October 29, 2012

**VIA E-FILING**

Burl W. Haar
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

Re: Petition of Total Call Mobile, Inc. for Limited Designation as an Eligible Telecommunications Carrier

Dear Sir or Madam:

Please find enclosed for filing an original copy of the Petition of Total Call Mobile, Inc. for Limited Designation as an Eligible Telecommunications Carrier, including supporting Exhibits 1 through 8.

Should you have any questions about this submission, please do not hesitate to contact me at (310) 818-4300 or roberty@totalcallusa.com.

Sincerely,

Robert Yap, Esq.
Chief Administrative Officer & General Counsel
Total Call International, Inc.

Enclosures

## CERTIFICATE OF SERVICE

I hereby certify that, in accordance with the Commission's Rules of Practice and Procedure, MN Rules Chapter 7829.400, a copy of the foregoing Petition of Total Call Mobile, Inc. for Limited Designation as an Eligible Telecommunications Carrier has been e-filed and/or mailed by United States Postal Service, first class mail, postage prepaid thereon, to the address listed below.

Dated this 30th day of October , 2012.

Amy Inagaki

Total Call Mobile, Inc.

Burl W. Haar
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

**BEFORE THE**
**MINNESOTA PUBLIC UTILITIES COMMISSION**

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| In the Matter of the Petition of<br>Total Call Mobile, Inc.<br>for Limited Designation as an Eligible<br>Telecommunications Carrier | )<br>)<br>)<br>)<br>)<br>) | Docket No. _________ |

**PETITION OF TOTAL CALL MOBILE, INC.**
**FOR LIMITED DESIGNATION AS AN**
**ELIGIBLE TELECOMMUNICATIONS CARRIER**


Hideki Kato
Chief Operating Officer for Total Call Mobile

Robert Yap
Chief Legal/Administrative Officer for Total Call Mobile, Inc.
1411 W. 190th St., Suite 700
Gardena, CA 90248
(310) 818-4300 (Phone)
(800) 710-0963 (Fax)
E-Mail: roberty@totalcallusa.com


October 24, 2012

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**MINNESOTA PUBIC UTILITIES COMMISSION**

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**PETITION OF TOTAL CALL MOBILE, INC.**
**FOR LIMITED DESIGNATION AS AN**
**ELIGIBLE TELECOMMUNICATIONS CARRIER**

## I. INTRODUCTION

Total Call Mobile, Inc. ("Total Call" or the "Company"), pursuant to Section 214(e)(2) of the Communications Act of 1934, as amended (the "Act")[1], Sections 54.101 through 54.207 of Federal Communications Commission ("FCC") Rules[2], and the Minnesota Public Utilities Commission's ("Commission") rules and regulations[3] hereby submits this Petition for Limited Designation as an Eligible Telecommunications Carrier ("ETC") in the State of Minnesota. Total Call seeks ETC designation solely to provide Lifeline service to qualifying Minnesota consumers; it will not seek access to funds from the federal Universal Service Fund ("USF") for the purposes of participating in the Link-Up program or providing service to high cost areas.[4] As

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[1] 47 U.S.C. § 214(e)(2).
[2] 47 C.F.R. §§ 54.101-54.207.
[3] *See* "Order Adopting FCC Requirements For Designating Eligible Telecommunications Carriers, as Modified," Docket No. P999/M-05-1169 (October 31, 2005) ("*Order Adopting FCC Requirements for Designating ETCs*").
[4] Given that Total Call only seeks Lifeline support from the low-income program and neither seeks participation in the Link-Up program nor high-cost support, ETC certification requirements for the high-cost program are not applicable to Total Call. Moreover, as a reseller, Total Call does not own or control any networks or other facilities. As such, Total Call has no basis for filing an investment plan, and therefore requests the Commission to waive this requirement. Total Call is currently designated as an ETC in Maryland, Michigan, Nevada, Texas and West Virginia, currently has applications for ETC designation pending with Arkansas, California, Hawaii, Illinois, Louisiana, Maine, New Jersey, Ohio, Pennsylvania, and Washington, and is awaiting designation as an ETC by the FCC in the states of Alabama, Connecticut, Delaware, District of Columbia, Florida, New Hampshire, New York, North Carolina, Tennessee, and Virginia; no such petitions have been denied.

demonstrated herein, and as certified by Total Call's COO in Exhibit 1 to this Petition, Total Call meets all the statutory and regulatory requirements for designation as an ETC in the State of Minnesota, including the new requirements outlined in the FCC's *USF/ICC Transformation Order*[5] and *Lifeline and Link Up Reform Order*.[6] Rapid grant of Total Call's request, moreover, would advance the public interest because it would enable the Company to commence much needed Lifeline services to low-income Minnesota residents as soon as possible. Accordingly, the Company respectfully requests that the Commission expeditiously approve this Petition for ETC designation.

## II. TOTAL CALL'S UNIVERSAL SERVICE OFFERING

### A. Company Overview

Total Call is a Delaware Corporation.[7] Its principal office is located at 1411 W. 190th St., Suite 700, Gardena, California 90248. Total Call provides nationwide, prepaid and postpaid wireless telecommunications services to consumers by reselling the network services of Sprint PCS ("Sprint"). Total Call obtains from Sprint the network infrastructure and transmission facilities to allow the Company to operate as a Mobile Virtual Network Operator ("MVNO"),

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[5] *In the Matter of Connect America Fund, A National Broadband Plan for Our Future, Establishing Just and Reasonable Rates for Local Exchange Carriers, High-Cost Universal Service Support, Developing a Unified Intercarrier Compensation Regime, Federal-State Joint Board on Universal Service, Lifeline and Link-Up, Universal Service Reform – Mobility Fund,* WC Docket No. 10-90, GN Docket No. 09-51, WC Docket No. 07-135, WC Docket No. 05-337, CC Docket No. 96-45, WC Docket No. 03-109, WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161 (rel. Nov. 18, 2011) (*"USF/ICC Transformation Order")*.

[6] *In the Matter of Lifeline and Link Up Reform and Modernization, Lifeline and Link Up, Federal-State Joint Board on Universal Service, Advancing Broadband Availability Through Digital Literacy Training*, WC Docket No. 11-42, WC Docket No. 03-109, CC Docket No. 96-45, WC Docket No. 12-23, Report and Order and Further Notice of Proposed Rulemaking, FCC 12-11 (rel. Feb. 6, 2012) (*"Lifeline and Link Up Reform Order"*).

[7] Total Call was incorporated in the State of Delaware on August 11, 2005. The Company hereby reports its corporate and trade names, along with its holding company, operating companies and affiliates as follows: Total Call International is the parent of Total Call Mobile, Inc.; KDDI of America is the majority owner of Total Call International; Locus Telecommunications and KDDI Global are affiliates of Total Call International.

similar to TracFone Wireless, Inc. ("TracFone Wireless"), which has been granted ETC status by the Commission.[8]

Total Call's wireless services, which are affordable and easy to use, are attractive to low-income and lower-volume consumers because they provide low-income and lower-volume consumers with access to emergency services and a reliable means of communication that can be used at home or while traveling to remain in touch with friends and family, as well as a means of contacting prospective employers. Total Call offers consumers simple and affordable calling plans, a variety of prepaid and postpaid service plans, easy-to-use handsets, and high-quality customer service. Based on internal surveys, targeted pricing and marketing strategies, and the demographics of other, similar Mobile Virtual Network Operators' ("MVNO") customers, Total Call anticipates that many of its customers will be from low-income backgrounds and will not have previously enjoyed access to wireless service because of economic constraints, poor credit history, or sporadic employment. Total Call does not conduct credit checks or require customers to enter into long-term service contracts as a prerequisite to obtaining prepaid wireless service or its proposed Lifeline program service.

By providing affordable wireless plans and quality customer service to consumers who are otherwise unable to afford them, or who were previously ignored by traditional carriers, Total Call will expand the availability of wireless services to an increased number of consumers and in doing so, address Congress' principal goal for the universal service program.

**B. Proposed Lifeline Plans**

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[8]*See e.g., In the Matter of a Petition of TracFone Wireless, Inc. for Designation as an Eligible Telecommunications Carrier for the Limited Purpose of Offering Lifeline Service to Qualified* Households, Order Granting One-Year Conditional ETC Designation and Opening Investigation, Docket No. M-09-802 (June 9, 2010) ("*TracFone ETC Order*").

Total Call has the ability to provide all services and functionalities supported by the universal service program, as detailed in revised FCC Rule 54.101(a)[9] throughout the State of Minnesota. Total Call intends to be a leader in the wireless marketplace by offering exceptional value and competitive amounts of voice usage at all price points to consumers.

**Lifeline Offering.** The Company's prepaid Lifeline service offering will provide customers with the same features and functionalities enjoyed by all Total Call prepaid customers. As demonstrated by Exhibit 2, Total Call's Lifeline service offering proposes to give eligible customers five (5) Lifeline Plan choices[10]:

1. 150 Minute Plan. Under Lifeline Plan 1, eligible customers enjoy a free handset, 150 anytime minutes per month. Said minutes can be used for domestic calls or international calling to 250 locations for no additional per minute charge. As an option, customers may use text, inbound or outbound, which consumes 1 Plan minute. Additional usage is priced at 10 cents per minute and 5 cents per text. Except for the 250 included international locations, there is an additional per minute charge to make international calls.
2. 250 Minute Plan. Under Lifeline Plan 2, eligible customers receive a free handset and 250 anytime minutes per month. As an option, customers may use text, inbound or outbound, which consumes 1 Plan minute. Additional usage is priced at 10 cents per minute and 5 cents per text.
3. Discounted Regular Plans. Eligible customers may apply the Company's Lifeline discount of $10.00 (i.e. which is greater than the $9.25[11] currently provided by the

[9] *See Lifeline and Link Up Reform Order* at page 207, revised § 54.101(a).
[10] In accordance with 47 C.F.R. § 54.202(a)(5), the Company's Lifeline terms and conditions can be found at www.totalcallmobile.com.
[11] *See Lifeline and Link Up Reform Order* at page 5.

FCC) to the Company's 1000 Talk & 1000 Text retail plan (regularly $29.99) (Lifeline Plan 3), 30-day Unlimited Talk & Text retail plan (regularly $39.99) (Lifeline Plan 4), the 30-day Unlimited Talk, Text & Data retail plan (regularly $49.99) (Lifeline Plan 5).

Total Call does not impose burdensome credit checks or long-term service contracts on its prepaid customers. All Lifeline plans come with a free handset, free customer care calls, free balance inquiries, and access to voice mail, caller I.D. and call waiting features at no additional charge. Also, customers are not bound by a local calling area requirement; all Total Call plans come with domestic long distance at no extra per minute charge and exceptional nationwide digital coverage on the Nationwide Sprint PCS Network. Given this nationwide coverage, there is minimal need for roaming. As an additional precaution, Total Call blocks roaming ability on its Lifeline handsets so that customers will not incur unexpected roaming charges. Calls to 911 emergency services are always free, regardless of service activation or availability of minutes.

As demonstrated by Exhibit 2, the Company's Lifeline offerings will not only allow feature-rich mobile connectivity for qualifying subscribers at no cost to the subscriber, but will also give eligible customers access to a variety of rate plans that are comparable in minutes and features to those available to post-paid wireless subscribers but at low Lifeline rates and without the burden of credit checks or service contracts. Total Call's prepaid offering, therefore, will be an attractive alternative for consumers who need the mobility, security, and convenience of a wireless phone, but who are concerned about usage charges or long-term contracts.

### C. Plan Enrollment

Customers interested in obtaining information on the Lifeline program will be directed to a toll-free telephone number and to the Company's website, which will contain information regarding Total Call's Lifeline service plans, including a detailed description of the programs and state-specific eligibility criteria. Applicants must complete the enrollment form, which will require all consumers, at sign up and annually thereafter, to provide the information and certifications, under penalty of perjury, required by revised FCC Rule 54.410(d).[12] See Exhibit 3 for more detailed enrollment information.

### D. Prevention of Waste, Fraud and Abuse

Total Call recognizes the importance of safeguarding the USF. As such, the Company has implemented the following 90-day non-usage policy in an effort to avoid waste, fraud, and abuse of the program. Total Call will not consider a prepaid subscriber activated, and will not seek reimbursement for Lifeline for that subscriber, until the subscriber activates the Company's prepaid service through usage of the service.[13] In addition, after service activation, Total Call will provide a de-enrollment notice to subscribers that have not used their service for 60 days. After 60 days of non-use, Total Call will provide notice to the subscriber that failure to use the Lifeline service within a 30-day notice period will result in de-enrollment.[14] For these purposes, subscribers will be considered to "use" the service by: (1) completing an outbound call; (2) purchasing minutes from the Company to add to the subscriber's plan; (3) answering an incoming call from a party other than the Company; or (4) responding to a direct contact from the Company and confirming that the subscriber wants to continue receiving the service.[15] If the subscriber does not respond to the notice, the subscriber will be de-enrolled and Total Call will not request further Lifeline reimbursement for the subscriber. Customers that have been

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[12] *See Lifeline and Link Up Reform Order* page 227-29.
[13] *See Lifeline and Link Up Reform Order* at ¶ 257; 47 C.F.R. § 54.54.407(c)(1).
[14] *See Lifeline and Link Up Reform Order* at ¶ 257; 47 C.F.R. § 54.54.405(e)(3).
[15] *See Lifeline and Link Up Reform Order* at ¶ 261; 47 C.F.R. § 54.54.407(c)(2).

deactivated may participate in the Company's Lifeline service in the future by reapplying and re-establishing eligibility.

## III. THE MINNESTOA PUBLIC UTILIIES COMMISSION HAS JURISDICTION TO DESIGNATE WIRELESS ETCS

The Minnesota Public Utilities Commission has the requisite jurisdiction to authorize the limited ETC designation requested herein.[16] Section 214(e)(2) of the Act provides state public utility commissions with the "primary responsibility" for the designation of ETCs.[17] Although Section 332(c)(3)(A)[18] of the Act prohibits states from regulating the entry of, or the rates charged by, any provider of commercial mobile service or any private mobile service, this prohibition does not allow states to deny wireless carriers ETC status.[19] Therefore, the Commission has the authority to designate Total Call as an ETC.

Pursuant to this authority, the Commission has historically participated in determining whether to grant ETC status to an applying carrier, including any requesting wireless carrier.[20] Under the Act, a state public utility commission with jurisdictional authority over ETC designations must designate a common carrier as an ETC if the carrier satisfies the requirements of Section 214(e)(1). Total Call establishes below that it currently meets all of the requirements of Section 214(e)(1). Thus, the Commission has the authority under Section 214(e)(2) of the Act to grant Total Call's request for designation as an ETC throughout the State of Minnesota.

### A. The ETC Designation Request Is Consistent with Recent Commission Precedent

[16] MINNESOTA STATUTES § 237.02.
[17] 47 U.S.C. § 214(e)(2). *See also* 65-407 C.M.R. ch.206, § 1(C).
[18] 47 U.S.C. § 332(c)(3)(A).
[19] *See Federal-State Joint Board on Universal Service, First Report and Order, 12 FCC Rcd 8776, 8858-59, ¶ 145 (1997) ("USF Order").*
[20] *See e.g., TracFone ETC Order.*

Total Call's request for ETC designation to participate in the Lifeline program is consistent with the Commission's recent designation of TracFone Wireless as an ETC.[21] In its decision, the Commission determined that TracFone Wireless satisfied all of the necessary eligibility requirements, and that designation of a prepaid wireless provider as an ETC would serve the public interest. Total Call requests that the Commission expeditiously process its ETC Petition so that it can quickly commence providing qualifying low-income Minnesota customers with affordable USF-supported wireless services during these challenging economic times. Designating Total Call as an ETC would further competition for wireless Lifeline services, would offer Lifeline-eligible consumers an additional choice of providers from which they may access telecommunications services, and represents a significant step towards the goal of ensuring all low-income consumers have the opportunity to share in the many benefits associated with having access to wireless services.

## IV. TOTAL CALL SATISFIES THE REQUIREMENTS FOR DESIGNATION AS AN ETC

Section 254(e) of the Act provides that "only an eligible telecommunications carrier designated under Section 214(e) shall be eligible to receive specific federal universal service support." Section 214(e)(2) of the Act authorizes state commissions, such as the Commission, to designate ETC status for federal universal service purposes and authorizes the Commission to designate wireless ETCs.[22] Section 214(e)(1)(A) of the Act and FCC Rules 54.101(b) and 54.201(d)(1) provide that petitioners for ETC designation must be common carriers that will offer all of the services supported by universal service, either using their own facilities or a combination of their own facilities and the resale of another carrier's services, unless granted

[21] *See e.g. TracFone ETC Order.*
[22] *USF Order*, at 8858-59, ¶ 145.

forbearance from this requirement by the FCC.[23] Pursuant to Section 214(e)(1)(B), FCC Rule 54.201(d)(2), petitioners must also commit to advertise the availability and rates of such services.[24] Additional requirements for Commission designation of ETCs are set forth in revised FCC 54.202[25] and the *Order Adopting FCC Requirements for Designating ETCs*[26]. As detailed below, Total Call satisfies each of the above-listed requirements.

### A. Total Call Will Provide Service Consistent with the FCC's Grant of Forbearance from Section 214's Facilities Requirements

Total Call recognizes that Section 214(e)(1)(A) of the Act and FCC Rule 54.201(d)(1)[27] require ETCs to offer services, at least in part, using their own facilities, and that FCC Rule 54.201(i)[28] prohibits state commissions from designating as an ETC a telecommunications carrier that offers services exclusively through the resale of another carrier's services. However, the FCC granted Total Call forbearance from the facilities-based service requirement in its *Lifeline and Link Up Reform Order*.[29] Section 10(e)[30] of the Act provides: "[a] State commission may not continue to apply or enforce any provision of this chapter that the [Federal Communications] Commission has determined to forbear from applying under subsection (a) of this section." As such, the Commission is required by Section 10(e) to act in accordance with the FCC's grant of forbearance to Total Call, and therefore may not apply the facilities-based requirement to Total Call.

Total Call, in its provision of wireless services, will rely on resold services which the Company will obtain from underlying wireless carriers that currently operate their own

[23] *See* 47 U.S.C. § 214(e)(1), 47 C.F.R. § 54.201(b) and (d)(1)..
[24] *See* 47 U.S.C. § 214(e)(1) and 47 C.F.R. § 54.201(d)(2).
[25] *See Lifeline and Link Up Reform Order* at page 208, revised § 54.202.
[26] *See Order Adopting FCC Requirements for Designating ETCs* at page 9-11.
[27] *See* 47 U.S.C. § 214(e)(1) and 47 C.F.R. § 54.201(d)(1).
[28] 47 C.F.R. § 54.201(i).
[29] *See Lifeline and Link Up Reform Order* ¶ 521; *see also* Total Call Mobile, Inc. Petition for Forbearance, WC Dkt. No. 09-197 (filed May 25, 2011)
[30] 47 U.S.C. § 160(e).

networks. In its *Lifeline and Link Up Reform Order*, the FCC granted Total Call's request for forbearance from the facilities requirement, and stated, "the Commission will forbear from the "own-facilities" requirement contained in Section 214(e)(1)(A) for carriers that are, or seek to become, Lifeline-only ETCs, subject to the following conditions:[31]

> "(1) the carrier must comply with certain 911 requirements [(a) providing its Lifeline subscribers with 911 and E911 access, regardless of activation status and availability of minutes; (b) providing its Lifeline subscribers with E911-compliant handsets and replacing, at no additional charge to the subscriber, noncompliant handsets of Lifeline-eligible subscribers who obtain Lifeline-supported services; and (c) complying with conditions (a) and (b) starting on the effective date of this Order]; and
>
> (2) the carrier must file, and the Bureau must approve, a compliance plan providing specific information regarding the carrier's service offerings and outlining the measures the carrier will take to implement the obligations contained in this Order as well as further safeguards against waste, fraud and abuse the Bureau may deem necessary."

Total Call will avail itself of the FCC's grant of blanket forbearance. In accordance with the *Lifeline and Link Up Reform Order*, Total Call filed its Compliance Plan, which the FCC approved on May 25, 2012. A copy of Total Call's Compliance Plan, as approved, is attached hereto as Exhibit 5. Total Call commits to providing Lifeline service in Minnesota in accordance with its Compliance Plan.

### B. Total Call Is a Common Carrier

CMRS providers like Total Call are treated as common carriers for regulatory purposes.[32]

### C. Total Call Will Provide All Required Services and Functionalities

Through its wholesale arrangement with Sprint, Total Call offers, or will offer upon

[31] *See Lifeline and Link Up Reform Order* at ¶¶ 368, 373 and 379.

[32] *Implementation of Sections 3(n) and 332 of the Communications Act, Regulatory Treatment of Mobile Services,* GN Docket No. 93-252, Second Report and Order, 9 FCC Rcd 1411, 1425 ¶ 37, 1454-55 ¶ 102 (1994) (wireless resellers are included in the statutory "mobile services" category, and providers of cellular service are common carriers and CMRS providers); 47 U.S.C. § 332(c)(1)(A) ("mobile services" providers are common carriers); *see also PCIA Petition for Forbearance for Broadband PCS,* WT Docket No. 98-100, Memorandum Opinion and Order and Notice of Proposed Rulemaking, 13 FCC Rcd 16857, 16911 ¶ 111 (1998) ("We concluded [in the *Second Report and Order*] that CMRS also includes the following common carrier services: cellular service, ... all mobile telephone services *and resellers of such services*.") (emphasis added).

designation as an ETC in Minnesota, all of the services and functionalities required by revised FCC Rules 54.101(a)[33] and 54.202(a)[34], including the following:

### 1. Voice Grade Access to the Public Switched Telephone Network

Total Call provides the voice grade access to the public switched telephone network ("PSTN") required by revised FCC Rule 54.101(a)[35] through the purchase of wholesale CMRS services from Sprint.

### 2. Minutes of Use for Local Service

As part of the voice grade access to the PSTN, an ETC is required by revised FCC Rule 54.101(a)[36] to provide minutes of use for local service at no additional charge to end-users. The FCC has determined that a carrier satisfies the local usage requirements when it offers customers rate plans containing varying amounts of local usage.[37] Total Call offers a variety of rate plans that provide its customers with minutes of use for local service at no additional charge.

### 3. Access to 911 and E911 Emergency Service

Total Call provides 911 and E911 access for all of its customers to the extent the local government in its service area has implemented 911 or E911 systems. Total Call provides 911 and E911 access for all of its customers even when there is a zero dollar balance on a handset consistent with the requirements of revised FCC Rule 54.101(a)[38]. Total Call also complies with the FCC's regulations governing the deployment and availability of E911 compatible handsets.

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[33] *See Lifeline and Link Up Reform Order* at page 207, revised § 54.101(a).
[34] *See Lifeline and Link Up Reform Order* at page 208, revised § 54.202(a).
[35] *See Lifeline and Link Up Reform Order* at page 207, revised § 54.101(a).
[36] *Id.*
[37] *See e.g., Farmers Cellular, Inc.*, CC Docket No. 96-45, Memorandum Opinion and Order, 18 FCC Rcd 3848, 3852 ¶ 9 (2003); *Pine Belt Cellular, Inc. and Pine Belt PCS, Inc.*, CC Docket No. 96-45, Memorandum Opinion and Order, 17 FCC Rcd 9589, 9593 ¶ 10 (2002); *Western Wireless Corp., Petition for Designation as an Eligible Telecommunications Carrier in the State of Wyoming*, CC Docket No. 96-45, Memorandum Opinion and Order, 16 FCC Rcd 48, 52 ¶ 10 (2000).
[38] *Id.*

#### 4. Toll Limitation for Qualified Low-Income Customers

FCC Rule 54.101(a) requires toll limitation services to qualifying low-income consumers. However, in its *Lifeline and Link Up Reform Order,* the FCC stated that toll limitation would no longer be deemed a supported service.[39] "ETCs are not required to offer toll limitation service to low-income consumers if the Lifeline offering provides a set amount of minutes that do not distinguish between toll and non-toll calls."[40] Nonetheless, Total Call's offerings inherently allow Lifeline subscribers to control their usage, as its wireless service is offered on a prepaid pay-as-you-go basis. Total Call's services, moreover, are not offered on a distance-sensitive basis and local and domestic long distance minutes are treated the same. Total Call will not seek reimbursement for toll limitation service.

#### 5. Other Services

While no longer required by revised FCC Rule 54.101(a), Total Call provides dual tone multi-frequency ("DTMF") signaling to expedite the transmission of call set up and call detail information throughout the network, single party service for the duration of each telephone call and not multi-party (or "party-line") services, access to operator services, the ability to make interexchange, or long distance, telephone calls, and access to directory assistance services by dialing "411" from the provided wireless handsets.

### D. Total Call Will Advertise the Availability of Supported Services

Total Call will advertise the availability and rates for the services described above using media of general distribution as required by Section 214(e)(1)(B) of the Act, FCC Rule 54.201(d)(2)[41], and in accordance with the requirements set forth in the *Lifeline and Link Up*

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[39] *See Lifeline and Link Up Reform Order* at ¶ 367.
[40] *See id.* at ¶ 49.
[41] *See* 47 C.F.R. § 54.201.

*Reform Order*, as outlined in the Company's Compliance Plan.[42] Total Call will advertise its services in a manner reasonably designed to reach those likely to qualify for Lifeline services, and will use multiple mediums for outreach, including direct mail, and the internet. Total Call will engage in advertising campaigns specifically targeted to reach those likely to qualify for Lifeline services, promoting the availability of cost-effective wireless services to this neglected consumer segment. Total Call will also promote the availability of its Lifeline offerings by distributing brochures through various state and local social service agencies, if permitted, in order to inform customers of the availability of its Lifeline services.

In addition, Total Call intends to utilize its distribution network to help promote the availability of its Lifeline plans, especially those with retail outlets that are frequented by low income consumers. Total Call will provide its distribution with point of sale materials and printed materials describing the Company's Lifeline program for use by retail outlets.[43] Total Call expects to be able to inform consumers of the availability of Lifeline service in a manner that will result in significantly higher participation by qualified consumers than has been the case in the past.

Statistics suggest that there are many eligible customers who are not yet aware of the programs. According to the best data available to the Company, as of December 31, 2010, only between 10-20% of consumers eligible for Lifeline Services in the State of Minnesota were being provided such services.[44]

### E. Total Call Requests Designation Throughout Its Service Area in Minnesota

[42] See Exhibit 5, section I.E. *See also Lifeline and Link Up Reform Order* at Section VII.F.

[43] See attached Exhibit 4 for a sample advertisement.

[44] See attached Exhibit 6, 2010 Lifeline Participation Rates by State, which was obtained from the Universal Service Administrative Company ("USAC"), an independent non-for-profit corporation designated as the administrator of the federal Universal Service Fund by the FCC. USAC administers Universal Service Fund (USF) programs for high cost companies serving rural areas, low-income consumers, rural health care providers, and schools and libraries.

Total Call is not a rural telephone company as defined in Section 153(37)[45] of the Act. Accordingly, it is required to describe the geographic area(s) within which it requests designation as an ETC.[46] Total Call requests designation as an ETC throughout its entire service area in Minnesota, which is wherever its underlying carrier, Sprint, has coverage.[47] Total Call, through its resale of wireless services provided by its underlying carrier in Minnesota, can provide service in every Zip Code in the State of Minnesota. Accordingly, Total Call seeks ETC status throughout the entire State of Minnesota.

Total Call understands that its service area overlaps with many rural carriers in Minnesota, but maintains that the public interest factors described below justify its designation in these carriers' service areas, especially because it seeks ETC designation solely to utilize USF funding to provide Lifeline service to qualified low-income consumers. It does not seek and will not accept high cost support. Nor does Total Call seek to provide Link-Up service. Therefore, its designation as an ETC will cause no growth in the high cost portions of the USF and will not erode high cost support from any rural telephone company. In fact, the FCC has determined that "[d]esignation of competitive ETCs promotes competition and benefits consumers in rural and high-cost areas by increasing customer choice, innovative services, and new technologies."[48] As an option, the Commission may designate Total Call as an ETC in non-rural areas that Total Call serves without redefining the service areas of non-rural telephone companies. However, the Commission may also designate Total Call as an ETC in rural telephone company service areas upon a finding that such designation would serve the public interest.[49]

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[45] 47 U.S.C. § 153(37).
[46] Public Notice – Procedures for FCC Designation of Eligible Telecommunications Carriers Pursuant to Section 214(e)(6) of the Communications Act, FCC 97-419, 12 FCC Rcd 22947 (1997).
[47] See Exhibit 7 for a list of wire centers included in the Company's coverage area in Minnesota.
[48] *See Western Wireless Corporation Petition for Designation as an Eligible Telecommunications Carrier in the State of Wyoming, Memorandum Opinion and Order*, 16 FCC Rcd 48, 55 (2000).
[49] *See* 47 C.F.R. § 54.207(c).

### F. Compliance with Service Requirements

Revised FCC Rule 54.202(a)(1)(i) requires a petitioner to certify that it will comply with the service requirements applicable to the support that it receives.[50] Total Call provides service in Minnesota by reselling service that it obtains from its underlying carrier. The carrier's network is operational and largely built out. Thus, Total Call will be able to commence offering its Lifeline service to all locations served by its underlying carrier very soon after receiving approval from the Commission. Total Call commits to comply with the FCC's service requirements applicable to the support that it receives.[51]

Total Call also commits to comply with the Commission's service requirements applicable to the support that it receives.[52] Subject to handset availability, Total Call commits to provide the supported services on a timely basis to requesting customers within its designated service area pursuant to FCC Rule 54.207(a)(1)(i)(A)[53]. However, given that Total Call is a reseller, it does not own or control the networks of its underlying carriers. As such, FCC Rule 54.207(a)(1)(i)(A) prior to revision[54] is not applicable because Total Call does not have the ability to make modifications or additions to the underlying carriers' networks to serve customers that are outside of its underlying carrier's network coverage.

### G. Network Improvement Plans

Although revised FCC Rule 54.202(a)(1)(ii) and the Commission's *Order Adopting FCC Requirements for Designating ETCs* require a common carrier seeking ETC designation to submit an improvement plan as part of its application (a five-year plan under the FCC Rules, and

[50] *See Lifeline and Link Up Reform Order* at page 207, revised § 54.202(a).
[51] *See Lifeline and Link Up Reform Order* at page 208, revised § 54.202(a)(1)(i).
[52] *See Order Adopting FCC Requirements for Designating ETCs* at page 10 ¶2(1)(A) (citing 47 C.F.R. § 54.202 as it stood prior to the February 6, 2012 *Lifeline and Link Up Reform Order*).
[53] *See* 47 C.F.R. § 54.202(a)(1)(i)(A).
[54] *See* 47 C.F.R. § 54.202(a)(1)(i)(B).

a two-year plan under the Commission's Order)[55], the FCC has stated that a common carrier seeking designation as a Lifeline-only ETC is not required to submit such a plan as part of its application for designation as an ETC.[56]

### H. Ability to Remain Functional in Emergency Situations

Revised FCC Rule 54.202(a)(2) and the Commission's *Order Adopting FCC Requirements for Designating ETCs*[57] request information that demonstrates that Total Call has the ability to remain functional in emergency situations, has a reasonable amount of back-up power and is able to reroute traffic spikes caused by emergency situations. Given that Total Call is a reseller, it neither owns nor operates any cell site, microwave hubs, or switches. Therefore, the requirements in revised FCC Rule 54.202(a)(2) that Total Call demonstrate that it has a reasonable amount of back-up power and is able to reroute and manage traffic in emergency situations is not applicable. Total Call provides service in Minnesota by reselling services of its underlying wireless network carrier. Through its agreement with its underlying carrier, Total Call will provide its customers with the same ability to remain functional in emergency situations as is currently provided by the ILECs to their own customers.

### I. Commitment to Consumer Protection and Service Quality

An ETC petitioner must demonstrate that it will satisfy applicable consumer protection and service quality standards in accordance with revised FCC Rule 54.202(a)(3) and the Commission's *Order Adopting FCC Requirements for Designating ETCs*.[58] Specifically, Total Call commits to comply with the Cellular Telecommunications and Internet Association's

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[55] *See Lifeline and Link Up Reform Order* page 208, revised § 54.202(a)(1)(ii), and *Order Adopting FCC Requirements for Designating ETCs* at page 10 ¶2(1)(B).
[56] *See Lifeline and Link Up Reform Order* at ¶ 386.
[57] *See Lifeline and Link Up Reform Order* page 209, revised § 54.202(a)(2), and *Order Adopting FCC Requirements for Designating ETCs* at page 10 ¶2(2).
[58] *See Lifeline and Link Up Reform Order* page 209, revised § 54.202(3), and *Order Adopting FCC Requirements for Designating ETCs* at page 10 ¶2(3).

(CTIA) Consumer Code for Wireless Service, and also commits to exceptional customer service standards. Customers will experience the level of service, including wait times typical of post-paid customer service, which is generally superior to prepaid service. Customers will also be able to contact Customer Care via the Company's toll free number or by mail. In addition, there are a number of automated systems and web options for customer needs. Customers may call Total Call or visit the Company's website for additional information or to buy additional airtime, should they wish to do so. Total Call is committed to resolving customer questions, concerns and complaints in a swift and satisfactory manner. Total Call will designate a contact person to work with the Commission regarding complaint resolution. Once Total Call is made aware of consumer complaints/inquiries, a trained customer care supervisor or manager will respond within 48 hours. Where a phone number is associated with the complaint, the customer will be contacted by telephone (minutes will not count against the customer). Otherwise, Total Call will use e-mail or regular mail, depending on the customer's preference or the information available to Total Call.

### J. Local Usage Requirement

FCC rules no longer require an petitioner for ETC designation to demonstrate that it offers a local usage plan that is "comparable" to the plan offered by the ILEC in the relevant service territory[59]; however, the Commission's *Order Adopting FCC Requirements for Designating ETCs* requires information that a petitioner for ETC designation offers a local usage plan that is comparable to the one offered by the ILEC in the services areas for which designation as an ETC is sought[60]. Similar to ILEC Lifeline offerings, Total Call customers will have the option to apply the Lifeline discount to the Company's retail rate plans and will have

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[59] *See Lifeline and Link Up Reform Order* at page 208, revised § 54.202(a).
[60] *See Order Adopting FCC Requirements for Designating ETCs* at page 11 ¶2(4).

the option for unlimited local calling (i.e. if the customer signs up for Lifeline Plan 4 (unlimited talk and text) or Lifeline Plan 5 (unlimited talk, text, and data). Not only will Total Call's offering be comparable to the underlying ILEC plans, but it also will exceed them in several respects. For Lifeline Plans 1 and 2, Total Call will offer Lifeline customers a certain amount of service free of charge. In contrast to the ILEC plans, which contain relatively small local calling areas, Total Call customers can use these free minutes to place calls statewide (or even nationwide) because Total Call does not constrict customers' use by imposing a local calling area requirement. Total Call will also provide Lifeline customers with E911 capabilities at no cost as well as voice mail, caller I.D., and call waiting features at no cost. The very nature of the wireless phone, i.e. mobility, has a tremendous benefit to many consumers, a benefit to which a monetary value cannot be easily assigned.

### K. Equal Access Requirement

While Total Call is no longer required to acknowledge that it may be required to provide equal access to long distance carriers in the event that no other ETC is providing equal access within the service area under revised FCC Rule 54.202(a)[61] the Commission's *Order Adopting FCC Requirements for Designating ETCs* requires a petitioner for ETC status to provide a certification that it acknowledges that the Commission may require it to provide equal access to long distance carriers in the event that no other ETC is providing equal access within the service area.[62] Total Call acknowledges that it may be required to provide equal access to long distance carriers within its designated service area, and will abide by such a requirement.

### L. Total Call is Financially and Technically Capable

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[61] *See id.*
[62] *See e.g., Order Adopting FCC Requirements for Designating ETCs* at page 11 ¶2(5).

In accordance with revised FCC Rule 54.202(a)(4)[63] Total Call is financially and technically capable of providing Lifeline-supported services.[64] Total Call has been in business for 6 years and provides services to both Lifeline and non-Lifeline customers. Total Call already successfully provides wireless services in 49 states. Total Call has not been subject to enforcement action or ETC revocation proceedings in any state. Total Call does not, and has no intent to, offer exclusively Lifeline-supported services—and is therefore not exclusively dependent on universal service funds for its revenue. Total Call also has the financial support of its parent company, KDDI of America, which is a subsidiary of KDDI of Japan, the second largest carrier in Japan. Furthermore, the senior management of Total Call has great depth of knowledge in the telecommunications industry and offers extensive telecommunications business, technical and managerial expertise to the Company.[65] Also, since Total Call will be providing resold wireless service, it will rely upon the managerial and technical expertise of its underlying carrier (i.e. Sprint).

### M. Total Call Will Comply with Lifeline Certification and Verification Requirements

Revised FCC Rule 54.410 and 54.416 requires ETCs to certify and verify a Lifeline customer's initial and continued eligibility.[66] Total Call will certify and verify consumer eligibility in accordance with the FCC's requirements, including the new rules set forth in the *Lifeline and Link Up Reform Order*.

### N. Total Call Will Comply With All Regulations Imposed By the Commission

By this Petition, Total Call hereby asserts its willingness and ability to comply with all the rules and regulations that the Commission may lawfully impose upon the Company's

[63] *See Lifeline and Link Up Reform Order* page 209, revised § 54.202(4).
[64] *See Lifeline and Link Up Reform Order* at ¶ 387.
[65] See Exhibit 8 for key management resumes.
[66] *See Lifeline and Link Up Reform Order* page 224, revised § 54.410.

provision of service contemplated by this Petition, to the extent such provisions apply to a prepaid wireless provider. Total Call commits to comply with the reporting requirements adopted by the Commission[67]. Total Call's compliance with Minn. R. 7812.0700 and Minn. R. 7810.011 through 7810.6100 is addressed as follows:

**1. Retention of Records**

Pursuant to Minn. R. 7810.0400, Total Call commits to maintain records of its operations according to the FCC Rules, and shall be made available to the Commission upon request.

**2. Data to be Filed with the Commission**

Pursuant to Minn. R. 7810.0500, Total Call will file its terms and conditions of service with the Commission. Total Call must obtain permission from its underlying carrier (i.e. Sprint) to obtain coverage maps. To the extent that Sprint has already provided a coverage map to the Commission, Total Call maintains that it is not required to file a duplicative map. To the extent it has access to the requested information, Total Call will furnish to the Commission, at such times and in such form as the Commission may require, the results of any tests, summaries, records, or any other information concerning the utility's facilities or operations which may be requested.

**3. Report to Commission on Service Disruption**

Minn. R. 7810.0600 requires each telephone utility to "report promptly to the commission any specific occurrence or development which disrupts the service of a substantial number of its customers or which may impair the utility's ability to furnish service to a substantial number of customers. Total Call provides service in Minnesota by reselling services of its underlying wireless network carrier, Sprint. Given that Total Call is a reseller that neither owns, leases, nor operates any facilities, Total Call requests that the Commission ask Sprint for

[67] *See* MINNESOTA ADMINISTRATIVE RULES § 7810.0100-7810.0900.

information regarding any such service disruptions.

**4. Location of Records**

Pursuant to Minn. R. 7810.0900, all records will be made available to the Commission or its authorized representatives at any time upon reasonable request.

**5. Information Available to Customer and Public**

Total Call commits to comply with Minn. R. 7810.1000 to the extent it is able. Total Call sells prepaid wireless service through the internet and independent distributors; it does not currently maintain a business office in Minnesota. Because Total Call's business office in California serves several communities, it operates a toll-free number that customers and potential customers can call regarding questions of concerns about Total Call's service.

**6. Complaint Procedures**

Pursuant to Minn. R. 7810.1100, Total Call will comply with complaint procedures whereby qualified personnel will be available during regular business hours to receive, and, if possible, resolve all customer inquiries, requests, and complaints.

**7. Record of Complaint**

Pursuant to Minn. R. 7810.1200, Total Call will keep a record of all complaints received by it from its customers, which record will show the name and address of the customer, the date and nature of the complaint, and its disposition and date thereof. Total Call will keep records of the customer complaints in a manner that will enable it to review and analyze its procedures and actions.

**8. Customer Billing; Deposit and Guarantee Requirements**

The requirements of Minn. R. 7810.1400 through 7810.1700 do not apply to Total Call because as a prepaid wireless provider, Total Call does not issue bills or require or accept deposits. In the event Total Call does issue bills, it will comply with the applicable rules.

**9. Disconnection of Service; Service Delay**

The requirements of Minn. R. 7810.1800 through 7810.2800 do not apply to Total Call because, as a prepaid wireless provider, Total Call does not disconnect customers from service for nonpayment. In accordance with FCC Rules, Total Call will terminate Lifeline benefits if a Lifeline customer no longer qualifies to receive such benefits.

**10. Contents of Directories**

The requirements of Minn. R. 7810.2900 do not apply because, as a prepaid wireless provider, Total Call does not publish directories.

**11. Directory Assistance**

Total Call provides access to operator services and will comply with the requirements of Minn. R. 7810.3000.

**12. Changes or Error of Listed Number**

Total Call does not publish directories. For this reason, Minn. R. 7810.3100 concerning listed numbers does not apply to Total Call.

**13. Engineering; Emergency Operations; Access to Test Facilities; Accuracy Requirements**

Given that Total Call is a reseller that neither owns, leases, nor operates any facilities, Minn. R. 7810.3200 and 7810.3300 concerning construction of telephone plants and maintenance of plant and equipment; Minn. R. 7810.3900 concerning emergency operations; Minn. R. 7810.4100 concerning test facilities; and Minn. R. 7810.4300 concerning accuracy of meters and/or recording devices, are not applicable to Total Call. As such, Total Call requests that the Commission ask its underlying wireless network carrier, Sprint, for information related to these provisions.

**14. Adequacy of Service**

To the extent that Minn. R. 7810.4900 applies, Total Call will employ reasonable engineering and administrative procedures to determine the accuracy of service provided to the customer. However, given that Total Call is a reseller that neither owns, leases, nor operates any facilities, Total Call requests the Commission to ask its underlying wireless network carrier, Sprint for any information that is facilities-oriented.

**15. Utility Obligations**

Pursuant to Minn. R. 7810.5000, Total Call will provide telephone service to the public in its Service Area in accordance with its rules and tariffs on file with the Commission. Total Call's service will meet or exceed the standards set forth in Chapter 7810 of the Minnesota Administrative Rules, to the extent that those standards are applicable to Total Call's service.

**16. Telephone Operators**

Total Call shall adopt suitable practices concerning operating methods employed by operators in compliance with Minn. R. 7810.5100.

**17. Answering Time**

Total Call does not maintain local manual offices within the state of Minnesota. Nevertheless, Total Call will maintain adequate forces to meet the requirements of Minn. R. 7810.5200.

**18. Dial Service Requirements; Interoffice Trunks; Transmission Requirements; Interruptions of Service**

Given that Total Call is a reseller that neither owns, leases, nor operates any facilities, Minn. R. 7810.5300 concerning dial service requirements; Minn. R. 7810.5400 concerning interoffice trunks; Minn. R. 7810.5500 concerning transmission requirements; and Minn. R. 7810.5800 concerning interruptions of service, are not applicable to Total Call. As such, Total Call requests that the Commission ask its underlying wireless network carrier, Sprint, for information related to these provisions.

### 19. Customer Trouble Reports

Total Call will make arrangements to receive customer trouble reports in compliance with Minn. R. 7810.5900. It will maintain an accurate record of trouble reports made by its customers, which records will include appropriate identification of the customer or service effected, time, date, and nature of the report, the action taken to clear trouble or satisfy the complaint, and the date and time of trouble clearance or other disposition. Such records shall be available to the Commission or its authorized representatives upon request at any time within the period prescribed for retention of such records.

### 20. Protective Measures

Pursuant to Minn. R. 7810.6000, Total Call will exercise reasonable care to reduce the hazards to which its employees, customers, and the general public may be subjected, and will give reasonable assistance to the Commission in the investigation of the cause of accidents and the determination of suitable means to preventing accidents.

### 21. Safety Programs

Pursuant to Minn. R. 7810.6100, Total Call will adopt and execute a safety program, fitted to the size and type of its operations.

## V. DESIGNATION OF TOTAL CALL AS AN ETC WOULD PROMOTE THE PUBLIC INTEREST

One of the principal goals of the Act, as amended by the Telecommunications Act of 1996, is "to secure lower prices and higher quality services for American telecommunications consumers and encourage the rapid deployment of new telecommunications technologies" to all citizens, regardless of geographic location or income.[68] There is no question that designating Total Call as an ETC in Minnesota will further the public interest by providing Minnesota consumers, especially low-income consumers, with lower prices and higher quality services.[69] Many low-income customers in Minnesota have yet to reap the full benefits of the intensely competitive wireless market. Whether it is due to financial constraints, poor credit history or intermittent employment, these consumers often lack the countless choices available to most consumers.

The instant request for ETC designation must be examined in light of the Act's goal of providing low-income consumers with access to telecommunications services. The primary purpose of universal service is to ensure that consumers—particularly low-income consumers—receive affordable and comparable telecommunications services. Given this context, designating Total Call as an ETC would significantly benefit low-income consumers eligible for Lifeline services in the State of Minnesota—the intended beneficiaries of universal service.

### A. Advantages of Total Call's Lifeline Offering

The public interest benefits of Total Call's wireless service include larger local calling areas (as compared to traditional wireline carriers), the convenience and security afforded by mobile telephone service, the opportunity for customers to control cost by receiving a preset amount of monthly airtime at no charge, the ability to purchase additional usage at flexible and affordable amounts in the event that included usage has been exhausted, 911 service even if a handset has a zero balance) and, where available, E911 service in accordance with current FCC

[68] *Telecommunications Act of 1996*, Pub. L. No. 104-104, 110 Stat. 56.
[69] Provision of this information satisfies *Order Adopting FCC Requirements for Designating ETCs* at page 11 ¶3.

requirements. Total Call's Lifeline customers will receive the same high-quality wireless services and exceptional customer service provided to all Company customers. Total Call's Lifeline rate plans will not only allow feature-rich mobile connectivity for qualifying subscribers at no cost to the subscriber, but also will bring a variety of rate plans into the reach of Lifeline customers that are comparable in minutes and features to those available to post-paid wireless subscribers – but at low Lifeline rates and without the burden of credit checks or contracts.

Total Call offers customers five choices to better meet their needs: (1) a 150-minute plan, which includes international calling to over 250 locations for no additional per minute charge; (2) a 250-minute plan (domestic minutes only); (3) a 1000 Talk & 1000 Text retail plan for $19.99 (regularly $29.99); (4) a 30-day Unlimited Talk & Text retail plan for $29.99 (regularly $39.99); and (5) a 30-day Unlimited Talk, Text, & Data retail plan for $39.99 (regularly $49.99). All Lifeline plans include a free phone, call waiting, caller ID and voicemail free of charge. Total Call does not charge an activation fee or any other charge to establish service (other Lifeline service providers often charge an activation charge of $30.00). Minutes include nationwide coverage, so customers do not incur long distance charges, unlike local calling area offerings which prevent or charge extra for calls made outside of a defined area. Unlike many Lifeline competitor products, Total Call provides customer service calls free of charge (that is, these calls do NOT reduce a customer's minute allotment).

Total Call's Lifeline service will provide low-income Minnesota residents with the convenience and security offered by wireless services – even if their financial position deteriorates. Total Call's prepaid wireless plans enable consumers to enjoy the benefits of wireless telecommunication without being subject to extensive credit reviews and long-term service commitments, which historically have limited the availability of wireless service to many

Americans, including many Minnesota residents. ETC designation in Minnesota would enable Total Call to offer appealing and affordable service offerings to low-income Minnesota customers to ensure that they are able to afford wireless services on a consistent and uninterrupted basis.

It is a commonly accepted fact that in today's market all consumers, including qualified Lifeline customers, view the portability and convenience of wireless service not as a luxury, but as a necessity. Mobile service allows children to reach their parents, wherever they may be, allows a person seeking employment the ability to be contacted by potential employers, and provides end users with the ability to contact emergency service providers, regardless of location. Providing Total Call with the authority necessary to offer discounted Lifeline services to those in most danger of losing wireless service undoubtedly promotes the public interest.

Moreover, grant of Total Call's Petition will serve the public interest in increasing the number of ETCs in Minnesota. By granting ETC status to Total Call, the Commission will enable Total Call to increase the number of Minnesota residents receiving Lifeline support, thereby increasing the amount of USF money flowing into Minnesota. In sum, ETC designation in the State of Minnesota would enable Total Call to provide all of the public benefits cited by the FCC in its analysis in the *Virgin Mobile Order*. Namely, Total Call would provide "increased consumer choice, high-quality service offerings, and mobility,"[70] as well as the safety and security of effective 911 and E911 services.[71]

### B. The Benefits of Competitive Choice

The benefits to consumers of being able to choose from among a variety of telecommunications service providers have been acknowledged by the FCC for more than three

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[70] *See Virgin Mobile Order*, 24 FCC Rcd at 3395 ¶ 38.
[71] *See Id.* at 3391 ¶ 23.

decades.[72]. Designation of Total Call as an ETC will promote competition and innovation, and spur other carriers to target low-income consumers with service offerings tailored to their needs and to improve their existing networks to remain competitive, resulting in improved services to consumers. Designation of Total Call as an ETC will help assure that quality services are available at "just, reasonable, and affordable rates" as envisioned in the Act.[73] Introducing Total Call into the market as an additional wireless ETC provider will afford low income Minnesota residents a wider choice of providers and available services while enhancing the competitive marketplace as ETCs compete for a finite number of Lifeline-eligible customers. Increasing the competitive marketplace of providers has the potential to effectively increase the penetration rate and reduce the number of individuals not connected to the PSTN.

### C. Impact on the Universal Service Fund

Total Call's request for designation as an ETC solely for Lifeline purposes would not unduly burden the USF or otherwise reduce the amount of funding available to other ETCs. With Lifeline, ETCs only receive support for customers they obtain. The amount of support available to an eligible subscriber is exactly the same whether the support is given through a company such as Total Call or the ILEC operating in the same service area. Total Call will only increase the amount of USF Lifeline funding in situations where it obtains Lifeline customers not enrolled in another ETC's Lifeline program. By implementing the safeguards set forth in the *Lifeline and Link Up Reform Order*, Total Call will minimize the likelihood that its customers are not eligible or are receiving duplicative support either individually or within their household. Significantly, the Company's designation as an ETC will not increase the number of persons eligible for Lifeline support. Total Call's ability to increase the Lifeline participation rate of

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[72] *See, e.g., Specialized Common Carrier Services,* 29 FCC Rcd 870 (1971).
[73] *See* 47 U.S.C. § 254(b)(1).

qualified low-income individuals will further the goal of Congress to provide all individuals with affordable access to telecommunications service, and thus any incremental increases in Lifeline expenditures are far outweighed by the significant public interest benefits of expanding the availability of affordable wireless services to low-income consumers.

## VI. ANTI-DRUG ABUSE CERTIFICATION

Total Call certifies that no party to this Petition is subject to denial of federal benefits, including FCC benefits, pursuant to Section 5301 of the Anti-Drug Abuse Act of 1988.

## VII. CONCLUSION

Based on the foregoing, designation of Total Call as an ETC in the State of Minnesota accords with the requirements of Section 214(e)(2) of the Act and is in the public interest.

WHEREFORE, Total Call respectfully requests that the Commission promptly designate Total Call as an ETC in the State of Minnesota solely for purposes of participating in the Lifeline program.

Respectfully submitted,

Hideki Kato
Chief Operating Officer of Total Call Mobile, Inc.
1411 W. 190th St., Suite 700
Gardena, CA 90248
(310) 818-4300 (Phone)

October 24, 2012

## TABLE OF EXHIBITS

# EXHIBIT 1

## Certification of Hideki Kato, COO of Total Call Mobile, Inc.

State of California )
)
County of Los Angeles )

# Certification

Personally appeared before the undersigned, an officer duly authorized to administer oaths, Hideki Kato, who first being duly sworn, deposes and states that he is the COO of Total Call Mobile, Inc., Applicant in this Petition of Total Call Mobile, Inc. for Limited Designation as an Eligible Telecommunications Carrier in the State of Minnesota, dated October 24, 2012, and has read the same and knows the contents thereof, and confirms that the statements made herein are true to the best of his knowledge and belief.

Dated: 10/25/2012

Hideki Kato, COO

Subscribed and sworn to before me this 25th day of October 2012.

(Notary Seal)

(Signature of person authorized to administer oath)

My Commission Expires: 6/27/2016

NATHANIEL LAW
Commission # 1980215
Notary Public - California
Los Angeles County
My Comm. Expires Jun 27, 2016

# EXHIBIT 2

## Proposed Lifeline Offering

**Proposed Lifeline Offering**

**Service Offering**

TCM's Lifeline offering proposes to give eligible customers the following Lifeline Plan choices:

**Option 1: Lifeline 150 Minute Plan**

150 anytime minutes per month (as an option, customer may use text, inbound or outbound, which consumes 1 plan minute)
(additional usage priced at 10 cents per minute and 5 cents per text message)
Net cost to Lifeline customer: **$0 (free)**

*This package includes:

- Free basic handset (customer may pay for upgrade)
- Free Voicemail, Caller-ID and Call Waiting features
- Free calls to Customer Service
- Free calls to 911 emergency services
- Free balance inquiries
- "International Location Promo": for the Plan minutes, no additional charge for international calling to the 250 locations listed below (i.e. only the standard per minute rate applies)
- International calls to other destinations require additional funds based on call destination.

**Option 2: Lifeline 250 Minute Plan***

250 anytime minutes per month (as an option, customer may use text, inbound or outbound, which consumes 1 plan minute)
(additional usage priced at 10 cents per minute and 5 cents per text message)
Net cost to Lifeline customer: **$0 (free)**

*This package includes:

- Free basic handset (customer may pay for upgrade)
- Free Voicemail, Caller-ID and Call Waiting features
- Free calls to Customer Service
- Free calls to 911 emergency services
- Free balance inquiries
- International calls require additional funds based on call destination. For the destinations on the 150 Minute Plan that are available at no additional charge other than airtime, customers on this Plan will be charged an additional $0.02 per minute.

**Option 3: Lifeline Credit - Discount Plan (30-Day Plans)***

Lifeline eligible customers may choose the 30-day Unlimited Talk & Text plan; the 30-day Unlimited Talk, Text & Data; or the 30-day 1000 talk & 1000 text plan at a $10 discount off of retail. Additional details regarding TCM's plans can be found at www.totalcallmobile.com/rateplans_monthly.aspx. The pricing for Lifeline eligible customers are as follows:

1000 Talk & 1000 Text for 30 days at $19.99 (retail price is $29.99)
Unlimited Talk & Text for 30 days at $29.99 (retail price is $39.99)
Unlimited Talk, Text & Data for 30 days at $39.99 (retail price is $49.99)

*This package includes:

- Free basic handset (customer may pay for upgrade)
- Free Voicemail, Caller-ID and Call Waiting features
- Free calls to Customer Service
- Free calls to 911 emergency services
- Free balance inquiries
- International calls require additional funds based on call destination. For the destinations on the 150 minute plan that are available at no additional charge other than airtime, customers on these plans will be charged an additional $0.02 per minute.

**Free International Location Promo**

**Free International Calling Destinations on the Lifeline 150 Minute Plan** (Certain special or off-network locations may be excluded from the Free International Calling Destinations):

- Termination to landline phones only, termination to mobile phones and off network locations excluded (unless otherwise noted).
- Locations are subject to change from time to time. Please visit www.totalcallmobile.com for an updated list.
- Calls to certain cities in these countries are part of the Free International Location Promo.
- On the Free International Locations Promo, customers will still be charged for minutes but there is no additional charge for calling the specified international destinations.

| Featured Countries | | |
|---|---|---|
| Argentina | Greece | Norway |
| Argentina-Buenos Aires | Greece-Athens | Peru |
| Argentina-Cordoba | Hong Kong | Peru-Lima |
| Argentina-Mendoza | Hong Kong-Cellular | Poland |
| Argentina-Rosario | Hungary | Poland-Warsaw |
| Australia | Hungary-Budapest | Portugal |
| Australia-Melbourne | India | Singapore |
| Austria | India-Ahmedabad | Singapore-Cellular |
| Brazil | India-Bangalore | South Korea |
| Brazil-Belo Horizonte | India-Bombay | South Korea-Seoul |
| Brazil-Campinas | India-Calcutta | Spain |
| Brazil-Rio de Janeiro | India-Cellular | Sweden |
| Brazil-Sao Paolo | India-Hyderbad | Switzerland |
| Canada | India-Madras | Taiwan |
| China | India-New Delhi | Taiwan-Taipei |
| China-Beijing | India-Pune | Thailand |
| China-Cellular | India-Punjab | Thailand-Bangkok |
| China-Guangzhou | Ireland | Thailand-Cellular |

| | | |
|---|---|---|
| China-Shanghai | Israel | United Kingdom |
| Cyprus | Italy | US Guam |
| Denmark | Mexico (see cities below) | US Puerto Rico |
| France | Netherlands | US Saipan |
| France-Paris | Netherlands-Amsterdam | US Virgin Islands |
| Germany | New Zealand | |

Calls to the following cities in Mexico are part of the Free International Location Promo.

<u>**Mexico City List**</u>

| | | |
|---|---|---|
| **Guadalajara** | **Ciudad Acuna** | **Guamuchil** |
| **Ciudad de Mexico** | **Ciudad Altamirano** | **Guanajuato** |
| **Monterrey** | **Ciudad Camargo B** | **Guasave** |
| **Acaponeta** | **Ciudad Constitucion** | **Guaymas** |
| **Acapulco** | **Ciudad Cuauhtemoc** | **Guerrero Negro/Santa Rosa** |
| **Actopan** | **Ciudad del Carmen** | **Hermosillo** |
| **Agua Prieta** | **Ciudad Delicias** | **Heroica Ciudad de Ures** |
| **Aguascalientes** | **Ciudad Guzman** | **Hidalgo** |
| **Allende** | **Ciudad Hidalgo** | **Huatabampo** |
| **Apatzingan** | **Ciudad Juarez** | **Huetamo** |
| **Apizaco** | **Ciudad Lazaro Cardenas** | **Huimanguiillo** |
| **Arcelia** | **Ciudad Mante** | **Huitzuco** |
| **Atlacomulco** | **Ciudad Obregon** | **Iguala** |
| **Atliaca/Tixtla** | **Ciudad Sahagun** | **Irapuato** |
| **Atlixco** | **Ciudad Valles** | **Ixtapan de la Sal** |
| **Autlan** | **Ciudad Victoria** | **Ixtlan del Rio** |
| **Bahia de Huatulco** | **Coatzacoalcos** | **Izucar de Matamoros** |
| **Cabo San Lucas** | **Colima** | **Jalapa** |
| **Caborca** | **Cordoba** | **Jalpa** |
| **Cadereyta Jimenez** | **Cosamaloapan** | **Jerez de Garcia Salinas** |
| **Campeche** | **Cozumel** | **Jojutla** |
| **Cananea** | **Cuautla** | **Juchitan** |
| **Cancun** | **Cuernavaca** | **La Barca** |
| **Celaya** | **Culiacan** | **La Paz** |
| **Cerralvo** | **Durnago** | **La Piedad** |
| **Cheumal** | **Encarnacion de Diaz** | **Lago de Moreno** |
| **Chihuahua** | **Ensenada** | **Leon** |
| **Chilapa** | **Estación Manuel** | **Lerdo de Tejada** |
| **Chilpancingo** | **Fresnillo** | **Lerma** |
| **Cintalapa de Figueroa** | **General Tapia** | **Linares** |
| **Los Mochis** | **Puerto Vallarta** | **Tenancingo** |
| **Los Reyes** | **Puruandiro** | **Tenango del Aire/Tlalmanalco** |

Magdelena
Manuel
Manuel Ojinaga
Manzanillo
Martinez de la Torre
Matamoros
Matehuala
Mazatlan
Merida
Mexicali
Minatitlan
Monclova
Moelia
Moroleon
Nacozari de Garcia
Navojoa
Nogales
Nuevo Casas Grandes
Nuevo Laredo
Oaxaca de Juarez
Ocotlan
Ometepec
Orizaba
Pachuca
Palenque
Parral
Parras de la Fuente
Patzcuaro
Penjamo
Petatlan
Piedras Negras
Playas de Rosarito
Poza Rica de Hgo
Puebla
Puerto Penasco
Queretaro
Quimichis/Tecuala
Reynosa
Rio Grande
Rio Verde
Sabinas
Sahuayo
Salamanca
Saltillo
Salvatierra
San Andres Tuxtla
San Cristobal de las Casas
San Fernando
San Jose de Gracia
San Jual del Rio
San Luis de La Paz
San Luis Potosi
San Luis Rio Colorado
San Martin Pachivia/Teloloapa
San Miguel de Allende
San Quintin
Santa Ana
Santa Rosalia de Camargo
Santiago Ixcuintla
Santiago Papasquiaro
Santiago Tianguistenco
Silao
Tala
Tampico
Tapachula
Taxco
Tecate
Tecoman
Tecpan de Galeana
Tehuacan
Tepatitlan
Tepic
Tequila
Texcoco
Teziutlan
Ticul
Tijuana
Tizayuca
Tizimin
Tlapa de Comonfort/Alcozauca de Gro.
Tlaxcala
Toluca
Torreon
Tula
Tulancingo
Tuxpan
Tuxtepec
Tuxtla Guttierez
Uruapan
Valle de Bravo
Veracruz
Villa Flores
Villahermosa
Yurecuaro
Zacapu
Zacatecas
Zamora
Zihuatanejo
Zinapecuaro
Zitacuaro
Zumpango

# EXHIBIT 3

## Copy of the Lifeline Customer Program Enrollment Form

# Apply for a Free Mobile Phone & Free Service

Through the government-supported Lifeline program, you may qualify for free service. See inside for details. This is a State of Minnesota Enrollment Form. For other state forms or questions, please call 1-800-661-7391 or go to www.totalcallmobile.com/lifeline.

Total Call mobile

**LIFELINE PROGRAM FOR THE STATE OF MINNESOTA**

## WHAT IS THE LIFELINE PROGRAM?

Lifeline is a government-supported program that provides free mobile phone services to qualified low-income customers. If you qualify, you will receive a free mobile phone, a limited amount of free wireless service, and unlimited access to 911 and customer service. For more information or assistance, call 1-800-661-7391.

## HOW DO I QUALIFY FOR THE LIFELINE PROGRAM?

You qualify for Total Call Mobile Lifeline Plans in the State of Minnesota if you are enrolled in certain government programs or if your household income is below 135% of the poverty line. See attached form for qualifying programs and income levels.

## WHAT PLANS CAN I SIGN UP FOR IF I QUALIFY FOR THE LIFELINE PROGRAM?

If you qualify for the Lifeline program, you may choose from any of the Lifeline Plans below. Lifeline Plans 1 & 2 are available at no cost to you unless you purchase additional minutes or text messages. Alternatively, you may also choose certain Total Call Mobile prepaid plans at discounted rates under Lifeline Plans 3, 4 & 5. All of Total Call Mobile's Lifeline Plans include:

- A free phone (selected by Total Call Mobile). Call customer service for upgrade options.
- Free customer service calls.
- Free 911 and balance inquiry calls.
- Free voicemail, Caller ID, and Call Waiting.
- For additional minutes, text messages, or international calls, load a regular "Anytime Plan" refill or call customer service.

| | Minutes Included | Additional Minutes | Text Messages Included | Additional Text Messages | Data Included | Additional Data |
|---|---|---|---|---|---|---|
| Plan 1 (150 minutes per month for free) | 150 (Domestic & Select International) | $0.10 / min. | 1 text = 1 Plan minute | $0.05 / text | 0 | Unavailable |
| Plan 2 (250 minutes per month for free) | 250 (Domestic) | $0.10 / min. | 1 text = 1 Plan minute | $0.05 / text | 0 | Unavailable |
| Plan 3 (Discounted 1000 Talk & 1000 Text for $19.99) | 1000 (Domestic) | $0.10 / min. | 1000 | $0.05 / text | 0 | Unavailable |
| Plan 4 (Discounted Unlimited Talk & Text for $29.99 per month) | Unlimited (Domestic) | NA | Unlimited | NA | 0 | Unavailable |
| Plan 5 (Discounted Unlimited Talk, Text & Data for $39.99 per month) | Unlimited (Domestic) | NA | Unlimited | NA | Unlimited | NA |

## SERVICE TERMS & CONDITIONS

Comprehensive terms and conditions are available at www.totalcallmobile.com. Total Call Mobile ("TCM") service is for personal use within the United States. "Unlimited" does not mean unreasonable use. Unreasonable use includes, but is not limited to, conference calling, monitoring services, abnormally large data transmissions, broadcast, telemarketing, autodialed calls, commercial uses, an abnormally high number of calls/messages or abnormally long calls, tethering to another device for data transmission, or any other usage that interferes with TCM service/network resources. Data is only available with select handsets. TCM data plans may not be used with smart phones/PDA devices unless the plan is explicitly identified for such devices. International calls are charged at the applicable rate plus airtime. "Free International Locations" do not apply to calls made to foreign mobile phones or to off network/special locations. The "Free International Locations" promotion only applies when using the Anytime Plan (i.e. 10¢ per minute) or Lifeline Plan 1 (i.e. 150 minutes per month). TCM reserves the right to limit picture message size. Governmental taxes and fees will be charged where applicable. Plans, rates and fees are subject to change without notice. The rates herein are valid as of August 1, 2012. TCM reserves all rights with regard to TCM intellectual property.

Channel ID: ____________________
*(If Applicable)*

Total Call mobile

## LIFELINE PROGRAM FOR THE STATE OF MINNESOTA

To apply for Lifeline service through Total Call Mobile, please complete this form and submit it to the address at the bottom of the next page. For more information or assistance, call 1-800-661-7391. ***When you submit this application, you must include the supporting documentation indicated below. Supporting documentation will not be returned.***

### 1. CUSTOMER INFORMATION

First Name: ____________________ Last Name: ____________________

Home Address: ____________________ City: ____________ State: ______ Zip Code: __________
(P.O. Box NOT sufficient)

Home Address: ☐ Permanent ☐ Temporary Date of Birth (MM/DD/YYYY): ____________________

Billing Address, if different from above: ____________________ City: ____________ State: ______ Zip Code: __________
(P.O. Box IS sufficient)

Last 4 Digits of SSN: ____________________ Public Aid Case Number (if applicable): ____________________

Phone Number: ( ______ ) - ______ - ____________________ E-mail: ____________________

### 2. PROGRAM-BASED ELIGIBILITY

To qualify for Lifeline, you must complete either this Section or Section #3 below. Check all program(s) that the person in Section #1 is enrolled in. ***If you qualify for Lifeline under this Section (i.e. by being enrolled in at least one of the following programs), you must provide current proof of program participation with this application.*** If any member of your household is a National School Lunch participant, you can check the box for that program.

☐ Federal Public Housing / Section 8
☐ Low Income Home Energy Assistance (LIHEAP)
☐ Medicaid (not Medicare)
☐ Minnesota Family Investment Program (MFIP)
☐ National School Lunch Program (free program only)
☐ SNAP (formerly known as Federal Food Stamp program)
☐ Supplemental Security Income
☐ Temporary Assistance for Needy Families Program (TANF)

### 3. INCOME-BASED ELIGIBILITY

To qualify for Lifeline, you must complete either this Section or Section #2 above. To qualify based upon your household income, the income of all your household members must be less than the amount indicated in the table below. If your household size is greater than 8, the maximum annual household income to qualify for Lifeline is the income indicated for 8 household members plus $5,346 for each additional household member.

| **Household Members:** *(check the box which applies)* | ☐1 | ☐2 | ☐3 | ☐4 | ☐5 | ☐6 | ☐7 | ☐8 | ___ Specify |
|---|---|---|---|---|---|---|---|---|---|
| **Maximum Annual Household Income:** | $15,080 | $20,426 | $25,772 | $31,118 | $36,464 | $41,810 | $47,156 | $52,502 | $ ________ |
| **Customer Annual Household Income: $ __________** | | | | | | | | | |

***If you qualify for Lifeline under this Section, attach the prior year's state or federal tax return or the most recent statements of income from the following sources for each household member:***

- Divorce Decree / Child Support Documents
- Paystubs (most recent three consecutive months)
- Retirement / Pension Benefit Statements
- Social Security Benefits Statements
- Unemployment / Workers' Compensation Benefits Statements
- Veterans Administration Benefits Statements
- W2 Statements

*Continued on Next Page*

## 4. LIFELINE PLAN SELECTION

Please check the box for the monthly plan that you would like to sign up for (you may change your plan at the end of any month by calling 1-800-661-7391):

☐ PLAN 1 (150 minutes including select international locations; each text message uses one Plan minute)

☐ PLAN 2 (250 domestic minutes for free; each text message uses one Plan minute)

☐ PLAN 3 1000 Talk & 1000 Text for $19.99 (regularly $29.99)

☐ PLAN 4 Unlimited Talk & Text for $29.99 (regularly $39.99)

☐ PLAN 5 Unlimited Talk, Text & Data for $39.99 (regularly $49.99)

## 5. MULTIPLE HOUSEHOLDS AT THE SAME ADDRESS

☐ If you reside at an address occupied by multiple households, including adults who do not contribute income to your household and/or share in your household's expenses, please contact Total Call Mobile and you will be provided an additional form to complete. By checking this box, I certify that I reside at an address occupied by multiple households, have completed and included the additional form with this application.

## 6. ACTIVATION AND USAGE REQUIREMENTS

Total Call Mobile Lifeline Plans are a prepaid service. When you receive your phone, contact Total Call Mobile at 611 to activate. To keep your account active, you must use your Lifeline service at least once during any 60 day period by completing an outbound call, purchasing additional minutes, answering an in-bound call from someone other than Total Call Mobile, or by responding to a direct contact from Total Call Mobile confirming that you want to continue receiving Lifeline service with Total Call Mobile. If your service goes unused for 60 days, you will no longer be eligible for Lifeline benefits and your service will be suspended (allowing only 911 calls and calls to customer service) subject to a 30-day cure period during which you can contact Total Call Mobile to confirm that you want to continue receiving Lifeline service from Total Call Mobile.

By signing and initialing each box below, I affirm that the information contained on this form is true and correct under penalty of perjury:

## 7. SIGNATURE ______________________ Date: ______________________

(Required)

______ (Initial) The information contained within this enrollment form is true and correct. I further acknowledge that Lifeline is a federal benefit program and that providing false or fraudulent statements or documentation in order to receive Lifeline is punishable by law, including fines, imprisonment, de-enrollment, or being barred from the Lifeline program.

______ (Initial) I meet the income-based or program-based eligibility criteria for receiving Lifeline service and have provided documentation of eligibility as required by this enrollment form.

______ (Initial) I understand that Lifeline is only available for one landline or one wireless phone per household (not both); a violation of this requirement would constitute a violation of law and would result in my de-enrollment from the Lifeline program.

______ (Initial) My household is not already receiving Lifeline service from another company. I certify that I am the head of my household and understand that, for the purposes of the Lifeline program, a household is an individual or group of individuals who live together at the same address and share the same income and expenses.

______ (Initial) I understand that I may be required to verify my continued eligibility for the Lifeline program at any time and that failure to do so will result in de-enrollment.

______ (Initial) The address listed in this form is my primary residence, not a second home or a business. If I move to a new address, I will notify Total Call Mobile within 30 days. If I checked "Temporary" address in Section 1 above, I acknowledge that I must recertify my address every 90 days.

______ (Initial) I will notify Total Call Mobile within 30 days if for any reason I no longer satisfy the criteria for receiving Lifeline including, as relevant, if I no longer meet the income-based or program-based criteria, I begin receiving more than one Lifeline benefit, or another member of my household starts receiving a Lifeline benefit. I understand that I may be subject to penalties if I fail to follow this requirement.

______ (Initial) I authorize Total Call Mobile to access my records in order to verify eligibility as required by federal or state agencies. I understand that my information (specifically, my full name, address, date of birth and the last four digits of my social security number) will be transmitted to administrators managing state and/or federal databases.

______ (Initial) Lifeline is not transferable. I will only use this phone for my family's own use and will not resell it or give it to others.

______ (Initial) In addition, I acknowledge that Lifeline enrollment may be terminated by Total Call Mobile in the event that federal or state Lifeline Programs are changed or terminated, if I no longer qualify for Lifeline, if Total Call Mobile discontinues its Lifeline participation, if I do not use the Lifeline phone for 60 days and do not cure during the 30-day cure period, or if I breach the terms and conditions at totalcallmobile.com/lifeline.

**Please mail this application, with supporting documentation to:**

Total Call Mobile, Lifeline Program

1411 W. 190th Street, Suite 700, Gardena, CA 90248

# EXHIBIT 4

## Copy of Proposed Advertising Language and Brochure to Advertise Lifeline

Total Call mobile

# Free Mobile Phone and Free Service

**Through the government-supported Lifeline program, you may qualify for free service. See inside for details. This is a State of Minnesota brochure.**

## Lifeline Plans

For more information or to sign up, call 1-800-661-7391.

If you qualify for the Lifeline program in the State of Minnesota, you may choose from any of the Lifeline Plans below. All of Total Call Mobile's Lifeline Plans have the following features:

- A free phone (selected by Total Call Mobile). Call customer service for upgrade options.
- Free customer service calls.
- Free voicemail, Caller ID and Call Waiting.
- Free 911 and balance inquiry calls.
- For additional minutes, text messages, or international calls, load an "Anytime Plan" refill as described on the back of this brochure or call customer service.

### Plan 1: 150 minutes per month (for domestic & select international calls)

- 150 minutes per month (for domestic & select international calls) at no cost to you.
- If you text on this Plan, each text message uses one Plan minute.
- Plan minutes expire after 30 days.
- Additional minutes are $0.10 per minute.
- Additional text messages are $0.05 per text.
- For details on select international calls that have no extra charges, see the back of this brochure.

### Plan 2: 250 minutes per month (for domestic calls)

- 250 minutes per month (for domestic calls) at no cost to you.
- If you text on this Plan, each text message uses one Plan minute.
- Plan minutes expire after 30 days.
- Additional minutes are $0.10 per minute.
- Additional text messages are $0.05 per text.
- No international calls are included in this plan.

### Plan 3, 4 & 5: Discounted Plans (discount varies by state)

- You can purchase Plan 3: 1000 Talk & 1000 Text for $19.99 (regularly $29.99), Plan 4: Unlimited Talk & Text for $29.99 (regularly $39.99 for 30 days) or Plan 5: Unlimited Talk, Text & Data for $39.99 (regularly $49.99 for 30 days). For plan details, see the back of this brochure. Please call customer service for additional information or to select this option.
- No international calls are included in these plans.

## Lifeline Eligibility

Eligibility criteria varies by state. For the State of Minnesota, you are eligible for Lifeline if you participate in one of these programs:

| | |
|---|---|
| Federal Public Housing / Section 8 | National School Lunch Program (free program only) |
| Low Income Home Energy Assistance (LIHEAP) | SNAP (formerly known as Federal Food Stamp Program) |
| Medicaid (not Medicare) | Supplemental Security Income |
| Minnesota Family Investment Program (MFIP) | Temporary Assistance for Needy Families Program (TANF) |

You also qualify for Lifeline in the State of Minnesota if your income is below 135% of the Federal Poverty Guideline.

| Number in Household | Household Annual Income |
|---|---|
| 1 | $15,080 |
| 2 | $20,426 |
| 3 | $25,772 |
| 4 | $31,118 |

If your household size is greater than 4, the maximum annual income is increased by $5,346 for each additional household member.

For details or to determine if you qualify, call us at 1-800-661-7391. Only one person per household may sign up for Lifeline. If your Lifeline Plan is not used for ninety (90) days, it will be terminated.

## Lifeline Terms & Conditions

Comprehensive terms and conditions for the Total Call Mobile ("TCM") Lifeline Plans are available at www.totalcallmobile.com. All terms and conditions of service as described herein and on the reverse of this brochure apply to services provided under the Lifeline Plans. Customers understand and agree that by signing up for a Lifeline Plan with Total Call Mobile, they may not have a Lifeline plan with any other carrier (wireless or landline) and further agree to comply with any documentation or verification necessary to confirm that they qualify for Lifeline. In addition, Customer acknowledges that Lifeline Plan enrollment may be terminated at anytime by TCM in the event that the federal or state Lifeline Programs are changed or terminated, if Customer no longer qualifies for Lifeline, if TCM discontinues its Lifeline Plans, or if Customer breaches the terms and conditions. TCM, at its sole discretion, will determine whether or not a Customer is eligible for a Lifeline Plan. To remain qualified for a Lifeline Plan, Customer must successfully complete an annual verification. If Customer fails to complete annual verification within sixty (60) days of the required verification date, Customer will be de-enrolled from the Lifeline Plan. Customer agrees not to give away, resell, or offer to resell the TCM Lifeline phone or service. TCM Lifeline Plans are supported by the government assistance "Lifeline" program. Proof of eligibility is required, such as eligible program card or statement of benefits. If you willfully make false statements in order to obtain a TCM Lifeline Plan, you can be punished by fine or imprisonment or can be barred from the program

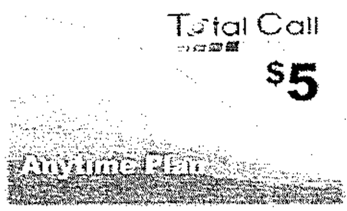
# International Texting & Calling

Call worldwide with Total Call Mobile by dialing 011 and the destination. On the Anytime Plan and Lifeline Plan 1, there is no extra charge to call certain cities in the countries listed below. Call 1-800-661-7391 for international rates on other plans or to other destinations. To make international calls, you must have Anytime Plan balance. Also, standard text message rates apply to messages sent worldwide.

| | | |
|---|---|---|
| Argentina | Hungary | Singapore |
| Australia | India | South Korea |
| Austria | Ireland | Spain |
| Brazil | Israel | Sweden |
| Canada | Italy | Switzerland |
| China | Mexico | Taiwan |
| Cyprus | Netherlands | Thailand |
| Denmark | New Zealand | United Kingdom |
| France | Norway | US Guam |
| Germany | Peru | US Puerto Rico |
| Greece | Poland | US Saipan |
| Hong Kong | Portugal | US Virgin Islands |

# Non-Lifeline Plans

## Anytime Plan



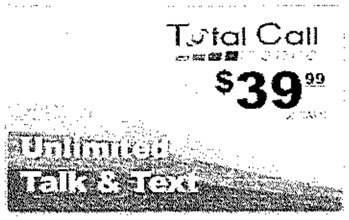

- 10¢ per minute
- 5¢ per text
- $5 for 30 days
- $10 for 60 days
- $20 for 90 days

## 1000 Talk & 1000 Text


1000 Talk & 1000 Text

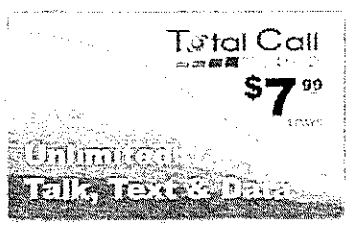
- 1000 minutes
- 1000 text messages
- Good for 30 days

## Unlimited Talk & Text




- Unlimited talk & text
- Good for 30 days

## Unlimited Talk, Text & Data




- Unlimited talk, text & data
- $7.99 for 4 days
- $12.99 for 7 days
- $24.99 for 15 days
- $49.99 for 30 days

All plans include voicemail, caller ID, and domestic long distance. For more information, call 1-800-661-7391 or visit www.totalcallmobile.com.

# Refill Options

1. Buy refills from the store where you purchased your handset.
2. Call 1-800-661-7391 to refill by credit card or debit card.
3. Visit a Western Union "prepaid service" location and enter "totalcall" in Box 1 of the prepaid services form. Enter $10 or $20 (Anytime), $29.99 (1000 Talk & 1000 Text), or $24.99 or $49.99 (Unlimited Talk, Text & Data). For locations, call 1-800-325-6000.
4. Visit your local e-pin store (wireless store or market).

# Service Terms & Conditions

*Comprehensive terms and conditions are included in handset packages and are available at www.totalcallmobile.com. Total Call Mobile ("TCM") service is for personal use within the United States, Puerto Rico, and the U.S. Virgin Islands. "Unlimited" does not mean unreasonable use, which includes, but is not limited to, conference calling, monitoring services, abnormally large data transmissions, broadcasts, telemarketing, autodialed calls, commercial uses, an abnormally high number of calls/messages or abnormally long calls, tethering to another device for data transmission, or any other usage that interferes with TCM's underlying service/network resources. Data is only available for select handsets. TCM data plans may not be used with smartphones/PDA devices unless the plan is explicitly identified for such devices. International calls are charged at the applicable rate plus airtime. Advertised international rates and "Free International Locations" do not apply to calls made to foreign mobile phones or to off network/special locations and in some instances may be higher. The "Free International Locations" promotion only applies when using the Anytime Plan (i.e. 10¢ per minute) or the TCM Lifeline Plan 1, but are otherwise 2¢ per minute. Directory assistance is charged at $1.25 per call. TCM reserves the right to limit picture message size at any time. Governmental taxes and fees will be charged where applicable. Plans, rates and fees are subject to change without notice. For more information, current rates, and a complete list of the "Free International Locations" please call Customer Service at 800.550.5265 or visit our website. The rates on this brochure were valid as of August 1, 2012. Unless otherwise indicated on the handset package, the handset is refurbished/reconditioned. For additional information on Hearing Aid Compatibility, please see www.totalcallmobile.com

# EXHIBIT 5

## FCC-Approved Compliance Plan

PUBLIC NOTICE

Federal Communications Commission
445 12th St., S.W.
Washington, D.C. 20554

News Media Information 202 / 418-0500
Internet: http://www.fcc.gov
TTY: 1-888-835-5322

DA 12-828
Release Date: May 25, 2012

**WIRELINE COMPETITION BUREAU APPROVES THE COMPLIANCE PLANS OF AMERICAN BROADBAND & TELECOMMUNICATIONS, BUDGET PREPAY, CONSUMER CELLULAR, GLOBAL CONNECTION, TERRACOM AND TOTAL CALL**

**WC Docket Nos. 09-197 and 11-42**

The Wireline Competition Bureau (Bureau) approves compliance plans of six telecommunications carriers: American Broadband & Telecommunications; Budget Prepay, Inc.; Consumer Cellular, Inc.; Global Connection, Inc. of America; TerraCom, Inc.: and Total Call Mobile, Inc. filed pursuant to the *Lifeline Reform Order* as a condition of obtaining forbearance from the facilities requirement of the Communications Act of 1934, as amended (the Act), for the provision of Lifeline service.[1]

The Act provides that in order to be designated as an eligible telecommunications carrier for the purpose of universal service support, a carrier must "offer the services that are supported by Federal universal service support mechanisms . . . either using its own facilities or a combination of its own facilities and resale of another carrier's services . . . ."[2] The Commission recently amended its rules to define voice telephony as the supported service and removed directory assistance and operator services, among other things, from the list of supported services.[3] As a result of these amendments, many Lifeline-only ETCs that previously met the facilities requirement by relying on operator services, directory assistance or other previously supported services no longer meet the facilities requirement of the Act.[4] In the *Lifeline Reform Order*, the Commission found that a grant of blanket forbearance of the facilities

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[1] *See Lifeline and Link Up Reform and Modernization et al*, WC Docket No.11-42 *et al.*, Report and Order and Further Notice of Proposed Rulemaking, FCC 12-11, at paras. 379-380 (rel. Feb. 6, 2012) (*Lifeline Reform Order*). A list of the compliance plans approved through this Public Notice can be found in the Appendix to this Public Notice.

[2] 47 U.S.C. § 214(e)(1)(A).

[3] *See Connect America Fund*, WC Docket No. 10-90 *et al.*, Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663, 17692-93, paras. 77-78, 80 (2011) (*USF/ICC Transformation Order*); *pets. for review pending sub nom. In re: FCC 11-161*, No. 11-9900 (10th Cir. filed Dec. 8, 2011); *Connect America Fund*, WC Docket No. 10-90 *et al.*, Order on Reconsideration, 26 FCC Rcd 17633, 17634-35, para. 4 (2011) (*USF/ICC Transformation Order on Reconsideration*).

[4] *See Lifeline Reform Order*, FCC 12-11, at para. 366, App. A; *USF/ICC Transformation Order on Reconsideration* at para. 4. Some ETCs have included language in their compliance plans indicating that they have facilities or plan to acquire facilities in the future. *See, e.g.*, Budget PrePay, Inc. Petition for Designation as an Eligible Telecommunications Carrier, WC Docket Nos. 09-197 and 11-42, Compliance Plan of Budget PrePay, Inc. at 3 n. 6 (filed May 1, 2012). To the extent ETCs seek to avail themselves of the conditional forbearance relief established in the *Lifeline Reform Order*, we presume they lack facilities to provide the supported service under section 54.101 and 54.401 of the Commission's rules. *See* 47 C.F.R. §§ 54.101 and 54.401. Such ETCs must comply with the compliance plan approved herein in each state or territory where they are designated as an ETC, regardless of their claim of facilities for other purposes, such as eligibility for state universal service funding.

requirement, subject to certain public safety and compliance obligations, is appropriate for carriers seeking to provide Lifeline-only service.[5] Therefore, in the *Lifeline Reform Order*, the Commission conditionally granted forbearance from the Act's facilities requirement to all telecommunications carriers seeking Lifeline-only ETC designation, subject to the following conditions: (1) compliance with certain 911 and enhanced 911 (E911) public safety requirements; and (2) Bureau approval of a compliance plan providing specific information regarding the carrier and its service offerings and outlining the measures the carrier will take to implement the obligations contained in the *Order*.[6]

The Bureau has reviewed the compliance plans listed in the Appendix for conformance with the *Lifeline Reform Order*, and now approves those six compliance plans.[7]

Filings, including the Compliance Plans identified in the Appendix, and comments are available for public inspection and copying during regular business hours at the FCC Reference Information Center, Portals II, 445 12th Street, S.W., Room CY-A257, Washington, D.C. 20554. They may also be purchased from the Commission's duplicating contractor, Best Copy and Printing, Inc., Portals II, 445 12th Street, S.W., Room CY-B402, Washington, D.C. 20554, telephone: (202) 488-5300, fax: (202) 448-5563, or via email www.bcpiweb.com.

People with Disabilities: To request materials in accessible formats for people with disabilities (Braille, large print, electronic files, audio format), send an email to fcc504@fcc.gov or call the Consumer & Governmental Affairs Bureau at (202) 418-7400 or TTY (202) 418-0484.

For further information, please contact Divya Shenoy, Telecommunications Access Policy Division, Wireline Competition Bureau at (202) 418-7400 or TTY (202) 418-0484.

**- FCC -**

[5] *See Lifeline Reform Order*, FCC 12-11 at paras. 368-381.

[6] *See id.* at paras. 373 and 389. Subsequently, the Bureau provided guidance for carriers submitting compliance plans pursuant to the *Lifeline Reform Order*. *Wireline Competition Bureau Provides Guidance for the Submission of Compliance Plans Pursuant to the Lifeline Reform Order*, WC Docket Nos. 09-197 and 11-42, Public Notice, 27 FCC Rcd 2186 (Wireline Comp. Bur. 2012).

[7] The Commission has not acted on any pending ETC petitions filed by these carriers, and this Public Notice only approves the compliance plans of the carriers listed above. While these compliance plans contain information on each carrier's Lifeline offering, we leave it to the designating authority to determine whether or not the carrier's Lifeline offerings are sufficient to serve consumers. *See Lifeline Reform Order*, FCC 12-11 at paras. 50 and 387.

**Appendix**

| Petitioner | Compliance Plans As Captioned by Petitioner | Date of Filing | Docket Numbers |
|---|---|---|---|
| American Broadband & Telecommunications | American Broadband & Telecommunications Revised Compliance Plan | April 27, 2012 | 09-197; 11-42 |
| Budget PrePay, Inc. | Compliance Plan of Budget PrePay, Inc. | May 1, 2012 | 09-197; 11-42 |
| Consumer Cellular, Inc. | Consumer Cellular Amended Revised Compliance Plan | April 18, 2012 | 09-197; 11-42 |
| Global Connection, Inc. of America | Global Connection Inc. of America Compliance Plan | April 30, 2012 | 09-197; 11-42 |
| TerraCom, Inc. | TerraCom, Inc. Second Revised Blanket Forbearance Compliance Plan | May 1, 2012 | 09-197; 11-42 |
| Total Call Mobile, Inc. | Total Call, Inc. Revised Compliance Plan | May 17, 2012 | 09-197; 11-42 |

KELLEY DRYE & WARREN LLP
A LIMITED LIABILITY PARTNERSHIP

WASHINGTON HARBOUR, SUITE 400
3050 K STREET, NW
WASHINGTON, D.C. 20007-5108

(202) 342-8400

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AFFILIATE OFFICES
MUMBAI, INDIA

FACSIMILE
(202) 342-8451
www.kelleydrye.com

STEVEN A. AUGUSTINO
DIRECT LINE: (202) 342-8612
EMAIL: saugustino@kelleydrye.com

May 14, 2012

**BY ECFS**

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, D.C. 20554

Re: Total Call Mobile, Inc., WC Docket Nos. 09-197 and 11-42

Dear Secretary Dortch:

On March 16, 2012, Total Call Mobile, Inc. ("TCM"), by its attorneys, submitted a Compliance Plan to the Federal Communications Commission ("Commission" or "FCC") in accordance with the Commission's February 6, 2012 Lifeline and Link Up Reform and Modernization *et al.* Report and Order. Attached to the Compliance Plan, as Exhibit B, was a sample of TCM's Application Form ("Form") for its Lifeline services.

TCM has continued to refine its plans for providing Lifeline services. In addition, through discussions of its Compliance Plan with Commission staff, TCM has identified additional revisions which will help clarify its compliance with the requirements in the *Lifeline Reform Order*. Accordingly, TCM hereby submits a revised Compliance Plan demonstrating its compliance with applicable FCC Lifeline rules. This plan supplements, restates and replaces the Compliance Plan submitted on March 16, 2012.

For the staff's convenience, TCM describes the principal changes to the plan below. The Revised Compliance Plan:

- Clarifies the procedures used by TCM personnel to verify Lifeline service applicant eligibility (see pp. 5-7);
- Provides further explanation of the technical and financial capabilities of TCM, of its parent, Total Call International, Inc.,

and of the majority owner of TCI, KDDI of America (see pp. 21-23 and Exh. A);

- Inserts Exhibits A and B and re-labels the remaining exhibits accordingly;

- Revises the Model Application Form (now Exhibit D) to clarify eligibility for large households under income-based eligibility, to add a check-box for applicants residing at an address occupied by multiple households, and to amend and clarify customer certifications;

- Adds a copy of an internal verification form that will be used by TCM to record the type of documentation used to verify customer eligibility (see Exhibit B);

- Makes minor clarifications throughout (see pp. 1, 6-7, 14, 18, 22-23)

In addition, on February 29, 2012,[1] the Wireline Competition Bureau provided guidance on the compliance plans that must be submitted to the Bureau by carriers seeking to avail themselves of the Commission's conditional grant of forbearance in the *Lifeline Reform Order*. The guidance summarized the elements that non-facilities based Lifeline-only ETCs must include within their compliance plans. For ease of review, Total Call Mobile also attaches to this letter an index identifying the sections in its Compliance Plan that address each of the items listed in the Bureau *Public Notice*. This index follows the organization of the *Public Notice*, at page 3.

TCM requests that the Commission expeditiously approve this Compliance Plan in order to permit it to begin serving Lifeline customers on a non-facilities basis in its ETC states as soon as possible.

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1 Wireline Competition Bureau Provides Guidance for the Submission of Compliance Plans Pursuant to the *Lifeline Reform Order*, WC Docket Nos. 09-197, 11-42, DA 12-314 (rel. Feb. 29, 2012).

Please contact the undersigned at (202) 342-8612 if you have any questions.

Respectfully submitted,

Steven A. Augustino

*Counsel to Total Call Mobile, Inc.*

Attachments

cc: Garnet Hanly, FCC (via e-mail)
Divya S. Shenoy, FCC (via e-mail)
Charles Tyler, FCC (via e-mail)
Best Copy and Printing, Inc. (via e-mail)

## Compliance Plan Index

By *Public Notice* dated February 29, 2012,[1] the Wireline Competition Bureau provided guidance on the compliance plans that must be submitted to the Bureau by carriers seeking to avail themselves of the Commission's conditional grant of forbearance in the *Lifeline Reform Order*. The guidance summarized the elements that non-facilities based Lifeline-only ETCs must include within their compliance plans. For ease of review, Total Call Mobile hereby provides an index identifying the sections in its Compliance Plan that address each of the items listed in the Bureau *Public Notice*. This index follows the organization of the *Public Notice*, at page 3.

### 1. Information about the carrier and the Lifeline plans it intends to offer

| Requirement | Page number in Compliance Plan |
|---|---|
| (a) names and identifiers used by the carrier, its holding company and affiliates | fn 1 |
| | |
| (b) detailed information demonstrating that the carrier is financially and technically capable of providing the supported Lifeline service in compliance with the Commission's rules | pp. 21-23 |
| | |
| (c) detailed information, including geographic locations, of the carrier's current service offerings if the carrier currently offers service | p. 22 (non-Lifeline services) |
| | |
| (d) the terms and conditions of each Lifeline service plan offering, including rates, the number of minutes provided, and additional charges, if any, for toll calls | pp. 21, 23-24, Exhibits E-G. |
| | |
| (e) all other certifications required under newly amended section 54.202 of the Commission's rules | pp. 23-24 |

### 2. Compliance with subscriber eligibility rules

| Requirement | Page number in Compliance Plan |
|---|---|
| all of the consumer eligibility, consumer enrollment, and re-certification procedures, as required by Section VI and Appendix C of the *Lifeline Reform Order* | pp. 4-13 (initial enrollment)<br>pp. 13-14 (verification/re-certification)<br>pp. 14-15 (non-usage policy)<br>pp. 16-17 (one per household rule) |
| | |
| a copy of the carrier's certification form | Exhibit D |

1 Wireline Competition Bureau Provides Guidance for the Submission of Compliance Plans Pursuant to the *Lifeline Reform Order*, WC Docket Nos. 09-197, 11-42, DA 12-314 (rel. Feb. 29, 2012).

### 3. Compliance with 911/E911 rules

| Requirement | Page number in Compliance Plan |
|---|---|
| A detailed explanation of how the carrier will comply with the forbearance conditions relating to public safety and 911/E911 access | pp. 3-4 |

### 4. Compliance with marketing and disclosure rules

| Requirement | Page number in Compliance Plan |
|---|---|
| A detailed explanation of how the carrier will comply with the Commission's marketing and disclosure requirements for participation in the Lifeline program | pp. 17-18<br>Exhibit D (certification form)<br>Exhibit E (sample brochure) |

### 5. Compliance with waste, fraud and abuse protections

| Requirement | Page number in Compliance Plan |
|---|---|
| A detailed explanation of the carrier's procedures and efforts to prevent waste, fraud and abuse in connection with Lifeline funds | pp. 4-13 (initial enrollment)<br>pp. 15-18 (additional protections) |
| procedures the carrier has in place to prevent duplicate Lifeline subsidies within its own subscriber base | pp. 15-17 |
| procedures the carrier undertakes to de-enroll subscribers receiving more than one Lifeline subsidy per household | pp. 16-17. See also, application and certification forms (#2, above) and marketing methods (#4, above) |
| information regarding the carrier's toll limitation service, if applicable | not applicable (see p. 24) |
| information regarding the carrier's non-usage policy, if applicable | pp. 14-15 |

**Before the**
**FEDERAL COMMUNICATIONS COMMISSION**
**Washington, D.C. 20554**

| | | |
|---|---|---|
| In the Matter of | ) | |
| Telecommunications Carrier Eligibility to Receive Universal Service Support | ) | WC Docket No. 09-197 |
| Lifeline and LinkUp Reform and Modernization | ) | WC Docket No. 11-42 |
| Total Call Mobile, Inc. (Compliance Plan) | ) | |

**TOTAL CALL MOBILE, INC.'S REVISED COMPLIANCE PLAN**

Steven A. Augustino
Denise N. Smith
Kelley Drye & Warren, LLP
3050 K Street, NW
Suite 400
Washington, D.C. 20007
(202) 342-8400

Counsel to Total Call Mobile, Inc.

May 14, 2012

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**TOTAL CALL MOBILE, INC.'S REVISED COMPLIANCE PLAN**

On May 25, 2011, Total Call Mobile, Inc. ("TCM" or "Company")[1] filed a Petition for Forbearance ("Petition") requesting the Commission forbear from enforcement of section 214(e)(1)(A) of the Communications Act of 1934, as amended, 47 U.S.C. § 214(e)(1)(A), which requires eligible telecommunications carriers ("ETCs") to use their own facilities to provide services supported by the Universal Service Fund ("USF").

On February 6, 2012, the Federal Communications Commission ("FCC" or "Commission") granted TCM's Petition for Forbearance, conditioned on fulfillment of the

1 The Company hereby also reports its corporate and trade names, along with its holding company, operating companies and affiliates as follows: Total Call International is the parent of Total Call Mobile; KDDI of America is the majority owner of Total Call International; Locus Telecommunications and KDDI Global are affiliates of Total Call International. A copy of KDDI Corporation's "Financial Statements Summary for the Year ended March 31, 2012 [Japan GAAP]" and biographies for all of the Executive Board Directors showing KDDI's technical and financial capabilities is attached hereto as Exhibit A.

obligations detailed in the *Lifeline Reform Order*,[2] which also required each carrier to submit to the Commission for approval a Compliance Plan outlining the measures it will take to implement the conditions imposed by the Commission in its *Lifeline Reform Order*.

The Company will comply fully with all conditions set forth in the *Lifeline Reform Order*, as well as with the Commission's Lifeline rules and policies more generally.[3] Company will comply with 911 requirements as described below in its Compliance Plan. Company also will implement the foregoing objectives and the other objectives described in the *Lifeline Reform Order*. Specifically, this Compliance Plan: (1) describes the specific measures that the Company will take to implement the obligations contained in the *Lifeline Reform Order*, including the procedures the Company follows in enrolling a subscriber in Lifeline and submitting for reimbursement for that subscriber from the Fund; (2) describes the materials related to initial and ongoing certifications and the sample marketing materials; and (3) provides a detailed description of how the Company offers Lifeline services, the geographic areas in which it offers services, and a detailed description of the Company's Lifeline service plan offerings.

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2 *See Lifeline and Link Up Reform and Modernization, Lifeline and Link Up, Federal-State Joint Board on Universal Service, Advancing Broadband Availability Through Digital Literacy Training,* WC Docket No. 11-42, WC Docket No. 03-109, CC Docket No. 96-45, WC Docket No. 12-23, Report And Order and Further Notice of Proposed Rulemaking, FCC 12-11, ¶¶ 521, 523 (Feb. 6, 2012) ("*Lifeline Reform Order*"). TCM herein submits the information required by the Compliance Plan Public Notice. *See Wireline Competition Bureau Provides Guidance for the Submission of Compliance Plans Pursuant to the Lifeline Reform Order*, WC Docket Nos. 09-197, 11-42, Public Notice, DA 12-314 (rel. Feb. 29, 2012).

3 In addition, this Compliance Plan is consistent with the compliance plan filed by Cricket Communications, Inc. *See* Notice of *Ex Parte* Communication of Cricket Communications, Inc., WC Docket No. 09-197 (Sept. 23, 2011) ("Cricket Compliance Plan"). The Wireline Competition Bureau approved the Cricket Compliance Plan on February 7, 2012. *See Telecommunications Carriers Eligible for Universal Service Support, Cricket Communications, Inc. Petition for Forbearance*, WC Docket No. 09-197, Order, DA 12-158 (Feb. 7, 2012).

## I. TOTAL CALL MOBILE'S COMPLIANCE PLAN

### A. Total Call Mobile's Access to 911 and E911 Services

Pursuant to the *Lifeline Reform Order*, forbearance is conditioned upon Company (1) providing its Lifeline subscribers with 911 and E911 access, regardless of activation status and availability of minutes; and (2) providing its Lifeline subscribers with E911-compliant handsets and replacing, at no additional charge to the subscriber, noncompliant handsets of Lifeline-eligible subscribers who obtain Lifeline-supported services.[4] Company will comply with these conditions upon initiation of its Lifeline service.

Company will provide its Lifeline customers with access to 911 and E911 services immediately upon activation of service. The Commission and consumers are hereby assured that all Company customers will have available access to emergency calling services at the time that the handset is activated, and that such 911 and E911 access will be available from Company handsets, even if the account associated with the handset has no minutes remaining.

The Company's existing practices currently provide access to 911 and E911 services for all customers. Company uses Sprint as its underlying network provider/carrier. Sprint routes 911 calls from Company's customers in the same manner as 911 calls from Sprint's own retail customers. To the extent that Sprint is certified in a given PSAP territory, this 911 capability will function the same for Company. Company (via Sprint) also currently enables 911 emergency calling services for all properly activated handsets regardless of whether the account associated with the handset is active, suspended or terminated. Finally, the Company (via Sprint) transmits all 911 calls initiated from any of its handsets even if the account associated with the handset has no remaining minutes.

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4 *See Lifeline Reform Order*, ¶ 373.

Company will ensure that all handsets used in connection with the Lifeline service offering are E911-compliant. In point of fact, Company's phones have always been and will continue to be 911 and E911-compliant. Company uses phones that have been through a stringent certification process with Sprint, which, among other things, ensures that the handset models used meet all 911 and E911 requirements. As a result, any customer that qualifies for and elects Lifeline service will already have a 911/E911-compliant handset, which will be confirmed at the time of enrollment in the Lifeline program. Any new customer that qualifies for and enrolls in the Lifeline program is assured of receiving a 911/E911-compliant handset as well, free of charge.

### B. Procedures To Enroll A Subscriber in Lifeline

#### 1. Policy

The Company will comply with the uniform eligibility criteria established in new section 54.409 of the Commission's rules (when it becomes effective on June 1, 2012), as well as any additional certification and verification requirements for Lifeline eligibility in states where the Company is designated as an ETC. In states where there are no state-imposed requirements, the Company will comply with the certification and verification procedures in effect in that state as reflected on the website of the Universal Service Administration Company ("USAC").[5] For any states that do not have established rules of procedure in place, the Company will comply with the certification and verification procedures in effect in that state as reflected in the *Lifeline Reform Order* and the rules.

All subscribers will be required to demonstrate eligibility based at least on: (1) household income at or below 135% of the Federal Poverty Guidelines for a household of that

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5 *See* Cricket Compliance Plan at 3.

size; or (2) the household's participation in one of the federal assistance programs listed in new section 54.409(a)(2) and 54.409(a)(3) of the Commission's rules. In addition, through the certification requirements described below, Company will confirm that the subscriber is not already receiving a Lifeline service and no one else in the subscriber's household is subscribed to a Lifeline service.

### 2. Eligibility Determination

If Company cannot determine a prospective subscriber's eligibility for Lifeline by accessing income databases or program eligibility databases, Company's employees or agents ("Company personnel") will review documentation establishing eligibility pursuant to the Lifeline rules.[6] All personnel who interact with actual or prospective customers will be trained to assist Lifeline applicants in determining whether they are eligible to participate based on the federal and state-specific income-based and/or program-based criteria. These personnel will be trained to answer questions about Lifeline eligibility, and will review required documentation to determine whether it satisfies the *Lifeline Reform Order* and state-specific eligibility requirements using state-specific checklists.[7]

Proof of Eligibility. Company personnel will be trained on acceptable documentation required to establish income-based and program-based eligibility.[8] Acceptable documentation of program eligibility includes: (1) the current or prior year's statement of benefits from a qualifying state or federal program; (2) a notice letter of participation in a qualifying state or federal program; (3) program participation documents (*e.g.*, the consumer's Supplemental Nutrition Assistance Program (SNAP) electronic benefit transfer card or Medicaid

6 *See Lifeline Reform Order*, ¶ 100; 47 C.F.R. §§ 54.410(b)(1)(i)(B), 54.410(c)(1)(i)(B); Cricket Compliance Plan at 4.

7 *See* Cricket Compliance Plan at 6.

8 *See Lifeline Reform Order*, ¶ 101.

participation card (or copy thereof)); or (4) another official document evidencing the consumer's participation in a qualifying state or federal program.[9]

Acceptable documentation of income eligibility includes the prior year's state or federal tax return, current income statement from an employer or paycheck stub, a Social Security statement of benefits, a Veterans Administration statement of benefits, a retirement/pension statement of benefits, an Unemployment/Workmen's Compensation statement of benefits, federal notice letter of participation in General Assistance, or a divorce decree, child support award, or other official document containing income information for at least three months time.[10]

Company personnel will examine supporting documentation for each Lifeline applicant, and will record the type of documentation used to satisfy the income- or program-based criteria.[11] As specified in FCC rules, the Company will not retain a copy of the documentation reviewed.[12] However, for audit and recordkeeping purposes, the Company will record eligibility verification information on a separate form. This "Company-only" form will be completed by Total Call Mobile personnel, who will be trained to complete the form, indicating what proof of eligibility was reviewed, and retain the form for each applicant determined to be eligible for service. The separate form is attached hereto as Exhibit B.

Where the Company personnel conclude that proffered documentation is insufficient to establish such eligibility, the Company will deny the associated application and

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9 *Id.* and 47 C.F.R. § 54.410(c)(1)(i)(B).

10 *See Lifeline Reform Order*, ¶101; 47 C.F.R. § 54.410.(b)(1)(i)(B).

11 *See Lifeline Reform Order*, ¶101; 47 C.F.R. §§ 54.410(b)(1)(iii), 54.410(c)(1)(iii).

12 *See Lifeline Reform Order*, ¶101; 47 C.F.R. §§ 54.410(b)(1)(ii), 54.410(c)(1)(ii).

inform the applicant of the reason for such rejection.[13] In the event that Company personnel cannot ascertain whether documentation of a specific type is sufficient to establish an applicant's eligibility, the matter will be escalated to supervisory personnel.[14] In addition, as described in Section I.B.3, below, subscribers will complete certification forms that, among other things, demonstrate the subscriber's eligibility to receive Lifeline support.

De-Enrollment for Ineligibility. If Company has a reasonable basis to believe that one of its Lifeline subscribers no longer meets the eligibility criteria, Company will notify the subscriber of impending termination in writing and in compliance with any applicable state dispute resolution procedures applicable to Lifeline termination, and give the subscriber 30 days to demonstrate continued eligibility.[15] A demonstration of eligibility must comply with the annual verification procedures below and found in new rule section 54.410(f), including the submission of a certification form.

### 3. Subscriber Certifications for Enrollment

The Company will implement certification policies and procedures that enable consumers to demonstrate their eligibility for Lifeline assistance to Company personnel as detailed in the *Lifeline Reform Order*, together with any additional state certification requirements.[16] The Company shares the Commission's concern about abuse of the Lifeline program and is thus committed to the safeguards stated herein, with the belief that these

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13 *See* Cricket Compliance Plan at 6.

14 *See* Cricket Compliance Plan at 6.

15 *See Lifeline Reform Order*, ¶ 143; 47 C.F.R. § 54.405(e)(1).

16 *Lifeline Reform Order*, ¶ 61; 47 C.F.R. § 54.410(a).

procedures will prevent the Company's customers from engaging in such abuse of the program, inadvertently or intentionally.[17]

TCM will implement certification procedures that require consumers to demonstrate their eligibility for Lifeline assistance. Customers will be able to sign up for Lifeline assistance by contacting TCM via telephone, facsimile, or the internet. Company personnel will verbally explain the eligibility criteria to consumers when they are enrolling in person or over the phone.[18] At the point of sale, consumers will be provided with printed information describing TCM's Lifeline program in detail, including federal and state specific eligibility requirements, and instructions for enrolling, a description of the one-per-household rule and a copy of USAC's printed material describing the one-per-household rule.[19] These materials (like all Lifeline marketing materials) also will clearly identify supported plans as "Lifeline" plans, consistent with TCM's current practice and policies. Consumers will be directed to a toll-free telephone number and to TCM's website, which will contain a link to information regarding the Company's Lifeline service plan, including a detailed description of the program, rates, and federal and state-specific eligibility criteria.

TCM will have direct contact with all customers applying for participation in the Lifeline program either by mail or by phone and all marketing materials will include TCM's customer service number. Retailers and distributors will be able to assist customers in completing applications but will provide TCM's customer service number for further questions and assistance. Retailers or customers will then directly send the applications and supporting

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17 *See* Cricket Compliance Plan at 3.

18 *See Lifeline Reform Order*, ¶ 123.

19 *See Lifeline Reform Order*, ¶79.

documents to TCM. Retailers will not retain any copies of the customer application or supporting documentation, and company personnel will review and process all applications.

**4. Call Center Procedures**

Consumers will be directed to call a toll-free number to complete an application over the phone. The application will then be mailed to the customer for signature under penalty of perjury and for the submission of supporting documentation. The signed application and support documentation must be mailed to the address provided by the Company (or, if available to the consumer, returned by facsimile or electronic transmission). Processing of consumers' applications, including review of all application forms and relevant documentation will be performed under TCM's supervision by managers thoroughly trained in the requirements of the Lifeline program. TCM will ensure that all required documentation is taken care of properly by using federal and state-specific compliance checklists.

TCM will emphasize the "one Lifeline phone per household" restriction during the initial interview with the potential customer when they call into the call center. The call center introduction script substantially in the form TCM would use is attached as Exhibit C.

**5. In-Person Sales Efforts**

TCM will promote its Lifeline services through many channels. One sales channel will be in-person sales events staffed by TCM representatives or agents. At these events, customers will be allowed to sign up, in-person, for Lifeline service. TCM representatives or agents, fully trained in Lifeline requirements, will conduct an interview, ensuring that the potential customer does not already receive a Lifeline subsidy. Documentation proving eligibility for the program will also be collected and an application will be completed by the customer. Only after completing all required eligibility verification will TCM issue phones to the customer.

At retail outlets where trained TCM representatives or agents are not present, customers will not have access to Lifeline services (or receive a Lifeline handset) at the retail location. Instead, customers will be directed via print ads and information brochures to contact TCM directly, and to submit the Lifeline service application directly to TCM. Through TCM's certification procedures, the company would verify that the individual qualifies for a Lifeline plan (*i.e.* that there is no duplication, and that the individual qualifies by virtue of participation in an eligible state or federal low income program). Only after the customer is verified as qualifying to receive Lifeline will the phone be provided to the customer via mail or subsequent pickup.

**6. Applications, Information and Disclosures**

Every applicant will be required to complete an application/certification process containing disclosures, and collecting certain information and certifications as discussed below.[20]

Disclosures. TCM's application and certification process will include the following disclosures: (1) Lifeline is a federal benefit and that willfully making false statements to obtain the benefit can result in fines, imprisonment, de-enrollment or being barred from the program; (2) only one Lifeline service is available per household; (3) a household is defined, for purposes of the Lifeline program, as any individual or group of individuals who live together at the same address and share income and expenses; (4) a household is not permitted to receive Lifeline benefits from multiple providers; (5) violation of the one-per-household limitation constitutes a violation of the Commission's rules and will result in the applicant's de-enrollment

20 *See* Model Application/Certification Form (Maryland), included as Exhibit D. *See* Compliance Plan Public Notice at 3.

from the program; and (6) Lifeline is a non-transferable benefit and the applicant may not transfer his or her benefit to any other person.[21]

Applicants will also be informed that (1) the service is a Lifeline service, (2) Lifeline is a government assistance program, and (3) only eligible consumers may enroll in the program.[22]

In addition, Company will notify the applicant that the prepaid service must be personally activated by the subscriber and the service will be deactivated and the subscriber de-enrolled if the subscriber does not use the service for 60 days.[23]

Information Collection. TCM will also collect the following information from the applicant in the application/certification process: (1) the applicant's full name;[24] (2) the applicant's full residential address (P.O. Box is not sufficient[25]); (3) whether the applicant's residential address is permanent or temporary; (4) billing address will not be requested as the service will be on TCM's prepaid platform (i.e. there will be no bill sent); (5) the applicant's date of birth; (6) the last four digits of the applicant's Social Security number; (7) if the applicant is seeking to qualify for Lifeline under the program-based criteria, the name of the qualifying assistance program from which the applicant, his or her dependents, or his or her household receives benefits;[26] and (8) if the applicant is seeking to qualify for Lifeline under the income-based criterion, the number of individuals in his or her household.[27]

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21 *See Lifeline Reform Order*, ¶ 121; 47 C.F.R. § 54.410(d)(1).

22 *See* 47 C.F.R. § 54.405(c).

23 *See Lifeline Reform Order*, ¶ 114.

24 *See* Cricket Compliance Plan at 4.

25 *See Lifeline Reform Order*, ¶ 87.

26 *See* Cricket Compliance Plan at 4.

27 *See* 47 C.F.R. § 54.410(d)(2). *See* Cricket Compliance Plan at 4.

Applicant Certification. Consistent with new rule section 54.410(d)(3), TCM will require the applicant to certify, under penalty of perjury, in writing or by electronic signature or interactive voice response recording,[28] the following:

1. the applicant meets the income-based or program-based eligibility criteria for receiving Lifeline;

2. the applicant will notify the Company immediately, and, in any event, within a maximum of 30 days, if for any reason he or she no longer satisfies the criteria for receiving Lifeline including, as relevant, if the applicant no longer meets the income-based or program-based criteria for receiving Lifeline support, if the applicant is receiving more than one Lifeline benefit, or if another member of the applicant's household is receiving a Lifeline benefit;

3. if the applicant moves to a new address, he or she will provide that new address to the Company within 30 days;

4. if the applicant provided a temporary residential address to the Company, the applicant will be required to verify his or her temporary residential address every 90 days;

5. the applicant's household will receive only one Lifeline service and, to the best of the applicant's knowledge, the applicant's household is not already receiving a Lifeline service;[29]

6. the information contained in the applicant's certification form is true and correct to the best of the applicant's knowledge;

7. the applicant acknowledges that providing false or fraudulent information to receive Lifeline benefits is punishable by law; and

8. the applicant acknowledges that the applicant may be required to re-certify his or her continued eligibility for Lifeline at any time, and the applicant's failure to re-certify as to the applicant' s continued eligibility will result in de-enrollment and the termination of the applicant's Lifeline benefits pursuant to the de-enrollment policy included below and in the Commission's rules.

Applicants will also be required to certify under penalty of perjury that they are head of their household and receive Lifeline-supported service only from TCM. Penalties for

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28 *See Lifeline Reform Order*. ¶¶ 168-69; 47 C.F.R. § 54.419.

29 *See* Cricket Compliance Plan at 4.

perjury will be clearly stated on the certification form.[30] This will be accomplished by a certification form substantially similar in format to the Model Application/Certification Form (Maryland), included as Exhibit D. Customers will be required to sign and date this statement.

In addition, the applicant will be required to authorize TCM to access any records required to verify the applicant's statements in the application/certification process and to confirm the applicant's eligibility for the Company Lifeline credit.[31] The applicant must also authorize TCM to release any records required for the administration of the Company Lifeline credit program, including to USAC to be used in an Lifeline program eligibility database.[32]

### C. **Annual Verification Procedures**

TCM will annually re-certify all subscribers by querying the appropriate eligibility databases (when it becomes available) or, if no eligibility database is available, by obtaining a signed certification from each subscriber consistent with the certification requirements above and new section 54.410(d) of the rules. This certification will include a confirmation that the applicant's household will receive only one Lifeline service and, to the best of the subscriber's knowledge, the subscriber's household is receiving no more than one Lifeline service.[33] Company will notify each participating Lifeline customer prior to his or her service anniversary date that he or she must confirm his or her continued eligibility in accordance with the applicable requirements.[34] Further, the verification materials will inform the subscriber that

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30 *See* Cricket Compliance Plan at 5.

31 *See* Cricket Compliance Plan at 5.

32 *See* 47 C.F.R. § 54.404(b)(9). The application/certification form will also describe the information that will be transmitted, that the information is being transmitted to USAC to ensure the proper administration of the Lifeline program and that failure to provide consent will result in the applicant being denied the Lifeline service. *See id. See also* Cricket Compliance Plan at 5.

33 *See Lifeline Reform Order*, ¶ 120 and Cricket Compliance Plan at 8.

34 See Cricket Compliance Plan at 8.

he or she is being contacted to re-certify his or her continuing eligibility for Lifeline and if the subscriber fails to respond, he or she will be de-enrolled in the program.[35]

2012 Verification. Company will re-certify (if applicable) the eligibility of each of its existing subscribers as of June 1, 2012 on a rolling basis by the end of 2012 and report the results to USAC by January 31, 2013.[36] Company will contact its subscribers via text message to their Lifeline supported telephone, or by mail, phone, email or other Internet communication. The notice will explain the actions the customer must take to retain Lifeline benefits, when Lifeline benefits may be terminated, and how to contact the Company.

Verification De-Enrollment. Company will give subscribers 30 days to respond to the annual verification inquiry. Company will de-enroll subscribers that do not respond to the annual verification or fail to provide the required certification.[37] If the subscriber does not respond, the Company will send a separate written notice explaining that failure to respond within 30 days will result in the subscriber's de-enrollment from the Lifeline program. If the subscriber does not respond within 30 days, Company will de-enroll the subscriber within five business days thereafter.

### D. Activation and Non-Usage

Each subscriber activates the service by placing a call to TCM. Company will not consider a prepaid subscriber activated, and will not seek reimbursement for Lifeline for that subscriber, until the subscriber places this call demonstrating usage of the phone.[38] In addition, after service activation, Company will provide a de-enrollment notice to subscribers that have

35 *See Lifeline Reform Order*, ¶ 145.

36 *See Lifeline Reform Order*, ¶ 130.

37 *See Lifeline Reform Order*, ¶ 142; 47 C.F.R. § 54.54.405(e)(4).

38 *See Lifeline Reform Order*, ¶ 257; 47 C.F.R. § 54.407(c)(1).

not used their service for 60 days. After 60 days of non-use, Company will provide notice to the subscriber that failure to use the Lifeline service within a 30-day notice period will result in de-enrollment.[39] For these purposes, subscribers will be considered to "use" the service by: (1) completing an outbound; (2) purchasing minutes from Company to add to the subscriber's plan; (3) answering an incoming call from a party other than Company; or responding to a direct contact from Company and confirming that the subscriber wants to continue receiving the service.[40]

If the subscriber does not respond to the notice, the subscriber will be de-enrolled and Company will not request further Lifeline reimbursement for the subscriber. Company will report annually to the Commission the number of subscribers de-enrolled for non-usage by month.[41]

### E. <u>Additional Measures to Prevent Waste, Fraud and Abuse</u>

To supplement its verification and certification procedures, and to better ensure that customers understand the Lifeline service restrictions with respect to duplicates, the Company will implement measures and procedures to prevent duplicate Lifeline benefits being awarded to the same household. These measures entail additional emphasis in written disclosures as well as live due diligence.[42]

In addition to checking the national database when it becomes available, Company personnel will emphasize the "one Lifeline phone per household" restriction in their

---

[39] *See Lifeline Reform Order*, ¶ 257; 47 C.F.R. § 54.405(e)(3). *See* Cricket Compliance Plan at 2 (stating that it did not need to implement a non-usage policy because it offered only plans with unlimited local and long distance calling).

[40] *See Lifeline Reform Order*, ¶ 261; 47 C.F.R. § 54.407(c)(2).

[41] *See Lifeline Reform Order*, ¶ 257; 47 C.F.R. § 54.405(e)(3).

[42] *See* Cricket Compliance Plan at 9.

direct sales contacts with potential customers.[43] Training materials will include a discussion of the limitation to one Lifeline phone per household, and the need to ensure that the customer is informed of this restriction.[44]

Database. When the National Lifeline Accountability Database ("National Database") becomes available, Company will comply with the requirements of new rule section 54.404. Company will query the National Database to determine whether a prospective subscriber is currently receiving a Lifeline service from another ETC and whether anyone else living at the prospective subscriber's residential address is currently receiving Lifeline service.[45]

One-Per-Household. Company will implement the requirements of the *Lifeline Reform Order* to ensure that it provides only one Lifeline benefit per household[46] through the use of its application and certification forms discussed above, internal database checks and its marketing materials discussed below. Upon receiving an application for Company's Lifeline service, Company will search its own internal records to ensure that it does not already provide Lifeline-supported service to someone at the same residential address.[47] If it does discover

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43 *See* Cricket Compliance Plan at 6, 9.

44 *Id.*

45 *See Lifeline Reform Order*, ¶ 203. Company will also transmit to the National Database the information required for each new and existing Lifeline subscriber. *See Lifeline Reform Order*, ¶¶ 189-195; 47 C.F.R. § 54.404(b)(6). Further, Company will update each subscriber's information in the National Database within ten business days of any change, except for de-enrollment, which will be transmitted within one business day. *See* 47 C.F.R. § 54.404(b)(8),(10).

46 A "household" is any individual or group of individuals who are living together at the same address as one economic unit. A household may include related and unrelated persons. An "economic unit" consists of all adult individuals contributing to and sharing in the income and expenses of a household. An adult is any person eighteen years or older. If an adult has no or minimal income, and lives with someone who provides financial support to him/her, both people shall be considered part of the same household. Children under the age of eighteen living with their parents or guardians are considered to be part of the same household as their parents or guardians. *See Lifeline Reform Order*, ¶ 74; 47 C.F.R. § 54.400(h).

47 *See Lifeline Reform Order*, ¶ 78 and *See* Cricket Compliance Plan at 7.

duplicate service at an address, Company will require the applicant to complete and submit a written USAC document containing the following: (1) an explanation of the Commission's one-per-household rule; (2) a check box that an applicant can mark to indicate that he or she lives at an address occupied by multiple households; (3) a space for the applicant to certify that he or she shares an address with other adults who do not contribute income to the applicant's household and share in the household's expenses or benefit from the applicant's income, pursuant to the Commission's definition; and (4) the penalty for a consumer's failure to make the required one-per-household certification (*i.e.*, de-enrollment).[48] Further, if a subscriber provides a temporary address on his or her application/certification form collected as described above, Company will verify with the subscriber every 90 days that the subscriber continues to rely on that address.[49]

Finally, Company personnel will inform each Lifeline applicant that he or she may be receiving Lifeline support under another name, and will facilitate the applicant's understanding of what constitutes "Lifeline-supported services." The Company personnel will also assist the applicant in determining if he or she is already benefiting from Lifeline support, by identifying the leading Lifeline offerings in the relevant market by brand name.[50]

Marketing Materials. Within the deadline provided in the *Lifeline Reform Order*, TCM will include the following information regarding its Lifeline service on all marketing materials describing the service: (1) it is a Lifeline service,[51] (2) Lifeline is a government assistance program, (3) the service is non-transferable, (4) only eligible consumers may enroll in the program, (5) the program is limited to one discount per household, consisting of either one

48 *Id.*

49 *See Lifeline Reform Order*, ¶ 89.

50 *See* Cricket Compliance Plan at 7.

51 *See* Cricket Compliance Plan at 4.

wireline or one wireless service; (6) what documentation is necessary for enrollment;[52] (7) TCM's name as the ETC; and (8) consumers who willfully make a false statement in order to obtain the Lifeline benefit can be punished by fine or imprisonment or can be barred from the program.[53] These statements will be included in all print, audio video and web materials (including social networking media) used to describe or enroll customers in Company's Lifeline service offering, as well as Company's application forms and certification forms.[54] This specifically includes Company's website (totalcallmobile.com/lifeline).[55] A sample of Company's Lifeline marketing materials is included as Exhibit E.

**F. Company Reimbursements From the Fund**

To ensure that the Company does not seek reimbursement from the Fund without a subscriber's consent, Company will certify, as part of each reimbursement request, that it is in compliance with all of the Commission's Lifeline rules and, to the extent required, has obtained valid certification and verification forms from each of the subscribers for whom it is seeking reimbursement.[56] Company will verify customers as described in the Compliance Plan before submitting requests for reimbursement for service provided to the subscriber. In addition, Company will keep accurate records as directed by USAC[57] and as required by new section 54.417 of the Commission's rules.

Further the Company will submit its FCC Forms 497 on the eighth day of each month in order to be reimbursed the same month, and inform USAC, to the extent necessary, to

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52 *See* Cricket Compliance Plan at 4.

53 *See Lifeline Reform Order*, ¶ 275; 47 C.F.R. § 54.405(c).

54 *Id.*

55 *Id.*

56 *See Lifeline Reform Order*, ¶ 128; 47 C.F.R. § 54.407(d).

57 *See id.*

reimburse it for actual claims rather than projected claims over the course of more than one month.[58]

### G. Annual Company Certifications

Company will submit an annual certification to USAC, signed by a Company officer under penalty of perjury, that Company: (1) has policies and procedures in place to review consumers' documentation of income- and program-based eligibility and ensure that its Lifeline subscribers are eligible to receive Lifeline services;[59] (2) is in compliance with all federal Lifeline certification procedures;[60] and (3) has obtained a valid certification form for each subscriber for whom the carrier seeks Lifeline reimbursement.[61]

In addition, Company will provide the results of its annual re-certifications/verifications on an annual basis to the Commission, USAC and the applicable state commission as appropriate.[62] Further, as discussed above, Company will report annually to the Commission the number of subscribers de-enrolled for non-usage by month.[63]

The Company will also annually report to the Commission, USAC and relevant state commissions as appropriate, the company name, names of the company's holding company, operating companies and affiliates, and any branding (such as a "dba" or brand designation) as well as relevant universal service identifiers for each entity by Study Area Code.[64] Company will report annually information regarding the terms and conditions of its Lifeline plans for voice

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58 *See Lifeline Reform Order*, ¶¶ 302-306.

59 *See Lifeline Reform Order*, ¶ 126; 47 C.F.R. § 54.416(a)(1).

60 *See Lifeline Reform Order*, ¶ 127; 47 C.F.R. § 54.416(a)(2).

61 *See* 47 C.F.R. § 54.416(a)(3).

62 *See Lifeline Reform Order*, ¶¶ 132,148; 47 C.F.R. § 54.416(b).

63 *See Lifeline Reform Order*, ¶ 257; 47 C.F.R. § 54.405(e)(3).

64 *See Lifeline Reform Order*, ¶¶ 296, 390; 47 C.F.R. § 54.422(a).

telephony service offered specifically for low income consumers during the previous year, including the number of minutes provided and whether there are additional charges to the consumer for service, including minutes of use and/or toll calls.[65] Finally, Company will annually provide detailed information regarding service outages in the previous year, the number of complaints received and certification of compliance with applicable service quality standards and consumer protection rules, as well as a certification that Company is able to function in emergency situations.[66]

### H. Cooperation with State and Federal Regulators

The Company will cooperate with federal and state regulators to prevent waste, fraud and abuse. More specifically, the Company will:

- Make available state-specific subscriber data, including the names and addresses of Lifeline subscribers, to USAC and to each state public utilities commission where the Company operates for the purpose of determining whether an existing Lifeline subscriber receives Lifeline service from another carrier;[67]
- Assist the Commission, USAC, state commissions, and other ETCs in resolving instances of duplicative enrollment by Lifeline subscribers, including by providing to USAC and/or any state commission, upon request, the necessary information to detect and resolve duplicative Lifeline claims;
- Promptly investigate any notification that it receives from the Commission, USAC, or a state commission to the effect that one of its customers already receives Lifeline services from another carrier; and
- Immediately de-enroll any subscriber whom the Company has a reasonable basis to believe[68] is receiving Lifeline-supported service from another ETC or is no longer eligible – whether or not such information is provided by the Commission, USAC, or a state commission.[69]

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65 *See Lifeline Reform Order*, ¶ 390; 47 C.F.R. § 54.422(b)(5).

66 *See Lifeline Reform Order*, ¶ 389; 47 C.F.R. § 54.422(b)(1)-(4).

67 The Company anticipates that the need to provide such information will sunset following the implementation of the national duplicates database.

68 *See* 47 C.F.R. § 54.405(e)(1).

69 *See* Cricket Compliance Plan at 10.

## II. DESCRIPTION OF LIFELINE SERVICE OFFERINGS

Company will offer its Lifeline service in the states where it is designated as an ETC and throughout the coverage area of its underlying provider Sprint. The Company's Lifeline offering, as described in Exhibit F, will allow customers to choose from the following options: (1) 150 minutes (including select international destinations as described in Exhibit G) per month at no charge; (2) 250 minutes (domestic only) per month at no charge; or (3) a discount off of TCM's 30-day Unlimited Talk & Text plan or TCM's 30-day Unlimited Talk, Text, & Data plan. Additional plan details are described on the sample advertisement at Exhibit E and in Exhibit F. Lifeline customers can also purchase additional bundles of minutes and service (*i.e.* if they run out of minutes or if they want to make international calls) by purchasing TCM's refill cards online, via the customer service line, at a Western Union location, and at stores that carry TCM prepaid refills.

In addition to free or discounted voice services, Company's Lifeline plan will include a free handset (with an option to buy an upgrade) and custom calling features at no charge, including Caller ID and Voicemail. All plans include domestic long-distance at no extra per minute charge. Calls to customer service and 911 emergency services are always free, regardless of service activation or availability of minutes.

## III. DEMONSTRATION OF FINANCIAL AND TECHNICAL CAPABILITIES AND CERTIFICATIONS REQUIRED FOR ETC DESIGNATION[70]

Financial and Technical Capabilities. Revised Commission rule 54.202(a)(4), 47 C.F.R. 54.202(a)(4), requires carriers petitioning for ETC designation to demonstrate financial

[70] *See* Compliance Plan Public Notice at 3.

and technical capability to comply with the Commission's Lifeline service requirements.[71] The Compliance Plan Public Notice requires that a carrier's compliance plan also include this demonstration. Among the factors the Commission will consider are: a carrier's prior offering of service to non-Lifeline subscribers, the length of time the carrier has been in business, whether the carrier relies exclusively on Lifeline reimbursement to operate; whether the carrier receives revenues from other sources and whether the carrier has been the subject of an enforcement action or ETC revocation proceeding. This section summarizes TCM's financial and technical capabilities to provide the service.

TCM provides affordable prepaid mobile phone service, including calling and text messaging, along with user-friendly handsets and high quality customer service. The majority of TCM's products and plans are specially geared toward serving lower income communities, and its service models and pricing plans reflect this mission. TCM offers nationwide non-Lifeline prepaid services as an MVNO using the Sprint network. In addition, TCM is applying for certification as an ETC with the FCC (for Alabama, Connecticut, Delaware, the District of Columbia, Florida, New Hampshire, New York, North Carolina, Tennessee, and Virginia), Arkansas, California, Louisiana, Michigan, Nevada, and West Virginia. TCM received ETC approval in Maryland on December 23, 2011.[72]

TCM is the wholly-owned subsidiary of Total Call International ("TCI"), a national prepaid telecommunications services provider. TCI provides international prepaid calling cards, which are often used by low income or unbanked consumers, many of whom are members of ethnic communities. TCI has been providing telecommunications services to

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71 *See Lifeline Reform Order*, ¶¶ 387-388 (revising Commission rule 54.202(a)(4)).

72 The Arkansas PSC initially granted TCM's application, but on March 22, 2012, the PSC issued a stay and remand in light of the *Lifeline Reform Order*.

customers for over 10 years. TCI, in turn, is majority owned by KDDI America, a subsidiary of Japan's second largest telecommunications carrier (KDDI Corporation). KDDI Corporation and its affiliates provide mobile services (voice and data) and fixed line services (broadband, domestic and international telecommunications and data center services) in Japan and globally. KDDI's technical and financial capabilities are further described in Exhibit A.

TCM will benefit from the experience of its parent entities in its provision of ETC services. TCM also will benefit from TCI's knowledge of low income markets when conducting outreach to eligible consumers. During the past 10 years, TCM and TCI have provided telecommunications services to non-Lifeline customers and, consequently, TCM has not and will not be relying exclusively on Lifeline reimbursement for the Company's operating revenues. TCM receives revenues from these prepaid wireless services and also has access to the financial resources of its parent company. The Company has not been the subject of any enforcement actions by the FCC nor has it been subject to any ETC revocation proceedings.

Service Requirements Applicable to Company's Support. The Compliance Plan Public Notice requires carriers to include "certifications required under newly amended section 54.202 of the Commission's rules."[73] Company certifies that it will comply with the service requirements applicable to the support the Company receives.[74] TCM provides all of the telecommunications service supported by the Lifeline program and will make the services available to all qualified consumers throughout the states in which it is designated as an ETC.[75] TCM's services include voice telephony services that provide voice grade access to the public

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73 Compliance Plan Public Notice at 3.

74 47 C.F.R. § 54.202(a)(1).

75 In addition to voice telephony services, TCM's services include the nine features, *i.e.*, dual tone multi-frequency signaling, single party service and access to operator services, *etc.* previously identified in Commission rule 54.101(a).

switched network or its functional equivalent. Further, TCM's service offerings provide its customers with minutes of use for local service at no charge to the customer. The Company will offer a set number of minutes of local exchange service free of charge to its subscribers and will abide by any Commission-required minimum usage amounts. TCM's Lifeline offering will allow customers to choose from the following options: (1) 150 minutes (including select international destinations as described in Exhibit G) per month at no charge; (2) 250 minutes (domestic only) per month at no charge; or (3) a discount off of TCM's 30-day Unlimited Talk & Text plan or TCM's 30-day Unlimited Talk, Text, & Data plan. Additional plan details are described on the sample advertisement attached as E and in F. Lifeline customers can also purchase additional bundles of minutes and service (*i.e.* if they run out of minutes or if they want to make international calls) by purchasing TCM's refill cards online, via the customer service line, at a Western Union location, and at stores that carry TCM prepaid refills.

The Company also will provide access to emergency services provided by local government or public safety officials, including 911 and E911 where available and will comply with any Commission requirements regarding E911-compatible handsets. As discussed above, TCM will comply with the Commission's forbearance grant conditions relating to the provision of 911 and E911 services and handsets.

Finally, toll limitation services do not apply because TCM, like most wireless carriers, does not differentiate domestic long distance toll usage from local usage and all usage is paid for in advance. Pursuant to the *Lifeline Reform Order*, subscribers to such services are not considered to have voluntarily elected to receive TLS.[76]

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[76] *See Lifeline Reform Order*, ¶ 230.

## IV. CONCLUSION

TCM submits that its Compliance Plan fully satisfies the conditions set forth in the Commission's *Lifeline Reform Order*, the Compliance Plan Public Notice and the Lifeline rules. Accordingly, the Company respectfully requests that the Commission expeditiously approve its Compliance Plan.

Respectfully submitted,

Steven A. Augustino
Denise N. Smith
Kelley Drye & Warren, LLP
3050 K Street, NW
Suite 400
Washington, D.C. 20007
(202) 342-8400

*Counsel to Total Call Mobile, Inc.*

May 14, 2012

# EXHIBIT A

KDDI Corporation

Financial Statements and Management Biographies

Designing The Future
KDDI Corporate Information

# Management Policy

## Tadashi Onodera

Tadashi Onodera
Chairman

[Date of Birth]
February 3, 1948

| | |
|---|---|
| Dec. 2010 | Chairman |
| Jun. 2005 | President and Chairman |
| Jun. 2001 | President |
| Jun. 1997 | Executive Vice President, Member of the Board |
| Jun. 1995 | Associate Senior Vice President, Member of the Board |
| Jun. 1989 | Member of the Board |

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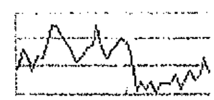


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# Management Policy

## Kanichiro Aritomi

Kanichiro Aritomi
Vice Chairman

[Date of Birth]
October 12, 1947

| | |
|---|---|
| Jun. 2010 | Vice Chairman |
| Aug. 2009 | Special Adviser |
| Jul. 2007 | President, the Foundation for MultiMedia Communications |

Management

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# Management Policy

## Takashi Tanaka

| | |
|---|---|
| Dec. 2010 | President |
| Jun. 2010 | Senior Vice President, Solution Business, Consumer Business, and Product Development Sector, Member of the Board |
| Apr. 2010 | Associate Senior Vice President, Solution Business, Consumer Business, and Product Development Sector, Member of the Board |
| Jun. 2007 | Associate Senior Vice President, General Manager, Solution Business Sector, Member of the Board |

Takashi Tanaka
President

[Date of Birth]
February 26, 1957

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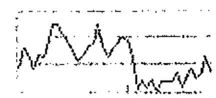


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# Management Policy

## Hirofumi Morozumi

Hirofumi Morozumi
Executive Vice President
Member of the Board

[Date of Birth]
May 2, 1956

| | |
|---|---|
| Jun. 2010 | Executive Vice President, General Manager, Corporate Sector, Member of the Board |
| Apr. 2010 | Senior Vice President, General Manager, Corporate Sector, Member of the Board |
| Mar. 2010 | Director of Jupiter Telecommunications Co., Ltd. |
| Jun. 2007 | Senior Vice President, Corporate Administration and Human Resources, Corporate Strategy, Member of the Board |
| Jun. 2003 | Associate Senior Vice President, Member of the Board |
| Apr. 2003 | Associate Senior Vice President |
| Jun. 2001 | Vice President |
| Jun. 1995 | Member of the Board |

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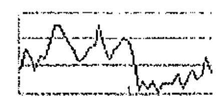


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# Management Policy

## Makoto Takahashi

Makoto Takahashi
Senior Vice President
Member of the Board

[Date of Birth]
October 24, 1961

| | |
|---|---|
| Apr. 2011 | Senior Vice President, General Manager, Business Development Sector, Member of the Board |
| Jun. 2010 | Senior Vice President, General Manager, Group Strategy Sector, Member of the Board |
| Apr. 2010 | Associate Senior Vice President, General Manager, Group Strategy Sector, Member of the Board |
| Mar. 2010 | Director of Jupiter Telecommunications Co., Ltd. |
| Jun. 2007 | Associate Senior Vice President, General Manager, Consumer Business Sector, Member of the Board |



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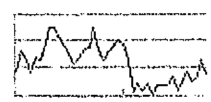

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# Management Policy

## Yoshiharu Shimatani

Yoshiharu Shimatani
Senior Vice President
Member of the Board

[Date of Birth]
October 28, 1950

| | |
|---|---|
| Jun. 2011 | Senior Vice President, General Manager, Technology Sector, Member of the Board |
| Apr. 2010 | Associate Senior Vice President, General Manager, Technology Sector, Member of the Board |
| Jun. 2009 | Associate Senior Vice President, Technology Officer, Member of the Board |

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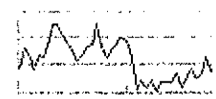


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# Management Policy

## Yuzo Ishikawa

Yuzo Ishikawa
Senior Vice President
Member of the Board

[Date of Birth]
October 19, 1956

| | |
|---|---|
| Apr. 2012 | Senior Vice President,Consumer Business, Solution Business,Global Business and Product Sector,Member of the Board |
| Oct. 2011 | Senior Vice President, Consumer Business, Business Development, Solution Business,Global Business and Product Sector,Member of the Board |
| Jun. 2011 | Senior Vice President, Consumer Business, Solution Business, Global Business and Product Sector, Member of the Board |
| Jun. 2010 | Associate Senior Vice President, General Manager, Solution Business Sector, Member of the Board |
| Jun. 2001 | Vice President |
| Jun. 2000 | Member of the Board |

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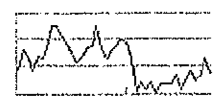


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Designing The Future KDDI Corporate Information

# Management Policy

## Masahiro Inoue

| | |
|---|---|
| Apr. 2011 | Associate Senior Vice President, Associate General Manager, Technology Sector, (Engineerning and Operations), Member of the Board |
| Jun. 2010 | Associate Senior Vice President, General Manager, Mobile Technology Sector, Member of the Board |

Masahiro Inoue
Associate Senior Vice President
Member of the Board

[Date of Birth]
November 7, 1952

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Designing the Future
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# Management Policy

## Hideo Yuasa

Hideo Yuasa
Associate Senior Vice President
Member of the Board

[Date of Birth]
August 3, 1955

| | |
|---|---|
| Apr. 2011 | Preseident, CHUBU TELECOMMUNICATION CO., INC. |
| Jun. 2010 | Associate Senior Vice President, General Manager, Consumer Business Sector, Member of the Board |
| Apr. 2010 | Vice President, General Manager, Consumer Business Sector |

Management

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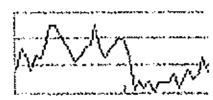


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# Management Policy

## Hiromu Naratani

| | |
|---|---|
| Apr. 2011 | Associate Senior Vice President, General Manager, Corporate Communications Sector, Member of the Board |
| Jun. 2010 | Associate Senior Vice President, General Manager, Corporate Communications & Marketing Sector, Member of the Board |
| Apr. 2010 | Vice President, General Manager, Corporate Communications & Marketing Sector |

Hiromu Naratani
Associate Senior Vice President
Member of the Board

[Date of Birth]
February 6, 1952

Management

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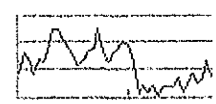


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This translation is to be used solely as a reference and the consolidated financial statements in this release are unaudited.

# Financial Statements Summary for the Year ended March 31, 2012 [ Japan GAAP ]

| | | | |
|---|---|---|---|
| Company Name | KDDI CORPORATION | | April 25, 2012 |
| Stock Listing | Tokyo Stock Exchange-First Section | Code No. | 9433 |
| Representative | Takashi Tanaka, President | URL | http://www.kddi.com |

Scheduled date for annual meeting of shareholders: June 20, 2012

Scheduled date for filing of full-year report: June 21, 2012

Scheduled date for dividend payment: June 21, 2012

Earnings supplementary explanatory documents for the fiscal year: Yes

Earnings presentation for the fiscal year: Yes (for institutional investors and analysts)

(Amount unit: Millions of yen, unless otherwise stated)
(Amounts are rounded down to nearest million yen)

## 1. Consolidated Financial Results for the Year ended March 31, 2012 (April 1, 2011 – March 31, 2012)

### (1) Consolidated Results of Operation

• Percentage represents comparison change to the corresponding previous fiscal year •

| | Operating Revenues | % | Operating Income | % | Ordinary Income | % | Net Income | % |
|---|---|---|---|---|---|---|---|---|
| Year ended March 31, 2012 | 3,572,098 | 4.0 | 477,647 | 1.2 | 451,178 | 2.4 | 238,604 | (6.5) |
| Year ended March 31, 2011 | 3,434,545 | (0.2) | 471,911 | 6.3 | 440,676 | 4.2 | 255,122 | 19.9 |

(Note) Consolidated Statements of Comprehensive Income
Year ended March 31, 2012 : 249,510 million yen; (0.5)% Year ended March 31, 2011 : 250,829 million yen; 6.1%

| | Net Income per Share | Diluted Net Income per Share | Return on Equity | Return on Assets | Operating Income Margin |
|---|---|---|---|---|---|
| | Yen | Yen | % | % | % |
| Year ended March 31, 2012 | 58,115.98 | 56,668.91 | 11.5 | 11.6 | 13.4 |
| Year ended March 31, 2011 | 58,149.78 | - | 12.4 | 11.6 | 13.7 |

(Reference) Equity in net income of affiliates Year ended March 31, 2012: (18,297) million yen/Year ended March 31, 2011: (19,948) million yen

### (2) Consolidated Financial Position

| | Total Assets | Net Assets | Equity Ratio | Total Net Assets per Share |
|---|---|---|---|---|
| | | | % | Yen |
| As of March 31, 2012 | 4,004,009 | 2,128,624 | 51.5 | 539,206.73 |
| As of March 31, 2011 | 3,778,918 | 2,171,839 | 55.7 | 495,386.23 |

(Reference) Shareholder's Equity As of March 31, 2012 : 2,060,746 million yen/As of March 31, 2011 : 2,103,331 million yen

### (3) Consolidated Cash Flows

| | Cash Flows from Operating Activities | Cash Flows from Investing Activities | Cash Flows from Financing Activities | Cash and Cash Equivalents |
|---|---|---|---|---|
| Year ended March 31, 2012 | 725,886 | (484,507) | (225,931) | 174,191 |
| Year ended March 31, 2011 | 717,353 | (440,545) | (279,998) | 159,869 |

## 2. Dividends

| | Dividends per Share | | | | | Total Dividends for the Year | Payout Ratio | Ratio of Dividends to Shareholders' Equity |
|---|---|---|---|---|---|---|---|---|
| | 1st Quarter End | 2nd Quarter End | 3rd Quarter End | Fiscal Year End | Total | | | |
| | Yen | Yen | Yen | Yen | Yen | | % | % |
| Year ended March 31, 2011 | - | 6,500.00 | - | 7,500.00 | 14,000.00 | 60,795 | 24.1 | 3.0 |
| Year ended March 31, 2012 | - | 7,500.00 | - | 8,500.00 | 16,000.00 | 64,328 | 27.5 | 3.1 |
| Year ending March 31, 2013 (forecast) | - | 8,500.00 | - | 8,500.00 | 17,000.00 | | 26.0 | |

## 3. Consolidated Financial Results Forecast for the Year ending March 31, 2013 (April 1, 2012 - March 31, 2013)

• Percentage represents comparison to previous fiscal year •

| | Operating Revenues | % | Operating Income | % | Ordinary Income | % | Net Income | % | Net Income per Share |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | Yen |
| Entire Fiscal Year | 3,580,000 | 0.2 | 500,000 | 4.7 | 490,000 | 8.6 | 250,000 | 4.8 | 65,414.00 |

1. Forecast of consolidated business results for the six months ending September 30, 2012 is not prepared
2. Net income per share in the consolidated financial results forecasts for the year ending March 31, 2013 does not take the stock split into account. For further information, please see "Explanation for Appropriate Use of Forecasts and Other Notes."

4. Other

(1) Changes in significant consolidated subsidiaries (which resulted in changes in scope of consolidation): None

(2) Changes in accounting policies, accounting estimates and restatement of corrections
1) Changes in accounting policies resulting from the revision of the accounting standards and other regulations: Yes
2) Other changes in accounting policies: None
3) Changes in accounting estimates: Yes
4) Restatement of corrections: None
Note: Please refer to page 25 "Basis of Presenting Consolidated Financial Statements" and page 28 "Changes in Significant Accounting Policies" and "Changes in Accounting Estimates" for details.

(3) Numbers of Outstanding Shares (common shares)

| | | |
|---|---|---|
| 1) Number of shares outstanding (inclusive of treasury stock) | As of March 31, 2012 | 4,484,818 |
| | As of March 31, 2011 | 4,484,818 |
| 2) Number of treasury stock | As of March 31, 2012 | 663,006 |
| | As of March 31, 2011 | 238,976 |
| 3) Number of weighted average common shares outstanding (cumulative for all quarters) | For the year ended March 31, 2012 | 4,105,665 |
| | For the year ended March 31, 2011 | 4,387,331 |

(Amount unit: Millions of yen, unless otherwise stated)
(Amounts are rounded down to nearest million yen)

(Reference) Summary of KDDI Corporation's Financial Results and Financial Position

1. KDDI Corporation's Financial Results for the Year ended March 31, 2012 (April 1, 2011 – March 31, 2012)

(1) KDDI Corporation's Results of Operation

・Percentage represents comparison change to the corresponding previous fiscal year・・

| | Operating Revenues | | Operating Income | | Ordinary Income | | Net Income | |
|---|---|---|---|---|---|---|---|---|
| | | % | | % | | % | | % |
| Year ended March 31, 2012 | 3,273,536 | 4.3 | 432,440 | 1.0 | 434,575 | 2.8 | 249,836 | (2.7) |
| Year ended March 31, 2011 | 3,138,742 | (2.3) | 428,269 | 3.4 | 422,929 | 3.0 | 256,823 | 19.6 |

| | Net Income per Share | Diluted Net Income per Share |
|---|---|---|
| | Yen | Yen |
| Year ended March 31, 2012 | 60,851.69 | 59,337.05 |
| Year ended March 31, 2011 | 58,537.60 | - |

(2) KDDI Corporation's Financial Position

| | Total Assets | Net Assets | Equity Ratio | Total Net Assets per Share |
|---|---|---|---|---|
| | | | % | Yen |
| As of March 31, 2012 | 3,851,891 | 2,064,847 | 53.6 | 540,008.17 |
| As of March 31, 2011 | 3,644,330 | 2,092,818 | 57.4 | 492,577.91 |

(Reference) Shareholder's Equity　As of March 31, 2012: 2,063,809 million yen　As of March 31, 2011: 2,091,407 million yen

Indication of audit procedure implementation status

This earnings report is exempt from audit procedure based upon the Financial Instruments and Exchange Act. It is under the audit procedure process at the time of disclosure of this report.

Explanation for Appropriate Use of Forecasts and Other Notes

1. Forecast of Results

The forward-looking statements such as operational forecasts contained in this statements summary are based on the information currently available to KDDI corporation (hereafter: the "Company") and certain assumptions which are regarded as legitimate. Actual results may differ significantly from these forecasts due to various factors. Please refer to page 8 "Outlook for the Year ending March 31, 2013" under ・the Attachment・・ for the assumptions used and other notes.

2. Forecasts for financial results and dividends after the stock split

The Company resolved at a meeting of the Board of Directors held on April 25, 2012, that the common stock will be split 100 for 1, and the trading unit of the stock will be 100 shares with an effective date of October 1, 2012. Accompanying this change, the forecasts for financial results and dividends in the fiscal year ending March 31, 2013 are as follows.

(1) Consolidated Business Results Forecast for the Year ending March 31, 2013
Year ending March 31, 2013　¥654.14

(2) Dividends forecast for the Year ending March 31, 2013
Six months ending September 30, 2012　¥8,500.00 Note1
Year ending March 31, 2013　¥85.00 Note2

Note 1: Interim dividends will be paid on the basis of the number of shares prior to the implementation of the stock split.
Note 2: Dividends after the implementation of the stock split, if adjusted to reflect the number of shares prior to the stock split, will be equivalent to ¥8,500.00 per share.

## 【the Attachment】



* The Company holds an earnings presentation for investors as below. Documents distributed at the presentation are scheduled to be posted on our website at the same time as the release of the financial statements summary. Videos and main Q&As are planned to be posted immediately after the presentation.
- Wednesday, April 25, 2012- Earnings presentation for institutional investors and analysts

* In addition to the above earnings presentation, the Company holds conferences on its business and results for individual investors. Please check our website for the schedule and details

## 1. Qualitative Information / Financial Statements, etc.

### (1) Analysis on Consolidated Operating Results

1. Results Overview

(Amount unit: Millions of yen)

| | Year ended March 31, 2011 | Year ended March 31, 2012 | Increase (Decrease) | Increase (Decrease) % |
|---|---|---|---|---|
| Operating Revenues | 3,434,545 | 3,572,098 | 137,552 | 4.0 |
| Operating Expenses | 2,962,634 | 3,094,450 | 131,815 | 4.4 |
| Operating Income | 471,911 | 477,647 | 5,736 | 1.2 |
| Non-operating Income (Expense) | (31,234) | (26,469) | 4,765 | - |
| Ordinary Income | 440,676 | 451,178 | 10,501 | 2.4 |
| Extraordinary Profit (Loss) | (95,416) | 3,241 | 98,658 | - |
| Income before Income Taxes and Minority Interests | 345,259 | 454,419 | 109,159 | 31.6 |
| Income Taxes | 81,237 | 207,560 | 126,323 | 155.5 |
| Income before Minority Interests | 264,022 | 246,858 | (17,163) | (6.5) |
| Minority Interests | 8,900 | 8,254 | (646) | (7.3) |
| Net Income | 255,122 | 238,604 | (16,517) | (6.5) |

Operating revenues for the year ended March 31, 2012 amounted to ¥3,572,098 million, 4.0% increase year on year, mainly due to the increase in revenues brought by the inerease in the number of terminal sales in the Mobile Business, and the increase in revenues of group companies in the Fixed-line Business, despite the decline in voice ARPU (Average Revenue per Unit) in the Mobile Business.

In profits, the decline the Mobile Business was offset by the substantial gain in the Fixed-line Business. Operating income was up 1.2% year on year to ¥477,647 million, and ordinary income was up 2.4% year on year to ¥451,178 million. In extraordinary income and loss, there was a substantial improvement due to a decline in impairment losses and a reversal of the provision for loss on the Great East Japan Earthquake. However, corporate taxes for the year ended March 31, 2011 declined due to a loss on liquidation of four intermediary holding companies that possessed shares of Jupiter Telecommunications Co., Ltd. In addition, in the fiscal year under review, income taxes increased due to the reversal of deferred tax assets accompanying a reduction in the corporation tax rate. As a result, net income was down 6.5% year on year to ¥238,604 million.

**Overview of Economic Conditions**

The debt problems in Europe continue to be a major risk factor for the global economy, and in the Euro zone, the unemployment rate is rising and banks are reluctant to lend. In addition, countries are stepping up budget cuts. As a result, the pace of the recovery in the global economy is clearly decelerating. On the other hand, in the U.S., the employment environment has improved, and monetary easing measures are gradually taking effect. Business conditions are expected to follow a moderate recovery trend. Also, in emerging economies, business conditions seem to be steadily improving as concerns about inflation subside, monetary easing measures take effect, and internal demand increases.

In Japan, the economy has not been expanding, but moving forward a moderate recovery is expected to continue for some time, with support from reconstruction-related demand and a range of policy measures, such as subsidies for environmentally-friendly cars. Nonetheless, issues requiring ongoing attention include downside risks in the economy, such as electricity shortages and increases in the price of crude oil, as well as trends in the global economy.

**Industry Trends**

In the mobile communications market, competition for customers is intensifying as pricing plans become more affordable; the use of smartphones increases; the range of tablets and other devices diversifies; and content services expand, centered on music, videos, and ebooks. In the fixed-line communications market, progress is being made by services combining fixed-line and mobile and by the integration of telecommunications and broadcasting. As a result, competition between services is entering a new phase.

**KDDI's Position**

The Company steadily implemented its medium to long term strategies-the 3M Strategy and the Global Strategy-targeting the realization of the three business vision: "More Connected" "More Diverse Values" "More Global." 3M stands for Multi-network, Multi-device, and Multi-use. Our growth strategy calls for the establishment of an environment that seamlessly provides a variety of content and services to customers through an optimal network that can be used anytime and anywhere, with a variety of devices, including smartphones and tablets.

In January 2012, we announced the Smart Passport Concept, which is phase 1 of the 3M strategy. This concept has three key factors. The first is "au Smartvalue," an FMC discount service that we offer in cooperation with FTTH/CATV companies. The second is "au Smart Pass," which offers packages of more than 500 applications and cloud services. The third is "au ID," which enables the seamless use of those services on multiple devices. The Smart Passport Concept is aimed at maximizing Value ARPU by expanding FTTH sales, targeting smartphone subscriptions through linked acquisition in the household, and promoting the use of cloud-based content services. In the future, the Company will further advance the Smart Passport Concept, and in accordance with a new slogan—New Freedom.—we will provide customers with new value that realizes 3M.

In the Mobile Business, we have implemented a variety of initiatives to expand our customer base. We strengthened our lineup of handsets, including smartphone models not available from other companies. We also took steps to enhance our applications and content, such as establishing a cooperation agreement with Facebook Inc. and strengthening our LISMO service. Additionally, to respond to rapidly growing data traffic, we bolstered our network by expanding the "au Wi-Fi SPOT" public wireless LAN service. We also began to provide the "Wi-Fi HOME SPOT (CUBE)," a router for use in the home, and we introduced "EV-DO Advanced" to increase communications quality in congested areas. In this way, we continued to focus on both strengthening our network and reducing our costs.

In the Fixed-line Business, we worked to expand access lines, centered on FTTH services. For corporate clients, we strove to reinforce our ability to support corporate clients' international business development by making effective use of our overseas locations. We also took steps to enhance our solutions services.

In both businesses, we sought to forge partnerships with numerous companies in a variety of fields.

## 2. Results by Business Segment

Note 1: Results Summary

(Amount unit: Millions of yen)

| | | Year ended March 31, 2011 | Year ended March 31, 2012 | Increase (Decrease) | Increase (Decrease) % |
|---|---|---|---|---|---|
| Mobile Business | | | | | |
| | Operating revenues | 2,590,724 | 2,727,012 | 136,287 | 5.3 |
| | Operating expenses | 2,151,838 | 2,307,821 | 155,982 | 7.2 |
| | Operating income | 438,885 | 419,190 | (19,695) | (4.5) |
| Fixed-line Business | | | | | |
| | Operating revenues | 897,251 | 915,536 | 18,284 | 2.0 |
| | Operating expenses | 873,262 | 862,104 | (11,157) | (1.3) |
| | Operating income | 23,989 | 53,431 | 29,442 | 122.7 |
| Other Business | | | | | |
| | Operating revenues | 114,326 | 106,873 | (7,452) | (6.5) |
| | Operating expenses | 105,797 | 102,575 | (3,222) | (3.0) |
| | Operating income | 8,529 | 4,298 | (4,230) | (49.6) |

Note 2: Subscriptions of Major Services (Unit : Thousand line)

| | | As of March 31, 2011 | As of March 31, 2012 | Increase (Decrease) | Increase (Decrease) % |
|---|---|---|---|---|---|
| au[1] | | 32,999 | 35,109 | 2,110 | 6.4 |
| | CDMA 1X WIN | 29,633 | 33,539 | 3,906 | 13.2 |
| (Ref.) UQ WiMAX | | 807 | 2,266 | 1,459 | 180.8 |
| FTTH | | 1,901 | 2,268 | 367 | 19.3 |
| Metal-plus | | 2,543 | 2,189 | (354) | (13.9) |
| Cable-plus phone | | 1,341 | 2,074 | 733 | 54.7 |
| CATV[2] | | 1,088 | 1,142 | 54 | 5.0 |
| Fixed access lines[3] | | 6,407 | 7,118 | 711 | 11.1 |

Notes: 1. Inclusive of module-type contracts

2. Inclusive of wholesales to "J:COM PHONE Plus" from the fiscal year ending March 31, 2012

3. Number of households with at least one contract via broadcasting, internet, or telephone

4. Total access lines of FTTH, direct-revenue telephony (Metal-plus, Cable-plus phone), and CATV subs. excluding crossover.

## Mobile Business

Operating revenues for the year ended March 31, 2012 amounted to ¥2,727,012 million, 5.3% increase year on year. Contributing factors include the increase in revenue brought by the increase in the number of terminal sales, despite the decline in voice ARPU caused by the uptake of the Maitsuki Discount (Monthly discount) and Simple Course. Operating income amounted ¥419,190 million, down 4.5% year on year, due to the increase in handsets procurement cost that led the rise in operating expenses.

**<Overall>**

- The number of "au" mobile phone subscriptions was 35.109 million as of March 31, 2012.
- On January 16, 2012, in conjunction with the rollout of the new au slogan—New Freedom.—we introduced a new au brand mark.
- On March 1, 2012, we began to offer au Smart Pass and au Smartvalue.
  "au Smart Pass" offers unlimited use of more than 500 applications as well as coupon and point services, storage of photos and videos, and security and support, all for ¥390 per month (including tax). Everyone, from experienced smartphone users to beginners, can securely and freely enjoy their favorite applications and services with "au Smart Pass," and by March 27 the number of members had surpassed 500,000.
  "au Smartvalue" is a service that combines mobile and fixed-line communications. With a subscription to a designated fixed-line communications service (FTTH, CATV), customers can receive a discount of ¥1,480 (tax included)* on their monthly smartphone usage charges for up to two years. This service is available to subscribers to a designated fixed-line communications service and their family members who reside in the same household. * After 2 years, the discount will be ¥980.
- Accompanying the reorganization of the 800MHz bandwidth, which is used by au mobile phones, the provision of service for models that are not compatible with the new 800MHz bandwidth will end on July 22, 2012. Special options have been made available to eligible customers who upgrade their handsets, such as special prices, including models that are eligible for free upgrades. We have also continued to implement activities to publicize this issue. As a result, we have made favorable progress in encouraging customers to upgrade.

**<Mobile Terminals>**

- On October 14, 2011, the Companies began offering the "iPhone 4S" (made by Apple Inc.). You can use iPhone 4S on the Companies' 3G network, so you can enjoy the incredible features of iPhone 4S anywhere, anytime.
- We launched a total of 24 new Android™ smartphones. These included the INFOBAR series as well as high-speed communications models with WiMAX and tethering capability and waterproof models.
- In feature phones, we launched 13 new models. These included models that can be easily used even by people who are not skilled in the use of mechanical devices and waterproof models that feature a sophisticated design and a focus on ease of use.
- We also launched a total of 8 other communications devices (tablets, mobile Wi-Fi routers, etc.).
- In handset accessories, in collaboration with "NAVA," a leading Italian stationery maker, in October 2011 we began sales of "iida & NAVA" smartphone accessories. In January 2012, we launched the "au + 1 collection" of official au accessories, which features a large number of items, centered on original products available only from au. The "au +1 collection" will be available at au shops, and au points can be used for payment.

<Products released for the year ended March 31, 2012>

| | | |
|---|---|---|
| Smartphones | iPhone | "iPhone 4S" |
| | IS Series | "INFOBAR A01," "INFOBAR C01," "GALAXY S II WiMAX ISW11SC," "OptimusX IS11LG," "MOTOROLA PHOTON ISW11M," "DIGNO ISW11K," etc.<br>"Windows Phone IS12T" |
| Feature phones | au | "Simple Phone K010," "Mi-Look," "URBANO AFFARE" |
| Other communication devices | | "MOTOROLA XOOM™ Wi-Fi TBi11M," "PHOTO-U2 SP03," "Wi-Fi WALKER DATA08W," "ETBW11AA" |
| Accessories | INFOBAR | "Accessories for INFOBAR A01/C01" |
| | Collaboration with brands | "iida & NAVA" series |
| | Others | "au + 1 collection" series |

<Pricing Plans>

- On September 1, 2011, we began providing two new au mobile phone pricing plans, "Plan W simple" and "Plan W," for customers who place frequent international calls. In addition, we made calls inside Japan between au mobile phones free of charge (except between 9pm and 1am) and made all C-mail within Japan free of charge, the first time this has been done for au mobile phones.
  On the same day, the Companies made it possible to place international calls from au mobile phones by dialing the "010" prefix.
- The Companies launched a new pricing plan, "Plan Z Simple," on September 28, 2011. "Plan Z Simple" allows users in Japan to call other au mobile phones within Japan for free between the hours of 1am and 9pm for a basic monthly rate of ¥980 (including tax)*. Also, domestic C-mail messages between au mobile phone users are always free, 24 hours a day.
  * Under "Everybody Discount" contract
- On December 1, 2011, the Companies began to offer "WIN Single Flat WiMAX (Simple)," a new rate plan that can be used with a downlink speed of up to 40Mbps. In addition to the conventional 3G wide service areas, this service can also be used in WiMAX service areas. If customers subscribe to this service when purchasing a compatible device (DATA08W, DATA01), they are eligible for the "WIN Single Flat Cost-Saving Discount," under which the service is available for ¥4,410 per month (tax included)* for up to 25 months.
  * When applying for "Everybody Discount Single" or "WIN Single Set Discount."

**<Consumer Services>**

- We began to offer the "Guarantee Security Pack," which provides total security and safety support for Android™ smartphones, on November 18, 2011. In this way, we provide a package of services: remote locking in the event a smartphone is lost, "Virus Buster Mobile for au," which protects handsets from harmful sites and applications, and "Remote Support," which offers remote operation and setting by operators. We are the first domestic mobile telecommunications company to introduce remote support for Android™ smartphones.
- From March 1, 2012, we significantly improved the existing au mobile phone point service, the "au Point Program." Through this upgrade, we have expanded the ways in which members can use points earned under the "au Point Program." For example, points can be used to make purchases of goods from a variety of shopping sites or content. In addition, we changed the requirements for earning points.

**<Corporate Services>**

- The Company entered a business alliance with Branddialog, Inc., on August 2, 2011, to launch the "KDDI Knowledge Suite." As the Company's first service for its proprietary "KDDI MULTI CLOUD" service, the "KDDI Knowledge Suite" is a highly convenient business application that links groupware with sales support and customer management, which enables workers to operate more efficiently by allowing them to use schedules and telephone memos even when away from their desks.
- On November 22, 2011, we began to offer "KDDI 3LM Security," a security management service developed by Three Laws of Mobility, Inc. This service, which is available for corporate customers using au Android™ devices, features robust security functions that were not previously available at the application level.

**<Others>**

- The Companies launched the "au Wi-Fi SPOT" public wireless LAN service on June 30, 2011, and by the end of March 2012, the number of spots available with this service had surpassed 100,000.
  Customers who subscribe to the "IS Flat" or to "Plan F (IS) Simple/Plan F (IS)" can use this service from au smartphones at no additional charge, and this service is used by a large number of customers. We have implemented a variety of measures to increase convenience for our customers. We are providing services in cooperation with convenience stores for the distribution of a wide range of information and content. We have also enhanced service to enable the use of another Wi-Fi compatible device in addition to the smartphone, such as a PC or a tablet, at no charge. In addition, we have taken steps to expand our coverage area in Japan and include such locations as moving buses, railroad stations, airports, and restaurants. We are also providing international roaming service in more than 100 countries and regions overseas, such as in North America, Asia, and Europe.
  Furthermore, in February 2012, we commenced rentals of "Wi-Fi HOME SPOT (CUBE)," an indoor wireless LAN service that offers high-speed wireless LAN communications in the home. "Wi-Fi HOME

SPOT" is a home-use wireless LAN router than can be connected to home broadband circuits. One special feature is that the Wi-Fi can be initialized for use with an au smartphone just by pressing a single button. In addition, other Wi-Fi compatible devices, such as PCs and game machines, can also be easily used. In the future, we will work to expand our wireless LAN services, under the name "au Wi-Fi," which will cover both "Wi-Fi HOME SPOT" and "au Wi-Fi SPOT."

- From late January 2012, we began to roll out mobile NFC* (Type A/B) service in stages. As a result, the use of NFC services with mobile phones became possible for the first time in Japan. NFC-enabled mobile phones can be used for settlement services; coupon, membership card, and other services; and information acquisition and exchange. Furthermore, they can be used overseas as well, such as for shopping and transportation related functions.
  * Near field communication: ISO international standard for near field wireless communications. Compatible with Type A/B and FeliCa®. Contactless IC card functions, reader/writer functions, inter-device communications functions, etc., can be used.
- "Emergency Report Mail" delivers emergency messages to au mobile phones in specified areas. From January 31, 2012, in cooperation with national and municipal entities, we began to provide "disaster and evacuation information," to provide notifications, such as various warnings and evacuation information related to disasters. From March 30, 2012, we began to provide the "tsunami warnings" announced by the Japan Meteorological Agency.
  From spring 2012, we will offer the "Disaster Voice Delivery Service" for IS03 and later Android™ smartphones. Even when voice networks are congested and it is difficult to make a phone call, this service will be able to deliver voice messages about personal safety and related topics. In addition to the "Disaster Message Board" service, the "au Disaster Countermeasure" application has been available since December 23, 2011. In this way, we are providing "security and safety" to customers using au Android™ smartphones.
- On February 1, 2012, the Company established the KDDI Open Innovation Fund, a corporate venture capital fund that will support promising startup companies. (Plans call for a total investment in the fund of ¥5.0 billion.) Through the fund, the Company will invest in promising startup companies in Japan and overseas. In addition, through cooperative activities, the Company will support service development, provide cloud computing and other platforms, and cooperate in promotional initiatives. In this way, the Company will foster the development of high-quality applications and services and, in conjunction with the "KDDI ∞ Labo" incubation program, support the growth of startup companies.
  Furthermore, the innovative applications and services that are developed through this fund will be provided through "au Smart Pass." In this way, the Company will provide customers with new experiences and value that realize the 3M strategy.

**Fixed-line Business**

Operating revenues in the year ended March 31, 2012 amounted to ¥915,536 million, 2.0% increase year on year, due to the increase in operating revenues of group companies, which offset the decline in voice revenue of the Company. Operating income amounted to ¥53,431 million, 122.7% increase sharply year on year, due to the decrease in operating expenses of the Company as a result of network streamlining conducted in the Fixed-line Business.

< Overall >

- The number of FTTH service subscriptions, consisting of "au HIKARI" and services of consolidated subsidiaries (Chubu Telecommunications Co., Inc.'s "Commuf@-hikari," Okinawa Cellular Telephone Company's "au HIKARI Chura" and Okinawa Telecommunication Network Co., Inc.'s "Hikarifuru") reached 2.268 million as of March 31, 2012.
- As of March 31, 2012, the number of "Metal-plus" subscriptions totaled 2.189 million.
- For "Cable-plus phone," alliances with cable television companies grew steadily, reaching 118 companies and its subscriptions expanded to 2.074 million as of March 31, 2012.
- Consolidated subsidiary JCN Group, which oversees 18 cable companies primarily in the Tokyo metropolitan area, had 1.142 million cable television subscriptions as of March 31, 2012.

< Consumer Services >

- "au HIKARI Home," a FTTH service for detached houses, expanded its service areas to Hokkaido, Tohoku, Chugoku, Shikoku, Kyushu region, the service started from June 1, 2011. On February 14, 2012, we began to provide customers who newly apply for "au HIKARI Home" with the "Aterm BL900HW," a new home gateway with built-in high-speed wireless LAN functionality and a maximum speed of 450 Mbps (theoretical speed), the highest in Japan.

- On September 1, 2011, the Company began offering the "Guarantee Total Support" service, which provides customers using our "au one net" Internet connectivity service with support from expert operators for various problems related to Internet use. Specialized operators use the telephone and remote operations to provide "Guarantee Total Support," which can be added to the "au one net" support service to help resolve issues involving Internet network equipment connectivity, settings and methods of use. On November 24, 2011, we began to offer "Guarantee Net Security." The "Guarantee Net Security" is a comprehensive security service that offers abundant security functions at an economical price. These functions include virus and spyware countermeasures as well as phishing scam countermeasures and web filtering that limits access to harmful web sites.
- From February 14, 2012, as an au HIKARI telephone added-value service, we began to provide the "Telephone Option Pack," which offers customers a bundle of convenient services, such as caller ID and call forwarding, at a package price.

**< Corporate Services >**

- The Company have started "KDDI MULTI CLOUD," a new brand for corporate customers on June 28, 2011. Through this service, we integrate smart devices and applications seamlessly with "high quality" and "highly credible" networks and data centers as foundation to provide simple solutions and offer best working environment to corporate customers.
- On September 13, 2011, the Company and its subsidiary KDDI Web Communications Inc. participated in Google's new "Getting Japanese Business Online" as a business partner in Japan. Aimed at promoting ICT use among small and medium-sized Japanese businesses, the project supports the creation and operation of websites for small and medium-sized businesses and promotes the use of IT in business. In conjunction with "KDDI Matomete Office," a membership program that supports the establishment of office IT environments, we will strongly support small and medium-sized businesses.
- In October 2011, the Company acquired 85.5% of the common stock of CDNetworks Co., Ltd., of South Korea, which became a consolidated subsidiary of the Company. CDNetworks is a provider of content delivery network (CDN)[Note] services in the global market. In addition to adding CDN services to our service lineup, we will also pursue synergies from this acquisition, such as network and facility cost reductions. In addition, as a result of this acquisition, on February 1, 2012, we began to provide "KDDI Global Content Accelerator," a CDN service that accelerates the performance and dramatically increases the reliability and scalability of web sites and web applications.

  Note: CDN services realize acceleration of Internet communications through temporary caching and delivery of content using servers that are located closer to end users.
- From December 2011, we began offering service at the "TELEHOUSE HONG KONG CCC," a large-scale data center in Hong Kong that has a total floorspace of 36,000 square meters and meets the TELEHOUSE global standard. From January 2012, we also began offering service at the "TELEHOUSE FRANKFURT," a data center in Frankfurt, Germany that has a total floorspace of 67,000 square meters. With the opening of these data centers, we have 22 overseas TELEHOUSE data centers in 11 regions and 14 cities.

**Other Business**

Operating revenue for the year ended March 31, 2012 decreased 6.5% year on year to ¥106,873 million. Operating income decreased 49.6% year on year to 4,298 million.

3. Status of major affiliates

UQ Communications Inc. (hereafter: "UQ"), an equity method affiliate of the Company, has recorded 2,265,700 subscriptions (topped 2 million subscriptions on February 26, 2012) and 19,714 base stations as of March 31, 2012.

The service area included 100 million people as of January 24, 2012. Moreover, it has been extended to include Tokyo subways and the areas alongside principal railroad lines throughout the country, including the Tokyo metropolitan area, Chubu, and Kansai, so that WiMAX services can be used in stations and on trains. Also, we are working to increase convenience with WiMAX on smartphones, tablets, and other devices.

In April 2011, Jupiter Telecommunications Co., Ltd. (hereafter: "J:COM"), an equity method affiliate, began rolling out J:COM PHONE Plus, which uses the Company's telecommunication networks and J:COM's cable TV networks, in J:COM's service areas. From March 15, 2012, in stages, the backbone circuits linking the service areas of J:COM, which has operations in the five major metropolitan areas in Japan, will be migrated to our consolidated IP core network, thereby strengthening and increasing the reliability of J:COM's network. First, we will start from the Sapporo-Tokyo, and then in stages we will move on to other areas. In this way, within 2012, about 70% of traffic will be migrated, and plans call for the migration to be completed in 2013.

The accounts of Jibun Bank Corporation (hereafter: "Jibun Bank"), an equity method affiliate of the Company, numbered 1.36 million accounts, 160,000 accounts more from March 31, 2011, and 349.7 billion yen in deposits, 126.3 billion yen more from March 31, 2011.
From July 2011, Jibun Bank increased customer convenience by enabling the use of a service for real-time settlement from Jibun Bank accounts, the "Jibun Bank Payment service," through "au one toto." Targeting individual customers, on October 11, 2011, the bank also began offering RMB-denominated foreign currency deposits via the Internet.

au Insurance Company, Limited (hereafter: "au Insurance"), established by the Company and Aioi Nissay Dowa Insurance Co., Ltd. through joint investment started its services on May 25, 2011.
In addition to offering the "My Smart Insurance (Standard Accidental Insurance)" including "¥100 Bicycle Plan" and "Leisure Plan," from November 29, 2011, au Insurance began to offer "My Smart Insurance world (Overseas Travel Insurance)," for a premium of ¥500 per day.

Notes: 1. "Smart Value" is a registered trademark of Energy Management Corporation.
2. "Wi-Fi" is a registered trademark of Wi-Fi Alliance®.
3. iPhone is a trademark of Apple Inc. The trademark 'iPhone' is used with a license from Aiphone K.K.
4. "Android" and "Google" are trademarks or registered trademarks of Google Inc.
5. WiMAX is a trademark or a registered trademark of WiMAX Forum.
4. "GALAXY S" is a trademark or a registered trademark of SAMSUNG ELECTRONICS Co., Ltd.
5. MOTOROLA PHOTON and MOTOROLA XOOM are registered trademarks of Motorola Trademark Holdings, LLC.
6. "DIGNO" is a registered trademark of Kyocera Corporation.
8. "Windows® Phone" is a trademark or a registered trademark of Microsoft Corporation.
9. "Felica" is a registered trademark of Sony Corporation.
10. "Felica" is a contactless IC card technology developed by Sony Corporation.
11. Aterm is a registered trademark of NEC Corporation.

## 4. Outlook for the Year ending March 31, 2013

The consolidated financial results outlook of the Companies for the year ending March 31, 2013 is as follows;

(Amount unit: Millions of yen)

| | Year ended March 31, 2012 | Forecast, year ending March 31, 2013 | Increase (Decrease) | Increase (Decrease) % |
|---|---|---|---|---|
| Operating revenues | 3,572,098 | 3,580,000 | 7,901 | 0.2 |
| Operating income | 477,647 | 500,000 | 22,352 | 4.7 |
| Ordinary income | 451,178 | 490,000 | 38,821 | 8.6 |
| Net income | 238,604 | 250,000 | 11,395 | 4.8 |

In operating revenues, lower unit sales of handsets had the effect of decreasing revenues, but the launch of au Smartvalue and au Smart Pass expanded the customer base, which had the effect of increasing revenues. Consequently, operating revenues are forecast to increase to ¥3,580,000 million on a consolidated basis.

In operating expenses, the Company is forecasting a decline in sales promotion costs due to lower unit sales of handsets. As a result, the Company is forecasting an increase in operating income, to ¥500,000 million. In ordinary income, the Company anticipates improvement in equity in profit/loss of affiliates and is forecasting an increase in ordinary income, to ¥490,000 million.

In net income, the Company anticipates impairment loss on facilities with low utilization and special losses on about ¥80,000 million in communications facilities that the Company is considering disposing of. Nonetheless, the Company is forecasting an increase in net income, to ¥250,000.

Because forecasting for the period is difficult due to volatile conditions in the telecommunications market related to competition among carriers, the Company has not prepared a forecast of consolidated business results for the six months ending September 30, 2012.

(2) Analysis on Consolidated Financial Position

1. Consolidated Financial Position

| | Year ended March 31, 2011 | Year ended March 31, 2012 | Increase (Decrease) |
|---|---|---|---|
| Total assets | ¥3,778,918M | ¥4,004,009M | ¥225,090M |
| Shareholder's equity | ¥2,103,331M | ¥2,060,746M | (¥42,584M) |
| Equity ratio | 55.7% | 51.5% | (4.2%) |
| Net assets per share | ¥495,386.23 | ¥539,206.73 | ¥43,820.50 |
| Interest-bearing debt | ¥979,629M | ¥1,046,754M | ¥67,124M |

Consolidated total assets as of March 31, 2012 amounted to ¥4,004,009 million, an increase of ¥225.090 million from March 31, 2011. This increase was primarily attributable to factors such as increase in accounts receivable-trade.

Total liabilities amounted to ¥1,875,384 million, an increase of ¥268.305 million from March 31, 2011. The major factors contributing to this increase were issuance of convertible bond-type bonds with subscription rights to shares.

As a result of these factors, the shareholders' equity ratio decline from 55.7% to 51.5%.

Interest-bearing debt as of March 31, 2012 included ¥200,916 million of convertible bond-type bonds with subscription rights to shares issued for the year ended March 31, 2012.

2. Consolidated Cash Flows

(Amount unit: Millions of yen)

| | Year ended March 31 2011 | Year ended March 31, 2012 | Increase (Decrease) |
|---|---|---|---|
| Net cash provided by (used in) operating activities | 717,353 | 725,886 | 8,532 |
| Net cash provided by (used in) investing activities | (440,545) | (484,507) | (43,961) |
| Free cash flows | 276,807 | 241,379 | (35,428) |
| Net cash provided by (used in) financing activities | (279,998) | (225,931) | 54,067 |
| Effect of exchange rate change on cash and cash equivalents | (2,416) | (1,125) | 1,291 |
| Net increase (decrease) in cash and cash equivalents | (5,607) | 14,322 | 19,929 |
| Cash and cash equivalents at beginning of period | 165,476 | 159,869 | (5,607) |
| Cash and cash equivalents at end of period | 159,869 | 174,191 | 14,322 |

Note Free cash flows are calculated as the sum of "net cash provided by (used in) operating activities" and "net cash provided by (used in) investing activities."

Operating activities provided net cash of ¥725,886 million largely due to ¥454,419 million of income before income taxes and minority interests, ¥417,886 million of depreciation, ¥207,033 million of increase in notes and accounts receivable-trade, ¥62,003 million of increase in accounts payable-other, ¥23,441 million of increase in notes and accounts payable-trade, ¥88,625 million of income taxes paid, and ¥33,386 million of income taxes refund, etc.

Investing activities used net cash of ¥484,507 million mainly due to ¥318,870 million for purchase of property, plant and equipment, ¥75,914 million for purchase of intangible assets, and ¥57,530 million for purchase of stocks of subsidiaries and affiliates, etc.

Financing activities provided net cash of ¥225,931 million. This includes ¥201,000 million for proceeds from issuance of convertible bond-type bonds with subscription rights to shares. ¥220,969 million for purchase of treasury stock, and ¥133,750 million for repayment of long-term loans payable, and ¥63,689 million for cash dividends paid.

The sum of cash flows from operating and investing activities showed a net outflow of ¥241,379 million, down ¥35,428 million year on year.

As a result, total amount of net cash and cash equivalents as of March 31, 2012, increased ¥14,322 million from March 31, 2011, to ¥174,191 million.

3. Cash Flows Indicators

| | Year ended March 31, 2008 | Year ended March 31, 2009 | Year ended March 31, 2010 | Year ended March 31, 2011 | Year ended March 31, 2012 |
|---|---|---|---|---|---|
| Shareholder's equity ratio | 58.5% | 53.7% | 52.8% | 55.7% | 51.5% |
| Market equity ratio | 94.4% | 60.0% | 56.4% | 57.9% | 51.2% |
| Debt repayment period (year) | 1.0 | 1.2 | 1.5 | 1.4 | 1.4 |
| Interest coverage ratio | 52.7 | 60.6 | 59.7 | 51.1 | 56.3 |

Note:

- Equity ratio: (Total net assets – Stock acquisition rights – Minority interests) / Total assets
- Market equity ratio: Market capitalization / Total assets
- Debt repayment period: Interest bearing debt / Cash flows
- Interest coverage ratio: Cash flows / Interest payments

- Market capitalization is calculated by multiplying the closing stock price at fiscal year-end by the number of shares outstanding (not including treasury stock).
- Cash flows from operating activities in consolidated statements of cash flows are used for operating cash flows.
- Figures for interest-bearing debt cover the amounts of loans and bonds that are recognized in consolidated balance sheets and liabilities upon which interest is paid. Further, regarding interest payments, the amount of interest expenses paid in consolidated statements of cash flows is used.

## (3) Profit Distribution

Regarding the return of profits to shareholders as one of the priorities of its business management, the Company has a basic policy of continuing to pay stable dividends while maintaining financial soundness.

Regarding dividend payments for the year ended March 31, 2012, the Company has already paid an interim cash dividend of ¥7,500 per share. In order to express gratitude to its shareholders for their constant support, and in light of an overall consideration of business development aimed at improving future business results, the Company plans to pay an increased year-end cash dividend of ¥8,500 per share, up ¥1,000 year on year.

Further, for the year ending March 31, 2013, the Company plans to pay out ¥8,500 per share for both interim and year-end cash dividend, making the full-year amount ¥17,000 per share.

Going forward, the Company will work to increase the consolidated payout ratio to 25% - 30% range while considering investment for the sustainable growth remains.

## (4) Business Risks

As the Companies pursue its business, there are various risks involved. The Companies take every effort to reduce these risks by preventing and hedging them.

However, there are various uncertainties which could have negative impacts on the Companies' brand image, liability, financial position and/or earnings performance such as;

- subscription growth trends out of line with the Companies expectations due to competition, rival technologies and rapid market shifts
- breach of obligations regarding communications security and protection of customer privacy
- natural disasters and accidents including earthquake, tsunami, typhoon, etc.
- revision or repeal of laws and ordinances governing telecommunications, together with related government policies
- general legal and regulatory, litigation and patents, personnel retention and training, retirement benefits, asset-impairment accounting, telecommunications sector consolidation and business restructuring in the Companies

## 2. The Group

The Group comprises the Company, 118 consolidated subsidiaries (Japan: 44 companies, overseas: 74 companies), and 24 affiliates (Japan: 15 companies, overseas: 9 companies). The Group's main business lines are the Mobile Business, which provides mobile communication services, sales of mobile terminals, and content business, etc., and the Fixed-line Business, which provides broadband services, domestic and international telecommunications services, data center services, and ICT solution services, etc. Affiliates include 21 equity-method affiliates (Japan: 14 companies, overseas: 7 companies).

The status of the Company, consolidated subsidiaries and affiliates within the Companies business and their relationships with segments are as shown below.

<Mobile Business>

| Principal services | Major consolidated subsidiaries and affiliates | |
|---|---|---|
| Mobile communication services (voice and data), sales of mobile terminals, contest business | domestic | The Company<br>■ Okinawa Cellular Telephone Company [JASDAQ]<br>■ KDDI Technical & Engineering Service Corporation*<br>■ Wire and Wireless Co., Ltd.<br>■ WebMoney Corporation<br>■ mediba corporation<br>□ UQ Communications Inc.<br>□ Mobaoku Co., Ltd. etc. |
| | overseas | ■ KKBOX, Inc. |

<Fixed-line Business>

| Principal services | Major consolidated subsidiaries and affiliates | |
|---|---|---|
| Broadband services (FTTH services and cable television services, etc.), domestic and international telecommunications services, data center services, and ICT solution services | domestic | The Company<br>■ Japan Cablenet Holdings Limited<br>■ Japan Cablenet Limited<br>■ Chubu Telecommunications Company, Incorporated<br>■ Okinawa Cellular Telephone Company [JASDAQ]<br>■ Okinawa Telecommunication Network Co., Inc.<br>■ KDDI Technical & Engineering Service Corporation*<br>■ KDDI Web Communications Inc.<br>□ Jupiter Telecommunications Co., Ltd. [JASDAQ] etc. |
| | overseas | ■ KDDI America, Inc.<br>■ KDDI GLOBAL, LLC<br>■ KDDI Europe Ltd.<br>■ KDDI Singapore Pte. Ltd.<br>■ KDDI China Corporation<br>■ KDDI KOREA Corporation<br>■ Telehouse International Corp. of Europe Ltd.<br>■ TELEHOUSE International Corp. of America<br>■ DMX Technologies Group Limited [SGX] etc. |

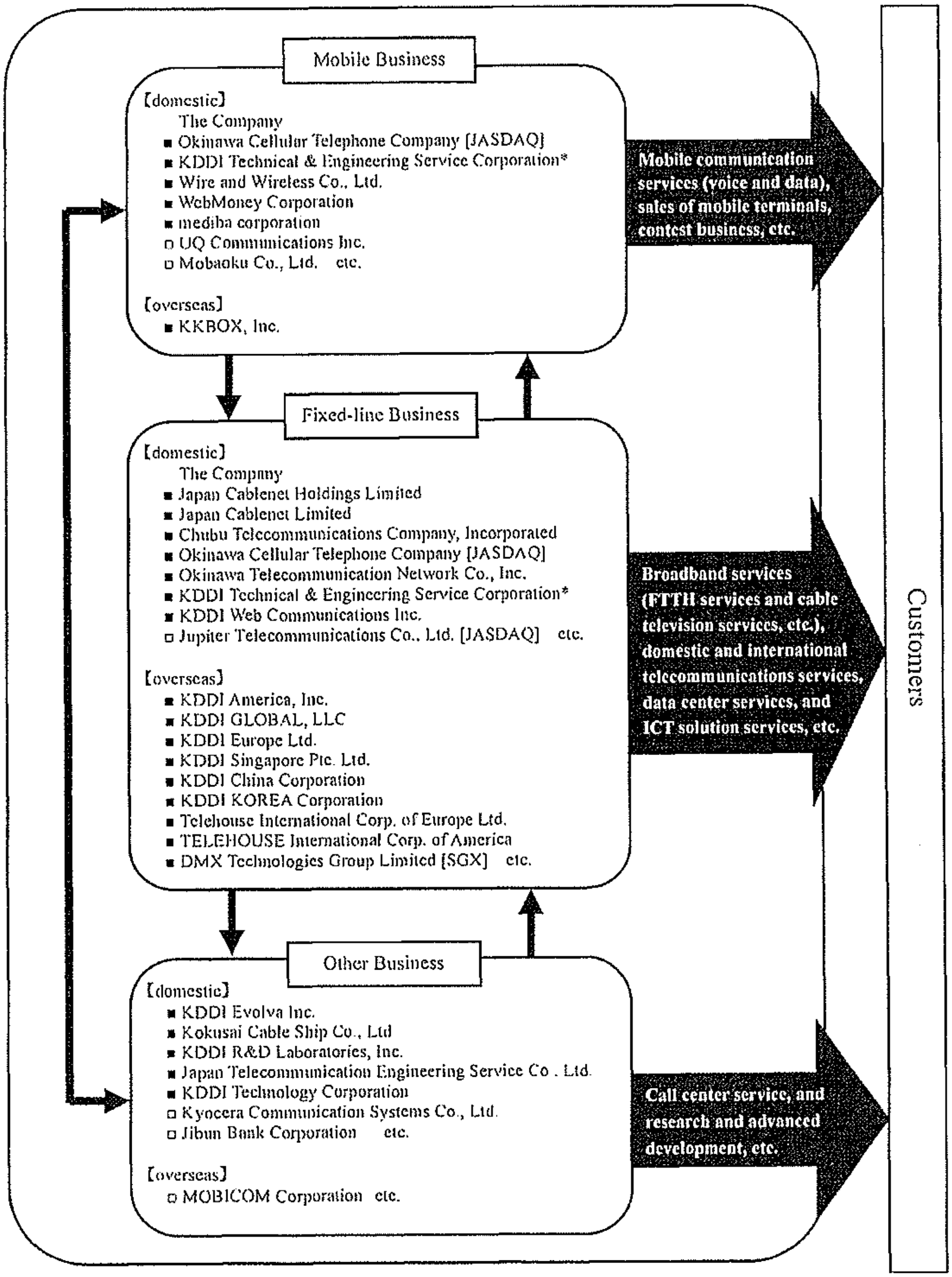
<Others>

| Principal services | Major consolidated subsidiaries and affiliates | |
|---|---|---|
| Call center service, and research and advanced development | domestic | ■ KDDI Evolva Inc.<br>■ Kokusai Cable Ship Co., Ltd<br>■ KDDI R&D Laboratories, Inc.<br>■ Japan Telecommunication Engineering Service Co., Ltd.<br>■ KDDI Technology Corporation<br>□ Kyocera Communication Systems Co., Ltd.<br>□ Jibun Bank Corporation etc. |
| | overseas | □ MOBICOM Corporation etc. |

Note; ■: consolidated subsidiaries □: equity-method affiliate

* KDDI Technical & Engineering Service Corporation changed its name to KDDI Engineering Corporation on April 1, 2012.

Business schematic diagram of corporate groups are shown as below.




Note: ■: consolidated subsidiaries □: equity-method affiliate

* KDDI Technical & Engineering Service Corporation changed its name to KDDI Engineering Corporation on April 1, 2012.

## 3. Management Policy

### (1) Basic Management Policies

- We aim to become a company that can provide excitement, safety, happiness and smiles of gratitude to people in the world by offering highly credible networks and value-added products and services.
- The Companies will advance total customer satisfaction (TCS) initiatives that will heighten the level of satisfaction among all stakeholders.
- The Companies will emphasize cash flows and work to become a company that is attractive to its shareholders and other investors.
- The Companies will work to establish an even sounder financial position by making efficient capital investments and reducing various expenses rigorously.
- To step up information security, we are working to ensure thorough information management and compliance and reinforcing our risk management structure.
- The Companies will actively implement activities to preserve the environment—including energy saving, resource saving, recycling, and green purchasing—in order to emphasize harmony with the global environment and create a rich society that is fully in accord with human nature.
- The Companies will actively contribute to the development of a rich communications-based society in adherence with the overriding goal of its corporate social responsibility initiatives, which seek to support social and economic activities in all areas by providing secure and convenient telecommunications services.

### (2) Medium-to Long-term Management Strategies, Targeted Management Indicators, and Important Issues

We will promote our mission as a telecommunication company that supports a lifeline through construction of telecommunication infrastructure network that can be recovered in case of major natural disasters, and creation of BCP upon the experiences of the Great East Japan Earthquake.

In regard to five major accidents occurring in the period from April 2011 to February 2012, the Company has been directed by the Ministry of Internal Affairs and Communications and by a MIC liaison committee to rapidly formulate rigorous countermeasures, including recurrence prevention countermeasures, and to report on the results of their implementation and future initiatives. The Company established an investigative committee, which is led by the president, and targeting the prevention of a recurrence, implemented a complete overhaul, formulated improvement measures, and implemented them.
The Company expresses its sincere apologies for causing trouble and concern for customers and related parties as a result of this series of accidents, and to provide a comfortable communications environment for customers, the Company will continue to implement countermeasures to further increase reliability.

The Companies have formalized "three commitments" to respond quickly to changes in the operating environment, while at the same time growing sustainably and taking the lead in meeting emerging needs.

- **"More connected"** -- We will aim to achieve multi-network connectivity by organically linking networks owned by the Companies, including mobile phone, FTTH, CATV and WiMAX networks, and various devices. We will also provide a high-speed communication environment and attractive content optimized for multi-device access. At the same time, the Company will enable multi-use services tailored to individual customer preferences, thereby making ourselves "more connected" to customer.

- **"More diverse values"** -- The ongoing proliferation of Internet technologies, led by IP connectivity, are spawning ICT needs in a broadening host of fields, including medicine, health, education, government and the environment. By taking a more active part in various corporate initiatives and lifestyle aspects, the Companies offer further value to customers.

- **"More global"** -- Overseas, many countries are experiencing robust economic growth. Meanwhile, Internet diffusion in numerous emerging markets continues to lag. The Companies are working to meet the needs of markets around the world by developing communication-related businesses tailored to individual countries' cultural and socioeconomic conditions, and is working toward global information and telecommunication technology (ICT) and building communication environments to this end.

To realize these visions, we will advance the full-scale implementation of the 3M strategy (Multi-network, Multi-device, Multi-use), which will enable customers to select a device the meets their own preferences and to enjoy a variety of content through an optimal network that can be used anytime and anywhere.

Under the Smart Passport Concept, which is phase 1 of the 3M Strategy, "au Smart Pass" and "au Smartvalue" were launched in March 2012 and have earned the satisfaction of many customers. Targeting increases in customer value by leveraging the 3M strategy as one of our strengths, in the future we will continue to enhance networks, handsets, and service.

In addition, from the year ending March 31, 2013, the segments have been reorganized from the previous categories of Mobile Business and Fixed-line Business. The four new segments have been determined in accordance with the management approach, reflecting the units for which management resources are allocated and financial results are evaluated.

**< Personal Services >**

With the Smart Passport Concept as its core strategy, through "au Smartvalue" the segment will work to expand sales of the Companies' FTTH services—"au HIKARI," "Commuf@-hikari," and "au HIKARI Chura." In addition, the segment will strengthen its relationships with CATV companies and electric-power related communications companies. The segment will also work to expand the au customer base, achieve gains in revenues and profits, and maximize the number of FMC IDs* x FMC ARPU.

Moving forward, the segment will work to develop an extensive handset lineup, including smartphones with communications functions that have been enhanced, such as through the addition of functions that are standard in Japan; high-speed smartphones utilizing au + WiMAX; Wi-Fi routers and other data communications devices; and tablets. In addition, the segment will work to develop and provide innovative new services and new content and work to expand service areas and further increase communications quality. The segment will also strive to provide a comfortable communications environment, at higher speeds than were previously possible, through the introduction of LTE.

* Number of IDs for subscribers to both fixed-line and mobile.

**< Value Services >**

The Value Services segment will continue to provide cloud-based content services, centered on entertainment services. These will be linked with "au Smart Pass," for multiple devices and multiple operating systems.

At the same time, by establishing a service platform, moving toward more open services, and nurturing startup companies, the segment will work to increase the appeal of these services and achieve linked acquisitions of service subscriptions. In this way, the segment will strive to maximize Value ARPU.

**< Business Services >**

The Business Services segment will develop the "KDDI MULTI CLOUD" brand for corporate customers, provide cloud solutions that seamlessly integrate across the range from smartphones and tablets to networks, data centers, and applications, and propose work style reforms to customers. In addition, through the provision of "Smartvalue for Business," 3M services for small and medium-sized companies, the segment will strive to increase the number of KDDI customers.

**< Global Services >**

In addition to expanding "TELEHOUSE" data centers, the Global Services segment will strengthen its system for the one-stop provision to customers of optimal, high-value-added ICT solutions through the utilization of the services of consolidated subsidiaries CDNetworks and DMX. In addition, the segment will work to expand its customer base, including non-Japanese companies. In addition, the segment will also work aggressively to expand consumer businesses, such as Internet broadband operations in emerging countries and MVNO operations in the U.S.

## 4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Amount unit: Millions of yen)

| | As of March 31, 2011 | As of March 31, 2012 |
|---|---|---|
| Assets | | |
| Noncurrent assets | | |
| Noncurrent assets-telecommunications business | | |
| Property, plant and equipment | | |
| Machinery[4] | 2,653,301 | 2,755,669 |
| Accumulated depreciation | (2,024,885) | (2,174,551) |
| Machinery, net | 628,415 | 581,117 |
| Antenna facilities | 593,481 | 623,595 |
| Accumulated depreciation | (240,019) | (275,285) |
| Antenna facilities, net | 353,461 | 348,310 |
| Local line facilities[4] | 354,061 | 376,392 |
| Accumulated depreciation | (228,849) | (245,619) |
| Local line facilities, net | 125,212 | 130,772 |
| Long-distance line facilities | 106,804 | 104,491 |
| Accumulated depreciation | (96,802) | (99,010) |
| Long-distance line facilities, net | 10,002 | 5,480 |
| Engineering facilities[4] | 64,175 | 64,422 |
| Accumulated depreciation | (36,977) | (38,692) |
| Engineering facilities, net | 27,198 | 25,730 |
| Submarine line facilities[4] | 55,103 | 52,390 |
| Accumulated depreciation | (45,567) | (45,870) |
| Submarine line facilities, net | 9,536 | 6,519 |
| Buildings[4] | 421,992 | 426,503 |
| Accumulated depreciation | (207,774) | (221,118) |
| Buildings, net | 214,217 | 205,384 |
| Structures | 79,377 | 80,587 |
| Accumulated depreciation | (46,931) | (49,599) |
| Structures, net | 32,446 | 30,987 |
| Land | 242,197 | 249,239 |
| Construction in progress | 75,236 | 132,822 |
| Other tangible Assets[4] | 116,963 | 123,860 |
| Accumulated depreciation | (82,776) | (92,270) |
| Other tangible assets, net | 34,187 | 31,589 |
| Total property, plant and equipment[1] | 1,752,112 | 1,747,955 |
| Intangible assets | | |
| Right of using facilities | 9,120 | 10,577 |
| Software | 191,719 | 175,084 |
| Goodwill | 17,563 | 22,331 |
| Other intangible assets | 10,223 | 10,369 |
| Total intangible assets | 228,626 | 218,361 |
| Total noncurrent assets-telecommunications business | 1,980,738 | 1,966,317 |
| Incidental business facilities | | |
| Property, plant and equipment | | |
| Property, plant and equipment | 231,868 | 259,155 |
| Accumulated depreciation | (111,158) | (123,384) |
| Property, plant and equipment, net | 120,709 | 135,770 |
| Total property, plant and equipment[1] | 120,709 | 135,770 |

(Amount unit: Millions of yen)

| | As of March 31, 2011 | As of March 31, 2012 |
|---|---|---|
| Intangible assets | | |
| Total intangible assets[1] | 62,301 | 91,664 |
| Total noncurrent assets-incidental business | 183,010 | 227,435 |
| Investments and other assets | | |
| Investment securities[4] | 73,898 | 86,614 |
| Stocks of subsidiaries and affiliates[2] | 356,887 | 351,815 |
| Investments in capital of subsidiaries and affiliates[2] | 182 | 185 |
| Long-term prepaid expenses | 82,240 | 91,272 |
| Deferred tax assets | 128,686 | 104,829 |
| Other investment and other assets[4] | 49,278 | 47,777 |
| Allowance for doubtful accounts | (8,103) | (9,120) |
| Total investments and other assets | 683,069 | 673,373 |
| Total noncurrent assets | 2,846,819 | 2,867,126 |
| Current assets | | |
| Cash and deposits[4] | 136,921 | 100,037 |
| Notes and accounts receivable-trade[4] | 573,508 | 760,890 |
| Accounts receivable-other | 68,190 | 66,286 |
| Short-term investment securities | 25,201 | 80,188 |
| Supplies[4] | 58,352 | 65,232 |
| Deferred tax assets | 64,079 | 57,781 |
| Other current assets[4] | 19,612 | 21,427 |
| Allowance for doubtful accounts | (13,767) | (14,960) |
| Total current assets | 932,098 | 1,136,882 |
| Total assets | 3,778,918 | 4,004,009 |
| Liabilities | | |
| Noncurrent liabilities | | |
| Bonds payable[4] | 414,978 | 349,991 |
| Convertible bond-type bonds with subscription rights to shares | - | 200,916 |
| Long-term loans payable[4] | 414,187 | 301,286 |
| Provision for retirement benefits | 18,656 | 18,743 |
| Provision for point card certificates | 85,197 | 91,453 |
| Other noncurrent liabilities | 66,780 | 72,342 |
| Total noncurrent liabilities | 999,800 | 1,034,733 |
| Current liabilities | | |
| Current portion of noncurrent liabilities[4] | 138,799 | 184,112 |
| Notes and accounts payable-trade[4] | 65,598 | 90,661 |
| Short-term loans payable[4] | 1,304 | 1,486 |
| Accounts payable-other | 192,402 | 273,119 |
| Accrued expenses | 14,253 | 20,370 |
| Income taxes payable | 57,764 | 149,773 |
| Advances received | 72,437 | 63,937 |
| Provision for bonuses | 19,519 | 20,077 |
| Provision for loss on the Great East Japan Earthquake | 16,282 | 1,992 |
| Other current liabilities | 28,913 | 35,119 |
| Total current liabilities | 607,278 | 840,650 |
| Total liabilities | 1,607,078 | 1,875,384 |

(Amount unit: Millions of yen)

| | As of March 31, 2011 | As of March 31, 2012 |
|---|---|---|
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 141,851 | 141,851 |
| Capital surplus | 367,091 | 367,104 |
| Retained earnings | 1,704,170 | 1,879,087 |
| Treasury stock | (125,244) | (346,163) |
| Total shareholders' equity | 2,087,869 | 2,041,879 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 28,612 | 36,442 |
| Deferred gains or losses on hedges | 32 | (676) |
| Foreign currency translation adjustment | (13,182) | (16,899) |
| Total accumulated other comprehensive income | 15,461 | 18,866 |
| Subscription rights to shares | 1,504 | 1,128 |
| Minority interests | 67,002 | 66,749 |
| Total net assets | 2,171,839 | 2,128,624 |
| Total liabilities and net assets | 3,778,918 | 4,004,009 |

## (2) Consolidated Statements of (Comprehensive) Income

(Consolidated Statements of Income)

(Amount unit: Millions of yen)

| | Year ended March 31, 2011 | Year ended March 31, 2012 |
|---|---|---|
| Operating income and loss from telecommunications | | |
| Operating revenue | | |
| Total operating revenue | 2,489,403 | 2,394,135 |
| Operating expenses | | |
| Business expenses | 653,017 | 667,748 |
| Operating expenses | 117 | 51 |
| Facilities maintenance expenses | 305,697 | 301,304 |
| Common expenses | 2,297 | 2,605 |
| Administrative expenses | 70,927 | 71,210 |
| Experiment and research expenses | 8,866 | 7,676 |
| Depreciation | 423,447 | 389,007 |
| Noncurrent assets retirement cost | 18,540 | 16,226 |
| Communication facility fee | 362,480 | 347,227 |
| Taxes and dues | 39,500 | 41,731 |
| Total operating expenses[1] | 1,884,891 | 1,844,791 |
| Net operating income from telecommunication | 604,511 | 549,344 |
| Operating income and loss from incidental business | | |
| Operating revenue | 945,142 | 1,177,962 |
| Operating expenses[1] | 1,077,742 | 1,249,658 |
| Net operating loss from incidental business | (132,599) | (71,696) |
| Operating income | 471,911 | 477,647 |
| Non-operating income | | |
| Interest income | 640 | 965 |
| Dividends income | 1,527 | 1,719 |
| Gain on investments in silent partnership | 978 | 654 |
| Miscellaneous income | 6,888 | 9,975 |
| Total non-operating income | 10,034 | 13,315 |
| Non-operating expenses | | |
| Interest expenses | 14,160 | 12,891 |
| Equity in losses of affiliates | 19,948 | 18,297 |
| Miscellaneous expenses | 7,159 | 8,595 |
| Total non-operating expenses | 41,269 | 39,785 |
| Ordinary income | 440,676 | 451,178 |
| Extraordinary income | | |
| Gain on sales of noncurrent assets[2] | 1,314 | 170 |
| Gain on sales of investment securities | 5,618 | 137 |
| Gain on negative goodwill | 534 | 235 |
| Gain on reversal of subscription rights to shares | 450 | 493 |
| Gain on transfer from business divestitures | - | 3,615 |
| Dividends due to liquidation of silent partnership contract | - | 6,976 |
| Reversal of provision for loss on the Great East Japan Earthquake | - | 6,814 |
| Total extraordinary income | 7,918 | 18,442 |

(Amount unit: Millions of yen)

| | Year ended March 31, 2011 | Year ended March 31, 2012 |
|---|---|---|
| Extraordinary loss | | |
| Loss on sales of noncurrent assets [3] | - | 676 |
| Impairment loss[3] | 52,141 | 9,946 |
| Loss on retirement of noncurrent assets[5] | 31,816 | - |
| Loss on valuation of investment securities | 368 | 504 |
| Loss on sales of stocks of subsidiaries and affiliates | 176 | - |
| Loss on adjustment for changes of accounting standard for asset retirement obligations | 1,242 | - |
| Loss on the Great East Japan Earthquake[6] | 17,590 | 4,073 |
| Total extraordinary losses | 103,335 | 15,201 |
| Income before income taxes and minority interests | 345,259 | 454,419 |
| Income taxes-current | 102,617 | 177,278 |
| Income taxes-deferred | (21,380) | 30,282 |
| Total income taxes | 81,237 | 207,560 |
| Income before minority interests | 264,022 | 246,858 |
| Minority interests in income | 8,900 | 8,254 |
| Net income | 255,122 | 238,604 |

## (2) Consolidated Statements of (Comprehensive) Income

(Consolidated Statements of Comprehensive Income)

(Amount unit: Millions of yen)

| | Year ended March 31, 2011 | Year ended March 31, 2012 |
|---|---|---|
| Income before minority interests | 264,022 | 246,858 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (5,678) | 7,190 |
| Foreign currency translation adjustment | (7,496) | (3,640) |
| Share of other comprehensive income of associates accounted for using equity method | (17) | (898) |
| Total other comprehensive income[2] | (13,192) | 2,651 |
| Comprehensive income[1] | 250,829 | 249,510 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of the parent | 243,508 | 242,009 |
| Comprehensive income attributable to minority interests | 7,321 | 7,500 |

(3) Consolidated Statements of Changes in Net Assets

(Amount unit: Millions of yen)

| | Year ended March 31, 2011 | Year ended March 31, 2012 |
|---|---|---|
| Shareholders' equity | | |
| Capital stock | | |
| Balance at the end of previous period | 141,851 | 141,851 |
| Balance at the end of current period | 141,851 | 141,851 |
| Capital surplus | | |
| Balance at the end of previous period | 367,091 | 367,091 |
| Changes of items during the period | | |
| Disposal of treasury stock | - | 12 |
| Total changes of items during the period | - | 12 |
| Balance at the end of current period | 367,091 | 367,104 |
| Retained earnings | | |
| Balance at the end of previous period | 1,506,951 | 1,704,170 |
| Changes of items during the period | | |
| Dividends from surplus | (57,903) | (63,687) |
| Net income | 255,122 | 238,604 |
| Total changes of items during the period | 197,218 | 174,917 |
| Balance at the end of current period | 1,704,170 | 1,879,087 |
| Treasury stock | | |
| Balance at the end of previous period | (25,244) | (125,244) |
| Changes of items during the period | | |
| Purchase of treasury stock | (99,999) | (220,969) |
| Disposal of treasury stock | - | 50 |
| Total changes of items during the period | (99,999) | (220,919) |
| Balance at the end of current period | (125,244) | (346,163) |
| Total shareholders' equity | | |
| Balance at the end of previous period | 1,990,650 | 2,087,869 |
| Changes of items during the period | | |
| Dividends from surplus | (57,903) | (63,687) |
| Net income | 255,122 | 238,604 |
| Purchase of treasury stock | (99,999) | (220,969) |
| Disposal of treasury stock | - | 62 |
| Total changes of items during the period | 97,218 | (45,989) |
| Balance at the end of current period | 2,087,869 | 2,041,879 |

(Amount unit: Millions of yen)

| | Year ended March 31, 2011 | Year ended March 31, 2012 |
|---|---|---|
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | | |
| Balance at the end of previous period | 34,326 | 28,612 |
| Changes of items during the period | | |
| Net changes of items other than shareholders' equity | (5,714) | 7,830 |
| Total changes of items during the period | (5,714) | 7,830 |
| Balance at the end of current period | 28,612 | 36,442 |
| Deferred gains or losses on hedges | | |
| Balance at the end of previous period | - | 32 |
| Changes of items during the period | | |
| Net changes of items other than shareholders' equity | 32 | (708) |
| Total changes of items during the period | 32 | (708) |
| Balance at the end of current period | 32 | (676) |
| Foreign currency translation adjustment | | |
| Balance at the end of previous period | (7,250) | (13,182) |
| Changes of items during the period | | |
| Net changes of items other than shareholders' equity | (5,932) | (3,716) |
| Total changes of items during the period | (5,932) | (3,716) |
| Balance at the end of current period | (13,182) | (16,899) |
| Total accumulated other comprehensive income | | |
| Balance at the end of previous period | 27,076 | 15,461 |
| Changes of items during the period | | |
| Net changes of items other than shareholders' equity | (11,614) | 3,404 |
| Total changes of items during the period | (11,614) | 3,404 |
| Balance at the end of current period | 15,461 | 18,866 |
| Subscription rights to shares | | |
| Balance at the end of previous period | 1,606 | 1,504 |
| Changes of items during the period | | |
| Net changes of items other than shareholders' equity | (101) | (376) |
| Total changes of items during the period | (101) | (376) |
| Balance at the end of current period | 1,504 | 1,128 |
| Minority interests | | |
| Balance at the end of previous period | 59,117 | 67,002 |
| Changes of items during the period | | |
| Net changes of items other than shareholders' equity | 7,885 | (253) |
| Total changes of items during the period | 7,885 | (253) |
| Balance at the end of current period | 67,002 | 66,749 |
| Total net assets | | |
| Balance at the end of previous period | 2,078,450 | 2,171,839 |
| Changes of items during the period | | |
| Dividends from surplus | (57,903) | (63,687) |
| Net income | 255,122 | 238,604 |
| Purchase of treasury stock | (99,999) | (220,969) |
| Disposal of treasury stock | - | 62 |
| Net changes of items other than shareholders' equity | (3,830) | 2,775 |
| Total changes of items during the period | 93,388 | (43,214) |
| Balance at the end of current period | 2,171,839 | 2,128,624 |

## (4) Consolidated Statements of Cash Flows

(Amount unit: Millions of yen)

| | Year ended March 31, 2011 | Year ended March 31, 2012 |
|---|---|---|
| Net cash provided by (used in) operating activities | | |
| Income before income taxes and minority interests | 345,259 | 454,419 |
| Depreciation and amortization | 449,318 | 417,886 |
| Impairment loss | 52,141 | 9,946 |
| Amortization of goodwill | 11,373 | 14,275 |
| Gain on negative goodwill | (534) | (235) |
| Loss (gain) on sales of noncurrent assets | (1,280) | 506 |
| Loss on retirement of noncurrent assets | 15,467 | 12,964 |
| Increase (decrease) in provision for loss on the Great East Japan Earthquake | 16,282 | (14,290) |
| Gain on transfer from business divestitures | - | (3,615) |
| Dividends due to liquidation of silent partnership contract | - | (6,976) |
| Increase (decrease) in allowance for doubtful accounts | (246) | 1,494 |
| Increase (decrease) in provision for retirement benefits | 40 | (36) |
| Interest and dividends income | (2,167) | (2,685) |
| Interest expenses | 14,160 | 12,891 |
| Equity in (earnings) losses of affiliates | 19,948 | 18,297 |
| Loss (gain) on sales of stocks of subsidiaries and affiliates | 176 | - |
| Loss (gain) on valuation of investment securities | 368 | 511 |
| Increase (decrease) in provision for point card certificates | 6,504 | 6,255 |
| Decrease (increase) in prepaid pension costs | 1,586 | 1,738 |
| Decrease (increase) in prepaid expenses | (1,639) | (4,734) |
| Decrease (increase) in notes and accounts receivable-trade | (31,577) | (207,033) |
| Decrease (increase) in inventories | (9,344) | (6,945) |
| Increase (decrease) in notes and accounts payable-trade | (754) | 23,441 |
| Increase (decrease) in accounts payable-other | (12,131) | 62,003 |
| Increase (decrease) in accrued expenses | (799) | 5,014 |
| Increase (decrease) in advances received | (238) | (10,356) |
| Other, net | (4,210) | 508 |
| Subtotal | 867,701 | 785,247 |
| Interest and dividends income received | 7,578 | 8,761 |
| Interest expenses paid | (14,049) | (12,882) |
| Income taxes paid | (143,876) | (88,625) |
| Income taxes refund | - | 33,386 |
| Net cash provided by (used in) operating activities | 717,353 | 725,886 |

(Amount Unit: Millions of yen)

| | Year ended March 31, 2011 | Year ended March 31, 2012 |
|---|---|---|
| Net cash provided by (used in) investing activities | | |
| Purchase of property, plant and equipment[3] | (346,112) | (318,870) |
| Purchase of trust beneficiary right | - | (14,993) |
| Proceeds from sales of property, plant and equipment | 1,535 | 530 |
| Purchase of intangible assets | (76,045) | (75,914) |
| Purchase of investment securities | (1,417) | (1,961) |
| Proceeds from sales of investment securities | 15,789 | 3,424 |
| Payments for business divestitures | - | (1,000) |
| Purchase of stocks of subsidiaries and affiliates | (3,890) | (25,741) |
| Purchase of investments in subsidiaries and affiliates resulting in change in scope of consolidation | (5,398) | (31,788) |
| Proceeds from purchase of investments in subsidiaries and affiliates resulting in change in scope of consolidation | - | 831 |
| Payments for sales of investments in subsidiaries and affiliates resulting in change in scope of consolidation | (904) | - |
| Proceeds from repayment of investment and dividends due to liquidation of silent partnership contract | - | 7,703 |
| Purchase of long-term prepaid expenses | (22,398) | (26,801) |
| Other, net | (1,705) | 74 |
| Net cash provided by (used in) investing activities | (440,545) | (484,507) |
| Net cash provided by (used in) financing activities | | |
| Net increase (decrease) in short-term loans payable | (99,714) | (1,019) |
| Proceeds from long-term loans payable | 50,000 | - |
| Repayment of long-term loans payable | (24,753) | (133,750) |
| Proceeds from issuance of bonds | 40,000 | - |
| Proceeds from issuance of convertible bond-type bonds with subscription rights to shares | - | 201,000 |
| Redemption of bonds | (83,000) | - |
| Purchase of treasury stock | (99,999) | (220,969) |
| Cash dividends paid | (57,903) | (63,689) |
| Cash dividends paid to minority shareholders | (1,083) | (1,192) |
| Proceeds from stock issuance to minority shareholders | 1,867 | 10 |
| Other, net | (5,411) | (6,320) |
| Net cash provided by (used in) financing activities | (279,998) | (225,931) |
| Effect of exchange rate change on cash and cash equivalents | (2,416) | (1,125) |
| Net increase (decrease) in cash and cash equivalents | (5,607) | 14,322 |
| Cash and cash equivalents at beginning of period[1] | 165,476 | 159,869 |
| Cash and cash equivalents at end of period[1] | 159,869 | 174,191 |

## (5) Going Concern Assumption

None

## (6) Basis of Presenting Consolidated Financial Statements

### 1. Scope of consolidation

a) Number of consolidated subsidiaries: 118

b) Major consolidated subsidiaries:
Okinawa Cellular Telephone Company, KDDI Technical & Engineering Service Corporation*, KDDI Evolva Inc. Japan Cablenet Limited, Chubu Telecommunications Co., Inc., KDDI R&D Laboratories, Inc., KDDI AMERICA Inc., KDDI Europe Ltd., TELEHOUSE International Corp. of America Ltd., Telehouse International Corp. of Europe Ltd., KDDI China Corporation, DMX Technologies Group Limited, KDDI KOREA Corporation, KDDI Singapore Pte Ltd.
*KDDI Technical & Engineering Service Corporation••changed its name to KDDI Engineering Corporation on April 1, 2012.

(Added) •• 16 companies due to stock acquisition
HKCOLO. NET Limited, WebMoney Corporation, Evolva Business Support Inc., Nobot Inc., CDNetworks Co., Ltd. and its 9 subsidiaries, Telehouse Deutschland GmbH, Kleyer Real Estate
•• 1 company due to additional purchase of owned shares
Japan Internet Exchange Co., Ltd.
•• 3 companies due to new establishment
KKBOX International Limited, TELEHOUSE BEIJING BDA Co., Ltd, KDDI Open Innovation Fund L.P.

(Removed) •• 5 companies due to liquidation
KDDI International Holdings, LLC, KDDI International Holdings2, LLC, KDDI International Holdings3, LLC, KDDI Global Media, LP, MediaFLO Broadcast Planning Incorporated
•• 2 companies due to merger
Kawagoe Cable Vision Co., Ltd.: merged by JCN KANTO LIMITED
KMN Corporation: merged by CABLE TELTVISION TOKYO, LTD.

c) Special purpose companies

1) Overview of special purpose companies and transactions made through such companies

The Company has securitized real estate in order to improve its financial position by reducing interest-bearing debt. This securitization was conducted using special purpose companies ("SPCs"), a particular type of limited liability company.
In this securitization, the Company leased back the real estate that was transferred.
As of November 30, 2011, the Company acquired beneficial interest in trust on land, buildings, etc., from Aobadai Estate Y.K., which is a special purpose company. Accompanying this acquisition, the anonymous association contract as the operator of the related SPC was terminated, and the Company, which was an investor in this association, received dividends accompanying the termination of the anonymous association contract. The investment in the anonymous association was settled in December 2011.

2) Transaction amounts with SPCs during the year ended March 31, 2012

(Amount unit: Millions of yen)

| | Major transaction amounts for the year ended March 31, 2012 and balance as of March 31, 2012 | Major income and loss | |
|---|---|---|---|
| | | Items | Amounts |
| Acquired properties[1] | 14,993 | - | - |
| Long-term accounts receivable | - | - | - |
| Investments by anonymous association | - | Dividend<br>Dividends due to liquidation of silent partnership contract | 654<br>6,976 |
| Lease transaction | - | Lease payments[2] | 1,112 |

Note 1: Transaction amounts related to the acquired properties are represented as the acquisition cost.
Note 2: The Company paid rent from April 1, 2011 to November 30, 2011 for the year ended March 31, 2012.

2. Equity method affiliate

a) Number of equity method affiliate: 21

b) Major equity method affiliates

Jupiter Telecommunications Co., Ltd., Kyocera Communication Systems Co., Ltd., UQ Communications Inc., TEPCO OPTICAL NETWORK ENGINEERING INC., Jibun Bank Corporation, Mobaoku Co., Ltd., MOBICOM Corporation

(Added) • • 2 companies due to stock acquisition
Branddialog, Inc., Alliance Internet Co., Ltd.

(Removed) • • 1 company due to additional purchase, resulting in subsidiary
Japan Internet Exchange Co., Ltd.

c) Non equity method affiliates (CJSC Vostoktelecom etc.) are not included within the scope of the equity method because they are insignificant and their net incomes and retained earnings (the amounts equivalent to the Company's interest in the companies) do not significantly affect consolidated financial statements.

d) For equity method companies with the fiscal year end that differ from the consolidated fiscal year end, the financial statements for the fiscal year of each company are used.

3. Fiscal year of consolidated subsidiaries

Among consolidated subsidiaries, the fiscal year end of 74 companies, including KDDI AMERICA Inc, KDDI Europe Ltd., is December 31 of each year. For the preparation of consolidated financial statements, the Company uses financial statements as of December 31 and makes adjustments as necessary for consolidation in relation to significant transactions during their year-end date and the consolidated year-end date.

4. Accounting policies

a) Valuation standards and methods for major assets

1) Securities

Bonds intended to be held to maturity: amortized cost method (straight-line method)

Other securities

a): Other securities for which market quotations are available are stated at fair value prevailing at the balance sheet date with unrealized gains and losses, directly included in net assets. The cost of securities sold is determined by the moving-average method.

b): Other securities for which market quotations are not available are valued at cost mainly determined by the moving-average method.

2) Inventories

Supplies

Stated at cost. Cost is determined by the moving-average method (the method of write-downs based on the decrease in profitability is applied in order to calculate the inventory value on the balance sheet).

b) Depreciation and amortization for major assets

1) Property, plant and equipment other than leased assets

The Company: Machinery: declining-balance method

Property, plant and equipment other than machinery: straight-line method

Consolidated subsidiaries: Mainly straight-line method

Useful life of principle assets is as follows:

Machinery: 9 years

Antenna facilities, Local line facilities, Long-distance line facilities, Engineering facilities, Buildings, and Structures: 5 to 38 years

2) Intangible assets other than leased assets: straight-line method

Software for internal use is amortized under the straight-line method over the expected useful lives (5 years).

3) Leased assets

Leased assets related to financial leases that do not transfer ownership rights to the lessees are amortized under the straight-line method based on the lease term as the useful life and residual value of zero.

Finance leases other than those, which are deemed to transfer the ownership rights of the leased assets to the lessees, that started before March 31, 2008, are accounted for by a method similar to that applicable to ordinary operating leases.

4) Long-term prepaid expenses: Straight-line method

c) Deferred assets

Bond issuance expenses: Entire amount of expenses is fully charged at time of expenditure.

d) Significant allowances

1) Allowance for doubtful accounts

To prepare for uncollectible credits, general allowance is recorded based on the actual bad debt ratio, and specific allowance is recorded based on the amount deemed to the uncollectible considering the collectibility.

2) Provision for retirement benefits

The amount for employee retirement benefits at March 31, 2011 is based on the estimated value of benefit obligations, plan assets and retirement benefit trust assets at March 31, 2011.

Prior service cost is amortized on a straight-line basis over the average remaining service life of employees (14 years) in the year in which it arises and unrecognized actuarial differences are amortized on a straight-line basis over the average remaining service life of employees (14 years) from the year following that in which they arise.

3) Provision for point card certificates

In order to prepare for the future cost generating from the utilization of points that customers have earned under the point services such as "au Point Program," based on its past experience, the Company reserves an amount considered appropriate to cover possible utilization of the points during or after the next consolidated fiscal year.

4) Allowance for bonuses

To allow for the payment of bonuses to employees, the Company records the standard for estimated amounts of bonuses to be paid.

5) Impairment loss on the Great East Japan Earthquake

Amount for recovery of assets damaged by the Great East Japan Earthquake that occurred on March 11, 2011 has been estimated.

e) Foreign currency transaction
All monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting gains and losses are included in net profit or loss for the period.
All assets and liabilities of foreign subsidiaries and affiliates are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Revenues and expenses for the year are translated into Japanese yen at the average exchange rate during the year and translation adjustments are included in "Foreign currency translation adjustments" and "Minority interests" of "Net assets."

f) Amortization of goodwill
Goodwill is amortized under the straight-line method over a period of 5 to 20 years. However, minimal amounts of goodwill is recognized as expenses or gains for the year ended March 31, 2012.

g) Cash and cash equivalents in the consolidated cash flow statements
Cash and cash equivalents are composed of cash on hand, bank deposits able to be withdrawn on demand and short-term highly liquid investments with a maturity of three months or less at the time of purchase and which bear lower risks from fluctuations in value.

h) Others
Accounting method for consumption taxes
Consumption taxes are accounted for using the net method of reporting.

## (7) Changes in Accounting Policies

From the year ended March 31, 2012, we have applied the "Accounting Standard for Earning Per Share" (Accounting Standards Board of Japan [ASBJ] Statement No.2 of June 30, 2010), the "Guidance on Accounting Standard for Earning Per Share" (ASBJ Guidance No.4 of June 30, 2010), and the "Practical Solution on Accounting for Earnings Per Share" (ASBJ PITF No.9 of June 30, 2010).
To calculate diluted net income per share, we have changed the method to include potential services offered by the employees in the fair valuation of stock options of payment when exercising the right regarding stock options whose rights are secured after certain period of employment.
Information about the influence of this change is included in the "Per Share Information" section.

## (8) Changes in Presentation

(Consolidated Balance Sheets)
"Income taxes receivable" listed in the year ended March 31, 2011 has been included in "Accounts receivable-other" as it has become less significant from the year ended March 31, 2012.
As a result, ¥32,703 million that was recorded as income taxes receivable on the consolidated balance sheets in the previous fiscal year has been included in accounts receivable-other.

## (9) Changes in Accounting Estimates

Since August 2006, the Company and Okinawa Cellular Telephone Company have offered a service enables users to carry-over unused talk time. The service allows a specified amount of the free talk time that is included in the basic monthly rate to be carried-over indefinitely.
The Company and Okinawa Cellular Telephone Company have estimated the amount of each month's unused free talk time that is expected to be used in the future, deferred the recognition of that amount as revenue, and recorded that amount in the advances received account. However, from this consolidated fiscal year, a sufficient quantity of historical results for the estimation of the amount of unused free talk time that is expected to lapse in the future has been accumulated, and more detailed estimates of that amount have become possible. Accordingly, the amount of unused free talk time that is expected to lapse in the future is deducted from the amount of deferred revenue.
As a result, from this fiscal year, this change has had the effect of increasing revenues from telecommunications business, operating income, ordinary income, and net income by ¥10,361 million.

## (10) Additional Information

(Application of the "Accounting Standard for Accounting Changes and Error Corrections" and others)
For the accounting changes and error corrections made in after the beginning of the year ending March 31, 2012, we have applied the "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No.24 of December 4, 2009) and the "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No.24 of December 4, 2009).

## (11) Notes for Consolidated Financial Statements

Consolidated financial statements of the Company are prepared under the "Regulations concerning the terms, forms and preparation methods for quarterly consolidated financial statements" (Ministry of Finance Ordinance No. 28, 1976, herein after "Regulations for consolidated financial statements"), and in accordance with these regulations and the "Rules for telecommunications business accounting" (Ministry of Posts and Telecommunications Ordinance No. 26, 1985).

(Consolidated Balance Sheets)

Note 1: Reduction entry amount of noncurrent assets

| | As of March 31, 2011 | As of March 31, 2012 |
|---|---|---|
| Reduction entry amount due to contribution for construction | ¥1,217M | ¥158M |
| (cumulative total) | ¥18,116M | ¥16,862M |

Note 2: Notes relating to affiliates

The amounts that relate to subsidiaries and affiliates and that are included in respective items are as follows.

| | As of March 31, 2011 | As of March 31, 2012 |
|---|---|---|
| Stocks of subsidiaries and affiliates | ¥356,887M | ¥351,815M |
| (of which investment in jointly controlled entities) | ¥659M | ¥687M |
| Investments in capital of subsidiaries and affiliates | ¥182M | ¥185M |

Note 3: Contingent liabilities

| | As of March 31, 2011 | As of March 31, 2012 |
|---|---|---|
| (1) Guarantor liabilities, etc. | | |
| [As a guarantor for loan of:] | | |
| UQ Communications Inc. and others | ¥118,873M | ¥156,935M |
| (liabilities denominated in foreign currencies included) | - | KW2,000M |
| (2) Contingent liabilities existing in cable system supply contract | ¥4,157M | ¥4,109M |
| (liabilities denominated in foreign currencies included) | US$50M | US$50M |
| (3) Contingent liabilities resulting from the liquidation of Minex | ¥479M | ¥377M |
| Corp. (liabilities denominated in foreign currencies included) | US$5M | US$4M |
| (4) Contingent liabilities for notes receivable-trade discounted | - | ¥297M |
| (liabilities denominated in foreign currencies included) | - | US$3M |

Note 4: Assets pledged as collateral and liabilities with collateral:

(The Company)

In compliance with the provisions of Article 4 of the Supplementary Provisions to the Law Concerning the Rationalization of Regulations in the Telecommunications Field, the total assets of the Company have been pledged as general collateral for corporate bonds issued.

| | As of March 31, 2011 | As of March 31, 2012 |
|---|---|---|
| Bonds | ¥20,000M | ¥20,000M |

(Consolidated subsidiaries)

In accordance with Article 14, Paragraph 1 of the Act on Settlement of Funds, assets held in trust as security deposits are as follows.

| | As of March 31, 2011 | As of March 31, 2012 |
|---|---|---|
| Investment securities | - | ¥3,005M |
| Cash and deposits | - | ¥2,000M |

Assets pledged as collateral

| | As of March 31, 2011 | As of March 31, 2012 |
|---|---|---|
| Machinery | ¥535M | ¥387M |
| Local line facilities | ¥470M | ¥319M |
| Engineering facilities | ¥19M | ¥18M |
| Submarine line facilities | ¥10M | ¥6M |
| Buildings | ¥189M | ¥164M |
| Other tangible assets | ¥112M | ¥76M |
| Investment securities | ¥571M | ¥694M |
| Other investments and other assets | ¥92M | ¥171M |
| Cash and deposits | - | ¥877M |
| Short-term investment securities | ¥201M | ¥188M |
| Total | ¥2,203M | ¥2,904M |
| (assets denominated in foreign currencies included) | US$10M | US$11M |

Corresponding liabilities

| | | |
|---|---|---|
| Long-term loans payable | ¥1,599M | ¥1,224M |
| Current portion of noncurrent liabilities | ¥450M | ¥372M |
| Notes and accounts payable-trade | ¥6M | ¥32M |
| Short-term loans payable | ¥1,304M | ¥1,485M |
| Total | ¥3,360M | ¥3,114M |
| (liabilities denominated in foreign currencies included) | US$17M | US$20M |

(Consolidated Statements of Income)

Note 1: Operating expenses include research and development expenses

| Year ended March 31, 2011 | Year ended March 31, 2012 |
|---|---|
| ¥33,263M | ¥32,855M |

Note 2: Gain on sales of noncurrent assets

| | Year ended March 31, 2011 | Year ended March 31, 2012 |
|---|---|---|
| Gain on sales of real estate which accompanied sales of idle land | ¥1,105M | ¥62M |
| Gain on sales of other facilities | ¥209M | ¥107M |
| Total | ¥1,314M | ¥170M |

Note 3: Gain on reversal of provision for loss on the Great East Japan Earthquake

Due to reevaluation, etc., of the details and scope of repairs accompanying the progress of on-site investigations and restoration work on the disaster-stricken region, this estimate has been changed, and the provision has been reversed in the amount of ¥6,814 million.

Note 4: Loss on sales of noncurrent assets

| | Year ended March 31, 2011 | Year ended March 31, 2012 |
|---|---|---|
| Loss on disposal of real estate accompanying disposal of land, etc. | - | ¥597M |
| Loss on disposal of other facilities, etc. | - | ¥79M |
| Total | - | ¥676M |

Note 5: Impairment loss

The Companies mainly recognized impairment loss for the following assets and asset groups.

For the year ended March 31, 2011

| Location | Usage for | Type | Impairment loss amount |
|---|---|---|---|
| The Company, etc.<br>Facility used for current 800MHz band (Tokyo, Nagoya, Osaka, etc.) | Telecommunications business | Machinery, etc. | ¥13,079M |
| The Company<br>Domestic transmission line facilities, idle assets, etc. (Tokyo, etc.) | Telecommunications business | Local line facilities, Engineering facilities, etc. | ¥17,471M |
| The Company<br>Facility used for legacy service (Tokyo, etc.) | Telecommunications business | Machinery, local line facilities, etc. | ¥21,209M |

The Companies calculate impairment losses by grouping assets based on minimum units that have identifiable cash flows essentially independent from the cash flows of other assets or groups of assets.

The use of the facility for current 800MHz band will be discontinued from July 2012 due to a reorganization of frequencies, while transfer of mobile handsets to new frequency band is being promoted. Recognizing the downward trend in subscribers using handsets compatible with such equipments, the book value of those assets was written down to the amount deemed recoverable, resulting in an extraordinary loss on asset impairment of ¥13,079 million. Of which, ¥12,373 million comes from machineries and ¥705 million from others.
The recoverable value of these assets for the Companies was estimated based on the usage value, and calculated based on a future cash flow discount rate of 5.54%.

In the year ended March 31, 2011, for domestic transmission system with declining utilization rates and idle assets, the book value has been reduced to recoverable value. The said reduction is recognized as impairment loss of ¥17,471 million in extraordinary loss. This consists of ¥10,687 million for local line facilities, ¥4,485 million for engineering facilities and ¥2,298 million for others.
Further, the recoverable amount for the said assets is estimated based on the net selling price. The calculation of

market value is based on appraised value and other factors, with the value of assets that are difficult to sell or convert to other uses set at ¥0.

Due to the worsening market environment and the downward trend in the subscribers of a part of legacy services in the Fixed-line Business during the year ended March 31, 2011, the Company set up a cash management system for cash flows generated by such equipment, and pooled those assets into an independent asset grouping.
Recognizing the worsening market environment and the downward trend in the subscribers, the book value of those assets was written down to the amount deemed recoverable, resulting in an extraordinary loss on asset impairment of ¥21,209 million. Of which, ¥10,468 million comes for machineries, ¥7,753 million for local line facilities, and ¥2,987 million for others.
In addition, impairment loss of ¥380 million on business assets in certain subsidiaries was recognized in extraordinary loss. This consists of ¥95 million for long-distance line facilities, ¥84 million for buildings, ¥79 million for machinery, ¥77 million for local line facilities, and ¥44 million for others.

For the year ended March 31, 2012

| Location | Usage for | Type | Impairment loss amount |
|---|---|---|---|
| The Company<br>Domestic transmission line facilities, idle assets, etc. (Tokyo, etc.) | Telecommunications business | Local line facilities,<br>Long-distance line facilities, etc. | ¥8,515M |

The Companies calculate impairment losses by grouping assets based on minimum units that have identifiable cash flows essentially independent from the cash flows of other assets or groups of assets.

In the year ended March 31, 2012, for domestic transmission system with declining utilization rates and idle assets, the book value has been reduced to recoverable value. The said reduction is recognized as impairment loss of ¥8,515 million in extraordinary loss. This consists of ¥4,454 million for local line facilities, ¥1,940 million for long-distance line facilities and ¥2,119 million for others.
Further, the recoverable amount for the said assets is estimated based on the net selling price. The calculation of market value is based on appraised value and other factors, with the value of assets that are difficult to sell or convert to other uses set at ¥0.

In addition, impairment loss of ¥1,431 million on business assets in certain subsidiaries was recognized in extraordinary loss.

Note 6: Loss on retirement of noncurrent assets

| | Year ended March 31, 2011 | Year ended March 31, 2012 |
|---|---|---|
| Facility used for current 800MHz band | ¥28,383M | - |
| Facility used for legacy service | ¥3,256M | - |
| Others | ¥176M | - |
| Total | ¥31,816M | - |

Note 7: Loss on the Great East Japan Earthquake

For the year ended March 31, 2011

It is for recovery of assets damaged by the Tohoku Region Pacific Coast Earthquake that occurred on March 11, 2011. It includes loss and recovery cost of au base stations, domestic cable and others, support cost to agencies, and other recovery costs. It includes ¥16,282 million in transfer for losses on the Great East Japan Earthquake.

For the year ended March 31, 2012

It includes cost of handset replacement of victims and other recovery cost of the Great East Japan Earthquake on March 31, 2011.

(Consolidated Statements of Comprehensive Income)
For the year ended March 31, 2012

Amount of recycling and amount of income tax effect associated with other comprehensive income

| | |
|---|---|
| **Valuation difference on available-for-sale securities** | |
| Amount recognized in the period under review | ¥6,846M |
| Amount of recycling | ¥449M |
| ··Before income tax effect adjustment | ¥7,295M |
| ··Amount of income tax effect | (¥104M) |
| ··Valuation difference on available-for-sale securities | ¥7,190M |
| **Foreign currency translation adjustment** | |
| Amount recognized in the period under review | (¥3,640M) |
| Amount of recycling | - |
| ··Before income tax effect adjustment | (¥3,640M) |
| ··Amount of income tax effect | - |
| ··Foreign currency translation adjustment | (¥3,640M) |
| **Share of other comprehensive income of associates accounted for using equity method** | |
| Amount recognized in the period under review | (¥1,118M) |
| Amount of recycling | ¥219M |
| Share of other comprehensive income of associates accounted for using equity method | (¥898M) |
| · · · Total other comprehensive income | ¥2,651M |

(Consolidated Statements of Changes in Net Assets)
For the year ended March 31, 2011

1. Total number and type of shares outstanding and total number and type of treasury stock

| | As of March 31, 2010 | Increase during the year ended March 31, 2011 | Decrease during the year ended March 31, 2011 | As of March 31, 2011 |
|---|---|---|---|---|
| Shares outstanding | | | | |
| Common stock | 4,484,818 | - | - | 4,484,818 |
| Total | 4,484,818 | - | - | 4,484,818 |
| Treasury stock | | | | |
| Common stock[Note] | 30,705 | 208,271 | - | 238,976 |
| Total | 30,705 | 208,271 | - | 238,976 |

Note: The increase of 208,271 shares in the Company's holdings of its own shares of common stock resulted from the Company's acquisition of its own shares in accordance with a resolution at a meeting of the Board of Directors held on October 22, 2010.

2. Subscription warrants and own share option

| | Breakdown of subscription warrants | Types of shares subject to subscription warrants | Number of shares subject to subscription warrants | | | | Balance as of March 31, 2011 |
|---|---|---|---|---|---|---|---|
| | | | As of March 31, 2010 | Increase during the year ended March 31, 2011 | Decrease during the year ended March 31, 2011 | As of March 31, 2011 | |
| The Company (parent company) | Subscription warrants as stock options | - | | | | | ¥1,410M |
| Consolidated subsidiaries | Subscription warrants as stock options | - | | | | | ¥94M |
| Total | | - | | | | | ¥1,504M |

3. Dividends

(1) Cash dividends payments

| Resolution | Type of shares | Total dividends | Dividends per share | Record date | Effective date |
|---|---|---|---|---|---|
| June 17, 2010 Annual meeting of shareholders | Common stock | ¥28,951M | ¥6,500 | March 31, 2010 | June 18, 2010 |
| October 22, 2010 Meeting of the Board of Directors | Common stock | ¥28,951M | ¥6,500 | September 30, 2010 | November 19, 2010 |

(2) Approval of dividends payments for which the record date is in the fiscal year under review and the effective date is in the following fiscal year is planned as follows

| Resolution | Type of shares | Total dividends | Dividend resource | Dividends per share | Record date | Effective date |
|---|---|---|---|---|---|---|
| June 16, 2011 Annual meeting of shareholders | Common stock | ¥31,843M | Retained earnings | ¥7,500 | March 31, 2011 | June 17, 2011 |

For the year ended March 31, 2012

1. Total number and type of shares outstanding and total number and type of treasury stock

| | As of March 31, 2011 | Increase during the year ended March 31, 2012 | Decrease during the year ended March 31, 2012 | As of March 31, 2012 |
|---|---|---|---|---|
| Shares outstanding | | | | |
| Common stock | 4,484,818 | - | - | 4,484,818 |
| Total | 4,484,818 | - | - | 4,484,818 |
| Treasury stock | | | | |
| Common stock | 238,976 | 424,126 | 96 | 663,006 |
| Total | 238,976 | 424,126 | 96 | 663,006 |

Note 1: The increase of 424,126 shares in the Company's holdings of its own shares of common stock resulted from the Company's acquisition of its treasury stock in accordance with a resolution at a meeting of the Board of Directors held on November 28, 2011.

2: The decrease of 96 shares in the Company's holdings of its own shares of common stock resulted from the exercise of stock options.

2. Subscription warrants and own stock option

| | Breakdown of subscription warrants | Types of shares subject to subscription warrants | Number of shares subject to subscription warrants | | | | Balance as of March 31, 2012 |
|---|---|---|---|---|---|---|---|
| | | | As of March 31, 2011 | Increase during the year ended March 31, 2012 | Decrease during the year ended March 31, 2012 | As of March 31, 2012 | |
| The Company (parent company) | Subscription warrants as stock options | - | - | | | | ¥1,037M |
| | Convertible bonds due 2015 convertible bond-type bonds with subscription rights to shares (Issued on December 14, 2011)Note | Common stock | - | 348,979 shares Upper limit | - | 348,979 shares Upper limit | - |
| Consolidated subsidiaries | Subscription warrants as stock options | - | - | | | | ¥90M |
| Total | | - | - | - | - | - | ¥1,128M |

Note: Convertible bonds due 2015 convertible bond-type bonds with subscription rights to shares (Issued on December 14, 2011)

1. The number of shares reserved for subscription warrants is the number of shares that would be needed in the event that stock options were exercised.
2. The increase in the number of shares is due to issuance.

3. Dividends

(1) Cash dividends payments

| Resolution | Type of shares | Total dividends | Dividends per share | Record date | Effective date |
|---|---|---|---|---|---|
| June 16, 2011 Annual meeting of shareholders | Common stock | ¥31,843M | ¥7,500 | March 31, 2011 | June 17, 2011 |
| October 24, 2011 Meeting of the Board of Directors | Common stock | ¥31,843M | ¥7,500 | September 30, 2011 | November 21, 2011 |

(2) Approval of dividends payments for which the record date is in the fiscal year under review and the

effective date is in the following fiscal year is planned as follows

| Resolution | Type of shares | Total dividends | Dividend resource | Dividends per share | Record date | Effective date |
|---|---|---|---|---|---|---|
| June 20, 2012 Annual meeting of shareholders | Common stock | ¥32,485M | Retained earnings | ¥8,500 | March 31, 2012 | June 21, 2012 |

(Consolidated Statement of Cash Flows)

Note 1: Relationship between balance of cash and cash equivalents and items presented in consolidated balance sheet

| | Year ended March 31, 2011 | Year ended March 31, 2012 |
|---|---|---|
| Cash and deposits account | ¥136,921M | ¥100,037M |
| Securities account | ¥25,201M | ¥80,188M |
| Total | ¥162,123M | ¥180,225M |
| Time deposit with terms exceeding 3 months and deposits with collateral | (¥2,253M) | (¥6,033M) |
| Cash and cash equivalents | ¥159,869M | ¥174,191M |

Note 2: Major assets and liabilities of company that became a consolidated subsidiary through the acquisition of shares

For the year ended March 31, 2011

No significant items to be reported.

For the year ended March 31, 2012

The breakdown of assets and liabilities at the point when consolidation was initiated due to the consolidation of WebMoney Corporation as a result of the acquisition of shares, and the relationship between the amount of the acquisition of shares and the expenditures for the purpose of the acquisition (net amount), are as follows.

| | |
|---|---|
| Current assets | ¥17,901M |
| Noncurrent assets | ¥3,401M |
| Goodwill | ¥16,344M |
| Current liabilities | (¥18,208M) |
| Minority interests | (¥86M) |
| Amount of the acquisition of shares of WebMoney Corporation | ¥19,352M |
| Cash and case equivalents of WebMoney Corporation | (¥8,440M) |
| Expenditures for the purpose of the acquisition of WebMoney Corporation | ¥10,912M |

Note 3: In regard to the acquired beneficial interest in trust, accompanying the termination of the real estate investment trust contract, the ownership of the assets that had been held in trust were transferred to the Company.

These acquired assets were recorded as follows in the noncurrent assets-telecommunications business section of the consolidated balance sheets-machinery: ¥1,065 million; buildings: ¥6,125 million; structures: ¥97 million; land: ¥7,697 million; other tangible assets: ¥8 million.

Note 4: Details of major non-cash transactions

Amount of assets and liabilities related to finance lease transactions

| | Year ended March 31, 2011 | Year ended March 31, 2012 |
|---|---|---|
| Assets related to finance lease transaction | ¥5,672M | ¥5,170M |
| Liabilities related to finance lease transaction | ¥5,959M | ¥5,642M |

(Segment Information)

[Segment Information]

1. Outline of business segments reported

The business segments the Companies reports are the business units for which the Company is able to obtain respective financial information separately in order for the Board of Directors, etc. to evaluate regularly in determining how to allocate resources and assess their business performance.

As the Companies is a comprehensive telecommunications company combining mobile and fixed-line communications in a single company, its business segments reported comprise of the "Mobile Business" and the "Fixed-line Business."

The Mobile Business provides mobile services (voice and data service), sales of mobile phone handsets and content and other services. The Fixed-Line Business provides various fixed-line communications services, including broadband services centering in FTTH and CATV access lines, long distance and international telecommunications services. In addition, the Companies offers data center services and various ICT solutions services outside of Japan.

2. Method of calculating sales and income (loss), identifiable assets, and other items by business segment reported

Accounting method for business segment reported is the same as presentations on "Basis of Presenting Consolidated Financial Statements."

Income by business segments reported are calculated based on operating income.

Intersegment sales are calculated based on third-party trading prices.

3. Information on sales and income (loss), identifiable assets, and other items by business segment reported

For the year ended March 31, 2011

(Amount unit: Millions of yen)

| | Mobile Business | Fixed-line Business | Subtotal | Others[1] | Total | Elimination and corporate[2] | Consolidation |
|---|---|---|---|---|---|---|---|
| Sales | | | | | | | |
| Outside sales | 2,582,366 | 803,589 | 3,385,956 | 48,589 | 3,434,545 | - | 3,434,545 |
| Intersegment sales | 8,358 | 93,661 | 102,019 | 65,736 | 167,756 | (167,756) | - |
| Total | 2,590,724 | 897,251 | 3,487,975 | 114,326 | 3,602,302 | (167,756) | 3,434,545 |
| Income by business segment | 438,885 | 23,989 | 462,875 | 8,529 | 471,404 | 506 | 471,911 |
| Identifiable assets by business segment | 2,024,393 | 1,278,619 | 3,303,012 | 65,813 | 3,368,825 | 410,092 | 3,778,918 |
| Other items | | | | | | | |
| Depreciation[3,4] | 324,486 | 124,100 | 448,587 | 1,359 | 449,947 | (628) | 449,318 |
| Amortization of goodwill | 115 | 11,255 | 11,371 | 2 | 11,373 | - | 11,373 |
| Investment to equity-method affiliates | 2,192 | 336,520 | 338,712 | 18,168 | 356,880 | - | 356,880 |
| Increase of property, plant and equipment and intangible assets[4] | 324,248 | 99,550 | 423,799 | 1,215 | 425,015 | 6,532 | 431,548 |

Notes: 1. The "Others" category incorporates operations not included in business segments reported, including call center business, research and technological development, and other operations.

2.

(1) Adjustment of segment income (loss) refers to elimination of intersegment transactions.

(2) Adjustments of segment assets worth ¥410,092 million include company-wide assets of ¥568,260 million and eliminations of presenting company, etc. obligations and eliminations of inter-segment transactions of (¥152,663 million). The majority of these assets are surplus funds provided to companies, long-term investments and assets related to administrative divisions.

(3) Increase of property, plant and equipment and intangible assets is ¥6,532 million mainly from increase in assets

related to management and common systems.

3. For depreciation related to company-wide assets, amounts allocated to each reported segment are ¥9,474 million for the Mobile Business and ¥6,788 million for the Fixed-line Business.

4. This includes long-term prepaid expenses.

For the year ended March 31, 2012

(Amount unit: Millions of yen)

| | Mobile Business | Fixed-line Business | Subtotal | Others[1] | Total | Elimination and corporate[2] | Consolidation |
|---|---|---|---|---|---|---|---|
| Sales | | | | | | | |
| Outside sales | 2,716,864 | 818,696 | 3,535,560 | 36,537 | 3,572,098 | - | 3,572,098 |
| Intersegment sales | 10,147 | 96,840 | 106,987 | 70,336 | 177,324 | (177,324) | - |
| Total | 2,727,012 | 915,536 | 3,642,548 | 106,873 | 3,749,422 | (177,324) | 3,572,098 |
| Income by business segment | 419,190 | 53,431 | 472,622 | 4,298 | 476,921 | 726 | 477,647 |
| Identifiable assets by business segment | 2,253,980 | 1,326,507 | 3,580,487 | 71,676 | 3,652,164 | 351,844 | 4,004,009 |
| Other items | | | | | | | |
| Depreciation[3,4] | 302,880 | 113,715 | 416,596 | 1,669 | 418,265 | (379) | 417,886 |
| Amortization of goodwill | 2,629 | 11,422 | 14,051 | 223 | 14,275 | - | 14,275 |
| Investment to equity-method affiliates | 2,527 | 329,323 | 331,851 | 19,969 | 351,820 | - | 351,820 |
| Increase of property, plant and equipment and intangible assets[4] | 252,853 | 124,160 | 377,014 | 2,422 | 379,436 | 8,242 | 387,679 |

Notes: 1. The "Others" category incorporates operations not included in business segments reported, including call center business, research and technological development, and other operations.

2.

(1) Adjustment of segment income (loss) refers to elimination of intersegment transactions.

(2) Adjustments of segment assets worth ¥351,844 million include company-wide assets of ¥515,165 million and eliminations of presenting company, etc. obligations and eliminations of inter-segment transactions of (¥163,320 million). The majority of these assets are surplus funds provided to companies, long-term investments and assets related to administrative divisions.

(3) Increase of property, plant and equipment and intangible assets is ¥8,242 million mainly from increase in assets related to management and common systems.

3. For depreciation related to company-wide assets, amounts allocated to each reported segment are ¥7,729 million for the Mobile Business and ¥6,106 million for the Fixed-line Business.

4. This includes long-term prepaid expenses

(Relative information)

For the year ended March 31, 2011

1. Products and services information

2. Geographic segment information

1) Sales

Sales information by geographic segment is not shown since outside sales in Japan accounted for over 90% of operating revenue on the consolidated statements of income.

2) Property, plant and equipment

Property, plant and equipment information by geographic segment is not shown since property, plant and equipment in Japan accounted for over 90% of property, plant and equipment on the consolidated balance sheets.

3. Information by major clients

Information by major clients is not shown since outside sales for major clients accounted for less 10% of operating revenue on the consolidated statements of income.

For the year ended March 31, 2012

1. Products and services information

2. Geographic segment information

1) Sales

Sales information by geographic segment is not shown since outside sales in Japan accounted for over 90% of operating revenue on the consolidated statements of income.

2) Property, plant and equipment

Property, plant and equipment information by geographic segment is not shown since property, plant and equipment in Japan accounted for over 90% of property, plant and equipment on the consolidated balance sheets.

3. Information by major clients

Information by major clients is not shown since outside sales for major clients accounted for less 10% of operating revenue on the consolidated statements of income.

(Information on impairment loss in noncurrent assets by business segment)

For the year ended March 31, 2011

(Amount unit: Millions of yen)

| | Mobile Business | Fixed-line Business | Other Business | Corporate | Consolidation |
|---|---|---|---|---|---|
| Impairment Loss | 13,060 | 38,923 | 125 | 30 | 52,141 |

For the year ended March 31, 2012

(Amount unit: Millions of yen)

| | Mobile Business | Fixed-line Business | Other Business | Corporate | Consolidation |
|---|---|---|---|---|---|
| Impairment Loss | 5 | 9,941 | - | - | 9,946 |

(Information on amortization of goodwill and unamortized balance by business segment)

For the year ended March 31, 2011

(Amount unit: Millions of yen)

| | Mobile Business | Fixed-line Business | Other Business | Consolidation |
|---|---|---|---|---|
| Amortization of goodwill | 115 | 11,255 | 2 | 11,373 |
| Balance at end of period | 4,249 | 60,363 | - | 64,612 |

For the year ended March 31, 2012

(Amount unit: Millions of yen)

| | Mobile Business | Fixed-line Business | Other Business | Consolidation |
|---|---|---|---|---|
| Amortization of goodwill | 2,629 | 11,422 | 223 | 14,275 |
| Balance at end of period | 19,485 | 72,415 | - | 91,901 |

(Information on negative goodwill by business segment)

For the year ended March 31, 2011 and the year ended March 31, 2012

No significant items to be reported.

(Lease Payment)

(As a lessee)

For the year ended March 31, 2011 and the year ended March 31, 2012

1. Finance leases

No significant items to be reported.

2. Operating leases

No significant items to be reported.

(As a lessor)

For the year ended March 31, 2011 and the year ended March 31, 2012

Finance leases

No significant items to be reported.

(Related Party Transaction)

Transactions with related party

Transactions with the Company and related party

Affiliates of the Company

For the year ended March 31, 2011

(Amount unit: Millions of yen)

| Type | Company Name | Head Office | Capital Stock | Percentage for Possession of Voting Rights | Relationship with Related Party | Contents of Transaction | Amount for Trans-action | Title of Account | Amount as of March 31, 2011 |
|---|---|---|---|---|---|---|---|---|---|
| Equity-method Affiliate | UQ Communi-cations Inc | Minato-ku, Tokyo | 23,925 | Possession Direct 32.3% | Debit guarantee of loans | Debit guarantee[Note] | 118,700 | - | - |
| | | | | | | Receiving warrantee fee | 262 | Accounts receivable-other | 89 |

Terms and conditions and policies for terms and conditions

Note: Guarantee amounts for bank borrowings as of year end are shown in the transaction column.

For the year ended March 31, 2012

(Amount unit: Millions of yen)

| Type | Company Name | Head Office | Capital Stock | Percentage for Possession of Voting Rights | Relationship with Related Party | Contents of Transaction | Amount for Trans-action | Title of Account | Amount as of March 31, 2012 |
|---|---|---|---|---|---|---|---|---|---|
| Equity-method Affiliate | UQ Communi-cations Inc. | Minato-ku, Tokyo | 23,925 | Possession Direct 32.3% | Debit guarantee of loans | Debit guarantee[Note] | 156,700 | - | - |
| | | | | | | Receiving warrantee fee | 495 | Accounts receivable-other | 132 |

Terms and conditions and policies for terms and conditions

Note: Guarantee amounts for bank borrowings as of year end are shown in the transaction column.

(Income Taxes)

1. Significant components of deferred tax assets and liabilities (Amount unit: Millions of yen)

| | As of March 31, 2011 | As of March 31, 2012 |
|---|---|---|
| Deferred tax assets | | |
| Depreciation and amortization | 73,268 | 41,103 |
| Allowance for doubtful accounts | 10,532 | 9,526 |
| Disposal of fixed assets | 1,877 | 2,253 |
| Inventory write down | 2,527 | 1,267 |
| Impairment loss | 40,353 | 44,622 |
| Reserve for retirement benefits | 4,120 | 4,356 |
| Allowance for bonus payment | 8,567 | 8,313 |
| Accrued expenses | 2,954 | 3,007 |
| Net operating loss carried forward | 13,186 | 2,945 |
| Unrealized profits | 2,347 | 2,352 |
| Reserve for point service program | 34,578 | 34,700 |
| Accrued enterprise taxes | 665 | 10,807 |
| Advances received | 24,142 | 20,230 |
| Provision for loss on the Great East Japan Earthquake | 5,936 | 758 |
| Other | 10,693 | 10,471 |
| Gross deferred tax assets | 235,750 | 196,715 |
| Valuation allowance | (17,830) | (8,055) |
| Net deferred tax assets | 217,919 | 188,660 |
| (Deferred tax liabilities) | | |
| Special depreciation reserve | (1,093) | (1,696) |
| Net unrealized gains on securities | (19,594) | (19,659) |
| Retained earnings for overseas affiliates | (1,270) | (1,446) |
| Accrued enterprise taxes receivable | (1,957) | - |
| Gain on transfer from business divestitures | - | (1,692) |
| Other | (2,360) | (4,019) |
| Total deferred tax liabilities | (26,276) | (28,513) |
| Net deferred tax assets | 191,643 | 160,146 |

2. Summary of significant differences between the statutory tax rate and the Company's effective tax rate

| | As of March 31, 2011 | As of March 31, 2012 |
|---|---|---|
| Effective statutory tax rate | 40.6% | 40.6% |
| Adjustments: | | |
| Permanently non-deductible items including dividend income | 0.2 | 0.1 |
| Inhabitant tax on per capita levy | 0.1 | 0.1 |
| Tax credit for research and development expenses | (0.3) | (0.2) |
| Amortization of goodwill | 1.3 | 1.2 |
| Effect of equity-method investment income | 2.3 | 1.6 |
| Permanently non-deductible items including dividend income | (0.1) | (0.2) |
| Reserve for loss brought forward Valuation allowance | (1.0) | (0.1) |
| Valuation allowance | (1.9) | (1.3) |
| Effects of tax rate differences for subsidiaries | (1.9) | (0.2) |
| Reversal of reserve for tax | 0.4 | 0.3 |
| Liquidation of subsidiaries | (15.7) | - |
| Effect of share exchange | - | 3.3 |
| Other | (0.5) | 0.5 |
| Actual tax rate | 23.5 | 45.7 |

3. Impact from the change in the corporation tax rate, etc.

Due to the promulgation on December 2, 2011, of The Law to Revise the Income Tax, etc., in Order to Construct a Tax System Addressing Changes in the Socio-Economic Structure (Law No. 114 of 2011), and The

Act on Special Measures for Securing the Financial Resources to Implement the Restoration from the Tohoku Earthquake(Law No.117 of 2011). for fiscal years beginning on or after April 1. 2012. the corporation tax rate has been reduced and a special reconstruction corporation tax has been instituted. As a result, the effective statutory tax rate used to measure deferred tax assets and liabilities has been changed from the previous 40.6% to 38.0% for temporary differences expected to be eliminated during the period from the fiscal year beginning on April 1. 2012 to the fiscal year beginning on April 1. 2014, and to 35.6% for temporary differences expected to be eliminated in the fiscal year beginning on April 1, 2015.

As a result of this tax rate change the amount of deferred tax assets (net of the amount of deferred tax liabilities) decreased by ¥12,006 million, valuation difference on available for-sale securities increased by ¥2,762 million, and income taxes-deferred increased by ¥14,769 million.

(Financial Instruments)

1. Status of financial instruments

(1) Policy for measures relating to financial instruments

In light of plans for capital investment, primarily for conducting telecommunications business, the Companies raise the funds it requires through bank loans and bonds issuance. The Companies manage temporary fund surpluses through financial assets that have high levels of safety. Further, the Companies raise short-term working capital through bank loans. Regarding derivatives policy, the Companies' adhere to the fundamental principle of limiting transactions to those actually required and never conducting speculative transactions for trading profit.

(2) Details of financial instruments and associated risk and risk management system

Trade receivables—trade notes and accounts receivable and other accounts receivable—are exposed to credit risk in relation to customers and trading partners. For such risk, pursuant to criteria for managing credit exposure, the Companies have systems enabling the management of due dates and balances of each customer and trading partner as well as the analysis of credit status.

The Companies are exposed to market price fluctuation risk in relation to investment securities. However, those are primarily the shares of companies with which the Companies have operational relationships, and periodic analysis of market values is reported to the Board of Directors.

Almost all trade payables—trade notes and accounts payable, other accounts payable, and accrued expenses—have payment due dates within one year.

Those trade payables are exposed to liquidity risk at time of settlement. However, the Companies reduce that risk by having each company review fund-raising plans every month.

Among loans payable, short-term loans payable are primarily for fund raising related to sales transactions, and long-term loans payable are primarily for fund raising related to capital investment and investment and financing. Loans payable with variable interest rates are exposed to interest rate fluctuation risk. However, to reduce fluctuation risk for interest payable and fix interest expenses when it enters into long-term loans at variable interest rates—based on the premise that requirements for special treatment of interest rate swaps are met in relation to evaluation of the effectiveness of hedges—in principle, the Companies use interest rate swap transactions as a hedging method on an individual contract basis.

In transaction-related market risk, the Group's derivative transactions have the objective of avoiding risks associated with assets and liabilities on the consolidated balance sheets. With interest rate transactions, there is a risk of interest rate fluctuations.

Moreover, in regard to credit risk, the counterparties to the Group's derivatives transactions are financial institutions with high degrees of creditworthiness. and accordingly the credit risk of nonfulfillment by a counterparty is considered to be close to zero.

In order to conduct derivative transactions, based on their company's internal regulations and regulations stipulating associated details, finance or accounting divisions must receive approval from those with final-approval authority as stipulated by authority-related regulations through consultation via an internal memo for each derivative transaction and only conduct transactions with financial institutions with high credit ratings.

(3) Supplementary explanation of items relating to the market value of financial instruments

The market values of financial products include prices based on market prices, or, if there are no market prices, they include reasonably estimated prices. Because estimations of the said prices incorporate fluctuating factors, applying different assumptions can in some cases change the said prices.

2. Market value of financial instruments

Amounts recognized in the consolidated balance sheet, market values, and the differences are as shown below. Moreover, items for which it is extremely difficulty to determine market values are not included in the following table (see (note 2)).

For the year ended March 31, 2011 (Amount unit. Millions of yen)

| | Book value | Market value | Difference |
|---|---|---|---|
| 1) Cash and deposits | 136,921 | 136,921 | - |
| 2) Notes and accounts receivable-trade | 573,508 | | |
| Allowance for doubtful accounts[i] | (13,767) | | |
| | 559,740 | 559,740 | - |
| 3) Accounts receivable-other | 68,190 | 68,190 | - |
| 4) Short-term investment securities | 25,201 | 25,201 | - |
| 5) Investment securities | | | |
| Other securities | 69,722 | 69,722 | - |
| 6) Stocks of subsidiaries and affiliates | 332,560 | 186,823 | (145,736) |
| Total assets | 1,192,337 | 1,046,600 | (145,736) |
| 7) Notes and accounts payable-trade | 65,598 | 65,598 | - |
| 8) Short-term loans payable | 1,304 | 1,304 | - |
| 9) Accounts payable-other | 192,402 | 192,402 | - |
| 10) Accrued expenses | 14,253 | 14,253 | - |
| 11) Income taxes payable | 57,764 | 57,764 | - |
| 12) Bonds payable[ii] | 414,978 | 424,976 | 9,997 |
| 13) Long-term loans payable[ii] | 547,436 | 551,396 | 3,960 |
| Total liabilities | 1,293,739 | 1,307,696 | 13,957 |

i: Allowance for doubtful accounts recognized in notes and accounts receivable-trade is offset.

ii: Bonds and long-term loans payable included in current portion of noncurrent liabilities are included.

Note 1: Calculation of the market value of financial instruments and items relating to short-term investment securities and derivative transactions

1) Cash and deposits, 2) Notes and accounts receivable-trade, 3) Accounts receivable-other,
4) Short-term investment securities

Because, the settlement periods of the above items are short and their market values are almost the same as their book values, the relevant book values are used. Further, because the credit risk is extremely difficult to determine on an individual basis for notes and accounts receivable-trade, allowance for doubtful accounts is regarded as credit risk and the book value is calculated accordingly.

5) Investment securities, 6) Stock of subsidiaries and affiliates

In relation to the market value of investment securities, for shares the market prices of exchanges are used.

Further, for information on investment securities categorized according to holding purpose, please see the note "Securities."

7) Notes and accounts payable-trade, 8) Short-term loans payable, 9) Accounts payable-other, 10) Accrued expenses, 11) Income taxes payable

Because the settlement periods of the above items are short and their market values are almost the same as their book values, the relevant book values are used.

12) Bonds payable, 13) Long-term loans payable

The market value of bonds payable is calculated based on trading reference data.

The market value of long-term loans payable is calculated by applying a discount rate to the total of principal and interest. That discount rate is based on the assumed interest rate if a similar new loan was entered into. Because long-term loans payable with variable interest rates are based on the condition that interest rates are revised periodically, their market values are almost the same as their book values, the relevant book values are used.

Note 2: Financial instruments for which it is extremely difficulty to determine market value

(Amount unit: Millions of yen)

| | Book value |
|---|---|
| Investment securities<br>Unlisted equity securities | 4,176 |
| Stocks of subsidiaries and affiliates<br>Unlisted equity securities | 24,327 |
| Investments in capital of subsidiaries and affiliates | 182 |

Because it is recognized that these do not have market values and that the market values are extremely difficult to determine, they are not included in the chart above.

Note 3: Planned redemption amounts after the balance sheet date for monetary assets and short-term investment securities with monetary assets and maturity dates

(Amount unit: Millions of yen)

| | Within 1 year | Over 1 year |
|---|---|---|
| Cash and deposits | 136,921 | - |
| Notes and accounts receivable-trade | 532,505 | 41,002 |
| Accounts receivable-other | 68,030 | 158 |
| Securities | 25,201 | - |
| Total | 762,659 | 41,161 |

Note 4: Planned repayment amounts after the balance sheet date for bonds payable, long-term loans payable

(Amount unit: Millions of yen)

| | Within 1 year | Over 1 year |
|---|---|---|
| Bonds payable | - | 415,000 |
| Long-term loans payable | 133,248 | 414,187 |
| Total | 133,248 | 829,187 |

For the year ended March 31, 2012

(Amount unit: Millions of yen)

| | | Book value | Market value | Difference |
|---|---|---|---|---|
| 1) | Cash and deposits | 100,037 | 100,037 | - |
| 2) | Notes and accounts receivable-trade | 760,890 | | |
| | Allowance for doubtful accounts[i] | (14,960) | | |
| | | 745,929 | 745,929 | - |
| 3) | Accounts receivable-other | 66,286 | 66,286 | - |
| 4) | Short-term investment securities | 80,188 | 80,188 | - |
| 5) | Investment securities | | | |
| | Bonds intended to be held to maturity | 3,005 | 3,137 | 132 |
| | Other securities | 72,374 | 72,374 | - |
| 6) | Stocks of subsidiaries and affiliates | 326,297 | 189,567 | (136,729) |
| Total assets | | 1,394,118 | 1,257,521 | (136,597) |
| 7) | Notes and accounts payable-trade | 90,661 | 90,661 | - |
| 8) | Short-term loans payable | 1,486 | 1,486 | - |
| 9) | Accounts payable-other | 273,119 | 273,119 | - |
| 10) | Accrued expenses | 20,370 | 20,370 | - |
| 11) | Income taxes payable | 149,773 | 149,773 | - |
| 12) | Bonds payable | 414,988 | 427,727 | 12,738 |
| 13) | Convertible bond-type bonds with subscription rights to shares | 200,916 | 214,500 | 13,583 |
| 14) | Long-term loans payable[ii] | 414,163 | 419,340 | 5,176 |
| Total liabilities | | 1,565,480 | 1,596,979 | 31,498 |

i: Allowance for doubtful accounts recognized in notes and accounts receivable-trade is offset.

ii: Bonds and long-term loans payable included in current portion of noncurrent liabilities are included.

Note 1: Calculation of the market value of financial instruments and items relating to short-term investment securities and derivative transactions

1) Cash and deposits, 2) Notes and accounts receivable-trade, 3) Accounts receivable-other,
4) Short-term investment securities

Because, the settlement periods of the above items are short and their market values are almost the same as their book values, the relevant book values are used. Further, because the credit risk is extremely difficult to determine on an individual basis for notes and accounts receivable-trade, allowance for doubtful accounts is regarded as credit risk and the book value is calculated accordingly.

5) Investment securities, 6) Stock of subsidiaries and affiliates

In relation to the market value of investment securities, for shares the market prices of exchanges are used.

Further, for information on investment securities categorized according to holding purpose, please see the note "Securities."

7) Notes and accounts payable-trade, 8) Short-term loans payable, 9) Accounts payable-other,
10) Accrued expenses, 11) Income taxes payable

Because the settlement periods of the above items are short and their market values are almost the same as their book values, the relevant book values are used.

12) Bonds payable, 13) Convertible bond-type bonds with subscription rights to shares, 14) Long-term loans payable

The market value of bonds payable and convertible bond-type bonds with subscription rights to shares are calculated based on trading reference data.
The market value of long-term loans payable is calculated by applying a discount rate to the total of principal and interest. That discount rate is based on the assumed interest rate if a similar new loan was entered into. Because long-term loans payable with variable interest rates are based on the condition that interest rates are revised periodically, their market values are almost the same as their book values, the relevant book values are used.

Note 2: Financial instruments for which it is extremely difficulty to determine market value ·

(Amount unit: Millions of yen)

| | Book value |
|---|---|
| Investment securities<br>Unlisted equity securities | 11,234 |
| Stocks of subsidiaries and affiliates<br>Unlisted equity securities | 25,517 |
| Investments in capital of subsidiaries and affiliates | 185 |

Because it is recognized that these do not have market values and that the market values are extremely difficult to determine, they are not included in the chart above.

Note 3: Planned redemption amounts after the balance sheet date for monetary assets and short-term investment securities with monetary assets and maturity dates

(Amount unit: Millions of yen)

| | Within 1 year | Over 1 year |
|---|---|---|
| Cash and deposits | 100,037 | - |
| Notes and accounts receivable-trade | 653,343 | 107,546 |
| Accounts receivable-other | 66,281 | 5 |
| Securities | 80,000 | - |
| Investment securities | - | 3,005 |
| Total | 899,662 | 110,557 |

Note 4: Planned repayment amounts after the balance sheet date for bonds payable, long-term loans payable

(Amount unit: Millions of yen)

| | Within 1 year | Over 1 year |
|---|---|---|
| Bonds payable | 65,000 | 350,000 |
| Convertible bond-type bonds with subscription rights to shares | - | 200,000 |
| Long-term loans payable | 112,877 | 301,286 |
| Total | 177,877 | 851,286 |

(Securities)

1. Bonds intended to be held to maturity

For the year ended March 31, 2011

None

For the year ended March 31, 2012

(Amount unit: Millions of yen)

| | Types | Book value | Actual values | Unrealized Gain/loss |
|---|---|---|---|---|
| Bonds for which market value exceeds book value on consolidated balance sheets | (1)National bonds and local bonds, etc. | 3,005 | 3,137 | (132) |
| | (2)Bonds payable | - | - | - |
| | (3)Others | - | - | - |
| | Subtotal | 3,005 | 3,137 | (132) |
| Bonds for which market value does not exceed book value on consolidated balance sheets | (1)National bonds and local bonds, etc. | - | - | - |
| | (2)Bonds payable | - | - | - |
| | (3)Others | - | - | - |
| | Subtotal | - | - | - |
| Total | | 3,005 | 3,137 | (132) |

2. Other securities

For the year ended March 31, 2011

(Amount unit: Millions of yen)

| | Types | Book value | Acquisition cost | Unrealized Gain/loss |
|---|---|---|---|---|
| Securities for which book value of consolidated balance sheets exceeds acquisition cost | (1)Stock | 52,495 | 3,376 | 49,118 |
| | (2)Bonds | | | |
| | i National bonds and local bonds, etc. | - | - | - |
| | ii Bonds payable | - | - | - |
| | iii Others | - | - | - |
| | (3)Others | 250 | 228 | 21 |
| | Subtotal | 52,745 | 3,604 | 49,140 |
| Securities for which book value of consolidated balance sheets does not exceed acquisition cost | (1)Stock | 17,017 | 17,857 | (839) |
| | (2)Bonds | | | |
| | i National bonds and local bonds, etc. | - | - | - |
| | ii Bonds payable | - | - | - |
| | iii Others | 25,000 | 25,000 | - |
| | (3)Others | 160 | 174 | (13) |
| | Subtotal | 42,178 | 43,032 | (853) |
| Total | | 94,923 | 46,636 | 48,287 |

Note: Because it is recognized that these do not have market values and that the market values are extremely difficult to determine, unlisted equity securities (Consolidation ¥4,176 million• • is not included in the chart above.

For the year ended March 31, 2012 (Amount unit: Millions of yen)

| | Types | Book value | Acquisition cost | Unrealized Gain/loss |
|---|---|---|---|---|
| Securities for which book value of consolidated balance sheets exceeds acquisition cost | (1)Stock | 71,627 | 3,509 | 68,117 |
| | (2)Bonds | | | |
| | i National bonds and local bonds, etc. | - | - | - |
| | ii Bonds payable | - | - | - |
| | iii Others | - | - | - |
| | (3)Others | 39 | 34 | 4 |
| | Subtotal | 71,666 | 3,544 | 68,122 |
| Securities for which book value of consolidated balance sheets does not exceed acquisition cost | (1)Stock | 852 | 2,770 | (1,917) |
| | (2)Bonds | | | |
| | i National bonds and local bonds, etc. | - | - | - |
| | ii Bonds payable | - | - | - |
| | iii Others | - | - | - |
| | (3)Others | 80,042 | 80,046 | (4) |
| | Subtotal | 80,895 | 82,817 | (1,921) |
| Total | | 152,562 | 86,361 | 66,200 |

Note: Because it is recognized that these do not have market values and that the market values are extremely difficult to determine, unlisted equity securities (Consolidation ¥11,234 million••is not included in the chart above.

3. Other securities sold

For the year ended March 31, 2011 (Amount unit: Millions of yen)

| Type | Amount of sale | Total gain on sale | Total loss on sale |
|---|---|---|---|
| Stock | 15,717 | 5,690 | - |

For the year ended March 31, 2012 (Amount unit: Millions of yen)

| Type | Amount of sale | Total gain on sale | Total loss on sale |
|---|---|---|---|
| Stock | 3,986 | 137 | 89 |

4. Impairment of investment securities

For the year ended March 31, 2011, the Companies recognized an impairment of ¥368 million on investment securities (other securities). For the year ended March 31, 2012, the Companies recognized an impairment of ¥509 million on investment securities (other securities).

Further, regarding impairment treatment, for securities for which market value at the end of the period had dropped markedly in comparison to acquisition cost, impairment treatment was undertaken for the amount recognized as required in light of the possibility of recovery.

(Derivatives)

Market value of transactions

For the year ended March 31, 2011 and the year ended March 31, 2012

No significant items to be reported.

(Stock Options)

For the year ended March 31, 2011

1. Deals and scale of the stock option granted and changes in the scale

(1) Details of the stock option granted

<table>
<tr><td colspan="2">Company name</td><td colspan="3">KDDI Corporation</td></tr>
<tr><td colspan="2"></td><td>August 2007<br>6th Stock Option</td><td>August 2008<br>7th Stock Option</td><td>August 2009<br>8th Stock Option</td></tr>
<tr><td colspan="2">Category and number of grantees<br><br>Members of the Board<br>Vice Presidents<br>Executive Directors<br>Employees<br>Directors of wholly owned subsidiaries</td><td><br><br>8<br>19<br>25<br>2,794<br>10</td><td><br><br>8<br>18<br>29<br>2,896<br>5</td><td><br><br>7<br>18<br>32<br>2,951<br>7</td></tr>
<tr><td colspan="2">Type and number of stock granted</td><td>Common stock<br>5,008</td><td>Common stock<br>5,106</td><td>Common stock<br>5,189</td></tr>
<tr><td colspan="2">Date of grant</td><td>August 10, 2007</td><td>August 8, 2008</td><td>August 10, 2009</td></tr>
<tr><td colspan="2">Vesting conditions</td><td colspan="2">1) The grantee of stock options must be, at the time of exercise of options, a director, vice president, executive director, senior advisor, auditor or employee of the Company and/or its subsidiaries. However, when there are appropriate grounds, such as resignation due to completion of term of office or reaching the age of retirement, it will be permitted for the grantee to exercise these options within six months from the start of the applicable_period or resignation or retirement, whichever is later, provided the exercise period is not exceeded.<br>2) In the event of the death of a stock option grantee, his or her heirs may, within six months from the date of death (until the expiration of the exercise period), exercise the options for up to the maximum number of shares of stock available as of the time of death.<br>3) In special cases where it is permitted by the Company's Stock Option Committee, the grantee of stock options may exercise their options under conditions different from those described in 1) and 2).<br>4) Other conditions are set forth in the contract concerning the grant of subscription warrants made between the Company and the grantee of stock options, based on the resolution of the meeting of the Board of Directors.</td><td>1) The grantee of stock options must be, at the time of exercise of options, a director, vice president, executive director, senior advisor, auditor or employee of the Company and/or its subsidiaries. However, when there are appropriate grounds, such as resignation due to completion of term of office or reaching the age of retirement, it will be permitted for the grantee to exercise these options within six months from the start of the applicable_period or resignation or retirement, whichever is later, provided the exercise period is not exceeded.<br>2) In the event of the death of a stock option grantee, his or her heirs may, within six months from the date of death (until the expiration of the exercise period), exercise the options for up to the maximum number of shares of stock available as of the time of death.<br>3) In special cases where it is permitted by the Company's Stock Option Committee, the grantee of stock options may exercise their options under conditions different from those described in 1) and 2).</td></tr>
<tr><td rowspan="2">Vesting period</td><td>From</td><td>August 10, 2007</td><td>August 8, 2008</td><td>August 10, 2009</td></tr>
<tr><td>To</td><td>September 30, 2009</td><td>September 30, 2010</td><td>September 30, 2011</td></tr>
<tr><td rowspan="2">Exercise period</td><td>From</td><td>October 1, 2009</td><td>October 1, 2010</td><td>October 1, 2011</td></tr>
<tr><td>To</td><td>September 30, 2011</td><td>September 30, 2012</td><td>September 30, 2013</td></tr>
</table>

| Company name | | DMX Technologies Group Limited | | |
|---|---|---|---|---|
| | | October 2003<br>Stock Option | April 2008<br>Stock Option | November 2008<br>Stock Option |
| Category and number of grantees<br><br>Members of the Board<br>Employees | | 5<br><br>56 | 4<br><br>113 | 6<br><br>57 |
| Type and number of stock granted | | Common stock<br>10,220,000 | Common stock<br>18,000,000 | Common stock<br>20,000,000 |
| Date of grant | | October 3, 2003 | April 25, 2008 | November 28, 2008 |
| Vesting conditions | | 1) Based on the condition of being a director or employee of DMX Technology Group Limited or its group, rights of 50% are vested one year and two years respectively after the date of grant.<br>2) Other conditions are pursuant to the stock acquisition rights regulations of DMX Technologies Group Limited. | | |
| Vesting period | From<br>To | There are no regulations concerning vesting periods. | | |
| Exercise period | From<br>To | October 2, 2004<br>May 26, 2013 | April 24, 2009<br>April 26, 2018 | November 27, 2009<br>November 28, 2018 |

Note: Stock options have been converted into equivalent numbers of shares and presented accordingly.

| Company name | | Wire and Wireless Co., Ltd. |
|---|---|---|
| | | December 2010<br>1st Stock Option |
| Category and number of grantees<br><br>Members of the Board<br>Employees<br>Shareholders | | <br><br>2<br>20<br>2 |
| Type and number of stock granted | | Common stock<br>2,200 |
| Date of grant | | December 1, 2010 |
| Vesting conditions | | (1) In the event that the party to whom new share subscription rights have been allocated (hereinafter, "Grantee of New Share Subscription Rights") is a director or employee of Party A, said party must also hold a position as director, auditor or employee of Party A or its subsidiary at the time these rights are exercised. However, this restriction is lifted when there are appropriate grounds, such as resignation due to completion of term of office or reaching the age of retirement, upon approval by the Board of Directors of Party A.<br><br>(2) In the event of Party B's death in the period during which these new share acquisition rights may be exercised, his or her heirs may not exercise these new share subscription rights. However, this restriction is lifted if the heirs have received Board of Directors approval in advance of their attempt to exercise new share subscription rights.<br><br>(3) These new share subscription rights may not be transferred, pledged or otherwise disposed of.<br><br>(4) Conditions for applying tax exemption measures under Article 29-2 of the Act on Special Measures Concerning Taxation to new share subscription rights received are as follows.<br><br>(i) The total amount paid in exchange for the exercise of new share subscription rights may not exceed ¥12 million during a one-year period.<br><br>(ii) Shares acquired in exchange for the exercise of new share subscription rights shall be recorded via Party A in the transfer account ledger (the transfer account ledger legally prescribed for the transfer of bonds, shares, etc.; the same applies below) of the financial instruments business operator specified by Party A or the legally prescribed financial institution (hereinafter, "Specified Financial Instruments Business Operator"), or such recording shall be received or held in trust at the sales office or business office of the Specified Financial Instruments Business Operator or similar or the shares shall be held in trust. |
| Vesting period | From<br>To | There are no regulations concerning vesting periods. |
| Exercise period | From<br>To | December 1, 2011<br>October 29, 2019 |

Note: Stock options have been converted into equivalent numbers of shares and presented accordingly.

(2) Scale of stock options and changes in the scale

The following lists the number of shares calculated for the number of stock options that existed in the year ended March 31, 2012

1) Number of stock options

| Company name | KDDI Corporation | | |
|---|---|---|---|
| | August 2007<br>6th Stock Option | August 2008<br>7th Stock Option | August 2009<br>8th Stock Option |
| Before vested | | | |
| Beginning of period | - | - | 5,146 |
| Granted | - | - | - |
| Forfeited | - | - | 19 |
| Vested | - | - | 5,127 |
| Unvested | - | - | - |
| After vested | | | |
| Beginning of period | 4,558 | 4,805 | - |
| Vested | - | - | 5,127 |
| Exercised | - | 2 | 94 |
| Expired | 4,558 | 145 | 173 |
| Exercisable | - | 4,658 | 4,860 |

| Company name | DMX Technologies Group Limited | | |
|---|---|---|---|
| | October 2003<br>Stock Option | April 2008<br>Stock Option | November 2008<br>Stock Option |
| Before vested | | | |
| Beginning of period | - | - | - |
| Granted | - | - | - |
| Forfeited | - | - | - |
| Vested | - | - | - |
| Unvested | - | - | - |
| After vested | | | |
| Beginning of period | 3,305,544 | 3,906,858 | 16,930,000 |
| Vested | - | - | - |
| Exercised | - | 10,000 | 1,710,000 |
| Expired | - | - | - |
| Exercisable | 3,305,544 | 3,896,858 | 15,220,000 |

| Company name | Wire and Wireless Co., Ltd. |
|---|---|
| | December 2010<br>1st Stock Option |
| Before vested | |
| Beginning of period | 1,402 |
| Granted | - |
| Forfeited | 45 |
| Vested | - |
| Unvested | 1,357 |
| After vested | |
| Beginning of period | - |
| Vested | - |
| Exercised | - |
| Expired | - |
| Exercisable | - |

2) Unit value

| Company name | KDDI Corporation | | |
|---|---|---|---|
| | August 2007<br>6th Stock Option | August 2008<br>7th Stock Option | August 2009<br>8th Stock Option |
| Exercise price | ¥879,000 | ¥649,000 | ¥539,000 |
| Average share price at exercise | - | ¥481,500 | ¥529,500 |
| Fair value unit price (Date of grant) | ¥100,549 | ¥106,718 | ¥111,281 |

| Company name | DMX Technologies Group Limited | | |
|---|---|---|---|
| | October 2003<br>Stock Option | April 2008<br>Stock Option | November 2008<br>Stock Option |
| Exercise price | SGD 0.6778 | SGD 0.2260 | SGD 0.0930 |
| Average share price at exercise | - | SGD 0.3150 | SGD 0.3150 |
| Fair value unit price (Date of grant) | SGD 0.7900 | SGD 0.2500 | SGD 0.0900 |

| Company name | Wire and Wireless Co., Ltd. |
|---|---|
| | December 2010<br>1st Stock Option |
| Exercise price | 24,000 |
| Average share price at exercise | - |
| Fair value unit price (Date of grant) | - |

2. Method of estimating reasonable price for share options
Consolidated subsidiary Wire & Wireless Co., Ltd., is an unlisted company, and consequently the reasonable price of the December 2011 No. 1 share options of Wire & Wireless is calculated by estimating the intrinsic value. The stock valuation method that is the basis of this intrinsic value estimate is a method in which decisions are made with reference to the price calculated in accordance with the discounted cash flow method. The total intrinsic value at the end of the consolidated fiscal year, with calculations based on the intrinsic value of the share options, is ¥0.

3. Method of estimating number of options vested
The number of options vested was calculated by estimating the number of expirations due to unvested options, based on the retirement rate in the year ended March 31, 2012.

4. Amount and classification of expenses

(Amount unit: Millions of yen)

| | Year ended March 31, 2011 | Year ended March 31, 2012 |
|---|---|---|
| Operating loss from telecommunications | | |
| Business expenses | 156 | 51 |
| Administrative expenses | 109 | 41 |
| Others | 105 | 33 |
| Total | 371 | 126 |
| Operating loss from incidental business | 31 | 5 |
| Total | 31 | 5 |
| Amount of expenses | 402 | 131 |

5. Amount recorded as income from the nullification of rights following non-exercise

(Amount unit: Millions of yen)

| | Year ended March 31, 2011 | Year ended March 31, 2012 |
|---|---|---|
| Gain on reversal of subscription rights to shares | 450 | 493 |

(Business Combination)
For the year ended March 31, 2012
Business Combination due to acquisition

1. Overview of business combination

| | |
|---|---|
| (1) Name of acquired company | WebMoney Corporation |
| (2) Business activities of acquired company | Issuance and sale of server-managed electronic money |
| (3) Main reason for the business combination | Targeting the realization of multiple uses under the 3M strategy (Multi-Use, Multi-Network, Multi-Device), the Company acquired shares of WebMoney and made it a consolidated subsidiary in order to enhance the settlement platform. |
| (4) Date of business combination | July 19, 2011 (Date of commencement of TOB settlement) |
| (5) Legal form of business combination | Acquisition of shares |
| (6) Name of company after business combination | WebMoney Corporation |
| (7) % of voting rights acquired | 97.2% |
| (8) Main factors in determination of acquirer •• | Because the type of consideration was cash, the Company, which provided the cash, was determined to be the acquirer. |

••

2. Period for which the acquired company's results are included in the consolidated statements of income under review
July 1, 2011, was deemed to be the acquisition date, and accordingly results for the period from July 1, 2011, to March 31, 2012, were included.
••

3. Acquired company acquisition cost: amount and breakdown

| | |
|---|---|
| Consideration for acquisition | ¥19,103M |
| Costs directly incurred for acquisition | ¥248M |
| Acquisition cost | ¥19,352M |

••

4. Amount of goodwill recognized, basis for recognition of goodwill, method and period for amortization of goodwill

| | |
|---|---|
| (1) Amount of goodwill | ¥16,344M |
| (2) Basis for recognition of goodwill • • • • • • | Additional future earnings capacity expected as a result of future operational development by the acquired company. |
| (3) Method and period for amortization of goodwill | Straight-line amortization over a period of 13 years. |

5. Amounts and breakdown for assets acquired and liabilities assumed in the business combination

| | |
|---|---|
| Noncurrent assets | ¥3,401M |
| Current assets | ¥17,901M |
| Total assets | ¥21,302M |
| Current liabilities | ¥18,208M |
| Total liabilities | ¥18,208M |

6. Approximate amount of the effect on the consolidated statements of income for the fiscal year assuming that the business combination had been completed at the beginning of the fiscal year.
The approximate amount of the effect has been omitted because it is not material.

(Asset Retirement Obligations)
For the year ended March 31, 2011 and the year ended March 31, 2012
No significant items to be reported.

(Estate Leases)
For the year ended March 31, 2011 and the year ended March 31, 2012
No significant items to be reported.

(Per Share Information, etc.)

[Per share information]

| | Year ended March 31, 2011 | Year ended March 31, 2012 |
|---|---|---|
| Net assets per share | ¥495,386.23 | ¥539,206.73 |
| Net income per share | ¥58,149.78 | ¥58,115.98 |
| Diluted net income per share | Not given as the Company has no potential stocks with dilution effect | ¥56,668.91 |

Note: The following shows the basis of calculating net income per share.

| | Year ended March 31, 2011 | Year ended March 31, 2012 |
|---|---|---|
| Net income per share | | |
| Net income for the fiscal year | ¥255,122M | ¥238,604M |
| Monetary value not related to common stockholders | - | - |
| Net income related to common stock | ¥255,122M | ¥238,604M |
| Number of weighted average common shares outstanding during the fiscal year (shares) | 4,387,331 | 4,105,665 |
| | | |
| Diluted Net Income per Share | | |
| Adjustment of net income for the fiscal year | - | (¥49M) |
| Amortization of bond premium (after deduction of an amount equivalent to tax)* | - | (¥49M) |
| Increase in number of shares of common stock | - | 103,967 |
| (subscription warrants) | - | 37 |
| (Convertible bond-type bonds with subscription rights to shares) | - | 103,930 |
| Overview of potential stock not included in calculation of diluted net income per share because the stock have no dilution effect | Three types of subscription warrant<br>-August 2007, 6th Stock Option (4,558 subscription warrants)<br>-August 2008, 7th Stock Option (4,805 subscription warrants)<br>-August 2009, 8th Stock Option (5,146 subscription warrants) | One type of subscription warrant<br>-August 2008, 7th Stock Option (4,658 subscription warrants) |

* This is the amount of amortization for the fiscal year (after deducting an amount equivalent to tax) of the premium resulting from the issuance of the bonds at an amount higher than the face amount.

(Changes in Accounting Policies)

From the year ended March 31, 2012, we have applied the "Accounting Standard for Earning Per Share" (Accounting Standards Board of Japan [ASBJ] Statement No.2 of June 30, 2010), the "Guidance on Accounting Standard for Earning Per Share" (ASBJ Guidance No.4 of June 30, 2010), and the "Practical Solution on Accounting for Earnings Per Share" (ASBJ PITF No.9 of June 30, 2010).

To calculate diluted net income per share, we have changed the method to include potential services offered by the employees in the fair valuation of stock options of payment when exercising the right regarding stock options whose rights are secured after certain period of employment.

If this accounting standard, etc., had not been applied, there would be no impact on the calculation of net assets per share, net income per share, and diluted net income per share in the previous consolidated fiscal year.

(Significant Subsequent Event)

(Notice Concerning Share Split and Adoption of Share-Trading-Unit System)

The Company resolved at the meeting of the Board of Directors held on April 25, 2012 concerning share split and adoption of share-trading-unit system. The details are as follows.

1. Purpose of Share Split, Adoption of Share-Trading-Unit System, and Partial Changes to Articles of Incorporation

   Taking into consideration the intent of the "Action Plan for Consolidating Trading Units" that was announced by all domestic stock exchanges of Japan in November 2007, the Company will conduct a 1:100 share split and adopt a share-trading-unit system to contribute towards improving the convenience and liquidity of the securities market that the Company's stock is listed. Please note that the number of investment units will not actually change following the implementation of the share split and the adoption of the share-trading-unit system.

2. Share Split

   (1) Method of share split

   The share split shall have a record date of Sunday, September 30, 2012 (because this date falls on a holiday, for all practical purposes the date in substance is Friday, September 28, 2012) and shall involve the splitting of common shares held by shareholders whose names appear or are recorded in the latest Registry of Shareholders on the record date at a ratio of 1:100.

   (2) Number of increase in shares by share split

   Number of increase in shares by share split shall be 99 times the final total number of issued shares on Sunday, September 30, 2012. The numbers of shares presented below are based on the total number of issued shares on Wednesday, April 25, 2012.

| | |
|---|---|
| 1) Total number of issued shares before share split | 4,484,818 shares |
| 2) Number of increase in shares by share split | 443,996,982 shares |
| 3) Total number of issued shares after share split | 448,481,800 shares |
| 4) Total number of authorized shares after share split | 700,000,000 shares |

   (3) Schedule of share split

   1) Public notice date of the record date Friday, September 14, 2012

   2) Record date Sunday, September 30, 2012

   * For all practical purposes the record date in substance is Friday, September 28, 2012.

   3) Effective date Monday, October 1, 2012

3. Adoption of Share-Trading-Unit System

   (1) Number of shares in newly established share-trading unit

   The adoption of the share-trading-unit system shall take effect on the effective date stated in "2. Share Split" above and the number of shares to constitute a share-trading unit shall be 100 shares.

   (2) Schedule for establishment of the new system

   Effective date Monday, October 1, 2012

   Note: Effective September 26, 2012, the share-trading unit for the Company's shares shall be changed to 100 shares on the securities exchange.

4. Others

   Per share information based on the assumption that this stock split had been implemented at the beginning of the previous period is presented as follows for the previous consolidation fiscal year and the consolidated fiscal year under review.

| | |
|---|---|
| Total net assets per share | |
| As of March 31, 2011 | ¥4,953.86 |
| As of March 31, 2012 | ¥5,392.07 |
| Net income per share | |
| As of March 31, 2011 | ¥581.50 |
| As of March 31, 2012 | ¥581.16 |
| Diluted net income per share | |
| As of March 31, 2011 | - |
| As of March 31, 2012 | ¥566.69 |

# 5. Financial Statements

(1) Balance Sheets

(Amount unit: Millions of yen)

| | As of March 31, 2011 | As of March 31, 2012 |
|---|---|---|
| Assets | | |
| Noncurrent assets | | |
| Noncurrent assets-telecommunications business | | |
| Property, plant and equipment | | |
| Machinery | 2,592,394 | 2,693,628 |
| Accumulated depreciation | (1,983,895) | (2,131,133) |
| Machinery, net | 608,498 | 562,495 |
| Antenna facilities | 584,749 | 613,706 |
| Accumulated depreciation | (236,886) | (271,568) |
| Antenna facilities, net | 347,863 | 342,137 |
| Terminal facilities | 12,548 | 11,121 |
| Accumulated depreciation | (9,461) | (8,297) |
| Terminal facilities, net | 3,086 | 2,824 |
| Local line facilities | 182,499 | 191,884 |
| Accumulated depreciation | (123,650) | (130,713) |
| Local line facilities, net | 58,849 | 61,171 |
| Long-distance line facilities | 103,369 | 101,058 |
| Accumulated depreciation | (93,627) | (95,773) |
| Long-distance line facilities, net | 9,741 | 5,284 |
| Engineering facilities | 61,319 | 61,479 |
| Accumulated depreciation | (35,977) | (37,595) |
| Engineering facilities, net | 25,341 | 23,883 |
| Submarine line facilities | 57,041 | 54,328 |
| Accumulated depreciation | (46,747) | (47,138) |
| Submarine line facilities, net | 10,294 | 7,190 |
| Buildings | 402,291 | 406,580 |
| Accumulated depreciation | (197,927) | (210,573) |
| Buildings, net | 204,363 | 196,007 |
| Structures | 76,907 | 78,068 |
| Accumulated depreciation | (45,099) | (47,704) |
| Structures, net | 31,807 | 30,364 |
| Machinary and equipment | 11,654 | 11,635 |
| Accumulated depreciation | (11,000) | (11,341) |
| Machinary and equipment, net | 654 | 293 |
| Vehicles | 1,054 | 1,054 |
| Accumulated depreciation | (550) | (694) |
| Vehicles, net | 503 | 360 |
| Tools, furniture and fixtures | 75,721 | 79,216 |
| Accumulated depreciation | (51,912) | (57,660) |
| Tools, furnitures and fixtures, net | 23,809 | 21,556 |
| Land | 239,900 | 246,942 |
| Lease assets | 4,829 | 4,829 |
| Accumulated depreciation | (2,623) | (3,833) |
| Lease assets, net | 2,206 | 996 |
| Construction in progress | 71,097 | 126,237 |
| Total property, plant and equipment | 1,638,018 | 1,627,746 |

(Amount unit: Millions of yen)

| | As of March 31, 2011 | As of March 31, 2012 |
|---|---|---|
| Intangible assets | | |
| Right of using submarine line facilities | 4,543 | 4,949 |
| Right of using facilities | 8,988 | 10,457 |
| Software | 190,819 | 173,835 |
| Goodwill | 12,182 | 7,752 |
| Patent right | 1 | 1 |
| Leasehold right | 1,420 | 1,426 |
| Other intangible assets | 2,348 | 2,297 |
| Total intangible assets | 220,304 | 200,720 |
| Total noncurrent assets-telecommunications business | 1,858,323 | 1,828,467 |
| Incidental business facilities | | |
| Property, plant and equipment | | |
| Property, plant and equipment | 14,700 | 25,102 |
| Accumulated depreciation | (9,316) | (10,180) |
| Property, plant and equipment, net | 5,384 | 14,921 |
| Total property, plant and equipment | 5,384 | 14,921 |
| Intangible assets | | |
| Total intangible assets | 7,076 | 10,629 |
| Total noncurrent assets-incidental business | 12,461 | 25,551 |
| Investments and other assets | | |
| Investment securities | 72,948 | 82,939 |
| Stocks of subsidiaries and affiliates | 524,429 | 590,620 |
| Investments in capital | 1,025 | 434 |
| Investments in capital of subsidiaries and affiliates | 1,658 | 5,659 |
| Long-term loans receivable | 210 | 208 |
| Long-term loans receivable from subsidiaries and affiliates | 68,462 | 44,270 |
| Long-term prepaid expenses | 81,447 | 90,208 |
| Deferred tax assets | 123,832 | 99,064 |
| Other investment and other assets | 41,560 | 40,576 |
| Allowance for doubtful accounts | (7,765) | (8,772) |
| Total investments and other assets | 907,810 | 945,210 |
| Total noncurrent assets | 2,778,595 | 2,799,229 |
| Current assets | | |
| Cash and deposits | 112,633 | 55,257 |
| Notes receivable-trade | 29 | 30 |
| Accounts receivable-trade | 527,560 | 707,175 |
| Accounts receivable-other | 26,661 | 39,677 |
| Income taxes receivable | 32,691 | - |
| Short-term investment securities | 25,000 | 80,000 |
| Supplies | 54,100 | 61,018 |
| Prepaid expenses | 11,060 | 12,253 |
| Deferred tax assets | 54,703 | 50,986 |
| Short-term loans receivable to subsidiaries and affiliates | 30,643 | 56,073 |
| Other current assets | 3,343 | 3,454 |
| Allowance for doubtful accounts | (12,693) | (13,266) |
| Total current assets | 865,735 | 1,052,662 |
| Total assets | 3,644,330 | 3,851,891 |

(Amount Unit: Millions of yen)

| | As of March 31, 2011 | As of March 31, 2012 |
|---|---|---|
| Liabilities | | |
| Noncurrent liabilities | | |
| Bonds payable | 414,978 | 349,991 |
| Convertible bond-type bonds with subscription rights to shares | - | 200,916 |
| Long-term loans payable | 407,311 | 297,517 |
| Lease obligations | 1,046 | 206 |
| Provision for retirement benefits | 15,697 | 15,571 |
| Provision for point card certificates | 83,446 | 89,677 |
| Provision for warranties for completed construction | 3,732 | 2,569 |
| Asset retirement obligations | 1,955 | 1,865 |
| Other noncurrent liabilities | 35,907 | 33,652 |
| Total noncurrent liabilities | 964,075 | 991,967 |
| Current liabilities | | |
| Current portion of noncurrent liabilities | 125,574 | 174,791 |
| Accounts payable-trade | 53,813 | 75,500 |
| Short-term loans payable | 46,222 | 56,393 |
| Lease obligations | 1,270 | 839 |
| Accounts payable-other | 235,182 | 245,587 |
| Accrued expenses | 5,377 | 5,877 |
| Income taxes payable | 143 | 140,858 |
| Advances received | 67,539 | 59,321 |
| Deposits received | 19,238 | 17,200 |
| Provision for bonuses | 15,509 | 15,651 |
| Provision for directors' bonuses | 86 | 135 |
| Asset retirement obligations | 1,206 | 925 |
| Provision for loss on the Great East Japan Earthquake | 16,270 | 1,992 |
| Total current liabilities | 587,436 | 795,076 |
| Total liabilities | 1,551,512 | 1,787,043 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 141,851 | 141,851 |
| Capital surplus | | |
| Legal capital surplus | 305,676 | 305,676 |
| Other capital surplus | 61,415 | 61,427 |
| Total capital surpluses | 367,091 | 367,104 |
| Retained earnings | | |
| Legal retained earnings | 11,752 | 11,752 |
| Other retained earnings | | |
| Reserve for advanced depreciation of noncurrent assets | 579 | 627 |
| Reserve for special depreciation | 228 | 1,080 |
| General reserve | 1,381,033 | 1,570,933 |
| Retained earnings brought forward | 285,467 | 280,815 |
| Total retained earnings | 1,679,061 | 1,865,210 |
| Treasury stock | (125,244) | (346,163) |
| Total shareholders' equity | 2,062,760 | 2,028,002 |

(Amount Unit: Millions of yen)

| | As of March 31, 2011 | As of March 31, 2012 |
|---|---|---|
| Valuation and translation adjustments | | |
| Valuation difference on available-for-sale securities | 28,647 | 35,807 |
| Total valuation and translation adjustments | 28,647 | 35,807 |
| Subscription rights to shares | 1,410 | 1,037 |
| Total net assets | 2,092,818 | 2,064,847 |
| Total liabilities and net assets | 3,644,330 | 3,851,891 |

## (2) Statements of Income

(Amount unit: Millions of yen)

| | Year ended March 31, 2011 | Year ended March 31, 2012 |
|---|---|---|
| Operating income and loss from telecommunications | | |
| Operating revenue | | |
| Total operating revenue | 2,371,432 | 2,278,652 |
| Operating expenses | | |
| Business expenses | 573,806 | 595,968 |
| Operating expenses | 107 | 43 |
| Facilities maintenance expenses | 288,932 | 288,280 |
| Common expenses | 2,234 | 2,617 |
| Administrative expenses | 67,620 | 67,381 |
| Experiment and research expenses | 9,277 | 8,080 |
| Depreciation | 403,696 | 368,569 |
| Noncurrent assets retirement cost | 21,867 | 15,369 |
| Communication facility fee | 388,035 | 374,044 |
| Taxes and dues | 37,622 | 39,827 |
| Total operation expenses | 1,793,198 | 1,760,183 |
| Net operating income from telecommunication | 578,233 | 518,469 |
| Operating income and loss from incidental business | | |
| Operating revenue | 767,310 | 994,883 |
| Operating expenses | 917,274 | 1,080,912 |
| Net operating loss from incidental business | (149,964) | (86,029) |
| Operating income | 428,269 | 432,440 |
| Non-operating income | | |
| Interest income | 1,619 | 1,770 |
| Interest on securities | 111 | 170 |
| Dividends income | 3,964 | 9,792 |
| Miscellaneous income | 6,353 | 8,010 |
| Total non-operating income | 12,049 | 19,743 |
| Non-operating expenses | | |
| Interest expenses | 7,314 | 6,626 |
| Interest on bonds | 6,374 | 6,005 |
| Miscellaneous expenses | 3,701 | 4,976 |
| Total non-operating expenses | 17,390 | 17,608 |
| Ordinary income | 422,929 | 434,575 |
| Extraordinary income | | |
| Gain on sales of noncurrent assets | 1,313 | 171 |
| Gain on sales of investment securities | - | 137 |
| Gain on sales of subsidiaries and affiliates' stocks | 190 | - |
| Gain on sales of subsidiaries and affiliates' stocks | 364 | 123 |
| Gain on reversal of subscription rights to shares | 450 | 493 |
| Gain on stock exchange | - | 4,909 |
| Dividends due to liquidation of silent partnership contract | - | 6,976 |
| Gain on Provision for loss on the Great East Japan Earthquake | - | 6,814 |
| Total extraordinary income | 2,318 | 19,627 |

(Amount unit: Millions of yen)

| | Year ended March 31, 2011 | Year ended March 31, 2012 |
|---|---|---|
| Extraordinary loss | | |
| Loss on sales of noncurrent assets | - | 657 |
| Impairment loss | 51,565 | 8,515 |
| Loss on retirement of noncurrent assets | 31,054 | - |
| Loss on valuation of investment securities | 368 | 469 |
| Loss on sales of stocks of subsidiaries and affiliates | 815 | - |
| Loss on liquidation of subsidiaries | 40,858 | - |
| Loss on adjustment for changes of accounting standard for ass | 1,120 | - |
| Loss on the Great East Japan Earthquake | 17,557 | 4,049 |
| Total extraordinary losses | 143,341 | 13,692 |
| Income before income taxes | 281,906 | 440,510 |
| Income taxes-current | 40,434 | 162,284 |
| Income taxes-deferred | (15,351) | 28,389 |
| Total income taxes | 25,082 | 190,673 |
| Net income | 256,823 | 249,836 |

(3) Statements of Changes in Net Assets

(Amount unit: Millions of yen)

| | Year ended March 31, 2011 | Year ended March 31, 2012 |
|---|---|---|
| Shareholders' equity | | |
| Capital stock | | |
| Balance at the end of previous period | 141,851 | 141,851 |
| Balance at the end of current period | 141,851 | 141,851 |
| Capital surplus | | |
| Legal capital surplus | | |
| Balance at the end of previous period | 305,676 | 305,676 |
| Balance at the end of current period | 305,676 | 305,676 |
| Other capital surplus | | |
| Balance at the end of previous period | 61,415 | 61,415 |
| Disposal of treasury stock | - | 12 |
| Total changes of items during the period | - | 12 |
| Balance at the end of current period | 61,415 | 61,427 |
| Retained earnings | | |
| Legal retained earnings | | |
| Balance at the end of previous period | 11,752 | 11,752 |
| Balance at the end of current period | 11,752 | 11,752 |
| Other retained earnings | | |
| Reserve for advanced depreciation of noncurrent assets | | |
| Balance at the end of previous period | - | 579 |
| Changes of items during the period | | |
| Provision of reserve for advanced depreciation of noncurrent ass | 579 | 48 |
| Total changes of items during the period | 579 | 48 |
| Balance at the end of current period | 579 | 627 |
| Reserve for special depreciation | | |
| Balance at the end of previous period | 417 | 228 |
| Changes of items during the period | | 977 |
| Reversal of reserve for special depreciation | (189) | (125) |
| Total changes of items during the period | (189) | 852 |
| Balance at the end of current period | 228 | 1,080 |
| General reserve | | |
| Balance at the end of previous period | 1,232,933 | 1,381,033 |
| Changes of items during the period | | |
| Provision of general reserve | 148,100 | 189,900 |
| Total changes of items during the period | 148,100 | 189,900 |
| Balance at the end of current period | 1,381,033 | 1,570,933 |
| Retained earnings brought forward | | |
| Balance at the end of previous period | 235,037 | 285,467 |
| Changes of items during the period | | |
| Dividends from surplus | (57,903) | (63,687) |
| Provision of reserve for special depreciation | - | (977) |
| Reversal of reserve for special depreciation | 189 | 125 |
| Provision of reserve for advanced depreciation of noncurrent assets | (579) | (48) |
| Provision of general reserve | (148,100) | (189,900) |
| Net income | 256,823 | 249,836 |

(Amount unit: Millions of yen)

| | Year ended March 31, 2011 | Year ended March 31, 2012 |
|---|---|---|
| Total changes of items during the period | 50,430 | (4,652) |
| Balance at the end of current period | 285,467 | 280,815 |
| Treasury stock | | |
| Balance at the end of previous period | (25,244) | (125,244) |
| Changes of items during the period | | |
| Purchase of treasury stock | (99,999) | (220,969) |
| Disposal of treasury stock | - | 50 |
| Total changes of items during the period | (99,999) | (220,919) |
| Balance at the end of current period | (125,244) | (346,163) |
| Total shareholders' equity | | |
| Balance at the end of previous period | 1,963,839 | 2,062,760 |
| Changes of items during the period | | |
| Dividends from surplus | (57,903) | (63,687) |
| Net income | 256,823 | 249,836 |
| Purchase of treasury stock | (99,999) | (220,969) |
| Disposal of treasury stock | - | 62 |
| Total changes of items during the period | 98,920 | (34,758) |
| Balance at the end of current period | 2,062,760 | 2,028,002 |
| Valuation and translation adjustment | | |
| Valuation difference on available-for-sale securities | | |
| Balance at the end of previous period | 29,981 | 28,647 |
| Changes of items during the period | | |
| Net changes of items other than shareholders' equity | (1,333) | 7,159 |
| Total changes of items during the period | (1,333) | 7,159 |
| Balance at the end of current period | 28,647 | 35,807 |
| Subscription rights to shares | | |
| Balance at the end of previous period | 1,475 | 1,410 |
| Changes of items during the period | | |
| Net changes of items other than shareholders' equity | (64) | (372) |
| Total changes of items during the period | (64) | (372) |
| Balance at the end of current period | 1,410 | 1,037 |
| Total net assets | | |
| Balance at the end of previous period | 1,995,296 | 2,092,818 |
| Changes of items during the period | | |
| Dividends from surplus | (57,903) | (63,687) |
| Net income | 256,823 | 249,836 |
| Purchase of treasury stock | (99,999) | (220,969) |
| Disposal of treasury stock | - | 62 |
| Net changes of items other than shareholders' equity | (1,398) | 6,787 |
| Total changes of items during the period | 97,521 | (27,970) |
| Balance at the end of current period | 2,092,818 | 2,064,847 |

# EXHIBIT B

Total Call Mobile

Lifeline Program Verification Form

(Internal Use Only)

App ID #: ____________________

Total Call mobile

LIFELINE PROGRAM VERIFICATION FORM
INTERNAL USE ONLY

Complete and store this form for all Lifeline applications received by Total Call Mobile ("TCM"). Fill in the information below based upon the application identified above. To qualify for Lifeline service from TCM, an applicant must meet the requirements under either Section 1 (Income-Based Eligibility) or Section 2 (Program-Based Eligibility) below.

## 1. INCOME-BASED ELIGIBILITY

a) Household Members: ______________ (fill in based on response in #3 of application)
b) Maximum Annual Household Income: $ ______________ (fill in based on response in #3 of application)
c) Customer Annual Household Income: $ ______________ (fill in based on response in #3 of application)
d) Documents reviewed (check all applicable)

- ☐ Divorce Decree / Child Support Documents
- ☐ Pay stubs (most recent three consecutive months)
- ☐ Retirement / Pension Benefits Statements
- ☐ Social Security Benefits Statements
- ☐ Unemployment / Worker's Compensation Benefits Statements
- ☐ Veterans Administration Benefits Statements
- ☐ W2 Statements

e) Based on my review of the documentation provided by the applicant, the applicant is:

__ Approved (i.e. the documentation indicates that the applicant earns less than the Maximum Annual Household Income threshold indicated above)
__ Denied (i.e. the documentation indicates that the applicant earns more than the Maximum Annual Household Income threshold indicated above)

## 2. PROGRAM-BASED ELIGIBILITY

a) Applicant indicated that the applicant is enrolled in the following programs that are eligible for Lifeline participation (must choose at least 1)

- ☐ Federal Public Housing / Section 8
- ☐ Food Supplement Program/ Food Stamps
- ☐ Low Income Home Energy Assistance Program
- ☐ Medicaid / Medical Assistance
- ☐ National School Lunch Program (free program only)
- ☐ Temporary Assistance for Needy Families
- ☐ Other State Program (list state and program name)
  State:______________ Program:______________

b) Documents reviewed (must choose at least 1)

- ☐ Notice letter of participation
- ☐ Program participation card / document
- ☐ Prior year's statement of benefits
- ☐ Other official document evidencing participation: ________________________________

c) Based on my review of the documentation provided by the applicant, the applicant is:

__ Approved (i.e. applicant has provided adequate evidence of enrollment in at least one of the programs listed in Section 2(a))

__ Denied (i.e. applicant has NOT provided adequate evidence of enrollment in one of the programs listed in Section 2(a))

## 3. Certification of Approval or Denial

In approving or denying the application identified above, I hereby certify that I reviewed the eligibility documentation provided by the applicant. If the applicant is approved, I certify that I have checked TCM's database to confirm no prior or duplicate approvals exist for this individual applicant or this applicant's household.

Signature: ____________________ Date: ______________
Print Name: ____________________

Based on the foregoing, the applicant was:

__ Approved for participation in the TCM Lifeline Program
Approval letter sent: ______________ By: ______________
__ Denied for participation in the TCM Lifeline Program
Denial letter sent: ______________ By: ______________

Complete and store this form for all Lifeline applications received by Total Call Mobile ("TCM"). Fill in the information below based upon the application identified above. To qualify for Lifeline service from TCM, an applicant must meet the requirements under either Section 1 (Income-Based Eligibility) or Section 2 (Program-Based Eligibility) below.

**1. Income-Based Eligibility**

a) Household Members: ______________ (fill in based on response in #3 of application)
b) Maximum Annual Household Income: $___________ (fill in based on response in #3 of application)
c) Customer Annual Household Income: $__________________ (fill in based on response in #3 of application)
d) Documents reviewed (check all applicable):

(choices listed here)

e) Based on my review of the documentation provided by the applicant, the applicant is:

__ Approved (i.e. the documentation indicates that the applicant earns less than the Maximum Annual Household Income threshold indicated above)
__ Denied (i.e. the documentation indicates that the applicant earns more than the Maximum Annual Household Income threshold indicated above)

**2. Program-Based Eligibility**

a) Applicant indicated that applicant is enrolled in the following programs that are eligible for Lifeline participation (must choose at least 1):

(choices listed here)

b) Documents reviewed (must choose at least 1):

(choices listed here)

c) Based on my review of the documentation provided by the applicant, the applicant is:

__ Approved (i.e. applicant has provided adequate evidence of enrollment in at least one of the programs listed in Section 2(a))
__ Denied (i.e. applicant has NOT provided adequate evidence of enrollment in one of the programs listed in Section 2(a))

**3. Certification of Approval or Denial**
In approving or denying the application identified above, I hereby certify that I reviewed the eligibility documentation provided by the applicant. If the applicant is approved, I certify that I have checked TCM's database to confirm no prior or duplicate approvals exist for this individual applicant or this applicant's household.

Signature: __________________________ Date: ____________________
Print Name: __________________________

Based on the foregoing, the applicant was:

__ Approved for participation in the TCM Lifeline Program
Approval letter sent: ___________ By: ___________
__ Denied for participation in the TCM Lifeline Program
Denial letter sent: _____________ By: ___________

# EXHIBIT C

Total Call Mobile

Customer Service Script

# Total Call Mobile - Customer Service Script

**Greeting: "Thank you for calling Total Call Mobile. This is (Representative Name). May I please have your name and the state you are calling from?"**
** Representative "Are you calling about a new application or to check the status of a previous application?"**

- **Make sure state is an approved state**
  If not ** Representative - "I am sorry, we are not currently providing service in your state. You can go to www.usac.org/li to find a provider in your state. Click on the Low Income Households section and then click on find a service provider in your state**
- **If status of application**: **Representative - "May I please have your address?"**
  - ✓ locate application
  - ✓ double check address (make sure the address is valid and correct)
  - ✓ relate the status to customer
  - ✓ note the contact on the account
- **If new application**: **Representative - "Great! Thank you for calling Total Call Mobile."** and perform the following validations.
  a) "Are you the head of household?" If not then, "We can only provide service to the head of household. Please have the head of household call us and we'd be happy to sign them up." If yes, go to (b).
  b) "Do you currently have wireless or home phone service?" If no, skip the remaining questions and process application.
  c) (if yes) "Is that a subsidized service or do you pay full price?"
  d) (if subsidized) "Is this phone under the Lifeline program? The Lifeline program is only available for one phone per household." If yes go to (e), if they don't know go to (f), if no, go to (g).
  e) "We cannot provide you with a second Lifeline phone. If there is a problem with that service or you want to be on our service, you must first disconnect your service with your other provider and then call back to establish service with us."
  f) "Can I ask who your provider is?" Check against the larger Lifeline providers (Exhibit D, updated from time-to-time).
  g) (if not subsidized) "Can I ask who your provider is?" Check against the larger Lifeline providers (Exhibit C, updated from time-to-time).

If it is evident that they don't already have Lifeline service then proceed for the application.

# EXHIBIT D

Model Application/Certification Form (Maryland)

Channel ID: ____________
(If Applicable)

Total Call mobile

# LIFELINE PROGRAM FOR THE STATE OF MARYLAND

To apply for Lifeline through Total Call Mobile, please complete this form and submit it to the address at the bottom of the form. For more information or assistance, call 1-800-661-7391. ***When you submit this application, you must include the supporting documentation indicated below. Supporting documentation will not be returned.***

## 1. CUSTOMER INFORMATION

First Name: ____________ Last Name: ____________

Home Address: ____________ City: ________ State: ________ Zip Code: ________
(P.O. Box NOT sufficient)

Home Address: ☐ Permanent ☐ Temporary Date of Birth (MM/DD/YYYY): ____________

Billing Address, if different from above: ____________ City: ________ State: ________ Zip Code: ________
(P.O. Box IS sufficient)

Last 4 Digits of SSN: ____________ Public Aid Case Number (if applicable): ____________

Phone Number: (_____) - _____ - ____________ E-mail: ____________

## 2. PROGRAM-BASED ELIGIBILITY

To qualify for Lifeline, you must complete either this Section or Section #3 below. Check all program(s) that the person in Section #1 is enrolled in. ***If you are qualifying for Lifeline under this Section (i.e. by being enrolled in at least one of the following programs), you must provide current proof of program participation with this application.*** If any member of your household is a National School Lunch participant, you can check the box for that program.

- ☐ Electric Universal Service Program
- ☐ Federal Public Housing / Section 8
- ☐ Food Supplement Program/ Food Stamps
- ☐ Low Income Home Energy Assistance Program
- ☐ Maryland Energy Assistance Program
- ☐ Medicaid / Medical Assistance
- ☐ National School Lunch Program (free program only)
- ☐ Public Assistance to Adults
- ☐ Supplemental Security Income
- ☐ Temporary Assistance for Needy Families
- ☐ Temporary Cash Assistance
- ☐ Temporary Disability Assistance Program

## 3. INCOME-BASED ELIGIBILITY

To qualify for Lifeline, you must complete either this Section or Section #2 above. To qualify based upon your household income, the income of all your household members must be less than the amount indicated in the table below. If your household size is greater than 8, the maximum annual household income to qualify for Lifeline is the income indicated for 8 household members plus $5,157 for each additional household member.

| Household Members: *(check the box which applies)* | ☐1 | ☐2 | ☐3 | ☐4 | ☐5 | ☐6 | ☐7 | ☐8 | ___ Specify |
|---|---|---|---|---|---|---|---|---|---|
| Maximum Annual Household Income: | $14,702 | $19,859 | $25,016 | $30,173 | $35,330 | $40,487 | $45,644 | $50,801 | $________ |
| Customer Annual Household Income: $ ________ | | | | | | | | | |

***If you qualify for Lifeline under this Section, attach the prior year's state or federal tax return for each household member or your most recent statements of income from the following sources:***

- Divorce Decree / Child Support Documents
- Paystubs (most recent three consecutive months)
- Retirement / Pension Benefit Statements
- Social Security Benefits Statements
- Unemployment / Workers' Compensation Benefits Statements
- Veterans Administration Benefits Statements
- W2 Statements

*Continued on Next Page*

## 4. LIFELINE PLAN SELECTION

Please check the box for the monthly plan that you would like to sign up for (you may change your plan at the end of any month by calling 1-800-661-7391):

☐ PLAN 1 (150 minutes including select international calls for free)

☐ PLAN 3 Unlimited Talk & Text for $26.49 (regularly $39.99)

☐ PLAN 2 (250 domestic minutes for free)

☐ PLAN 4 Unlimited Talk, Text & Data for $36.49 (regularly $49.99)

## 5. MULTIPLE HOUSEHOLDS AT THE SAME ADDRESS

☐ If you reside at an address occupied by multiple households, including adults who do not contribute income to your household and/or share in your household's expenses, please contact Total Call Mobile and you will be provided an additional form to complete. I certify that I reside at an address occupied by multiple households and have completed an additional form.

## 6. ACTIVATION AND USAGE REQUIREMENTS

Total Call Mobile Lifeline Plans are a prepaid service. When you receive your phone, contact Total Call Mobile at 611 to activate. To keep your account active, you must use your Lifeline service at least once during any 60 day period by completing an outbound call, purchasing additional minutes, answering an in-bound call from someone other than Total Call Mobile, or by responding to a direct contact from Total Call Mobile confirming that you want to continue receiving Lifeline service with Total Call Mobile. If your service goes unused for 60 days, you will no longer be eligible for Lifeline benefits and your service will be suspended (allowing only 911 calls and calls to customer service) subject to a 30-day cure period during which you can contact Total Call Mobile to confirm that you want to continue receiving Lifeline service from Total Call Mobile.

By signing and initialing each box below, I affirm that the information contained on this form is true and correct under penalty of perjury:

**7. SIGNATURE** ______________________________ Date: ______________________________
(Required)

______ The information contained within this enrollment form is true and correct. I further acknowledge that Lifeline is a federal benefit program and that providing false or fraudulent statements or documentation in order to receive Lifeline is punishable by law, including fines, imprisonment, de-enrollment, or being barred from the Lifeline program.

______ I meet the income-based or program-based eligibility criteria for receiving Lifeline service and have provided documentation of eligibility as required by this enrollment form.

______ I understand that Lifeline is only available for one landline or one wireless phone per household (not both); a violation of this requirement would constitute a violation of law and would result in my de-enrollment from the Lifeline program.

______ My household is not already receiving Lifeline service from another company. I certify that I am the head of my household and understand that, for the purposes of the Lifeline program, a household is an individual or group of individuals who live together at the same address and share the same income and expenses.

______ I understand that I may be required to verify my continued eligibility for the Lifeline program at any time and that failure to do so will result in de-enrollment.

______ The address listed in this form is my primary residence, not a second home or a business. If I move to a new address, I will notify Total Call Mobile within 30 days. If I checked "Temporary" address in Section 1 above, I acknowledge that I must recertify my address every 90 days.

______ I will notify Total Call Mobile within 30 days if for any reason I no longer satisfy the criteria for receiving Lifeline including, as relevant, if I no longer meet the income-based or program-based criteria, I begin receiving more than one Lifeline benefit, or another member of my household starts receiving a Lifeline benefit. I understand that I may be subject to penalties if I fail to follow this requirement.

______ I authorize Total Call Mobile to access my records in order to verify eligibility as required by federal or state agencies. I understand that my information (specifically, my full name, address, date of birth and the last four digits of my social security number) will be transmitted to administrators managing state and/or federal databases.

______ Lifeline is not transferable. I will only use this phone for my family's own use and will not resell it, or give it to others.

______ In addition, I acknowledge that Lifeline enrollment may be terminated by Total Call Mobile in the event that federal or state Lifeline Programs are changed or terminated, if I no longer qualify for Lifeline, If Total Call Mobile discontinues its Lifeline participation, if I do not use the Lifeline phone for 60 days, or if I breach the terms and conditions at totalcallmobile.com/lifeline.

**Please mail this application, with supporting documentation to:**

Total Call Mobile, Lifeline Program
1411 W. 190th Street, Suite 700, Gardena, CA 90248

# EXHIBIT E

Sample Lifeline Brochure

Total Call mobile

# Free Mobile Phone and Free Service

Through the government-supported Lifeline program, you may qualify for free service. See inside for details. This is a state of Maryland brochure.

## Lifeline Plans

For more information or to sign up, call 1-800-661-7391.

If you qualify for the Lifeline program in the state of Maryland, you can choose from the Lifeline Plans below. All of Total Call Mobile's Lifeline Plans have the following features:

- A free phone (provided by Total Call Mobile). Call customer service for upgrade options.
- Free customer service calls.
- Free voicemail and caller id.
- Free 911 and balance inquiry calls.
- For additional minutes, text messages, or international calls, load an "Anytime Plan" refill as described on the back of this brochure or call customer service.

### Plan 1: 150 minutes per month (for domestic & select international calls)

- 150 minutes per month (for domestic & select international calls) at no cost to you.
- Plan minutes expire after 30 days.
- Additional minutes are $0.10 per minute.
- Text messages are $0.05 per text.
- For details on select international calls that have no extra charges, see the back of this brochure.

### Plan 2: 250 minutes per month (for domestic calls)

- 250 minutes per month (for domestic calls) at no cost to you.
- Plan minutes expire after 30 days.
- Additional minutes are $0.10 per minute.
- Text messages are $0.05 per text.
- No international calls are included in this plan.

### Plan 3: Discounted Plans (discount varies by state)

- You can purchase the Unlimited Talk & Text plan for $26.49 (regularly $39.99 for 30 days) or the Unlimited Talk, Text & Data plan for $36.49 (regularly $49.99 for 30 days). For plan details, see the back of this brochure. Please call customer service for additional information or to select this option.
- No international calls are included in these plans.

## Lifeline Eligibility

Eligibility criteria varies by state. For the state of Maryland, you are eligible for Lifeline if you participate in one of these programs:

| | |
|---|---|
| Electric Universal Service Program | National School Lunch Program (free program only) |
| Federal Public Housing / Section 8 | Public Assistance to Adults |
| Food Supplement Program / Food Stamps | Supplemental Security Income |
| Low Income Home Energy Assistance Program | Temporary Assistance for Needy Families Program |
| Maryland Energy Assistance Program | Temporary Cash Assistance |
| Medicaid / Medical Assistance | Temporary Disability Assistance Program |

You also qualify for Lifeline in the state of Maryland, if your income is less than 135% of the Federal Poverty Guidelines.

| Number In Household | Household Annual Income |
|---|---|
| 1 | $14,702 |
| 2 | $19,859 |
| 3 | $25,016 |
| 4 | $30,173 |

For details or to determine if you qualify, call us at 1-800-661-7391. Only one person per household may sign up for Lifeline. If your Lifeline Plan is not used for sixty (60) days, it will be terminated.

## Lifeline Terms & Conditions

Comprehensive terms and conditions for the Total Call Mobile ("TCM") Lifeline Plans are available at www.totalcallmobile.com. All terms and conditions of service as described herein and on the reverse of this brochure apply to services provided under the Lifeline Plans. Customers understand and agree that by signing up for a Lifeline Plan with Total Call Mobile, they may not have a Lifeline plan with any other carrier (wireless or landline) and further agree to comply with any documentation or verification necessary to confirm that they qualify for Lifeline. In addition, Customer acknowledges that Lifeline Plan enrollment may be terminated at anytime by TCM in the event that the federal or state Lifeline Programs are changed or terminated, if Customer no longer qualifies for Lifeline, if TCM discontinues its Lifeline Plans, or if Customer breaches the terms and conditions. TCM, at its sole discretion, will determine whether or not a Customer is eligible for a Lifeline Plan. To remain qualified for a Lifeline Plan, Customer must successfully complete an annual verification. If Customer fails to complete annual verification within sixty (60) days of the required verification date, Customer will be de-enrolled from the Lifeline Plan. Customer agrees not to give away, resell, or offer to resell the TCM Lifeline phone or service. TCM Lifeline Plans are supported by the government assistance "Lifeline" program. Proof of eligibility is required, such as eligible program card or statement of benefits. If you willfully make false statements in order to obtain a TCM Lifeline Plan, you can be punished by fine or imprisonment or can be barred from the program.

# International Texting & Calling

Call worldwide with Total Call Mobile by dialing 011 and the destination. On the Anytime Plan and Lifeline Plan 1, there is no extra charge to call certain cities in the countries listed below. Call 1-800-661-7391 for international rates on other plans or to other destinations. To make international calls, you must have Anytime Plan balance. Also, standard text message rates apply to messages sent worldwide.

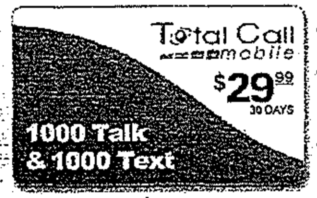
| | | |
|---|---|---|
| Argentina | Hungary | Singapore |
| Australia | India | South Korea |
| Austria | Ireland | Spain |
| Brazil | Israel | Sweden |
| Canada | Italy | Switzerland |
| China | Mexico | Taiwan |
| Cyprus | Netherlands | Thailand |
| Denmark | New Zealand | United Kingdom |
| France | Norway | US Guam |
| Germany | Peru | US Puerto Rico |
| Greece | Poland | US Saipan |
| Hong Kong | Portugal | US Virgin Island |

# Non-Lifeline Plans

## Anytime Plan

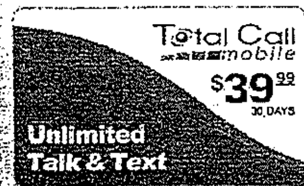

- 10¢ per minute
- 5¢ per text
- Available at $5, $10 or $20
- Good for 90 Days

## 1000 Talk & 1000 Text



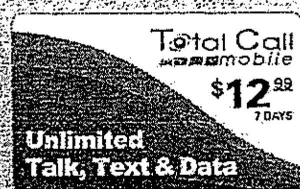

- 1000 minutes
- 1000 text messages
- Good for 30 days

## Unlimited Talk & Text




- Unlimited talk & text
- Good for 30 days

## Unlimited Talk, Text & Data




- Unlimited talk, text & data
- $12.99 for 7 days
- $24.99 for 15 days
- $49.99 for 30 days

All plans include voicemail, caller ID, and domestic long distance. For more information, call 1-800-661-7391 or visit www.totalcallmobile.com.

# Refill Options

1. Buy refills from the store where you purchased your handset.
2. Call 1-800-661-7391 to refill by credit card or debit card.
3. Visit a Western Union "prepaid service" location and enter "totalcall" in Box 1 of the prepaid services form. Enter $10 or $20 (Anytime), $29.99 (1000 Talk & 1000 Text), or $24.99 or $49.99 (Unlimited Talk, Text & Data). For locations, call 1-800-325-6000.
4. Visit your local e-pin store (wireless store or market).

# Service Terms & Conditions

Comprehensive terms and conditions are available at www.totalcallmobile.com. Total Call Mobile ("TCM") service is for personal use within the United States. "Unlimited" does not mean unreasonable use. Unreasonable use includes but is not limited to conference calling, monitoring services, abnormally large data transmissions, broadcast, telemarketing, autodialed calls, commercial uses, an abnormally high number of calls/messages or abnormally long calls, tethering to another device for data transmission, or any other usage that interferes with TCM service/network resources. Data is only available with select handsets. TCM data plans may not be used with smart phones/PDA devices unless the plan is explicitly identified for such devices. International calls are charged at the applicable rate plus air time. Advertised international rates and "Free International Locations" do not apply to calls made to foreign mobile phones or to off network/special locations and in some instances may be higher. The "Free International Locations" promotion only applies when using the Anytime Plan (i.e. 10¢ per minute) or Lifeline Plan 1 (i.e. 150 minutes). Otherwise these locations cost 2¢ per minute plus airtime. TCM reserves the right to limit picture message size at any time. Government tal taxes and fees will be charged where applicable. Plans, rates and fees are subject to change without notice. For more information, current rates, and a complete list of the "Free International Locations", please call 1-800-661-7391 or visit our website. The rates herein are valid as of January 31, 2012. TCM marks contained herein are trademarks of Total Call Mobile, Inc., and/or its affiliated companies. All copy in this brochure is copyright protected under applicable law. TCM reserves all rights with regard to TCM intellectual property.

# EXHIBIT F

Lifeline Service Offering

## Service Offering

TCM's Lifeline offering proposes to give eligible customers three Lifeline Plan choices:

**Option 1: Lifeline 150 Minute Plan***
150 anytime minutes per month
(additional usage priced at 10 cent minutes, texts are 5 cents per text message)
Net cost to Lifeline customer: $0 (free)

*This package includes:

- Free handset
- Free Voicemail and Caller-ID
- Free calls to Customer Service
- Free calls to 911 emergency services
- Free balance inquiries
- No additional charge for international calling to the 250 locations listed on Exhibit E (i.e. only the standard per minute rate applies)
- International calls to other destinations require additional funds based on call destination

**Option 2: Lifeline 250 Minute Plan***
250 anytime minutes per month
(additional usage priced at 10 cent minutes, texts are 5 cents per text message)
Net cost to Lifeline customer: $0 (free)

*This package includes:

- Free handset
- Free Voicemail and Caller-ID
- Free calls to Customer Service
- Free calls to 911 emergency services
- Free balance inquiries
- International calls require additional funds based on call destination.

**Option 3: Lifeline Credit - Discount Plan***
Lifeline eligible customers may choose the 30-day Unlimited Talk & Text plan or the 30-day Unlimited Talk, Text & Data at a discount off of retail. Said discount will differ based on the customer's state (ranging from $10 - $20). Additional details regarding TCM's plans can be found at www.totalcallmobile.com/rateplans_monthly.aspx.

*This package includes:

- Free handset
- Free Voicemail and Caller-ID
- Free calls to Customer Service
- Free calls to 911 emergency services
- Free balance inquiries

# EXHIBIT G

Lifeline 150 Minute Plan
Free International Calling Destinations

**Free International Calling Destinations on the Lifeline 150 Minute Plan** (Certain special or off-network locations may be excluded from the Free International Calling Destinations; (calls to landline phones only unless explicitly indicated otherwise)

List includes over 250 locations worldwide and 30 countries. Locations are subject to change from time to time. Please visit totalcallmobile.com for an updated list.

**Featured Countries**

| | | |
|---|---|---|
| Argentina | Greece | Norway |
| Argentina-Buenos Aires | Greece-Athens | Peru |
| Argentina-Cordoba | Hong Kong | Peru-Lima |
| Argentina-Mendoza | Hong Kong-Cellular | Poland |
| Argentina-Rosario | Hungary | Poland-Warsaw |
| Australia | Hungary-Budapest | Portugal |
| Australia-Melbourne | India | Singapore |
| Austria | India-Ahmedabad | Singapore-Cellular |
| Brazil | India-Bangalore | South Korea |
| Brazil-Belo Horizonte | India-Bombay | South Korea-Seoul |
| Brazil-Campinas | India-Calcutta | Spain |
| Brazil-Rio de Janeiro | India-Cellular | Sweden |
| Brazil-Sao Paolo | India-Hyderbad | Switzerland |
| Canada | India-Madras | Taiwan |
| China | India-New Delhi | Taiwan-Taipei |
| China-Beijing | India-Pune | Thailand |
| China-Cellular | India-Punjab | Thailand-Bangkok |
| China-Guangzhou | Ireland | Thailand-Cellular |
| China-Shanghai | Israel | United Kingdom |
| Cyprus | Italy | US Guam |
| Denmark | Mexico (city list which follows) | US Puerto Rico |
| France | Netherlands | US Saipan |
| France-Paris | Netherlands-Amsterdam | US Virgin Islands |
| Germany | New Zealand | |

## Free International Calling Destinations on the Lifeline 150 Minute Plan (continued)

Mexico City List

Guadalajara
Ciudad de Mexico
Monterrey
Acaponeta
Acapulco
Actopan
Agua Prieta
Aguascalientes
Allende
Apatzingan
Apizaco
Arcelia
Atlacomulco
Atliaca/Tixtla
Atlixco
Autlan
Bahia de Huatulco
Cabo San Lucas
Caborca
Cadereyta Jimenez
Campeche
Cananea
Cancun
Celaya
Cerralvo
Cheumal
Chihuahua
Chilapa
Chilpancingo
Cintalapa de Figueroa
Ciudad Acuna
Ciudad Altamirano
Ciudad Camargo B
Ciudad Constitucion
Ciudad Cuauhtemoc
Ciudad del Carmen
Ciudad Delicias
Ciudad Guzman
Ciudad Hidalgo
Ciudad Juarez
Ciudad Lazaro Cardenas
Ciudad Mante
Ciudad Obregon
Ciudad Sahagun
Ciudad Valles
Ciudad Victoria
Coatzacoalcos
Colima
Cordoba
Cosamaloapan
Cozumel
Cuautla
Cuernavaca
Culiacan
Durnago
Encarnacion de Diaz
Ensenda
Estación Manuel
Fresnillo
General Tapia
Guamuchil
Guanajuato
Guasave
Guaymas
Guerrero Negro/Santa Rosa
Hermosillo
Heroica Ciudad de Ures
Hidalgo
Huatabampo
Huetamo
Huimanguiillo
Huitzuco
Iguala
Irapuato
Ixtapan de la Sal
Ixtlan del Rio
Izucar de Matamoros
Jalapa
Jalpa
Jerez de Garcia Salinas
Jojutla
Juchitan
La Barca
La Paz
La Piedad
Lago de Moreno
Leon
Lerdo de Tejada
Lerma
Linares
Los Mochis
Los Reyes
Magdelena
Manuel
Manuel Ojinaga
Manzanillo
Martinez de la Torre
Matamoros
Matehuala

## Free International Calling Destinations on the Lifeline 150 Minute Plan (continued)

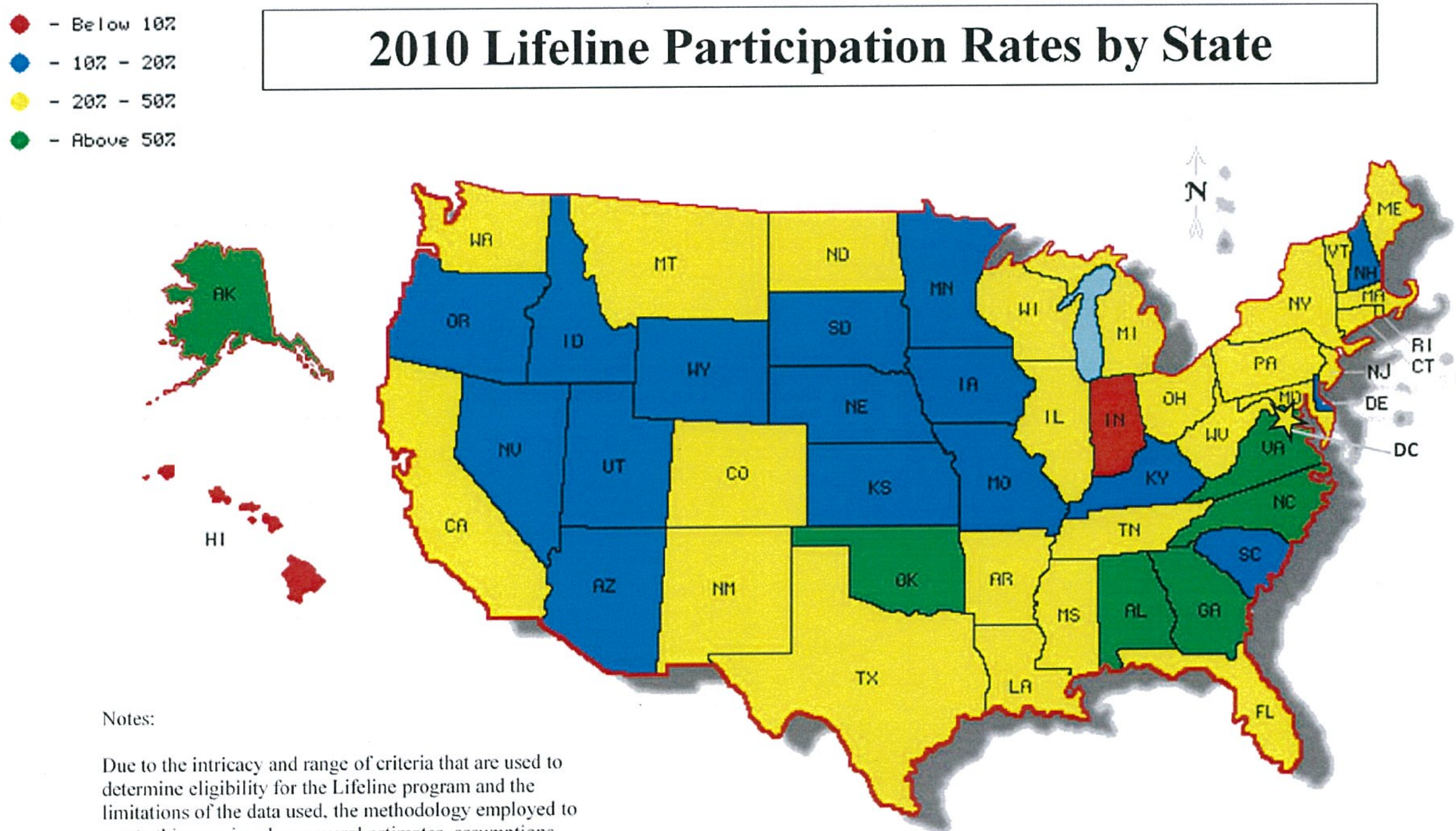
Mexico City List (continued)

Mazatlan
Merida
Mexicali
Minatitlan
Monclova
Moelia
Moroleon
Nacozari de Garcia
Navojoa
Nogales
Nuevo Casas Grandes
Nuevo Laredo
Oaxaca de Juarez
Ocotlan
Ometepec
Orizaba
Pachuca
Palenque
Parral
Parras de la Fuente
Patzcuaro
Penjamo
Petatlan
Piedras Negras
Playas de Rosarito
Poza Rica de Hgo
Puebla
Puerto Penasco
Puerto Vallarta
Puruandiro
Queretaro
Quimichis/Tecuala
Reynosa
Rio Grande
Rio Verde
Sabinas
Sahuayo
Salamanca
Saltillo
Salvatierra
San Andres Tuxtla
San Cristobal de las Casas
San Fernando
San Jose de Gracia
San Jual del Rio
San Luis de La Paz
San Luis Potosi
San Luis Rio Colorado
San Martin Pachivia/Teloloapa
San Miguel de Allende
San Quintin
Santa Ana
Santa Rosalia de Camargo
Santiago Ixcuintla
Santiago Papasquiaro
Santiago Tianguistenco
Silao
Tala
Tampico
Tapachula
Taxco
Tecate
Tecoman
Tecpan de Galeana
Tehuacan
Tenancingo
Tenango del Aire/Tlalmanalco
Tepatitlan
Tepic
Tequila
Texcoco
Teziutlan
Ticul
Tijuana
Tizayuca
Tizimin
Tlapa de Comonfort/
Alcozauca de Gro.
Tlaxcala
Toluca
Torreon
Tula
Tulancingo
Tuxpan
Tuxtepec
Tuxtla Guttierez
Uruapan
Valle de Bravo
Veracruz
Villa Flores
Villahermosa
Yurecuaro
Zacapu
Zacatecas
Zamora
Zihuatanejo
Zinapecuaro
Zitacuaro
Zumpango

# EXHIBIT 6

## 2010 Lifeline Participation Rates by State

# 2010 Lifeline Participation Rates by State




Notes:

Due to the intricacy and range of criteria that are used to determine eligibility for the Lifeline program and the limitations of the data used, the methodology employed to create this map involves several estimates, assumptions, simplifications, and omissions. Therefore, the rates generated on this map should be treated as estimates only.

2-15-11

# EXHIBIT 7

## Wire Center List

WC_Code_Minnesota
ALVDMNXA
BECDMNXB
BENAMNXB
BGLYMNXB
BLKDMNXB
BLTRMNXB
BMDJMNBE
BRKSMNXB
BYLDMNXB
CKTNMNCR
CLMXMNXC
CSSLMNCL
ERSKMNXA
FARGNDBC
FDDMMNXF
FETNMNXF
FRTLMNXF
FSHRMNXF
FSTNMNXF
GDFRNDBC
GDRGMNXG
GLLYMNXG
HLSTMNXH
HOLTMNXH
HTRDMNXH
ITSPMNXA
LAPTMNXL
LGVLMNXL
LNGBMNXL
LNRDMNXL
MCINMNXM
MHNMMNMA
MNRVMNXM
MNTRMNXM
MPBAMNXM
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MLVLMNXM
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RSFRMNXR
SPVYMNXA
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WBSHMNWA
WINOMNWI
WYKFMNXW
ZMFLMNXZ

# EXHIBIT 8

## Key Management Resumes

## MANAGEMENT INFORMATION

**Masaaki Nakanishi, President and Chief Executive Officer**
Mr. Nakanishi became the President and Chief Executive Officer of Total Call International, Inc., in January 2012, where he directs and oversees the operations of Total Call International and its affiliate companies. Along with his position at Total Call International, Mr. Nakanishi also holds the positions of President and Chief Executive Officer of KDDI America, Inc., and Telehouse International Corporation of America, both headquartered in New York. Prior to holding his current positions, he held senior executive positions with KDDI Corporation, headquartered in Japan, and has extensive experience in the telecommunications industry, dating back to 1975, when he first joined the KDDI group of companies. With over thirty-five years of experience, Mr. Nakanishi provides substantial depth of knowledge regarding the business, technical and managerial experience of the telecommunications industry to Total Call International. Mr. Nakanishi received his B.A. in Law from Sophia University in Japan.

**Hideki Kato, Chief Operating Officer**
As Chief Operating Officer, Mr. Kato is responsible for overseeing all business operations of Total Call International. Prior to joining Total Call International in 2012, Mr. Kato worked for KDDI Corporation in Japan for 19 years, and his latest assignment was as a Manager of the Post Merger Integration Group. While based in Tokyo, Mr. Kato also served as a member of the board of directors of various overseas affiliated companies, including Mobicom Corporation in Mongolia and Vostok Telecom in Russia. Mr. Kato received his B.A. in Law from the University of Tokyo.

**Masato Takei, Chief Financial Officer**
As Chief Financial Officer, Mr. Takei is responsible for overseeing the financial activities and planning of Total Call International. Prior to his current position with Total Call International, Mr. Takei served as the General Manager, Accounting and Finance Department at KDDI Corporation in Tokyo, Japan. Mr. Takei also currently holds the position of Vice President, Corporate Planning and Administration at KDDI America, Inc., in New York, New York. Mr. Takei received a Bachelor of Laws from Kwansei Gakuin University in Japan.

**Voltaire Hernandez, Chief Sales and Marketing Officer**
As Chief Sales and Marketing Officer, Mr. Hernandez is responsible for overseeing the sales channels, sales team and maintenance of all prepaid long distance and prepaid mobile products and services. He was previously the Vice President of Sales and Marketing, having achieved the position in July of 2002. Mr. Hernandez joined Total Call International as a Retail Sales Manager in January of 2000 with a focus on retail distribution of prepaid cards. Mr. Hernandez has a strong background in sales and established a multi-million dollar nationwide distribution system for prepaid phone cards in less than a year.

**Robert Yap, Chief Legal/Administrative Officer and Corporate Secretary**
As Chief Legal/Administrative, Mr. Yap is responsible for overseeing all transactional, litigation, regulatory, and governmental affairs matters for Total Call International. Mr. Yap also serves as the Corporate Secretary of the company. Prior to joining Total Call International in 2007, Mr. Yap was a practicing attorney at Artiano & Guzman (2001-2007) and at McDermott, Will & Emery (1999-2001). Mr. Yap received his B.A. in Economics from Northwestern University and his J.D., with honors, from George Washington University School of Law.

**Yuichi Yokoyama, Vice President of Human Resources and Administration**
Mr. Yokoyama is the Vice President of Human Resources and Administration for Total Call International, and has been in his current position since January 2012. In his position, Mr. Yokoyama oversees the management of the Human Resources and Administration departments within Total Call International. Prior to joining Total Call International in 2012, Mr. Yokoyama worked for KDDI Corporation in Japan

for over twenty years. His most recent assignment with KDDI Corporation was as a Manager of Post-Merger Integration Group. While based in Japan, Mr. Yokoyama also served in the Consumer Business Unit for four years. Mr. Yokoyama brings his wealth of experience and depth of knowledge to the Total Call International team. Mr. Yokoyama received his B.A. in Business Administration from Meiji University in Japan.