

## Financial Results for the Fiscal Year Ended December 31, 2007

Company name: Bell-Park Co., Ltd. Stock exchange listing: JASDAQ  
 Stock code: 9441 URL: <http://www.bellpark.co.jp>  
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Scheduled date of General Meeting of Shareholders: March 27, 2008

Scheduled date of filing of Annual Security Report: March 28, 2008

Scheduled date of payment of dividend: March 28, 2008

*(Figures are rounded down to the nearest million yen)*

### 1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2007 (January 1 – December 31, 2007)

(1) Consolidated results of operations *(Percentages represent year-on-year changes)*

	Net sales		Operating income		Ordinary income	
	Million yen	%	Million yen	%	Million yen	%
Year ended December 2007	31,453	29.1	1,684	56.5	1,685	54.9
Year ended December 2006	24,356	0.0	1,076	13.4	1,087	15.0

	Net income		Net income per share (basic)	Net income per share (diluted)
	Million yen	%	Yen	Yen
Year ended December 2007	840	50.8	13,135.00	13,063.51
Year ended December 2006	557	15.4	8,847.24	8,799.50

	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	%	%	%
Year ended December 2007	19.5	18.7	5.4
Year ended December 2006	15.3	14.9	4.4

Reference: Equity in earnings of affiliates (million yen) Dec. 2007: - Dec. 2006: -

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2007	10,231	4,750	46.4	73,817.27
As of December 31, 2006	7,789	3,884	49.9	61,599.13

Reference: Shareholders' equity (million yen) Dec. 2007: 4,750 Dec. 2006: 3,884

(3) Consolidated cash flow position

	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 2007	213	(581)	24	1,555
Year ended December 2006	553	(11)	(161)	1,897

### 2. Dividends

Record date	Dividend per share			Total dividends (annual)	Dividend payout ratio (consolidated)	Dividend on equity (consolidated)
	Interim	Year-end	Annual			
	Yen	Yen	Yen	Million yen	%	%
Year ended December 2006	-	1,300.00	1,300.00	81	14.7	2.3
Year ended December 2007	-	1,300.00	1,300.00	83	9.9	1.9
Year ending December 2008 (forecast)	-	1,300.00	1,300.00	83	16.7	-

**3. Consolidated Forecasts for the Fiscal Year Ending December 31, 2008 (January 1 – December 31, 2008)***(Percentages represent year-on-year changes)*

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Interim	17,900	19.0	460	(63.6)	460	(63.6)	230	(62.7)	3,574.17
Full year	37,100	18.0	1,000	(40.6)	1,000	(40.7)	500	(40.5)	7,769.93

**4. Others**

(1) Changes in consolidated subsidiaries during the period (changes in scope of consolidation): None

(2) Changes in accounting principles, procedures and presentation methods for preparation of consolidated financial statements

1) Changes caused by revision of accounting standards: Yes

2) Other changes: Yes

(3) Number of shares outstanding (common shares)

1) Number of shares outstanding at the end of period (including treasury stock)

Dec. 2007: 66,928.18 shares      Dec. 2006: 66,090.18 shares

2) Number of treasury stock at the end of period

Dec. 2007: 2,577.50 shares      Dec. 2006: 3,033.50 shares

**(Reference) Summary of Non-consolidated Financial Results****1. Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2007****(January 1 – December 31, 2007)**

(1) Non-consolidated results of operations

*(Percentages represent year-on-year changes)*

	Net sales		Operating income		Ordinary income	
	Million yen	%	Million yen	%	Million yen	%
Year ended December 2007	29,618	59.5	1,647	133.1	1,650	122.2
Year ended December 2006	18,572	(1.3)	706	6.5	742	9.5

	Net income		Net income per share (basic)	Net income per share (diluted)
	Million yen	%	Yen	Yen
Year ended December 2007	808	149.4	12,629.14	12,560.41
Year ended December 2006	324	2.7	5,143.23	5,115.48

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2007	10,059	4,801	47.7	74,616.26
As of December 31, 2006	8,364	3,968	47.4	62,928.04

Reference: Shareholders' equity (million yen)      Dec. 2007: 4,801      Dec. 2006: 3,968

**2. Non-consolidated Forecasts for the Fiscal Year Ending December 31, 2008 (January 1 – December 31, 2008)***(Percentages represent year-on-year changes)*

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Interim	16,700	17.4	460	(63.1)	460	(63.1)	230	(61.7)	3,574.17
Full year	34,600	16.8	980	(40.5)	980	(40.6)	490	(39.4)	7,614.53

**\* Cautionary statement with respect to forward-looking statements**

The above forecasts are based on judgments made in accordance with information currently available. Forecasts therefore embody risks and uncertainties. Actual figures may differ from these forecasts for a number of factors.

Please refer on page 4 for further information concerning these forecasts.

## 1. Results of Operations

### (1) Analysis of Results of Operations

#### 1) Summary

The Japanese economy remained generally firm in the fiscal year under review, despite signs of weakness in some areas such as capital spending. In this environment, the Bell-Park Group focused on making its mobile phone sales business more profitable and on expanding the staffing services business.

Due to the above factors, net sales totaled 31,453 million yen (up 29.1%, compared to the previous fiscal year), operating income 1,684 million yen (up 56.5%), ordinary income 1,685 million yen (up 54.9%), and net income 840 million yen (up 50.8%).

Results by business segment were as follows.

#### Mobile phone sales business

In the mobile phone sales segment, carriers took aggressive steps, launching a variety of new handsets and introducing new marketing methods and rate plans. As a result, demand for new subscriptions swelled, and the mobile communications industry enjoyed a net increase of 5.58 million subscriptions in the fiscal year under review, up from 4.75 million in the same period a year earlier. SoftBank, which is the primary source of products sold by Bell-Park, took many actions to attract subscribers. This company introduced a large number and variety of handsets in multiple colors, innovative rate plans and opened more stores. As a result, SoftBank ranked number one in net subscribership growth for eight straight months beginning in May 2007.

In this environment, the Group concentrated on sales activities that maximize customer satisfaction in order to utilize growth in customer traffic in stores to generate higher sales. Furthermore, in conjunction with SOFTBANK MOBILE's policy of rapidly opening stores, 24 SoftBank shops were opened during the fiscal year under review with the aim of increasing earnings. Furthermore, in November 2007 the Group entered into agreements with two Kansai-region sales agency operators, bringing 20 additional SoftBank Shops under our umbrella and expanding our network in the Kansai region.

Additionally, to address the corporate market, after SOFTBANK MOBILE introduced a new rate plan with corporate customers in mind, the Group reinforced its selling organization to make the most of this business opportunity and cultivate new customers. Along with this, the Group focused on shoring up recruiting, education and training. The Group strengthened its recruiting program and pursued an aggressive recruiting effort. The Group also sought to enhance staff marketing skills by establishing a new training center within Tokyo and increasing the number of training personnel.

Nevertheless, the terms on the commissions received from SOFTBANK MOBILE were lower beginning in the fourth quarter of the fiscal year under review. Moreover, competition among stores became more intense as a result of the rapid increase in the overall number of SoftBank Shops, so the environment surrounding the Company underwent major changes, including a decline in the number of sales per store.

In the fiscal year under review, consolidated segment sales totaled 29,401 million yen (up 30.2%, compared to the previous fiscal year) and operating income was 2,129 million yen (up 32.8%).

#### Staffing services business

Temporary assignment of mobile phone sales staff is the core business of the Group's staffing services segment, and because of the sharp increase in carrier-run stores there has been a continuing shortage of personnel for mobile phone sales agencies. As a result, the demand for temporary staff remains strong. However, thanks to a generally favorable employment environment for workers, it has been difficult to secure temporary workers.

Due to these favorable market conditions, the Group opened a new office in the Tokai region, where growth in demand is foreseen. Sales in this business increased due to growth in the number of temporary staffing personnel in conjunction with an increase in the office network during the current fiscal year. Operating income also rose sharply from the previous fiscal year.

This segment posted sales of 1,986 million yen (up 29.8%, compared to the previous fiscal year) and an operating income of 6 million yen (up 216.3%) in the fiscal year under review.

#### Other business

This business segment, which primarily consists of handling applications for fixed-line communications service contracts, returned to the black this fiscal year after we relocated the Shinjuku call center to Chiyoda Ward in February 2007, and worked to improve efficiency by sharply downsizing operations.

In the fiscal year under review, segment sales totaled 222 million yen (down 52.3%, compared to the previous fiscal year) and operating income 27 million yen (120 million yen loss one year earlier).

#### 2) Outlook for the next fiscal year

The Japanese economy can be expected to slow somewhat in the coming fiscal year. There is growing uncertainty about consumer spending and corporate profits as a result of the direction of the value of the yen and the price of crude oil as well as the downturn in earnings at financial institutions that has been caused by the subprime mortgage crisis that has its roots in the US.

In this environment, although the mobile phone sales market cannot be expected to enjoy the kind of rapid growth that it has seen in the past now that the total number of mobile phone lines has exceeded 100 million, we nevertheless expect to see growth in new demand again in the coming fiscal year thanks to the introduction new handsets, the rolling out of new rate plans, and more severe competition among carriers. At the same time, because carriers have introduced installment sales plans, the handset replacement cycle for existing users may become longer and demand may decline. Additionally, we recognize that shoring up the marketing prowess of our outlets will be a major issue as competition among stores intensifies as a result of the substantial increase in the number of SoftBank Shops, which has reduced the number of sales per store and otherwise made the environment difficult for the Company.

Based on this forecast, in the mobile phone sales segment we will focus on investing in effective advertising that increases the number of store visitors, providing training that enhances our personnel's ability to propose solutions to the customers who visit our stores, and developing business resources that raise unit selling prices, in order to boost the profitability at each store. We will also work to strengthen the framework for corporate sales by adding more sales staff.

In the VERTU luxury mobile handsets business, preparations are going smoothly for the scheduled fall 2008 opening of the first store, and we are focusing our efforts on establishing a sales structure as soon as possible after the store is opened.

In the staffing services segment, we are endeavoring to boost results in the core temporary mobile phone sales staff business as well as in the business of providing temporary assistants for large retailers. By continuing to improve the performance of the Tokai office opened in the fiscal year under review, the Company intends to make the three-base network covering the Tokyo-Nagoya-Osaka region even stronger.

With respect to the other business, we intend to continue to operate these businesses efficiently and we will strive to even further enhance profitability.

Based on this outlook, Bell-Park is forecasting net sales of 37,100 million yen (up 18.0%, compared to the fiscal year under review), operating income of 1,000 million yen (down 40.6%), ordinary income of 1,000 million yen (down 40.7%) and net income of 500 million yen (down 40.5%) in 2008.

**(2) Analysis of Financial Position**

## 1) Assets, liabilities and net assets

Total assets increased 2,441 million yen year over year to 10,231 million yen as of December 31, 2007. The main reasons were a 342 million yen decrease in cash on hand and in banks, a 600 million yen increase in accounts receivable-trade and operating accounts receivable, a 1,500 million yen increase in inventories, a 265 million yen increase in property, plant and equipment because of new store openings and a 234 million yen increase in leasehold deposits. The increase in cash on hand and in banks is explained in 2) Cash flows below.

Liabilities increased 1,575 million yen to 5,481 million yen. There was a 676 million yen increase in accounts payable-trade and operating accounts payable, a 120 million yen increase in accrued expenses, a 433 million yen increase in accrued income taxes, and a 125 million yen increase in allowance for early subscription cancellations.

Net assets increased 865 million yen to 4,750 million yen. This was mainly attributable to net income of 840 million yen.

## 2) Cash flows

There was a decrease of 342 million yen in cash and cash equivalents as of December 31, 2007, to 1,555 million yen compared with December 31, 2006.

Net cash provided by operating activities was 213 million yen compared with 553 million yen one year earlier. This was a net result of income before income taxes of 1,733 million yen, allowance for early subscription cancellations of 125 million yen, a 676 million yen increase in accounts payable-trade and operating accounts payable, a 600 million yen increase in accounts receivable-trade and operating accounts receivable, a 1,509 million yen increase in inventories, and income taxes paid of 578 million yen.

Net cash used in investing activities was 581 million yen compared with 11 million yen one year earlier. There were proceeds from 115 million yen in sales of investment securities, payments of 324 million yen for purchase of property, plant and equipment and 304 million yen for leasehold deposits.

Net cash provided by financing activities was 24 million yen compared with net cash used of 161 million yen one year earlier. There were proceeds from issuance of new shares of 66 million yen, proceeds from disposal of treasury stock of 40 million yen, and cash dividends paid of 81 million yen.

(Reference) Trends in cash flow indicators were as follows:

	FY2005	FY2006	FY2007
Shareholders' equity ratio (%)	49.7	49.9	46.4
Shareholders' equity ratio at market cap (%)	103.5	69.0	56.4
Interest-bearing debt to cash flow ratio (%)	-	-	-
Interest coverage ratio	-	403.5	295.0

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 interest-bearing debt to cash flow ratio is calculated by dividing interest-bearing debt by operating cash flows.

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

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

\* Market capitalization is calculated based on the number of shares outstanding (excluding treasury stock)

\* Net cash provided by (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 payments.

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

### **(3) Fundamental Policy Regarding Distribution of Earnings and Dividends for the Current and Next Fiscal Years**

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 planned a year-end dividend applicable to the fiscal year ended December 2007 to 1,300 yen per share. The Company also intends to distribute a year-end dividend of 1,300 yen per share for the fiscal year ending December 2008.

### **(4) Business Risks**

The following is a list of the primary items that represent risks with regard to the Bell-Park Group's business activities. The Group actively 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. Recognizing that these risks may occur, the Group has a policy of taking steps to prevent their occurrence and to prepare responses.

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 are 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 sales 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

The Group 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, proportion of each subscription line's 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 the Group's 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 the Bell-Park Group 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.

#### 7) Mobile Business Study Group

In September 2006, the Ministry of Internal Affairs and Communications announced its "New Competition Promotion Program 2010" for fair rules that can promote competition in the telecommunications market. Along with this, the Mobile Business Study Group was established. This group examined a broad range of issues since January 2007, including the need to revise the framework for sales incentives in the mobile communications industry (Note 1) and the elimination of SIM locks (Note 2) and it released its final report on September 20, 2007. In its final report, in order to clarify murky handset prices and telecommunications charges, the group calls for the partial introduction of rate plans that segregate communications charges and handset prices within fiscal 2008 and the full implementation of such segregated rate plans by 2010. Depending on the direction taken by this study group, handset prices could soar and replacement cycle could become longer if the framework for sales incentives is revised. As a result, the overall size of the mobile phone market could shrink and there could have a significant impact on the Group's results of operations.

##### (Note 1) Sales incentives

Sales incentives are part of the commissions that sales agents receive from mobile communications carriers. These commissions are determined separately for each handset model. To make it easier for current mobile phone subscribers to purchase a new model, carriers pay sales incentives to sales agents for the purpose of funding discounts on new handsets. An amount equal to the sales incentive is subsequently collected by adding this amount to the monthly subscription rate paid by the customer.

##### (Note 2) SIM lock

A SIM (subscriber identity module) is an IC card issued by each mobile communications carrier. This card contains a unique identification number to specify each handset's telephone number. In order to recover sales incentives, carriers design handsets so they can be used only with that carrier's SIM.

If this SIM lock is released, mobile phone service subscribers will be able to use handsets sold by another carrier by simply replacing the SIM card.

#### 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, 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

The Group has contracts with mobile communication carriers 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

The Group 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 the Group's 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 the Bell-Park Group does. 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:

With respect to the leakage of customer information, the Group is striving to reinforce its internal management system through means including employee training. 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.

## **2. Corporate Group**

The Bell-Park group of companies is made up of Bell-Park Co., Ltd. and five consolidated subsidiaries. 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**

Bell-Park Co., Ltd. is 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 through Bell-Park's secondary sales agents.
- 5) Outright sales of mobile phones 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.

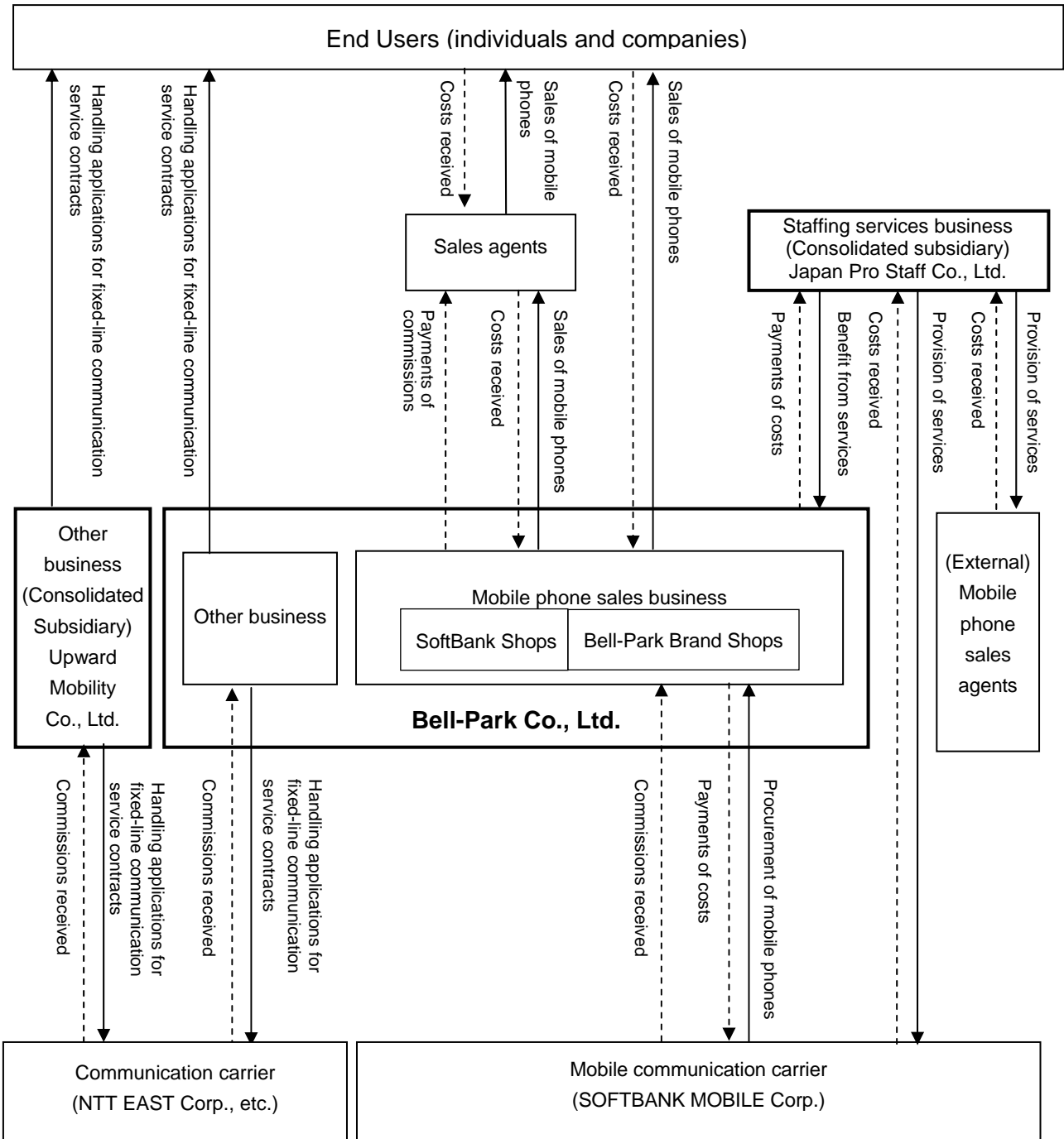
- 1) Supplies personnel mainly to work at retail shops selling mobile phones and other products.
- 2) Trains sales personnel as an agent for mobile communication carriers operating retail shops selling mobile phones.
- 3) Recruits employees for companies.

### **(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.



Note: There are three more consolidated subsidiaries, but these companies are not shown because it has no material impact on consolidated operations.

### **3. 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) 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 Group is also dedicated to the steady growth of staffing services businesses. To execute these strategies and generate new sources of growth, the Group believes that the reliable procurement of funds is a key factor. Therefore, the Group is placing emphasis on (1) increasing ordinary income and (2) increasing cash flow margin.

#### **(3) Medium- and Long-term Strategies**

The mobile phone sales industry –the industry in which the Group operates– underwent dizzying changes in 2006 and 2007, including SoftBank's acquisition of Vodafone Japan, the introduction of number portability system, the entry of new carriers, the introduction of inexpensive rate plans, and the introduction of installment sales as a new sales technique. The Group recognizes that the operating environment will likely change at even faster pace in the future due to the introduction of new technologies and stronger competition on the services front as companies enhance the functionality of their handsets, including the further fusion of Internet and broadcast features.

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**

Along with seeking to expand the size of the business by treating this changing business environment as a business opportunity and adopting an aggressive business stance (such as expanding our sales network), the Group will work to build an efficient framework for operations that will allow it to realize the benefits of scale. In view of market's maturity and its progressive diversification, the Group will at the same time work to diversify its lines of business through means such as strengthening sales to corporate customers and beginning the sale of luxury mobile handsets.

##### **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.

#### **(4) 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

There are two key issues in the mobile phone sales segment:

- Intensifying competition for customers among SoftBank Shops
- Declining commission terms

To address the above issues, the Company will endeavor to expand its store network, improve the sales promotion activities, and differentiate itself from other mobile phone shops in order to increase sales volume, improve commission terms, and otherwise improve its earning power. The Company will consider the expansion of its store network while carefully assessing its cash position and the return on investments.

On June 28, 2007, Bell-Park signed a distributor agreement with VERTU, a manufacturer of luxury mobile handsets. The Company will seek locations for shops, recruit and train shop personnel, and take other actions needed to establish a sound operating framework. The goal is to start operations in the fall of 2008 and steadily expand this business afterward.

##### 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 increasing the size of the temporary staffing workforce at the recently opened offices in Osaka and Nagoya.

##### 3) Other business

In the fixed-line communication service subscription agency business, the Company will create an operating framework that matches the scale of this business in order to improve profitability.

##### 4) Reinforce administrative functions

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

##### 5) Internal control systems

The items concerned have been submitted to JASDAQ Securities Exchange and entered in the "Corporate Governance Statement."

JASDAQ Securities Exchange: <http://jds.jasdaq.co.jp/tekiji/>

## 4. Consolidated Financial Statements

## (1) Consolidated Balance Sheets

Account	FY2006 (As of Dec. 31, 2006)		FY2007 (As of Dec. 31, 2007)	
	Thousand yen	%	Thousand yen	%
<b>Assets</b>				
I. Current assets				
1. Cash on hand and in banks	1,897,932		1,555,296	
2. Accounts receivable -trade and operating accounts receivable	2,969,299		3,569,575	
3. Inventories	1,392,184		2,892,220	
4. Deferred tax assets	63,824		175,596	
5. Other current assets	85,572		131,103	
Allowance for doubtful accounts	(1,816)		(722)	
Total current assets	6,406,996	82.3	8,323,070	81.3
II. Fixed assets				
1. Property, plant and equipment				
(1) Buildings	363,074		590,516	
Accumulated depreciation	95,738	267,336	140,938	449,578
(2) Structure	13,195		30,935	
Accumulated depreciation	2,222	10,973	4,338	26,597
(3) Vehicles	477		789	
Accumulated depreciation	454	23	328	460
(4) Furniture and fixtures	117,679		203,023	
Accumulated depreciation	77,878	39,800	96,153	106,870
Total property, plant and equipment		318,133		583,506
2. Intangible assets		30,135		73,065
3. Investments and other assets				
(1) Investment securities		104,665		34,341
(2) Leasehold deposits		698,653		933,340
(3) Deferred tax assets		108,381		103,431
(4) Others		124,438		180,591
Allowance for doubtful accounts		(1,658)		-
Total investments and other assets		1,034,480		1,251,704
Total fixed assets		1,382,749		1,908,276
Total assets		7,789,745		10,231,346
		100.0		100.0

Account	FY2006 (As of Dec. 31, 2006)		FY2007 (As of Dec. 31, 2007)	
	Thousand yen	%	Thousand yen	%
<b>Liabilities</b>				
I. Current liabilities				
1. Accounts payable –trade and operating accounts payable	2,659,594		3,336,117	
2. Accounts payable –other	121,478		189,636	
3. Accrued expenses	338,482		459,481	
4. Accrued income taxes	302,923		736,598	
5. Reserve for employees' bonuses	55,862		79,580	
6. Allowance for early subscription cancellations	18,812		144,161	
7. Other current liabilities	323,468		410,597	
Total current liabilities	3,820,622	49.0	5,356,174	52.4
II. Long-term liabilities				
1. Liability for employees' retirement benefits	29,314		39,063	
2. Other long-term liabilities	55,572		85,917	
Total long-term liabilities	84,886	1.1	124,981	1.2
Total liabilities	3,905,509	50.1	5,481,155	53.6
<b>Net assets</b>				
I. Shareholders' equity				
1. Common stock	1,090,878	14.0	1,123,904	11.0
2. Capital surplus	1,545,286	19.9	1,587,769	15.5
3. Retained earnings	1,456,454	18.7	2,215,280	21.6
4. Treasury stock	(208,036)	(2.7)	(176,763)	(1.7)
Total shareholders' equity	3,884,583	49.9	4,750,191	46.4
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	4,750,191	46.4
Total liabilities and net assets	7,789,745	100.0	10,231,346	100.0

**(2) Consolidated Statements of Income**

Account	FY2006 (Jan. 1 – Dec. 31, 2006)		FY2007 (Jan. 1 – Dec. 31, 2007)			
	Thousand yen	%	Thousand yen	%		
I. Net sales		24,356,373	100.0	31,453,080	100.0	
II. Cost of goods sold		19,159,840	78.7	24,566,596	78.1	
Gross profit		5,196,532	21.3	6,886,484	21.9	
III. Selling, general and administrative expenses						
1. Advertisement	129,372			217,699		
2. Salaries	1,148,568			1,440,073		
3. Miscellaneous wages	504,304			504,621		
4. Welfare expenses	205,990			248,762		
5. Provision of reserve for employees' bonuses	57,913			79,580		
6. Retirement benefit expenses	11,911			15,475		
7. Rent	612,710			720,735		
8. Depreciation	74,123			95,245		
9. Others	1,375,478	4,120,374	16.9	1,879,975	5,202,169	16.5
Operating income		1,076,157	4.4	1,684,314	5.4	
IV. Non-operating income						
1. Interest income	11			103		
2. Dividend income	5,115			-		
3. Insurance reimbursement	7,282			-		
4. Leasing income	8,412			8,412		
5. Gain on donation of gift certificates	-			3,719		
6. Other non-operating income	6,622	27,444	0.1	3,886	16,121	0.1
V. Non-operating expenses						
1. Interest expenses	1,370			724		
2. Leasing expenses	10,754			10,754		
3. Other non-operating expenses	3,607	15,732	0.0	3,556	15,035	0.1
Ordinary income		1,087,870	4.5	1,685,399	5.4	
VI. Extraordinary income						
1. Gain on sale of fixed assets	-			12,004		
2. Gain on sale of investment securities	30,055			13		
3. Gain on sale of membership rights	8,341			-		
4. Gain on transfer of business	-			18,000		
5. Compensation for eviction	-			39,152		
6. Other extraordinary income	1,335	39,732	0.2	1,773	70,944	0.2
VII. Extraordinary loss						
1. Loss on sale of fixed assets	382			60		
2. Loss on removal of fixed assets	22,039			11,034		
3. Loss on sale of investment securities	-			3,525		
4. Impairment losses	43,962			-		
5. Shop closures expenses	13,378			8,412		
6. Loss on sale of membership rights	1,777	81,541	0.4	-	23,032	0.1
Income before income taxes		1,046,061	4.3	1,733,312	5.5	
Income taxes - current	527,612			999,572		
Income taxes - deferred	(39,066)	488,545	2.0	(107,060)	892,511	2.8
Net income		557,515	2.3	840,800	2.7	

**(3) 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 Dec. 31, 2005	1,086,140	1,540,547	961,866	(208,036)	3,380,518
Changes in the fiscal year					
New stock issue	4,738	4,738			9,476
Dividend of surplus (Note)			(62,927)		(62,927)
Net income			557,515		557,515
Changes (net) in items other than shareholders' equity					
Total changes in the fiscal year	4,738	4,738	494,587		504,064
Balance as of Dec. 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 Dec. 31, 2005	3,373	3,373	3,383,892
Changes in the fiscal year			
New stock issue			9,476
Dividend of surplus (Note)			(62,927)
Net income			557,515
Changes (net) in items other than shareholders' equity	(3,720)	(3,720)	(3,720)
Total changes in the fiscal year	(3,720)	(3,720)	500,344
Balance as of Dec. 31, 2006	(346)	(346)	3,884,236

(Note) Appropriation of earnings resolved at the general meeting of shareholders in March 30, 2006.

FY2007 (Jan. 1 – Dec. 31, 2007)

Thousand yen

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of Dec. 31, 2006	1,090,878	1,545,286	1,456,454	(208,036)	3,884,583
Changes in the fiscal year					
New stock issue	33,025	33,025			66,051
Dividend of surplus			(81,973)		(81,973)
Net income			840,800		840,800
Disposal of treasury stock		9,457		31,272	40,730
Changes (net) in items other than shareholders' equity					
Total changes in the fiscal year	33,025	42,483	758,826	31,272	865,608
Balance as of Dec. 31, 2007	1,123,904	1,587,769	2,215,280	(176,763)	4,750,191

	Valuation and translation adjustments		Total net assets
	Net unrealized holding gain on securities	Total valuation and translation adjustments	
Balance as of Dec. 31, 2006	(346)	(346)	3,884,236
Changes in the fiscal year			
New stock issue			66,051
Dividend of surplus			(81,973)
Net income			840,800
Disposal of treasury stock			40,730
Changes (net) in items other than shareholders' equity	346	346	346
Total changes in the fiscal year	346	346	865,955
Balance as of Dec. 31, 2007	-	-	4,750,191

**(4) Consolidated Statements of Cash Flows**

	FY2006 (Jan. 1 – Dec. 31, 2006)	FY2007 (Jan. 1 – Dec. 31, 2007)
Account	Thousand yen	Thousand yen
<b>I. Cash flows from operating activities</b>		
Income before income taxes	1,046,061	1,733,312
Depreciation and amortization	74,123	95,245
Impairment losses	43,962	-
Amortization of goodwill	10,915	10,920
Increase (decrease) in allowance for doubtful accounts	197	(2,751)
Increase in reserve for employees' bonuses	7,606	23,718
Increase (decrease) in allowance for early subscription cancellations	(59,138)	125,349
Increase in liability for employees' retirement benefits	4,850	9,749
Interest and dividend income	(5,126)	(103)
Interest expenses	1,370	724
Gain (loss) on sale of investment securities	(30,055)	3,511
Gain (loss) on sale of fixed assets	382	(11,944)
Loss on disposal of fixed assets	22,039	11,034
Gain on transfer of business	-	(18,000)
Compensation for eviction	-	(39,152)
Increase in accounts receivable –trade and operating accounts receivable	(569,912)	(600,276)
Increase in inventories	(101,907)	(1,509,340)
Increase in accounts payable –trade and operating accounts payable	595,340	676,522
Increase (decrease) in accounts payable –other	(97,839)	24,535
Others	148,206	220,350
Subtotal	1,091,078	753,404
Interests and dividends received	5,126	103
Interests paid	(1,370)	(724)
Compensation received for eviction	-	39,152
Income taxes refund (paid)	(541,817)	(578,208)
Net cash provided by operating activities	553,017	213,728
<b>II. Cash flows from investing activities</b>		
Payment for purchase of investment securities	(113,502)	(49,083)
Proceeds from sale of investment securities	138,308	115,571
Payment for purchase of property, plant and equipment	(120,509)	(324,755)
Proceeds from sale of property, plant and equipment	1,000	13,315
Payment for purchase of Intangible assets	-	(58,621)
Payment for purchase of business	(18,733)	-
Proceeds from transfer of business	-	27,429
Payment for leasehold deposits	-	(304,041)
Others	101,551	(1,063)
Net cash used in investing activities	(11,886)	(581,248)
<b>III. Cash flows from financing activities</b>		
Repayment of long-term debt	(107,590)	-
Proceeds from issuance of new shares	9,476	66,051
Proceeds from disposal of treasury stock	-	40,730
Cash dividends paid	(62,919)	(81,896)
Net cash provided by (used in) financing activities	(161,032)	24,885
<b>IV. Increase (decrease) in cash and cash equivalents</b>	380,098	(342,635)
<b>V. Cash and cash equivalents at beginning of year</b>	1,517,834	1,897,932
<b>VI. Cash and cash equivalents at end of period</b>	1,897,932	1,555,296

**Segment Information**

## a. Operating segment information

FY2006 (Jan. 1 – Dec. 31, 2006)

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, impairment losses, 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 division 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 in banks) and assets of the administration division.

FY2007 (Jan. 1 – Dec. 31, 2007)						Thousand yen
	Mobile phone sales business	Staffing services business	Other business	Total	Elimination or corporate	Consolidated
I. Net sales and operating income						
Net sales						
(1) Sales to third parties	29,398,204	1,832,542	222,333	31,453,080	-	31,453,080
(2) Internal sales and transfers	2,925	154,001	250	157,177	[157,177]	-
Total	29,401,130	1,986,544	222,583	31,610,257	[157,177]	31,453,080
Operating expenses	27,271,376	1,980,387	195,209	29,446,974	321,791	29,768,765
Operating income	2,129,753	6,156	27,373	2,163,283	[478,969]	1,684,314
II. Assets, depreciation, impairment losses, and capital expenditure						
Assets	8,290,400	340,177	65,150	8,695,728	1,535,617	10,231,346
Depreciation	85,861	2,228	69	88,159	7,086	95,245
Capital expenditures	411,362	10,074	553	421,989	5,008	426,998

## 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 478,969 thousand yen. The undistributed operating expenses generally comprise expenses associated with the administrative division of the Company.
- Assets included in eliminations or corporate total 1,535,617 thousand yen the principal components of which are idle funds under management (cash in banks) and assets of the administration division.

## b. Geographical segment information

FY2006 (Jan. 1 – Dec. 31, 2006), FY2007 (Jan. 1 – Dec. 31, 2007)

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

## c. Overseas sales

FY2006 (Jan. 1 – Dec. 31, 2006), FY2007 (Jan. 1 – Dec. 31, 2007)

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

**5. Non-consolidated Financial Statements****(1) Non-consolidated Balance Sheets**

Account	FY2006 (As of Dec. 31, 2006)		FY2007 (As of Dec. 31, 2007)	
	Thousand yen	%	Thousand yen	%
<b>Assets</b>				
I. Current assets				
1. Cash on hand and in banks	1,539,392		1,395,487	
2. Accounts receivable –trade	479,610		443,256	
3. Operating accounts receivable	2,540,533		2,925,806	
4. Merchandise	1,387,775		2,886,100	
5. Supplies	4,375		6,105	
6. Prepaid expenses	63,321		82,681	
7. Short-term loans receivable	324		1,074	
8. Accounts receivable –other	79,381		41,681	
9. Deferred tax assets	63,824		175,596	
10. Other current assets	37,612		489	
11. Allowance for doubtful accounts	(1,816)		(722)	
Total current assets	6,194,333	74.1	7,957,556	79.1
II. Fixed assets				
1. Property, plant and equipment				
(1) Buildings	354,930		582,594	
Accumulated depreciation	93,941	260,989	140,661	441,932
(2) Structures	13,195		30,935	
Accumulated depreciation	2,222	10,973	4,338	26,597
(3) Vehicles	477		789	
Accumulated depreciation	454	23	328	460
(4) Furniture and fixtures	112,167		199,050	
Accumulated depreciation	74,359	37,807	94,216	104,833
Total property, plant and equipment		309,793		573,824
2. Intangible assets				
(1) Goodwill		109,768		67,419
(2) Leasehold rights		1,000		1,000
(3) Trademarks		346		280
(4) Software		6,568		59,592
(5) Others		5,046		5,781
Total intangible assets		122,729		134,073
3. Investments and other assets				
(1) Investment securities		104,665		34,341
(2) Investments in affiliates		720,624		225,173
(3) Long-term loans receivable		2,511		16,437
(4) Long-term loans to affiliates		80,000		-
(5) Leasehold deposits		685,752		897,543
(6) Guarantee deposits		8,451		6,319
(7) Membership rights		90,512		105,131
(8) Long-term prepaid expenses		20,228		52,101
(9) Deferred tax assets		91,234		92,425
(10) Others		2,040		20
(11) Allowance for possible losses on investments		(35,816)		(35,816)
(12) Allowance for doubtful accounts		(32,897)		-
Total investments and other assets		1,737,306	20.8	1,393,677
Total fixed assets		2,169,829	25.9	2,101,575
Total assets		8,364,163	100.0	10,059,131

Account	FY2006 (As of Dec. 31, 2006)		FY2007 (As of Dec. 31, 2007)	
	Thousand yen	%	Thousand yen	%
<b>Liabilities</b>				
I. Current liabilities				
1. Accounts payable –trade	2,353,197		2,833,668	
2. Operating accounts payable	767,912		503,180	
3. Accounts payable –other	451,591		187,300	
4. Accrued expenses	218,162		295,581	
5. Accrued income taxes	198,672		734,082	
6. Accrued consumption taxes	21,143		48,022	
7. Deposits received	225,721		304,374	
8. Reserve for employees' bonuses	51,759		75,352	
9. Reserve for loss on short-term contract cancellations	18,812		144,161	
10. Other current liabilities	7,575		9,575	
Total current liabilities	4,314,549	51.6	5,135,299	51.1
II. Long-term liabilities				
1. Liability for employees' retirement benefits	26,208		36,307	
2. Other long-term liabilities	55,372		85,917	
Total long-term liabilities	81,581	1.0	122,224	1.2
Total liabilities	4,396,130	52.6	5,257,524	52.3
<b>Net assets</b>				
I. Shareholders' equity				
1. Common stock	1,090,878	13.0	1,123,904	11.2
2. Capital surplus				
(1) Additional paid-in capital	1,545,286		1,578,312	
(2) Other capital surplus	-		9,457	
Total capital surplus	1,545,286	18.5	1,587,769	15.8
3. Retained earnings				
(1) Legal reserve	8,078		8,078	
(2) Other retained earnings				
Retained earnings brought forward	1,532,172		2,258,618	
Total retained earnings	1,540,250	18.4	2,266,696	22.5
4. Treasury stock	(208,036)	(2.5)	(176,763)	(1.8)
Total shareholders' equity	3,968,379	47.4	4,801,607	47.7
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	3,968,033	47.4	4,801,607	47.7
Total liabilities and net assets	8,364,163	100.0	10,059,131	100.0

**(2) Non-consolidated Statements of Income**

Account	FY2006 (Jan. 1 – Dec. 31, 2006)			FY2007 (Jan. 1 – Dec. 31, 2007)		
	Thousand yen		%	Thousand yen		%
I. Net sales						
1. Merchandise sales	5,721,033			18,154,948		
2. Commissions received	12,851,878	18,572,911	100.0	11,463,263	29,618,212	100.0
II. Cost of goods sold						
1. Inventories - beginning of year	1,122,258			1,387,775		
2. Purchases	12,991,159			23,365,023		
3. Merchandise received from acquisition of business	3,654			-		
Total	14,117,073			24,752,798		
4. Inventories - end of year	1,387,775			2,886,100		
Net	12,729,298			21,866,697		
5. Commissions paid	1,864,010	14,593,308	78.6	1,178,485	23,045,183	77.8
Gross profit		3,979,602	21.4		6,573,028	22.2
III. Selling, general and administrative expenses						
1. Advertisement	114,438			216,221		
2. Salaries	852,097			1,333,347		
3. Miscellaneous wages	334,329			386,406		
4. Welfare expenses	151,626			221,835		
5. Provision of reserve for employees' bonuses	42,567			75,352		
6. Retirement benefit expenses	10,500			15,325		
7. Outsourcing expenses	361,215			434,643		
8. Rent	432,914			694,217		
9. Depreciation	64,176			93,017		
10. Others	908,986	3,272,854	17.6	1,455,384	4,925,752	16.6
Operating income		706,747	3.8		1,647,276	5.6
IV. Non-operating income						
1. Interest income	3,364			1,839		
2. Dividend income	5,113			-		
3. Insurance reimbursement	7,282			-		
4. Leasing income	27,652			8,412		
5. Outsourcing income	21,098			700		
6. Gain on donation of gift certificates	-			3,719		
7. Other non-operating income	6,638	71,150	0.4	3,644	18,315	0.1
V. Non-operating expenses						
1. Interest expenses	1,316			724		
2. Leasing expenses	29,042			10,754		
3. Other non-operating expenses	4,774	35,133	0.2	3,548	15,027	0.1
Ordinary income		742,764	4.0		1,650,564	5.6

Account	FY2006 (Jan. 1 – Dec. 31, 2006)			FY2007 (Jan. 1 – Dec. 31, 2007)		
	Thousand yen		%	Thousand yen		%
VI. Extraordinary income						
1. Gain on sale of fixed assets	-			12,004		
2. Gain on sale of investment securities	30,055			13		
3. Gain on sale of membership rights	8,341			-		
4. Gain on transfer of business	-			18,000		
5. Gain on reversal of allowance for doubtful accounts	-			33,012		
6. Other extraordinary income	1,715	40,112	0.2	-	63,030	0.2
VII. Extraordinary loss						
1. Loss on sale of fixed assets	382			60		
2. Loss on removal of fixed assets	15,306			4,688		
3. Loss on sale of investment securities	-			3,525		
4. Impairment losses	43,962			-		
5. Shop closures expenses	13,378			4,484		
6. Loss on valuation of investments in affiliates	45,191			5,451		
7. Loss on sale of membership rights	1,777	119,999	0.6	-	18,209	0.1
Income before income taxes		662,878	3.6		1,695,385	5.7
Income taxes - current	353,490			1,000,167		
Income taxes - deferred	(14,717)	338,773	1.9	(113,201)	886,965	3.0
Net income		324,104	1.7		808,419	2.7

**(3) Non-consolidated Statement of Changes in Shareholders' Equity**

FY2006 (Jan. 1 – Dec. 31, 2006)

Thousand yen

	Shareholders' equity							
	Common stock	Capital surplus		Legal reserve	Retained earnings		Treasury stock	Total shareholders' equity
		Additional paid-in capital	Total capital surplus		Other retained earnings	Total retained earnings		
Balance as of Dec. 31, 2005	1,086,140	1,540,547	1,540,547	8,078	1,270,995	1,279,073	(208,036)	3,697,725
Changes in the fiscal year								
New stock issue	4,738	4,738	4,738					9,476
Dividend of surplus (Note)					(62,927)	(62,927)		(62,927)
Net income					324,104	324,104		324,104
Changes (net) in items other than shareholders' equity								
Total changes in the fiscal year	4,738	4,738	4,738		261,177	261,177		270,654
Balance as of Dec. 31, 2006	1,090,878	1,545,286	1,545,286	8,078	1,532,172	1,540,250	(208,036)	3,968,379

	Valuation and translation adjustments		Total net assets
	Net unrealized holding gain on securities	Total valuation and translation adjustments	
Balance as of Dec. 31, 2005	3,373	3,373	3,701,099
Changes in the fiscal year			
New stock issue			9,476
Dividend of surplus (Note)			(62,927)
Net income			324,104
Changes (net) in items other than shareholders' equity	(3,720)	(3,720)	(3,720)
Total changes in the fiscal year	(3,720)	(3,720)	266,933
Balance as of Dec. 31, 2006	(346)	(346)	3,968,033

(Note) Appropriation of earnings resolved at the general meeting of shareholders in March 30, 2006.

FY2007 (Jan. 1 – Dec. 31, 2007)

Thousand yen

	Shareholders' equity								
	Common stock	Capital surplus			Retained earnings			Treasury stock	Total shareholders' equity
		Additional paid-in capital	Other capital surplus	Total capital surplus	Legal reserve	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance as of Dec. 31, 2006	1,090,878	1,545,286	-	1,545,286	8,078	1,532,172	1,540,250	(208,036)	3,968,379
Changes in the fiscal year									
New stock issue	33,025	33,025		33,025					66,051
Dividend of surplus						(81,973)	(81,973)		(81,973)
Net income						808,419	808,419		808,419
Disposal of treasury stock			9,457	9,457				31,272	40,730
Changes (net) in items other than shareholders' equity									
Total changes in the fiscal year	33,025	33,025	9,457	42,483	-	726,445	726,445	31,272	833,227
Balance as of Dec. 31, 2007	1,123,904	1,578,312	9,457	1,587,769	8,078	2,258,618	2,266,696	(176,763)	4,801,607

	Valuation and translation adjustments		Total net assets
	Net unrealized holding gain on securities	Total valuation and translation adjustments	
Balance as of Dec. 31, 2006	(346)	(346)	3,968,033
Changes in the fiscal year			
New stock issue			66,051
Dividend of surplus			(81,973)
Net income			808,419
Disposal of treasury stock			40,730
Changes (net) in items other than shareholders' equity	346	346	346
Total changes in the fiscal year	346	346	833,574
Balance as of Dec. 31, 2007	-	-	4,801,607

**6. Others**

**(1) Changes in Directors**

1) Representative director

No reportable information.

2) Other directors

Candidates for director

Director: Akira Takase (current Assistant to President, Internal Control Project and Information Systems)

3) Effective date

March 27, 2008

*\* This financial report is solely a translation of summary of "Kessan Tanshin"(in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.*