

# Consolidated Financial Results for the 3rd Quarter of the Fiscal Year Ending March 2007

February 9, 2007

Faith, Inc.  
(URL: <http://www.faith-inc.com/>)

(Stock code 4295, TSE 1st section)

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## 1. Basis for preparation of quarterly financial results

- (1) Adoption of simplified accounting practices ; Yes  
\* In accordance with standards for preparation of interim consolidated financial statements, simplified accounting procedures have been partially applied to where the amount influenced is minor.
- (2) Changes in accounting practices from the previous fiscal year. ; Yes
- (3) Changes in the scope of consolidation and the equity method of accounting ; Yes (The six new companies are included.)

## 2. Financial results for the 3rd quarter of the year ending March 2007 (April 1, 2006 through December 31, 2006)

### (1) Consolidated Results of operations

Unit: million yen (rounded down)

|                                  | Net sales   |        | Operating profit |         | Recurring profit |         | Net profit  |         |
|----------------------------------|-------------|--------|------------------|---------|------------------|---------|-------------|---------|
|                                  | Million yen | (%)    | Million yen      | (%)     | Million yen      | (%)     | Million yen | (%)     |
| Q3 of the year ending March 2007 | 32,109      | (52.1) | 1,027            | ( 58.7) | 903              | ( 65.3) | 3,785       | (-)     |
| Q3 of the year ended March 2006  | 21,111      | (23.5) | 2,487            | ( 17.1) | 2,603            | ( 13.2) | 1,028       | ( 34.5) |
| (Ref): Year ended March 2006     | 30,040      |        | 3,391            |         | 3,455            |         | 1,438       |         |

|                                  | Earnings per share | Diluted Earnings per share |
|----------------------------------|--------------------|----------------------------|
|                                  | Yen                | Yen                        |
| Q3 of the year ending March 2007 | 3,180.24.          | -                          |
| Q3 of the year ended March 2006  | 863.22             | 863.05                     |
| (Ref): Year ended March 2006     | 1,174.67           | 1,174.53                   |

- (Notes) (1) Presentation of percentages in net sales, operating profit are year-on-year changes.  
(2) Although there are latent shares, the diluted earnings per share is not given since there was a net loss.

### [Qualitative information on consolidated operating results]

During the third quarter, within the Japanese telecommunication industry, as the use of broadband spread and the mobile phone market shifted to the third-generation communication systems, the ringtone melody distribution service market continued to contract on account of a decline in demand, although the digital content market continued to expand, driven by easy-to-use music and video distribution services, highly-entertaining online games, and convenient information services that make use of mobile handsets.

Leading these movements in the domestic market, the Group has addressed on “creating a new scheme for the distribution of the digital content” through acquisitions and tie-ups with leading companies. In particular, the Group focused on strengthening its alliance with rights holders and expanding its user reach.

Overseas, there has been firm demand for the Group’s sound source technology with the global deployment of the CDMA communication standard promoted by U.S.-based Qualcomm Inc. At the same time, the Group has deployed, cooperating with the global music labels, content services centered on music throughout the world and has steadily expanded its business.

As a result, for the third quarter of fiscal 2006 consolidated net sales grew to ¥32,109 million, a rise of 52.1% from the same period of the previous fiscal year, as a result of continued high growth in the electronic money settlement business, acquisitions in the Japanese service business, and an expansion of business through tie-ups, despite the fall in income from the Japanese ringtone distribution service. Consolidated operating profit fell to ¥1,027 million, decline of 58.7% on the same period last year, for the reasons such as a decline in sales from the Japanese ringtone distribution service, upfront investments to create new markets, and upfront expenses necessary to fully launch the MVNO business. Consolidated recurring profit shrank to ¥903 million, a decline of 65.3% on the same period last year. Furthermore, the Group the net loss was ¥3,785 million (compared to the net income of ¥1,028 million for the same period of the previous fiscal year), because of the various factors including a decline in recurring profit and the recording of losses on impaired assets such as the goodwill amortization for companies including Curupira S.A. (commonly referred to as TakeNET,) the South American content distribution subsidiary.

Consolidated operating results for the third quarter of fiscal 2006 by business segment are as follows:

<Content distribution Business>

[Service business]

Within Japan, the Group purchased Rightsscale, Inc., a company that provides solutions – from content procurement to royalty payments such as those for copy right fees – to music distribution services targeting PCs and mobile phones. While making use of the close and extensive relationships built with producers and artists, centered on independent record labels, and the Group’s more than 10 million users and expanding the music digital distribution business, the Group established its own music label. In addition, Giga Networks Inc., which was purchased in May 2006, has tied up with companies that have strong planning and production capabilities in the field of entertainment, such as Yoshimoto Kogyo Co., Ltd., and has gradually launched new content distribution services.

Overseas, the Group actively deployed its content distribution services in the U.S., South America, China, and Europe.

As a result, consolidated net sales for the service business rose to ¥12,186 million, a rise of 49.9% compared to the same period last year, as a result of firm growth overseas and the business expansion including the acquisition of Giga Networks, Inc.

#### [License Business]

Along with the firm sales in Japan, there was firm demand for the Group's sound source technology, particularly in the U.S., China, India, and South America, as the CDMA communications standard promoted by U.S.-based Qualcomm Inc. spread throughout the world.

As a result, sales for the license business shrank to ¥1,470 million, a year-on-year decline of 9.8%, as a result of temporary changes in the timing of shipments from the licensing companies.

Therefore, sales in the content distribution business rose to ¥13,656 million, a 39.9% increase compared to the same period last year, and operating profit shrank to ¥2,123 million, a year-on-year fall of 20.6%, on account of upfront investments to create new markets, to cover the increase in expenses for strengthening the Group's business foundation with an expansion of business.

#### <Electronic Settlement business>

According to the Information and Communications Statistics Database of the Ministry of Internal Affairs and Communications, broadband subscriptions exceeded 25 million as of the end of September 2006. Demand for digital content, including online games (the core component of demand for electronic payments), music distribution, and video distribution, continued to increase. Under these circumstances, the amount of payments settled by the electronic money (*WebMoney*) steadily increased since *WebMoney* enabled "safe" and "convenient" payments over the Internet. In addition, the Group actively cooperated with other companies on various fronts, and these efforts included the support for the issuance of the electronic money for the companies that provide various Internet-based services such as Rakuten Inc., Label Gate Co., Ltd., and HMV Japan K.K.

Therefore, sales for the electronic settlement business grew to ¥16,122 million, a year-on-year increase of 42.5%, and operating profit rose to ¥343 million, a 291.5% increase compared to the same period of the previous fiscal year.

#### <MVNO (Mobile Virtual Network Operation) business>

The U.S. subsidiary Faith Communications, Inc. expanded its mobile phone service *Voce*, to the San Francisco and Las Vegas areas in November 2006, after having launched trial services in the Los Angeles area in May of the same year. The service provides flat-rate pricing for domestic mobile phone service, sophisticated customer service, and concierge services, including use of specialized lounges, to high income users,

Therefore, the MVNO business recorded ¥6 million in sales and an operating loss of ¥1,279 million, compared to an operating loss of ¥297 million for the same period of the previous fiscal year, as a result of upfront expenses to fully launch the business.

(2) Financial conditions on a consolidated balance sheet

|                               | Total assets | Shareholders' equity | Shareholders' equity ratio | Shareholders' equity per share |
|-------------------------------|--------------|----------------------|----------------------------|--------------------------------|
|                               | Million yen  | Million yen          | %                          | Yen                            |
| Q3 of year ending March 2007  | 38,666       | 13,787               | 34.3                       | 11,156.16                      |
| Q3 of year ended March 2006   | 24,279       | 16,320               | 67.2                       | 13,709.47                      |
| (Ref.): Year ended March 2006 | 31,595       | 19,625               | 62.1                       | 16,453.84                      |

[Quantitative information on changes in the consolidated balance sheet]

Total assets at the end of the 3rd quarter period increased 7,070 million yen compared to the end of the previous fiscal year, to 38,666 million yen, mainly due to the acquisition of the Giga Networks Company, and net assets decreased 5,838 million yen, to 13,787 million yen. On the other hand, the capital ratio decreased 27.8 points compared to the end of the previous fiscal year, to 34.3%, as a result of various factors including the fact that the majority of funds for the acquisition of Giga Networks Company were obtained from loans.

[Reference]

Forecast of consolidated financial results for the year ending March 2007 (April 1, 2006 through March 31, 2007)

|                               | Net sales   | Ordinary income | Net income  |
|-------------------------------|-------------|-----------------|-------------|
|                               | Million yen | Million yen     | Million yen |
| Full year                     | 43,995      | 833             | 1,601       |
| (Ref.): Year ended March 2006 | 30,040      | 3,455           | 1,438       |

(note) Projection for earnings per share (for the full fiscal year): 1,345.65 yen

[Quantitative information regarding forecast of financial results]

Business is firm, and sales are expected to slightly surpass previously announced targets. The recurring profit is also expected to be greater than initially forecast on account of the increase in sales and the benefits of effective use of expenses. Net loss is expected to be greater than initially forecast since the extraordinary losses from the spin-off of the MVNO business through a management buy-out and the revaluation of Curupira S.A. (TakeNET) in Brazil were not able to be covered by gains from the sale of the French subsidiary Digiplug S.A.S.

(Reference 1)

Quarterly individual financial results

|                               | Net sales   |         | Operating profit |         | Recurring profit |         | Net profit  |       |
|-------------------------------|-------------|---------|------------------|---------|------------------|---------|-------------|-------|
|                               | Million yen | (%)     | Million yen      | (%)     | Million yen      | (%)     | Million yen | (%)   |
| Q3 of year ending March 2007  | 6,045       | ( 11.9) | 1,631            | ( 41.8) | 1,609            | ( 45.7) | 5,216       | (-)   |
| Q3 of year ended March 2006   | 6,861       | ( 4.1)  | 2,801            | ( 6.0)  | 2,964            | ( 0.7)  | 1,735       | (0.8) |
| (Ref.): Year ended March 2006 | 10,293      |         | 4,177            |         | 4,338            |         | 2,659       |       |

|                               | Earnings per share | Diluted earnings per share |
|-------------------------------|--------------------|----------------------------|
|                               | Yen                | Yen                        |
| Q3 of year ending March 2007  | 4,382.25           | -                          |
| Q3 of year ended March 2006   | 1,456.99           | 1,456.71                   |
| (Ref.): Year ended March 2006 | 2,199.49           | 2,199.25                   |

(note) Diluted earnings per share is not given since there are no latent shares.

(Reference 2)

Quarterly financial condition on an individual balance sheet

|                               | Total assets | Shareholders' equity | Shareholders' equity ratio | Shareholders' equity per share |
|-------------------------------|--------------|----------------------|----------------------------|--------------------------------|
|                               | Million yen  | Million yen          | %                          | Yen                            |
| Q3 of year ending March 2007  | 18,425       | 13,857               | 75.2                       | 11,641.06                      |
| Q3 of year ended March 2006   | 19,084       | 17,865               | 93.6                       | 15,007.89                      |
| (Ref.): Year ended March 2006 | 24,810       | 21,560               | 86.9                       | 18,079.04                      |

(Reference 3)

Forecast of individual financial results for the year ending March 2007 (April 1, 2006 through March 31, 2007)

|           | Net sales   | Recurring profit | Net profit  |
|-----------|-------------|------------------|-------------|
|           | Million yen | Million yen      | Million yen |
| Full year | 8,458       | 1,819            | 5,041       |

(note) Forecast of earnings per share (full year): 4,235.13yen

Supporting materials:

Quarterly consolidated balance sheets, Quarterly consolidated income statements, Quarterly consolidated statements of surplus, Quarterly consolidated statement of changes in shareholders' equity, and Segment information

## Consolidated Financial Statements for the 3rd Quarter

### (1) Consolidated Balance Sheet for the 3rd Quarter

Unit: thousand yen

| Account name                        | 3rd quarter of the previous fiscal year<br>(As of December 31, 2005) |                      | 3rd quarter of this fiscal year<br>(As of December 31, 2006) |                      | Condensed consolidated balance sheet for the previous fiscal year<br>(As of March 31, 2006) |                      |
|-------------------------------------|--|----------------------|--|----------------------|---|----------------------|
|                                     | Amount   | Component percentage | Amount   | Component percentage | Amount  | Component percentage |
| (Assets)                            |  | %                    |  | %                    |   | %                    |
| I. Current assets                   |  |                      |  |                      |   |                      |
| 1. Cash and deposits                | 5,900,600  |                      | 8,382,626  |                      | 7,534,815   |                      |
| 2. Accounts and notes receivable    | 4,750,839  |                      | 7,923,043  |                      | 4,768,010   |                      |
| 3. Marketable securities            | 393,829  |                      | 374,949  |                      | 364,619   |                      |
| 4. Inventories                      | 3,547  |                      | 50,858   |                      | 39,905  |                      |
| 5. Deferred tax assets              | 800,560  |                      | 764,840  |                      | 808,951   |                      |
| 6. Others                           | 467,405  |                      | 2,433,487  |                      | 571,683   |                      |
| Allowance for doubtful accounts     | 70,898   |                      | 113,809  |                      | 82,229  |                      |
| Total current assets                | 12,245,884   | 50.4                 | 19,815,997   | 51.3                 | 14,005,756  | 44.3                 |
| II. Fixed assets                    |  |                      |  |                      |   |                      |
| 1. Tangible fixed assets            | 1,152,067  |                      | 1,314,073  |                      | 1,228,080   |                      |
| 2. Intangible fixed assets          |  |                      |  |                      |   |                      |
| (1) Goodwill                        | —  |                      | 10,816,507   |                      | —   |                      |
| (2) Consolidated adjustment account | 3,332,927  |                      | —  |                      | 3,656,824   |                      |
| (3) Others                          | 548,698  |                      | 1,013,629  |                      | 940,720   |                      |
| Total intangible fixed assets       | 3,881,625  |                      | 11,830,136   |                      | 4,597,545   |                      |
| 3. Investments and other assets     |  |                      |  |                      |   |                      |
| (1) Investment securities           | 4,876,749  |                      | 3,800,648  |                      | 9,560,144   |                      |
| (2) Deposits with landlords         | 1,127,149  |                      | 1,493,603  |                      | 1,144,546   |                      |
| (3) Others                          | 1,127,702  |                      | 958,550  |                      | 1,179,662   |                      |
| Allowance for doubtful receivable   | 131,863  |                      | 555,465  |                      | 119,956   |                      |
| Total investments and other assets  | 6,999,738  |                      | 5,697,337  |                      | 11,764,397  |                      |
| Total fixed assets                  | 12,033,431   | 49.6                 | 18,830,978   | 48.7                 | 17,590,023  | 55.7                 |
| III. Deferred assets                |  |                      |  |                      |   |                      |
| 1. Stock issue expense              | —  |                      | 9,126  |                      | —   |                      |
| Total deferred assets               | —  |                      | 9,126  | 0.0                  | —   |                      |
| Total assets                        | 24,279,316   | 100.0                | 38,666,671   | 100.0                | 31,595,780  | 100.0                |

Unit: thousand yen

| Account name   | 3rd quarter of the previous fiscal year<br>(As of December 31, 2005) |                      | 3rd quarter of this fiscal year<br>(As of December 31, 2006) |                      | Condensed consolidated balance sheet for the previous fiscal year<br>(As of March 31, 2006) |                      |
|--|--|----------------------|--|----------------------|---|----------------------|
|  | Amount   | Component percentage | Amount   | Component Percentage | Amount  | Component percentage |
| (Liabilities)  |  | %                    |  | %                    |   | %                    |
| I. Current liabilities   |  |                      |  |                      |   |                      |
| 1. Accounts payable  | 2,756,863  |                      | 4,780,062  |                      | 3,349,235   |                      |
| 2. Short-term loans  | —  |                      | 6,566,274  |                      | 86,969  |                      |
| 3. Income taxes payable  | 382,378  |                      | 474,579  |                      | 826,587   |                      |
| 4. Allowance for costs of card use                                 | 2,820,308  |                      | 2,460,440  |                      | 2,323,140   |                      |
| 5. Allowance for points  | —  |                      | 576,057  |                      | 697,582   |                      |
| 6. Allowance for bonus payments                                    | 36,637   |                      | 87,908   |                      | 77,316  |                      |
| 7. Others  | 1,286,863  |                      | 2,054,868  |                      | 1,844,745   |                      |
| Total current liabilities  | 7,283,051  | 30.0                 | 17,000,191   | 44.0                 | 9,205,576   | 29.1                 |
| II. Fixed liabilities  |  |                      |  |                      |   |                      |
| 1. Long-term liabilities   | —  |                      | 7,011,827  |                      | —   |                      |
| 3. Allowance for retirement benefits                               | 22,346   |                      | 31,461   |                      | 27,252  |                      |
| 4. Allowance for directors and statutory auditors retirement bonus | 114,784  |                      | 142,604  |                      | 121,134   |                      |
| 5. Others  | 299,967  |                      | 692,943  |                      | 2,273,309   |                      |
| Total fixed liabilities  | 437,099  | 1.8                  | 7,878,837  | 20.3                 | 2,421,697   | 7.7                  |
| Total liabilities  | 7,720,150  | 31.8                 | 24,879,028   | 64.3                 | 11,627,274  | 36.8                 |
| (Minority interests)   |  |                      |  |                      |   |                      |
| Minority interests   | 239,134  | 1.0                  | —  | —                    | 342,525   | 1.1                  |
| (Shareholders' equity)   |  |                      |  |                      |   |                      |
| I. Capital stock   | 3,218,000  | 13.3                 | —  | —                    | 3,218,000   | 10.2                 |
| II. Additional paid-in capital                                     | 3,708,355  | 15.3                 | —  | —                    | 3,708,355   | 11.7                 |
| III. Accumulated income  | 8,998,974  | 37.0                 | —  | —                    | 9,408,748   | 29.8                 |
| IV. Unrealized gain on available-for-sale securities               | 630,302  | 2.6                  | —  | —                    | 3,401,193   | 10.7                 |
| V. Foreign currency translation adjustments                        | 118,668  | 0.5                  | —  | —                    | 243,952   | 0.8                  |
| VI. Treasury stock   | 354,269  | 1.5                  | —  | —                    | 354,269   | 1.1                  |
| Total shareholders' equity   | 16,320,031   | 67.2                 | —  | —                    | 19,625,979  | 62.1                 |
| Total liabilities, minority interests and shareholders' equity     | 24,279,316   | 100.0                | —  | —                    | 31,595,780  | 100.0                |

Unit: thousand yen

| Account name  | 3rd quarter of the previous fiscal year<br>(As of December 31, 2005) |                      | 3rd quarter of this fiscal year<br>(As of December 31, 2006) |                      | Condensed consolidated balance sheet for the previous fiscal year<br>(As of March 31, 2006) |                      |
|---|--|----------------------|--|----------------------|---|----------------------|
|   | Amount   | Component percentage | Amount   | Component percentage | Amount  | Component percentage |
| (Net assets)  |  |                      |  |                      |   |                      |
| I. Shareholders equity                              |  |                      |  |                      |   |                      |
| 1. Capital stock                                    | —  | —                    | 3,218,000  | 8.3                  | —   | —                    |
| 2. Additional paid-in capital                       | —  | —                    | 3,708,355  | 9.6                  | —   | —                    |
| 3. Accumulated income                               | —  | —                    | 5,373,790  | 13.9                 | —   | —                    |
| 4. Treasury stock                                   | —  | —                    | 354,269  | 0.9                  | —   | —                    |
| Total shareholders' equity                          | —  | —                    | 11,945,875   | 30.9                 | —   | —                    |
| II. Unrealized gain and translation                 |  |                      |  |                      |   |                      |
| 1. Unrealized gain on available-for-sale securities | —  | —                    | 1,071,818  | 2.8                  | —   | —                    |
| 2. Foreign currency translation adjustment account  | —  | —                    | 262,826  | 0.7                  | —   | —                    |
| Total unrealized gains and translations             | —  | —                    | 1,334,645  | 3.5                  | —   | —                    |
| III. Stock options                                  | —  | —                    |  |                      | —   | —                    |
| 1. Stock right                                      |  |                      | 487  | 0.0                  |   |                      |
| Total stock options                                 |  |                      | 487  | 0.0                  |   |                      |
| IV. Minority interest                               | —  | —                    | 506,634  | 1.3                  | —   | —                    |
| Net assets  | —  | —                    | 13,787,642   | 35.7                 | —   | —                    |
| Total liabilities and net assets                    | —  | —                    | 38,666,671   | 100.0                | —   | —                    |



## (2) Consolidated Income Statement for the 3rd Quarter

Unit: thousand yen

| Account name                                      | 3rd quarter of the previous fiscal year<br>(April 1, 2005 through December 31, 2005) |                      | 3rd quarter of this fiscal year<br>(April 1, 2006 through December 31, 2006) |                      | Condensed consolidated income statement for the previous fiscal year<br>(April 1, 2005 through March 31, 2006) |                      |
|---|--|----------------------|--|----------------------|--|----------------------|
|   | Amount   | Component percentage | Amount   | Component percentage | Amount   | Component percentage |
| I Net sales                                       | 21,111,178   | 100.0                | 32,109,870   | 100.0                | 30,040,166   | 100.0                |
| II Cost of Sales                                  | 14,342,111   | 67.9                 | 22,397,393   | 69.8                 | 20,308,957   | 67.6                 |
| Gross profit                                      | 6,769,066  | 32.1                 | 9,712,476  | 30.2                 | 9,731,209  | 32.4                 |
| III. Selling, general and administrative expenses | 4,281,930  | 20.3                 | 8,684,757  | 27.0                 | 6,339,781  | 21.1                 |
| Operating income                                  | 2,487,136  | 11.8                 | 1,027,719  | 3.2                  | 3,391,428  | 11.3                 |
| IV. Other income                                  | 178,396  | 0.8                  | 125,571  | 0.4                  | 221,436  | 0.7                  |
| V. Operating expenses                             | 61,660   | 0.3                  | 249,540  | 0.8                  | 157,805  | 0.5                  |
| Ordinary profit                                   | 2,603,872  | 12.3                 | 903,750  | 2.8                  | 3,455,058  | 11.5                 |
| VI. Extraordinary profit                          |  |                      |  |                      |  |                      |
| 1. Gain on disposal of investment securities      | 109,346  |                      | 27,775   |                      | 220,271  |                      |
| 2. Revisions to profit for previous fiscal year   | —  |                      | 139,137  |                      | —  |                      |
| 3. Others   | —  |                      | 9,772  |                      | 14,332   |                      |
| Total extraordinary profit                        | 109,346  | 0.5                  | 176,685  | 0.6                  | 234,603  | 0.8                  |
| VII. Extraordinary loss                           |  |                      |  |                      |  |                      |
| 1. Loss on disposal of fixed assets               | 89,487   |                      | 324,765  |                      | 108,555  |                      |
| 2. Loss from securities revaluation               | —  |                      | 449,273  |                      | —  |                      |
| 3. Allowance for bad debt                         | —  |                      | 430,115  |                      | —  |                      |
| 4. Goodwill amortization                          | —  |                      | 2,977,395  |                      | —  |                      |
| 5. Loss on bad debts                              | 63,268   |                      | —  |                      | 63,268   |                      |
| 6. Others   | —  |                      | 91,424   |                      | 8,095  |                      |
| Total extraordinary loss                          | 152,755  | 0.7                  | 4,272,975  | 13.3                 | 179,919  | 0.6                  |
| Income before income taxes and minority interests | 2,560,462  | 12.1                 | 3,192,538  | 9.9                  | 3,509,742  | 11.7                 |
| Income taxes and other taxes                      | 1,542,334  | 7.3                  | 631,433  | 2.0                  | 2,166,080  | 7.2                  |
| Minority interests                                | 10,390   | 0.1                  | 38,147   | 0.1                  | 94,631   | 0.3                  |
| Net income (minus is loss)                        | 1,028,518  | 4.9                  | 3,785,825  | 11.8                 | 1,438,293  | 4.8                  |

(3) Statements of Surplus for the 3rd Quarter

Unit: thousand yen

|  | 3rd quarter of the previous fiscal year<br>(April 1, 2005 through December 31, 2005) |           | Condensed consolidated balance sheet for the previous fiscal year<br>(April 1, 2005 through 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                            |  | 8,128,670 |   | 8,128,670 |
| II. Increase of accumulated income             |  |           |   |           |
| 1. Net income                                  | 1,028,518  | 1,028,518 | 1,438,293   | 1,438,293 |
| III. Decrease of accumulated income            |  |           |   |           |
| 1. Dividends                                   | 119,215  |           | 119,215   |           |
| 2. Bonuses to directors and statutory auditors | 39,000   | 158,215   | 39,000  | 158,215   |
| IV Ending balance                              |  | 8,998,974 |   | 9,408,748 |

**Consolidated Statement of Changes in Shareholders' Equity**  
**3rd quarter of this fiscal year (April 1, 2006 through December 31, 2006)**

Unit: thousand yen

|  | Shareholders' equity |                            |                    |                |                            |
|--|----------------------|----------------------------|--------------------|----------------|----------------------------|
|  | Capital stock        | Additional paid-in capital | Accumulated income | Treasury stock | Total shareholders' equity |
| Balance as of March 31, 2006                               | 3,218,000            | 3,708,355                  | 9,408,748          | 354,269        | 15,980,834                 |
| Changes during Q3  |                      |                            |                    |                |                            |
| Dividend paid from retained earnings *                     |                      |                            | 119,042            |                | 119,042                    |
| Bonuses for directors and statutory auditors *             |                      |                            | 39,000             |                | 39,000                     |
| Net income (minus indicates loss)                          |                      |                            | 3,785,825          |                | 3,785,825                  |
| Decrease due to accounting change of subsidiaries overseas |                      |                            | 91,091             |                | 91,091                     |
| Changes in other items than shareholders' equity           |                      |                            |                    |                | -                          |
| Total changes during Q3                                    | -                    | -                          | 4,034,958          | -              | 4,034,958                  |
| Balance as of December 31, 2006                            | 3,218,000            | 3,708,355                  | 5,373,790          | 354,269        | 11,945,875                 |

Unit: thousand yen

|  | Unrealized gains and translations                 |   |   | Stock options | Minority interest | Net assets |
|--|---|---|---|---------------|-------------------|------------|
|  | Unrealized gains on available-for-sale securities | Foreign currency translation adjustment account | Total unrealized gains and translations |               |                   |            |
| Balance as of March 31, 2006                               | 3,401,193   | 243,952   | 3,645,145                               | 487           | 342,525           | 19,968,992 |
| Changes during Q3  |   |   |   |               |                   |            |
| Dividend paid from retained earnings *                     |   |   |   |               |                   | 119,042    |
| Bonuses for directors and statutory auditors *             |   |   |   |               |                   | 39,000     |
| Net income (minus indicates loss)                          |   |   |   |               |                   | 3,785,825  |
| Decrease due to accounting change of subsidiaries overseas |   |   |   |               |                   | 91,091     |
| Changes in other items than shareholders' equity           | 2,329,375   | 18,874  | 2,310,500                               | -             | 164,218           | 2,146,392  |
| Total changes during Q3                                    | 2,329,375   | 18,874  | 2,310,500                               | -             | 164,108           | 6,181,350  |
| Balance as of December 31, 2006                            | 1,071,818   | 262,826   | 1,334,645                               | 487           | 506,634           | 13,787,642 |

\* Appropriation items reported at the shareholders general meeting in June 2006

(4) Segment Information

Industry segments

3rd quarter of the previous fiscal year (April 1, 2005 through December 31, 2005)

Unit: thousand yen

|                        | Contents distribution services | Electronic payment solution | MVNO business | Others | Total      | Eliminations/Corporate | Consolidated |
|------------------------|--------------------------------|-----------------------------|---------------|--------|------------|------------------------|--------------|
| Net sales              |                                |                             |               |        |            |                        |              |
| (1) Sales to customers | 9,758,308                      | 11,312,411                  |               | 40,458 | 21,111,178 | -                      | 21,111,178   |
| (2) Intersegment sales | 27,338                         | 2,364                       |               | -      | 29,702     | 29,702                 | -            |
| Total                  | 9,785,646                      | 11,314,775                  |               | 40,458 | 21,140,881 | 29,702                 | 21,111,178   |
| Operating expenses     | 7,110,347                      | 11,227,138                  | 297,046       | 19,212 | 18,653,745 | 29,702                 | 18,624,042   |
| Operating income       | 2,675,299                      | 87,636                      | 297,046       | 21,246 | 2,487,136  | -                      | 2,487,136    |

3rd quarter of this fiscal year (April 1, 2006 through December 31, 2006)

Unit: thousand yen

|                        | Contents distribution services | Electronic payment solution | MVNO      | Others    | Total      | Eliminations/Corporate | Consolidated |
|------------------------|--------------------------------|-----------------------------|-----------|-----------|------------|------------------------|--------------|
| Net sales              |                                |                             |           |           |            |                        |              |
| (1) Sales to customers | 13,656,504                     | 16,122,394                  | 6,546     | 2,324,424 | 32,109,870 | -                      | 32,109,870   |
| (2) Intersegment sales | 80,119                         | 1,452                       | -         | -         | 81,571     | 81,571                 | -            |
| Total                  | 13,736,624                     | 16,123,846                  | 6,546     | 2,324,424 | 32,191,442 | 81,571                 | 32,109,870   |
| Operating expenses     | 11,613,225                     | 15,780,718                  | 1,285,774 | 2,484,503 | 31,164,222 | 82,071                 | 31,082,150   |
| Operating income       | 2,123,398                      | 343,127                     | 1,279,227 | 160,078   | 1,027,219  | 500                    | 1,027,719    |

Previous consolidated fiscal year (April 1, 2005 through March 31, 2006)

Unit: thousand yen

|                        | Contents distribution services | Electronic payment solution | MVNO    | Others  | Total      | Eliminations/Corporate | Consolidated |
|------------------------|--------------------------------|-----------------------------|---------|---------|------------|------------------------|--------------|
| Net sales              |                                |                             |         |         |            |                        |              |
| (1) Sales to customers | 14,040,205                     | 15,106,111                  | -       | 893,849 | 30,040,166 | -                      | 30,040,166   |
| (2) Intersegment sales | 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    |

## Geographical segments

3rd quarter of the previous year (April 1, 2005 through December 31, 2005)

Unit: thousand yen

|                        | Japan      | Americas  | Europe  | Total      | Eliminations/<br>Corporate | Consolidated |
|------------------------|------------|-----------|---------|------------|----------------------------|--------------|
| Net sales              |            |           |         |            |                            |              |
| (1) Sales to customers | 18,146,766 | 2,495,613 | 468,798 | 21,111,178 | –                          | 21,111,178   |
| (2) Intersegment sales | –          | 451,104   | 82,056  | 533,161    | 533,161                    | –            |
| Total                  | 18,146,766 | 2,946,718 | 550,854 | 21,644,340 | 533,161                    | 21,111,178   |
| Operating expenses     | 15,257,295 | 3,097,646 | 802,261 | 19,157,204 | 533,161                    | 18,624,042   |
| Operating income       | 2,889,470  | 150,927   | 251,406 | 2,487,136  | –                          | 2,487,136    |

3rd quarter of this fiscal year (April 1, 2006 through December 31, 2006)

Unit: thousand yen

|                        | Japan      | Americas  | Europe    | Total      | Eliminations/<br>Corporate | Consolidated |
|------------------------|------------|-----------|-----------|------------|----------------------------|--------------|
| Net sales              |            |           |           |            |                            |              |
| (1) Sales to customers | 29,007,757 | 2,256,491 | 845,621   | 32,109,870 | –                          | 32,109,870   |
| (2) Intersegment sales | –          | 520,558   | 93,408    | 613,967    | 613,967                    | –            |
| Total                  | 29,007,757 | 2,777,050 | 939,030   | 32,723,837 | 613,967                    | 32,109,870   |
| Operating expenses     | 26,385,039 | 4,275,675 | 1,035,403 | 31,696,118 | 613,967                    | 31,082,150   |
| Operating income       | 2,622,717  | 1,498,625 | 96,372    | 1,027,719  | –                          | 1,027,719    |

Previous consolidated fiscal year (April 1, 2005 through March 31, 2006)

Unit: thousand yen

|                        | Japan      | Americas  | Europe    | Total      | Eliminations/<br>Corporate | Consolidated |
|------------------------|------------|-----------|-----------|------------|----------------------------|--------------|
| Net sales              |            |           |           |            |                            |              |
| (1) Sales to customers | 26,053,353 | 3,309,159 | 677,654   | 30,040,166 | –                          | 30,040,166   |
| (2) Intersegment sales | –          | 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    |

Sales overseas

3rd quarter of the previous fiscal year (April 1, 2005 through December 31, 2005)

Unit: thousand yen

|   | North America | Others    | Total      |
|---|---------------|-----------|------------|
| I. Net sales to foreign customers                     | 2,277,572     | 1,626,741 | 3,904,314  |
| II. Consolidated sales                                | -             | -         | 21,111,178 |
| III. Ratio of foreign sales to consolidated sales (%) | 10.8          | 7.7       | 18.5       |

3rd quarter of this fiscal year (April 1, 2006 through December 31, 2006)

Unit: thousand yen

|   | North America | Others    | Total      |
|---|---------------|-----------|------------|
| I. Net sales to foreign customers                     | 2,919,587     | 1,317,899 | 4,237,487  |
| II. Consolidated sales                                | -             | -         | 32,109,870 |
| III. Ratio of foreign sales to consolidated sales (%) | 9.1           | 4.1       | 13.2       |

Previous consolidated fiscal year (April 1, 2005 through March 31, 2006)

Unit: thousand yen

|   | North America | Others    | Total      |
|---|---------------|-----------|------------|
| I. Net sales to foreign customers                     | 3,388,962     | 2,100,222 | 5,489,184  |
| II. Consolidated sales                                | -             | -         | 30,040,166 |
| III. Ratio of foreign sales to consolidated sales (%) | 11.3          | 7.0       | 18.3       |