PPOL INC
Form 10-Q
November 24, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Mark one:

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended September 30, 2004

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from to _______

Commission File Number 000-50065

PPOL, Inc.

(Exact name of registrant as specified in its charter.)

California	95-4436774
(State of Incorporation)	(IRS Employer Identification No.)
11661 San Vicente Boulevard, Suite 901, Los Angeles, California	90049
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (310) 979-8513

1 City Boulevard West, Suite 870, Orange, California	92868
(Former address of principal executive offices)	(Zip Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock $0.001 par value	17,993,752
(Class)	(Outstanding at November 12, 2004.)

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PART 1:
ITEM 1: CONSOLIDATED FINANCIAL STATEMENTS

PPOL, INC.
CONSOLIDATED BALANCE SHEETS

	September 30, 2004	March 31, 2004

ASSETS	(Unaudited)	
CURRENT ASSETS:		
Cash and cash equivalents	$ 8,445,406	$ 12,083,556
Restricted cash	18,000,726	16,251,221
Trade accounts receivable, net of allowance for doubtful accounts of $0 (unaudited) and $0	1,780,891	309,063
Merchandise inventories	1,811,972	2,651,259
Deferred costs	52,248,209	63,159,328
Deferred income taxes	8,090,944	9,467,524
Prepaid expenses and other	500,599	281,784
Total current assets	90,878,747	104,203,735
PROPERTY AND EQUIPMENT, net	1,301,990	1,250,975
SOFTWARE, net	9,814,044	7,444,657
DEFERRED COSTS	32,539,864	37,042,494
DEFERRED INCOME TAXES	4,992,965	5,494,095
LEASE DEPOSITS	720,022	766,457
DEPOSITS	4,000,393	3,984,883
OTHER ASSETS	512,131	181,987
TOTAL ASSETS	$ 144,760,156	$ 160,369,283
LIABILITIES AND SHAREHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable, including related parties	$ 13,611,114	$ 11,281,024
Advances received - Cube	18,000,726	16,251,221
Advances received	1,046,419	1,353,721
Deferred revenue	71,067,363	84,644,397
Due to parent	811,394	--
Income taxes payable	558,809	1,086,260
Other current liabilities	1,493,916	1,888,976
Total current liabilities	106,589,741	116,505,599
DEFERRED REVENUE	43,069,968	49,155,662
OTHER LIABILITIES	94,320	--
Total liabilities	149,754,029	165,661,261
SHAREHOLDERS' DEFICIT:		
Common Stock; $0.001 par value; 100,000,000 shares authorized; 17,993,752 shares issued and outstanding as of September 30, 2004 (unaudited) and March 31, 2004, respectively	17,994	17,994
Additional paid-in capital	3,362,359	3,362,359
Total other comprehensive income	1,523,853	316,307
Accumulated deficit	(9,898,079)	(8,988,638
Total shareholders' deficit	(4,993,873)	(5,291,978
TOTAL LIABILITIES AND SHAREHOLDER'S DEFICIT	$ 144,760,156	$ 160,369,283

The accompanying notes are an integral part of these consolidated financial statements.

PPOL, INC.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

	Three months ended September 30, 2004 (Unaudited)	Three months ended September 30, 2003 (Unaudited)
NET REVENUE:		
Product sales and network services	$ 26,851,737	$ 28,427,695
Other on-line services	5,556,924	4,874,857
Consulting revenue	--	483,858
Total	32,408,661	33,786,410
COSTS AND EXPENSES:		
Cost of sales	9,403,238	10,090,801
Distributor incentives	15,684,705	15,455,809
Selling, general and administrative expenses	6,683,613	6,378,653
Total costs and expenses	31,771,556	31,925,263
OPERATING INCOME	637,105	1,861,147
OTHER EXPENSE, net	119,527	46,336
INCOME BEFORE INCOME TAX PROVISION (BENEFIT)	517,578	1,814,811
INCOME TAXES:		
Current	542,714	1,361,866
Deferred	408,977	(1,714,437)
Total income taxes	951,691	(352,571)
NET (LOSS) INCOME	(434,113)	2,167,382
OTHER COMPREHENSIVE GAIN (LOSS)		
Foreign currency translation	441,555	(1,753,081)
COMPREHENSIVE (LOSS) INCOME	$ 7,442	$ 414,301

NET (LOSS) EARNING PER COMMON SHARE,		
Basic	$ (0.02)	$ 0.12
Diluted	$ (0.02)	$ 0.12
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:		
Basic	17,993,752	17,994,920
Diluted	17,993,752	17,994,920

The accompanying notes are an integral part of these consolidated financial statements.

PPOL, INC.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

	Six months ended September 30, 2004	Six months ended September 30, 2003
	(Unaudited)	(Unaudited)
NET REVENUE:		
Product sales and network services	$ 53,340,901	$ 57,007,051
Other on-line services	11,080,452	9,554,690
Consulting revenue	--	483,858
Total	64,421,353	67,045,599
COSTS AND EXPENSES:		
Cost of sales	17,104,352	17,772,614
Distributor incentives	31,538,651	32,799,173
Selling, general and administrative expenses	14,237,374	12,366,648
Total costs and expenses	62,880,377	62,938,435
OPERATING INCOME	1,540,976	4,107,164
OTHER INCOME, net	3,425	642,317
INCOME BEFORE INCOME TAX PROVISION	1,544,401	4,749,481
INCOME TAXES:		
Current	576,132	1,449,840
Deferred	1,877,710	(38,567)

Total income taxes	2,453,842	1,411,273
NET (LOSS) INCOME	(909,441)	3,338,208
OTHER COMPREHENSIVE GAIN (LOSS)		
Foreign currency translation	1,207,546	(1,389,841)
COMPREHENSIVE INCOME	$ 298,105	$ 1,948,367
NET (LOSS) EARNING PER COMMON SHARE,		
Basic	$ (0.05)	$ 0.19
Diluted	$ (0.05)	$ 0.19
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:		
Basic	17,993,752	17,994,920
Diluted	17,993,752	17,994,920

The accompanying notes are an integral part of these consolidated financial statements.

PPOL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months Ended September 30, 2004	Six months Ended September 30, 2003
	(Unaudited)	(Unaudited)
CASH FLOWS (USED FOR) PROVIDED BY OPERATING ACTIVITIES:		
Net (loss) income	$ (909,441)	$ 3,338,208
ADJUSTMENTS TO RECONCILE NET (LOSS) INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:		
Depreciation and amortization	2,004,642	1,016,122
Loss on disposals/impairment of software & telephone rights	24,191	17,589
(Gain) loss on sales/disposal of property & equipment	(2,671)	62,024
Deferred income taxes	1,877,710	881,132
CHANGES IN ASSETS AND LIABILITIES:		
(INCREASE) DECREASE IN ASSETS:		
Restricted cash	(2,763,219)	(1,722,404)
Trade accounts receivables	(1,506,314)	(432,221)
Merchandise inventories	685,898	1,988,800
Advance payments to related parties	--	1,134,765
Deferred costs	9,442,704	10,615,366
Prepaid expenses and other	(569,612)	474,337

Net decrease in lease deposits	--	675,285
INCREASE (DECREASE) IN LIABILITIES:		
Accounts payable	3,040,604	1,179,659
Advances received - Cube	2,763,219	1,722,404
Advances received	(227,690)	(1,004,034)
Deferred revenue	(11,679,758)	(12,760,486)
Income taxes payable	(455,541)	563,426
Other current liabilities	(318,036)	827,018
Other liabilities	16,048	119,231
Total adjustments	2,332,175	5,358,013
Net cash (used for) provided by operating activities	1,422,734	8,696,221
CASH FLOWS USED FOR INVESTING ACTIVITIES:		
Purchase of property and equipment	(287,604)	(4,223,090)
Software & Software CIP	(4,457,039)	--
Net cash used for investing activities	(4,744,643)	(4,223,090)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES:		
Loan from majority shareholder	811,394	--
Investment in subsidiary	(300,000)	--
Net cash provided by financing activities	511,394	--
EFFECT OF EXCHANGE RATE CHANGES ON CASH & CASH EQUIVALENTS	(827,635)	(612,647)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,638,150)	3,860,484
CASH AND CASH EQUIVALENTS, beginning of period	12,083,556	5,102,435
CASH AND CASH EQUIVALENTS, end of period	$ 8,445,406	$ 8,962,919
SUPPLEMENTAL CASH FLOW INFORMATION -		
Income taxes paid	$ 1,175,535	$ 2,477
Interest paid	$ 19,964	$ 5

The accompanying notes are an integral part of these consolidated financial statements.

PPOL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2004 AND 2003 (UNAUDITED)

(1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

ORGANIZATION:

PPOL, Inc. ("PPOL" or the Company) (formerly Diversified Strategies, Inc.), incorporated on May 19, 1993 in California, is primarily engaged in sales of multi-functional telecommunications equipment called MOJICO. The Company distributes MOJICO throughout Japan through a network marketing system. The Company has a network of registered distributors located throughout Japan that introduce purchasers to the Company. The Company operates in one operating segment.

Using MOJICO, the Company provides original telecommunication services called "Pan Pacific Online," including MOJICO bulletin board and mail services. The Company also provides various other on-line services through Pan Pacific Online such as ticket and mail-order services. These sales and services are provided in Japan.

On August 15, 2002, the Company amended its articles of incorporation to increase its authorized shares of common stock from 10,000,000 to 100,000,000, change its name to PPOL, Inc. and effected a 1 for 7 reverse stock split. All share data presented in these consolidated financial statements reflect the reverse stock split.

Effective April 1, 2002, AJOL Co., LTD. ("AJOL") was acquired by PPOL in a transaction accounted for as a reverse merger. The Company, upon closing of the transaction on August 15, 2002, issued 899,746 shares (post split) of its common stock for all of the issued and outstanding common stock of AJOL. For legal purposes, PPOL is the acquirer. For accounting purposes, AJOL has been treated as the acquirer and accordingly, AJOL is presented as the continuing entity, and the historical financial statements are those of AJOL. Prior to the reverse merger PPOL had no business activity, thus pro-forma information as though PPOL and AJOL had been combined for all periods has not been provided. AJOL and PPOL are collectively referred to herein as the "Company."

Gatefor, Inc. (Gatefor) was incorporated in Japan on June 16, 2004. PPOL owns 2,000 shares of Gatefor common stock or 100% of the issued and outstanding stock of Gatefor which has 8,000 shares authorized. Gatefor was created to implement the new growth strategy of the Company and will act as the distributor of US and European sourced technologies into Japan.

BASIS OF PRESENTATION:

The unaudited consolidated financial statements have been prepared by PPOL, Inc. (the "Company"), pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally present in annual consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to such rules and regulations. The information furnished herein reflects all adjustments (consisting of normal recurring accruals and adjustments), which are, in the opinion of management, necessary to fairly present the operating results for the prospective periods. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and footnotes for the years ended March 31, 2004 and 2003 included in the Company's Form 10-K. The results of the six months ended September 30, 2004 are not necessarily indicative of the results to be expected for the full year ending March 31, 2005.

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RECLASSIFICATIONS:

Certain reclassifications have been made to the prior period consolidated financial statements in order to conform to the current period presentation. These reclassifications had no effect on previously reported results of operations.

PRINCIPLES OF CONSOLIDATION:

The consolidated financial statements include accounts of PPOL, Inc. and its wholly owned subsidiaries, AJOL, Ltd. and Gatefor, Inc. All significant intercompany balances and transactions have been eliminated upon consolidation.

NET (LOSS) INCOME PER SHARE:

The Company reports both basic net income per share, which is based on the weighted average number of common shares outstanding, and diluted net income per share, which is based on weighted average number of common shares outstanding and dilutive potential common shares. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the numerator is increased by the amount of interest expense attributable to any convertible notes payable and the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. For the 3 and 6 months ended September 30, 2004, convertible notes payable has not been included in calculating diluted loss per share because the effect would be antidilutive. Additionally, all of the 1,220,000 issued and outstanding common stock options have also been excluded as they would have an antidilutive effect.

FORFEITED DISTRIBUTOR COMMISSIONS:

In April 2003, the Company amended its policy regarding distributor commissions to state that distributor commissions are not paid out unless they exceed a minimum threshold of approximately $30.00. If a distributor does not attain the minimum commission threshold within one year, then the commissions will be forfeited to the Company. In the quarter ending June 30, 2003, the Company has recognized approximately $714,000 of other income for the write-off of previously accrued distributor commissions that exceeded the one year threshold at March 31, 2003. This amount, related to the change in accounting policy, is included in other income on the statements of income and comprehensive income for the six months ended September 30, 2003.

COMPUTER SOFTWARE:

Research and development costs are charged to expense as incurred. However, the costs incurred for the development of computer software that will be sold, leased or otherwise marketed are capitalized when technological feasibility has been established. These capitalized costs are subject to an ongoing assessment of recoverability.

Amortization of capitalized software development costs begins when the product is available for general release. Amortization is provided on a product-by-product basis on either the straight-line method the sales ratio method. Unamortized capitalized software development costs determined to be in excess of net realizable value of the product are expensed immediately.

RECENT ACCOUNTING PRONOUNCEMENTS:

In March 2004, the Financial Accounting Standards Board (FASB) approved the consensus reached on the Emerging Issues Task Force (EITF) Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments." The objective of this Issue is to provide guidance for identifying impaired investments. EITF 03-1 also provides new disclosure requirements for investments that are deemed to be temporarily impaired. The accounting provisions of EITF 03-1 are effective for all reporting periods beginning after June 15, 2004, while the disclosure requirements for certain investments are effective for annual periods ending after December 15, 2003, and for other investments such disclosure requirements are effective for annual periods ending after June 15, 2004. The Company has evaluated the impact of the adoption of EITF 03-1 and does not believe the impact will be significant to the Company's overall results of operations or financial position.

(2) RELATED PARTY TRANSACTIONS:

The following summarizes amounts due from or to Forval and related transaction amounts.

	September 30, 2004 (Unaudited)	September 30, 2003 (Unaudited)
Due to Forval - convertible debt	$ 811,394	$ --

In June 2004, the Company borrowed $811,394 (90,000,000 Japanese yen) from its majority shareholder, due December 30, 2004, with interest payable at two percent (2%) per annum. The borrowing will automatically convert to common stock at the closing market price on December 29, 2004 if there has been no additional capital contributions between the borrowing and due date.

(3) INVESTMENT:

On May 26, 2004, PPOL entered into a stock purchase agreement for an investment of $300,000 in Object Innovation's (hereafter, OI) common stock representing a 15% interest. This investment is classified under Other Assets on the September 30, 2004 balance sheet. A vesting schedule, as defined in the agreement, for the ownership is tied to revenues derived from PPOL's sales of OI products under an exclusive Japan distribution agreement entered into concurrently. If revenue thresholds are not met, OI has the option to repurchase PPOL's investment at face value for the unvested shares. The Company accounts for this investment under the cost method of accounting.

(4) ADVANCES RECEIVED AND ADVANCES RECEIVED-CUBE:

AJOL had collected advance payments from distributors. Upon receiving orders from these distributors for goods or services, the distributor's account would be charged. On May 28, 2004, AJOL remitted approximately $16.3 million to Kamome Benefit Club, an unrelated non-profit organization, to administer the advance payments and orders from distributors which were maintained through a system known as "Cube." The effect of this transaction reduced Cash and Advances Received (a liability) by approximately $16.3 million while simultaneously increasing Restricted Cash and Advances Received - Cube (a liability). Future advance Payments, which increase Restricted Cash and Advances Received-Cube, and orders, which decrease Restricted Cash and Advances Received-Cube, from distributors will be received by the Kamome Benefit Club and not AJOL. A portion of Advances Received are still under a liability to AJOL as those advances were made under agreements directly with AJOL and not with the Kamome Benefit Club.

(5) DEFERRED REVENUES AND DEFERRED COSTS:

Activity for deferred revenues and deferred costs are contained in the table below:

	Deferred Costs		Deferred Revenues	
	Current	Non-current	Current	Non-current
Beginning balance, April 1, 2004	$ 63,159,328	$ 37,042,494	$ 84,644,397	$ 49,155,662
Additional deferrals	10,019,669	14,793,701	15,154,362	19,428,598
Released amounts	(17,179,857)	(17,076,216)	(23,693,353)	(22,569,365
Exchange rate effect	(3,750,931)	(2,220,115)	(5,038,043)	(2,944,927
Ending balance, September 30, 2004	$ 52,248,209	$ 32,539,864	$ 71,067,363	$ 43,069,968

(6) COMMITMENTS & CONTINGENCIES:

In August 2004, the Company, through its wholly owned subsidiary Gatefor, Inc., executed a Revised Letter of Understanding (the "Letter") pursuant to the Common Stock Purchase Agreement (the "Agreement") with Object Innovation, Inc. The Letter amends certain licensing terms of the Agreement. The Letter also defines 3 milestones which Object Innovation, Inc. must meet in order to receive 3 payments of $60,000 each from the Company. These payments are to cover localization work performed by Object Innovation to prepare its Bridgegate software for the Japanese market and to purchase co-ownership intellectual property rights in the Japanese version of Bridgegate software. As of September 30, 2004, two of the three milestones were achieved by Object Innovation for which they received payment from the Company. The two payments made to Objective Innovation, Inc. through September 30, 2004 were capitalized under Software. When the final milestone is achieved, the entire capitalized Software cost will be amortized in accordance with SFAS 86. The Company still had a commitment of $60,000 to Object Innovation for the final milestone as of September 30, 2004. Additionally, the Letter provides that commencing on the first month following completion of the third milestone, the Company will pay Object Innovation $9,000 per month until April 2005 and $15,000 per month thereafter until the Company's subsidiary, Gatefor, Inc., becomes a publicly traded company. These payments are intended to allow Object Innovation to add additional staff to support sales in Japan through Gatefor. The Letter also provides for the issuance of stock warrants by Gatefor, Inc. to Object Innovation equal to 5% of Gatefor, Inc.'s currently issued equity. Because the terms of this warrant are unspecified in the Letter, the Company is currently unable to calculate a value of the warrants under the Black-Scholes or other valuation model. Therefore any effect to expenses by this warrant is not ascertainable at this time. However, the Company believes that the financial position and results of operations of the Company will not be materially affected once the terms of the warrant is defined and a valuation is determined.

On October 5, 2004, the Board of Directors of the Company authorized its Audit Committee to retain independent legal counsel to investigate and study internet rumors and other matters relating to the business operations of AJOL, Co., Ltd. ("AJOL"). Counsel completed their inquiry and report thereon (the "Report") on November 8, 2004. The Report found that the present manner in which AJOL conducts its business does not violate Japanese law.

(7) SUBSEQUENT EVENTS:

In October 2004, the Company borrowed an additional amount of approximately $2.3 million (250,000,000 Japanese Yen) from its majority shareholder, Forval Corporation for working capital purposes. Interest accrues at the rate of 2% per annum and the loan, which is unsecured, is due and payable on March 31, 2005.

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Special Note Regarding Forward-Looking Statements:

Certain matters discussed in this Quarterly Report on Form 10-Q are "forward-looking statements" intended to qualify for the safe harbor from liability provided by the Private Securities Litigation Reform Act of 1995. These forward-looking statements can generally be identified as such because the context of the statement will include words such as PPOL "believes", "anticipates", "expects", or words of similar import. Similarly, statements which describe PPOL's future plans, objectives or goals are also forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties which are described in close proximity to such statements and which could cause actual results to differ materially from those anticipated as of the date of this Report. Shareholders, potential investors and other readers are urged to consider these factors in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements included herein are only made as of the date of this Report and PPOL undertakes no obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances, except as required under applicable laws.

Overview

PPOL, Inc., a California corporation, conducts its business primarily though it's wholly owned Japanese subsidiary, AJOL, Ltd., a Japanese corporation (hereafter, collectively referred to as PPOL or the "Company.") At the present time, the Company has administrative functions occurring in California, but does not otherwise have any business in the US.

The Company's revenues are currently derived from the sales of (1) its "MOJICO" hardware, a multifunctional facsimile based machine with networking capabilities, (2) subscriptions to PPOL's proprietary "Pan Pacific Online" interactive database that can only be accessed through its MOJICO hardware and (3) various consumer products that utilize the Company's "Kamome" brand.

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RESULTS OF OPERATIONS - THREE MONTHS ENDED SEPTEMBER 30, 2004 AS COMPARED TO THE THREE MONTHS ENDED SEPTEMBER 30, 2003

PRODUCT SALES AND NETWORK SERVICES. For the three months ended September 30, 2004, revenues of this category have decreased by 5.5% in comparison to the same period of the prior year. The decrease is primarily due to a decline in MOJICO unit sales and corresponding new members and initial Pan Pacific Online subscription fees.

OTHER ONLINE SERVICES REVENUE. For the three months ended September 30, 2004, revenues increased 14.0% over the comparable period of the prior year. This is a result of the Company's continuing efforts to expand the on-line service business which is a continuing corporate objective.

COST OF SALES. For the three months ended September 30, 2004, the cost of sales expressed as a percentage of sales remained consistent with that of the same period of the prior year.

DISTRIBUTOR INCENTIVES. For the three months ended September 30, 2004, distributor incentives increased by approximately 1.5% in comparison to the same period of the prior year. The overall increase in distributor incentives is primarily the result of the product mix sold in the current period.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSE. For the three months ended September 30, 2004, selling, general and administrative expenses have increased by approximately $0.4 million or 6.7% in comparison to the same period of the prior year. The increase was primarily due to costs incurred by the Company's new Gatefor subsidiary, which is currently localizing BridgeGate software for sale in Japan. The BridgeGate software was licensed in June 2004 from Object Innovation, Inc.

CURRENT INCOME TAX EXPENSE - For the three months ended September 30, 2004, current income tax expense decreased approximately $819,000 from the same period of the prior year primarily from the decline in income. The effective tax rate, expressed as a percentage of income before income taxes was 105% vs. 75% in the same period of the prior year. The increase is due to (1) non-deductible expenses, for tax reporting purposes, which did not decline proportionate to the decline in pretax income, (2) head office expenses and start-up expenses incurred by Gatefor, our subsidiary in the development stage, which could not be consolidated with income from our operating subsidiary, and offset by (a) a decline in revenues we were required to recognize earlier under Japanese tax regulations than under US generally accepted accounting principles, and (b) absence, in the current period, of prior model MOJICO units writeoff that are not deductible until disposed of for tax purposes.

DEFERRED INCOME TAX EXPENSE. For the three months ended September 30, 2004, deferred income tax expense increased approximately $2.1 million over the same period of the prior year. The increase was primarily the result of the decline experienced in deferred costs and deferred revenues associated with the sales of the Company's MOJICO hardware and related Pan Pacific On-line subscription services in addition to other timing differences such as accrued vacation, depreciation and director bonuses.

RESULTS OF OPERATIONS - SIX MONTHS ENDED SEPTEMBER 30, 2004 AS COMPARED TO THE SIX MONTHS ENDED SEPTEMBER 30, 2003

PRODUCT SALES AND NETWORK SERVICES. For the six months ended September 30, 2004, revenues of this category have decreased by 6.4% in comparison to the same period of the prior year. The decrease is primarily due to a decline in MOJICO unit sales and corresponding new members and initial Pan Pacific Online subscription fees.

OTHER ONLINE SERVICES REVENUE. For the six months end September 30, 2004, revenues increased 16.0% over the comparable period of the prior year. This is a result of the Company's continuing efforts to expand the on-line service business which is a continuing corporate objective.

COST OF SALES. For the six months ended September 30, 2004, the cost of sales expressed as a percentage of sales remained consistent with that of the same period of the prior year.

DISTRIBUTOR INCENTIVES. For the six months ended September 30, 2004, distributor incentives decreased by approximately 3.8% in comparison to the same period of the prior year. The overall decrease in distributor incentives is primarily the result of lower sales in the current period.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSE. For the six months ended September 30, 2004, selling, general and administrative expenses have increased by approximately $2.0 million or 16.1% in comparison to the same period of the prior year. The increase is primarily due to the incurrence of software related research costs to develop its new commission calculation system, order & receiving system and to the costs incurred by the Company's new Gatefor subsidiary, which is currently localizing BridgeGate software for sale in Japan.

OTHER INCOME. For the six months ended September 30, 2004, other income decreased by approximately $639,000 in comparison to the same period of the prior year. Effective in April 2003, the Company revised its commission policy to state that the Company would not pay any commissions less than a minimum threshold of approximately $30.00. If the distributor does not earn the minimum threshold within one year, then the commissions were to be forfeited. The decrease is primarily due to the Company recognizing in April 2003 approximately $714,000 of income associated with commissions that did not meet the minimum threshold of the new commission policy and had been outstanding greater than one year as of March 31, 2003. No material amount of such income was recognized in the current period.

CURRENT INCOME TAX EXPENSE - For the six months ended September 30, 2004, current income tax expense decreased approximately $874,000 from the same period of the prior year primarily from the decline in income. The effective tax rate, expressed as a percentage of income before income taxes was 37% vs. 31% in the same period of the prior year. The increase is due to (1) non-deductible expenses, for tax reporting purposes, which did not decline proportionate to the decline in pretax income, (2) head office expenses and start-up expenses incurred by Gatefor, our subsidiary in the development stage, which could not be consolidated with income from our operating subsidiary, and offset by (a) a decline in revenues we were required to recognize earlier under Japanese tax regulations than under US generally accepted accounting principles, and (b) absence, in the current period, of prior model MOJICO units writeoff that are not deductible until disposed of for tax purposes.

DEFERRED INCOME TAX EXPENSE. For the six months ended September 30, 2004, deferred income tax expense increased by approximately $1.9 million in comparison to the same period of the prior year. The increase was primarily the result of the activity associated with deferred costs and deferred revenues of the Company's MOJICO hardware and related Pan Pacific On-line subscription services.

Liquidity and Capital Resources

Historically, our principal needs for funds have been for operating expenses including distributor incentives, working capital (principally inventory purchases), capital expenditures and the development of operations throughout Japan. We have generally relied on cash flow from operations to meet our cash needs and business objectives without relying on long-term debt to fund operating activities.

Cash and cash equivalents totaled $8,445,406 and $12,083,556 at September 30, 2004 and March 31, 2004, respectively. Cash provided from operations for the six months ended September 30, 2004 and 2003 was $1,422,734 and $8,696,221, respectively. Cash used for investing activities for the six months ended September 30, 2004 and 2003 was $4,744,643 and $4,223,090, respectively. The cash used for investing activity for the six months ended September 2004 was primarily for the purchase of software and software in progress. Cash provided by financing activities for the six months ended September 30, 2004 was the result of a short term convertible loan obtained from our majority shareholder, Forval Corporation, netted with an investment in a subsidiary. No cash was used for financing activities in the six months ended September 30, 2003. Management believes that cash flow from operations and the revolving credit facility will adequately meet the working capital needs for the foreseeable future.

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Contractual Obligations

The Company's operating lease & purchase obligations as of September 30, 2004 are as follows:

	Payments due by period				
Contractual obligations	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Operating Lease Obligations	$ 45,000	$ 41,250	$ 3,750	$ --	$ --
Capital Lease Obligations	116,902	22,257	94,645	--	--
Service Provider Contracts	1,035,379	974,119	61,260	--	--
Loan repayments to parent	811,394	811,394	--	--	--
Total	$2,008,675	$1,849,020	$ 159,655	$ --	$ --

The Company projects that it will need to satisfy at least $2.0 million of lease and contract obligations within the twelve months following September 30, 2004.

Critical Accounting Policies and Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations discusses the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, management evaluates its estimates and judgments, including those related to revenue recognition, impairment of long-lived and intangible assets, depreciation and amortization, financing operations, inventory valuation, income tax and contingencies and litigation. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The most significant accounting estimates inherent in the preparation of the Company's consolidated financial statements include estimates as to the appropriate carrying value of certain assets and liabilities which are not readily apparent from other sources. These accounting policies are described in the notes to the consolidated financial statements for the years ended March 31, 2004 and 2003 included in our Form 10-K.

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

INVESTMENT IN PRIVATELY HELD COMPANY

We have invested in a privately held company which can still be considered in the startup or in the development stage. This investment is inherently risky as the markets for the technologies or products they have under development are typically in the early stages and may never materialize or may never be fully developed. We could lose our entire initial investment in this company. As of September 30, 2004, this investment was $300,000.

WE WILL RELY ON THE AVAILABILITY OF THIRD-PARTY LICENSES

Many of our future products to be sold under our new growth strategy will include software or other intellectual property licensed from third parties. It may be necessary in the future to seek or renew licenses relating to various aspects of these products. There can be no assurance that the necessary license would be available on acceptable terms, if at all. The inability to obtain certain licenses or other rights or to obtain such licenses or rights on favorable terms, or the need to engage in litigation regarding these matters, could have a material adverse effect on our business, operating results, and financial condition.

LIMITED OPERATING HISTORY

We have a limited operating history in Japan upon which we can be evaluated. Any investment in us must be considered in light of the risks, expenses and difficulties encountered by companies in the early stage of development in new and rapidly evolving markets, including the risks described herein. There can be no assurances that we will be successful in addressing these risks.

UNPROVEN BUSINESS MODEL

We cannot predict whether or not we will be successful because our business model is unproven and its market is developing. It is too early to reliably ascertain market penetration for our products and services. If future demand for AJOL's products and services, including, but not limited to demand for the MOJICO hardware and Kamome brand products is lower than anticipated, or the costs of attracting subscribers is higher than anticipated, then our financial condition and results from operations will be materially and adversely affected.

FLUCTUATIONS IN OPERATING RESULTS

Our operating results may fluctuate significantly in the future as a result of a variety of factors, many of which are outside of our control. These factors include the demand for the telecommunications products and services offered by us, introduction of new products or services by us or our competitors, delays in the introduction or enhancement of products and services by us or our competitors, changes in our pricing policies or those of our competitors, our ability to anticipate and effectively adapt to developing markets and rapidly changing technologies, changes in the mix or Japanese vs. non-Japanese revenue, changes in foreign currency exchange rates, the mix of products and services sold by us and the channels through which those products and services are sold, general economic conditions, and specific economic conditions in Internet and related industries. Additionally, in response to evolving competitive conditions, we may elect from time to time to make certain pricing, service, marketing or acquisition decisions that could have a material adverse affect on its financial performance.

FOREIGN CURRENCY (YEN) FLUCTUATIONS

Substantially all of our revenue and expenses are received and incurred in Japanese Yen. Variation in foreign exchange rates may substantially affect our revenue, expenses, and net income in U.S. dollar terms. In preparing our financial statements, we translate revenue and expenses from Japanese Yen into U.S. dollars using weighted average exchange rates. If the U.S. dollar strengthens relative to the Yen, our reported revenue, gross profits and net income will likely be reduced. For example, in 2001, the Japanese Yen significantly weakened, which reduced our operating results on a U.S. dollar reported basis. The Company's 2005 operating results could be similarly harmed if the Japanese Yen weakens from current levels. Given the unpredictability of exchange rate fluctuations, we cannot estimate the effect these fluctuations may have upon future reported results, product pricing or our overall financial condition.

POOR JAPANESE ECONOMIC CONDITIONS

Economic conditions in Japan have been poor in recent years and may worsen or not improve. Continued or worsening economic and political conditions in Japan could further reduce our revenue and net income.

RELIANCE ON HANDWRITTEN MOJI CHARACTERS AS PREFERRED METHOD OF WRITTEN COMMUNICATIONS

We rely on the desire of subscribers and potential subscribers to use handwritten Moji (characters) as their preferred method of written communication as an underlying material assumption for the continuing success of its business. A subscriber's or potential subscriber's desire to use handwritten Moji (characters) is a matter of personal preference, which is unpredictable. Any negative changes in perception by subscribers and potential subscribers as to their desire to use handwritten Moji characters as their preferred method of written communication, for any reason, including the emergence of new, different, or alternative forms of written communications, could have a materially adverse affect on us and our business.

DEPENDENCE ON NEW SUBSCRIBERS

Our operating results generally depend on revenues received from sales of the MOJICO product. In previous years, MOJICO sales have accounted for up to 78% of our annual revenue. MOJICO sales are primarily made to our new customers. As a result, future revenues are primarily dependent on our ability to generate new customers for our MOJICO hardware and Pan Pacific Online services. There can be no assurances that we will be able to continue to generate new subscribers at the rate that we have been able to in the past, nor that we will be able to generate sufficient new subscribers to remain profitable. We do not have any substantial historical basis for predicting the rate of increase in our subscriber base.

DEPENDENCE ON SUBSCRIBERS FOR CONTENT OF NETWORK

The information transmitted to our subscribers via our information network Pan Pacific Online is primarily generated by other of our subscribers. There can be no assurances that our subscribers will continue to generate information that other subscribers will find sufficiently entertaining, useful, or desirable so as to allow us to profitably market the products and services that provide access to our network.

LIABILITY FOR CONTENT OF NETWORK

As a provider of messaging and communications services, we may incur liability for defamation, negligence, copyright, patent or trademark infringement and other claims based on the nature and content of the materials transmitted via our information network. To minimize our liability, we use a centralized hub to manually process and screen hard copies for adult themes, slander, patent/copyright infringement and objectionable material. However, there can be no assurances that we will be able to effectively screen all of the content generated by our subscribers. We may be exposed to liability with respect to this content. Our insurance may not cover claims of these types or may not be adequate to indemnify us for all liability that may be imposed. Our liability coverage limit is 100,000,000 Japanese yen, approximately $950,000 at current exchange rates, per occurrence. There is a risk that a single claim or multiple claims, if successfully asserted against us, could exceed the total of our coverage limits. There is also a risk that a single claim or multiple claims asserted against us may not qualify for coverage under our insurance policies as a result of coverage exclusions that are contained within these policies. Any imposition of liability, particularly liability that is not covered by insurance or is in excess of insurance coverage, could have a material adverse affect on our reputation, financial condition, and operating results.

RELIANCE ON EXISTING DISTRIBUTORS AND NEED TO RECRUIT ADDITIONAL DISTRIBUTORS

We depend on subscriber distributors to generate substantially all of our revenues. To increase our revenue, we must increase the number of and/or the productivity of our distributors. Our distributors may terminate their status as a distributor at any time. The number of distributors may not increase and could decline in the future. We cannot accurately predict how the number and productivity of distributors may fluctuate because we rely upon our existing distributors to recruit, train and motivate new distributors. Our operating results could be harmed if our existing and new business opportunities and products do not generate sufficient interest to retain existing distributors and attract new distributors.

The loss of a group of high-level distributors, or a group of leading distributors in the distributor's network of lower level distributors, whether by their own choice or through disciplinary actions for violations of our policies and procedures could negatively impact the growth of distributors and our revenue. There is no leading distributor whose departure, alone, will have a material impact on the financial position or results of operations. In addition, our operations in Japan face significant competition from existing and new competitors. Our operations would also be harmed if our planned growth initiatives fail to generate continued interest and enthusiasm among our distributors in this market and fail to attract new distributors.

DEPENDENCE ON MR. AOTA

We are highly dependent upon our President Yoshihiro Aota to recruit and retain subscribers. Mr. Aota represents the personification of AJOL. Mr. Aota's talents, efforts, personality and leadership have been, and continue to be, critical to us and our success. The diminution or loss of the services of Mr. Aota, and any negative market or industry perception arising from that diminution or loss, would have a material adverse affect on our business. We are investigating, but have not obtained "Key Executive Insurance" with respect to Mr. Aota.

One of our business strategies is to reduce our dependence on Mr. Aota. This will be done through additional external training courses of employees and flattening of the organization to three levels, senior management, leaders, general, so more employees get on the job training from senior management. We have also involved more staff on strategic planning and product development task teams. Externally, our distributors have become more knowledgeable and are making presentations to prospective subscribers. If we are unsuccessful in accomplishing this strategy, and Mr. Aota's services become unavailable, our business and prospects could be materially adversely affected. We do not have an employment agreement with Mr. Aota. If we lose Mr. Aota's services, for any reason, including as a result of Mr. Aota's voluntary resignation or retirement, our business could be materially adversely affected.

FAILURE OF NEW PRODUCTS AND SERVICES TO GAIN MARKET ACCEPTANCE

A critical component of our business is our ability to develop new products and services that create enthusiasm among our distributor force. If any new product or service fails to gain market acceptance, for any reason including quality problems, this could harm our results of operations.

LOSING SOURCES OF KAMOME PRODUCTS

The loss of any of our sources of Kamome products, or the failure of sources to meet our needs, could restrict our ability to distribute Kamome products and harm our revenue as a result. Further, our inability to obtain new sources of Kamome products at prices and on terms acceptable to us could harm our results of operations.

COMMENCING FOREIGN OPERATIONS

We continue to explore the possibility of commencing business activities in South Korea, China, and Taiwan. In past years, these nations have experienced significant economic and/or political instability. If we commence business activities in these nations, future instability will have a material adverse affect on our ability to do business in these nations and may jeopardize our investment in establishing business operations in those countries.

COMPETITION WITH TECHNICALLY SUPERIOR PRODUCTS AND SERVICES

Our products and services utilize the facsimile-like MOJICO hardware and rely on human personnel to screen and process information for our database. Our products and services are much less technically sophisticated than those offered by other companies offering interactive telecommunications products and services. This may put us at a substantial competitive disadvantage with present and/or future competitors.

INTERNET USAGE RATES AND LONG DISTANCE TELEPHONE RATES

Our subscribers obtain access to AJOL's network via either the Internet or telephone service. The costs that subscribers incur in obtaining access to our network via these channels are beyond the control of AJOL. Any increase in long distance telephone rates or rates for accessing the Internet could materially and adversely affect demand for our products and services.

RELIANCE ON INTERNET AS TRANSMISSION MEDIUM

Our future success will depend upon our ability to route our customers' traffic through the Internet and through other data transmission media. Our success is largely dependent upon the viability of the Internet as a medium for the transmission of subscriber related data. There can be no assurance that the Internet will prove to be a viable communications media, that document transmission will be reliable, or that capacity constraints which inhibit efficient document transmission will not develop. The Internet may not prove to be a viable avenue to transmit communications for a number of reasons, including lack of acceptable security technologies, lack of access and ease of use, traffic congestion, inconsistent quality or speed of service, potentially inadequate development of the necessary infrastructure, excessive governmental regulation, uncertainty regarding intellectual property ownership or lack of timely development and commercialization of performance improvements.

TECHNOLOGICAL CHANGES OF THE MESSAGING AND COMMUNICATIONS INDUSTRY

The messaging and communications industry is characterized by rapid technological changes, changes in user and customer requirements and preferences, and the emergence of new industry standards and practices that could render our existing services, proprietary technology and systems obsolete.

Our success depends, in part, on our ability to develop new services, functionality and technology that address the needs of existing and prospective subscribers. If we do not properly identify the feature preferences of subscribers and prospective subscribers, or if we fail to deliver features that meet their standards, our ability to market our products and services successfully and to increase revenues could be impaired. The development of proprietary technology and necessary service enhancements entail significant technical and business risks and require substantial expenditures and lead-time. We may not be able to keep pace with the latest technological developments. We may also be unable to use new technologies effectively or adapt services to customer requirements or emerging industry standards.

We must accurately forecast the features and functionality required by subscribers and prospective subscribers. In addition, we must design and implement service enhancements that meet subscriber requirements in a timely and efficient manner. We may not successfully determine subscriber and prospective subscriber requirements and may be unable to satisfy their demands. Furthermore, we may not be able to design and implement a service incorporating desired features in a timely and efficient manner. In addition, if subscribers do not favorably receive any new service offered by us, our reputation could be damaged. If we fail to accurately determine desired feature requirements or service enhancements or to market services containing such features or enhancements in a timely and efficient manner, our business and operating results could suffer materially.

POSSIBLE INADEQUATE INTELLECTUAL PROPERTY PROTECTIONS

Our success depends to a significant degree upon our proprietary technology. We rely on a combination of patent, trademark, trade secret and copyright law and contractual restrictions to protect our proprietary technology. However, these measures provide only limited protection, and the Company may not be able to detect unauthorized use or take appropriate steps to enforce our intellectual property rights. In addition, we may face challenges to the validity and enforceability of our proprietary rights and may not prevail in any litigation regarding those rights. Any litigation to enforce our intellectual property rights would be expensive and time-consuming, would divert management resources and may not be adequate to protect our business.

POSSIBLE INFRINGEMENT CLAIMS

We could be subject to claims that we have infringed the intellectual property rights of others. In addition, we may be required to indemnify our distributors and users for similar claims made against them. Any claims against us could require us to spend significant time and money in litigation, pay damages, develop new intellectual property or acquire licenses to intellectual property that is the subject of the infringement claims. These licenses, if required, may not be available at all or on acceptable terms. As a result, intellectual property claims against us could have a material adverse effect on our business, prospects, financial conditions and results of operations.

POSSIBLE SYSTEM FAILURE OR BREACH OF NETWORK SECURITY

Our operations are dependent on our ability to protect our network from interruption by damage from fire, earthquake, power loss, telecommunications failure, unauthorized entry, computer viruses or other events beyond our control. As precautions, we utilize distributed processing systems, back-up systems, Internet firewalls, 24/7 installation environment surveillance, and private power generators as backup. There can be no assurance that our existing and planned precautions of backup systems, regular data backups and other procedures will be adequate to prevent significant damage, system failure or data loss.

Despite the implementation of security measures, our infrastructure may also be vulnerable to computer viruses, hackers or similar disruptive problems. Persistent problems continue to affect public and private data networks, including computer break-ins and the misappropriation of confidential information. Computer break-ins and other disruptions may jeopardize the security of information stored in and transmitted through the computer systems of the individuals and businesses utilizing our services, which may result in significant liability to us and also may deter current and potential subscribers from using our services. Any damage, failure or security breach that causes interruptions or data loss in our operations or in the computer systems of our customers could have a material adverse effect on our business, prospects, financial condition and results of operations.

RELIANCE ON THIRD PARTY ACCESS FOR TELECOMMUNICATIONS

We rely on third parties to provide our subscribers with access to the Internet. There can be no assurance that a third party's current pricing structure for access to and use of the Internet will not change unfavorably and, if the pricing structure changes unfavorably, our business, prospects, financial condition and results of operations could be materially and adversely affected.

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EFFECT OF GOVERNMENT REGULATIONS

We provide access to our database and services through data transmissions over public telephone lines and other facilities provided by telecommunications companies. These transmissions are subject to regulatory government agencies. These regulations affect the prices that subscribers must pay for transmission services, the competition we face from telecommunications services and other aspects of our market. There can be no assurance that existing or future laws, governmental action or rulings will not materially and adversely affect our operations. Additionally, we operate through a network marketing strategy which is subject to government regulation concerning consumer protection. Changes in these regulations could affect compliance with these regulations and jurisdictions where we carry on our business.

DEPENDENCE ON VENDOR

The MOJICO machine is produced by an unrelated third party. Should this third party become incapable or unwilling to produce the MOJICO for any reason, we could face a temporary decline in MOJICO sales until another electronics manufacturer is sourced and ready to produce the machines.

CONTROL BY OFFICERS AND DIRECTORS

Our executive officers, directors and entities affiliated with them, in the aggregate, beneficially own common stock representing approximately 94.4% of PPOL.

MINORITY SHAREHOLDER STATUS

Forval Corporation and Leo Global Fund, former direct shareholders of AJOL, hold 58.62% and 35.79% respectively of PPOL's common stock. Acting alone, Forval Corporation, as a majority shareholder, has significant influence on PPOL's policies. Forval Corporation and Leo Global Fund, collectively, control 94.40% of PPOL's outstanding shares, representing 94.4% of PPOL's voting power. As a result, Forval Corporation and Leo Global Fund, acting together, will have the ability to control the outcome of all matters requiring stockholder approval, including the election and removal of PPOL's entire Board of Directors, any merger, consolidation or sale of all or substantially all of PPOL's assets, and the ability to control PPOL's and our management and affairs.

NO LOCK-UP AGREEMENT BETWEEN FORVAL CORPORATION AND LEO GLOBAL FUND

To date, PPOL has not entered into a separate lock-up arrangement with Forval Corporation and Leo Global Fund pursuant to which these shareholders would agree to be subject to volume and sale restrictions that will limit their ability to sell shares in addition to the restrictions set forth under Rule 144. If a suitable lock-up agreement is not in effect, then Forval Corporation and/or Leo Global Fund may be eligible to sell a large volume of shares, which could cause the price of PPOL's shares to decline.

NO HISTORY AS REPORTING COMPANY

Prior to the effective date of the PPOL's filing of Form 10, PPOL has never been a public company, subject to the reporting requirements of the Securities and Exchange Act of 1934, as amended, and PPOL expects that the obligations of being a public company, including substantial public reporting and investor relations obligations, will require significant continuing additional expenditures, place additional demands on our management and may require the hiring of additional personnel. We may need to implement additional systems in order to adequately function as a reporting public company. Such expenditures could adversely affect our financial condition and results of operations.

ITEM 4: CONTROLS AND PROCEDURES

We have established and maintain disclosure controls and procedures and conclude these controls/procedures are effective based on our evaluation as of the "Evaluation Date," which is as of the end of the period covered in the filing of this 10-Q. There were no significant changes in our internal controls or in other factors that could significantly affect our internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART 2:

ITEM 1: LEGAL PROCEEDINGS
None

ITEM 2: CHANGES IN SECURITIES AND USE OF PROCEEDS
None

ITEM 3: DEFAULTS UPON SENIOR SECURITIES
None

ITEM 4: SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS
None

ITEM 5: OTHER INFORMATION

On October 5, 2004, the Board of Directors of the Company authorized its Audit Committee to retain an independent third party to investigate and study internet rumors and other matters relating to the business operations of AJOL Co., Ltd. ("AJOL"). Independent Japanese counsel was retained by the Company in the foregoing regard. Counsel completed his inquiry and report thereon (the "Report") on November 8, 2004. Counsel's Report was considered by the full Board at its special meeting on November 12, 2004.

The Report stated that AJOL's marketing system is designated in Japan as "Rensa Torihiki," which means multi-level marketing. The Report confirmed that AJOL's multi-level marketing strategies are regulated by the Tokutei Shotorihiki Act (the "Act") in Japan. The Report stated that certain lawsuits have been filed against AJOL based upon claims that the business of AJOL is being conducted in breach of the Act or public policy, or constitutes fraud. The Report also suggested that certain alleged communications made by representatives and members of AJOL to induce new members may have been exaggerated or misleading. The Report also stated that many complaints and criticisms about the business of AJOL are based on alleged communications that membership in AJOL will provide ongoing profit without fail. The Report, however, stated that no judgment has been entered against the Company with respect to any lawsuits or claims, and that, to the contrary, the Fukuoka High Court ruled on August 27, 2004, that the business of AJOL was not in breach of the Act, and that the agreements between AJOL and its members were legally binding.

The Report also stated that the Act was revised on May 12, 2004, effective November 11, 2004. Pursuant to revisions under the Act, the Report states that AJOL must disclose any intention to induce proposed AJOL members to purchase Mojico, may not give false information about the price of products and services provided by AJOL, may not induce the purchase of Mojico at any place exclusive of the general public unless the prospective member is informed that any meeting is to induce purchases of Mojico. The revised Act also provides that AJOL must accept cancellation of an agreement in the event such agreement was offered or accepted due to a misunderstanding. Additionally, any member of AJOL shall be free to terminate his or her relationship with AJOL indefinitely under certain conditions.

The Report found that the present manner in which AJOL conducts its business will not violate the revised Act, although, the Report points out that inasmuch as the revised Act would be more severe, it could make it difficult for AJOL to conduct its business in the future.

After considering the Report, the Board resolved at its November 12, 2004, meeting further to investigate and study matters raised in the Report, and if necessary, to take immediate corrective action, where appropriate.

At its November 12, 2004, special meeting, the Board also considered a proposal by Leo Global Fund ("Leo") to acquire 2,500,000 newly issued shares of common stock of the Company at a price of $4.00 per share for an aggregate investment of $10,000,000. The only condition in connection with Leo's proposed investment is that the Company seek listing of its securities on the AMEX national securities exchange and thereafter on NASDAQ. In considering Leo's proposal, the Board noted that it continues to evaluate and re-evaluate strategies and options to maximize the value of the Company's core asset, AJOL, including, without limitation, the merits and benefits of a merger or acquisition, the sale of AJOL, diversification of the Company's asset base, as well as infusions of additional equity. The Board also noted that it continues to evaluate its options and strategies in the context of achieving listing of its securities on NASDAQ, AMEX or other national securities exchanges, and also in the context of avoiding, if possible, or limiting unnecessary dilution to the Company's shareholders. No assurances can be provided that any of the foregoing options and strategies or listing efforts will prove to be successful. Further, the Board determined to defer any decision on the acceptance of Leo's investment proposal pending further consideration and analysis of Leo's offer in the context of the Report.

In the Company's form 8-K filed on June 1, 2004, the Company disclosed that it had entered into a licensing and exclusive distribution agreement with Object Innovation, Inc., providing for, among other things, the Company's right to license and distribute Object Innovation's BridgeGate software in Japan. By that certain Revised Letter of Understanding, dated August 11, 2004, the Company's agreement with Object Innovation was revised by, among other things, an assignment of the original agreement to the Company's wholly-owned subsidiary, GateFor, Inc. A copy of the Revised Letter of Understanding is attached to this Form 10-Q as Exhibit 99.1

ITEM 6: EXHIBITS AND REPORTS ON FORM 8-K:

A - Exhibits:

Exhibit 31.1 - Chief Executive Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Exhibit 31.2 - Chief Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Exhibit 32.1 - Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

B - Reports on Form 8-K

1. On July 13, 2004, the Company furnished a report on Form 8-K relating to the addition of four new independent board members: Mr. Robert Brasch, Mr. Naota Hamaguchi, Mr. Lowell Hattori and Mr. Yoshikazu Ohashi.

2. On July 26, 2004, the Company furnished a report on Form 8-K relating to the resignation of its president, Mr. Peter Pomeroy.

3. On November 1, 2004, the Company furnished a report on Form 8-K announcing the relocation of US corporate headquarters to Los Angeles.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PPOL, Inc.

(Registrant)

November 18, 2004 /s/ Hideo Ohkubo
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Date	Hideo Ohkubo, Chief Executive Officer
November 18, 2004	/s/ Toshiaki Shimojo
Date	Toshiaki Shimojo, Chief Financial Officer

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