

## FINANCIAL RESULTS

### **【 Consolidated Financial Statements 】**

**- Fiscal Year Ended March 31, 2007 -**

#### **1. Consolidated Balance Sheets**

(in million yen, %)

	Prior Year End (As of March 31, 2006)		Current Year End (As of March 31, 2007)		Change	
	Amount	%	Amount	%	Increase/ Decrease	
<b>(ASSETS)</b>						
<b>Current assets</b>						
1 Cash and cash equivalents	158,654		160,926		2,272	
2 Accounts receivable	5,452		7,913		2,461	
3 Inventories	41		3,711		3,671	
4 Deferred income taxes	495		280		216	
5 Other current assets	2,043		6,245		4,202	
Allowance for bad debt	7		1		6	
Total current assets	166,677	85.8	179,073	75.3	12,396	
<b>Fixed assets</b>						
<b>1 Tangible fixed assets</b>						
(1) Wireless telecommunications equipment	-		18,232			
Accumulated depreciation	-		252		17,979	
(2) Machinery and equipment	38,420		38,925			
Accumulated depreciation	24,123	14,296	26,011	12,914	1,382	
(3) Construction in progress		35		4,751	4,716	
(4) Other tangible fixed assets	3,709		5,072			
Accumulated depreciation	2,783	925	2,888	2,185	1,259	
Total tangible fixed assets		15,257		37,829	15.9	22,572
<b>2 Intangible assets</b>						
(1) Goodwill		772		644	128	
(2) Software		1,909		7,832	5,923	
(3) Construction in progress		298		1,285	987	
(4) Other intangible assets		139		47	92	
Total intangible assets		3,118		9,808	4.1	6,690
<b>3 Investments and other assets</b>						
(1) Investment securities		2,336		2,554	218	
(2) Long-term prepaid expenses		5,205		6,125	920	
(3) Deferred income taxes		769		1,399	631	
(4) Others		812		1,049	237	
Total investments and other assets		9,122		11,127	4.7	2,005
Total fixed assets		27,497		58,764	24.7	31,267
<b>TOTAL ASSETS</b>		<b>194,174</b>		<b>237,837</b>	100.0	<b>43,663</b>

## Consolidated Balance Sheets (Continued)

(in million yen, %)

	Prior Year End (As of March 31, 2006)		Current Year End (As of March 31, 2007)		Change
	Amount	%	Amount	%	Increase/ Decrease
<b>(LIABILITIES)</b>					
<b>Current liabilities</b>					
1 Trade accounts payable	758		5,268		4,510
2 Current portion of long-term debt	3,200		2,590		610
3 Other accounts payable	4,335		23,460		19,124
4 Accrued expenses	3,491		6,921		3,430
5 Income taxes payable	4,127		2,581		1,546
6 Current portion of capital lease obligations	3,247		1,325		1,922
7 Current portion of installment obligations	28		247		219
8 Bonus accrual for directors	30		50		20
9 Stock purchase warrants	5		-		5
10 Other current liabilities	95		276		181
Total current liabilities	19,316	9.9	42,717	18.0	23,401
<b>Long-term liabilities</b>					
1 Bonds	83,000		83,000		-
2 Long-term debt	3,890		1,300		2,590
3 Capital lease obligations, less current portion	1,519		183		1,336
4 Installment obligations, less current portion	-		1,254		1,254
5 Interest swap	-		1,161		1,161
6 Other long-term liabilities	96		-		96
Total long-term liabilities	88,504	45.6	86,898	36.5	1,606
<b>TOTAL LIABILITIES</b>	<b>107,821</b>	<b>55.5</b>	<b>129,616</b>	<b>54.5</b>	<b>21,795</b>

**Consolidated Balance Sheets (Continued)**

(in million yen, %)

	Prior Year End (As of March 31, 2006)		Current Year End (As of March 31, 2007)		Change
	Amount	%	Amount	%	Increase/ Decrease
<b>(MINORITY INTERESTS)</b>					
Minority interests	51,810	26.7	-	-	51,810
<b>(SHAREHOLDERS' EQUITY)</b>					
<b>Common stock</b>	16,403	8.4	-	-	16,403
<b>Capital surplus</b>	5,049	2.6	-	-	5,049
<b>Retained earnings</b>	13,074	6.7	-	-	13,074
<b>Unrealized gain on investment securities</b>	17	0.0	-	-	17
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<u>34,543</u>	17.8	<u>-</u>	-	<u>34,543</u>
<b>TOTAL LIAB., MINORITY INT., &amp; SHE (NET ASSETS)</b>	<u>194,174</u>	100.0	<u>-</u>	-	<u>194,174</u>
<b>Owners' equity</b>					
1 Common stock	-	-	17,034	-	17,034
2 Capital surplus	-	-	5,685	-	5,685
3 Retained earnings	-	-	10,180	-	10,180
Total owners' equity	<u>-</u>	-	<u>32,898</u>	13.8	<u>32,898</u>
<b>Valuation and translation adjustments</b>					
1 Valuation difference on investment securities	-	-	668	-	668
2 Deferred hedge gain and loss	-	-	1,096	-	1,096
Total valuation and translation adjustments	<u>-</u>	-	<u>1,765</u>	0.7	<u>1,765</u>
<b>Stock purchase warrants</b>	-	-	2	0.0	2
<b>Minority interests</b>	-	-	77,087	32.4	77,087
<b>TOTAL NET ASSETS</b>	<u>-</u>	-	<u>108,222</u>	45.5	<u>108,222</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>-</u>	-	<u>237,837</u>	100.0	<u>237,837</u>

## 2. Consolidated Statements of Operations

(in million yen, %)

	For the year ended (March 31, 2006)		For the year ended (March 31, 2007)		Change		
	Amount	%	Amount	%	Increase/ Decrease		
<b>Revenue</b>		60,353	100.0	56,250	100.0	4,103	
<b>Cost of revenue</b>		31,589	52.3	31,767	56.5	178	
<b>Gross profit</b>		28,764	47.7	24,483	43.5	4,282	
<b>Selling, general and administrative expenses</b>							
1 Advertising	119			915			
2 Sales promotion	5,889			4,044			
3 Allowance for bad debt expense	6			-			
4 Salaries and benefits	2,519			4,114			
5 Rent	671			1,486			
6 Outsourcing	6,557			6,549			
7 Network usage	-			131			
8 Depreciation	299			382			
9 Amortization	967			854			
10 Research and development	737			2,568			
11 Others	1,626	19,389	32.1	2,390	23,434	41.7	4,045
<b>Operating profit</b>		9,375	15.5	1,049	1.9	8,326	
<b>Other income</b>							
1 Interest income	1			190			
2 Dividend income	4			69			
3 Commission received	5			-			
4 Others	14	24	0.0	10	268	0.5	244
<b>Other expenses</b>							
1 Interest expense	1,435			1,216			
2 Commission expense	60			1,484			
3 Stock issuance costs	350			167			
4 Others	23	1,869	3.1	14	2,882	5.1	1,013
<b>Recurring profit</b>		7,531	12.5	1,564	2.8	9,095	
<b>Non-recurring profit</b>							
1 Gains on sale of fixed assets	1			-			
2 Gains on sale of investments	-			12			
3 Reversal of allowance for bad debt	-	1	0.0	1	12	0.0	11
<b>Non-recurring loss</b>							
1 Loss on disposition of fixed assets	24			48			
2 Loss on revaluation of investments	16			-			
3 Impairment losses	-	41	0.1	134	181	0.3	141
<b>Income before income taxes and minority interests</b>		7,491	12.4	1,733	3.1	9,224	
<b>Income tax expense - current</b>	3,863			4,303			
<b>Income tax expense - deferred</b>	845	3,018	5.0	290	4,593	8.2	1,575
<b>Minority interest</b>		547	0.9		7,235	12.9	6,689
<b>Net income</b>		5,020	8.3	909	1.6	4,110	

### **3. Consolidated Statements of Capital Surplus and Retained Earnings**

*For the year ended March 31, 2006*

(in million yen)

	For the year ended (March 31, 2006)	
	Amount	
<b>(CAPITAL SURPLUS)</b>		
<b>Balance at beginning of period</b>		3,880
<b>Additions</b>		
1 Stock issuance	1,169	1,169
<b>Balance at end of period</b>		5,049
<b>(RETAINED EARNINGS)</b>		
<b>Balance at beginning of period</b>		9,352
<b>Additions</b>		
1 Net income	5,020	
2 Gain on change in ownership interests in EMOBILE	343	5,363
<b>Appropriations</b>		
1 Decrease due to a newly consolidated subsidiaries	3	
2 Cash dividends	1,638	1,641
<b>Balance at end of period</b>		13,074

#### 4. Consolidated Statements of Changes in Net Assets

For the year ended March 31, 2007

(in million yen)

	OWNERS' EQUITY			
	Common stock	Capital surplus	Retained earnings	Total owners' equity
<b>Balance at March 31, 2006</b>	16,403	5,049	13,074	34,526
<b>Changes of items during the period</b>				
Proceeds from stock issuance, net	631	631		1,262
Exercise of stock purchase warrants		5		5
Change in the Company's ownership interests in EMOBILE			243	243
Realization of deferred income tax on change in the ownership interest			238	238
Cash dividends			3,809	3,809
Net income			909	909
Net changes of items other than owners' equity				
<b>Total changes of items during the period</b>	631	636	2,895	1,628
<b>Balance at March 31, 2007</b>	17,034	5,685	10,180	32,898

	Valuation and translation adjustments			Subscription rights to share			Minority interest	Total Net Assets
	Valuation deference on investment securities	Loss on deferred hedge	Total	Subscription rights to share	Stock purchase warrants	Total		
<b>Balance at March 31, 2006</b>	17	-	17	2	5	7	51,810	86,360
<b>Changes of items during the period</b>								
Proceeds from stock issuance, net								1,262
Exercise of stock purchase warrants								5
Change in the Company's ownership interests in EMOBILE								243
Realization of deferred income tax on change in the ownership interest								238
Cash dividends								3,809
Net income								909
Net changes of items other than owners' equity	686	1,096	1,782	-	5	5	25,276	23,489
<b>Total changes of items during the period</b>	686	1,096	1,782	-	5	5	25,276	21,862
<b>Balance at March 31, 2007</b>	668	1,096	1,765	2	-	2	77,087	108,222

## 5. Consolidated Statements of Cash Flows

(in million yen)

	For the year ended (March 31, 2006)	For the year ended (March 31, 2007)	Change
	Amount	Amount	Increase/ Decrease
Cash flows from operating activities			
1 Income / (Loss) before income taxes and minority interests	7,491	1,733	9,224
2 Depreciation	9,577	8,286	1,291
3 Amortization of intangible assets	1,185	1,107	78
4 Bad debt expense	6	6	12
5 Increase in bonus accrual for directors	-	20	20
6 Interest and dividend income	5	259	254
7 Interest expense	1,435	1,216	219
8 Stock issuance costs	350	167	183
9 Gains on sale of fixed assets	1	-	1
10 Loss on revaluation of investments	16	-	16
11 Loss on disposition of fixed assets	24	48	23
12 Impairment losses	-	134	134
13 Gains on sale of investments	-	12	12
14 Trade accounts receivable	223	2,461	2,684
15 Inventory	13	3,671	3,684
16 Long-term prepaid expense	43	645	688
17 Other assets	502	2,879	2,377
18 Trade accounts payable	137	4,510	4,647
19 Other accounts payable	1,989	682	2,670
20 Accrued expenses	3,056	3,434	6,490
21 Others	23	87	110
Subtotal	18,629	6,661	11,968
22 Interest and dividend received	5	166	160
23 Interest paid	1,437	1,221	216
24 Payments on interest rate cap	-	1,212	1,212
25 Payments of income taxes	11	5,798	5,786
Net cash provided by (used in) operating activities	17,186	1,404	18,590
Cash flows from investing activities			
1 Payments for purchase of investment securities	2,107	1,725	382
2 Proceeds from sale of investment securities	-	363	363
3 Payments for investments in non-consolidated subsidiaries	28	-	28
4 Purchase of tangible fixed assets	5,952	15,886	9,934
5 Purchase of intangible assets	919	3,087	2,168
6 Others	3	-	3
Net cash used in investing activities	9,003	20,335	11,332
Cash flows from financing activities			
1 Repayments of capital lease obligations	5,196	3,258	1,938
2 Repayments of installment obligations	172	28	145
3 Proceeds from long-term debt	6,000	-	6,000
4 Repayments of long-term debt	2,260	3,200	940
5 Payments for commission on commitment line	6,000	-	6,000
6 Proceeds from stock issuance, net	2,309	1,253	1,056
7 Proceeds of capital increase from minority shareholders of EMOBILE	52,515	34,223	18,292
8 Payments for additional acquisition of EMOBILE stock	-	1,199	1,199
9 Payments for stock issuance by EMOBILE	157	39	119
10 Dividends paid	1,638	3,743	2,105
Net cash provided by financing activities	45,401	24,010	21,391
Net change in cash and cash equivalents	53,583	2,272	51,312
Cash and cash equivalents at beginning of period	104,770	158,654	53,884
Net change in cash and cash equivalents due to a newly consolidated subsidiary	300	-	300
Cash and cash equivalents at end of period	158,654	160,926	2,272