



Consolidated Financial Results for 3rd Quarter FY2006 (Ended December 31, 2006)

February 2, 2007

Company name: Club iT Corporation

Stock code: 4347

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

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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 – December 31, 2006)

(1) Consolidated 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 (%)
3Q FY2006	7,354	3.5	725	(67.4)	677	(69.2)
3Q FY2005	7,107	(15.3)	2,224	-	2,196	-
[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
3Q FY2006	428	(66.2)	12.23	12.10
3Q FY2005	1,267	-	74.81	71.28
[Ref.] FY2005	1,645	-	96.86	92.47

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

3Q FY2006: 35,029,517 shares 3Q FY2005: 16,937,465 shares FY2005: 16,987,256 shares

The increase in the number of shares in the first three quarters of FY2006 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: A Summary of Quarterly Business Results

(Figures rounded down to the nearest million yen)

	Revenue	Operating profit	Recurring profit
	Million yen	Million yen	Million yen
Apr. 2006 – Jun. 2006	1,922	246	221
Jul. 2006 – Sep. 2006	2,398	199	183
Oct. 2006 – Dec. 2006	3,033	279	272
Total	7,354	725	677

Reference 2: Achievement Rate against Consolidated Forecast

(Figures rounded down to the nearest million yen)

	3Q FY2006 (nine months)	Full-year forecast released along with first half of FY2005 business results	Achievement rate against full-year forecast (%)
Revenue	7,354	10,200	72.1
Recurring profit	677	900	75.2
Net profit	428	550	77.8

Reference 3: Segment Information

	3Q FY2006 (Apr. 1, 2006 – Dec. 31, 2006)		3Q FY2005 (Apr. 1, 2005 – Dec. 31, 2005)		YoY change (%)
	Million yen	Comp. (%)	Million yen	Comp. (%)	
Game on Demand Business	103	1.4	119	1.7	(13.6)
CDN Business	878	11.9	832	11.7	5.6
Media Content Business	1,806	24.6	1,182	16.6	52.8
Broadband Business	2,185	29.7	1,882	26.5	16.1
CS Broadcasting Services Business	2,238	30.4	3,091	43.5	(27.6)
Other businesses	143	2.0	-	-	-
Total	7,354	100.0	7,107	100.0	3.5

Note: Amounts do not include consumption taxes.

Qualitative Information Regarding Consolidated Results of Operations

Consolidated revenue for the first three quarters of fiscal year totaled 7,354 million yen, operating profit was 725 million yen, recurring profit was 677 million yen and net profit was 428 million 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.

In the third quarter (October-December 2006), the Company (in November 2006) acquired Broadmedia Studios Corporation, a major seller of foreign film and TV drama broadcast rights and producer of Japanese subtitles and voice-over dubbing, and its subsidiary Hollywood Channel Inc. as consolidated subsidiaries, thus strengthening the content services area. The Company will aim to further expand this business by offering a full line-up of content. In the area of technology services, the Company acquired a capital stake (in December 2006) in i-Broadcast Inc., a developer and operator of image conversion technology for mobile phones and PCs.

Revenue for each business segment were as follows.

1) Game on Demand Business

Segment revenue for the first three quarters totaled 103 million yen.

The Company had been conducting a campaign offering free G-cluster trials in celebration of the 10th anniversary of Yahoo Japan Corporation's Yahoo! Japan portal since July 2006, and began offering G-cluster streaming games as a paid service through Yahoo! Games from January 2007. The Company now offers 92 titles, including the Otegaru Games monthly fee pack consisting of casual (easily played) games from U.S. Oberon Media, Inc., and the Natsukashi Games monthly fee pack comprised of titles from CAPCOM Co., Ltd. and JALECO LTD. The Company will continue to expand its line up of games, including original titles.

The G-cluster service was incorporated into the Windows Media Center included in Microsoft's Windows Vista™ (Japanese language version), which went on sale at the end of January 2007. Also, the SimplePlay download games site was established within the BIGLOBE site operated by NEC BIGLOBE, Ltd. from February 2007, which has begun selling game content to BIGLOBE members.

In hospitality services, G-cluster has been introduced in 10 Japanese hotels as of the end of January 2007.

In October 2006 the Company reached an agreement with Korea's CDNetworks Co., Ltd., which is already a strategic partner of the Company in the CDN business, to further cooperate in order to launch G-cluster services in South Korea. The Company is also aggressively seeking to launch G-cluster in North America, Asia, and Europe.

2) CDN Business

Segment revenue for the first three quarters totaled 878 million yen.

Due to the expiration of an agreement with the former Speedera Networks in November 2006 and other factors, segment revenue for the third quarter (October-December 2006) decreased 37 million yen from the previous quarter (July-September 2006).

In October 2006, the Company concluded distributor agreements with Cyber Communications Inc. and ITOCHU Techno-Solutions Corp. for Broadmedia® CDN. In addition to direct sales, the Company will seek to strengthen and expand sales through marketing partnerships with leading companies in various industries. In December 2006, the Company formed a capital alliance with i-Broadcast Inc., a partner company of BMCDN mobile, for the purpose of enhancing its services in the area of mobile communications. Also in December 2006, Broadmedia® CDN⁺R was incorporated into the news portal site 47NEWS, which is operated by Press Net Japan Co., Ltd., in which 52 Japanese newspapers participate.

3) Media Content Business

Segment revenue first three quarters totaled 1,806 million yen.

As a result of the inclusion of Broadmedia Studios Corporation and its subsidiary Hollywood Channel Inc. in the consolidation, segment revenue for the third quarter (October-December 2006) increased by 437 million yen over the previous quarter (July-September 2006).

The Company jointly produced an original serial drama, titled “*Senjo no Girl’s Life*,” with EISEI GEKIJYO, Co. Ltd., a program-supplying broadcaster of the Shochiku Group, Amuse Soft Entertainment, Inc., a producer and seller of imaging software, and one other company. The aim of this joint production was to develop new cross media encompassing CS broadcast, broadband delivery, and book and DVD sales, with plans to further enhance this experimental approach in the future.

The Company launched sales of Download Arena content through Internet provider services including NTT Communications Corporation’s OCN and NIFTY Corporation’s @nifty. In December 2006, the Company concluded a license agreement with Media International Corporation for the rights to popular European dramas, including “The Adventures of Sherlock Holmes,” which formerly aired on NHK, and began distributing this content through Club iT Arena.

Through Broadmedia Studios Corporation, the Company began offering popular Hollywood titles, including “Tomorrow Never Dies” (from the 007 series) and “The Borne Supremacy,” to broadcast terrestrial TV stations. The Company also participated in the planning and production of “Spaceship Earth,” a documentary produced for broadcast terrestrial TV (aired January 21, 2007). In January 2007, Hollywood Channel, an official mobile movie information site operated by Hollywood Channel Inc., began distributing motion picture content from major U.S. entertainment magazine “Hollywood Reporter” for the first time in Japan.

4) Broadband Business

Segment revenue for the first three quarters totaled 2,185 million yen.

Segment revenue for the third quarter (October-December 2006) increased by 278 million yen over the previous quarter (July-September 2006) thanks to improved sales of Softbank Mobile phone sales, which the Company recently began selling.

Plans call for boosting revenue and generating profits using the marketing (sales agency) expertise we have built up through our ADSL connection marketing activities.

5) CS Broadcasting Services Business

Segment revenue for the first three quarters totaled 2,238 million yen.

The number of subscribers to our CS Broadcasting Service dropped by approximately 35,000 year-on-year to an estimated 131,000 as of the end of the third quarter. Club iT is committed to maintaining and improving the current quality of its service to the remaining subscribers.

6) Other businesses

Revenue on other businesses first three quarters totaled 143 million yen, bulk of which are mobile advertising and media related.

In January 2007, CMX Co., Ltd., a mobile advertising and media firm, launched the mobile official site of Avantgardes, a production company that manages such popular media stars as Kaori Manabe and Yuko Ogura.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
3Q FY2006	8,366	3,518	34.9	82.94
3Q FY2005	4,284	2,240	52.3	131.38
[Ref.] FY2005	4,999	2,690	53.8	155.00

Notes: 1. Number of shares outstanding (consolidated)

3Q FY2006: 35,209,770 shares 3Q FY2005: 17,051,954 shares FY2005: 17,356,054 shares

The increase in the number of shares in the first three quarters of FY2006 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. The Company has adopted “Accounting Standard for Presentation of Net Assets on Balance Sheet” and “Accounting Standard Implementation Guidance for Presentation of Net Assets on Balance Sheet” starting from the period under review. As a result, net assets include minority interests and stock acquisition rights. However, the equity ratio and net assets per share are calculated based on net assets less the minority interests and stock acquisition rights.

Qualitative Information Regarding Consolidated Financial Position

Total assets were 8,366 million yen and net assets were 3,518 million yen as of the end of the third quarter. As a result of the inclusion of Fishing Vision Co., Ltd. and Giga Brains Co., Ltd. in August 2006 and Broadmedia Studios Corporation and Hollywood Channel Inc. in November 2006 in the consolidation, total assets increased by 3,367 million yen compared to the beginning of the year.

A summary of the significant changes in assets and liabilities during the third quarter under review are as follows:

- “Program count” increased 1,785 million yen resulting from the inclusion of Fishing Vision Co., Ltd. and Broadmedia Studios Corporation in consolidation.
- “Software” increased 103 million yen due to the purchase of business use software in the Game on Demand Business.
- “Investment securities” increased 782 million yen due to purchase of bonds with stock acquisition rights issued by Dream Time Entertainment Inc., stock of broadcasters (J SPORTS Broadcasting Corporation, etc.), and stock of i-Broadcast Inc. through private placement.
- “Affiliate stock” increased 257 million yen due to the private placement of Renaissance Academy Corporation’s stock and purchase of stock of Nihon Eiga Satellite Broadcasting Corp.
- Despite 428 million yen net profit for the quarter, accumulated profit increased 166 million yen due to payment of cash dividends of 261 million yen (FY2005 year-end dividend of 173 million yen, first half of FY2006 interim dividend of 88 million yen.)
- Proceeds from the issue of new shares due to the exercise of new stock acquisition rights totaled 61 million yen.

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

	Revenue	Recurring profit	Net profit
	Million yen	Million yen	Million yen
Full year	10,200	900	550

Reference: Estimated net profit per share for the full year: 15.62 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 full-year forecasts released on October 27, 2006.

Reference Materials

Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

Thousand yen

Account	Note	3Q FY2005 (As of December 31, 2005)		3Q FY2006 (As of December 31, 2006)		FY2005 Summary (As of March 31, 2006)	
		Amount	%	Amount	%	Amount	%
Assets							
I Current assets							
1. Cash deposits		1,793,490		1,092,687		2,261,445	
2. Trade notes and accounts receivable	*1,3	708,978		1,427,563		637,381	
3. Merchandise		-		74,104		39,958	
4. Work in progress		-		101,137		-	
5. Supplies		34,448		-		-	
6. Program count		272,671		2,164,487		378,729	
7. Deferred tax assets		239,205		101,625		242,152	
8. Other accounts receivable	*1	42,134		62,872		41,507	
9. Short-term loans receivable		10,000		95		10,000	
10. Others		214,767		350,836		26,339	
Allowance for doubtful accounts		(223,376)		(10,574)		(13,536)	
Total current assets		3,092,320	72.2	5,364,835	64.1	3,623,978	72.5
II Fixed assets							
1. Tangible fixed assets							
(1) Buildings		7,119		198,978		8,058	
Less-accumulated depreciation		3,065	4,053	140,586	58,391	3,306	4,752
(2) Machinery		-		20,443		-	
Less-accumulated depreciation		-	-	17,219	3,223	-	-
(3) Tools, furniture and fixtures		1,205,967		1,153,994		1,170,126	
Less-accumulated depreciation		896,095	309,872	955,996	197,998	918,330	251,796
(4) Construction in progress		-		-		13,412	
Total tangible fixed assets		313,926		259,613		269,961	
2. Intangible fixed assets							
(1) Software		283,491		449,027		345,244	
(2) Consolidation adjustment account		489,664		-		445,648	
(3) Goodwill		-		774,564		-	
(4) Others		3,049		8,551		2,976	
Total intangible fixed assets		776,205		1,232,143		793,870	
3. Investments and other assets							
(1) Investment securities	*5	46,863		1,296,205		256,491	
(2) Deferred tax assets		23,689		21,447		18,579	
(3) Others		31,930		197,431		36,947	
Allowance for doubtful accounts		-		(4,744)		-	
Total investments and other assets		102,483		1,510,339		312,019	
Total fixed assets		1,192,615	27.8	3,002,097	35.9	1,375,850	27.5
Total Assets		4,284,936	100.0	8,366,932	100.0	4,999,829	100.0

Thousand yen

Account	Note	3Q FY2005 (As of December 31, 2005)		3Q FY2006 (As of December 31, 2006)		FY2005 Summary (As of March 31, 2006)	
		Amount	%	Amount	%	Amount	%
Liabilities							
I Current liabilities							
1. Trade accounts payable	*1	199,610		1,348,556		442,948	
2. Corporate bonds due within one year		206,250		15,300		221,550	
3. Short-term debt	*2	-		1,950,000		-	
4. Current portion of long-term debt		-		2,518		2,351	
5. Other accounts payable		209,654		373,273		256,282	
6. Accrued income taxes		525,199		7,886		857,443	
7. Accrued consumption taxes	*4	57,326		134,304		20,598	
8. Advance receipts		460,515		569,416		205,309	
9. Reserve for bonuses		-		44,157		-	
10. Other current liabilities		268,753		175,394		199,947	
Total current liabilities		1,927,310	45.0	4,620,807	55.2	2,206,431	44.2
II Fixed liabilities							
1. Long-term debt		6,868		2,518		4,703	
2. Corporate bonds		15,300		-		-	
3. Reserve for retirement benefits		-		11,995		-	
4. Reserve for directors' retirement benefits		43,499		52,708		45,583	
5. Guarantee deposits received		31,421		7,834		31,402	
6. Lease asset impairment		-		131,225		-	
7. Other fixed liabilities		-		21,706		-	
Total fixed liabilities		97,090	2.2	227,988	2.7	81,689	1.6
Total Liabilities		2,024,400	47.2	4,848,795	57.9	2,288,121	45.8
Minority Equity							
Minority equity		20,202	0.5	-	-	21,607	0.4
Shareholders' Equity							
I Capital							
Capital		588,249	13.7	-	-	623,828	12.5
II Capital surplus							
Capital surplus		214,573	5.0	-	-	250,526	5.0
III Accumulated profit							
Accumulated profit		1,437,626	33.6	-	-	1,815,783	36.3
IV Foreign currency translation adjustments							
Foreign currency translation adjustments		95	0.0	-	-	174	0.0
V Treasury stock							
Treasury stock		(211)	(0.0)	-	-	(211)	(0.0)
Total Shareholders' Equity		2,240,334	52.3	-	-	2,690,100	53.8
Total Liabilities, Minority Equity, and Shareholders' Equity		4,284,936	100.0	-	-	4,999,829	100.0
Net Assets							
I Shareholders' equity							
1. Capital		-	-	654,662	7.8	-	-
2. Capital surplus		-	-	281,698	3.4	-	-
3. Accumulated profit		-	-	1,982,458	23.7	-	-
4. Treasury stock		-	-	(289)	(0.0)	-	-
Total shareholders' equity		-	-	2,918,529	34.9	-	-
II Valuation and translation adjustments							
1. Unrealized holding gain on other securities		-	-	905	0.0	-	-
2. Foreign currency translation adjustments		-	-	968	0.0	-	-
Total valuation and translation adjustments		-	-	1,873	0.0	-	-
III Stock acquisition rights							
Stock acquisition rights		-	-	21	0.0	-	-
IV Minority equity							
Minority equity		-	-	597,712	7.1	-	-
Total Net Assets		-	-	3,518,136	42.1	-	-
Total Liabilities and Net Assets		-	-	8,366,932	100.0	-	-

(2) Quarterly Consolidated Income Statement

Thousand yen

Account	Note	3Q FY2005 (Apr. 1, 2005 – Dec. 31, 2005)		3Q FY2006 (Apr. 1, 2006 – Dec. 31, 2006)		FY2005 Summary (Apr. 1, 2005 – Mar. 31, 2006)			
		Amount	%	Amount	%	Amount	%		
I Revenue		7,107,619	100.0	7,354,927	100.0	9,275,185	100.0		
II Cost of goods sold		3,278,492	46.1	4,143,319	56.3	4,167,528	44.9		
Gross profit on revenue		3,829,126	53.9	3,211,607	43.7	5,107,656	55.1		
III Selling, general and administrative expenses									
1. Employees' wages	300,994			522,270		418,704			
2. Employees' bonuses	105,309			98,878		145,591			
3. Provision of reserve for bonuses	-			33,484		-			
4. Provision of reserve for directors' retirement benefits	7,083			7,124		9,166			
5. Outsourcing expenses	279,062			492,718		391,053			
6. Delivery cost	132,449			111,120		172,264			
7. Printing expenses	119,033			108,715		163,434			
8. Provision of allowance for doubtful accounts	12,742			10,950		-			
9. Depreciation expenses	16,323			34,142		23,691			
10. Amortization of consolidation adjustment account	45,846			-		89,862			
11. Amortization of goodwill	-			95,170		-			
12. Others	585,740	1,604,586	22.6	971,141	2,485,717	33.8	887,932	2,301,700	24.8
Operating profit		2,224,540	31.3	725,890	9.9	2,805,956	30.3		
IV Non-operating income									
1. Interest income	21			1,227		124			
2. Gain on sales of supplies	1,399			873		1,635			
3. Outsourcing services	-			3,938		-			
4. Equity in earnings of affiliates	-			32,704		-			
5. Others	6,353	7,774	0.1	6,072	44,817	0.6	7,666	9,426	0.1
V Non-operating expenses									
1. Interest expenses	3,077			7,411		4,006			
2. Foreign exchange losses	968			8,593		522			
3. Equity in loss of affiliates	27,655			71,666		67,503			
4. Equity in loss of a silent partnership	4,462	36,164	0.5	5,652		4,129	76,161	0.8	
5. Others	-			7	93,332	1.3	-		
Recurring profit		2,196,149	30.9	677,375	9.2	2,739,221	29.6		
VI Extraordinary gains									
1. Gain on changes in equity	-			31,871		-			
2. Reversal of allowance for doubtful accounts	*1	-		-		182,438			
3. Others	-	-	-	261	32,132	0.4	-	182,438	2.0
VII Extraordinary losses									
1. Loss on valuation of supplies	*2	5,767		-		22,666			
2. Loss on retirement of fixed assets	-			1,207		60			
3. Loss on valuation of investment securities	2,496			-		2,496			
4. Loss on sales of investment securities	-			-		56			
5. Provision of reserve for prior period directors' retirement benefits	*3	42,416		-		42,416			
6. Loss on valuation of other assets	-	50,680	0.7	2,573	3,780	0.0	-	67,697	0.8
Income before income taxes		2,145,469	30.2	705,727	9.6	2,853,962	30.8		
Current income taxes	869,030			121,446		1,195,798			
Deferred income taxes	(2,116)	866,914	12.2	137,659	259,106	3.5	46	1,195,845	12.9
Minority equity		11,392	0.2		18,361	0.3		12,797	0.2
Net profit		1,267,162	17.8	428,259	5.8	1,645,319	17.7		

(3) Quarterly Consolidated Surplus Statement

Thousand yen

Account	3Q FY2005 (Apr. 1, 2005 – Dec. 31, 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	51,402		86,820	
2. Amounts transferred due to exercise of stock options	355	51,758	890	87,711
III Ending balance		214,573		250,526
Accumulated Profit				
I Beginning balance		170,464		170,464
II Increase				
1. Net profit	1,267,162	1,267,162	1,645,319	1,645,319
III Ending balance		1,473,626		1,815,783

(4) Quarterly Consolidated Statement of Changes in Shareholders' Equity

3Q FY2006 (Apr. 1, 2006 – Dec. 31, 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 period					
Increases due to an increase in the number of consolidated subsidiaries	-	-	-	-	-
Exercise of stock acquisition rights	30,834	31,171	-	-	62,006
Dividend of surplus	-	-	(261,584)	-	(261,584)
Net profit	-	-	428,259	-	428,259
Acquisition of treasury stocks	-	-	-	(77)	(77)
Total changes in the period	30,834	31,171	166,674	(77)	228,603
Balance as of December 31, 2006	654,662	281,698	1,982,458	(289)	2,918,529

Thousand yen

	Valuation and translation adjustments			Stock acquisition rights	Minority equity	Total net assets
	Unrealized holding gain on other securities	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 period						
Increases due to an increase in the number of consolidated subsidiaries	-	-	-	-	556,465	556,465
Exercise of stock acquisition rights	-	-	-	(429)	-	61,577
Dividend of surplus	-	-	-	-	-	(261,584)
Net profit	-	-	-	-	-	428,259
Acquisition of treasury stocks	-	-	-	-	-	(77)
Changes (net) in items other than shareholders' equity	905	794	1,699	(142)	19,638	21,195
Total changes in the period	905	794	1,699	(571)	576,104	805,835
Balance as of December 31, 2006	905	968	1,873	21	597,712	3,518,136

Significant Accounting Policies in the Preparation of Quarterly Consolidated Financial Statements

3Q FY2005 (Apr. 1, 2005 – Dec. 31, 2005)	3Q FY2006 (Apr. 1, 2006 – Dec. 31, 2006)	FY2005 (Apr. 1, 2005 – Mar. 31, 2006)
<p>1. Scope of consolidation (1) Consolidated subsidiaries: 2 Name of the consolidated subsidiaries: CDN Solutions K.K. Oy Gamecluster Ltd. During the current period, 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 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: 2 Aliss Net co., Ltd. Renaissance Academy Corporation Effective from the current period, 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 period, 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. Period end of consolidated subsidiaries Oy Gamecluster Ltd.'s third quarter ends on September 30. The consolidated financial statements include the financial statements of this consolidated subsidiary as of September 30. 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: 7 Name of the consolidated subsidiaries: CDN Solutions K.K. Oy Gamecluster Ltd. CMX Co., Ltd. Fishing Vision Co., Ltd. Giga Brains Co., Ltd. Broadmedia Studios Corporation Hollywood Channel Inc. During the current period, CMX Co., Ltd., Fishing Vision Co., Ltd., Giga Brains Co., Ltd., Broadmedia Studios Corporation, and Hollywood Channel Inc. 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: Same as on the left.</p> <p>2. Application of the equity method Affiliates under the equity method: 3 Aliss Net co., Ltd. Renaissance Academy Corporation Nihon Eiga Satellite Broadcasting Corp. Effective from the current period, Nihon Eiga Satellite Broadcasting Corp. is included in the application of the equity method, since the Company acquired an equity stake in the entity on July 31, 2006.</p> <p>3. Period end of consolidated subsidiaries Same as on the left.</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. However, necessary adjustments have been made for the consolidation concerning material transactions arising between this date and the consolidated balance sheet date.</p>

3Q FY2005 (Apr. 1, 2005 – Dec. 31, 2005)	3Q FY2006 (Apr. 1, 2006 – Dec. 31, 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</p> <p>Securities without market quotations are stated at cost, cost being determined by the moving-average method.</p> <p>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</p> <p>Merchandise _____</p> <p>Work in progress _____</p> <p>Supplies</p> <p>Supplies are stated at cost, cost being determined by the first-in first-out method.</p> <p>Program count</p> <p>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</p> <p>Depreciation of tangible fixed assets is calculated by the declining-balance method.</p> <p>Intangible fixed assets</p> <p>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>4. Significant accounting policies</p> <p>(1) Valuation criteria and methods for principal assets</p> <p>Securities</p> <p>Other securities without market quotations</p> <p>Securities without market quotations are stated at cost, cost being determined by the moving-average method.</p> <p>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</p> <p>Merchandise</p> <p>Merchandise is stated at cost, cost being determined by the first-in first-out method.</p> <p>Work in progress</p> <p>Work in progress is stated at cost, cost being determined by the specific-identification method.</p> <p>Supplies _____</p> <p>Program count</p> <p>Program count are stated at cost, cost being determined by the specific-identification method. However, certain film broadcast rights are amortized by the declining-balance method.</p> <p>(2) Depreciation method for principal assets</p> <p>Tangible fixed assets</p> <p>Depreciation of tangible fixed assets is calculated by the declining-balance method.</p> <p>As for buildings (excluding attached structures) acquired after April 1, 1998, the straight-line method has been applied.</p> <p>Intangible fixed assets</p> <p>Same as on the left.</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</p> <p>Same as on the left.</p> <p>Inventories</p> <p>Merchandise</p> <p>Same as on the left.</p> <p>Work in progress _____</p> <p>Supplies _____</p> <p>Program count</p> <p>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</p> <p>Same as on the left.</p> <p>Intangible fixed assets</p> <p>Same as on the left.</p>

3Q FY2005 (Apr. 1, 2005 – Dec. 31, 2005)	3Q FY2006 (Apr. 1, 2006 – Dec. 31, 2006)	FY2005 (Apr. 1, 2005 – Mar. 31, 2006)
<p>(3) Accounting for significant allowances 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>Reserve for retirement benefits _____</p> <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>(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>(3) Accounting for significant allowances Allowance for doubtful accounts Same as on the left.</p> <p>Reserve for retirement benefits To provide for accrued employees' retirement benefits, an allowance is provided in the amount deemed to have accrued if all eligible employees terminated employment on the balance sheet date.</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. "Reserve for bonuses," presented as component of "Other current liabilities" in 3Q FY2005 (28,575,000 yen) and FY2005 (72,486,000 yen), is reclassified and presented as a separate item in the current period.</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 Hedged transactions and hedging instruments to which hedge accounting was applied during the current period include: Hedging instrument: Forward foreign exchange contracts</p>	<p>(3) Accounting for significant allowances Allowance for doubtful accounts Same as on the left.</p> <p>Reserve for retirement benefits _____</p> <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 year pursuant to the Company's rules on directors' retirement benefits. _____</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 Hedged transactions and hedging instruments to which hedge accounting was applied during the current fiscal year include: Hedging instrument: Forward foreign exchange contracts</p>

3Q FY2005 (Apr. 1, 2005 – Dec. 31, 2005)	3Q FY2006 (Apr. 1, 2006 – Dec. 31, 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 taxes.</p>	<p>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>(6) Other significant accounting policies Accounting for consumption taxes Same as on the left.</p>	<p>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>(6) Other significant accounting policies Accounting for consumption taxes Same as on the left.</p>

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

3Q FY2005 (Apr. 1, 2005 – Dec. 31, 2005)	3Q FY2006 (Apr. 1, 2006 – Dec. 31, 2006)	FY2005 (Apr. 1, 2005 – Mar. 31, 2006)
<p>Accounting standard concerning impairment of fixed assets: Effective from the current period, the Company has adopted “Accounting Standards for Presentation of Impairment of Fixed Assets” (“Statement of Opinion, Accounting for Impairment of Fixed Assets”, Business Accounting Council; August 9, 2002) and “Accounting Standard Implementation Guidance for Impairment of Fixed Assets” (ASBJ Guidance No. 6, October 31, 2003). The effect of this change is insignificant.</p>	<p>Accounting standard concerning presentation of net assets on balance sheet: Effective from the current period, the Company has adopted “Accounting Standard for Presentation of Net Assets on Balance Sheet” (ASBJ Statement No. 5; December 9, 2005) and “Accounting Standard Implementation Guidance for Presentation of Net Assets on Balance Sheet” (ASBJ Guidance No. 8, December 9, 2005). The effect of this change is insignificant. Under the former accounting standard, amounts equivalent to “Total shareholders’ equity” totaled 2,920,403,000 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 period, 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 period, 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 period, 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 period was 1,128,000 yen. 4. Effective from the current period, 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 fiscal year, the Company has adopted “Accounting Standards for Presentation of Impairment of Fixed Assets” (“Statement of Opinion, Accounting for Impairment of Fixed Assets”, Business Accounting Council; August 9, 2002) and the “Accounting Standard Implementation Guidance for Impairment of Fixed Assets” (ASBJ Guidance No. 6, October 31, 2003). The effect of this change is insignificant.</p>

3Q FY2005 (Apr. 1, 2005 – Dec. 31, 2005)	3Q FY2006 (Apr. 1, 2006 – Dec. 31, 2006)	FY2005 (Apr. 1, 2005 – Mar. 31, 2006)
<p style="text-align: center;">—————</p>	<p>Accounting standard concerning business combination:</p> <p>Effective from the current period, the Company has adopted “Accounting Standard for Business Combination” (Business Accounting Council, October 31, 2003) , the “Accounting Standard for Business Divestiture” (ASBJ Statement No.7: Accounting Standards Board of Japan, December 27, 2005) and the “Guidance on Accounting Standard for Business Conbinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10: Accounting Standards Board of Japan, December 27, 2005).</p> <p>The effect of this change is insignificant.</p> <p>Changes in presentation in consolidated balance sheet to conform to the revision of the Regulations of Quarterly Consolidated Financial Statements:</p> <p>(Quarterly Consolidated balance sheets) Effective from the current period, “Consolidation adjustment account” is renamed “Goodwill.”</p> <p>(Quarterly Consolidated income statement) Effective from the current period, “Amortization of consolidation adjustment account” is renamed “Amortization of goodwill.”</p>	<p style="text-align: center;">—————</p>

Supplementary Information

3Q FY2005 (Apr. 1, 2005 – Dec. 31, 2005)	3Q FY2006 (Apr. 1, 2006 – Dec. 31, 2006)	FY2005 (Apr. 1, 2005 – Mar. 31, 2006)
<p>Effective from the current period, 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, 7,083,000 yen, the amount recognized for the current period, is included in selling, general and administrative expenses, and 42,416,000 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 7,083,000 yen, and to reduce income before income taxes by 49,499,000 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 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, 9,166,000 yen, the amount recognized for the current fiscal year, is included in selling, general and administrative expenses, and 42,416,000 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 9,166,000 yen, and to reduce income before income taxes by 51,583,000 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

3Q FY2005 (As of Dec. 31, 2005)	3Q FY2006 (As of Dec. 31, 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;">339,762</td> <td style="width: 70%;">(mortgage by transfer)</td> </tr> <tr> <td>Other accounts receivable</td> <td style="text-align: right;">373</td> <td>(mortgage by transfer)</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">340,136</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;">955</td> <td style="width: 70%;"></td> </tr> </table> <p>The above mortgage by transfer are provided as security for future lease payments of 14,595,000 yen (including 995,000 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 period include 339,762,000 yen in trade accounts receivable and 373,000 yen in other accounts receivable.</p>	Trade accounts receivable	339,762	(mortgage by transfer)	Other accounts receivable	373	(mortgage by transfer)	Total	340,136		Trade accounts payable	955		<p style="text-align: center;">_____</p> <p>*2. Current account overdraft agreements The Company has current account overdraft agreements with a bank of account, in order to raise funds efficiently. The balances of credit available at the end of period was as follows.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%;">Current account overdraft and revolving line of credit</td> <td style="width: 15%; text-align: right;">2,400,000</td> <td style="width: 70%;"></td> </tr> <tr> <td>Credit used</td> <td style="text-align: right;">1,950,000</td> <td></td> </tr> <tr> <td>Credit available</td> <td style="text-align: right;">450,000</td> <td></td> </tr> </table> <p>*3. Trade notes receivable/payable maturing at period-end are treated as if they were settled at the clearing date of notes. Consequently, as the period-end date was a bank holiday, the following notes receivable/payable maturing at period-end were included in the ending balance of notes receivable/payable of the current period.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%;">Trade notes receivable</td> <td style="width: 15%; text-align: right;">1,211</td> <td style="width: 70%;"></td> </tr> </table>	Current account overdraft and revolving line of credit	2,400,000		Credit used	1,950,000		Credit available	450,000		Trade notes receivable	1,211		<p style="text-align: center;">_____</p> <p style="text-align: center;">_____</p> <p style="text-align: center;">_____</p>
Trade accounts receivable	339,762	(mortgage by transfer)																								
Other accounts receivable	373	(mortgage by transfer)																								
Total	340,136																									
Trade accounts payable	955																									
Current account overdraft and revolving line of credit	2,400,000																									
Credit used	1,950,000																									
Credit available	450,000																									
Trade notes receivable	1,211																									

3Q FY2005 (As of Dec. 31, 2005)	3Q FY2006 (As of Dec. 31, 2006)	FY2005 (As of Mar. 31, 2006)
<p>*4. Accounting for consumption taxes Consumption tax and local consumption tax are accounted using the net-of-tax method, and are included in "Accrued consumption taxes" after being offset by suspense payment and suspense receipt of consumption taxes.</p> <p>_____</p>	<p>*4. Accounting for consumption taxes Same as on the left.</p>	<p>*4. Accounting for consumption taxes Same as on the left.</p>
<p>6. Contractual obligations The Company entered into an agreement to invest in one unit, valued at 100,000,000 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 period is 25,000,000 yen, the Company is under obligation to invest the balance of 75,000,000 yen.</p>	<p>*5. The following items are applicable to non-consolidated subsidiaries and affiliates Investment securities (stocks) 292,668</p> <p>6. Contractual obligations The Company entered into an agreement to invest in one unit, valued at 100,000,000 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 period is 50,000,000 yen, the Company is under obligation to invest the balance of 50,000,000 yen. The Company entered into an agreement to invest in one unit, valued at 100,000,000 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 period is 25,000,000 yen, the Company is under obligation to invest the balance of 75,000,000 yen.</p>	<p>*5. The following items are applicable to non-consolidated subsidiaries and affiliates Investment securities (stocks) 35,621</p> <p>6. Contractual obligations The Company entered into an agreement to invest in one unit, valued at 100,000,000 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 fiscal year is 25,000,000 yen, the Company is under obligation to invest the balance of 75,000,000 yen.</p>

Notes to Quarterly Consolidated Income Statement

Thousand yen

3Q FY2005 (Apr. 1, 2005 – Dec. 31, 2005)	3Q FY2006 (Apr. 1, 2006 – Dec. 31, 2006)	FY2005 (Apr. 1, 2005 – Mar. 31, 2006)
<p>_____</p>	<p>_____</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. 5,767</p> <p>_____</p>	<p>_____</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>

Notes to Consolidated Statements of Changes in Shareholders' Equity

3Q FY2006 (Apr. 1, 2006 – Dec. 31, 2006)

1. Type and number of outstanding shares

Type of share	Number of shares as of Mar. 31, 2006	Increase during the current period	Decrease during the current period	Number of shares as of Dec. 31, 2006
Common shares (thousand shares)	17,356	17,854	-	35,210

Outline of changes

- (1) Increase in the number of shares due to stock split: 17,356,400 shares
 (2) Increase in the number of shares due to exercise of stock acquisition rights: 497,753 shares

2. Type and number of treasury stocks

Type of share	Number of shares as of Mar. 31, 2006	Increase during the current period	Decrease during the current period	Number of shares as of Dec. 31, 2006
Common shares (shares)	346	437	-	783

Outline of changes

- (1) Increase in the number of shares due to stock split: 346 shares
 (2) Increase in the number of shares due to acquisition of odd lot shares: 91 shares

3. Items related to stock acquisition rights

Item	Stock acquisition rights (itemized)	Type of shares under stock acquisition rights	Number of shares under stock acquisition rights (Shares)				Balance as of Dec. 31, 2006 (Thousand yen)
			As of Mar. 31, 2006	Increase during the current period	Decrease during the current period	As of Dec. 31, 2006	
Reporting company	First issue subscription warrant	Common shares	277,000	277,000	554,000	-	-
	Second issue subscription warrant	Common shares	39,400	39,400	55,970	22,830	21
	First issue stock acquisition rights 2004	Common shares	293,400	293,400	40,000	546,800	-
	First issue stock acquisition rights 2005	Common shares	200,000	200,000	-	400,000	-
Total			809,800	809,800	649,970	969,630	21

Notes:

- Number of shares under stock acquisition rights: outstanding balance of unexercised stock options.
- Outline of changes in the number of shares
 - The increase in the number of shares is due to a two-for-one stock split conducted on April 1, 2006
 - The decrease in First issue stock acquisition rights 2004 is due to the exercise of rights (401,783 shares) and the invalidation rights (152,217 shares).
 - The decrease in Second issue subscription warrant and First issue stock acquisition rights 2004 are due to the exercise of rights.

4. Dividends

Dividend payment

Resolution	Type of share	Total amount of dividend (Thousand yen)	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of shareholders on June 16, 2006	Common shares	173,560	10.00	March 31, 2006	June 19, 2006
Board of Directors on October 27, 2006	Common shares	88,024	2.50	September 30, 2006	December 5, 2006

Accounting for Leases

Thousand yen

3Q FY2005 (Apr. 1, 2005 – Dec. 31, 2005)	3Q FY2006 (Apr. 1, 2006 – Dec. 31, 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 impairment loss, and period-end balance equivalents of the leased property	(1) Acquisition cost, accumulated depreciation and impairment loss, and period-end balance equivalents of the leased property	(1) Acquisition cost, accumulated depreciation and impairment loss, and year-end balance equivalents of the leased property
<i>Tools, furniture and fixtures (mainly CS tuners/antennas)</i>	<i>Tangible fixed assets (Machinery and Vehicles)</i>	<i>Tools, furniture and fixtures (mainly CS tuners/antennas)</i>
Acquisition cost equivalents: 420,745	Acquisition cost equivalents: 245,064	Acquisition cost equivalents: 212,122
Accumulated depreciation equivalents: 273,250	Accumulated depreciation equivalents: 57,241	Accumulated depreciation equivalents: 117,994
Period-end balance equivalents: 147,495	Accumulated impairment loss 125,516	Year-end balance equivalents: 94,127
	Period-end balance equivalents: 62,305	
	<i>Tangible fixed assets (Tools, furniture and fixtures)</i>	
	Acquisition cost equivalents: 322,173	
	Accumulated depreciation equivalents: 179,565	
	Accumulated impairment loss 41,117	
	Period-end balance equivalents: 101,490	
	<i>Total</i>	
	Acquisition cost equivalents: 567,238	
	Accumulated depreciation equivalents: 236,807	
	Accumulated impairment loss 166,634	
	Period-end balance equivalents: 163,796	
(2) Outstanding lease commitments and the period-end balance equivalents	(2) Outstanding lease commitments and the period-end balance equivalents	(2) Outstanding lease commitments and the year-end balance equivalents
Due within one year 94,383	Due within one year 154,393	Due within one year 51,941
Due over one year 59,506	Due over one year 212,388	Due over one year 47,920
Total 153,889	Total 366,781	Total 99,861
	Lease asset impairment	
	Period-end balance 131,225	
(3) Lease payments, depreciation and impairment loss, and interest equivalents	(3) Lease payments, depreciation and impairment loss, and interest equivalents	(3) Lease payments, depreciation and impairment loss, and interest equivalents
Lease payments 167,014	Lease payments 57,500	Lease payments 189,950
Depreciation equivalents 144,617	Reversal from lease asset impairment 10,394	Depreciation equivalents 164,336
Interest equivalents 13,135	Depreciation equivalents 50,039	Interest equivalents 15,457
	Interest equivalents 6,598	
(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.

3Q FY2005 (Apr. 1, 2005 – Dec. 31, 2005)	3Q FY2006 (Apr. 1, 2006 – Dec. 31, 2006)	FY2005 (Apr. 1, 2005 – Mar. 31, 2006)
Impairment loss: There is no impairment loss on leased asset-impairment account.	Impairment loss: _____	Impairment loss: There is no impairment loss on leased asset-impairment account.

Securities

3Q FY2005 (As of Dec. 31, 2005)

Securities without market quotations

Thousand yen

Item	Carrying value
Affiliates stock	
Unlisted stock (excluding OTC stocks)	25,969
Other securities	
Unlisted stock (excluding OTC stocks)	20,894
Total	46,863

3Q FY2006 (As of Dec. 31, 2006)

1. Securities with market quotations

Thousand yen

Item	Acquisition cost	Carrying value	Unrealized gain/loss
Other securities			
Stock	3,076	4,602	1,525
Total	3,076	4,602	1,525

2. Securities without market quotations

Thousand yen

Item	Carrying value
Affiliates stock	
Unlisted stock (excluding OTC stocks)	292,668
Other securities	
Unlisted stock (excluding OTC stocks)	843,127
Corporate bonds	70,000
Others	85,806
Total	1,291,602

3. Sales of securities classified as other securities (Apr. 1, 2006 – Dec. 31, 2006)

Thousand yen

Sales amount	Aggregate gain	Aggregate loss
50,082	82	-

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

3Q FY2005 (Apr. 1, 2005 – Dec. 31, 2005)	3Q FY2006 (Apr. 1, 2006 – Dec. 31, 2006)	FY2005 (Apr. 1, 2005 – Mar. 31, 2006)
No reportable information. The Company does not have derivative transactions.	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>

2. Market value of derivative transaction

3Q FY2005 (Apr. 1, 2005 – Dec. 31, 2005)	3Q FY2006 (Apr. 1, 2006 – Dec. 31, 2006)	FY2005 (Apr. 1, 2005 – Mar. 31, 2006)
—————	No reportable information. The Company does not have derivative transactions.	Information on derivative transactions to which the hedge accounting method is applied is not presented.

Per Share Information

Yen

3Q FY2005 (Apr. 1, 2005 – Dec. 31, 2005)	3Q FY2006 (Apr. 1, 2006 – Dec. 31, 2006)	FY2005 (Apr. 1, 2005 – Mar. 31, 2006)																																				
Net assets per share 131.38 Net profit per share (basic) 74.81 Net profit per share (diluted) 71.28	Net assets per share 82.94 Net profit per share (basic) 12.23 Net profit per share (diluted) 12.10	Net assets per share 155.00 Net profit per share (basic) 96.86 Net profit per share (diluted) 92.47																																				
On May 20, 2005, the Company split its stock two-for-one. Per share information retroactively adjusted to the beginning of the previous fiscal year, is as follows.	On April 1, 2006, the Company split its stock two-for-one. Per share information retroactively adjusted to the beginning of the fiscal year, is as follows.	On May 20, 2005, the Company split its stock two-for-one. Net profit per share retroactively adjusted to the beginning of the previous fiscal year, is as follows.																																				
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Note: Basis for calculation of net profit per share (basic) and net profit per share (diluted) is as follows.

	3Q FY2005 (Apr. 1, 2005 – Dec. 31, 2005)	3Q FY2006 (Apr. 1, 2006 – Dec. 31, 2006)	FY2005 (Apr. 1, 2005 – Mar. 31, 2006)
Net profit per share (basic)			
Net profit (thousands of yen)	1,267,162	428,259	1,645,319
Amount not available to common shareholders (thousands of yen)	-	-	-
Net profit available to common stock (thousands of yen)	1,267,162	428,259	1,645,319
Average shares outstanding available to common stock (shares)	16,937,465	35,029,517	16,987,256
Net profit per share (diluted)			
Adjustments to net profit	-	-	-
Increase in number of common stocks (shares)	839,478	358,563	804,893
[of which stock subscription rights (shares)]	[626,629]	168,834	[593,667]
[of which new stock acquisition right (shares)]	[212,849]	189,729	[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

3Q FY2005 (Apr. 1, 2005 – Dec. 31, 2005)	3Q FY2006 (Apr. 1, 2006 – Dec. 31, 2006)	FY2005 (Apr. 1, 2005 – Mar. 31, 2006)																							
<p>1. Purchase of Renaissance Academy Corporation's new share</p> <p>On January 19, 2006, Company affiliate Renaissance Academy Corporation received permission from the educational district of Daigo, Ibaraki Prefecture to establish "Renaissance High School," an online credit-system high school. Accordingly, the Company's Board of Directors approved on January 25, 2006 to purchase 49,500,000 yen (990 shares) of share of Renaissance Academy Corporation.</p> <p>The Company believes that education is already a big market, with the growth of broadband and mobile environments, it will continue to evolve into ever-more diversified business areas (content, content delivery, and interactive businesses). As a result, the Company now has a 39.7% equity stake in Renaissance Academy Corporation. Effective from the current period, Renaissance Academy Corporation is included in affiliates accounted for by the equity method.</p> <p>Payment is scheduled to be made on January 30, 2006, with payment made by bank transfer using the Company's internal funds.</p> <p>Renaissance Academy Corporation</p> <table border="1" data-bbox="151 1263 564 1547"> <tr> <td>Location</td> <td>Minato-ku, Tokyo</td> </tr> <tr> <td>Business</td> <td>Operation of "Renaissance High School," an online credit-system high school</td> </tr> <tr> <td>Capital (after capital increase)</td> <td>150,000,000 yen</td> </tr> <tr> <td>Number of employees</td> <td>12 (As of Dec. 31, 2005)</td> </tr> </table>	Location	Minato-ku, Tokyo	Business	Operation of "Renaissance High School," an online credit-system high school	Capital (after capital increase)	150,000,000 yen	Number of employees	12 (As of Dec. 31, 2005)	<p>—————</p>	<p>Stock split of Club iT share (gratis issue):</p> <p>The Board of Directors of the Company on January 25, 2006 approved a gratis stock split, in order to increase the liquidity of the Company's stock and expand its shareholder base. Details are as follows:</p> <p>(1) Outline of stock split</p> <p>On April 1, 2006, the Company split its common stock two-for-one.</p> <p>1. Increase in the number of shares due to the stock split Common stock: 17,356,400 shares</p> <p>2. 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</p> <p>(3) Dividend record date: April 1, 2006</p> <p>(4) Increase in the total number of shares issued by the Company</p> <p>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</p> <p>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="1029 1294 1442 1783"> <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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<p>2. e-Stage Inc. stock acquisition On January 18, 2006, the Company paid 200,000,000 yen to purchase 1,600 shares of e-Stage Inc., an equity partner of Renaissance Academy Corporation. Specifically, the Company paid 91,250,000 yen to acquire 730 shares of stock from the JAFCO-A Investment Fund and 108,750,000 yen to acquire 870 shares from the JAFCO-B Investment Fund. The Company's equity stake in the company will be 12.9% following e-Stage's capital increase through third-party allocation, scheduled to be completed on January 27, 2006.</p> <p>While e-Stage has strengths in development, sales, and operational support of enterprise resource planning systems for schools, and development of Internet-based educational systems, and will be involved in developing the e-learning system for the "Renaissance High School" to be established by the Renaissance Academy Corporation, the Company approved the acquisition based on its emphasis on the importance of e-learning systems in education-related fields. Payment for the stock acquisition has been completed by bank transfer using the Company's internal funds.</p> <p>Summary of e-Stage Inc.</p> <table border="1" data-bbox="153 1800 564 2051"> <tr> <td>Location</td> <td>Toshima-ku, Tokyo</td> </tr> <tr> <td>Business</td> <td>Development, sales, and operational support of enterprise resource planning systems for schools and development of Internet-based educational systems</td> </tr> <tr> <td>Capital</td> <td>335,500,000 yen (As of Mar. 31, 2005)</td> </tr> </table>	Location	Toshima-ku, Tokyo	Business	Development, sales, and operational support of enterprise resource planning systems for schools and development of Internet-based educational systems	Capital	335,500,000 yen (As of Mar. 31, 2005)	<p style="text-align: center;">_____</p>	<p>(7) Per share information for the current and the previous fiscal years, retroactively adjusted for the stock split to the beginning of the respective fiscal years, is as follows:</p> <table border="1" data-bbox="1031 353 1441 808"> <thead> <tr> <th>Item</th> <th>FY2004</th> <th>FY2005</th> </tr> </thead> <tbody> <tr> <td>Net assets per share</td> <td style="text-align: right;">-</td> <td style="text-align: right;">77.50 yen</td> </tr> <tr> <td>Net profit (loss) per share (basic)</td> <td style="text-align: right;">(15.35) yen</td> <td style="text-align: right;">48.43 yen</td> </tr> <tr> <td>Net profit per share (diluted)</td> <td>Net profit per share (diluted) is not presented since the Company posted net loss for the current fiscal year.</td> <td style="text-align: right;">46.24 yen</td> </tr> </tbody> </table> <p style="text-align: center;">_____</p>	Item	FY2004	FY2005	Net assets per share	-	77.50 yen	Net profit (loss) per share (basic)	(15.35) yen	48.43 yen	Net profit per share (diluted)	Net profit per share (diluted) is not presented since the Company posted net loss for the current fiscal year.	46.24 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.