

Consolidated Financial Results for the Fiscal Year Ended December 2005

Company name: Bell-Park Co., Ltd.
 Stock code: 9441
 Stock exchange listing: JASDAQ
 Company domicile: Tokyo, Japan
 URL: <http://www.bellpark.co.jp>
 President & CEO: Takeru Nishikawa
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Date of board meeting for approving consolidated financial results: February 16, 2006

Name of the parent company: Japan Business Development Inc. (Stock code: -)

Voting rights: 26.60%

SEC accounting standards: The Company does not apply SEC accounting standards

1. Consolidated Financial Results for the Year Ended December 31, 2005 (Jan. 1 – Dec. 31, 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 % |
| Year ended December 2005 | 24,355 | 48.0 | 948 | 50.4 | 946 | 48.4 |
| Year ended December 2004 | 16,456 | 17.1 | 630 | (2.5) | 637 | (1.3) |

| | Net income | | Net income per share (basic) | Net income per share (diluted) |
|--------------------------|-------------|--------------|------------------------------|--------------------------------|
| | Million yen | YoY change % | Yen | Yen |
| Year ended December 2005 | 483 | - | 7,617.43 | 7,583.04 |
| Year ended December 2004 | (234) | - | (3,655.66) | - |

| | Return on equity | Ratio of ordinary income to total assets | Ratio of ordinary income to net sales |
|--------------------------|------------------|--|---------------------------------------|
| | % | % | % |
| Year ended December 2005 | 15.0 | 13.9 | 3.9 |
| Year ended December 2004 | (7.2) | 10.4 | 3.9 |

Notes:

1. Equity in earnings of non-consolidated subsidiaries and affiliates

Year ended December 2005: -

Year ended December 2004: -

2. Weighted average number of shares outstanding (consolidated)

Year ended December 2005: 63,434.33 shares

Year ended December 2004: 64,109.27 shares

3. Changes in accounting principles applied: Yes

4. The percentages shown for net sales, operating income, ordinary income, and net income represent changes from the same period in the previous fiscal year.

(2) Financial Position

| | Total assets | Shareholders' equity | Shareholders' equity ratio | Shareholders' equity per share |
|-------------------------|--------------|----------------------|----------------------------|--------------------------------|
| | Million yen | Million yen | % | Yen |
| As of December 31, 2005 | 6,810 | 3,383 | 49.7 | 53,774.30 |
| As of December 31, 2004 | 6,837 | 3,053 | 44.7 | 47,786.63 |

Note: Number of shares outstanding (consolidated) at end of year

As of December 31, 2005: 62,927.68 shares

As of December 31, 2004: 63,897.68 shares

(3) Cash Flows Position

| | 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 |
| Year ended December 2005 | (264) | (498) | (48) | 1,517 |
| Year ended December 2004 | 935 | (580) | (130) | 2,328 |

(4) Matters Concerning the Scope of Consolidation and the Application of the Equity Method

Consolidated subsidiaries: 5

Non-consolidated subsidiaries accounted for under the equity method: 0

Affiliates accounted for under the equity method: 0

(5) Changes in the Scope of Consolidation and Affiliates Accounted for Under the Equity Method

Consolidated subsidiaries

Newly: 3

Excluded: 0

Non-consolidated subsidiaries and affiliates accounted for under the equity method

Newly: 0

Excluded: 0

2. Forecast for the Year Ending December 31, 2006 (Jan. 1 – Dec. 31, 2006)

| | Net sales | Ordinary income | Net income |
|-----------|-------------|-----------------|-------------|
| | Million yen | Million yen | Million yen |
| Interim | 13,300 | 430 | 220 |
| Full year | 28,500 | 1,050 | 540 |

Reference: Estimated net income per common share for the year ending Dec. 31, 2006: 8,581.27 yen

Forward Looking Statements

Forecasts regarding future performance in these materials are based estimates and judgments of the Company's management made in accordance with information available at the time this report was prepared. Forecasts therefore embody risks and uncertainties. Actual results may differ significantly from these forecasts for a number of factors. Readers are advised to refer to Supplementary Information (Page 13) for details on business forecasts, and assumptions and other relevant factors on which they are based.

1. Corporate Group

The Bell-Park group of companies is made up of Bell-Park Co., Ltd. and five consolidated companies.

The group is engaged in three businesses: the mobile phone sales business, which mainly involves the sale of mobile phones; the network business, which mainly involves serving as an agent for the sale of service contracts for fixed-line, ADSL, fiber-to-the-home (FTTH) and other communication services; and the staffing services business, which mainly involves the provision of temporary employees to companies, and recruiting and training employees for other companies.

Business activities and the positioning of each company are as follows.

(1) Mobile phone sales business

Both Bell-Park and Nikka are engaged mainly in the following activities.

- 1) Accepts applications for mobile communication service contracts from new users as an agent of mobile communication carriers, and sales of mobile phones to users.
- 2) Accepts applications from current mobile communication service subscribers for a change to a new model of phone as an agent of mobile communication carriers, and sales of mobile phones to users.
- 3) Accepts applications from current mobile communication service subscribers for changes in subscription terms as an agent of mobile communication carriers.
- 4) Consignment sales of mobile phones and other devices through Bell-Park's secondary sales agents.
- 5) Outright sales of mobile phones and other devices to Bell-Park's secondary sales agents.

(2) Network business

Bell-Park Co., Ltd. and consolidated subsidiary Upward Mobility Co., Ltd. are engaged in the following activities.

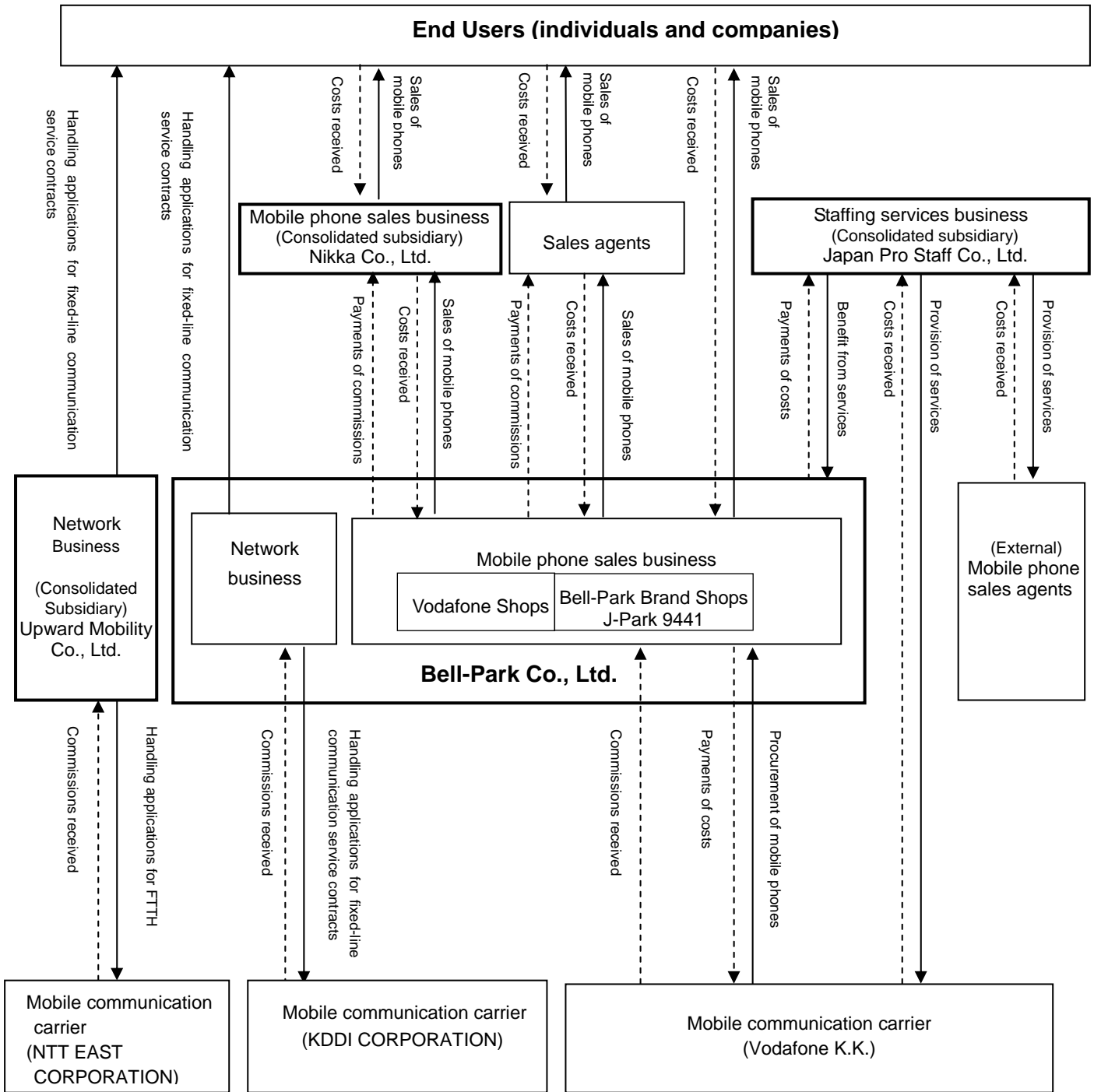
- 1) Accepts applications for fixed-line, ADSL, FTTH and other service contracts from new users as an agent of communication carriers.
- 2) Accepts applications for fixed-line, ADSL, FTTH and other service contracts from new users as an agent of sales agents.

(3) Staffing services business

Consolidated subsidiary Japan Pro Staff Co., Ltd. is engaged in the following activities.

- 1) Supplies sales personnel with specialized knowledge to work at retail shops selling mobile communication products.
- 2) Trains sales personnel as an agent for mobile communication carriers operating retail shops selling mobile communication products.
- 3) Recruits employees for companies

A flowchart of business operations is shown below.



Note: There are two more consolidated subsidiaries, but these companies are not shown because it has no material impact on consolidated operations.

2.Management Policies

(1) Fundamental management policies

We strongly believe in our ability, potential and the possibilities of the future. We will continue to diligently pursue excellence by innovatively meeting the challenges and opportunities that arise. The goal is the mutual prosperity of customers, shareholders, vendors and all other stakeholders. Management is also committed to strictly observing all laws and regulations and, to preserve the trust of the public, conducting business operations that are fair and transparent in every respect.

(2) Fundamental policy regarding distribution of earnings

Bell-Park's policy is to return earnings to shareholders in a stable and consistent manner which reflecting the Group's operating results. Dividend payments will also take into consideration the need to maintain sufficient retained earnings to preserve financial soundness and support aggressive future business expansion. Retained earnings will be used mainly to expand the retail shop network and to fund strategic investments in new fields of business.

(3) Position and policy regarding reduction in investment unit

Bell-Park views a reduction in the investment unit as an important capital policy issue from the standpoint of increasing the liquidity of its shares and the number of shareholders. The Company plans to carefully consider a reduction to make its shares more accessible to investors while taking into consideration the share price, trading volume and other factors.

The Company has taken the following actions in order to increase the liquidity of its shares and the number of shareholders.

3-for-1 stock split on February 20, 2002

3-for-1 stock split on February 20, 2004

As a result, the number of shareholders following below:

| | |
|--------------------------|-------|
| As of December 31, 2001: | 654 |
| As of December 31, 2002: | 1,041 |
| As of December 31, 2003: | 1,543 |
| As of December 31, 2004: | 3,564 |
| As of December 31, 2005: | 5,056 |

(4) Targeted performance indicators

The Group's medium- and long-term strategy is to expand and reinforce its mobile phone sales business. The Company is also dedicated to the steady growth of staff training and staffing services businesses, and handling applications for fixed-line communication service contracts. To execute these strategies and generate new sources of growth, the Company believes that the reliable procurement of funds for investments is a key factor. Therefore, the performance indicator that is most important at the Company's current stage of development is the cash flow margin, which shows the degree to which the Company is able to generate stable cash flows from its core businesses. Bell-Park is aiming for a margin of 5% for the time being. Due to the importance of continuing to generate consistent cash flows from core businesses, the Group will continue to adhere to a policy of conducting operations while monitoring the cash flow margin.

Actual Cash flow margin in recent fiscal year:

| | FY2003 (Jan. 1 – Dec. 31, 2003) | FY2004 (Jan. 1 – Dec. 31, 2004) | FY2005 (Jan. 1 – Dec. 31, 2005) |
|--------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Net sales | 14,047,426 | 16,456,319 | 24,355,489 |
| Cash flows from operating activities | 351,411 | 935,597 | (264,472) |
| Cash flow margin (%) | 2.5 | 5.7 | - |

Thousand yen

(5) Medium- and long-term strategies

The Group's core business is one element of the mobile phone sales industry. The Group believes that the operating environment in this industry will undergo even more dramatic changes after 2006 due to such events as the start of phone number portability, the emergence of new communication carriers and the introduction of new communication technologies. In this environment, the Group is dedicated to becoming a highly profitable organization with a focus on communication-related businesses. As its medium-term policy, the Group will concentrate on the following two themes.

1) Strengthen the mobile phone sales business

Transform changes in the operating environment into opportunities by adopting an aggressive business posture in order to expand the scale of operations.

2) Grow in new business fields

The Group is aiming to develop the network business into a core source of earnings alongside the mobile phone sales business while rigorously evaluating the profitability and future prospects of the network business.

In the staffing services businesses, additional investments will be made because this business became profitable in the second half of 2005. The goal is to achieve growth in these businesses.

(6) Key issues

As was noted earlier, operating conditions in the mobile phone sales industry are expected to remain challenging, a situation that is likely to cause more consolidations and realignments within the industry. In this environment, the Group is placing the highest priority on raising its profile as a winner in the core mobile phone sales business while establishing consistently profitable businesses in new fields of business.

Key issues in each business segment based on these medium- and long-term policies are as follows.

1) Mobile phone sales business

The November 2006 start of phone number portability is expected to create a big opportunity for Bell-Park by increasing demand for new mobile phones. To capitalize on this opportunity, the Company will reinforce the corporate sales team and enhance training of shop personnel. In addition, plans call for enlarging the shop network through new shop openings and acquisitions of competitors' shops, while closely examining the expected returns on these investments.

2) Network business

The highest priority in the network business is building an operating framework that can be consistently profitable. To accomplish this, the Company will focus on establishing sales business processes and on strengthening the lineup of products and services.

3) Staffing services businesses

In this important business sector, the Company expects that strong demand will continue but foresees increasing difficulty in recruiting sufficient numbers of workers to meet this demand. Due to this operating climate, the Company will improve the personnel supply capabilities of existing operating bases while extending operations into regions where substantial demand exists.

(7) Measures regarding corporate governance and status of measures taken

(Fundamental position regarding corporate governance)

The Company positions the enhancement of corporate governance as an important management issue with regard to executing fundamental management policies. For this purpose, the Company is increasing the efficiency, soundness and transparency of its management framework.

(Status of measures regarding corporate governance)

1) Management frameworks for management decision-making, execution of businesses, auditing and other corporate governance frameworks

(Description of management frameworks)

- Company with corporate auditors

Bell-Park is a company with corporate auditors. As such, management believes that there is a proper and adequate auditing function in place.

- External directors and auditors

The Company has two external directors. By participating in management from an objective standpoint, external directors provide for the effective supervision of the Company's management. Our external directors have no fixed staff.

Board of Auditors consists of three outside auditors, and one is employed by the Company. Our corporate auditors have no fixed staff.

- Framework for performance of duties and management supervision

The Company's Board of Directors supervises the performance of the directors and the Board of Auditors audits their performance. Each auditor performs duties in line with auditing policies, the division of duties and other directives prescribed by the Board of Auditors. Auditors' activities include attending meetings of the Board of Directors and other important meetings, receiving reports on business activities from directors and other managers, reviewing important documents, examining the state of business and financial activities at the head office and important business sites, and receiving reports on the operations of subsidiaries as required. The auditor who is employed by the Company also serves as auditor of the Group's major subsidiaries.

(Status of system of internal controls)

The Company has a Risk Management Office that functions as an internal auditing unit. Based on an annual auditing plan, this office performs audits to verify that the Group's business activities comply with laws and regulations, management policies, internal rules, and other applicable items.

(Status of risk management system)

The Company established a Risk Management Committee (with the Risk Management Office as its secretariat) that is responsible for establishing a risk management framework. This committee handles inquiries from employees, studies facts concerning behavior that may violate laws and regulations, and considers punishments for violations and steps to prevent the reoccurrence of any violations.

(Third-party checks by attorneys, independent auditors and others)

The Company receives advice as necessary from an attorney and independent auditors concerning legal, accounting and other matters. One attorney from the Company's consulting law office serves as an external auditor.

The Group's financial statements are audited by ChuoAoyama Audit Corp. Audits of 2005 financial statements were performed by Masahiro Sawada, a certified public accountant who has audited the Group for the past eight years, and Setsuo Higuchi, a certified public accountant who has audited the Group for the past two years. These two accountants were assisted by three certified public accountants and three assistant accountants. There are no relationships with a financial interest between the Company and ChuoAoyama or its employees who were engaged in auditing the Company.

(Directors and auditors remuneration)

Directors and auditors received the following remuneration in 2005.

Directors: 36,429 thousand yen for four directors (includes 3,150 thousand yen for the two external directors)

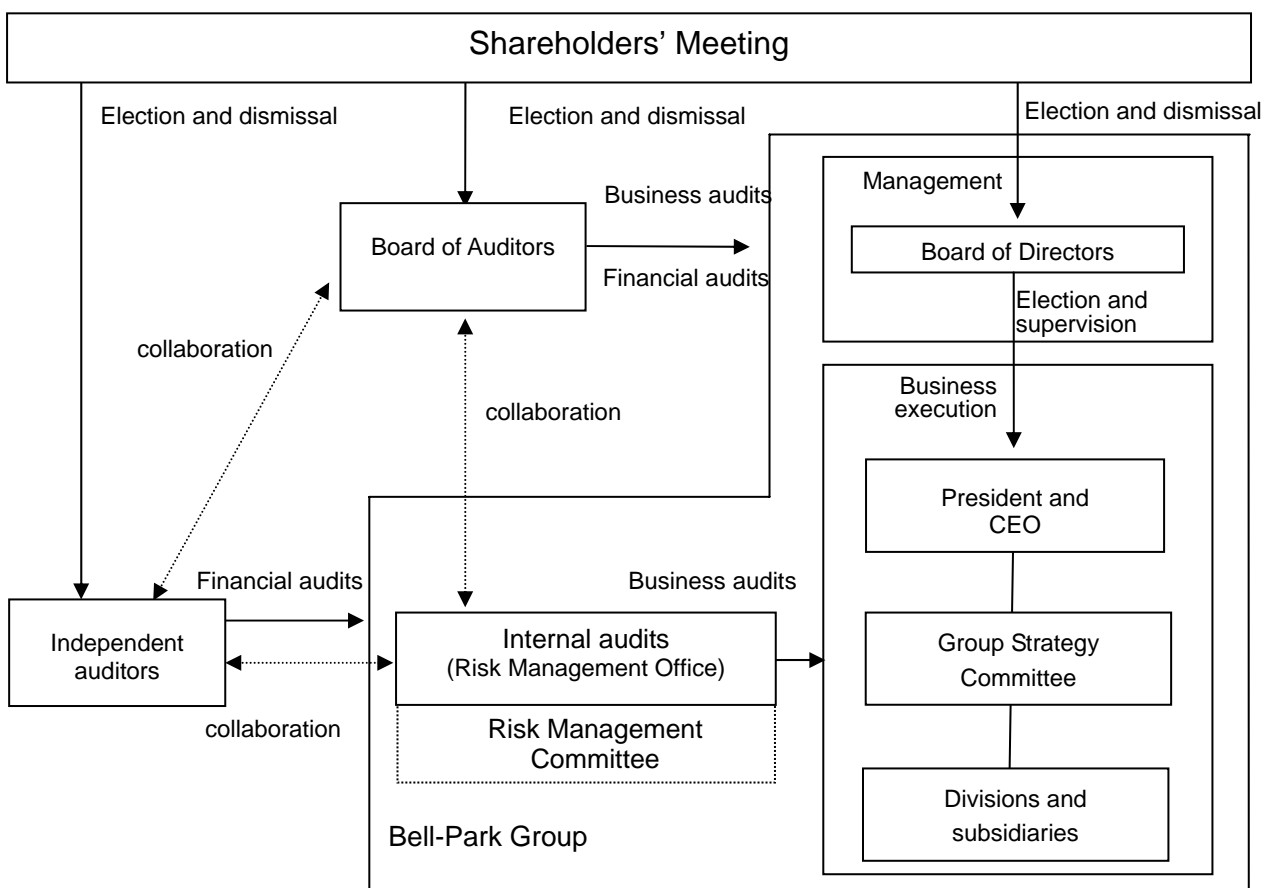
Auditors: 7,200 thousand yen for three auditors

(Payments for auditing services)

ChuoAoyama, the independent auditor, received the following payment 2005.

Contractual payment for audit certification: 14,285 thousand yen

The framework for the execution of business activities, audits and internal controls is as follows.



2) Personal, financial, business and other significant relationships with external directors and outside auditors
The Company has no significant personal, financial or business relationships with its external directors. The Company receives legal advice, as required, from the law office to which its outside auditor belongs.

3) Measures during past year to improve corporate governance and strengthen internal controls
During 2005, the Group performed internal audits that emphasized checking the suitability of processes to determine if business plans have been met, the status of the compliance program, and compliance with laws and regulations. In addition, the Group conducted compliance training for employees and established a Risk Management Committee. Furthermore, internal rules were established and other actions taken to strengthen the internal management framework for the protection of personal information.

(8) Relationship with parent company, etc.

1) Name of parent company, etc.

| Parent company, etc. | Relationships | Voting rights held by the Company | Stock exchange listing (parent company) |
|---------------------------------|----------------|-----------------------------------|---|
| Japan Business Development Inc. | Parent company | 26.60 [-] | None |

Note: Brackets of voting rights held by the parent company includes indirect holdings.

2) Positioning of listed company in parent company, etc. or other corporate group and relationships of other listed company with parent company, etc.

Japan Business Development Inc. holds 26.60% of the Company's voting rights. Takeru Nishikawa, who is a major shareholder of Japan Business Development, is a representative director of the Company. There is no business relationship between Bell-Park and Japan Business Development. Furthermore, JBD has no influence on the Company decisions regarding important management matters. Since Bell-Park reaches decisions on its own, management believes that there is adequate autonomy from its parent company, etc.

3. Results of Operations and Financial Position

(1) Results of operations

Summary of fiscal year:

During 2005, Japan's economy was relatively strong. Corporate earnings continued to improve and there was continuation in the year's second half of the slow increase in consumer spending, which has a significant effect on the Group's operating results.

In this environment, the Bell-Park Group focused on generating earnings in its mobile phone sales business, as well as on developing network business, staffing services business as new business operations for the Group.

Due to the above factors, net sales was 24,355 million yen (148.0%, compared to the previous year), operating income was 948 million yen (150.4%), ordinary income was 946 million yen (148.4%), and net income was 483 million yen (234 million yen loss, compared to the previous year).

Results by business segment were as follows. As Bell-Park is announcing business segment results for the first time in FY2005, no prior-year comparisons are shown.

[Mobile phone sales business]

Mobile phone sales agents in Japan continued to encounter a difficult operating environment. Challenges are posed by slowing growth in new subscribers as the penetration rate climbs even higher and the reorganization of the mobile phone retailing business as small and mid-sized sales agents go out of business or are sold. In particular, the loss of more than 90,000 subscribers during 2005 at Vodafone, the primary business partner of the Company, posed difficulties for the Company.

In this environment, the Company added a total of 15 shops in prime locations through three acquisitions: 4 shops in March 2004, 9 shops in December 2004 and 2 shops in March 2005. These shops made a significant contribution to fiscal year results.

Operating results also benefited from the aggressive opening of new shops (4 Vodafone shops and 1 Bell-Park brand shop).

In addition, the Company focused on increasing earnings by using continuous staff training to upgrade shop operations and by thoroughly executing sales policies. Concerning staff training, the Company is always working on training programs aimed at improving shop operations as the increasingly sophisticated nature of mobile phones and services alters the operating environment. One initiative was to increase the number of shop personnel who have passed the Vodafone certification test (certified employees increased 54% during 2005 to 169 at the end of December 2005). In addition, shop operating manuals were updated and precisely observed. Furthermore, the Company adhered to a sales policy emphasizing the proper balance between upgrading mobile phone models and offering after-sales services. These actions are aimed at avoiding excessive price-cutting, avoiding a reliance solely on sales to first-time users, and enhancing customer satisfaction. Through these measures, the Company worked on raising earnings.

In FY2005, consolidated segment sales totaled 22,929 million yen and operating income was 1,523 million yen.

[Network business]

In the fixed-line communication service sector, where the Company's network business is active, there is now fierce competition among companies offering direct-collection-type fixed-line telephone services, FTTH services, and other new services.

Viewing these developments as a new business opportunity, the Group started the network business in January 2005. The Group is placing priority on gaining an understanding of the products of every carrier and establishing the ideal sales channel for each product. By forming a highly efficient sales framework in this manner, the Group worked on expanding its sales agency business for these products.

However, the direct-collection-type fixed-line telephone services, the main component of the Company's network business, cannot easily be differentiated from competing services. As a result, subscriptions have fallen short of plans. Furthermore, the cancellation rate has been greater than expected, and this segment posted an operating loss.

Due to these actions, this segment posted sales of 582 million yen and an operating loss of 198 million yen in FY2005.

[Staffing services business]

The primary activity in this segment is the provision of employees to sell mobile phones. Demand for this type of staffing service is growing as mobile phone sales agents increase their reliance on employees sent from temporary placement firms.

In this environment, the Group concentrated on establishing ties with new clients and increasing business volume with existing clients. As a result, this segment became profitable in the year's second half, an important step toward developing staffing services into a business that can contribute to the Group earnings.

In FY2005, segment sales totaled 930 million yen and there was an operating loss of 30 million yen.

(2) Financial Position

1) Assets, liabilities and shareholders' equity

(Current assets)

Current assets decreased 418 million yen to 5,378 million yen. The main reasons were an 811 million yen decrease in cash on hand and in banks, a 227 million yen increase in inventories, and an increase of 189 million yen in accounts receivable-trade and accounts receivable-other, mainly a reflection of higher sales associated with growth in the number of shops. The decrease in cash on hand and in banks is explained in

2) Cash Flows below.

(Fixed assets)

Fixed assets increased 392 million yen to 1,432 million yen. The main components were a 107 million yen increase in property, plant and equipment, a 105 million yen increase in investment securities, and 178 million yen increase in leasehold deposits, mainly the result of purchase of call center equipment due to the start of the network business, the purchase of equipment associated with newly opened offices and shops, and growth in investments of excess liquidity.

(Current liabilities)

Current liabilities decreased 461 million yen to 3,423 million yen. There was a 214 million yen decrease in accounts payable-trade and accounts payable-other, a 435 million yen decrease in accrued payable-other, and declines in accounts payable-trade and accounts payable-other, and accrued expenses at a subsidiary that was acquired in FY2004. On the other hand, there was a 41 million yen increase in the allowance for early subscription cancellations as additions were made due to the start of the network business.

(Long-term liabilities)

Long-term liabilities increased 103 million yen to 183 million yen. This was mainly due to a 107 million yen increase in long-term debt.

(Shareholders' equity)

Shareholders' equity increased 330 million yen to 3,383 million yen. This was the net result of net income of 483 million yen, cash dividend paid of 63 million yen and an increase of 94 million yen in treasury stock.

2) Cash Flows

There was a net decrease of 811 million yen in cash and cash equivalents to 1,517 million yen compared with previous fiscal year.

Net cash used in operating activities was 264 million yen compared with a positive cash flow of 935 million yen in FY2004. Major components of cash flows were income before income taxes of 927 million yen, a 189 million yen increase in accounts receivable, a 227 million yen increase in inventories, a 214 million yen decrease in accounts payable, a 435 million yen decrease in accounts payable-other, and income taxes paid of 459 million yen.

Net cash used in investing activities was 498 million yen compared with 580 million yen in FY2004. The primary uses of cash were payments of 183 million yen for the purchase of property, plant and equipment, 100 million yen for the purchase of investment securities and 195 million yen for other investing activities.

Net cash used in financing activities was 48 million yen compared with 130 million yen in FY2004. There were proceeds of 107 million yen from long-term debt, but purchases of treasury stock totaled 94 million yen and cash dividends paid were 63 million yen.

Trends in cash flow indicators were as follows:

| | FY2003 | FY2004 | FY2005 |
|--|--------|--------|--------|
| Shareholders' equity ratio (%) | 62.6 | 44.7 | 49.7 |
| Shareholders' equity ratio at market cap (%) | 43.4 | 74.8 | 103.5 |
| Years of debt amortization (years) | - | - | - |
| Interest coverage ratio (times) | 219.1 | 424.3 | - |

The shareholders' equity ratio is calculated by dividing shareholders' equity by total assets.

The shareholders' equity ratio at market cap is calculated by dividing market capitalization by total assets.

The years of debt amortization is calculated by dividing interest-bearing debt by operating cash flows.

The interest coverage ratio is calculated by dividing operating cash flows by interest expenses.

* All of the above indicators are calculated using figures from the consolidated financial statements.

* Net cash used in operating activities on the statement of cash flows is used as operating cash flow. Interest paid on the statement of cash flows is interest expenses.

* Interest coverage ratio is not listed for the year ended December 31, 2005, because operating cash flows were negative.

(3) Outlook for full year

The domestic demand-backed recovery of Japan's economy is expected to continue in 2006. Although there are concerns about the price of crude oil and other items, household spending is growing as consumers feel the benefits of strong corporate earnings.

In the mobile phone sales industry, the days of strong growth in new subscribers are over because Japan's penetration rate is now more than 70%. However, forecasts call for an even greater shift in users to third-generation mobile phone services. Bell-Park believes this shift will continue to generate a large volume of demand for mobile phone upgrades.

In Japan, mobile phone number portability will begin in November 2006. Bell-Park views this as an opportunity to sell subscriptions to individuals who are switching from other communication carriers to Vodafone, the primary service sold by the Company. At the same time, there is a risk of losing current subscribers to competing carriers. The advent of phone number portability is likely to spark a big increase in new subscribers for the entire industry. However, it is also likely that consumers will delay making mobile phone purchases during the months leading up to the start of portability. Due to these conflicting factors, it is extremely difficult to forecast the impact that mobile phone number portability will have on earnings.

Based on this outlook, Bell-Park's mobile phone sales business will continue to work on improving earnings at shops added through purchases and other means. Another theme is conducting effective sales campaigns for the current primary handsets of carriers and their new service plans. Overall, Bell-Park will work hard on targeting demand created by the introduction of mobile phone number portability.

In the network business, Bell-Park will continue taking actions to develop business activities, focusing on establishing sales processes and recruiting and training personnel with the aim of building a consistently profitable base of operations.

In the staffing services business, performance is steadily improving as profits were recorded in the third and fourth quarters of 2005. In 2006, Bell-Park will continue to expand operations, which chiefly involve the provision of mobile phone sales personnel and the provision of sales assistants to high-volume retailers. There will be investments to add sales offices and to take other actions in order to increase earnings.

Based on this outlook, Bell-Park is forecasting consolidated net sales of 28,500 million yen (117.0%, compared to the previous year), ordinary income of 1,050 million yen (111.0%) and net income of 540 million yen (111.8%) in 2006.

4. Plans for Proceeds from Public Offering at Market Price and Actual Use of Proceeds

On May 25, 2000, Bell-Park procured 1,770 million yen, net of expenses, through a public offering of newly issued stock sold at the market price. The following is a summary of the plan for the use of these proceeds and the actual use.

(1) Plan for Use of Proceeds

Net proceeds of approximately 1,770 million yen were planned to be used as follows: 372 million yen for capital expenditures for shops and other requirements; 173 million yen for working capital; and 1,225 million yen for investments, loans and acquisitions of companies and businesses.

(2) Actual Use of Proceeds

There were some revisions to the above plan. As a result, 450 million yen was used for capital expenditures at shops and other requirements and 1,320 million yen was used for investments, loans and acquisitions of companies and businesses.

5. Business Risk and Other Risks

The following is a list of the primary items that represent risks with regard to Bell-Park's business activities. The Company discloses all items that it believes are significant with regard to investment decisions, including items that do not represent business-related risks. However, investors should be aware that this is not a complete risk of risks that can affect operating results.

[Mobile phone sales business]

(1) Reliance on a particular vendor

Vodafone accounts for 100% of the products that Bell-Park purchases and sells. Consequently, the operating results of the Company are highly vulnerable to changes in procurement terms, commissions and other transaction terms of Vodafone, the introduction of new products and services by this company, and business outlook of Vodafone.

(2) Sales agent contract

The Company operates Vodafone shops on the basis of a sales agent contract with Vodafone. This contract is automatically renewed each year, but can be cancelled at any time. Therefore, there is a risk that the sales agent contract may be cancelled.

(3) Shop opening plans

The opening of Vodafone shops is determined by the strategies of Vodafone. Therefore, changes in Vodafone's strategies can affect the Company's plans for new shops and its results of operations.

(4) Sale of mobile phones

In the mobile phone retailing business, the number of new subscribers is falling as Japan's penetration rate climbs. Furthermore, handset life cycles are short and prices can easily drop because of the steady stream of new products incorporating new functions and other forms of added value.

(5) Commissions received from mobile communication carriers

Bell-Park receives commissions from mobile communication carriers for acting as their agent in the sale of mobile communication service contracts. Depending on changes in the business policies of these carriers, there may be revisions in terms affecting these commissions, such as the amount paid, period over which commissions are paid, services for which commissions are paid, discounts for calling charges and other items. A major change in these terms could have a significant impact on the Company's results of operations.

Furthermore, contracts with communication carriers include a requirement to pay a cancellation fee when customers cancel a subscription soon after signing up. Consequently, the Group maintains an allowance for early subscription cancellations that is based on estimated payments in accordance with past short-term cancellation rates.

Nevertheless, the possibility exists that an increase in these cancellations or other factors may cause cancellation fees to exceed the allowance. This could have a significant impact on results of operations.

(6) Competition with other mobile phone retailers

New products and services are constantly emerging due to technological progress in the mobile communication industry. There are a large number of primary sales agents throughout Japan that have sales agent contracts with carriers as Bell-Park does. Furthermore, the rising penetration rate of mobile phones is reducing sales to new subscribers. These trends indicate that the Company and other mobile phone retailers will face an increasingly competitive environment. This competition could lower the Company's profit margins and have other negative effects on results of operations.

[Network business]

(1) Information concerning sales outsourcing contracts

Bell-Park has sales outsourcing contracts with mobile communication carrier (KDDI, etc.) and other communication carriers to act as a sales agent for service contracts for fixed-line, ADSL, FTTH and other services. Although these contracts cover a period of three years, the Group is exposed to the risk of contract cancellations because companies have the right to terminate a contract prior to its completion.

(2) Risks associated with new business fields

Bell-Park started its network business in January 2005. Since then, the Company has been accumulating know-how in this business with the aim of becoming profitable as soon as possible. However, Bell-Park has much more expertise in its core mobile phone sales business than in the fixed-line communications industry. Furthermore, the Company needs to acquire more experience and expertise concerning call center operations. Consequently, the Company's network business may not perform as well as expected.

(3) Commissions received from mobile communication carriers

Bell-Park receives commissions from communication carriers for its services as a sales agent for service contracts for the fixed-line, ADSL, FTTH and other services provided by these carriers.

Depending on changes in the business policies of these carriers, there may be revisions in terms affecting these commissions, such as the amount paid, period over which commissions are paid, and other items. A major change in these terms could have a significant impact on the Company's results of operations.

Furthermore, contracts with communication carriers include a requirement to pay a cancellation fee when customers cancel a subscription soon after signing up. Consequently, the Group maintains an allowance for early subscription cancellations that is based on estimated payments in accordance with past short-term cancellation rates. Nevertheless, the possibility exists that an increase in these cancellations or other factors may cause cancellation fees to exceed the allowance. This could have a significant impact on results of operations.

(4) Competition with other mobile phone retailers

New products and services are constantly emerging due to technological progress in the fixed-line and Internet communication service industry. There are a large number of primary sales agents throughout Japan that have sales agent contracts with carriers as Bell-Park does. Furthermore, the rising penetration rate of mobile phones is reducing sales to new subscribers.

These trends indicate that the Company and other mobile phone retailers will face an increasingly competitive environment. This competition could lower the Company's profit margins and have other negative effects on results of operations.

[Staffing services business]

(1) Personnel recruiting

In the staffing services business, success is highly dependent on the ability to recruit talented workers. The Group constantly places want ads in a variety of media and takes other recruiting actions in order to steadily increase the number of registered workers. However, there may be a significant change in the recruiting environment due to fluctuations in employment statistics associated with economic trends, a shift in Japan's population composition, and changes in other parameters. If these events prevent the Company from recruiting personnel as planned, the performance of the staffing business could suffer, negatively impacting the Group's results of operations.

(2) Reliance on a particular industry

The Group's staffing services business is highly reliant on the mobile communications industry. There may be a significant decline in the number of carrier shops, the primary assignment for workers provided by the Group, due to a change in the shop network policies of mobile communication carriers. There may also be changes in the employment policies of mobile communication carriers and their sales agents. A significant decline in the use of staffing services caused by such changes could have a significant impact on the Group's results of operations.

(3) Laws and regulations

In Japan, the staffing services business is regulated in accordance with the provisions of the Worker Dispatch Law. In the event that the Bell-Park Group violates this law, the Minister of Health, Labour and Welfare may cancel the Company's license to conduct a general worker staffing service business. The Group is committed to conducting this business in compliance with the Worker Dispatch Law. However, in the event that the Group loses its license for some reason, it may no longer be possible to conduct this business, resulting in a significant impact on the Group's results of operations.

[Customer information]

Bell-Park takes steps to maintain an internal management system for customer information. However, in the event of an inadvertent leak of customer information, there could be an adverse impact on the Company's financial condition and operating results due to erosion in public confidence or a requirement to pay financial damages. In addition, there may be an increase in expenses required to establish a customer information protection system in the future.

6. Consolidated Financial Statements

Consolidated Financial Statements

(1) Consolidated Balance Sheets

| Account | * | FY2004 (As of Dec. 31, 2004) | | FY2005 (As of Dec. 31, 2005) | | |
|---|---|---------------------------------|-----------|---------------------------------|-----------|-------|
| | | Thousand yen | % | Thousand yen | % | |
| Assets | | | | | | |
| I. Current assets | | | | | | |
| 1. Cash on hand and in banks | | 2,328,908 | | 1,517,834 | | |
| 2. Accounts receivable - trade and accounts receivable - other | | 2,209,836 | | 2,399,386 | | |
| 3. Inventories | | 1,059,253 | | 1,286,622 | | |
| 4. Deferred tax assets | | 53,144 | | 83,065 | | |
| 5. Other current assets | | 145,980 | | 92,172 | | |
| Allowance for doubtful accounts | | (177) | | (1,073) | | |
| Total current assets | | 5,796,946 | 84.8 | 5,378,008 | 79.0 | |
| II. Fixed assets | | | | | | |
| 1. Property, plant and equipment | | | | | | |
| (1) Buildings | | 222,419 | | 297,311 | | |
| Depreciation and amortization | | 51,788 | 170,631 | 81,208 | 216,102 | |
| (2) Structure | | 2,592 | | 6,927 | | |
| Depreciation and amortization | | 525 | 2,066 | 1,002 | 5,925 | |
| (3) Vehicles | | 1,530 | | 3,003 | | |
| Depreciation and amortization | | 273 | 1,256 | 1,111 | 1,891 | |
| (4) Furniture and fixtures | | 92,784 | | 180,331 | | |
| Depreciation and amortization | | 50,903 | 41,880 | 81,018 | 99,313 | |
| Total property, plant and equipment | | | 215,835 | 3.1 | 323,233 | 4.7 |
| 2. Intangible assets | | | 12,114 | 0.2 | 22,316 | 0.3 |
| 3. Investments and other assets | | | | | | |
| (1) Investment securities | | | - | | 105,688 | |
| (2) Leasehold deposits | | | 588,811 | | 767,222 | |
| (3) Deferred tax assets | | | 60,900 | | 47,519 | |
| (4) Others | | | 166,299 | | 168,798 | |
| Allowance for doubtful accounts | | | (3,609) | | (2,204) | |
| Total investments other assets | | | 812,402 | 11.9 | 1,087,025 | 16.0 |
| Total fixed assets | | | 1,040,352 | 15.2 | 1,432,575 | 21.0 |
| Total assets | | | 6,837,298 | 100.0 | 6,810,583 | 100.0 |

| Account | * | FY2004 (As of Dec. 31, 2004) | | FY2005 (As of Dec. 31, 2005) | |
|---|----|---------------------------------|-------|---------------------------------|-------|
| | | Thousand yen | % | Thousand yen | % |
| Liabilities | | | | | |
| I. Current liabilities | | | | | |
| 1. Accounts payable - trade and accounts payable - other | | 2,278,854 | | 2,064,253 | |
| 2. Accounts payable - non-trade | | 639,052 | | 203,149 | |
| 3. Accrued income taxes | | 302,860 | | 323,671 | |
| 4. Reserve for employees' bonuses | | 35,811 | | 48,255 | |
| 5. Allowance for early subscription cancellations | | 36,305 | | 77,951 | |
| 6. Other current liabilities | | 411,838 | | 526,357 | |
| Total current liabilities | | 3,704,722 | 54.2 | 3,243,639 | 47.6 |
| II. Long-term liabilities | | | | | |
| 1. Long-term debt | | - | | 107,590 | |
| 2. Liability for employees' retirement benefits | | 24,309 | | 24,463 | |
| 3. Other long-term liabilities | | 54,811 | | 50,998 | |
| Total long-term liabilities | | 79,120 | 1.1 | 183,051 | 2.7 |
| Total liabilities | | 3,783,843 | 55.3 | 3,426,691 | 50.3 |
| Shareholders' equity | | | | | |
| I. Common stock | *1 | 1,085,035 | 15.9 | 1,086,140 | 15.9 |
| II. Capital surplus | | 1,539,443 | 22.5 | 1,540,547 | 22.6 |
| III. Retained earnings | | 542,557 | 8.0 | 961,866 | 14.1 |
| IV. Net unrealized holding gain on securities | | - | | 3,373 | 0.1 |
| V. Treasury stock | *2 | (113,581) | (1.7) | (208,036) | (3.0) |
| Total shareholders' equity | | 3,053,454 | 44.7 | 3,383,892 | 49.7 |
| Total liabilities and shareholders' equity | | 6,837,298 | 100.0 | 6,810,583 | 100.0 |

2) Consolidated Statements of Income

| Account | * | FY2004 (Jan. 1 – Dec. 31, 2004) | | FY2005 (Jan. 1 – Dec. 31, 2005) | | | |
|---|----|------------------------------------|------------|------------------------------------|------------|-----------|------|
| | | Thousand yen | % | Thousand yen | % | | |
| I. Net sales | | | 16,456,319 | 100.0 | 24,355,489 | 100.0 | |
| II. Cost of goods sold | | | 13,515,747 | 82.1 | 19,671,400 | 80.8 | |
| Gross profit | | | 2,940,571 | 17.9 | 4,684,088 | 19.2 | |
| III. Selling, general and administrative expenses | | | | | | | |
| 1. Advertisement | | 109,693 | | | 121,927 | | |
| 2. Salaries | | 625,015 | | | 993,108 | | |
| 3. Miscellaneous wages | | 312,690 | | | 407,711 | | |
| 4. Welfare expenses | | 119,270 | | | 170,931 | | |
| 5. Provision of accrued expenses | | 37,108 | | | 49,457 | | |
| 6. Retirement benefit expenses | | 11,647 | | | 7,052 | | |
| 7. Rent | | 341,167 | | | 526,552 | | |
| 8. Depreciation | | 33,921 | | | 69,772 | | |
| 9. Others | | 719,399 | 2,309,916 | 14.0 | 1,388,815 | 3,735,328 | 15.3 |
| Operating income | | | 630,655 | 3.9 | 948,760 | 3.9 | |
| IV. Non-operating income | | | | | | | |
| 1. Interest income | | 21 | | | 14 | | |
| 2. Income tax refunds | | 3,996 | | | - | | |
| 3. Payments on termination of insurance policies | | 5,598 | | | - | | |
| 4. Leasing expenses | | 9,313 | | | 8,412 | | |
| 5. Other non-operating income | | 4,131 | 23,061 | 0.1 | 13,937 | 22,363 | 0.1 |
| V. Non-operating expenses | | | | | | | |
| 1. Interest expenses | | 2,205 | | | 1,585 | | |
| 2. Leasing expenses | | 8,961 | | | 10,754 | | |
| 3. Sales compensation expenses | | - | | | 2,872 | | |
| 4. Other non-operating expenses | | 4,806 | 15,973 | 0.1 | 9,654 | 24,866 | 0.1 |
| Ordinary income | | | 637,743 | 3.9 | 946,257 | 3.9 | |
| VI. Extraordinary income | | | | | | | |
| 1. Gain on sale of investment securities | | 3,500 | 3,500 | 0.0 | - | - | |
| VII. Extraordinary loss | | | | | | | |
| 1. Loss on sale of fixed assets | *1 | 3,257 | | | - | | |
| 2. Loss on removal of fixed assets | *2 | 25,848 | | | 11,112 | | |
| 3. Accrued directors' severance benefits | | 17,400 | | | - | | |
| 4. Amortization of goodwill | | 51,428 | | | - | | |
| 5. Amortization of consolidated goodwill | | 467,195 | | | - | | |
| 6. Shop closures expense | | - | | | 7,154 | | |
| 7. Other extraordinary loss | | 2,767 | 567,896 | 3.4 | - | 18,267 | 0.1 |
| Income before income taxes | | | 73,346 | 0.5 | 927,989 | 3.8 | |
| Income taxes - current | | 278,405 | | | 463,638 | | |
| Income taxes - deferred | | 29,303 | 307,708 | 1.9 | (18,855) | 444,783 | 1.8 |
| Net income | | | (234,361) | (1.4) | 483,206 | 2.0 | |

3) Consolidated Statements of Retained Earnings

| Account | * | FY2004 (Jan. 1 – Dec. 31, 2004) | | FY2005 (Jan. 1 – Dec. 31, 2005) | |
|--|---|------------------------------------|-----------|------------------------------------|-----------|
| | | Thousand yen | | Thousand yen | |
| Capital surplus | | | 1,528,708 | | 1,539,443 |
| I. Capital surplus at beginning of year | | | | | |
| II. Increase in capital surplus | | | | | |
| 1. New stock issue for the exercise of stock options | | 10,734 | 10,734 | 1,104 | 1,104 |
| III. Capital surplus at end of year | | | 1,539,443 | | 1,540,547 |
| Retained earnings | | | | | |
| I. Retained earnings at beginning of year | | | 885,782 | | 542,557 |
| II. Increase in retained earnings | | | | | |
| 1. Net income | | - | - | 483,206 | 483,206 |
| III. Decrease in retained earnings | | | | | |
| 1. Cash dividends | | 106,862 | | 63,897 | |
| 2. Directors' bonuses | | 2,000 | | - | |
| 3. Net loss | | 234,361 | 343,224 | - | 63,897 |
| IV. Retained earnings at end of year | | | 542,557 | | 961,866 |

4) Consolidated Statements of Cash Flows

| | FY2004 (Jan. 1 – Dec. 31, 2004) | FY2005 (Jan. 1 – Dec. 31, 2005) |
|--|---------------------------------------|---------------------------------------|
| Account | Thousand yen | Thousand yen |
| I. Cash flows from operating activities | | |
| Income before income taxes | 73,346 | 927,989 |
| Depreciation and amortization | 32,701 | 69,772 |
| Amortization of goodwill | 51,428 | 6,349 |
| Amortization of consolidated goodwill | 467,195 | - |
| Increase (decrease) in allowance for doubtful accounts | 1,828 | (509) |
| Increase (decrease) in reserve for employees' bonuses | (13,112) | 12,443 |
| Increase in allowance for early subscription cancellations | 19,808 | 41,646 |
| Increase in liability for employees' retirement benefits | 3,349 | 154 |
| Increase (decrease) in accrued directors' severance benefits | (42,019) | - |
| Interest and dividend income | (21) | (14) |
| Interest expenses | 2,205 | 1,585 |
| Gain on sale of investment securities | (3,500) | - |
| Loss on sale of fixed assets | 3,257 | - |
| Loss on removal of fixed assets | 25,848 | 11,112 |
| Decrease (Increase) in account receivables | (472,339) | (189,550) |
| Decrease (Increase) in inventories | (147,632) | (227,368) |
| Increase (decrease) in accounts payable | 479,670 | (214,600) |
| Increase (decrease) in accounts payable - other | - | (435,902) |
| Others | 293,407 | 193,413 |
| Subtotal | 775,423 | 196,521 |
| Interest and dividends received | 21 | 14 |
| Interest paid | (2,205) | (1,585) |
| Income taxes refund (paid) | 162,358 | (459,422) |
| Net cash provided by (used in) operating activities | 935,597 | (264,472) |
| II. Cash flows from investing activities | | |
| Payment for purchase of investment securities | (35,000) | (100,000) |
| Proceeds from sale of investment securities | 38,500 | - |
| Payment for purchase of property, plant and equipment | (105,640) | (183,269) |
| Proceeds from sale of property, plant and equipment | 500 | - |
| Payment for purchase of subsidiary stock involving changes in the scope of consolidation | (419,733) | - |
| Payment for purchase of business | (51,428) | (19,047) |
| Others | (7,700) | (195,808) |
| Net cash provided by (used in) investing activities | (580,503) | (498,125) |
| III. Cash flows from financing activities | | |
| Proceeds from long-term debt | - | 107,590 |
| Proceeds from issuance of new stock | 20,295 | 2,208 |
| Payment for purchase of treasury stock | (44,005) | (94,454) |
| Cash dividends paid | (106,862) | (63,820) |
| Net cash provided by (used in) financing activities | (130,572) | (48,476) |
| IV. Net increase in cash and cash equivalents | 224,521 | (811,074) |
| V. Cash and cash equivalents at beginning of year | 2,104,387 | 2,328,908 |
| VI. Cash and cash equivalents at end of year | 2,328,908 | 1,517,834 |

Significant Accounting Policies in the Preparation of Consolidated Financial Statements

| | FY2004 (Jan. 1 – Dec. 31, 2004) | FY2005 (Jan. 1 – Dec. 31, 2005) |
|---|--|---|
| 1. Principles of consolidation | <p>The consolidated financial statements include the accounts of the Company and its two consolidated subsidiaries.</p> <p>Name of consolidated subsidiary: J-PHONE SERVICE Co., Ltd. Nikka Co., Ltd.</p> <p>Effective the current consolidated fiscal year, Nikka Co., Ltd., converted into a subsidiary through acquisition of stock, is included in the consolidation.</p> <p>J-Phone Service Co., Ltd. was renamed Japan Pro-Staff Co., Ltd. on January 1, 2005.</p> | <p>The consolidated financial statements include the accounts of the Company and its five consolidated subsidiaries.</p> <p>Name of consolidated subsidiaries: Japan Pro Staff Co., Ltd. Nikka Co., Ltd. Upward Mobility Co., Ltd. Opt Power Co., Ltd. Mobile Tiger Co., Ltd.</p> <p>Effective the current fiscal year, Upward Mobility Co., Ltd., Opt Power Co., Ltd., and Mobile Tiger Co., Ltd. are consolidated due to establishment.</p> |
| 2. Fiscal year-end of consolidated subsidiaries | The end of the fiscal year of the consolidated subsidiary's fiscal year is the same as that for the Company. | Same as on the left. |
| 3. Significant accounting policies | | |
| (1) Valuation criteria and methods for principal assets | <p>Securities Other securities Securities with market quotations -</p> <p>Securities without market quotations Securities without market quotations are stated at cost, cost being determined by the moving-average method.</p> <p>Inventories Merchandise: Merchandise is stated at cost determined primarily by the moving-average method. Supplies: Supplies are stated at cost, cost being determined by the last purchase price method.</p> | <p>Securities Other securities Securities with market quotations Securities with market quotations are carried at fair value on the balance sheet date. Changes in unrealized holding gain or loss are included directly in shareholders' equity. The cost of securities sold is determined by the moving-average method.</p> <p>Securities without market quotations Same as on the left.</p> <p>Inventories Merchandise: Same as on the left.</p> <p>Supplies: Same as on the left.</p> |
| (2) Depreciation and amortization of significant depreciable assets | <p>Property, plant and equipment Depreciation of property, plant and equipment is primarily computed by the declining-balance method. Useful life of principle assets is as follows: Buildings: 3-24 years Structures: 10-20 years Vehicles: 2-6 years Furniture and fixtures: 2-15 years</p> | <p>Property, plant and equipment: Same as on the left.</p> <p>Useful life of principle assets is as follows: Buildings: 3-24 years Structures: 10-20 years Vehicles: 2-6 years Furniture and fixtures: 2-15 years</p> |

| | FY2004 (Jan. 1 – Dec. 31, 2004) | FY2005 (Jan. 1 – Dec. 31, 2005) |
|---|---|--|
| (3) Recognition of significant allowances | <p>Intangible assets Straight-line method. The development costs of software intended for internal use are amortized over an estimated useful life of 5 years by the straight-line method. Goodwill recorded during the fiscal period was amortized in a lump sum.</p> | <p>Intangible assets Same as on the left. The development costs of software intended for internal use are amortized over an estimated useful life of 5 years by the straight-line method. Goodwill recorded during the fiscal period was amortized for 3 years by the straight-line method.</p> <p>(Changes in accounting principles) In prior year, goodwill was amortized lump sum as accrued. Effective from the current consolidated fiscal year, goodwill is amortized by the straight-line method over a period of three years. The above change in the accounting policy is in keeping with the expected revisions to the corporate accounting standards and aims at normalizing period income by more reasonably reflecting the impact of investment on operating results.</p> <p>The effect of this change in the accounting policy was to reduce the operating income and ordinary income by 6,349 thousand yen each and increase the income before income taxes by 12,698 thousand yen, compared to the amounts that would have been reported if the previous accounting standards had been applied consistently.</p> |
| | <p>Long-term prepaid expenses Long-term prepaid expenses are amortized by the straight-line method.</p> | <p>Long-term prepaid expenses Same as on the left.</p> |
| | <p>Allowance for doubtful accounts To prepare for credit losses on accounts receivable and loans receivable etc., allowances equal to the estimated amount of uncollectible receivables are provided for general receivables based on the historical write-off ratio, and bad receivables based on case-by-case determination of collectibility.</p> | <p>Allowance for doubtful accounts Same as on the left.</p> |
| | <p>Reserves for employees' bonuses As a means of providing for bonus obligations, the Company designates in the reserve account an amount estimated to have accrued for the current fiscal year.</p> | <p>Reserves for employees' bonuses Same as on the left.</p> |
| | <p>Allowance for early subscription cancellations The Company and subsidiaries refund subscription commission to the telecom carrier, with which it has an agency agreement, if a subscriber cancels his subscription early. To provide for repayment of subscription commission related to such early subscription cancellations, the Company provides an allowance equal to the estimated amounts of refund for early subscription commission based on the historical refund ratio.</p> | <p>Allowance for early subscription cancellations The Company and subsidiaries refund subscription commission to the telecom carrier, with which it has agency or a sales outsourcing agreement, if mobile/fixed-line phone users cancel his subscription early. To provide for repayment of subscription commission related to such early subscription cancellations, the Company provides an allowance equal to the estimated amounts of refund for early subscription commission based on the historical refund ratio.</p> |
| | | |

| | FY2004 (Jan. 1 – Dec. 31, 2004) | FY2005 (Jan. 1 – Dec. 31, 2005) |
|---|---|--|
| (4) Other significant accounting policies in the preparation of consolidated financial statements | <p>Liability for employees' retirement benefits To provide for employee retirement benefits, the Company provides an allowance for retirement benefits in the amount deemed to have accrued, determined (simple method) on the basis of the projected benefit obligation on the fiscal year balance sheet date.</p> <p>Accrued directors' severance benefits Previously, to provide for the accrued directors' severance benefits, the Company provided an allowance for the aggregate amount payable at the end of the fiscal year pursuant to the Company's rules on directors' retirement benefits. The directors' retirement benefit system was terminated at the March 26, 2004 shareholders meeting and amounts due to current directors as of the end of this meeting are to be paid upon the retirement of these directors. Accordingly, the balance of 40,494 thousand yen in directors' retirement benefits as of the end of this meeting has been transferred to "Others" in long-term liabilities.</p> <p>Accounting for consumption taxes All amounts stated are exclusive of consumption taxes.</p> | <p>Liability for employees' retirement benefits Same as on the left.</p> <p>-</p> <p>Accounting for consumption taxes Same as on the left.</p> |
| 4. Valuation of assets and liabilities of consolidated subsidiaries | Assets and liabilities of consolidated subsidiaries are valued at market. | Same as on the left. |
| 5. Amortization of goodwill | <p>Goodwill acquired during the consolidated fiscal year was amortized lump sum.</p> <p>Competition in the mobile phone sector, our core area of operations, is intense and as a result the outlook for the sector's operating environment is becoming increasingly uncertain. As a result, it has become all the more difficult to reasonably estimate contribution of acquired firms to our operating results.</p> <p>In view of the above considerations, the Company has decided to amortize goodwill in the year in which it is recognized and account it as an extraordinary loss.</p> | - |
| 6. Appropriation of retained earnings | The consolidated financial statements include retained earnings allocations declared by consolidated subsidiaries during the current fiscal year. | Same as on the left. |
| 7. Scope of cash and cash equivalents on consolidated statements of cash flows | For the purpose of consolidated statements of cash flows, cash and cash equivalents consists 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 known amounts of cash and present insignificant risk of change in value. | Same as on the left. |

Reclassifications

| FY2004 (Jan. 1 – Dec. 31, 2004) | FY2005 (Jan. 1 – Dec. 31, 2005) | | | | | | | | | | | | | | | | | | | | |
|---|--|--------------|---------------|--------|----------|---------|---------------------|---------|------------------|--------|----------------------------------|--------|------------------------------|-------|------|---------|--------------|--------|--------|---------|---|
| <p>(Consolidated balance sheet)</p> <p>Effective the current consolidated fiscal year, “Accrued payable-other,” included in “Others” under “Current liabilities” in prior periods, is reclassified and presented as a separate line item since the amount of “Accrued payable-other,” exceeded 5/100 of the “Total liabilities, Minority interests and Shareholders’ equity”.</p> <p>In the previous fiscal year, “Accrued payable-other,” totaled 87,909 thousand yen.</p> | - | | | | | | | | | | | | | | | | | | | | |
| <p>(Consolidated statements of income)</p> <p>1. Effective the current consolidated fiscal year, selling, general and administrative expenses presented as a single item “Selling, general and administrative expenses” (with the breakdown of major items and corresponding expenses presented in the Notes to Consolidated Statements of Income) in prior periods are reclassified and presented as separate line items.</p> <p>The following is a restatement of the selling, general and administrative expenses for the previous fiscal year to make them conform to the current fiscal year presentation:</p> <table style="margin-left: 40px;"> <thead> <tr> <th></th> <th style="text-align: right;">Thousand yen</th> </tr> </thead> <tbody> <tr> <td>Advertisement</td> <td style="text-align: right;">87,169</td> </tr> <tr> <td>Salaries</td> <td style="text-align: right;">530,623</td> </tr> <tr> <td>Miscellaneous wages</td> <td style="text-align: right;">276,246</td> </tr> <tr> <td>Welfare expenses</td> <td style="text-align: right;">96,111</td> </tr> <tr> <td>Provision of reserve for bonuses</td> <td style="text-align: right;">26,098</td> </tr> <tr> <td>Retirement benefits expenses</td> <td style="text-align: right;">7,828</td> </tr> <tr> <td>Rent</td> <td style="text-align: right;">293,353</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">28,610</td> </tr> <tr> <td>Others</td> <td style="text-align: right;">712,861</td> </tr> </tbody> </table> <p>2. Effective the current consolidated fiscal year, “Provision of allowance for doubtful accounts,” presented as a separate line item under “Non-operating expenses” in the previous fiscal year, is reclassified and included in “Other non-operating expenses,” given the reduced materiality of impact of the amount on the consolidated financial statements.</p> <p>In the current fiscal year, “Provision of allowance for doubtful accounts,” included in “Other non-operating expenses” is 125 thousand yen.</p> | | Thousand yen | Advertisement | 87,169 | Salaries | 530,623 | Miscellaneous wages | 276,246 | Welfare expenses | 96,111 | Provision of reserve for bonuses | 26,098 | Retirement benefits expenses | 7,828 | Rent | 293,353 | Depreciation | 28,610 | Others | 712,861 | <p>(Consolidated Statements of Income)</p> <p>Effective from the current fiscal year “Shop closures expense”, presented as a component of “Other extraordinary loss” account for the previous fiscal year, are reclassified and presented as a separate item since the “Shop closures expense” exceeded 10/100 of “Extraordinary loss” at the end of the current fiscal year. “Shop closures expense” totaled 2,767 thousand yen at the end of the fiscal year.</p> |
| | Thousand yen | | | | | | | | | | | | | | | | | | | | |
| Advertisement | 87,169 | | | | | | | | | | | | | | | | | | | | |
| Salaries | 530,623 | | | | | | | | | | | | | | | | | | | | |
| Miscellaneous wages | 276,246 | | | | | | | | | | | | | | | | | | | | |
| Welfare expenses | 96,111 | | | | | | | | | | | | | | | | | | | | |
| Provision of reserve for bonuses | 26,098 | | | | | | | | | | | | | | | | | | | | |
| Retirement benefits expenses | 7,828 | | | | | | | | | | | | | | | | | | | | |
| Rent | 293,353 | | | | | | | | | | | | | | | | | | | | |
| Depreciation | 28,610 | | | | | | | | | | | | | | | | | | | | |
| Others | 712,861 | | | | | | | | | | | | | | | | | | | | |
| - | <p>(Consolidated Statements of Cash Flows)</p> <p>“Decrease in accounts payable-other,” included in “Others” under “Cash flows from operating activities” in the prior fiscal year, is reclassified and presented as a separate line item, given the increase in the materiality of impact in the context of the consolidated financial statements.</p> <p>In the prior fiscal year, “Increase in accounts payable-other,” included in “Others” amounted to 64,910 thousand yen.</p> | | | | | | | | | | | | | | | | | | | | |

Supplementary Information

| FY2004 (Jan. 1 – Dec. 31, 2004) | FY2005 (Jan. 1 – Dec. 31, 2005) |
|------------------------------------|--|
| - | (Method for displaying the pro forma portion of corporate taxes in the consolidated statements of income) The Accounting Standards Board of Japan released on February 13, 2004 its Practical Response Report No. 12 “Practical handling of the display of the pro forma portion of corporate taxes in income statements.” In line with this report, we have included 16,211 thousand yen from the added value and capital portion of income taxes in selling, general, and administrative expenses, starting from the current fiscal year. |

Notes to Consolidated Financial Statements

Notes to Consolidated Balance Sheets

| FY2004 (Jan. 1 – Dec. 31, 2004) | FY2005 (Jan. 1 – Dec. 31, 2005) |
|---|---|
| *1 Class and number of shares outstanding | *1 Class and number of shares outstanding |
| Common stock 65,931.18 shares | Common stock 65,961.18 shares |
| *2 Treasury stock | *2 Treasury stock |
| Common stock 2,033.5 shares | Common stock 3,033.5 shares |

Notes to Consolidated Statements of Income

Thousand yen

| FY2004 (Jan. 1 - Dec. 31, 2004) | FY2005 (Jan. 1 - Dec. 31, 2005) |
|---|---|
| *1 Significant components of loss on sale of fixed assets | - |
| Buildings 3,257 | |
| Total 3,257 | |
| *2 Significant components loss on removal of fixed assets | *2 Significant components loss on removal of fixed assets |
| Buildings 23,695 | Buildings 6,802 |
| Furniture and fixture 995 | Furniture and fixture 1,173 |
| Intangible fixed assets (Software) 766 | Intangible fixed assets (Software) 3,137 |
| Intangible fixed assets (Trademarks) 390 | Total 11,112 |
| Total 25,848 | |

Notes to Consolidated Statements of Cash Flows

Thousand yen

| FY2004 (Jan. 1 – Dec. 31, 2004) | FY2005 (Jan. 1 – Dec. 31, 2005) | | | | | | | | | | | | | | | | | | |
|---|------------------------------------|-----------|---------------------------|-----------|--|---------------------------|--|---------------------------|-----------------------|--------------|-------------------------------------|---------|---|----------|--------------------------------|-----------|-------------------------------------|---------|---|
| <p>*1 Reconciliation of cash and cash equivalents of the statements of cash flows and account balances of balance sheets for the period is made as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Cash on hand and in banks</td> <td style="text-align: right;">2,328,908</td> </tr> <tr> <td style="border-top: 1px solid black;">Cash and cash equivalents</td> <td style="text-align: right; border-top: 1px solid black;">2,328,908</td> </tr> </table> | Cash on hand and in banks | 2,328,908 | Cash and cash equivalents | 2,328,908 | <p>*1 Reconciliation of cash and cash equivalents of the statements of cash flows and account balances of balance sheets for the period is made as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Cash on hand and in banks</td> <td style="text-align: right;">1,517,834</td> </tr> <tr> <td style="border-top: 1px solid black;">Cash and cash equivalents</td> <td style="text-align: right; border-top: 1px solid black;">1,517,834</td> </tr> </table> | Cash on hand and in banks | 1,517,834 | Cash and cash equivalents | 1,517,834 | | | | | | | | | | |
| Cash on hand and in banks | 2,328,908 | | | | | | | | | | | | | | | | | | |
| Cash and cash equivalents | 2,328,908 | | | | | | | | | | | | | | | | | | |
| Cash on hand and in banks | 1,517,834 | | | | | | | | | | | | | | | | | | |
| Cash and cash equivalents | 1,517,834 | | | | | | | | | | | | | | | | | | |
| <p>*2 Assets and liabilities of newly consolidated subsidiary (acquired through and exchange of stock) In connection with the consolidation of Nikka Co., Ltd. through the acquisition of its shares, details of assets and liability items at the time of the consolidation of Nikka Co., Ltd. and the relationship between the acquisition cost of the shares of Nikka Co., Ltd. and the expense (net) related to the acquisition of Nikka Co., Ltd. are summarized as follows</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Current assets</td> <td style="text-align: right;">711,341</td> </tr> <tr> <td>Fixed assets</td> <td style="text-align: right;">200,196</td> </tr> <tr> <td>Amortization of goodwill</td> <td style="text-align: right;">467,195</td> </tr> <tr> <td>Current liabilities</td> <td style="text-align: right;">(655,491)</td> </tr> <tr> <td style="border-top: 1px solid black;">Long-term liabilities</td> <td style="text-align: right; border-top: 1px solid black;">(23,242)</td> </tr> <tr> <td>Acquisition value (Nikka Co., Ltd.)</td> <td style="text-align: right;">700,000</td> </tr> <tr> <td>Cash and cash equivalents (Nikka Co., Ltd.)</td> <td style="text-align: right;">(80,266)</td> </tr> <tr> <td style="border-top: 1px solid black;">Accrued cost of stock transfer</td> <td style="text-align: right; border-top: 1px solid black;">(200,000)</td> </tr> <tr> <td>Acquisition cost of Nikka Co., Ltd.</td> <td style="text-align: right;">419,733</td> </tr> </table> | Current assets | 711,341 | Fixed assets | 200,196 | Amortization of goodwill | 467,195 | Current liabilities | (655,491) | Long-term liabilities | (23,242) | Acquisition value (Nikka Co., Ltd.) | 700,000 | Cash and cash equivalents (Nikka Co., Ltd.) | (80,266) | Accrued cost of stock transfer | (200,000) | Acquisition cost of Nikka Co., Ltd. | 419,733 | - |
| Current assets | 711,341 | | | | | | | | | | | | | | | | | | |
| Fixed assets | 200,196 | | | | | | | | | | | | | | | | | | |
| Amortization of goodwill | 467,195 | | | | | | | | | | | | | | | | | | |
| Current liabilities | (655,491) | | | | | | | | | | | | | | | | | | |
| Long-term liabilities | (23,242) | | | | | | | | | | | | | | | | | | |
| Acquisition value (Nikka Co., Ltd.) | 700,000 | | | | | | | | | | | | | | | | | | |
| Cash and cash equivalents (Nikka Co., Ltd.) | (80,266) | | | | | | | | | | | | | | | | | | |
| Accrued cost of stock transfer | (200,000) | | | | | | | | | | | | | | | | | | |
| Acquisition cost of Nikka Co., Ltd. | 419,733 | | | | | | | | | | | | | | | | | | |
| <p>*3 Assets and liabilities increased by business transferred during the fiscal year are as follows.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Current assets</td> <td style="text-align: right;">20,643</td> </tr> <tr> <td style="border-top: 1px solid black;">Fixed assets</td> <td style="text-align: right; border-top: 1px solid black;">53,310</td> </tr> <tr> <td>Total assets</td> <td style="text-align: right;">73,954</td> </tr> </table> | Current assets | 20,643 | Fixed assets | 53,310 | Total assets | 73,954 | <p>*3 Assets and liabilities increased by business transferred during the fiscal year are as follows.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%; border-top: 1px solid black;">Fixed assets</td> <td style="text-align: right; border-top: 1px solid black;">24,040</td> </tr> <tr> <td>Total assets</td> <td style="text-align: right;">24,040</td> </tr> </table> | Fixed assets | 24,040 | Total assets | 24,040 | | | | | | | | |
| Current assets | 20,643 | | | | | | | | | | | | | | | | | | |
| Fixed assets | 53,310 | | | | | | | | | | | | | | | | | | |
| Total assets | 73,954 | | | | | | | | | | | | | | | | | | |
| Fixed assets | 24,040 | | | | | | | | | | | | | | | | | | |
| Total assets | 24,040 | | | | | | | | | | | | | | | | | | |

Leases

No reportable information.

Securities

FY2004 (Jan 1- Dec. 31, 2004)

1. Securities with market quotations

No reportable information.

2. Securities classified as "Other securities" sold during the previous and current consolidated fiscal years

Thousand yen

| FY2004 (Jan. 1 – Dec. 31, 2004) | | |
|------------------------------------|----------------|----------------|
| Aggregate sales amount | Aggregate gain | Aggregate loss |
| 38,500 | 3,500 | - |

3. Securities without market quotations

No reportable information.

FY2005 (Jan 1- Dec. 31, 2005)

1. Securities with market quotations

| | Segment | Acquisition cost | Carrying value | Valuation gain/loss |
|--|---------|------------------|----------------|---------------------|
| Securities whose carrying value exceeds their acquisition cost | Others | 100,000 | 105,688 | 5,688 |

2. Securities classified as "Other securities" sold during the previous and current consolidated fiscal years

No reportable information.

3. Securities without market quotations

No reportable information.

Derivatives

FY2004 (Jan 1- Dec. 31, 2004)

No reportable information. The Group did not have derivative transactions.

FY2005 (Jan 1- Dec. 31, 2005)

No reportable information. The Group did not have derivative transactions.

Retirement Benefits

1. Retirement benefit plan

| FY2004 (As of Dec. 31, 2004) | FY2005 (As of Dec. 31, 2005) |
|--|---------------------------------|
| The Company and its domestic consolidated subsidiaries have defined benefit plan, i.e., a lump-sum pension plan. | Same as on the left. |

2. The following table sets forth the funded and accrued status of the plans

Thousand yen

| | FY2004 (As of Dec. 31, 2004) | FY2005 (As of Dec. 31, 2005) |
|--|---------------------------------|---------------------------------|
| (1) Retirement benefit obligation | (24,309) | (24,463) |
| (2) Liability for employees' retirement benefits | (24,309) | (24,463) |

* The projected retirement benefit obligation is computed by the simple method.

3. The following table sets forth the components of retirement benefit expenses

Thousand yen

| | FY2004 (As of Dec. 31, 2004) | FY2005 (As of Dec. 31, 2005) |
|-----------------------------|---------------------------------|---------------------------------|
| Service cost | 12,054 | 7,517 |
| Retirement benefit expenses | 12,054 | 7,517 |

4. The assumptions used in accounting for the above plans were as follows

| | FY2004 (As of Dec. 31, 2004) | FY2005 (As of Dec. 31, 2005) |
|--|--|---------------------------------|
| (1) Method of computing retirement benefit obligation | To provide for employee retirement benefits, the Company provides an allowance for retirement benefits in the amount deemed to have accrued if all eligible employees terminated employment on the balance sheet date. | Same as on the left. |
| (2) Years for the amortization of the difference at transition | No reportable information. | Same as on the left. |

Deferred Income Taxes

Thousand yen

| FY2004 (Jan. 1 – Dec. 31, 2004) | | FY2005 (Jan. 1 – Dec. 31, 2005) | |
|---|----------|---|----------|
| 1. Major components of deferred tax assets | | 1. Major components of deferred tax assets | |
| Deferred tax assets | | Deferred tax assets | |
| Lump-sum amortized assets | 1,558 | Lump-sum amortized assets | 2,990 |
| Accrued enterprise taxes | 23,092 | Accrued enterprise taxes | 29,695 |
| Amortization of goodwill in excess of maximum amount allowed for inclusion in expenses | 26,048 | Amortization of goodwill in excess of maximum amount allowed for inclusion in expenses | 13,592 |
| Provision of reserve for employees' bonuses in excess of maximum amount allowed for inclusion in expenses | 15,740 | Provision of reserve for employees' bonuses in excess of maximum amount allowed for inclusion in expenses | 21,729 |
| Provision of reserve for loss on short-term contract cancellations not included in expenses | 14,761 | Provision of reserve for loss on short-term contract cancellations not included in expenses | 31,835 |
| Provision of liability for employees' retirement benefits in excess of maximum amount allowed for inclusion in expenses | 8,032 | Provision of liability for employees' retirement benefits in excess of maximum amount allowed for inclusion in expenses | 9,589 |
| Provision of accrued directors' severance benefits in excess of maximum amount allowed for inclusion in expenses | 12,787 | Provision of accrued directors' severance benefits in excess of maximum amount allowed for inclusion in expenses | 12,787 |
| Loss on revaluation of memberships not included in expenses | 1,581 | Loss on revaluation of memberships not included in expenses | 1,581 |
| Provision of allowance for doubtful accounts in excess of maximum amount allowed for inclusion in expenses | 1,192 | Provision of allowance for doubtful accounts in excess of maximum amount allowed for inclusion in expenses | 490 |
| Loss on revaluation of investment securities not included in expenses | 12,210 | Loss on revaluation of investment securities not included in expenses | 12,210 |
| Loss carried forward (subsidiary) | 30,426 | Loss carried forward (subsidiary) | 52,375 |
| Sub-total | 147,434 | Sub-total | 188,878 |
| Valuation reserve | (33,389) | Valuation reserve | (55,977) |
| Total deferred tax assets | 114,045 | Total deferred tax assets | 132,900 |
| Deferred tax liabilities | | Deferred tax liabilities | |
| | - | Net unrealized holding gain on securities | (2,315) |
| Total deferred tax liabilities | - | Total deferred tax liabilities | (2,315) |
| Net deferred tax assets | 114,045 | Net deferred tax assets | 130,585 |
| 2. Significant sources of the difference between the statutory and effective tax rates | | 2. Significant sources of the difference between the statutory and effective tax rates | |
| Statutory tax rate | 42.1% | Statutory tax rate | 40.7% |
| (Adjustments) | | (Adjustments) | |
| Entertainment expenses and other items not to be included in expenses indefinitely | 12.4% | Entertainment expenses and other items not to be included in expenses indefinitely | 1.3% |
| Residential tax for the period (straight-line) | 24.2% | Residential tax for the period (straight-line) | 2.5% |
| Tax on reserved income of family-owned companies | 49.2% | Tax on reserved income of family-owned companies | 1.7% |
| Unrecognized tax effect of subsidiaries | 26.1% | Unrecognized tax effect of subsidiaries | 1.9% |
| Amortization of consolidated goodwill | 268.2% | Others | (0.2)% |
| Others | (2.7)% | Effective tax rate | 47.9% |
| Effective tax rate | 419.5% | | |

Segment Information

Operating segment information

FY2004 (Jan.1 - Dec. 31, 2004)

Operating segment information is not presented since mobile communications equipment accounted for more than 90% of total sales, operating income and assets.

FY2005 (Jan.1 - Dec. 31, 2005)

Thousand yen

| | Mobile phone sales business | Network business | Staffing services business | Total | Elimination or corporate | Consolidated |
|--|-----------------------------|------------------|----------------------------|------------|--------------------------|--------------|
| I. Sales and operating income | | | | | | |
| Sales | | | | | | |
| (1) Sales to third parties | 22,929,819 | 582,875 | 842,794 | 24,355,489 | - | 24,355,489 |
| (2) Internal sales and transfers | - | - | 87,943 | 87,943 | (87,943) | - |
| Total | 22,929,819 | 582,875 | 930,738 | 24,443,433 | (87,943) | 24,355,489 |
| Operating expenses | 21,406,132 | 781,357 | 960,776 | 23,148,266 | 258,462 | 23,406,729 |
| Operating income (loss) | 1,523,686 | (198,482) | (30,037) | 1,295,166 | (346,406) | 948,760 |
| II. Assets, depreciation and capital expenditure | | | | | | |
| Assets | 5,080,258 | 163,901 | 251,797 | 5,495,957 | 1,314,625 | 6,810,583 |
| Depreciation | 46,526 | 20,950 | 3,789 | 71,266 | 4,855 | 76,121 |
| Capital expenditures | 106,684 | 82,654 | 9,984 | 199,323 | 5,723 | 205,047 |

Notes:

- Operating segments are classified on the basis of products, the type and nature of services.
- Principal products and services in each operating segment are as follows:
 - Mobile phone sales business: Mobile phone sales and accepting applications for mobile phone service
 - Network business: Handling applications for fixed-line communication service contracts
 - Staffing services business: Provision of temporary employees to companies, and recruiting and training employees for other companies
- Among operating expenses, the undistributed operating expenses listed under "Eliminations or corporate" amounted to 361,458 thousand yen. The undistributed operating expenses generally comprise expenses associated with the administrative departments of the Company.
- Assets included in eliminations or corporate total 1,473,398 thousand yen the principal components of which are idle funds under management (cash and securities available for sale) and assets of the administration division.
- Operating segment information is not provided for prior periods since the share of the mobile phones sales business segment exceeded 90% each of the combined sales and operating income of all segments. Effective the current fiscal year, the network business segment is presented as a separate line item since the segment's operating loss exceed 10% of the combined operating income of all segments.

Geographical Segment Information

FY2004 (Jan.1 - Dec. 31, 2004)

FY2005 (Jan.1 - Dec. 31, 2005)

Geographic segment information is not presented since the Companies did not have consolidated subsidiaries in areas other than Japan.

Overseas Sales

FY2004 (Jan.1 - Dec. 31, 2004)

FY2005 (Jan.1 - Dec. 31, 2005)

The Companies operate mainly in Japan and have no overseas sales.

Related Party Transactions

FY2004 (Jan.1 - Dec. 31, 2004)

Thousand yen

| Relationships | Name | Address | Capital contribution | Occupation | Voting Power | Dual roles in directorship | Business relationship |
|-------------------|-------------------|----------------------|----------------------|------------|---------------------|----------------------------|-----------------------|
| Corporate auditor | Takahisa Yamakawa | - | - | Attorney | - | - | - |
| Relationships | Name | Types of transaction | Transaction amount | Account | Balance at year-end | | |
| Corporate auditor | Takahisa Yamakawa | Legal fees | 4,967 | - | - | | |

Note: The above amounts do not include consumption taxes.

FY2005 (Jan.1 - Dec. 31, 2005)

Thousand yen

| Relationships | Name | Address | Capital contribution | Occupation | Voting Power | Dual roles in directorship | Business relationship |
|--|--------------------|---|----------------------|---------------------------------|---------------------|----------------------------|--|
| Company with beneficial shareholders (directors and their close relatives) holding majority of voting rights | Telec Co., Ltd. *2 | Tennouji-ku Osaka | 50,350 | Mobile phone sales | - | 1 | Signed an agency agreement concerning mobile phones sales business |
| Relationships | Name | Types of transaction | Transaction amount | Account | Balance at year-end | | |
| Company with beneficial shareholders (directors and their close relatives) holding majority of voting rights | Telec Co., Ltd. *2 | Purchase of operating and other assets *3 | 19,289 | Accounts payable-other | 7,344 | | |
| | | Payment for sales commissions *4 | 94,469 | - | - | | |
| Relationships | Name | Address | Capital contribution | Occupation | Voting Power | Dual roles in directorship | Business relationship |
| Corporate auditor | Takahisa Yamakawa | - | - | Corporate auditor, and Attorney | - | - | - |
| Relationships | Name | Types of transaction | Transaction amount | Account | Balance at year-end | | |
| Corporate auditor | Takahisa Yamakawa | Legal fees *5 | 2,208 | - | - | | |

Notes:

1. The above transaction amounts do not include consumption taxes. Year-end balances include consumption taxes.

*2. The Chairman and Director, Osanori Ito, serves concurrently as representative director of Telec Co., Ltd. Osanori Ito and his close relatives hold 100% of the voting rights of Telec Co., Ltd.

*3. The transfer prices of operating assets were negotiated on the basis of the values of the respective assets assessed by reference to their book values on Telec Co., Ltd.'s balance sheet.

*4. Sales commissions, like terms and conditions of regular transactions, are determined on an arms-length basis by reference to prevailing market prices.

*5. Legal fees, like terms and conditions of regular transactions, are determined on an arms-length basis.

Per Share Information

Yen

| FY2004 (Jan. 1 - Dec. 31, 2004) | | FY2005 (Jan. 1 - Dec. 31, 2005) | |
|---|-----------|------------------------------------|-----------|
| Shareholders' equity per share | 47,786.63 | Shareholders' equity per share | 53,774.30 |
| Net loss per share | 3,655.66 | Net income per share (basic) | 7,617.43 |
| | | Net income per share (diluted) | 7,583.04 |
| <p>Diluted net income per share is not presented since the company posted a net loss for the current fiscal year. A 3-for-1 stock split was conducted on February 20, 2004. Per-share information calculated as if this split had occurred at the beginning of previous fiscal year is presented below.</p> | | | |
| Shareholders' equity per share | 53,295.99 | | |
| Net income per share (basic) | 9,442.68 | | |
| Net income per share (diluted) | 9,399.14 | | |

The following is a reconciliation of basic net income (loss) per share and diluted net income per share

Thousand yen

| | FY2004 (Jan. 1 – Dec. 31, 2004) | FY2005 (Jan. 1 – Dec. 31, 2005) |
|---|------------------------------------|---|
| Net income per share/ net loss | | |
| Net income (loss) | (234,361) | 483,206 |
| Net income not available to common shareholders | - | - |
| [Of which bonuses to directors in the appropriation of retained earnings] | - | - |
| Net income (loss) available to common stock | (234,361) | 483,206 |
| Average number of shares outstanding | 64,109.27 | 63,434.33 |
| Net income per share (diluted) | | |
| Increase in the number of common shares (shares) | - | 287.61 |
| [of which stock acquisition rights (share)] | [-] | [287.61] |
| Summary of potential stock not included in the calculation of “net income per share (diluted)” since there was no dilutive effect in the current fiscal year. | - | <p>New stock acquisition rights under the provisions of Article 280-19 of the Commercial Code of Japan:</p> <p>(Pursuant to the resolution adopted at the General Meeting of Shareholders held on Nov. 11, 1999) Number of shares to be issued: 283.5 shares Exercise price: 92,593 yen</p> <p>(Pursuant to the resolution adopted at the General Meeting of Shareholders held on Mar. 15, 2000) Number of shares to be issued: 45.0 shares Exercise price: 94,445 yen</p> <p>(Pursuant to the resolution adopted at the General Meeting of Shareholders held on Mar. 29, 2005) Number of shares to be issued: 1,158.0 shares Exercise price: 105,500 yen</p> |

Subsequent Events

No reportable information.

7. Production, Orders and Sales

(1) Production

No reportable information since the Group has no manufacturing operations.

(2) Procurement

Procurement by products line for the current fiscal year as follows:

Thousand yen

| Business unit | FY2005 (Jan. 1 - Dec. 31, 2005) | Vs. previous year |
|-----------------------------|------------------------------------|-------------------|
| Mobile phone sales division | 16,844,316 | - |
| Network business | - | - |
| Staffing services business | 951 | - |
| Total | 16,845,268 | 152.7% |

Notes:

1. Amounts are based on purchase prices.
2. Year-on-year comparison by operating segment is not presented since the Company started disclosing operating segment information from the current consolidated fiscal year.
3. Amounts are exclusive of consumption taxes.

(3) Orders

No reportable information since the Group has not accepts advance orders.

(4) Sales

Scheduled of sales for the current fiscal year as follows:

Thousand yen

| Business unit | Item | FY2005 (Jan. 1 - Dec. 31, 2005) | Vs. previous year |
|-----------------------------|----------------------|------------------------------------|-------------------|
| Mobile phone sales division | Merchandise sales | 4,053,585 | - |
| | Commissions received | 18,876,233 | - |
| | Sub-total | 22,929,819 | - |
| Network business | Commissions received | 582,875 | - |
| Staffing services business | Sales | 842,794 | - |
| Total | | 24,355,489 | 148.0% |

Note:

1. Inter-segment transactions are set off and eliminated.
2. Year-on-year comparison by operating segment is not presented since the Company started disclosing operating segment information from the current consolidated fiscal year.
3. For the current and previous fiscal year of sales to principal customers and their shares of total sales:

Thousand yen

| Customer | FY2004 (Jan. 1 - Dec. 31, 2004) | | FY2005 (Jan. 1 - Dec. 31, 2005) | |
|---------------|------------------------------------|-------|------------------------------------|-------|
| | Amount | Share | Amount | Share |
| Vodafone K.K. | 12,731,579 | 77.4% | 19,223,214 | 78.9% |

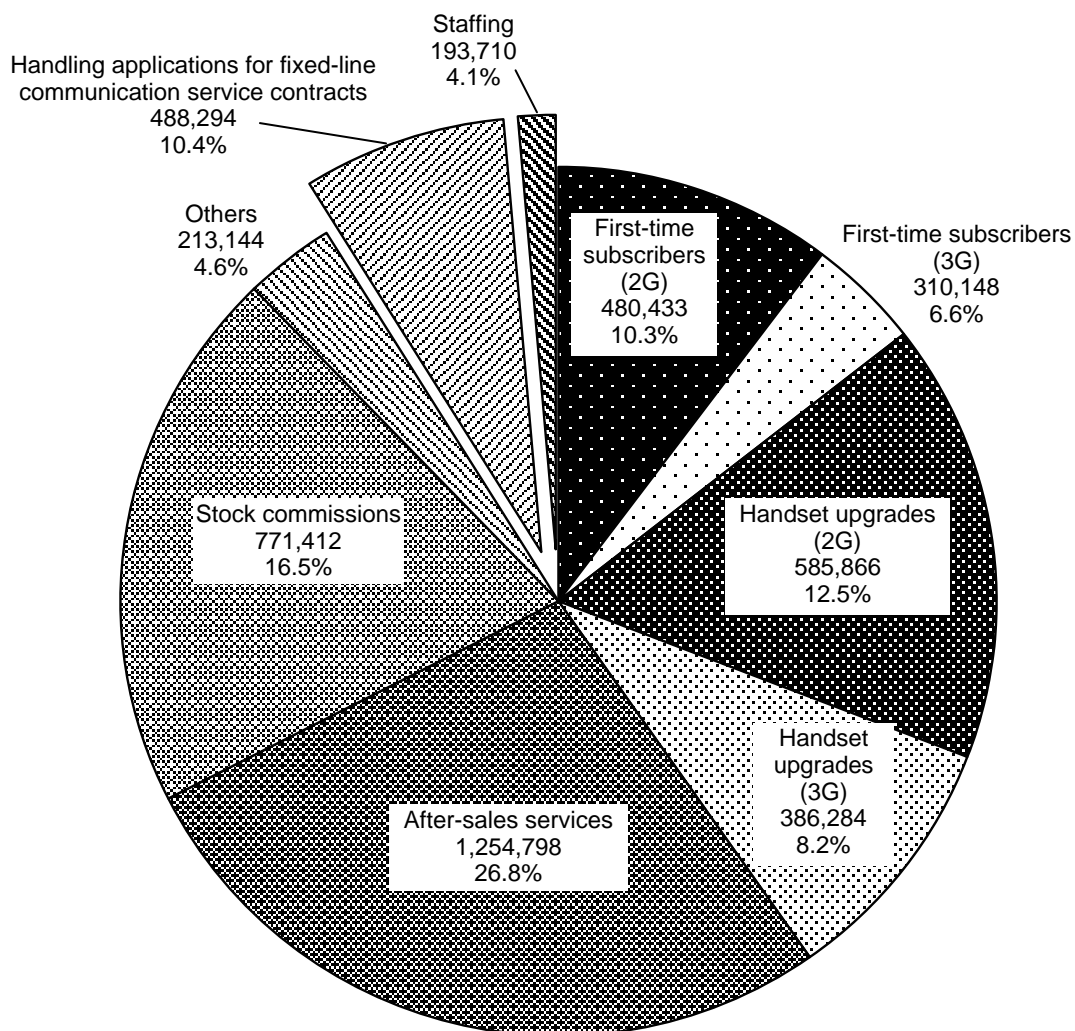
4. The above amount is exclusive of consumption taxes.

(Reference)

1. Composition of Consolidated Gross profit

The composition of consolidated gross profit for fiscal year ended December 31, 2005 (Jan. 1 – Dec. 31, 2005) is as follows:

(Thousand yen)



After-sales service: Commissions received from telecom carriers for services on consignment related to handset upgrades, service plan changes, repair and maintenance.

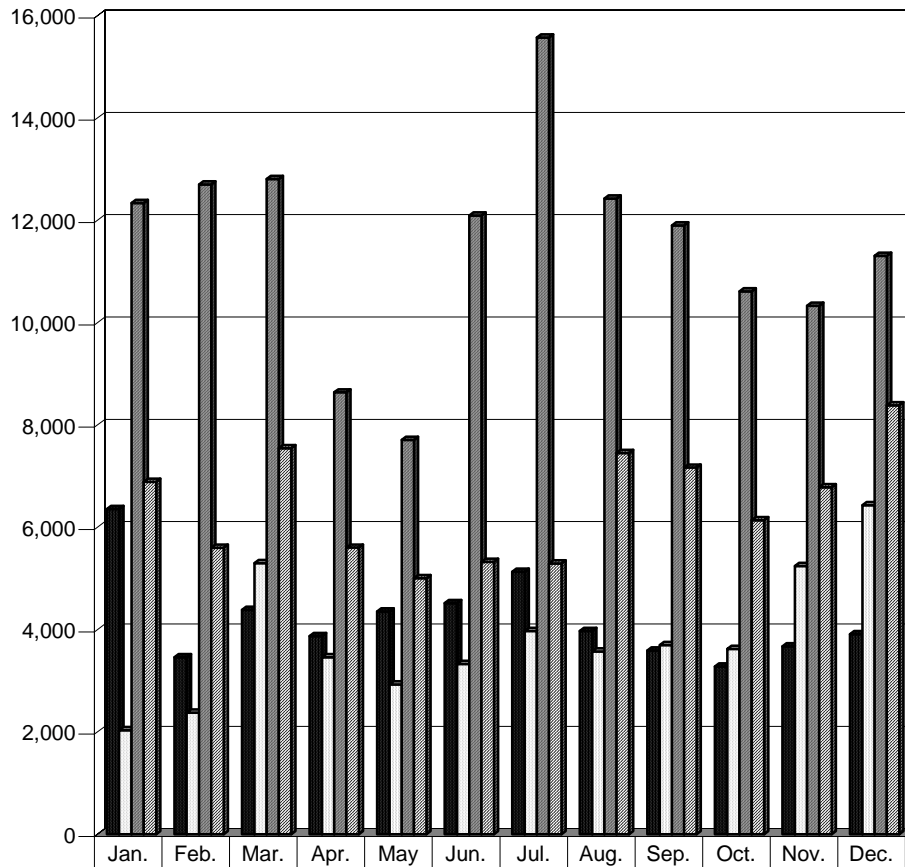
Others: Prepaid mobile phones, accessories, etc.

(Reference)

2. Number of Mobile Phones Sold

Monthly unit sales for fiscal year ended December 31, 2005 are summarized below.

(Units)



| | Jan. | Feb. | Mar. | Apr. | May | Jun. | Jul. | Aug. | Sep. | Oct. | Nov. | Dec. |
|-------------------------------|--------|--------|--------|-------|-------|--------|--------|--------|--------|--------|--------|--------|
| ■ First-time subscribers (2G) | 6,356 | 3,458 | 4,383 | 3,869 | 4,355 | 4,513 | 5,131 | 3,974 | 3,591 | 3,275 | 3,672 | 3,906 |
| □ First-time subscribers (3G) | 2,033 | 2,375 | 5,299 | 3,456 | 2,926 | 3,327 | 3,973 | 3,572 | 3,694 | 3,618 | 5,239 | 6,427 |
| ■ Handset upgrades (2G) | 12,337 | 12,697 | 12,806 | 8,635 | 7,704 | 12,094 | 15,573 | 12,426 | 11,896 | 10,610 | 10,328 | 11,305 |
| ■ Handset upgrades (3G) | 6,888 | 5,595 | 7,541 | 5,601 | 5,005 | 5,325 | 5,289 | 7,451 | 7,165 | 6,137 | 6,782 | 8,380 |