

Notice of Decision to Provide Support to WILLCOM

March 12th 2010

Enterprise Turnaround Initiative Corporation of Japan

The Enterprise Turnaround Initiative Corporation of Japan (hereafter, "ETIC") has decided to provide support to the company listed below in accordance with Article 25.4 of the Enterprise Turnaround Initiative Corporation of Japan Act (Act No. 63 of 2009, hereafter, "the ETIC Act").

1 Name of Person or Company Receiving Support
WILLCOM, Inc. (hereafter, "Willcom")

2 Name of Financial Institutions Jointly Applying for Support with Willcom
The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Mizuho Corporate Bank, Ltd.

3 Outline of the Business Revitalization Plan
See Attachment

4 Opinions of Principal State Ministers

Prime Minister: No particular opinion

Minister of Finance: No particular opinion

Minister of Internal Affairs and Communications: Kindly see item 5 below

Minister of Health, Labour and Welfare: No objection. However, the Minister requests that ETIC should guide Willcom to consult employees immediately after ETIC's decision to provide support and that ETIC pays sufficient care and attention to compliance with relevant laws and regulations and to the aforementioned consultations with employees.

Minister of Economy, Trade and Industry: No particular opinion

5 Opinion of State Ministers Supervising Business Activities

Minister of Internal Affairs and Communications: No objection to the decision to provide support in this case. The Personal Handy-phone System (PHS) provided by Willcom has more than 4 million subscribers and the service plays an important role in facilitating communication at medical institutions and other organizations, as well as in times of emergency, such as the earthquakes, the fires, etc. Therefore, we request that attention is paid to securing the continuation of stable services.

6 Debt Purchase Application Period*
(March 12th 2010 to May 12th 2010 (receipt by ETIC))

* In this case ETIC does not purchase debt, so the "Debt Purchase Application Period" refers to the period for agreement to manage or dispose of debt in accordance with the Business Revitalization Plan (Article 26.1.2 of the ETIC Act).

7 Request for Temporary Suspension

As Willcom filed a petition with the Tokyo District Court on February 18th 2010 to commence corporate reorganization procedures, and received approval to do so on March 12th 2010, no request for a temporary suspension will be made under Article 27.1 of the ETIC Act.

8 Handling of General Debt

In this case Willcom filed a petition with the Tokyo District Court to commence legal reorganization procedures in conjunction with its application for ETIC support.

To preserve the company's business value in order to allow it to continue business operations, as per the decision of the court, business creditors holding debts amounting to up to ¥2.5 billion for business transactions conducted through February 17th 2010, will be paid as per prior arrangements.

For debts for business transactions conducted from February 18th 2010, the full amount will be treated as common benefit claims.

9 ETIC's Rationale for Deciding to Provide Support

ETIC's rationale for deciding to provide support is as follows:

9.1 The Significance of ETIC Support

Willcom's principal business, the Personal Handy-phone System (PHS), is an important means of communication in each regional area. The service helps support the everyday lives of approximately 4.26 million subscribers¹ (as of the end of February 2010), and is an indispensable part of the social infrastructure for medical services, nursing care, and disaster prevention. The PHS service features low electromagnetic radiation and efficient power consumption, and due to the reduced risk of causing malfunction of medical devices from electromagnetic waves, is used at approximately 5,000 medical institutions, and by 60,000 medical professionals. It is particularly widely used at medical facilities with above a certain number of beds and also at facilities providing emergency medical services. There are approximately 160,000 base-stations throughout Japan, part of a far-reaching network constructed to be able to withstand the collapse of certain base-stations or power outages in times of disaster, making it an important means of communication in times of emergency.

If Willcom's business operations were to collapse, and these social infrastructure networks were no longer maintained, it would affect not only the everyday lives of numerous users, but would cause significant turmoil for medical and nursing care personnel, and have an impact on disaster prevention. A considerable impact could also be expected on regional economies, as well as the company's numerous business partners and over 1,000 employees and temporary workers.

Willcom's eXtended Global Platform (XGP) business is a next-generation high-speed data transfer service that displays significant potential for the future, but that will require considerable capital expenditure, which will be difficult for the company to provide. The XGP service will therefore be transferred from Willcom and developed by a well-resourced sponsor that will make the necessary capital investment. The XGP network is to be utilized by Willcom through a Mobile Virtual Network Operator (MVNO) when necessary.

9.2 Role of ETIC

In this case ETIC will provide support to Willcom principally through coordination of the parties concerned, and will not purchase debt or invest in Willcom. Coordination of various stakeholder interests has been difficult for the parties concerned to manage on their own, but because ETIC's position is impartial and neutral towards the interests of stakeholders including financial institutions, sponsors, Willcom, shareholders and other concerned parties, this will allow for a smooth start to the business revitalization process.

¹ Including 3G subscribers (approximately 90,000)

ETIC will give consideration to financing from financial institutions or other organizations, and plans to conduct business revitalization utilizing private sector fundings. In the event that ETIC should be required to providing financing, it plans to secure sufficient collateral from installment receivables and other assets of Willcom to allow it to be certain of recovering its funding.

On February 18th 2010, Willcom filed a petition with the Tokyo District Court to commence legal reorganization procedures in conjunction with its application for ETIC support. ETIC expects that in the procedures for this case, the measures outlined in Section 3 of the Attachment, including the reimbursement of commercial obligations up to ¥2.5billion, will support the revitalization of Willcom.

– End –

Attachment

Outline of the Business Revitalization Plan

Section 1: Overview of the Company Receiving Support

1 Corporate Outline

1.1 Company Receiving Support

WILLCOM, Inc. (hereafter, "Willcom")

1.2 Head Office Location

3-4-7 Toranomom, Minato-ku, Tokyo

1.3 Date of Establishment

October 9th 1990

1.4 Capitalization

¥5.0 billion

1.5 Stock

Total shares authorized to issue: 5,000,000 shares

Of which, total shares issued outstanding: 1,186,890 shares

1.6 Business Operations

Telecommunications and related businesses

1.7 Number of Employees

Regular employees: 1,058; Non-regular employees: 274 (as of January 31st 2010)

1.8 Principal Business Offices

Hokkaido Branch Office; Tohoku Branch Office; Kita-kanto Branch Office; Minami-kanto Branch Office; Tokai Branch Office; Kansai Branch Office; Chushikoku Branch Office; Kyushu Branch Office

1.9 Principal Banks

The Bank of Tokyo-Mitsubishi UFJ, Ltd., Mizuho Corporate Bank, Ltd., others

1.10 Affiliates

WILLCOM OKINAWA, Inc. (Located in Naha-shi, Okinawa Prefecture. Willcom holds 80% of the shares)

1.11 Financial Position (as of March 31st 2009)

Consolidated:	Operating revenues	¥203,038 million
	Operating income	¥8,974 million
	Recurring profit	¥6,617 million
	Net assets	¥25,398 million
	Total assets	¥199,217 million

Non- consolidated:	Operating revenues	¥202,507 million
	Operating income	¥8,755 million
	Recurring profit	¥6,401 million
	Net assets	¥25,103 million
	Total assets	¥198,991 million

Section 2: Background and Circumstances Leading to the Request for Corporate Reorganization and ETIC Support

Willcom, in order to refinance the acquisition funding loan it received at the time of a leveraged buyout (LBO), in June 2005 raised ¥35.0 billion through a public offering of corporate bond, and in June 2006 received ¥120.0 billion in financing (syndicated loan) from the financial institutions. However, from around 2007 competition intensified and new subscriptions and handset sales declined. At the same time, Willcom incurred an increase in capital expenditure and other liabilities related to the commercialization of its eXtended Global Platform (XGP) next-generation high-speed data transfer service, straining its financial position. Under these circumstances, Willcom in September 2009 applied for business revitalization support utilizing alternative dispute resolution (ADR) procedures.

Around July 2008 Willcom began soliciting sponsor candidates with an interest in providing business support without an operational alliance. In tandem with business revitalization ADR procedures, from September 2009 the company narrowed its selection of potential sponsors for revitalization of its XGP and Personal Handy-phone System (PHS) businesses, finally revealing its desire for joint support from an investment fund designated by Advantage Partners LLP, and Softbank Corporation. Later, as a result of ETIC's coordination among interested parties, an agreement was reached on the basic policies for business revitalization, and an application for support was submitted to ETIC.

Willcom had issued ¥35.0 billion in public corporate bond, but under ETIC procedures financial support cannot be provided for public corporate bond, leases, contingent liabilities or similar obligations. Willcom therefore decided that in order to ensure fairness to its creditors, it would utilize the legal corporate reorganization procedures in conjunction with ETIC support. Willcom filed a petition with the Tokyo District Court for on February 18th 2010, and received approval to commence reorganization procedures on March 12th 2010.

Section 3: Necessary Measures to Maintain the Business Value of Willcom

Adoption of the following measures as part of the corporate reorganization procedures is essential for Willcom to continue stable operation of its telecommunications business, and avoid such risks as a loss of customers, and degradation of services.

1. Protection of commercial debts
2. Release of deposits in bank accounts used for settlement
3. Continued use of bank accounts

Section 4: Overview of the Business Revitalization Plan

N.B. The following plan may be changed or revised according to the business revitalization plan based on Willcom's legal corporate reorganization proceedings.

1. Business Plan

Willcom's business operations comprise the existing Personal Handy-phone System (PHS) business, and the next-generation high-speed data transfer service eXtended Global Platform (XGP) business, currently under development.

For the PHS business, the customer base will be maintained and strengthened through such measures as taking advantage of the low-cost structure of the telecommunications network to pursue further low-price strategies, and promoting a shift to 3G Mobile Virtual Network Operator (MVNO) lines (utilizing lines of other mobile operators). At the same time, Willcom will make strategic capital investments, generate synergies with companies in the Softbank Group, and implement further cost cuts through personnel reductions.

For the XGP business, the plan calls for the transfer of business operations to a new company with investment from sponsors.

2. Sponsors

Willcom will increase capital through a third-party allocation of shares to an investment fund designated by Advantage Partners LLP. It will also form business tie-ups with Softbank Corporation and companies in the Softbank Group.

3. Corporate Reorganization

Under the plan, Willcom's XGP business will be transferred to a new company established by the sponsors. Following approval of the business revitalization plan shares held by existing shareholders will be subject to a 100% capital reduction, and a capital increase (300 million yen) made through a third-party allocation of shares to an investment fund designated by Advantage Partners LLP.

4. Content of Financial Support

Willcom expects to receive forgiveness for ¥114,487 million of its total debt of ¥149,487 million (transfer of rights under the business revitalization plan). The final amount of debt forgiveness will be determined by the outcome of legal corporate reorganization proceedings.

5. Financing Plan

ETIC may establish a commitment line for Willcom. Willcom is negotiating with major financial institutions and other organizations to encourage them to provide financing for a portion of the necessary funds.

6. Numerical Targets (Summary)

The earnings plan for Willcom may change as a result of the application for reorganization procedures or other factors, but profitability is expected to increase as a result of implementing the business revitalization plan. The forecast for the fiscal year ending March 2013 anticipates operating revenues of ¥148,532 million, with operating income of ¥12,305 million.

Section 5: Conformance with Standards for Support

1. Possession of Revitalization Potential

Willcom's mainstay PHS business is an important means of communication in regional areas. The service helps support the everyday lives of numerous subscribers, and is an essential part of the social infrastructure for medical services, nursing care, and disaster prevention. The XGP business is a next-generation high-speed data transfer service (greater communication speed compared to existing services). Therefore, Willcom has valuable business resources offering revitalization potential.

2. Carrying Excessive Debt

Willcom is carrying approximately ¥134.5 billion in interest-bearing debt, which is an excessive debt obligation relative to its earnings capacity. Debt forgiveness and other forms of financial support are essential for its business revitalization.

3. Prospects for Business Revitalization

3.1. Consent of Major Creditors for Application

Willcom's application for support has been made jointly with The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Mizuho Corporate Bank, Ltd.

3.2. Standards for Productivity Improvement

Of the productivity improvement standards, the plan forecasts (1) improvement in the rate of return on equity of 43.1 percentage points in three years, (2) improvement in the tangible fixed asset turnover of 89.2 percentage points in three years, and (3) improvement in the amount of added value per employee of 29.0 percentage points in three years. These projected increases satisfy the required productivity improvement standards of 2 percentage points or more for (1), 5 percentage points or more for (2), and 6 percentage points or more for (3).

3.3. Standards for Financial Soundness

3.3.a. Ratio of interest-bearing debt to cash flow less than 10 times

The ratio of interest-bearing debt to cash flow is projected to be minus 1.6 times in three years, satisfying the standard of less than 10 times.

3.3.b. Current revenue greater than current expenditures

The ratio of current revenue to current expenditures is projected to be 119.9% in three years, satisfying the standard of current revenue greater than current expenditures.

4. Comparison with Liquidation Value

The dividend yield on liquidation value of Willcom would be nil (0.0%). The recovery rate for the non-secured portion of debt applicable to the subject business revitalization plan (21.3%) is clearly greater than the recovery rate through bankruptcy proceedings.

5. Potential for Disposal of Debt, Shares or other Assets Acquired by ETIC within Three Years

In this case ETIC will not purchase debt.

The implementation of the subject business revitalization plan will establish a sound financial position for Willcom. As indicated in the business revitalization plan, because ETIC does not anticipate any problems for the company in terms of its ability to repay principal or bear the burden of interest, it has determined that there would be a strong possibility of refinancing any ETIC financed debt through the involvement of a new sponsor or other means.

6. Connection with an Excessive Supply Structure

There is no scope for an increase in supply capacity as a result of the implementation of the subject business revitalization plan. Accordingly, in light of Article 19 of the guidelines for the application of the Act on Special Measures for Industrial Revitalization and Innovation, the plan has been judged as “not hindering the dissolution of an excessive supply structure.”

7. Status of Discussions with Labor Unions

Willcom has no labor unions, but a briefing on the main points of the business revitalization plan is planned for employees.

Section 6: Responsibility of Shareholders and Management

Management responsibility on the part of the directors will be clarified by the retirement of all directors serving at the time the application was submitted. Ordinary shares issued by Willcom will be subject to a 100% capital reduction under the reorganization procedures.