eAccess Ltd.

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2009

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Independent Auditors' Report

To the Board of Directors of
eAccess Ltd.:

We have audited the accompanying consolidated balance sheets of eAccess Ltd. and subsidiaries as of March 31, 2008 and 2009, the related consolidated statements of operation, changes in net assets and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of eAccess Ltd. and subsidiaries as of March 31, 2008 and 2009, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following:
As discussed in note 19 to the consolidated financial statements, on February 12, 2009, the board of directors of the Company approved the resolution of the merger with ACCA, a consolidated subsidiary. The merger was approved at the annual general meeting of shareholders of ACCA held on March 27, 2009 and was completed on June 25, 2009.

Tokyo, Japan
June 25, 2009

eAccess Ltd. and subsidiaries
CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2008 and 2009

	Millions of yen	
	2008	**2009**
ASSETS		
Current assets:		
Cash and cash equivalents	¥ 47,619	¥ 68,541
Accounts receivable:		
Trade (Note 18)	14,410	10,257
Other	568	379
Inventories (Note 5)	236	490
Advance payments	5,756	3,731
Deferred income taxes (Note 14)	1,097	2,405
Prepaid expenses and others	1,031	863
Total current assets	70,717	86,666
Property and equipment (Note 15):		
Machinery and equipment	35,070	49,681
Terminal equipment	2,397	8,262
Land	307	307
Construction in progress	200	1,013
Others	1,611	2,215
Total property and equipment	39,585	61,478
Accumulated depreciation and amortization	(27,136)	(42,165)
Net property and equipment	12,449	19,313
Investments and other assets:		
Investment securities (Note 4)	6,575	4,170
Investments in affiliates (Note 18)	27,441	11,425
Goodwill, net	257	-
Software	2,081	3,416
Deferred income taxes (Note 14)	1,363	2,932
Other assets	707	1,130
Total investments and other assets	38,424	23,073
TOTAL ASSETS	¥ 121,590	¥ 129,052

See accompanying notes to consolidated financial statements.

eAccess Ltd. and subsidiaries
CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2008 and 2009

	Millions of yen	
	2008	**2009**
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable:		
Trade	¥ 6,554	¥ 4,064
Other	1,436	1,529
Short-term debt (Note 6)	-	8,800
Current portion of long-term debt (Note 6 and 15)	1,507	48,871
Income taxes payable	4,137	1,446
Accrued expenses	4,933	4,908
Provision for directors' bonus	19	-
Other current liabilities	573	350
Total current liabilities	19,158	69,968
Non current liabilities:		
Long-term debt (Note 6 and 15)	83,000	46,218
Provision for retirement benefits (Note 11)	-	73
Other non current liabilities	-	91
Total non current liabilities	83,000	46,382
Total liabilities	102,158	116,349
NET ASSETS (Note 7)		
Shareholders' equity:		
Common stock		
Authorized: 5,459,760 shares in 2008 and 2009		
Issued and outstanding: 1,461,310 shares in 2008 and 1,417,994 shares in 2009	17,101	17,118
Preferred stock		
Authorized: 30,000 shares in 2008 and 2009		
Issued and outstanding: 25 shares in 2009	-	1,250
Capital surplus	5,751	7,019
Retained earnings	684	(15,427)
Treasury stock, at cost	(3,000)	-
Valuation and translation adjustments		
Unrealized loss on investment securities	(987)	(7)
Unrealized loss on hedging derivatives	(721)	(356)
Share subscription rights	2	-
Minority interests	603	3,105
Total net assets	19,433	12,702
TOTAL LIABILITIES AND NET ASSETS	¥ 121,590	¥ 129,052

See accompanying notes to consolidated financial statements.

eAccess Ltd. and subsidiaries
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED MARCH 31, 2008 and 2009

	Millions of yen			
		2008		2009
Net revenue (Note 18)	¥	67,564	¥	94,467
Cost of revenue (Note 9)		41,853		61,861
Gross profit		25,711		32,606
Selling, general & administrative expenses (Note 10)		18,620		15,894
Operating profit		7,092		16,712
Other income (expenses):				
Interest income		197		156
Dividend income		73		65
Interest expense		(1,969)		(1,935)
Impairment losses (Note 12)		-		(340)
Gain on sale of stocks in eMobile Ltd.		4,641		-
Equity in net losses of affiliates		(13,506)		(17,285)
Gain on redemption of bonds		-		232
Gain from cancellation of interest swap		420		-
Loss on disposal of fixed assets		(98)		(565)
Loss on write-down of investment securities		(25)		(95)
Business alliance expense (Note 13)		-		(649)
Cancellation charge on equipment use contract		-		(103)
Others, net (Note 11)		(290)		(526)
Loss before income taxes and minority interests		(3,465)		(4,333)
Income taxes (Note 14)				
Current		6,041		4,643
Deferred		(545)		743
Total income taxes		5,496		5,387
Minority interests		(2,610)		129
Net loss	¥	(6,351)	¥	(9,849)

	Yen			
		2008		2009
Per share data:				
Net loss				
Basic	¥	(4,396.36)	¥	(6,977.21)
Diluted		-		-
Cash dividends				
Common stocks		2,300.00		2,300.00
Preferred stocks		-		1,596,162.00

See accompanying notes to consolidated financial statements.

eAccess Ltd. and subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED MARCH 31, 2008 and 2009

			Millions of yen				
			Shareholders' equity				
	Number of shares of Common stock	Number of shares of preferred stock	Common stock	Preferred stock	Capital surplus	Retained earnings	Treasury stock
Balance at March 31, 2007	1,455,745	-	¥ 17,034	¥ -	¥ 5,685	¥ 10,180	¥ -
Net loss	-	-	-	-	-	(6,351)	-
Cash dividends	-	-	-	-	-	(3,144)	-
Purchase of treasury stock	-	-	-	-	-	-	(3,000)
Exercise of stock options	5,565	-	67	-	67	-	-
Sale of investment in stocks in eMobile Ltd. results in change in scope of consolidation	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
Balance at March 31, 2008	1,461,310	-	17,101	-	5,751	684	(3,000)
Net loss	-	-	-	-	-	(9,849)	-
Cash dividends	-	-	-	-	-	(3,262)	-
Retirement of treasury stock	(44,741)	-	-	-	-	(3,000)	3,000
Exercise of stock options	1,425	-	17	-	17	-	-
Issuance of preferred stock	-	25	-	1,250	1,250	-	-
Others	-	-	-	-	-	-	-
Balance at March 31, 2009	1,417,994	25	¥ 17,118	¥ 1,250	¥ 7,019	¥ (15,427)	¥ -

	Millions of yen				
	Valuation and translation adjustments				
	Unrealized gain (loss) on investment securities	Unrealized gain (loss) on hedging derivatives	Share subscription rights	Minority interests	Total net assets
Balance at March 31, 2007	¥ (668)	¥ (1,096)	¥ 2	¥ 77,087	¥ 108,222
Net loss	-	-	-	-	(6,351)
Cash dividends	-	-	-	-	(3,144)
Purchase of treasury stock	-	-	-	-	(3,000)
Exercise of stock options	-	-	-	-	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	(987)	(721)	2	603	19,433
Net loss	-	-	-	-	(9,849)
Cash dividends	-	-	-	(72)	(3,334)
Retirement of treasury stock	-	-	-	-	-
Exercise of stock options	-	-	-	-	34
Issuance of preferred stock	-	-	-	-	2,500
Others	980	365	(2)	2,575	3,918
Balance at March 31, 2009	¥ (7)	¥ (356)	¥ -	¥ 3,105	¥ 12,702

See accompanying notes to consolidated financial statements.

eAccess Ltd. and subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2008 and 2009

	Millions of yen	
	2008	2009
Cash flows from operating activities:		
Loss before income taxes and minority interests	¥ (3,465)	¥ (4,333)
Depreciation and amortization	8,451	7,486
Impairment losses of property and equipment	-	340
Gain on redemption of bonds	-	(232)
Loss on disposal of fixed assets	98	565
Provision for bad debt reserve	0	(13)
Interest expense	1,969	1,935
Gain on sale of stocks in eMobile Ltd.	(4,641)	-
Equity in net losses of affiliates	13,506	17,285
(Increase) decrease in accounts receivable – trade	(7,145)	8,442
Increase in inventories	(1,925)	(51)
(Increase) decrease in advance payments	(5,756)	2,025
Increase (decrease) in accounts payable – trade	2,352	(5,557)
(Decrease) increase in accounts payable – other	(926)	319
Decrease in accrued expenses	(1,098)	(641)
Others, net	(455)	124
Subtotal	964	27,695
Cash received from interest	256	151
Cash paid for interest	(1,727)	(1,412)
Cash paid for income taxes	(4,364)	(7,326)
Net cash (used in) provided by operating activities	(4,872)	19,107
Cash flows from investing activities:		
Payments for purchase of investment securities	(4,792)	(25)
Proceeds from sale of investment securities	230	-
Purchase of subsidiary stocks in ACCA Networks Co., Ltd.	-	(9,028)
Proceeds from sale of investments in unconsolidated subsidiaries	-	295
Net decrease from sale of investments in stocks in eMobile Ltd. results in change in scope of consolidation	(71,154)	-
Purchase of affiliated company stocks	(10,025)	(1,016)
Proceeds from capital reduction of stocks in Open Wireless Network Corp..	9,935	-
Proceeds from purchase of investments in stocks in ACCA Networks Co., Ltd. results in change in scope of consolidation (Note 16)	-	3,186
Purchase of property and equipment	(16,441)	(5,272)
Purchase of intangible assets	(5,428)	(1,196)
Proceeds from sale of property and equipment	206	79
Proceeds from sale of intangible assets	109	-
Others, net	-	43
Net cash used in investing activities	(97,361)	(12,934)

Cash flows from financing activities:		
Proceeds from short-term debt	-	19,300
Repayments of short-term debt	-	(10,500)
Proceeds from long-term debt	-	10,000
Repayments of long-term debt	(4,065)	(2,574)
Proceeds from sales and redemption by installment payment	-	4,800
Redemption of bonds	-	(4,968)
Proceeds from stock issuance by the Company, net	133	2,375
Proceeds from capital increase by minority shareholders	551	-
Purchase of treasury stock	(3,000)	-
Payments for change in condition for commitment line of eMobile Ltd.	(605)	-
Payments for cancellation of interest swap	(964)	-
Dividends paid	(3,125)	(3,261)
Dividends paid for minority shareholders	-	(370)
Others	-	(71)
Net cash (used in) provided by financing activities	(11,074)	14,732
Net (decrease) increase in cash and cash equivalents	(113,307)	20,904
Cash and cash equivalents at beginning of year	160,926	47,619
Net increase in cash and cash equivalents as a result of merger of consolidated subsidiaries	-	18
Cash and cash equivalents at end of year	¥ 47,619	¥ 68,541

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, three of its subsidiaries and one affiliate as of March 31, 2009 (two of its subsidiaries and two affiliates as of March 31, 2008). All significant intercompany transactions and accounts are eliminated. Investment in one affiliate is 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 statements of operations for the years ended March 31, 2008 and 2009. The Company's ownership in eMobile was 38.3% as of March 31, 2009.

On August 15, 2008, the Company acquired up to 45.32% ownership shares of ACCA Networks Co., Ltd. ("ACCA"), one of the major wholesale DSL operators in Japan. The Company's control was presumed to exist due to power to appoint the majority of the member of the board of directors. Therefore, ACCA has been included in the scope of consolidation since September 1, 2008. The operating results of ACCA from September 1, 2008 were fully consolidated in the consolidated statement of operations for the year ended March 31, 2009.

On November 28, 2008, the Company acquired additional shares of ACCA through the Tender Offer, aiming at a complete integration by merger and acquisition after the transaction, and the Company's ownership in ACCA became 88.91%. As described in note 19 (1), the Company completed the merger in which the Company became the surviving company and ACCA became the dissolved company on June 25, 2009. The operating results of ACCA from September 1, 2008 were fully consolidated in the consolidated statement of operations for the year ended March 31, 2009.

Cultive Ltd.("Cultive") is one of its subsidiaries, an Investment Limited Partnership Company. The Company held 51.1% and 52.8% ownership in Cultive as of March 31, 2008 and 2009 respectively. 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 years of CV1 Investment Limited Partnership, one of the consolidated subsidiaries, as well as ACCA, end 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 ("Open Wireless"), an affiliated company accounted for under the equity method. Open Wireless was liquidated, and therefore, excluded from affiliates during the year ended March 31, 2009.

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 for the years ended March 31, 2008 and 2009. The subsidiary was liquidated during the year ended March 31, 2009.

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. (Balance sheet values are calculated using the devaluating book value method based on decreases in profitability.)

Effective from the current fiscal year ended March 31, 2009, the Company and its subsidiaries adopted the accounting standard, "Accounting standard for Measurement of Inventories" (Statement No.9 issued by the Accounting Standards Board of Japan on July 5, 2006).

The adoption of the standard had no significant impact on the consolidated financial statement for the year ended March 31, 2009.

(5) Property and equipment

Property and equipment, except for leased assets, are stated at cost. The straight-line method is applied to "building and structure (excluding leasehold improvement)", "machinery and equipment" and "terminal equipment". The declining-balance method is applied to "leasehold improvement" and "tools, furniture and fixtures".

The estimated useful lives are as follows:

Machinery and equipment: 6 years

Terminal equipment: 3 years

Others (Building and structure): 8 - 33 years

Others (Tools, furniture and fixtures): 2 - 20 years

"Machinery and equipment", "terminal equipment" and "others (tools, furniture and fixtures)" under capital leases are capitalized and amortized over the lease terms on a straight-line basis.

On September 1, 2008, the Company transferred machinery and equipment of DSL operation to ACCA and started to integrate the network maintenance operation with ACCA to improve business efficiency. Based on the changes in the asset use circumstances and the business environment, the Company has changed the estimated useful life of “machinery and equipment” from 3-5 years to 6 years effective from September 1, 2008. As a result, operating profit has been increased by ¥1,168 million, and recurring loss, and loss before income taxes and minority interests have been decreased by ¥1,168 million for the year ended March 31, 2009. The effect of the change in estimated useful life on segment information is described in note 16.

(6) Other assets

(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.

(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 employee’s bonus

ACCA recognizes provision for employees’ bonus for an amount to be paid subsequent to the fiscal year-end.

(9) Provision for directors’ bonus

The Company recognizes provision for directors’ bonus for an amount to be paid subsequent to the fiscal year-end. There is no amount to be paid during the year ended March 31, 2009.

(10) Provision for retirement benefit

ACCA recognizes provision for employees’ severance and retirement benefit based on the projected benefit obligations and plan assets at the fiscal year-end.

(11) 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.

(12) Research and development expenses

Research and development expenses are charged to income as incurred. Research and development expenses of ¥2,303 million and ¥544 million were incurred for the years ended March 31, 2008 and 2009 respectively.

(13) Issuance costs for stock

Issuance costs for stock are charged to income as incurred.

(14) 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.

(15) Derivatives and hedging activities

The Company and its subsidiaries use derivative financial instruments to manage their exposures to fluctuations in foreign exchange. Foreign exchange forward contracts are utilized to reduce foreign currency exchange. 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 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.

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.

(16) Net income per share

Basic net income (loss) per share is computed by dividing net income (loss), the portion attributable to shareholders of common stock only, by the weighted-average number of shares of common stock outstanding during the year.

Diluted net income per share is computed by net income minus preferred stock dividends divided by the weighted-average of common stock shares outstanding during the year; this is adjusted for dilutive shares. Diluted net income per share for the years ended March 31, 2008 and 2009 were not disclosed due to the Company’s net loss position.

(17) 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”.

(18) Change in the scope of corporate assets

As a result of the change in business segment classification described above 2 (17), 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.

(19) Reclassifications

Certain reclassifications have been made to the 2008 consolidated financial statements to conform with the presentation used as of and for the year ended March 31, 2009. As a result, terminal equipment amounting to ¥2,397 million was separately stated in the consolidated balance sheet for 2008, and loss on write-down of investment securities amounting to ¥25 million was separately stated in the consolidated statement of operations for 2008.

3. Change in the Scope of Consolidated Subsidiaries and Affiliates

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 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.

The Company's ownership in ACCA became 45.32% after additional acquisition of its shares on August 15, 2008, and the Company's control was presumed to exist due to power to appoint the majority of the member of the board of directors. Therefore, the Company consolidated ACCA as a consolidated subsidiary and the operating results of ACCA were fully consolidated from September 1, 2008 in the consolidated statement of operations for the year ended March 31, 2009.

Open Wireless, an affiliated company accounted for under the equity method, was liquidated during the year ended March 31, 2009.

4. Investment Securities

Investment securities at March 31, 2008 and 2009 consisted of the following:

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

	Millions of yen		
2009	**Acquisition cost**	**Book value**	**Unrealized gain (loss)**
Marketable securities	¥ 46	¥ 46	¥ -

	Millions of yen	
Non-marketable securities	**2008**	**2009**
Other securities:		
Non-listed equity securities	¥ 4,101	¥ 4,124

Investment securities sold during years ended March 31, 2008 and 2009 are as follows:

	Millions of yen	
	2008	**2009**
Amount of sale	¥ 230	¥ -
Total gain on sale	30	-
Total loss on sale	-	-

5. Inventories

Inventories at March 31, 2008 and 2009 consisted of the following:

	Millions of yen	
	2008	**2009**
Telecommunications device	¥ 161	¥ 299
Modems	71	184
Other	4	8
	¥ 236	¥ 490

6. Short-Term Debt and Long-Term Debt

Short-term debt at March 31, 2008 and 2009 consisted of the following:

	Millions of yen	
	2008	2009
Unsecured with an interest rate of 1.07%	¥ -	¥ 8,800

Long-term debt at March 31, 2008 and 2009 consisted of the following:

	Millions of yen	
	2008	2009
Bonds:		
Unsecured straight bond due 2010 with an interest rate of 1.95%	¥ 50,000	¥ 44,800
Unsecured straight bond due 2012 with an interest rate of 2.75%	10,000	10,000
Zero coupon convertible bond due 2011 (see note 19 (2))	23,000	23,000
	83,000	77,800
Loans from banks:		
Maturing through 2013 an average rate of 2.16% per annum in 2009 (1.85% in 2008)	1,300	10,000
Less: Portion due within one year	1,300	1,000
	-	9,000
Other interest bearing debts (see note 14):		
Capital lease obligations with an average rate of 2.72% in 2009 (4.21% in 2008)	183	2,735
Less: Portion due within one year	183	1,543
	-	1,192
Installment obligations with an average rate of 5.45% in 2009 (1.55% in 2008)	24	4,553
Less: Portion due within one year	24	1,528
	-	3,026
Total long-term debt	84,507	95,088
Less: Portion due within one year	1,507	48,871
	¥ 83,000	¥ 46,218

The aggregate annual maturities of long-term debt subsequent to March 31, 2009 are summarized as follows:

Year ending March 31	Millions of yen
2010	48,871
2011	3,561
2012	36,204
2013	6,449
2014	4
2015 and thereafter	-
Total	¥ 95,088

The zero coupon convertible bond which has a conversion price of ¥104,176 per share is convertible into 220,781 shares of common stock at March 31, 2009.

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.

In March 2006, eMobile concluded a commitment line contract of a syndicate loan amounting to ¥220,000 million with 33 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, 2008 and 2009 were as follows:

	Millions of yen	
	2008	2009
Total amount of commitment line	¥ 220,000	¥ 220,000
Used amount	80,000	189,980
Unused amount of commitment line	¥ 140,000	¥ 30,020

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, 2008 and 2009 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	
	2008	2009
Collateral assets of the Company:		
Investments in eMobile	¥ 27,379	¥ 11,425

The book value of investments in eMobile on unconsolidated balance sheets as of March 31, 2008 and 2009 were ¥48,999 million and ¥50,016 million respectively.

The commitment line contract includes certain financial and operational covenants. There were no infringement of covenants as of March 31, 2008 and 2009.

The Company concluded a commitment line contract of syndicate loan amounting to ¥13,000 million with 2 financial institutions. The commitment line, with a maximum repayment period of 4 years and 10 months, is expected to satisfy the funding requirement of the Company’s operations and capital expenditures. The amount of commitment line used at March 31, 2009 was ¥13,000 million.

ACCA concluded a commitment line and overdraft contracts of syndicate loan amounting to ¥6,000 million with 5 financial institutions. These contracts are expected to satisfy the funding requirement of ACCA's operations and capital expenditures. The amount of commitment line used at March 31, 2009 was ¥1,000 million.

7. Net Assets

Legal reserve

Under the Corporate Law of Japan ("the Law") , 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.

Legal reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting.

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 for common stocks and ¥37 millions for preferred stocks at the board of directors' meeting held on May 14, 2009. Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2009. 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 retired 44,741 shares of its own common stock in amount of ¥3,000 million during the year ended March 31, 2009.

Minority interests

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 changes of minority interests for the year ended March 31, 2009 were primarily related to an increase of minority interests by ¥12,539 million as a result of the change in scope of consolidation due to purchase of investments in stocks in ACCA and decrease by ¥10,004 million as a result of the decrease in minority interest shares due to additional purchase of subsidiary stocks in ACCA.

Appropriation of Retained Earnings

On May 14, 2009, the board of directors of the Company has approved the following appropriations of retained earnings.

Year-end cash dividends (common stock, ¥575 per share)..................	¥815 million
Year-end cash dividends (preferred stock, ¥1,498,438 per share)	¥37 million

8. Stock-Based Compensation Plan

The Company and eMobile adopt 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.

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 ¥94,292.

For the year ended March 31, 2009, 4,105 shares were forfeited and 1,425 shares were exercised for the Company's options. At March 31, 2009, the Company had outstanding granted stock options of 83,000 shares with a weighted-average exercise price of ¥94,935.

9. Cost of Revenue

Significant components of "Cost of revenue" for the years ended March 31, 2008 and 2009 were as follows:

	Millions of yen			
		2008		2009
Cost of revenue:				
Devices and related tools sold	¥	11,786	¥	25,095
Salaries and benefits		768		967
Outsourcing		1,344		2,519
Depreciation and amortization		7,126		6,375
Network		11,941		17,872
Modem rental		7,371		7,811
Others		1,517		1,222
	¥	41,853	¥	61,861

10. Selling, General & Administrative Expenses

Significant components of "Selling, general & administrative expenses" for the years ended March 31, 2008 and 2009 were as follows:

	Millions of yen			
		2008		2009
Selling, general & administrative expenses:				
Sales promotion	¥	6,028	¥	5,153
Salaries and benefits		1,950		2,135
Outsourcing		4,842		4,479
Depreciation and amortization		1,151		903
Research and development		2,303		544
Others		2,346		2,679
	¥	18,620	¥	15,894

11. Employees' Severance and Retirement Benefits

As part of the employee benefit plan, the Company adopts a "defined contribution pension plan".

Also, ACCA enters in NTT welfare pension fund plans. Certain employees may be entitled to additional retirement benefits, depending on the conditions for the termination of their employment.

The funded status of retirement benefit plans for the year ended March 31, 2009 was as follows:

	Millions of yen
Retirement benefit obligation	228
Plan assets at fair value	155
Unfunded retirement benefit obligation	73
Provision for retirement benefits	73

The components of retirement benefit expenses for the year ended March 31, 2009 were as follows:

	Millions of yen
Service cost	73
Extraordinary retirement benefit	6
Retirement benefit expenses	79

Periodic pension costs for a defined contribution pension plan for the years ended March 31, 2008 and 2009 were ¥62 million and ¥51 million respectively. The service cost of ¥73 million stated above includes the periodic pension costs for the year ended March 31, 2009. The extraordinary retirement benefit of ¥6 million was included in others, net of other income (expenses).

12. Impairment Losses

For the fixed asset impairment test, the Company and its subsidiaries generally group 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.

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

ACCA recorded impairment losses of ¥340 millions, which consisted of losses for machinery and equipment of ¥44 million, software of ¥199 million, long-term prepaid expense of ¥96 million and telephone subscription right of ¥2 million by the decision to discontinue the non-profitable business included in the Network Business. These were charged to Impairment losses of property and equipment in the consolidated statement of operations for the year ended March 31, 2009.

13. Business Alliance Expense

Business alliance expense includes the advisory fees related to the business alliance with ACCA.

14. 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, 2008 and 2009.

The income tax expenses reflected in the consolidated statements of operations for the years ended March 31, 2008 and 2009 consist of the following:

	Millions of yen			
		2008		2009
Current	¥	6,041	¥	4,643
Deferred		(545)		743
	¥	5,496	¥	5,387

At March 31, 2008 and 2009, significant components of deferred tax assets and deferred tax liabilities were analyzed as follows:

	Millions of yen			
		2008		2009
Deferred tax assets:				
Accrued business taxes	¥	310	¥	132
Accrued expenses		326		1,098
Elimination of intercompany profits on consolidation		357		229
Loss on disposition of fixed assets		-		195
Depreciation and amortization		363		2,300
Impairment losses		43		145
Unrealized loss on investment securities		673		-
Unrealized loss on hedging derivatives		495		244
Net operating loss carryforwards of ACCA		-		1,715
Others		102		290
Total gross deferred tax assets		2,670		6,348
Valuation allowance		(3)		(1,010)
Total net deferred tax assets		2,666		5,338
Deferred tax liabilities:				
Change in the Company's ownership interest in eMobile		206		-
Net deferred tax assets	¥	2,460	¥	5,338

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, 2008 and 2009.

	2008		2009	
Statutory tax rate	40.7	%	40.7	%
Adjustments:				
Adjustments on gains on sale of eMobile stocks on consolidation	14.3		-	
Equity in net losses of eMobile	(158.6)		(162.4)	
Net losses of eMobile as consolidated subsidiary	(52.8)		-	
Elimination of intercompany dividend income on consolidation	-		(5.4)	
Others, net	(2.2)		(2.7)	
Effective tax rate	(158.6)	%	(124.3)	%

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.

15. Leases

The Company leases certain property and equipment in the normal course of business under capital leases.

Future minimum lease payments by year under capital leases together with the present value of net minimum lease payments at March 31, 2009 are as follows (see note 6):

Year ending March 31		Millions of yen
2010		1,601
2011		650
2012		471
2013		117
2014 and thereafter		4
Total minimum lease payments		2,842
Less: Amount representing interest (an average rate of 2.72%)		107
Present value of net minimum lease payments		2,735
Less: Portion due within one year		1,543
Capital lease obligations, less current portion	¥	1,192

Obligation under non-cancellable operating leases as of March 31, 2009 was as follows:

		Millions of yen
Within one year	¥	609
Over one year		215
Total	¥	824

16. Cash Flows Information

The summary of assets and liabilities of ACCA, which has become a consolidated subsidiary since September 1, 2008, as well as the differences between cash paid for the purchase of stocks and cash and cash equivalents of ACCA at August 31, 2008 are as follows:

		Millions of yen
Current assets	¥	17,508
Non current assets		14,711
Current liabilities		(5,926)
Non current liabilities		(2,352)
Minority interests		(12,539)
Total book value of assets and liabilities		11,401
Investments in ACCA before consolidation		(3,986)
Investments in ACCA resulted in consolidation		7,415
Cash and cash equivalents of ACCA at August 31, 2008		10,601
Net cash increased	¥	3,186

17. 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, 2008 and 2009. As described in notes 2 (17) and 2 (18), the Company changed its business segment classification and its scope of corporate assets in the year ended March 31, 2008.

2008		Network Business		Device Business		Mobile Business		Total		Eliminations/ Corporate		Consolidation
	Millions of yen											
I. 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
II. 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

2009		Network Business		Device Business		Mobile Business		Total		Eliminations/ Corporate		Consolidation
	Millions of yen											
I. Net revenue and operating profit :												
Outside net revenue	¥	66,989	¥	27,477	¥	-	¥	94,467	¥	-	¥	94,467
Intersegment net revenue		-		795		-		795		(795)		-
Total		66,989		28,272		-		95,262		(795)		94,467
Operating expenses		51,407		27,142		-		78,550		(795)		77,755
Operating profit	¥	15,582	¥	1,130	¥	-	¥	16,712	¥	-	¥	16,712
II. Identifiable assets, depreciation and amortization, impairment losses and capital expenditures:												
Identifiable assets	¥	51,621	¥	5,396	¥	-	¥	57,017	¥	72,035	¥	129,052
Depreciation and amortization		7,042		57		-		7,099		260		7,358
Impairment losses		340		-		-		340		-		340
Capital expenditures		5,687		31		-		5,717		122		5,840

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 year ended March 31, 2008 included in Eliminations/Corporate represented amortization of goodwill.
4. Depreciation and amortization include nonrecurring depreciation of ¥69 million (“Network Business”) for the year ended March 31, 2008.
5. Current assets (cash and cash equivalents), long-term investments (investment securities) and the corporate assets were classified in the Eliminations/Corporate for the years ended March 31, 2008 and 2009.
6. After becoming a consolidated subsidiary on September 1, 2008, operating results of ACCA from September 1, 2008 to March 31, 2009 were included in “Network Business”.
7. As described in note 2. (5), the Company changed the estimated useful life of property and equipment. As a result, operating profit of the “Network Business” increased by ¥1,168 million for the year ended March 31, 2009.
8. Net revenue and operating loss of eMobile were not included in “Mobile Business” after eMobile became an affiliated company from a consolidated subsidiary on May 31, 2007.

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.

18. Transactions with Related Parties

The Company owned 38.28% of outstanding shares of eMobile, out of the total capital amounting to ¥71,754 million, as of March 31, 2009. eMobile is located in Minato-ward, Tokyo, and it offers mobile broadband services.

The corresponding balances as of March 31, 2009 were as follows:

		Millions of yen
Sale of devices and render of backbone services	¥	33,224
Accounts receivable – trade		2,121
Pledged assets for eMobile (note 6)		11,425

The condensed financial information of eMobile, a significant related party, as of and for the year ended March 31, 2009 was as follows:

		Millions of yen
Current assets	¥	125,689
Non current assets		154,435
Current liabilities		50,340
Non current liabilities		187,424
Net assets		42,360
Sales		61,448
Loss before income taxes and minority interests		(43,993)
Net loss		(44,025)

19. Subsequent Events

(1) Merger of a Consolidated Subsidiary

On February 12, 2009, the board of directors of the Company approved the resolution of the merger with ACCA, a consolidated subsidiary, in which the Company became the surviving company and ACCA became the dissolved company. The merger agreement was executed on the same date. The merger was approved at the annual general meeting of shareholders of ACCA held on March 27, 2009 and was completed on June 25, 2009.

① Purpose of the Merger

Early business integration brings strengthening of sales force, increase of business profitability through cost reduction and maximization of the corporate value. As a result, the Company and ACCA decided to proceed with the merger, which was the best choice for the companies.

② Outline of the Merging Company

(a) Trade Name

ACCA Networks Co., Ltd.

(b) Contents of Business

Telecommunication business

(c) Business Performance for the Latest 3 Fiscal Years

Fiscal Period	December 31, 2006	December 31, 2007	December 31, 2008
Net revenue	38,810	35,048	29,946
Operating profit	1,929	2,025	2,979
Recurring profit	1,958	1,945	2,947
Net income	1,112	1,426	1,720

③ Outline of the Merger

(a) Method of the Merger

Merger was conducted by absorption, in which the Company became the surviving company and ACCA became the dissolved company.

(b) Merger Ratio

Upon the merger, the Company allotted common shares of the Company to the final shareholders recorded on the shareholders' list of ACCA (excluding the Company, ACCA and shareholders of ACCA who claimed compulsory purchase of shares held by them pursuant to the provisions of Article 785 of Company Law) at the day before the effective date. The number of allotted common shares of the Company was calculated by multiplying the number of common shares of ACCA held by the relevant shareholders by the Merger Ratio of 1.54.

The Merger Ratio mentioned above means the ratio calculated using the following formula (the "Formula"); provided, however, that the Merger Ratio was rounded to two decimal places:

1.54(Merger Ratio) = 120,000 yen / 77,925.6385(Average Share Price of Common Shares of the Company)

"Average Share Price of common shares of the Company" means the simple average of the volume weighted average price on each trading day from May 25, 2009 (inclusive) through June 5 2009 (inclusive) at the Tokyo Stock Exchange.

(Note) If the numbers of common shares of the Company to be delivered to the shareholders of ACCA in accordance with the procedures described above are fractional shares, the Company treats those shares in accordance with the provisions of Article 234 of the Company Law and other relevant laws and ordinances.

From the viewpoint of fairness of the merger ratio, the Company and ACCA had appointed Nikko Cordial Securities Inc. ("Nikko") and Lazard Freres K. K.("Lazard") as their respective financial advisor, independent both of the companies, for the merger and requested calculation of the merger ratio.

Also, with respect to the calculation method of the merger ratio, the Company and ACCA decided to adopt such method as to ensure that the shareholders of ACCA could receive the consideration for ACCA shares in connection with the merger fixed at the time of execution of the merger agreement as described in (b) above (common shares of the Company equivalent to 120,000 yen per share of ACCA). Such calculation method of the merger ratio was adopted after considering the benefits such as avoiding the risk of price fluctuation of the common shares of the Company.

With respect to the value of ACCA shares, after negotiations and discussions between the Company and ACCA, they determined that it was appropriate to set the value per share of ACCA to be applied to the Formula as 120,000 yen, taking into account the results of calculation of the value of ACCA shares given by their respective financial advisors, and the facts as follows. The merger and the Tender Offer, conducted by the Company for the period from October 30, 2008 through November 28, 2008, were a series of transaction, the purchase price per share of the Tender Offer (the "Tender Offer Price") was 120,000 yen. The value of ACCA shares for the purpose of the Merger was planned to be the same price as the Tender Offer Price of the ACCA shares under the Tender Offer, unless there were any particular circumstances, and there had been no particular circumstances which made material impact on the valuation of ACCA shares after the completion of Tender Offer through the date hereof. It might contribute to protect the interest of minority shareholders and fair treatment for ACCA shareholders.

With respect to the value of the Company shares, on the other hand, it could be appropriate that the value per share of the Company to be applied to the Formula for calculation of the merger ratio set forth in (b) above shall be the latest market price as of the day before the effective date of the merger. However, since a certain period of time for administrative handling under the Book-Entry Transfer System for Stock, etc. was needed to be fixed before the effective date of the merger and it was necessary to avoid the impact of excessive fluctuation of share price on a particular trading day, the Company and ACCA determined that it was appropriate to set the value per share of the Company to be applied to the Formula as the simple average of the volume weighted average price on each trading day for the period described in (b) above.

(c) Schedule of Merger

Board of directors' meeting to resolve the merger (both companies)...	February 12, 2009
Execution of merger agreement (both companies)...........	February 12, 2009
Annual general meeting of shareholders to approve the merger (ACCA)	March 27, 2009
Date of determination of merger ratio	June 5, 2009
Final trading day (ACCA)	June 18, 2009
Date of delisting (ACCA)..	June 19, 2009
Date of the merger (effective date)..................................	June 25, 2009

(d) Outline of the New Company

Trade Name..	eAccess Ltd.
Contents of Business..	Telecommunication business
Location of Head Office	Shin-Nikko Bldg, 10-1 Toranomon, 2-chome Minato-ku, Tokyo
Name and Title of the Representative	Koji Fukata, Representative Director and President
Capital Stock..	18,368 million yen (projected)
Net Assets	Not determined at this point
Total Assets..	Not determined at this point

(e) Summary of Accounting Treatment

The accounting treatment on business combinations involving entities or operations of entities under common control is based on the accounting standard, "Accounting Standard for Business Combinations" (Statement No.21 revised by the Accounting Standard Board of Japan on December 26, 2008), and the implementation guidance on accounting standard for business combinations and accounting standard for business divestitures (the Financial Accounting Standard Implementation Guidance No.10 revised by the Accounting Standards Board of Japan on December 26, 2008).

(2) Early Redemption of the Convertible Bonds

The Company redeems a part of its Zero Coupon Convertible Bonds due 2011 (the "Bonds") before maturity as stated below. The detail of the Bonds is described in note 6.

① **Reason for early redemption**

Redemption by the exercised option of the bondholders

② **Amount of redemption**

(a) Principal amount of the Bonds outstanding before redemption: ¥23,000 million

(b) Total amount of early redemption: ¥20,000 million

(c) Principal amount of the Bonds outstanding after redemption: ¥3,000 million

③ **Method and timing of redemption**

Bullet early payment at 100% face value on June 28, 2009

④ **Financing method for redemption**

Using own capital