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## 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	%
Q3 for year ending March 2008	2,625	(11.4)	(184)	—	(225)	—	(1,571)	—
Q3 for year ending March 2007	2,963	(20.1)	(137)	—	(119)	—	(196)	—
Fiscal year ending March 2007	3,991	—	(72)	—	(52)	—	(876)	—

	Net Income per Share
	Yen
Q3 for year ending March 2008	(7,004.09)
Q3 for year ending March 2007	(874.62)
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
Q3 for year ending March 2008	3,181	1,417	43.3	6,125.81
Q3 for year ending March 2007	5,720	3,624	63.4	16,118.99
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

Japan Communications Inc. and its subsidiaries (our Group) are focused on the following three short – and medium – term business challenges:

- (1) Enlarging our PHS Mobile Virtual Network Operator (MVNO) business
- (2) Provisioning a third-generation (3G) network to establish a 3G MVNO
- (3) Building our MVNO operations in the United States

While sales of enterprise services in our PHS MVNO business for this consolidated accounting period increased over the same period last year, earnings from consumer products fell sharply. This results from the extraordinary user identification issue that arose in May of last year for *b-mobile*, the brand under which our consumer products are sold through PC volume retailers, which caused major retailers to temporarily suspend sales of b-mobile products altogether. While JCI resolved the issue through the implementation of a user registration system for b-mobile in June of last year, the effects of the shop-floor confusion caused by this issue have remained, including the fact that consumer demand for b-mobile products was being served by other companies' offerings during the suspension. This has meant that despite vigorous efforts it has not been possible to return sales to previous levels.

Despite an intensification in competition from mobile network operators' 3G products, earnings for our enterprise service and equipment manufacturer service (*Telecom Battery*) increased over the same period last year, driven in part by sales activities from multiple partners which commenced in the first half of this fiscal year.

With regards to the provisioning of a 3G network, JCI has submitted two distinct interconnection requests to NTT DoCoMo, Inc. (DoCoMo), an interconnection to i-mode terminals and a non-i-mode terminal interconnection. Of these, an interconnection agreement for the former was executed on December 7, 2007. JCI has commenced service over this interconnection through services such as *ConnectMail*, which allows e-mail addresses traditionally used through PCs to be sent and received from a mobile phone in exactly the same manner as i-mode mail.

On the non-i-mode interconnection request, fundamental agreement was reached with DoCoMo on February 14, following over a year of negotiations. This interconnection will allow JCI to provide services using DoCoMo's 3G network, in addition to our current PHS services. However, as software for the interconnection must be developed and the necessary equipment deployed before services can commence, the specific date on which services will commence is currently unavailable. However, six years after commencing data communication services, in which time our operations have chiefly relied on our PHS network, we are finally about to extend services over a 3G network. JCI will not only continue to meet the needs of our enterprise service and our service for equipment manufacturers (*Telecom Battery*) customers, JCI will continue to cultivate relationships with partners and will offer high-value added services, such as bundled communication with a partner's application, over this 3G network.

Concerning efforts to build our MVNO business in the US, in December of last year, the first earnings were generated from the interconnection with US Cellular, the sixth largest mobile communications provider in the US, with which our Group signed an interconnection agreement on April 20, 2007.

While our Group's US MVNO operation has achieved earnings, both the scale and the timing of these fall short of original expectations. Further, due to advanced payments for expenses such as operating costs, it is expected that it will be some time before our US business achieves profitability. However, the company is currently pursuing multiple strong business opportunities, and 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 through the third quarter of this fiscal year totaled 2,635 million yen, a decrease of 336 million yen (11.3%) over the same period last year. Of this, sales of data communication services totaled 1,750 million yen, a decrease of 165 million yen over the same period last year. As part of an ongoing strategy to scale back our telecom services, earnings from telecom services totaled 884 million yen, a 171 million yen decrease over the same period last year.

Gross profit through the quarter was 700 million yen, a decrease of 264 million yen as compared with the same period last year, despite a decrease in telecom service operating costs of 32 million yen which resulted from the scale back in telecom service operations. This was caused by numerous factors, including the increased proportion of data communication service sales arising from low profit margin 3G services (margins are low 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 efforts which included our US subsidiaries, as well as thorough cost control, Sales, General and Administrative expenses (SG&A) totaled 1,385 million yen, a decrease of 121 million yen as compared with the same period last fiscal year.

Non-consolidated operating profit totaled a loss of 184 million yen, an increase in loss of 47 million yen over the same period last fiscal year. Further, due to an increase in loss as our US business starts up, consolidated operating profit totaled a loss of 684 million yen, an increase of 143 million over the same period last fiscal year.

Due to cost of 11 million yen for the issuance of bonds and new stock acquisition rights in December, 2007, and a 24 million yen loss in foreign exchange, operating profit for the current consolidated accounting period totaled a loss of 736 million yen, an increase in loss of 214 million yen over the same period last year. Further, following an extraordinary loss resulting from a 893 million yen write-down of telecom operation assets and software assets, net income totaled a loss of 1,603 million yen, an increase in loss of 1,037 million yen, and net income per share total a loss of 7,146.19 yen.

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

### Cash flow from Operations:

While net income before taxes through this quarter was a loss of 1,626 million yen, as the extraordinary loss of 823 million yen is a cost involving minimal cash expenditure, and as amortization costs totaled 372 million yen, total cash flow from operations was an outflow of 338 million yen.

### Cash flow from Investing:

Total capital invested this quarter amounted to 461 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:

Scheduled payments of 300 million yen in service of short-term debt and 199 million yen in service of a long-term loan were paid to banks.

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

## 3. Consolidated financial statements

## (1) Consolidated balance sheet

(Thousand yen)

	Same Quarter Previous Year (Q3 for FY ending March 2007)	Current Quarter (Q3 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	1,087,090	448,384	(638,705)	(58.8)	1,010,125
Accounts receivable-trade	524,010	374,609	(149,401)	(28.5)	508,451
Marketable securities	633,809	282,292	(351,517)	(55.5)	599,631
Merchandise	71,923	116,387	44,464	61.8	63,163
Inventory	129,804	7,787	(122,017)	(94.0)	45,909
Accounts receivable-other	8,082	9,728	1,645	20.4	104
Other	122,923	75,682	(47,241)	(38.4)	117,222
Allowance for doubtful accounts	(1,000)	(96)	903	(90.4)	(1,000)
<b>Total current assets</b>	<b>2,576,644</b>	<b>1,314,775</b>	<b>(1,261,869)</b>	<b>(49.0)</b>	<b>2,343,608</b>
<b>II Fixed assets</b>					
<b>1 Tangible fixed assets</b>					
Building and related	17,716	19,431	1,715	9.7	16,849
Vehicles	2,270	4,114	1,844	81.3	2,012
Tools, furniture and equipment	216,593	202,003	(14,590)	(6.7)	205,258
Mobile devices	50,728	23,661	(27,066)	(53.4)	68,000
<b>Tangible fixed assets total</b>	<b>287,308</b>	<b>249,211</b>	<b>(38,097)</b>	<b>(13.3)</b>	<b>292,121</b>
<b>2 Intangible fixed assets</b>					
Trademarks	3,004	3,634	630	21.0	3,638
Patents	2,081	2,315	234	11.3	2,604
Telephone subscriber rights	1,294	1,294	—	—	1,294
Software	1,035,505	511,872	(523,632)	(50.6)	1,004,778
Software in progress	893,215	528,214	(365,001)	(40.9)	797,871
Consolidated adjustment account	435,398	—	(435,398)	(100.0)	—
<b>Intangible fixed asset total</b>	<b>2,370,500</b>	<b>1,047,331</b>	<b>(1,323,168)</b>	<b>(55.8)</b>	<b>1,810,187</b>
<b>3 Investments and other assets</b>					
Investments in Securities	—	50,000	50,000	—	—
Security deposits	52,339	55,025	2,686	5.1	56,079
Other	37,069	18,965	(18,104)	(48.8)	68,471
Allowance for doubtful accounts	(19)	—	19	(100.0)	(291)
<b>Investments and other assets total</b>	<b>89,389</b>	<b>123,991</b>	<b>34,602</b>	<b>38.7</b>	<b>124,259</b>
<b>Total fixed assets</b>	<b>2,747,197</b>	<b>1,420,534</b>	<b>(1,326,663)</b>	<b>(48.3)</b>	<b>2,226,568</b>

	Same Quarter Previous Year (Q3 for FY ending March 2007)	Current Quarter (Q3 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	11,579	2,315	(9,263)	(80.0)	9,263
Deferred asset total	11,579	2,315	(9,263)	(80.0)	9,263
<b>Total Assets</b>	<b>5,335,421</b>	<b>2,737,625</b>	<b>(2,597,796)</b>	<b>(48.7)</b>	<b>4,579,441</b>
<b>Liabilities</b>					
<b>I</b> Current liabilities					
Accounts payable	231,462	262,852	31,389	13.6	308,443
Short-term debt	500,000	200,000	(300,000)	(60.0)	500,000
Short-term portion of long-term debt	266,400	266,400	—	—	266,400
Accounts payable - other	114,140	91,952	(22,188)	(19.4)	91,038
Income taxes payable	7,889	6,931	(957)	(12.1)	9,326
Deferred revenue	383,980	338,497	(45,483)	(11.8)	435,421
Other	132,227	42,118	(90,108)	(68.1)	68,517
<b>Total current liabilities</b>	<b>1,636,100</b>	<b>1,208,752</b>	<b>(427,348)</b>	<b>(26.1)</b>	<b>1,679,147</b>
<b>II</b> Fixed liabilities					
Bond	—	400,000	400,000	—	—
Long-term debt	467,000	200,600	(266,400)	(57.0)	400,400
<b>Total fixed liabilities</b>	<b>467,000</b>	<b>600,600</b>	<b>133,600</b>	<b>28.6</b>	<b>400,400</b>
<b>Total liabilities</b>	<b>2,103,100</b>	<b>1,809,352</b>	<b>(293,748)</b>	<b>(14.0)</b>	<b>2,079,547</b>
<b>Net assets</b>					
<b>I</b> Shareholders' equity					
Common stock	2,273,020	2,279,487	6,466	0.3	2,273,300
Capital surplus	1,579,011	671,267	(907,743)	(57.5)	1,579,291
Retained earnings (loss)	(599,461)	(1,994,519)	(1,395,057)	232.7	(1,304,946)
Treasury stock	(1,741)	(1,741)	—	—	(1,741)
<b>Total shareholders' equity</b>	<b>3,250,829</b>	<b>954,494</b>	<b>(2,296,334)</b>	<b>(70.6)</b>	<b>2,545,904</b>
<b>II</b> Valuation and conversion adjustments					
Net unrealized gain on other securities	309	434	125	40.4	(4,223)
Exchange conversion adjustment	(74,321)	(66,339)	7,981	(10.7)	(81,187)
<b>Total valuation and     conversion adjustments</b>	<b>(74,011)</b>	<b>(65,905)</b>	<b>8,106</b>	<b>(11.0)</b>	<b>(85,411)</b>
<b>III</b> New stock acquisition rights	7,445	39,683	32,237	433.0	13,477
<b>IV</b> Minority interests	48,056	—	(48,056)	(100)	25,922
<b>Total net assets</b>	<b>3,232,320</b>	<b>928,273</b>	<b>(2,304,047)</b>	<b>(71.3)</b>	<b>2,499,893</b>
<b>Total liabilities and net assets</b>	<b>5,335,421</b>	<b>2,737,625</b>	<b>(2,597,796)</b>	<b>(48.7)</b>	<b>4,579,441</b>

## (2) Consolidated income statement

(Thousand yen)

	Same Quarter Previous Year (Q3 for FY ending March 2007)	Current Quarter (Q3 for FY ending March 2008)	Change from Previous Year		Previous FY (FY ending March 2007 for reference)
	Amount	Amount	Amount	Percentage	Amount
I Revenue	2,971,978	2,635,124	(336,853)	(11.3)	3,996,274
II Cost of sales	2,006,228	1,934,216	(72,012)	(3.6)	2,678,304
Gross profit	965,749	700,907	(264,841)	(27.4)	1,317,969
III Sales, general and administrative expenses	1,506,413	1,385,082	(121,330)	(8.1)	1,939,145
Operating profit (loss)	(540,663)	(684,174)	(143,511)	—	(621,176)
IV Non-operating profit	35,589	24,262	(11,327)	(31.8)	45,660
Interest income	9,913	5,259	(4,653)		13,213
Interest on securities	18,820	13,395	(5,424)		25,356
Foreign exchange gain	6,350	—	(6,350)		4,516
Other	505	5,606	5,101		2,574
V Non-operating expense	16,665	76,478	59,813	358.9	23,658
Interest expense	7,324	14,231	6,906		11,525
Foreign exchange loss	—	24,235	24,235		—
New share expense amortization	6,947	6,947	—		9,263
Loss on sale of securities	2,199	9,901	7,701		2,199
Costs to issue stock options	—	5,957	5,957		—
Costs to issue bond	—	5,664	5,664		—
Other	193	9,540	9,346		670
Ordinary income (loss)	(521,739)	(736,391)	(214,651)	—	(599,173)
VI Extraordinary Profit	—	3,402	3,402	—	—
Profit from disposal of fixed assets	—	2,498	2,498		—
Recovery from Allowances	—	903	903		—

VII Extraordinary loss	83,929	893,153	809,223	964.2	732,372
Loss on disposal of fixed assets	—	23,465	23,465		—
Write-off of fixed assets	1,216	36,565	35,349		205,064
Impairment loss	—	727,389	727,389		429,653
Loss on change in equity	7,209	—	(7,209)		7,209
One time restructuring change	75,504	38,557	(36,946)		90,444
Other	—	67,175	67,175		—
Net income before taxes (loss)	(605,669)	(1,626,142)	(1,020,473)	—	(1,331,546)
Corporate, residence and business taxes	4,357	4,462	105	2.4	5,810
Minority interest gain (loss)	(43,464)	(26,821)	(16,642)	—	(65,309)
Net income (loss)	(566,562)	(1,603,783)	(1,037,221)	—	(1,272,046)

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

Previous consolidated third quarter (April 1, 2006 to December 31, 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)	1,419	89,404	3,824,533
Changes during the third quarter									
Exercise of stock options	3,310	2,765			6,075				6,075
Net loss			(566,562)		(566,562)				(566,562)
Changes other than to shareholders' equity during the third quarter (net amount)						3,594	6,026	(41,347)	31,726
Total changes during the third quarter	3,310	2,765	(566,562)		(560,486)	3,594	6,026	(41,347)	(592,213)
Balance as of December 31, 2006	2,273,020	1,579,011	(599,461)	(1,741)	3,250,829	(74,011)	7,445	48,056	3,232,320

Current consolidated third quarter (April 1, 2007 to December 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, 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 third quarter									
Exercise of stock options	6,186	6,186			12,373				12,373
Transfer of capital surplus		(914,210)	914,210		—				—
Net loss			(1,603,783)		(1,603,783)				(1,603,783)
Changes other than to shareholders' equity during the third quarter (net amount)						19,506	26,205	(25,922)	19,789
Total changes during the third quarter	6,186	(908,023)	(689,573)	—	(1,591,409)	19,506	26,205	(25,922)	(1,571,620)
Balance as of December 31, 2007	2,279,487	671,267	(1,994,519)	(1,741)	954,494	(65,905)	39,683	—	928,273

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 (Q3 for FY ending March 2007)	Current Quarter (Q3 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	(605,669)	(1,626,142)	(1,331,546)
Tangible fixed asset depreciation expense	128,268	104,489	132,148
Intangible fixed asset depreciation expense	172,867	268,457	257,517
Amortization of goodwill	17,234	—	22,979
Interest and dividend income	(9,913)	(5,259)	(13,213)
Interest income on securities	(18,820)	(13,395)	(25,356)
Interest expense	7,324	14,231	11,525
Loss on disposal of fixed assets	—	23,465	—
Write-off of fixed assets	1,216	62,688	205,064
Impairment loss	—	727,389	429,653
Foreign exchange gain (loss)	(5,024)	29,236	(4,600)
Loss on sale of marketable securities	2,199	—	2,199
Increase (decrease) in notes and accounts receivable	157,900	133,851	171,423
Increase (decrease) in inventory	137,029	(15,823)	228,957
Increase (decrease) in trade payables	(56,541)	(44,067)	20,366
Increase (decrease) in deferred revenue	(183,976)	(96,764)	(132,535)
Increase (decrease) in accrued assumption tax	—	(9,631)	10,447
Other	13,820	109,746	(47,428)
Subtotal	(242,084)	(337,528)	(62,397)
Net receipts from interest and dividends	28,733	18,655	38,569
Net interest paid	(9,557)	(13,717)	(13,905)
Corporate and other income taxes paid or refunded (paid)	(5,810)	(5,915)	(5,810)
Net cash flow from operations	(228,718)	(338,506)	(43,543)
<b>II Cash flow from investing</b>			
Investments in securities	—	(50,000)	—
Purchase of tangible fixed assets	(76,008)	(132,232)	(111,524)
Purchase of intangible fixed assets	(605,706)	(288,106)	(777,045)
Security deposit payments	1,079	—	(2,626)
Other	(4,486)	(8,949)	(19,446)
Net cash flow from investing	(685,121)	(461,389)	(910,641)

	Same Quarter Previous Year (Q3 for FY ending March 2007)	Current Quarter (Q3 for FY ending March 2008)	Previous FY (FY ending March 2007 for reference)
	Amount	Amount	Amount
<b>III</b> Cash flow from financing			
Increase (decrease) from short-term loans	—	(300,000)	
Proceeds from long-term debt	733,400	—	800,000
Expense from repayment of long-term debt		(199,800)	(133,200)
Proceeds from issuance of common stock	5,767	12,373	8,281
Proceeds from issuance of stock options	—	13,000	—
Proceeds from issuance bonds	—	400,000	—
Net cash flow from financing	739,167	(74,426)	675,081
<b>IV</b> Effect of exchange rate changes on cash and cash equivalents	10,438	(4,757)	3,725
<b>V</b> Net increase in cash and cash equivalents	(164,234)	(879,079)	(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	1,720,899	730,676	1,609,756

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

(Thousand yen)

	Same Quarter Previous Year (Q3 for FY ending March 2007)	Current Quarter (Q3 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	781,395	408,551	(372,844)	(47.7)	791,648
Accounts receivable - trade	521,237	375,185	(146,052)	(28.0)	513,650
Marketable securities	501,129	259,671	(241,458)	(48.2)	503,132
Merchandise	24,842	89,194	64,351	259.0	36,774
Inventory	129,781	7,433	(122,347)	(94.3)	45,501
Advanced payments	84,335	78,103	(6,231)	(7.4)	46,133
Prepaid expenses	111,010	72,518	(38,492)	(34.7)	109,589
Accounts receivable - other	440	91	(348)	(79.1)	421
Accounts receivable – affiliated companies	24,609	47,226	22,616	91.9	60,293
Short-term loans to affiliates	—	91,320	91,320	—	118,050
Other	1,563	892	(670)	(42.9)	203
Allowance for doubtful accounts	(1,000)	(97,084)	(96,084)	—	(1,000)
<b>Total current assets</b>	<b>2,179,345</b>	<b>1,333,105</b>	<b>(846,240)</b>	<b>(38.8)</b>	<b>2,224,398</b>
<b>II Fixed assets</b>					
<b>1 Tangible fixed assets</b>					
Buildings and related facilities	17,716	19,431	(1,715)	(9.7)	16,849
Vehicles	2,270	4,114	1,844	81.3	2,012
Tools, furniture and equipment	91,043	128,207	37,164	40.8	83,812
Mobile devices	50,728	23,661	(27,066)	(53.4)	68,000
<b>Total tangible fixed assets</b>	<b>161,757</b>	<b>175,415</b>	<b>13,657</b>	<b>8.4</b>	<b>170,675</b>
<b>2 Intangible fixed assets</b>					
Trademarks	3,004	3,074	69	2.3	3,023
Patents	1,448	1,224	(223)	(15.4)	1,395
Telephone subscriber lines	1,294	1,294	—	—	1,294
Software	968,094	491,757	(476,336)	(49.2)	921,651
Software in progress	1,042,442	563,226	(479,216)	(46.0)	951,251
<b>Total intangible fixed assets</b>	<b>2,016,283</b>	<b>1,060,576</b>	<b>(955,706)</b>	<b>(47.4)</b>	<b>1,878,616</b>
<b>3 Deferred assets</b>					
Affiliated company stock	800,000	80,064	(719,935)	(90.0)	257,877
Long-term loans to affiliates	464,529	637,645	173,116	37.3	342,345
Bankruptcy claims, etc.	19	—	(19)	(100.0)	19
Long-term prepaid expenses	34,342	—	(34,342)	(100.0)	54,406

	Same Quarter Previous Year (Q3 for FY ending March 2007)	Current Quarter (Q3 for FY ending March 2008)	Change from Previous Year		Previous FY (FY ending March 2007 for reference)
	Amount	Amount	Amount	Percentage	Amount
Security deposits	50,392	47,103	(3,289)	(6.5)	50,392
Other	2,707	1,330	(1,377)	(50.9)	2,707
Loan loss reserve	(19)	(156,210)	(156,190)	—	(291)
Total investments and other assets	1,351,971	609,933	(742,038)	(54.9)	707,457
Total fixed assets	3,530,012	1,845,925	(1,684,087)	(47.7)	2,756,749
<b>III Deferred assets</b>					
New share issuance expense	11,579	2,315	(9,263)	(80.0)	9,263
Total deferred assets	11,579	2,315	(9,263)	(80.0)	9,263
Total assets	5,720,937	3,181,346	(2,539,591)	(44.4)	4,990,411
<b>Liabilities</b>					
<b>I Current liabilities</b>					
Accounts payable	262,330	210,575	(51,754)	(19.7)	292,558
Short-term debt	500,000	230,000	(270,000)	(54.0)	500,000
Current portion of long- term debt	266,400	266,400	—	—	266,400
Accounts payable - other	129,416	90,798	(38,618)	(29.8)	113,798
Corporate and other taxes payable	7,669	6,931	(737)	(9.6)	9,320
Deferred revenue	380,791	338,021	(42,770)	(11.2)	432,516
Consumption tax payable	3,412	1,026	(2,385)	(69.9)	10,447
Deposits received	20,702	19,317	(1,385)	(6.7)	19,063
Other	58,787	434	(58,352)	(99.3)	10
Total current liabilities	1,629,510	1,163,506	466,004	28.6	1,644,116
<b>II Fixed liabilities</b>					
Bond	—	400,000	400,000	—	—
Long-term debt	467,000	200,600	(266,400)	(57.0)	400,400
Total fixed liabilities	467,000	600,600	133,600	28.6	400,400
Total liabilities	2,096,510	1,764,106	(332,404)	15.9	2,044,516

	Same Quarter Previous Year (Q3 for FY ending March 2007)	Current Quarter (Q3 for FY ending March 2008)	Change from Previous Year		Previous FY (FY ending March 2007 for reference)
	Amount	Amount	Amount	Percentage	Amount
Net assets					
<b>I Shareholders' equity</b>					
Capital stock	2,273,020	2,279,487	6,466	0.3	2,273,300
Capital surplus	1,579,011	671,267	(907,743)	(57.5)	1,579,291
Retained earnings	(233,618)	(1,571,891)	(1,338,273)	572.8	(914,210)
Treasury stock	(1,741)	(1,741)	—	—	(1,741)
Total shareholders' equity	3,616,672	1,377,122	(2,239,549)	(61.9)	2,936,640
<b>II Valuation and conversion adjustments</b>					
Unrealized gain on marketable securities	309	434	125	40.4	(4,223)
Total valuation and conversion adjustments	309	434	125	(40.4)	(4,223)
<b>III New stock acquisition rights</b>	7,445	39,683	32,237	433.0	13,477
Total net assets	3,624,427	1,417,240	(2,207,187)	(60.9)	2,945,894
Total liabilities and net assets	5,720,937	3,181,346	(2,539,591)	(44.4)	4,990,411

## (2) Income statement

(Thousand yen)

	Same Quarter Previous Year (Q3 for FY ending March 2007)	Current Quarter (Q3 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	2,963,591	2,625,104	(338,486)	(11.4)	3,991,267
II Cost of sales	2,000,899	1,903,694	(97,205)	(4.9)	2,689,630
Gross margin	962,691	721,409	(241,281)	(25.1)	1,301,636
III Sales, general and administrative expenses	1,100,389	906,206	(194,182)	(17.6)	1,373,898
Operating profit (loss)	(137,698)	(184,796)	(47,098)	—	(72,261)
IV Non-operating income	34,784	30,585	(4,199)	12.1	43,599
Interest income	8,991	14,977	5,986		14,688
Interest on securities	18,820	13,395	(5,424)		25,356
Foreign exchange gains	6,468	—	(6,468)		2,995
Other	504	2,212	1,707		558
V Non-operating expense	16,690	71,597	54,907	329.0	23,683
Interest expense	7,324	14,231	6,906		11,525
Foreign exchange loss	—	23,486	23,486		—
New share expense amortization	6,947	6,947	—		9,263
Loss on sale of securities	2,199	9,901	7,701		2,199
Costs to issue stock options	—	5,957	5,957		—
Bond issuance costs	—	5,664	5,664		—
Other	218	5,408	5,189		695
Ordinary income (loss)	(119,603)	(225,809)	(106,205)	—	(52,345)
VI Extraordinary Profit	—	1,887	1,887	—	—
Profit from disposal of fixed assets	—	983	983		—
Recovery from Allowances	—	903	903		—

VII Extraordinary loss	72,217	1,343,612	1,271,395	—	818,614
Loss on disposal of fixed assets	1,358	12,290	10,931		214,855
Loss on change in equity loan loss reserve	—	227,812	227,812		542,112
One-time business restructuring charge	70,858	—	(70,858)		—
Impairment loss	—	252,927	252,927		61,636
Other	—	795,003	795,003		—
	—	55,578	55,578		—
Current net income (loss) before taxes	(191,821)	(1,567,534)	(1,375,712)	—	(870,960)
Corporate, residence and business taxes	4,357	4,357	—	—	5,810
Current net income (loss)	(196,178)	(1,571,891)	(1,375,712)	—	(876,770)

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

Previous third quarter (April 1, 2006 to December 31, 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)	1,419	3,799,722
Changes during the third quarter								
Exercise of stock options	3,310	2,765			6,075			6,075
Net loss			(196,178)		(196,178)			(196,178)
Changes other than to shareholders' equity during the third quarter (net amount)						8,781	6,026	14,807
Total changes during the third quarter	3,310	2,765	(196,178)	—	(190,103)	8,781	6,026	(175,295)
Balance as of December 31, 2006	2,273,020	1,579,011	(233,618)	(1,741)	3,616,672	309	7,445	3,624,427

Current third quarter (April 1, 2007 to December 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, 2007	2,273,300	1,579,291	(914,210)	(1,741)	2,936,640	(4,223)	13,477	2,945,894
Changes during the third quarter								
Exercise of stock options	6,186	6,186			12,373			12,373
Transfer of capital surplus		(914,210)	914,210		—			—
Net loss			(1,571,891)		(1,571,891)			(1,571,891)
Changes other than to shareholders' equity during the third quarter (net amount)						4,658	26,205	30,863
Total changes during the third quarter	6,186	(908,023)	(657,681)	—	(1,559,518)	4,658	26,205	(1,528,654)
Balance as of December 31, 2007	2,279,487	671,267	(1,571,891)	(1,741)	1,377,122	434	39,683	1,417,240

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