CMIC Co., Ltd

Consolidated Financial Statements
As of September 30,2003 and 2004 and for the years then ended
Together with Auditor's Report

CONSOLIDATED BALANCE SHEETS

CMIC Co., Ltd and consolidated subsidiaries
As of September 30, 2003 and 2004

	Thousands of yen		Thousands of U.S. dollars (Note 1)
ASSETS	2003	**2004**	**2004**
Current assets:			
Cash on hand and in banks (Notes 2 and 8)	¥ 2,506,942	**¥ 4,421,454**	**$ 39,815**
Receivables-trade			
Accounts	1,575,425	**2,802,993**	**25,241**
Allowance for doubtful accounts (Notes 2)	-	**(982)**	**(9)**
Inventories (Notes 2 and 4)	505,738	**302,138**	**2,721**
Deferred tax assets (Notes 2 and 13)	143,684	**233,122**	**2,099**
Other current assets	84,466	**139,508**	**1,256**
Total current assets	4,816,255	**7,898,233**	**71,123**
Property and equipments:			
Buildings and structures (Notes 2 and 3)	252,475	**799,355**	**7,198**
Machinery and automobiles (Notes 2)	18,923	**13,795**	**124**
Furniture and fixtures (Notes 2)	203,595	**433,554**	**3,904**
Land (Notes 2 and 3)	1,481	**96,472**	**869**
Less accumulated depriciation (Notes 2)	(179,377)	**(656,231)**	**(5,909)**
Net property, plant and equipments	297,097	**686,945**	**6,186**
Intangible assets:			
Goodwill (Notes 2)	-	**893,735**	**8,048**
Other intangible assets (Notes2)	129,949	**155,442**	**1,400**
Total intangible assets	129,949	**1,049,177**	**9,448**
Investments and other assets:			
Investments in securities (Notes 2 and 10)	24,005	**44,004**	**396**
Deferred tax assets (Notes 2 and 13)	89,916	**141,634**	**1,275**
Leasehold deposits	313,560	**512,218**	**4,612**
Other investments	4,133	**12,101**	**109**
Total investments and other assets	431,614	**709,957**	**6,392**
Total assets	¥ 5,674,915	**¥ 10,344,312**	**$ 93,149**

The accompanying notes to the consolidated financial statements are an integral part of theas statements

CONSOLIDATED BALANCE SHEETS (continued)

CMIC Co., Ltd and consolidated subsidiaries
As of September 30, 2003 and 2004

LIABILITIES AND SHAREHOLDERS' EQUITY	Thousands of yen 2003	Thousands of yen 2004	Thousands of U.S. dollars (Note 1) 2004
Current liabilities:			
Trade notes and accounts payable	¥ 87,579	¥ **224,583**	$ **2,022**
Current maturities of long-term debt (Notes 3 and 5)	209,873	**43,200**	**389**
Other accounts payable	158,455	**199,562**	**1,797**
Accured expences	378,917	**532,181**	**4,792**
Accured income taxes	342,143	**503,193**	**4,531**
Advances from customers	260,469	**234,092**	**2,108**
Other current liabilities	166,828	**204,398**	**1,841**
Total current liabilities	1,604,264	**1,941,209**	**17,480**
Long-term liabilities:			
Long-term debt (Notes 3 and 5)	140,400	**235,200**	**2,118**
Employees' severance and retirement benefits (Notes 2 and 12	164,710	**251,414**	**2,264**
Total long-term liabilities	305,110	**486,614**	**4,382**
Total liabilities	1,909,374	**2,427,823**	**21,862**
Minority interests	21,457	**21,964**	**198**
Shareholders' equity			
Common stock (Notes 6 and 16)	1,216,060	**3,081,750**	**27,751**
Additional paid-in capital (Notes 16)	1,461,370	**3,326,990**	**29,959**
Retained earnings (Notes 16)	1,066,294	**1,486,653**	**13,387**
Foreign currency translation adjustments	360	**(868)**	**(8)**
Total shareholders' equity	3,744,084	**7,894,525**	**71,089**
Total liabilities, minority interests and shareholders' equity	**¥ 5,674,915**	**¥ 10,344,312**	**$ 93,149**

The accompanying notes to the consolidated financial statements are an integral part of theas statements

CONSOLIDATED STATEMENTS OF INCOME

CMIC Co., Ltd and consolidated subsidiaries
Years then ended September 30, 2003 and 2004

	Thousands of yen				Thousands of U.S. dollars (Note 1)	
		2003		**2004**		**2004**
Net sales	¥	8,538,740	¥	**10,797,402**	$	**97,230**
Costs and expenses:						
Cost of sales		(5,777,809)		**(7,548,692)**		**(67,976)**
Selling, general and administrative expenses		(1,788,307)		**(2,009,503)**		**(18,095)**
		(7,566,116)		**(9,558,195)**		**(86,071)**
Operating income		972,624		**1,239,207**		**11,159**
Other income (expenses):						
Interest and dividend income		148		**450**		**4**
Received commission		8,699		**358**		**3**
Received rents		5,833		**8,869**		**80**
Foreign exchange gains		-		**967**		**9**
Received compensation		-		**2,904**		**26**
Other non-operating profits		648		**1,911**		**17**
Interest expenses		(5,578)		**(6,822)**		**(61)**
Stock issuance costs		-		**(18,866)**		**(170)**
Foreign exchange losses		(3,539)		**-**		**-**
Loss from insurance cancellation		(1,557)		**-**		**-**
Other non-operating losses		(2,309)		**(1,046)**		**(9)**
Gain from sale of fixed assets		251		**498**		**4**
Loss from sale of fixed assets		(1,055)		**-**		**-**
Loss on disposal of fixed assets		(89,773)		**(20,429)**		**(184)**
Removal expenses of head quarters		-		**(101,373)**		**(913)**
Total other income (expenses)		(88,232)		**(132,579)**		**(1,194)**
Income before income taxes and minority interests		884,392		**1,106,628**		**9,965**
Income taxes (Notes 2 and 13)						
Current		544,424		**632,883**		**5,699**
Deferred		(107,797)		**(89,020)**		**(802)**
Minority interests		(1,314)		**512**		**5**
Net income	¥	449,079	¥	**562,253**	$	**5,063**

	Yen		Yen		U.S. dollars (Note 1)	
Amount per share of common stock:						
Net income	¥	585.03	¥	**715.71**	$	**6.44**
Diluted net income		573.74		**711.88**		**6.41**
Cash dividends applicable to the period		115.00		**166.00**		**1.49**

The accompanying notes to the consolidated financial statements are an integral part of theas statements

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

CMIC Co., Ltd and consolidated subsidiaries

Years then ended September 30, 2003 and 2004

	Shares	
	2003	**2004**
Numbers of shares of common stock		
Balance at beginning of the year	673,600	**673,600**
Capital increase by public offering	-	**70,000**
Exercise of stock options	-	**11,000**
Balance at end of the year	673,600	**754,600**

	Thousands of yen				Thousands of U.S. dollars (Note 1)	
		2003		**2004**		**2004**
Common stock:						
Balance at beginning of the year	¥	1,216,060	¥	**1,216,060**	**$**	**10,951**
Capital increase by public offering		-		**1,849,190**		**16,652**
Exercise of stock options		-		**16,500**		**148**
Balance at end of the year	¥	1,216,060	¥	**3,081,750**	**$**	**27,751**
Additional paid-in capital:						
Balance at beginning of the year	¥	1,461,370	¥	**1,461,370**	**$**	**13,160**
Capital increase by public offering		-		**1,849,120**		**16,651**
Exercise of stock options		-		**16,500**		**148**
Balance at end of the year	¥	1,461,370	¥	**3,326,990**	**$**	**29,959**
Retained earnings						
Balance at beginning of the year	¥	726,793	¥	**1,066,294**	**$**	**9,601**
Net income		449,079		**562,253**		**5,063**
Cash dividends paid - \ 7.25 per share in 2003						
- \13.00 ($0.117) per share in 2004		(88,578)		**(86,894)**		**(782)**
Bonuses to directors		(21,000)		**(55,000)**		**(495)**
Balance at end of the year	¥	1,066,294	¥	**1,486,653**	**$**	**13,387**
Foreign currency translation adjustment						
Balance at beginning of the year	¥	-	¥	**-**	**$**	**-**
Adjustments from translation of foreign currency financial statements		360		**(868)**		**(8)**
Balance at end of the year	¥	360	¥	**(868)**	**$**	**(8)**
Total shareholders' equity	¥	3,744,084	¥	**7,894,525**	**$**	**71,089**

The accompanying notes to the consolidated financial statements are an integral part of theas statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

CMIC Co., Ltd and consolidated subsidiaries
Years then ended September 30, 2003 and 2004

	Thousands of yen		Thousands of U.S. dollars (Note 1)
	2003	**2004**	**2004**
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 884,392	**¥ 1,106,628**	**$ 9,965**
Depreciation and amortization	108,871	**112,946**	**1,017**
Interest and dividend income	(148)	**(450)**	**(4)**
Interest expenses	5,578	**6,822**	**61**
Foreign exchange gain and loss	1,871	**(939)**	**(8)**
Increase or decrease of accrued post-employment benefit	62,648	**64,915**	**585**
Loss on disposal of fixed assets	89,773	**20,429**	**184**
Gain from sale of fixed assets	(251)	**(498)**	**(4)**
Loss from sale of fixed assets	1,055	**-**	**-**
Increase or decrease of trade receivable	(120,277)	**(738,133)**	**(6,647)**
Increase or decrease of inventories assets	(176,428)	**209,073**	**1,883**
Increase or decrease of purchase liabilities	17,385	**87,274**	**786**
Increase or decrease of accrued expenses	102,017	**91,935**	**828**
Increase or decrease of advances from customers	(1,947)	**(42,577)**	**(383)**
Increase or decrease of deposit	4,043	**7,576**	**68**
Increase or decrease of other current assets	(27,236)	**-**	**-**
Increase or decrease of other current liabilities	29,944	**-**	**-**
Increase or decrease of other fixed assets	332	**-**	**-**
Increase or decrease of other fixed liabilities	(20,000)	**-**	**-**
Other	-	**(70,225)**	**(632)**
Subtotal	961,622	**854,776**	**7,699**
Interest and dividends received	61	**694**	**6**
Interest paid	(6,048)	**(7,008)**	**(63)**
Income taxes paid	(516,161)	**(534,145)**	**(4,810)**
Net cash provided by (used in) operating activities	439,474	**314,317**	**2,832**
Cash flows from investing activities:			
Withdrawal of time deposits	11,100	**-**	**-**
Purchase of property and equipment	(227,659)	**(189,398)**	**(1,706)**
Proceeds from sales of property and equipment	1,711	**3,318**	**30**
Purchase of intangible assets	(72,760)	**(58,932)**	**(531)**
Pledging of leasehold deposit	(111,587)	**(252,118)**	**(2,270)**
Reversing of leasehold deposits	31,885	**91,404**	**823**
Purchase of investment securities	(24,000)	**(20,000)**	**(180)**
Purchase of subsidiaries' stock	-	**(1,266,921)**	**(11,409)**
Other	11,702	**0**	**-**
Net cash provided by investing activities	(379,608)	**(1,692,647)**	**(15,243)**
Cash flows from financing activities:			
Proceeds from long-term debt	30,000	**-**	**-**
Repayment of long-term debt	(259,770)	**(350,273)**	**(3,154)**
Dividends paid	(88,578)	**(86,894)**	**(782)**
Proceeds from issuance of common stocks	-	**3,731,310**	**33,600**
Proceeds from issuance of common stocks by minority shareholders	22,500	**-**	**-**
Bonuses to directors	(21,000)	**-**	**-**
Net cash provided by financing activities	(316,848)	**3,294,143**	**29,664**
Effect of exchange rate changes on cash and cash equivalents	(1,708)	**(1,301)**	**(12)**
Net increase (desrease) in cash and cash equivalents	(258,690)	**1,914,512**	**17,241**
Cash and cash equivalents at beginning of year (Notes 2)	2,765,632	**2,506,942**	**22,574**
Cash and cash equivalents at end of year (Notes 2)	¥ 2,506,942	**¥ 4,421,454**	**$ 39,815**

The accompanying notes to the consolidated financial statements are an integral part of theas statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CMIC Co., Ltd. and consolidated subsidiaries

1. Basis of presenting financial statements

The accompanying consolidated financial statements have been prepared based on the accounts maintained by CMIC Co., Ltd. (the "Company") and its subsidiaries in accordance with the provisions set forth in the Commercial Code of Japan and the Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan (“Japanese GAAP”) which are different in certain respects as to application and disclosure requirements of international Financial reporting Standards.
The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile.
The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of consolidated statements of shareholders’ equity) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The U.S. dollar amounts shown in the accompanying consolidated financial statements and notes thereto have been translated from Japanese yen into U.S. dollars on the basis of ¥111.05 to U.S.$1.00, the rate of exchange prevailing at September 30, 2004, and have been then rounded to the nearest thousand. These U.S. dollar amounts are not intended to imply that the Japanese yen amounts have been, could have been or could in future be converted, realized or settled in U.S. dollars at this or any other rate of exchange.
In preparing the accompanying consolidated financial statements, certain reclassifications have been made in the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

2. Significant accounting policies

Consolidation- The Company had 8 subsidiaries (CMIC CRC Co., Ltd., CMIC-BS Co., Ltd., CMIC MPSS Co., Ltd., CMIC ADC Co., Ltd., PCN Co., Ltd., CMIC Korea Co., Ltd., Institute of Applied Medicine,Inc. and CMIC (Beijing) Co.,Ltd.) at September 30, 2004 . The consolidated financial statements for the years ended September 30, 2004 and 2003 include the accounts of the Company and all of its subsidiaries (the “Companies”).
The Company had no unconsolidated subsidiary and no significant affiliate (20% to 50% owned).
The considered acquisition date of Institute of Applied Medicine, Inc. is September 30, 2004 and, the considered established date of CMIC (Beijing) Co., Ltd. is September 30, 2004. With regard to the financial statements of Institute of Applied Medicine, Inc. and CMIC (Beijing) Co., Ltd., only their balance sheets are included in the consolidated financial statements at September 30, 2004.
The financial year-end of the subsidiaries is September 30. except for CMIC (Beijing) Co., Ltd. whose financial year-end is December 31. Balance sheet of CMIC (Beijing) Co., Ltd. at September 30 is accounted by the same procedure as at the year-end. In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are

recorded based on the fair value at the time the Company acquired control of the respective subsidiaries.

Securities- Other non-marketable securities are stated at cost or amortized cost computed by the moving-average method. Unrealized gains and losses on other securities are included in shareholders' equity, net of applicable income taxes.

Derivatives- Derivatives are stated at market value, with changes in fair value in net gains or losses for the period in which they arise, except for derivatives that are designated as "hedging instruments".

Inventories- The cost of work in progress are stated at cost determined by job order costing and not offset against advances received on uncompleted contracts which are included in current liabilities.

Property and equipment- Property and equipment are carried at cost. Depreciation is provided using the declining-balance method at rates based on the estimated useful lives as stipulated by the Japanese Corporation Tax Law except buildings acquired after March 31, 1998, which are depreciated using the straight-line method. Otherwise, the overseas subsidiaries adopt the depreciation using the declining-balance method at rates based on the accounting principles and practices generally accepted in the respective countries.

Intangible assets and software- Intangible assets of the domestic companies are amortized using the straight-line method over the estimated useful lives as stipulated by the Japanese Corporation Tax Law and software for their own use of the domestic companies are amortized using the straight-line method over the estimated useful lives (5 years).
Intangible assets and software of the overseas subsidiaries are amortized using the straight-line method over the estimated useful lives as stipulated by the accounting principles and practices generally accepted in the respective countries.

Stock issuance- Stock issuance costs are principally charged to income as incurred.

Allowance for doubtful accounts- The Companies provide allowance for doubtful accounts in amounts sufficient to cover probable losses on collection. It comprises an estimated uncollectible account for certain receivables classified as "doubtful" or "bankrupt" and, for other receivables, an amount calculated using the rate of actual defaults in certain reference period.
There was no allowance for doubtful accounts at September 30, 2003.

Employees' severance and retirement benefits- Employees' severance and retirement benefits is provided for the payments of employees' retirement benefits based on estimated amounts of the projected retirement benefit obligation at the end of the fiscal year.
Net actuarial difference is amortized using the straight-line method at the next year as incurred.

Translation of foreign currency- Receivables and payables of the domestic companies denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the balance sheet date.
The balance sheets of overseas subsidiaries are translated into Japanese yen at the exchange rates prevailing at the balance sheet date except for shareholders' equity, which is translated at historical rates.
The revenues and expenses of overseas subsidiaries are translated into Japanese yen at the average rates of the year.
Differences arising from such translation are shown as "Foreign currency translation adjustments" and are

included in “Shareholders’ Equity”.

Accounting for certain lease transactions- Finance leases which do not transfer ownership rights to lessee are not capitalized and accounted for in the same manner as operating leases.

Accounting for Hedging- The Companies use the deferral method. Gains or losses arising from changes in fair value of the derivatives designated as “hedging instruments” are deferred as an asset or liability and included in net profit or loss in the same period during which the gains and losses on the hedged items or transactions are recognized. If interest rate swap contracts are used as hedge and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed (“Exception”).
The derivatives designated as hedging instruments are interest rate swap contracts.
The related hedged items are interest on borrowings.
The Companies’ policy to utilize the above hedging instruments in order to reduce the Companies’ exposure to the risk of interest rate fluctuation.
The Companies evaluate effectiveness of its hedging activities by reference to the accumulated gains or losses on the hedging instruments and the related hedged items from the commencement of the hedges.
The Companies omit to evaluate effectiveness of transaction to which the Exception is applied.

Consumption Tax - The National Consumption Tax and Local Consumption Tax are excluded from transaction amounts.

Accounting for Treasury Stock and Reversal of Capital and Legal Reserves- The Company adopted the Statement of Financial Accounting Standard No.1 “Accounting for Treasury Stock and Reversal of Capital and Legal Reserves” issued by the Accounting Standards Board of Japan.

Amounts per share of common stock- Computations of net income per share of common stock are based on the weighted-average number of shares outstanding during the respective year. Diluted net income per share is computed based on the weighted-average number of shares of common stock and contingent issuance of common stock from warrants. Cash dividends per share represent the actual amount declared as applicable to the respective years.
The Company adopted the Statement of Financial Accounting Standard No.2 “Earnings per Share” issued by the Accounting standards Board of Japan. The statement requires that net income should be adjusted by deducting bonuses paid to directors to be recognized as an appropriation of retained earnings from net income shown in the Statements of Income, and the calculation of primary net income per share be made on that adjusted net income basis.

Goodwill- The difference between investment cost of a subsidiary and the amount of underlying equity in net assets of the subsidiary at the date of acquisition is treated as an income or an expense, as the case may be.
However, the difference of consolidation of Institute of Applied Medicine,Inc. is amortized over 15 effective years on the straight-line basis due to be incurred mainly by evaluation of extra-income in the future.

Impairment of fixed assets- In the year ended September 30,2004,the Company did not adopt early the new accounting standard for impairment of fixed assets (“Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets” issued by the Business Accounting Deliberation Council on

August 9,2002) and the implementation guidance for the accounting standard for impairment of fixed assets (the Financial Accounting Standard Implementation Guidance No.6 issued by Accounting Standards Board of Japan on October 31,2003).The new accounting standard is required to be adopted in periods beginning on or after April 1,2005.
The Company has begun its analysis of possible impairment of fixed assets. The Company cannot currently estimate the effect of adoption of the new standard, because the company has not yet completed its analysis.

Appropriation of retained earnings- Under the Commercial Code of Japan, the appropriation of retained earnings, such as cash dividends, bonuses to directors and statutory auditors and appropriations to the legal reserve, with respect to a given financial year is made by resolution of the shareholders at a general meeting to be held subsequent to the close of such financial year.
Cash dividends, bonuses to directors and statutory auditors and appropriations to the legal reserve charged to retained earnings during the year represent dividends and bonuses paid out during the years and the related appropriations to the legal reserves.

Cash and cash equivalents- In preparing the consolidated statements of cash flows, cash on hand, readily-available deposits and short-term highly liquid investments with maturity of not exceeding three months at the time of purchase without significant risk of change in value are considered to be cash and cash equivalents.

Income taxes- Income taxes consist of corporation, enterprise and inhabitant taxes for domestic companies and foreign income taxes.
Deferred income taxes are provided for the income tax expenses under the asset and liability method. Deferred income tax assets and liabilities are determined based on temporary differences between the financial statements and tax bases of assets and liabilities, using enacted tax rates in effect during the years in which the differences are expected to reverse, and on available tax credits carryforward.

3. Pledged assets

The following assets, at their respective net book values, were pledged as collateral for obligations of the Companies at September 30,2003 and 2004.

	Thousands of yen		Thousands of U.S. dollars
	2003	**2004**	**2004**
Land	¥ -	**¥ 94,990**	**$ 855**
Buildings	-	**72,387**	**652**
	¥ -	**¥ 167,377**	**$ 1,507**

The obligations secured by such collateral were as follows:

	Thousands of yen		Thousands of U.S. dollars
	2003	**2004**	**2004**
Current maturities of long-term debt	¥ -	**¥ 43,200**	**$ 389**
Long-term debt	-	**235,200**	**2,118**
	¥ -	**¥ 278,400**	**$ 2,507**

4. **Inventories**

Inventories at September 30, 2003 and 2004 comprised the following:

	Thousands of yen		Thousands of U.S. dollars
	2003	**2004**	**2004**
Work in progress	¥ 504,242	**¥ 298,223**	**$ 2,686**
Supplies	1,496	**3,915**	**35**
	¥ 505,738	**¥ 302,138**	**$ 2,721**

5. **Short-term borrowings and long-term debt**

Long-term debt at September 30, 2003 and 2004 consisted of the following:

	Thousands of yen		Thousands of U.S. dollars
	2003	**2004**	**2004**
Long-term debt from banks:			
Secured, due through 2005 at rate of 2.02 %	¥ 350,273	**¥ 278,400**	**$ 2,507**
Less:			
Current maturities of long-term debt	140,400	**43,200**	**389**
	¥ 209,873	**¥ 235,200**	**$ 2,118**

The annual maturities of long-term debt at September 30, 2004 were as follows:

Year ending September 30,	Thousands of yen	Thousands of U.S. dollars
2006	¥ 43,200	$ 389
2007	43,200	389
2008	43,200	389
2009	43,200	389
2010 or later	62,400	562

6. **Issued stocks**

Number of shares of common stock (issued) was 673,600 as of September 30,2003 and, 754,600 as of September 30,2004.
Number of shares authorized of common stock was 2,300,000 as of September 30, 2003 and 2004.

7. **Research and development expenses**

Research and development expenses included in cost of sales and selling, general and administrative expenses for the years ended September 30,2004 were ¥ 1,718 thousands ($15 thousands) and ¥ 16,887 thousands ($ 152 thousands) respectively.

8. Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of cash flows agree with cash on hand and in banks deposits in the consolidated balance sheets as of September 30,2003 and 2004.
The reconciliation between cash on hand and in banks shown in the consolidated balance sheets and cash and cash equivalents shown in the consolidated statements of cash flows as of September 30, 2003 and 2004 is as follows:

	Thousands of yen		Thousands of U.S. dollars
	2003	**2004**	**2004**
Cash on hand and in banks	¥ 2,506,942	**¥ 4,421,454**	**$ 39,815**
Cash and cash equivalents	¥ 2,506,942	**¥ 4,421,454**	**$ 39,815**

For the year ended September 30, 2004, the Company newly consolidated the subsidiary, Institute of Applied Medicine, Inc. Summary information on the assets and liabilities of the newly consolidated subsidiary is as follows:

	Thousands of yen		Thousands of U.S. dollars
	2003	**2004**	**2004**
Current assets	¥ -	**¥ 706,518**	**$ 6,362**
Non-current assets	-	**382,261**	**3,442**
Current liabilities	-	**(275,525)**	**(2,481)**
Non-current liabilities	-	**(256,989)**	**(2,314)**
Goodwill	-	**893,735**	**8,048**
Acquisition cost of the equity of the subsidiary	-	**1,450,000**	**13,057**
Cash and cash equivalents of the newly consolidated subsidiary	-	**(183,327)**	**(1,651)**
Net cash and cash equivalent decreased due to the purchase of additional shares in the newly consolidated subsidiary	¥ -	**¥ 1,266,673**	**$ 11,406**

9. Information for certain leases

Lessee:

Finance leases which do not transfer ownership rights to lessees

If finance leases which do not transfer ownership rights to lessees had been capitalized at September 30,2003 and 2004, they would have been recorded on the financial statements as follows:

	Thousands of yen		Thousands of U.S. dollars
	2003	**2004**	**2004**
Acquisition cost:	¥ 253,321	¥ **831,398**	$ **7,486**
Buildings	—	**29,401**	**264**
Machinery	—	**37,407**	**337**
Furniture and fixtures	127,318	**584,207**	**5,261**
Intangible assets	126,003	**180,383**	**1,624**
Accumulated depreciation	¥ 95,636	¥ **395,676**	$ **3,563**
Building	—	**13,034**	**117**
Machinery	—	**5,441**	**49**
Furniture and fixtures	56,054	**294,144**	**2,649**
Intangible assets	39,582	**83,057**	**748**
Net book value	¥ 157,685	¥ **435,722**	$ **3,923**
Building	—	**16,367**	**147**
Machinery	—	**31,966**	**288**
Furniture and fixtures	71,264	**290,063**	**2,612**
Intangible assets	86,421	**97,326**	**876**

Lease payments under finance leases which are accounted for in the same manner as operating leases for the years ended September 30, 2003 and 2004, except to the interest, were ¥66,006 thousand and ¥89,314 thousand ($ 804 thousand), respectively. Future lease payments as of September 30, 2003 and 2004, exclusive of interest, under such leases were ¥161,044 thousand and ¥450,093 thousand ($ 4,053 thousand), including ¥61,817 thousand and ¥174,169 thousand ($ 1,568 thousand) due within one year.

Equivalent amount of depreciation for the years ended September 30,2003 and 2004 amounted to ¥60,871 thousand and ¥83,523 thousand ($752 thousand), respectively.

The depreciation equivalents were calculated using the straight-line method over the lease terms assuming no remained value.

Equivalent amount of interest expense for the years ended September 30,2003 and 2004 amounted to ¥5,956 thousand and ¥6,622 thousand ($ 60 thousand), respectively.

The interest equivalents were the deference between the sum of payments of lease and the acquisition equivalents of lease assets, and divided to the respective year using calculation of compound interest.

Future lease payments for non-cancelable operating as of September 30, 2004, were ¥2,944 thousand ($ 27 thousand), including ¥1,104 thousands ($ 10 thousand) due within one year.

10. Securities

The Companies had no available-for-sale securities with available fair values as of September 30, 2003 and 2004.

The following tables summarize book values of securities with no available fair values as of September 30, 2003.

		Book value	
	Type	Thousands of yen	Thousands of U.S. dollars
Unavailable-for-sale securities	Non-marketable foreign bonds	**¥ 5**	**$ 0**
	Non-listed equity securities	**24,000**	**216**

The planned redemption schedule of available-for -sale securities with maturities are as follows:

(Thousands of yen)

Type	Within 1 year	Over 1 year but within 5 years
Bonds	**¥ 2**	**¥ 3**

(Thousands of U.S. dollars)

Type	Within 1 year	Over 1 year but within 5 years
Bonds	**$ 0**	**$ 0**

The following tables summarize book values of securities with no available fair values as of September 30, 2004.

		Book value	
	Type	Thousands of yen	Thousands of U.S. dollars
Unavailable-for-sale securities	Non-marketable foreign bonds	**¥ 4**	**$ 0**
	Non-listed equity securities	**44,000**	**396**

The planned redemption schedule of available-for –sale securities with maturities are as follows:

Thousands of yen

Type	Within 1 year	Over 1 year but within 5 years
Bonds	**¥ 2**	**¥ 2**
Others	—	—
Total	**¥ 2**	**¥ 2**

Thousands of U.S. dollars

Type	Within 1 year	Over 1 year but within 5 years
Bonds	**$ 0**	**$ 0**
Others	—	—
Total	**$ 0**	**$ 0**

11. Derivative financial instruments

The Company utilizes interest rate swap contracts（interest rate swap/cap contracts for 2003）as derivative financial instruments in order to avoid adverse effects of fluctuations of interest rate. The Company does not use derivatives for speculative purposes.

The following summarizes hedging derivative financial instruments used by the Companies and items hedged:

Hedging instruments:	Interest rate swap contracts
Hedged items:	Interest on borrowings

There was no derivative financial instrument except those instruments to which hedge accounting was applied.

12. Employees' severance and retirement benefits

The Company and its domestic consolidated subsidiaries provide unfunded lump-sum payment plan, under which all eligible employees are entitled to benefits based on the level of salaries at the time of retirement, length of service and certain other factors.

The liabilities for severance and retirement benefits included in the liability section of the consolidated balance sheet as of September 30, 2003 and 2004 are as follows:

	Thousands of yen		Thousands of U.S. dollars
	2003	**2004**	**2004**
Retirement benefit obligation	¥ (171,632)	**¥ (273,184)**	**$ (2,460)**
Unrecognized actuarial difference	6,922	**21,770**	**196**
Employees' severance and retirement benefits	¥ (164,710)	**¥ (251,414)**	**$ (2,264)**

Included in the consolidated statement of income for the years ended September 30, 2003 and 2004 are severance and retirement benefit expenses comprised of the followings:

	Thousands of yen		Thousands of U.S. dollars
	2003	**2004**	**2004**
Service costs	¥ 55,235	**¥ 74,244**	**$ 669**
Interest cost	2,820	**4,057**	**37**
Amortization of unrecognized actuarial difference	14,371	**6,922**	**62**
Severance and retirement benefit expenses	¥ 72,426	**¥ 85,223**	**$ 768**

Summary of assumption on benefit obligations, etc for the years ended September 30, 2003 and 2004 are as followings:

Periodic distribution method of expected benefit	Straight-line method
Discount rate	2.5%
Amortization period of actuarial loss	1 year

13. Income taxes

Income taxes in the consolidated statements of income consist of corporation tax, inhabitant taxes and enterprise tax. The aggregate statutory income tax rate was approximately 41.88% for 2003 and 2004.

The actual effective income tax rates in the accompanying consolidated statements of income differ from the statutory income tax rate due to such items as permanently non-deductible expenses.

Reconciliations of the difference between the statutory income tax rate and the actual effective income tax rates for the years ended September 30, 2003 and 2004 are as follows:

	2003	**2004**
Statutory income tax rate	41.88 %	**41.88 %**
Effect on operating carryforwards of subsidiaries	4.64	**2.48**
Permanently non-deductible expenses	1.59	**1.40**
Per capita inhabitants tax	1.25	**1.51**
Tax on undistributed earnings (of family corporation)	3.42	**1.78**
Utilization of loss carryforwards	(2.73)	-
Others	(0.68)	**0.10**
Actual effective income tax rate	49.37 %	**49.15 %**

Significant components of the deferred income taxes as of September 31, 2003 and 2004 are as follows:

	Thousands of yen		Thousands of U.S. dollars
	2003	**2004**	**2004**
Deferred income tax assets			
Excess bonuses accrued	¥ 101,909	**¥ 177,075**	**$ 1,595**
Business facility tax payable	4,490	**5,717**	**51**
Enterprise tax payable	28,909	**41,503**	**374**
Excess employees' retirement benefits	62,426	**97,163**	**875**
Write-down of golf club memberships	3,390	**-**	**-**
Other accounts payable	8,377	**-**	**-**
Property and equipment	-	**16,931**	**152**
Net operating loss carryforwards	59,135	**84,402**	**760**
Others	-	**12,715**	**114**
	268,636	**435,507**	**3,921**
Less: Valuation allowance	(35,036)	**(60,751)**	**(547)**
Total deferred tax assets	¥ 233,600	**¥ 374,756**	**$ 3,374**

14. Segment information

The Companies are primarily engaged in sales in the CRO segment in Japan. As net sales, operating income and total assets from the CRO business of the Companies constituted more than 90% of the consolidated totals for both years ended September 30, 2003 and 2004, the disclosure of business segment information has been omitted.
The disclosure of geographical segment information has also been omitted as net sales and total assets of the foreign operations constituted less than 10%, of the consolidated totals for both the years ended September 30, 2003 and 2004.
Overseas sales of the Companies constituted less than 10%, of the consolidated net sales for both the years ended September 30, 2003 and 2004.

15. Net assets and net income per share

Effective from the year ended September 30, 2003, the Company adopted Accounting Standard No.2; “Accounting Standard for Net Income Per Share”, and Accounting Standards Guideline No.4; “Guideline for Application of Accounting Standard for Net Income Per Share”, issued by Accounting Standards Board of Japan on September 25, 2002.

	Yen		U.S. dollars
	2003	**2004**	**2004**
Net assets per share	¥ 5,476.67	**¥ 10,375.73**	**$ 93.43**
Net income per share	585.03	**715.71**	**6.44**
Diluted net income per share	573.74	**711.88**	**6.41**

16. Shareholders’ equity

Under the Japanese Commercial Code (the “Code”), at least 50% of the issue price of new shares is required to be credited to common stock. The portion which is to be credited to common stock is determined by resolution of the Board of Directors. Proceeds in excess of the amounts credited to common stock are credited to additional paid-in capital, which is included in capital surplus.

The Code provides that an amount equal to at least 10% of cash dividends and other cash appropriations shall be appropriated and set aside as a legal earnings reserve until the total amount of legal earnings reserve and additional paid-in capital equals 25% of common stock. The legal earnings reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the shareholders’ meeting or may be capitalized by resolution of the Board of Directors. On condition that the total amount of legal earnings reserve and additional paid-in capital remains being equal to or exceeding 25% of common stock, they are available for distribution by the resolution of shareholders’ meeting.

Legal earnings reserve is included in retained earnings in the consolidated balance sheets.

The maximum amount that the Company can distribute, subject to approval of shareholders, as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Code.

Appropriations are not accrued in the financial statements for the period to which they relate, but are recorded in the subsequent accounting period when the shareholders' approval has been obtained. Retained earnings at September 30,2004 include amounts representing the year-end cash dividends and bonuses to directors and corporate auditors, which were approved at the shareholders' meeting held on December 17, 2004 as described in Note 17.

17. Subsequent event

The following appropriation of retained earnings at September 30, 2004 was approved at the annual general meetings of shareholders held on December 17, 2004.

	Thousands of yen	Thousands of U.S. dollars
Cash dividends (¥108.00 per share)	¥81,496	$733
Bonuses to directors and corporate auditors	65,000	585

18. Stock option

By resolution of ordinary general shareholders' meeting held on December 26, 2001, the Company introduced a stock option plan in accordance with Article 280-19 of the former Commercial Code of Japan, at advantageous terms to (i) directors（Retired Part-time directors）and (ii) employees of the Company.

The stock purchase rights can be exercised at a price of ¥300,000 per share（¥3,000 per share, after splitting on February 1,2002）per share in the period from December 27, 2002 to December 26, 2007, and a total of 150 shares（15,000 shares, after share splitting on February 1,2002） of common stock could be issued by the exercise of these rights. The exercise price of stock purchase rights would be adjusted, if the Company issues new shares at a price below the market price.