Consolidated Financial Summary for the Fiscal Year Ended March 2006

May 19, 2006

Faith, Inc. (Stock code 4295, Listed on TSE 1st section)
(URL http://www.faith.co.jp/)
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Directors' meeting for approval of accounts; May 19, 2006
U.S.A. Accounting standard; Not applied

1. Consolidated Financial Results for the year ended March 2006 (From April 1, 2005 to March 31, 2006)

(1) Consolidated results of operations

(Note: Unit in Millions of Yen, round down)

	Net sales		Operating income		Ordinary income	
	Million yen	%	Million yen	%	Million yen	%
Year ended March 2006	30,040	27.1	3,391	-15.6	3,455	-14.6
Year ended March 2005	23,628	61.0	4,017	-21.5	4,047	-19.3

	Net income		Earnings per share	Diluted earnings per share	Net profit on Equity	Ordinary income to total assets	Ordinary income to sales
	Million yen	%	Yen	Yen	%	%	%
Year ended March 2006	1,438	355.1	1,174.67	1,174.53	8.3	12.8	11.5
Year ended March 2005	316	-88.3	1,159.78	1,159.24	2.1	19.1	17.1

Notes:
1) Equity in earnings of affiliates: Year ended March 2006 (-)¥140 million; Year ended March 2005 ¥4 million
2) Average number of outstanding shares (consolidated): Year ended March 2006 1,191,227 shares; Year ended March 2005 238,852 shares
3) Change in accounting policy: None
4) Presentation of percentages for sales, operating income, ordinary income and net income are the change from the corresponding period of the preceding year.
5) A 5-for-1 share split was implemented on December 20, 2005.

(2) Consolidated financial condition

(Note: Unit in Millions of Yen, round down)

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Million yen	Million yen	%	yen
Year ended March 2006	31,595	19,625	62.1	16,453.84
Year ended March 2005	22,582	15,231	67.4	63,628.38

Note: Number of outstanding shares at the end of the year (consolidated): Year ended March 2006 1,190,420 shares; Year ended March 2005 238,776 shares

(3) Consolidated cash flows

(Note: Unit in Millions of Yen, round down)

	CF from operating activities	CF from investing activities	CF from financing activities	Cash and cash equivalents at end of the year
	Million yen	Million yen	Million yen	Million yen
Year ended March 2006	2,970	-2,041	-236	7,679
Year ended March 2005	3,074	-4,297	-275	6,770

(4) Scope of consolidation and equity method

Number of consolidated subsidiaries: 11
Number of non-consolidated subsidiaries consolidated under the equity method: -
Number of affiliated companies consolidated under the equity method: 4

(5) Change in scope of consolidation and equity method

Newly consolidated: 4
Excluded from consolidation: -
Newly consolidated under the equity method: 3
Excluded from consolidation under the equity method: -

2. Forecasts on consolidated operating results for the year ending March 2007
(From April 1, 2006 to March 31, 2007)

	Net sales	Ordinary income	Net income
	Million yen	Million yen	Million yen
Half year	18,911	961	98
Full year	45,443	2,227	268

(For reference) Forecast of earnings per share (full year): ¥225.26

Note: The aforementioned forecasts are based on currently available information and contain many uncertainties. Changes in various business conditions may cause actual results to differ from the above forecasts.

1. Overview of Faith Group

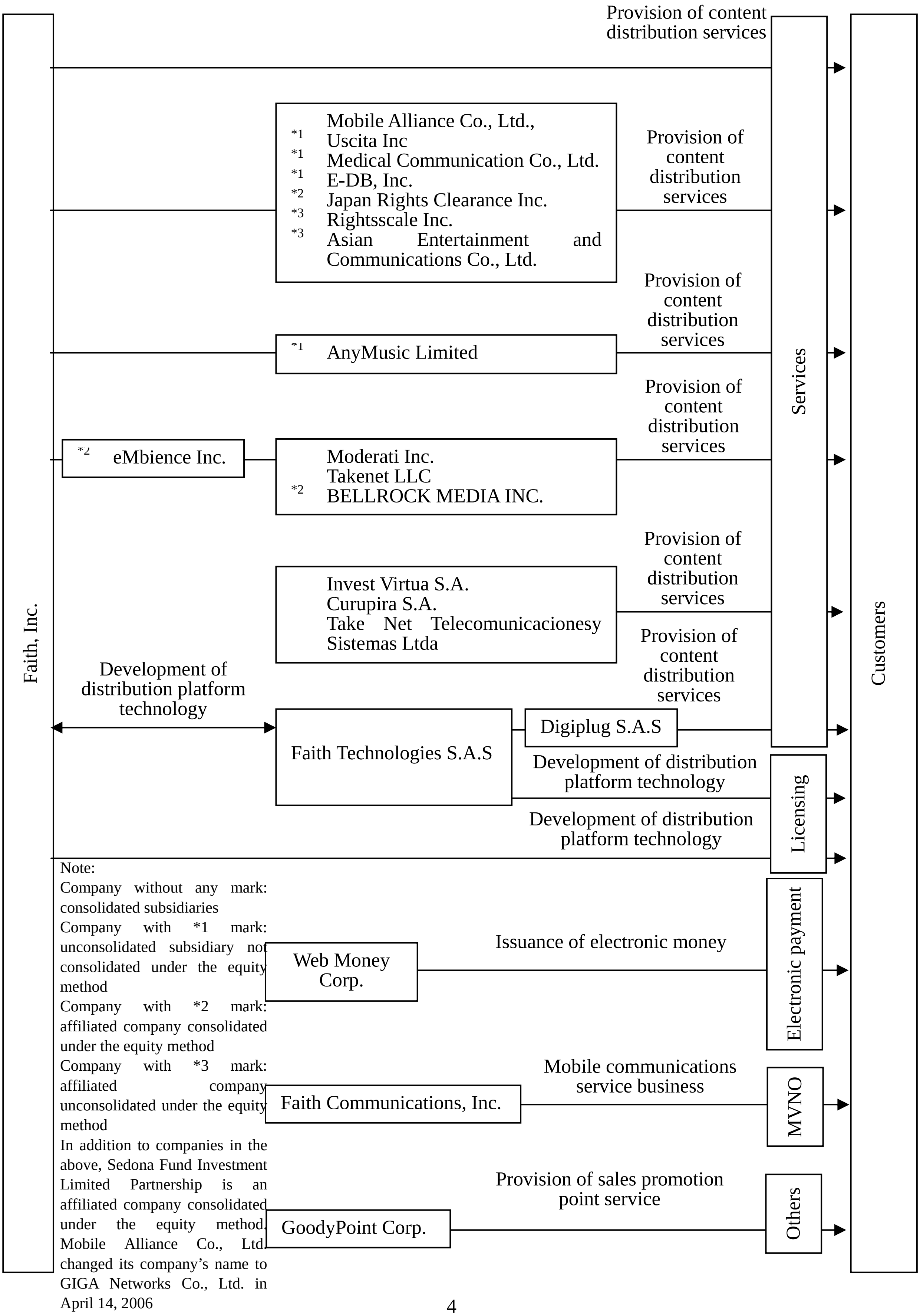
The Faith Group consists of Faith, Inc. (Company), 15 subsidiaries and 5 affiliated companies, and is operating mainly in "content distribution business", "electronic payment business" and "mobile virtual network operation (MVNO) business". The Faith Group's businesses and relationship between the Company and other group companies in business operations are as follows:

(1) Businesses of affiliate companies

Category of business	Main businesses	Company concerned
Content distribution business	Contents distribution service network, and development of distribution platform technology	Faith, Inc., Moderati Inc., Digiplug S.A.S., Faith Technologies S.A.S., and other 9 affiliate companies
Electronic payment business	Issuance of electronic money	Web Money Corporation
MVNO business	Mobile communications service business	Faith Communications, Inc.
Other businesses	Sales promotion point service, and lease of real estate	Faith, Inc., and GoodyPoint Corp.

(2) Organization chart of business operations

The Faith Group's business operations described in the above is shown in the following chart.



2. Management Policies

(1) Faith Group's basic management policy

The basic policy of Faith Group is to create schemes to distribute digital contents to the users. Faith Group accurately grasps changes in society and people's life styles, and continues to create various kinds of services in harmony with the users' usage environment in easier-to-use methods. The Company and its group companies will strive to develop methods, technologies and know-how to realize our management goals, and aims to be a higher value added company through business tie-up with other companies in addition to supplying services on our own.

The Company and its group companies invented the "ringtone" system for mobile phones and put it to practical use for the first time in the world. The Company is now deploying mobile phone-related businesses not only in the domestic market but also in 21 countries including the North America, Europe, Asia and Pacific region, and the South America. In addition, the Company has been creating the "digital contents distribution" schemes in various environments for usage, such as PCs, car-navigation systems, and consumer video game machines. Faith Group is also supplying electronic money to be used for payment in online games, music distribution, and e-commerce. In the U.S. market, our group launched into the mobile virtual network operator (MVNO) business, using mobile phone communications infrastructures owned by the business-partners.

(2) Basic policy on appropriation of profit

The Company will continue to make it an important policy to give a priority on securing enough funds necessary for strengthening business structure and aggressive investments in new businesses, but also considers return of profit to shareholders to be an important management issue. The Company will investigate the implementation of dividend payout, taking account of operating results, and financial positions.

(3) Policy on the lowering of the stock trade unit

The Company split its stock "2-for-1" as of June 30, 2004, and "5-for-1" as of October 31, 2005 to increase liquidity of the Company's shares. The Company will continue to investigate the lowering of the stock trade unit, taking carefully into consideration collectively the trend of operating results and market conditions.

(4) The medium-term and long-term business strategy

The Company will continue to generate new markets by creating a variety of services demanded from users. The Company will make efforts to actualize mobile contents distribution services including music distribution, online games, video distribution and e-commerce, charge transfer service, and various types of corporate counseling services, using mobile devices, based on proposals of our original business solutions and through business-tie up with influential companies in many business fields.

(5) Issues requiring responses from the Company

The domestic mobile contents distribution market has entered into the stage of maturation because its diffusion has gone around. In response to such changes in market conditions, Faith Group will implement the following measures.

1) Services business

Under circumstances requiring creation of new content distribution services, Faith Group will promote the strategy to reinforce its strategic presence through alliance with influential companies in various fields based on proposals of our unique solutions.
In the growing overseas markets, the Company considers the development of market aiming at new users to be one of our missions. In such environments, the Company and its group companies will promote the alliance with local companies and securing potent human resources and will develop aggressively services in line with local situations based on business-tied up mobile communications carriers and individual local standards for communications.

2) Licensing business

With technical innovation, environments for usage of digital contents have changed, and it is required to construct a new digital content distribution scheme now. Under these circumstances, the Company will strive to establish necessary and most suitable measures from the viewpoint of "generating businesses to distribute digital contents using varieties of mobile terminal devices" which is our motto since the foundation of the Company.

3) MVNO business

Since needs for mobile services to specific customer groups have been sharply increasing, the Company Group will newly deploy mobile services to specific customer groups, by minimizing the initial investment through rental of communications infrastructures from existing mobile phone carriers. In addition, the Company will provide consultation services and solutions to mobile virtual network operators, taking advantages of Faith Group's know-how and technologies.

(6) Parent Company: Not applicable

3. Brief Summary of Consolidated Operating Results and Financial Position for the year ended March 2006

(1) Operating results

In the domestic information communication industry during the current consolidated fiscal year, music distribution services, online game services and highly convenient information services have helped expand the market while the broadbandization of the Internet has spread and the mobile phone market has been transferring into the third generation of the transmission method.
Ahead of these movements, Faith Group has been actively involved in the "creation of new mechanisms to distribute digital contents". In the music distribution field, the

Company constructed a next-generation framework for music distribution so as to strengthen friendly relations with rights holders, taking advantage of the capital tie-up with the musical copyright administration company. In online game field, the Company launched operations of role-playing games which enable a more than ten thousand participants to play simultaneously, and has accumulated know-how enabling the Company the development of new solutions. In addition, the Company established a new company in the medical and health information service field using mobile phones to start new market exploration. In the electronic money field where needs have been increasing, the Company saw a sharp rise in the amount of payment by WebMoney, assisted by the advantage of high shares in amounts of payment in the online game field.
As for sound generator chips for mobile phone that the Company owns patents and has granted technical licenses, demand expanded during the current fiscal year, mainly in overseas market including the U.S.A. and China. Consequently, the Company could deploy mobile contents distribution services mainly for music all over the world, through alliance with the globally famous major labels in the world. In addition, the Company made Faith Communications, Inc., a mobile phone carrier in the U.S.A., its subsidiary and entered into the mobile phone service business targeting the higher income group.
Furthermore, in order to improve further the compliance system in management as a listed company and to enhance the decision-making process of the business strategies, the Company introduced the “Advisory Board” consisting of external experts in January 2006. With the establishment of the advisory board, the Company will make efforts to further strengthen the corporate governance, which we believe will win the trust of stakeholders.
As a result, consolidated net sales for fiscal year ended March 2006 were ¥30,040 million, up by 27.1% compared with the same period of the preceding year, and consolidated operating profit accounted for ¥3,391 million, down by 15.6% from the same period of the preceding year. Consolidated recurring profit was ¥3,455 million, a decrease by 14.6% against the same period a year earlier, and net profit stood at ¥1,438 million, an increase by 355.1% on a year-on-year basis.

Consolidated operating results for fiscal year ended March 2006 by business segment are as follows:

< Content Distribution Business>

[Service Business]

In the domestic market, user reach for the Company’s content distribution services consisting mainly of ring tones hovers around 8 million people. The Company also ventured into 1) music distribution, 2) online games, 3) video distribution service and 4) medical and health information service to create and generate new markets. With respect to 1) music distribution, the Company invested in a major musical copyright administration company, Japan Rights Clearance Inc. Concerning 2) online games, the Company launched operation of R.O.S.E Online, a full-scale massively multiplayer online role playing game (MMORPG). In 3) video distribution service, the Company established joint venture with the Yoshimoto Kogyo Group and a U.S. company, Intel Corp.. As for 4) medical and health information service, the Company newly set up Medical Communication Co., Ltd. that promptly provides, through a mobile phone, medical and health information in emergencies.
In addition, the Company agreed to acquire the business right from GIGA Networks, is a

mobile contents distributor, in April 2006. By including the 4 million members of GIGA Networks' services, Faith Group's user reach expands to around 12 million members, the one of largest in Japan. The Company will actively cooperate with each of our partner-company to develop attractive and high value-added next generation services.
With respect to overseas businesses activities, a French subsidiary Digiplug S.A.S. started to provide official contents and distribution service systems in ten European countries as the mobile contents producer and distribution provider of Warner Music International, one of four major labels in the world.
In the South American markets, the ringtone distribution service by Curupira Corp. (alias, TakeNET), which is the Company's consolidated subsidiary and the number one service provider in the South America, is steadily growing.
As a result, consolidated net sales for fiscal year ended March 2006 stood at ¥10,832 million, an increase by 18.2% compared with the same period of the preceding year.

[Licensing Business]

In the transitional phase to the third-generation mobile communication systems, demand for Faith Group's sound generator technology expanded, since our technology is adopted in most of the mobile phone units via number of semiconductor manufacturers in the domestic market.
In overseas, licensing of the Company's technologies continued to increase primarily in the U.S.A. and China, in parallel with the global deployment of the CDMA communication system promoted by the U.S. company Qualcomm Inc.
In Europe, the French subsidy Faith Technologies S.A.S. started providing technical consulting services concerning distribution of entertainment contents for mobile phone carriers and mobile terminal manufacturers, and at the same time cultivated demand for mobile phone unit test services.
As a result, consolidated net sales for fiscal year ended March 2006 in the licensing business were ¥3,207 million, a rise by 34.5% from the same period of the preceding year.

The overall consolidated net sales for fiscal year ended March 2006 in the digital contents distribution business were ¥14,040 million, up by 21.6% against the same period last yearn, and consolidated operating income accounted for ¥4,029 million, down by 3.0% on a year-on-year basis.

<Electronic Payment Business>

According to the Information and Communications Statistics Data Base of the Ministry of the Internal Affairs and Communications, broadband subscriptions exceeded 22 million as of the end of December 2005. Demand for online games, music distribution and video distribution continued to increase during the current fiscal year. Under these circumstances, payment by WebMoney steadily increased, since WebMoney enables the "safe" and "convenient" payment within the Internet.
In addition, the Company started providing "KetaiWallet" as electronic money for mobile phones that enables contents settlement without inputting an ID or password.
As a result, consolidated net sales for fiscal year ended March 2006 in this business were ¥15,106 million, an increase by 28.8% compared with the same period of the previous year, and consolidated operating profit recorded at ¥119 million (loss of ¥136 million in the preceding year).

<MVNO Business>

The U.S. subsidiary Faith Communications, Inc. launched the mobile phone carrier service “Voce” from May 2006. Voce is a service to offer flat-rate pricing for telephone services within U.S.A., sophisticated customer services, and exclusive usage of a private lounge to higher income-earners group and business executives in the U.S.A. However, sales from the business will be accounted from fiscal year ending March 2007, and in the current consolidated fiscal year, only the expenses were recorded.
As a result, consolidated operating account for fiscal year ended March 2006 was a loss at ¥706 million.

<Other Business>

Consolidated net sales for fiscal year ended March 2006 in the other business increased by 152.8% compared with the same period a year earlier to ¥893 million, since GoodyPoint Corp. was newly consolidated due mainly to acquisition by the Company, in addition to stable rental revenues from real estate for rent. Consolidated operating account was a loss of ¥51 million (operating income of ¥2 million in fiscal year ended March 2005).

Geographical segment information is as follows:

<Domestic market>

In Japanese markets, the Company made inroads into following businesses as a part of the creation of new markets: 1) music distribution, 2) online games, 3) video distribution service and 4) medical and health information service, based on our mainstay mobile content distribution business. In addition, in the process of transition to the third generation of mobile phones, Faith Group’s sound generator technology was adopted by almost all of the mobile phone unit manufacturers through licensing of the technology to semiconductor manufacturers.
Furthermore, in the process of progressing broadbandization of the Internet in the domestic market, demand for music distribution, online games, and video distribution service continued to grow. With increasing demand for such services, payments by WebMoney enabling “safe” and “convenient” usage as electronic money on the Internet sharply increased.
As a result, consolidated net sales for fiscal year ended March 2006 in the domestic market were ¥26,053 million, up by 21.0% against the same period last year, and consolidated operating profit increased by 9.0% on a year-on-year basis to ¥4,212 million.

<Americas>

In the U.S. market, Moderati Inc., our consolidated subsidiary in the U.S.A., is operating ringtone distribution service “Modtones” and song-tone distribution service “Modtones DJ”. Both services have been fairing well. The Company also made Faith Communications, Inc. its subsidiary and started mobile services for higher income-earners and corporate executives from May 2006.
In addition, in the South American markets, the ringtone distribution service by Curupira

Corp. is steadily growing, primarily in Brazil.
As a result, consolidated sales for fiscal year ended March 2006 in the American market were ¥3,309 million, a rise by 149.3% compared with the same period of the preceding year, and operating account was a loss at ¥517 million (operating income at ¥552 million in fiscal year ended March 2005).

<Europe>

In the European market, a French subsidiary Digiplug S.A.S. started to provide official contents and distribution service systems in ten European countries as the mobile contents producer and distribution provider of Warner Music International, one of four major labels in the world.
In order to respond to expansion of technology-related business needs in the mobile market, Digiplug offered consulting services related to multi-media on mobile phones, and at the same time, developed mobile phone unit test service.
As a result, consolidated net sales for fiscal year ended March 2006 in the European market was ¥677 million, a decrease by 12.7% against the same period a year earlier, and operating account was a loss at ¥304 million, increased by 23.6% from the same period last year.

(2) Financial Condition

Consolidated cash flows for FY2005

Cash and cash equivalent ("fund" hereinafter) at the end of fiscal year ended March 2006 increased by ¥909 million compared with the end of the preceding year to ¥7,679 million, which are attributable mainly to earning before interest, taxes, depreciation and amortization of ¥3,509 million (up by 51.5% from the same period a year earlier) and proceeds from reimbursement of time deposits and sale of investment securities, despite payment of income taxes and expenditures for acquisition of investment securities.
Net cash from operating activities was ¥2,970 million (a decrease by 3.4% compared with the same period last year), which are attributable to earning before interest, taxes, depreciation and amortization of ¥3,509 million and consolidation adjustment account in amortization of ¥715 million, despite payment of income taxes of ¥2,283 million.
Cash flow from investing activities was an outflow of ¥2,041 million (a contraction by 52.5% against the same period last year), due primarily to expenditures for acquisition of investment securities of ¥2,344 million and acquisition of tangible fixed assets of ¥427 million, despite reimbursement of time deposits of ¥400 million and proceeds from both sale of investment securities and redemption of securities at ¥1,014 million.
Cash flow from financing activities ended with minus ¥236 million (a contraction by 14.2% from fiscal year ended March 2005), due to expenditure for acquisition of treasury stocks of ¥204 million and payment of dividends of ¥119 million.

Trends of indicators on Faith Group's cash flow are as follows:

	Year ended March 2005	Year ended March 2006
Shareholders' equity ratio (%)	67.4	62.1
Shareholders' equity ratio, market value basis (%)	269.6	161.1
Years required for repayment of debt (Year)	–	0.03
Interest coverage ratio (Times)	68,149.5	345.8

Calculation formulas:
Shareholders' equity ratio: Shareholders' equity/Total assets
Shareholders' equity ratio, market value basis: Market capitalization/Total assets
Years required for repayment of debt: Interest-bearing debt/CF from operating activities
Interest coverage ratio: CF from operating activities/Interest expenses

Notes:
1. All figures in the table above are based on data recorded in the consolidated financial statements.
2. Interest-bearing debt covers all debts the Company is paying interest expenses among all debt recorded in the consolidated financial statements.
3. CF from operating activities and interest expenses are based on date listed in the calculation of the consolidated statement of cash flows.

(3) Risk factors relating to Faith Group's business

Major risk factors relating to our business which may affect investors' decision of investment are shown below. However, the Company perceived the possibility of these risks at the time of the end of the consolidated fiscal year ended March 2006, and in consequence, these items do not necessarily cover all risk factors related to investment in the Company's shares.

i) Effects from Acquisitions

(a) Acquisition of WebMoney Corp in the fiscal year ended March 2004
The Company acquired shares of Web Money Corp., which is engaged in issuance of electronic money of prepaid type on the Internet, in July 2003 and March 2004, and made it its subsidiary. This enabled Faith Group to enter into the electronic payment business. The Company considered that establishment of infrastructures for electronic payment was indispensable to the Company's development of various mobile contents distribution services corresponding to evolving network environments in the future, and that such infrastructures should be easy-to-use, and Web Money Corp. could satisfy such requirements.
The expenditure for acquisition of Web Money Corp. was ¥911 million. Whether this acquisition will generate results the Company initially expected is not certain. Web Money Corp.'s performances may make it difficult for the Company to collect invested money, and may affects on Faith Group's operating results, financial positions and business planning.

(b) Acquisition of Invest Virtua S.A. in the fiscal year ended March 2005
The Company acquired the whole shares of Invest Virtua S.A. located in Brazil and made it its subsidiary in March 2005 in order to construct a base for deploying businesses in the South American markets.
Expenditure for making the company our subsidiary was ¥2,818 million for

acquisition of shares, and ¥940 million as the guaranty money deposited, which is required under the escrow provision of the stock purchase agreement. Whether this acquisition will generate results the Company initially expected is not certain. Invest Virtua's performances may make it difficult for the Company to collect invested money, and may affect Faith Group's operating results, financial positions and business planning.

(c) Acquisition of Faith Communications, Inc. in the U.S.A. in the fiscal year ended March 2006

The Company acquired shares of Faith Communications, Inc., which is engaged in mobile phone carrier business in the U.S.A., and made it its subsidiary in September 2005.

Expenditure for acquisition of Faith Communications was ¥2,036 million. Whether this Acquisition will generate results the Company initially expected is not certain. Faith Communications' performances may make it difficult for the Company to collect invested money, and may affects on Faith Group's operating results, financial positions and business planning.

ii) Risk factors relating to each business field

1) Content distribution business

(a) Service business

Faith Group is developing new markets through creation of services demanded by users and deploying content services and various corporate consultation services through alliance with influential companies in various fields including content providers, based on proposals of our original solutions. In the content service market where Faith Group's alliance companies are developing their businesses, there are many competitors, and numbers of new entrants are anticipated in the future. Even if the number of companies having business tie-up with Faith Group increases, consolidated sales may not expand in the event where each unit price of contents drops due to price competitions, or content services by the business tied-up content providers are unable to satisfy users' needs and number of users increases or falls. In particular, the Company is highly dependent on Xing Inc. in sales of ringtone distribution service. Of consolidated net sales for the fiscal year ended March 2006, 20.7% of the net sales are for Xing Inc.

In addition, Faith Group if needed offers service concerning construction and operation of servers, according to our clients content providers' needs. Faith Group is making efforts to prevent outbreak of accidents with a carefully planned system for operation and maintenance of servers, and has established the system that enables quick restoration through a remote control. However, if any trouble, which makes restorations or repairs difficult, such as natural disasters, occurs and providing services is suspended for long hours, such trouble may affect Faith Group's performances.

(b) Licensing business

Faith Group grants licensing of Faith Group's technologies to information terminal device manufacturers or manufacturers of semiconductors comprising information terminal devices and is receiving loyalties from licensees based on shipment of products. Since the market requires information terminal devices to be cheaper and more powerful, unit prices of our licensing may fall. Faith Group is carrying out business operations widely without focusing on specific markets or specific devices in this field to avoid risk factors for decline of prices. However, sales in this field may not increase in parallel with increases in shipment due to decline of unit prices.

(c) Quality control

Faith Group is carrying out quality control in technical development with an extensive quality assurance system. However, if any bug, fault or defect is found in our technologies even after customers' receiving inspection, or any damage is caused to users from using product or service embedded with our technologies, Faith Group may be liable for damages, which may affect the current or future performances of the Group.

(d) Legal regulations

Since damage from illicit obtainment or alteration of data on the Internet, or leakage of personal data via the Internet is increasing, establishment of legal regulations has been promoted in Japan. Faith Group is engaged in distribution business of contents via the Internet. If any legal regulations or voluntary regulations are set up or applied in this business field, business deployment of Faith Group may be restricted or the Group may be obliged to incur additional costs required for taking necessary countermeasures.

2) Electronic payment business

Faith Group is developing a business to provide consumers or users, via convenience stores, with WebMoney cards available for electronic payment. Faith Group is striving to expand number of base stores to sell and accept WebMoney cards and to increase number of member shopping sites using WebMoney for electronic payment. However, recently various electronic payment methods have been developed. If use of WebMoney by consumers or users is expected bleak, or number of users of WebMoney drops, Faith Group's operating results may be affected.

iii) Intellectual property rights

Faith Group is aggressively promoting application for a patent and registration of a trademark concerning the Group's technologies, and will continue to do so in the future.

Faith Group has not received any allegation or petition of appeal including compensation for damages and a ban on using concerned intellectual property rights related to our business activities up so far. However, it is very difficult to forecast how a third party's patents, trademark rights or copyrights ("patent" hereinafter) are applied to Faith Group's businesses. If any third party is granted the patent related to our businesses, or any patent which Faith Group does not notice is established, there are possibilities that Faith Group may be claimed for damages for the reason of violation of the third party's rights, or the whole or a part of the Group's businesses may be suspended, which may affects the Group's performances.

(4) Forecast for the fiscal year ending March 2007

Faith Group will continue to be actively involved in activities “to create new mobile content distribution schemes”.
Faith Group will increase profit-earning opportunities by cultivating new demand in the markets for music distribution, video distribution and online games where large growth is expected. In addition, the Group will promote issuance of electronic money which has a large share in electronic payment on the Internet.
The Company will also actively develop demand in the overseas markets in collaboration with overseas subsidiaries, mobile phone carriers, handset manufacturers and rights holders.
As a result, the Company expects the consolidated operating results for FY2006 to be ¥45,443 million (an increase by 51.3% compared with the same period of the previous year) for net sales, ¥2,227 million (a decrease by 35.5% from the same period of the previous year) for recurring profit, and ¥268 million (a decline by 81.4% on a year-on-year basis) for net profit.
In addition, with respect to GIGA Networks Co., Ltd. of which shares the Company plans to acquire at the end of May 2006, the Company expects net sales of ¥4.7 billion and operating profit at approximately ¥600 million. As for goodwill, the Company plans to amortize it under the straight-line method in five years.

Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Unit: thousands of yen)

Account name	FY2004 (As of March 31, 2005)		FY 2005 (As of March 31, 2006)	
	Amount	Component percentage	Amount	Component percentage
(Assets)		%		%
I. Current assets				
1. Cash and deposits	6,520,207		7,534,815	
2. Accounts and notes receivable	4,316,131		4,768,010	
3. Marketable securities	864,838		364,619	
4. Inventories	1,351		39,905	
5. Deferred tax assets	760,152		808,951	
6. Others	701,123		571,683	
Allowance for doubtful accounts	△66,788		△82,229	
Total current assets	13,097,017	58.0	14,005,756	44.3
II. Fixed assets				
1. Tangible fixed assets	964,065		1,228,080	
(1) Buildings and structures	181,048		212,041	
(2) Machinery, equipment and vehicles	21,303		20,083	
(3) Tools	527,203		1,131,299	
(4) Land	216,510		216,510	
Total tangible fixed assets	946,065	4.2	1,228,080	3.9
2. Intangible fixed assets				
(1) Goodwill	2,000		—	
(2) Consolidated adjustment account	3,354,988		3,656,824	
(3) Others	453,650		940,720	
Total intangible fixed assets	3,810,639	16.9	4,597,545	14.6
3. Investments and other assets				
(1) Investment securities	2,643,563		9,560,144	
(2) Deposits with landlords	1,105,072		1,144,546	
(3) Others	1,181,104		1,179,662	
Allowance for doubtful receivable	△200,764		△119,956	
Total investments and other assets	4,728,977	20.9	11,764,397	37.2
Total fixed assets	9,485,682	42.0	17,590,023	55.7
Total assets	22,582,699	100.0	31,595,780	100.0

Account name	FY2004 (As of March 31, 2005)		FY 2005 (As of March 31, 2006)	
	Amount	Component percentage	Amount	Component percentage
(Liabilities)		%		%
I. Current liabilities				
1. Accounts payable	2,501,185		3,349,235	
2. Short-term loans	—		86,969	
3. Income taxes payable	973,698		826,587	
4. Allowance for costs of card use	2,404,001		2,323,140	
5. Allowance for points	—		697,582	
6. Allowance for bonus payments	89,172		77,316	
7. Others	1,137,794		1,844,745	
Total current liabilities	7,105,852	31.5	9,205,576	29.1
II. Fixed liabilities				
1. Long-term liabilities	—		—	
2. Deferred tax liabilities	—		2,235,777	
3. Allowance for retirement benefits	19,781		27,252	
4. Allowance for directors and statutory auditors retirement bonus	117,566		121,134	
5. Others	61,467		37,532	
Total fixed liabilities	198,814	0.9	2,421,697	7.7
Total liabilities	7,304,667	32.4	11,627,274	36.8
(Minority interests)				
Minority interests	46,102	0.2	342,525	1.1
(Shareholders' equity)				
I. Capital stock	3,218,000	14.3	3,218,000	10.2
II. Additional paid-in capital	3,708,355	16.4	3,708,355	11.7
III. Accumulated income	8,128,670	36.0	9,408,748	29.8
IV. Unrealized gain on available-for-sale securities	297,178	1.3	3,401,193	10.7
V. Foreign currency translation adjustments	29,939	0.1	243,952	0.8
VI. Treasury stock	△150,213	△0.7	△354,269	△1.1
Total shareholders' equity	15,231,929	67.4	19,625,979	62.1
Total liabilities, minority interests and shareholders' equity	22,582,699	100.0	31,595,780	100.0

(2) Consolidated Income Statement

(Thousands of yen)

Account name	FY2004 (From April 1, 2004 to March 31, 2005)		FY2005 (From April 1, 2005 to March 31, 2006)	
	Amount	Component percentage	Amount	Component percentage
I Net sales	23,628,766	100.0	30,040,166	100.0
II Cost of Sales	15,352,310	65.0	20,308,957	67.6
Gross profit	8,276,455	35.0	9,731,209	32.4
III. Selling, general and administrative expenses	4,258,474	18.0	6,339,781	21.1
Operating income	4,017,981	17.0	3,391,428	11.3
IV. Other income	52,674	0.2	221,436	0.7
1. Dividend income	7,118		38,292	
2. Interest income	21,589		43,736	
3. Foreign exchange gain	14,016		116,908	
4. Investment profit on equity method	4,726		—	
5. Miscellaneous income	5,223		22,498	
V. Operating expenses	23,145	0.1	157,805	0.5
1. Interest expense	—		9,146	
2. Investment loss in anonymous association	9,554		—	
3. Loss from valuation of commercial products	7,799		—	
4. Investment loss on equity method	—		140,794	
5. Miscellaneous expense	5,791		7,865	
Ordinary profit	4,047,509	17.1	3,455,058	11.5
VI. Extraordinary profit				
1. Gain on disposal of investment securities	406,694		220,271	
2. Gain on liquidation of allowance for cost of card use	24,900		—	
3. Revisions to profit for previous fiscal year	10,000		—	
4. Others	—		14,332	
Total extraordinary profit	441,594	1.9	234,603	0.8
VII. Extraordinary loss				
1. Loss on disposal of fixed assets	13,248		108,555	
2. Loss from investment securities valuation	51,391		—	
3. Transfer to allowance for bad debt	125,314		—	
4. Amortization of the consolidated adjustment account	1,935,566		—	
5. Loss on bad debts	—		63,268	
6. Others	41,410		8,095	
Total extraordinary loss	2,166,931	9.2	179,919	0.6
Income before income taxes and minority interests	2,322,173	9.8	3,509,742	11.7
Income taxes and other taxes	2,040,932	8.6	2,166,080	7.2
Minority interests	34,774	0.1	94,631	0.3
Net income (minus is loss)	316,015	1.3	1,438,293	4.8

(3) Statements of Surplus

(Thousands of yen)

	FY2004 (From April 1, 2004 to March 31, 2005)		FY2005 (From April 1, 2005 to March 31, 2006)	
	Amount		Amount	
(Additional paid-in capital)				
I. Beginning balance		3,708,355		3,708,355
II. Ending balance		3,708,355		3,708,355
(Accumulated income)				
I Beginning balance		7,973,083		8,128,670
II. Increase of accumulated income				
1. Net income	316,015		1,438,293	
2. Increase from addition of equity method affiliates	1,846	317,862	—	1,438,293
III. Decrease of accumulated income				
1. Dividends	59,694		119,215	
2. Bonuses to directors and statutory auditors	39,000		39,000	
3. Disposal loss of treasury stock	3,783	162,275	—	158,215
IV Ending balance		8,128,670		9,408,748

(4) Consolidated Statements of Cash Flows

Item	Note	FY2004 (From April 1, 2004 to March 31, 2005) Amount, ¥thousand	FY2005 (From April 1, 2005 to March 31, 2006) Amount, ¥thousand
I. Cash flow from operating activities			
Income before income taxes and minority interests		2,322,173	3,509,742
Depreciation and amortization		372,528	520,755
Amortization of consolidation difference		2,257,136	715,371
Loss (profit) from investment in equity method		-4,726	140,974
Increase in allowance for doubtful accounts		63,127	71,641
Increase (decrease) in reserve for bonus		8,431	-20,821
Increase (decrease) in allowance for cost of card use		903,916	-80,861
Decrease in allowance for unexercised sales promotion points		-	-114,426
Increase (decrease) in allowance for retirement benefits		-19,416	7,470
Increase in allowance for directors and statutory auditors' retirement bonus		12,685	3,568
Valuation loss on merchandizes		7,799	-
Valuation loss on investment securities		51,391	-
Loss (gain) from anonymous association		9,554	-771
Interest and dividends income		-7,318	-40,478
Interest on securities		-21,589	-43,736
Interest expenses		45	9,146
Foreign exchange gains		-3,226	-132,560
Gains on sale of investment securities		-406,694	-220,271
Losses from disposal of fixed assets		13,248	108,555
Decrease (increase) in accounts and notes receivable-trade		-773,419	4,922
Decrease (increase) in inventories		139	-12,555
Increase in accounts and notes payable-trade		791,154	717,771
Decrease (increase) in consumption taxes receivable		-39,653	27,702
Payment of directors and statutory auditors' bonus		-39,000	-39,000
Others		-340,889	73,968
Sub-total		5,157,397	5,205,927
Interest and dividends received		28,387	56,541
Interest expenses paid		-45	-8,591
Income taxes paid		-2,110,765	-2,283,218
Net cash provided by operating activities		3,074,974	2,970,659

Item	Note	FY2004 (From April 1, 2004 to March 31, 2005) Amount, ¥thousand	FY2005 (From April 1, 2005 to March 31, 2006) Amount, ¥thousand
II. Cash flow from investing activities			
Expenditure for deposit of time deposits		-	-200,000
Proceeds from withdrawal of time deposits		1,602,933	400,000
Expenditures for acquisition of tangible fixed assets		-672,286	-427,664
Proceeds from sale of tangible fixed assets		3,186	12,206
Expenditure for acquisition of software		-133,019	-322,909
Expenditure for acquisition of other intangible fixed assets		-1,548	-44,037
Expenditure for acquisition of investment securities		-3,088,206	-2,344,843
Proceeds from sale of investment securities		1,839,068	758,255
Proceeds from redemption of securities		163,600	256,140
Expenditures for acquisition of subsidiary's shares causing a change in scope of consolidation	*2	-2,741,789	-58,896
Expenditure for depositing long-term guaranty deposit		-940,607	-3,563
Expenditure for loans receivable		-58,888	-
Proceeds from collection of loans receivable		67,430	9,944
Others		-377,646	-76,349
Net cash used in investing activities		-4,297,774	-2,041,748
III. Cash flow from financing activities			
Net increase in short-term loans		-	86,969
Expenditure for redemption of corporate bonds		-2,500	-
Expenditure for acquisition of treasury stocks		-162,589	-204,056
Proceeds from sale of treasury stocks		8,262	-
Payment of dividends		-118,753	-119,105
Net cash flow used in financing activities		-275,250	-236,192
IV. Effect of exchange rate on cash and cash equivalents		-6,155	216,450
V. Net increase (decrease) in cash and cash equivalents		-1,504,205	909,168
VI. Cash and cash equivalents at beginning of year		8,274,472	6,770,266
VII. Cash and cash equivalents at end of year	*1	6,770,266	7,679,435

Important Items of the Basis for Preparation of the Consolidated Financial Statements

Item	FY2004 (From April 1, 2004 to March 31, 2005)	FY2005 (From April 1, 2005 to March 31, 2006)
1. Scope of the consolidation	(1) Number of consolidated subsidiaries: 7 Name of major consolidates subsidiaries: Moderati Inc. Digiplug S.A.S. Faith Technologies S.A.S. Invest Virtua S.A. WebMoney Corp. Faith Technologies S.A.S. was included in the consolidation, since it was established through a corporate split-up from Digiplug S.A.S. in the current term. Invest Virtua S.A. was also included in the consolidation from the end of the current fiscal year due to acquisition of its shares by the Company Note: Since the Company acquired shares of Invest Virtua S.A. on March 31, 2005, the Company consolidated balance sheets of Invest Virutua S.A. and its group companies in the current consolidated fiscal year. (2) Name of major non-consolidated subsidiaries AnyMusic Limited Reason of exclusion from consolidation: The non-consolidated subsidiary is small-sized companies, and in terms of total assets, net sales, net profit and loss (amounts to equivalent to equity owned) and retained earnings (amounts to equivalent to equity owned), the non-consolidated subsidiary's impact on consolidated financial statements is not material.	(1) Number of consolidated subsidiaries: 11 Name of major consolidates subsidiaries: Moderati Inc. Faith Communications Inc. Digiplug S.A.S. Faith Technologies S.A.S. Invest Virtua S.A. WebMoney Corp. GoodyPoint Corp. Mobile Alliance Co., Ltd. Faith Communications Inc. and GoodyPoint Corp. have been included in the consolidation from the current consolidated fiscal year, due to acquisition of their shares by the Company. In addition, Mobile Alliance Co., Ltd. has been included in the consolidation from the end of the current fiscal year owing to acquisition of its shares by the Company. Note: The date of acquisition of GoodyPoint Corp. was considered the start of the 2nd half of the current fiscal year, and the Company consolidated its balance sheets, the statements of income and other financial statements from the 2nd half of fiscal 2005. And, as for Mobile Alliance Co., Ltd., only its balance sheet was consolidated. (2) Name of major non-consolidated subsidiaries AnyMusic Limited Uscita Inc. Reason of exclusion from consolidation: same as on the left

Item	FY2004 (From April 1, 2004 to March 31, 2005)	FY2005 (From April 1, 2005 to March 31, 2006)
2. Application of the equity method	(1) Number of affiliated companies consolidated under equity method: 1 Name of the companies consolidated under equity method: eMbience Inc. eMbience Inc. was included in the consolidation under the equity method from the current consolidated fiscal year due to its increased materiality.	(1) Number of affiliated companies consolidated under equity method: 4 Name of major affiliated companies consolidated under equity method Bellrock Media Inc. Japan Rights Clearance Inc. Sedona Fund Investment Limited Partnership Bellrock Media Inc. and Japan Rights Clearance Inc. have been included in the consolidation under equity method from the current fiscal year, due to acquisition of their shares by the Company. In addition, Sedona Fund Investment Limited Partnership has been included in the consolidation under equity method from the current fiscal year based on standards for controlling share and materiality.
	(2) Non-consolidated subsidiaries and affiliated companies not under equity method Name of major non-consolidated subsidiaries and affiliated companies AnyMusic Limited Asian Entertainment and Communications Co., Ltd. Reasons of non-inclusion in equity method: in terms of equity in net income, and loss and retained earnings, the non-consolidated subsidiary and affiliated company's impact on consolidated financial statements lacks materiality. Consequently it has been excluded from consolidation in equity method.	(2) Non-consolidated subsidiaries and affiliated companies not under equity method Name of major non-consolidated subsidiaries and affiliated companies AnyMusic Limited Uscita Inc. Reasons of non-inclusion in equity method: same as on the left
	(3) Since the affiliated company consolidated under equity method "eMbience Inc." closes its accounts on the date other than the consolidated settlement date of accounts, the Company uses eMbience's financial statements as its settlement date in preparation of the consolidated financial statements.	(3) As for each affiliated company consolidated under equity method which closes its accounts on the date other than the consolidated settlement date of accounts, the Company uses each financial statements closed as of the settlement date of accounts of each consolidated affiliated company. In addition, concerning Sedona Fund Investment Limited Partnership, the Company uses net financial date equivalent to the Company's equity in the financial statements of the partnership available on each reporting date of the partnership stipulated in the contract of partnership.

Item	FY2004 (From April 1, 2004 to March 31, 2005)	FY2005 (From April 1, 2005 to March 31, 2006)
3. Fiscal years of consolidated subsidiaries	Of consolidated subsidiaries, Moderati Inc., Digiplug S.A.S., Faith Technologies S.A.S., Invest Virtua S.A. and two other overseas consolidated subsidiaries close their accounts on December 31 ever year. In preparation of the consolidated financial statements, the Company uses the financial statements as of the settlement date of accounts of each consolidated subsidiary. However, as for important transactions between the Company and consolidated subsidiaries during the period from each settlement date to the Company's closing date, the Company makes adjustment required for consolidation.	Of consolidated subsidiaries, Moderati Inc., Faith Communications Inc., Digiplug S.A.S., Faith Technologies S.A.S., Invest Virtua S.A. and other three overseas consolidated subsidiaries close their accounts on December 31 ever year, and GoodyPoint Corp. closes its accounts on the end of February ever year. In preparation of the consolidated financial statements, the Company uses the financial statements as of the settlement date of accounts of each consolidated subsidiary. However, as for important transactions between the Company and consolidated subsidiaries during the period from each settlement date to the Company's closing date, the Company makes adjustment required for consolidation.
4. Accounting standards (1) Standard and method of valuation for important assets	1. Securities a) Held-to-maturity securities: valued at cost after amortization (straight-line method) b) Other securities Marketable securities: valued based on the market value as the fiscal year end. The entire positive or negative difference with the book value is booked directly as shareholders' equity, and the cost of securities sold is calculated using the moving average method. Unquoted securities: values at cost, using moving average method. 2. Inventories: valued at cost, using mainly gross average method.	1. Securities a) Held-to-maturity securities: same as on the left b) Other securities Marketable securities: same as on the left Unquoted securities: values at cost, using moving average method. In addition, as for investment equity in an business investment partnership or anonymous partnership, in the preparation of consolidated financial statements, the Company uses net financial date equivalent to the Company's equity in the financial statements of the partnership available on each reporting date of the partnership stipulated in the contract of partnership. 2. Inventories: same as on the left

Item	FY2004 (From April 1, 2004 to March 31, 2005)	FY2005 (From April 1, 2005 to March 31, 2006)
(2) Major depreciable assets and methods of depreciation	1. Tangible fixed assets: The Company and its domestic consolidated subsidiaries use the declining balance method, and its overseas consolidated subsidiaries use the straight-line method. However, the Company uses the straight-line method for buildings acquired on and after April 1, 1998 (not including attached structures and equipment). In addition, major year of useful life are as follows: Buildings and structures: 8-39 years Machinery and equipment and vehicles: 6 years Tools, furniture and fixtures: 2-15 years 2. Intangible fixed assets: straight-line method Software used in-house operation is depreciated based on the straight-line method within 3-5 years which are useful life in years to the Company. 3. Long-term prepaid expenses: straight-line method	1. Tangible fixed assets: The Company and its domestic consolidated subsidiary use the declining balance method, and its overseas consolidated subsidiaries use the straight-line method. However, the Company uses the straight-line method for buildings not including attached structures and equipment acquired on and after April 1, 1998. In addition, major year of useful life are as follows: Buildings and structures: 3-39 years Machinery and equipment and vehicles: 6-12 years Tools, furniture and fixtures: 2-20 years 2. Intangible fixed assets: straight-line method Software used in-house operation is depreciated based on the straight-line method in 5 years which are useful life in years to the Company. 3. Long-term prepaid expenses: same as on the left
(3) Standards for important allowances	1. Allowance for doubtful accounts To provide for potential losses, the Company and its domestic consolidated subsidiaries recognize provision for potential doubtful accounts based on the specific credit loss ratio for general receivables. As for the specific receivables including the potential uncollectible receivables, the Company and its domestic consolidated subsidiaries posts estimated loss for unrecoverable receives by assessing the possibility of collection of individual receivables. Overseas consolidated subsidiaries record estimated loss for the specific receivables. 2. Allowance for cost of card use Allowance for cost of card use is posted based on the estimated unused amount of cards already issued which is calculated based on the actual rate of card use by users to prepare for payment to member shopping sites on the Internet in the future.	1. Allowance for doubtful accounts: same as on the left 2. Allowance for cost of card use: same as on the left

Item	FY2004 (From April 1, 2004 to March 31, 2005)	FY2005 (From April 1, 2005 to March 31, 2006)
	3. -	3. Allowance for unexercised sales promotion points Allowance for unexercised sales promotion points is posted based on estimated amount equivalent to outstanding points of sales promotion which is calculated based on the actual rates of execution of the points.
	4. Reserve for bonus The Company and some of its consolidated subsidiaries post reserve for bonus to be based on the estimated amount of bonus to be incurred in the current consolidated fiscal year to prepare for payment of bonus to employees.	4. Reserve for bonus: same as on the left
	5. Allowance for retirement benefits The Company posts allowance for retirement benefits based on the estimated amount of retirement allowance as of the end of the fiscal year to provide for payment of retirement allowance to employees. In addition, the Company adopts the conventional method for the calculation of estimated amount of retirement benefits above based on the "Guideline for accounting of retirement benefits (interim report)" (JICPA Report No.13 issued on September 14, 1999), since the Company is a "small-sized company" with less than 300 employees.	5. Allowance for retirement benefits: same as on the left
	6. Allowance for directors and statutory auditors' retirement bonus The Company posts allowance for directors and statutory auditors' retirement bonus based on the estimated amount of directors and statutory auditors' retirement bonus to be paid as of the end of the fiscal year to provide for payment of directors and statutory auditors' retirement bonus according to the internal regulations.	6. Allowance for directors and statutory auditors' retirement bonus: same as on the left

Item	FY2004 (From April 1, 2004 to March 31, 2005)	FY2005 (From April 1, 2005 to March 31, 2006)
(4) Standards for translation of important receivables and payables denominated in a foreign currency into Japanese yen (5) Accounting for significant lease transactions (6) Other important accounting standards for preparation of consolidated financial statements	Receivables and payables denominated in a foreign currency are translated into Japanese yen based on the prevailing spot rate of foreign exchange market as of the consolidated settlement date of accounts, and difference is directly posted in profit or loss. In addition, overseas consolidated subsidiaries' assets and liabilities, and profits or loss are translated into Japanese yen based on the prevailing spot rate of foreign exchange market as of the settlement date of accounts of each overseas consolidated subsidiary. - 1. Accounting of the consumption tax Accounting for the consumption tax and the local consumption tax is based on the "before tax" method.	Same as on the left Finance lease, which excludes leased assets for which the ownership is recognized as being transferred to leasees, are treated as ordinary rental transactions. 1. Accounting of the consumption tax Same as on the left
5. Valuation for consolidated subsidiaries' assets and liabilities	Valuation for consolidated subsidiaries' assets and liabilities is based entirely on the market value method.	Same as on the left
6. Amortization of consolidation difference	Consolidation difference is amortized on the straight-line method in five (5) or ten (10) years. In addition, as for consolidation difference between Digiplug S.A.S., the Company amortized the total outstanding amount of consolidation difference in one-time amortization in the current fiscal year, since the Company recognized valuation loss on shares of Digiplug S.A.S. in the non-consolidated financial statements of the Company in the current fiscal year.	Consolidation difference is amortized on the straight-line method in five (5) or ten (10) years. However, if an amount of consolidation difference lacks materiality, the difference is amortized in one-time amortization in the fiscal year when the difference was recognized.
7. Accounting for the statement of retained earnings	The statement of the retained earnings is prepared based on the disposal of earnings determined in the consolidated fiscal year.	Same as on the left
8. Scope of cash and cash equivalents in the consolidated statement of cash flows	Cash and cash equivalents in the consolidated statements of cash flows are composed of cash in hand, deposits withdrawable on demand, and short-term investments which are easy to change to cash and have minimum risks for volatility of principal and maturity within three (3) months after their acquisition.	Same as on the left

Changes in important accounting standards for preparation of the consolidated financial statements

FY2004 (From April 1, 2004 to March 31, 2005)	FY2005 (From April 1, 2005 to March 31, 2006)
–	(Accounting Standards for Impairment of Fixed Assets) The Company has adopted the accounting standards for impairment of fixes assets (“Opinion Concerning the Establishment of Accounting Standards for Impairment of Fixes Assets” issued by the Business Accounting Deliberation Council on August 9, 2002) and the “Implementation Guideline on the Accounting Standards for Impairment of Fixes Assets” (Business Accounting Standard Implementation Guideline No.6, issued by the Accounting Standards Board on October 31, 2003), from the current consolidated fiscal year. In addition, this change had no effect on income for fiscal 2005.

Changes in indication methods

FY2004 (From April 1, 2004 to March 31, 2005)	FY2005 (From April 1, 2005 to March 31, 2006)
–	(Consolidated Balance Sheet) “Deferred tax liabilities” which had been included in “Other” in the fixed liabilities until the preceding consolidated fiscal year was separately presented in the current year, since its amount exceeded 1% of the total amount of the total liabilities, minority interest and total shareholders’ equity in the current fiscal year. In addition, “deferred tax liabilities” accounted for ¥50,421 thousand in the preceding consolidated fiscal year. (Consolidated Income Statements) “Interest expenses” which had been included in “Miscellaneous expenses” of non-operating expenses till the previous consolidated fiscal year was separately presented due to its increased materiality. In addition, “interest expenses” stood at ¥45 thousand in the previous consolidated fiscal year.

Additional information

FY2004 (From April 1, 2004 to March 31, 2005)	FY2005 (From April 1, 2005 to March 31, 2006)
(Method of presentation of pro forma standard taxation of corporate enterprise tax in the consolidated income statement) With the publication of the "Practical Presentation Method of Pro Forma Standard Taxation of Corporate Enterprise Tax in the Consolidated Statements of Income" issued by Accounting Standards Board of Japan on February 13, 2004, the Company has posted the amounts of tax portion on the value-added basis and per capita portion of the corporate enterprise tax in "Selling, general and administrative expenses" from the current consolidated fiscal year. As a result, the selling, general and administrative expenses increased by ¥43,791 thousand in the current consolidated fiscal year, and operating income, ordinary income and net income before taxes decreased by the same amount respectively. (Change in accounting of a consolidated subsidiary) The consolidated subsidiary "Moderati Inc." had made it an accounting rule to post net sales when a sales report arrives at the headquarters and at the same time to recognize cost of sales that responds to such sales in the past. However, it has changed the accounting standard and recorded sales and cost of sales based on an accrual basis from the current consolidated fiscal year, due to its increased materiality in consolidation. As a result, compared with accounting on the conventional method, sales decreased by ¥299,577 thousand, and operating income, ordinary income and income before income taxes and minority interests dropped by ¥249,892 thousand respectively, in the current fiscal year.	–

Notes to the Consolidated Financial Statements

(Consolidated Balance Sheet)

FY2004 (March 31, 2005)	FY2005 (March 31, 2006)
*1. Amount related with non-consolidated subsidiaries and affiliated companies Investment securities (stocks) ¥517,997 thousand	*1. Amount related with non-consolidated subsidiaries and affiliated companies Investment securities (stocks) ¥1,078,092 thousand Investment securities (equity investment) ¥108,868 thousand Total ¥1,186,961 thousand
*2 Number of outstanding shares of the Company: 239,200 common shares.	*2 Number of outstanding shares of the Company: 1,196,000 common shares
*3 Number of treasury stocks held by the Company: 424 common shares	*3 Number of treasury stocks held by the Company: 5,580 common shares

(Consolidated Income Statement)

FY2004 (From April 1, 2004 to March 31, 2005)	FY2005 (From April 1, 2005 to March 31, 2006)
*1 Major items of Selling, General and Administrative Expenses Directors' remuneration ¥225,045 thousand Salaries and allowances ¥703,273 thousand Allowance for bonus ¥ 52,252 thousand Retirement benefit expenses ¥11,437 thousand Allowance for directors and statutory auditors' retirement bonus ¥23,072 thousand Commission paid ¥1,438,670 thousand Advertising and general publicity expenses ¥550,265 thousand Allowance for doubtful accounts ¥1,281 thousand Amortization of consolidation difference ¥321,569 thousand	*1 Major items of Selling, General and Administrative Expenses Directors' remuneration ¥356,156 thousand Salaries and allowances ¥1,209,745 thousand Allowance for bonus ¥52,272 thousand Retirement benefit expenses ¥18,519 thousand Allowance for directors and statutory auditors' retirement bonus ¥23,945 thousand Commission paid ¥1,542,889 thousand Advertising and general publicity expenses ¥1,024,062 thousand Allowance for doubtful accounts ¥ 71,641 thousand Amortization of consolidation difference ¥715,371 thousand
*2 R&D expenses included in selling, general and administrative expenses and cost of sales: ¥190,485 thousand	*2 R&D expenses included in selling, general and administrative expenses and cost of sales: ¥74,728 thousand
*3 Breakdown of loss from disposal of fixed assets Machinery and equipment, and Vehicles ¥512 thousand Tool, furniture and fixtures ¥569 thousand Software ¥12,166 thousand Total ¥13,248 thousand	*3 Breakdown of loss from disposal of fixed assets Tool, furniture and fixtures ¥1,999 thousand Software ¥106,556 thousand Total ¥108,555 thousand

(Consolidated Statement of Cash Flows)

<table>
<tr><th>FY2004 (From April 1, 2004 to March 31, 2005)</th><th>FY2005 (From April 1, 2005 to March 31, 2006)</th></tr>
<tr><td>
*1 Relationship between cash and cash equivalents at the end of the fiscal year and amounts of items described in the consolidated balance sheet
(As of March 31, 2005)
Cash and deposits ¥6,520,207 thousand
Securities ¥864,838 thousand
Total ¥7,385,046 thousand
Over three-month time deposits -¥400,000 thousand
Securities not including MMF -¥214,780 thousand
Cash and cash equivalents ¥6,770,266 thousand
*2 Major breakdown of assets and liabilities of a new consolidated subsidiary which was included in the consolidation due to acquisition of shares by the Company
Breakdown of assets and liabilities of Invest Virtua S.A. which was newly included in the consolidation due to acquisition of shares by the Company as of the start of the current fiscal year, and relationship between acquisition cost of Invest Virtua S.A. and net expenses required for acquisition of Invest Virtua S.A.
Current assets ¥265,684 thousand
Fixed assets ¥156,102 thousand
Consolidation difference ¥2,657,486 thousand
Current liabilities -¥260,050 thousand
Long-term liabilities -¥235 thousand
Acquisition cost of Invest Virtua S.A. ¥2,818,987 thousand
Cash and cash equivalents of Invest Virtua S.A. -¥77,197 thousand
Total expenses required for acquisition of Invest Virtua S.A. ¥2,741,789 thousand
</td><td>
*1 Relationship between cash and cash equivalents at the end of the fiscal year and amounts of items described in the consolidated balance sheet
(As of March 31, 2006)
Cash and deposits ¥7,534,815 thousand
Securities ¥364,619 thousand
Total ¥7,899,435 thousand
Over three-month time deposits -¥200,000 thousand
Securities not including MMF -¥20,000 thousand
Cash and cash equivalents ¥7,679,435 thousand
*2 Major breakdown of assets and liabilities of new consolidated subsidiaries which were included in the consolidation due to acquisition of shares by the Company
Breakdown of assets and liabilities of Faith Communications Inc. which was newly included in the consolidation due to acquisition of shares by the Company as of the start of the current consolidated fiscal year, and relationship between acquisition cost of Faith Communications Inc. and net expenses required for acquisition of Faith Communications Inc.
Current assets ¥1,719,740 thousand
Fixed assets ¥130,604 thousand
Consolidation difference ¥631,931 thousand
Current liabilities -¥64,419 thousand
Minority Interests -¥381,830 thousand
Acquisition cost of Faith Communications Inc. ¥2,036,026 thousand
Cash and cash equivalents of Faith Communications Inc. -¥1,710,600 thousand
Total (Expenses required for acquisition of Faith Communications Inc. ¥325,426 thousand

Breakdown of assets and liabilities of GoodyPoint Corp. which was newly included in the consolidation due to acquisition of shares by the Company as of the start of the current consolidated fiscal year, and relationship between acquisition cost of GoodyPoint Corp. and net expenses required for acquisition of GoodyPoint Corp.
Current assets ¥507,595 thousand
Fixed assets ¥107,212 thousand
Consolidation difference ¥385,171 thousand
Current liabilities -¥954,290 thousand
Acquisition cost of GoodyPoint Corp. ¥45,688 thousand
Cash and cash equivalents of GoodyPoint Corp. -¥311,766 thousand
Total expenses required for acquisition of Faith Communications Inc. ¥266,078 thousand
</td></tr>
</table>

1. Lease transactions

<table>
<tr><th>FY2004 (From April 1, 2004 to March 31, 2005)</th><th>FY2005 (From April 1, 2005 to March 31, 2006)</th></tr>
<tr><td>Not applicable. Faith Group does not execute any lease transaction.</td><td>
1. Finance lease transactions other than those in which the ownership of leases assets is transferred to the leasees (Company: a leasee)
(1) Amounts equivalent to acquisition costs of leased assets, accumulated depreciation and outstanding amount at the end of the fiscal year
<table>
<tr><th></th><th>Amount equivalent to acquisition costs, ¥thousand</th><th>Amount equivalent to accumulated depreciation, ¥thousand</th><th>Amount equivalent to outstanding amount, ¥thousand</th></tr>
<tr><td>Tools, furniture and fixtures</td><td>364,446</td><td>174,831</td><td>189,615</td></tr>
<tr><td>Software</td><td>139,200</td><td>58,554</td><td>80,645</td></tr>
<tr><td>Total</td><td>503,646</td><td>233,385</td><td>270,260</td></tr>
</table>
(2) Amount equivalent to the accrued lease payment at he end of the fiscal year
Within one (1) year ¥103,063 thousand
Over one (1) year ¥174,238 thousand
Total ¥277,301 thousand
(3) Lease payment, reversal of impairment loss of lease assets, amount equivalent to the depreciation, and amount equivalent to interest expenses
Lease payment ¥56,095 thousand
Amount equivalent to depreciation ¥52,462 thousand
Amount equivalent to interest expenses ¥4,359 thousand
(4) Calculation of amount equivalent to depreciation
The Company calculates the amount equivalent to depreciation based on the assumptions that the lease period is the years of useful life and the residual value is zero.

(Impairment loss)
There is no impairment loss allocated to the leases assets.
</td></tr>
</table>

2. Securities

Fiscal 2004 (March 31, 2005)

1. Marketable held-to-maturity securities

Item	FY2004 (March 31, 2005)		
	Amount recorded on consolidated balance sheet, ¥thousand	Market value, ¥thousand	Difference, ¥thousand
Securities of which market value exceeds amount recorded on consolidated balance sheet			
1. Government bonds and local government bonds	99,620	102,943	3,323
2. Corporate bonds	214,780	215,071	291
3. Others	–	–	–
Sub-total	314,400	318,015	3,615
Securities of which market value does not exceed amount recorded on consolidated balance sheet			
1. Government bonds and local government bonds	–	–	–
2. Corporate bonds	–	–	–
3. Others	–	–	–
Sub-total	–	–	–
Total	314,400	318,015	3,615

2. Marketable other securities

Item	FY2004 (March 31, 2005)		
	Acquisition cost, ¥thousand	Amount recorded on consolidated balance sheet, ¥thousand	Difference, ¥thousand
Securities of which amount recorded on the consolidated balance sheet exceeds acquisition costs			
1. Stocks	453,038	944,311	491,273
2. Bonds	–	–	–
3. Others	101,576	112,936	11,359
Sub-total	554,615	1,057,248	502,632
Securities of which amount recorded on the consolidated balance sheet does not exceed acquisition costs			
1. Stocks	–	–	–
2. Bonds	–	–	–
3. Others	–	–	–
Sub-total	–	–	–
Total	554,615	1,057,248	502,632

3. Other securities sold during the current consolidated fiscal year (From April 1, 2004 to March 31, 2005)

Amount sold, ¥thousand	Total gain on sale, ¥thousand	Total loss on sale, ¥thousand
1,839,068	406,694	–

4. Major unquoted securities

Item	FY2004 (March 31, 2005)
	Amount recorded on consolidated balance sheet, ¥thousand
Other securities	
1. Unlisted stocks not including over-the-counter stocks	926,463
2. Unlisted bonds	40,000
3. MMF and etc.	650,058

Note: The Company revalued investment securities in the current term, and posted valuation loss at ¥51,391 thousand.

5. Schedule of redemption of securities having maturities among other securities and held-to-maturity bonds

Item	Within one year, ¥thousand	Within 5 years after one year, ¥thousand	Within 10 years after 5 years, ¥thousand	After 10 years, ¥thousand
Bonds				
1. Government bonds and local government bonds	–	–	99,620	–
2. Corporate bonds	214,780	20,000	20,000	–
3. Others	–	–	–	–
Total	214,780	20,000	119,620	–

Fiscal 2005 (March 31, 2006)

1. Marketable held-to-maturity securities

Item	FY2005 (March 31, 2006)		
	Amount recorded on consolidated balance sheet, ¥thousand	Market value, ¥thousand	Difference, ¥thousand
Securities of which market value exceeds amount recorded on consolidated balance sheet			
1. Government bonds and local government bonds	–	–	–
2. Corporate bonds	–	–	–
3. Others	–	–	–
Sub-total	–	–	–
Securities of which market value does not exceed amount recorded on consolidated balance sheet			
1. Government bonds and local government bonds	99,678	99,365	312
2. Corporate bonds	–	–	–
3. Others	–	–	–
Sub-total	99,678	99,365	312
Total	99,678	99,365	312

2. Marketable other securities

Item	FY2005 (March 31, 2006)		
	Acquisition cost, ¥thousand	Amount recorded on consolidated balance sheet, ¥thousand	Difference, ¥thousand
Securities of which amount recorded on the consolidated balance sheet exceeds acquisition costs			
1. Stocks	395,274	6,116,398	5,721,123
2. Bonds	–	–	–
3. Others	–	–	–
Sub-total	395,274	6,116,398	5,721,123
Securities of which amount recorded on the consolidated balance sheet does not exceed acquisition costs			
1. Stocks	–	–	–
2. Bonds	–	–	–
3. Others	–	–	–
Sub-total	–	–	–
Total	395,274	6,116,398	5,721,123

3. Other securities sold during the current consolidated fiscal year (From April 1, 2005 to March 31, 2006)

Amount sold, ¥thousand	Total gain on sale	¥thousand
758,255	220,271	–

4. Major unquoted securities

Item	FY2005 (March 31, 2006)
	Amount recorded on consolidated balance sheet, ¥thousand
Held-to-maturity securities	
Unlisted bonds	10,000
Other securities	
1. Unlisted stocks	619,924
2. Unlisted bonds	20,000
3. MMF and etc.	344,619
4. Investment in business fund partnership	1,527,183

5. Schedule of redemption of securities having maturities among other securities and held-to-maturity bonds

Item	Within one year, ¥thousand	Within 5 years after one year, ¥thousand	Within 10 years after 5 years, ¥thousand	After 10 years, ¥thousand
Bonds				
1. Government bonds and local government bonds	–	–	99,678	–
2. Corporate bonds	20,000	10,000	–	–
3. Others	–	–	–	–
Total	20,000	10,000	99,678	–

3. Derivative transactions

Fiscal 2004 (from April 1, 2004 to March 31, 2005) and Fiscal 2005 (from April 1, 2005 to March 31, 2006)

Not applicable. Faith Group does not execute any derivative transactions.

4. Retirement benefit

FY2004 (from April 1, 2004 to March 31, 2005)	FY2005 (from April 1, 2005 to March 31, 2006)
1. Outline of retirement benefit program adopted The Company has adopted a retirement gratuity program, and the accounting method to recognize retirement benefits liabilities based on the estimated amount of retirement benefits to be paid to all employees at the end of the fiscal year on the assumption of their voluntary retirement. In addition, the domestic consolidated subsidiary has adopted the employee pension fund plan. Since the employee pension plan is an integrated type, it is impossible to calculate the reasonable amounts of plan assets corresponding to the consolidated subsidiary's' contributions. In consequence, amount of necessary contributions to the pension plan is processed as allowance for retirement benefits. Of the balance of the plan assets as of March 31, 2005 corresponding to the consolidated subsidiary's ratio based on the number of members amount to ¥58,670 thousand. In addition, the Company has adopted the conventional method in the calculation of estimated amount of retirement benefits above based on the "Guideline for accounting of retirement benefits (interim report)" (JICPA Report No.13 issued on September 14, 1999), since the Company is a "small-sized company" with less than 300 employees.	1. Outline of retirement benefit program adopted The Company has adopted a retirement gratuity program, and the accounting method to recognize retirement benefits liabilities based on the estimated amount of retirement benefits to be paid to all employees at the end of the fiscal year on the assumption of their voluntary retirement. In addition, some of the domestic consolidated subsidiaries have adopted the employee pension fund plan. Since the employee pension plan is an integrated type, it is impossible to calculate the reasonable amounts of plan assets corresponding to the consolidated subsidiaries' contributions. In consequence, amount of necessary contributions to the pension plan is processed as allowance for retirement benefits. Of the balance of the plan assets as of March 31, 2006 corresponding to the consolidated subsidiaries' ratio based on the number of members amount to ¥62,707 thousand. In addition, the Company has adopted the conventional method in the calculation of estimated amount of retirement benefits above based on the "Guideline for accounting of retirement benefits (interim report)" (JICPA Report No.13 on September 14, 1999), since the Company is a "small-sized company" with less than 300 employees.
2. Amount of retirement benefit liabilities ¥19,781 thousand Amount of allowance for retirement benefits ¥19,781 thousand	2. Amount of retirement benefit liabilities ¥27,252 thousand Amount of allowance for retirement benefits ¥27,252 thousand
3. Amount of retirement benefit expenses ¥15,152 thousand Note: The amount of retirement benefit expenses includes amount of contributions to the pension fund plan of the domestic consolidated subsidiaries in the above.	3. Amount of retirement benefit expenses ¥22,237 thousand Note: The amount of retirement benefit expenses includes amount of contributions to the pension fund plan of the domestic consolidated subsidiaries in the above.

5. Tax Effect Accounting

FY2004 (March 31, 2005)	FY2005 (March 31, 2006)
1. Breakdown of the deferred tax assets and deferred tax liabilities by major reason	1. Breakdown of the deferred tad assets and deferred tax liabilities by major reason
(Deferred tax assets)	(Deferred tax assets)
Sales adjusted by tax audit ¥666,718 thousand	Sales adjusted by tax audit ¥696,066 thousand
Reserve for bonus ¥25,830 thousand	Reserve for bonus ¥31,329 thousand
Accrued enterprise tax ¥55,066 thousand	Accrued enterprise tax ¥65,920 thousand
Allowance for retirement benefits ¥7,962 thousand	Allowance for unexercised sales promotion points ¥53,929 thousand
Allowance for directors and statutory auditors' retirement bonus ¥47,708 thousand	Allowance for retirement benefits ¥11,059 thousand
Allowance for doubtful accounts ¥67,597 thousand	Allowance for directors and statutory auditors' retirement bonus ¥49,156 thousand
Valuation loss on investment securities ¥144,916 thousand	Allowance for doubtful accounts ¥14,286 thousand
Excess over the limit of depreciation ¥71,362 thousand	Valuation loss on investment securities ¥31,470 thousand
Deficit carried forwarded in tax system ¥2,008,123 thousand	Excess over the limit of depreciation ¥45,441 thousand
Others ¥33,875 thousand	Deficit carried forwarded in tax system ¥3,076,128 thousand
Sub-total of deferred tax assets ¥3,129,161 thousand	Others ¥34,898 thousand
Valuation reserve -¥2,195,055 thousand	Sub-total of deferred tax assets ¥4,109,685 thousand
Total deferred tax assets ¥934,105 thousand	Valuation reserve -¥3,184,835 thousand
(Deferred tax liabilities)	Total deferred tax assets ¥924,849 thousand
Valuation loss on other investment securities ¥203,990 thousand	(Deferred tax liabilities)
Others ¥20,384 thousand	Valuation loss on other investment securities ¥2,321,949 thousand
Total deferred tax liabilities ¥224,374 thousand	Others ¥29,726 thousand
Net deferred tax assets (liabilities) ¥709,734 thousand	Total deferred tax liabilities ¥2,351,676 thousand
	Net deferred tax assets (liabilities) -¥1,426,826 thousand
Net deferred tax assets are included in the following items of the consolidated balance sheet.	Net deferred tax assets (liabilities) are included in the following items of the consolidated balance sheet.
Current assets-deferred tax assets ¥760,152 thousand	Current assets-deferred tax assets ¥808,951 thousand
Fixed liabilities-Others ¥50,421 thousand	Fixed liabilities-deferred tax liabilities ¥2,235,777 thousand
2. Breakdown of major difference between the effective legal tax rate and income taxes rate owed application of tax effect accounting	2. Breakdown of major difference between the effective legal tax rate and income taxes rate owed application of tax effect accounting
(%)	(%)
Effective legal tax rate: 40.58	Effective legal tax rate: 40.58
(Adjustment)	(Adjustment)
Non-deductible expenses including entertainment expenses: 1.45	Non-deductible expenses including entertainment expenses: 0.96
Amortization of consolidation difference: 39.44	Amortization of consolidation difference: 8.27
Taxation on earnings on unrecognized income of subsidiaries in deficits: 5.40	Earnings on equity method: 0.99
Difference in tax rates among consolidated subsidiaries: 0.23	Taxation on earnings on unrecognized income of subsidiaries in deficits: 9.92
Per capita rate of corporate inhabitant tax: 0.27	Difference in tax rates among consolidated subsidiaries: 1.36
Penalty income tax: 0.80	Per capita rate of corporate inhabitant tax: 0.19
Special income tax deduction: -1.00	Corporate tax for retroactive year: 0.86
Others: 0.72	Special corporate tax deduction: -0.62
Rate of income taxes after application of tax effect accounting: 87.89	Others: -0.79
	Rate of income taxes after application of tax effect accounting: 61.72

6. Consolidated Segment Information

a. Business segment information

Business segment information for the latest two consolidated fiscal years is as follows:

FYl 2004 (From April 1, 2004 to March 31, 2005)

	Content distribution service using networks, ¥thousand	Electronic settlement solution service business, ¥thousand	Other businesses, ¥thousand	Total, ¥thousand	Elimination, ¥thousand	Consolidated, ¥thousand
I. Net sales and operating profit						
Net sales						
(1) Sales to outside customers	11,550,697	11,724,517	353,551	23,628,766	–	23,628,766
(2) Inter-group sales and transfers	999	100	–	1,099	-1,099	–
Total	11,551,697	11,724,617	353,551	23,629,866	-1,099	23,628,766
Operating expenses	7,399,312	11,861,170	351,401	19,611,885	-1,099	19,610,785
Operating income	4,152,384	-136,553	2,150	4,017,981	–	4,017,981
II. Assets, depreciation and capital expenditures						
Assets	13,788,794	5,048,469	361,300	19,198,564	3,384,135	22,582,699
Depreciation	328,023	35,079	852	363,955	–	363,955
Capital expenditures	401,694	34,985	362,152	798,832	–	798,832

Notes: 1 Method of businesses segmentation: The Company and its group companies' businesses are classified into three segments based on the similarities of services and nature of businesses.

2. Details of business segments

Business segment	Major business operations
Content distribution service using networks	Content distribution service using networks, and development of distribution platform technologies
Electronic payment service business	Provision of electronic payment services
Other businesses	Sales of tools for contents development, and development of software

3. Of assets, amount included in "elimination" is ¥4,297,151 thousand, and it consists mainly of the amount of fund management by the Company, including cash and deposits, marketable securities and investment securities.
4. As mentioned in the "additional information" in the above, the Company changed accounting standards of Moderati Inc. As a result, compared with accounting on the conventional method, sales of the contents distribution service using networks decreased by ¥299,577 thousand, and its operating expenses and operating income dropped by ¥49,685 thousand and ¥249,892 thousand respectively in the current fiscal year.

FY 2005 (From April 1, 2005 to March 31, 2006)

	Content distribution services, ¥thousand	Electronic payment business, ¥thousand	MVNO business, ¥thousand	Other businesses, ¥thousand	Total, ¥thousand	Elimination, ¥thousand	Consolidated, ¥thousand
I. Net sales and operating profit Net sales (1) Sales to outside customers	14,040,205	15,106,111	–	893,849	30,040,166	–	30,040,166
(2) Inter-group sales and transfers	71,677	2,758	–	–	74,436	-74,436	–
Total	14,111,882	15,108,870	–	893,849	30,114,603	-74,436	30,040,166
Operating expenses	10,082,376	14,989,161	706,645	944,991	26,723,174	-74,436	26,648,738
Operating income	4,029,506	119,708	-706,645	-51,141	3,391,428	–	3,391,428
II. Assets, depreciation and capital expenditures Assets	23,146,890	5,389,802	2,097,224	1,276,951	31,910,869	-315,089	31,595,780
Depreciation	424,270	33,446	21,268	35,796	514,781	–	514,781
Capital expenditures	683,045	35,594	488,541	8,157	1,215,338	–	1,215,338

Notes:

1. Method of businesses segmentation: The Company and its group companies' businesses are classified into four segments based on the similarities of services and nature of businesses.
2. Details of business segments

Business segment	Major business operations
Content distribution service	Content distribution service using networks, and development of distribution platform technologies
Electronic payment business	Issuance of electronic money
MVNO business	Mobile network operation
Other businesses	Provision of sales promotion point services

3. Of assets, amount included in "elimination" is ¥2,702,894 thousand, and it consists mainly of the amount of fund management by the Company, including cash and deposits, marketable securities and investment securities.
4. The Company has changed names of business segments "content distribution service using networks" and "electronic settlement solution service business" in the past to "content distribution services" and "electronic payment business" respectively from the current consolidated fiscal year.
5. Since the Company made Faith communications, Inc. its consolidated subsidiary in the current consolidated fiscal year, the business segment "MVNO business" has been newly introduced from the current consolidated fiscal year.

b. Geographical segment information

Geographical segment information for the latest two consolidated fiscal years are as follows:

Fiscal 2004 (From April 1, 2004 to March 31, 2005)

	Japan, ¥thousand	Americas, ¥thousand	Europe, ¥thousand	Total, ¥thousand	Elimination, ¥thousand	Consolidated, ¥thousand
I. Net sales and operating profit						
Net sales						
(1) Sales to outside customers	21,525,397	1,327,230	776,138	23,628,766	–	23,628,766
(2) Inter-group sales and transfers	–	393,293	146,492	539,785	-539,785	–
Total	21,525,397	1,720,524	922,630	24,168,552	-539,785	23,628,766
Operating expenses	17,661,835	1,168,112	1,320,623	20,150,571	-539,785	19,610,785
Operating income	3,863,561	552,412	-397,992	4,017,981	–	4,017,981
II. Assets	19,383,608	4,493,596	903,210	24,780,415	-2,197,716	22,582,699

Notes:
1. Countries and regions are segmented based on the geographical proximity.
2. Each segment other than Japan principally includes following countries or regions.
   (1) Americas: the U.S.A. and Brazil
   (2) Europe: France
3. Of assets, amount included in “elimination” is ¥4,297,151 thousand, and it consists mainly of the amount of fund management by the Company, including cash and deposits, marketable securities and investment securities.
4. With the new inclusion of Invest Virtua S.A. located in Brazil into consolidated subsidiaries due to acquisition of its shares by the Company, the geographical segment “North America” has been changed to “Americas” from the current consolidated fiscal year.
5. As mentioned in the “additional information” in the above, the Company changed accounting standards of Moderati Inc. As a result, compared with accounting on the conventional method, sales in “Americas” decreased by ¥299,577 thousand, and operating expenses and operating income dropped by ¥49,685 thousand and ¥249,892 thousand respectively in the current fiscal year.

Fiscal 2005 (From April 1, 2005 to March 31, 2006)

	Japan, ¥thousand	Americas, ¥thousand	Europe, ¥thousand	Total, ¥thousand	Elimination, ¥thousand	Consolidated, ¥thousand
I. Net sales and operating profit						
Net sales						
(1) Sales to outside customers	26,053,353	3,309,159	677,654	30,040,166	–	30,040,166
(2) Inter-group sales and transfers	–	748,074	105,695	853,770	-853,770	–
Total	26,053,353	4,057,234	783,349	30,893,936	-853,770	30,040,166
Operating expenses	21,840,689	4,574,368	1,087,450	27,502,508	-853,770	26,648,738
Operating income	4,212,663	-517,134	-304,100	3,391,428	–	3,391,428
II. Assets	29,986,598	6,591,337	837,836	37,415,772	-5,819,992	31,595,780

Notes:
1. Countries and regions are segmented based on the geographical proximity.
2. Each segment other than Japan principally includes following countries or regions.
   (1) Americas: the U.S.A. and Brazil
   (2) Europe: France
3. Of assets, amount included in “elimination” is ¥2,702,894 thousand, and it consists mainly of the amount of fund management by the Company, including cash and deposits, marketable securities and investment securities.

c. Overseas sales

Overseas sales for the latest two consolidated fiscal years are as follows:

FY 2004 (From April 1, 2004 to March 31, 2005)

	North America	Others	Total
I. Sales to foreign customers, ¥thousand	2,123,305	754,089	2,877,394
II. Consolidated net sales, ¥thousand	–	–	23,628,766
III. Percentage of sales to foreign customers to consolidated net sales, %	9.0	3.2	12.2

Notes: 1. Countries and regions are segmented based on the geographical proximity.
2. Each segment other than Japan principally includes following countries or regions.
(1) North America: the U.S.A. and Canada
(2) Others: France, Netherlands, and Taiwan
3. Sales to foreign customers refer to sales of the Company and its consolidated subsidiaries in countries and regions other than Japan.

FY 2005 (From April 1, 2005 to March 31, 2006)

	North America	Others	Total
I. Overseas sales, ¥thousand	3,388,962	2,100,222	5,489,184
II. Consolidated net sales, ¥thousand	–	–	30,040,166
III. Percentage of overseas sales to consolidated net sales, %	11.3	7.0	18.3

Notes: 1. Countries and regions are segmented based on the geographical proximity.
2. Each segment other than Japan principally includes following countries or regions.
(1) North America: the U.S.A. and Canada
(2) Others: Brazil, France, Netherlands, and Taiwan
3. Overseas sales mean sales of the Company and its consolidated subsidiaries in countries and regions other than Japan.

7. Transactions with related parties

Fiscal 2004 (From April 1, 2004 to March 31, 2005) and Fiscal 2005 (From April 1, 2005 to March 31, 2006)

Not applicable

(Per Share Information)

FY2004 (From April 1, 2004 to March 31, 2005)	FY2005 (From April 1, 2005 to March 31, 2006)
Shareholders' equity per share: ¥63,628.38 Earnings per share: ¥1,159.78 Diluted earnings per share: ¥1,159.24 The Company split its stock "2-for-1" as of August 20, 2004. In addition, per share information for the preceding consolidated fiscal year on the assumption that the stock split was executed at the start of the preceding consolidated fiscal year is as follows: Shareholders' equity per share: ¥62,238.85 Earnings per share: ¥11,128.69 Diluted earnings per share: ¥11,120.23	Shareholders' equity per share: ¥16,453.84 Earnings per share: ¥1,174.67 Diluted earnings per share: ¥1,174.53 The Company split its stock "5-for-1" as of December 20, 2005. In addition, per share information for the preceding consolidated fiscal year on the assumption that the stock split was executed at the start of the preceding consolidated fiscal year is as follows: Shareholders' equity per share: ¥12,725.68 Earnings per share: ¥231.96 Diluted earnings per share: ¥231.85

Note: Background data for calculation of earnings per share and diluted earnings per share are as follows:

	FY2004 (From April 1, 2004 to March 31, 2005)	FY2005 (From April 1, 2005 to March 31, 2006)
Earnings per share		
Net income, ¥thousand	316,015	1,438,293
Amounts not attributable to shareholders of common shares, ¥thousand	39,000	39,000
(Of which, officers' bonus based on appropriation of earnings, ¥thousand)	(39,000)	(39,000)
Net income related with common shares, ¥thousand	277,015	1,399,293
Average number of common stocks issued during the term	238,852	1,191,227
Diluted earnings per share		
Amount of adjustment for net income, ¥thousand	–	–
Number of increase in common shares	112	134
(Of which, increase due to exercise of stock option under equity warrant)	(112)	(134)
Outline of potential common shares which were not included in the calculation of diluted earnings per share due to lack of dilution effect	Equity warrants, one type (number of equity warrants: 350)	Equity warrants, one type (number of equity warrants: 350)

(Important Subsequent Events)

FY2004 (From April 1, 2004 to March 31, 2005)	FY2005 (From April 1, 2005 to March 31, 2006)
–	1. Important financing Mobile Alliance Co., Ltd. resolved to the debt finance as described in the below at the board of directors' meeting held on April 3, 2006. (1) Use of borrowing: Fund required for acquisition of business rights (2) Outline of loan agreement Bank loan: ¥10.0 billion Period: Five (5) years Lending banks: The Bank of Tokyo-Mitsubishi UFJ, Ltd., and Sumitomo Mitsui Banking Corp. Guarantor: Faith, Inc. In addition, the Company made loan agreements for ¥1.5 billion with The Bank of Tokyo-Mitsubishi UFJ, Ltd., and Sumitomo Mitsui Banking Corp. respectively (date of repayment: March 30, 2007; interest rate: TIBOR + 0.3% per annum) on May 1, 2006. The whole amount of the bank loans was used for capital increase of the subsidiary on May 2, 2006. 2. Purchase of important businesses The Company's subsidiary "Mobile Alliance Co., Ltd." decided, at its board of directors meeting held on April 3, 2006, to purchase business rights of Giga Networks Company operating mobile content distribution business as a part of San-ai Co., Ltd. from San-ai Co., Ltd. on May 31, 2006, and entered into the business rights purchasing agreement on April 3, 2006. The outline of the business rights purchasing agreement is as follows: (1) Purposes of purchasing business rights With increasing competition among mobile content service companies due to maturity of the mobile contents market, it is one of the Company's important management issues to develop attractive contents service, as well as to construct more efficient operation system of contents distribution. Giga Networks Company, which is an in-house company of San-ai Co., Ltd., is providing ringtone service to mobile phones with 4 million members. The Company aims to create active alliances with its partner companies including the mobile contents provider and to develop the next generation of high-value-added contents distribution services that are attractive to users through acquisition of Giga Networks' business rights. (2) Businesses to be purchased: business of contents distribution service to mobile phones (3) Purchasing price The purchasing price is ¥12.0 billion, and assets and liabilities to be purchased are amounts as of the date of purchasing of business rights (May 31, 2006). Furthermore, Mobile Alliance Company changed its trade name to Giga Networks Co., Ltd. on April 14, 2006.