eAccess Ltd.

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2007

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eAccess Ltd. and subsidiaries
CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2006 and 2007

	Millions of yen			
		2006		2007
ASSETS				
Current assets:				
Cash and cash equivalents	¥	158,654	¥	160,926
Accounts receivable:				
Trade		5,444		7,912
Other		770		2,298
Inventories		41		3,711
Deferred income taxes		495		280
Prepaid expenses and others		1,273		3,947
Total current assets		166,677		179,073
Property and equipment:				
Wireless telecommunication equipment		-		18,232
Machinery and equipment		38,420		38,925
Construction in progress		35		4,751
Others		3,709		5,072
Total property and equipment		42,163		66,979
Accumulated depreciation and amortization		(26,907)		(29,150)
Net property and equipment		15,257		37,829
Investments and other assets:				
Investment securities		2,336		2,554
Long-term prepaid expenses		5,205		6,125
Lease deposits		800		1,041
Goodwill, net		772		644
Software		2,207		9,117
Deferred income taxes		769		1,399
Other assets		151		56
Total investments and other assets		12,240		20,935
TOTAL ASSETS	¥	194,174	¥	237,837

See accompanying notes to consolidated financial statements.

eAccess Ltd. and subsidiaries
CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2006 and 2007

	Millions of yen			
		2006		2007
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable:				
Trade	¥	758	¥	5,268
Other		4,335		23,460
Current portion of long-term debt		6,475		4,162
Income taxes payable		4,127		2,581
Accrued expenses		3,491		6,921
Provision for directors' bonus		30		50
Other current liabilities		93		275
Total current liabilities		19,309		42,717
Long-term debt		88,459		85,737
Other liabilities		46		1,161
Total liabilities		107,814		129,616
Commitments and contingencies				
NET ASSETS				
Shareholders' equity:				
Common stock				
Authorized: 5,459,760 shares in 2006 and 5,489,760 shares in 2007				
Issued and outstanding: 1,422,605 shares in 2006 and 1,455,745 shares in 2007		16,403		17,034
Capital surplus		5,049		5,685
Retained earnings		13,074		10,180
Valuation and translation adjustments				
Unrealized gain (loss) on investment securities		17		(668)
Unrealized loss on hedging derivatives		-		(1,096)
Share subscription rights		7		2
Minority interests		51,810		77,087
Total net assets		86,360		108,222
TOTAL LIABILITIES AND NET ASSETS	¥	194,174	¥	237,837

See accompanying notes to consolidated financial statements.

eAccess Ltd. and subsidiaries
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED MARCH 31, 2006 and 2007

	Millions of yen	
	2006	**2007**
Net revenue	¥ 60,353	¥ 56,250
Cost of revenue	31,589	31,767
Gross profit	28,764	24,483
Selling, general & administrative expenses	19,389	23,434
Operating profit	9,375	1,049
Other income (expenses):		
Interest income	1	190
Dividend income	4	69
Interest expense	(1,435)	(1,216)
Commission expense	(60)	(1,484)
Stock issuance costs	(350)	(167)
Impairment losses of property and equipment	-	(134)
Others, net	(44)	(40)
Income (loss) before income taxes and minority interests	7,491	(1,733)
Income taxes		
Current	3,863	4,303
Deferred	(845)	290
Total income taxes	3,018	4,593
Minority interests	547	7,235
Net income	¥ 5,020	¥ 909

	Yen	
	2006	**2007**
Per share data:		
Net income	¥ 3,661.19	¥ 631.82
Diluted net income	3,089.10	306.25
Cash dividends	1,300.00	1,800.00

See accompanying notes to consolidated financial statements.

eAccess Ltd. and subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED MARCH 31, 2006 and 2007

		Millions of yen							
		Shareholders' equity			Valuation and translation adjustments				
	Number of shares of Common stock	Common stock	Capital surplus	Retained earnings	Unrealized gain (loss) on investment securities	Unrealized loss on hedging derivatives	Share subscription rights	Minority interests	Total net assets
Balance at March 31, 2005	1,364,940	¥ 15,244	¥ 3,880	¥ 9,352	¥ -	¥ -	¥ 15	¥ -	¥ 28,491
Net Income	-	-	-	5,020	-	-	-	-	5,020
Change in the Company's ownership interest in eMobile Ltd.	-	-	-	343	-	-	-	-	343
Cash dividends	-	-	-	(1,638)	-	-	-	-	(1,638)
Decrease due to a newly consolidated subsidiary	-	-	-	(3)	-	-	-	-	(3)
Unrealized gain on investment securities	-	-	-	-	17	-	-	-	17
Exercise of share subscription rights	-	-	-	-	-	-	(8)	-	(8)
Exercise of detachable warrants	44,445	1,000	1,010	-	-	-	-	-	2,010
Exercise of stock options	13,220	159	159	-	-	-	-	-	318
Minority interests	-	-	-	-	-	-	-	51,810	51,810
Balance at March 31, 2006	1,422,605	16,403	5,049	13,074	17	-	7	51,810	86,360
Net income	-	-	-	909	-	-	-	-	909
Change in the Company's ownership interest in eMobile Ltd.	-	-	-	243	-	-	-	-	243
Cash dividends	-	-	-	(3,808)	-	-	-	-	(3,808)
Realization of deferred income tax on change in ownership interest	-	-	-	(238)	-	-	-	-	(238)
Unrealized loss on investment securities	-	-	-	-	(686)	-	-	-	(686)
Unrealized loss on hedging derivatives	-	-	-	-	-	(1,096)	-	-	(1,096)
Exercise of share subscription rights	-	-	-	-	-	-	(5)	-	(5)
Exercise of detachable warrants	22,220	500	505	-	-	-	-	-	1,005
Exercise of stock options	10,920	131	131	-	-	-	-	-	262
Minority interests	-	-	-	-	-	-	-	25,276	25,276
Balance at March 31, 2007	1,455,745	¥ 17,034	¥ 5,685	¥ 10,180	¥ (668)	¥ (1,096)	¥ 2	¥ 77,087	¥ 108,222

See accompanying notes to consolidated financial statements.

eAccess Ltd. and subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2006 and 2007

	Millions of yen	
	2006	2007
Cash flows from operating activities:		
Income (loss) before income taxes and minority interests	¥ 7,491	¥ (1,733)
Depreciation and amortization	10,762	9,393
Impairment losses of property and equipment	-	134
Loss on disposal of property and equipment	11	26
Loss on disposal of intangible assets – software	13	22
Provision for bad debt reserve	6	(6)
Interest expense	1,435	1,216
Stock issuance costs	350	167
Decrease (increase) in accounts receivable – trade	223	(2,461)
Decrease (increase) in inventories	13	(3,671)
Decrease (increase) in long-term prepaid expenses	43	(645)
(Decrease) increase in accounts payable – trade	(137)	4,510
Increase (decrease) in accounts payable – other	1,989	(682)
(Decrease) increase in accrued expenses	(3,056)	3,434
Others, net	(515)	(3,043)
Subtotal	18,629	6,661
Cash received from interest	5	166
Cash paid for interest	(1,437)	(1,221)
Cash paid for interest rate cap	-	(1,212)
Cash paid for income taxes	(11)	(5,798)
Net cash provided by (used in) operating activities	17,186	(1,404)
Cash flows from investing activities:		
Payments for purchase of investment securities	(2,107)	(1,725)
Proceeds from sale of investment securities	-	363
Purchase of property and equipment	(5,952)	(15,886)
Purchase of intangible assets	(919)	(3,087)
Others, net	(25)	-
Net cash used in investing activities	(9,003)	(20,335)
Cash flows from financing activities:		
Proceeds from long-term debt	6,000	-
Repayments of long-term debt	(7,628)	(6,485)
Proceeds from stock issuance by the Company, net	2,309	1,253
Payments for commissions on commitment line	(6,000)	-
Proceeds of capital increase from minority shareholders of eMobile Ltd.	52,515	34,223
Payments for additional stock acquisition of eMobile Ltd.	-	(1,199)
Payments for stock issuance by eMobile Ltd.	(157)	(39)
Dividends paid	(1,638)	(3,743)
Net cash provided by financing activities	45,401	24,010
Net increase in cash and cash equivalents	53,583	2,272
Cash and cash equivalents at beginning of year	104,770	158,654
Increase in cash and cash equivalents due to a newly consolidated subsidiary	300	-
Cash and cash equivalents at end of year	¥ 158,654	¥ 160,926

See accompanying notes to consolidated financial statements.

eAccess Ltd. and subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements of eAccess Ltd. (hereinafter "the Company") and its subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Securities 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 respects as to application and disclosure requirements of International Financial Reporting Standards.

The accompanying consolidated financial statements have been prepared and translated into English with some expanded descriptions from the consolidated financial statements prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

2. Summary of Significant Accounting Policies

(1) Principles of consolidation and accounting for investments in affiliated company

The accompanying consolidated financial statements include the accounts of the Company and three of its subsidiaries.

eMobile Ltd. ("eMobile"), a consolidated subsidiary, launched mobile broadband services on March 31, 2007. eMobile offers high-speed data communication services supported by the latest HSDPA (High-Speed Downlink Packet Access) and IP network technologies. By promoting a seamless fixed and mobile broadband environment using IP network technologies, the Company aims to create a new broadband mobile market and supply a total telecommunication service to consumers. The Company held 43.5% ownership in eMobile as of March 31, 2007.

In the year ended March 31, 2007, the Company newly established two subsidiaries, one of which is Cultive Ltd. ("Cultive"), an Investment Limited Partnership Company. The Company held 51% ownership in Cultive as of March 31, 2007. Cultive plans to form a venture fund to invest mainly in mobile content, mobile technology, and other Internet related venture companies which have the potential to collaborate with the Company. Cultive, the Company and other investors have formed CV1 Venture Fund, another newly established subsidiary of the Company.

All significant intercompany transactions and accounts are eliminated.

The Company excluded one wholly-owned subsidiary from consolidation due to its immateriality in terms of the consolidated total assets, net revenue, net income and retained earnings.

Investments in the unconsolidated subsidiary for which the equity method also has not been applied are stated at cost and reviewed periodically for impairment because the effect of application of the equity method would be immaterial.

The fiscal year of CV1 Venture Fund is December 31. The financial statements by provisionally closing accounts on March 31 of this subsidiary are used in the preparation of the consolidated financial statements.

(2) Cash equivalents

Cash equivalents in the accompanying consolidated statements of cash flows are composed of bank deposits withdrawable on demand and short-term highly liquid investments with an original maturity of three months or less at the time of purchase which bear minimum fluctuation risk.

(3) Investment securities

The Company and its subsidiaries are required to examine the intent of holding each security and classify those securities as (a) securities held for trading purposes (hereinafter, “trading securities”), (b) debt securities intended to be held-to-maturity (hereinafter, “held-to-maturity debt securities”), and (c) all other securities that are not classified in any of the above categories.

The Company and its subsidiaries have no trading securities and held-to-maturity debt securities.

Other securities for which market quotations are available are stated at fair value prevailing at the balance sheet date. Unrealized gains and losses, net of applicable deferred tax assets and liabilities, are reported as a separate component of net assets. The cost of securities sold is determined principally by the moving-average method.

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

(4) Inventories

Inventories are principally stated at cost. Cost is determined principally by the moving-average method.

(5) Property and equipment

Property and equipment are stated at cost. Assets are depreciated over their estimated useful lives by applying the straight-line method to “wireless telecommunication equipment”, “machinery and equipment” and “modems”, and the declining-balance method to “building and structure” and “tools, furniture and fixtures”.

The estimated useful lives are as follows:

Building and structure: 8 - 15 years

Wireless telecommunication equipment: 6 years

Machinery and equipment: 3 - 5 years

Modems: 3 years

Tools, furniture and fixtures: 2 - 20 years

“Machinery and equipment” and “modems” under capital leases are capitalized and amortized over the lease terms on a straight-line basis.

Effective from the year ended March 31, 2006, the Company and its subsidiary adopted the accounting standard for impairment of fixed assets (“Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets” issued by the Business Accounting Deliberation Council on August 9, 2002) and the implementation guidance for the accounting standard for impairment of fixed assets (the Financial Accounting Standard Implementation Guidance No. 6 issued by the Accounting Standards Board of Japan on October 31, 2003). The standard requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognized in the consolidated statement of income by reducing the carrying amount of impaired assets or a group of assets to the recoverable amount to be measured as the higher of net selling price and value in use. The adoption of this accounting standard has no material impact on its consolidated financial statements for the year ended March 31, 2006.

(6) Goodwill, other intangible assets and long-term prepaid expenses

(a) Goodwill

Goodwill on the purchase of specific business is stated at cost in excess of the net assets of the company acquired and is amortized by the straight-line method within five years.

(b) Software

Software used for internal purposes is stated at cost, less accumulated amortization. Amortization of software is computed by the straight-line method over three to five years, the estimated useful life of the software.

(c) Indefeasible right of use

The indefeasible right of use ("IRU") for long distance lines is capitalized and included in other assets at the present value of the minimum IRU payments payable during the IRU term, and the corresponding liabilities are recorded. Amortization of the IRU is computed by the straight-line method over its contract period.

(d) Long-term prepaid expenses

(1) Commissions paid for the commitment line

Commissions paid to secure the commitment line are capitalized and amortized over the maximum repayment period of seven years using the straight-line method.

(2) Payment for the roaming service

Payment for the roaming service are to be capitalized and amortized over the contract period from the commencement of the voice service to November, 2010 using the straight-line method.

(7) Allowance for bad debts

The Company and its subsidiaries recognize an allowance for general credits based on actual bad debt experience and ratios, and also recognize an allowance for estimated unrecoverable amounts for specific credits deemed to be uncollectible after considering possible losses on collection.

(8) Provision for directors' bonus

The Company recognizes provision for directors' bonus for an amount to be paid subsequent to the fiscal year-end.

(9) Leases

Where assets are financed by leasing agreements that give rights approximating to ownership, the assets are treated as if they had been purchased outright. These are capitalized at the lower of the fair value of the asset or the present value of the minimum lease payments, and the corresponding lease liabilities are recognized. The leased assets are amortized on a straight-line basis over the shorter of the period the Company and its subsidiaries are expected to benefit from their use or the lease term. Lease payments are classified as repayment of capital and interest elements using the annuity method. Amortization of the capitalized assets and interest expense on the lease liabilities are charged to income.

All other leases are operating leases and the annual rentals are charged to income over the period of lease terms.

(10) Research and development expenses

Research and development expenses are charged to income as incurred. Research and development expenses of ¥737 million and ¥2,568 million were incurred for the years ended March 31, 2006 and 2007 respectively.

(11) Issuance costs for stock

Issuance costs for stock are charged to income as incurred.

(12) Income taxes

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

(13) Employees' severance and retirement benefit

The Company and its subsidiaries have a defined contribution pension plan for their employees. The contributions to the defined contribution pension plan made by the Company and its subsidiaries are charged to income when paid.

(14) Derivatives and hedging activities

The Company and its subsidiaries use derivative financial instruments to manage their exposures to fluctuations in interest rates. Interest rate swaps and interest rate caps are utilized to reduce interest rate risks. The Company and its subsidiaries do not enter into derivatives for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows: (a) all derivatives are recognized as either assets or liabilities and measured at fair value; (b) gains and losses resulting from the fair value adjustments on derivative instruments not qualifying for hedge accounting are recognized in the statement of income; and (c) for derivative instruments other than interest rate swaps that are used for hedging purposes and qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains and losses from the fair value adjustments are deferred until the maturity of the hedged transactions.

The Company and its subsidiaries evaluate the effectiveness of its hedging activities by comparing the accumulated gains or losses on the hedging instruments and the gains or losses on the related hedged items.

Interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, and the difference paid or received under the swap agreements is recognized and included in interest expense as it is accrued.

(15) Net income per share

Net income per share is computed based on the average number of shares of common stock outstanding during the year.

Diluted net income per share of common stock is computed based on the weighted average number of shares of common stock and the contingent issuance of common stock upon the exercise of stock purchase warrants and stock options.

(16) Presentation of net assets in the balance sheet

Effective from the year ended March 31, 2007, the Company and its subsidiaries adopted the new accounting standard, "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").

The consolidated balance sheet as of March 31, 2007 prepared in accordance with the New Accounting Standards comprises of three sections; assets, liabilities and net assets.

Under the new Accounting Standards, the following items are required to be presented differently at March 31, 2007 compared to March 31, 2006. Unrealized gains or losses on hedging derivatives, net of taxes are included in net assets. Under the previous presentation rules, unrealized gains or losses on hedging derivatives were included in the assets or liabilities without considering the related income tax effects. Share subscription rights and minority interests are required to be included in net assets to conform to the New Accounting Standards. Under the previous presentation rules, companies were required to present share subscription rights and minority interests in liabilities and between the non-current liabilities and the shareholders' equity, respectively.

The consolidated balance sheet as of March, 31 2006 has been restated to conform to the 2007 presentation. As a result, share subscription rights and minority interests amounting to ¥7 million and ¥51,810 million, respectively, were included in net assets as of March 31, 2006. There were no unrealized gains and losses on hedging derivatives as of March 31, 2006.

The adoption of the New Accounting Standards had no impact on the consolidated statement of income for the year ended March 31, 2007. Also, the amount corresponding to total net assets as of

March 31, 2006 and 2007 under previous standards were ¥34,543 million and ¥32,230 million, respectively.

(17) Accounting standard for statement of changes in net assets

Effective from the year ended March 31, 2007, the Company and its subsidiaries adopted the new accounting standard, “Accounting Standard for Statement of Changes in Net Assets” (Statement No.6 issued by the Accounting Standards Board of Japan on December 27, 2005), and the implementation guidance for the accounting standard for statement of changes in net assets (the Financial Accounting Standard Implementation Guidance No.9 issued by the Accounting Standards Board of Japan on December 27, 2005).

The Company prepared the accompanying consolidated statement of changes in net assets for the year ended March 31, 2007 in accordance with these standards.

(18) Accounting standard for stock option

Effective from the year ended March 31, 2007, the Company and its subsidiaries adopted the new accounting standard “Accounting Standard for Stock Option” (Statement No.8 issued by the Accounting Standards Board of Japan on December 27, 2005) and the implementation guidance for the accounting standard for stock option (the Financial Accounting Standard Implementation Guidance No.11 issued and finally revised by the Accounting Standards Board of Japan on May 31, 2006).

The change had no impact on consolidated financial statements.

(19) Reclassifications

Certain reclassifications have been made to the 2006 consolidated financial statements to conform with the presentation used as of and for the year ended March 31, 2007. As described in note 2(16), the consolidated balance sheet for 2006 has been modified to conform to the new presentation rules of 2007. Also, as described in note 2(17) in lieu of the consolidated statement of shareholders’ equity for the year ended March 31, 2006, the Company prepared the consolidated statements of changes in net assets for 2006 as well as that for 2007.

3. Investment Securities

Investment securities at March 31, 2006 and 2007 consisted of the following:

	Millions of yen		
2006	Acquisition cost	Book value	Unrealized gain (loss)
Marketable securities	¥ 2,107	¥ 2,136	¥ 29

	Millions of yen		
2007	Acquisition cost	Book value	Unrealized gain (loss)
Marketable securities	¥ 3,356	¥ 2,229	¥ (1,127)

	Millions of yen	
	2006	2007
	Book value	
Non-marketable securities	¥ 200	¥ 325

Investment securities sold during years ended March 31, 2006 and 2007:

	Millions of yen	
	2006	2007
Amount of sale	¥ -	¥ 363
Total gain on sale	-	12
Total loss on sale	-	-

4. Inventories

Inventories at March 31, 2006 and 2007 consisted of the following:

	Millions of yen	
	2006	2007
Telecommunications device	¥ -	¥ 3,611
Modems	40	100
Other	1	-
	¥ 41	¥ 3,711

5. Long-Term Debt

Long-term debt at March 31, 2006 and 2007 consisted of the following:

	Millions of yen			
		2006		2007
Bonds:				
Unsecured straight bond due 2010 with an interest rate of 1.95%..	¥	50,000	¥	50,000
Unsecured straight bond due 2012 with an interest rate of 2.75%..		10,000		10,000
Zero coupon convertible bond due 2011.................		23,000		23,000
		83,000		83,000
Loans from banks:				
Maturing through 2009 an average rate of 1.54% per annum in 2007 (1.23% in 2006)		7,090		3,890
Less: Portion due within one year		3,200		2,590
		3,890		1,300
Other interest bearing debts (see note 16):				
Capital lease obligations with an average rate of 4.34% in 2007 (4.44% in 2006)		4,766		1,508
Less: Portion due within one year		3,247		1,325
		1,519		183
Installment obligations with an average rate of 4.02% in 2007 (1.62% in 2006)		77		1,501
Less: Portion due within one year		28		247
		50		1,254
Total long-term debt...		94,934		89,899
Less: Portion due within one year................................		6,475		4,162
	¥	88,459	¥	85,737

The aggregate annual maturities of long-term debt subsequent to March 31, 2007 are summarized as follows:

Year ending March 31		Millions of yen
2008	¥	4,162
2009		1,737
2010		50,240
2011		250
2012		33,261
2013 and thereafter		248
Total	¥	89,899

The zero coupon convertible bond which has a conversion price of ¥111,969 per share is convertible into 205,413 shares of common stock at March 31, 2007.

Redemption of the zero coupon convertible bond prior to maturity is as follows:

(a) Redemption prior to maturity in case the Company becomes a wholly-owned subsidiary of another corporation

In the case of a resolution being passed at a general meeting of shareholders of the Company for the Company to become a wholly-owned subsidiary of another corporation (the "Holding Company") by way of share-to-share exchange or share-transfer, then the Company shall forthwith give notice to the Trustee in writing and to the Bondholders, in accordance with the Conditions, of such event and the anticipated effective date of such transaction, and shall use its best endeavors to take any of the actions listed in (i), (ii) and (iii) below, which is legally possible and practicable under then applicable Japanese law:

(i) execute, and/or procure the Holding Company to execute, a trust deed in a form satisfactory to the Trustee, supplemental to the Trust Deed, and to structure the transaction in a manner which, together with the supplemental trust deed, ensures that the holder of each Bond then outstanding shall have the right (during the Exercise Period) to exercise the relevant Stock Acquisition Right and, upon exercise, to receive the class and amount of shares and other securities and property receivable upon such share-to-share exchange or share-transfer by a holder of the number of Shares in respect of which the Stock Acquisition Right could have been exercised immediately prior to such share-to-share exchange or share-transfer, or, if that is not legally possible or practicable;

(ii) make, or procure the Holding Company to make, an offer to Bondholders to exchange each Bond then held by such Bondholder for a bond issued by the Company or the Holding Company, as the case may be, which contains terms that are equivalent to the terms of the Bonds and provide for either (x) the right of such Bondholder to convert such bond into the class and amount of shares, and other securities and property receivable upon such share-to-share exchange or share-transfer by a holder of the number of Shares into which such Bond could have been converted immediately prior to such share-to-share exchange or share-transfer or (y) each Bondholder an equivalent economic interest (as determined by the Company) as the Stock Acquisition Right; or if none of these actions is so legally possible or practicable;

(iii) offer, or procure another corporation to offer, to all Bondholders a proposal to provide each Bondholder with an equivalent economic interest (as determined by the Company) as the Stock Acquisition Right.

provided that, in the case of (ii) above, the new bonds issued by a Holding Company shall be guaranteed by the Company on terms approved in writing by the Trustee. If, it is not legally possible or practicable under then applicable Japanese law (taking into account the then official or judicial interpretation of such laws) for the Company to effect transactions described (i) or (ii) above, or such offer is made to Bondholders in the manner contemplated by (ii) or (iii) above but not accepted by all Bondholders by the last date for acceptance of the same, the Company may, having given not less than 30 nor more than 60 days' notice to Bondholders in accordance with Conditions (which notice shall be irrevocable) and prior to the effective date of such share-to-share exchange or share-transfer, as the case may be, redeem all, but not some only, of the Bonds then outstanding in respect of which such offer was not made or has not been accepted at the following redemption prices (expressed as a percentage of the principal amount of the Bonds):

From and including June 28, 2004 to and including June 27, 2005	106%
From and including June 28, 2005 to and including June 27, 2006	105%
From and including June 28, 2006 to and including June 27, 2007	104%
From and including June 28, 2007 to and including June 27, 2008	103%
From and including June 28, 2008 to and including June 27, 2009	102%
From and including June 28, 2009 to and including June 27, 2010	101%
From and including June 28, 2010 to and including June 27, 2011	100%

(b) Redemption prior to maturity pursuant to the provision of 130 per cent. call option

The Company may, at its option, on or after June 28, 2007, having given not less than 30 nor more than 60 days' prior notice of redemption (such notice shall be irrevocable) to the Bondholders, redeem all, but not some only, of the Bonds then outstanding at 100 percent of their principal amount; provided, however, that no such redemption may be made unless the Closing Price for each of the 30 consecutive days when the Tokyo Stock Exchange, Inc. is open for business, but does not include a day when no such Closing Price is reported, the last of which occurs not more than 30 days prior to the date upon which the notice of such redemption is first published, is at least 130 per cent. of the Conversion Price in effect on each day.

(c) Redemption prior to maturity for taxation reasons

The Company may, but shall not be bound, at any time, having given not less than 30 nor more than 60 days' prior notice of redemption to the Bondholders in accordance with the Conditions (which notice shall be irrevocable), redeem all, but not some only, of the Bonds then outstanding at 100 per cent. of their principal amount, if (i) the Company satisfies the Trustee immediately prior to the giving of such notice that it has or will become obliged to pay additional amounts in accordance with a financial covenant as a result of any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, and (ii) such obligation cannot be avoided by the Company despite it making best endeavors to take measures to avoid such obligation; provided that no such notice of redemption to Bondholders shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such additional amounts were a payment in respect of the Bonds then due.

(d) Redemption prior to maturity for the option of the Bondholders in specific dates

Any Bondholder is entitled, at his option, to require the Company to redeem such Bonds on June 28, 2007 or on June 28, 2009 (each a "Bondholder Optional Redemption Date") at 100 per cent. of their principal amount. To exercise such option, the Bondholder shall complete, execute and deposit at the specified office of the Principal Payment Agent, at his own expense, during not less than 30 nor more than 60 days prior to the relevant Bondholder Optional Redemption Date, a notice of redemption in the prescribed form, together with such Bond. Such notice of redemption shall be irrevocable.

(e) Redemption prior to maturity for the option of the Bondholders due to a specific event

In the event of (i) when the Shares cease to be listed or admitted to trading on the Tokyo Stock Exchange, Inc. or (ii) when there is a transfer of a material asset with respect to the Company, the Bondholder will be entitled, at his option, to require the Company to redeem such Bonds on the date when the event above occurred at 100 per cent. of their principal amount. To exercise such option, the Bondholder shall complete, execute and deposit at the specified office of the Principal Paying Agent, at his own expense, during normal business hours of such Agent not later than the 60th calendar day following the day whichever is the later, (i) the occurrence of the relevant event, or (ii) the date upon which notice thereof is given to the Bondholders by the Company in accordance with the Conditions, a notice of redemption in the prescribed form together with such Bond. Such notice of redemption shall be irrevocable.

At March 31, 2006 and 2007, the following assets were pledged as collateral for bank loans:

	Millions of yen	
	2006	**2007**
Collateral assets:		
Machinery and equipment, net	¥ 451	¥ 209
Secured long-term debt:		
Long-term debt (includes due within one year)	¥ 2,030	¥ 710

eMobile has concluded a commitment line contract of a syndicate loan amounting to 220,000 million yen with twenty seven financial institutions. The commitment line, with a maximum repayment period of seven years, expected to satisfy the funding requirement of the mobile business. The amount of commitment line unused at March 31, 2007 was as follows:

	Millions of yen	
		2007
Total amount of commitment line	¥	220,000
Used amount		-
Unused amount of commitment line	¥	220,000

The commitment line contract includes certain financial and operational covenants. Also the commitment line requires all major assets held by eMobile to be pledged as collateral. The period of the pledge and the book value of the pledged assets are as follows:

(The period of the pledge)

Until the full payment of the loan under the commitment line

(Book value of the pledged assets)

	Millions of yen	
		2007
Collateral assets of eMobile:		
Cash and cash equivalents	¥	109,557
Accounts receivable		561
Inventories		3,506
Tangible assets		13,433
Intangible assets		5,833
Total	¥	132,892
Collateral assets of the Company:		
Investments in eMobile	¥	57,499

eMobile has concluded a commitment line contract of an installment amounting to 30,000 million yen with seven lease companies to cover the funding requirement of the network construction of the mobile business. The amount of commitment line unused at March 31, 2007 was as follows:

	Millions of yen	
		2007
Total amount of commitment line	¥	30,000
Used amount		1,469
Unused amount of commitment line	¥	28,531

6. Commitment and Contingencies

Purchase commitments

The Company and its subsidiaries have entered into various commitments for the purchase of property and equipment. Commitments outstanding at March 31, 2007 amounted to 33,087 million yen for property and equipment.

7. Concentration

Credit risk

At March 31, 2006 and 2007, three customers accounted for approximately 66% and 74% of the outstanding trade accounts receivable, respectively. Although the Company and its subsidiaries do not expect its customers to fail to meet their obligations, the Company and its subsidiaries are potentially exposed to concentration of credit risk if the customers fail to perform according to the terms of the contracts.

Net revenue

For the years ended March 31, 2006 and 2007, three customers accounted for approximately 68% and 70% of net revenue, respectively.

8. Net Assets

Legal reserve

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 a 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, which is included in capital surplus.

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 reserve must be set aside as additional paid-in-capital or legal reserve. Legal reserve is included in retained earnings in the accompanying consolidated 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 reserve until the total of legal reserve and additional paid-in capital equaled 25% of common stock.

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

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

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

The board of directors of the Company approved quarterly cash dividends amounting to ¥655 million at the board of directors' meeting held on May 14, 2007. Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2007. Such appropriations are recognized in the period in which they are approved by the board of directors.

Minority interests

The changes of minority interests for the year ended March 31, 2007 were primarily related to an increase of minority interests by ¥34,209 million as a result of the capital increase of eMobile.

The eAccess Rights Plan

In June 2005, the Company's shareholders approved the adoption of the eAccess Rights Plan ("the Plan"). The purpose of the Plan is to maximize the Company's corporate value to prevent in advance a hostile takeover which could unjustly damage its corporate value and to ensure that, when an acquisition of the Company has been proposed, that there is sufficient information and time available to fully consider the appropriateness of such acquisition proposal and to explore alternatives that the Company might suggest in relation to that proposal. The evaluation of the acquisition proposal will be conducted by the Corporate Value Enhancement Committee ("the Committee"), which is made up of all the Company's independent directors.

The Company granted a limited liability intermediate corporation ("LLC"), which is the wholly-owned subsidiary excluded from consolidation (see note 2 (1)), 1,800,000 stock options on June 10, 2005. This LLC on behalf of its current shareholders can exercise the stock options through June 22, 2015 at an exercise price of ¥135,000, or an amount calculated by multiplying the adjusted exercise price of common stock, which is one-fifth of the average closing price for the five successive days during the period, by the number of shares per stock option, which may be adjusted within a range from 1.5 to 2, pursuant to the conditions for exercise in the Plan agreement.

The rights will be exercisable only if the Committee determines to activate the stock options after reviewing the proposal plan by a person or a group who acquires or is intending to acquire more than 20 percent of the total issued voting shares of the Company. Upon such an event, the rights enable dilution of the acquiring person's or group's interest by providing that other holders of the Company's common stock may purchase the Company's common stock through LLC.

The Company may cancel all of the stock options issued in the Plan without compensation by a resolution of the board of directors. The Plan must be reaffirmed by the Company's shareholders every three years.

9. Stock-Based Compensation Plan

The Company and eMobile adopted an equity-based compensation plan that issues common stock acquisition rights for the purpose of granting stock options to the directors and employees. The stock acquisition rights generally vest ratably over a three-year period and are exercisable up to ten years from the date of grant. At March 31, 2005, the Company had outstanding granted stock options of 80,160 shares, with a weighted-average exercise price of ¥78,688. eMobile had no outstanding granted stock options at March 31, 2005.

On June 22, 2005, the Company's shareholders approved a stock option plan for the Company's directors, statutory auditors and employees that enabled them to purchase up to 46,450 shares of the Company's common stock in the period from July 1, 2005 to June 21, 2015. On July 1, 2005, the options were granted at an exercise price of ¥76,565 per share.

On June 22, 2005, the Company's shareholders approved a stock option plan for the Company's employees and certain advisors of the Company that enabled them to purchase up to 1,050 shares of the Company's common stock in the period from August 25, 2005 to June 22, 2015. On August 25, 2005, the options were granted at an exercise price of ¥80,168 per share.

On August 10, 2005, eMobile's shareholders approved a stock option plan for the Company's directors, statutory auditors and employees that enabled them to purchase up to 14,692 shares of eMobile's common stock in the period from August 25, 2005 to August 10, 2015. On August 25, 2005, the options were granted at an exercise price of ¥50,000 per share.

On February 27, 2006, eMobile's shareholders approved a stock option plan for the Company's directors, statutory auditors, employees and certain advisors of the Company that enabled them to purchase up to 73,324 shares of eMobile's common stock in the period from February 28, 2006 to February 27, 2016. On February 28, 2006, the options were granted at an exercise price of ¥75,000 per share.

For the year ended March 31, 2006, 2,395 shares were forfeited and 13,220 shares were exercised for the Company's options, and 453 shares were forfeited for eMobile's options. At March 31, 2006, the Company and eMobile had outstanding granted stock options of 112,045 shares and 87,563 shares respectively, with a weighted-average exercise price of ¥83,848 and ¥70,915 respectively.

On April 24, 2006, eMobile's shareholders approved a stock option plan for eMobile's statutory auditors, the Company's directors, employees and certain advisors of the Company that enabled them to purchase up to 31,137 shares of eMobile's common stock in the period from April 28, 2006 to April 24, 2016. On April 28, 2006, the options were granted at an exercise price of ¥85,000 per share.

On August 30, 2006, eMobile's shareholders approved a stock option plan for eMobile's directors and certain advisors of the Company that enabled them to purchase up to 200 shares of eMobile's common stock in the period from August 31, 2006 to August 30, 2016. On August 31, 2006, the options were granted at an exercise price of ¥85,000 per share.

On December 11, 2006, eMobile's shareholders approved a stock option plan for eMobile's directors, the Company's employees and certain advisors of the Company that enabled them to purchase up to 2,700 shares of eMobile's common stock in the period from December 13, 2006 to December 11, 2016. On December 13, 2006, the options were granted at an exercise price of ¥85,000 per share.

For the year ended March 31, 2007, 4,180 shares were forfeited and 10,920 shares were exercised for the Company's options, and 3,047 shares were forfeited for eMobile's options. At March 31, 2007, the Company and eMobile had outstanding granted stock options of 96,945 shares and 118,553 shares respectively, with a weighted-average exercise price of ¥90,329 and ¥75,083 respectively.

10. Rights of Detachable Warrants

The Company issued the detachable warrants on September 25, 2001. These warrants were exercisable during September 26, 2001 through September 25, 2006 for one share of common stock per warrant.

The status of the exercise rights of the detachable warrants at March 31, 2006 and 2007 were as follows:

		2006		2007
Exercise price	¥	45,000	¥	45,000
Number of warrants exercised		44,445		22,220
Number of warrants outstanding		22,220		-

11. Cost of Revenue

Significant components of "Cost of revenue" for the years ended March 31, 2006 and 2007 were as follows:

	Millions of yen			
		2006		2007
Cost of revenue:				
Modems and related tools	¥	282	¥	747
Salaries and benefits		480		735
Outsourcing		802		1,021
Depreciation and amortization		9,496		8,157
Network		11,761		11,978
Modem rental		8,024		8,159
Others		744		971
	¥	31,589	¥	31,767

12. Selling, General & Administrative Expenses

Significant components of “Selling, general & administrative expenses” for the years ended March 31, 2006 and 2007 were as follows:

	Millions of yen			
		2006		2007
Selling, general & administrative expenses:				
Sales promotion	¥	6,008	¥	4,959
Salaries and benefits		2,519		4,114
Outsourcing		6,557		6,549
Depreciation and amortization		1,266		1,237
Research and development		737		2,568
Others		2,302		4,008
	¥	19,389	¥	23,434

13. Employees’ Severance and Retirement Benefits

As part of the employee benefit plan, the Company and its subsidiaries adopt a “defined contribution pension plan”. Periodic pension costs for the years ended March 31, 2006 and 2007 of contribution to the defined contribution pension plan were as follows:

	Millions of yen			
		2006		2007
Periodic pension cost:				
Defined contribution pension plan	¥	52	¥	94

14. Impairment Losses of property and equipment

For the fixed asset impairment test, the Company and its subsidiaries generally groups fixed assets used for normal operations at a business unit level of which profits are reasonably controllable. Also, the Company and its subsidiaries assesses the recoverability of individual assets not used in normal operations or that are idle.

No impairment loss of fixed assets was recognized in 2006.

The Company recorded impairment losses for the software of ¥81 million and tools, furniture and fixtures of ¥52 million related to the service to be discontinued in the ISP business in 2007. These charges were recorded in other income (expenses) in the consolidated statement of income for the year ended March 31, 2007.

15. Income Taxes

The Company and its subsidiaries are subject to Japanese corporate, inhabitants and business taxes based on income which, in the aggregate, result in a statutory tax rate of approximately 40.7 percent for the years ended March 31, 2006 and 2007.

The income tax expenses reflected in the statements of income for the years ended March 31, 2006 and 2007 consist of the following:

	Millions of yen	
	2006	2007
Current	¥ 3,863	¥ 4,303
Deferred	(845)	290
	¥ 3,018	¥ 4,593

The statutory tax rates used for calculating deferred tax assets and deferred tax liabilities as of March 31, 2006 and 2007 were 40.7%.

At March 31, 2006 and 2007, significant components of deferred tax assets and deferred tax liabilities were analyzed as follows:

	Millions of yen	
	2006	2007
Deferred tax assets:		
Accrued business taxes	¥ 385	¥ 250
Depreciation and amortization	766	629
Impairment losses of property and equipment	-	54
Valuation loss on inventories	24	-
Unrealized loss on investment securities	-	459
Unrealized loss on hedging derivatives	-	854
Net operating loss carryforwards of eMobile	640	5,871
Others	215	197
Total gross deferred tax assets	2,030	8,314
Valuation allowance	(754)	(6,397)
Total net deferred tax assets	1,276	1,917
Deferred tax liabilities:		
Unrealized gain on investment securities	12	-
Change in the Company's ownership interest in eMobile	-	238
Net deferred tax assets	¥ 1,264	¥ 1,679

The following table summarizes significant differences between the statutory tax rate and the Company's effective tax rate for financial statement purposes for the years ended March 31, 2006 and 2007.

	2006	2007
Statutory tax rate	40.7 %	40.7 %
Adjustments:		
Inhabitant taxes per capita	0.2	(1.3)
Change in valuation allowance other than net operating loss carryforwards	(8.6)	(2.2)
Valuation allowance for net operating loss carryforwards of eMobile	8.7	(301.4)
Others, net	(0.7)	(0.7)
Effective tax rate	40.3 %	(265.0) %

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the period in which those temporary differences become deductible. For the assessment of the realizability of deferred tax assets, management considers the reversal of deferred tax liabilities, future taxable income, tax planning strategies and level of net scheduled operating loss carryforwards, in accordance with accounting principles generally accepted in Japan.

Management understands that the deferred tax assets of eMobile which primarily represents net operating loss carryforwards will not be realizable for a foreseeable future and accordingly, the Company provided a valuation allowance of ¥6,397 million at March 31, 2007.

16. Leases

The Company leases certain machinery and equipment in the normal course of business under capital leases. Assets covered under capital leases at March 31, 2006 and 2007 are as follows:

	Millions of yen			
		2006		2007
Class of property and equipment, intangible assets:				
Machinery and equipment......................................	¥	15,808	¥	10,015
Tools, furniture and fixtures....................................		50		8
Computer software...		508		410
		16,367		10,433
Accumulated amortization......................................		(11,934)		(9,043)
	¥	4,433	¥	1,390

Future minimum lease payments by year under capital leases together with the present value of net minimum lease payments at March 31, 2007 are as follows (see note 5):

Year ending March 31	Millions of yen	
2008..	¥	1,360
2009..		184
2010 and thereafter...		-
Total minimum lease payments…………………………………………………..		1,544
Less: Amount representing interest (an average rate of 4.34%)……………		36
Present value of net minimum lease payments		1,508
Less: Portion due within one year		1,325
Capital lease obligations, less current portion	¥	183

17. Cash Flows Information

Significant non-cash transactions for the years ended March 31, 2006 and 2007 are as follows:

	Millions of yen			
		2006		2007
Installment purchase payable incurred	¥	-	¥	1,469

18. Segment Information

Business segments are categorized primarily based on type of services, nature of business operations and sales channels, etc. The following table summarizes the business segment information of the Company and its subsidiaries for the years ended March 31, 2006 and 2007.

2006	Millions of yen				
	ADSL･ISP Business	MOBILE Business	Total	Elimination	Consolidation
Ⅰ. Net revenue and operating profit (loss):					
Outside net revenue	¥ 60,353	¥ -	¥ 60,353	¥ -	¥ 60,353
Intersegment net revenue	-	-	-	-	-
Total	60,353	-	60,353	-	60,353
Operating expenses	48,683	2,295	50,978	-	50,978
Operating profit (loss)	¥ 11,670	¥ (2,295)	¥ 9,375	¥ -	¥ 9,375
Ⅱ. Identifiable assets, depreciation and amortization and capital expenditures:					
Identifiable assets	¥ 97,205	¥ 97,368	¥ 194,573	¥ (398)	¥ 194,174
Depreciation and amortization	10,761	1	10,762	-	10,762
Capital expenditures	6,847	346	7,193	-	7,193

2007	Millions of yen				
	ADSL･ISP Business	MOBILE Business	Total	Elimination	Consolidation
Ⅰ. Net revenue and operating profit (loss):					
Outside net revenue	¥ 55,730	¥ 520	¥ 56,250	¥ -	¥ 56,250
Intersegment net revenue	254	-	254	(254)	-
Total	55,984	520	56,504	(254)	56,250
Operating expenses	43,452	11,987	55,439	(238)	55,201
Operating profit (loss)	¥ 12,532	¥ (11,467)	¥ 1,065	¥ (16)	¥ 1,049
Ⅱ. Identifiable assets, depreciation and amortization and capital expenditures:					
Identifiable assets	¥ 139,572	¥ 156,259	¥ 295,831	¥ (57,994)	¥ 237,837
Depreciation and amortization	8,806	495	9,301	92	9,393
Impairment loss	134	-	134	-	134
Capital expenditures	7,870	30,825	38,695	-	38,695

NOTE: Business category and principal services/operations of each segment.

Business segment	Principal services/operations
ADSL･ISP Business	Fast Internet access services by wholesale of ADSL lines and ISP services under the AOL brand
MOBILE Business..................	Mobile broadband services

Information by geographic area is not shown since the Company does not have any subsidiaries or material branches which are located outside of Japan. Also, information of overseas net revenue is not shown since overseas net revenue were less than ten percent of consolidated net revenue.

19. Subsequent Events

(1) Sale of the subsidiary shares and change in scope of consolidation

On May 14, 2007, the board of directors of the Company has approved the sale of a part of shares held by the Company in eMobile. The sale has been completed on May 31, 2007.

(1) Reason for sale

The Company will return some of the initial profits to the shareholders from the investment in eMobile which has successfully launched its data service on March 31, 2007.

(2) Business description of the subsidiary company and the operational relations with the parent company:

(i) Business description………………………………. Mobile broadband communication services

(ii) Business relations with the parent company………. Purchase of the backbone services

(3) Buyer of shares.. Goldman Sachs Affiliated Group entity

(4) Sales date.. May 31, 2007

(5) Summary of sale

(i) Number of shares (Preferred shares with voting rights).. 100,000 shares

(ii) Sales amount .... 12,000 million yen

(iii) Capital gain .... Approximately 4,700 million yen

(iv) Ownership percentage of the Company after the sale of shares 37.6%

(6) Change in scope of consolidation

Following the above transaction, eMobile has become an affiliated company, which is accounted for under the equity method, from a consolidated subsidiary on May 31, 2007. As a result, operating results of eMobile will be fully consolidated from April 1, 2007 to May 31, 2007 and reflected in the other income (expense) as the equity in gain or loss of affiliates from June 1, 2007 in the consolidated statement of income for the year ending March 31, 2008.

(2) Establishment of the device business

On May 14, 2007, the board of directors of the Company has approved to establish the device business unit. A new device business unit was established and commenced service on June 1, 2007 after the Service and Product Development Division of eMobile was transferred to the Company.

(1) Description of the device business

To develop and sell application platforms and devices that are in common with mobile, fixed telecommunication, and WiMAX.

(2) Commencement date of the business

June 1, 2007

(3) Effect on the Company's operations

In addition to sell mobile devices to eMobile, the Company plans to expand business with other telecommunication operators, business partners, hardware vendors, and contents application providers to generate additional revenues and profits.

(3) Change in business segments

Following the establishment of the device business unit as described above, the Company has divided the Service and Product Development Division from the Mobile Business and has established the Device Business as a new segment effective from the year ending March 31, 2008. In addition, the Company has renamed the ADSL・ISP Business to the Network Business.

Following is the segment information for the year ended March 31, 2007 as if the new business segment had been applied.

2007		Network Business		Device Business		Mobile Business		Total		Elimination		Consolidation
		Millions of yen										
Ⅰ. Net revenue and operating profit (loss):												
Outside net revenue	¥	55,730	¥	-	¥	520	¥	56,250	¥	-	¥	56,250
Intersegment net revenue		254		4,141		-		4,395		(4,395)		-
Total		55,984		4,141		520		60,645		(4,395)		56,250
Operating expenses		43,452		8,364		7,764		59,580		(4,379)		55,201
Operating profit (loss)	¥	12,532	¥	(4,223)	¥	(7,244)	¥	1,065	¥	(16)	¥	1,049
Ⅱ. Identifiable assets, depreciation and amortization and capital expenditures:												
Identifiable assets	¥	139,572	¥	6,897	¥	149,362	¥	295,831	¥	(57,994)	¥	237,837
Depreciation and amortization		8,806		70		425		9,301		92		9,393
Impairment loss		134		-		-		134		-		134
Capital expenditures		7,870		968		29,857		38,695		-		38,695

NOTE: Business category and principal services/operations of each segment.

Business segment	Principal services/operations
Network Business..................	Fast Internet access services, ISP services and backbone service
Device Business	Development and sale of the application platform and device
Mobile Business....................	Mobile broadband services