Financial Section

財務報告

[Performance]

【経営成績】

Consolidated net sales of the SHiDAX Group in fiscal 2003 were ¥140,909 million, up 15.0% from the previous fiscal year. The increase was primarily due to an increase in the number of medical facilities requesting meal services in the medical food service business and robust demand in the restaurant and karaoke businesses.

The ratio of cost of sales to net sales declined slightly on account of a decrease in foodstuff expenses at SLOGIX Corporation. However, personnel expenses increased as a result of a higher number of sales-development staff. Accordingly, operating income fell 28.6% to ¥4,934 million. Despite a gain on the completion of the retirement benefit system, net income dropped 46.1% to ¥1,137 million due to a loss on the disposal of guarantee deposits in the restaurant and karaoke businesses as well as an increase in foreign exchange loss and tax payments.

当期グループの連結売上高は1,409億09百万円となり、前期に比べ15.0%の増加となりました。これは主にメディカルフードサービス事業で新規受託の施設数が増加したことや、レストランカラオケ事業が堅調に推移したことによります。

一方、利益面については、エス・ロジックス㈱を活用した食材費等の軽減により売上原価率は微減しましたが、営業開発員の増加による人件費及び経費が増加したことにより営業利益は前期に比べ28.6%減少し49億34百万円となりました。当期純利益は退職給付制度終了益がありましたが、レストランカラオケ事業における保証金を流動化したことによる売却損が発生したこと、為替差損や法人税負担が増加したことにより、前期に比べ46.1%減少し11億37百万円となりました。

[Performance by Segment]

【各セグメントの経営成績】

■ Contracted Food Services

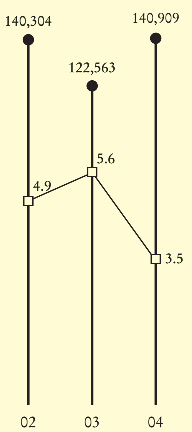
In the meal service industry, customers continue to request lower contract fees, as welfare budgets are reviewed and cutbacks are made to personnel, along with the integration of offices in accordance with business streamlining at customer companies, due to the lackluster economy. With a clear grasp of customer needs, SHiDAX has focused efforts on improving its food menus while enhancing is expertise in providing high-quality food. In addition, private-sector demand is growing rapidly, including the demand for school meals and for restaurants in public facilities. As a result, sales in this segment increased 2.9% to ¥39,632 million.

■ Medical Food Services

With a firm customer base at private-sector medical facilities such as hospitals, we are gradually developing customers in the public sector as well. In fiscal 2003, we newly acquired 195 customer facilities for meal services thanks to efforts to strengthen management at existing stores and marketing efforts to develop new stores. We have increasingly been receiving orders from large-scale comprehensive hospitals for meal services. Customers highly regard our SHiDAX Medical Cafeteria (SMC) system, spurring an increase in installations.

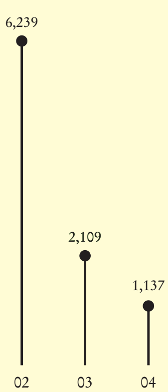
At health and welfare facilities for the elderly, we are making every effort to provide comprehensive services to the satisfaction of facility residents based on the concept of the facility and in tune with the needs of an aging society in Japan. However, profitability has decreased due to a significant increase in the number of sales-development personnel and an increase in facility investment in accordance with new store openings. In the future, we expect profitability to improve as new stores reach full operational levels. As a result, sales in this segment rose 16.2% to ¥31,524 million.

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

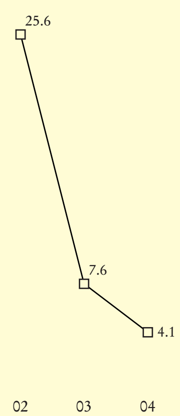


● Net sales (¥ millions)
売上高（百万円）
□ Operating income ratio (%)
営業利益率（%）

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

The karaoke industry continues to slide due to weak consumer spending, but customers are frequenting large-scale karaoke outlets more often. As a result, medium and small-sized outlets are falling by the wayside as large-scale stores take over and competition intensifies. Under these circumstances, SHiDAX newly opened 32 stores through aggressive development in fiscal 2003 based on its store management policy of clean, delicious and fun facilities that provide food of a quality on par with that of family-style restaurants and are located in suburban areas along busy streets. SHiDAX closed one store after reviewing its profitability, leaving a total of 281 outlets as of March 31, 2004. As a result, sales in this segment increased 16.3% to ¥59,203 million.

■ SLOGIX Businesses

SLOGIX Corporation has built a nationwide distribution structure. As a result of efforts to reduce delivery costs by leveraging economies of scale from the SHiDAX Group through an integrated delivery system for food and ingredients, the volume of goods supplied by SLOGIX Corporation to Group companies increased while enhancing quality control for foods at the same time. SHiDAX ENGINEERING CORPORATION was added to the scope of consolidation from fiscal 2003. In addition, SHiDAX began sales of consumables through an integrated ordering system engaged in kitchen design and sales operations, and introduced marketing stores around Japan. As a result, sales in the SLOGIX businesses segment climbed 67.3% to ¥9,987 million.

■ コントラクトフードサービス事業

産業給食業界では、景気低迷の影響や受託先企業の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よる契約料金の値下げ要求等の動きが依然として続いています。このような状況下、お客様のニーズを明確に捉え、よりクオリティの高い食事の提供等専門性を高め、メニュー等の改善に努めてきました。また、学校給食や公共施設内のレストラン等が民間への委託を急速に進めています。以上の結果、同事業部門の売上高は2.9%増加し396億32百万円となりました。

■ メディカルフードサービス事業

病院等の施設における民間委託は定着し、国公立施設も民間への委託が進みつつあります。当期においては、既存店の運営レベルの強化を図るとともに、新規店の営業開拓を強化したことにより195ヵ所を新規に受託することができました。その中でも大規模総合病院からの受託が多くなっています。また、SMC（シダックスメディカルカフェテリア）も導入が進んでおり、高い評価を得ています。

一方、老人健康福祉施設等では、高齢化社会の時代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。しかしながら、営業開発人員を大幅に増加させたことや、新規店舗の拡大に伴う設備備品の投資増加により収益性は低下しましたが、今後は新規店舗が軌道にのることで収益性は改善すると考えています。以上のような結果、同事業部門の売上高は前期に比べ16.2％増加し、315億24百万円となりました。

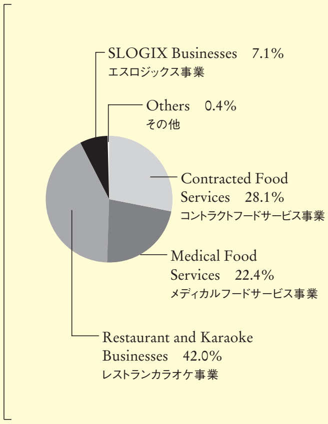
■ レストランカラオケ事業

カラオケ業界は、個人消費の低迷の影響などを受け微減状況が続いていますが、大型カラオケ施設の利用に集中する傾向が強まっています。そのため、中小の店舗が淘汰され店舗の大型化と競争の激化が進んでいます。こうした中、ファミリーレストラン並みの食事提供と郊外型・繁華街型の大型店舗にて、「きれい、おいしい、うれしい」という店舗運営方針のもと、当期も積極的な店舗展開を進め32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281店舗）。以上のような結果、同事業部門の売上高は前期に比べ16.3％増加し、592億3百万円となりました。

■ エスロジックス事業

エス・ロジックス㈱では、全国物流体制を築きました。食材の一括仕入れシステムを利用しシダックスグループのスケールメリットを生かした仕入れコストの低減効果を追求した結果、食材のクオリティコントロールと相まって、グループ内でのエス・ロジックス㈱からの仕入れ高が増加しました。また、シダックスエンジニアリング㈱が当期より加わり、一括受発注システムの運営による消耗品の販売、厨房設計・販売事業を行い、全国の営業店舗に本格導入しました。以上の結果、同事業部門の売上高は前期に比べ67.3％増加し、99億87百万円となりました。

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



[Financial Position]

【財務状況】

Current assets as of March 31, 2004 stood at ¥28,508 million, a drop of ¥9,935 million as of the end of the previous fiscal year. The major factor for this movement was cash and cash equivalents, which fell ¥9,287 million, owing to appropriation from retained earnings for cash dividends of ¥513 million and bonuses to directors and corporate auditors of ¥95 million, additional contributions to dissolve pension funds of ¥2,409 million, ¥1,997 million for the acquisition of treasury stock, the purchase of stock for M&A purposes totaling ¥1,458 million and the write-down of valuation differences on foreign currency time deposits of ¥1,374 million. Fixed assets stood at ¥59,184 million as of the fiscal year-end, an increase of ¥70 million from a year earlier. The principal components were net property and equipment, which increased ¥4,307 million due to 32 new outlet openings in the restaurant and karaoke businesses and a decline of ¥2,888 million in lease and guarantee money paid relating to the securitization of store guarantee deposit redemption rights.

Current liabilities totaled ¥35,664 million, an increase of ¥264 million as of the previous fiscal year-end. Despite decrease of the current portion of long-term debt amounting to ¥2,465 million, trade accounts payable and other payables increased ¥2,754 million in line with the increase in sales. Long-term liabilities declined ¥8,853 million to ¥25,093 million. This is attributed to a reduction of ¥4,516 million in liability for employees' retirement benefits due to the dissolution of funds managed on behalf of the government and decrease in long-term debt totaling ¥3,757 million.

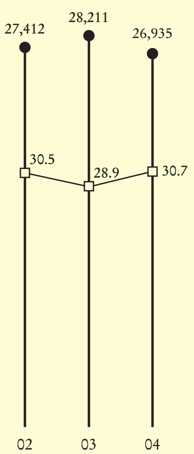
Shareholders' equity declined ¥1,276 million to ¥26,935 million, owing mainly to the purchase of treasury stock of ¥1,997 million.

当期の流動資産の残高は、285億8百万円となり、前期に比べ99億35百万円の減少となりました。主な要因は、現金及び預金が、配当金5億13百万円、役員賞与95百万円、厚生年金基金解散に伴う追加拠出24億9百万円、自己株式取得19億97百万円、M&Ａによる株式取得14億58百万円及び外貨預金の為替の評価差による目減り13億74百万円等により92億87百万減少したことによります。固定資産の残高は、591億84百万円となり、前期に比べ70百万円の増加となりました。主な要因は、レストランカラオケ事業において32店舗の新規出店等による有形固定資産の増加43億7百万円及び店舗差入保証金の返還請求権の流動化等により敷金及び保証金が28億88百万円減少したことによります。

流動負債の残高は、356億64百万円となり、前期に比べ2億64百万円の増加となりました。主な要因は、一年内返済予定の長期借入金が24億65百万円減少したこと及び売上の増加に伴い、支払手形及び買掛金と未払金が27億54百万円増加したことによります。固定負債の残高は、250億93百万円となり、前期に比べ88億53百万円の減少となりました。主な要因は、厚生年金基金解散による退職給付引当金45億16百万円の減少及び長期借入金が37億57百万円の減少したことによります。

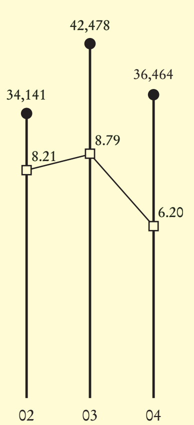
資本の残高は、269億35百万円となり、前期に比べ12億76百万円の減少となりました。主な要因は、自己株式の取得19億97百万円であります。

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



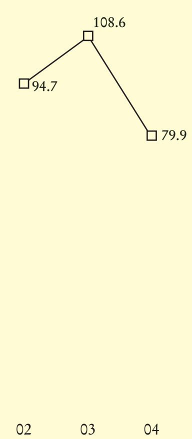
● Shareholders' equity (¥ millions)
株主資本（百万円）
□ Equity ratio (%)
株主資本比率（%）

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



● Interest-bearing debt (¥ millions)
有利子負債残高（百万円）
□ Interest coverage ratio (times)
インタレスト・カバレッジ・レシオ（倍）

Current Ratio (%)
流動比率（%）



[Cash Flows]

【キャッシュ・フロー】

Net cash provided by operating activities increased ¥4,410 million, or 248.7%, year on year from ¥1,773 million to ¥6,183 million. This is mainly attributed to the decline of income taxes paid, which fell ¥5,674 million compared with the previous fiscal year.

Net cash used in investing activities was ¥5,622 million, a turnaround of ¥12,386 million from net cash provided by investing activities of ¥6,764 million reported in the previous fiscal year. This decline was chiefly due to the absence of one-time proceeds from sales of U.S.-based subsidiaries' stock totaling ¥15,067 million in fiscal 2002. In addition, the Company recorded sales earnings from the securitization of guarantee money paid of ¥4,948 million in the fiscal year under review.

Net cash used in financing activities was ¥8,612 million, compared with net cash provided by financing activities of ¥7,242 million in the previous fiscal year. The year-on-year difference of ¥15,854 million in financing activities is mainly due to the decrease in proceeds from long-term debt in fiscal 2003, compared with net proceeds from long-term debt in fiscal 2002, showing a difference of ¥18,029 million.

営業活動によるキャッシュ・フローは、当期において61億83百万円の資金増加となりましたが、前期の増加額17億73百万円に比べ4,410百万円(前年同期比248.7%増)増加しております。これは主に法人税等の支払額が前期に比べ56億74百万円が減少したことによるものであります。

投資活動によるキャッシュ・フローは、当期において56億22百万円の資金減少となりました。前期は67億64百万円の資金増加であり、当期は前期に比べ123億86百万円減少しております。これは主に前期において米国子会社の株式売却収入150億67百万円及び当期において保証金流動化による売却収入49億48百万円等によるものであります。

財務活動によるキャッシュ・フローは、当期において財務活動の結果、86億12百万円の資金減少となりました。前期は72億42百万円の資金増加であり、前期に比べ158億54百万円資金が減少しております。これは主に長期借入れによる収入が前期に比べ180億29百万円減少したことによるものであります。

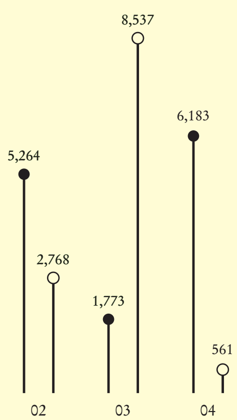
[Capital Expenditures]

【設備投資】

Capital expenditures totaled ¥7,985 million, chiefly for the remodeling and expansion of marketing offices, upgrading of information networks, and new restaurant and karaoke center openings and renovations. Depreciation and amortization increased ¥437 million to ¥3,348 million.

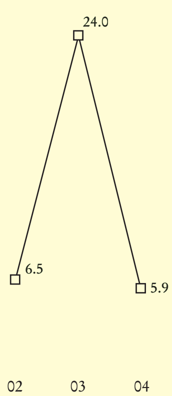
設備投資は、営業店の厨房設備の更新・拡充及び情報ネットワークの拡充や、レストランカラオケの新規オープン・リニューアルなどにより、79億85百万円となりました。また、減価償却費は33億48百万円となり、前期に比べ4億37百万円の増加となりました。

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

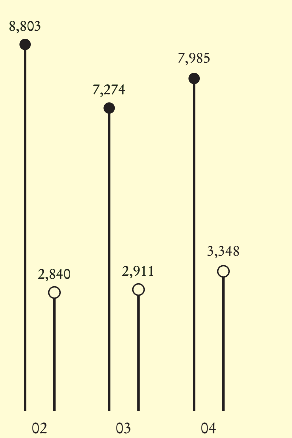


● Operating cash flows (¥ millions)
営業キャッシュ・フロー(百万円)
○ Free cash flows (¥ millions)
フリー・キャッシュ・フロー(百万円)

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



● Capital expenditures (¥ millions)
設備投資(百万円)
○ Depreciation and amortization (¥ millions)
減価償却費(百万円)

SHiDAX CORPORATION and Consolidated Subsidiaries

Consolidated Balance Sheets

March 31, 2004 and 2003

ASSETS	Millions of Yen 2004	Millions of Yen 2003	Thousands of U.S. Dollars (Note 1) 2004
CURRENT ASSETS:			
Cash and cash equivalents	**¥ 14,636**	¥ 23,923	**$ 138,484**
Short-term investments (Notes 3 and 13)	**270**	692	**2,558**
Accounts and notes receivable:			
Trade	**8,654**	7,898	**81,880**
Unconsolidated subsidiaries and affiliates		179	**3**
Other	**1,365**	1,294	**12,908**
Allowance for doubtful accounts	**(97)**	(31)	**(917)**
Inventories (Note 4)	**1,064**	1,066	**10,064**
Deferred tax assets (Note 12)	**961**	820	**9,095**
Prepaid expenses and other current assets	**1,655**	2,602	**15,656**
Total current assets	**28,508**	38,443	**269,731**
PROPERTY AND EQUIPMENT (Note 6):			
Land	**1,187**	1,167	**11,234**
Buildings and structures	**45,172**	38,926	**427,396**
Furniture and equipment	**5,549**	4,658	**52,507**
Construction in progress	**41**	46	**387**
Total	**51,949**	44,797	**491,524**
Accumulated depreciation	**(14,603)**	(11,758)	**(138,170)**
Net property and equipment	**37,346**	33,039	**353,354**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 5)	**826**	622	**7,820**
Investments in and advances to unconsolidated subsidiaries and affiliated companies	**224**	246	**2,123**
Software—net	**739**	895	**6,989**
Security deposits (Note 16)	**11,634**	14,522	**110,080**
Deferred tax assets (Note 12)	**3,163**	4,282	**29,924**
Other assets	**7,745**	7,676	**73,284**
Allowance for doubtful accounts	**(2,493)**	(2,168)	**(23,596)**
Total investments and other assets	**21,838**	26,075	**206,624**
TOTAL	**¥ 87,692**	¥ 97,557	**$ 829,709**

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	2004
CURRENT LIABILITIES:			
Short-term borrowings (Note 6)	¥ 2,197	¥ 1,989	$ 20,784
Current portion of long-term debt (Note 6)	11,277	13,742	106,700
Accounts and notes payable:			
Trade	8,611	7,075	81,473
Unconsolidated subsidiaries and affiliates		286	1
Other (Note 16)	5,821	4,317	55,079
Accrued income taxes (Note 12)	1,163	1,716	11,004
Accrued expenses	5,427	4,839	51,351
Other current liabilities	1,168	1,436	11,047
Total current liabilities	35,664	35,400	337,439
LONG-TERM LIABILITIES:			
Long-term debt, less current portion (Note 6)	22,990	26,747	217,520
Liability for employees' retirement benefits (Note 7)		4,516	
Retirement allowances for directors and corporate auditors (Note 8)	434	399	4,109
Negative goodwill	1,322	2,031	12,510
Deferred tax liabilities (Note 12)	90		853
Other long-term liabilities	257	253	2,428
Total long-term liabilities	25,093	33,946	237,420
CONTINGENT LIABILITIES (Note 9):			
SHAREHOLDERS' EQUITY (Notes 10 and 18):			
Common stock-authorized, 1,400,000 shares; issued, 357,214 shares in 2004 and 178,607 shares in 2003	8,930	8,930	84,496
Capital surplus	7,848	7,848	74,251
Retained earnings	12,934	12,337	122,381
Unrealized gain on available-for-sale securities	132	8	1,249
Treasury stock-at cost, 39,610 shares in 2004 and 7,696 shares in 2003	(2,909)	(912)	(27,527)
Total shareholders' equity	26,935	28,211	254,850
TOTAL	¥87,692	¥97,557	$ 829,709

SHiDAX CORPORATION and Consolidated Subsidiaries

Consolidated Statements of Income

Years Ended March 31, 2004 and 2003

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	2004
NET SALES	¥140,909	¥122,563	$1,333,232
COST OF SALES	122,817	105,726	1,162,044
Gross profit	18,092	16,837	171,188
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 14 and 16)	13,158	9,925	124,501
Operating income	4,934	6,912	46,687
OTHER INCOME (EXPENSES):			
Dividend and interest income	47	82	441
Interest expense	(804)	(796)	(7,608)
(Loss) gain on sales or disposals of property and equipment and other—net	(317)	114	(3,001)
Gain on dissolution of a contributory funded defined benefit pension plan (Note 2.i.)	2,999		28,378
Write-down of investments		(298)	
Loss from discontinued store operations	(143)	(91)	(1,350)
Amortization of negative goodwill	131	113	1,239
Foreign exchange loss—net	(1,374)	(1,525)	(12,997)
Loss on cancellation of leases	(220)		(2,077)
Loss on liquidation of security deposits	(487)		(4,613)
Other—net (Note 16)	123	91	1,163
Other expenses—net	(45)	(2,310)	(425)
INCOME BEFORE INCOME TAXES	4,889	4,602	46,262
INCOME TAXES (Note 12):			
Current	2,770	2,936	26,215
Deferred	982	(443)	9,289
Total income taxes	3,752	2,493	35,504
NET INCOME	¥ 1,137	¥ 2,109	$ 10,758

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2.p.):			
Basic net income	¥ 3,098.00	¥ 5,652.20	$ 29.31
Cash dividends applicable to the year	1,500.00	3,000.00	14.19

See notes to consolidated financial statements.

SHiDAX CORPORATION and Consolidated Subsidiaries
Consolidated Statements of Shareholders' Equity
Years Ended March 31, 2004 and 2003

		Millions of Yen				
	Outstanding 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, 2002	178,597	¥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 increase in unrealized gain on available-for-sale securities					52	
Purchase of treasury stock (Note 10)	(7,686)					(910)
BALANCE, MARCH 31, 2003	170,911	8,930	7,848	12,337	8	(912)
Adjustment of retained earnings for newly consolidated subsidiaries				68		
Net income				1,137		
Cash dividends, ¥3,000 per share				(513)		
Bonuses to directors and corporate auditors				(95)		
Net increase in unrealized gain on available-for-sale securities					124	
Stock splits (Note 10)	170,911					
Purchase of treasury stock (Note 10)	(24,218)					(1,997)
BALANCE, MARCH 31, 2004	**317,604**	**¥8,930**	**¥7,848**	**¥12,934**	**¥132**	**¥(2,909)**

	Thousands of U.S. Dollars (Note 1)				
	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Treasury Stock
BALANCE, MARCH 31, 2003	$84,496	$74,251	$116,733	$ 73	$ (8,628)
Adjustment of retained earnings for newly consolidated subsidiaries			640		
Net income			10,758		
Cash dividends, $28.38 per share			(4,851)		
Bonuses to directors and corporate auditors			(899)		
Net increase in unrealized gain on available-for-sale securities				1,176	
Purchase of treasury stock (Note 10)					(18,899)
BALANCE, MARCH 31, 2004	**$84,496**	**$74,251**	**$122,381**	**$1,249**	**$(27,527)**

See notes to consolidated financial statements.

SHiDAX CORPORATION and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

Years Ended March 31, 2004 and 2003

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	2004
OPERATING ACTIVITIES:			
Income before income taxes	¥ 4,889	¥ 4,602	$ 46,262
Adjustments for:			
Income taxes paid	(2,207)	(7,881)	(20,882)
Depreciation and amortization	3,470	2,798	32,834
Provision for (reversal of) accrued bonuses	116	(114)	1,094
(Reversal of) provision for liability for employees' retirement benefits	(4,702)	637	(44,491)
Provision for (reversal of) allowance for doubtful accounts	352	(81)	3,334
Write-down of investments		298	
Foreign exchange loss—net	1,374	1,529	12,997
Loss (gain) on sales or disposals of property and equipment and other—net	317	(114)	3,001
Loss on liquidation of security deposits	487		4,613
Changes in operating assets and liabilities:			
Increase in accounts and notes receivable	(455)	(1,201)	(4,306)
Increase in accounts and notes payable	1,598	653	15,119
Other—net	944	647	8,930
Net cash provided by operating activities	6,183	1,773	58,505
INVESTING ACTIVITIES:			
Net (decrease) increase in time deposits		265	(1)
Purchase of property and equipment and other	(6,796)	(6,055)	(64,299)
Proceeds from sales of property and equipment and other	98	320	929
Payments for purchase of subsidiaries' stock	(1,027)		(9,717)
Proceeds from purchase of a subsidiary's stock	424		4,009
Proceeds from sales of subsidiaries' stock		15,067	
Investment in loans receivable	(1,080)	(1,471)	(10,223)
Collection of loans receivable	1,281	1,035	12,124
Payments for security deposits and other	(4,139)	(2,643)	(39,164)
Collection of security deposits and other	225	230	2,133
Proceeds from liquidation of security deposits and other	4,948		46,812
Other—net	444	16	4,201
Net cash (used in) provided by investing activities	(5,622)	6,764	(53,196)
FINANCING ACTIVITIES:			
Net increase (decrease) in short-term borrowings	56	(4,195)	528
Proceeds from long-term debt	8,371	26,400	79,206
Repayments of long-term debt	(14,529)	(13,696)	(137,466)
Dividends paid	(513)	(357)	(4,851)
Purchase of treasury stock	(1,997)	(910)	(18,899)
Net cash (used in) provided by financing activities	(8,612)	7,242	(81,482)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(1,341)	(1,471)	(12,689)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(9,392)	14,308	(88,862)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	23,923	9,615	226,352
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES	105		994
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 14,636	¥ 23,923	$ 138,484
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Current assets	¥ (449)		$ (4,248)
Non-current assets	(357)		(3,381)
Goodwill	(1,266)		(11,982)
Current liabilities	510		4,832
Non-current liabilities	194		1,835
Acquisition cost	(1,368)		(12,944)
Cash and cash equivalents held by a subsidiary	346		3,274
Payments for purchase of a subsidiary's stock	¥ (1,022)		$ (9,670)
Current assets	¥ (628)		$ (5,943)
Non-current assets	(53)		(505)
Current liabilities	156		1,479
Non-current liabilities			3
Goodwill	435		4,114
Acquisition cost	(90)		(852)
Cash and cash equivalents held by a subsidiary	514		4,861
Proceeds from purchase of a subsidiary's stock	¥ 424		$ 4,009
Cash paid for interest	¥ 798	¥ 776	$ 7,546

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years Ended March 31, 2004 and 2003

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

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

Certain disclosures contained herein are not required as part of the basic financial statements in Japan but are presented herein as additional information. In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2003 financial statements to conform to the classifications used in 2004.

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 ¥105.69 to U.S.$1, the rate of exchange at March 31, 2004. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements as of March 31, 2004 include the accounts of the Company, SHiDAX FOOD SERVICE CORPORATION ("SFSC"), SHiDAX COMMUNITY CORPORATION ("SCC"), SLOGIX CORPORATION and five other significant (four in 2003) subsidiaries (together, the "Group").

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

None of the unconsolidated subsidiaries and affiliated companies is accounted for by the equity method. Investments in two (two in 2003) unconsolidated subsidiaries and five (seven in 2003) affiliates are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of the Company's investments in consolidated subsidiaries and affiliated companies accounted for by the equity method over the fair value of the net assets of the acquired subsidiaries and affiliated companies at the date of acquisition, consolidation goodwill, is being amortized by the straight-line method over the estimated useful life of consolidation goodwill, while it is amortized over 5 years if its useful life is not reasonably estimable.

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

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

On April 2, 2001, the Company was established by way of stock transfers with SFSC and SCC. As a result of this transaction, each of SFSC and SCC 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. The 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 Japanese GAAP, the opening balances of the fiscal year 2002 in the consolidated statements of shareholders' equity are presented, assuming the Company had been consolidated as of April 1, 2001.

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

On April 2, 2003, for the purpose of expanding a restaurant business, the Company acquired 100% of the shares of RESTAURANT MONTE ROSA CO., LTD. (currently known as SHiDAX RESTAURANT MANAGEMENT CO., LTD. ("SRM")) for the aggregate amount of ¥1,368 million ($12,944 thousand) from TOKYU DEPARTMENT STORE CO., LTD. SRM has become a consolidated subsidiary of the Company from April 2003.

On September 25, 2003, for the purpose of expanding contracted food services, SFSC established SHiDAX FOOD SERVICE HOKKAIDO CORPORATION ("SFSH") with a 100% ownership. The main business of SFSH is to provide food and management services for dining rooms of companies or schools. SFSH has become a consolidated subsidiary of the Company from September 2003.

On October 1, 2003, for the purpose of expanding contracted food services, the Company acquired 100% of the shares of OMRON CREATIVE DELICA CO., LTD. (currently, known as SHiDAX CREATIVE DELICA CO., LTD. ("SDC")) for net proceeds of ¥424 million ($4,009 thousand) from OMRON Corporation. SDC has become a consolidated subsidiary of the Company from October 2003.

For the year ended March 31, 2004, SHiDAX ENGINEERING CORPORATION ("SEC") has become a consolidated subsidiary of the Company since SEC's operations have been expanded.

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

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

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

e. Investment Securities—Investment securities are classified as available-for-sale securities. Available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity. The cost of securities sold is determined by the average cost method.

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

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

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

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

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

According to the enactment of the Defined Contribution Pension Plan Law in October 2001, the Company implemented a defined contribution pensions plan and a prepaid retirement plan on April 1, 2004 by which the former contributory funded defined benefit pension plan was dissolved on March 31, 2004, upon approval of the government. The Company applied accounting treatments specified in the guidance issued by the Accounting Standards Board of Japan ("ASB"). The effect of this dissolution was to increase income before income taxes by ¥2,999 million ($28,378 thousand) and this amount was recorded as gain on dissolution of a contributory funded defined benefit pension plan in the consolidated statement of income for the year ended March 31, 2004.

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

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

l. 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.

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

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

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

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

p. Per Share Information—Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits. The weighted-average number of common shares used in the computation was 334,150 shares for 2004 and 356,400 shares for 2003.

Diluted net income per share is not disclosed because no warrants or convertible bonds have been 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, which is not retroactively adjusted for stock splits.

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

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

The Company is currently in the process of assessing the effect of adoption of these pronouncements.

3. SHORT-TERM INVESTMENTS

Short-term investments at March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Time deposits	**¥270**	¥270	**$2,558**
Special deposits		422	
Total	**¥270**	¥692	**$2,558**

4. INVENTORIES

Inventories as of March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Merchandise	**¥ 349**	¥ 490	**$ 3,299**
Raw materials	**553**	433	**5,231**
Supplies	**162**	143	**1,534**
Total	**¥1,064**	¥1,066	**$10,064**

5. INVESTMENT SECURITIES

Investment securities as of March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Non-current:			
Marketable equity securities	**¥203**	¥107	**$1,925**
Non-marketable equity securities	**256**	292	**2,422**
Other	**367**	223	**3,473**
Total	**¥826**	¥622	**$7,820**

The carrying amounts and aggregate fair values of investment securities at March 31, 2004 and 2003 were as follows:

	Millions of Yen			
March 31, 2004	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	**¥106**	**¥100**	**¥ 3**	**¥203**
Other	**270**	**107**	**10**	**367**
March 31, 2003				
Securities classified as available-for-sale:				
Equity securities	104	10	7	107
Other	247		24	223

	Thousands of U.S. Dollars			
March 31, 2004	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	**$1,000**	**$ 951**	**$26**	**$1,925**
Other	**2,554**	**1,011**	**92**	**3,473**

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2004 and 2003 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Available-for-sale—Equity securities	**¥256**	¥292	**$2,422**

For other than temporary declines where fair values of securities at the end of the fiscal year become less than 60% of their acquisition costs or fair values of securities decline by more than 30% of their acquisition costs in two consecutive years, investment securities are reduced to net realizable value by a charge to income. For the years ended March 31, 2004 and 2003, impairment losses of zero and ¥280 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, 2004 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due in one year or less	**¥ 21**	**$ 204**
Due after one year through five years	**120**	**1,132**
Due after five years through ten years	**71**	**669**
Indefinite term	**155**	**1,468**
Total	**¥367**	**$3,473**

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings as of March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Short-term borrowings:			
From banks, 1.375% to 1.625% (1.600% to 1.875% in 2003)	**¥2,104**	¥1,922	**$19,907**
From other, 0.500% (1.600% in 2003)	**93**	67	**877**
Total	**¥2,197**	¥1,989	**$20,784**

Long-term debt as of March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Loans from banks, 1.100% to 2.855% (0.980% to 2.855% in 2003), due serially to 2008:			
Collateralized	¥ 560	¥ 795	$ 5,298
Unsecured	31,620	36,160	299,180
Installment payable for equipment, 1.053% to 4.663% (3.120% to 4.660% in 2003), due serially to 2006:			
Collateralized		43	
Unsecured	1,961	3,249	18,556
Unsecured installment notes payable for equipment, 4.569% to 4.754% (4.570% to 4.750% in 2003), due serially to 2005	126	242	1,186
Total	34,267	40,489	324,220
Less current portion	(11,277)	(13,742)	(106,700)
Long-term debt, less current portion	¥ 22,990	¥ 26,747	$ 217,520

Collateralized loans from banks of ¥160 million ($1,514 thousand) as of March 31, 2004 were included in a current portion of long-term debt.

The carrying amounts of assets pledged as collateral for long-term debt of ¥560 million ($5,298 thousand) at March 31, 2004 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Land	¥ 49	$ 461
Buildings and structures	468	4,431

Annual maturities of long-term debt as of March 31, 2004 for the next five years were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2005	¥11,277	$106,700
2006	9,590	90,738
2007	7,606	71,968
2008	4,924	46,583
2009	870	8,231
Total	¥34,267	$324,220

7. EMPLOYEES' RETIREMENT BENEFITS

Under the defined benefit pension plan, employees terminating their employment were, 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, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Projected benefit obligation		¥(13,317)	
Fair value of plan assets		6,260	
Unrecognized actuarial loss		2,541	
Net liability		¥ (4,516)	

The components of net periodic benefit costs for the years ended March 31, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Service cost	¥ 857	¥ 674	$ 8,112
Interest cost	331	307	3,135
Expected return on plan assets	(62)	(69)	(589)
Recognized actuarial loss	462	242	4,369
Net periodic benefit costs	1,588	1,154	15,027
Gain on dissolution of a contributory defined benefit pension plan	(2,999)		(28,378)
Total	¥(1,411)	¥1,154	$(13,351)

Other than the above benefit costs, the Company recorded ¥25 million of special severance payments for early retired employees for the year ended March 31, 2003.

Assumptions used for the years ended March 31, 2004 and 2003 were set forth as follows:

	2004	2003
Discount rate	2.5%	2.5%
Expected rate of return on plan assets	1.0%	1.0%
Recognition period of actuarial gain/loss	6 to 7 years	6 to 7 years

8. 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, 2004 and 2003 were ¥68 million ($642 thousand) and ¥25 million, respectively.

9. CONTINGENT LIABILITIES

For the year ended March 31, 2004, SCC transferred a portion of reimbursement rights of security deposits for store buildings to Millennium Asset Funding Corp. (Tokyo Branch) and Global Factoring, Co. Upon the transfer contracts, SCC as a seller has made representation and warranty to the buyers as of the contract dates and the receiving dates of the transfer prices regarding set of items related to the reimbursement rights transferred and accepted liability for compensation for damages and others defined. As of March 31, 2004, the maximum amount of compensation for damages and others defined on the contracts was ¥5,436 million ($51,432 thousand).

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 the balance of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 25% of the balance of common stock may be available for dividends by resolution of the shareholders. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to common stock by resolution of the Board of Directors.

The 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 dividends plus the amount of common stock, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders meeting.

The amount of retained earnings available for dividends under the Code was ¥8,131 million ($76,934 thousand) as of March 31, 2004, 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.

On May 20, 2003, the Company made a stock split by way of a free share distribution at the rate of 2 shares for each outstanding share, and 178,607.31 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 split was set on April 1, 2003.

For the years ended March 31, 2004 and 2003, the Company repurchased 24,218 shares and 7,686 shares of its own common stock in the aggregate amounts of ¥1,997 million ($18,899 thousand) and ¥910 million, respectively.

11. LEASES

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

Total rental expenses for the years ended March 31, 2004 and 2003 were ¥14,433 million ($136,558 thousand) and ¥12,635 million, respectively, including ¥5,022 million ($47,519 thousand) and ¥4,086 million of lease payments under finance leases.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance leases, 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, 2004 and 2003 was as follows:

	Millions of Yen						Thousands of U.S. Dollars		
	2004			2003			2004		
	Furniture and Equipment	Computer Software	Total	Furniture and Equipment	Computer Software	Total	Furniture and Equipment	Computer Software	Total
Acquisition cost	¥22,076	¥20	¥22,096	¥19,774	¥35	¥19,809	$208,873	$193	$209,066
Accumulated depreciation	8,973	18	8,991	7,055	29	7,084	84,895	177	85,072
Net leased property	¥13,103	¥ 2	¥13,105	¥12,719	¥ 6	¥12,725	$123,978	$ 16	$123,994

Obligations under finance leases as of March 31, 2004 and 2003:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Due within one year	¥ 4,747	¥ 3,904	$ 44,921
Due after one year	8,783	9,013	83,099
Total	¥13,530	¥12,917	$128,020

Depreciation expense and interest expense under finance leases for the years ended March 31, 2004 and 2003:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Depreciation expense	¥4,542	¥3,644	$42,970
Interest expense	579	492	5,481
Total	¥5,121	¥4,136	$48,451

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, 2004 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥ 63	$ 595
Due after one year	559	5,286
Total	¥622	$5,881

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, 2004 and 2003.

The tax effects of significant temporary differences and loss carryforwards that resulted in deferred tax assets and liabilities at March 31, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Deferred tax assets:			
Liability for employees' retirement benefits		¥ 1,829	
Accrued bonuses	**¥ 653**	513	**$ 6,179**
Valuation losses of investment securities	**352**	343	**3,328**
Unpaid pension premium		33	
Retirement allowances for directors and corporate auditors	**181**	161	**1,709**
Depreciation and amortization	**865**	618	**8,185**
Valuation losses of land	**49**	47	**468**
Enterprise tax	**77**	149	**731**
Allowance for doubtful accounts	**1,023**	845	**9,680**
Tax loss carryforwards	**3,513**	2,255	**33,242**
Other	**192**	173	**1,811**
Less valuation allowance	**(1,215)**	(1,641)	**(11,497)**
Deferred tax assets	**5,690**	5,325	**53,836**
Deferred tax liabilities:			
Reduction of subsidiaries' securities	**(1,424)**		**(13,474)**
Valuation gains of land	**(232)**	(223)	**(2,196)**
Deferred tax liabilities	**(1,656)**	(223)	**(15,670)**
Net deferred tax assets	**¥ 4,034**	¥ 5,102	**$ 38,166**

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, 2004 and 2003 was as follows:

	2004	2003
Normal effective statutory tax rate	**42.05%**	42.05%
Permanent differences	**1.30**	1.27
Inhabitants taxes-per capita	**6.45**	5.98
Dividend income not deductible for income tax purposes		(7.84)
Dividend income from subsidiaries	**0.56**	
Application of tax loss carryforwards	**19.87**	6.54
Tax on undistributed profits	**6.25**	0.84
Effect of tax rate reduction	**(3.40)**	3.58
Amortization of goodwill	**1.05**	
Other—net	**2.62**	1.74
Actual effective tax rate	**76.75%**	54.16%

13. PLEDGED ASSETS

A time deposit of ¥15 million ($142 thousand) was pledged as deposit for security for dealing as of March 31, 2004.

14. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the years ended March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Payroll	**¥ 3,651**	¥2,845	**$ 34,546**
Commissions	**951**	713	**8,992**
Provision for accrued bonuses	**462**	357	**4,375**
Retirement benefit costs	**287**	622	**2,719**
Provision for retirement allowances for directors and corporate auditors	**34**	18	**324**
Depreciation and amortization	**419**	354	**3,968**
Provision for allowance for doubtful accounts	**376**	71	**3,556**
Amortization of goodwill	**253**		**2,396**
Other	**6,725**	4,945	**63,625**
Total	**¥13,158**	¥9,925	**$124,501**

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 they bear no risk of incurring losses related to market risk.

Derivative transactions entered into by the Group have been made in accordance with management approval on request for managerial decision, and the execution and control of derivative are performed 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.

Since all of the Group's derivative contracts qualified for hedge accounting for the years ended March 31, 2004 and 2003, these contracts were excluded from 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, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Advertising revenue	**¥23**	¥28	**$224**
Insurance expenses	**8**		**77**
Rent expenses	**19**		**182**

The balances due to or from these related parties at March 31, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Security deposits	**¥1,100**		**$10,403**
Accounts payable-other	**1**		**7**

17. SEGMENT INFORMATION

The Group operates in the following business segments:

"SLOGIX Businesses" consists of sales of foodstuff and consumable supplies to office food service businesses and a restaurant industry and design and sales of kitchen equipment.
"Contracted Food Services" consists of providing food and management services for dining rooms of companies or schools.
"Medical Food Services" consists of providing food service for hospitals.
"Restaurant and Karaoke Businesses" principally consists of managements of large entertainment restaurants and online karaoke houses.
"Others" principally consists of retail and restaurant businesses in tourist facilities and a lodging business in sports facilities.

Information about business segments, geographical segments and sales to foreign customers of the Group for the years ended March 31, 2004 and 2003 was as follows:

(1) Business Segments

a. Sales and Operating Income

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

b. Total Assets, Depreciation and Amortization and Capital Expenditures

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

a. Sales and Operating Income

	Thousands of U.S. Dollars						
	2004						
	SLOGIX Businesses	Contracted Food Services	Medical Food Services	Restaurant and Karaoke Businesses	Others	Eliminations/ Corporate	Consolidated
Sales to customers	$ 94,493	$374,983	$298,272	$560,161	$ 5,323		$ 1,333,232
Intersegment sales	309,858	38		70	107	$(310,073)	
Total sales	404,351	375,021	298,272	560,231	5,430	(310,073)	1,333,232
Operating expenses	393,643	362,626	303,716	483,448	10,332	(267,220)	1,286,545
Operating income (loss)	$ 10,708	$ 12,395	$ (5,444)	$ 76,783	$(4,902)	$ (42,853)	$ 46,687

b. Total Assets, Depreciation and Amortization and Capital Expenditures

	Thousands of U.S. Dollars						
	2004						
	SLOGIX Businesses	Contracted Food Services	Medical Food Services	Restaurant and Karaoke Businesses	Others	Eliminations/ Corporate	Consolidated
Total assets	$ 83,286	$67,229	$55,563	$511,555	$7,073	$105,003	$829,709
Depreciation and amortization	1,245	1,772	1,281	25,985	91	1,303	31,677
Capital expenditures	956	2,395	1,441	65,686	3,739	1,332	75,549

a. Sales and Operating Income

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

b. Total Assets, Depreciation and Amortization and Capital Expenditures

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

Notes: 1. Operating expenses mainly incurred in administrative departments and advertising activities were unallocatable and included in "Eliminations/Corporate" of operating expenses with the aggregate amounts of ¥4,385 million ($41,489 thousand) and ¥3,516 million for the years ended March 31, 2004 and 2003, respectively.

2. Total corporate assets of ¥16,914 million ($160,034 thousand) and ¥37,926 million included in "Eliminations/Corporate" of total assets as of March 31, 2004 and 2003, respectively, mainly consisted of operating funds (cash and cash equivalents), long-term investment funds (investment securities) and assets used in administrative departments.

3. Due to consolidation into the Group, SEC's business operations, sales of consumable supplies and design and sales of kitchen equipment, were added into "SLOGIX Businesses" in the year ended March 31, 2004. The effect of this change was to increase sales to customers, intersegment sales, operating expenses and operating income by ¥391 million ($3,702 thousand), ¥2,539 million ($24,021 thousand), ¥2,883 million ($27,277 thousand) and ¥47 million ($445 thousand), respectively.

(2) Geographical Segments

The Company and subsidiaries were located and conducted their operations in Japan in the fiscal years 2004 and 2003; therefore, geographical segment information for the years ended March 31, 2004 and 2003 was not presented.

(3) Sales to Foreign Customers

No sales to foreign customers were recorded for the years ended March 31, 2004 and 2003; therefore, such information was not presented.

18. SUBSEQUENT EVENT

The following appropriations of retained earnings at March 31, 2004 were approved at the Company's general shareholders' meeting held on June 29, 2004:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥1,500.00 ($14.19) per share	**¥476**	**$4,508**
Bonuses to directors and corporate auditors	**85**	**803**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
SHIDAX CORPORATION:

We have audited the accompanying consolidated balance sheets of SHIDAX CORPORATION and consolidated subsidiaries as of March 31, 2004 and 2003, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of SHIDAX CORPORATION and consolidated subsidiaries as of March 31, 2004 and 2003, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

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

Deloitte Touche Tohmatsu

June 29, 2004