PIXELA CORPORATION

November 17, 2005

Consolidated Financial Results
for the Fiscal Year Ended September 30, 2005

(October 1, 2004 – September 30, 2005)

Company name:	**PIXELA CORPORATION**
Stock code:	6731
Stock exchange listing:	Tokyo Stock Exchange, First Section
Company domicile:	Osaka
URL:	http://www.pixela.co.jp/
President:	Hiroshi Fujioka
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Date of board meeting for approving financial results:	November 17, 2005
Account principle:	Japanese GAAP

1. Financial Results (October 1, 2004 – September 30, 2005)

(1) Results of Operations

Million yen, rounded down

	Net sales		Operating income		Ordinary income	
	Million yen	YoY change %	Million yen	YoY change %	Million yen	YoY change %
Fiscal year ended Sep. 30, 2005	8,006	-	62	-	(110)	-
Fiscal year ended Sep. 30, 2004	-	-	-	-	-	-

	Net income		Net income per share (basic)	Net income per share (diluted)
	Million yen	YoY change %	Yen	Yen
Fiscal year ended Sep. 30, 2005	(155)	0.0	(14.14)	-
Fiscal year ended Sep. 30, 2004	-	-	-	-

	Return on equity	Ratio of ordinary income to total assets	Ratio of ordinary income to net sales
	%	%	%
Fiscal year ended Sep. 30, 2005	(2.6)	(1.3)	(1.4)
Fiscal year ended Sep. 30, 2004	-	-	-

Notes:

1. Equity in earnings (losses) of affiliated companies
   - Fiscal year ended Sep. 30, 2005: (181) million yen
   - Fiscal year ended Sep. 30, 2004: - million yen
2. Average number of shares outstanding (consolidated)
   - Fiscal year ended Sep. 30, 2005: 10,989,130 shares
   - Fiscal year ended Sep. 30, 2004: - shares
3. Change in accounting principle applied: None
4. As this is the first year in which Pixela has prepared consolidated financial statements, no figures are presented for the previous fiscal year and no information on year-on-year changes is presented.
5. Net income per share (diluted) is not presented since the Company reported a loss.

(2) Financial Position

Million yen, rounded down

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Million yen	Million yen	%	Yen
As of September 30, 2005	8,705	5,888	67.6	540.38
As of September 30, 2004	-	-	-	-

Note:
Number of shares issued at the end of the period:
As of September 30, 2005: 10,896,600 shares
As of September 30, 2004: - shares

(3) Cash Flows

Million yen, rounded down

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of year
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended Sep. 30, 2005	(527)	468	(291)	3,440
Fiscal year ended Sep. 30, 2004	-	-	-	-

(4) Consolidated and Equity-method Affiliates

Consolidated subsidiaries: 1
Non-consolidated equity-method affiliates: -
Equity-method affiliates: 3

(5) Changes in Consolidated and Equity-method Affiliates

Consolidated subsidiaries
Newly added: 1
Excluded: -
Equity-method affiliates
Newly added: 3
Excluded: -

2. Forecast for the Fiscal Year Ending September 30, 2006 (October 1, 2005 to September 30, 2006)

	Net sales	Ordinary income	Net income
	Million yen	Million yen	Million yen
Interim	4,212	(261)	(264)
Full year	10,201	43	(29)

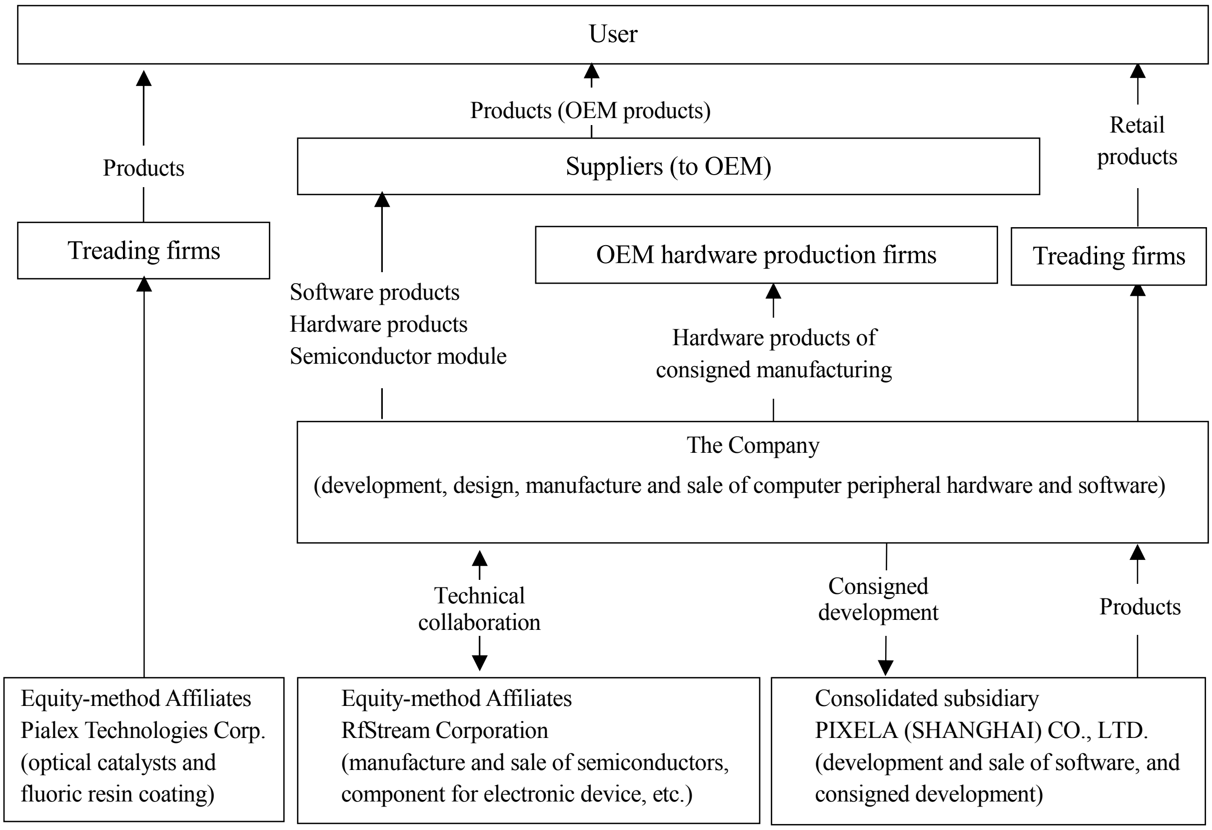
Reference: Estimated net income per share for the fiscal year ending September 30, 2006: (2.65) yen

The operating strategies and future results are based on management's estimates and assumptions when these materials were prepared. As such, these projections entail risks and uncertainties that may cause actual results to be materially different from those expressed by such forward-looking statements due to a variety of factors. For discussion of the assumptions and other factors considered by the Company in preparing the above projections, please refer to page 12.

1. Corporate Group

The Pixela Group is made up of Pixela Corporation (the Company), one subsidiary, and three affiliated companies. These companies are primarily engaged in the development, design, manufacture and sale of computer peripheral hardware and software. The Group is also engaged in other businesses.

Presented below is a schematic of major business activities within the Group.



Consolidated subsidiary and equity method affliates

Name	Address	Capital	Main business	Ownership (%)	Relationship
(Consolidated Subsidiary) PIXELA (SHANGHAI) CO., LTD.	Shanghai, China	2,069 thousand yuan	Development and sale of software, consigned development	100.0	4 directors also serve as Pixela directors
(Equity method affiliates) RfStream Corporation *2	Osaka	110,000 thousand yen	Manufacture and sale of semiconductors and component for electronic devices	28.5	4 directors also serve as Pixela directors, also receives financial support from Pixela
(Equity method affiliates) RfStream America, Inc.	Mountainview California, US	180 thousand dollar	Manufacture and sale of semiconductors and component for electronic devices	28.5 (28.5)	-
(Equity method affiliates) Pialex Technologies Corp. *3	Osaka	47,500 thousand yen	Optical catalysts and fluoric resin coatings	39.2	5 directors also serve as Pixela directors, also receives financial support from Pixela

Notes:
1. Ownership figures in parentheses show indirectly owned voting rights.
2. This company had negative equity of 572 million yen as of September 30, 2005.
3. This company had negative equity of 148 million yen as of September 30, 2005.

2. Management Policies

(1) Fundamental management policy

Since its establishment, the Company has consistently placed priority on developing and accumulating its own technology. This is based on the belief that the development of better products requires a comprehensive lineup of proprietary technological strengths covering software and hardware. This policy reflects the conviction that relying on its own technology makes it possible to provide total solutions that are competitive worldwide. The Company will continue to combine its technologies to create new value for the purpose of developing its technologies and products into global standards.

(2) Fundamental policy regarding allocation of earnings

The Company is active in high-tech markets where the speed of technological progress is rapid and competition is fierce. To continuously supply products with a high degree of added value, the Company must reinforce its new product development framework and make strategic investments over the medium and long terms. Consequently, the Company's fundamental policy is to return earnings to shareholders in a manner that reflects operating results while increasing retained earnings.

Regarding the fiscal year-end dividend, the Company will, as planned, pay an ordinary dividend per share of 12 yen in consideration of earnings.

Retained earnings will be used effectively with the goal of maximizing corporate value. Specifically, these funds will be used for R&D investments that can make the Company more competitive as well as for M&A, alliances and other actions to achieve growth in the future.

(3) Targeted performance indicators

Placing importance on the productive use of capital, the Company targets a return on equity of at least 15% in the future. The targets for the operating income margin and ordinary income margin are both at least 20%. These figures reflect the policy of conducting operations that are stable and efficient. To reach these targets, the Company is taking aggressive actions to expand not only the hardware business but the software business as well. The goal is to improve profitability by capturing synergies.

(4) Medium- and long-term management strategies

The Pixela Group uses its technologies to supply creative products and services with the aim of being a corporate group that is a source of new lifestyle ideas for a digital society. To accomplish this, the Group is focusing on the following three strategies. By clearly defining the strategic direction and key issues for each Group company, all Pixela companies will be able to work together in order to grow and raise corporate value steadily.

1) Become a technology-oriented organization

Use established businesses to add more value and launch new businesses by sharing among Group companies Pixela's highly creative technologies and knowledge.

2) Establish a more self-reliant and independent operating base

Improve the financial strength of individual Group companies in order to make the Group more competitive and create a stable base of operations.

3) Be a responsible corporate citizen

By developing new technologies and products, play an active role in adding convenience and comfort to people's lives and in protecting the global environment.

(5) Key issues

As the Group is active in an industry where technological progress is rapid, the important issues are upgrading technological skills and developing products that meet customers' needs. The Company also requires a sales system that can supply these products in a timely fashion. Specific issues are as follows:

- Upgrade requisite technologies and the product lineup
- Establish a development-production-sales framework with a short time frame
- Diversify the product lineup
- Recruit talented engineers
- Establish an overseas sales infrastructure

(6) Fundamental policy, approach and measures regarding corporate governance

(Fundamental approach to corporate governance)

The Group positions as an important issue the preservation of the legality, transparency and objectivity of all management and business activities for the purpose of achieving operating goals and maximizing corporate value based on strict compliance and fairness. Based on this position, the Group is working on enhancing its corporate governance.

(Status of actions regarding corporate governance)

1) Corporate governance units

The Company has adopted the corporate auditor system based on a judgment that reflects the need for speedy management by the Board of Directors, the scale of business operations, the need for a suitable auditing function for those operations, and other factors. The corporate auditors supervise the performance of the directors and use the Board of Auditors to perform audits. The Board of Auditors is made up of one full-time corporate auditor and two outside corporate auditors. Due to the growth in the Group's scale of operations, the Company plans to ask shareholders to raise the number of directors by one to seven at the annual shareholders meeting scheduled for December 2005. The outside corporate auditors do not have Company employees of their own, but receive support as necessary from related departments.

The Group has no personal, financial, business or other relationships with a financial interest with any of the outside corporate auditors or their immediate family members. In addition, the KPMG AZUSA & Co. that serves as the independent accountant and its employees engaged in auditing the Group has no particular relationships with a financial interest with the Group. The independent accountant voluntarily has a rule that prevents any particular auditor from auditing the Group for more than a certain number of years. The Company pays the independent accountant in accordance with an auditing contract with this firm.

Regarding compliance with laws and regulations, the Company has a consulting contract with an attorney to gain access to checks and guidance when a legal decision is required. Furthermore, actions are taken to strengthen and rigorously execute compliance programs.

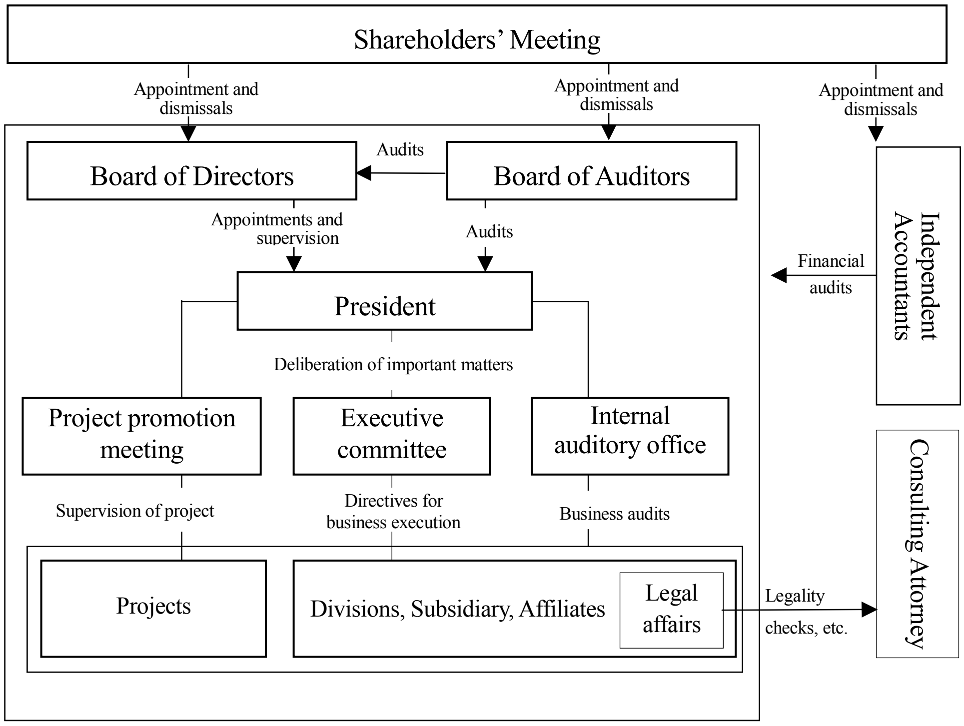
2) Actions to enhance internal controls and corporate governance

The Company's internal control framework is shown as follows.

To provide internal controls, the Company has an Internal Auditory Office that performs business audits and continuously works on improving management systems in all departments in line with ISO9001 and 14001 standards.

The Company holds meeting of an executive committee once each month. Made up of the representative directors and division general managers, the committee helps establish an agile management framework that can quickly adapt to changes in the operating environment. For this purpose, the committee examines important items and debates actions to take concerning management issues. The Company also has a project promotion committee to supervise and verify progress made in executing projects. The goal is to ensure that research, development and other Company projects are conducted efficiently and seamlessly.

Beginning in October 2005, the Group executed structural reforms that covered new product and technology development departments, sales departments and other business units. The purpose is to speed decision-making and increase operating efficiency.



3) Risk management systems

As part of its risk management system, the Company consults with a legal affairs adviser as required concerning important legal issues and items concerning compliance. The Company also has a system for receiving legal advice from a consulting attorney. With this system, the Company seeks to prevent, or limit the occurrence of, illegal and other improper internal activities.

4) Directors' salaries and bonuses

Directors' remuneration:	85,950 thousand yen
Auditors' remuneration:	12,823 thousand yen

(7) Matters concerning the parent company

No reportable information.

(8) Internal management structure and operation

As part of measures to strengthen corporate governance, the Company is putting in place a system of checks with the aim of reinforcing internal management. Information concerning these measures is contained in "(6) Fundamental policy, approach and measures regarding corporate governance."

3. Information Concerning Business Activities and Other Items

This section presents a description of major items that the Company believes could represent risk factors concerning its business operations and other activities. From the standpoint of information disclosure, the Company aggressively discloses information on items that it believes are important with regard to investment decisions even if such items do not fall within the scope of risk factors. Recognizing that these risks may occur, the Company has a policy of taking steps to prevent their occurrence and to prepare responses. However, investment decisions regarding the Company's stock should be made only after a careful examination of the items listed below and other information in this document.

(1) Business activities

The Company is a fabless manufacturer with four core technologies: video and audio compression and decompression technology; the development of multiplatform software for Windows and Macintosh operating systems; networking technology, primarily for the Linux OS; and the design of system LSIs and other hardware.

By combining these four core technologies, the Company develops, produces and sells hardware products, including PC peripherals, and software products, including application software, control software and other types of software. Sales from these activities are divided into three categories: Product sales, Software royalties and Development under consignment.
The following is a description of each category.

1) Product sales

The Company plans and develops PC peripherals and other hardware products as well as application, control and other software products. These products are manufactured by other companies under outsourcing agreements under the Company's brand or the brands of client companies (OEM).

2) Software royalties

Application, control and other software planned and developed by the Company are supplied to client companies as "master programs." Client companies then manufacture and ship the software, paying royalties to the Company based on the number of units shipped as stipulated in a contract.

3) Development under consignment

The Company develops application, control software and hardware for client companies.

OEM sales of products sales and software royalties entail the packaging and sale of Company products, either as standard equipment, an optional kit, or embedded hardware or software, with the digital products of client companies. These digital products are primarily PCs, digital video cameras, digital still cameras, scanners and printers. Consequently, sales of these Company products and royalty income are susceptible to changes in sales of applicable finished products.

Some products sales are sold under the Company's own brands, mainly through retailers (large electronics stores, PC specialty stores, etc.) directly to end users. Consequently, sales of these products are susceptible to changes in the consumption patterns and other characteristics of end users.

Development under consignment may not be completed at the time originally planned due to changes in delivery schedules and specifications by the Company ordering the development project or due to delays at the Company or other factors. Such delays may cause a delay in the posting of net sales that could have an effect on the Company's operating results.

(2) Manufacturing

The Company is a fabless manufacturer that does not own any manufacturing facilities of its own. Production of hardware and software products is consigned to manufacturers in Japan and other countries.

The Company has not entered into long-term supply contracts with its outsourcing partners. However, the Company's products can be fabricated using standard manufacturing technology, and are not dependent on any particular production technology of an outsourcing partner. Moreover, the Company manages all required manufacturing technology and data. Consequently, even in the event that a particular outsourcing partner can no longer be used, production can be shifted to another company in Japan or overseas. Nevertheless, there may be an impact on the Company's operating results in the event that a long time is required to shift production or that adequate manufacturing capacity cannot be located to fill a large order in a short time.

Electronic components, which are the primary items used to make the Company's products, are mainly general-purpose products. However, there are instances where the Company uses components that are produced in small quantities and where the production capabilities of electronic component manufacturers are unstable. Furthermore, certain components used by the Company require several months for delivery. These factors could have an impact on the Company's production plans. To avoid such problems, the Company takes steps such as using standardizing components used in its products, reducing the volume of components purchased from any particular supplier, and taking steps to become a higher priority customer of each supplier. However, if there were a delay in the procurement of electronic components, there could be a delay in the Company's production plans that could affect operating results.

(3) Risks concerning the operating environment

1) Effect of trends at Microsoft Corporation and Apple Computer, Inc.

The Company offers products that are compatible with a number of operating systems. However, in the event that Microsoft and Apple Computer, which account for the virtually the entire PC OS market, release an OS version that incorporates the same functions as those offered by the Company's software products, the Company could lose its position of superiority in the PC market. The Company produces primarily software that conforms to international standards. Therefore, there is always a possibility that Microsoft and Apple Computer could become competitors, making the Company's operating results susceptible to the new product development activities of these two companies.

2) Technological progress and competition

The Company operates in an industry characterized by rapid technological advances and short product life cycles due to the introduction of new products by competitors and other factors. By making substantial up-front investments in development programs, the Company is working on acquiring new technologies. However, a delay in the development of new technologies and products could erode the Company's ability to compete as its technologies and products become outdated. In particular, the Company's ability to respond to new products from competitors and other challenges concerning its own products, a category that is expected to grow to account for a large share of sales, may affect operating results.

3) Trends at client companies

Client companies, mainly manufacturers of digital devices, that conduct OEM sales of hardware products and software products and pay software royalties are facing increasingly intense competition. Lower unit prices for Company products and royalty payments due to demands for cost reductions from these companies may affect operating results. Additionally, in the event that these client companies decide to develop and produce their own hardware and software products that have the same functions as those of the Company's products, operating results may be affected by a decline in demand for the Company's products.

(4) Development of new products and technologies

1) Development expenses

Regarding hardware and software products, the development of new products that respond to rapid technological advances and match user needs is essential. The Company therefore makes substantial expenditures for development activities. However, there is no assurance that all development themes will be commercialized. Moreover, even if a product does reach the market, sales may fall short of plans. Consequently, operating results may be affected in cases where development expenses cannot be sufficiently recovered.

Regarding development under consignment, there may be cases where the Company's actual development expenses are far above initial expectations due to changes in specifications by the client company, delays in work at the Company or other factors. Furthermore, development may be terminated for reasons beyond the Company's control. In these events, the resulting increase in development expenses may affect operating results.

2) Effect of delays in delivery of products and problems involving products

The Company exercises care to strictly observe delivery schedules for products and improve product quality. However, competition for the development of technology in information-related industries has become intense in recent years. Furthermore, some new product development projects are extremely short, even just a few months, in order to avoid missing an opportunity to generate profits. In this environment, a delay in the delivery of a product, a problem concerning a product, or some other event may affect operating results.

3) Recruiting of engineers

The Company regards the hiring of talented engineers for developing new products as an important issue with regard to increasing sales and earnings. However, there is a relatively small number of engineers who have broad knowledge concerning video and audio compression and decompression; software compatible with the Windows and Macintosh operating systems; networks; and hardware designs, including those for system LSIs. Competition for these individuals from other companies makes it even more difficult to recruit a sufficient number of engineers. Consequently, the Company makes frequent use of mid-career recruiting while also taking every step possible to optimize internal training programs for new graduates. However, the inability to hire sufficient numbers of qualified engineers or the resignations of engineers currently at the Company may affect operating results.

(5) Intellectual property

In the event that products and programs developed and sold by the Company, whether developed internally or under consignment, infringe on the patents and other intellectual rights of other companies, that Company could be sued for damages.

The Company is strengthening its system of internal checks to prevent infringements on the rights of other companies. There have been no problems in the Company's history concerning such infringements. However, the occurrence of a problem of this nature may affect operating results.

The Company has a policy of aggressively acquiring patents, copyrights and other means of protecting its own technologies. In the event that another company infringes on these rights of the Company, the resulting dispute may affect operating results.

4. Results of Operations and Financial Condition

(1) Summary of fiscal year (October 1, 2004 - September 30, 2005)

The Pixela Group, which consists of the Company and its consolidated subsidiaries and equity-method affiliates, operated amid generally favorable economic conditions outside Japan. The U.S. economy was healthy despite the temporary impact of Hurricane, the European economy continued to stage a slow recovery and Asian economies, particularly China, posted strong growth, although there were variations among different regions. In Japan, the economy remained on a growth course with some periods of stagnation. Corporate earnings continued to improve, offsetting negative factors such as the higher cost of crude oil and other basic materials.

In the electronics industry, market conditions were generally favorable due to strong sales of thin-panel televisions as the downturn in demand for IT and digital products came to an end. One negative factor was declining prices of various products.

Against this backdrop, the Group conducted aggressive sales activities to expand established businesses while making substantial investments in recruiting activities and in developing technologies. One result was the start of OEM sales of terrestrial digital TV capture boards to three companies, one of which is a new client for the Group. Concerning the expansion of operations at affiliated companies, RfStream Co, Ltd., an equity-method affiliate, developed an analog broadcast reception IC tuner that is compact and has low power consumption and has started shipments. This company has also started developing a IC tuner that can receive digital broadcasts. In addition, this company is considering the launch of a content business, which would take the Group into a new business field. However, all these actions will continue to require substantial investments.

Due to the above factors, consolidated net sales totaled 8,006 million yen compared with non-consolidated net sales of 7,506 million yen one year ago. There was an ordinary loss of 110 million yen compared with non-consolidated ordinary income of 837 million yen one year ago, and a consolidated net loss of 155 million yen compared with non-consolidated net income of 478 million yen one year ago.

Year-on-year comparisons are not presented since the Company started preparing consolidated financial statements from the current fiscal year. Data on non-consolidated business results for the corresponding period of the previous fiscal year is provided only for reference.

Results by product category were as follows.

(Products sales)

Results in this category benefited from a net increase in sales of 520 million yen due to the introduction of new products compatible with terrestrial digital broadcasts in the field of OEM television capture products that permit TV viewing and recording on a PC. As a result of this and other factors, net sales totaled 6,800 million yen.

(Software royalties)

Although sales benefited from royalties from television-viewing applications for PCs, royalties from software for digital still and video cameras were lower as client companies cut shipments and unit royalties were below the Company’s initial estimate. The result was net sales of 989 million yen.

(Development under consignment)

Major activities in this category are development projects associated with image editing software and the development of key components of next-generation TV technologies. Sales totaled 216 million yen.

(2) Financial condition

Cash and cash equivalents totaled 3,440 million yen as of September 30, 2005, 331 million yen less than one year earlier.

A summary of cash flows during the fiscal year is presented below. Since the Company did not prepare consolidated financial statements in prior fiscal years, there are no year-on-year comparisons.

(Operating activities)

Net cash used in operating activities was 527 million yen. Although cash was provided by a 551 million yen increase in accounts payable and a 103 million yen decrease in guarantee deposits, there was a 565 million yen increase in trade receivables and income taxes paid of 453 million yen.

(Investing activities)

Net cash provided by investing activities was 468 million yen. Major components were payments of 155 million yen for the purchase of equity in affiliates and the purchase of newly issued convertible bonds, proceeds of 300 million yen from the collection of loans receivable to affiliates, and proceeds of 500 million yen from the redemption of corporate bonds.

(Financing activities)

Net cash used in financing activities was 291 million yen. This mainly represented dividend payments of 166 million yen and payments of 127 million yen for the acquisition of treasury stock.

Trends in cash flow indicators are as follows:

	As of Sep. 30, 2003	As of Sep. 30, 2004	As of Sep. 30, 2005
Equity ratio	75.9%	74.5%	67.6%
Market cap equity ratio	231.6%	232.5%	131.4%
Years for debt repayment	-	-	-
Interest coverage ratio	-	-	-

Equity ratio is shareholders' equity divided by total assets.

Market cap equity ratio is market capitalization divided by total assets.

Years for debt repayment is interest-bearing liabilities divided by operating cash flows.

Interest coverage ratio is operating cash flows divided by interest expenses.

*Operating cash flows are the figures shown on the statements of cash flows.

Interest-bearing debt figures are the sum of all liabilities shown on the balance sheets on which interest is paid.

(3) Outlook (October 1, 2005 - September 30, 2006)

The outlook is clouded by the substantial risks associated with the future direction of crude oil prices. However, the global economy is expected to continue growing, mainly in the United States and China, and the slow recovery of the Japanese economy is expected to continue, backed mainly by internal demand.

Regarding the Group's operating environment, the markets for IT and digital devices are expected to grow, but concerns persist about oversupplies of products and falling prices.

In this environment, the Group is focusing on businesses associated with terrestrial digital broadcasts due to the planned full-scale launch of these broadcasts in Japan beginning in 2006. The Group plans to continue making substantial investments to develop hardware and software for digital television and radio products and for mobile devices.

In the product sales category, the Group will concentrate on expanding sales of television capture products, the core hardware product, by increasing the number of terrestrial digital television capture board OEM client companies and the volume of shipments. The Group will also focus on the development of these boards for notebook PCs. Through these activities, the Group believes that it can effectively raise the amount of added value. The Group is also working hard on developing a receiver for digital radio broadcasts, which are scheduled to begin in Japan in 2006.

In the software royalties category, concerning software products for AV products, there is a shift from digital cameras, which are increasingly becoming a mature product, to the "New Media Camcorder," which involves the recording of data on hard disks and flash memories. The Group plans to use this shift as an opportunity to raise unit royalties and enhance and expand client companies to which software is supplied. In addition, in the television viewing application product field, the Group plans to develop television viewing software royalties into a new core source of sales in conjunction with the growing popularity of television capture products for terrestrial digital broadcasts.

In the semiconductor field, equity-method affiliate RfStream has completed the development of a IC tuner for receiving digital broadcasts. This company is now concentrating on placing this tuner in Company products and supplying this tuner to other companies. The new tuner is expected to generate synergies with the Company, creating a base for improving the operating results of RfStream, which has until now been in its start-up phase.

At subsidiaries and affiliates, the Group views human resources, property and equipment and monetary investments as up-front investments that will generate earnings in the future. Although these investments are significant, the Group views them as essential to achieving rapid growth in the future.

Based on these items, the Group is forecasting consolidated net sales of 10,201 million yen, ordinary income of 43 million yen and a net loss of 29 million yen in the fiscal year ending September 30, 2006.

In consideration of operating results in the fiscal year, the Company plans to pay a year-end dividend of 12 yen per share.

Note: These forecasts are based on information available at the time these materials were prepared. Actual results may differ from these forecasts for a number of reasons including but not limited to changes in demand for the Company's products, competition and economic trends.

5. Consolidated Financial Statements

(1) Balance Sheets

(Unit: thousand yen)

Account / Period	FY9/05 As of September 30, 2005 Amount		%
Assets			
I Current assets			
1. Cash and deposits in banks		3,440,329	
2. Trade notes and accounts receivable		3,615,070	
3. Inventories		469,494	
4. Deferred tax assets		76,354	
5. Other current assets		162,774	
Allowance for doubtful accounts		(3,566)	
Total current assets		7,760,456	89.1
II Fixed assets			
1. Tangible assets			
(1) Buildings and structures	55,676		
Accumulated depreciation	16,214	39,462	
(2) Machinery and vehicles	7,536		
Accumulated depreciation	3,904	3,631	
(3) Tools, furniture and fixtures	259,970		
Accumulated depreciation	163,816	96,153	
(4) Construction in progress		12,513	
Total tangible assets		151,761	1.8
2. Intangible assets			
(1) Software		42,069	
(2) Telephone rights		817	
Total intangible assets		42,886	0.5
3. Investment and other assets			
(1) Investment securities		439,051	
(2) Long-term loans		1,695	
(3) Reserves for insurance		34,306	
(4) Deferred tax assets		102,505	
(5) Other investments and other assets		172,491	
Total investments and other assets		750,049	8.6
Total fixed assets		944,698	10.9
Total assets		8,705,155	100.0

(Unit: thousand yen)

Account / Period	FY9/05 As of September 30, 2005 Amount	%
Liabilities		
I Current liabilities		
1. Trade notes and accounts payable	2,050,740	
2. Other accounts payable	292,130	
3. Accrued income taxes	298	
4. Accrued bonuses	69,194	
5. Other current liabilities	55,625	
Total current liabilities	2,467,989	28.4
II Long-term liabilities		
1. Reserve for directors' retirement benefits	181,055	
2. Other long-term liabilities	167,720	
Total long-term liabilities	348,776	4.0
Total liabilities	2,816,765	32.4
Shareholders' equity		
I Common stock	2,556,480	29.4
II Capital surplus	3,211,760	36.9
III Retained earnings	237,957	2.7
IV Unrealized holding gain on other securities	1,434	0.0
V Foreign currency translation adjustments	8,354	0.1
VI Treasury stock	(127,596)	(1.5)
Total shareholders' equity	5,888,389	67.6
Total liabilities and shareholders' equity	8,705,155	100.0

(2) Statements of Income

(Unit: thousand yen)

Account \ Period	FY9/05 October 1, 2004 - September 30, 2005 Amount		%
I Sales		8,006,201	100.0
II Cost of sales		6,099,921	76.2
Gross profit		1,906,280	23.8
III Selling, general and administrative expenses *1		1,843,779	23.0
Operating income		62,500	0.8
IV Non-operating income			
1. Interest and dividend income	16,815		
2. Foreign exchange gains	19,377		
3. Other non-operating income	3,259	39,452	0.5
V Non-operating expenses			
1. Commission paid	29,262		
2. Loss on equity method	181,983		
3. Other non-operating expenses	976	212,222	2.7
Ordinary income (loss)		110,269	(1.4)
VI Extraordinary losses			
1. Loss on disposal of fixed assets	2,953	2,953	0.0
Net income (loss) before income taxes		113,223	(1.4)
Current income taxes	52,434		
Deferred Income taxes	(10,322)	42,111	0.5
Net income (loss)		155,335	(1.9)

(3) Consolidated Surplus Statements

(Unit: thousand yen)

Item \ Period	FY9/05 October 1, 2004 - September 30, 2005 Amount	
Capital surplus		
I Capital surplus beginning of year		3,210,763
II Increase in capital surplus		
1. New stock issuance	996	996
III Capital surplus end of period		3,211,760
Retained surplus		
I Retained surplus beginning of year		662,450
II Decrease in retained surplus		
1. Net loss	155,335	
2. Dividend	186,899	
3. Decrease in retained surplus due to equity method affiliates	82,259	424,493
III Retained surplus end of period		237,957

(4) Statement of Cash Flows

(Unit: thousand yen)

Account / Period	FY9/05 October 1, 2004 - September 30, 2005 Amount
I Cash flows from operating activities	
Net income (loss) before income taxes	(113,223)
Depreciation and amortization	80,627
Increase in allowance for doubtful accounts	546
Decrease in reserve for directors' retirement benefits	5,955
Increase in accrued bonuses	15,094
Interest and dividends income	(16,815)
Loss on equity method	181,983
Foreign exchange gain	(19,377)
Loss on disposal of tangible fixed assets	2,953
Increase in trades receivables	(565,933)
Increase in inventories	(231,158)
Decrease in guarantee deposit	103,232
Increase in trade payables	551,777
Increase in unearned consumption taxes	(13,290)
Decrease in accrued consumption taxes	(26,692)
Others	(46,495)
Subtotal	(90,815)
Interest and dividends received	16,815
Income taxes paid	(453,491)
Net cash provided by (used in) operating activities	(527,491)
II Cash flows from investing activities	
Payment for acquisition of equity in affiliates	(25,500)
Payment for acquisition of investment securities	(60,000)
Payment for increase in corporate bonds to affiliates	(130,000)
Proceeds from redemption of corporate bonds to affiliates	500,000
Payment for acquisition of tangible assets	(94,392)
Payment for acquisition of intangible assets	(4,337)
Proceeds from withdrawal of money in deposit for cancelled leases	9,031
Payment for increase in money in deposit for leases	(6,254)
Payment for loans receivable	(2,500)
Proceeds from collection of loans receivable	3,146
Payment for increase in loans to affiliates	300,000
Payment for increase in reserves for insurance	(13,460)
Proceeds from reversal of reserves for insurance	5,095
Others	(12,513)
Net cash (used in) provided by investing activities	468,314
III Cash flows from financing activities	
Proceeds from new share issue	1,993
Payment for acquisition of treasury stock	(127,596)
Cash dividends paid	(166,186)
Net cash (used in) provided by financing activities	(291,789)
IV Effect of exchange rate changes on cash and cash equivalents	19,676
V Net change in cash and cash equivalents	(331,289)
VI Cash and cash equivalents at beginning of period	3,771,618
VII Cash and cash equivalents at end of period	3,440,329

Significant Accounting Policies in the Preparation of Consolidated Financial Statements

Items \ Period	FY9/05 October 1, 2004 - September 30, 2005
1. Scope of consolidation	There is a consolidated subsidiary: PIXELA (SHANGHAI) CO., LTD.
2. Subject to equity method	There are three equity method affiliates: RfStream Corporation RfStream America, Inc. Pialex Technologies Corp. Goodwill of affiliates are amortized by the straight-line method over a period of 5 years.
3. Accounting year of consolidated subsidiary	The consolidated financial statements include the accounts of a following consolidated subsidiary, of which the fiscal year ends on a different day: The consolidated subsidiary: PIXELA (SHANGHAI) CO., LTD. Fiscal year ends: December 31. In the preparation of consolidated financial statements for the fiscal year, the Company has used the preliminary financial statements prepared as of June 30, 2005. However, necessary adjustments have been made for the consolidation concerning material transactions arising between those dates and the balance sheet date.
4. Accounting standards	(1) Valuation basis and valuation method of significant assets 1) Securities Other Securities Securities with marketable securities: Market value method on market prices at the closing date. (Unrealized gain or loss is included in shareholders' equity. Cost of securities sold is determined by the moving-average method.) Securities without marketable securities: Moving average method. 2) Inventories Manufactured goods, raw materials, work in process and supplies: Moving average method. (2) Depreciation and amortization of significant assets 1) Tangible assets The Company is computed by the declining-balance method. Overseas consolidated subsidiary is computed by the straight-line method. 2) Intangible assets The Company computes amortization of software intended for internal use by the straight-line method. The development costs of software intended for internal use are amortized over an expected useful life of 5 years by the straight-line method. Overseas subsidiaries computes amortization in accordance with the accounting standards generally accepted in the country of their domicile. 3) Long-term prepaid expenses Long-term prepaid expenses are amortized by the straight-line method in accordance with the period provided in the Corporation Tax Law. (3) Recognition of significant reserves 1) Allowances for doubtful accounts To prepare for credit losses on accounts receivable, the Company provides allowances equal to the estimated amount of uncollectible receivables for general receivables based on the historical write-off ratio, and bad receivables based on a case-by-case determination of collectibility. 2) Accrued bonuses The Company, to prepare for the payment of accrued bonuses, an allowance is accounted for a portion accrued for the period under review of the estimated amount of future payment. 3) Reserve for directors' retirement benefits To provide for directors' retirement benefits, an allowance is provided for the aggregate

Period / Items	FY9/05 October 1, 2004 - September 30, 2005
	amount payable at the end of the fiscal year pursuant to the Company's rules on directors' retirement benefits.
	(4) Accounting for significant lease transactions Finance leases, other than those which are deemed to transfer the ownership of the leased assets to the lessees, are accounted for by a method similar to that applicable to ordinary finance lease transactions. (5) Other significant accounting policy Accounting for consumption taxes: All amounts stated are exclusive of consumption taxes.
5. Appropriation of earnings	As for appropriation of retained earnings or disposition of loss, items which have already been fixed during the fiscal year under review are reported on the consolidated statements of retained earnings.
6. Definition of cash in cash flows statements	For the purpose of consolidated cash flows statements, cash and cash equivalents consist of vault cash, deposits that can be withdrawn on demand, and short-term investments, with original maturities of three months or less, that are readily convertible to known amounts of cash and present insignificant risk of change in value.

Additional information

FY9/05 October 1, 2004 - September 30, 2005
Pro forma standard tax form: Effective the current fiscal year, the Company has adopted the new accounting standard for the presentation of the Enterprise Tax (Accounting Standard Implementation Guidance No. 12: "Practical Guidance On Presentation of the Pro Forma Standard Tax Portion of the Enterprise Tax in the Income Statement," (ASBJ, February 13, 2004)) following the implementation of the Partial Revision of the Local Finance Act (Law No. 9 of 2003) on March 31, 2003 and the introduction of the pro forma standard tax from the fiscal year beginning on and after April 1, 2004. Accordingly, the value-added tax portion and the pro forma standard tax portion of the Enterprise Tax are included in selling, general and administrative expenses. The effect of this change was to decrease operating income by 17,958 thousand yen, increase ordinary loss and loss before income taxes by 17,958 thousand yen each.

Notes to Consolidated Financial Statements

Notes to balance sheets

Yen in thousands

FY9/05 As of September 30, 2005	
1. Loan guarantees	1,600,000
2. Number of total outstanding shares by the Company	Common shares11,017,500 shares
3. Number of treasury stock by the Company	Common shares 120,900 shares

Notes to statements of income

Yen in thousands

FY9/05
October 1, 2004 - September 30, 2005

*1 Selling expenses represent roughly 6% and general and administrative expenses approximately 94% of the total selling, general and administrative expenses. Significant items and amounts of selling, general and administrative expenses are summarized below.

Directors' salaries and bonuses	98,773
Salaries and wages	354,790
Provision of accrued bonuses	36,402
Provision of reserve for directors' retirement benefits	24,556
Outsourcing expense	161,375
Rent	119,261
Depreciation	46,678
Provision of allowance for doubtful accounts	546
R&D expenses	517,022

Notes to statements of cash flows

Yen in thousands

FY9/05
October 1, 2004 - September 30, 2005

Reconciliation of balance sheet items to cash and cash equivalents in statements of cash flows at the end of the period.

	(As of September 30, 2005)
Cash and deposits in banks	3,440,329
Term deposits with maturities over 3 months	-
Cash and cash equivalents	3,440,329

1) Leases

Yen in thousands

FY9/05 October 1, 2004 - September 30, 2005	
Finance lease transactions not involving the transfer of title to lessee:	
(1) Acquisition cost, accumulated depreciation and fiscal year-end balance equivalents	
Tools, furniture and fixtures	
Acquisition cost equivalents:	47,195
Accumulated depreciation equivalents:	20,268
Fiscal year-end balance equivalents:	26,926
Total	
Acquisition cost equivalents:	47,195
Accumulated depreciation equivalents:	20,268
Fiscal year-end balance equivalents:	26,926
(2) Minimum lease commitments and the fiscal year-end balance equivalents	
Due within one year	9,152
Due over one year	18,738
Total	27,890
(3) Lease payments, depreciation equivalents and interest equivalents	
Lease payments	9,931
Depreciation equivalents	9,100
Interest equivalents	1,085
(4) Calculation of accumulated depreciation equivalents Depreciation is calculated by the straight-line method, assuming the lease period to be the useful life and no residual value.	
(5) Accounting method for interest equivalents Interest is defined as the difference between the total lease charges and acquisition cost equivalents and is allocated for each period using the simple-interest method.	

2) Securities

FY9/05 (As of September 30, 2005)

1. Securities with market quotations classified as other securities

Yen in thousands

	Security	Acquisition cost	Carrying value	Unrealized gain
Securities whose carrying value exceeds their acquisition cost	(1) Stock	5,136	7,551	2,414
Total		5,136	7,551	2,414

2. Securities without market quotations classified as other securities

Yen in thousands

Security	Carrying value
(1) Stock	7,800
(2) Affiliate bond	123,700
(3) Stock	300,000

3) Derivatives

No reportable information since the Company did not enter into any derivative transactions.

4) Retirement benefits

FY9/05 October 1, 2004 – September 30, 2005
Summary of retirement benefit program adopted: To provide for employees' retirement benefits, the Company participates in the program under control of the Smaller Enterprise Retirement Allowance Mutual Aid Enterprise for the retirement benefits to employees. The contribution to the mutual aid program as of September 30, 2005 totaled 28,001 thousand yen. The contribution to the mutual aid program applicable to the current period amounted to 3,242 thousand yen and was charged to income.

5) Deferred Tax Accounting

Yen in thousands

FY9/05 October 1, 2004 – September 30, 2005	
1. Significant components of deferred tax assets and liabilities	
Deferred tax assets:	
Provision of accrued bonuses in excess of maximum allowed for inclusion in expenses	28,093
Unrealized loss on inventory valuation	17,282
Product in progress for tax purposes	16,256
Amount in excess of depreciation	47,221
Reserve for directors' retirement benefits	73,508
Others	12,529
Subtotal	194,890
Offset with deferred tax liabilities	(16,030)
Total deferred tax assets	178,860
Deferred tax liabilities:	
Temporary taxes	15,050
Unrealized holding gain on other securities	980
Offset with deferred tax assets	(16,030)
Total deferred tax liabilities	-
Net deferred tax liabilities	-
2. Breakdown of differences between legal effective tax and effective tax rate based on tax-effect accounting by causes	
Statutory tax rate	40.6%
(Adjustments)	
Entertainment expenses and other items not to be included in expenses permanently	13.4%
Per capita of inhabitant tax	8.4%
Others	(1.4)%
Effective tax rate based on tax-effect accounting	61.0%

6) Segment information

1. Operating segment information

FY9/05 (October 1, 2004 – September 30, 2005)

No reportable information since the Group operates in a single industry segment, defined as development, design, manufacture and sale of computer hardware (peripheral devices) and software.

2. Geographical segment information

FY9/05 (October 1, 2004 – September 30, 2005)

Geographical segment information is not presented since domestic sales exceeded 90% of consolidated net sales.

3. Overseas sales

FY9/05 (October 1, 2004 – September 30, 2005)

Overseas sales data is not presented since overseas sales represented less than 10% of consolidated net sales.

7) Related party transactions

FY9/05 (October 1, 2004 - September 30, 2005)

1. Directors and major individual shareholders

Yen in thousands

<table>
<tr><td>Relationships</td><td>Name</td><td colspan="2">Address</td><td>Capital contribution</td><td colspan="2">Occupation</td><td>Voting power</td></tr>
<tr><td>Directors</td><td>Itsushi Tamada</td><td colspan="2">-</td><td>-</td><td colspan="2">Corporate auditor</td><td>-</td></tr>
<tr><td rowspan="2">Relationships</td><td rowspan="2">Name</td><td colspan="2">Relationships</td><td rowspan="2">Types of transaction</td><td rowspan="2">Amount</td><td rowspan="2">Account</td><td rowspan="2">Balance at year-end</td></tr>
<tr><td>Directors</td><td>Business</td></tr>
<tr><td>Directors</td><td>Itsushi Tamada</td><td>-</td><td>-</td><td>Registration expenses</td><td>253</td><td>Fee payments</td><td>253</td></tr>
</table>

2. Subsidiaries

Yen in thousands

<table>
<tr><td>Relationships</td><td>Name</td><td colspan="2">Address</td><td>Capital contribution</td><td colspan="2">Occupation</td><td>Voting power</td></tr>
<tr><td>Affiliates</td><td>RfStream Corporation</td><td colspan="2">Naniwa-ku, Osaka</td><td>110,000</td><td colspan="2">Manufacture and sale of semiconductors, component for electronic device</td><td>28.5</td></tr>
<tr><td rowspan="2">Relationships</td><td rowspan="2">Name</td><td colspan="2">Relationships</td><td rowspan="2">Types of transaction</td><td rowspan="2">Amount</td><td rowspan="2">Account</td><td rowspan="2">Balance at year-end</td></tr>
<tr><td>Directors</td><td>Business</td></tr>
<tr><td rowspan="3">Affiliates</td><td rowspan="3">RfStream Corporation</td><td rowspan="3">4 directors</td><td rowspan="3">IC tuner of consigned development</td><td>Redemption bonds</td><td>500,000</td><td>Affiliates bonds</td><td>-</td></tr>
<tr><td>Loan receivable</td><td>450,000</td><td>Affiliates loan</td><td>-</td></tr>
<tr><td>Interest of bond and loan</td><td>12,350</td><td>Interest income</td><td>12,350</td></tr>
</table>

<table>
<tr><td>Relationships</td><td>Name</td><td colspan="2">Address</td><td>Capital contribution</td><td colspan="2">Occupation</td><td>Voting power</td></tr>
<tr><td>Affiliates</td><td>Pialex Technologies Corp.</td><td colspan="2">Izumiotsu-city, Osaka</td><td>47,500</td><td colspan="2">Development, manufacture, sale of optical catalyst surface finishing and its coating</td><td>39.2</td></tr>
<tr><td rowspan="2">Relationships</td><td rowspan="2">Name</td><td colspan="2">Relationships</td><td rowspan="2">Types of transaction</td><td rowspan="2">Amount</td><td rowspan="2">Account</td><td rowspan="2">Balance at year-end</td></tr>
<tr><td>Directors</td><td>Business</td></tr>
<tr><td rowspan="2">Affiliates</td><td rowspan="2">Pialex Technologies Corp.</td><td rowspan="2">5 directors</td><td rowspan="2">-</td><td>Bonds underwritten</td><td>130,000</td><td>Affiliates bonds</td><td>130,000</td></tr>
<tr><td>Interest of bond</td><td>1,487</td><td>Interest income</td><td>1,487</td></tr>
</table>

Note: Transaction terms or method of determining transaction terms

Rates of bonds, loans: Determination in a reasonable manner with reference to market interest rates.

Bonds: Lump-Sum redemption on September 30, 2010.

Per Share Data

Yen

FY9/05 October 1, 2004 - September 30, 2005	
Shareholders' equity per share:	540.38
Net loss per share-basic:	14.14
Although the Company had securities with potential dilutive effect outstanding on the balance sheet date, the net income per share (diluted) is not presented because the Company reported a net loss per share for the fiscal year.	

Note: The following is a reconciliation of basic net income per share to diluted net income per share.

Yen in thousands

	FY9/05 October 1, 2004 - September 30, 2005
Net loss per share (basic)	
Net loss	155,335
Amount not available to common shareholders	-
Net loss applicable to common stock	155,335
Average number of shares outstanding during period	10,989

Subsequent Events

FY9/05 October 1, 2004 - September 30, 2005
No reportable information.