

(Excerpt translation)

Interim Consolidated Financial Results (September 1, 2005 - February 28, 2006)

April 21, 2006

Company name: USEN CORPORATION (Formerly usen Corp.)
Listed Exchanges: Nippon New Market-Hercules
Code number: 4842
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URL: <http://www.usen.com/company/>
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Date of the Board of Directors' Meeting to Approve Financial Statements: April 21, 2006
Adoption of U.S. GAAP: No

1. Interim Consolidated Financial Results for the Period Ended February 28, 2006 (September 1, 2005 - February 28, 2006)

(1) Consolidated Operating Results

	Millions of Yen - Except Per Share Data and Percents					
	Interim Period Ended February 28				Fiscal Year Ended August 31	
	2005	%	2006	%	2005	%
Net Sales	70,805	30.1	81,583	15.2	154,148	
Operating Income	4,522	215.0	415	(90.8)	9,531	
Ordinary Profit	2,505	47.2	(1,925)	-	6,274	
Net Income (Loss)	(16,440)	-	387	-	(27,707)	
Net Income (Loss) per Share	(253.81)		5.15		(395.75)	
Diluted Net Income per Share	-		-		-	

- Notes:
- Gains (losses) of shareholdings accounted by the equity method:
 - Interim Period ended February 28, 2006: (107) million yen
 - Interim Period ended February 28, 2005: 8 million yen
 - Fiscal Year ended August 31, 2005: 1 million yen
 - Average number of shares issued and outstanding during the period (consolidated):
 - Interim Period ended February 28, 2006: 75,238,962 shares
 - Interim Period ended February 28, 2005: 64,773,068 shares
 - Fiscal Year ended August 31, 2005: 70,012,816 shares
 - The Company has not made changes in the methods of accounting treatment.
 - The numbers in the % column for Net Sales, Operating Income, Ordinary Profit and Net Income reflect the rate of increase (decrease) compared with the Interim Period (Fiscal Year) for the prior interim period (fiscal year).
 - Diluted net income per share has not been included in this accounting report due to recognize Net Loss in the fiscal year ended August 31, 2005 and the interim period ended February 28, 2005.
 - Diluted net income per share has not been included in this accounting report due to have not any diluted securities in the interim period ended February 28, 2006.

(2) Consolidated Financial Position

	Millions of Yen - Except Per Share Data and Percents		
	Interim Period Ended February 28		Fiscal Year Ended August 31
	2005	2006	2005
Total Assets	263,355	269,374	257,606
Shareholders' Equity	40,890	35,810	30,798
Shareholders' Equity Ratio	15.5%	13.3%	12.0%
Shareholders' Equity per Share (Yen)	544.58	475.96	409.35

- Notes: Number of shares issued and outstanding at the end of the period (consolidated):
- Interim Period ended February 28, 2006: 75,238,962 Shares
 - Interim Period ended February 28, 2005: 75,086,110 shares
 - Fiscal Year ended August 31, 2005: 75,238,962 shares

(3) Interim Consolidated Cash Flows

	Millions of Yen		
	Interim Period Ended February 28		Fiscal Year Ended August 31
	2005	2006	2005
Cash Flows from Operating Activities	(994)	(3,188)	2,939
Cash Flows from Investing Activities	(28,046)	5,284	(37,638)
Cash Flows from Financing Activities	20,907	9,460	21,053
Cash and Cash Equivalents at the End of Year	37,819	43,908	32,319

(4) Scope of Consolidation and Application of Equity Method:

Number of consolidated subsidiaries:	22
Number of unconsolidated subsidiaries accounted for using the equity method:	-
Number of associated companies accounted for using the equity method:	1

(5) Changes in the Scope of Consolidation and Application of Equity Method:

Number of consolidated subsidiaries:		
(Newly consolidated)	3	(Excluded) 1
Number of companies for which the equity method accounting has been adopted:		
(Newly included)	1	(Excluded) 2

2. Consolidated Sales/Income Estimates for the Fiscal Year Ending August 31, 2006 (September 1, 2005 – August 31, 2006)

	Millions of Yen
	Fiscal Year Ending August 31, 2006
Net Sales	170,000
Operating Income	5,000
Ordinary Profit	1,000
Net Income (Loss)	1,000

(Reference) Projected net income (Loss) per share (full term): (13.29) yen

* The above projections are based upon the information available at the time of the announcement of this report. Actual business results could differ from the projections made herein for a wide variety of reasons.

This is summarized and translated information that the Company posted to the Osaka Securities Exchange in accordance with their rules that govern the disclosure of financial information. This English translation is not intended in any way to substitute or replace the original Japanese version and if there is any discrepancy between the original Japanese version and this translation, the original Japanese version shall govern. The figures in the Consolidated Financial Statements are unaudited.

Interim Consolidated Financial Statements

1. Interim Consolidated Balance Sheets

	Millions of Yen					
	As of February 28				As of August 31	
	2005		2006		2005	
	Amount	% of total	Amount	% of total	Amount	% of total
ASSETS:						
Current Assets:						
Cash and bank deposits	38,424		44,015		32,825	
Trade notes and trade accounts receivable	21,354		20,872		22,647	
Inventories	14,924		13,292		13,381	
Deferred tax assets - current	3,051		4,757		3,363	
Other current assets	16,511		22,848		20,028	
Allowance for doubtful receivables	(1,418)		(1,407)		(857)	
Total Current Assets	92,848	35.3	104,378	38.7	91,389	35.5
Fixed Assets:						
Property, Plant and Equipment:						
Buildings and structures	30,035		31,103		31,335	
Land	34,389		34,174		34,076	
Other property, plant and equipment	16,662		18,212		17,289	
Total Property, Plant and Equipment	81,087	30.8	83,490	31.0	82,701	32.1
Intangible Assets:						
Consolidation adjustment account	24,592		21,538		22,081	
Other intangible assets	9,030		9,896		8,359	
Total Intangible Assets	33,622	12.7	31,435	11.7	30,441	11.8
Investments and Other Assets:						
Investment securities	28,210		24,709		25,945	
Deferred tax assets - non-current	6,968		2,322		5,643	
Others	29,214		32,305		30,354	
Allowance for doubtful receivables	(8,633)		(9,279)		(8,895)	
Total Investments and Other Assets	55,759	21.2	50,057	18.6	53,048	20.6
Total Fixed Assets	170,468	64.7	164,983	61.3	166,191	64.5
Total Deferred Assets	38	0.0	12	0.0	25	0.0
Total Assets	263,355	100.0	269,374	100.0	257,606	100.0

	Millions of Yen					
	As of February 28				As of August 31	
	2005		2006		2005	
	Amount	% of total	Amount	% of total	Amount	% of total
LIABILITIES:						
Current Liabilities:						
Trade notes and trade accounts payable	13,462		11,014		11,657	
Notes payable for equipment and others	1,184		880		1,561	
Short-term bank loans	14,260		16,266		10,568	
Current portion of bonds	1,200		1,500		1,200	
Current portion of long-term bank loans	22,581		22,255		23,156	
Other accounts payable	12,216		16,237		15,109	
Advances received	11,240		9,383		11,387	
Allowance for employees' bonuses	1,105		1,083		1,210	
Allowance for loss on guarantee obligations	37		8		6	
Other current liabilities	8,167		16,495		14,774	
Total Current Liabilities	85,455	32.5	95,124	35.3	90,630	35.2
Long-term Liabilities:						
Bonds	30,300		29,100		29,700	
Long-term bank loans	79,547		76,909		78,294	
Allowance for employees' retirement benefits	7,336		6,575		7,619	
Other long-term liabilities	11,110		11,815		9,788	
Total Long-term Liabilities	128,293	48.7	124,400	46.2	125,402	48.6
Total Liabilities	213,748	81.2	219,525	81.5	216,033	83.8
Minority Interest	8,716	3.3	14,039	5.2	10,774	4.2
SHAREHOLDERS' EQUITY:						
Common Stock	35,797	13.5	35,845	13.3	35,845	13.9
Capital surplus	27,382	10.4	22,574	8.4	27,510	10.7
Retained earnings	(22,212)	(8.4)	(28,305)	(10.5)	(33,854)	(13.1)
Unrealized gains (losses) on securities holdings	140	0.0	5,677	2.1	1,358	0.5
Foreign currency translation adjustments	(53)	(0.0)	20	0.0	(58)	(0.0)
Treasury Stock	(164)	(0.0)	(2)	(0.0)	(2)	(0.0)
Total Shareholders' Equity	40,890	15.5	35,810	13.3	30,798	12.0
Total Liabilities and Shareholders' Equity	263,355	100.0	269,374	100.0	257,606	100.0

2. Interim Consolidated Statements of Operations

Millions of Yen

	Interim Period ended February 28,				Fiscal Year Ended August 31,	
	2005		2006		2005	
	Amount	% of total	Amount	% of total	Amount	% of total
Net Sales	70,805	100.0	81,583	100.0	154,148	100.0
Cost of Sales	35,636	50.3	46,908	57.5	80,831	52.4
Gross Profit	35,169	49.7	34,674	42.5	73,316	47.6
Selling, General and Administrative Expenses	30,647	43.3	34,259	42.0	68,784	41.4
Operating Income (Loss)	4,522	6.4	415	0.5	9,531	6.2
Non-operating Income						
Interest Income	127		147		208	
Dividends received	19		168		111	
Deposits received against cable re-installations	133		109		422	
Equity in earnings of unconsolidated subsidiaries and associated companies	8		-		1	
Derivative gains	71		11		346	
Other non-operating income	345		251		554	
Total Non-operating Income	706	0.9	688	0.8	1,644	1.1
Non-operating Expenses						
Interest expenses	1,923		1,836		3,616	
Loss in earnings of unconsolidated subsidiaries and associated companies	-		107		-	
Provision for allowance for doubtful receivables	-		402		-	
Other non-operating expenses	799		682		1,284	
Total Non-operating Expenses	2,722	3.8	3,029	3.7	4,901	3.2
Ordinary Profit (Loss)	2,505	3.5	(1,925)	(2.4)	6,274	4.1
Extraordinary Gains						
Gains on sales of fixed assets	2		9		296	
Gains on sales of stock in subsidiaries and associated companies	1,251		6,874		1,251	
Amortization of prior service cost	121		121		242	
Other extraordinary gains	305		2,217		1,300	
Total Extraordinary Gains	1,681	2.4	9,222	11.3	3,091	2.0
Extraordinary Losses						
Loss on sales of fixed assets	68		6		159	
Loss on disposal of fixed assets	771		1,818		2,261	
Loss on asset impairment	9,955		297		13,422	
Loss on inventory valuation	594		16		2,255	
Cable dismantling costs	942		1,591		2,693	
Amortization of transitional obligation for employees retirement benefits	699		-		1,382	
Amortization of consolidated adjustment account	-		-		195	
Provision for allowance for doubtful receivables	2,243		607		2,557	
Premium severance payments	-		-		282	
Loss on disposal of prepaid expense for Agency fee	2,475		-		3,439	
Loss on the change of the law for employees retirement benefits	-		563		-	
Other Extraordinary Losses	2,347		1,247		7,058	
Total Extraordinary Losses	20,096	28.4	6,149	7.5	35,709	23.2
Gain (Loss) before Income Taxes	(15,910)	(22.5)	1,147	1.4	(26,343)	(17.1)
Income Taxes						
Current Income Taxes	146	0.2	874	1.0	752	0.5
Deferred Income Taxes	167		180		304	
	(20)		694		448	
Minority Interest (Loss)	383	0.5	(115)	(0.1)	611	0.4
Net Income (Loss)	(16,440)	(23.2)	387	0.5	(27,707)	(18.0)

3. Interim Consolidated Statements of Capital Surplus and Retained Earnings

	Millions of Yen		
	Interim Period ended February 28	Fiscal Year Ended August 31	
	2005	2006	2005
	Amount	Amount	Amount
Capital surplus			
Capital surplus at the beginning of period	12,058	27,510	12,058
Increase in capital surplus	15,323	-	15,451
Increase due to new stock issue	15,318	-	15,318
Increase due to exercise of share subscription right	5	-	53
Profit on disposal of treasury stocks	-	-	79
Decrease in capital surplus	-	4,936	-
Transfer of capital surplus to reduce accumulated deficit	-	4,936	-
Capital surplus at the end of period	27,382	22,574	27,510
Retained earnings			
Retained earnings at the beginning of period	(5,771)	(33,854)	(5,771)
Increase in retained earnings	-	5,925	-
Adjustment of retained earnings due to change to an associated company for which the equity method of accounting is applied	-	602	-
Adjustment of retained earnings for a newly consolidated subsidiary	-	4,936	-
Net income	-	387	-
Decrease in retained earnings	16,440	376	28,083
Cash Dividends	-	376	375
Net loss	16,440	-	27,707
Retained earnings at the end of period	(22,212)	(28,305)	(33,854)

4. Interim Consolidated Statements of Cash Flows

	Millions of Yen		
	Interim Period ended February 28	Fiscal Year Ended August 31	
	2005 Amount	2006 Amount	2005 Amount
Cash Flows from Operating Activities:			
Income (loss) before taxes and minority interests	(15,910)	1,147	(26,343)
Depreciation and amortization	6,251	6,385	13,258
Increase (decrease) in allowance for doubtful receivables	1,910	995	1,611
Decrease in allowance for employees' bonuses	(46)	(127)	58
Increase in allowance for employees' retirement benefits	471	(1,043)	754
Increase (decrease) in allowance for officers' retirement benefits	2	-	(52)
Interest income	(127)	(147)	(208)
Dividend income	(19)	(168)	(111)
Interest expenses	1,923	1,836	3,616
Equity in earnings of unconsolidated subsidiaries and associated companies	(8)	107	(1)
Loss (Gain) on changes in equity interest of a subsidiary	-	(57)	41
Loss (Gain) on sales of stock in subsidiaries and associated companies	(1,251)	(6,874)	(1,251)
Impairment loss on write-down of subsidiaries and associated companies	-	64	2,573
Loss (Gain) on sales of investment securities	(11)	(1,889)	(409)
Impairment loss on write-down of investment securities	-	388	1,326
Gain on sales of operating rights	-	(65)	(170)
Derivative gains	(71)	247	(346)
Loss (gain) on the disposal and sales of fixed assets	837	1,816	2,124
Loss on asset impairment	9,955	297	13,422
Cable dismantling costs	942	762	2,693
Amortization of consolidation adjustment account	1,096	1,427	2,820
Increase in trade receivables	(1,396)	1,768	(2,707)
Decrease (increase) in prepaid expenses	2,040	72	(474)
Increase in trade payables	2,500	(645)	684
Decrease (increase) in receivables	502	(2,870)	483
Decrease in advances received	(1,467)	(2,003)	(1,316)
Increase (decrease) in payables	(3,413)	(720)	59
Decrease in other payables	(1,169)	(1,128)	(314)
Decrease in consumption tax payables	(17)	68	(376)
Decrease (increase) in inventories	(2,239)	-	-
Decrease (increase) in advances paid	971	(934)	685
Increase(Decrease) in advances	(619)	573	-
Decrease in long-term prepaid expenses	-	(1,559)	(3,432)
Decrease in deposit payable for joint venture	-	1,128	-
Others	659	1,003	692
Sub total	2,295	(145)	9,388
Interest and dividend received	97	491	528
Interest paid	(1,385)	(1,546)	(3,593)
Expenses paid for use of facilities (past portion)	(1,668)	(1,653)	(2,984)
Income taxes paid	(333)	(334)	(400)
Net Cash Provided by (Used in) Operating Activities	(994)	(3,188)	2,939

	Millions of Yen		
	Interim Period Ended February 28		Fiscal Year Ended August 31
	2005 Amount	2006 Amount	2005 Amount
Cash Flows from Investing Activities:			
Payments into long-term deposits	(918)	(802)	(1,762)
Withdrawals from long-term deposits	2,057	1,200	3,001
Purchase of property, plant and equipment	(7,640)	(6,563)	(15,075)
Proceeds from sales of property, plant and equipment	806	179	1,065
Payments for disposal of property, plant and equipment	(1,157)	(1,342)	(2,956)
Purchases of intangible assets	(903)	(2,509)	(1,793)
Increase in long-term prepaid expenses	(128)	(230)	(146)
Purchases of investment securities	(2,152)	(1,263)	(3,159)
Proceeds from sales of investment securities	519	4,668	2,722
Increase in investments in unconsolidated subsidiaries	(23,482)	(2,632)	(24,602)
Proceeds from sales and redemption of stock in subsidiaries and associated companies	3,305	14,992	3,750
Proceeds from acquisition of stocks of a subsidiary resulting in changes in the scope of consolidation	3,548	-	3,548
Net decrease (increase) in short-term loans	2,364	(15)	2,358
Cash disbursements on long-term loans	(4,185)	(419)	(4,926)
Cash collection of long-term loans	252	149	1,166
Proceeds from sales of operating rights	-	269	-
Others	(333)	(396)	(831)
Net Cash Used in Investing Activities	(28,046)	(5,284)	(37,638)
Cash Flows from Financing Activities:			
Net increase (decrease) in short-term bank loans	(7,190)	5,698	(10,883)
Proceeds from long-term bank loans	59,887	10,000	70,700
Repayments of long-term bank loans	(64,241)	(12,286)	(75,711)
Proceeds from issuance of bonds	3,938	300	3,938
Payments for redemption of bonds	(1,203)	(600)	(1,803)
Payments of cash dividends	-	(376)	-
Proceeds from issuance of a consolidated subsidiary's stock	-	4,153	-
Proceeds from issuance of common stock	30,459	-	30,952
Payments of cash dividends of Minority Interest	-	(274)	-
Proceeds from stock lending transaction	-	817	-
Proceeds from a sales-leaseback transaction	-	2,445	-
Others	(742)	(415)	3,861
Net Cash Provided by Financing Activities	20,907	9,460	21,053
Foreign Currency Translation Adjustments on Cash and Cash Equivalents	(8)	31	5
Net Increase (Decrease) in Cash and Cash Equivalents	(8,141)	11,588	(13,640)
Cash and Cash Equivalents at the Beginning of the Period	45,960	32,319	45,960
Cash and Cash Equivalents at the End of the Period	37,819	43,908	32,319