

August 23, 2007

To Whom It May Concern:

Company Name: BB Net corp.
Stock Code: 2318
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Notice Regarding Issue of New Shares through Third-Party Allotment (Debt Equity Swap)

At a meeting of its Board of Directors held today, BB Net corp. (the Company) resolved to issue new shares (a third-party allotment of new shares) by way of an in-kind contribution (debt equity swap). A summary of the resolution is as indicated below.

With respect to the existing bonds with stock acquisition rights, the Company has acquired and cancelled the remaining portion of the third unsecured convertible bonds with stock acquisition rights of BB Net corp. and received a waiver of the stock acquisition rights on the fourth unsecured convertible bonds with stock acquisition rights of BB Net corp. before the third-party allotment.

The Company believes that the third-part allotment will make a significant contribution to management stability, as the Company has canceled MSCBs (moving strike convertible bonds) as mentioned above and will issue new shares to an investment partnership and a Representative Director of the Company on the premise that the shares will be held over the medium and long terms through the third-party allotment.

For the scheme of the third-party allotment, please also see our press release “Notice regarding Explanation of Third-Party Allotment and Cancellation of MSCBs, Etc. of BB Net corp.” separately released today.

<Summary of the Third-Party Allotment>

1. Number of shares to be issued: 280,611 shares
2. Issue price: 1,960 yen per share
3. Total amount of issue price: 549,997,560 yen
4. Capitalization: 1,000 yen per share
5. Offering and allocation method: Third-party allotment
6. Application date: September 7, 2007
7. Pay-in date: September 7, 2007
8. Recipient: Garnesh Investment Limited Partnership 178,571 shares
Eiji Tanaka 102,040 shares
9. Date of delivery of stock certificates: The Company will issue stock certificates immediately after receiving the payment.
10. Necessary contents among those relating to the issued shares written in a securities registration statement

In-kind contribution in the form of corporate bonds and loans.

Details

1. Purpose of offering shares that are to be issued through the third-party allotment

The third-party allotment of new shares will be conducted to stabilize the management of the Company by allocating shares to an investment partnership and a Representative Director of the Company on the premise that the shares will be held over the long term.

Before the third-party allotment, the Company acquired and cancelled existing corporate bonds with stock acquisition rights and received a waiver of stock acquisition rights. In view of the fact that the existing MSCBs have been cancelled and that the investment partnership and Representative Director own monetary claims against the Company, such as corporate bonds and loans, the Company will conduct the third-party allotment by way of in-kind contribution as an efficient method.

2. Amount and use of the proceeds

As new shares will be issued in exchange for corporate bonds issued by the Company and loan receivables against the Company, no cash will be paid.

3. Past three years' results and the status of equity finance

(1) Past three years' results (consolidated basis) (Unit: million yen)

Accounting term	FY July 2004	FY July 2005	FY July 2006
Sales	4,060	11,360	19,916
Operating profit	469	1,090	-443
Ordinary profit	360	972	-421
Net profit	263	-584	-3,389
Net profit per share (yen)	6,521.17	-2,854.57	-6,093.66
Dividend per share (yen)	-	400.00	-
Net worth per share (yen)	78,730.68	34,232.51	10,714.38

(2) Number of total outstanding share and potential shares as of now

Type	Number of shares	Ratio to the number of outstanding shares
Number of total outstanding shares	702,708.66 shares	100.0%
Number of total potential shares given the present conversion price (exercise price)	6,197 shares	0.9%

Note: The number of potential shares above is the outstanding balance of stock options with not dilutive effect.

(3) Status of equity finance for the past three years

(Equity finance after listed)

Date	Number of share issued		Common stock		Additional paid-in capital		Remark
	Increase	Amount	Increase	Amount	Increase	Amount	
	Shares	Shares	Thousand Yen	Thousand Yen	Thousand Yen	Thousand Yen	
Sep. 10, 2002	1,500	12,125	92,437	859,675	106,575	458,662	Public offering Issue price: 145,000 yen Amount credited to capital: 61,625 yen
Jul. 15, 2003	750	12,875	37,500	897,175	37,500	430,303	Third-party placement Issue price: 100,000 yen Amount credited to capital: 50,000 yen
Dec. 29, 2004	25,000	189,097.69	819,000	2,972,706	819,000	2,491,943	Public offering in overseas Issue price: 65,520 yen Amount credited to capital: 32,760 yen
Mar. 16, 2007	15,100	579,007.66	50,320	5,153,207	50,320	975,062	Third-party placement Issue price: 6,665 yen Amount credited to capital: 3,332.5 yen
Jul. 27, 2007	2,900	659,674.66	9,454	5,273,706	-	1,086,108	Third-party placement Issue price: 3,260 yen Amount credited to capital: 3,260 yen

(Note 1) On August 31, 2003, the Company issued 450,000,000 yen of unsecured Convertible Bonds.

All stock subscription rights attached to these bonds have been exercised. The funds of 427 million yen raised through the issue of these bonds were appropriated for working capital and for strengthening the corporate base, such as improving the financial position.

(Note 2) On December 24, 2003, the Company issued 700,000,000 yen of unsecured Convertible Bonds. All stock subscription rights attached to these bonds have been exercised. The funds of 700 million yen raised through the issue of these bonds were appropriated for working capital required for new business promoted by the Company and for further strengthening the corporate base, such as improving the financial position.

(Note 3) On May 31, 2004, the Company issued 1,900,000,000 yen of unsecured Convertible Bonds. Stock acquisition rights for the amount of 1,300,000,000 yen were exercised for these bonds, and 600,000,000 yen was redeemed in May 2007. The funds of 1,900 million yen raised through the issue of these bonds were appropriated for working capital required for new business promoted by the Company and for further strengthening the corporate base, such as improving the financial position.

(Note 4) On April 15, 2005, the Company issued 4,000,000,000 yen of unsecured Convertible Bonds. The exercise of all the stock acquisition rights attached to the bonds was completed. With respect to the funds of 3,950 million yen raised through the issue of the bonds, 2,500 million yen was used to purchase shares in Yusei Nishikyushu Seika Co., Ltd. 1,000 million yen was used for the repayment of debts, and 450 million was appropriated for operating funds to build up systems to sell and working capital.

(Note 5) On November 24, 2006, the Company issued stock acquisition rights subject to a limit of 80,000 shares. The stock acquisition rights were cancelled on April 25, 2007.

(Note 6) On June 11, 2007, the Company issued 200,000,000 yen of unsecured Convertible bonds. As of today, the entire amount of stock acquisition rights attached to the corporate bonds has been exercised. The funds of 195 million yen raised through the issue of the bonds were appropriated for the repayment of debts.

(Note 7) On July 27, 2007, the Company issued 250,000,000 yen in unsecured convertible bonds with stock acquisition rights. On August 23, 2007, the Company acquired these bonds and cancelled them.

(Note 8) On July 27, 2007, the Company issued 350,000,000 yen in unsecured convertible bonds with stock acquisition rights. The stock acquisition rights attached to these bonds have been waived.

(4) Recent stock price

(Three-year stock price summary)

	FY July 2004	FY July 2005	FY July 2006	FY July 2007
Opening price	123,000 yen *1	107,000 yen *3	32,050 yen *4	9,100 yen *4
High price	496,000 yen *2	128,000 yen *3	56,400 yen *4	12,160 yen *4
Low price	89,000 yen *2	31,450 yen *4	8,020 yen *4	1,910 yen *4
Closing price	107,000 yen *3	32,000 yen *4	8,990 yen *4	2,650 yen *4

(Note 1) Prices for the July 2007 fiscal year are current as of August 23, 2007.

(Note 2) *1 indicates prices that have been adjusted for the 1-to-1.1 stock split with a record date July 31, 2003.

(Note 3) *2 indicates prices that have been adjusted for the 1-to-1.1 stock split with a record date July 31, 2003 and the 1-to-2.1 stock split with a record date January 31, 2004.

(Note 4) *3 indicated prices that have been adjusted for the 1-to-1.1 stock split with a record date July 31, 2003, the 1-to-2.1 stock split with a record date January 31, 2004 and the 1-to-3.1 stock split with a record date July 31, 2004.

(Note 5) *4 indicates prices that have been adjusted for the 1-to-1.1 stock split with a record date July 31, 2003, the 1-to-2.1 stock split with a record date January 31, 2004, the 1-to-3.1 stock split with a record date July 31, 2004, the 1-to-1.1 stock split with a record date January 31, 2005 and the 1-to-2 stock split with a record date July 31, 2005.

4. Equity share of large shareholders after bond offering

Before offering (Note)		After offering	
Eiji Tanaka	6.24%	Garnesh Investment Limited Partnership	18.18%
Well Field Capital Co., Ltd.	2.68%	Eiji Tanaka	14.64%
Incubator Bank of Japan, Ltd.	2.25%	Well Field Capital Co., Ltd.	1.83%
Daiwa Securities Co., Ltd.	2.11%	Incubator Bank of Japan, Ltd.	1.54%
Osaka Securities Finance Company, Ltd.	1.62%	Daiwa Securities Co., Ltd.	1.44%

Note: The above structure of large shareholders is based on the shareholders list as of the end of July 2007.

5. Outlook of effects on business results

The effect that this third-party allotment will have on the profits of the Company group is limited.

6. Rationality of issuing conditions, etc.

(1) Basis for the judgment that issuing conditions are rational

The issue price is set at 93.3% of the average of closing prices on the most recent ten consecutive trading days.

(2) Basis for the judgment that issuing volume and the size of dilution of shares are rational

The Company judges that the issuing volume and the size of dilution are appropriate in consideration of the facts that the recipients will receive new shares on the premise that they will hold them over the medium and long terms and that no dilutive effect on the market will arise in the foreseeable future.

7. Reasons for selection of the recipient

(1) Profile of the recipient

(1)	Name	Garnesh Investment Limited Partnership	
(2)	Governing law	The Limited Partnership Act for Investment	
(3)	Head office location	3 Yotsuya 4-chome, Shinjuku-ku, Tokyo	
(4)	Managing partner	Masahiro Utsuno, Unlimited liability partner	
(5)	Total invested capital	350,000,000 yen	
(6)	Relation between the Company and the recipient, etc.	Capital relation	There are no applicable matters.
		Trade relation	There are no applicable matters.
		Human relation	There are no applicable matters.
		Whether to fall under a related party	There are no applicable matters.

(1)	Name	Eiji Tanaka	
(2)	Address	16-8-420 Higashi-nakaburi 1-chome, Hirakata City, Osaka	
(3)	Relation between the Company and the recipient, etc.	Capital relation	-
		Trade relation	The Company borrows 200,000,000 yen from the scheduled recipient.
		Human relation	Representative Director of the Company

(2) Reason for selection of the recipient

The Company took into account the fact that both the investment partnership and the Representative Director will hold the new shares over the medium and long term.

(3) Recipients' policies with respect to holding the shares

The recipients will hold the new shares over the medium and long term to stabilize the management of the Company.