

## FINANCIAL RESULTS

### 【 Consolidated Financial Statements 】

- Fiscal Year Ended March 31, 2008 -

#### 1. Consolidated Balance Sheets

(in million yen,%)

	Prior year End (As of March 31, 2007)		Current Year End (As of March 31, 2008)		Change
	Amount	%	Amount	%	Increase/ (Decrease)
<b>(ASSETS)</b>					
<b>Current assets</b>					
1 Cash and cash equivalents	160,926		40,119		(120,807)
2 Accounts receivable	7,913		14,412		6,499
3 Short-term investments	-		7,500		7,500
4 Inventories	3,711		236		(3,475)
5 Advance payments	-		5,756		5,756
6 Deferred income taxes	280		1,097		817
7 Other current assets	6,245		1,599		(4,646)
Allowance for bad debt	(1)		(1)		(0)
Total current assets	179,073	75.3	70,717	58.2	(108,356)
<b>Fixed assets</b>					
1 Tangible fixed assets					
(1) Machinery and equipment	38,925		35,070		
Accumulated depreciation	(26,011)	12,914	(24,260)	10,811	(2,103)
(2) Wireless telecommunications equipment	18,232		-		
Accumulated depreciation	(252)	17,979	-	-	(17,979)
(3) Land	-		307		307
(4) Construction in progress	4,751		200		(4,551)
(5) Other tangible fixed assets	5,072		4,008		
Accumulated depreciation	(2,888)	2,185	(2,877)	1,132	(1,053)
Total tangible fixed assets	37,829	15.9	12,449	10.2	(25,380)
2 Intangible assets					
(1) Goodwill	644		257		(387)
(2) Software	7,832		2,034		(5,798)
(3) Construction in progress	1,285		47		(1,238)
(4) Other intangible assets	47		1		(46)
Total intangible assets	9,808	4.1	2,340	1.9	(7,469)
3 Investments and other assets					
(1) Investment securities	2,554		6,575		4,021
(2) Affiliated company stock	-		27,441		27,441
(3) Long-term prepaid expenses	6,125		7		(6,118)
(4) Deferred income taxes	1,399		1,363		(36)
(5) Others	1,049		699		(350)
Total intangible assets	11,127	4.7	36,085	29.7	24,958
Total fixed assets	58,764	24.7	50,874	41.8	(7,891)
<b>TOTAL ASSETS</b>	<b>237,837</b>	<b>100.0</b>	<b>121,590</b>	<b>100.0</b>	<b>(116,247)</b>

# **Consolidated Balance Sheets (Continued)**

(in million yen,%)

	Prior year End (As of March 31, 2007)		Current Year End (As of March 31, 2008)		Change
	Amount	%	Amount	%	Increase/ (Decrease)
<b>(LIABILITIES)</b>					
<b>Current liabilities</b>					
1 Trade accounts payable	5,268		6,554		1,286
2 Current portion of Long-term debt	2,590		1,300		(1,290)
3 Other accounts payable	23,460		1,436		(22,024)
4 Accrued expenses	6,921		4,933		(1,988)
5 Income taxes payable	2,581		4,137		1,556
6 Current portion of capital lease obligations	1,325		-		(1,325)
7 Current portion of installment obligations	247		-		(247)
8 Bonus accrual for directors	50		19		(31)
9 Other current liabilities	276		780		504
Total current liabilities	42,717	18.0	19,158	15.8	(23,559)
<b>Long-term liabilities</b>					
1 Bonds	83,000		83,000		-
2 Long-term debt	1,300		-		(1,300)
3 Capital lease obligations, less current portion	183		-		(183)
4 Installment obligations, less current portion	1,254		-		(1,254)
5 Interest swap	1,161		-		(1,161)
Total long-term liabilities	86,898	36.5	83,000	68.3	(3,898)
<b>TOTAL LIABILITIES</b>	<b>129,616</b>	<b>54.5</b>	<b>102,158</b>	<b>84.0</b>	<b>(27,458)</b>

# **Consolidated Balance Sheets (Continued)**

(in million yen,%)

	Prior year End (As of March 31, 2007)		Current Year End (As of March 31, 2008)		Change
	Amount	%	Amount	%	Increase/ (Decrease)
<b>(NET ASSETS)</b>					
<b>Owners' equity</b>					
1 Common stock	17,034		17,101		67
2 Capital surplus	5,685		5,751		67
3 Retained earnings	10,180		684		(9,496)
4 Treasury stock	-		(3,000)		(3,000)
Total owners' equity	32,898	13.8	20,536	16.9	(12,362)
<b>Valuation and translation adjustments</b>					
1 Valuation difference on investment securities	(668)		(987)		(319)
2 Deferred hedge gain and loss	(1,096)		(721)		376
Total valuation and translation adjustments	(1,765)	(0.7)	(1,708)	(1.4)	57
<b>Stock purchase warrants</b>	2	0.0	2	0.0	-
<b>Minority interests</b>	77,087	32.4	603	0.5	(76,484)
<b>TOTAL NET ASSETS</b>	108,222	45.5	19,433	16.0	(88,789)
<b>TOTAL LIABILITIES AND NET ASSETS</b>	237,837	100.0	121,590	100.0	(116,247)

## 2. Consolidated Statements of Operations

(in million yen%)

	For the year ended (March 31, 2007)			For the year ended (March 31, 2008)			Change
	Amount		%	Amount		%	Increase/ (Decrease)
<b>Revenue</b>		56,250	100.0		67,564	100.0	11,314
<b>Cost of revenue</b>		31,767	56.5		41,853	61.9	10,086
<b>Gross profit</b>		24,483	43.5		25,711	38.1	1,228
<b>Selling, general and administrative expenses</b>							
1 Advertising	915			119			
2 Sales promotion	4,044			5,909			
3 Salaries and benefits	4,114			1,950			
4 Rent	1,486			616			
5 Outsourcing	6,549			4,842			
6 Network usage	131			11			
7 Depreciation	382			179			
8 Amortization	854			971			
9 Research and development	2,568			2,303			
10 Others	2,390	23,434	41.7	1,719	18,620	27.6	(4,814)
<b>Operating profit</b>		1,049	1.9		7,092	10.5	6,042
<b>Other income</b>							
1 Interest income	190			197			
2 Dividend income	69			73			
3 Other income	10	268	0.5	55	325	0.5	57
<b>Other expenses</b>							
1 Interest expense	1,216			1,969			
2 Commission expense	1,484			286			
3 Stock issuance costs	167			1			
4 Equity in net losses of affiliates	-			13,506			
5 Others	14	2,882	5.1	20	15,782	23.4	12,900
<b>Recurring loss</b>		(1,564)	(2.8)		(8,365)	(12.4)	(6,801)
<b>Non-recurring profit</b>							
1 Gains on sale of investments	12			30			
2 Reversal of allowance for bad debt	1			-			
3 Gains on sale of subsidiary company stocks	-			4,641			
4 Gains from forfeiture of interest swap	-	12	0.0	420	5,091	7.5	5,078
<b>Non-recurring loss</b>							
1 Loss on disposition of fixed assets	48			98			
2 Extraordinary depreciation of intangible assets	-			69			
3 Loss on write-down of investment securities	-			25			
4 Impairment losses	134	181	0.3	-	191	0.3	10
<b>Loss before income taxes and minority interests</b>		(1,733)	(3.1)		(3,465)	(5.1)	(1,732)
<b>Income tax expense-current</b>	4,303			6,041			
<b>Income tax expense-deferred</b>	290	4,593	8.2	(545)	5,496	8.1	903
<b>Minority interest</b>		7,235	12.9		2,610	3.9	(4,626)
<b>Net income/(loss)</b>		909	1.6		(6,351)	(9.4)	(7,261)

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

For the year ended March 31, 2008

(in million yen)

	OWNERS' EQUITY				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total owners' equity
<b>Balance at March 31, 2007</b>	17,034	5,685	10,180	-	32,898
<b>Change of items during the period</b>					
Proceeds from stock issuance, net	67	67			134
Cash dividends			(3,144)		(3,144)
Net loss			(6,351)		(6,351)
Purchase of treasury stock				(3,000)	(3,000)
Net changes of items other than owners' equity					
<b>Total changes of items during the period</b>	67	67	(9,496)	(3,000)	(12,362)
<b>Balance at March 31, 2008</b>	17,101	5,751	684	(3,000)	20,536

	Valuation and translation adjustments			Subscription rights to shares	Minority interest	Total net assets
	Valuation difference on investment securities	Loss on deferred hedge	Total			
<b>Balance at March 31, 2007</b>	(668)	(1,096)	(1,765)	2	77,087	108,222
<b>Change of items during the period</b>						
Proceeds from stock issuance, net						134
Cash dividends						(3,144)
Net loss						(6,351)
Purchase of treasury stock						(3,000)
Net changes of items other than owners' equity	(319)	376	57	-	(76,484)	(76,427)
<b>Total changes of items during the period</b>	(319)	376	57	-	(76,484)	(88,789)
<b>Balance at March 31, 2008</b>	(987)	(721)	(1,708)	2	603	19,433

#### 4. Consolidated Statements of Cash Flows

(in million yen)

	For the year ended (March 31, 2007)	For the year ended (March 31, 2008)	Change
	Amount	Amount	Increase/ (Decrease)
Cash flows from operating activities			
1 Loss before income taxes and minority interests	(1,733)	(3,465)	(1,732)
2 Depreciation	8,286	7,108	(1,178)
3 Amortization of intangible assets	1,107	1,274	167
4 Extraordinary depreciation of intangible assets	-	69	69
5 Impairment losses	134	-	(134)
6 Bad debt expense	(6)	0	7
7 Bonus accrual for directors	20	(31)	(51)
8 Interest and dividend income	(259)	(270)	(11)
9 Interest expense	1,216	1,969	753
10 Stock issuance costs	167	1	(167)
11 Equity in net losses of affiliates	-	13,506	13,506
12 Adjustments for unrealized profit	-	877	877
13 Gain on sale of investments	(12)	(30)	(18)
14 Gains on sale of EMOBILE stocks	-	(4,641)	(4,641)
15 Gains from forfeiture of interest swap	-	(420)	(420)
16 Loss on disposition of fixed assets	-	98	98
17 Loss on write-down of investment securities	-	25	25
18 Trade accounts receivable	(2,461)	(7,145)	(4,684)
19 Inventory	(3,671)	(1,925)	1,746
20 Advance payments	-	(5,756)	(5,756)
21 Other current assets	(2,639)	(791)	1,848
22 Investments and other assets	(886)	33	919
23 Trade accounts payable	4,510	2,352	(2,158)
24 Other accounts payable	(682)	(926)	(244)
25 Accrued expenses	3,434	(1,098)	(4,533)
26 Others	135	152	17
Subtotal	6,661	964	(5,697)
27 Interest and dividend received	166	256	90
28 Interest paid	(1,221)	(1,727)	(507)
29 Payments on interest rate cap	(1,212)	-	1,212
30 Payments of income taxes	(5,798)	(4,364)	1,434
Net cash used in operating activities	(1,404)	(4,872)	(3,468)
Cash flows from investing activities			
1 Payments for purchase of investment securities	(1,725)	(4,792)	(3,067)
2 Proceeds from sale of investment securities	363	230	(133)
3 Proceeds from sales of investment in EMOBILE results in charge in scope of consolidation	-	(71,154)	(71,154)
4 Purchase of affiliated company stock	-	(10,025)	(10,025)
5 Proceeds from capital reduction of affiliated company stock	-	9,935	9,935
6 Purchase of tangible fixed assets	(15,886)	(16,441)	(555)
7 Purchase of intangible assets	(3,087)	(5,428)	(2,342)
8 Proceeds from sale of tangible fixed assets	-	206	206
9 Proceeds from sale of intangible assets	-	109	109
Net cash used in investing activities	(20,335)	(97,361)	(77,026)
Cash flows from financing activities			
1 Repayments of capital lease obligations	(3,258)	(1,325)	1,933
2 Repayments of installment obligations	(28)	(150)	(123)
3 Repayments of long-term obligations	(3,200)	(2,590)	610
4 Proceeds from stock issuance, net	1,253	133	(1,120)
5 Proceeds from minority interest shareholders	34,223	551	(33,672)
6 Purchase of treasury stock	-	(3,000)	(3,000)
7 Payments for additional acquisition of EMOBILE stock	(1,199)	-	1,199
8 Payments for stock issuance by EMOBILE	(39)	-	39
9 Payments for change in condition for commitment line	-	(605)	(605)
10 Payments for forfeiture of interest swap	-	(964)	(964)
11 Dividends paid	(3,743)	(3,125)	619
Net cash provided by (used in) financing activities	24,010	(11,074)	(35,084)
Net change in cash and cash equivalents	2,272	(113,307)	(115,578)
Cash and cash equivalents at beginning of period	158,654	160,926	2,272
Cash and cash equivalents at end of period	160,926	47,619	(113,307)