

# Balance Sheet

As of December 31, 2004

7726668 (1) *NY*  
*1/10*  
*NY*

ASSETS		LIABILITIES	
	Yen		Yen
I Current Assets	[ 3,505,172,220 ]	I Current Liabilities	[ 1,430,306,525 ]
1 Quick Assets	( 2,973,751,718 )	Notes payable	398,669,925
Cash in hand	0	Accounts payable-trade	206,621,221
Cash in banks	277,157,369	Short-term borrowings	0
Notes receivable	0	Accounts payable-other	429,795,436
Accounts receivable-trade	1,094,936,495	Accrued expenses	368,850,262
Accounts receivable-other	131,969,296	Advances received	0
Advances	8,831	Deposits received	2,900,915
Short-term loans receivable	1,303,000,000	Suspense receipts	0
Advances paid	0	Employee savings	1,452,746
Prepaid expenses	127,599,842	Reserve for returned goods	20,351,515
Suspense payments	14,620,000	Accrued bonuses	1,664,505
Allowance for doubtful accounts	0	Reserve for structural improvement	0
Deferred tax assets (current)	24,459,885	Deferred tax liabilities (current)	0
		Other current liabilities	0
2 Inventories	( 531,420,502 )	II Non-current Liabilities	[ 91,657,028 ]
Merchandise	511,827,508	Long-term loans payable	0
Raw materials	0	Reserve for retirement benefits	86,627,028
Work in process	19,592,994	Reserve for retirement benefits for directors	5,030,000
Merchandise in transit	0	Deferred tax liabilities (non-current)	0
Merchandise on consignment	0	Other non-current liabilities	0
Stock	0		
Cost variance	0		
II Non-current Assets	[ 491,246,385 ]	Total Liabilities	1,521,963,553
1 Plant, Property & Equipment	( 388,269,945 )	<b>SHAREHOLDERS' EQUITY</b>	
Buildings	34,491,035	I Capital	[ 300,000,000 ]
Structures	0	Capital	300,000,000
Machinery & equipment	0	II Capital Surplus	[ 0 ]
Vehicles & transport equipment	0	1 Additional paid-in capital	0
Tools, furniture & fixtures	353,778,910	2 Other additional capital surplus	( 0 )
Land	0	(1) Gain on capital reduction	0
2 Intangible Assets	( 4,203,700 )	(2) Gain on disposal of treasury stock	0
Goodwill	0	III Retained Earnings	[ 2,174,455,052 ]
Telephone rights	183,000	1 Earned surplus reserve	0
Right to use facilities	0	2 Voluntary reserve	0
Software products	4,020,700	3 Unappropriated retained earnings	2,174,455,052
3 Investment & Other Assets	( 98,772,740 )	IV Land revaluation difference	[ 0 ]
Investment securities	0	V Net unrealized holding gain (loss) on securities	[ 0 ]
Investment in capital	0	VI Treasury Stock	[ 0 ]
Long-term loans receivable	573,487		
Long-term prepaid expenses	0		
Other investment	84,335,473		
Deferred tax assets (non-current)	13,863,780		
III Deferred Assets	[ 0 ]		
Other deferred assets	0		
Total Assets	3,996,418,605	Total Shareholders' Equity	2,474,455,052
		Total Liabilities & Shareholders' Equity	3,996,418,605



A40 COMPANIES HOUSE 300 21/08/2006

COMPANIES HOUSE 17/03/2006

A36 COMPANIES HOUSE 636 24/02/2006

# Income Statement

( 2 )

From April 1, 2004 to December 31, 2004

Item	Amount	
	Subtotal	Total
Ordinary profit/loss	Yen	Yen
Operating profit/loss		
Sales	6,773,563,123	
Total operating revenue		6,773,563,123
Cost of sales	1,788,464,633	
Operating expenses	4,170,624,878	
Total operating expenses		5,959,089,511
Operating income		814,473,612
Nonoperating profit/loss		
Regional incentives	0	
Sales promotion grants	0	
Interest earned	5,493,770	
Reversal of allowance for doubtful accounts	0	
Reversal of reserve for returned goods	23,607,155	
Miscellaneous income	28,749,112	
Total nonoperating revenue		57,850,037
Sales incentives	0	
Interest paid	643,476	
Provision of allowance for doubtful accounts	0	
Provision for returned goods	32,908,318	
Miscellaneous loss	12,456,212	
Total nonoperating expenses		46,008,006
Ordinary income		826,315,643
Extraordinary gains		0
Extraordinary losses		182,861,359
Net income before tax		643,454,284
Income, inhabitant and business taxes		352,623,931
Income tax adjustment		25,515,736
Net income		316,346,089
Retained earnings brought forward		1,858,108,963
Unappropriated retained earnings carried forward		2,174,455,052

Profit Appropriation

Unappropriated retained earnings	\2,174,455,052
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The above is appropriated as follows.

Unappropriated retained earnings carried forward	\2,174,455,052
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(Significant accounting policies)

1. Standards for and methods of valuation of securities

Shares of subsidiaries and affiliated companies	.....	Cost method with the moving-average method
Other securities		
Securities with market value	.....	Mark-to-market method based on the market price, etc. as of the account end (The whole amount of differences is included in shareholders' equity, and sales costs are calculated with the moving-average method.)
Securities without market value	.....	Cost method with the moving-average method

2. Standards for and methods of valuation of inventories

Products, materials and products in process	.....	Cost method with the gross average method
Stored goods	.....	Cost method with the moving-average method

3. Methods of depreciation

Plant, property and equipment	.....	Declining balance method
Intangible fixed assets	.....	Straight-line method

4. The whole amount of deferred assets is charged to expenses at the point of payment.

5. As for the allowance for doubtful accounts, the estimated uncollectible amount is declared in order to prepare against credit losses. It is calculated based on the actual credit-loss rate for general credits, and by individually reviewing collectability for certain claims such as doubtful, bankruptcy and rehabilitation claims.

6. To prepare against losses on returned product sold, the total of the margin on the products expected to be returned and the amount equivalent to disposal losses is added to reserve for returned goods.

7. To prepare for payment of bonuses to employees, the amount that should be allocated to this term out of the estimated amount for future payment is posted in accrued bonuses.

8. To prepare for payment of retirement benefits to retiring employees, the amount estimated to have accrued as of the account end is added to reserve for retirement benefits based on the estimated amount of retirement-benefit liabilities and the pension assets as of the account end. Actuarial gains/losses are recognized as expenses using the straight-line method over a certain number of years not exceeding the average remaining employment period of the employee at the time of accrual (11 years) starting from the fiscal year subsequent to the year in which they accrued.

10. Except cases where ownership of the leased property is transferred to the borrower, finance lease transactions are booked in the same way as ordinary lease transactions.

11. Accounting of the consumption tax, etc. .... Tax-exclusion method

[Notes to the Balance Sheet]

- Short-term monetary credits to controlling shareholders 1,350,655,752 yen  
Short-term monetary debts to controlling shareholders 211,551,520 yen
- In addition to fixed assets posted on the Balance Sheet, information system equipment and others are used under lease contracts.
- Bills that expire on the account end are settled on the date of bill clearance.

[Notes to the Income Statement]

- Sales to controlling shareholders 823,626,506 yen
- Purchases from controlling shareholders 585,002,867 yen
- Amount of non-operating trade with controlling shareholders 2,611,723 yen
- Net income per share 536.18 yen

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Audit Report  
February 28, 2005

E'quipe Ltd.  
CEO Seiji Kan

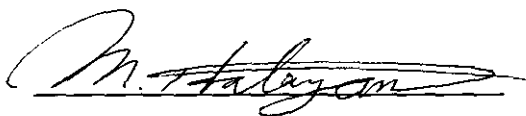
I have conducted the executive audit of the directors' duties for the business year of the 35th period between April 1, 2004 and December 31, 2004. This is to report the result as follows.

1. Outline of the audit method

The auditor attended the board of directors' meetings and other important meetings as necessary. The auditor also heard the business report from directors, etc., and browsed important settlement documents. The auditor inspected the status of operations and assets at the headquarters and other main business sites, inspected accounting books, reviewed financial documents and annexed supporting schedule.

2. Audit results

- 1) This is to certify that the accounting books correctly record items which should be recorded, and that they correspond to the record in the balance sheet and income statement.
- 2) This is to certify that the balance sheet and the income statement indicate the state of assets and profit & loss of the company correctly according to laws and articles of incorporation.
- 3) This is to certify that the operating statement indicates the status of the company correctly according to laws and articles of incorporation.
- 4) The bills concerning the disposal of profit conform to laws and articles of incorporation, and there are no items identified which should be pointed out in light of the status of company assets and other situations.
- 5) The annexed supporting schedule shows correctly the items which should be recorded, and there are no items identified which should be pointed out.
- 6) No dishonest acts by directors in carrying out duties or no significant facts which violate laws and articles of incorporation are identified.



Auditor Masakatsu Hatayama