

24 April 2007

Keiko Iida, President & CEO
Naoto Yoshihama, contact officer
Director & General Manager
GignoSystem Japan, Inc. (OSE Hercules Code 4300)
Tel. +81-3-3556-7737

To: Shareholders

Notice of Extraordinary Losses & Revised Consolidated and Unconsolidated Earnings Forecasts

GignoSystem Japan, Inc. hereby gives notice of an extraordinary loss expected to be recorded in financial statements for the year ending March 2007 and revisions of earnings forecasts announced on 10 November 2006 for the year ending March 2007 (1 April 2006 to 31 March 2007). Details of each are provided below.

1. Extraordinary Loss

(1) Consolidated Earnings

Applying accounting standards concerning impairment of fixed assets, the GignoSystems Group will record extraordinary losses of a total of 161 million yen in consolidated earnings for the year ending March 2007, including a one-time depreciation of 70 million yen of partial goodwill, a loss of 38 million yen from the disposition of unprofitable shops in the commerce operating unit and a loss of 53 million yen from unprofitable gaming sites in the information provider operating unit.

The extraordinary loss recorded for the full business year will total 176 million yen.

(2) Unconsolidated Earnings

Applying accounting standards concerning financial instruments, GignoSystems, Inc. will record extraordinary losses of a total of 454 million yen in unconsolidated earnings for the year ending March 2007,

including a 213 million yen write-off on the valuation of shares in overseas subsidiaries, 150 million yen in unrecoverable loans held by domestic subsidiaries, a loss of 38 million yen from the disposition of unprofitable shops in the commerce operating unit and a loss of 53 million yen from unprofitable gaming sites in the information provider operating unit.

The extraordinary loss recorded for the full business year will total 459 million yen.

2. Revised Consolidated Earnings Forecast for Year Ending March 2007 (1 April 2006 – 31 March 2007)

(1) Revised Consolidated Earnings Forecast

units: ¥m, %

	Sales	Ordinary Profit	Net Profit
Previously announced forecasts (A)	6,121	304	95
Revised forecasts (B)	6,103	330	-66
Amount change (B-A)	-17	26	-162
Percentage change (%)	-0.3	8.7	--
Results previous year (end-Mar 2006)	5,041	17	82

(2) Reasons for Revision of Consolidated Earnings Forecasts

Revision of net profit in consolidated earnings forecasts for the current business year is due to the recording of extraordinary losses, as detailed in section 1 (1) above.

3. Revised Unconsolidated Earnings Forecast for Year Ending March 2007 (1 April 2006 – 31 March 2007)

(1) Revised Unconsolidated Earnings Forecast

units: ¥m, %

	Sales	Ordinary Profit	Net Profit
Previously announced forecasts (A)	3,815	256	134
Revised forecasts (B)	3,688	273	-282

Amount change (B-A)	-127	17	-416
Percentage change (%)	-3.3	6.7	--
Results previous year (end-Mar 2006)	3,987	228	312

(2) Reasons for Revision of Consolidated Earnings Forecasts

The primary cause for revision of sales in unconsolidated earnings forecasts is the failure to meet sales targets due to downsizing of the commerce business unit. Revision of net profit in unconsolidated earnings forecasts for the current business year is due to the recording of extraordinary losses, as detailed in section 1 (2) above.

4. Dividend Forecast

Due to the recording of extraordinary losses, GignoSystem Japan, Inc. will show a net loss in the current business year according to earnings forecasts for the year ending March 2007. However, we forecast that GignoSystem Group operations will continue to enjoy stable revenues.

Therefore, the year-end dividend will be an annual dividend of 300 yen per share, unchanged from the figure announced 12 May 2006.

Note: Earnings forecasts represent the judgment of the Company based on information available at the time of their disclosure. A variety of uncertain elements are inherent in forecasts, and actual results may differ from such forecasts.