

# Summary of Consolidated Financial Statements for the Interim Period Ended September 30, 2005

November 1, 2005

These financial statements have been prepared for reference only in accordance with accounting principles and practices generally accepted in Japan.

## Nissin Food Products Co., Ltd.

Code number: 2897

http://www.nissinfoods.co.jp/

Representative: Koki Ando, President

Contact: Takahisa Yanagida, Director,

General Manager of Financial Division

Board of Directors meeting: November 1, 2005

Use of U.S. accounting standards: No

Stock exchange listings: Tokyo, Osaka

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## 1. Operating results for the Interim Period Ended September 30, 2005 (April 1, 2005 - September 30, 2005)

### (1) Sales and Income

Note: All amounts are rounded down to the nearest million yen.

	Net sales (¥ million)	Year-on-year change (%)	Operating income (¥ million)	Year-on-year change (%)	Ordinary income (¥ million)	Year-on-year change (%)
Interim period ended Sept. 30, 2005	150,270	1.0	12,617	0.5	17,120	9.4
Interim period ended Sept. 30, 2004	148,769	(4.0)	12,550	23.0	15,646	28.0
Year ended March 31, 2005	316,972		28,962		33,183	

	Net income (¥ million)	Year-on-year change (%)	Earnings per share (¥)	Earnings per share (diluted) (¥)
Interim period ended Sept. 30, 2005	5,419	(22.0)	43.91	—
Interim period ended Sept. 30, 2004	6,952	0.4	56.33	—
Year ended March 31, 2005	16,611		134.36	—

Notes:

#### 1. Equity in earnings of affiliates:

Interim period ended Sept. 30, 2005: ¥255 million

Interim period ended Sept. 30, 2004: ¥273 million

Year ended March 31, 2005: ¥427 million

#### 2. Average number of shares outstanding (consolidated):

Interim period ended Sept. 30, 2005: 123,429,432 shares

Interim period ended Sept. 30, 2004: 123,431,131 shares

Year ended March 31, 2005: 123,430,588 shares

#### 3. Changes in accounting methods: None

#### 4. Year-on-year change for net sales, operating income, ordinary income and net income is based on the previous interim period.

### (2) Financial Position

	Total assets (¥ million)	Shareholders' equity (¥ million)	Shareholders' equity ratio (%)	Shareholders' equity per share (¥)
September 30, 2005	350,796	262,509	74.8	2,126.80
September 30, 2004	346,195	247,622	71.5	2,006.17
March 31, 2005	361,104	258,138	71.5	2,091.16

Note: Number of shares outstanding at end of period (consolidated): Interim period ended Sept. 30, 2005: 123,429,289 shares

Interim period ended Sept. 30, 2004: 123,430,568 shares Year ended March 31, 2005: 123,429,703 shares

### (3) Cash Flows

	Cash flows from operating activities (¥ million)	Cash flows from investing activities (¥ million)	Cash flows from financing activities (¥ million)	Cash and cash equivalents at end of period (¥ million)
Interim period ended Sept. 30, 2005	2,118	5,055	(3,790)	70,446
Interim period ended Sept. 30, 2004	9,710	(18,349)	(4,685)	58,916
Year ended March 31, 2005	30,259	(30,348)	(5,708)	66,326

#### (4) Scope of consolidation and application of the equity method:

Consolidated subsidiaries: 23 companies

Unconsolidated subsidiaries accounted for by the equity method: None

Affiliated companies accounted for by the equity method: 1 company

#### (5) Changes in scope of consolidation and application of the equity method:

Consolidation: (New) 1 company (Eliminated) None

Equity method: (New) None (Eliminated) None

## 2. Projected Results for Fiscal 2006 (April 1, 2005 - March 31, 2006)

	Net sales (¥ million)	Ordinary income (¥ million)	Net income (¥ million)
Year ending March 31, 2006	328,000	36,000	17,000

Reference: Estimated earnings per share (fiscal 2006): ¥137.53

Note: Projected results are forward-looking statements based on estimates made as of the day of release of these materials. Actual results may differ depending on a number of factors including but not limited to changes in exchange rates. For the assumptions and other issues related to the above projected results, please refer to page 5 of the attached materials.

# 1. Management Policies

## (1) Basic Management Policy

Under its founding philosophy of “People Can Only Be Content When There Is Enough Food,” Nissin has established a corporate philosophy of bringing enjoyment to people’s lives through the creation and development of new foods. As the company that invented instant noodles, Nissin will continue to develop products and technologies to offer satisfaction to all people in all countries and regions. Nissin contributes to people’s health with its customer-focused marketing policies. Moreover, Nissin works to maximize corporate value while building a solid management base to further strengthen brand strategies in a global competitive framework.

## (2) Basic Policy for Allocating Earnings

Nissin’s primary management task is to continue to provide stable dividends to shareholders by constantly working to strengthen its sales and earnings capabilities to raise corporate value. Under its dividend policy, Nissin works to achieve a target payout ratio of 30 percent on a non-consolidated basis.

At the regular General Meeting of Shareholders in June 2005, the articles of incorporation were partially revised with a resolution introducing an interim dividend system to return profits to shareholders more expeditiously.

As a result, at the meeting of the Board of Directors held today, it was resolved to pay an interim dividend of ¥15.00 per share. Nissin also plans to pay a year-end dividend of ¥15.00 per share; therefore, for the year ended March 31, 2006 Nissin plans to pay total regular dividends of ¥30.00 per share.

In addition, Nissin strives to further expand corporate value through the priority allocation of retained earnings toward capital investment, research and development costs, and mergers and acquisitions, and effectively manage surplus funds in consideration of risks.

## (3) Views and Policy Regarding Reduction of Minimum Investment Unit

Nissin manufactures and sells food products closely related to its customers’ lives, so it would like to create a closer presence among many individual investors. To raise the liquidity of its stock and increase the number of individual shareholders, Nissin reduced the minimum trading unit of its stock from 1,000 to 100 in August 1999.

In addition, Nissin executed a secondary market offering in February 2003 to increase the number of individual shareholders.

## (4) Medium- to Long-Term Management Strategies

Nissin has set the medium-term objective of raising its share of the domestic instant noodle market, its core business, to 50 percent on a sales value basis.

The number of young people, the target population of our products, is declining due to the declining birth rate and rapid aging of Japanese society. At the same time, consumer tastes are diversifying. Nissin is developing products with higher added value and products that place more emphasis on health.

Moreover, as its marketing strategy, Nissin works to achieve efficient, value-added marketing, build greater brand value and expand its business by implementing marketing that enhances its responsiveness to customers and incorporating sales promotions aimed at loyal customers and preferred consumer measures such as the “Frequent Shoppers Program” (FSP) and “Target Marketing.”

Overseas, Nissin will move forward with its global strategy of bringing happiness and great taste to people in every country and region as the pioneer in the field of instant noodles, a product created in Japan that has become an international food. At the same time, Nissin will promote the procurement of ingredients and materials on an international basis that makes the most of its overseas network to purchase higher-quality raw materials at lower prices.

## (5) Company Initiatives

As a manufacturer of food products, Nissin complies strictly and thoroughly with laws and regulations, and has made providing safe and reliable products to customers its mission.

As a quality control system, Nissin has established the Food Safety Research Institute as a specialized organization that carries out strict food safety inspections. Moreover, all of Nissin’s domestic company plants as well as the Food Safety Research Institute have obtained ISO 9001 certification of their quality assurance systems, and quality management systems based on ISO 9001 are being established at overseas plants.

Nissin will consider the global environment in carrying out business activities that take into account the protection of the environment and the conservation of natural resources in co-existence with the natural environment. Nissin’s four company plants and the head offices in Tokyo and Osaka have obtained ISO 14001 certification, the international standard for environmental management. In addition, Nissin introduces and discloses the results of environmental accounting in order to quantitatively determine the costs of environmental protection.

## **(6) Basic Policy Regarding Corporate Governance and Status of Implementation of Measures**

### **(Basic Policy Regarding Corporate Governance)**

Nissin is committed to providing safe and reliable products, while ensuring that its operations provide the maximum benefit to all stakeholders, including its shareholders, consumers, business partners and employees as well as local communities.

To achieve this aim, Nissin has already taken the step of appointing several outside directors and outside corporate auditors, in order to revitalize and increase transparency in management by incorporating the opinions of outside experts.

### **(Status of Corporate Governance Measures)**

Nissin employs a corporate auditing system and has established a management organization that energizes management and accelerates decision-making. Our management organization is as follows.

The Board of Directors consists of twelve members, two of whom are outside directors. The role of the Board is to make decisions regarding important executive issues including basic management policies and strategy formulation, and to supervise the implementation of their decisions. The Board of Directors meets once a month, and on an extraordinary basis as required.

The Management Committee consists of eight directors selected by the Board of Directors. The role of this body is to discuss and resolve important management issues related to such things as the execution of overall operations and planning. The Management Committee meets twice a month.

The Executive Committee consists of ten corporate executive officers as well as full-time directors and corporate auditors. Their role is to transmit management policies from representative directors, to present reports and suggestions from their respective divisions, and to receive direction and supervision as required from directors. The Executive Committee meets once a month.

The Board of Corporate Auditors consists of four corporate auditors, including two outside corporate auditors. They attend all important company meetings, including regular meetings of the Board of Directors, offer advice and supervise directors' execution of their duties. The Board of Corporate Auditors meets regularly every other month and on an extraordinary basis as required.

Nissin is developing systems of internal checks on the departmental level for activities including purchasing, production, distribution, marketing and administration. At the same time, Nissin is focusing on the development of systems that function interdepartmentally as well. The Internal Auditing Office and corporate auditors audit the efficiency of the internal control systems of each business division and department, and advise or prescribe improvements as necessary. Looking forward, together with corporate compliance and information disclosure, laws regarding the establishment and operation of internal control systems will be strengthened. Nissin is therefore concentrating further on improving its internal controls.

## 2. Results of Operations and Financial Position

### (1) Results of Operations

#### Overview of the Interim Period

During the interim period, the Japanese economy began to regain its buoyancy, supported by strong capital investment and a solid base of personal consumption, as well as the end of an inventory adjustment cycle, primarily in the IT sector, although factors such as high crude oil prices raised uncertainty about the future. Exports to the People's Republic of China (P.R.C.) and the United States also contributed to economic recovery in Japan. In this situation, consumer prices showed signs of increasing, raising hopes that deflation is coming to an end.

However, price competition remained intense in the food industry, including instant noodles, demand for higher-priced products began to show signs of slackening and a trend toward price reduction occurred in beverages and certain other products. It became urgent for Nissin to turn this situation around by developing products with high added value as well as new products, such as those emphasizing health, that accurately meet consumer needs.

In this situation, Nissin undertook aggressive sales measures in the instant noodle and associated business categories by focusing on its long-selling mainstay brands Chicken Ramen and Cup Noodle, and introducing new market-building products targeting the health and beauty market, such as the Nissin Kentaro and Nissin Asian Noodle series. As a result, sales of the instant noodle and associated business categories increased compared to the same period of the previous fiscal year.

In the Other business category, Ciscorn Big cereal and Pilkul, a lactobacillus drink approved as a food for specified health use, continued to achieve solid sales due to strong consumer support. Overall sales declined, however, due to factors including a decrease in sales of soups and food containers.

As a result, net sales for this interim period increased 1.0 percent compared to the same period of the previous fiscal year to ¥150,270 million. Supported by the increase in sales, operating income grew 0.5 percent to ¥12,617 million, and ordinary income was ¥17,120 million, an increase of 9.4 percent compared to the same period of the previous fiscal year, due to an increase in non-operating income from gain on sales of securities and other factors. However, net income decreased 22.0 percent compared to the same period for the previous fiscal year to ¥5,419 million due to an increase in extraordinary losses, including impairment losses on land associated with the application of accounting standards for impairment loss of fixed assets, which were introduced from the interim period.

(Consolidated basis; ¥ million)

	Net sales	Operating income	Ordinary income	Net income
Interim period ended September 30, 2005	150,270	12,617	17,120	5,419
Interim period ended September 30, 2004	148,769	12,550	15,646	6,952
Year-on-year change (%)	1.0	0.5	9.4	(22.0)

## Information by Business Category

Business category	Consolidated net sales (¥ million)	Year-on-year change (%)
Pillow-type instant noodles	22,385	6.1
Cup-type instant noodles	94,152	1.3
Chilled and frozen foods	19,995	(0.6)
Instant noodle and associated business	136,533	1.8
Other business	13,737	(5.8)
Total	150,270	1.0

### Pillow-type Instant Noodles

Domestic consumer demand is largely focused on cup-type instant noodle products. As a result, the domestic market for pillow-type instant noodles has shifted from flat to a slight contraction in recent years. Despite this trend, sales of mainstay brand Chicken Ramen increased due to limited-time sales of Hiyoko-chan Lidded Mug Cup with Chicken Ramen Mini. Despite a slowdown in sales of Nissin-no-Ramenyasari, which had been favorable during the previous fiscal year, it was able to secure an increase in earnings in the pillow-type instant noodle category.

Overseas, aggressive market promotion successfully increased sales of Top Ramen in North America and Demae Itcho in Hong Kong. As a result of these and other factors, net sales of the pillow-type instant noodle category increased 6.1 percent compared to the same period of the previous fiscal year to ¥22,385 million.

### Cup-type Instant Noodles

Sales of the mainstay Cup Noodle series, Nissin-no-Donbei and Nissin Yakisoba UFO increased as a result of Nissin's aggressive sales promotion activities and consumers' renewed interest in traditional brands, reflecting their desire to return to their roots. Nissin deepened awareness of the product concepts of Nissin Kentaro and Nissin Asian Noodle, market-building series newly launched in the health and beauty market, through television commercials and other sales promotion efforts. In addition, sales of Nissin Menshokunin grew as a result of consumer acceptance for the freshly boiled texture of the noodles.

In overseas markets, sales increased compared to the same period of the previous fiscal year, supported by the deep-rooted popularity of Cup Noodles in North America and positive response to new product categories such as CHOW MEIN. This boosted overall category sales. As a result, net sales of cup-type instant noodles increased 1.3 percent compared to the same period of the previous fiscal year to ¥94,152 million.

### Chilled and Frozen Foods

Sales of chilled foods declined 5.6 percent compared to the same period of the previous fiscal year to ¥7,616 million due to various factors, including lower sales of chilled noodle products such as Hiyashi Chuka, which had experienced significant sales growth in 2004 due to the extremely hot summer.

In frozen foods, strong performance of easy-to-prepare Reito Nissin Spa-O, a microwave-and-serve product, and the Reito Nissin GooTa series, featuring products with high-grade ingredients, contributed to domestic sales growth. Total sales of this division were ¥12,378 million, an increase of 2.8 percent compared to the same period of the previous fiscal year.

As a result of these factors, net sales of chilled and frozen foods decreased 0.6 percent compared to the same period of the previous fiscal year to ¥19,995 million.

### Other Business

Ciscorn Big cereal and Pilkul, a lactobacillus drink approved as a food for specified health use, continued their strong performance from the previous fiscal year. However, the impact of a decline in soup and food container sales and other factors caused net sales for this category to decrease 5.8 percent compared to the same period of the previous fiscal year to ¥13,737 million.

## Outlook for the Fiscal Year Ending March 31, 2006

The Japanese economy is slowly beginning to show signs of picking up its pace, urged on by strong capital investment and steady personal consumption. In addition, the overwhelming election victory of the ruling government party had a positive effect on stock prices, and the first step toward stable growth has at last been taken.

Opinions remain divided on how fast the economy will recover, however, because of factors such as the impact of hurricanes in the United States on already high crude oil prices and uncertainty over where the U.S. and P.R.C. economies are headed.

Under these circumstances, Nissin will develop products with an accurate grasp of consumer needs and undertake sales promotion, putting food safety first as a responsible food manufacturer. Nissin will strive aggressively to develop the health and beauty market by stimulating new consumer demand while focusing on mainstay brands such as Chicken Ramen and Cup Noodle.

Overseas, Nissin will promote further sales expansion centered on the United States and Mexico in the North American market and Brazil and other countries in the South American market. In the P.R.C., an important region that represents 40 percent of the global market for instant noodles and achieves significant annual growth, Nissin will continue to steadily pursue business through its joint venture with a local enterprise.

During the interim period ended September 30, 2005, net sales and operating income were short of projections made at the beginning of the fiscal year, but ordinary income and net income exceeded original projections. In the second half, although Nissin anticipates some uncertainties due to exchange rate fluctuations and other factors, it will work to strengthen its marketing capabilities through measures such as aggressively launching new products to meet peak seasonal demand. For the full fiscal year, therefore, Nissin projects net sales of ¥328.0 billion (a year-on-year increase of 3.5 percent), operating income of ¥32.0 billion (a year-on-year increase of 10.5 percent), ordinary income of ¥36.0 billion (a year-on-year increase of 8.5 percent), and net income of ¥17.0 billion (a year-on-year increase of 2.3 percent), as projected at the beginning of the fiscal year.

Projected exchange rates for the major currencies relevant to the results of overseas subsidiaries are ¥104 to US\$1.00, ¥13 to HK\$1.00, and ¥13 to 1 yuan.

## (2) Financial Position

Cash and cash equivalents (hereinafter referred to as “net cash”) as of September 30, 2005 amounted to ¥70,446 million, an increase of ¥4,119 million from the end of the previous fiscal year. Factors contributing to the increase included income before income taxes and minority interests of ¥11,028 million and an increase in proceeds from sales and redemption of bonds, while factors reducing net cash included an increase in cash paid for income taxes.

### Cash Flows from Operating Activities

Net cash provided by operating activities was ¥2,118 million. Net income before income taxes and minority interests totaling ¥11,028 million, depreciation and amortization totaling ¥2,860 million and loss on impairment of fixed assets totaling ¥5,631 million were among the positive factors that increased net cash. Factors that reduced net cash included cash paid for income taxes totaling ¥7,696 million.

### Cash Flows from Investing Activities

Net cash provided by investing activities was ¥5,055 million. This figure was positive due to an increase in proceeds from the sale and redemption of bonds and other investment securities.

### Cash Flows from Financing Activities

Net cash used in financing activities was ¥3,790 million. The primary use of net cash was cash dividends paid totaling ¥3,701 million.

Trends in Nissin’s cash flow indicators are as follows:

		Interim period ended Sept. 30, 2003	Year ended March 31, 2004	Interim period ended Sept. 30, 2004	Year ended March 31, 2005	Interim period ended Sept. 30, 2005
Shareholders’ equity ratio	%	70.7	71.1	71.5	71.5	74.8
Shareholders’ equity ratio on a market value basis	%	97.3	95.4	96.4	95.9	104.0
Debt repayment period	Years	—	0.2	—	0.1	—
Interest coverage ratio		164.8	412.6	441.8	688.7	104.7

Notes:

Shareholders’ equity ratio = Shareholders’ equity/Total assets

Shareholders’ equity ratio on a market value basis = Total market value of stock/Total assets

Debt repayment period = Interest-bearing liabilities/Net cash provided by operating activities

Interest coverage ratio = Net cash provided by operating activities/Interest expenses

- \* All indicators are calculated on a consolidated basis.
- \* Total market value of stock is calculated by multiplying the total number of shares outstanding at the end of the period (excluding treasury stock) by the closing share price at the end of the period.
- \* Net cash provided by operating activities is as reported on the consolidated statements of cash flows.
- \* Interest-bearing liabilities are all liabilities stated on the consolidated balance sheets on which interest is paid.

### 3. Interim Consolidated Financial Statements

#### (1) Interim Consolidated Balance Sheets

(Millions of yen)

	As of September 30, 2005		As of September 30, 2004		As of March 31, 2005	
<b>ASSETS</b>						
<b>I Current assets</b>	<b>141,076</b>	<b>40.2%</b>	<b>123,320</b>	<b>35.6%</b>	<b>133,147</b>	<b>36.9%</b>
Cash and deposits	53,800		57,875		60,957	
Notes and accounts receivable - trade	36,698		38,359		38,890	
Marketable securities	29,601		6,971		13,127	
Inventories	12,962		12,787		12,355	
Deferred tax assets	6,110		5,767		6,100	
Other current assets	2,191		1,873		2,054	
Allowance for doubtful receivables	(288)		(314)		(338)	
<b>II Fixed assets</b>	<b>209,720</b>	<b>59.8</b>	<b>222,874</b>	<b>64.4</b>	<b>227,957</b>	<b>63.1</b>
<b>Tangible fixed assets:</b>	<b>69,368</b>	<b>19.8</b>	<b>79,347</b>	<b>22.9</b>	<b>75,332</b>	<b>20.9</b>
Buildings and structures	25,561		29,077		27,138	
Machinery, equipment and carriers	15,475		18,090		15,982	
Tools and fixtures	1,404		1,253		1,319	
Land	25,768		28,696		28,545	
Construction in progress	574		236		349	
Other tangible fixed assets	585		1,993		1,995	
<b>Intangible fixed assets</b>	<b>983</b>	<b>0.3</b>	<b>837</b>	<b>0.2</b>	<b>771</b>	<b>0.2</b>
<b>Investments and other assets:</b>	<b>139,367</b>	<b>39.7</b>	<b>142,689</b>	<b>41.3</b>	<b>151,853</b>	<b>42.0</b>
Investment securities	118,876		118,471		129,960	
Investment in capital	12,674		13,574		12,610	
Long-term loans	212		242		215	
Deferred tax assets	824		5,687		4,239	
Deferred tax assets related to revaluation of land	1,636		1,594		1,594	
Other investments and other assets	5,308		3,200		3,396	
Allowance for doubtful receivables	(164)		(80)		(162)	
<b>Total assets</b>	<b>350,796</b>	<b>100.0%</b>	<b>346,195</b>	<b>100.0%</b>	<b>361,104</b>	<b>100.0%</b>

(Millions of yen)

	As of September 30, 2005		As of September 30, 2004		As of March 31, 2005	
<b>LIABILITIES</b>						
<b>I Current liabilities</b>	<b>67,659</b>	<b>19.3%</b>	<b>71,936</b>	<b>20.8%</b>	<b>76,816</b>	<b>21.2%</b>
Notes and accounts payable - trade	30,285		30,610		33,682	
Short-term borrowings	3,007		4,139		3,038	
Accrued payables	19,146		19,266		19,498	
Accrued income taxes	3,220		6,464		7,565	
Other current liabilities	11,999		11,456		13,031	
<b>II Long-term liabilities</b>	<b>14,634</b>	<b>4.2</b>	<b>19,832</b>	<b>5.7</b>	<b>19,414</b>	<b>5.4</b>
Reserve for employees' retirement benefits	12,538		13,990		13,580	
Reserve for directors' retirement benefits	1,716		5,348		5,517	
Other long-term liabilities	380		493		316	
<b>Total liabilities</b>	<b>82,294</b>	<b>23.5</b>	<b>91,768</b>	<b>26.5</b>	<b>96,230</b>	<b>26.6</b>
<b>MINORITY INTERESTS</b>						
<b>Minority interests</b>	<b>5,992</b>	<b>1.7</b>	<b>6,804</b>	<b>2.0</b>	<b>6,735</b>	<b>1.9</b>
<b>SHAREHOLDERS' EQUITY</b>						
<b>I Common stock</b>	25,122	7.2	25,122	7.3	25,122	7.0
<b>II Capital surplus</b>	48,370	13.8	48,370	14.0	48,370	13.4
<b>III Retained earnings</b>	195,679	55.7	184,267	53.2	193,926	53.7
<b>IV Adjustment due to revaluation of land</b>	(2,421)	(0.7)	(2,359)	(0.7)	(2,359)	(0.7)
<b>V Unrealized gain on securities</b>	7,277	2.1	4,347	1.2	6,114	1.7
<b>VI Translation adjustment account</b>	(1,763)	(0.5)	(2,375)	(0.7)	(3,282)	(0.8)
<b>VII Treasury stock</b>	(9,755)	(2.8)	(9,751)	(2.8)	(9,753)	(2.8)
<b>Total shareholders' equity</b>	<b>262,509</b>	<b>74.8</b>	<b>247,622</b>	<b>71.5</b>	<b>258,138</b>	<b>71.5</b>
<b>Total liabilities, minority interests and shareholders' equity</b>	<b>350,796</b>	<b>100.0%</b>	<b>346,195</b>	<b>100.0%</b>	<b>361,104</b>	<b>100.0%</b>

## (2) Interim Consolidated Statements of Income

(Millions of yen)

	Interim period ended September 30, 2005		Interim period ended September 30, 2004		Year ended March 31, 2005	
<b>I Net sales</b>	<b>150,270</b>	<b>100.0%</b>	<b>148,769</b>	<b>100.0%</b>	<b>316,972</b>	<b>100.0%</b>
<b>II Cost of sales</b>	<b>74,004</b>	<b>49.2</b>	<b>73,643</b>	<b>49.5</b>	<b>156,876</b>	<b>49.5</b>
<b>Gross profit</b>	<b>76,266</b>	<b>50.8</b>	<b>75,126</b>	<b>50.5</b>	<b>160,095</b>	<b>50.5</b>
<b>III Selling, general and administrative expenses</b>	<b>63,649</b>	<b>42.4</b>	<b>62,575</b>	<b>42.1</b>	<b>131,133</b>	<b>41.4</b>
<b>Operating income</b>	<b>12,617</b>	<b>8.4</b>	<b>12,550</b>	<b>8.4</b>	<b>28,962</b>	<b>9.1</b>
<b>IV Non-operating income</b>	<b>4,768</b>	<b>3.2</b>	<b>3,186</b>	<b>2.2</b>	<b>4,454</b>	<b>1.4</b>
Interest income	861		602		1,335	
Dividends received	1,034		833		1,202	
Gain on sales of securities	1,992		320		374	
Equity in earnings of affiliates	255		273		427	
Foreign exchange gain	375		887		593	
Other non-operating income	248		268		520	
<b>V Non-operating expenses</b>	<b>265</b>	<b>0.2</b>	<b>91</b>	<b>0.1</b>	<b>234</b>	<b>0.0</b>
Interest expenses	20		21		43	
Loss on sales of securities	119		—		25	
Non-operating taxes	77		59		101	
Other non-operating expenses	48		9		63	
<b>Ordinary income</b>	<b>17,120</b>	<b>11.4</b>	<b>15,646</b>	<b>10.5</b>	<b>33,183</b>	<b>10.5</b>
<b>VI Extraordinary gains</b>	<b>102</b>	<b>0.0</b>	<b>263</b>	<b>0.2</b>	<b>294</b>	<b>0.1</b>
Gain on sales of fixed assets	2		73		75	
Gain on liquidation of affiliate	51		—		—	
Reimbursement of allowance for doubtful receivables	49		42		—	
Reimbursement of previous-term special retirement benefits	—		146		138	
Other extraordinary gains	—		0		81	
<b>VII Extraordinary losses</b>	<b>6,194</b>	<b>4.1</b>	<b>3,954</b>	<b>2.7</b>	<b>6,405</b>	<b>2.0</b>
Loss on sales of fixed assets	2		1		8	
Loss on disposal of fixed assets	21		30		304	
Loss on impairment of fixed assets	5,631		—		—	
Evaluation loss on investment securities	424		9		112	
Evaluation loss on investment affiliates	—		—		1,075	
Provision for directors' retirement benefits	—		3,569		3,569	
Other extraordinary losses	113		343		1,335	
<b>Income before income taxes and minority interests</b>	<b>11,028</b>	<b>7.3</b>	<b>11,955</b>	<b>8.0</b>	<b>27,072</b>	<b>8.6</b>
<b>Corporate, inhabitant's and enterprise taxes</b>	<b>3,311</b>	<b>2.2</b>	<b>6,217</b>	<b>4.2</b>	<b>11,629</b>	<b>3.7</b>
<b>Adjustment to corporate taxes, etc.</b>	<b>2,653</b>	<b>1.7</b>	<b>(1,298)</b>	<b>(0.9)</b>	<b>(1,385)</b>	<b>(0.4)</b>
<b>Minority interests</b>	<b>(356)</b>	<b>(0.2)</b>	<b>83</b>	<b>0.0</b>	<b>216</b>	<b>0.1</b>
<b>Net income</b>	<b>5,419</b>	<b>3.6</b>	<b>6,952</b>	<b>4.7</b>	<b>16,611</b>	<b>5.2</b>

**(3) Interim Consolidated Statements of Retained Earnings**

(Millions of yen)

	Interim period ended September 30, 2005	Interim period ended September 30, 2004	Year ended March 31, 2005
<b>CAPITAL SURPLUS</b>			
<b>I Capital surplus at the beginning of the period</b>	<b>48,370</b>	<b>48,370</b>	<b>48,370</b>
<b>II Increase in capital surplus</b>	<b>0</b>	<b>0</b>	<b>0</b>
Gain on disposal of treasury stock	0	0	0
<b>III Capital surplus at the end of the period</b>	<b>48,370</b>	<b>48,370</b>	<b>48,370</b>
<b>RETAINED EARNINGS</b>			
<b>I Retained earnings at the beginning of the period</b>	<b>193,926</b>	<b>180,876</b>	<b>180,876</b>
<b>II Increase in retained earnings</b>	<b>5,482</b>	<b>7,119</b>	<b>16,778</b>
Net income	5,419	6,952	16,611
Reversal of adjustment due to revaluation of land	62	166	166
<b>III Decrease in retained earnings</b>	<b>3,728</b>	<b>3,729</b>	<b>3,729</b>
Cash dividends paid	3,701	3,702	3,702
Bonuses to directors	27	27	27
<b>IV Retained earnings at the end of the period</b>	<b>195,679</b>	<b>184,267</b>	<b>193,926</b>

## (4) Interim Consolidated Statements of Cash Flows

(Millions of yen)

	Interim period ended September 30, 2005	Interim period ended September 30, 2004	Year Ended March 31, 2005
<b>I Cash flows from operating activities</b>			
Income before income taxes and minority interests	11,028	11,955	27,072
Depreciation and amortization	2,860	3,223	6,674
Loss on impairment of fixed assets	5,631	—	—
Increase (decrease) in allowance for doubtful receivables	(57)	13	122
Increase (decrease) in accrued employees' retirement benefits	(1,041)	(233)	(643)
Increase (decrease) in accrued directors' retirement benefits	(3,801)	3,708	3,877
Interest and dividend income	(1,895)	(1,436)	(2,538)
Interest expenses	20	21	43
Foreign currency exchange (gain) loss	(261)	(28)	1
Equity in earnings of affiliates	(255)	(273)	(427)
Loss (gain) on disposal and sales of property, plant and equipment	22	(41)	237
Gain on sales of marketable and investment securities and others	(1,873)	(320)	(349)
Evaluation loss (gain) on marketable and investment securities and others	396	(6)	1,192
Gain from collection of written-off receivables	—	(0)	(0)
(Increase) decrease in notes and accounts receivable	2,666	1,446	559
(Increase) decrease in inventories	(117)	(843)	(501)
Increase (decrease) in notes and accounts payable	(3,929)	(3,716)	(497)
Increase (decrease) in accrued consumption tax	(265)	(732)	(424)
Bonuses to directors	(27)	(27)	(27)
Others	(1,226)	(1,507)	705
<b>Subtotal</b>	<b>7,873</b>	<b>11,201</b>	<b>35,077</b>
Cash received from interest and dividend income	1,962	1,683	2,683
Cash paid for interest expenses	(20)	(21)	(43)
Collection of written-off receivables	—	0	0
Cash paid for income taxes	(7,696)	(3,153)	(7,457)
<b>Net cash provided by operating activities</b>	<b>2,118</b>	<b>9,710</b>	<b>30,259</b>
<b>II Cash flows from investing activities</b>			
Payment of funds into time deposits	(2,906)	(2,060)	(2,000)
Proceeds from redemption of time deposits	—	—	353
Payment for purchases of marketable securities	(1,299)	(0)	(1,000)
Proceeds from sales and redemption of marketable securities	5,582	1,509	3,789
Payment for purchases of property, plant and equipment and others	(1,727)	(1,281)	(3,061)
Proceeds from sales of property, plant and equipment and others	15	401	1,501
Payment for purchases of investment securities	(19,875)	(17,697)	(38,005)
Proceeds from sales and redemption of investment securities	25,248	774	8,307
Payment for purchases of additional shares of consolidated subsidiaries and others	—	—	(265)
Payment for loans	(0)	—	—
Proceeds from loans	18	4	31
<b>Net cash used in investing activities</b>	<b>5,055</b>	<b>(18,349)</b>	<b>(30,348)</b>
<b>III Cash flows from financing activities</b>			
Proceeds from short-term borrowings	334	50	—
Repayment of short-term borrowings	(370)	(1,032)	(2,071)
Proceeds from issuance of long-term debt	—	17	86
Repayment of long-term borrowings	(38)	—	—
Repurchase of treasury stocks less sales	(1)	(5)	(8)
Cash dividends paid	(3,701)	(3,702)	(3,702)
Payment for dividends to minority shareholders	(13)	(13)	(13)
<b>Net cash used in financing activities</b>	<b>(3,790)</b>	<b>(4,685)</b>	<b>(5,708)</b>
<b>IV Effect of exchange rate changes on cash and cash equivalents</b>	<b>625</b>	<b>100</b>	<b>(16)</b>
<b>V Increase (decrease) in cash and cash equivalents</b>	<b>4,010</b>	<b>(13,223)</b>	<b>(5,813)</b>
<b>VI Cash and cash equivalents at the beginning of the period</b>	<b>66,326</b>	<b>72,140</b>	<b>72,140</b>
<b>VII Increase in cash and cash equivalents due to consolidation of additional subsidiaries</b>	<b>109</b>	<b>—</b>	<b>—</b>
<b>VIII Cash and cash equivalents at the end of the period</b>	<b>70,446</b>	<b>58,916</b>	<b>66,326</b>