

[Reference]

# Nonconsolidated Financial Results for the Fiscal Year Ended February 28, 2006

## Millennium Retailing, Inc.

April 12, 2006

President : Kazuyoshi Sano

Date of the Board of Directors' meeting to approve the accounts: April 12, 2006

### 1. Business Results for the Current Fiscal Year (from March 1, 2005 to February 28, 2006)

(1) Result of Operations (Millions of yen, except per share amounts)

	Revenue		Operating Income		Ordinary Income	
Current Fiscal Year	8,724	13.5 %	258	(61.4) %	288	(65.5) %
Prior Fiscal Year	7,684	12.6%	669	88.4%	835	106.7%

	Net Income		Net Income Per Share	Ratio of Net Income to Shareholders' Equity	Ratio of Ordinary Income to Total Assets	Ratio of Ordinary Income to Revenue
Current Fiscal Year	173	(71.1) %	2.27 (yen)	0.2%	0.4%	3.3%
Prior Fiscal Year	600	-	4.20 (yen)	1.5%	1.0%	10.9%

Notes: 1. Weighted average number of shares outstanding:

Fiscal year ended February 28, 2006:	Common stock	76,368,779 shares
	Preferred stock Class	8,000,000 shares
Fiscal year ended February 28, 2005:	Common stock	32,115,793 shares
	Preferred stock Class	3,967,123 shares

2. Change in accounting policies: no

3. Percentages above represent increase (decrease) over fiscal year unless otherwise stated.

(2) Financial Position (Millions of yen, except per share amounts)

	Total Assets	Shareholders' Equity	Ratio of Shareholders' Equity to Total Assets	Shareholders' Equity per Share
February 28, 2006	78,677	77,282	98.2%	1,011.96 (yen)
February 28, 2005	79,957	77,574	97.0%	1,015.78 (yen)

Notes: 1. Number of outstanding shares at the end of the fiscal year:

As of February 28, 2006:	Common stock	76,368,779 shares
	Preferred stock Class	8,000,000 shares
As of February 28, 2005:	Common stock	76,368,779 shares
	Preferred stock Class	8,000,000 shares

2. Number of treasury stock at the end of the fiscal year:

As of February 28, 2006:	20,411 shares
As of February 28, 2005:	20,411 shares

# NONCONSOLIDATED BALANCE SHEETS

(Millions of yen)

	February 28, 2006		February 28, 2005		Increase (Decrease)
	Amount	%	Amount	%	
<b>ASSETS</b>					
<b>Total current assets</b>	<b>14,011</b>	<b>17.8</b>	<b>35,309</b>	<b>44.2</b>	<b>(21,297)</b>
Cash and deposits	12,560		34,725		(22,164)
Prepaid expenses	65		59		6
Short-term loans	600		-		600
Accounts receivable, other	541		264		276
Deferred income taxes	236		256		(20)
Other	7		2		5
<b>Total fixed assets</b>	<b>64,665</b>	<b>82.2</b>	<b>44,648</b>	<b>55.8</b>	<b>20,017</b>
<b>Property and equipment</b>	<b>339</b>	<b>0.4</b>	<b>366</b>	<b>0.5</b>	<b>(26)</b>
Buildings	267		283		(16)
Furniture, fixtures and equipment	24		30		(5)
Land	47		47		-
Construction in progress	-		4		(4)
<b>Intangible assets</b>	<b>5,888</b>	<b>7.5</b>	<b>2,477</b>	<b>3.1</b>	<b>3,411</b>
Software	4,939		1,063		3,875
Programming in progress of software	844		1,289		(445)
Other	105		123		(18)
<b>Investments and other assets</b>	<b>58,437</b>	<b>74.3</b>	<b>41,804</b>	<b>52.2</b>	<b>16,632</b>
Investment in securities	7,688		2,250		5,438
Investment in subsidiaries	50,629		39,453		11,175
Long-term leasehold deposits	11		11		0
Deferred income taxes	74		57		17
Other	33		32		0
<b>TOTAL ASSETS</b>	<b>78,677</b>	<b>100.0</b>	<b>79,957</b>	<b>100.0</b>	<b>(1,280)</b>

(Millions of yen)

	February 28, 2006		February 28, 2005		Increase (Decrease)
	Amount	%	Amount	%	
<b>LIABILITIES</b>					
<b>Total current liabilities</b>	<b>1,211</b>	<b>1.6</b>	<b>2,242</b>	<b>2.8</b>	<b>(1,030)</b>
Accounts payable	365		456		(91)
Accounts payable, construction	225		704		(478)
Income taxes payable	-		384		(384)
Consumption taxes payable	-		46		(46)
Accrued expenses	199		250		(50)
Allowance for bonuses to employees	406		386		19
Deposits received	12		10		1
Other	3		3		-
<b>Total non-current liabilities</b>	<b>182</b>	<b>0.2</b>	<b>140</b>	<b>0.2</b>	<b>42</b>
Allowance for retirement benefits to directors and corporate auditors	182		140		42
<b>TOTAL LIABILITIES</b>	<b>1,394</b>	<b>1.8</b>	<b>2,382</b>	<b>3.0</b>	<b>(988)</b>
<b>SHAREHOLDERS' EQUITY</b>					
<b>Common stock</b>	<b>34,941</b>	<b>44.4</b>	<b>34,941</b>	<b>43.7</b>	<b>-</b>
<b>Capital surplus</b>	<b>42,024</b>	<b>53.4</b>	<b>42,024</b>	<b>52.5</b>	<b>-</b>
Additional paid-in capital	42,024		42,024		-
<b>Retained earnings</b>	<b>328</b>	<b>0.4</b>	<b>619</b>	<b>0.8</b>	<b>(291)</b>
Unappropriated retained earnings	328		619		(291)
<b>Net unrealized gains on available-for-sale securities</b>	<b>(0)</b>	<b>(0.0)</b>	<b>0</b>	<b>0.0</b>	<b>(0)</b>
<b>Treasury stock</b>	<b>(11)</b>	<b>(0.0)</b>	<b>(11)</b>	<b>(0.0)</b>	<b>-</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>77,282</b>	<b>98.2</b>	<b>77,574</b>	<b>97.0</b>	<b>(291)</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>78,677</b>	<b>100.0</b>	<b>79,957</b>	<b>100.0</b>	<b>(1,280)</b>

# NONCONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

	Current Fiscal Year		Prior Fiscal Year		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
<b>Revenue</b>	<b>8,724</b>	<b>100.0</b>	<b>7,684</b>	<b>100.0</b>	<b>1,039</b>	<b>113.5</b>
Management income (from subsidiaries)	8,183	93.8	7,226	94.0		
Royalty income	525	6.0	440	5.7		
Other operating income	15	0.2	17	0.2		
<b>Selling, general and administrative expenses</b>	<b>8,465</b>	<b>97.0</b>	<b>7,015</b>	<b>91.3</b>	<b>1,449</b>	<b>120.7</b>
<b>Operating income</b>	<b>258</b>	<b>3.0</b>	<b>669</b>	<b>8.7</b>	<b>(410)</b>	<b>38.6</b>
<b>Non-operating income</b>	<b>44</b>	<b>0.5</b>	<b>704</b>	<b>9.2</b>	<b>(659)</b>	<b>6.4</b>
Interest income	3		512			
Dividend income	30		189			
Other	11		2			
<b>Non-operating expenses</b>	<b>15</b>	<b>0.2</b>	<b>538</b>	<b>7.0</b>	<b>(522)</b>	<b>2.8</b>
Interest expenses	-		451			
Amortization of new stock issuing cost	8		78			
Other	6		8			
<b>Ordinary income</b>	<b>288</b>	<b>3.3</b>	<b>835</b>	<b>10.9</b>	<b>(547)</b>	<b>34.5</b>
<b>Special gains</b>	-	-	<b>405</b>	<b>5.3</b>	<b>(405)</b>	-
Reversal of allowance for bad debt	-		401			
Creating dividend income	-		4			
<b>Special losses</b>	<b>9</b>	<b>0.1</b>	<b>428</b>	<b>5.6</b>	<b>(419)</b>	<b>2.1</b>
Loss on disposal of property and equipment	7		-			
Valuation loss for investment in subsidiaries	-		361			
Other	1		67			
<b>Income before income taxes</b>	<b>279</b>	<b>3.2</b>	<b>812</b>	<b>10.6</b>	<b>(532)</b>	<b>34.4</b>
Income taxes - current	102	1.2	526	6.8	(424)	19.3
Income taxes - deferred	3	0.0	(313)	(4.0)	317	-
<b>Net income for the year</b>	<b>173</b>	<b>2.0</b>	<b>600</b>	<b>7.8</b>	<b>(426)</b>	<b>28.9</b>
Retained earnings brought forward	154		19			
<b>Unappropriated retained earnings</b>	<b>328</b>		<b>619</b>			

## PROPOSAL FOR APPROPRIATION OF RETAINED EARNINGS

(Millions of yen)

	Current Fiscal Year	Prior Fiscal Year	Increase (Decrease)
Unappropriated retained earnings at end of fiscal year	328	619	(291)
The above shall be appropriated as follows:			
Bonuses for directors and corporate auditors	-	465	(465)
[Portion to corporate auditors]	[ - ]	[25]	
<b>Unappropriated retained earnings carried forward</b>	<b>328</b>	<b>154</b>	<b>173</b>

Note : All amounts less than one million yen have been disregarded.

## **Significant Accounting Policies for the Preparation of Financial Statements**

### 1. Valuation of securities

Investments in subsidiaries and affiliates are valued at cost, determined using the moving-average method.

Available-for-sale securities are classified into two categories: (i) fair value is available and (ii) fair value is not available.

- (i) Securities, whose fair value is available, are valued at the quoted market price prevailing at the end of the fiscal year. Net unrealized gains or losses on these securities are reported as a separate component of the shareholders' equity at a net-of-tax amount. Cost of sales is determined by the moving-average method.
- (ii) Securities, whose fair value is not available, are valued at cost, determined by the moving-average method.

### 2. Depreciation and amortization

#### (1) Property and equipment

Depreciation expenses are computed using the straight-line method over the estimated useful lives of assets. Depreciated assets for acquisition costs, exceeded 100 thousand yen and under 200 thousand yen, are computed using the straight-line method over three years in accordance with the Japanese tax regulations.

#### (2) Intangible assets

Amortization expenses for intangible assets are computed using the straight-line method. Software is amortized using the straight-line method over an estimated useful life of 5 years.

### 3. Deferred assets

New stock issuing costs were expended when incurred.

### 4. Allowances

#### (1) Allowance for bonuses to employees

An allowance for bonuses to employees is provided for bonuses to employees at the amount expected to be paid in respect of the calculation period ended on the balance sheet date.

#### (2) Allowance for retirement benefits to directors and corporate auditors

An allowance for retirement benefits to directors and corporate auditors is provided in accordance with the Company's internal policy. This is the allowance for regulated by article 43 of the practical rules in the Japanese Commercial Law.

### 5. Leases

All finance lease contracts other than those by which the ownership of the leased assets is to be transferred to lessees are accounted for as operating leases.

### 6. Accounting for consumption taxes

Consumption taxes are separately accounted for, and are excluded from the amounts of the underlying income and expense transactions

## **Notes to Nonconsolidated Financial Statements**

### *Nonconsolidated Balance Sheets;*

	(Millions of yen)
	As of February 28, 2006
1. Receivable from subsidiaries	679
Payable to subsidiaries	145
2. Accumulated depreciation of property and equipment	77
3. Assets pledged as collateral	2,250
4. Guarantees	80,700

### *Nonconsolidated Statements of Income;*

1. Major items included in “Selling, general and administrative expenses” are as follows;

	(Millions of yen)
	For the year ended February 28, 2006
1. Revenue from subsidiaries	8,186
Operating expense for subsidiaries	230
Non-operating expense for subsidiaries	10
2. Net income per share	2.27 yen

### (Additional Information)

- Accounting for Pro Forma Standard Taxation Portions of Corporate Taxes

The Company adopted the “Operational Handling of Disclosures Regarding Pro Forma Standard Taxation Portions of Corporate Taxes in Statements of income” (Corporate Accounting Standards Committee Operational Response Report No. 12, dated February 13, 2004) and recorded 90 million yen as discounted value-added and discounted capital of Enterprise tax for selling, general and administrative expenses.