



En-Japan Inc.

Interim FY12/06 Earnings Announcement (Non-Consolidated)

Aug 10, 2006

Company Name En-Japan Inc. Listed Exchange Osaka Securities Exchange (Hercules Market)
 Stock Code 4849 Headquarter Location Tokyo City
 (URL <http://corp.en-japan.com/>)

Representative, Title: President and CEO, Name Michikatsu Ochi
 Contact Person, Title: Managing Director Name Takashi Fujino Telephone: +81-3-3342-4506
 Board of Directors Meeting August 10, 2006 Interim Dividend Payment Date —
 Minimum Share System None
 Parent Company Name: NA (Stock Code: NA) Voting Ownership in Our Company —%

1. Interim FY12/06 Earnings Performance (From January 1, 2006 to June 30, 2006)

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

	Sales		Operating Income		Ordinary Income	
	Million Yen	%yy	Million Yen	%yy	Million Yen	%yy
Interim FY12/06	7,097	(40.1)	2,378	(26.9)	2,362	(25.3)
Interim FY12/05	5,064	(85.0)	1,874	(110.0)	1,884	(110.5)
FY12/05	11,491	(64.6)	3,791	(68.9)	3,826	(69.7)

	Net Income		EPS	Fully Diluted EPS
	Million Yen	%yy	Yen	Yen
Interim FY12/06	1,244	(25.6)	5,170.29	4,989.40
Interim FY12/05	991	(89.4)	4,145.43	3,998.20
FY12/05	2,203	(75.8)	9,205.85	8,873.40

(Note) 1) Earnings from investments in companies held under equity accounting method: Interim FY12/06: ¥0; FY12/05: ¥0

2) Average number of shares outstanding: Interim FY12/06: 240,682; Interim FY12/05: 239,077; FY12/05: 239,341

3) Changes in accounting methods: None

4) All percentage change figures reflect change from interim in the previous fiscal year.

(2) Financial Position

	Total Assets	Shareholders' Equity	Equity Ratio	Book Value per Share
	Million Yen	Million Yen	%	Yen
Interim FY12/06	10,495	7,691	73.3	31,939.72
Interim FY12/05	8,468	5,797	68.5	24,221.91
FY12/05	9,949	6,986	70.2	29,049.85

(Note) 1) Shares outstanding at end term Interim FY12/06: 240,815 Interim FY12/05: 239,343 FY12/05: 240,490

2) Treasury stock at end term Interim FY12/06: 0 Interim FY12/05: 0 FY12/05: 0

(3) Cash Flow Conditions

	Operating Cash Flow	Investing Cash Flow	Financing Cash Flow	Cash and Equivalents
	Million Yen	Million Yen	Million Yen	Million Yen
Interim FY12/06	1,274	- 1,137	- 537	5,164
Interim FY12/05	1,186	- 699	- 344	4,711
FY12/05	2,621	- 1,314	- 310	5,565

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

	Sales	Ordinary Income	Net Income
	Million Yen	Million Yen	Million Yen
Full Year	15,420	4,716	2,630

(Reference) We project earnings per share of ¥10,921.25 in FY12/06.

3. Dividends

Cash Dividends	Dividends Per Share (Yen)		
	Interim	Year End	Total Full Year
FY12/05	—	2,300	2,300
FY12/06 (Actual)	—	—	TBA
FY12/06 (Projected)	TBA	TBA	

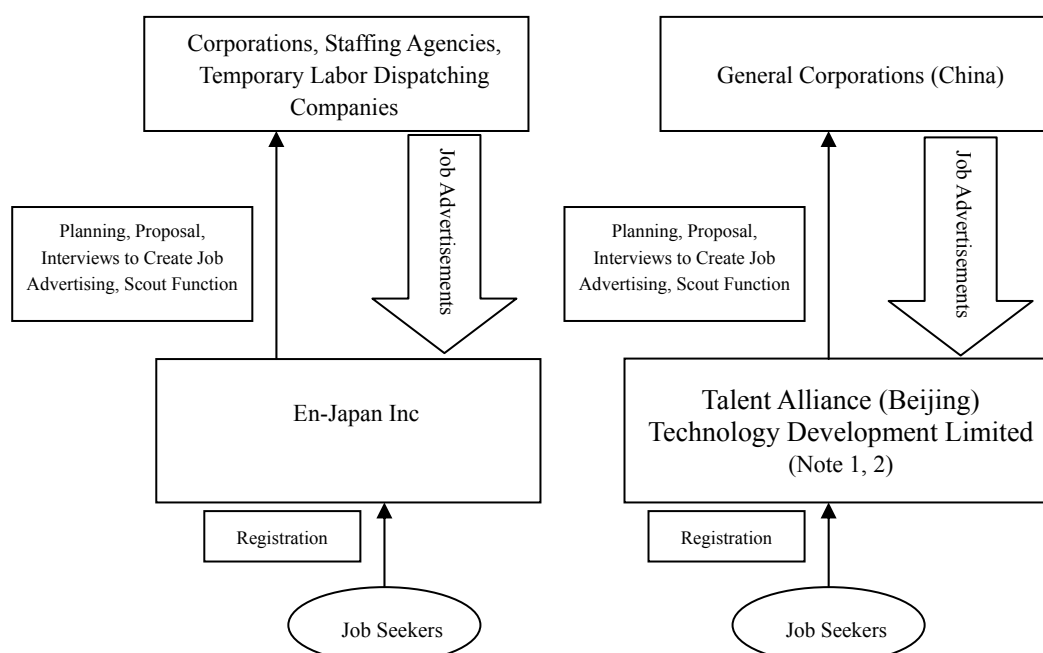
* Our earnings projections are based on data available at the time of this announcement. Actual results may differ from these projections due to various unforeseen factors. For further information regarding our earnings projections, please refer to page 7 of this announcement.

1. Corporate Structure

Our Group (The parent company and our affiliated companies) is comprised of En-Japan Inc., and one subsidiary. Our subsidiary Talent Alliance (Beijing) Technology Development Limited provides job information and advertisement over the Internet in China

(Business Structure Diagram)

Below we provide a schematic diagram of our business structure.



(Note) 1. Talent Alliance (Beijing) Technology Development Limited is a non-consolidated subsidiary held under the equity accounting method.

2. Talent Alliance (Beijing) Technology Development Limited became a subsidiary through our increased capital participation in this company during the current interim under review.

2. Management Policy

(1) Our Basic Management Policy

Against the backdrop of corporate restructuring and increased mobility of the labor force in Japan, we provide various services related to job information and advertisements carried over the Internet. As our basic corporate principle, we seek to provide the best match between job seekers and jobs, and job seekers and companies in what we call “shoku-en” (literally “work luck”). We also strive to provide the most detailed and objective information to job seekers, and the most appropriate consulting and advice to our job advertising clients. We believe the attainment of these goals will allow us to fulfill our social responsibility by creating employment opportunities.

(2) Our Basic Policy Regarding Profit Allocation

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

During fiscal year December 2005, we paid a dividend of ¥2,300 per share. This represents a 50% increase in

dividends from the previous fiscal year December 2004.

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) Our Policy Regarding the Reduction in the Minimum Share Trading Lot

We maintain a policy of increasing our individual investor shareholder base as part of our policy to increase the liquidity of our shares. We will consider potential stock splits and the appropriate level of the minimum investment required to purchase our shares, while keeping an eye on liquidity conditions in the market.

(4) Intermediate- to Long-Term Management Strategy

(a) Trends in the External Operating Environment

During the interim period under review, the Japanese economy continued its gradual but steady expansion on the back of stronger corporate earnings and consumer spending. Along with this growth in the Japanese economy, the labor market continued to improve with the unemployment rate at 4.2% and the effective job offers-to-applicants ratio recovering to 1.08 during June.

In addition to this expansion in the economy and improvement in labor market conditions, the declining birth rates and the “2007 Problem” (Large numbers of Baby Boomers will begin reaching retirement age in 2007) will contribute to a shortage of workers, and force companies to not only increase their mid-career hirings and raise their retirement age, but also increase their hiring of younger aged workers as well.

Moreover our services, which include job advertisements, are benefiting from the continued shift from conventional media of magazines and newspapers to the Internet as a means of accessing the labor markets.

With these trends in place, we expect to be able to grow our business in the Internet job advertisements market at an even faster pace in the future. And in order to achieve this faster paced growth in our businesses, we will make the necessary investments to fortify our internal structure.

(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. We endeavor to maintain our positions as the highest quality employment information website operator and as the number one specialized job information website by satisfying both our users (job-seekers) and customers (job advertising companies). 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 Job Info for Students” and “en Part-time Jobs Plus.” We are able to make a variety of proposals that accurately respond to the needs our customers by offering them our high-value added services and unique know-how. Furthermore we also seek to secure both the “quantity” and “quality” of job information from the standpoint of job seekers, providing them with information pertaining to the level of challenges and difficulty of jobs offered by companies, as well as conventional information related to compensation and benefits, and job locations.

As part of our basic policy we seek to develop and provide various new services and functions over the Internet on an on-going basis. This will allow us to respond without delay to the expansion in market demand, stay a step ahead of our competitors, and maintain our position as the leading Internet job advertising company. Moreover we seek to help the growing number of younger Japanese who fit the permanent part-

timers and NEET (Not in Employment, Education or Training) categories of workers to take a more active role in society and achieve personal growth by becoming full-time workers. At the same time our Company also seeks to realize its principle of “societal justice” by providing employment opportunities through our websites.

(5) Issues Confronting Our Company

(a) Longer-Term Issues

One of the main issues confronting our Company is how to maintain our high levels of quality while increasing the total number advertisements. We currently use in-house staff to market our services, and we conduct interviews of the job advertising companies to create advertisements which contain detailed, accurate and objective information about the jobs from a third party perspective. Many of our competitors rely upon job information contents created by the company advertising the jobs, and therefore their job advertisements are not as objective or as accurate as ours. Therefore we must maintain our position as the highest quality job advertising website while increasing the number of job advertisements carried by our website. In order to achieve both of these goals, we will conduct an aggressive hiring and staff training strategy to fortify our marketing and production capabilities.

(b) Progress in the Current Term

In order to achieve our long-term goal of raising the number of job advertisements, we are aggressively hiring both mid-career and new graduate workers to strengthen our marketing and production capabilities. As a result of this strategy, the number of our employees increased by 384 from the end of the previous interim period to 885 as of the end of the current interim period. Because this increase in our employee numbers is the largest in our Company’s history, we will devote our utmost efforts to training these new employees so that they will contribute positively to earnings as quickly as possible.

And in order to increase the number of our advertisements, we need to pursue an aggressive and effective advertising campaign to help raise our brand recognition.

(c) Short-Term Issues

Security is one of the key issues relating to our services provided over the Internet. And in this light, our Company has already acquired the JIS Q 15001 Individual Information Protection Compliance Program certification, and we will continue to raise the security levels of our systems as part of our strategy to create a structure where information is strictly protected.

In addition, we will increase our staff numbers and reorganize our corporate structure to help rationalize and optimize our support functions.

(6) Regarding Our Parent Company

We are not a subsidiary or affiliate and therefore do not maintain a parent company.

3. Overview of Our Earnings Performance and Financial Position

(1) Our Interim Earnings Performance

During the interim period under review, the unemployment rate improved from 4.4% in December 2005 to 4.2% in June 2006. Also the effective job offers-to-applicants ratio recovered to 1.08 at the end of the interim period from 1.00 at the end of fiscal year December 2005, reflecting the continued improvement in the labor market conditions.

Against this backdrop, we have implemented a coordinated strategy utilizing advertisements in trains, busses, and stations, as well as portal site banners to raise our brand recognition amongst both our users and our customers.

In our mid-career hiring business, all of our websites recorded year-over-year sales growth. Therefore our mid-career hiring business grew by a strong 40.4% year-over-year or ¥1,778 million to ¥6,178 million. Additionally our new graduate hiring business was supported by the strong contribution from “en Job Info for Students 2007” and we were able to record sales of ¥834 million.

These results allowed our sales to rise by 40.1% year-over-year to ¥7,097 million, operating income by 26.9% to ¥2,378 million, ordinary income by 25.3% to ¥2,362 million, and net income by 25.6% to ¥1,244 million.

We discuss our performance by each of our business divisions below.

Sales of Our Main Business Segments during the Interim Period

(1) Mid-career Hiring Business

In our “en Career Change Info” site, the number of registered users continued to grow in both numbers and variety of job applications. By providing detailed and objective information about jobs, job-seekers can accurately assess the jobs and working conditions for which they are applying. Therefore we were able to achieve a high level of customer satisfaction because the job-seekers’ contributions to the workplace are very high. Additionally our aggressive office opening strategy was successful in helping to cultivate new clients and to increase orders for advertising from existing clients as well. With this operating environment in place, we put our fortified marketing and production capabilities to full use and achieved strong growth in our sales of 28.6% from the previous interim period to ¥3,832 million.

As of the end of the interim period under review, “en Career Change Consultant” carried advertisements of over 300 staffing companies and solidified our position as the leading staffing agency portal site. Also the renewal of this site in July 2005 strengthened the search function, making it easier for users to screen our database for agencies and jobs based on industry, job type, and location, and allowed us to effectively raise the average order pricing for this site. Consequently we recorded a 25.6% increase in sales from the previous interim period to ¥710 million.

“en Temporary Placement Info” received top ranking as the most satisfying worker dispatch job site in the “Dispatched Worker Site Usage Survey 2005” by Interwired Co., Ltd. This site became the industry’s leading dispatched worker site on the back of the shift from traditional print media to the Internet and the strong increase in both job-seeking users and advertisements of job offering companies. Therefore during the interim period under review, our sales rose by 63.4% year-over-year to ¥1,192 million.

And as a function of our “en Part-time Jobs Plus” website, in February 2005 we opened “Part-time to Permanent Worker” website, the first specialized website advertising part-time jobs with the potential to become a full time employee. And as we enter the second year of operations of this site, we have received strong demand from customers to advertise the part-time jobs with the potential for highly skilled and motivated workers to become full-time permanent employees because of the tight labor markets and

difficulties in finding employees. Therefore sales of this business rose by a large 344.1% from the last interim period to ¥363 million.

(2) New-Graduate Hiring Business

In October 2005 we opened the “2007 en Job Info for Students” site for both college and graduate school students graduating in March 2007 as part of our “en Job Info for Students” business. Strong demand for new graduates and the subsequent strong advertising demand allowed sales to rise by 49.7% year-over-year to ¥601 million during the interim period. We were also able to boost sales of consulting services related to advertisements, job seminars, and outsourcing, allowing sales to grow by 14.0% year-over-year to ¥232 million. Furthermore our special columns “A Professional’s Job” and “Company Visit Documentaries” helped to raise our brand recognition of and increase the foot traffic to our site by our student users at colleges and universities, and our customers. And because this site has been successful in helping our customers to increase their hiring of new graduates, we expect this site to continue to grow and to further boost our sales.

(3) Training and Evaluation Business

In our training and evaluation business, we provide various “support services” for our new graduate hiring business. By conducting training prior to the employee actually starting work for companies, we have been successful in raising the motivation of newly hired graduates and in preventing “pre-employment resignations.” Moreover we have become a full solutions service provider to our clients by providing integrated services ranging from hiring advertisements and skill training to newly hired graduates prior to and after their joining companies in addition to other services related to new graduate hiring. Our provision of a full range of services has increased the contribution of and reduced the turnover of newly hired graduates. Thanks to these activities, our sales of this business rose by 42.1% year-over-year to ¥84 million.

Earnings Performance Comparison

(1) Earnings

(Units: ¥1,000)

	Interim FY12/05 From January 1, 2005 to June 30, 2005	Interim FY12/06 From January 1, 2006 to June 30, 2006	FY12/05 From January 1, 2005 to December 31, 2005
Sales	5,064,917	7,097,160	11,491,772
Operating Income	1,874,312	2,378,931	3,791,720
Ordinary Income	1,884,891	2,362,040	3,826,122

(2) Sales Segments

(Units: Sales = ¥1,000, Share = %)

Segments	Interim FY12/05 From January 1, 2005 to June 30, 2005		Interim FY12/06 From January 1, 2006 to June 30, 2006		FY12/05 From January 1, 2005 to December 31, 2005	
	Sales	Share	Sales	Share	Sales	Share
Mid-Career Hiring Business						
en Career Change Info	2,980,967	58.9	3,832,573	54.0	6,520,208	56.7
en Career Change Consultant	565,858	11.2	710,552	10.0	1,208,025	10.5
en Temporary Placement Info	730,006	14.4	1,192,711	16.8	1,694,378	14.7
en Part-time Jobs Plus	81,822	1.6	363,356	5.1	299,133	2.6
Others	40,663	0.8	78,942	1.1	88,347	0.8
New Graduate Hiring Business						
en Job Info for Students	402,100	7.9	601,810	8.5	1,254,505	10.9
Others	203,763	4.0	232,352	3.3	317,511	2.8
Training and Evaluation Business	59,736	1.2	84,863	1.2	109,663	1.0
Total	5,064,917	100.0	7,097,160	100.0	11,491,772	100.0

(Note) "Others" in our mid-career hiring and new graduate hiring divisions include consulting and outsourcing services.

(2) Full Year Earnings Projections

During the interim period under review, all of our business segments recorded results which were above our projections. Therefore we are confident that we will be able to achieve our earnings projections announced on February 15, 2006 shown below. And we will exert our utmost efforts to achieve these projections in order to maintain our credibility with our shareholders and other stakeholders.

(Units: Million yen)

	Sales	Ordinary Income	Net Income
Outstanding Projections FY12/06	15,420	4,716	2,630
FY12/05 Results	11,491	3,826	2,203

(3) Financial Position

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

(Current Assets)

The balance of our current assets declined by ¥313 million from the end of the previous fiscal year to ¥7,055 million at the end of the interim period. We attribute this decline to payments of taxes and dividends, which contributed to a ¥400 million drop in cash and equivalents.

(Fixed Assets)

At the end of the interim period under review, the balance of our fixed assets increased by ¥859 million from the end of the previous fiscal year to ¥3,440 million. In addition to the ¥342 million investment in the Talent Alliance (Beijing) Technology Development Limited in China which boosted affiliated company shareholdings, we also made an investment in a limited liability partnership which boosted our investment securities by ¥245 million. Our tangible fixed assets also rose by ¥299 million due to the renewal of our backbone system and our website.

(Current Liabilities)

The balance of our current liabilities declined by ¥159 million from the end of the last fiscal year to ¥2,804 million at the end of the interim period. One of the reasons for this decline was the ¥212 million drop in accrued liabilities from the end of the previous fiscal year.

(Shareholders' Equity)

At the end of the interim period under review, our shareholders' equity rose by ¥705 million from the end of the previous fiscal year to ¥7,691 million. We attribute this increase primarily to the growth in earnings and a subsequent ¥691 million rise in retained earnings.

(2) Cash Flow Conditions

During the interim period under review, cash and equivalents increased by ¥453 million from the previous interim period to ¥5,164 million due to favorable marketing results which enabled us to offset increased outflows arising from corporate taxes and dividend payments.

(Operating Cash Flow)

We saw a net inflow of ¥1,274 million (up 7.4% year-over-year) from our operating activities during the interim period. This increase is due in part to the strong ¥2,349 million in pre-tax income

(Investing Cash Flow)

Cash flow from investing activities saw a net outflow of ¥1,137 million (up 62.5% year-over-year). This outflow can be attributed primarily to the acquisition of intangible fixed assets of ¥402 million, affiliated company stock of ¥342 million, and investment securities of ¥250 million.

(Financing Cash Flow)

We incurred a net outflow of cash in our financing activities of ¥537 million (up 56.0% year-over-year). This outflow is due mainly to our dividend payment of ¥550 million (up 54.1% year-over-year).

(3) Cash Flow Indicators

	FY12/03	FY12/04	FY12/05	FY12/06 Interim
Equity Ratio (%)	82.4	72.4	70.2	73.3
Equity ratio based on market capitalization (%)	714.6	1,115.5	1,841.8	1,401.9

- (Notes)
- Each indicator is calculated in accordance with the formulas shown below.
 - Equity ratio: Shareholders' equity / Total assets
 - Equity ratio based on market capitalization: Interim period end market capitalization / Total assets
 - We do not show values for our debt redemption period or interest rate coverage because we have no interest bearing debt.

(4) Business Risks

We provide a list of the major potential risk factors associated with our business operations below. Furthermore we also include other factors, which are not necessarily risks associated with our business operations but maybe considered as factors influencing our investment decisions to help our shareholders better understand our business activities and as part of our proactive disclosure policy. We take these various risk and investment factors into consideration in determining our future management direction and directives. Moreover we would like to remind investors that some more minor risk factors which could influence investment decisions in our shares may not be represented in the list below.

(a) Regarding Intellectual Property Rights Infringements

We view our brand as a highly valuable asset and we will acquire various trademarks associated with our brand. 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. 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) Regarding Our 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 and advertising production services, therefore we disclose the various risks associated with both parts of our business.

(c) 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 breadth 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 also impact our earnings.

(d) 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 to achieve 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 may impact 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. Therefore the inability to secure adequate numbers of new staff and or the loss of existing staff could impact our earnings.

(e) Regarding Business with Customers in Special Industries

We have focused our marketing activities upon a wide range of customers in various industries and offering various jobs. But because demand for job advertisements is closely related to trends in the economy, our dependence on customers in certain industries could rise. And 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.

(3) Regarding Our Unique Services and Technologies

(a) Differentiation of Our Services

The market for job information services can be divided into three segments: a) job information 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 of on-line job information advertising. The competition in this category 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 our 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 and we will disclose information relating to this risk factor.

(b) Regarding Development of New Technologies

Technological advancements in Internet-related businesses are rapid and dramatic, and new technologies and services are constantly emerging. Because our business is deeply rooted in the Internet, we recognize the need to constantly develop 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 deterioration in our competitive position within the industry.

(4) 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, which we originally acquired on March 22, 2001. Personal information is security 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 upon our earnings.

(5) 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,” “statement of conditions of employment,” and accurate information disclosure is mandated 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 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 impact our earnings.

(6) Regarding the Potential for Dilution through Stock Options System

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.

(7) 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. In addition to these problems, 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 and impact our business operations.

4. Interim Financial Statements

(1) Interim Balance Sheets

Categories	Notes	Last Interim Period (June 30, 2005)		Current Interim Period (June 30, 2006)		Last Fiscal Year (December 31, 2005)	
		Value (¥1,000)	Share (%)	Value (¥1,000)	Share (%)	Value (¥1,000)	Share (%)
Assets			100.0				
I Current Assets							
1. Cash and equivalents		4,711,484		5,164,852		5,565,531	
2. Notes receivables		5,067		7,653		10,433	
3. Accounts receivables		1,167,928		1,531,427		1,473,310	
4. Inventories		9,904		12,981		10,738	
5. Prepaid expenses		43,163		159,821		163,666	
6. Deferred tax assets		97,329		169,655		136,135	
7. Others		42,749		30,843		25,546	
Bad credit reserves		-9,222		-21,960		-16,626	
Total Current Assets		6,068,404	71.7	7,055,275	67.2	7,368,735	74.1
II Fixed Assets							
1. Tangible fixed assets							
(1) Structures		126,364		118,998		119,856	
(2) Equipment, others		205,536		556,680		597,749	
(3) Construction in progress		492,130		47,346		38,637	
Total Tangible Fixed Assets		824,031	9.7	723,026	6.9	756,243	7.6
2. Intangible Fixed Assets							
(1) Trademarks		2,866		4,452		3,090	
(2) Software		95,871		281,370		160,584	
(3) Software under development		96,087		319,603		142,195	
(4) Telephone deposits		1,351		1,351		1,351	
Total Intangible Fixed Assets		196,177	2.3	606,777	5.8	307,222	3.1
3. Investments, other assets							
(1) Investment securities		141,600		270,143		25,000	
(2) Affiliate shareholdings		—		342,742		—	
(3) Deferred tax assets		37,387		95,174		91,749	
(4) Long-term deposits		369,240		378,480		384,140	
(5) Insurance reserve fund		410,761		419,818		413,235	
(6) Lease deposits		420,839		348,143		331,890	
(7) Others		—		256,036		271,338	
Total Investments and Other Assets		1,379,827	16.3	2,110,537	20.1	1,517,355	15.2
Total Fixed Assets		2,400,035	28.3	3,418,847	32.6	2,580,821	25.9
Total Assets		8,468,440	100.0	10,495,617	100.0	9,949,557	100.0

		Last Interim Period (June 30, 2005)		Current Interim Period (June 30, 2006)		Last Fiscal Year (December 31, 2005)	
Categories	Notes	Value (¥1,000)	Share (%)	Value (¥1,000)	Share (%)	Value (¥1,000)	Share (%)
Liabilities							
I Current Liabilities							
1. Accounts payable		5,244		59,249		62,730	
2. Payments due		1,229,635		811,321		1,023,714	
3. Unpaid expenses		161,517		73,170		69,748	
4. Unpaid corporate taxes		910,087		1,167,429		1,174,419	
5. Unpaid consumption taxes		77,615		97,793		123,675	
6. Advances received		265,746		378,457		364,860	
7. Deposits		19,439		44,252		42,831	
8. Bonus reserves		—		172,378		100,350	
9. Others		1,808		—		1,029	
Total Current Liabilities		2,671,095	31.5	2,804,052	26.7	2,963,360	29.8
Total Liabilities		2,671,095	31.5	2,804,052	26.7	2,963,360	29.8
Shareholders' Equity							
I Capital		789,381	9.3	—	—	806,379	8.1
II Capital Reserves							
1. Capital surplus reserves		1,255,953		—		1,272,950	
Total Capital Reserves		1,255,953	14.8	—	—	1,272,950	12.8
III Retained Earnings							
1. Unappropriated reserves							
(1) Contingent reserves		2,000,000		—		2,000,000	
2. Unappropriated reserves		1,694,608		—		2,906,867	
Total Retained Earnings		3,694,608	43.7	—	—	4,906,867	49.3
IV Net unrealized gains on securities and other holdings		57,402	0.7	—	—	—	—
Total Shareholders' Equity		5,797,345	68.5	—	—	6,986,197	70.2
Total Liabilities and Shareholders' Equity		8,468,440	100.0	—	—	9,949,557	100.0
Shareholders' Equity							
I Shareholders' Equity							
1. Capital		—	—	813,001	7.8	—	—
2. Capital reserves							
(1) Capital surplus reserves		—		1,279,571		—	
Total Capital Reserves		—	—	1,279,571	12.2	—	—
3. Retained Earnings							
(1) Unappropriated reserves							
Contingent reserves		—		2,000,000		—	
Retained earnings carried over		—		3,598,136		—	
Total Retained Earnings		—	—	5,598,136	53.3	—	—
Total Shareholders' Equity		—	—	7,690,709	73.3	—	—
II Evaluation, translation difference							
1. Evaluation difference on investment securities		—	—	854	0.0	—	—
Total evaluation, translation difference		—	—	854	0.0	—	—
Total Shareholders' Equity		—	—	7,691,564	73.3	—	—
Total Liabilities and Shareholders' Equity		—	—	10,495,617	100.0	—	—

(2) Interim Income Statement

		Last Interim Period (From January 1, 2005 to June 30, 2005)			Current Interim Period (From January 1, 2006 to June 30, 2006)			Last Fiscal Year (From January 1, 2005 to December 31, 2005)			
Categories	Notes	Value (¥1,000)		Share (%)	Value (¥1,000)		Share (%)	Value (¥1,000)		Share (%)	
I Sales			5,064,917	100.0		7,097,160	100.0		11,491,772	100.0	
II Cost of Sales			434,889	8.6		680,815	9.6		1,097,051	9.5	
Gross Income			4,630,028	91.4		6,416,345	90.4		10,394,720	90.5	
III Sales, General and Administrative expenses			2,755,716	54.4		4,037,413	56.9		6,603,000	57.5	
Operating Income			1,874,312	37.0		2,378,931	33.5		3,791,720	33.0	
IV Non-operating income			10,579	0.2		10,254	0.1		34,852	0.3	
V Non-operating expense			—	—		27,145	0.3		450	0.0	
Ordinary Income			1,884,891	37.2		2,362,040	33.3		3,826,122	33.3	
VI Extraordinary income			—	—		—	—		81,308	0.7	
VII Extraordinary loss			15,097	0.3		12,208	0.2		96,147	0.8	
Current net income before taxes			1,869,794	36.9		2,349,831	33.1		3,811,282	33.2	
Corporate, resident, enterprise taxes			902,000			1,142,925			1,685,000		
Corporate tax adjustment			-23,282	878,718	17.3	-37,490	1,105,434	15.6	-77,053	1,607,946	14.0
Net Income				991,077	19.6		1,244,396	17.5		2,203,336	19.2
Unappropriated retained earnings from previous term				703,531			—			703,531	
Unappropriated retained earnings			1,694,608			—			2,906,867		

(3) Interim Shareholders' Equity Change Statement

Current Interim Term (From January 1, 2006 to June 30, 2006)

(Units: ¥1,000)

	Shareholders' Equity						
	Capital	Capital Surplus		Retained Earnings			Total Shareholders' Equity
		Capital Surplus	Total Capital Surplus	Other Retained Earnings		Total Retained Earnings	
				Contingent Reserves	Retained Earnings Carried Over		
Balance as of December 31, 2005	806,379	1,272,950	1,272,950	2,000,000	2,906,867	4,906,867	6,986,197
Change during the interim period							
New share issue	6,621	6,621	6,621	—	—	—	13,243
Dividend payment	—	—	—	—	-553,127	-553,127	-553,127
Net income	—	—	—	—	1,244,396	1,244,396	1,244,396
Changes in items other than shareholders' equity	—	—	—	—	—	—	—
Total changes during interim period	6,621	6,621	6,621	—	691,269	691,269	704,512
Balance as of June 30, 2006	813,001	1,279,571	1,279,571	2,000,000	3,598,136	5,598,136	7,690,709

(Units: ¥1,000)

	Evaluation, Translation Difference		Total Shareholders' Equity
	Evaluation Difference on Other Marketable Securities	Total Evaluation, Translation Difference	
Balance as of December 31, 2005	—	—	6,986,197
Change during the interim period			
New share issue	—	—	13,243
Dividend payment	—	—	-553,127
Net income	—	—	1,244,396
Changes in items other than shareholders' equity	854	854	854
Total changes during the interim period	854	854	705,367
Balance as of June 30, 2006	854	854	7,691,564

(4) Cash Flow Statement

		Last Interim Period (From January 1, 2005 to June 30, 2005)	Current Interim Period (From January 1, 2006 to June 30, 2006)	Last Fiscal Year (From January 1, 2005 to December 31, 2005)
Categories	Notes	Value (¥1,000)	Value (¥1,000)	Value (¥1,000)
I Operating cash flow				
Current net income before taxes		1,869,794	2,349,831	3,811,282
Depreciation		147,229	198,778	381,625
Bad credit reserves increase		- 1,370	5,334	6,032
Bonus reserves increase		—	72,027	100,350
Interest received		- 2,636	-5,065	- 7,880
Foreign exchange gain		—	—	- 18,537
Foreign exchange loss		—	5,836	—
Securities liquidation gain		—	—	- 81,308
Loss on special investment vehicle		—	6,256	—
Fixed asset liquidation loss		15,097	9,285	66,621
Accounts receivable increase		- 168,197	-55,336	- 478,945
Change in payables		- 7,298	-3,481	50,187
Change in unpaid expenses		52,749	-174,457	317,669
Change in other current assets		- 21,010	20,841	- 390,420
Change in current liabilities		7,570	-20,589	103,511
Subtotal		1,891,927	2,409,261	3,860,190
Interest and dividends received		465	2,728	5,490
Corporate taxes paid		- 705,905	-1,137,796	- 1,244,497
Cash flow from operating activities		1,186,488	1,274,193	2,621,183
II Investing cash flow				
Long-term deposits outflow		- 215,760	—	- 215,760
Outflow from securities acquisition		—	-250,000	- 25,000
Inflow from securities liquidation		—	—	126,108
Outflow from affiliate share acquisition		—	-342,742	—
Outflow from acquisition of tangible fixed assets		- 113,377	-98,327	- 713,803
Outflow from acquisition of intangible assets		- 141,961	-402,670	- 341,026
Outflow for lease deposits		- 220,908	-24,671	- 246,436
Inflow from return of lease deposits		—	8,419	114,476
Payment for insurance reserve fund		- 6,172	-6,582	- 8,647
Outflow for loans extended		- 1,737	-20,884	- 4,099
Cash flow from investing activities		- 699,917	-1,137,460	- 1,314,189

		Last Interim Period (From January 1, 2005 to June 30, 2005)	Current Interim Period (From January 1, 2006 to June 30, 2006)	Last Fiscal Year (From January 1, 2005 to December 31, 2005)
Categories	Notes	Value (¥1,000)	Value (¥1,000)	Value (¥1,000)
III Financing cash flow				
Inflow from new share issuance		12,758	13,243	46,754
Outflow for dividend payment		- 357,210	-550,478	- 357,738
Cash flow from financing activities		- 344,451	-537,235	- 310,984
IV Value of translation of cash and equivalents		—	-176	157
V Cash and equivalents net increase		142,119	-400,678	996,167
VI Cash and equivalents at start of term		4,569,364	5,565,531	4,569,364
VII Cash and equivalents at end of term		4,711,484	5,164,852	5,565,531