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Period of: March 2006

Interim Flash Financial Report (Consolidated)

November 14, 2005

Company Name: Japan Communications Inc.

Listed Securities Exchange: Osaka Securities Exchange, Hercules

Stock Code: 9424

Location of Head Office: Tokyo

(URL <http://www.j-com.co.jp>)

Representative: Frank Seiji Sanda, Representative Director and CEO

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Board of Directors meeting convened: November 14, 2005

Was this report prepared in line with U.S. Accounting Standards: No

1 Consolidated interim results (April 1, 2005 to September 30, 2005)

(1) Consolidated results of operations (Amounts rounded down, percentages are rounded).

	Net Sales		Operating Profit		Ordinary Income	
	Million Yen	%	Million Yen	%	Million Yen	%
Interim ended Sep 2005	2,506	11.7	120	93.3	58	- 8.8
Interim ended Sep 2004	2,244	-22.6	62	—	63	—
Full year ended Mar 2005	4,559		181		153	

	Interim Net Income		Interim Net Income per Share		Net Income per fully diluted share	
	Million Yen	%	Yen	Sen	Yen	Sen
Interim ended Sep 2005	55	39.4	258	33	245	26
Interim ended Sep 2004	39	—	222	49	—	—
Full year ended Mar 2005	112		629	98	—	—

(Notes)

- ① Profits and losses due to holding investment period: Sep 2005 —million Yen / period: Sep 2004 —million Yen / period: Mar 2005 —million Yen
- ② Average Shareholdings (Consolidated) period: Sept 2005 213,617 shares / period: Sept 2004 177,931 shares / period: Mar 2005 178,454 shares
- ③ Changes in accounting method: None
- ④ The percentages displayed indicate any gains/losses compared with the previous year in terms of Net Sales, Operating Profit, Ordinary Income and Interim Net Income

(2) Consolidated Financial Status

	Total Assets	Shareholder's Equity	Equity Ratio	Shareholder' Equity per Share	
	Million Yen	Million Yen	%	Yen	Sen
Interim ended Sep 2005	4,493	3,564	79.3	16,278	11
Interim ended Sep 2004	2,486	1,583	63.7	8,897	17
Full year ended Mar 2005	2,792	1,683	60.3	9,395	04

(Note) Share outstanding (Consolidated figures): period: Sept 2005 219,021 shares / period: Sept 2004 177,948 shares / period: Mar 2005 179,204 shares

(3) Consolidated Cash Flow Status

	Cash Flow from Operations	Cash Flow from Investing	Cash Flow from Financing	Cash and Cash Equivalents at end of period
	Million Yen	Million Yen	Million Yen	Million Yen
Interim ended Sep 2005	36	-611	1,781	2,185
Interim ended Sep 2004	416	-229	-143	833
Full year ended Mar 2005	949	-582	-177	978

(4) Scope of consolidation and Equity Method applied

Consolidated subsidiaries: 1 company

(5) Change in scope of consolidation and Equity Method applied

No change

2 There are no changes to the forecasts announced on March 18, 2005 for the forecasted consolidated results for the period of March 2006 (April 1, 2005 to March 31, 2006)

(Reference Data)

	Net Sales	Ordinary Income	Net Income
	Million Yen	Million Yen	Million Yen
Full Business Year	6,255	457	451

(Reference) The forecasted net income per share (full business year) is 2,111 yen 29 sen.

\* The above forecast, as much as possible, takes into account the current status of the market and future precedents, forecasts and business plans. However, due to uncertain risks such as the state of the global economy, competitors and currency exchange rates, actual performance may differ greatly from the figure forecasted above.

## I. Group Companies

Japan Communications Inc. and its consolidated subsidiary (hereafter referred to as our group) is engaged in businesses providing unique wireless communication services, using the wireless communication networks of mobile carriers and public wireless LAN spots.

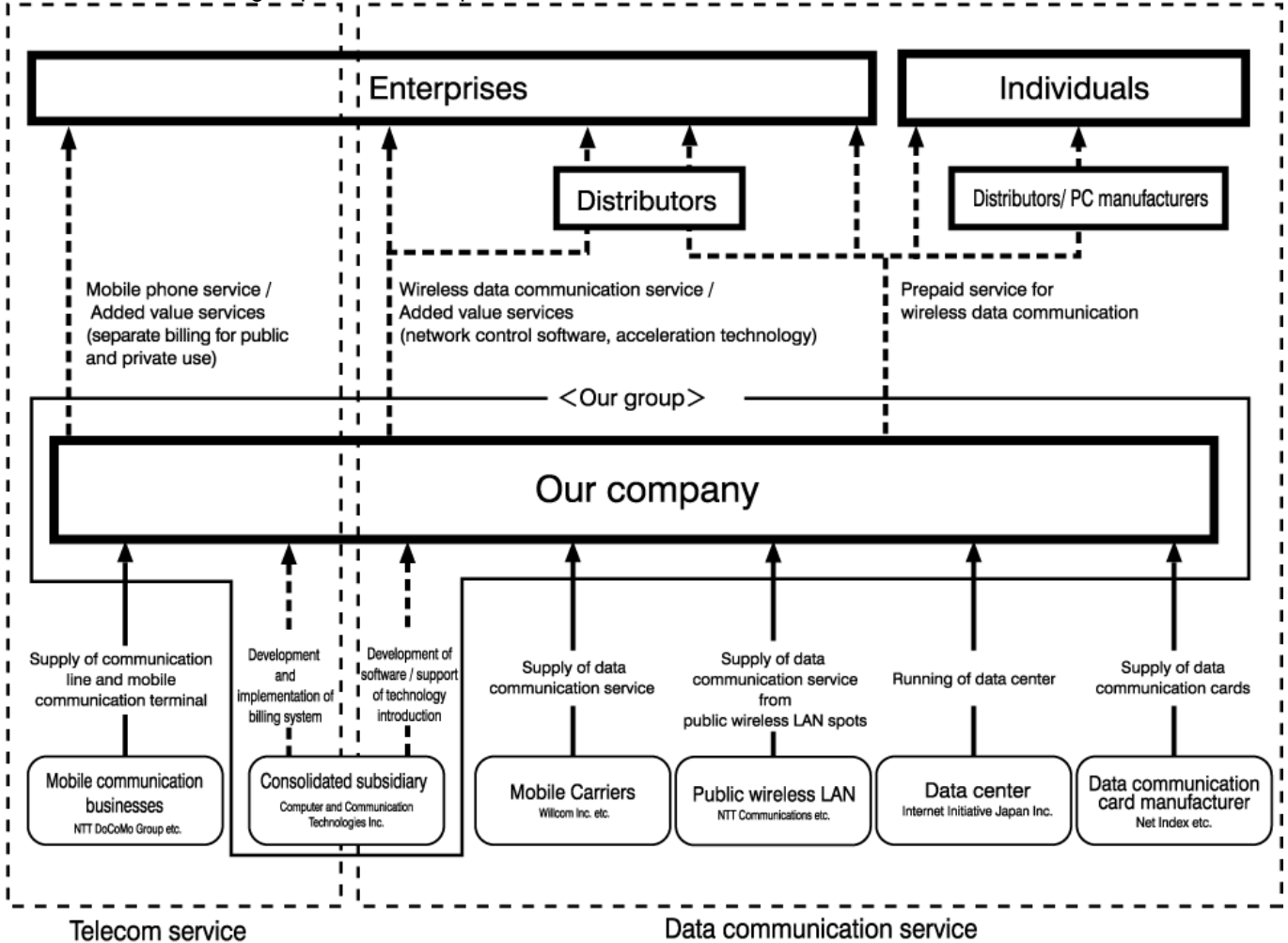
The position of the consolidated subsidiary of our group is as follows.

Name	Location	Capital	Principle Business	Voting Rights Percentage		Internal relations
				Owned by parent (%)	Owned by subsidiary (%)	
Computer and Communication Technologies Inc.	Englewood, Colorado, U.S.A.	(US\$) 1,000,010	Development of data communication related technology and services, as well as the development and implementation of billing systems.	100.0	—	Outsourced development of technology and services, as well as the implementation of part of our group's services. BOD members from parent company: 2

The type and content of the services offered by our group (hereinafter referred to as "our services") are as follows.

Type of services	A summary of the principle services
Data communication services	Using the wireless communications network provided by mobile carriers, we offer wireless data communication services with added values such as better security or user friendliness through the development of our own technologies, such as network control software.
	①. Services for Enterprises
	Aimed mainly at our enterprise clients, we provide wireless data communication services tailored to the challenges and needs of each client. We will design, develop, structure, support and implement the wireless data communication services. (Service commenced October 2001)
	②. Services for Individuals
	Aimed mainly at our small to medium sized corporate clients and the individuals, we have packaged together data communication cards, network control software, network charges and Internet connection fees, in order to provide a prepaid wireless data communication service. (Service commenced December 2001)
Telecommunications service	③. Telecom Battery
	Aimed mainly at equipment manufacturers, we provide communications services as a component of hardware equipment. Until now, it was necessary to subscribe to a communication service provider on top of buying the equipment. Now, we have made it possible to build this service into the equipment like a battery, which can then be sold as a convenient, fully functioning product. (Service commenced December 2002)
	Mobile phone services (including PHS voice communication, hereinafter the same) aimed at enterprises with added value such the choice of public or private billing or breakdown of charges by division. These will be obtained through the procurement of communications lines and mobile communications terminals from mobile carriers. (Service commenced January 1997)

The flow chart for our group's business operations is as follows:



## II. Corporate Direction

### 1. Outline of our company's business

Our group is engaged in businesses providing our clients with high value added communication services and communication related services. For many enterprises, it is extremely important to improve productivity by operating their businesses using communication and communication related services. However, technological innovation in the communication services is progressing more rapidly, making it very difficult for customers to understand and choose the most up to date, optimal service. Our group has taken on the role of "Telecommunication Integrator", offering clients this new and complicated technology in an understandable, easy to use form.

Our target customer segments include enterprises whose objective is to improve the productivity of the organization, such as sales and field services, and individuals whose objective is to improve the efficiency of their own business. Now we are expanding to a third group, the manufacturers of various equipment requiring communication services.

Our group does not own any wireless communications infrastructure. Our business model involves the procurement of the necessary communications lines and technologies, the integration of those by our group's expertise and technology, and finally the packaging of the services in an accessible form for our clients. Concerning data communication services, complementary technologies such as security technology are becoming increasingly important. Thus, data communication alone is no longer enough to fulfill customer needs. Our business model stems from the recognition that, from the point of view of our clients, there is a demand for a complete solution integrated with related services necessary for data communications.

### 2. Our policy concerning the distribution of profits

Our company considers the financial return to our shareholders as an important aspect in running our business. We intend to take measures to maximize return to our shareholders by balancing investments in the expansion of

our current business as well as into new businesses and our internal reserves. Our group has introduced incentive plans such as stock options for our directors, auditors, and employees in both the company and its subsidiary, in order to encourage participation and contribution in the business. Our group plans to continue granting stock options in the future, to maintain and increase the morale of the directors and employees, as well as to create an incentive to attract talented people.

### 3. Thoughts on tradable units of shares

We would like to further attract continuous investment from individual and institutional investors. Therefore, we intend to maintain a unit number of shares for trading that will make it easier for individual investors to invest in our company.

### 4. Key management performance indicators

Our group has been promoting the transition of our main operations from mobile phone services that we have been providing corporations with since our establishment, to data communication services that we have been offering since 2001. For this interim consolidated accounting period, data communication services accounted for 58.0% of net sales and 78.5% of gross profit, indicating that it has indeed grown to become our group's main service. Furthermore, concerning the providing of services with high added value that we consider to be our principle objective, we believe our achievements will be reflected in our gross profit to sales ratio (gross margin ratio), and we have set this as one of our management indicators. Specifically, we aim to have profitability in the 40's% in the medium term, and will continue to put our efforts into fulfilling this aim. The gross profit to sales ratio reached 51.5% in this interim consolidated accounting period.

### 5. Our management strategies for the mid- and long-term

Our group plans to continue putting efforts into the growth of the data communications service sector. Specifically, we will promote the development and provision of new services in the sector for enterprise clients, while at the same time invest in new products or the expansion of distribution channels for our data communication services for individual customers. Since the Act on the Protection of Personal Information came into effect on April 1, 2005, there has been an even greater interest in information security, but on the other hand, companies are faced with a much higher demand for the access of networks from outside the company, which can improve productivity, for example for sales operations. Our group will continue to observe such market conditions and develop a "solution that allows the access of company networks from outside while maintaining a high level of information security". This service is offered at the moment as the "xWAN" service; we intend to make further development on the security and usability and actively expand on our sales base.

We will strengthen the development and sales of the third aspect to our data communications service, the Telecom Battery. In this ubiquitous network era, various equipment manufactures are developing products already installed with network access functions, but our group has been targeting these manufactures with our Telecom Battery, a component that turns communication into something as easily usable as a battery. The results of our efforts may take some time to be seen, as this is an entirely new endeavor for the equipment manufacturers as well, but we intend to continue promoting its progress.

In addition to such movements in the domestic market, we are considering plans for the mid- and long-term to take the expertise and technologies that we have accumulated in Japan abroad. We are already taking steps to introduce our services in the US, through our US subsidiary, Computer and Communication Technologies Inc.

### 6. Challenges facing the Company

#### ① Perspective on current status

In the mobile telecommunications industry, innovation and evolution in technology and services progresses rapidly, and at the same time customer needs also go through extreme changes. Due to this phenomenon, combined with the peculiar structure of our industry, where a few predominant telecommunications carriers (formerly "type I carriers") own the mobile telecommunications infrastructure, competition is expected to intensify increasingly in the future. Additionally, the field of data communication, a core service of our group, was created by combining the mobile communications and computer industries, thus we recognize the possibility of rapid change in the industry's structure and competitive environment.

In such an industry, our group has continuously developed and provided services such as value-added mobile phone services, international mobile phone rental, applications accessible via mobile phone browsers and wireless data services.

Moreover, as part of management reform to improve corporate profitability, we have started to focus on data communication services that yield higher gross margins, and have implemented the transition steadily. On a further note, communications have been shifting from circuit switching to packet transmission, as seen by the spread of IP telephone systems. We expect that there will be a growing demand for integrated data and telecommunication services, and we recognize the need to take on integrated services in the future.

② Near-term challenges

Our group believes that our immediate challenge is to widen the product offerings and service menus so that we can stay ahead of competitors, expand our customer base and accumulate technological know-how in order to meet the continuing growth in demand for wireless data communication services in this growing industry. In this rapidly changing business environment, our group recognizes that it is essential to work continuously to respond to these changes if we are to continue to grow and expand. More concretely, we must establish a leadership role in the growing wireless data communication field by developing new products, new services and new sales channels that meet the needs of current and future customers. By focusing on the technological changes and advancements taking place in both the mobile telecommunications and IT industries, such as 3G cellular phone service and next generation PHS systems that enable high-speed data transmission in the mobile communication industry, and advances in wireless LAN technology and information security technology, etc. in the IT industry, we can maximize our chances of expanding our business.

③ Management issues

We intend to actively handle the following important measures under the business environment mentioned above; the future potential of technological innovation and the revolution in the IT and mobile communications businesses. This will also include a timely and accurate grasp of the potential needs or explicit needs of both customers and prospective customers at the same time. Furthermore, we will develop new services and products for stable business growth and expansion.

Customer and sales channels	Enhance customer support and sales channel support
Further enhancement of technical sales potential	Respond to the increasingly high level of customer demand
Sales channel	Explore and cultivate sales channels and business partnership relations
Technological development	Enhance capabilities for technological development
Improvement of planning capability	Timely and accurate grasp of explicit and potential needs of customers including prospective customers
Enhancement of technology	Timely forecast and understand technical innovations and progress in the mobile communications and IT industry at a global level
Improvement of development capability	Participate in competitive markets of new services or products
Technology and service alliance	Drive alliance in technology and services with domestic and overseas corporations
Strengthening of negotiating powers for purchasing	Improve conditions for purchasing wireless communication services supplied by mobile carriers
Stabilization of network systems	Continuously enhance stability of network systems and the like to ensure stable service
Human resources	Employ more talented people who can advance our growth potential. Increase motivation and skills of management and employees

7. Considerations related to corporate governance and the implementation of policies

Recognizing good corporate governance as one of the most important challenges for management for the maximization of company value, our company has endeavored to maintain transparency and improve efficiency in our business operations. We adopt the auditor system under the Japanese commercial law, but we also actively incorporate good aspects of companies with committees and the corporate governance structure from the US on which they are based, resulting in a system with an emphasis on strong corporate governance, as seen below.

The Representative Director makes decisions on business policies concerning everyday affairs, but decisions concerning important matters can only be made with a resolution from the Board of Directors, who also monitor the affairs of the business. The majority of the directors on the Board of Directors of our company have been appointed from outside. This system makes the role of monitoring easier, as the members of the board are not involved in ordinary business affairs and can therefore provide objective advice and various kinds of business guidance. Our board members from outside are those with substantial experience in running a business, or from academia, and are responsible for the strict monitoring function of our company's business affairs.

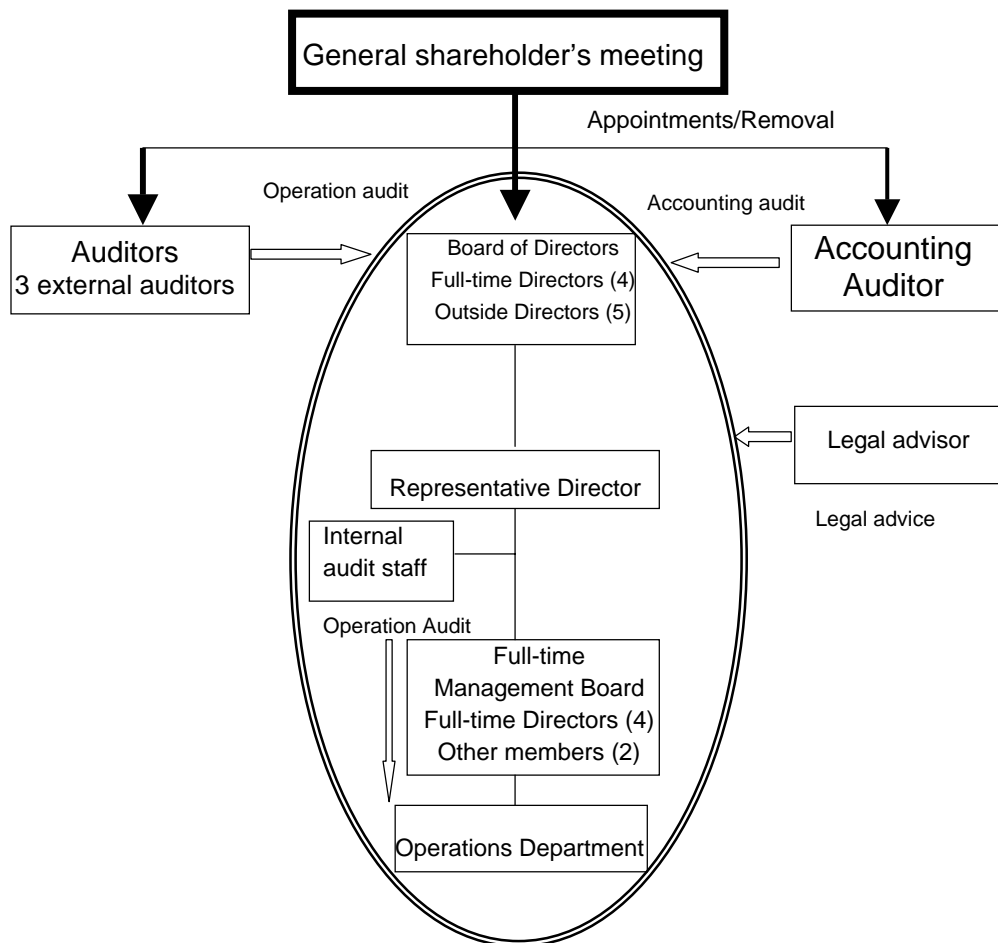
As a system of monitoring the executive duties of the members of the Board of Directors under commercial law, a board of auditors monitors the legality and optimality of the business. The board of auditors consists of three members from outside the company, including one full-time auditor, ensuring its substantial independence. All three members have substantial experience in business and management and are fully competent in the role of monitoring the executive duties of the board.

Furthermore, our company has been deepening our executive operations, while at the same time appointing Management Board members for crucial duties to ensure that the mutual communication with the managers runs smoothly. Although they hold no directorial responsibilities, the Management Board members assist the directors in their daily duties and promote the company's executive operations as a whole.

Moreover, our company has established a Management Board consisting of representative directors, other full-time directors, and Management Board members. This board holds meetings principally every week to discuss matters directly related to the business operations, and any discussions or mutual supervision of executive operations take place here.

On another note, in addition to the business auditing system, there is a separate auditor for the auditing of accounting affairs, and with regard to internal investigations, an internal auditing staff directly reports to the CEO carries out an operation audit on a regular basis. With regard to the observance of laws, we receive advice from our outside legal council as appropriate and strive for complete compliance and enforcement.

A summary of our company's business administrative structure concerning executive and auditing operations is as follows:



8. Matters concerning parent companies

Not applicable

### **III. Business results and financials**

#### **1. Business results**

The mobile telecommunications industry remained firm during this period, with the number of mobile phone and PHS subscriber lines reaching 93.61 million as of September 2005 (Telecommunications Carriers Association statistics), an increase of 2.3% over March 2005. However, the voice communications market is reaching a state of saturation, particularly in the private sector and the voice market, and all companies have begun to focus their attention on devising services and data communication services for the corporate market. Specifically, NTT DoCoMo Group, KDDI Group, Vodafone K.K., and Willcom, Inc., have all begun to invest in new voice services targeted at corporations, which is leading to a fall in prices. Furthermore, the companies have also begun to invest in data communication services, resulting in a drop in prices in this market as well.

In the PC industry, domestic shipments showed a firm expansion in fiscal 2004 (from April 2004 to March 2005), growing by 13% over the previous year to 13.03 million (Japan Electronics and Information and Technology Industries Association statistics). With the Act on the Protection of Personal Information effective as of April 1, 2005, it became important for companies in the computer industry, including PC manufacturers and software developers, to propose and develop various information security countermeasures for PCs. Solutions are especially needed to protect information leakage from notebook-sized computers that were likely to be taken outside the office for business and possibly be lost or stolen. Some companies have even started to prohibit the taking of notebook PCs outside the office, but the demand for the use of notebook PCs outside the office is great, and it is becoming critical to put security measures in place in order to ensure its security.

Under these circumstances, our group has been developing telecommunication services and, as Japan's first MVNO, data communication services. Concerning our telecommunication services, we have seen a natural decrease in the number of line rental customers, as we have not performed any customer development activity since the period ending March 2003. However, by focusing on data communication services, we have differentiated ourselves from other mobile communication operators, offering our customers not only a means of communicating but also end-to-end solutions in a one-stop shop. Of the data communication services we offer, we provide further reinforced security measures for our corporate customers, and for our private customers. In March 2005 we developed a service where 150 hours worth of wireless internet time is packaged in the form of a PHS data communication card, which can be used in the same way as a telephone card. The two combined have led to a steady growth in results for this period.

As a result, the sales for this interim consolidated accounting period totaled 2,506,776 thousand yen (an increase of 261,861 thousand yen, or a percentage increase of 11.7%). In terms of profit and loss, ordinary income stood at 58,202 thousand yen and net income at 55,183 thousand yen, a decrease of 5,603 thousand yen and an increase of 15,596 thousand yen respectively. This was due to a one-time IPO (April 21, 2005) related expense amounting to 69,369 thousand yen.

## 2. Financial situation

### (Cash flow from operating activities)

Net cash generated from operations during the current interim period was 36,468 thousand yen after IPO related expenses of 69,369 thousand yen, reflecting steady operations. Although the previous interim consolidated accounting period saw a cash increase of 416,802 thousand yen, this was due to the depletion of our data communication card inventories by 158,846 thousand yen, and a change in the accounting method in the previous interim period of 101,778 thousand yen.

### (Cash flow from investing activities)

Net cash spent from investing activities was 611,644 thousand yen (229,358 thousand yen in the previous interim consolidated accounting period). This is mainly attributable to the development and purchase of software used for our data communication service, as well as the purchase of network equipment and mobile handsets.

### (Cash flow from financing activities)

The cash increase resulting from financing activities was 1,781,038 thousand yen (143,375 thousand yen in the previous interim consolidated accounting period). The cash increase is attributable to the issue of new shares on the stock exchange, raising 1,814,843 thousand yen.

### (Cash flow trend)

	March 2004		March 2005		March 2006
	Interim	Full	Interim	Full	Interim
Equity Ratio	58.5	59.3	63.7	60.3	79.3
Equity Ratio based on market price	—	—	—	—	697.0
Debt redemption (No. of years)	1.0	—	0.2	0.1	0.6
Interest Coverage Ratio	164.1	—	468.3	641.6	116.7

Equity Ratio: Capital equity / Total assets

Equity Ratio based on market price: Aggregate market value of listed stock / Total assets

No. of years of debt redemption: Debt with interest / Cash flow from operations

Interest Coverage Ratio: Cash flow from operations / Interest payment

- ❖ All calculations are based on consolidated financial figures.
- ❖ Cash flow represents operational cash flow. Debt with interest represents all debt summed up on the table on which interest is paid.
- ❖ With regard to the Equity Ratio based on market price for fiscal years ended March 2004 and 2005, the stock was not yet public, thus the figures have been left out.
- ❖ With regard to the number of years of debt redemption and the interest coverage ratio for the year ended March 2004, the figures have been left out because the cash flow from operations for this period was negative.

### 3. Business and other risks

Risks that may have an influence on our group's business developments, business results, or financial standings include the following matters. We have included points which may not apply directly to such risks, but what we consider to be important in terms of disclosing information actively to our investors in order for them to make sound decisions about their investments. They do not represent all the risks related to investing into our company's shares.

Issues concerning the future within the passages below are judgments made by our group, taking into consideration our current standing at the end of this interim consolidated accounting period.

#### 1. The market

Our company has been engaged in business expansion in the mobile communication market since our establishment. Mobile communications can be roughly categorized based on usage as voice call, and data communication. With respect to the voice market, mobile phones have become so widespread that the market has nearly reached full saturation, reaching maturity. On the other hand, data communications have only just come into general use as communication methods shift from circuit switching to packet transmission. The industry is in the early stages of growth. Additionally, fixed line data communication using broadband connections such as ADSL or optic fiber have seen a rapid spread, but data communication using mobile lines has been limited by technology, especially concerning performance. Looking at the industry as a whole, it can be said that the demands of customers surrounding connection speed and security levels have yet to be fulfilled.

With the rapid advance of wireless communication technology and security technology that we are seeing, we believe that such technical problems will eventually be solved and the standards will rise as high as customers wish them to be. However, if this technological progress does not happen in the time frame that we have estimated, then there is the possibility that the scale of the market that our group develops our operations in will not expand, or its expansion will be delayed. In such a case, there is a possibility that our group's business results will be adversely affected.

#### 2. The structure of our company's services

##### (1) On mobile communication lines

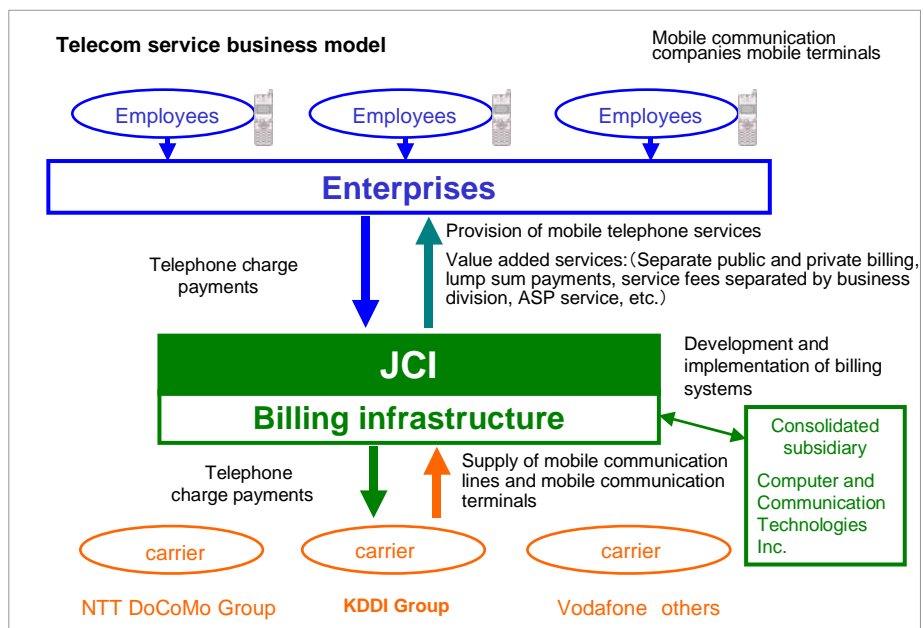
Our services can be roughly divided into two categories: our telecommunication services that provides enterprises with mobile telephone services and our data communication service that provides enterprises and individuals with wireless internet and other data communication. The structure of each service is as follows.

##### ① Telecommunication services

Regarding our telecommunication services, our company is supplied with communications lines and mobile handset terminals from mobile communication businesses such as NTT DoCoMo Group, KDDI Group (including Tu-ka Group), Vodafone K.K., and Willcom, Inc. (formally DDI Pocket Ltd). Contracts are made with our corporate clients to either lend or sell mobile communication

terminals and provide communication services using these terminals. In doing so, we can provide two lines from one mobile communication terminal, business (public) and private, separate the telephone costs respectively, and provide a separated billing service, for example one for the business itself and the other for the employees private use. We receive detailed usage data for each of the mobile communication terminals from each of the mobile carriers on a monthly basis, and using the billing system developed and implemented by our company's consolidated subsidiary, we process the necessary data to provide the value-added charge and billing service as laid out above. As part of our

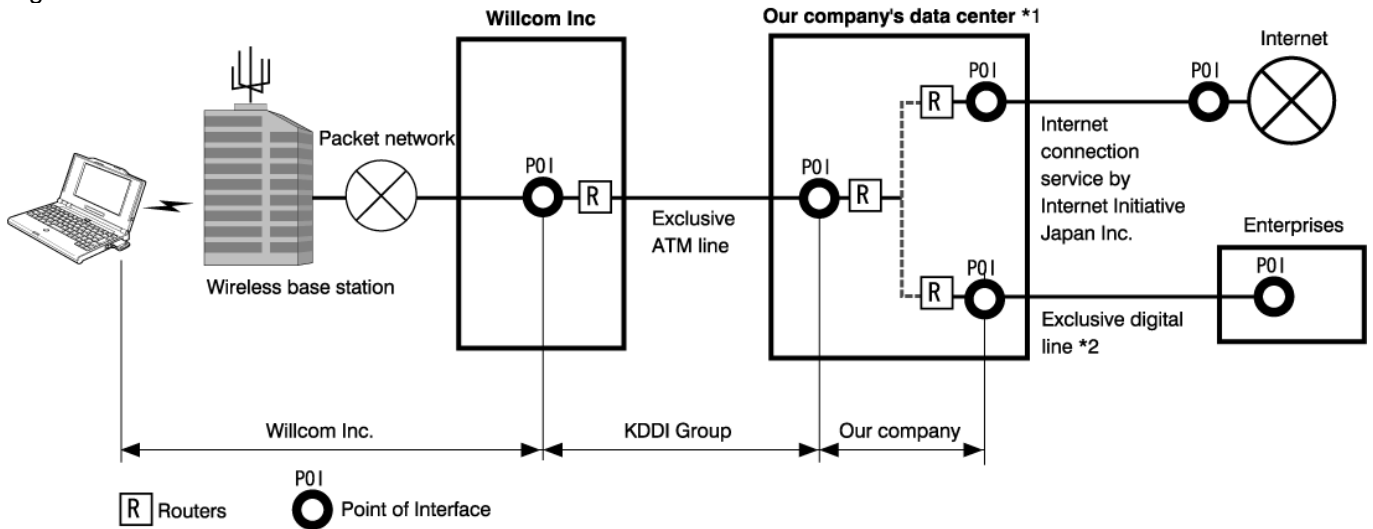
telecommunication services, we offer a service where functions such as daily business reports or expense calculations can be carried out through applications accessible via mobile phone browsers. A part of the system related to this service is accommodated in a data center run by Internet Initiative Japan Inc.



② Data communication service

Regarding our data communication service, our company is supplied with a PHS communication network by Willcom, Inc. Features such as security technology, speed acceleration, or network control software are added to the data communication service using this communication network, and then offered to our clients. The infrastructure of our data communication service is made up of a PHS communication network and data center by Willcom, Inc., an exclusive connection point to KDDI Corporation, and the data centers of each group. Their relationships can be seen in the diagram below. The most important systems of each group's data centers are stored within the data center run by Internet Initiative Japan Inc. (The PHS communication network and the other systems mentioned above will be referred to as the "main infrastructure of our data communication service".)

Figure 2. Main infrastructure of our data communication service



\*1 Stored within the data center of Internet Initiative Japan Inc.

\*2 Of the exclusive digital lines that connect our company's data center and our corporate clients, there are cases where we receive the lines and supply them to the clients, or where the clients receive the feed and the data center is supplied.

With regards to our data communication service, we also provide a wireless LAN spot service to which we then add features such as an easy-to-use operating interface or network control software.

As stated in ① and ② above, the mobile communication lines and the PHS communication network that are essential to the structure of our telecommunication and data communication services respectively are both supplied by other mobile communication businesses.

Therefore, the maintenance for the mobile communication lines and PHS communication network is carried out by the supplier. In order for our group to provide our clients with a reliable service, it is a prerequisite that the lines and network at each source are in full functioning order. When this is not the case, our services may be partially or fully suspended or the quality of our services may drop, possibly having adverse effects on our business.

Moreover, for our supplies of lines and networks, our group has agreed upon a contract with each of our suppliers. By actively proposing ideas on new technologies or services, we have worked to create a close relationship with our suppliers and to maintain and strengthen our negotiating power. Despite this, there is no guarantee that at the moment of renewal, the contract will be written with the same conditions of supply as before, and there is also no guarantee that we will be successful in negotiating improvements in the conditions. Furthermore, there may be situations where, because of a change in the business policy of a supplier, our group is put in a position where we must accept conditions that are more unfavorable than before. In such cases where our group is not able to maintain or improve conditions of purchasing from our suppliers, or when conditions worsen, then it is possible that this would have adverse effects on our business.

In addition, it cannot be denied that we are, and will be for our business' future developments, dependent on each of the mobile communication businesses that are our suppliers. In other words, the expansion of the area where our services can be reached depends on the expansion of the areas covered by the lines or network of the mobile communications businesses, just as any improvements in the speed or capacity of the communication depends on improvements in the lines or network of each supplier.

(2) Impediments to the network system of communication lines and networks

Concerning the fact that parts of the structure of our services are supplied by other mobile carriers, there is always the possibility that the network systems of the communication lines and networks of each supplier will be impeded in some way, even when the suppliers themselves have carried out adequate maintenance and management of the systems. It may be overloaded in times of busy access traffic, there may be intrusion from outside, staff may make

an error internally, or damage may be caused by natural events or accidents. When such an event occurs, our services may be partially or fully suspended or the quality of our services may drop, possibly having adverse effects on our business.

Concerning the network system within the data center of our group, we have set up a system that constantly monitors its status and also runs regular tests, in order for us to be able to find out in advance any problems that may occur. We have also set up a system of contacting each supplier in case problems do occur, cutting the recovery time down significantly.

However, despite such measures being in place, it is not possible to prevent the occurrence of setbacks completely. Furthermore, there are very big costs involved in responding to such setbacks, therefore depending on the scale or other factors of the problem, it is possible that this would have an adverse effect on our business.

Additionally, our group is involved in using various network equipment and computer systems (including software), including those developed by us. If problems were to occur with the equipment and systems, for example by incorrect configurations, or a bug (including the running of general software purchased externally), our services may be partially or fully suspended or the quality of our services may drop, possibly having adverse effects on our business.

### (3) Network systems

Because our data communication service uses mobile communication technology, the speed of the connection depends on the location of use, the strength of the reception at the time of use, or the state of traffic at the base station. Also, when using an Internet connection, the speed is dependent on the connection speed of the Internet, as well as the connection speed of the exclusive line between the data center of our group and the mobile carriers and the processing speed of the network system and computer system within the data center. In addition to this, in cases where our corporate clients are connected to our group's data center via an exclusive line, the connection speed is also dependent on the speed of this line.

Our group is making efforts to secure enough capacity in the network to adequately supply what is necessary by having a good grasp on the number of clients and their usage patterns, and predicting the number of clients and their usage patterns that are to come. However, in cases where the capacity of the network system that we manage to secure does not meet demands, it may slow down the connection speed, possibly having adverse effects on our business.

On the other hand, if we were to greatly increase the capacity of the network system to more than the demand, the costs would be so great that it may have adverse effects on our business.

### (4) Technological revolution

The data communication service that our group provides uses PHS communication, wireless LAN technology, TCP/IP network technology, the Microsoft Windows operating system, Radius authentication system – the standard in authentication technology, and others. If these technology standards were to go through a sudden, significant change, we will be faced with great costs in developing technology in response to these changes, putting pressure on our profits and possibly causing adverse effects on our business. Furthermore, if we were to be late in our response to these changes in technology standards, or if the technology used for our services or our services themselves were to become obsolete, this may adversely affect our business.

## 3. Our business operations

### (1) The purchasing of mobile communication terminals

For our telecommunication service, we purchase mobile phone and PHS handsets from the mobile carriers mentioned earlier and for our data communication service, we purchase data communication cards from multiple suppliers. Depending on the conditions of the market at the time, or the policies of the mobile carriers, the purchasing conditions may differ for each transaction.

Our group has been making efforts to improve the conditions for the purchase of mobile communication terminals, but despite our efforts, it is possible that we will face an increase in costs or miss some business opportunities because we are unable to supply our clients in time, which may have adverse effects on our business.

Furthermore, if a problem occurs with the quality of the mobile communication terminals, services may have to be suspended, possibly having adverse effects on our business.

### (2) The risk of mobile communication terminals becoming obsolete

For our telecommunication service, there are cases where, under contract, our group will lend mobile communication terminals to our corporate clients for a fixed period, but when new products appear on the market, or if the clients request it, we may replace the mobile communication terminals before the contract terminates at our cost. The expenses involved in this supplying of new mobile communication terminals may have an adverse effect on our business.

Additionally, the supply of data communication cards used for our data communication service comes from the manufacturers of mobile communication terminals, primarily based on an OEM Supply & Purchase Agreement. However, the minimum order for these cards tends to be very large, and there are cases where we must order an excessive number of cards in relation to demand. There is then the risk that the stock will become obsolete. Our

group has endeavored to exchange information closely with the mobile communication terminal manufactures, and to predict as accurately as possible the demand based on sales conditions, but if the mobile communication terminals we purchased become obsolete, or we miss a business opportunity because there is a delay in the time of order, this may have an adverse effect on our business.

### (3) Marketing force and technological development capabilities

We believe the results of our group's business is based on our ability to grasp and understand accurately the services that customers want or will be embraced by clients, and to be able to provide these new services. In other words, it lies in our marketing and technological development skills to swiftly keep up with the drastic changes that occur in this industry, or to predict the changes and move the business on accordingly. If our group is unable to maintain the capabilities needed to do this, or we are unable to improve them, then we may miss a business opportunity that may adversely affect our business.

### (4) The securing of personnel

As our group is conducting business in a relatively new area, we rely greatly on the experience, skills, and expertise of a few individuals, and there is no denying that the loss of such personnel would affect our business. In the future, as our business expands, we intend to enhance and strengthen our organization by securing valuable personnel. However, attracting exceptional talent is not an easy task as we are reliant on a limited pool of human resources. When trouble arises with an employee's performance, or an employee leaves our group after only a short period of time, our business may be adversely affected.

### (5) Dependency on a specific person

The founder and CEO of our company, Frank Seiji Sanda (referred to as "CEO" hereafter in this paragraph) served as Managing Director at Motorola Japan Ltd. from November 1989 and as Representative Director at Apple Computer Japan, Inc. from July 1994. The personal connections and experience he gained in the mobile communication and PC industry in Japan and abroad, plays a very big role in making decisions about our company's business policies or strategies. Our group has been trying to develop an organization that will not excessively depend on the CEO, taking measures such as employing highly talented personnel from outside. However, it cannot be denied that there is still a high level of dependency on a few executives, which means that if the CEO or other executives were to leave our group, our business may be adversely affected.

## 4. Competition

Our group offers telecommunication services including mobile telephone services for corporate clients, and data communication services using the wireless infrastructure of mobile carriers. The circumstances concerning our competition are as follows.

### (1) Competition in the telecommunication service sector

The telecommunication service offered by our group is unique in its billing processing service, including the separation of public and private bills, or the categorization of charges by division, but other mobile carriers and lump sum payment businesses have now begun to offer similar services. We wish to remain competitive by diversifying the categorization of our billing methods. However, despite our efforts, if another competing company starts to offer an even better service, or if a competitor with far richer resources than our group launches a strong sales challenge, our business may be adversely affected.

### (2) Competition in the data communication service sector

The market for wireless data communication services is still in an early stage of growth, but is expected to grow rapidly. For this reason, we assume that there will be new entries in the future, intensifying competition even further. In particular, this area of service consists of two sides: the communication services offered by network operators, and the system services offered by computer related businesses. Therefore, we believe a competing service may be introduced from both communication businesses and computer related businesses, as follows.

#### ① Mobile carriers

Mobile carriers, who own mobile infrastructure, have overwhelmingly more plentiful resources available to them than our group. By taking advantage of this, they are capable of providing lower cost, higher function services. Therefore, if mobile carriers were to advance into offering competing services, our group's competitiveness will be decreased or our net sales will decrease due to drastic price changes, which may adversely affect our business. On the other hand, the mobile carriers are also our suppliers of mobile communication lines and PHS communication networks. If they were to enter into competition with our services, there is a possibility that they will make amendments to our transacting conditions in order to make their own services more attractive. As this would surely limit our pricing options and the services we can offer, we may lose existing clients or not attract enough new clients, which may adversely affect our business.

#### ② MVNO (Mobile Virtual Network Operators)

Because many of the MVNOs that are in competition with our company originated as fixed line network service providers, they already have existing clients of this service to whom they can then sell on their mobile communication services. This is a very valuable opportunity to expand their business. Also, in order not to lose their existing fixed line service customers, they may bring out a strategic pricing strategy for their mobile communication services. If these situations were to arise, we may be faced with a situation where we lose existing clients or do not attract enough new clients, which may adversely affect our business.

### ③ SI (System Integrators)

SI's conduct their business of customizing systems to best suit their clients in the area of computer systems, and carry out everything from planning and proposing a system to developing programs, choosing and ordering the necessary hardware and software, maintaining the completed system. Through this, their ties with their clients go very deep. What's more, because they integrate diverse systems into one, the networking abilities of the systems tend to be very high. If SI's were to join together with mobile carriers and gain the capability to provide communication services too, then they could become a very strong competitor for our group. If this situation was to arise, we may be faced with a situation where we lose existing clients or do not attract enough new clients, which may adversely affect our business.

## 5. Intellectual property and legal regulations

### (1) The protection of intellectual property

The protection of intellectual property held by our group falls under regulations of contract and other related laws. For the protection of our intellectual property, we have made efforts to first of all apply for patents, and second of all to have a good understanding of the movements in technology and expertise of other companies. However, there is no guarantee that the patents we applied for will be approved.

Furthermore, it is possible that the patents we have applied for or registered for the sake of protecting intellectual property, and those that we will do in the future, are not sufficient, and that similar technology is developed by other companies, even perhaps imitating our group's services.

Moreover, even in cases where our group has been granted the rights for a piece of intellectual property, there is the possibility that it will be violated by a third party. This is likely to be a hindrance for the smooth running of our business; not only that, we will inevitably have to allocate our limited resources to bring the violator to court and to implement other preventative measures, possibly affecting our business adversely.

### (2) Third party licenses

Our group has licenses from various third parties for technology involving the acceleration of speeds and the strengthening of security for our wireless data communication services. In the future, upon renewing our existing licenses, it is possible that a situation arises where we are unable to receive licenses necessary for new services, or we are unable to renew or receive licenses under favorable conditions, and in such cases, our advantage will be lost and our business may be adversely affected.

### (3) Legal obligations

The operations of our group fall under the Electricity and Telecommunication Business Law. If this law was to be amended, and new regulations would apply that tightens the restrictions on our business, it is possible that our operations will be limited and may lead to an increase in our costs. On the other hand, if the restrictions were to be loosened, it may encourage many new entrants to the market and intensify competition, possibly affecting our business adversely.

In accordance with the revision of the Electricity and Telecommunications Business Law enforced April 1, 2004, formally Type-1 mobile carriers are now able to offer one-on-one prices to corporations. Thus, by offering discounts, price competition among providers may intensify, which may adversely affect our business.

Moreover, in the event self-imposed regulations that restrict our business were to be established in the industry in which we belong with respect to, for example, prepaid services, the continuation of those services may be interfered or their cost may increase and our business may be adversely affected.

### (4) Protection of personal data

Our company is obliged to comply with the Law Concerning Protection of Personal Information (Law No. 57, partly enforced in May 30, 2003, wholly enforced on April 1, 2005). Our group deals with personal data in the following ways. Concerning our Infinity Care service as part of our data communication service for corporate clients, personal information is not obtained in general.

First of all, with respect to our telecom services, we collect the names, addresses, payment methods, call logs, etc. of the employees of the client with permission from the client, in order to provide them with our separate billing service and other services. This information is passed on to our consolidated subsidiary, Computer and Communication Technologies Inc., which carries out the data processing for our services.

Secondly, for our data communication services, and in particular our prepaid service, we are likely to obtain the name, address, email address, and other information when clients register themselves as users, or when they contact our call center.

We make sure that the personal data we have collected is used only within the boundaries of our business operations and that it is accessible only by those with the proper authority. In addition, all employees, contract workers, and temporary employees must sign a confidentiality agreement upon joining our company, and in the call center, where they are most likely to be dealing with personal data, we hire mainly full-time employees only. Despite the fact that we have taken such measures to protect personal data, we cannot guarantee that there will be absolutely no leak of personal information from our group. If such a situation arises, this may lead to a loss of trust from our clients, lawsuits brought on by the individuals, and our business may be adversely affected.

## 6. Others

### (1) Our relatively short time in business

Our group was established in 1996, but we commenced our data communication services in 2001. The market for this service is relatively new, and it is still in the process of developing. The MVNO business model is also very young in Japan, making it impossible to rely on statistics and results of the general communication industry from the past years, let alone predict the factors that may possibly affect the MVNO business in the future, such as the transition of possible users, the reaction of markets, etc. Therefore, it is possible that there will be a great disparity in our forecasts of the prospects of profits, and it is also possible that unexpected expenses will occur. In such cases, our business may be adversely affected.

### (2) Raising capital

Our group plans to invest in the development and purchasing of network facilities, software, and systems, in order to differentiate us and promote the expansion of our business. However, if we are to face difficulties in securing the necessary investment capital, we may miss a business opportunity and our business may be adversely affected.

### (3) The dilution of shares due to stock options

Our group employs incentive plans such as stock options to heighten awareness and encourage participation in the business by our company and our subsidiary's directors, auditors, employees and consultants. It includes the plan resolved at the general shareholders' meeting that, based on article 280 paragraph 19 of the Law of Commerce (enforced in 2002) from before the 2001 amendments, stock purchase rights would be granted to directors and employees of our company as well as to employees from our subsidiary. It also includes the plan resolved at the general shareholders' meeting that, based on paragraph 20, paragraph 21, and paragraph 27 of article 280 of the Law of Commerce, stock purchase rights would be granted to directors, auditors, employees and consultants from both our company as well as from our subsidiary.

If these stock option rights were to be exercised, the value of a single share of our company will be diluted, and may have an effect on our overall share value. The company intends to carry on with the granting of stock purchase rights as an incentive for directors, employees and consultants to keep up morale, while also attracting valuable talent to our group. Therefore we may see a further dilution of our stock value.

## 1 [Interim consolidated financial statements]

## (1) [Interim consolidated financial statements]

## ① [Interim consolidated balance sheet]

Segment	Note No.	Previous interim accounting period (Ended Sept 30, 2004)		Current interim accounting period (Ended Sept 30, 2005)		Previous consolidated accounting period (Ended Mar 31, 2005)	
		Amount (thousand yen)	(%)	Amount (thousand yen)	(%)	Amount (thousand yen)	(%)
<b>(Assets)</b>							
<b>I. Current assets</b>							
1 Cash and equivalents		833,563		2,166,798		960,837	
2 Account receivable-trade		552,353		633,308		561,747	
3 Marketable securities		21		19,141		17,280	
4 Merchandise		44,986		42,274		38,532	
5 Inventory		169,697		76,224		115,297	
6 Account receivable-others		18,447		14,062		18,315	
7 Other		20,368		32,392		22,523	
Allowance for doubtful receivables		- 620		-1,000		-1,000	
Total current assets		1,638,817	65.9	2,983,203	66.4	1,733,534	62.1
<b>II. Fixed assets</b>							
<b>1 Tangible fixed assets</b>							
(1) Building and related facilities	* 1	19,181		22,407		17,396	
(2) Vehicles		3,984		3,973		1,120	
(3) Equipment		126,496		211,412		164,127	
(4) Mobile devices		92,346	242,008	91,239	329,033	100,176	282,820
<b>2 Intangible fixed assets</b>							
(1) Trademarks		3,309		3,451		3,195	
(2) Patents		261		387		1,074	
(3) Telephone subscriber rights		1,294		1,294		1,294	
(4) Software		547,012		525,711		698,112	
(5) Temporary account for software		—	551,877	546,472	1,077,318	—	703,676
<b>3 Investments and other assets</b>							
(1) Security deposits		47,528		55,381		47,930	
(2) Other		6,928		25,096		9,421	
Allowance for doubtful receivables		-262	54,193	-19	80,458	-19	57,331
Total fixed assets		848,078	34.1	1,486,809	33.1	1,043,828	37.4
<b>III. Deferred assets</b>							
1 New share issuing expense		—		23,158		14,850	
Total deferred assets		—	—	23,158	0.5	14,850	0.5
Total assets		2,486,896	100.0	4,493,171	100.0	2,792,212	100.0

		Previous interim accounting period (Ended Sept 30, 2004)		Current interim accounting period (Ended Sept 30, 2005)		Previous consolidated accounting period (Ended Mar 31, 2005)	
Segment	Note No.	Amount (thousand yen)	(%)	Amount (thousand yen)	(%)	Amount (thousand yen)	(%)
(Liabilities)							
I. Current liabilities							
1 Accounts payable		282,120		283,350		298,341	
2 Short-term debt		66,000		21,000		54,000	
3 Accounts payable- other		52,317		111,721		133,142	
4 Accrued charges		12,022		21,598		—	
5 Deferred revenue		299,407		454,641		482,739	
6 Data communication service cost reserves		96,709		7,748		28,372	
7 Accrued consumption tax		36,710		—		64,703	
8 Accrued corporate and other taxes		7,500		8,830		16,927	
9 Other		30,025		19,414		30,515	
Total current liabilities		882,813	35.5	928,305	20.7	1,108,741	39.7
II. Fixed liabilities							
1 Long-term debt		21,000		—		—	
Total fixed liabilities		21,000	0.8	—	—	—	—
Total liabilities		903,813	36.3	928,305	20.7	1,108,741	39.7
(Shareholders' equity)							
I. Capital stock		1,500,000	60.3	2,195,260	48.8	1,518,947	54.4
II. Capital surplus		375,000	15.1	1,529,955	34.0	383,056	13.7
III. Retained earnings		-213,690	-8.6	-85,669	-1.9	-140,853	-5.0
IV. Exchange conversion adjustment account		-77,416	-3.1	-73,064	-1.6	-76,867	-2.8
V. Treasury stock		-810	-0.0	-1,616	-0.0	-811	-0.0
Total shareholders' equity		1,583,082	63.7	3,564,865	79.3	1,683,470	60.3
Total liabilities and shareholders' equity		2,486,896	100.0	4,493,171	100.0	2,792,212	100.0

② 【Interim consolidated income statement】

Segment	Note No.	Previous interim accounting period (Ended Sept 30, 2004)		Current interim accounting period (Ended Sept 30, 2005)		Previous consolidated accounting period (Ended Mar 31, 2005)	
		Amount (thousand yen)	(%)	Amount (thousand yen)	(%)	Amount (thousand yen)	(%)
I. Net sales							
1 Revenue		2,244,915	100.0	2,506,776	100.0	4,559,431	100.0
II. Cost of sales							
1 Cost of sales		1,498,831	66.8	1,550,939	61.9	2,953,876	64.8
Gross profit		746,083	33.2	955,837	38.1	1,605,554	35.2
III. Selling, general and administrative expenses	*1	683,810	30.5	835,473	33.3	1,424,373	31.2
Operating profit		62,273	2.7	120,363	4.8	181,181	4.0
IV. Non-operating income							
1 Interest received		89		431		258	
2 Foreign exchange income		1,682		11,449		—	
3 Other		1,155	2,926	271	12,152	1,261	1,520
V. Non-operating expenses							
1 Interest paid		890		312		1,480	
2 Foreign exchange loss		—		—		38	
3 Expenses related to IPO		—		69,369		27,000	
4 New share expense amortization		—		4,631		—	
5 Other		503	1,394	—	74,313	511	29,029
Ordinary income		63,805	2.8	58,202	2.3	153,671	3.4
VI. Extraordinary loss							
1 Loss due to prior period adjustment	*2	653		—		653	
2 Loss on disposal of fixed assets	*3	18,713		113		29,368	
3 Loss on cancellation of lease contracts		1,851	21,217	—	113	1,851	31,873
Net interim income before income taxes and minority interests		42,587	1.9	58,088	2.3	121,798	2.7
Corporate, resident and business taxes		3,000	0.1	2,905	0.1	9,374	0.2
Net interim income		39,587	1.8	55,183	2.2	112,424	2.5

③ 【Interim consolidated statement of retained surplus】

		Previous interim accounting period (Ended Sept 30, 2004)		Current interim accounting period (Ended Sept 30, 2005)		Previous accounting period (Ended Mar 31, 2005)	
Segment	Note No.	Amount (thousand yen)		Amount (thousand yen)		Amount (thousand yen)	
(Capital surplus)							
I. Balance of capital surplus at beginning of period			617,448		383,056		617,448
II. Increase in capital surplus							
1 Capital increase by issuance of new shares		—	—	1,146,898	1,146,898	8,056	8,056
III. Decrease in capital surplus							
1 Decrease from supplementation of loss		242,448	242,448	—	—	242,448	242,448
IV. Capital surplus at end of period			375,000		1,529,955		383,056
(Retained earnings)							
I. Retained earnings at beginning of period			-495,726		-140,853		-495,726
II. Increase in retained earnings							
1 Net interim income		39,587		55,183		112,424	
2 Supplementation of loss carried over		242,448	282,035	—	55,183	242,448	354,872
III. Retained earnings at end of period			-213,690		-85,669		-140,853

## ④ 【Interim consolidated cash flow statement】

		Previous interim accounting period (Ended Sept 30, 2004)	Current interim accounting period (Ended Sept 30, 2005)	Previous accounting period (Ended Mar 31, 2005)
Segment	Note No.	Amount (thousand yen)	Amount (thousand yen)	Amount (thousand yen)
I Cash flow from operations				
1 Net interim income before income taxes and others		42,587	58,088	121,798
2 Depreciation and amortization		75,772	80,479	149,080
3 Intangible fixed asset depreciation		54,888	88,259	125,475
4 Increase in allowance for doubtful accounts		—	—	136
5 Data communication service cost reserve decrease		-197,629	-20,623	-265,966
6 Interest received		-89	-431	-258
7 Interest paid		890	312	1,480
8 Loss on disposal of fixed tangible assets		18,713	113	29,368
9 Increase/decrease in notes and accounts receivable		2,337	-67,308	-7,321
10 Increase/decrease in inventories		158,846	35,331	219,700
11 Increase/decrease in trade payables		-93,854	-15,666	-74,593
12 Increase/decrease in deferred revenue		299,407	-28,098	482,739
13 Increase/decrease in accrued consumption tax		53,452	-66,688	81,445
14 Increase/decrease in accrued charges		3,448	20,679	—
15 Other Increases/decreases		-789	-22,339	86,077
Subtotal		417,983	41,426	949,161
16 Net receipts of interest		89	431	258
17 Net interest paid		-890	-312	-1,480
18 Corporate and other income taxes paid		-380	-5,077	1,673
Net cash flow from operations		416,802	36,468	949,613

		Previous interim accounting period (Ended Sept 30, 2004)	Current interim accounting period (Ended Sept 30, 2005)	Previous accounting period (Ended Mar 31, 2005)
Segment	Note No.	Amount (thousand yen)	Amount (thousand yen)	Amount (thousand yen)
II. Net cash flow from investing				
1 Purchase of tangible fixed assets		-70,343	-127,631	-196,565
2 Purchase of intangible fixed assets		-166,415	-460,920	-389,939
3 Security deposits		—	-7,417	—
4 Income from loan collection		10,643	—	10,643
5 Other		-3,242	-15,675	-6,990
Net cash flow from investing		-229,358	-611,644	-582,852
III. Cash flow from financing				
1 Repayment of short-term debt		-113,000	-33,000	-80,000
2 Repayment of long-term debt		—	—	-66,000
3 New share issuance expense		—	—	-14,850
4 Income from exercise of warrants		—	—	26,893
5 Income from new share issuance		—	1,814,843	—
6 Treasury stock acquisition expense		—	-804	-1
7 Installment repayment expense		-30,375	—	-43,108
Net cash flow from financing		-143,375	1,781,038	-177,065
IV. Exchange differences in cash and cash equivalents		1,685	1,959	592
V. Net increase/decrease in cash and cash equivalents		45,754	1,207,822	190,287
VI. Cash and cash equivalents at beginning of period		787,830	978,117	787,830
VII. Cash and cash equivalents at end of period		833,584	2,185,940	978,117

Important items required for drafting interim consolidated financial statements

Item	Previous interim accounting period (Ended Sept. 30, 2004)	Current interim accounting period (Ended Sept. 30, 2005)	Previous consolidated fiscal year (Ended Mar. 31, 2005)
1 Items relating to the scope of consolidation	All subsidiaries are consolidated. There are 2 subsidiaries concerned: Computer and Communication Technologies, Inc. and Johotsushingijutsu, Inc. (formerly, "C.C.T., Kabushikigaisha")	All subsidiaries are consolidated. The consolidated subsidiary concerned is Computer and Communication Technologies, Inc.	All subsidiaries are consolidated. The consolidated subsidiary concerned is Computer and Communication Technologies, Inc. Johotsushingijutsu, Inc. (formerly "C.C.T., Kabushikigaisha"), a subsidiary of this company, was included in consolidation in the past, however, because of its liquidation in the current consolidated fiscal year, it is excluded from consolidation.
2 Item relating to the application of the equity method	There is no non-subsiary or affiliate applying the equity method.	Same as left	Same as left
3 Items relating to the closing date of consolidated subsidiaries	The interim closing date and interim consolidated closing date for subsidiaries are identical.	Same as left	The end of fiscal year date and the consolidated closing date for subsidiaries are identical.
4 Items relating to accounting standards (1) Basis and method of valuation of important assets  (2) Method of depreciation of important depreciable assets	<p>1 Basis and method of valuation of inventory Cost accounting method based on periodic average method</p> <p>2 Basis and method of valuation of marketable securities Other marketable securities Marketable securities without quotation Cost accounting method based on periodic average method</p> <p>1 Tangible fixed assets Mobile devices Straight line depreciation method where "0" is the residual value after a useful life of 2 years Other tangible fixed assets Straight line method The following are periods of useful life. Buildings and attached equipment: 8 to 15 years Vehicles and conveyance equipment: 2 to 6 years Tools and equipment: 5 to 10 years</p> <p>2 Intangible fixed assets Software for in-house use Straight line method based on projected term of validity (5 years) Other intangible fixed assets  Straight line method The following are periods of useful life. Trademark rights: 10 years Patent rights: 8 years</p>	<p>1 Basis and method of valuation of inventory Same as left</p> <p>2 Basis and method of valuation of marketable securities Other marketable securities Marketable securities without quotation Same as left</p> <p>1 Tangible fixed assets Mobile devices Same as left  Other tangible fixed assets Same as left</p> <p>2 Intangible fixed assets Software for in-house use Same as left  Other intangible fixed assets Same as left</p>	<p>1 Basis and method of valuation of inventory Same as left</p> <p>2 Basis and method of valuation of marketable securities Other marketable securities Marketable securities without quotation Same as left</p> <p>1 Tangible fixed assets Mobile devices Same as left  Other tangible fixed assets Same as left</p> <p>2 Intangible fixed assets Software for in-house use Same as left  Other intangible fixed assets Same as left</p>

Item	Previous interim accounting period (Ended Sept. 30, 2004)	Current interim accounting period (Ended Sept. 30, 2005)	Previous consolidated fiscal year (Ended Mar. 31, 2005)
(3) Basis and method of calculating important reserves	<p style="text-align: center;">—————</p> <p>1 Allowance for doubtful accounts To provide for losses due to bad debt claims, general claims are treated using the loan loss ratio and specific claims such as potential losses on loans are treated by calculating the amount of unrecoverable debt expected considering the recoverability of each separate claim.</p> <p>2 Data communication service cost reserve An estimate of communication costs that should be paid over the remaining period of future data communication service is included that corresponds to the net prepaid service sales calculated for the previous consolidated fiscal year. Because the prepaid service sale calculation basis was changed starting from the current interim consolidated accounting period, new reserves are not accounted for, however, details are given in the change of accounting method.</p>	<p>3 Deferred assets Expenses for new share issuance Evenly redeemed over 3 years</p> <p>1 Allowance for doubtful accounts Same as left</p> <p>2 Data communication service cost reserve An estimate of communication costs that should be paid over the remaining period of future data communication service is included that corresponds to the net prepaid service sales calculated for the previous consolidated fiscal year.</p>	<p style="text-align: center;">Same as left</p> <p>(Supplemental information) In the past, the full amount of expenses for new share issuance was accounted at the time of payment, however, in order to adequate periodic profit and loss due to the financial burden borne by the cost of new issues as a result of the large number of new issues, the amount paid when new shares are issued was evenly redeemed over 3 years as deferred assets (new share issuance expenses) starting from the current consolidated fiscal year. As a result, ordinary income and income before taxes increased ¥14,850 thousand each, respectively, compared with the accounting method where the full amount is accounted at the time of payment.</p> <p>1 Allowance for doubtful accounts Same as left</p> <p>2 Data communication service cost reserve An estimate of communication costs that should be paid over the remaining period of future data communication service is included that corresponds to the net prepaid service sales calculated for the previous consolidated fiscal year. Because the prepaid service sale calculation basis was changed starting from the current consolidated accounting period, new reserves are not accounted for, however, details are given in the change of accounting method.</p>

Item	Previous interim accounting period (Ended Sept. 30, 2004)	Current interim accounting period (Ended Sept. 30, 2005)	Previous consolidated fiscal year (Ended Mar. 31, 2005)
(4) Method of treatment of important lease transactions	Finance lease transactions other than those accepted as the transfer of property rights of leased articles to debtors are treated using an accounting method based on ordinary lease transaction methods.	Same as left	Same as left
(5) Important items required for drafting other interim consolidated financial statements (consolidated financial statements)	① Accounting method for consumption and other taxes Applying the "tax excluded" method	① Accounting method for consumption and other taxes  Same as left	① Accounting method for consumption and other taxes  Same as left
5 (Interim) Range of amounts appearing in the consolidated cash flow statements	Cash equivalents Cash equivalents in the interim consolidated cash flow statements include only short-term investments maturing within 3 months after the acquisition date that are highly liquid, easily convertible and bear a minimal risk of price fluctuation.	Cash equivalents Same as left	Cash equivalents Cash equivalents in the consolidated cash flow statements include only short-term investments maturing within 3 months after the acquisition date that are highly liquid, easily convertible and bear a minimal risk of price fluctuation.

Revised items required for drafting interim consolidated financial statements

Previous interim accounting period (Ended Sept. 30, 2004)	Current interim accounting period (Ended Sept. 30, 2005)	Previous consolidated fiscal year (Ended Mar. 31, 2005)
-----	(Accounting standards relating to the impairment of fixed assets) Starting from the current interim consolidated accounting period, the accounting standards relating to the impairment of fixed assets ("Statement of position regarding the establishment of accounting standards relating to the impairment of fixed assets" –Business Accounting Council, August 9, 2002) and the "Application guidelines for accounting standards relating to the impairment of fixed assets (Business Accounting Standards Application Guidelines Vol. 6 – Oct. 31, 2003) are applied. The application of the above does not affect profits and losses.	-----

Accounting method revisions

Item	Previous interim accounting period (Ended Sept. 30, 2004)	Current interim accounting period (Ended Sept. 30, 2005)	Previous consolidated fiscal year (Ended Mar. 31, 2005)
Change of revenue recognition method	<p>In the past, sales of prepaid data communication services were accounted as one time when delivering product packages that included data communication cards and network charges, however, from the current interim consolidated accounting period, the treatment of sales of data communication cards was changed to a delivery basis and the treatment of network charges was changed to a services rendered basis. The change of revenue recognition method concerned was effectuated in order to enable periodic accounting of profit and loss that is more suited to actual conditions when calculating the amount of revenue over the service period because the shift of the actual condition of prepaid service from merchandising to services is made clear and the quantitative and qualitative significance of the amount of prepaid product sales covering the amount of total sales increased.</p> <p>In the past, estimated network costs that should be paid in the future corresponding to prepaid service sales were accrued as data communication service cost reserves at revenue recognition. However, according to the change of revenue recognition method, accruing data communication service cost reserve was cancelled and the corresponding portion of the reserve to the service rendered in this interim accounting period was deducted from the balance of the reserve at the end of the previous fiscal year, as well as from the cost of sales.</p> <p>Due to the change of revenue recognition, net sales and the cost of sales for the current interim consolidated accounting period were 299,407 thousand yen and 197,629 thousand yen lower, respectively, compared to calculations effectuated without the change. The result is a 101,778 thousand yen decrease in gross profit, operating income, ordinary income and income before taxes and minority interests.</p>	<p style="text-align: center;">—————</p>	<p>In the past, sales of prepaid data communication services were accounted as one time when delivering product packages that included data communication cards and network charges, however, from the current consolidated accounting period, the treatment of sales of data communication cards was changed to a delivery basis and the treatment of network charges was changed to a services rendered basis. The change of revenue recognition method concerned was effectuated in order to enable periodic accounting of profit and loss that is more suited to actual conditions when calculating the amount of revenue over the service period because the shift of the actual condition of prepaid service from merchandising to services is made clear and the quantitative and qualitative significance of the amount of prepaid product sales covering the amount of total sales increased.</p> <p>In the past, estimated network costs that should be paid in the future corresponding to prepaid service sales were accrued as data communication service cost reserves at revenue recognition. However, according to the change of revenue recognition method, accruing data communication service cost reserve was cancelled and the corresponding portion of the reserve to the service rendered in this accounting period was deducted from the balance of the reserve at the end of the previous fiscal year, as well as from the cost of sales.</p> <p>Due to the change of revenue recognition, net sales and the cost of sales for the current consolidated accounting period were 482,739 thousand yen and 226,784 thousand yen lower, respectively, compared to calculations effectuated without the change. The result is a 255,955 thousand yen decrease in gross profit, operating income, ordinary income and income before taxes and minority interests.</p>

## Notes

(Related to the interim consolidated balance sheet)

Previous interim accounting period (Ended Sept. 30, 2004)	Current interim accounting period (Ended Sept. 30, 2005)	Previous consolidated fiscal year (Ended Mar. 31, 2005)
*1 Accumulated depreciation of tangible fixed assets 239,250 thousand yen	*1 Accumulated depreciation of tangible fixed assets 306,559 thousand yen	*1 Accumulated depreciation of tangible fixed assets 249,750 thousand yen

(Related to the interim consolidated income statement)

Previous interim accounting period (Ended Sept. 30, 2004)	Current interim accounting period (Ended Sept. 30, 2005)	Previous consolidated fiscal year (Ended Mar. 31, 2005)																																																																																																																																							
*1 The following are the main expenses in sales and general administrative expenses.  <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right; width: 10%;">(thousand)</td> <td></td> </tr> <tr> <td>Sales promotion expense</td> <td style="text-align: right;">¥27,563</td> <td></td> </tr> <tr> <td>Advertising expense</td> <td style="text-align: right;">¥3,189</td> <td></td> </tr> <tr> <td>Director salary</td> <td style="text-align: right;">¥98,350</td> <td></td> </tr> <tr> <td>Employee salary</td> <td style="text-align: right;">¥306,549</td> <td></td> </tr> <tr> <td>Contract worker salaries, etc.</td> <td style="text-align: right;">¥47,810</td> <td></td> </tr> <tr> <td>Business consignment fees</td> <td style="text-align: right;">¥7,249</td> <td></td> </tr> <tr> <td>Statutory welfare expenses</td> <td style="text-align: right;">¥30,314</td> <td></td> </tr> <tr> <td>Traveling and transportation expenses</td> <td style="text-align: right;">¥29,304</td> <td></td> </tr> <tr> <td>Correspondence expenses</td> <td style="text-align: right;">¥5,487</td> <td></td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">¥9,981</td> <td></td> </tr> <tr> <td>Land and residential rental fees</td> <td style="text-align: right;">¥28,225</td> <td></td> </tr> <tr> <td>Advisor fees</td> <td style="text-align: right;">¥24,558</td> <td></td> </tr> <tr> <td>Commissions</td> <td style="text-align: right;">¥9,712</td> <td></td> </tr> <tr> <td colspan="3">Total R&amp;D costs included in general administrative and current cost of sales are ¥14,347 thousand.</td> </tr> </table>		(thousand)		Sales promotion expense	¥27,563		Advertising expense	¥3,189		Director salary	¥98,350		Employee salary	¥306,549		Contract worker salaries, etc.	¥47,810		Business consignment fees	¥7,249		Statutory welfare expenses	¥30,314		Traveling and transportation expenses	¥29,304		Correspondence expenses	¥5,487		Depreciation	¥9,981		Land and residential rental fees	¥28,225		Advisor fees	¥24,558		Commissions	¥9,712		Total R&D costs included in general administrative and current cost of sales are ¥14,347 thousand.			*1 The following are the main expenses in sales and general administrative expenses.  <table style="width: 100%; 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Previous interim accounting period (Ended Sept. 30, 2004)	Current interim accounting period (Ended Sept. 30, 2005)	Previous consolidated fiscal year (Ended Mar. 31, 2005)
*2 Prior period adjustments (thousand) Miscalculations of depreciation in previous years ¥653 *3 Loss on disposal of fixed assets Tools and equipment ¥390 Mobile devices ¥18,322	*2 Prior period adjustments (thousand) _____ *3 Loss on disposal of fixed assets Tools and equipment ¥65 Vehicles and conveyance equipment ¥47	*2 Prior period adjustments (thousand) Deferred previous period depreciation miscalculations ¥653 *3 Loss on disposal of fixed assets Tools and equipment ¥644 Vehicles and conveyance equipment ¥28,660 Other ¥64

(Related to the interim consolidated cash flow statements)

Previous interim accounting period (Ended Sept. 30, 2004)	Current interim accounting period (Ended Sept. 30, 2005)	Previous consolidated fiscal year (Ended Mar. 31, 2005)
1 Relation between cash and cash equivalents at end of interim period and items appearing in the interim consolidated balance sheet (thousand) Cash and deposit accounts ¥833,563 Marketable securities (Money Market Fund) ¥21 Cash and cash equivalents ¥833,584	1 Relation between cash and cash equivalents at end of interim period and items appearing in the interim consolidated balance sheet (thousand) Cash and deposit accounts ¥2,166,798 Marketable securities (Money Market Fund) ¥19,141 Cash and cash equivalents ¥2,185,940	1 Relation between cash and cash equivalents at end of period and items appearing in the consolidated balance sheet (thousand) Cash and deposit accounts ¥960,837 Marketable securities (Money Market Fund) ¥17,280 Cash and cash equivalents ¥978,117

(Related to lease transactions)

(in thousands)

Previous interim accounting period (Ended Sept. 30, 2004)	Current interim accounting period (Ended Sept. 30, 2005)	Previous consolidated fiscal year (Ended Mar. 31, 2005)
Finance lease transactions other than those accepted as the transfer of property rights of leased article to debtors	Finance lease transactions other than those accepted as the transfer of property rights of leased article to debtors	Finance lease transactions other than those accepted as the transfer of property rights of leased article to debtors
1 Amount of acquisition price of leased article, amount of accumulated depreciation and amount of end of interim balance	1 Amount of acquisition price of leased article, amount of accumulated depreciation, amount of impairment loss and amount of end of interim balance	1 Amount of acquisition price of leased article, amount of accumulated depreciation and amount of end of term balance
Tools and equipment	Tools and equipment	Tools and equipment
Acquisition price	Acquisition price	Acquisition price
¥80,762	¥33,681	¥80,762
Accumulated depreciation	Accumulated depreciation	Accumulated depreciation
¥64,937	¥29,806	¥72,792
End of interim balance	End of interim balance	End of term balance
¥15,825	¥3,875	¥7,970
2 Amount of lease balance payable after end of period	2 Amount of lease balance payable after end of period	2 Amount of lease balance payable after end of period
1 year or less	1 year or less	1 year or less
¥11,736	¥4,695	¥7,849
Over 1 year	Over 1 year	Over 1 year
¥4,695	¥ -	¥1,064
Total	Total	Total
¥16,432	¥4,695	¥8,913
3 Lease fees due, amount of depreciation and amortization and amount of interest charges	3 Lease fees due, decrease of lease asset impairment account, amount of depreciation and amortization, amount of interest charges and impairment loss	3 Lease fees due, amount of depreciation and amortization and amount of interest charges
Lease fees due	Lease fees due	Lease fees due
¥10,049	¥4,224	¥17,112
Depreciation and amortization	Depreciation and amortization	Depreciation and amortization
¥9,443	¥4,010	¥16,082
Interest charges	Interest charges	Interest charges
¥338	¥88	¥481
4 Calculation method for the amount of depreciation and amortization Straight line depreciation method where "0" is the residual value after a useful life set as the lease period	4 Calculation method for the amount of depreciation and amortization Same as left	4 Calculation method for the amount of depreciation and amortization Same as left
5 Calculation method for interest charges The amount of interest charges is treated as the difference between the total lease fees and the acquisition price of the leased article with the distribution method per term depending on the interest method.	5 Calculation method for interest charges Same as left	5 Calculation method for interest charges Same as left
	(Impairment loss) There are no impairment losses distributed in the leased assets.	

(Related to marketable securities)

Previous interim consolidated accounting period (Apr 1, 2004 to Sept 30, 2004)

Breakdown of the main marketable securities with no quoted price

Amounts calculated on the interim consolidated balance sheet (thousand yen)	
Other marketable securities	
Marketable securities (Money Market Fund)	21

Current interim consolidated accounting period (Apr 1, 2005 to Sept 30, 2005)

Breakdown of the main marketable securities with no quoted price

Amounts calculated on the interim consolidated balance sheet (thousand yen)	
Other marketable securities	
Marketable securities (Money Market Fund)	19,141

Previous consolidated fiscal year (Apr 1, 2004 to Mar 31, 2005)

Breakdown of the main marketable securities with no quoted price

Amounts calculated on the consolidated balance sheet (thousand yen)	
Other marketable securities	
Marketable securities (Money Market Fund)	17,280

(Related to derivatives trading)

Previous interim consolidated accounting period (Apr 1, 2004 to Sept 30, 2004)

Derivatives trading was not executed, therefore, there are no relevant items.

Current interim consolidated accounting period (Apr 1, 2005 to Sept 30, 2005)

Derivatives trading was not executed, therefore, there are no relevant items.

Previous consolidated fiscal year (Apr 1, 2004 to Mar 31, 2005)

Derivatives trading was not executed, therefore, there are no relevant items.

(Segment information)

[Segment information per business line]

Previous interim consolidated accounting period (Apr 1, 2004 to Sept 30, 2004)

Our Group is engaged in a single business, mobile communications, and there are no other businesses. Thus the business segment information is not available.

Current interim consolidated accounting period (Apr 1, 2005 to Sept 30, 2005)

Our Group is engaged in a single business, mobile communications, and there are no other businesses. Thus the business segment information is not available.

Previous consolidated fiscal year (Apr 1, 2004 to Mar 31, 2005)

Our Group is engaged in a single business, mobile communications, and there are no other businesses. Thus the business segment information is not available.

[Segment information per location]

Previous interim accounting period (Ended Sept 30, 2004)

	Japan (thousand yen)	USA (thousand yen)	Total (thousand yen)	Deletion or entire company (thousand yen)	Consolidated (thousand yen)
Net sales and operating profit and loss					
Net sales					
(1) Sales to external customers	2,244,915	—	2,244,915	—	2,244,915
(2) Internal sales or transfer amount between segments	—	215,485	215,485	(215,485)	—
Total	2,244,915	215,485	2,460,400	(215,485)	2,244,915
Operating expenses	2,174,821	209,282	2,384,104	(201,462)	2,182,641
Operating profit	70,093	6,202	76,296	(14,022)	62,273

(Note) Countries or regions are classified by geographic proximity to each other.

Current interim accounting period (Ended Sept 30, 2005)

	Japan (thousand yen)	USA (thousand yen)	Total (thousand yen)	Deletion or entire company (thousand yen)	Consolidated (thousand yen)
Net sales and operating profit and loss					
Net sales					
(1) Sales to external customers	2,506,776	—	2,506,776	—	2,506,776
(2) Internal sales or transfer amount between segments	—	338,809	338,809	(338,809)	—
Total	2,506,776	338,809	2,845,585	(338,809)	2,506,776
Operating expenses	2,364,816	329,145	2,693,962	(307,548)	2,386,413
Operation profit	141,960	9,663	151,623	(31,260)	120,363

(Note) Countries or regions are classified by geographic proximity to each other.

Previous consolidated fiscal year (Ended Mar 31, 2005)

	Japan (thousand yen)	USA (thousand yen)	Total (thousand yen)	Deletion or entire company (thousand yen)	Consolidated (thousand yen)
Net sales and operating profit and loss					
Net sales					
(1) Sales to external customers	4,559,431	—	4,559,431	—	4,559,431
(2) Internal sales or transfer amount between segments	—	454,281	454,281	(454,281)	—
Total	4,559,431	454,281	5,013,713	(454,281)	4,559,431
Operating expenses	4,352,883	447,379	4,800,263	(422,013)	4,378,249
Operating profit	206,547	6,902	213,449	32,268	181,181

(Note) Countries or regions are classified by geographic proximity to each other.

[Overseas sales]

Previous interim consolidated accounting period (Apr 1, 2004 to Sept 30, 2005)

Overseas sales are omitted because they represent less than 10% of total consolidated sales for the previous interim consolidated accounting period.

Current interim consolidated accounting period (Apr 1, 2005 to Sept 30, 2005)

Overseas sales are omitted because they represent less than 10% of total consolidated sales for the current interim consolidated accounting period.

Previous consolidated fiscal year (Apr 1, 2004 to Mar 31, 2005)

Overseas sales are omitted because they represent less than 10% of total consolidated sales for the current fiscal year.

(Data per share)

Item	Previous interim accounting period (Ended Sept 30, 2004)	Current interim accounting period (Ended Sept 30, 2005)	Previous consolidated fiscal year (Ended Mar 31, 2005)
Net assets per share	¥8,897.17	¥16,278.11	¥9,935.04
Net interim income per share	¥222.49	¥258.33	¥629.98
Net interim income per share on a fully diluted basis	—	¥245.26	—

(Note) 1 Net interim income per share on a fully diluted basis

For the previous interim consolidated accounting period and the previous consolidated fiscal year, there is a balance of residual securities, however, shares issued by this company were unlisted at the end of the previous interim consolidated accounting period. Therefore, no entry is made because it is impossible to know the average stock price during the period.

2 Basis for calculating the current term net income per share and the interim net income per share on a fully diluted basis

Item	Previous interim accounting period (Ended Sept 30, 2004)	Current interim accounting period (Ended Sept 30, 2005)	Previous consolidated fiscal year (Ended Mar 31, 2005)
Net interim income per share			
Net interim income (thousand yen)	39,587	55,183	112,424
Amount not attributed to common shares (thousand yen)	—	—	—
(Director bonus as appropriation of profit surplus)	—	—	—
Net interim income relating to common shares (thousand yen)	39,587	55,183	112,424
Average number of shares during period (shares)	177,931.03	213,617.19	178,454.74
Net interim income per share on a fully diluted basis			
Net interim income adjustment (thousand yen)	—	—	—
(Interest due (After deducting the amount of corresponding tax))	—	—	—
Number of increased common stock (shares)	—	11,383.40	—
(Stock options)	—	11,383.40	—

## (Important post-balance sheet events)

Previous interim accounting period (Ended Sept 30, 2004)	Current interim accounting period (Ended Sept 30, 2005)	Previous consolidated accounting period (Ended Mar 31, 2005)												
<p>(1) The following stock options were issued on Oct 28, 2004.</p> <p>1 Type and number of shares issued by exercising stock options as well as the issue price per share</p> <table data-bbox="220 443 558 555"> <tr> <td>Common stock</td> <td>660 shares</td> <td>¥16,667</td> </tr> <tr> <td>Common stock</td> <td>525 shares</td> <td>¥26,667</td> </tr> </table> <p>2 Total issue price of shares issued by exercising stock options ¥25,000 thousand</p> <p>3 Capital incorporation of shares issued by exercising stock options ¥18,000 thousand</p> <p>4 Dividend rights granted to the stock Apr 1, 2004</p> <p>(2) The following stock options were exercised on Nov 9, 2004.</p> <p>1 Type and number of shares issued by exercising stock options as well as the issue price per share</p> <table data-bbox="220 925 558 981"> <tr> <td>Common stock</td> <td>3 shares</td> <td>¥26,667</td> </tr> </table> <p>2 Total issue price of shares issued by exercising stock options ¥80 thousand</p> <p>3 Capital incorporation of shares issued by exercising stock options ¥40 thousand</p> <p>4 Dividend rights granted to the stock Apr 1, 2004</p> <p>(3) The following stock options were exercised on Nov 10, 2004.</p> <p>1 Type and number of shares issued by exercising stock options as well as the issue price per share</p> <table data-bbox="220 1350 558 1406"> <tr> <td>Common stock</td> <td>3 shares</td> <td>¥26,667</td> </tr> </table> <p>2 Total issue price of shares issued by exercising stock options ¥80 thousand</p> <p>3 Capital incorporation of shares issued by exercising stock options ¥40 thousand</p> <p>4 Dividend rights granted to the stock Apr 1, 2004</p>	Common stock	660 shares	¥16,667	Common stock	525 shares	¥26,667	Common stock	3 shares	¥26,667	Common stock	3 shares	¥26,667		<p>1 Our company received approval for listing by the Osaka Securities Exchange on March 18, 2005 and was listed on their Hercules market on April 21, 2005. Upon this listing, the following new shares were issued.</p> <p>(New stock issuance by public offering) The following new stocks were issued by public offering as per a resolution at the Board of Directors' Meetings held on March 18 and April 1, 2005.</p> <p>(1) Type and number of shares Common stock 34,000 shares Issue price per share ¥34,000 Capital incorporation from issue prices per share ¥17,000 Total issue price ¥1,156,000 thousand</p> <p>(2) Issuing schedule Offering period April 14 to 19, 2005 Payment date April 20, 2005</p> <p>(3) Dividend rights granted to the stock April 1, 2005</p> <p>(4) Use of funds Capital investments in equipment and software development, etc.</p> <p>(New stock issued by third party allocation) Subsequent to a resolution adopted at Board of Directors' Meetings held on March 18 and April 1, 2005, as per the following, a third party allocation capital increase was effectuated relating to the sale of this company's stock by over allotment (sale of 5000 shares (maximum limit) of our company's common stock borrowed from this company's stockholders by Daiwa Securities SMBC).</p>
Common stock	660 shares	¥16,667												
Common stock	525 shares	¥26,667												
Common stock	3 shares	¥26,667												
Common stock	3 shares	¥26,667												

Previous interim accounting period (Ended Sept 30, 2004)	Current interim accounting period (Ended Sept 30, 2005)	Previous consolidated fiscal year (Ended Mar 31, 2005)
<p>(4) The following stock options were exercised on Dec. 20, 2004.</p> <p>1 Type and number of shares issued by exercising stock options as well as the issue price per share Common 65 shares ¥26,667 stock</p> <p>2 Total issue price of shares issued by exercising stock options ¥1,733 thousand</p> <p>4 Capital incorporation of shares issued by exercising stock options ¥866 thousand</p> <p>4 Dividend rights granted to the stock Apr. 1, 2004</p>		<p>(1) Type and number of issued shares Common stock 5,000 shares Issue price per share ¥34,000 Capital incorporation from issue price per share ¥17,000 Total issue price ¥170,000 thousand</p> <p>(2) Issuing schedule Offering period April 21 to May 19, 2005 Payment date May 23, 2005</p> <p>(3) Dividend rights granted to the stock April 1, 2005</p> <p>(4) Allocated to Daiwa Securities SMBC</p> <p>(5) Use of funds Operating capital</p> <p>2. Exercise of stock options The following stock options were exercised after the accounting period.</p> <p>1. Portion exercised on April 25, 2005 (1) Type and number of shares issued by exercising stock options as well as the issue price per share Common stock: 252 shares ¥16,667 (2) Total issue price of shares issued by exercising stock options ¥4,200 thousand (3) Capital incorporation of shares issued by exercising stock options ¥4,200 thousand (4) Dividend rights granted to the stock April 1, 2005</p> <p>2. Portion exercised on April 26, 2005 (1) Type and number of shares issued by exercising stock options as well as the issue price per share Common stock 45 shares ¥16,667 Common stock 10 shares ¥26,667 (2) Total issue price of shares issued by exercising stock options ¥1,016 thousand (3) Capital incorporation of shares issued by exercising stock options ¥883 thousand (4) Dividend rights granted to the stock April 1, 2005</p> <p>3. Portion exercised on April 27, 2005 (1) Type and number of shares issued by exercising stock options as well as the issue price per share Common stock 27 shares ¥16,667 (2) Total issue price of shares issued by exercising stock options ¥450 thousand (3) Capital incorporation of shares issued by exercising stock options ¥450 thousand (4) Dividend rights granted to the stock April 1, 2005</p>

Previous interim accounting period (Ended Sept. 30, 2004)	Current interim accounting period (Ended Sept. 30, 2005)	Previous consolidated fiscal year (Ended Mar. 31, 2005)
		<p>4. Portion exercised on April 28, 2005</p> <p>(1) Type and number of shares issued by exercising stock options as well as the issue price per share Common stock 39 shares ¥16,667 Common stock 17 shares ¥26,667</p> <p>(2) Total issue price of shares issued by exercising stock options ¥1,103 thousand</p> <p>(3) Capital incorporation of shares issued by exercising stock options ¥876 thousand</p> <p>(4) Dividend rights granted to the stock April 1, 2005</p> <p>5. Portion exercised on May 2, 2005</p> <p>(1) Type and number of shares issued by exercising stock options as well as the issue price per share Common stock 6 shares ¥16,667</p> <p>(2) Total issue price of shares issued by exercising stock options ¥100 thousand</p> <p>(3) Capital incorporation of shares issued by exercising stock options ¥100 thousand</p> <p>(4) Dividend rights granted to the stock April 1, 2005</p> <p>6. Portion exercised on May 12, 2005</p> <p>(1) Type and number of shares issued by exercising stock options as well as the issue price per share Common stock 21 shares ¥16,667</p> <p>(2) Total issue price of shares issued by exercising stock options ¥350 thousand</p> <p>(3) Capital incorporation of shares issued by exercising stock options ¥350 thousand</p> <p>(4) Dividend rights granted to the stock April 1, 2005</p> <p>7. Portion exercised on May 13, 2005</p> <p>(1) Type and number of shares issued by exercising stock options as well as the issue price per share Common stock 35 shares ¥16,667</p> <p>(2) Total issue price of shares issued by exercising stock options ¥550 thousand</p> <p>(3) Capital incorporation of shares issued by exercising stock options ¥550 thousand</p> <p>(4) Dividend rights granted to the stock April 1, 2005</p>

Previous interim accounting period (Ended Sept. 30, 2004)	Current interim accounting period (Ended Sept. 30, 2005)	Previous consolidated fiscal year (Ended Mar. 31, 2005)
		<p>8. Portion exercised on May 18, 2005  (1) Type and number of shares issued by exercising stock options as well as the issue price per share  Common stock 3 shares ¥16,667  (2) Total issue price of shares issued by exercising stock options  ¥50 thousand  (3) Capital incorporation of shares issued by exercising stock options  ¥50 thousand  (4) Dividend rights granted to the stock April 1, 2005</p> <p>9. Portion exercised on May 20, 2005  (1) Type and number of shares issued by exercising stock options as well as the issue price per share  Common stock 90 shares ¥16,667  (2) Total issue price of shares issued by exercising stock options  ¥1,500 thousand  (3) Capital incorporation of shares issued by exercising stock options  ¥1,500 thousand  (4) Dividend rights granted to the stock April 1, 2005</p> <p>10. Portion exercised on May 23, 2005  (1) Type and number of shares issued by exercising stock options as well as the issue price per share  Common stock 12 shares ¥16,667  (2) Total issue price of shares issued by exercising stock options  ¥200 thousand  (3) Total issue price of shares issued by exercising stock options  ¥200 thousand  (4) Dividend rights granted to the stock April 1, 2005</p> <p>11. Portion exercised on May 24, 2005  (1) Type and number of shares issued by exercising stock options as well as the issue price per share  Common stock 30 shares ¥16,667  (2) Total issue price of shares issued by exercising stock options  ¥500 thousand  (3) Capital incorporation of shares issued by exercising stock options  ¥500 thousand  (4) Dividend rights granted to the stock April 1, 2005</p>

Previous interim accounting period (Ended Sept. 30, 2004)	Current interim accounting period (Ended Sept. 30, 2005)	Previous consolidated fiscal year (Ended Mar. 31, 2005)
		<p>12. Portion exercised on May 30, 2005</p> <p>(1) Type and number of shares issued by exercising stock options as well as the issue price per share Common stock 60 shares ¥16,667</p> <p>(2) Total issue price of shares issued by exercising stock options ¥1,000 thousand</p> <p>(3) Capital incorporation of shares issued by exercising stock options ¥1,000 thousand</p> <p>(4) Dividend rights granted to the stock April 1, 2005</p> <p>3. Stock options</p> <p>Based on a resolution at the Board of Directors' meeting held on May 25, 2005 and an extraordinary resolution at the 9<sup>th</sup> General Shareholders' meeting held on June 29, 2005, the issuance of stock options was approved for directors, auditors and employees of this company and its subsidiaries to be distributed on August 18, 2005.</p> <p>[Details of the stock options]</p> <ul style="list-style-type: none"> <li>• Type of shares : Common stock</li> <li>• Planned number of options to be issued : 4,000 shares maximum</li> <li>• Issue price of stock options : Free</li> <li>• Issue price : (See Note 1)</li> <li>• Capital incorporation: (See Note 2)</li> <li>• Total issue price :TBA</li> <li>• Total capital incorporation: TBA</li> <li>• Acquirers : Directors, auditors and employees of this company and its subsidiaries</li> <li>• Options exercise period: August 18, 2005 to August 18, 2015</li> </ul> <p>(Note 1) The closing price (including quote displays) for this company's common stock traded on the Osaka Securities Exchange Hercules market on the day prior to the issuance date for stock options, August 18, 2005 (excluding non-trading days).</p> <p>(Note 2) The amount resulting from multiplying the issue price of shares issued by exercising these stock options by 0.5 (rounding down to the nearest ¥1) is to be incorporated in the capitalization of the company and the balance is not incorporated.</p>

(2) [Other]

No relevant items.

## 2 [Production, orders and sales situation]

### (1) Production results

The results of services provided by our Group are almost the same as those for sales. See the items relating to sales results for details on production results.

### (2) Purchasing results

The following shows the current interim consolidated accounting period purchasing results for our Group per service segment.

Segment	Previous interim accounting period (Ended Sept 30, 2004)		Current interim accounting period (Ended Sept 30, 2005)		Previous consolidated fiscal year (Ended Mar 31, 2005)	
	Amount (Million yen)	(%)	Amount (Million yen)	(%)	Amount (Million yen)	(%)
Telecommunication services	1,096	77.3	781	57.4	2,003	73.1
Data communications services	321	22.7	579	42.6	737	26.9
Total	1,417	100.0	1,361	100.0	2,740	100.0

- (Note) 1 Consumption taxes are not included in the amounts above.  
2 The amounts shown are purchase prices.

### (3) Order results

No relevant items.

### (4) Sales results

The following shows the current interim consolidated accounting period sales results for our Group per service segment.

Segment	Previous interim accounting period (Ended Sept 30, 2004)		Current interim accounting period (Ended Sept 30, 2005)		Previous consolidated fiscal year (Ended Mar 31, 2005)	
	Amount (Million yen)	(%)	Amount (Million yen)	(%)	Amount (Million yen)	(%)
Telecommunication services	1,461	65.1	1,051	42.0	2,669	58.5
Data communications services	783	34.9	1,454	58.0	1,889	41.5
Total	2,244	100.0	2,506	100.0	4,559	100.0

- (Note) 1 Consumption taxes are not included in the amounts above.  
2 There is no customer who exceeds 10% of the total sales.