



Internet Initiative Japan



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株式会社インターネットイニシアティブ
Tel: 03-5259-6500
E-mail: ir@iij.ad.jp

本資料は日本の方々の便宜性のために作成した簡易版です。8ページより正式決算発表資料(英文)が続きますので、そちらもあわせてご参照いただけますよう、お願い申し上げます。

2005年度第1四半期(4-6月)決算発表(抄訳)

＜前年同期比大幅に業績改善、2005年度通期の業績ターゲット達成に向けて順調なスタート＞

本決算発表に関するマネジメント・メッセージを2005年8月13日より弊社ホームページ上(URL: <http://www.iij.ad.jp/IR/>)にて公開予定です。

2005年度第1四半期決算

- ・ 営業収益(売上高)は、前年同期比13.9%増の9,880百万円となりました。
- ・ 営業利益は、247百万円と、前年同期の営業損失100百万円から大幅に改善し、黒字転換いたしました。
- ・ 当期利益は、623百万円と、前年同期の当期損失238百万円から黒字転換いたしました。
- ・ 企業のIT投資の季節変動要因から、年度中の売上高が最も低くなる第1四半期において、米国ナスダック・ナショナルマーケット上場以来の黒字転換を果たす等、2005年度通期の業績ターゲットの達成に向け、順調なスタートとなりました。

2005年度通期の業績ターゲット

- ・ 2005年5月27日公表の2005年度通期の業績ターゲットには、変更はありません。

経営の概況

第1四半期は、企業のIT投資の季節変動要因より年度中の売上高が最も低くなる時期となりますが、当期は前年同期の100百万円の営業損失から大幅に収益改善し、第1四半期としては米国ナスダック・ナショナルマーケット上場以来初めての黒字転換を果たすことができました。IIJの主要市場である大企業・官公庁においては、インターネット技術が社内ネットワークや業務システムに更に浸透し、業務トラフィックの増大やネットワークの複雑化が進んでいます。第1四半期においても、これら企業のアウトソーシングニーズを的確に捕え、信頼性の高いトータル・ネットワーク・ソリューションを提供することで、着実に実績を積み重ねました。売上高については、データセンター、電子メールアウトソーシング、ネットワークアウトソーシング等の付加価値サービスおよびシステムインテグレーションの運用アウトソーシング売上といった収益性の高い恒常的な売上が順調に推移したことから前年同期比大幅増収となり、大きく収益改善を図ることができました。

2005年度通期の連結業績につきましては、2004年度に確立した収益体質を更に改善することで、過去最高売上、最高益の更新を目標としております。既に公表済の2005年度通期の連結業績ターゲットについては、変更はありません。

IIJは、国内でのプレゼンス強化等を目的に、従前より国内上場の準備を進めてまいりましたが、この6月に予定していた東京証券取引所マザーズへの上場は、マザーズの上場基準で定める株式の分布状況(上場時の株式の公募による株主数の増加)を満たすことができず、中止となりました。これは、マザーズ上場に関わる新株式の発行価格決定後、米国ナスダック・ナショナルマーケットにおいてIIJの発行する米国預託証券(ADR)の価格が下落したことにより、発行価格とADR価格との乖離が生じたことが主要な原因と考えられます。今回、こうした結果となったことは、極めて

残念なことでありますが、IIJ としては当面の資金需要に問題はなく、事業についても影響はありません。今後も、ネットワーク・ソリューション事業を推進することで、引続きの事業拡大を図ります。国内上場につきましては、重要な経営課題として、早急に新たな取組を行ってまいります。

サービス別概況及び財務関連データ

インターネット接続サービスの契約数及び総帯域

	1Q05	1Q04	4Q04
専用線接続サービス合計	12,274	8,076	11,243
IP サービス(低帯域:64kbps-768kbps) ^{*1}	65	76	89
IP サービス(中帯域:1Mbps-100Mbps 未満) ^{*1}	637	594	660
IP サービス(高帯域:100Mbps 以上～)	131	82	114
IIJ T1 スタンダードおよび IIJ エコノミー ^{*2}	208	421	276
インターネットデータセンター接続サービス	234	224	231
IIJ FiberAccess/F および IIJ DSL/F (ブロードバンド対応型)	10,999	6,679	9,873
ダイヤルアップ接続サービス合計	677,207	708,586	693,976
自社提供	66,125	73,225	68,068
OEM 提供 ^{*3}	611,082	635,361	625,908
契約総帯域	140.9Gbps	95.6Gbps	121.2Gbps

*1 IPv6 サービスを含む

*2 1Q04 では、「機能限定型」と表記していたもの(回線専有型、割当 IP アドレス数等に制限あり、64kbps、128kbps、1.5Mbps)

*3 他サービス事業者向け OEM サービス

2005 年度第 1 四半期においても、引続き専用線接続サービスの契約数、契約総帯域は順調に増加しました。IP サービスでは、顧客企業が業務トラフィックの増大を背景に、より広帯域のサービスにシフトしており、特に 1Gbps 以上の IP サービスの契約数は前四半期比+9 回線増の 33 回線となりました。また、ブロードバンド対応型の契約数は、インターネット VPN を用いた多拠点接続ソリューションの展開に伴う新規契約の獲得により引続き増加し、契約数は 10,000 回線を大きく上回りました。

インターネット接続及び付加価値サービスの営業収益、売上原価及び売上総利益率 (百万円)

	1Q05	1Q04	前年同期比	4Q04	前四半期比
インターネット接続サービス	3,446	3,671	(6.1%)	3,559	(3.2%)
専用線接続サービス	2,747	2,919	(5.9%)	2,841	(3.3%)
IP サービス ^{*4}	2,166	2,279	(5.0%)	2,235	(3.1%)
IIJ T1 スタンダードおよび IIJ エコノミー ^{*5}	134	275	(51.2%)	171	(21.4%)
IIJ FiberAccess/F および IIJ DSL/F (ブロードバンド対応型)	447	365	22.5%	435	2.7%
ダイヤルアップ接続サービス	699	752	(7.1%)	718	(2.7%)
自社提供 ^{*6}	466	509	(8.4%)	471	(1.2%)
OEM 提供 ^{*7}	233	243	(4.3%)	247	(5.6%)
付加価値サービス	1,388	1,187	16.9%	1,322	5.0%
その他	933	592	57.5%	979	(4.7%)
インターネット接続及び付加価値サービス 売上高合計	5,767	5,450	5.8%	5,860	(1.6%)
インターネット接続及び付加価値サービス原価	4,964	4,811	3.2%	5,018	(1.1%)
うちバックボーンコスト	864	985	(12.3%)	831	3.9%
売上総利益率	13.9%	11.7%		14.4%	

*4 インターネットデータセンター接続サービスを含む(回線専有型、64kbps-1.2Gbps)

*5 1Q04 では、「機能限定型」と表記していたもの(回線専有型、割当 IP アドレス数等に制限あり、64kbps、128kbps、1.5Mbps)

*6 各種法人向けおよび個人向けサービス(IIJ4U、IIJmio)。B フレッツ、ADSL 対応オプションも含む

*7 他サービス事業者向け OEM サービス

インターネット接続サービスの売上は、IP サービスにおける顧客企業の広帯域サービスへのシフト、多拠点接続ソリューションの展開に伴うブロードバンド型サービスの契約増加はあったものの、一部大口顧客のネットワーク統合、価格見直し等があったことから、前年同期比、前期比ともに減収となりました。

付加価値サービスの売上は、データセンターサービス、電子メール等のサーバアウトソーシングサービス、多拠点接続案件に伴う SEIL、SMF 等のネットワークアウトソーシングサービス等が好調に推移したことから増収となりました。

その他の売上は、広域 LAN サービスの好調により前年同期比で大幅増収となりました。前四半期比では、2004 年度第 4 四半期に検収となった広域 LAN サービスや社内 LAN 関連サービスに係る一時売上、初期費用分の減少のため微減収となりました。

売上総利益率は、収益性の高い付加価値サービスの売上増加、バックボーンコストを主体とする固定的売上原価の抑制により前年同期の 11.7%から 2.2 ポイント改善し、13.9%となりました。

システムインテグレーションの営業収益、売上原価及び売上総利益率

(百万円)

	1Q05	1Q04	前年同期比	4Q04	前四半期比
システムインテグレーション収入合計	3,840	2,695	42.5%	5,352	(28.2%)
システムインテグレーション	1,193	1,040	14.7%	2,786	(57.2%)
システム運用アウトソーシングサービス	2,647	1,655	60.0%	2,566	3.2%
システムインテグレーション原価	2,910	2,157	34.9%	4,030	(27.8%)
売上総利益率	24.2%	20.0%		24.7%	

システムインテグレーションの売上は、昨年 10 月に営業譲受し設立した(株)アイアイジェイフィナンシャルシステムズの証券システム開発・運用事業の売上寄与、および収益性の高い運用アウトソーシングサービスの順調な推移から、前年同期比大幅増収となりました。前四半期比では、システムインテグレーションの構築案件の季節変動要因(第 1 四半期は、年度中で最も弱含みな四半期となる)から減収となりました。

安定した収益基盤である運用アウトソーシングサービスが引続き好調で増収となったことから、売上総利益率は前年同期の 20.0%から 4.2 ポイント改善し、24.2%となりました。

機器販売の営業収益、売上原価及び売上総利益率

(百万円)

	1Q05	1Q04	前年同期比	4Q04	前四半期比
機器販売売上高	273	530	(48.5%)	1,042	(73.8%)
機器販売原価	244	475	(48.7%)	964	(74.7%)
売上総利益率	10.9%	10.4%		7.6%	

その他

(百万円)

	1Q05	1Q04	前年同期比	4Q04	前四半期比
Adjusted EBITDA (償却前営業利益)	1,261	884	42.6%	1,698	(25.8%)
設備投資 (キャピタルリースを含む)	533	1,300	(59.0%)	724	(26.3%)
減価償却費 ^{*10}	1,014	1,004	1.0%	1,061	(4.4%)

*10 1Q04 および 4Q04 においては、転換社債発行費用の償却額を含む。

注意事項: この資料には、1995 年米国民証券訴訟改革法 (Private Securities Litigation Reform Act of 1995) の「セーフハーバー」規定に定義する「将来性の見通しに関する記述 (forward-looking statements)」に該当する情報が記載されています。この資料の記載のうち、過去または現在の事実に関するもの以外は、将来の見通しに関する記述に該当します。将来の見通しに関する記述は、現在入手可能な情報に基づく IIJ 経営陣の仮定および判断に基づくものであり、これには既知または未知のリスクおよび不確実性が内在しています。IIJ の実際の活動または業績は、今後、将来の見通しに関する記述に示されたところと大きく異なる可能性があります。投資家の皆様におかれましては、1934 年米国民証券取引法 (Securities Exchange Act of 1934) に基づく今後の報告書等において IIJ が行う開示をご参照ください。

本資料における 2004 年度第 1 四半期の決算数値については、IIJ の 2005 年 4 月 11 日付プレスリリースにて既報の決算修正を反映した数値としています。

株式会社 インターネットイニシアティブ
四半期連結損益計算書(米国会計基準未監査)

Appendix 1

2005年6月期、2004年6月期、2005年3月期

JPY/千円単位、USD/千米ドル単位 (1)

前年同四半期比較

	2005年6月期			2004年6月期			前四半期比較 2005年3月期		
	USD (1)	JPY	対営業収益 %	JPY	%	対前年同四半期 %	JPY	対営業収益 %	対前四半期 %
営業収益:									
インターネット接続及び付加価値サービス収入:									
専用線接続サービス	24,767	2,746,900	27.8%	2,918,488	33.6%	(5.9%)	2,840,903	23.2%	(3.3%)
ダイヤルアップ接続サービス	6,299	698,670	7.1	751,933	8.7	(7.1)	718,285	5.8	(2.7)
付加価値サービス	12,514	1,387,893	14.1	1,186,837	13.7	16.9	1,321,816	10.8	5.0
その他	8,413	933,120	9.4	592,390	6.8	57.5	978,940	8.0	(4.7)
インターネット接続及び付加価値サービス収入合計	51,993	5,766,583	58.4	5,449,648	62.8	5.8	5,859,944	47.8	(1.6)
システムインテグレーション	34,623	3,840,075	38.9	2,694,638	31.1	42.5	5,351,865	43.7	(28.2)
機器販売	2,466	273,438	2.7	530,621	6.1	(48.5)	1,042,540	8.5	(73.8)
営業収益合計	89,082	9,880,096	100.0	8,674,907	100.0	13.9	12,254,349	100.0	(19.4)
営業費用:									
インターネット接続及び付加価値サービス原価	44,756	4,963,835	50.2	4,811,341	55.5	3.2	5,018,522	40.9	(1.1)
システムインテグレーション原価	26,240	2,910,262	29.5	2,156,620	24.8	34.9	4,030,274	32.9	(27.8)
機器販売原価	2,197	243,699	2.5	475,466	5.5	(48.7)	963,665	7.9	(74.7)
売上原価合計	73,193	8,117,796	82.2	7,443,427	85.8	9.1	10,012,461	81.7	(18.9)
販売費	6,923	767,801	7.8	662,950	7.6	15.8	736,219	6.0	4.3
一般管理費	6,437	713,917	7.2	620,651	7.2	15.0	799,929	6.5	(10.8)
研究開発費	305	33,904	0.3	48,368	0.6	(29.9)	49,968	0.4	(32.1)
営業費用合計	86,858	9,633,418	97.5	8,775,396	101.2	9.8	11,598,577	94.6	(16.9)
営業利益(損失)	2,224	246,678	2.5	(100,489)	(1.2)	(345.5)	655,772	5.4	(62.4)
その他の収益(費用)	3,924	435,233	4.4	(150,700)	(1.7)	(388.8)	1,729,122	14.1	(74.8)
税引前当期利益(損失)	6,148	681,911	6.9	(251,189)	(2.9)	(371.5)	2,384,894	19.5	(71.4)
法人税、住民税及び事業税	344	38,111	0.4	15,089	0.2	152.6	29,839	0.3	27.7
少数株主損益	(215)	(23,855)	(0.2)	39,184	0.5	(160.9)	(62,468)	(0.5)	(61.8)
持分法による投資損益	25	2,729	0.0	(10,995)	(0.1)	(124.8)	(36,966)	(0.3)	(107.4)
当期利益(損失)	5,614	622,674	6.3%	(238,089)	(2.7%)	(361.5%)	2,255,621	18.4%	(72.4%)
基本的及び希薄化後1株あたり当期利益(損失)		16,254		(6,214)			58,875		
基本的及び希薄化後米国預託証券1単位あたり当期利益(損失)		8.13		(3.10)			29.44		
期中平均発行済株式総数		38,309		38,312			38,312		
期中平均発行済米国預託証券総数		76,618,779		76,623,702			76,623,702		

注記(1): 2005年6月期につきましては、米ドル換算レート110.91円=1米ドル(2005/6/30)にて参考表示しております。

株式会社 インターネットイニシアティブ
 四半期連結貸借対照表(米国会計基準未監査)

Appendix 2

2005年6月期、2004年6月期、2005年3月期

JPY/千円単位、USD/千米ドル単位(1)

	2005年6月期			2004年6月期		2005年3月期	
	USD (1)	JPY	%	JPY	%	JPY	%
資産の部							
流動資産:							
現金及び現金同等物	46,041	5,106,388	15.1%	10,627,203	25.3%	5,286,477	14.2%
短期投資	2,747	304,628	0.9	-	-	-	-
売掛金	52,230	5,792,808	17.2	5,377,230	12.8	7,407,439	20.0
棚卸資産	2,392	265,286	0.8	413,477	1.0	140,096	0.4
前払費用	11,391	1,263,409	3.8	932,097	2.2	604,935	1.6
その他流動資産	728	80,797	0.2	457,325	1.1	108,228	0.3
流動資産合計	115,529	12,813,316	38.0	17,807,332	42.4	13,547,175	36.5
関連会社投資等	6,105	677,035	2.0	769,363	1.8	713,607	1.9
その他投資	71,069	7,882,229	23.4	11,919,229	28.3	9,930,781	26.8
有形固定資産等	82,553	9,155,981	27.1	8,567,329	20.4	9,722,366	26.2
敷金保証金	18,855	2,091,237	6.2	2,059,980	4.9	2,050,665	5.5
その他資産	10,138	1,124,441	3.3	915,548	2.2	1,151,877	3.1
資産合計	304,249	33,744,239	100.0%	42,038,781	100.0%	37,116,471	100.0%
負債及び資本の部							
流動負債:							
短期借入金	42,588	4,723,387	14.0%	5,363,001	12.8%	4,724,633	12.7%
有価証券貸借取引に伴う債務	13,799	1,530,400	4.5	-	-	1,729,520	4.7
買掛金及び未払金	33,047	3,665,233	10.9	3,754,214	8.9	4,860,733	13.1
未払費用	4,720	523,478	1.6	480,824	1.1	541,118	1.4
その他流動負債	8,284	918,829	2.7	728,386	1.7	817,517	2.2
1年以内に期限到来の長期借入金	28,735	3,187,023	9.4	1,549,189	3.7	2,736,056	7.4
転換社債	-	-	-	11,088,000	26.4	-	-
短期リース債務	24,513	2,718,759	8.1	2,403,477	5.7	2,774,974	7.5
流動負債合計	155,686	17,267,109	51.2	25,367,091	60.3	18,184,551	49.0
長期借入金	7,847	870,342	2.6	2,270,366	5.4	1,529,963	4.1
長期リース債務	35,618	3,950,359	11.7	3,123,878	7.4	4,339,028	11.7
退職給付引当金	1,528	169,460	0.5	89,037	0.2	143,346	0.4
その他固定負債	2,225	246,818	0.7	233,046	0.6	275,533	0.7
負債合計	202,904	22,504,088	66.7	31,083,418	73.9	24,472,421	65.9
少数株主持分	9,496	1,053,212	3.1	901,088	2.2	1,028,977	2.8
資本:							
資本金	124,113	13,765,372	40.8	13,765,372	32.8	13,765,372	37.1
資本準備金	213,125	23,637,628	70.0	23,637,628	56.2	23,637,628	63.7
欠損金	(304,854)	(33,811,378)	(100.2)	(37,578,410)	(89.4)	(34,434,052)	(92.8)
その他有価証券評価差額金等	60,225	6,679,555	19.8	10,273,685	24.4	8,690,125	23.4
自己株式	(760)	(84,238)	(0.2)	(44,000)	(0.1)	(44,000)	(0.1)
資本合計	91,849	10,186,939	30.2	10,054,275	23.9	11,615,073	31.3
負債、少数株主持分及び資本合計	304,249	33,744,239	100.0%	42,038,781	100.0%	37,116,471	100.0%

注記(1): 2005年6月期につきましては、米ドル換算レート110.91円=1米ドル(2005/6/30)にて参考表示しております。

四半期連結キャッシュフロー計算書(米国会計基準未監査)

2005年6月期、2004年6月期、2005年3月期

JPY/千円単位、USD/千米ドル単位 (1)

	2005年6月期		2004年6月期	2005年3月期
	USD (1)	JPY	JPY	JPY
営業活動によるキャッシュフロー:				
当期利益(損失)	5,614	622,674	(238,089)	2,255,621
減価償却費等	9,140	1,013,745	1,004,170	1,060,944
貸倒引当金繰入(戻入)額	(48)	(5,339)	(12,936)	36,204
持分法による投資損益	(25)	(2,729)	10,995	36,966
少数株主損(益)	215	23,855	(39,184)	62,468
為替差損(差益)	(56)	(6,278)	(7,585)	(8,641)
転換社債償還差損	-	-	5,195	-
その他投資に係る損益	(4,407)	(488,758)	2,749	(1,816,676)
売掛金の減少(増加)額	14,619	1,621,419	3,627,399	(1,206,074)
買掛金及び未払金の増加(減少)額	(10,215)	(1,132,992)	(3,094,772)	1,205,665
棚卸資産の減少(増加)額	(1,129)	(125,190)	24,958	221,788
法人税等調整額	165	18,343	-	(11,656)
その他	(4,609)	(511,252)	(255,036)	704,443
営業活動によるキャッシュフロー	9,264	1,027,498	1,027,864	2,541,052
投資活動によるキャッシュフロー:				
有形固定資産等の取得による支出	(1,925)	(213,485)	(323,210)	(96,542)
子会社株式の取得による支出	-	-	-	(50,000)
その他投資の売却による収入	4,639	514,460	91,286	2,008,650
短期投資及びその他投資の取得による支出	(2,699)	(299,311)	(2,290)	(2,339)
敷金保証金の返還(差入)	(354)	(39,210)	14,528	(3,330)
その他	(49)	(5,450)	(4,851)	(9,495)
投資活動によるキャッシュフロー	(388)	(42,996)	(224,537)	1,846,944
財務活動によるキャッシュフロー:				
長期借入金の返済	(1,881)	(208,654)	(36,710)	(308,414)
有価証券貸借取引による担保金預り収入	-	-	-	1,729,520
有価証券貸借取引による預かり担保金の返済	(1,796)	(199,120)	-	(722,800)
転換社債の償還	-	-	(745,488)	(11,088,000)
リース債務元本の返済	(6,914)	(766,807)	(669,047)	(753,177)
短期借入金の純増減額	(11)	(1,246)	(1,201,093)	(101,211)
子会社による普通株式の発行による収入	-	-	188,632	-
財務活動によるキャッシュフロー	(10,602)	(1,175,827)	(2,463,706)	(11,244,082)
現金及び現金同等物に係る換算差額	101	11,236	3,343	(16,227)
現金及び現金同等物の減少額	(1,624)	(180,089)	(1,657,036)	(6,872,313)
現金及び現金同等物の期首残高	47,665	5,286,477	12,284,239	12,158,790
現金及び現金同等物の期末残高	46,041	5,106,388	10,627,203	5,286,477

注記(1):2005年6月期につきましては、米ドル換算レート110.91円=1米ドル(2005/6/30)にて参考表示しております。



Internet Initiative Japan

For Immediate Release

Internet Initiative Japan Inc.

E-mail: ir@ij.ad.jp Tel: +81-3-5259-6500

URL: http://www.ij.ad.jp/

IIJ Announces First Quarter Results for the Year Ending March 31, 2006

- Highest revenues and profits for the first quarter, the weakest period in the fiscal year historically-

Tokyo and New York, August 12, 2005 - Internet Initiative Japan Inc. (Nasdaq: IJJI) ("IIJ"), one of Japan's leading Internet-access and comprehensive network solutions providers, today announced its financial results for the first quarter of the fiscal year ending March 31, 2006 ("FY2005").¹

Highlights of First Quarter FY2005 Results

- Revenue totaled JPY 9,880 million (\$89.1 million), an increase of 13.9% from 1Q04.
- Operating income was JPY 247 million (\$2.2 million), a substantial improvement from the operating loss of JPY 100 million in 1Q04.
- Net income was JPY 623 million (\$5.6 million), compared to a net loss of JPY 238 million in 1Q04.

Target for FY2005²

- We maintain the target for FY2005 that we announced on May 27, 2005.

Overview of 1st Quarter of FY2005 Financial Results and Business Outlook²

"An increase in demand from corporate customers for outsourced network operations and systems integration utilizing broadband technology continued to support our growth in 1Q05," said Koichi Suzuki, President and CEO of IIJ. "Despite the fact that our first quarter has historically been our weakest quarter due to seasonal fluctuations in Japanese corporate investment spending, we recorded a significant improvement compared to 1Q04. In particular, revenue increased by 13.9% compared to 1Q04, and profits improved substantially. It was the first time since our NASDAQ listing that we achieved positive operating and net income in the first quarter, which was primarily due to our continued focus on steadily increasing recurring monthly revenues from outsourced network operations."

Mr. Suzuki continued, "We planned to list our shares in Japan in June 2005 and we are disappointed that we could not complete it. We did not attract a sufficient number of new shareholders to meet the listing requirements of the Tokyo Stock Exchange, most likely due to adverse ADS price fluctuations on NASDAQ after the pricing day of the Japanese offering. However, we believe that this will not have a material effect on our financial condition. We will continue to make our future listing in Japan one of our highest priorities."

"We had a remarkable start to our 2005 fiscal year given that the first quarter is historically the weakest period due to seasonal fluctuation in Japan," said Akihisa Watai, CFO of IIJ. "We outperformed our

¹ Unless otherwise stated, all financial figures discussed in this announcement are prepared in accordance with U.S. GAAP. All financial figures are unaudited and consolidated. For all 1Q05 results, translations of Japanese yen amounts into US dollars are solely for the convenience of readers outside of Japan and have been made at the rate of JPY 110.91 = US\$1.00, the approximate exchange rate on June 30, 2005. 1Q04 figures have been restated to reflect the change in income tax expense (benefit) previously announced by IIJ in its press release dated April 11, 2005.

² This Overview and Business Outlook contains forward-looking statements and projections such as statements regarding FY2005 revenues and operating and net profitability that are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by these statements. These risks and uncertainties include, but are not limited to, the factors noted at the end of this release and to the risk factors and other information included in IIJ's annual report on Form 20-F, filed with the SEC on August 3, 2005, as well as other filings and documents furnished to the Securities and Exchange Commission. IIJ plans to keep this press release publicly available on its Web site (www.ij.ad.jp), but may discontinue this practice at any time. IIJ intends to publish its next Overview and Business Outlook in its 2Q05 earnings release, presently scheduled for release in November 2005.

internal targets for 1Q05, in both revenues and profits, and maintain the target for FY2005 that we announced on May 27, 2005. We believe that the strengthening Japanese economy and favorable business trends will continue to bring us profits, with steady monthly revenues from outsourced network operations and higher-margin revenues from systems integration ("SI"), including network design, consulting and implementation."

1st Quarter FY2005 Financial Results

Operating Result Summary

(JPY in millions)

	1Q05	1Q04	YoY % change	4Q04	QoQ % Change
Total Revenues	9,880	8,675	13.9%	12,254	(19.4%)
Total Costs	8,118	7,443	9.1%	10,012	(18.9%)
SG&A Expenses and R&D	1,516	1,332	13.8%	1,586	(4.4%)
Operating Income	247	(100)	(345.5%)	656	(62.4%)
Net Income (Loss)	623	(238)	(361.5%)	2,256	(72.4%)

Revenues

Revenues in 1Q05 totaled JPY 9,880 million, an increase of 13.9% from JPY 8,675 million in 1Q04 and a decrease of 19.4% from JPY 12,254 million in 4Q04.

Revenues

(JPY in millions)

	1Q05	1Q04	YoY % change	4Q04	QoQ % change
Total Revenues	9,880	8,675	13.9%	12,254	(19.4%)
Connectivity & VAS	5,767	5,450	5.8%	5,860	(1.6%)
SI	3,840	2,695	42.5%	5,352	(28.2%)
Equipment Sales	273	530	(48.5%)	1,042	(73.8%)

Connectivity and Value-added Services ("VAS") revenues were JPY 5,767 million in 1Q05, an increase of 5.8 % from JPY 5,450 million in 1Q04 and a decrease of 1.6% from JPY 5,860 million in 4Q04.

Dedicated access service revenues were JPY 2,747 million in 1Q05, a decrease of 5.9% compared to 1Q04 and a decrease of 3.3% compared to 4Q04. The decrease was mainly due to cancellation of IP Service by certain large customers and the failure of an increase in revenues from broadband services to offset a decrease in revenues from T1 Standard or IJ Economy.

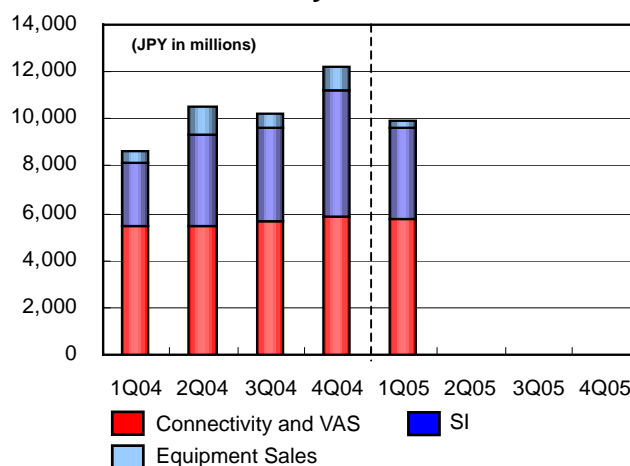
Dial-up access service revenues were JPY 699 million in 1Q05, a decrease of 7.1% compared to 1Q04 and a decrease of 2.7% compared to 4Q04. The decrease from 1Q04 is mainly due to the decrease in revenues from IJ4U. The decrease from 4Q04 is mainly due to the decrease in OEM service revenues.

VAS revenues were JPY 1,388 million in 1Q05, an increase of 16.9% compared to 1Q04 and an increase of 5.0% compared to 4Q04. The increase compared to 1Q04 and 4Q04 is mainly due to an increase in revenues from data center services and various types of packaged outsource services, such as e-mail and web hosting and network services such as managed router services.

Other revenues were JPY 933 million in 1Q05, an increase of 57.5% compared to 1Q04 and a decrease of 4.7% compared to 4Q04. The increase from 1Q04 is mainly due to an increase in revenues from Wide-area Ethernet Services.

SI revenues increased 42.5% to JPY 3,840 million in 1Q05 from JPY 2,695 million in 1Q04 and decreased 28.2% from JPY 5,352 million in 4Q04. The increase from 1Q04 is mainly due to additional revenues from the purchase of the security system business operations of Yamatane Co. Ltd. in October

Quarterly Total Revenues



2004 and solid growth of revenues from outsourced operations. The decrease from 4Q04 is mainly due to the decrease in systems development contracts, mainly due to a seasonal fluctuation.

Equipment sales revenues were JPY 273 million in 1Q05, a decrease of 48.5% compared to 1Q04 and a decrease of 73.8% compared to 4Q04.

Cost and expense

Cost of revenues was JPY 8,118 million in 1Q05, an increase of 9.1% compared to 1Q04 and a decrease of 18.9% compared to 4Q04.

Cost of Connectivity and VAS revenues

was JPY 4,964 million, an increase of 3.2% compared to 1Q04 and a decrease of 1.1% compared to 4Q04. The increase from 1Q04 is mainly due to an increase in personnel expenses and cost for local access lines for Wide-area Ethernet Services. The decrease from 4Q04 is mainly due to a decrease in depreciation and amortization. The gross-margin ratio for Connectivity and VAS in 1Q05 was 13.9%, compared to 11.7% in 1Q04 and 14.4% in 4Q04. The improvement from 1Q04 was mainly due to an increase in revenues from higher-margin VAS, and a decrease in backbone costs.

Cost of SI revenues was JPY 2,910 million in 1Q05, an increase of 34.9% compared to 1Q04 and a decrease of 27.8% compared to 4Q04. The gross margin ratio for SI in 1Q05 was 24.2%, compared to 20.0% in 1Q04 and 24.7% in 4Q04. The improvement in margin compared to 1Q04 was mainly due to the increase in higher-margin systems integration contracts.

Sales and marketing expenses were JPY 768 million in 1Q05, an increase of 15.8% compared to 1Q04 and an increase of 4.3% compared to 4Q04. The increase from 1Q04 is mainly due to increases in personnel and advertising expenses. The increase from 4Q04 is mainly due to an increase in personnel expenses.

General and administrative expenses were JPY 714 million in 1Q05, an increase of 15.0% compared to 1Q04 and a decrease of 10.8% compared to 4Q04. The increase from 1Q04 is mainly due to an increase in personnel expenses. The decrease from 4Q04 is mainly due to absence of write down of software licenses that we recorded in 4Q04.

Operating income

Operating income was JPY 247 million in 1Q05, compared to an operating loss of JPY 100 million in 1Q04 and an operating income of JPY 656 million in 4Q04. The increase from 1Q04 was mainly due to improved gross-margins in Connectivity, VAS and SI. The decrease from 4Q04 was mainly due to a decrease in SI revenues.

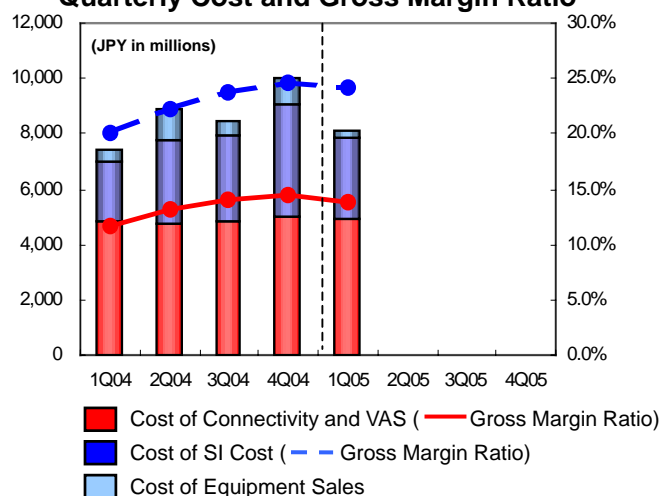
Other income (expenses) in 1Q05 was JPY 435 million, compared to other expenses of JPY 151 million in 1Q04 and other income of JPY 1,729 million in 4Q04. The increase from 1Q04 or the decrease from 4Q04 is mainly due to an increase or decrease

Cost of Revenues

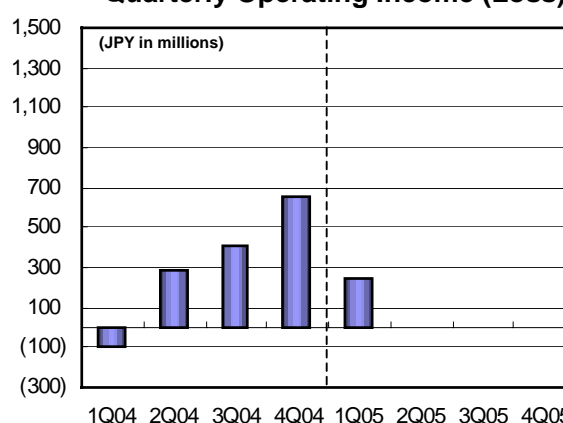
(JPY in millions)

	1Q05	1Q04	YoY % change	4Q04	QoQ % change
Total Costs:	8,118	7,443	9.1%	10,012	(18.9%)
Connectivity & VAS	4,964	4,811	3.2%	5,018	(1.1%)
SI	2,910	2,157	34.9%	4,030	(27.8%)
Equipment Sales	244	475	(48.7%)	964	(74.7%)

Quarterly Cost and Gross Margin Ratio



Quarterly Operating Income (Loss)

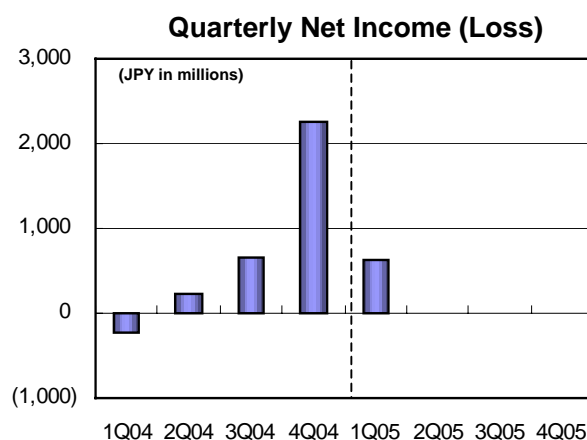


in gain from sale of available-for-sale securities. The differences to 1Q04 or 4Q04 also includes the absence of interest payments for the convertible notes due March 31, 2005.

Income tax expense for 1Q05 was JPY 38 million, compared to JPY 15 million in 1Q04 and JPY 30 million in 4Q04.

Equity in net income (loss) of equity method investees amounted to net income of JPY 3 million in 1Q05, compared to net loss of JPY 11 million in 1Q04 and net loss of JPY 37 million in 4Q04.

Net income (loss) was net income of JPY 623 million in 1Q05, compared to a net loss of JPY 238 million in 1Q04 and net income of JPY 2,256 million in 4Q04. The increase from 1Q04 or the decrease from 4Q04 is mainly due to the improvement or decrease in operating income, and an increase or decrease in gain from sale of available-for-sale securities.



1st Quarter FY2005 Business Review

Analysis by Service

Connectivity and Value-added Services

Number of Contracts for Connectivity Services

	1Q05	1Q04	4Q04
Dedicated Access Service Contracts	12,274	8,076	11,243
IP Service (Low Bandwidth: 64kbps-768kbps) ³	65	76	89
IP Service (Medium Bandwidth: 1Mbps-99Mbps) ³	637	594	660
IP Service (High Bandwidth: 100Mbps-)	131	82	114
IIJ T1 Standard and IIJ Economy ⁴	208	421	276
IIJ Data Center Connectivity Service	234	224	231
IIJ FiberAccess/F and IIJ DSL/F (Broadband Services)	10,999	6,679	9,873
Dial-up Access Service Contracts	677,207	708,586	693,976
Dial-up Access Services, under IIJ Brand	66,125	73,225	68,068
Dial-up Access Services, OEM ⁵	611,082	635,361	625,908
Total Contracted Bandwidth	140.9Gbps	95.6Gbps	121.2Gbps

The total number of contracts for dedicated access services continued to increase steadily in 1Q05. In IP Services, which are mainly used for critical services in corporate headquarters, contracts for 100Mbps and higher increased significantly. The number of contacts higher than 1Gbps substantially increased to 33 in 1Q05, from 24 in the previous quarter. The number of contracts recorded for broadband services was over 10,000 and most new contracts are for multi-site connectivity. These services are provided with value-added services and systems integration.

Connectivity and VAS Revenue Breakdown and Cost

(JPY in millions)

	1Q05	1Q04	YoY % Change	4Q04	QoQ % change
Connectivity Service Revenues	3,446	3,671	(6.1%)	3,559	(3.2%)
Dedicated Access Service Revenues	2,747	2,919	(5.9%)	2,841	(3.3%)
IP Service⁶	2,166	2,279	(5.0%)	2,235	(3.1%)

³ Including IPv6 Services.

⁴ Referred to as "Limited Functionality Services" in 1Q04 for the services with local access not shared, limited on several functionality compared to IP service such as number of IP address allocated and fixed speed of 64kbps, 128kbps and 1.5Mbps.

⁵ OEM stands for Original Equipment Manufacturer.

IIJ T1 Standard and IIJ Economy	134	275	(51.2%)	171	(21.4%)
IIJ FiberAccess/F and IIJ DSL/F (Broadband Services)	447	365	22.5%	435	2.7%
Dial-up Access Service Revenues	699	752	(7.1%)	718	(2.7%)
Under IIJ Brand	466	509	(8.4%)	471	(1.2%)
OEM	233	243	(4.3%)	247	(5.6%)
VAS Revenues	1,388	1,187	16.9%	1,322	5.0%
Other Revenues	933	592	57.5%	979	(4.7%)
Total Connectivity and VAS Revenues	5,767	5,450	5.8%	5,860	(1.6%)
Cost of Connectivity and VAS	4,964	4,811	3.2%	5,018	(1.1%)
Backbone Cost (included in the cost of Connectivity and VAS)	864	985	(12.3%)	831	3.9%
Connectivity and VAS Gross Margin Ratio	13.9%	11.7%		14.4%	

VAS revenues increased reflecting an increase in revenues from data centers and other managed services, reflecting an increase in demand for various types of packaged outsource services.

Other revenues also increased steadily, mainly due to an increase in revenue from Wide-area Ethernet services in year-over-year comparison.

Backbone costs declined in 1Q05 by 12.3% compared to 1Q04 and increased by 3.9% compared to 4Q04.

Systems Integration

Systems Integration Revenue Breakdown and Cost

(JPY in millions)

	1Q05	1Q04	YoY % change	4Q04	QoQ % change
Systems Integration Revenues	3,840	2,695	42.5%	5,352	(28.2%)
Systems Integration	1,193	1,040	14.7%	2,786	(57.2%)
Outsourced Operation	2,647	1,655	60.0%	2,566	3.2%
Cost of Systems Integration	2,910	2,157	34.9%	4,030	(27.8%)
Systems Integration Gross Margin Ratio	24.2%	20.0%		24.7%	

Our SI projects are becoming bigger in scale as we include the whole stream of consulting, design, project management, implementation and operation. SI revenues in 1Q05 increased compared to 1Q04 largely due to the steady increase in monthly revenues from outsourced operations. In addition, the increase from 1Q04 reflected additional revenues from the purchase of the security system business operations of Yamatane Co. Ltd. ("Yamatane").

Equipment Sales

Equipment Sales Revenue and Cost

(JPY in millions)

	1Q05	1Q04	YoY % change	4Q04	QoQ % change
Equipment Sales Revenues	273	530	(48.5%)	1,042	(73.8%)
Cost of Equipment Sales	244	475	(48.7%)	964	(74.7%)
Equipment Sales Gross Margin Ratio	10.9%	10.4%		7.6%	

Other Financial Statistics

Other Financial Statistics

(JPY in millions)

	1Q05	1Q04	YoY % change	4Q04	QoQ % change
Adjusted EBITDA⁷	1,261	884	42.6%	1,698	(25.8%)
CAPEX, including capital leases⁸	533	1,300	(59.0%)	724	(26.3%)

⁶ IP Service revenues includes revenues from Data Center Connectivity Service.

⁷ Please refer to the Reconciliation of Non-GAAP Financial Measures on the next page.

Depreciation and amortization ⁹	1,014	1,004	1.0%	1,061	(4.4%)
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Major Topics

ADS ratio change and stock split:

In August 2005, IIJ announced that its board of directors approved a change in the ratio of its American Depositary Shares ("ADSs") to the shares of common stock of IIJ ("Shares") from 1 ADS = 1 / 2,000 of a Share to 1 ADS = 1 / 400 of a Share and a stock split (1 to 5) of Shares. The ratio change and stock split will not affect the total number of ADSs in issue and are not expected to affect the ADS trading price on the NASDAQ market, because: (1) the ADS ratio change will be reciprocal to the stock split and (2) the effective date for the ratio change will be the payable date for the stock split. In connection with the ratio change and stock split, the ADS depository facility at The Bank of New York will be temporarily closed for deposits of Shares for delivery of American Depositary Receipts ("ADRs") representing the ADSs and withdrawal of Shares upon surrender of ADRs from and including Friday, August 26, 2005, to, and including, the payable date for the stock split, Tuesday, October 11, 2005. The holders of IIJ ADSs will be able to trade its ADSs on the NASDAQ market as usual during the period in which the depository facility is closed for deposits and withdrawals of Shares.

IIJ and IIJ Technology to form alliance with HP Japan to deliver RFID platform:

In August 2005, IIJ, IIJ Technology and Hewlett-Packard Japan, Ltd. announced that they have formed a business alliance for the commercialization of a radio frequency identification ("RFID") platform using networks based on international RFID standards called the EPCglobal Network™. Through this alliance, the three companies will offer global real-time supply chain management ("SCM"), which can be put to practical use for intercompany and international logistics.

Reconciliation of Non-GAAP Financial Measures

The following table summarizes the reconciliation of adjusted EBITDA to net income according to the consolidated statements of operations that are prepared in accordance with accounting principles generally accepted in the U.S. and presented in Appendix 1:

Adjusted EBITDA		(JPY in millions)		
	1Q05	1Q04	4Q04	
Adjusted EBITDA	1,261	884	1,698	
Depreciation and Amortization¹⁰	(1,014)	(984)	(1,042)	
Operating Income	247	(100)	656	
Other Income (Expenses)	435	(151)	1,729	
Income Tax Expense	38	15	30	
Minority Interests in (Earnings) Losses of Subsidiaries	(24)	39	(62)	
Equity in Net Income (Loss) of Equity Method Investees	3	(11)	(37)	
Net Income (Loss)	623	(238)	2,256	

The following table summarizes the reconciliation of capital expenditures to the purchase of property and equipment according to the consolidated statements of cash flows that are prepared and presented in accordance with accounting principles generally accepted in the U.S. in Appendix 3:

CAPEX		(JPY in millions)		
	1Q05	1Q04	4Q04	
Capital Expenditures	533	1,300	724	
Acquisition of Assets by Entering into Capital Leases	320	977	627	
Purchase of Property and Equipment	213	323	97	

⁸ Please refer to the Reconciliation of Non-GAAP Financial Measures on the next page.

⁹ Depreciation and amortization includes amortization of issuance cost of convertible notes and intangible assets.

¹⁰ Depreciation and amortization excludes amortization of issuance cost of convertible notes that was included in other expenses.

Target

IJJ maintains its target for FY2005. As announced on May 27, 2005, the targets for consolidated financial results for FY2005 are as follows:

Revenue - JPY 46,330 million (an increase of 11.1% compared to FY2004)

Operating income - JPY 2,320 million (an increase of 85.9% compared to FY2004)

Net income - JPY 3,700 million (an increase of 27.3% compared to FY2004)

Management Message/Webcast

On August 13, 2005, IJJ will present its management message and the Company's results and outlook by webcast. For details, please access the following URL: <http://www.ijj.ad.jp/en/IR/>

About Internet Initiative Japan Inc.

Founded in 1992, Internet Initiative Japan Inc. (IJJ, NASDAQ: IJJI) is one of Japan's leading Internet-access and comprehensive network solutions providers. The company has built one of the largest Internet backbone networks in Japan, and between Japan and the United States. IJJ and its group of companies provide total network solutions that mainly cater to high-end corporate customers. The company's services include high-quality systems integration and security services, Internet access, hosting/housing, and content design.

For inquiries, contact:

Taisuke ONO, Naoshi YONEYAMA

IJJ Corporate Communications

Tel: +81-3-5259-6500 E-mail: ir@ijj.ad.jp URL: <http://www.ijj.ad.jp/>

Statements made in this press release regarding IJJ's or management's intentions, beliefs, expectations, or predictions for the future are forward-looking statements that are based on IJJ's and managements' current expectations, assumptions, estimates and projections about its business and the industry. These forward-looking statements, such as statements regarding FY2005 revenues and operating and net profitability, are subject to various risks, uncertainties and other factors that could cause IJJ's actual results to differ materially from those contained in any forward-looking statement. These risks, uncertainties and other factors include: IJJ's ability to achieve or sustain profitability in the near future; IJJ's ability to compete effectively against competitors which have greater financial, marketing and other resources; IJJ's ability to attract and retain qualified personnel; and other risks referred to in IJJ's annual report on Form 20-F filed with the United States Securities and Exchange Commission ("SEC") on August 3, 2005, and from time to time in other filings with the SEC available at www.sec.gov.

Tables to follow

INTERNET INITIATIVE JAPAN INC.
CONSOLIDATED STATEMENTS OF OPERATIONS(UNAUDITED)

For the Three Months Ended Jun 30, 2005, Jun 30, 2004 and Mar 31, 2005

(Expressed in Thousands of Japanese Yen (JPY) and U.S. Dollars (USD) Except for Per Share and ADS Data)(1)

	Year-over-year Comparison						Sequential Comparison		
	Jun 30, 2005			Jun 30, 2004			Mar 31, 2005		
	USD (1)	JPY	% of Total Revenues	JPY	% of Total Revenues	YOY Chg %	JPY	% of Total Revenues	QOQ Chg %
Revenues:									
Connectivity and value-added services:									
Dedicated access services	24,767	2,746,900	27.8%	2,918,488	33.6%	(5.9%)	2,840,903	23.2%	(3.3%)
Dial-up access services	6,299	698,670	7.1	751,933	8.7	(7.1)	718,285	5.8	(2.7)
Value-added services	12,514	1,387,893	14.1	1,186,837	13.7	16.9	1,321,816	10.8	5.0
Other	8,413	933,120	9.4	592,390	6.8	57.5	978,940	8.0	(4.7)
Total connectivity and value-added services	51,993	5,766,583	58.4	5,449,648	62.8	5.8	5,859,944	47.8	(1.6)
Systems integration revenues	34,623	3,840,075	38.9	2,694,638	31.1	42.5	5,351,865	43.7	(28.2)
Equipment sales	2,466	273,438	2.7	530,621	6.1	(48.5)	1,042,540	8.5	(73.8)
Total revenues	89,082	9,880,096	100.0	8,674,907	100.0	13.9	12,254,349	100.0	(19.4)
Costs and expenses:									
Cost of connectivity and value-added services	44,756	4,963,835	50.2	4,811,341	55.5	3.2	5,018,522	40.9	(1.1)
Cost of systems integration revenues	26,240	2,910,262	29.5	2,156,620	24.8	34.9	4,030,274	32.9	(27.8)
Cost of equipment sales	2,197	243,699	2.5	475,466	5.5	(48.7)	963,665	7.9	(74.7)
Total costs	73,193	8,117,796	82.2	7,443,427	85.8	9.1	10,012,461	81.7	(18.9)
Sales and marketing	6,923	767,801	7.8	662,950	7.6	15.8	736,219	6.0	4.3
General and administrative	6,437	713,917	7.2	620,651	7.2	15.0	799,929	6.5	(10.8)
Research and development	305	33,904	0.3	48,368	0.6	(29.9)	49,968	0.4	(32.1)
Total costs and expenses	86,858	9,633,418	97.5	8,775,396	101.2	9.8	11,598,577	94.6	(16.9)
Operating income (loss)	2,224	246,678	2.5	(100,489)	(1.2)	(345.5)	655,772	5.4	(62.4)
Other income (expenses)	3,924	435,233	4.4	(150,700)	(1.7)	(388.8)	1,729,122	14.1	(74.8)
Income (loss) before income tax expense, minority interests and equity in net income (loss) of equity method investees	6,148	681,911	6.9	(251,189)	(2.9)	(371.5)	2,384,894	19.5	(71.4)
Income tax expense	344	38,111	0.4	15,089	0.2	152.6	29,839	0.3	27.7
Minority interests in (earnings) losses of subsidiaries	(215)	(23,855)	(0.2)	39,184	0.5	(160.9)	(62,468)	(0.5)	(61.8)
Equity in net income (loss) of equity method investees	25	2,729	0.0	(10,995)	(0.1)	(124.8)	(36,966)	(0.3)	(107.4)
Net income (loss)	5,614	622,674	6.3%	(238,089)	(2.7%)	(361.5%)	2,255,621	18.4%	(72.4%)
Basic And Diluted Net Income (Loss) Per Share		16,254		(6,214)			58,875		
Basic And Diluted Net Income (Loss) Per ADS Equivalent		8.13		(3.10)			29.44		
Weighted Average Number of Shares		38,309		38,312			38,312		
Weighted Average Number of ADS Equivalents		76,618,779		76,623,702			76,623,702		

Note (1): The translations of Japanese yen amounts into US dollar amounts with respect to the three months ended Jun 30, 2005 are included solely for the convenience of readers outside Japan and have been made at the rate of JPY 110.91 = \$1, the approximate rate of exchange on Jun 30, 2005.

INTERNET INITIATIVE JAPAN INC.
CONSOLIDATED BALANCE SHEETS(UNAUDITED)

Appendix 2

As of Jun 30, 2005, Jun 30, 2004 and Mar 31, 2005
(Expressed in Thousands of Japanese Yen (JPY) and U.S. Dollars (USD)) (1)

	Jun 30, 2005			Jun 30, 2004		Mar 31, 2005	
	USD (1)	JPY	%	JPY	%	JPY	%
ASSETS							
Current Assets:							
Cash and cash equivalents	46,041	5,106,388	15.1%	10,627,203	25.3%	5,286,477	14.2%
Short-term investments	2,747	304,628	0.9	-	-	-	-
Accounts receivable, net	52,230	5,792,808	17.2	5,377,230	12.8	7,407,439	20.0
Inventories	2,392	265,286	0.8	413,477	1.0	140,096	0.4
Prepaid expenses	11,391	1,263,409	3.8	932,097	2.2	604,935	1.6
Other current assets	728	80,797	0.2	457,325	1.1	108,228	0.3
Total current assets	115,529	12,813,316	38.0	17,807,332	42.4	13,547,175	36.5
Investments in and Advances to Equity Method Investees	6,105	677,035	2.0	769,363	1.8	713,607	1.9
Other Investments	71,069	7,882,229	23.4	11,919,229	28.3	9,930,781	26.8
Property and Equipment, net	82,553	9,155,981	27.1	8,567,329	20.4	9,722,366	26.2
Guarantee Deposits	18,855	2,091,237	6.2	2,059,980	4.9	2,050,665	5.5
Other Assets	10,138	1,124,441	3.3	915,548	2.2	1,151,877	3.1
Total assets	304,249	33,744,239	100.0%	42,038,781	100.0%	37,116,471	100.0%
LIABILITIES AND SHAREHOLDERS' EQUITY							
Current Liabilities:							
Short-term borrowings	42,588	4,723,387	14.0%	5,363,001	12.8%	4,724,633	12.7%
Payable under securities loan agreement	13,799	1,530,400	4.5	-	-	1,729,520	4.7
Accounts payable	33,047	3,665,233	10.9	3,754,214	8.9	4,860,733	13.1
Accrued expenses	4,720	523,478	1.6	480,824	1.1	541,118	1.4
Other current liabilities	8,284	918,829	2.7	728,386	1.7	817,517	2.2
Long-term borrowings-current portion	28,735	3,187,023	9.4	1,549,189	3.7	2,736,056	7.4
Convertible notes	-	-	-	11,088,000	26.4	-	-
Capital lease obligations-current portion	24,513	2,718,759	8.1	2,403,477	5.7	2,774,974	7.5
Total current liabilities	155,686	17,267,109	51.2	25,367,091	60.3	18,184,551	49.0
Long-term Borrowings	7,847	870,342	2.6	2,270,366	5.4	1,529,963	4.1
Capital Lease Obligations-Noncurrent	35,618	3,950,359	11.7	3,123,878	7.4	4,339,028	11.7
Accrued Retirement and Pension Costs	1,528	169,460	0.5	89,037	0.2	143,346	0.4
Other Noncurrent Liabilities	2,225	246,818	0.7	233,046	0.6	275,533	0.7
Total liabilities	202,904	22,504,088	66.7	31,083,418	73.9	24,472,421	65.9
Minority Interest	9,496	1,053,212	3.1	901,088	2.2	1,028,977	2.8
Shareholders' Equity:							
Common stock	124,113	13,765,372	40.8	13,765,372	32.8	13,765,372	37.1
Additional paid-in capital	213,125	23,637,628	70.0	23,637,628	56.2	23,637,628	63.7
Accumulated deficit	(304,854)	(33,811,378)	(100.2)	(37,578,410)	(89.4)	(34,434,052)	(92.8)
Accumulated other comprehensive income	60,225	6,679,555	19.8	10,273,685	24.4	8,690,125	23.4
Treasury stock	(760)	(84,238)	(0.2)	(44,000)	(0.1)	(44,000)	(0.1)
Total shareholders' equity	91,849	10,186,939	30.2	10,054,275	23.9	11,615,073	31.3
Total liabilities and shareholders' equity	304,249	33,744,239	100.0%	42,038,781	100.0%	37,116,471	100.0%

Note (1): The translations of Japanese yen amounts into US dollar amounts with respect to Jun 30, 2005 are included solely for the convenience of readers outside Japan and have been made at the rate of JPY 110.91 = \$1, the approximate rate of exchange on Jun 30, 2005.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

For the Three Months Ended Jun 30, 2005, Jun 30, 2004 and Mar 31, 2004

(Expressed in Thousands of Japanese Yen (JPY) and U.S. Dollars (USD)) (1)

	Jun 30, 2005		Jun 30, 2004	Mar 31, 2005
	USD (1)	JPY	JPY	JPY
Operating Activities:				
Net income (loss)	5,614	622,674	(238,089)	2,255,621
Depreciation and amortization	9,140	1,013,745	1,004,170	1,060,944
Provision for (reversal of) doubtful accounts	(48)	(5,339)	(12,936)	36,204
Equity in net (income) loss of equity method investees	(25)	(2,729)	10,995	36,966
Minority interests in earnings (losses) of subsidiaries	215	23,855	(39,184)	62,468
Foreign exchange gains	(56)	(6,278)	(7,585)	(8,641)
Loss on retirement of convertible notes	-	-	5,195	-
Net losses (gains) on other investments	(4,407)	(488,758)	2,749	(1,816,676)
Decrease (increase) in accounts receivable	14,619	1,621,419	3,627,399	(1,206,074)
Increase (decrease) in accounts payable	(10,215)	(1,132,992)	(3,094,772)	1,205,665
Decrease (increase) in inventories	(1,129)	(125,190)	24,958	221,788
Deferred income taxes	165	18,343	-	(11,656)
Other	(4,609)	(511,252)	(255,036)	704,443
Net cash provided by operating activities	9,264	1,027,498	1,027,864	2,541,052
Investing Activities:				
Purchase of property and equipment	(1,925)	(213,485)	(323,210)	(96,542)
Purchase of subsidiary stock	-	-	-	(50,000)
Proceeds from sales of other investments	4,639	514,460	91,286	2,008,650
Purchase of short-term and other investments	(2,699)	(299,311)	(2,290)	(2,339)
Refund (payment) of guarantee deposits-net	(354)	(39,210)	14,528	(3,330)
Other	(49)	(5,450)	(4,851)	(9,495)
Net cash provided by (used in) investing activities	(388)	(42,996)	(224,537)	1,846,944
Financing Activities:				
Repayments of long-term borrowings	(1,881)	(208,654)	(36,710)	(308,414)
Proceeds from securities loan agreement	-	-	-	1,729,520
Repayments of securities loan agreement	(1,796)	(199,120)	-	(722,800)
Redemption of convertible notes	-	-	(745,488)	(11,088,000)
Principal payments under capital leases	(6,914)	(766,807)	(669,047)	(753,177)
Net decrease in short-term borrowings	(11)	(1,246)	(1,201,093)	(101,211)
Proceeds from issuance of common stock of a subsidiary	-	-	188,632	-
Net cash used in financing activities	(10,602)	(1,175,827)	(2,463,706)	(11,244,082)
Effect of Exchange Rate Changes on Cash	101	11,236	3,343	(16,227)
Net Decrease in Cash and Cash Equivalents	(1,624)	(180,089)	(1,657,036)	(6,872,313)
Cash and Cash Equivalents, Beginning of Period	47,665	5,286,477	12,284,239	12,158,790
Cash and Cash Equivalents, End of Period	46,041	5,106,388	10,627,203	5,286,477

Note (1): The translations of Japanese yen amounts into US dollar amounts with respect to the three months ended Jun 30, 2005 are included solely for the convenience of readers outside Japan and have been made at the rate of JPY110.91 = \$1, the approximate rate of exchange on Jun 30, 2005.