Consolidated Financial Statements for the Fiscal Year Ended December 31, 2007

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

February 13, 2008

Link and Motivation Inc.
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http://www.lmi.ne.jp

Stock exchange listing: Tokyo, Second Section
Code number: 2170

Representative: Yoshihisa Ozasa, President and Representative Director
Contact: Shunichi Ohno, Managing Executive Officer and Manager of Corporate Design Division
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Ordinary General Meeting of Shareholders (scheduled): March 23, 2008
Start of distribution of dividends (scheduled): March 24, 2008
Filing of Securities Report (*Yuka Shoken Hokokusho*) (scheduled): March 24, 2008

(Amounts are rounded down to the nearest million.)

1. Consolidated Results for 2007 (January 1, 2007 - December 31, 2007)

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

	Net sales (¥ million)	Year-on-year change (%)	Operating income (¥ million)	Year-on-year change (%)	Ordinary income (¥ million)	Year-on-year change (%)
2007	8,184	28.8	1,361	58.5	1,332	55.2
2006	6,356	21.1	858	41.3	858	42.2

	Net income (¥ million)	Year-on-year change (%)	Earnings per share (¥)	Earnings per share (diluted) (¥)	Return on equity (%)	Ordinary income/Total assets (%)	Ordinary income/Net sales (%)
2007	743	60.2	5,882.72	—	28.5	30.7	16.6
2006	464	55.7	4,102.76	—	31.0	25.8	13.5

(Reference) Equity in earnings of affiliates: ¥— million (2006: ¥— million)

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Net assets/ Total assets (%)	Net assets per share (¥)
2007	5,013	3,326	66.4	24,551.21
2006	3,667	1,889	51.5	14,997.15

(Reference) Net worth: ¥3,326 million (2006: ¥1,889 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)
2007	937	(794)	292	1,668
2006	474	(270)	142	1,232

2. Dividends

	Dividends per share					Total dividends paid (full year) (¥ million)	Payout ratio (%)	Dividends/ Net assets (%)
	1st Qtr.	Interim	3rd Qtr.	Year-end	Full year			
2007	—	655.00	163.00	947.00	1,765.00	231	30.0	8.9
2006	—	420.00	—	704.00	1,124.00	139	27.4	8.4
2008 (est.)	310.00	377.00	Undeter-mined	Undeter-mined	1,949.00	264	30.0	—

Note: On December 28, 2006, the Company consolidated common shares issued and outstanding at the ratio of 5:1. The above figures have been revised accordingly.

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

(Percentages represent change compared to the previous first quarter, interim period or fiscal year, as applicable)

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥)
First quarter	2,130	5.4	260	9.9	258	9.6	140	10.8	1,033.21
Interim period	4,300	10.3	580	19.2	575	18.4	310	12.8	2,287.82
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: Yes
(b) Changes other than (a) above: No

Note: For more details, see "Preparation of the Consolidated Financial Statements" on page 21. [Omitted from English translation.]

(3) Number of shares issued and outstanding (common stock)
(a) Number of shares at end of period (including treasury stock): December 31, 2007: 135,000 shares, December 31, 2006: 126,000 shares
(b) Treasury stock at end of period: December 31, 2007: — shares, December 31, 2006: — shares

Note: See "Per Share Data" on page 22 for the number of shares used as the basis for calculation of earnings per share (consolidated). [Omitted from English translation.]

(Reference) Summary of Non-consolidated Results

Non-consolidated Results for 2007 (January 1, 2007 – December 31, 2007)

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

	Net sales (¥ million)	Year-on-year change (%)	Operating income (¥ million)	Year-on-year change (%)	Ordinary income (¥ million)	Year-on-year change (%)
2007	6,881	29.9	1,289	57.7	1,261	55.1
2006	5,297	18.3	818	35.6	813	35.0

	Net income (¥ million)	Year-on-year change (%)	Earnings per share (¥)	Earnings per share (diluted) (¥)
2007	707	62.5	5,598.71	—
2006	435	81.6	3,848.67	—

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Net assets / Total assets (%)	Net assets per share (¥)
2007	4,818	3,262	67.7	24,078.71
2006	3,540	1,861	52.6	14,773.88

(Reference) Net worth: ¥3,262 million (2006: ¥1,861 million)

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 detailed in "2. Results of Operations, (4) Business and Other Risks" on pages 7-8, could cause actual results to differ materially from these forecasts.

1. [Omitted from English Translation]

2. Results of Operations

(1) Analysis of Results of Operations

In 2007, factors including global weakness in stock prices stemming from the subprime loan problem that originated in the United States and rising crude oil prices created uncertainty about the direction of the Japanese economy. However, the domestic economy remained on a moderate expansion track overall, with improved corporate earnings, solid capital investment and an upturn in employment conditions. In tandem with these trends, corporations expanded their investment in personnel. In this market environment, consolidated net sales of the Link and Motivation Group for 2007 were ¥8,184,955 thousand (a year-on-year increase of 28.8%), ordinary income was ¥1,332,137 thousand (a year-on-year increase of 55.2%) and net income was ¥743,454 thousand (a year-on-year increase of 60.2%), for the seventh consecutive year of growth on a consolidated basis since the Company's establishment.

Because the Link and Motivation Group consists of a single business segment, Corporate Transformation Consulting using Motivation Engineering, the following presents the Group's four business areas.

Motivation Management Business: Organizational strategies to stimulate employee motivation

In 2007, the Motivation Management business generated net sales of ¥3,431,838 thousand (a year-on-year increase of 11.9%) and gross profit of ¥2,539,806 thousand (a year-on-year increase of 9.1%).

Underpinning these results is the increased willingness of corporations to invest in personnel in line with the economic upturn discussed above. In this environment, the sales strategy of strengthening sales of database analysis and packaged products worked effectively as the flow from analysis to transformation, the basic model of the Group's core technique of motivation engineering, became better established.

In addition, effective progress was apparent in sales to major corporations aimed at creating "motivation companies," including providing one training product as a foothold for expanding sales to other levels (for example, from new employees to managers) and other divisions (for example, from sales divisions to product development divisions). Organizational Climate Consulting received a particularly favorable reception. This original consulting service for energizing organizations includes "Darwin" training for new employees and "Lincoln" management training. Moreover, the Motivation Company Club, a membership-based business, doubled from the previous year to 480 members, as the Group worked to expand its broad customer base in all industries, from major to small-to-medium-sized companies.

Entry Management Business: Employment strategies to increase applicant motivation

In 2007, net sales of the Entry Management business were ¥2,979,099 thousand (a year-on-year increase of 22.0%) and gross profit was ¥1,722,045 thousand (a year-on-year increase of 22.7%).

Underpinning these results was an overheated employment market, particularly for new graduates, as the number of vacant positions increased in all industries with the economic recovery, together with the "2007 problem" as Japan's baby boom generation reaches retirement age and the birth rate continues to drop. There will be an effective rate of 2.14 job offers for each new graduate in fiscal 2008 (according to a Recruit Works Institute study), as the rate continues to rise year after year with a conspicuous shift to a seller's market. In these conditions, there was a particular increase in inquiries about programs to prevent prospective employees from declining offers, including GIFT recruiter training and RING interviewer training, which are designed to improve the skills of employees involved in personnel recruiting, which is part of Employment Strategy Consulting. Also in 2007, a comprehensive recruiting service lineup was created with the start of sales of the Business Aptitude Test (BAT) for job candidates, and the commencement of full-scale recruitment outsourcing service offered by our wholly owned subsidiary Link Associa Inc., resulting in a stronger revenue base.

Brand Management Business: Brand strategies aimed at motivating purchases by customers and investors

Net sales of the Brand Management business, which began operations in 2007, amounted to ¥877,610 thousand, and gross profit was ¥497,089 thousand.

Underpinning these results is a shift in the orientation of consumers as their spending increases, from functional value, which focuses on cost performance, to brands and their psychological value, which encompasses emotional qualities derived from the brand such as a sense of exclusivity and security. In an environment where low price alone no longer satisfies consumer needs, there is a need for identifying specific trends in what consumers want, and for planning and implementing brand strategies to match. We have received numerous inquiries about such services, particularly for our brand management consulting services based on the Life Style Motivation Index (LSMI), a database on consumer trends over more than thirty years, which we acquired from ODS Corporation in January 2007.

Other non-consumer services were also well received, including annual report services and IR consulting, a branding activity that targets investors. As a result, the Brand Management business contributed to the Group's revenue base in its initial year of operation.

Place Management Business: "Place strategy" aimed at creating spaces that motivate

In 2007, the Place Management business generated net sales of ¥743,718 thousand (a year-on-year increase of 0.6%) and gross profit of ¥176,958 thousand (a year-on-year decrease of 19.0%).

Underpinning this performance was solid corporate investment, which continued from the previous year. This included a rising interest in office investment reflecting a desire for greater floor space and relocation to buildings with higher standards. In these conditions, this business launched a new service aimed at promoting a stable revenue base from a long-term perspective (CABINs, a membership-based conference room rental service) and focused on inward measures such as personnel expansion and employee training aimed at increasing productivity. Consequently, results in the first half were below the level of the previous year. However, in the second half of the year, the business emphasized its characteristic feature of providing consulting services for "place creation," such as office relocation and floor space expansion, from a neutral standpoint rather than the product-centered standpoint of a manufacturer. Aggressive sales activities resulted in orders for several large projects, and full-year performance was on par with the previous year. Gross profit decreased compared with the previous year due to the initial investment associated with construction and operation in the CABINs membership-based conference room rental service described above.

Other

Other net sales in 2007 totaled ¥152,689 thousand (a year-on-year increase of 38.1%).

Other net sales included compensation from speaking engagements at business events, for which the number of requests increased due to rising recognition of the Group and growing social interest in the topic of motivation, as well as compensation from published books and contributions to newspapers and business journals. It also includes sales at restaurants operated by wholly owned subsidiary Link Dining Inc.

In 2007, ¥30,833 thousand in income from books, speaking engagements and published contributions, which in previous years had been accounted for in sales of Ozasa Yugen Kaisha, a special interest of the Company, were received as sales from Ozasa Yugen Kaisha.

(2) Analysis of Financial Condition

Significant Accounting Policies

The Company's consolidated and non-consolidated financial statements are prepared in accordance with accounting principles generally accepted in Japan (Japanese GAAP). The significant accounting policies used in the Company's consolidated financial statements are described in "4. Consolidated Financial Statements, (5) Basis of Presentation of Consolidated Financial Statements." The significant accounting policies used in the Company's non-consolidated financial statements are described in "5. Non-consolidated Financial Statements, (4) Significant Accounting Policies." [Both omitted from English translation.] In preparing these consolidated and non-consolidated financial statements, the Company made estimates and judgments based on various factors that it considers reasonable given past financial results and conditions. However, because of inherent uncertainties and risks, actual results in the future may differ from these estimates and judgments.

Assets, Liabilities and Net Assets

Total assets as of December 31, 2007 were ¥5,013,533 thousand, an increase of ¥1,346,006 thousand from a year earlier. The principal factors were an increase in capital due to the issue of new shares of common stock; an increase in cash and deposits due to enhanced operating cash flow resulting from strong business performance; and goodwill from business acquisitions made to improve the Company's business foundation.

Total liabilities decreased ¥91,042 thousand from a year earlier to ¥1,686,843 thousand. Principal factors included the repayment of long-term debt as scheduled.

Net assets increased ¥1,437,049 thousand from a year earlier to ¥3,326,690 thousand. Principal factors included an increase in common stock and additional paid-in capital due to a capital increase from the issue of new shares, and net income resulting from strong business performance.

Cash Flow

The balance of cash and cash equivalents ("cash") as of December 31, 2007 was ¥1,668,877 thousand, an increase of ¥435,982 thousand compared with a year earlier.

Cash flow for the year ended December 31, 2007 was as follows.

Cash Flow from Operating Activities

Net cash provided by operating activities was ¥937,911 thousand, a year-on-year increase of 97.7%.

Principal factors included the increase in net income along with higher sales compared with the previous year, and the fact that net income included depreciation and amortization and amortization of goodwill, which do not affect cash flow from operating activities on a cash basis.

Cash Flow from Investing Activities

Net cash used in investing activities was ¥794,487 thousand, compared with ¥270,001 thousand in the previous year.

Principal factors included the acquisition of the marketing consulting business and corporate communications businesses from ODS Corporation and the pledge of deposit guarantees due to the relocation of a branch office to strengthen the business foundation.

Cash Flow from Financing Activities

Net cash provided by financing activities was ¥292,558 thousand, compared with ¥142,965 thousand in the previous year.

Principal factors included the listing of the Company's shares in December 2007.

For reference:

Cash Flow Related Indicators

	2006	**2007**
Net worth ratio (%)	51.5	**66.4**
Net worth ratio on market value basis (%)	--	**556.7**
Cash flow to interest-bearing debt (times)	1.47	**0.34**
Interest coverage ratio (times)	52.1	**114.3**

Net worth ratio: Total shareholders' equity/Total assets

Net worth ratio on market value basis: Total market capitalization/Total assets

Cash flow to interest-bearing debt: Interest-bearing debt/Operating cash flow

Interest coverage ratio: Operating cash flow/Interest expense

Total market capitalization: Year-end closing stock price X Total number of outstanding shares at end of year

Operating cash flow: Cash flow from operating activities in statements of cash flow

Interest expense: Interest expense on statements of cash flow

Net worth ratio on market value basis is not calculated for 2006 because Link and Motivation Inc. was not yet a publicly traded company.

(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.

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 2007, the Company paid an interim dividend of ¥655.00 per share and a third-quarter dividend of ¥163.00 per share. For the year-end dividend, the Company will pay ¥947.00 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 "3. Dividends from Earned Surplus during the Year" on page 29. [Omitted from English translation.]

(4) Business and Other Risks

The paragraphs below describe the items believed to be potential risk factors in the Group's business operations. From the standpoint of proactive information disclosure, this section also includes items considered to be significant in the investment decisions of investors, even though they are not necessarily considered business risks. The Group is aware of the possibility of these risk factors materializing, and makes efforts to prevent their occurrence and to respond in the event that they do occur. However, investment decisions with respect to the Company's stock should be made after careful judgment that also takes into account factors other than those described herein. Forward-looking statements contained in this text are based on the judgment of the Group's management as of the filing date of this document.

1. Seasonal Bias of Sales

In the breakdown of Group sales by quarter, fourth-quarter sales are higher than sales in other quarters. This is due to the nature of the Entry Management business.

Currently, the job market for new university graduates is overheating, as indicated by the rise in the effective ratio of job offers to new graduates. Corporations are beginning their new graduate hiring activities earlier, and that trend became conspicuous in 2007. Reflecting this situation, sales in the fourth quarter accounted for 32.1% of total net sales for 2007.

For Reference:
Quarterly Net Sales in 2007

	Q1	Q2	Q3	Q4	**Full Year**
Net sales (¥ thousand)	2,020,238	1,876,795	1,661,178	2,626,243	**8,184,955**
Percentage of total	24.7	22.9	20.3	32.1	**100.0**

Notes:

1. Percentage of total is quarterly sales as a proportion of total sales for the full year.
2. The figures above have not been audited by an independent auditor.

2. Degree of Reliance on a Specific Client (Recruit Co., Ltd.)

Transactions with Recruit Co., Ltd. accounted for 21.2% of the Group's sales for 2007.

These sales take place through an outsourcing agreement mainly in the Entry Management business. Under the agreement, Recruit Co., Ltd., which has Japan's largest customer base in the new graduate recruiting business, is responsible for sales functions, while Link and Motivation Inc. provides content such as recruitment strategy planning, and planning and design of company information meetings and applicant screenings. The aforementioned agreement is signed on April 1 each year while confirming the contents of the tie-up. As the Company has developed direct sales channels in the Entry Management business and expanded sales in other businesses, its degree of reliance on sales to Recruit Co., Ltd., which was 28.5% in 2006, was 21.2% in 2007, and has been decreasing each year.

However, sales in the Entry Management business could be temporarily impacted in the event that this tie-up relationship is terminated.

3. Occurrence of Personal Information Leaks, etc.

Due to the nature of its corporate transformation consulting, the Group handles a large amount of personal information of clients, and conducts its motivation consulting business based on this information. In regard to the handling of personal information, the Personal Information Protection Act was promulgated and put into effect in May 2003, followed by full enforcement in April 2005. This necessitates even greater attention to handling of personal information. Link and Motivation Inc. obtained the Privacy Mark in February 2005, and, in response to an audit for Privacy Mark renewal conducted in November 2006, has established internal company rules for handling personal information, conducted regular in-house training, strengthened information management, and paid due attention to strengthening information management and handling of personal information. However, in the event that unforeseen circumstances cause personal information to be leaked to external parties, and this causes damage to the owner of the personal information, client companies or others, the resulting damage claims and loss of social trust could impact the Group's business results and financial condition.

4. Infringement of Intellectual Property Rights

In consulting, the business of the Group, securing copyrights, trademarks and other intellectual property rights is critical for conducting business.

The Group makes efforts to protect and preserve its proprietary techniques, knowledge and know-how, which are developed internally as much as possible through acquisition of trademarks, specification of copyrights and establishment and maintenance of original brands. However, in the event that the Group's services are imitated by a malicious third party, this could interfere with the Group's sales efforts, which could potentially impact business results and financial condition.

5. Reliance on a Specific Individual

Yoshihisa Ozasa, the representative director of the Company, is the Company's founder and has served as representative director since the Company was established. By hiring and training excellent personnel and promoting standardization of services, the Company is building a systematic business management structure that is not dependent upon the skills of a single individual. However, at present, Mr. Ozasa plays an important role in terms of the Group's overall brand formation. In this aspect as well, the Group is building a stronger organization that can realize systematic brand formation. However, if for any reason it becomes difficult for Mr. Ozasa to continue his work for the Company, this could have an impact on the Company's business promotion and other aspects of operations.

3. Management Policies

(1) Basic Policy on Company Management

As discussed above, the Link and Motivation Group is a consulting firm specializing in "motivation," a category that previously did not exist. The Group conducts its business with its mission to "contribute to the vitalization of society through motivation engineering."

The Group has asked society about the importance of "motivation" of an enterprise's various stakeholders and the effect that has on management, and built its business on corporate transformation through improvement of motivation. A prerequisite for growth is for the Group itself to continuing being a model example of a first-rate "motivation company," and the Group has set this as its basic management policy.

(2) Target Management Indicators

To ensure that management focuses on business profitability and productivity, the operating margin is positioned as a key management indicator in the Group.

The Group conducts management with a strong awareness of this indicator, as it is an indicator of the Group's profitability. Specifically, the Group focuses on sales of products and services with high gross margins (database analysis and packaged products), and uses expenses in a systematic and efficient manner after scrutinizing their contents. As a result of this approach, profitability is steadily being enhanced. The operating margin has consistently improved, from 11.6% in 2005 to 13.5% in 2006 and 16.6% in 2007. The Group will continue taking various measures to improve this indicator.

(3) Medium-to-Long-Term Management Strategies

In order to promote expansion of a more stable business foundation and improve enterprise value, starting with enhancement of the indicator mentioned above, the following will be the Group's three core business strategies over the medium to long term.

The first is strengthening the database business.

Through the sale of database products, which have a high level of profitability, and by enhancing the product lineup, the Group will aim to further increase profitability and create high barriers to entry.

The second strategy is expansion of the Brand Management business.

The Brand Management business, which was started as a new business in 2007, will aim to establish a solid earnings base by adding new products and services, with a focus on packaged products, and generating synergy with other businesses.

The third strategy is aggressive expansion of business sites.

Currently, the Group has established a base for providing service in all four of its businesses only in the Kanto area. The Group provides services in two businesses (Motivation Management and Entry Management) in the Kansai area and one business (Motivation Management) in the Nagoya area. Going forward, the Group plans to expand its customer base by aggressively developing its presence in the Kansai and Tokai areas and expanding its trade area.

(4) Issues Facing the Company

With the speed of business expansion and the rising expectations of the Company's various stakeholders, the following two points concern the entire company. We intend to take proactive steps to dealing with them.

The first point is quickly developing the skills of new employees.

In tandem with further business expansion, the Group plans to expand its hiring of new graduates and mid-career professionals. However, because the Group's management consulting with "motivation" as the focal point is unique, people with experience in this highly original business do not exist in the external human resource market. Therefore, the Group views quickly developing the skills of new employees as a key issue.

The second point is strengthening middle management.

Along with expansion of the organization, middle management will play an increasingly important role in coordinating the efforts of employees and showing the direction of the company. We are aware that middle management's performance will influence the motivation of employees, which in turn will affect the Group's business performance. Therefore, developing and expanding middle management is a key issue.

To address these two issues related to human resources, a staff development program called the "LM Academy" has been established within the Group, and we will work to resolve these issues by pursuing further improvements and converting them into a more effective and efficient staff development system.

(5) Other Important Matters Concerning the Company's Operations

Significant contracts in the Company's operations in 2007 were as follows.

1) Business Outsourcing Agreement

Name of contracting company:	Link and Motivation, Inc.
Name of contract counterparty:	Recruit Co., Ltd.
Content of contract:	Business outsourcing agreement in the entry management business area
Contract term:	April 1, 2007 – March 31, 2008

2) Business Transfer Agreement

Name of contracting company:	Link and Motivation, Inc.
Name of contract counterparty:	ODS Corporation
Acquired businesses:	(1) Marketing consulting business (MRC business) Marketing consulting business using a database on consumer lifestyles called the "ODS-LifeStyle Indicator" (2) Corporate communications business (CCD business) Planning and production of annual reports and other IR materials for corporations
Date of contract:	December 26, 2006
Date of business acquisition:	January 1, 2007

4. Consolidated Financial Statements
(1) Consolidated Balance Sheets

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

	As of December 31, 2006		As of December 31, 2007		Year-on-Year Change
ASSETS					
I Current assets					
1. Cash and deposits	1,232,894		1,668,877		435,982
2. Notes and accounts receivable	1,295,599		1,543,472		247,872
3. Inventories	55,052		81,303		26,251
4. Prepaid expenses	62,093		82,985		20,892
5. Deferred tax assets	76,219		83,505		7,285
6. Other	40,296		20,772		(19,524)
Allowance for doubtful accounts	(2,358)		(2,521)		(162)
Total current assets	2,759,797	75.2	3,478,395	69.4	718,598
II Fixed assets					
1. Property and equipment					
(1) Buildings and structures	242,990		259,117		16,126
Accumulated depreciation	(93,961)		(109,347)		(15,386)
	149,029		149,770		740
(2) Furniture and fixtures	255,130		275,624		20,494
Accumulated depreciation	(119,683)		(161,630)		(41,947)
	135,446		113,994		(21,452)
(3) Other	18,372		18,372		—
Accumulated depreciation	(488)		(6,193)		(5,704)
	17,883		12,178		(5,704)
Total property and equipment	302,360	8.2	275,943	5.5	(26,416)
2. Intangible assets					
(1) Goodwill	20,692		520,093		499,401
(2) Software	152,099		174,318		22,218
(3) Other	4,895		4,475		(419)
Total intangible assets	177,687	4.8	698,888	13.9	521,200
3. Investments and other assets					
(1) Investments in securities	23,753		17,521		(6,232)
(2) Security deposits	359,189		481,258		122,068
(3) Deferred tax assets	10,277		21,268		10,990
(4) Other	34,461		40,258		5,797
Total investments and other assets	427,681	11.8	560,306	11.2	132,624
Total fixed assets	907,729	24.8	1,535,137	30.6	627,408
Total assets	3,667,526	100.0%	5,013,533	100.0%	1,346,006

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

	As of December 31, 2006		As of December 31, 2007		Year-on-Year Change
LIABILITIES					
I Current liabilities					
1. Accounts	343,654		323,089		(20,565)
2. Long-term debt due within one year	385,170		225,000		(160,170)
3. Accounts payable	233,077		312,519		79,441
4. Expenses payable	3,799		862		(2,936)
5. Accrued income taxes	209,806		439,100		229,294
6. Accrued consumption taxes	35,955		55,444		19,489
7. Advances received	85,855		90,593		4,737
8. Accrued bonuses to employees	133,846		117,747		(16,098)
9. Accrued bonuses to officers	6,000		—		(6,000)
10. Other	25,719		32,485		6,766
Total current liabilities	1,462,885	39.9	1,596,843	31.9	133,957
II Long-term liabilities					
1. Long-term debt	315,000		90,000		(225,000)
Total long-term liabilities	315,000	8.6	90,000	1.8	(225,000)
Total liabilities	1,777,885	48.5	1,686,843	33.6	(91,042)
NET ASSETS					
I Shareholders' equity					
1. Common stock	538,000	14.7	979,750	19.5	441,750
2. Additional paid-in capital	292,845	8.0	734,595	14.7	441,750
3. Retained earnings	1,062,050	28.9	1,613,733	32.2	551,682
Total shareholders' equity	1,892,895	51.6	3,328,078	66.4	1,435,182
II Valuation and translation adjustments					
1. Unrealized gain on securities	(3,254)	(0.1)	(1,388)	(0.0)	1,866
Total valuation and translation adjustments	(3,254)	(0.1)	(1,388)	(0.0)	1,866
Total net assets	1,889,641	51.5	3,326,690	66.4	1,437,049
Total liabilities and net assets	3,667,526	100.0%	5,013,533	100.0%	1,346,006

(2) Consolidated Statements of Operations

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

	Year ended December 31, 2006		Year ended December 31, 2007		Year-on-Year Change
I. Net sales	6,356,468	100.0%	8,184,955	100.0%	1,828,487
II. Cost of sales	2,370,106	37.3	3,194,042	39.0	823,936
Gross profit	3,986,361	62.7	4,990,912	61.0	1,004,551
III. Selling, general and administrative expenses	3,127,589	49.2	3,629,649	44.3	502,060
Operating income	858,772	13.5	1,361,263	16.6	502,490
IV. Non-operating income					
1. Interest income	3,216		1,551		(1,664)
2. Dividend income	1,251		284		(966)
3. Gain on cancellation of insurance	4,130		—		(4,130)
4. Refund of consumption tax	—		4,328		4,328
5. Other	1,463		1,525		62
Total non-operating income	10,060	0.2	7,689	0.1	(2,370)
V. Non-operating expenses					
1. Interest expenses	9,407		8,123		(1,283)
2. Insurance premiums	212		—		(212)
3. Stock listing expenses	—		28,545		28,545
4. Other	833		146		(686)
Total non-operating loss	10,452	0.2	36,815	0.4	26,362
Ordinary income	858,379	13.5	1,332,137	16.3	473,757
VI. Extraordinary income					
1. Gain on sale of investment securities	27,699		—		(27,699)
Total extraordinary income	27,699	0.4	—	—	(27,699)
VII. Extraordinary loss					
1. Loss on disposal of fixed assets	7,972		11,020		3,048
2. Loss on sale of investment securities	55,467		—		(55,467)
3. Loss on valuation of investment securities	—		9,379		9,379
Total extraordinary loss	63,439	1.0	20,399	0.2	(43,039)
Income before income taxes	822,638	12.9	1,311,737	16.0	489,098
Income taxes					
Current income taxes	356,044		587,840		231,796
Deferred income taxes	2,415		(19,557)		(21,972)
Total income taxes	358,459	5.6	568,282	6.9	209,823
Net income	464,179	7.3	743,454	9.1	279,275

(3) Consolidated Statements of Changes in Net Assets

Year ended December 31, 2006

(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, 2005	300,000	84,845	723,045	1,107,890
Changes during the year ended December 31, 2006				
Issuance of new stock	238,000	208,000	—	446,000
Dividends from capital surplus (Note)	—	—	(125,174)	(125,174)
Net income	—	—	464,179	464,179
Net change in items other than shareholders' equity during the year	—	—	—	—
Total changes during the year ended December 31, 2006	238,000	208,000	339,004	785,004
Balance at December 31, 2006	538,000	292,845	1,062,050	1,892,895

(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, 2005	(1,261)	(1,261)	1,106,629
Changes during the year ended December 31, 2006			
Issuance of new stock	—	—	446,000
Dividends from capital surplus (Note)	—	—	(125,174)
Net income	—	—	464,179
Net change in items other than shareholders' equity during the year	(1,992)	(1,992)	(1,992)
Total changes during the year ended December 31, 2006	(1,992)	(1,992)	783,011
Balance at December 31, 2006	(3,254)	(3,254)	1,889,641

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

Approved by resolution of the ordinary general meeting of shareholders on March 27, 2006 ¥74,560 thousand

Approved by resolution of the board of directors on August 8, 2006 ¥50,614 thousand

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)

	Year ended December 31, 2006	Year ended December 31, 2007	Year-on-Year Change
I Cash flow from operating activities			
Income before income taxes	822,638	1,311,373	489,098
Depreciation and amortization	93,430	130,750	37,320
Amortization of goodwill	2,933	130,598	127,665
Increase (decrease) in allowance for doubtful accounts	883	162	(720)
Increase (decrease) in allowance for employees' bonuses	34,946	(16,098)	(51,045)
Increase (decrease) in allowance for officers' bonuses	6,000	(6,000)	(12,000)
Gain on sale of investment securities	(27,699)	—	27,699
Loss on sale of investment securities	55,467	—	(55,467)
Loss on valuation of investment securities	—	9,379	9,379
Loss on disposal of fixed assets	7,972	11,020	3,048
Gain on cancellation of insurance	(4,130)	—	4,130
Interest and dividend income	(4,467)	(1,836)	2,630
Interest expense	9,407	8,123	(1,283)
Stock listing expenses	—	28,545	28,545
Decrease (increase) in notes and accounts receivable - trade	(100,689)	(247,872)	(147,183)
Decrease (increase) in inventories	29,136	7,213	(21,922)
Decrease (increase) in notes and accounts payable	(61,963)	(20,565)	41,398
Increase (decrease) in accounts payable	88,012	(4,327)	(92,340)
Increase (decrease) in advances received	(31,970)	(61,072)	(29,101)
Increase (decrease) in accrued consumption taxes	(21,930)	19,489	41,419
Other	(81,483)	(6,460)	75,023
Subtotal	816,494	1,292,787	476,292
Interest and dividends received	4,673	2,154	(2,519)
Interest paid	(9,102)	(8,206)	895
Income taxes paid	(341,875)	(348,823)	(6,947)
Receipt from insurance cancellation	4,130	—	(4,130)
Net cash provided by operating activities	474,320	937,911	463,590
II Cash flow from investing activities			
Payments for acquisition of property and equipment	(124,034)	(76,225)	47,809
Payments for acquisition of intangible fixed assets	(123,715)	(71,622)	52,092
Payments for acquisition of investment securities	(432,014)	—	432,014
Proceeds from sale of investment securities	506,735	—	(506,735)
Payments for acquisition of business	—	(517,654)	(517,654)
Payments for acquisition of stock of subsidiary for consolidation	(59,502)	—	59,502
Proceeds from sale of marketable securities	878	—	(878)
Payments for security deposits	(53,115)	(140,455)	(87,339)
Proceeds from return of security deposits	14,236	17,269	3,033
Other	531	(5,797)	(6,329)
Net cash used in investing activities	(270,001)	(794,487)	(524,485)
III Cash flow from financing activities			
Proceeds from short-term debt	705,000	—	(705,000)
Repayment of short-term debt	(1,060,100)	—	1,060,100
Proceeds from long-term debt	600,000	—	(600,000)
Repayment of long-term debt	(322,760)	(385,170)	(62,410)
Redemption of bonds	(100,000)	—	100,000
Proceeds from issuance of stock	446,000	869,500	423,500
Payment of cash dividends	(125,174)	(191,772)	(66,597)
Net cash provided by financing activities	142,965	292,558	149,592
IV Net increase in cash and cash equivalents	347,285	435,982	88,697
V Cash and cash equivalents at beginning of year	885,609	1,232,894	347,285
VI Cash and cash equivalents at end of year	1,232,894	1,668,877	435,982