



En-Japan Inc.

FY December 2006 Earnings Announcement (Non-Consolidated)

February 14, 2007

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

Senior Director: President and CEO, Michikatsu Ochi
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 Board of Directors Meeting: February 14, 2007 Expected Dividend Payout Date: March 30, 2007
 Regularly Scheduled Shareholders Meeting: March 29, 2007 Odd Lot Share System: None

1. FY 12/06 Earnings Performance (From January 1, 2006 to December 31, 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
FY12/06	16,919	47.2	5,605	47.8	5,607	46.5
FY12/05	11,491	64.6	3,791	68.9	3,826	69.7

	Net Income		EPS	Fully Diluted EPS	ROE	Ordinary Income to Total Assets	Ordinary Income to Sales Ratio
	Million yen	% yy	Yen	Yen	%	%	%
FY12/06	3,105	41.0	12,892.66	12,460.36	37.4	46.6	33.1
FY12/05	2,203	75.8	9,205.85	8,873.40	36.4	45.0	33.3

(Notes) 1) Earnings from investments in companies held under equity accounting method: FY12/06: ¥0; FY12/05: ¥0
 2) Average number of shares outstanding: FY12/06: 240,908; FY12/05: 239,341
 3) Changes in accounting methods: Yes

(2) Financial Position

	Total Assets	Net Assets	Net Asset Ratio	Book Value per Share
	Million yen	Million yen	%	Yen
FY12/06	14,129	9,611	68.0	39,746.13
FY12/05	9,949	6,986	70.2	29,049.85

(Notes) 1) Shares outstanding at end term FY12/06: 241,812 FY12/05: 240,490
 2) Treasury stock at end term FY12/06: 0 FY12/05: 0

(3) 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
FY12/06	4,076	-2,986	-481	6,173
FY12/05	2,621	-1,314	-310	5,565

2. FY12/07 Earnings Projections (from January 1, 2007 to December 31, 2007)

	Sales	Ordinary Income	Net Income
	Million yen	Million yen	Million yen
FY12/07	23,200	7,000	3,758

(Reference) We project earnings per share of ¥15,542.65 in FY12/07.

3. Dividend Information

• Cash Dividends	Dividend per Share (yen)			Total Dividend Payment (Million yen)	Dividend Payout Ratio (%)	Dividend to Net Asset Ratio (%)
	Interim end	Full year end	Full year total			
FY12/05	—	2,300	2,300	553	25.0	9.1
FY12/06	—	3,100	3,100	749	24.0	9.0
FY12/07 projections	tba	tba	tba			

(Note) 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 11 of this announcement.

1. Corporate Structure

We do not maintain any subsidiaries or other affiliated companies.

2. Management Policy

(1) Our Basic Management Policy

Changes in the industrial structure in Japan have contributed to greater liquidity in the work force, and our main business of job advertisements over the Internet has benefited profoundly from these trends. Our core corporate philosophy is to create employment opportunities by accurately matching job-seekers (our “users”) to companies offering jobs (our “clients”), thereby acting as a bridge linking employees to job offers in what we call “shoku-en” (literally translated: “work luck”). It is also our goal to create employment opportunities by providing our users with accurate and objective information about jobs, and providing our clients with effective consulting and advice.

(2) Our Basic Policy Regarding Profit Allocation

We maintain a profit allocation policy that strikes a balance between retention of earnings to prepare our Company for sudden and dramatic changes in our operating environment and to allow us to aggressively pursue new business fields, while returning profits to our shareholders through an appropriate level of dividends.

During the fiscal year ended December 2006, we expect to pay a dividend of ¥3,100 per share. This is 1.3 times the dividend paid during the previous fiscal year. However the payment of this dividend is premised upon its approval during the regularly scheduled shareholders’ meeting.

(3) 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 adequate levels of liquidity in our Company’s shares. In keeping with this policy, we will actively offer stock splits with an eye to the liquidity in the market, as well as out of a consideration of the minimum amount needed to invest in our shares.

(4) Intermediate Term Management Strategy

(a) Trends in the External Operating Environment

During the year under review, the Japanese economy continued to expand on the back of stronger corporate earnings, brisk private sector capital investments, and solid consumer spending. Supported by these trends, conditions within the employment market also continued to improve with the unemployment rate dipping to a low level of 4.1% in December (Source: Ministry of Internal Affairs and Communications) and the effective job offers-to-applicants ratio recovering to 1.08 in December (Source: Ministry of Health, Labor and Welfare). Against the backdrop of this expansion in the Japanese economy and the subsequent strong demand for labor, the declining pool of workers is a critical issue for the Japanese society and is compounded by the “2007 Problem,” a phenomena where large numbers of Japanese baby-boomers will reach retirement age beginning in 2007. Consequently Japanese corporations are increasing their hiring of mid-career workers, raising their retirement age, and stepping up their hiring of younger workers.

Also the shift from magazines, newspapers and other traditional print media to the Internet as a medium for job advertisements is continuing and creating strong demand for our services of job advertising over the Internet. On the back of these trends, we expect the market for our Internet job advertisements to expand further. And we will take the necessary steps to fortify our business structure so that we can stay a step ahead of the expansion in the market.

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

As the core of our Internet job advertisement business, we operate 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 will solidify our position as the top ranked specialized job information website by further raising the satisfaction level of our customers. Furthermore we are broadening our range of services to include the hiring, training and evaluation functions.

(5) Issues Confronting Our Company

(a) Issues Concerning the Expansion of Our Business

One important issue for en Japan is our ability to maintain the high-quality level of the job information in our websites while increasing the number companies that advertising jobs in our site. We produce highly accurate and objective job advertisements on behalf of our clients by sending our sales staff to clients’ offices and then conducting interviews upon which the job advertisements are based. Although we are the top ranked job advertisement website operator in terms of quality of job information provided, we also need to keep pace with our competitors in terms of growth rates in the number of companies placing ads on our sites. And in order to maintain our strong growth, we will aggressively hire and train new staff, and fortify our marketing and production capabilities as well.

(b) Issues Concerning Our Management Structure

As a Company providing services over the Internet, security of our clients’ and users’ information is a top priority for us. We have already acquired the “JIS Q 15001 Private Information Security Compliance Program” certification, but we will continue our efforts to maintain a system that ensures the security of various information.

Furthermore we will take steps to further rationalize and optimize our back-office functions, which have supported the growth in our Company since its founding. These steps include increases in our staff numbers and renovation of our management systems.

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

We maintain a policy that treats all related and unrelated business partners equally and with respect.

(7) Our Basic Policy Regarding Our Parent Company

We do not have a parent company.

3. Overview of Our Business Performance and Financial Position

(1) Our Business Performance during the FY12/06

Review of Our Earnings

With regards to the employment situation during the year under review, the effective job offers-to-applicants ratio recovered to 1.08 in December 2006 (Source: Ministry of Health, Labor and Welfare) from 1.03 at the end of the previous fiscal year (December 2005) as demand for workers continued to strengthen throughout the year. Furthermore the unemployment rate also continued to decline on the back of the strong demand for labor and it dropped to 4.1% at the end of the term under review (December 2006).

Against this backdrop, we carried out an aggressive campaign to strengthen the recognition of the “en” brand amongst our users (job seeking workers) and our clients (job advertising companies). As a result of our successful campaign we saw a 550,000 increase in the number of users registered with our company and the total number of our users exceeded 1.55 million. In order to keep pace with the strong demand for labor, we aggressively strengthened our marketing capabilities by increasing our staff numbers and expanding our offices in Chiba, Nagoya and Saitama. And as part of our website expansion strategy we updated the functionality of our “en Career Change Info” website in July, and we launched the “en Job Info for Students 2008” (targeting students graduating in April 2008) website in October.

Sales from our mid-career hiring websites “en Career Change Info,” “en Career Change Consultant,” and “en Temporary Placement Info” grew for the sixth consecutive year. Furthermore sales from “en Part-time Jobs Plus” rose by a large margin and helped to boost our sales to ¥14,273 million (a 45.5% year-over-year increase).

We were able to launch our website for students, “en Job Info for Students 2008,” just ahead of the new graduate peak recruiting season, which occurs between October and December. Therefore it contributed significantly to our earnings. Furthermore our aggressive campaign to raise this website’s recognition among students and to fortify the contents of this site allowed us to see a large increase in the number of students registered. Consequently we saw a strong 59.0% year-over-year increase in sales of our new graduate hiring-related business to ¥2,499 million.

Consequently our total sales grew by 47.2% year-over-year to ¥16,919 million, and operating, ordinary and net incomes rose by 47.8% year-over-year to ¥5,605 million, 46.5% to ¥5,607 million, and 41.0% to ¥3,105 million respectively.

Performance of Our Main Business Segments

(a) Mid-career Hire Business

Our “en Career Change Info” site provides job applicants with accurate and detailed text information about jobs as well as 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 working conditions at companies before they apply for jobs. Therefore, we are able to drastically reduce the mismatching of workers to jobs, which in turn contributed to high post-hiring retention rates and to strong contributions by each newly hired worker. For this reason, companies have been very cooperative and supportive in providing information about their workplaces for our site. In order to increase our job advertisements orders and develop new clients, we have

newly opened branch offices in Shizuoka and Sapporo, and we have increased the number of our marketing and production staff at our existing offices. In July, we also updated our site with new functions designed to raise the success rates of our clients in locating and hiring qualified staff. Our strategy of maintaining the industry leading “quality” levels of our websites, and our efforts to increase the “volume” of clients utilizing our websites contributed to the strong 40.7% year-over-year growth in sales to ¥9,174 million.

At the same time we were able to grow our hiring outsourcing services by a large margin of 66.9% from the previous year to ¥147 million.

“en Career Change Consultant” is Japan’s largest is the largest collective site for recruiting companies in Japan. This site provides users with information about the strengths of the recruiting companies (including industry, type of work, business field, geographic region, etc.) and allows job seekers to use a single entry function to search through various job categories offered by recruiting companies. The updated functions of this site launched in July 2006 allowed us to raise our unit price and increase the number of job listing companies, and sales of this division grew by 28.9% over the previous year to ¥1,556 million.

“en Temporary Placement Info” is the largest collective site in Japan for job advertisements of temporary labor dispatch companies. We sought to satisfy the needs of workers seeking employment as dispatched temporary workers through constantly updating our functionality and making our site more convenient to use, in addition to stocking it with plentiful and clear job information. Therefore our site received the top ranking as the most satisfying worker dispatch job site in the “Dispatched Worker Site Usage Survey 2006” 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 50.9% from the previous fiscal year to ¥2,556 million.

“en Part-time Jobs Plus” is a specialized site that lists only part-time job offers for positions where there is a possibility for workers to be hired as full-time employees. We developed this site with the goal of reducing the number of “permanent” part-time workers by giving them the opportunity to contribute to society to a greater degree through full-time employment. We believe this site helps to fill a critical gap between companies seeking full-time employees from the ranks of more highly motivated part-time workers, and part-time workers who are seeking full-time work. Consequently, sales of this site grew by a strong 180.2% year-over-year to ¥838 million.

(b) New-graduate Hiring Business

“en Job Info for Students” is the largest site in Japan providing college and graduate students with employment information. It boasts of the largest volume of and the most detailed information of job information and enables its users to get a good understanding of various jobs offered to them. This website also has a robotic function which automatically searches various corporate sites to gather information about their hiring activities. By providing various convenient functions and plentiful information in this site, we are able to increase the number of students who successfully find jobs. This favorable reception by students using our site has led to increases in the number of clients listing jobs on our site and our sales grew by 63.5% from the previous term to ¥2,051 million. We were also able to leverage our unique expertise in the area of new graduate employment to boost our sales in hiring consulting outsourcing work by 41.2% over the last year to ¥448

million.

(c) Education and Evaluation Business

In our education and evaluation business, we provide various services related to “hiring,” including the planning and implementation of post-hiring training programs designed to enhance “worker performance” after workers 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 cultivate 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 33.6% year-over-year to ¥146 million.

Business Performance Comparison

(1) Earnings Summary

(Units: ¥1,000)

Category \ Term	6 th Term (From January 1, 2005 to December 31, 2005)	7 th Term (From January 1, 2006 to December 31, 2006)
Sales	11,491,772	16,919,926
Operating income	3,791,720	5,605,476
Ordinary income	3,826,122	5,607,055

(2) Sales Segments

(Units: ¥1,000)

Category \ Term	6 th Term (From January 1, 2005 to December 31, 2005)		7 th Term (From January 1, 2006 to December 31, 2006)	
	Sales	Share (%)	Sales	Share (%)
Mid-Career Hiring Business				
en Career Change Info	6,520,208	56.7	9,174,868	54.2
en Career Change Consultant	1,208,025	10.5	1,556,552	9.2
en Temporary Placement Info	1,694,378	14.7	2,556,605	15.1
en Part-time Jobs Plus	299,133	2.6	838,085	5.0
Others	88,347	0.8	147,506	0.9
New-graduate Hiring-Related Business				
en Job Info for Students	1,254,505	10.9	2,051,423	12.1
Others	317,511	2.8	448,347	2.6
Training, Evaluation	109,663	1.0	146,537	0.9
Total	11,491,772	100.0	16,919,926	100.0

* (Note)

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

(2) Financial Position and Cash Flow

(a) Review of Financial Position

(Current Assets)

At the end of the fiscal year under review, the balance of our current assets rose by ¥1,635 million from the end of the previous fiscal year to ¥9,004 million. We attribute this increase primarily to our strong business performance, which allowed us to grow our receivables by ¥802 million and our cash and deposits by ¥608 million.

(Fixed Assets)

At the end of the fiscal year under review, the balance of our fixed assets grew by ¥2,544 million from the end of the previous fiscal year to ¥5,125 million. One factor behind this increase was a purchase of software associated with the renewal of the “en Career Change Info” site in July and the launch of “en Job Info for Students 2008” site in October, and the start of our backbone system which contributed to a ¥542 million increase in intangible fixed assets. In addition, our long term deposits grew by ¥1,004 million and investments in affiliated company shares rose by ¥571 million.

(Current Liabilities)

The balance of current liabilities at the end of the fiscal year under review rose by ¥1,554 million from the end of the last fiscal year to ¥4,518 million. This increase can be attributed to a ¥673 million rise in unpaid taxes arising from our strong earnings, and a ¥435 million increase in payments due associated with advertising and site development expenses.

(Net Assets)

Our net assets grew by ¥2,624 million from the previous year end to ¥9,611 million at the end of the fiscal year under review. This increase can be attributed to the exercise of stock options and an inflow of ¥34 million to both capital and capital reserve accounts, as well as to an increase in retained earnings of ¥2,552 million.

(b) Cash Flow Conditions

During the fiscal year under review, our cash and cash equivalents increased by ¥608 million to ¥6,173 million from the previous fiscal year on the back of a ¥4,076 cash inflow from operating activities, and despite a ¥2,986 million cash outflow in investing activities, and a ¥481 million cash outflow from financing activities.

(Operating Cash Flow)

Our operating activities provided cash inflow of ¥4,076 million (a ¥1,455 million year-over-year increase). This is attributed primarily to the strong rise in our pretax income to ¥5,591 million, and despite outflows of ¥481 million, ¥305 million, and ¥1,996 million from depreciation, payments due, and tax payments respectively.

(Investing Cash Flow)

Our investing activities incurred cash outflow of ¥2,986 million (up ¥1,672 million year-over-year). The main

factors behind this outflow include ¥1 billion increase in long term deposits, a ¥658 million purchase of intangible fixed assets for the renewal of existing and opening of new sites, and acquisition of shares in affiliates and other marketable securities amounting to ¥571 million and ¥325 million respectively.

(Financing Cash Flow)

We saw a net outflow in our financing cash flows of ¥481 million (a ¥170 million year-over-year increase). This outflow is attributed primarily to the payment of dividends, which totaled ¥551 million.

Cash Flow Indicators

	FY12/02	FY12/03	FY12/04	FY12/05	FY12/06
Equity ratio (%)	80.1	82.4	72.4	70.2	68.0
Equity ratio based on market capitalization (%)	330.9	714.6	1,115.5	1,841.8	977.2
Debt redemption period (years)	—	—	—	—	—
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 FY12/07

The effective job offers-to-applicants ratio improved in December 2006 to 1.08 in reflection of the strong recovery in the labor market. During the coming fiscal year we expect demand for human resources-related services to remain strong on the back of strong corporate earnings and the large number of Japanese baby-boomers beginning to reach retirement age.

Consequently, we anticipate even stronger increases in demand for job advertisements. Therefore it is important for us 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.

We will quickly respond to changes in the market, as well as implementing an aggressive advertising campaign to raise our brand recognition and draw an even greater number of job seekers to our sites. In addition, we will fortify our staffing in the areas of marketing and production and will maintain our policy of “100% in-house interviews” to maintain the high 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 job offers and ensure our customers’ satisfaction.

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

Fiscal Year December 2007 Earnings Projections

(Units: ¥ million)

Category \ Term	8 th Term (From January 1, 2007 to December 31, 2007)	7 th Term (From January 1, 2006 to December 31, 2006)
Sales	23,200	16,919
Ordinary income	7,000	5,607
Net income	3,758	3,105

(4) Business Risks

Below we provide details of the major risk factors that we recognize as part of our business. We also believe it is important to identify 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 so that investors can more easily understand our business and consider them in their investment decisions. In addition to identifying these risk factors before they occur and implementing preventative measures for them, we will carefully consider these factors in the context of our management and our future business development. Moreover, we realize that the risk factors mentioned below do not represent all potential risks that exist to investors considering investment in our Company's shares.

(a) Intellectual Property Right Infringement

We view our brand as a highly valuable property and we have acquired various trademarks associated with it. We are also 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 warn 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

We provide various job information services over the Internet. Our main source of revenues comes from job advertisements placed by 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 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 strategy 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 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 in both traditional 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 staff and or the loss of existing staff could negatively impact our earnings.

(b.3) Regarding Business with Partners in Specific 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 marketing to a broad range of industries, our earnings could be impacted by the macroeconomic trends affecting customers in certain specific industries.

(b.4) Regarding M&A and Capital Alliances

We consider corporate mergers and acquisitions, and capital participation as a means of growing our existing businesses and expanding into new business areas. But the inability to implement these activities as planned could profoundly impact our earnings.

Furthermore, our joint venture operations in the People's Republic of China maybe susceptible to unforeseen circumstances including changes in local laws and regulations. In the event that we were to encounter one or another of these events, our earnings and financial position could be impacted.

(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, our Company 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 maintain the trust of both our clients and users, which is crucial to maintaining our existing pricing structure and to avoid being forced to compete only in terms of pricing, as do 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 develop new technologies and services and to provide them to our customers as soon as possible to maintain our competitive position. In order to continually provide high-quality services, each of our divisions constantly pursues 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 of 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 profoundly 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 upon our business and the relationships 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 our inability to receive an extension or cancellation of the certification 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 could 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. In addition to these problems, the potential for a larger system failure could also 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)

		6 th Term December 31, 2005		7 th Term December 31, 2006		YoY Change
Categories	Notes	Value (¥1,000)		Value (¥1,000)		(¥1,000)
(Assets)						
I Current Assets						
1. Cash and equivalents			5,565,531		6,173,772	
2. Notes receivables			10,433		16,853	
3. Accounts receivables			1,473,310		2,275,791	
4. Inventories			10,738		13,630	
5. Prepaid expenses			163,666		224,044	
6. Deferred tax assets			136,135		302,362	
7. Others			25,546		31,598	
Bad credit reserves			-16,626		-33,772	
Total current assets			7,368,735	74.1	9,004,281	63.7
II Fixed assets						
1. Tangible fixed assets						
(1) Buildings		146,595		156,304		
Aggregated depreciation		26,738	119,856	45,598	110,705	
(2) Equipment, others		877,132		1,023,622		
Aggregated depreciation		279,383	597,749	508,265	515,356	
(3) Construction in progress			38,637		33,775	
Total tangible fixed assets			756,243	7.6	659,837	4.7
2. Intangible fixed assets						
(1) Trademarks			3,090		4,165	
(2) Software			160,584		644,478	
(3) Software under development			142,195		199,591	
(4) Telephone deposits			1,351		1,351	
Total intangible fixed assets			307,222	3.1	849,587	6.0
3. Investments, other assets						
(1) Investment securities			25,000		340,019	
(2) Securities in affiliates			—		571,594	
(3) Long-term prepaid expenses			271,338		195,039	
(4) Deferred tax assets			91,749		94,294	
(5) Long-term deposits			384,140		1,388,220	
(6) Insurance reserve fund			413,235		422,090	
(7) Lease deposits			331,890		604,378	
Total investments and other assets			1,517,355	15.2	3,615,637	25.6
Total fixed assets			2,580,821	25.9	5,125,062	36.3
Total assets			9,949,557	100.0	14,129,344	100.0

		6 th Term December 31, 2005			7 th Term December 31, 2006			YoY Change
Categories	Notes	Value (¥1,000)		Share (%)	Value (¥1,000)		Share (%)	Value (¥1,000)
(Liabilities)								
I Current liabilities								
1. Accounts payable			62,730			79,979		
2. Payments due			1,023,714			1,459,616		
3. Unpaid expenses			69,748			309,229		
4. Unpaid corporate taxes			1,174,419			1,848,360		
5. Unpaid consumption taxes			123,675			228,573		
6. Advances received			364,860			327,737		
7. Deposits			42,831			79,122		
8. Bonus reserves			100,350			147,992		
9. Director bonus reserves			—			8,800		
10. Others			1,029			28,841		
Total current liabilities			2,963,360	29.8		4,518,254	32.0	1,554,893
Total liabilities			2,963,360	29.8		4,518,254	32.0	1,554,893
(Shareholders' equity)								
I Capital			806,379	8.1		—	—	-806,379
II Capital reserves								
1. Capital reserves			1,272,950			—		
Total capital reserves			1,272,950	12.8		—	—	-1,272,950
III Retained earnings								
1. Unappropriated reserves								
(1) Contingent reserves			2,000,000			—		
2. Unappropriated earnings			2,906,867			—		
Total retained earnings			4,906,867	49.3		—	—	-4,906,867
Total shareholders' equity			6,986,197	70.2		—	—	-6,986,197
Total liabilities and shareholders' equity			9,949,557	100.0		—	—	-9,949,557

		6 th Term December 31, 2005			7 th Term December 31, 2006			YoY Change
Categories	Notes	Value (¥1,000)		Share (%)	Value (¥1,000)		Share (%)	Value (¥1,000)
(Net assets)								
I Shareholders' equity								
1. Capital			—	—		841,221	6.0	841,221
2. Capital reserves								
(1) Capital reserves		—			1,307,790			
Total capital reserves			—	—		1,307,790	9.2	1,307,790
3. Retained earnings								
(1) Other retained earnings reserves								
Contingent reserves		—			2,000,000			
Earnings reserves carried forward		—			5,459,685			
Total retained earnings			—	—		7,459,685	52.8	7,459,685
Total shareholders' equity			—	—		9,608,697	68.0	9,608,697
II Net unrealized valuation gains								
1. Valuation gains on marketable securities			—	—		2,393	0.0	2,393
Total unrealized valuation gains			—	—		2,393	0.0	2,393
Total net assets			—	—		9,611,090	68.0	9,611,090
Total liabilities and net assets			—	—		14,129,344	100.0	14,129,344

(2) (Income Statement)

		6 th Term (From January 1, 2005 to December 31, 2005)		7 th Term (From January 1, 2006 to December 31, 2006)		YoY Change
Categories	Notes	Value (¥1,000)		Value (¥1,000)		(¥1,000)
I Sales			11,491,772	100.0		5,428,154
II Cost of sales			1,097,051	9.5		507,387
Gross income			10,394,720	90.5		4,920,766
III Sales, general and administrative expenses						
1. Advertising expenses		3,304,991		4,551,332		
2. Executive pay		55,905		57,000		
3. Employee pay		1,382,170		2,179,810		
4. Bonuses		296,429		538,155		
5. Bonus reserves		—		126,311		
6. Bonus reserves for directors		—		8,800		
7. Legal fringe benefits		210,989		357,882		
8. Commission fees		175,893		264,005		
9. Rent		344,714		477,882		
10. Commissions on payments		88,020		100,385		
11. Depreciation		51,473		100,178		
12. Bad credit reserves		6,032		17,741		
13. Others		686,379	6,603,000	57.5	930,524	3,107,010
Operating income			3,791,720	33.0		1,813,756
IV Non-operating income						
1. Interest received		7,880		14,218		
2. Commissions received		3,593		959		
3. Foreign exchange gains		18,537		4,288		
4. Other income		4,840	34,852	0.3	11,376	-4,009
V Non-operating expense						
1. Loss on liquidated fixed assets		450		—		
2. Loss on LLP investment		—		14,015		
3. Contribution for hiring of elderly, handicapped		—		7,600		
4. Other losses		—	450	0.0	7,647	28,813
Ordinary income			3,826,122	33.3		1,780,933
VI Extraordinary income						
1. Securities liquidation profit		81,308	81,308	0.7	—	-81,308
VII Extraordinary loss						
1. Fixed asset liquidation loss		66,171		11,404		
2. Office moving expense		29,976	96,147	0.8	4,633	-81,109
Current income before taxes			3,811,282	33.2		1,779,735

		6 th Term (From January 1, 2005 to December 31, 2005)			7 th Term (From January 1, 2006 to December 31, 2006)			YoY Change
Categories	Notes	Value (¥1,000)		Share (%)	Value (¥1,000)		Share (%)	(¥1,000)
Corporate, resident, enterprise taxes		1,685,000			2,655,487			
Corporate tax adjustment		-77,053	1,607,946	14.0	-170,414	2,485,072	14.6	877,126
Net income			2,203,336	19.2		3,105,944	18.4	902,608
Unappropriated retained earnings carried forward from previous term			703,531			—		—
Unappropriated retained earnings			2,906,867			—		—

Details of Cost of Sales

		6 th Term (From January 1, 2005 to December 31, 2005)			7 th Term (From January 1, 2006 to December 31, 2006)			YoY Change
Categories	Notes	Value (¥1,000)		Share (%)	Value (¥1,000)		Share (%)	(¥1,000)
I Contents production expenses			382,695	34.9		632,842	39.4	250,146
II Site operating expenses			567,760	51.7		706,332	44.0	138,572
III Event expenses			—	—		249,669	15.6	249,669
IV Other expenses			146,595	13.4		15,593	1.0	-131,001
Cost of sales			1,097,051	100.0		1,604,439	100.0	507,387

(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. Event expenses are the cost of special events held to support our job seeking users in their search for work. These expenses had been included in the other expenses until the previous fiscal year, but we decided to list these costs separately as they are an important function of our business. During the previous fiscal year our event expenses amounted to ¥107.765 million.

(3) (Statement of Changes in Capital)

FY12/06 (From January 1, 2006 to December 31, 2006)

(Units: ¥1,000)

				Shareholders' equity			
	Capital	Capital reserves		Retained earnings			Total shareholders' equity
		Capital reserves surplus	Total capital reserves	Other retained earnings		Total retained earnings	
				Contingent reserves	Retained earnings carried forward		
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
Changes during FY12/06							
New share issuance	34,841	34,840	34,840	—	—	—	69,682
Dividends payment	—	—	—	—	-553,127	-553,127	-553,127
Net income	—	—	—	—	3,105,944	3,105,944	3,105,944
Changes from other items	—	—	—	—	—	—	—
Total changes during FY12/06	34,841	34,840	34,840	—	2,552,817	2,552,817	2,622,500
As of December 31, 2006	841,221	1,307,790	1,307,790	2,000,000	5,459,685	7,459,685	9,608,697

(Units: ¥1,000)

	Valuation, translation gains		Total net assets
	Valuation gains on marketable securities	Total valuation gains	
As of December 31, 2005	—	—	6,986,197
Changes during FY12/06			
New share issuance	—	—	69,682
Dividends payment	—	—	-553,127
Net income	—	—	3,105,944
Changes from other items	2,393	2,393	2,393
Total changes during FY12/06	2,393	2,393	2,624,893
As of December 31, 2006	2,393	2,393	9,611,090

(4) (Cash Flow Statement)

		6 th Term (From January 1, 2005 to December 31, 2005)	7 th Term (From January 1, 2006 to December 31, 2006)	YoY Change
Categories	Notes	Value (¥1,000)	Value (¥1,000)	(¥1,000)
I Operating cash flows				
Current income before taxes		3,811,282	5,591,017	
Depreciation		381,625	481,635	
Bad credit reserves increase		6,032	17,146	
Bonus reserves increase		100,350	47,641	
Directors bonus reserves increase		—	8,800	
Interest received		-7,880	-14,218	
Foreign exchange gains		-18,537	-4,288	
Securities liquidation gains		-81,308	—	
Loss from investment in LLC		—	14,015	
Fixed asset liquidation loss		66,621	11,404	
Accounts receivable increase		-478,945	-808,900	
Change in payables		50,187	17,249	
Unpaid expense increase		317,669	305,895	
Change in other current assets		-390,420	11,237	
Change in other current liabilities		103,511	385,837	
Subtotal		3,860,190	6,064,474	2,204,283
Interest and dividends received		5,490	8,267	
Corporate taxes paid		-1,244,497	-1,996,023	
Operating cash flows		2,621,183	4,076,717	1,455,533
II Investing cash flows				
Outflow from long-term deposits		-215,760	-1,000,000	
Outflow for acquisition of securities		-25,000	-325,000	
Inflow for liquidation of securities		126,108	—	
Outflow for acquisition of affiliate shares		—	-571,594	
Outflow for acquisition of tangible fixed assets		-713,803	-152,257	
Outflow for acquisition of intangible fixed assets		-341,026	-658,367	
Outflow for lease deposits		-246,436	-283,177	
Inflow from return of lease deposits		114,476	10,689	
Outflow for insurance reserve fund		-8,647	-8,921	
Inflow from cancellation of insurance reserves		—	691	
Outflow for loans extended		-4,099	—	
Inflow from loans recovered		—	1,065	
Investing cash flows		-1,314,189	-2,986,871	-1,672,682

		6 th Term (From January 1, 2005 to December 31, 2005)	7 th Term (From January 1, 2006 to December 31, 2006)	YoY Change
Categories	Notes	Value (¥1,000)	Value (¥1,000)	(¥1,000)
III Financing cash flows				
Inflow from share issuance		46,754	69,682	
Outflow for dividend payment		-357,738	-551,495	
Financing cash flows		-310,984	-481,813	-170,828
IV Value of translation-associated cash and equivalents		157	208	51
V Cash and equivalents net increase		996,167	608,241	-387,925
VI Cash and equivalents at start of term		4,569,364	5,565,531	996,167
VII Cash and equivalents at end of term		5,565,531	6,173,772	608,241

(5) (Appropriation of Earnings Statement)

		6 th Term (Approved at shareholders' meeting held on March 29, 2006)	
Categories	Notes	Value (¥1,000)	
I Unappropriated earning			2,906,867
II Uses of income			
Dividends		553,127	553,127
III Earnings carried forward			2,353,740