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Notice Regarding Future Expansion of G-cluster Service

Broadmedia Corporation has decided to reorganize the business development structure of the G-cluster* service, which we provide both domestically and internationally.

The G-cluster service reflects the results of the research and development carried out by our group companies. Our objective is the worldwide provision of this service. Until now, we have been promoting G-cluster domestically (within Japan) as one of our company's services, while internationally, we have been licensing the technology to telecommunications and cable television operators. After reviewing the progress of the G-cluster service and carefully considering requests from international operators, we have decided to shift the primary objective of the G-cluster service to the provision of television-oriented services for IPTV and CATV operators.

Based on the above, we plan to reorganize the G-cluster service business development structure in the following ways.

- (1) A company to be known as "G-cluster Global" (tentative name, referred to below as "GCG") will be established to unify the worldwide market and promote G-cluster in the Japanese and Asian markets. All G-cluster service assets, including all shares of our wholly-owned Finnish subsidiary, Oy Gamecluster Limited, will be transferred to GCG. Taro Hashimoto, CEO of Broadmedia, is expected to be representative director of GCG.
- (2) A wholly-owned subsidiary known as "G-cluster USA" (tentative name) will be established in North America—the largest CATV market in the world, where IPTV is currently expanding at a rapid rate. All shares of this newly established company will be transferred to GCG after the establishment of GCG. Some of the core personnel for G-cluster USA have already been selected, including one individual who is expected to serve as a future director of GCG. We will continue to select personnel who will be in charge of developing the business in North America, Europe, Japan, and Asia.
- (3) Preparations for the establishment of GCG with a target of early 2008 will be made. Facilitation of business and capital alliances required to accelerate the company's establishment will be carried out simultaneously.

We will continue to develop and expand the G-cluster service.

*About G-cluster

G-cluster represents a breakthrough technology via which users can use virtually any computer as a game-on-demand service platform to access interactive content offered without the need for installing specialized software. Until now, similar services that have offered game downloads have required the user's computer to handle complex calculations required for the game, but the G-cluster service handles the processing on the server side, allowing users the freedom to enjoy

the games instantly and on any computer they wish, in the same fashion as streaming video. It also allows users to play against other gamers via the Internet and makes in-game communication between players possible. This truly represents the pinnacle of on-demand gaming.

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