

## **FINANCIAL RESULTS**

### **【3Q FY2004 Financial Statements】**

- Fiscal Year Ending March 31, 2005 -

#### **(1) 【Balance Sheets】**

(in million yen, %)

	Prior Year Quarter End (As of December 31, 2003)		Current Quarter End (As of December 31, 2004)		Difference	Prior Fiscal Year End (As of March 31, 2004)	
	Amount	%	Amount	%	Amount	Amount	%
(ASSETS)							
Current Assets							
1 Cash	23,978		44,631		20,653	18,396	
2 Accounts Receivable	4,500		5,720		1,219	4,452	
3 Inventory	92		146		54	271	
4 Other current assets	478		497		19	613	
Allowance for bad debt	-		1		1	-	
Total current assets	29,048	51.8	50,992	68.0	21,944	23,732	48.2
Fixed Assets							
1 Tangible fixed assets							
(1) Building and structure	72		177		106	71	
(2) Machinery and equipment	21,670		18,215		3,455	20,598	
(3) Capitalized modems	1,645		430		1,215	1,098	
(4) Tools and furniture	320		448		128	311	
(5) Construction in progress	-		135		135	-	
Total tangible fixed assets	23,707		19,405	25.9	4,302	22,077	
2 Intangible assets	2,423		3,184		761	2,523	
3 Investment and other assets	890		1,402		512	870	
Total fixed assets	27,020	48.2	23,991	32.0	3,029	25,470	51.8
TOTAL ASSETS	56,068	100.0	74,982	100.0	18,914	49,202	100.0

(in million yen, %)

	Prior Year Quarter End (As of December 31, 2003)		Current Quarter End (As of December 31, 2004)		Difference	Prior Fiscal Year End (As of March 31, 2004)	
	Amount	%	Amount	%	Amount	Amount	%
<b>(LIABILITIES)</b>							
Current Liabilities							
1 Trade accounts payable	1,540		2,164		624	755	
2 Short-term loan	1,568		-		1,568	-	
3 Current portion of long-term debt	5,520		1,320		4,200	5,453	
4 Other accounts payable	1,636		2,221		585	981	
5 Accrued expenses	6,435		5,190		1,245	3,599	
6 Income taxes payable	7		80		73	9	
7 Current portion of capital lease obligations	5,685		5,536		149	5,858	
8 Current portion of installment obligations	1,409		339		1,070	1,160	
9 Stock purchase warrants	29		15		14	29	
10 Other current liabilities	288		233		55	451	
Total current liabilities	24,116	43.0	17,099	22.8	7,018	18,296	37.2
Long-term Liabilities							
1 Bonds	-		23,000		23,000	-	
2 Long-term debt	6,680		2,360		4,320	5,350	
3 Capital lease obligations, less current portion	10,016		5,916		4,101	9,207	
4 Installment obligations, less current portion	369		6		363	155	
5 Long-term other payables	254		162		92	231	
Total long-term liabilities	17,320	30.9	31,443	41.9	14,124	14,943	30.4
<b>TOTAL LIABILITIES</b>	<b>41,436</b>	<b>73.9</b>	<b>48,542</b>	<b>64.7</b>	<b>7,106</b>	<b>33,239</b>	<b>67.6</b>
<b>(SHAREHOLDERS' EQUITY)</b>							
Capital Shares	13,618	24.3	15,167	20.2	1,549	13,670	27.8
Capital Surplus							
1 Additional paid-in capital	14,178		3,803		10,375	14,231	
Total capital surplus	14,178	25.3	3,803	5.1	10,375	14,231	28.9
Retained Earnings (Accumulated Deficit)							
1 Unappropriated retained earnings or deficit ( ) at end of period	13,164		7,471		20,634	11,938	
Total retained earnings	13,164	23.5	7,471	10.0	20,634	11,938	24.3
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>14,632</b>	<b>26.1</b>	<b>26,440</b>	<b>35.3</b>	<b>11,808</b>	<b>15,963</b>	<b>32.4</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>56,068</b>	<b>100.0</b>	<b>74,982</b>	<b>100.0</b>	<b>18,914</b>	<b>49,202</b>	<b>100.0</b>

## (2) 【Statements of Operations】

(in million yen, %)

	Prior Year Third Quarter (Nine months ended December 31, 2003)		Current Third Quarter (Nine months ended December 31, 2004)		Difference	Prior Fiscal Year (Year ended March 31, 2004)	
	Amount	%	Amount	%	Amount	Amount	%
Revenue	27,294	100.0	42,450	100.0	15,156	38,143	100.0
Cost of revenue	18,631	68.3	24,405	57.5	5,774	24,856	65.2
Gross profit	8,662	31.7	18,044	42.5	9,382	13,287	34.8
Selling, general and administrative expenses	6,423	23.5	10,772	25.4	4,348	9,147	24.0
Operating profit	2,239	8.2	7,273	17.1	5,034	4,140	10.9
Other income	20	0.1	59	0.1	39	27	0.1
Other expenses	1,121	4.1	819	1.9	301	1,442	3.8
Recurring profit	1,138	4.2	6,512	15.3	5,374	2,724	7.1
Non-recurring income	-	-	1,970	4.6	1,970	-	-
Non-recurring expenses	-	-	1,004	2.4	1,004	359	0.9
Income before income taxes	1,138	4.2	7,479	17.6	6,341	2,366	6.2
Income taxes	7	0.0	8	0.0	1	9	0.0
Net income	1,131	4.1	7,471	17.6	6,340	2,356	6.2
Accumulated deficit from prior period	14,295	-	-	-	14,295	14,295	-
Unappropriated retained earnings or deficit ( ) at end of period	13,164	-	7,471	-	20,634	11,938	-

### (3) 【Statements of Cash Flows】

(in million yen)

	Prior Year Third Quarter (Nine months ended December 31, 2003)	Current Third Quarter (Nine months ended December 31, 2004)	Difference	Prior Fiscal Year (Year ended March 31, 2004)
	Amount	Amount	Amount	Amount
Cash Flow from Operating Activities				
1 Income before income taxes	1,138	7,479	6,341	2,366
2 Depreciation	6,982	7,798	816	9,498
3 Accelerated depreciation on machinery and equipment	-	-	-	187
4 Accelerated amortization on long-term prepaid expenses	-	286	286	-
5 Amortization of intangible assets	524	813	289	730
6 Accelerated amortization of intangible assets	-	296	296	-
7 Valuation loss on inventory	-	38	38	157
8 Loss on disposition of tangible assets	-	49	49	172
9 Loss on disposition of intangible assets	-	373	373	-
10 Interest and dividend income	0	4	4	0
11 Interest expenses	936	656	279	1,236
12 Accounts receivable	1,771	540	1,230	1,722
13 Inventory	41	126	166	220
14 Other current assets	973	142	830	855
15 Investment and other assets	217	328	544	281
16 Trade accounts payable	1,092	1,364	272	306
17 Other accounts payable	599	374	225	99
18 Accrued expenses	2,448	1,568	881	218
19 Other current liabilities	262	146	408	425
20 Long-term other payables	69	69	-	92
21 Others	90	49	41	87
Subtotal	13,379	20,324	6,945	13,946
22 Interest and dividend received	0	4	4	0
23 Interest paid	908	668	239	1,208
24 Payment of income taxes	7	9	2	7
Net cash provided by operating activities	12,465	19,651	7,186	12,732
Cash Flows from Investing Activities				
1 Purchase of tangible assets	2,685	3,595	910	3,654
2 Acquisition of intangible assets	383	560	177	443
3 Acquisition of AOL's ISP Business	-	2,123	2,123	-
4 Others	19	300	319	43
Net Cash used in investing activities	3,049	6,577	3,528	4,053
Cash Flow from Financing Activities				
1 Payments on capital lease obligations	3,870	4,698	828	5,317
2 Payments on installment obligations	1,064	970	94	1,527
3 Proceeds from long-term debt	4,900	-	4,900	4,825
4 Payments for short-term payable	1,532	-	1,532	3,100
5 Payments for long-term debt	3,200	7,123	3,923	4,597
6 Proceeds from share issuance	7,918	2,966	4,952	8,023
7 Proceeds from bond issuance	-	22,985	22,985	-
Net cash provided by (used in) financing activities	3,151	13,160	10,009	1,693
Net change in cash and cash equivalents	12,567	26,234	13,667	6,986
Cash and cash equivalents at beginning of period	11,411	18,396	6,986	11,411
Cash and cash equivalents at end of period	23,978	44,631	20,653	18,396