

To: Shareholders

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Notice of Extraordinary Loss and Revised Performance Forecasts (Consolidated and Unconsolidated)

GignoSystem Japan, Inc. hereby gives notice of the prospective recording of an extraordinary loss in the Company's first-half results for the year ending March 2008 and of first-half and full-year performance forecasts for the year ending March 2008 revised as detailed below from the forecasts announced 10 May 2007.

1. Extraordinary loss

(1) Consolidated results

Applying accounting standards for impairment of fixed assets in this first-half period, we are to record a one-time amortization of 323 million yen in goodwill and an extraordinary loss of 105 million yen in investment reserves for investments in film production.

(2) Unconsolidated results

Applying accounting standards for financial products accounting in this first-half period, we are to record extraordinary losses of 477 million yen in the devaluation of affiliate shares concerning domestic subsidiaries and of 105 million yen in investment reserves for investments in film production.

2. Revised consolidated performance forecasts for year ending March 2008

(1) Revised first-half performance forecast (1 April 2007 to 30 September 2007)

(units: million yen, percent)

	Sales	Operating profit	Ordinary profit	Net interim profit
Previous forecast (A)	3,238	201	205	81
Revised forecast (B)	2,913	162	174	-357
Difference (B-A)	-325	-39	-31	-438
Percent change	-10.0	-19.4	-15.1	--
Year-ago performance (first half of year ending March 2007)	2,976	76	81	-9

(2) Revised full-year performance forecast (1 April 2007 to 31 March 2008)

(units: million yen, percent)

	Sales	Operating profit	Ordinary profit	Net profit
Previous forecast (A)	6,583	478	482	208
Revised forecast (B)	6,327	185	198	-368
Difference (B-A)	-256	-293	-284	-576
Percent change	-3.9	-61.3	-58.9	--
Year-ago performance (year ending March 2007)	6,103	317	330	-66

(3) Reasons for revision of consolidated performance forecasts

1) Reasons for revision of first-half performance forecast

The primary reason for the revision of sales in the consolidated performance forecast is that, among film and music production firms, although Onion, Inc. has performed favorably, Thirtieth Co., Ltd. and Nexus Films Inc. have not achieved their sales targets.

Due to recording a new extraordinary loss as stated in section 1 (1) above, we forecast a net loss in this period of 357 million yen.

2) Reasons for revision of full-year performance forecast

Due to decreased revenues with the liquidation of unprofitable businesses,

liquidation charges and forecast cost increases in up-front investments in the second half of the year, we have reflected these factors in the second-half performance forecast and revised the full-year performance forecast accordingly.

These revisions to performance forecasts do not result in any revision to the dividend forecast for the current business year.

3. Revised unconsolidated performance forecasts for year ending March 2008

(1) Revised first-half performance forecast (1 April 2007 to 30 September 2007)

(units: million yen, percent)

	Sales	Operating profit	Ordinary profit	Net interim profit
Previous forecast (A)	1,834	148	155	92
Revised forecast (B)	1,738	175	185	-479
Difference (B-A)	-96	27	30	-571
Percent change	-5.2	18.2	19.4	--
Year-ago performance (first half of year ending March 2007)	1,857	69	78	39

(2) Revised full-year performance forecast (1 April 2007 to 31 March 2008)

(units: million yen, percent)

	Sales	Operating profit	Ordinary profit	Net profit
Previous forecast (A)	3,788	404	416	246
Revised forecast (B)	4,077	194	209	-474
Difference (B-A)	289	-210	-207	-720
Percent change	7.6	-52.0	-49.8	--
Year-ago performance (year ending March 2007)	3,688	251	273	-282

(3) Reasons for revision of unconsolidated performance forecasts

1) Reasons for revision of first-half performance forecast

Sales are performing largely according to plan, and we forecast operating

profit and ordinary profit to surpass planning due to efforts on behalf of cost improvement.

The revision to current net profit is due to the incurrence of a new extraordinary loss, as stated in section 1 (2) above.

2) Reasons for revision of full-year performance forecast

Due to the contribution of our strategic business alliance with TFM Interactive, Inc. (announced 27 September 2007) to increased revenue and to profits forecast from up-front investments in the context of this business alliance, we have reflected these factors in the first-half performance forecast and revised the full-year performance forecast accordingly.

N.B. Performance forecasts are the judgment of the Company based on information currently available. A wide variety of uncertainties are inherent in these forecasts, which may differ from actual performance.