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As filed with the Securities and Exchange Commission on July 24, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

(Amendment No. 3)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2008

Commission File No. 0-20570

IAC/INTERACTIVECORP

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**59-2712887** (I.R.S. Employer Identification No.)
555 West 18th Street, New York, New York (Address of Registrant's principal executive offices)	**10011** (Zip Code)

(212) 314-7300
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of exchange on which registered
Common Stock, par value $0.001	The Nasdaq Stock Market LLC (Nasdaq Select Global Market)

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No o

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes o No ☒

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§229.405 of this chapter) during the preceeding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No ☒

As of January 30, 2009, the following shares of the Registrant's Common Stock were outstanding:

Common Stock	128,147,467
Class B Common Stock	12,799,999
Total	140,947,466

The aggregate market value of the voting common stock held by non-affiliates of the Registrant as of June 30, 2008 was $3,601,156,029. For the purpose of the foregoing calculation only, all directors and executive officers of the Registrant are assumed to be affiliates of the Registrant.

Documents Incorporated By Reference:

Portions of the Registrant's proxy statement for its 2009 Annual Meeting of Stockholders are incorporated by reference into Part III herein.

EXPLANATORY NOTE

The Registrant hereby amends and restates Note 16 "Reconciliation to U.S. GAAP" set forth in Exhibit 99.1, Financial Statements of Jupiter Shop Channel Co., Ltd. for the 15 month period ended March 31, 2009 and the years ended December 31, 2007 and 2006, contained in IAC/InterActiveCorp's Annual Report on Form 10-K for the year ended December 31, 2008, as amended by Amendment Nos. 1 and 2 thereto (the "Original Form 10-K"). This Amendment No. 3 on Form 10-K/A to the Original Form 10-K is being filed to reflect Note 16 on an audited basis as of and for the 15 month period ended March 31, 2009 and to amend the "Report of Independent Registered Public Accounting Firm" to address Note 16 which was previously unaudited.

This Amendment No. 3 only reflects the changes discussed above. No other information included in the Original Form 10-K has been amended by this Form 10-K/A, whether to reflect any information or events subsequent to the filing of the Original Form 10-K or otherwise.

PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

***(a)*(3) Exhibits**

The documents set forth below, numbered in accordance with Item 601 of Regulation S-K, are filed or furnished herewith or incorporated herein by reference to the location indicated.

Exhibit No.	Description	Location
2.1	Separation and Distribution Agreement, dated as of August 20, 2008, by and among IAC/InterActiveCorp, HSN, Inc., Interval Leisure Group, Inc., Ticketmaster and Tree.com, Inc.	Exhibit 10.1 to the Registrant's Current Report on Form 8-K, filed on August 22, 2008.
3.1	Restated Certificate of Incorporation of IAC/InterActiveCorp.	Exhibit 3.1 to the Registrant's Registration Statement on Form 8-A/A, filed on August 12, 2005.
3.2	Certificate of Amendment of the Restated Certificate of Incorporation of IAC/InterActiveCorp.	Exhibit 3.1 to the Registrant's Current Report on Form 8-K, filed on August 22, 2008.
3.3	Amended and Restated By-laws of IAC/InterActiveCorp.	Exhibit 3.1 to the Registrant's Current Report on Form 8-K, filed on July 2, 2008.
4.1	Indenture (relating to the 7% Senior Notes due 2013), dated as of December 16, 2002, among the Registrant, USANi LLC, as Guarantor, and The Bank of New York (successor in interest to JPMorgan Chase Bank), as Trustee.	Exhibit 4.1 to the Registrant's Registration Statement on Form S-4 (No. 333-102713), filed on January 24, 2003.
4.2	Form of 7% Senior Notes due 2013.	Exhibit B to Exhibit 4.1 to the Registrant's Registration Statement on Form S-4 (No. 333-102713), filed on January 24, 2003.
4.3	Supplemental Indenture, dated as of August 7, 2008, between IAC/InterActiveCorp (formerly known as USA Interactive), a Delaware corporation, and The Bank of New York Mellon (as successor to JPMorgan Chase Bank), as Trustee.	Exhibit 4.1 to the Registrant's Current Report on Form 8-K, filed on August 13, 2008.
4.4	In accordance with Item 601 (b) (4) (iii) (A) of Regulation S-K, certain instruments relating to long-term obligations of the Registrant have been omitted but will be furnished to the Commission upon request.	

Exhibit No.	Description	Location
4.5	Equity Warrant Agreement, dated as of May 7, 2002, between the Registrant and The Bank of New York, as equity warrant agent.	Exhibit 4.1 to the Registrant's Current Report on Form 8-K, filed on May 17, 2002.
10.1	Amended and Restated Governance Agreement, dated as of August 9, 2005, among the Registrant, Liberty Media Corporation and Barry Diller.	Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2005.
10.2	Amended and Restated Stockholders Agreement, dated as of August 9, 2005, between Liberty Media Corporation and Barry Diller.	Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2005.
10.3	Tax Sharing Agreement, dated as of August 20, 2008, by and among IAC/InterActiveCorp, Ticketmaster, Interval Leisure Group, Inc., HSN, Inc. and Tree.com, Inc.	Exhibit 10.2 to the Registrant's Current Report on Form 8-K, filed on August 22, 2008.
10.4	Employee Matters Agreement, dated as of August 20, 2008, by and among IAC/InterActiveCorp, Ticketmaster, Interval Leisure Group, Inc., HSN, Inc. and Tree.com, Inc.	Exhibit 10.3 to the Registrant's Current Report on Form 8-K, filed on August 22, 2008.
10.5	Transition Services Agreement, dated as of August 20, 2008, by and among IAC/InterActiveCorp, HSN, Inc., Interval Leisure Group, Inc., Ticketmaster and Tree.com, Inc.	Exhibit 10.4 to the Registrant's Current Report on Form 8-K, filed on August 22, 2008.
10.6	IAC/InterActiveCorp 2008 Stock and Annual Incentive Plan.(1)	Incorporated by reference to Annex F to the Registrant's Definitive Proxy Statement, filed on July 10, 2008.
10.7	Form of Terms and Conditions of Stock Options under the IAC/InterActiveCorp 2008 Stock and Annual Incentive Plan.(1)(2)	
10.8	Amended and Restated IAC/InterActiveCorp 2005 Stock and Annual Incentive Plan.(1)(2)	
10.9	Form of Terms and Conditions of Stock Options under the IAC/InterActiveCorp 2005 Stock and Annual Incentive Plan.(1)	Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2008.(1)
10.10	Form of Terms and Conditions of Annual Vesting Awards under the IAC/InterActiveCorp 2005 Stock and Annual Incentive Plan.(1)	Exhibit 10.8 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2006.

Exhibit No.	Description	Location
10.11	Form of Restricted Stock Unit Agreement for the IAC/InterActiveCorp 2005 Stock and Annual Incentive Plan.(1)	Exhibit 10.7 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2005.
10.12	Amended and Restated IAC/InterActiveCorp 2000 Stock and Annual Incentive Plan.(1)(2)	
10.13	HSN, Inc. 1997 Stock and Annual Incentive Plan.(1)	Appendix F to the Registrant's Definitive Proxy Statement, dated January 13, 1998.
10.14	Form of Restricted Stock Unit Agreement for the Amended and Restated IAC/InterActiveCorp 2000 Stock and Annual Incentive Plan and the HSN, Inc. 1997 Stock and Annual Incentive Plan.(1)	Exhibit 10.1 to the Registrant's Current Report on Form 8-K, dated February 16, 2005.
10.15	Silver King Communications, Inc. Directors' Stock Option Plan.(1)	Appendix H to the Registrant's Definitive Proxy Statement, dated November 20, 1996.
10.16	Summary of Non-Employee Director Compensation Arrangements.(1)	Exhibit 10.1 to the Registrant's Current Report on Form 8-K, dated May 23, 2006.
10.17	Amended and Restated 2000 IAC/InterActiveCorp Deferred Compensation Plan For Non-Employee Directors.(1)(2)	
10.18	Amended and Restated 2007 IAC/InterActiveCorp Deferred Compensation Plan For Non-Employee Directors.(1)(2)	
10.19	IAC/InterActiveCorp Executive Deferred Compensation Plan.(1)	Exhibit 10.8 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2004.
10.20	Stock Option Agreement between the Registrant and Barry Diller, dated as of June 7, 2005.(1)	Exhibit 10.8 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2005.
10.21	Agreement between Victor Kaufman and the Registrant, dated as of February 5, 2004.(1)	Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal year ended March 31, 2004.
10.22	Amendment No. 1, dated as of June 6, 2005, to Agreement dated as of February 5, 2004, between Victor Kaufman and IAC/InterActiveCorp.(1)	Exhibit 10.9 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2005.
10.23	Amended and Restated Employment Agreement between Thomas J. McInerney and the Registrant, dated as of December 30, 2008.(1)(2)	

Exhibit No.	Description	Location
10.24	Employment Agreement between Gregory R. Blatt and the Registrant, dated as of November 21, 2006.(1)	Exhibit 10.3 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2006.
10.25	Google Services Agreement, dated as of January 1, 2008, between IAC/InterActiveCorp and Google.(2)(3)	
21.1	Subsidiaries of IAC/InterActiveCorp as of December 31, 2008.(2)	
23.1	Consent of Ernst & Young LLP.(2)	
23.2	Consent of KPMG AZSA & Co. (4)	
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.(4)	
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.(4)	
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.(5)	
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.(5)	
99.1	Financial Statements of Jupiter Shop Channel Co., Ltd. for the 15 month period ended March 31, 2009 and the years ended December 31, 2007 and 2006.(4)	

(1) Reflects management contracts and management and director compensatory plans.

(2) Previously filed as an exhibit to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2008, filed on March 2, 2009.

(3) Certain portions of this document have been omitted pursuant to a confidential treatment request.

(4) Filed herewith.

(5) Furnished herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Amendment No. 3 on Form 10-K/A to be signed on its behalf by the undersigned, thereunto duly authorized.

July 24, 2009	**IAC/INTERACTIVECORP**	
	By:	/s/ MICHAEL H. SCHWERDTMAN
		Michael H. Schwerdtman *Senior Vice President and Controller* *(Chief Accounting Officer)*

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Exhibit 23.2

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Jupiter Shop Channel Co., Ltd.:

We consent to the incorporation by reference in the registration statements (No's. 033-53909, 333-03717, 333-18763, 333-48869, 333-48863, 333-57667, 333-65335, 333-34146, 333-37286, 333-37284, 333-101199, 333-105014, 333-105876, 333-104973, 333-110247, 333-118724, 333-127410, 333-127411, 333-124303, 333-146940 and 333-154875) on Form S-8 and (No. 333-105095) of IAC/InterActiveCorp of our report dated July 21, 2009 with respect to balance sheets of Jupiter Shop Channel Co., Ltd. as of March 31, 2009 and December 31, 2007, and the related statements of income, changes in net assets and cash flows for the 15 month period ended March 31, 2009 and year ended December 31, 2007, which report appears in the December 31, 2008 Annual Report on Form 10-K/A (Amendment No. 3) of IAC/InterActiveCorp.

/s/ KPMG AZSA & Co.

Tokyo, Japan
July 21, 2009

Exhibit 31.1

Certification

I, Barry Diller, certify that:

1. I have reviewed this Amendment No. 3 on Form 10-K/A to the annual report on Form 10-K for the fiscal year ended December 31, 2008 of IAC;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: July 24, 2009

/s/ BARRY DILLER

Barry Diller
Chairman and Chief Executive Officer

Exhibit 31.2

Certification

I, Thomas J. McInerney, certify that:

1. I have reviewed this Amendment No. 3 on Form 10-K/A to the annual report on Form 10-K for the fiscal year ended December 31, 2008 of IAC;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: July 24, 2009

/s/ THOMAS J. MCINERNEY

Thomas J. McInerney
Executive Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Barry Diller, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to my knowledge:

(1) Amendment No. 3 on Form 10-K/A (the "Amendment") to the Annual Report on Form 10-K for the fiscal year ended December 31, 2008 of IAC/InterActiveCorp (together with the Amendment, the "Report") which this statement accompanies fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of IAC/InterActiveCorp.

Dated: July 24, 2009	/s/ BARRY DILLER
	Barry Diller *Chairman and Chief Executive Officer*

QuickLinks

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Thomas J. McInerney, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to my knowledge:

(1) Amendment No. 3 on Form 10-K/A (the "Amendment") to the Annual Report on Form 10-K for the fiscal year ended December 31, 2008 of IAC/InterActiveCorp (together with the Amendment, the "Report") which this statement accompanies fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of IAC/InterActiveCorp.

Dated: July 24, 2009	/s/ THOMAS J. MCINERNEY
	Thomas J. McInerney *Executive Vice President and Chief Financial Officer*

QuickLinks

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Exhibit 99.1

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Jupiter Shop Channel Co., Ltd.

We have audited the accompanying balance sheets of Jupiter Shop Channel Co., Ltd. as of March 31, 2009 and December 31, 2007, and the related statements of income, changes in net assets, and cash flows for the 15 month period ended March 31, 2009, and for the year ended December 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As more fully described in Note 16 to the financial statements, the Company did not apply "push down accounting" in accordance with Securities and Exchange Commission Staff Accounting Bulletin Topic 5J "Push Down Basis Of Accounting Required In Certain Limited Circumstances" for the disclosure of differences between the application of Japanese GAAP and U.S. GAAP as of and for the 15 month period ended March 31, 2009, that in our opinion, should be applied in order to conform with U.S. generally accepted accounting principles.

In our opinion, except for the effects of not applying "push down accounting" as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Jupiter Shop Channel Co., Ltd. as of March 31, 2009 and December 31, 2007, and the results of its operations and its cash flows for the 15 month period ended Mach 31, 2009 and for the year ended December 31, 2007, in conformity with accounting principles generally accepted in Japan.

Accounting principles generally accepted in Japan vary in certain significant respects from U.S. generally accepted accounting principles. Information relating to the nature and effect of such differences is presented in Note 16 to the financial statements.

/s/ KPMG AZSA & CO.

Tokyo, Japan
July 21, 2009

BALANCE SHEETS

Jupiter Shop Channel Co., Ltd.

As of March 31, 2009 and December 31, 2007

	Thousands of yen	
	Mar 2009	Dec 2007
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 6 and 13)	¥ 2,758,184	¥ 31,038,813
Trade accounts receivable	5,109,244	6,333,713
Inventories	5,003,461	4,020,380
Other accounts receivable	265,435	253,916
Loan receivable (Note 14)	43,850,000	—
Deferred tax assets (Note 9)	2,117,412	1,814,940
Prepaid expenses and other current assets	518,259	299,036
Total current assets	59,621,995	43,760,798
PROPERTY and EQUIPMENT		
Land	437,147	437,146
Buildings and structures	2,641,627	2,631,881
Machinery and equipment	3,971,925	5,784,554
Vehicles	140,348	140,348
Construction in progress	5,044	3,898
Total	7,196,091	8,997,827
Less—accumulated depreciation	(3,581,459)	(3,629,537)
Net property and equipment	3,614,632	5,368,290
INVESTMENTS and OTHER ASSETS		
Software, net of accumulated amortization of ¥1,249,927 thousand in 2009 and ¥3,324,112 thousand in 2007	449,169	3,967,203
Guarantee deposits	479,116	371,807
Deferred tax assets (Note 9)	750,510	673,916
Long-term prepaid expenses and other assets (Note 12)	613,731	28,369
Allowance for doubtful accounts (Note 12)	(175,226)	—
Total investments and other assets	2,117,300	5,041,295
Total assets	¥ 65,353,927	¥ 54,170,383

See accompanying notes to financial statements.

BALANCE SHEETS

Jupiter Shop Channel Co., Ltd.

As of March 31, 2009 and December 31, 2007

	Thousands of yen	
	Mar 2009	**Dec 2007**
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Trade accounts payable	¥ 5,086,657	¥ 5,026,968
Other accounts payable	2,951,480	2,749,487
Accrued expenses	604,140	579,468
Income taxes payable	1,305,599	2,822,549
Consumption taxes payable	267,292	392,584
Sales return allowance	271,000	295,000
Allowance for recall and other product returns	971,403	69,163
Other	266,720	149,252
Total current liabilities	11,724,291	12,084,471
NON-CURRENT LIABILITIES		
Allowance for retirement benefits (Note 10)	491,608	371,061
Total non-current liabilities	491,608	371,061
Total liabilities	12,215,899	12,455,532
NET ASSETS (Note 11)		
Stockholders' Capital		
Common stock		
Authorized : 100,000 shares		
Issued and outstanding : 88,000 shares	4,400,000	4,400,000
Retained earnings	48,738,028	37,314,851
Total stockholders' capital	53,138,028	41,714,851
Total net assets	53,138,028	41,714,851
Total liabilities and net assets	¥65,353,927	¥54,170,383

See accompanying notes to financial statements.

STATEMENTS OF INCOME

Jupiter Shop Channel Co., Ltd.

For the 15 month period ended March 31, 2009 and the years ended December 31, 2007 and 2006

	Thousands of yen		
	Mar 2009	Dec 2007	Dec 2006 (Unaudited)
NET SALES	¥131,676,724	¥102,303,119	¥99,718,104
COSTS and EXPENSES			
Cost of sales	67,741,922	53,761,561	50,544,810
Selling, general and administrative expenses (Note 7)	43,967,730	30,611,189	28,397,575
Operating income	19,967,072	17,930,369	20,775,719
OTHER INCOME (EXPENSES)			
Interest income	415,556	122,719	34,460
Foreign exchange gain (loss)	(96,371)	27,235	49,930
Gain on reversal of allowance for recall and other product returns	51,156	257,713	—
Loss on recall and other product returns	(971,403)	(753,604)	(565,800)
Loss on disposal of property and equipment, and software	(98,342)	(78,797)	(23,530)
Provision for doubtful accounts	(175,226)	—	—
Prior-year retirement benefit expenses (Note 10)	—	—	(128,744)
Compensation income (Note 13)	215,202	—	—
Other income, net	58,165	35,587	48,021
Income before income taxes	19,365,809	17,541,222	20,190,056
INCOME TAXES (Note 9)			
Current	8,321,698	7,061,866	8,513,547
Deferred	(379,066)	225,968	(358,467)
Total income taxes	7,942,632	7,287,834	8,155,080
Net income	¥11,423,177	¥10,253,388	¥12,034,976

PER SHARE INFORMATION

	Yen		
	Mar 2009	Dec 2007	Dec 2006 (Unaudited)
Net income per share (Note 15)	¥129,808.83	¥116,515.77	¥136,761.09

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN NET ASSETS

Jupiter Shop Channel Co., Ltd.

For the 15 month period ended March 31, 2009 and the years ended December 31, 2007 and 2006

	Thousands of yen				
	Stockholders' capital			Valuation and translation adjustments	
	Common stock	Retained earnings	Total stockholders' capital	Net unrealized gains on hedging derivatives	Total net assets
BALANCE AT DECEMBER 31, 2005 (Unaudited)	¥4,400,000	¥15,026,487	¥19,426,487	¥ —	¥19,426,487
Net income	—	12,034,976	12,034,976	—	12,034,976
Net changes in items other than shareholders' capital	—	—	—	50,106	50,106
BALANCE AT DECEMBER 31, 2006 (Unaudited)	4,400,000	27,061,463	31,461,463	50,106	31,511,569
Net income	—	10,253,388	10,253,388	—	10,253,388
Net changes in items other than shareholders' capital	—	—	—	(50,106)	(50,106)
BALANCE AT DECEMBER 31, 2007	4,400,000	37,314,851	41,714,851	—	41,714,851
Net income	—	11,423,177	11,423,177	—	11,423,177
BALANCE AT MARCH 31, 2009	¥4,400,000	¥48,738,028	¥53,138,028	¥ —	¥53,138,028

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS

Jupiter Shop Channel Co., Ltd.

For the 15 month period ended March 31, 2009 and the years ended December 31, 2007 and 2006

	Thousands of yen		
	Mar 2009	Dec 2007	Dec 2006 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income taxes	¥ 19,365,809	¥ 17,541,222	¥ 20,190,056
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	2,862,634	2,424,784	1,950,192
Provision for doubtful accounts	175,226	—	—
Provision for sales return allowance	(24,000)	35,778	17,000
Provision for allowance for recall and other product returns	920,247	704,379	565,800
Provision for allowance for retirement benefits	141,279	90,175	223,209
Utilization of allowance for recall and other product returns	(18,007)	(1,201,016)	—
Payments of retirement benefits	(20,731)	(14,074)	(18,106)
Interest income	(415,556)	(122,719)	(34,460)
Unrealized foreign exchange gain	(3,812)	(3,844)	(19,213)
Compensation income	(215,202)	—	—
Loss on disposal of property and equipment, and software	98,342	78,797	23,530
Changes in operating assets and liabilities:			
Decrease (increase) in trade accounts receivable	1,221,997	(50,063)	(1,610,531)
Increase in inventories	(983,081)	(575,061)	(226,977)
Increase in other accounts receivable	(11,519)	(62,124)	(71,989)
Decrease (increase) in prepaid expenses and other current assets	(240,173)	(5,662)	(43,845)
Decrease (increase) in guarantee deposits	(107,310)	(8,602)	15
Decrease (increase) in long-term prepaid expenses	(384,086)	10,056	5,183
Increase (decrease) in trade accounts payable	59,688	(124,842)	1,369,010
Increase (decrease) in other accounts payable	(48,132)	245,325	(1,251,005)
Increase (decrease) in accrued expenses	24,672	(981,877)	(53,801)
Increase (decrease) in consumption taxes payable	(125,292)	(32,906)	130,989
Other, net	127,120	37,030	17,007
Subtotal	22,400,113	17,984,756	21,162,064
Interest received	416,044	121,804	33,713
Income taxes paid	(9,810,899)	(9,674,524)	(8,035,750)
Net cash provided by operating activities	13,005,258	8,432,036	13,160,027
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for purchases of property and equipment	(397,587)	(927,392)	(2,653,143)
Payments for purchases of software and other assets	(750,309)	(905,555)	(840,161)
Proceeds from sale of property and equipment, and software	3,708,197	—	—
Increase in loan receivables	(43,850,000)	—	—
Net cash used in investing activities	(41,289,699)	(1,832,947)	(3,493,304)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	3,812	3,844	19,213
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(28,280,629)	6,602,933	9,685,936
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	31,038,813	24,435,880	14,749,944
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	¥ 2,758,184	¥ 31,038,813	¥ 24,435,880

See accompanying notes to financial statements.

Notes to Financial Statements

1. Business and Organization

Jupiter Shop Channel Co., Ltd. ("JSC") is one of the largest multimedia retailers in Japan of a wide range of consumer products such as jewelry, fashion apparel, cosmetics, electronics, and foods which are marketed and sold primarily by merchandise-focused televised shopping programs and via the Internet. The programs are aired live through its nationally televised shopping network-24 hours a day, 7 days a week.

JSC was established in Tokyo, Japan as of November 22, 1996 as a joint venture between Jupiter TV Co. Ltd. ("JTV") (f/k/a Jupiter Programming Co., Ltd.) and The Home Shopping Network ("HSN"), where JTV was a joint venture with each an indirect 50% investment by Sumitomo Corporation ("SC") Japan and Liberty Global, Inc. ("LGI"). JTV owned 70% interest of JSC as well as varying stakes in 19 thematic programming channels in the Japanese market ("Thematic Business").

Following a spin-off and the establishment of a new company by JTV for the Thematic Business as of July 2, 2007 and LGI's exchange of its interest in JTV for SC shares as of July 3, 2007, JTV became a wholly owned subsidiary of SC and its name was changed to SC Media & Commerce Inc. ("SMC"). As of December 31, 2007, SMC held 70% interest in JSC with the remaining 30% interest owned by HSN. HSN is a wholly owned subsidiary of IAC/InterActiveCorp.

On December 8, 2008, SMC and Sumisho Computer Service Co., Ltd. ("SCS") respectively purchased 29% and 1% shares of JSC from HSN, which changed its name to HSN, LLC, a Delaware limited liability company on August 19, 2008. As of March 31, 2009, SMC owns 99% interest in JSC with the remaining 1% interest owned by SCS.

2. Reporting Period

As JSC changed its financial year end from December 31 to March 31, the accompanying financial statements are for the 15 month period ended March 31, 2009. The comparative amounts included in the statements of income, changes in net assets, and cash flows are for the 12 month period ended December 31, 2007 and 2006 and are, therefore, not comparable.

3. Basis of Presenting Financial Statements

The accompanying financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain significant respects as to application and disclosure requirements of U.S. generally accepted accounting principles ("U.S. GAAP"). A reconcilation of the reported net income and net assets under Japanese GAAP to the respective amounts under U.S. GAAP and other information relating to such differences are presented in Note 16. Reconcilation to U.S. GAAP.

The accompanying financial statements have been reorganized and translated into English (with some expanded descriptions) from the financial statements of JSC prepared in accordance with Japanese GAAP. Some supplementary information included in the statutory Japanese language financial statements, but not considered necessary for fair presentation, is not presented in the accompanying financial statements.

4. Summary of Significant Accounting Policies

(1) Inventories

Inventories, consisting mainly of merchandises, are stated at lower of cost or market, with cost being determined based on the first-in, first-out method.

(2) Depreciation and amortization

(a) Property and equipment

Depreciation of property and equipment is computed by the straight-line method. Useful lives used in the computation of depreciation expense are mainly as follows:

Buildings	10-50 years
Structures	15-20 years
Machinery	7-15 years
Equipment	2-20 years
Vehicles	4 years

Depreciation of leasehold improvements which are included in buildings is computed by the straight-line method over useful lives of 3-4 years.

In connection with the 2007 revisions to the Japanese corporate income tax law, JSC changed its method of calculating the depreciation as follows:

- Depreciation expenses for certain property and equipment acquired on and after April 1, 2007 are calculated based on the revised depreciation tables under the corporate income tax law.

- Under the Japanese corporate income tax law prior to the 2007 revision, property and equipment had been depreciable to 5% of the acquisition costs. Revised corporate income tax law permits to further depreciate the residual amount (5% of the acquisition costs less ¥1) of those property and equipment acquired before April 1, 2007 under straight-line method over 5 years, commencing the fiscal year following the year in which the property and equipment have been depreciated to 5% of the acquisition costs.

There is no significant impact on income as a result of these changes.

(b) Intangible assets

Software (for internal use) is amortized using the straight-line method over its estimated useful lives of 2 to 5 years.

(3) Reserve and allowances

(a) Allowance for doubtful accounts

JSC provides an allowance for doubtful accounts in an amount sufficient to cover potential losses on collection by estimating individual uncollectible amounts on overdue accounts and applying a percentage based on collection experience to the remaining accounts.

4. Summary of Significant Accounting Policies (Continued)

(b) Sales return allowances

JSC provides an allowance for sales returns at an amount equivalent to the gross profit on the estimated sales returns.

(c) Allowance for recall and other product returns

The allowance for recall and other product returns is determined based on an estimated amount of losses to be incurred upon product recall and other returns.

(d) Allowance for retirement benefits

The allowance for retirement benefits is determined based on the amounts actuarially calculated under certain assumptions. Actuarial gains and losses are recognized fully in the year in which they occur.

In the years ended on and prior to December 31, 2005, JSC had provided an allowance for employees' retirement benefits at the amounts payable had all eligible employees voluntarily retired at the balance sheet date. With the increase in the number of employees, JSC changed its method of calculating the allowance for retirement benefits to the method described in the preceding paragraph. Loss incurred upon this change in the calculation for the allowance (¥128,744 thousand) at the beginning of the year ended December 31, 2006 was fully charged to income as prior-year retirement benefit expense.

(4) Derivative financial instruments and hedge activities

JSC enters into foreign exchange forward contracts to mitigate risks of short-term fluctuations in foreign currency exchange rates with respect to foreign currency denominated payables arising from purchases of merchandise inventories. JSC does not, as a matter of policy, hold derivative financial instruments for speculative or trading purposes.

Derivative financial instruments are measured at fair value.

Effective January 1, 2008, JSC changed its accounting policies to discontinue the application of hedge accounting. Accordingly, for the 15 month period ended March 31, 2009, changes in the fair value of the derivatives are reported in earnings.

JSC had applied the deferral method of hedge accounting for the years ended on and prior to December 31, 2007. Under the deferral method, unrealized gains and losses on qualified hedging transactions are deferred on the balance sheet in "net unrealized gains on hedging derivatives" as a component of net assets until the income or loss on the hedged items are realized, and hedged recognized assets and liabilities are translated using the contract rates. Unrealized gain and losses of derivative instruments that cease to effectively offset changes in the hedged item are recognized in earnings when they are deemed to be ineffective.

Overview of hedge accounting under the deferral method applied by JSC for the years ended December 31, 2007 and 2006 are summarized as follows.

(a) Type of hedge accounting

Net gains and losses on foreign exchange forward contracts which are designated as a hedging instrument and are effective are deferred, net of applicable taxes, on the balance sheet in "net unrealized gains on hedging derivatives" as a component of net assets. Hedged trade accounts payables denominated in foreign currencies are translated at forward contract rate.

4. Summary of Significant Accounting Policies (Continued)

(b) Hedging instruments and hedged items

Hedging instruments: Foreign exchange forward contracts

Hedged items: Trade accounts payable denominated in foreign currencies

(c) Assessment of hedge effectiveness

Those hedging instruments are assumed to be highly effective as the terms of foreign exchange forward contracts and hedged accounts payable match in currency, amounts and due dates.

The hedging instruments outstanding as of December 31, 2007 were considered ineffective, and accordingly, a net loss on foreign exchange forward contracts was recognized in the income statement as foreign exchange gain (loss) for the year ended December 31, 2007, and all trade accounts payables denominated in foreign currencies were translated at the rate of exchange in effect as of December 31, 2007.

(5) Foreign currency translation

Foreign currency denominated bank deposits, receivables and payables are translated into Japanese yen at the exchange rates prevailing at the balance sheet dates, except that foreign currency denominated payables designated as hedged items under JSC's hedge policy as of December 31, 2006 were translated at forward contract rate. Resulting gains and losses are reported in earnings as incurred. JSC's foreign-currency denominated assets were bank deposits of ¥269,118 thousand in U.S. dollars and of ¥47,940 thousand in Euro, and other accounts receivable of ¥26,985 thousand in U.S. dollars and of ¥16,424 thousand in Euro as of March 31, 2009. JSC's foreign-currency denominated liabilities were trade accounts payable of ¥139,039 thousand in U.S dollars and of ¥8,419 thousand in Euro as of March 31, 2009.

(6) Presentation of net assets in the balance sheets

Effective from the year ended December 31, 2006, JSC adopted the new accounting standards, "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Statement No.5 issued by the Accounting Standards Board of Japan on December 9, 2005) and the implementation guidance for the accounting standard for presentation of net assets in the balance sheet (the Financial Accounting Standard Implementation Guidance No.8 issued by the Accounting Standards Board of Japan on December 9, 2005), (collectively, "the new accounting standards").

Under the new accounting standards, balance sheets comprise assets, liabilities and net assets, whereas previously presented balance sheets comprised assets, liabilities and stockholders' equity. Net assets section comprises stockholders' capital, valuation and translation adjustments, subscription rights to shares, treasury stock, and minority interests, as applicable.

(7) Accounting for leases

Finance lease transactions in which the title to the leased asset does not transfer to the lessee, are accounted for in the same manner as operating leases, whereby lease payments are charged to expense on a straight line basis over the live of the lease.

(8) Accounting for income taxes

The Company recognizes current income taxes based on taxable income reported for the applicable period. The asset and liability approach is used to recognize deferred income tax assets and

4. Summary of Significant Accounting Policies (Continued)

liabilities for the expected future tax consequences attributable to temporary differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases.

(9) Accounting for consumption taxes

Consumption taxes are excluded from the revenue and expense accounts which are subject to such taxes.

(10) Cash and cash equivalents

Cash and cash equivalents in the accompanying financial statements consist of deposits in banks and short-term investments which are highly liquid, readily convertible to cash with insignificant risk of market value fluctuation, and with a maturity of three months or less at the time of purchase.

(11) Reclassifications

Certain prior period amounts have been reclassified to conform with the current period presentation.

5. Leases

The following tables summarize information on finance leases accounted for as operating leases.

(1) Pro forma balance sheet items

Had those finance lease transactions been accounted for as capital leases, the amounts of acquisition cost, accumulated depreciation and net book value as of March 31, 2009 and December 31, 2007 would have been as follows:

	Thousands of yen			
	Mar 2009			Dec 2007
	Machinery and equipment	Software	Total	Machinery and equipment
Acquisition cost	¥ 706,714	¥ 3,002,939	¥ 3,709,653	¥ 9,600
Accumulated depreciation	33,676	141,019	174,695	9,067
Net book value	¥ 673,038	¥ 2,861,920	¥ 3,534,958	¥ 533

(2) The present value of future minimum lease payments as of March 31, 2009 and December 31, 2007 were as follows:

	Thousands of yen	
	Mar 2009	Dec 2007
Amount due within one year	¥ 2,932,072	¥ 684
Amount due after one year	201,885	—
Total	¥ 3,133,957	¥ 684

5. Leases (Continued)

(3) Rental expense and pro forma amounts of depreciation and interest expenses for the 15 month period ended March 31, 2009 and the years ended December 31, 2007 and 2006 were as follows:

	Thousands of yen		
	Mar 2009	Dec 2007	Dec 2006 (Unaudited)
Lease expense	¥179,908	¥ 3,002	¥ 10,460
Depreciation expense (pro forma)	175,229	2,526	9,136
Interest expense (pro forma)	21,432	112	358

Pro forma amounts of depreciation and interest expense represent those amounts that would have been reported had those finance lease transactions been accounted for as capital leases.

(4) Calculation of pro forma amount of depreciation expense and interest expense:

Pro forma amounts of depreciation are calculated under the straight-line method over the lease term assuming no residual value. Pro forma amounts of interest expense are calculated under the effective interest method.

6. Cash and Cash Equivalents

Cash and cash equivalents in the accompanying financial statements as of March 31, 2009 and December 31, 2007 were comprised of the following:

	Thousands of Yen	
	Mar 2009	Dec 2007
Cash and bank deposits	¥1,123,490	¥14,538,813
Deposits with related party (Note 14)	1,634,694	16,500,000
Total	¥2,758,184	¥31,038,813

7. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the 15 month period ended March 31, 2009 and the years ended December 31, 2007 and 2006 were comprised of the following:

	Thousands of Yen		
	Mar 2009	Dec 2007	Dec 2006 (Unaudited)
Call center expenses	¥ 3,037,196	¥ 2,442,594	¥ 2,376,376
Freight and other logistics costs	11,817,951	8,713,224	8,042,941
Advertising expenses	3,991,651	2,597,498	1,994,085
Program distribution charge	8,153,277	4,818,767	4,580,665
Salaries and bonuses	5,625,687	3,681,384	3,420,131
System related costs	1,809,783	1,140,778	1,562,302
Depreciation and amortization	2,862,634	2,424,784	1,950,192
Other	6,669,551	4,792,160	4,470,883
Total	¥43,967,730	¥30,611,189	¥28,397,575

8. Derivative Financial Instruments and Hedge Accounting

JSC enters into foreign exchange forward contracts only for the purpose of mitigating risks of short-term fluctuations in foreign currency exchange rates arising from the purchase of merchandise inventories.

The derivative transactions are executed and managed by JSC's Finance Department in accordance with the established policies and within the specified limits on the amounts of derivative transactions. JSC does not use derivative financial instruments for speculative or trading purposes. The derivative financial instruments are executed with creditworthy financial institutions, and JSC's management believes there is little risk of default by counterparties.

As described in Note 4 (4), effective January 1, 2008, JSC changed its accounting policies to discontinue the application of hedge accounting, and accordingly, the changes in the fair value of the foreign exchange forward contracts were recognized in the income statement as foreign exchange gain (loss) for the 15 month period ended March 31, 2009. The foreign exchange forward contracts outstanding as of December 31, 2007 were considered hedge ineffective under the deferral method of hedge accounting, and accordingly, a net loss on foreign exchange forward contracts was recognized in the income statement as foreign exchange gain (loss) for the year ended December 31, 2007. The following table summarizes the fair value of such derivatives.

	Thousands of yen		
As of March 31, 2009	**Contract amounts**	**Contract valuation amounts**	**Fair value-Unrealized (gain) loss**
Foreign exchange forward contracts:			
Buy Euro	¥ 76,918	¥ 83,197	¥ (6,279)
Total	¥ 76,918	¥ 83,197	¥ (6,279)
As of December 31, 2007			
Foreign exchange forward contracts:			
Buy U.S. dollars	¥ 1,237,935	¥ 1,220,182	¥ 17,753
Total	¥ 1,237,935	¥ 1,220,182	¥ 17,753

Weighted average contract rate was ¥120.18 to €1.00 as of March 31, 2009 and ¥112.54 to U.S. $1.00 as of December 31, 2007, respectively.

9. Income Taxes

(1) The Company is subject to a corporate income tax, an inhabitant tax and a deductible enterprise tax, which in the aggregate resulted in a statutory income tax rate of 40.69% for the 15 month period ended March 31, 2009 and the years ended December 31, 2007 and 2006. All pre-tax book income and income tax expense is derived from Japanese sources.

The tax bases for assessing enterprise taxes are comprised of "amount of income," "amount of added value" and "amount of capital." Enterprise taxes based on "amount of added value" and "amount of capital" are included in "selling, general and administrative expenses."

9. Income Taxes (Continued)

(2) The tax effects of temporary differences giving rise to the deferred tax assets and liabilities as of March 31, 2009 and December 31, 2007 were as follows:

	Thousands of yen	
	Mar 2009	Dec 2007
Deferred tax assets:		
Excess allowance for sales returns	¥ 110,270	¥ 120,036
Accrued employees' bonus	122,685	104,917
Provision for losses on inventories	1,268,256	1,302,323
Enterprise taxes payable	100,141	213,612
Excess depreciation expense	548,839	485,936
Excess allowance for retirement benefits	200,035	150,985
Allowance for recall and other product returns	395,264	28,142
Allowance for doubtful accounts	71,300	—
Other	51,132	82,905
Net deferred tax assets	¥2,867,922	¥2,488,856

(3) Significant differences between the statutory tax rate and JSC's effective tax rate for the 15 month period ended March 31, 2009 and the years ended December 31, 2007 and 2006 were as follows:

	Mar 2009	Dec 2007	Dec 2006 (Unaudited)
Statutory tax rate	40.69%	40.69%	40.69%
(Adjustments)			
Tax credit on IT investments	—	(0.08)	(0.59)
Permanent differences	0.48	0.78	0.35
Other	(0.16)	0.16	(0.06)
Effective tax rate	41.01%	41.55%	40.39%

10. Retirement Benefits

(1) Outline of retirement plan

JSC has an unfunded retirement plan, in which the employees are entitled to lump-sum payments at the time of termination of their employment or upon retirement, and, in addition, it participates in a welfare pension fund. Both the unfunded retirement plan and the welfare pension fund are defined benefit plans.

The welfare pension fund in which JSC participates, is a multiemployer plan under which the amount of pension assets attributable to each participant cannot be reasonably determined. Thus, JSC charges pension contributions to income as periodic pension cost as they become payable.

10. Retirement Benefits (Continued)

(2) Details of the projected benefit obligation regarding the unfunded retirement plan as of March 31, 2009 and December 31, 2007 are as follows:

	Thousands of yen	
	Mar 2009	Dec 2007
Projected benefit obligation	¥491,608	¥371,061
Allowance for retirement benefits	¥491,608	¥371,061

(3) A breakdown of net periodic retirement benefit expenses regarding the unfunded retirement plan for the 15 months period ended March 31, 2009 and the years ended December 31, 2007 and 2006 is as follows:

	Thousands of yen		
	Mar 2009	Dec 2007	Dec 2006 (Unaudited)
Service costs—benefits earned during the year	¥100,625	¥66,862	¥ 48,973
Interest costs on projected benefit obligation	7,329	4,424	3,279
Recognized actuarial loss	33,325	18,889	42,213
Prior-year retirement benefit expenses	—	—	128,744
Retirement benefit expenses	¥141,279	¥90,175	¥ 223,209

Prior-year retirement benefit expenses incurred in the year ended December 31, 2006 represents a loss incurred upon the change in the calculation method of the allowance for retirement benefits at the beginning of the year ended December 31, 2006. Refer to Note 4. (3) (d) for detailed explanations.

(4) Basis for the measurement of projected benefit obligations and other items regarding the unfunded retirement plan:

Actuarial gains and losses are recognized fully in the year in which they occur. The discount rate used in determining retirement benefit expenses was 1.50% for the 15 month period ended March 31, 2009 and the years ended December 31, 2007 and 2006. Projected retirement benefits are attributed to employees' service periods under the projected unit credit actuarial cost method.

(5) Funding status of the welfare pension fund as of March 31, 2009 and December 31, 2007 are as follows:

	Thousands of yen	
	Mar 2009	Dec 2007
Fair value of plan assets	¥ 13,207,692	¥ 11,545,626
Projected benefit obligation	13,892,863	12,574,205
Underfunded	¥ (685,171)	¥ (1,028,579)
Measurement Date	March 31, 2008	March 31, 2007

Contributions made to the fund by JSC comprised 3.1% and 2.5% of the total contributions made by the fund participants for the 15 month period ended March 31, 2009 and the year ended December 31, 2007, respectively.

10. Retirement Benefits (Continued)

(6) Net periodic pension costs regarding the welfare pension fund for the 15 month period ended March 31, 2009 and the years ended December 31, 2007 and 2006 are as follows:

	Thousands of yen		
	Mar 2009	Dec 2007	Dec 2006 (Unaudited)
Net periodic pension costs	¥144,882	¥85,603	¥ 64,982

11. Net Assets

As described in Note 4 (6), net assets comprises four subsections, which are the stockholders' capital, valuation and translation adjustments, subscription rights to shares and minority interests, as applicable.

The Japanese Corporate Law (the "Law") became effective on May 1, 2006, replacing the Japanese Commercial Code (the "Code"). The Law is generally applicable to events and transactions occurring after April 30, 2006 and for fiscal years ending after that date.

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital.

Under the Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve must be set aside as additional paid-in-capital or legal earnings reserve. Legal earnings reserve, if any, is included in retained earnings in the balance sheets.

Under the Code, companies were required to set aside an amount equal to at least 10% of the aggregate amount of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve and additional paid-in capital equaled 25% of common stock.

Under the Code, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by resolution of the stockholders' meeting or could be capitalized by resolution of the Board of Directors. Under the Law, both of these appropriations generally require resolution of the stockholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Code, however, on condition that the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock, they were available for distribution by resolution of the stockholders' meeting. Under the Law, all additional paid-in-capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

12. Supplementary Information on Long-term Prepaid Expenses and Other Assets

Long-term prepaid expenses and other assets includes other accounts receivable of ¥200,021 thousand which is subject to allowance for doubtful accounts of ¥175,226 thousand as of March 31, 2009. There were no such receivables included in long-term prepaid expenses and other assets as of December 31, 2007.

13. Compensation Income

Compensation income presented as part of other income (expenses) includes compensation claimed to vendors regarding losses incurred by JSC upon recall and other product returns of ¥179,797 thousand for the 15 month period ended March 31, 2009. There was no compensation income for the years ended December 31, 2007 and 2006.

14. Related Party Transactions

Significant related party transactions for the 15 month period ended March 31, 2009 and the years ended December 31, 2007 and 2006 are summarized as follows:

	Thousands of yen					
	Mar 2009					
Name of the related party	SC Media & Commerce Inc.				Sumitomo Shoji Financial Management Co., Ltd.	
Relationship	Parent				Subsidiary of parent*	
Address	Tokyo, Japan				Tokyo, Japan	
Common stock owned	¥3,500,000				¥100,000	
Ownership of voting shares	99%				None	
Number of mutual directors and statutory auditors	4				None	
Nature of transaction	Deposits		Loan		Deposits	
Transaction amount	¥12,299	Interest income	¥119,903	Interest income	¥282,130	Interest income
	¥15,500,000	Deposits collected	¥43,850,000	Loan made	¥45,134,694	Deposits made
					¥44,500,000	Deposits collected
Balance at year-end	¥1,000,000	Deposits	¥43,850,000	Loan receivables	¥634,694	Deposits
	¥21	Interest receivable	¥1,093	Interest receivable	¥60	Interest receivable

* Sumitomo Corporation, a parent of SC Media & Commerce Inc.

	2007		2006 (Unaudited)	
Name of the related party	SC Media & Commerce Inc.		Jupiter TV Co., Ltd.	
Relationship	Parent		Parent	
Address	Tokyo, Japan		Tokyo, Japan	
Common stock owned	¥3,500,000		¥11,434,000	
Ownership of voting shares	70%		70%	
Number of mutual directors and statutory auditors	2		2	
Nature of transaction	Deposits		Deposits	
Transaction amount	¥119,370	Interest income	¥31,481	Interest income
Balance at year-end	¥16,500,000	Deposits	¥16,500,000	Deposits
	¥1,664	Interest receivable	¥748	Interest receivable

14. Related Party Transactions (Continued)

Policies for terms and conditions:

Interest rate on deposits is determined in reference to market rates.

There were no transactions with HSN for the 15 month period ended March 31, 2009 or the years ended December 31, 2007 or 2006.

15. Per Share Information

Net income per share for the 15 month period ended March 31, 2009 and the years ended December 31, 2007 and 2006, and net assets per share as of March 31, 2009 and December 31, 2007 were as follows:

	Yen		
	Mar 2009	Dec 2007	Dec 2006 (Unaudited)
Net income per share	¥129,808.83	¥116,515.77	¥136,761.09
Net assets per share	¥603,841.23	¥474,032.40	¥ —

Net income per share is computed based on the weighted-average number of common shares outstanding during the years. JSC did not have any potentially dilutive common shares outstanding during the 15 month period ended March 31, 2009 or the years ended December 31, 2007 or 2006.

16. Reconciliation to U.S. GAAP

As discussed in Note 3, JSC maintains its books and records in conformity with Japanese GAAP. The differences between the application of Japanese GAAP and U.S. GAAP as they relate to net income for the 15 month period ended March 31, 2009 and the years ended December 31, 2007 and 2006, and net assets as of March 31, 2009 and December 31, 2007, along with a description of those significant differences and related balance sheet effects are summarized below. The disclosure of differences between the application of Japanese GAAP and U.S. GAAP on net income for the year ended December 2006, is unaudited.

In accordance with Securities and Exchange Commission ("SEC") Staff Accounting Bulletin ("SAB") Topic 5J, the effects of purchase accounting are required to be "pushed down" to a subsidiary upon becoming substantially owned as a result of a purchase transaction. The effects of the application of SAB Topic 5J upon the acquisition of the remaining equity interest of JSC by SMC and SCS on

16. Reconciliation to U.S. GAAP (Continued)

December 8, 2008, are not reflected in the disclosure of differences between the application of Japanese GAAP and U.S. GAAP as of and for the fifteen month period ended March 31, 2009.

	Thousands of yen				
	Mar 2009		Dec 2007		Dec 2006
	Net income	Net assets	Net income	Net assets	Net income (Unaudited)
Amounts reported under Japanese GAAP	¥11,423,177	¥53,138,028	¥10,253,388	¥41,714,851	¥12,034,976
U.S. GAAP adjustments:					
(1) Revenue recognition	(42,671)	(314,764)	9,274	(272,093)	(60,054)
(2) Derivatives	—	—	(83,500)	—	(78,994)
(3) Compensated absences	5,751	(167,892)	(14,801)	(173,643)	(43,431)
(4) Capital leases	(16,753)	(16,903)	365	(150)	965
(5) Asset retirement obligation	(83,585)	(159,516)	(66,559)	(75,931)	(9,372)
(6) Retirement benefits	—	—	—	—	128,744
Total U.S. GAAP adjustments (pre-tax)	(137,258)	(659,075)	(155,221)	(521,817)	(62,142)
Income tax effects of U.S. GAAP adjustments	55,850	268,177	63,159	212,327	25,286
Effects of U.S. GAAP adjustments	(81,408)	(390,898)	(92,062)	(309,490)	(36,856)
Amounts determined in conformity with U.S. GAAP	¥ 11,341,769	¥ 52,747,130	¥ 10,161,326	¥ 41,405,361	¥ 11,998,120

Shipping and handling costs, which are accounted for as part of freight and other logistics costs in selling, general and administrative expenses (Note 7) for the 15 month period ended March 31, 2009 and the years ended December 31, 2007 and 2006 were as follows:

	Thousands of yen		
	Mar 2009	Dec 2007	Dec 2006 (Unaudited)
Shipping and handling costs	¥6,177,539	¥4,818,219	¥4,596,825

(1) Revenue recognition

Under U.S. GAAP, SAB No. 104, "Revenue Recognition," in December 2003, summarizes certain of the SEC staff's views regarding basis of revenue recognition. This bulletin superseded SAB No. 101, "Revenue Recognition in Financial Statements." In accordance with SAB No. 104, revenue should be recognized when all of the following criteria are met: (a) persuasive evidence of an arrangement exists, (b) delivery has occurred or services have been rendered, (c) the seller's price to the buyer is fixed or determinable, and (d) collectibility is reasonably assured.

Under Japanese GAAP, there are no explicit provisions similar to those under SAB No. 104. Revenue should be recognized on an accrual basis under the Financial Accounting Standards for

16. Reconciliation to U.S. GAAP (Continued)

Business Enterprises when goods have been sold or services have been rendered. JSC recognizes revenue on the products sold upon shipment from its warehouse.

These accounting differences, representing shipments made but not yet accepted by customers, resulted in a decrease in accounts receivable of ¥605,655 thousand and ¥565,080 thousand, an increase in inventories of ¥290,891 thousand and ¥292,986 thousand, and an increase in deferred tax assets-current of ¥128,077 thousand and ¥110,715 thousand, respectively, as of March 31, 2009 and December 31, 2007 under U.S. GAAP.

(2) Derivatives

Under U.S. GAAP, Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, requires a derivative to be recognized as either assets or liabilities on the balance sheets based on its fair value. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation including documentation of a hedge relationship. JSC has elected not to apply hedge accounting for U.S. GAAP purposes, and therefore changes in the fair value of a derivative are reported currently in earnings.

Under Japanese GAAP, an enterprise may elect to apply hedge accounting on derivatives under certain conditions. Under deferral method of hedge accounting, which JSC had applied for the years ended on and prior to December 31, 2007, unrealized gains and losses on qualified hedging transactions are deferred on the balance sheet in "net unrealized gains on hedging derivatives" as a component of net assets until the income or loss on the hedged items are realized, and hedged recognized assets and liabilities are translated using the contract rates.

The foreign exchange forward contracts outstanding as of December 31, 2007 were considered hedge ineffective and accordingly, net loss on foreign exchange forward contracts were recognized in the statement of income as foreign exchange gain (loss) for the year ended December 31, 2007 under Japanese GAAP. Thus, there was no difference in the balance sheet under U.S. and Japanese GAAP as of December 31, 2007.

Effective January 1, 2008, JSC changed its accounting policies to discontinue the application of hedge accounting. Accordingly, for the 15 month period ended March 31, 2009, changes in the fair value of the derivatives are reported in earnings. Thus, there is no difference as to accounting for derivatives under U.S. and Japanese GAAP as of March 31, 2009 and for the 15 month period then ended.

(3) Compensated absences

While U.S. GAAP under SFAS No. 43, "Accounting for Compensated Absences" requires recognition of a liability representing employees' rights to receive compensation for future absences when certain conditions are met, Japanese GAAP is silent as to accounting for compensated absences and recognition of the related liability is not generally permitted in Japan.

These differences resulted in an increase in deferred tax assets-current of ¥68,315 thousand and ¥70,655 thousand, and an increase in accrued expenses of ¥167,892 thousand and ¥173,643 thousand, respectively, as of March 31, 2009 and December 31, 2007 under U.S. GAAP.

16. Reconciliation to U.S. GAAP (Continued)

(4) Capital leases

Under U.S. GAAP, there are specified criteria under SFAS No. 13, "Accounting for Leases" for appropriate accounting to be applied to leases as either capital leases or operating leases. Under Japanese GAAP, while there are similar criteria, financing lease agreements under which the ownership of leased property is not transferred to the lessee at the end of the lease term are permitted to be accounted for as an operating lease with certain pro forma information disclosed in a footnote.

These accounting differences resulted in an increase in property and equipment, net of ¥673,038 thousand and ¥533 thousand, an increase in software, net of ¥2,861,920 thousand and ¥nil thousand, an increase in capital lease obligations-current of ¥2,932,072 thousand and ¥684 thousand, an increase in capital lease obligations-noncurrent of ¥201,885 thousand and ¥nil thousand, a decrease in prepaid expenses-current of ¥129,696 thousand and ¥nil thousand, a decrease in prepaid expenses-noncurrent of ¥288,207 thousand and ¥nil thousand, and an increase in deferred tax assets-noncurrent of ¥6,878 thousand and ¥61 thousand respectively, as of March 31, 2009 and December 31, 2007 under U.S. GAAP.

(5) Asset retirement obligation

Under U.S. GAAP, SFAS No. 143, "Accounting for Asset Retirement Obligations" requires that obligations associated with the retirement of tangible long-lived assets be recorded as liabilities when those obligations are incurred, with the amount of the liability initially measured at fair value. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. Under Japanese GAAP, a new accounting standard that requires the recognition of asset retirement obligations will not be effective until the first fiscal year beginning on or after April 1, 2010.

The Company has asset retirement obligations primarily associated with restoration activities to be carried out at the time it vacates certain leased premises, to be accounted for in accordance with SFAS No. 143 under U.S. GAAP.

These accounting differences resulted in an increase in property and equipment, net of ¥245,709 thousand and ¥229,679 thousand, an increase in asset retirement obligations of ¥405,225 thousand and ¥305,610 thousand, and an increase in deferred tax assets of ¥64,907 thousand and ¥30,896 thousand, respectively, as of March 31, 2009 and December 31, 2007 under U.S. GAAP.

(6) Retirement benefits

Under U.S. GAAP, in accordance with SFAS No. 87, "Employers' Accounting for Pensions" and SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106, and 132(R)," net periodic pension cost consists of service cost, interest cost, actual return on plan assets, amortization of prior service costs and amortization of actuarial gain or loss. Any difference between net periodic pension cost charged against income and the amount actually funded is recorded as accrued or prepaid pension costs. It is required that an employer recognizes in its balance sheet, the overfunded or underfunded status of a defined benefit postretirement plan measured as the difference between the fair value of the plan assets and the benefit obligation with amounts not yet recognized in earnings reported as a component of shareholders' equity. Those statements also require fiscal year-end measurements of plan assets and benefit obligations.

Under Japanese GAAP, in accordance with "Accounting for Retirement Benefits," a similar accounting treatment (an actuarial method) is generally required. However, in accordance with

16. Reconciliation to U.S. GAAP (Continued)

prevailing accounting practices in Japan where a company employs less than 300 employees, it is permitted to calculate an accrual amount at the amount of the liability which would have become payable, had all qualified employees left the company voluntarily at the balance sheet date. JSC had applied this permitted vested-benefit method for the years ended on and prior to December 31, 2005. Effective from the year ended December 31, 2006, JSC changed its calculation method to adopt the actuarial method. Loss incurred upon the change at the beginning of the year ended December 31, 2006 is fully charged to income as prior-year retirement benefit expense for the year then ended.

While these accounting differences resulted in an increase in net income of ¥76,358 thousand for the year ended December 31, 2006 under U.S. GAAP as a result of removing the beginning-of-year effect of the change in the calculation of accrued retirement benefits, there were no difference in the balance sheets as of March 31, 2009 and December 31, 2007 under Japanese GAAP and U.S. GAAP.

Under U.S. GAAP, in accordance with SFAS No. 87, "Employers' Accounting for Pensions" and SFAS No. 132(R), "Employers' Disclosures about Pensions and Other Postretirement Benefits—An Amendment of FASB Statements No. 87, 88, and 106," an employer participating in a multiemployer plan, of which the assets contributed by an employer are not segregated in a separate account or restricted to provide benefits only to employees of that employer, is required to recognize as net pension cost the required contribution for the period and to recognize as a liability any contributions due and unpaid, along with disclosure of the amount of contributions to the plan for each annual period for which a statement of income is presented.

Under Japanese GAAP, in accordance with "Accounting for Retirement Benefits," a similar accounting treatment is required regarding multiemployer plan with the disclosure of the latest available funding status of pension fund of the plan as of each annual year end for which a balance sheet is presented in addition to the amount of contributions to the plan for each annual period for which a statement of income is presented. The latest available dates of funding status of the pension fund were March 31, 2008 and March 31, 2007 as of the balance sheet dates of March 31, 2009 and December 31, 2007, respectively.

The difference in disclosure requirement has no impact on net income, net assets or balance sheets.

(7) Discount coupons

Under U.S. GAAP, costs incurred in connection with cash or similar considerations such as discount coupons provided to customers without obtaining identifiable benefits shall be accounted for as a reduction of revenues. Under Japanese GAAP, such costs are generally classified as selling, general and administrative expenses.

These accounting differences, while having no impact on net income, net assets or balance sheets, resulted in a decrease in selling, general and administrative expenses as well as net sales of ¥1,050,103 thousand, ¥773,413 thousand and ¥611,508 thousand, respectively, for the 15 month period ended March 31, 2009 and the years ended December 31, 2007 and 2006 under U.S. GAAP.

(8) Sales returns

Under U.S. GAAP, SFAS No. 48 "Revenue Recognition When Right of Return Exists" sets forth criteria for recognizing revenue when an enterprise sells its product but gives the buyer the right to return the product. If sales are recognized because those criteria are met, any costs or losses that may be expected in connection with any returns should be accrued in accordance with SFAS No. 5,

16. Reconciliation to U.S. GAAP (Continued)

"Accounting for Contingencies." Sales revenue and cost of sales reported shall be reduced on a gross basis to reflect estimated returns.

Under Japanese GAAP, in accordance with the Financial Accounting Standards for Business Enterprises, return accruals are provided in a similar manner but at a net amount equivalent to gross profit on the estimated sales returns as part of cost of goods sold.

These accounting differences, while having no impact on net income, net assets or balance sheets, resulted in an increase (a decrease) in sales as well as cost of sales of ¥89,302 thousand, ¥(91,821) thousand and ¥(72,048) thousand, respectively, for the 15 month period ended March 31, 2009 and the years ended December 31, 2007 and 2006 under U.S. GAAP.

(9) Recall and other product returns

Under U.S. GAAP, any costs or losses that may be expected in connection with recall and other product returns shall be accrued in accordance with SFAS No. 5, "Accounting for Contingencies." Estimated returns of products already sold shall be accounted for as part of costs of products in determining total cost of goods sold. Other related expenses expected to be incurred are generally classified as selling, general and administrative expenses.

Under Japanese GAAP, any costs or losses that may be expected in connection with recall and other product returns shall be accrued and accounted for in a similar manner in accordance with the Financial Accounting Standards for Business Enterprises. However, estimated costs of returns related to prior-year sales are generally presented as a component of other income and expenses. Other expenses expected to be incurred are mainly accounted for as selling, general and administrative expenses. Any gains on reversal of such allowance for recall and other product returns are also accounted for as a component of other income and expenses.

These accounting differences, while having no impact on net income, net assets or balance sheets, resulted in an increase in cost of sales of ¥903,001 thousand, ¥615,048 thousand and ¥368,500 thousand, an increase (a decrease) in selling, general and administrative expenses of ¥17,245 thousand, ¥(119,156) thousand and ¥172,200 thousand, and a decrease of other expenses, net of ¥920,247 thousand, ¥495,891 thousand and ¥565,800 thousand, respectively, for the 15 month period ended March 31, 2009 and the years ended December 31, 2007 and 2006 under U.S. GAAP.

(10) Disposal of property and equipment, and software

Under U.S. GAAP, any gains and losses related to sale and/or disposal of property and equipment and software shall be included in determination of operating income.

Under Japanese GAAP, such gains and losses are generally reported as part of other income and expenses.

These accounting differences, while having no impact on net income, net assets or balance sheets, resulted in an increase in selling, general and administrative expenses of ¥98,342 thousand, ¥78,797 thousand and ¥23,530 thousand, and a decrease of other expenses, net of the same amounts, respectively, for the 15 month period ended March 31, 2009 and the years ended December 31, 2007 and 2006 under U.S. GAAP.

16. Reconciliation to U.S. GAAP (Continued)

(11) Provision for doubtful accounts

Under U.S. GAAP, provision for doubtful accounts, in general, shall be included in determination of operating income.

Under Japanese GAAP, provision for doubtful accounts related to non-trade receivables are generally reported as part of other expenses.

These accounting differences, while having no impact on net income, net assets or balance sheets, resulted in an increase in selling, general and administrative expenses of ¥175,226 thousand and a decrease of other expenses, net of the same amounts for the 15 month period ended March 31, 2009 under U.S. GAAP. There were no such items for the years ended December 31, 2007 and 2006.

(12) Income taxes

Under U.S.GAAP, FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of Statement of Financial Accounting Standards No.109" (FIN 48) requires that an entity recognizes in the financial statements the impact of a tax position, if that position is more likely than not of being sustained upon examination, based on the technical merits of the position. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

On January 1, 2008, the Company adopted FIN 48 for the purpose of disclosures herein, and the adoption did not have any effect on the disclosure of differences between the application of Japanese GAAP and U.S. GAAP as of and for the 15 month period ended March 31, 2009. The Company's accounting policy for disclosure purposes is to accrue interest and penalties related to unrecognized tax benefits, if and when required, as a component of income taxes in the statement of income.

As of January 1, 2008, and as of and for the 15 month period ended March 31, 2009, the Company did not have any unrecognized tax benefits and thus no interest and penalties related to unrecognized tax benefits were recorded. In addition, the Company does not expect that the amount of unrecognized tax benefits will change significantly within the next 12 months. The income tax returns of the Company remain subject to examination by the Japanese tax authorities for the tax year beginning on January 1, 2005 and thereafter.

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