Non-Consolidated Financial Results for the Fiscal Year Ended March 31, 2010

May 13, 2010

Company name: T-Gaia Corp. Listing: Tokyo Stock Exchange, First Section
Stock code: 3738 URL: http://www.t-gaia.co.jp/
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Scheduled date of Annual General Meeting of Shareholders: June 24, 2010
Scheduled date of filing Annual Securities Report: June 24, 2010
Scheduled commencement date of dividend payout: June 25, 2010

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

1. Financial Results for the Fiscal Year Ended March 31, 2010 (April 1, 2009 – March 31, 2010)

(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 2010	566,057	31.2	15,193	22.5	14,968	25.1	8,135	27.8
FY 2009	431,331	—	12,401	—	11,965	—	6,364	—

	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 2010	15,878.52	15,869.09	28.5	10.1	2.7
FY 2009	15,422.68	15,411.67	28.6	10.0	2.9

Reference: Equity in earnings of affiliates (million yen): FY2010: — FY2009: —

Note 1: Telepark Corporation has merged with MS Communications Co., Ltd. as of October 1, 2008 and changed the company name to T-Gaia Corporation. Therefore, the individual results of the fiscal year ended March 31, 2009 reflect the sum of the results of Telepark Corporation for the six months to September 2008 and the results of T-Gaia Corporation for the six months to March 2009.

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 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 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 2010	147,390	31,061	21.1	60,619.38
FY 2009	148,420	25,946	17.5	50,640.54

Reference: Shareholders' equity (million yen): FY 2010: 31,061 FY 2009: 25,946

(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 2010	12,019	(844)	(12,400)	1,465
FY 2009	13,678	(2,419)	(10,608)	2,690

2. Dividends

	Dividends per share					Total dividends (annual)	Dividend payout ratio	Dividend on equity
	1Q-end	Interim	3Q-end	Yearend	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY 2009	—	2,500.00	—	3,000.00	5,500.00	2,234	35.7	10.3
FY 2010	—	3,000.00	—	3,000.00	6,000.00	3,074	37.8	10.8
FY 2011 (forecasts)	—	2,750.00	—	2,750.00	5,500.00		40.3	

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

3. Forecasts for the Fiscal Year Ending March 31, 2011 (April 1, 2010 – March 31, 2011)

(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	276,000	(1.4)	6,150	(23.7)	6,050	(23.8)	3,000	(31.1)	5,854.86
Full year	571,000	0.9	13,600	(10.5)	13,400	(10.5)	7,000	(14.0)	13,661.34

4. Others

(1) Changes in significant accounting policies:

1) Changes caused by revision of accounting standards: None
2) Other changes: None

(2) Number of shared issued and outstanding (shares of common stock)

1) Number of shares outstanding (including treasury stock) at end of period: FY 2010: 512,395 shares
FY 2009: 512,367 shares
2) Number of treasury stock at end of period: FY 2010: —
FY 2009: —

* Cautionary statement with respect to forward- looking statements

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.

1. Results of Operations

(1) Analysis regarding results of operations

1) Results of operations for the current fiscal year

Amid the protracted global economic slowdown, a swing toward improvement was observed for some exports and production in Japan's economy during the fiscal year under review due to an improving global economy supported by economic growth in emerging nations, inventory adjustments principally at large companies, as well as economic measures put forth by governments. Nevertheless, corporate earnings remained sluggish and employment uncertain, moreover, deflation advanced, presenting a continuing difficult environment.
In the mobile phone market, T-Gaia's main business field, some robustness was seen in sales of smart phones and the mobile broadband market based on data card terminals, but due to higher sales prices because of the installment sales system and the impact of a slump in personal consumption due to the economic slowdown, the purchase replacement cycle for terminals has lengthened, resulting in a challenging sales environment.
As a result, during the fiscal year under review, net new mobile phone subscriptions for the entire market totaled 4.69 million, down 1.4% year-on-year, and the number of total number of subscriptions reached 112.18 million, a 4.4% increase compared with the end of the previous fiscal year (March 31, 2009). By carrier, the total number of subscriptions as of March 31, 2010 was 56.08 million for NTT DOCOMO, Inc., 31.87 million for KDDI Corporation, 21.87 million for SOFTBANK MOBILE Corp. and 2.35 million for EMOBILE Ltd. (data published by the Telecommunications Carriers Association).

Despite operating in this sort of difficult business environment, business mergers[Note 1] contributed to enhanced company performance in all segments categorized by business unit in comparison to the previous fiscal year.
In the Mobile Telecommunications Business, the sales environment was formidable as mentioned above, but the installment sales system and other factors brought about stability in prices while at the same time extending the purchase replacement cycle. Moreover, the increased efficiency in operations due to business mergers and the expanded scale also contributed to increases in net sales and operating income.
In the Network Communications Business, acquisition of Myline service subscriptions softened as the market matured. On the other hand with FTTH and other optic fiber line services, the strengthened agent network and sales promotion measures paid off with an increase in sales. Furthermore, driven by the expanded scale yielded by the business mergers, net sales and operating income increased.
With Prepaid Settlement Services Business and Other Business[Note 2], net sales and operating income rose due to business mergers and expansion of major convenience store outlets accomplished in the preceding period.
As a result for the fiscal year under review, net sales were 566,057 million yen (31.2% increase year-on-year), operating income was 15,193 million yen (22.5% increase year-on-year), ordinary income was 14,968 million yen (25.1% increase year-on-year), and net income was 8,135 million yen (27.8% increase year-on-year).

(Note 1)
On October 1, 2008, the company implemented an integration of management with Telepark Corporation and MS Communications Co., Ltd. and changed its name to T-Gaia Corporation with the objective of expanding operations and increasing enterprise value.
Therefore, numbers for the previous fiscal year reflect the sum of the results of Telepark Corporation for the six months to September 2008 and the results of T-Gaia Corporation for the six months to March 2009.

(Note 2)
During the current fiscal year, there was a change of name in business segments. Since previous fiscal year, settlement services for PIN (Personal Identification Number)-based merchandise sales systems and prepaid mobile phones were grouped as Settlement Services Business and Other Business, for which a new segment was established. To indicate more clearly the business content, the name was altered to Prepaid Settlement Services Business and Other Business. This change affects only the name and not the scope of the segment.

The situation in each business segment is described below.

[Mobile Telecommunications Business]
Although the company concentrated on efforts such as strengthening its sales agents, selling to corporate clients and optimizing its sales channel through retail shops, the number of units sold remained sluggish due to the extended replacement purchase cycle, which is a result of the installment sales system, and the impact of a decline in consumer confidence attributable to the economic slump. On the other hand, the installment sales system has yielded improved profitability by stabilizing sales prices. Moreover, business mergers have made operations more efficient and expanded business scale. Based on these factors, sales totaled 5.13 million for mobile handsets and 19,000 for PHS handsets. Net sales were 490,217 million yen (30.5% increase year-on-year), and operating income totaled 11,534 million yen (21.6% increase year-on-year).

[Network Communications Business]
Acquisition of Myline service customers remained slow as the market has matured, but FTTH and other fiber optic line sales increased, a result of a developed and expanded sales structure mainly comprised of agents, enhanced proposal-oriented business through direct sales, as well as the formation of alliances with other companies and proactively implementation of promotional measures for subscriptions. Moreover, the increased scale of this business brought about by mergers also contributed, and net sales ended at 20,529 million yen (40.3% increase year-on-year) with operating income at 3,104 million yen (31.2% increase year-on-year).

[Prepaid Settlement Services Business and Other Business]

Among businesses using the personal identification number (PIN) sales system, visibility in transaction stores in the major convenience store outlets, which had been increased during the preceding period, and business mergers pushed net sales to 55,311 million yen (35.2% increase year-on-year). The volume of transactions of prepaid mobile phone decreased along with the system investments undertaken which along with other factors kept operating income to 553 million yen (0.7% increase year-on-year).

2) Outlook for the next fiscal year

An uncertain outlook for Japan's economic situation is expected to continue, in which even though the trend toward improvement of the business climate will likely continue, autonomy will be weak, and it will likely still take time to see real improvement in corporate earnings and employment uncertainty.

In light of these circumstances, the company is concentrating on optimizing and expanding its sales network amid forecasts that the harsh Mobile Telecommunications Business conditions will likely continue into the next period as well, and striving to improve sales efficiency and merchandise quality as well as increase sales of a multitude of peripheral commercial materials. In addition, the company is actively working to strengthen proposal-based business for companies and increase sales of smart phones, data card terminals, as well as devise more responses aimed at stimulating demand for second handsets.

In the Network Communications Business, as Myline service has slowed along as the maturing of the market, the company will step up development and expansion of its sales structure focusing on trends in next-generation networks (NGN), FTTH and other fiber optic line services, which are expected to grow steadily in the future. However, business profitability is expected to decline due to worsening efficiency in acquiring customers that has accompanied market maturity.

With Prepaid Settlement Services Business and Other Business, competition may intensify due to diversification of electronic settlement services. In the electronic settlement business which uses the personal identification number (PIN) sales system, the company is aiming to increase products managed and expand convenience store sales outlets.

In addition to the above measures, the company is promoting increased operating efficiency with efforts such as reducing administrative costs, further realizing the effects of mergers through measures to consolidate merchandise control and distribution, integrate systems, organizations and personnel systems which were implemented during the previous business year, and, in addition, the company is striving to the enhance its revenue base, and is committed to improving shareholder value.

At the same time, the company will seek to effectively utilize its human resources, diverse sales network, financial power and information capabilities to actively take up the challenge to launch into new businesses and overseas markets.

As for earnings estimates for the next fiscal year, the company projects net sales of 571 billion yen, operating income of 13.6 billion yen, ordinary income of 13.4 billion yen. It is also projected that an extraordinary loss will be posted resulting from the first year of application of the "Accounting Standard for Asset Retirement Obligations" such that net income is forecast at 7 billion 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

For the fiscal year ended March 31, 2010, the company set targets of net sales of 562 billion yen, operating income of 13.1 billion yen and net income of 6,850 million yen. However, performance through the second quarter significantly surpassed expectations, so these initial targets were revised upward on October 22, 2009 to set net sales at 567 billion yen, operating income at 15 billion yen and net income at 8 billion yen. Actual results were net sales of 566 billion yen, operating income of 15.1 billion yen and net income of 8.1 billion yen, achieving both operating income and net income for the initial and subsequent upwardly revised targets.

(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 128,007 million yen, an increase of 1,069 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 (3,449 million yen), and a decrease in accounts receivable–other resulting from a decline in installments (1,945 million yen).

The balance of fixed assets at end of the fiscal year under review decreased by 2,099 million yen compared with the end of the previous fiscal year to total 19,383 million yen. The main factors were a decrease due to amortization of goodwill (1,528 million yen) and a decrease in securities of subsidiaries accompanying subsidiary liquidation (170 million yen).

The balance of current liabilities at end of the fiscal year under review increased by 5,422 million yen compared with the end of the previous fiscal year to total 111,736 million yen. The principal factor was an increase in accounts payable–trade, accompanying the increase in product purchases and commissions paid in conjunction with mobile phone sales (6,066 million yen).

The balance of long-term liabilities at end of the fiscal year under review decreased by 11,567 million yen compared with the end of the previous fiscal year to total 4,593 million yen. The principal factors were a decrease in long-term borrowings in accordance with early and scheduled payments (11,328 million yen).
The balance of net assets at end of the fiscal year under review increased by 5,114 million yen year-over-year to total 31,061 million yen. The main factor was an increase in retained earnings (5,061 million yen).

2) Cash flows
Cash and cash equivalents (referred to below as "cash") at the end of the fiscal year under review decreased by 1,225 million yen compared with the end of the previous fiscal year to total 1,465 million yen because of factors such as expenditures for purchase of property, plant and equipment and expenditures for loan payments despite an increase in income before taxes of 14,847 million yen (27.9% increase year-on-year). Cash flows and major components during the fiscal year were as follows.

[Cash flows from operating activities]
Cash flows from operating activities totaled 12,019 million yen. This was principally due to the inclusion of income taxes paid of 7,785 million yen and income before taxes of 14,847 million yen as well as an increase of 6,066 million yen in accounts payable.
[Cash flows from investing activities]
Cash flows used in investing activities totaled 844 million yen. This was principally due to the 1,001 million yen used for the acquisition of tangible fixed assets, 202 million yen used for payment on leasehold deposits, and 550 million yen in proceeds from the return of leasehold deposits.
[Cash flows from financing activities]
Cash flows used in financing activities totaled 12,400 million yen. This was mainly attributable to a 4,000 million yen decrease in short-term borrowings, a 5,328 million yen decrease in long-term borrowings, and cash dividends paid of 3,073 million yen.

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

	FY 2007	FY 2008 (consolidated)	FY 2009	FY 2010
Shareholders' equity ratio (%)	22.5	20.5	17.5	21.1
Shareholders' equity ratio based on market prices (%)	78.5	35.5	36.0	48.1
Interest-bearing debt to cash flow ratio (%)	202.9	519.3	237.6	192.8
Interest coverage ratio (times)	133.7	38.0	53.2	43.2

Note 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 FY 2008, 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 the business and strengthen the corporate base.
Based on this policy, for the fiscal year under review, the company plans to raise the dividend by 500 yen in acknowledgement of the support that our shareholders have always shown in addition to the company having achieved its initial performance forecasts and the performance forecasts revised upward on October 22, 2009, and will pay a yearend dividend of 3,000 yen per share. Together with the interim dividend of 3,000 yen paid in December of last year, the total annual dividend will be 6,000 yen per share. This represents an increase of 1,000 yen in the regular dividend from the 5,000 yen (excluding the 500 yen commemorative dividend for the merger) in the preceding period.
Taking comprehensively into account the following period's earning forecast, payout ratio and other factors, the company plans an annual dividend of 5,500 yen for the next fiscal year. This is scheduled to be broken down into interim and yearend dividends of 2,750 yen per share, respectively.
The company does not currently have any plans to revise the recording 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 expand into overseas markets and 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, Inc., 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. Also, competition in the prepaid settlement service business is likely to become more intense in the future accompanying the diversification of electronic settlement services. In this case, as well, fiercer competition could lower our profit margins and materially impact our earnings.

3) Business expansion through acquisitions, etc.

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

The top three shareholders of the company as of March 31, 2010 were Mitsui & Co., Ltd., Sumitomo Corporation Ltd. and Mitsubishi Corp., each of which owns 22.78%, respectively, of the company's 512,395 outstanding shares.

However, the sales and brokering of mobile phones, which is the main business sector of the company, the landline brokering business and prepaid settlement services business, 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) Relationship with major principal shareholders

Depending on movement of the Ministry of Internal Affairs and Communications' plan to revitalize the mobile phone market, including unlocking of the SIM lock, there may be an effect on telecommunications carriers' measures and the entire mobile telephone market, as well as on the company's business and performance.

7) Revised law and changes in regulations

In the event there is a major revision of the Worker Dispatching Act as well as any changes or amendments to other regulations were implemented, there may be an effect on company performance.

2. Current Conditions of the Corporate Group

As of March 31, 2010, the company did not have any subsidiaries or affiliated companies.
The mainstay of the company business is the operation of Mobile Telecommunications Business focusing on the sale of mobile phones and other handsets, Network Communications Business that brokers services such as Myline and optic fiber line services such as FTTH services, and Prepaid Settlement Services Business and Other Business using the PIN (Personal Identity Number) sales system.

Our main activities are as follows:

(1) Mobile Telecommunications Business

The main activities of the Mobile Telecommunications 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, Inc., KDDI Group, SOFTBANK MOBILE Corp., EMOBILE Ltd., 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.

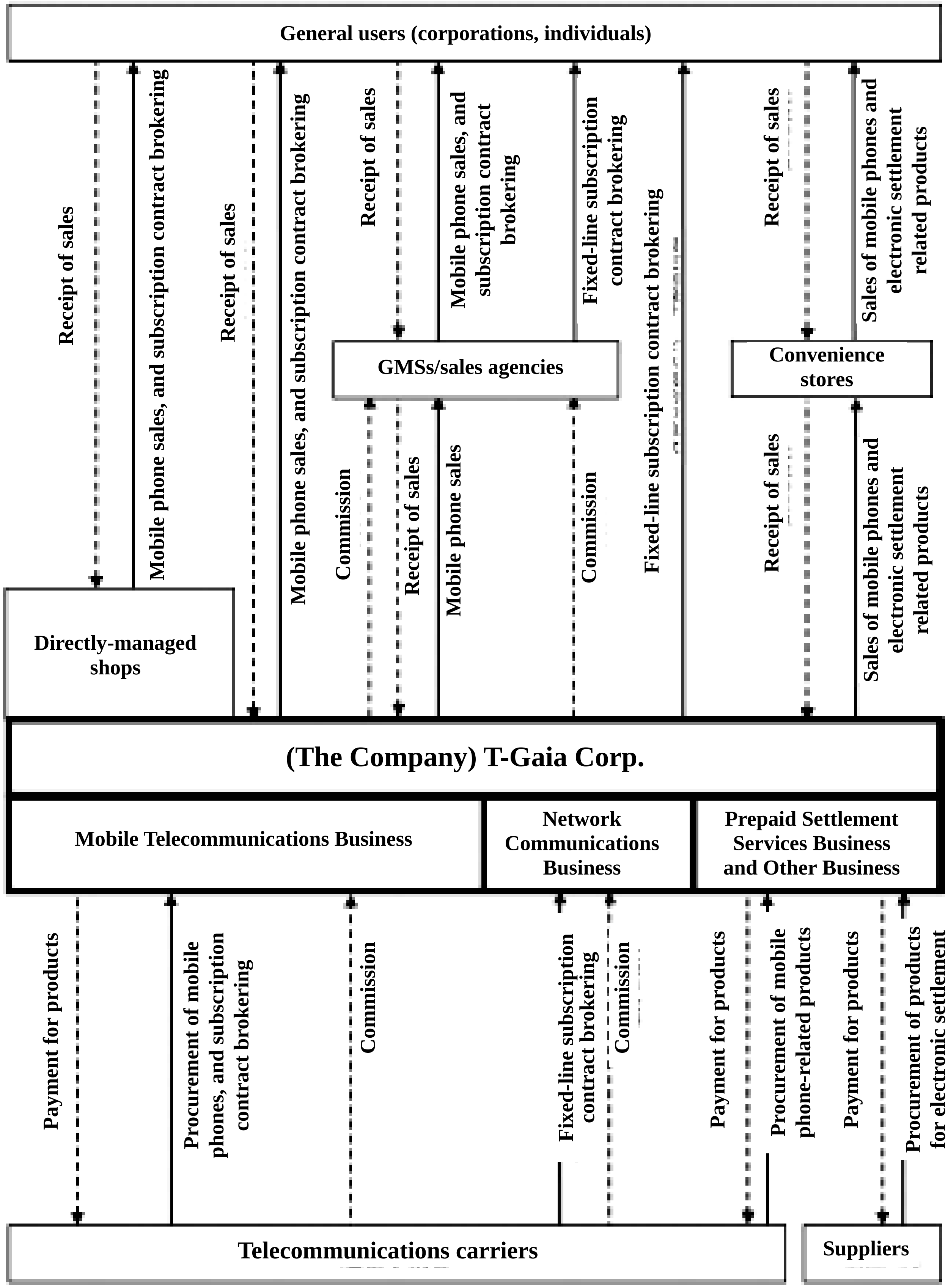
(2) Network Communications Business

The main business activity of the Network Communications 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) Prepaid Settlement Services Business and Other Business

The main activities of the Prepaid Settlement Services Business and Other Business 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 areas and expand overseas, as well as strive to increase corporate value by ensuring management transparency and fulfilling the corporate social responsibility (CSR).

(2) Performance targets

For the fiscal year ending March 31, 2011, we target net sales of 571 billion yen, operating income of 13,600 million yen, ordinary income of 13,400 million yen, and net income of 7,000 million yen.

(3) Issues to be addressed and medium to long-term business strategy

The mobile phone industry and fixed-line phone industry, which are the company's chief business fields, continue to present a difficult business environment in which to operate due to the maturation of these markets and the intensified competition among telecommunications carriers and sales agents. On the other hand, sales of data card terminals and smart phones have rapidly expanded, and there is an ongoing change in the direction of mainly "data communication" rather than "voice calls." In the future, the 3.9 generation mobile phones, which promise transmission speeds on par with fiber optic cable, are slated to go on sale, and Japan's mobile broadband market will develop further.
In addition, in emerging nations, there is a continuing move from second generation mobile phones, which were mainly the prepaid mobile phones, to third generation mobile phones, which are the post-paid type, and telecommunications carriers are projected to expand measures for enclosing customers by focusing on carrier shops, such as those developed in Japan.

In this sort of business environment, the company will promote greater realization of the effects of mergers and even more efficient operations, but, at the same time, the company is aware that the most important task is to make a company-wide effort to strengthen the foundation for existing businesses by effectively utilizing the company's financial strength, organizational resources, and information capacity and to tackle overseas markets and new business fields with the aim of growing further.
More specifically, the following activities will be addressed.

1) Existing businesses

In the Mobile Telecommunications Business, in addition to improving the efficiency of sales by optimizing its sales network, improving profitability through improved sales quality and operational efficiency, and continuing to invest in stores and sales outlets, the company will strive to market a variety of peripheral commercial materials. Moreover, the company will actively work to expand sales of data card terminals and smart phones as well as to enhance the proposal-based business for corporate clients, and to make an even greater effort to address measures stimulating demand for second phones. In addition, the company will aim to further expand the scale of its business through M&A and other efforts.
In the Network Communications Business, the company will work to further increase the acquisition of subscriptions for FTTH and other optic fiber lines, as well as expand this area with an eye on movements in the fixed-mobile convergence (FMC) market and the next generation network (NGN) market. Also, the company will make an effort to address solutions businesses only the company is capable of with its connections to peripheral commercial goods, and the company will pioneer new commercial materials, for which it can utilize its current sales network.
In the Prepaid Settlement Services Business and Other Business, the company will actively work on materials other than existing commercial materials as well as aim to expand its product line up with a focus on electronic money and other electronic settlement services utilizing the PIN sales system.

2) Overseas and new businesses

During the current period under review (period ended March 31, 2010), the company researched markets in Asian countries including Thailand, India and China where there has been significant growth, and invested in Zero-Sum, Ltd. which has experience in application development, content and service distribution for the mobile market in India. In the future also, the company intends to put to use its know-how cultivated as the largest sales agent in Japan, and make advances into overseas markets where big growth in the mobile market can be expected. In addition, the company aims to commit managerial resources also to new businesses having the potential to be a mainstay for future income, and the company will ensure medium and long-term income with overseas business and new businesses.

Based on the above business strategy, the company is working on formulating a "growth and financial strategy" to realize sustainable growth. The company is currently in the final stage of putting together a concrete plan which is continuing to be reviewed.

4. Non-Consolidated Financial Statements

(1) Balance Sheets

(Millions of yen)

	FY 2009 (As of March 31, 2009)	FY 2010 (As of March 31, 2010)
Assets		
Current assets		
Cash on hand and in banks	2,690	1,465
Accounts receivable – trade	69,433	72,882
Products	34,450	35,363
Stored products	71	74
Advanced money	16	17
Prepayment expenses	520	609
Deferred tax assets	1,507	1,355
Accounts receivable – other	18,117	16,171
Other current assets	185	104
Allowance for doubtful accounts	(56)	(37)
Total current assets	126,938	128,007
Fixed assets		
Fixed tangible assets		
Buildings	4,754	4,772
Accumulated depreciation	(2,988)	(3,234)
Buildings (Net)	1,766	1,537
Structures	326	346
Accumulated depreciation	(181)	(206)
Structures (Net)	145	139
Transport vehicles and equipments	11	11
Accumulated depreciation	(10)	(11)
Transport vehicles and equipments (Net)	1	0
Tools, furniture, and fixtures	3,626	3,715
Accumulated depreciation	(2,560)	(2,625)
Tools, furniture, and fixtures (Net)	1,066	1,090
Land	369	353
Total tangible fixed assets	3,348	3,121
Non-tangible fixed assets		
Goodwill	10,353	8,824
Telephone rights	16	16
Land leasehold	28	28
Software	755	766
Others	0	65
Total non-tangible fixed assets	11,153	9,702
Investment and other assets		
Investment securities	269	383
Investment in affiliates	170	—
Long-term loans receivable	102	72

(Millions of yen)

	FY 2009 (As of March 31, 2009)	FY 2010 (As of March 31, 2010)
Rehabilitation claim	62	45
Long-term prepaid expenses	100	62
Deferred tax assets	1,257	1,145
Leasehold deposits	4,447	4,244
Construction aid	376	377
Others	259	282
Allowance for doubtful accounts	(67)	(54)
Total investments and other assets	6,980	6,559
Total fixed assets	21,482	19,383
Total assets	148,420	147,390
Liabilities		
Current liabilities		
Accounts payable – trade	59,615	65,681
Short-term borrowings	14,500	10,500
Long-term borrowings payable within one year	3,328	9,328
Accounts payable – other	22,485	21,553
Accrued expenses	243	177
Unpaid taxes	4,227	2,938
Deposits received	208	148
Advance received profit	28	39
Reserve of bonuses	1,571	1,249
Allowance for early subscription cancellations	104	114
Other current liabilities	1	5
Total current liabilities	106,313	111,736
Long-term liabilities		
Long-term borrowings	14,672	3,344
Long-term accounts payable	113	57
Long-term deposits payable	37	—
Accrued employees’ retirement benefits	651	447
Others	686	744
Total long-term liabilities	16,160	4,593
Total liabilities	122,474	116,329

(Millions of yen)

	FY 2009 (As of March 31, 2009)	FY 2010 (As of March 31, 2010)
Net Assets		
Shareholders' equity		
Common stock	3,098	3,098
Capital surplus		
Legal capital	5,584	5,585
Total capital surplus	5,584	5,585
Retained earnings		
Earned reserve	17	17
Other retained earnings		
Retained earnings carried forward	17,211	22,272
Total retained earnings	17,228	22,290
Total shareholders' equity	25,912	30,974
Valuation and translation adjustments		
Net unrealized holding gain on securities	34	86
Total valuation and translation adjustments	34	86
Total net assets	25,946	31,061
Total Liabilities and Net Assets	148,420	147,390

(2) Non-Consolidated Statements of Income

(Millions of yen)

	FY 2009 (from April 1, 2008 to March 31, 2009)	FY 2010 (from April 1, 2009 to March 31, 2010)
Net Sales		
Merchandise sales	247,337	310,319
Received commission	183,993	255,737
Total net sales	431,331	566,057
Cost of Goods Sold		
Merchandise in inventory at start of year	18,823	34,669
Amount of purchase at start of year	264,490	336,745
Merchandise received due to merger	18,700	—
Total	302,014	371,414
Merchandise in inventories at end of year	34,669	35,437
Cost of merchandise sold	267,345	335,977
Appraisal loss of merchandise	51	(145)
Subtotal of cost of merchandise sold	267,396	335,832
Commission charges	115,177	168,335
Total cost of goods sold	382,574	504,167
Total Income from Sales	48,757	61,890
Selling, General and Administrative Expenses		
Compensation for directors	195	224
Employee’s salary	4,096	5,023
Salary for temporary staffs	9,269	12,521
Provision for employee’s bonuses	1,571	1,249
Dispatch labor costs	3,643	3,959
Carriage charge	643	595
Other selling expenses	2,630	3,550
Rental income	3,308	4,224
Depreciation	2,097	2,955
Agent service fee	951	1,317
Others	7,947	11,075
Total selling, general and administrative expenses	36,355	46,697
Operating Income	12,401	15,193
Non-Operating Income		
Interest income	10	6
Dividend income	1	3
Dividend compensation	—	9
Rent income	22	8
Insurance reimbursement	46	7
Subsidy income	—	8
Others	26	29
Total non-operating income	108	72

(Millions of yen)

	FY 2009 (from April 1, 2008 to March 31, 2009)	FY 2010 (from April 1, 2009 to March 31, 2010)
Non-Operating Expenses		
Interest expenses	257	263
Merger expenses	264	—
Others	22	33
Total non-operating expenses	544	297
Ordinary Income	11,965	14,968
Extraordinary Gains		
Reversal of allowance for doubtful accounts	50	4
Gain from termination of employee retirement benefit plan	—	12
Refund of prior-year consumption taxes	—	58
Gain on sales of fixed assets	4	3
Compensation received	65	—
Total extraordinary gains	119	77
Extraordinary Losses		
Loss on extinguishment of tie-in shares	165	—
Loss on sales of fixed assets	0	2
Loss on liquidation of subsidiaries	—	83
Office relocation expenses	194	—
Loss on removal of fixed assets	27	21
Loss on valuation of golf club memberships	17	—
Impairment losses	15	87
Loss on revaluation of investment securities	57	4
Others	1	—
Total extraordinary losses	480	199
Income before Income Taxes	11,604	14,847
Income Taxes – Current	5,369	6,482
Income Taxes – Deferred	(130)	229
Total Income Taxes	5,239	6,711
Net Income	6,364	8,135

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

(Millions of yen)

	FY 2009 (from April 1, 2008 to March 31, 2009)	FY 2010 (from April 1, 2009 to March 31, 2010)
Shareholders' Equity		
Common stock		
Balance at end of prior-year	1,552	3,098
Changes during the year		
New stock issue expenses	0	0
Increase due to merger	1,545	—
Total changes during the year	1,545	0
Balance at end of the year	3,098	3,098
Capital surplus		
Capital reserves		
Balance at end of prior-year	1,671	5,584
Changes during the year		
New stock issue expenses	0	0
Increase due to merger	3,913	—
Total changes during the year	3,913	0
Balance at end of the year	5,584	5,584
Total capital surplus		
Balance at end of prior-year	1,671	5,584
Changes during the year		
New stock issue expenses	0	0
Increase due to merger	3,913	—
Total changes during the year	3,913	0
Balance at end of the year	5,584	5,585
Retained earnings		
Legal reserves		
Balance at end of prior-year	8	17
Changes during the year		
Increase due to merger	9	—
Total changes during the year	9	—
Balance at end of the year	17	17
Other retained earnings		
New stock issue expenses		
Balance at end of prior-year	15,260	17,211
Changes during the year		
Dividend of surplus	(1,521)	(3,074)
Net income	6,364	8,135
Disposal of treasury stock	(4,864)	—
Increase due to merger	1,972	—
Total changes during the year	1,950	5,061
Balance at end of the year	17,211	22,272

(Millions of yen)

	FY 2009 (from April 1, 2008 to March 31, 2009)	FY 2010 (from April 1, 2009 to March 31, 2010)
Total retained earnings		
Balance at end of prior-year	15,268	17,228
Changes during the year		
Dividend of surplus	(1,521)	(3,074)
Net income	6,364	8,135
Disposal of treasury stock	(4,864)	—
Increase due to merger	1,981	—
Total changes during the year	1,960	5,061
Balance at end of the year	17,228	22,290
Treasury stock		
Changes during the year		
Acquisition of treasury stock	(4,864)	—
Disposal of treasury stock	4,864	—
Total changes during the year	—	—
Total shareholders' equity		
Balance at end of prior-year	18,492	25,912
Changes during the year		
New stock issue expenses	1	0
Dividend of surplus	(1,521)	(3,074)
Net income	6,364	8,135
Acquisition of treasury stock	(4,864)	—
Disposal of treasury stock	—	—
Increase due to merger	7,439	—
Total changes during the year	7,419	5,062
Balance at end of the year	25,912	30,974
Valuation and Translation Adjustments		
Other valuation and translation adjustments		
Balance at end of prior-year	127	34
Changes during the year		
Changes of items other than shareholders' equity during the year (Net)	(92)	52
Total changes during the year	(92)	52
Balance at end of the year	34	86
Total valuation and translation adjustments		
Total changes during the year	127	34
Balance at end of the year		
Changes of items other than shareholders' equity during the year (Net)	(92)	52
Total changes during the year	(92)	52
Balance at end of the year	34	86

(Millions of yen)

	FY 2009 (from April 1, 2008 to March 31, 2009)	FY 2010 (from April 1, 2009 to March 31, 2010)
Total Net Assets		
Balance at end of prior-year	18,619	25,946
Changes during the year		
New stock issue expenses	1	0
Dividend of surplus	(1,521)	(3,074)
Net income	6,364	8,135
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)	(92)	52
Total changes during the year	7,326	5,114
Balance at end of the year	25,946	31,061

(3) Non-Consolidated Statements of Cash Flows

(Millions of yen)

	FY 2009 (from April 1, 2008 to March 31, 2009)	FY 2010 (from April 1, 2009 to March 31, 2010)
Cash Flows from Operating Activities		
Income before income taxes	11,604	14,847
Depreciation	971	1,424
Amortization of goodwill	1,125	1,531
Impairment losses	15	87
Merger expenses	264	—
Loss (gain) on extinguishment of tie-in shares	165	—
Office relocation expenses	194	—
Increase (decrease) in allowance for doubtful accounts	(51)	(32)
Increase (decrease) in reserve for employees’ bonuses	466	(321)
Increase (decrease)in allowance for early subscription cancellations	(103)	9
Increase (decrease) in accrued employees’ retirement benefits	(29)	(203)
Interest and dividend income	(12)	(10)
Interest expenses	257	263
Loss (gain) on sales of fixed assets	(3)	(0)
Loss on removal of fixed assets	27	21
Unrealized loss (gain) from investment securities	57	4
Loss (gain) on liquidation of subsidiaries	—	83
Loss on valuation of golf club memberships	17	—
Decrease (increase) in accounts receivable	1,905	(3,449)
Decrease (increase) in accounts receivable – other	3,012	1,728
Decrease (increase) in inventories	2,872	(915)
Increase (decrease) in accounts payable	(1,733)	6,066
Change in other accounts payable	(2,067)	(1,343)
Others	(545)	283
Subtotal	18,412	20,073
Interests and dividends received	13	10
Interests paid	(257)	(278)
Income taxes paid	(4,226)	(7,785)
Payment for merger expenses	(264)	—
Net cash provided by operating activities	13,678	12,019

(Millions of yen)

	FY 2009 (from April 1, 2008 to March 31, 2009)	FY 2010 (from April 1, 2009 to March 31, 2010)
Cash Flows from Investing Activities		
Payment for purchase of property, plant and equipment	(1,389)	(1,001)
Proceeds from sales of property, plant and equipment	36	19
Proceeds from liquidation of subsidiaries	—	86
Payment for purchase of software	(85)	(284)
Payment for purchase of investment securities	(0)	(30)
Payment for loans receivable	(191)	(0)
Proceeds from collection of loans receivable	65	115
Proceeds for loans to affiliates	10	—
Payment for leasehold deposits	(1,099)	(202)
Proceeds from return of leasehold deposits	517	550
Payments for business transfer	(210)	—
Others	(71)	(95)
Net cash used in investing activities	(2,419)	(844)
Cash Flows from Financing Activities		
Increase (decrease) in short term loans payable	(10,700)	(4,000)
Proceeds from long-term borrowings	7,000	—
Decrease in long-term borrowings	(500)	(5,328)
New stock issue expenses	1	0
Expenses for purchase of treasury shares	(4,890)	—
Cash dividends paid	(1,519)	(3,073)
Net cash used in financing activities	(10,608)	(12,400)
Increase (Decrease) in Cash and Cash Equivalents	650	(1,225)
Cash and Cash Equivalents at Beginning of Period	1,089	2,690
Increase in Cash and Cash Equivalents Resulting from Merger	951	—
Cash and Cash Equivalents at End of Period	2,690	1,465

Note regarding the premise of a going concern

There are no items to report.

Significant accounting policies

Item	FY 2009 (from April 1, 2008 to March 31, 2009)	FY 2010 (from April 1, 2009 to March 31, 2010)
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) ―――― (2) Other securities Securities with market quotations: No changes Securities without market quotations: No changes
2. Valuation standards and methods for inventories	(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). (Changes in Accounting Policies) Previously, merchandise was stated at lower of cost or market in accordance with the first-in first-out method (method allowing recoveries of write-downs to be recognized), but from the fiscal year under review, following application of the “Accounting Standard for Measurement of Inventories” (Accounting Standards Board of Japan Statement No. 9 issued on July 5, 2006), merchandise has been calculated at cost in accordance with the first-in first-out method (method pertaining to the balance sheet value where the book value is reduced based on a decline in profitability). There is no effect on gross profit, operating income, ordinary income, or income before income taxes from this change. (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 (excluding lease assets) 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	(1) Property, plant and equipment (excluding lease assets) No changes

Item	FY 2009 (from April 1, 2008 to March 31, 2009)	FY 2010 (from April 1, 2009 to March 31, 2010)
	(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) 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.	(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.
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	FY 2009 (from April 1, 2008 to March 31, 2009)	FY 2010 (from April 1, 2009 to March 31, 2010)
	(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.	(3) Allowance for early subscription cancellations No changes (4) Accrued employees' retirement benefits To provide for employees' retirement benefits, an amount required for voluntary resignations at the end of the term is included in accordance with the simplified method as stipulated in the "Practical Guidance for Accounting for Retirement Benefits (Interim Report)" (Accounting System Committee Report No. 13). Through the preceding fiscal year, the company included accrued employees' retirement benefits by calculating the retirement benefit obligation in accordance with the rule method, but, in the fiscal year under review, following the revision of the Retirement Allowance Regulations and the introduction of a prepaid retirement allowance system, new increases to retirement lump-sum payments are no longer undertaken and a portion of the retirement lump-sum system was shifted to a defined contribution pension system, eliminating the importance of money for retirement benefit obligations, so beginning with the fiscal year under review, accrued employees' retirement benefits are included in accordance with the simplified method. Compared with a case where the same method as before was applied, the result was that the accrued employees' retirement benefits (balance) as well as selling, general and administrative expenses decreased by 10 million yen, and operating income, ordinary income and income before income taxes increased by the same amount. In addition, accompanying the shift to the defined contribution pension system, a 12 million yen retirement benefit system termination profit was included under extraordinary gains.
5. 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.	No changes
6. Other significant accounting policies in the preparation of financial statements	(1) Accounting for consumption taxes All amounts stated are exclusive of consumption taxes.	(1) Accounting for consumption taxes No changes

Change in significant accounting policies

FY 2009 (from April 1, 2008 to March 31, 2009)	FY 2010 (from April 1, 2009 to March 31, 2010)
Depreciation method for fixed assets (Lease assets) The company traditionally accounted for finance lease transactions that do not transfer ownership of the leased property to the lessee based on the 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.	―――

Change in presentation method

FY 2009 (from April 1, 2008 to March 31, 2009)	FY 2010 (from April 1, 2009 to March 31, 2010)
(Balance sheets) 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.	———
(Statements of income) As a result of consolidating some items which were included and listed in “Others” under selling, general and administrative expenses through the preceding period, the category of “Other selling expenses” was inserted as 5/100 of selling, general and administrative expenses had been exceeded. “Other selling expenses” in the preceding period were 1,593 million yen.	(Statements of income) The category of “Subsidy income,” which was included and listed in “Others” under non-operating income through the preceding period, was inserted as 10/100 of total non-operating income had been exceeded. “Subsidy income” in the preceding period was 4 million yen.

Notes to balance sheets

FY 2009 (from April 1, 2008 to March 31, 2009)	FY 2010 (from April 1, 2009 to March 31, 2010)
*1 Figure of accumulated depreciation includes accumulated impairment losses.	*1 No changes
*2 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 million yen Credit used — million yen Credit available 2,000 million yen	*2 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 1,500 million yen Credit used — million yen Credit available 1,500 million yen

Notes to statements of income

FY 2009 (from April 1, 2008 to March 31, 2009)

*1 Gain on sales of fixed assets:

Buildings:	3 million yen
Structures:	0 million yen
Tools, furniture, and fixtures:	0 million yen

*2 Loss on sales of fixed assets:

Buildings:	0 million yen
Structures:	0 million yen
Tools, furniture, and fixtures:	0 million yen

*3 Loss on removal of fixed assets:

Buildings:	15 million yen
Structures:	0 million yen
Vehicles and equipment:	0 million yen
Tools, furniture, and fixtures:	10 million yen
Software:	0 million yen

*4 Impairment losses:

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

Location	Usage	Assets	Impairment loss (Million yen)
Stores	Store equipment for directly-managed shops	Buildings, Structures, Tools, furniture, and fixtures	14
Office	Equipment for branch offices	Building, Tools, 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 tools, 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.

FY 2010 (from April 1, 2009 to March 31, 2010)

*1 Gain on sales of fixed assets:

Buildings:	2 million yen
Structures:	0 million yen
Tools, furniture, and fixtures:	1 million yen

*2 Loss on sales of fixed assets:

Buildings:	0 million yen
Structures:	1 million yen
Tools, furniture, and fixtures:	0 million yen

*3 Loss on removal of fixed assets:

Buildings:	8 million yen
Structures:	1 million yen
Tools, furniture, and fixtures:	10 million yen
Software:	0 million yen

*4 Impairment losses:

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

Location	Usage	Assets	Impairment loss (Million yen)
Stores	Store equipment for directly-managed shops	Buildings, Structures, Tools, furniture, and fixtures	83
Office	Equipment for branch offices	Building, Tools, furniture, and fixtures	3

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 (87 million yen) as an extraordinary loss. The breakdown of impairment losses was as follows: buildings 25 million yen, structures 9 million yen, tools, furniture, and fixtures 35 million yen, land 15 million yen, and goodwill 1 million yen.
Recoverable amounts for company-managed retail shops and branch offices are measured based on net sales value. The net sales value is calculated based on the assessed value of the fixed asset for a portion of the land and buildings, and other assets are regarded as nil because such sale is regarded as difficult.

Notes to statements of changes in shareholders' equity

FY 2009 (from April 1, 2008 to March 31, 2009)

1. Type and number of outstanding shares

	Number of shares as of March 31, 2008 (shares)	Increase (shares)	Decrease (shares)	Number of shares as of March 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 outstanding common shares is due to the issue of new shares (182,781 shares) owing to a merger with MS Communications Co., Ltd. and the issue of new shares on the exercise of stock options (32 shares).

2: The increase in the number of common shares of treasury stock is from the acquisition of public stock purchases from June 30, 2008 to July 28, 2008. The decrease in treasury stock represents the shares delivered in conjunction with the merger of 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	September 30, 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

Note: The dividend per share of 3,000 yen includes a 500 yen commemorative dividend.

FY 2010 (from April 1, 2009 to March 31, 2010)

1. Type and number of outstanding shares

	Number of shares as of March 31, 2008 (shares)	Increase (shares)	Decrease (shares)	Number of shares as of March 31, 2009 (shares)
Outstanding shares				
Common shares	512,367	28	—	512,395
Total	512,367	28	—	512,395

Note: The increase in the number of outstanding common shares is due to the issue of new shares resulting from the exercise of stock options.

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 25, 2009	Common shares	1,537	3,000	March 31, 2009	June 26, 2009
Board of Directors meeting on November 13, 2009	Common shares	1,537	3,000	September 30, 2009	December 11, 2009

(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 24, 2010	Common shares	1,537	Retained earnings	3,000	March 31, 2010	June 25, 2010

Notes to cash flow statements

FY 2009 (from April 1, 2008 to March 31, 2009)	FY 2010 (from April 1, 2009 to March 31, 2010)
*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 million yen Cash and cash equivalents 2,690 million yen *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 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 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 million yen Fixed assets 955 million yen Total assets 6,790 million yen Current liabilities 5,682 million yen Long-term liabilities — million yen Total liabilities 5,682 million yen	*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, 2010) Cash on hand and in banks 1,465 million yen Cash and cash equivalents 1,465 million yen

Notes to lease transactions

FY 2009 (from April 1, 2008 to March 31, 2009)

*1 Non-transfer-ownership finance lease transactions which started before March 31, 2008 have been accounted for based upon the ordinary method for lease transactions, and the specific details are as follows.

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

	Acquisition cost equivalents (million yen)	Accumulated depreciation equivalents (million yen)	Accumulated impairment losses (million yen)	Year-end balance equivalents (million yen)
Vehicles and equipment	6	3	2	0
Tools furniture and fixtures	26	22	—	4
Total	33	25	2	4

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	4 million yen
Over one year	0 million yen
Total	5 million yen

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, reversal from lease asset impairment, and depreciation equivalents

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

(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 pertaining to non-cancelable operating lease transactions

Within one year	93 million yen
Over one year	333 million yen
Total	426 million yen

FY 2010 (from April 1, 2009 to March 31, 2010)

*1 Non-transfer-ownership finance lease transactions which started before March 31, 2008 have been accounted for based upon the ordinary method for lease transactions, and the specific details are as follows.

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

	Acquisition cost equivalents (million yen)	Accumulated depreciation equivalents (million yen)	Accumulated impairment losses (million yen)	Year-end balance equivalents (million yen)
Vehicles and equipment	3	1	—	1
Tools furniture and fixtures	18	17	—	0
Total	21	19	—	2

Note: No changes

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

Within one year	1 million yen
Over one year	0 million yen
Total	2 million yen

Note: No changes

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

Lease payments	4 million yen
Reversal from lease asset impairment	— million yen
Depreciation equivalents	4 million yen

(4) Calculation method of depreciation equivalents

No changes

*2 Operating lease transactions

Outstanding lease commitments pertaining to non-cancelable operating lease transactions

Within one year	91 million yen
Over one year	241 million yen
Total	333 million yen

Notes to financial instruments

Disclosure is omitted as the necessity for such disclosure in the non-consolidated financial results is not considered major.

Securities

I. FY 2009

1. There is no subsidiary stock with market quotations in previous fiscal year.

2. Other securities with market quotations (as of march 31, 2009)

	Type	Acquisition cost (million yen)	Carrying value (million yen)	Valuation gain (million yen)
Securities with carrying value exceeding acquisition cost	Equity	21	115	94
Securities with carrying value not exceeding acquisition cost	Equity	45	33	(12)
Total		67	149	82

3. Major securities without market quotations (as of march 31, 2009)

	Carrying value (million yen)
(1) Subsidiary stock	170
(2) Other securities	
Non-listed securities	120

II. FY 2010

1. Other securities (as of march 31, 2010)

	Type	Carrying value (million yen)	Acquisition cost (million yen)	Valuation gain (million yen)
Securities with carrying value exceeding acquisition cost	Equity	207	21	185
Securities with carrying value not exceeding acquisition cost	Equity	176	216	(39)
Total		383	237	145

Derivatives

FY 2009 (from April 1, 2008 to March 31, 2009)

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

FY 2010 (from April 1, 2009 to March 31, 2010)

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

Retirement benefits

FY 2009 (from April 1, 2008 to March 31, 2009)	FY 2010 (from April 1, 2009 to March 31, 2010)
(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.	(1) Summary of the retirement benefits system adopted by the company For its defined contribution-type system, the company has adopted a prepaid retirement allowance system and defined contribution pension system. In the fiscal year under review, the Retirement Allowance Regulations were revised and a prepaid retirement allowance system introduced, and it was decided that the retirement money pertaining to the defined benefit-type retirement lump-sum system, which had previously been adopted, would be paid when an employee retires. In addition, a portion of the retirement lump-sum money had been transferred to the defined contribution pension system.
(2) The following table sets forth the funded and accrued status of the plans (As of March 31, 2009) 1) Retirement benefit obligation 639 million yen 2) Unrecognized actuarial differences 11 million yen 3) Accrued employees' retirement benefits 651 million yen Note: The retirement benefit obligation of 118 million yen assumed from MS Communications Co., Ltd., which merged with the company on October 1, 2008, has been calculated in accordance with the simplified method.	(2) The following table sets forth the funded and accrued status of the plans (As of March 31, 2010) 1) Retirement benefit obligation 447 million yen 2) Accrued employees' retirement benefits 447 million yen Note: In the fiscal year under review, a portion of the retirement lump-sum system has been transferred to a defined contribution pension system, and a difference of 12 million yen between an asset transfer of 41 million yen to the defined contribution pension system and the 53 million yen decrease in accrued employees' retirement benefits was included under extraordinary gains as a retirement benefit system termination profit.
(3) The following table sets forth the components of retirement benefit expenses (From April 1, 2008 to March 31, 2009) 1) Service cost 70 million yen 2) Interest costs 9 million yen 3) Past service liability 19 million yen 4) Write-downs of actuarial differences (118 million yen) 5) Contribution to defined contribution pension plan 15 million yen 6) Total retirement benefit expenses (2 million yen)	(3) The following table sets forth the components of retirement benefit expenses (From April 1, 2009 to March 31, 2010) 1) Service cost 18 million yen 2) Interest costs 8 million yen 3) Past service liability(Note 1) (139 million yen) 4) Write-downs of actuarial differences (11 million yen) 5) Prepaid retirement allowance(Note 2) 67 million yen 6) Others(Note 3) (10 million yen) 7) Total retirement benefit expenses (66 million yen) Note 1: In the fiscal year under review, there was a past service obligation for the retirement lump-sum system resulting from revision of the Retirement Allowance Regulations, and the entire amount was treated during the fiscal year under review. 2: There was an installment payment to the defined contribution pension and a prepaid retirement allowance payment to employees attributable to the prepaid retirement allowance system. 3: In calculating the retirement benefit obligation, the simplified method was adopted from the end of the current period, resulting in a decrease in accrued employees' retirement benefits.
(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	(4) Calculation method of retirement benefit obligation In calculating the retirement benefit obligation for the retirement lump-sum system, the simplified method has been adopted which recognizes the payment required for voluntary resignations at the end of the term as the retirement benefit obligation.

Notes to stock options

FY 2009 (from April 1, 2008 to March 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	—	—

FY 2010 (from April 1, 2009 to March 31, 2010)

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	400	1,698	2,248
Rights ascertained	—	—	—
Rights exercised	28	—	—
Invalidated	4	20	26
Balance of unexercised rights	368	1,678	2,222

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)	139,745	—	—

Deferred tax accounting

1. Breakdown of origin of deferred tax assets and liabilities

(Million yen)

	FY 2008 (As of March 31, 2009)	FY 2009 (As of March 31, 2010)
Deferred tax assets		
Reserve for employees' bonuses	684	627
Provision of allowance for doubtful accounts in excess of maximum amount allowed for inclusion in expenses	40	27
Loss on revaluation of inventories	88	29
Accrued enterprise taxes and business office taxes	341	229
Advanced losses on mobile phone sales	27	28
Depreciation in excess of maximum amount	812	790
Accrued employees' retirement benefits	265	182
Allowance for early subscription cancellations	42	46
Others	488	599
Total deferred tax assets	2,791	2,562
Deferred tax liabilities		
Unrealized holding gain (loss) on other securities	(26)	(62)
Total deferred tax liabilities	(26)	(62)
Net deferred tax assets	2,765	2,500

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

(%)

	FY 2008 (As of March 31, 2009)	FY 2009 (As of March 31, 2010)
Statutory tax rate	40.7	40.7
(Adjustments)		
Entertainment expenses not deductible for tax purposes	0.7	0.7
Unrecognized amortization of goodwill	4.3	3.9
Residential tax	0.1	0.1
Others	(0.6)	(0.2)
Effective tax rate	45.3	45.2

Corporate combination and other relationships

FY 2009 (from April 1, 2008 to March 31, 2009)

(1) Merger with Telecompark Corp.

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 company executing the combination
      Telecompark Corp.
   2) Businesses
      Sale of mobile phones and sales agency activities
   3) Purpose of the corporate combination
      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) Date of the corporate combination
      April 1, 2008
   5) 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.
   6) 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 company executing the combination
      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
      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 ended 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
      Of the above amount, 50,673 shares treasury stock, which the company held, were delivered and 182,781 shares were newly issued.
   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.

FY 2010 (from April 1, 2009 to March 31, 2010)

There are no items to report.

Equity method gain or loss

FY 2009 (from April 1, 2008 to March 31, 2009)

There are no items to report.

FY 2010 (from April 1, 2009 to March 31, 2010)

There are no items to report.

Information concerning related parties

FY 2009 (from April 1, 2008 to March 31, 2009)

There are no items to report.

(Additional information)

From the fiscal year under review, the "Accounting Standard for Related Party Disclosures" (Accounting Standards Board of Japan Statement No. 11 issued on October 17, 2006) and the "Guidance on Accounting Standard for Related Party Disclosures" (Accounting Standards Board of Japan Guidance No. 13 issued on October 17, 2006) have been applied.

There is no change in the scope subject to disclosure resulting from these.

FY 2010 (from April 1, 2009 to March 31, 2010)

There are no items to report.

Per share information

(Yen)

FY 2009 (from April 1, 2008 to March 31, 2009)		FY 2010 (from April 1, 2009 to March 31, 2010)	
Net assets per share	50,640.54	Net assets per share	60,619.38
Net income per share	15,422.68	Net income per share	15,878.52
Diluted net income per share	15,411.67	Diluted net income per share	15,869.09

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

	FY 2009 (from April 1, 2008 to March 31, 2009)	FY 2010 (from April 1, 2009 to March 31, 2010)
Net income per share		
Net income (million yen)	6,364	8,135
Net income not available to common shareholders (million yen)	—	—
Net income available to common shares (million yen)	6,364	8,135
Average number of outstanding during the period (shares)	412,657	512,371
Diluted net income per share		
Increase in the number of common shares (shares)	294	304
(Of which stock acquisition rights (shares))	(294)	(304)
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: 849 Common shares: 1,698 shares Stock option No. 4 (issued in 2005) Stock acquisition rights: 1,124 Common shares: 2,248 shares	Stock option No. 3 (issued in 2004) Stock acquisition rights: 839 Common shares: 1,678 shares Stock option No. 4 (issued in 2005) Stock acquisition rights: 1,111 Common shares: 2,222 shares

Subsequent events

FY 2009 (from April 1, 2008 to March 31, 2009)	FY 2010 (from April 1, 2009 to March 31, 2010)
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5. Others

(1) Transfers of directors

In regard to changes in directors and auditors, please refer to the "Announcement of Revisions to Board of Directors and Auditors" released on April 27, 2010, and the "Notification regarding Executive Personnel" released on May 13, 2010.

(2) Others

[Operating segment information]

FY 2010 and FY 2009

Segment	Net sales and operating income	FY 2010 (As of March 31, 2010)	FY 2009 (As of March 31, 2009)	YoY change	
		Million yen	Million yen	Million yen	%
Mobile Telecommunications Business	Net sales	490,217	375,777	114,439	30.5
	Operating income	11,534	9,484	2,050	21.6
Network Communications Business	Net sales	20,529	14,630	5,899	40.3
	Operating income	3,104	2,367	737	31.2
Prepaid Settlement Services Business and Other Business	Net sales	55,311	40,923	14,388	35.2
	Operating income	553	549	4	0.7
Total	Net sales	566,057	431,331	134,726	31.2
	Operating income	15,193	12,401	2,791	22.5

During the fiscal year under review, there was a change of name in business segments. Since last fiscal year, settlement services for PIN (Personal Identification Number)-based merchandise sales systems and prepaid mobile phones were grouped as Settlement Services Business and Other Business, for which a new segment was established. To indicate more clearly the business content, the name was altered to Prepaid Settlement Services Business and Other Business.

This change affects only the name and not the scope of the segment.