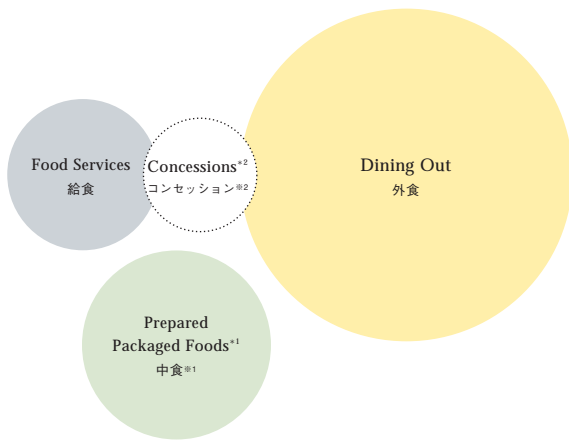
A dividend of ¥3,000 per share was declared, a significant increase

from the ¥2,000 per share dividend in fiscal 2001. On March 31, 2003, the Company conducted a two-for-one stock split. We will continue to emphasize returns to shareholders in the future, further increasing dividends and conducting additional stock splits as allowed by trends in performance, income per share, cash flows per share, and other considerations.

当期は、国内に経営資源を集中し攻めの経営に転ずる地盤を固め、実際にM&Aを活用した事業領域の拡大に着手しました。また、大幅な構造改革に取り組んできた成果が徐々に表面化し、既存事業の収益性も着実に改善に向かっていきます。しかしながら、消費低迷の長期化を前提としたレストランカラオケ事業の出店見直しやメディカルフードサービス事業の先行投資負担で当期純利益は減少しました。もともと、これら一連の経営判断は、今後も続く厳しい経済環境に対処するための前向きな施策であると考えています。

こうした中、前期に米国子会社を売却したことが大きく影響して連結売上高は122,563百万円と前期比12.6%の減少となりました。反面、国内売上高は前期比15.4%の増加となり、また、グループを上げて収益性の改善に努めた結果、デフレ圧力を受けつつも営業利益は6,912百万円と前期比0.9%の増加となりました。

当事業年度で、組織再編とそれに伴う経営資源の最適配分がほぼ完了したうえ、日ごろよりご支援を賜る株主様への利益還元を重視し、期末配当金を3,000円(前期2,000円)に増配しました。さらに、2003年3月31日の株式を1株につき2株の割合をもって分割しました。今後とも、業績の動向や、1株当たり利益、1株当たりキャッシュ・フローの推移などを総合的に勘案し、増配や株式分割等により株主様に対する積極的な利益還元を努めてまいります。



***1 Prepared packaged foods**

“Prepared packaged foods” refers to box lunches and other takeout foods that serve as an alternative to restaurant dining or cooking at home. The increase in working women and one-person households is causing rapid growth in this market.

1 中食
外出して食事をする「外食」に対し、弁当や惣菜など調理済み食品を持ち帰って食事することを「中食」と言います。働く女性や単身者世帯の増加などで「中食」市場は急成長しています。

***2 Concessions**

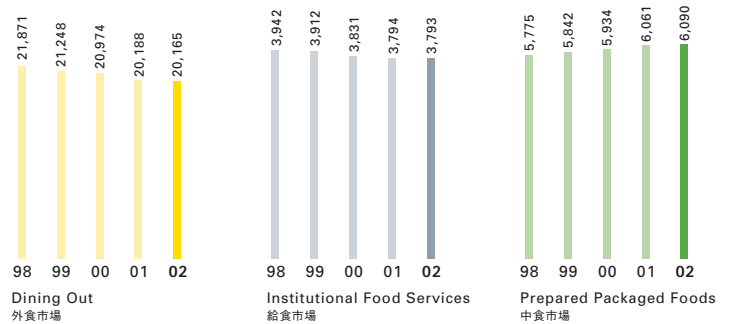
“Concessions” refers to kiosks or restaurants located in public spaces such as train stations, airports, and freeway rest stops, as well as in commercial areas such as department stores, shopping centers, office building commercial arcades, and other places where people are likely to pass or congregate.

2 コンセッション
駅や空港、高速道路のサービスエリア等の公共施設、デパート・ショッピングセンターやオフィス集積ビル内の食堂街など人が集まりやすい場所の売店やレストランを「コンセッション」と言います。

BORDERLESS MARKETS

Food Service Market in Japan (¥ billions)

日本のフード市場(十億円)



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

The emerging irrelevance of boundaries represents opportunity

フードサービスのボーダレス化はビジネスチャンス

The gap is rapidly narrowing between restaurants, which have suffered a devastating price collapse, and corporate dining rooms. Today, corporate dining rooms compete with restaurants not only in terms of food quality but also in providing a more entertaining environment and striving to meet the increasing demand for box lunches and other packaged foods. Outside the workplace, the formulaic dining habits of earlier eras have also changed markedly, and are no longer centered on preparing and eating meals at home at set times.

As the Company already has a multifaceted food-service infrastructure in place, these social changes and the deflationary economy represent an opportunity for SHiDAX to expand its business domain. The walls between sectors of the food service industry are coming down, and we have decided not to withdraw from any one of the three food service fields. SHiDAX will instead target all three fields—restaurant operations, prepared packaged foods¹, and institutional

food service—simultaneously, while also breaking new ground in the concessions² field. The Company will employ economies of scale and the effective utilization of the value chain to heighten the SHiDAX brand image, which will be an important element in the success of this effort.

外食レストラン並みのメニューを揃える社員食堂と価格破壊の熾烈な外食レストランとの格差は急速に縮小しています。家で作った食事を決まった場所で決まった時間に食べるという旧来の定型的な食事スタイルが大きく変わり、社員食堂にも外食レストランが競い合うエンタテイメント空間の演出や、多様化するライフスタイルに合わせビジネスランチ弁当・惣菜など「中食」需要への対応が求められています。

こうした時代の変化とデフレ経済が交差する状況ですが、既に全方位的なフードサービスのインフラを整備しているシダックスにとって、フードサービス業界のボーダレス化は事業領域拡大のチャンスであり、同時に私たちが「外食」・「中食¹」・「給食」のどれかに限定したビジネス展開を行う意義はなくなりました。今後、シダックスは、外食・中食・給食だけでなく、「コンセッション²」分野も含めフードサービスの全領域をターゲットに展開します。また、スケールメリットの追求やバリューチェーンの有効活用にとどまらず、ブランドイメージを高めていく戦略を重点的に進めます。



BRANDING STRATEGY



Progress in our branding strategy

ブランディング戦略を推進

Despite the deflationary pressures and extreme saturation of the food service market, the SHiDAX Group is pursuing a growth strategy. We are not, however, relying on sales growth as the engine to drive the Group's expansion. We will instead seek improved price competitiveness, and increase the value added to our services through expansion of scale and branding. It is necessary not only to tap economies of scale through branding, but also to create services that are responsive to both the changes of the era and diversifying lifestyles.

SHiDAX is pursuing strategies that utilize the strengths of its nationwide store network. As it strives to evolve into a chain-store operation, the Company is establishing "brand corners" within its stores, and has published an operations manual. SHiDAX stays on top of trends in cuisine through surveys of diner opinion, quickly incorporating its findings into its menus, and further differentiates itself through the nationwide introduction of regional cuisines. We must also increase customer satisfaction with regard to prices, although the price level at which customers find satisfaction

changes continually. In the past, the fundamental approach in the restaurant industry in Japan was to strengthen brand power through a chain-store strategy under which all of a chain's outlets nationwide offered an essentially identical menu and services. Today, though, it is difficult to achieve high added value through standardization alone, which means that it is difficult to gain brand recognition through that strategy.

Therefore, in addition to such economies of scale, we are reducing costs through the deployment of a bulk foodstuffs procurement and distribution system. This system will increase our buying power by enabling joint procurement even with companies whose business model and menu differ from ours. Because SHiDAX has significant and detailed expertise in the preparation of menus, the Company is able to offer individualized services that meet with a high level of customer satisfaction. In the future, though, our success in the diverse food-service scene will be largely dependent on the degree of success we have in raising the profile of the SHiDAX brand.



シダックスグループは、デフレ圧力と慢性的飽和状態のフードサービス業界であえて拡大戦略を展開します。当然のことですが、売上規模を拡大させることが目的ではなく、規模を拡大させることで、コスト競争力とサービスの付加価値をより高めることが目的です。そこで、高付加価値を具現化するための重要な戦略としてブランディングを推進します。

ブランディング戦略とは、シダックスグループの高付加価値サービスに対しお客様に統一したイメージ(信頼、安心、満足など)を確立し、そのブランドがお客様を惹きつけ、優位な取引条件を引き出せるよう育てる戦略です。既にレストランカラオケはシダックスのブランドイメージが定着していますが、新たに打ち出したブランディング戦略は、フードサービス企業として確固たるブランドを浸透させるものです。もちろん、ブランドを育てることは容易なことではありません。したがって、M&Aやアライアンスにより即戦力となるブランドの取り込みも積極的に行います。また、ブランドを確立するには、スケールメリットの追求だけでなく、変化と多様化の時代に対応したサービスの両立が必要です。

全国的な店舗網を活用する戦略として、店舗内にブランドコーナーを設置し、オペレーションマニュアルを策定したうえで、チェーン化させていきたいと考えています。また、喫

食者の意見をメニューに積極的に取り入れながらフードトレンドを素早く反映させ、さらに、郷土料理の全国展開などでも差別化を図り、ブランド力をより磨き上げていきます。お客様は支払う価格から得られる満足感に対する意識を高めています。しかも、この満足感は一定しておらず絶えず変化します。従来は、全国どの店でも均一化した味や接客サービスを提供できるチェーン店戦略がブランド力を高める基本でした。しかし、ここに来て、均一化したサービスだけでは高い付加価値、すなわちブランドとして評価されにくくなってきました。

もっとも、細分化した対応を強化すれば、一方でサービスの均一化によって得られるスケールメリットが失われるのが常識です。しかし、シダックスは、スケールメリットを考慮するうえで、最も大きな要素である食材費について、業態やメニューの異なる他社と共同してバイニング・パワーを高められる食材の一括調達物流システムを構築しています。また、きめ細かいメニュー提供のノウハウも十分蓄積してきましたので、個性豊かでお客満足度の高いサービスは十分可能です。今後は、多様なフードサービスシーンで、「シダックス」ブランドをいかに定着させることができるかが成長ポイントになると考えています。



EXPANDING VISION



Comprehensive food business management concept implemented

「総合フードビジネスマネジメント」構想が始動

To achieve growth over the medium to long term, we are executing our branding strategy and rapidly expanding our business domain through M&A. Our M&A activities are focused on existing businesses in which synergies can be expected, and the guiding principle is the feasibility of recovering our entire investment within five years. We carefully study the human resources, customer base, business locations, and operational health of every potential investment target. The forging of alliances is also an important option. If external resources can be utilized effectively, it is not necessary that the Company should own them. Our fundamental policy, therefore, is to invest in assets with low financial risk and high asset efficiency, and, to the maximum extent possible, to avoid the acquisition of infrastructure that involves a high investment risk.

M&A and alliance activities included the 100% acquisition of Restaurant Monte Rosa Co., Ltd. on April 2, 2003. Restaurant Monte Rosa was formerly a wholly owned subsidiary of Tokyu Department Store Co., Ltd., and operates Tokyu's corporate dining room as well as restaurants in Tokyu's restaurant arcades. Monte Rosa restaurants

are located near train stations and in entertainment districts. The value of the Monte Rosa trade name is quite high. SHiDAX will employ its management resources to lower the break-even point of Monte Rosa restaurants, and will use its expertise in attracting customers to make the Monte Rosa restaurants more attractive.

The SHiDAX Group also operates Western restaurants, Craighton's Café specialty coffee shops, and similar businesses, primarily in the area of Shibuya Station. The brand power of these businesses is one of the pillars of the SHiDAX Group's restaurant business and its concessions business. In addition, shops in the entertainment district around Shibuya Station have great value as conduits for the flow of information. SHiDAX is using its management resources to lower the break-even point, and, in addition to the Company's expertise in drawing customers, is employing brand power and price competitiveness to increase the drawing power of these businesses. Fusing the brand power and expertise in the food service, karaoke, and Restaurant Monte Rosa businesses will impart new vigor to the SHiDAX Group's operations across the board.



To the present, our primary business domains have been the institutional food service operations of SHiDAX FOOD SERVICE Corp. and the restaurant operations of SHiDAX COMMUNITY Corp. In the future, we plan to expand the business domains of the concessions and the prepared foods fields, which include the bento and side-dish business. SHiDAX's comprehensive management structure already encompasses restaurant operations, prepared foods, contracted food service, concessions, convenience store operation, and foodstuff distribution.

ブランディング戦略を実行し中長期的な成長を目指すため、既存事業とのシナジー効果の期待できる分野において、M&Aを活用したスピーディーな事業領域の拡大を行っています。また、M&Aは5年以内に投資金額を回収できる見込みのあることを原則としていますが、それだけでなく、投資先が有する人材、顧客、立地条件、オペレーション等も総合的に勘案して慎重に選別しています。もっとも、すべてグループ内部に取り込むという考えではありません。M&Aだけでなく提携・アライアンスといった手段も重要な選択肢です。外部の資源を効率よく導入できるのであれば内部にすべてを保有する必要はないと考えます。特に投資リスクの大きいインフラ資産などは極力保有せず、よりリスクが小さく資産効率の高い財務内容にするのが基本方針です。

具体的なM&A・アライアンスについては、2003年4月2日に(株)東急百貨店の100%子会社である「(株)レストランモンテローザ」の全株式を取得しました。(株)レストランモンテローザは東急百貨店様の社員食堂の運営や、同百貨店内のレストラン街で洋食レストランを展開しています。渋谷駅を中心に洋食レストランや、スペシャルティコーヒーショップ「クレイトンカフェ(CRAIGHTON'S CAFÉ)」などを運営しており、そのブランド力はシダックスグループにおける、レストラン事業、コンセッション事業のひとつの核になると考えています。また、渋谷駅周辺の繁華街に展開する店舗は、情報発信拠点としての価値も非常に高いと言えます。そこで、シダックスの経営資源を活用し、損益分岐点を低下させたいと、シダックスが有する集客ノウハウを加えることで、ブランド力と価格競争力の両面でより魅力的な事業へと変貌させ、情報発信拠点としての役割も期待しています。給食事業・カラオケ事業・レストランモンテローザ各々が持つブランドとノウハウを融合させることで、グループ全体に新たな活力を生み出すことができると考えています。

これまで、私たちの事業領域はシダックスフードサービスが展開する給食産業分野とシダックス・コミュニティが展開する外食産業分野がメインでした。今後は「コンセッション分野」、弁当惣菜ビジネスを展開する「中食分野」へも事業領域を拡大する計画です。外食・中食・給食・コンセッション・コンビニエンスストア・食材物流に至るシダックスの「総合フードビジネスマネジメント」構想はすでに始動しました。

Environmental activities

環境への取り組み

The SHiDAX Group's environmental protection activities include the recycling of raw garbage and waste cooking oil, the provision of environmental protection guidance to foodstuff vendors, and the reduction of CO₂ emissions through its bulk distribution systems. The Group operates a business that recycles waste food and leftovers from the institutional food service and restaurant industries, collecting such waste food on return trips from food deliveries and then converting it into poultry feed.

Guided by its corporate philosophy, "Creating Health," the SHiDAX Group strives to meet its social responsibility to promote environmental protection. The headquarters divisions of SHiDAX Corp., SHiDAX FOOD SERVICE Corp. and SLOGIX Corp. have already received ISO 14001 certification of their environmental man-

agement systems, as have the three restaurants owned and operated by SHiDAX FOOD SERVICE Corp.

シダックスグループは、生ゴミのリサイクル化、食用廃油の資源化、食品納入会社への環境配慮指導、一括物流システムによるCO₂削減などを通じて環境責任を果たしたいと考えています。例えば、給食・外食業界から排出される調達くずや食べ残し等の食品廃棄物をリサイクルするビジネスを進めています。このビジネスは食材を納品したトラックの帰り便で、食品廃棄物を回収し加工することによって養鶏飼料とするものです。

健康創造を企業理念として掲げているシダックスグループにとって環境保全活動を推進することは社会的責任であると考えています。すでに、シダックス(株)、シダックスフードサービス(株)、エス・ロジックス(株)の3社の本社部門およびシダックスフードサービス(株)傘下のレストラン3店舗は環境マネジメントシステムの国際標準規格「ISO14001」の認証を受けています。

RESPECTING THE ENVIRONMENT

Hygiene management system


衛生管理体制

SHiDAX regards its responsibility to provide highly safe food to the public with the utmost gravity. The Company is in the vanguard of the industry, having quickly adopted the HACCP food safety and hygiene system with its high safety standards for institutional food service facilities, based on the three principles of purity, speed, and heating.

高い安全性を持つ食事を提供するの、シダックスの大切な使命です。"清潔・迅速・加熱"を衛生管理の3原則として、業界に先駆けて食材保証や厨房施設などに高い安全基準を設けた安全衛生管理システム「給食サービスHACCP」を開発し、お客様の信頼を確保しています。

The SHiDAX Group has virtually completed its efficiency enhancement measures. As its next step, the Group will expand existing business domains. One strength of the food business is that it serves a daily need, and the Company will make use of that strength in striving to achieve further growth. The SHiDAX Group requests the understanding and support of each individual shareholder as it undertakes this effort.

シダックスは、現在、グループ内の効率化作業にほぼめどをつけ、次のステップとして、既存ビジネスの領域を広げ、また、食事という日常的な場でビジネス展開をしているメリットを生かし、新たな成長を目指したいと考えています。株主・投資家の皆様におかれましては、今後とも格別のご理解とご支援を賜りますようお願いいたします。



Kinichi Shida, President 志太 勤一 代表取締役社長

Current Situation and Strategies

各事業を取り巻く環境と戦略



Let us set your table.

CONTRACTED FOOD SERVICES

Trends in the contracted food services market

コントラクトフードサービス市場の動向

The market for outsourced meal services for business facilities declined to ¥2,036.5 billion in 2002, continuing its downward trend. There is limited scope for the growth of demand in this area, as 95% of food service at business facilities is already outsourced. Accordingly, competition for market share in this field is intense. Meanwhile, the market for food service in schools was virtually flat at ¥480.0 billion, as the declining number of school-age children continues to exert an influence on this segment.

Structural changes are emerging in the market for outsourced meal services for business facilities. Until recently, businesses calculated the cost of outsourcing as a fixed percentage of labor costs and treated it as an administrative cost¹. This kept the cost of meals to employees at extremely low levels. Today, businesses are shifting to a system in which the provider is paid only for meals actually served to employees, a unit-cost system² very much like that of a restaurant. For this reason, the boundary is rapidly disappearing between the contracted food service market and the restaurant market, which is undergoing a rapid collapse of prices.

前年度(2002年度)の事業所向け給食市場は2兆365億円で漸減状態が続いています。しかも、企業向け給食市場は委託率95%と言われ新しい需要が発生する余地の限られる中、激しいシェア争いが繰り広げられています。また、学校向け給食市場も少子化傾向に伴い4,800億円台で伸び悩んでいます。

一方、企業向け給食市場では構造的な変化も起きています。企業が福利厚生の一環として行っていた社員食堂が、従来のように委託企業が一定割合を労務費として負担することで社員が格安の食堂を利用できる管理費制¹から、従業員が食べた分だけを負担すると

いう、ほとんど外食レストランを利用している形態に近い単価制²にシフトする傾向を強めています。このため、単価制シフトが進む事業所向け給食市場と価格破壊が加速する外食レストラン市場との境が急速に無くなりつつあります。

Building an exacting service structure

コスト削減ときめ細かいサービス

With the collapse of borders between their respective markets, outsourced meal service providers must offer services that are equivalent to those of restaurants, or risk losing customers. To build a structure that can deal not only with intensifying price competition, but also with a broad spectrum of customer requirements, we must pull existing business organizations into groups according to customer attributes and style of services, then implement operational and management systems that are responsive to the differing characteristics of these groups.

給食市場と外食市場のボーダレス化が意味することは、給食業界も外食レストランに匹敵するサービスを提供しなければ、ユーザー(喫食者)離れが起きてしまうということです。そこで、価格競争力を高めるだけでなく、多種多様なニーズに対応できる仕組みを構築するため、お客様属性やサービス・スタイルなどで既存店舗をグループ化し、グループごとに専門性の発揮できる運営・管理システムを導入します。

Dealing with intensifying price competition

コスト競争力の向上策

To increase our price competitiveness, we set a goal of increasing the proportion of part-time workers in our labor force to 90%. To prevent any decline in the level of service, and to better respond to diverse customer requirements, we implemented a centralized menu



*1 Under the administrative cost system, the employee is charged for the cost of the foodstuffs, while the client firm is billed for the provider's labor costs, operating costs, and profits. The cost to the employee under this system is generally lower than under the unit-cost system.

*2 Under the unit-cost system, the price paid by the employee represents the sales revenue of the provider. Except for such labor and operating costs as are borne by the client firm, including rent, water, electricity, heating, and the cost of equipment and utensils, costs to the client are fixed and are treated as a business expense.

1 管理費制とは、喫食者から原材料費相当額の食事代金を受け取り、委託先から管理費として給食の運営受託に要する労務費、経費及び利益の見積もり合計額の支払いを受ける契約。この契約の下では、一般的に喫食者への売価は、単価制契約より安くなっています。

2 単価制とは、喫食者の負担する金額を受託者の売上とし、給食の運営受託に要する労務費及び経費のうち家賃、水道光熱費、設備用品など委託者が負担するものを除き、委託者との売価の取り決めが運営収支となります。

management system. In parallel with this, we diversified our menus, relying primarily on prepared foods. In fiscal 2003 we will further reduce costs by increasing our utilization of SLOGIX to a total of 60%, and will continue to reduce the cost of materials.

コスト競争力を高める策としては、パート・アルバイト比率を90%にする目標を掲げています。反面、サービスレベルの低下を防ぎ、一方でより多様なニーズにも対応するため、本社集中管理型メニューシステムの導入と並行して完全調理済み食品を中心にメニューの多様化を図ります。そして、さらなるコスト削減策として、2003年度はエス・ロジックスの利用率を全体の60%に高め、食材コストの引き下げを進めます。

Strengthening our school meal services

学校給食事業を強化

Japan's declining birth rate militates against expectations of growth of the market for outsourced meal services for schools. However, as the market's outsourcing ratio is still less than 11.5%, and SHiDAX until recently has had only a small presence, the Company sees this as a very promising field. Licensing requirements are a significant barrier to participation in this market, and to overcome this barrier the Company must first secure personnel with the necessary qualifications. We must also use M&A to build an organization that can compete and win in this market. The needed infrastructure is already in place, so the two most significant issues facing us in this area are securing needed personnel and establishing a track record.

学校給食市場も少子化ゆえ市場そのものの拡大は期待できませんが、シダックスがまだ本格参入していない市場であり、しかも、外部委託率は依然として11.5%に過ぎず、これからオー

ブン化の進む市場であることを考えると大変魅力的です。そこで、まず、大きな参入障壁である学校給食実務の資格要件を満たす人材を積極的に確保します。また、M&Aも積極的に活用し即戦力部隊の取り込みを行います。学校給食サービスに対応できるインフラはすでに整っており、学校給食事業を立ち上げるうえで最大の課題は人材確保と実績の積み上げです。

Advancing into concessions and prepared foods fields

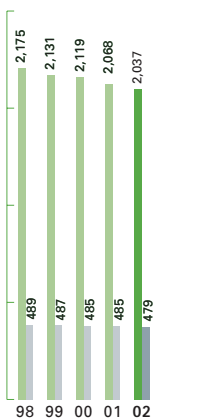
コンセッション、中食分野にも進出

As a new strategy for expanding our contracted food service business, we have expanded this domain to include what we call the "concessions" field. This business entails the operation of restaurants, fast food outlets, and cafes in busy locations such as train stations, airports, freeway service areas, department stores, and shopping centers. We are also stressing the growth of the prepared foods business, which involves bento packaged lunches and side dishes, bringing to bear in both these fields the expertise developed in our contracted food services.

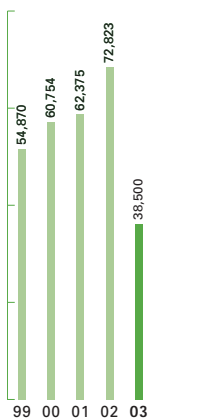
コントラクトフードサービス事業の新たな拡大戦略として、人が集まりやすい場所でのフードサービス、つまりコンセッション分野(駅・空港・高速道路のサービスエリア、デパート・ショッピングセンター等でのレストラン、ファストフード、カフェ)にも領域を広げます。また、コントラクトフードサービスのノウハウが生かせる弁当・惣菜などの中食事業の育成にも注力します。



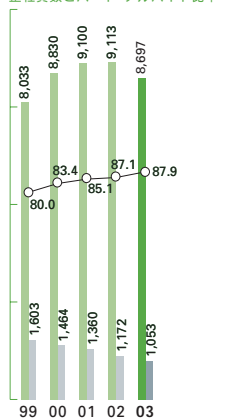
Contracted Food Services Market (¥ billions)
事業所・学校給食市場の推移 (十億円)



Sales of Contracted Food Services (¥ millions)
コントラクトフードサービス事業部の売上推移(百万円)

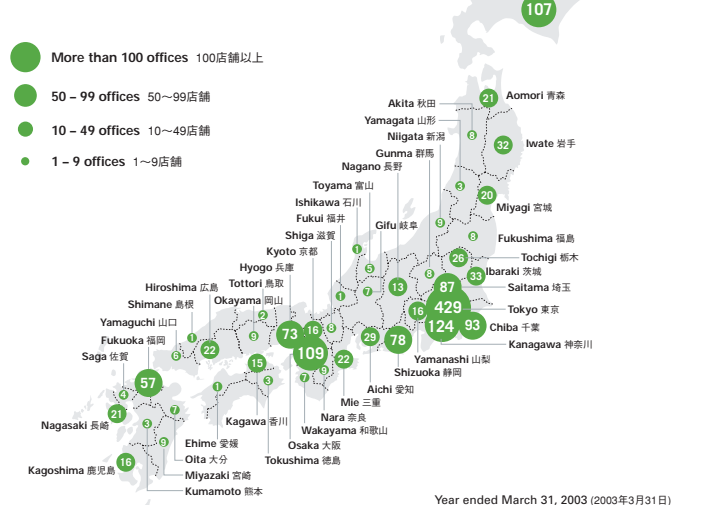


Number of Full-Time Workers and Part-Time Workers in Contracted Food Services
コントラクトフードサービス事業部の正社員数とパート・アルバイト比率



Number of Branch Offices Nationwide

Contracted Food Services
コントラクトフードサービス事業の全国営業店数



Year ended March 31, 2003 (2003年3月31日)

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

*Years ended April
各年4月末データ

MEDICAL FOOD SERVICES

Trends in the medical food services market

メディカルフードサービス市場の動向

In 2002 the market for contracted food services at hospitals and other healthcare facilities remained virtually unchanged from the previous year, at ¥1,276.9 billion. However, the outsourcing ratio is estimated at less than 50%, which means that a shift to outsourcing in connection with rationalization at hospitals and nursing homes can be expected to bring growth in demand. At the same time, though, adjustments to treatment fees paid to medical institutions under the medical insurance system is placing strong downward pressure on the unit price of hospital meals, and price competition worsens with every passing year. It is also expected that the increasing share of the price of hospital meals borne by patients will bring demands for higher quality. SHiDAX is moving forward with the development of a structure capable of responding to both the requirement for price competitiveness and to demands for higher quality.

前年(2002年)の病院福祉施設向け給食市場は1兆2,769億円と横ばい状況でしたが、外部委託率は50%未満であり、合理化を迫られる病院や老人ホームなどからの外部委託シフトによる需要拡大がまだまだ期待されます。しかしながら、診療報酬改定により、病院給食の受託単価の下げ圧力は強く、価格競争も年々激化しています。将来的には食事療養費の自己負担増加により、より高品質の食事提供ニーズが高まると予想され、シダックスは価格競争力と高品質化ニーズの両方に対応できるサービス体制の構築を進めています。

New SHiDAX Medical Cafeteria system launched

新SMCシステムを提供

In response to demands from patients for better-tasting hospital food, the Company has introduced its new SHiDAX Medical Cafeteria (SMC) system. SMC is a newly developed nutrition management system that offers many choices from a varied menu for a more enjoyable dining experience. To a greater degree than ordinary meal services or meal services for seniors, the new SMC system ensures that the patient receives meals that are not only delicious, but also deliver the proper nutritional content. We are also moving forward with the establishment of an online SMC system that will allow the rapid communication of patient needs, as well as a speedy and precise response.

「よりおいしく食べたい」という患者様のニーズに対応し、新しいSMC(シダックス・メディカル・カフェテリア)プログラムを提供します。SMCは好みに応じてメニューを細かく選ぶことができ、残さず楽しく食事をしていただくために開発した栄養管理システムです。新SMCシステムでは、一般向けとシルバー向けサービスをより明確化し、患者様がよりおいしく必要な栄養量を確実に召し上がっていただけるよう改良を加えました。さらに、患者様のニーズが即座に伝わり、スピーディーで的確なサービスが提供できるようオンラインSMCシステムの導入を進めています。



A touch-screen display makes it easy for patients to select their meals. Because this makes them more likely to finish their meals, and therefore to receive proper nutrition, this system also makes a significant contribution to a patient's recovery.

タッチパネルによる簡単操作で、患者様が自由にお好みの食事を選ぶことができます。そして、残さず楽しく食べていただくことにより、患者様の健康回復に大きく貢献します。



Simultaneous pursuit of quality and price competitiveness

価格競争力と質の両立

To heighten price competitiveness, the Company will increase its procurement of materials from SLOGIX to 55% in the fiscal year ending March 31, 2003. Among measures to improve quality, SHiDAX is deploying menus that incorporate regional products and cuisines, and is striving to achieve reductions in costs. To win the trust of our customers and to further the expansion of our hospital meal services, we are vigorously recruiting nutritional administrators, and are training more within the Company.

価格競争力を高めるため、エス・ロジックスからの食材仕入れ率を2003年度に55%まで引き上げます。そして、地域性を踏まえた食材を使用するメニューなども追加、低コスト化と質の向上を両立していきます。また、高い信頼を確保し、病院給食サービスの受託を優位に展開するため管理栄養士の積極採用と社内育成を促進します。

Fostering human resources and strengthening management

人材育成と営業強化案

The outsourcing of meal services at hospitals is growing rapidly, and SHiDAX is seeking to capitalize on this opportunity to increase its share of this market. To accomplish this, the medical food service business is doubling its sales development staff from 60 to 120, and is implementing a workforce strengthening system that will foster extremely capable personnel over the medium to long

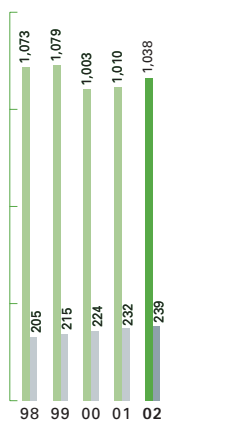
term. Nutritional administrators are the key personnel in our medical food services operations, and we are aggressively recruiting prospective nutritional administrators and assisting them to attain required qualifications through study groups and correspondence courses. Our training programs also include on-the-job training at all business locations and regularly scheduled conferences for our nutritionists, which allow them to acquire the specialized knowledge and management skills they will need to become store managers and training personnel. These improved training programs boost the morale of SHiDAX staff members, who are our most important asset, and support our effort to secure the superior human resources needed to raise the level of customer satisfaction.

病院給食の外部委託化は急速に進んでいます。メディカルフードサービス事業部はこのチャンスをつえシェア拡大を目指しており、現在60人の営業開発スタッフを120人に倍増して営業力を強化しています。一方、人員増だけでなく優秀なスタッフを育てるため、中長期的な視点から人材強化システムにも力を入れています。特に、同事業部の中核的人材と期待される管理栄養士候補者を積極的に採用し、社内勉強会や通信教育などを通じて管理栄養士の資格取得をバックアップしています。さらに、各事業所における実践教育と、定期的に行われる栄養士会など独自の人材教育プログラムにより、店舗マネージャーや店舗指導員として必要な専門知識とマネージングスキルを修得できるキャリアプランを用意しています。より充実した人材育成システムにより、シダックスの貴重な財産であるスタッフの士気を高め、お客様へのサービスレベルを向上させられる優秀な人材の確保を図っています。



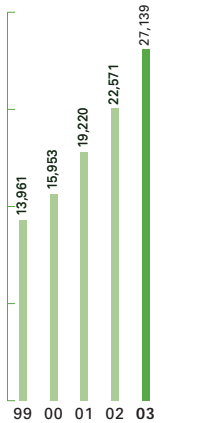
Medical Food Services Market (¥ billions)

メディカル給食市場の推移 (十億円)



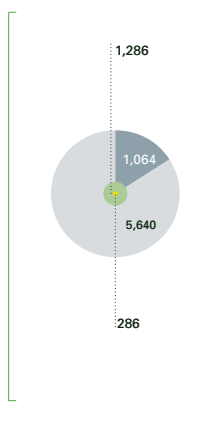
Sales of Medical Food Services (¥ millions)

メディカルフードサービス事業部の売上推移 (百万円)



Number of Nutritionists and Nutritional Administrators in Medical Food Services (people)

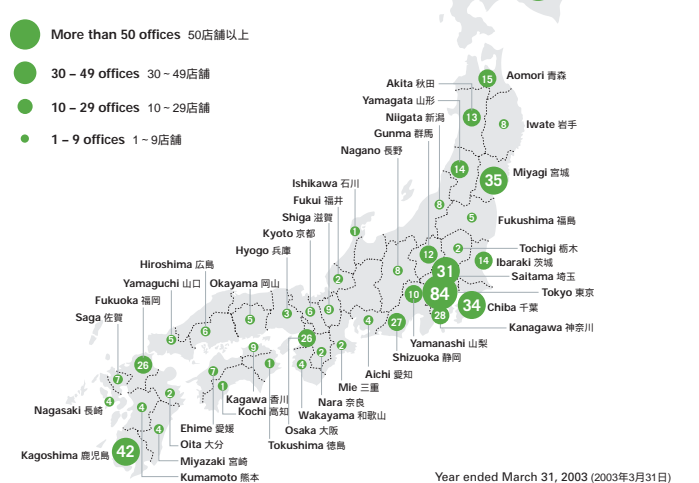
メディカルフードサービス事業部の栄養士・管理栄養士数(人)



Number of Branch Offices Nationwide

Medical Food Services

メディカルフードサービス事業の全国営業店数



■ Hospitals 病院
■ Social welfare facilities 社会福祉施設

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

● Full-time workers 正社員数
● Part-time workers パート・アルバイト数
● Nutritionists 栄養士
● Nutritional administrators 管理栄養士

Year ended March 31, 2003 (2003年3月31日)

RESTAURANT AND KARAOKE BUSINESSES

Trends in the karaoke market

カラオケ市場の動向

The number of karaoke rooms in operation and the number of customers who patronize them continue to decline. This is the result of weak consumer spending and competition from pub chains and other businesses.

Over the past several years, public perception of karaoke establishments as entertainment facilities has changed markedly. They have evolved into places in which friends and family can dine and socialize as well as sing. As a result, menus and atmosphere have become as important as customer service and karaoke equipment. However, companies that can satisfy all these requirements are limited in number, and the culling of small establishments that have simply exhausted themselves in the effort is notable. In contrast, large establishments that have the resources to weather the hard times are not only surviving, but are profitable.

消費低迷や居酒屋チェーンなど他業態との競争に直面しているカラオケ市場は参加者・カラオケルーム数ともに縮小傾向が続いています。

娯楽施設としてのカラオケに対する人々の認識もここ数年で大きく変わりました。以前は、「カラオケルーム = 歌うための空間」という認識でしたが、現在、大半のお客は「仲間や家族と食事をしながら会話を楽しみ、カラオケもできる空間」という認識です。したがって、従業員の接客サービスやカラオケ設備だけでなく、食事メニューや店舗の雰囲気も重要な要素となっています。しかし、こうした要素を満足させられる運営会社は限られ、体力を消耗した小規模店の淘汰が目立ちます。反面、体力のある大型店が残存者利益を確保するという優勝劣敗の構図がはっきりしてきました。



Increasing repeat business to over 80%

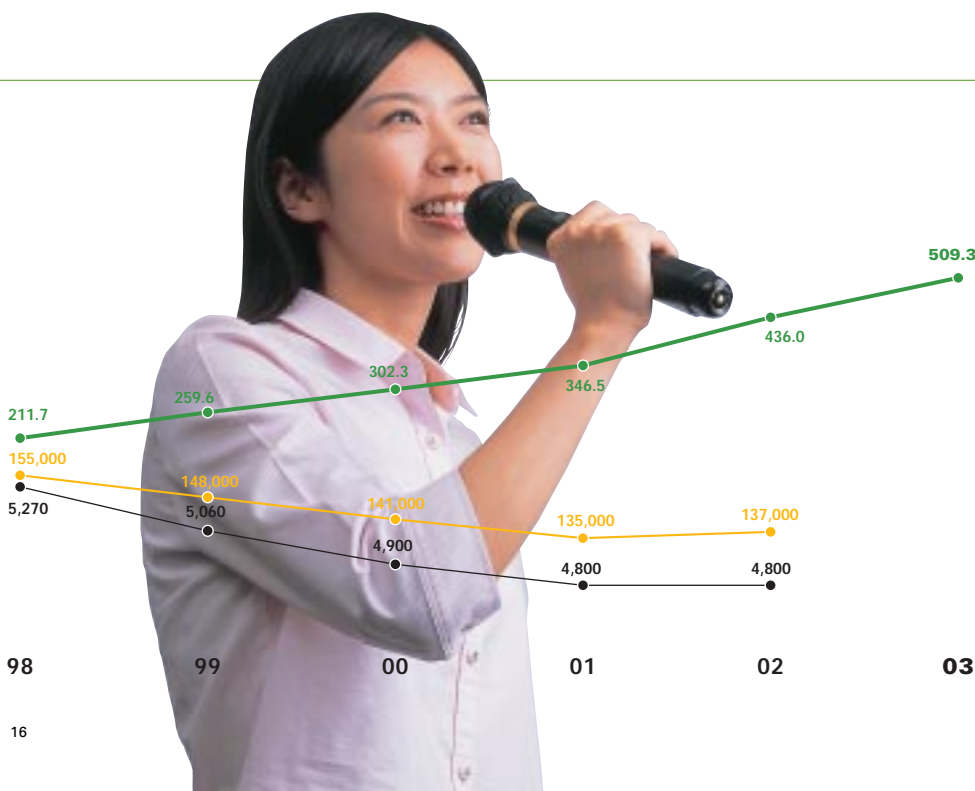
リピーター率は80%にアップ

SHiDAX COMMUNITY Corp. is the strongest firm in the karaoke industry, due in part to its food service capabilities. Various differentiation strategies pursued by SHiDAX COMMUNITY have won public acceptance, and the company is steadily expanding its chain of restaurant and karaoke outlets. As a result of these efforts, despite the harsh economic environment, repeat business in fiscal 2002 rose from 75.1% to 81.0%. However, as the Japanese economy is at its weakest point in recent memory, SHiDAX COMMUNITY is moving forward cautiously toward its goal of 500 outlets, and has adopted a policy of steady expansion at a pace of 30 to 40 new outlets per year. 業界一の体力とフードサービスの強みを持つシダックス・コミュニティ(株)のレストランカラオケは着実に店舗を拡大しています。また、さまざまな差別化戦略がお客様に支持され、厳しい環境ながらリピーター比率は前年の75.1%から81.0%にアップしました。しかし、日本経済を襲う未曾有の不況が続く状況から、全国500店舗計画をより慎重に進め、年間30~40店舗の出店ペースで堅実に拡大していく方針です。

Emphasizing outlets in urban centers

都心型店舗も積極展開

The focus in opening new restaurant and karaoke outlets has been on suburban, roadside locations 15 minutes or less from population centers of 120,000 or more. However, family restaurants and pub chains have been following similar policies, in response to which SHiDAX COMMUNITY has been strengthening its ties to suburban



Karaoke Market in Japan and Sales of SHiDAX COMMUNITY Corp.

日本のカラオケ市場とシダックス・コミュニティの売上推移

- Sales of SHiDAX COMMUNITY Corp. (¥100 million)
シダックス・コミュニティの売上高(億円)
- Gross karaoke customers in Japan (tens of thousands of people)
日本のカラオケ延参加人口(万人)
- Number of karaoke rooms in Japan
日本のカラオケルーム数

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

communities by providing space for culture schools and various events. In the future, the company will both look to increase revenue from lunchtime business and shift to an urban focus on busy shopping and entertainment districts near train stations.

SHiDAX COMMUNITY is also taking a hard look at the profitability of outlets that are approaching the end of their leases after almost five years of operation. If there is judged to be scant likelihood of an outlet achieving satisfactory performance, the option of closing that outlet will be considered. Because extreme care was taken with regard to profitability in establishing new outlets, to the present none have been forced to close. However, with no end to Japan's deflationary spiral in sight, SHiDAX COMMUNITY is executing an increasingly cautious scrap-and-build program.

レストランカラオケの出店は、人口12万人以上の地域に密接し車で15分圏内に立地するロードサイド型(郊外型)の店舗が中心です。しかし、ファミリーレストランや居酒屋チェーンとの共通点が多くなっていることに加え、カルチャースクールや各種イベントなど地域密着型の戦略を強化しており、今後は、昼間の稼働率を高めるうえでも有効な駅周辺などの繁华街型(都心型)の店舗を積極的に展開する計画です。

一方、リース期限の到来するオープン後5年目の店舗を対象に収益性の再検討を行い、採算見込みが乏しいと判断すれば閉店も選択肢として考えます。もっとも、これまで収益性には慎重な吟味を重ねて出店してきた結果、閉店に追い込まれる店舗を出すことはありませんでした。しかし、デフレ経済からの脱却が見えない状況ゆえ、より慎重なスクラップ&ビルドを行います。

Establishing dominant restaurant and karaoke outlets

全店舗地域一番店を目指す

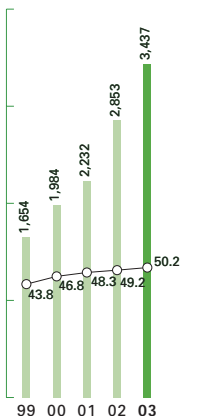
SHiDAX COMMUNITY has set a goal of building a chain of 500 outlets across Japan, each one to be the top restaurant and karaoke outlet in its area. To achieve this, the company must quickly read consumer preferences, and must differentiate its restaurant and karaoke outlets from competitors in the same field, as well as from family restaurants and pub chains. Therefore, SHiDAX COMMUNITY decided to establish a customer service office with the dual mission of remaining abreast of changing customer preferences through contact with customers, and of rapidly resolving any customer complaints. One major difference between restaurant and karaoke outlets and family restaurants or pub chains is the availability of private rooms, and SHiDAX COMMUNITY is highlighting this difference by developing new types of recreational space that are even more congenial and cozy.

将来的には全国500店舗体制を整え、全店舗が地域一番のレストランカラオケ店となることを目指しています。そのためには、お客様ニーズをいち早く察知し、同業他店あるいはファミリーレストランや居酒屋チェーンとの差別化を常に図っていかねばなりません。そこで、お客様の声の中から時代のニーズを読み取り、クレームには素早く対処すべく「CS室」を設置することにしました。また、ファミリーレストランや居酒屋チェーンに対する大きな違いとして、独占できる空間(個室)を提供している点が挙げられますが、より健康的で快適な空間として利用していただけるよう、新しい空間の研究開発にも着手します。



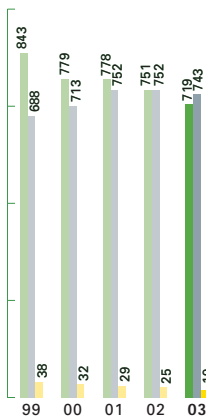
Gross Number of Customers and Ratio of Drinking and Eating to Sales

総来店客数と飲食収入比率



Average Revenue per Customer Visit (yen)

一回当たり平均客単価(円)



Number of Restaurant and Karaoke Outlets Nationwide

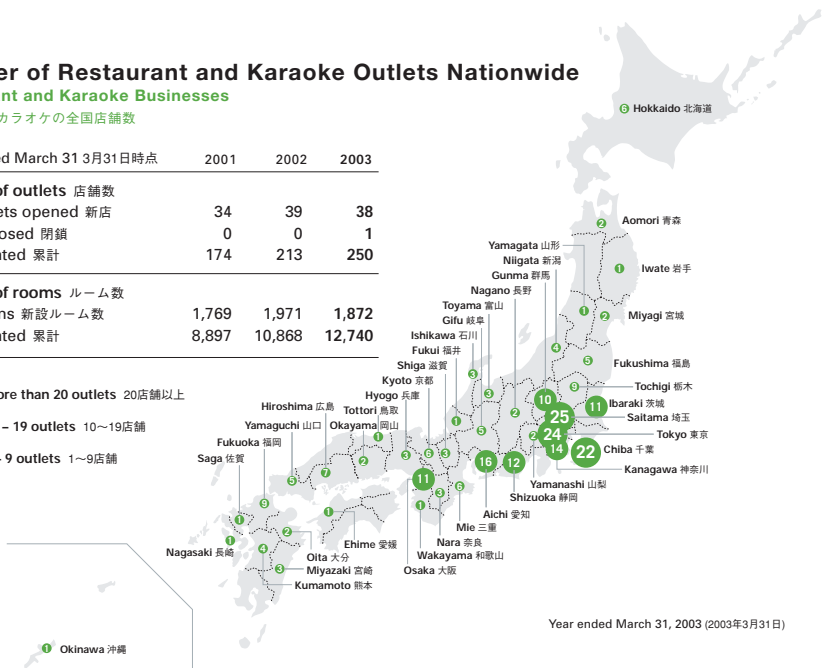
レストランカラオケの全国店舗数

Years ended March 31 3月31日時点

	2001	2002	2003
Number of outlets 店舗数			
New outlets opened 新店	34	39	38
Outlets closed 閉鎖	0	0	1
Accumulated 累計	174	213	250

	2001	2002	2003
Number of rooms ルーム数			
New rooms 新設ルーム数	1,769	1,971	1,872
Accumulated 累計	8,897	10,868	12,740

- More than 20 outlets 20店舗以上
- 10 - 19 outlets 10~19店舗
- 1 - 9 outlets 1~9店舗



SLOGIX BUSINESSES

Bulk distribution structure completed in major cities

主要都市の全国一元物流体制を完了

To move past the antiquated, inefficient system of foodstuff distribution in which frozen, chilled, and room-temperature foodstuffs were delivered separately by different vendors, SHiDAX developed a system in which all foodstuffs are delivered at the same time, regardless of temperature. The Company has rapidly built a nationwide network of bases to support this system, and in fiscal 2002 the bulk distribution system was completed in Japan's major cities. The next step will be to develop coverage of outlying and rural areas. This system makes possible the simultaneous delivery of materials of different types and storage temperatures. The resulting reductions in numbers of delivery runs and in required inspection of delivered materials will have substantial beneficial effects, and it is expected that this system will be widely adopted.

This system also strengthens the supply chain through real-time management of quality, storage, and delivery data, which will further enhance management efficiency and food safety.

さまざまな食材ごとに各業者が個別に納品し、冷凍、チルド、ドライの三温度帯別に配送するという従来型の非効率な物流システムから脱し、食材を一括して三温度帯同時に配送できる画期的な業務用食材流通システムを構築し、全国の主要拠点の配備を急ぎました。その結果、2002年度で主要都市の全国一元物流体制を完了しました。次のステップとして、ローカル地域のカバーを進めます。一度に複数のサービス(食材別、温度帯別)が可能となり、今後、配送回数や検品作業の大幅な合理化効果が浸透していくものと期待されます。

また、食材品質情報や保管・配送情報をリアルタイムでマネジメントするサプライチェーンを強化し、業務のさらなる効率化と食材の安全性確保を推進します。

Increasing the activity ratio of each business division

各事業部の使用率を高める

SLOGIX's first goal is to utilize economies of scale to achieve reductions in foodstuff costs and to ensure a year-round supply of high-quality, low-cost perishable foods. To enhance economies of scale, it is necessary first to raise the utilization ratio of SLOGIX within the Group. For fiscal 2003, we predict utilization rates of over 60% for the contracted food service business and over 55% for the medical food service business. For this reason, SLOGIX's Menu Development Division is increasing its utilization of prepared foods and is cooperating with the other businesses in providing precooked dishes. SLOGIX is also cooperating closely with the Development Division of SHiDAX's medical food services, which must administer a nutrition management system, to develop materials for hospital meals. The restaurant and karaoke businesses are lagging behind in utilization of SLOGIX because they use a large quantity of alcoholic beverages and processed foods, but this situation is expected to improve gradually beginning in fiscal 2003.

エス・ロジックス(株)の第一目的は、スケールメリットによる食材のコストダウンと良質安価な生鮮食材の通年安定供給です。スケールメリットを高めるには、まずグループ内でエス・ロ



ジックスの使用率を高めていく必要があり、コントラクトフードサービス事業部は使用率60%以上、メディカルフードサービス事業部は同55%以上を2003年度中に達成させる予定です。そのために、エス・ロジックス事業部のメニュー開発部が完全調理済み商品を増やし各事業部のクックレス化にも協力します。また、栄養管理システムの対応が必要なメディカルフードサービス事業部の開発部とは密に連携してメディカル用食材の開発も進めます。レストランカラオケ事業部は酒類やクックレス商品の扱いが多いことから、エス・ロジックスの導入が遅れていますが、2003年度より徐々に導入率を高めていく予定です。

Strengthening external sales

外販を強化

The operations of SLOGIX are not limited to supplying materials to the SHiDAX Group. It also handles foodstuff procurement for establishments outside the Group, including family restaurants, pub chains, and hotels. Because it conducts group purchasing with other restaurant companies and builds distribution systems, SLOGIX creates economies of scale through high-volume purchasing outside the scope of the SHiDAX Group. Its business model calls for further expansion of the profitability of these Group-external food-

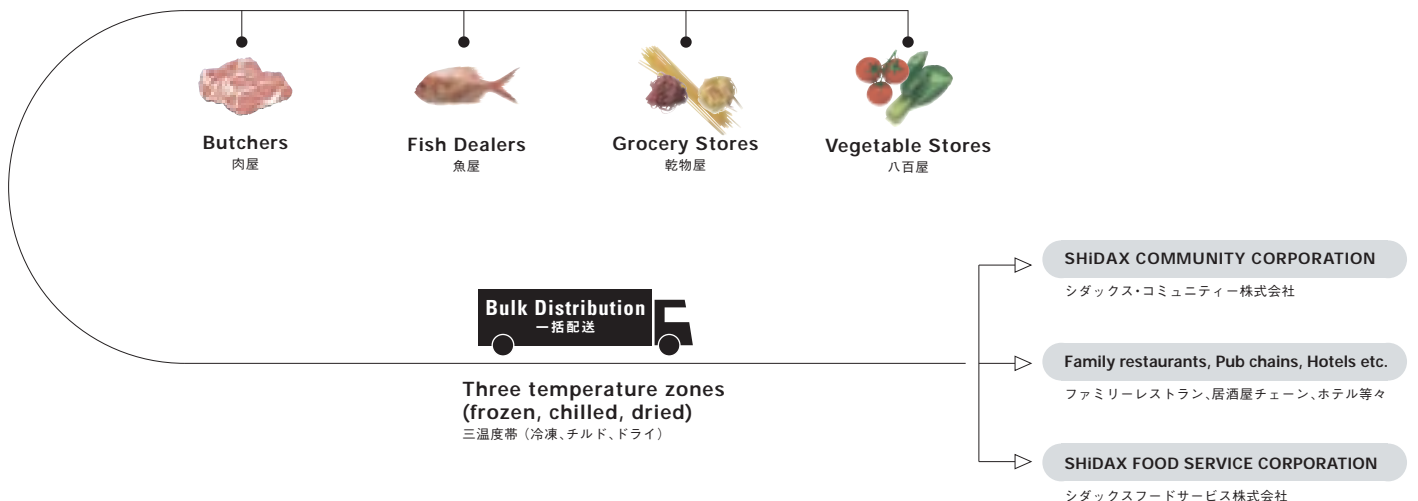
stuff sales operations. Accordingly, intensified marketing to expand its customer base is a pressing issue. SLOGIX is working to persuade allied firms to adopt this procurement system, and to implement it at subsidiaries. As the scale of this group-purchasing program expands, the number of participating companies is expected to increase.

エス・ロジックス(株)は、シダックスグループ内の食材調達を担うだけでなく、ファミリーレストランや居酒屋チェーン、ホテルなど他社への食材調達の代行、つまり、食材の外部販売を積極的に行います。結果的に、他の外食企業と共同購買・物流システムを構築する形となり、シダックスグループの域を超えた大量購買のスケールメリットを実現し、なおかつ、食材外販事業として利益を拡大していこうというのがエス・ロジックス(株)の事業コンセプトです。したがって、外販先を広げるための営業強化が急務となっていますが、まずは、M&A先やアライアンス関係を結んだ企業にこの食材調達システムの導入を働きかけます。そして、このシステムのスケールが大きくなっていくのに比例して、共同購買に参加していただける企業の増加ピッチも高まると期待しています。



SLOGIX System

エスロジックス・システム



Board of Directors

役員一覧



取締役

1. TSUTOMU SHIDA

志太 勤
Chairman of the Board, SHiDAX GROUP
Chairman and Representative Director, SHiDAX Corp., SHiDAX FOOD SERVICE Corp., SHiDAX COMMUNITY Corp., SLOGIX Corp.
シダックスグループ代表
シダックス(株)シダックスフードサービス(株)
シダックス・コミュニティー(株)およびエス・ロジックス(株)
代表取締役会長

2. KINICHI SHIDA

志太 勤一
President and Representative Director, SHiDAX Corp.
President and Representative Director, SHiDAX FOOD SERVICE Corp.
Vice Chairman and Representative Director, SHiDAX COMMUNITY Corp.
President and Representative Director, SLOGIX Corp.
シダックス(株)代表取締役社長
シダックスフードサービス(株)代表取締役社長
シダックス・コミュニティー(株)代表取締役副会長
エス・ロジックス(株)代表取締役社長

3. MASAO WAKAMATSU

若松 正雄
Executive Vice President and Representative Director, SHiDAX Corp.
President and Representative Director, SHiDAX COMMUNITY Corp.
Director, SLOGIX Corp.
シダックス(株)代表取締役副社長
シダックス・コミュニティー(株)代表取締役社長
エス・ロジックス(株)取締役

4. ICHIRO FUJITA

藤田 一郎
Chief Financial Officer, Business Strategy Promotive Officer and Managing Director, SHiDAX Corp.
Chief Financial Officer and Director, SHiDAX FOOD SERVICE Corp., SHiDAX COMMUNITY Corp., and SLOGIX Corp.
シダックス(株)常務取締役 戦略推進本部長
シダックスフードサービス(株)取締役
シダックス・コミュニティー(株)取締役
エス・ロジックス(株)取締役

5. HIDENORI TOHYAMA

遠山 秀徳
Business Strategy Development Officer and Managing Director, SHiDAX Corp.
シダックス(株)常務取締役
戦略開発本部長

6. KAZUTAMI WATANABE

渡邊 一民
Director, SHiDAX Corp.
Restaurant and Karaoke Division Representative Director, Executive Director SHiDAX COMMUNITY Corp.
Director, SLOGIX Corp.
シダックス(株)取締役
シダックス・コミュニティー(株)代表取締役専務
レストランカラオケ事業本部長
エス・ロジックス(株)取締役

7. HIROMI KOSHIBA

小柴 宏美
Director, SHiDAX Corp.
Contract Food Service Division Officer, Representative Director, Managing Director, SHiDAX FOOD SERVICE Corp.
Director, SLOGIX Corp.
シダックス(株)取締役
シダックスフードサービス(株)代表取締役常務取締役
コントラクトフードサービス事業本部長
エス・ロジックス(株)取締役

8. HIROSHI OHTSU

大津 宏
Director, SHiDAX Corp.
Medical Food Services Division Officer and Managing Director, SHiDAX FOOD SERVICE Corp.
Director, SLOGIX Corp.
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メディカルフードサービス事業本部長
エス・ロジックス(株)取締役

9. KAZUHIKO KISHIKAWA

岸川 和彦
General Administrative Officer and Director, SHiDAX Corp.
Director, SHiDAX FOOD SERVICE Corp.
シダックス(株)取締役
管理本部長
総合研究所長
シダックスフードサービス(株)取締役

10. YUTAKA OGINO

荻野 裕
Accounting & Financial Officer and Director, SHiDAX Corp.
シダックス(株)取締役 経理財務本部長

監査役

NOBORU IDO

井戸 昇
Standing Auditor, SHiDAX Corp.
Auditor, SHiDAX FOOD SERVICE Corp., SHiDAX COMMUNITY Corp., SLOGIX Corp.
シダックス(株)常勤監査役
シダックスフードサービス(株)、シダックス・コミュニティー(株)、エス・ロジックス(株)監査役

YOSHIKAZU TANAKA

田中 義一
Auditor, SHiDAX Corp., SHiDAX FOOD SERVICE Corp., SHiDAX COMMUNITY Corp.
シダックス(株)シダックスフードサービス(株)、シダックス・コミュニティー(株)監査役

YOSHINORI SHIGEIZUMI

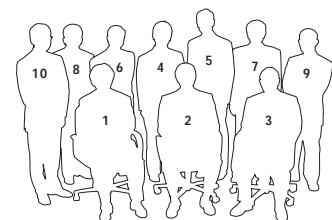
重泉 良徳
Auditor, SHiDAX Corp., SHiDAX FOOD SERVICE Corp., SHiDAX COMMUNITY Corp., SLOGIX Corp.
シダックス(株)、シダックスフードサービス(株)、シダックス・コミュニティー(株)、エス・ロジックス(株)監査役

SUEYA SATO

佐藤 未也
Auditor, SHiDAX Corp.,
Standing Auditor, SHiDAX FOOD SERVICE Corp.
シダックス(株)監査役
シダックスフードサービス(株)常勤監査役

TADAO TAKAHASHI

高橋 忠雄
Auditor, SHiDAX Corp.,
Standing Auditor, SHiDAX COMMUNITY Corp.
シダックス(株)監査役
シダックス・コミュニティー(株)常勤監査役



As of July 1, 2003
2003年7月1日

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Consolidated Financial Statements of SHiDAX CORPORATION for the Year Ended March 31, 2003

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Management's Discussion and Analysis

(経営陣による財務状況と業績の検討および分析)

[Performance]

【経営成績】

Consolidated net sales of the SHiDAX Group in fiscal 2002 were ¥122,563 million, down 12.6% from a year earlier. The decline was primarily caused by the sale of our U.S. subsidiary, Shidax USA Ltd., and when this is factored out domestic net sales for the fiscal year are shown to have grown 15.4%.

Although deflationary pressure and price competition continue to buffet the Japanese economy, the Group achieved 0.9% growth in consolidated operating income, which rose to ¥6,912 million. Excluding the influence of Shidax USA Ltd., domestic operating income rose 0.26%. However, while in the previous fiscal year we posted extraordinary income from the sale of our U.S. subsidiary, in fiscal 2002 we posted the foreign exchange loss accruing from that sale, and for this reason net income fell 66.2% to ¥2,109 million.

当期のグループ売上高は1,225億63百万円となり、前期に比べ12.6%の減少となりました。これは主に米国子会社Shidax USA Ltd.を売却したことによるもので、Shidax USA Ltd.の影響を除いた国内売上高は前期に比べ15.4%の増加となりました。

一方、利益面については、デフレ圧力と価格競争が日本経済にも深刻な打撃を与えている状況下、営業利益は前期に比べ0.9%増加し69億12百万円となりました。また、Shidax USA Ltd.の影響を除いた国内営業利益は前期に比べ0.26%の増加となりました。しかしながら、前期に計上した米国子会社の売却益の反動と、米国子会社売却に伴う外貨預金の為替差損を当期に計上したことを主因として、当期純利益は前期に比べ66.2%減少し、21億9百万円となりました。

[Performance by Segment]

【各セグメントの経営成績】

■ Contracted Food Services

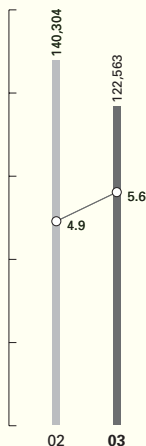
Outsourced meal services for business facilities suffered stronger effects from the adverse economic conditions. Rationalization of operations at client businesses brought consolidation and reductions in workforces, while review of budgets for employee benefits brought further declines in outlays for outsourced meal services. In response to these conditions, SHiDAX endeavored to improve profitability and increase customer satisfaction. However, due in part to the sale of Shidax USA Ltd., sales declined 47.1% to ¥38,500 million. Operating income in this segment fell 16.5% to ¥1,824 million.

■ Medical Food Services

The outsourcing of meal services at hospitals and other healthcare facilities continued to increase in fiscal 2002, and augmentation of our sales capabilities allowed us to win 152 new client facilities. In addition, we launched the highly regarded SHiDAX Medical Cafeteria (SMC) system. The SMC system allows patients to select their meals from a menu using a bedside touch-screen display, providing a more congenial dining experience for hospitalized patients as well as proper nutrition, making meals a part of the treatment process. In the field of healthcare and assistance facilities for the elderly, we are creating concepts for facilities that respond to Japan's demographic shift toward an elderly population, and offer comprehensive services that increase the satisfaction of those residing in customer facilities. Sales in this segment grew 20.2% to ¥27,139 million, but required anticipatory investments and fierce price competition resulted in an operating loss of ¥94 million, a net decline of ¥436 million.

Net Sales & Operating Income Ratio

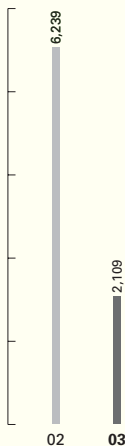
売上高 & 営業利益率



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

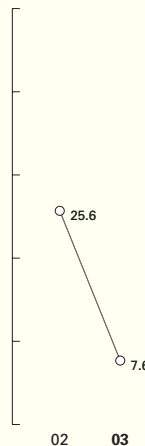
Net Income (¥ millions)

当期純利益 (百万円)



Return on Equity (%)

株主資本利益率 (%)



■ Restaurant and Karaoke Businesses

Declining patronage of karaoke halls and the economic slump maintained the gradual decline in this market. This notwithstanding, the popularity of large karaoke facilities continues to increase. Working under these conditions, the Company is pursuing nationwide expansion by increasing customer satisfaction through clean, healthy, attractive, enjoyable, and reasonably priced facilities, thereby becoming the top restaurant and karaoke brand in each region. During the period of this report we continued the expansion of this business, opening 38 new outlets while closing only one unprofitable location, bringing the total to 250. These efforts brought 16.8% growth in sales, to ¥50,925 million, while operating income increased 15.5% to ¥7,825 million.

■ SLOGIX Businesses

On April 1, 2002, the SHiDAX Group transferred foodstuff sales from SHiDAX FOOD SERVICE Corp. to SLOGIX Corp., and expanded its distribution network nationwide. Quality control and bulk purchasing began to bring costs down as full-scale operations commenced, and sales in this segment jumped 354.9% to ¥5,968 million. Operating income rose 141.5% to ¥792 million.

コントラクトフードサービス事業

産業給食業界では、景気低迷の影響がますます深刻化中、経営合理化に伴う事業所の統廃合や従業員の減少、福利厚生予算の見直しに伴う契約料金の値下げ要請等の動きが依然として続いています。このような状況の下、収益性の改善とお客様満足度の向上に努めてまいりましたが、米国子会社Shidax USA Ltd.の売却による影響も加わり、同事業部門の売上高は前期に比べ47.1%減少し385億円となりました。また、営業利益は前期に比べ16.5%減少し18億24百万円となりました。

メディカルフードサービス事業

病院等の施設における給食サービスのアウトソーシング化が進む中、当期においては営業開拓力を強化し152カ所で新規に受託することができました。また、SMC(シダックスメディカルカフェテリア)も高く評価され導入が始まりました。SMCはベッドサイドのタッチパネルテレビを利用して患者様がお好きなメニューを選択でき、なおかつ、必要な栄養を摂取できるシステムで、ご入院されている患者様がより楽しく、治療としての食事を召し上がっていただけるものです。一方、老人健康福祉施設等では、高齢化時代のニーズにマッチした施設のコンセプト作りから携わり、ご入所される方がより満足していただけるよう総合的なサービスの提供に取り組んできました。以上の結果、同事業部門の売上高は前期に比べ20.2%増加し271億39百万円となりました。しかしながら、営業利益は先行投資が増加したことに加え、厳しい価格競争を受け4億36百万円減少し、94百万円となりました。

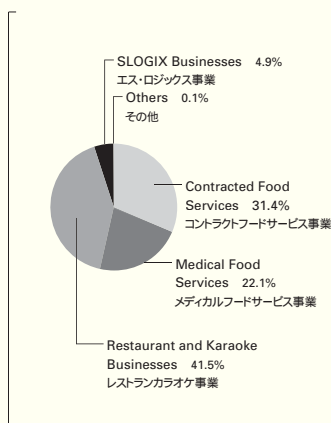
レストランカラオケ事業

カラオケ人口は少子化、景気低迷などの影響を受け依然として微減状態にあります。一方では、大型のカラオケ施設に人気が集まる傾向を強めています。こうした中、「清潔、健康的、おいしい、楽しい、リーズナブル」といったお客様満足度で、地域NO.1のレストランカラオケというブランドを着実に全国で広めています。そして、当期も積極的な店舗展開を続け38店舗を新たにオープンし、1店舗を採算性の見直しにより閉鎖しました(合計250店舗)。以上の結果、同事業部門の売上高は前期に比べ16.8%増加し509億25百万円となりました。また、営業利益は15.5%増加し、78億25百万円となりました。

エス・ロジックス事業

2002年4月1日に、当社グループ内への食材の販売事業をシダックスフードサービス(株)よりエス・ロジックス(株)に移管し、物流網を全国に拡大しました。また、品質管理と大量仕入れによる価格低減が進み始め本格稼働に至った結果、同事業部門の売上高は前期に比べ354.9%増加し59億68百万円となりました。また、営業利益は141.5%増加し、7億92百万円となりました。

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



[Financial Position]

【財務状況】

Total assets at the end of the fiscal year stood at ¥97,557 million, an increase of 8.5% from a year earlier. In fiscal 2001, in connection with the sale of our U.S. subsidiary, ¥16,480 million was posted under accounts receivable. In fiscal 2002 we received the sum of US\$113,460,000 in payment of that obligation, and this sum was transferred to cash and deposits. Current assets grew 2.1% to ¥38,443 million, because ¥1,338 million in withholding in connection with taxes on dividends of subsidiaries was posted as income tax refund receivable. The opening of 38 new restaurant and karaoke outlets resulted in 11.9% growth in tangible fixed assets, to ¥33,039 million. Investments and other assets increased 14.8% to ¥26,075 million, as a result of investments in the construction of new restaurant and karaoke businesses, while total fixed assets grew 13.1% to ¥59,115 million.

The increase in the Group-external foodstuffs sales of SLOGIX brought a ¥1,108 million increase in accounts and notes payable, but a shift from short-term to long-term debt in the interest of financial stability reduced current liabilities 10.9% to ¥35,400 million. Long-term liabilities, however, increased 49.3% to ¥33,946 million. The current ratio was 108.60%, up 13.9 percentage points from the previous fiscal year. As a result of the foregoing, total liabilities rose 11.0% to ¥69,346 million.

Total shareholders' equity increased ¥799 million to ¥28,211 million, up 2.9% due to an increase in the consolidated surplus. Shareholders' equity per share was ¥164,508. However, the effects of an increase in long-term debt caused the equity ratio to fall 1.6 percentage points to 28.9%.

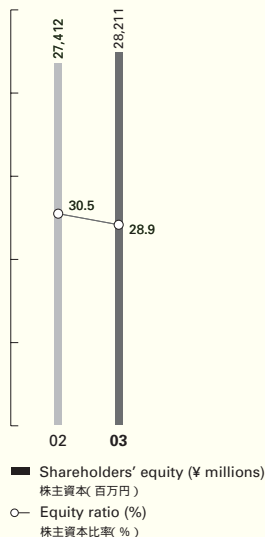
当期の総資産は975億57百万円となり、前期に比べ8.5%の増加となりました。資産の部については、前期に米国子会社売却により計上した未収入金164億80百万円を回収し、外貨預金(US\$113,460,000)として現金及び預金に振り替えました。また、流動資産は384億43百万円となり前期に比べ2.1%の増加となりました。これは、子会社配当に伴う源泉所得税の還付金として未収法人税1,338百万円を計上したことなどが主因です。有形固定資産は330億39百万円となり前期に比べ11.9%の増加となりました。これは、レストランカラオケを38店新規にオープンしたことなどが主因です。投資その他の資産は260億75百万円となり前期に比べ14.8%の増加となりました。これは、レストランカラオケの新店舗増加に伴い建設協力金が増加したことなどが主因です。以上の結果、固定資産の合計は591億15百万円となり前期に比べ13.1%の増加となりました。

負債の部については、支払手形及び買掛金(株)エス・ロジックスによる食材外販の増加に伴い11億8百万円増加しましたが、財務安定性を確保するため資金の調達方法を短期から長期にシフトしたことにより、流動負債は354億円となり前期に比べ10.9%の減少となりました。一方、固定負債は339億46百万円となり前期に比べ49.3%の増加となりました。また、流動比率は108.60%となり前期に比べ13.9ポイント上昇しました。以上の結果、負債合計は693億46百万円となり前期に比べ11.0%の増加となりました。

資本合計は7億99百万円増加し282億11百万円(1株当たり株主資本は164,508円)となり、前期に比べ2.9%増加しました。しかし、長期借入金の増加により株主資本比率は28.9%となり、前期に比べ1.6ポイント低下しました。

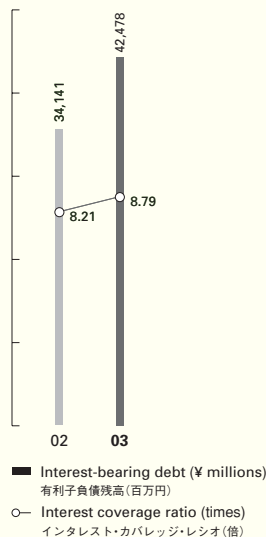
Shareholders' Equity & Equity Ratio

株主資本 & 株主資本比率



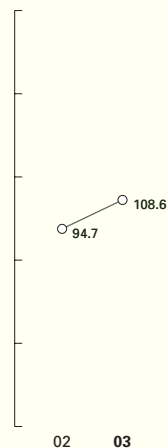
Interest-Bearing Debt & Interest Coverage Ratio

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(%)



[Cash Flows]

【キャッシュ・フロー】

Net cash provided by operating activities fell to ¥1,773 million, in comparison with net cash provided in the previous fiscal year of ¥5,264 million. This is primarily the result of a ¥3,490 million increase in income taxes, to ¥7,881 million, accruing from the previous fiscal year's sale of Shidax USA Ltd.

Net cash provided by investing activities totaled ¥6,764 million, in comparison with net cash used in the previous fiscal year of ¥2,496 million. This reflects the posting of ¥15,067 million in proceeds from the sale of Shidax USA Ltd. in the previous fiscal year.

Net cash provided by financing activities totaled ¥7,242 million, after net cash used in the previous term of ¥4,610 million. The chief factors in this were the appropriation of capital investments to the establishment of new restaurant and karaoke businesses, and ¥26,400 million in long-term debt undertaken in the interest of long-term capital availability.

As a result of the above, cash and cash equivalents at the end of the year increased ¥14,308 million to ¥23,923 million.

営業活動によるキャッシュ・フローは、17億73百万円(前期52億64百万円)となりました。これは主に前期のShidax USA Ltd.の株式売却に伴う法人税等の支払額が前期に比べ34億90百万円増加し、78億81百万円となったことによるものです。

投資活動によるキャッシュ・フローは、67億64百万円(前期 24億96百万円)となりました。これは主に前期のShidax USA Ltd.の株式売却による売却代金収入150億67百万円によるものです。

財務活動によるキャッシュ・フローは、72億42百万円(前期 46億10百万円)となりました。これは主にレストランカラオケ事業の新規店舗の設備投資に充当するため、および長期安定資金確保のための長期借入れによる収入264億円によるものです。

以上の結果、当期末における現金及び現金同等物の期末残高は前期に比べ143億8百万円増加し、239億23百万円となりました。

[Capital Expenditures]

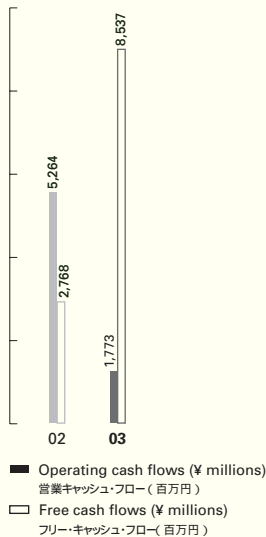
【設備投資等】

Capital expenditures totaled ¥7,273 million, chiefly for the establishment of new restaurant and karaoke outlets, and remodeling. Depreciation and amortization expenses decreased ¥242 million to ¥2,798 million.

設備投資はレストランカラオケの新店オープンやリニューアルを中心に72億73百万円となりました。また、減価償却費は27億98百万円となり、前期に比べ42百万円の減少となりました。

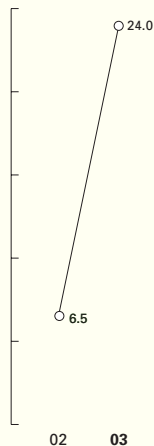
Operating Cash Flows & Free Cash Flows

営業キャッシュ・フロー & フリー・キャッシュ・フロー



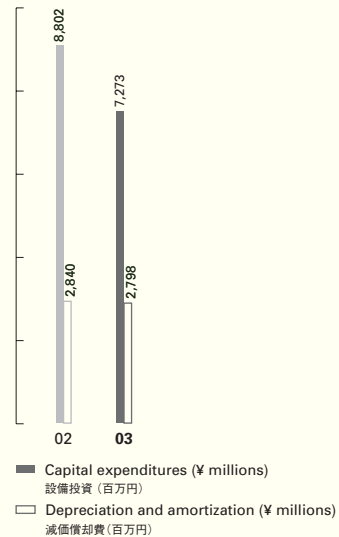
Interest-Bearing Debt/ Operating Cash Flows (years)

債務償還年数(年)



Capital Expenditures & Depreciation and Amortization

設備投資 & 減価償却費



Consolidated Balance Sheets

March 31, 2003 and 2002

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
CURRENT ASSETS:			
Cash and cash equivalents	¥23,923	¥ 9,615	\$ 199,028
Short-term investments (Notes 4 and 13)	692	836	5,758
Accounts and notes receivable:			
Trade	7,898	6,924	65,706
Unconsolidated subsidiaries and affiliates	179	236	1,486
Other	1,294	16,478	10,765
Allowance for doubtful accounts	(31)	(36)	(254)
Inventories (Notes 3 and 5)	1,066	1,039	8,868
Deferred tax assets (Note 12)	820	1,316	6,819
Prepaid expenses and other current assets	2,602	1,244	21,647
Total current assets	38,443	37,652	319,823
PROPERTY AND EQUIPMENT (Note 7):			
Land	1,167	1,167	9,706
Buildings and structures	38,926	33,264	323,842
Furniture and equipment	4,658	4,966	38,758
Construction in progress	46	86	386
Total	44,797	39,483	372,692
Accumulated depreciation	(11,758)	(9,948)	(97,823)
Net property and equipment	33,039	29,535	274,869
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 6)	622	800	5,178
Investments in and advances to unconsolidated subsidiaries and affiliates	246	63	2,041
Software—net	836	813	6,957
Lease security deposits	14,522	14,910	120,818
Deferred tax assets (Note 12)	4,282	3,380	35,623
Other assets	7,735	4,997	64,351
Allowance for doubtful accounts	(2,168)	(2,244)	(18,035)
Total investments and other assets	26,075	22,719	216,933
TOTAL	¥97,557	¥89,906	\$ 811,625

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
CURRENT LIABILITIES:			
Short-term borrowings (Note 7)	¥ 1,989	¥ 6,184	\$ 16,545
Current portion of long-term debt (Note 7)	13,742	11,858	114,330
Accounts and notes payable:			
Trade	7,075	5,942	58,861
Unconsolidated subsidiaries and affiliates	286	364	2,378
Other	4,317	4,178	35,917
Accrued income taxes	1,716	5,482	14,277
Accrued expenses	4,839	4,807	40,258
Other current liabilities	1,436	938	11,943
Total current liabilities	35,400	39,753	294,509
LONG-TERM LIABILITIES:			
Long-term debt, less current portion (Note 7)	26,747	16,099	222,519
Liability for employees' retirement benefits (Note 8)	4,516	3,879	37,569
Retirement allowances for directors and corporate auditors (Note 9)	399	403	3,322
Negative goodwill	2,031	2,144	16,901
Other long-term liabilities	253	216	2,101
Total long-term liabilities	33,946	22,741	282,412
SHAREHOLDERS' EQUITY (Notes 10 and 18):			
Common stock—authorized, 700,000 shares; issued, 178,607 shares in 2003 and 2002	8,930	8,930	74,296
Capital surplus	7,848	7,848	65,288
Retained earnings	12,337	10,680	102,641
Unrealized gain (loss) on available-for-sale securities	8	(44)	65
Total	29,123	27,414	242,290
Treasury stock—at cost, 7,696 shares in 2003 and 10 shares in 2002	(912)	(2)	(7,586)
Total shareholders' equity	28,211	27,412	234,704
TOTAL	¥97,557	¥89,906	\$ 811,625

Consolidated Statements of Income

Years Ended March 31, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
NET SALES	¥122,563	¥140,304	\$1,019,660
COST OF SALES	108,679	125,005	904,157
Gross profit	13,884	15,299	115,503
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 14)	6,972	8,450	58,002
Operating income	6,912	6,849	57,501
OTHER INCOME (EXPENSES):			
Dividend and interest income	82	85	683
Interest expense	(796)	(845)	(6,621)
Gain (loss) on sales or disposals of property and equipment and other—net	114	(77)	949
Gain on sales of investments		8,485	
Write-down of investments	(298)	(348)	(2,476)
Loss from discontinued store operations	(91)	(169)	(761)
Amortization of negative goodwill	113	113	939
Provision for allowance for doubtful accounts	(13)	(1,956)	(104)
Provision for retirement allowances		(408)	
Foreign exchange (loss) gain—net	(1,532)	73	(12,743)
Other—net	111	(3)	920
Other (expenses) income—net	(2,310)	4,950	(19,214)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	4,602	11,799	38,287
INCOME TAXES (Note 12):			
Current	2,936	7,862	24,428
Deferred	(443)	(2,325)	(3,690)
Total income taxes	2,493	5,537	20,738
MINORITY INTERESTS IN NET INCOME		(23)	
NET INCOME	¥ 2,109	¥ 6,239	\$ 17,549
	Yen		U.S. Dollars
	2003	2002	2003
PER SHARE OF COMMON STOCK (Note 2.s):			
Basic net income	¥ 11,304.39	¥ 34,935.77	\$ 94.05
Cash dividends applicable to the year	3,000.00	2,000.00	24.96

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Years Ended March 31, 2003 and 2002

	Millions of Yen					
	Issued Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain (Loss) on Available-for-sale Securities	Treasury Stock
BALANCE, APRIL 1, 2001 (Note 2.a)	178,607	¥8,930	¥7,848	¥ 4,630		
Net income				6,239		
Cash dividends paid by a subsidiary, ¥7.50 per share for 18,566 thousand shares outstanding				(139)		
Bonuses to directors and corporate auditors				(50)		
Unrealized loss on available-for-sale securities					¥(44)	
Purchase of treasury stock (69 shares)						¥ (13)
Reissuance of treasury stock (59 shares)						11
BALANCE, MARCH 31, 2002	178,607	8,930	7,848	10,680	(44)	(2)
Net income				2,109		
Cash dividends, ¥2,000 per share				(357)		
Bonuses to directors and corporate auditors				(95)		
Net decrease in unrealized loss on available-for-sale securities					52	
Purchase of treasury stock (7,686 shares)						(910)
BALANCE, MARCH 31, 2003	178,607	¥8,930	¥7,848	¥12,337	¥ 8	¥(912)

	Thousands of U.S. Dollars (Note 1)					
	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain (Loss) on Available-for-sale Securities	Treasury Stock	
BALANCE, MARCH 31, 2002	\$74,296	\$65,288	\$ 88,854	\$(364)	\$ (20)	
Net income			17,549			
Cash dividends, \$16.64 per share			(2,972)			
Bonuses to directors and corporate auditors			(790)			
Net decrease in unrealized loss on available-for-sale securities				429		
Purchase of treasury stock (7,686 shares)					(7,566)	
BALANCE, MARCH 31, 2003	\$74,296	\$65,288	\$102,641	\$ 65	\$(7,586)	

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years Ended March 31, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 4,602	¥ 11,799	\$ 38,287
Adjustments for:			
Income taxes paid	(7,881)	(4,391)	(65,567)
Depreciation and amortization	2,798	2,840	23,283
Reversal of accrued bonuses	(114)	(186)	(951)
Provision for liability for employees' retirement benefits	637	395	5,297
(Reversal of) provision for retirement allowances	(3)	402	(26)
(Reversal of) provision for allowance for doubtful accounts	(81)	1,979	(677)
Gain on sales of investments		(8,485)	
Write-down of investments	297	348	2,476
Foreign exchange loss—net	1,529		12,719
Gain on sales of property and equipment and other	(244)	(1)	(2,031)
Loss on sales or disposals of property and equipment and other	130	78	1,082
Changes in operating assets and liabilities:			
Increase in accounts and notes receivable	(1,201)	(12,160)	(9,989)
Increase (decrease) in accounts and notes payable	654	(1,641)	5,438
Other—net	650	14,287	5,410
Net cash provided by operating activities	<u>1,773</u>	<u>5,264</u>	<u>14,751</u>
INVESTING ACTIVITIES:			
Net decrease in time deposits	265	60	2,208
Purchase of property and equipment and other	(6,055)	(8,386)	(50,374)
Proceeds from sales of property and equipment and other	320	126	2,659
Payments for purchase of subsidiaries' stock		(1,435)	
Proceeds from acquisition of subsidiaries' stock (Note 19)		8,486	
Payments for sales of subsidiaries' stock		(253)	
Proceeds from sales of subsidiaries' stock	15,067		125,353
Investment in loans receivable	(1,471)	(875)	(12,239)
Collection of loans receivable	1,035	1,075	8,612
Payments for lease security deposits and other	(2,643)	(2,536)	(21,986)
Collection of lease security deposits and other	230	1,264	1,915
Other—net	16	(22)	129
Net cash provided by (used in) investing activities	<u>6,764</u>	<u>(2,496)</u>	<u>56,277</u>
FINANCING ACTIVITIES:			
Net (decrease) increase in short-term borrowings	(4,195)	1,771	(34,903)
Proceeds from long-term debt	26,400	3,835	219,634
Repayments of long-term debt	(13,696)	(9,944)	(113,944)
Dividends paid	(357)	(270)	(2,972)
Purchase of treasury stock	(910)	(2)	(7,566)
Net cash provided by (used in) financing activities	<u>7,242</u>	<u>(4,610)</u>	<u>60,249</u>
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS			
	<u>(1,471)</u>	<u>21</u>	<u>(12,243)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	14,308	(1,821)	119,034
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	9,615	11,436	79,994
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 23,923	¥ 9,615	\$ 199,028

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years Ended March 31, 2003 and 2002

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 and practices generally accepted in Japan ("Japan GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

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 2002 financial statements to conform to the classifications used in 2003, and the notes include information which is not required under Japan GAAP but is presented herein as additional information.

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 ¥120.20 to U.S.\$1, the approximate rate of exchange at March 31, 2003. Such translation 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 accompanying consolidated financial statements as of March 31, 2003 include the accounts of the Company, SHiDAX FOOD SERVICE CORPORATION ("SFSC"), SHiDAX COMMUNITY CORPORATION ("SCC"), SLOGIX CORPORATION and four other significant (four in 2002) wholly owned subsidiaries (collectively, the "Group").

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method. None of the unconsolidated subsidiaries and affiliates is accounted for by the equity method.

Investments in two unconsolidated subsidiaries and seven (nine in 2002) affiliates are accounted for at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiaries at the date of acquisition is being amortized over a period of 20 years.

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 March 28, 2002, all shares of common stock of Shidax USA Ltd. were sold and, therefore, only the consolidated statement of operations of Shidax USA Ltd. and its consolidated subsidiary was included in the consolidated financial statements of the Group for the year ended March 31, 2002.

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

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

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

b. Cash and 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, call deposits and special deposits, all of which mature or become due within three months of the date of acquisition.

c. Inventories—Merchandise is stated at cost determined by the monthly average method. Raw materials and supplies are stated at the most recent purchase price that approximates cost determined by the first-in, first-out method.

d. Property and Equipment—Property and equipment are stated at cost. Depreciation is computed by using the straight-line method over the estimated useful lives of the respective assets. Their estimated useful lives range principally from 8 to 47 years for buildings and structures and from 2 to 10 years for furniture and equipment.

e. Investment Securities—Investment securities are classified as available-for-sale securities, which are not classified as either of (1) trading securities, which are held for the purpose of earning capital gains in the near term are reported at fair value, and the related unrealized gains and losses are included in earnings, or (2) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost. Available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity.

The cost of securities sold is determined based on the average method.

Non-marketable available-for-sale securities are stated at cost determined by the average method.

For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

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

g. Other Assets—Goodwill and long-term prepaid expenses are carried at cost less accumulated amortization, which is calculated by using the straight-line method over 5 years for goodwill held by a domestic subsidiary and 20 years for goodwill held by a foreign subsidiary and 3 to 20 years for long-term prepaid expenses.

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

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

j. 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 Company's internal policy if all directors and corporate auditors retired at each balance sheet date.

k. Negative Goodwill—Negative goodwill represents the excess of the fair value of the net assets of the acquired subsidiary or affiliate at the date of acquisition over the cost of an acquisition. Negative goodwill on acquisition of subsidiaries is amortized using the straight-line method over 20 years.

l. Leases—All leases are accounted for as operating leases. Under Japan GAAP for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

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

n. Accounting for Consumption Taxes—The consumption tax imposed on revenue from customers for the Group's service is withheld by the Group at the time of receipt and subsequently paid to the national government. The consumption tax withheld upon recognition of revenue and the consumption tax paid by the Group on the purchase of products, merchandise and services from vendors are not included in the related accounts in the accompanying consolidated statements of income. The

consumption tax paid is generally offset against the balance of consumption tax withheld, and net overpayment is included in current assets and net overwithholding is included in current liabilities.

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

p. Foreign Currency Transactions—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income to the extent that they are not hedged by forward exchange contracts.

q. Foreign Currency Financial Statements—Revenue and expense accounts of the consolidated foreign subsidiaries were translated into yen at the average exchange rate for the year ended March 31, 2002.

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

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (a) all derivatives be recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the income statement 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 are recognized and included in interest expenses or income.

s. Per Share Information—Effective April 1, 2002, the Group adopted a new accounting standard for earnings per share of common stock issued by the Accounting Standards Board of Japan. Under the new standard, basic net income per share is computed by dividing net income

available to common shareholders, which is more precisely computed than under previous practices, 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 178,200 shares for 2003 and 178,596 shares for 2002. The basic net income per share for the fiscal year 2002 would have been decreased by ¥279.96 to ¥34,655.81 had the new standard been applied for the fiscal year 2002.

Diluted net income per share is not disclosed because no warrant bonds or convertible bonds are issued.

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.

3. ACCOUNTING CHANGE

Prior to October 1, 2002, merchandise inventories in the SLOGIX business segment were stated at the most recent purchase price that approximates cost determined by the first-in, first-out method. Effective October 1, 2002, such costs for merchandise inventory are determined by the monthly average method. The effect of this change was to increase both operating income and income before income taxes for the year ended March 31, 2003 by ¥1.3 million (\$11 thousand). In addition, both operating income and income before income taxes for the six-month period ended September 30, 2002 would have been increased by ¥1.0 million (\$8 thousand) had the new method been applied for the first six months of the fiscal year 2003.

4. SHORT-TERM INVESTMENTS

Short-term investments at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of
	2003	2002	U.S. Dollars
Time deposits	¥270	¥836	\$2,248
Special deposits	422		3,510
Total	¥692	¥836	\$5,758

5. INVENTORIES

Inventories as of March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Merchandise	¥ 490		\$4,074
Raw materials	433	¥ 891	3,605
Supplies	143	148	1,189
Total	¥1,066	¥1,039	\$8,868

6. INVESTMENT SECURITIES

Investment securities as of March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Non-current:			
Marketable equity securities	¥107	¥216	\$ 886
Non-marketable equity securities	292	281	2,434
Other	223	303	1,858
Total	¥622	¥800	\$5,178

The carrying amounts and aggregate fair values of investment securities at March 31, 2003 and 2002 were as follows:

March 31, 2003	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	¥104	¥10	¥ 7	¥107
Other	247		24	223

March 31, 2002

Securities classified as available-for-sale:	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Equity securities	216	9	9	216
Other	414		111	303

Thousands of U.S. Dollars

March 31, 2003	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	\$ 863	\$80	\$ 57	\$ 886
Other	2,053		195	1,858

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2003 and 2002 were as follows:

	Carrying Amount		Thousands of U.S. Dollars
	Millions of Yen	2002	2003
Available-for-sale—Equity securities	¥292	¥281	\$2,434

For other than temporary decline where fair values of securities at the end of the fiscal year become less than 60% of acquisition costs or fair values of securities declines by more than 30% of 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, 2003 and 2002, impairment losses of ¥280 million (\$2,332 thousand) and ¥283 million, respectively, for non-current marketable equity securities were recognized.

The carrying values of other securities by contractual maturities for securities classified as available-for-sale at March 31, 2003 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due after one year through five years	¥ 86	\$ 718
Due after five years through ten years	46	378
Total	¥132	\$1,096

7. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings as of March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Short-term borrowings:			
From banks, 1.600% to 1.875% (1.375% to 1.875% in 2002)	¥1,922	¥6,142	\$15,990
From other, 1.600% (1.600% in 2002)	67	42	555
Total	¥1,989	¥6,184	\$16,545

Long-term debt as of March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Unsecured 0.29% Japanese yen bonds due 2003		¥ 3,100	
Loans from banks, 0.980% to 2.855% (1.400% to 2.855% in 2002), due serially to 2008:			
Collateralized	¥ 795	408	\$ 6,614
Unsecured	36,160	19,169	300,833
Installment payable for equipment, 3.120% to 4.660% (3.100% to 4.800% in 2002), due serially to 2006:			
Collateralized	43	151	353
Unsecured	3,249	1,595	27,033
Unsecured installment notes payable for equipment, 4.570% to 4.750% (4.100% to 4.800% in 2002), due serially to 2006	242	3,534	2,016
Total	40,489	27,957	336,849
Less current portion	(13,742)	(11,858)	(114,330)
Long-term debt, less current portion	¥ 26,747	¥ 16,099	\$ 222,519

Collateralized loans from banks of ¥235 million (\$1,955 thousand) as of March 31, 2003 were included in a current portion of long-term debt.

Annual maturities of long-term debt as of March 31, 2003 for the next five years were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2004	¥13,742	\$114,330
2005	9,577	79,676
2006	7,890	65,641
2007	5,956	49,554
2008	3,324	27,648
Total	¥40,489	\$336,849

The carrying amounts of assets pledged as collateral for long-term debt of ¥795 million (\$6,614 thousand) and installment payable for equipment of ¥43 million (\$353 thousand) at March 31, 2003 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Land	¥ 49	\$ 406
Buildings and structures	808	6,720
Furniture and equipment	16	146

8. EMPLOYEES' RETIREMENT BENEFITS

Under the pension plan, employees terminating their employment are, in most circumstances, entitled to pension payments based on their average pay during their employment, length of service and certain other factors.

The liability for employees' retirement benefits, including the governmental pension program managed by the Company on behalf of the government, at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Projected benefit obligation	¥13,317	¥12,286	\$110,793
Fair value of plan assets	(6,260)	(6,953)	(52,080)
Unrecognized actuarial gain	(2,541)	(1,454)	(21,144)
Net liability	¥ 4,516	¥ 3,879	\$ 37,569

The components of net periodic benefit costs for the years ended March 31, 2003 and 2002 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Service cost	¥ 674	¥ 822	\$5,611
Interest cost	307	379	2,555
Expected return on plan assets	(69)	(173)	(578)
Recognized actuarial loss	242	299	2,015
Net periodic benefit costs	¥1,154	¥1,327	\$9,603

Other than the above benefit costs, the Company recorded ¥25 million (\$204 thousand) and ¥49 million of special severance payments for early retired employees for the years ended March 31, 2003 and 2002, respectively.

Assumptions used for the years ended March 31, 2003 and 2002 are set forth as follows:

	2003	2002
Discount rate	2.5%	2.5%
Expected rate of return on plan assets	1.0%	2.5%
Recognition period of actuarial gain/loss	6 to 7 years	6 to 7 years

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 the Japanese Commercial Code (the "Code"). The Group recorded a liability for its unfunded retirement allowance plan covering all of its directors and corporate auditors. The annual provision for retirement allowances for directors and corporate auditors for the years ended March 31, 2003 and 2002 were ¥25 million (\$207 thousand) and ¥424 million, respectively.

10. SHAREHOLDERS' EQUITY

Japanese companies are subject to the Code to which certain amendments became effective from October 1, 2001.

The Code was revised whereby common stock par value was eliminated resulting in all shares being recorded with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital, which is included in capital surplus. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration as a stock split. Such issuance

of shares generally does not give rise to changes within the shareholders' accounts.

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

The revised Code eliminated restrictions on the repurchase and use of treasury stock allowing Japanese companies to repurchase treasury stock by a resolution of the shareholders at the general shareholders meeting and dispose of such treasury stock by resolution of the Board of Directors beginning April 1, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amount of common stock, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders meeting.

The amount of retained earnings available for dividends under the Code was ¥8,183 million (\$68,081 thousand) as of March 31, 2003, based on the amount recorded in the parent company's general books of account. In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

At the general shareholders meeting held on June 27, 2002, the Company was authorized to repurchase, at management's discretion, up to 10,000 shares of the Company's common stock with an aggregate amount of ¥2,000 million for the purpose of improving the financial position of the Company or establishing additional stock option programs. Upon the approval, the Company repurchased 7,650 shares with an aggregate amount of ¥903 million (\$7,510 thousand) during the fiscal year 2003. All of the repurchased shares were held in treasury stock as of March 31, 2003.

On April 2, 2001, the Company was established by way of stock transfer with SFSC and SCC at the rate of 1.00 share for each 100 shares of SFSC and 164 shares of SCC.

Total of 178,607 shares were issued to shareholders of record of SFSC and SCC on March 31, 2001.

11. LEASES

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

Total lease payments under finance leases that do not transfer ownership of the leased property to the lessee for the years ended March 31, 2003 and 2002 were ¥4,086 million (\$33,992 thousand) and ¥3,409 million, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance lease, depreciation expense, interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2003 and 2002 was as follows:

	Millions of Yen								Thousands of U.S. Dollars			
	2003				2002				2003			
	Furniture and Fixtures		Computer Software	Total	Furniture and Fixtures		Computer Software	Total	Furniture and Fixtures		Computer Software	Total
Acquisition cost	¥47	¥19,727	¥35	¥19,809	¥68	¥15,486	¥36	¥15,590	\$396	\$164,116	\$289	\$164,801
Accumulated depreciation	37	7,018	29	7,084	51	6,998	22	7,071	314	58,383	236	58,933
Net leased property	¥10	¥12,709	¥ 6	¥12,725	¥17	¥ 8,488	¥14	¥ 8,519	\$ 82	\$105,733	\$ 53	\$105,868

Obligations under finance leases as of March 31, 2003 and 2002:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Due within one year	¥ 3,904	¥2,765	\$ 32,476
Due after one year	9,013	6,031	74,985
Total	¥12,917	¥8,796	\$107,461

In addition to the above, the Group subleases to third parties certain assets which are originally leased under finance leases by the Group. The sublease terms are the same as the original finance lease agreements. As of March 31, 2003 and 2002, relating to these subleases, the Group has each of lease receivable and lease obligations under finance leases with the balance of ¥5 million (\$38 thousand) and ¥2 million, of which ¥3 million (\$24 thousand) and ¥0.7 million, respectively, were due within one year.

Depreciation expense and interest expense under finance leases for the years ended March 31, 2003 and 2002:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Depreciation expense	¥3,644	¥3,020	\$30,317
Interest expense	492	379	4,091
Total	¥4,136	¥3,399	\$34,408

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

The future minimum lease payments under noncancelable operating leases at March 31, 2003 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	Due within one year	¥2
Due after one year	4	29
Total	¥6	\$49

12. 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 approximately 42% for the years ended March 31, 2003 and 2002. The tax effects of significant temporary differences and loss carryforwards that resulted in deferred tax assets and liabilities at March 31, 2003 and 2002 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Deferred tax assets:			
Liability for employees' retirement benefits	¥1,829	¥1,664	\$15,214
Bonuses	513	569	4,266
Valuation losses of investment securities	343	231	2,853
Unpaid pension premium	33	190	275
Retirement allowances for directors and corporate auditors	161	169	1,343
Depreciation and amortization	618	516	5,140
Property and equipment	47	49	394
Enterprise tax	149	540	1,239
Allowance for doubtful accounts	845	905	7,029
Unrealized loss on available-for-sale securities		47	
Tax loss carryforwards	2,255		18,760
Other	173	48	1,436
Less valuation allowance	(1,641)		(13,648)
Deferred tax assets	5,325	4,928	44,301
Deferred tax liabilities—Property and equipment	223	232	1,859
Net deferred tax assets	¥5,102	¥4,696	\$42,442

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2003 and 2002 is as follows:

	2003	2002
Normal effective statutory tax rate	42.05%	42.05%
Permanent differences	1.27	0.32
Inhabitants taxes—per capita	5.98	3.78
Dividend income not deductible for income tax purposes	(7.84)	
Valuation allowance	6.54	
Tax on undistributed profits	0.84	1.89
Effect of tax rate reduction	3.58	
Other—net	1.74	(1.12)
Actual effective tax rate	54.16%	46.92%

On March 31, 2003, a tax reform law was enacted in Japan, which changed the normal effective statutory tax rate from approximately 42.05% to 40.49%, effective for the year beginning April 1, 2004. The effect of this change was to decrease deferred tax assets as of March 31, 2003 by ¥165 million (\$1,372 thousand) and to increase income taxes—deferred in the consolidated statements of income for the year ended March 31, 2003 by ¥165 million (\$1,369 thousand).

13. PLEDGED ASSETS

Time deposit of ¥15 million (\$125 thousand) was pledged as deposit for security for dealing as of March 31, 2003. In addition, special deposits of ¥422 million (\$3,510 thousand) in short-term investments were restricted under the escrow clause of the stock purchase agreement of Shidax USA Ltd. as of March 31, 2003.

14. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the years ended March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Payroll	¥1,857	¥3,001	\$15,446
Commissions	686	848	5,710
Provision for accrued bonuses	238	175	1,979
Retirement benefit costs	182	269	1,510
Provision for retirement allowances	18	10	147
Depreciation and amortization	304	311	2,531
Provision for allowance for doubtful accounts	71	33	594
Other	3,616	3,803	30,085
Total	¥6,972	¥8,450	\$58,002

15. 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 derivative and pays interests on long-term debt at fixed rates. Therefore, the Group believes 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 done by the Finance Department. Each derivative transaction is periodically reported

to the management, where evaluation and analysis of derivatives are made. In addition, the Group confirms with financial institutions a notional amount and other information of each derivative transactions at the fiscal year end.

All of the Group's derivative contracts qualified for hedge accounting for the years ended March 31, 2003 and 2002 and, therefore, excluded from the disclosure of market value information.

16. 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, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Advertising revenue	¥28	¥42	\$230
Purchase of meal tickets		4	
Purchase of common stock		25	

17. SEGMENT INFORMATION

The Group operates in the following industries:

"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" consists of managements of large entertainment restaurants and online karaoke houses.

"SLOGIX Businesses" consists of sales of foodstuff to office food service businesses and a restaurant industry.

"Others" consists of selling foodstuff to and providing support of clerical work for food service of business offices or catering industry.

Information about industry segments, geographical segments and sales to foreign customers of the Group for the years ended March 31, 2003 and 2002 is as follows:

(1) Industry Segments

a. Sales and Operating Income

	Millions of Yen						
	2003						
	Contracted Food Services	Medical Food Services	Restaurant and Karaoke Businesses	SLOGIX Businesses	Others	Eliminations/Corporate	Consolidated
Sales to customers	¥38,500	¥27,139	¥50,925	¥ 5,968	¥ 31		¥122,563
Intersegment sales	3		1	26,486		¥(26,490)	
Total sales	38,503	27,139	50,926	32,454	31	(26,490)	122,563
Operating expenses	36,679	27,233	43,101	31,662	58	(23,082)	115,651
Operating income (loss)	¥ 1,824	¥ (94)	¥ 7,825	¥ 792	¥(27)	¥ (3,408)	¥ 6,912

b. Total Assets, Depreciation and Amortization and Capital Expenditures

	Millions of Yen						
	2003						
	Contracted Food Services	Medical Food Services	Restaurant and Karaoke Businesses	SLOGIX Businesses	Others	Eliminations/Corporate	Consolidated
Total assets	¥7,340	¥5,786	¥54,735	¥7,074	¥7	¥22,615	¥97,557
Depreciation and amortization	166	111	2,388	114		132	2,911
Capital expenditures	344	250	6,342	31		307	7,274

a. Sales and Operating Income

	Thousands of U.S. Dollars						
	2003						
	Contracted Food Services	Medical Food Services	Restaurant and Karaoke Businesses	SLOGIX Businesses	Others	Eliminations/Corporate	Consolidated
Sales to customers	\$320,297	\$225,786	\$423,665	\$ 49,651	\$ 261		\$1,019,660
Intersegment sales	27		12	220,348		\$(220,387)	
Total sales	320,324	225,786	423,677	269,999	261	(220,387)	1,019,660
Operating expenses	305,153	226,566	358,575	263,412	489	(192,036)	962,159
Operating income (loss)	\$ 15,171	\$ (780)	\$ 65,102	\$ 6,587	\$(228)	\$ (28,351)	\$ 57,501

b. Total Assets, Depreciation and Amortization and Capital Expenditures

	Thousands of U.S. Dollars						
	2003						
	Contracted Food Services	Medical Food Services	Restaurant and Karaoke Businesses	SLOGIX Businesses	Others	Eliminations/Corporate	Consolidated
Total assets	\$61,065	\$48,137	\$455,369	\$58,849	\$59	\$188,146	\$811,625
Depreciation and amortization	1,385	921	19,867	952		1,097	24,222
Capital expenditures	2,858	2,081	52,758	260	1	2,556	60,514

a. Sales and Operating Income

	Millions of Yen						
	2002						
	Contracted Food Services	Medical Food Services	Restaurant and Karaoke Businesses	Others	Eliminations/Corporate	Consolidated	
Sales to customers	¥72,823	¥22,571	¥43,598	¥ 1,312			¥140,304
Intersegment sales	2			2,930	¥(2,932)		
Total sales	72,825	22,571	43,598	4,242	(2,932)		140,304
Operating expenses	70,642	22,229	36,826	3,914	(156)		133,455
Operating income	¥ 2,183	¥ 342	¥ 6,772	¥ 328	¥(2,776)		¥ 6,849

b. Total Assets, Depreciation and Amortization and Capital Expenditures

	Millions of Yen					
	2002					
	Contracted Food Services	Medical Food Services	Restaurant and Karaoke Businesses	Others	Eliminations/Corporate	Consolidated
Total assets	¥7,316	¥5,744	¥52,410	¥2,268	¥22,168	¥89,906
Depreciation and amortization	365	84	2,089	30	82	2,650
Capital expenditures	235	158	7,282	548	580	8,803

- Notes: 1. Operating expenses mainly incurred in administrative departments were unallocatable and included in "Eliminations/Corporate" of operating expenses with the aggregate amounts of ¥3,516 million (\$29,255 thousand) and ¥2,866 million for the years ended March 31, 2003 and 2002, respectively.
2. Total corporate assets of ¥37,926 million (\$315,524 thousand) and ¥22,314 million included in "Eliminations/Corporate" of total assets as of March 31, 2003 and 2002, respectively, mainly consisted of operating funds (cash and cash equivalents), long-term investment funds (investment securities), assets used in administrative departments and receivables arising from the sale of a subsidiary's stock.
3. Due to significant business expansion in SLOGIX businesses, the Company added "SLOGIX Businesses" to the industry segment section from the fiscal year 2003 in order to disclose current status of the Group's business operations more appropriately. The following is the industry segment information for the fiscal year 2002, retroactively adjusted upon the newly applied industry segmentation:

a. Sales and operating income

	Millions of Yen						
	2002						
	Contracted Food Services	Medical Food Services	Restaurant and Karaoke Businesses	SLOGIX Businesses	Others	Eliminations/Corporate	Consolidated
Sales to customers	¥72,823	¥22,571	¥43,598	¥ 1,108	¥204		¥140,304
Intersegment sales	2			2,928	2	¥ (2,932)	
Total sales	72,825	22,571	43,598	4,036	206	(2,932)	140,304
Operating expenses	70,642	22,229	36,826	3,742	172	(156)	133,455
Operating income	¥ 2,183	¥ 342	¥ 6,772	¥ 294	¥ 34	¥ (2,776)	¥ 6,849

b. Total assets, depreciation and amortization and capital expenditures

	Millions of Yen						
	2002						
	Contracted Food Services	Medical Food Services	Restaurant and Karaoke Businesses	SLOGIX Businesses	Others	Eliminations/Corporate	Consolidated
Total assets	¥ 7,316	¥ 5,744	¥52,410	¥ 2,111	¥157	¥ 22,168	¥ 89,906
Depreciation and amortization	365	84	2,089	30		82	2,650
Capital expenditures	235	158	7,282	548		580	8,803

(2) Geographical Segments

The Company and subsidiaries were located and conduct their operations in Japan in the fiscal year 2003, therefore geographical segment information for the year ended March 31, 2003 was not presented.

	Millions of Yen			Consolidated
	2002			
	Japan	North America	Eliminations/ Corporate	
Sales to customers	¥106,162	¥34,142		¥140,304
Operating expenses	96,403	34,186	¥ 2,866	133,455
Operating income (loss)	¥ 9,759	¥ (44)	¥(2,866)	¥ 6,849
Total assets	¥ 67,592		¥22,314	¥ 89,906

Notes: 1. North America mainly consists of the United States of America.

2. No assets belong to "North America" as of March 31, 2002, due to the sales of the subsidiaries located in the United States of America, as described in Note 2.a.

3. Operating expenses mainly incurred in administrative departments were unallocatable and included in "Eliminations/Corporate" of operating expenses with the aggregate amount of ¥2,866 million for the year ended March 31, 2002.

4. Total corporate assets of ¥22,314 million included in "Eliminations/Corporate" of total assets as of March 31, 2002 mainly consisted of receivable arising from the sale of the subsidiary's stock, surplus operating funds (cash and cash equivalents), long-term investment funds (investment securities) and assets used in administrative departments.

(3) Sales to Foreign Customers

No sales to foreign customers were recorded for the year ended March 31, 2003, therefore such information was not presented.

	Millions of Yen	
	2002	
	North America	Total
Sales to foreign customers (A)	¥34,142	¥ 34,142
Consolidated sales (B)		140,304
(A)/(B)	24.3%	24.3%

18. SUBSEQUENT EVENTS

a. Stock Option Program

At the general shareholders meeting held on June 27, 2003, shareholders of the Company approved a stock option program. The program provides for granting options to directors, corporate auditors and key employees of the Group to purchase up to 20,000 shares of the common stock of the Company in the period from April 1, 2006 to September 30, 2008. The options will be granted at an exercise price determined based upon the average closing market price for a month preceding the month of option grant, multiplied by 1.05. If such average market

price is lower than the closing market price of a day before the date of option grant, then the stock option price will be fixed as the closing market price as of the day before the date of option grant. The exercise price will be adjusted for subsequent stock split or issuance of common stock with a lower price than fair value, based upon certain formulas, as defined. The exercise price will be also adjusted for stock split, stock consolidation or any other events which requires price adjustments after the date of option grant, based upon certain formulas, as defined. There are certain restrictions in exercising the stock option right.

b. Purchase of Treasury Stock

At the general shareholders meeting held on June 27, 2003, the Company was authorized to repurchase, at management's discretion, up to 30,000 shares of the Company's common stock with an aggregate amount of ¥2,000 million (\$16,639 thousand) for the purpose of improving the financial position of the Company.

c. Appropriation of Retained Earnings

The following appropriations of retained earnings at March 31, 2003 were approved at the Company's shareholders meeting held on June 27, 2003:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥3,000 (\$24.96) per share	¥513	\$4,266
Bonuses to directors and corporate auditors	76	632

d. Stock Split

On May 20, 2003, upon resolution and approval of the Board of Directors on November 25, 2002, the Company made a stock split by way of a free share distribution at the rate of 2 shares for each outstanding share, and 178,607.31 shares of common stock with no par value were issued to shareholders of record on March 31, 2003. Stated capital was not changed as a result of this stock split. The starting date of the dividend computation for the stock issued upon the stock split was set on April 1, 2003.

Given that this stock split had been made on April 1, 2002 and 2001, the basic net income per share for the years ended March 31, 2003 and 2002, would have been changed to ¥5,652.20 (\$47.02) and ¥17,327.90, respectively. The weighted-average number of common shares used in this computation was 357,215 for 2003 and 2002.

e. Stock Acquisition

On April 2, 2003, upon resolution and approval of the Board of Directors on February 14, 2003, the Company acquired 100% of the shares of RESTAURANT MONTE ROSA Co., Ltd. ("MONTE ROSA") for the aggregate amount of ¥1,368 million (\$11,381 thousand) from TOKYU DEPARTMENT STORE CO., LTD. The following is the company profile of MONTE ROSA as of January 31, 2003 (the most recent data available):

Main business:	Restaurant management
Net sales:	¥2,058 million (\$17,120 thousand)
Net income:	¥4 million (\$36 thousand)
Assets:	¥1,524 million (\$12,676 thousand)
Liabilities:	¥1,388 million (\$11,543 thousand)
Shareholders' equity:	¥136 million (\$1,133 thousand)

19. SUPPLEMENTAL CASH FLOW INFORMATION

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Cash paid during the year for interest	¥776	¥846	\$6,456

The following is the balance sheet information of Shidax USA Ltd. and Bon Appétit Management Company as of March 28, 2002, which were deconsolidated at the end of the fiscal year 2002 due to the sales of their common stock (see Note 2.a):

	Millions of Yen
Current assets	¥4,456
Non-current assets	6,733
Current liabilities	3,463
Non-current liabilities	185
Minority interests	155

As noted in Note 2.a, the purchase method was applied to SFSC as the acquired company. Therefore, cash and cash equivalents of ¥8,486 million held by SFSC and its consolidated subsidiaries as of April 2, 2001, are presented as "Proceeds from acquisition of subsidiaries' stock" on the consolidated statements of cash flows of the Group.

The following are the balance sheet information of SFSC and its consolidated subsidiaries as of April 2, 2002 and the additional information regarding the acquisition of common stock of SFSC and its consolidated subsidiaries (see Note 2.a):

	Millions of Yen
Current assets	¥22,967
Non-current assets	11,584
Deferred assets	33
Current liabilities	(14,391)
Non-current liabilities	(19,945)
Minority interests	(248)
Acquisition costs	
Cash and cash equivalents	8,486
Proceeds from acquisition of subsidiaries' stock	¥ 8,486

The above amounts include cash dividends of ¥131 million and bonuses to directors and corporate auditors of ¥50 million, which were approved at the general shareholders meeting of SFSC held on June 21, 2001. In addition, cash and cash equivalents of ¥8,486 million held by SFSC and its consolidated subsidiaries were included in current assets.

Non-cash Investing Activities

Receivables of ¥15,521 million, arising from the sales of common stock of Shidax USA Ltd. and Bon Appétit Management Company, were presented as accounts receivable—other on the consolidated balance sheets at March 31, 2002.

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**Deloitte
Touche
Tohmatsu**

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
SHIDAX CORPORATION:

We have audited the accompanying consolidated balance sheets of SHIDAX CORPORATION and consolidated subsidiaries (collectively, the "Group") as of March 31, 2003 and 2002, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied 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 the Group as of March 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan.

As discussed in Note 3 to the consolidated financial statements, effective October 1, 2002, the Group changed its method of accounting for inventories.

As discussed in Note 17 to the consolidated financial statements, the Group changed its industry segmentation from the year ended March 31, 2003.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 2. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 27, 2003

Unaudited Supplemental Financial Section

非監査の補足財務報告

Consolidated Financial Statements of SHiDAX FOOD SERVICE CORPORATION and Consolidated Subsidiaries and Financial Statements of SHiDAX COMMUNITY CORPORATION

シダックスフードサービス(株)の連結財務諸表およびシダックス・コミュニティー(株)の単独財務諸表

SHiDAX FOOD SERVICE CORPORATION and Consolidated Subsidiaries

シダックスフードサービス(株)

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連結貸借対照表

48 Consolidated Statements of Income

連結損益計算書

49 Fact Sheet

データ集

SHiDAX COMMUNITY CORPORATION

シダックス・コミュニティー(株)

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単独貸借対照表

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単独損益計算書

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データ集

Note: In accordance with Japan's accounting procedures, the financial statements of SHiDAX FOOD SERVICE Corp. and SHiDAX COMMUNITY Corp. are summaries, and have not been independently audited.

注)シダックスフードサービス(株)およびシダックス・コミュニティー(株)の財務諸表は日本の会計表記法に基づいて、要約したものであり、また、監査を受けているものではありません。

Consolidated Balance Sheets

March 31, 2003 and 2002—Unaudited

	Millions of Yen	
	2003	2002
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	¥ 8,536	¥ 4,685
Trade notes and accounts receivable	6,664	6,943
Inventories	279	763
Loans receivable	465	821
Other accounts receivable	—	15,752
Deferred tax assets	551	988
Other	330	230
Allowance for doubtful accounts	(19)	(35)
Total current assets	16,807	30,147
FIXED ASSETS:		
Tangible fixed assets:		
Buildings and structures	1,379	1,393
Machinery, equipment and vehicles	11	11
Furniture and fixtures	1,700	1,696
Land	220	220
Accumulated depreciation	(1,669)	(1,631)
Total tangible fixed assets	1,641	1,690
Intangible fixed assets:		
Goodwill	—	3
Other	117	123
Total intangible fixed assets	117	127
INVESTMENTS AND OTHER ASSETS:		
Investments securities	668	852
Long-term loans	467	138
Deferred tax assets	3,050	2,622
Other	3,908	3,051
Allowance for doubtful accounts	(1,883)	(2,006)
Total investments and other assets	6,210	4,658
Total fixed assets	7,968	6,475
TOTAL	¥24,775	¥36,621

	Millions of Yen	
	2003	2002
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	¥ 4,391	¥ 4,785
Short-term debt	2,867	575
Current portion of long-term debt	1,472	—
Current portion of bonds	—	3,100
Other accounts payable	986	1,365
Accrued income taxes	24	4,001
Accrued expenses	2,082	—
Allowance for bonus payable	1,176	1,322
Other	739	2,324
Total current liabilities	<u>13,738</u>	<u>17,473</u>
LONG-TERM LIABILITIES:		
Long-term debt, less current portion	4,645	152
Liability for employees' retirement benefits	2,892	3,170
Retirement allowances for directors and corporate auditors	343	350
Other	128	127
Total long-term liabilities	<u>8,009</u>	<u>3,799</u>
Total liabilities	<u>21,746</u>	<u>21,272</u>
SHAREHOLDERS' EQUITY		
Common stock	297	2,366
Additional paid-in capital	—	5,699
Retained earnings	2,744	7,349
Unrealized loss on available-for-sale securities	(12)	(64)
Total shareholders' equity	<u>3,029</u>	<u>15,350</u>
TOTAL	<u>¥24,775</u>	<u>¥36,621</u>

Consolidated Statements of Income

Years Ended March 31, 2003 and 2002—Unaudited

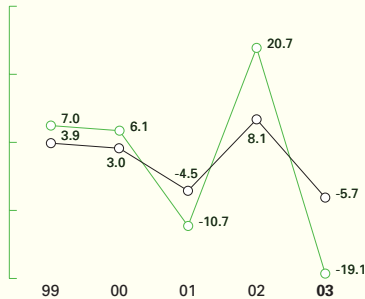
	Millions of Yen	
	2003	2002
NET SALES	¥65,684	¥96,664
COST OF SALES	62,932	89,802
Gross profit	2,752	6,862
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:		
Payroll and bonuses	411	1,700
Provision for accrued bonuses	54	54
Retirement benefit costs	23	67
Welfare and other labor costs	102	221
Supplies expenses	17	109
Depreciation and amortization	42	147
Operating fees	379	647
Management service fees	485	432
Advertising expenses	439	—
Other	603	2,082
Total selling, general and administrative expenses	2,554	5,459
Operating income	198	1,403
OTHER INCOME:		
Dividend and interest income	82	83
Rental income	60	72
Other	58	108
Total other income	201	262
OTHER EXPENSES:		
Interest expenses	84	92
Transfer to allowance for bad debt	13	—
Other	21	15
Total other expenses	118	108
Ordinary income	281	1,557
EXTRAORDINARY GAIN:		
Gain on sale of investments	—	7,363
Reversal of allowance for doubtful receivables	26	17
Total extraordinary income	26	7,380
EXTRAORDINARY LOSS:		
Loss from closure of branch offices	92	169
Loss from write-down of investment securities	297	313
Foreign exchange loss	1,532	—
Transfer to allowance for bad debt	—	1,856
Other	69	457
Total extraordinary loss	1,989	2,794
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTERESTS	(1,682)	6,142
INCOME TAXES—CURRENT	102	4,858
INCOME TAXES—DEFERRED	(29)	(1,613)
MINORITY INTERESTS IN NET INCOME	—	23
NET INCOME (LOSS)	¥ (1,756)	¥ 2,874

SHiDAX FOOD SERVICE CORPORATION

シダックスフードサービス(株)

Return on Equity & Return on Assets

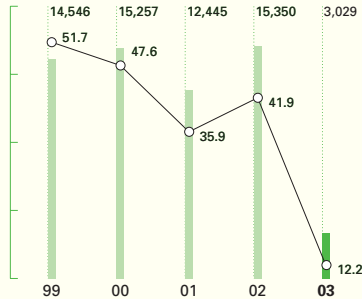
株主資本利益率 & 総資産利益率



○ Return on Equity (%) 株主資本利益率(%)
○ Return on Assets (%) 総資産利益率(%)

Shareholders' Equity & Equity Ratio

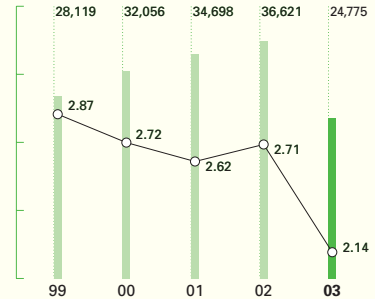
株主資本 & 株主資本比率



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

Total Assets & Total Assets Turnover

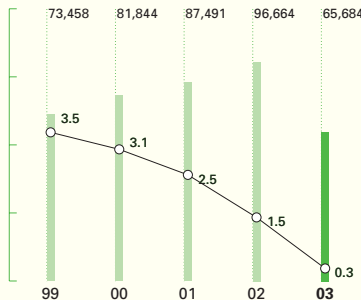
総資産 & 総資産回転率



■ Total Assets (¥ millions) 総資産(百万円)
○ Total Assets Turnover (times) 総資産回転率(回)

Net Sales & Operating Income Ratio

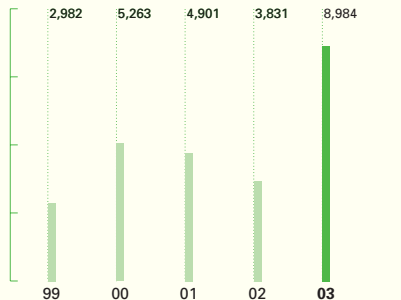
売上高 & 営業利益率



■ Net Sales (¥ millions) 売上高(百万円)
○ Operating Income Ratio (%) 営業利益率(%)

Interest-Bearing Debt

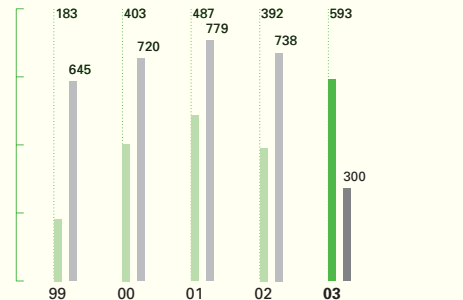
有利子負債残高



■ Interest-Bearing Debt (¥ millions) 有利子負債残高(百万円)

Expenditures & Depreciation and Amortization

設備投資 & 減価償却費



■ Expenditures (¥ millions) 設備投資(百万円)
■ Depreciation and Amortization (¥ millions) 減価償却費(百万円)

(Millions of Yen 百万円)

Years ended March 31 3月31日	1999	2000	2001	2002	2003
Net sales 売上高	73,458	81,844	87,491	96,664	65,684
Contracted food services コントラクトフードサービス事業	54,870	60,754	62,375	72,823	38,500
Medical food services メディカルフードサービス事業	13,961	15,953	19,220	22,571	27,139
Others その他の事業	4,627	5,137	5,895	1,270	45
Operating income 営業利益	2,567	2,550	2,154	1,403	198
Net income 当期純利益	991	907	(1,488)	2,874	(1,756)
Shareholders' equity 株主資本	14,546	15,257	12,445	15,350	3,029
Total assets 総資産	28,119	32,056	34,698	36,621	24,775
Interest-bearing debt 有利子負債残高	2,982	5,263	4,901	3,831	8,984
Expenditures 設備投資	183	403	487	392	593
Depreciation and amortization 減価償却費	645	720	779	738	300
Return on equity (%) 株主資本利益率(%)	7.0	6.1	(10.7)	20.7	(19.1)
Return on assets (%) 総資産利益率(%)	3.9	3.0	(4.5)	8.1	(5.7)
Operating income ratio (%) 営業利益率(%)	3.5	3.1	2.5	1.5	0.3
Total assets turnover (times) 総資産回転率(回)	2.87	2.72	2.62	2.71	2.14
Equity ratio (%) 株主資本比率(%)	51.7	47.6	35.9	41.9	12.2
Number of domestic branch offices 国内営業店数	2,094	2,145	2,236	2,469	2,177

Notes: 1. On March 28, 2002, SHiDAX Corporation sold its share in Shidax USA Ltd. Net sales of Shidax USA Ltd. included in the accounts of SHiDAX FOOD SERVICE Corp. for fiscal 2001 totaled ¥34,142 million.

2. To increase the SHiDAX Group's fund-application efficiency, SHiDAX FOOD SERVICE Corp. conducted a ¥7,651.8 million paid-in capital decrease on March 28, 2003. The value of SHiDAX Corporation's shares in SHiDAX FOOD SERVICE Corp. declined by a corresponding amount.

注)1. シダックス(株)は、2002年3月28日にShidax USA Ltd.の株式を売却しました。2002年の連結会計年度においてシダックスフードサービス(株)に含まれるShidax USA Ltd.の売上高は34,142百万円です。

2. シダックスフードサービス(株)は、当社グループの資金効率を高めることを目的として、2003年3月28日付けで、7,651,800千円の有償減資を行いました。また、これに伴いシダックス(株)が保有する同社株式が同額減少いたしました。

Balance Sheets

March 31, 2003 and 2002—Unaudited

	Millions of Yen	
	2003	2002
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	¥ 3,050	¥ 4,313
Accounts receivable	101	83
Raw materials	160	143
Supplies	137	133
Prepaid expenses	1,004	919
Deferred tax assets	234	157
Other accounts receivable	925	688
Other	27	40
Allowance for doubtful accounts	(1)	(1)
Total current assets	5,637	6,474
FIXED ASSETS:		
Tangible fixed assets:		
Buildings and structures	37,468	31,806
Furniture and fixtures	2,737	3,106
Construction in progress	46	86
Accumulated depreciation	(10,022)	(8,292)
Total tangible fixed assets	30,229	26,706
Intangible fixed assets:		
Land lease right	20	22
Other	94	92
Total intangible assets	114	114
INVESTMENTS AND OTHER ASSETS:		
Long-term prepaid expense	827	789
Deferred tax assets	721	625
Guarantee money paid	8,127	8,989
Deposit	5,340	4,788
Other	3,317	1,944
Allowance for doubtful accounts	(285)	(238)
Total investments and other assets	18,047	16,897
Total fixed assets	48,390	43,717
TOTAL ASSETS	¥54,027	¥50,191

	Millions of Yen	
	2003	2002
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	¥ 1,467	¥ 1,160
Short-term debt	3,122	7,642
Current portion of long-term debt	13,491	8,908
Other accounts payable	2,508	2,602
Accrued income taxes	1,621	1,238
Accrued expenses	927	760
Deposits received	169	16
Allowance for bonus payable	148	140
Other	372	240
Total current liabilities	<u>23,826</u>	<u>22,707</u>
LONG-TERM LIABILITIES:		
Long-term debt, less current portion	22,102	15,947
Guarantee deposits received	240	181
Liability for employees' retirement benefits	12	12
Retirement allowances for directors and corporate auditors	34	40
Total long-term liabilities	<u>22,387</u>	<u>16,180</u>
Total liabilities	<u>46,213</u>	<u>38,887</u>
SHAREHOLDERS' EQUITY		
Common stock	108	2,893
Additional paid-in capital	3,630	3,630
Retained earnings	4,076	4,519
Total shareholders' equity	<u>7,814</u>	<u>11,304</u>
TOTAL	<u>¥54,027</u>	<u>¥50,191</u>

Statements of Income

Years Ended March 31, 2003 and 2002—Unaudited

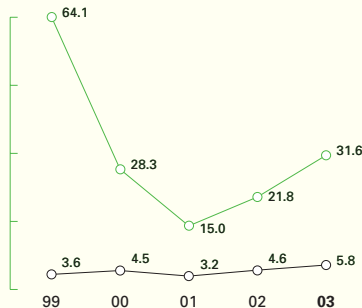
	Millions of Yen	
	2003	2002
NET SALES	¥50,926	¥43,598
COST OF SALES	41,333	35,203
Gross profit	9,593	8,395
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:		
Advertising expenses	324	116
Executive salaries	37	38
Payroll	608	549
Bonuses	47	54
Provision for accrued bonuses	44	30
Legal welfare	75	75
Welfare	58	55
Recruiting and training	60	50
Travel expenses	180	153
Depreciation and amortization	9	8
Supplies expenses	14	10
Communication expenses	98	79
Rent expenses	118	113
Commission expenses	1,586	1,536
Other	255	283
Total selling, general and administrative expenses	3,513	3,149
Operating income	6,080	5,246
OTHER INCOME:		
Interest income	2	4
Commission income	28	19
Other	11	19
Total other income	41	42
OTHER EXPENSES:		
Interest expenses	695	755
Other	10	16
Total other expenses	705	771
Ordinary income	5,416	4,517
EXTRAORDINARY GAIN:		
Gain on sale of fixed assets	244	52
Total extraordinary income	244	52
EXTRAORDINARY LOSS:		
Loss on disposal of fixed assets	60	21
Transfer to allowance for bad debt	—	86
Other	1	41
Total extraordinary loss	61	149
INCOME BEFORE INCOME TAXES	5,599	4,421
INCOME TAXES—CURRENT	2,750	2,198
INCOME TAXES—DEFERRED	(173)	(224)
NET INCOME	¥ 3,023	¥ 2,447

SHiDAX COMMUNITY CORPORATION

シダックス・コミュニティー(株)

Return on Equity & Return on Assets

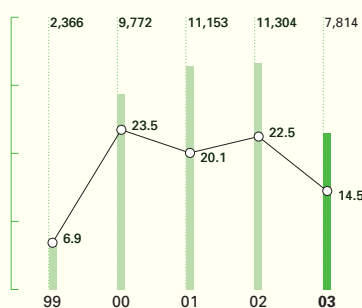
株主資本利益率 & 総資産利益率



○— Return on Equity (%) 株主資本利益率(%)
○— Return on Assets (%) 総資産利益率(%)

Shareholders' Equity & Equity Ratio

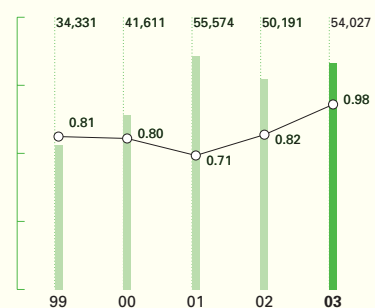
株主資本 & 株主資本比率



■ Shareholders' Equity (¥ millions) 株主資本(百万円)
○— Equity Ratio (%) 株主資本比率(%)

Total Assets & Total Assets Turnover

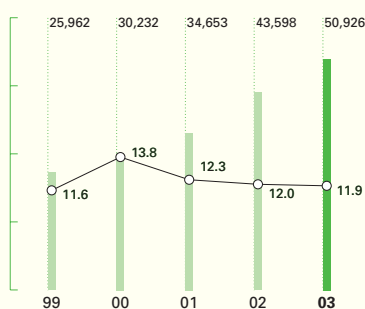
総資産 & 総資産回転率



■ Total Assets (¥ millions) 総資産(百万円)
○— Total Assets Turnover (times) 総資産回転率(回)

Net Sales & Operating Income Ratio

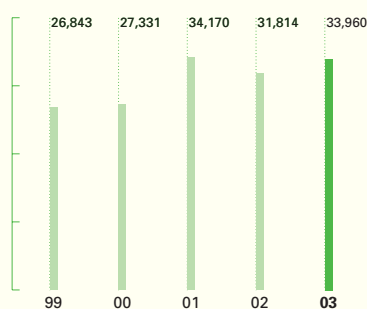
売上高 & 営業利益率



■ Net Sales (¥ millions) 売上高(百万円)
○— Operating Income Ratio (%) 営業利益率(%)

Interest-Bearing Debt

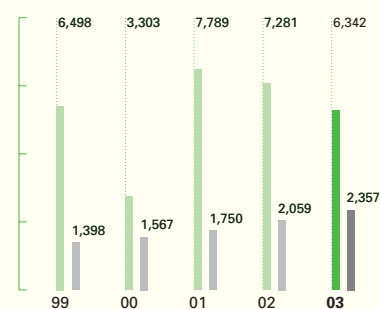
有利子負債残高



■ Interest-Bearing Debt (¥ millions) 有利子負債残高(百万円)

Expenditures & Depreciation and Amortization

設備投資 & 減価償却費



■ Expenditures (¥ millions) 設備投資(百万円)
■ Depreciation and Amortization (¥ millions) 減価償却費(百万円)

(Millions of Yen 百万円)

Years ended March 31 3月31日

	1999	2000	2001	2002	2003
Net sales 売上高	25,962	30,232	34,653	43,598	50,926
Operating income 営業利益	3,003	4,170	4,270	5,246	6,080
Net income 当期純利益	1,152	1,720	1,570	2,447	3,023
Shareholders' equity 株主資本	2,366	9,772	11,153	11,304	7,814
Total assets 総資産	34,331	41,611	55,574	50,191	54,027
Interest-bearing debt 有利子負債残高	26,843	27,331	34,170	31,814	33,960
Expenditures 設備投資	6,498	3,303	7,789	7,281	6,342
Depreciation and amortization 減価償却費	1,398	1,567	1,750	2,059	2,357
Return on equity (%) 株主資本利益率(%)	64.1	28.3	15.0	21.8	31.6
Return on assets (%) 総資産利益率(%)	3.6	4.5	3.2	4.6	5.8
Operating income ratio (%) 営業利益率(%)	11.6	13.8	12.3	12.0	11.9
Total assets turnover (times) 総資産回転率(回)	0.81	0.80	0.71	0.82	0.98
Equity ratio (%) 株主資本比率(%)	6.9	23.5	20.1	22.5	14.5
Number of outlets 営業店数	128	140	174	213	250
Number of rooms ルーム数	6,513	7,128	8,897	10,868	12,740

Notes: To increase the SHiDAX Group's fund-application efficiency, SHiDAX COMMUNITY Corp. conducted a ¥2,784.9 million paid-in capital decrease on March 28, 2003. The value of SHiDAX Corporation's shares in SHiDAX COMMUNITY Corp. declined by a corresponding amount.

注) シダックス・コミュニティー(株)は、当社グループの資金効率を高めることを目的として、2003年3月28日付で、2,784,900千円の有償減資を行いました。また、これに伴いシダックス(株)が保有する同社株式が同額減少いたしました。

SHiDAX CORPORATION

シダックス株式会社

Date of establishment: April 2, 2001

設立年月日: 2001年4月2日

Issued number of shares: 178,607.31 shares (Note)

発行済株式総数: 178,607.31株(注)

Note: On May 20, 2003, the Company conducted a two-for-one stock split.

This increased our total shares issued and outstanding by 178,607.31 shares to 357,214.62 shares as of June 27, 2003.

(注)2003年5月20日付にて1株につき2株の割合をもって株式分割いたしました。これに伴い、発行済株式総数は178,607.31株増加し、2003年6月27日現在357,214.62株となりました。

Capital: ¥8,930 million (As of March 31, 2003)

資本金: 8,930百万円(2003年3月31日現在)

Employees: 3,155 (As of March 31, 2003)

従業員数: 3,155人(2003年3月31日現在)

Head office: Shinjuku Park Tower 36F, 7-1, Nishishinjuku 3-chome,

本社事務所: Shinjuku-ku, Tokyo 163-1036, Japan

〒163-1036 東京都新宿区西新宿3丁目7番1号 新宿パークタワー36F

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

Stock Information

株式情報

Securities code:

4837

証券コード:

4837

Number of shareholders:

5,849

株主数:

5,849人

Market:

JASDAQ

取引所:

ジャスダック

Trading unit:

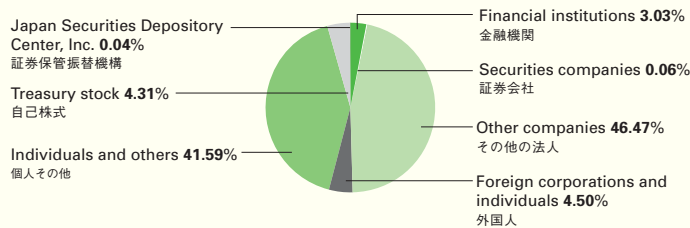
1 share

単元株式数:

1株

Breakdown by Type of Shareholder

所有者別株式分布状況



As of March 31, 2003
2003年3月31日現在



See you soon!



SHIDAX CORPORATION

Shinjuku Park Tower 36F, 7-1, Nishishinjuku 3-chome
Shinjuku-ku, Tokyo 163-1036, Japan

Tel: 03-5908-1361 Fax: 03-5908-1363

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