



Consolidated Financial Results for 1st Quarter FY2006 (Ended June 30, 2006)

July 31, 2006

Company name: Club iT Corporation

Listing: Hercules, Osaka Securities Exchange

Stock code: 4347

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(URL: <http://www.clubit.co.jp/>)

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President & CEO: Taro Hashimoto

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1. Notes on Preparation of Quarterly Consolidated Financial Information

1) Standards followed in preparing financial statements: The Standards for the First Half Consolidated Financial Statements

- Changes in accounting principles applied: None

- Changes in accounting principles relative to first-half results: None

2) Changes in scope of consolidation and application of equity method: Yes

2. Consolidated Financial Results (April 1, 2006 – June 30, 2006)

(1) Results of Operations

(Figures rounded down to the nearest million yen)

	Revenue		Operating profit		Recurring profit	
	Million yen	YoY change (%)	Million yen	YoY change (%)	Million yen	YoY change (%)
1Q FY2006	1,922	(21.3)	246	(67.0)	221	(69.6)
1Q FY2005	2,441	(10.0)	746	-	730	-
[Ref.] FY2005	9,275	(15.5)	2,805	758.3	2,739	832.1

	Net profit		Net profit per share (basic)	Net profit per share (diluted)
	Million yen	YoY change (%)	Yen	Yen
1Q FY2006	139	(65.2)	4.02	3.92
1Q FY2005	401	-	23.82	22.62
[Ref.] FY2005	1,645	-	96.86	92.47

Notes: 1. Average number of shares outstanding (consolidated)

1Q FY2006: 34,717,832 shares 1Q FY2005: 16,846,973 shares FY2005: 16,987,256 shares

The increase in the number of shares in the first quarter is due to a two-for-one stock split conducted on April 1, 2006 and new shares issued due to the exercise of stock acquisition rights.

2. "YoY change" represents relevant change in percentage compared to the same period of the previous year.

Reference 1: Achievement Rate against Consolidated Forecast

(Figures rounded down to the nearest million yen)

	1Q FY2006 (Three months)	Forecast released along with FY2005 business results (First half)	Achievement rate against the first-half forecast (%)	Forecast released along with FY2005 business results (Full year)	Achievement rate against full-year forecast (%)
Revenue	1,922	4,600	41.8	10,200	18.8
Recurring profit	221	600	37.0	1,600	13.9
Net profit	139	350	39.9	950	14.7

Reference 2: Segment Information

	1Q FY2006 (Apr. 1, 2006 – Jun. 30, 2006)		1Q FY2005 (Apr. 1, 2005 – Jun. 30, 2005)		YoY change (%)
	Million yen	Comp. (%)	Million yen	Comp. (%)	
Game on Demand Business	26	1.4	42	1.7	(37.9)
CDN Business	294	15.3	253	10.4	16.5
Media Content Business	252	13.1	324	13.3	(22.0)
Broadband Business	510	26.6	739	30.3	(30.9)
CS Broadcasting Service Business	790	41.1	1,082	44.3	(27.0)
Other businesses	47	2.5	-	-	-
Total	1,922	100.0	2,441	100.0	(21.3)

Note: Amounts do not include consumption taxes.

Qualitative Information Regarding Consolidated Results of Operations

First quarter consolidated revenue totaled 1,922,697 thousand yen, operating profit was 246,318 thousand yen, recurring profit was 221,947 thousand yen and net profit was 139,688 thousand yen.

The central management strategy of Club iT is to achieve a revolution in the distribution of content by taking full advantage of its strengths as a content aggregator with a technology platform. Based on this strategy, the Company is expanding its core businesses, Game on Demand, CDN and Media Content, by focusing on content services and technology services.

Revenue for each business segment were as follows.

1) Game on Demand Business

Club iT started providing the G-cluster Game on Demand service to Microsoft for its Media Online service, the online spotlight feature of Windows® XP Media Center Edition, on April 12, 2006 and to Enterwave Inc. (former GEOBB Inc.) on April 25, 2006.

Another major development in the first quarter was the commencement of the G-cluster Game on Demand service for Yahoo Japan Corporation on July 12, 2006, as special campaign for Yahoo! Japan's 10th anniversary commemoration. As a part of the campaign, a total of 10,000 winners were selected from the members of Yahoo! Premium and Yahoo! BB, and were provided with free access to G-cluster Game on Demand service. On July 31, 2006, Club iT forged a business alliance with Oberon Media Inc. a major U. S.-based game producer supplying causal games throughout the world, allowing us to expand our casual game (easy to play games) content by extending the line-up of previous popular game titles to include casual games. In the Game on Demand Business, we concentrated on expanding content, increasing revenue to the hospitality sector (hotels), and aggressively marketing our services to overseas telecommunication carriers.

As a result, segment revenue for the first quarter was 26,418 thousand yen.

2) CDN Business

First-quarter segment revenue increased 41,652 thousand yen year-on-year, but was marginally lower (down 13,957 thousand yen) from the previous quarter (January – March 2006).

In April 2006, Club iT started the Broadmedia® CDN+R, a rich-media compatible service under a business collaboration agreement signed with CD Networks Co., Ltd, a South Korea based company, and its subsidiary CD Networks Japan Co., Ltd. signed in March 2006.

Elsewhere, Club iT launched two new services; (1) Broadmedia® CDN Entry, an entry model distribution service and (2) IR Streaming Service, an IR streaming service package, using its own content distribution system.

Regarding marketing, plans call for expanding revenue by adding a marketing agency channel to our direct sales network.

As a result of the above and other factors, first quarter revenue was 294,679 thousand yen.

3) Media Content Business

First quarter revenue declined 270,362 thousand yen year-on-year since, unlike the previous first quarter, there were no major sales campaigns.

Club iT Arena, a portal site for PCs, offered Magic of Love, a Taiwanese drama, Coroner McCALLUM, a British drama, Olvidarte James, a Latin drama, and Tomoyasu Hotei Final Live through pre-release exclusive broadband distribution arrangements.

Among the quarter's highlights was the July 31 launch of Download Arena, a download service for a range of content from entertainment and hobbies to practical use information, in response to growing demand for archiving video content.

As a result, segment revenue was 252,886 thousand yen.

4) Broadband Business

Although revenue has been on the downtrend mainly because the growth in the number of new connections is slowing, it increased 124,095 thousand yen from the previous quarter (January – March 2006) as we reinforced our existing marketing channels while at the same time adding new ones.

Plans call for boosting revenue by aggressively marketing mobile phones and other telecommunications hardware using the marketing (sales agency) expertise we have built up through our ADSL connection marketing activities.

As a result of the above factors, revenue was 510,847 thousand yen.

5) CS Broadcasting Service Business

The number of subscribers to our CS Broadcasting Service dropped by approximately 42,000 year-on-year to an estimated 145,000 as of the end of the first quarter. Club iT is committed to maintaining and improving the current quality of its service to the remaining subscribers.

As a result of the above factors, revenue was 790,161 thousand yen.

6) Other businesses

Club iT on April 3, 2006 acquired CMX Co., Ltd., a mobile advertising firm, as a consolidated subsidiary, to launch a mobile advertising business. Revenue on other businesses totaled 47,704 thousand yen, bulk of which are mobile advertising related.

(2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of June 30, 2006	3,955	2,693	67.4	76.61
As of June 30, 2005	3,435	1,287	37.5	76.29
As of March 31, 2006	4,999	2,690	53.8	155.00

Note: Number of shares outstanding (consolidated)

1Q FY2006: 34,807,258 shares 1Q FY2005: 16,877,154 shares FY2005: 17,356,054 shares

The increase in the number of shares in the first quarter is due to a two-for-one stock split conducted on April 1, 2006 and new shares issued due to the exercise of stock acquisition rights.

Qualitative Information Regarding Consolidated Financial Position

Total assets as of the end of the first quarter were 3,699,595 thousand yen and shareholders' equity was 2,667,707 thousand yen. A summary of the significant changes in assets and liabilities during the quarter under review are as follows:

- Investment securities increased 139,072 thousand yen as the Company purchased 45,750 thousand yen in new shares issued for capital increase by Renaissance Academy Corporation, 70,000 thousand yen in bonds with stock acquisition rights issued by Dream Time Entertainment Inc. and invested 50,000 thousand yen in SBI Broadband Fund No. 1 Limited Liability Investment Partnership and SBI BB Mobile Investment Limited Liability Investment Partnership.
- Accrued income taxes declined 821,250 thousand yen due to payment of income taxes.
- Despite 113,936 thousand yen net profit for the quarter, accumulated profit declined 59,624 thousand yen due to payment of 173,560 thousand yen in cash dividends.
- Proceeds from the issue of new shares due to the exercise of new stock acquisition rights totaled 10,116 thousand yen.

3. Forecast for the FY2006 (April 1, 2006 – March 31, 2007)

	Revenue	Recurring profit	Net profit
	Million yen	Million yen	Million yen
First half	4,600	600	350
Full year	10,200	1,600	950

Reference: Estimated net profit per share for the full year: 27.29 yen

* Forecasts regarding future performance in these materials are based on 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.

Qualitative Information Regarding Consolidated Forecasts

We have not revised the first-half and full-year forecasts released on April 27, 2006.

Reference Materials

Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

Thousand yen

Account	Notes	1Q FY2005 (As of June 30, 2005)		1Q FY2006 (As of June 30, 2006)		FY2005 Summary (As of March 31, 2006)	
		Amount	%	Amount	%	Amount	%
Assets							
I Current assets							
1. Cash deposits		1,137,173		1,001,127		2,261,445	
2. Trade notes and accounts receivable	*1	1,062,758		836,434		637,381	
3. Merchandise		-		47,492		39,958	
4. Supplies		36,305		-		-	
5. Programs		211,217		344,842		378,729	
6. Advances		7,575		-		-	
7. Deferred tax assets		174,897		162,178		242,152	
8. Other accounts receivable	*1	51,811		21,364		41,507	
9. Short-term loans receivable		-		10,000		10,000	
10. Other current assets		127,473		40,033		26,339	
Allowance for doubtful accounts		(232,055)		(12,337)		(13,536)	
Total current assets		2,577,157	75.0	2,451,135	62.0	3,623,978	72.5
II Fixed assets							
1. Tangible fixed assets							
(1) Buildings		7,119		8,058		8,058	
Less-accumulated depreciation		2,663	4,455	3,525	4,532	3,306	4,752
(2) Tools, furniture and fixtures		1,183,796		1,143,331		1,170,126	
Less-accumulated depreciation		812,799	370,997	916,271	227,059	918,330	251,796
(3) Construction in progress		-		1,014		13,412	
Total tangible fixed assets		375,452	10.9	232,606	5.9	269,961	5.4
2. Intangible fixed assets							
(1) Software		188,385		366,300		345,244	
(2) Consolidation adjustment account		181,176		448,074		445,648	
(3) Other intangible fixed assets		3,306		7,023		2,976	
Total intangible fixed assets		372,868	10.9	821,398	20.7	793,870	15.9
3. Investments and other assets							
(1) Investment securities	*2	44,596		395,564		256,491	
(2) Deferred tax assets		21,514		19,090		18,579	
(3) Other investments and other assets		43,998		35,759		36,947	
Total investments and other assets		110,110	3.2	450,414	11.4	312,019	6.2
Total fixed assets		858,431	25.0	1,504,419	38.0	1,375,850	27.5
Total Assets		3,435,588	100.0	3,955,555	100.0	4,999,829	100.0

Thousand yen

Account	Notes	1Q FY2005 (As of June 30, 2005)		1Q FY2006 (As of June 30, 2006)		FY2005 Summary (As of March 31, 2006)	
		Amount	%	Amount	%	Amount	%
Liabilities							
I Current liabilities							
1. Trade accounts payable	*1	369,319		300,664		442,948	
2. Corporate bonds due within one year		-		221,550		221,550	
3. Current portion of long-term debt		-		2,401		2,351	
4. Other accounts payable		142,191		134,395		256,282	
5. Accrued income taxes		246,608		25,081		857,443	
6. Accrued consumption taxes		59,892		29,832		20,598	
7. Advance receipts		845,527		177,346		205,309	
8. Reserve for bonuses		-		36,891		-	
9. Reserve for service cancellation adjustments		-		70,678		-	
10. Other current liabilities		176,921		180,461		199,947	
Total current liabilities		1,840,461	53.5	1,179,303	29.8	2,206,431	44.2
II Fixed liabilities							
1. Long-term debt		-		4,803		4,703	
2. Corporate bonds		221,550		-		-	
3. Reserve for directors' retirement benefits		38,999		46,916		45,583	
4. Guarantee deposits received		31,505		31,384		31,402	
5. Other fixed liabilities		2,916		-		-	
Total fixed liabilities		294,972	8.6	83,104	2.1	81,689	1.6
Total Liabilities		2,135,433	62.1	1,262,407	31.9	2,288,121	45.8
Minority Equity							
Minority equity		12,521	0.4	-	-	21,607	0.4
Shareholders' Equity							
I Capital		544,885	15.9	-	-	623,828	12.5
II Capital surplus		171,141	5.0	-	-	250,526	5.0
III Accumulated profit		571,817	16.6	-	-	1,815,783	36.3
IV Foreign currency translation adjustments		-	-	-	-	174	0.0
V Treasury stock		(211)	(0.0)	-	-	(211)	(0.0)
Total Shareholders' Equity		1,287,633	37.5	-	-	2,690,100	53.8
Total Liabilities, Minority Equity, and Shareholders' Equity		3,435,588	100.0	-	-	4,999,829	100.0
Net Assets							
I Shareholders' equity							
1. Capital		-	-	628,895	15.9	-	-
2. Capital surplus		-	-	255,661	6.5	-	-
3. Accumulated profit		-	-	1,781,911	45.0	-	-
4. Treasury stock		-	-	(211)	(0.0)	-	-
Total shareholders' equity		-	-	2,666,257	67.4	-	-
II Valuation and translation adjustments							
1. Foreign currency translation adjustments		-	-	317	0.0	-	-
Total valuation and translation adjustments		-	-	317	0.0	-	-
III Stock acquisition rights		-	-	507	0.0	-	-
IV Minority equity		-	-	26,066	0.7	-	-
Total Net Assets		-	-	2,693,148	68.1	-	-
Total Liabilities and Net Assets		-	-	3,955,555	100.0	-	-

2) Quarterly Consolidated Income Statement

Thousand yen

Account	Notes	1Q FY2005 (Apr. 1, 2005 – Jun. 30, 2005)		1Q FY2006 (Apr. 1, 2006 – Jun. 30, 2006)		FY2005 Summary (Apr. 1, 2005 – Mar. 31, 2006)				
		Amount	%	Amount	%	Amount	%			
I Revenue			2,441,950	100.0		1,922,697	100.0		9,275,185	100.0
II Cost of goods sold			1,189,949	48.7		992,826	51.6		4,167,528	44.9
Gross profit on revenue			1,252,000	51.3		929,870	48.4		5,107,656	55.1
III Selling, general and administrative expenses										
1. Employees' wages		93,406			147,742			418,704		
2. Employees' bonuses		37,880			12,366			145,591		
3. Provision of reserve for bonuses		-			33,579			-		
4. Provision of reserve for directors' retirement benefits		2,583			1,333			9,166		
5. Outsourcing expenses		93,139			102,113			391,053		
6. Delivery cost		46,197			36,926			172,264		
7. Printing expenses		30,645			39,089			163,434		
8. Provision of allowance for doubtful accounts		7,711			4,906			-		
9. Depreciation expenses		5,056			4,263			23,691		
10. Amortization of consolidation adjustment account		9,535			29,430			89,862		
11. Others		179,362	505,518	20.7	271,801	683,552	35.6	887,932	2,301,700	24.8
Operating profit			746,482	30.6		246,318	12.8		2,805,956	30.3
IV Non-operating income										
1. Interest income		-			81			124		
2. Gain on sales of supplies		-			849			1,635		
3. Equity in earnings of affiliates		-			3,329			-		
4. Other non-operating income		3,061	3,061	0.1	2,565	6,824	0.3	7,666	9,426	0.1
V Non-operating expenses										
1. Interest expenses		1,178			939			4,006		
2. Foreign exchange losses		1,122			249			522		
3. Loss on sales of supplies		1,009						-		
4. Equity in loss of affiliates		15,562			30,007			67,503		
5. Equity in loss of a silent partnership		-	18,873	0.8		31,195	1.6	4,129	76,161	0.8
Recurring profit			730,669	29.9		221,947	11.5		2,739,221	29.6
VI Extraordinary gains										
1. Reversal of allowance for doubtful accounts	*1	-	-	-	-	-	-	182,438	182,438	2.0
VII Extraordinary losses										
1. Loss on valuation of supplies	*2	-			-			22,666		
2. Loss on retirement of fixed assets		-			-			60		
3. Loss on valuation of investment securities		1,318			-			2,496		
4. Loss on sales of investment securities		-			-			56		
5. Provision of reserve for prior period directors' retirement benefits	*3	42,416	43,735	1.8	-	-		42,416	67,697	0.8
Income before income taxes			686,934	28.1		221,947	11.5		2,853,962	30.8
Current income taxes		217,502			372			1,195,798		
Deferred income taxes		64,366	281,868	11.5	79,463	79,836	4.1	46	1,195,845	12.9
Minority equity			3,711	0.2		2,422	0.1		12,797	0.2
Net profit			401,353	16.4		139,688	7.3		1,645,319	17.7

3) Quarterly Consolidated Statement of Changes in Shareholders' Equity

1Q FY2006 (Apr. 1, 2006 – Jun. 30, 2006)

Thousand yen

	Shareholders' equity				
	Capital	Capital surplus	Accumulated profit	Treasury stock	Total shareholders' equity
Balance as of March 31, 2006	623,828	250,526	1,815,783	(211)	2,689,926
Changes in the first quarter					
Increases due to an increase in the number of consolidated subsidiaries	-	-	-	-	-
Exercise of stock options	5,067	5,135	-	-	10,202
Dividend of surplus	-	-	(173,560)	-	(173,560)
Net profit	-	-	139,688	-	139,688
Total changes in the first quarter	5,067	5,135	(33,871)	-	(23,669)
Balance as of June 30, 2006	628,895	255,661	1,781,911	(211)	2,666,257

Thousand yen

	Valuation and translation adjustments		Stock acquisition rights	Minority equity	Total net assets
	Foreign currency translation adjustments	Total valuation and translation adjustments			
Balance as of March 31, 2006	174	174	593	21,607	2,712,301
Changes in the first quarter					
Increases due to an increase in the number of consolidated subsidiaries	-	-	-	2,036	2,036
Exercise of stock options	-	-	(86)	-	10,116
Dividend of surplus	-	-	-	-	(173,560)
Net profit	-	-	-	-	139,688
Changes (net) in items other than shareholders' equity	143	143	-	2,422	2,565
Total changes in the first quarter	143	143	(86)	4,458	(19,153)
Balance as of June 30, 2006	317	317	507	26,066	2,693,148

4) Quarterly Consolidated Surplus Statement

Thousand yen

Account	1Q FY2005 (Apr. 1, 2005 – Jun. 30, 2005)		FY2005 Summary (Apr. 1, 2005 – Mar. 31, 2006)	
	Amount		Amount	
Capital Surplus				
I Beginning balance		162,815		162,815
II Increase				
1. Increase due to new share issuance upon the exercise of stock options	8,162		86,820	
2. Amounts transferred due to exercise of stock options	163	8,326	890	87,711
III Ending balance		171,141		250,526
Accumulated Profit				
I Beginning balance		170,464		170,464
II Increase				
1. Net profit	401,353	401,353	1,645,319	1,645,319
III Ending balance		571,817		1,815,783

Significant Accounting Policies in the Preparation of Quarterly Consolidated Financial Statements

1Q FY2005 (Apr. 1, 2005 – Jun. 30, 2005)	1Q FY2006 (Apr. 1, 2006 – Jun. 30, 2006)	FY2005 (Apr. 1, 2005 – Mar. 31, 2006)
<p>1. Scope of consolidation (1) Consolidated subsidiary: 1 Name of the consolidated subsidiary: CDN Solutions K.K.</p> <p>(2) Major non-consolidated subsidiary ClariNet Corporation Reason for exclusion from the consolidation: The quarterly consolidated financial statements do not include the accounts of non-consolidated subsidiary ClariNet since the entity is a small-scale business whose combined total assets, revenue, net profit/loss or accumulated profit have no significant effect on the overall results of quarterly consolidated financial statements.</p> <p>2. Application of the equity method Affiliate under the equity method: 1 Aliss Net co., ltd. Effective from the current quarter, Aliss Net co. ltd. is included in the application of the equity method, since the Company acquired an equity stake in the entity on March 31, 2005.</p> <p>3. First quarter end of consolidated subsidiaries All consolidated subsidiary's first quarter ends on the closing date for consolidated financial statements.</p>	<p>1. Scope of consolidation (1) Consolidated subsidiaries: 3 Name of the consolidated subsidiaries: CDN Solutions K.K. Oy Gamecluster Ltd. CMX Co., Ltd. During the current quarter, CMX Co., Ltd. is included in the consolidation due to acquisition of shares.</p> <p>(2) Major non-consolidated subsidiary ClariNet Corporation Reason for exclusion from the consolidation: The quarterly consolidated financial statements do not include the accounts of non-consolidated subsidiary ClariNet since the entity is a small-scale business whose combined total assets, revenue, net profit/loss or accumulated profit have no significant effect on the overall results of quarterly consolidated financial statements.</p> <p>2. Application of the equity method Affiliates under the equity method: 2 Aliss Net co., ltd. Renaissance Academy Corporation</p> <p>3. First quarter end of consolidated subsidiaries Oy Gamecluster Ltd.'s first quarter ends on March 31. The quarterly consolidated financial statements include the financial statements of this consolidated subsidiary as of March 31, 2006. However, necessary adjustments have been made for the consolidation concerning material transactions arising between this date and the consolidated balance sheet date.</p>	<p>1. Scope of consolidation (1) Consolidated subsidiaries: 2 Name of the consolidated subsidiaries and reason for inclusion in consolidation: CDN Solutions K.K. Oy Gamecluster Ltd. During the current fiscal year, two subsidiaries are included in the consolidation due to acquisition of shares.</p> <p>(2) Major non-consolidated subsidiary ClariNet Corporation Reason for exclusion from the consolidation: The consolidated financial statements do not include the accounts of non-consolidated subsidiary ClariNet since the entity is a small-scale business whose combined total assets, revenue, net profit/loss or accumulated profit have no significant effect on the overall results of consolidated financial statements.</p> <p>2. Application of the equity method Affiliates under the equity method: 2 Aliss Net co., ltd. Renaissance Academy Corporation Effective from the current fiscal year, Aliss Net co. ltd. is included in the application of the equity method, since the Company acquired an equity stake in the entity on March 31, 2005. Effective from the current fiscal year, Renaissance Academy Corporation, established on October 3, 2005, is included in the application of the equity method, since the Company subscribed to the capital of that entity.</p> <p>3. Fiscal year end of consolidated subsidiaries Oy Gamecluster Ltd.'s fiscal year ends on December 31. The consolidated financial statements include the financial statements of this consolidated subsidiary as of December 31, 2005. However, necessary adjustments have been made for the consolidation concerning material transactions arising between this date and the consolidated balance sheet date.</p>

1Q FY2005 (Apr. 1, 2005 – Jun. 30, 2005)	1Q FY2006 (Apr. 1, 2006 – Jun. 30, 2006)	FY2005 (Apr. 1, 2005 – Mar. 31, 2006)
<p>4. Significant accounting policies</p> <p>(1) Valuation criteria and methods for principal assets</p> <p>Securities</p> <p>Other securities without market quotations Securities without market quotations are stated at cost, cost being determined by the moving-average method.</p> <p>Inventories _____</p> <p>Supplies Supplies are stated at cost, cost being determined by the first-in first-out method.</p> <p>Program count Program count are stated at cost, cost being determined by the specific-identification method.</p> <p>(2) Depreciation method for principal assets</p> <p>Tangible fixed assets Depreciation of tangible fixed assets is calculated by the declining-balance method.</p> <p>Intangible fixed assets Intangible fixed assets other than software development costs are amortized by the straight-line method over their estimated useful lives. Software development costs are amortized over an expected useful life of five years by the straight-line method.</p> <p>(3) Accounting for significant allowances</p> <p>Allowance for doubtful accounts To prepare for credit losses on receivables, an allowance equal to the estimated amount of uncollectible receivables is provided for general receivables based on the historical write-off ratio, and bad receivables based on a case-by-case determination of collectibility.</p>	<p>4. Significant accounting policies</p> <p>(1) Valuation criteria and methods for principal assets</p> <p>Securities</p> <p>Other securities without market quotations Securities without market quotations are stated at cost, cost being determined by the moving-average method. As for marketable securities of “investment business limited associations” as defined in Article 2, Section 2 of the Securities Exchanges Law, we book the proportional value based on the most recent available financial report of the association, according to the financial settlement date stipulated in the association contract. Equity in earnings/loss is reported as non-operating income/loss.</p> <p>Inventories Merchandise Merchandise is stated at cost, cost being determined by the first-in first-out method.</p> <p>Supplies _____</p> <p>Program count Same as on the left.</p> <p>(2) Depreciation method for principal assets</p> <p>Tangible fixed assets Same as on the left.</p> <p>Intangible fixed assets Same as on the left.</p> <p>(3) Accounting for significant allowances</p> <p>Allowance for doubtful accounts Same as on the left.</p>	<p>4. Significant accounting policies</p> <p>(1) Valuation criteria and methods for principal assets</p> <p>Securities Other securities without market quotations Same as on the left.</p> <p>Inventories Merchandise Same as on the left.</p> <p>Supplies _____</p> <p>Program count Same as on the left.</p> <p>(2) Depreciation method for principal assets</p> <p>Tangible fixed assets Same as on the left.</p> <p>Intangible fixed assets Same as on the left.</p> <p>(3) Accounting for significant allowances</p> <p>Allowance for doubtful accounts Same as on the left.</p>

1Q FY2005 (Apr. 1, 2005 – Jun. 30, 2005)	1Q FY2006 (Apr. 1, 2006 – Jun. 30, 2006)	FY2005 (Apr. 1, 2005 – Mar. 31, 2006)
<p>Reserve for directors' retirement benefits To provide for directors' retirement benefits, an allowance is provided for the aggregate amount payable at the end of the period pursuant to the Company's rules on directors' retirement benefits.</p> <p>_____</p> <p>_____</p> <p>(4) Accounting for leases Finance leases other than those, which are deemed to transfer the ownership of the leased assets to the lessees, are accounted for by a method similar to that applicable to ordinary operating leases.</p> <p>(5) Accounting for hedges _____</p>	<p>Reserve for directors' retirement benefits Same as on the left.</p> <p>Reserve for bonuses To provide for employees' bonuses, an allowance is provided for the amount deemed to have accrued from among future estimated bonus obligations.</p> <p>Reserve for service cancellation adjustments To prepare for repayment of incentive fees due to short-term cancellation of broadband connection service contracts, a reserve is provided on the basis of the historical repayment ratio.</p> <p>(4) Accounting for leases Same as on the left.</p> <p>(5) Accounting for hedges 1) Hedge accounting method The Company applies the deferred accounting method. With respect to foreign currency risk, a hedge is accounted by the short-cut method if the hedging relationship meets certain criteria.</p> <p>2) Hedging instruments and risk hedged Hedging instrument: Forward foreign exchange contracts Risk hedged: Foreign currency-denominated trade accounts payable</p> <p>3) Hedging policy The Company hedges its exposure to currency risk in accordance with its internal currency risk management regulations.</p> <p>4) Assessing the effectiveness of a hedge Regarding forward exchange contracts, the Company does not assess the effectiveness of hedges since the major criteria of the hedge transaction and the hedged item are identical, and the cash flow is fixed.</p>	<p>Reserve for directors' retirement benefits Same as on the left.</p> <p>_____</p> <p>_____</p> <p>(4) Accounting for leases Same as on the left.</p> <p>(5) Accounting for hedges 1) Hedge accounting method The Company applies the deferred accounting method. With respect to foreign currency risk, a hedge is accounted by the short-cut method if the hedging relationship meets certain criteria.</p> <p>2) Hedging instruments and risk hedged Hedging instrument: Forward foreign exchange contracts Risk hedged: Foreign currency-denominated trade accounts payable</p> <p>3) Hedging policy The Company hedges its exposure to currency risk in accordance with its internal currency risk management regulations.</p> <p>4) Assessing the effectiveness of a hedge Regarding forward exchange contracts, the Company does not assess the effectiveness of hedges since the major criteria of the hedge transaction and the hedged item are identical, and the cash flow is fixed.</p>

1Q FY2005 (Apr. 1, 2005 – Jun. 30, 2005)	1Q FY2006 (Apr. 1, 2006 – Jun. 30, 2006)	FY2005 (Apr. 1, 2005 – Mar. 31, 2006)
<p>(6) Other significant accounting policies Accounting for consumption taxes All amounts stated are exclusive of consumption.</p> <p>5. Valuation of assets and liabilities of consolidated subsidiaries Valuation of all the assets and liabilities of consolidated subsidiaries is based on market price method.</p> <p>6. Amortization of consolidation adjustment account Consolidation adjustment account is amortized over a period of five years by the straight-line method.</p> <p>7. Appropriation of retained earnings The consolidated surplus statement show decided appropriation of profit during the current quarter.</p>	<p>(6) Other significant accounting policies Accounting for consumption taxes Same as on the left.</p> <p>5. Valuation of assets and liabilities of consolidated subsidiaries Same as on the left.</p> <p>6. Amortization of consolidation adjustment account Consolidation adjustment account is amortized over a period of three to five years by the straight-line method.</p> <p>7. Appropriation of retained earnings Same as on the left.</p>	<p>(6) Other significant accounting policies Accounting for consumption taxes Same as on the left.</p> <p>5. Valuation of assets and liabilities of consolidated subsidiaries Same as on the left.</p> <p>6. Amortization of consolidation adjustment account Consolidation adjustment account is amortized over a period of five years by the straight-line method.</p> <p>7. Appropriation of retained earnings The consolidated surplus statement show decided appropriation of profit during the current fiscal year.</p>

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

1Q FY2005 (Apr. 1, 2005 – Jun. 30, 2005)	1Q FY2006 (Apr. 1, 2006 – Jun. 30, 2006)	FY2005 (Apr. 1, 2005 – Mar. 31, 2006)
<p>Accounting standard concerning impairment of fixed assets: Effective from the current quarter, the Company has adopted “Accounting Standards for Presentation of Impairment of Fixed Assets” (“Statement of Opinion, Accounting for Impairment of Fixed Assets”, ASBJ; August 9, 2002) and the “Accounting Standard Implementation Guidance for Impairment of Fixed Assets” (Accounting Standard Implementation Guidance No. 6, October 31, 2003).</p>	<p>Accounting standard concerning presentation of net assets on balance sheet: Effective from the current quarter, the Company has adopted “Accounting Standard for Presentation of Net Assets on Balance Sheet” (Business Accounting Council Standard No. 5; December 9, 2005) and “Accounting Standard Implementation Guidance for Presentation of Net Assets on Balance Sheet” (Accounting Standard Implementation Guidance No. 8, December 9, 2005). The effect of this change is insignificant. Under the former accounting standard, amounts equivalent to “Total shareholders’ equity” totaled 2,666,574 thousand yen.</p> <p>Changes in presentation in consolidated balance sheets to conform to the revision of the Regulations of Consolidated Financial Statements:</p> <ol style="list-style-type: none"> 1. Effective from the current quarter, the Shareholders’ Equity section is renamed Net Assets section. The Net Assets section comprises, Shareholders’ Equity, Valuation and Translation Adjustments, Stock Acquisition Rights and Minority Equity. 2. Effective from the current quarter, Capital, Capital Surplus, Accumulated Profit and Treasury Stock, presented as line items in prior periods, are presented under Shareholders’ Equity. 3. Effective from the current quarter, Stock Acquisition Rights, included in Others under Current Liabilities in prior periods, are reclassified and presented as a line item in the Net Assets section. The outstanding balance of Stock Acquisition Rights as of the end of the current quarter was 1,320 thousand yen. 4. Effective from the current quarter, Minority Equity, presented as a line item is reclassified and presented as a line item in the Net Assets section. 	<p>Accounting standard concerning impairment of fixed assets: Effective from the current quarter, the Company has adopted “Accounting Standards for Presentation of Impairment of Fixed Assets” (“Statement of Opinion, Accounting for Impairment of Fixed Assets”, ASBJ; August 9, 2002) and the “Accounting Standard Implementation Guidance for Impairment of Fixed Assets” (Accounting Standard Implementation Guidance No. 6, October 31, 2003).</p>

Supplementary Information

1Q FY2005 (Apr. 1, 2005 – Jun. 30, 2005)	1Q FY2006 (Apr. 1, 2006 – Jun. 30, 2006)	FY2005 (Apr. 1, 2005 – Mar. 31, 2006)
<p>Effective from the current quarter, the Company introduced a system of “Directors’ Retirement Benefits.” To provide for directors’ retirement benefits, an allowance is provided pursuant to the Company’s rules on directors’ retirement benefits. As a result, 2,583 thousand yen, the amount recognized for the current quarter, is included in selling, general and administrative expenses, and 42,416 thousand yen, the amount recognized as past service liabilities, is booked as an extraordinary loss. The effect of this change was to reduce both operating profit and recurring profit by 2,583 thousand yen, and to reduce income before income taxes by 44,999 thousand yen, compared to the amounts that would have been reported if the previous method had been applied consistently.</p>	<p style="text-align: center;">—————</p>	<p>Effective from the current consolidated fiscal year, the Company introduced a system of “Directors’ Retirement Benefits.” To provide for directors’ retirement benefits, an allowance is provided pursuant to the Company’s rules on directors’ retirement benefits. As a result, 9,166 thousand yen, the amount recognized for the current fiscal year, is included in selling, general and administrative expenses, and 42,416 thousand yen, the amount recognized as past service liabilities, is booked as an extraordinary loss. The effect of this change was to reduce both operating profit and recurring profit by 9,166 thousand yen, and to reduce income before income taxes by 51,583 thousand yen, compared to the amounts that would have been reported if the previous method had been applied consistently.</p>

Notes to Quarterly Consolidated Financial Statements

Notes to Quarterly Consolidated Balance Sheet

Thousand yen

1Q FY2005 (As of Jun. 30, 2005)	1Q FY2006 (As of Jun. 30, 2006)	FY2005 (As of Mar. 31, 2006)														
<p>*1. Assets pledged and liabilities corresponding to pledged assets</p> <p>Assets pledged:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%;">Trade accounts receivable</td> <td style="width: 15%; text-align: right;">387,143</td> <td style="width: 70%;">(mortgage by transfer)</td> </tr> <tr> <td>Other accounts receivable</td> <td style="text-align: right;">5,215</td> <td>(mortgage by transfer)</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">392,359</td> <td></td> </tr> </table> <p>Liabilities corresponding to pledged assets:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%;">Trade accounts payable</td> <td style="width: 15%; text-align: right;">3,807</td> <td style="width: 70%;"></td> </tr> </table> <p>The above mortgage by transfer are provided as security for future lease payments of 74,602 thousand yen (including 3,807 thousand yen in trade accounts payable) related to CS tuner/antennas, and include current and future receivables from members in accordance with membership agreements, receivables from broadcasters under marketing agreements and receivables related to CS tuner and antenna sales from members and sales agents. Receivables pledged as of the end of the current quarter include 387,143 thousand yen in trade accounts receivable and 5,215 thousand yen in other accounts receivable.</p>	Trade accounts receivable	387,143	(mortgage by transfer)	Other accounts receivable	5,215	(mortgage by transfer)	Total	392,359		Trade accounts payable	3,807		<p>3. Contractual obligations</p> <p>The Company entered into an agreement to invest in one unit, valued at 100,000 thousand yen (one unit), of the SBI Broadband Fund No. 1 Limited Liability Investment Partnership, on April 28, 2005. Since the amount invested as of the end of the current quarter is 50,000 thousand yen, the Company is under obligation to invest the balance of 50,000 thousand yen.</p> <p>The Company entered into an agreement to invest in one unit, valued at 100,000 thousand yen (one unit), of the SBI BB Mobile Limited Liability Investment Partnership, on April 17, 2006. Since the amount invested as of the end of the current quarter is 25,000 thousand yen, the Company is under obligation to invest the balance of 75,000 thousand yen.</p>	<p>*2. The following items are applicable to non-consolidated subsidiaries and affiliates</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 85%;">Investment securities (stocks)</td> <td style="width: 15%; text-align: right;">35,621</td> </tr> </table> <p>3. Contractual obligations</p> <p>The Company entered into an agreement to invest in one unit, valued at 100,000 thousand yen (one unit), of the SBI Broadband Fund No. 1 Limited Liability Investment Partnership, on April 28, 2005. Since the amount invested as of the end of the current consolidated fiscal year is 25,000 thousand yen, the Company is under obligation to invest the balance of 75,000 thousand yen.</p>	Investment securities (stocks)	35,621
Trade accounts receivable	387,143	(mortgage by transfer)														
Other accounts receivable	5,215	(mortgage by transfer)														
Total	392,359															
Trade accounts payable	3,807															
Investment securities (stocks)	35,621															

Notes to Quarterly Consolidated Income Statement

Thousand yen

1Q FY2005 (Apr. 1, 2005 – Jun. 30, 2005)	1Q FY2006 (Apr. 1, 2006 – Jun. 30, 2006)	FY2005 (Apr. 1, 2005 – Mar. 31, 2006)
<p style="text-align: center;">—————</p>	<p style="text-align: center;">—————</p>	<p>*1. The Company ceased activities to sign up new subscribers to Club iT's CS broadcasting service four years ago. In the absence of new subscriptions, provisions for doubtful receivables on a case-by-case basis and general receivables have declined.</p> <p>*2. Loss on write-down of CS tuner and antennas and other items. 22,666</p> <p>*3. Effective from the current fiscal year, the Company introduced a system of "Directors' Retirement Benefits." To provide for directors' retirement benefits, an allowance is provided pursuant to the Company's rules on directors' retirement benefits. The amount represents the past service liability.</p>

Accounting for Leases

Thousand yen

1Q FY2005 (Apr. 1, 2005 – Jun. 30, 2005)	1Q FY2006 (Apr. 1, 2006 – Jun. 30, 2006)	FY2005 (Apr. 1, 2005 – Mar. 31, 2006)
Finance lease transactions not involving the transfer of title to lessee:	Finance lease transactions not involving the transfer of title to lessee:	Finance lease transactions not involving the transfer of title to lessee:
(1) Acquisition cost, accumulated depreciation and fiscal period-end balance equivalents of the leased property	(1) Acquisition cost, accumulated depreciation and fiscal period-end balance equivalents of the leased property	(1) Acquisition cost, accumulated depreciation and fiscal year-end balance equivalents of the leased property
<i>Tools, furniture and fixtures (mainly CS tuners/antennas)</i>	<i>Tools, furniture and fixtures (mainly CS tuners/antennas)</i>	<i>Tools, furniture and fixtures (mainly CS tuners/antennas)</i>
Acquisition cost equivalents: 1,004,242	Acquisition cost equivalents: 174,127	Acquisition cost equivalents: 212,122
Accumulated depreciation equivalents: 682,832	Accumulated depreciation equivalents: 97,684	Accumulated depreciation equivalents: 117,994
Period-end balance equivalents: 321,409	Period-end balance equivalents: 76,442	Fiscal year-end balance equivalents: 94,127
(2) Outstanding lease commitments and the fiscal period-end balance equivalents	(2) Outstanding lease commitments and the fiscal period-end balance equivalents	(2) Outstanding lease commitments and the fiscal year-end balance equivalents
Due within one year 251,778	Due within one year 45,929	Due within one year 51,941
Due over one year 78,836	Due over one year 36,119	Due over one year 47,920
Total 330,615	Total 82,048	Total 99,861
(3) Lease payments, depreciation and interest equivalents	(3) Lease payments, depreciation and interest equivalents	(3) Lease payments, depreciation and interest equivalents
Lease payments 73,981	Lease payments 13,530	Lease payments 189,950
Depreciation equivalents 64,232	Depreciation equivalents 11,703	Depreciation equivalents 164,336
Interest equivalents 5,537	Interest equivalents 1,699	Interest equivalents 15,457
(4) Calculation of accumulated depreciation equivalents	(4) Calculation of accumulated depreciation equivalents	(4) Calculation of accumulated depreciation equivalents
Depreciation equivalents are calculated by the straight-line method, assuming the lease period as the useful life and guaranteed residual value as the residual value.	Same as on the left.	Same as on the left.
(5) Calculation of interest equivalents	(5) Calculation of interest equivalents	(5) Calculation of interest equivalents
Interest is defined as the difference between the total lease payments and acquisition cost equivalents and is allocated for each period using the simple-interest method.	Same as on the left.	Same as on the left.
Impairment loss	Impairment loss	Impairment loss
There is no impairment loss on leased asset-impairment account.	Same as on the left.	Same as on the left.

Securities

1Q FY2005 (As of Jun. 30, 2005)

Securities without market quotations

Thousand yen

Item	Carrying value
Other securities	
Unlisted stock	1,535
Total	1,535

1Q FY2006 (As of Jun. 30, 2006)

Securities without market quotations

Thousand yen

Item	Carrying value
Affiliates stock	
Unlisted stock	54,693
Other securities	
Unlisted stock	340,870
Total	395,564

FY2005 (As of Mar. 31, 2006)

1. Securities without market quotations

Thousand yen

Item	Carrying value
Affiliates stock	
Unlisted stock	35,621
Other securities	
Unlisted stock	220,870
Total	256,491

2. Sales of securities classified as other securities (Apr. 1, 2005 – Mar. 31, 2006)

Thousand yen

Sales amount	Aggregate gain	Aggregate loss
300	-	56

Derivatives

1. Financial derivative transactions

1Q FY2005 (Apr. 1, 2005 – Jun. 30, 2005)	1Q FY2006 (Apr. 1, 2006 – Jun. 30, 2006)	FY2005 (Apr. 1, 2005 – Mar. 31, 2006)
No reportable information. The Company does not have derivative transactions.	<p>(1) Description and purpose of derivative transactions The Company uses financial derivative transactions, which comprise forward foreign exchange contracts, to reduce its exposure to market risks from fluctuations in foreign currency exchange rates.</p> <p>(2) Policy The Company uses forward foreign exchange contracts to hedge risks on foreign currency-denominated transactions. It is the Company's policy to use derivatives only for the purpose of reducing foreign exchange risk associated with such foreign currency-denominated liabilities. The Company does not hold or issue financial derivative instruments for trading purposes.</p> <p>(3) Purpose Forward foreign exchange contracts are exposed to the risk of exchange rate fluctuations. The Company considers that there is no significant credit risk from a counterparty's default. The Company's counterparties are reliable financial institutions.</p> <p>(4) Risks In the execution and management of foreign currency-denominated transactions, all derivatives transactions that the Company enters into must conform with the "Foreign Exchange Risk Management Regulations," an internal regulation, and require approval of the Board of Directors, the representative director or the general manager of the finance division, depending on notional principal amounts. The conditions and results of these transactions are reported to the general manager of the Finance & Accounting Group in the monthly "Accrued Balance Report," and to the Board of Directors every six months in the "Foreign Exchange Gain/Loss Report."</p>	Same as on the left.

2. Market value of derivative transaction

1Q FY2005 (Apr. 1, 2005 – Jun. 30, 2005)	1Q FY2006 (Apr. 1, 2006 – Jun. 30, 2006)	FY2005 (Apr. 1, 2005 – Mar. 31, 2006)
—	Information on derivative transactions to which the hedge accounting method is applied is not presented.	Information on derivative transactions to which the hedge accounting method is applied is not presented.

Per Share Information

Yen

1Q FY2005 (Apr. 1, 2005 – Jun. 30, 2005)		1Q FY2006 (Apr. 1, 2006 – Jun. 30, 2006)		FY2005 (Apr. 1, 2005 – Mar. 31, 2006)																	
Net assets per share	76.29	Net assets per share	76.61	Net assets per share	155.00																
Net profit per share (basic)	23.82	Net profit per share (basic)	4.02	Net profit per share (basic)	96.86																
Net profit per share (diluted)	22.62	Net profit per share (diluted)	3.92	Net profit per share (diluted)	92.47																
		<p>On April 1, 2006, the Company split its stock two for one. Net profit per share retroactively adjusted to the beginning of the previous consolidated first quarter, is as follows.</p> <table border="1"> <thead> <tr> <th colspan="2">1Q FY2005</th> </tr> </thead> <tbody> <tr> <td>Net assets per share</td> <td>38.15</td> </tr> <tr> <td>Net profit per share (basic)</td> <td>11.91</td> </tr> <tr> <td>Net profit per share (diluted)</td> <td>11.31</td> </tr> </tbody> </table>		1Q FY2005		Net assets per share	38.15	Net profit per share (basic)	11.91	Net profit per share (diluted)	11.31	<p>On May 20, 2005, the Company split its stock two for one. Net profit per share retroactively adjusted to the beginning of the previous consolidated fiscal year, is as follows.</p> <table border="1"> <thead> <tr> <th colspan="2">FY2004</th> </tr> </thead> <tbody> <tr> <td>Net assets per share</td> <td>-</td> </tr> <tr> <td>Net profit per share (basic)</td> <td>30.71</td> </tr> <tr> <td>Net profit per share (diluted)</td> <td>-</td> </tr> </tbody> </table> <p>Net profit per share (diluted) is not presented since the Company posted net loss for the current fiscal year.</p>		FY2004		Net assets per share	-	Net profit per share (basic)	30.71	Net profit per share (diluted)	-
1Q FY2005																					
Net assets per share	38.15																				
Net profit per share (basic)	11.91																				
Net profit per share (diluted)	11.31																				
FY2004																					
Net assets per share	-																				
Net profit per share (basic)	30.71																				
Net profit per share (diluted)	-																				

Note: Basis for calculation of net profit per share (basic) and net profit per share (diluted) is as follows.

	1Q FY2005 (Apr. 1, 2005 – Jun. 30, 2005)	1Q FY2006 (Apr. 1, 2006 – Jun. 30, 2006)	FY2005 (Apr. 1, 2005 – Mar. 31, 2006)
Net profit per share (basic)			
Net profit (thousands of yen)	401,353	139,688	1,645,319
Amount not available to common shareholders (thousands of yen)	-	-	-
Net profit available to common stock (thousands of yen)	401,353	139,688	1,645,319
Average shares outstanding available to common stock (shares)	16,846,973	34,717,832	16,987,256
Net profit per share (diluted)			
Adjustments to net profit	-	-	-
Increase in number of common stocks (shares)	899,953	890,568	804,893
[of which stock subscription rights (shares)]	[672,621]	[570,656]	[593,667]
[of which new stock acquisition right (shares)]	[227,332]	[319,912]	[211,226]
Summary of non-dilutive stock equivalents not used in calculation of net profit per share (diluted)	-	First issue stock acquisition rights 2005 (unexercised: 2,000)	Same as on the left.

Material Subsequent Events

1Q FY2005 (Apr. 1, 2005 – Jun. 30, 2005)	1Q FY2006 (Apr. 1, 2006 – Jun. 30, 2006)	FY2005 (Apr. 1, 2005 – Mar. 31, 2006)																																																															
<p>Conversion of Oy Gamecluster Ltd. into a subsidiary:</p> <p>The Company on July 1, 2005 acquired all of the 3,057,768 outstanding shares of Oy Gamecluster Ltd. for 350,000 thousand yen from SOFTBANK Broadmedia Corporation, the parent company of Club iT Corporation, the Company filing the financial statements.</p> <p>Oy Gamecluster has the G-cluster elemental technology required for Club iT's Game on Demand Business. Acquisition as a subsidiary will enable the Company to build a close relationship with Oy Gamecluster in marketing, development of new services and technology areas for speedy development of products to precisely meet customer needs. Internal funds were used for the acquisition and payment was affected through a bank transfer of the required amount.</p> <p>Outline of Oy Gamecluster Ltd.</p> <table border="1" data-bbox="153 1010 564 1406"> <tr> <td>Head office:</td> <td>Espoo, Finland</td> </tr> <tr> <td>Business:</td> <td>Development of on demand technology for broadband networks</td> </tr> <tr> <td colspan="2">Recent business results:</td> </tr> <tr> <td>Fiscal year</td> <td>December 2004</td> </tr> <tr> <td>Capital</td> <td>5,142 euros</td> </tr> <tr> <td>Total assets</td> <td>166,042 euros</td> </tr> <tr> <td>Revenue</td> <td>938,144 euros</td> </tr> <tr> <td>Operating profit</td> <td>14,401 euros</td> </tr> <tr> <td>Net profit</td> <td>8,790 euros</td> </tr> <tr> <td>Employees</td> <td>7</td> </tr> </table>	Head office:	Espoo, Finland	Business:	Development of on demand technology for broadband networks	Recent business results:		Fiscal year	December 2004	Capital	5,142 euros	Total assets	166,042 euros	Revenue	938,144 euros	Operating profit	14,401 euros	Net profit	8,790 euros	Employees	7	<p>I. Acquisition of investment securities:</p> <p>The Company on July 31, 2006 acquired shares of eight broadcasters for 1,012,835 thousand yen from SOFTBANK Broadmedia Corporation.</p> <p>The acquisition is intended to further deepen the relationship with broadcasters with which the Company has had close business relationships from the time of its founding in order to promote new initiatives, including download, VOD, supply of content for mobile phones, in the Company's content distribution business.</p> <p>A summary of acquisition of shares is as follows:</p> <p>Fishing Vision Co., Ltd. became a consolidated subsidiary of the Company on the date of acquisition of stock. Nihon Eiga Satellite Broadcasting Corp. became an equity-method affiliate of the Company on the date of acquisition of stock. Internal funds were used for the acquisitions and payments were affected through a bank transfer of the required amount.</p> <table border="1" data-bbox="592 1137 1002 1469"> <tr> <td>Company name:</td> <td>Fishing Vision Co., Ltd.</td> </tr> <tr> <td>Shares to be acquired:</td> <td>6,809 shares</td> </tr> <tr> <td>Acquisition cost:</td> <td>255,754 thousand yen</td> </tr> <tr> <td>Share holdings after acquisition:</td> <td>43.7%</td> </tr> <tr> <td>Head office:</td> <td>Shinjyuku-ku, Tokyo</td> </tr> <tr> <td>Business:</td> <td>CS broadcasting</td> </tr> <tr> <td>Capital:</td> <td>1,141,599 thousand yen (as of March 31, 2006)</td> </tr> </table> <table border="1" data-bbox="592 1503 1002 1861"> <tr> <td>Company name:</td> <td>Nihon Eiga Satellite Broadcasting Corp.</td> </tr> <tr> <td>Shares to be acquired:</td> <td>1,000 shares</td> </tr> <tr> <td>Acquisition cost:</td> <td>218,049 thousand yen</td> </tr> <tr> <td>Share holdings after acquisition:</td> <td>15.0%</td> </tr> <tr> <td>Head office:</td> <td>Minato-ku, Tokyo</td> </tr> <tr> <td>Business:</td> <td>CS broadcasting</td> </tr> <tr> <td>Capital:</td> <td>333,300 thousand yen (as of March 31, 2006)</td> </tr> </table>	Company name:	Fishing Vision Co., Ltd.	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Method of split We will issue two stocks for every one common stock owned by registered shareholders as of March 31, 2006.</p> <p>(2) Issue date: May 19, 2006 (3) Dividend record date: April 1, 2006 (4) Increase in the total number of shares issued by the Company The Company amended Article 5 of its Articles of Incorporation on April 1, 2006, in order to increase the number of shares outstanding by 64,000,000 shares to 128,000,000 shares.</p> <p>(5) The Board of Directors will determine other necessary items for the stock split.</p> <p>(6) Adjustment of exercise price In line with the stock split, the Company adjusts the exercise price for subscription warrant and stock acquisition rights, from April 1, 2006, as follows:</p> <table border="1" data-bbox="1031 1395 1437 1877"> <thead> <tr> <th>Description</th> <th>Exercise price after adjustment</th> <th>Exercise price before adjustment</th> </tr> </thead> <tbody> <tr> <td>First issue subscription warrant</td> <td>93.8 yen</td> <td>187.5 yen</td> </tr> <tr> <td>Second issue subscription warrant</td> <td>93.8 yen</td> <td>187.5 yen</td> </tr> <tr> <td>First issue stock acquisition rights 2004</td> <td>466 yen</td> <td>931 yen</td> </tr> <tr> <td>First issue stock acquisition rights 2005</td> <td>1,270 yen</td> <td>2,539 yen</td> </tr> </tbody> </table>	Description	Exercise price after adjustment	Exercise price before adjustment	First issue subscription warrant	93.8 yen	187.5 yen	Second issue subscription warrant	93.8 yen	187.5 yen	First issue stock acquisition rights 2004	466 yen	931 yen	First issue stock acquisition rights 2005	1,270 yen	2,539 yen
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* This financial report is solely a translation of Japanese “Kessan Tanshin” (including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer English translation.