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# First Quarter Flash Financial Report for Fiscal Year Ended March 31, 2008

August 15, 2007

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(Figures rounded down to the nearest million yen)

## 1. Consolidated results for the first quarter of the fiscal year ended March 31, 2008 (April 1, 2007 to June 30, 2007)

### (1) Consolidated results of operations (% comparison to previous year)

	Net Sales		Operating Profit		Ordinary Income		Net Income (This quarter)	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Q1 for year ending March 2008	946	1.9	(194)	—	(170)	—	(149)	—
Q1 for year ending March 2007	928	(23.9)	(195)	—	(197)	—	(192)	—
Fiscal year ending March 2007	3,996	(19.2)	(621)	—	(599)	—	(1,272)	—

	Net Income per Share	Fully Diluted Net Income per Share
	Yen	Yen
Q1 for year ending March 2008	(668.39)	—
Q1 for year ending March 2007	(858.07)	—
Fiscal year ending March 2007	(5,670.57)	—

### (2) Consolidated financial status

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity per Share
	Million yen	Million yen	%	Yen
Q1 for year ending March 2008	4,401	2,344	52.8	10,364.37
Q1 for year ending March 2007	5,133	3,598	70.1	16,049.08
Fiscal year ending March 2007	4,579	2,499	53.7	10,964.11

### (3) Consolidated Cash Flow Status

	Cash Flow from Operations	Cash Flow from Investing	Cash Flow from Financing	Cash and Cash Equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Q1 for year ending March 2008	26	(193)	(66)	1,411
Q1 for year ending March 2007	86	(286)	1	1,674
Fiscal year ending March 2007	(43)	(910)	675	1,609

## 2. Dividends

(Date)	Dividends per Share
	End of First Quarter
	Yen
Q1 for year ending March 2007	—
Q1 for year ending March 2008	—
Fiscal year ending March 2007	—

## 3. Forecast for consolidated results for the period ending March 2008 (April 1, 2007 to March 31, 2008)

The provisioning of mobile communications networks from mobile communications carriers is a core component of all mobile communication services offered by the JCI Group (hereafter "our Group"). These provisioning activities have a strong influence on earnings. Given this, it is extremely difficult to provide a reliable earnings forecast for both the half and full-year periods. Therefore, a full year earnings forecast for the fiscal year ending March 2008 will be announced as soon as the estimates can be made.

## 4. Other

- (1) Change of reporting entities (Change in condition of significant consolidated subsidiaries): None
- (2) Quarterly consolidated financial statement preparation standard: Interim consolidated financial statement standard
- (3) Change in accounting method from the latest consolidated fiscal year: None
- (4) Participation of outside auditor: None

## 5. Non-consolidated results (April 1, 2007 to June 30, 2007)

## (1) Non-consolidated results of operations

(% comparison to previous year)

	Net Sales		Operating Profit		Ordinary Income		Net Income (This quarter)	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Q1 for year ending March 2008	936	1.1	(38)	—	(9)	—	(10)	—
Q1 for year ending March 2007	926	(24.1)	(78)	—	(80)	—	(81)	—
Fiscal year ending March 2007	3,991	(19.3)	(72)	—	(52)	—	(876)	—

	Net Income per Share
	Yen
Q1 for year ending March 2008	(48.12)
Q1 for year ending March 2007	(363.97)
Fiscal year ending March 2007	(3,908.49)

## (2) Non-consolidated financial status

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity per Share
	Million yen	Million yen	%	Yen
Q1 for year ending March 2008	4,967	2,957	59.3	13,118.26
Q1 for year ending March 2007	5,254	3,709	70.6	16,544.50
Fiscal year ending March 2007	4,990	2,945	58.8	13,067.03

Qualitative statements / Financial statements, etc.

1. Qualitative information relating to consolidated results of operations

Our Group is focused on the following short and medium term business challenges

- (1) The enlargement of our PHS MVNO business
- (2) The provisioning of a 3G network to establish a 3G MVNO
- (3) Building our MVNO operations in the United States

First quarter earnings from the enterprise service and equipment manufacturer service (Telecom Battery) of our Group's PHS MVNO business increased over the same period last year. However, earnings from consumer products decreased sharply. This resulted from a request from the National Police Agency to JCI and major retailers in May of this year to implement a user registration system for "b-mobile", the brand under which our consumer products are sold through PC volume retailers. Retailers responded to this request by suspending sales of b-mobile altogether, leading to this decrease in earnings. As agreed through consultation with the National Police Agency, JCI implemented a user registration system for b-mobile by the end of June, and retailers resumed sales of the brand. However, it is estimated that the sales suspension caused at least a 100 million yen loss in sales revenues.

For enterprise services and equipment manufacturer services (Telecom Battery), emphasis has been placed on the cultivation of sales partners. Indeed, the sales activities of multiple partners that commenced during this quarter are already contributing to earnings. In particular, for the Telecom Battery, we are exploring opportunities with partners for joint-projects that leverage the know-how accumulated from our activities in the field of image transmission equipment.

With regards to the provisioning of a 3G network, JCI had been in negotiations with NTT DoCoMo (hereafter DoCoMo) since last fiscal year, but these negotiations have failed to result in an agreement. While unfortunate, given the current national interest in the MVNO business model and to encourage and facilitate the attempts of new entrants to enter the market, it was felt that action had to be taken on this issue. Therefore, on July 9, JCI submitted a request for adjudication to the Minister of Internal Affairs and Communication.

DoCoMo's 3G network is the most advanced in the world, let alone Japan. JCI would be able to offer a range of services on this network, to the great advantage of consumers, DoCoMo itself, and JCI. Given this, it is JCI's intention to achieve agreement with DoCoMo as soon as possible.

In the US, our Group concluded an interconnection agreement with the sixth largest mobile communications provider in the US, US Cellular, on April 20 of this year and the resulting network is now under construction. This interconnection is based upon the same connection configuration and billing structures as those sought from DoCoMo and other mobile communications providers, thus ensuring that the technology, skills and know-how that JCI has accumulated through operating as a PHS MVNO since 2001 can be leveraged to maximum effect.

US sales are focused on equipment manufacturers, and as of August 2007, service agreements have been reached with a major mortgage brokerage and a restaurant chain. Both of these entities have commenced service trials. At present, due to operating costs and other expenses, US operations are making a loss, however every effort is being made to ensure that the business achieves break-even as soon as possible.

As a result of the above, net sales for the first quarter of this fiscal year totaled 946 million yen, a 18 million yen (1.9%) increase over the same period last year. Of this, sales of data communication services totaled 618 million yen, a decrease of 21 million yen over the same period last year. We are striving to improve this figure through the efforts detailed above. Further, due to a change in the accounting standard implemented during FY06, net sales for JCI's telecom service for the same period in that year were 146 million yen less than the same period in FY05.

Gross profit for the quarter was 263 million yen, a decrease of 60 million yen as compared with the same period last year. This was caused by numerous factors, including an increase in cost of goods sold resulting from increased telecom service sales, the increased proportion of data communication service sales arising from cost intensive 3G services (costs are high because JCI has not yet established an interconnection with a 3G carrier and thus cannot offer service as an MVNO), the fixed costs faced by a PHS MVNO and the fact that decreased earnings are linked to decreased profit.

Following restructuring in October 2006, as well as through thorough cost control, non-consolidated Sales, General and Administrative expenses (SG&A) fell by 100 million yen as compared with the same period last fiscal year. However, due to cost increases accruing from efforts to develop our US business, consolidated Sales, General and Administrative expenses totaled 457 million yen, a decrease of 62 million yen over the same period last fiscal year.

Consolidated operating profit totaled 194 million yen, a figure approximately equal to the same period last fiscal year. This result is not only from the fact that our US business is not yet fully operational but also from the decrease in non-consolidated earnings detailed above, which led to a non-consolidated operating loss of 38 million yen.

Operating profit, of which 24 million yen was in foreign exchange gains, totaled 170 million yen, a 27 million yen increase over the same period last fiscal year. Net income for the current period increased by 42 million yen to a 149 million yen loss, while net income per share was a loss of 668.39 yen.

## 2. Qualitative Progress Reports on Results of Operations (Consolidated)

### Cash flow from Operations:

While net income before taxes for this quarter was a loss of 170 million yen, amortization of 125 million yen, coupled with decreases to accounts receivable and increases to accounts payable, led to an increase in capital of 26 million yen.

### Cash flow from Investing:

Total capital invested this quarter amounted to 193 million yen. This was used on the development of a new USB-type data communications terminal, upgrading and otherwise reinforcing network equipment and on the development of software for use in data communication.

### Cash flow from Financing:

A scheduled payment of 66 million yen was paid to our bank in service of a long-term loan.

Further, in accordance with a resolution of the General Shareholders Meeting, 914 million yen of capital reserve was transferred to retained earnings during this quarter.

## 3.Consolidated financial statements

## (1) Consolidated balance sheet

(Thousand yen)

	Same Quarter Previous Year (Q1 for FY ending March 2007)	Current Quarter (Q1 for FY ending March 2008)	Change from Previous Year		Previous FY (FY ending March 2007 for reference)
	Amount	Amount	Amount	Percentage	Amount
<b>Assets</b>					
<b>I Current assets</b>					
Cash and equivalents	1,201,948	831,289	(370,658)	(30.8)	1,010,125
Accounts receivable-trade	439,655	419,677	(19,978)	(4.5)	508,451
Marketable securities	472,197	579,792	107,594	22.8	599,631
Merchandise	47,760	56,651	8,891	18.6	63,163
Inventory	215,339	97,529	(117,809)	(54.7)	45,909
Accounts receivable-other	0	171	171	—	104
Other	181,313	104,315	(76,998)	(42.5)	117,222
Allowance for doubtful accounts	(1,000)	(1,000)	—	—	(1,000)
<b>Total current assets</b>	<b>2,557,216</b>	<b>2,088,428</b>	<b>(468,787)</b>	<b>(18.3)</b>	<b>2,343,608</b>
<b>II Fixed assets</b>					
<b>1 Tangible fixed assets</b>					
Building and related	19,448	16,147	(3,300)	(17.0)	16,849
Vehicles	2,785	1,858	(926)	(33.3)	2,012
Tools, furniture and equipment	231,695	227,145	(4,549)	(2.0)	205,258
Mobile devices	56,084	60,284	4,199	7.5	68,000
<b>Tangible fixed assets total</b>	<b>310,013</b>	<b>305,436</b>	<b>(4,577)</b>	<b>(1.5)</b>	<b>292,121</b>
<b>2 Intangible fixed assets</b>					
Trademarks	3,127	3,689	561	18.0	3,638
Patents	2,108	2,571	463	22.0	2,604
Telephone subscriber rights	1,294	1,294	—	—	1,294
Software	629,981	1,222,922	592,940	94.1	1,004,778
Temporary software account	1,066,473	630,086	(436,387)	(40.9)	797,871
Consolidated adjustment account	453,841	—	(453,841)	—	—
<b>Intangible fixed asset total</b>	<b>2,156,826</b>	<b>1,860,563</b>	<b>(296,263)</b>	<b>(13.7)</b>	<b>1,810,187</b>
<b>3 Investments and other assets</b>					
Long-term prepaid expense	—	78,511	78,511	—	—
Security deposits	55,493	58,722	3,228	5.8	56,079
Other	37,992	2,727	(35,265)	(92.8)	68,471
Allowance for doubtful accounts	(19)	(291)	(271)	—	(291)
<b>Investments and other assets total</b>	<b>93,466</b>	<b>139,669</b>	<b>46,203</b>	<b>49.4</b>	<b>124,259</b>
<b>Total fixed assets</b>	<b>2,560,306</b>	<b>2,305,669</b>	<b>(254,637)</b>	<b>(9.9)</b>	<b>2,226,568</b>

	Same Quarter Previous Year (Q1 for FY ending March 2007)	Current Quarter (Q1 for FY ending March 2008)	Change from Previous Year		Previous FY (FY ending March 2007 for reference)
	Amount	Amount	Amount	Percentage	Amount
<b>III</b> Deferred assets					
New share issuing expense	16,210	6,947	(9,263)	(57.1)	9,263
Deferred asset total	16,210	6,947	(9,263)	(57.1)	9,263
<b>Total Assets</b>	<b>5,133,734</b>	<b>4,401,045</b>	<b>(732,688)</b>	<b>(14.3)</b>	<b>4,579,441</b>
<b>Liabilities</b>					
<b>I</b> Current liabilities					
Accounts payable	278,018	373,871	95,852	34.5	308,443
Short-term debt	500,000	500,000	—	—	500,000
Short-term portion of long-term debt	—	266,400	266,400	—	266,400
Accounts payable - other	139,352	121,911	(17,440)	(12.5)	91,038
Income taxes payable	4,764	3,952	(811)	(17.0)	9,326
Deferred revenue	496,354	391,523	(104,831)	(21.1)	435,421
Other	116,613	64,605	(52,008)	(44.6)	68,517
<b>Total current liabilities</b>	<b>1,535,104</b>	<b>1,722,263</b>	<b>187,159</b>	<b>12.2</b>	<b>1,679,147</b>
<b>II</b> Fixed liabilities					
Long-term debt	—	333,800	333,800	—	400,400
<b>Total fixed liabilities</b>	<b>—</b>	<b>333,800</b>	<b>333,800</b>	<b>—</b>	<b>400,400</b>
<b>Total liabilities</b>	<b>1,535,104</b>	<b>2,056,063</b>	<b>520,959</b>	<b>33.9</b>	<b>2,079,547</b>
<b>Net assets</b>					
<b>I</b> Shareholders' equity					
Common stock	2,270,697	2,273,300	2,603	0.1	2,273,300
Capital surplus	1,577,232	665,081	(912,151)	(57.8)	1,579,291
Retained earnings (loss)	(225,279)	(540,731)	(315,452)	140.0	(1,304,946)
Treasury stock	(1,741)	(1,741)	—	—	(1,741)
<b>Total shareholders' equity</b>	<b>3,620,909</b>	<b>2,395,908</b>	<b>(1,225,000)</b>	<b>(33.8)</b>	<b>2,545,904</b>
<b>II</b> Valuation and conversion adjustments					
Net unrealized gain on other securities	(17,428)	18,072	35,501	(203.7)	(4,223)
Exchange conversion adjustment	(67,565)	(88,076)	(20,511)	30.4	(81,187)
<b>Total valuation and     conversion adjustments</b>	<b>(84,994)</b>	<b>(70,004)</b>	<b>14,990</b>	<b>(17.6)</b>	<b>(85,411)</b>
<b>III</b> New stock acquisition rights	—	13,477	13,477	—	13,477
<b>IV</b> Minority interests	62,715	5,598	(57,116)	(91.1)	25,922
<b>Total net assets</b>	<b>3,598,629</b>	<b>2,344,981</b>	<b>(1,253,648)</b>	<b>(34.8)</b>	<b>2,499,893</b>
<b>Total liabilities and net assets</b>	<b>5,133,734</b>	<b>4,401,045</b>	<b>(732,688)</b>	<b>(14.3)</b>	<b>4,579,441</b>

## (2) Consolidated income statement

(Thousand yen)

	Same Quarter Previous Year (Q1 for FY ending March 2007)	Current Quarter (Q1 for FY ending March 2008)	Change from Previous Year		Previous FY (FY ending March 2007 for reference)
	Amount	Amount	Amount	Percentage	Amount
I Revenue	928,640	946,665	18,024	1.9	3,996,274
II Cost of sales	604,802	683,292	78,489	13.0	2,678,304
Gross profit	323,838	263,373	(60,464)	(18.7)	1,317,969
III Sales, general and administrative expenses	519,666	457,624	(62,041)	(11.9)	1,939,145
Operating profit (loss)	(195,828)	(194,251)	1,576	—	(621,176)
IV Non-operating profit	8,684	34,277	25,592	294.7	45,660
Interest income	8,342	2,605	(5,737)	(68.8)	13,213
Interest on securities	—	6,807	6,807	—	25,356
Foreign exchange gain	—	24,657	24,657	—	4,516
Other	341	206	(135)	(39.6)	2,574
V Non-operating expense	10,768	10,461	(307)	(2.9)	23,658
Interest expense	931	4,367	3,436	369.0	11,525
Foreign exchange loss	7,001	—	(7,001)	—	—
New share expense amortization	2,315	2,315	—	—	9,263
Loss on sale of securities	520	—	(520)	—	2,199
Other	0	3,778	3,778	—	670
Ordinary income (loss)	(197,912)	(170,436)	27,476	—	(599,173)
VI Extraordinary loss	5,744	—	(5,744)	—	732,372
Loss on disposal of fixed assets	—	—	—	—	205,064
Consolidated adjustment account depreciation	5,744	—	(5,744)	—	—
Impairment loss	—	—	—	—	429,653
Loss on change in equity	—	—	—	—	7,209
One time restructuring change	—	—	—	—	90,444
Net income before taxes (loss)	(203,657)	(170,436)	33,221	—	(1,331,546)
Corporate, residence and business taxes	1,452	1,557	105	7.2	5,810
Minority interest gain (loss)	12,729	(21,997)	(9,268)	—	(65,309)
Net income (loss)	(192,380)	(149,996)	42,384	—	(1,272,046)

## (3) Statement of changes in consolidated shareholders' equity

Previous consolidated first quarter (April 1, 2006 to June 30, 2006)

(Thousand yen)

	Shareholder's equity					Total valuation and conversion adjustments	New stock reservation rights	Minority interest	Total net assets
	Common stock	Capital surplus	Earned surplus	Treasury stock	Total shareholders' equity				
Balance as of March 31, 2006	2,269,710	1,576,246	(32,899)	(1,741)	3,811,316	(77,606)	—	89,404	3,823,114
Changes during the first quarter									
Exercise of stock options	986	986			1,973				1,973
Net loss			(192,380)		(192,380)				(192,380)
Changes other than to shareholders' equity during the first quarter (net amount)						(7,338)		(26,289)	(34,077)
Total changes during the first quarter	986	986	(192,380)	—	(190,407)	(7,338)	—	(26,289)	(224,485)
Balance as of June 30, 2006	2,270,697	1,577,232	(225,279)	(1,741)	3,620,909	(84,994)	—	62,715	3,598,629

Current consolidated first quarter (April 1, 2007 to June 30, 2007)

(Thousand yen)

	Shareholder's equity					Total valuation and conversion adjustments	New stock reservation rights	Minority interest	Total net assets
	Common stock	Capital surplus	Earned surplus	Treasury stock	Total shareholders' equity				
Balance as of March 31, 2007	2,273,300	1,579,291	(1,304,946)	(1,741)	2,545,904	(85,411)	13,477	25,922	2,499,893
Changes during the first quarter									
Transfer of capital surplus		(914,210)	914,210		—				—
Net loss			(149,996)		(149,996)				(149,996)
Changes other than to shareholders' equity during the first quarter (net amount)						15,407		(20,323)	(4,916)
Total changes during the first quarter	—	(914,210)	764,214	—	(149,996)	15,407	—	(20,323)	(154,912)
Balance as of June 30, 2007	2,273,300	665,081	(540,731)	(1,741)	2,395,908	(70,004)	13,477	5,598	2,344,981

Previous consolidated fiscal year (From April 1, 2006 to March 31, 2007)

(Thousand yen)

	Shareholder's equity					Total valuation and conversion adjustments	New stock reservation rights	Minority interest	Total net assets
	Common stock	Capital surplus	Earned surplus	Treasury stock	Total shareholders' equity				
Balance as of March 31, 2006	2,269,710	1,576,246	(32,899)	(1,741)	3,811,316	(77,606)	1,419	89,404	3,824,533
Changes during the consolidated fiscal year									
New stock issuance	3,590	3,045			6,635				6,635
Net loss			(1,272,046)		(1,272,046)				(1,272,046)
Changes other than to shareholders' equity during the consolidated fiscal year (net amount)						(7,805)	12,058	(63,482)	(59,228)
Total changes during the consolidated fiscal year	3,590	3,045	(1,272,046)	—	(1,265,411)	(7,805)	12,058	(63,482)	(1,324,640)
Balance as of March 31, 2007	2,273,300	1,579,291	(1,304,946)	(1,741)	2,545,904	(85,411)	13,477	25,922	2,499,893

## (4) Consolidated cash flow statement

(Thousand yen)

	Same Quarter Previous Year (Q1 for FY ending March 2007)	Current Quarter (Q1 for FY ending March 2008)	Previous FY (FY ending March 2007 for reference)
	Amount	Amount	Amount
<b>I Cash flow from operations</b>			
Net income (loss) before taxes and other	(190,928)	(170,436)	(1,331,546)
Tangible fixed asset depreciation expense	33,506	32,767	132,148
Intangible fixed asset depreciation expense	48,148	84,637	257,517
Amortization of prepaid expenses	—	218	—
Amortization of consolidated adjustment account	5,744	—	—
Amortization of goodwill	—	—	22,979
Interest and dividend income	(8,342)	(2,605)	(13,213)
Interest income on securities	—	(6,807)	(25,356)
Interest expense	931	4,367	11,525
Loss on disposal of fixed assets	—	6,017	205,064
Impairment loss	—	—	429,653
Foreign exchange gain (loss)	31,500	(24,456)	(4,600)
New share issuance expense amortization	2,315	2,315	9,263
Loss on sale of marketable securities	—	—	2,199
Increase (decrease) in notes and accounts receivable	261,738	88,784	171,423
Increase (decrease) in inventory	74,875	(44,258)	228,957
Increase (decrease) in trade payables	(9,536)	64,610	20,366
Increase (decrease) in deferred revenue	(71,602)	(44,479)	(132,535)
Increase (decrease) in accrued assumption tax	—	(3,905)	10,447
Other	(91,921)	45,100	(56,691)
Subtotal	86,428	31,870	(62,397)
Net receipts from interest and dividends	8,342	6,807	38,569
Net interest paid	(931)	(5,915)	(13,905)
Corporate and other income taxes paid or refunded (paid)	(7,262)	(5,915)	(5,810)
Net cash flow from operations	86,577	26,846	(43,543)
<b>II Cash flow from investing</b>			
Purchase of tangible fixed assets	(28,358)	(46,779)	(111,524)
Purchase of intangible fixed assets	(250,440)	(131,679)	(777,045)
Security deposit payments	(2,197)	(2,357)	(2,626)
Other	(5,409)	(12,357)	(19,446)
Net cash flow from investing	(286,406)	(193,173)	(910,641)

	Same Quarter Previous Year (Q1 for FY ending March 2007)	Current Quarter (Q1 for FY ending March 2008)	Previous FY (FY ending March 2007 for reference)
	Amount	Amount	Amount
<b>III</b> Cash flow from financing			
Proceeds from long-term debt	—	—	800,000
Expense from repayment of long-term debt	—	(66,600)	(133,200)
Proceeds from issuance of common stock	1,973	—	8,281
Net cash flow from financing	1,973	(66,600)	675,081
<b>IV</b> Effect of exchange rate changes on cash and cash equivalents	(13,131)	34,251	3,725
<b>V</b> Net increase in cash and cash equivalents	(210,987)	(198,674)	(275,377)
<b>VI</b> Cash and cash equivalents at beginning of period	1,885,134	1,609,756	1,885,134
<b>VII</b> Cash and cash equivalents at end of period	1,674,146	1,411,082	1,609,756

4. Non-consolidated financial statements  
(1) Non-consolidated balance sheet

(Thousand yen)

	Same Quarter Previous Year (Q1 for FY ending March 2007)	Current Quarter (Q1 for FY ending March 2008)	Change from Previous Year		Previous FY (FY ending March 2007 for reference)
	Amount	Amount	Amount	Percentage	Amount
<b>Assets</b>					
<b>I Current assets</b>					
Cash and equivalents	798,791	656,430	(142,361)	(17.8)	791,648
Accounts receivable - trade	436,783	428,230	(8,552)	(2.0)	513,650
Marketable securities	472,197	532,236	60,038	12.7	503,132
Merchandise	52,776	29,328	(23,447)	(44.4)	36,774
Inventory	215,339	97,148	(118,190)	(54.9)	45,501
Advanced payments	86,978	65,127	(21,851)	(25.1)	46,133
Prepaid expenses	138,054	101,826	(36,227)	(26.2)	109,589
Accounts receivable - other	0	171	171	—	421
Accounts receivable – affiliated companies	10,490	57,360	46,870	446.8	60,293
Short-term loans to affiliates	—	24,652	24,652	—	118,050
Other	432	459	26	6.1	203
Allowance for doubtful accounts	(1,000)	(1,000)	—	—	(1,000)
<b>Total current assets</b>	<b>2,210,846</b>	<b>1,991,972</b>	<b>(218,873)</b>	<b>(9.9)</b>	<b>2,224,398</b>
<b>II Fixed assets</b>					
<b>1 Tangible fixed assets</b>					
Buildings and related facilities	19,448	16,147	(3,300)	(17.0)	16,849
Vehicles	2,785	1,858	(926)	(33.3)	2,012
Tools, furniture and equipment	99,278	103,228	3,949	4.0	83,812
Mobile devices	56,084	60,284	4,199	7.5	68,000
<b>Total tangible fixed assets</b>	<b>177,596</b>	<b>181,519</b>	<b>3,922</b>	<b>2.2</b>	<b>170,675</b>
<b>2 Intangible fixed assets</b>					
Trademarks	3,127	3,061	(65)	(2.1)	3,023
Patents	1,554	1,342	(211)	(13.6)	1,395
Telephone subscriber lines	1,294	1,294	—	—	1,294
Software	589,698	1,156,973	567,275	96.2	921,651
Software in progress	1,187,362	759,531	(427,830)	(36.0)	951,251
<b>Total intangible fixed assets</b>	<b>1,783,035</b>	<b>1,922,203</b>	<b>139,167</b>	<b>7.8</b>	<b>1,878,616</b>
<b>3 Deferred assets</b>					
Investment in securities	2,707	—	(2,707)	—	—
Affiliated company stock	700,000	257,877	(442,122)	(63.2)	257,877
Long-term loans to affiliates	276,576	496,687	220,111	79.6	342,345
Bankruptcy claims, etc.	19	19	—	—	19
Long-term prepaid expenses	33,652	57,274	23,622	70.2	54,406

	Same Quarter Previous Year (Q1 for FY ending March 2007)	Current Quarter (Q1 for FY ending March 2008)	Change from Previous Year		Previous FY (FY ending March 2007 for reference)
	Amount	Amount	Amount	Percentage	Amount
Security deposits	53,610	50,238	(3,372)	(6.3)	50,392
Other	—	2,707	2,707	—	2,707
Loan loss reserve	(19)	(291)	(271)	—	(291)
Total investments and other assets	1,066,545	864,513	(202,031)	(18.9)	707,457
Total fixed assets	3,027,178	2,968,236	(58,942)	(1.9)	2,756,749
<b>III Deferred assets</b>					
New share issuance expense	16,210	6,947	(9,263)	(57.1)	9,263
Total deferred assets	16,210	6,947	(9,263)	(57.1)	9,263
Total assets	5,254,235	4,967,156	(287,079)	(5.5)	4,990,411
<b>Liabilities</b>					
<b>I Current liabilities</b>					
Accounts payable	254,545	364,942	110,396	43.4	292,558
Short-term debt	500,000	500,000	—	—	500,000
Current portion of long- term debt	—	266,400	266,400	—	266,400
Accounts payable - other	188,737	121,335	(67,402)	(35.7)	113,798
Corporate and other taxes payable	4,764	3,952	(811)	(17.0)	9,320
Deferred revenue	496,354	389,533	(106,821)	(21.5)	432,516
Consumption tax payable	7,045	6,542	(503)	(7.1)	10,447
Deposits received	20,051	23,256	3,204	16.0	19,063
Share purchase rights	1,419	—	(1,419)	—	—
Other	71,601	1	(71,599)	(100)	10
Total current liabilities	1,544,519	1,675,963	131,444	8.5	1,644,116
<b>II Fixed liabilities</b>					
Long-term debt	—	333,800	333,800	—	400,400
Total fixed liabilities	—	333,800	333,800	—	400,400
Total liabilities	1,544,519	2,009,763	465,244	30.1	2,044,516
<b>Net assets</b>					
<b>I Shareholders' equity</b>					
Capital stock	2,270,697	2,273,300	2,603	0.1	2,273,300
Capital surplus	1,577,232	665,081	(912,151)	(57.8)	1,579,291
Retained earnings	(119,043)	(10,798)	108,244	(90.9)	(914,210)
Treasury stock	(1,741)	(1,741)	—	—	(1,741)
Total shareholders' equity	3,727,145	2,925,842	(801,303)	(21.5)	2,936,640
<b>II Valuation and conversion adjustments</b>					
Unrealized gain on marketable securities	(17,428)	18,072	35,501	(203.7)	(4,223)

	Same Quarter Previous Year (Q1 for FY ending March 2007)	Current Quarter (Q1 for FY ending March 2008)	Change from Previous Year		Previous FY (FY ending March 2007 for reference)
	Amount	Amount	Amount	Percentage	Amount
Total valuation and conversion adjustments	(17,428)	18,072	35,501	(203.7)	(4,223)
Ⅲ New stock acquisition rights	—	13,477	13,477	—	13,477
Total net assets	3,709,716	2,957,392	(752,324)	(20.3)	2,945,894
Total liabilities and net assets	5,254,235	4,967,156	(287,079)	(5.5)	4,990,411

## (2) Income statement

(Thousand yen)

	Same Quarter Previous Year (Q1 for FY ending March 2007)	Current Quarter (Q1 for FY ending March 2008)	Change from Previous Year		Previous FY (FY ending March 2007 for reference)
	Amount	Amount	Amount	Percentage	Amount
I Net sales	926,103	936,018	9,914	1.1	3,991,267
II Cost of sales	603,703	674,254	70,551	11.7	2,689,630
Gross margin	322,400	261,763	(60,636)	(18.8)	1,301,636
III Sales, general and administrative expenses	400,894	300,066	(100,828)	(25.2)	1,373,898
Operating profit (loss)	(78,494)	(38,302)	40,192	—	(72,261)
IV Non-operating income	8,856	36,760	27,904	315.1	43,599
Interest income	8,586	5,407	(3,179)	(37.0)	14,688
Interest on securities	—	6,807	6,807	—	25,356
Foreign exchange gains	—	24,488	24,488	—	2,995
Other	269	57	(211)	(78.5)	558
V Non-operating expense	10,513	7,804	(2,708)	(25.8)	23,683
Interest expense	931	4,367	3,436	369.0	11,525
Foreign exchange loss	6,745	—	(6,745)	(100.0)	—
New share expense amortization	2,315	2,315	—	—	9,263
Loss on sale of securities	520	—	(520)	—	2,199
Other	0	1,121	1,121	—	695
Ordinary income (loss)	(80,150)	(9,346)	70,804	—	(52,345)
VI Extraordinary loss	—	—	—	—	818,614
Loss on disposal of fixed assets	—	—	—	—	214,855
One-time business restructuring charge	—	—	—	—	61,636
Loss on change in equity	—	—	—	—	542,122
Current net income (loss) before taxes	(80,150)	(9,346)	70,804	—	(870,960)
Corporate, residence and business taxes	1,452	1,452	—	—	5,810
Current net income (loss)	(81,603)	(10,798)	70,804	—	(876,770)

## (3) Statement of changes in shareholders' equity

Previous first quarter (April 1, 2006 to June 30, 2006)

(Thousand yen)

	Shareholders' equity					Total valuation and conversion adjustments	New stock reservation rights	Total net assets
	Common stock	Capital surplus	Earned surplus	Treasury stock	Total shareholders' equity			
Balance as of March 31, 2006	2,269,710	1,576,246	(37,439)	(1,741)	3,806,775	(8,471)	—	3,798,303
Changes during the first quarter								
Exercise of stock options	986	986			1,973			1,973
Net loss			(81,603)		(81,603)			(81,603)
Changes other than to shareholders' equity during the first quarter (net amount)						(8,957)		(8,957)
Total changes during the first quarter	986	986	(81,603)	—	(79,630)	(8,957)	—	(88,587)
Balance as of June 30, 2006	2,270,697	1,577,232	(119,043)	(1,741)	3,727,145	(17,428)	—	3,709,716

Current first quarter (April 1, 2007 to June 30, 2007)

(Thousand yen)

	Shareholders' equity					Total valuation and conversion adjustments	New stock reservation rights	Total net assets
	Common stock	Capital surplus	Earned surplus	Treasury stock	Total shareholders' equity			
Balance as of March 31, 2007	2,273,300	1,579,291	(914,210)	(1,741)	2,936,640	(4,223)	13,477	2,945,894
Changes during the first quarter								
Transfer of capital surplus		(914,210)	914,210		—			—
Net loss			(10,798)		(10,798)			(10,798)
Changes other than to shareholders' equity during the first quarter (net amount)						22,296		22,296
Total changes during the first quarter	—	(914,210)	903,411	—	(10,798)	22,296	—	11,497
Balance as of June 30, 2007	2,273,300	665,081	(10,798)	(1,741)	2,925,842	18,072	13,477	2,957,392

Previous fiscal year (From April 1, 2006 to March 31, 2007)

(Thousand yen)

	Shareholders' equity					Total valuation and conversion adjustments	New stock reservation rights	Total net assets
	Common stock	Capital surplus	Earned surplus	Treasury stock	Total shareholders' equity			
Balance as of March 31, 2006	2,269,710	1,576,246	(37,439)	(1,741)	3,806,775	(8,471)	1,419	3,799,722
Changes during the consolidated fiscal year								
New stock issuance	3,590	3,045			6,635			6,635
Net loss			(876,770)		(876,770)			(876,770)
Changes other than to shareholders' equity during the fiscal year (net amount)						4,247	12,058	16,306
Total changes during the fiscal year	3,590	3,045	(876,770)	—	(870,134)	4,247	12,058	(853,828)
Balance as of March 31, 2007	2,273,300	1,579,291	(914,210)	(1,741)	2,936,640	(4,223)	13,477	2,945,894