eAccess Ltd.

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2008

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eAccess Ltd. and subsidiaries
CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2007 and 2008

	Millions of yen			
		2007		**2008**
ASSETS				
Current assets:				
Cash and cash equivalents	¥	160,926	¥	47,619
Accounts receivable:				
Trade		7,912		14,410
Other		2,298		568
Inventories		3,711		236
Advance payments		-		5,756
Deferred income taxes		280		1,097
Prepaid expenses and others		3,947		1,031
Total current assets		179,073		70,717
Property and equipment:				
Wireless telecommunication equipment		18,232		-
Machinery and equipment		38,925		35,070
Land		-		307
Construction in progress		4,751		200
Others		5,072		4,008
Total property and equipment		66,979		39,585
Accumulated depreciation and amortization		(29,150)		(27,136)
Net property and equipment		37,829		12,449
Investments and other assets:				
Investment securities		2,554		6,575
Investments in affiliates		-		27,441
Long-term prepaid expenses		6,125		7
Lease deposits		1,041		691
Goodwill, net		644		257
Software		9,117		2,081
Deferred income taxes		1,399		1,363
Other assets		56		10
Total investments and other assets		20,935		38,424
TOTAL ASSETS	¥	237,837	¥	121,590

See accompanying notes to consolidated financial statements.

eAccess Ltd. and subsidiaries
CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2007 and 2008

	Millions of yen			
		2007		2008
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable:				
Trade	¥	5,268	¥	6,554
Other		23,460		1,436
Current portion of long-term debt		4,162		1,507
Income taxes payable		2,581		4,137
Accrued expenses		6,921		4,933
Provision for directors' bonus		50		19
Other current liabilities		275		573
Total current liabilities		42,717		19,158
Long-term debt		85,737		83,000
Other liabilities		1,161		-
Total liabilities		129,616		102,158
Commitments and contingencies				
NET ASSETS				
Shareholders' equity:				
Common stock				
Authorized: 5,489,760 shares in 2007 and 2008				
Issued and outstanding: 1,455,745 shares in 2007 and 1,461,310 shares in 2008		17,034		17,101
Capital surplus		5,685		5,751
Retained earnings		10,180		684
Treasury stock, at cost		-		(3,000)
Valuation and translation adjustments				
Unrealized loss on investment securities		(668)		(987)
Unrealized loss on hedging derivatives		(1,096)		(721)
Share subscription rights		2		2
Minority interests		77,087		603
Total net assets		108,222		19,433
TOTAL LIABILITIES AND NET ASSETS	¥	237,837	¥	121,590

See accompanying notes to consolidated financial statements.

eAccess Ltd. and subsidiaries
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED MARCH 31, 2007 and 2008

	Millions of yen	
	2007	**2008**
Net revenue	¥ 56,250	¥ 67,564
Cost of revenue	31,767	41,853
Gross profit	24,483	25,711
Selling, general & administrative expenses	23,434	18,620
Operating profit	1,049	7,092
Other income (expenses):		
Interest income	190	197
Dividend income	69	73
Interest expense	(1,216)	(1,969)
Commission expense	(1,484)	(286)
Stock issuance costs	(167)	(1)
Impairment losses of property and equipment	(134)	-
Gain on sale of stocks in eMobile Ltd	-	4,641
Equity in net losses of affiliates	-	(13,506)
Gain from cancellation of interest swap	-	420
Others, net	(40)	(127)
Loss before income taxes and minority interests	(1,733)	(3,465)
Income taxes		
Current	4,303	6,041
Deferred	290	(545)
Total income taxes	4,593	5,496
Minority interests	7,235	2,610
Net income (loss)	¥ 909	¥ (6,351)

	Yen	
	2007	**2008**
Per share data:		
Net income (loss)	¥ 631.82	¥ (4,396.36)
Diluted net income	306.25	-
Cash dividends	1,800.00	2,300.00

See accompanying notes to consolidated financial statements.

eAccess Ltd. and subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED MARCH 31, 2007 and 2008

		Millions of yen								
		Shareholders' equity				Valuation and translation adjustments				
	Number of shares of Common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gain (loss) on investment securities	Unrealized gain (loss) on hedging derivatives	Share subscription rights	Minority interests	Total net assets
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)
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
Others......................................	-	-	-	-	-	(686)	(1,096)	-	25,276	23,494
Balance at March 31, 2007	1,455,745	17,034	5,685	10,180	-	(668)	(1,096)	2	77,087	108,222
Net loss....................................	-	-	-	(6,351)	-	-	-	-	-	(6,351)
Cash dividends.........................	-	-	-	(3,144)	-	-	-	-	-	(3,144)
Purchase of treasury stock........	-	-	-		(3,000)	-	-	-	-	(3,000)
Exercise of stock options	5,565	67	67	-	-	-	-	-	-	134
Sale of investment in stocks in eMobile Ltd. results in change in scope of consolidation.........................	-	-	-	-	-	-	-	-	(74,431)	(74,431)
Others......................................	-	-	-	-	-	(319)	376	-	(2,053)	(1,996)
Balance at March 31, 2008	1,461,310	¥ 17,101	¥ 5,751	¥ 684	¥ (3,000)	¥ (987)	¥ (721)	¥ 2	¥ 603	¥ 19,433

See accompanying notes to consolidated financial statements.

eAccess Ltd. and subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2007 and 2008

	Millions of yen	
	2007	**2008**
Cash flows from operating activities:		
Loss before income taxes and minority interests	¥ (1,733)	¥ (3,465)
Depreciation and amortization	9,393	8,451
Impairment losses of property and equipment	134	-
Loss on disposal of property and equipment	26	18
Loss on disposal of intangible assets – software	22	80
Provision for bad debt reserve	(6)	0
Interest expense	1,216	1,969
Gain on sale of stocks in eMobile Ltd.	-	(4,641)
Equity in net losses of affiliates	-	13,506
Increase in accounts receivable – trade	(2,461)	(7,145)
Increase in inventories	(3,671)	(1,925)
Increase in advance payments	-	(5,756)
(Increase) decrease in long-term prepaid expenses	(645)	104
Increase in accounts payable – trade	4,510	2,352
Decrease in accounts payable – other	(682)	(926)
Increase (decrease) in accrued expenses	3,434	(1,098)
Others, net	(2,876)	(559)
Subtotal	6,661	964
Cash received from interest	166	256
Cash paid for interest	(1,221)	(1,727)
Cash paid for interest rate cap	(1,212)	-
Cash paid for income taxes	(5,798)	(4,364)
Net cash used in operating activities	(1,404)	(4,872)
Cash flows from investing activities:		
Payments for purchase of investment securities	(1,725)	(4,792)
Proceeds from sale of investment securities	363	230
Net decrease from sale of investment in stocks in eMobile Ltd. results in change in scope of consolidation	-	(71,154)
Purchase of stocks in Open Wireless Network Corp.	-	(10,025)
Proceeds from capital reduction of stocks in Open Wireless Network Corp.	-	9,935
Purchase of property and equipment	(15,886)	(16,441)
Purchase of intangible assets	(3,087)	(5,428)
Proceeds from sale of property and equipment	-	206
Proceeds from sale of intangible assets	-	109
Net cash used in investing activities	(20,335)	(97,361)
Cash flows from financing activities:		
Repayments of long-term debt	(6,485)	(4,065)
Proceeds from stock issuance by the Company, net	1,253	133
Proceeds from capital increase by minority shareholders (2007: eMobile Ltd.).	34,223	551
Purchase of treasury stock	-	(3,000)
Payments for additional stock acquisition of eMobile Ltd.	(1,199)	-
Payments for stock issuance by eMobile Ltd.	(39)	-
Payments for change in condition for commitment line of eMobile Ltd.	-	(605)
Payments for cancellation of interest swap	-	(964)
Dividends paid	(3,743)	(3,125)
Net cash provided by (used in) financing activities	24,010	(11,074)
Net increase (decrease) in cash and cash equivalents	2,272	(113,307)
Cash and cash equivalents at beginning of year	158,654	160,926
Cash and cash equivalents at end of year	¥ 160,926	¥ 47,619

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 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 respects as to application and disclosure requirements of International Financial Reporting Standards.

The accompanying consolidated financial statements have been restructured and translated into English with some expanded descriptions from the statutory Japanese language 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 Financial Instruments and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, which is 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, two of its subsidiaries and two affiliates as of March 31, 2008 (three of its subsidiaries and no affiliates as of March 31, 2007). All significant intercompany transactions and accounts are eliminated. Investments in two affiliates are accounted for under the equity method.

eMobile Ltd. (“eMobile”) 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, eMobile 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 and the Company’s control was presumed to exist due to power to appoint or remove the majority of the members of the board of directors. Therefore, the Company consolidated eMobile as a consolidated subsidiary as of and for the year ended March 31, 2007.

On May 31, 2007, the Company sold part of its shares of eMobile, and its remaining ownership became 37.6%. As a result, eMobile has become an affiliated company, which is accounted for under the equity method, from a consolidated subsidiary. The operating results of eMobile were fully consolidated until May 31, 2007 and recorded as the equity in net losses of affiliates after June 1, 2007 in the consolidated statement of operations for the year ended March 31, 2008.

Cultive Ltd.(“Cultive”) is one of its subsidiaries, an Investment Limited Partnership Company. The Company held 51% ownership in Cultive as of March 31, 2007 and 2008. 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 Investment Limited Partnership, another subsidiary of the Company.

The fiscal year of CV1 Investment Limited Partnership, one of the consolidated subsidiaries, ends on December 31, so provisional financial statements closed on March 31 are used in the preparation of the consolidated financial statements.

On September 10, 2007, the Company newly established Open Wireless Network Corporation, an affiliated company accounted for under the equity method.

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

(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. The straight-line method is applied to "building and structure (excluding leasehold improvement)", "machinery and equipment", "wireless telecommunication equipment" and "modems". The declining-balance method is applied to "leasehold improvement" and "tools, furniture and fixtures".

The estimated useful lives are as follows:

Building and structure: 8 - 33 years

Machinery and equipment: 3 - 5 years

Wireless telecommunication equipment: 6 years

Tools, furniture and fixtures: 2 - 20 years

Modems: 3 years

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

Pursuant to a revision of the Corporation Tax Law effective from the year ended March 31, 2008, depreciation of "leasehold improvement" and "tools, furniture and fixtures" purchased on or after April 1, 2007 are calculated in accordance with the revised Corporation Tax Law. The change had no material impact on consolidated financial statements.

Depreciation of "leasehold improvement" and "tools, furniture and fixtures" purchased before April 1, 2007 are calculated in accordance with the Corporation Tax Law prior to its revision until the remaining value of assets reach 5% of acquisition cost, and thereafter, the remaining value may be depreciated evenly over five years until asset amount reaches ¥1. The change had no material impact on consolidated financial statements.

(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 acquired business and is amortized by the straight-line method within five years.

(b) Software

Software for internal use is stated at cost. 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 had been capitalized and included in other assets during the IRU term. 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 had been capitalized and amortized over the contract period from the commencement of the voice service to November 2010 using the straight-line method. The amount has become off-balanced due to eMobile being excluded from consolidation since June 1, 2007.

(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. Depreciation 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 ¥2,568 million and ¥2,303 million were incurred for the years ended March 31, 2007 and 2008 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 foreign exchange and interest rates. Foreign exchange forward contracts, interest rate swaps and interest rate caps are utilized to reduce foreign currency exchange and 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 consolidated statement of operations 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 their hedging activities by comparing the accumulated gains or losses on the hedging instruments and the gains or losses on the related hedged items.

Foreign exchange forward contracts that qualify for hedge accounting and meet certain hedging criteria are accounted for under the allocation method. 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.

In the event that the hedge loses its effectiveness, hedge accounting is no longer applied and gains and losses on the hedge transactions are recognized in the consolidated statement of operations.

(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 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).

The consolidated balance sheets prepared in accordance with the standard and guidance comprises of three sections; assets, liabilities and net assets.

The adoption of the standard and guidance had no impact on the consolidated statement of operations for the year ended March 31, 2007.

(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).

(18) Accounting standard for stock option

Effective from the year ended March 31, 2007, the Company and its subsidiaries adopted the 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) Change in business segment classification

On June 1, 2007, the Company established the Device Business unit and commenced the service due to the related Service and Product Development Division was transferred from eMobile. Accordingly, the Device Development unit which was previously classified as part of "Mobile Business" was reclassified to "Device Business" as a new business segment to more appropriately present the business segment in line with similarities in types of services, operations and sales markets. In addition, "ADSL･ISP Business" was renamed to "Network Business".

(20) Change in the scope of corporate assets

As a result of the change in business segment classification described above 2 (19), current assets (cash and cash equivalents), long-term investments (investment securities) and the corporate assets classified in the Network Business (former ADSL・ISP Business) became difficult to allocate to each segment, and therefore, classified in the Eliminations/Corporate for the year ended March 31, 2008.

(21) Reclassifications

Certain reclassifications have been made to the 2007 consolidate financial statements to conform with the presentation used as of and for the year ended March 31, 2008. As described in the above 2 (19) and 2 (20), the segment classification and the scope of corporate assets for 2007 have been reclassified to conform with the presentation used as of and for the year ended March 31, 2008.

3. Change in the Scope of Consolidated Subsidiaries and Affiliates

The Company held 43.5% ownership in eMobile as of March 31, 2007 and the Company's control was presumed to exist due to power to appoint or remove the majority of the members of the board of directors. Therefore, the Company consolidated eMobile as a consolidated subsidiary as of and for the year ended March 31, 2007.

As described in note 2 (1), the Company sold part of its shares of eMobile on May 31, 2007, and its remaining ownership became 37.6%. As a result, eMobile has become an affiliated company, which is accounted for under the equity method. The summary of assets and liabilities of eMobile, which was excluded from consolidated financial statements, are described in note 18. As described in note 9, minority interests decreased by ¥76,484 million for the year ended March 31, 2008. The operating results of eMobile were fully consolidated until May 31, 2007 and recorded as the equity in net losses of affiliates after June 1, 2007 in the consolidated statement of operations for the year ended March 31, 2008.

4. Investment Securities

Investment securities at March 31, 2007 and 2008 consisted of the following:

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

	Millions of yen		
2008	**Acquisition cost**	**Book value**	**Unrealized gain (loss)**
Marketable securities	¥ 4,127	¥ 2,474	¥ (1,654)

	Millions of yen	
	2007	**2008**
Non-marketable securities		
Other securities:		
Non-listed equity securities	¥ 325	¥ 4,101

Investment securities sold during years ended March 31, 2007 and 2008 are as follows:

	Millions of yen	
	2007	**2008**
Amount of sale	¥ 363	¥ 230
Total gain on sale	12	30
Total loss on sale	-	-

5. Inventories

Inventories at March 31, 2007 and 2008 consisted of the following:

	Millions of yen	
	2007	**2008**
Telecommunications device	¥ 3,611	¥ 161
Modems	100	71
Other	-	4
	¥ 3,711	¥ 236

6. Long-Term Debt

Long-term debt at March 31, 2007 and 2008 consisted of the following:

	Millions of yen			
		2007		2008
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 1.85% per annum in 2008 (1.54% in 2007)		3,890		1,300
Less: Portion due within one year		2,590		1,300
		1,300		-
Other interest bearing debts (see note 17):				
Capital lease obligations with an average rate of 4.21% in 2008 (4.34% in 2007)		1,508		183
Less: Portion due within one year		1,325		183
		183		-
Installment obligations with an average rate of 1.55% in 2008 (4.02% in 2007)		1,501		24
Less: Portion due within one year		247		24
		1,254		-
Total long-term debt		89,899		84,507
Less: Portion due within one year		4,162		1,507
	¥	85,737	¥	83,000

The aggregate annual maturities of long-term debt subsequent to March 31, 2008 are summarized as follows:

Year ending March 31		Millions of yen
2009		1,507
2010		50,000
2011		-
2012		33,000
2013		-
2014 and thereafter		-
Total	¥	84,507

The zero coupon convertible bond which has a conversion price of ¥108,465 per share is convertible into 212,049 shares of common stock at March 31, 2008.

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, 2007 and 2008, the following assets were pledged as collateral for bank loans:

	Millions of yen			
		2007		2008
Collateral assets:				
Machinery and equipment, net	¥	209	¥	-
Secured long-term debt:				
Long-term debt (includes due within one year)	¥	710	¥	-

In March 2007, eMobile concluded a commitment line contract of a syndicate loan amounting to ¥220,000 million with 32 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 used at March 31, 2007 and 2008 were as follows:

	Millions of yen			
		2007		2008
Total amount of commitment line	¥	220,000	¥	220,000
Used amount		-		80,000
Unused amount of commitment line	¥	220,000	¥	140,000

The amount as of March 31, 2008 has become off-balanced due to eMobile being excluded from consolidation since June 1, 2007.

The commitment line requires all major assets held by eMobile and all shares of eMobile stock held by the Company to be pledged as collateral. The period of the pledge and the book value of the pledged assets as of March 31, 2007 and 2008 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		2008
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	¥	27,379

The book value of the assets held by eMobile as of March 31, 2008 was ¥200,730 million. As described in note 2(1), the amount has become off-balanced due to eMobile being excluded from consolidation since June 1, 2007.

The commitment line contract includes certain financial and operational covenants. There is no infringement of covenants as of March 31, 2008.

7. 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, 2008 amounted to ¥27,542 million for property and equipment.

8. Concentration

Credit risk

At March 31, 2007 and 2008, three customers accounted for approximately 74% and 24% of the outstanding trade accounts receivable, respectively. Also at March 31, 2008, eMobile, an affiliated company, accounted for approximately 67% of the outstanding trade accounts receivable. Although the Company and its subsidiaries do not expect these 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, 2007 and 2008, three customers accounted for approximately 70% and 50% of net revenue, respectively. Also for the year ended March 31, 2008, eMobile, an affiliated company, accounted for approximately 20% of net revenue.

9. Net Assets

Legal reserve

The Corporate Law of Japan (“the Law”) became effective on May 1, 2006, replacing the Commercial Code of Japan (“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 ¥815 million at the board of directors’ meeting held on May 14, 2008. Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2008. Such appropriations are recognized in the period in which they are approved by the board of directors.

Treasury stock

As approved by the board of directors, the Company repurchased 44,741 shares of its own common stock in amount of ¥3,000 million during the year ended March 31, 2008. Details are described in note 21(1).

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 changes of minority interests for the year ended March 31, 2008 were primarily decrease of minority interests by ¥76,484 million as a result of the change in scope of consolidation due to sale of investment in stocks in 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. Discontinuance of the eAccess Rights Plan are described in note 21(3).

10. 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, 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.

For the year ended March 31, 2008, 2,850 shares were forfeited and 5,565 shares were exercised for the Company's options, and 25,993 shares were forfeited for eMobile's options. At March 31, 2008, the Company had outstanding granted stock options of 88,530 shares with a weighted-average exercise price of ¥98,915.

11. 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, 2007 and 2008 were as follows:

	2007	2008
Exercise price	¥ 45,000	¥ -
Number of warrants exercised	22,220	-
Number of warrants outstanding	-	-

12. Cost of Revenue

Significant components of "Cost of revenue" for the years ended March 31, 2007 and 2008 were as follows:

	Millions of yen	
	2007	2008
Cost of revenue:		
Devices and related tools sold	¥ 747	¥ 11,786
Salaries and benefits	735	768
Outsourcing	1,021	1,344
Depreciation and amortization	8,157	7,126
Network	11,978	11,941
Modem rental	8,159	7,371
Others	971	1,517
	¥ 31,767	¥ 41,853

13. Selling, General & Administrative Expenses

Significant components of "Selling, general & administrative expenses" for the years ended March 31, 2007 and 2008 were as follows:

	Millions of yen	
	2007	2008
Selling, general & administrative expenses:		
Sales promotion	¥ 4,959	¥ 6,028
Salaries and benefits	4,114	1,950
Outsourcing	6,549	4,842
Depreciation and amortization	1,237	1,151
Research and development	2,568	2,303
Others	4,008	2,346
	¥ 23,434	¥ 18,620

14. 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, 2007 and 2008 were as follows:

	Millions of yen	
	2007	2008
Periodic pension cost:		
Defined contribution pension plan	¥ 94	¥ 62

15. 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 assess the recoverability of individual assets not used in normal operations or that are idle.

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

No impairment loss of fixed assets was recognized for the year ended March 31, 2008.

16. 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, 2007 and 2008.

The income tax expenses reflected in the consolidated statements of operations for the years ended March 31, 2007 and 2008 consist of the following:

	Millions of yen			
		2007		2008
Current	¥	4,303	¥	6,041
Deferred		290		(545)
	¥	4,593	¥	5,496

At March 31, 2007 and 2008, significant components of deferred tax assets and deferred tax liabilities were analyzed as follows:

	Millions of yen			
		2007		2008
Deferred tax assets:				
Accrued business taxes	¥	250	¥	310
Depreciation and amortization		629		363
Impairment losses of property and equipment		54		43
Unrealized loss on investment securities		459		673
Unrealized loss on hedging derivatives		854		495
Net operating loss carryforwards of eMobile		5,871		-
Elimination of intercompany profits on consolidation		-		357
Others		197		429
Total gross deferred tax assets		8,314		2,670
Valuation allowance		(6,397)		(3)
Total net deferred tax assets		1,917		2,666
Deferred tax liabilities:				
Change in the Company’s ownership interest in eMobile		238		206
Net deferred tax assets	¥	1,679	¥	2,460

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, 2007 and 2008.

	2007		2008	
Statutory tax rate	40.7	%	40.7	%
Adjustments:				
Inhabitant taxes per capita	(1.3)		-	
Change in valuation allowance other than net operating loss carryforwards	(2.2)		-	
Valuation allowance for net operating loss carryforwards of eMobile	(301.4)		-	
Adjustments on gains on sale of eMobile stocks on consolidation	-		14.3	
Equity in net losses of eMobile	-		(158.6)	
Net losses of eMobile as consolidated subsidiary	-		(52.8)	
Others, net	(0.7)		(2.2)	
Effective tax rate	(265.0)	%	(158.6)	%

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.

17. 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, 2007 and 2008 are as follows:

	Millions of yen	
	2007	2008
Class of property and equipment, intangible assets:		
Machinery and equipment	¥ 10,015	¥ 2,016
Tools, furniture and fixtures	8	17
Software	410	60
	10,433	2,093
Accumulated amortization	(9,043)	(1,925)
	¥ 1,390	¥ 168

Future minimum lease payments by year under capital leases together with the present value of net minimum lease payments at March 31, 2008 are as follows (see note 6):

Year ending March 31	Millions of yen
2009	185
2010 and thereafter	-
Total minimum lease payments	185
Less: Amount representing interest (an average rate of 4.21%)	2
Present value of net minimum lease payments	183
Less: Portion due within one year	183
Capital lease obligations, less current portion	¥ -

18. Cash Flows Information

The summary of assets and liabilities of eMobile, which was changed from a consolidated subsidiary to an affiliate for the equity method after the Company sold part of shares of eMobile at May 31, 2007, as well as the differences between cash proceeds from sale of stocks and cash and cash equivalents of eMobile at May 31, 2007 are as follows:

		Millions of yen
Current assets	¥	102,045
Property and equipment		45,132
Current liabilities		(17,103)
Long-term debt		(6,942)
Unrealized gain on hedging derivatives		53
Minority interests		(74,431)
Investment securities		(41,395)
Total book value of assets and liabilities		7,359
Gain on sale of stocks in eMobile Ltd.		4,641
Cash proceeds from sale of stocks		12,000
Cash and cash equivalents of eMobile at May 31, 2007		(83,154)
Net cash decreased	¥	(71,154)

Significant non-cash transactions for the years ended March 31, 2007 and 2008 are as follows:

	Millions of yen			
		2007		2008
Installment purchase payable incurred	¥	1,469	¥	-

19. Segment Information

Business segments are classified after considering similarities in types of services, nature of business operations and sales market, etc. The following table summarizes the business segment information of the Company and its subsidiaries for the years ended March 31, 2007 and 2008. As described in notes 2 (19) and 2 (20), the Company changed its business segment classification and its scope of corporate assets in the year ended March 31, 2008. Also as described in note 2 (21), certain reclassifications have been made to the classification and the scope of corporate assets for 2007 to conform with the presentation used as of and for the year ended March 31, 2008.

	Millions of yen					
2007	**Network Business**	**Device Business**	**Mobile Business**	**Total**	**Eliminations/ Corporate**	**Consolidation**
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
□. Identifiable assets, depreciation and amortization, impairment losses and capital expenditures:						
Identifiable assets	¥ 24,943	¥ 6,897	¥ 149,362	¥ 181,202	¥ 56,635	¥ 237,837
Depreciation and amortization	8,740	70	425	9,235	158	9,393
Impairment losses	134	-	-	134	-	134
Capital expenditures	7,444	968	29,857	38,269	426	38,695

	Millions of yen					
2008	**Network Business**	**Device Business**	**Mobile Business**	**Total**	**Eliminations/C orporate**	**Consolidation**
□. Net revenue and operating profit (loss):						
Outside net revenue	¥ 53,979	¥ 12,078	¥ 1,508	¥ 67,564	¥ -	¥ 67,564
Intersegment net revenue	324	3,456	-	3,780	(3,780)	-
Total	54,303	15,533	1,508	71,344	(3,780)	67,564
Operating expenses	42,032	16,589	5,627	64,248	(3,775)	60,473
Operating profit (loss)	¥ 12,271	¥ (1,056)	¥ (4,120)	¥ 7,096	¥ (5)	¥ 7,092
□. Identifiable assets, depreciation and amortization and capital expenditures:						
Identifiable assets	¥ 21,891	¥ 15,200	¥ -	¥ 37,091	¥ 84,499	¥ 121,590
Depreciation and amortization	7,280	10	943	8,233	218	8,451
Capital expenditures	5,038	246	8,377	13,662	593	14,255

NOTES: 1. Method of classifying business segment: business segments are classified after considering similarities in types of services, nature of business operations and sales market, as well as sales method.

2. 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 devices
Mobile Business..	Mobile broadband services

3. Unallocated operating cost of ¥5 million for the years ended March 31, 2008 included in Eliminations/Corporate represented amortization of goodwill (2007: ¥16 million).
4. Depreciation and amortization include nonrecurring depreciation of ¥69 million ("Network Business") for the years ended March 31, 2008.
5. Current assets (cash and cash equivalents), long-term investments (investment securities) and the corporate assets classified in the Eliminations/Corporate for the year ended March 31, 2008.

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.

20. Transactions with Related Parties

The Company owned 37.6% of outstanding shares of eMbile, out of the total capital amounting to ¥71,754 million, as of March 31, 2008. eMobile is located in Minato-ward, Tokyo, and it offers mobile broadband services. Three of directors have also been appointed as directors of eMobile.

As described in note 2 (1), the operating results of eMobile were fully consolidated until May 31, 2007 and recorded as the equity in net losses of affiliates after June 1, 2007. Therefore, the transactions with eMobile were eliminated until May 31, 2007.

The transactions with eMobile from June 1, 2007 to March 31, 2008 and corresponding balances as of March 31, 2008 were as follows:

	Millions of yen	
Sale of devices and render of backbone services	¥	15,194
Accounts receivable – trade..		9,599
Accounts payable – trade		32
Pledged assets for eMobile (note 6)....................................		27,379

21. Subsequent Events

(1). Retirement of treasury stock

As described in note 9, on April 17, 2008, the board of directors of the Company has approved the retirement of treasury stock pursuant to article 178 of the Corporate Law.

(1) Type of shares retired	Common stock
(2) Number of shares retired	44,741 shares (3.06% of issued shares after the retirement)
(3) Amount of shares retired	¥3,000 million
(4) Date of retirement..	April 30, 2008
(5) Number of issued shares after retirement	1,416,579 shares

(2). Commitment line agreement

On May 16, 2008, the Company has resolved to enter into a commitment line contract of total ¥15,000 million as stated below.

(1) Purpose	Working capital and capital expenditure
(2) Lender..	Mizuho Bank Ltd.
(3) Amount	¥15,000 million
(4) Interest rate	0.50%~1.50%+TIBOR
(5) Term	May 16, 2008 through March 31, 2013
(6) Collateral	Unsecured

The commitment line contract includes certain financial and operational covenants. There is no amount withdrawn as of June 25, 2008.

(3). Discontinuance of the eAccess Rights Plan

The eAccess Rights Plan was discontinued after its expiration at the end of the general meeting of shareholders of the Company held on June 25, 2008. Also, the board of directors of the Company has approved on June 25, 2008 the retirement of the stock options under the Rights Plan which is planned to be executed on August 15, 2008.

This Rights Plan was introduced from the view point of the protection of corporate value and shareholders, and the fulfillment of the Company's responsibility as a highly public telecommunication provider, in order to provide sufficient time and information to review the validity of a proposed acquisition and the alternative plan in cases where shareholders or potential shareholders intend to acquire a large amount of shares of the Company so as to be involved in the management of the Company.

On the other hand, the Financial Instruments and Exchange Law("Law"), which was enacted after the introduction of the Rights Plan, provides that the "Special reporting system" should not be applied to a case where the person who acquired shares intends to make a "significant proposal concerning involvement in management" and requires such person to submit the "Large Shareholdings Reports" within 5 business days of such an acquisition. With reference to the takeover bid ("TOB"), the Law allows the target company to request to extend the TOB period and to ask questions to the tender offerors. Therefore, the purpose of the Rights Plan, to provide for sufficient time and information to review a proposed acquisition, is achieved by the operation of law.

The Company strive everyday to assure transparent corporate governance by setting Board of Directors Meetings in which the majority of members are comprised of external directors. Also, the Company continue to operate the business with a focus on enhancing corporate value on a mid to long term basis, by engaging in active information collection and disclosing such information appropriately in order to assure the interest of shareholders.

(4). Appropriation of retained earnings

On May 14, 2008, the board of directors of the Company has approved the following appropriation of retained earnings.

Year-end cash dividends (¥575 per share) .... ¥815 million