

## 【Quarterly Financial Statements】

### 1. Balance Sheet

(in million yen, %)

	Prior Year Quarter End (As of June 30, 2004)		Current Quarter End (As of June 30, 2005)		Difference Amount	Prior Fiscal Year End (As of March 31, 2005)	
	Amount	%	Amount	%		Amount	%
<b>(ASSETS)</b>							
Current Assets							
1 Cash	41,416		101,276		59,860	104,770	
2 Accounts receivable	5,041		5,761		719	5,674	
3 Inventory	272		68		204	54	
4 Other current assets	692		570		123	1,087	
Allowance for bad debt	-		1		1	1	
Total current assets	47,422	65.7	107,673	81.6	60,251	111,584	82.7
Fixed Assets							
1 Tangible fixed assets							
(1) Building and structure	75		210		135	207	
(2) Machinery and equipment	20,001		16,775		3,226	17,478	
(3) Capitalized modems	835		152		682	249	
(4) Tools and furniture	292		640		348	685	
(5) Construction in progress	135		-		135	-	
Total tangible fixed assets	21,338		17,777		3,560	18,619	
2 Intangible assets	2,566		3,052		487	3,351	
3 Investment and other assets	833		3,375		2,541	1,436	
Total fixed assets	24,736	34.3	24,204	18.4	532	23,406	17.3
<b>TOTAL ASSETS</b>	<b>72,158</b>	<b>100.0</b>	<b>131,878</b>	<b>100.0</b>	<b>59,719</b>	<b>134,990</b>	<b>100.0</b>

	Prior Year Quarter End (As of June 30, 2004)		Current Quarter End (As of June 30, 2005)		Difference Amount	Prior Fiscal Year End (As of March 31, 2005)	
	Amount	%	Amount	%		Amount	%
<b>(LIABILITIES)</b>							
Current Liabilities							
1 Trade accounts payable	1,053		739		315	895	
2 Current portion of long-term debt	5,387		1,320		4,067	1,320	
3 Other accounts payable	1,205		2,059		854	2,024	
4 Accrued expenses	4,580		5,950		1,369	6,549	
5 Income taxes payable	27		483		456	119	
6 Current portion of capital lease obligations	5,869		4,778		1,091	5,186	
7 Current portion of installment obligations	830		74		756	172	
8 Stock purchase warrants	29		15		14	15	
9 Other current liabilities	195		219		24	212	
Total current liabilities	19,174	26.6	15,638	11.9	3,536	16,493	12.2
Long-term Liabilities							
1 Bonds	23,000		83,000		60,000	83,000	
2 Long-term debt	4,020		1,700		2,320	2,030	
3 Capital lease obligations, less current portion	8,163		3,780		4,383	4,775	
4 Installment obligations, less current portion	50		70		20	77	
5 Long-term other payables	208		116		92	139	
Total long-term liabilities	35,440	49.1	88,665	67.2	53,225	90,021	66.7
<b>TOTAL LIABILITIES</b>	<b>54,615</b>	<b>75.7</b>	<b>104,304</b>	<b>79.1</b>	<b>49,689</b>	<b>106,514</b>	<b>78.9</b>
<b>(SHAREHOLDERS' EQUITY)</b>							
Capital Shares							
Capital Surplus	13,712	19.0	15,253	11.6	1,542	15,244	11.3
1 Additional paid-in capital	2,334		3,889		1,555	3,880	
Total capital surplus	2,334	3.2	3,889	2.9	1,555	3,880	2.9
Retained Earnings							
1 Unappropriated retained earnings at end of period	1,499		8,643		7,144	9,352	
Total retained earnings	1,499	2.1	8,643	6.6	7,144	9,352	6.9
Unrealized gains or loss ( ) on investment securities	-		211	0.2	211	-	
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>17,544</b>	<b>24.3</b>	<b>27,574</b>	<b>20.9</b>	<b>10,030</b>	<b>28,476</b>	<b>21.1</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>72,158</b>	<b>100.0</b>	<b>131,878</b>	<b>100.0</b>	<b>59,719</b>	<b>134,990</b>	<b>100.0</b>

## 2. Statements of Operation

(in million yen,%)

	Prior Year First Quarter (Three months ended June 30, 2004)		Current First Quarter (Three months ended June 30, 2005)		Difference	Prior Fiscal Year (Year ended March 31, 2005)	
	Amount	%	Amount	%		Amount	%
Revenue	12,108	100.0	15,219	100.0	3,111	57,907	100.0
Cost of revenue	7,461	61.6	8,156	53.6	696	31,973	55.2
Gross profit	4,647	38.4	7,063	46.4	2,416	25,934	44.8
Selling, general and administrative expenses	2,854	23.6	5,073	33.3	2,218	16,625	28.7
Operating profit	1,793	14.8	1,990	13.1	197	9,309	16.1
Other income	5	0.0	8	0.1	4	62	0.1
Other expenses	297	2.5	423	2.8	126	1,303	2.2
Recurring profit	1,501	12.4	1,576	10.4	75	8,068	13.9
Non-recurring income	-		1	0.0	1	1,970	3.4
Non-recurring expenses	-		-		-	1,105	1.9
Income before income taxes	1,501	12.4	1,577	10.4	76	8,933	15.4
Income tax expense - current	3	0.0	461	3.0	459	11	0.0
Income tax expense - defferred	-		187	1.2	187	431	0.7
Net income	1,499	12.4	929	6.1	570	9,352	16.2
Retained earnings from prior preiod	-		7,714		7,714	-	
Unappropriated retained earnings at end of period	1,499		8,643		7,144	9,352	

### 3. Statements of Cash Flows

(in million yen,%)

	Prior Year First Quarter (Three months ended June 30, 2004)	Current First Quarter (Three months ended June 30, 2005)	Difference	Prior Fiscal Year (Year ended March 31, 2005)
	Amount	Amount	Amount	Amount
Cash Flow from Operating Activities				
1 Income before income taxes	1,501	1,577	76	8,933
2 Depreciation	2,538	2,529	9	10,453
3 Amortization of intangible assets	197	355	158	1,163
4 Accelerated amortization of long-term prepaid expenses	-	-	-	286
5 Accelerated amortization of tangible assets	-	-	-	16
6 Accelerated amortization of intangible assets	-	-	-	296
7 Valuation loss on merchandise	-	-	-	67
8 Inventory write-offs	7	-	7	39
9 Loss on disposition of fixed assets	-	-	-	441
10 Interest and dividend income	4	4	0	4
11 Interest expense	260	400	140	812
12 Registration taxes for bond issuances	15	-	15	321
13 Accounts receivable	590	86	504	487
14 Inventory	1	15	13	151
15 Other current assets	79	394	474	255
16 Investments and other assets	37	84	120	124
17 Trade accounts payable	299	157	455	95
18 Other accounts payable	108	7	115	205
19 Accrued expenses	983	878	1,861	2,904
20 Other current liabilities	232	77	156	132
21 Long-term other payables	23	23	0	92
22 Others	-	1	1	31
Subtotal	4,798	3,938	860	24,709
23 Interest and dividend received	4	4	0	4
24 Interest paid	261	121	140	802
25 Payments of income taxes	9	11	2	9
Net cash provided by operating activities	4,531	3,810	721	23,902

(in million yen,%)

	Prior Year First Quarter (Three months ended June 30, 2004)	Current First Quarter (Three months ended June 30, 2005)	Difference	Prior Fiscal Year (Year ended March 31, 2005)
	Amount	Amount	Amount	Amount
Cash Flows from Investing Activities				
1 Acquisition of tangible assets	1,094	1,781	687	5,075
2 Acquisition of intangible assets	160	329	169	1,017
3 Acquisition of Investments	-	2,107	2,107	-
4 Acquisition of AOL's ISP business	-	-	-	2,123
5 Acquisition of subsidiary stocks	-	-	-	300
6 Others	0	20	20	-
Net cash used in investing activities	1,254	4,237	2,983	8,514
Cash Flow from Financing Activities				
1 Payments on capital lease obligations	1,493	1,403	89	6,187
2 Payments on installment obligations	436	106	330	1,168
3 Payments for long-term debt	1,397	330	1,067	7,453
4 Proceeds from issuance of bonds, net of registration tax	22,986	-	22,986	82,679
5 Proceeds from issuance of stocks, net of registration tax	82	17	65	3,116
6 Payments of dividends	-	1,245	1,245	-
Net cash provided by (used in) financing activities	19,742	3,067	22,809	70,987
Net change in cash and cash equivalents	23,020	3,494	26,514	86,374
Cash and cash equivalents at beginning of period	18,396	104,770	86,374	18,396
Cash and cash equivalents at end of period	41,416	101,276	59,860	104,770