



en-japan inc.

Fiscal Year Ended December 31, 2007

Earnings Announcement (Non-Consolidated)

February 14, 2008

Company Name	en-japan inc.	Listing Exchange	Osaka Securities Exchange (Hercules Market)	
Stock Code	4849	U R L	http://corp.en-japan.com/	
Senior Director	President and CEO	(Name)	Michikatsu Ochi	
Contact	Managing Director	(Name)	Takashi Fujino	
Regular General Meeting of the Shareholder	March 27, 2008	Scheduled Dividend Payout Date	March 28, 2008	
Scheduled Date to Submit the Securities Report	March 28, 2008			

1. FY Ended 12/07 Operating Results (From January 1, 2007 to December 31, 2007)

(1) Operating results

(Figures are rounded down to the nearest million yen)

(Percentages indicate percent change from prior fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY ended 12/07	22,686	34.1	7,564	34.9	7,573	35.1	4,168	34.2
FY ended 12/06	16,919	47.2	5,605	47.8	5,607	46.5	3,105	41.0

	EPS	Fully Diluted EPS	ROE	Ordinary Income to Total Assets	Operating Income to Sales
	Yen	Yen	%	%	%
FY ended 12/07	17,209.57	16,744.56	36.5	46.6	33.3
FY ended 12/06	12,892.66	12,460.36	37.4	46.6	33.1

(Reference) Earnings from investments in companies subject to equity method accounting: FY12/07: ¥ -million FY12/06: ¥ -million

(2) Financial Position

	Total Assets	Net Assets	Net Asset Ratio	Net Assets per Share
	Million yen	Million yen	%	Yen
FY ended 12/07	18,382	13,221	71.9	54,419.05
FY ended 12/06	14,129	9,611	68.0	39,746.13

(Reference) Net assets: FY12/07: ¥13,221 million FY12/06: ¥9,611 million

(3) Cash Flows

	Cash Flow from Operating Activities	Cash Flow from Investing Activities	Cash Flow from Financing Activities	Cash and Cash Equivalents at End of Period
	Million yen	Million yen	Million yen	Million yen
FY ended 12/07	5,293	△2,899	△564	8,003
FY ended 12/06	4,076	△2,986	△481	6,173

2. Dividends

(Date of Record)	Dividend per Share					Total Dividend (Full year)	Dividend payout ratio	Dividend to Net Asset Ratio
	First quarter	Interim period end	Third quarter	Year end	Full year total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY ended 12/06	—	—	—	3,100.00	3,100.00	749	24.0	9.0
FY ended 12/07	—	—	—	4,100.00	4,100.00	996	23.8	8.7
FY ended 12/08 (Projected)	tba	tba	tba	tba	tba		—	

3. FY Ended 12/08 Operating Results Projection (from January 1, 2008 to December 31, 2008)

(Percentages indicate percent change from prior fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net Income		EPS
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	26,100	15.0	8,000	5.8	8,000	5.6	4,500	7.9	18,521.87

4. Other

(1) Changes in accounting methods, filing processes and presentation method used to prepare the financial accounts.

(a) Changes in accounting methods: Yes

(b) Changes other than the above: No

(2) Number of shares issued (Common stock)

(a) Shares outstanding at fiscal year-end (Including treasury stock): FY ended 12/06: 241,812 shares

FY ended 12/07: 242,956 shares

(b) Treasury stock at fiscal year-end: FY ended 12/06: - FY ended 12/07: -

Note: Explanation concerning appropriate use of the projected operating results and other items to note

The operating results projections shown above were prepared based on data en-japan judges to be reasonable at the present point in time. Because of various uncertainty factors, however, there is a possibility actual operating results will differ from the projected numerical values.

1. Business Performance

(1) Analysis of business performance

Business performance for the FY ended 12/07

Despite the affect of destabilizing factors, including international financial turmoil stemming from the subprime loan (low-income bracket housing loans) problem in the United States and a sharp rise in the price of crude oil, during the fiscal year under review corporate earnings continued to improve and Japan's economy maintained a steady expansionary pace. The employment situation remained robust, as firms continued active efforts to secure manpower against the backdrop of Japan's ageing population and the "2007 problem," a phenomenon in which a substantial number of Japanese baby boomer reached mandatory retirement age during the year. The unemployment rate generally reflected these employment conditions and maintained a downward trend.

Based on this environment, en-japan pushed ahead with its aggressive campaign to further improve name awareness and recognition of the en-japan brand, while actively hiring employees and taking steps to strengthen jobs advertised at the Company's site and job placement organization. Development and sale of new products progressed steadily as well, and sales in all of the Company's business segments (Mid-Career Hiring Business, New Graduate Hiring Business and Education/Evaluation Business) expanded substantially compared with the previous fiscal year. Net sales grew 34.8% year-over-year in the Mid-Career Hiring Business to ¥19,244 million, increased 30.2% year-over-year in the New Graduate Hiring Business to ¥3,254 million, and grew 27.5% year-over-year in the Education/Evaluation Business to ¥186 million.

Consequently, the Company's total net sales increased 34.1% year-over-year to ¥22,686 million. Operating income, ordinary income and net income rose by 34.9% year-over-year to ¥7,564 million, 35.1% year-over-year to ¥7,573 million and 34.2% year-over-year to ¥4,168 million, respectively.

The operating results for each business segment are discussed below.

Summary of Net Sales by Main Product During the FY ended 12/07

< Mid-Career Hiring Business >

The Company's "[en] Career Change Info" site is an Internet-based integrated career change information site that provides information concerning hiring for various types of work and information on corporate clients. Company employees provide fair, truthful and detailed information collected independently on each corporate client from an objective point of view. The site has received high marks from job seekers utilizing the site, and during the fiscal year under review was chosen Number One for Overall Valuation among the 30 leading career change sites managed by public agencies and private corporations (see Note). In addition to providing a superior product, in December 2007 we further expanded the site's scale and operating results, becoming Number One in terms of the number of companies placing job advertisements on the career change information site, as a result of having enhanced marketing and production capabilities. Net sales increased 38.8% compared with the previous fiscal year to ¥12,737 million.

"[en] Career Change Consultant" is Japan's largest collective site for job placement agencies in Japan. This site enables job seekers to search the characteristics of each job placement agency (industry, occupational category, business field, geographic region, etc.) and retrieve employment information, as well as register with several job placement agencies at once using a single entry function. Moreover, the contents of the Company's "High End Job Corner," which provides only job information for employment in the ¥8 million to ¥20 million annual salary range, are tailored for businesspersons who have careers. During the business period under review as well, we increased sales broadly by developing new users and raising the job advertisement fee. Sales of this site rose 31.2% over the previous fiscal year to ¥2,042 million.

"[en] Temporary Placement Info" is the largest collective site in Japan for job advertisements of temporary staffing companies. We revamped the site in November 2007, to broaden available job information and improve the retrieval function, and enhanced functions and increased added value by updating the mobile site and implementing other changes. As a result, we've created a site that supports the needs of temporary staffing companies that want to secure greater human resources than in the past, while also being accessible to even larger numbers of job seekers. In conjunction with renewal of the site, the Company increased the sense of security and trust among job seekers using the site by clarifying the four pledges exchanged between en-japan and temporary staffing companies: "We will not publish false information in the information provided on '[en] Temporary Placement Info,'" "We will reply to an entry within one week regardless of whether or not a job seeker is hired," "We will not use application information for purposes other than job placement activities" and "After retaining personal information for the specified period of time, we

will return personal information that is no longer necessary to the job seeker or destroy and dispose of the information of our own responsibility.” As a result of increasing the number of companies listing jobs on the site, sales for the fiscal year under review rose 24.4% over the previous fiscal year to ¥3,181 million.

“[en] Part-time Jobs” is a specialized site providing part-time job information through the Internet that lists only part-time job offers for positions where there is a possibility for workers to be hired as full-time employees. Among firms facing difficulties hiring regular employees because of the vigorous employment market, the site is evaluated positively as a site where top-class human resources can be hired as regular employees from part-time jobs. By developing new clients, sales for the business period under review grew 31.9% year-over-year to ¥1,105 million.

Note: *Career Change Job Site Survey 2007* conducted by Cybozu Media and Technology Co., Ltd. (This survey selects sites based on “brand recognition,” “visit rate,” “regular usage,” “user satisfaction,” “credibility,” “user preference,” and “usefulness.”)

< New Graduate Hiring Business >

“[en] Job Info for Students” is a job information site for university students and postgraduates that uses the Internet to provide summary descriptions of corporate clients and information on their job categories, employee benefits and job contents. The site specializes in “Professional Work Research” contents describing the challenges and rewards or severity of work, which are gathered from employees who are active in the primary business of each corporate client. Moreover, by sponsoring various off-line events in self-analyses and business manners in addition to the site, “[en] Job Info for Students” offers comprehensive support for the job hunting efforts of university students and postgraduates. By developing new clients and improving job advertisement fees, sales related to information provided on the site increased 34.1% year-on-year to ¥2,751 million, and sales from services such as hiring and selection consulting, outsourcing and suitability testing pertaining to new graduate employment grew 12.2% compared with the previous fiscal year to ¥503 million.

< Education/Evaluation Business >

In the education and evaluation business, the Company provides comprehensive solutions for the process from placement of job advertisements until workers become active after being hired. Among these services, the Education/Evaluation Business implements training for new graduates who have been informally notified of their selection for employment, as well as skill improvement training after workers join a company, and provides support for the creation and management of pay evaluation systems for corporate clients. During the business period under review, sales rose 27.5% compared with the previous fiscal year to ¥186 million as the result of increased implementation of training.

Operating Results Comparison

Sales segments

Category	7th Business Period (From January 1, 2006 to December 31, 2006)		8th Business Period (From January 1, 2007 to December 31, 2007)	
	Net Sales (Thousand yen)	Share (%)	Net Sales (Thousand yen)	Share (%)
Mid-Career Hiring Business				
[en] Career Change Info	9,174,868	54.2	12,737,547	56.2
[en] Career Change Consultant	1,556,552	9.2	2,042,680	9.0
[en] Temporary Placement Info	2,556,605	15.1	3,181,038	14.0
[en] Part-time Jobs	838,085	5.0	1,105,809	4.9
Other	147,506	0.9	177,330	0.8
New Graduate Hiring Business				
[en] Job Info for Students	2,051,423	12.1	2,751,771	12.1
Other	448,347	2.6	503,090	2.2
Education/Evaluation Business	146,537	0.9	186,869	0.8
Total	16,919,926	100.0	22,686,137	100.0

(Note) The category “Other” under Mid-Career Hiring Business and New Graduate Hiring Business includes consulting, outsourcing, suitability testing and other services pertaining to new hires.

(2) Analysis of Financial Position

① Assets, Liabilities and Net Assets

< Current Assets >

At the end of the fiscal year under review, the balance of current assets increased by ¥2,320 million compared with the end of the previous fiscal year to ¥11,324 million. The main factors were an increase in cash and deposits of ¥1,830 million, and an increase in accounts receivable of ¥364 million.

< Fixed Assets >

The balance of fixed assets at the end of the fiscal year under review increased by ¥1,932 million compared with the end of previous fiscal year to ¥7,057 million. Reasons for the increase included an increase in long-term deposits of ¥1,190 million and an increase of ¥390 million in investment securities as a result of investment in the stock of an unlisted company and other investments.

< Current Liabilities >

The balance of current liabilities at the end of the fiscal year under review rose by ¥642 million compared with the end of the previous fiscal year to ¥5,160 million. The main factors for this change were an increase in advances received of ¥250 million, an increase in corporate taxes payable of ¥238 million and an increase in reserve for bonuses of ¥197 million.

< Net Assets >

Total net assets at the end of the fiscal year under review increased by ¥3,610 million from the end of the previous fiscal year to ¥13,221 million. This mainly reflected the increase in earned surplus of ¥3,419 million as a result of higher earnings.

② Cash Flows

During the fiscal year under review, cash and cash equivalents rose 29.6% year-on-year, increasing ¥1,830 million compared with the previous fiscal year to ¥8,003 million. Although the Company made payments for corporate taxes and dividends, and expenditures for the purchase of intangible fixed assets in conjunction with the renewal on its sites and expenditures for the purchase of investment securities, cash and cash equivalents increased as a result of cash inflows generated by the Company's strong operating performance.

< Cash Flow from Operating Activities >

Cash inflows provided by operating activities increased 29.9% year-over year to ¥5,293 million. This was mainly the result of an increase in cash inflow attributable to the strong rise in income before taxes and adjustments to ¥7,327 million, and a decrease in funds of ¥3,143 million from payment of corporate taxes.

< Cash Flow from Investing Activities >

Cash flow used for investing activities was ¥2,899 million, a decrease of 2.9% compared with the previous fiscal year. This was mainly the result of ¥1,200 million used for the purchase of long-term deposits, ¥833 million used for the acquisition of intangible fixed assets, ¥469 million used for the purchase of investment securities and ¥362 million used for the acquisition of tangible fixed assets.

< Cash Flow from Financing Activities >

Cash flow used for financing activities was ¥564 million, a 17.1% increase compared with the previous fiscal year. Although funds provided by the issuance of stock as a result of exercise of incentive stock options increased to ¥183 million, funds were decreased by funds used for dividend payments of ¥747 million.

Cash Flow Indicators

	FY ended 12/03	FY ended 12/04	FY ended 12/05	FY ended 12/06	FY ended 12/07
Equity ratio (%)	82.4	72.4	70.2	68.0	71.9
Equity ratio based on market capitalization (%)	714.6	1,115.5	1,841.8	977.2	421.6

(Notes) 1. Each indicator is calculated in accordance with the formulas shown below.

- a) Equity ratio: Shareholders' equity/Total assets
- b) Equity ratio based on market capitalization: (Closing share price at end of period × number of shares outstanding at end of period)/Total assets
2. en-japan does not calculate debt redemption period or interest coverage ratio because the Company does not have interest-bearing debt.

(3) Basic Policy Concerning Distribution of Earnings and Dividends for the Business Period under Review

en-japan considers the appropriate implementation of dividends and return of earnings to shareholders, while taking into consideration the need to ensure proper internal reserves to provide for proactive development of its business and sudden changes in its management environment in the future, to be its fundamental policy. For the fiscal year under review, the Company plans to pay a

full-year dividend of ¥4,100.

(4) Business Risks

Details of the major risk factors recognized by the Company as part of its business are provided below. en-japan believes it is also important to identify other factors that are not yet deemed to be business risks, in order to help investors more easily understand the Company's business and consider these factors in their investment decisions, and will maintain an aggressive disclosure strategy with regard to these factors as well. In addition to identifying these risk factors before they occur and implementing preventative measures for them or responding to them in the event of the occurrence, we will carefully consider these factors in the context of our management and our future business development. Investors are advised that the risk factors described below are not meant to be a comprehensive list of all potential risks that should be considered before making an investment in the Company's shares.

(a) Intellectual Property Right Infringement

en-japan holds extensive intellectual property rights, including trademark rights in the names of various services and copyrights in the contents the Company provides. Although en-japan appropriately protects, maintains and acquires the rights to its intellectual property rights, there is a possibility the Company could become party to a lawsuit by a third party concerning these intellectual property rights, and a possibility the Company's ability to execute its businesses and its operating results will be adversely affected by the cost of compensation for damages or other costs incurred as a result.

(b) Business Development

en-japan provides various job information services over the Internet. The Company's main source of revenues comes from job advertisements placed by corporations on en-japan's Internet websites. Because it is difficult to determine the specific revenue contributions from the information services and advertising production work provided through the operation of these sites, the Company discloses the various risks associated with both parts of its business.

(b.1) New Businesses

en-japan's policy is to leverage the strengths of the [en] brand to develop new businesses in the future, including further expansion of the services and contents provided to job seekers and corporate clients.

To aggressively broaden the base of its businesses, en-japan maintains a policy of establishing alliances and partnerships related to the Company's portal sites. Because of the numerous unpredictable factors associated with new business development, there is a possibility the Company's operating results will be affected by unforeseen circumstances arising from these newer businesses.

en-japan recognizes the importance of maintaining its brand awareness in the market in order to attain success in its businesses. Therefore the Company's policy is to seek alliances with new portal sites to the extent necessary as part of its strategy to maintain a high level of brand awareness. Generally, the term of such alliance agreements is one year, and the agreements are renewed annually. If these agreements are not renewed, or are terminated for by any reason, there is a possibility en-japan's operating results will be adversely affected.

(b.2) Business Operations

As part of its business expansion strategy, en-japan recognizes the importance of increasing awareness of the [en] brand, and pursues an aggressive advertising strategy in both traditional print media and new electronic media with the goal of raising the number of users of its sites. Accurately assessing the effectiveness of this strategy is difficult, in addition that its details have not been decided yet, however, and the costs associated with such advertising campaigns pose a risk to the Company's operating results.

Moreover, to strengthen the marketing and new technology development functions that are critical to expanding its businesses, the Company must hire individuals capable of supporting these demands. The inability to secure adequate human resources, or the loss of existing staff, could adversely affect the Company's operating results.

(b.3) Business with Partners in Specific Industries

en-japan conducts its marketing activities by avoiding a concentration on customers in certain specific industries and focusing on a broad range of customers in various industries. Because demand for job advertisements is closely related to trends in the economy, however, the Company projects its dependence on customers in certain industries will increase. Although the Company will continue its strategy of marketing to a broad range of industries, there is a possibility the macroeconomic trends affecting customers in specific industries could adversely affect the Company's operating results.

(b.4) M&A and Capital Alliances

en-japan considers corporate mergers and acquisitions, and capital alliances to be an important means of growing its existing businesses and expanding into new business areas. The inability to implement these activities as planned, however, could adversely affect the Company's operating results.

en-japan is also pursuing a joint venture business in another country. If social or political disturbances occur in a specific country or region, there is a possibility the Company's operating results and financial position could be adversely affected.

(c) Unique Character of Company Services and Technologies

(c.1) Differentiation of Products and Services

The market for job information services can be divided into three segments covering (a) magazines, newspapers and other traditional print media advertising companies, (b) on-line job information advertising companies utilizing the Internet and (c) job placement agencies and temporary staffing companies. en-japan conducts its businesses in the second category. Because of the large number of existing and new entrants to this segment of the market, competition in this category of on-line advertising is becoming increasingly severe.

As a means of differentiating itself from competitors, en-japan maintains a strategy of continuously enhancing its system functions, improving the services provided to both corporate clients and users and raising awareness of the [en] brand in the market. With regard to pricing competition, en-japan believes that continuing to provide a high level of well-targeted, value-added services at an appropriate pricing structure is critical to maintaining the trust of its corporate clients and avoiding competition solely on terms of pricing in the manner of many of the Company's competitors.

Because it recognizes the potential for increased competition despite such differentiation efforts, however, en-japan highlights this as a business risk that could adversely affect operating results.

(c.2) New Technologies

Technological advancements in Internet-related businesses are rapid and dramatic, and new technologies and services are being created continuously. Because its business is deeply rooted in the Internet, en-japan recognizes the need to maintain the Company's competitive position by constantly developing new technologies and services and providing these to customers as quickly as possible. In order to continually provide high-quality services, each of the Company's divisions constantly pursues the development of new services. As an integral part of this strategy, en-japan considers the various requests from its customers and users, and seeks to reflect as many of these as possible in its systems. Because en-japan is in a strong growth phase, with the need to expand human resources as well as the Company's services and systems development, there is a possibility that delays in the implementation of new technologies and services could lead to a deterioration in en-japan's competitive position within the industry.

(d) Protection of Personal Information

As a company participating in the human resources business, en-japan recognizes the extreme importance of properly managing personal information in the course of its business to prevent the leakage, misuse or alteration of personal data, and has aggressively undertaken efforts to create a personal information protection management system. Consequently, the Company received privacy mark certification from the Japan Information Processing and Development Corporation on March 22, 2001, and on June 15, 2007 obtained privacy mark certification under guidelines that use personal information protection management systems in compliance with JIS Q 15001:2006 as a certification standard.

To ensure information security, personal information is coded, strictly managed, and stored in servers at a 24-hour data center with full security facilities. Moreover, because the Company recognizes the legal ramifications resulting from any leakage of this information or other serious problems with the security of this data, access to data stored on this server is strictly limited to only certain employees. Even when the Company does not have any legal obligations, however, there is a possibility for problems with personal data to damage en-japan's brand image and adversely affect the Company's businesses and operating results.

(e) Special Legal Provisions

Currently in Japan, the laws governing various usages of the Internet and related businesses are very limited, and there is a need to further fortify these laws. Consequently, there is a possibility the Company's business operations could be restricted by changes such as enactment in the future of new regulations or laws governing Internet usage or clarification of the application of existing statutes.

Job information services businesses are subject to the obligation to convey appropriate information, including "worker recruiting methods" and "specification of working conditions," as defined by the Employment Security Law. en-japan's businesses also are subject to legal regulations such as the provisions governing "equal pay for both men and women" set forth by the Labor Standards Law, the "protection of minimum wages by region or industry" based on the Minimum Wage Law and the "regulations on false or exaggerated representations" set forth by the Consumer Protection Law.

en-japan maintains strict adherence to these laws and provisions in the production of various contents for its sites, and informs its corporate clients of the need to conform to these laws and provisions to help strengthen the trust of users in the Company's sites and services. If the Company's system to maintain the spirit and practice of these laws and provisions should not function adequately, however, there is a possibility this could have an adverse affect on the Company's businesses and the relationships of trust and confidence the Company has established with its users.

en-japan acquired employment agency certification as defined by the Employment Security Law in November 2000. If the Company is unable to renew its certification, or if this certification is cancelled, there is a possibility this could adversely affect the Company's operating results.

(f) Potential for Dilution of Share Value Through the Stock Option System

en-japan has adopted a stock option system. If stock options are exercised in the future, there is a possibility this will dilute the value of the Company's shares.

(g) Regarding Large Natural Disasters and Accidents

Because en-japan's business relies on computer communications systems, there is a possibility the Company could become unable to continue operating if its communications systems are interrupted because of a natural disaster, power failure, damage to the telecommunications networks or other problems. There also is a risk the Company's business might be interrupted if the servers at the Company or its Internet Service Provider become inoperative because of a temporary access overload, or network difficulties because of criminal acts including unauthorized access from outside the Company, or errors by its employees. Should such damage occur, in addition to the direct harm suffered by the Company, a larger system failure could also result in a loss of business and loss of trust among customers and users, or a lawsuit or demands for compensation against the Company, and there is a possibility this could adversely affect the Company's businesses.

(h) Risk Concerning Compliance with Laws

To fulfill the social responsibilities that accompany the growth of its business, en-japan is working to create a stronger internal control organization. Nevertheless, such an organization does not guarantee the Company can eliminate all illegal conduct, and if an employee commits a serious error or injustice or engages in illegal activity, there is a possibility the Company's financial position and business performance will be adversely affected by a lawsuit, demand for compensation for damages or other action. Moreover, if the Company has received administrative guidance as a result of an investigation by the Labor Standards Supervision Office or other authority, there is a possibility the Company's business operations could be influenced and its financial position and business performance adversely affected.

(i) Lawsuits

On September 7, 2007 (complaint receipt date), en-japan was named in a lawsuit filed by DNP Facility Service Co., Ltd., demanding payment of sales proceeds for tickets and other items that company alleges it sold to en-japan (claim amount of ¥829,404,000 and delinquency charges).

en-japan believes the filing and suit are without merit, and in the future the Company will clarify the veracity of its assertions with the court.

2. Current Conditions of the Company's Group

The Company had no material items to report because it does not have any significant subsidiaries.

3. Management Policy

(1) Basic Management Policy of the Company

en-japan is developing its business centered on job information services provided over the Internet. The Company's core corporate philosophy is to expand business operations by supporting job-seekers and corporate clients and providing high quality products and services.

The Company places the highest value on serving society, and believes the unique characteristics that differentiate en-japan from other firms give the Company a significant presence, and the Company's basic policy is to provide products and services that play a valuable role in helping to build a better society.

(2) Intermediate- to Long-Term Management Strategy

(a) Trends in the External Operating Environment

With the growth of Japan's economy and subsequent strong demand for labor, and the so-called "2007 Problem," which refers to the large number of Japanese baby-boomers who will reach retirement age beginning in 2007, Japan is confronted with a declining pool of workers. Consequently, Japanese corporations are taking aggressive actions that include increasing their hiring of mid-career workers, raising the retirement age and stepping up hiring of qualified younger workers.

Although growth in the internet recruitment advertisement market has slowed compared with the past, the transition from paper media (job advertising magazines, newspapers, job recruiting inserts, etc.) to Internet recruitment sites continues. The shift to Internet and mobile network job advertisement services is expected to progress steadily in the future.

To stay ahead of the market's expansion and ensure the growth of its business, en-japan will aggressively take the steps necessary to fortify its business organization.

(b) Intermediate- to Long-Term Management Strategy

en-japan manages sites providing comprehensive job information services. The Company has solidified its position as the top-ranked specialized job information website by seeking to maintain the highest quality website, and further increasing the satisfaction level of both clients and job seekers.

As its latest development in the job information services sector, the Company will begin an integrated part-time recruiting information service on February 25, 2008. In addition, to grow in sectors other than the human resources business, the Company took advantage of the knowledge and experience gained from the development of services using the Internet to release "[en] Koukousei", a mobile SNS (Social Networking Service) restricted to high school students, and began providing services on December 3, 2007.

(3) Issues to be Addressed by the Company

(a) Issues Concerning the Expansion of the Company's Businesses

One important issue pertaining to the development of en-japan's businesses is the ability to maintain the high quality of job information on the Company's websites while increasing the number of companies advertising jobs on en-japan's sites. en-japan produces highly accurate and objective job advertisements on behalf of its clients by sending its sales staff to clients' offices to conduct interviews, then creating job advertisements based on the information gathered. Many competitors leave the production of job advertising to their clients. Although en-japan is the top-ranked job advertisement website operator in terms of quality of job information provided, it also needs to keep pace with competitors in terms of growth rates in the number of companies placing ads on the Company's sites. To maintain strong growth, the Company will aggressively hire and train new staff and enhance its marketing and production capabilities.

(b) Issues Concerning the Company's Management Structure

To support the rapid growth of its operating base since the Company was established, en-japan must further expand its back-office functions. To address this issue, the Company will seek to increase the number of employees and boost operating efficiency, and work to improve corporate by pushing ahead with the consolidation of its internal controls.

4. Financial Statements

(1) Balance Sheets

(Unit: Thousand yen)

		7th Business Period (As of December 31, 2006)		8th Business Period (As of December 31, 2007)		YoY Change		
Categories	Notes	Amount		Share (%)	Amount	Share (%)	Amount	
Assets								
I Current Assets								
1. Cash and deposits			6,173,772			8,003,825		
2. Notes receivables			16,853			13,044		
3. Accounts receivable			2,275,791			2,639,824		
4. Inventories			13,630			13,176		
5. Prepaid expenses			224,044			246,081		
6. Deferred tax assets			302,362			407,713		
7. Other			31,598			23,014		
Reserve for bad debts			△33,772			△21,849		
Total Current Assets			9,004,281	63.7		11,324,829	61.6	2,320,547
II Fixed Assets								
1. Tangible fixed assets								
(1) Buildings		156,304			215,717			
Accumulated depreciation		45,598	110,705		69,410	146,307		
(2) Furniture and fixtures		1,023,622			1,219,707			
Accumulated depreciation		508,265	515,356		714,703	505,003		
(3) Construction in progress			33,775			11,287		
Total Tangible Fixed Assets			659,837	4.7		662,598	3.6	2,760
2. Intangible fixed assets								
(1) Trademarks			4,165			5,831		
(2) Software			644,478			964,816		
(3) Software under development			199,591			115,736		
(4) Telephone deposits			1,351			1,351		
Total Intangible Fixed Assets			849,587	6.0		1,087,735	5.9	238,148
3. Investments and other assets								
(1) Investment securities			340,019			730,885		
(2) Affiliate shareholdings			571,594			571,594		
(3) Claim in bankruptcy etc.			—			24,678		
(4) Long-term prepaid expenses			195,039			131,764		
(5) Deferred tax assets			94,294			191,028		
(6) Long-term deposits			1,388,220			2,578,300		
(7) Insurance reserve			422,090			430,332		
(8) Deposit guarantees			604,378			672,996		
Reserve for bad debts			—			△24,678		
Total Investments and Other			3,615,637	25.6		5,306,901	28.9	1,691,263
Total Fixed Assets			5,125,062	36.3		7,057,235	38.4	1,932,172
Total Assets			14,129,344	100.0		18,382,065	100.0	4,252,720

(Unit: Thousand yen)

		7th Business Period (As of December 31, 2006)			8th Business Period (As of December 31, 2007)			YoY Change
Categories	Notes	Amount		Share (%)	Amount		Share (%)	Amount
(Liabilities)								
I Current liabilities								
1. Accounts payable			79,979			72,564		
2. Payments due			1,459,616			1,484,451		
3. Accrued expenses			309,229			215,929		
4. Corporate taxes payable			1,848,360			2,086,839		
5. Consumption taxes payable			228,573			232,919		
6. Advances received			327,737			577,837		
7. Deposits			79,122			129,124		
8. Reserve for bonuses			147,992			345,539		
9. Reserve for directors bonuses			8,800			6,300		
10. Other			28,841			9,124		
Total Current Liabilities			4,518,254	32.0		5,160,631	28.1	642,376
Total Liabilities			4,518,254	32.0		5,160,631	28.1	642,376
(Shareholders' equity)								
I Owners' equity								
1. Paid-in capital			841,221	6.0		932,780	5.1	91,559
2. Capital surplus								
(1) Capital legal reserve		1,307,790			1,399,348			
Total capital surplus			1,307,790	9.2		1,399,348	7.6	91,558
3. Earned surplus								
(1) Other earned surplus								
General reserve		2,000,000			2,000,000			
Earned surplus brought forward		5,459,685			8,878,759			
Total earned surplus			7,459,685	52.8		10,878,759	59.2	3,419,074
Total Owners' Equity			9,608,697	68.0		13,210,889	71.9	3,602,191
II Valuation and translation adjustments								
1. Valuation difference on other investment securities			2,393	0.0		10,545	0.0	8,152
Total valuation and translation adjustments			2,393	0.0		10,545	0.0	8,152
Total Net Assets			9,611,090	68.0		13,221,434	71.9	3,610,344
Total Liabilities and Net Assets			14,129,344	100.0		18,382,065	100.0	4,252,720

(2) Income Statements

(Unit: Thousand yen)

		7th Business Period (From January 1, 2006 to December 31, 2006)			8th Business Period (From January 1, 2007 to December 31, 2007)			YoY Change
Categories	Notes	Amount		Share (%)	Amount		Share (%)	Amount
I Sales			16,919,926	100.0		22,686,137	100.0	5,766,210
II Cost of sales			1,604,439	9.5		2,033,507	9.0	429,068
Gross income			15,315,487	90.5		20,652,629	91.0	5,337,142
III Sales, general and administrative expenses								
1. Advertising expenses		4,551,332			6,062,752			
2. Executive pay		57,000			57,000			
3. Employee pay		2,179,810			2,904,748			
4. Bonuses		538,155			668,914			
5. Reserve for bonuses		126,311			298,551			
6. Reserve for directors bonuses		8,800			6,300			
7. Legal fringe benefits		357,882			443,187			
8. Commission fees		264,005			308,241			
9. Rent		477,882			837,165			
10. Commissions on payments		100,385			126,843			
11. Depreciation expense		100,178			163,078			
12. Reserve for bad debts		17,741			19,514			
13. Other		930,524	9,710,010	57.4	1,191,815	13,088,112	57.7	3,378,102
Operating income			5,605,476	33.1		7,564,516	33.3	1,959,040
IV Non-operating income								
1. Interest received		14,218			27,916			
2. Commissions received		959			2,255			
3. Foreign exchange gains		4,288			—			
4. Other income		11,376	30,842	0.2	11,250	41,422	0.2	10,580
V Non-operating expense								
1. Foreign exchange loss		—			10,527			
2. Loss on LLP investment		14,015			13,831			
3. Contribution for hiring of elderly and handicapped		7,600			7,800			
4. Other losses		7,647	29,263	0.2	707	32,865	0.1	3,602
Ordinary income			5,607,055	33.1		7,573,073	33.4	1,966,018
VI Extraordinary income								
1. Gain on sale of fixed asset		—	—	—	6	6	0.0	6
VII Extraordinary loss								
1. Loss on sale of fixed asset		—			17,117			
2. Loss on disposal of fixed assets	Note 1	11,404			50,105			
3. Office relocation expense		4,633			16,727			
4. Costs related to lawsuit		—			11,954			
5. Valuation loss on investment securities		—			49,999			
6. Impairment loss	Note 2	—	16,038	0.1	99,959	245,864	1.1	229,825
Income before taxes and adjustments			5,591,017	33.0		7,327,216	32.3	1,736,198
Corporate, resident and enterprise taxes		2,655,487			3,366,205			
Corporate tax adjustment		△170,414	2,485,072	14.6	△207,680	3,158,525	13.9	673,452
Net income			3,105,944	18.4		4,168,691	18.4	1,062,746

Detailed Statement of Cost of Sales

(Unit: Thousand yen)

		7th Business Period (From January 1, 2006 to December 31, 2006)			8th Business Period (From January 1, 2007 to December 31, 2007)			YoY Change
Categories	Notes	Amount		Share (%)	Amount		Share (%)	Amount
I Contents production expenses			632,842	39.4		824,696	40.6	
II Site operating expenses			706,332	44.0		913,462	44.9	
III Event expenses			249,669	15.6		274,909	13.5	
IV Other expenses			15,593	1.0		20,438	1.0	
Cost of sales			1,604,439	100.0		2,033,507	100.0	429,068

(Notes) 1. Content production expenses include outsourced production expenses as well as internal production expenses.

2. Site operating expenses includes depreciation expense for servers and other equipment as well as maintenance fees.

3. Event expenses are the cost of special events held to support job seeking users in their search for work.

(3) Statement of Changes in Net Assets

FY ended 12/06 (From January 1, 2006 to December 31, 2006)

(Unit: Thousand yen)

	Owners' equity						
	Paid-in capital	Capital surplus		Earned surplus			Total owners' equity
		Capital legal reserve	Total capital surplus	Other earned surplus		Total earned surplus	
				General reserve	Earned surplus brought forward		
December 31, 2005 balance	806,379	1,272,950	1,272,950	2,000,000	2,906,867	4,906,867	6,986,197
Changes of items during the business period							
New share issuance	34,841	34,840	34,840	—	—	—	69,682
Dividends payment (Note)	—	—	—	—	△553,127	△553,127	△553,127
Net income	—	—	—	—	3,105,944	3,105,944	3,105,944
Net changes of items other than owners' equity during the business period	—	—	—	—	—	—	—
Total changes of items during the business period	34,841	34,840	34,840	—	2,552,817	2,552,817	2,622,500
December 31, 2006 balance	841,221	1,307,790	1,307,790	2,000,000	5,459,685	7,459,685	9,608,697

	Valuation, translation gains		Total net assets
	Valuation gains on marketable securities	Total valuation gains	
December 31, 2005 balance	—	—	6,986,197
Changes of items during the business period			
New share issuance	—	—	69,682
Dividends payment (Note)	—	—	△553,127
Net income	—	—	3,105,944
Net changes of items other than owners' equity during the business period	2,393	2,393	2,393
Total changes of items during the business period	2,393	2,393	2,624,893
December 31, 2006 balance	2,393	2,393	9,611,090

Note: Appropriation of earnings items approved by the Regular General Meeting of the Shareholders for the business period ended March 2006.

FY ended 12/07 (From January 1, 2007 to December 31, 2007)

(Unit: Thousand yen)

	Owners' equity						
	Paid-in capital	Capital surplus		Earned surplus			Total owners' equity
		Capital legal reserve	Total capital surplus	Other earned surplus		Total earned surplus	
				General reserve	Earned surplus brought forward		
December 31, 2006 balance	841,221	1,307,790	1,307,790	2,000,000	5,459,685	7,459,685	9,608,697
Changes of items during the business period							
New share issuance	91,559	91,558	91,558	—	—	—	183,117
Dividends payment	—	—	—	—	△749,617	△749,617	△749,617
Net income	—	—	—	—	4,168,691	4,168,691	4,168,691
Net changes of items other than owners' equity during the business period	—	—	—	—	—	—	—
Total changes of items during the business period	91,559	91,558	91,558	—	3,419,074	3,419,074	3,602,191
December 31, 2007 balance	932,780	1,399,348	1,399,348	2,000,000	8,878,759	10,878,759	13,210,889

	Valuation, translation gains		Total net assets
	Valuation gains on marketable securities	Total valuation gains	
December 31, 2006 balance	2,393	2,393	9,611,090
Changes of items during the business period			
New share issuance	—	—	183,117
Dividends payment	—	—	△749,617
Net income	—	—	4,168,691
Net changes of items other than owners' equity during the business period	8,152	8,152	8,152
Total changes of items during the business period	8,152	8,152	3,610,344
December 31, 2007 balance	10,545	10,545	13,221,434

4. Statements of Cash Flows

(Unit: Thousand yen)

		7th Business Period (From January 1, 2006 to December 31, 2006)	8th Business Period (From January 1, 2007 to December 31, 2007)	YoY Change
Categories	Notes	Amount	Amount	Amount
I Cash flow from operating activities				
Income before taxes and adjustments		5,591,017	7,327,216	
Depreciation expense		481,635	653,802	
Impairment loss		—	99,959	
Increase (decrease) in reserve for bad debts		17,146	12,755	
Increase (decrease) in reserve for bonuses		47,641	197,547	
Increase (decrease) in reserve for directors bonuses		8,800	△2,500	
Interest received		△14,218	△27,916	
Foreign exchange gains (losses)		△4,288	10,527	
Loss (gains) from investment in LLC		14,015	13,831	
Valuation loss on investment securities		—	49,999	
Gain on sale of fixed assets		—	△6	
Loss on sale of fixed assets		—	17,117	
Loss on retirement of fixed assets		11,404	50,105	
(Increase) decrease in accounts receivable		△808,900	△360,223	
Increase (decrease) in accounts payable		17,249	△7,415	
Increase (decrease) in accrued expenses		305,895	141,705	
(Increase) decrease in other current assets		11,237	△7,758	
Increase (decrease) in other current liabilities		385,837	207,596	
(Increase) decrease in other fixed assets		—	38,596	
Subtotal		6,064,474	8,414,939	2,350,465
Interest and dividends received		8,267	22,718	
Corporate taxes paid		△1,996,023	△3,143,891	
Cash flow from operating activities		4,076,717	5,293,767	1,217,049
II Cash flow from investing activities				
Funds used for purchase of long-term deposits		△1,000,000	△1,200,000	
Funds used for purchase of investment securities		△325,000	△469,950	
Funds provided from sale of investment securities		—	29,000	
Funds used for acquisition of shares of affiliates		△571,594	—	
Funds used for acquisition of tangible fixed assets		△152,257	△362,879	
Funds provided from sale of tangible fixed assets		—	15,300	
Funds used for acquisition of intangible fixed assets		△658,367	△833,617	
Funds used for lease deposits		△283,177	△90,819	
Funds provided from return of lease deposits		10,689	22,201	
Funds used for accumulation of insurance reserve		△8,921	△8,666	
Funds provided from redemption of insurance reserve		691	424	
Funds used for extension of loans		—	△1,020	
Funds provided from loans recovered		1,065	978	
Cash flow from investing activities		△2,986,871	△2,899,046	87,824

III Cash flow from financing activities				
Funds provided by issuance of stock		69,682	183,117	
Funds used for dividend payment		△551,495	△747,178	
Cash flow from financing activities		△481,813	△564,060	△82,247
IV Translation adjustment to cash and equivalents		208	△607	△815
V Net increase in cash and equivalents		608,241	1,830,052	1,221,811
VI Cash and equivalents at beginning of period		5,565,531	6,173,772	608,241
VII Cash and equivalents at end of period		6,173,772	8,003,825	1,830,052