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Summary of Financial Results for Three Months Ended June 30,2005 (Consolidated)

August 12, 2005

Company name: Japan Communications Inc. Stock code: 9424
Exchange: Osaka Securities Exchange, Hercules
(URL <http://www.j-com.co.jp>)

Representative: Frank Seiji Sanda, Representative Director and Chief Executive Officer TEL (03) 5767-9100
Contact: Naohisa Fukuda, Director & Chief Financial Officer

1. Notes related to the preparation of the consolidated quarterly financial results

- ① Change in accounting method in current fiscal year from previous year : Yes (Adoption of simplified accounting method of corporate tax, etc.)
② Change in scope of consolidation and use of equity method : None
③ Involvement of certified public accountant or auditor : None

2. Financial results for the first quarter ended June 30, 2005 (April 1, 2005 ~ June 30, 2005)

(1) Consolidated results of operations

	Net sales		Operating profit		Ordinary income		Net income (this quarter)	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended June 2005	1,219	—	60	—	△10	—	△20	—
Three months ended June 2004	—	—	—	—	—	—	—	—
(Reference) Year ended March 2005	4,559	—	181	—	153	—	112	—

	Net income per share (this quarter)	Net income per share (diluted)
	Yen	Yen
Three months ended June 2005	△110.34	—
Three months ended June 2004	—	—
(Reference) Year ended March 2005	629.98	—

(Notes) 1.Accounts were not settled for the three months ended June 2004, so information in unavailable.

2. Diluted net income per share information is not given for the current quarter ended June 2005 due to the fact that net income per share for the current quarter is negative.

3.Diluted net income per share is not given for the quarter ended June 2004 due to the fact that the shares were not listed, thus a stock average calculation is not possible.

[Qualitative information report on consolidated management results]

In the first quarter, data communication service sales grew to 682 million yen with gross profits of 356 million yen, and telecommunications service had sales of 537 million yen and gross profits of 105 million yen for combined sales of 1,219 million yen and 60 million yen in operating profits.

In the company's primary business, data communication service, the gross margin rate was 52.3%. However, our company had an ordinary loss of 10 million yen and a net loss of 20 million yen on the quarter as a result of a 69 million yen charge related to the listing of our stock this quarter.

(2) Consolidated financial position

	Total assets	Shareholders' equity	Equity ratio	Shareholders' equity per share
	Million yen	Million yen	%	円
Three months ended June 2005	4,605	3,487	75.7	15,933.81
Three months ended June 2004	—	—	—	—
(Reference) Year ended March 2005	2,792	1,683	60.3	9,395.04

(3) Consolidated cash flows

	Cash flows from operations	Cash flows from investing	Cash flows from financing	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Three months ended June 2005	△56	△303	1,793	2,413
Three months ended June 2004	—	—	—	—
(Reference) Year ended March 2005	949	△582	△177	978

[Qualitative information report on consolidated financial results]

Total assets in this first quarter reflected an increase in cash and cash equivalents from our stock listing. Assets increased by 1,813 million yen to 4,605 million yen from the previous quarter. There was very little change in debt from the previous quarter. Shareholders' Equity increased by 1,804 million yen to 3,487 million yen from the previous quarter due to an increase in capital from the stock listing.

3. Consolidated forecast for the fiscal year ending March 2006 (April 1, 2005~March 31, 2006)
There is no change in the performance forecast made public on March 18, 2005.

(Reference)

	Net sales	Ordinary income	Net income
	Million yen	Million yen	Million yen
Interim	—	—	—
Full year	6,255	457	451

(Reference) Expected net income per share (Full year) ¥2,118.58

※The above materials may contain items concerning forward looking statements or perspectives based on predictions. The world economy, state of competition, currency exchange fluctuation, etc. contains risks and uncertainties, thus financial performance by the company may differ distinctly from expectations.

1 【Consolidated Financial Statements】

(1) 【Consolidated Financial Statements】

① 【Consolidated Balance Sheet】

	1Q FY2005 (As of June 30, 2005)		FY2004 (Ended March 31, 2005)		
	Amount (thousand yen)	(%)	Amount (thousand yen)	(%)	
Assets					
I Current assets					
1 Cash and equivalents		2,378,003		960,837	
2 Account receivable-trade		606,186		561,747	
3 Marketable securities		35,119		17,280	
4 Merchandise		34,630		38,532	
5 Inventory		89,871		115,297	
6 Account receivable-others		15,288		18,315	
7 Payments in advance		136,080		—	
8 Other		24,565		22,523	
Allowance for doubtful receivables		△1,000		△1,000	
Total current assets		3,318,745	72.1	1,733,534	62.1
II Fixed assets					
1 Tangible fixed assets					
(1) Building and related facilities	22,856		22,856		
Accumulated depreciation	6,182	16,673	5,459	17,396	
(2) Vehicles	8,544		5,683		
Accumulated depreciation	4,106	4,437	4,563	1,120	
(3) Equipment	388,322		326,504		
Accumulated depreciation	180,143	208,178	162,376	164,127	
(4) Mobile devices	168,500		177,526		
Accumulated depreciation	80,666	87,834	77,350	100,176	
Tangible fixed assets total		317,123	6.9	282,820	10.1
2 Intangible fixed assets					
(1) Trademarks		3,230		3,195	
(2) Patents		1,076		1,074	
(3) Telephone subscriber rights		1,294		1,294	
(4) Software		882,520		698,112	
Total intangible fixed assets		888,121	19.3	703,676	25.2
3 Investments and other assets					
(1) Security deposits		46,687		47,930	

	1Q FY2005 (As of June 30, 2005)		FY2004 (Ended March 31, 2005)	
	Amount (thousand yen)	(%)	Amount (thousand yen)	(%)
(2) Other		9,312		9,421
Allowance for doubtful receivables		△19		△19
Total investments and other assets		55,979	1.2	57,331
Total fixed assets		1,261,225	27.4	1,043,828
III Deferred assets				
New share issuing expense		25,474		14,850
Total deferred assets		25,474	0.6	14,850
Total assets		4,605,445	100.0	2,792,212
Liabilities				
I Current liabilities				
1 Accounts payable		310,853		298,341
2 Current portion of long-term debt		37,500		54,000
3 Accounts payable-other		143,376		133,142
4 Accrued consumption tax		—		64,703
5 Accrued corporate and other taxes		4,439		16,927
6 Deferred revenue		466,362		482,739
7 Data communication service cost reserves		16,749		28,372
8 Other		138,230		30,515
Total current liabilities		1,117,510	24.3	1,108,741
II Fixed liabilities				
Total fixed liabilities		—	—	—
Total liabilities		1,117,510	24.3	1,108,741
Shareholders equity				
I Capital stock		2,193,780	47.6	1,518,947
II Capital surplus		1,529,475	33.2	383,056
III Retained earnings		△161,376	△3.5	△140,853
IV Exchange conversion adjustment account		△72,328	△1.6	△76,867
V Treasury stock		△1,616	△0.0	△811
Total shareholders equity		3,487,934	75.7	1,683,470
Total liabilities and shareholders equity		4,605,445	100.0	2,792,212

② 【Consolidated Income Statement】

	1Q FY2005 (As of June 30, 2005)			FY2004 (Ended March 31, 2005)		
	Amount (thousand yen)		(%)	Amount (thousand yen)		((%)
I Net sales						
1 Operating revenue		1,219,571	100.0		4,559,431	100.0
II Cost of sales						
1 Cost of sales		757,245	62.1		2,953,876	64.8
Gross profit		462,325	37.9		1,605,554	35.2
III Selling, general and administrative expenses		401,684	32.9		1,424,373	31.2
Operating profit		60,641	5.0		181,181	4.0
IV Non-operating income						
1 Interest received	180			258		
2 Foreign exchange income	165			—		
3 Miscellaneous income	244	590	0.0	1,261	1,520	0.0
V Non-operating expenses						
1 Interest paid	187			1,480		
2 Foreign exchange loss	—			38		
3 Expenses related to share issuance	69,369			27,000		
4 New share expense amortization	2,315			—		
5 Other expenses	—	71,873	5.9	511	29,029	0.6
Ordinary income (△ loss)		△10,641	△0.9		153,671	3.4
VI Extraordinary income	—	—	—	—	—	—
VII Extraordinary loss						
1 Loss due to prior period adjustment	—			653		
2 Loss on disposal of fixed assets	7,551			29,368		
3 Loss on cancellation of lease contracts	—	7,551	0.6	1,851	31,873	0.7
Income before income taxes and minority interests (△ loss)		△18,192	△1.5		121,798	2.7
Corporate, resident and business taxes		2,330	0.2		9,374	0.2
Net income (△ loss)		△20,522	△1.7		112,424	2.5

③ 【Consolidated statement of retained surplus】

	1Q FY2005 (As of June 30, 2005)		FY2004 (Ended March 31, 2005)	
	Amount (thousand yen)		Amount (thousand yen)	
Capital surplus				
I Balance of capital surplus at beginning of term		383,056		617,448
II Increase in capital surplus				
1 Increase from new share issuance	1,146,418	1,146,418	8,166	8,166
III Decrease in capital surplus				
1 Decrease from supplementation of loss	—		242,448	
2 Decrease from exercise of stock options	—	—	110	242,558
IV Capital surplus at end of term		1,529,475		383,056
Retained earnings				
I Retained earnings at beginning of term		△140,853		△495,726
II Increase in retained earnings				
1 Net income	—		112,424	
2 Capital surplus decrease	—	—	242,448	354,872
III Decrease in retained earnings				
1 Net loss	20,522	20,522	—	—
IV Earned surplus at end of term		△161,376		△140,853

④ 【Consolidated statement of cash flows】

	1Q FY2005 (As of June 30, 2005)	FY2004 (Ended March 31, 2005)
	Amount (thousand yen)	Amount (thousand yen)
I Cash flow from operations		
Net income before income taxes and others (△ loss)	△18,192	121,798
Depreciation and amortization	38,936	149,080
Intangible fixed asset depreciation	41,886	125,475
Increase in allowance for doubtful accounts	—	136
Data communication service cost reserve increase (△ decrease)	△11,662	△265,966
Interest and dividends received	△180	△258
Interest charges	187	1,480
Loss on disposal of fixed assets	7,551	29,368
Decrease in notes and accounts receivable (△ increase)	△43,265	△7,321
Decrease in inventories	29,328	219,700
Increase of trade payables (△ decrease)	8,728	△74,593
Increase in deferred revenue (△ decrease)	△16,377	482,739
Increase in accrued consumption tax (△ decrease)	△61,394	81,445
Others	△29,472	86,077
Subtotal	△53,886	949,161
Net receipts of interest and dividends	180	258
Interest paid	△187	△1,480
Corporate and other income taxes paid	2,330	1,673
Net cash flow from operations	△56,224	949,613

	1Q FY2005 (As of June 30, 2005)	FY2004 (Ended March 31, 2005)
	Amount (thousand yen)	Amount (thousand yen)
II Cash flow from investing		
Purchase of tangible fixed assets	△77,832	△196,565
Purchase of intangible fixed assets	△225,611	△389,939
Income from loan collection	—	10,643
Other	109	△6,990
Net cash flow from investing	△303,334	△582,852
III Cash flow from financing		
Increase in short-term borrowing (△ decrease)	—	△80,000
Income from share issuance	1,808,625	—
Repayment of long-term debt	△16,500	△66,000
New share issuance expense	△10,624	△14,850
Income from exercise of warrants	12,627	27,003
Treasury stock acquisition expense	△804	△1
Installment repayment expense	—	△43,108
Other	△60	△110
Net cash flow from financing	1,793,262	△177,065
IV Exchange differences in cash and cash equivalents	1,302	592
V Net increase in cash and cash equivalents	1,435,005	190,287
VI Cash and cash equivalents at beginning of period	978,117	787,830
VII Cash and cash equivalents at end of period	2,413,123	978,117