

Corporate Profile (2005)

Corporate name	BSL CORPORATION
Address	10-24, Akasaka 8-chome, Minato-ku, Tokyo, Japan
Foundation	1868
Establishment	1918
Paid-in Capital	6,259,890,000 yen (as of March 31, 2005)
Public Listing	2nd Sections of TSE, OSE and NSE. Listed in 1949, Security CODE: 3113
Lead Manager	Daiwa Securities SMBC
Auditors	Nihombashi Corporation (Certified Public Accountants)
Banks	Sumitomo Mitsui Banking Corporation, The Bank of Tokyo-Mitsubishi, Mizuho Corporate Bank, Ltd.

Members of the Board / Officers / Auditors (As of June 29, 2005)

Member of the Board, Representative Director and CEO	Hiroyasu Takei
Member of the Board, Executive Vice President	Jun Kawada
Member of the Board, Head of the Investment Division	Kitetsu Cho
Member of the Board, Head of the Control Division	Masakazu Murao
Member of the Board, General Manager, Corporate Strategy	Katsushi Tanaka
Representative Director, Chairman and President of Dyflex Holdings	Keisei Miura
Statutory Auditor	Hideya Takahashi
Auditor, Attorney-at-law	Yoshikazu Nagano
Auditor, Attorney-at-law	Makoto Sakai
Auditor	Tomoyasu Ozeki
Auditor	Motosuke Hirose
Managing Director	Koichi Shinada
Managing Director, Corporate Strategy	Shichiro Hattori
Managing Director	Hisao Sakai
Managing Director	Toshiyuki Umeta

Shareholders Information

Fiscal Year - end	March 31
Annual Shareholders' General Meeting	June
Reference dates	1. Pertaining to the Annual Shareholders' General Meeting March 31 2. Pertaining to dividend payouts Declared out of profits March 31, Interim dividends September 30 3. Other dates will be set with the giving of public notice
Newspaper carrying Public notice	Nihon Keizai Shinbun
Transfer agent	The Chuo Mitsui Trust and Banking Co., Ltd. 33-1, Shiba 3-chome, Minato-ku, Tokyo
Main transfer office	The Chuo Mitsui Trust and Banking Co., Ltd. Stock Transfer Agency Dept. 8-4, Izumi 2-chome, Suginami-ku, Tokyo Phone: 81-3-3323-7111
Other relevant offices	The Chuo Mitsui Trust and Banking Co., Ltd. Branches nationwide Japan Securities Agents, Ltd. Head office and all branches nationwide
One trading unit (lot)	1,000 shares

To shareholders who have a holding of less than one trading unit (1,000 shares) Shareholders who have a holding of less than one trading unit can apply to the company either to purchase additional shares to make up one trading unit, or sell the holding of less than one trading unit to the Company. For details, please refer to the Stock Transfer Agency Dept. of the Chuo Mitsui Trust and Banking Co., Ltd. When using the central securities custody transfer system, please consult your securities company.

For information and documents relating to these formalities, please see the following website: www.chuomitsui.co.jp/person/p_06.html
Our Balance Sheet and Statement of Income are posted on the following website: www.bsl-co.com/j/kessan/index.html

BSL CORPORATION

Annual Report 2005

For fiscal year 2004 ended March 31, 2005



BSL CORPORATION

Head Office
General Administration
Investment Banking Business Division
Website

Sumitomo Fudosan Akasaka Bldg. 6F, 10-24, Akasaka
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Tel 81-3-5412-7474 Fax 81-3-5412-8282
81-3-5412-7700 Fax 81-3-5412-8811
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Aiming to expand our investment operations

Welcome to our Annual Report for Fiscal Year 2004 (April 2004 – March 2005).

In FY 2004, the Japanese economy showed signs of recovery due to improvements in corporate profits, higher capital spending, and consumer spending. However, recovery was limited due to the influence of a sharp rise in oil prices.

On the other hand, the Japanese equity market showed a decline to 10,500 yen range in the Nikkei Stock Average, but the IPO market continued to be active.

Within this environment, BSL Corporation, worked along our fundamental policy of expanding operations and enhancing our profit base to increase corporate value to conduct add-on-investments and hands-on management.

For our add-on investment activities, we consolidated Coburn Japan Corporation in June 2004, Joraku Shuzo Corporation in September, and Dyflex Holdings Co., Ltd. in December. Dyflex Holdings Co., Ltd. was consolidated through a share exchange.

In increasing corporate value of our portfolio companies, we continued to be actively involved in the formulation of business plans, and financial strategies. Management reform was also conducted to promote business and financial performance.

Companies consolidated within the fiscal year have started showing results, contributing to our annual performance. However, the delay of scheduled public offerings by our interested company fiscal year 2005 regrettably caused results to fall below original projections.

In the last four years in investment operations, we have added numerous companies with a wide range of businesses to our portfolio. However, the required amount of time for business reforms to produce results, and insufficient number of portfolio companies have impacted returns.

Nevertheless, business strategies implemented over the past 4 years will start producing results in fiscal year 2005, and the groundwork for producing stable returns are being laid.

In addition, our ability to quickly respond and participate in large scaled investments provide for a further increase in investment activities.

Furthermore, we intend to actively pursue equity participation investments (EPI) similar to method we utilized for Kyosha Co., Ltd. in March 2005.

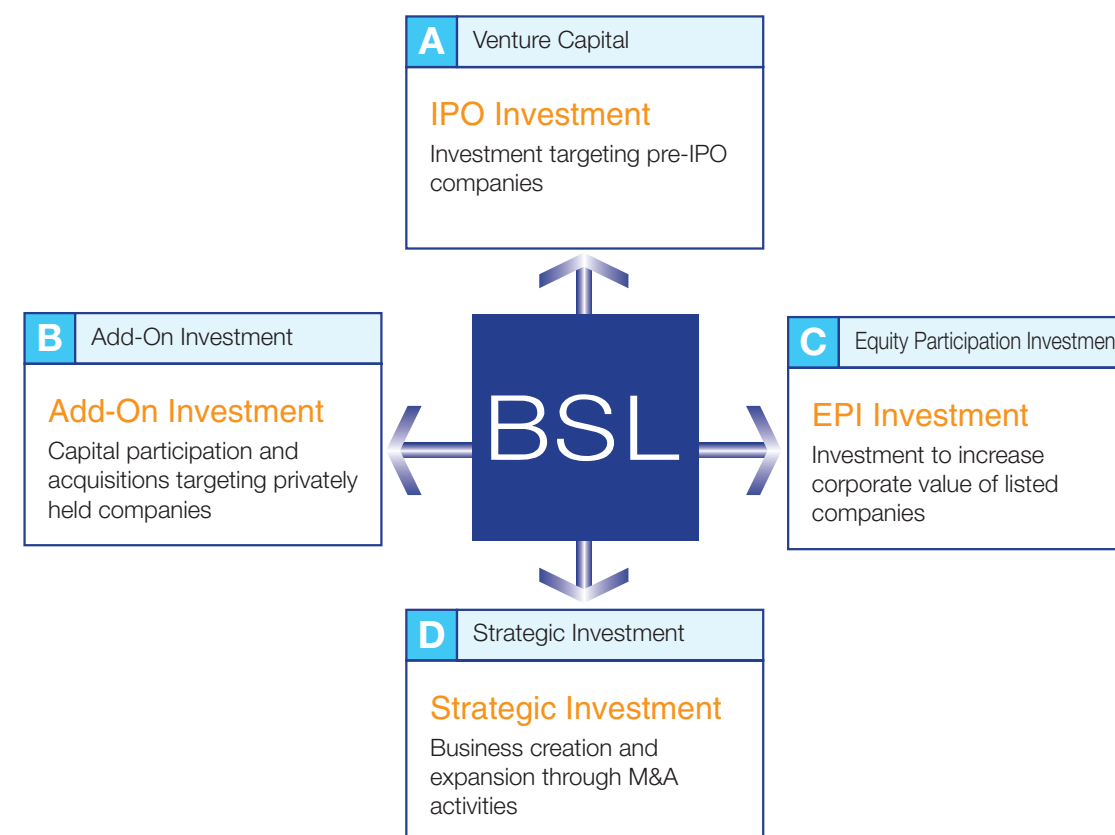
We will respond to the mandate our shareholders have given us by increasing both investment returns and increasing profits of subsidiaries and affiliates. This will be realized by implementing our business plan for FY 2005 which includes a large increase in investment.

As we strive to increase value for our shareholders, we are grateful for your ongoing support and encouragement.

June 2005

Hiroyasu Takei
Representative Director & CEO

BSL's Investment Models



Pre-IPO Investment

In our pre-IPO investment activities, our aim is to obtain capital participation opportunities through the following value propositions: applying our know-how and network to assist companies in realizing a successful IPO in areas such as capital policy formulation, IPO scheme development, and the establishment of a support structure.

Add-On Investment

Add-on investments are investments for subsidiaries and affiliate companies, and target high performing medium-size enterprises. We provide hands-on management to enhance performance for these companies, resulting in the contribution to our consolidated performance.

Equity Participation Investment

Our goal in equity participation investments (EPI), which is to invest in listed companies, is to increase corporate value of target companies by assisting in the formulation of business plans. Equity participation investment is an area which BSL will focus strongly on.

Strategic Investment

In strategic investments, we aim to enhance corporate value of target companies by being directly involved in the business strategy formulation process. The difference between strategic investments and equity participation investments is that we will have management control and will be more actively involved in driving restructuring plans. As in the case of equity participation investments, our fundamental policy is to work and cooperate with the management team, and to implement measures that they have agreed to.

Affiliates and Investee Companies

ADIRON Corporation

<http://www.adiron.co.jp>

ADIRON



ADIRON will be developed by further strengthening its wholesale business and establishing a retail business. It will achieve outstanding results by improving the quality of life primarily through the development of original brand handbags.

ADIRON's wholesale business aims to gain a new segment of customers by concentrating on product innovation for such key brands as Marie Claire and its diffusion line, mc Marie Claire. Another important brand for the wholesale business is La Bagagerie. The wholesale business began to handle this venerable French brand, which has become the center of attention among fashionable women, this season. Tomboy Wiz, which has already developed strong followings in South Korea, the U.S., and Europe, entered Japan in spring of 2005, and has generated strong momentum toward the expansion of specialty store channels throughout the country.

The retail business is aggressively pursuing in-shop development of Francesco Biasia, a popular Italian brand, and Upla, a casual luggage brand from Paris.

In fall 2005, the retail business will introduce a select original shop brand, which it intends to be a high-value-added brand targeting the upper market.

Brands handled by ADIRON



Ajioka Co., Ltd.

<http://www.ajioka.co.jp>

AJIOKA



As the largest manufacturer and wholesaler of branded leather high quality goods, primarily wallets and bags, Ajioka Corporation is using its traditional strengths in selling its goods in department stores and specialty shops.

Ajioka's own brand, Magnifique, provides a stylish, reasonably priced line of products, perfect as sub-bags. The company will work to strengthen its business together with the Epine de Rose and Ganzo Epoi (men's leather high quality goods) stores which opened in the Aoyama/Omotesando area of Tokyo in 2004.

Mont-Thabor Co., Ltd.

<http://www.mont-thabor.co.jp/>

Mont-Thabor

SINCE 1977



Mont-Thabor is a premium bakery chain currently operating about 80 stores.

With 28 years of accumulated know-how, Mont-Thabor is pursuing new operations, which include a new store it opened in Haneda Airport Terminal 2 and OEM operations supplying famous restaurants. Aiming to achieve even more efficient business development, the company embarked on a new path as a revitalized company in April 2005.

Mont-Thabor's Points of Emphasis

The Mont-Thabor Tradition

The soul of a baker – one with passion, expertise, and experience in the craft of baking. Freshly baked bread made with meticulously prepared dough offering unsurpassed flavor.

On-site Preparation

Hand-made products that began as wheat and are delivered, with no loss of aroma or flavor, directly into the hands of customers.

Attention to Local Needs

Full support for bakers and an emphasis on their direct contact with customers.

Safety as a Contribution to Society

Emphasizing materials, Mont-Thabor tenaciously pursues safe and reliable ingredients and places the health of its customers above all else.

These are our greatest strengths and the sources of our greatest happiness.

Based on the skills of its bakers and the principle of serving freshly prepared products, Mont-Thabor's product line emphasizes seasonal ingredients.

Mont-Thabor aims to achieve ever greater levels of savory goodness and spares no effort when it comes to improvement and innovation.

Joraku Shuzo Corporation

<http://homepage2.nifty.com/jouraku/>

JORAKU SHUZO



Joraku Shuzo is a major maker of distilled spirits (Kuma Shochu) and holds production and sales licenses for both full-flavored distilled spirits and various types of liqueurs using these spirits as a base.

Joraku Shuzo has a strong reputation for its oak-barrel aging and is one of the largest producers of distilled spirits aged in oak barrels.

The company's main brand, "Aki-no-Tsuyu," includes products such as a distilled spirit made of 100% carefully selected rice and groundwater from the Kuma River basin and a distilled spirit aged for a long period of time in oak barrels. With the former, having won the superior quality prize for 15 consecutive years at the judging contest held by the Kumamoto District National Tax Bureau, this brand has an excellent reputation for quality.

"Higo-no-Megumi" is a distilled spirit painstakingly made using only local materials, which include organic potatoes produced under contract by local farmers in Nishiki-machi, Kumamoto Prefecture, and malted rice.

Joraku Shuzo aims to make products that meet with total customer satisfaction by steadfastly guarding the traditional formula for "Kuma Shochu," a branding designation it received under the Law for the Protection of Geographic Brand Designations. That law is intended to promote the development of internationally recognized alcoholic beverages.

Affiliates and Investee Companies

Coburn Japan Corporation

<http://www.coburn.co.jp/>



Constantly at the forefront of the industry, Coburn Japan Corporation works with Coburn Corporation of the U.S., and top manufacturers in Hong Kong, Taiwan, and other parts of the world to import and market hologram film (photoluminescent 3D images), plastic film, lenticular products (3D images as seen through a compound eye), and other items.

Coburn Japan has gained approximately 70% of the domestic market for hologram film, which is used in a wide variety of fields, including security and advertising, and in numerous products, including stationery items and toys. More specifically, uses for hologram film include anti-counterfeiting labels on credit cards, "Yugioh" game cards, which have become wildly popular in recent years, and wrapping material for products sold at Tokyo Disneyland.

Coburn Japan has also entered into alliances with ADB-TTV Technologies, an affiliate of a major Belgian stage/studio lighting equipment manufacturer, and Rosco, a US manufacturer of stage/studio equipment and Academy Award recipient, to supply the world's most advanced stage/studio lighting equipment, smoke machines, lighting filters, and accessories to large theaters (New National Theater Tokyo), theme parks (Tokyo Disney Sea, Universal Studios Japan) and TV studios. Coburn Japan has earned an excellent reputation for its work in this field, as well.

Biosensors International Group, Ltd.

<http://www.biosensorsintl.com>
(listed on the Singapore Stock Exchange)



Biosensors International Group, Ltd., a holding company of Biosensors Group, develops, manufactures, and sells medical devices including catheters for use in treating heart disease.

Biosensors International has developed its own technology for applying immunosuppressant agent on stents, which are used with catheters. In March 2003, Biosensors International licensed its patented technologies and provided clinical testing data to Guidant, a major US medical equipment manufacturer. In October of the same year, it concluded an agreement giving Terumo Corporation of Japan exclusive rights (in Japan) to perform clinical trials, gain authorizations, and market stent products coated with Biolimus A-9, a new immunosuppressant developed by Biosensors International. Biosensors International has listed its shares on the Singapore Stock Exchange in May, 2005.

Dyflex Holdings Co., Ltd.

<http://www.dyflex.co.jp/>



As a top maker of urethane waterproof building materials, Dyflex applies advanced technology and continuously pursues high-quality, high-precision waterproofing in responding to the diverse needs of today's modern structures.

The DD system, a result of Dyflex's interest in roof development, has earned a strong reputation and become highly relied upon. And Dyflex's lance-lock system and quick spray systems, which use the ultra-rapid-drying urethane Evercoat SP-100, have dramatically expanded the waterproofing area.

Dyflex's long-term 30-year guarantee system, which includes insurance, and its environmentally friendly Values VD system respond to next-generation market requirements, and its waterproofing materials and water curing urethane which use water as a curing agent are environment-friendly and have met with strong market approval.

Dyflex has succeeded in developing the application of its products in civil engineering such as long-lived, highly functional infrastructure (parking lots, waterproofing for underground heat storage tanks, etc.) and in lining installation work.

Dyflex's technology helps to protect the environment by lowering the environmental burden of structures. Dyflex, looking ahead to the arrival of a time when people will think of the earth as a single environment and work even harder to restore it, has taken the lead in developing new materials and application techniques and, with its dynamism and flexibility, will continue to put forth new ideas toward a brighter future.

Kyosha Co., Ltd.

<http://www.kyosha.co.jp/> (JASDAQ 6837)



Kyosha, which manufactures and sells printed wiring boards (PWB), is expanding its business of making single-sided boards, in which it already holds the top world market share (12%), and aiming to gain a 20% market share over the short term.

It is aggressively pursuing overseas development in both manufacturing and sales and, in the wake of structural changes in distribution over the past several years, has enhanced its operations in China and Indonesia. Responding to growing automobile production in China and other parts of Asia, Kyosha has expanded its sales of PWBs for automobiles and, through initiatives such as business development in the cutting-edge field of multilayer PWBs, is aiming to secure new income sources in related fields.

BSL Insurance Corporation

<http://www.bsl-ins.com/>



BSL Insurance Corporation is an insurance agency we established through joint investments with four non-life insurers (Aioi Insurance Co., Ltd., Nipponkoa Insurance Co., Ltd., The Kyoei Fire & Marine Insurance Co., Ltd., and The Asahi Fire & Marine Insurance Co., Ltd.). BSL Insurance aims to become a major player in the industry by developing customized insurance services offering wealth management, total risk management, and pension and social welfare services in addition to life and non-life insurance.

Summit Design Technologies, Inc. (USA)

<http://www.sd.com/>



Summit Design products support all processes from architecture design to detailed design of advanced, complex electronic circuitry in an integrated environment.

Summit Design (a wholly owned subsidiary of Summit Design Technologies, Inc.) is a pioneer in the area of support software tools for the design of next-generation electronic circuitry. Its operations include development, sales, maintenance, and design consulting.

Growing demand for digital cameras, cell phones, video cameras, and other types of mobile electronic devices has given rise to a rapid increase in demand for the company's software. Summit Design has established itself as a leading supplier of design support software which we use to constantly raise the standards of performance for the electronic circuits used in products such as digital cameras and cell phones.

The company has sales offices in Japan, Europe, and China, as well as the U.S. and in February 2003 established Summit Design Japan, through which it is now aggressively developing sales. Its main customers include global semiconductor manufacturers and integrated home appliance manufacturers, like NEC, Motorola, Hitachi, Canon, Fujitsu, MathStar, ST Microelectronics, L-3 Communications, and Broadcom.



Kyorei Corporation

<http://www.kyorei.co.jp>

キョウレイ



Kyorei is a foodstuff trading company specializing in fish farming, distribution center (frozen and refrigerated food warehouses) operation and management, the sale of fresh and frozen fish, and the manufacture and sale of seafood products under its own brand. The overriding theme for its operations is "safety and freshness."

With more and more attention being focused on food safety, needs for traceability (a system for showing where food products have originated) are also on the rise. Kyorei, adopting traceability as its most important management issue, aims to build a business model in which it will focus on land-based fish farming, rather than the traditional sea-based method, safely raise fry on its own feed, and then supply fresh adult fish to the market.

At the same time, Kyorei is enhancing and expanding operations that provide consumers with seafood products from Hokkaido.

Business Performance

Companies consolidated in the first half contributed to second half consolidated results, but we were not able to record gains on sales of securities due to the delay in scheduled public offerings until fiscal year 2005.

This resulted in non-consolidated net sales of 1,877 million yen (year-on-year decrease of 53.4%), non-consolidated operating loss of 233 million yen (compared to 1,112 million yen in operating income in fiscal 2003), and non-consolidated net income of 219 million yen (compared to 728 million yen in fiscal 2003). Consolidated net sales increased to 16,684 million (year-on-year increase of 32.7%), but restructuring measures to improve profit structures of subsidiaries resulted in consolidated operating loss of 586 million yen, (compared to 1,226 million yen in operating income in fiscal 2003), and consolidated net loss of 735 million yen (compared to 523 million yen in net income in fiscal 2003).

Dividend remained at 2 yen per share.

Overview by business segment

(1) Investment Business

BSL acquired all shares of Coburn Japan Corporation, Japan's largest purveyor of specialty films and lighting equipment as a part of our investment activities. We also acquired Dyflex Holdings Co., Ltd., Japan's leading developer of waterproofing technology and largest manufacturer of urethane waterproof building materials, through a share exchange. However, planned sales of securities could not be carried out due to the delay in scheduled public offerings.

Therefore sales of 929 million yen, and operating income of 153 million yen were reported.

(2) Marine

The seafood market continued its long-term decline. Measures such as conducting sales of environment-related equipment were implemented to cover declining revenues for existing products, but sharply higher oil prices and intensified competition led to higher purchasing cost and selling expenses.

Marine Operations, therefore, reported sales of 950 million yen and operating loss of 388 million yen.

(3) Food Product

The food product segment is composed of Mont-Thabor Co., Ltd., a scratch bakery chain, and Joraku Shuzo Corporation a maker of distilled spirits. Mont-Thabor operates 80 bakeries nationwide.

Operating loss of 505 million yen was reported as restructuring expenses to improve the company's profitability by closing non-profitable stores. This completes Mont-thabor's structural reform.

Joraku Shuzo is famous for distilled spirits aged in oak barrels and has one of the industry's largest reserves. To respond to diversifying customer tastes, the company has newly introduced a spirit distilled from sweet potatoes called Higo-no-Megumi.

As a result of the above, the food product segment reported sales of 6,429 million yen and operating loss of 526 million yen.

(4) Industrial Material

The industrial material segment is composed of Dyflex Holdings Co., Ltd., Japan's leading developer of waterproofing technology and largest manufacturer of urethane waterproof building materials, and Coburn Japan Corporation, Japan's largest purveyor of specialty films and lighting equipment. Dyflex Holdings has endeavored to extend the lifespan of structures, lower environmental burden, and protect the environment by working to develop high-quality, and technologically advanced waterproofing application methods. Coburn Japan has experienced strong sales of films for use on trading cards and wrapping materials.

Both companies have started contributing to consolidated results in the second half.

As a result, the industrial material segment reported sales of 5,215 million yen and operating income of 479 million yen.

(5) Fashion

ADIRON Corporation, a seller of brand-name bags, has developed and is selling original products under the brand names, A.D. Carriere, iL Fait Beau, and Joyholic. Taking a direct role in restructuring ADIRON's operations, BSL assisted in the development of original brands, relocation of sales personnel, improved operational efficiency, reduced distribution costs, to achieve objectives.

As a result, Fashion Operations reported sales of 3,036 million yen and operating loss of 169 million yen.

(6) Other Operations

BSL Insurance Corporation analyzes corporate risks to propose optimal insurance coverage. Its customers includes both BSL portfolio companies and other companies, and has succeeded in increasing sales of new policies. However, a loss in the real estate unit of Dyflex Holdings resulted in an operating loss of 122 million yen for BSL Insurance.

As a result, Other Operations reported sales of 194 million yen and operating loss of 149 million yen.

Outlook for Fiscal 2005

Dyflex Holdings and Coburn Japan, which both became consolidated subsidiaries during fiscal year 2004, are steadily improving performance, and will make healthy contributions to BSL's consolidated performance for fiscal year 2005.

Furthermore, reforms to improve business foundations at companies such as Mont-Thabor were completed in fiscal year 2004, and results are expected to appear in fiscal year 2005.

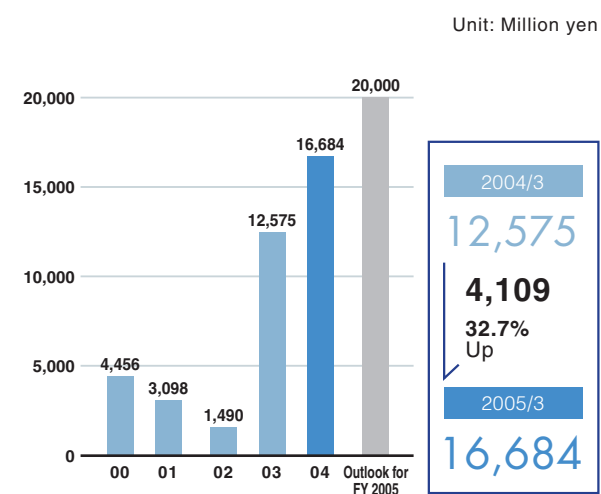
In terms of consolidated performance for fiscal year 2005, we are expecting net sales of 20,000 million yen, ordinary profit of 2,300 million yen, and net income of 2,000 million yen.

The performance outlook includes projections based on information available as of the date of this report. Actual performance may differ due to changes in the economy, equity market conditions, and various other aspects of the business environment.

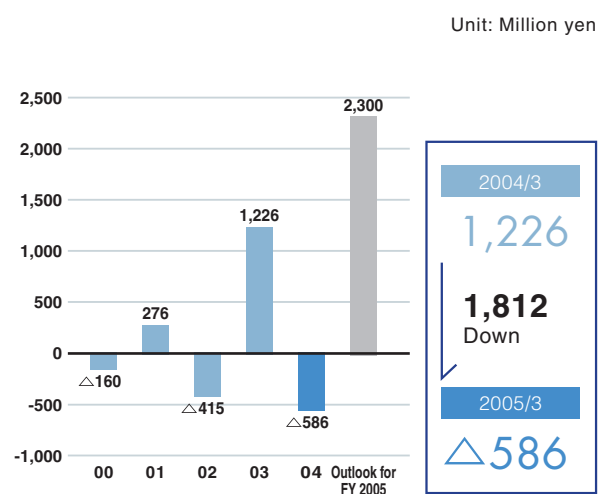
Financial Data (Consolidated)

Financial Data (Non-Consolidated)

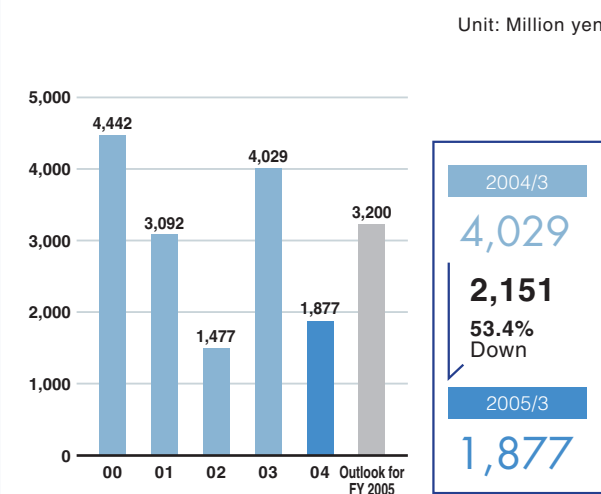
Net Sales



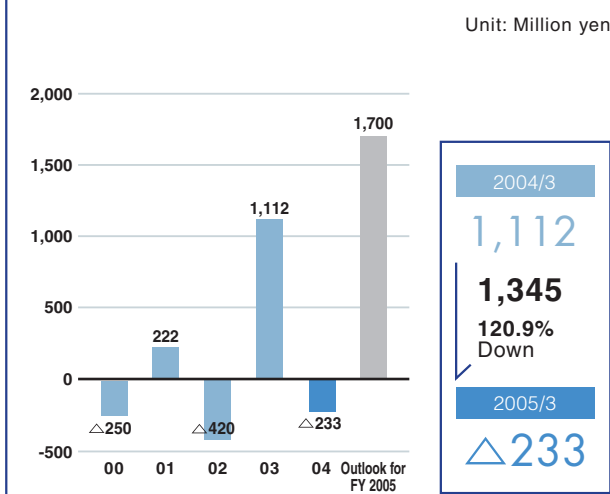
Operating Income (Loss)



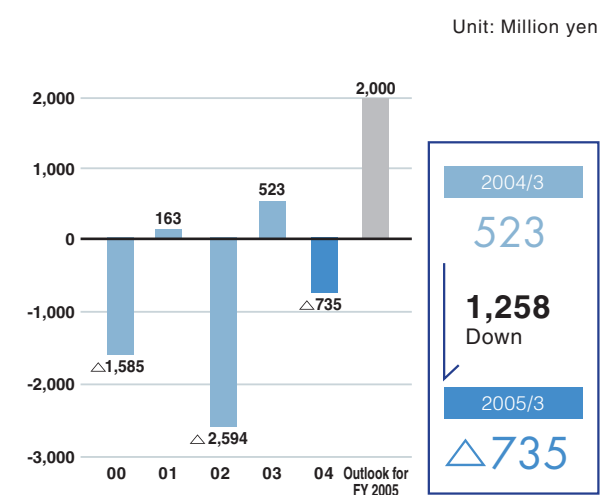
Net Sales



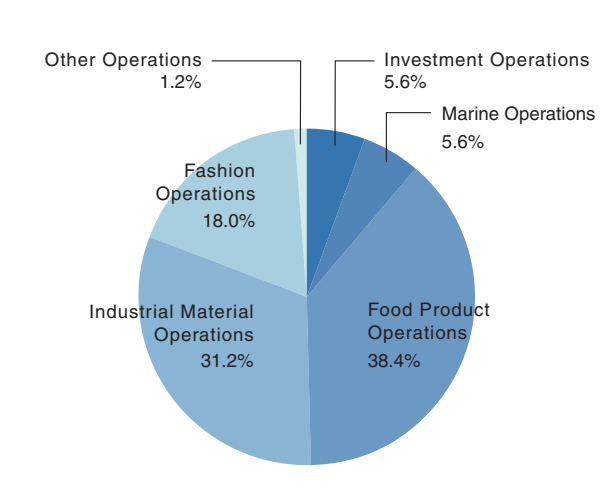
Operating Income (Loss)



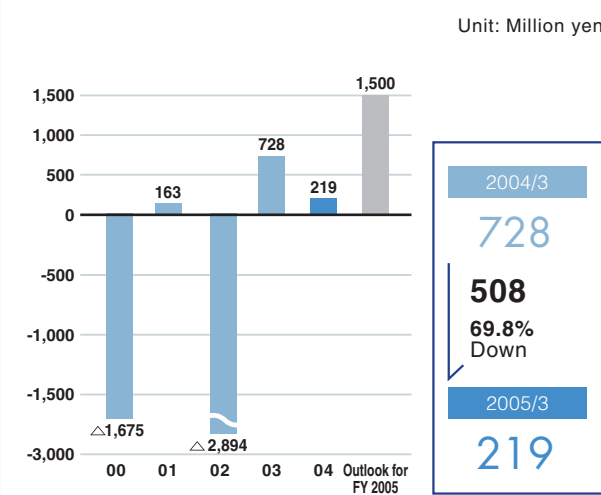
Net Income (Loss)



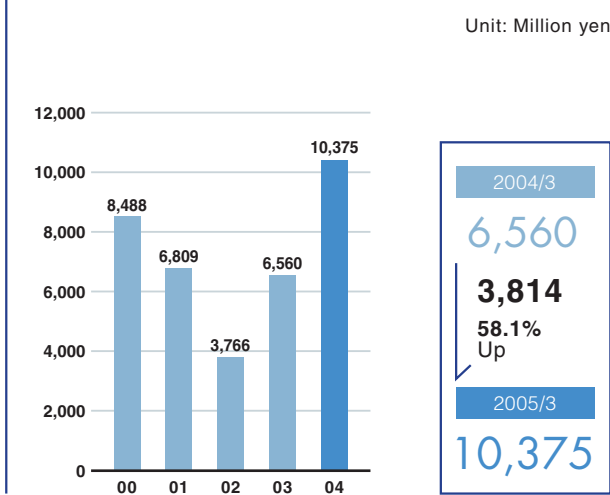
Sales Breakdown by Type of Operation



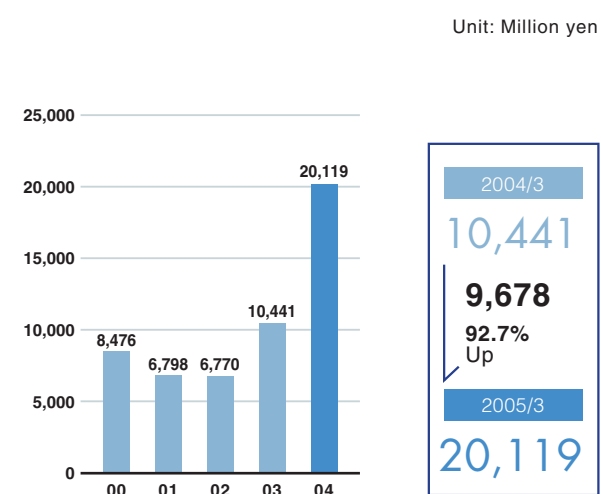
Net Income (Loss)



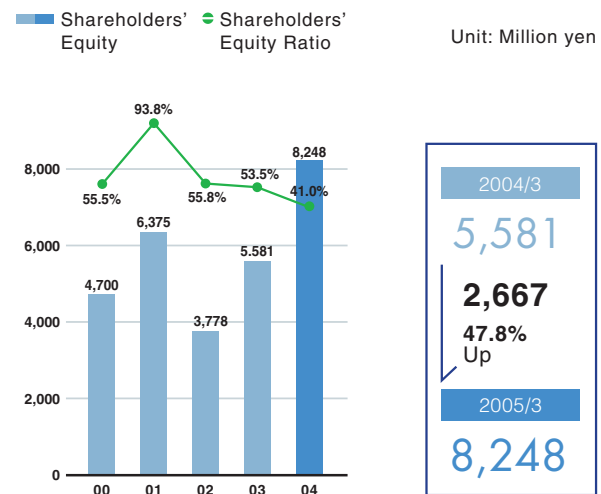
Total Assets



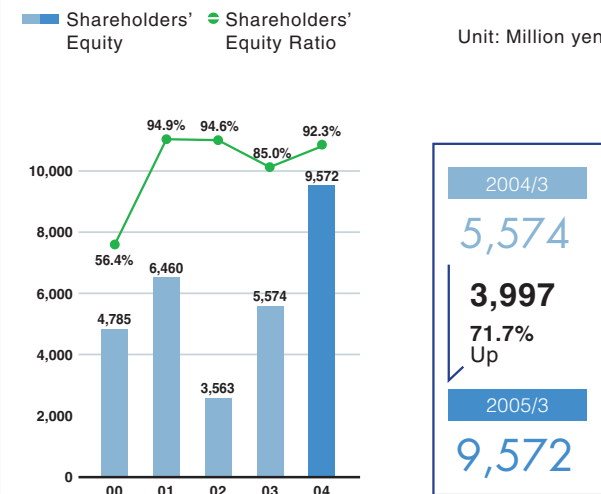
Total Assets



Shareholders' Equity/Shareholders' Equity Ratio



Shareholders' Equity/Shareholders' Equity Ratio



Financial Statements

Consolidated Balance Sheets (summary)

BSL CORPORATION and Consolidated Subsidiaries
As of March 31, 2005 (FY 2005) and 2004 (FY 2003)

	Unit: Millions of Yen	
	FY 2004	FY 2003
Assets		
Current assets	11,477	7,188
Cash and deposits	3,754	2,006
Notes and accounts receivable-trade	4,725	3,805
Inventories	1,558	586
Prepaid expenses	131	49
Short-term loans	539	33
Accounts receivable-other	1,633	1,295
Others	439	63
Allowance for doubtful accounts	△1,304	△651
Fixed assets	8,642	3,252
Tangible fixed assets	2,509	567
Intangible fixed assets	820	74
Investments and other assets	5,312	2,610
Total assets	20,119	10,441

Note: Amounts less than 1 million yen are omitted

	Unit: Millions of Yen	
	FY 2004	FY 2003
Liabilities		
Current liabilities	8,341	3,696
Notes and accounts payable-trade	3,867	1,631
Short-term borrowings	2,227	1,357
Current portion of long-term debt	676	99
Others	1,570	608
Fixed liabilities	3,527	1,162
Equity warrant-bearing bonds	500	—
Convertible bonds	—	340
Long-term debt	1,990	627
Liabilities for retirement benefits	544	142
Others	492	51
Total liabilities	11,868	4,859

Minority Interests

Minority Interests	3	0
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Shareholders' equity

Capital stock	6,259	4,202
Capital surplus	2,809	652
Retained earnings	△353	736
Unrealized gain on other securities	57	3
Common stock	△524	△13
Total shareholders' equity	8,248	5,581
Total liabilities, minority interests and shareholders' equity	20,119	10,441

Consolidated Financial Condition

Total assets experienced a year-on-year increase of 9.678 billion, ending the year at 20.119 billion yen. The primary cause of this increase was the addition of 10 new consolidated subsidiaries. Cash and cash equivalents rose by 1.734 billion yen as shown in the Consolidated Statements of Cash Flow (Summary) on the page at right.

Consolidated Statement of Income (Summary)

BSL CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2005 (FY 2004) and 2004 (FY 2003)

	Unit: Millions of Yen	
	FY 2004	FY 2003
Profit and loss		
Net sales	16,684	12,575
Cost of sales	12,165	9,114
Gross profit	4,518	3,460
Selling, general and administrative expenses	5,105	2,234
Operating income (loss)	△586	1,226
Non-operating income	170	59
Non-operating expenses	286	89
Ordinary profit (loss)	△702	1,196
Extraordinary items		
Extraordinary income	253	19
Extraordinary expense	140	638
Income (loss) before taxes	△589	577
Taxes	50	83
Ajustment for income tax	96	-
Minority shareholders' equity	△1	△28
Net income (loss)	△735	523

Note: Amounts less than 1 million yen are omitted

<Cash flow from operating activities>

The primary factors affecting cash flow from operating activities were an increase in cash used to acquire trade investment securities but an even greater increase in collections of accounts receivable. These and other factors resulted in 635 million yen in net cash used for operating activities, 389 million yen less than the amount of net cash used for operating activities in the previous fiscal year.

<Cash flow from investment activities>

The primary factor affecting cash flow from investment activities was capital expenditures related to the acquisition of new consolidated subsidiaries and the opening of new stores. These and other factors resulted in 1,141 million yen in net cash used for investment activities, 819 million yen more than the amount of net cash used for investment activities in the previous fiscal year.

<Cash flow from financing activities>

The primary factors affecting cash flow from financing activities were 2,000 million yen provided by issuance of bonds with warrants, 2,587 million yen provided by issuance of new shares, 299 million yen in dividend payments and 1,621 million yen in loan repayments. These and other factors resulted in 2,941 million yen, or an increase of 844 million yen in cash provided by financing activities, compared to the previous fiscal year.

Consolidated Surplus (Summary)

BSL CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2005 (FY 2004) and 2004 (FY 2003)

	Unit: Millions of Yen	
	FY 2004	FY 2003
Capital surplus		
Capital surplus balance at beginning of term	652	10
Increase in capital surplus	2,157	641
Capital surplus balance at end of term	2,809	652

Retained earnings

Retained earnings balance at beginning of term	736	△2,831
Increase in retained earnings	—	3,570
Decrease in retained earnings	1,089	1
Retained earnings balance at end of term	△353	736

Note: Amounts less than 1 million yen are omitted

Consolidated Statements of Cash Flow (Summary)

BSL CORPORATION and Consolidated Subsidiaries
For the years ended March 31, 2005 (FY 2004) and 2004 (FY 2003)

	Unit: Millions of Yen	
	FY 2004	FY 2003
Cash flow from operating activities	△635	△1,025
Cash flow from investment activities	△1,141	△322
Cash flow from financing activities	2,941	2,096
Net increase in cash and cash equivalents	1,164	748
Cash and cash equivalents at beginning of year	1,366	611
Increase in cash and cash equivalents due to change in consolidated scope	—	6
Increase in cash and cash equivalents due to exchange of shares	569	—
Cash and cash equivalents at end of year	3,101	1,366

Note: Amounts less than 1 million yen are omitted

Non-Consolidated Balance Sheets (Summary)

As of March 31, 2005 (FY 2004) and 2004(FY 2003)

	Unit: Millions of Yen	
	FY 2004	FY 2003
Assets		
Current assets	4,449	3,704
Cash and deposits	2,224	1,159
Notes and accounts receivable	1,001	2,298
Inventories	106	109
Others	1,120	165
Allowance for doubtful accounts	△2	△27
Fixed assets	5,925	2,856
Tangible fixed assets	348	281
Intangible fixed assets	11	12
Investments and other assets	5,564	2,562
Total assets	10,375	6,560

Note: Amounts less than 1 million yen are omitted

	Unit: Millions of Yen	
	FY 2004	FY 2003
Liabilities		
Current liabilities	194	922
Accounts payable	111	844
Others	83	77
Fixed liabilities	608	63
Equity warrant-bearing bonds	500	—
Others	108	63
Total liabilities	802	985
Shareholders' equity		
Capital stock	6,259	4,202
Capital surplus	2,809	652
Retained earnings	593	728
Unrealized gain on other securities, etc.	51	4
Common stock	△142	△13
Total shareholders' equity	9,572	5,574
Total liabilities and shareholders' equity	10,375	6,560

Non-Consolidated Statement of Income (Summary)

For the years ended March 31, 2004 (FY 2003) and 2003 (FY 2002)

	Unit: Millions of Yen	
	FY 2004	FY 2003
Net sales	1,877	4,029
Cost of sales	982	2,133
Gross profit	895	1,895
Selling, general and administrative expenses	1,129	783
Operating income (loss)	△233	1,112
Non-operating income	841	31
Non-operating expenses	96	25
Ordinary profit (loss)	510	1,118
Extraordinary income	12	90
Extraordinary expenses	296	473
Income (loss) before taxes	226	734
Taxes	7	5
Net income	219	728
Retained earnings (loss) at the beginning of a period	338	△3,046
Amount of capital stock reduction used to offset deficits	—	3,046
Undisposed profits at end of fiscal year (unabsorbed loss)	558	728

Disposal of Unconsolidated Profit (Loss)

	Unit: Millions of Yen	
	FY 2004	FY 2003
Disposable profit (loss) at end of fiscal year 2003	558	728
to be distributed as follows:		
Legal reserve	—	35
Dividend	381	299
Directors' bonuses	—	55
Profits carried forward to next fiscal year	176	338
Note 1: Cumulative depreciation on tangible fixed assets	68	77
Note 2: Net income per share (loss)	1.31 yen	4.95 yen

Total number of authorized shares	600,000,000
Total number of shares issued and outstanding	191,396,664
Number of shareholders	14,640

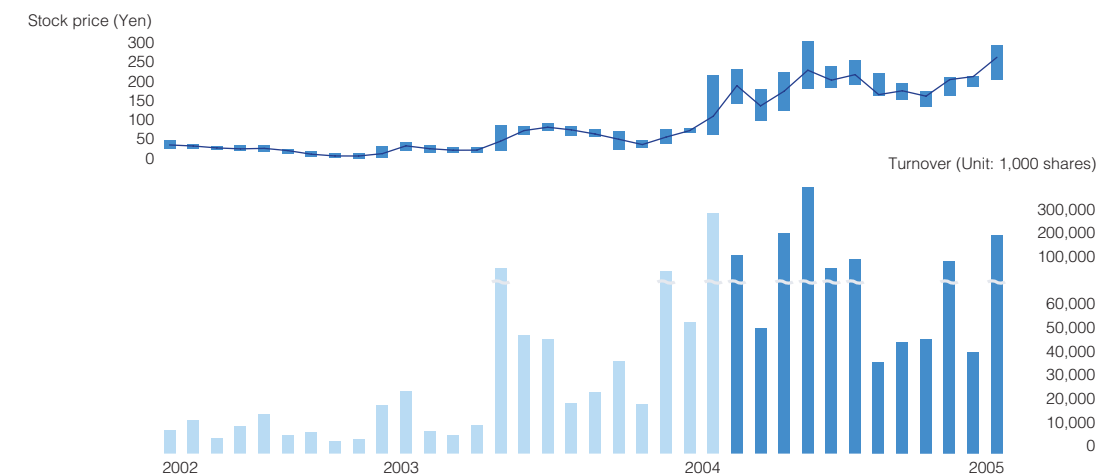
Principal Shareholders (Top 7)

Name of shareholders	Shares held	Voting right (%)
Japan Securities and Finance Corporation	13,284,000	7.08 %
The Master Trust Bank of Japan, Ltd. (Trust Account)	8,877,000	4.73 %
Hiroyasu Takei	8,094,000	4.32 %
Keisei Miura	5,014,473	2.67 %
SIS SegalInterSettle AG	4,492,480	2.40 %
BBH Lux Fidelity Funds Japan Fund	4,118,000	2.20 %
The Nomura Trust and Banking Co., Ltd. (Investment Account)	3,813,000	2.03%

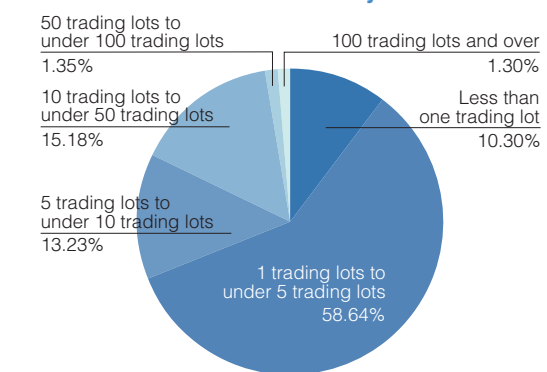
Names of shareholders in the foregoing list are based on the share register as of March 31, 2005.

Fidelity Investments filed the report on large holdings through which we were informed that it owned 13.7% of the Company's common stock as of March 31, 2005.

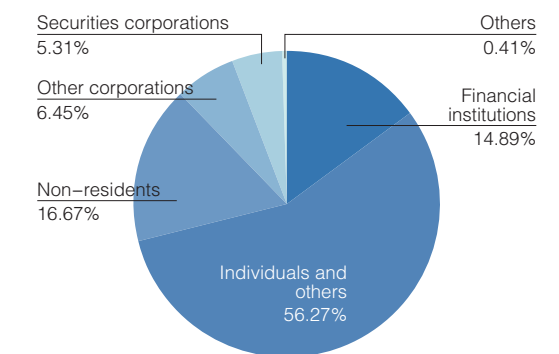
Stock Price and Turnover Trends



Breakdown of shareholders by volume owned



Distribution of shareholders



Complimentary Gift for Shareholders

Each shareholder of record as of March 31, 2005 who held at least one unit as of that date will receive a handbag made by ADIRON Corporation. These bags, which have developed a strong following, have retail values ranging from 5,000 yen to 20,000 yen and will be presented to shareholders in a manner that reflects their share holdings.