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To Whom It May Concern:

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### **Notice Regarding Progress concerning BB Net Group's Business Restructuring**

The BB Net Group (the "Group") has made progress in its business restructuring as reported in "Notice Regarding Reorganization of BB Net Group Business" as of March 20, 2006. Additionally, over the current period, in light of the recent managerial environment, the Group has made progress with business restructuring. An outline concerning these matters as follows.

1. Nature of Business Restructuring
  - (1) Recovery of sales and improvement of profitability in regards to the Group's system operations
  - (2) "Victoire" business development
  - (3) Reorganization of the restaurant services and food wholesale business
  - (4) Advancement of securitization of investments in securities
  - (5) Development of financing business

2. Background to the aforementioned business restructuring
  - (1) Recovery of sales and improvement of profitability in regards to the Group's system operations

The system operations are the business operations that constitute a core of "System & Investment" as the business model of the Group, and are highly profitable business operations that have become profit drivers. In regards to these operations, due to delay in some release supports accompanying increases in sales figures for the fiscal year ended July 31, 2006, new acceptances of orders were temporarily restrained. However, the delay has almost been ameliorated in the fiscal year ending July 31, 2007. As acceptances of new orders expanded, as treated in the following <Table 1>, a balance was realized concerning completion and delivery based on release supports and new acceptances of orders.

<Table 1 Comparative Table of system sales and deliveries by quarter>

	Fiscal year ended July 31, 2006				Fiscal year ending July 31, 2007	
	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter
Number of system sales	41	28	10	22	31	39
Number of completed of release supports	2	6	24	37	21	41

(Note) Numeric values for each quarter represent not cumulative total values up to corresponding terms, but rather numeric values for individual corresponding terms.

Moreover, in the process of the system production, as described in “Notice Regarding the Release of New-Type System Type4.0 for the Company’s System Business” as of February 5, 2007, the Group drastically reviewed its system and adopted a new system structure known as “Type 4.0” in February 2007. As far as Type4.0 is concerned, the basic structure is concentrated into groups of common functions and 4 types of subsystems. And realization of in-house design allows realization of promptness and low costs in relation to the required specifications of diversified and advanced forms of system manufacturing.

In regards to the system operations of our company, it is thought that the aforementioned measures will allow both an increase in acceptances of orders and a reduction of costs as well as great improvement of profitability after the second half of the fiscal year ending July 31, 2007.

Additionally, the Group would like to undertake particular measures so as to continuously enhance the development of capacity, because system operations are its core business area.

(2) “Victoire” business development

In regards to the Bakery and confectionery shop support business the Group operates the unique “Victoire” café bakery shops. These are a series of select Western confectioneries and bakeries that carry well-known European patissier (confectioners) and boulanger brands. In this business area, the Group developed a new Yokohama Bay Quarter shop at the beginning of the fiscal year ending July 31, 2007. While the Group experienced declining incomes due to initial costs associated with investments for the first half of the said year, it has also achieved certain outcomes, such as displaying a remarkable ability to attract more customers into the Yokohama Bay Quarter shop as a flagship.

In this business area, initial costs associated with investments for the development of the new shop have not been incurred for the second half of the fiscal year ending July 31, 2007, and factors that would have placed a financial burden on profits up through the first half of the said fiscal year have declined. From the second half of the term, the Group expects that profitability will be improved. In regards to this business area, it is planning to continuously undertake given measures for improvement of profitability.

(3) Reorganization of the restaurant services and food wholesale business

Reorganization of operations concerning chains of Taiwanese restaurants and izakaya (Japanese-style pubs) in regards to Restaurant Services, suspension of sales of national-brand confectionery and bakery ingredients and products, and suspension of sales of food materials for restaurants, in regards to food wholesale business, have been dealt with in the first half of the fiscal year ending July 31, 2007. And operations relating to the aforementioned matters are not being undertaken at present.

Because of the reduction of deficits accompanying organization of the aforementioned operations, such reorganization mitigates factors that place financial burdens on profits.

(4) Advancement of securitization of investments in securities

Securitization of investments in securities of the Group is a business area that generates both cash flow and profits. And it is also a core business that constitutes another major axis of “System & Investment” business model. In this business area, due to establishment of an environment that allows implementation of such business in a substantial manner during this term, a proprietary department has been established. Staff members who have specialties in regards to investment and valuation of firms, etc. have engaged in such business. The Group is strongly promoting this business area.

During the first half of the fiscal year ending July 31, 2007, securitization of 1,195 million yen was realized. In terms of gain on sales of investment securities, a figure of 390 million yen was recorded on a consolidated basis and a figure of 516 million yen was recorded on a non-consolidated basis. The Group has experienced steady advancement, and it will also continue to strongly promote securitization for the second half of the said fiscal year.

(5) Development of financing business

The Group started its financing business for small and medium-sized enterprises in May 2006. This business deals with strong needs for fund procurement exclusively for small and medium-sized enterprises, and it represents a promising area. However, the managerial environment of the financial industry, such as that relating to non-banks, was so severe that development of the business did not always change in a steady manner for the first half of the fiscal year ending July 31, 2007.

The Group has customers who are members of a B2B portal site held by the Company and alliance companies. The Group also undertakes operational functions in order to fulfill the needs of the financing business for small and medium-sized enterprises. While the Group intended to establish alliances with well-financed parties for expansion of businesses, alliance with the Incubator Bank of Japan, Limited in January 2007 was realized. The Group established a business model that puts a central focus on fee income based on guarantees and customer introduction, without performance of fund procurement by the Group.

This business is in the beginning stages at present, and has not reached a scale allowing it to create sufficient profits. However, there exists a vast and promising market, and this market can be expected to give rise to large profits in the future. Thus,

the Group will positively promote this business as a major B2B services supplied by the Group.

In addition, the Group has complied with regulations concerning interest rates under the Interest Limitation Law, and so-called “gray area interest” has not been applied in the financing business of the Group.

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