

## Quarterly Financial Statements

### (1) Balance Sheets

(in thousand yen)

	Prior Year Quarter End		Current Quarter End		Prior Fiscal Year End - Condensed -	
	(As of June 30, 2002)		(As of June 30, 2003)		(As of March 31, 2003)	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
<b>(ASSETS)</b>						
Current Assets		%		%		%
1 Cash and cash deposit	8,654,721		10,558,013		11,410,649	
2 Accounts receivable	1,624,819		3,208,665		2,729,623	
3 Inventory	1,679,243		75,738		51,257	
4 Other current assets	1,518,140		622,431		1,173,554	
Total current assets	13,476,923	38.9	14,464,847	34.0	15,365,083	36.1
Fixed Assets						
1 Tangible fixed assets						
(1) Building and structure	65,948		73,336		76,179	
(2) Machinery and equipment	15,026,626		22,106,470		20,697,130	
(3) Capitalized modems	2,832,233		2,386,041		2,702,529	
(4) Tools and furniture	234,504		179,276		200,103	
(5) Construction in progress	-		116,130		-	
Total tangible fixed assets	18,159,311		24,861,253		23,675,941	
2 Intangible assets	1,958,105		2,276,698		2,508,510	
3 Investments and other assets	1,040,533		990,531		1,033,463	
Total fixed assets	21,157,949	61.1	28,128,482	66.0	27,217,914	63.9
<b>TOTAL ASSETS</b>	<b>34,634,872</b>	<b>100.0</b>	<b>42,593,329</b>	<b>100.0</b>	<b>42,582,997</b>	<b>100.0</b>
<b>(LIABILITIES)</b>						
Current Liabilities						
1 Trade accounts payable	1,510,251		363,681		448,662	
2 Short-term loan	100,000		2,384,000		3,100,000	
3 Current portion of long-term debt	916,664		4,266,664		4,266,664	
4 Other accounts payable	716,609		749,850		1,049,215	
5 Accrued expenses	2,235,882		5,436,585		4,840,563	
6 Income taxes payable	1,755		2,078		7,020	
7 Current portion of capital lease obligations	2,878,516		5,058,688		4,389,376	
8 Current portion of installment obligations	1,085,130		1,417,231		1,403,513	
9 Stock purchase warrants	28,733		28,733		28,733	
10 Other current liabilities	45,707		183,980		25,730	
Total current liabilities	9,519,247	27.5	19,891,490	46.7	19,559,476	45.9
Long-term Liabilities						
1 Long-term debt	6,183,338		5,066,674		6,133,340	
2 Capital lease obligations, less current portion	7,687,538		10,642,750		9,656,118	
3 Installment obligations, less current portion	1,849,271		1,064,264		1,423,881	
4 Long-term other payables	-		300,300		323,400	
Total long-term liabilities	15,720,147	45.4	17,073,988	40.1	17,536,739	41.2
<b>TOTAL LIABILITIES</b>	<b>25,239,394</b>	<b>72.9</b>	<b>36,965,478</b>	<b>86.8</b>	<b>37,096,215</b>	<b>87.1</b>
<b>(SHAREHOLDERS' EQUITY)</b>						
Capital Shares	10,528,290	30.4	10,528,290	24.7	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	26.7	9,253,290	21.7	9,253,290	21.7
Retained Earnings (Accumulated Deficit)						
1 Deficit at end of period	10,386,102		14,153,729		14,294,798	
Total retained earnings (accumulated deficit)	10,386,102	30.0	14,153,729	33.2	14,294,798	33.5
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>9,395,478</b>	<b>27.1</b>	<b>5,627,851</b>	<b>13.2</b>	<b>5,486,782</b>	<b>12.9</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>34,634,872</b>	<b>100.0</b>	<b>42,593,329</b>	<b>100.0</b>	<b>42,582,997</b>	<b>100.0</b>

## (2) Statements of Operations

(in thousand yen)

	Three Months Ended		Three Months Ended		Year Ended	
	June 30, 2002		June 30, 2003		March 31, 2003	
					- Condensed -	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Revenue	2,802,195	100.0	8,250,216	100.0	20,275,769	100.0
Cost of revenue	2,564,559	91.5	5,799,330	70.3	16,699,002	82.4
Gross profit	237,636	8.5	2,450,886	29.7	3,576,767	17.6
Selling, general & administrative expenses	1,737,610	62.0	1,992,252	24.1	7,923,048	39.0
Operating profit (loss)	1,499,974	53.5	458,634	5.6	4,346,281	21.4
Other income	3,644	0.1	3,229	0.0	35,880	0.2
Other expenses	172,080	6.1	318,716	3.9	984,733	4.9
Recurring profit (loss)	1,668,410	59.5	143,147	1.7	5,295,134	26.1
Non-recurring income	-		-		276,707	1.4
Income (loss) before income taxes	1,668,410	59.5	143,147	1.7	5,571,841	27.5
Income taxes	1,755	0.1	2,078	0.0	7,020	0.0
Net income (loss)	1,670,165	59.6	141,069	1.7	5,578,861	27.5
Accumulated deficit from prior period	8,715,937		14,294,798		8,715,937	
Deficit at end of period	10,386,102		14,153,729		14,294,798	

(3) Statements of Cash Flows

(in thousand yen)

	Three Months Ended	Three Months Ended	Year Ended	
	June 30, 2002	June 30, 2003	March 31, 2003 - Condensed -	
	Amount	Amount	Amount	
<b>Cash Flows from Operating Activities</b>				
1	Income (loss) before income taxes	1,668,410	143,147	5,571,841
2	Depreciation	1,179,909	2,187,400	6,492,763
3	Amortization of intangible assets	103,628	152,592	628,912
4	Interest income	267	34	1,594
5	Interest expenses	165,151	294,341	906,853
6	Accounts receivable	604,724	479,041	1,709,528
7	Inventory	78,797	24,481	1,549,189
8	Other current assets	268,501	566,875	76,535
9	Investments and other assets	172,234	26,971	34,212
10	Trade accounts payable	1,104,348	84,981	2,165,937
11	Other accounts payable	518,004	81,378	266,584
12	Accrued expenses	555,816	779,007	2,592,629
13	Other current liabilities	28,515	158,249	8,537
14	Long-term other payables	-	23,100	46,200
	Subtotal	2,382,266	3,615,567	2,527,946
15	Interest received	267	34	1,594
16	Interest paid	164,707	294,341	911,904
17	Payment of income taxes	5,010	7,020	5,010
	Net cash provided by (used in) operating activities	2,551,716	3,314,240	1,612,626
<b>Cash Flows from Investing Activities</b>				
1	Purchase of tangible assets	410,255	847,541	3,792,330
2	Acquisition of intangible assets	119,194	25,709	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	205	208	823
	Net cash used in investing activities	5,952,632	873,042	9,952,741
<b>Cash Flows from Financing Activities</b>				
1	Payments on capital lease obligations	672,401	1,165,269	3,402,082
2	Payments on Installment obligations	240,314	345,899	1,218,940
3	Proceeds from short-term loan payable	-	-	3,100,000
4	Proceeds from long-term debt	6,500,000	-	10,000,000
5	Payments for short-term loan payable	-	716,000	100,000
6	Payments for long-term debt	66,666	1,066,666	266,664
	Net cash provided by (used in) financing activities	5,520,619	3,293,834	8,112,314
	Net change in cash and cash equivalents	2,983,729	852,636	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	8,654,721	10,558,013	11,410,649