

Consolidated Financial Results

for the Year Ended September 2005
(September 21, 2004 - September 20, 2005)

Company name: **FALCO biosystems Ltd.**
 Stock Exchange listing: Tokyo Stock Exchange 1st Section
 Osaka Securities Exchange 1st Section
 Stock code: 4671
 Address: 346 Shimizu-cho, Nijo-agaru Kawaramachi-dori,
 Nakagyo-ku, Kyoto 604-0911 Japan
 URL: <http://www.falco.co.jp>
 Chairman and President: Hiroharu Akazawa
 Contact: Tadashi Yasuda,
 Board Director, General Manager, Department of Strategic Planning
 Telephone: +81-75-257-8556
 Board meeting for approving: November 4, 2005
 Accounting principle: Japanese GAAP

1. Financial Results

(1) Operating Results

(Rounded down if less than one Million Yen)

	Sales		Operating Income		Ordinary Income	
	Million Yen	YoY change (%)	Million Yen	YoY change (%)	Million Yen	YoY change (%)
Year ended Sept. 20, 2005	29,535	19.5	1,794	(1.0)	1,772	1.0
Year ended Sept. 20, 2004	24,714	6.2	1,812	19.1	1,755	14.1

	Net Income		Net Income per Share (Basic)	Net Income per Share (Diluted)
	Million Yen	YoY change (%)	Yen	Yen
Year ended Sept. 20, 2005	969	14.6	85.70	-
Year ended Sept. 20, 2004	845	29.8	74.89	74.47

	ROE	Ratio of Ordinary Income to Total Assets	Ratio of Ordinary Income to Sales
	%	%	%
Year ended Sept. 20, 2005	8.3	6.8	6.0
Year ended Sept. 20, 2004	7.8	7.4	7.1

Notes: 1. Equity method income:

Year ended September 20, 2005: None

Year ended September 20, 2004: None

2. Average number of shares outstanding during the period (Consolidated):

Year ended September 20, 2005: 10,866,908 shares

Year ended September 20, 2004: 10,772,137 shares

3. Changes in accounting principle: None

4. Each "YoY change" represents the relevant change in percentage compared with the previous year.

(2) Financial Position

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity per Share
	Million Yen	Million Yen	%	Yen
As of Sept. 20, 2005	26,933	12,125	45.0	1,105.80
As of Sept. 20, 2004	24,831	11,277	45.4	1,037.55

Note: Number of shares issued at the end of the period (Consolidated):

As of September 20, 2005: 10,930,266 shares

As of September 20, 2004: 10,831,886 shares

(3) Cash Flow Position

	Cash Flows from Operating Activities	Cash Flows from Investment Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Period
	Million Yen	Million Yen	Million Yen	Million Yen
Year ended Sept. 20, 2005	2,591	(1,003)	(700)	3,549
Year ended Sept. 20, 2004	2,236	(2,917)	813	2,662

(4) Scope of Consolidation and Application of Equity Method:

Number of consolidated subsidiaries: 15

Number of non-consolidated subsidiaries to which the equity method is applied: 0

Number of affiliates to which the equity method is applied: 0

(5) Change in Scope of Consolidation and Application of Equity Method:

Consolidation:

Newly added: 4

Eliminated: 0

Equity method:

Newly added: 0

Eliminated: 0

2. Forecast for the Fiscal Year Ending September 20, 2006 (September 21, 2005 - September 20, 2006)

	Sales	Ordinary Income	Net Income
	Million Yen	Million Yen	Million Yen
Interim	15,200	500	270
Full Year	31,800	1,800	970

For reference: Estimated net income per share for full year: 88.74 Yen

Note: Forecasts regarding future performance in these materials are based on judgments made in accordance with information available at the time this presentation was prepared. Actual results may differ significantly due to changing circumstances.

Please refer to page 8 of the attached documents regarding preconditions or other related matters for the forecast shown above.

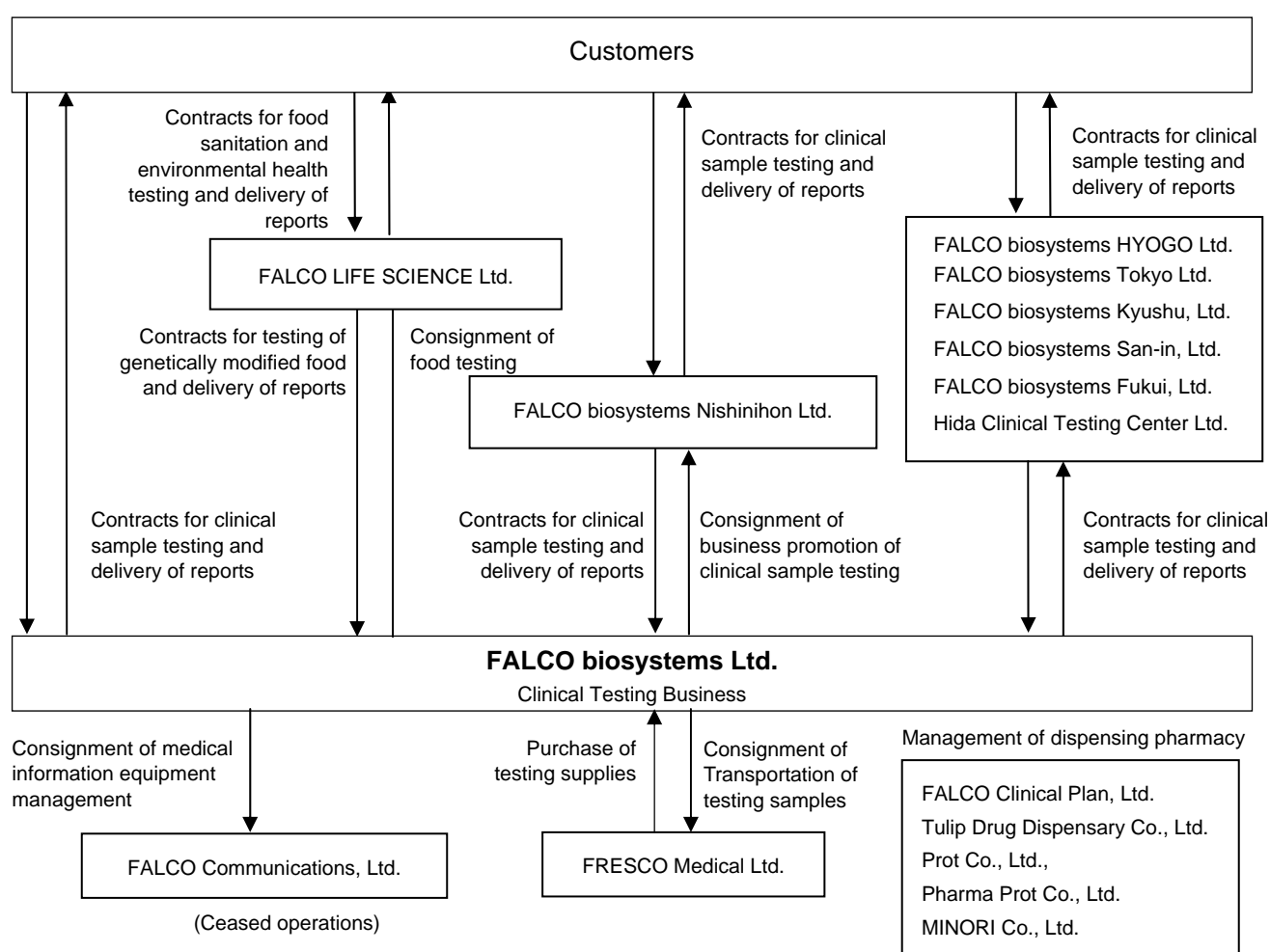
1. Company Group Information

Our Group, composed of FALCO biosystems Ltd. and its fifteen consolidated subsidiaries, is engaged in clinical testing and related business, as well as the dispensing pharmacy business.

Besides FALCO biosystems Ltd., seven other Group companies are also engaged in the clinical testing business: FALCO biosystems Nishinohon Ltd., FALCO biosystems HYOGO Ltd., FALCO biosystems Tokyo Ltd., FALCO biosystems Kyushu, Ltd., FALCO biosystems San-in, Ltd., FALCO biosystems Fukui, Ltd. and Hida Clinical Testing Center Ltd.

In addition, three companies cover related businesses: FRESCO Medical Ltd. sells supplies for testing; FALCO LIFE SCIENCE Ltd. sells contract services for food sanitation and environmental health testing; and FALCO Communications, Ltd. offers medical information system administration services (FALCO Communications Ltd. ceased operations effective September 20, 2005.)

Finally, FALCO Clinical Plan, Ltd., Tulip Drug Dispensary Co., Ltd., Prot Co., Ltd., Pharma Prot Co., Ltd., and MINORI Co., Ltd. are engaged in dispensing pharmacy business.



Notes: 1. We acquired an equity stake in Hida Clinical Testing Center Ltd. (HQ: Takayama City, Gifu Prefecture), and made it a subsidiary effective January 31, 2005.

2. On March 22, 2005, we acquired a portion of the stock of Prot Co., Ltd. (HQ: Sakyo-ku, Kyoto), all of the stock of Pharma Prot Co., Ltd. (HQ: Sakyo-ku, Kyoto) and MINORI Co., Ltd. (HQ: Sakyo-ku, Kyoto), and made all three subsidiaries. We acquired additional shares of Prot Co., Ltd. on May 12, 2005, and made the company a wholly owned subsidiary.

3. We acquired FALCO biosystems Tokyo Ltd. on September 21, 2005.

4. As for FALCO Communications, Ltd., we began marketing for clinical testing in its place from September 21, 2005.

2. Management Principles

(1) Basic Management Principles

The corporate philosophy of our Group is “Supporting health in body and spirit, for a rewarding future for all.” Based on this philosophy, the Company strives to contribute to a healthy and rich life for people through clinical testing and other related businesses in accordance with our slogan of “Closer to People, Closer to the Future.” Our Group has recently begun to enter new medical-related fields as we aim to become a comprehensive medical services company now that medical technology is becoming more sophisticated, management of medical information has become more important, the public is increasingly concerned with environmental protection, and human genetic technologies are making rapid progress.

(2) Basic Principles for Profit Distribution

One of the key goals of our Group’s management is the compensation of shareholders. To achieve this goal, we are making efforts to build a solid managerial foundation and to improve return on equity (ROE). In addition, it is our policy to continue paying steady dividends.

As for retained earnings, we intend to invest them in testing equipment, streamlining, and medical-related projects including the growth area of gene testing, and thereby strive for a greater ROE.

(3) Targeted Performance Index

Our group targets consolidated sales of 60 billion yen by fiscal year ending September 2010.

(4) Medium to Long-term Business Strategies

Our medium to long-term business strategy is to expand our core clinical testing business and improve its competitiveness, by moving forward with M&A activity with a close eye on medical system reforms, consolidating acquired subsidiaries, and restructuring our clinical testing centers in each region.

Also, we have positioned the dispensing pharmacy business as our second core business. We intend to embark on an expansion strategy for this business, including M&A activity, to ensure it has a strong presence in the industry.

1) Clinical testing and related businesses

In our mainstay clinical testing business, we will push forward with developing a network that meets the medical information needs of our clients, and will offer solutions to national hospitals, sanatoriums, and other medical institutions interested in improving business efficiency. We intend to establish a profitable and competitive testing business by working to raise testing accuracy, while at the same time lowering costs through the introduction of automated testing equipment.

We also aim to establish a human genetic testing business through the introduction of gene-testing technology.

2) Dispensing pharmacy business

In the dispensing pharmacy business, we intend to aggressively expand the business and achieve economies of scale by opening more pharmacies—with an emphasis on profitability—and engaging in M&A activity.

(5) Issues to be Resolved

The harsh business environment for the clinical testing industry is expected to persist as a result of the government’s continued policy of cutting medical costs. Under such an environment, our Group is committed to building a strong corporate structure and revenue base to deal flexibly with any situation. We will endeavor to continue expanding our sales network while improving the efficiency of testing and sales systems and boosting profitability through lower testing costs. We will also actively nurture promising businesses, including genetic-related services.

(6) Corporate Governance - Our Policy and its Implementation

(Basic corporate governance policy)

Our Group believes that the goal of corporate governance is greater shareholder profits over the future. We are working to increase the openness of management, clarify and speed up decision-making, strengthen compliance, better explain management decisions to shareholders, build a risk management framework, and establish a corporate ethics policy.

(Corporate governance initiatives)

(1) The following explains our corporate governance structure, including decision-making, execution, and oversight

a. Corporate governance bodies

- Corporate auditor system

Our company has adopted an auditor board system. The Board of Auditors, composed of two standing and two external auditors, meets at least five times a year, and as necessary, to enhance the company's audit structure and ensure strong oversight of management.

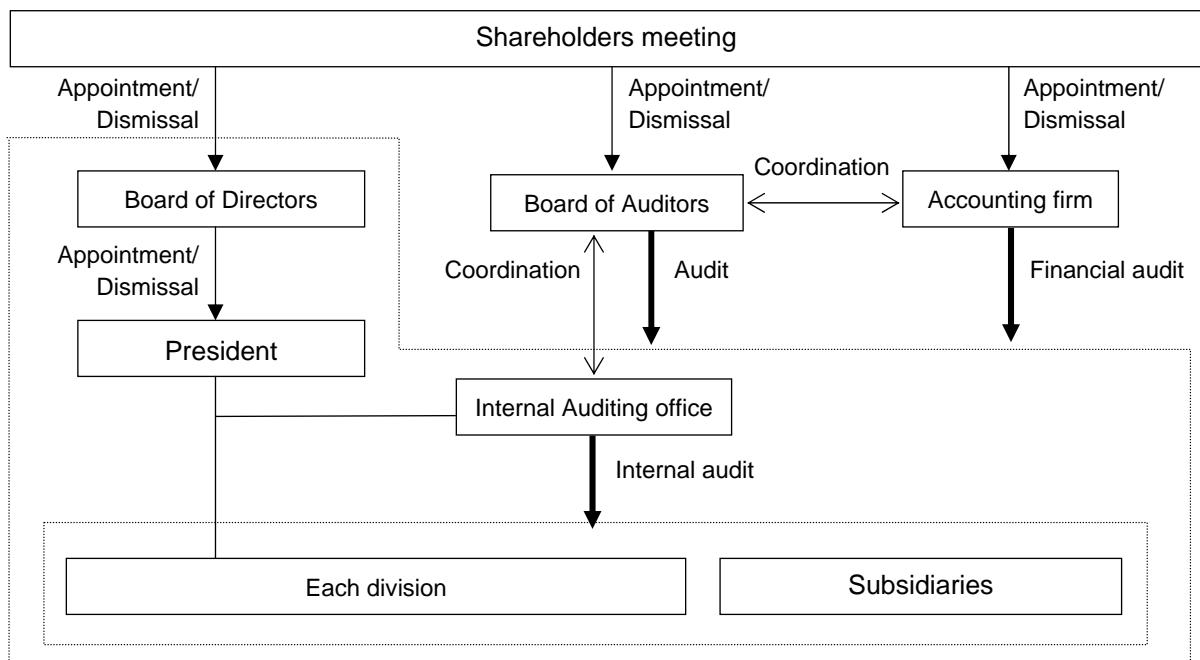
- Board of Directors and Executive Officer System

Our Board of Directors is composed of seven members: three representative directors and four regular directors. The Board of Directors meets, as a general rule, once a month, but also as necessary to ensure speedy decision-making. The Board of Directors deliberates on items up for discussion, issues important reports, makes important management decisions, and in general works to ensure optimal operations.

We have also introduced an Executive Officer System to improve management efficiency, and have reduced the number of board directors to ensure accurate and swift management decision-making.

b. Internal governance system

Below is an outline of our internal governance system:



c. Risk management structure

We have established a risk management division to devise countermeasures to combat latent risk in each business segment, and a risk management committee to oversee company-wide risk management and strengthen corporate security and reinforce company's compliance structure.

d. Status of internal audits, and audits by the Board of Auditors

The Internal Auditing Office, which reports directly to the president, conducts internal audits to preserve the company's assets and promote greater management efficiency. The Internal Auditing Office conducts audits of all division of the head office and subsidiaries, based on internal auditing guidelines, to ensure compliance with all laws, corporate charters, and internal company regulations. Results are reported directly to the president, and recommendations are made for each business segment. The Internal Auditing Office is composed of two members, including the office head, who collaborate with the Board of Auditors and accounting firms as necessary, to ensure audits are implemented as efficiently and thoroughly as possible.

Regarding audits conducted by the Board of Auditors, all auditors attend Board of Director meetings as a general rule to ensure oversight of business execution by board directors, and other important meetings held within the company. The auditors examine important business and financial documents, and talk directly with directors and employees, to ensure the group's operations and assets are being administered appropriately. The board auditors also work in close cooperation with the accounting firm and Internal Auditing Office to ensure audits are implemented in as rational a manner as possible.

e. Accounting firm

We have concluded an auditing contract with ChuoAoyama Audit Corporation to audit our financial accounts based on the Commercial Code and Securities Exchange Law.

The following CPAs are in charge of auditing our books:

CPAs	Accounting firm	Years of continuous audit
Designated employee to implement the audit: Kuniyasu Mizuno	Chuo Aoyama	11 years
Designated employee to implement the audit: Yuji Mitani	Chuo Aoyama	11 years
Designated employee to implement the audit: Masaharu Takai	Chuo Aoyama	-

Also, five CPAs, three assistant CPAs, and three other employees assist in the auditing of our accounts.

f. Director compensation

Total compensation paid to directors and auditors in the current fiscal year is as follows:

Compensation paid to directors	244
Compensation paid to auditors	37
<u>Total</u>	<u>282</u>

Note: The above figures include bonuses paid from the appropriation of profits (directors 30 million yen, auditors 4 million yen), and retirement bonuses based on a resolution approved at the general shareholders meeting (directors 37 million yen, auditors - million yen).

g. Auditor compensation

Total compensation paid by our company's consolidated subsidiaries to the accounting firm Chuo Aoyama in the current fiscal year is as follows:

Compensation based on services performed under Article 2, Clause 1 of the CPA Law (No. 103, 1948)	34
Compensation based on services other than the above	1
<u>Total</u>	<u>36</u>

(2) Personal relationship, capital relationship, business relationship, or vested interests between the company and its external auditors

No particular vested interests exist between the company and the external auditor.

(3) Progress made over the past year in enhancing our corporate governance

a. Establishing a compliance program

Under the risk management committee, we established a compliance program development committee that is responsible for developing a compliance program to thoroughly and radically reform our company's compliance structure. As a part of our compliance program, we established in January 2005 a Falco Action Charter which stipulates basic principles for how all our employees are to act as corporate citizens seeking to establish a corporate culture that is respected by society at large. We also established an action policy, an ethics code, and a compliance observance code, to put flesh on the Falco Action Charter. In this way, we have sought to improve overall awareness of compliance issues throughout our group companies.

b. Ensuring compliance with the new Private Information Protection Law

We established a Private Information Protection Law-related special risk management committee, under the authority of the risk management committee, to ensure compliance with the new Private Information Protection Law, which went into effect starting April 1, 2005. We believe this will enable us to deal with private information protection at the group level. In March 2005, we established a "private information protection policy" and "private information protection regulations" to ensure all employees understand our stance and policies with regards to the new law.

3. Business Results and Financial Position

1. Business Results and Forecasts

(1) Overview of the Fiscal Year ended September 2005

Unit prices in the contract clinical testing market continued to decline in the consolidated fiscal year due to increased competition, and government efforts to reduce medical costs. However, we saw an increase in clinical testing volumes as national hospitals, made independent public corporations, increasingly outsourced clinical testing services to improve their operating efficiency.

We witnessed a continued structural decline in profitability in the dispensing pharmacy business due to lower government-stipulated drug prices and health insurance system reforms. However, the pharmacy business market expanded due to government efforts to encourage the separation of pharmacy and clinic.

In this business environment, our group aimed to expand sales, cut costs, and improve profitability in our core clinical testing business through M&A, the capture of new clients, and the capture of contracts for in-house clinical testing management from medical institutions. Also, we have positioned human genetic testing as a strategic field of focus, and continue to perform clinical research to confirm the effectiveness of clinical genetic testing.

We worked to improve the profitability of the dispensing pharmacy business as well, by expanding sales through M&A and new pharmacy openings, by lowering drug procurement prices, and by improving store network efficiency by closing unprofitable pharmacies.

The result was that consolidated sales increased 19.5% year-over-year to 29,535 million yen, ordinary income increased 1.0% to 1,772 million yen, and net income increased 14.6% to 969 million yen.

Below are results by business segment.

In the clinical testing and related business, clinical testing contract sales increased as we captured new clients, promoted clinical testing outsourcing to hospitals, and saw an increase in allergy testing orders due to record pollen levels. Also, we expanded our sales area by acquiring a partial stake in Hida Clinical Testing Center Ltd. (HQ: Takayama City, Gifu Prefecture), and making the company a subsidiary in January 2005. Consolidated sales in the clinical testing and related business increased 4.3% year-over-year to 22,358 million yen.

In the dispensing pharmacy business, we acquired all the stock in three Pharma Prot Group companies (Prot Co., Ltd., Pharma Prot Co., Ltd., and MINORI Co., Ltd.) and made them all subsidiaries. The three companies, all of which have their head offices in Kyoto (Sakyo Ward), operated a combined ten pharmacies. Also, Falco Clinical Plan, Ltd. opened four new pharmacies (two in Kyoto and two in Osaka, including one franchise), and Tulip Pharmacy Co., Ltd. opened nine new pharmacies (and closed one) in Toyama Prefecture. Our group operated a total of 61 pharmacies (including one franchise) as of the end of the current fiscal year. Consolidated sales in the dispensing pharmacy business increased 119.2% year-over-year to 7,176 million yen.

(2) Forecasts for the Next Fiscal Year ending September 2006

The clinical testing industry is likely to continue to face a difficult environment, as the government continues reducing medical expenses, and will likely revise down standard medical reimbursements starting next April. That said, we expect an increase in testing volumes as hospitals increasingly move to outsource clinical testing services. The dispensing pharmacy industry is likely to see greater consolidation going forward, particularly as the government is expected to lower reimbursement prices.

In the clinical testing business, our group will continue working to maintain unit pricing, capture new clients. As regards construct for in-house clinical testing management, we continue working to capture new clients, and boost profitability.

In the dispensing pharmacy business, we will seek economies of scale through continued M&A activity and the opening of new pharmacies with an emphasis on profitability. We forecast consolidated sales of 31,800 million yen, ordinary income of 1,800 million yen, and net income of 970 million yen.

2. Financial Position

Cash and cash equivalents (consolidated basis) at the end of the current fiscal year increased 887 million yen year-over-year to 3,549 million yen.

(Cash Flows from Operating Activities)

Cash flows from operating activities increased 354 million yen year-over-year to 2,591 million yen. The main items were expansion of the dispensing pharmacy business and a 786 million yen increase in accounts payable, slightly offset by an increase in inventory and accounts receivable due to an increase in the number of consolidated subsidiaries.

(Cash Flows from Investment Activities)

Cash flows used in investing activities declined 1,913 million yen year-over-year to 1,003 million yen. The main items were a 1,213 million yen decline in outlays for the acquisition of subsidiaries, and a 518 million yen increase in proceeds from the sale of investment securities.

(Cash Flows from Financing Activities)

Cash flows used in financing activities increased 1,513 million yen year-over-year to 700 million yen. The main items were a 1,570 million yen increase in long-term borrowings, offset by a net 2,337 million yen decline in short-term borrowings, and a 572 million yen increase in long-term debt repayment.

Cash flow indices

	FY9/03 year-end	FY9/04 year-end	FY9/05 year-end
Shareholders' equity ratio	46.7%	45.4%	45.0%
Shareholders' equity ratio on market cap basis	48.8%	60.5%	59.8%
Years of debt amortization	3.3 years	3.5 years	3.0 years
Interest coverage ratio	27.1	32.7	34.6

Notes: Shareholders' equity ratio: shareholders' equity/ total assets

Shareholders' equity ratio on market cap basis: market cap/ total assets

Years of debt amortization: interest-bearing debt/ operating cash flow

Years of debt amortization at end of interim period: interest-bearing debt/ (operating cash flow x 2)

Interest coverage ratio: operating cash flow/ interest payments

* All indices are calculated based on consolidated figures.

* Market cap = closing share price at fiscal year end x outstanding shares at fiscal year end (after deducting treasury stock)

* We used operating activities cash flow from the consolidated statement of cash flows for "operating cash flow."

All liabilities in the consolidated balance sheet for which we pay interest are included in "interest-bearing debt."

We used "interest payments" from the consolidated statement of cash flows for interest payments.

4. Consolidated Financial Statements

1) Consolidated Balance Sheet

(Unit: million yen)

Item	As of September 20, 2004		As of September 20, 2005	
	Amount	%	Amount	%
ASSETS				
I Current Assets				
1. Cash and Deposits with Banks	2,719		3,618	
2. Notes and Accounts Receivable - Trade	5,139		5,568	
3. Inventories	452		626	
4. Deferred Tax Assets	246		280	
5. Others *	455		394	
Allowance for Doubtful Accounts	(83)		(71)	
Total Current Assets	8,929	36.0	10,416	38.7
II Fixed Assets				
(1) Tangible Fixed Assets				
1. Buildings and Structures	7,161		7,382	
Accumulated Depreciation	3,205	3,956	3,368	4,013
2. Vehicles	27		48	
Accumulated Depreciation	21	6	38	10
3. Tools, Furniture and Fixtures	5,229		5,537	
Accumulated Depreciation	3,679	1,550	4,167	1,369
4. Land		4,642		4,707
5. Construction in Progress		1		114
Total Tangible Fixed Assets	10,157	40.9	10,215	37.9
(2) Intangible Assets				
1. Goodwill	20		11	
2. Patent	156		121	
3. Software	595		475	
4. Consolidation Goodwill	1,913		2,360	
5. Others	5		4	
Total Intangible Assets	2,691	10.8	2,974	11.0
(3) Investments and Other Assets				
1. Investment Securities	1,201		1,713	
2. Capital Contributions	421		0	
3. Long-term Loans Receivable	5		12	
4. Long-term Prepaid Expenses	17		104	
5. Deferred Tax Assets	663		664	
6. Others	941		1,017	
Allowance for Doubtful Accounts	(197)		(185)	
Total Investments and Other Assets	3,053	12.3	3,327	12.4
Total Fixed Assets	15,902	64.0	16,517	61.3
Total Assets	24,831	100.0	26,933	100.0

(Unit: million yen)

Item	As of September 20, 2004		As of September 20, 2005	
	Amount	%	Amount	%
LIABILITIES				
I Current Liabilities				
1. Notes and Account Payable - Trade	1,791		2,580	
2. Short-term Borrowings	6,565		5,931	
3. Accounts Payable - Others	1,139		1,476	
4. Accrued Income Taxes	403		482	
5. Accrued Bonuses	387		440	
6. Others	533		461	
Total Current Liabilities	10,820	43.6	11,372	42.2
II Long-term Liabilities				
1. Long-term Borrowings	1,357		1,966	
2. Reserve for Retirement Benefits	897		997	
3. Reserve for Retirement Benefits for Directors and Corporate Auditors	447		447	
4. Others	29		15	
Total Long-term Liabilities	2,732	11.0	3,427	12.8
Total Liabilities	13,553	54.6	14,799	55.0
MINORITY INTERESTS				
Minority Interests	-	-	8	0.0
SHAREHOLDERS' EQUITY				
I Capital Stock *				
Capital Stock	2,620	10.6	2,620	9.7
II Capital Surplus				
Capital Surplus	2,491	10.0	2,614	9.7
III Retained Earnings				
Retained Earnings	6,064	24.4	6,724	25.0
IV Valuation Difference of Marketable Securities				
Valuation Difference of Marketable Securities	135	0.5	201	0.7
V Treasury Stock *				
Treasury Stock	(34)	(0.1)	(36)	(0.1)
Total Shareholders' Equity	11,277	45.4	12,125	45.0
Total Liabilities, Minority Interests and Shareholders' Equity	24,831	100.0	26,933	100.0

(2) Consolidated Statements of Income

(Unit: million yen)

Item	Year ended September 20, 2004			Year ended September 20, 2005		
	Amount		%	Amount		%
I SALES		24,714	100.0		29,535	100.0
II COST OF SALES		13,035	52.7		17,410	58.9
Gross Profit		11,678	47.3		12,124	41.1
III SELLING, GENERAL AND ADMINISTRATIVE EXPENSES						
1. Sales Promotion	206			179		
2. Advertising	53			64		
3. Transportation	570			644		
4. Provision for Allowance for Doubtful Accounts	24			0		
5. Salaries and Bonuses	4,382			4,505		
6. Provision for Accrued Bonuses	211			226		
7. Retirement Benefits for Directors and Corporate Auditors	12			1		
8. Provision for Reserve of Retirement Benefits	109			122		
9. Provision for Retirement Benefits for Directors and Corporate Auditors	22			36		
10. Welfare	811			865		
11. Depreciation and Amortization	330			323		
12. Rent	657			673		
13. Supplies	812			823		
14. Amortization of Consolidation Goodwill	169			231		
15. Others	1,492	9,866	40.0	1,629	10,329	35.0
OPERATING INCOME		1,812	7.3		1,794	6.1
IV Non-Operating Income						
1. Interest Income	0			0		
2. Interests on Securities	3			4		
3. Dividends Received	9			14		
4. Gain on Sales of Investment Securities	39			70		
5. Subsidies Received	39			-		
6. Gain on Investment Securities Management	-			13		
7. Others	53	147	0.6	67	171	0.6
V Non-Operating Expenses						
1. Interest Expenses	66			71		
2. Commission Paid	29			14		
3. Expenses for Outsourcing Services	32			-		
4. Loss on Capital Contribution	23			-		
5. Loss on Investment Securities Management	-			3		
6. IPO Expenses	-			71		
7. Others	51	204	0.8	31	192	0.7
ORDINARY INCOME		1,755	7.1		1,772	6.0

Item	Year ended September 20, 2004		Year ended September 20, 2005	
	Amount	%	Amount	%
VI Special Income				
1. Reversal of Allowance for Doubtful Accounts	11		13	
2. Gain on Sales of Investment Securities	13	25	2	16
VII Special Loss				
1. Loss on Sales of Fixed Assets *	5		-	
2. Loss on Disposal of Fixed Assets *	29		31	
3. Loss on Devaluation of Fixed Assets *	53		0	
4. Loss on Devaluation of Investment Securities	0		-	
5. Loss on Devaluation of Membership	0		0	
6. Provision for Allowance for Doubtful Accounts	5	94	1	33
NET INCOME BEFORE INCOME TAXES		1,686		1,755
Current Income Taxes	774		820	
Corporate Taxes for Prior Years	29		-	
Deferred Income Taxes	36	840	(43)	777
Minority Interests		-		8
NET INCOME		845		969
		3.4		3.3

(3) Consolidated Statements of Retained Earnings

(Unit: million yen)

Item	Year ended September 20, 2004		Year ended September 20, 2005	
	Amount		Amount	
CAPITAL SURPLUS				
I Balance at Beginning of Period		2,417		2,491
II Increase				
1. Capital Surplus Arising from Conversion of Convertible Bonds	68		-	
2. Increase due to Stock Swaps	-		123	
3. Gain on Disposal of Treasury Stocks	5	74	-	123
III Balance at End of Period		2,491		2,614
RETAINED EARNINGS				
I Balance at Beginning of Period		5,421		6,064
II Increase				
1. Net Income	845	845	969	969
III Decrease				
1. Dividends	160		270	
2. Bonuses to Directors and Corporate Auditors	38		39	
3. Decrease due to Mergers of Non- Consolidated Subsidiaries	3	202	-	309
IV Balance at End of Period		6,064		6,724

(4) Consolidated Statement of Cash Flows

(Unit: million yen)

	Year ended September 20, 2004	Year ended September 20, 2005
Item	Amount	Amount
I CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income before Income Taxes	1,686	1,755
Depreciation and Amortization	1,232	1,100
Amortization of Consolidation Goodwill	169	231
Increase (Decrease) in Allowance for Doubtful Accounts	(10)	(24)
Increase (Decrease) in Reserve for Retirement Benefits	30	63
Interest and Dividend Income	(13)	(19)
Interest Expenses	66	71
Loss on Devaluation of Fixed Assets	53	0
Loss on Disposal of Fixed Assets	29	31
Loss on Devaluation of Membership	0	0
Decrease (Increase) in Notes and Accounts Receivable - Trade	(124)	(264)
Decrease (Increase) in Inventories	(17)	(82)
Increase (Decrease) in Notes and Accounts Payable - Trade	42	829
Payments of Bonuses to Directors and Corporate Auditors	(38)	(39)
Others	108	(243)
Sub-total	3,214	3,410
Interest and Dividend Received	14	20
Interest Paid	(68)	(74)
Income Taxes Paid	(923)	(764)
Net Cash Provided by Operating Activities	2,236	2,591
II CASH FLOWS FROM INVESTMENT ACTIVITIES		
Increase in Time Deposits	(24)	(6)
Withdrawal of Time Deposits	144	13
Purchase of Tangible Fixed Assets	(936)	(607)
Proceeds from Sales of Tangible Fixed Assets	4	-
Purchase of Intangible Assets	(159)	(129)
Purchase of Investment Securities	(532)	(762)
Proceeds from Sales of Investment Securities	425	944
Purchase of Securities	(99)	-
Proceeds from Redemption of Securities	100	-
Payment for Loans Receivable	(5)	-
Proceeds from Collection of Loans Receivable	20	1
Purchases of Subsidiaries' Stock	(1,602)	(388)
Payment for Acquisition of Shares of Consolidated Subsidiaries	-	(76)
Gain on Cancellation of Insurance	25	6
Payment for Capital Contribution	(140)	(0)
Others	(135)	1
Net Cash Used in Investment Activities	(2,917)	(1,003)
III CASH FLOWS FROM FINANCING ACTIVITIES		
Net Increase (decrease) in Short-term Borrowings	1,173	(1,164)
Proceeds from Long-term Borrowings	1,030	2,600
Repayment of Long-term Borrowings	(1,249)	(1,821)
Payment for Redemption of Corporate Bonds	-	(53)
Proceeds from Sales of Treasury Stocks	22	-
Dividend Paid	(159)	(258)
Others	(3)	(2)
Net Cash Provided by (Used in) Financing Activities	813	(700)
IV Translation Difference on Cash and Cash Equivalents	(1)	(0)
V Increase (Decrease) in Cash and Cash Equivalents	131	887
VI Cash and Cash Equivalents at Beginning of Period	2,508	2,662
VII Increase due to Mergers of Non-Consolidated Subsidiaries	22	-
VIII Cash and Cash Equivalents at End of Period	2,662	3,549