

The following is an unofficial English translation of the Reports for the 17<sup>th</sup> Fiscal Year of Jupiter Telecommunications Co., Ltd. The Company provides this translation for your reference and convenience only and without warranty as to its accuracy or otherwise.

(Attachment to Notice of Convocation of the 17<sup>th</sup> Ordinary Meeting of Shareholders)

**Reports for the 17<sup>th</sup> Fiscal Year**  
January 1, 2010, through December 31, 2010

**To All Shareholders**

We wish to express our sincere thanks for the exceptional favor you have always shown us.

We have the pleasure of reporting to you our general condition of operations for the 17<sup>th</sup> Fiscal Year (January 1, 2010, through December 31, 2010) as set forth below.

We sincerely appreciate your understanding and support.

March 2011  
Tomoyuki Moriizumi  
President & CEO

# Business Report

January 1, 2010 through December 31, 2010

## 1. Current State of the J:COM Group

### (1) Business Progress and Results

#### **●Business Environment**

During fiscal 2010, the twelve-month period from January 1, 2010 through December 31, 2010, the condition of the Japanese economy remained uncertain. Despite initial signs of a partial recovery in such areas as corporate-sector earnings, this uncertainty was largely attributable to concerns surrounding the actual state of the real economy and prolonged appreciation in the value of the yen. Jupiter Telecommunications Co., Ltd. (“J:COM” or “the Company”) remains mired in an operating environment undergoing constant change. In addition to shifts in television viewing patterns, business conditions are being impacted by ongoing progress in the transition to terrestrial digital broadcasting, steady developments in media-wide broadcasting and telecommunications integration, and increased competition from other operators.

Under these circumstances, the J:COM Group (“the Group”)<sup>1</sup> worked diligently throughout the year to carry out its growth strategies. In specific terms, the Group focused on implementing its Volume strategy, which aims to increase the number of service subscribing households; took steps to promote its Value strategy as a part of efforts to improve the monthly average revenue per unit (ARPU<sup>2</sup>); and steadily pushed forward its Content strategy, which is designed to enhance programming quality.

Moreover, the Group commenced steps toward forming an alliance with its principal shareholders Sumitomo Corporation (“Sumitomo”), and KDDI CORPORATION (“KDDI”), with the aim of further increasing its corporate value. At the same time, the Company implemented specific alliance measures with respect to certain businesses.

Under its Volume strategy, the Group positioned efforts to “broaden its CATV subscriber base” as a priority during the fiscal year under review. To this end, the Group focused on implementing the following three initiatives:

- Cultivate new target markets

The Group launched the new service package “J:COM TV My style” in July 2010. The J:COM TV My style service showcases the Group’s strengths and includes retransmissions of terrestrial digital and BS digital broadcasts with access to such telecommunication services as high-speed Internet access or telephony, in addition to a selection from the “All you can watch package” of the “J:COM on Demand” video on demand (VOD) service. The “All you can watch package” comprises 31 packages of wide-ranging genres (as of December 31, 2010). Prime examples of packages currently on offer include “WARNER TV” and “All you can watch Discovery 100”. While matching changes in television viewing patterns and customer needs that call for “the viewing of programs limited to a specific genre” and “the enjoyment of watching in-demand programs at a time of one’s own choice”, this service also serves as an effective countermeasure for terrestrial digital broadcasting. Furthermore, through J:COM on Demand, viewers can experience first hand the appeal of multi-channel broadcasting. Looking ahead, significant potential exists for upgrade to the Group’s high-end J:COM TV Digital service.

- Capture new subscribers as a part of the shift toward digitization

With plans in place to complete the changeover to terrestrial digital broadcasting in July 2011, the

Group continued to channel its energies toward capturing the estimated about 1,400 thousand potential communal reception households<sup>3</sup> residing within its service area. As a result, the Group successfully reached agreements to provide terrestrial retransmission services utilizing the Group's network with facilities management companies to a cumulative total of approximately about 1,000 thousand households as of December 31, 2010. This represented a year-on-year increase of approximately 460 thousand households. Furthermore, J:COM pursued negotiations with these households regarding its pay services. Buoyed by these endeavors, the Company acquired approximately 90 thousand revenue generating units (RGUs<sup>4</sup>) during the fiscal year under review.

- Enhance customer satisfaction

In order to further enhance customer satisfaction, the Group sought to reform its organizational structure with the aim of bolstering its proposal and implementation capabilities. In addition to adhering strictly to its customer follow-up system, the Group launched several initiatives. Endeavoring to address customer needs, the Group worked diligently to promote sales of its J:COM TV My style, OTOKU Plan<sup>5</sup> and other services.

Under its Value strategy, the Group implemented the following two priority measures:

- Introduce high-definition (HD) channels

The Group terminated the analog broadcast of its pay services across its nationwide service network with the exception of certain service areas in September 2010. This completed the Group's shift to digital transmission.

Building on this initiative, the Group took steps to effectively apply the frequency bands previously used for its analog broadcasts to promote the introduction of its HD channels. As a result, viewers were able to enjoy a total of 49 HD channels as of December 31, 2010, accounting for approximately 60% of the Company's complete channel lineup of wide-ranging genres including sports, movies and entertainment.

- Expand the Group's lineup of VOD services

In order to expand its user base, the Group launched Japan's first 3D programming content broadcasting service through J:COM on Demand in April 2010.

In October 2010, J:COM was quick to acquire exclusive broadcasting rights to the serial drama "Clone Baby." Through J:COM on Demand the Group brought the program to air before its official terrestrial broadcast by Tokyo Broadcasting System Television, Inc. With the commencement of this service, the Group became the first in Japan to realize an exclusive pay-for-view service for a terrestrially broadcast serial drama.

Turning to the Group's Content strategy, J SPORTS Broadcasting Corporation ("J SPORTS") and Jupiter Golf Network Co., Ltd. commenced HD programming of their respective thematic channels: "J sports 1" and "J sports 2" from March 2010; and "Golf Network" from June 2010.

In addition, J SPORTS, which plans to commence new BS digital broadcasting after October 2011, received accreditation for two additional channels from Japan's Ministry of Internal Affairs and Communications. As a result, the Group will endeavor to maximize programming content viewer appeal through a new broadcasting platform comprising four channels. In addition to increasing the number of J SPORTS subscribers, these efforts and initiatives will play an increasingly important and leading role in further expanding the multi-channel market.

With respect to the Group's relationship with KDDI, both companies are considering an alliance encompassing the following five business fields: (1) the telecom business and product collaboration; (2) sales and marketing; (3) technology and infrastructure; (4) the media business, and; (5) the CATV

business.

As the first concrete step in this alliance, J:COM Shops and KDDI's au Shops in the Kansai area commenced cross-sales promotion of the Company's cable television and other services from August 2010.

Accounting for all of the aforementioned initiatives, the Group's revenue for the fiscal year under review increased 8% compared with the previous fiscal year to ¥360,112 million. Of this total, subscription fees climbed 4% year-on-year to ¥298,197 million. This improvement was mainly attributable to the increase in existing consolidated subsidiary subscribing households and the aggregate impact of acquisitions.<sup>6</sup> In specific terms, subscription fees by service type comprised ¥160,773 million for cable television service, ¥87,006 million for high-speed Internet access service, and ¥50,418 million for telephony service. This represented year-on-year increases of 3%, 4% and 4%, respectively.

Operating expenses were generally higher compared with the previous fiscal year. Operating and programming costs rose 10% to ¥135,272 million; selling, general and administrative (SG&A) expenses climbed 9% to ¥72,242 million; and depreciation and amortization expenses increased 3% to ¥85,843 million. This was largely due to the upswing in subscriber-related expenses on the back of higher subscribing households and the aggregate impact of acquisitions.

Taking into consideration each of the aforementioned, operating income for the fiscal year ended December 31, 2010 improved 9% compared with the previous fiscal year to ¥66,755 million. Income before noncontrolling interest and income taxes totaled ¥63,167 million, 9% higher year-on-year.

Net income attributable to J:COM shareholders surged 24% compared with the previous fiscal year to ¥37,690 million, representing a historic high. This was primarily attributable to the decrease in tax expenses resulting from the liquidation of consolidated subsidiaries that had been intermediary holding companies.

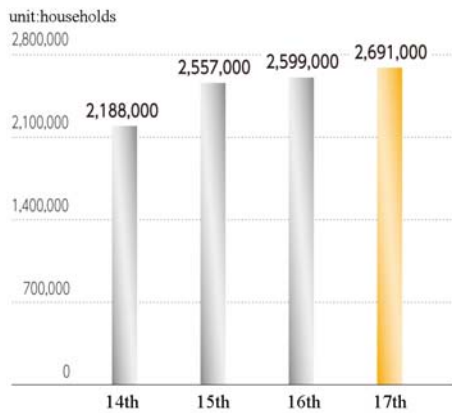
Notes:

1. The J:COM Group ("the Group") is the Company and its consolidated subsidiaries. J:COM is a multiple-system operator in its cable television business and a multiple-channel operator in its program supplying business. In the cable television business, the Group provides cable television, high-speed Internet access, telephony and related services under the J:COM brand through the Group's broadband (high-speed, large capacity) network. In the program supplying business, the Group invests in and operates 17 thematic channels and manages contents business centered around program supplying to cable television, satellite broadcasting, IP multicasting and other platforms.
2. The acronym for Average Revenue per Unit. ARPU refers to the monthly average revenue per unit of subscribing household.
3. Communal reception households are defined as households that receive terrestrial transmissions through communal reception facilities installed to solve poor reception in shadow areas created by buildings, transmission lines and related structures.
4. The acronym for Revenue Generating Unit. RGU refers to the total number services provided across its three core cable television, high-speed Internet access and telephony services.
5. A packaged service comprising cable television, high-speed Internet access and telephony services for a comparatively inexpensive fee.
6. The actual amount by which consolidated financial statements are affected as a result of the inclusion of acquired and related entities in the Company's scope of consolidation over one year following acquisition.



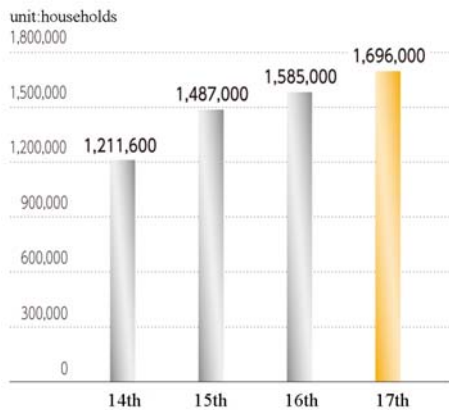
### ***Cable television (J:COM TV)***

The number of cable television service subscribing households in the Group as of December 31, 2010 increased by 92 thousand year-on-year to reach 2,691 thousand households.



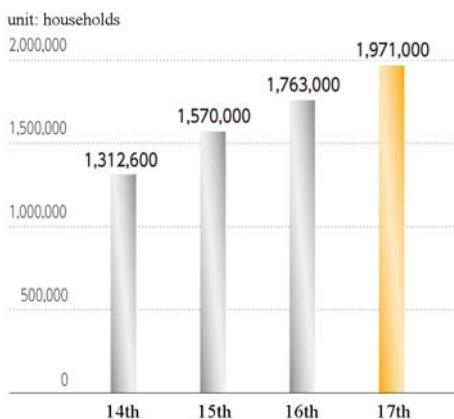
### ***High-speed Internet access (J:COM NET)***

The number of subscribing households to the Group high-speed Internet access service increased by 111 thousand households year-on-year to reach a total of 1,696 thousand households at December 31, 2010.



### ***Telephony service (J:COM PHONE)***

The number of subscribing households to the Group telephony service increased by 208 thousand households year-on-year to reach a total of 1,971 thousand households as of December 31, 2010.



As a result of the foregoing, the number of households that subscribe to at least one or more services — cable television services, high-speed Internet access services, or telephone services — rose by 151 thousand households to 3,426 thousand households as of December 31, 2010.

The bundle ratio, which indicates the number service provided per subscribing households, increased from 1.82 from the end of the previous fiscal year(December 31, 2009) to 1.86.

### **Local Community Activities**

As a community-based company, the Group values the customers and local communities that it is in contact with through its daily operations, and consequently is strongly focused on social contribution activities.

The general term used by the Group for its social contribution activities is “nicology activity” (nicology = nico (Japanese for “smile”) + Ecology). This catchphrase encapsulates the Group’s aspiration to bring smiles to the faces of people everywhere, to communities and the environment.

The Group promotes the cultivation of green curtains in an effort to stimulate increased interest in environmental issues and energy conservation. The J:COM green curtain is an eco-activity that local communities can easily participate in. By cultivating goya (bitter melon) along windows, the natural growth of leaves and vines helps to block out sunlight and cool down the room as a sunshade. This activity was initiated with the aim of promoting energy conservation. During the fiscal year under review, the Group distributed a total of 55,000 packets of goya seeds nationwide.

Under its *Iki-Iki* Project, the Group is endeavoring to enrich the everyday activities and interests of local communities focusing particularly on its service areas. The project is geared toward people who want to make the most of their know-how, skills and qualifications to build local support networks. It also provides a forum that encourages participation in such local community activities as anticrime (neighborhood watch) patrols and holds a variety of events.

In addition, the Group offers the VOD “Donations on Demand” service. Together with the collection of donations on behalf of the Japan Committee for UNICEF, this initiative is also employed in the case of a major disaster and supports the Japanese Red Cross Society’s disaster relief activities.

The Group designates September each year as the “nicology month” for a variety of social “nicology” activities. In 2010, the main theme of “nicology month” was “living in harmonious co-existence with nature.” Several programs related to this theme were screened by the Group as a part of its activities.

Furthermore, as an annual event, the Group implements a nationwide “CLEAN UP OUR TOWN” campaign. In the fiscal year under review, the campaign attracted over 8 thousand participants together with the Group’s employees, collected approximately 14 tons of rubbish across Japan.

Among a host of initiatives, the Group organizes charity walking events as a part of the “nicology Walk with the *Iki-Iki* Project.” A donation was presented by the Group to the “Green Fund” according to the distance walked by participants, in addition to their private contributions.

## **(2) Capital Expenditure**

Total capital expenditure undertaken by the Group during the fiscal year ended December 31, 2010 amounted to ¥74,020 million. While expenditure was mainly in the area of subscriber installation work, investments were also made in trunk line extension, as well as the upgrade and expansion of center facilities that cater to the Group's cable television, high-speed Internet access and telephony service activities.

In its subscriber installation work, expenditures for construction to subscribers and multi-dwelling units (MDUs) were ¥22,187 million and ¥8,066 million respectively. This expenditure included work related to the shift to digital transmission.

In its trunk line extension work, the Group invested ¥5,392 million. Investments were made in the service areas of the Group companies including J:COM Fukuoka Co., Ltd. and Miyagi Network, Inc. During the fiscal year ended December 31, 2010, the combined length of the Group's network was extended by 3,434 kilometers, reaching 66,555 kilometers by the end of the fiscal year. This also reflected service area expansion on the back of business acquisitions and transfers.

As a result, the total number of households capable of subscribing to the cable television service offered by the Group ("homes passed"), including organic growth due to new residential construction in existing services areas and trunk line extension, stood at 13,067 thousand as of December 31, 2010 (a year-on-year increase of 473 thousand households). At the same time, the number of homes passed for high-speed Internet access service was also 13,067 thousand as of December 31, 2010 (a year-on-year increase of 473 thousand households), while the number of homes passed for telephony service reached 13,056 thousand households as of December 31, 2010 (a year-on-year increase of 922 thousand households).

In its center facility expenditure, the Group undertook investments totaling ¥4,138 million, ¥754 million and ¥431 million for its head-end, Internet-related and telephony facilities, respectively. This expenditure was attributable to a number of factors including the expansion of service areas, the increase in the number of subscribers and efforts to further enhance customer trust.

In addition to center facility investment, the Group invested ¥2,115 million on subscriber-related equipment as a part of its telephony facility expenditure.

Moreover, the Group invested ¥17,773 million in leased assets. This comprised ¥17,056 million in terminals installed in subscriber homes including set-top boxes and ¥717 million in head-end related facilities for cable television, high-speed Internet access and telephony services.

## **(3) Financing**

In this fiscal year, the Group has done the scheduled payment of ¥6,738 million, which is debt loan based on the exiting syndicate loan contract. In addition, the Group has done the prepayment of ¥12,246 million, which is borrowing from the existing syndicate loan and commercial banks. The total amount of debt balance including the corporate bond is ¥147,000 million, ¥18,984 million less than the end of the previous year (December 31, 2009)

The remaining debt balance of the Group (excluding J:COM) from Development Bank of Japan Inc. and others is ¥16,715 million, ¥5,407 million less than the end of the previous year (December 31, 2009).

Therefore, the total debt balance of the Group is ¥163,715 million, ¥24,391 million decreased from the end of the previous year (December 31, 2009).

#### **(4) Succession to the business rights and duties of other companies as a result of mergers by absorption or absorption-type demergers**

For details, please see section (9) below, “Principal Parent Company and Subsidiaries”, (iii) Course of Business Consolidation.

#### **(5) Acquisition of Other Companies’ Business**

For details, see below in (9) Principal Parent Companies and Subsidiaries, (iii) Course of Business Consolidation.

#### **(6) Acquisition or Disposal of Other Companies’ Shares, Equity, or Share Warrants, Etc.**

For details, see below in (9) Principal Parent Companies and Subsidiaries, (iii) Course of Business Consolidation.

#### **(7) Issues for the J:COM Group**

While the economic environment in Japan is projected to remain challenging throughout 2011, the year is expected to produce significant business opportunities for the Group. This is attributable to the complete changeover to terrestrial digital broadcasting and the efforts by the Group to deliver solutions in response.

Against this backdrop, the Group will continue to focus on implementing its Volume strategy while at the same time carrying out its Value and Content strategies as a part of collective efforts to secure sustainable growth. Moreover, the Group will continue to implement steadfast measures aimed at cementing its alliance with KDDI. Accordingly, the Group will work diligently to address the following four specific issues:

First and foremost, the Group will take steps to address the critical issue of expanding its customer base. To this end, the Company launched J:COM TV My style in July 2010 with the aim of cultivating new target markets encompassing young adults, single person households and senior couples. In continuing its focus on increasing the number of subscribing households, J:COM will place particular emphasis on strategic products that are capable of capturing the demand of terrestrial digital broadcasting.

The second issue of concerned points for J:COM is to develop and release new products and services that will contribute positively to lift ARPU. In September 2010, J:COM completed the shift to digital transmission across its nationwide service network, with the exception of certain service areas. This initiative significantly broadened the Group’s scope and ability to deliver new services, which is expected to substantially boost ARPU in the future.

Thirdly, the Group must further strengthen the media business. To this end, the four thematic sports channels operated by J SPORTS, a consolidated subsidiary, will expand into a new BS digital broadcast arena from October 2011. By entering into and utilizing the new BS broadcasting platform, J SPORTS will significantly be recognized by the profile of its service lineup, and it will work diligently to increase its viewer base. In addition, the Group will make every effort to further expand its viewer base and media value by bolstering its creation, production and technological capabilities. In this regard, particular weight will be placed on community channels in the future, a major median that boasts a viewing base of approximately 9,000 thousand households.

The fourth and final issue involves efforts to reinforce the business alliance with KDDI. After completing the assessment and consideration phase in 2010, the Group will launch into a full-fledged implementation phase in 2011. In specific terms, the telephony service provided through nationwide



cable television stations by KDDI will be introduced as “J:COM PHONE Plus” from April 2011. Steps will then be taken in earnest to attract subscribers. In addition, plans are in place to expand cross promotion activities across the nationwide au Shops.

Complementing all of the aforementioned initiatives aimed at securing sustainable growth, the Group will redouble its energies toward increasing Group-wide management and operating efficiency. The Group will, for example, continue to seek increased efficiency through its regional block system<sup>7</sup> introduced this fiscal year. At the same time, the Group will pursue increased diversification of its sales routes in an effort to contain subscriber acquisition costs, and further lift the Group’s overall management and operating efficiency by consolidating program broadcasts from platform operators and programming production facilities.

Building on the collective strengths of each of the aforementioned activities and measure, the Group will do its utmost to enhance corporate value.

The Group kindly request the continued support and understanding of its shareholders.

Note:

7. Under this system, the Group’s nationwide service areas are divided into regional blocks of a fixed scale reporting directly to the Company. The system entails the integrated control and operation of multiple cable television stations.

## **(8) Changes in Assets and Operating Results**

### **(i) Consolidated Basis**

(Million Yen except Net income attributable to J:COM shareholders per share)

	14thYear (Dec-2007)	15th Year (Dec-2008)	16thYear (Dec-2009)	17th Year (Dec-2010)
Revenue	264,508	294,308	333,724	360,112
Operating Income	42,816	53,675	61,159	66,755
Income before noncontrolling interests and income taxes	39,389	49,733	57,834	63,167
Net income attributable to J:COM shareholders	23,992	27,964	30,453	37,690
Net income attributable to J:COM shareholders per share (Yen)	3,650.27	4,079.61	4,439.56	5,456.41
J:COM Stockholders’ Equity	330,009	349,352	374,902	410,151
Total Assets	680,416	755,670	801,657	816,763



## (ii) Stand-alone Basis

(Million Yen except Net Income per Share)

	14th Year (Dec-2007)	15th Year (Dec-2008)	16th Year (Dec-2009)	17th Year (Dec-2010)
Revenue	107,807	117,933	130,700	157,358
Ordinary income	8,656	10,477	12,568	14,583
Net income	6,327	6,982	8,452	9,042
Net income per share (Yen)	962.71	1,018.59	1,232.17	1,309.01
Capital	116,734	117,162	117,242	117,550
Net assets	246,458	250,404	253,882	260,717
Total assets	427,146	439,479	501,132	443,784

## (9) Principal Parent Company and Subsidiaries (as of December 31, 2010)

### (i) Relationship with Parent Company

At the end of the fiscal year, LGI/Sumisho Super Media LP (on February 2010, changed the trade name to LGI Super Media LP, with in the same month, renamed KDDI Global Media, LP) the Company's parent company has dissolved the joint interest relationship among Liberty Global, Inc. and Sumitomo. Thereby the voting right ratio had decreased and it's no longer our parent company anymore.

### (ii) Principal Subsidiaries and Affiliates

Name	Paid-in Capital (Yen in millions)	Voting Rights Held (%)	Primary Line of Business
<b><u>Principal Subsidiaries</u></b>			
J:COM West Co., Ltd.	15,500	91.08% (0.01%)	Cable TV broadcasting
J:COM Kanto Co., Ltd.	15,057	100.00%	same as above
J:COM Sapporo Co., Ltd.	8,800	88.34%	same as above
J:COM Tokyo Co., Ltd.	7,524	95.93%	Broadcast on telecommunication service
J:COM Shonan Co., Ltd.	5,772	82.57%	Cable TV broadcasting
City Cable Net, Inc.	4,326	88.08%	same as above
J SPORTS Broadcasting Corporation	3,834	80.49%	Programming supply business
J:COM Chiba Co., Ltd.	3,395	74.65%	Cable TV broadcasting
J:COM Fukuoka Co., Ltd.	3,200	75.12%	Broadcast on telecommunication service
City Telecom Kanagawa Inc.	3,000	100.00%	Cable TV broadcasting
Miyagi Network Inc.	3,000	99.66%	same as above
Cable Net Kobe Ashiya Co., Ltd.	2,900	81.68%	same as above
Yokohama TV Corporation	2,880	100.00% (0.03%)	same as above
J:COM Kita-Kyushu Co., Ltd.	2,447	86.70%	same as above
Suita Cable Television Co., Ltd.	2,105	92.39% (92.39%)	same as above
J:COM Tojo Co., Ltd.	1,845	83.06%	same as above

Takatsuki Cable Network Co., Ltd.		1,828	95.51% (95.51%)	same as above
Jupiter Entertainment Co., Ltd.		1,788	100.00%	Programming supply business VOD service
Jupiter Golf Network Co., Ltd.		1,700	89.41%	Programming supply business
J:COM Saitama Co., Ltd.		1,600	86.46% (0.25%)	Cable TV broadcasting
Higashi-Osaka Cable Television Co., Ltd.		1,560	96.15% (96.15%)	same as above
Tsuchiura Cable Television Co., Ltd.		1,500	71.60%	same as above
Toyonaka Ikeda Cable Net Co., Ltd.		1,500	91.42% (91.42%)	same as above
Edogawa Cable Television Inc.		1,081	100.00%	same as above
Cable Net Shimonoseki Co., Ltd.		1,000	63.41%	same as above
Technology Networks Inc.		490	100.00%	Installation/construction work associated with cable TV broadcasting and Telecommunication businesses
KANSAI MULTIMEDIA SERVICES COMPANY		480	100.00%	Telecommunication businesses
JUPITER VISUAL COMMUNICATIONS CO., LTD.		300	90.00%	Programming supply business Advertising media business
Channel Ginga Co., Ltd.		200	76.00%	Programming supply business
Active Sports Broadcasting Corporation		25	64.00% (64.00%)	Consigned broadcasting business
J:COM Finance Co., Ltd.		3	100.00%	Financial service
<b><u>Principal Affiliates.</u></b>				
Discovery Japan Inc.	*	2,545	50.00%	Programming supply business
Japan Digital Serve Corp.	*	2,250	26.95% (5.63%)	Digital broadcast signal transmission business
Green City Cable Television Co., Ltd.	*	1,000	20.00%	Cable TV broadcasting
InteracTV Co., Ltd.	*	100	32.50%	Consigned broadcasting business
Open Wireless Platform, LLC.	*	93	32.22%	Telecommunication business
Jupiter Satellite Broadcasting Co., Ltd.	*	60	50.00%	Consigned broadcasting business
Animal Planet Japan Co., Ltd.	*	41	33.33%	Programming supply business
AXN Japan Inc.	*	10	35.00%	same as above

- (Note) 1. Voting right ratio excludes the treasury stock and is round off at above shown unit.  
 2. Entities marked with asterisks ( \*) are affiliated companies accounted for by the equity method.  
 3. The figure in parentheses in the “Voting Rights Held” column indicates the indirect ownership portion.

**(iii) Course of Business Consolidation**

- (a) In February 2010, Cable Net Kobe Ashiya Co., Ltd. , the Company’s consolidated subsidiary, acquired a portion of the cable television broadcasting business from the KEIHANSHIN Cable Vision Foundation.  
 (b) In March 2010, KADOKAWA-J:COM Media Co., Ltd. , the equity method affiliate, was dissolved and the liquidation was completed in June 2010.  
 (c) In April 2010, Cable Net Kobe Ashiya Co., Ltd. , the Company’s consolidated subsidiary, acquired a portion of the cable television broadcasting business from the Kobe City Development and Management Foundation.  
 (d) In June 2010, Edogawa Cable Television, the Company’s consolidated subsidiary, acquired a portion of the cable television broadcasting business from the Tokyo Cable Vision Foundation.  
 (e) In June 2010, J-Sports, LLC, the Company’s consolidated subsidiary, was dissolved and the liquidation was completed.  
 (f) In August 2010, Jupiter Sports, Inc. , the Company’s consolidated subsidiary, was dissolved and the liquidation was completed in October 2010.  
 (g) In November 2010, J:COM Tokyo Co., Ltd. , the Company’s consolidated subsidiary, merged with Johoku New Media Co., Ltd. , another consolidated subsidiary.

As of December 31, 2010, the Group included 31 consolidated subsidiaries as well as 8 affiliated companies accounted for under the equity method.

**(10) The J:COM Group’s Main Business (as of December 31, 2010)**

Cable television broadcasting service, Broadcast on telecommunication service,  
 Telecommunication service, Programming supply business

**(11) The J:COM Group’s Main Office (as of December 31, 2010)**

The Company’s Head Office: Tokyo  
 J:COM Tokyo Co., Ltd.: Tokyo J:COM Kanto Co.,Ltd. : Tokyo J:COM West Co., Ltd.: Osaka

**(12) Employees (as of December 31, 2010)**

**(i) Consolidated Basis**

Number of Permanent Employees	Number of Contract Employees	Number of Temporary Employees	Total
5,359	3,195	2,662	11,216

- (Note) 1. Figures are the sum of the number of employees of the consolidated subsidiaries.  
 2. The number of employees during this fiscal year rose by 228. This was mainly attributable to the increase by the hiring of new graduates, and mid-career recruiting.

**(ii) Stand-alone Basis**

Number of Permanent Employees	Number of Contract Employees	Number of Temporary Employees	Total	Average Age	Average Length of Service
2,087	1,140	1,145	4,372	36.0	7.4years

- (Note) 1. Figures indicate number of employees including those seconded from the other companies and excluding those seconded to other companies.
2. The number of employees during this fiscal year increased by 1,046. The increase is mainly due to the consolidated subsidiaries' integration of departments to the Company, occurred by the introduction of the regional block system,, and hiring of new graduates and mid-carriers.
3. Average age and average length of service are calculated based on the data as of month-end December 2010 on permanent employees including those seconded to the other companies but excluding seconded from the other companies.

**(13) Principal Lenders (as of December 31, 2010)**

Lenders	Loan Balance (Yen in Millions)
Development Bank of Japan Inc.	41,135
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	20,400
Sumitomo Mitsui Banking Corporation	17,200
Saitama Resona Bank, Ltd..	7,400
Mizuho Corporate Bank, Ltd	7,200
Sumitomo Life Insurance Company	7,000
The Sumitomo Trust and Banking Co., Ltd.	5,900
Nippon Life Insurance Company	5,000
The Bank of Fukuoka, Ltd.	4,331
The Shizuoka Bank, Ltd.	4,000
The Dai-ichi Life Insurance Company, Ltd.	3,000
The Juyo Bank, Ltd.	2,500
Taiyo Life Insurance Company	2,500
The Chiba Bank, Ltd.	2,000
The Yamanashi Chuo Bank, Ltd.	2,000
The Chugoku Bank, Ltd.	2,000
Fukoku Mutual Life Insurance Company	2,000

- (Note) 1. The above list includes loans based on the syndicated loan.
2. The above list includes lenders with outstanding loans valued at 2,000 million yen or more.
3. The above list shows the lenders and loan balance on a consolidated basis for the Company.

4. There 10,000 million yen straight corporate bonds besides the above.

## 2. Shares (as of December 31, 2010)

(1) Number of Shares issued: 6,947,813 shares (ordinary shares)

(2) Number of Shares issued during this year: 7,703 shares (ordinary shares)

(Note) The number of shares increased by 7,703 shares in this fiscal year as a result of the execution of stock acquisition rights (stock options).

(3) Number of Shareholders 11,746 persons

### (4) Major Shareholders (Top 10)

Name	Beneficiary interest to the Company	
	Number of shares	Shareholding ratio
Sumitomo Corporation	2,777,912	40.12%
KDDI Global Media, LP	2,033,026	29.36%
Trust & Custody Services Bank, Ltd. (money trust tax account)	203,116	2.93%
Mizuho Trust & Banking co., Ltd. (securities custodian trust 0700117)	152,904	2.21%
THE CHASE MANHATTAN BANK, N.A. LONDON SECS LENDING OMNIBUS ACCOUNT	137,935	1.99%
KDDI International Holdings, LLC	100,771	1.46%
J. P. MORGAN CLEARING CORP—SEC	91,280	1.32%
STATE STREET BANK AND TRUST COMPANY	76,307	1.10%
STATE STREET BANK AND TRUST COMPANY	75,988	1.10%
NORTHERN TRUST CO. (AVFC) SUB A/C NON TREATY	62,023	0.90%

(Note)1. The major shareholders status includes the 10 shareholders with highest shareholding ratio, a ratio of share owned within the outstanding shares excluding treasury stock(24,102 of shares) as of this fiscal year.

2. The above voting right ratio excludes treasury stock.

## 3. Stock Acquisition Rights (Stock Options)(as of December 31, 2010)

### (1) Status of Stock Acquisition Rights and Such Granted to Directors and Statutory Auditors as Compensation for the Execution of Duties

(i) 2006 Stock acquisition rights as Stock-Compensation-Type Stock Options determined at the Ordinary General Meeting of Shareholders held on March 28, 2006 and the Board of Directors Meeting held on April 24, 2006

Number of stock acquisition rights 120

Type and number of shares targeted for stock acquisition rights

Ordinary shares 120 shares (1 share per stock acquisition rights)

Exercise period April 26, 2006 to March 31, 2026

Of the above stock acquisition rights, total held by the Company's Directors and Statutory Auditors

Classification	Number of stock acquisition rights	Number of holders
Directors (excluding Outside Directors)	120	3
Outside Directors	—	—
Statutory Auditor	—	—
Total	120	3

(ii) 2007 Stock acquisition rights as a long-term incentive Stock-Compensation-Type Stock Options determined at the Ordinary General Meeting of Shareholders held on March 27, 2007 and the Board of Directors Meeting held on April 27, 2007

Number of stock acquisition rights 169

Type and number of shares targeted for stock acquisition rights

Ordinary shares 169 shares (1 share per stock acquisition rights)

Exercise period May 16, 2007 to April 30, 2027

Of the above stock acquisition rights, total held by the Company's Directors and Statutory Auditors

Classification	Number of stock acquisition rights	Number of holders
Directors (excluding Outside Directors)	147	4
Outside Directors	—	—
Statutory Auditor	22	1
Total	169	5

(iii) 2008 Stock acquisition rights as a medium-term incentive Stock-Compensation-Type Stock Options determined at the Ordinary General Meeting of Shareholders held on March 27, 2007 and the Board of Directors Meeting held on July 29, 2008

Number of stock acquisition rights 248

Type and number of shares targeted for stock acquisition rights

Ordinary shares 248 shares (1 share per stock acquisition rights)

Exercise period August 16, 2008 to July 31, 2016

Of the above stock acquisition rights, total held by the Company's Directors and Statutory Auditors

Classification	Number of stock acquisition rights	Number of holders
Directors (excluding Outside Directors)	227	4
Outside Directors	—	—
Statutory Auditor	21	1



Total	248	5
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(iv) 2009 Stock acquisition rights as a long term incentive Stock-Compensation-Type Stock Options determined at the Ordinary General Meeting of Shareholders held on March 27, 2007 and the Board of Directors Meeting held on March 25, 2009

Number of stock acquisition rights            269  
Type and number of shares targeted for stock acquisition rights  
Ordinary shares            269 shares (1 share per stock acquisition rights)  
Exercise period            April 16, 2009 to March 31, 2029

Of the above stock acquisition rights, total held by the Company's Directors and Statutory Auditors

Classification	Number of stock acquisition rights	Number of holders
Directors (excluding Outside Directors)	269	5
Outside Directors	—	—
Statutory Auditor	—	—
Total	269	5

(v) 2009 Stock acquisition rights as a medium Stock-Compensation-Type Stock Options determined at the Ordinary General Meeting of Shareholders held on March 27, 2007 and the Board of Directors Meeting held on April 23, 2009

Number of stock acquisition rights            682  
Type and number of shares targeted for stock acquisition rights  
Ordinary shares            682 shares (1 share per stock acquisition rights)  
Exercise period            May 16, 2009 to April 30, 2017

Of the above stock acquisition rights, total held by the Company's Directors and Statutory Auditors

Classification	Number of stock acquisition rights	Number of holders
Directors (excluding Outside Directors)	682	5
Outside Directors	—	—
Statutory Auditor	—	—
Total	682	5

(vi) 2010 Stock acquisition rights as a long Stock-Compensation-Type Stock Options determined at the Ordinary General Meeting of Shareholders held on March 27, 2007 and the Board of Directors Meeting held on February 25, 2010

Number of stock acquisition rights            283  
Type and number of shares targeted for stock acquisition rights  
Ordinary shares            283 shares (1 share per stock acquisition rights)  
Exercise period            March 16, 2010 to February 28, 2030

Of the above stock acquisition rights, total held by the Company's Directors and Statutory Auditors

Classification	Number of stock acquisition rights	Number of holders
Directors (excluding Outside Directors)	283	5
Outside Directors	—	—
Statutory Auditor	—	—
Total	283	5

(vii) 2010 Stock acquisition rights as a medium Stock-Compensation-Type Stock Options determined at the Ordinary General Meeting of Shareholders held on March 27, 2007 and the Board of Directors Meeting held on February 25, 2010

Number of stock acquisition rights 475

Type and number of shares targeted for stock acquisition rights

Ordinary shares 475 shares (1 share per stock acquisition rights)

Exercise period March 16, 2010 to February 28, 2018

Of the above stock acquisition rights, total held by the Company's Directors and Statutory Auditors

Classification	Number of stock acquisition rights	Number of holders
Directors (excluding Outside Directors)	351	5
Outside Directors	—	—
Statutory Auditor	24	1
Total	375	6

**(2) Status of Stock Acquisition Rights and Such Granted to Employees as Compensation for the Execution of Duties**

2010 Stock acquisition rights as a medium Stock-Compensation-Type Stock Options determined at the Ordinary General Meeting of Shareholders held on March 27, 2007 and the Board of Directors Meeting held on February 25, 2010

Number of stock acquisition rights 475

Type and number of shares targeted for stock acquisition rights

Ordinary shares 475 shares (1 share per stock acquisition rights)

Exercise period March 16, 2010 to February 28, 2018

Of the above stock acquisition rights, total held by the Company's Employees

Classification	Number of stock acquisition rights	Number of grantees
Employees	100	5

## 4. Officers

### (1) Directors and Statutory Auditors (as of December 31, 2010)

Title	Name	Responsibilities and Important Co-Assignment
Representative President	Tomoyuki Moriizumi	Chief Executive Officer General Manager, CATV Business Unit
Representative Senior Managing Director	Tomoya Aoki	Chief Financial Officer General Manager, Corporate Planning & Strategy Unit
Director	Shunzo Yamaguchi	General Manager, Technology Unit Representative President, Technology Networks Inc.
Director	Toru Kato	General Manager, Business Strategy Unit
Director	Masayuki Matsumoto	Assistant to General Manager, CATV Business Unit Representative President, J:COM West Co., Ltd. Representative President, Suita Cable Television Co., Ltd. Representative President, Toyonaka Ikeda Cable Net Co., Ltd. Representative President, Takatsuki Cable Network Co., Ltd. Representative President, Higashi-Osaka Cable Television Co., Ltd.
Director	Yoshio Osawa	Member of the Board, Managing Executive Officer, Media, Network & Lifestyle Retail Business Unit, Sumitomo Corporation
Director	Masatoshi Hayashi	Corporate Officer, General Manager, Media Division, Sumitomo Corporation
Director	Daisuke Mikogami	General Manager, Cable TV Dept., Media Division, Sumitomo Corporation
Director	Hirofumi Morozumi	Executive Vice President, General Manager, Corporate Sector, Member of the Board, KDDI CORPORATION
Director	Makoto Takahashi	Senior Vice President, General Manager, Group Strategy Sector, Member of the Board, KDDI CORPORATION
Director	Shunsuke Oyama	Vice President, General Manager, Corporate Strategy Planning Division, General Manager, CATV Business Strategy Planning Division, KDDI CORPORATION
Statutory Auditor	Akira Ito	
Statutory Auditor	Toshifumi Shibuya	Corporate Officer, General Manager, Planning & Administration Dept., Media, Network & Lifestyle Retail Business Unit, Sumitomo Corporation

Statutory Auditor	Kenichiro Takagi	Executive Director, General Manager, Corporate Management Division, KDDI CORPORATION
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(Note)1. Directors, Yoshio Osawa, Masatoshi Hayashi, Daisuke Mikogami, Hirofumi Morozumi, Makoto Takahashi and Shunsuke Oyama are Outside Directors as defined by Article 2 Item 15 of the Company Law.

2. Statutory Auditors, Toshifumi Shibuya and Kenichiro Takagi are Outside Statutory Auditors as defined by Article 2 Item 16 of the Company Law.
3. At the conclusion of the Ordinary General Meeting of Shareholders held on March 25, 2010, Statutory Auditors, Tsuguhito Aoki, John Sandoval and Michael Erickson resigned.
4. Statutory Auditors, Akira Ito and Toshifumi Shibuya are familiar with the corporate law and have considerable knowledge of finance and accounting.
5. Statutory Auditor, Kenichiro Takagi has years of experience in corporate accounting and has considerable knowledge of finance and accounting.
6. The title, responsibilities and important Co-Assignment of Tomoya Aoki, Representative Senior Managing Director, changed from Managing Director on March 25, 2010 and from Chief Financial Officer, General Manager, Corporate Planning & Strategy Unit and Deputy General Manager, Mediatti Unit to Chief Financial Officer, General Manager, Corporate Planning & Strategy Unit on April 1, 2010.
7. The responsibilities and important Co-Assignment of Masayuki Matsumoto changed from General Manager, Kansai Business Strategy Division in CATV Business Unit and Representative President, J:COM West Co., Ltd. to Assistant to General Manager, CATV Business Unit, Representative President, J:COM West Co., Ltd. , Representative President, Suita Cable Television Co., Ltd. , Representative President, Toyonaka Ikeda Cable Net Co., Ltd. , Representative President, Takatsuki Cable Network Co., Ltd. , Representative President, Higashi-Osaka Cable Television Co., Ltd.. on April 1, 2010.

## (2) Compensation Paid to Directors and Statutory Auditors and the Sum of Other Monetary Benefits Offered in Consideration of the Execution of Duty

Director		Statutory Auditor		Total	
Number of Persons Paid	Amount Paid (Yen in Millions)	Number of Persons Paid	Amount Paid (Yen in Millions)	Number of Persons Paid	Amount Paid (Yen in Millions)
8	306	3	31	11	337

(Notes) 1. At the Ordinary General Meeting of Shareholders held on March 27, 2007, it was resolved to limit annual compensation to Directors to ¥600 million, and stock compensation-type stock options (medium-term and long-term incentives) to ¥250 million. At an Extraordinary General Meeting of Shareholders held on September 29, 2000, annual compensation for Statutory Auditors was limited to ¥100 million, and the Ordinary General Meeting of Shareholders held March 27, 2007 limited stock compensation-type stock options (long-term incentives) to ¥5 million.

2. As of December 31, 2010, there were 11 Directors and 3 Statutory Auditors.
3. The above amounts include stock acquisition rights posted as compensation this fiscal year totaled ¥90 million (¥86 million to 6 Directors, and ¥4 million to 1 Statutory Auditor).

## (3) Matters concerning Outside Directors and Statutory Auditors

### (i) Other Important Co-Assignment of Officers

Title	Name	Important Co-Assignment & Details
Outside Director	Yoshio Osawa	Member of the Board, Managing Executive Officer, Media, Network & Lifestyle Retail Business Unit, Sumitomo Corporation

Outside Director	Masatoshi Hayashi	Corporate Officer, General Manager, Media Division, Sumitomo Corporation
Outside Director	Daisuke Mikogami	General Manager, Cable TV Dept., Media Division, Sumitomo Corporation
Outside Director	Hirofumi Morozumi	Executive Vice President, General Manager, Corporate Sector, Member of the Board, KDDI CORPORATION
Outside Director	Makoto Takahashi	Senior Vice President, General Manager, Group Strategy Sector, Member of the Board, KDDI CORPORATION
Outside Statutory Auditor	Shunsuke Oyama	Vice President, General Manager, Corporate Strategy Planning Division, General Manager, CATV Business Strategy Planning Division, KDDI CORPORATION
Outside Statutory Auditor	Toshifumi Shibuya	Corporate Officer, General Manager, Planning & Administration Dept., Media, Network & Lifestyle Retail Business Unit, Sumitomo Corporation
Outside Statutory Auditor	Kenichiro Takagi	Executive Director, General Manager, Corporate Management Division, KDDI CORPORATION

(Note) 1.No special interest exists between the Company and Sumitomo Corporation.  
2.The relationship between the Company and KDDI CORPORATION have some field of business cooperations, and other trading relationships.

(ii) Status of Major Activities

Title	Name	Status of major activities
Outside Director	Yoshio Osawa	Attended 14 of 17 meetings of the Board of Directors during this fiscal year, providing individual opinion in discussions of proposals.
Outside Director	Masatoshi Hayashi	Attended 14 of 17 meetings of the Board of Directors during this fiscal year, providing individual opinion in discussions of proposals.
Outside Director	Daisuke Mikogami	Attended 12 of 13 meetings of the Board of Directors held after the assumption during this fiscal year, providing individual opinion in discussions of proposals.
Outside Director	Hirofumi Morozumi	Attended all 13 meetings of the Board of Directors held after the assumption during this fiscal year, providing individual opinion in discussions of proposals.
Outside Director	Makoto Takahashi	Attended all 13 meetings of the Board of Directors held after the assumption during this fiscal year, providing individual opinion in discussions of proposals.
Outside Director	Shunsuke Oyama	Attended all 13 meetings of the Board of Directors held after the assumption during this fiscal year, providing individual opinion in discussions of proposals.
Outside Statutory Auditor	Toshifumi Shibuya	Attended 12 of 13 meetings of the Board of Directors and 10 of 11 meetings of the Board of Statutory Auditors held after the assumption during this fiscal year, providing individual opinion from a specialist's viewpoint in discussions of proposals.

Outside Statutory Auditor	Kenichiro Takagi	Attended all 13 meetings of the Board of Directors and all 11 meetings of the Board of Statutory Auditors held after the assumption during this fiscal year, providing individual opinion from a specialist's viewpoint in discussions of proposals.
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- (Note)
1. Directors, Daisuke Mikogami, Hirofumi Morozumi, Makoto Takahashi and Shunsuke Oyama were newly elected at the Ordinary General Meeting of Shareholders held on March 25, 2010. 13 meetings of the Board of Directors were held after the assumption during this fiscal year.
  2. Statutory Auditors, Toshifumi Shibuya and Kenichiro Takagi were newly elected at the Ordinary General Meeting of Shareholders held on March 25, 2010. , 13 meetings of the Board of Directors and 11 meetings of the Board of Statutory Auditors were held after the assumption during this fiscal year.

(iii) Compensation to Outside Directors and Statutory Auditors

	Number of Persons Paid	Salaries and other compensation (Yen in Millions)
Outside Directors and Statutory Auditor	1	0

## 5. Status of Accounting Auditor

### (1) Name of auditing firm

KPMG AZSA LLC (changed name from KPMG AZSA & Co. on July, 2010)

### (2) Amount of compensation to be paid to Accounting Auditors

**Amount of compensation to Accounting Auditors in relation to this fiscal year:**

247 million yen

### (3) Total amount of cash or other financial assets to be paid to Accounting Auditors by the Company and subsidiaries:

405 million yen

- (Note)
1. In the audit contract between the Company and the Accounting Auditor, a distinction is not made between the compensation for auditing based on the Company Law and that for auditing based on the Financial Instruments and Exchange Law (Law No.25 of April 13, 1948), nor is such distinction effectively possible. The above number includes all of such activities.
  2. The Company compensated the Accounting Auditor for the service outside (non auditing work) of what is stipulated in Article 2 Paragraph 1 of Certified Public Accountants Act (Law No.103 of July 6, 1948). The non auditing work entails advisory services relating to the adoption of international-related standards.

### (4) Policy regarding dismissal and non-reappointment of Accounting Auditor

Under the Company Law, when there is a problem with an Accounting Auditor's performance of duty, the Board of Directors may, at their discretion and with the consent of the Board of Statutory Auditors, or at the request of the Board of Statutory Auditors, dismiss or refrain from reappointing the Accounting Auditor.

The Accounting Auditor may also be dismissed by a unanimous vote of the Board of Statutory Auditors, provided that the provisions of Article 340 Paragraph 1 of the Company Law are met. Under these circumstances, a Statutory Auditor selected by the Board of Auditors shall report the said dismissal and the reasons thereof at the first Ordinary General Meeting of Shareholders

following the dismissal.

## **6. Company Systems and Policies**

### **Matters regarding the institution of systems needed to secure proper business operation of a company**

At the May 2010 Board of Directors meeting, the Company reviewed its previous resolutions and adopted a new resolution concerning “the systems needed for the proper business operation of a public corporation,” as required by the Company Law and Company Law Enforcement Regulations. An overview is given below.

The Company understands that the improvement of efficiency and the maintenance of soundness in management, along with the securement of management transparency for the purpose of achieving such efficiency and soundness, are the fundamental elements of corporate governance. As outlined herebelow, in accordance with the Company Law and the Company Law Enforcement Regulations, the Company works to develop the systems that are necessary for the securement of its operational adequacy.

While the following items confirm those systems that are already established and are implemented, the Company will, through habitual reexamination, continue to establish and implement systems that match the requirements of the time.

#### **1. System to Ensure that the Directors’/Employees’ Execution of Duties is in Compliance with the Laws and Articles of Incorporation**

- (1) The Company thoroughly promotes strict adherence to the laws, the articles of incorporation and other internal regulations through upholding in the “Action Guideline” the importance of compliance of directors and employees.
- (2) The Company establishes the “Compliance Committee Regulations” and has in place a Compliance Committee. The Compliance Committee establishes various policies for compliance including “confrontation with antisocial forces”, creates a compliance manual, and distributes the manual to the officers and employees of the Company Group. The Company also provides during various training sessions compliance training for different positions including training for new recruits and training for management level employees.
- (3) The Company establishes a system where an officer/employee encountering an action that could be doubted as a breach of laws, the articles of incorporation or other internal regulations can directly contact the Compliance Committee, full-time statutory auditor or external attorney via the “Speak Up System”. Under the subject system, the confidentiality on the aforementioned communication of information is strictly maintained, and it is made clear that the Company will not take any adverse actions against the communicating individual.
- (4) The Company, by having in place the Internal Auditing Department and the Internal Control Department, an independent body to monitor all company operations, conducts internal audit on the state of compliance to laws, articles of incorporation and other internal regulations as well as on the precision and efficiency of the business operations. Additionally, such department gives instructions on remedial measures, provides support and advice, and reports periodically to the President.

## **2. System Concerning the Storage and Management of Information Associated with the Directors' Execution of Duties**

- (1) In accordance with the “Documents Regulations”, official minutes of the board of directors meetings, approval documents, and other important documents and information concerning execution of duties or decision-making (hereinafter, the “Documents and Others”) are appropriately stored and managed and are maintained in a state allowing perusal as necessary. In addition, necessary measures are taken to prevent information leakage outside the Company.
- (2) When requested by the statutory auditor, the Company offers the Documents and Others for inspection on a timely basis.

## **3. Regulations concerning the Management of the Risk of Loss and Other Systems**

- (1) The representative director and the other directors in charge of business operations develop a comprehensive risk management structure for the Company Group for all types of risks associated with corporate activities and also promote risk management at the respective departments which they supervise as outlined herebelow.
  - ① The Administration Department oversees the Company-wide risk management activities. It conducts risk analyses at ordinary times and works to reduce the risks, while the other departments establish regulations pertaining to the operations under their responsibilities, and work to improve risk management levels via formulation of risk management policies and manuals, etc. The individual departments, upon identifying a risk of loss, immediately report the matter to the director in charge and the statutory auditor.
  - ② The Internal Auditing Department and the Internal Control Department, by conducting internal audit based on the “Internal Audit Regulations”, evaluate the status on the Internal Control of management structures and the compliance to laws and regulations on business operations and monitor the state of risk across the Company Group.
- (2) The Company promotes measures to strengthen information security by establishing the “Basic Regulations on the Management of Information Security” and by putting in place the Information Security Committee.
- (3) In an effort to protect personal information, the Company acquired a privacy mark accreditation from the Japan Information Processing Development Corporation (JIPDEC). The Company promotes and reinforces the appropriate treatment of personal information in adherence to the accreditation standards.

## **4. System to Ensure Efficient Execution of Duties on the Part of Directors**

- (1) The Board of Directors determines the division of duties among the representative director and the other directors in charge of business execution and has the authority to have such individuals execute their respective duties.
- (2) The Board of Directors assigns a corporate officer(s) as a person(s) responsible for a particular organization(s) to accelerate the decision making process in the organization and improve operation facilitation.
- (3) The term of directorship is set at one year and the board of directors meeting is held once a month as a rule, for the purpose of clearly defining the management responsibility and in order to swiftly respond to changes in the business environment.
- (4) Items that require discussion at the board of directors meeting are established by the “Board of Directors Meeting Regulations”. With regard to the reference materials on matters to be



discussed, to provide for sufficient deliberations at the board of directors meetings, a system where such materials are distributed to all officers in advance is in place, allowing every director to sufficiently prepare in advance.

- (5) The Company continuously manages its budget and actual performance based on the past performance data of the Company and its group companies and appropriately evaluates and determines its business forecasts as well as the redistribution of resources.
- (6) In order to realize operational efficiency, the Company has in place a system which enables the organization of internal bodies in response to the requirements of the time.
- (7) With regard to the day-to-day execution of duties, the Company establishes a system where authority is transferred based on the “Regulations concerning Division of Duties, Administrative Authority and Decision-Making”, where the responsibilities of the individuals in charge at each level are clearly set forth, and where duties can be executed efficiently.

#### **5. System to Secure Operational Adequacy as a Company Group Comprising of a Stock Company, Its Parent Company and Subsidiaries**

- (1) The Company establishes its corporate philosophy and action guidelines that are shared by the Company and subsidiaries and, while respecting the autonomy and uniqueness of each entity, works for the collective sharing by officers and employees of common values and sense of adherence to the law. Each entity holds the authority and the responsibility to develop systems and measures to secure its own operational adequacy.
- (2) For the purpose of establishing internal control within the Company Group and of improving operational efficiency, the Company second its employees to the subsidiaries as necessary and also provides such subsidiaries with the operation and management services of cable TV and program supplying business, business training and other management guidance.
- (3) With regard to important business matters of the subsidiaries, those matters that are to be discussed with or reported to the Company are set forth in the “Regulations Concerning Affiliate Company Administration”.
- (4) The Internal Auditing Department and the Internal Control Department inspect the status of compliance by the Company subsidiaries to laws, articles of incorporation and other internal regulations as well as their operational precision and efficiency. They provide advice on remedial measures, support implementation, and periodically report the results to the President.
- (5) The Company establishes an Internal Control Committee as well as an Internal Control Department, an independent body for planning and promotion, for the purpose of strengthening and promoting internal control particularly in the areas of consolidated finance and accounting.
- (6) In addition to the proprietary “Speak Up Systems” of the subsidiaries, the Company also establishes a common “Speak Up System” for the Company and its group companies, and has in place a system where an officer/employee encountering an action that could be doubted as a breach of laws, the articles of incorporation or other internal regulations can directly contact the Company’s Compliance Committee, full-time statutory auditor or external attorney.
- (7) For transactions where the interests of the Company and of the individual group companies could potentially be in conflict, or on the occasion of implementing other exceptional or significant measures, such matters are brought to the Board of Directors Meeting for discussions and are resolved appropriately.

#### **6. Items Pertaining to Such Employee in a Case where the Statutory Auditor Requests for the Placement of an Employee to Support His/Her Duties**

While the Company currently does not have a dedicated department or several dedicated staff to support the statutory auditor's duties, The Company sets forth in the "Internal Audit Regulations" that the Internal Auditing Department and the Internal Control Department provide support to the statutory auditor when requested by the statutory auditor.

#### **7. Items Pertaining to the Independence of the Employee Outlined in the Previous Article from the Directors**

In the event of placement of subject staff to support the statutory auditor, the Company will secure independence of such staff from the directors in terms of his/her assignment, transfer, and performance evaluation, etc.

#### **8. Structure for Directors and Employees to Report to a Statutory Auditor and Other Structures for Reporting to a Statutory Auditor**

- (1) The Company, in addition to requesting the statutory auditor to attend important meetings, reports the state of business execution to the statutory auditor as seen fit and circulates to his/her attention important documents. With regard to items not brought up for discussion at the meetings, for facts that could potentially cause material influence to the Company, the Company reports such matters to the statutory auditor.
- (2) In accordance with the "Items Requiring Attention Concerning Approval Documents", the details of the approval requests approved by the directors and General Managers of units are reported to the full-time statutory auditor.
- (3) Items that have been directly communicated to the Compliance Committee or the external attorney as per the "Speak Up System" are promptly reported to the full-time statutory director and the information is shared.

#### **9. Other Systems to Secure Effective Audit by the Statutory Auditor**

- (1) The statutory auditor and the board of auditors establishes a forum to exchange opinions with the President, the officers and employees in charge of individual businesses and the accounting auditors, or conducts individual hearings.
- (2) The statutory auditor, for the purpose of proper execution of his/her duties, conducts liaison meetings with the statutory auditors of the Company's subsidiaries and works to keep communication channels and exchange information.
- (3) The Internal Auditing Department and the Internal Control Department work together with the statutory auditor by reporting the results of internal audit to the statutory auditor as necessary, etc. so as to contribute to the execution of effective audit by the statutory auditor.
- (4) The statutory auditor gains an understanding of the audit activities of the accounting auditor(s) and exchanges information through periodic meeting with the accounting auditor(s) and works for the efficiency and qualitative improvement of the statutory auditor's audit.

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*(Note) The matters set forth in this business report, except as specifically noted, pertain to the Company's 17<sup>th</sup> fiscal year (January 1, 2010 to December 31, 2010) or describe conditions at the end of the Company's 17<sup>th</sup> fiscal year (December 31, 2010). Japan's Company Law and Company Law Enforcement Regulations require the disclosure of certain information. However, where there were no relevant events for J:COM to report, they have been omitted, except as specifically noted.*

JUPITER TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES  
**CONSOLIDATED BALANCE SHEET**  
**(U.S. GAAP)**

*As of December 31, 2010*

(Yen in Millions)

<b>(Assets)</b>		<b>(Liabilities)</b>	
Current assets:		Current liabilities:	
Cash and cash equivalents	78,212	Short-term loans	5,581
Accounts receivable	22,211	Long-term debt—current portion	19,247
Allowance for doubtful accounts	(530)	Capital lease obligations—current portion	
Deferred tax assets—current	11,611	Related parties	16,905
Prepaid expenses and other current assets	7,833	Others	1,719
Total current assets	119,337	Accounts payable	27,995
Investments:		Income taxes payable	16,448
Investments in affiliates	9,938	Deposit from related parties	268
Investments in other securities, at cost	2,152	Deferred revenue—current portion	9,774
Total investments	12,090	Accrued expenses and other liabilities	10,481
Property and equipment, at cost:		Total current liabilities	108,418
Land	3,966	Long-term debt, less current portion	128,887
Distribution system and equipment	719,018	Corporate Bond, less current portion	10,000
Support equipment and buildings	61,063	Capital lease obligations, less current portion:	
	784,047	Related parties	38,373
Less accumulated depreciation	(410,394)	Others	4,432
Total property and equipment	373,653	Deferred revenue	60,478
Other assets:		Deferred tax liabilities—non current	13,392
Goodwill	248,323	Other liabilities	26,373
Identifiable intangible assets, net	41,615	Total liabilities	390,353
Deferred tax assets—non current	5,392	<b>(Shareholders' equity)</b>	
Others	16,353	Ordinary shares no par value	117,550
Total other assets	311,683	{ Authorized 15,000,000 shares; issued 6,947,813 shares }	
Total assets	816,763	Additional paid-in capital	226,017
		Retained earnings	70,010
		Treasury stock, at cost	(2,266)
		Accumulated other comprehensive income/(loss)	(1,160)
		Total J:COM shareholders' equity	410,151
		Noncontrolling interests in subsidiaries	16,259
		Total shareholders' equity	426,410
		Total liabilities and shareholders' equity	816,763

*The "Notes to Annual Consolidated Statutory Report" are an integral part of the above financial report.*

JUPITER TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES  
**CONSOLIDATED STATEMENT OF INCOME**  
**(U.S. GAAP)**  
*Year ended December 31, 2010*

(Yen in Millions, except per share data)

Revenue:	
Subscription fees	298,197
Others	61,915
	360,112
Operating costs and expenses:	
Operating and programming costs	(135,272)
Selling, general and administrative expenses	(72,242)
Depreciation and amortization	(85,843)
	(293,357)
Operating income	66,755
Other income (expenses):	
Interest expense, net:	
Related parties	(1,644)
Others	(3,447)
Equity in earnings of affiliates	1,032
Other income, net	471
Income before noncontrolling interests and income taxes	63,167
Income taxes expense	(22,248)
Net income	40,919
Net income attributable to noncontrolling interests	(3,229)
Net income attributable to J:COM shareholders	37,690
Net income attributable to J:COM shareholders per share—basic	¥5,456.41
Net income attributable to J:COM shareholders per share—diluted	¥5,450.89
Weighted average number of ordinary shares outstanding—basic	6,907,446 shares
Weighted average number of ordinary shares outstanding—diluted	6,914,436 shares

*The “Notes to Annual Consolidated Statutory Report” are an integral part of the above financial report.*

JUPITER TELECOMMUNICATIONS CO., LTD. AND SUBSIDIARIES  
**CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY**  
**(U.S. GAAP)**

*Year ended December 31, 2010*

(Yen in Millions)

<b>I Ordinary shares no par value</b>	
1 Balance at January1, 2010	117,242
2 Ordinary shares issued upon exercise of stock options (80,000 Yen per share — 7,703 shares)	308
3 Balance at December 31, 2010	117,550
<b>II Additional paid-in capital</b>	
1 Balance at January1, 2010	226,553
2 Ordinary shares issued upon exercise of stock options (80,000 Yen per share — 7,703 shares)	308
3 Stock-based compensation	102
4 Loss on sale of treasury stock	(834)
5 Purchase of subsidiary shares from noncontrolling interests	(112)
6 Balance at December 31, 2010	226,017
<b>III Retained earnings</b>	
1 Balance at January1, 2010	39,834
2 Net income attributable to J:COM shareholders	37,690
3 Cash dividend paid to shareholders	(7,514)
4 Balance at December 31, 2010	70,010
<b>IV Accumulated other comprehensive income/(loss)</b>	
1 Balance at January1, 2010	(1,207)
2 Other comprehensive income/(loss), net of taxes	47
3 Balance at December 31, 2010	(1,160)
<b>V Treasury stock, at cost</b>	
1 Balance at January1, 2010	(7,520)
2 Ordinary shares issued upon exercise of stock options	5,254
3 Balance at December 31, 2010	(2,266)
<b>VI Noncontrolling interests in subsidiaries</b>	
1 Balance at January1, 2010	14,689
2 Adjustments due to changes in subsidiaries' equity	(141)
3 Net income attributable to noncontrolling interests	3,229
4 Purchase of subsidiary shares from noncontrolling interests	(1,496)
5 Other comprehensive income/(loss), net of taxes	(22)
6 Balance at December 31, 2010	16,259
<b>Total shareholders' equity</b>	<b>426,410</b>
<b>COMPREHENSIVE INCOME/(LOSS)</b>	
1 Net income	40,919
2 Other comprehensive income/(loss) , net of taxes:	
Unrealized gain/ (loss) on cash flow hedge	(368)
Reclassification adjustment for gain/(loss) on cash flow hedge included in net income	393
Other comprehensive income/ (loss) , net of taxes	25
3 Comprehensive income	40,944
4 Comprehensive income attributable to noncontrolling interests	(3,207)
5 Comprehensive income attributable to J:COM shareholders	37,737

*The "Notes to Annual Consolidated Statutory Report" are an integral part of the above financial report.*

## Notes to Annual Consolidated Statutory Report

### Significant Accounting Basis for the Consolidated Statutory Report

#### 1. Scope of consolidation

- (1) Number of consolidated subsidiaries: 31
- (2) The names of the Company's consolidated subsidiaries  
Principal subsidiaries  
J:COM West Co., Ltd. J:COM Kanto Co., Ltd. J:COM Tokyo Co., Ltd.  
Technology Networks Inc. Jupiter Entertainment Co., Ltd.
- (3) Change of consolidated subsidiaries in 2010  
Changes of consolidated subsidiaries in 2010 are as follows;  
(Due to merger of subsidiaries)  
Johoku New Media Co., Ltd. merged with J:COM Tokyo Co., Ltd.  
(Company which was liquidated)  
J-Sports, LLC. and Jupiter Sports, Inc. were liquidated.

#### 2. Scope of application of equity method

- (1) Number of equity method affiliates: 8
- (2) The names of equity method affiliates  
Principal affiliates  
Discovery Japan, Inc. Japan Digital Serve Corp.  
Animal Planet Japan Co., Ltd.
- (3) Change of equity method affiliates in 2010  
Changes of equity method affiliates in 2010 are as follows;  
KADOKAWA JCOM Media Co., Ltd. was liquidated.

#### 3. Significant accounting policies

- (1) Accounting standards used to prepare the consolidated Statutory Report  
Jupiter Telecommunications Co., Ltd. (Jupiter) and its subsidiaries (the Company) prepare its annual consolidated Statutory Report using the terminology, forms and methods of preparation required under accounting principles generally accepted in the United States of America, as stipulated by the Article 3, Section 1 of the Supplementary Provision of the Corporate Calculation Rule (Justice Ministry ordinance No.46 of December 11, 2009). However, certain descriptions and notes required under the aforementioned accounting principles, as per the above regulation, are partially omitted.
- (2) Securities valuation standards and valuation methods  
To value its investments, the Company applies Accounting Standards Codification (ASC) Topic 323, *Investments – Equity method and Joint Ventures* and ASC Topic 325, *Investments – other*.

Investments in affiliates (excluding loans):	Equity method
Investments in other securities:	Cost method

When investments in affiliates or other securities appear to decline in value, the Company considers the possibility of recognizing an impairment loss based on an other-than-temporary assessment.

### (3) Valuation standards and valuation methods for derivatives

The Company accounts for derivatives based on ASC Topic 815, *Derivatives and Hedging*. ASC 815 states all derivatives are fair valued and recognized on the balance sheet as assets or liabilities.

- Derivative instrument designated and effectively active as a fair value hedge:  
Changes in the fair value of derivative instruments and of the assets or liabilities being hedged are recognized as periodic income/loss.
- Derivative instrument designated as cash flow hedge—regarding the portion effectively active as hedge:  
Until income/losses on the assets or liabilities being hedged are recognized on the statements of income, they must be recognized as other comprehensive income/loss.
- Derivative instrument designated as cash flow hedge—regarding the portion that is not effectively active as hedge:  
Recognized as periodic income/loss.
- Derivative instruments not designated as hedge:  
Changes in fair value recognized as periodic income/loss.

### (4) Accounting for long-lived assets

For long-term assets other than goodwill, the Company evaluates the need for impairment losses on the guidance in ASC Topic 360 *Property, Plant, and Equipment*, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

### (5) Depreciation method for tangible fixed assets

The straight-line method is applied and the useful lives by major asset categories are:

Distribution system and equipment	10–17 years
Buildings and structures	15–40 years
Support equipment	5–15 years

(Assets acquired through capital leases are depreciated over periods ranging from 2 to 20 years.)

### (6) Valuation standards and valuation methods for goodwill

The Company recognizes as goodwill the difference between the acquisition cost of consolidated subsidiaries and the estimated net asset fair value of the applicable companies. In accordance with ASC Topic 350 *Intangibles – Goodwill and other*, the Company conducts an impairment test annually and whenever an event occurs that suggests the possibility of impairment.

### (7) Amortization of software

Internal use software is amortized on the straight-line method over the estimated available period (less than five years).

### (8) Accounting methods of asset retirement obligations

The Company applies ASC Topic 410 *Asset Retirement and Environmental Obligations*. This interpretation requires us to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated.

### (9) Standards for recognition of important allowances

Allowance for doubtful accounts

The Company calculates allowance for doubtful accounts on the basis of our best estimate of probable future losses on accounts receivable considering historical experience and other known factors.

### (10) Lease transactions

The Company accounts for leases in accordance with ASC Topic 840 *Leases*.

### (11) Amortization of identifiable intangible asset

The Company accounts for identifiable Intangible assets in accordance with ASC Topic 350 *Intangibles-Goodwill and Other Intangible assets*. Identifiable intangible assets include customer relationships and channel franchises which were originally recorded in connection with business combinations. Customer relationships and channel franchises are amortized over their respective estimated useful lives of 10 and 17 years.

## (12) Income Taxes

The Company accounts for income taxes under the asset and liability method in accordance with ASC Topic 740 *Income Taxes*. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

ASC Topic 740 defines the accounting for uncertainty in income taxes, and also provides the guidance on derecognition, measurement, interest and penalties of uncertain tax positions when it is not likely for filed tax position to be maintained after tax examinations.

As of December 31, 2010, the Company has the portion of its unrecognized tax benefits of ¥16,458 million. No assurance can be given that any of these tax benefits will be recognized or realized, therefore, the Company does not recognize these tax benefits on its financial statements.

In addition, the Company includes interest accrued on uncertain tax position in interest expense and penalties in income taxes expense.

As a result of the future tax examination, it is reasonably possible that the amount of unrecognized tax benefits as of December 31, 2010 could change significantly and could result in increases to our deferred tax assets or decreases to our liabilities for uncertain tax positions and a favorable impact on its consolidated financial statements. The Company is currently unable to provide a meaningful estimate of the range of any such increases. No assurance can be given as to the nature or impact of changes in our unrecognized tax positions, therefore, the Company does not disclose these potential tax benefits. The Company is subject to corporate income tax of National Tax Administrative Agency. Substantially all material income tax examinations have been concluded for tax years through 2003. Currently, the Company is or anticipates being under examination in several jurisdictions in which the Company operates. Although no assurance can be given, the Company anticipates that the outcome of these examinations will not have a material adverse effect on its financial position or results of income.

## (13) Revenue Recognition

The Company recognizes cable television, high-speed Internet access, telephony and programming revenues when such services are provided to subscribers in accordance with ASC Topic 605 *Revenue recognitions*. Revenues derived from other sources are recognized when services are provided, events occur or products are delivered. The Company accounts for revenues of installation and operation on cable television system in accordance with ASC Topic 922 *Entertainment- Cable Television*. Initial subscriber installation revenues are recognized in the period in which the related services are provided to the extent of direct selling costs. Any remaining amount is deferred and recognized over the estimated average period that the subscribers are expected to remain connected to the cable television system. Historically, installation revenues have been less than related direct selling costs, therefore such revenues have been recognized as installations are completed.

The Company provides poor reception rebroadcasting services to noncable television viewers suffering from poor reception of television waves caused by artificial obstacles. The Company enters into agreements with parties that have built obstacles causing poor reception for construction and maintenance of cable facilities to provide such services to the affected viewers at no cost to them during the agreement period. Under these agreements, the Company receives up-front, lump-sum compensation payments for construction and maintenance. Revenues from these agreements have been deferred and are being recognized in income on a straight-line basis over periods that are consistent with the durations of the underlying agreements (maximum 20 years). Such revenues are included in revenue - others in the accompanying consolidated statements of income.

The Company's channels distribute programming to individual satellite platform subscribers through



an agreement with the platform operator which provides subscriber management services to channels in return for a fee based on subscription revenues. Individual satellite subscribers pay a monthly fee for programming channels under the terms of rolling one-month subscription contracts. Cable and broadband service providers generally pay a per-subscriber fee for the right to distribute the Company's programming on their systems under the terms of generally annual distribution contracts. Revenue for such services is recognized in the periods in which programming services are provided to cable, satellite and broadband subscribers.

(14) Consumption taxes

All transactions are recorded net of national and regional consumption taxes.

**4. Notes to the Consolidated Balance Sheet**

(1) Material assets provided as collateral:

Distribution system and equipment	¥88,896 million
Support equipment and buildings	¥3,041 million
Liabilities related to collaterals above	¥11,135 million

(2) Debt guarantee balance, etc

The Company has ¥1,593 million foreign exchange contract on behalf of certain affiliates.

(3) Accumulated other comprehensive income (loss)

Accumulated other comprehensive income (loss) represents the accumulated unrealized gains (losses) pertaining to derivative financial instruments designated as cash flow hedges.

**5. Notes to the Consolidated Statements of Shareholders' Equity**

(1) Number of Shares issued

Ordinary Shares 6,947,813 Shares

(2) Treasury stocks

Ordinary Shares 24,102 Shares

(3) Dividend

(2009 Yearend) Determined at the Annual Shareholders Meeting held on March 25, 2010

Class of shares	Ordinary Shares
Paid amount for dividend	¥3,361 million
Dividend per share	¥490.00
Record date	December 31, 2009
Effective date	March 26, 2010

(2010 Interim) Determined at the Board of Directors Meeting held on July 27, 2010

Class of shares	Ordinary Shares
Paid amount for dividend	¥4,152 million
Dividend per share	¥600.00
Record date	June 30, 2010
Effective date	September 8, 2010

Total amount of dividends of which the record date is December 31, 2010 will be ¥6,231 million.

(4) Stock acquisition rights

Number of targeted shares (exercisable)

Stock acquisition rights : Ordinary Shares Outstanding 10,048 Shares

(Determined at the Extraordinary General Meeting of Shareholders held on July 8, 2002, October 3, 2003 and July 9, 2004, and at the Board of Directors Meeting held on July 29, 2008)

## 6. Notes to financial instruments

### (1) Policies for financial instruments

The Company limits operating funds to short-term deposit, etc., and raises funds primarily through bank loans and issuance of corporate bond.

Concentration of credit risk with respect to trade receivables is limited due to large number of small customers throughout Japan. The Company also manages this risk by disconnecting services to customers whose accounts are delinquent.

Bank loans primarily are used for operating funds and capital investment. The Company uses derivative instruments such as interest rate swaps and foreign exchange forward contracts in order to manage the fluctuation risk of interest rate and foreign currency exchange rate.

### (2) Fair value of financial instruments

The carrying amount, the fair value and the difference between them as of December 31, 2010 are as follows:

	Carrying amount	Fair value	Difference
Long-term debt (*)	148,134	149,469	(1,335)
Corporate Bond	10,000	10,254	(254)
Derivative liabilities, net	2,074	2,074	—
Detail			
Interest rate swaps contract, net	1,710	1,710	—
Foreign exchange forward contract, net	364	364	—

(\*) Long-term debt includes “Long-term debt-current portion”

#### Calculation method for the fair value of financial instruments

(Cash and cash equivalents, Accounts receivable, Short-term loans and Accounts payable)

The carrying amount approximates fair value of these instruments because of their short-term maturities.

(Long-term debt and Corporate Bond)

The fair value of long-term debt and corporate bond are based on the present value of future cash flows discounted using the Company’s current borrowing rate for similar debt.

(Derivative liabilities, net)

The fair value of derivative liabilities, net is estimated on quotes from a third party.

## 7. Information of the Per Share Data

J:COM shareholders' equity per share ¥59,238.63

## 8. Note to deferred taxes

The effects of temporary differences and carryforwards that give rise to deferred tax assets and liabilities at December 31, 2010 are as follows.

	(Yen in Millions)
Deferred tax assets:	
Deferred revenue	23,370
Lease obligation	8,665
Accrued expenses and other	6,164
Property and equipment	4,026
Net operating loss carryforwards	1,689
Total gross deferred tax assets	<u>43,914</u>
Less: valuation allowance	<u>(451)</u>
Deferred tax assets	43,463
Deferred tax liabilities:	
Property and equipment	19,566
Intangible assets - principally identifiable intangible assets	17,235
Investments in affiliates	2,579
Other	472
Total gross deferred tax liabilities	<u>39,852</u>
Net deferred tax assets	<u>3,611</u>

## 9. Significant Subsequent Events

There were no significant events subsequent to the end of 2010 financial year.

**JUPITER TELECOMMUNICATIONS CO., LTD.(Parent Only)**

**BALANCE SHEET (Japanese GAAP)**

*As of December 31, 2010*

(Yen in Millions)

<b><u>(ASSETS)</u></b>		<b><u>(LIABILITIES)</u></b>	
<b>Current assets</b>	<b>96,995</b>	<b>Current liabilities</b>	<b>33,135</b>
Cash and cash equivalents	543	Accounts payable—trade	9,784
Accounts receivable—trade	17,392	Long-term debt—current portion	16,000
Securities	61,792	Lease obligations	235
Inventory	752	Accounts payable—other	4,508
Prepaid expenses	836	Accrued expenses	1,678
Deposit	8,001	Income taxes payable	235
Deferred tax assets	3,848	Withheld payable	520
Other current assets	3,831	Other current liabilities	175
<b>Fixed assets</b>	<b>346,754</b>	<b>Fixed liabilities</b>	<b>149,932</b>
<b>Tangible fixed assets</b>	<b>5,100</b>	Bond	10,000
Buildings	1,105	Long-term debt	121,000
Other structures	23	Lease obligations	148
Machinery and equipment	3,266	Deferred tax liabilities—non current	17,017
Land	429	Other long-term liabilities	1,767
Leased assets	277	<b>Total liabilities</b>	<b>183,067</b>
<b>Intangible fixed assets</b>	<b>13,751</b>	<b><u>(NET ASSETS)</u></b>	
Goodwill	8,622	<b>Shareholders' equity</b>	<b>261,586</b>
Software	5,022	<b>Common stock</b>	<b>117,550</b>
Leased assets	90	<b>Capital surplus</b>	<b>125,034</b>
Other intangible fixed assets	17	Capital reserve	31,690
<b>Investments and other assets</b>	<b>327,903</b>	Additional paid-in capital	93,344
Investment securities	2,721	<b>Retained earnings</b>	<b>21,268</b>
Investments to subsidiaries and affiliates	312,773	Other retained earnings	21,268
Long-term loans to others	197	Retained earnings carried forward	21,268
Long-term loans to subsidiaries and affiliates	10,000	<b>Treasury stock</b>	<b>(2,266)</b>
Long-term prepaid expenses	528	<b>Revaluation surplus</b>	<b>(1,039)</b>
Guarantees	1,659	Deferred hedge loss	(1,039)
Other assets	25	<b>Stock option</b>	<b>170</b>
<b>Deferred Asset</b>	<b>35</b>	<b>Total Net Assets</b>	<b>260,717</b>
Bond issuance cost	35		
<b>Total Assets</b>	<b>443,784</b>	<b>Total Liabilities and Net Assets</b>	<b>443,784</b>

**JUPITER TELECOMMUNICATIONS CO., LTD.(Parent Only)**

**STATEMENT OF INCOME (Japanese GAAP)**

*Year ended December 31, 2010*

(Yen in Millions)

<b>(ORDINARY PROFIT/LOSS)</b>		
<i>Operating profit</i>		
Sales		157,358
Cost of sales		125,270
		<hr/>
Gross income		32,088
Selling, general and administrative expenses		16,467
		<hr/>
Operating income		15,621
<i>Non-operating profit</i>		
Non-operating profit		
Interest income	574	
Dividends	1,013	
Guarantee fee	52	
Other non-operating income	471	2,110
		<hr/>
Non-operating expenses		
Interest expense	2,568	
Long-term prepaid guarantees amortization	193	
Other non-operating expenses	387	3,148
		<hr/>
Ordinary income		14,583
<b>(EXTRAORDINARY GAIN/LOSS)</b>		
Extraordinary loss		
Loss on liquidation of subsidiaries and affiliates	1,776	
Loss on one-time amortization of loan expense	11	1,787
		<hr/>
Net income before taxes		12,796
Income taxes-current	54	
Income taxes-deferred	3,700	3,754
		<hr/>
Net income		9,042
		<hr/>

**JUPITER TELECOMMUNICATIONS CO., LTD**  
**(Parent Only-Japanese GAAP)**  
**STATEMENT OF SHAREHOLDERS' EQUITY**  
*Year ended December 31, 2010*

(Yen in Millions)

	Shareholders' equity							
	Common stock	Capital Surplus			Retained Earnings		Treasury stock	Total Shareholders' equity
		Capital reserve	Additional paid-in capital	Total capital surplus	Other Retained earnings	Total retained earnings		
Balance at December 31, 2009	117,242	31,382	94,132	125,514	19,739	19,739	(7,520)	254,975
Movement for this period								
Net income					9,042	9,042		9,042
Dividend					(7,513)	(7,513)		(7,513)
Disposal of treasury stock			(788)	(788)			5,254	4,466
Stock option exercise	308	308		308				616
Movement other than Shareholders' equity items								
Total movement	308	308	(788)	(480)	1,529	1,529	5,254	6,611
Balance at December 31, 2010	117,550	31,690	93,344	125,034	21,268	21,268	(2,266)	261,586

	Revaluation surplus		Stock Option	Total Net assets
	Deferred hedge loss	Total revaluation surplus		
Balance at December 31, 2009	(1,206)	(1,206)	113	253,882
Movement for this period				
Net income				9,042
Dividend				(7,513)
Disposal of treasury stock				4,466
Stock option exercise				616
Movement other than Shareholders' equity items	167	167	57	224
Total movement	167	167	57	6,835
Balance at December 31, 2010	(1,039)	(1,039)	170	260,717

## Notes to Annual Statutory Report (Parent Only - Japanese GAAP)

### 1. Significant Accounting Policies

- (1) Securities valuation standard and method
  - Investments to subsidiaries and affiliates
    - Acquisition cost by the moving average method
  - Other investments
    - Non-marketable Securities
      - Acquisition cost by the moving average method
- (2) Inventory Valuation
  - Cost method by the moving average method (amount on the balance sheet is derived by the devaluation of book value based on the lower profitability)
- (3) Depreciation method of tangible fixed assets (excluding leased assets)
  - The straight-line method is applied.
  - Useful Lives

Buildings	10–50 years
Other structures	10–60 years
Machinery and equipment	4–15 years
- (4) Amortization method of intangible fixed assets (excluding leased assets)
  - With regard to software for in-house use, straight-line method over estimated in-house useful life (5 years).
  - With regard to goodwill, straight-line method over 10 years.
- (5) Depreciation Method of Leased Assets
  - Leased assets except for finance lease where ownership is expected to transfer to the lessee are depreciated in straight-line method where depreciation is over leased-term and residual amount is zero.
- (6) Long term prepaid expenses
  - Amortized using straight-line method.
- (7) Accounts for Deferred Assets
  - Bond issuance cost is amortized by bond redemption date using straight line method.
- (8) Allowance and Reserve
  - Allowance for bad debts
    - In preparation for loss due to bad debt, allowance is calculated based on historical bad debt ratio approach for general receivables and on evaluation of individual collectability for particular doubtful cases.
- (9) Important hedge accounting method
  - (a) Hedge accounting method
    - Deferred hedge method is applied. When allotment is applicable for foreign exchange contract, such method is used.
  - (b) Measure and object for hedge
    - Hedge measure: Foreign exchange forward contract and interest rate swap
    - Object for hedge: Accounts payable in foreign currency, and interest of debt loans with variable interest rate
  - (c) Hedge policy
    - The Company tries to minimize the risks of foreign exchange fluctuations of accounts payables in foreign currency as well as the risks of fluctuations of interest rate for debt loans based on the Company's internal regulations.
  - (d) Valuation of hedge
    - With regard to foreign exchange contract, valuation of hedge is omitted because there is no difference of material conditions regarding its transaction and object for hedge and its cash flow is fixed. With regard to interest rate swap, valuation is done by testing whether the interest risk as

object for hedge is diminished.

(10) Consumption taxes

Consumption taxes are excluded from income and expenses in Statement of Income and net of payables and receivables of Consumption Taxes is recorded in Balance Sheet.

(11) Presentation of amounts

Amounts presented in millions of yen with fractions rounded.

## 2. Notes to the Balance Sheet

(1) Accumulated depreciation of tangible fixed assets ¥3,198 million

(2) Debt guarantees balance, etc.

Guaranteed Parties	(Yen in millions)	Details of guaranteed debt
J:COM West Co., Ltd.	12,741	Borrowing from Banks and Lease contracts (*1)
J:COM Kanto Co., Ltd.	9,125	
J:COM Tokyo Co., Ltd.	5,758	
J:COM Shonan Co., Ltd.	4,864	
J:COM Fukuoka Co., Ltd.	4,091	
J:COM Saitama Co., Ltd.	3,742	
Cable Net Kobe Ashiya Co., Ltd.	3,426	
J:COM Kita Kyushu Co., Ltd.	3,050	
J:COM Chiba Co., Ltd.	2,228	
J:COM Sapporo Co., Ltd.	2,032	
Tsuchiura Cable Television Co., Ltd.	1,999	
Others	6,631	
Total	59,687	
Jupiter Golf Network Co., Ltd.	2,976	Foreign exchange forward contracts (*2)
J Sports Broadcasting Corporation	1,444	
Discovery Japan, Inc.	1,173	
Animal Planet Japan Co., Ltd.	420	
Others	86	
Total	6,099	
Grand Total	65,786	

\*1 The Company guarantees about borrowing from banks of the subsidiaries and lease obligations.

\*2 The Company has foreign exchange forward contracts on behalf of above subsidiaries and affiliates.

(3) Monetary claims and obligations to subsidiaries and affiliates

Short-term monetary claims ¥18,072 million

Long-term monetary claims ¥10,000 million

Short-term monetary obligations ¥4,886million

## 3. Notes to Statement of Income

Transactions with subsidiaries and affiliates

Operating transaction

Sales ¥129,802 million

Cost of sales ¥37,613 million

Non-operating transaction

Other income ¥1,869 million

Other expenses ¥12 million



#### 4. Notes to Statement of Shareholders' equity

(Unit: share)

(1) Type and total number of outstanding stock issued

Type of stock	December 31, 2009	Increase*1	Decrease	December 31, 2010
Common stock	6,940,110	7,703	—	6,947,813

\*1 Stock option exercise 7,703shares

(2) Type and total number of treasury stock

Type of stock	December 31, 2009	Increase	Decrease*1	December 31, 2010
Common stock	80,000	—	55,898	24,102

\*1 Stock option exercise 55,898shares

#### 5. Notes to Deferred Tax Assets and Liabilities

The effects of temporary difference and carryforwards that give rise to deferred tax assets and liabilities are as follows;

Net operating loss carryforwards	¥3,412 million
Investment in subsidiaries and affiliates	¥1,159 million
Deferred hedge loss	¥713 million
Accrued expenses	¥313 million
Long-term prepaid expenses	¥125 million
Investment in other securities	¥98 million
Enterprise tax payable	¥73 million
Other	¥124 million
Total Deferred Tax Assets	¥6,017 million
Less: valuation allowance	(¥1,257 million)
Total Deferred Tax Assets	¥4,760 million
Investment to subsidiaries and affiliates	¥17,445 million
Investment securities	¥484 million
Total Deferred Tax Liabilities	¥17,929 million
Net deferred Tax Liabilities	¥13,169 million

## 6. Notes regarding transactions with related parties

### (1)Subsidiaries and affiliates

(Yen in Millions)

Company name	Business type	Voting right (direct)	Relationships		Transaction details	Transaction amount *5	Account title	Balance at the end of term*5
			Officers	Business relationship				
J:COM Kanto (Subsidiary)	CATV	100%	Interlocking Secoded	Programming sales	Programming sales *1	22,707	Accounts receivable	2,576
					Debt guarantee *2	9,125	—	—
J:COM West (Subsidiary)	CATV	91.07%	Interlocking Secoded	Programming sales	Programming sales *1	22,059	Accounts receivable	2,742
					Debt guarantee *2	12,741	—	—
Technology Networks (Subsidiary)	Electric construction	100%	Interlocking Secoded	ISP Service	ISP Service *3	17,763	Accounts payable	1,574
J:COM Tokyo (Subsidiary)	CATV	95.93%	Interlocking Secoded	Programming sales	Debt guarantee *2	5,758	—	—
J:COM Shonan (Subsidiary)	CATV	82.57%	Interlocking Secoded	Programming sales	Debt guarantee *2	4,864	—	—
J:COM Finance (Subsidiary)	Financing	100%	Secoded	Finance	Interest received	469	Other current assets	1
					Collection of loan *4	20,000	Long-term loans to subsidiaries and affiliates	10,000

\*1 Business conditions are conducted at a fair price.

\*2 The Company guarantees about borrowing from banks of the subsidiaries and lease obligations.

\*3 Business conditions are determined after negotiating with Technology Networks.

\*4 Interest rates are based on market rates. Collateral is not required.

\*5 Consumption taxes are excluded from transaction amount, but included in balance at the end of term.

### (2)Other related party

(Yen in Millions)

Company name	Business type	Voting right (direct)	Relationships		Transaction details	Transaction amount *2	Account title	Balance at the end of term*2
			Officers	Business relationship				
Sumitomo Shoji Financial Management Co.,Ltd (subsidiary of Sumitomo Corporation)	Financing	—	—	Finance	Deposit *1	5,000	Deposit	8,000

\*1 The Company determines terms and conditions considering actual condition of the market on the basis of terms and conditions offered from Sumitomo Shoji Financial Management.

\*2 Consumption taxes are excluded from transaction amount, but included in balance at the end of term.

## 7. Note regarding information per share

Net assets per share 37,631.08 yen

Net income per share 1,309.01 yen

(Note) Basis for calculating net income per share.

Net income	¥9,042 million
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Net income not attributable to common shareholders	—
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Net income attributable to common shareholders	¥9,042 million
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Average number of common shares during the fiscal year	6,907,446 shares
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## 8. Significant Subsequent Events

There were no significant events subsequent to the end of 2010 financial year.

**Independent Auditors' Report**

February 15, 2011

The Board of Directors  
Jupiter Telecommunications Co., Ltd.

KPMG AZSA LLC

Tsutomu Takahashi  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Hidetoshi Fukuda  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Hiroo Iwaide  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

We have audited the consolidated statutory report, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of shareholders' equity and the notes to annual consolidated statutory report of Jupiter Telecommunications Co., Ltd. as of December 31, 2010 and for the year from January 1, 2010 to December 31, 2010 in accordance with Article 444(4) of the Corporate Law. The consolidated statutory report is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated statutory report based on our audit as independent auditors.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require us to obtain reasonable assurance about whether the consolidated statutory report is free of material misstatement. An audit is performed on a test basis, and includes assessing the accounting principles used, the method of their application and estimates made by management, as well as evaluating the overall presentation of the consolidated statutory report. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated statutory report referred to above presents fairly, in all material respects, the financial position and the results of operations of Jupiter Telecommunications Co., Ltd. and its consolidated subsidiaries for the period, for which the consolidated statutory report was prepared, in conformity with Article 3(1) of supplementary provision (Act of Justice Ministry No.46 issued and effective in 2009) of the regulation on the Corporate Law and accounting principles generally accepted in the United States of America (outlined in Item 3 (1) of "Significant Accounting Basis for the Consolidated Statutory Report").

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

**Independent Auditors' Report**

February 15, 2011

The Board of Directors  
Jupiter Telecommunications Co., Ltd.

KPMG AZSA LLC

Tsutomu Takahashi  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Hidetoshi Fukuda  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Hiroo Iwaide  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

We have audited the statutory report, comprising the balance sheet, the statement of income, the statement of shareholders' equity and the notes to annual statutory report, and its supporting schedules of Jupiter Telecommunications Co., Ltd. as of December 31, 2010 and for the 17th business year from January 1, 2010 to December 31, 2010 in accordance with Article 436(2)(i) of the Corporate Law. The statutory report and supporting schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the statutory report and supporting schedules based on our audit as independent auditors.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require us to obtain reasonable assurance about whether the statutory report and supporting schedules are free of material misstatement. An audit is performed on a test basis, and includes assessing the accounting principles used, the method of their application and estimates made by management, as well as evaluating the overall presentation of the statutory report and supporting schedules. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statutory report and supporting schedules referred to above present fairly, in all material respects, the financial position and the results of operations of Jupiter Telecommunications Co., Ltd. for the period, for which the statutory report and supporting schedules were prepared, in conformity with accounting principles generally accepted in Japan.

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

## Audit Report

The Board of Statutory Auditors has drawn up this Audit Report, as the unanimously agreed opinion of all the Statutory Auditors, after deliberations among the Statutory Auditors based on the respective audit reports from each Statutory Auditor on the directors performing their duties for the 17th business year from January 1, 2010 to December 31, 2010, and report as follows.

### 1. Method and Content of Auditing by Statutory Auditors and Board of Statutory Auditors

The Board of Statutory Auditors decided auditing policies and plans, etc. for the business year, received reports, from each Statutory Auditor of respective execution and results of audit, and from the Directors, etc. and the Accounting Auditor of their execution of respective duties, and requested their explanation thereon as deemed necessary.

In accordance with Code of Statutory Auditors Auditing Standards, auditing policies and plans for the business year, etc. decided by the Board of Statutory Auditors, each Statutory Auditor endeavored to collect information and develop our auditing environment by keeping contacts and communications with the Directors and employees, etc. of internal auditing and other departments, attended the meetings of the Board of Directors and other important meetings, received reports and explanation, as deemed necessary, from the Directors and employees, etc. of their performance of respective duties, made perusal of the important documents, including those for internal approval, and investigated the business operation and the state of the assets of the Company. Also each Statutory Auditor checked and verified the contents of the resolution of the Board of Directors and the status of the systems developed pursuant to the resolution, regarding the development of the system to secure Directors' performance of duties complying with laws and regulations and the Articles of Incorporation, and other systems required to secure proper business operation as provided in Implementation Regulations of Company Law, Article 100, Paragraphs 1 and 3 ("internal control system"). As to the subsidiaries, each Statutory Auditor kept communications and exchanged opinions with their Directors and Statutory Auditors, etc., and received their business reports as necessary. Based on the measures and procedures mentioned above, each Statutory Auditor examined the Company's Business Report and Supporting Schedule for the business year.

Also, each Statutory Auditor checked and verified whether the Accounting Auditor keeping independent position and executing proper auditing, and received from the Accounting Auditor the reports of the status of their execution of duties and sought for their explanation thereon as necessary. In addition, each Statutory Auditor received the report from the Accounting Auditor that "systems to secure proper performance of duties" (provided in Article 131, all Paragraphs in Company Accounting Regulation) were developed according to "Quality Administration Standards Regarding Auditing" (announced by "Committee of Company Accounting" on October 28, 2005), etc., and sought for their explanation thereon as necessary. Based on the measures and procedures mentioned above, each Statutory Auditor examined the Company's Accounting Documents (Balance Sheet, Statement of Income, Statement of Changes in Net Assets and Individual Notes Sheet) and Supporting Schedule, and Consolidated Accounting Documents (Consolidated Balance Sheet, Consolidated Statement of Income, Consolidated Statement of Movement of Shareholders Equity, and Consolidated Individual Notes Sheet).

### 2. Audit Results

#### (1) Audit Results of Business Report, etc.

- (i) Business Report and Supporting Schedule are deemed to present fairly the

situation of the Company complying with laws and regulations and the Articles of Incorporation.

- (ii) There are no illegal or unlawful actions nor material facts in violation or breach of laws or regulations or the Articles of Incorporation, found in any Director performing respective duties.
  - (iii) The contents of the resolution of the Board of Directors regarding the Company's internal control system are deemed adequate. And, there is nothing to be pointed out in the Directors' performance of duties regarding the relevant internal control system.
- (2) Audit Results of Accounting Documents and Supporting Schedule  
The auditing method and audit results of KPMG AZSA LLC, the Accounting Auditor of the Company, are deemed adequate.
- (3) Audit Results of Consolidated Accounting Documents  
The auditing method and audit results of KPMG AZSA LLC, the Accounting Auditor of the Company, are deemed adequate.

### 3. Subsequent Event

Nothing in particular.

February 18, 2011

The Board of Statutory Auditors, Jupiter Telecommunications Co., Ltd.

Statutory Auditor (full-time)	Akira Ito
Statutory Auditor (outside auditor)	Toshifumi Shibuya
Statutory Auditor (outside auditor)	Kenichiro Takagi

## Memorandum for Shareholders

Business Year	From January 1 to December 31 each year
Ordinary General Meeting of Shareholders	Held in March each year
Record Date	For the ordinary general meeting of shareholders December 31 each year For year-end dividends December 31 each year For interim dividends June 30 each year The day specified and notified by prior public notice as otherwise required
Transfer Agent and Special Account Management Agent	The Sumitomo Trust and Banking Co., Ltd. 5-33 Kitahama 4-chome, Chuo-ku, Osaka
The Transfer Agent's Handling Office	The Sumitomo Trust and Banking Co., Ltd. Stock Transfer Agency Department 3-1 Yaesu 2-chome, Chuo-ku, Tokyo
Postal Address	The Sumitomo Trust and Banking Co., Ltd. Stock Transfer Agency Department 1-10 Nikkocho, Fuchu-shi, Tokyo 183-8701
Telephone	0120-176-417 (Toll free)
URL	<a href="http://www.sumitomotrust.co.jp/STA/retail/service/daiko/index.html">http://www.sumitomotrust.co.jp/STA/retail/service/daiko/index.html</a>

### Notification of a Change of Address and Information concerning Inquiries

For shareholders who have established an account with a securities company, please contact the securities company where the account is held for notification of a change of address and all other inquiries. Shareholders who have not established an account with a securities company are advised to call the toll free number identified above.

### Information Concerning Special Accounts

For shareholders who had not contacted the Japan Securities Depository Center, Inc. prior to the computerization of share certificates, an account ("special account") has been established at the Sumitomo Trust and Banking Co., Ltd. identified as the transfer agent above. Please call the aforementioned toll free number for any inquiries and notification of a change of address concerning special accounts.

Method of Public Notification	Public notices are made electronically on the Company's website <a href="http://www.jcom.co.jp/ir/">http://www.jcom.co.jp/ir/</a> . In the event, however, that a notice cannot be posted electronically due to an accident or other unavoidable circumstance, notices will be published in the Nihon Keizai Shimbun newspaper.
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Stock Listing	Osaka Securities Exchange Co., Ltd.(JASDAQ)
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