

FINANCIAL RESULTS

Financial Statements

(1) Balance Sheets

(in million yen)

	Prior Year End (As of March 31, 2004)		Current Year End (As of March 31, 2005)		Change
	Amount	%	Amount	%	Increase /Decrease
(ASSETS)					
Current Assets					
1 Cash	18,396		104,770		86,374
2 Accounts receivable	4,452		5,674		1,223
3 Merchandise	252		47		205
4 Inventories	19		6		12
5 Prepaid expenses	220		201		18
6 Other receivable	392		693		301
7 Deferred income taxes	-		192		192
8 Other current assets	2		1		1
Allowance for bad debt	-		1		1
Total current assets	23,732	48.2	111,584	82.7	87,852
Fixed Assets					
1 Tangible fixed assets					
(1) Building and structure	109		260		
Accumulated depreciation	38	71	53	207	136
(2) Machinery and equipment	35,114		41,526		
Accumulated depreciation	14,516	20,598	24,048	17,478	3,119
(3) Capitalized modems	3,102		2,757		
Accumulated depreciation	2,004	1,098	2,508	249	849
(4) Tools and furniture	604		1,203		
Accumulated depreciation	293	311	518	685	374
Total tangible fixed assets	22,077	44.9	18,619	13.8	3,459
2 Intangible assets					
(1) Goodwill	962		1,313		351
(2) Software	1,144		1,806		662
(3) Software in progress	93		-		93
(4) Indefeasible right of use	323		231		92
(5) Telephone subscription rights	0		1		0
Total intangible assets	2,523	5.1	3,351	2.5	828
3 Investments and other assets					
(1) Investment securities	200		200		-
(2) Investment in subsidiary	-		300		300
(3) Long-term prepaid expenses	476		106		370
(4) Long-term deposits	194		592		398
(5) Deferred income taxes	-		238		238
Total investments and other assets	870	1.8	1,436	1.1	566
Total fixed assets	25,470	51.8	23,406	17.3	2,064
TOTAL ASSETS	49,202	100.0	134,990	100.0	85,788

(in million yen)

	Prior Year End (As of March 31, 2003)		Current Year End (As of March 31, 2004)		Change
	Amount	%	Amount	%	Increase /Decrease
(LIABILITIES)					
Current Liabilities					
1 Trade accounts payable	755		895		140
2 Current portion of long-term debt	5,453		1,320		4,133
3 Other accounts payable	369		474		105
4 Accrued expenses	3,599		6,549		2,950
5 Income tax payable	9		119		110
6 Taxes and insurance withheld	73		72		0
7 Current portion of capital lease obligations	5,858		5,186		672
8 Current portion of installment obligations	1,160		172		988
9 Payable for fixed assets purchases	612		1,551		612
10 Consumption tax payable	368		132		236
11 Stock purchase warrants	29		15		14
12 Other current liabilities	11		7		3
Total current liabilities	18,296	37.2	16,493	12.2	1,804
Long-term liabilities					
1 Bonds	-		83,000		83,000
2 Long-term debt	5,350		2,030		3,320
3 Capital lease obligations, less current portion	9,207		4,775		4,432
4 Installment obligations, less current portion	155		77		78
5 Long-term other payables	231		139		92
Total long-term liabilities	14,943	30.4	90,021	66.7	75,078
TOTAL LIABILITIES	33,239	67.6	106,514	78.9	73,275
(SHAREHOLDERS' EQUITY)					
Capital Shares					
Capital Surplus					
1 Additional paid-in capital	14,231	27.8	3,880	11.3	1,574
Total capital surplus	14,231	28.9	3,880	2.9	10,351
Retained Earnings (Accumulated Deficit)					
1 Profit (deficit) at end of period	11,938		9,352		21,291
Total retained earnings (accumulated deficit)	11,938	24.3	9,352	6.9	21,291
TOTAL SHAREHOLDERS' EQUITY	15,963	32.4	28,476	21.1	12,514
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	49,202	100.0	134,990	100.0	85,788

(2) Statements of Operations

(in million yen)

	Year Ended (March 31, 2004)		Year Ended (March 31, 2005)		Change		
	Amount	%	Amount	%	Increase /Decrease		
Revenue		38,143	100.0		57,907	100.0	19,765
Cost of revenue		24,856	65.2		31,973	55.2	7,117
Gross profit		13,287	34.8		25,934	44.8	12,648
Selling, general and administrative expenses							
1 Advertising	9			244			
2 Sales promotion	2,720			4,576			
3 Allowance for bad debt expense	-			1			
4 Bad debt expense	-			10			
5 Salaries and benefits	1,509			2,129			
6 Professional fees	98			223			
7 Travel	94			140			
8 Rent	331			657			
9 Outsourcing	2,903			5,754			
10 Recruiting	29			56			
11 Supplies	14			16			
12 Tools	28			69			
13 Freight and communications	244			238			
14 Depreciation	122			202			
15 Amortization	618			996			
16 Research and development	-			752			
17 Others	427	9,147	24.0	565	16,625	28.7	7,479
Operating profit		4,140	10.9		9,309	16.1	5,169
Other income							
1 Interest and dividend income	0			4			
2 Income from sale of fixed assets	10			0			
3 Compensation	-			52			
4 Insurance income	7			-			
5 Consumption tax refund	3			-			
6 Miscellaneous income	6	27	0.1	5	62	0.1	35
Other expenses							
1 Interest expense	1,236			812			
2 Commission expense	109			139			
3 Registration taxes for bond issuances	-			321			
4 Registration taxes for share issuances	97	1,442	3.8	31	1,303	2.2	139
Recurring profit		2,724	7.1		8,068	13.9	5,343
Non-recurring profit							
1 Refund from Japan Telecom	-	-	-	1,970	1,970	3.4	1,970
Non-recurring loss							
1 Valuation loss on merchandise	-			67			
2 Loss on disposition of fixed assets	172			58			
3 Loss on disposition of intangible assets	-			383			
4 Non-recurring depreciation of fixed assets	187			16			
5 Non-recurring amortization of goodwill	-			296			
6 Non-recurring amortization of long-term prepaid	-	359	0.9	286	1,105	1.9	746
Income before income taxes		2,366	6.2		8,933	15.4	6,567
Income tax expense - current		9	0.0		11	0.0	2
Income tax expense - deferred		-			431	0.7	431
Net income		2,356	6.2		9,352	16.2	6,996
Accumulated deficit from prior period		14,295			-		14,295
Profit (deficit) at end of period		11,938			9,352		21,291

Statements of Cost of Revenues

(in million yen)

	Year Ended (March 31, 2004)		Year Ended (March 31, 2005)		Change
	Amount	%	Amount	%	Increase /Decrease
Tools	59	0.2	12	0.0	47
Salaries and benefits	515	2.1	726	2.3	211
Other cost of revenues					
1 Outsourcing	322	1.3	737	2.3	415
2 Depreciation and amortization	9,487	38.2	10,418	32.6	931
3 Network	10,101	40.6	12,104	37.9	2,002
4 Modems	3,845	15.5	7,355	23.0	3,511
5 Others	527	2.1	621	1.9	94
Cost of revenues	24,856	100.0	31,973	100.0	7,117

(3) Statements of Cash Flows

(in million yen)

	Year Ended (March 31, 2004)	Year Ended (March 31, 2005)	Change
	Amount	Amount	Increase /Decrease
Cash Flows from Operating Activities			
1 Income before income taxes	2,366	8,933	6,567
2 Depreciation	9,498	10,453	955
3 Amortization of intangible assets	730	1,163	433
4 Non-recurring amortization of long-term prepaid	-	286	286
5 Non-recurring depreciation of fixed assets	187	16	171
6 Non-recurring amortization of goodwill	-	296	296
7 Bad debt expense	-	10	10
8 Valuation loss on merchandise	-	67	67
9 Inventory write-offs	157	39	117
10 Income from sale of fixed assets	10	-	10
11 Loss on disposition of fixed assets	172	58	114
12 Loss on disposition of intangible assets	-	383	383
13 Interest and dividend income	0	4	4
14 Interest expense	1,236	812	423
15 Registration taxes for bond issuances	-	321	321
16 Registration taxes for share issuances	97	31	66
17 Accounts receivable	1,722	497	1,225
18 Merchandise	201	138	339
19 Inventory	19	12	31
20 Prepaid Expenses	99	42	57
21 Other receivable	241	299	539
22 Prepaid consumption taxes	515	236	751
23 Other current assets	1	2	2
24 Long-term prepaid expenses	285	93	192
25 Long-term deposits	4	217	213
26 Trade accounts payable	306	95	212
27 Other accounts payable	99	205	105
28 Accrued expenses	218	2,904	3,122
29 Taxes and insurance withheld	52	1	53
30 Other current liabilities	373	105	269
31 Long-term other payables	92	92	0
Subtotal	13,946	24,709	10,762
32 Interest and dividend received	0	4	4
33 Interest paid	1,208	802	405
34 Payments of income taxes	7	9	2
Net cash provided by operating activities	12,732	23,902	11,169
Cash Flows from Investing Activities			
1 Acquisition of tangible assets	3,654	5,075	1,421
2 Acquisition of intangible assets	443	1,017	574
3 Acquisition of Japan Telecom's ADSL business	-	2,123	2,123
4 Proceeds from sale of fixed assets	30	0	30
5 Acquisition of subsidiary stock	-	300	300
6 Payments received on loan receivable	13	-	13
Net cash used in investing activities	4,053	8,514	4,461
Cash Flows from Financing Activities			
1 Payments on capital lease obligations	5,317	6,187	870
2 Payments on installment obligations	1,527	1,168	359
3 Payments for short-term loan	3,100	-	3,100
4 Proceeds from long-term debt	4,825	-	4,825
5 Payments for long-term debt	4,597	7,453	2,857
6 Proceeds from issuance of bonds, net of registration tax	-	82,679	82,679
7 Proceeds from issuance of stocks, net of registration tax	8,023	3,116	4,907
Net cash provided by (used in) financing activities	1,693	70,987	72,680
Net change in cash and cash equivalents	6,986	86,374	79,388
Cash and cash equivalents at beginning of period	11,411	18,396	6,986
Cash and cash equivalents at end of period	18,396	104,770	86,374

(4) Appropriation of Retained Earnings

(in million yen)

	Year Ended (March 31, 2004)			Year Ended (March 31, 2005)		Increase /Decrease
	Amount			Amount		Amount
Deficit at end of period		11,938	Profit at end of period		9,352	
Dispositon of deficit			Appropriation of profit			
1 Reduction of additional paid-in capital	11,938	11,938	1 Dividends to stockholders (JPY1200 per share)	1,638	1,638	
Deficit to be carried forward		-	Profit to be carried forward		7,714	7,714

FINANCIAL FORECASTS

(in million yen)

	Year Ending (March 31, 2006)
	Amount
Revenue	58,500
Operating Profit	7,000
Recurring Profit	5,500
Net Income	2,700