eAccessLtd.

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2010

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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, 2009 and 2010, 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, 2009 and 2010, 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:

(1) As discussed in note 11 to the consolidated financial statements, the Company entered into a share exchange agreement on March 31, 2010 to make EMOBILE, an equity-method affiliate of the Company, a wholly owned subsidiary of the Company in share exchange.

(2) As discussed in note 23 (1) to the consolidated financial statements, on May 12, 2010, the board of directors of the Company resolved the subscription of new shares offered by EMOBILE of 17 billion yen, as a part of capital increase by way of the Third-Party Allotment.

Tokyo, Japan
June 25, 2010

eAccess Ltd. and subsidiaries
CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2009 and 2010

	Millions of yen	
	2009	**2010**
ASSETS		
Current assets:		
Cash and cash equivalents (Note 9)	¥ 68,541	¥ 26,110
Accounts receivable:		
Trade (Note 9)	10,257	10,870
Other	379	134
Inventories (Note 6)	490	111
Advance payments	3,731	2,833
Accounts receivable from affiliate (Note 9)	-	3,051
Deferred tax assets (Note 18)	2,405	1,854
Prepaid expenses and others	863	745
Total current assets	86,666	45,709
Property and equipment (Note 19):		
Machinery and equipment	49,681	47,666
Terminal equipment	8,262	8,936
Land	307	307
Construction in progress	1,013	1,171
Others	2,215	1,808
Total property and equipment	61,478	59,888
Accumulated depreciation and amortization	(42,165)	(43,952)
Net property and equipment	19,313	15,936
Investments and other assets:		
Investment securities (Note 5 and 9)	4,170	4,178
Investments in affiliate (Note 22)	11,425	5,582
Software	3,416	2,614
Long-term accounts receivable from affiliate (Note 9)	-	9,271
Deferred tax assets (Note 18)	2,932	1,514
Other assets	1,130	1,634
Total investments and other assets	23,073	24,794
Deferred assets:	-	425
TOTAL ASSETS	¥ 129,052	¥ 86,864

See accompanying notes to consolidated financial statements.

eAccess Ltd. and subsidiaries
CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2009 and 2010

	Millions of yen			
		2009		2010
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable:				
Trade (Note 9)	¥	4,064	¥	2,098
Other		1,529		3,089
Short-term debt (Note 7)		8,800		-
Current portion of long-term debt (Note 7 and 19)		48,871		7,322
Income taxes payable		1,446		2,899
Accrued expenses (Note 9)		4,766		5,988
Provision for employees bonus		141		19
Provision for directors bonus		-		88
Other current liabilities		350		2,632
Total current liabilities		69,968		24,134
Non-current liabilities:				
Long-term debt (Note 7 and 19)		46,218		47,731
Provision for retirement benefits (Note 15)		73		-
Other non-current liabilities		91		1,844
Total non-current liabilities		46,382		49,575
Total liabilities		116,349		73,709
NET ASSETS (Note 8)				
Shareholders' equity:				
Common stock				
Authorized: 5,459,760 shares in 2009 and 2010				
Issued and outstanding: 1,417,994 shares in 2009 and 1,447,496 shares in 2010		17,118		17,142
Preferred stock				
Authorized: 30,000 shares in 2009 and 2010				
Issued and outstanding: 25 shares in 2009 and 2010		1,250		1,250
Capital surplus		7,019		9,082
Retained earnings		(15,427)		(14,862)
Valuation and translation adjustments				
Unrealized gain (loss) on investment securities		(7)		8
Unrealized gain (loss) on hedging derivatives		(356)		28
Minority interests		3,105		507
Total net assets		12,702		13,155
TOTAL LIABILITIES AND NET ASSETS	¥	129,052	¥	86,864

See accompanying notes to consolidated financial statements.

eAccess Ltd. and subsidiaries
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED MARCH 31, 2009 and 2010

	Millions of yen			
		2009		2010
Net revenue	¥	94,467	¥	83,067
Cost of revenue (Note 13)		61,861		49,052
Gross profit		32,606		34,015
Selling, general & administrative expenses (Note 14)		15,894		14,864
Operating profit		16,712		19,151
Other income (expenses):				
Interest income		156		99
Dividend income		65		2
Interest expense		(1,935)		(2,217)
Impairment losses (Note 16)		(340)		-
Equity in net losses of affiliate		(17,285)		(6,027)
Gain from negative goodwill (Note 11)		-		467
Gain on redemption of bonds		232		238
Loss on disposal of fixed assets		(565)		(682)
Loss on write-down of investment securities		(95)		(15)
Business alliance expense (Note 17)		(649)		-
Cancellation charge on equipment use contract		(103)		-
Others, net (Note 15)		(526)		(68)
Income (loss) before income taxes and minority interests		(4,333)		10,950
Income taxes (Note 18)				
Current		4,643		5,002
Deferred		743		1,727
Total income taxes		5,387		6,729
Net income before minority interests		-		4,220
Minority interests		129		72
Net income (loss)	¥	(9,849)	¥	4,148

	Yen			
		2009		2010
Per share data:				
Net income (loss)				
Basic	¥	(6,977.21)	¥	2,762.06
Diluted		-		2,170.49
Cash dividends				
Common stock		2,300.00		2,400.00
Preferred stock		1,596,162.00		6,773,750.00

See accompanying notes to consolidated financial statements.

eAccess Ltd. and subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED MARCH 31, 2009 and 2010

			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, 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)	¥ -
Issuance of new stock, net	-	-	24	-	24	-	-
Cash dividends	-	-	-	-	-	(3,584)	-
Net income after tax	-	-	-	-	-	4,148	-
Increase by merger	29,432	-	-	-	2,193	-	-
Purchase of treasury stock	-	-	-	-	-	-	(154)
Retirement of treasury stock	(1,955)	-	-	-	(154)	-	154
Exercise of stock options	2,025	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
Balance at March 31, 2010	1,447,496	25	¥ 17,142	¥ 1,250	¥ 9,082	¥ (14,862)	¥ -

	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, 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
Issuance of new stock, net	-	-	-	-	49
Cash dividends	-	-	-	-	(3,584)
Net income after tax	-	-	-	-	4,148
Increase by merger	-	-	-	-	2,193
Purchase of treasury stock	-	-	-	-	(154)
Retirement of treasury stock	-	-	-	-	-
Exercise of stock options	-	-	-	-	-
Others	15	384	-	(2,598)	(2,199)
Balance at March 31, 2010	¥ 8	¥ 28	¥ -	¥ 507	¥ 13,155

See accompanying notes to consolidated financial statements.

eAccess Ltd. and subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2009 and 2010

	Millions of yen	
	2009	2010
Cash flows from operating activities:		
Income (loss) before taxes and minority interests	¥ (4,333)	¥ 10,950
Depreciation and amortization	7,486	7,499
Impairment losses of property and equipment	340	-
Gain on redemption of bonds	(232)	(238)
Loss on disposal of fixed assets	565	682
Provision for bad debt reserve	(13)	(27)
Interest expense	1,935	2,217
Equity in net losses of affiliate	17,285	6,027
(Increase) decrease in accounts receivable-trade	8,442	(586)
(Increase) decrease in inventories	(51)	396
(Increase) decrease in accounts receivable from affiliate	-	(11,881)
Decrease in advance payments	2,025	898
Decrease in accounts payable – trade	(5,557)	(1,967)
Increase in accounts payable – other	319	1,609
Increase (decrease) in accrued expenses	(641)	1,016
Others, net	124	3,381
Subtotal	27,695	19,975
Cash received from interest	151	116
Cash paid for interest	(1,412)	(1,638)
Cash paid for income taxes	(7,326)	(3,581)
Net cash provided by operating activities	19,107	14,872
Cash flows from investing activities:		
Payments for purchase of investment securities	(25)	-
Purchase of subsidiary stocks in ACCA Networks Co., Ltd.	(9,028)	-
Purchase of investments in subsidiaries.	-	(2)
Proceeds from sale of investments in unconsolidated subsidiaries	295	-
Purchase of affiliated company stocks	(1,016)	-
Proceeds from purchase of investments in stocks in ACCA Networks Co., Ltd. results in change in scope of consolidation (Note 20)	3,186	-
Purchase of property and equipment	(5,272)	(3,408)
Purchase of intangible assets	(1,196)	(592)
Proceeds from sales of property and equipment	79	3
Others, net	43	-
Net cash used in investing activities	(12,934)	(3,999)

Cash flows from financing activities:		
Proceeds from short-term debt	19,300	17,000
Repayments of short-term debt	(10,500)	(25,800)
Proceeds from long-term debt	10,000	12,387
Repayments of long-term debt	(2,574)	(3,457)
Proceeds from sales and redemption by installment payment	4,800	350
Proceeds from issuance of bonds	-	16,445
Redemption of bonds	(4,968)	(66,486)
Proceeds from stock issuance by the Company, net	2,375	48
Purchase of treasury stock	-	(154)
Dividends paid	(3,261)	(3,581)
Dividends paid for minority shareholders	(370)	(56)
Others	(71)	-
Net cash (used in) provided by financing activities	14,732	(53,303)
Net (decrease) increase in cash and cash equivalents	20,904	(42,430)
Cash and cash equivalents at the beginning of the year	47,619	68,541
Net increase in cash and cash equivalents as a result of merger with consolidated subsidiary	18	-
Cash and cash equivalents at the end of the year	¥ 68,541	¥ 26,110

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 Act 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 Act. 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 one affiliate as of March 31, 2010 (three of its subsidiaries and one affiliate as of March 31, 2009). 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 affiliate after June 1, 2007 in the consolidated statements of operations for the years ended March 31, 2008, 2009 and 2010. The Company's ownership in EMOBILE was 38.3% as of March 31, 2010.

On March 31, 2010, the Company entered into a share exchange agreement to make EMOBILE a wholly owned subsidiary of the Company in share exchange. On May 12, 2010, the board of directors of the Company approved the subscription of new shares offered by EMOBILE by way of the Third-Party Allotment. Further, for information on the new stock subscription , please see the note 23.

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 the 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.

On November 28, 2008, the Company acquired additional shares of ACCA through the Tender Offer, as a step for merger seeking for full integration of business of the two companies, and the Company's ownership in ACCA became 88.91%. Accordingly, 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.

The Company completed the merger on June 25, 2009 in which the Company became the surviving company and ACCA became the dissolved company. Then, the operating results of ACCA from April 1, 2009 until June 24, 2009 were fully consolidated in the consolidated statement of operations for the year ended March 31, 2010.

Cultive Ltd.("Cultive") is one of its subsidiaries, an Investment Limited Partnership Company. The Company held 52.8% and 54.6% ownership in Cultive as of March 31, 2009 and 2010 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, 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 (hereinafter "ASBJ") 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 21.

(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 employees' bonus

The Company 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.

(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 ¥544 million and ¥438 million were incurred for the years ended March 31, 2009 and 2010 respectively.

(13) Issuance costs for stock

Issuance costs for stock are charged to income as incurred.

(14) Issuance costs for bond

Bond issuance costs are equally amortized over the years until the maturing dates.

(15) 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.

(16) 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.

(17) 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 year ended March 31, 2009 was not disclosed due to the Company's net loss position.

(18) Reclassifications

"Accounts receivable from affiliate" amounting to ¥177 million in "Others, net" for the year ended March 31, 2009 was separately stated as so in the consolidated statements of cash flows for the year ended March 31, 2010 due to its materiality in the amount.

3. Change in Consolidated Subsidiaries

The Company excluded ACCA from its consolidation on June 25, 2009 due to the merger with ACCA. (See note 11) The operating results of ACCA were fully consolidated until June 24, 2009.

4. Changes in Significant Accounting Policies

As "Accounting Standard for Business Combinations" (ASBJ Statement No.21, December 26, 2008), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, December 26, 2008), "Partial Amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No.23, December 26, 2008), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7, December 26, 2008), "Revised Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No.16, December 26, 2008), and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, December 26, 2008) could be applied for the first business combination and business divestitures conducted in the fiscal year beginning on or after April 1, 2009. The Company and its subsidiaries have adopted these accounting standards and others since the beginning of this fiscal year.

5. Investment Securities

Investment securities at March 31, 2009 and 2010 consisted of the following:

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

	Millions of yen		
2010	**Acquisition cost**	**Book value**	**Unrealized gain (loss)**
Marketable securities	¥ 46	¥ 74	¥ 28

	Millions of yen	
Non-marketable securities	**2009**	**2010**
Other securities:		
Non-listed equity securities	¥ 4,124	¥ 4,103

6. Inventories

Inventories at March 31, 2009 and 2010 consisted of the following:

	Millions of yen	
	2009	**2010**
Telecommunications device	¥ 299	¥ 34
Modems	184	76
Other	8	-
	¥ 490	¥ 111

7. Short-Term Debt and Long-Term Debt

Short-term debt at March 31, 2009 and 2010 consisted of the following:

	Millions of yen	
	2009	2010
Unsecured with an interest rate of 1.07%	¥ 8,800	¥ -

Long-term debt at March 31, 2009 and 2010 consisted of the following:

	Millions of yen	
	2009	2010
Bonds (see note 9):		
Unsecured straight bond due 2010 with an interest rate of 1.95% (portion due within one year)	44,800 ¥ (44,800)	¥ -
Unsecured straight bond due 2012 with an interest rate of 2.75%	10,000	9,000
Unsecured straight bond due 2012 with an interest rate of 0.81% (portion due within one year)	-	2,505 (990)
Unsecured straight bond due 2013 with an interest rate of 0.90% (portion due within one year)	-	2,571 (858)
Zero coupon convertible bond due 2011	23,000	3,000
Convertible bond due 2016 with an interest rate of 3.5%	-	10,898
Total bonds (portion due within one year)	77,800 (44,800)	27,974 (1,848)
Loans from banks (see note 9):		
Maturing through 2018 an average rate of 2.05% per annum in 2010 (2.16% in 2009)	10,000	21,930
Less: Portion due within one year	1,000	2,854
Total loans from banks	9,000	19,075
Other interest bearing debts (see note 19):		
Capital lease obligations with an average rate of 2.69% in 2010 (2.72% in 2009)	2,735	1,783
Less: Portion due within one year	1,543	894
Total capital lease obligations	1,192	889
Installment obligations with an average rate of 5.24% in 2010 (5.45% in 2009)	4,553	3,365
Less: Portion due within one year	1,528	1,726
Total instalment obligations	3,026	1,640
Total long-term debt	95,088	55,052 (*)
Less: Portion due within one year	48,871	7,322
	¥ 46,218	¥ 47,731

The aggregate annual maturities of long-term debt subsequent to March 31, 2010 are summarized as follows:

Year ending March 31	Millions of yen
2011	7,322
2012	18,927
2013	9,529
2014	1,530
2015	1,521
2016 and thereafter	15,969
Total	¥ 54,799 (*)

(*) This difference is due to the premium issue of the convertible bond due 2016.

The zero coupon convertible bond which has a conversion price of ¥100,490 per share is convertible into 29,853 shares of common stock at March 31, 2010.

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.

The convertible bond which has a conversion price of ¥67,512 per share is convertible into 157,675 shares of common stock at March 31, 2010.

(1) Redemption of the convertible bond prior to maturity is as follows

(a) Early redemption pursuant to the 130% call option provision and the clean-up provision

(i) Early redemption pursuant to the 130% call option provision

At any time on or after 20 December, 2013, the Company may, having given not less than 30 nor more than 60 days' prior notice to the holders of the Bonds with Stock Acquisition Rights, redeem all, but not some only, of the Bonds then outstanding at 100 per cent. of their principal amount together with unpaid interest, accrued to (but excluding) the date fixed for such redemption, if the Closing Price of the Shares for at least 20 Trading Days during any period of 30 consecutive Trading Days (as defined below), the last of such 20 Trading Days occurring not more than five Tokyo Business Days prior to the date upon which the notice of such redemption is first published, is not less than 130 per cent. of the Conversion Price set forth in effect on each such Trading Day.

The "Trading Day" means a day on which the Tokyo Stock Exchange, Inc. is open for business, but does not include a day on which no Closing Price is reported by the Tokyo Stock Exchange, Inc.

(ii) Early redemption pursuant to the clean-up provision

The Company may, having given not less than 30 nor more than 60 days' prior notice to the holders of the Bonds with Stock Acquisition Rights redeem all, but not some only, of the Bonds then outstanding at 100 per cent. of their principal amount together with unpaid interest, accrued to (but excluding) the date fixed for such redemption, if at any time prior to the date upon which the notice for early redemption described in this paragraph is first published, the aggregate principal amount of the Bonds then outstanding is less than 10 per cent. of the aggregate principal amount of the Bonds as of the date of issue thereof.

(b) Early redemption for taxation reasons

The Company may, having given not less than 30 nor more than 60 days' prior notice to the holders of the Bonds with Stock Acquisition Rights, redeem all, but not some only, of the Bonds then outstanding at 100 per cent. of their principal amount together with unpaid interest, accrued to (but excluding) the date fixed for such redemption, if the Company satisfies the Trustee that it has or will become obliged to pay additional amounts set forth in the prospectus of the Bonds as a result of any change in, or amendment to, the Japanese taxation system, etc. and that such obligation to pay additional amounts cannot be avoided by the Company taking reasonable measures available to it; provided, however that no such notice of early redemption shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such additional amounts.

Notwithstanding the foregoing, if the aggregate principal amount of the Bonds then outstanding at the time when such notice is given is 10 per cent. or more of the aggregate principal amount of the Bonds as of the date of issue thereof, each holder of the Bonds with Stock Acquisition Rights will have the right to elect not to have its Bonds redeemed prior to maturity by giving notice to the Company no later than 20 days prior to the relevant redemption date. In such a case, the Company shall not be obliged to pay the additional amounts set forth in the prospectus of the Bonds with respect to the payment of any amount to be made after such redemption date in respect of such Bonds, and the payment of all amounts due on such Bonds after such redemption date shall be made subject to the withholding of, or deduction for or on account of, Japanese taxes, duties, assessments and governmental charges referred to the prospectus of the Bonds.

(c) Early redemption due to Corporate Event

If a Corporate Event (as defined below) occurs, and if (i) the measures set forth in 2(a) below is unable to be taken or (ii) the Company has submitted to the Trustee a certificate to the effect that, for any reason, the Company does not anticipate that the New Obligor might be a company listed in Japan as of the effective date of such Corporate Event, the Company shall, having given not less than 10 Tokyo Business Days (as defined below)' prior notice to holders of the Bonds with Stock Acquisition Rights, redeem all, but not some only, of the Bonds then outstanding on the redemption date specified in such notice (such redemption date shall basically be on or prior to the effective date of such Corporate Event) at the redemption price set forth below together with unpaid interest, accrued to (but excluding) the date fixed for such redemption.

"Corporate Event" collectively means adoption of a resolution at a general meeting of shareholders (in a case where a resolution at a general meeting of shareholders is not required, at a meeting of the Board of Directors) of the Company approving (i) a merger event between the Company and another corporation (including an amalgamation and a merger but excluding a case in which the Company is the continuing corporation. Hereinafter the same.), (ii) asset transfer (limited to the sale or transfer of all or substantially all of the assets of the Company to another corporation, pursuant to the terms of which the Company's obligations under the Bonds with Stock Acquisition Rights are to be transferred to the corporation which is the counterparty to such sale or transfer), (iii) a corporate split (limited to such cases in which the Company's obligations under the Bonds with Stock Acquisition Rights are to be transferred to the corporation which is the counterparty to such corporate split), (iv) a share exchange or a share transfer (limited to a case which results in the Company becoming a wholly-owned subsidiary of another corporation. Hereinafter the same.), or (v) any other corporate reorganisation procedure provided for under Japanese law through which the Company's obligations under the Bonds and/or the Stock Acquisition Rights are to be assumed by another corporation.

(d) Early redemption in case of delisting, etc.

If (i) tender offer is made for the shares of common stock of the Company by any person or entity other than the Company (hereinafter referred to as the "Offeror") in accordance with the Financial Instruments and Exchange Act, (ii) the Offeror acquires a number of shares such that the shares of the common stock of the Company will cease to be listed as a result of the acquisition of shares pursuant to the offer, assuming that the number of shares of the common stock of the Company held by the Offeror immediately after the settlement of the tender offer and the number of shares of the common stock of the Company then held by other parties stipulated in the applicable delisting rule, to the extent available to the Company, will not change until the following end of the fiscal period, then the Company shall give notice to the holders of the Bonds with Stock Acquisition Rights, as soon as practicable but within 14 days after the first settlement date of such Offer (hereinafter referred to as the "First Settlement Date"), to redeem all, but not some only, of the Bonds then outstanding, on the redemption date specified in such notice (which shall be a date falling not earlier than 10 Tokyo Business Days, nor later than 30 Tokyo Business Days, from the date of such notice) at the redemption price calculated in the same manner as the method for redemption as provided in (c) above (the minimum amount shall be 100 per cent. of the principal amount of the Bonds and the maximum amount shall be 130 per cent. of the principal amount of the Bonds, provided, however that in the event the redemption date would fall on any of the days in the period from December 1, 2016 to December 15 of the same year, the redemption price shall be 100 per cent. of the principal amount of the Bonds.), together with unpaid interest accrued to (but excluding) the date fixed for such redemption.

Notwithstanding the foregoing, if the Company or the Offeror publicly announces in the relevant tender offer registration statement, etc. that it intends to effect a Corporate Event or a Squeezeout Event (as defined in (e) below) after the acquisition date of the shares of common stock of the Company pursuant to the tender offer, then the Company's obligation to redeem the Bonds under this (d) shall not apply; provided, however, that if such a Corporate Event or a Squeezeout Event does not occur within 180 days from such First Settlement Date or the determination date for delisting, whichever earlier, the Company shall, having given notice to holders of the Bonds with Stock Acquisition Rights within 14 days from the earlier of such dates, redeem all, but not some only, of the Bonds then outstanding on the redemption date specified in such notice (which shall be a date falling not earlier than 10 Tokyo Business Days, nor later than 30 Tokyo Business Days, from the date of such notice) at the aforementioned redemption price together with unpaid interest, accrued to (but excluding) the date fixed for such redemption.

If the Company becomes obliged to redeem the Bonds pursuant to both (c) above and this (d), provisions in (c) above shall apply.

(e) Early redemption due to Squeezeout

If a resolution at a general meeting of shareholders of the Company approving its acquisition of all of the shares of common stock of the Company after the amendment of its articles of incorporation to change the shares of common stock of the Company into callable shares (hereinafter referred to as the "Squeezeout Event") passes, the Company shall give notice to the holders of the Bonds with Stock Acquisition Rights, as soon as practicable but within 14 days after the date on which such Squeezeout Event occurs, to redeem all, but not some only, of the Bonds then outstanding, on the redemption date specified in such notice (such date shall be a date before the acquisition date of the shares of common stock of the Company relevant to such Squeezeout Event or the delisting date of common stock of the Company and falling not earlier than 10 Tokyo Business Days, nor later than 30 Tokyo Business Days, from the date of such notice) at a redemption price calculated in the same manner as the method for redemption as provided in (c) above (the minimum amount shall be 100 per cent. of the principal amount of the Bonds and the maximum amount shall be 130 per cent. of the principal amount of the Bonds, provided, however that in the event the redemption date would fall on any of the days in the period from December 1, 2016 to December 15 of the same year, the redemption price shall be 100 per cent. of the principal amount of the Bonds.), together with unpaid interest accrued to (but excluding) the date fixed for such redemption.

(f) Redemption at the option of the holders of the Bonds with Stock Acquisition Rights

The holder of any Bond with Stock Acquisition Right is entitled, at its option, to require the Company to redeem of such holder's Bond on December 15, 2013, at 100 per cent. of its principal amount, together with unpaid interest accrued to (but excluding) such date. To exercise such option, the holder of such Bond with Stock Acquisition Right shall deposit with the Agent for the Bonds with Stock Acquisition Rights set forth in (10) below, not less than 30 days prior to such date, a notice of redemption in the designated form, together with the Bond Certificate in respect of such Bond.

(2) Grant of stock acquisition rights by the New Obligor in the event of Corporate Event of the Company

(a) In the occurrence of a Corporate Event, the Company shall, pursuant to the terms and conditions of the Bonds with Stock Acquisition Rights, use its best endeavours to cause New Obligor (as defined below) to be substitute as the principal obligor of the Bonds with Stock Acquisition Rights, and to grant new stock acquisition rights in place of the Stock Acquisition Rights; provided however, for such substitution and grant, it shall be assumed that (i) it is legally possible under the then applicable laws, (ii) a structure for the implementation thereof has been or can be established, and (iii) it can be consummated without the Company or the New Obligor incurring costs or expenses (including taxes) which are in the opinion of the Company unreasonable in the context of the entire transaction of such Corporate Event In such case, the Company shall also use its best endeavours in order for the New Obligor being a company listed in Japan on the effective date of such Corporate Event. The Company's obligations to use its best endeavours set forth in this (a) shall not apply if the company delivers to the Trustee a certificate in which the Company does by no reason expect that the New Obligor shall be listed in any of Stock Exchanges in Japan at the effective date of such Corporate Event.

"New Obligor" means the counterparty to a Corporate Event which assumes the obligations of the Company under the Bonds with Stock Acquisition Rights and/or the Stock Acquisition Rights.

(b) The details of the stock acquisition rights of the New Obligor to be granted pursuant to the provisions in (a) above are as follows.

(i) Number of stock acquisition rights:

The same quantity as the quantity of the Stock Acquisition Rights with respect to the Bonds with Stock Acquisition Rights outstanding immediately prior to the effective date of the relevant Corporate Event

(ii) Class of the shares to be issued or transferred upon exercise of stock acquisition rights:

Shares of common stock of the New Obligor

(iii) Number of shares to be issued or transferred upon exercise of stock acquisition rights:

The number of shares of common stock of the New Obligor to be issued or transferred upon exercise of the stock acquisition rights of the New Obligor shall be determined by reference to the terms and conditions of the Bonds with Stock Acquisition Rights taking into account the terms, etc. of the relevant Corporate Event and subject to i) or ii) below. The conversion price shall be subject to the same adjustment as that set forth in the prospectus of the Bonds.

i) In the case of a merger, a share exchange or a share transfer, the conversion price shall be determined so that the holder of the stock acquisition rights would, upon its exercise immediately after the effective date of the relevant Corporate Event, receive the number of shares of common stock of the Company of the New Obligor receivable upon the relevant Corporate Event by a holder of the number of the shares of common stock of the Company receivable if the Stock Acquisition Rights were exercised immediately prior to the effective date of the relevant Corporate Event. If securities other than shares of common stock of the New Obligor or other property shall be issued or transferred upon such Corporate Event, such number of shares of common stock of the New Obligor equal to the number obtainable by dividing the value of such securities or properties by the current market price of the shares of common stock of the New Obligor shall also be receivable.

ii) In the case of a Corporate Event other than those provided above, the conversion price shall be determined so that an economic interest equivalent to that which a holder of the Bonds with Stock Acquisition Rights would have received upon exercise of the Stock Acquisition Right immediately before the effective date of the relevant Corporate Event may be received upon exercise of a stock acquisition right of the New Obligor immediately after the effective date of the relevant Corporate Event.

(iv) Description of the asset to be contributed upon exercise of stock acquisition rights and the amount thereof:

The Bonds assumed by the New Obligor shall be contributed upon exercise of the stock acquisition rights of the New Obligor, and the price of such Bonds shall be equal to the principal amount of the assumed Bonds.

(v) Period in which the stock acquisition right is exercisable:

From the effective date of the relevant Corporate Event (including a date within 14 days after such date, as the case may be) up to, including, the last day of the exercise period of the Stock Acquisition Rights.

(vi) Other conditions precedent to the exercise of stock acquisition rights:

No stock acquisition right of the New Obligor may be exercised in part only.

(vii) The amount of stated capital increased by the issuance of shares upon the exercise of stock acquisition rights and the amount of additional paid-in capital increased:

The amount of stated capital increased by the issuance of shares upon the exercise of the stock acquisition right of the New Obligor shall be the amount obtained by multiplying the maximum increased amount of stated capital calculated pursuant to Article 17 of the Rules of Account Settlement of Corporations by 0.5, with any fraction of less than one (1) yen being rounded up in case such fraction accrues as a result of such calculation. The amount of additional paid-in capital increased shall be the amount obtained by subtracting the amount of stated capital increased from the maximum increased amount of stated capital.

(viii) Grant of stock acquisition rights in the event of a subsequent Corporate Event:

In the event of any subsequent Corporate Event of the New Obligor, the stock acquisition rights of the New Obligor shall be handled in the same manner as the Bonds with Stock Acquisition Rights.

(ix) Others:

Fractions less than one (1) share resulting from the exercise of stock acquisition rights of the New Obligor shall be rounded down, and no adjustment or cash payment will be made in respect thereof. The stock acquisition rights of the New Obligor may not be transferred separately from the Bonds assumed.

(c) If the Company causes the New Obligor to subscribe or assume the Company's obligations under the Bonds and the Trust Deed in accordance with the provision in (a) above, the Company shall, other than in certain events provided for in the terms and conditions of the Bonds with Stock Acquisition Rights in which case the Company shall provide guarantee on the stock acquisition rights of the New Obligor, submit to the terms and conditions of the Bonds with Stock Acquisition Rights.

In March 2006, EMOBILE concluded a commitment line contract of a syndicate loan amounting to ¥220,000 million with 34 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, 2009 and 2010 were as follows:

	Millions of yen			
		2009		2010
Total amount of commitment line	¥	220,000	¥	220,000
Used amount		189,980		219,950
Unused amount of commitment line	¥	30,020	¥	50

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, 2009 and 2010 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			
		2009		2010
Collateral assets of the Company:				
Investments in EMOBILE	¥	11,425	¥	5,582

The book value of investments in EMOBILE on unconsolidated balance sheets as of March 31, 2009 and 2010 were ¥50,016 million.

The commitment line contract includes certain financial and operational covenants. There were no infringement of covenants as of March 31, 2009 and 2010.

The Company concluded commitment line contracts of syndicate loan amounting to ¥12,000 million with 2 financial institutions. The commitment lines, with a maximum repayment period of 4 years and 10 months, are expected to satisfy the Company's funding requirement of operations and capital expenditures. And the Company also concluded another commitment line contract of syndicate loan amounting to ¥24,465 million with 1 financial institution. The commitment line, with a maximum repayment period of 8 years and 6 months, is for the same purpose. The amount of commitment lines used at March 31, 2010 was ¥9,000 million and ¥12,930 million respectively.

Furthermore, the Company concluded an overdraft contract of syndicate loan amounting to ¥1,000 million with 1 financial institution. This contract is to satisfy the Company's operational funding requirement. There is no amount of commitment line used at March 31, 2010 for this contract.

8. Net Assets

Legal reserve

Under the Companies Act of Japan ("the Act"), 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 Act, 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 ¥868 million for common stocks and ¥42 millions for preferred stocks at the board of directors' meeting held on May 12, 2010. Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2010. 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.

Upon the merger with ACCA, the Company acquired 1,955 shares which were sum of odd shares and retired them all in amount of ¥154 million during the year ended March 31, 2010.

Minority interests

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.

The changes of minority interests for the year ended March 31, 2010 were primarily related to a decrease of minority interests by ¥2,664 million as a result of the merger with ACCA.

Appropriation of retained earnings

On May 12, 2010, the board of directors of the Company has approved the following appropriations of retained earnings.

Year-end cash dividends (common stock, ¥600 per share)	¥868 million
Year-end cash dividends (preferred stock, ¥1,693,438 per share)	¥42 million

9. Financial Instruments

(Supplementary information)

Effective the fiscal year ended March 31, 2010, the Company and its subsidiaries adopted "the revised Accounting Standard for Financial Instruments" (ASBJ Statement No.10, revised on March 10, 2008) and "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19, revised on March 10, 2008).

(1) Qualitative information on financial instruments

(a) Policies for using financial instruments

The Company and its subsidiaries raise necessary funds based on its capital investment plans to conduct its business mainly by bank loans or issuance of bonds. The Company invests temporary cash surpluses in highly liquid and secured financial instruments, and the Company raises short-term funds by bank loans.

The Company also follows the policy of using derivatives not for speculative purposes, but for managing foreign currency exchange risk as described in detail below.

(b) Details of financial instruments used and the exposures to risk

(i) Accounts receivable are exposed to customer's credit risk.

(ii) Accounts receivable from affiliate are exposed to the affiliate's credit risk .

(iii) Investment securities mainly consist of equity securities related to customers and suppliers in relation to business. Some of the investment securities are exposed to risk of market price fluctuation.

(iv) Payment terms of accounts payable are generally less than three months. Some accounts payable in foreign currencies are exposed to foreign currency exchange fluctuation risk. They are principally hedged by foreign exchange forward contracts.

(v) The purpose of the Long-term loans payable and Bonds are generally for funds related to capital expenditure. The longest redemption date is eight years from the end of this fiscal year. They are exposed to interest rate fluctuation risk.

(vi) Derivatives transactions are related to foreign exchange forward contracts and used to hedge foreign currency exchange fluctuation risk of accounts payable denominated in foreign currencies. Hedging activity and policies relating to hedge accounting is described in the Note 2.(16) in details.

(c) Policies and procedures for managing risk

(i) Credit risk management (customer's default risk)

The Company manages and mitigates customer's credit risk on accounts receivable in accordance with the Credit Control Policy, which includes monitoring of payment term and balances of customer by each responsible department of each company to recognize the customer's default risk at an early stage.

Because the counterparties to derivative financial instruments are limited to major financial institutions and trading companies, the Company does not anticipate any potential losses arising from the credit risk.

(ii) Market risk management (foreign currency exchange and interest rate fluctuation risks)

The Company principally uses foreign exchange forward contracts to hedge foreign currency exchange fluctuation risk. With respect to investment securities, the Company identifies and monitors fair market values and financial positions of the issuers on regular basis and continuously reviews its status of these securities considering the relationships with the issuers.

With respect to derivative transactions, when a transaction (including forecasted transaction) which requires risk management arises, a risk manager for derivative financial instruments instructs people involved in the transaction to control and mitigate the risk by identifying the hedging instrument to lower the risk and, if necessary, obtaining both Treasurer's and other related Management's consent for execution.

(iii) Liquidity risk management on fund raising (risk of unable to repay at payment due dates)

The Company controls its liquidity risk by preparing and updating payment schedule management plans on a timely basis.

(d) Supplementary information on fair values

Fair values of financial instruments include market prices and values reasonably estimated when there is no market price. Since variable factors are incorporated in the estimation of the relevant fair value, it may change depending on the assumptions.

(2) Fair values of financial instruments

Carrying amount, fair values, and difference between them as of March 31, 2010 were as follows.

Financial instruments whose fair values are not readily determinable are excluded from the following table:

millions of yen

	Book value	Fair value	Difference
(1) Cash and cash equivalents	26,110	26,110	—
(2) Accounts receivable - trade	10,880		—
Allowance for bad debt (*1)	(10)		—
	10,870	10,870	—
(3) Accounts receivable from affiliate (*2)	12,322	10,898	(1,424)
(4) Investment securities (*3)	74	74	—
Total	49,377	47,953	(1,424)
(1) Accounts payable - trade	2,098	2,098	—
(2) Accrued expenses	5,988	5,988	—
(3) Bonds (*4)	27,974	28,795	820
(4) Long-term loans payable (*4)	21,930	22,020	90
Total	57,989	58,900	911
Derivative transactions (*5)	200	200	—

(*1) Specific reserve recognized for certain accounts receivable is excluded.

(*2) Short-term / long-term accounts receivable from affiliate are included.

(*3) Non-marketable Investment securities of ¥4,103 million is excluded from total Investment securities of ¥4,178.

(*4) Current portion of Bonds and long-term loans payable are included.

(*5) Derivative assets and liabilities are on a net basis.

Note 1: Fair value measurement of financial instruments

(Assets)

(1) Cash and cash equivalents and (2) Accounts receivable

The book value approximates fair value because of the short maturity of these instruments.

(3) Accounts receivable from affiliate

The discounted cash flow method was used to estimate fair values, based on discount rates sum of risk free rate and credit risk spreads.

(4) Investment securities

In relation to the market value of investment securities, for shares the market prices of exchanges are used. Further, for information on investment securities categorized according to holding purpose, please see the note 5.

(Liabilities)

(1) Accounts payable and (2) Accrued expenses

The book value approximates fair value because of the short maturity of these instruments.

(3) Bonds

Applicable market price is used for the fair value, if not, discount cash flow method was used to estimate fair value applying duration and credit risk adjusted discount rate to the total of principal and interest of the Bonds.

(4) Long-term loans payable

The market value of long-term loans payable is calculated by applying a discount rate to the total of principal and interest. That discount rate is based on the applicable interest rate if a similar new loan was entered into.

(Derivative transactions)

Please see the note 10

Note 2: Financial instruments which is extremely difficult to comprehend the fair values

millions of yen

Non-marketable securities	Investment securities	4,103
Non-marketable securities	Investments in Affiliate	5,582

Financial instruments of which the fair value is extremely difficult to measure are not included in (4) Investment securities.

Note 3: Planned maturity amounts after the balance sheet date for monetary assets

millions of yen

	April 1, 2010 to March 31, 2011	April 1, 2011 to March 31, 2015	April 1, 2015 to March 31, 2020	April 1, 2020 and thereafter
Cash and cash equivalents	26,110	-	-	-
Accounts receivable	10,870	-	-	-
Accounts receivable from affiliate	3,051	5,179	4,092	-

Note 4: Planned repayment amounts after the balance sheet date for bonds, long-term loans payable, capital lease obligations and installment obligations

Please see note 7 for details.

10. Derivative Transactions and Hedge Accounting

(1) Non designated derivative financial instruments

Transaction type	Millions of yen Contract amount	Due over one year	Fair value (Note 1)	Unrealized gains
Foreign exchange forward contract				
Buy contracts				
USD	¥ 64	¥ -	¥ 3	¥ 3
Total	¥ 64	¥ -	¥ 3	¥ 3

Note 1: The fair values are based on the price quoted by a business acquaintance.

(2) Designated derivative financial instruments

Transaction type	Millions of yen Contract amount	Due over one year	Fair value (Note 1)
Foreign exchange forward contract			
Buy contracts			
USD	¥ 5,410	¥ -	¥ 197
USD	701		Note 2
Total	¥ 6,111	¥ -	¥ 197

Note 1: The fair values are based on the price quoted by a business acquaintance.

Note 2: The fair value is accounted as a part of hedged items, trade accounts payable.

11. Business Combination

(Business combination under common control)

(1) Outline of Business combination

(a) Name of combined party and description of business

ACCA Networks Co., Ltd. Telecommunication business

(b) Business combination date

June 25, 2009

(c) Legal structure of the business combination

This was the merger with the Company as a surviving company and ACCA as a company that ceased to exist.

(d) Name of the company after the business combination

eAccess Ltd.

(e) Purpose of the transaction

The purpose of the merger was to maximize the enterprise value by growth of profitability through strengthening of sales and reduction of cost under our direct management.

(2) Summary of Accounting applied

The Company adopted the accounting for business combinations under common control based on "Accounting Standard for Business Combinations" (ASBJ Statement No.21, December 26, 2008) and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10 December 26, 2008).

(3) Acquisition cost and the details of Combining Entity

Book value of ACCA on consolidated financial statement before merger on business combination date........	¥21,354 million
Fair value of the common stock of the Company issued on business combination date....	¥2,193 million
Acquisition cost	¥23,547 million

(4) General information regarding share exchange

(a) Type of share and exchange ratio

Company common stock of ACCA 1 share : Common stock of the Company 1.54 shares

(b) Procedure of calculation of the exchange ratio

The Company appointed Nikko Cordial Securities Inc. and ACCA appointed Lazard Frees K. K. as each independent advisor and requested calculation of the exchange ratio, respectively. The Company and ACCA determined the exchange ratio taking each advisor's result into consideration.

(c) Number of issued shares and its amount

Number of issued shares 29,432 shares

Amount ¥2,193 million

(5) Gain from Negative Goodwill

(a) Amount ¥467 million

(b) Background

The difference between the fair value of the Company's issued shares upon the business combination and decrease in minority interests generates gain from negative goodwill.

(Share Exchange Agreement with EMOBILE)

The Company resolved at the board meeting held on March 31, 2010, to implement a business combination (the **"**Business Combination**"**) with EMOBILE by way of share exchange (the **"**Share Exchange**"**) and entered into a share exchange agreement (the **"**Share Exchange Agreement"**)**. EMOBILE will be wholly owned subsidiary of the Company, through the share exchange.

For the details of this Share Exchange Agreement, please refer to the press release titled "eAccess and EMOBILE Announce Making EMOBILE a Wholly Owned Subsidiary by Share Exchange" dated March 31, 2010 and "Announcement of Partial Amendment of the Share Exchange Agreement" dated May 12, 2010.

(1) Purpose of Share Exchange

The Company and EMOBILE have determined that in order to accelerate promotion of the two companies' corporate value, it is necessary to streamline and expedite the eAccess group's management decisions by centralizing decision making of the Company and EMOBILE in order to proactively and promptly deal with the change of environment, and to make efficient investment as a group possible by using the profits generated by two companies as financial resources. For this purpose, the Company and EMOBILE has come to a belief that the best course of action is to implement the business combination.

(2) Profile of Company Involved in Share Exchange

(a) Company Name

EMOBILE Ltd.

(b) Description of Business

Mobile broadband telecommunication business

(3) Method of Share Exchange

Business combination will be implemented by way of share exchange through which the Company will become a wholly-owning parent company, and EMOBILE will become a wholly-owned subsidiary.

Details of Allocation in Relation to Share Exchange

Share exchange ratio

The Company	EMOBILE
1	1.45

(Note) 1. Share Exchange Ratio

The Company shall allocate and deliver 1.45 shares of common stock in the Company in exchange for one share of common stock or each type of preferred stock in EMOBILE; provided, however, that the Company shall not allocate any shares in exchange for the shares in EMOBILE which will be held by the Company or repurchased by EMOBILE upon exercise of appraisal rights by any shareholders of EMOBILE. As of March 31, 2010, the Company holds 606,300 shares of common stock, 214,110 shares of Series A preferred stock and 41,175 shares of Series A-2 preferred stock of EMOBILE.

(Note) 2. Number of new shares in the Company to be issued upon the Share Exchange

Common Stock: 2,055,949 shares

Upon the Share Exchange, the Company will deliver and allot to the shareholders of EMOBILE (excluding the Company itself) recorded on the shareholders register as of the point of time immediately before the Company shall acquire, upon the Share Exchange, all the outstanding

EMOBILE shares (the "Record Time"), 1.45 shares of the common stock of the Company in exchange for one share of all classes of EMOBILE stocks held by such shareholders. Provided, however, that if any shareholders of EMOBILE exercise appraisal rights in accordance with Article 785 of the Companies Act of Japan, the shares for which the appraisal rights are exercised shall be deemed to be registered as held by EMOBILE instead of the shareholders having exercised the appraisal rights.

The board of directors of EMOBILE resolved at the meetings held on March 30, 2010 and May 11, 2010 that (i) EMOBILE shall implement the capital increase by way of third party allotment of EMOBILE new shares (shares of the common stock only) in the amount of JPY 45,000,120,000 at JPY 110,000 per share, including JPY 17,000,060,000 for the new shares to be allotted to the Company with a payment date of June 30, 2010 prior to the effective date of the Share Exchange; and (ii) EMOBILE shall cancel effective as of the Record Time all of its treasury stock (if any) which it will hold at the Record Time (including the shares which EMOBILE would acquire upon the exercise of appraisal rights by the shareholders of EMOBILE pursuant to Article 785 of the Companies Act). Consequently, upon the Share Exchange, the common stock in EMOBILE to be issued by the Third Party Allotment above (excluding the shares to be acquired by the Company) shall be exchanged while the treasury stock to be canceled shall not be exchanged. The Company resolved, at the board meeting held on May 12, 2010, to subscribe for all the new EMOBILE shares in the amount of JPY 17,000,060,000 under the Third Party Allotment. EMOBILE will issue 409,092 shares of common stock under the Third Party Allotment, of which 154,546 shares will be allotted to the Company, and 369,089 shares of common stock in the Company will be delivered upon the Share Exchange in exchange for the said EMOILE shares (excluding the shares to be allotted to the Company). The above mentioned number of new shares in the Company to be issued upon the Share Exchange is calculated on the premise that the total amount of the Third Party Allotment is paid in full.

(Note) 3. Less than one share

If the number of common stock in the Company to be delivered by the Company to shareholders of EMOBILE upon the Share Exchange is less than one share, cash settlement will be made in accordance with Article 234 of the Companies Act and any other relevant laws and regulations

(4) Grounds for calculation of shares to be allotted upon Share Exchange

Basis to Calculation

The Company formed the Independent Committee consisting solely of its independent directors, to procure the fair procedures of the Business Combination. In order to ensure the fairness of the share exchange ratio of the Business Combination, the Independent Committee selected Greenhill & Co. Japan Ltd. ("Greenhill Japan") as financial advisor to calculate the share exchange ratio, and has obtained from Greenhill Japan an opinion dated May 22, 2010 (the "Greenhill Opinion") to the effect that, based on the following assumptions and certain other conditions, the agreed share exchange ratio is fair, from a financial perspective, to the Company.

Greenhill Japan assessed the fairness of the share exchange ratio using both: (i) a methodology that compares the implied value per share of the Company and that of EMOBILE in the event the existing capital relationship between the Company and EMOBILE continues ("Standalone Methodology"), and (ii) a methodology that assesses the fairness of the share exchange ratio based on the implied value per share comparing the value per share of the Company before the Business Combination, and the value per share of the Company after the Business Combination, taking into account the benefits and cost efficiencies which should result from the Business Combination ("Synergies"), and assessed the increase or decrease in the implied value per share ("Value Creation Methodology"). In each methodology, Greenhill Japan performed an analysis using, among other methodologies, a discount cash flow methodology ("DCF methodology") and comparable companies methodology.

In view of the fact that EMOBILE is an unlisted company and, accordingly, a valuation relative to the Company in the market is difficult, and calculation of the extent to which the EMOBILE equity which the Company holds has an impact on the Company's share price is impossible, we use the market price methodology as a benchmark for the Company's implied share value but did not use it in calculating the ratio.

(5) Treatments of Stock Acquisition Rights Following the Share Exchange

The Company will deliver to each holder of outstanding stock acquisition rights (stock options) of EMOBILE (the "EMOBILE Stock Options") recorded on the register of holders of share acquisition rights of the company (excluding EMOBILE) as of the Record Time, in exchange for those EMOBILE Stock Options, the stock acquisition rights of eAccess the terms and conditions of which are comparable to the EMOBILE Stock Options and reflect the share exchange ratio; provided, however, that if any holder of EMOBILE Stock Options exercises appraisal rights in accordance with Article 787, Paragraph 1, Item 3 of the Companies Act, EMOBILE shall be deemed to be registered as a holder of the relevant EMOBILE Stock Options instead of such holder exercising such appraisal rights. The planned number of shares in exchange for stock acquisition rights is 128,710 shares.

EMOBILE has not issued any bond with stock acquisition rights.

(6) Conditions precedent of Share Exchange

In the Share Exchange Agreement and Partial Amendment of the Share Exchange Agreement with EMOBILE which are resolved at the board of directors of the Company on March 31, 2010 and on May 12, 2010, the conditions precedent of Share Exchange are completion of payment of 45,000,120,000 yen for the third party allotment of new EMOBILE shares (shares of the common stock only) at a share price to be fixed at 110,000 yen per share, including 17,000,060,000 yen for the new shares to be allotted to the Company.

(7) Schedule of Share Exchange

(a) Date of Conclusion of Memorandum of Understanding	December 7, 2009
(b) Date of Resolution by Board of Directors (EMOBILE)	March 30, 2010
(c) Date of Resolution by Board of Directors (The Company)	March 31, 2010
(d) Date of Conclusion of Share Exchange Agreement	March 31, 2010
(e) Date of Annual Shareholders' Meeting to Approve the Share Exchange (The Company)	June 24, 2010
(f) Date of Annual Shareholders' Meeting and Class Meeting of Shareholders of Each Class of Preferred Shares to Approve the Share Exchange (EMOBILE)	June 25, 2010
(g) Issuance of Shares by way of Third-Party Allotment (EMOBILE)	June 30, 2010 (tentative)
(h) Effective Date of Share Exchange	July 1, 2010 (tentative)

(8) Name, Description of Business, Location, Name and Title of Representative, Amount of Capital, Net Assets, and Total Assets of Wholly-Owning Parent Company after Share Exchange

(As of March 31, 2010)

(a) Name	eAccess Ltd.
(b) Description of Business	Telecommunication business
(c) Location	Shin-Nikko Bldg., 10-1, Tranomon 2-Chome, Minatoku, Tokyo
(d) Name and Title of Representative	Koji Fukata, Representative Director and President
(e) Amount of Capital	18,392 million yen

12. 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, 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.

For the year ended March 31, 2010, 585 shares were forfeited and 2,025 shares were exercised for the Company's options. At March 31, 2010, the Company had outstanding granted stock options of 80,390 shares with a weighted-average exercise price of ¥96,673.

13. Cost of Revenue

Significant components of "Cost of revenue" for the years ended March 31, 2009 and 2010 were as follows:

	Millions of yen	
	2009	**2010**
Cost of revenue:		
Devices and related tools sold	¥ 25,095	¥ 10,614
Salaries and benefits	967	568
Outsourcing	2,519	2,122
Depreciation and amortization	6,375	6,289
Network	17,872	20,790
Modem rental	7,811	7,886
Others	1,222	784
	¥ 61,861	¥ 49,052

14. Selling, General & Administrative Expenses

Significant components of "Selling, general & administrative expenses" for the years ended March 31, 2009 and 2010 were as follows:

	Millions of yen	
	2009	**2010**
Selling, general & administrative expenses:		
Sales promotion	¥ 5,153	¥ 5,289
Salaries and benefits	2,135	2,126
Outsourcing	4,479	3,570
Depreciation and amortization	903	1,042
Research and development	544	438
Others	2,679	2,400
	¥ 15,894	¥ 14,864

15. Employees' Severance and Retirement Benefits

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

Also, ACCA had entered in NTT welfare pension fund plans. After merged with ACCA, the Company has discontinued the NTT welfare pension fund plans. Therefore, the balance of the retirement benefit obligation was eliminated for the year ended March 31, 2010.

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 years ended March 31, 2009 and 2010 were as follows:

	Millions of yen	
	2009	2010
Service cost	¥ 22	¥ 9
Extraordinary retirement benefit	6	-
Pension costs for a defined contribution pension plan	51	58
Retirement benefit expenses	¥ 79	¥ 67

16. 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.

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.

No impairment loss of fixed assets was recognized for the year ended March 31, 2010.

17. Business Alliance Expense

Business alliance expense recorded for the year ended March 31, 2009 includes the advisory fees related to the business alliance with ACCA.

18. 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, 2009 and 2010.

The income tax expenses reflected in the consolidated statements of operations for the years ended March 31, 2009 and 2010 consist of the following:

	Millions of yen	
	2009	2010
Current	¥ 4,643	¥ 5,002
Deferred	743	1,727
	¥ 5,387	¥ 6,729

At March 31, 2009 and 2010, significant components of deferred tax assets and deferred tax liabilities were analyzed as follows:

	Millions of yen	
	2009	2010
Deferred tax assets:		
Accrued business taxes	¥ 132	¥ 231
Accrued expenses	1,098	595
Unearned revenue	-	665
Elimination of intercompany profits on consolidation	229	176
Loss on disposition of fixed assets	195	77
Depreciation and amortization	2,300	1,392
Impairment losses	145	50
Unrealized loss on hedging derivatives	244	-
Net operating loss carryforwards of ACCA	1,715	-
Others	290	187
Total gross deferred tax assets	6,348	3,372
Valuation allowance	(1,010)	(3)
Total net deferred tax assets	¥ 5,338	¥ 3,369

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, 2009 and 2010.

	2009	2010
Statutory tax rate	40.7 %	40.7 %
Adjustments:		
Equity in net losses of EMOBILE	(162.4)	22.4
Elimination of intercompany dividend income on consolidation	(5.4)	-
Gain from negative goodwill	-	(1.7)
Others, net	2.7	0.1
Effective tax rate	(124.3) %	61.5 %

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.

19. 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, 2010 were as follows (see note 7):

Year ending March 31		Millions of yen
2011		929
2012		708
2013		187
2014		8
2015 and thereafter		0
Total minimum lease payments		1,833
Less: Amount representing interest (an average rate of 2.69%)		50
Present value of net minimum lease payments		1,783
Less: Portion due within one year		894
Capital lease obligations, less current portion	¥	889

Obligation under non-cancellable operating leases as of March 31, 2010 was as follows:

		Millions of yen
Within one year	¥	1,090
Over one year		1,064
Total	¥	2,154

20. 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 was 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

21. 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, 2009 and 2010.

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

2010		Network Business		Device Business		Mobile Business		Total		Eliminations/ Corporate		Consolidation
		Millions of yen										
I. Net revenue and operating profit :												
Outside net revenue	¥	71,018	¥	12,049	¥	-	¥	83,067	¥	-	¥	83,067
Intersegment net revenue		-		121		-		121		(121)		-
Total		71,018		12,170		-		83,188		(121)		83,067
Operating expenses		52,698		11,339		-		64,037		(121)		63,916
Operating profit	¥	18,320	¥	831	¥	-	¥	19,151	¥	-	¥	19,151
II. Identifiable assets, depreciation and amortization, impairment losses and capital expenditures:												
Identifiable assets	¥	30,844	¥	16,195	¥	-	¥	47,039	¥	39,825	¥	86,864
Depreciation and amortization		7,126		43		-		7,169		194		7,363
Capital expenditures		3,858		60		-		3,918		99		4,017

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. 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, 2009 and 2010.
4. The operating results of ACCA, from April 1, 2009 to June 24, 2009, which was the consolidated company before its merger on June 25, 2010 were included in "Network Business".
5. 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.
6. 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.

22. 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, 2010. EMOBILE is located in Minato-ward, Tokyo, and it offers mobile broadband services.

The corresponding balances as of March 31, 2010 were as follows:

		Millions of yen
Sale of devices and render of backbone services	¥	17,620
Accounts receivable		1,983
Sale of mobile network equipments		19,611
Other current assets and long-term accounts receivable from affiliate		11,553
Other current liabilities		1,786
Pledged assets for EMOBILE (note 7)		5,582

The condensed financial information of EMOBILE, a significant related party, as of and for the year ended March 31, 2010 was as follows:

		Millions of yen
Current assets	¥	121,883
Non current assets		186,755
Current liabilities		111,962
Non current liabilities		169,192
Net assets		27,484
Net revenue		113,605
Loss before income taxes		(14,873)
Net loss		(14,876)

23. Subsequent Events

(1) New stock subscription from an equity-method affiliate

On May 12, 2010, the board of directors of the Company approved the subscription of new shares offered by EMOBILE, an equity-method affiliate of the Company, by way of the Third-Party Allotment. The subscription amount was changed to increase from the planned amount of 12 billion yen agreed in the Share Exchange Agreement with EMOBILE on March 31, 2010, due to the increase of total size of EMOBILE's third party share allotment from the amount planned in the Share Exchange Agreement.

(a) Details of the issuer:

Name	EMOBILE Ltd.	
Established date	January 5, 2005	
Description of business	Mobile telecommunication business	
Amount of capital	71,754 millions of Yen	
(After increase in capital)	94,254 millions of Yen	
Issued stocks	Common stock	607,000 shares
	Preferred stock A	333,333 shares
	Preferred stock A-1	433,335 shares
	Preferred stock A-2	651,277 shares
(After increase in capital)	Common stock	1,016,92 shares
	Preferred stock A	333,333 shares
	Preferred stock A-1	433,335 shares
	Preferred stock A-2	651,277 shares

(b) Outline of the new stock subscription is as follows:

Total subscription amount	17,000 millions of yen
Subscription price	¥110,000 pre share
Number of shares	154,546 shares
Purpose of the new stock subscription	To enhance the Group financial position and to maximize the Group synergy

(c) Company holding before / after share subscription is as follows:

Company holding before share subscription	Common stock	606,300 shares
	Preferred stock A	214,110 shares
	Preferred stock A-2	41,175 shares
Company holding after share subscription	Common stock	760,846 shares
	Preferred stock A	214,110 shares
	Preferred stock A-2	41,175 shares

(d) Schedules are as follows:

May 12, 2010	Approval on the board of directors of the Company
June 30 , 2010	Application and payment due

(2) Issuance of Stock Compensation-type Stock Option (Stock Acquisition Rights)

The board of Directors of the Company resolved on June 24, 2010 to issue stock option (stock acquisition rights) to the directors and the employees (as of July 1, 2010) of the Company.

Class for shares	Common stock
Recipients...	The directors and the employees of the Company and subsidiaries
Number of shares to be issued or transferred upon exercise of stock acquisition rights............	Ceiling 70,000 shares
Date of the allotment of the stock acquisition rights	The Board of the Company will determine within a range of one year from the date of shareholders meeting in which the issuance of stock acquisition rights were resolved.
Exercise price...	The Exercise price shall be the average price of the closing prices of common stock of the Company on the Tokyo Stock Exchange of every day of the preceding month to the month in which the Stock Option is issued (except for those days where no deal was made) multiplied by 1.05, with a fraction less than 100 yen resulting from such adjustment rounded down. Provided however, in the event that such price is below the closing price of execution date of the Stock Option Agreement (in the event that no deal was made on such day, the most recent preceding day), such closing price shall be the Exercise price.
Period during which stock acquisition rights may be exercise..	The Board of the Company will determine within a range of ten years from the date issued stock acquisition rights