

FINANCIAL RESULTS

【Financial Statements – eAccess only】

- Fiscal Year Ended March 31, 2006 -

1. Balance Sheets

(in million yen, %)

	Prior Year End (As of March 31, 2005)		Current Year End (As of March 31, 2006)		Change
	Amount	%	Amount	%	Increase /Decrease
(ASSETS)					
I Current Assets					
1 Cash	104,770		67,978		△36,793
2 Accounts receivable	5,674		5,452		△223
3 Merchandise	47		40		△7
4 Inventory	6		0		△6
5 Prepaid expenses	201		282		80
6 Other receivable	693		1,125		432
7 Deferred income taxes	192		495		303
8 Other current assets	1		3		2
Allowance for bad debt	△1		△7		△6
Total current assets	111,584	82.7	75,367	52.9	△36,217
II Fixed Assets					
1 Tangible fixed assets					
(1) Building and structure	260		301		
Accumulated depreciation	53	207	68	233	27
(2) Machinery and equipment	41,219		38,416		
Accumulated depreciation	23,740	17,478	24,123	14,292	△3,186
(3) Capitalized modems	2,757		2,300		
Accumulated depreciation	2,508	249	2,220	79	△170
(4) Tools and furniture	1,203		1,099		
Accumulated depreciation	518	685	495	605	△80
(5) Construction in progress	-		10		10
Total tangible fixed assets	18,619	13.8	15,220	10.7	△3,399
2 Intangible assets					
(1) Goodwill	1,313		772		△541
(2) Software	1,806		1,880		74
(3) Construction in progress	-		19		19
(4) Indefeasible right of use	231		139		△92
(5) Telephone subscription rights	1		1		-
Total intangible assets	3,351	2.5	2,810	2.0	△541
3 Investments and other assets					
(1) Investment securities	200		2,336		2,136
(2) Investment in subsidiary	300		45,300		45,000
(3) Other investment	-		12		12
(4) Long-term prepaid expenses	106		64		△42
(5) Long-term deposits	592		628		36
(6) Deferred income taxes	238		769		530
Total investments and other assets	1,436	1.1	49,108	34.5	47,672
Total fixed assets	23,406	17.3	67,138	47.1	43,732
TOTAL ASSETS	134,990	100.0	142,505	100.0	7,515

Balance Sheets (Continued)

(in million yen, %)

	Prior Year End (As of March 31, 2005)		Current Year End (As of March 31, 2006)		Change
	Amount	%	Amount	%	Increase /Decrease
(LIABILITIES)					
I Current liabilities					
1 Trade accounts payable	895		758		△137
2 Current portion of long-term debt	1,320		3,200		1,880
3 Other accounts payable	474		1,921		1,448
4 Accrued expenses	6,549		3,429		△3,120
5 Income taxes payable	119		3,917		3,799
6 Deposits payable	72		83		11
7 Current portion of capital lease obligations	5,186		3,247		△1,939
8 Current portion of installment obligations	172		28		△145
9 Payable for fixed asset purchases	1,551		1,634		83
10 Consumption tax payable	132		220		88
11 Bonus accrual for directors	-		30		30
12 Stock purchase warrants	15		5		△10
13 Other current liabilities	7		12		4
Total current liabilities	16,493	12.2	18,484	13.0	1,991
II Long-term liabilities					
1 Bonds	83,000		83,000		-
2 Long-term debt	2,030		3,890		1,860
3 Capital lease obligations, less current portion	4,775		1,519		△3,257
4 Installment obligations, less current portion	77		50		△28
5 Long-term other payables	139		46		△92
Total long-term liabilities	90,021	66.7	88,504	62.1	△1,517
TOTAL LIABILITIES	106,514	78.9	106,988	75.1	475
(SHAREHOLDER'S EQUITY)					
I Capital shares	15,244	11.3	16,403	11.5	1,159
II Capital surplus					
1 Additional paid-in capital	3,880		5,049		1,169
Total capital surplus	3,880	2.9	5,049	3.5	1,169
III Retained earnings					
1 Profit at end of period	9,352		14,048		4,696
Total retained earnings	9,352	6.9	14,048	9.9	4,696
IV Unrealized gains on investment securities	-	-	17	0.0	17
Total shareholder's equity	28,476	21.1	35,517	24.9	7,040
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	134,990	100.0	142,505	100.0	7,515

2. Statements of Operations

(in million yen, %)

	For the year ended (March 31, 2005)		For the year ended (March 31, 2006)		Change Increase /Decrease
	Amount	%	Amount	%	
I Revenue	57,907	100.0	60,353	100.0	2,446
II Cost of revenue	31,973	55.2	31,589	52.3	△385
Gross profit	25,934	44.8	28,764	47.7	2,830
III Selling, general and administrative expenses					
1 Advertising	244		115		
2 Sales promotion	4,576		5,889		
3 Allowance for bad debt expenses	1		6		
4 Bad debt expenses	10		10		
5 Salaries and benefits	2,129		2,051		
6 Director's bonus	-		30		
7 Professional fees	223		164		
8 Travel	140		201		
9 Rent	657		670		
10 Outsourcing	5,754		5,977		
11 Recruiting	56		67		
12 Supplies	16		23		
13 Tools	69		132		
14 Freight and communications	238		276		
15 Depreciation	202		298		
16 Amortization	996		967		
17 Research and development	752		486		
18 Others	565	16,625	516	17,876	29.6
Operating profit	9,309	16.1	10,888	18.0	1,579
IV Other income					
1 Interest and dividend income	4		5		
2 Commission received	-		5		
3 Gains on sale of fixed assets	0		-		
4 Compensation received	52		-		
5 Other income	5	62	14	24	0.0
Other income					△38
V Other expenses					
1 Interest expense	812		1,435		
2 Commission	139		57		
3 Bond issuance costs	321		-		
4 Stock issuance costs	31		9		
5 Others	0	1,303	23	1,524	2.5
Other expenses					221
Recurring profit	8,068	13.9	9,388	15.6	1,320
VI Non-recurring income					
1 Payments received from Japan Telecom	1,970		-		
2 Gains on sale of fixed assets	-	1,970	1	1	0.0
Non-recurring income					△1,969
VII Non-recurring expenses					
1 Valuation loss on inventory	67		-		
2 Loss on disposition of tangible assets	58		11		
3 Loss on disposition of intangible assets	383		13		
4 Non-recurring depreciation of assets	16		-		
5 Non-recurring amortization of goodwill	296		-		
6 Non-recurring amortization of long-term prepaid expenses	286		-		
7 Loss on devaluation of investments	-	1,105	16	41	0.1
Non-recurring expenses					△1,064
Income before income taxes	8,933	15.4	9,348	15.5	416
Income tax expense - current	11		3,859		
Income tax expense - deferred	△431	△419	△845	3,015	5.0
Net income	9,352	16.2	6,334	10.5	△3,018
Retained earnings from prior period	-		7,714		7,714
Unappropriated retained earnings at end of period	9,352		14,048		4,696