

Consolidated Financial Results for the Fiscal Year Ended December 31, 2006

Company name: Bell-Park Co., Ltd.
 Stock code: 9441
 Stock exchange listing: JASDAQ
 Company domicile: Tokyo, Japan
 URL: <http://www.bellpark.co.jp>
 President & CEO: Takeru Nishikawa
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Date of board meeting for approving consolidated financial results: February 15, 2007

Name of the parent company, etc.: Japan Business Development Inc. (Stock code: -)

Voting rights: 27.67%

SEC accounting standards: The Company does not apply SEC accounting standards

1. Consolidated Financial Results for the Year Ended December 31, 2006 (Jan. 1 – Dec. 31, 2006) (1) Consolidated Results of Operations

Million yen, rounded down

	Net sales		Operating income		Ordinary income	
	Million yen	YoY change %	Million yen	YoY change %	Million yen	YoY change %
Year ended December 2006	24,356	0.0	1,076	13.4	1,087	15.0
Year ended December 2005	24,355	48.0	948	50.4	946	48.4

	Net income		Net income per share (basic)	Net income per share (diluted)
	Million yen	YoY change %	Yen	Yen
Year ended December 2006	557	15.4	8,847.24	8,799.50
Year ended December 2005	483	-	7,617.43	7,583.04

	Return on equity	Ratio of ordinary income to total assets	Ratio of ordinary income to net sales
	%	%	%
Year ended December 2006	15.3	14.9	4.5
Year ended December 2005	15.0	13.9	3.9

Notes: 1. Equity in earnings of non-consolidated subsidiaries and affiliates

Year ended December 2006: - million yen

Year ended December 2005: - million yen

2. Weighted average number of shares outstanding (consolidated)

Year ended December 2006: 63,015.76 shares

Year ended December 2005: 63,434.33 shares

3. Changes in accounting principles applied: None

4. The percentages shown for net sales, operating income, ordinary income, and net income represent changes from the previous fiscal year.

(2) Financial Position*Million yen, rounded down*

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2006	7,789	3,884	49.9	61,599.13
As of December 31, 2005	6,810	3,383	49.7	53,774.30

Note: Number of shares outstanding (consolidated) at end of period

As of December 31, 2006: 63,056.68 shares

As of December 31, 2005: 62,927.68 shares

(3) Cash Flow Position*Million yen, rounded down*

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Year ended December 2006	553	(11)	(161)	1,897
Year ended December 2005	(264)	(498)	(48)	1,517

(4) Matters Concerning the Scope of Consolidation and Application of the Equity Method

Consolidated subsidiaries: 5

Non-consolidated subsidiaries accounted for under the equity method: 0

Affiliates accounted for under the equity method: 0

(5) Changes in the Scope of Consolidation and Application of the Equity Method

Consolidated subsidiaries

Newly: 0

Excluded: 0

Non-consolidated subsidiaries and affiliates accounted for under the equity method

Newly: 0

Excluded: 0

2. Forecast for the Year Ending December 31, 2007 (Jan. 1 – Dec. 31, 2007) *Million yen, rounded down*

	Net sales	Ordinary income	Net income
	Million yen	Million yen	Million yen
Interim	13,800	790	395
Full year	28,000	1,300	650

Reference: Estimated net income per common share for the year ending Dec. 31, 2007: 10,308.19 yen

Forward Looking Statements

Forecasts regarding future performance in these materials are based estimates and judgments of the Company's management made in accordance with information available at the time this report was prepared. Forecasts therefore embody risks and uncertainties. Actual results may differ significantly from these forecasts for a number of factors. Readers are advised to refer to page 10 for details on business forecasts, and assumptions and other relevant factors on which they are based.

1. Corporate Group

The Bell-Park group of companies is made up of Bell-Park Co., Ltd. and five consolidated companies. The group is engaged in three businesses: the mobile phone sales business, which mainly involves the sale of mobile phones; the staffing services business which mainly involves the provision of temporary employees to companies, and recruiting and training employees for other companies. Other business, which mainly involves serving as an agent for the sale of service contracts for fixed-line, ADSL, fiber-to-the-home (FTTH) and other communication services.

Business activities and the positioning of each company are as follows.

(1) Mobile phone sales business

Both Bell-Park and its consolidated subsidiary Nikka Co., Ltd. are engaged mainly in the following activities.

- 1) Accepts applications for mobile communication service contracts from new users as an agent of mobile communication carriers, and sales of mobile phones to users.
- 2) Accepts applications from current mobile communication service subscribers for a change to a new model of phone as an agent of mobile communication carriers, and sales of mobile phones to users.
- 3) Accepts applications from current mobile communication service subscribers for changes in subscription terms as an agent of mobile communication carriers.
- 4) Consignment sales of mobile phones and other devices through Bell-Park's secondary sales agents.
- 5) Outright sales of mobile phones and other devices to Bell-Park's secondary sales agents.
- 6) Acts as intermediary for installment credit contracts

(2) Staffing services business

Consolidated subsidiary Japan Pro Staff Co., Ltd. is engaged mainly in the following activities.

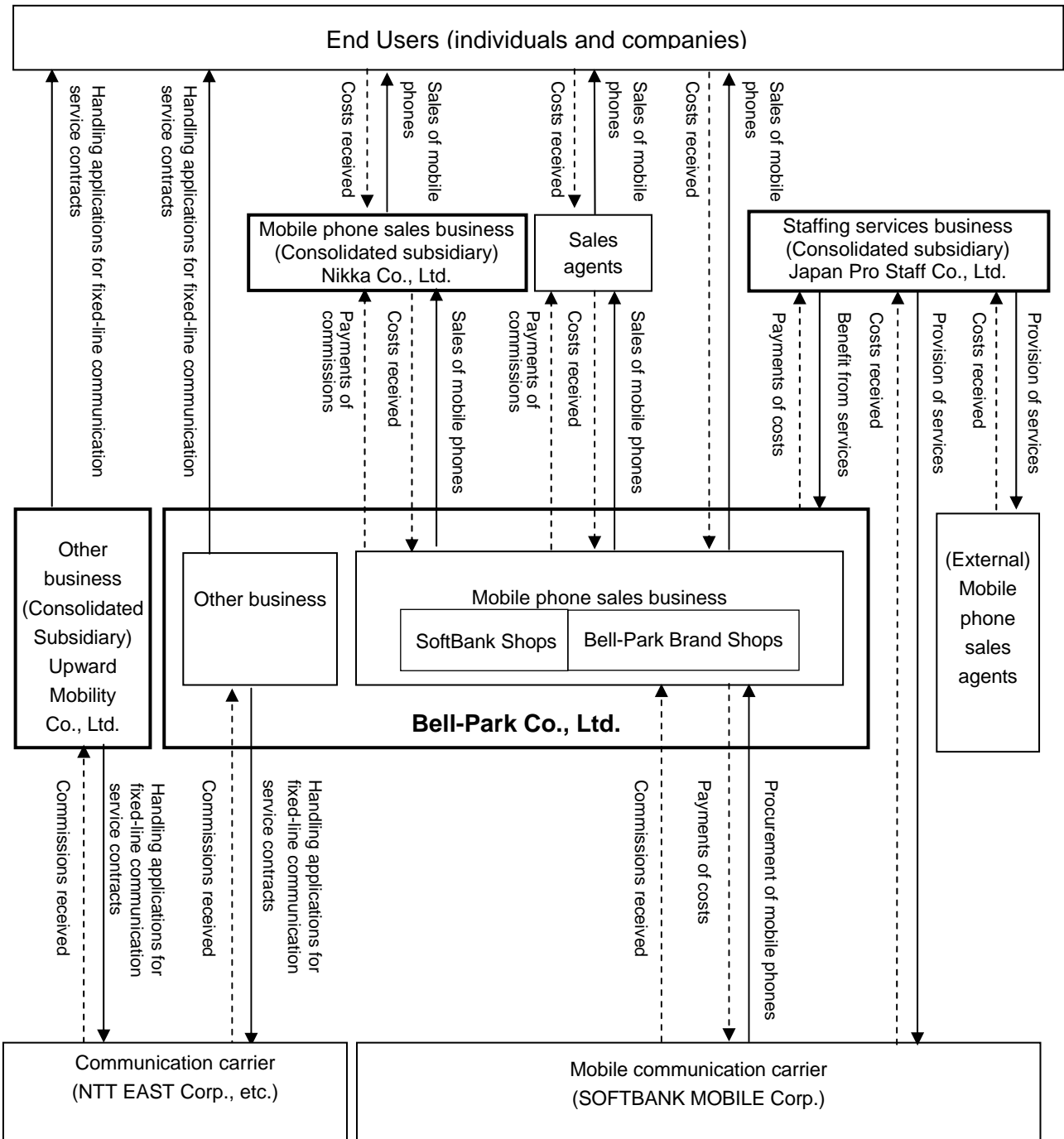
- 1) Supplies personnel mainly to work at retail shops selling mobile communication products and other products.
- 2) Trains sales personnel as an agent for mobile communication carriers operating retail shops selling mobile communication products.
- 3) Recruits employees for companies.

(3) Other business

Bell-Park and its consolidated subsidiary Upward Mobility Co., Ltd. are engaged in the following activities.

- 1) Accepts applications for fixed-line, ADSL, FTTH and other service contracts from new users as an agent of communication carriers.
- 2) Accepts applications for fixed-line, ADSL, FTTH and other service contracts from new users as an agent of sales agents.

A flowchart of business operations is shown below.



- Notes:
1. There are two more consolidated subsidiaries, but these companies are not shown because it has no material impact on consolidated operations.
 2. Due to acquisition of Vodafone K.K. by SOFTBANK CORP., Vodafone was renamed SOFTBANK MOBILE Corp. and its Vodafone Shops were renamed SoftBank Shops on October 1, 2006.

2. Management Policies

(1) Fundamental management policies

We strongly believe in our ability, potential and the possibilities of the future. We will continue to diligently pursue excellence by innovatively meeting the challenges and opportunities that arise. The goal is the mutual prosperity of customers, shareholders, vendors and all other stakeholders. Management is also committed to strictly observing all laws and regulations and, to preserve the trust of the public, conducting business operations that are fair and transparent in every respect.

(2) Fundamental policy regarding distribution of earnings

Bell-Park's policy is to return earnings to shareholders in a stable and consistent manner. Dividend payments will also take into consideration the need to maintain sufficient retained earnings to preserve the Group's operating results, expansion of sales network, strengthening its management framework and support aggressive future business expansion.

In accordance with this policy, the Company has raised its planned dividend applicable to 2006 from 1,000 yen to 1,300 yen per share. A resolution to pay this dividend will be submitted at the General Meeting of Shareholders scheduled for March 29, 2007. (Increased dividends by 300 yen per share)

(3) Position and policy regarding reduction in investment unit

The Group views an increasing the liquidity of its shares and the number of shareholders as an important capital policy issue. The Group plans to carefully consider a reduction in the investment unit to make its shares more accessible to investors while taking into consideration the share price, trading volume and other factors.

(4) Targeted performance indicators

The Group's medium- and long-term strategy is to expand and reinforce its sales network in the mobile phone sales business. The Company is also dedicated to the steady growth of staffing services businesses. To execute these strategies and generate new sources of growth, the Company believes that the reliable procurement of funds is a key factor. Therefore, the Company is placing emphasis on (1) increasing ordinary income and (2) increasing cash flow margin.

(5) Medium- and long-term strategies

The Group's core business is one element of the mobile phone sales industry. The Group believes that the operating environment in this industry will change at an even faster pace. SoftBank's acquisition of Vodafone Japan, the start of mobile phone number portability, enhanced functions of mobile phones at all companies and other developments are sparking more intense competition. The emergence of new communication carriers and the introduction of new communication technologies are other sources of change.

In this environment, the Group is dedicated to becoming a highly profitable organization with a focus on communication-related businesses. As its medium-term policy, the Group will concentrate on the following two themes.

1) Strengthen the mobile phone sales business

Transform changes in the operating environment into opportunities by adopting an aggressive business posture in order to expand the scale of operations.

2) Develop businesses associated with mobile phone sales

Expand the staffing services business by conducting aggressive operations, mainly regarding the provision of mobile phone sales personnel.

(6) Key issues

Key issues in each business segment based on these medium- and long-term policies described above are as follows.

1) Mobile phone sales business

High-profile marketing activities by SOFTBANK CORP. following its acquisition of the Japanese subsidiary of Vodafone along with the start of mobile phone number portability (MNP) are creating growth in demand for SoftBank brand products from first-time buyers as well as for handset upgrades. To capitalize on this significant opportunity, the Company plans to open many more shops, reinforce the corporate sales team, and increase the number of shop personnel while enhancing their training. In addition, plans call for enlarging the shop network through acquisitions of competitors' shops, while closely examining the expected returns on these investments.

2) Staffing services business

In this important business sector, the Company expects that strong demand will continue but foresees increasing difficulty in recruiting sufficient numbers of workers to meet this demand. Due to this operating climate, the Company will improve the personnel supply capabilities of existing operating bases while extending operations into regions where substantial demand exists.

3) Other business

The Company significantly downsized the fixed-line communication service subscription agency business due to the difficulty of achieving an improvement in operating results.

4) Reinforce administrative functions

The Company will take steps to further strengthen its administrative capabilities, such as by enhancing corporate governance, bolstering internal controls, and recruiting and training talented individuals.

(7) Relationship with parent company, etc.

1) Name of parent company, etc.

Parent company, etc.	Relationships	Voting rights held by the Company (%)	Stock exchange listing (parent company, etc.)
Japan Business Development Inc.	Other related company (Japan Business Development) in the case where a listed company (Bell-Park) is an affiliate of the other related company.	27.67 [-]	None

Note: Brackets of voting rights held by the parent company includes indirect holdings.

2) Positioning of listed company in parent company, etc. or other corporate group and relationships of other listed company with parent company, etc.

Japan Business Development Inc. holds 27.67% of the Company's voting rights. Takeru Nishikawa, who is a major shareholder of Japan Business Development, is a representative director of the Company. There is no business relationship between Bell-Park and Japan Business Development. Furthermore, JBD has no influence on the Company decisions regarding important management matters. Since Bell-Park reaches decisions on its own, management believes that there is adequate autonomy from its parent company, etc.

(8) Internal control systems

The Company submitted information concerning this subject to Jasdac Securities Exchange, Inc. on August 31, 2006 in a report titled "Report on Corporate Governance."

(9) Other important business matters

No reportable information.

3. Results of Operations and Financial Position

(1) Results of operations

Summary of the fiscal year

Japan's economy was relatively strong throughout 2006. Corporate earnings continued to increase and a gradual improvement in employment statistics produced signs of an upturn in consumer spending, which has a significant effect on the Group's operating results.

In this environment, the Bell-Park Group focused on generating earnings in its mobile phone sales business, as well as on developing network and staffing services businesses as new business operations for the Group.

Due to the above factors, net sales was 24,356 million yen (100.0%, compared to the previous year), operating income was 1,076 million yen (113.4%), ordinary income was 1,087 million yen (115.0%), and net income was 557 million yen (115.4%).

Results by business segment were as follows. Beginning with 2006, the Company has renamed the Network Business segment the Other Business segment. This action was taken because sales, operating income and assets in the former Network Business segment account for less than 10% of these figures for all business segments. Furthermore, the Company plans to significantly downsize the Network Business.

Mobile phone sales business

There was a small upturn in mobile phone demand following the spring 2006 release of one-seg handsets, but many people delayed purchases of mobile phones during the summer as they waited for the start of MNP. Once MNP began in October, though, there was a sharp increase in sales as this pent-up demand was released. SoftBank, which is the primary source of products sold by the Company, took many actions to target opportunities created by the start of MNP. Actions included the switch from the Vodafone to the SoftBank brand, the introduction of many new handset models and the start of a number of innovative rate plans. Although there were problems involving network operations and information in advertisements, the number of subscribers to SoftBank mobile phone services increased steadily during 2006. As a result, there was a recovery to a net increase of 370,000 in mobile phone subscribers in 2006, well above the net decrease of 90,000 in 2005 under the Vodafone brand.

In this environment, the Group focused on shop sales activities that target customers' needs, responded quickly to the new initiatives of SOFTBANK MOBILE, and strengthened sales operations in the corporate market, one of the few remaining market sectors with growth potential.

Regarding sales activities at shops, the Group concentrated on generating profits by achieving a proper balance of sales during the first half of 2006 as customers put off purchases due the upcoming start of MNP and switch to the SoftBank brand. Shops recorded a gross profit by avoiding excessive competition and focused on sales of SD cards and other accessories in strong demand due to rising sales of 3G handsets. Shops also focused on handset upgrades and after-sales services. In the second half of 2006, Bell-Park worked on taking full advantage of opportunities created by MNP. Although there was a disruption in network operations at SOFTBANK MOBILE immediately following the start of MNP, the Company quickly established a sales framework that was centered on the new rate plans of SOFTBANK MOBILE and that maintained a high level of motivation among sales personnel.

For the corporate market, the Company created a framework that prioritizes sales activities targeting new customers while clearly defining the division of responsibilities among personnel while concentrated on generating profits by continuously following up on existing customers.

In FY2006, consolidated segment sales totaled 22,579 million yen (98.5%, compared to the previous year) and operating income was 1,603 million yen (105.3%).

Staffing services business

The provision of mobile phone sales personnel, the primary component of the staffing services business, benefited from solid demand for temporary workers due to a significant shortage of workers at the stores of mobile phone sales agents. However, Japan's economic recovery is having an increasing impact on recruiting activities. Furthermore, some companies are hiring of full-time workers rather than relying on temporary personnel. These trends made it more difficult to recruit temporary staffing personnel in 2006 than in 2005.

In this environment, the Group made additional investments in this business, including the opening of an office in Osaka, aimed at raising earnings. Segment sales increased, due in part to the contribution of the new Osaka office. In addition, the segment became profitable in terms of operating income in 2006 because of solid demand in the core business of providing mobile phone sales personnel.

This segment posted sales of 1,531 million yen (164.5%) and an operating income of 1 million yen (30 million yen loss one year earlier) in FY2006.

Other business

The Group faced an extremely challenging operating environment for the provision of the direct-collection-type fixed line telephone service, the core business of this segment. Lower investments in this field by communication carriers caused this market to contract compared with 2005, when this service was started. Furthermore, there was a big drop in commissions paid to sales agents.

In response, the Group reviewed the product lineup and took other steps aimed improving profitability. However, it was difficult to improve the performance of this segment while retaining the existing scale of operations and business organization.

In FY2006, segment sales totaled 466 million yen (80.0%) and there was an operating loss of 120 million yen (198 million yen loss one year earlier).

(2) Financial Position

1) Assets, liabilities and shareholders' equity

(Current assets)

Current assets increased 1,028 million yen to 6,406 million yen. The main reasons were a 380 million yen increase in cash on hand and in banks, a 569 million yen increase in accounts receivable - trade and accounts receivable – other, 105 million yen increase in inventories. The increase in cash on hand and in banks is explained in 2) Cash Flows below.

(Fixed assets)

Fixed assets decreased 49 million yen to 1,382 million yen. Due to the downsizing of the Network Business, there was a 60 million yen increase in deferred tax assets associated with an asset impairment charge and other business withdrawal expenses, a 68 million yen decrease in leasehold deposits and a 47 million yen decrease in memberships.

(Current liabilities)

Current liabilities increased 576 million yen to 3,820 million yen. There was a 595 million yen increase in accounts payable-trade and accounts payable-other due to increase of purchases.

(Long-term liabilities)

Long-term liabilities decreased 98 million yen to 84 million yen. There was a 107 million yen decrease in long-term debt.

(Net assets)

Net assets increased 500 million yen to 3,884 million yen. This was the net result of net income of 557 million yen, and cash dividend paid of 62 million yen.

2) Cash Flows

There was an increase of 380 million yen in cash and cash equivalents as of December 31, 2006, to 1,897 million yen compared with December 31, 2005.

Net cash provided by operating activities was 553 million yen compared with net cash used of 264 million yen one year earlier. Major components of cash flows were income before income taxes of 1,046 million yen, a 595 million yen increase in accounts payable, 148 million yen in income from other operating activities, a 569 million yen increase in accounts receivable, a 101 million yen increase in inventories, a 97 million yen decrease in accounts payable – other, and income taxes paid of 541 million yen.

Net cash used in investing activities was 11 million yen compared with 498 million yen one year earlier. The primary uses of cash were payments of 120 million yen for the purchase of property, plant and equipment, 113 million yen in acquisition of investment securities, 138 million yen in sales of investment securities, and 101 million yen of proceeds from other investing activities.

Net cash used in financing activities was 161 million yen compared with 48 million yen one year earlier. There were repayment of long-term debt of 107 million yen and cash dividends paid were 62 million yen.

Trends in cash flow indicators were as follows:

	FY2004	FY2005	FY2006
Shareholders' equity ratio (%)	44.7	49.7	49.9
Shareholders' equity ratio at market cap (%)	74.8	103.5	69.0
Years of debt amortization (years)	-	-	-
Interest coverage ratio	424.3	-	403.5

The shareholders' equity ratio is calculated by dividing shareholders' equity by total assets.

The shareholders' equity ratio at market cap is calculated by dividing market capitalization by total assets.

The years of debt amortization is calculated by dividing interest-bearing debt by operating cash flows.

The interest coverage ratio is calculated by dividing operating cash flows by interest expenses.

* All of the above indicators are calculated using figures from the consolidated financial statements.

* Net cash used in operating activities on the statement of cash flows is used as operating cash flow. Interest paid on the statement of cash flows is interest expenses.

* Interest coverage ratio is not listed for FY2005, because operating cash flows were negative.

(3) Outlook for the next fiscal year

In 2007, healthy domestic private-sector demand is expected to support a continuation in the recovery of Japan's economy. Household budgets are gradually reflecting wage increases in some sectors and other benefits of strong corporate earnings. However, the yen exchange rate and price of crude oil are sources of concern.

Japan's mobile phone sales market is unlikely to record rapid growth as in the past now that more than 70% of the population has a mobile phone. Nevertheless, competition among carriers is heating up as companies introduce new handset models and offer attractive rate plans following the start of MNP. These actions are expected to produce a small increase in mobile phone demand just as in 2006.

On the other hand, mobile phone sales agents are having difficulty in recruiting workers because of the more intense competition. This situation is making the recruiting and training of personnel a major issue in the mobile phone sales business.

Based on this outlook, in the mobile phone sales business, Bell-Park plans to open many shops and focus on recruiting activities in line with the sales channel policy of SOFTBANK MOBILE.

In the staffing services business, now that this segment became profitable in 2006, the goal in 2007 is to further increase sales and earnings. There will be investments to open more offices and take other actions aimed at increasing the number of mobile phone sales personnel supplied, the core business, and the number of sales assistants supplied to major retailers.

In the other business segment, the Company is significantly downsizing the direct-collection-type fixed line telephone service agency business. This action is based on the conclusion that it would be difficult to improve performance by revising the product lineup and through other measures. Instead, the Group's resources will be channeled to its two core businesses: mobile phone sales and staffing services, as well as activities associated with these businesses.

Based on this outlook, Bell-Park is forecasting net sales of 28,000 million yen (115.0%, compared to FY2006), ordinary income of 1,300 million yen (119.5%) and net income of 650 million yen (116.6%) in FY2007.

4. Business Risks

The following is a list of the primary items that represent risks with regard to Bell-Park's business activities. The Group discloses all items that it believes are significant with regard to investment decisions, including items that do not represent business-related risks. However, investors should be aware that this is not a complete risk of risks that can affect operating results.

Mobile phone sales business:

1) Reliance on a particular vendor

SoftBank brand accounts for 100% of the products that Bell-Park purchases and sells. Consequently, the operating results of the Group highly vulnerable to changes in procurement terms, commissions and other transaction terms of SOFTBANK MOBILE introduction of new products and services by this company, and business outlook of SOFTBANK MOBILE.

2) Sales agent contract

The Group operates SoftBank shops on the basis of a sales agent contract with SOFTBANK MOBILE. This contract is automatically renewed each year, but can be cancelled at any time. Therefore, there is a risk that the sales agent contract may be cancelled.

3) Shop opening plans

The opening of SoftBank shops is determined by the strategies of SOFTBANK MOBILE. Therefore, changes in SOFTBANK MOBILE's strategies can affect the Group's plans for new shops and its results of operations.

4) Sale of mobile phones

In the mobile phone retailing business, the number of new subscribers is falling as Japan's penetration rate climbs. Furthermore, handset life cycles are short and prices can easily drop because of the steady stream of new products incorporating new functions and other forms of added value.

5) Commissions received from mobile communication carriers

Bell-Park receives commissions from mobile communication carriers for acting as their agent in the sale of mobile communication service contracts. Depending on changes in the business policies of these carriers, there may be revisions in terms affecting these commissions, such as the amount paid, period over which commissions are paid, services for which commissions are paid, discounts for calling charges and other items. A major change in these terms could have a significant impact on the Group's results of operations.

Furthermore, contracts with communication carriers include a requirement to pay a cancellation fee when customers cancel a subscription soon after signing up. Consequently, the Group maintains an allowance for early subscription cancellations that is based on estimated payments in accordance with past short-term cancellation rates. Nevertheless, the possibility exists that an increase in these cancellations may cause cancellation fees to exceed the allowance. This could have a significant impact on results of operations.

6) Competition with other mobile phone retailers

New products and services are constantly emerging due to technological progress in the mobile communication industry. There are a large number of primary sales agents throughout Japan that have sales agent contracts with carriers as Bell-Park does. Furthermore, the rising penetration rate of mobile phones is reducing sales to new subscribers. These trends indicate that the Group and other mobile phone retailers will face an increasingly competitive environment. This competition could lower the Group's profit margins and have other negative effects on results of operations.

Staffing services business:

1) Personnel recruiting

In the staffing services business, success is highly dependent on the ability to recruit talented workers. The Group constantly places want ads in a variety of media and takes other recruiting actions in order to steadily increase the number of registered workers. However, there may be a significant change in the recruiting environment due to fluctuations in employment statistics associated with economic trends, a shift in Japan's

population composition, and changes in other parameters. If these events prevent the Company from recruiting personnel as planned, the performance of the staffing business could suffer, negatively impacting the Group's results of operations.

2) Reliance on a particular industry

The Group's staffing services business is highly reliant on the mobile communications industry. There may be a significant decline in the number of carrier shops, the primary assignment for workers provided by the Group, due to a change in the shop network policies of mobile communication carriers. There may also be changes in the employment policies of mobile communication carriers and their sales agents. A significant decline in the use of staffing services caused by such changes could have a significant impact on the Group's results of operations.

3) Laws and regulations

In Japan, the staffing services business is regulated in accordance with the provisions of the Worker Dispatch Law. In the event that the Bell-Park Group violates this law, the Minister of Health, Labour and Welfare may cancel the Company's license to conduct a general worker staffing service business. The Group is committed to conducting this business in compliance with the Worker Dispatch Law. However, in the event that the Group loses its license for some reason, it may no longer be possible to conduct this business, resulting in a significant impact on the Group's results of operations.

Other business:

1) Information concerning sales outsourcing contracts

Bell-Park has contracts with mobile communication carriers (BB Technology and NTT) to act as a sales agent for service contracts for fixed-line, ADSL, FTTH and other services. Although these contracts are renewed automatically every year, the Group is exposed to the risk of contract cancellations because companies have the right to terminate a contract prior to its completion.

2) Commissions received from mobile communication carriers

Bell-Park receives commissions from communication carriers for its services as a sales agent for service contracts for the fixed-line, ADSL, FTTH and other services provided by these carriers. Depending on changes in the business policies of these carriers, there may be revisions in terms affecting these commissions, such as the amount paid, period over which commissions are paid, and other items. A major change in these terms could have a significant impact on the Group's results of operations.

Furthermore, contracts with communication carriers include a requirement to pay a cancellation fee when customers cancel a subscription soon after signing up. Consequently, the Group maintains an allowance for early subscription cancellations that is based on estimated payments in accordance with past short-term cancellation rates. Nevertheless, the possibility exists that an increase in these cancellations may cause cancellation fees to exceed the allowance. This could have a significant impact on results of operations.

3) Competition with other mobile phone retailers

New products and services are constantly emerging due to technological progress in the fixed-line and Internet communication service industry. There are a large number of primary sales agents throughout Japan that have sales agent contracts with carriers as Bell-Park does. Furthermore, the rising penetration rate of mobile phones is reducing sales to new subscribers. These trends indicate that the Group and other mobile phone retailers will face an increasingly competitive environment. This competition could lower the Group's profit margins and have other negative effects on results of operations.

Customer information

Bell-Park takes steps to maintain an internal management system for customer information. However, in the event of an inadvertent leak of customer information, there could be an adverse impact on the Group's financial condition and operating results due to erosion in public confidence or a requirement to pay financial damages. In addition, there may be an increase in expenses required to establish a customer information protection system in the future.

5. Consolidated Financial Statements and Notes

Consolidated Financial Statements

(1) Consolidated Balance Sheets

Account	*	FY2005 (As of December 31, 2005)		FY2006 (As of December 31, 2006)	
		Thousand yen	%	Thousand yen	%
Assets					
I. Current assets					
1. Cash on hand and in banks		1,517,834		1,897,932	
2. Accounts receivable -trade and accounts receivable -other		2,399,386		2,969,299	
3. Inventories		1,286,622		1,392,184	
4. Deferred tax assets		83,065		63,824	
5. Other current assets		92,172		85,572	
Allowance for doubtful accounts		(1,073)		(1,816)	
Total current assets		5,378,008	79.0	6,406,996	82.3
II. Fixed assets					
1. Property, plant and equipment					
(1) Buildings		297,311		363,074	
Depreciation and amortization		81,208	216,102	95,738	267,336
(2) Structure		6,927		13,195	
Depreciation and amortization		1,002	5,925	2,222	10,973
(3) Vehicles		3,003		477	
Depreciation and amortization		1,111	1,891	454	23
(4) Furniture and fixtures		180,331		117,679	
Depreciation and amortization		81,018	99,313	77,878	39,800
Total property, plant and equipment			323,233		318,133
			4.7		4.1
2. Intangible assets			22,316		30,135
			0.3		0.4
3. Investments and other assets					
(1) Investment securities			105,688		104,665
(2) Leasehold deposits			767,222		698,653
(3) Deferred tax assets			47,519		108,381
(4) Others			168,798		124,438
Allowance for doubtful accounts			(2,204)		(1,658)
Total investments other assets			1,087,025		1,034,480
			16.0		13.2
Total fixed assets			1,432,575		1,382,749
			21.0		17.7
Total assets			6,810,583		7,789,745
			100.0		100.0

Account	*	FY2005 (As of December 31, 2005)		FY2006 (As of December 31, 2006)	
		Thousand yen	%	Thousand yen	%
Liabilities					
I. Current liabilities					
1. Accounts payable - trade and accounts payable - other		2,064,253		2,659,594	
2. Accounts payable - other		203,149		121,478	
3. Accrued expenses		-		338,482	
4. Accrued income taxes		323,671		302,923	
5. Reserve for employees' bonuses		48,255		55,862	
6. Allowance for early subscription cancellations		77,951		18,812	
7. Other current liabilities		526,357		323,468	
Total current liabilities		3,243,639	47.6	3,820,622	49.0
II. Long-term liabilities					
1. Long-term debt		107,590		-	
2. Liability for employees' retirement benefits		24,463		29,314	
3. Other long-term liabilities		50,998		55,572	
Total long-term liabilities		183,051	2.7	84,886	1.1
Total liabilities		3,426,691	50.3	3,905,509	50.1
Shareholders' equity					
I. Common stock	*1	1,086,140	15.9	-	-
II. Capital surplus		1,540,547	22.6	-	-
III. Retained earnings		961,866	14.1	-	-
IV. Net unrealized holding gain on securities		3,373	0.1	-	-
V. Treasury stock	*2	(208,036)	(3.0)	-	-
Total shareholders' equity		3,383,892	49.7	-	-
Total liabilities and shareholders' equity		6,810,583	100.0	-	-
Net assets					
I. Shareholders' equity					
1. Common stock		-	-	1,090,878	14.0
2. Capital surplus		-	-	1,545,286	19.9
3. Retained earnings		-	-	1,456,454	18.7
4. Treasury stock		-	-	(208,036)	(2.7)
Total shareholders' equity		-	-	3,884,583	49.9
II. Valuation and translation adjustments					
1. Net unrealized holding gain on securities		-	-	(346)	0.0
Total valuation and translation adjustments		-	-	(346)	0.0
Total net assets		-	-	3,884,236	49.9
Total liabilities and net assets		-	-	7,789,745	100.0

(2) Consolidated Statements of Income

Account	*	FY2005 (Jan. 1 – Dec. 31, 2005)		FY2006 (Jan. 1 – Dec. 31, 2006)				
		Thousand yen	%	Thousand yen	%			
I. Net sales			24,355,489	100.0		24,356,373	100.0	
II. Cost of goods sold			19,671,400	80.8		19,159,840	78.7	
Gross profit			4,684,088	19.2		5,196,532	21.3	
III. Selling, general and administrative expenses								
1. Advertisement		121,927				129,372		
2. Salaries		993,108				1,148,568		
3. Miscellaneous wages		407,711				504,304		
4. Welfare expenses		170,931				205,990		
5. Provision of accrued expenses		49,457				57,913		
6. Retirement benefit expenses		7,052				11,911		
7. Rent		526,552				612,710		
8. Depreciation		69,772				74,123		
9. Others		1,388,815	3,735,328	15.3	1,375,478	4,120,374	16.9	
Operating income			948,760	3.9		1,076,157	4.4	
IV. Non-operating income								
1. Interest income		14				11		
2. Dividend income		-				5,115		
3. Insurance reimbursement		-				7,282		
4. Leasing expenses		8,412				8,412		
5. Other non-operating income		13,937	22,363	0.1	6,622	27,444	0.1	
V. Non-operating expenses								
1. Interest expenses		1,585				1,370		
2. Leasing expenses		10,754				10,754		
3. Sales compensation expenses		2,872				-		
4. Other non-operating expenses		9,654	24,866	0.1	3,607	15,732	0.0	
Ordinary income			946,257	3.9		1,087,870	4.5	
VI. Extraordinary income								
1. Gain on sale of investment securities		-				30,055		
2. Gain on sale of memberships		-				8,341		
3. Others		-	-	-		1,335	39,732	0.2
VII. Extraordinary loss								
1. Loss on sale of fixed assets	*1	-				382		
2. Loss on removal of fixed assets	*2	11,112				22,039		
3. Impairment losses	*3	-				43,962		
4. Shop closures expenses		7,154				13,378		
5. Loss on sale of memberships		-	18,267	0.1	1,777	81,541	0.3	
Income before income taxes			927,989	3.8		1,046,061	4.3	
Income taxes - current		463,638				527,612		
Income taxes - deferred		(18,855)	444,783	1.8	(39,066)	488,545	2.0	
Net income			483,206	2.0		557,515	2.3	

(3) Consolidated Statements of Retained Earnings and Changes in Shareholders' Equity
 Consolidated Statements of Retained Earnings

		FY2005 (Jan. 1 – Dec. 31, 2005)	
Account	*	Thousand yen	
Capital surplus			
I. Capital surplus at beginning of period			1,539,443
II. Increase in capital surplus			
1. New stock issue for the exercise of stock options		1,104	1,104
III. Capital surplus at end of period			1,540,547
Retained earnings			
I. Retained earnings at beginning of period			542,557
II. Increase in retained earnings			
1. Net income		483,206	483,206
III. Decrease in retained earnings			
1. Cash dividends		63,897	63,897
IV. Retained earnings at end of period			961,866

Consolidated Statement of Changes in Shareholders' Equity

FY2006 (Jan. 1 – Dec. 31, 2006)

Thousand yen

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of December 31, 2005	1,086,140	1,540,547	961,866	(208,036)	3,380,518
Changes in the period					
New stock issue	4,738	4,738			9,476
Dividend of surplus			(62,927)		(62,927)
Net income			557,515		557,515
Changes (net) in items other than shareholders' equity					
Total changes in the period	4,738	4,738	494,587		504,064
Balance as of December 31, 2006	1,090,878	1,545,286	1,456,454	(208,036)	3,884,583

	Valuation and translation adjustments		Total net assets
	Net unrealized holding gain on securities	Total valuation and translation adjustments	
Balance as of December 31, 2005	3,373	3,373	3,383,892
Changes in the period			
New stock issue			9,476
Dividend of surplus			(62,927)
Net income			557,515
Changes (net) in items other than shareholders' equity	(3,720)	(3,720)	(3,720)
Total changes in the period	(3,720)	(3,720)	500,344
Balance as of December 31, 2006	(346)	(346)	3,884,236

(4) Consolidated Statements of Cash Flows

		FY2005 (Jan. 1 – Dec. 31, 2005)	FY2006 (Jan. 1 – Dec. 31, 2006)
Account	*	Thousand yen	Thousand yen
I. Cash flows from operating activities			
Income before income taxes		927,989	1,046,061
Depreciation and amortization		69,772	74,123
Impairment losses		-	43,962
Amortization of goodwill		6,349	-
Amortization of goodwill		-	10,915
Increase (decrease) in allowance for doubtful accounts		(509)	197
Increase in reserve for employees' bonuses		12,443	7,606
Increase (decrease) in allowance for early subscription cancellations		41,646	(59,138)
Increase in liability for employees' retirement benefits		154	4,850
Interest and dividend income		(14)	(5,126)
Interest expenses		1,585	1,370
Gain on sale of investment securities		-	(30,055)
Loss on sale of fixed assets		-	382
Loss on removal of fixed assets		11,112	22,039
Increase in account receivables		(189,550)	(569,912)
Increase in inventories		(227,368)	(101,907)
Increase (decrease) in accounts payable		(214,600)	595,340
Decrease in accounts payable - other		(435,902)	(97,839)
Others		193,413	148,206
Subtotal		196,521	1,091,078
Interests and dividends received		14	5,126
Interests paid		(1,585)	(1,370)
Income taxes refund (paid)		(459,422)	(541,817)
Net cash provided by (used in) operating activities		(264,472)	553,017
II. Cash flows from investing activities			
Payment for purchase of investment securities		(100,000)	(113,502)
Proceeds from sale of investment securities		-	138,308
Payment for purchase of property, plant and equipment		(183,269)	(120,509)
Proceeds from sale of property, plant and equipment		-	1,000
Payment for purchase of business		(19,047)	(18,733)
Others		(195,808)	101,551
Net cash used in investing activities		(498,125)	(11,886)
III. Cash flows from financing activities			
Proceeds from long-term debt		107,590	-
Repayment of long-term debt		-	(107,590)
Proceeds from issuance of new stock		2,208	9,476
Payment for purchase of treasury stock		(94,454)	-
Cash dividends paid		(63,820)	(62,919)
Net cash used in financing activities		(48,476)	(161,032)
IV. Increase (decrease) in cash and cash equivalents		(811,074)	380,098
V. Cash and cash equivalents at beginning of year		2,328,908	1,517,834
VI. Cash and cash equivalents at end of period		1,517,834	1,897,932

Significant Accounting Policies in the Preparation of Consolidated Financial Statements

	FY2005 (Jan. 1 – Dec. 31, 2005)	FY2006 (Jan. 1 – Dec. 31, 2006)
1. Principles of consolidation	<p>The consolidated financial statements include the accounts of the Company and its five consolidated subsidiaries.</p> <p>Name of consolidated subsidiary: Japan Pro Staff Co., Ltd. Nikka Co., Ltd. Upward Mobility Co., Ltd. Opt Power Co., Ltd. Mobile Tiger Co., Ltd.</p> <p>Effective the current fiscal year, Upward Mobility Co., Ltd., Opt Power Co., Ltd., and Mobile Tiger Co., Ltd. are consolidated due to establishment.</p>	<p>The consolidated financial statements include the accounts of the Company and its five consolidated subsidiaries.</p> <p>Name of consolidated subsidiary: Japan Pro Staff Co., Ltd. Nikka Co., Ltd. Upward Mobility Co., Ltd. Opt Power Co., Ltd. Mobile Tiger Co., Ltd.</p>
2. Period end of consolidated subsidiaries	The end of the fiscal year of the consolidated subsidiary is the same as that for the Company.	Same as on the left.
3. Significant accounting policies (1) Valuation criteria and methods for principal assets	<p>Securities Other securities Securities with market quotations: Securities with market quotations are carried at fair value on the balance sheet date. Changes in unrealized holding gain or loss are included directly in shareholders' equity. The cost of securities sold is determined by the moving-average method.</p> <p>Securities without market quotations: Securities without market quotations are stated at cost, cost being determined by the moving-average method.</p> <p>Inventories Merchandise: Merchandise is stated at cost determined primarily by the moving-average method. Supplies: Supplies are stated at cost, cost being determined by the last purchase price method.</p>	<p>Securities Other securities Securities with market quotations: Securities with market quotations are carried at fair value on the balance sheet date. Changes in unrealized holding gain or loss are included directly in net assets. The cost of securities sold is determined by the moving-average method.</p> <p>Securities without market quotations: Same as on the left.</p> <p>Inventories Merchandise: Same as on the left.</p> <p>Supplies: Same as on the left.</p>
(2) Depreciation and amortization of significant depreciable assets	<p>Property, plant and equipment Declining-balance method. The Company computes depreciation on buildings (excluding fixtures) by the straight-line method. Useful life of principle assets is as follows: Buildings: 3-24 years Structures: 10-20 years Vehicles: 2-6 years Furniture and fixtures: 2-15 years</p>	<p>Property, plant and equipment Same as on the left.</p>

	FY2005 (Jan. 1 – Dec. 31, 2005)	FY2006 (Jan. 1 – Dec. 31, 2006)
(2) Depreciation and amortization of significant depreciable assets	<p>Intangible assets Straight-line method. The development costs of software intended for internal use are amortized over an estimated useful life of 5 years by the straight-line method. Goodwill recorded during the period was amortized for 3 years by the straight-line method. (Changes in accounting principles) In prior year, goodwill was amortized lump sum as accrued. Effective from the current fiscal year, goodwill is amortized by the straight-line method over a period of three years. The above change in the accounting policy is in keeping with the expected revisions to the corporate accounting standards and aims at normalizing period income by more reasonably reflecting the impact of investment on operating results. The effect of this change in the accounting policy was to reduce the operating income and ordinary income by 6,349 thousand yen each and increase the income before income taxes by 12,698 thousand yen, compared to the amounts that would have been reported if the previous accounting standards had been applied consistently.</p> <p>Long-term prepaid expenses Long-term prepaid expenses are amortized by the straight-line method.</p>	<p>Intangible assets Straight-line method. The development costs of software intended for internal use are amortized over an estimated useful life of 5 years by the straight-line method. Goodwill recorded during the period was amortized for 3 years by the straight-line method.</p> <p>Long-term prepaid expenses Same as on the left.</p>
(3) Recognition of significant allowances	<p>Allowance for doubtful accounts To prepare for credit losses on accounts receivable and loans receivable etc., allowances equal to the estimated amount of uncollectible receivables are provided for general receivables based on the historical write-off ratio, and bad receivables based on case-by-case determination of collectibility.</p> <p>Reserves for employees' bonuses As a means of providing for bonus obligations, the Company designates in the reserve account an amount estimated to have accrued for the current fiscal year.</p> <p>Allowance for early subscription cancellations The Company and subsidiaries refund subscription commission to the telecom carrier, with which it has agency or a sales outsourcing agreement, if mobile/fixed-line phone users cancel his subscription early. To provide for repayment of subscription commission related to such early subscription cancellations, the Company provides an allowance equal to the estimated amounts of refund for early subscription commission based on the historical refund ratio.</p>	<p>Allowance for doubtful accounts Same as on the left.</p> <p>Reserves for employees' bonuses Same as on the left.</p> <p>Allowance for early subscription cancellations Same as on the left.</p>

	FY2005 (Jan. 1 – Dec. 31, 2005)	FY2006 (Jan. 1 – Dec. 31, 2006)
	<p>Liability for employees' retirement benefits</p> <p>To provide for employee retirement benefits, the Company provides an allowance for retirement benefits in the amount deemed to have accrued, determined (simple method) on the basis of the projected benefit obligation on the balance sheet date.</p>	<p>Liability for employees' retirement benefits</p> <p>Same as on the left.</p>
(4) Other significant accounting policies in the preparation of consolidated financial statements	<p>Accounting for consumption taxes</p> <p>All amounts stated are exclusive of national and local consumption taxes.</p>	<p>Accounting for consumption taxes</p> <p>Same as on the left.</p>
4. Valuation of assets and liabilities of consolidated subsidiaries	<p>Assets and liabilities of consolidated subsidiaries are valued at market.</p>	<p>Same as on the left.</p>
5. Appropriation of retained earnings	<p>The consolidated financial statements include retained earnings allocations declared by consolidated subsidiaries during the current fiscal year.</p>	<p>-</p>
6. Scope of cash and cash equivalents on consolidated statements of cash flows	<p>For the purpose of consolidated statements of cash flows, cash and cash equivalents consists of vault cash, deposits that can be withdrawn on demand, and short-term investments, with original maturities of three months or less, that are readily convertible known amounts of cash and present insignificant risk of change in value.</p>	<p>Same as on the left.</p>

Change in Significant Accounting Policies in the Preparation of Consolidated Financial Statements

FY2005 (Jan. 1 – Dec. 31, 2005)	FY2006 (Jan. 1 – Dec. 31, 2006)
-	<p>(Accounting standard concerning impairment of fixed assets) Effective from the current fiscal year, the Company has adopted “Statement of Opinion, Accounting for Impairment of Fixed Assets,” (Business Accounting Council, August 9, 2002) and “Accounting Standard Implementation Guidance for Impairment of Fixed Assets,” (ASBJ Guidance No. 6, October 31, 2003). The effect of this change was to decrease income before income taxes by 43,962 thousand yen.</p> <p>The amounts of impairment losses are directly deducted from the corresponding carrying amounts of assets, in accordance with the Revised Standards for the Preparation of consolidated Financial Statements.</p>
-	<p>(Accounting standard concerning presentation of net assets on balance sheet) Effective from the current fiscal year, the Company has adopted “Accounting Standard for Presentation of Net Assets on Balance Sheet” (ASBJ Statement No. 5, December 9, 2005) and “Accounting Standard Implementation Guidance for Presentation of Net Assets on Balance Sheet” (ASBJ Guidance No. 8, December 9, 2005).</p> <p>The amount equivalent to the total of shareholders’ equity under the former accounting standard is 3,884,236 thousand yen, no difference in the amount of net assets.</p>
-	<p>(Accounting standard concerning business combination) Effective from the current fiscal year, the Company has adopted “Accounting Standard for Business Combination” (Business Accounting Council, October 31, 2003), “Accounting Standard for Business Divestiture” (ASBJ Statement No.7: Accounting Standards Board of Japan, December 27, 2005) and “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10: Accounting Standards Board of Japan, December 27, 2005).</p> <p>The effect of this change is insignificant.</p>

Reclassifications

FY2005 (Jan. 1 – Dec. 31, 2005)	FY2006 (Jan. 1 – Dec. 31, 2006)
-	<p>(Consolidated Balance Sheets)</p> <p>Effective from the current fiscal year, “Accrued expense”, presented as a component of “Other current liabilities” account for the previous fiscal year, are reclassified and presented as a separate item since the “Accrued expense” exceeded 5% of “Total liabilities and net assets” at the end of the current fiscal year.</p> <p>“Accrued expense” totaled 196,396 thousand yen at the end of the previous fiscal year.</p>
<p>(Consolidated Statements of Income)</p> <p>Effective from the current fiscal year, “Shop closures expense”, presented as a component of “Other extraordinary loss” account for the previous fiscal year, are reclassified and presented as a separate item since the “Shop closures expense” exceeded 10% of “Extraordinary loss” at the end of the current fiscal year.</p> <p>“Shop closures expense” totaled 2,767 thousand yen at the end of the previous fiscal year.</p>	-
<p>(Consolidated Statements of Cash Flows)</p> <p>“Decrease in other accounts payable,” included in “Others” under “Cash flows from operating activities” in the previous fiscal year, is reclassified and presented as a separate line item, given the increase in the materiality of impact in the context of the consolidated financial statements.</p> <p>In the previous fiscal year, “Increase in other accounts payable,” included in “Others” amounted to 64,910 thousand yen.</p>	<p>(Consolidated Statements of Cash Flows)</p> <p>Effective from the current fiscal year, “Amortization of goodwill” is renamed in Japanese due to conform to the revision of the regulations of financial statement.</p>

Supplementary Information

FY2005 (Jan. 1 – Dec. 31, 2005)	FY2006 (Jan. 1 – Dec. 31, 2006)
<p>(Method for displaying the pro forma portion of corporate taxes in the consolidated statements of income)</p> <p>The Accounting Standards Board of Japan released on February 13, 2004 its Practical Response Report No. 12 “Practical handling of the display of the pro forma portion of corporate taxes in income statements.” In line with this report, we have included 16,211 thousand yen from the added value and capital portion of income taxes in selling, general, and administrative expenses, starting from the current fiscal year.</p>	-

Notes to Consolidated Financial Statements

Notes to Consolidated Balance Sheets

FY2005 (As of December 31, 2005)	FY2006 (As of December 31, 2006)
*1 Class and number of shares outstanding Common stock 65,961.18 shares	-
*2 Treasury stock Common stock 3,033.5 shares	-

Notes to Consolidated Statements of Income

Thousand yen

FY2005 (Jan. 1 – Dec. 31, 2005)	FY2006 (Jan. 1 – Dec. 31, 2006)																												
-	*1. Significant components of loss on sale of fixed assets <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Buildings</td> <td style="text-align: right;">382</td> </tr> <tr> <td style="padding-left: 20px;">Total</td> <td style="text-align: right;">382</td> </tr> </table>	Buildings	382	Total	382																								
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*2. Significant components of loss on removal of fixed assets <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Buildings</td> <td style="text-align: right;">6,802</td> </tr> <tr> <td style="padding-left: 20px;">Furniture & fixture</td> <td style="text-align: right;">1,173</td> </tr> <tr> <td style="padding-left: 20px;">Intangible assets (Software)</td> <td style="text-align: right;">3,137</td> </tr> <tr> <td style="padding-left: 20px;">Total</td> <td style="text-align: right;">11,112</td> </tr> </table>	Buildings	6,802	Furniture & fixture	1,173	Intangible assets (Software)	3,137	Total	11,112	*2. Significant components of loss on removal of fixed assets <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Buildings</td> <td style="text-align: right;">21,291</td> </tr> <tr> <td style="padding-left: 20px;">Furniture and fixture</td> <td style="text-align: right;">747</td> </tr> <tr> <td style="padding-left: 20px;">Total</td> <td style="text-align: right;">22,039</td> </tr> </table>	Buildings	21,291	Furniture and fixture	747	Total	22,039														
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Furniture and fixture	747																												
Total	22,039																												
-	*3. The Group recorded impairment losses in the following asset category in the current fiscal year. <p style="text-align: right;">Thousand yen</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Location</th> <th style="text-align: center;">Use</th> <th style="text-align: center;">Category</th> <th style="text-align: center;">Impairment losses</th> </tr> </thead> <tbody> <tr> <td>Kitami Call Center (Kitami City, Hokkaido)</td> <td>Telephone equipment</td> <td>Furniture and fixtures</td> <td style="text-align: right;">17,776</td> </tr> <tr> <td rowspan="2">Osaka Call Center (Osaka City, Osaka)</td> <td rowspan="2">Telephone equipment</td> <td>Furniture and fixtures</td> <td style="text-align: right;">8,480</td> </tr> <tr> <td>Telephone rights</td> <td style="text-align: right;">153</td> </tr> <tr> <td rowspan="3">Shinjuku Call Center (Shinjuku-ku, Tokyo)</td> <td rowspan="3">Telephone equipment</td> <td>Furniture and fixtures</td> <td style="text-align: right;">15,410</td> </tr> <tr> <td>Vehicles</td> <td style="text-align: right;">474</td> </tr> <tr> <td>Telephone rights</td> <td style="text-align: right;">357</td> </tr> <tr> <td rowspan="2">Ibaraki Office (Tsuchiura City, Ibaraki)</td> <td rowspan="2">Business property</td> <td>Furniture and fixtures</td> <td style="text-align: right;">350</td> </tr> <tr> <td>Vehicles</td> <td style="text-align: right;">960</td> </tr> </tbody> </table>	Location	Use	Category	Impairment losses	Kitami Call Center (Kitami City, Hokkaido)	Telephone equipment	Furniture and fixtures	17,776	Osaka Call Center (Osaka City, Osaka)	Telephone equipment	Furniture and fixtures	8,480	Telephone rights	153	Shinjuku Call Center (Shinjuku-ku, Tokyo)	Telephone equipment	Furniture and fixtures	15,410	Vehicles	474	Telephone rights	357	Ibaraki Office (Tsuchiura City, Ibaraki)	Business property	Furniture and fixtures	350	Vehicles	960
Location	Use	Category	Impairment losses																										
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		Vehicles	960																										
	<p>As a rule, the Group groups its operations by business segments and business sites for accounting purposes in order to constantly monitor profitability.</p> <p>The above impairment losses of 43,962 thousand yen represents the reduction in the book value of assets to the amount that can be recovered in conjunction with the downsizing of other business (Handling applications for fixed-line communication service contracts).</p> <p>The recoverable amount is based on estimated net sales proceeds, which are nil because the Group believes it will be difficult to sell these assets. The recoverable amount for office equipment is based on the value obtained from using this equipment, which is calculated based on estimates of future cash flows.</p>																												

Notes to Consolidated Statement of Changes in Shareholders' Equity

FY2006 (Jan. 1, 2006 – Dec. 31, 2006)

1. Type and number of outstanding shares and treasury stocks

	Number of shares as of Dec. 31, 2005 (Shares)	Increase during the year (Shares)	Decrease during the year (Shares)	Number of shares as of Dec. 31, 2006 (Shares)
Outstanding shares				
Common shares	65,961.18	129.00	-	66,090.18
Total	65,961.18	129.00	-	66,090.18
Treasury stock				
Common shares	3,033.50	-	-	3,033.50
Total	3,033.50	-	-	3,033.50

Note: The increase in the number of common shares issued (129 shares) is due to the issue of new shares resulting from the exercise of stock acquisition rights.

2. Items related to acquisition rights for new shares and treasury stock

Item	Stock acquisition rights (itemized)	Type of shares under stock acquisition rights	Number of shares under stock acquisition rights (Shares)				Balance as of Dec. 31, 2006 (Thousand yen)
			As of Dec. 31, 2005	Increase during the year	Decrease during the year	As of Dec. 31, 2006	
Reporting company	Stock acquisition rights by way of stock options	Common shares	2,527.5	654.0	523.5	2,658	-

3. Dividends

(1) Dividends payment

Resolution	Type of share	Total amount of dividend (Thousand yen)	Dividend per share (Yen)	Record date	Effective date
General meeting of shareholders on March 30, 2006	Common shares	62,927	1,000	December 31, 2005	March 31, 2006

(2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year

Resolution	Type of share	Total amount of dividend (Thousand yen)	Source of funds	Dividend per share (Yen)	Record date	Effective date
General meeting of shareholders on March 29, 2007	Common shares	81,973	Retained earnings	1,300	December 31, 2006	March 30, 2007

Notes to Consolidated Statements of Cash Flows

Thousand yen

FY2005 (Jan. 1 – Dec. 31, 2005)	FY2006 (Jan. 1 – Dec. 31, 2006)
<p>*1. Reconciliation of cash and cash equivalents of the statements of cash flows and account balances of balance sheets for the year is made as follows:</p> <p style="text-align: right;">Cash on hand and in banks <u>1,517,834</u> Cash and cash equivalents 1,517,834</p>	<p>*1. Reconciliation of cash and cash equivalents of the statements of cash flows and account balances of balance sheets for the year is made as follows:</p> <p style="text-align: right;">Cash on hand and in banks <u>1,897,932</u> Cash and cash equivalents 1,897,932</p>
<p>*2. Assets and liabilities increased by business transferred during the fiscal year are as follows:</p> <p style="text-align: right;">Fixed assets <u>24,040</u> Total assets 24,040</p>	<p>*2. Assets and liabilities increased by business transferred during the fiscal year are as follows:</p> <p style="text-align: right;">Fixed assets <u>15,079</u> Total assets 15,079</p>

Leases

No reportable information.

Securities

FY2005 (As of Dec. 31, 2005)

1. Other securities with market quotations

Thousand yen

	Segment	Acquisition cost	Carrying value	Valuation gain/loss
Securities whose carrying value exceeds their acquisition cost	Others	100,000	105,688	5,688

2. Other securities sold during current consolidated fiscal year (Jan. 1 – Dec. 31, 2005)

No reportable information.

3. Securities without market quotations

No reportable information.

FY2006 (As of Dec. 31, 2006)

1. Other securities with market quotations

Thousand yen

	Segment	Acquisition cost	Carrying value	Valuation gain/loss
Securities whose acquisition cost exceeds their carrying value	Others	100,000	99,415	(584)

2. Other securities sold during current consolidated fiscal year (Jan. 1 – Dec. 31, 2006)

Thousand yen

Aggregate sales amount	Aggregate gain	Aggregate loss
138,308	30,055	-

3. Securities without market quotations

Thousand yen

	Carrying value
Other securities	
Non-listed securities	5,000
Non-listed stock acquisition rights	250

Derivatives

FY2005 (Jan. 1 – Dec. 31, 2005)

No reportable information. The Group did not have derivative transactions.

FY2006 (Jan. 1 - Dec. 31, 2006)

No reportable information. The Group did not have derivative transactions.

Retirement Benefits

1. Retirement benefit plan

FY2005 (As of Dec. 31, 2005)	FY2006 (As of Dec. 31, 2006)
The Company and its domestic consolidated subsidiaries have defined benefit plan, i.e., a lump-sum pension plan.	Same as on the left.

2. The following table sets forth the funded and accrued status of the plans

Thousand yen

	FY2005 (As of Dec. 31, 2005)	FY2006 (As of Dec. 31, 2006)
(1) Retirement benefit obligation	(24,463)	(29,314)
(2) Liability for employees' retirement benefits	(24,463)	(29,314)

* The projected retirement benefit obligation is computed by the simple method.

3. The following table sets forth the components of retirement benefit expenses

Thousand yen

	FY2005 (Jan. 1 – Dec. 31, 2005)	FY2006 (Jan. 1 – Dec. 31, 2006)
Service cost	7,517	11,911
Retirement benefit expenses	7,517	11,911

4. The assumptions used in accounting for the above plans were as follows

	FY2005 (As of Dec. 31, 2005)	FY2006 (As of Dec. 31, 2006)
(1) Method of computing retirement benefit obligation	To provide for employee retirement benefits, the Company provides an allowance for retirement benefits in the amount deemed to have accrued if all eligible employees terminated employment on the balance sheet date.	Same as on the left.
(2) Years for the amortization of the difference at transition	No reportable information.	Same as on the left.

Stock Options

FY2006 (Jan. 1 – Dec. 31, 2006)

1. Description, size and changes in stock options

(1) Description of stock options

	Stock options (issued in 1999)	Stock options (2000)	Stock options No.1 (2001)
Number and qualifications of individuals to be granted	Company's directors (2) and employees (21)	Company's director (1) and employees (10)	Company's director (1) and employees (24)
Type and number of share (Note 1)	Common shares: 648	Common shares: 126	Common shares: 522
Grant date	November 12, 1999	March 15, 2000	April 6, 2001
Terms of exercise	Of the persons granted the stock options must maintain the position of director, auditor or an employee (or a contract employees) of the Company or its subsidiary from the date of grant (November 12, 1999) to the date of the establishment of the right of exercise (November 12, 2001).	Of the persons granted the stock options must maintain the position of director, auditor or an employee (or a contract employees) of the Company or its subsidiary from the date of grant (March 15, 2000) to the date of the establishment of the right of exercise (March 16, 2002).	Of the persons granted the stock options must maintain the position of director, auditor or an employee (or a contract employees) of the Company or its subsidiary from the date of grant (April 6, 2001) to the date of the establishment of the right of exercise (April 1, 2002).
Period of service for eligibility	Nov. 12, 1999 – Nov. 11, 2001	Mar. 15, 2000 – Mar. 15, 2002	Apr. 6, 2001 – Mar. 31, 2002
Exercise period	8 years (Nov. 12, 2001 – Nov. 11, 2009)	8 years (Mar. 16, 2002 – Mar. 15, 2010)	9 years (Apr. 1, 2002 – Mar. 29, 2011)
Exercise price (yen)	92,593	94,445	73,022
Average stock price at the time of exercise (yen)	-	-	-
Fair value at the grant date (Note 2) (yen)	-	-	-

	Stock options No. 2 (2001)	Stock options No. 1 (2002)	Stock options No. 2 (2002)
Number and qualifications of individuals to be granted	Company's employees (31)	Company's director (1) and employees (49)	Company's employees (10)
Type and number of share (Note 1)	Common shares: 612	Common shares: 672	Common shares: 219
Grant date	April 6, 2001	April 5, 2002	April 5, 2002
Terms of exercise	Of the persons granted the stock options must maintain the position of director, auditor or an employee (or a contract employees) of the Company or its subsidiary from the date of grant (April 6, 2001) to the date of the establishment of the right of exercise (April 1, 2003).	Of the persons granted the stock options must maintain the position of director, auditor or an employee (or a contract employees) of the Company or its subsidiary from the date of grant (April 5, 2002) to the date of the establishment of the right of exercise (April 1, 2003).	Of the persons granted the stock options must maintain the position of director, auditor or an employee (or a contract employees) of the Company or its subsidiary from the date of grant (April 5, 2002) to the date of the establishment of the right of exercise (April 1, 2004).
Period of service for eligibility	Apr. 6, 2001 – Mar. 31, 2003	Apr. 5, 2002 – Mar. 31, 2003	Apr. 5, 2002 – Mar. 31, 2004
Exercise period	8 years (Apr. 1, 2003 – Mar. 29, 2011)	4 years (Apr. 1, 2003 – Mar. 28, 2007)	3 years (Apr. 1, 2004 – Mar. 28, 2007)
Exercise price (yen)	73,022	73,888	73,888
Average stock price at the time of exercise (yen)	118,400	134,625	132,000
Fair value at the grant date (Note 2) (yen)	-	-	-

	Stock options (2003)	Stock options (2005)	Stock options (2006)
Number and qualifications of individuals granted the stock options	Company's employees (2)	Company's employees (120)	Company's employees (130)
Type and number of stock options (see note1)	Common shares: 300	Common shares: 1,304	Common shares: 654
Date of grant of stock options	September 1, 2003	May 11, 2005	April 28, 2006
Terms of exercise	Of the persons granted the stock options must maintain the position of director, auditor or an employee (or a contract employees) of the Company or its subsidiary from the date of grant (September 1, 2003) to the date of the establishment of the right of exercise (April 1, 2004).	Of the persons granted the stock options must maintain the position of director, auditor or an employee (or a contract employees) of the Company or its subsidiary from the date of grant (May 11, 2005) to the date of the establishment of the right of exercise (April 1, 2007).	Of the persons granted the stock options must maintain the position of director, auditor or an employee (or a contract employees) of the Company or its subsidiary from the date of grant (April 28, 2006) to the date of the establishment of the right of exercise (April 1, 2008).
Period of service for eligibility	Sep. 1, 2003 – Mar. 31, 2004	May 11, 2005 – Mar. 31, 2007	Apr. 28, 2006 – Mar. 31, 2008
Exercise period	4 years (Apr. 1, 2004 – Mar. 27, 2008)	5 years (Apr. 1, 2007 – Mar. 31, 2012)	5 years (Apr. 1, 2008 – Mar. 31, 2013)
Exercise price (yen)	57,334	105,000	146,000
Average stock price at the time of exercise (yen)	-	-	-
Fair value (date of issue) (see note2) (yen)	-	-	-

Notes: 1. Figures are presented as equivalent number of shares. The number of shares is adjusted for stock-splits conducted after the grant of the stock options.

2. Not presented since the stock options were issued without receipt of consideration before the Company Act went into force.

(2) Size and changes in stock options

The following statement includes stock options valid during the current fiscal year and is presented as the number of shares resulting from the exercise of the stock options.

Number of stock options

After rights ascertainment

	Stock options (1999)	Stock options (2000)	Stock options No.1 (2001)	Stock options No.2 (2001)	Stock options No.1 (2002)	Stock options No.2 (2002)	Stock options (2003)
As of Dec. 31, 2005	283.5	45.0	279.0	198.0	387.0	27.0	150.0
Rights ascertained	-	-	-	-	-	-	-
Rights exercised	-	-	-	63.0	48.0	18.0	-
Invalidated	67.5	9.0	18.0	-	15.0	-	-
Balance of unexercised rights	216.0	36.0	261.0	135.0	324.0	9.0	150.0

Before rights ascertainment

	Stock options (2005)	Stock options (2006)
As of Dec. 31, 2005	1,158.0	-
Issued	-	654.0
Invalidated	211.0	74.0
Rights ascertained	-	-
Rights not ascertained	947.0	580.0

2. Impact on consolidated financial statements

The stock options, which were issued by the Company, have no impact on the consolidated financial statements since they were issued before the Company Act went into force.

Deferred Income Taxes

Thousand yen

FY2005 (As of Dec. 31, 2005)	FY2006 (As of Dec. 31, 2006)
1. Major components of deferred tax assets	1. Major components of deferred tax assets
Deferred tax assets	Deferred tax assets
Lump-sum amortized assets	Lump-sum amortized assets
2,990	8,271
Accrued enterprise taxes	Accrued enterprise taxes
29,695	26,695
Amortization of goodwill in excess of tax limits	Amortization of goodwill in excess of tax limits
13,592	11,183
Provision of reserve for employees' bonuses not included in expenses	Provision of reserve for employees' bonuses not included in expenses
21,729	25,385
Provision of allowance for early subscription cancellations not included in expenses	Provision of allowance for early subscription cancellations not included in expenses
31,835	7,656
Provision of liability for employees' retirement benefits in excess of maximum amount allowed for inclusion in expenses	Provision of liability for employees' retirement benefits not included in expenses
9,589	10,666
Provision of accrued directors' severance benefits not included in expenses	Provision of accrued directors' severance benefits not included in expenses
12,787	12,787
Loss on revaluation of memberships not included in expenses	Provision of impairment losses not included in expenses
1,581	17,892
Provision of allowance for doubtful accounts in excess of maximum amount allowed for inclusion in expenses	Provision of accrued bonuses not included in expenses
490	15,726
Loss on revaluation of investment securities not included in expenses	Consolidated intra-company profit elimination
12,210	38,374
Loss carried forward (subsidiary)	Loss carried forward (subsidiary)
52,375	58,054
Sub-total	Other
188,878	9,204
Valuation reserve	Sub-total
(55,977)	241,900
Total deferred tax assets	Valuation reserve
132,900	(69,694)
	Total deferred tax assets
	172,205
	Net deferred tax assets
	172,205
Deferred tax liabilities	
Net unrealized holding gain on securities	
(2,315)	
Total deferred tax liabilities	
(2,315)	
Net deferred tax assets	
130,585	
2. Significant sources of the difference between the statutory and effective tax rates	2. Significant sources of the difference between the statutory and effective tax rates
Statutory tax rate	Statutory tax rate
40.7%	40.7%
(Adjustments)	(Adjustments)
Entertainment expenses and other items not included in expenses indefinitely	Entertainment expenses and other items not included in expenses indefinitely
1.3%	1.2%
Residential tax for the period (straight-line)	Residential tax for the period (straight-line)
2.5%	2.7%
Tax on reserved income of family-owned companies	Tax on reserved income of family-owned companies
1.7%	1.5%
Unrecognized tax effect of subsidiaries	Unrecognized tax effect of subsidiaries
1.9%	0.9%
Others	Others
(0.2)%	(0.3)%
Effective tax rate	Effective tax rate
47.9%	46.7%

Business Combination Accounting

(Transactions under common control based on business combination accounting)

FY2006 (Jan. 1 – Dec. 31, 2006)

1. Name, activities, legal format, post-combination name and business summary including purpose of combination

(1) Name and activities of combined company or business

Company name	Business unit	Main business
Nikka Co., Ltd.	Mobile phone sales business	Operation of SoftBank Shops

(2) Legal format of business combination

Business transfer

(3) Name following business combination

No change

(4) Business summary, including purpose of combination

1) Purpose of business transfer

The purpose is to reduce the Bell-Park Group's administrative activities and raise operating efficiency by facilitating the centralized management of the mobile phone sales business and the SoftBank Shops operated by Bell-Park.

2) Transfer date

December 31, 2006

2. Summary of accounting method

Accounting methods used for this transfer as a transaction under common control are based on "Accounting Standard for Business Combination" (Business Accounting Council, October 31, 2003) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10: Accounting Standards Board of Japan, December 27, 2005).

Segment Information

a. Operating segment information

FY2005 (Jan. 1 - Dec. 31, 2005)

Thousand yen

	Mobile phone sales business	Network business	Staffing services business	Total	Elimination or corporate	Consolidated
I Net sales and operating income (loss)						
Net sales						
(1) Sales to third parties	22,929,819	582,875	842,794	24,355,489	-	24,355,489
(2) Internal sales and transfers	-	-	87,943	87,943	[87,943]	-
Total	22,929,819	582,875	930,738	24,443,433	[87,943]	24,355,489
Operating expenses	21,406,132	781,357	960,776	23,148,266	258,462	23,406,729
Operating income (loss)	1,523,686	(198,482)	(30,037)	1,295,166	[346,406]	948,760
II. Assets, depreciation and capital expenditure						
Assets	5,080,258	163,901	251,797	5,495,957	1,314,625	6,810,583
Depreciation	46,526	20,950	3,789	71,266	4,855	76,121
Capital expenditures	106,684	82,654	9,984	199,323	5,723	205,047

Notes:

- Operating segments are classified on the basis of products, the type and nature of services.
- Principal products and services in each operating segment are as follows:
 - Mobile phone sales business: Mobile phone sales and accepting applications for mobile phone service
 - Network business: Handling applications for fixed-line communication service contracts
 - Staffing services business: Provision of temporary employees to companies, and recruiting and training employees for other companies
- Among operating expenses, the undistributed operating expenses listed under "Eliminations or corporate" amounted to 361,458 thousand yen. The undistributed operating expenses generally comprise expenses associated with the administrative departments of the Company.
- Assets included in eliminations or corporate total 1,473,398 thousand yen the principal components of which are idle funds under management (cash and securities available for sale) and assets of the administration division.
- Operating segment information is not provided for prior periods since the share of the mobile phones sales business segment exceeded 90% each of the combined sales, operating income, and assets of all segments. Effective from the current fiscal year, the network business segment is presented as a separate line item since the segment's operating loss exceeds 10% of the combined operating income of all segments.

Thousand yen

	Mobile phone sales business	Staffing services business	Other business	Total	Elimination or corporate	Consolidated
I Net sales and operating income (loss)						
Net sales						
(1) Sales to third parties	22,579,111	1,310,735	466,525	24,356,373	-	24,356,373
(2) Internal sales and transfers	-	220,287	-	220,287	[220,287]	-
Total	22,579,111	1,531,022	466,525	24,576,660	[220,287]	24,356,373
Operating expenses	20,975,397	1,529,076	587,065	23,091,538	188,676	23,280,215
Operating income (loss)	1,603,714	1,946	(120,539)	1,485,121	[408,963]	1,076,157
II. Assets, depreciation and capital expenditure						
Assets	5,764,636	235,510	66,213	6,066,360	1,723,384	7,789,745
Depreciation	47,952	2,313	17,093	67,359	6,763	74,123
Impairment losses	-	-	43,962	43,962	-	43,962
Capital expenditures	147,713	1,397	1,133	150,244	6,719	156,964

Notes:

- Operating segments are classified on the basis of products, the type and nature of services.
- Principal products and services in each operating segment are as follows:
 - Mobile phone sales business: Mobile phone sales and accepting applications for mobile phone service
 - Staffing services business: Provision of temporary employees to companies, and recruiting and training employees for other companies
 - Other business: Handling applications for fixed-line communication service contracts
- Among operating expenses, the undistributed operating expenses listed under "Eliminations or corporate" amounted to 425,038 thousand yen. The undistributed operating expenses generally comprise expenses associated with the administrative departments of the Company.
- Assets included in eliminations or corporate total 1,737,559 thousand yen the principal components of which are idle funds under management (cash and securities available for sale) and assets of the administration division.
- Change in business segment

In prior periods, the Company's operations were classified mainly into three operating segments, "Mobile phone sales business," "Network business" and "Staffing services business," however, effective from the current fiscal year 2006, the Company has renamed the Network Business segment the Other Business segment. This action was taken because sales, operating income and assets in the former Network Business segment account for less than 10% of these figures for all business segments. Furthermore, the Company plans to significantly downsize the Network Business.

Segment information for FY2005 would be as follows if we used business segmentation recently introduced starting this FY2006.

Thousand yen

	Mobile phone sales business	Staffing services business	Other business	Total	Elimination or corporate	Consolidated
I Net sales and operating income (loss)						
Net sales						
(1) Sales to third parties	22,929,819	842,794	582,875	24,355,489	-	24,355,489
(2) Internal sales and transfers	-	87,943	-	87,943	[87,943]	-
Total	22,929,819	930,738	582,875	24,443,433	[87,943]	24,355,489
Operating expenses	21,406,132	960,776	781,357	23,148,266	258,462	23,406,729
Operating income (loss)	1,523,686	(30,037)	(198,482)	1,295,166	[346,406]	948,760
II. Assets, depreciation and capital expenditure						
Assets	5,080,258	251,797	163,901	5,495,957	1,314,625	6,810,583
Depreciation	46,526	3,789	20,950	71,266	4,855	76,121
Capital expenditures	106,684	9,984	82,654	199,323	5,723	205,047

b. Geographical segment information

FY2005 (Jan. 1 - Dec. 31, 2005)

Geographic segment information is not presented since the Company did not have consolidated subsidiaries in areas other than Japan.

FY2006 (Jan. 1 - Dec. 31, 2006)

Geographic segment information is not presented since the Company did not have consolidated subsidiaries in areas other than Japan.

c. Overseas Sales

FY2005 (Jan. 1 - Dec. 31, 2005)

The Company operates mainly in Japan and has no overseas sales.

FY2006 (Jan. 1 - Dec. 31, 2006)

The Company operates mainly in Japan and has no overseas sales.

Related Party Transactions

FY2005 (Jan. 1 - Dec. 31, 2005)

Thousand yen

Relationships	Name	Address	Capital contribution	Occupation	Voting Power	Dual roles in directorship	Business relationship
Company with beneficial shareholders (directors and their close relatives) holding majority of voting rights	Telec Co., Ltd. *2	Tennouji-ku Osaka	50,350	Mobile phone sales	-	1	Signed an agency agreement concerning mobile phones sales business
Relationships	Name	Types of transaction	Transaction amount	Account	Balance at year-end		
Company with beneficial shareholders (directors and their close relatives) holding majority of voting rights	Telec Co., Ltd. *2	Purchase of operating and other assets *3	19,289	Accounts payable-other	7,344		
		Payment for sales commissions *4	94,469	-	-		
Relationships	Name	Address	Capital contribution	Occupation	Voting Power	Dual roles in directorship	Business relationship
Corporate auditor	Takahisa Yamakawa	-	-	Corporate auditor, and attorney	-	-	-
Relationships	Name	Types of transaction	Transaction amount	Account	Balance at year-end		
Corporate auditor	Takahisa Yamakawa	Legal fees *5	2,208	-	-		

Notes: 1. The above transaction amounts do not include consumption taxes.

*2. The Chairman and Director, Osanori Ito, serves concurrently as representative director of Telec Co., Ltd. Osanori Ito and his close relatives hold 100% of the voting rights of Telec Co., Ltd.

*3. The transfer prices of operating assets were negotiated on the basis of the values of the respective assets assessed by reference to their book values on Telec Co., Ltd.'s balance sheet.

*4. Sales commissions, like terms and conditions of regular transactions, are determined on an arms-length basis by reference to prevailing market prices.

*5. Legal fees, like terms and conditions of regular transactions, are determined on an arms-length basis.

Relationships	Name	Address	Capital contribution	Occupation	Voting Power	Dual roles in directorship	Business relationship
Company with beneficial shareholders (directors and their close relatives) holding majority of voting rights	Telec Co., Ltd. *2	Tennouji-ku Osaka	50,350	Mobile phone sales	-	1	Signed an agency agreement concerning mobile phones sales business
Relationships	Name	Types of transaction	Transaction amount	Account	Balance at year-end		
Company with beneficial shareholders (directors and their close relatives) holding majority of voting rights	Telec Co., Ltd. *2	Payment for sales commissions	3,294	-	-		
Relationships	Name	Address	Capital contribution	Occupation	Voting Power	Dual roles in directorship	Business relationship
Corporate auditor	Takahisa Yamakawa	-	-	Corporate auditor, and attorney	-	-	-
Relationships	Name	Types of transaction	Transaction amount	Account	Balance at year-end		
Corporate auditor	Takahisa Yamakawa	Legal fees *3	1,811	-	-		

Notes: 1. The above transaction amounts do not include consumption taxes. Year-end balances include consumption taxes.

*2. The Chairman and Director, Osanori Ito, serves concurrently as representative director of Telec Co., Ltd. Osanori Ito and his close relatives hold 100% of the voting rights of Telec Co., Ltd.

*3. Legal fees, like terms and conditions of regular transactions, are determined on an arms-length basis.

Per Share Information

FY2005 (Jan. 1 – Dec. 31, 2005)		FY2006 (Jan. 1 – Dec. 31, 2006)	
	Yen		Yen
Net assets per share	53,774.30	Net assets per share	61,599.13
Net income per share (basic)	7,617.43	Net income per share (basic)	8,847.24
Net income per share (diluted)	7,583.04	Net income per share (diluted)	8,799.50

Note: The following is a reconciliation of net income per share (basic) and net income per share (diluted).

Thousand yen

	FY2005 (Jan. 1 – Dec. 31, 2005)	FY2006 (Jan. 1 – Dec. 31, 2006)
Net income per share (basic)		
Net income	483,206	557,515
Amount not available to common shareholders	-	-
[of which bonuses to directors in the appropriation of retained earnings]	[-]	[-]
Net income available to common shares	483,206	557,515
Average number of shares outstanding	63,434.33 shares	63,015.76 shares
Net income per share (diluted)		
Increase in the number of common shares	287.61 shares	341.85
[of which stock acquisition rights]	[287.61]	[341.85]
Summary of potential stock not included in the calculation of "net income per share (diluted)" since there was no dilutive effect in the period	<p>Stock subscription rights under the provisions of Article 280-19 of the Commercial Code of Japan: (Approved at the Extraordinary General Meeting of Shareholders held on Nov. 11, 1999) Number of shares to be issued: 283.5 shares Exercise price: 92,593 yen</p> <p>(Approved at the General Meeting of Shareholders held on Mar. 15, 2000) Number of shares to be issued: 45.0 shares Exercise price: 94,445 yen</p> <p>Stock acquisition rights under the provisions of Article 280-20 and 280-21 of the Commercial Code of Japan: (Approved at the General Meeting of Shareholders held on Mar. 29, 2005) Number of shares to be issued: 1,158.0 shares Exercise price: 105,000 yen</p>	<p>Stock acquisition rights under the provisions of Article 280-20 and 280-21 of the Commercial Code of Japan: (Approved at the General Meeting of Shareholders held on Mar. 29, 2005) Number of shares to be issued: 947.0 shares Exercise price: 105,000 yen</p> <p>(Approved at the General Meeting of Shareholders held on Mar. 30, 2006) Number of shares to be issued: 580.0 shares Exercise price: 146,000 yen</p>

Subsequent Events

No reportable information.

(2) Others

No reportable information.

6. Production, Orders and Sales

(1) Production

No reportable information since the Group has any manufacturing operations.

(2) Procurement

Procurement by products line for the current fiscal year as follows:

Thousand yen

Business by segment	FY2006 (Jan. 1 - Dec. 31, 2006)	Vs. previous year
Mobile phone sales business	16,331,744	97.0%
Staffing services business	70	7.4%
Total	16,331,815	97.0%

Notes:

1. Amounts are based on purchase prices.
2. The above amounts are exclusive of consumption taxes.

(3) Orders

No reportable information since the Group has not accepts advance orders.

(4) Sales

Schedule of sales for the current fiscal year as follows:

Thousand yen

Business by segment	Item	FY2006 (Jan. 1 - Dec. 31, 2006)	Vs. previous year
Mobile phone sales business	Merchandise sales	6,845,937	168.9%
	Commissions received	15,733,174	83.3%
	Sub-total	22,579,111	98.5%
Staffing services business	Sales	1,310,735	155.5%
Other business	Commissions received	466,525	80.0%
Total		24,356,373	100.0%

Notes:

1. Inter-segment transactions are set off and eliminated.
2. Effective from the current fiscal year, the Company has reclassified and renamed the Network Business segment the Other Business segment.
3. Sales to principal customers and their shares of total sales for FY2005 and FY2006:

Thousand yen

Customer	FY2005 (Jan. 1 - Dec. 31, 2005)		FY2006 (Jan. 1 - Dec. 31, 2006)	
	Amount	Share	Amount	Share
SOFTBANK MOBILE Corp.	19,223,214	78.9%	15,950,993	65.5%

* Vodafone K.K. changed its name to SOFTBANK MOBILE Corp. effective October 1, 2006.

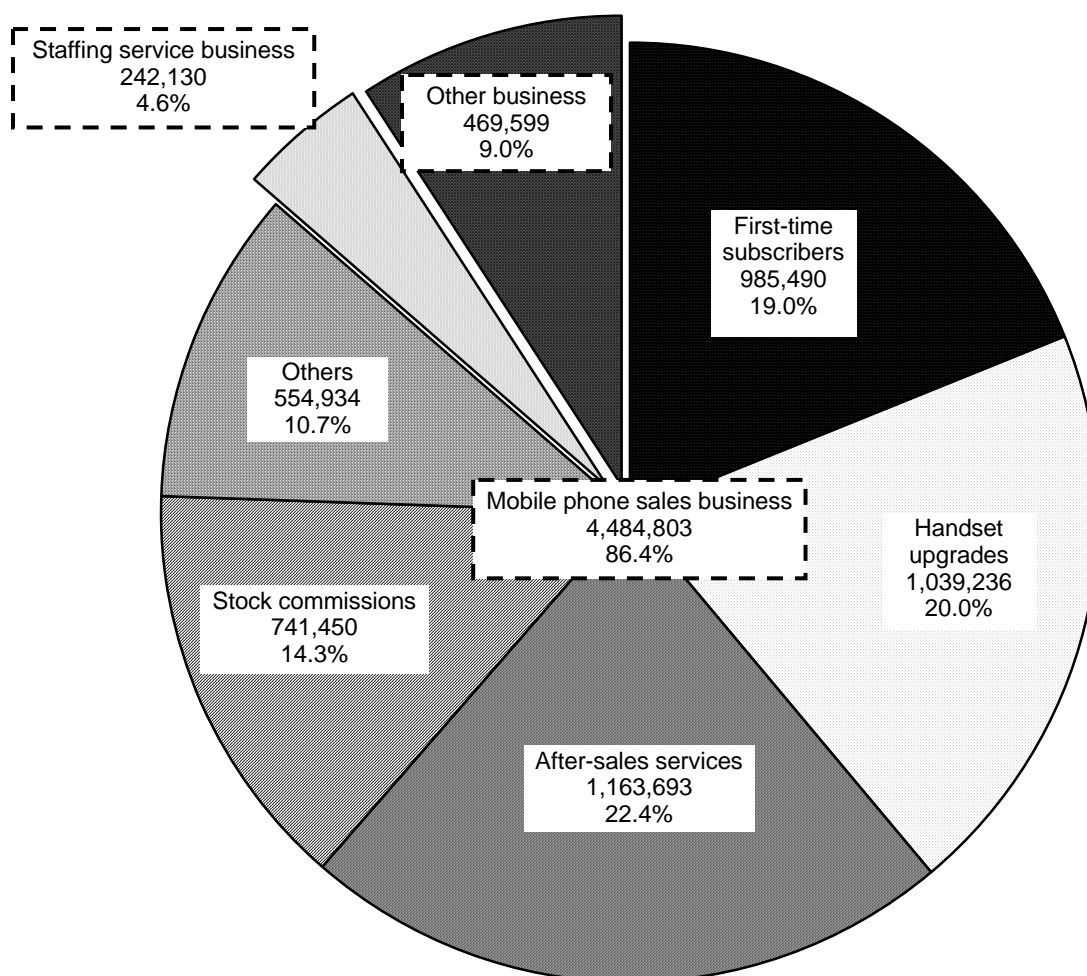
4. The above amounts are exclusive of consumption taxes.

(Reference)

1. Composition of Consolidated Gross Profit

The composition of consolidated gross profit for the fiscal year ended December 31, 2006 (Jan. 1 –Dec. 31, 2006) is as follows:

(Thousand yen)



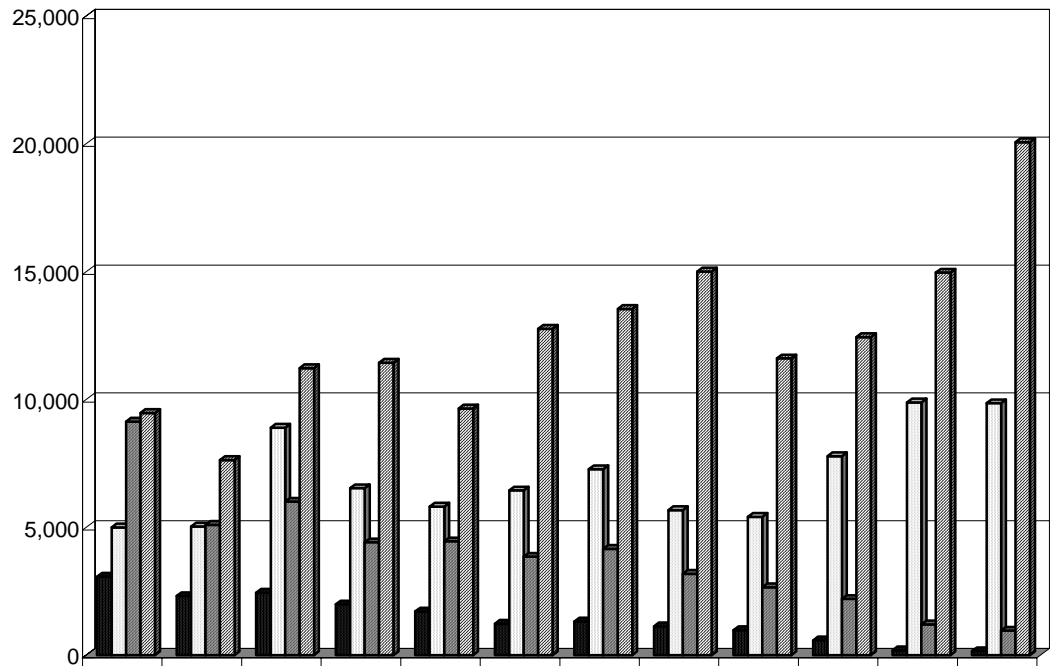
- # After-sales service: Services on consignment from mobile communication carriers including handset upgrades, service plan changes, repair and maintenance.
- # Others: Prepaid mobile phones, accessories, etc.
- # First-time subscribers: Total of 2G and 3G first-time subscribers
- Handset upgrades: Total of 2G and 3G handset upgrades

(Reference)

2. Number of Mobile Phones Sold

Monthly unit sales for the fiscal year ended December 31, 2006 are summarized below.

(Units)



	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
■ First-time subscribers (2G)	3,066	2,305	2,442	1,982	1,707	1,227	1,313	1,123	972	570	187	154
□ First-time subscribers (3G)	4,992	5,028	8,896	6,524	5,804	6,436	7,272	5,670	5,405	7,778	9,881	9,852
■ Handset upgrades (2G)	9,133	5,094	5,998	4,409	4,447	3,845	4,150	3,172	2,652	2,192	1,198	956
■ Handset upgrades (3G)	9,474	7,633	11,227	11,434	9,645	12,764	13,536	15,007	11,607	12,439	14,959	20,062