

# Consolidated Financial Statements for the Interim Period of the Fiscal Year Ending December 31, 2008

These financial statements have been prepared for reference only in accordance with accounting principles and practices generally accepted in Japan. August 7, 2008

Link and Motivation Inc.  
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Stock exchange listing: Tokyo, Second Section  
Code number: 2170

Representative: Yoshihisa Ozasa, President and Representative Director

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Start of distribution of dividends (scheduled):

September 25, 2008

Filing of interim period Securities Report

September 19, 2008

(Yuka Shoken Hokokusho) (scheduled):

(Amounts are rounded down to the nearest million.)

## 1. Consolidated Results for Interim 2008 (January 1, 2008 – June 30, 2008)

(1) Sales and Income (Percentages represent change compared with the same period of the previous year.)

	Net sales (¥ million)	Year-on-year change (%)	Operating income (¥ million)	Year-on-year change (%)	Ordinary income (¥ million)	Year-on-year change (%)
Interim period ended June 30, 2008	4,105	5.4	601	23.7	602	24.1
Interim period ended June 30, 2007	3,897	34.5	486	33.4	485	33.9
Year ended December 31, 2007	8,184	28.8	1,361	58.5	1,332	55.2

	Net income (¥ million)	Year-on-year change (%)	Earnings per share (¥)	Earnings per share (diluted) (¥)
Interim period ended June 30, 2008	355	29.2	2,620.79	—
Interim period ended June 30, 2007	274	34.6	2,180.49	—
Year ended December 31, 2007	743	60.2	5,882.72	—

(Reference) Equity in earnings of affiliates: Interim period ended June 30, 2008: ¥— million, Interim period ended June 30, 2007: ¥— million, Year ended December 31, 2007: ¥— million

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Net assets / Total assets (%)	Net assets per share (¥)
As of June 30, 2008	4,349	3,471	79.8	25,718.95
As of June 30, 2007	3,695	2,075	56.2	16,470.28
As of December 31, 2007	5,013	3,326	66.4	24,551.21

(Reference) Net worth: As of June 30, 2008: ¥3,471 million, As of June 30, 2007: ¥2,075 million,  
As of December 31, 2007: ¥3,326 million

(3) Cash Flow

	Cash flow from operating activities (¥ million)	Cash flow from investing activities (¥ million)	Cash flow from financing activities (¥ million)	Cash and cash equivalents at end of period (¥ million)
Interim period ended June 30, 2008	297	(264)	(345)	1,356
Interim period ended June 30, 2007	344	(634)	(85)	858
Year ended December 31, 2007	937	(794)	292	1,668

## 2. Dividends

	Dividends per share				
	1st Qtr.	Interim	3rd Qtr.	Year end	Full year
2007	—	655.00	163.00	947.00	1,765.00
2008 (actual)	525.00	787.00	—	—	—
2008 (est.)	—	—	204.00	1,732.00	3,248.00

Note: Breakdown of dividends per share is as follows.

First quarter (three months ended March 31, 2008): Regular dividend ¥315.00, Commemorative dividend ¥210.00

Interim period (six months ended June 30, 2008): Regular dividend ¥472.20, Commemorative dividend ¥314.80

### 3. Forecast of Results for 2008 (January 1, 2008 - December 31, 2008)

(Percentages represent change compared to the same period of the previous year.)

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥)
Nine months ending Sept. 30, 2008	5,900	6.1	710	8.3	705	11.5	410	19.6	3,037.93
Full year	9,200	12.4	1,660	21.9	1,620	21.6	880	18.4	6,494.46

### 4. Other

- (1) Changes in Significant Subsidiaries during the Period (Changes in Specified Subsidiaries due to Changes in the Scope of Consolidation): No
- (2) Changes in Accounting Rules, Procedures, Presentation Method, etc. for the Consolidated Financial Statements
  - (a) Changes in consolidated accounting methods: No
  - (b) Changes other than (a) above: No
- (3) Number of shares issued and outstanding (common stock)
  - (a) Number of shares at end of period (including treasury stock): June 30, 2008: 135,000 shares, June 30, 2007: 126,000 shares, December 31, 2007: 135,000 shares
  - (b) Treasury stock at end of period: June 30, 2008: 540 shares, June 30, 2007: — shares, December 31, 2007: — shares

Note: See “Per Share Data” on page 30 for the number of shares used as the basis for calculation of earnings per share (consolidated) [Omitted from English translation].

### Explanation on Proper Use of the Forecast of Financial Results and Other Special Instructions

In order to achieve highly transparent, fair and equitable corporate management, the Link and Motivation Group has established a basic policy of open and fair information disclosure to its shareholders, investors and other stakeholders.

In light of the thoroughgoing implementation of the above policy and the introduction of quarterly dividends, the Company provides quarterly as well as interim and full-year forecasts of results to serve as a reference for investment decisions,

The figures in the forecasts are based on the most reliable information and assumptions available to the Company at the time of submission of this document. Please be aware that various factors including, but not limited to, future economic trends and the materialization of risks could cause actual results to differ materially from these forecasts.

## 1. Results of Operations

### (1) Analysis of Results of Operations

#### 1) Results of Operations of the Interim Period

In the interim period of the fiscal year ending December 31, 2008, comprising the six months ended June 30, 2008, factors including disruption in financial and capital markets stemming from the subprime mortgage crisis that originated in the United States and rising crude oil and grain prices created uncertainty about the direction of the Japanese economy. However, we believe that for the mid-to-long-term, interest will continue to increase in people as an important management resource and in the motivation of the individual as an important issue at many companies in response to a decrease in the workforce due to a declining birthrate and aging population, and the diversification of personal values.

In this market environment, the Link and Motivation Group revised its management policies from the beginning of the interim period and worked to create integrated proposals that leverage its strengths in one-stop services in order to respond to customers' longer-term management issues. Although the number of companies reacting to the economic downturn in the first quarter by adopting a cautious investment stance increased, which impacted some businesses, second quarter performance increased steadily compared with the same period of the previous year as the shift in our marketing style began to show results.

In addition, the Group has positioned strengthening database product sales and the Brand Management business and acquiring new customers by expanding its locations as its growth strategies. All strategies progressed well in the interim period, resulting in substantial growth in sales and profits of database analysis, the Brand Management business and the Tokai region.

As a result, consolidated net sales for the interim period were ¥4,105,530 thousand (a 5.4% increase compared with the same period of the previous year), gross profit was ¥2,467,233 thousand (a 5.8% increase), operating income was ¥601,962 thousand (a 23.7% increase), ordinary income was ¥602,484 thousand (a 24.1% increase), and net income was ¥355,016 thousand (a 29.2% increase).

The Group achieved 95.5% of the net sales forecast (¥4,300,000 thousand) and 114.5% of the net income forecast (¥310,000 thousand) for the interim period announced with the consolidated financial statements for the fiscal year ended March 31, 2007.

Operating results by business for the interim period are described below.

#### **Motivation Management Business: Organizational Strategies**

In the interim period, the Motivation Management business generated net sales of ¥1,778,246 thousand (a 0.1% decrease compared with the same period of the previous year) and gross profit of ¥1,341,652 thousand (a 2.9% increase).

The Motivation Management business provides planning and implementation support for services related to organizational strategy, including training, personnel systems and organizational climate, for raising employee motivation. First-quarter net sales decreased 6.7% compared with the same period of the previous year due to factors including the effects of contracting training budgets centered on certain industries and mainstay small-to-medium-sized companies affected by the economic downturn.

However, having anticipated these changes in the market environment, from the second quarter we began concentrating on integrated proposals that respond to customers' upper management issues. As a result, net sales for the three months ended June 30, 2008 increased 5.2% compared with the same period of the previous year. Specifically, sales grew 39% in employee motivation diagnosis (EMS), which is the introductory product for one-stop consulting services in the Motivation Management business. Moreover, proposals for a wide range of motivation measures based on the results of EMS led to an increase in sales per customer. In addition,

the gross margin increased 4% as a result of a substantial increase in high-profit EMS sales and improvements in the profit structure for training services through cost reductions.

### **Entry Management Business: Recruitment Strategies**

In the interim period, net sales of the Entry Management business were ¥1,387,037 thousand (a 2.1% increase compared with the same period of the previous year) and gross profit was ¥752,666 thousand (a 4.5% increase).

The Entry Management business provides planning and implementation support for services related to achieving best-match relationships in new graduate and intermediate recruitment strategy. The environment surrounding this business is a high 2.14 ratio of job offers to job seekers (according to a survey by Works Institute of Recruit Co., Ltd.) and a sellers' market for new graduates. Companies have responded by starting recruiting activities earlier. Consequently, we moved first quarter recruiting management consulting ahead to the fourth quarter of the previous year. As a result, net sales and gross profit for the first quarter decreased slightly from the same period of the previous year.

In the second quarter, net sales in the Tokai region increased 125.4% compared with the same period of the previous year due to the establishment of a full-fledged business base there. As a result, Entry Management business net sales for the quarter increased 8.1%.

### **Brand Management Business: Brand Strategies**

In the interim period, net sales of the Brand Management business were ¥468,708 thousand (a 22.5% increase compared with the same period of the previous year), and gross profit was ¥283,921 thousand (a 38.9% increase).

The Brand Management business provides planning and implementation support for services related to IR activities and marketing activities for clarification and penetration of brand image. Sales grew substantially, centered on the LifeStyle Motivation Indicator (LSMI) database service of personal values and consumer trends and accompanying consulting services due unprecedented diversification of personal values. Notably, during the interim period customers diversified beyond the automotive and cosmetics industries to such areas as the beverage manufacturing and service industries, and the environment shows promise for future expansion. In addition, sales of IR consulting and annual report services, which are IR branding activities, increased steadily as a result of current demands for finely tuned disclosure of information to investors. Further, because services with high gross margins have accounted for the majority of the increase in sales from the previous year, profitability has increased, resulting in a 7.1% increase in the gross margin compared with the same period of the previous year.

### **Place Management Business: Place Strategy**

In the interim period, the Place Management business generated net sales of ¥454,173 thousand (a 33.6% increase compared with the same period of the previous year) and gross profit of ¥83,127 thousand (a 16.8% increase). The Place Management business provides planning and implementation support for services related to office structuring and place strategy for energizing communication and raising productivity. Sales were solid in the main service, place management consulting, increasing 6.7% due to accurate response to relocation opportunities for customers' offices. In addition, revenues from the CABINs rental office service that started in January 2007 have grown steadily, increasing 56.9% compared with the same period of the previous year.

### **Other**

Other net sales in the interim period totaled ¥17,365 thousand (a 52.0% decrease compared with the same period of the previous year). Other net sales included compensation from speaking engagements at business

events, as well as compensation from published books and contributions to newspapers and business journals. From the first quarter, Link Dining Inc., a part of Other until the end of the previous year, was included in the Place Management business. Comparisons with the same period of the previous year are based on retroactively revised figures.

## 2) Outlook for 2008

In the second half of the fiscal year, comprising the six months ending December 31, 2008, we believe that the Japanese economy will enter a downward trend. However, interest is increasing in the Group's business of motivation, which is expected to remain an important issue at many companies as described in "1) Results of Operations of the Interim Period."

As a result, the forecast of results for 2008 remains as announced with the consolidated results on February 13, 2008.

The forecast of results is based on currently available information. Actual results may differ due to a variety of future factors.

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥)
Nine months ending September 31, 2008	5,900	6.1	710	8.3	705	11.5	410	19.6	3,037.93
Full year	9,200	12.4	1,660	21.9	1,620	21.6	880	18.4	6,494.46

## (2) Analysis of Financial Position

### Assets, Liabilities and Net Assets

Total assets as of June 30, 2008 were ¥4,349,324 thousand, a decrease of ¥664,209 thousand from the end of the previous year. The principal factors were a decrease in cash and deposits due to operating cash flow conditions, explained below, and a decrease in notes and accounts receivable.

Total liabilities decreased ¥808,548 thousand from the end of the previous year to ¥878,294 thousand. Principal factors in the decrease included a decrease in accounts payable and the payment of income taxes owing as of the end of the previous year.

Net assets increased ¥144,339 thousand from a year earlier to ¥3,471,029 thousand. Principal factors in the increase included net income of ¥355,016 thousand and ¥199,453 thousand paid as dividends.

### Cash Flow

The balance of cash and cash equivalents ("cash") as of June 30, 2008 was ¥1,356,705 thousand, a decrease of ¥312,171 thousand from the end of the previous year.

Cash flow for the interim period was as follows.

#### *Cash Flow from Operating Activities*

Net cash provided by operating activities for the interim period was ¥297,959 thousand.

Principal factors were income before income taxes of ¥602,222 thousand, a decrease in notes and accounts receivable – trade that exceeded the decrease in notes and accounts payable, and income taxes paid of ¥414,721 thousand.

#### *Cash Flow from Investing Activities*

Net cash used in investing activities for the interim period was ¥264,464 thousand.

Principal factors were payments for acquisition of property and equipment totaling ¥127,201 thousand

associated with the March 2008 opening of the Link Port Harumi training facility, and a payment of ¥80,000 thousand as partial compensation related to a business transfer contract completed with ODS Corporation executed on January 1, 2007.

#### *Cash Flow from Financing Activities*

Net cash used in financing activities for the interim period was ¥345,666 thousand.

Principal factors were a scheduled repayment of long-term debt totaling ¥143,000 thousand and payment of cash dividends totaling ¥192,144 thousand.

### **(3) Dividend Policy and Dividends for the Year and the Next Year**

The Company's basic dividend policy is to make more active and flexible returns to shareholders. Taking into account the future operating environment, investment plans and other factors, the Company seeks to maintain the dividend payout ratio at about 30% of consolidated net income, and will pay dividends on a quarterly basis. Further, to commemorate its listing in December 2007, the Company increased the target payout ratio for 2008 from 30% to 50%, with quarterly dividend payments.

Pursuant to the provisions of Article 459, paragraph 1, item 4 of the Corporation Law, the Articles of Incorporation allow the Company to distribute earned surplus as dividends by resolution of the board of directors. In 2008, the Company paid a first-quarter dividend of ¥525.00 per share. For the interim dividend, the Company will pay ¥787.00 per share.

In line with the 50% target payment ratio stated above, dividends planned for the remainder of the year are as follows:

Third quarter: ¥204.00 per share

Fourth quarter: ¥1,732.00 per share

The Company will allocate retained earnings for investment in human resources and facilities for the purpose of expanding business and raising efficiency, as part of its effort to further expand its operations and increase its enterprise value.

For further details on distribution of retained earnings, please refer to "Statement of Changes in Net Assets, 3. Dividend-Related Items" on page 19. [Omitted from English translation.]

### **(4) Business and Other Risks**

Business and other risks are not disclosed because there have been no material changes from "Business and Other Risks" in the securities report filed on March 25, 2008.

## **2. Status of Business Group**

The status of the business group is not disclosed because there have been no material changes from "Business Contents" and "Status of Related Businesses" in the securities report filed on March 25, 2008.

## **3. Management Policies**

Items 1 to 4 below are not disclosed because there have been no material changes from the contents of the Consolidated Financial Statements for the Fiscal Year Ended December 31, 2007, disclosed on February 13, 2008.

The aforementioned Consolidated Financial Statements can be seen at the following web sites:

The Company's website: <http://www.lmi.ne.jp>

The Tokyo Stock Exchange website page for information on listed companies:

<http://www.tse.or.jp/listing/compsearch/index.html>

1. Basic Policy on Company Management
2. Target Management Indicators
3. Medium-to-Long-Term Management Strategies
4. Issues Facing the Company
  
5. Other Important Matters Concerning the Company's Operations

Business Outsourcing Agreement

Name of contracting company	Link and Motivation Inc.
Name of contract counterparty	Recruit Co., Ltd.
Content of contract	Business outsourcing agreement related in the Entry Management business area
Contract term	April 1, 2008 to March 31, 2009

# 1. Consolidated Financial Statements

## (1) Consolidated Balance Sheets

(Thousands of yen, rounded down to the nearest thousand)

	As of June 30, 2007		As of June 30, 2008		As of December 31, 2007	
<b>ASSETS</b>						
<b>I Current assets</b>						
1. Cash and deposits	858,002		1,356,705		1,668,877	
2. Notes and accounts receivable	1,013,753		1,141,242		1,543,472	
3. Inventories	49,316		83,196		81,303	
4. Prepaid expenses	90,808		80,928		82,985	
5. Deferred tax assets	69,184		70,863		83,505	
6. Other	10,375		13,479		20,772	
Allowance for doubtful accounts	(8,457)		(1,827)		(2,521)	
<b>Total current assets</b>	<b>2,082,983</b>	<b>56.4</b>	<b>2,744,588</b>	<b>63.1</b>	<b>3,478,395</b>	<b>69.4</b>
<b>II Fixed assets</b>						
<b>1. Property and equipment</b>						
(1) Buildings and structures	277,076		320,030		259,117	
Accumulated depreciation	(106,088)		(123,858)		(109,347)	
	170,987		196,172		149,770	
(2) Vehicles	18,372		18,372		18,372	
Accumulated depreciation	(3,340)		(8,135)		(6,193)	
	15,031		10,236		12,178	
(3) Furniture and fixtures	281,822		316,061		275,624	
Accumulated depreciation	(140,623)		(180,009)		(161,630)	
	141,198		136,052		113,994	
<b>Total property and equipment</b>	<b>327,217</b>	<b>8.8</b>	<b>342,461</b>	<b>7.9</b>	<b>275,943</b>	<b>5.5</b>
<b>2. Intangible assets</b>						
(1) Software	184,679		206,823		174,318	
(2) Goodwill	585,393		454,794		520,093	
(3) Other	4,817		4,134		4,475	
<b>Total intangible assets</b>	<b>774,890</b>	<b>21.0</b>	<b>665,752</b>	<b>15.3</b>	<b>698,888</b>	<b>13.9</b>
<b>3. Investments and other assets</b>						
(1) Investments in securities	20,272		16,807		17,521	
(2) Security deposits	425,897		528,425		481,258	
(3) Deferred tax assets	26,389		16,865		21,268	
(4) Other	37,557		34,423		40,258	
<b>Total investments and other assets</b>	<b>510,117</b>	<b>13.8</b>	<b>596,522</b>	<b>13.7</b>	<b>560,306</b>	<b>11.2</b>
<b>Total fixed assets</b>	<b>1,612,224</b>	<b>43.6</b>	<b>1,604,736</b>	<b>36.9</b>	<b>1,535,137</b>	<b>30.6</b>
<b>Total assets</b>	<b>3,695,207</b>	<b>100.0%</b>	<b>4,349,324</b>	<b>100.0%</b>	<b>5,013,533</b>	<b>100.0%</b>



(Thousands of yen, rounded down to the nearest thousand)

	As of June 30, 2007		As of June 30, 2008		As of December 31, 2007	
<b>LIABILITIES</b>						
<b>I Current liabilities</b>						
1. Accounts payable - trade	227,024		97,396		323,089	
2. Short-term borrowings	210,000		—		—	
3. Long-term debt due within one year	321,590		172,000		225,000	
4. Accounts payable	248,375		149,070		312,519	
5. Expenses payable	2,196		12,698		862	
6. Accrued income taxes	231,547		249,047		439,100	
7. Accrued consumption taxes	14,194		44,072		55,444	
8. Advances received	15,483		14,710		90,593	
9. Accrued bonuses to employees	117,500		104,669		117,747	
10. Accrued bonuses to officers	8,248		1,957		—	
11. Other	51,790		32,673		32,485	
Total current liabilities	1,447,951	39.2	878,294	20.2	1,596,843	31.8
<b>II Long-term liabilities</b>						
1. Long-term debt	172,000		—		90,000	
Total long-term liabilities	172,000	4.6	—	—	90,000	1.8
Total liabilities	1,619,951	43.8	878,294	20.2	1,686,843	33.6
<b>NET ASSETS</b>						
<b>I Shareholders' equity</b>						
1. Common stock	538,000	14.6	979,750	22.5	979,750	19.5
2. Additional paid-in capital	292,845	7.9	734,595	16.9	734,595	14.7
3. Retained earnings	1,248,089	33.8	1,769,296	40.7	1,613,733	32.2
4. Treasury stock	—	—	(10,800)	(0.3)	—	—
Total shareholders' equity	2,078,934	56.3	3,472,841	79.8	3,328,078	66.4
<b>II Valuation and translation adjustments</b>						
1. Unrealized gain on securities	(3,678)	(0.1)	(1,811)	(0.0)	(1,388)	(0.0)
Total valuation and translation adjustments	(3,678)	(0.1)	(1,811)	(0.0)	(1,388)	(0.0)
Total net assets	2,075,256	56.2	3,471,029	79.8	3,326,690	66.4
Total liabilities and net assets	3,695,207	100.0%	4,349,324	100.0%	5,013,533	100.0%

## (2) Consolidated Statements of Operations

(Thousands of yen, rounded down to the nearest thousands)

	Six months ended June 30, 2007		Six months ended June 30, 2008		Year ended December 31, 2007	
I. Net sales	3,897,033	100.0%	4,105,530	100.0%	8,184,955	100.0%
II. Cost of sales	1,564,494	40.1	1,638,296	39.9	3,194,042	39.0
Gross profit	2,332,539	59.9	2,467,233	60.1	4,990,912	61.0
III. Selling, general and administrative expenses	1,845,913	47.4	1,865,241	45.4	3,629,649	44.3
Operating income	486,626	12.5	601,991	14.7	1,361,263	16.6
IV. Non-operating income						
1. Interest income	655		1,235		1,551	
2. Dividend income	92		224		284	
3. Refund of consumption tax	4,328		—		4,328	
4. Other	982		1,112		1,525	
Total non-operating income	6,057	0.2	2,571	0.1	7,689	0.1
V. Non-operating expenses						
1. Interest expenses	4,435		1,348		8,123	
2. Stock listing expenses	2,500		—		28,545	
3. Loss on insurance contract cancellation	—		480		—	
4. Other	81		249		146	
Total non-operating expenses	7,016	0.2	2,078	0.1	36,815	0.4
Ordinary income	485,667	12.5	602,484	14.7	1,332,137	16.3
VI. Extraordinary loss						
1. Loss on disposal of fixed assets	—		261		11,020	
2. Loss on valuation of investment securities	2,766		—		9,379	
Total extraordinary loss	2,766	0.1	261	0.0	20,399	0.2
Income before income taxes	482,900	12.4	602,222	14.7	1,311,737	16.0
Income taxes						
Current income taxes	216,944		229,870		587,840	
Deferred income taxes	(8,786)		17,335		(19,557)	
Total income taxes	208,158	5.3	247,205	6.1	568,282	6.9
Minority interests	—		—		—	
Net income	274,742	7.1	355,016	8.6	743,454	9.1

(3) Consolidated Statements of Changes in Net Assets

Six months ended June 30, 2007

(Thousands of yen, rounded down to the nearest thousand)

	Shareholders' Equity			
	Common Stock	Additional Paid-in Capital	Retained Earnings	Total Shareholders' Equity
Balance at December 31, 2006	538,000	292,845	1,062,050	1,892,895
Changes during the six months ended June 30, 2007				
Dividends from capital surplus (Note)	—	—	(88,704)	(88,704)
Net income	—	—	274,742	274,742
Net change in items other than shareholders' equity during the period	—	—	—	—
Total changes during the six months ended June 30, 2007	—	—	186,038	186,038
Balance at June 30, 2007	538,000	292,845	1,248,089	2,078,934

(Thousands of yen, rounded down to the nearest thousand)

	Valuation and Translation Adjustments		Total Net Assets
	Unrealized Gain on Securities	Total Valuation and Translation Adjustments	
Balance at December 31, 2006	(3,254)	(3,254)	1,889,641
Changes during the six months ended June 30, 2007			
Dividends from capital surplus (Note)	—	—	(88,704)
Net income	—	—	274,742
Net change in items other than shareholders' equity during the period	(423)	(423)	(423)
Total changes during the six months ended June 30, 2007	(423)	(423)	185,615
Balance at June 30, 2007	(3,678)	(3,678)	2,075,256

Note: A breakdown of dividends from capital surplus is as follows.

Approved by resolution of the ordinary general meeting of shareholders on March 28, 2007: ¥88,704 thousand

Six months ended June 30, 2008

(Thousands of yen, rounded down to the nearest thousand)

	Shareholders' Equity				
	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury stock	Total Shareholders' Equity
Balance at December 31, 2007	979,750	734,595	1,613,733	—	3,328,078
Changes during the six months ended June 30, 2008					
Dividends from capital surplus (Note 1.)	—	—	(199,453)	—	(199,453)
Net income	—	—	355,016	—	355,016
Purchase of treasury stock	—	—	—	(10,800)	(10,800)
Net change in items other than shareholders' equity during the period	—	—	—	—	—
Total changes during the six months ended June 30, 2008	—	—	155,562	(10,800)	144,762
Balance at June 30, 2008	979,750	734,595	1,769,296	(10,800)	3,472,841

(Thousands of yen, rounded down to the nearest thousand)

	Valuation and Translation Adjustments		Total Net Assets
	Unrealized Gain on Securities	Total Valuation and Translation Adjustments	
Balance at December 31, 2007	(1,388)	(1,388)	3,326,690
Changes during the six months ended June 30, 2008			
Dividends from capital surplus (Note 1.)	—	—	(199,453)
Net income	—	—	355,016
Purchase of treasury stock	—	—	(10,800)
Net change in items other than shareholders' equity during the period	(423)	(423)	(423)
Total changes during the six months ended June 30, 2008	(423)	(423)	144,339
Balance at June 30, 2008	(1,811)	(1,811)	3,471,029

Notes: 1. A breakdown of dividends from capital surplus is as follows.

Approved by resolution of the board of directors on February 9, 2008: ¥128,318 thousand

Approved by resolution of the board of directors on May 7, 2008: ¥71,135 thousand

2. Pursuant to Article 459, Paragraph 1, Section 4 of the Corporation Law, the Company's articles of incorporation permit payments of dividends from capital surplus to be approved by resolution of the board of directors.

Year ended December 31, 2007

(Thousands of yen, rounded down to the nearest thousand)

	Shareholders' Equity			
	Common Stock	Additional Paid-in Capital	Retained Earnings	Total Shareholders' Equity
Balance at December 31, 2006	538,000	292,845	1,062,050	1,892,895
Changes during the year ended December 31, 2007				
Issuance of new stock	441,750	441,750	—	883,500
Dividends from capital surplus (Note)	—	—	(191,772)	(191,772)
Net income	—	—	743,454	743,454
Net change in items other than shareholders' equity during the year	—	—	—	—
Total changes during the year ended December 31, 2007	441,750	441,750	551,682	1,435,182
Balance at December 31, 2007	979,750	734,595	1,613,733	3,328,078

(Thousands of yen, rounded down to the nearest thousand)

	Valuation and Translation Adjustments		Total Net Assets
	Unrealized Gain on Securities	Total Valuation and Translation Adjustments	
Balance at December 31, 2006	(3,254)	(3,254)	1,889,641
Changes during the year ended December 31, 2007			
Issuance of new stock	—	—	883,500
Dividends from capital surplus (Note)	—	—	(191,772)
Net income	—	—	743,454
Net change in items other than shareholders' equity during the year	1,866	1,866	1,866
Total changes during the year ended December 31, 2007	1,866	1,866	1,437,049
Balance at December 31, 2007	(1,388)	(1,388)	3,326,690

Note: A breakdown of dividends from capital surplus is as follows.

Approved by resolution of the ordinary general meeting of shareholders on March 28, 2007: ¥88,704 thousand

Approved by resolution of the board of directors on July 30, 2007: ¥82,530 thousand

Approved by resolution of the board of directors on October 30, 2007: ¥20,538 thousand

## (4) Consolidated Statements of Cash Flow

(Thousands of yen, rounded down to the nearest thousand)

	Six months ended June 30, 2007	Six months ended June 30, 2008	Year ended December 31, 2007
<b>I Cash flow from operating activities</b>			
Income before income taxes	482,900	602,222	1,311,737
Depreciation and amortization	60,572	66,535	130,750
Amortization of goodwill	65,299	65,299	130,598
Increase (decrease) in allowance for doubtful accounts	6,099	(693)	162
Decrease in allowance for employees' bonuses	(16,345)	(13,078)	(16,098)
Increase (decrease) in allowance for officers' bonuses	2,248	1,957	(6,000)
Loss on disposal of fixed assets	—	261	11,020
Loss on valuation of investment securities	2,766	—	9,379
Interest and dividend income	(747)	(1,459)	(1,836)
Interest expense	4,435	1,348	8,123
Stock listing expenses	—	—	28,545
Loss on insurance contract cancellation	—	480	—
Decrease (increase) in notes and accounts receivable - trade	281,845	402,230	(247,872)
Decrease (increase) in inventories	39,201	(1,892)	7,213
Decrease in notes and accounts payable	(173,900)	(225,692)	(20,565)
Decrease in accounts payable	(79,580)	(113,585)	(4,327)
Decrease in advances received	(136,182)	(75,883)	(61,072)
Increase (decrease) in accrued consumption taxes	(21,756)	(11,371)	19,489
Other	6,985	15,717	(6,460)
Subtotal	523,841	712,395	1,292,787
Interest and dividends received	1,065	1,459	2,154
Interest paid	(4,724)	(1,174)	(8,206)
Income taxes paid	(175,323)	(414,721)	(348,823)
<b>Net cash provided by operating activities</b>	<b>344,858</b>	<b>297,959</b>	<b>937,911</b>
<b>II Cash flow from investing activities</b>			
Payments for acquisition of property and equipment	(12,804)	(127,201)	(76,225)
Payments for acquisition of intangible fixed assets	(33,085)	(15,450)	(71,622)
Payments for acquisition of business	(517,654)	(80,000)	(517,654)
Payments for security deposits	(67,824)	(45,683)	(140,455)
Proceeds from return of security deposits	—	—	17,269
Proceeds from insurance contract cancellation	—	7,966	—
Other	(3,096)	(4,096)	(5,797)
<b>Net cash used in investing activities</b>	<b>(634,466)</b>	<b>(264,464)</b>	<b>(794,487)</b>
<b>III Cash flow from financing activities</b>			
Decrease in short-term borrowings	210,000	—	—
Repayment of long-term debt	(206,580)	(143,000)	(385,170)
Proceeds from issuance of stock	—	—	869,500
Payments for purchase of treasury stock	—	(10,522)	—
Payment of cash dividends	(88,704)	(192,144)	(191,772)
<b>Net cash (used in) provided by financing activities</b>	<b>(85,284)</b>	<b>(345,666)</b>	<b>292,558</b>
<b>IV Net (decrease) increase in cash and cash equivalents</b>	<b>(374,891)</b>	<b>(312,171)</b>	<b>435,982</b>
<b>V Cash and cash equivalents at beginning of period</b>	<b>1,232,894</b>	<b>1,668,877</b>	<b>1,232,894</b>
<b>VI Cash and cash equivalents at end of period</b>	<b>858,002</b>	<b>1,356,705</b>	<b>1,668,877</b>