

Balance Sheet

March 31, 2008

BB Backbone Corp.

(Yen)

Assets		Liabilities	
<b>【Current assets】</b>	298,687,699	<b>【Current liabilities】</b>	204,157,860
Cash and deposits	212,745,687	Accounts payable	17,869,213
Accounts receivable-trade	3,539,500	Accounts payable-other	5,883,421
Supplies	3,264,168	Accrued salary	1,788,938
Prepaid expenses	73,692,024	Income taxes payable	580,000
Accrued income	298,754	Long-term advances	174,056,788
Consumption taxes	5,081,600	Deposits received	13,500
receivable		Reserve for bonuses	3,966,000
Income taxes receivable	65,970		
<b>【Fixed assets】</b>	30,132,330		
(Tangible fixed assets)	27,697,439	<b>Total liabilities</b>	204,157,860
Machinery and equipment	14,216,360		
Line facility	11,773,670	<b>Net assets</b>	
Structures	1,298,263	<b>【Shareholders' equity】</b>	124,662,169
Tools, furniture and		(Capital stock)	210,000,000
fixtures	409,146	(Retained earnings)	-85,337,831
(Intangible fixed asset)	999,530	Other Retained earnings	-85,337,831
Software	353,825	Reserve for special	
Right of trademark	645,705	depreciation	7,725,831
(Investments and other		Retained earnings brought	
assets)	1,435,361	forward	-93,063,662
Long-term prepaid	45,281		
expenses		<b>Total net assets</b>	124,662,169
Lease deposits	1,390,080		
<b>Total assets</b>	328,820,029	<b>Total liabilities and net</b>	
		<b>assets</b>	328,820,029

Notes on non-consolidated financial statements

1 Explanatory Notes Concerning Matters Pertaining to Significant Accounting Policies

(1) Valuation bases and methods of inventories

Supplies                      Cost method by moving average method.

(2) Depreciation method for fixed asset

Tangible fixed assets              Evaluated by straight-line method

Major service life is as follows:

Machinery and equipment	5 – 9 years
Line facilities	10 – 21 years
Structures	10 year
Tools, furniture and fixtures	5 years

Intangible fixed asset              Evaluated by straight-line method

Software is evaluated by the straight-line method based on the availability period (5 years) (Usage inside the company).

(3) the standards for recognition of significant allowances

Reserve for bonuses              To appropriate the reserve fund for bonuses paid to employees, the current obligation amount (among future estimated amount to be paid) is recorded.

(4) Accounting processing for consumption tax

Consumption tax is accounted for by the tax-exclusion method

2. Current net income              -2,518,055 yen