

## 10. Income Taxes

The significant components of deferred tax assets and liabilities at March 31, 2005 and 2004 were as follows:

	<b>March 31,</b>		
	<b>2005</b>	<b>2004</b>	<b>2005</b>
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Deferred tax assets:			
Accrued bonuses	¥246,373	¥255,323	\$2,303
Elimination of unrecognized gain on intercompany accounts and transactions	67,329	66,475	629
Directors' and statutory auditors' retirement benefits	71,009	56,612	664
Accrued enterprise tax	77,309	64,039	723
Allowance for doubtful accounts	74,732	104,380	698
Accrued pension and severance costs	133,670	86,194	1,249
Impairment losses on fixed assets	57,070	–	533
Other	138,176	157,801	1,291
Subtotal	<u>865,672</u>	<u>790,827</u>	<u>8,090</u>
Valuation allowance	–	–	–
Total deferred tax assets	<u>865,672</u>	<u>790,827</u>	<u>8,090</u>
Deferred tax liabilities:			
Depreciation	(6,668)	(7,178)	(62)
Accumulated earnings of consolidated subsidiaries	(40,627)	(44,007)	(380)
Other	(11,855)	(9,463)	(111)
Total deferred tax liabilities	<u>(59,151)</u>	<u>(60,648)</u>	<u>(553)</u>
Net deferred tax assets	<u>¥806,520</u>	<u>¥730,178</u>	<u>\$7,538</u>

The difference between the statutory tax rate and the effective tax rate for the years ended March 31, 2003 represented less than 5% of the statutory tax rate. As a result, a reconciliation is not required to be disclosed.

A reconciliation between the statutory tax rate and the effective tax rate for the year ended March 31, 2005 and 2004 are presented as follows:

	<b>Year ended March 31,</b>	
	<b>2005</b>	<b>2004</b>
Statutory tax rate	40.69%	42.05%
Disallowed expenses, including entertainment expenses	3.08	3.70
Other	0.79	0.88
Effective tax rate	<u>44.56%</u>	<u>46.63%</u>

## 10. Income Taxes (continued)

Reflecting a change in the local tax rates, the statutory tax rate used in determining deferred tax assets and liabilities has been applied as follows. The current rate (42.05%) has been applied to temporary differences expected to be deducted for tax purposes by the end of March 2004 and the new rate (40.49%) has been applied to those to be utilized after April 2004. As a result of this change, deferred tax assets net of deferred tax liabilities at March 31, 2003 increased by ¥24,609 thousand and income taxes – deferred charged to income for the year decreased by ¥24,691 thousand.

## 11. Stockholders' Equity

The Commercial Code of Japan (the "Code") provides that an amount equal to at least 10% of the amount disbursed as distributions of earnings be appropriated to the legal reserve until the sum of the reserve and the additional paid-in capital account, which is included in capital surplus in the consolidated balance sheets, equals 25% of the common stock account. The Code provides that neither additional paid-in capital nor the legal reserve is available for dividends, but both may be used to reduce or eliminate a deficit by resolution of the stockholders or may be transferred to common stock upon approval by the Board of Directors. The Code further provides that if the total amount of additional paid-in capital and the legal reserve exceeds 25% of the amount of common stock, the excess may be distributed to the stockholders either as a return of capital or as dividends subject to the approval of the stockholders. The Company's shares of common stock have no par value in accordance with the Code.

Effective April 1, 2002 the Company and its consolidated subsidiaries adopted a new accounting standard for treasury stock and the reduction of legal reserves. The effect of the adoption of this new accounting standard on operating results was immaterial for the year ended March 31, 2003.

## 12. Leases

*As lessee under financing and operating leases*

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property held under financing accounted for as operating leases at March 31, 2005 and 2004, and the related depreciation and interest expense for the years ended March 31, 2005, 2004 and 2003, respectively, which would have been reflected in the consolidated balance sheets and the related consolidated statements of income:

	<b>March 31, 2005</b>		
	Property and equipment – other	Software	Total
	<i>(Thousands of yen)</i>		
Acquisition costs	¥186,846	¥29,103	¥215,949
Less accumulated depreciation	122,972	29,103	152,075
Net book value	<u>¥ 63,873</u>	<u>¥ –</u>	<u>¥ 63,873</u>

## 12. Leases (continued)

*As lessee under financing and operating leases (continued)*

	<b>March 31, 2005</b>		
	Property and equipment – other	Software	Total
	<i>(Thousands of U.S. dollars)</i>		
Acquisition costs	\$1,746	\$272	\$2,018
Less accumulated depreciation	1,149	272	1,421
Net book value	<u>\$ 597</u>	<u>\$ –</u>	<u>\$ 597</u>

	<b>March 31, 2004</b>		
	Property and equipment – other	Software	Total
	<i>(Thousands of yen)</i>		
Acquisition costs	¥442,750	¥32,563	¥475,313
Less accumulated depreciation	349,530	26,189	375,719
Net book value	<u>¥ 93,220</u>	<u>¥ 6,373</u>	<u>¥ 99,594</u>

	<b>Year ended March 31,</b>			
	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2005</b>
	<i>(Thousands of yen)</i>			<i>(Thousands of U.S. dollars)</i>
Depreciation expense	<u>¥56,424</u>	<u>¥83,951</u>	<u>¥122,252</u>	<u>\$527</u>
Interest expense	<u>¥ 2,686</u>	<u>¥ 4,511</u>	<u>¥ 7,411</u>	<u>\$ 25</u>

Lease expenses relating to the financing leases accounted for as operating leases amounted to ¥60,619 thousand (\$567 thousand), ¥91,306 thousand and ¥133,781 thousand for the years ended March 31, 2005, 2004 and 2003, respectively.

Future rental expenses under financing leases accounted for as operating leases outstanding at March 31, 2005 and 2004 are summarized as follows:

	<b>March 31,</b>		
	<b>2005</b>	<b>2004</b>	<b>2005</b>
	<i>(Thousands of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Within 1 year	¥32,466	¥ 53,987	\$303
Over 1 year	33,291	48,945	311
	<u>¥65,758</u>	<u>¥102,933</u>	<u>\$615</u>

## 12. Leases (continued)

*As lessee under financing and operating leases (continued)*

Future rental expenses under operating leases outstanding at March 31, 2005 and 2004 are summarized as follows:

	March 31,		2005 (Thousands of U.S. dollars)
	2005 (Thousands of yen)	2004	
Within 1 year	¥ 80,245	¥ 54,094	\$ 750
Over 1 year	276,980	324,315	2,589
	<u>¥357,226</u>	<u>¥378,409</u>	<u>\$3,339</u>

*As lessor under operating leases*

Certain consolidated subsidiaries lease equipment under operating leases. Future rental income under operating leases outstanding at March 31, 2005 and 2004 are summarized as follows:

	March 31,		2005 (Thousands of U.S. dollars)
	2005 (Thousands of yen)	2004	
Within 1 year	¥ 538,368	¥ 572,506	\$ 5,031
Over 1 year	2,543,864	2,830,828	23,774
	<u>¥3,082,232</u>	<u>¥3,403,335</u>	<u>\$28,806</u>

*As lessee and lessor under subleases*

The Company subleases equipment to a third party, and the lease agreements between the two original parties remain in effect. The original and the new lease agreements are operating leases.

Future rental revenues as lessor under the new lease agreements outstanding at March 31, 2005 and 2004 are summarized as follows:

	March 31,		2005 (Thousands of U.S. dollars)
	2005 (Thousands of yen)	2004	
Within 1 year	¥ 526,037	¥47,686	\$ 4,916
Over 1 year	4,216,538	43,803	39,407
	<u>¥4,742,576</u>	<u>¥91,490</u>	<u>\$44,323</u>

## 12. Leases (continued)

*As lessee and lessor under subleases (continued)*

Future rental expenses as lessee under the original lease agreements outstanding at March 31, 2005 and 2004 are summarized as follows:

	March 31,		
	2005	2004	2005
	(Thousands of yen)		(Thousands of U.S. dollars)
Within 1 year	¥ 575,177	¥46,664	\$ 5,375
Over 1 year	4,846,103	42,879	45,291
	<u>¥5,421,281</u>	<u>¥89,543</u>	<u>\$50,666</u>

## 13. Contingent Liabilities

### Contingent liabilities

The Company received complaints from Cecile Co., Ltd. dated October 8, 2004 for the damage based on the default of obligation and misfeasance regarding the pouch-packed curry which the Company had sold to Cecile Co., Ltd. amounted to ¥142,281 thousand (\$1,330 thousand), and complaints from BELLUNA CO., LTD. dated March 18, 2005 for the damage based on default of obligation regarding the pouch-packed curry which the Company had sold to BELLUNA CO., LTD. amounted to ¥300,000 thousand (\$2,804 thousand).

The Company considers that those allegations have no reasonable basis and intend to defend against them. However, the outcome of these lawsuits may affect adversely to the consolidated financial statements of the Company.

## 14. Amounts Per Share

Net income per share is computed based on the weighted average number of shares of common stock outstanding during each year. The Company and its consolidated subsidiaries have not issued any potentially dilutive stocks during either year. Accordingly, fully diluted net income per share and basic net income per share for the years ended March 31, 2005, 2004 and 2003 were the same.

	Year ended March 31,			
	2005	2004	2003	2005
		(Yen)		(U.S. dollars)
Net income per share	¥110.62	¥86.21	¥83.62	\$1.034

#### 14. Amounts Per Share (continued)

Net assets per share are computed based on the number of shares of common stock outstanding at each balance sheet date.

	<b>March 31,</b>		
	<u>2005</u>	<u>2004</u>	<u>2005</u>
	<i>(Yen)</i>		<i>(U.S. dollars)</i>
Net assets per share	¥908.11	¥819.13	\$8.487

Effective April 1, 2002, the Company and its consolidated subsidiaries adopted a new accounting standard for per share information, under which the amount which is not available to stockholders of shares of common stock is excluded from the calculation of earnings per share. The effect of the adoption of this standard was not significant. No prior year earnings per share amounts have been restated and therefore, the basis of computation of per share information for 2002 has not been presented.

The following table sets forth the basis of the computation of net income per share for the year ended March 31, 2005 and 2004:

	<b>Year ended March 31,</b>			
	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2005</u>
	<i>(Thousands of yen, except share)</i>			<i>(Thousands of U.S. dollars, except share)</i>
Net income	¥1,435,670	¥1,085,411	¥1,032,999	\$13,417
Less: appropriation of bonuses to directors and statutory auditors	<u>(24,006)</u>	<u>(19,195)</u>	<u>(9,549)</u>	<u>(224)</u>
Net income available to stockholders of shares of common stock	<u>¥1,411,664</u>	<u>¥1,066,216</u>	<u>¥1,023,449</u>	<u>\$13,193</u>
Weighted average number of shares of common stock outstanding	12,761,085	12,367,114	12,239,538	12,761,085