

For Immediate Release

Notice on Revisions of Earnings Forecasts

ValueCommerce Co., Ltd. announces that it has revised downward the earnings forecasts in the Consolidated Financial Results for the Fiscal Year Ended December 31, 2006 and Summary of Non-Consolidated Financial Statements for the Fiscal Year Ended December 31, 2006 made public on February 13, 2007. Details are as follows:

Details

1. Revisions of interim forecasts for the fiscal year ending December 31, 2007 (for the period from January 1, 2007 to June 30, 2007)

(1) Consolidated

(Million yen)

	Revenues	Ordinary income	Net income
Previous forecast (A)	2,923	96	32
Revised forecast (B)	2,695	79	-128
Change (B – A)	-228	-17	-160
Rate of change (%)	-7.8	-17.7	-500.0
(For reference) Performance for the previous fiscal year (ended on December 31, 2006)	2,615	422	395

(2) Non-consolidated

(Million yen)

	Revenues	Ordinary income	Net income
Previous forecast (A)	2,697	155	86
Revised forecast (B)	2,385	113	-101
Change (B – A)	-312	-42	-187
Rate of change (%)	-11.6	-27.1	-217.4
(For reference) Performance for the previous fiscal year (ended on December 31, 2006)	2,386	418	472

2. Revisions of forecasts for fiscal year ending December 31, 2007 (from January 1, 2007 to December 31, 2007)

(1) Consolidated

(Million yen)

	Revenues	Ordinary income	Net income
Previous forecast (A)	6,561	547	268
Revised forecast (B)	5,500 – 6,100	40 – 300	-180 – 70
Change (B – A)	-1,061 – -461	-507 – -247	-448 – -198
Rate of change (%)	-16.2 – -7.0	-92.7 – -45.2	-167.2 – -73.9
(For reference) Performance for the previous fiscal year (ended on December 31, 2006)	5,331	507	547

(2) Non-consolidated

(Million yen)

	Revenues	Ordinary income	Net income
Previous forecast (A)	6,016	629	343
Revised forecast (B)	4,600 – 5,100	80 – 320	-150 – 90
Change (B – A)	-1,416 – -916	-549 – -309	-493 – -253
Rate of change (%)	-23.5 – -15.2	-87.3 – -49.1	-143.7 – -73.8
(For reference) Performance for the previous fiscal year (ended on December 31, 2006)	4,966	571	617

2. Reasons for the revisions

(1) Interim period

Since sales fell temporarily on the influence of advertising budget cuts by certain customers in the finance sector at the beginning of the fiscal year, revenues for the interim period sank below the forecast. The cost of revenues for the consulting service and search engine marketing (SEM) service rose as expenses for ad placement in the media and performance fees paid to partner websites, expenses that arise from the nature of the services, increased as the usefulness of Internet advertisements, including affiliate advertising, came to be widely recognized, and competition intensified in advertising terms and performance fees. Gross profit fell accordingly. In addition, the profitability of certain advertising clients in the finance sector deteriorated and this had an adverse effect on revenues, as noted.

Meanwhile, selling, general and administrative expenses also fell below the forecast. Personnel costs were lower than expected due to a delay in new hiring. Among other expenses, the rent for the head office rose after the relocation in the previous fiscal year, and outsourcing costs increased from the year-ago level for customer support and system development and enhancement in association with an expansion of services. However, we transferred a technology development base from Russia (Moscow) to the Philippines (Manila) ahead of schedule

and reduced expenses. As a consequence, ordinary income is expected to become ¥79 million. We have posted an extraordinary loss of ¥22 million for the closing of the Russia office associated with the transfer of the technology development base from Russia to the Philippines.

Based on the results for the interim period, we reviewed the estimated taxable income, which led to a reversal of deferred income tax assets and an adjusted amount for income taxes. Consequently, an interim net loss of ¥128 million is expected to be posted.

(2) Full year

We are revising our forecasts for the full year, taking into account the Group's performance in the interim period and trends in the operating environment.

The environment surrounding the performance marketing business is changing rapidly, making it very difficult to calculate reliable figures as forecasts. Hence, we announce forecasts in the form of ranges.

Although the environment surrounding the Group, including the Internet advertising market, is subject to change, the Internet advertising market is likely to continue to expand. The affiliate advertising market is also projected to grow to some extent. Revenues from certain customers in the finance sector, which affected our performance at the beginning of the interim period, should recover.

However, as we explained in the section for the interim period, our revenues are affected not only by orders from customers but also by alliances with media, including partner websites, that contribute to results and the performance fees arising from the alliances. In the consulting service and SEM service, in particular, payments of performance fees to media are recorded as costs of revenues. Hence as revenues increase, costs naturally rise, and the cost percentage goes up as a result. Moreover, competition with competitors in alliances with media and conditions for the alliances will continue, and costs are likely to increase with competition. The Group is focusing on this issue and is taking steps to build productive relations with the media ahead of its competitors, securing positive outcomes for its customers and media and revenues and profits for the Company as a key task. To address this task, recruiting a sufficient number of sales staff who can help establish good relations with customers and the media on a daily basis is important. However, it is time-consuming for the Company to recruit and develop human resources. For the reasons described above, we have adopted a more moderate revenue increase and a higher cost percentage than were included in the initial forecast.

In response, the Group is constantly improving the quality of services and striving to differentiate itself from its competitors. In particular, the consulting service is one of the services that best embody the Group's mission of providing high-quality and effective services and helping customers achieve success in e-commerce, leveraging the experience, knowledge, and technologies that the Company has developed as a leader in the affiliate marketing service industry. We will recruit the necessary human resources, increase revenues from existing customers and acquire new customers, thereby delivering positive outcomes for customers and profits for the Company.

If the consulting service continues to expand based on the above initiatives, and if revenues from certain companies in the finance sector recover completely, the revenue forecast will be ¥6,100 million.

In contrast, if the recovery of revenues from companies in the finance sector or the business environment in other industries changes, and if advertisement and marketing expenditures are reviewed as a result of these changes, or if alliances with major media that are important for the Company's revenues and results from the alliances are not acquired as expected, or if the hiring and training of sales staff does not progress as planned, revenues are expected

to be ¥5,500 million.

Selling, general and administrative expenses are expected to fall below the previous forecast. Since we plan to increase the number of sales staff—critical for the expansion of our services—our human resources costs will rise toward the end of the term. On the other hand, we are establishing a management structure that emphasizes cost efficiency, while transferring the overseas technology development base from Russia to the Philippines and pursuing other initiatives. However, the decline in revenues and gross profit will exceed the cuts in selling, general and administrative expenses, and as a result, ordinary income and income before income taxes are expected to fall below the previous forecast. We do not anticipate any events to produce significant extraordinary income or loss items that will influence results.

Based on the changes to earnings forecasts, we estimate again taxable income in the next and subsequent terms. Based on a review of the collectibility of deferred income tax assets, we expect a reversal of deferred income tax assets at the end of the fiscal year. We therefore expect an adjustment to income taxes and others.

For the above reasons, we revise the earnings forecasts for the full year as described above.

(Note) The forward-looking statement including earnings forecasts is based on information the Company has obtained and assumptions that the Company believes are rational. Actual results may differ materially on the basis of various factors. Please do not rely solely on the earnings forecasts in making investment decisions etc.