# eAccess Ltd.

## SECURITIES REPORT
## AS OF AND FOR THE YEAR ENDED MARCH 31, 2011

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This document contains our projections and other “forward-looking statements” that reflect eAccess’ current expectations and projections, including, without limitation, those regarding our future financial position and results of operations, our strategy, plans, objectives, goals and targets, future developments, and anticipated regulatory changes in the markets in which we operate or intend to operate. These forward-looking statements involve risks and uncertainties and are not guarantees of future performance. They are based on numerous assumptions and our actual results of operations, including our financial condition and liquidity and the development of the industries in which we operate, may materially differ from these forward-looking statements. These forward-looking statements speak only as of the date hereof and we undertake no obligation to update or revise any forward looking statements.

Solely for your convenience, this document contains translations of certain Japanese yen amounts into U.S. dollar amounts. Unless indicated otherwise, the Japanese yen amounts in this document were converted into U.S. dollars at the exchange rate of $1.00 = ¥82.76, the exchange rate in effect as of March 31, 2011, as set forth in the H.10 weekly statistical release of the Board of Governors of the Federal Reserve System of the United States. The translations into U.S. dollars set forth herein are for convenience only and are not audited. No representation is made that the Japanese yen amounts have been, could have been or could be converted into U.S. dollars at such rates or any other rate.

# I. Status of Operations

## 1 Summary of Operating Results

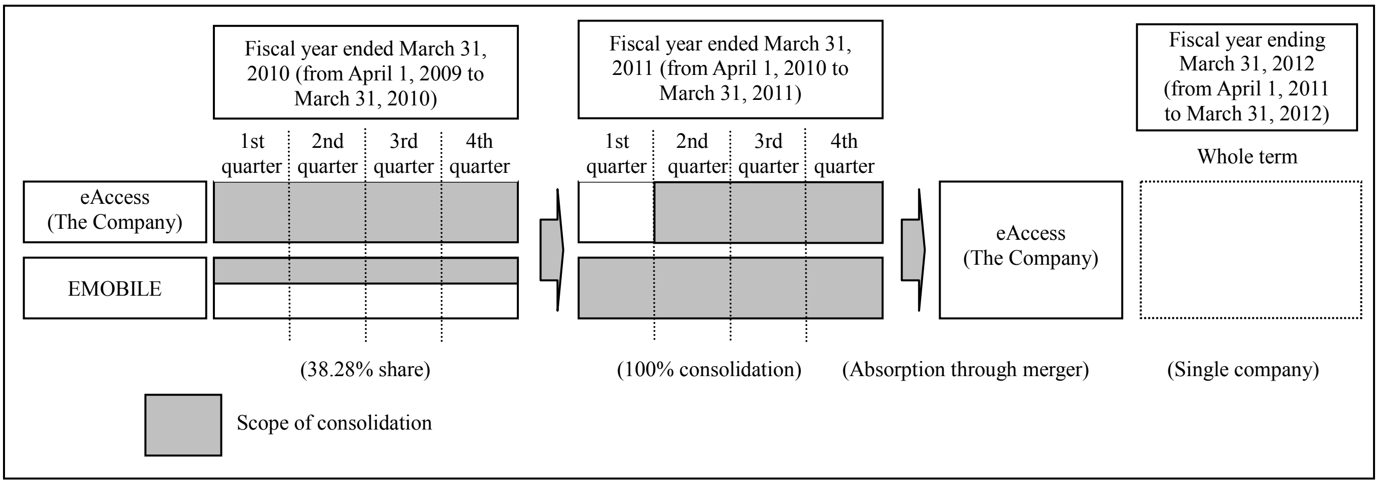
### (1) Operating Results

eAccess Ltd. ("the Company"), a wholesale ADSL operator, and EMOBILE Ltd. (EMOBILE), a provider of mobile broadband services, resolved through their annual shareholders meetings in June 2010 that EMOBILE would become a wholly-owned subsidiary of the Company upon completing a share exchange on July 1, 2010. This was followed, on March 31, 2011, by the absorption of EMOBILE by the Company through a merger. The aim of these moves was to address a changing business climate for both companies by further streamlining and expediting Group management decisions. Key industry developments behind this change in climate have included faster speeds in the mobile communications market and intensified competition between providers aiming to diversify services.

Although EMOBILE was no longer a consolidated subsidiary at the end of the current fiscal year because of the merger, the Company is reporting consolidated operating results for the current fiscal year. As the purchase of EMOBILE is a reverse acquisition under the Accounting Standard for Business Combinations (ASBJ Statement No.21, December 26, 2008) and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No.10, December 26, 2008), the consolidated financial statements for the term are based on those of EMOBILE. In addition, the company absorbed and merged EMOBILE as of March 31, 2011, making the Company the surviving company. The Company thus consolidated EMOBILE's results for April 1, 2010, to March 30, 2011, with the Company's results for nine months (July 1, 2010, to March 31, 2011).

As EMOBILE was an equity-method affiliate in the previous fiscal year, its revenue and operating profit are not reflected in consolidated financial results. Only the Company's 38.28% share of EMOBILE's net loss is recognized as a consolidated non-operating expense.

■ Explanatory diagram showing subject period




EMOBILE is steadily increasing both the number of contracts and revenue. A key growth driver is Pocket WiFi, an integrated 3G mobile and Wi-Fi router, reflecting the spread of Wi-Fi-compatible portable game consoles, audio players, and tablet devices. As part of its efforts to bolster services and devices, in December 2010, EMOBILE became the first provider in Japan to offer DC-HSDPA technology, which delivers a maximum downlink speed of 42 megabits per second, and also launched a smartphone which uses the operating system of Android™.

With the addition of revenue from EMOBILE through the above merger, consolidated revenue increased ¥98,474 million, or 118.5% in the current fiscal year, to ¥181,541 million. Consolidated operating profit decreased ¥4,184 million, or 21.8%, to ¥14,967 million. Recurring profit dropped ¥5,740 million, or 53.0%, to ¥5,088 million. These declines were due to the consolidation of those profits of the Company for nine months only (July 1, 2010, to March 31, 2011) and an inventory valuation loss at EMOBILE. Moreover, because of refinancing, non-recurring losses increased owing to a one-time write-off of amortization of long-term prepaid expenses relating to previous EMOBILE loan agreements and losses on disposition of fixed assets. In line with the merger with EMOBILE, however, the Company recognized tax loss carried forward of EMOBILE, offset the Company's taxable income, and credited as a gain in income/loss tax expense-deferred. The Company also recorded ¥120 million in extraordinary loss due to the effects of the Great East Japan Earthquake of March 2011. Net income therefore increased ¥10,416 million, or 251.1%, to ¥14,565 million.

A. Mobile Business

(¥ in millions)

| Mobile Business | FY3/2011 | FY3/2010 | Increase/decrease | % |
|---|---|---|---|---|
| Revenue | 142,637 | – | – | – |
| Segment profit or operating profit | 2,633 | – | – | – |

| | FY3/2011 | FY3/2010 | Increase/decrease | % |
|---|---|---|---|---|
| Net increase in subscribers (thousands) | 766.1 | 941.6 | (175.5) | (18.6) |
| Accumulated total subscribers (thousands) | 3,117.9 | 2,351.8 | 766.1 | 32.6 |
| ARPU (yen/month) | 3,160 | 3,340 | (180) | (5.4) |
| Monthly churn rate (%) | 1.38 | 1.05 | – | – |

* ARPU: Average Revenue Per User (amounts less than ¥10 are rounded off)

As Mobile Business operator EMOBILE was an equity-method affiliate in the previous fiscal year, information for the Mobile Business is not presented for the period.

The Mobile Business deployed marketing initiatives that concentrated on Pocket WiFi, going beyond offering combinations of notebook computers and data cards through large retailers. This is because demand is expanding for Pocket WiFi, with the spread of devices such as Wi-Fi-compatible portable game consoles, audio players, and tablet terminals. In December 2010, with the aim of achieving higher speeds, EMOBILE became the first provider in Japan to offer DC-HSDPA technology, which delivers a maximum downlink speed of 42 megabits per second. Also that month, EMOBILE expanded its device lineup with the HTC Aria™, a smartphone running on the Android™ operating system with open tethering that can be used as a Wi-Fi router, and the Pocket WiFi S. EMOBILE thus had an aggregate 3,118 thousand mobile subscribers as of March 31, 2011, up 766 thousand, or 32.6%, from a year earlier. Also as of that date, nationwide service coverage in population terms was 91.9%.

Steady growth in the number of subscribers resulted in revenue of ¥142,637 million and segment profit of ¥2,633 million for the current year.

Number of Subscribers

EMOBILE added a net 766 thousand subscribers during the current fiscal year. The net figure shows the difference between the number of new subscribers and cancellations. Although the net gain in the previous fiscal year was high owing to packaged sales of notebook computer and data cards, the number of subscribers again grew in the current fiscal year, largely on the strength of sales of Pocket WiFi through mass retailers and through wholesale channels for mobile broadband lines.

ARPU (Average Revenue Per User)

ARPU declined ¥180, from ¥3,340 in the previous fiscal year, to ¥3,160. The main factors were a higher rate of wholesale sales and the expiration of two-year, long-term contract discounts, which increased the proportion of contract categories with discounted initial costs and limited monthly charges, although this was offset by the lessening impact of a campaign conducted during the current fiscal year to discount basic monthly charges.

Churn Rates

The annual churn rate rose 0.33 percentage points, to 1.38%. This mainly reflected contract cancellations among some customers upon completing two year, long-term contract discounts.

B. Network Business

(¥ in millions)

| Network Business | FY3/2011 | FY3/2010 | Increase/decrease | % |
|---|---|---|---|---|
| Revenue | 44,804 | 71,018 | (26,214) | (36.9) |
| Segment profit or operating profit | 12,844 | 18,320 | (5,476) | (29.9) |

| | FY3/2011 | FY3/2010 | Increase/decrease | % |
|---|---|---|---|---|
| ADSL accumulated total subscribers (thousands) | 1,928 | 2,285 | (357) | (15.6) |
| ADSL ARPU (yen/month) | 1,961 | 2,015 | (54) | (2.7) |
| ADSL monthly churn rate (%) | 2.03 | 1.90 | – | – |

* ARPU: Average Revenue Per User (amounts less than ¥1 are rounded off)

In the Network Business, as the previously described merger with EMOBILE is a reverse acquisition, the Company's financial results for the current fiscal year only cover the nine-month period from July 1, 2010 to March 31, 2011, whereas financial results for the previous fiscal year reflected the 12-month period from April 1, 2009 to March 31, 2010.

Segment revenue therefore decreased ¥26,214 million, or 36.9%, from the previous fiscal year, to ¥44,804 million. Segment profit declined ¥5,476 million, or 29.9%, to ¥12,844 million.

The aggregate number of ADSL subscribers as of March 31, 2011 was 1,928 thousand. This was down from a year earlier because the number of cancellations exceeded the number of new subscriptions despite joint efforts with Internet service providers and other partners to attract new customers and suppress churn rates.

C. Device Business

(¥ in millions)

| Device Business | FY3/2011 | FY3/2010 | Increase/decrease | % |
|---|---|---|---|---|
| Revenue | 7,022 | 12,170 | (5,148) | (42.3) |
| Segment profit or operating profit | 117 | 831 | (714) | (85.9) |

In the Device Business, too, as the previously described merger with EMOBILE is a reverse acquisition, the Company's financial results for the current fiscal year only cover the nine-month period from July 1, 2010 to March 31, 2011, whereas financial results for the previous fiscal year reflected the 12-month period from April 1, 2009 to March 31, 2010.

As a result, segment revenue declined ¥5,148 million, or 42.3%, from the previous fiscal year, to ¥7,022 million. Segment profit was down ¥714 million, or 85.9%, to ¥117 million.

**(2) Cash Flows**

As a consequence of the previously mentioned business combination with EMOBILE, from the second half of the fiscal year ended March 31, 2011, there was a loss of continuity with the previous corresponding period. As a result, comparisons with the previous fiscal year are not presented.

Due to reverse acquisition accounting procedures, the financial statements of EMOBILE are used as the basis for the Company's consolidated financial statements from July 1, 2010. As a result, cash and cash equivalents at the beginning of the year ended March 31, 2011 are those of EMOBILE at that time and the cash flow for the fiscal year ended March 31, 2011 represents a figure that consolidates the Company's cash flow for nine months (July 1, 2010 to March 31, 2011) into EMOBILE's cash flow for the period between April 1, 2010 to March 30, 2011.

Cash and cash equivalents at the end of the current fiscal year were ¥43,397 million. This amount resulted from ¥49,311 million in cash and cash equivalents at the beginning of the year for EMOBILE, less ¥17,497 million of net change in cash and cash equivalents, plus ¥11,583 million of net increase in cash and cash equivalents as a result of business combination via share exchange. The analysis of specific cash flow components is as follows.

(Cash Flows from Operating Activities)

Net cash provided by operating activities during the year ended March 31, 2011 was ¥52,002 million. The main factors in this were ¥33,126 million in depreciation of non-fund transactions, ¥718 million for amortization of goodwill, a ¥2,537 million loss on valuation of securities investments, a ¥2,217 million loss on disposition of fixed assets, a ¥2,552 million amortization of long-term prepaid expenses, and a ¥10,662 million decrease in inventories, which included a ¥9,199 million inventory valuation loss.

(Cash Flows from Investing Activities)

Net cash used in investing activities was ¥45,848 million, mainly for capital expenditure outlays in the Mobile Business.

(Cash Flows from Financing Activities)

Net cash used in financing activities was ¥23,651 million. The principal inflow was ¥44,954 million in proceeds from stock issuance. The main outflows were ¥55,340 million in net proceeds from and repayments of short- and long-term debt, ¥12,924 million in repayments of installment obligations, ¥2,822 million in the purchase of treasury stock, and ¥4,199 million in dividends paid.

## 2 Production, Orders received and Sales

### (1) Actual Production

There are no matters to be disclosed with regard to production, as the Group does not manufacture products in the provision of its services.

### (2) Actual Purchase

Actual purchase for the fiscal year ended March 31, 2011 is as follows.

| Segment | Amount (¥ in millions) | year on year (%) |
|---|---|---|
| Mobile Business | 9,579 | – |
| Device Business | 6,251 | (40.1) |
| Intersegment purchase | (6,679) | – |
| total | 9,151 | (12.3) |

(Notes) 1. The amount shows the total of purchases from outside vendors and purchases through inter-segment transactions.
2. The above amounts are presented exclusive of consumption tax.
3. Before June 30, 2010, EMOBILE Ltd. (EMOBILE) was an equity-method affiliate, accordingly year on year difference in mobile business is not shown in the above schedule.

### (3) Orders Received

There are no matters to be disclosed with regard to orders received, as the Group does not manufacture products after receiving orders.

### (4) Actual Sales

Actual sales for the current fiscal year are as follows.

| Segment | Amount (¥ in millions) | year on year (%) |
|---|---|---|
| Mobile Business | 142,637 | – |
| Network Business | 44,804 | (36.9) |
| Device Business | 7,022 | (42.3) |
| Intersegment net revenue | (12,921) | – |
| Total | 181,541 | 118.5 |

(Notes) 1. The amount represents total of outside net revenue and intersegment net revenue.
2. The above amounts are presented exclusive of consumption tax.
3. Before June 30, 2010, EMOBILE was an equity-method affiliate. Accordingly, year on year difference in mobile business is not shown in the above schedule.
4. The following table shows actual sales to each major client and the proportion of such amount to total sales.

| Client | Fiscal year ended March 31, 2010 | | Fiscal year ended March 31, 2011 | |
|---|---|---|---|---|
| | (¥ in millions) | (%) | (¥ in millions) | (%) |
| SOFTBANK MOBILE Corp. | – | – | 27,833 | 15.3 |
| KDDI CORPORATION | 22,806 | 27.5 | 13,563 | 7.5 |
| NTT Communications Corporation | 13,892 | 16.7 | 8,516 | 4.7 |
| EMOBILE Ltd. | 17,804 | 21.4 | – | – |

(Note) The above amounts are presented exclusive of consumption tax.

## 3 Challenges to address

Amidst a business and social environment still deeply impacted by the effects of the Great East Japan Earthquake of March 2011, the Company strives to provide communication services continuously and stably by ensuring high-quality communications. The Company is committed to providing next-generation IP communication services with a focus on broadband services for the increasing prevalence of broadband Internet usage, and taking the steps necessary to maximize its corporate value.
Towards these ends, the Company will put the highest priority on addressing the following issues.

A. Expansion of businesses and Maximal Synergies among Businesses

In a bid to proactively expand its growing Mobile Business and Network Business, its core operations, the Company aims at providing attractive services to customers by fusing fixed line communications and mobile communications and maximizing the synergy effects gained from the merger with EMOBILE.
For its Mobile Business, the Company strives to realize a society with truly seamless broadband services by leveraging high-speed communication technologies to provide new services, new charge systems, and attractive terminals, and by pursuing convenience and higher functionality for mobile broadband services.
For its Network Business, the Company will differentiate its services from the FTTH and ADSL services of other companies by drawing on set services with business partners in different business sectors and low-price services achieved through price competitiveness. And in the process, it will strive to secure new customers while maintaining its existing customer base. Looking to the absorption-type merger of ACCA effective as of June 25, 2009 as an example, the Company will strive to expand its businesses through M&A transactions.

B. Reinforcing Relationship with Partners and Distributors

The Company enters into partnerships with various enterprises in different sectors to provide various value-added services required by users, such as combined sales of mobile data cards with notebook PCs or Wi-Fi-compatible devices, or sales combining the services of major network communication operators and the Company's mobile services. The Company strives to explore user needs and develop new customers.
While carrying out its proprietary marketing and sales activities as a mobile communications operator and an ISP under the AOL brand, the Company engages in sales and marketing activities with partners, such as joint sales campaigns, as a wholesale operator for business partners such as ISPs. New subscribers have been obtained through this approach. As a proprietary sales and distribution channel, the Company has installed its own booths in large consumer electric appliance retailers and obtained new subscribers through activities such as selling our products in sets with PCs and other electric appliances.
In carrying out business for MVNO, the Company emphasizes the expansion of affiliated ISPs or business partners other than ISPs and the provision of added values only inherent in MVNOs. This helps the Company reinforce its relationships with business partners and carry out more effective marketing and sales activities. It also supports the Company's efforts to obtain new subscribers while keeping down acquisition costs per subscriber.

C. Enhancing Cost Competitiveness

To successfully expand customer bases by setting attractive charge systems and promoting proactive business activities, an enterprise in our industry must inevitably develop a management system to generate profits at low prices by constraining costs. The Company keeps subscriber acquisition costs down by strengthening its business relationships with affiliated ISPs or distributors in the Network Business, making efficient capital investments commensurate with demand, and holding down network costs through the enhanced operational efficiency of its proprietary optical IP backbone network.

For the Mobile Business, the Company undertakes various efforts to expand business while strengthening cost competitiveness on various fronts. Key cost controls include restraints on costs in relation to the development and construction of base stations through the implementation of technologies in compliance with global standards and the latest small base stations, and restraints on capital investments and running costs through the sharing of networks with network businesses.
The Company is committed to achieving a leaner, more robust management structure by enhancing business efficiency through business process reform, curtailment of personnel expenses through flexible and dynamic reshuffling of personnel assignments, and thorough cost consciousness in the mind of every employee down to the one-yen level.

D. Enhancing Customer Satisfaction
Customers of the Company include affiliated ISPs and distributors, in addition to subscribers to the ADSL services or ISP services of AOL, and mobile communications. To maintain and expand the number of subscribers going forward, it will be critical to enhance customer satisfaction and obtain the trust of all of the Company's customers, including affiliated ISPs and distributors. The Company will continuously strive to enhance customer satisfaction through its strengthened network monitoring system, enhanced customer support, and service quality

E. Strengthening Internal Management System and Employee Education and Training
In order to prevent the challenges of rapid business expansion from compromising managerial efficiency, the Company educates and trains its employees thoroughly while improving its organizational structures, developing and improving its various regulations and rules, and refining its business processes with sophisticated precision.

The Company believes that it is a social obligation to appropriately manage and protect the personal information it handles. The IR and CSR Department, a unit responsible for the constant promotion, management, and supervision of information security within the Company, develops and operates the Company's security policies and related regulations and rules, in addition to tightening control over access to customer data and to high-security areas, and installing security software for internal networks. The Company ensures that every employee recognizes his or her obligation to manage personal information with vigilance and to continue promoting the appropriate and discrete handling and management of information.

Further, in terms of internal control to ensure the reliability of financial reporting, the Company has developed and improved necessary internal control to ensure the reliability of financial reporting under the Financial Instruments and Exchange Act. The "Internal Control Office," an exclusive department for internal control, assesses the effectiveness of internal control and continues to implement and improve internal control in ways necessary to support the effective and appropriate filing of internal control reports prescribed in the Financial Instruments and Exchange Act.

The Company has also strengthened its internal control system by forming a Compliance Committee and Risk Management Committee, and has thoroughly educated and trained employees by establishing a department wholly devoted to employee education.

## 4 Business and Other Risks

Listed below are principal business risks surrounding the Company which have the possibility of affecting the Company's business performance in the future. In view of our proactive information disclosure policy for investors and shareholders, we have also included information considered to be material for investment decisions and understanding of our business activities, which may not be necessarily categorized as business risks. Acknowledging such risks in advance, our approach is to prevent them from occurring, or to handle them and take appropriate countermeasures should they occur.
Please take note that the descriptions below may not cover all of the risks that need to be addressed in making investment decisions regarding the company's stocks, and such descriptions also contain forward-looking statements which are determined as of the end of the current fiscal year.

A. Competitive Situation

Some competitor companies in the broadband and mobile communications market have greater management resources than the Company, such as greater capital, technology and sales capabilities, as well as such factors as a stronger brand value and a larger customer base than the Company. There is also a chance that companies entering the market will intensify competition. Some competitors provide value-added services that we do not, and some competitors cover wider service areas that we do not cover. In the future, companies entering the market may provide innovative services that we are not able to offer. Such intensification of competition could weaken our management base by having adverse effects on our profitability and sales capabilities.

B. Execution of Mobile Business Plan

Competition in the mobile broadband business may change beyond our expectation reflecting such developments as the expansion of high-speed data communication services, the introduction of flat rate charges, and the emergence of smartphones. Reflecting such changes in the market, there is a possibility of our results falling short of our business plan. Unexpected changes in the business environment also include technology innovation or substitution, which may reduce the service value of the company, and this may cause more losses than expected or may require more capital expenditures than planned. As a result, the Company may be obliged to alter our business plan, and if such an alteration occurs, it may adversely affect business performance and financial condition of the company.
In addition, if the frequency band allocated for the company becomes insufficient to accommodate increases in subscribers, the company may not able to maintain its quality of service nor continue to provide competitive services. In such a case, our operating results may be adversely affected.
When the company constructs its mobile business transmission base stations, it may be required to reduce wave interference against other carriers' stations in the neighborhood. There is a possibility that the Company, which has newly entered the market, may need to bear a part of such interference prevention expenses, and these expenses may adversely affect the business performance and financial condition of the Company.

C. Network Business

If government policy for broadband communication advocates the use of FTTH, there may be incentives to move to FTTH, such as price reductions, service area expansions and others. Such factors may accelerate subscriber shifts from ADSL to FTTH services, which would result in a further decline of our ADSL subscriber base and affect our operating results and financial condition.

D. Securing Business Financing

On March 31, 2011, the Company refinanced total borrowings of ¥165,000 million which EMOBILE had borrowed beforehand in order to secure necessary funds for its mobile businesses. For the syndicated loan agreements, the Company's major assets in the mobile business were pledged as collateral and certain financial and operating covenants were provided. In the event of breach of these covenants, the Company would lose the benefit of term with respect to all contractual liabilities, which would have a materially adverse impact on the overall management of the Company.

E. Inventories of Mobile Devices

To ensure that we meet commitments and do not forego sales opportunities, it is necessary for us to maintain appropriate inventories of mobile devices in our distribution channel. However, if we carry excess inventories against our sales prospects and capabilities, such excess inventories may be recorded as valuation loss, which may have an adverse effect on our business performance.

F. Maintenance and Procurement of Network Facilities in the Network Business

The Company provides and maintains ADSL service relying on facilities and equipments from machine vendors and suppliers. There is a possibility of the suppliers from which we procure ADSL chips discontinuing chip production due to market maturation or reduced capital expenditure, and in such a case it may become difficult for us to procure new ADSL modems. This could make it difficult for us to procure repair or replacement parts for existing ADSL equipments, which may adversely affect our delivery of ADSL services.

In terms of transmission equipments, although we take appropriate preemptive measures such as scheduled equipment renewal to maintain our transmission capabilities, the aging of equipments may adversely affect our network and disrupt our network services.

G. Relationships with Business Partners

a. Relationship with partners

As the Company primarily sells ADSL and mobile broadband services on a wholesale basis to our business partners or ISPs, factors such as changes in such partners' sales policies, consolidations and mergers among them, or worsening of their business performances, may have an adverse effect on the Company's business performance.

b. Relationship with distributors

Changes in sales policies and scaling down of sales activities by companies in our distribution channel, such as large consumer electric appliance retailers, may result in changes such as decreases in sales activities for our services, and this may adversely affect increases in the number of our subscribers.

c. Relationship with NTT and other telecommunication carriers

The Company leases spaces for our equipments in NTT's telephone central offices and utilizes NTT's dark fiber for network business. The Company also utilizes other carriers' telecommunications transmission services for mobile business. Thus, our services partially depend on NTT group and other carriers. As a result, for whatever reason, any changes in deregulation rules pertaining to NTT facilities or changes in contracts with other carriers that are disadvantageous to the Company may have adverse effects on our business performance.

H. Institutional Regulatory Environment and Legal Restrictions

Principal regulations for the Internet are based on Telecommunications Business Law, and accordingly, the Company filed its registration as a telecommunications carrier to the Ministry of Internal Affairs and Communications. In addition, EMOBILE Ltd. obtained approval for a mobile phone business license from the Ministry of Internal Affairs and Communications in November 2005. However, there is a possibility that, for whatever reason, the Ministry or other regulatory authorities may revoke our registration and license or impose administrative sanctions. In such a case, our potential for future growth in the mobile services business or other businesses may be restricted and our business could be adversely affected.

I. Natural Disasters

Even though the Company takes various preemptive measures such as network redundancy for the security of our network and system infrastructure, as well as for stability of service operations, there is a possibility that natural disasters such as earthquakes, typhoons and floods may damage our network, and system infrastructure, leading to the outage of our services, depending on the scale of such disaster. Such a case may have adverse effects on our business performance.

J. Handling of Personal Information

Since the Company handles and maintains personal information of our subscribers for business purposes, the Company employs various means for the appropriate handling and prudent management of such information. However, in the event of any material leakage of personal information caused by unauthorized access from outside or internal mismanagement of information, there may be lawsuits for compensation of damages or damage to the credibility of the Company, which may adversely affect our business performance.

K. Future Business Development

The Company continually looks into the possibility of a business combination or merger and acquisition with a candidate that has the potential to contribute to our future growth by expanding sales growth in our current business, cost reduction, and the introduction of new services. However, in the case of such a business combination, merger or acquisition, there is a possibility that the business of the counterpart or acquired business may not progress as planned or as the Company expects, which may have adverse effects on our operating results and financial condition.

## 5 Significant agreements for management purposes

Mutual connection agreements

| Name of agreement | Company name | Contents of agreement | Contractual term |
|---|---|---|---|
| Mutual connection agreement | Nippon Telegraph and Telephone East Corporation, Nippon Telegraph and Telephone West Corporation | Customers receive communications services via the mutually connected facilities of the Company, Nippon Telegraph and Telephone East Corporation, and Nippon Telegraph and Telephone West Corporation. The Company has entered into an agreement with each company separately. | No contractual term is specifically provided. The Company can terminate the agreement by giving written notice to the other party at least one year before the intended termination. |
| Mutual connection agreement | ISP operators (Note 1) | Customers receive Internet connection services via connections made between the Company and Internet service providers. The Company has entered into an agreement with each company separately. | No contractual term is specifically provided. An ISP operator can terminate the agreement by giving a written notice to the Company at least one year before the intended termination. |
| Mutual connection agreement | Voice service providers (Note 2) | Customers receive mobile phone services via connections made between the Company and voice service providers. The Company has entered into an agreement with each company separately. | No contractual term is specifically provided. A voice service provider can terminate the agreement by giving a written notice to the Company at least one year before the intended termination. |

(Note 1) KDDI CORPORATION, NIFTY Corporation, SOFTBANK TELECOM Corp., NTT Communications Corporation and 22 other companies

(Note 2) NTT DOCOMO, Inc., KDDI CORPORATION, SOFTBANK MOBILE Corp., SOFTBANK TELECOM Corp., and 24 other companies

Syndicated loan agreements

The Company refinanced borrowings EMOBILE made in March 2006 in order to secure necessary funds for mobile businesses with a view to strengthening the mid- and long-term financial foundation, and entered into syndicated loans of ¥165,000 million in total for a borrowing period of up to 5 years with 21 financial institutions. The actual amount borrowed at the end of the current fiscal year was ¥165,000 million. With respect to the syndicated loan agreements, major assets held by the Company were pledged as collateral (the book value of the assets is ¥215,788 million as of March 31, 2011). Meanwhile, certain financial covenants and operating covenants are provided for the syndicated loans. The Company has not breached any of the provisions of the financial covenants or operating covenants as of March 31, 2011.

On April 1, 2011, the Company appropriated proceeds in the amount of ¥56,988 million from the US dollar and Euro denominated senior notes issued on the same day for the repayments of borrowings under the aforementioned syndicated loan agreement. As a result, the outstanding balance of borrowings under the syndicated loan agreement stands at ¥108,012 million as of April 1, 2011.

Share exchange agreement between the Company and EMOBILE

The share exchange agreement is as described in “II. Financial Information, 1 Consolidated Financial Statements, Notes (Business Combination).”

Conclusion of merger agreement for absorption type merger where the Company becomes the surviving company and EMOBILE becomes a dissolving company

The merger agreement is as described in “II. Financial Information, 1 Consolidated Financial Statements, Notes (Business Combination).”

## 6 Research and Development Activities

For the fiscal year ended March 31, 2011, the Company recognized a total of ¥372 million in research and development costs. This consists of costs of ¥368 million mainly for the development of terminal devices in the Device Business and costs of ¥3 million related to the next generation networks in the Network Business.

## 7 Analysis of Financial Position, Operating Results and Cash Flows

Any future forecasts events included in the following descriptions are based on the best estimates or judgment of eAccess Group as of June 27, 2011, the filing date of this Securities Report.

### (1) Significant Accounting Policies and Estimates

The consolidated financial statements of eAccess Group are prepared in conformity with accounting principles generally accepted in Japan.

The significant accounting principles applied in the preparation of the consolidated financial statements are shown in “II. Financial Information, 1 Consolidated Financial Statements, Basis of preparation for consolidated financial statements.”

In the preparation of eAccess Group’s consolidated financial statements, while we make reasonable judgments on estimates which affect the amounts of profits and expenses and assets and liabilities based on past experience and information that is available to the Group, due to the uncertainty inherent in those estimates, the actual results could differ from our estimates.

### (2) Analysis of Operating Results

The Company carried out a share exchange with an effective date of July 1, 2010, to make EMOBILE, which was previously an equity method affiliate of the Company, a wholly-owned subsidiary of the Company. Although the share exchange makes the Company into a wholly-owning parent Company and EMOBILE into a wholly-owned subsidiary of the Company, the share exchange is recognized as a reverse acquisition in which EMOBILE acquired the Company under the Accounting Standard for Business Combinations (ASBJ Statement No.21, December 26, 2008) and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No.10, December 26, 2008). Additionally, the Company absorbed and merged EMOBILE as of March 31, 2011, making the Company the surviving company. As a result, the business performance shown in the consolidated statements of income for the fiscal year ended March 31, 2011, represents a figure that consolidates the Company’s results for nine months (July 1, 2010, to March 31, 2011) into EMOBILE’s results for the period between April 1, 2010 and March 30, 2011.

A. Revenue

Revenue for the fiscal year ended March 31, 2011 increased ¥98,474 million (up 118.5%) to ¥181,541 million. By segment, in the Mobile Business, marketing initiatives were deployed that concentrated on

Pocket WiFi, going beyond offering combinations of notebook computers and data cards through large retailers. This is because demand is expanding for Pocket WiFi, with the spread of devices such as Wi-Fi-compatible portable game consoles, audio players, and tablet terminals. Steady growth in the number of subscribers resulted in revenue of ¥142,637 million. In the Network Business and the Device Business, as previously described the Company's financial results for the current fiscal year only cover the nine-month period from July 1, 2010, to March 31, 2011. Accordingly revenue for the Network Business decreased ¥26,214 million, or 36.9%, from the previous fiscal year, to ¥44,804 million, while revenue for the Device Business declined ¥5,148 million or 42.3%, from the previous fiscal year, to ¥7,022 million.

B. Operating Profit

Operating profit for the year ended March 31, 2011 decreased ¥4,184 million (21.8%) to ¥14,967 million. By segments, in the Mobile Business, operating profit was ¥2,633 million as a result of stable growth in subscriber numbers. In the Network Business and the Device Business, as previously described the Company's financial results for the current fiscal year only cover the nine-month period from July 1, 2010, to March 31, 2011, operating profit for the Network Business declined ¥5,476 million (29.9%) to ¥12,844 million, and operating profit for the Device Business was down ¥714 million (85.9%) to ¥117 million.

C. Recurring Profit and Loss

Recurring profit for the year ended March 31, 2011 dropped ¥5,740 million (53.0%) to ¥5,088 million as a result of the recording of interest expense of ¥8,212 million and commission expense of ¥1,476 million.

D. Non-Recurring Profit and Loss

¥13 million in gain on sales of subsidiary's stock and ¥19 million in gain on bad debts recovered have been recorded as non-recurring profit. While as non-recurring loss, ¥2,217 million in loss on disposition of fixed assets, ¥2,537 million in loss on write-down of securities investments, and because of refinancing ¥2,552 million in writeoff of depreciation of long-term prepaid expense relating to previous EMOBILE loan agreements have been recorded.

E. Net Income

Loss before income taxes is ¥2,423 million. Owing to the merger with EMOBILE, the Company recognized tax loss carried forward of EMOBILE, and as a result the reversal of income tax expense-deferred is ¥17,023 million. Net income is ¥14,565 million, and net income per share is ¥4,765.51.

**(3) Analysis of Financial Condition**

As EMOBILE was no longer a consolidated subsidiary as of March 31, 2011, owing to the merger by absorption at the end of the current fiscal year, the Company, having no remaining consolidated subsidiaries, has not prepared consolidated balance sheet as of March 31, 2011.

**(4) Cash Flows**

As a consequence of the previously mentioned business combination with EMOBILE, from the second half of the fiscal year ended March 31, 2011, there was a loss of continuity with the previous corresponding period. As a result, comparisons with the previous fiscal year are not presented.

Due to reverse acquisition accounting procedures, the financial statements of EMOBILE are used as the basis for the Company's consolidated financial statements from July 1, 2010. As a result, cash and cash equivalents at the beginning of the fiscal year ended March 31, 2011 are those of EMOBILE at that time.

Cash and cash equivalents at the end of the current fiscal year were ¥43,397 million. This amount resulted from ¥49,311 million in cash and cash equivalents at the beginning of the year for EMOBILE, less ¥17,497 million of net change in cash and cash equivalents, plus ¥11,583 million of net increase in cash and cash equivalents as a result of business combination via share exchange. The analysis of specific cash flow components is as follows.

(Cash Flows from Operating Activities)
Net cash provided by operating activities during the year ended March 31, 2011 was ¥52,002 million. The main factors in this were ¥33,126 million in depreciation of non-fund transactions, ¥718 million for amortization of goodwill, a ¥2,537 million loss on valuation of securities investments, a ¥2,217 million loss on disposition of fixed assets, a ¥2,552 million amortization of long-term prepaid expenses, and a ¥10,662 million decrease in inventories, which included a ¥9,199 million inventory valuation loss.

(Cash Flows from Investing Activities)
Net cash used in investing activities was ¥45,848 million, mainly for capital expenditure outlays in the Mobile Business.

(Cash Flows from Financing Activities)
Net cash used in financing activities was ¥23,651 million. The principal inflow was ¥44,954 million in proceeds from stock issuance. The main outflows were ¥55,340 million in net proceeds from and repayments of short- and long-term debt, ¥12,924 million in repayments of installment obligations, ¥2,822 million in the purchase of treasury stock, and ¥4,199 million in dividends paid.

# II. Financial Information

**1 Basis of preparation of the consolidated financial statements and the non-consolidated financial statements**

(1) The accompanying consolidated financial statements, the non-consolidated financial statements and the financial statements of EMOBILE 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, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

(2) The consolidated financial statements of the Company are prepared in accordance with the Ministry of Finance Ordinance No. 28, 1976 "Regulations Concerning the Terminology, Forms and Preparation Method of Consolidated Financial Statements" ("Regulation for Consolidated Financial Statements"). However, the consolidated financial statements for the fiscal year ended March 31, 2010 have been prepared in accordance with the "Regulation for Consolidated Financial Statements" before amendment, whereas the consolidated financial statements for the fiscal year ended March 31, 2011 have been prepared in accordance with the "Regulations for Consolidated Financial Statements" after amendment.

(3) Certain reclassifications have been made in the consolidated financial statements for the year ended March 31, 2010.

(4) The non-consolidated financial statements of the Company are prepared in accordance with the "Regulations Concerning the Terminology, Forms and Preparation Method of Non-Consolidated Financial Statements" ("Regulation for Non-Consolidated Financial Statements"). (Ministry of Finance Ordinance No. 59, 1963).
However, the non-consolidated financial statements for the fiscal year ended March 31, 2010 have been prepared in accordance with the "Regulation for Non-Consolidated Financial Statements" before amendment, whereas the non-consolidated financial statements for the fiscal year ended March 31, 2011 have been prepared in accordance with the "Regulations for Non-Consolidated Financial Statements" after amendment.

(5) Effective July 1, 2010, the Company implemented a business combination with EMOBILE by way of share exchange where EMOBILE, which was an equity-method affiliate of the Company, became the wholly-owned subsidiary of the Company ("Business Combination").
This Business Combination turned the Company into the parent of wholly owned subsidiary and EMOBILE in the wholly-owned subsidiary. In accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No.21, December 26, 2008), and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, December 26, 2008), this business combination falls under the category of a "reverse acquisition," where EMOBILE acquired the Company. Moreover, on March 31, 2011, the Company absorbed and merged EMOBILE, with the Company becoming the surviving company. Because of the Business Combination, the consolidated financial statements of the Company are presented as follows.
The details of the Business Combination are described in "II. Financial Information, 1 Consolidated Financial Statements, Notes (Business Combination)."

A. The amounts presented on the "Consolidated statements of operations" and the related items in "Notes" for the current fiscal year represent the amounts derived by consolidating the Company's results of operations for the nine-month period (from July 1, 2010 to March 31, 2011) into the results of operations of EMOBILE for the period from April 1, 2010 to March 30, 2011.
B. For the amounts presented on the "Consolidated statements of cash flows" and the related items in "Notes" for the current fiscal year, the balances of cash and cash equivalents at the beginning of the period refer to the balances of EMOBILE (acquiring company) at the beginning of the period. As a result, the balances of cash and cash equivalents at the end of the previous fiscal year were not consistent with the balances of cash and cash equivalents at the beginning of the current fiscal year.
The amounts presented on the "Consolidated statements of cash flows" and the related items in "Notes" for the current fiscal year represent the amounts derived by consolidating the cash flows of the Company for the nine-month period (from July 1, 2010 to March 31, 2011) into the cash flows of EMOBILE for the period from April 1, 2010 to March 30, 2011.

(6) Since the Company absorbed EMOBILE, which was a consolidated subsidiary, in a merger effective March 31, 2011, it has not prepared consolidated balance sheet, consolidated statements of comprehensive income or consolidated statements of changes in net assets as of the end of the current fiscal year, as there was no consolidated subsidiary at the end of the current fiscal year.

(7) Since the Company absorbed EMOBILE in a merger on March 31, 2011, the Company included the description of the financial statements of EMOBILE for the 6th business year (April 1, 2009 to March 31, 2010). The financial statements were prepared in accordance with "Regulations for Terminology, Forms and Preparation of Financial Statements" before amendment.

**2 Auditing**

(1) The consolidated financial statements and the non-consolidated financial statements for the fiscal year ended March 31, 2010 were audited by KPMG AZSA & CO., and the consolidated financial statements and the non-consolidated financial statements for the fiscal year ended March 31, 2011 were audited by KPMG AZSA LLC in accordance with Article 193-2, Paragraph 1, of the Financial Instruments and Exchange Act.
KPMG AZSA & Co. became KPMG AZSA LLC on July 1, 2010 as a result of a change in auditing firm classification.

(2) The financial statements of EMOBILE for the 6th fiscal year (from April 1, 2009 to March 31, 2010) were audited by KPMG AZSA LLC in accordance with Article 193-2, Paragraph 1, of the Financial Instruments and Exchange Act.

**3 Particular efforts to secure the appropriateness of the consolidated financial statements**

The Company carries out particular efforts to ensure the appropriateness of the consolidated financial statements. In particular, the Company is a member of the Financial Accounting Standards Foundation (FASF) in order to gain an appropriate understanding of the details of matters such as accounting standards.

# 1 Consolidated Financial Statements

## (1) Consolidated Financial Statement

A. Consolidated Balance Sheet

(As of March 31, 2010)

(¥ in millions)

| | Prior Year End (As of March 31, 2010) |
|---|---|
| **(ASSETS)** | |
| **Current assets** | |
| Cash and deposits | 26,110 |
| Accounts receivable-trade | 10,880 |
| Merchandise | 106 |
| Advanced payments | 2,833 |
| Deferred income tax assets | 1,854 |
| Other current assets | 3,936 |
| Allowance for bad debt | (10) |
| Total current assets | 45,709 |
| **Fixed assets** | |
| Tangible fixed assets | |
| Machinery and equipments | 47,666 |
| Accumulated depreciation and impairment loss | (37,432) |
| Machinery and equipments, net | 10,234 |
| Terminal equipments | 8,936 |
| Accumulated depreciation | (5,356) |
| Terminal equipments, net | 3,580 |
| Land | 307 |
| Construction in progress | 1,171 |
| Others | 1,808 |
| Accumulated depreciation and impairment loss | (1,163) |
| Others, net | 645 |
| Total tangible fixed assets | 15,936 |
| Intangible fixed assets | |
| Software | 2,419 |
| Software in progress | 196 |
| Total intangible fixed assets | 2,614 |
| Investments and other assets | |
| Securities investments | 4,178 |
| Affiliated company stocks | ※1 ※2 5,582 |
| Long-term accounts receivable-other from affiliate | 9,271 |
| Deferred income tax assets | 1,514 |
| Others | 1,634 |
| Total investments and other assets | 22,180 |
| Total fixed assets | 40,730 |
| **Deferred assets** | |
| Bond issuance cost | 425 |
| Total deferred assets | 425 |
| **TOTAL ASSETS** | 86,864 |

Consolidated Balance Sheet (Continued)
(As of March 31, 2010)

(¥ in millions)

| | | Prior Year End (As of March 31, 2010) |
|---|---|---|
| **(LIABILITIES)** | | |
| **Current liabilities** | | |
| Accounts payables-trade | | 2,098 |
| Current portion of Long-term debt | ※3 | 2,854 |
| Current maturities of bonds | | 1,848 |
| Current portion of capital lease obligations | | 894 |
| Current portion of installment payment obligations | | 1,726 |
| Other accounts payable | | 3,089 |
| Accrued expenses | | 5,988 |
| Income tax payable | | 2,899 |
| Provision for employee bonus | | 19 |
| Provision for directors bonus | | 88 |
| Other current liabilities | | 2,632 |
| Total current liabilities | | 24,134 |
| **Long-term liabilities** | | |
| Bonds, less current maturities | | 26,126 |
| Long-term debt, less current portion | ※3 | 19,075 |
| Capital lease obligations, less current portion | | 889 |
| Installment payment obligations, less current portion | | 1,640 |
| Other long-term liabilities | | 1,844 |
| Total long-term liabilities | | 49,575 |
| **TOTAL LIABILITIES** | | 73,709 |
| **(NET ASSETS)** | | |
| **Shareholders' equity** | | |
| Capital stock | | 18,392 |
| Capital surplus | | 9,082 |
| Retained earnings | | (14,862) |
| Total shareholders' equity | | 12,612 |
| **Valuation and translation adjustments** | | |
| Valuation adjustment on securities investments | | 8 |
| Deferred hedge gain / (loss) | | 28 |
| Total valuation and translation adjustments | | 36 |
| **Minority interests** | | 507 |
| **TOTAL NET ASSETS** | | 13,155 |
| **TOTAL LIABILITIES AND NET ASSETS** | | 86,864 |

## B. Consolidated Statements of Operations
## (For the years ended March 31, 2010 and 2011)

| | (¥ in millions) | (¥ in millions) | ($ in thousands) |
|---|---|---|---|
| | Prior Year (Twelve months ended March 31, 2010) | Current Year (Twelve months ended March 31, 2011) | |
| | | | (Unaudited) |
| **Revenue** | 83,067 | 181,541 | 2,193,584 |
| **Cost of revenue** | 49,052 | ※3 81,662 | ※3 986,733 |
| **Gross profit** | 34,015 | 99,879 | 1,206,851 |
| **Selling, general and administrative expenses** | | | |
| Advertising expenses | 28 | 306 | 3,697 |
| Promotion expenses | 5,261 | 57,409 | 693,681 |
| Provision of allowance for doubtful accounts | - | 2,207 | 26,667 |
| Salaries and allowances | 2,038 | 5,674 | 68,560 |
| Provision for directors' bonuses | 88 | - | - |
| Rent expenses | 639 | 1,380 | 16,675 |
| Business consignment expenses | 3,570 | 6,340 | 76,607 |
| Depreciation | 1,042 | 5,216 | 63,026 |
| Depreciation of goodwill | - | 718 | 8,676 |
| Research and development expenses | ※1 438 | ※1 372 | ※1 4,495 |
| Others | 1,761 | 5,291 | 63,932 |
| Total Selling, general and administrative expenses | 14,864 | 84,912 | 1,026,003 |
| **Operating profit** | 19,151 | 14,967 | 180,848 |
| **Non-operating income** | | | |
| Interest income | 99 | 31 | 375 |
| Dividend income | 2 | 2 | 24 |
| Gain on disqualified dividend payable | 19 | 13 | 157 |
| Others | 37 | 35 | 423 |
| Total non-operating income | 157 | 82 | 991 |
| **Non-operating expenses** | | | |
| Interest expense | 2,217 | 8,212 | 99,227 |
| Commission expense | - | 1,476 | 17,835 |
| Amortization of bond issuance costs | 41 | 7 | 85 |
| Equity in net losses of affiliates | 6,027 | - | - |
| Others | 196 | 265 | 3,202 |
| Total non-operating expenses | 8,481 | 9,961 | 120,360 |
| **Recurring profit** | 10,828 | 5,088 | 61,479 |
| **Non-recurring profit** | | | |
| Gain on negative goodwill | 467 | - | - |
| Gain on redemption of bonds | 238 | - | - |
| Gain on sales of subsidiary's stock | - | 13 | 157 |
| Gain on bad debts recovered | - | 19 | 230 |
| Others | 151 | - | - |
| Total non-recurring profit | 857 | 32 | 387 |
| **Non-recurring loss** | | | |
| Loss on disposition of fixed assets | ※2 682 | ※2 2,217 | ※2 26,788 |
| Loss on write-down of securities investments | 15 | 2,537 | 30,655 |
| Write off of depreciation of long-term prepaid expense | - | 2,552 | 30,836 |
| Loss on disaster | - | 120 | 1,450 |
| Loss on adjustment for changes of accounting standard for asset retirement obligations | - | 83 | 1,003 |
| Others | 38 | 34 | 411 |
| Total non-recurring loss | 735 | 7,543 | 91,143 |
| **Income / (Loss) before income taxes** | 10,950 | (2,423) | (29,277) |
| Income tax expense-current | 5,002 | 35 | 423 |
| Income / (Loss) tax expense-deferred | 1,727 | (17,023) | (205,691) |
| Total income taxes | 6,729 | (16,988) | (205,268) |
| **Income before minority interests** | 4,220 | 14,565 | 175,991 |
| Minority interests | 72 | - | - |
| **Net income** | 4,148 | 14,565 | 175,991 |

C. Consolidated Statement of Changes in Net Assets

(For the year ended March 31, 2010)

(￥ in millions)

| | Shareholders' Equity | | | | |
|---|---|---|---|---|---|
| | Capital stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| **Balance at March 31, 2009** | 18,368 | 7,019 | (15,427) | - | 9,960 |
| **Change of items during the period** | | | | | |
| Issuance of new stock, net | 24 | 24 | | | 49 |
| Cash dividends | | | (3,584) | | (3,584) |
| Net income after tax | | | 4,148 | | 4,148 |
| Increase by merger | | 2,193 | | | 2,193 |
| Purchase of treasury stock | | | | (154) | (154) |
| Retirement of treasury stock | | (154) | | 154 | - |
| Net changes of items other than shareholders' equity | | | | | - |
| **Total changes of items during the period** | 24 | 2,063 | 564 | - | 2,652 |
| **Balance at March 31, 2010** | 18,392 | 9,082 | (14,862) | - | 12,612 |

| | Valuation and translation adjustments | | | Minority interest | Total net assets |
|---|---|---|---|---|---|
| | Valuation difference on securities investments | Deferred hedge gain / (loss) | Total | | |
| **Balance at March 31, 2009** | (7) | (356) | (363) | 3,105 | 12,702 |
| **Change of items during the period** | | | | | |
| 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 | | | | | - |
| Net changes of items other than shareholders' equity | 15 | 384 | 399 | (2,598) | (2,199) |
| **Total changes of items during the period** | 15 | 384 | 399 | (2,598) | 453 |
| **Balance at March 31, 2010** | 8 | 28 | 36 | 507 | 13,155 |

## D. Consolidated Statements of Cash Flows
(For the years ended March 31, 2010 and 2011)

| | (¥ in millions) | (¥ in millions) | ( $ in thousands) |
|---|---|---|---|
| | Prior year (Twelve months ended March 31, 2010) | Current year (Twelve months ended March 31, 2011) | |
| **Cash flows from operating activities** | | | (unaudited) |
| Income / (Loss) before income taxes and minority interests | 10,950 | (2,423) | (29,277) |
| Depreciation | 7,499 | 33,126 | 400,266 |
| Amortization of goodwill | - | 718 | 8,676 |
| Amortization of long-term prepaid expenses | - | 2,552 | 30,836 |
| Gain on negative goodwill | (467) | - | - |
| Loss on valuation of securities investments | 15 | 2,537 | 30,655 |
| Loss on sales of subsidiaries' stocks | - | (13) | (157) |
| Gain on redemption of bonds | (238) | - | - |
| Loss on disposition of fixed assets | 682 | 2,217 | 26,788 |
| Loss on adjustment for changes of accounting standard | - | 83 | 1,003 |
| for asset retirement obligations | | | - |
| Other loss | 18 | 199 | 2,405 |
| Increase (decrease) in allowance for bad debt | (27) | 87 | 1,051 |
| Increase (decrease) in provision for employees bonus | (123) | - | - |
| Increase (decrease) in provision for directors bonus | 88 | - | - |
| Increase (decrease) in allowance for loss on disaster | - | 77 | 930 |
| Interest and dividend income | (102) | (33) | (399) |
| Interest expense | 2,217 | 8,212 | 99,227 |
| Commission expense | - | 1,476 | 17,835 |
| Equity in net losses of affiliates | 6,027 | - | - |
| Adjustments for unrealized profit with affiliate | (221) | - | - |
| Decrease (increase) in accounts receivable-trade | (586) | (2,621) | (31,670) |
| Decrease (increase) in inventories | 413 | 10,662 | 128,830 |
| Decrease (increase) in accounts receivable-other | - | 2,146 | 25,930 |
| Decrease (increase) in accounts receivable-other from affiliates | (11,881) | 6 | 72 |
| Decrease (increase) in advance payments | 898 | 361 | 4,362 |
| Decrease (increase) in long-term prepaid expenses | 105 | 492 | 5,945 |
| Decrease (increase) in other assets | 12 | 1,535 | 18,548 |
| Increase (decrease) in accounts payable-trade | (1,967) | 402 | 4,857 |
| Increase (decrease) in other accounts payable | 1,609 | (669) | (8,084) |
| Increase (decrease) in accrued expenses | 1,016 | 799 | 9,654 |
| Increase (decrease) in provision for retirement benefits | (73) | - | - |
| Increase (decrease) in other liabilities | 4,112 | 693 | 8,374 |
| Subtotal | 19,975 | 62,619 | 756,634 |
| Interest and dividend received | 116 | 40 | 483 |
| Interest paid | (1,638) | (8,118) | (98,091) |
| Payments of income taxes | (3,581) | (2,540) | (30,691) |
| Net cash provided by (used in) operating activities | 14,872 | 52,002 | 628,347 |
| **Cash flows from investing activities** | | | |
| Proceeds from time deposits at maturity | - | 2,500 | 30,208 |
| Placement into time deposits | - | (5,000) | (60,416) |
| Decrease (increase) in restricted deposit | - | (291) | (3,516) |
| Proceeds from sales of investments in subsidiaries | - | 75 | 906 |
| Purchase of investments in subsidiaries | (2) | - | - |
| Proceeds from share of profits on investments in capital | - | 142 | 1,716 |
| Purchase of tangible fixed assets | (3,408) | (27,006) | (326,317) |
| Proceeds from sales of tangible fixed assets | 3 | - | - |
| Purchase of intangible fixed assets | (592) | (16,245) | (196,290) |
| Others | - | (23) | (278) |
| Net cash provided by (used in) investing activities | (3,999) | (45,848) | (553,987) |

Consolidated Statements of Cash Flows (Continued)
(For the years ended March 31, 2010 and 2011)

| | (¥ in millions) Prior year (Twelve months ended March 31, 2010) | (¥ in millions) Current year (Twelve months ended March 31, 2011) | ($ in thousands) Current year (Twelve months ended March 31, 2011) |
|---|---|---|---|
| **Cash flows from financing activities** | | | (unaudited) |
| Repayments of capital lease obligations | (919) | (672) | (8,120) |
| Proceeds from sales and redemption by installment payment | 350 | 9,465 | 114,367 |
| Repayments of installment obligations | (1,538) | (12,924) | (156,162) |
| Proceeds from short-term debt | 17,000 | 40,000 | 483,325 |
| Repayments of short-term debt | (25,800) | (63,000) | (761,237) |
| Proceeds from long-term debt | 12,387 | 169,669 | 2,050,133 |
| Repayments of long-term debt | (1,000) | (202,009) | (2,440,901) |
| Payments for arrangement of interest bearing debt | - | (1,347) | (16,276) |
| Proceeds from issuance of bonds | 16,445 | 688 | 8,313 |
| Redemption of bonds | (66,486) | (1,453) | (17,557) |
| Purchase of treasury stock | (154) | (2,822) | (34,099) |
| Proceeds from stock issuance, net | 48 | - | - |
| Proceeds from stock issuance before share exchange | - | 44,828 | 541,663 |
| Proceeds from stock issuance after share exchange | - | 126 | 1,522 |
| Dividends paid | (3,581) | (4,199) | (50,737) |
| Dividends paid to minority shareholders | (56) | - | - |
| Net cash provided by (used in) financing activities | (53,303) | (23,651) | (285,778) |
| **Net change in cash and cash equivalents** | (42,430) | (17,497) | (211,419) |
| **Cash and cash equivalents at the beginning of the period** | 68,541 | 26,110 | 315,491 |
| **Cash and cash equivalents of the acquired company at the beginning of the period** | - | ※2 (26,110) | ※2 (315,491) |
| **Cash and cash equivalents of the acquiring company at the beginning of the period** | - | ※2 49,311 | ※2 595,831 |
| **Net increase in cash and cash equivalents as a result of business combination via share exchange** | - | ※2 11,583 | ※2 139,959 |
| **Cash and cash equivalents at the end of the period** | ※1 26,110 | ※1 43,397 | ※1 524,372 |

[Notes on premise of going concern]
No items to report

[Basis of preparation for consolidated financial statements]

| Item | Fiscal year ended March 31, 2010 | Fiscal year ended March 31, 2011 |
| --- | --- | --- |
| 1. Scope of consolidation | A. Number of consolidated subsidiaries: 2<br>Names of consolidated subsidiaries:<br>CULTIVE Ltd.<br>CV1 Investment Limited Partnership<br>[Exclusion]<br>ACCA Networks Co., Ltd. (ACCA)<br>On June 25, 2009, the Company absorbed and merged ACCA, which was a consolidated subsidiary, and excluded ACCA from the scope of consolidation.<br>Meanwhile, the Company consolidated the profit and loss of ACCA to June 24, 2009. | A. Number of consolidated subsidiaries: ――<br>[Exclusion]<br>EMOBILE Ltd. (EMOBILE)<br>EMOBILE, to which the equity method was applied, became a subsidiary of the Company via share exchange effected by and between the Company and EMOBILE on July 1, 2010. The Company absorbed and merged EMOBILE as of March 31, 2011 and excluded it from the scope of consolidation.<br>As a result, no consolidated subsidiaries continued to exist and the Company has not prepared consolidated balance sheet as of March 31, 2011, consolidated statements of comprehensive income and consolidated statements of changes in net assets for the current fiscal year.<br>Meanwhile the Company consolidated the profit and loss of EMOBILE for the period from April 1, 2010 to March 30, 2011. |

| Item | Fiscal year ended March 31, 2010 | Fiscal year ended March 31, 2011 |
|---|---|---|
| | B. —— | B. Name of non-consolidated subsidiaries<br>Non-consolidated subsidiaries<br>CULTIVE Ltd.<br>CV1 Investment Limited Partnership<br>The Company excluded CULTIVE Ltd. and CV1 Investment Limited Partnership from the scope of consolidation in consideration of their size (total assets and retained earnings) and effects on the group results of operations (net sales and net income (loss) for the current fiscal year), and future profitability. |
| 2. Application of the equity method | A. Number of affiliates accounted for by the equity method: 1<br>Names of affiliates accounted for by the equity method:<br>EMOBILE | A. Number of affiliates accounted for by the equity method: –<br>EMOBILE, which was an equity method affiliate of the Company, became a wholly owned subsidiary of the Company in a share exchange on July 1, 2010. As a result, it is no longer accounted for by the equity method. |
| | B. —— | B. Names of non-consolidated subsidiaries not accounted for by the equity method, etc.:<br>CULTIVE Ltd.<br>CV1 Investment Limited Partnership<br>The effect on the Company's net income and retained earnings of CULTIVE Ltd. and CV1 Investment Limited Partnership was immaterial and they lacked in materiality as a whole. So the Company excluded them from the scope of the application of the equity method. |
| 3. Fiscal year-end of consolidated subsidiaries | As the fiscal years of CV1 Investment Limited Partnership, one of the consolidated subsidiaries, end on December 31, provisional financial statements closed on March 31 are used in the preparation of the consolidated financial statements. | —— |

| Item | Fiscal year ended March 31, 2010 | Fiscal year ended March 31, 2011 |
|---|---|---|
| 4. Accounting policies | | |
| (1) Valuation policy and methods of significant assets | A. Securities<br>Available-for-sale securities<br>a. Securities with fair market value<br>Stated at fair value (valuation difference is treated using the direct net asset adjustment method, and cost of securities sold is determined by the moving-average method) based on fair value at the balance sheet date.<br>b. Securities without fair market value<br>Stated at cost using moving-average method.<br>B. Derivatives<br>Stated at fair market value.<br>C. Inventories<br>Merchandise and other (supplies)<br>Stated at cost using moving-average method (devaluating book value method based on decreases in profitability). | A. Securities<br>Available-for-sale securities<br>a. Securities with fair market value<br>Same as on the left<br>b. Securities without fair market value<br>Stated at cost using moving-average method.<br>Additionally, with regard to contributions to investment business limited liability partnerships and similar partnerships (according to Article 2, Paragraph 2 of the Financial Instruments and Exchange Act, such contributions are regarded as negotiable securities), the Company mainly uses, as the book value, the net value of its holdings of partnership assets.<br>B. Derivatives<br>Same as on the left<br>C. Inventories<br>Same as on the left |

| Item | Fiscal year ended March 31, 2010 | Fiscal year ended March 31, 2011 |
|---|---|---|
| (2) Depreciation method and standards for significant depreciable assets | A. Tangible fixed assets<br>Buildings (excluding leasehold improvements), machinery and equipments, and terminal equipments are depreciated with the straight-line method. Leasehold improvements and tools, furniture and fixtures are depreciated with the declining-balance method. The main estimated useful lives are as follows:<br>Machinery and equipments 6 years<br>Terminal equipments 3 years<br>Others (Other buildings) 8 - 33 years<br>Others (Tools, furniture and fixtures) 2 - 20 years<br><br>For leased items recognized as assets and related construction costs for “machinery and equipments,” “terminal equipments” and “others (tools, furniture and fixtures),” (items related to finance lease transactions other than those in which the lessee is given rights approximating to ownership), the straight-line method is applied with the lease term as the useful life and the residual value set at zero.<br><br>B. Intangible fixed assets<br>(Software)<br>For software for internal use, the straight-line method is applied based on the software’s estimated useful life within the Company (3 - 5 years). | A. Tangible fixed assets<br>Buildings (excluding leasehold improvements), structures, machinery and equipments, wireless telecommunications equipments and terminal equipments are depreciated with the straight-line method. Leasehold improvements and tools, furniture and fixtures are depreciated with the declining-balance method. The main estimated useful lives are as follows:<br>Buildings 8 - 33 years<br>Structures 30 years<br>Machinery and equipments 6 years<br>Wireless telecommunications equipments 9 years<br>Terminal equipments 3 years<br>Tools, furniture and fixtures 2 - 20 years<br><br>For leased items recognized as assets and related construction costs for “machinery and equipments,” “terminal equipments” and “others (tools, furniture and fixtures),” (items related to finance lease transactions other than those in which the lessee is given rights approximating to ownership), the declining-balance method is applied with the lease term as the useful life and the residual value set at zero.<br><br>B. Intangible fixed assets<br>(Software)<br>For software for internal use, the straight-line method is applied based on the software’s estimated useful life within the Company (5 years).<br>(Right of using facilities)<br>Amortized over 20 years using straight-line method. |

| Item | Fiscal year ended March 31, 2010 | Fiscal year ended March 31, 2011 |
|---|---|---|
| (3) Accounting for significant deferred assets | A. Issuance costs for stocks<br>Issuance costs for stocks are charged to expense as incurred.<br>B. Issuance costs for bonds<br>Issuance costs for bonds are amortized by the straight-line method over the years until the maturing dates. | A. Issuance costs for stocks<br>Same as on the left<br>B. Issuance costs for bonds<br>Same as on the left |
| (4) Accounting for significant allowances and reserves | A. Allowance for bad debt<br>To prepare for uncollectible credits in accounts receivable, etc., the Company provides an allowance for general credits using actual bad debt ratio, and provides an allowance for an estimated unrecoverable amount of specific credits deemed to be uncollectible after considering possible losses on collection.<br>B. Provision for directors bonus<br>The Company recognizes provision for directors bonus for an amount to be paid subsequent to the fiscal year-end.<br>C. Provision for bonus<br>The Company recognizes provision for employees bonus for an amount to be paid subsequent to the fiscal year-end.<br>D. ― | A. Allowance for bad debt<br>Same as on the left<br>B. ―<br>C. ―<br>D. Reserve for loss on disaster<br>In preparation for the restoration of assets damaged by the Great East Japan Earthquake on March 11, 2011, the reserve was provided for the estimated amounts required for the restoration, which was mainly for asset removal expenses at the base stations damaged by the disaster. |
| (5) Method for significant hedge accounting | A. Method for hedge accounting<br>Hedges are treated with deferred profits/losses on hedges. Forward exchange contracts are translated at the foreign exchange rates stipulated in the contract if the forward exchange contract satisfies the requirements for this treatment. | A. Method for hedge accounting<br>Same as on the left |

| Item | Fiscal year ended March 31, 2010 | Fiscal year ended March 31, 2011 |
| --- | --- | --- |
| | B. Hedging instruments and hedged items<br>(Hedging instruments)<br>Forward exchange contracts<br>(Hedged items)<br>Planned transactions denominated in foreign currencies<br>C. Hedging policy<br>Forward exchange contracts are conducted as a measure against risks due to foreign exchange fluctuations.<br>D. Assessment of effectiveness of hedge<br>The Company compares the accumulated changes in prices between hedged items and hedging instruments during the period from the commencement of hedge to the assessment of effectiveness of hedge and tests the effectiveness of hedge on the basis of their accumulated changes. When significant terms and conditions of hedging instruments and hedged items are identical and changes in prices and cash flows are expected to be offset in full at the commencement of hedge and continuously thereafter, the Company omits the assessment of the effectiveness of hedge. For any items which have not been qualified for hedge accounting as a result of the assessment of effectiveness of hedge, the Company discontinues the application of hedge accounting to them. | B. Hedging instruments and hedged items<br>(Hedging instruments)<br>Same as on the left<br>(Hedged items)<br>Same as on the left<br>C. Hedging policy<br>Same as on the left<br>D. Assessment of effectiveness of hedge<br>Same as on the left |
| (6) Amortization method for goodwill and amortization period | Goodwill is equally amortized over 5 years. However, items which are not significant are amortized in bulk. | Goodwill is amortized over the period in which an effect can be estimated to occur (10 years) using the declining-balance method. |

| Item | Fiscal year ended March 31, 2010 | Fiscal year ended March 31, 2011 |
|---|---|---|
| (7) Range of cash and cash equivalents in statements of cash flows | Cash and cash equivalents consist of cash on hand, cash in banks which can be withdrawn as needed, and short-term investments with maturities of no more than three months that can be easily converted to cash with minimal risk of change in value. | Same as on the left |
| (8) Other significant matters forming the basis of preparation of consolidated financial statements | Accounting treatment of consumption taxes, etc.<br>Items subject to consumption tax, etc. are recorded at amounts exclusive of consumption taxes, etc. | Same as on the left |

[Changes in basis of preparation for consolidated financial statements]

| Fiscal year ended March 31, 2010 | Fiscal year ended March 31, 2011 |
|---|---|
| (Adoption of Accounting Standard for Business Combination)<br>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), “Accounting Standard for Business Divestitures” (ASBJ Statement No.7, December 26, 2008), “Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No.16, December 26, 2008), and “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 the fiscal year ended March 31, 2010. | (Adoption of Accounting Standard for Asset Retirement Obligations)<br>Effective from the fiscal year ended March 31, 2011, the Company adopted the “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No.18, March 31, 2008) and “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No.21, March 31, 2008).<br>As a result of this change, operating profit and recurring profit decreased ¥26 million, respectively, and net loss before taxes increased ¥109 million. |

[Changes in presentation]

| Fiscal year ended March 31, 2010 | Fiscal year ended March 31, 2011 |
|---|---|
| (Consolidated statements of operations)<br>(1) The Company presents income before minority interests on the consolidated statements of operations from the fiscal year ended March 31, 2010 because “Cabinet Office Ordinance of Partial Amendment to Regulation for Terminology, Forms and Preparation of Financial Statements” (Cabinet Office Ordinance No. 5, March 24, 2009) became effective for fiscal years beginning on or after April 1, 2009 pursuant to “Accounting Standard for Consolidated Financial Statements (ASBJ Statement No.22).<br>(2) Gain on disqualified dividends payable, which was included in others in non-operating profit is presented individually because the amount has become significant for the current fiscal year. The amount of gain on disqualified dividends payable included in others in non-operating profit for the previous fiscal year amounted to ¥6 million. | (Consolidated statements of operations)<br>As commission expense, which was included in others in non-operating expenses for the previous fiscal year, exceeded one-tenth of the total amount of non-operating expenses, this item is presented individually from the current fiscal year. Commission expense included in others for the previous fiscal year amounted to ¥115 million. |
| (Consolidated statements of cash flows)<br>Decrease (increase) in accounts receivable-other from affiliates, which was included in decrease (increase) in other assets in cash flows from operating activities for the previous fiscal year is presented individually as the amount has become more significant for the current fiscal year. Decrease (increase) in accounts receivable-other from affiliates included in decrease (increase) in other assets in cash flows from operating activities for the previous fiscal year amounted to ¥177 million. | (Consolidated statements of cash flows)<br>As decrease (increase) in accounts receivable-other, which was included in decrease (increase) in other assets in cash flows from operating activities for the previous fiscal year, has become more significant, this item is presented individually from the current fiscal year. Decrease (increase) in accounts receivable-other included in decrease (increase) in other assets in cash flows from operating activities for the previous fiscal year amounted to ¥230 million. |

[Notes]

(Notes to consolidated balance sheet)

| As of March 31, 2010 | As of March 31, 2011 |
|---|---|
| *1. Items regarding affiliates of the Company are as follows.<br>Affiliated company stocks ¥5,582 million<br><br>*2. Assets pledged as collateral<br>Assets pledged as collateral for commitment line of affiliates<br>EMOBILE Ltd. (EMOBILE) which was an affiliate of the Company established commitment lines of ¥220,000 million in total for the borrowing period up to 7 years with 34 banks to secure funds necessary for mobile businesses. The actual borrowed amount of EMOBILE as of the end of the consolidated fiscal year was ¥219,950 million. In addition to major assets (with the book value of ¥233,383 million as of March 31, 2010) of EMOBILE pledged as collateral, the shares of stock of EMOBILE held by the Company have also been pledged as collateral for the commitment line agreements. The period and book values of assets pledged as collateral as of the end of the current fiscal year are as follows:<br>(Period for pledging assets as collateral)<br>Until the borrowings under the commitment line are repaid in full.<br>(Collateralized assets)<br>Shares of EMOBILE ¥5,582 million<br>The book value of the shares recorded on the non-consolidated balance sheets of EMOBILE is ¥50,016 million.<br>Certain financial covenants and operating covenants have been provided for the commitment line. As of March 31, 2010, the Company has not breached any of the provisions of the financial covenants or operating covenants.<br>*3. State of borrowings under the commitment line<br>The Company established commitment lines of ¥12,000 million in total for a borrowing period of up to 4 years and 10 months with two banks and a commitment line of ¥24,465 million for a borrowing period of up to 8 years and 6 months with one bank, in order to secure funds | As the Company has not prepared consolidated balance sheet as of March 31, 2011, this item is presented in the notes to the non-consolidated financial statements. |

| As of March 31, 2010 | As of March 31, 2011 |
|---|---|
| necessary for working capital and capital investments. The actual amounts borrowed as of the end of the current fiscal year were ¥9,000 million and ¥12,930 million, respectively. Financial covenants have been provided for these commitment lines.<br>In addition, the Company entered into an overdraft agreement of ¥1,000 million in total with one bank in order to secure working capital. The Company has not made any actual borrowing under the overdraft agreement as of March 31, 2010. | |

(Notes to consolidated statements of operations)

| Fiscal year ended March 31, 2010 | Fiscal year ended March 31, 2011 |
|---|---|
| *1. Research and development expenses included in general and administrative expenses are as follows.<br>¥438 million | *1. Research and development expenses included in general and administrative expenses are as follows.<br>¥372 million |
| *2. The details of loss on disposition of fixed assets are as follows.<br>(¥ in millions)<br>Tangible fixed assets<br>Machinery and equipments 66<br>Terminal equipments 338<br>Others (tools, furniture and fixtures) 63<br>Others (buildings) 59<br>Intangible fixed assets<br>Software 138<br>Software in progress 16<br>Others 3<br>Total 682 | *2. The details of loss on disposition of fixed assets are as follows.<br>(¥ in millions)<br>Tangible fixed assets<br>Buildings 2<br>Structures 2<br>Machinery and equipments 2<br>Wireless telecommunications equipments 306<br>Terminal equipments 123<br>Tools furniture and fixtures 40<br>Construction in progress 261<br>Intangible fixed assets<br>Software 1,482<br>Total 2,217 |
| 3. ― | *3. The devaluation of book values of inventories held for the sales in the normal course of business due to the decrease in profitability is as follows:<br>Cost of sales ¥9,199 million |

(Notes to consolidated statements of changes in net assets)

Fiscal year ended March 31, 2010

1. Number of issued shares

| Class of shares | As of March 31, 2009 | Increase | Decrease | As of March 31, 2010 |
|---|---|---|---|---|
| Common stock (shares) | 1,417,994 | 31,457 | 1,955 | 1,447,496 |
| Class 1 preferred stock (shares) | 25 | – | – | 25 |

(Note) The increase of 31,457 shares in the number of common stocks reflects the increase of 2,025 shares through the exercise of stock options and the increase of 29,432 shares due to the issuance of new shares upon merger with ACCA Networks Co., Ltd. (ACCA). The decrease of 1,955 shares in the number of common stocks is due to the retirement of shares of treasury stock.

2. Share options

| Company name | Breakdown | Class of shares subject to share options | Number of shares targeted (shares) | | | | Balance at March 31, 2010 (¥ in millions) |
|---|---|---|---|---|---|---|---|
| | | | As of March 31, 2009 | Increase | Decrease | As of March 31, 2010 | |
| Filing company (Parent company) | (Share options) Stock options | – | – | – | – | – | – |
| Total | | | – | – | – | – | – |

(Note) There is no outstanding balance as they were issued before the Companies Act took effect.

3. Treasury stock

| Class of shares | As of March 31, 2009 | Increase | Decrease | As of March 31, 2010 |
|---|---|---|---|---|
| Common stock (shares) | – | 1,955 | 1,955 | – |

(Note) The increase of 1,955 shares in the number of shares of treasury stock is due to the purchase of fractional shares less than the number of shares constituting one stock upon merger with ACCA. The decrease of 1,955 shares in the number of shares of treasury stock is due to the retirement of fractional shares less than one stock.

4. Dividends

(1) Dividends paid

| Resolution | Class of shares | Total amounts of dividends (¥ in millions) | Dividend per share (¥) | Record date | Effective date |
|---|---|---|---|---|---|
| May 14, 2009 Board meeting | Common stock | 815 | 575 | March 31, 2009 | June 25, 2009 |
| May 14, 2009 Board meeting | Class 1 preferred stock | 37 | 1,498,438 | March 31, 2009 | June 25, 2009 |
| August 7, 2009 Board meeting | Common stock | 868 | 600 | June 30, 2009 | September 10, 2009 |
| August 7, 2009 Board meeting | Class 1 preferred stock | 42 | 1,693,438 | June 30, 2009 | September 10, 2009 |
| November 12, 2009 Board meeting | Common stock | 868 | 600 | September 30, 2009 | December 10, 2009 |
| November 12, 2009 Board meeting | Class 1 preferred stock | 42 | 1,693,438 | September 30, 2009 | December 10, 2009 |
| February 9, 2010 Board meeting | Common stock | 868 | 600 | December 31, 2009 | March 11, 2010 |
| February 9, 2010 Board meeting | Class 1 preferred stock | 42 | 1,693,438 | December 31, 2009 | March 11, 2010 |

(Note) Dividend amounts less than ¥1 are rounded off.

(2) Dividends whose record date falls in the current fiscal year and have an effective date in the next fiscal year

| Resolution | Class of shares | Source of dividends | Total amounts of dividends (¥ in millions) | Dividend per share (¥) | Record date | Effective date |
|---|---|---|---|---|---|---|
| May 12, 2010 Board meeting | Common stock | Retained earnings | 868 | 600 | March 31, 2010 | June 25, 2010 |
| May 12, 2010 Board meeting | Class 1 preferred stock | Retained earnings | 42 | 1,693,438 | March 31, 2010 | June 25, 2010 |

(Note) Dividend amounts less than ¥1 are rounded off.

5. Other matters

Main reason for changes in minority interests for the current fiscal year is the decrease of ¥2,664 million due to the merger with the consolidated subsidiary.

Fiscal year ended March 31, 2011

As the Company has not prepared the consolidated statements of changes in net assets for the fiscal year ended March 31, 2011, the Company included the description in the notes to non-consolidated financial statements.

(Notes to consolidated statements of cash flows)

| Fiscal year ended March 31, 2010 | Fiscal year ended March 31, 2011 |
|---|---|
| *1. Reconciliation of cash and cash equivalents at the end of the period and the amount recorded in consolidated balance sheet<br>The balance of cash and cash equivalents at the end of the period and the figure for cash and deposits presented in the consolidated balance sheet are in accordance with each other. | *1. Reconciliation of cash and cash equivalents at the end of the period and the amount recorded in consolidated balance sheet<br>(¥ in millions)<br>Cash and deposits 47,080<br>Time deposits with maturities exceeding three months (2,500)<br>Restricted deposit (1,183)<br>Cash and cash equivalents 43,397 |
| 2. ── | *2. Matters concerning business combination (reverse acquisition)<br>Since the share exchange with EMOBILE falls under a reverse acquisition for the purpose of accounting for business combinations, the balances of cash and cash equivalents at the beginning of the period refer to the balances of EMOBILE (acquiring company) at the beginning of the period. Thus, the balances of cash and cash equivalents at the end of the previous fiscal year were not consistent with the balances of cash and cash equivalents at the beginning of the current fiscal year.<br><br>(1) The Company represented the balances of cash and cash equivalents of the Company at the end of the previous fiscal year (on a consolidated basis) in cash and cash equivalents of the acquired company at the beginning of the period.<br>(2) The Company represented the balances of EMOBILE at the end of the previous fiscal year in cash and cash equivalents of the acquiring company at the beginning of the period.<br>(3) The Company represented the balances of cash and cash equivalents of the Company, the acquired company, at the end of the first quarter accounting period in net increase in cash and cash equivalents as a result of business combination via share exchange. |

<table>
<tr><th>Fiscal year ended March 31, 2010</th><th>Fiscal year ended March 31, 2011</th></tr>
<tr><td>3. ―</td><td>3. Contents of significant non-monetary transactions<br>As a result of share exchange to make EMOBILE an acquiring company and make the Company an acquired company, the Company took over the assets and liabilities of the Company after their valuation at fair value. The major breakdown of assets and liabilities taken over is as follows.<br>(¥ in millions)<br>Current assets 28,128<br>Fixed assets 124,277<br>Total assets 152,405<br>Current liabilities 26,156<br>Long-term liabilities 47,838<br>Total liabilities 73,994<br>As tentative accounting treatment was finalized, the amount of current liabilities assumed at the date of the business combination has been revised to the above amount.<br><br>(Note) The amount of the above fixed assets include the value of shares of ¥89,435 million of the acquiring company which was held by the acquired company before the business combination date.</td></tr>
</table>

(Lease transactions)
Fiscal year ended March 31, 2010
1. Finance lease transactions (Lessees' accounting)
Finance lease transactions that do not transfer ownership
A. Leased assets
Tangible fixed assets
The above consists of primarily telecommunications equipments in Network Business (machinery and equipments and terminal equipments).

B. Depreciation method for leased assets
Described in "Basis of preparation for consolidated financial statements, 4. Accounting policies (2) Depreciation method and standards for significant depreciable assets."

2. Operating lease transactions (Lessees' accounting)
Future minimum lease payments subsequent to March 31, 2010 are summarized as follows:

| | (¥ in millions) |
|---|---|
| Due in one year or less | 1,090 |
| Due after one year | 1,064 |
| Total | 2,154 |

Fiscal year ended March 31, 2011
1. Finance lease transactions (Lessees' accounting)
Finance lease transactions that do not transfer ownership
A. Leased assets
Tangible fixed assets
The above consists of primarily telecommunications equipments in Network Business (machinery and equipments and terminal equipments).

B. Depreciation method for leased assets
Described in "Basis of preparation for consolidated financial statements, 4. Accounting policies, (2) Depreciation method and standards for significant depreciable assets."

2. Operating lease transactions (Lessees' accounting)
Future minimum lease payments subsequent to March 31, 2011 are summarized as follows

| | (¥ in millions) |
|---|---|
| Due in one year or less | 1,145 |
| Due after one year | 1,389 |
| Total | 2,535 |

(Financial Instruments)
Fiscal year ended March 31, 2010
(Supplementary Information)
Effective from the current fiscal year, the 'Accounting Standard for Financial Instruments' (ASBJ Statement No.10, March 10, 2008) and the "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Statement No.19, March 10, 2008) have been applied.

1. Financial Instruments

(1) Policies for using financial instruments

The Company and its subsidiaries raise necessary funds based on capital investment plans to conduct business mainly by bank loans or issuance of bonds. The Company invests temporary cash surpluses in highly liquid and secure 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.

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

A. Accounts receivable–trade are exposed to customers' credit risk.

B. Accounts receivable–other from affiliates are exposed to the affiliates' credit risk.

C. Securities investments mainly consist of equity securities related to customers and suppliers in relation to business. Some of these securities are exposed to risk of market price fluctuation.

D. With respect to operating debts such as accounts payable–trade and accrued expenses, payment terms are generally less than three months. Some operating debts are exposed to foreign exchange fluctuation risk because they are denominated in foreign currency. They are hedged by forward exchange contracts.

E. Loans and bonds are generally for the purpose of funds related to capital expenditure. The longest redemption date is eight years from the end of the current fiscal year. Some of them have floating interest rates and are exposed to interest rate fluctuation risk.

F. Derivative transactions are related to forward exchange contracts and used to hedge foreign exchange fluctuation risk of operating debt denominated in foreign currencies. With respect to hedging instruments and hedged items, hedging policy and the assessment of the effectiveness of hedge accounting, please refer to "Basis of preparation for consolidated financial statements, 4. Accounting policies, (5) Method for significant hedge accounting" described above.

(3) Risks relating to financial instruments and the management system thereof

A. Credit risk management (customer's default risk)

At the Company, in order to properly manage operating receivables, in accordance with the credit control policy, the conditions of main business partners are periodically reviewed, and the due dates and outstanding balances for individual business partners are managed. In addition, the Company makes efforts for early identification and mitigation of default risk resulting from factors such as a deterioration in financial conditions.

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.

B. Market risk management (foreign currency exchange and interest rate fluctuation risk)

The Company principally uses forward exchange contracts to hedge foreign exchange fluctuation risk. With respect to securities investment, 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 transactions instructs those involved in the transaction to control and mitigate the risk by identifying the hedging instrument to lower the risk and, if necessary, obtain both the Treasurer's and other related management's consent for execution.

C. Liquidity risk management on fund raising (risk of inability to repay at payment due dates)

The Company controls its liquidity risk by preparing and updating payment schedule management plans on a timely basis based on reports from each department, and by maintaining certain levels of liquidity on hand.

(4) Supplemental explanation on the fair value of financial instruments

Fair values of financial instruments include market prices and reasonably estimated values when market prices are unavailable. As variable factors are incorporated into the estimation of the relevant fair value, it may vary depending on the assumptions used.

2. Fair Value of Financial Instruments

Carrying amount, fair value and the difference between them as of March 31, 2010 are shown below. Financial instruments for which it is considered extremely difficult to determine the fair values are excluded from the following table. (See Note 2)

(¥ in millions)

| | | Amount recorded on the consolidated balance sheet | Fair value | Difference |
|---|---|---|---|---|
| (1) | Cash and deposits | 26,110 | 26,110 | – |
| (2) | Accounts receivable–trade | 10,880 | | – |
| | Allowance for bad debt (*1) | (10) | | – |
| | | 10,870 | 10,870 | – |
| (3) | Accounts receivable–other from affiliates (*2) | 12,322 | 10,898 | (1,424) |
| (4) | Securities investments | | | |
| | Available-for-sale securities | 74 | 74 | – |
| Total assets | | 49,377 | 47,953 | (1,424) |
| (1) | Accounts payable–trade | 2,098 | 2,098 | – |
| (2) | Accrued expenses | 5,988 | 5,988 | – |
| (3) | Bonds (*3) | 27,974 | 28,795 | 820 |
| (4) | Long-term debt (*3) | 21,930 | 22,020 | 90 |
| Total liabilities | | 57,989 | 58,900 | 911 |
| Financial derivative transactions (*4) | | 200 | 200 | – |

(*1) The allowance for bad debt which is individually set up for corresponding accounts receivable–trade is deducted.

(*2) The amount includes short-term accounts receivable–other from affiliates and long-term accounts receivable–other from affiliates.

(*3) The amount includes the current portion of bonds payable and the current portion of long-term debt.

(*4) The values of assets and liabilities arising from financial derivative transactions are shown at net value, and with the amount in parentheses representing net liability position.

(Notes) 1. Measurement method of the fair value of financial instruments and matters relating to securities and derivative transactions

Assets:

(1) Cash and deposits, (2) Accounts receivable–trade

The book value is close to fair value because these items are settled within a short period.

(3) Accounts receivable–other from affiliates

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) Securities Investments

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 refer to the "Notes (Securities)" with regard to the matters concerning securities by holding purpose.

Liabilities:

(1) Accounts payable–trade, (2) Accrued expenses

The book value is close to fair value because these items are settled within a short period.

(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 debt

The fair value of long-term debt 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:

Fair value is measured based on the information obtained from the trading companies with which the Company has forward exchange contracts. Forward exchange contracts that are accounted for by hedge accounting and translated at the foreign exchange rate stipulated in the contract (excluding forecast transactions) are treated as an integral part of accounts payable-trade. As a result, their fair values are included in the fair value of accounts payable-trade.

2. Financial instruments for which it is deemed extremely difficult to measure the fair value

(¥ in millions)

| Classification | Holding purpose | Amount recorded on the consolidated balance sheet |
|---|---|---|
| Non-marketable securities | Securities investment<br>Available-for-sale securities | 4,103 |
| Non-marketable securities | Investments in Affiliate | 5,582 |

These are not included in Assets (4) Securities investments, as it is deemed difficult to measure the fair value because they are nonmarketable.

3. Planned maturity amounts after March 31, 2010 for monetary assets

(¥ in millions)

| | Due within one year | Due after one year but within five years | Due after five years but within ten years | Due after ten years |
|---|---|---|---|---|
| Cash and cash equivalents | 26,110 | – | – | – |
| Accounts receivable–trade | 10,870 | – | – | – |
| Accounts receivable–other from affiliate | 3,051 | 5,179 | 4,092 | – |

4. Planned repayment amounts for bond, long-term debt, lease obligations and installment obligations after March 31, 2010

Please refer to the sections "Detailed schedule of bonds" and "Detailed schedule of borrowings" in the consolidated supplementary schedules.

Fiscal year ended March 31, 2011
As the Company has not prepared consolidated balance sheet as of March 31, 2011, this item is presented in the notes to the non-consolidated financial statements.

(Securities)
Fiscal year ended March 31, 2010
1. Available-for-sale securities

(¥ in millions)

| Classification | Type | Amount on consolidated balance sheet | Acquisition cost | Difference |
|---|---|---|---|---|
| Items where value recorded on consolidated balance sheet exceeds acquisition cost | Stocks | 74 | 46 | 28 |
| Subtotal | | 74 | 46 | 28 |
| Total | | 74 | 46 | 28 |

(Note) Unlisted stocks (¥4,103 million recorded on the consolidated balance sheet) had no market prices and they were deemed extremely difficult to determine fair values. As a result, they were not included in "Available-for-sale securities" in the above table.

2. Available-for-sale securities sold during the fiscal year ended March 31, 2010
No items to report

Fiscal year ended March 31, 2011
As the Company has not prepared consolidated balance sheet as of March 31, 2011, this item is presented in the notes to the non-consolidated financial statements.

(Derivative transactions)
Fiscal year ended March 31, 2010
1. Non designated derivative financial instruments
Currency-related transactions

(¥ in millions)

| Classification | Type | For the fiscal year ended March 31, 2010 | | | |
|---|---|---|---|---|---|
| | | Contract Amount | Portion due over one year | Fair value | Difference |
| Non-market transactions | Foreign exchange forward contract<br>Buy contracts<br>USD | 64 | – | 3 | 3 |
| Total | | 64 | – | 3 | 3 |

(Note) Calculation of fair value
The fair values are based on the price quoted by the trading company with which the Company has business transactions.

2. Designated derivative financial instruments

Currency-related transactions

(¥ in millions)

| Transaction type | Type | Hedged items | For the fiscal year ended March 31, 2010 | | | Calculation of fair value |
|---|---|---|---|---|---|---|
| | | | Contract Amount | Portion due over one year | Fair value | |
| Forward exchange contracts are translated at the foreign exchange rates stipulated in the contract | Foreign exchange forward contract<br>Buy contracts<br>USD | Accounts payable | 5,410 | – | 197 | The fair values are based on the price quoted by the trading company with which the Company has business transactions. |
| | USD | Accounts payable | 701 | – | (Note) | |
| Total | | | 6,111 | – | 197 | |

(Note) Forward exchange contracts are accounted for as an integral part of foreign currency denominated payables, which are hedged items. As a result, their fair values are included in the fair value of accounts payable-trade.

Fiscal year ended March 31, 2011

As the Company has not prepared consolidated balance sheet as of March 31, 2011, this item is presented in the notes to the non-consolidated financial statements.

(Retirement benefits)

| Fiscal year ended March 31, 2010 | Fiscal year ended March 31, 2011 |
|---|---|
| 1. Description of retirement benefit plan<br>The Company has adopted a defined contribution pension plan.<br><br>(Note) The Company implemented an absorption-type merger, where the Company was the surviving company and ACCA Networks Co., Ltd. (ACCA), the consolidated subsidiary of the Company, was the dissolving company, on June 25, 2009. After the merger with ACCA, the Company withdrew ACCA from the NTT welfare pension fund plan in which it was enrolled. | 1. Description of retirement benefit plan<br>The Company has adopted a defined contribution pension plan. |
| 2. The funded status of retirement benefit plan<br>There were no applicable matters.<br><br>(Note) After the merger with ACCA, the Company has discontinued the NTT welfare pension fund plans. Therefore, the balance of the retirement benefit obligation was eliminated for the fiscal year ended March 31, 2010. | 2. The funded status of retirement benefit plan<br>There were no applicable matters. |

| Fiscal year ended March 31, 2010 | Fiscal year ended March 31, 2011 |
|---|---|
| 3. The components of retirement benefit expenses<br>(¥ in millions)<br>Service cost 9<br>Other 58<br>Total of retirement benefit expenses 67<br>(Note) At ACCA Networks Co., Ltd. retirement benefit expenses incurred during April 1, 2009 to June 24, 2009 was ¥9 million.<br>Other represents contribution paid to defined contribution fund. | 3. The components of retirement benefit expenses<br>(¥ in millions)<br>Contribution paid to defined contribution fund 175<br>Total of retirement benefit expenses 175 |

(Stock options)

Fiscal year ended March 31, 2010

1. Description of stock options/Changes in the size of stock options

(1) Description of stock options

| Company name | The Company | The Company | The Company |
|---|---|---|---|
| Date of resolution | September 10, 2001 | February 25, 2002 | August 6, 2002 |
| Category and number of people to whom stock options are granted | The Company's Directors: 3<br>The Company's employees: 197<br>Qualified supporter: 3 | The Company's Directors: 3<br>The Company's employees: 196 | The Company's Directors: 3<br>The Company's employees: 214 |
| Type and number of shares (Note 1, 2) | Common stock<br>17,535 shares | Common stock<br>20,690 shares | Common stock<br>19,210 shares |
| Grant date | September 30, 2001 | March 22, 2002 | August 20, 2002 |
| Vesting conditions<br>(Note 3) | Grantees are to hold the position of Director or employee of the Company or of the group companies during the period between grant date and vested date.<br>Other conditions are to be stipulated in the "Stock Acquisition Rights Agreement" executed between the Company and the relevant grantee. | Same as on the left | Grantees are to hold the position of Director or employee of the Company or of the group companies during the period between grant date and vested date.<br>Other conditions are to be stipulated in the "Share Option Agreement" executed between the Company and the relevant grantee. |
| Vesting period (Note 3) | From grant date to vested date | Same as on the left | Same as on the left |
| Exercise period | From September 30, 2001 to September 9, 2011 | From March 22, 2002 to February 24, 2012 | From August 20, 2002 to August 5, 2012 |

| Company name | The Company | The Company | The Company |
|---|---|---|---|
| Date of resolution | January 15, 2003 | August 12, 2003 | June 29, 2004 |
| Category and number of people to whom stock options are granted | The Company's Directors: 3<br>The Company's employees: 219 | The Company's Directors: 4<br>The Company's employees: 224 | The Company's Directors: 10<br>The Company's Auditors: 2<br>The Company's employees: 377 |
| Type and number of shares (Note 1, 2) | Common stock<br>6,815 shares | Common stock<br>21,975 shares | Common stock<br>39,230 shares (Note 2) |
| Grant date | January 16, 2003 | August 13, 2003 | July 1, 2004 |
| Vesting conditions (Note 3) | Grantees are to hold the position of Director or employee of the Company or of the group companies during the period between grant date and vested date. Other conditions are to be stipulated in the "Share Option Agreement" executed between the Company and the relevant grantee. | Same as on the left | Same as on the left |
| Vesting period (Note 3) | From grant date to vested date | Same as on the left | Same as on the left |
| Exercise period | From January 16, 2003 to January 14, 2013 | From August 13, 2003 to August 11, 2013 | From July 1, 2004 to June 28, 2014 |

| Company name | The Company | The Company | The Company |
|---|---|---|---|
| Date of resolution | June 29, 2004 | June 22, 2005 | June 22, 2005 |
| Category and number of people to whom stock options are granted | The Company's employees: 6<br>Outside consultants: 1 | The Company's Directors: 10<br>The Company's Auditors: 2<br>The Company's employees: 423 | The Company's employees: 4<br>Outside consultants: 1 |
| Type and number of shares (Note 1, 2) | Common stock<br>495 shares | Common stock<br>46,450 shares | Common stock<br>1,050 shares |
| Grant date | August 18, 2004 | July 1, 2005 | August 25, 2005 |
| Vesting conditions (Note 3) | Grantees are to hold the position of Director or employee of the Company or of the group companies during the period between grant date and vested date. Other conditions are to be stipulated in the "Share Option Agreement" executed between the Company and the relevant grantee. | Same as on the left | Same as on the left |
| Vesting period (Note 3) | From grant date to vested date | Same as on the left | Same as on the left |
| Exercise period | From August 18, 2004 to August 9, 2014 | From July 1, 2005 to June 21, 2015 | From August 25, 2005 to June 22, 2015 |

(Notes) 1. The number of stock options is translated into the number of shares.
2. In consideration of the share split (1 : 5) effected on September 21, 2004, the number of shares shows the converted number after the split.
3. A certain number of stock options granted become exercisable when two years pass from the grant date and the number of stock options to become exercisable increases piecemeal annually after the two years pass. All the stock options will become exercisable once a period of four years has passed. However, under certain circumstances prescribed in the "Share Option (Stock Acquisition Rights) Agreement," all the stock options will be exercisable when the two-year period passes or during the one-year period after the two-year period passes.

(2) Changes in the size of stock options

The following describes changes in the size of stock options that existed during the fiscal year ended March 31, 2011. The number of stock options is translated into the number of shares.

A. Number of stock options

| Company name | The Company | The Company | The Company |
|---|---|---|---|
| Date of resolution | September 10, 2001 | February 25, 2002 | August 6, 2002 |
| Share options which are not yet vested (shares): | | | |
| As of March 31, 2010 | – | – | – |
| Granted | – | – | – |
| Forfeited | – | – | – |
| Vested | – | – | – |
| Balance of options not vested | – | – | – |
| Share options which have already been vested (shares): | | | |
| As of March 31, 2010 | 605 | 1,515 | 2,345 |
| Vested | – | – | – |
| Exercised | 15 | 230 | 670 |
| Forfeited | – | – | – |
| Balance of options not exercised | 590 | 1,285 | 1,675 |

| Company name | The Company | The Company | The Company |
|---|---|---|---|
| Date of resolution | January 15, 2003 | August 12, 2003 | June 29, 2004 |
| Share options which are not yet vested (shares): | | | |
| As of March 31, 2010 | – | – | – |
| Granted | – | – | – |
| Forfeited | – | – | – |
| Vested | – | – | – |
| Balance of options not vested | – | – | – |
| Share options which have already been vested (shares): | | | |
| As of March 31, 2010 | 445 | 5,695 | 32,975 |
| Vested | – | – | – |
| Exercised | 55 | 1,055 | – |
| Forfeited | – | – | 235 |
| Balance of options not exercised | 390 | 4,640 | 32,740 |

| Company name | The Company | The Company | The Company |
|---|---|---|---|
| Date of resolution | June 29, 2004 | June 22, 2005 | June 22, 2005 |
| Share options which are not yet vested (shares): | | | |
| As of March 31, 2010 | – | 19,141 | 312 |
| Granted | – | – | – |
| Forfeited | – | 24 | – |
| Vested | – | 19,117 | 312 |
| Balance of options not vested | – | – | – |
| Share options which have already been vested (shares): | | | |
| As of March 31, 2010 | 365 | 19,289 | 313 |
| Vested | – | 19,117 | 312 |
| Exercised | – | – | – |
| Forfeited | – | 326 | – |
| Balance of options not exercised | 365 | 38,080 | 625 |

B. Per share prices

| Company name | The Company | The Company | The Company |
|---|---|---|---|
| Date of resolution | September 10, 2001 | February 25, 2002 | August 6, 2002 |
| Exercise price (¥) | 24,000 | 24,000 | 24,000 |
| Average price per share upon exercise (¥) | 63,695 | 71,629 | 71,542 |
| Fair value per share at grant date (¥) | – | – | – |

| Company name | The Company | The Company | The Company |
|---|---|---|---|
| Date of resolution | January 15, 2003 | August 12, 2003 | June 29, 2004 |
| Exercise price (¥) | 24,000 | 24,000 | 139,000 |
| Average price per share upon exercise (¥) | 66,662 | 68,281 | – |
| Fair value per share at grant date (¥) | – | – | – |

| Company name | The Company | The Company | The Company |
|---|---|---|---|
| Date of resolution | June 29, 2004 | June 22, 2005 | June 22, 2005 |
| Exercise price (¥) | 134,410 | 76,565 | 80,168 |
| Average price per share upon exercise (¥) | – | – | – |
| Fair value per share at grant date (¥) | – | – | – |

Fiscal year ended March 31, 2011

As the Company has not prepared consolidated balance sheet as of March 31, 2011, this item is presented in the notes to the non-consolidated financial statements.

(Deferred income taxes)

| Fiscal year ended March 31, 2010 | Fiscal year ended March 31, 2011 |
|---|---|
| 1. Major breakdown of deferred tax assets and liabilities | 1. Major breakdown of deferred tax assets and liabilities |
| (¥ in millions) | |
| (Deferred tax assets) | As the Company has not prepared consolidated balance sheet as of March 31, 2011, this item is presented in the notes to the non-consolidated financial statements. |
| Accrued business taxes 231 | |
| Accrued expenses 595 | |
| Unearned revenue 665 | |
| Elimination of intercompany profits on consolidation 176 | |
| Loss on disposition of fixed assets 77 | |
| Depreciation and amortization 1,392 | |
| Impairment losses 50 | |
| Others 187 | |
| Total gross deferred tax assets 3,372 | |
| Valuation allowance (3) | |
| Total net deferred tax assets 3,369 | |
| 2. Major breakdown of the cause of differences between the statutory tax rate and the Company's effective tax rate after applying tax effect accounting | 2. Major breakdown of the cause of differences between the statutory tax rate and the Company's effective tax rate after applying tax effect accounting |
| Statutory tax rate 40.7% | Statutory tax rate 40.7% |
| (Adjustments) | (Adjustments) |
| Equity in net losses of affiliates 22.4% | Valuation allowance 676.3% |
| Gain on negative goodwill (1.7)% | Gains on negative goodwill (12.1)% |
| Others 0.1% | Permanent non-deductible expenses such as entertainment expenses (1.8)% |
| Effective tax rate after applying tax effect accounting 61.5% | Others (2.0)% |
| | Effective tax rate after applying tax effect accounting 701.1% |

(Business combination)
Fiscal year ended March 31, 2010
(Business combination under common control)
1. Outline of Business combination
(1) Name of combined party and description of business
ACCA Networks Co., Ltd. (ACCA), Telecommunication business
(2) Business combination date
June 25, 2009
(3) Legal structure of the business combination
This was a merger with the Company as the surviving company and ACCA as the dissolving company.
(4) Name of the company after the business combination
eAccess Ltd.
(5) 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 "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

(¥ in millions)

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

4. General information regarding share exchange
(1) Type of share and exchange ratio
Common stock of ACCA 1 share: Common stock of the Company 1.54 shares
(2) Procedure of calculation of the exchange ratio
The Company appointed Nikko Cordial Securities Inc. and ACCA appointed Lazard Frees K. K. as their respective independent advisors and requested calculation of the exchange ratio, respectively. The Company and ACCA determined the exchange ratio taking each advisor's result into consideration.
(3) Number of issued shares and its amount
Number of issued shares 29,432 shares
Amount ¥2,193 million

5. Gain from Negative Goodwill
(1) Amount ¥467 million
(2) 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 equity-method affiliate)

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”) with EMOBILE on the same day. 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 the press release titled “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 meeting held on March 30, 2010 to approve the Share Exchange. In addition, the board of directors of EMOBILE also resolved at the same meeting that (i) EMOBILE shall implement the capital increase by the way of a third party allotment of EMOBILE new shares (common stock only) offered in the paid-in amount per share of ¥110,000 with total paid-in amount of ¥45,000,120,000 (including ¥17,000,060,000 in new shares to be allotted to the Company), to be paid on June 30, 2010, which is 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. In addition, the Company resolved at the meeting of the board of directors held on May 12, 2010 that the Company shall subscribe the whole of said third party allotment, which is an amount of ¥17,000,060,000. New shares to be issued upon this third party allotment are 409,092 shares of EMOBILE's common stock, and of those, 154,546 shall be obtained by the Company. For these new shares (excluding the portion obtained by the Company), 369,089 shares shall be delivered upon the Share Exchange. The planned number of shares for delivery is calculated on the assumption that the third party allotment will be paid in.

(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 (the "Greenhill Opinion") dated May 22, 2010 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, 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, and assessed the increase or decrease in the implied value per share. In each methodology, Greenhill Japan performed an analysis using, a discount cash flow methodology and comparable companies methodology, among others.

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 Share Options Following the Share Exchange

The Company will deliver to each holder of outstanding share options (stock options) of EMOBILE (the "EMOBILE Stock Options") recorded on the register of holders of share options of the company (excluding EMOBILE) as of the Record Time, in exchange for those EMOBILE Stock Options, the share options of the Company, the terms and conditions of which are comparable to the EMOBILE Stock Options and reflect the share exchange ratio. The planned number of shares to be delivered for the purpose of the said Stock Options is 128,710 shares; 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.

EMOBILE has not issued any bond with share options.

(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 meeting of board of directors of the Company held on March 31, 2010 and May 12, 2010, the conditions precedent to the Share Exchange are that the paid-in amount per share for the new shares offered (common stock only) shall be ¥110,000, the total paid-in amount shall be ¥45,000,120,000 and all the payments in the third party allotment made subsequent to the execution of this agreement shall be completed and that EMOBILE shall allot the new shares in the value of ¥17,000,060,000 to the Company.

(7) Schedule of Share Exchange

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

(8) Name, Description of Business, Location, Name and Title of Representative, Amount of Capital 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, Minato-ku, Tokyo |
| D. Name and Title of Representative | Koji Fukata, Representative Director and President |
| E. Amount of Capital | ¥18,392 million |

Fiscal year ended March 31, 2011

(Business combination by acquisition)

The Company resolved at the board meeting held on March 31, 2010, to implement a business combination (the "Business Combination") with EMOBILE, to which the equity method was applied, by way of share exchange (the "Share Exchange") and entered into a share exchange agreement (the "Share Exchange Agreement") with EMOBILE on the same day (the memorandum of understanding related to revisions to the Share Exchange Agreement was entered into on May 12, 2010). The Share Exchange Agreement was approved at the annual shareholders' meeting of the Company on June 24, 2010 and the annual shareholders' meeting and class meeting of shareholders of each class of preferred stock of EMOBILE on June 25, 2010. The Share Exchange was executed in July 1, 2010.

1. Name of the acquired company and the description of business, purpose of the Business Combination, date of Business Combination, method of Business Combination, company name after the Business Combination, percentage of voting rights acquired and basis of determining acquiring company

(1) Name of the acquired company and the description of business

Company Name: eAccess Ltd.

Description of Business: Telecommunication business

Business Combination was completed by way of share exchange through which the Company to become a wholly-owning parent company, and EMOBILE to become a wholly-owned subsidiary. For this transaction, reverse acquisition accounting treatment has been applied as stated in the "Accounting Standard for Business Combinations" (ASBJ Statement No.21, December 26, 2008) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, December 26, 2008). Therefore, the purchase method was applied in the consolidated financial statements, in which EMOBILE was treated as the acquiring company and the Company was treated as the acquired company.

(2) Purpose of the Business Combination

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.

(3) Date of Business Combination

July 1, 2010

(4) Method of Business Combination

Business Combination was completed by way of share exchange through which the Company becomes a wholly-owning parent company, and EMOBILE becomes a wholly-owned subsidiary.

(5) Company name after the Business Combination

No change in the company name after the Share Exchange

(6) Percentage of voting rights acquired

100%

(7) Basis of determining the acquiring company

EMOBILE has been determined as the acquiring company taking into account the voting rights ratio of the shareholders of the Company and EMOBILE after the Share Exchange, comparable size of the business of each entity, such as total assets and revenue, and importance of and the potential growth of the business.

2. Period of the acquired company's results of operations included in the consolidated financial statements

   From July 1, 2010 to March 31, 2011

3. Detail of the acquisition costs of the acquired company

(¥ in millions)

| | |
|---|---:|
| Acquisition value | 87,990 |
| Acquisition costs | 87,990 |

Since reverse acquisition accounting treatment was applied, the accounting treatment in the consolidated financial statements is based on EMOBILE acquiring 100% of voting rights of the Company. Also, since EMOBILE is a non-listed company and the Company is a publicly listed company, the acquisition value was calculated based on the market value of the Company stock.

4. Share exchange ratio by each class of shares and its calculation method and number of new shares in the Company issued upon the Share Exchange

(1) Class of shares and the exchange ratio

The Company allocated 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.

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

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 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, 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, and assessed the increase or decrease in the implied value per share. In each methodology, Greenhill Japan performed an analysis using, among other methodologies, a discount cash flow 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.

(3) Number of shares issued upon the Share Exchange

999,713 shares

(Note) Number of shares represents the shares as if EMOBILE to issue new shares upon the Share Exchange based on the calculation of the acquisition value. The actual number of new shares in the Company issued upon the Share Exchange was 2,055,963 shares (all newly issued).

(4) Treatments of Share Options following the Share Exchange

The Company delivered to each holder of outstanding share options (stock options) of EMOBILE (the "EMOBILE Stock Options") recorded on the register of holders of share options of the company as of the Record Time, in exchange for those EMOBILE Stock Options and the share options of the Company, the terms and conditions of which are comparable to the EMOBILE Stock Options. The number of shares in exchange for share options was 128,008 shares.

5. Amount of goodwill, reason for recognition, method and period of amortization

(1) Amount of goodwill

¥9,579 million

As tentative treatment was finalized, the amount of goodwill that occurred has been adjusted to the above amount.

(2) Reason for recognition

The acquisition cost of the Company (acquired company) exceeded the Company's market value of net assets (net of assets and liabilities assumed) at the date of the Business Combination. Therefore, the exceeded amount was recognized as goodwill.

(3) Method and period of amortization

(a) Method of amortization: Straight line method

(b) Period of amortization: 10 years

6. Effect on the current period consolidated statement of operations as if the Business Combination was completed at the beginning of the current period and method of calculation

| | (¥ in millions) |
|---|---|
| Revenue | 14,107 |
| Recurring profit | 3,791 |
| Net income | 2,079 |

We assume approximate amount of the effect to be the difference between the following two items:

1) Revenue and profit and loss information calculated as if the Business Combination was completed at the beginning of the current fiscal year, and
2) Revenue and profit and loss information on the consolidated statements of operations of the acquiring company.

Amortization of goodwill recognized upon the Business Combination is calculated assuming goodwill is posted at the beginning of the current fiscal year.

It should be noted that the Company has not obtained an audit certificate for the approximate amount of the effects.

7. Assets and liabilities assumed at the date of Business Combination

| | (¥ in millions) |
|---|---|
| Current Assets | 28,128 |
| Fixed assets | 124,277 |
| Total Assets | 152,405 |
| Current Liabilities | 26,156 |
| Long-term Liabilities | 47,838 |
| Total Liabilities | 73,994 |

As tentative accounting treatment was finalized, the amount of current liabilities assumed at the date of the business combination has been revised to the above amount.

(Note 1) Goodwill (see 5(1)) is not included in the above assets and liabilities

(Note 2) Fixed assets include the book value of acquiring company stock of ¥89,435 million owned by the acquired company before the Business Combination.

(Transactions under common control)

The Company resolved at the board meeting held on February 24, 2011 to enter into the merger agreement for an absorption-type merger which turns the Company into the surviving company by merger and EMOBILE into the dissolving company by merger, and entered into the merger agreement with EMOBILE on the same day. Subsequently the merger took effect on March 31, 2011 in accordance with the merger agreement.

1. Names of combining companies, contents of their businesses, date of business combination, legal form of the business combination, company name after business combination, and outline of transaction including its purpose.

(1) Name of combining companies and contents of the businesses

| | | |
|---|---|---|
| Combining company: | eAccess Ltd. | Telecommunication business |
| Company subject to combination: | EMOBILE Ltd. | Mobile communication business |

(2) Date of business combination

March 31, 2011

(3) Legal form of business combination

The Company has implemented an absorption-type merger with the Company as the surviving company and EMOBILE as the dissolving company.

The merger was implemented without approval from the Annual Shareholders Meeting in accordance with Paragraph 3, Article 796 of the Companies Act for eAccess Ltd. (simplified merger) and in accordance with Paragraph 1, Article 784 of the same law for EMOBILE (short-form merger).

(4) Company name after business combination

eAccess Ltd.

(5) Outline of transaction including its purpose

On July 1, 2010, the Company completed a share exchange transaction whereby the Company became the sole parent company and EMOBILE became a wholly-owned subsidiary, in accordance with our corporate philosophy to realize the fixed mobile convergence in the broadband market and to accelerate development of our Mobile Business. After the share exchange transaction, in light of changes in the business environment surrounding the Company and EMOBILE, particularly increasingly fast data communication services in the mobile communication business, further diversified services and increasingly fierce competition among service providers, the Company determined that it is necessary to further streamline and expedite the eAccess Group’s management decisions in order to proactively and rapidly deal with those environmental changes. For this purpose, the Company decided to implement an absorption-type merger with EMOBILE.

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 “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No.10, December 26, 2008). Consequently, this accounting treatment has no effect on the consolidated statement of income.

As there were no consolidated subsidiaries at the fiscal year-end as a result of the implementation of this absorption-type merger, the Company has not prepared consolidated balance sheet.

(Asset retirement obligations)

As the Company has not prepared consolidated balance sheet as of March 31, 2011, this item is presented in the notes to the non-consolidated financial statements.

(Segment information)

[Information by business segment]

Fiscal year ended March 31, 2010

(¥ in millions)

| | Network Business | Device Business | Mobile Business | Total | Eliminations/ Corporate | Consolidation |
|---|---|---|---|---|---|---|
| I Net revenue and operating profit (loss) | | | | | | |
| (1) Outside net revenue | 71,018 | 12,049 | – | 83,067 | – | 83,067 |
| (2) 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 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 category | 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. Of the assets, the corporate assets included in the elimination or corporate items amounted to ¥39,825 million, and major items represent current assets (cash and bank deposits), long-term investment funds (investment securities), shares of affiliates and assets related to the administration department of the Company.
4. The operating results of ACCA, from April 1, 2009 to June 24, 2009, which was a consolidated company before its merger on June 25, 2009, were included in "Network Business."
5. 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 segment]

Fiscal year ended March 31, 2010

As the Company does not have any subsidiaries or material branches which are located outside of Japan, information by geographic area is not shown.

[Overseas sales]
Fiscal year ended March 31, 2010
As overseas net revenue was less than ten percent of consolidated net revenue, information on overseas net revenue is not shown.

[Segment information]
Fiscal year ended March 31, 2011
1. Outline of reporting segment
The reporting segment of the eAccess Group refers to units of the Group for which separate financial information is available and for which the board of directors periodically considers decisions on the allocation of management resources and the measurement of operating results.
The eAccess Group deems three businesses as its reporting segments: "Mobile Business," "Network Business" and "Device Business."
The Mobile Business provides mobile broadband communication services operated by EMOBILE, the consolidated subsidiary of the Company. The Network Business provides fast Internet access services, ISP services, and transmission services. The Device Business is engaged in the development and sale of communication terminals.
As noted in "I. Status of Operations, 1 Summary of Operating Results, (1) Operating Results," the Business Combination via share exchange falls under a reverse acquisition where EMOBILE is deemed to have acquired the Company. Subsequently the Company absorbed and merged EMOBILE as of March 31, 2011, making the Company the surviving company and EMOBILE a dissolving company. Therefore, the consolidated statements of operations for the current fiscal year present the amount calculated by consolidating the results of operations of the Company for 9 months (from July 1, 2010 to March 31, 2011) with the results of operations of EMOBILE for the period from April 1, 2010 to March 30, 2011. Accordingly, for the current fiscal year, the results of the Network Business and the Device Business operated by the Company represent the results of operations for 9 months (from July 1, 2010 to March 31, 2011).

2. Calculation of sales, profit or loss, assets, liabilities and amounts of other items for each reporting segment
Accounting treatment for the reported business segments are almost identical to that described in "Basis of preparation for consolidated financial statements."
The income for a reporting segment is based on the operating profit.
Intersegment internal revenue and transfer amounts are based on the prevailing market prices.

3. Information about net sales, profit (loss), assets and other items by reportable segment

Fiscal year ended March 31, 2010 (¥ in millions)

| | Reportable segment | | | Total | Adjustment (Note 1) | Amount on consolidated financial statements |
|---|---|---|---|---|---|---|
| | Mobile Business | Network Business | Device Business | | | |
| Net sales | | | | | | |
| 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 |
| Segment profit (loss) | (6,027) | 18,320 | 831 | 13,124 | 6,027 | 19,151 |
| Segment assets | 5,582 | 30,844 | 16,195 | 52,622 | 34,242 | 86,864 |
| Other items | | | | | | |
| Depreciation and amortization | – | 7,126 | 43 | 7,169 | 194 | 7,363 |
| Increase in tangible fixed assets and intangible fixed assets | – | 3,858 | 60 | 3,918 | 99 | 4,017 |

Fiscal year ended March 31, 2011 (¥ in millions)

| | Reportable segment | | | Total | Adjustment (Note 1) | Amount on consolidated financial statements |
|---|---|---|---|---|---|---|
| | Mobile Business | Network Business | Device Business | | | |
| Net sales | | | | | | |
| Outside net revenue | 140,620 | 40,921 | – | 181,541 | – | 181,541 |
| Intersegment net revenue | 2,016 | 3,883 | 7,022 | 12,921 | (12,921) | – |
| Total | 142,637 | 44,804 | 7,022 | 194,463 | (12,921) | 181,541 |
| Segment profit (loss) | 2,633 | 12,844 | 117 | 15,594 | (627) | 14,967 |
| Segment assets (*) | 253,226 | 18,808 | 96 | 272,130 | 80,822 | 352,952 |
| Other items | | | | | | |
| Depreciation and amortization | 28,232 | 4,915 | 31 | 33,179 | (69) | 33,111 |
| Amortization of goodwill | – | – | – | – | 718 | 718 |
| Increase in tangible fixed assets and intangible fixed assets | 40,307 | 1,470 | 1 | 41,778 | (933) | 40,845 |

(Notes) 1. The following tables show amounts included in “Adjustment” and their main details

Segment profit (loss) (¥ in millions)

| | Fiscal year ended March 31, 2010 | Fiscal year ended March 31, 2011 |
|---|---|---|
| Inter-segment eliminations | – | 92 |
| Amortization of goodwill | – | (718) |
| Investment loss on equity method included in segment profit | 6,027 | – |
| Total | 6,027 | (627) |

Segment assets (¥ in millions)

| | Fiscal year ended March 31, 2010 | Fiscal year ended March 31, 2011 |
|---|---|---|
| Corporate assets (Note) | 34,242 | 80,822 |
| Total | 34,242 | 80,822 |

(*) The Company has not prepared the consolidated balance sheet as of March 31, 2011. For segment assets, therefore, the described amounts are based on the amounts on the non-consolidated balance sheets for reference.

(Note) Corporate assets mainly consist of current assets (cash and deposits), deferred tax assets, long-term investment funds (investment securities) and assets related to administration department, which are not attributable to any reporting segment.

Adjusted depreciation expenses of ¥(69) million represent the elimination of ¥(198) million of intersegment transactions and corporate expenses of ¥130 million.
The adjusted amortization of goodwill in the amount of ¥718 million represents the amortized amount of goodwill arising from the operation integration between the Company and EMOBILE.
Adjusted amounts of ¥(933) million of the increase in the tangible fixed assets and intangible fixed assets represent the corporate assets of ¥76 million such as head office building not attributable to any reporting segment, and intersegment elimination of ¥(1,009) million.

[Related information]
Fiscal year ended March 31, 2011

1. Information by product and service

As similar information is disclosed in the segment information, information by product and service is not shown.

2. Information by region

(1) Net sales

As the net sales to external customers in Japan as a percentage of the sales in the consolidated statements of operations exceed 90%, information on net sales by region is not shown.

(2) Tangible fixed assets

As the Company absorbed and merged EMOBILE, which was a consolidated subsidiary, on March 31, 2011, it has not prepared consolidated balance sheet as of March 31, 2011. This is because there was no consolidated subsidiary as of March 31, 2011.

It should be noted that the amounts of tangible fixed assets located in Japan included in the non-consolidated financial statements after the merger exceeds 90% of the amount of tangible fixed assets on the non-consolidated balance sheets.

3. Information by major customer

(¥ in millions)

| Name of customer or individual | Revenue | Related business segment |
|---|---|---|
| SOFTBANK MOBILE Corp. | 27,833 | Mobile Business, Network Business |

[Impairment losses on tangible fixed assets for each reportable segment]
Fiscal year ended March 31, 2011
No items to report

[Amortization of goodwill for each reporting segment and information related to unamortized balances]
Fiscal year ended March 31, 2011
The Company and EMOBILE implemented a share exchange which took effect on July 1, 2010. The goodwill of ¥9,579 million arose as a result of application of reverse acquisition accounting treatment. Since it was impracticable to allocate the goodwill to reporting segments, the amortized goodwill was charged to corporate expenses.
The Company effected an absorption-type merger making EMOBILE the dissolving company by merger, which took effect on March 31, 2011. Therefore, there was no consolidated subsidiary at the end of the current fiscal year and therefore consolidated balance sheet was not appeared.

[Gains on negative goodwill for each reportable segment]
Fiscal year ended March 31, 2011
No items to report

(Additional Information)
Effective from the current fiscal year, the Company adopted the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No.17, March 27, 2009) and the "Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No.20, March 21, 2008).

[Related party transactions]
Fiscal year ended March 31, 2010
1. Related party transactions
Transactions between the Company filing the consolidated financial statements and related parties

Unconsolidated subsidiaries and affiliates of the Company filing the consolidated financial statements

| Description | Company | Address | Paid-in capital (¥ in millions) | Principal business | Percentage of voting rights (%) | Business relationship | |
|---|---|---|---|---|---|---|---|
| | | | | | | Interlocking directors or corporate auditors, etc. | Operational relationship |
| Affiliate | EMOBILE Ltd. | Minato-ku, Tokyo | (Capital) 71,754 | Mobile broadband communication business | 38.28 owning directly | Yes | Business alliance in mobile broadband communication business |

(¥ in millions)

| Transaction | Trading amount | Account | Ending balance |
|---|---|---|---|
| Sale of mobile terminal devices and the provision of transmission services, etc. (Note 1) | 17,620 | Accounts receivable–trade | 1,983 |
| Sale of equipments related to mobile network (Note 1) | 19,611 (Note 2) | Other current assets, Long-term accounts receivable–other from affiliate | 11,553 |
| | | Current liabilities, etc. | 1,786 |
| Collateral pledging (Note 3) | 5,582 | – | – |

Transaction's term and policy

(Note 1) Prices and other transaction terms and conditions were determined after price negotiations in which the Company offered the prices it wished to obtain with consideration given to the prevailing market conditions.

(Note 2) Trading amounts are presented by gross sales, and the profit portion is presented on a net basis for the purpose of the consolidated statements of operations.

(Note 3) With regard to the commitment lines of EMOBILE with financial institutions, all the shares of EMOBILE held by the Company have been pledged as collateral in addition to the major collateralized assets held by EMOBILE. Transaction values are the book values as of the end of the fiscal year ended March 31, 2011. The book value of shares of EMOBILE included in the non-consolidated balance sheet is ¥50,016 million.

2. Notes to significant affiliates

For the fiscal year ended March 31, 2010, EMOBILE is defined as a significant affiliate for which condensed financial information shall be disclosed. Such information is as follows.

(¥ in millions)

| | |
|---|---|
| Total current assets | 121,883 |
| Total fixed assets | 186,755 |
| Total current liabilities | 111,962 |
| Total long-term liabilities | 169,192 |
| Total net assets | 27,484 |
| Net sales | 113,605 |
| Loss before income taxes | (14,873) |
| Net loss | (14,876) |

Fiscal year ended March 31, 2011

1. Related party transactions

Transactions between the Company filing the consolidated financial statements and related parties

Unconsolidated subsidiaries and affiliates of the Company filing the consolidated financial statements

| Description | Company | Address | Paid-in capital (¥ in millions) | Principal business | Percentage of voting rights (%) | Business relationship | |
|---|---|---|---|---|---|---|---|
| | | | | | | Interlocking directors or corporate auditors, etc. | Operational relationship |
| Affiliate | EMOBILE Ltd. | Minato-ku, Tokyo | (Capital) 94,254 | Mobile broadband communication business | 38.18 owning directly | Yes | Business alliance in mobile broadband communication business |

(Note) EMOBILE was dissolved as of March 31, 2011 as a result of an absorption-type merger implemented by the Company.

(¥ in millions)

| Transaction | Trading amount | Ending balance |
|---|---|---|
| Sale of mobile terminal devices and the provision of transmission services, etc. (Note 1) | 4,273 | – |
| Sale of equipments related to mobile network (Note 1) | 2,421 (Note 2) | – |
| Capital increase through a third-party allotment (Note 3) | 17,000 | – |

Transaction's term and policy

(Note 1) Prices and other transaction terms and conditions were determined after price negotiations in which the Company offered the prices it wished to obtain with consideration given to the prevailing market conditions.

(Note 2) The trading amounts are presented by gross sales.

(Note 3) The Company underwrote the third party allotment for the capital increase implemented by EMOBILE at ¥110,000 per share.

(Note 4) EMOBILE, which was formerly an equity-method affiliate of the Company, became a consolidated subsidiary of the Company through the share exchange with the Company on July 1, 2010. In accordance with the accounting treatment for this share exchange, the transaction falls under a "reverse acquisition" in which EMOBILE acquired the Company. The consolidated financial statements of the Company for the current fiscal year have been prepared on the basis of the financial statements of EMOBILE. The above transaction described a transaction between the Company and EMOBILE before the share exchange and therefore has not been reflected in the consolidated financial statements.

2. Notes to significant affiliates

For the fiscal year ended March 31, 2011, there are no significant affiliates for which condensed financial information shall be disclosed.

(Per share information)

| Item | Fiscal year ended March 31, 2010 | Fiscal year ended March 31, 2011 |
|---|---|---|
| Net assets per share | ¥6,981.37 | ¥– (*) |
| Net income per share | ¥2,762.06 | ¥4,765.51 |
| Diluted net income per share | ¥2,170.49 | ¥4,568.24 |

(*) As the Company has not prepared consolidated balance sheet as of March 31, 2011, net assets per share for fiscal year ended March 31, 2011 is not described.

(Note) Basis for calculating net assets per share

1. Net assets per share

(¥ in millions)

| Item | Fiscal year ended March 31, 2010 |
|---|---|
| Total amounts of net assets on the consolidated balance sheet | 13,155 |
| Net assets attributable to common stock | 10,106 |
| Major breakdown of the differences | |
| Minority interests | 507 |
| Paid-in amount for preferred stock | 2,500 |
| Cash dividends paid for preferred stock | 42 |
| Total number of shares of common stock (shares) | 1,447,496 |
| Total number of shares of treasury stock (shares) | – |
| Number of common stock used to calculate net assets per share (shares) | 1,447,496 |

2. Net income per share and diluted net income per share

| Item | Fiscal year ended March 31, 2010 | Fiscal year ended March 31, 2011 |
|---|---|---|
| Net income on consolidated statements of operations (¥ in million) | 4,148 | 14,565 |
| Major breakdown of amounts not attributable to common shareholders<br>Cash dividends paid for preferred stock (¥ in million) | 169 | 140 |
| Net income related to common stock (¥ in million) | 3,979 | 14,425 |
| Average number of shares of common stock during the period (shares) | 1,440,640 | 3,026,971 (Note 1) |
| Major breakdown of adjusted net income used for calculating diluted net income per share (¥ in million) | Increase in equity in net losses of affiliates in the conversion of potential shares issued by EMOBILE to which the equity method was applied (Class A preferred stocks) to common stock (636)<br>Interest expense (after deduction of the amount equivalent to taxes) 49 | Interest expense (after deduction of the amount equivalent to taxes) 149 |
| Adjusted net income (¥ in million) | (587) | 149 |
| Major breakdown of increase in the number of common stock used for calculating diluted net income per share (shares) | The Company:<br>Share options (stock options) 5,925<br>Corporate bonds with share options 116,344 | The Company:<br>Share options (stock options) 16,864<br>Corporate bonds with share options 146,434 |
| Increase in the number of common stock (shares) | 122,269 | 163,298 (Note 2) |
| Outline of potential shares which were not used for calculating diluted net income per share as they did not have any dilutive effect (shares) | The Company:<br>Share options (stock options) 71,810<br>EMOBILE:<br>Share options (stock options) 127,038 | The Company:<br>Share options (stock options) 108,613 |

(Note 1) Of the number of shares used as a basis for calculating the average number of shares during the period (the number of shares after deducting the number of shares of treasury stock from the number of outstanding common shares issued), the number of shares for the period from the beginning date of the current fiscal year to one day prior to the share exchange was calculated by converting the number of shares of EMOBILE for the period (after deducting the shares of EMOBILE held by the Company before the share exchange) to the number of shares of the Company. The conversion of the EMOBILE shares into the shares of the Company was made on the basis of the conversion ratio in the share exchange between the Company and EMOBILE.

(Note 2) The increase in the number of shares through the exercise of some stock options was calculated in a way similar to the calculation of the average number of shares during the period.

(Significant subsequent events)

**Fiscal year ended March 31, 2010**

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 ¥12,000 million 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.

(1) Details of the issuer:

| | | |
|---|---|---|
| A. Name | EMOBILE Ltd. | |
| B. Date established | January 5, 2005 | |
| C. Description of business | Mobile telecommunication business | |
| D. Amount of capital | ¥71,754 million | |
| (After increase in capital | ¥94,254 million) | |
| E. 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 | 1,016,092 shares |
| | Preferred stock A | 333,333 shares |
| | Preferred stock A-1 | 433,335 shares |
| | Preferred stock A-2 | 651,277 shares) |

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

| | |
|---|---|
| A. Total subscription amount | ¥17,000 million |
| B. Subscription price | ¥110,000 per share |
| C. Number of shares | 154,546 shares |
| D. Purpose of the new stock subscription | To enhance the Group financial position and to maximize the Group synergy |

(3) 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) |

(4) Schedules are as follows:

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

| Fiscal year ended March 31, 2010 | |
|---|---|
| 2. Grant of stock options<br>The Company resolved at the annual shareholders meeting held on June 24, 2010 to issue stock options (share options) to the Directors, Corporate Auditors and employees of the Company and its subsidiaries as of July 1, 2010. | |
| (1) Class of stock to be issued | Common stock |
| (2) Those entitled to be granted share options | Directors, Corporate Auditors and employees of the Company and its subsidiaries as of July 1, 2010. |
| (3) Number of shares underlying the share options | 70,000 shares to the maximum extent. |
| (4) Allotment date of share options | The board of directors of the Company will determine the allotment date within one year from the resolution at the annual shareholders meeting on the issuance of share options. |
| (5) Exercise price | The amount paid when the stock option is exercised shall be the amount derived by multiplying the average price of the closing price of the common stocks of the Company at the Tokyo Stock Exchange, Inc. for each business day of the month preceding the month to which the date of issuance of share options belongs (excluding days when no transaction is agreed upon) by 1.05. Amounts less than ¥100 shall be rounded down; provided that when the amount is below the closing price on the conclusion date of the Stock Option Agreement (when no transaction is agreed upon, the closing price on the day immediately preceding the date), the closing price shall be used. |
| (6) Exercise period of share options | The board of directors of the Company determines the exercise period within the period until 10 years pass from the issuance date of share options. |

| Fiscal year ended March 31, 2011 |
| --- |

Changes in reporting segments

On March 31, 2011, the Company implemented an absorption type merger with EMOBILE where the Company would become the surviving company by merger. To optimize the business management system for the fiscal year beginning on April 1, 2011, the Company realigned its existing Mobile Business, Network Business, and Device Business and would newly segment them into wireless communication business and fixed line communication business. In line with the realignment, the "Mobile Business" and "Fixed Broadband Business" will be the reporting segments of the Company from the next fiscal year.
Mobile Business provides mobile broadband communication services, development and sales of communication terminals. Fixed Broadband Business provides high speed Internet access services and ISP services.
Meanwhile, if "Information on the amounts of sales, income or loss, assets and other items for each reporting segment for the current fiscal year" is reconciled to the business segments which will be used from the next fiscal year, they will be as shown in the table below.

Fiscal year ended March 31, 2011

(¥ in millions)

| | Reporting segment | | Total | Adjusted amount | Amount on consolidated financial statements |
| --- | --- | --- | --- | --- | --- |
| | Mobile | Fixed broadband | | | |
| Net sales | | | | | |
| Sales to external customers | 141,239 | 40,302 | 181,541 | – | 181,541 |
| Intersegment sales or transferred amounts | – | – | – | – | – |
| Total | 141,239 | 40,302 | 181,541 | – | 181,541 |
| Segment income | 3,061 | 12,625 | 15,686 | (718) | 14,967 |
| Segment assets (*) | 253,322 | 18,808 | 272,130 | 80,822 | 352,952 |
| Other items | | | | | |
| Depreciation expenses | 28,880 | 4,101 | 32,981 | 130 | 33,111 |
| Amortized goodwill | – | – | – | 718 | 718 |
| Increase in the amounts of tangible fixed assets and intangible fixed assets | 39,299 | 1,470 | 40,769 | 76 | 40,845 |

(*) As the Company has not prepared the consolidated balance sheet as of March 31, 2011, the segment assets are described based on the amounts on the non-consolidated balance sheets for reference.

E. Consolidated supplemental schedules

[Detailed schedule of bonds]

As the Company has not prepared consolidated balance sheet as of March 31, 2011, this item is presented in the notes to the non-consolidated financial statements.

[Detailed schedule of borrowings]

As the Company has not prepared consolidated balance sheet as of March 31, 2011, this item is presented in the notes to the non-consolidated financial statements.

[Detailed schedule of asset retirement obligations]

As the Company has not prepared consolidated balance sheet as of March 31, 2011, this item is presented in the notes to the non-consolidated financial statements.

**(2) Other**

Revenue, etc. for each quarter of the fiscal year ended March 31, 2011

(¥ in millions)

| | 1st Quarter (From April 1, 2010 to June 30, 2010) | 2nd Quarter (From July 1, 2010 to September 30, 2010) | 3rd Quarter (From October 1, 2010 to December 31, 2010) | 4th Quarter (From January 1, 2011 to March 31, 2011) |
|---|---|---|---|---|
| Revenue | 34,900 | 48,150 | 48,818 | 49,674 |
| Income (loss) before income taxes | (208) | 3,428 | 4,794 | (10,437) |
| Net income (loss) | (219) | 1,735 | 3,258 | 9,791 |
| Net income (loss) per share | ¥(129.29) | ¥484.33 | ¥927.44 | ¥2,813.50 |

# 2 Non-consolidated Financial Statements

## (1) Non-consolidated financial Statements

### A. Non-consolidated Balance Sheets

(As of March 31, 2010 and 2011)

| | (¥ in millions) | (¥ in millions) | ($ in thousands) |
|---|---|---|---|
| | Prior Year End | Current Year End | |
| | (As of March 31, 2010) | (As of March 31, 2011) | |
| **(ASSETS)** | | | (unaudited) |
| **Current assets** | | | |
| Cash and deposits | 25,458 | ※1 47,080 | ※1 568,874 |
| Accounts receivable-trade | 10,880 | ※1 30,263 | ※1 365,672 |
| Merchandise | 106 | ※1 2,090 | ※1 25,254 |
| Supplies | 5 | 62 | 749 |
| Advance payments-trade | 2,833 | 845 | 10,210 |
| Prepaid expenses | 410 | 3,381 | 40,853 |
| Accounts receivable-other | 3,187 | 36,584 | 442,049 |
| Income taxes receivable | - | 2,513 | 30,365 |
| Deferred tax assets | 1,714 | 4,939 | 59,679 |
| Other current assets | 334 | 199 | 2,405 |
| Allowance for bad debt | (10) | (3,520) | (42,533) |
| Total current assets | 44,916 | 124,438 | 1,503,601 |
| **Fixed assets** | | | |
| Tangible fixed assets | | | |
| Buildings | 497 | 1,726 | 20,855 |
| Accumulated depreciation | (176) | (688) | (8,313) |
| Buildings, net | 322 | 1,037 | 12,530 |
| Structures | - | 17,270 | 208,676 |
| Accumulated depreciation | - | (1,463) | (17,678) |
| Structures , net | - | 15,807 | 190,998 |
| Machinery and equipments | 47,666 | 51,502 | 622,305 |
| Accumulated depreciation and impairment loss | (37,432) | (42,668) | (515,563) |
| Machinery and equipments, net | 10,234 | 8,834 | 106,742 |
| Wireless telecommunications equipments | - | 157,214 | 1,899,638 |
| Accumulated depreciation | - | (46,445) | (561,201) |
| Wireless telecommunications equipments, net | - | 110,769 | 1,338,436 |
| Terminal equipments | 8,936 | 8,960 | 108,265 |
| Accumulated depreciation | (5,356) | (6,880) | (83,132) |
| Terminal equipments , net | 3,580 | 2,080 | 25,133 |
| Tools, furniture and fixtures | 1,311 | 5,498 | 66,433 |
| Accumulated depreciation and impairment loss | (988) | (4,459) | (53,879) |
| Tools, furniture and fixtures, net | 323 | 1,038 | 12,542 |
| Land | 307 | 307 | 3,710 |
| Construction in progress | 1,171 | 4,851 | 58,615 |
| Total tangible fixed assets | 15,936 | ※1 144,724 | ※1 1,748,719 |
| Intangible fixed assets | | | |
| Right of trademark | - | 7 | 85 |
| Right of using facilities | - | 13,882 | 167,738 |
| Software | 2,419 | 30,834 | 372,571 |
| Software in progress | 196 | 3,077 | 37,180 |
| Total intangible fixed assets | 2,614 | ※1 47,800 | ※1 577,574 |
| Investments and other assets | | | |
| Securities investments | 4,015 | 1,481 | 17,895 |
| Affiliated company stocks | 50,078 | - | - |
| Investments in other securities of subsidiaries and affiliates | 209 | 41 | 495 |
| Long-term accounts receivable-other from affiliate | 9,271 | - | - |
| Long-term prepaid expenses | 546 | 5,687 | 68,717 |
| Long-term accounts receivable-other | - | 11,961 | 144,526 |
| Guarantee deposits | 1,088 | 1,515 | 18,306 |
| Deferred income tax assets | 1,486 | 15,030 | 181,609 |
| Investments and others | - | 99 | 1,196 |
| Allowance for bad debt | - | (190) | (2,296) |
| Total investments and other assets | 66,692 | 35,623 | 430,437 |
| Total fixed assets | 85,243 | 228,147 | 2,756,730 |
| **Deferred assets** | | | |
| Bond issuance cost | 425 | 366 | 4,422 |
| Total deferred assets | 425 | 366 | 4,422 |
| **TOTAL ASSETS** | 130,584 | 352,952 | 4,264,766 |

Non-consolidated Balance Sheets (Continued)
(As of March 31, 2010 and 2011)

| | (¥ in millions) Prior Year End (As of March 31, 2010) | (¥ in millions) Current Year End (As of March 31, 2011) | ($ in thousands) Current Year End (As of March 31, 2011) |
|---|---|---|---|
| **(LIABILITIES)** | | | (unaudited) |
| **Current liabilities** | | | |
| Accounts payable-trade | 2,098 | 1,791 | 21,641 |
| Current maturities of bonds | 1,848 | 14,048 | 169,744 |
| Current portion of long-term debt | 2,854 | ※2 20,712 | ※2 250,266 |
| Current portion of capital lease obligations | 894 | 696 | 8,410 |
| Other accounts payable | 2,416 | 10,298 | 124,432 |
| Accounts payable-facilities | 664 | 9,218 | 111,382 |
| Current portion of installment obligations | 1,726 | ※2 14,031 | ※2 169,538 |
| Accrued expenses | 5,987 | 7,038 | 85,041 |
| Income tax payable | 2,890 | 509 | 6,150 |
| Accrued consumption taxes | 205 | 632 | 7,637 |
| Advances received | 1,786 | 50 | 604 |
| Deposits received | 285 | 271 | 3,275 |
| Provision for employees bonus | 19 | - | - |
| Provision for directors bonus | 88 | - | - |
| Allowance for disaster loss | - | 77 | 930 |
| Asset retirement obligations | - | 40 | 483 |
| Other current liabilities | 353 | - | - |
| Total current liabilities | 24,114 | 79,409 | 959,509 |
| **Long-term liabilities** | | | |
| Bonds, less current maturities | 26,126 | 12,640 | 152,731 |
| Long-term debt, less current portion | 19,075 | ※2 177,665 | ※2 2,146,750 |
| Capital lease obligations, less current portion | 889 | 194 | 2,344 |
| Installment obligations, less current portion | 1,640 | ※2 9,707 | ※2 117,291 |
| Long-term deposits received | 563 | - | - |
| Asset retirement obligations | - | 307 | 3,710 |
| Other long-term liabilities | 1,281 | 4 | 48 |
| Total long-term liabilities | 49,575 | 200,517 | 2,422,873 |
| **TOTAL LIABILITIES** | 73,689 | 279,926 | 3,382,383 |
| **(NET ASSETS)** | | | |
| **Shareholders' equity** | | | |
| Capital stock | 18,392 | 18,482 | 223,320 |
| Capital surplus | | | |
| Legal capital surplus | 7,043 | 49,230 | 594,853 |
| Other capital surplus | 2,039 | - | - |
| Total Capital surplus | 9,082 | 49,230 | 594,853 |
| Retained earnings | | | |
| Other retained earnings | | | |
| Retained earnings brought forward | 29,381 | 5,325 | 64,343 |
| Total retained earnings | 29,381 | 5,325 | 64,343 |
| Total shareholders' equity | 56,855 | 73,037 | 882,516 |
| **Valuation and translation adjustments** | | | |
| Valuation adjustment on securities investments | 12 | 18 | 217 |
| Deferred hedge gain / (loss) | 28 | (29) | (350) |
| Total valuation and translation adjustments | 40 | (11) | (133) |
| **TOTAL NET ASSETS** | 56,895 | 73,026 | 882,383 |
| **TOTAL LIABILITIES AND NET ASSETS** | 130,584 | 352,952 | 4,264,766 |

eAccess Ltd.

## B. Statements of Operations

## (For the years ended March 31, 2010 and 2011)

| | (¥ in millions) | (¥ in millions) | ( $ in thousands) |
|---|---|---|---|
| | Prior Year (Twelve months ended March 31, 2010) | Current Year (Twelve months ended March 31, 2011) | |
| | | | (unaudited) |
| **Revenue** | 77,029 | ※1 70,906 | ※1 856,767 |
| **Cost of revenue** | 45,409 | 42,832 | 517,545 |
| **Gross profit** | 31,621 | 28,075 | 339,234 |
| **Selling, general and administrative expenses** | | | |
| Advertising expenses | 28 | 5 | 60 |
| Promotion expenses | 5,034 | 2,854 | 34,485 |
| Provision of allowance for bad debt | - | 1 | 12 |
| Bad debt expenses | 17 | 11 | 133 |
| Salaries and benefits | 1,944 | 1,748 | 21,121 |
| Provision for directors bonus | 88 | - | - |
| Compensations | 233 | 249 | 3,009 |
| Traveling and transportation expenses | 48 | 43 | 520 |
| Rent expenses | 603 | 397 | 4,797 |
| Business consignment expenses | 3,388 | 2,593 | 31,332 |
| Recruiting expenses | 3 | 11 | 133 |
| Office supplies expenses | 12 | 2 | 24 |
| Supplies expenses | 25 | 48 | 580 |
| Communication expenses | 512 | 374 | 4,519 |
| Depreciation | 1,011 | 890 | 10,754 |
| Research and development expenses | 438 | ※2 465 | ※2 5,619 |
| Others | 844 | 970 | 11,721 |
| Total Selling, general and administrative expenses | 14,226 | 10,662 | 128,830 |
| **Operating profit** | 17,395 | 17,413 | 210,404 |
| **Non-operating income** | | | |
| Interest income | 95 | 13 | 157 |
| Dividend income | 2 | 2 | 24 |
| Gain on disposal of unpaid dividend | 19 | 15 | 181 |
| Others | 38 | 33 | 399 |
| Total non-operating income | 154 | 63 | 761 |
| **Non-operating expenses** | | | |
| Interest expense | 559 | 627 | 7,576 |
| Interest on bonds | 1,679 | 698 | 8,434 |
| Commission expense | 116 | 160 | 1,933 |
| Amortization of bond issuance costs | 41 | 96 | 1,160 |
| Others | 125 | 88 | 1,063 |
| Total non-operating expenses | 2,521 | 1,669 | 20,167 |
| **Recurring profit** | 15,027 | 15,807 | 190,998 |
| **Non-recurring profit** | | | |
| Reversal of allowance for bad debt | 6 | - | - |
| Gain on negative goodwill | 467 | - | - |
| Gain on redemption of bonds | 134 | - | - |
| Gain on sales of subsidiary's stock | - | 13 | 157 |
| Gain on elimination of tie-in shares | 928 | - | - |
| Others | 49 | - | - |
| Total non-recurring profit | 1,584 | 13 | 157 |
| **Non-recurring loss** | | | |
| Loss on elimination of tie-in shares | - | 47,931 | 579,157 |
| Loss on disposition of fixed assets | 595 | ※3 181 | ※3 2,187 |
| Loss on write-down of securities investments | 5 | 2,537 | 30,655 |
| Loss on disaster | - | 43 | 520 |
| Loss on adjustment for changes of accounting standard for asset retirement obligations | - | 22 | 266 |
| Others | 38 | 5 | 60 |
| Total non-recurring loss | 638 | 50,718 | 612,832 |
| **Income / (Loss) before income taxes** | 15,973 | (34,898) | (421,677) |
| Income tax expense-current | 4,988 | 64 | 773 |
| Income tax expense-deferred | 969 | (16,734) | (202,199) |
| Total income taxes | 5,957 | (16,670) | (201,426) |
| **Net income / (Loss)** | 10,015 | (18,228) | (220,251) |

eAccess Ltd.

Cost of Revenue

(For the years ended March 31, 2010 and 2011)

| | (¥ in millions) Prior Year (Twelve months ended March 31, 2010) | (¥ in millions) Current Year (Twelve months ended March 31, 2011) | ($ in thousands) |
|---|---|---|---|
| | | | (unaudited) |
| **Devices and related tools sold** | 10,614 | 8,908 | 107,637 |
| **Salaries and benefits** | 529 | 526 | 6,356 |
| **Expenses** | | | |
| Outsourcing | 1,807 | 1,511 | 18,258 |
| Depreciation and amortization | 5,407 | 5,896 | 71,242 |
| Network | 18,695 | 18,529 | 223,888 |
| Modem rental | 7,644 | 6,710 | 81,078 |
| Others | 713 | 751 | 9,074 |
| **Cost of revenue** | 45,409 | 42,832 | 517,545 |

eAccess Ltd.

C. Statements of Changes in Net Assets

(For the year ended March 31, 2010)

(￥ in millions)

| | Shareholders' Equity | | | | |
|---|---|---|---|---|---|
| | Capital stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| **Balance at March 31, 2009** | 18,368 | 7,019 | 22,950 | - | 48,336 |
| **Change of items during the period** | | | | | |
| Issuance of new stock, net | 24 | 24 | | | 49 |
| Cash dividends | | | (3,584) | | (3,584) |
| Net income after tax | | | 10,015 | | 10,015 |
| Increase by merger | | 2,193 | | | 2,193 |
| Purchase of treasury stock | | | | (154) | (154) |
| Retirement of treasury stock | | (154) | | 154 | - |
| Net changes of items other than shareholders' equity | | | | | - |
| **Total changes of items during the period** | 24 | 2,063 | 6,431 | - | 8,519 |
| **Balance at March 31, 2010** | 18,392 | 9,082 | 29,381 | - | 56,855 |

| | Valuation and translation adjustments | | | Total net assets |
|---|---|---|---|---|
| | Valuation difference on securities investments | Deferred hedge gain / (loss) | Total | |
| **Balance at March 31, 2009** | (4) | (356) | (360) | 47,976 |
| **Change of items during the period** | | | | |
| Issuance of new stock, net | | | | 49 |
| Cash dividends | | | | (3,584) |
| Net income after tax | | | | 10,015 |
| Increase by merger | | | | 2,193 |
| Purchase of treasury stock | | | | (154) |
| Retirement of treasury stock | | | | - |
| Net changes of items other than shareholders' equity | 16 | 384 | 400 | 400 |
| **Total changes of items during the period** | 16 | 384 | 400 | 8,918 |
| **Balance at March 31, 2010** | 12 | 28 | 40 | 56,895 |

eAccess Ltd.

Statements of Changes in Net Assets (Continued)

(For the year ended March 31, 2011)

(¥ in millions)

| | Shareholders' Equity | | | | |
|---|---|---|---|---|---|
| | Capital stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| **Balance at March 31, 2010** | 18,392 | 9,082 | 29,381 | - | 56,855 |
| **Change of items during the period** | | | | | |
| Issuance of new stock, net | 90 | 89 | | | 179 |
| Increase in share exchange | | 42,097 | | | 42,097 |
| Cash dividends | | | (5,045) | | (5,045) |
| Net loss after tax | | | (18,228) | | (18,228) |
| Purchase of treasury stock | | | | (2,821) | (2,821) |
| Retirement of treasury stock | | (2,038) | (784) | 2,821 | - |
| Net changes of items other than shareholders' equity | | | | | - |
| **Total changes of items during the period** | 90 | 40,148 | (24,056) | - | 16,182 |
| **Balance at March 31, 2011** | 18,482 | 49,230 | 5,325 | - | 73,037 |

| | Valuation and translation adjustments | | | Total net assets |
|---|---|---|---|---|
| | Valuation difference on securities investments | Deferred hedge gain / (loss) | Total | |
| **Balance at March 31, 2010** | 12 | 28 | 40 | 56,895 |
| **Change of items during the period** | | | | |
| Issuance of new stock, net | | | | 179 |
| Increase in share exchange | | | | 42,097 |
| Cash dividends | | | | (5,045) |
| Net loss after tax | | | | (18,228) |
| Purchase of treasury stock | | | | (2,821) |
| Retirement of treasury stock | | | | - |
| Net changes of items other than shareholders' equity | 7 | (57) | (51) | (51) |
| **Total changes of items during the period** | 7 | (57) | (51) | 16,131 |
| **Balance at March 31, 2011** | 18 | (29) | (11) | 73,026 |

eAccess Ltd.

Statements of Changes in Net Assets (Continued)

(For the year ended March 31, 2011)

(Unaudited) ( $ in thousands)

| | Shareholders' Equity | | | | |
|---|---|---|---|---|---|
| | Capital stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| **Balance at March 31, 2010** | 222,233 | 109,739 | 355,014 | - | 686,986 |
| **Change of items during the period** | | | | | |
| Issuance of new stock, net | 1,087 | 1,075 | | | 2,163 |
| Increase in share exchange | | 508,664 | | | 508,664 |
| Cash dividends | | | (60,959) | | (60,959) |
| Net loss after tax | | | (220,251) | | (220,251) |
| Purchase of treasury stock | | | | (34,087) | (34,087) |
| Retirement of treasury stock | | (24,625) | (9,473) | 34,087 | - |
| Net changes of items other than shareholders' equity | | | | | - |
| **Total changes of items during the period** | 1,087 | 485,114 | (290,672) | - | 195,529 |
| **Balance at March 31, 2011** | 223,320 | 594,853 | 64,343 | - | 882,516 |

| | Valuation and translation adjustments | | | Total net assets |
|---|---|---|---|---|
| | Valuation difference on securities investments | Deferred hedge gain / (loss) | Total | |
| **Balance at March 31, 2010** | 145 | 338 | 483 | 687,470 |
| **Change of items during the period** | | | | |
| Issuance of new stock, net | | | | 2,163 |
| Increase in share exchange | | | | 508,664 |
| Cash dividends | | | | (60,959) |
| Net loss after tax | | | | (220,251) |
| Purchase of treasury stock | | | | (34,087) |
| Retirement of treasury stock | | | | - |
| Net changes of items other than shareholders' equity | 85 | (689) | (616) | (616) |
| **Total changes of items during the period** | 85 | (689) | (616) | 194,913 |
| **Balance at March 31, 2011** | 217 | (350) | (133) | 882,383 |

[Notes on premise of going concern ]
No items to report

[Significant Accounting Policies]

| Item | Fiscal year ended March 31, 2010 | Fiscal year ended March 31, 2011 |
|---|---|---|
| 1. Valuation policy and methods for securities | (1) Subsidiary and affiliated company's stock<br>Stated at cost using moving-average method.<br>(2) Available-for-sale securities<br>a. Securities with fair market value<br>Stated at fair value (valuation difference is treated using the direct net asset adjustment method, and cost of securities sold is determined by the moving-average method) based on fair value at the balance sheet date.<br>b. Securities without fair market value<br>Stated at cost using moving-average method.<br>Additionally, with regard to contributions to investment business limited liability partnerships and similar partnerships (according to Article 2, Paragraph 2 of the Financial Instruments and Exchange Act, such contributions are regarded as negotiable securities), the Company mainly uses, as the book value, the net value of its holdings of partnership assets. | (1) Subsidiary and affiliated company's stock<br>Same as on the left<br>(2) Available-for-sale securities<br>a. Securities with fair market value<br>Same as on the left<br>b. Securities without fair market value<br>Same as on the left |
| 2. Valuation policy and method for derivatives | Derivatives<br>Stated at fair market value. | Derivatives<br>Same as on the left |
| 3. Valuation policy and method for inventories | Merchandise and supplies<br>Stated at cost using moving-average method (devaluating book value method based on decreases in profitability). | Merchandise and supplies<br>Same as on the left |

| Item | Fiscal year ended March 31, 2010 | Fiscal year ended March 31, 2011 |
|---|---|---|
| 4. Depreciation method and standards for fixed assets | (1) Tangible fixed assets<br>A. Tangible fixed assets other than lease assets<br>Buildings (excluding leasehold improvements), machinery and equipments, and terminal equipments are depreciated with the straight-line method. Leasehold improvements and tools, furniture and fixtures are depreciated with the declining-balance method. The main estimated useful lives are as follows:<br>Buildings 8 - 33 years<br>Machinery and equipments 6 years<br>Terminal equipments 3 years<br>Tools, furniture and fixtures 2 - 20 years<br>B. Lease assets<br>For leased items recognized as assets and related construction costs for “machinery and equipments,” “terminal equipments” and “tools, furniture and fixtures,” (items related to finance lease transactions other than those in which the lessee is given rights approximating to ownership), the straight-line method is applied with the lease term as the useful life and the residual value set at zero. | (1) Tangible fixed assets<br>A. Tangible fixed assets other than lease assets<br>Buildings (excluding leasehold improvements), structures, machinery and equipments, wireless telecommunications equipments and terminal equipments are depreciated with the straight-line method. Leasehold improvements and tools, furniture and fixtures are depreciated with the declining-balance method. The main estimated useful lives are as follows:<br>Buildings 8 - 33 years<br>Structures 30 years<br>Machinery and equipments 6 years<br>Wireless telecommunications equipments 9 years<br>Terminal equipments 3 years<br>Tools, furniture and fixtures 2 - 20 years<br>B. Lease assets<br>For leased items recognized as assets and related construction costs for “machinery and equipments,” “terminal equipments” and “tools, furniture and fixtures,” (items related to finance lease transactions other than those in which the lessee is given rights approximating to ownership), the straight-line method is applied with the lease term as the useful life and the residual value set at zero. |

| Item | Fiscal year ended March 31, 2010 | Fiscal year ended March 31, 2011 |
|---|---|---|
| | (2) Intangible fixed assets<br>(Software)<br>For software for internal use, the straight-line method is applied based on the software's estimated useful life within the Company (3 - 5 years). | (2) Intangible fixed assets<br>(Software)<br>For software for internal use, the straight-line method is applied based on the software's estimated useful life within the Company (5 years).<br>(Right of using facilities)<br>Depreciated over 20 years using straight-line method. |
| 5. Accounting for deferred assets | (1) Issuance costs for stocks<br>Issuance costs for stocks are charged to income as incurred.<br>(2) Issuance costs for bonds<br>Issuance costs for bonds are amortized by the straight-line method over the years until the maturing dates. | (1) Issuance costs for stocks<br>Same as on the left<br>(2) Issuance costs for bonds<br>Same as on the left |
| 6. Accounting for allowances and reserves | (1) Allowance for bad debt<br>To prepare for uncollectible credits in accounts receivable, etc., the Company provides an allowance for general credits using actual bad debt ratio, and provides an allowance for an estimated unrecoverable amount of specific credits deemed to be uncollectible after considering possible losses on collection.<br>(2) Provision for directors bonus<br>The Company recognizes provision for directors bonus for an amount to be paid subsequent to the fiscal year-end.<br>(3) Provision for bonus<br>The Company recognizes provision for employees bonus for an amount to be paid subsequent to the fiscal year-end.<br>(4) — | (1) Allowance for bad debt<br>Same as on the left<br>(2) —<br>(3) —<br>(4) Reserve for loss on disaster<br>In preparation for the restoration of assets damaged by the Great East Japan Earthquake on March 11, 2011, the reserve was provided for the estimated amounts required for the restoration, which was mainly for asset removal expenses at the base stations damaged by the disaster. |

| Item | Fiscal year ended March 31, 2010 | Fiscal year ended March 31, 2011 |
|---|---|---|
| 7. Method for hedge accounting | (1) Method for hedge accounting<br>Hedges are treated with deferred profits/losses on hedges. Forward exchange contracts are translated at the foreign exchange rates stipulated in the contract if the forward exchange contract satisfies the requirements for this treatment.<br>(2) Hedging instruments and hedged items<br>(Hedging instruments)<br>Forward exchange contracts<br>(Hedged items)<br>Planned transactions denominated in foreign currencies<br>(3) Hedging policy<br>Forward exchange contracts are conducted as a measure against risks due to foreign exchange fluctuations.<br>(4) Assessment of effectiveness of hedge<br>The Company compares the accumulated changes in prices between hedged items and hedging instruments during the period from the commencement of hedge to the assessment of effectiveness of hedge and tests the effectiveness of hedge on the basis of their accumulated changes. When significant terms and conditions of hedging instruments and hedged items are identical and changes in prices and cash flows are expected to be offset in full at the commencement of hedge and continuously thereafter, the Company omits the assessment of the effectiveness of hedge. For any items which have not been qualified for hedge accounting as a result of the assessment of effectiveness of hedge, the Company discontinues the application of hedge accounting to them. | (1) Method for hedge accounting<br>Same as on the left<br>(2) Hedging instruments and hedged items<br>(Hedging instruments)<br>Same as on the left<br>(Hedged items)<br>Same as on the left<br>(3) Hedging policy<br>Same as on the left<br>(4) Assessment of effectiveness of hedge<br>Same as on the left |

| Item | Fiscal year ended March 31, 2010 | Fiscal year ended March 31, 2011 |
|---|---|---|
| 8. Other significant matters forming the basis of preparation of financial statements | Accounting treatment of consumption taxes, etc.<br>Items subject to consumption taxes, etc. are recorded at amounts exclusive of consumption taxes, etc. | Accounting treatment of consumption taxes, etc.<br>Same as on the left |

[Changes in accounting policies]

Changes in accounting policies

| Fiscal year ended March 31, 2010 | Fiscal year ended March 31, 2011 |
| --- | --- |
| (Adoption of Accounting Standard for Business Combination)<br>As "Accounting Standard for Business Combinations" (ASBJ Statement No.21, December 26, 2008), "Partial Amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No.23, December 26, 2008), "Accounting Standard for Business Divestitures" (ASBJ Statement No.7, December 26, 2008), and "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 the fiscal year ended March 31, 2010. | (Adoption of Accounting Standard for Asset Retirement Obligations)<br>Effective from the fiscal year ended March 31, 2011, the Company adopted the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No.18, March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No.21, March 31, 2008).<br>As a result of this change, operating profit and recurring profit decreased ¥5 million, respectively, and Net loss before taxes increased ¥27 million. |

[Changes in presentation]

| Fiscal year ended March 31, 2010 | Fiscal year ended March 31, 2011 |
|---|---|
| (Non-consolidated statements of operations)<br>(1) Gain on disqualified dividends payable, which was included in others in non-operating profit, is presented individually because the amount has become significant for the current fiscal year. The amount of gain on disqualified dividends payable included in others in non-operating profit for the previous fiscal year amounted to ¥6 million.<br>(2) Interest expense and interest on bonds, which were included in interest expense in non-operating expenses for the previous fiscal year, are presented individually as the amount of interest expense has become more significant for the current fiscal year. Interest expense and interest on bonds in interest expense in non-operating expenses for the previous fiscal year amounted to ¥150 million and ¥1,779 million, respectively. | — |

[Notes]

(Notes to non-consolidated balance sheets)

| Fiscal year ended March 31, 2010 | Fiscal year ended March 31, 2011 |
|---|---|
| *1. Assets pledged as collateral for commitment line of affiliates<br>EMOBILE Ltd. (EMOBILE), which was an affiliate of the Company, established commitment lines of ¥220,000 million in total for the borrowing period up to 7 years with 34 banks to secure funds necessary for mobile businesses. The actual borrowed amount of EMOBILE as of the end of the current fiscal year was ¥219,950 million. In addition to major assets (with the book value of ¥233,383 million as of March 31, 2010) of EMOBILE pledged as collateral, the shares of stock of EMOBILE held by the Company have also been pledged as collateral for the commitment line agreements. The period and book values of assets pledged as collateral as of the end of the current fiscal year are as follows:<br>(Period for pledging assets as collateral)<br>Until the borrowings under the commitment line are repaid in full. | *1. Assets pledged as collateral<br>Collateral provided for syndicated loan<br>Major assets held by the Company were pledged as collateral for the syndicated loans (*3) for the Company. The period and book values of assets pledged as collateral as of the end of the current fiscal year are as follows:<br>(Period for pledging assets as collateral)<br>Until the borrowings under the syndicated loan are repaid in full. |

<table>
<tr><th>Fiscal year ended March 31, 2010</th><th>Fiscal year ended March 31, 2011</th></tr>
<tr><td>(Collateralized assets)<br>(¥ in millions)<br>Affiliated company stocks<br>Shares of EMOBILE 50,016<br><br>Certain financial covenants and operating covenants have been provided for the commitment line. As of March 31, 2010, the Company has not breached any of the provisions of the financial covenants or operating covenants.</td><td>(Collateralized assets)<br>(¥ in millions)<br>Cash and deposits 28,461<br>Accounts receivable-trade 24,032<br>Merchandise 2,090<br>Tangible fixed assets 115,562<br>Intangible fixed assets 45,643<br>Total 215,788<br><br>Certain financial covenants and operating covenants are provided for the syndicated loans. As of March 31, 2011, the Company has not breached any of the provisions of the financial covenants or operating covenants.</td></tr>
<tr><td>*2. Assets and liabilities to affiliates<br>Other than separately presented amounts, assets and liabilities to affiliates are as follows.<br>(¥ in millions)<br>Accounts receivable–trade 2,062<br>Accounts receivable–other 3,065<br>Accounts payable–trade 92<br>Other Accounts payable 265<br>Accrued expenses 138<br>Advances received 1,786<br>Other current liabilities (unearned revenue) 353<br>Other long-term liabilities (long-term unearned revenue) 1,281</td><td>—</td></tr>
</table>

| Fiscal year ended March 31, 2010 | Fiscal year ended March 31, 2011 |
|---|---|
| *3. State of borrowings under the commitment line<br>The Company established commitment lines of ¥12,000 million in total for a borrowing period of up to 4 years and 10 months with two banks and a commitment line of ¥24,465 million for a borrowing period of up to 8 years and 6 months with one bank, in order to secure funds necessary for working capital and capital investments. The actual amounts borrowed as of the end of the current fiscal year were ¥9,000 million and ¥12,930 million, respectively. Financial covenants have been provided for these commitment lines.<br>In addition, the Company entered into an overdraft agreement of ¥1,000 million in total with one bank in order to secure working capital. The Company has not made any actual borrowing under the overdraft agreement as of March 31, 2010. | *3. State of borrowings under the commitment line<br>(1) The Company established commitment lines of ¥7,667 million in total for a borrowing period of up to 4 years and 10 months with two banks and a commitment line of ¥22,695 million for a borrowing period of up to 8 years and 6 months with one bank, in order to secure funds necessary for working capital and capital investments. The Company also entered into an installment disbursement term loan agreement of ¥7,422 million in total for a borrowing period of up to 5 years and 10 months with one bank. The actual amounts borrowed as of March 31, 2011 were ¥7,667 million, ¥22,695 million, and ¥3,015 million, respectively.<br>Certain financial covenants have been provided for these commitment lines.<br><br>(2) The Company refinanced borrowings which EMOBILE made in March 2006 in order to secure necessary funds for mobile businesses with a view to strengthening the mid- and long-term financial foundation, and entered into syndicated loans of ¥165,000 million in total for a borrowing period of up to 5 years with 21 financial institutions. The actual amount borrowed as of March 31, 2011 was ¥165,000 million.<br>Certain financial covenants and operating covenants are provided for the syndicated loans. The major provisions of financial covenants and operating covenants are as follows. In the event of breach of these covenants, the Company might be demanded for repayment of all the interest-bearing debts under this commitment line.<br>The Company has not breached any of the financial covenants or operating covenants below as of March 31, 2011. |

| Fiscal year ended March 31, 2010 | Fiscal year ended March 31, 2011 |
|---|---|
| | • Financial covenants<br>A. The Company shall meet the required debt service coverage ratio (*1)<br>B. The Company shall meet the required interest coverage ratio (*2)<br>C. The Company shall meet the required leverage ratio (*3)<br>D. The Company shall maintain positive net worth during the loan period<br>*1 Debt service coverage ratio: amount available for repayment / total payment of principal and interest<br>*2 Interest coverage ratio: EBITDA (Earning Before Interest, Taxes, Depreciation, and Amortization) / total interest expenses<br>*3 Leverage ratio: (interest-bearing debt outstanding–cash and deposits) / EBITDA<br>• Operating covenants<br>A. The Company shall meet the required population coverage ratio or the required aggregate number of base stations<br>B. The Company shall meet the required target for the number of subscribers<br>The state of assets pledged as collateral is described in *1.<br>(3) On March 1, 2011, EMOBILE entered into installment sales agreements with 4 lease companies in order to raise funds necessary to purchase communication terminals for mobile businesses. The Company has taken over these agreements. The outstanding balances of unexecutory agreements as of the end of the current fiscal year are as follows.<br>(¥ in millions)<br>Total amount of installment 6,000<br>Used amount 2,148<br>Unused amount of installment 3,852 |

(Notes to non-consolidated statements of operations)

| Fiscal year ended March 31, 2010 | Fiscal year ended March 31, 2011 |
|---|---|
| *1. Matters regarding affiliated companies<br>(¥ in millions)<br>Revenue 17,799 | *1. Matters regarding affiliated companies<br>(¥ in millions)<br>Revenue 15,000 |

| Fiscal year ended March 31, 2010 | Fiscal year ended March 31, 2011 |
|---|---|
| *2. Total of research and development expenses (¥ in millions)<br>Research and development expenses included in general and administrative expenses 438 | *2. Total of research and development expenses (¥ in millions)<br>Research and development expenses included in general and administrative expenses 465 |
| *3. The details of loss on disposition of fixed assets (¥ in millions)<br>Machinery and equipments 65<br>Terminal equipments 324<br>Tools, furniture and fixtures 40<br>Building 9<br>Total loss on disposition of tangible fixed assets 439<br><br>Software 138<br>Software in progress 16<br>Total loss on disposition of intangible fixed assets 154<br><br>Others 3<br>3 | *3. The details of loss on disposition of fixed assets (¥ in millions)<br>Buildings 0<br>Machinery and equipments 1<br>Terminal equipments 164<br>Tools, furniture and fixtures 1<br>Total loss on disposition of tangible fixed assets 166<br><br>Software 14<br>Total loss on disposition of intangible fixed assets 14 |

(Notes to non-consolidated statements of changes in net assets)

Fiscal year ended March 31, 2010

Treasury stock

| Class of shares | As of March 31, 2009 | Increase | Decrease | As of March 31, 2010 |
|---|---|---|---|---|
| Common stock (shares) | – | 1,955 | 1,955 | – |

(Note) The increase of 1,955 shares in the number of shares of treasury stock is due to the purchase of a fraction of less than one share in the merger of ACCA Networks Co., Ltd. (ACCA). The decrease of 1,955 shares in the number of shares of treasury stock is due to the cancellation of a fraction of less than one share.

Fiscal year ended March 31, 2011

1. Number of issued shares

| Class of shares | As of March 31, 2010 | Increase | Decrease | As of March 31, 2011 |
|---|---|---|---|---|
| Common stock (shares) | 1,447,496 | 2,061,847 | 45,591 | 3,463,752 |
| Class 1 preferred stock (shares) | 25 | – | – | 25 |

(Note) The increase of 2,061,847 shares in the number of common shares reflects the increase of 5,884 shares through the exercise of stock options and the increase of 2,055,963 via the share exchange by and between the Company and EMOBILE Ltd. (EMOBILE). The decrease of 45,591 shares in the number of common shares is due to the cancellation of shares of treasury stock.

2. Treasury stock

| Class of shares | As of March 31, 2010 | Increase | Decrease | As of March 31, 2011 |
|---|---|---|---|---|
| Common stock (shares) | – | 45,591 | 45,591 | – |

(Note 1) The increase of 45,591 shares in the number of shares of treasury stock reflects the increase of 36,800 shares due to the demand for the purchase by dissenting shareholders pursuant to Article 797, Paragraph 1 of the Companies Act governing the share exchange with EMOBILE, the increase of 14 shares due to the purchase of shares less than the number of shares constituting one trading lot, and the increase of 8,777 shares due to the purchase on markets.

(Note 2) The decrease of 45,591 shares in the number of shares of treasury stock is due to the cancellation of shares of treasury stock.

3. Share options

Share options as stock options

There is no outstanding balance of share options as of March 31, 2011.

4. Dividends

(1) Dividends paid

| Resolution | Class of shares | Total amounts of dividends (¥ in millions) | Dividend per share (¥) | Record date | Effective date |
|---|---|---|---|---|---|
| May 12, 2010 Board meeting | Common stock | 868 | 600 | March 31, 2010 | June 25, 2010 |
| May 12, 2010 Board meeting | Class 1 preferred stock | 42 | 1,693,438 | March 31, 2010 | June 25, 2010 |
| May 12, 2010 Board meeting | Common stock | 2,609 | 1,800 | June 30, 2010 | September 10, 2010 |
| August 4, 2010 Board meeting | Class 1 preferred stock | 47 | 1,862,188 | June 30, 2010 | September 10, 2010 |
| November 11, 2010 Board meeting | Common stock | 692 | 200 | September 30, 2010 | December 10, 2010 |
| November 11, 2010 Board meeting | Class 1 preferred stock | 47 | 1,862,188 | September 30, 2010 | December 10, 2010 |
| February 9, 2011 Board meeting | Common stock | 693 | 200 | December 31, 2010 | March 11, 2011 |
| February 9, 2011 Board meeting | Class 1 preferred stock | 47 | 1,862,188 | December 31, 2010 | March 11, 2011 |

(Note) Dividend per share amounts less than ¥1 are rounded off.

(2) Dividends whose record date falls in the fiscal year and have an effective date in the next fiscal year

| Resolution | Class of shares | Source of dividends | Total amounts of dividends (¥ in millions) | Dividend per share (¥) | Record date | Effective date |
|---|---|---|---|---|---|---|
| May 12, 2011 Board meeting | Common stock | Retained earnings | 693 | 200 | March 31, 2011 | June 27, 2011 |
| May 12, 2011 Board meeting | Class 1 preferred stock | Retained earnings | 47 | 1,862,188 | March 31, 2011 | June 27, 2011 |

(Note) Dividend per share amounts less than ¥1 are rounded off.

(Lease transactions)

Fiscal year ended March 31, 2010

1. Finance lease transactions (Lessees' accounting)

Finance lease transactions that do not transfer ownership

A. Leased assets

Tangible fixed assets

The above consist of primarily telecommunications equipments in Network Business (machinery and equipments and terminal equipments)

B. Depreciation method for leased assets

Please refer to Significant Accounting Policies 4. Depreciation method and standards for fixed assets.

2. Operating lease transactions (Lessees' accounting)

Future minimum lease payments subsequent to March 31, 2010 are summarized as follows:

| | (¥ in millions) |
|---|---|
| Due in one year or less | 1,090 |
| Due after one year | 1,064 |
| Total | 2,154 |

Fiscal year ended March 31, 2011

1. Finance lease transactions (Lessees' accounting)

Finance lease transactions that do not transfer ownership

A. Leased assets

Tangible fixed assets

The above consist of primarily telecommunications equipments in Network Business (machinery and equipments and terminal equipments)

B. Depreciation method for leased assets

Please refer to Significant Accounting Policies 4. Depreciation method and standards for fixed assets.

2. Operating lease transactions (Lessees' accounting)

Future minimum lease payments subsequent to March 31, 2011 are summarized as follows:

| | (¥ in millions) |
|---|---|
| Due in one year or less | 1,145 |
| Due after one year | 1,389 |
| Total | 2,535 |

(Financial Instruments)

Fiscal year ended March 31, 2011

(1) Financial Instruments

A. Policies for using financial instruments

The Company raises 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 secure 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.

B. Details of financial instruments used and the exposures to risk

1. Accounts receivable–trade and other are exposed to customers' credit risk.
2. Securities investments mainly consist of equity securities related to customers and suppliers in relation to business. Some of these securities are exposed to risk of market price fluctuation.
3. With respect to operating debts such as accounts payable–trade and other accounts payable, payment terms are generally less than three months, while payment terms for some accounts payable–facilities are up to six months. Some operating debts are exposed to foreign exchange fluctuation risk because they are denominated in foreign currencies. They are hedged by forward exchange contracts.
4. Loans, bonds and installment obligations are generally for the purpose of funds related to capital expenditure and purchase of terminals. The longest redemption date is eight years from the end of the current fiscal year. Some of them have floating interest rates and are exposed to interest rate fluctuation risk.
5. Derivative transactions are related to forward exchange contracts and are used to hedge foreign exchange fluctuation risk of operating debt denominated in foreign currencies.

   With respect to hedging instruments and hedged items, hedging policy and the assessment of the effectiveness of hedge accounting, please refer to Significant Accounting Policies 7. Method for hedge accounting.

C. Risks relating to financial instruments and the management system thereof

1. Credit risk management (customer's default risk)

   At the Company, in order to properly manage operating receivables, in accordance with the credit control policy, the conditions of main business partners are periodically reviewed, and the due dates and outstanding balances for individual business partners are managed. In addition, the Company makes efforts for early identification and mitigation of default risk resulting from factors such as a deterioration in financial conditions.

   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.
2. Market risk management (foreign currency exchange and interest rate fluctuation risk)

   The Company principally uses forward exchange contracts to hedge foreign exchange fluctuation risk. With respect to securities investment, the Company identifies and monitors fair market values and financial positions of the issuers on a regular basis and continuously reviews the 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 transactions instructs those 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.

3. Liquidity risk management on fund raising (risk of inability to repay at payment due dates)
   The Company controls its liquidity risk by preparing and updating payment schedule management plans on a timely basis based on reports from each department, and by maintaining certain levels of liquidity on hand.

D. Supplemental explanation on the fair value of financial instruments

Fair values of financial instruments include market prices and reasonably estimated values when market prices are unavailable. As variable factors are incorporated into the estimation of the relevant fair value, it may vary depending on the assumptions used.

(2) Fair Value of Financial Instruments

Carrying amount, fair value and the difference between them as of March 31, 2011 are shown below. Financial instruments for which it is considered extremely difficult to determine the fair values are excluded from the following table. (See Note 2)

(¥ in millions)

| | | Amount recorded on the non-consolidated balance sheet | Fair value | Difference |
|---|---|---|---|---|
| (1) | Cash and deposits | 47,080 | 47,080 | – |
| (2) | Accounts receivable–trade | 30,263 | | |
| | Allowance for bad debt (*1) | (3,434) | | |
| | | 26,829 | 26,829 | – |
| (3) | Accounts receivable–other (*3) | 48,545 | | |
| | Allowance for bad debt (*2) | (177) | | |
| | | 48,368 | 48,299 | (68) |
| (4) | Securities investments | | | |
| | Available-for-sale securities | 77 | 77 | – |
| Total assets | | 122,354 | 122,286 | (68) |
| (1) | Accounts payable–trade | 1,791 | 1,791 | – |
| (2) | Other accounts payable | 10,298 | 10,298 | – |
| (3) | Accounts payable–facilities | 9,218 | 9,218 | – |
| (4) | Installment obligations (*4) | 23,738 | 23,783 | 45 |
| (5) | Bonds (*5) | 26,688 | 27,595 | 906 |
| (6) | Long-term debt (*5) | 198,376 | 198,257 | (120) |
| Total liabilities | | 270,109 | 270,941 | 832 |
| Financial derivative transactions (*4) | | 26 | 26 | – |

(*1) The allowance for bad debt, which is individually set up for corresponding accounts receivable–trade is deducted.

(*2) The allowance for bad debt, which is individually set up for corresponding accounts receivable–other is deducted.

(*3) The amount includes short-term accounts receivable–other in current assets and long-term accounts receivable–other in investments and other assets.

(*4) The amount includes the current portion of installment obligations and installment obligations in long-term liabilities.

(*5) The amount includes the current maturities of bonds and current portion of long-term debt.

(*6) The values of assets and liabilities arising from financial derivative transactions are shown at net value, and with the amount in parentheses representing net liability position.

(Notes) 1. Measurement method of the fair value of financial instruments and matters relating to securities and derivative transactions

Assets:

(1) Cash and deposits

The book value is close to fair value because these items are settled within a short period.

(2) Accounts receivable–trade

These items take credit risk into consideration by deducting allowances.

(3) Accounts receivable–other

Fair value is measured based on a present value of receivables calculated by classifying receivables, whose credit risk are taken into consideration by deducting allowances, into certain periods and discounting them using relevant yields of Japanese Government Bonds and the periods until maturity.

(4) Securities investments

In relation to the market value of investment securities, for shares the market prices of exchanges are used.

Liabilities

(1) Accounts payable–trade, (2) Other accounts payable, (3) Accounts payable–facilities

The book value is close to fair value because these items are settled within a short period.

(4) Installment obligations

The fair value of installment obligations is calculated by applying a discount rate to the total of scheduled principal and interest. That discount rate is based on the assumed interest rate applicable if a similar new loan was entered into.

(5) Bonds

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

(6) Long-term debt

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

Derivative transactions:

Fair value is measured based on the information obtained from the trading companies with which the Company has forward exchange contracts. Forward exchange contracts that are accounted for by hedge accounting and translated at the foreign exchange rate stipulated in the contract (excluding forecast transactions) are treated as an integral part of accounts payable-trade. As a result, their fair values are included in the fair value of accounts payable-trade.

2. Financial instruments for which it is deemed extremely difficult to measure the fair value

(¥ in millions)

| Classification | Holding purpose | Amount recorded on the non-consolidated balance sheet |
|---|---|---|
| Non-marketable securities | Securities investment<br>Available-for-sale securities | 1,404 |
| Investment Limited Partnership | Securities of other subsidiaries and affiliated companies | 41 |

These are not included in the scope of fair value disclosure as it is deemed difficult to measure the fair value because they are nonmarketable.

3. Planned maturity amounts after March 31, 2011 for monetary assets

(¥ in millions)

| | Due within one year | Due after one year but within five years | Due after five years but within ten years | Due after ten years |
|---|---|---|---|---|
| Cash and deposits | 47,080 | – | – | – |
| Accounts receivable–trade | 30,263 | – | – | – |
| Accounts receivable–other | 36,584 | 11,961 | – | – |

4. Planned repayment amounts for bond, long-term debt, capital lease obligations and installment obligations after March 31, 2011
   Please refer to the sections "Detailed schedule of bonds" and "Detailed schedule of borrowings" in the Supplemental schedules.

(Securities)

Fiscal year ended March 31, 2010

(Additional information)

Effective from the fiscal year ended March 31, 2010, the "Accounting Standard for Financial Instruments" (ASBJ Statement No.10, issued on March 10, 2008) and the "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19, issued on March 10, 2008) have been applied.

As securities of subsidiaries and securities of other subsidiaries and affiliated companies (the amounts recorded on the non-consolidated balance sheets are ¥50,078 million and ¥209 million, respectively) have no market prices and determining their fair values is deemed extremely difficult, they are not shown here.

Fiscal year ended March 31, 2011

1. Securities of other subsidiaries and affiliated companies

As securities of other subsidiaries (the amount recorded on the non-consolidated balance sheets is ¥41 million) have no market prices and determining their fair values is deemed extremely difficult, they are not shown here.

2. Available-for-sale securities

(¥ in millions)

| Classification | Type | Amount on non-consolidated balance sheets | Acquisition cost | Difference |
|---|---|---|---|---|
| Items where value recorded on non-consolidated balance sheets exceeds acquisition cost | Stock | 77 | 46 | 31 |
| Subtotal | | 77 | 46 | 31 |
| Total | | 77 | 46 | 31 |

(Note) Unlisted stocks (¥1,404 million recorded on the non-consolidated balance sheets) had no market prices and they were deemed extremely difficult to determine fair values. As a result, they were not included in "Available-for-sale securities" in the above table. As described in "4 Securities impaired during the fiscal year ended March 31, 2011," the Company recognized impairment on these securities and presented the amount of ¥1,404 million after the impairment treatment on the non-consolidated balance sheet.

3. Available-for-sale securities sold during the fiscal year ended March 31, 2011
No items to report

4. Securities impaired during the fiscal year ended March 31, 2011
The Company recognized impairment to the amount of ¥2,537 million for available-for-sale securities whose fair values were deemed extremely difficult to determine during the fiscal year ended March 31, 2011.
In applying impairment accounting, when the fair value at the end of the current fiscal year declined by 30% or more compared with acquisition costs, we deemed such decline to be a "considerable decline." If the fair value of equities declined by 50% or more, we recognized impairment on them. When such decline was between 30% and less than 50%, we recognized impairment on items except those whose fair values were determined to be recoverable.
For equities whose fair values were deemed extremely difficult to determine, when the substantive prices declined by 50% or more compared with the acquisition prices due to the deterioration of financial position of the issuer of the equities, the Company deemed the decline to be a considerable decline, and recognized impairment on them except in cases where their recoverability was supported by sufficient evidence.

(Derivative transactions)
Fiscal year ended March 31, 2011
1. Non designated derivative financial instruments
No items to report

2. Designated derivative financial instruments
Currency-related transactions

(¥ in millions)

<table>
<tr><th rowspan="2">Transaction type</th><th rowspan="2">Type</th><th rowspan="2">Hedged items</th><th colspan="3">For the fiscal year ended March 31, 2011</th><th rowspan="2">Calculation of fair value</th></tr>
<tr><th>Contract Amount</th><th>Portion due over one year</th><th>Fair value</th></tr>
<tr><td rowspan="3">Forward exchange contracts are translated at the foreign exchange rates stipulated in the contract</td><td>Foreign exchange forward contract<br>Buy contracts</td><td></td><td></td><td></td><td></td><td rowspan="4">The fair values are based on the price quoted by the trading company with which the Company has business transactions.</td></tr>
<tr><td>USD</td><td>Accounts payable–trade</td><td>3,441</td><td>–</td><td>26</td></tr>
<tr><td>USD</td><td>Accounts payable–trade</td><td>1,096</td><td>–</td><td>(Note)</td></tr>
<tr><td colspan="3"></td><td>4,536</td><td>–</td><td>26</td></tr>
</table>

(Note) Forward exchange contracts are accounted for as an integral part of foreign currency denominated payables, which are hedged items. As a result, their fair values are included in the fair value of accounts payable-trade.

(Stock options)

Fiscal year ended March 31, 2011

1. Description of stock options/Changes in the size of stock options

(1) Description of stock options

| Date of resolution | September 10, 2001 | February 25, 2002 | August 6, 2002 |
|---|---|---|---|
| Category and number of people to whom stock options are granted | The Company's Directors: 3<br>The Company's employees: 197<br>Qualified supporters: 3 | The Company's Directors: 3<br>The Company's employees: 196 | The Company's Directors: 3<br>The Company's employees: 214 |
| Type and number of shares (Note 1, 2) | Common stock<br>17,535 shares | Common stock<br>20,690 shares | Common stock<br>19,210 shares |
| Grant date | September 30, 2001 | March 22, 2002 | August 20, 2002 |
| Vesting conditions<br>(Note 3) | Grantees are to hold the position of Director or employee of the Company or of the group companies during the period between grant date and vested date. Other conditions are to be stipulated in the "Stock Acquisition Rights Agreement" executed between the Company and the relevant grantee. | Same as on the left | Grantees are to hold the position of Director or employee of the Company or of the group companies during the period between grant date and vested date. Other conditions are to be stipulated in the "Share Option Agreement" executed between the Company and the relevant grantee. |
| Vesting period (Note 3) | From grant date to vested date | Same as on the left | Same as on the left |
| Exercise period | From September 30, 2001 to September 9, 2011 | From March 22, 2002 to February 24, 2012 | From August 20, 2002 to August 5, 2012 |

| Date of resolution | January 15, 2003 | August 12, 2003 | June 29, 2004 |
|---|---|---|---|
| Category and number of people to whom stock options are granted | The Company's Directors: 3<br>The Company's employees: 219 | The Company's Directors: 4<br>The Company's employees: 224 | The Company's Directors: 10<br>The Company's Corporate Auditors: 2<br>The Company's employees: 377 |
| Type and number of shares (Note 1, 2) | Common stock<br>6,815 shares | Common stock<br>21,975 shares | Common stock<br>39,230 shares (Note 2) |
| Grant date | January 16, 2003 | August 13, 2003 | July 1, 2004 |
| Vesting conditions (Note 3) | Grantees are to hold the position of Director or employee of the Company or of the group companies during the period between grant date and vested date. Other conditions are to be stipulated in the "Share Option Agreement" executed between the Company and the relevant grantee. | Same as on the left | Same as on the left |
| Vesting period (Note 3) | From grant date to vested date | Same as on the left | Same as on the left |
| Exercise period | From January 16, 2003 to January 14, 2013 | From August 13, 2003 to August 11, 2013 | From July 1, 2004 to June 28, 2014 |

| Date of resolution | June 29, 2004 | June 22, 2005 | June 22, 2005 |
| --- | --- | --- | --- |
| Category and number of people to whom stock options are granted | The Company's employees: 6<br>Outside consultants: 1 | The Company's Directors: 10<br>The Company's Corporate Auditors: 2<br>The Company's employees: 423 | The Company's employees: 4<br>Outside consultants: 1 |
| Type and number of shares (Note 1) | Common stock<br>495 shares | Common stock<br>46,450 shares | Common stock<br>1,050 shares |
| Grant date | August 18, 2004 | July 1, 2005 | August 25, 2005 |
| Vesting conditions (Note 3) | Grantees are to hold the position of Director or employee of the Company or of the group companies during the period between grant date and vested date. Other conditions are to be stipulated in the "Share Option Agreement" executed between the Company and the relevant grantee. | Same as on the left | Same as on the left |
| Vesting period (Note 3) | From grant date to vested date | Same as on the left | Same as on the left |
| Exercise period | From August 18, 2004 to August 9, 2014 | From July 1, 2005 to June 21, 2015 | From August 25, 2005 to June 22, 2015 |

| Date of resolution | June 24, 2010 (Note 4) | June 24, 2010 (Note 4) | June 24, 2010 (Note 4) |
|---|---|---|---|
| Category and number of people to whom stock options are granted | The Company's Director: 1<br>The Company's employees: 170<br>The Company's subsidiary's Directors: 2<br>The Company's subsidiary's employees: 146<br>Outside consultants: 11 | The Company's Director: 1<br>The Company's employees: 184<br>The Company's subsidiary's Directors: 2<br>The Company's subsidiary's employees: 168<br>Outside consultants: 10 | The Company's employees: 48<br>The Company's subsidiary's employees: 43<br>Outside consultants: 8 |
| Type and number of shares (Note 5) | Common stock<br>16,818 shares | Common stock<br>65,258 shares | Common stock<br>4,343 shares |
| Grant date | July 1, 2010 | July 1, 2010 | July 1, 2010 |
| Vesting conditions | Grantees are to hold the position of Director or employee of the Company or of the group companies during the period between grant date and vested date.<br>Other conditions are to be stipulated in the "Share Option Agreement" executed between the Company and the relevant grantee. | Same as on the left | Same as on the left |
| Vesting period | From grant date to vested date | Same as on the left | Same as on the left |
| Exercise period | From July 1, 2010 to August 10, 2015 | From July 1, 2010 to February 27, 2016 | From July 1, 2010 to April 24, 2016 |

| Date of resolution | June 24, 2010 (Note 4) | June 24, 2010 (Note 4) | June 24, 2010 (Note 4) |
|---|---|---|---|
| Category and number of people to whom stock options are granted | The Company's subsidiary's Directors: 2<br>Outside consultants: 1 | The Company's employees: 23<br>The Company's subsidiary's Directors: 2<br>The Company's subsidiary's employees: 42<br>Outside consultants: 10 | The Company's employees: 38<br>The Company's subsidiary's Directors: 2<br>The Company's subsidiary's employees: 71<br>Outside consultants: 4 |
| Type and number of shares (Note 5) | Common stock<br>216 shares | Common stock<br>2,776 shares | Common stock<br>3,615 shares |
| Grant date | July 1, 2010 | July 1, 2010 | July 1, 2010 |
| Vesting conditions | Grantees are to hold the position of Director or employee of the Company or of the group companies during the period between grant date and vested date. Other conditions are to be stipulated in the "Share Option Agreement" executed between the Company and the relevant grantee. | Same as on the left | Same as on the left |
| Vesting period | From grant date to vested date | Same as on the left | Same as on the left |
| Exercise period | From July 1, 2010 to August 30, 2016 | From July 1, 2010 to December 11, 2016 | From July 1, 2010 to April 19, 2017 |

| Date of resolution | June 24, 2010 (Note 4) | June 24, 2010 (Note 4) | June 24, 2010 (Note 4) |
|---|---|---|---|
| Category and number of people to whom stock options are granted | The Company's Director: 1<br>The Company's employees: 60<br>The Company's subsidiary's Directors: 7<br>The Company's subsidiary's Corporate Auditors: 1<br>The Company's subsidiary's employees: 166<br>Outside consultants: 8 | The Company's employees: 115<br>The Company's subsidiary's Directors: 1<br>The Company's subsidiary's Corporate Auditors: 1<br>The Company's subsidiary's employees: 199<br>Outside consultants: 1 | Outside consultants: 1 |
| Type and number of shares (Note 5) | Common stock<br>27,157 shares | Common stock<br>7,753 shares | Common stock<br>72 shares |
| Grant date | July 1, 2010 | July 1, 2010 | July 1, 2010 |
| Vesting conditions | Grantees are to hold the position of Director or employee of the Company or of the group companies during the period between grant date and vested date.<br>Other conditions are to be stipulated in the "Share Option Agreement" executed between the Company and the relevant grantee. | Same as on the left | Same as on the left |
| Vesting period | From grant date to vested date | Same as on the left | Same as on the left |
| Exercise period | From July 1, 2010 to June 26, 2018 | From July 1, 2010 to June 30, 2019 | From July 1, 2010 to August 25, 2019 |

(Notes) 1. The number of stock options is translated into the number of shares.

2. In consideration of the share split (1 : 5) effected on September 21, 2004, the number of shares shows the converted number after the split.
3. A certain number of stock options granted become exercisable when two years pass from the grant date and the number of stock options to become exercisable increases piecemeal annually after the two years pass. All the stock options will become exercisable once a period of four years has passed. However, under certain circumstances prescribed in the "Share Option (Stock Acquisition Rights) Agreement," all the stock options will be exercisable even when the two-year period passes or during the one-year period after the two-year period passes.
4. These are stock options transferred from EMOBILE upon the share exchange.
5. The shares that are for the purpose of stock options are all 1.45 shares of common stock in EMOBILE The numbers in "Type and number of shares" show the total numbers of shares for all grantees, obtained by multiplying by 1.45 the number of all stock options held by grantees as of July 1, 2010, with amounts of less than one share rounded down.

(2) Changes in the size of stock options

The following describes changes in the size of stock options that existed during the fiscal year ended March 31, 2011. The number of stock options is translated into the number of shares.

A. Number of stock options

| Date of resolution | September 10, 2001 | February 25, 2002 | August 6, 2002 |
|---|---|---|---|
| Share options which are not yet vested (shares): | | | |
| As of March 31, 2010 | – | – | – |
| Granted | – | – | – |
| Forfeited | – | – | – |
| Vested | – | – | – |
| Balance of options not vested | – | – | – |
| Share options which have already been vested (shares): | | | |
| As of March 31, 2010 | 590 | 1,285 | 1,675 |
| Vested | – | – | – |
| Exercised | 25 | 660 | 685 |
| Forfeited | – | 10 | 5 |
| Balance of options not exercised | 565 | 615 | 985 |

| Date of resolution | January 15, 2003 | August 12, 2003 | June 29, 2004 |
|---|---|---|---|
| Share options which are not yet vested (shares): | | | |
| As of March 31, 2010 | – | – | – |
| Granted | – | – | – |
| Forfeited | – | – | – |
| Vested | – | – | – |
| Balance of options not vested | – | – | – |
| Share options which have already been vested (shares): | | | |
| As of March 31, 2010 | 390 | 4,640 | 32,740 |
| Vested | – | – | – |
| Exercised | 105 | 1,500 | – |
| Forfeited | – | 25 | 250 |
| Balance of options not vested | 285 | 3,115 | 32,490 |

| Date of resolution | June 29, 2004 | June 22, 2005 | June 22, 2005 |
|---|---|---|---|
| Share options which are not yet vested (shares): | | | |
| As of March 31, 2010 | – | – | – |
| Granted | – | – | – |
| Forfeited | – | – | – |
| Vested | – | – | – |
| Balance of options not vested | – | – | – |
| Share options which have already been vested (shares): | | | |
| As of March 31, 2010 | 365 | 38,080 | 625 |
| Vested | – | – | – |
| Exercised | – | 43 | – |
| Forfeited | – | 475 | – |
| Balance of options not vested | 365 | 37,562 | 625 |

| Date of resolution | June 24, 2010 (Note 1) | June 24, 2010 (Note 1) | June 24, 2010 (Note 1) |
|---|---|---|---|
| Share options which are not yet vested (shares) (Note 2): | | | |
| As of March 31, 2010 | – | – | – |
| Granted | 16,818 | 65,258 | 4,343 |
| Forfeited | – | – | – |
| Vested | 16,818 | 65,258 | 4,343 |
| Balance of options not vested | – | – | – |
| Share options which have already been vested (shares) (Note 2): | | | |
| As of March 31, 2010 | – | – | – |
| Vested | 16,818 | 65,258 | 4,343 |
| Exercised | 2,524 | 342 | – |
| Forfeited | 43 | 144 | 7 |
| Balance of options not vested | 14,243 | 64,771 | 4,336 |

| Date of resolution | June 24, 2010 (Note 1) | June 24, 2010 (Note 1) | June 24, 2010 (Note 1) |
|---|---|---|---|
| Share options which are not yet vested (shares) (Note 2): | | | |
| As of March 31, 2010 | – | – | – |
| Granted | 216 | 2,776 | 3,615 |
| Forfeited | – | 7 | 2 |
| Vested | 216 | 2,769 | 2,406 |
| Balance of options not vested | – | – | 1,131 |
| Share options which have already been vested (shares) (Note 2): | | | |
| As of March 31, 2010 | – | – | – |
| Vested | 216 | 2,769 | 2,406 |
| Exercised | – | – | – |
| Forfeited | – | 7 | 4 |
| Balance of options not vested | 216 | 2,762 | 2,402 |

| Date of resolution | June 24, 2010 (Note 1) | June 24, 2010 (Note 1) | June 24, 2010 (Note 1) |
|---|---|---|---|
| Share options which are not yet vested (shares) (Note 2): | | | |
| As of March 31, 2010 | – | – | – |
| Granted | 27,157 | 7,753 | 72 |
| Forfeited | 176 | 812 | – |
| Vested | 10,441 | – | – |
| Balance of options not vested | 16,355 | 6,984 | 72 |
| Share options which have already been vested (shares) (Note 2): | | | |
| As of March 31, 2010 | – | – | – |
| Vested | 10,441 | – | – |
| Exercised | – | – | – |
| Forfeited | 65 | – | – |
| Balance of options not vested | 10,376 | – | – |

(Notes) 1. These are stock options transferred from EMOBILE upon the share exchange transaction.

2. The shares that are for the purpose of stock options are all 1.45 shares of common stock in EMOBILE The numbers in "Type and number of shares" show the total numbers of shares for all grantees, with amounts of less than one share rounded down, obtained by multiplying by 1.45 the number of all stock options held by grantees as of July 1, 2010.

B. Per share prices

| Date of resolution | September 10, 2001 | February 25, 2002 | August 6, 2002 |
|---|---|---|---|
| Exercise price (¥) | 24,000 | 24,000 | 24,000 |
| Average price per share upon exercise (¥) | 66,114 | 70,014 | 58,129 |
| Fair value per share at grant date (¥) | – | – | – |

| Date of resolution | January 15, 2003 | August 12, 2003 | June 29, 2004 |
|---|---|---|---|
| Exercise price (¥) | 24,000 | 24,000 | 139,000 |
| Average price per share upon exercise (¥) | 61,175 | 70,453 | – |
| Fair value per share at grant date (¥) | – | – | – |

| Date of resolution | June 29, 2004 | June 22, 2005 | June 22, 2005 |
|---|---|---|---|
| Exercise price (¥) | 134,410 | 76,565 | 80,168 |
| Average price per share upon exercise (¥) | – | 74,486 | – |
| Fair value per share at grant date (¥) | – | – | – |

| Date of resolution | June 24, 2010 (Note) | June 24, 2010 (Note) | June 24, 2010 (Note) |
|---|---|---|---|
| Exercise price (¥) | 34,482 | 51,724 | 58,620 |
| Average price per share upon exercise (¥) | 58,345 | 59,327 | – |
| Fair value per share at grant date (¥) | – | – | – |

| Date of resolution | June 24, 2010 (Note) | June 24, 2010 (Note) | June 24, 2010 (Note) |
|---|---|---|---|
| Exercise price (¥) | 58,620 | 58,620 | 82,758 |
| Average price per share upon exercise (¥) | – | – | – |
| Fair value per share at grant date (¥) | – | – | – |

| Date of resolution | June 24, 2010 (Note) | June 24, 2010 (Note) | June 24, 2010 (Note) |
|---|---|---|---|
| Exercise price (¥) | 82,758 | 82,758 | 82,758 |
| Average price per share upon exercise (¥) | – | – | – |
| Fair value per share at grant date (¥) | – | – | – |

(Note) These are stock options transferred from EMOBILE upon the share exchange transaction.

(Deferred income taxes)

| Fiscal year ended March 31, 2010 | | Fiscal year ended March 31, 2011 | |
|---|---|---|---|
| 1. Major breakdown of deferred tax assets and liabilities | | 1. Major breakdown of deferred tax assets and liabilities | |
| | (¥ in millions) | | (¥ in millions) |
| (Deferred tax assets) | | (Deferred tax assets) | |
| Accrued business taxes | 230 | Accrued business taxes | 19 |
| Accrued expenses | 595 | Accrued expenses | 443 |
| Unearned revenue | 665 | Accounts receivable-other | 366 |
| Loss on disposition of fixed assets | 77 | Allowance for bad debt | 1,511 |
| | | Terminal related valuation loss | 2,035 |
| Depreciation and amortization | 1,392 | Depreciation and amortization | 2,058 |
| Impairment loss | 50 | Securities investments | 1,035 |
| Others | 195 | Loss carry forward | 41,452 |
| | | Others | 369 |
| Total gross deferred tax assets | 3,203 | Total gross deferred tax assets | 49,289 |
| Valuation allowance | (3) | Valuation allowance | (29,320) |
| Net deferred tax assets | 3,200 | Net deferred tax assets | 19,969 |
| 2. Major breakdown of the cause of differences between the statutory tax rate and the Company's effective tax rate after applying tax effect accounting | | 2. Major breakdown of the cause of differences between the statutory tax rate and the Company's effective tax rate after applying tax effect accounting | |
| Statutory tax rate | 40.7% | Statutory tax rate | 40.7% |
| (Adjustments) | | (Adjustments) | |
| Gain on elimination of tie-in shares | (2.4)% | Gain on elimination of tie-in shares | (55.9)% |
| Gain on negative goodwill | (1.2)% | Valuation allowance | 63.0% |
| Others | 0.2% | Others | 0.0% |
| Effective tax rate after applying tax effect accounting | 37.3% | Effective tax rate after applying tax effect accounting | 47.8% |

(Business combination)
Fiscal year ended March 31, 2010
For the absorption and merger of ACCA Networks Co., Ltd. (ACCA) by the Company, which made the Company the surviving company and ACCA the dissolving company, please refer to “1. Consolidated Financial Statements, (1) Consolidated Financial Statements, Notes (Business Combination).”
Regarding the conclusion of the share exchange agreement with EMOBILE Ltd. (EMOBILE), please refer to “1. Consolidated Financial Statements, (1) Consolidated Financial Statements, Notes (Business Combination).”

Fiscal year ended March 31, 2011
(Share exchange)
The Company resolved at the board meeting held on March 31, 2010, to implement a business combination with EMOBILE, to which the equity method was applied, by way of share exchange and entered into a share exchange agreement with EMOBILE on the same day (the memorandum of understanding related to revisions to the share exchange agreement was entered into on May 12, 2010). The Company approved the agreement at its annual shareholders meeting held on June 24, 2010 and EMOBILE approved the agreement at its annual shareholders meeting and shareholders meeting by class held on June 25, 2010. The Company and EMOBILE implemented the shares exchange with the effective date of July 1, 2010.
The share exchange turns the Company into the parent company and EMOBILE into the wholly owned subsidiary.
Since this transaction falls under a reverse acquisition under “Accounting Standard for Business Combinations” (ASBJ Statement No.21, December 26, 2008) and “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No.10, December 26, 2008), the acquisition costs of shares of subsidiaries on the non-consolidated financial statements amounting to ¥42,625 million was calculated using the value of the net assets (shareholders’ equity) based on the fair book value of EMOBILE on the day preceding the business combination.
As other information is the same as the information described in the notes to business combinations on the consolidated financial statements, it is not shown here.

(Transaction under common control)
The Company resolved at the board meeting held on February 24, 2011 to enter into the merger agreement for an absorption-type merger which turns the Company into the surviving company by merger and EMOBILE into the dissolving company by merger, and entered into the merger agreement with EMOBILE on the same day. Subsequently the merger took effect on March 31, 2011 in accordance with the merger agreement.
This merger was accounted for as the transaction under common control in accordance with “Accounting Standard for Business Combinations” (ASBJ Statement No.21, December 26, 2008) and “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No.10, December 26, 2008). The differences between the balances of the assets received and liabilities assumed from EMOBILE based on the fair book values determined on the day preceding the merger (shareholders’ equity) and the fair values of shares of EMOBILE held by the Company immediately before the merger (tie-in shares) amounted to ¥47,931 million. The Company accounted for the differences as loss on the extinguishment of tie-in shares and included them in the non-recurring loss.
As other information is the same as the information described in the notes to business combinations on the consolidated financial statements, it is not shown here.

(Notes to reverse acquisition)

As noted above, the Company implemented a share exchange with the effective date of July 1, 2010, which turned the Company into the parent company by merger and EMOBILE into the wholly owned subsidiary. The Company accounted for this business combination as a reverse acquisition in which EMOBILE became the acquiring company and the Company became the acquired company. The Company also implemented an absorption-type merger with the effective date of March 31, 2011 in which the Company became the surviving company by merger and EMOBILE became the dissolving company by merger. Since no consolidated subsidiary continued to exist at the end of the current fiscal year as a result of the merger, the Company did not prepare the consolidated balance sheet. Moreover, for the purpose of the non-consolidated financial statements, the Company recorded the assets and liabilities of EMOBILE, the acquiring company, based on the fair book values determined on the day preceding the merger (the purchase method was not applied). Their effects on the non-consolidated financial statements are as follows:

(1) Differences when purchase method is applied to the acquired company

A. Items in non-consolidated balance sheet

| | (¥ in millions) |
|---|---:|
| Current Assets | – |
| Fixed assets | 8,861 |
| Deferred assets | (357) |
| Total Assets | 8,504 |
| Current Liabilities | – |
| Non-current liabilities | – |
| Total Liabilities | – |
| Net Assets | 8,504 |

(Note 1) Goodwill of ¥8,861 million is included in the above fixed assets and total assets.

B. Items in non-consolidated statements of operations

As consolidated statements of operations have been prepared, items in non-consolidated statements operations are not shown here.

(2) Other information

As other information is the same as the information described in the notes to business combinations on the consolidated financial statements, it is not shown here.

(Asset retirement obligations)

March 31, 2011

1. Asset retirement obligations recorded on balance sheets

(1) Outline of asset retirement obligations

Regarding telecommunications equipments for which space is leased in NTT's telephone central offices and some wireless telecommunications equipments that are installed in wireless base offices, we make a reasonable estimate of removal costs for such telecommunications equipments that occur, based on real estate rental agreements, when the equipments are removed, and record them as asset retirement obligations.

(2) Calculation method for amount of asset retirement obligations

One year to nine years from acquisition is employed for the expected period until the occurrence of the expenditure, with a discount rate of 0.1% to 1.2%.

(3) Increase (decrease) in total amount of asset retirement obligations in current fiscal year

| | (¥ in millions) |
|---|---|
| Balance as of April 1, 2010 (Note) | 49 |
| Adjustments to interest | 0 |
| Increase/decrease due to change in accounting estimates | 8 |
| Increase due to merger | 290 |
| Balance as of March 31, 2011 | 346 |

(Note) Effective from the fiscal year ended March 31, 2011, the Company adopted the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No.18, March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No.21, March 31, 2008). As a result, the amount represents the balance as of the beginning of the fiscal year ended March 31, 2011.

2. Asset retirement obligations not recorded on balance sheets

The Company has the obligation to restore data centers and some telecommunications equipments to their original conditions based on lease agreements. Since it is difficult to remove or relocate these facilities while continuing our operations, and it is deemed highly improbable for us to perform said obligation, asset retirement obligations for these facilities are not recorded at March 31, 2011.

(Per share information)

| Item | Fiscal year ended March 31, 2010 | Fiscal year ended March 31, 2011 |
|---|---|---|
| Net assets per share | ¥ 37,549.22 | ¥ 20,347.74 |
| Net income (loss) per share | ¥ 6,834.42 | ¥ (6,207.28) |
| Diluted net income per share | ¥ 6,330.97 | Diluted net income per share is not presented because it is net loss per share for the fiscal year ended March 31, 2011. |

(Note) Basis for calculating net assets per share

1. Net assets per share

(¥ in millions)

| Item | Fiscal year ended March 31, 2010 | Fiscal year ended March 31, 2011 |
|---|---|---|
| Total amounts of net assets on the non-consolidated balance sheets | 56,895 | 73,026 |
| Net assets attributable to common stock | 54,352 | 70,480 |
| Major breakdown of the differences | | |
| Paid-in amount for preferred stock | 2,500 | 2,500 |
| Cash dividends paid for preferred stock | 42 | 47 |
| Total number of shares of common stock | 1,447,496 shares | 3,463,752 shares |
| Total number of shares of treasury stock | – share | – share |
| Number of common stock used to calculate net assets per share | 1,447,496 shares | 3,463,752 shares |

2. Net income (loss) per share and diluted net income per share

(¥ in millions)

| Item | Fiscal year ended March 31, 2010 | Fiscal year ended March 31, 2011 |
|---|---|---|
| Net income (loss) on statements of operations | 10,015 | (18,228) |
| Major breakdown of amounts not attributable to common shareholders<br>Cash dividends paid for preferred stock | 169 | 186 |
| Net income (loss) related to common stock | 9,846 | (18,414) |
| Average number of shares of common stock during the period | 1,440,640 shares | 2,966,548 shares |
| Major breakdown of adjusted net income used for calculating diluted net income per share | Interest expense (after tax) 49 | – |
| Adjusted net income | 49 | – |
| Major breakdown of increase in the number of common shares used for calculating diluted net income per share | Share options (stock options) 5,925 shares<br>Corporate bond with share options 116,344 shares | – share<br>– share |
| Increase in the number of common shares | 122,269 shares | – share |
| Outline of potential shares which were not used for calculating diluted net income per share as they did not have any dilutive effect | The Company:<br>Share options (stock options) 71,810 shares | The Company:<br>Share options (Stock options) 200,508 shares<br>The Company:<br>Corporate bond with share options 195,647 shares |

(Significant subsequent events)

| Fiscal year ended March 31, 2010 |
|---|
| 1. New stock subscription from an affiliate<br><br>On May 12, 2010, the board of directors of the Company approved the subscription of new shares offered by EMOBILE, an affiliate of the Company, by way of the Third-Party Allotment. The subscription amount was increased from the planned amount of ¥12,000 million agreed in the Share Exchange Agreement with EMOBILE on March 31, 2010, due to the increase in the total size of EMOBILE's third party share allotment from the amount planned in the Share Exchange Agreement.<br><br>(1) Details of the issuer:<br>A. Name: EMOBILE Ltd.<br>B. Date established: January 5, 2005<br>C. Description of business: Mobile telecommunication business<br>D. Amount of capital: ¥71,754 million<br>(After increase in capital: ¥94,254 million)<br>E. 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<br>(After increase in capital: Common stock 1,016,092 shares; Preferred stock A 333,333 shares; Preferred stock A-1 433,335 shares; Preferred stock A-2 651,277 shares)<br>(2) Outline of the new stock subscription is as follows:<br>A. Total subscription amount: ¥17,000 million<br>B. Subscription price: ¥110,000 per share<br>C. Number of shares: 154,546 shares<br>D. Purpose of the new stock subscription: To enhance the Group financial position and to maximize the Group synergy<br>(3) Company holding before / after stock subscription is as follows:<br>Company holding before stock subscription: Common stock 606,300 shares; Preferred stock A 214,110 shares; Preferred stock A-2 41,175 shares<br>(Company holding after stock subscription: Common stock 760,846 shares; Preferred stock A 214,110 shares; Preferred stock A-2 41,175 shares)<br>(4) Schedules are as follows:<br>May 12, 2010: Approval of the board of directors of the Company<br>June 30, 2010: Application and payment due |

| Fiscal year ended March 31, 2010 | |
|---|---|
| 2. Grant of stock options<br>The Company resolved at the annual shareholders meeting held on June 24, 2010 to issue stock options (share options) to the Directors, Corporate Auditors and employees of the Company and its subsidiaries as of July 1, 2010. | |
| (1) Class of stock to be issued | Common stock |
| (2) Those entitled to be granted share options | Directors, Corporate Auditors and employees of the Company and its subsidiaries as of July 1, 2010. |
| (3) Number of shares underlying the share options | 70,000 shares to the maximum extent |
| (4) Allotment date of share options | The board of directors of the Company will determine the allotment date within one year from the resolution at the annual shareholders meeting on the issuance of share options. |
| (5) Exercise price | The amount paid when the stock option is exercised shall be the amount derived by multiplying the average price of the closing price of the common stocks of the Company at the Tokyo Stock Exchange, Inc. for each business day of the month preceding the month to which the date of issuance of share options belongs (excluding days when no transaction is agreed upon) by 1.05. Amounts less than ¥100 shall be rounded down; provided that when the amount is below the closing price on the conclusion date of the Stock Option Agreement (when no transaction is agreed upon, the closing price on the day immediately preceding the date), the closing price shall be used. |
| (6) Exercise period of share options | The board of directors of the Company determines the exercise period within the period until 10 years pass from the issuance date of share options. |

| Fiscal year ended March 31, 2011 | |
|---|---|
| Issuance of notes<br>The Company issued foreign currency denominated senior notes according to the following conditions. | |
| (1) Issue date | April 1, 2011 |
| (2) Aggregate principal amount | US dollar denominated senior notes: $420,000,000 (¥34,028 million)<br>Euro denominated senior notes: 200,000,000 euros (¥22,961 million) |
| (3) Interest rate | US dollar denominated senior notes: 8.250%, euro denominated senior notes: 8.375% |
| (4) Maturity | April 1, 2018 |
| (5) Method of maturity | Bullet (with call option after 5 years) |
| (6) Use of proceeds | The Company allocated the ¥56,988 million that was raised by this issuance for prepayment towards ¥165,000 million in borrowings under a syndicated loan. As a result, the balance of borrowings under the syndicated loan stands at ¥108,012 million as of April 1, 2011. |
| (7) Others | The Company has concluded an agreement for a foreign currency swap transaction with a transaction start date of April 1, 2011. Consequently, the amount received by the Company at issuance and the interest and principal to be paid on the notes is in Japanese yen. |

D. Supplemental schedules

[Detailed schedule of securities]

As the amount of securities is less than 1% of total assets, a detailed schedule of securities is not disclosed in accordance with the provision of Article 124 of the Regulations for Non-Consolidated Financial Statements.

[Detailed schedule of tangible fixed assets, etc.]

(¥ in millions)

| Type of assets | Balance as of March 31, 2010 | Increase in the fiscal year ended March 31, 2011 | Decrease in the fiscal year ended March 31, 2011 | Balance as of March 31, 2011 | Accumulated depreciation or amortization as of March 31, 2011 | Depreciation or amortization for the fiscal year ended March 31, 2011 | Carrying value as of March 31, 2011 |
|---|---|---|---|---|---|---|---|
| Tangible fixed assets | | | | | | | |
| Buildings | 497 | 1,229 | 1 | 1,726 | 688 | 37 | 1,037 |
| Structures | – | 17,270 | – | 17,270 | 1,463 | – | 15,807 |
| Machinery and equipments | 47,666 | 3,915 | 79 | 51,502 | 42,668 | 3,931 | 8,834 |
| Wireless telecommunications equipments | – | 157,214 | – | 157,214 | 46,445 | – | 110,769 |
| Terminal equipments | 8,936 | 443 | 419 | 8,960 | 6,880 | 1,772 | 2,080 |
| Tools, furniture and fixtures | 1,311 | 4,228 | 41 | 5,498 | 4,459 | 155 | 1,038 |
| Land | 307 | – | – | 307 | – | – | 307 |
| Construction in progress | 1,171 | 4,579 | 898 | 4,851 | – | – | 4,851 |
| Total tangible fixed assets | 59,888 | 188,877 | 1,437 | 247,327 | 102,603 | 5,895 | 144,724 |
| Intangible fixed assets | | | | | | | |
| Right of trademark | – | 10 | – | 10 | 3 | – | 7 |
| Software | 9,200 | 53,295 | 151 | 62,344 | 31,510 | 1,042 | 30,834 |
| Right of using facilities | – | 14,969 | – | 14,969 | 1,087 | – | 13,882 |
| Software in progress | 196 | 3,355 | 473 | 3,077 | – | – | 3,077 |
| Total intangible fixed assets | 9,396 | 71,628 | 624 | 80,400 | 32,600 | 1,042 | 47,800 |
| Long-term prepaid expenses | 696 | 5,407 | 64 | 6,038 | 351 | 171 | 5,687 |
| Deferred assets | | | | | | | |
| Issuance costs for bond | 466 | 37 | – | 503 | 137 | 96 | 366 |
| Total deferred assets | 466 | 37 | – | 503 | 137 | 96 | 366 |

(Notes) 1. The major components of the increase in the fiscal year ended March 31, 2011 are as follows:

(¥ in millions)

| | | |
|---|---|---|
| Buildings | Assets transferred upon merger with EMOBILE | 1,196 |
| Structures | Assets transferred upon merger with EMOBILE | 17,270 |
| Machinery and equipments | Assets transferred upon merger with EMOBILE | 2,851 |
| | Increase of other communications equipments | 1,063 |
| Wireless telecommunications equipments | Assets transferred upon merger with EMOBILE | 157,214 |
| Terminal equipments | Increase of other premises equipments | 443 |
| Tools, furniture and fixtures | Assets transferred upon merger with EMOBILE | 4,176 |
| Construction in progress | Assets transferred upon merger with EMOBILE | 3,477 |
| Software | Assets transferred upon merger with EMOBILE | 52,754 |
| | Establishment and enhancement of main system, etc. | 541 |
| Right of using facilities | Assets transferred upon merger with EMOBILE | 14,969 |
| Software in progress | Assets transferred upon merger with EMOBILE | 2,824 |
| Long-term prepaid expenses | Assets transferred upon merger with EMOBILE | 4,969 |

2. The major component of the decrease in the fiscal year ended March 31, 2011 is as follows:

| | | |
|---|---|---|
| Terminal equipments | Removal of premises equipments | 399 |

3. Amount of accumulated impairment loss is included in “Accumulated depreciation or amortization as of March 31, 2011.”

[Detailed schedule of bonds]

(¥ in millions)

| Description | Date of Issuance | Balance as of March 31, 2010 | Balance as of March 31, 2011 | Interest rate (%) | Collateral | Maturity |
|---|---|---|---|---|---|---|
| Second Series Unsecured Straight Bonds | March 24, 2005 | 9,000 | 9,000<br>(9,000) | 2.75 | None | March 26, 2012 |
| Third Series Unsecured Straight Bonds | June 30, 2009 | 2,505<br>(990) | 1,515<br>(990) | 0.81 | None | June 29, 2012 |
| Fourth Series Unsecured Straight Bonds | September 30, 2009 | 2,571<br>(858) | 1,713<br>(858) | 0.90 | None | March 29, 2013 |
| Fifth Series Unsecured Straight Bonds | July 30, 2010 | – | 200 | 1.95 | None | – |
| Sixth Series Unsecured Straight Bonds | September 30, 2010 | – | 400<br>(200) | 0.66 | None | March 29, 2013 |
| Convertible Bonds due 2011 (Note 2) | June 28, 2004 | 3,000 | 3,000<br>(3,000) | 0.00 | None | June 28, 2011 |
| Convertible Bonds due 2016 (Note 3) | December 29, 2009 | 10,898 | 10,860 | 3.50 | None | December 15, 2016 |
| – | – | 27,974<br>(1,848) | 26,688<br>(14,048) | – | – | – |

(Notes) 1. The amounts in parentheses represent the amounts scheduled to be redeemed within one year.

2. The following table shows the details of convertible bond.

| | |
|---|---|
| Type of shares to be issued upon exercise of share options | eAccess Ltd. common stock |
| Issue price | Without contribution |
| Exercise price | ¥ 96,333 |
| Total exercise price | ¥3,000 million |
| Upon exercise of the share options, total exercise price to be credited to common stock | ¥ – million |
| Ratio (%) | 100% |
| Exercise period | From July 12, 2004 to June 14, 2011 |
| Substitutive deposits | (Note) |

(Note) If the share options are exercised, it is treated such request is made that the exercise price is deemed to be paid from maturity payment.

3. The following table shows the details of convertible bond.

| | |
|---|---|
| Type of shares to be issued upon exercise of share options | eAccess Ltd. common stock |
| Issue price | Without contribution |
| Exercise price | ¥ 64,709 |
| Total exercise price | ¥10,645 million |
| Upon exercise of the share options, total exercise price to be credited to common stock | ¥ – million |
| Ratio (%) | 100% |
| Exercise period | From January 12, 2010 to December 1, 2016 |
| Substitutive deposits | (Note) |

(Note) Bonds in respect of the relevant share options shall be contributed upon exercise of each stock acquisition right, and the price of the relevant bonds shall be equal to the principal amount of the bonds.

4. Aggregate annual maturities of bonds for five years subsequent to March 31, 2011

(¥ in millions)

| Due within one year | Due after one year but within two years | Due after two years but within three years | Due after three years but within four years | Due after four years but within five years |
|---|---|---|---|---|
| 14,048 | 1,580 | – | – | – |

[Detailed schedule of borrowings]

(¥ in millions)

| Category | Balance as of March 31, 2010 | Balance as of March 31, 2011 | Average interest rate (%) | Maturity |
|---|---|---|---|---|
| Current portion of long-term debt | 2,854 | 20,712 | 3.55 | – |
| Current portion of capital lease obligations | 894 | 696 | 2.74 | – |
| Long-term debt (excluding current portion) | 19,075 | 177,665 | 3.63 | 2012 to 2019 |
| Capital lease obligations (excluding current portion) | 889 | 194 | 2.61 | 2012 to 2015 |
| Other interest-bearing debts | | | | |
| Current portion of installment obligations | 1,726 | 14,031 | 4.77 | – |
| Installment obligations (excluding current portion) | 1,640 | 9,707 | 4.26 | 2012 to 2014 |
| Total | 27,078 | 223,004 | – | – |

(Notes) 1. The average interest rate represents the weighted-average rate applicable to the year-end balance

2. The following table shows the aggregate annual maturities of long-term debt, capital lease obligations and installment obligations (excluding the current portion) for 5 years subsequent to March 31, 2011.

(¥ in millions)

| Category | Due after one year but within two years | Due after two years but within three years | Due after three years but within four years | Due after four years but within five years |
|---|---|---|---|---|
| Long-term debt | 34,338 | 36,632 | 44,882 | 53,132 |
| Capital lease obligations | 185 | 8 | 0 | – |
| Installment obligations | 7,723 | 1,984 | – | – |

[Detailed schedule of allowance]

(¥ in millions)

| Category | Balance as of March 31, 2010 | Increase in the Year ended March 31, 2011 | Decrease in the year ended March 31, 2011 (used for intended purpose) | Decrease in the year ended March 31, 2011 (others) | Balance as of March 31, 2011 |
|---|---|---|---|---|---|
| Allowance for bad debt | 10 | 3,520 | 10 | – | 3,520 |
| Allowance for bad debt (long-term) | – | 190 | – | – | 190 |
| Total allowance for bad debt | 10 | 3,710 | 10 | – | 3,710 |
| Provision for directors bonus | 88 | – | 88 | – | – |
| Provision for employee bonus | 19 | – | 19 | – | – |
| Allowance for disaster loss | – | 77 | – | – | 77 |

[Detailed schedule of asset retirement obligations]

As the amount of asset retirement obligations is less than 1% of total of liabilities and net assets, a detailed schedule of asset retirement obligations is not disclosed in accordance with the provision of Article 125, Paragraph 2 of the Regulations for Non-Consolidated Financial Statements.

Financial statements of EMOBILE Ltd., the merged company

**EMOBILE Ltd.**

A. Balance Sheet

(As of March 31, 2010)

(¥ in millions)

| | | Amounts |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and deposits | *1 | 49,311 |
| Accounts receivable-trade | *1, *2 | 21,115 |
| Merchandise | *1 | 11,872 |
| Raw materials and supplies | *1 | 834 |
| Prepaid expenses | | 2,454 |
| Accounts receivable-other | *2 | 38,623 |
| Other current assets | | 1,009 |
| Allowance for bad debt | | (3,334) |
| **Total current assets** | | **121,883** |
| **Fixed assets** | | |
| Tangible fixed assets | | |
| Buildings | | 1,166 |
| Accumulated depreciation | | (342) |
| Buildings, net | | 825 |
| Structures | | 15,791 |
| Accumulated depreciation | | (897) |
| Structures, net | | 14,894 |
| Machinery and equipments | | 2,683 |
| Accumulated depreciation | | (1,010) |
| Machinery and equipments, net | | 1,673 |
| Wireless telecommunications equipments | | 129,630 |
| Accumulated depreciation | | (31,465) |
| Wireless telecommunications equipments, net | | 98,165 |
| Tools, furniture and fixtures | | 4,112 |
| Accumulated depreciation | | (2,871) |
| Tools, furniture and fixtures, net | | 1,241 |
| Construction in progress | | 5,815 |
| Total tangible fixed assets | *1 | 122,613 |
| Intangible fixed assets | | |
| Right of trademark | | 8 |
| Right of using facilities | | 13,290 |
| Software | | 33,278 |
| Software in progress | | 2,163 |
| Total intangible fixed assets | *1 | 48,739 |
| Investments and other assets | | |
| Long-term prepaid expenses | | 2,072 |
| Long-term accounts receivable-other | | 12,422 |
| Claims provable in bankruptcy, claims provable in rehabilitation and other | | 191 |
| Others | *2 | 998 |
| Allowance for bad debt | | (281) |
| Total investments and other assets | | 15,403 |
| **Total fixed assets** | | **186,755** |
| **TOTAL ASSETS** | | **308,638** |

Balance Sheet (Continued)
(As of March 31, 2010)

(¥ in millions)

| | | Amounts |
|---|---|---|
| **LIABILITIES** | | |
| **Current liabilities** | | |
| Accounts payable-trade | *2 | 1,194 |
| Short-term debt | *3 | 20,000 |
| Current portion of long-term debt | *3 | 54,986 |
| Other accounts payable | *2 | 8,841 |
| Accounts payable-facilities | *2 | 13,716 |
| Current portion of installment obligation | *3 | 9,226 |
| Accrued expenses | | 3,759 |
| Income taxes payable | | 146 |
| Advances received | | 27 |
| Deposits received | | 65 |
| **Total current liabilities** | | **111,962** |
| **Long-term liabilities** | | |
| Long-term debt, less current portion | *3 | 144,964 |
| Long-term accounts payable-facilities | *2 | 9,271 |
| Installment obligation, less current portion | *3 | 14,957 |
| **Total long-term liabilities** | | **169,192** |
| **TOTAL LIABILITIES** | | **281,154** |
| **NET ASSETS** | | |
| **Shareholders' equity** | | |
| Capital stock | | 71,754 |
| Capital surplus | | |
| Legal capital surplus | | 71,454 |
| Total capital surplus | | 71,454 |
| Retained earnings | | |
| Retained earnings brought forward | | (115,724) |
| Total retained earnings | | (115,724) |
| **Total shareholders' equity** | | **27,484** |
| **TOTAL NET ASSETS** | | **27,484** |
| **TOTAL LIABILITIES AND NET ASSETS** | | **308,638** |

**EMOBILE Ltd.**

B. Statement of Operations

(Year ended March 31, 2010)

(¥ in millions)

| | | Amounts |
|---|---|---|
| **Revenue** | | **113,605** |
| **Cost of revenue** | *1 | **57,047** |
| **Gross profit** | | **56,558** |
| **Selling, general and administrative expenses** | | |
| Advertising expenses | | 789 |
| Promotion expenses | | 41,639 |
| Provision of allowance for bad debt | | 2,991 |
| Salaries and benefits | | 3,903 |
| Rent expenses | | 1,255 |
| Business consignment expenses | | 4,253 |
| Depreciation | | 4,300 |
| Others | *2 | 3,521 |
| **Total Selling, general and administrative expenses** | | **62,650** |
| **Operating loss** | | **6,092** |
| **Non-operating income** | | |
| Interest income | | 43 |
| Others | | 47 |
| **Total non-operating income** | | **90** |
| **Non-operating expenses** | | |
| Interest expense | | 7,498 |
| Commission expense | | 1,064 |
| Others | | 210 |
| **Total non-operating expenses** | | **8,772** |
| **Recurring loss** | | **14,774** |
| **Non-recurring loss** | | |
| Loss on disposition of fixed assets | *3 | 99 |
| **Total non-recurring loss** | | **99** |
| **Loss before income taxes** | | **14,873** |
| **Income tax expense–current** | | **3** |
| **Total income taxes** | | **3** |
| **Net loss** | | **14,876** |

**EMOBILE Ltd.**

C. Cost of Revenue

(Year ended March 31, 2010)

(¥ in millions)

| | Amounts | Ratio (%) |
|---|---|---|
| **Devices and related tools sold** | **19,678** | **34.5** |
| **Salaries and benefits** | **1,113** | **2.0** |
| **Expenses** | | |
| Outsourcing | 2,314 | 4.1 |
| Depreciation and amortization | 18,475 | 32.4 |
| Network | 13,839 | 24.3 |
| Spectrum user fee | 1,318 | 2.3 |
| Others | 310 | 0.5 |
| **Cost of revenue** | **57,047** | **100.0** |

**EMOBILE Ltd.**

D. Statement of Changes in Net Assets

(Year ended March 31, 2010)

(¥ in millions)

| | SHAREHOLDERS' EQUITY | | | | TOTAL NET ASSETS |
|---|---|---|---|---|---|
| | Capital stock | Capital surplus | Retained earnings | Total Shareholders' equity | |
| Balance at March 31, 2009 | 71,754 | 71,454 | (100,848) | 42,360 | 42,360 |
| Changes of items during the period | | | | | |
| Net loss | | | (14,876) | (14,876) | (14,876) |
| Total changes of items during the period | – | – | (14,876) | (14,876) | (14,876) |
| Balance at March 31, 2010 | 71,754 | 71,454 | (115,724) | 27,484 | 27,484 |

**EMOBILE Ltd.**

E. Statement of Cash Flows

(Year ended March 31, 2010)

(¥ in millions)

| | Amounts |
|---|---|
| **Cash flows from operating activities** | |
| Loss before income taxes | (14,873) |
| Depreciation | 22,849 |
| Loss on disposition of fixed assets | 99 |
| Other loss | 8 |
| Increase (decrease) in allowance for bad debt | 2,232 |
| Interest income | (43) |
| Interest expense | 7,498 |
| Commission expense | 1,064 |
| Decrease (increase) in accounts receivable–trade | (7,812) |
| Decrease (increase) in inventories | 7,244 |
| Decrease (increase) in accounts receivable-other | (16,039) |
| Decrease (increase) in long-term accounts receivable-other | (944) |
| Decrease (increase) in prepaid expenses | 353 |
| Decrease (increase) in long-term prepaid expenses | 285 |
| Increase (decrease) in accounts payable–trade | (251) |
| Increase (decrease) in other accounts payable | (862) |
| Increase (decrease) in accrued expenses | 201 |
| Increase (decrease) in other | 1,610 |
| Subtotal | 2,619 |
| Interest and dividend received | 36 |
| Interest paid | (7,565) |
| Payments of income taxes | (16) |
| Net cash provided by (used in) operating activities | (4,926) |
| **Cash flows from investing activities** | |
| Purchase of tangible fixed assets | (16,983) |
| Purchase of intangible fixed assets | (25,819) |
| Net cash provided by (used in) investing activities | (42,802) |

Statement of Cash Flows (Continued)
(Year ended March 31, 2010)

(¥ in millions)

| | Amounts |
|---|---|
| **Cash flows from financing activities** | |
| Proceeds from sales and redemption by installment payment | 6,180 |
| Repayments of installment obligations | (6,286) |
| Proceeds from short-term debt | 29,970 |
| Payments as financing activities | (243) |
| Net cash provided by (used in) financing activities | 29,621 |
| **Net change in cash and cash equivalents** | **(18,107)** |
| **Cash and cash equivalents at the beginning of the period** | **67,418** |
| **Cash and cash equivalents at the end of the period** | *1 **49,311** |

Notes on premise of going concern
No items to report

Significant Accounting Policies

| | The 6th Business Year (April 1, 2009 through March 31, 2010) |
|---|---|
| 1. Valuation policy and method for derivatives | Derivatives<br>Derivatives are stated at fair market value. |
| 2. Valuation policy and method for inventories | Merchandise, raw materials and supplies<br>Stated at cost using moving-average method (devaluating book value method based on decreases in profitability). |
| 3. Depreciation method and standards for fixed assets | (1) Tangible fixed assets (excluding lease assets)<br>Structures, wireless telecommunications equipments and machinery and equipments are depreciated with the straight-line method. Buildings (leasehold improvements) and tools, furniture and fixtures are depreciated with the declining-balance method. The main estimated useful lives are as follows:<br>Buildings 15 years<br>Structures 10 - 30 years<br>Wireless telecommunications equipments 9 years<br>Machinery and equipments 4 - 21 years<br>Tools, furniture and fixtures 4 - 6 years |

| | The 6th Business Year<br>(April 1, 2009 through March 31, 2010) |
|---|---|
| | (2) Intangible fixed assets (except for lease assets)<br>(Software)<br>Straight-line method is applied.<br>The basis for useful life is the same as that stipulated by the Corporation Tax Law. However, for software for internal use, this is based on estimated useful life within the Company (5 years).<br>(3) Lease assets<br>No items to report |
| 4. Accounting for deferred assets | Issuance costs for stock<br>Issuance costs for stock are charged to expense as incurred. |
| 5. Accounting for allowance and reserves | Allowance for bad debt<br>To prepare for uncollectible credits in accounts receivable, etc., EMOBILE provides an allowance for general credits using actual bad debt ratio, and provides an allowance for an estimated unrecoverable amount of specific credits deemed to be uncollectible after considering possible losses on collection. |
| 6. Range of cash and cash equivalents in statements of cash flow | Cash and cash equivalents consist of cash on hand, cash in banks which can be withdrawn as needed, and short-term investments with maturities of no more than three months that can be easily converted to cash with minimal risk of change in value. |
| 7. Other significant matters forming the basis of preparation of financial statements | Accounting treatment of consumption taxes, etc.<br>Items subject to consumption tax, etc. are recorded at amounts exclusive of consumption taxes, etc. |

Notes

(Notes to balance sheets)

| The 6th Business Year (As of March 31, 2010) |
|---|
| *1. Assets pledged as collateral for commitment line<br>Major assets held by EMOBILE were pledged as collateral for the commitment lines (*3) for EMOBILE. The period and book values of assets pledged as collateral at March 31, 2010 are as follows:<br><br>(Period for pledged assets as collateral)<br>Until the borrowings under the commitment line are repaid in full.<br>(Collateralized assets)<br>(¥ in millions)<br>Cash and deposits 49,311<br>Accounts receivable-trade 21,091<br>Merchandise 11,872<br>Raw materials and supplies 759<br>Tangible fixed assets 101,613<br>Intangible fixed assets 48,738<br>Total 233,383 |
| *2. Assets and liabilities to affiliates<br>Assets and liabilities to affiliates are as follows.<br>(¥ in millions)<br>Current assets<br>Accounts receivable–trade 559<br>Accounts receivable–other 23<br>Investments and other assets<br>Other 561<br>Current liabilities<br>Accounts payable–trade 1,153<br>Other accounts payable 1,279<br>Accounts payable –facilities 2,281<br>Accrued expenses 493<br>Long-term liabilities<br>Long-term accounts payable–facilities 9,270 |

| The 6th Business Year (As of March 31, 2010) |
|---|
| *3. State of borrowings under the commitment line<br>(1) Commitment line contract<br>EMOBILE has concluded a commitment line contract of a syndicated loan with thirty four financial institutions. The commitment line expected to satisfy the funding requirement of the mobile business. The amount of commitment line used and unused at March 31, 2010 was as follows:<br>(¥ in millions)<br>Total amount of commitment line 220,000<br>Used amount 219,950<br>Unused amount of commitment line 50<br>(Financial covenants and Operating covenants)<br>In connection with this commitment line contract, security interests have been created on our major assets, and financial covenants and operating covenants have been imposed. The summary of major financial covenants and operating covenants are as follows. In the event of a breach of these covenants, EMOBILE may be required to pay all of the interest-bearing debts under this commitment line. EMOBILE has not breached any of the financial covenants or operating covenants below as of March 31, 2010.<br>• Financial covenants<br>A. EMOBILE shall meet the required debt service coverage ratio (*1);<br>B. EMOBILE shall meet the required interest coverage ratio (*2);<br>C. EMOBILE shall meet the required leverage ratio (*3)<br>D. EMOBILE shall not exceed the maximum cumulative loss; and<br>E. EMOBILE shall maintain positive net worth during the loan period.<br>*1 Debt service coverage ratio = amount available for repayment / total payment of principal and interest<br>*2 Interest coverage ratio = EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) / total interest expenses |

| The 6th Business Year<br>(As of March 31, 2010) |
|---|
| *3 Leverage ratio = (interest-bearing debt outstanding – cash and deposits) / EBITDA<br>• Operating covenants<br>A. EMOBILE shall meet the required population coverage ratio or the required aggregate number of base stations; and<br>B. EMOBILE shall meet the required target for the number of subscribers.<br>(2) Commitment line contract of an installment<br>EMOBILE concluded a commitment line contract of an installment with seven leasing companies to cover the funding requirements of the terminals of its mobile business on July 1, 2009. EMOBILE used ¥5,690 million until December 31, 2009, the end of the contract. In addition, EMOBILE concluded another commitment line contract of an installment with four leasing companies for the same purpose on January 1, 2010. The amount of commitment line used and unused at March 31, 2010 was as follows:<br>(¥ in millions)<br>Total amount of installment 5,500<br>Used amount 2,566<br>Unused amount of installment 2,934<br>EMOBILE also concluded a commitment line contract of an installment with six leasing companies to cover the funding requirements of the network construction of the mobile business on March 28, 2007. The amount of commitment line used at March 31, 2010 was ¥29,697 million.<br>Tangible fixed assets of ¥19,717 million and intangible fixed assets of ¥1 million were purchased on installment terms. As a result, the ownership was reserved by leasing companies. |

(Notes to statements of operations)

| The 6th Business Year<br>(April 1, 2009 through March 31, 2010) |
|---|
| *1. Inventories as of March 31, 2010 represents the amount after devaluation of book values due to decrease in profitability, and the following inventory valuation loss is included in cost of revenue:<br>¥ 1,884 million<br>*2. Research and development expenses<br>Research and development expenses included in general and administrative expenses are as follows:<br>¥ 25 million<br>*3. The details of loss on disposition of fixed assets<br>(¥ in millions)<br>Buildings 3<br>Wireless telecommunications equipments 90<br>Others 6<br>Total 99 |

(Notes to statements of changes in net assets)

The 6th Business Year (April 1, 2009 through March 31, 2010)

1. Number of issued shares:

| Type of shares | As of March 31, 2009 | Increase | Decrease | As of March 31, 2010 |
|---|---|---|---|---|
| Common Stock (shares) | 607,000 | – | – | 607,000 |
| Preferred stock A (shares) | 333,333 | – | – | 333,333 |
| Preferred stock A-1 (shares) | 433,335 | – | – | 433,335 |
| Preferred stock A-2 (shares) | 651,277 | – | – | 651,277 |
| Total | 2,024,945 | – | – | 2,024,945 |

2. Share options

(¥ in millions)

| Company name | Breakdown | Class of shares subject to share options | Number of shares targeted (shares) | | | | Balance at March 31, 2010 |
|---|---|---|---|---|---|---|---|
| | | | As of March 31, 2009 | Increase | Decrease | As of March 31, 2010 | |
| EMOBILE | (Share options)<br>Stock options<br>(Note) | – | – | – | – | – | – |
| Total | | | – | – | – | – | – |

(Note) EMOBILE is not publicly traded, and calculated the value by estimating the intrinsic value per stock option. No balance was recorded as of March 31, 2009 or as of March 31, 2010, because the total intrinsic value of share options granted is zero.

3. Treasury stock

No items to report

4. Dividends

No items to report

(Notes to statements of cash flows)

| The 6th Business year<br>(April 1, 2009 through March 31, 2010) |
|---|
| *1. Reconciliation of cash and cash equivalents at the end of the period and the amount recorded in balance sheet<br>The balance of cash and cash equivalents at the end of the period and the figure for cash and deposits presented in the balance sheet are in accordance with each other. |

(Lease transactions)

The 6th Business Year (April 1, 2009 through March 31, 2010)

1. Operating lease transactions (Lessees' accounting)

Future minimum lease payments subsequent to March 31, 2010 are summarized as follows:

| | (¥ in millions) |
|---|---|
| Due in one year or less | 663 |
| Due after one year | 145 |
| Total | 809 |

(Financial instruments)

The 6th Business Year (April 1, 2009 through March 31, 2010)

1. Financial instruments

(1) Policies for using financial instruments

EMOBILE raises necessary funds based on its capital investment plans to conduct its business. EMOBILE invests temporary cash surpluses in highly liquid and secure financial instruments, and raises short-term funds by bank loans.

EMOBILE also follows the policy of using derivatives not for speculative purposes, but for managing foreign currency exchange risk.

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

Accounts receivable–trade and other are exposed to customers' credit risk.

With respect to operating debts such as accounts payable–trade and other accounts payable, payment terms are generally less than three months, while payment terms for some accounts payable–facilities are up to eight years.

Loans and installment obligations are generally for the purpose of funds related to capital expenditure and purchase of terminals. The longest redemption date is three years from the end of the current fiscal year.

Derivative transactions are related to interest rate cap contracts and are used to hedge the risk of interest rate rises with respect to loans. They are stated at fair market value.

(3) Risks relating to financial instruments and the management system thereof

A. Credit risk management (customer's default risk)

At EMOBILE, in order to properly manage operating receivables, in accordance with the credit control policy, the conditions of main business partners are periodically reviewed, and the due dates and outstanding balances for individual business partners are managed. In addition, EMOBILE makes efforts for early identification and mitigation of default risk resulting from factors such as a deterioration in financial conditions.

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

B. Liquidity risk management on fund raising (risk of inability to repay at payment due dates)

EMOBILE controls its liquidity risk by preparing and updating payment schedule management plans on a timely basis based on reports from each department, and by maintaining certain levels of liquidity on hand.

2. Fair value of financial instruments

Carrying amount, fair value and the difference between them as of March 31, 2010 are shown below.

(¥ in millions)

| | | Amount recorded on the balance sheet | Fair value | Difference |
|---|---|---|---|---|
| (1) | Cash and deposits | 49,311 | 49,311 | – |
| (2) | Accounts receivable–trade | 21,115 | 21,115 | – |
| (3) | Accounts receivable–other (*3) | 51,044 | | – |
| | Allowance for bad debt (*1) | (177) | | – |
| | | 50,867 | 50,805 | (62) |
| Total Assets | | 121,293 | 121,231 | (62) |
| (4) | Accounts payable–trade | 1,194 | 1,194 | – |
| (5) | Other accounts payable | 8,841 | 8,841 | – |
| (6) | Accounts payable–facilities (*4) | 22,987 | 21,912 | (1,075) |
| (7) | Installment obligation (*4) | 24,183 | 24,381 | 198 |
| (8) | Short-term debt | 20,000 | 20,000 | – |
| (9) | Long-term debt (*5) | 199,950 | 199,950 | – |
| Total Liabilities | | 277,156 | 276,279 | (877) |
| Financial derivative transactions (*2) | | 1 | 1 | – |

(*1) The allowance for bad debt which is set up for accounts receivable–other is deducted.

(*2) The values of assets and liabilities arising from financial derivative transactions are shown at net value, and with the amount in parentheses representing net liability position.

(*3) Long-term accounts receivable–other is included.

(*4) Installment payment obligation, less current portion and long-term accounts payable–facilities in long-term liabilities are included.

(*5) Current portion of long-term debt is included.

(Note) Matters relating to measurement method of the fair value of financial instruments

(Assets)

(1) Cash and deposits and (2) Accounts receivable–trade

The book value is close to fair value because these items are settled within a short period.

(3) Accounts receivable–other

Fair value is measured based on a present value of receivables calculated by classifying receivables, whose credit risk are taken into consideration by deducting allowances, into certain periods and discounting them using relevant yields of Japanese Government Bonds and the periods until maturity.

(Liabilities)

(4) Accounts payable–trade

The book value is close to fair value because these items are settled within a short period.

(5) Other accounts payable

The book value is close to fair value because these items are settled within a short period.

(6) Accounts payable–facilities

The fair value of accounts payable-facilities is calculated by using discount cash flow method, applying duration and credit risk adjusted discount rate to the total amount to be paid of the accounts payable–facilities.

(7) Installment obligation

The fair value of installment obligations is calculated by using discount cash flow method, applying duration and credit risk adjusted discount rate to the amount to be paid of principal and interest of the installment obligation.

(8) Short-term debt

The book value is close to fair value because these items are settled within a short period.

(9) Long-term debt

Because long-term debt is based on the condition that the interest rate is revised periodically to reflect the change in money market rate and EMOBILE's credit risk has not changed since the conclusion of the loan contract, the book value is close to fair value.

3. Planned maturity amounts after March 31, 2010 for monetary assets

(¥ in millions)

| | Due within one year | Due after one year but within five years | Due after five years but within ten years | Due after ten years |
|---|---:|---:|---:|---:|
| Cash and deposits | 49,311 | – | – | – |
| Accounts receivable–trade | 21,115 | – | – | – |
| Accounts receivable–other | 38,623 | 12,422 | – | – |

4. Planned repayment amounts for long-term debt and other interest bearing debt after March 31, 2010

(¥ in millions)

| | Due within one year | Due after one year but within five years | Due after five years but within ten years | Due after ten years |
|---|---:|---:|---:|---:|
| Accounts payable–trade | 1,194 | – | – | – |
| Other accounts payable | 8,841 | – | – | – |
| Accounts payable–facilities | 13,716 | 5,179 | 4,092 | – |
| Installment obligation | 9,226 | 14,957 | – | – |
| Short-term debt | 20,000 | – | – | – |
| Long-term debt | 54,986 | 144,964 | – | – |

(Additional information)

For the year ended March 31, 2010, EMOBILE adopted Accounting Standard for Financial Instrument (ASBJ Statement No.10, March 10, 2008) and Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No.19, March 10, 2008).

(Stock options)

For the 6th Business Year (April 1, 2009 through March 31, 2010)

1. Description of stock options / Changes in the size of stock options

(1) Description of stock options

| Company name | EMOBILE | EMOBILE | EMOBILE |
|---|---|---|---|
| Date of resolution | August 10, 2005 | February 27, 2006 | April 24, 2006 |
| Category and number of people to whom stock options are granted | Directors: 2<br>Employees of EMOBILE: 320<br>Outside consultants: 12 | Directors: 2<br>Employees of EMOBILE: 356<br>Outside consultants: 11 | Directors: 2<br>Employees: 91<br>Outside consultants: 8 |
| Type and number of shares (Note 1) | Common stock<br>14,692 shares | Common stock<br>73,324 shares | Common stock<br>31,137 shares |
| Grant date | August 25, 2005 | February 28, 2006 | April 28, 2006 |
| Vesting conditions (Note 2) | Grantees are to hold the position of Director or employee of EMOBILE or of the group companies during the period between grant date and vested date. Other conditions are to be stipulated in the “Stock Acquisition Rights Agreement” executed between EMOBILE and the relevant grantee. | Same as on the left | Same as on the left |
| Vesting period (Note 2) | From grant date to vested date | Same as on the left | Same as on the left |
| Exercise Period | From August 25, 2005 to August 10, 2015 | From February 28, 2006 to February 27, 2016 | From April 28, 2006 to April 24, 2016 |

| Company name | EMOBILE | EMOBILE | EMOBILE |
|---|---|---|---|
| Date of resolution | August 30, 2006 | December 11, 2006 | April 19, 2007 |
| Category and number of people to whom stock options are granted | Directors: 2<br>Outside consultants: 1 | Directors: 2<br>Employees of EMOBILE: 66<br>Outside consultants: 10 | Directors: 2<br>Corporate Auditors: 1<br>Employees of EMOBILE: 110<br>Outside consultants: 3 |
| Type and number of shares (Note 1) | Common stock<br>200 shares | Common stock<br>2,700 shares | Common stock<br>4,926 shares |
| Grant date | August 31, 2006 | December 13, 2006 | May 8, 2007 |
| Vesting conditions (Note 2) | Grantees are to hold the position of Director or employee of EMOBILE or of the group companies during the period between grant date and vested date. Other conditions are to be stipulated in the “Stock Acquisition Rights Agreement” executed between EMOBILE and the relevant grantee. | Same as on the left | Same as on the left |
| Vesting period (Note 2) | From grant date to vested date | Same as on the left | Same as on the left |
| Exercise period | From August 31, 2006 to August 30, 2016 | From December 13, 2006 to December 11, 2016 | From May 8, 2007 to April 19, 2017 |

| Company name | EMOBILE | EMOBILE | EMOBILE |
|---|---|---|---|
| Date of resolution | June 26, 2008 | June 30, 2009 | August 25, 2009 |
| Category and number of people to whom stock options are granted | Directors: 7<br>Corporate Auditors: 2<br>Employees of EMOBILE: 232<br>Outside consultants: 6 | Directors: 1<br>Corporate Auditors: 1<br>Employees of EMOBILE: 323<br>Outside consultants: 1 | Outside consultants: 1 |
| Type and number of shares (Note 1) | Common stock<br>29,172 shares | Common stock<br>6,155 shares | Common stock<br>50 shares |
| Grant date | June 27, 2008 | July 1, 2009 | August 26, 2009 |
| Vesting conditions (Note 2) | Grantees are to hold the position of Director or employee of EMOBILE or of the group companies during the period between grant date and vested date. Other conditions are to be stipulated in the "Stock Acquisition Rights Agreement" executed between EMOBILE and the relevant grantee. | Same as on the left | Same as on the left |
| Vesting period (Note 2) | From grant date to vested date | Same as on the left | Same as on the left |
| Exercise period | From June 27, 2008 to June 26, 2018 | From July 1, 2009 to June 30, 2019 | From August 26, 2009 to August 25, 2019 |

(Notes) 1. The number of stock options is translated into the number of shares.

2. A certain number of stock options granted become exercisable when two years pass from the grant date and the number of stock options to become exercisable increases piecemeal annually after the two years pass. All the stock options will become exercisable once a period of four years has passed. However, under certain circumstances prescribed in the "Share Option (Stock Acquisition Rights) Agreement," all the stock options will be exercisable even when the two-year period passes or during the one-year period after the two-year period passes.

(2) Changes in the size of stock options

The following describes changes in the size of stock options that existed during the Business Year ended March 31, 2010. The number of stock options is translated into the number of shares.

A. Number of stock options

| Company name | EMOBILE | EMOBILE | EMOBILE |
|---|---|---|---|
| Date of resolution | August 10, 2005 | February 27, 2006 | April 24, 2006 |
| Share options which are not yet vested (shares): | | | |
| As of March 31, 2009 | 5,816 | 26,621 | 16,493 |
| Granted | – | – | – |
| Forfeited | 30 | 120 | 2 |
| Vested | 5,786 | 26,501 | 5,495 |
| Balance of options not vested | – | – | 10,996 |
| Share options which have already been vested (shares): | | | |
| As of March 31, 2009 | 6,113 | 27,364 | 5,728 |
| Vested | 5,786 | 26,501 | 5,495 |
| Exercised | – | – | – |
| Forfeited | 109 | 121 | 3 |
| Balance of options not exercised | 11,790 | 53,744 | 11,220 |

| Company name | EMOBILE | EMOBILE | EMOBILE |
|---|---|---|---|
| Date of resolution | August 30, 2006 | December 11, 2006 | April 19, 2007 |
| Share options which are not yet vested (shares): | | | |
| As of March 31, 2009 | 111 | 1,523 | 2,540 |
| Granted | – | – | – |
| Forfeited | – | 81 | 6 |
| Vested | 36 | 473 | 1,299 |
| Balance of options not vested | 75 | 969 | 1,235 |
| Share options which have already been vested (shares): | | | |
| As of March 31, 2009 | 39 | 546 | – |
| Vested | 36 | 473 | 1,299 |
| Exercised | – | – | – |
| Forfeited | – | 34 | 4 |
| Balance of options not exercised | 75 | 985 | 1,295 |

| Company name | EMOBILE | EMOBILE | EMOBILE |
|---|---|---|---|
| Date of resolution | June 26, 2008 | June 30, 2009 | August 25, 2009 |
| Share options which are not yet vested (shares): | | | |
| As of March 31, 2009 | 28,934 | – | – |
| Granted | – | 6,155 | 50 |
| Forfeited | 105 | 380 | – |
| Vested | – | – | – |
| Balance of options not vested | 28,829 | 5,775 | 50 |
| Share options which have already been vested (shares): | | | |
| As of March 31, 2009 | – | – | – |
| Vested | – | – | – |
| Exercised | – | – | – |
| Forfeited | – | – | – |
| Balance of options not exercised | – | – | – |

B. Per share prices

| Company name | EMOBILE | EMOBILE | EMOBILE |
|---|---|---|---|
| Date of resolution | August 10, 2005 | February 27, 2006 | April 24, 2006 |
| Exercise price (¥) | 50,000 | 75,000 | 85,000 |
| Average price per share upon exercise (¥) | – | – | – |
| Fair value per share at grant date (¥) | – | – | – |

| Company name | EMOBILE | EMOBILE | EMOBILE |
|---|---|---|---|
| Date of resolution | August 30, 2006 | December 11, 2006 | April 19, 2007 |
| Exercise price (¥) | 85,000 | 85,000 | 120,000 |
| Average price per share upon exercise (¥) | – | – | – |
| Fair value per share at grant date (¥) | – | – | – |

| Company name | EMOBILE | EMOBILE | EMOBILE |
|---|---|---|---|
| Date of resolution | June 26, 2008 | June 30, 2009 | August 25, 2009 |
| Exercise price (¥) | 120,000 | 120,000 | 120,000 |
| Average price per share upon exercise (¥) | – | – | – |
| Fair value per share at grant date (¥) | – | – | – |

(3) Method for estimating the fair unit price of stock option

The unit price of stock option granted on March 31, 2010 has been determined using the method to estimate the intrinsic value per unit, as EMOBILE is not a publicly traded company. The assessed value of EMOBILE's own shares at the time of determination, which is the basis for determining the intrinsic value, is estimated using the discount cash flow approach.

(4) The total intrinsic value on March 31, 2010, when the fair unit price of stock option is determined by using the intrinsic value per unit of stock option and the total intrinsic value at the exercise date of the stock option

| | | |
|---|---|---|
| A. | Total intrinsic value at the end of the business year ended March 31, 2010 | ¥ – million |
| B. | Total intrinsic value of stock option exercised during this business year ended March 31, 2010 | ¥ – million |

(5) Estimation of the number of stock options vested

Because it is difficult to reasonably estimate the number of stock options that will expire in the future, the number of stock options that have actually been forfeited is reflected.

(Deferred Income Taxes)

| The 6th Business Year (April 1, 2009 through March 31, 2010) | |
|---|---|
| 1. Major breakdown of deferred tax assets and liabilities | |
| | (¥ in millions) |
| (Deferred tax assets) | |
| Property taxes payable | 130 |
| Loss on valuation of inventories | 1,550 |
| Accrued expenses | 308 |
| Allowance for bad debt | 1,471 |
| Depreciation | 48 |
| Lump-sum depreciable asset | 2 |
| Others | 71 |
| Net operating loss carryforwards | 43,444 |
| Total gross deferred tax assets | 47,024 |
| Valuation allowance | (47,024) |
| Net deferred tax assets | – |
| 2. Major breakdown of the cause of differences between the statutory tax rate and EMOBILE's effective tax rate after applying tax effect accounting<br>As loss before income taxes was recognized, the difference between the statutory tax rate and EMOBILE's effective tax rate after applying tax effect accounting is not shown. | |

(Retirement benefits)

| The 6th Business Year (April 1, 2009 through March 31, 2010) | |
|---|---|
| 1. Description of retirement benefit plan<br>EMOBILE has adopted a defined contribution pension plan. | |
| 2. The funded status of retirement benefit plan<br>There were no applicable matters. | |
| 3. The components of retirement benefit expenses | |
| | (¥ in millions) |
| Contribution paid to defined contribution fund | 119 |
| Total of retirement benefit expenses | 119 |

(Business combination)

The 6th Business Year (April 1, 2009 through March 31, 2010)

EMOBILE resolved at the board meeting held on March 30, 2010, to implement a business combination (the “Business Combination”) with eAccess Ltd. (leading shareholder of EMOBILE; hereinafter “eAccess”) by way of share exchange (the “Share Exchange”) and entered into a share exchange agreement (the “Share Exchange Agreement”) with eAccess on March 31, 2010. EMOBILE will be a wholly owned subsidiary of eAccess through the share exchange.

For 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.

(1) Purpose of Share Exchange

EMOBILE and eAccess have determined that in order to accelerate promotion of the two companies’ corporate value, it is necessary to streamline and expedite the group’s management decisions by centralizing decision making of EMOBILE and eAccess 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, EMOBILE and eAccess have 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

eAccess Ltd.

B. Description of Business

Broadband Telecommunication business

(3) Method of Share Exchange

Business Combination will be implemented by way of share exchange through which eAccess 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

| eAccess | EMOBILE |
|---|---|
| 1 | 1.45 |

(4) Treatments of Share Options Following the Share Exchange

eAccess will deliver to each holder of outstanding share options (stock options) of EMOBILE (the “EMOBILE Stock Options”) recorded on the register of holders of share options of EMOBILE (excluding EMOBILE) as of the Record Time, in exchange for those EMOBILE Stock Options, the share options 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.

(5) 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 (eAccess) | 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 (eAccess) | Late June, 2010 (tentative) |
| F. Date of Annual Shareholders' Meeting and Class Meeting of Shareholders of Each Class of Preferred Stocks to Approve the Share Exchange (EMOBILE) | Late June, 2010 (tentative) |
| G. Issuance of Shares by way of Third-Party Allotment (EMOBILE) | Late June, 2010 (tentative) |
| H. Effective Date of Share Exchange | July 1, 2010 (tentative) |

(6) 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, Toranomon 2-chome, Minato-ku, Tokyo |
| D. Name and Title of Representative | Koji Fukata, Representative Director and President |
| E. Amount of Capital | ¥18,392 million |
| F. Net Assets | ¥56,895 million |
| G. Total Assets | ¥130,584 million |

Information on related parties
The 6th Business Year (April 1, 2009 through March 31, 2010)

1. Related Party Transactions
Parent company or main shareholders (only business entities, etc.) of the filing company.

| Description | Company | Address | Paid-in capital (¥ in millions) | Principal business | Percentage of voting rights (%) | Business relationship | |
|---|---|---|---|---|---|---|---|
| | | | | | | Interlocking directors or corporate auditors, etc. | Operational relationship |
| Major shareholder | GS TK Holdings III Godo Kaisha | Minato-ku, Tokyo | (Capital) 1 | Investment business | 35.7 Owned directly | Yes | Private equity fund, Concurrent positions held by a director |

| Transactions | Transaction amount (¥ in millions) | Account | End of year (¥ in millions) |
|---|---|---|---|
| Pledged shares of EMOBILE for the commitment line contract (Note 3) | 14,399 | – | – |

| Description | Company | Address | Paid-in capital (¥ in millions) | Principal business | Percentage of voting rights (%) | Business relationship | |
|---|---|---|---|---|---|---|---|
| | | | | | | Interlocking directors or corporate auditors, etc. | Operational Relationship |
| Other affiliate of EMOBILE | eAccess Ltd. | Minato-ku, Tokyo | (Capital) 18,392 | Broadband Telecommunication business | 38.3 Owned directly | Yes | Business alliance in mobile broadband communication business, Concurrent positions held by directors |

(¥ in millions)

| Transactions | Transaction amount | Account | End of year |
|---|---|---|---|
| Purchases of wireless telecommunications equipments (Note 1) | 19,611 | Accounts payable–facilities | 2,282 |
| | | Long-term accounts payable–facilities | 9,271 |
| Purchases of mobile terminal devices (Note 1) | 11,496 | Accounts payable–trade | 1,154 |
| Purchases of backbone service (Note 1) | 5,751 | Other accounts payable | 840 |
| Pledged shares of EMOBILE for the commitment line contract (Note 2) | 50,016 | – | – |

Transaction's term and policy

(Note 1) Purchase prices for wireless telecommunications equipments, mobile terminal devices and backbone service are determined in accordance with the general transaction's terms in consideration of market prices.

(Note 2) In connection with the commitment line contract between the financial institutions and EMOBILE, all major assets held by EMOBILE and all shares of EMOBILE held by eAccess Ltd. were pledged as collateral. Transaction amount represents the book value of the pledged shares on the non-consolidated balance sheet of eAccess Ltd.

(Note 3) In connection with the commitment line contract between the financial institutions and EMOBILE, all major assets held by EMOBILE and all shares of EMOBILE held by GS TK Holdings III Godo Kaisha were pledged as collateral.
The transaction amount represents the book value of the pledged shares when GS TK Holdings III Godo Kaisha invested the shares.

(Per share information)

| Item | The 6th Business Year (April 1, 2009 through March 31, 2010) |
|---|---|
| Net assets per share | ¥(140,649.79) |
| Net loss per share | ¥(24,507.30) |
| Diluted net income per share | Diluted net income per share is not presented because it is net loss per share for the fiscal year ended March 31, 2010. |

(Note) The basic information to calculate net assets per share is as follows:

1. Net assets per share

(¥ in millions)

| Item | The 6th Business Year ended March 31, 2010 |
|---|---|
| Total amounts of net assets on the balance sheets | 27,484 |
| Net assets attributable to common stock | (85,374) |
| Major breakdown of the differences<br>Paid-in amount for preferred stock | 112,859 |
| Total number of shares of common stock (shares) | 607,000 |
| Total number of shares of treasury stock (shares) | – |
| Number of common stock used to calculate net assets per share (shares) | 607,000 |

2. Net loss per share

(¥ in millions)

| Item | The 6th Business Year ended March 31, 2010 | |
|---|---|---|
| Net loss on statements of operations (¥ in million) | | (14,876) |
| Net loss not attributable to common shareholders | | – |
| Net loss attributable to common stock | | (14,876) |
| Average number of shares of common stock during the period (shares) | | 607,000 |
| Outline of potential shares which were not used for calculating diluted net income per share as they did not have any dilutive effect (shares) | Share options (stock options) | 127,038 |

(Significant subsequent events)

| The 6th Business Year (April 1, 2009 through March 31, 2010) |
|---|
| (Issuance of Shares by way of Third-Party Allotment)<br>EMOBILE resolved at the board meeting held on March 30, 2010, to conduct a capital increase by way of a third-party allotment in the amount of ¥30,000 million. Further, EMOBILE resolved to increase the total amount of the third party allotment from ¥30,000 million to ¥45,000 million at the board meeting held on May 11, 2010. The details of the third party allotment implemented following the above resolutions are as follows:<br><br>(1) Offering number of shares — 409,092 Common stocks<br>(2) Share price — ¥110,000 per share<br>(3) Total issue amount — ¥45,000 million<br>(4) Amount of recapitalization — ¥22,500 million<br>(5) Allottee — eAccess Ltd. and others<br>(6) Use of Proceeds — To enhance capital base<br>(7) Date of Annual Shareholders' Meeting and Class Meeting of Shareholders of Each Class of Preferred Stocks to Approve the Third Party Allotment — June 25, 2010<br>(8) Payment date — June 30, 2010<br>(Share exchange)<br>EMOBILE resolved at the board meeting held on March 31, 2010, to implement a business combination with eAccess Ltd.(eAccess), the largest shareholder of EMOBILE, and entered into the share exchange agreement with eAccess on the same day (the memorandum of understanding related to revisions to the share exchange agreement was entered into on May 12, 2010). EMOBILE approved the agreement at its Annual Shareholders' Meeting and Class Meeting of Preferred Stocks held on June 25, 2010 and eAccess approved the agreement at its Annual Shareholders' Meeting held on June 24, 2010. EMOBILE and eAccess implemented the share exchange with the effective date of July 1, 2010.<br>1. Detail of share exchange<br>The share exchange turns EMOBILE into the wholly owned subsidiary and eAccess into the parent company.<br>2. Effective date of share exchange<br>July 1, 2010<br>3. Method of share exchange<br>eAccess shall allocate and deliver 1.45 shares of common stock in eAccess in exchange for one share of common stock or each type of preferred stock in EMOBILE.<br>4. Purpose of share exchange<br>EMOBILE and eAccess 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 EMOBILE and eAccess in order to proactively and promptly deal with changes in the business environment, and to make efficient investment as a group possible by using the profits generated by two companies as financial resources. For this purpose, EMOBILE and eAccess have come to a belief that the best course of action is to implement a business combination by share exchange. |

| The 6th Business Year (April 1, 2009 through March 31, 2010) |
|---|
| (Merger with the parent company)<br>EMOBILE resolved at the board of directors' meeting held on February 24, 2011, to enter into a merger agreement with eAccess Ltd. (eAccess) with an absorption-type merger which makes eAccess a surviving company and EMOBILE into the dissolving company (the "Merger"), and entered in the merger agreement with eAccess on the same day. Subsequently, the merger took effect on March 31, 2011.<br>1. Purpose of merger<br>On July 1, 2010, eAccess completed a share exchange transaction whereby eAccess becomes the sole parent company and EMOBILE becomes a wholly-owned subsidiary, in accordance with our corporate philosophy to realize the fixed mobile convergence in the broadband market and to accelerate development of our mobile business. After the share exchange transaction, in light of changes in the business environment surrounding eAccess and EMOBILE, particularly increasingly faster data communication services in the mobile communication business, further diversified services and increasingly fierce competition among service providers, eAccess has determined that it is necessary to further streamline and expedite the eAccess Group's management decisions in order to proactively and rapidly deal with those environmental changes. For this purpose, eAccess implemented an absorption-type merger with EMOBILE.<br>2. Outline of merger<br>(1) Effective Date of Merger<br>March 31, 2011<br>(2) Method of Merger<br>It is an absorption-type merger whereby eAccess will be a surviving company and EMOBILE will be a dissolving company. The Merger falls under "simplified merger" set forth in Article 796, Paragraph 3 of the Companies Act for eAccess, and a "short form merger" set forth in Article 784, Paragraph 1 of the Companies Act for EMOBILE. Thus, neither company held a shareholders' meeting to approve the Merger.<br>(3) Shares to be issued at Merger and their allocation<br>eAccess is a sole parent company and EMOBILE a wholly-owned subsidiary. Accordingly, no issuance of shares or capital increase was implemented at the merger.<br>(4) Succession to rights and obligations<br>EMOBILE transferred all of its assets, liabilities, rights and obligations as of March 31, 2011 to eAccess. |

E. Supplemental schedules

Detailed schedule of securities

No items to report

Detailed schedule of tangible fixed assets, etc.

(¥ in millions)

| Type of assets | Balance as of March 31, 2009 | Increase in the fiscal year ended March 31, 2010 | Decrease in the fiscal year ended March 31, 2010 | Balance as of March 31, 2010 | Accumulated depreciation or amortization as of March 31, 2010 | Depreciation or amortization for the fiscal year ended March 31, 2010 | Carrying value as of March 31, 2010 |
|---|---|---|---|---|---|---|---|
| Tangible fixed assets | | | | | | | |
| Buildings | 1,055 | 115 | 4 | 1,166 | 342 | 151 | 825 |
| Structures | 12,942 | 2,849 | – | 15,791 | 897 | 489 | 14,894 |
| Wireless telecommunications equipments | 107,661 | 22,078 | 111 | 129,630 | 31,465 | 12,551 | 98,165 |
| Machinery and equipments | 2,152 | 531 | 0 | 2,683 | 1,010 | 525 | 1,673 |
| Tools, furniture and fixtures | 3,925 | 193 | 6 | 4,112 | 2,871 | 872 | 1,241 |
| Construction in progress | 2,952 | 18,930 | 16,067 | 5,815 | – | – | 5,815 |
| Total tangible fixed assets | 130,687 | 44,697 | 16,187 | 159,197 | 36,585 | 14,589 | 122,613 |
| Intangible fixed assets | | | | | | | |
| Right of trademark | 10 | – | – | 10 | 2 | 1 | 8 |
| Right of using facilities | 3,760 | 9,907 | – | 13,667 | 376 | 306 | 13,290 |
| Software | 34,466 | 14,536 | – | 49,001 | 15,724 | 7,953 | 33,278 |
| Software in progress | 35 | 12,237 | 10,109 | 2,163 | – | – | 2,163 |
| Total intangible fixed assets | 38,271 | 36,679 | 10,109 | 64,841 | 16,102 | 8,260 | 48,739 |
| Long-term prepaid expenses | 3,241 | 217 | 1,385 | 2,072 | – | – | 2,072 |

(Notes) 1. The major components of the increase in the business year ended March 31, 2010 are as follows:

(Tangible fixed assets)

Wireless telecommunications equipments Related to provision of data and voice services ¥22,078 million

Construction in progress Related to provision of data and voice services ¥18,930 million

(Intangible fixed assets)

Software Related to provision of data and voice services ¥14,536 million

Software in progress Related to provision of data and voice services ¥12,237 million

2. The major component of the decrease in the business year ended March 31, 2010 is as follows:

(Tangible fixed assets)

Wireless telecommunications equipments Decrease due to closure of wireless base station ¥89 million

Detailed schedule of bonds
No items to report

Detailed schedule of borrowings

(¥ in millions)

| Category | Balance as of March 31, 2009 | Balance as of March 31, 2010 | Average interest rate (%) | Maturity |
|---|---|---|---|---|
| Short-term debt | 20,000 | 20,000 | 2.84 | – |
| Current portion of long-term debt | – | 54,986 | 2.92 | – |
| Long-term debt (excluding current portion ) | 169,980 | 144,964 | 2.92 | 2011 to 2013 |
| Other interest-bearing debts | | | | |
| Current portion of installment obligations | 4,769 | 9,226 | | – |
| Installment obligations (excluding current portion) | 17,444 | 14,957 | | 2011 to 2014 |
| Total | 212,193 | 244,133 | – | – |

(Notes) 1. The average interest rate represents the weighted-average rate applicable to the year-end balance.
2. The following table shows the aggregate annual maturities of long-term debt and installment obligations (excluding the current portion) for 5 years subsequent to March 31, 2010.

(¥ in millions)

| Category | Due after one year but within two years | Due after two years but within three years | Due after three years but within four years | Due after four years but within five years |
|---|---|---|---|---|
| Long-term debt | 54,986 | 89,978 | – | – |
| Installment obligations | 7,658 | 5,372 | 1,927 | – |

Detailed schedule of allowance

(¥ in millions)

| Category | Balance as of March 31, 2009 | Increase in the Year ended March 31, 2010 | Decrease in the year ended March 31, 2010 (used for intended purpose) | Decrease in the year ended March 31, 2010 (others) | Balance as of March 31, 2010 |
|---|---|---|---|---|---|
| Allowance for bad debt | 1,382 | 3,614 | 759 | 623 | 3,614 |

(Note) The decrease in the current fiscal year (others) is the result of a reversal of the previously reserved amount.

## (2) Details of major assets and liabilities of the Company

A. Assets

a. Cash and deposits

(¥ in millions)

| Category | | Amounts |
|---|---|---|
| Cash | | 1 |
| Deposits | Checking accounts | 1,161 |
| | Savings accounts | 41,131 |
| | Postal savings | 31 |
| | Special deposits | 57 |
| | Time deposits | 4,700 |
| | Sub-total | 47,079 |
| Total | | 47,080 |

b. Accounts receivable–trade

(a) Breakdown by customers

(¥ in millions)

| Customers | Amounts |
|---|---|
| Individual customers | 7,324 |
| SOFTBANK MOBILE Corp. | 5,521 |
| SMBC Finance Service Co.,Ltd | 2,003 |
| KDDI CORPORATION | 1,768 |
| NTT Communications Corporation | 1,474 |
| Others | 12,173 |
| Total | 30,263 |

(b) Generation, collection and retention of accounts receivable–trade

(¥ in millions)

| Balance brought forward | Generation in the business year ended March 31, 2011 | Collection during the business year ended March 31, 2011 | Balance carried forward | Ratio of collection (%) | Turnover |
|---|---|---|---|---|---|
| (A) | (B) | (C) | (D) | $\frac{(C)}{(A)+(B)} \times 100$ | $\frac{((A)+(D))/2}{(B)/365}$ |
| 10,880 | 96,279 | 76,883 | 30,263 | 71.7 | 78.0 |

(Notes) 1. Generation in the business year includes consumption taxes and others.
2. Generation in the business year includes ¥21,830 million carried forward due to the merger with EMOBILE.

c. Merchandise

(¥ in millions)

| Category | Amounts |
|---|---|
| Mobile Devices | 2,090 |
| Total | 2,090 |

d. Supplies

(¥ in millions)

| Category | Amounts |
|---|---|
| Mobile Devices | 11 |
| Sales promotion materials | 51 |
| Total | 62 |

e. Accounts receivable–other

(¥ in millions)

| Customers | Amounts |
|---|---|
| Individual customers | 32,162 |
| NIPPON ERICSSON K.K. | 2,211 |
| ORIX Corporation | 2,148 |
| DAIMEI TELECOM ENGINEERING CORP. | 22 |
| Commuture Corp. | 13 |
| Others | 28 |
| Total | 36,584 |

B. Liabilities

a. Accounts payable–trade

(¥ in millions)

| Vendors | Amounts |
|---|---|
| Huawei Technologies Japan K.K. | 927 |
| NEC AccessTechnica, Ltd. | 353 |
| HTC Corporation | 172 |
| KDDI CORPORATION | 64 |
| Apple Japan Inc. | 32 |
| Others | 243 |
| Total | 1,791 |

b. Current portion of long-term debt

(¥ in millions)

| Lenders | Amounts |
|---|---|
| Mizuho Bank, Ltd. | 1,200 |
| Sumitomo Mitsui Banking Corporation | 133 |
| BNP Paribas S.A. | 2,878 |
| Syndicated Loan (Note) | 16,500 |
| Total | 20,712 |

(Note) Syndicated loan represents a joint financing loan facility arranged by twenty-one financial institutions in total, including Mizuho Bank, Ltd., ING Bank N.V., Tokyo Branch, Crédit Agricole Corporate and Investment Bank, Tokyo Branch, Sumitomo Mitsui Banking Corporation, Aozora Bank, Ltd. and U.B.S. AG, Tokyo Branch, which are Mandated Lead Arrangers and Bookrunners.

c. Current portion of bonds

(¥ in millions)

| Description | Amounts |
|---|---|
| Second Series Unsecured Straight Bonds | 9,000 |
| Third Series Unsecured Straight Bonds (private placement bond with bank guarantee) | 990 |
| Fourth Series Unsecured Straight Bonds (private placement bond with bank guarantee) | 858 |
| Sixth Series Unsecured Straight Bonds (private placement bond with bank guarantee) | 200 |
| Convertible Bonds due 2011 | 3,000 |
| Total | 14,048 |

d. Bonds

(¥ in millions)

| Description | Amounts |
|---|---|
| Third Series Unsecured Straight Bonds (private placement bond with bank guarantee) | 525 |
| Fourth Series Unsecured Straight Bonds (private placement bond with bank guarantee) | 855 |
| Fifth Series Unsecured Straight Bonds | 200 |
| Sixth Series Unsecured Straight Bonds (private placement bond with bank guarantee) | 200 |
| Convertible Bonds due 2016 | 10,860 |
| Total | 12,640 |

e. Long-term debt

(¥ in millions)

| Lenders | Amounts |
|---|---|
| Mizuho Bank, Ltd. | 5,700 |
| Sumitomo Mitsui Banking Corporation | 633 |
| BNP Paribas S.A. | 19,817 |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 3,015 |
| Syndicated Loan | 148,500 |
| Total | 177,665 |

(Note) Syndicated loan represents a joint financing loan facility arranged by twenty-one financial institutions in total, including Mizuho Bank, Ltd., ING Bank N.V., Tokyo Branch, Crédit Agricole Corporate and Investment Bank, Tokyo Branch, Sumitomo Mitsui Banking Corporation, Aozora Bank, Ltd. and U.B.S. AG, Tokyo Branch, which are Mandated Lead Arrangers and Bookrunners.

**(3) Other**

The following tables show the unaudited Balance Sheets as of March 30, 2011 and unaudited Statements of Income for the period from April 1, 2010 to March 30, 2011 of EMOBILE Ltd., a dissolved company upon merger with the Company.

**EMOBILE Ltd.**

A. Unaudited Balance Sheet

(As of March 30, 2011)

(¥ in millions)

| | Amounts |
|---|---|
| **ASSETS** | |
| **Current assets** | |
| Cash and deposits | 28,461 |
| Accounts receivable-trade | 24,766 |
| Merchandise | 2,090 |
| Supplies | 51 |
| Prepaid expenses | 2,985 |
| Accounts receivable-other | 36,736 |
| Other current assets | 784 |
| Allowance for bad debt | (3,510) |
| **Total current assets** | **92,363** |
| **Fixed assets** | |
| Tangible fixed assets | |
| Buildings | 1,196 |
| Accumulated depreciation | (476) |
| Buildings, net | 721 |
| Structures | 17,270 |
| Accumulated depreciation | (1,463) |
| Structures, net | 15,807 |
| Machinery and equipments | 2,851 |
| Accumulated depreciation | (1,369) |
| Machinery and equipments, net | 1,483 |
| Wireless telecommunications equipments | 158,716 |
| Accumulated depreciation | (46,558) |
| Wireless telecommunications equipments, net | 112,158 |
| Tools, furniture and fixtures | 4,176 |
| Accumulated depreciation | (3,356) |
| Tools, furniture and fixtures, net | 820 |
| Construction in progress | 3,601 |
| Total tangible fixed assets | 134,590 |
| Intangible fixed assets | |
| Right of trademark | 7 |
| Right of using facilities | 13,882 |
| Software | 29,584 |
| Software in progress | 2,914 |
| Total intangible fixed assets | 46,387 |
| Investments and other assets | |
| Long-term prepaid expenses | 4,904 |
| Long-term accounts receivable-other | 12,011 |
| Claims provable in bankruptcy, claims provable in rehabilitation and other | 99 |
| Other | 995 |
| Allowance for bad debt | (190) |
| Total investments and other assets | 17,819 |
| **Total fixed assets** | **198,795** |
| **TOTAL ASSETS** | **291,158** |

Unaudited Balance Sheet (Continued)
(As of March 30, 2011)

(¥ in millions)

| | Amounts |
|---|---|
| **LIABILITIES** | |
| **Current liabilities** | |
| Accounts payable-trade | 1,917 |
| Current portion of long-term debt | 16,500 |
| Other accounts payable | 10,455 |
| Accounts payable-facilities | 11,119 |
| Current portion of installment obligation | 12,437 |
| Accrued expenses | 4,100 |
| Income taxes payable | 227 |
| Accrued consumption taxes | 590 |
| Advances received | 49 |
| Deposits received | 80 |
| Asset retirement obligations | 19 |
| **Total current liabilities** | **57,493** |
| **Long-term liabilities** | |
| Long-term debt, less current portion | 148,500 |
| Long-term accounts payable-facilities | 13,546 |
| Installment obligation, less current portion | 9,472 |
| Asset retirement obligations | 271 |
| **Total long-term liabilities** | **171,789** |
| **TOTAL LIABILITIES** | **229,281** |
| **NET ASSETS** | |
| **Shareholders' equity** | |
| Capital stock | 94,254 |
| Capital surplus | |
| Legal capital surplus | 93,954 |
| Total capital surplus | 93,954 |
| Retained earnings | |
| Retained earnings brought forward | (126,332) |
| Total retained earnings | (126,332) |
| **Total shareholders' equity** | **61,877** |
| **TOTAL NET ASSETS** | **61,877** |
| **TOTAL LIABILITIES AND NET ASSETS** | **291,158** |

**EMOBILE Ltd.**

B. Unaudited Statement of Operations
(Year ended March 30, 2011)

(¥ in millions)

| | Amounts |
|---|---|
| **Revenue** | **142,637** |
| **Cost of revenue** | **63,140** |
| **Gross profit** | **79,496** |
| **Selling, general and administrative expenses** | |
| Advertising expenses | 303 |
| Promotion expenses | 55,828 |
| Provision of allowance for bad debt | 2,207 |
| Salaries and benefits | 4,402 |
| Rent expenses | 1,174 |
| Business consignment expenses | 4,531 |
| Depreciation | 4,457 |
| Others | 3,961 |
| **Total Selling, general and administrative expenses** | **76,863** |
| **Operating income** | **2,633** |
| **Non-operating income** | |
| Interest income | 23 |
| Gain on bad debts recovered | 19 |
| Others | 8 |
| **Total non-operating income** | **50** |
| **Non-operating expenses** | |
| Interest expense | 6,935 |
| Commission expense | 1,322 |
| Others | 181 |
| **Total non-operating expenses** | **8,437** |
| **Recurring loss** | **5,754** |
| **Non-recurring loss** | |
| Loss on disposition of fixed assets | 2,078 |
| Amortization of long-term prepaid expenses | 2,552 |
| Loss on disaster | 77 |
| Loss on adjustment for changes of accounting standard for asset retirement obligations | 83 |
| Others | 32 |
| **Total non-recurring loss** | **4,822** |
| **Loss before income taxes** | **10,576** |
| **Income tax expense–current** | **31** |
| **Total income taxes** | **31** |
| **Net loss** | **10,608** |

KPMG

## Independent Auditors' Report

To the Board of Directors of
eAccess Ltd.:

We have audited the accompanying consolidated balance sheet of eAccess Ltd. and consolidated subsidiaries as of March 31, 2010, the related consolidated statement of changes in net assets for the year then ended and the related consolidated statements of operations and cash flows for the years ended March 31, 2011 and 2010 expressed in Japanese yen shown in "II. Financial Information". These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently 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 financial position of eAccess Ltd. and subsidiaries as of March 31, 2010, and the results of their operations and their cash flows for the years ended March 31, 2011 and 2010, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following:
As discussed in "Significant subsequent events" to the consolidated financial statements, the Company made changes in the classification of reporting segments effective from the fiscal year beginning on April 1, 2011.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 are presented solely for convenience. Our audit does not include the translation of yen amounts into U.S. dollar amounts.

KPMG AZSA LLC

Tokyo, Japan
June 27, 2011

KPMG

## Independent Auditors' Report

To the Board of Directors of
eAccess Ltd.:

We have audited the accompanying non-cosolidated balance sheets of eAccess Ltd. as of March 31, 2011 and 2010, and the related non-cosolidated statements of operations and changes in net assets for the years then ended expressed in Japanese yen shown in "II. Financial Information". These non-cosolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these non-cosolidated 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 non-cosolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the non-cosolidated 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 non-cosolidated financial statements referred to above present fairly, in all material respects, the financial position of eAccess Ltd. as of March 31, 2011 and 2010, and the results of operations for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following:
As discussed in "Significant subsequent events" to the non-cosolidated financial statements, the Company issued US dollar denominated senior notes and Euro denominated senior notes, respectively, on April 1, 2011.

The U.S. dollar amounts in the accompanying financial statements with respect to the year ended March 31, 2011 are presented solely for convenience. Our audit does not include the translation of yen amounts into U.S. dollar amounts.

KPMG AZSA LLC

Tokyo, Japan
June 27, 2011

KPMG

## Independent Auditors' Report

To the Board of Directors of
eAccess Ltd.:

We have audited the accompanying balance sheet of EMOBILE Ltd. as of March 31, 2010, and the related statement of operations, changes in net assets and cash flows for the year then ended expressed in Japanese yen shown in "Ⅱ. Financial Information". These financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these 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 financial statements referred to above present fairly, in all material respects, the financial position of EMOBILE Ltd. as of March 31, 2010, and the results of operations and cash flow for the year then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following:
As discussed in "Significant subsequent events" to the financial statements, the Company was merged with eAccess Ltd. on March 31, 2011.

KPMG AZSA LLC

Tokyo, Japan
June 27, 2011

# III. Supplemental Financial Information

Quarterly Results for Fiscal Year 3/2011
Supplemental Financial Information (Consolidated)

* eAccess consolidated EMOBILE as a 100% subsidiary through share exchange on 7/1/2010.This transaction is treated under the reverse acquisition accounting based on the accounting rules. Under this method EMOBILE results are recognized as the accounting p

**Quarterly Trend of Profit & Loss Statements (Consolidated)** (¥ in millions)

| | Fiscal Year 3/2010 | | | | | Fiscal Year 3/2011 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1Q 2009 (4 - 6/2009) | 2Q 2009 (7 - 9/2009) | 3Q 2009 (10 - 12/2009) | 4Q 2009 (1 - 3/2010) | Full-year Result | 1Q 2010 (4 - 6/2010) | 2Q 2010 (7 - 9/2010) | 3Q 2010 (10 - 12/2010) | 4Q 2010 (1 - 3/2011) | Full-year Result |
| Revenue | | | | | | | 48,150 | 48,818 | 49,674 | 181,541 |
| Mobile | | | | | | | 34,499 | 35,921 | 37,317 | 142,637 |
| Network (mainly ADSL) | | | | | | | 15,688 | 14,815 | 14,301 | 44,804 |
| Device | | | | | | | 2,188 | 2,129 | 2,705 | 7,022 |
| (Intercompany elimination) | | | | | | | -4,225 | -4,047 | -4,649 | -12,921 |
| Cost of revenue | | | | | | | 19,910 | 19,148 | 28,731 | 81,662 |
| Mobile | | | | | | | 13,446 | 12,898 | 22,924 | 63,140 |
| Network (mainly ADSL) | | | | | | | 8,733 | 8,292 | 8,073 | 25,097 |
| Device | | | | | | | 1,968 | 1,932 | 2,383 | 6,283 |
| (Intercompany elimination) | | | | | | | -4,236 | -3,974 | -4,649 | -12,859 |
| Gross profit | | | | | | | 28,240 | 29,670 | 20,942 | 99,879 |
| *Gross margin (%)* | | | | | | | 58.6% | 60.8% | 42.2% | 55.0% |
| Mobile | | | | | | | 21,053 | 23,023 | 14,393 | 79,496 |
| Network (mainly ADSL) | | | | | | | 6,956 | 6,523 | 6,228 | 19,707 |
| Device | | | | | | | 220 | 197 | 322 | 739 |
| (Intercompany elimination) | | | | | | | 11 | -73 | -1 | -63 |
| Selling, general and administrative | | | | | | | 22,164 | 22,360 | 21,682 | 84,912 |
| Mobile | | | | | | | 19,326 | 19,748 | 19,083 | 76,863 |
| Network (mainly ADSL) | | | | | | | 2,376 | 2,232 | 2,255 | 6,863 |
| Device | | | | | | | 189 | 222 | 210 | 622 |
| (Intercompany elimination) | | | | | | | 274 | 157 | 133 | 564 |
| Operating profit | | | | | | | 6,076 | 7,310 | -740 | 14,967 |
| *Operating margin (%)* | | | | | | | 12.6% | 15.0% | -1.5% | 8.2% |
| Mobile | | | | | | | 1,728 | 3,275 | -4,691 | 2,633 |
| Network (mainly ADSL) | | | | | | | 4,580 | 4,291 | 3,973 | 12,844 |
| Device | | | | | | | 31 | -26 | 112 | 117 |
| (Intercompany elimination) | | | | | | | -262 | -231 | -134 | -627 |
| Other income | | | | | | | 37 | 20 | 17 | 82 |
| Other expenses | | | | | | | 2,641 | 2,469 | 2,423 | 9,961 |
| Recurring Profit | | | | | | | 3,473 | 4,860 | -3,146 | 5,088 |
| *Recurring margin (%)* | | | | | | | 7.2% | 10.0% | -6.3% | 2.8% |
| Non-recurring profit | | | | | | | 1 | 13 | 17 | 32 |
| Non-recurring loss | | | | | | | 46 | 80 | 7,308 | 7,543 |
| Income/(loss) before income taxes | | | | | | | 3,428 | 4,794 | -10,438 | -2,423 |
| Income taxes | | | | | | | 1,693 | 1,536 | -20,227 | -16,988 |
| Net income | | | | | | | 1,735 | 3,258 | 9,790 | 14,565 |
| *Net margin (%)* | | | | | | | 3.6% | 6.7% | 19.7% | 8.0% |
| EBITDA | | | | | | | 14,895 | 16,350 | 17,934 | 58,249 |
| *EBITDA margin (%)* | | | | | | | 30.9% | 33.5% | 36.1% | 32.1% |
| Mobile | | | | | | | 8,600 | 10,405 | 12,299 | 40,374 |
| Network (mainly ADSL) | | | | | | | 6,308 | 5,991 | 5,589 | 17,887 |
| Device | | | | | | | 40 | -15 | 124 | 150 |
| Capital expenditures | | | | | | | 6,064 | 6,077 | 20,493 | 40,845 |
| Mobile | | | | | | | 5,428 | 5,616 | 20,043 | 39,298 |
| Network (mainly ADSL) | | | | | | | 635 | 461 | 450 | 1,546 |
| Device | | | | | | | 1 | 0 | 0 | 1 |
| Depreciation and amortization | | | | | | | 8,819 | 9,040 | 9,221 | 33,829 |
| Mobile | | | | | | | 6,872 | 7,130 | 7,481 | 28,232 |
| Network (mainly ADSL) | | | | | | | 1,727 | 1,700 | 1,616 | 5,043 |
| Device | | | | | | | 10 | 11 | 12 | 33 |
| (Intercompany elimination) | | | | | | | 210 | 199 | 112 | 520 |
| R&D expenses | | | | | | | 108 | 144 | 119 | 371 |
| Number of employees | | | | | | | 1,116 | 1,118 | 1,292 | 1,292 |

Note 1: EBITDA = Operational Profit + Depreciation + Device valuation losses.
Note 2: Mobile cost of revenue includes device valuation losses of 9,452 million yen in 4Q and FY3/2011.

**Statements of Cash Flows (Consolidated)** (¥ in millions)

| | Fiscal Year 3/2010 | | | | | Fiscal Year 3/2011 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1Q 2009 (4 - 6/2009) | 2Q 2009 (7 - 9/2009) | 3Q 2009 (10 - 12/2009) | 4Q 2009 (1 - 3/2010) | Full-year Result | 1Q 2010 (4 - 6/2010) | 2Q 2010 (7 - 9/2010) | 3Q 2010 (10 - 12/2010) | 4Q 2010 (1 - 3/2011) | Full-year Result |
| Net cash provided by (used in) operating activities | | | | | | | 16,425 | 14,599 | 13,358 | 52,002 |
| Net cash provided by (used in) investing activities | | | | | | | -14,502 | -7,922 | -11,685 | -45,848 |
| Net cash provided by (used in) financing activities | | | | | | | -20,456 | -13,459 | -22,070 | -23,651 |
| Net change in cash and cash equivalents | | | | | | | -18,534 | -6,782 | -20,397 | -17,497 |
| Cash and cash equivalents at end of period | | | | | | | 70,576 | 63,795 | 43,397 | 43,397 |

unaudited information

Quarterly Results for Fiscal Year 3/2011
Supplemental Financial Information (Consolidated)

**Balance Sheets (Consolidated)** (¥ in millions)

| | Fiscal Year 3/2010 | | | | Fiscal Year 3/2011 | | | |
|---|---|---|---|---|---|---|---|---|
| | 1Q 2009 (6/2009) | 2Q 2009 (9/2009) | 3Q 2009 (12/2009) | 4Q 2009 (3/2010) | 1Q 2010 (6/2010) | 2Q 2010 (9/2010) | 3Q 2010 (12/2010) | 4Q 2010 (3/2011) After merger / Non-Consolidated |
| Cash and cash deposit | | | | | | 73,968 | 64,978 | 47,080 |
| Other current assets | | | | | | 77,245 | 78,233 | 77,357 |
| Total current assets | | | | | | 151,213 | 143,211 | 124,438 |
| Fixed Assets | | | | | | 220,662 | 221,361 | 228,147 |
| TOTAL ASSETS | | | | | | 371,887 | 364,582 | 352,952 |
| Current portion of long-term debt | | | | | | 100,617 | 101,751 | 49,486 |
| Other current liabilities | | | | | | 25,132 | 26,857 | 29,923 |
| Total current liabilities | | | | | | 125,749 | 128,608 | 79,409 |
| Long-term debt | | | | | | 176,059 | 163,333 | 200,206 |
| Other long-term liabilities | | | | | | 309 | 309 | 311 |
| Total long-term liabilities | | | | | | 176,368 | 163,642 | 200,517 |
| TOTAL LIABILITIES | | | | | | 302,118 | 292,249 | 279,926 |
| Common stock and capital surplus | | | | | | 186,829 | 184,831 | 67,712 |
| Retained earnings | | | | | | -114,208 | -112,473 | 5,325 |
| Treasury stock | | | | | | -2,821 | - | - |
| Total shareholders' equity | | | | | | 69,799 | 72,359 | 73,037 |
| TOTAL NET ASSETS | | | | | | 69,770 | 72,332 | 73,026 |
| Gross debt | | | | | | 276,677 | 265,083 | 249,692 |
| Net debt | | | | | | 202,709 | 200,106 | 202,612 |
| Net debt/net asset ratio | | | | | | 2.9x | 2.8x | 2.8x |
| Net debt/EBITDA ratio | | | | | | 3.4x | 3.3 x | 3.1x |

Note 1: We have inclueded non-consolidated balance sheet as of 3/31/2011 for conparative purpose.

Note 2: The EBITDA number we used for calculation of net debt/EBITDA ratio is pro-forma EMOBILE 100% consolidated number (combined eAccess and EMOBILE) of last-twelve-month (LTM).

unaudited information

Quarterly Results for Fiscal Year 3/2011
Supplemental Financial Information (eAccess)

**Quarterly Trend of Profit & Loss Statements (eAccess)**

| | Fiscal Year 3/2010 | | | | | Fiscal Year 3/2011 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1Q 2009 (4 - 6/2009) | 2Q 2009 (7 - 9/2009) | 3Q 2009 (10 - 12/2009) | 4Q 2009 (1 - 3/2010) | Full-year Result | 1Q 2010 (4 - 6/2010) | 2Q 2010 (7 - 9/2010) | 3Q 2010 (10 - 12/2010) | 4Q 2010 (1 - 3/2011) | Full-year Result |
| Revenue | 15,533 | 21,248 | 20,335 | 19,913 | 77,029 | 19,080 | 17,786 | 17,033 | 17,007 | 70,906 |
| Network (mainly ADSL) | 12,552 | 18,290 | 17,450 | 16,909 | 65,201 | 16,157 | 15,598 | 14,905 | 14,301 | 60,961 |
| Device | 2,981 | 2,958 | 2,884 | 3,004 | 11,828 | 2,923 | 2,189 | 2,129 | 2,705 | 9,945 |
| Cost of revenue | 8,705 | 12,219 | 11,977 | 12,508 | 45,409 | 11,451 | 10,611 | 10,314 | 10,456 | 42,832 |
| Devices and related tools sold | 2,667 | 2,602 | 2,501 | 2,843 | 10,614 | 2,653 | 1,961 | 1,923 | 2,372 | 8,908 |
| Salaries and benefits | 148 | 130 | 125 | 126 | 529 | 133 | 131 | 132 | 130 | 526 |
| Outsourcing | 188 | 539 | 562 | 518 | 1,807 | 379 | 394 | 375 | 362 | 1,511 |
| Depreciation and amortization | 855 | 1,518 | 1,512 | 1,521 | 5,407 | 1,496 | 1,497 | 1,480 | 1,423 | 5,896 |
| Network | 2,883 | 5,229 | 5,172 | 5,411 | 18,695 | 4,805 | 4,740 | 4,585 | 4,399 | 18,529 |
| Modem rental | 1,807 | 2,015 | 1,918 | 1,904 | 7,644 | 1,799 | 1,706 | 1,624 | 1,580 | 6,710 |
| Others | 157 | 185 | 187 | 184 | 713 | 186 | 181 | 194 | 190 | 751 |
| Gross profit | 6,828 | 9,029 | 8,358 | 7,405 | 31,621 | 7,629 | 7,176 | 6,719 | 6,550 | 28,075 |
| *Gross margin (%)* | 44.0% | 42.5% | 41.1% | 37.2% | 41.0% | 40.0% | 40.3% | 39% | 38.5% | 39.6% |
| Network (mainly ADSL) | 6,531 | 8,690 | 7,991 | 7,069 | 30,282 | 7,366 | 6,955 | 6,523 | 6,228 | 27,072 |
| Device | 297 | 339 | 367 | 336 | 1,339 | 263 | 221 | 197 | 322 | 1,002 |
| Selling, general and administrative | 3,523 | 3,678 | 3,140 | 3,885 | 14,226 | 3,177 | 2,565 | 2,454 | 2,465 | 10,662 |
| Advertising and sales promotion | 1,432 | 1,214 | 822 | 1,595 | 5,063 | 1,092 | 583 | 581 | 604 | 2,860 |
| Salaries and benefits | 439 | 506 | 497 | 590 | 2,032 | 477 | 424 | 428 | 419 | 1,748 |
| Outsourcing | 840 | 879 | 858 | 812 | 3,388 | 782 | 667 | 592 | 552 | 2,593 |
| Depreciation and amortization | 137 | 310 | 300 | 263 | 1,011 | 245 | 230 | 221 | 194 | 890 |
| Other S,G&A expense | 675 | 769 | 663 | 625 | 2,732 | 580 | 661 | 633 | 697 | 2,570 |
| Operating profit | 3,305 | 5,351 | 5,218 | 3,520 | 17,395 | 4,452 | 4,611 | 4,265 | 4,085 | 17,413 |
| *Operating margin (%)* | 21.3% | 25.2% | 25.7% | 17.7% | 22.6% | 23.3% | 25.9% | 25.0% | 24.0% | 24.6% |
| Network (mainly ADSL) | 3,180 | 5,222 | 5,046 | 3,336 | 16,784 | 4,354 | 4,579 | 4,291 | 3,973 | 17,197 |
| Device | 126 | 129 | 172 | 184 | 611 | 99 | 31 | -26 | 112 | 216 |
| Other income | 36 | 26 | 46 | 46 | 154 | 20 | 19 | 13 | 10 | 63 |
| Other expenses | 599 | 647 | 603 | 672 | 2,521 | 388 | 398 | 426 | 456 | 1,669 |
| Recurring Profit | 2,742 | 4,730 | 4,661 | 2,894 | 15,027 | 4,084 | 4,232 | 3,852 | 3,639 | 15,807 |
| *Recurring margin (%)* | 17.7% | 22.3% | 22.9% | 14.5% | 19.5% | 21.4% | 23.8% | 22.6% | 21.4% | 22.3% |
| Non-recurring profit | 1,415 | 125 | 1 | 43 | 1,584 | 1 | 1 | 13 | -2 | 13 |
| Non-recurring loss | 9 | 215 | 41 | 373 | 638 | 66 | 24 | 56 | 50,571 | 50,718 |
| Income/(loss) before income taxes | 4,148 | 4,640 | 4,621 | 2,564 | 15,973 | 4,019 | 4,209 | 3,809 | -46,934 | -34,898 |
| Income taxes | 1,148 | 1,910 | 1,864 | 1,036 | 5,957 | 1,657 | 1,715 | 1,552 | -21,593 | -16,670 |
| Net income/(loss) | 3,000 | 2,730 | 2,757 | 1,528 | 10,015 | 2,362 | 2,494 | 2,257 | -25,340 | -18,228 |
| *Net margin (%)* | 19.3% | 12.8% | 13.6% | 7.7% | 13.0% | 12.4% | 14.0% | 13.2% | -149.0% | -25.7% |
| EBITDA | 4,305 | 7,187 | 7,038 | 5,315 | 23,844 | 6,203 | 6,348 | 5,976 | 5,713 | 24,240 |
| *EBITDA margin (%)* | 27.7% | 33.8% | 34.6% | 26.7% | 31.0% | 32.5% | 35.7% | 35.1% | 33.6% | 34.2% |
| Network (mainly ADSL) | 4,170 | 7,048 | 6,856 | 5,118 | 23,191 | 6,095 | 6,307 | 5,991 | 5,589 | 23,982 |
| Device | 135 | 139 | 182 | 197 | 654 | 108 | 41 | -15 | 124 | 258 |
| Capital expenditures | 879 | 1,040 | 662 | 1,266 | 3,847 | 775 | 636 | 461 | 450 | 2,322 |
| Network (mainly ADSL) | 879 | 1,027 | 662 | 1,219 | 3,787 | 768 | 635 | 460 | 450 | 2,313 |
| Device | 0 | 13 | 0 | 47 | 60 | 8 | 1 | 0 | 0 | 9 |
| Depreciation and amortization | 999 | 1,836 | 1,820 | 1,794 | 6,450 | 1,751 | 1,737 | 1,711 | 1,628 | 6,827 |
| Network (mainly ADSL) | 990 | 1,826 | 1,810 | 1,782 | 6,407 | 1,741 | 1,727 | 1,700 | 1,616 | 6,785 |
| Device | 10 | 10 | 10 | 12 | 43 | 10 | 10 | 11 | 12 | 42 |
| R&D expenses | 109 | 134 | 126 | 69 | 438 | 95 | 108 | 144 | 119 | 465 |
| ADSL accumulated total subscribers (thousands) | 2,497 | 2,439 | 2,364 | 2,285 | 2,285 | 2,204 | 2,118 | 2,023 | 1,928 | 1,928 |
| ISP accumlated total subscribers (thousands) | 155 | 148 | 141 | 134 | 134 | 126 | 121 | 116 | 111 | 111 |
| ADSL ARPU (yen/month) | 2,032 | 2,022 | 2,008 | 1,995 | 2,015 | 1,973 | 1,966 | 1,953 | 1,949 | 1,961 |
| ADSL monthly churn rate (%) | 2.02% | 1.67% | 1.82% | 2.07% | 1.90% | 2.12% | 1.91% | 2.03% | 2.08% | 2.03% |
| ADSL SAC (yen) | 9,000 | 9,000 | 7,000 | 11,000 | 9,000 | 8,000 | 8,000 | 7,000 | 7,000 | 8,000 |

Note 1: eAccess completed the merger with ACCA Networks on 6/25/2009.

Note 2: EBITDA = Operational Profit + Depreciation.

Note 3: eAccesss completed the merger with EMOBILE on 3/31/2011.

unaudited information

Quarterly Results for Fiscal Year 3/2011
Supplemental Financial Information (eAccess)

**Balance Sheets (eAccess)** (¥ in millions)

| | Fiscal Year 3/2010 | | | | Fiscal Year 3/2011 | | | |
|---|---|---|---|---|---|---|---|---|
| | 1Q 2009 (6/2009) | 2Q 2009 (9/2009) | 3Q 2009 (12/2009) | 4Q 2009 (3/2010) | 1Q 2010 (6/2010) | 2Q 2010 (9/2010) | 3Q 2010 (12/2010) | 4Q 2010 (3/2011) After Merger |
| Cash and cash deposit | 56,954 | 57,049 | 67,536 | 25,458 | 12,475 | 13,909 | 15,986 | 47,080 |
| Other current assets | 15,929 | 15,895 | 20,104 | 19,458 | 15,866 | 18,330 | 22,757 | 77,357 |
| Total current assets | 72,883 | 72,944 | 87,640 | 44,916 | 28,341 | 32,239 | 38,743 | 124,438 |
| Fixed Assets | 80,393 | 82,519 | 84,562 | 85,243 | 101,694 | 144,251 | 142,489 | 228,147 |
| TOTAL ASSETS | 153,334 | 155,591 | 172,627 | 130,584 | 130,438 | 176,883 | 181,622 | 352,952 |
| Current portion of long-term debt | 62,533 | 54,679 | 51,252 | 7,322 | 13,802 | 13,872 | 14,353 | 49,486 |
| Other current liabilities | 10,532 | 13,275 | 20,174 | 16,792 | 10,528 | 17,311 | 17,319 | 29,923 |
| Total current liabilities | 73,065 | 67,954 | 71,425 | 24,114 | 24,329 | 31,184 | 31,672 | 79,409 |
| Long-term debt | 27,792 | 32,471 | 43,416 | 47,731 | 45,857 | 46,304 | 48,753 | 200,206 |
| Other long-term liabilities | 91 | 1,036 | 1,640 | 1,844 | 1,981 | 1,975 | 2,215 | 311 |
| Total long-term liabilities | 27,883 | 33,507 | 45,057 | 49,575 | 47,838 | 48,279 | 50,968 | 200,517 |
| TOTAL LIABILITIES | 100,948 | 101,461 | 116,482 | 73,689 | 72,167 | 79,463 | 82,640 | 279,926 |
| Common stock and capital surplus | 27,595 | 27,468 | 27,472 | 27,474 | 27,526 | 69,689 | 67,691 | 67,712 |
| Retained earnings | 25,078 | 26,918 | 28,763 | 29,381 | 30,832 | 30,670 | 31,404 | 5,325 |
| Treasury stock | - | - | - | - | - | -2,821 | - | - |
| Total shareholders' equity | 52,673 | 54,385 | 56,236 | 56,855 | 58,358 | 97,537 | 99,095 | 73,037 |
| TOTAL NET ASSETS | 52,386 | 54,130 | 56,145 | 56,895 | 58,271 | 97,421 | 98,982 | 73,026 |
| Gross debt | 90,325 | 87,150 | 94,668 | 55,053 | 59,659 | 60,176 | 63,106 | 249,692 |
| Net debt | 33,371 | 30,101 | 27,132 | 29,595 | 47,184 | 46,267 | 47,120 | 202,612 |
| Net debt/net asset ratio | 0.6x | 0.6x | 0.5x | 0.5x | 0.8x | 0.5x | 0.5x | na |
| Net debt/EBITDA ratio | 1.8x | 1.4x | 1.2x | 1.2x | 1.8x | 1.9x | 2.0x | na |

Note 1: eAccesss completed the merger with EMOBILE on 3/31/2011.

unaudited information

Quarterly Results for Fiscal Year 3/2011
Supplemental Financial Information (EMOBILE)

**Quartly Trend of Profit & Loss Statements (EMOBILE)**

(¥ in millions)

| | Fiscal Year 3/2010 | | | | | Fiscal Year 3/2011 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1Q 2009 (4 - 6/2009) | 2Q 2009 (7 - 9/2009) | 3Q 2009 (10 - 12/2009) | 4Q 2009 (1 - 3/2010) | Full-year Result | 1Q 2010 (4 - 6/2010) | 2Q 2010 (7 - 9/2010) | 3Q 2010 (10 - 12/2010) | 4Q 2010 (1 - 3/2011) | Full-year Result |
| Revenue | 23,491 | 29,179 | 28,597 | 32,338 | 113,605 | 34,900 | 34,499 | 35,921 | 37,317 | 142,637 |
| Service revenue | 16,540 | 18,852 | 20,767 | 24,177 | 80,336 | 26,014 | 26,764 | 27,325 | 27,864 | 107,968 |
| Terminal revenue | 6,951 | 10,327 | 7,830 | 8,161 | 33,269 | 8,886 | 7,735 | 8,596 | 9,452 | 34,669 |
| Cost of revenue | 12,512 | 16,798 | 12,866 | 14,871 | 57,047 | 13,872 | 13,446 | 12,898 | 22,924 | 63,140 |
| Gross profit | 10,978 | 12,381 | 15,731 | 17,468 | 56,558 | 21,027 | 21,053 | 23,023 | 14,393 | 79,496 |
| *Gross margin (%)* | 46.7% | 42.4% | 55.0% | 54.0% | 49.8% | 60.3% | 61.0% | 64.1% | 38.6% | 55.7% |
| Selling, general and administrative | 15,455 | 16,613 | 14,023 | 16,559 | 62,650 | 18,706 | 19,326 | 19,748 | 19,083 | 76,863 |
| Operating profit/(loss) | -4,476 | -4,231 | 1,707 | 908 | -6,092 | 2,321 | 1,728 | 3,275 | -4,691 | 2,633 |
| *Operating margin (%)* | -19.1% | -14.5% | 6.0% | 2.8% | -5.4% | 6.7% | 5.0% | 9.1% | -12.6% | 1.8% |
| Other income | 44 | 17 | -12 | 41 | 90 | 8 | 18 | 7 | 17 | 50 |
| Other expenses | 2,067 | 2,201 | 2,192 | 2,312 | 8,772 | 2,428 | 2,163 | 1,950 | 1,896 | 8,437 |
| Recurring loss | -6,499 | -6,415 | -497 | -1,363 | -14,774 | -99 | -418 | 1,332 | -6,570 | -5,754 |
| *Recurring margin (%)* | -27.7% | -22.0% | -1.7% | -4.2% | -13.0% | -0.3% | -1.2% | 3.7% | 0 | -4.0% |
| Non-recurring profit | - | - | - | - | - | - | - | - | - | - |
| Non-recurring loss | 19 | 26 | 10 | 43 | 99 | 109 | 22 | 23 | 4,668 | 4,822 |
| Income/(loss) before income taxes | -6,518 | -6,441 | -507 | -1,406 | -14,873 | -208 | -439 | 1,308 | -11,238 | -10,576 |
| Income taxes | -10 | 4 | 4 | 4 | 3 | 11 | 8 | 6 | 6 | 31 |
| Net income/(loss) | -6,509 | -6,445 | -512 | -1,411 | -14,876 | -219 | -447 | 1,302 | -11,244 | -10,608 |
| EBITDA | 746 | 1,201 | 7,421 | 8,844 | 18,212 | 9,070 | 8,600 | 10,405 | 12,299 | 40,374 |
| *EBITDA margin (%)* | 3.2% | 4.1% | 25.9% | 27.3% | 16.0% | 26.0% | 24.9% | 29.0% | 33.0% | 28.3% |
| Capital expenditures | 4,572 | 12,295 | 15,465 | 21,061 | 53,393 | 8,211 | 5,564 | 5,673 | 20,859 | 40,307 |
| Depreciation and amortization | 5,222 | 5,433 | 5,714 | 6,406 | 22,775 | 6,749 | 6,872 | 7,130 | 7,481 | 28,232 |
| R&D expenses | 20 | 5 | 1 | 0 | 25 | 1 | 0 | 0 | 0 | 1 |
| Net increase subscribers (thousands) | 262 | 225 | 223 | 231 | 942 | 185 | 204 | 183 | 194 | 766 |
| Accumulated total subscribers (thousands) | 1,672 | 1,898 | 2,121 | 2,352 | 2,352 | 2,537 | 2,741 | 2,924 | 3,118 | 3,118 |
| ARPU (yen/month) | 3,330 | 3,310 | 3,260 | 3,450 | 3,340 | 3,400 | 3,250 | 3,100 | 2,950 | 3,160 |
| Monthly churn rate (%) | 0.97% | 1.10% | 0.92% | 1.18% | 1.05% | 1.37% | 1.29% | 1.40% | 1.45% | 1.38% |
| SAC (yen) | 30,000 | 30,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 |

Note 1: EBITDA = Operational Profit + Depreciation + Device valuation losses.

Note 2: Cost of revenue includes device valuation losses of 1,529 million yen in 4Q and FY3/2010 and 9,508 million yen in 4Q and FY3/2011.

Note 3: The full-year results for FY3/2011 include the results up to 3/30/2011.

**Statements of Cash Flows (EMOBILE)**

(¥ in millions)

| | Fiscal Year 3/2010 | | | | | Fiscal Year 3/2011 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1Q 2009 (4 - 6/2009) | 2Q 2009 (7 - 9/2009) | 3Q 2009 (10 - 12/2009) | 4Q 2009 (1 - 3/2010) | Full-year Result | 1Q 2010 (4 - 6/2010) | 2Q 2010 (7 - 9/2010) | 3Q 2010 (10 - 12/2010) | 4Q 2010 (1 - 3/2011) | Full-year Result |
| Net cash provided by (used in) operating activities | -8,686 | -3,315 | -1,360 | 8,436 | -4,925 | 8,503 | 8,526 | 12,518 | 7,161 | |
| Net cash provided by (used in) investing activities | -7,447 | -15,549 | -8,664 | -11,143 | -42,803 | -11,739 | -13,723 | -5,798 | -6,820 | |
| Net cash provided by (used in) financing activities | 28,601 | -200 | -3 | 1,223 | 29,621 | 31,451 | -14,771 | -15,287 | -20,871 | |
| Net change in cash and cash equivalents | 12,467 | -19,063 | -10,027 | -1,484 | -18,107 | 28,215 | -19,968 | -8,567 | -20,531 | |
| Cash and cash equivalents at end of period | 79,885 | 60,822 | 50,795 | 49,311 | 49,311 | 77,527 | 57,558 | 48,992 | 28,461 | |

unaudited information

Quarterly Results for Fiscal Year 3/2011
Supplemental Financial Information (EMOBILE)

**Balance Sheets (EMOBILE)**

(¥ in millions)

| | Fiscal Year 3/2010 | | | | Fiscal Year 3/2011 | | | |
|---|---|---|---|---|---|---|---|---|
| | 1Q 2009 (6/2009) | 2Q 2009 (9/2009) | 3Q 2009 (12/2009) | 4Q 2009 (3/2010) | 1Q 2010 (6/2010) | 2Q 2010 (9/2010) | 3Q 2010 (12/2010) | 4Q 2010 (3/2011) |
| Cash and cash deposit | 79,885 | 60,822 | 50,795 | 49,311 | 77,527 | 60,058 | 48,992 | |
| Other current assets | 61,180 | 66,221 | 73,900 | 72,572 | 69,952 | 68,871 | 70,241 | |
| Total current assets | 141,065 | 127,043 | 124,695 | 121,883 | 147,479 | 128,929 | 119,233 | |
| Fixed Assets | 154,925 | 164,073 | 173,234 | 186,755 | 187,884 | 188,171 | 188,515 | |
| TOTAL ASSETS | 295,990 | 291,116 | 297,929 | 308,638 | 335,363 | 317,100 | 307,747 | |
| Current portion of long-term debt | 38,564 | 53,886 | 69,110 | 84,212 | 85,721 | 86,545 | 87,198 | |
| Other current liabilities | 19,150 | 15,733 | 18,047 | 27,749 | 22,305 | 18,418 | 22,826 | |
| Total current liabilities | 57,715 | 69,619 | 87,156 | 111,962 | 108,026 | 104,963 | 110,024 | |
| Long-term debt | 202,424 | 188,645 | 174,543 | 159,921 | 145,095 | 129,755 | 114,579 | |
| Other long-term liabilities | 0 | 3,447 | 7,336 | 9,271 | 9,976 | 10,564 | 10,024 | |
| Total long-term liabilities | 202,424 | 192,092 | 181,879 | 169,192 | 155,071 | 140,319 | 124,603 | |
| TOTAL LIABILITIES | 260,138 | 261,711 | 269,035 | 281,154 | 263,097 | 245,282 | 234,627 | |
| Common stock and capital surplus | 143,209 | 143,209 | 143,209 | 143,209 | 188,209 | 188,209 | 188,209 | |
| Retained earnings | -107,357 | -113,803 | -114,315 | -115,724 | -115,943 | -116,391 | -115,088 | |
| Total shareholders' equity | 35,851 | 29,406 | 28,894 | 27,484 | 72,266 | 71,818 | 73,120 | |
| TOTAL NET ASSETS | 35,851 | 29,406 | 28,894 | 27,484 | 72,266 | 71,818 | 73,120 | |
| Gross debt | 240,988 | 242,530 | 243,653 | 244,133 | 230,816 | 216,300 | 201,777 | |
| Net debt | 161,103 | 181,709 | 192,857 | 194,822 | 153,289 | 156,242 | 152,786 | |
| Net deb/net asset ratio | 4.5x | 6.2x | 6.7x | 7.1x | 2.1x | 2.2x | 2.1x | |
| Net debt/EBITDA ratio | na | na | 27.9x | 10.7x | 5.8x | 4.6x | 4.1x | |

Note 1: eAccesss completed the merger with EMOBILE on 3/31/2011.