

Summary of the Status of Financial Affairs / Performance in the 3rd Quarter March 2005 (Consolidated)

April 21, 2005

Name of listed company:

Japan Communication Inc. (Code No.: 9424 Osaka Stock Exchange Hercules Market G)
(URL <http://www.j-com.co.jp/>) Address of Headquarters: 6-25-3 Minami Ohi, Shinagawa-ku, Tokyo

Representative President Seiji Sanda
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1 Items related to the creation of a summary of status for financial affairs / performance in a quarter, etc.

- ① Whether or not there is a difference in the : Yes
method of recognition in the recent
consolidated fiscal year for the method of
accounting

In accounting the sales, the sales from data communication fees among all prepaid services were changed from the shipment criteria to a service rendering criteria from the interim consolidation accounting period in March 2005.

- ② Status of transfer of the scope of application of : None
consolidation and equity method
- ③ Involvement of a chartered accountant or auditing corporate body : Yes

This summarized status of financial affairs / performance has undergone procedures by Tohmatsu based on “Criteria Related to the Declaration of Intention for Quarter Financial Statements” stipulated in the attachment of “Handling of Special Cases of Securities Listing Regulations, Task Regulations, Margin Trading / Lending Agreement Regulations and Trustee Agreement Regulations Related to the Nippon News Market – “Hercules”” however, it has not undergone auditing by Tohmatsu.

2 Summarized status of financial affairs / performance in March 2005 3rd quarter (April 1, 2004 – December 31, 2004)

(1) Progress status of management results (consolidated)

(Below 1 million yen is rounded off)

	Net sales		Operating profit		Current Profit		Net income from the quarter (current fiscal year)	
	million	%	million	%	million	%	million	%
March 2005 3 rd quarter	3,388	—	116	—	116	—	90	—
March 2004 3 rd quarter	—	—	—	—	—	—	—	—
(Reference) March 2004	5,590		-597		-600		-807	

	Net income per share in the current fiscal year		Net income per share in the current fiscal year after adjustment of potential shares	
	Yen	Sen	Yen	Sen
March 2005 3 rd quarter	508	14	—	—
March 2004 3 rd quarter	—	—	—	—
(Reference) March 2004	-4,540	50	—	—

(Note) 1 As quarterly account reporting was not carried out in the same quarter in the previous year, the description is omitted.

2 Regarding the net income per share in the quarter (current fiscal year) after adjustment of potential shares, although we have a balance of the preemptive rights for new shares and acquisition rights for new shares, they are not described as our shares are neither listed nor registered, and the average stock price during the period is difficult to find out.

[Qualitative information, etc. regarding the progress report (consolidated)]

The mobile phone services for corporate customers (telecom services) continued to decline as expected from the same quarter in the previous year in these 3 quarters (April – December 2004) whereas the growth of data communication services with a higher gross margin expanded the operating profits and current profits each accounting to 116 million yen although the group revenue decreased to 3,388 million yen.

(2) Fluctuation status of the financial conditions (consolidated)

(Below 1 million yen is rounded off)

	Total assets	Equity capital	Equity capital ratio	Equity capital per share	
	million	million	%	Yen	Sen
March 2005 3 rd quarter	2,766	1,649	59.6	9,205	31
March 2004 3 rd quarter	—	—	—	—	—
(Reference) March 2004	2,597	1,541	59.3	8,661	31

[Qualitative information, etc. regarding the fluctuation status of the financial conditions (consolidated)]

(Fluctuation of the assets)

Increased by 168 million yen to 2,766 million yen compared to the end of March 2004. This is due to an increase in cash and credits by 200 million yen, increase in software by 147 million yen, and decrease in stored goods by 145 million yen, etc.

(Fluctuation of liabilities)

Increased by 60 million yen to 1,117 million yen compared to the end of March 2004. This is due to the fact that advance profits of 407 million yen was accounted for the first time as the criteria for sales accounting of prepaid services were changed, the data communication service cost allowance decreased by 244 million yen for the same reason, and a decrease in other account payables by 73 million yen, a decrease in long-term and short-term borrowings by 129 million yen, etc.

(Fluctuation of the capital)

Increased by 108 million yen to 1,649 million yen compared to the end of March 2004. This is mainly due to an increase in the current fiscal year's net profits in the 3 quarters by 118 million yen.

END

3. Quarters consolidation financial statements

(1) 3rd quarter consolidated balance sheet

Demarcation	March 2005, 3 rd quarter End of consolidated account period (December 31, 2004)		Summarized and consolidated balance sheet from previous consolidated fiscal year (March 31, 2004)			
	Amount (thousand yen)		Composition Rate (%)	Amount (thousand yen)		Composition Rate (%)
(Assets)						
I Current assets						
1 Cash and credits		988,454		787,808		
2 Accounts receivables		619,883		554,478		
3 Securities		20		22		
4 Commodity Items		34,671		19,318		
5 Stored goods		208,570		354,211		
6 Accounts receivables - other		17,647		101,482		
7 Others		17,789		20,252		
Allowance for doubtful receivables		-620		-620		
Total current assets		1,886,417	68.2	1,836,953	70.7	
II Fixed assets						
1 Tangible fixed assets						
(1) Buildings and ancillary facilities	18,288			20,099		
(2) Vehicles and carriage equipment	1,513			2,569		
(3) Appliances and equipment	119,444			136,153		
(4) Mobile devices	99,506	238,753		105,331	264,153	
2 Intangible fixed assets						
(1) Rights of trademark	3,357			3,414		
(2) Patent rights	881			283		
(3) Telephone subscription fee	1,294			1,294		
(4) Software	581,084	586,617		433,453	438,445	
3 Investment and other assets						
(1) Deposit guarantee	47,476			47,613		
(2) Others	7,263			11,068		
Allowance for doubtful receivables	-19	54,719		-262	58,419	
Total fixed assets		880,091	31.8	761,018	29.3	
Total assets		2,766,508	100.0	2,597,972	100.0	

Demarcation	March 2005, 3 rd quarter End of consolidated account period (December 31, 2004)		Summarized and consolidated balance sheet from previous consolidated fiscal year (March 31, 2004)			
	Amount (thousand yen)		Composit ion Rate (%)	Amount (thousand yen)		Composit ion Rate (%)
(Liabilities)						
I Current liabilities						
1 Accounts payable		435,639			371,226	
2 Short-term borrowing		49,500			146,000	
3 Accounts payable - other		68,344			141,603	
4 Unpaid costs		—			8,138	
5 Advance income		407,350			—	
6 Data communication service costs allowance		49,405			294,338	
7 Unpaid consumption tax, etc.		48,952			—	
8 Unpaid corporate tax, etc.		10,000			5,880	
9 Others		26,842			35,668	
Total current liabilities		1,096,035	39.6		1,002,855	38.6
II Fixed liabilities						
1 Long-term borrowing		21,000			54,000	
Total fixed liabilities		21,000	0.8		54,000	2.1
Total liabilities		1,117,035	40.4		1,056,855	40.7
(Capital)						
I Capital stock		1,518,947	54.9		1,500,000	57.7
II Capital surplus		383,056	13.8		617,448	23.8
III Earned surplus		-162,755	-5.9		-495,726	-19.1
IV Foreign exchange rate conversion adjustment accounts		-88,965	-3.2		-79,794	-3.1
IV Treasury stock		-810	-0.0		-810	-0.0
Total capitals		1,649,472	59.6		1,541,116	59.3
Total liabilities / capitals		2,766,508	100.0		2,597,972	100.0

(2) Income statement from the 3rd quarter

Demarcation	March 2005 3 rd quarter (From April 1, 2004 to December 31, 2004)			Previous consolidation fiscal year Summarized and consolidated income statement (From April 1, 2003 to March 31, 2004)		
	Amount (thousand yen)		Percentage constituent (%)	Amount (thousand yen)		Percentage constituent (%)
I Net sales						
1 Revenue from businesses		3,388,950	100.0		5,590,032	100.0
II Sales costs						
1 Business costs		2,226,314	65.7		4,677,943	83.7
Net revenue		1,162,635	34.3		912,089	16.3
III Selling expenses and general management costs		1,045,686	30.9		1,509,394	27.0
Operating profit (- indicates operating loss)		116,949	3.5		-597,304	-10.7
IV Outside operating profits						
1 Received interest	118			694		
2 Others	1,249	1,367	0.0	1,897	2,592	0.0
V Outside operating costs						
1 Interests paid	1,221			583		
2 Losses from differences in foreign exchange rates	95			4,920		
3 Others	503	1,821	0.1	78	5,582	0.0
Current profits (- indicates current losses)		116,495	3.4		-600,295	-10.7
VI Extraordinary profits						
1 Profits from amending P/L from the previous term	-			10,897		
2 Returned money from allowance for doubtful receivables	-	-	-	3,456	14,354	0.2
VII Extraordinary losses						
1 Losses from amending P/L from the previous term	653			34,696		
2 Losses from disposal of fixed assets	18,967			56,230		
3 Losses from compensation for damages	-			30,914		
4 Costs for relocation of the headquarters	-			92,229		
5 Losses from cancellation of a lease	1,851	21,472	0.6	-	214,071	3.8
Net income in the 3 rd quarter before tax (current fiscal year) (- indicates net losses)		95,023	2.8		-800,012	-14.3
Corporate tax, resident tax and business tax		4,500	0.1		7,910	0.1
Net income (current fiscal year) in the 3 rd quarter (- indicates net losses)		90,523	2.7		-807,922	-14.4

(3) 3rd quarter balance sheet

Demarcation	March 2005, the end of 3 rd quarter (December 31, 2004)		Summarized balance sheet from previous business year (March 31, 2004)			
	Amount (thousand yen)		Composit ion Rate (%)	Amount (thousand yen)		Composit ion Rate (%)
(Assets)						
I Current assets						
1 Cash and credits		955,644		748,629		
2 Accounts receivables		619,883		554,478		
3 Commodity Items		34,671		19,318		
4 Stored goods		208,570		354,211		
5 Advances		75,276		—		
6 Costs for advances		16,093		16,062		
7 Accounts receivables - other		25,423		93,009		
8 Others		2,850		20,250		
Allowance for doubtful receivables		-628		-628		
Total current assets		1,937,785	69.0	1,805,332		69.8
II Fixed assets						
1 Tangible fixed assets						
(1) Buildings and ancillary facilities	18,288			20,099		
(2) Vehicles and carriage equipment	1,513			259		
(3) Appliances and equipment	84,754			98,678		
(4) Mobile devices	99,506	204,063		105,331	224,368	
2 Intangible fixed assets						
(1) Rights of trademark	3,357			3,414		
(2) Patent rights	249			283		
(3) Telephone subscription fees	1,294			1,294		
(4) Software	608,048	612,949		394,241	399,233	
3 Investment and other assets						
(1) Long-term advance costs	7,243			2,496		
(2) Long-term loan receivables	—			8,309		
(3) Long-term loan receivables for affiliated companies	—			100,000		
(4) Deposit guarantee	46,687			47,613		
(5) Debts for reorganization from bankruptcy, etc. Allowance for doubtful receivables	19 -19	53,930		262 -262	158,419	
Total fixed assets		870,943	31.0	782,022		30.2
Total assets		2,808,728	100.0	2,587,354		100.0

Demarcation	March 2005, the end of 3 rd quarter (December 31, 2004)		Summarized balance sheet from previous business year (March 31, 2004)		
	Amount (thousand yen)	Composit ion Rate (%)	Amount (thousand yen)	Composit ion Rate (%)	
(Liabilities)					
I Current liabilities					
1 Accounts payable	427,187		361,949		
2 Short-term borrowing	49,500		146,000		
3 Accounts payable - other	81,942		141,063		
4 Data communication service costs allowance	49,405		294,338		
5 Advances	—		13,052		
6 Advance income	407,350		—		
7 Unpaid consumption tax, etc.	48,952		—		
8 Unpaid corporate tax, etc.	10,000		5,810		
9 Money deposited	15,401		18,300		
10 Acquisition rights for new shares	1,824		1,935		
11 Others	2,538		2,380		
Total current liabilities	1,094,103	39.0	985,370	38.1	
II Fixed liabilities					
1 Long-term borrowing	21,000		54,000		
Total fixed liabilities	21,000	0.7	54,000	2.1	
Total liabilities	1,115,103	39.7	1,039,370	40.2	
(Capital)					
I Capital stock	1,518,947	54.1	1,500,000	58.0	
II Capital surplus					
1 Additional paid-in capital	383,056		375,000		
2 Other capital surpluses	—		242,448		
Total capital surpluses	383,056	13.6	617,448	23.9	
III Earned surplus					
1 Standing losses from the 3 rd quarter (current fiscal year)	207,568		568,653		
Earned surpluses	-207,568	-7.4	-568,653	-22.0	
IV Treasury stock	-810	-0.0	-810	-0.0	
Total capitals	1,693,625	60.3	1,547,984	59.8	
Total liabilities / capitals	2,808,728	100.0	2,587,354	100.0	

(4) Income statement from the 3rd quarter

Demarcation	March 2005 3 rd quarter (From April 1, 2004 to December 31, 2004)			Summarized income statement from previous business year (From April 1, 2003 to March 31, 2004)		
	Amount (thousand yen)		Percentage constituent (%)	Amount (thousand yen)		Percentage constituent (%)
I Net sales						
1 Revenue from businesses		3,388,950	100.0		5,590,021	100.0
II Sales costs						
1 Business costs		2,345,637	69.2		4,846,473	86.7
Net revenue		1,043,312	30.8		743,547	13.3
III Selling expenses and general management costs		902,267	26.6		1,294,135	23.2
Operating profit (– indicates operating loss)		141,044	4.2		–550,588	–9.9
IV Outside operating profits						
1 Received interests	1,067			813		
2 Profits from differences in foreign exchange rates	2,716			1,265		
3 Other income	1,249	5,034	0.1	1,155	3,233	0.1
V Outside operating costs						
1 Interests paid	1,221			476		
2 Others	503	1,725	0.0	55	531	0.0
Current profits (– indicates current losses)		144,352	4.3		–547,885	–9.8
VI Extraordinary profits						
1 Profits from amending P/L from the previous term	–			10,897		
2 Returned money from allowance for doubtful receivables	–	–	–	3,456	14,354	0.2
VII Extraordinary losses						
1 Losses from amending P/L from the previous term	653			34,696		
2 Losses from disposal of fixed assets	18,712			22,572		
3 Losses from compensation for damages	–			92,229		
4 Costs for relocation of the headquarters	–			30,914		
5 Losses from cancellation of a lease	1,851	21,216	0.6	–	180,412	3.2
Net income in the 3 rd quarter before tax (current fiscal year) (– indicates net losses)		123,136	3.6		–713,984	–12.8
Corporate tax, resident tax and business tax		4,500	0.1		7,840	0.1
Net income (current fiscal year) in the 3 rd quarter (– indicates net losses)		118,636	3.5		–721,784	–12.9
Retained earnings carried forward from the previous term (– indicates losses)		–326,205			153,130	
Standing loss from the 3 rd quarter before tax (current fiscal year)		207,568			568,653	