May 14, 2009

Non-Consolidated Financial Results for the Fiscal Year Ended March 31, 2009

Company name: T-Gaia Corp. Listing: Tokyo Stock Exchange, First Section
Stock code: 3738 URL: www.t-gaia.co.jp
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Scheduled date of Annual General Meeting of Shareholders: June 25, 2009
Scheduled date of filing Annual Securities Report: June 25, 2009
Scheduled dare of dividend payment: June 26, 2009

(All amounts are rounded down to the nearest million yen)

1. Financial Results for the Fiscal Year Ended March 31, 2009 (April 1, 2008 to March 31, 2009)

(1) Results of operations (Full year) (Percentages represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY 2009	431,331	—	12,401	—	11,965	—	6,364	—
FY 2008	—	—	—	—	—	—	—	—

	Net income per share	Diluted net income per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
FY 2009	15,422.68	15,411.67	28.6	10.0	2.9
FY 2008	—	—	—	—	—

Reference: Equity in earnings of affiliates (million yen): FY2009: — FY2008: —

Note: 1. Telepark Corp. has merged with MS Communications Co., Ltd. as of October 1, 2008 and changed the company name to T-Gaia Corp. Therefore, the individual results of the fiscal year ended March 31, 2009 are calculated by adding results of the first-half for Telepark Corp. to results of the second-half for T-Gaia Corp.

2. The Company prepared consolidated financial statements for the fiscal year ended March 31, 2008 after acquiring all the outstanding shares of Telecom SANYO Co., Ltd. (changed the company name to Telecompark Corp. later) on October 31, 2007 and making it a consolidated subsidiary. Therefore we have omitted year-over-year percentage change figures for the fiscal year ended March 31, 2009, and also the numerical values and year-over-year percentage change figures for the fiscal year ended March 31, 2008, in the results of operations shown above.

3. Return on Equity (ROE) and Return on Assets (ROA)
For the equity and total assets at the beginning of the fiscal year under review used as the basis for calculation of Return on Equity (ROE) and the Return on Assets (ROA) for the fiscal year ended March 31, 2009, the equity capital and total assets of Telepark Corp. have been used.

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY 2009	148,420	25,946	17.5	50,640.54
FY 2008	—	—	—	—

Reference: Shareholders' equity (million yen): FY 2009: 25,946 FY2008: —

Note: The Company prepared consolidated financial statements for the fiscal year ended March 31, 2008 after acquiring all the outstanding shares of Telecom SANYO Co., Ltd. (changed the company name to Telecompark Corp. later) on October 31, 2007 and making it a consolidated subsidiary. Therefore we have omitted the numerical figures for the fiscal year ended March 31, 2008.

(3) Cash flow position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
FY 2009	13,678	(2,419)	(10,608)	2,690
FY 2008	—	—	—	—

Note: The Company prepared consolidated financial statements for the fiscal year ended March 31, 2008 after acquiring all the outstanding shares of Telecom SANYO Co., Ltd. (changed the company name to Telecompark Corp. later) on October 31, 2007 and making it a consolidated subsidiary. Therefore we have omitted the numerical figures for the fiscal year ended March 31, 2008.

2. Dividends

	Dividends per share					Total dividends (annual)	Dividend payout ratio	Dividend on equity
(Record date)	1Q-end	2Q-end	3Q-end	Yearend	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY 2008	—	2,500.00	—	2,500.00	5,000.00	1,647	—	—
FY 2009	—	2,500.00	—	3,000.00	5,500.00	2,234	35.7	10.3
FY 2010 (forecasts)	—	2,500.00	—	2,500.00	5,000.00		37.4	

Note: The fiscal yearend dividend for the fiscal year ended March 31, 2009 included a regular dividend of 2,500 yen and merger commemorative dividend of 500 yen.

3. Forecasts for the Fiscal Year Ending March 31, 2010 (April 1, 2009 to March 31, 2010)

(Percentages represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First-half	274,500	—	6,100	—	5,900	—	3,150	—	6,147.94
Full year	562,000	30.3	13,100	5.6	12,750	6.6	6,850	7.6	13,369.32

Note: 1. Percentage change compared with the previous fiscal year for the first-half period of the fiscal year ending March 31, 2010

Because the results of operations for the first-half of the fiscal year ended March 31, 2009 are the results of operations for Telepark Corp., we have omitted the percentage change from the same period of the previous fiscal year.

2. Net income per share for the forecast for the fiscal year ending March 31, 2010

Net income per share is calculated using the number of shares of common stock as of the end of the fiscal year ended March 31, 2009.

4. Others

(1) Changes in significant accounting policies:

1) Changes caused by revision of accounting standards, etc.: Yes

2) Other changes: None

(2) Number of outstanding shares (common shares)

1) Number of shares outstanding (including treasury stock) at end of period:

FY 2009: 512,367 shares
FY 2008: 329,554 shares

2) Number of treasury stock at end of period:

FY 2009: —
FY 2008: —

<u>* Cautionary statement with respect to forward- looking statements</u>

The above forecasts are based on the Company's judgments in accordance with information currently available. Forecasts therefore embody risks and uncertainties. Actual results may differ from these forecasts for a number of factors, including but not limited to the operating environment. For further information concerning the above forecasts, please refer to "(1) Analysis regarding results of operations" under "1. Results of Operations" on page 5.

Reference: Summary of Consolidated Financial Results

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2009 (April 1, 2008 – March 31, 2009)

Note: Because we merged with Telecompark Corp., a consolidated subsidiary, on April 1, 2008, the Company has not prepared consolidated financial statements for the fiscal year ended March 31, 2009.
The Company prepared consolidated financial statements from the fiscal year ended March 31, 2008 after acquiring all the outstanding shares of Telecom SANYO Co., Ltd. (changed the company name to Telecompark Corp. later) on October 31, 2007 and making it a consolidated subsidiary. Therefore we have omitted year-over-year percentage change figures.

(1) Consolidated results of operations (Percentages represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY 2008	375,524	—	7,324	—	7,327	—	4,028	—

	Net income per share	Diluted net income per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
FY 2008	12,228.68	12,215.72	23.3	9.1	2.0

Reference: Equity in earnings of affiliates (million yen): FY2009: — FY2008: —

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2008	89,917	18,457	20.5	56,006.70

Reference: Shareholders' equity (million yen): FY2009: — FY 2008: 18,457

(3) Consolidated cash flow position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
FY2008	2,388	(5,259)	4,126	1,431

2. Dividends

	Dividends per share					Total dividends (annual)	Dividend payout ratio	Dividend on equity
(Record date)	1Q-end	2Q-end	3Q-end	Yearend	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY2008	—	2,500.00	—	2,500.00	5,000.00	1,647	40.9	9.5

Reference: Summary of Consolidated Financial Results

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2009 (April 1, 2008 to March 31, 2009)

(1) Consolidated results of operations (Percentages represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY 2009	431,331	16.2	12,401	68.0	11,965	62.0	6,364	51.8
FY 2008	371,176	4.4	7,383	0.9	7,387	0.8	4,191	1.8

	Net income per share	Diluted net income per share
	Yen	Yen
FY2009	15,422.68	15,411.67
FY 2008	12,721.50	12,708.01

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2009	148,420	25,946	17.5	50,640.54
FY2008	91,000	18,619	20.5	56,499.39

Reference: Shareholders' equity (million yen): FY 2009: 25,946 FY2008: 18,619

2. Dividends

	Dividends per share					Total dividends (annual)	Dividend payout ratio	Dividend on equity
(Record date)	1Q-end	2Q-end	3Q-end	Yearend	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY2008	—	2,500.00	—	2,500.00	5,000.00	1,647	39.3	9.5
FY2009	—	2,500.00	—	3,000.00	5,500.00	2,234	35.7	10.3

1. Results of Operations

(1) Analysis regarding results of operations

1) Results of operations for the current fiscal year

During the fiscal year under review, the financial crisis that originated in the subprime loan problem in the United States spread throughout the world. The turmoil began to affect Japan's real economy and a clear trend emerged, especially in the latter half of the fiscal year, indicating a recessionary business climate. Corporate earnings also deteriorated substantially, buffeted by factors such as the stock market slump and exchange rate fluctuations, and personal consumption spending cooled because of a decrease in private sector capital investment and the uncertain employment situation. The result was a severe operating environment.

In the mobile phone market, which is T-Gaia's main business field, the sales environment grew more severe despite growth in the mobile broadband market based on data card terminals, including those from eMobile, as the purchase replacement cycle for terminals lengthened. In addition to factors such as an increase in sales prices resulting from penetration of the installment sales system, and a higher level of customer satisfaction with user terminals because of the spread of One-Seg functions and thin terminals, the slump in personal consumption accompanying the economic slowdown also influenced demand.

As a result, during the fiscal year under review, net new mobile phone subscriptions in the entire market totaled 4.76 million, down 20.7% year-over-year, and the number of total number of subscriptions reached 107.48 million, a 4.6% increase compared with the end of the previous fiscal year (March 31, 2008). By carrier, the total number of subscriptions as of March 31, 2009 was 54.6 million for NTT DoCoMo, Inc., 30.84 million for KDDI Corporation, 20.63 million for Softbank Mobile Corp. and 1.41 million for eMobile Ltd. (data published by the Telecommunications Carriers Association)

In this business environment, the company absorbed and merged with Telecompark Corp., its consolidated subsidiary, on April 1, 2008, and Telepark Corporation and MS Communications Co., Ltd. completed a corporate combination on October 1, 2008 with the aim of further expanding the company's business and enhancing corporate value. Following the merger the company changed its name to T-Gaia Corporation.

In the mobile telecommunications business, mobile phone sales were weak and net sales fell, affected by higher prices resulting from penetration of the installment sales system and a decline in consumer confidence because of the recession. Nevertheless, the installment sales system has resulted in higher prices and price stabilization, to which an improvement in operating efficiency contributed also, and eventually operating income increased. In the network communications business, sales of optic fiber lines including FTTH service increased, but "Myline" service subscriptions softened as the market matured. In settlement services, on the other hand, the growth in sales channel through major convenience stores contributed to an increase in both net sales and earnings.

As a result, for the fiscal year under review net sales were 431,331 million yen, and operating income was 12,401 million yen. Because of 264 million yen in merger-related costs from the management integration with MS Communications Co., Ltd. on October 1, 2008, ordinary income was 11,965 million yen. Net income was 6,364 million yen, reflecting office relocations costs of 194 million yen and a loss from extinguishment of subsidiary company stock totaling 165 million yen in conjunction with the absorption and merger of the subsidiaries Telecompark Corp. and JRC Mobitec Co., Ltd.

For information purposes, the increase in scale as a result of the business merger contributed significantly to the percentage change in operating results when compared with the non-consolidated results of operations for Telepark Corp. for the fiscal year ended March 31, 2008. Net sales were 16.2% higher year-over-year, operating income increased 68.0% year-over-year, ordinary income increased 62.0% year-over-year and net income rose 51.8% year-over-year.

The situation in each business segment is described below.

Mobile telecommunications business

Although the company concentrated on efforts such as strengthening its sales agents, sales to corporate clients and optimization of its sales channel through shops, the number of new subscriptions fell because of higher prices resulting from penetration of the installment sales system and a decline in consumer confidence because of the recession. On the other hand, the installment sales system produced enhanced profitability by stabilizing sales prices, however, and reduced cancellation penalties. Management integration also boosted operating results. Based on these factors, handset sales totaled 4.22 million for mobile handsets and 28,000 for PHS handsets. Net sales were 375,777 million yen, and operating income totaled 9,484 million yen.

Network communications business

The company implemented measures to encourage new subscriptions, including upgrading and expanding the sales network, particularly major sales agents, and strengthening its proposal-oriented business in the area of direct sales, and increased fiber optic line sales including FTTH service. Acquisition of “Myline” service customers slowed, however, as the market matured. As a result, despite the contribution to operating results from the increased size of this business from the management integration, net sales totaled 14,630 million yen and operating income was 2,367 million yen.

Settlement services and other businesses

Among businesses using the personal identification number (PIN) sales system, a large increase in stores managing sales channel through leading convenience stores, plus the management integration, resulted in net sales of 40,923 million yen and operating income of 549 million yen.

Note) Beginning from the fiscal year under review, the company has revised the scope of its business segments. Because billings for settlement services have increased and this business has become more important to the company’s operations, we have established “Settlement services and other businesses” as a new segment for sales of products using the PIN sales system and products related to prepaid handsets. As a result, compared with the previous fiscal year sales of products related to prepaid handsets are not included in the mobile telecommunications business, and sales of products using the PIN sales system are not included in the network communications business.

2) Outlook for the next fiscal year

During the next fiscal year, the economic recession is forecast to continue, and the outlook for the economic climate in Japan is expected to remain extremely uncertain because of the impact of the global economic slump.

In the mobile phone market as well, which is T-Gaia's main business field, the lengthening of turnover period for handsets and the trend toward fewer handset sales, which remain negatively affected by the higher prices for handsets resulting from penetration of the installment sales system and the economic downturn, are also expected to continue in the future.

In light of such conditions, in mobile telecommunications business the company will take measures such as further strengthening its sales agent business and expanding its sales network, and seek to expand its market share. We will also work aggressively to stimulate demand for second mobile handsets among corporate clients and other users, support replacement demand from second-generation mobile phones that are reaching the end of service, and strengthen maintenance services. In the network communications business, the company will upgrade and expand its sales organization with an eye on the direction of the markets for optic fiber landline service including FTTH and next-generation networks (NGN), where growth is projected over the medium-term, as demand for "Myline" service slows as the market matures. Finally, in the settlement services and other businesses, the company will seek further sales growth in the electronic settlement business using the PIN sales system, based on expansion of the convenience store sales channel.

In addition to the above measures, the company will concentrate on raising the return to shareholders, by pursuing efficiency enhancements to achieve merger synergies, including centralization of logistics and inventory management and reductions in management costs, and working to strengthen its earnings base.

At the same time, the company will seek to effectively utilize its human resources, diverse sales network, financial power and information capabilities to actively challenge new business domains.

As its earnings estimates for the next fiscal year, the company projects net sales of 562 billion yen, operating income of 13,100 million yen, ordinary income of 12,750 million yen and net income of 6,850 million yen.

The factors that will have a material effect on the company's results of operations are described in "(4) Business risk" under "1. Results of Operations."

3) Progress on the company's medium-term management plan

As part of its "Challenge 5000" medium-term management objectives, the company had set net sales of 500 billion yen and cellular phone handset sales of 5.0 million units as its targets for the fiscal year ended March 31, 2009. In the fiscal year under review, which was the target year, the number of units sold fell substantially despite the large positive effect from the merger with MS Communications Co., Ltd., as a result of the increase in prices accompanying widespread adoption of the installment sales system, the lengthening of the replacement purchase cycle and the slump in personal consumption because of the recession. Net sales totaled 431.3 billion yen, and handset sales totaled 4.22 million units.

The decline in sales was also affected by a shift from sales promotion premiums based on handset models to a system of receiving advances on handset sale prices from telecommunications providers, which accompanied introduction of the installment sales system.

For information purposes, when the first-half results for MS Communications Co., Ltd. are included, net sales totaled 552.2 billion yen and handset sales were 5.5 million units.

4) Achievement of management indicators established as objectives

For the fiscal year ended March 31, 2009, the company's objectives were net sales of 548 billion yen, operating income of 10,100 million yen and net income of 5,100 million yen. Actual results were net sales of 431.3 billion yen, operating income of 12,400 million yen and net income of 6,300 million yen.

Moreover, although the company had set an objective of net sales of 1 trillion yen in the fiscal year ending March 2012, operating results have also been affected by the lengthening of the replacement purchase cycle resulting from higher sales prices, and a decline in consumer spending because of the recession, and market conditions surrounding the company have altered rapidly. In addition, there was a shift from sales promotion premiums based on handset models to a system of receiving advances on handset sale prices from telecommunications providers, which accompanied introduction of the installment sales system. Based on these developments, the company will seek to achieve net sales of 1 trillion yen in the fiscal year ending March 2015.

(2) Analysis concerning financial position

1) Assets, liabilities and net assets

The balance of current assets at the end of the fiscal year under review was 126.938 billion yen, an increase of 44,499 million yen compared with the end of the previous fiscal year. The main factors were an increase in accounts receivable-trade in conjunction with the increase in net sales and commissions received based on mobile phone sales (23,068 million yen), and an increase in merchandise inventory accompanying mobile phone sales (15,627 million yen).

The balance of fixed assets at end of the fiscal year under review increased 12,920 million yen compared with the end of the previous fiscal year to 21,482 million yen. The main reason was an increase in goodwill (10,214 million yen).

The balance of current liabilities at end of the fiscal year under review increased 39,626 million yen compared with the end of the previous fiscal year to 106.313 billion yen. The main reasons were an increase in accounts payable-trade, accompanying the increase in product purchases and commissions paid in conjunction with mobile phone sales (17,023 million yen), and an increase in short-term borrowings (7,100 million yen).

The balance of long-term liabilities at end of the fiscal year under review increased by 10,467 million yen compared with the end of the previous fiscal year to 16,160 million yen. The main factor was an increase in long-term borrowings of 9,672 million yen as a result of the acquisition of treasury stock and the merger with MS Communications Co., Ltd.

The balance of net assets at end of the fiscal year under review increased 7,326 million yen year-over-year to 25,946 million yen. The main factors were an increase of 1,545 million yen in common stock and an increase of 3,913 million yen in capital surplus as a result of the merger with MS Communications Co., Ltd.

2) Cash flows

Cash and cash equivalents (referred to below as “cash”) at the end of the fiscal year under review increased by 1,601 million yen compared with the end of the previous fiscal year to 2,690 million yen because of a large increase in income before income taxes of 11,604 million yen (up 58.1% year-over-year) and other reasons.

Cash flows and major components during the fiscal year were as follows.

Cash flows from operating activities:

Cash flows from operating activities totaled 13,678 million yen. The main items were income taxes paid of 4,226 million yen, a decrease of 1,733 million yen in accounts payable, income before income taxes of 11,604 million yen and a decrease of 1,905 million yen in accounts receivable.

Cash flows from investing activities:

Cash flows used in investing activities totaled 2,419 million yen. The main items were 1,389 million yen used for the acquisition of tangible fixed assets and 1,099 million yen used for payments of leasehold deposits.

Cash flows from financing activities:

Cash flows used in financing activities totaled 10,608 million yen. This was mainly 10,700 million yen used for repayment of short-term borrowings.

The following table illustrates the historical movements of certain cash flow indices:

	FY2007	FY2008 (consolidated)	FY2009
Shareholders’ equity ratio (%)	22.5	20.5	17.5
Shareholders’ equity ratio based on market prices (%)	78.5	35.5	36.0
Interest-bearing debt to cash flow ratio (%)	202.9	519.3	237.6
Interest coverage ratio (times)	133.7	38.0	53.2

Notes: 1. Cash flow indices are calculated as follows:

Shareholders’ equity ratio: Shareholders’ equity / Total assets

Shareholders’ equity ratio based on market prices: Market capitalization / Total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt / Operating cash flow

Interest coverage ratio: Operating cash flow / Interest payments

2. The Company used figures from consolidated financial statements for FY2008, and figures from non-consolidated financial statements for other periods.

Market capitalization is calculated by: Closing stock price on the balance sheet date and No. of shares outstanding on the balance sheet date.

Operating cash flow is taken from the statement of cash flows.

Interest-bearing debt includes all the liabilities carried on the balance sheets that incur interest.

Interest payments are based on interest payments reported on the statement of cash flows.

(3) Basic profit allocation policy, and dividends in the current and next fiscal years

The company's dividend policy is to provide stable dividends at a payout ratio above 30%, depending upon result of operations, while ensuring sufficient retained earnings to develop its business and strengthen its management base.

Based on this policy, for the fiscal year under review we plan to pay a yearend dividend of 3,000 yen per share, consisting of a regular dividend of 2,500 yen per share, and a commemorative dividend of 500 yen per share to express our gratitude to our shareholders for their continuing support, to celebrate the merger. Together with the interim dividend of 2,500 yen per share paid in December of last year, the total full year dividend will be 5,500 yen per share.

We plan a 5,000 yen annual dividend for the next fiscal year. The breakdown will be as follows: we plan an interim and yearend dividend of 2,500 yen per share, respectively.

We are not currently scheduled to revise the record date or number of dividend payments following implementation of the Company Law. For the time being, we will maintain the current system of paying two dividends, once at the end of the interim period and fiscal year.

We plan to use retained earnings to expand and strengthen our existing business base, as well as to launch new businesses, train employees, and make strategic investments.

(4) Business risk

Below we list risk factors that may have impact on our business performance, financial condition, and share price.

1) Commissions from mobile carriers

We receive a commission from mobile phone carriers for each successfully brokered subscription contract. Commissionable service, commission levels, payment period duration, and the proportion of each subscription line’s telecommunications charges all depend on the specific mobile carrier and period of the year. As NTT DoCoMo Group, KDDI Group, and SOFTBANK MOBILE Corp.., introduced a new sales method last year decoupling mobile phone prices and telecommunications charges, a significant change in contract conditions due to a change in policy by any or all of the mobile carriers could materially impact our earnings.

2) Industry competition

The mobile industry, as the increase in penetration rate, new subscriber growth continues to slow. This implies greater competition for capturing subscribers among mobile carriers, and among sales agencies including ourselves. Such a fiercer competition in the mobile phone market could lower our profit margins, and materially impact our earnings.

Broadband technology advances have rekindled competition for customers among fixed-line telecommunications carriers, and competition among sales agencies including ourselves may heat up as a result, just as in the mobile industry. In this case, as well, fiercer competition could lower our profit margins and materially impact our earnings.

3) Business expansion through acquisitions, etc.

We have merged with MS Communications Co., Ltd. as of October 1, 2008 and changed our company name to T-Gaia Corp. In addition to developing cooperative relationships with small and medium-sized sales agencies, and opening new shops, we may acquire other industry peers going forward to expand our business, and this could impact our financial condition and business performance. There is no guarantee that the acquisition will produce anticipated benefits due to changes in market trends and the economic environment. A poor performance at companies we acquire could make it difficult for us to recover invested capital, and this would impact our earnings and business plans.

4) Leaks of personal information

Based on the “Guidelines for personal information protection in the telecommunications industry” formulated by the Ministry of Internal Affairs and Communications (MIC; formerly the Ministry of Posts and Telecommunications), we have concluded confidentiality agreements with each mobile carrier with which we do business. Staff with access to the telecom carriers’ customer information databases is given ID numbers or cards to ensure strict protection of customer information. Additionally, we have thoroughly trained all employees involved in our telecom businesses to observe personal information protection guidelines, particularly with regards to preventing data leaks. Despite our best efforts, the leak of customer data for whatever reason could diminish trust in our company, bring about damages suits, and materially impact our earnings.

5) Relationship with major principal shareholders

As a result of the merger of Telepark Corp. and MS Communications Co., Ltd. on October 1, 2008, the top three shareholders of the company as of March 31, 2009 were Mitsui & Co., Ltd., Sumitomo Corporation Ltd. and Mitsubishi Corp., each of which owns 22.78%, respectively, of the company’s 512,367 outstanding shares.

However, the sales and brokering of mobile phones, which is the main business sector of the company, and the landline brokering business and settlement services and other businesses, are being managed independently of the company’s major shareholders, and if a change occurs in the equity relationship with the major shareholders, the affect on these businesses is expected to be immaterial.

6) Ministry of Internal Affairs and Communications’ measures to invigorate the mobile phone market

The future trend of plans by the Ministry of Internal Affairs and Communications to invigorate the mobile phone market, as well as other factors, will affect telecommunications providers and the entire mobile phone market, and there is a possibility this will influence the business and results of operations of the company.

2. Current Conditions of the Corporate Group

The corporate group (T-Gaia and affiliated companies), which was composed of the company and one non-consolidated subsidiary as of March 31, 2009, operates a mobile telecommunications business centered on the sale of mobile phones and other handsets, a network communication business that brokers services such as "MYLINE" and optic fiber line services such as FTTH services, and a settlement services and other businesses using the PIN (Personal Identity Number) sales system.

Our main activities are as follows:

(1) Mobile telecommunication business

The main activities of the mobile telecommunication business are the brokering of mobile phone and PHS subscription services, and the sale of mobile phones and handsets. We broker communication subscription services for mobile phone carriers (NTT DoCoMo Group, KDDI Group, SOFTBANK MOBILE Corp., and so on), and receive a commission for each successfully concluded subscription contract based on our sales agent agreement with each carrier. We broker communication services and sell mobile phones to general users through our nationwide distribution channels, which include secondary sales agencies (volume electronics retailers and general sales agencies), directly-managed shops, and direct sales to corporations.

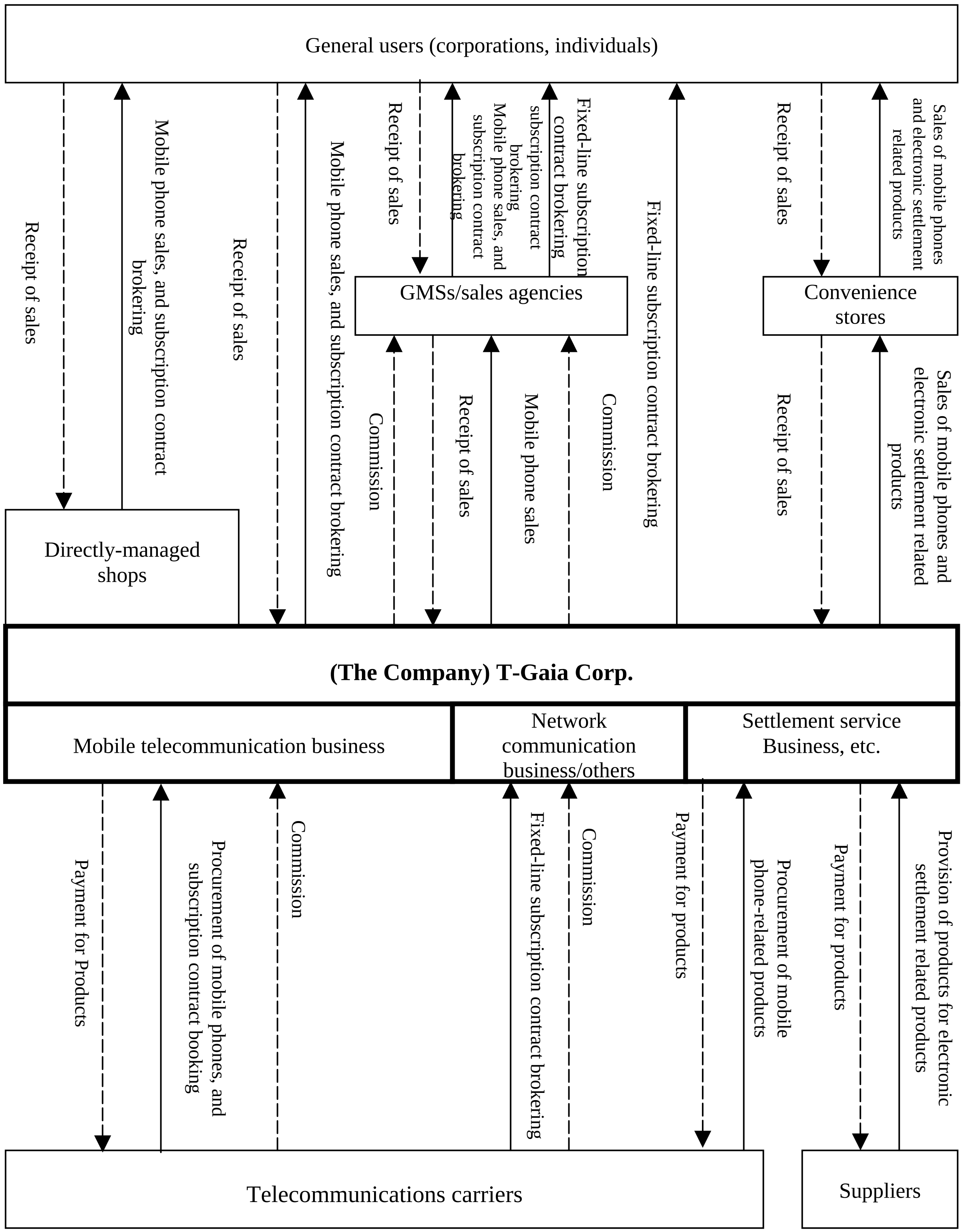
(2) Network communication business

The main business activity of the network communication business is the brokering of 'MYLINE' and other fixed-line subscription services for individuals and corporations, as well as handling of fiber-optic lines (FTTH, etc.) associated with greater penetration of broadband services. We have concluded sales agent agreements with NTT Group companies NTT East, NTT West, NTT Communications; and FUSION COMMUNICATIONS, SOFTBANK TELECOM, KDDI, and other carriers. Commissions paid to us by telecommunications carriers include broker commissions for each successfully brokered subscription contract, and a running commission based on a fixed proportion of each subscription line's telecommunications charges (running commissions are paid for a limited period).

(3) Settlement services and other businesses

The main activities of the settlement services and other businesses are the sale of electronic settlement-related products that utilize the PIN sales system, such as e-money and overseas telephone calls, and the sale of prepaid-type mobile phones and prepaid cards, through leading convenience stores throughout Japan.

Overview of the business system



3. Management Policies

(1) Basic management policy of the company

The company has stated its corporate philosophy as follows.

We will contribute to the realization of society's dreams and prosperity, and continue to "Challenge Tomorrow" with "Integrity."

As the operating environment surrounding the company undergoes significant changes, we will concentrate on our existing businesses and strengthen our sales and earnings base by achieving integrated results and pursuing increased operating efficiency. In addition, we will challenge new business areas, and strive to increase corporate value by ensuring management transparency and fulfilling our corporate social responsibility (CSR).

(2) Performance targets

For the fiscal year ending March 31, 2010, we target net sales of 562 billion yen, operating income of 13,100 million yen, ordinary income of 12,750 million yen, and net income of 6,850 million yen.

(3) Medium to long-term corporate management strategy

In the mobile-phone industry, market conditions have changed and the reorganization of sales companies is advancing rapidly as the result of various factors, including intensified competition among telecommunications providers and among sales agents and the lengthening of the replacement purchase cycle caused by the penetration of the installment sales system. In the fixed-line telecommunications industry, the market for "Myline" service is maturing, while the fiber optic market including FTTH is expanding gradually despite slowdown compared to ever-lasting vigorous periods.

The company regards these market changes as an opportunity to enhance its operating base, and we will work to solidify our manage base by focusing efforts on the following activities, while continuing to exploit the benefits of scale and other advantages resulting from the increase in the size of our business as a result of the management integration.

Mobile telecommunications business

In the mobile telecommunications business, we will implement measures aimed at stimulating demand for second mobile handsets. This will include further strengthening our corporate business. In addition, we will concentrate on expanding our sales network, increasing the volume of sales and achieving larger market share.

Network communications business

In the network communications business, we will seek to further expand acquisition of optical line service including FTTH, and develop by closely monitoring the direction of the fixed mobile convergence (FMC) services market and the next-generation network (NGN) market.

Settlement services and other businesses

In the electronic settlement business including e-money that uses the PIN sales system, we will aim at achieving further sales growth and ensuring earnings through expansion of our convenience store sales channels.

We also will launch new businesses in addition to our existing business.

Together with these business strategies, we will smoothly complete the integration of operations following the merger, including the organizational integration, systems integration and centralization of logistics and inventory management, and strengthen the earnings base by realizing the results of the merger and pursuing operating efficiencies. We also will strive to effectively utilize our human resources, diverse sales networks, financial power and information capabilities, and aggressively pursue new business areas.

Based on the above strategies, the company will aim at achieving net sales of 1 trillion yen in the fiscal year ending March 31, 2015, while responding flexibly to changes in the market conditions surrounding the company.

(4) Issues to be addressed by the company

As the company's management environment undergoes considerable changes, the role of major sales companies that combine financial strength, organizational capabilities and information proficiency is expected to become even more important.

As a company we will seek to increase the return to shareholders by smoothly completing the management integration, concentrating on the following activities and maximizing corporate value.

1) Expansion and enhancement of the existing business base

The company will work to further expand and strengthen the earnings base in its existing businesses through measures such as expanding sales channels and strengthening corporate client marketing in the mobile telecommunications business, developing the customer base by closely monitoring next-generation network (NGN) services and expanding sales channels in the network communications business, and diversifying the products and models it handles in the settlement service and others business.

2) Realization of integration effects and promotion of streamlined operations

The company will realize the effects from integration, promote greater operating efficiency and strengthen its earnings base through organizational integration, systems integration and centralization of logistics and inventory management.

3) Challenge new business areas

The company will actively challenge new business areas through the effective use of its human resources, diverse sales network, financial power and information, using its existing businesses as a base.

4. Non-consolidated Financial Statements
(1) Balance Sheets

(Millions of yen)

	FY2008 (As of Mar. 31, 2008)	FY2009 (As of Mar. 31, 2009)
Assets		
Current assets		
Cash on hand and in banks	1,089	2,690
Accounts receivable – trade	[*2] 46,365	[*2] 69,433
Products	18,822	34,450
Stored products	29	71
Advanced money	8	16
Prepayment expenses	288	520
Deferred tax assets	796	1,507
Proceeds from short-term loans to affiliates	1,680	–
Accounts receivable – other	13,325	[*2] 18,117
Other current assets	70	185
Allowance for doubtful accounts	(37)	(56)
Total current assets	82,438	126,938
Fixed assets		
Fixed tangible assets		
Buildings	1,143	4,754
Accumulated depreciation	[*1] (807)	[*1] (2,988)
Buildings (Net)	336	1,766
Structures	31	326
Accumulated depreciation	[*1] (26)	[*1] (181)
Structures (Net)	4	145
Transport vehicles and equipments	–	11
Accumulated depreciation	–	[*1] (10)
Transport vehicles and equipments (Net)	–	1
Tools, furniture, and fixtures	1,203	3,626
Accumulated depreciation	[*1] (996)	[*1] (2,560)
Tools, furniture, and fixtures (Net)	206	1,066
Land	48	369
Total tangible fixed assets	596	3,348
Non-tangible fixed assets		
Goodwill	138	10,353
Telephone rights	8	16
Land leasehold	–	28
Software	–	755
Others	–	0
Total non-tangible fixed assets	146	11,153
Investment and other assets		
Investment securities	439	269
Investment in affiliates	5,063	170

(Millions of yen)

	FY2008 (As of Mar. 31, 2008)	FY2009 (As of Mar. 31, 2009)
Long-term loans receivable	50	102
Rehabilitation claim	39	62
Long-term prepaid expenses	60	100
Deferred tax assets	486	1,257
Leasehold deposits	1,565	4,447
Construction aid	–	376
Others	186	259
Allowance for doubtful accounts	(73)	(67)
Total investments and other assets	7,818	6,980
Total fixed assets	8,561	21,482
Total assets	91,000	148,420
Liabilities		
Current liabilities		
Accounts payable – trade	*2 42,591	59,615
Short-term borrowings	7,400	14,500
Long-term borrowings payable within one year	–	3,328
Accounts payable – other	*2 13,633	22,485
Accrued expenses	55	243
Unpaid taxes	1,576	4,227
Deposits received	564	208
Advance received profit	5	28
Reserve of bonuses	397	1,571
Allowance for early subscription cancellations	133	104
Other current liabilities	328	1
Total current liabilities	66,687	106,313
Long-term liabilities		
Long-term borrowings	5,000	14,672
Long-term accounts payable	56	113
Long-term deposits payable	75	37
Accrued employees' retirement benefits	561	651
Others	–	686
Total long-term liabilities	5,693	16,160
Total liabilities	72,380	122,474

(Millions of yen)

	FY2008 (As of Mar. 31, 2008)	FY2009 (As of Mar. 31, 2009)
Net assets		
Shareholders' equity		
Common stock	1,552	3,098
Capital surplus		
Legal capital	1,671	5,584
Total capital surplus	1,671	5,584
Retained earnings		
Earned reserve	8	17
Other retained earnings		
Retained earnings carried forward	15,260	17,211
Total retained earnings	15,268	17,228
Treasury stock	–	–
Total shareholders' equity	18,492	25,912
Valuation and translation adjustments		
Net unrealized holding gain on securities	127	34
Total valuation and translation adjustments	127	34
Total net assets	18,619	25,946
Total liabilities and net assets	91,000	148,420

(2) Non-consolidated Statements of Income

(Millions of yen)

	FY2008 (Apr. 1, 2007 to Mar. 31, 2008)	FY2009 (Apr. 1, 2008 to Mar. 31, 2009)
Net sales		
Merchandise sales	189,932	247,337
Received commission	181,243	183,993
Total net sales	371,176	431,331
Cost of goods sold		
Merchandise in inventory at start of year	16,812	18,823
Amount of purchase at start of year	213,974	264,324
Merchandise received due to merger	–	18,700
Total	230,787	301,847
Merchandise in inventories at end of year	18,823	34,450
Cost of merchandise sold	211,964	267,396
Appraisal loss of merchandise	(4)	–
Subtotal of cost of merchandise sold	211,959	267,396
Commission charges	130,258	115,177
Total cost of goods sold	342,218	382,574
Total income from sales	28,958	48,757
Selling, general and administrative expenses		
Compensation for directors	157	195
Employee's salary	1,831	4,096
Salary for temporary staffs	4,784	9,269
Provision for allowance for retirement benefits for directors	9	–
Provision for employee's bonuses	397	1,571
Dispatch labor costs	4,608	3,643
Carriage charge	565	643
Rental income	1,489	3,308
Depreciation	550	2,097
Agent service fee	645	951
Gain on allowance for doubtful accounts	14	–
Others	6,521	10,578
Total selling, general and administrative expenses	21,575	36,355
Operating income	7,383	12,401
Non-operating income		
Interest income	13	10
Dividend income	1	1
Rent income	15	22
Insurance reimbursement	24	46
Others	10	25
Total non-operating income	65	108

(Millions of yen)

	FY2008 (Apr. 1, 2007 to Mar. 31, 2008)	FY2009 (Apr. 1, 2008 to Mar. 31, 2009)
Non-operating expenses		
Interest expenses	60	257
Merger expenses	–	264
Others	0	22
Total non-operating expenses	60	544
Ordinary income	7,387	11,965
Extraordinary gains		
Reversal of allowance for doubtful accounts	7	50
Gain on sales of fixed assets	*1 2	*1 4
Compensation received	–	65
Total extraordinary gains	9	119
Extraordinary losses		
Loss on extinguishment of tie-in shares	–	165
Loss on sales of fixed assets	*2 0	*2 0
Office relocation expenses	–	194
Loss on removal of fixed assets	*3 15	*3 27
Loss on valuation of golf club memberships	–	17
Impairment losses	*4 28	*4 15
Loss on revaluation of investment securities	11	57
Loss on sales of investment securities	1	–
Others	–	1
Total extraordinary losses	56	480
Income before income taxes	7,340	11,604
Income taxes – current	2,885	5,369
Income taxes – deferred	263	(130)
Total income taxes	3,149	5,239
Net income	4,191	6,364

(3) Non-consolidated Statements of Changes in Shareholders' Equity

(Millions of yen)

	FY2008 (Apr. 1, 2007 to Mar. 31, 2008)	FY2009 (Apr. 1, 2008 to Mar. 31, 2009)
Shareholders' equity		
Common stock		
Balance at end of prior-year	1,545	1,552
Changes during the year		
New stock issue expenses	7	0
Increase due to merger	–	1,545
Total changes during the year	7	1,545
Balance at end of the year	1,552	3,098
Capital surplus		
Capital reserves		
Balance at end of prior-year	1,664	1,671
Changes during the year		
New stock issue expenses	7	0
Increase due to merger	–	3,913
Total changes during the year	7	3,913
Balance at end of the year	1,671	5,584
Total capital surplus		
Balance at end of prior-year	1,664	1,671
Changes during the year		
New stock issue expenses	7	0
Increase due to merger	–	3,913
Total changes during the year	7	3,913
Balance at end of the year	1,671	5,584
Retained earnings		
Legal reserves		
Balance at end of prior-year	8	8
Changes during the year		
Increase due to merger	–	9
Total changes during the year	–	9
Balance at end of the year	8	17
Other retained earnings		
New stock issue expenses		
Balance at end of prior-year	12,716	15,260
Changes during the year		
Dividend of surplus	(1,646)	(1,521)
Net income	4,191	6,364
Disposal of treasury stock	–	(4,864)
Increase due to merger	–	1,972
Total changes during the year	2,544	1,950
Balance at end of the year	15,260	17,211

(Millions of yen)

	FY2008 (Apr. 1, 2007 to Mar. 31, 2008)	FY2009 (Apr. 1, 2008 to Mar. 31, 2009)
Total Retained earnings		
Balance at end of prior-year	12,724	15,268
Changes during the year		
Dividend of surplus	(1,646)	(1,521)
Net income	4,191	6,364
Disposal of treasury stock	–	(4,864)
Increase due to merger	–	1,981
Total changes during the year	2,544	1,960
Balance at end of the year	15,268	17,228
Treasury stock		
Balance at end of prior-year	–	–
Changes during the year		
Acquisition of treasury stock	–	(4,864)
Disposal of treasury stock	–	4,864
Total Changes during the year	–	–
Balance at end of the year	–	–
Total shareholders' equity		
Balance at end of prior-year	15,933	18,492
Changes during the year		
New stock issue expenses	14	1
Dividend of surplus	(1,646)	(1,521)
Net income	4,191	6,364
Acquisition of treasury stock	–	(4,864)
Disposal of treasury stock	–	–
Increase due to merger	–	7,439
Total Changes during the year	2,558	7,419
Balance at end of the year	18,492	25,912
Valuation and translation adjustments		
Other valuation and translation adjustments		
Balance at end of prior-year	182	127
Changes during the year		
Changes of items other than shareholders' equity during the year (Net)	(55)	(92)
Total Changes during the year	(55)	(92)
Balance at end of the year	127	34
Total valuation and translation adjustments		
Total Changes during the year	182	127
Balance at end of the year		
Changes of items other than shareholders' equity during the year (Net)	(55)	(92)
Total Changes during the year	(55)	(92)
Balance at end of the year	127	34

(Millions of yen)

	FY2008 (Apr. 1, 2007 to Mar. 31, 2008)	FY2009 (Apr. 1, 2008 to Mar. 31, 2009)
Total net assets		
Balance at end of prior-year	16,116	18,619
Changes during the year		
New stock issue expenses	14	1
Dividend of surplus	(1,646)	(1,521)
Net income	4,191	6,364
Acquisition of treasury stock	–	(4,864)
Disposal of treasury stock	–	–
Increase due to merger	–	7,439
Changes of items other than shareholders' equity during the year (Net)	(55)	(92)
Total Changes during the year	2,502	7,326
Balance at end of the year	18,619	25,946

(4) Non-consolidated Statements of Cash Flows

(Millions of yen)

	FY2009 (Apr. 1, 2008 to Mar. 31, 2009)
Cash flows from operating activities	
Income before income taxes	11,604
Depreciation	971
Amortization of goodwill	1,125
Impairment losses	15
Merger expenses	264
Loss (gain) on extinguishment of tie-in shares	165
Office relocation expenses	194
Increase (decrease) in allowance for doubtful accounts	(51)
Increase (decrease) in reserve for employees' bonuses	466
Increase (decrease)in allowance for early subscription cancellations	(103)
Increase (decrease) in accrued employees' retirement benefits	(29)
Interest and dividend income	(12)
Interest expenses	257
Loss (gain) on sales of fixed assets	(3)
Loss on removal of fixed assets	27
Unrealized loss (gain) from investment securities	57
Loss on valuation of golf club memberships	17
Decrease (increase) in accounts receivable	1,905
Decrease (increase) in accounts receivable -other	3,012
Decrease (increase) in inventories	2,872
Increase (decrease) in accounts payable	(1,733)
Change in other accounts payable	(2,067)
Others	(545)
Subtotal	18,412
Interests and dividends received	13
Interests paid	(257)
Income taxes paid	(4,226)
Payment for merger expenses	(264)
Net cash provided by operating activities	13,678

(Millions of yen)

	FY2009 (Apr. 1, 2008 to Mar. 31, 2009)
Cash flows from investing activities	
Payment for purchase of property, plant and equipment	(1,389)
Proceeds from sales of property, plant and equipment	36
Payment for purchase of software	(85)
Payment for purchase of investment securities	(0)
Payment for loans receivable	(191)
Proceeds from collection of loans receivable	65
Proceeds for loans to affiliates	10
Payment for leasehold deposits	(1,099)
Proceeds from return of leasehold deposits	517
Payments for business transfer	(210)
Others	(71)
Net cash used in investing activities	(2,419)
Cash flows from financing activities	
Decrease in short-term borrowings	(10,700)
Proceeds from long-term borrowings	7,000
Decrease in long-term borrowings	(500)
New stock issue expenses	1
Expenses for purchase of treasury shares	(4,890)
Cash dividends paid	(1,519)
Net cash used in financing activities	(10,608)
Increase (decrease) in cash and cash equivalents	650
Cash and cash equivalents at beginning of period	1,089
Increase in cash and cash equivalents resulting from merger	951
Cash and cash equivalents at end of period	*1 2,690

Margin Notes to the Statement of Changes in Shareholders' Equity

Based on the exercise of new stock subscription rights (stock options).

Events or Conditions that may cast Significant Doubt on the Assumption of a Going Concern

There are no items to report.

Significant accounting policies.

Item	FY2008 (Apr. 1, 2007 to Mar. 31, 2008)	FY2009 (Apr. 1, 2008 to Mar. 31, 2009)
1. Valuation standards and methods for securities	(1) Subsidiary stock Subsidiary stock is stated at cost, cost being determined by the moving-average method. (2) Other securities Securities with market quotations: Securities with market quotations are carried at fair value on the balance sheet date. (Changes in unrealized holding gain or loss are included directly in net assets. The cost of securities sold is determined by the moving-average method.) Securities without market quotations: Securities without market quotations are stated at cost, cost being determined by the moving-average method.	(1) Subsidiary stock No changes (2) Other securities Securities without market quotations No changes Securities without market quotations No changes
2. Valuation standards and methods for inventories	(1) Merchandise Merchandise is stated at the lower of the cost method by the first-in first-out method. (2) Supplies Supplies are stated at cost, cost being determined by the first-in first-out method.	(1) Merchandise Merchandise is stated at cost, cost being determined by the first-in first-out method (balance sheet value being calculated by reducing book value, based on the decline in profitability). (2) Supplies No changes
3. Depreciation and amortization method of fixed assets.	(1) Property, plant and equipment Depreciation of property, plant and equipment is calculated by the declining-balance method, except for buildings (excluding fixtures) acquired on or subsequent to April 1, 1998 on which depreciation is calculated by the straight-line method. Depreciation of equipment, furniture and fixtures of directly-managed shops is calculated by the straight-line method (useful life of 3 years). Useful life of principle assets is as follows: Buildings: 3-20 years Furniture and fixtures: 2-10 years (2) Intangible fixed assets Calculated by the straight-line method Goodwill: 5 years. ———	(1) Property, plant and equipment (excluding lease assets) No changes (2) Intangible fixed assets (excluding lease assets) Calculated by the straight-line method. Goodwill 3 to 10 years Software 5 years (3) Lease assets ——— Finance leases other than those that are deemed to transfer the ownership of the leased assets to the lessees and which began on or before March 31, 2008, are accounted for by the method similar to that applicable to ordinary operating leases. (Changes in Accounting Policies)

Item	FY2008 (Apr. 1, 2007 to Mar. 31, 2008)	FY2009 (Apr. 1, 2008 to Mar. 31, 2009)
		The company traditionally accounted for finance lease transactions that do not transfer ownership of the leased property to the lessee based on the accounting treatment for lease transactions. Beginning from the fiscal year under review, the company has adopted the "Accounting Standard for Lease Transactions" (Accounting Standards Board of Japan Accounting Standard No. 13 dated June 17, 1993 (Business Accounting Council, First Subcommittee), revised March 30, 2007) and the "Implementation Guidance on Accounting Standard for Lease Transactions" (Accounting Standards Board of Japan Implementation Guidance No. 16 dated January 18, 1994 (Japanese Institute of Certified Public Accountants, Accounting System Committee), revised March 30, 2007), and will apply the standard and account for leases as normal trading transactions. Because finance lease transactions except for leases that transfer ownership of the property for which the lease transaction start date is on or after April 1, 2008 are not subject to this accounting standard, this change had no affect on the company's financial statements.
4. Recognition of allowances	(1) Allowance for doubtful accounts To prepare for credit losses on accounts receivable and loans receivable etc., allowances equal to the estimated amount of uncollectible receivables are provided for general receivables based on the historical write-off ratio, and bad receivables based on case-by-case determination of collectability. (2) Reserves for employees' bonuses To provide for employees' bonus obligations, the Company designates in the reserve account an amount estimated to have accrued for the current fiscal year.	(1) Allowance for doubtful accounts No changes (2) Reserves for employees' bonuses No changes

Item	FY2008 (Apr. 1, 2007 to Mar. 31, 2008)	FY2009 (Apr. 1, 2008 to Mar. 31, 2009)
	(3) Allowance for early subscription cancellations The Group books an allowance for early subscription cancellations based on historical figures, as the Group must return commissions back to telecom carriers (with which the Company has concluded sales agency agreements) when mobile phone users that have subscribed through the Company or network of sales agencies cancel their subscriptions within a short period of time. (4) Accrued employees' retirement benefits To provide for accrued employees' retirement benefits, the Company provides an allowance in the amount deemed to have accrued at the end of the current fiscal year based on projected benefit obligations at the end of the current fiscal year. The Company makes one-off disposals for prior service costs in the fiscal year they occur. The Company makes one-off disposals for actuarial differences in the fiscal year after they occur. (5) Accrued directors' severance benefits To provide for accrued directors' severance benefits, the Company provided an allowance for the aggregate amount payable at the end of the fiscal year pursuant to the Company's rules on directors' retirement benefits in prior fiscal years. However, the Company abolished the director retirement benefit system following a resolution approved at the annual general meeting of shareholders held June 2007. Accrued amount for final lump sum payment resulting from the abolishment of benefit system were included under long-term account payable.	(3) Allowance for early subscription cancellations No changes (4) Accrued employees' retirement benefits No changes ———
(5) Lease transaction	Finance leases other than those, which are deemed to transfer the ownership of the leased assets to the lessees, are accounted for by the method similar to that applicable to ordinary operating leases.	———
(6) Scope of cash and cash equivalents on statements of cash flows	———	Cash and cash equivalents consists of vault cash, deposits that can be withdrawn on demand, and short-term investments, with original maturities of 3 months or less, that are readily convertible known amounts of cash and present insignificant risk of change in value.
(7) Other significant accounting policies in the preparation of financial statements	(1) Accounting for consumption taxes All amounts stated are exclusive of consumption taxes. Non-deductible consumption taxes on assets are charged to income in the current fiscal year in which it is recognized.	(1) Accounting for consumption taxes All amounts stated are exclusive of consumption taxes.

Change in accounting method

FY2008 (Apr. 1, 2007 to Mar. 31, 2008)	FY2009 (Apr. 1, 2008 to Mar. 31, 2009)
	Changes to valuation basis and valuation method for inventory assets Traditionally the company valued merchandise inventories at the lower of cost or market, with cost being determined by the first-in first-out method, and valued supplies at cost, with cost being determined by the first-in first-out method. Beginning from the fiscal year under review, however, the company will apply the “Accounting Standard for Measurement of Inventories” (Accounting Standards Board of Japan Accounting Standard No. 9, dated July 5, 2006) and will value inventories based on the cost method, with cost being determined mainly by the first-in first-out method (amounts shown on Balance Sheets will the reduced book value based on decline in profitability). The affect of this change on gross profit, operating income, ordinary income, and income before taxes and adjustments is not material.

Change in presentation method

FY2008 (Apr. 1, 2007 to Mar. 31, 2008)	FY2009 (Apr. 1, 2008 to Mar. 31, 2009)
	Until the previous fiscal year, the company reported commissions received by the company’s directly operated stores that involved a fixed liability to telecommunications carriers in deposits. Beginning from the fiscal year under review, the company will report these amounts in accounts payable-other. The amount included in deposits at the end of the previous fiscal year was 400 million yen. The amount included in accounts payable-other at end of the fiscal year under review is 530 million yen.

Notes to Non-consolidated Balance Sheets

(Million yen)

FY2008 (As of Mar. 31, 2008)	FY2009 (As of Mar. 31, 2009)
*1. Figure of accumulated depreciation includes accumulated impairment losses.	*1 No changes
*2 Affiliates-related Items Assets and liabilities for affiliate companies include the following items other than the classifications described: Accounts receivable-trade 1,885 Accounts payable-trade 1,691 Accounts payable-other 1,224	*2 ———
3 The Group has current account overdraft agreements with two banks in order to raise funds efficiently. Loans outstanding as of the end of fiscal year under these agreements is as follows: Current account overdraft 1,100 Credit used — Credit available 1,100	3 The Group has current account overdraft agreements with three banks in order to raise funds efficiently. Loans outstanding as of the end of fiscal year under these agreements is as follows: Current account overdraft 2,000 Credit used — Credit available 2,000

Notes to Non-consolidated Statements of Income

(Million yen)

FY2008 (Apr. 1, 2007 - Mar. 31, 2008)

*1. Gain on sales of fixed assets:
Buildings 1
Furniture and fixtures 0
*2. Loss on sales of fixed assets:
Buildings 0
Furniture and fixtures 0
*3. Loss on removal of fixed assets:
Buildings 11
Furniture and fixtures 3

*4. Impairment losses
In the current fiscal year, the Group recognized impairment losses on the following groups of assets.

(Million yen)

Location	Usage	Assets	Impairment loss
Stores	Store equipment for directly-managed shops	Building, structures, furniture and fixtures	26
Office	Equipment for branch offices	Buildings, structures, furniture and fixtures	1

The Group groups its stores as minimum cash-generating units, and common assets at the branch offices and store level.
The Company examined stores and branch offices with ongoing negative operating cash flow as candidates for asset impairment, and reduced book value to recoverable amounts, booking the difference (28 million yen) as an extraordinary loss. The breakdown of impairment losses was as follows: buildings 21 million yen, structures 1 million yen, and furniture and fixtures 5 million yen.
The Company calculated recoverable amounts for stores and branch office assets based on estimated net sales proceeds, which are nil because we believe it will be difficult to sell these assets.

FY2009 (Apr. 1, 2008 - Mar. 31, 2009)

*1. Gain on sales of fixed assets:
Buildings 1
Structure 0
Furniture and fixtures 0
*2. Loss on sales of fixed assets:
Buildings 0
Structure 0
Furniture and fixtures 0
*3. Loss on removal of fixed assets:
Buildings 15
Structure 0
Vehicles and equipment 0
Furniture and fixtures 10

*4. Impairment losses
In the current fiscal year, the Group recognized impairment losses on the following groups of assets.

(Million yen)

Location	Usage	Assets	Impairment loss
Stores	Store equipment for directly-managed shops	Building, structures, furniture and fixtures	14
Office	Equipment for branch offices	Buildings, structures, furniture and fixtures	0

The Group groups its stores as minimum cash-generating units, and common assets at the branch offices and store level.
The Company examined stores and branch offices with ongoing negative operating cash flow as candidates for asset impairment, and reduced book value to recoverable amounts, booking the difference (15 million yen) as an extraordinary loss. The breakdown of impairment losses was as follows: buildings 11 million yen, structures 1 million yen, and furniture and fixtures 3 million yen.
The Company calculated recoverable amounts for stores and branch office assets based on estimated net sales proceeds, which are nil because we believe it will be difficult to sell these assets.

Notes to Non-consolidated Statements of Changes in Shareholders' Equity

FY2009 (Apr. 1, 2008 – Mar. 31, 2009)

1. Type and number of outstanding shares

	Number of shares as of Mar. 31, 2008 (shares)	Increase (shares)	Decrease (shares)	Number of shares as of Mar. 31, 2009 (shares)
Outstanding shares				
Common shares	329,554	182,813	—	512,367
Total	329,554	182,813	—	512,367
Treasury stock				
Common shares	—	50,673	50,673	—
Total	—	50,673	50,673	—

Note: 1. The increase in the number of outstanding common shares is due to the issue of new shares (182,781 shares) due to the merger with MS Communications Co. Ltd., on October 1, 2008 and due to issue of new shares (32 shares) on the exercise of stock options.

2. The increase in treasury stock represents the number of shares acquired through the tender offer from June 30, 2008 to July 28, 2008. The decrease in treasury stock represents the shares delivered in conjunction with the merger with MS Communications Co., Ltd. on October 1, 2008.

2. Dividends

(1) Dividend payment

Resolution	Type of share	Total amount of dividend (million yen)	Dividend per share (yen)	Record date	Effective date
Annual general meeting of shareholders on June 26, 2008	Common shares	823	2,500	March 31, 2008	June 27, 2008
Board of Directors meeting on November 12, 2008	Common shares	697	2,500	March 31, 2008	December 11, 2008

(2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year

Resolution	Type of share	Total amount of dividend (million yen)	Source of funds	Dividend per share (yen)	Record date	Effective date
Annual general meeting of shareholders on June 25, 2009	Common shares	1,537	Retained earnings	3,000	March 31, 2009	June 26, 2009

Notes to Cash Flow Statements

(Million yen)

FY2009 (Apr. 1, 2008 - Mar. 31, 2009)
1. Reconciliation of cash and cash equivalents of the statements of cash flows and account balances of balance sheets for the current fiscal year is made as follows: (As of March 31, 2009) Cash on hand and in banks 2,690 Cash and cash equivalents 2,690 2. Details of material non-cash transactions (1) A breakdown of the main assets, liabilities and net assets succeeded to from MS Communications Co., Ltd., which merged into the company through an issuance of stock in the fiscal year under review, is provided below: Current assets 47,099 Fixed assets 13,551 Total Assets 60,651 Current liabilities 47,393 Long-term liabilities 5,820 Total Liabilities 53,213 Total Net Assets 7,437 Treasury stock and retained earnings decreased 4,684 million yen, respectively, because part of the shares delivered in conjunction with the merger was allocated to treasury stock. (2) A breakdown of the main assets and liabilities succeeded to from Telecompark Corp., a wholly-owned subsidiary of the company that was merged into the company during the fiscal year under review, is provided below: Current assets 5,834 Fixed assets 955 Total Assets 6,790 Current liabilities 5,682 Long-term liabilities — Total Liabilities 5,682

Notes to Lease Transactions

FY2008
(Apr. 1, 2007 - Mar. 31, 2008)

1. Finance lease transactions other than those in which the title of the leased property is transferred to the lessee

(1) Acquisition cost equivalents, accumulated depreciation equivalents and year-end balance equivalents of the leased property.

(Million yen)

	Acquisition cost equivalents	Accumulated depreciation equivalents	Year-end balance equivalents
Furniture and fixtures	14	8	6
Total	14	8	6

Note: Acquisition cost equivalents include amounts applicable to interest since the year-end balance of outstanding lease commitments are insignificant in the context of tangible fixed assets.

(2) Year-end balance equivalents of outstanding lease commitments

Within one year	2
Over one year	3
Total	6

Note: Year-end balance equivalents of outstanding lease commitments include amounts applicable to interest since the year-end balance of outstanding lease commitments is insignificant in the context of tangible fixed assets.

(3) Lease payments and depreciation equivalents

Lease payments	2
Depreciation equivalents	2

(4) Calculation method of depreciation equivalents

Depreciation is calculated based on the straight-line method, assuming the lease period to be the useful life and a residual value of zero.

2. Operating lease transactions

Outstanding lease commitments

Within one year	8
Over one year	41
Total	50

(Impairment losses)

There are no impairment losses on leased asset-impairment account.

FY2009
(Apr. 1, 2008 - Mar. 31, 2009)

1. Non-transfer-ownership finance lease transactions other than those which started before March 31, 2008.

(1) Acquisition cost equivalents, accumulated depreciation equivalents, accumulated impairment losses and year-end balance equivalents of the leased property.

(Million yen)

	Acquisition cost equivalents	Accumulated depreciation equivalents	Accumulated impairment losses	Year-end balance equivalents
Vehicles and equipment	6	3	2	0
Furniture and fixtures	26	22	—	4
Total	33	25	2	4

Note: No changes

(2) Year-end balance equivalents of outstanding lease commitments

Within one year	4
Over one year	0
Total	5

Note: No changes

(3) Lease payments, reversal from lease asset impairment, and depreciation equivalents

Lease payments	8
Reversal from lease asset impairment	(0)
Depreciation equivalents	8

(4) Calculation method of depreciation equivalents

No changes

2. Operating lease transactions

Outstanding lease commitments

Within one year	93
Over one year	333
Total	426

Securities

1. There is no subsidiary stock with market quotations in previous and current fiscal years.

2. Other securities with market quotations

(Million yen)

	Type	FY2009 (As of Mar. 31, 2009)		
		Acquisition cost	Carrying value	Valuation gain
Securities with carrying value exceeding acquisition cost	Equity	21	115	94
Securities with carrying value not exceeding acquisition cost	Equity	45	33	(12)
Total				

3. Major securities without market quotations

	FY2009 (As of Mar. 31, 2009)
	Carrying value (Million yen)
(1) Subsidiary stock	170
(2) Other securities	
Non-listed securities	120

Derivatives

FY2009 (Apr. 1, 2008 – Mar. 31, 2009)

Not applicable. The Company was not involved in any derivative transactions.

Retirement Benefits

(Million yen)

FY2009 (Apr. 1, 2008 - Mar. 31, 2009)	
(1) Summary of the retirement benefits system adopted by the company	
The company has adopted a lump-sum retirement allowance plan based on retirement allowance rules as a defined benefit pension system. In addition, the company has adopted a defined contribution annuity plan as a defined contribution system.	
(2) The following table sets forth the funded and accrued status of the plans	
(As of Mar. 31, 2009)	
1) Retirement benefit obligation	639
2) Unrecognized actuarial differences	11
3) Accrued employees' retirement benefits	651
(3) The following table sets forth the components of retirement benefit expenses	
(Apr. 1, 2008 – Mar. 31, 2009)	
1) Service cost	70
2) Interest costs	9
3) Past service liability	19
4) Write-downs of actuarial differences	(118)
5) Contribution to defined contribution pension plan	15
6) Total retirement benefit expenses	(2)
(4) Calculation method of retirement benefit obligation	
1) Distribution of estimated retirement benefit obligations	
Straight-line	
2) Discount rate (%)	2.0
3) Amortization of actuarial differences (years)	1
4) Amortization of prior service cost (years)	1

Notes to Stock Options

FY2009 (Apr. 1, 2008 – Mar. 31, 2009)

1. Description, size and changes in stock options

(1) Description of stock options

	Stock options No.1 (issued in 2003)	Stock options No.3 (issued in 2004)	Stock options No.4 (issued in 2005)
Number and qualifications of individuals to be granted	Company's employees (253)	Company's directors (6) Company's employees (286)	Company's directors (6) Company's employees (296)
Number of stock options (Note)	Common shares: 1,600	Common shares: 2,392	Common shares: 2,592
Date of grant	February 28, 2003	August 3, 2004	August 29, 2005
Terms of exercise	Of the person granted the stock options must consistently work with the Company from the date of grant (February 28, 2003) to the date of the establishment of the right of exercise (April 6, 2005).	Of the person granted the stock options must consistently work with the Company from the date of grant (August 3, 2004) to the date of the establishment of the right of exercise (June 24, 2006).	Of the person granted the stock options must consistently work with the Company from the date of grant (August 29, 2005) to the date of the establishment of the right of exercise (June 27, 2007).
Period of service for eligibility	From February 28, 2003 to April 6, 2005	From August 3, 2004 to June 24, 2006	From August 29, 2005 to June 27, 2007
Exercise period	From April 7, 2005 to February 12, 2013. It is still possible to exercise stock options in the exercise period for a director that retires because their term has expired, for an employee that retires because they have reached the mandatory retirement age, or for any other retirees that have left the company for a legitimate reason.	From June 25, 2006 to June 24, 2014. It is still possible to exercise stock options in the exercise period for a director that retires because their term has expired, for an employee that retires because they have reached the mandatory retirement age, or for any other retirees that have left the company for a legitimate reason.	From June 28, 2007 to June 27, 2010. It is still possible to exercise stock options in the exercise period for a director that retires because their term has expired, for an employee that retires because they have reached the mandatory retirement age, or for any other retirees that have left the company for a legitimate reason.

Note: Figures are presented as equivalent number of shares.

(2) Size and changes in stock options

The following statement includes stock options valid during the current fiscal year and is presented as the number of shares resulting from the exercise of the stock options.

1) Number of stock options

	Stock options No. 1 (issued in 2003)	Stock options No. 3 (issued in 2004)	Stock options No. 4 (issued in 2005)
After rights ascertainment (shares)			
End of prior year	432	1,732	2,300
Rights ascertained	-	-	-
Rights exercised	32	-	-
Invalidated	-	34	52
Balance of unexercised rights	400	1,698	2,248

2) Price information

	Stock options No. 1 (issued in 2003)	Stock options No. 3 (issued in 2004)	Stock options No. 4 (issued in 2005)
Exercise price (yen)	32,500	156,838	179,500
Average stock price at the time of exercise (yen)	111,126	-	-

Corporate combination and other relationships

1. Merger with Telecompark Corp.
   1) Name of company executing the combination, businesses, purpose of the corporate combination, legal form of the corporate combination and company name after the combination
      (1) Name of company executing the combination
      Telecompark Corp.
      (2) Businesses
      Sale of mobile phones and sales agency activities
      (3) Purpose of the corporate combination
      The two firms completed a combination on April 1, 2008 and will seek to quickly achieve a comprehensive increase in corporate value by expansion of the sales network through the acquisition of telecommunications carrier shops managed by Telecompark Corp. and leading next-generation distributors, and by the realization of synergies and reduction of costs through centralization of logistics and inventory management.
      (4) Legal form of the corporate combination
      Absorption and merger using the simple merger procedure with Telepark Corp. as the surviving company and Telecompark Corp. as the dissolved company.
      (5) Company name after the combination
      Telepark Corp. (currently T-Gaia Corporation)
   2) Summary of accounting treatments implemented
      Accounted for as a transaction under common control, based on the "Accounting Standards for Business Combinations" (Business Accounting Council, October 31, 2003) and the "Implementation Guidance on the Accounting Standard for Business Combinations and the Accounting Standard for Divestitures, Etc." (Business Accounting Standard Application Guideline No. 10, final revision dated November 15, 2007).
2. Merger with MS Communications Co., Ltd.
   1) Name of the combined entity, businesses, purpose of the corporate combination, date of the corporate combination, legal form of the corporate combination and company name after the combination
      (1) Name of the combined entity
      MS Communications Co., Ltd.
      (2) Businesses
      Sale of mobile phones and sales agency activities
      Sale and brokering of "Myline", broadband and other communication services
      (3) Purpose of the corporate combination
      In the mobile phone sales market, which constitutes the main businesses of Telepark and MS Communications ("the two companies"), the cumulative number of new line subscriptions by December 2007 exceeded 100 million. In particular, with regard to the acquisition of new customers, the market is reported to be shifting gradually from a period of rapid growth to a period of greater maturity. The maturing market is expected to bring about greater competition accompanied by increasing consolidation among distributors. Consequently, major distributors will gain an even stronger competitive edge, since they are able to utilize the economies of scale that financial power, organizational strength, and the power of information can accord them. Furthermore, mobile phones increasingly require more detailed explanation as mobile handsets become more advanced and price plans become more diversified. As a result, major distributors that have a large number of quality sales personnel will gain a stronger foothold in the market.
      Under this operating environment, the two companies concluded a merger agreement as a result of engaging in intense discussions and negotiations to explore the option of a merger, with the goals of expanding the scale of operations and strengthening the revenue base.
      (4) Date of the corporate combination
      October 1, 2008

(5) Legal form of the corporate combination

Absorption and merger, with Telepark Corp. as the surviving company and MS Communications Co., Ltd. as the dissolved company.

(6) Company name after the combination

Kabushiki Kaisha T-Gaia
(English name: T-Gaia Corporation)

2) Conversion rate and calculation method for shares with voting rights, number of shares exchanged, ratio of voting rights after the corporate combination and classification of the corporate combination for accounting purposes

(1) Conversion rate for shares with voting rights

1 share of Telepark stock for 21.9 shares of MS Communications Co., Ltd. stock

(2) Conversion rate calculation method

In order to ensure fairness in the calculation of the merger ratio in the merger, Telepark appointed Nomura Securities Co., Ltd. (“Nomura Securities”), while MS Communications appointed Daiwa Securities SMBC Co., Ltd. (“Daiwa Securities SMBC”), to be their respective financial advisors for the merger and to calculate the merger ratio.

Taking into account that the company has listed common stock with existing market price, Nomura Securities used the market price average method. Using May 20, 2008 as the base date for calculation, Nomura Securities used the closing price on the base date, the average closing price from the first business day after the company’s announcement of revisions to its forecast for the fiscal year ending March 31, 2008 to the base date (May 1, 2008 to May 20, 2008), the average closing price for the previous month (April 21, 2008 to May 20, 2008), and the average closing price for the previous three months (February 21, 2008 to May 20, 2008) for calculating the merger ratio.

In addition, the peer company comparison method was used to compare the two companies with other listed companies operating similar businesses from a financial standpoint. Calculation was also conducted using the discounted cash flow method (“DCF method”) based on financial forecasts, in order to reflect the current value of future cash flows.

Daiwa Securities SMBC used the DCF method and the peer company comparison method to calculate the merger ratio for MS Communications, and the DCF method and market price method to calculate the merger ratio for the company.

The company referred to the calculation result from Nomura Securities Co., Ltd., and MS Communications Co., Ltd. referred to the calculation results from Daiwa Securities SMBC Co., Ltd. and as a result of engaging repeatedly in prudent discussions concerning the merger ratio, and comprehensively taking into consideration various factors including the financial positions of the respective companies, their assets and the future outlook, the two companies ultimately judged the merger ratio described above to be appropriate.

(3) Number of shares delivered

Common stock 233,454 shares

(4) Percentage of voting rights held by MS Communications Co., Ltd. in the firm after the corporate combination 45.6%

(5) Classification of the corporate combination for accounting purposes

As a result of studying the criterion for consideration, the criterion for voting rights ratio and control criteria other than the voting rights ratio after confirming the business combination is not a formation of a jointly controlled entity or a transactions under common control, in accordance with the Accounting Standards for Business Combinations (Business Accounting Council October 31, 2003) for identifying whether a corporate combination is either an acquisition or a combination of interests, the company identified the merger as a combining of interests and has applied the pooling-of-interests method to the merger.

3) Operating results period for the combined entity included in the non-consolidated financial statements

From October 1, 2008 to March 31, 2009

4) Assets, liabilities and net assets succeeded to from the combined entity

Current assets	47,099 million yen
Fixed assets	13,551 million yen
Total Assets	60,651 million yen
Current liabilities	47,393 million yen
Long-term liabilities	5,820 million yen
Total liabilities	53,213 million yen
Total Net Assets	7,437 million yen

5) Unification of accounting treatment and elimination of transactions etc. before the corporate combination, and category and amount of expenditures required for the corporate combination.

(1) Unification of accounting treatment

There are no items to report.

Please see 7. (3) concerning unification of accounting treatment completed by the combined entity.

(2) Elimination of transactions etc. before the corporate combination

There are no items to report.

(3) Category and amount of expenditures required for the corporate combination

Non-operating expenses Costs related to merger 264 million yen

The amount of expenditures the combined entity had to pay pertaining to the corporate combination before the corporate combination date was 112 million yen.

6) Important matters accounted for as a result of the corporate combination

There are no items to report.

7) Estimated amount of the affect on the Statement of Income pertaining to the fiscal year under review assuming the corporate combination was completed on the first day of the fiscal year under review

Net sales	120,896 million yen
Operating income	3,769 million yen
Ordinary income	3,632 million yen
Income before taxes	3,049 million yen
Net income	1,570 million yen
Net income per share	(442.57) yen

Method of calculating estimated amounts

(1) Net sales and profit and loss information

The Company assumes the net sales and profit and loss information for MS Communications Co., Ltd. for the period from April 1, 2008 to September 30, 2008 as an estimated affect.

There were no transactions between the company and MS Communications Co., Ltd. before the corporate combination that should be eliminated.

(2) Net income per share

The net income per share has been calculated based on the information described below (basis for calculation of net income per share), and expresses the difference with net income per share pertaining to the fiscal year under review and described in Per Share Information as an estimated effect.

(Basis for calculation of net income per share)

Net income assuming the corporate combination was completed at the beginning of the period: 7,935 million yen

Average number of shares during the period assuming the corporate combination was completed at the beginning of the period: 529,704 shares

(3) Affect of unification of accounting treatment in conjunction with the merger

MS Communications Co., Ltd. traditionally reported net sales and cost of goods sold relating to sales of mobile phone handsets to sales agents when the handsets were sold to the end user, which the commission is realized. As a result of the unification of accounting treatments in conjunction with the merger, beginning from April 1, 2008 the company has reported sales to sales agencies at the time of the sale to the sales agency.

As a result of reporting the amount of the effect from this revision as an extraordinary loss of this company for the period from April 1, 2008 to September 30, 2008, the affect of the estimated amount of the income before income taxes and net income on the statement of income described above was reduced by 459 million yen, respectively, and the net income per share was reduced by 867.20 yen.

Deferred Tax Accounting

1. Breakdown of origin of deferred tax assets and liabilities

(Million yen)

	FY2008 (As of Mar. 31, 2008)	FY2009 (As of Mar. 31, 2009)
Deferred tax assets		
Reserve for employees' bonuses	161	684
Provision of allowance for doubtful accounts in excess of maximum amount allowed for inclusion in expenses	11	40
Loss on revaluation of inventories	25	88
Accrued enterprise taxes and business office taxes	130	341
Advanced losses on mobile phone sales	4	27
Depreciation in excess of maximum amount	293	812
Accrued employees' retirement benefits	228	265
Allowance for early subscription cancellations	54	42
Others	457	488
Total deferred tax assets	1,369	2,791
Deferred tax liabilities		
Unrealized holding gain (loss) on other securities	(87)	(26)
Total deferred tax liabilities	(87)	(26)
Net deferred tax assets	1,282	2,765

2. Breakdown of origin of difference between corporate and other tax liabilities as calculated based on the effective tax rate and tax-effect accounting

(%)

	FY2008 (As of Mar. 31, 2008)	FY2009 (As of Mar. 31, 2009)
Statutory tax rate(Adjustments)	40.7	40.7
Entertainment expenses not deductible for tax purposes	0.8	0.7
Unrecognized amortization of goodwill	0.7	4.3
Residential tax	0.8	0.1
Others	0.0	(0.6)
Effective tax rate	42.9	45.2

Information concerning related parties

Fiscal year under review (from April 1, 2008 to March 31, 2009)

The company has omitted disclosure because it believes there is no significant necessity of disclosure of this information in the brief announcement of its most recent fiscal year under review.

Per Share Information

(Yen)

FY2008 (Apr. 1, 2007 - Mar. 31, 2008)		FY2009 (Apr. 1, 2008 - Mar. 31, 2009)	
Net assets per share	56,499.38	Net assets per share	50,640.54
Net income per share	12,721.50	Net income per share	15,422.68
Diluted net income per share	12,708.01	Diluted net income per share	15,411.67

Note: The following is a reconciliation of net income per share and diluted net income per share

(Million yen)

	FY2008 (Apr. 1, 2007 - Mar. 31, 2008)	FY2009 (Apr. 1, 2008 - Mar. 31, 2009)
Net income per share		
Net income	4,191	6,364
Net income not available to common shareholders	—	—
Net income available to common shares	4,191	6,364
Average number of outstanding during the period	329,467	412,657
Diluted net income per share		
Increase in the number of common shares	349	294
[Of which stock acquisition rights]	(349)	(294)
Summary of potential stock not included in the calculation of “diluted net income per share” since there was no dilutive effect in the period.	Stock option No. 3 (issued in 2004) Stock acquisition rights: 866 Common shares: 1,732 shares Stock option No. 4 (issued in 2005) Stock acquisition rights: 1,150 Common shares: 2,300 shares	Stock option No. 3 (issued in 2004) Stock acquisition rights: 849 Common shares: 1,698 shares Stock option No. 4 (issued in 2005) Stock acquisition rights: 1,124 Common shares: 2,248 shares

Subsequent Events

FY2008 (Apr. 1, 2007 - Mar. 31, 2008)	FY2009 (Apr. 1, 2008 - Mar. 31, 2009)
1. At its Board of Directors meeting held on February 25, 2008, the company resolved to absorb and merge with Telecompark Corp., a wholly-owned subsidiary of the company. The company completed the merger on April 1, 2008. (1) Name of the absorbed and merged company, businesses and amount of assets and liabilities succeeded to, legal form of the corporate combination, company name after the combination and purpose of the merger. 1) Name of the absorbed and merged company and businesses and amount of assets and liabilities succeeded to Name Telecompark Corp. Businesses Sale of mobile phones and other devices and sales agency activities Amount of assets and liabilities succeeded to Amount of assets 6,790 million yen Amount of liabilities 5,682 million yen 2) Legal form of corporate combination Absorption and merger using the simple merger procedure, with Telepark Corp. as the surviving company and Telecompark Corp. as the dissolved company. The company did not issue new shares, increase its paid-in capital or pay delivered money due to merger because Telecompark Corp. was a wholly owned subsidiary of the company. 3) Company name after the merger Telepark Corp. 4) Purpose of the merger The company completed the combination with Telecompark Corp. on April 1, 2008, and will seek to quickly achieve a comprehensive increase in corporate value by expansion of the sales network through the acquisition of telecommunications carrier shops managed by Telecompark Corp. and leading next-generation distributors, and by the realization of synergies and reduction of costs through centralization of logistics and inventory management. (2) Summary of accounting practices implemented Accounted for as a transaction under common control, based on the “Accounting Standards for Business Combinations” (Business Accounting Council, October 31, 2003) and the “Implementation Guidance on the Accounting Standard for Business Combinations and the Accounting Standard for Divestitures, Etc.” (Business Accounting Standard Application Guideline No. 10, final revision dated November 15, 2007).	―――

FY2008 (Apr. 1, 2007 - Mar. 31, 2008)	FY2009 (Apr. 1, 2008 - Mar. 31, 2009)
2. The Board of Directors resolved at a meeting held May 22, 2008 to sign a merger agreement with MS Communications Co., Ltd., and a merger agreement was signed the same day. Below is a summary of the merger agreement. (1) Merger schedule Approval of merger contract by directors: May 22, 2008 Signing of merger contract: May 22, 2008 Shareholders' meeting to approve merger contract MS Communications Co., Ltd.: June 25, 2008 (scheduled) Shareholders' meeting to approve merger contract Telepark Corp.: June 26, 2008 (scheduled) Scheduled date of merger (merger effectiveness date): October 1, 2008 Date of delivery of share certificates: October 1, 2008 (scheduled) (2) Merger method The merger will be a merger of equals. Based on the Company Law, Telepark Corp. will be the surviving entity, and MS Communications Co., Ltd. the expiring entity. (3) Allotment of shares in the merger 21.9 common shares of Telepark Corp. stock will be allotted for 1 common share of MS Communications Co., Ltd. stock. 3. At its Board of Directors meeting held on June 26, 2008, the company resolved to conduct a share buyback program and a public tender offer for treasury stock as described below ("the public tender offer"), based on the provisions of Article 156 paragraph 1 of the Company Law as alternatively read and applied under the provisions of Article 165 paragraph 3 of the same Law and the company's Articles of Incorporation. (1) Purpose of share buyback program and the public tender offer The purpose of the share buyback program and public tender offer is to respect the interests of the company's shareholders to the maximum extent possible by reducing the shareholding ratio of the major shareholders to a certain level, maintaining and appropriate circulating share ratio as a listed company and raising earnings per share (EPS) through the share buyback program. (2) Details of the Board resolution 1) Type of shares to be acquired Common stock 2) Total number of shares to be acquired 55,000 shares (maximum) 3) Total acquisition amount 5,280,000,000 yen (maximum) 4) Acquisition period From June 30, 2008 to August 29, 2008 (3) Summary of the public tender offer 1) Period of the public tender offer From Monday, June 30, 2008 to Monday, July 28, 2008 (20 business days) 2) Notification date for start of the public tender offer Monday, June 30, 2008 3) Purchase price 96,000 yen per share	

FY2008 (Apr. 1, 2007 - Mar. 31, 2008)	FY2009 (Apr. 1, 2008 - Mar. 31, 2009)
4) Basis for calculation of the purchase price At the meeting of the Board of Directors of the company held on May 22, 2008, the directors set the tender offer price at 96,000 yen, representing a 7% discount to the simple average of the closing share price of the company's shares on the Tokyo Stock Exchange on the 20 most recent business days until May 21, 2008 (amounts rounded off less than 1,000 yen). 5) Number of shares to be purchased Common stock 50,673 shares 6) Required purchase amount Approximately 4,898 million yen 7) Name and address of the Registered Financial Instruments Firm, bank or other institution to settle the purchase Nomura Securities Co., Ltd. 1-9-1 Nihonbashi, Chuo-ku, Tokyo, Japan 8) Settlement starting date Monday, August 4, 2008 (4) Other Regarding the above share buybacks by the company, shares will be acquired from Mitsui in principle. However, from the standpoint of treating shareholders equally and ensuring the transparency of the transaction, it was agreed the company will implement a share buyback program through a tender offer ("the Tender Offer"). Mitsui will tender 50,673 Telepark common shares, the same as the scheduled number of shares to be purchased.	

5. Others

(1) Transfers of directors

For information concerning transfers of director and corporate auditors, please see the press release "Notice Concerning Changes in Executive Management" dated May 14, 2009.

(2) Others

Segment Information

1. Operating segment information

FY2009 (Apr. 1, 2008 – Mar. 31, 2009)

Segment	Net sales and operating income	FY2008 (As of Mar. 31, 2008)	FY2009 (As of Mar. 31, 2009)	Changes	
		Million yen	Million yen	Million yen	%
Mobile telecommunication business	Net sales	375,777	339,092	36,685	10.8
	Operating income	9,484	5,568	3,915	70.3
Network communication business	Net sales	14,630	10,408	4,222	40.6
	Operating income	2,367	1,459	907	62.2
Settlement service business, etc	Net sales	40,923	21,676	19,247	88.8
	Operating income	549	354	195	55.0
Total	Net sales	431,331	371,176	60,154	16.2
	Operating income	12,401	7,383	5,018	68.0

Beginning from the fiscal year ending March 31, 2009, the company has changed the business segments used for reporting from Mobile Telecommunication Business and Network Communication Business/Others to Mobile Telecommunications Business, Network Communications Business and Settlement Services and Other Businesses. To reflect the activities of the company more appropriately, the prepaid mobile phone-related business included in Mobile Telecommunications Business, and the business using the PIN sales system that was included in Network Communication Business/Others until the previous fiscal year, will be included in Settlement Services and Other Businesses.

(Reference)
(1) Consolidated Balance Sheets

(Millions of yen)

	FY2008 (Ended Mar. 31, 2008)
Assets	
Current assets	
Cash on hand and in banks	1,431
Accounts receivable -trade	45,692
Inventories	19,981
Deferred tax assets	841
Accounts receivable -other	13,259
Other current assets	504
Allowance for doubtful accounts	(41)
Total current assets	81,669
Fixed assets	
Property, plant and assets	
Buildings and structures	2,044
Accumulated depreciation	(1,401)
Buildings and structures (Net)	642
Tools, furniture, and fixtures	1,469
Accumulated depreciation	(1,181)
Tools, furniture, and fixtures (Net)	288
Land	48
Total property, plant and assets	979
Non-tangible fixed assets	
Goodwill	3,750
Telephone rights	12
Total non-tangible fixed assets	3,762
Investment and other assets	
Investment securities	440
Investment in affiliates	184
Long-term loans receivable	57
Deferred tax assets - non-current	586
Leasehold deposits	2,033
Others	304
Allowance for doubtful accounts	(102)
Total investments and other assets	3,505
Total fixed assets	8,247
Total assets	89,917

(Millions of yen)

	FY2008 (Ended Mar. 31, 2008)
Liabilities	
Current liabilities	
Accounts payable -trade	41,649
Short-term borrowings	7,400
Accounts payable -other	13,366
Accrued taxes	1,662
Reserve for employees' bonuses	397
Allowance for early subscription cancellations	146
Other current liabilities	1,144
Total current liabilities	65,766
Long-term liabilities	
Long-term borrowings	5,000
Accrued employees' retirement benefits	561
Others	132
Total long-term liabilities	5,693
Total liabilities	71,460
Net assets	
Shareholders' equity	
Common stock	1,552
Capital surplus	1,671
Retained earnings	15,106
Total shareholders' equity	18,330
Valuation and translation adjustments	
Net unrealized holding gain on securities	127
Total valuation and translation adjustments	127
Total net assets	18,457
Total liabilities and net assets	89,917

(2) Consolidated Statements of Income

(Millions of yen)

	FY2008 (Ended Mar. 31, 2008)
Net sales	375,524
Cost of goods sold	344,354
Gross profit	31,169
Selling, general and administrative expenses	23,845
Operating income	7,324
Non-operating income	
Interest income	8
Dividend income	1
Rent income	17
Insurance reimbursement	24
Others	15
Total non-operating income	67
Non-operating expenses	
Interest expenses	62
Others	1
Total non-operating expenses	63
Ordinary income	7,327
Extraordinary gains	
Reversal of allowance for doubtful accounts	7
Gain on sales of fixed assets	2
Total extraordinary gains	9
Extraordinary losses	
Loss on removal of fixed assets	37
Loss on revaluation of investment securities	21
Impairment losses	28
Penalty for cancellation of store contracts, etc.	26
Others	7
Total extraordinary losses	120
Income before income taxes	7,217
Income taxes –current	2,925
Income taxes –deferred	262
Total income taxes	3,188
Net income	4,028

(3) Consolidated Statements of Changes in Shareholders' Equity

(Millions of yen)

	FY2008 (Ended Mar. 31, 2008)
Shareholders' equity	
Common stock	
Balance at end of prior-year	1,545
Changes during the year	
New stock issue	7
Total changes during the year	7
Balance at end of the year	1,552
Capital surplus	
Balance at end of prior-year	1,664
Changes during the year	
New stock issue	7
Total changes during the year	7
Balance at end of the year	1,671
Retained earnings	
Balance at end of prior-year	12,724
Changes during the year	
Dividend of surplus	(1,646)
Net income	4,028
Total changes during the year	2,381
Balance at end of the year	15,106
Total shareholders' equity	
Balance at end of prior-year	15,933
Changes during the year	
New stock issue	14
Dividend of surplus	(1,646)
Net income	4,028
Total Changes during the year	2,396
Balance at end of the year	18,330
Valuation and translation adjustments	
Net unrealized holding gain on securities	
Balance at end of prior-year	182
Changes during the year	
Changes of items other than shareholders' equity during the year (Net)	(55)
Total Changes during the year	(55)
Balance at end of the year	127
Total valuation and translation adjustments	
Total Changes during the year	182
Balance at end of the year	
Changes of items other than shareholders' equity during the year (Net)	(55)
Total Changes during the year	(55)

(Millions of yen)

	FY2008 (Ended Mar. 31, 2008)
Balance at end of the year	127
Total net assets	
Balance at end of prior-year	16,116
Changes during the year	
New stock issue	14
Dividend of surplus	(1,646)
Net income	4,028
Changes of items other than shareholders' equity during the year (Net)	(55)
Total Changes during the year	2,340
Balance at end of the year	18,457

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	FY2008 (Ended Mar. 31, 2008)
Cash flows from operating activities	
Income before income taxes	7,217
Depreciation	508
Computer expenses	49
Amortization of goodwill	321
Impairment losses	28
Stock issue expenses	0
Increase (decrease) in allowance for doubtful accounts	(2)
Increase (decrease) in reserve for employees' bonuses	(20)
Increase (decrease) in allowance for early subscription cancellations	(94)
Increase (decrease) in accrued employees' retirement benefits	66
Increase (decrease) in accrued directors' severance benefits	(46)
Interest and dividend income	(9)
Interest expenses	62
Loss (gain) on sale of fixed assets	(2)
Loss on removal of fixed assets	37
Loss on sales of investment securities	1
Loss on revaluation of investment securities	21
Decrease (increase) in account receivable	2,200
Decrease (increase) in inventories	(1,814)
Increase (decrease) in account payable	(1,409)
Others	(1,539)
Subtotal	5,575
Interests and dividends received	9
Interests paid	(58)
Income taxes paid	(3,138)
Net cash provided by operating activities	2,388
Cash flows from investing activities	
Payment for purchase of property, plant and equipment	(408)
Proceeds from sales of property, plant and equipment	6
Payment for purchase of software	(56)
Payment for purchase of investment securities	(152)
Proceeds from sale of investment securities	0
Payments for purchase of subsidiary stock associated with changes in the scope of consolidation	(4,574)
Payment for loans receivable	(136)
Proceeds from collection of loans receivable	114
Proceeds from loans to affiliates	70
Payment for leasehold deposits	(224)
Proceeds from return of leasehold deposits	103
Other investment income	(1)

(Millions of yen)

	FY2008 (Ended Mar. 31, 2008)
Net cash used in investing activities	(5,259)
Cash flows from financing activities	
Net increase (decrease) in short-term borrowings	755
Proceeds from long-term borrowings	5,000
New stock issue	(0)
Proceeds from issuance of new stock	14
Cash dividends paid	(1,642)
Net cash provided by financing activities	4,126
Increase (decrease) in cash and cash equivalents	1,254
Cash and cash equivalents at beginning of period	177
Cash and cash equivalents at end of period	1,431