

En-Japan Inc.

FY December 2005 Earnings Announcement (Non-Consolidated)

February 15, 2006

Company Name: **En-Japan Inc.**

Osaka Securities Exchange (Hercules Market)

Stock Code: 4849

Headquarters: Tokyo

(URL <http://corp.en-japan.com/>)

Representative Director:	President and CEO	Michikatsu Ochi	
Contact Person:	Managing Director	Fujiko Yamaji	Telephone: +81-3-3342-4506
Board Meeting:	February 15, 2006	Interim dividend:	Available
Dividend Payment	March 30, 2006	Shareholders' Meeting:	March 29, 2006
Minimum share system:	None		

1. FY12/05 Earnings (from January 1, 2005 to December 31, 2005)

(1) Earnings Performance (figures are rounded to the nearest million yen)

	Sales		Operating Income		Ordinary Income	
	Million Yen	%	Million Yen	%	Million Yen	%
FY12/05	11,491	(64.6)	3,791	(68.9)	3,826	(69.7)
FY12/04	6,980	(59.6)	2,245	(28.3)	2,254	(28.5)

	Net Income		EPS	Fully Diluted EPS	ROE	Ordinary Income to Total Assets	Ordinary Income to Sales Ratio
	Million Yen	%	Yen	Yen	%	%	%
FY12/05	2,203 (75.8)		9,205.85	8,873.40	36.4	45.0	33.3
FY12/04	1,253 (20.6)		5,277.44	5,147.07	27.9	38.3	32.3

(Note) 1) Earnings from investments in companies held under equity accounting method: FY12/05: ¥0; FY12/04: ¥0

2) Average number of shares outstanding: FY12/05: 239,341; FY12/04: 237,478

3) Changes in accounting methods: None

(2) Dividend Information

	Full Year Dividend			Total Dividend Payment (full year)	Dividend Payout Ratio	Dividend to Equity Ratio
	Yen	Interim	Year End	Million Yen	%	%
FY12/05	2,300.00	-	2,300.00	553	25.0	9.1
FY12/04	1,500.00	-	1,500.00	358	28.4	8.0

(3) Financial Position

	Total Assets	Shareholders Equity	Equity Ratio	Book Value per Share
	Million Yen	Million Yen	%	Yen
FY12/05	9,949	6,986	70.2	29,049.85
FY12/04	7,067	5,116	72.4	21,417.22

(Note) 1) Shares outstanding at end term FY12/05: 240,490 FY12/04: 238,909

2) Treasury stock at end term FY12/05: FY12/04

(4) Cash Flow Conditions

	Operating cash flows	Investing cash flows	Financing cash flows	Cash & equivalents at end term
	Million Yen	Million Yen	Million Yen	Million Yen
FY12/05	2,621	-1,314	-310	5,565
FY12/04	2,009	-480	-269	4,569

2. FY12/06 Earnings Projections (from January 1, 2006 to December 31, 2006)

	Sales	Ordinary Income	Net Income	Dividends		
				Interim	Full Year	
	Million Yen	Million Yen	Million Yen	Yen	Yen	Yen
FY12/06	15,420	4,716	2,630	—	TBA	TBA

(Reference) We project earnings per share of ¥10,936.01 in FY12/06.

Our earnings projections are based on data available at the time of this announcement. Actual results may differ from these projections due to unforeseen factors. For further information, please refer to page 12 of this announcement.

1. Corporate Structure

We do not maintain any subsidiaries or other affiliated companies.

2. Management Policy

(1) Our Basic Management Policy

We provide various services related to job information and advertisements carried over the Internet. One of our corporate principles is to “prove our value by maintaining our independence and contributing to social order” while pursuing a balance between the pursuit of profits and contributing to society. We also strive to create employment by providing our users (job-seekers) with detailed job information, while at the same time providing our clients (companies advertising jobs on our site) with accurate and effective consulting, thereby acting as a bridge linking employees to job offers in what we call “shok-en” (literally, “work luck”).

(2) Our Basic Policy Regarding Profit Allocation

We maintain a policy regarding profit allocation that seeks to strike a balance between fortifying our management foundation and financial position through retained earnings on the one hand, and returning an appropriate level of profits to our shareholders on the other hand.

During fiscal year December 2005, we expect to pay a dividend of ¥2,300 per share. This is 1.5 times the dividend paid during the previous fiscal year.

In the future, we will maintain a policy that strikes a balance between internal retention of earnings – to prepare our Company for sudden and dramatic changes in our business environment and to allow us to aggressively pursue new business fields – and returning profits to our shareholders through an appropriate level of dividends.

(3) Intermediate Term Management Strategy

(a) Trends in the External Operating Environment

According to the economic report issued by Japanese Cabinet Office, the economy is continuing on course to a recovery. And despite uncertainties, including the impact of volatility in crude oil prices on global economies, the Japanese economy is expected to continue to trend strongly due to firm demand from the private sector. In line with these trends, conditions within the job employment market are also recovering. Notably, the effective job offers-to-applicants ratio improved to 1.00 in December (Source: Ministry of Health, Labor and Welfare) on the back of increases in both the number of jobs offered and new jobs seekers. Additionally, while the unemployment rate remained at a relatively high level of 4.4% in December (Source: Ministry of Internal Affairs and Communications), it continues to decline – further evidence of the improving employment markets. In general, the declining pool of workers is a critical issue for Japanese society and is evident in the decline in the birth rates and full-time employment rates of college graduates, in the increased number of part-time workers and NEET (Not in Employment, Education or Training), and in the “2007 Problem” (a phenomenon in which the large number of Japanese born in the baby-boom era will begin to reach retirement age beginning in 2007).

Job advertisements for mid-career workers are rapidly shifting away from magazines, newspapers, and other traditional print media channels towards the Internet. We anticipate the job advertisement market targeting mid-career workers to expand at an even quicker pace in the future. The transition away from traditional media toward electronic media and the Internet by job-offering companies seeking to hire new college graduates has already been completed. While the number of companies seeking to hire new college graduates is increasing along with the recovery in the economy, it will likely become more difficult to meet the needs of Japanese companies due to declines in the population of younger Japanese arising from the declining birth rate. We will fortify our internal structure in order to allow our Company to quickly respond to changes in the external operating environment.

(b) Our Intermediate- to Long-Term Management Strategy

Our basic management policy is to realize the best match between job applicants and hiring companies, and to provide satisfaction to both parties by providing a large volume of detailed and accurate job information to people seeking jobs. In order to maintain our position as the leading employment information website operator, we offer a full range of job information through our various websites including “en Career Change Info,” “en Career Change Consultant,” “en Temporary Placement Info,” “en Part-time Jobs Plus” and “en Job Info for Students.” We are able to make a variety of proposals that accurately respond to the needs our customers by offering them our high-value added and unique know-how and services.

We also seek to secure both “quantity” and “quality” of job information from the standpoint of job seekers, providing them with qualitative information pertaining to the level of challenges and difficulty of jobs offered by companies in addition to information related to compensation and benefits, and quantitative information including a large number of job offers from various companies.

We hope to help raise the consciousness of younger Japanese workers, who have increasingly styled themselves as “professional part-timers” and “NEET” (Not in Employment, Education or Training), by helping them to realize their roles as integral parts of society through the provision of opportunities for them to grow through full-time employment. We believe that if the sites we operate can even slightly alleviate the unstable conditions in the job market, this would help us to realize our guiding corporate principle of “social justice.”

(4) Our Philosophy and Policy Regarding Reductions in Our Minimum Investment Amount

We maintain a policy of actively expanding our individual shareholder base to help ensure liquidity in our Company’s shares. In keeping with this philosophy, we will consider offering stock splits in line with improvements in our earnings and financial position, as well as out of a consideration of the minimum amount needed to invest in our shares.

(5) Our Basic Policy Regarding Our Relationship with Related Businesses

Our basic policy is to deal with all related and unrelated business partners under the same terms and conditions.

(6) Issues Confronting Our Company

(a) Longer-Term Issues

One issue facing our Company is how to maintain the quality of the job information included in our sites while we increase the number of companies advertising jobs. Although we maintain a competitive advantage in the quality of job information we offer, we still need to keep up with our competitors in terms of achieving similar growth rates in the number of companies placing ads.

(b) Progress in the Current Term

We have focused much of our efforts on increasing our staff to strengthen our marketing and production capabilities, and expanding our office network to acquire new clients. In addition to continuing to aggressively employ mid-career workers, our hiring of new college graduates helped to boost our total staff numbers by 164 from the end of fiscal year December 2004 to 538 at the end of fiscal year December 2005. Furthermore, we have successfully implemented regularly scheduled training for our new staff members, which has allowed them to quickly begin contributing to our corporate value. With regard to our office network, we opened a new office in Kobe in January 2005.

In order to leverage our fortified corporate structure, we are promoting various new services and plans including effective advertising campaigns to acquire new clients and increase the number of job advertising companies.

(c) Short-Term Issues

One of the most important issues in a business providing services over the Internet is security. Along with increases in the number of companies advertising jobs, we can also expect an increase in the number of job-seekers. As a company participating in the human resources business, we recognize the extreme importance of properly managing personal information to prevent its leakage, misuse, and alteration. In order to raise the level of security of our system and to ensure the protection of personal information, we will implement on-going compliance training for our staff and exert our utmost efforts to maintain the effectiveness of our “personal information protection compliance program.”

Additionally, we will continue to update our internal management system to rationalize and raise the efficiency of our back office functions, and increase the total number of staff to help fortify our business foundation, which has supported our fast-paced growth since our founding.

3. Overview of Our Business Performance and Financial Position

(1) Our Business Performance during the FY12/05

Review of Our Earnings

The employment market in Japan during the term under review improved, with the monthly effective job offers-to-applicants ratio rising from 0.94 at end fiscal year December 2004 to 1.00 at the end of fiscal year December 2005 on the back of increases in both the number of both job offers and job seekers. Although the unemployment rate remained at a relatively high 4.4% in December, it is gradually falling from the previous year's levels and reflects a general improvement in labor market conditions.

Against this backdrop, we aggressively ran promotion campaigns to raise our brand recognition and visibility among our users (job-seekers) and our clients (job offering companies). As a result of our successful promotion campaign, we were able to boost the number of registered users to over 1,000,000. Furthermore, we opened a new branch in Kobe in January, and we increased staffing at our Yokohama office, which we moved to a larger facility in August. Also, we released a new site called "en Part-time Jobs Plus" in February and we updated our "en Career Change Consultant" site in July along with the launch of a new version of our student job information site called "en Job Info for Students 2007" in October.

In our mid-career hiring business, sales from "en Career Change Info," "en Career Change Consultant" and "en Temporary Placement Info" sites rose for the fifth consecutive year since our founding. In particular, "en Career Change Info" and "en Temporary Placement Info" sites recorded strong sales growth of over 50% year-over-year, and helped to boost our mid-career hiring business sales by 55.7% from the previous year to ¥9,810 million.

Furthermore, sales from our new graduate hiring business contributed on a full 12-month basis compared with the previous fiscal year when it contributed only for seven months (from June to December 2004) due to the spin-off of this business from Nihon Brain Center Co., Ltd. Furthermore, following on the success of our "en Job Info for Students 2006" site designed for students graduating in April 2006, we launched in October a new version called "en Job Info for Students 2007" for students graduating in April 2007 and it is contributing strongly to our earnings. Consequently, our new graduate hiring business grew by a strong 147.0% year-over-year to ¥1,572 million.

These efforts allowed our Company to record sales of ¥11,491 million (a 64.6% year-over-year rise), operating income of ¥3,791 million (a 68.9% year-over-year rise), ordinary income of ¥3,826 million (a 69.7% year-over-year rise) and net income of 2,203 million (a 75.8% year-over-year rise).

Sales of Our Main Business Segments during the Interim Period

(a) Mid-career Hire Business

In our "en Career Change Info" site we provide our job applicants with accurate and detailed information about jobs and pictures and streaming videos of the workplace. Through the use of various functions on our site, job applicants can gain a very detailed understanding of the working conditions at companies offering jobs before they choose to apply for a job. Therefore, we are able to drastically reduce the mismatching of workers to jobs, which in turn contributes to a high post-hiring retention rate and to a strong contribution by each newly hired worker. For this reason, companies have been very cooperative and supportive in providing information about their workplaces for our site.

Also in addition to ensuring that we continue to receive business from our existing customers, we opened a new office in Kobe and increased our marketing and production staff to help develop business from new clients. Consequently, we have been able to increase the number customers posting job information on our sites and increased our sales by 51.4% year-over-year to ¥6,520 million.

Moreover, our comprehensive mid-career hiring capabilities have enabled us to book ¥88 million in outsourcing services in mid-career hiring support functions.

“en Career Change Consultant” is one of the largest collective sites for recruiting companies in Japan. In July we implemented a renewal of this site to be able to provide a new service called “High Value-added Info for Career Consultants,” which offers improvements in both design and functions. The renewed site allows job seekers to use a single entry function to search through various job categories (including industry, type of work, business field, geographic region, etc.) offered by recruiting companies. We also added a new page called “High-end Jobs Corner,” which provides information for jobs ranging from ¥8 to ¥20 million a year in compensation and where users can search data by specifying their own criteria including job type and recruiting company. The fortified design and functions of the renewed site allowed us to increase our unit price as well as increasing the number of job listing companies and contributed to a 19.5% year-over-year increase in sales to ¥1,208 million.

“en Temporary Placement Info” is one of the largest collective sites in Japan for job advertisements of temporary labor dispatch companies. Since we opened our site in July 2000, we have striven to satisfy workers seeking employment as temporary dispatched workers by constantly updating our site to make it more convenient to use and by stocking it with good job information. Consequently, our site received the top ranking as the most satisfying worker dispatch job site in the “Dispatched Worker Site Usage Survey 2005” by Interwired Co., Ltd. Our strong reputation among our users has contributed to strong support from our clients and led to an increase in the number of companies advertising on our site. Consequently, sales of this site rose 72.4% from the previous fiscal year to ¥1,694 million.

During February 2005, we launched “en Part-time Jobs Plus” as a specialized site that lists only part-time job offers for positions where there is a possibility that the worker might be hired later as a full-time employee. We developed this site with the goal of reducing the number of permanent part-time workers by providing them with opportunities to contribute to society to a greater degree through full-time employment. This site got off to a good start as it filled a critical gap between companies seeking to hire full-time employees from the ranks of more highly motivated part-time workers, and part-time workers who are seeking full-time work. In May, we opened a version of this site that can be accessed by cellular telephones, and in July we expanded the territory covered by this site to include the Kansai region. Consequently, sales of this site exceeded our initial projections, reaching ¥299 million.

(b) New-graduate Hiring Business

“en Job Info for Students” is designed to provide college and graduate students with employment information. The site we started in the previous term, “en Job Info for Students 2006,” a job information site targeting undergraduate and graduate students who will be entering the job market in March 2006, trended favorably during the year. Although the number of students seeking jobs seems to be on the decline, in October we opened a “en Job Info for Students 2007” site for those graduating in March 2007. By posting accurate and

detailed job information and conducting an aggressive promotional campaign, we were able to see a large increase in the number of users of the site, which in turn boosted the number of companies listing jobs there as well. As a result, our sales in this division rose by 150.6% year-over-year to ¥1,254 million.

We were also able to leverage our unique know-how in the area of new graduate employment to book ¥317 million in hiring consulting outsourcing work for a 133.7% increase from the previous year.

(c) Education and Evaluation Business

In our education and evaluation business, we provide various services relating to “hiring” including the planning and implementation of post-hiring training programs designed to enhance “worker performance” after prospects are hired. We also offer personnel systems and evaluation system development support to help the hiring company retain their new hires. We have been able to develop synergies from our comprehensive human resources consulting services in both the mid-career hiring and new graduate hiring fields, which helped our sales to grow by a substantial 158.1% margin from the previous year to ¥109 million.

Business Performance Comparison

(1) Earnings Summary

(units: ¥1,000)

Category \ Term	5 th Term (From January 1, 2004 to December 31, 2004)	6 th Term (From January 1, 2005 to December 31, 2005)
Sales	6,980,678	11,491,772
Operating income	2,245,350	3,791,720
Ordinary income	2,254,671	3,826,122

(2) Sales Segments

(units: ¥1,000)

Category \ Term	5 th Term (From January 1, 2004 to December 31, 2004)		6 th Term (From January 1, 2005 to December 31, 2005)	
	Sales	Share (%)	Sales	Share (%)
Mid-Career Hiring Business				
en Career Change Info	4,307,912	61.7	6,520,208	56.7
en Career Change Consultant	1,010,874	14.5	1,208,025	10.5
en Temporary Placement Info	982,995	14.1	1,694,378	14.7
en Part-time Jobs Plus	-	-	299,133	2.6
Others	-	-	88,347	0.8
New-graduate Hiring-Related Business				
en Job Info for Students	* 500,527	7.2	1,254,505	10.9
Others	* 135,888	1.9	317,511	2.8
Training, Evaluation	* 42,480	0.6	109,663	1.0
Total	6,980,678	100.0	11,491,772	100.0

* As of June 1, 2004, the businesses of Nihon Brain Center Co., Ltd., including new graduate job information provision, human resources training, and human resources evaluation, were separated and transferred to our Company. Consequently, we added two new divisions – new graduate hiring, and training and evaluation – and have included seven months (from June to December 2004) of their sales during our fiscal year December 2004.

(Note)

1. “Others” in our mid-career hiring division includes outsourcing services.
2. “Others” in our new graduate hiring division it includes consulting and outsourcing services.

(2) Financial Position

(a) Review of our assets, liabilities and shareholders' equity

(Current assets)

At the end of the fiscal year under review, the balance of our current assets rose by ¥1,641 million from the end of the previous term to ¥7,368 million. We attribute this increase primarily to strong earnings, which allowed us to grow our cash and deposits by ¥996 million and our receivables by ¥483 million.

(Fixed assets)

At the end of the fiscal year under review, the balance of our fixed assets grew by ¥1,240 million from the end of the previous fiscal year to ¥2,580 million. One factor behind this increase was the ¥471 million rise in tangible fixed assets due to the acquisition of fixtures and other facilities accompanying the move to a new floor in our headquarters building, and investments to fortify our server system infrastructure. Another factor was a ¥135 million increase in intangible fixed assets to ¥307 million resulting from the purchase of software and the opening of the “en Part-time Jobs Plus” site in February and “en Job Info for Students 2007” site in October, as well as the renewal of our “en Career Change Consultant” site in July. In addition, we saw our investments and other assets rise to ¥1,517 million due primarily to ¥131 million in lease deposits, ¥234 million in long-term deposits, and ¥271 million in maintenance and repair fees for our servers as well as long-term prepayments.

(Current Liabilities)

The balance of current liabilities at the end of the fiscal year under review rose by ¥1,012 million from the end of the last fiscal year to ¥2,963 million. This increase can be attributed to a ¥473 million rise in unpaid taxes based on our strong earnings, in addition to a ¥125 million increase in sales deposits. Additionally, we saw a ¥337 million increase in payments arising from advertising and site development expenses.

(Shareholder's equity)

Our shareholder's equity grew by ¥1,869 million from the previous yearend to ¥6,986 million at the end of the fiscal year under review. This increase is due in part to ¥23 million gains in both capital and capital reserves arising from the exercise of stock options, as well as to the ¥1,844 million increase in retained earnings resulting from our strong earnings performance. We also booked another ¥2,000 million in contingent reserves from the appropriated earnings in the previous term.

(b) Cash flow conditions

During the fiscal year under review, we took a number of steps that led to a net outflow of cash from our cash and cash equivalents due to investing activities, which included a build-up of our time deposits, acquisition of tangible fixed assets along with the move of our headquarters to a new floor in the same building, and increases in non-tangible fixed assets including lease deposits arising from our headquarters move and the renewal of our Websites. However, the strong earnings performance of our operating activities allowed our cash and cash equivalents to rise by ¥996 million year-over-year to ¥5,565 million (a 21.8% increase).

(Operating cash flow)

Our operating activities provided a cash inflow of ¥2,621 million (up 30.4% year-over-year). This is attributed primarily to an increased inflow from our pretax income of ¥3,811 million, and an outflow of tax payments of ¥507 million to ¥1,244 million.

(Investing cash flow)

Our investing activities saw a cash outflow of ¥1,314 million (up 173.4% year-over-year). The main factors here included a ¥215 million increase in long-term bank deposits, a ¥713 million payment to acquire tangible fixed assets, a ¥341 million payment to purchase intangible fixed assets, a ¥246 million payment for lease deposits, and ¥126 million of income from the liquidation of investment securities.

(Financing cash flow)

We saw a net outflow in our financing cash flows of ¥310 million (up 15.3% year-over-year). This outflow is attributed primarily to the payment of dividends, which totaled ¥357 million (a 21.6% increase from the previous year).

Cash flow indicators

	FY12/01	FY12/02	FY12/03	FY12/04	FY12/05
Equity ratio (%)	83.3	80.1	82.4	72.4	70.2
Equity ratio based on market capitalization (%)	194.4	330.9	714.6	1,115.5	1,841.8
Debt redemption period (Year)	-	-	-	-	-
Interest coverage (Times)	-	-	-	-	-

(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: Market capitalization / Total assets
 - c) Debt redemption period: Interest bearing debt / operating cash flow
 - d) Interest coverage: Operating cash flow / Interest payment
2. Each of these indicators is based on our own financial data.
 3. We do not show values for our debt redemption period because we have no interest-bearing debt.
 4. We do not show values for interest coverage because we have no interest-bearing debt.

(3) Earnings projections for FY12/06

The effective job offers-to-applicants ratio improved in December 2005 to 1.00, the highest level in 13 years (since September 1992). Against this backdrop, demand for human resources-related services is expected to remain strong due to the strong corporate earnings anticipated during the coming year and the need to replace a large number of retiring baby boomer workers due to the “2007 Problem.”

Consequently, we anticipate strong increases in demand for job advertisements, and it becomes even more

important to raise the quality of our services to enable our customers to effectively fill their human resources needs by providing an efficient job offers-to-applicants matching system.

In order to be able to respond to changes in this external operating environment, we will continue our aggressive advertising campaign to raise our brand recognition and to draw an even greater number of job seekers to our site. In addition, we will fortify our staffing in the areas of marketing and production and will rely on “100% in-house interviews” to increase the quality of job descriptions listed on our site. We believe that this strategy will enable us to efficiently and effectively match job applicants to the jobs offered and ensure our customers’ satisfaction.

With the launch of our “en Part-time Jobs Plus” site in February 2005, the “en” brand now covers all of the categories in the job information advertisement services business. As a result of our efforts, the “en” brand has received strong support from both the job-seeking public as well as businesses that seek new employees, and we will continue our efforts to remain at the top of this industry.

For all of these reasons, we project continued growth in both sales and profits in the coming term.

Fiscal Year December 2006 Earnings Projections

(Units: ¥ million)

<div>Term</div> <div>Category</div>	<div>7th Term</div> <div>(From January 1, 2006 to December 31, 2006)</div>	<div>6th Term</div> <div>(From January 1, 2005 to December 31, 2005)</div>
Sales	15,420	11,491
Ordinary income	4,716	3,826
Net income	2,630	2,203

(4) Business Risks

We provide below details of the main risk factors that we recognize as part of our business. We also believe it is important to be aware of other factors which are not yet deemed to be business risks, and we will pursue an aggressive disclosure strategy with regard to these factors as well. In addition to recognizing these risk factors before they occur and implementing preventative measures, we will carefully consider these factors in the context of our management and our future business development. In addition, we recognize that the risk factors mentioned below do not represent all of the potential risks that exist to investors considering investment in our Company’s shares.

(a) Intellectual property rights infringement

We view our brand as a highly valuable property and we have acquired the various trademarks associated with it. We are in the process of acquiring any possible utility model patents to protect our unique system and business model.

Additionally, we have included warnings on our site cautioning other parties from copying, forwarding, translating, or making other use of our contents and services without our express written consent. We will pursue legal action against any third party that is in violation of our intellectual property rights. In the event of violations, we may be forced to expend substantial company funds in legal actions to support and protect our intellectual property rights.

(b) Business operations

We provide various job information services over the Internet. Our main source of revenues comes from job advertisements placed by Japanese corporations on our Internet websites. With regard to the operation of our sites, it is difficult to determine the specific revenue contributions from our information services and our advertising production work, therefore we disclose the various risks associated with both parts of our business.

(b.1) Regarding our new businesses

In the future we will implement a policy that leverages the strengths of our “en” brand by fortifying our services and contents to develop new businesses. We maintain a policy of establishing alliances and partnerships related to our portal sites to aggressively broaden the base of our businesses. And because of the numerous unpredictable factors associated with new business development, we recognize the potential for our earnings to be impacted by unforeseen circumstances arising from these newer businesses.

In order to attain success in our businesses, we recognize the importance of maintaining our brand recognition in the market. Therefore, we may seek alliances with new portal sites as part of our efforts to maintain a high level of brand recognition. Because the term of our alliance agreements is one year and is renewed on an annual basis, the loss of contracts could impact our earnings.

(b.2) Regarding our business operations

As part of our business expansion strategy, we recognize the importance of raising recognition of the “en” brand, and we will pursue an aggressive advertising strategy including both conventional print media and new electronic media with the goal of raising the number of users of our sites. However, accurately assessing the effectiveness of this strategy is difficult, and the costs associated with such advertising campaigns pose a risk to our earnings.

Moreover, we need to increase our staff numbers to fortify our marketing and new technology development functions which are critical to expanding our business realm. The inability to secure adequate numbers of new staff and/or the loss of existing staff could negatively impact our earnings.

(b.3) Regarding business with transacting partners in special industries

We have avoided a concentration of customers in certain specific industries by aiming our marketing activities at a wide range of customers in various industries. However, because demand for job advertisements is closely related to trends in the economy, our dependence on customers in certain industries could rise. While we will continue our strategy of conducting marketing activities across a broad range of industries, our earnings could be affected by the macroeconomic trends affecting customers in certain specific industries.

(c) Regarding our unique services and technologies**(c.1) Differentiation of our services**

The market for job information services can be divided into three segments: a) magazines, newspapers and other traditional print media advertising companies, b) on-line job information advertising companies utilizing the Internet, and c) human resources recruiting and temporary labor dispatch companies. Our company belongs to the second category. The competition in this category of on-line advertising is becoming increasingly fierce due to the large number of existing and new entrants to this segment of the market.

As a means of differentiating ourselves from our competitors, en maintains a strategy of increasing the functions of our system, improving the services provided to both clients and users, and raising the “en” brand recognition in the market. With regard to pricing competition, we continue to provide a high level of value-added services to gain the trust of both our clients and users, which is necessary to maintain this pricing structure and to avoid being forced to compete only in terms of pricing, as have many of our competitors. However, we recognize the potential for increased competition despite our efforts at differentiation as a business risk that could affect our earnings.

(c.2) Regarding our new technologies

Technological advancements in Internet-related businesses are rapid and dramatic, and new technologies and services are always being born. Because our business is deeply rooted in the Internet, we recognize the need to constantly seek new technologies and services and to provide them to our customers at the soonest possible opportunity to maintain our competitive position. In order to be able to continually provide high-quality services, each of our divisions, including the mid-career hiring media development, new graduate hiring media development, and our career change consultant and temporary placement job information divisions, constantly pursue the development of new technologies and services. As an integral part of this strategy we consider the various requests from our customers and users and try to make changes in our system to reflect as many of them as possible. Because we are in a strong growth phase with the need for an expansion in both our personnel as well as our services and systems development, any delays in the implementation of new technologies and services could lead to a deterioration in our competitive position within the industry.

(d) Regarding the protection of personal information

As a company participating in the human resources business, we recognize the extreme importance of properly managing personal information to prevent its leakage, misuse, and alteration. Consequently, we have already established a protection management structure that complies with the “personal information protection compliance program” (JIS Q 15001), and we have renewed our privacy mark certification from the Japan Information Processing Development Corporation.

Personal information is coded, strictly managed, and stored in servers at a 24-hour data center with full security facilities. Moreover, we only grant a limited number of employees access to this data because we recognize the legal ramifications resulting from any leakage of this information or any other serious trouble with the security of this data. In addition to our legal responsibilities, we also recognize the potential for problems with personal data to damage our brand image, and the impact this could have on our business.

(e) Regarding 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, the creation of new laws governing the usage of the Internet could impact our business operations.

The job information services businesses are subject to the “equal opportunity laws” and “statement of conditions of employment” as defined by the job stabilization law. Our business is also subject to provisions set forth by the labor standard laws which call for “equal pay for both men and women” and the “protection of minimum wages by region,” and those set forth by the consumer protection laws for “truth in advertising.”

We maintain strict adherence to these laws and provisions in the production of various contents for our site, and inform our clients of the need to conform to these laws and provisions to help strengthen the trust of our users in our site and our services. However, we also recognize that any inability to maintain the spirit and practice of these laws and provisions could have a negative impact on our business and the trust relationship we have built with our users. In November 2000, we acquired and in 2003 renewed our employment agency certification as defined by the job stabilization law. This certification is valid for three years, and we recognize that if we were unable to receive an extension or if the certification were cancelled it could negatively impact our earnings.

(f) Regarding the potential for dilution of our shares through stock options

We recognize the dilution of shareholder value as a risk resulting from the potential exercise of outstanding stock options already issued and from stock options which are expected to be issued in the future.

(g) Regarding large natural disasters and accidents

Because our business relies on computer communications systems, we recognize the risk of interruption of our business resulting from any potential disruption of communications systems stemming from natural disasters or accidents. We also acknowledge the risk to our business from temporary failure of our servers due to access overload, from criminal acts resulting from unauthorized access or from acts by our employees. Not only these problems, but also the potential for a larger system failure could result in a loss of business and a loss of trust among our customers and users, and could also lead to the pursuit of punitive damages by our partners.

4. Financial Statements

(1) (Financial Statements)

(a) (Balance Sheet)

		5 th Term (December 31, 2004)			6 th Term (December 31, 2005)		
Categories	Notes	Value (¥1,000)		Share (%)	Value (¥1,000)		Share (%)
(Assets)							
I Current Assets							
1. Cash and equivalents			4,569,364			5,565,531	
2. Notes receivables			14,633			10,433	
3. Accounts receivables			990,165			1,473,310	
4. Inventories			8,810			10,738	
5. Prepaid expenses			50,869			163,666	
6. Deferred tax asset			92,489			136,135	
7. Others			11,112			25,546	
Bad credit reserves			-10,593			-16,626	
Total current assets			5,726,851	81.0		7,368,735	74.1
II Fixed assets							
1. Tangible fixed assets							
(1) Buildings		-			146,595		
Aggregated depreciation		-	-		26,738	119,856	
(2) Structures, facilities		123,578			-		
Aggregated depreciation		33,782	89,796		-	-	
(3) Equipment and others		356,148			877,132		
Aggregated depreciation		161,130	195,017		279,383	597,749	
(4) Construction in progress			-			38,637	
Total tangible fixed assets			284,814	4.0		756,243	7.6
2. Intangible fixed assets							
(1) Trademarks			2,140			3,090	
(2) Software			73,381			160,584	
(3) Software in progress			95,287			142,195	
(4) Telephone deposits			1,351			1,351	
Total intangible fixed assets			172,161	2.4		307,222	3.1
3. Investments and other assets							
(1) Investment securities			82,400			25,000	
(2) Long-term prepaid expenses			-			271,338	
(3) Deferred tax assets			43,038			91,749	
(4) Long-term deposits			150,000			384,140	
(5) Insurance reserve fund			408,175			413,235	
(6) Lease deposits			199,930			331,890	
Total investments and other assets			883,545	12.6		1,517,355	15.2
Total fixed assets			1,340,520	19.0		2,580,821	25.9
Total assets			7,067,372	100.0		9,949,557	100.0

		5 th Term (December 31, 2004)			6 th Term (December 31, 2005)		
Categories	Notes	Value (¥1,000)		Share (%)	Value (¥1,000)		Share (%)
(Liabilities)							
I Current liabilities							
1. Accounts payable			12,542			62,730	
2. Payments due			705,511			1,023,714	
3. Unpaid expenses			160,319			69,748	
4. Unpaid corporate taxes			701,065			1,174,419	
5. Unpaid consumption taxes			95,459			123,675	
6. Advances received			239,138			364,860	
7. Deposits			34,299			42,831	
8. Bonus reserves			-			100,350	
9. Others			2,266			1,029	
Total current liabilities			1,950,604	27.6		2,963,360	29.8
Total liabilities			1,950,604	27.6		2,963,360	29.8
(Shareholders' equity)							
I Capital	* 1		783,002	11.1		806,379	8.1
II Capital reserves							
1. Capital surplus reserves			1,249,573			1,272,950	
Total capital reserves			1,249,573	17.7		1,272,950	12.8
III Retained earnings							
1. Unappropriated reserves							
(1) Contingent reserves			-			2,000,000	
2. Unappropriated earnings			3,061,894			2,906,867	
Total retained earnings			3,061,894	43.3		4,906,867	49.3
IV Net unrealized gains on securities and other holdings			22,296	0.3		-	-
Total shareholder's equity			5,116,767	72.4		6,986,197	70.2
Total liabilities and shareholders' equity			7,067,372	100.0		9,949,557	100.0

(2) (Income Statement)

		5 th Term (From January 1, 2004 to December 31, 2004)			6 th Term (From January 1, 2005 to December 31, 2005)		
Categories	Notes	Value (¥1,000)		Share (%)	Value (¥1,000)		Share (%)
I Sales			6,980,678	100.0		11,491,772	100.0
II Cost of sales			572,105	8.2		1,097,051	9.5
Gross income			6,408,573	91.8		10,394,720	90.5
III Sales, general and administrative expenses							
1. Advertising expenses		2,056,354			3,304,991		
2. Executive pay		49,980			55,905		
3. Employee pay		877,946			1,382,170		
4. Bonuses		152,701			296,429		
5. Legal fringe benefits		117,722			210,989		
6. Outsourcing fees		114,206			175,893		
7. Rent		224,950			344,714		
8. Commission fees	115,034			88,020			
9. Depreciation	32,199			51,473			
10. Bad credit reserves	3,909			6,032			
11. Others	418,217	4,163,222	59.6	686,379	6,603,000	57.5	
Operating income			2,245,350	32.2		3,791,720	33.0
IV Non-operating income							
1. Interest received		1,091		7,880			
2. Dividends received		800		-			
3. Commissions received		6,758		3,593			
4. Foreign exchange gains		—		18,537			
5. Others	1,864	10,513	0.2	4,840	34,852	0.3	
V Non-operating expense	*1						
1. New share issuance fees		1,179		—			
2. Fixed asset liquidation loss		—		450			
3. Others	12	1,192	0.1	—	450	0.0	
Ordinary income			2,254,671	32.3		3,826,122	33.3
VI Extraordinary income							
1. Securities liquidation profit		—	—	—	81,308	81,308	0.7
VI Extraordinary losses	*2						
1. Fixed asset liquidation loss		—			66,171		
2. Headquarter moving expense	—	—	—	29,976	96,147	0.8	
Current net income before taxes			2,254,671	32.3		3,811,282	33.2
Corporate, resident, enterprise taxes		1,096,015			1,685,000		
Corporate tax adjustments		-94,618	1,001,396	14.3	-77,053	1,607,946	14.0
Net income			1,253,275	18.0		2,203,336	19.2
Unappropriated retained earnings carried forward from previous term			1,808,619			703,531	
Unappropriated earnings			3,061,894			2,906,867	

Details of Cost of Sales

		5 th Term (From January 1, 2004 to December 31, 2004)			6 th Term (From January 1, 2005 to December 31, 2005)		
Categories	Notes	Value (¥1,000)		Share (%)	Value (¥1,000)		Share (%))
I Contents production expenses			229,349	40.1		382,695	34.9
II Site operating expenses			280,109	48.9		567,760	51.7
III Other expenses			62,646	11.0		146,595	13.4
Cost of sales			572,105	100.0		1,097,051	100.0

- (Note) 1. Content production expenses include outsourced production expenses as well as internal production expenses.
2. Site operating expenses includes depreciation for servers and other equipment as well as maintenance fees.

(3) (Cash Flow Statement)

		5 th Term (From January 1, 2004 to December 31, 2004)	6 th Term (From January 1, 2005 to December 31, 2005)
Categories	Notes	Value (¥1,000)	Value (¥1,000)
I Operating cash flows			
Current net income before taxes		2,254,671	3,811,282
Depreciation		223,585	381,625
Bad credit reserves increase		3,459	6,032
Bonus reserves increase		-	100,350
Interest received		-1,091	-7,880
Dividends received		-800	—
Foreign exchange gains		—	-18,537
Securities liquidation gains		—	-81,308
Fixed asset liquidation loss		—	66,621
Accounts receivable (increase)		-337,946	-478,945
Change in payables		-2,126	50,187
Change in unpaid expenses		297,486	317,669
Change in other assets		-14,927	-390,420
Change in current liabilities		322,340	103,511
Subtotal		2,744,652	3,860,190
Interest and dividends received		1,891	5,490
Corporate taxes paid		-737,014	-1,244,497
Operating cash flows		2,009,528	2,621,183
II Investing cash flows			
Outflow from long-term deposits		—	-215,760
Outflow from acquisition of securities		—	-25,000
Inflow from liquidation of securities		—	126,108
Outflow from acquisition of tangible fixed assets		-91,371	-713,803
Outflow from acquisition of intangible fixed assets		-183,174	-341,026
Outflow for lease deposits		-44,464	-246,436
Inflow from return of lease deposits		303	114,476

		5 th Term (From January 1, 2004 to December 31, 2004)	6 th Term (From January 1, 2005 to December 31, 2005)
Categories	Notes	Value (¥1,000)	Value (¥1,000)
Payment for insurance reserve fund		-162,063	-8,647
Outflow for loans extended		—	-4,099
Investing cash flow		-480,770	-1,314,189
III Financing cash flows			
Inflow from new share issuance		24,545	46,754
Outflow for dividend payment		-294,240	-357,738
Financing cash flows		-269,694	-310,984
IV Value of translation-associated cash and equivalents		—	157
V Cash and equivalents net increase		1,259,063	996,167
VI Cash and equivalents at start of term		3,310,300	4,569,364
VII Cash and equivalents at end of term		4,569,364	5,565,531

(4) (Proposed Appropriation of Earnings)

		5 th Term (Approved at shareholders' meeting held on March 29, 2005)		6 th Term (To be voted on at shareholders' meeting to be held on March 29, 2006)	
Categories	Notes	Value (¥1,000)		Value (¥1,000)	
I Unappropriated earning			3,061,894		2,906,867
Proposed uses of earnings					
II Uses of income					
1. Dividends		358,363		553,127	
2. Unappropriated reserves					
(1) Contingent reserves		2,000,000	2,358,363	—	553,127
III Earnings carried forward			703,531		2,353,740