

FINANCIAL RESULTS

【Mid-Year Financial Statements】

- Fiscal Year Ending March 31, 2005 -

(1) 【Balance Sheets】

(in million yen)

	Prior Mid-Year End (As of September 30,2003)		Current Mid-Year End (As of September 30,2004)		Prior Fiscal Year End -Condensed- (As of March 31,2004)		
	Amount	%	Amount	%	Amount	%	
(ASSETS)							
Current Assets							
1 Cash	14,768		36,039		18,396		
2 Accounts receivable	3,711		5,624		4,452		
3 Inventory	62		176		271		
4 Others	679		745		613		
Allowance for bad debt	-		1		-		
Total current assets		19,221	40.5	42,583	62.3	23,732	48.2
Fixed Assets							
1 Tangible fixed assets							
(1) Buildings and structure	70		79		71		
(2) Machinery and equipment	22,324		19,446		20,598		
(3) Capitalized modems	2,046		651		1,098		
(4) Tools and furniture	345		466		311		
(5) Construction in progress	-		135		-		
Total tangible fixed assets		24,785		20,778		22,077	
2 Intangible assets		2,445		3,863		2,523	
3 Investments and other assets		1,009		1,105		870	
Total fixed assets		28,239	59.5	25,746	37.7	25,470	51.8
TOTAL ASSETS		47,460	100.0	68,329	100.0	49,202	100.0

(in million yen)

	Prior Mid-Year End (As of September 30,2003)		Current Mid-Year End (As of September 30,2004)		Prior Fiscal Year End -Condensed- (As of March 31,2004)				
	Amount	%	Amount	%	Amount	%			
(LIABILITIES)									
Current Liabilities									
1 Trade accounts payable	425		813		755				
2 Short-term loan	1,568		-		-				
3 Current portion of long-term debt	5,257		1,320		5,453				
4 Other accounts payable	840		1,690		981				
5 Accrued expenses	6,038		4,895		3,599				
6 Income taxes payable	4		54		9				
7 Current portion of capital lease obligations	5,559		5,850		5,858				
8 Current portion of installment obligations	1,436		598		1,160				
9 Stock purchase warrants	29		28		29				
10 Other current liabilities	196		164		451				
Total current liabilities		21,351	45.0		15,411	22.6		18,296	37.2
Long-term Liabilities									
1 Bonds	-		23,000		-				
2 Long-term debt	8,010		2,690		5,350				
3 Capital lease obligations, less current portion	11,070		7,159		9,207				
4 Installment obligations, less current portion	711		15		155				
5 Long-term other payables	277		185		231				
Total long-term liabilities		20,068	42.3		33,049	48.4		14,943	30.4
TOTAL LIABILITIES		41,420	87.3		48,460	70.9		33,239	67.6
(SHAREHOLDERS' EQUITY)									
Capital Shares									
Capital Shares		10,528	22.2		13,787	20.2		13,670	27.8
Capital Surplus									
1 Additional paid-in capital		9,253			2,409			14,231	
Total capital surplus		9,253	19.5		2,409	3.5		14,231	28.9
Retained Earnings (Accumulated Deficit)									
1 Unappropriated retained earnings or deficit () at end of period		13,742			3,672			11,938	
Total retained earnings		13,742	29.0		3,672	5.4		11,938	24.3
TOTAL SHAREHOLDERS' EQUITY		6,040	12.7		19,869	29.1		15,963	32.4
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		47,460	100.0		68,329	100.0		49,202	100.0

(2) 【Statements of Operations】

(in million yen)

	Prior Mid-Year (Six months ended September 30,2003)		Current Mid-Year (Six months ended September 30,2004)		Prior Fiscal Year -Condensed- (Year ended March 31,2004)	
	Amount	%	Amount	%	Amount	%
Revenue	17,396	100.0	27,065	100.0	38,143	100.0
Cost of revenue	12,031	69.2	15,881	58.7	24,856	65.2
Gross profit	5,365	30.8	11,183	41.3	13,287	34.8
Selling, general and administrative expenses	4,092	23.5	6,606	24.4	9,147	24.0
Operating profit	1,273	7.3	4,578	16.9	4,140	10.9
Other income	4	0.0	45	0.2	27	0.1
Other expenses	720	4.1	628	2.3	1,442	3.8
Recurring profit	557	3.2	3,995	14.8	2,724	7.1
Non-recurring loss	-	-	318	1.2	359	0.9
Income before income taxes	557	3.2	3,678	13.6	2,366	6.2
Income taxes	4	0.0	5	0.0	9	0.0
Net income	553	3.2	3,672	13.6	2,356	6.2
Accumulated deficit from prior period	14,295		-		14,295	
Unappropriated retained earnings or deficit () at end of period	13,742		3,672		11,938	

(3) 【Statements of Cash Flows】

(in million yen)

	Prior Mid-Year (Six months ended September 30,2003)	Current Mid-Year (Six months ended September 30,2004)	Prior Fiscal Year -Condensed- (Year ended March 31,2004)
	Amount	Amount	Amount
Cash Flows from Operating Activities			
1 Income before income axes	557	3,678	2,366
2 Depreciation	4,520	5,146	9,498
3 Accelerated depreciation on machinery and equipment	-	-	187
4 Accelerated amortization on long-term prepaid expenses	-	286	-
5 Amortization of intangible assets	333	534	730
6 Valuation loss on inventory	-	28	157
7 Loss on disposition of fixed assets	-	32	172
8 Interest and dividend income	0	4	0
9 Interest expenses	614	495	1,236
10 Accounts receivable	982	440	1,722
11 Inventory	11	95	220
12 Other current assets	776	105	855
13 Investments and other assets	98	331	281
14 Trade accounts payable	24	12	306
15 Other accounts payable	92	144	99
16 Accrued expenses	1,832	1,272	218
17 Other current liabilities	171	239	425
18 Long-term other payables	46	46	92
19 Others	-	30	87
Subtotal	7,746	10,301	13,946
20 Interest and dividend received	0	4	0
21 Interest paid	614	507	1,208
22 Payment of income taxes	7	9	7
Net cash provided by operating activities	7,126	9,789	12,732

(in million yen)

	Prior Mid-Year (Six months ended September 30,2003)	Current Mid-Year (Six months ended September 30,2004)	Prior Fiscal Year -Condensed- (Year ended March 31,2004)
	Amount	Amount	Amount
Cash Flows from Investing Activities			
1 Purchase of tangible assets	1,698	2,361	3,654
2 Acquisition of intangible assets	136	356	443
3 Acquisition of AOL's ISP Business	-	2,123	-
4 Others	0	-	43
Net cash used in investing activities	1,833	4,840	4,053
Cash Flows from Financing Activities			
1 Payments on capital lease obligations	2,474	3,015	5,317
2 Payments on installment obligations	695	702	1,527
3 Proceeds from long-term debt	4,900	-	4,825
4 Payments for short-term payable	1,532	-	3,100
5 Payments for long-term debt	2,133	6,793	4,597
6 Proceeds from share issuance	-	215	8,023
7 Proceeds from bond issuance	-	22,991	-
Net cash provided by (used in) financing activities	1,935	12,695	1,693
Net change in cash and cash equivalents	3,358	17,643	6,986
Cash and cash equivalents at beginning of period	11,411	18,396	11,411
Cash and cash equivalents at end of period	14,768	36,039	18,396