

24662

NM

Balance Sheet

As of December 31, 2005

e'quipe LTD.



A40
COMPANIES HOUSE

MAWUKX155*

299
21/08/2006

ASSETS		LIABILITIES	
	Yen		Yen
I Current Assets	[5,394,041,290]	I Current Liabilities	[2,271,625,930]
1 Quick Assets	(4,755,339,053)	Notes payable	400,917,629
Cash in hand	0	Accounts payable-trade	454,038,554
Cash in banks	55,458,056	Short-term borrowings	0
Notes receivable	0	Accounts payable-other	771,135,064
Accounts receivable-trade	1,347,957,100	Accrued expenses	605,985,644
Accounts receivable-other	125,371,327	Advances received	0
Advances	32,947	Deposits received	3,161,452
Short-term loans receivable	2,965,000,000	Suspense receipts	0
Advances paid	0	Employee savings	3,381,938
Prepaid expenses	65,974,386	Reserve for returned good	31,332,649
Suspense payments	16,250,000	Accrued bonuses	1,673,000
Allowance for doubtful accounts	0	Reserve for structural improvement	0
Deferred tax assets (current)	179,295,237	Deferred tax liabilities (current)	0
		Other current liabilities	0
2 Inventories	(638,702,237)	II Non-current Liabilities	[58,316,119]
Merchandise	621,936,715	Long-term loans payable	0
Raw materials	0	Reserve for retirement benefits	53,286,119
Work in process	16,493,272	Reserve for retirement benefits for directors	5,030,000
Merchandise in transit	272,250	Deferred tax liabilities (non-current)	0
Merchandise on consignment	0	Other non-current liabilities	0
Stock	0		
Cost variance	0		
II Non-current Assets	[374,266,859]	Total Liabilities	2,329,942,049
1 Plant, Property & Equipment	(225,251,702)	SHAREHOLDERS' EQUITY	
Buildings	35,928,927	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	189,322,775	2 Other additional capital surplus	(0)
Land	0	(1) Gain on capital reduction	0
2 Intangible Assets	(2,550,127)	(2) Gain on disposal of treasury stock	0
Goodwill	0	III Retained Earnings	[3,138,366,100]
Telephone rights	183,000	1 Earned surplus reserve	0
Right to use facilities	0	2 Voluntary reserve	0
Software products	2,367,127	3 Unappropriated retained earning	3,138,366,100
3 Investment & Other Assets	(146,465,030)	IV Land revaluation differenc	[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	672,454	Total Shareholders' Equity	3,438,366,100
Long-term prepaid expense	0	Total Liabilities & Shareholders' Equity	5,768,308,149
Other investment	83,505,473		
Deferred tax assets (non-current)	62,287,103		
III Deferred Assets	[0]		
Other deferred assets	0		
Total Assets	5,768,308,149		

Income Statement

From January 1, 2005 to December 31, 2005

e'quipe LTD.

Item	Amount	
	Subtotal	Total
Ordinary profit/loss	Yen	Yen
Operating profit/loss		
Sales	10,171,362,190	
Total operating revenue		10,171,362,190
Cost of sales	2,061,075,378	
Operating expenses	6,556,198,938	
Total operating expenses		8,617,274,316
Operating income		1,554,087,874
Nonoperating profit/loss		
Regional incentives	0	
Sales promotion grants	0	
Interest earned	55,055,060	
Reversal of allowance for doubtful accounts	0	
Reversal of reserve for returned goods	20,351,515	
Miscellaneous income	30,139,126	
Total nonoperating revenue		105,545,701
Sales incentives	0	
Interest paid	13,421	
Provision of allowance for doubtful accounts	0	
Provision for returned goods	31,332,649	
Miscellaneous loss	13,948,310	
Total nonoperating expenses		45,294,380
Ordinary income		1,614,339,195
Extraordinary gains		0
Extraordinary losses		121,121,112
Net income before tax		1,493,218,083
Income, inhabitant and business taxes		732,565,710
Income tax adjustment		203,258,675
Net income		963,911,048
Retained earnings brought forward		2,174,455,052
Unappropriated retained earnings carried forward		3,138,366,100

Profit Appropriation
e'quipe LTD.

Unappropriated retained earnings	¥3,138,366,100
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The above is appropriated as follows.

Unappropriated retained earnings carried forward	¥3,138,366,100
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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 2,965,000,000yen
 Short-term monetary debts to controlling shareholders 215,260,084 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 214,873,825 yen
- Purchases from controlling shareholders 688,106,201 yen
- Amount of non-operating trade with controlling shareholders 39,357,687 yen
- Net income per share 1,633.75yen

Audit Report
February 20, 2006

E'quipe Ltd.
CEO Seiji Kan

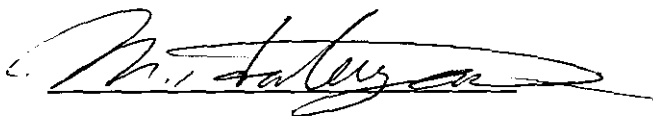
I have conducted the executive audit of the directors' duties for the business year of the 36th period between January 1, 2005 and December 31, 2005. This is to report the result as follows.

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