Consolidated Financial Statements for the Fiscal Year Ended December 31, 2009

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

February 12, 2010

Link and Motivation Inc.
3-7-3 Ginza, Chuo-ku, Tokyo 104-0061
http://www.lmi.ne.jp

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

Representative: Yoshihisa Ozasa, President and Representative Director
Contact: Shunichi Ohno, Managing Executive Officer and
Manager of Corporate Design Division   Phone: +81-3-3538-8558

Ordinary General Meeting of Shareholders (scheduled): March 22, 2010
Start of distribution of dividends (scheduled): March 23, 2010
Filing of Securities Report (*Yuka Shoken Hokokusho*) (scheduled): March 23, 2010

(Amounts are rounded down to the nearest million.)

1. Consolidated Results for 2009 (January 1, 2009 - December 31, 2009)

(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 (%)
2009	7,167	(13.4)	82	(94.2)	93	(93.4)
2008	8,275	1.1	1,414	3.9	1,425	7.0

	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 (%)
2009	(503)	—	(3,728.14)	—	(15.1)	2.0	1.2
2008	818	10.1	6,053.23	—	23.0	28.6	17.1

(Reference) Equity in earnings of affiliates: ¥— million (2008: ¥— million)

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Net assets/ Total assets (%)	Net assets per share (¥)
2009	4,637	2,892	62.4	21,428.63
2008	4,963	3,787	76.3	28,066.52

(Reference) Net worth: ¥2,892 million (2008: ¥3,787 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)
2009	258	(362)	(65)	1,142
2008	765	(554)	(567)	1,312

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			
2008	525.00	787.00	309.00	1,409.00	3,030.00	409	50.1	11.5
2009	500.00	500.00	500.00	500.00	2,000.00	269	—	8.1
2010 (est.)	500.00	500.00	500.00	500.00	2,000.00		60.0	

3. Forecast of Results for 2010 (January 1, 2010 - December 31, 2010)

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

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥)
Interim period	—	—	—	—	—	—	—	—	—
Full-year	5,500	(23.2)	520	(528.7)	520	(456.1)	450	—	3,334.32

Note: There is no forecast of results for the interim period. See “Outlook for 2010” in “Results of Operations” on page 5 for details.

4. Other

(1) Changes in Significant Subsidiaries during the Period (Changes in Specified Subsidiaries due to Changes in the Scope of Consolidation): Yes
New: 2 companies (Names: E-News, Inc., Digit Co., Ltd.)
Eliminations: 1 company (Name: E-News, Inc.)

(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

(3) Number of Shares Issued and Outstanding (Common Stock)
(a) Number of shares at end of period (including treasury stock): December 31, 2009: 134,960 shares, December 31, 2008: 134,960 shares
(b) Treasury stock at end of period: December 31, 2009: 0 shares, December 31, 2008: 0 shares

(Reference) Summary of Non-consolidated Results

1. Non-consolidated Results for 2009 (January 1, 2009 – December 31, 2009)

(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 (%)
2009	4,886	(30.3)	102	(92.5)	104	(92.4)
2008	7,017	2.0	1,366	5.9	1,367	8.4

	Net income (¥ million)	Year-on-year change (%)	Earnings per share (¥)	Earnings per share (diluted) (¥)
2009	(531)	—	(3,934.91)	—
2008	798	12.9	5,905.87	—

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Net assets / Total assets (%)	Net assets per share (¥)
2009	4,259	2,771	65.1	20,535.04
2008	4,720	3,703	78.5	27,444.50

(Reference) Net worth: ¥2,772 million (2008: ¥3,703 million)

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

For the background to the forecast of consolidated results contained in this document, please refer to “(1) Analysis of Results of Operations” of “1. Results of Operations” starting on page 3. The forecast of consolidated results contained in this document is based on the most reliable information and assumptions available to the Company as of the date of submission. Please bear in mind that numerous uncertain factors in an increasingly unclear economic environment, as well as the occurrence of the factors listed in “(4) Business and Other Risks” of “1. Results of Operations” starting on page 8 could cause actual results to differ materially from the forecast.

1. Results of Operations

(1) Analysis of Results of Operations

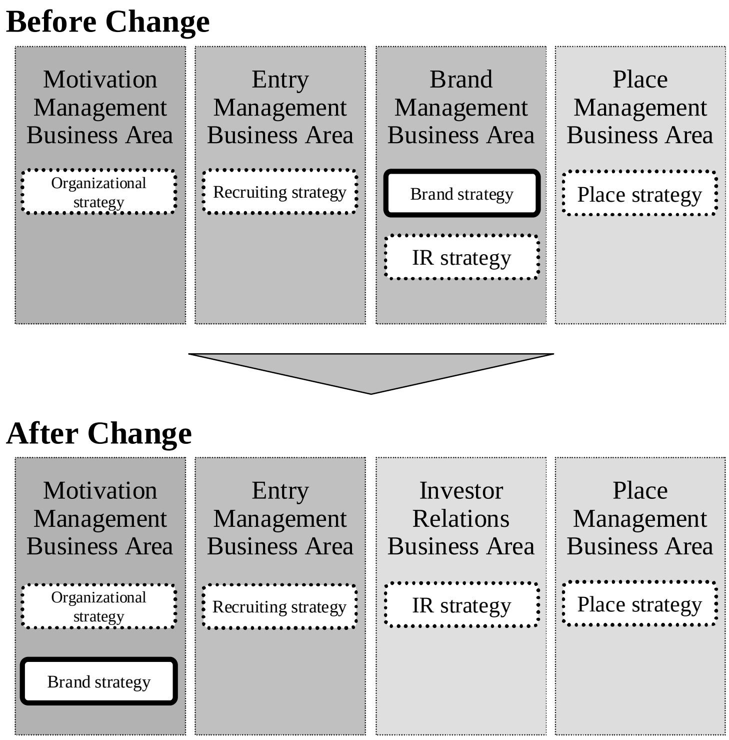
In the Japanese economy during 2009, the economic downturn that began in 2008 showed no sign of ending. The precipitous drop of economic indicators appeared to be coming to a halt, but as indicators including the unemployment rate and the ratio of job offers to university and other graduates showed, employment conditions were extremely poor. The situation thus remained serious, with no expectations of recovery in weak employment conditions or the downturn in personnel investment caused by sluggish corporate earnings.

Under these circumstances, Link and Motivation Inc. (“the Company”) focused its efforts on reorganizing Group companies to improve synergies among its business fields, and stepping up the development of new products to respond to changing customer needs, with the aim of recovery over the medium term. The reorganization of Group companies successfully created a framework within each business field to easily provide one-stop services that is beginning to create synergies among the fields. In stepping up new product development, we focused on the Motivation Management and Entry Management businesses as we worked to strengthen the product and service development framework and promote development in order to expand our lineup of products and services that meet customer needs.

In addition, we decreased costs in response to the economic downturn. In one typical reduction, the cutting of office expenses, we decided to move out of the Shiodome Office, DaVinci Ginza Office and the Link Port Harumi training center. The Shiodome Office closure resulted in a cost reduction of approximately ¥73,000 thousand. (The closures caused extraordinary losses for the fiscal year of ¥202,157 thousand for the Shiodome Office, ¥75,248 thousand for the DaVinci Ginza Office and ¥94,614 thousand for the Link Port Harumi training center.)

Consequently, consolidated net sales of the Link and Motivation Group were ¥7,167,451 thousand (a decrease of 13.4% compared with the previous fiscal year), gross profit was ¥3,637,149 thousand (a decrease of 29.6%), operating income was ¥82,704 thousand (a decrease of 94.2%), ordinary income was ¥93,509 thousand (a decrease of 93.4%) and net loss was ¥503,149 thousand.

Note: In 2009, the branding support business, traditionally a part of the Brand Management business, was integrated with the Motivation Management business in order to develop synergies. In line with this change, the Brand Management business was renamed the Investor Relations business.



An overview by business area for 2009 is as follows.

Motivation Management Business

In 2009, the Motivation Management business generated sales of ¥2,622,249 thousand (a year-on-year decrease of 30.8%) and gross profit of ¥1,573,344 thousand (a decrease of 43.0%).

This segment offers support services designed to create highly motivated organizations through educational training, organization and system design, and formation and dissemination of corporate visions and brands.

Sales decreased substantially compared with the previous year as the significant impact of the economic downturn caused customers to cut budgets related to personnel, training, advertising and PR. Going forward, we will continue to concentrate our focused business activities on directly providing consulting on organizational and business issues in order for customers to achieve their medium-term business plans.

Entry Management Business

Sales of the Entry Management business were ¥2,629,922 thousand (a year-on-year decrease of 15.6%) and gross profit was ¥1,377,902 thousand (a 28.2% decrease).

This segment provides planning and implementation support services for recruitment strategies for achieving best-match relationships between companies and applicants.

Sales decreased compared with the previous year due to a series of cancellations or reductions of internships and company information sessions in the second half of the year, with the impact of cutbacks in hiring budgets for new graduates in fiscal 2011. We will concentrate on introducing and continuing employment testing and recruiting outsourcing, which have high repeat rates, in order to maintain business with existing customers. We will also focus our efforts on developing and selling new products and services in line with changes in the recruiting environment, including recruiting events that use the Internet.

Investor Relations Business

In the Investor Relations business, sales were ¥815,835 thousand (a year-on-year increase of 38.8%) and gross profit was ¥337,746 thousand (a 14.4% increase).

This segment provides services designed to achieve effective and efficient communication with investors, including annual report production and video distribution of business results briefings.

Although sales per customer decreased due to the impact of customers' IR budget cutbacks, sales and gross profit both increased compared with the previous year due to maintaining a high repeat rate for annual reports, a core product, and the addition this fiscal year of video distribution services.

Place Management Business

The Place Management business generated sales of ¥805,446 thousand (a year-on-year increase of 8.1%) and gross profit of ¥241,084 thousand (an increase of 31.5%).

This segment provides office intermediary services and consulting services related to office design and construction.

Although the economic downturn muted investment in offices, sales and gross profit both increased compared with the previous fiscal year due to increased sales per customer resulting from the provision of one-stop services from office intermediary to office construction.

Other

Other sales totaled ¥293,998 thousand (a year-on-year increase of 729.1%).

In addition to proceeds from speeches at various business events, book publishing and articles written for newspapers and business magazines, results from the second quarter included sales of Link Sports Entertainment Inc. (formerly Dream Team Entertainment Tochigi Co., Ltd.), which operates the Link Tochigi Brex professional basketball team.

Note: Comparisons with the previous fiscal year for the Motivation Management and Investor Relations businesses, in which business areas have changed, are based on retroactively revised figures.

(ii) Outlook for 2010

On a consolidated basis, for 2010 we forecast net sales of ¥5,500 million, operating income of ¥520 million, ordinary income of ¥520 million and net income of ¥450 million. Taking into account business sentiment in 2009, by business we forecast decreases in sales of about 30% from the previous year in the Motivation Management and Entry Management businesses, about 20% in the Investor Relations business and about 10% in the Place Management business. We have not made a forecast of our results for the interim period due to difficulty in predicting clients' stances on investment in human resources in the uncertain economic environment. We will rapidly disclose quarterly financial information.

Moreover, we will rapidly disclose revisions to our announced forecast of earnings in the event of significant variation from actual results.

(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, (6) 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, (5) 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, 2009 were ¥4,637,408 thousand, down ¥326,034 thousand from a year earlier. The principal factors included a decrease of ¥169,961 thousand in cash and deposits, a decrease of ¥444,156 thousand in notes and accounts receivable and a decrease of ¥161,532 thousand in property and equipment, as well as an increase of ¥281,995 thousand in accrued corporate tax refund from the interim payment of income taxes, an increase of ¥160,082 thousand in goodwill and an increase of ¥251,284 thousand in deferred tax assets.

Total liabilities were ¥1,745,400 thousand, up ¥569,816 thousand from a year earlier. The principal factors included an increase of ¥838,000 thousand in short-term borrowings, as well as a decrease of ¥312,607 thousand in accrued income taxes due to payment.

Net assets decreased ¥895,850 thousand from a year earlier to ¥2,892,008 thousand. The principal factors included a decrease of ¥392,598 thousand in retained earnings due to payment of dividends and a decrease of ¥503,149 thousand in retained earnings due to the net loss.

Cash Flow

The balance of cash and cash equivalents ("cash") as of December 31, 2009 was ¥1,142,532 thousand, a decrease of ¥169,961 thousand compared with a year earlier.

Cash flow for the year ended December 31, 2009 was as follows.

Cash Flow from Operating Activities

Net cash provided by operating activities was ¥258,199 thousand, a year-on-year decrease of ¥507,135 thousand. Principal factors were loss before income taxes of ¥726,266 thousand and income taxes paid of ¥601,530 thousand, as well as non-cash expenses such as impairment losses and depreciation and amortization totaling ¥1,023,662 thousand and a decrease in notes and accounts receivable – trade of ¥548,377 thousand.

Cash Flow from Investing Activities

Net cash used in investing activities was ¥362,388 thousand, a decrease of ¥192,052 thousand from a year earlier. Principal factors were ¥746,316 thousand in payments for acquisition of stock of subsidiary, as well as proceeds of ¥200,000 thousand from recovery of short-term loans and ¥202,663 thousand from return of security deposits.

Cash Flow from Financing Activities

Net cash used in financing activities was ¥65,772 thousand, a decrease of ¥501,503 thousand from a year earlier. Principal factors included an increase in long- and short-term debt totaling ¥363,762 thousand, as well as payments for redemption of bonds totaling ¥43,200 thousand and payment of cash dividends totaling ¥386,334 thousand.

For reference:
Cash Flow Related Indicators

	2006	2007	2008	2009
Net worth ratio (%)	51.5	66.4	76.3	62.4
Net worth ratio on market value basis (%)	—	556.7	127.3	118.6
Cash flow to interest-bearing debt (times)	1.47	0.34	0.15	3.32
Interest coverage ratio (times)	52.1	114.3	422.9	39.0

Net worth ratio: Net worth/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
Notes: 1. Each indicator is calculated on a consolidated basis.
2. Total market capitalization: Share price at end of period/number of shares at end of period
3. Operating cash flow: Cash flow from operating activities in statements of cash flow
4. Interest expense: Interest expense on statements on statements of cash flow
5. 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 2009 and 2010

The Company's basic dividend policy is to make more active and stable returns to shareholders while taking into account the future operating environment, investment plans and other factors.

The Company will allocate retained earnings for investment in mergers and acquisitions, human resources and facilities for the purpose of expanding business and raising efficiency, as part of its effort to expand its operations and increase its enterprise value. In addition, the Company will actively pay dividends on a quarterly basis, including interim and year-end dividends, for flexible shareholder returns.

In 2009, the Company paid quarterly dividends of ¥500.00 for a full-year dividend of ¥2,000.00.

In 2010, in order to make stable dividend payments to shareholders, the Company plans to pay quarterly dividends of ¥500.00 for a full-year dividend of ¥2,000.00, the same as for 2009.

(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 February 12, 2010.

(i) 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.

(ii) 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.

(iii) 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.

(iv) Changes in Society and the Economy

Recently in Japan, personal values concerning lifestyle and work have been diversifying rapidly, as have the reasons behind job hunting and purchasing. With these trends, attention has focused increasingly on the important management resources of “people” and “motivation,” which many companies consider an important management issue.

Backed by these elemental needs, the Group is promoting a business base that is not easily affected by economic changes. However, in the event that corporate profits worsen significantly due to social and economic trends, the Group’s performance could be affected.

(5) Notes regarding Assumption of Going Concern

Previous fiscal year (January 1, 2008 – December 31, 2008)

None applicable.

Fiscal year under review (January 1, 2009 – December 31, 2009)

None applicable.

2. [Omitted from English Translation]

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.

Even in the current operating environment with sales expected to decrease, management is working to achieve an operating margin of about 10% by flexibly responding to conditions.

(3) Management Strategies

In order to improve enterprise value even amid rapid change in the operating environment by creating a more flexible management structure, the Link and Motivation Group has set the following two core business strategies.

The first is strengthening consulting services that are directly connected to resolving management issues. In order to maintain stable sales even in an economic downturn, the Company will not only provide high-quality training and seminars, but will also strengthen its approach in order to resolve organizational and business issues in order for customers to achieve their medium-term business plans. Specifically, the Company will provide services based on substantive resolution of management issues by strengthening our existing points of customer contact in order to deepen our relationships with customers. The Company will also increase its competitive edge by bolstering its strength as a one-stop service through business synergies.

The second is achieving a highly flexible cost structure. In response to rapid change in the operating environment, the Company needs to transform its cost structure in order to maintain high profitability. The Company will focus on transforming the existing rigid cost structure, created during a process of continuous growth, into an abundantly flexible one.

(4) Issues Facing the Company

As the speed of business expansion and the expectations of the Company’s various stakeholders further increase, the following three points concern the entire Company. We intend to take proactive steps in dealing with them.

The first point is effectively using the existing customer base.

In order to effectively perform consulting on management issues, it is essential to provide consulting that straddles business areas. The Company will therefore create effective linkages among business areas while seeking approaches that make efficient and effective use of limited customer resources as the need to use the existing customer base further increases.

The second point is effectively using internal resources.

Until now, the Company constructed a delivery framework and internal business processes that were premised on continuing growth. However, in the current operating environment, applying past frameworks would cause excessive external costs. The Company is therefore reviewing current processes in order to assiduously streamline and effectively use internal resources, creating a framework that contains the flow of costs outside the Company.

The third point is reducing fixed expenses.

The Company is reducing fixed expenses mainly through means including cutting office-related expenses such as rent and reviewing communications and lease plans. In particular, in office-related expenses, in addition to promoting more effective use of office space, the Company has reduced monthly rents from a peak of about ¥62 million to about ¥26 million, or a reduction of about 60 percent, by employing the training facility network of the newly added Link Tourist Co., Ltd. (formerly Mihiro Tourist Co., Ltd.) in order to operate without our own training facilities.

In response to issues relating to these three points, the Company will work on seeing through initiatives such as transforming business processes in order to standardize customer data and reduce cost of sales and selling, general and administrative expenses.

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

Significant contracts in the Company's operations in 2009 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:	July 1, 2009 - March 31, 2010

Note: The Board of Directors resolved on February 12, 2010 to discontinue this agreement from April 2010. The impact on earnings will not be significant. For details, please refer to the press release entitled "Notice of Dissolution of Business Alliance with Recruit Co., Ltd." dated February 12, 2010.

4. Consolidated Financial Statements
(1) Consolidated Balance Sheets

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

	As of December 31, 2008	As of December 31, 2009
ASSETS		
Current assets		
Cash and deposits	1,362,494	1,192,532
Notes and accounts receivable	1,535,100	1,090,943
Inventories	172,996	—
Goods in process	—	32,574
Products	—	4,226
Merchandise and supplies	—	11,706
Prepaid expenses	98,443	62,939
Deferred tax assets	77,233	76,339
Accrued corporate tax refund	—	281,995
Accrued consumption tax	—	54,532
Other	25,529	20,344
Allowance for doubtful accounts	(7,932)	(15,499)
Total current assets	3,263,863	2,812,634
Fixed assets		
Property and equipment		
Buildings and structures	326,627	131,280
Accumulated depreciation	(140,274)	(82,522)
Buildings and structures (net)	186,353	48,758
Vehicles	—	5,840
Accumulated depreciation	—	(4,209)
Vehicles (net)	—	1,631
Furniture and fixtures	327,628	296,406
Accumulated depreciation	(205,090)	(217,076)
Furniture and fixtures (net)	122,538	79,330
Lease assets	—	21,138
Accumulated depreciation	—	(3,499)
Lease assets (net)	—	17,639
Total property and equipment	308,891	147,359
Intangible assets		
Goodwill	465,449	625,532
Software	285,749	230,752
Other	3,792	5,289
Total intangible assets	754,992	861,575
Investments and other assets		
Investments in securities	9,364	9,196
Security deposits	575,487	492,040
Deferred tax assets	15,538	267,717
Claims in bankruptcy	10,678	11,352
Other	35,304	46,885
Allowance for doubtful accounts	(10,678)	(11,352)
Total investments and other assets	635,694	815,839
Total fixed assets	1,699,578	1,824,773
Total assets	4,963,442	4,637,408

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

	As of December 31, 2008	As of December 31, 2009
LIABILITIES		
Current liabilities		
Accounts	271,881	219,615
Short-term borrowings	12,000	850,000
Long-term debt due within one year	93,643	2,052
Accounts payable	177,241	238,359
Lease obligations	—	6,075
Expenses payable	12,619	20,647
Accrued income taxes	313,176	569
Accrued consumption taxes	66,481	28,679
Advances received	71,871	121,749
Accrued bonuses to employees	95,440	105,826
Accrued bonuses to officers	611	5,846
Reserve for loss on returned goods	5,525	—
Other reserves	—	62,250
Other	49,324	68,104
Total current liabilities	1,169,815	1,729,776
Long-term liabilities		
Long-term debt	5,768	3,933
Lease obligations	—	11,690
Total long-term liabilities	5,768	15,623
Total liabilities	1,175,583	1,745,400
NET ASSETS		
Shareholders’ equity		
Common stock	979,750	979,750
Additional paid-in capital	734,595	734,595
Retained earnings	2,074,028	1,178,280
Total shareholders’ equity	3,788,373	2,892,625
Valuation and translation adjustments		
Unrealized gain on securities	(515)	(617)
Total valuation and translation adjustments	(515)	(617)
Total net assets	3,787,858	2,892,008
Total liabilities and net assets	4,963,442	4,637,408

(2) Consolidated Statements of Operations

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

	Year ended December 31, 2008	Year ended December 31, 2009
Net sales	8,275,839	7,167,451
Cost of sales	3,109,814	3,530,301
Gross profit	5,166,025	3,637,149
Selling, general and administrative expenses	3,751,859	3,554,445
Operating income	1,414,165	82,704
Non-operating income		
Interest income	2,483	1,643
Dividend income	434	213
Gain on cancellation of insurance contract	10,040	—
Refund of consumption tax		4,062
Reversal of allowance for doubtful accounts	—	2,867
Other	1,962	9,477
Total non-operating income	14,921	18,264
Non-operating expenses		
Interest expenses	2,190	6,624
Loss on cancellation of insurance contract	480	—
Other	452	835
Total non-operating expenses	3,122	7,460
Ordinary income	1,425,964	93,509
Extraordinary income		
Gain on donated fixed assets	—	2,300
Prior year adjustment		991
Total extraordinary income	—	3,291
Extraordinary loss		
Loss on sale of property and equipment	4,867	—
Loss on sale of investment securities	20	—
Loss on valuation of investment securities	4,595	—
Loss on disposal of property and equipment	1,923	14,535
Office transfer expenses	—	290,721
Loss on lease cancellation	—	14,984
Business structure improvement expenses	—	176,957
Loss on impairment	—	324,797
Other	—	1,070
Total extraordinary loss	11,406	823,067
Income (loss) before income taxes	1,414,557	(726,266)
Current income taxes	584,303	11,704
Deferred income taxes	11,800	(234,821)
Total income taxes	596,104	(223,117)
Net income (loss)	818,453	(503,149)

(3) Consolidated Statements of Changes in Net Assets

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

	Year ended December 31, 2008	Year ended December 31, 2009
Shareholders' equity		
Common stock		
Balance at December 31, 2008	979,750	979,750
Balance at December 31, 2009	979,750	979,750
Additional paid-in capital		
Balance at December 31, 2008	734,595	734,595
Balance at December 31, 2009	734,595	734,595
Retained earnings		
Balance at December 31, 2008	1,613,733	2,074,028
Changes during the year		
Dividends from capital surplus	(347,358)	(392,598)
Net income	818,453	(503,149)
Retirement of treasury stock	(10,800)	—
Total changes during the year	460,295	(895,748)
Balance at December 31, 2009	2,074,028	1,178,280
Treasury stock		
Balance at December 31, 2008	—	—
Changes during the year		
Payments for purchase of treasury stock	(10,800)	—
Retirement of treasury stock	10,800	—
Total changes during the year	—	—
Balance at December 31, 2009	—	—
Total shareholders' equity		
Balance at December 31, 2008	3,328,078	3,788,373
Changes during the year		
Issuance of new stock	—	—
Dividends from capital surplus	(347,358)	(392,598)
Net income (loss)	818,453	(503,149)
Payments for purchase of treasury stock	(10,800)	—
Total changes during the year	460,295	(895,748)
Balance at December 31, 2009	3,788,373	2,892,625

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

	Year ended December 31, 2008	Year ended December 31, 2009
Valuation and translation adjustments		
Unrealized gains on securities		
Balance at December 31, 2008	(1,388)	(515)
Changes during the year		
Changes in items other than shareholders' equity (net)	873	(102)
Total changes during the year	873	(102)
Balance at December 31, 2009	(515)	(617)
Total valuation and translation adjustments		
Balance at December 31, 2008	(1,388)	(515)
Changes during the year		
Changes in items other than shareholders' equity (net)	873	(102)
Total changes during the year	873	(102)
Balance at December 31, 2009	(515)	(617)
Total net assets		
Balance at December 31, 2008	3,326,690	3,787,858
Changes during the year		
Issuance of new stock	—	—
Dividends from capital surplus	(347,358)	(392,598)
Net income (loss)	818,453	(503,149)
Payments for purchase of treasury stock	(10,800)	—
Changes in items other than shareholders' equity (net)	873	(102)
Total changes during the year	461,168	(895,850)
Balance at December 31, 2009	3,787,858	2,892,008

(4) Consolidated Statements of Cash Flow

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

	Year ended December 31, 2008	Year ended December 31, 2009
Cash flow from operating activities		
Income (loss) before income taxes	1,414,557	(726,266)
Depreciation and amortization	142,682	174,864
Loss on impairment	—	324,797
Amortization of goodwill	138,068	222,173
Increase (decrease) in allowance for doubtful accounts	16,054	7,444
Increase (decrease) in allowance for employees' bonuses	(22,906)	(3,451)
Increase (decrease) in allowance for officers' bonuses	611	5,235
Increase (decrease) in reserve for loss on returned goods	544	(2,766)
Transfer expenses	—	290,721
Business structure improvement expenses	—	176,957
Gain on donated fixed assets	—	(2,300)
Loss (gain) on valuation of investment securities	4,595	—
Loss (gain) on sale of investment securities	20	—
Loss (gain) on sale of fixed assets	4,867	—
Loss on disposal of fixed assets	1,923	14,535
Loss (gain) on cancellation of insurance contract	(9,560)	—
Interest and dividend income	(2,918)	(1,857)
Interest expense	2,190	6,624
Decrease (increase) in notes and accounts receivable - trade	52,456	548,377
Decrease (increase) in inventories	(91,692)	125,015
Increase (decrease) in notes and accounts payable	(83,421)	(85,119)
Increase (decrease) in accounts payable	(78,756)	(19,009)
Increase (decrease) in advances received	(18,722)	49,860
Increase (decrease) in accrued consumption taxes	13,206	(98,082)
Other	(9,252)	54,814
Subtotal	1,474,547	1,062,570
Interest and dividends received	2,918	1,857
Interest paid	(1,809)	(6,618)
Income taxes paid	(710,321)	(601,530)
Officers' retirement bonuses	—	(40,000)
Payment for transfer expenses	—	(151,360)
Payment for business reorganization	—	(6,717)
Net cash provided by operating activities	765,335	258,199
Cash flow from investing activities		
Payments for time deposits	(50,000)	—
Proceeds from repayment of time deposits	—	50,000
Payments for acquisition of property and equipment	(127,522)	(50,014)
Proceeds from sale of property and equipment	5,044	—
Payments for acquisition of intangible fixed assets	(160,205)	(40,396)
Proceeds from sale of investment securities	5,013	—
Proceeds from transfer of business	—	7,505
Payments for acquisition of business	(80,000)	—
Payments for acquisition of stock of subsidiary for consolidation	(67,607)	(777,008)
Proceeds from acquisition of stock of subsidiaries for consolidation	—	39,391
Payments for acquisition of stock of subsidiary	—	(8,699)
Proceeds from recovery of short-term loans	—	200,000
Proceeds from recovery of long-term loans	—	30,000
Payments for security deposits	(93,581)	(12,287)
Proceeds from refund of security deposits	—	202,663
Proceeds from cancellation of insurance contract	18,007	—
Other	(3,589)	(3,542)
Net cash used in investing activities	(554,441)	(362,388)
Cash flow from financing activities		
Increase (decrease) in short-term debt	8,000	838,000
Proceeds from long-term debt	3,000	—
Repayment of long-term debt	(226,251)	(474,238)
Proceeds from issuance of stock	—	(43,200)
Payments for purchase of treasury stock	(10,800)	—
Payment of cash dividends	(341,225)	(386,334)
Net cash used in financing activities	(567,276)	(65,772)
Net increase (decrease) in cash and cash equivalents	(356,383)	(169,961)
Cash and cash equivalents at beginning of year	1,668,877	1,312,494
Cash and cash equivalents at end of year	1,312,494	1,142,532