

June 20, 2007

Consolidated Financial Results for the Nine Months Ended April 30, 2007

Company Name: BB Net corp.

(Stock Code: 2318 (S) G)

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1. Notes on Presentation of Quarterly Operating Results

- a Changes in accounting treatment from the most recent consolidated fiscal year : No
- b Changes in the Scope of Consolidation and the Equity Method : Consolidation Newly added: - Excluded: 2
Equity method Newly added: 1 Excluded: 2
- c Participation of a certified public accountant or audit corporation: No

2. Consolidated Financial Results for the Nine Months Ended April 30, 2007 (August 1, 2006 – April 30, 2007)

(1) Results of Operations (Consolidated)

	Net sales		Operating income		Current profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended April 30, 2007	14,500	(3.3)	(23)	—	(78)	—	(639)	—
Nine months ended April 30, 2006	14,993	147.5	(37)	—	12	(97.9)	(2,244)	—
(Ref.) Year ended July 31, 2006	19,916	75.3	(443)	—	(421)	—	(3,389)	—

	Net income per share	Fully diluted net income per share
	Yen	Yen
Nine months ended April 30, 2007	(1,147.19)	—
Nine months ended April 30, 2006	(4,035.34)	—
(Ref.) Year ended July 31, 2006	(6,093.66)	—

- Notes: 1. Percentage figures for net sales, operating income, etc., indicate respective changes from the same quarter of the preceding fiscal year.
2. Fully diluted net income per share for the nine months ended April 30, 2006, the year ended July 31, 2006, and the nine months ended April 30, 2007 are not shown as net losses are recorded.

[Progress During the Term (Consolidated)]

In the third quarter of the current fiscal year, the BB Net Group (the “Group”) further pushed ahead with its business objective of providing “Shop Support,” a comprehensive support scheme for small and medium-sized enterprises (SMEs). To this end, the Group aggressively implemented “System & Investment,” a business model. Furthermore, the Group promoted its initiatives to select and concentrate businesses, which it has been pursuing continuously. The Group strove to enhance profitability of the mainstay System Sales Business, focused on liquidation of investment securities and concentrated resources on the core businesses of “System & Investment.” Meanwhile, the Group made every effort to reorganize unprofitable operations, and such initiative is expected to be almost complete.

Judging from the above, the system business, one of its core businesses, liquidation of investment securities, the Fresh Produce Wholesale Business and the SME Finance Business are becoming the Group’s pillar businesses.

The outline of operating results, etc. for the quarter under review and up to now is as follows.

In the System Sales Business, the Group focused on sales of BB Net's B2B systems, by actively cultivating alliance partners, which will expand the "Shop Support" scheme jointly with the Group using B2B systems. The Group also adopted a system structure known as Type4.0 in February 2007, aiming to shorten the production period and reduce costs.

As for the Fresh Produce Wholesale Business, sales continued to be strong due to efforts to increase transaction volume as the period was the busy season of shipping spring vegetables.

The Group actively expanded the SME Finance Business, which it regards as a powerful service for every SME. Through alliances with the Pocket Card Co., Ltd., Incubator Bank of Japan, Limited and other companies, the Group established outsourcing and guarantee-specialized business models that do not require to raise a great amount of funds in-house, and has steadily accumulated guarantee balance.

In the Shop Operation Business, the Group further reorganized operations as it did in the first half of the current fiscal year. After strictly reviewing profitability at every shop of cafe bakery "Victoire," the Group closed down Kintetsu Nara Station Shop, Nara Tomigaoka Shop and Kansai International Airport Shop at the end of March 2007. Furthermore, the Group decided to transfer operations of Yokohama Bay Quarter Shop, Osaka Shinsaibashi Shop, Kobe Motomachi Shop and Nishinomiya Plant at the end of June 2007. The Group now expects to almost complete liquidation of the "Victoire" business. The Group also sold Kobe Sweets Port Co., Ltd., a company engaged in the Confectionary Production and Sales Business that manufactured bakery and Western confectionery, at the end of May 2007, as part of the Group's restructuring efforts.

As a result, consolidated net sales for the nine months ended April 30, 2007 were ¥14,500 million, down 3.3% from the first nine months of the previous term. Gross profit decreased 12.2% to ¥2,953 million. Selling, general and administrative expenses declined 12.5% to ¥2,976 million, due to a reduction in costs derived from the liquidation of operations. The Group posted an operating loss of ¥23 million, compared with a ¥37 million loss in the first nine months of the previous period. Current loss was ¥78 million, against a ¥12 million profit in the first nine months of the previous year.

Extraordinary income was ¥431 million, as a result of booking ¥128 million in gain on sales of investment securities and ¥302 million in gain on sales of shares in affiliates. Extraordinary losses totaled ¥859 million, reflecting ¥339 million in losses on the valuation of investment securities and ¥257 million in the provision of allowance for investment loss. Consequently, the Group posted a net loss of ¥639 million, compared with a ¥2,244 million loss in the first nine months of the previous year. This notable improvement is attributable to the fact that recognition of impairment loss on assets was nearly completed in the previous fiscal year.

Liquidation of investment securities was limited to ¥113 million in the nine months under review, which was exceeded by the amount of investment loss items such as provision of allowance for investment loss. Against this backdrop, the Group is steadily promoting such liquidation, with a ¥328 million liquidation made at the end of May 2007 (gain on sale on a consolidated basis: ¥129 million).

Consolidated earnings for the nine months under review by each quarter are shown in Table 1 below. In this quarter, net sales continued to increase because the System Sales Business and the Fresh Produce Wholesale Business remained strong. In the third quarter of the current fiscal year, operating balance turned to the black, due to the restructuring of unprofitable operations and concentration of resources on the core businesses of "System & Investment."

(Table 1)

(Unit: Millions of yen)

Consolidated earnings	Year ended July 31, 2006		Year ending July 31, 2007		
	3rd Quarter (Feb. 1, 2006- Apr. 30, 2006)	4th Quarter (May 1, 2006- Jul. 31, 2006)	1st Quarter (Aug. 1, 2006- Oct. 31, 2006)	2nd Quarter (Nov. 1, 2006- Jan. 31, 2007)	3rd Quarter (Feb. 1, 2007- Apr. 30, 2007)
Net sales	4,757	4,923	4,635	4,699	5,166
Operating income	(360)	(406)	(39)	(13)	29
Current profit	(401)	(433)	(29)	(23)	(26)
Net income	(437)	(1,145)	(29)	(214)	(396)
Cash flows from operating activities	(163)	(888)	62	116	225
Liquidation of investment securities	-	-	623	572	113

Note: Each figure for a quarter does not represent the one accumulated until the said quarter, but the one for each quarter.

In and after the fourth quarter of the current fiscal year, the Group expects that many favorable factors will contribute to improving earnings. Such factors include: stoppage of provision of some release supports in the System Sales Business that require high costs; reduction in costs due to the adoption of Type4.0 in the process of the system production; completion of liquidation of the "Victoire" business that has weighed down earnings; and decrease in losses at the SME Finance Business. Moreover, the Group will focus more on the liquidation of investment securities. Given these factors, the Group's earnings are likely to improve significantly from those seen up until the third quarter under review.

(2) Sales Breakdown by Operating Segment

	Nine months ended April 30, 2007		YoY change	Nine months ended April 30, 2006		Reference: Year ended July 31, 2006	
	Amount (Millions of yen)	% of total		Amount (Millions of yen)	% of total	Amount (Millions of yen)	% of total
System Sales Business	1,911	13.2	13.1	1,689	11.3	2,029	10.2
Food Wholesale Business	63	0.4	(84.0)	398	2.7	445	2.2
Fresh Produce Wholesale Business	10,882	75.1	5.5	10,316	68.8	14,202	71.3
Shop Operation Business	546	3.8	(47.1)	1,033	6.9	1,295	6.5
Shop Design and Renovation	209	1.4	(0.9)	211	1.4	305	1.5
Confectionery Production and Sales	421	2.9	(7.7)	456	3.0	607	3.1
Other Business	464	3.2	(47.6)	887	5.9	1,030	5.2
Total	14,500	100.0	(3.3)	14,993	100.0	19,916	100.0

[Review of Operations (Consolidated)]

Sales by business segment for the first nine months of the current fiscal year are as follows.

a. System Sales Business

In the System Sales Business, the Group actively cultivated alliance partners, which are expected to expand its business objective "Shop Support" scheme jointly with the Group using B2B systems developed by the Company. Due to this effort, the Group could sell 102 units of B2B systems.

The Group also adopted a system structure known as Type4.0 in February 2007. Type4.0 basically consists of customer management functions essential to B2B systems and four in-house designed subsystems such as e-commerce, information distribution, matching and community. By selectively using these subsystems according to customer needs, the production period will be shortened and production costs reduced simultaneously.

As a result, sales of this business were ¥1,911 million in the nine months under review, up 13.1% from the same period of the previous year. Operating income decreased 29.8% to ¥326 million, hurt by an increase in costs for some release supports.

Solving the reduction in new orders and the drop in sales caused by the delay in release supports, which occurred

in the fiscal year ended July 2006, the Group put the System Sales Business, the core business of “System & Investment,” back onto a growth track.

b. Food Wholesale Business

In the food wholesale business, the Group stopped selling confectionery and bakery ingredients and restaurant food materials, completing reorganization of this business. Sales at this business were ¥63 million in the nine months under review, down 84.0% from the corresponding period of the preceding year, and operating loss was ¥39 million, compared with a ¥217 million loss in the previous year.

c. Fresh Produce Wholesale Business

As for the Fresh Produce Wholesale Business, subsidiary Yusei Nishi-Kyushu Seika Co., Ltd. strove to increase transaction volume by deepening cooperation with JA and brokers in the third quarter, the busy season of shipping spring vegetables. As a result, such volume rose, and pushed up sales and improved earnings power. Sales at this business were ¥10,882 million in the nine months under review, up 5.5% from the previous year. Operating income posted ¥57 million, against a loss of ¥7 million in the same period of the preceding year.

d. Shop Operation Business

In the Shop Operation Business, the Group strictly reviewed profitability at every direct-run shop of cafe bakery “Victoire,” and closed down three unprofitable outlets, Kintetsu Nara Station Shop, Nara Tomigaoka Shop and Kansai International Airport Shop, at the end of March 2007. As a result, sales from this business were ¥546 million in the nine months under review, down 47.1% from the previous year. Operating loss was ¥158 million, compared with a loss of ¥188 million a year ago.

With regard to this business, the Group has decided to liquidate the “Victoire” business at the end of June 2007. In line with this, the Group will sell three existing “Victoire” outlets, as well as the right to domestically manufacture products based on recipes of famous European boulangers (bakers) and patissiers (confectioners) and their distributorship. The liquidation is expected to contribute to improving the Group’s earnings.

e. Shop Design and Renovation Business

In the Shop Design and Renovation Business, the subsidiary Cube Planning Corporation aggressively implemented order winning activities for renovating works of confectionery and bakery shops, the strength of Cube Planning. As a result, sales of this business for the nine months under review remained almost unchanged from the previous year, posting ¥209 million, down 0.9% from the preceding year. However, the business incurred an operating loss of ¥0.1 million due to a rise in construction costs, compared with a profit of ¥12 million in the preceding year.

f. Confectionery production and sales

In the confectionery production and sales business, subsidiary Kobe Sweets Port Co., Ltd. focused on manufacturing and selling product lineups of profitable types such as cannele and jelly. As a result, sales of this business were ¥421 million in the nine months under review, down 7.7% from the previous year. Meanwhile, profitability improved substantially, with an operating income of ¥6 million, compared with a loss of ¥13 million in the preceding year.

This business was sold on May 31, 2007, as part of the Group’s restructuring efforts.

g. Other Business

The Group proactively expanded the SME Finance Business, which it regards as a powerful service for every SME. Through alliances with the Incubator Bank of Japan, Limited and other companies, the Group established outsourcing and guarantee-specialized business models that do not require to raise a large amount of funds in-house, and has steadily expanded the scale of this business.

As a result, sales at this business were ¥464 million in the nine months under review, down 47.6% from the previous year, affected by the exclusion of the point card business, etc. from the Group’s operations. The business

incurred an operating loss of ¥234 million, compared with a loss of ¥69 million in the previous year. This loss is attributable mainly to start-up expenses for the SME Finance Business.

(3) Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of April 30, 2007	16,067	5,605	33.9	9,360.45
As of April 30, 2006	18,260	7,043	38.6	12,655.15
(Ref.) Year ended July 31, 2006	16,173	6,191	36.9	10,714.38

[Financial Condition (Consolidated)]

As of April 30, 2007, the Group's total assets stood at ¥16,067 million, down ¥105 million from the ¥16,173 million posted as of July 31, 2006.

Current assets were ¥3,815 million, down ¥905 million from ¥4,720 million, reflecting cash and cash equivalents of ¥1,995 million, down from ¥2,493 million, and inventories of ¥193 million, down from ¥463 million. Fixed assets grew from ¥11,453 million to ¥12,252 million, an increase of ¥799 million, due chiefly to ¥8,141 million in investment securities related to investments in alliance partners, up from ¥7,055 million.

Current liabilities stood at ¥7,705 million, down ¥204 million from ¥7,909 million, chiefly because short-term borrowings dropped from ¥4,774 million to ¥4,081 million. Long-term liabilities were ¥2,757 million, up ¥684 million from ¥2,072 million, owing primarily to a rise in long-term borrowings from ¥1,032 million to ¥1,869 million.

Net assets were ¥5,605 million as of April 30, 2007, down ¥586 million from ¥6,191 million posted as of July 31, 2006, due mainly to net loss for the third quarter under review.

(4) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Nine months ended April 30, 2007	403	(1,544)	233	1,460
Nine months ended April 30, 2006	75	(2,823)	3,935	4,117
(Ref.) Year ended July 31, 2006	(813)	(3,099)	3,548	2,368

[Cash flows]

In the nine months under review, net cash provided by operating activities was ¥403 million. Factors reducing such net cash included ¥506 million in loss before income taxes and a ¥521 million increase in trade notes and accounts receivable related to business expansion. These factors, however, were offset by factors increasing such net cash, including ¥350 million in an increase of accounts payable, ¥436 million in a decrease of other assets, and ¥339 million in losses on the valuation of investment securities and other non-cash costs.

Net cash used in investing activities was ¥1,544 million. This reflects ¥2,212 million in the acquisition of investment securities associated with investments in alliance partners, which was made as part of the Group's strategy to promote the business model "System & Investment," and ¥779 million in the sale of investment securities that was conducted to liquidate such securities.

Net cash provided by financing activities was ¥233 million, reflecting a net increase of ¥772 million in long-term borrowings and a net decrease of ¥592 million in short-term borrowings.

As a result, cash flows for the nine months under review decreased ¥908, and the balance of cash and cash equivalents as of April 30, 2007 stood at ¥1,460 million.

[Reference]

Forecasts (Consolidated) for the Year Ending July 31, 2007 (August 1, 2006 – July 31, 2007)

	Total net sales	Current profit	Net income
Full year	Millions of yen 19,000	Millions of yen 150	Millions of yen 150

(Reference) Net income (loss) per share (forecast for the full term): 257.46 yen

Operating income (forecast for the full term): 170 million yen

[Operating Results Forecast]

As for operating results forecast for the full current fiscal year, the Group has not changed the previously projected figures, because after examining the current status of the progress of businesses and earnings situation, the Group finds no significant factors for which such figures have to be revised.

Cautionary Remarks Regarding Forward-Looking Statements

Projections of operating results represent BB Net's assumptions, expectations and plans in light of currently available information. As such, these projections entail risks and uncertainties. Readers should be aware that actual results may differ substantially from these projections.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

Account	As of April 30, 2006		As of April 30, 2007		As of July 31, 2006	
	Amount	(%)	Amount	(%)	Amount	(%)
Assets						
I Current assets						
1. Cash and deposits	4,233,597		1,995,806		2,493,289	
2. Accounts receivable	1,204,681		1,433,763		1,050,437	
3. Inventories	559,466		193,002		463,861	
4. Short-term loans receivable	13,298		15,771		140,619	
5. Deferred tax assets	32,698		82,541		90,749	
6. Others	245,931		115,841		494,443	
Allowance for doubtful accounts	(19,833)		(21,246)		(12,724)	
Total current assets	6,269,841	34.3	3,815,481	23.7	4,720,675	29.2
II Fixed assets						
1. Property, plant and equipment						
(1) Buildings and structures	571,537		478,414		563,972	
(2) Machinery, equipment and vehicles	148,667		120,110		140,461	
(3) Tools, furniture and fixtures	94,727		105,492		92,486	
(4) Land	2,920,984		2,888,019		2,888,019	
(5) Construction in progress	2,797	3,738,715	2,787	3,594,823	2,382	3,687,321
2. Intangible assets						
(1) Goodwill	41,042		-		1,714	
(2) Software	246,946		225,398		245,079	
(3) Software in progress	-		12,654		-	
(4) Others	42,742	330,731	61,561	299,613	16,604	263,398
3. Investments and other assets						
(1) Investment securities	6,581,935		8,141,381		7,055,019	
(2) Long-term loans receivable	135,419		13,457		19,341	
(3) Leasing and guarantee deposits	502,582		334,018		357,925	
(4) Bankruptcy rehabilitation obligations	-		473,032		401,429	
(5) Deferred tax assets	355,683		180,928		262,952	
(6) Others	1,002,445		159,143		135,564	
Allowance for doubtful accounts	(512,328)		(448,422)		(373,236)	
Allowance for possible losses on investments	(144,486)	7,921,252	(495,490)	8,358,049	(356,514)	7,502,482
Total fixed assets		11,990,698		12,252,486		11,453,202
Total assets		18,260,539		16,067,967		16,173,878
		100.0		100.0		100.0

(Thousands of yen)

Account	As of April 30, 2006		As of April 30, 2007		As of July 31, 2006	
	Amount	(%)	Amount	(%)	Amount	(%)
Liabilities						
I Current liabilities						
1. Accounts payable	296,174		358,466		236,501	
2. Short-term borrowings	4,594,633		4,081,999		4,774,791	
3. Current portion of long-term debt	993,648		1,081,044		1,146,019	
4. Current portion of corporate bonds	102,000		704,000		710,000	
5. Accrued expenses	767,633		676,933		508,262	
6. Accrued income taxes	-		38,938		-	
7. Allowance for lease obligation guarantees	6,837		-		-	
8. Business restructuring reserve	208,691		49,527		16,000	
9. Reserve for bonuses	31,579		63,111		3,979	
10. Deferred tax liabilities	-		-		7,180	
11. Others	610,802		651,453		506,836	
Total current liabilities	7,612,001	41.7	7,705,475	48.0	7,909,572	48.9
II Long-term liabilities						
1. Corporate bonds	736,000		24,000		128,000	
2. Long-term borrowings	1,719,430		1,869,961		1,032,409	
3. Deferred tax liabilities	639,139		586,193		613,405	
4. Accrued employees' retirement benefits	90,312		80,581		94,038	
5. Accrued officers' severance benefits	28,850		28,850		28,850	
6. Others	146,932		167,643		176,195	
Total long-term liabilities	3,360,664	18.4	2,757,229	17.1	2,072,898	12.8
Total liabilities	10,972,666	60.1	10,462,704	65.1	9,982,470	61.7
Minority interests						
Minority Interests	244,484	1.3	-	-	-	-
Shareholders' equity						
I Capital Stock	5,078,470	27.8	-	-	-	-
II Capital Surplus	4,597,650	25.2	-	-	-	-
III Retained Earnings	(2,610,287)	(14.3)	-	-	-	-
IV Net unrealized holding gain (loss) on securities	(9,481)	(0.0)	-	-	-	-
V Treasury stock	(12,962)	(0.1)	-	-	-	-
Total shareholders' equity	7,043,389	38.6	-	-	-	-
Total liabilities, minority interests and shareholders' equity	18,260,539	100.0	-	-	-	-

(Thousands of yen)

Account	Period	As of April 30, 2006		As of April 30, 2007		As of July 31, 2006	
		Amount	(%)	Amount	(%)	Amount	(%)
Net Assets							
I Shareholders' equity							
1. Capital stock		-	-	5,164,252	32.1	5,078,470	31.4
2. Capital surplus		-	-	2,112,545	13.2	4,597,650	28.4
3. Retained earnings		-	-	(1,811,634)	(11.3)	(3,697,323)	(22.8)
4. Treasury stock		-	-	(13,329)	(0.1)	(13,105)	(0.1)
Total shareholders' equity		-	-	5,451,834	33.9	5,965,691	36.9
II Valuation, Currency Translation and Other Adjustments							
1. Net unrealized holding gain (loss) on securities		-	-	1,782	0.0	(2,575)	(0.0)
Total Valuation, Currency Translation and Other Adjustments		-	-	1,782	0.0	(2,575)	(0.0)
III Minority interests		-	-	151,645	1.0	228,291	1.4
Total Net Assets		-	-	5,605,262	34.9	6,191,407	38.3
Total liabilities and net assets		-	-	16,067,967	100.0	16,173,878	100.0

(2) Consolidated Statements of Income

(Thousands of yen)

Account	Nine months ended April 30, 2006 (Aug. 1, 2005 - Apr. 30, 2006)			Nine months ended April 30, 2007 (Aug. 1, 2006 - Apr. 30, 2007)			Year ended July 31, 2006 (Aug. 1, 2005 - Jul. 31, 2006)		
	Amount		%	Amount		%	Amount		%
I Total net sales		14,993,706	100.0		14,500,249	100.0		19,916,460	100.0
II Cost of sales		11,629,122	77.6		11,546,881	79.6		15,702,251	78.8
Gross profit		3,364,584	22.4		2,953,367	20.4		4,214,208	21.2
III Selling, general and administrative expenses		3,401,936	22.6		2,976,749	20.5		4,657,600	23.4
Operating loss		37,351	(0.2)		23,381	(0.1)		443,391	(2.2)
IV Non-operating income									
1. Interest income	1,182			2,289			3,209		
2. Dividend income	1,081			18			1,288		
3. Proceeds from sale of marketable securities	1,660			-			-		
4. Lease income	3,625			-			6,861		
5. Rent income	12,224			11,952			17,047		
6. Outsourcing services	1,907			6,485			4,252		
7. Proceeds from cancellation of insurance	90,173			-			90,173		
8. Compensation for relocation	-			47,619			-		
9. Others	44,165	156,022	1.0	33,701	102,067	0.7	54,868	177,702	0.9
V Non-operating expenses									
1. Interest expense	72,277			105,680			98,696		
2. Losses on sale of marketable securities	313			-			-		
3. Amortization of new stock issue expenses	2,169			-			2,831		
4. Stock delivery expenses	-			7,226			-		
5. Equity in losses of affiliates	-			5,722			4,000		
6. Commissions paid	-			33,782			39,284		
7. Others	31,890	106,650	0.7	5,261	157,674	1.1	11,447	156,260	0.8
Current profit (loss)		12,019	0.1		(78,988)	(0.5)		(421,949)	(2.1)
VI Extraordinary income									
1. Gain from prior-term adjustment	21,309			-			21,315		
2. Gain on sale of fixed assets	3,397			-			3,397		
3. Gain on sales of investment securities	1,500			128,459			1,502		
4. Gain on sale of shares of affiliated companies	79,104			302,509			36,754		
5. Gain on changes in equity	-			442			-		
6. Return of reserve for retirement benefits	15,997			-			16,499		
7. Others	-	121,309	0.8	138	431,549	2.9	-	79,469	0.4
VII Extraordinary losses									
1. Loss from prior-term adjustment	17,500			-			28,350		
2. Loss on disposal and sale of fixed assets	9,672			33,054			21,385		
3. Loss on valuation of investment securities	801,309			339,949			831,400		
4. Provision of allowance for possible losses on investments	5,987			257,801			342,840		
5. Losses from uncollectible accounts	216,638			1,124			331,336		
6. Provision of allowance for doubtful accounts	396,038			99,504			324,605		
7. Business restructuring related expenses	-			12,786			208,491		
8. Provision of reserve for business reorganization	208,691			49,527			-		
9. Impairment loss	580,493			37,000			650,066		
10. Others	5,205	2,241,537	14.9	28,713	859,462	5.9	142,616	2,881,093	14.5
Loss before income taxes and minority interests		2,108,208	(14.0)		506,901	(3.5)		3,223,573	(16.2)
Income tax, inhabitants tax and enterprise taxes	126,426			43,540			157,405		
Income taxes and other adjustments	(12,103)	114,322	0.8	87,283	130,824	0.9	274	157,680	0.8
Minority interests		21,498	0.1		1,533	0.0		8,109	0.0
Net loss		2,244,029	(14.9)		639,259	(4.4)		3,389,362	(17.0)

(3) Consolidated Statements of Retained Surplus (Thousands of yen)

	Nine months ended April 30, 2006 (Aug. 1, 2005– Apr. 30, 2006)	
Account	Amount	
(Capital surplus)		
I Balance at beginning of period		4,584,984
II Increase in capital surplus		
1. New stock issues attributed to the exercise of new stock acquisition rights	12,665	12,665
III Balance at end of period		4,597,650
(Retained surplus)		
I Balance at beginning of period		(150,385)
II Increase in retained surplus		
1. Increase in retained earnings due to exclusion of certain consolidated subsidiaries	7,788	7,788
III Decrease in retained surplus		
1. Net loss	2,244,029	
2. Dividend	110,952	
3. Decrease in retained surplus due to an increase in the number of consolidated subsidiaries	112,707	2,467,689
IV Balance at end of period		(2,610,287)

(Note) As the consolidated statements of changes in shareholders' equity were not prepared for the nine months ended April 30, 2006, the above statements are attached for the purpose of comparison.

(4) Consolidated Statements of Changes in Shareholders' Equity
 Nine months ended April 30, 2007 (from August 1, 2006 to April 30, 2007)

(Thousands of yen)

	Shareholders' equity				
	Capital Stock	Capital Surplus	Retained Earnings	Treasury stock	Total Shareholders' Equity
Balance as of July 31, 2006	5,078,470	4,597,650	(3,697,323)	(13,105)	5,965,691
Changes during the period under review					
New share issuance (due to execution of stock subscription rights)	85,781	85,781			171,563
Reversal of capital reserve		(2,570,886)	2,570,886		-
Change due to fluctuations in consolidated subsidiaries			(11,491)		(11,491)
Change due to fluctuations in equity-method affiliates			(34,446)		(34,446)
Net loss			(639,259)		(639,259)
Acquisition of treasury stock				(223)	(223)
Net changes except for shareholders' equity					
Total changes	85,781	(2,485,105)	1,885,689	(223)	(513,857)
Balance as of April 30, 2007	5,164,252	2,112,545	(1,811,634)	(13,329)	5,451,834

	Valuation, Currency Translation and Other Adjustments		Minority Interests	Total Net Assets
	Net unrealized holding gain (loss) on securities	Total Valuation, Currency Translation and Other Adjustments		
Balance as of July 31, 2006	(2,575)	(2,575)	228,291	6,191,407
Total changes				
New share issuance (due to execution of stock subscription rights)				171,563
Reversal of capital reserve				-
Change due to fluctuations in consolidated subsidiaries				(11,491)
Change due to fluctuations in equity-method affiliates				(34,446)
Net loss				(639,259)
Acquisition of treasury stock				(223)
Net changes except for shareholders' equity	4,358	4,358	(76,645)	(72,286)
Total changes	4,358	4,358	(76,645)	(586,144)
Balance as of April 30, 2007	1,782	1,782	151,645	5,605,262