

Mid-Year Financial Statements

(1) Mid-Year Balance Sheets

(in thousand yen)

	Prior Mid-Year End (As of September 30, 2002)		Current Mid-Year End (As of September 30, 2003)		Prior Fiscal Year End - Condensed - (As of March 31, 2003)	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
(ASSETS)		%		%		%
Current Assets						
1. Cash and cash deposit	6,821,565		14,768,234		11,410,649	
2. Accounts receivable	1,905,534		3,711,237		2,729,623	
3. Inventory	934,413		62,424		51,257	
4. Other current assets	1,387,617		678,706		1,173,554	
Total current assets	11,049,129	32.1	19,220,601	40.5	15,365,083	36.1
Fixed Assets						
1. Tangible fixed assets						
(1) Building and structure	67,884		70,332		76,179	
(2) Machinery and equipment	16,845,014		22,323,749		20,697,130	
(3) Capitalized modems	3,239,165		2,046,313		2,702,529	
(4) Tools and furniture	221,343		344,646		200,103	
Total tangible fixed assets	20,373,406		24,785,040		23,675,941	
2. Intangible assets	1,983,482		2,445,180		2,508,510	
3. Investments and other assets	961,447		1,008,746		1,033,463	
Total fixed assets	23,318,335	67.9	28,238,966	59.5	27,217,914	63.9
TOTAL ASSETS	34,367,464	100.0	47,459,567	100.0	42,582,997	100.0

(in thousand yen)

	Prior Mid-Year End (As of September 30, 2002)		Current Mid-Year End (As of September 30, 2003)		Prior Fiscal Year End - Condensed - (As of March 31, 2003)	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
(LIABILITIES)		%		%		%
Current Liabilities						
1. Trade accounts payable	277,294		425,068		448,662	
2. Short-term loan	100,000		1,568,000		3,100,000	
3. Current portion of long-term debt	1,566,664		5,256,672		4,266,664	
4. Other accounts payable	542,218		839,591		1,049,215	
5. Accrued expenses	3,636,574		6,037,769		4,840,563	
6. Income taxes payable	3,510		4,156		7,020	
7. Current portion of capital lease obligations	3,384,297		5,558,666		4,389,376	
8. Current portion of installment obligations	1,326,176		1,436,044		1,403,513	
9. Stock purchase warrants	28,733		28,733		28,733	
10. Other current liabilities	26,280		196,466		25,730	
Total current liabilities	10,891,746	31.7	21,351,165	45.0	19,559,476	45.9
Long-term Liabilities						
1. Long-term debt	5,466,672		8,010,000		6,133,340	
2. Capital lease obligations, less current portion	8,406,182		11,070,114		9,656,118	
3. Installment obligations, less current portion	2,015,773		711,054		1,423,881	
4. Long-term other payables	-		277,200		323,400	
Total long-term liabilities	15,888,627	46.3	20,068,368	42.3	17,536,739	41.2
TOTAL LIABILITIES	26,780,373	78.0	41,419,533	87.3	37,096,215	87.1

(in thousand yen)

	Prior Mid-Year End (As of September 30, 2002)		Current Mid-Year End (As of September 30, 2003)		Prior Fiscal Year End - Condensed - (As of March 31, 2003)	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
(SHAREHOLDERS' EQUITY)		%		%		%
Capital Shares	10,528,290	30.6	10,528,290	22.2	10,528,290	24.7
Capital Surplus						
1. Additional paid-in capital	9,253,290		9,253,290		9,253,290	
Total capital surplus	9,253,290	26.9	9,253,290	19.5	9,253,290	21.7
Retained Earnings (Accumulated Deficit)						
1. Deficit at end of period	12,194,489		13,741,546		14,294,798	
Total retained earnings (accumulated deficit)	12,194,489	35.5	13,741,546	29.0	14,294,798	33.5
TOTAL SHAREHOLDERS' EQUITY	7,587,091	22.0	6,040,034	12.7	5,486,782	12.9
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	34,367,464	100.0	47,459,567	100.0	42,582,997	100.0

(2) Mid-Year Statements of Operations

(in thousand yen)

	Prior Mid-Year 〔 Six months ended September 30, 2002 〕		Current Mid-Year 〔 Six months ended September 30, 2003 〕		Prior Fiscal Year - Condensed - Year ended 〔 March 31, 2003 〕	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
		%		%		%
Revenue	7,449,092	100.0	17,396,139	100.0	20,275,769	100.0
Cost of revenue	6,628,893	89.0	12,031,130	69.2	16,699,002	82.4
Gross profit	820,199	11.0	5,365,009	30.8	3,576,767	17.6
Selling, general and administrative expenses	3,887,664	52.2	4,092,041	23.5	7,923,048	39.0
Operating profit (loss)	3,067,465	41.2	1,272,968	7.3	4,346,281	21.4
Other income	16,318	0.2	4,009	0.0	35,880	0.2
Other expenses	423,895	5.7	719,569	4.1	984,733	4.9
Recurring profit (loss)	3,475,042	46.7	557,408	3.2	5,295,134	26.1
Non-recurring loss	-		-		276,707	1.4
Income (loss) before income taxes	3,475,042	46.7	557,408	3.2	5,571,841	27.5
Income taxes	3,510	0.0	4,156	0.0	7,020	0.0
Net income (loss)	3,478,552	46.7	553,252	3.2	5,578,861	27.5
Accumulated deficit from prior period	8,715,937		14,294,798		8,715,937	
Deficit at end of period	12,194,489		13,741,546		14,294,798	

(3) Mid-Year Statements of Cash Flows

(in thousand yen)

	Prior Mid-Year 〔 Six months ended 〕 〔 September 30, 2002 〕	Current Mid-Year 〔 Six months ended 〕 〔 September 30, 2003 〕	Prior Fiscal Year - Condensed - 〔 Year ended 〕 〔 March 31, 2003 〕
	Amount	Amount	Amount
Cash Flows from Operating Activities			
1. Income (loss) before income taxes	3,475,042	557,408	5,571,841
2. Depreciation	2,735,765	4,519,592	6,492,763
3. Amortization of intangible assets	212,520	333,033	628,912
4. Interest income	895	133	1,594
5. Interest expenses	423,895	614,415	906,853
6. Accounts receivable	885,439	981,614	1,709,528
7. Inventory	666,033	11,167	1,549,189
8. Other current assets	136,644	775,554	76,535
9. Investments and other assets	93,355	98,047	34,212
10. Trade accounts payable	2,337,305	23,594	2,165,937
11. Other accounts payable	692,395	91,931	266,584
12. Accrued expenses	1,956,605	1,832,333	2,592,629
13. Other current liabilities	9,087	170,736	8,537
14. Long-term other payables	-	46,200	46,200
Subtotal	1,617,170	7,746,479	2,527,946
15. Interest received	895	133	1,594
16. Interest paid	424,880	613,737	911,904
17. Payments of income taxes	5,010	7,020	5,010
Net cash provided by (used in) operating activities	2,046,165	7,125,855	1,612,626
Cash Flows from Investing Activities			
1. Purchase of tangible assets	1,455,768	1,698,239	3,792,330
2. Acquisition of intangible assets	253,463	135,671	537,846
3. Acquisition of Japan Telecom's ADSL business	5,423,388	-	5,423,388
4. Purchase of investment securities	-	-	200,000
5. Payments received on loan receivable	410	416	823
Net cash used in investing activities	7,132,209	1,833,494	9,952,741
Cash Flows from Financing activities			
1. Payments on capital lease obligations	1,458,505	2,474,148	3,402,082
2. Payments on installment obligations	546,674	695,296	1,218,940
3. Proceeds from short-term payable	100,000	-	3,100,000
4. Proceeds from long-term debt	6,500,000	4,900,000	10,000,000
5. Payments for short-term payable	100,000	1,532,000	100,000
6. Payments for long-term debt	133,332	2,133,332	266,664
Net cash provided by (used in) financing activities	4,361,489	1,934,776	8,112,314
Net change in cash and cash equivalents	4,816,885	3,357,585	227,801
Cash and cash equivalents at beginning of period	11,638,450	11,410,649	11,638,450
Cash and cash equivalents at end of period	6,821,565	14,768,234	11,410,649