



Internet Initiative Japan

For Immediate Release

Internet Initiative Japan Inc.

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

- Revenues and profits increased significantly in favorable progress towards our initial annual target -

Tokyo and New York, November 9, 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 second quarter of the fiscal year ending March 31, 2006 ("FY2005").¹

Highlights of Second Quarter FY2005 Results

- Revenue totaled JPY 11,929 million (\$105.3 million), an increase of 13.5% from 2Q04.
- Operating income was JPY 507 million (\$4.5 million), an increase of 79.8% from 2Q04.
- Net income was JPY 1,001 million (\$8.8 million), an increase of 336.6% from 2Q04.
- Results for the first half of FY2005 were as follows, and exceeded our initial targets.
Revenues: JPY 21,809 million (\$192.5 million), an increase of 13.7% compared to 1H04.
Operating income: JPY 754 million (\$6.7 million), an increase of 315.0% compared to 1H04.
Net income: Turned positive to JPY 1,623 million (\$14.3 million) from a loss of JPY 9 million in 1H04.

Target for FY2005²

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

Overview of 2nd Quarter of FY2005 Financial Results and Business Outlook²

"The favorable trend of increasing revenues and profits continued in 2Q05," said Koichi Suzuki, President and CEO of IIJ. "Total revenues jumped 13.5% compared to the same period last year and 20.7% sequentially mainly due to continued increases in sales of higher-margin network outsourcing and systems integration ("SI"). This was largely a reflection of the direction that we see the market and our business heading. Corporate customers are continuously requiring ever higher quality IP engineering skills and resources due to the constantly increasing volume of Internet traffic, escalating network and security threats, and expansion of internal network systems that are integrated with the Internet. In particular, SI in 2Q05 increased significantly because we succeeded in acquiring a number of new systems integration projects, including the connection of customers' sites with broadband lines, the construction and operation of a new mail server to assist customers with their continuously increasing number of e-mails, and the construction and operation of security systems for several customers to bolster their efforts at fighting spam and external attacks."

"We are pleased that we successfully exceeded our initial targets for the first half of the fiscal year," said

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 2Q05 and 1H05 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 113.29 = US\$1.00, the approximate exchange rate on September 30, 2005. 2Q04 and 1H04 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 income 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 3Q05 earnings release, presently scheduled for release in February 2006.

Akihisa Watai, CFO of IJ. "We maintain our initial targets at this moment since we generally receive the largest portion of our SI revenues in the fourth quarter of our fiscal year."

2nd Quarter FY2005 Financial Results

Operating Result Summary

(JPY in millions)

	1H05	1H04	YoY % change	2Q05	2Q04	YoY % change	1Q05	QoQ % Change
Total Revenues	21,809	19,187	13.7%	11,929	10,512	13.5%	9,880	20.7%
Total Costs	17,991	16,297	10.4%	9,873	8,854	11.5%	8,118	21.6%
SG&A Expenses and R&D	3,064	2,708	13.1%	1,549	1,376	12.5%	1,516	2.2%
Operating Income	754	182	315.0%	507	282	79.8%	247	105.7%
Net Income	1,623	(9)	(18374.4%)	1,001	229	336.6%	623	60.7%

Revenues

Revenues in 2Q05 totaled JPY 11,929 million, an increase of 13.5% from JPY 10,512 million in 2Q04 and an increase of 20.7% from JPY 9,880 million in 1Q05.

Revenues

(JPY in millions)

	2Q05	2Q04	YoY % change	1Q05	QoQ % change
Total Revenues	11,929	10,512	13.5%	9,880	20.7%
Connectivity & VAS	5,767	5,508	4.7%	5,767	0.0%
SI	5,162	3,838	34.5%	3,840	34.4%
Equipment Sales	1,000	1,166	(14.2%)	273	266.0%

Connectivity and Value-added Services ("VAS") revenues were JPY 5,767 million in 2Q05, an increase of 4.7 % from JPY 5,508 million in 2Q04 and almost flat compared to JPY 5,767 million in 1Q05.

Dedicated access service revenues were JPY 2,695 million in 2Q05, a decrease of 4.8% compared to 2Q04 and a decrease of 1.9% compared to 1Q05. The decrease was mainly due to the failure of an increase in revenues from broadband services to offset a decrease in revenues from T1 Standard or IJ Economy.

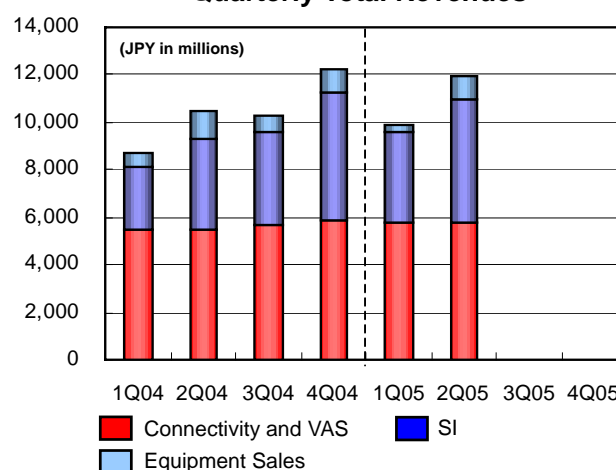
Dial-up access service revenues were JPY 683 million in 2Q05, a decrease of 7.8% compared to 2Q04 and a decrease of 2.3% compared to 1Q05. The decrease from 2Q04 and 1Q05 is mainly due to the decrease in revenues from IJ4U and OEM service revenues.

VAS revenues were JPY 1,459 million in 2Q05, an increase of 19.5% compared to 2Q04 and an increase of 5.1% compared to 1Q05. The increase compared to 2Q04 and 1Q05 is mainly due to an increase in revenues from various types of packaged outsource services, such as security, e-mail and web hosting and network services such as managed router services.

Other revenues were JPY 930 million in 2Q05, an increase of 30.0% compared to 2Q04 and a decrease of 0.3% compared to 1Q05. The increase from 2Q04 is mainly due to an increase in revenues from Wide-area Ethernet Services.

SI revenues increased 34.5% to JPY 5,162 million in 2Q05 from JPY 3,838 million in 2Q04 and increased 34.4% from JPY 3,840 million in 1Q05. The increase from 2Q04 is mainly due to additional revenues from the purchase of the security system business operations of Yamatane Co. Ltd. in October 2004 and solid growth of revenues from outsourced operations. The increase from 1Q05 is mainly due to the significant increase in revenues from systems development projects and solid increase of revenues from outsourced operations.

Quarterly Total Revenues



Equipment sales revenues were JPY 1,000 million in 2Q05, a decrease of 14.2% compared to 2Q04 and an increase of 266.0% compared to 1Q05. The increase from 1Q05 is due to the increase of sales of network equipment related to new system integration projects.

Cost and expense

Cost of revenues was JPY 9,873 million in 2Q05, an increase of 11.5% compared to 2Q04 and an increase of 21.6% compared to 1Q05.

Cost of Revenues

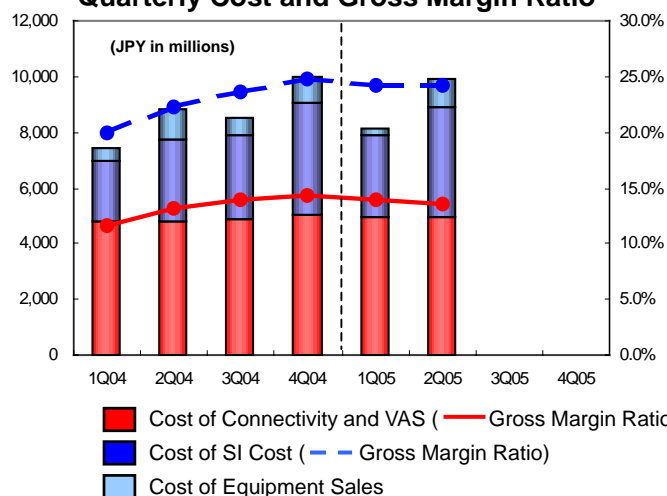
(JPY in millions)

	2Q05	2Q04	YoY % change	1Q05	QoQ % change
Total Costs:	9,873	8,854	11.5%	8,118	21.6%
Connectivity & VAS	4,988	4,780	4.3%	4,964	0.5%
SI	3,919	2,983	31.4%	2,910	34.7%
Equipment Sales	966	1,091	(11.4%)	244	296.4%

Cost of Connectivity and VAS

revenues was JPY 4,988 million, an increase of 4.3% compared to 2Q04 and almost flat compared to 1Q05. The increase from 2Q04 is mainly due to an increase in personnel expenses and cost for local access lines for Wide-area Ethernet Services. The gross-margin ratio for Connectivity and VAS in 2Q05 was 13.5%, compared to 13.2% in 2Q04 and 13.9% in 1Q05. The improvement from 2Q04 was mainly due to an increase in revenues from higher-margin VAS, and a decrease in backbone costs.

Quarterly Cost and Gross Margin Ratio



Cost of SI revenues was JPY 3,919 million in 2Q05, an increase of 31.4% compared to 2Q04 and an increase of 34.7% compared to 1Q05. The gross margin ratio for SI in 2Q05 was 24.1%, compared to 22.3% in 2Q04 and 24.2% in 1Q05. The improvement in margin compared to 2Q04 was mainly due to the increase in higher-margin systems integration contracts.

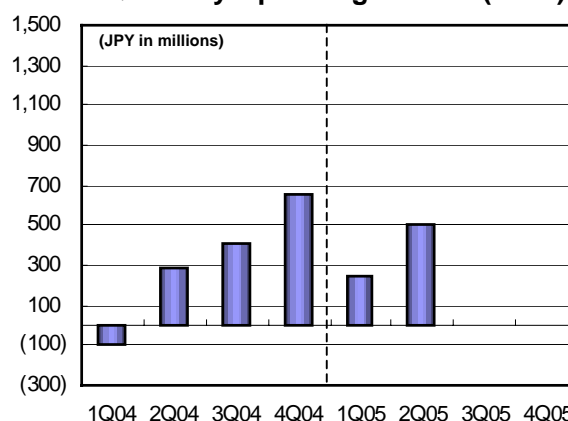
Sales and marketing expenses were JPY 800 million in 2Q05, an increase of 12.4% compared to 2Q04 and an increase of 4.1% compared to 1Q05. The increase from 2Q04 is mainly due to an increase in advertising and personnel expenses. The increase from 1Q05 is mainly due to an increase in advertising expenses.

General and administrative expenses were JPY 699 million in 2Q05, an increase of 14.1% compared to 2Q04 and a decrease of 2.1% compared to 1Q05. The increase from 2Q04 is mainly due to an increase in personnel expenses.

Operating income

Operating income was JPY 507 million in 2Q05, compared to JPY 282 million in 2Q04 and JPY 247 million in 1Q05. The increase from 2Q04 and 1Q05 was mainly due to increased gross-margins in Connectivity, VAS and SI.

Quarterly Operating Income (Loss)



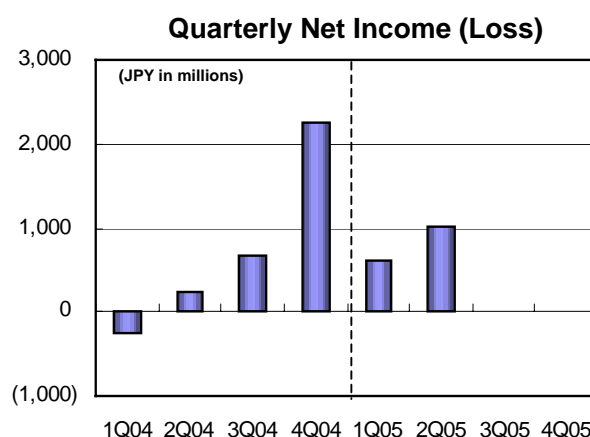
Other income (expenses) in 2Q05 was other income of JPY 590 million, compared to other expenses of JPY 10 million in 2Q04 and other income of JPY 435 million in 1Q05. The increase from 2Q04 and 1Q05 is mainly due to an increase in gain from sale of available-for-sale securities. The differences from 2Q04 also include the absence of interest payments for the convertible notes due March 31, 2005.

Income tax expense for 2Q05 was JPY 44 million, compared to JPY 16 million in 2Q04 and JPY 38

million in 1Q05.

Equity in net income of equity method investees amounted to JPY 30 million in 2Q05, compared to JPY 16 million in 2Q04 and JPY 3 million in 1Q05.

Net income was JPY 1,001 million in 2Q05, compared to JPY 229 million in 2Q04 and JPY 623 million in 1Q05. The increase from 2Q04 and 1Q05 is mainly due to the increase in operating income, and an increase in gain from sale of available-for-sale securities.



2nd Quarter FY2005 Business Review

Analysis by Service

Connectivity and Value-added Services

Number of Contracts for Connectivity Services

	2Q05	2Q04	1Q05
Dedicated Access Service Contracts	12,702	8,880	12,274
IP Service (Low Bandwidth: 64kbps-768kbps) ³	61	71	65
IP Service (Medium Bandwidth: 1Mbps-99Mbps) ³	637	597	637
IP Service (High Bandwidth: 100Mbps-)	143	93	131
IIJ T1 Standard and IIJ Economy	182	358	208
IIJ Data Center Connectivity Service	234	225	234
IIJ FiberAccess/F and IIJ DSL/F (Broadband Services)	11,445	7,536	10,999
Dial-up Access Service Contracts	663,527	711,637	677,207
Dial-up Access Services, under IIJ Brand	64,810	70,629	66,125
Dial-up Access Services, OEM ⁴	598,717	641,008	611,082
Total Contracted Bandwidth	151.0Gbps	104.9Gbps	140.9Gbps

For the total number of contracts for dedicated access services, we continued a growth trend in 2Q05. In IP Services, which are mainly used for critical services for corporate customers, contracts for 100Mbps and higher increased significantly, and we increased the number of contracts for 1Gbps to 43 in 1Q05, from 33 in the previous quarter. The number of contracts for broadband services also continued to increase along with the increased systems integration projects for site connectivity.

Connectivity and VAS Revenue Breakdown and Cost

(JPY in millions)

	2Q05	2Q04	YoY % Change	1Q05	QoQ % change
Connectivity Service Revenues	3,378	3,572	(5.4%)	3,446	(2.0%)
Dedicated Access Service Revenues	2,695	2,832	(4.8%)	2,747	(1.9%)
IP Service ⁵	2,121	2,222	(4.6%)	2,166	(2.1%)
IIJ T1 Standard and IIJ Economy	113	228	(50.3%)	134	(15.7%)
IIJ FiberAccess/F and IIJ DSL/F (Broadband Services)	461	382	20.7%	447	3.3%
Dial-up Access Service Revenues	683	740	(7.8%)	699	(2.3%)
Under IIJ Brand	457	501	(8.9%)	466	(2.0%)
OEM	226	239	(5.4%)	233	(3.0%)
VAS Revenues	1,459	1,220	19.5%	1,388	5.1%

³ Including IPv6 Services.

⁴ OEM indicates Original Equipment Manufacturer.

⁵ IP Service revenues includes revenues from Data Center Connectivity Service.

Other Revenues	930	716	30.0%	933	(0.3%)
Total Connectivity and VAS Revenues	5,767	5,508	4.7%	5,767	0.0%
Cost of Connectivity and VAS	4,988	4,780	4.3%	4,964	0.5%
Backbone Cost (included in the cost of Connectivity and VAS)	846	877	(3.5%)	864	(2.0%)
Connectivity and VAS Gross Margin Ratio	13.5%	13.2%		13.9%	

VAS revenues increased reflecting an increase in revenues from 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 2Q05 by 3.5% compared to 2Q04 and by 2.0% compared to 1Q05.

Systems Integration

Systems Integration Revenue Breakdown and Cost

(JPY in millions)

	2Q05	2Q04	YoY % Change	1Q05	QoQ % change
Systems Integration Revenues	5,162	3,838	34.5%	3,840	34.4%
Systems Integration	2,405	2,101	14.5%	1,193	101.5%
Outsourced Operation	2,757	1,737	58.7%	2,647	4.2%
Cost of Systems Integration	3,919	2,983	31.4%	2,910	34.7%
Systems Integration Gross Margin Ratio	24.1%	22.3%		24.2%	

Our SI projects are becoming bigger in scale as we include the whole stream of consulting, design, project management, implementation and operation. In 2Q05, SI revenues increased significantly due to an increase in SI development, and revenues from outsourced operations continued to increase steadily. In addition, the increase from 2Q04 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)

	2Q05	2Q04	YoY % change	1Q05	QoQ % change
Equipment Sales Revenues	1,000	1,166	(14.2%)	273	266.0%
Cost of Equipment Sales	966	1,091	(11.4%)	244	296.4%
Equipment Sales Gross Margin Ratio	3.5%	6.5%		10.9%	

Other Financial Statistics

Other Financial Statistics

(JPY in millions)

	2Q05	2Q04	YoY % change	1Q05	QoQ % Change
Adjusted EBITDA⁶	1,517	1,275	19.0%	1,261	20.4%
CAPEX, including capital leases⁷	795	1,345	(40.9%)	533	49.1%
Depreciation and amortization⁸	1,010	1,012	(0.1%)	1,014	(0.4%)

Major Topics

ADS ratio change and stock split:

On October 11, 2005, IJ conducted a change in the ratio of its American Depositary Shares ("ADSs") to the shares of common stock of IJ ("Shares") from 1 ADS = 1 / 2,000 of a Share to 1 ADS = 1 / 400 of a

⁶ Please refer to the Reconciliation of Non-GAAP Financial Measures on the next page.

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

⁸ Depreciation and amortization includes amortization of issuance cost of convertible notes in 2Q04.

Share. IJ also conducted a stock split (1 to 5) of Shares on the same day as the payable date.

IJ Group to complete corporate reorganization:

In August 2005, IJ Group announced a corporate reorganization to streamline its delivery of total network solutions. With the reorganization, IJ Media Communications Inc. transferred its systems integration business to IJ Technology Inc. ("IJ-Tech") and integrated its broadcasting business and application hosting business with IJ through a merger. At the same time, Asia Internet Holding Co., Ltd. merged with IJ. In October 2005, IJ Group announced that the reorganization had been completed.

Introduction of RFID Solution:

In September 2005, IJ announced the October 2005 release of the IJ EPC Network Service that is based on the EPCglobal Network international standard. Radio Frequency Identification ("RFID") is an information exchange technology that uses radio IC tags. It provides the system components necessary to record, reference, and update RFID tag information over the Internet.

IJ-Tech to make investment in IPMobile incorporated:

In September 2005, IJ announced that the Board of Directors of IJ-Tech decided to purchase stock from IPMobile Incorporated ("IPMobile") as part of a private placement to third-parties. IJ-Tech's participation was JPY 50 million, of the total value of the third-party stock allocation by IPMobile of JPY 875 million.

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)		
	2Q05	2Q04	1Q05	
Adjusted EBITDA	1,517	1,275	1,261	
Depreciation and Amortization⁹	(1,010)	(993)	(1,014)	
Operating Income	507	282	247	
Other Income (Expenses)	590	(10)	435	
Income Tax Expense	44	16	38	
Minority Interests in (Earnings) Losses of Subsidiaries	(82)	(43)	(24)	
Equity in Net Income (Loss) of Equity Method Investees	30	16	3	
Net Income (Loss)	1,001	229	623	

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)		
	2Q05	2Q04	1Q05	
Capital Expenditures	795	1,345	533	
Acquisition of Assets by Entering into Capital Leases	681	1,294	320	
Purchase of Property and Equipment	114	51	213	

Target

Our initial target for the interim and annual fiscal year and the interim results were as follows:

⁹ Depreciation and amortization excludes amortization of issuance cost of convertible notes that was included in other expenses in 2Q04.

	Target Announced on May 27, 2005	1H05	Annual Target
Total Revenues	19,980	21,809	46,330
Operating Income	550	754	2,320
Net Income	1,320	1,623	3,700

Since we generally receive the largest portion of our SI revenues in the fourth quarter of our fiscal year, we maintain the initial annual target we announced on May 27, 2005.

Presentation

On November 9, 2005, IJ will put a presentation of its results on its website. For details, please access the following URL: <http://www.ij.ad.jp/en/IR/>

About Internet Initiative Japan Inc.

Founded in 1992, Internet Initiative Japan Inc. (IJ, 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. IJ 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.

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Statements made in this press release regarding IJ's or management's intentions, beliefs, expectations, or predictions for the future are forward-looking statements that are based on IJ'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 IJ's actual results to differ materially from those contained in any forward-looking statement. These risks, uncertainties and other factors include: IJ's ability to maintain and increase revenues from higher margin services such as system integration and value-added services; the possibility that revenues from connectivity services may decline substantially as a result of competition and other factors; the ability to compete in a rapidly evolving and competitive marketplace; the impact on IJ's profits of fluctuations in costs such as backbone costs and subcontractor costs; the impact on IJ's profits of fluctuations in the price of available-for-sale securities; the impact of technological changes in its industry; IJ's ability to raise additional capital to cover its indebtedness; the possibility that NTT, IJ's largest shareholder, may decide to exercise substantial influence over IJ; and other risks referred to from time to time in IJ's filings on Form 20-F of its annual report and other filings with the United States Securities and Exchange Commission.

Tables to follow

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

Appendix 1

For the Three Months Ended Sep 30, 2005, Sep 30, 2004 and Jun 30, 2005
(Expressed in Thousands of Japanese Yen (JPY) and U.S. Dollars (USD) Except for Per Share and ADS Data)

	Year-over-year Comparison						Sequential Comparison		
	Sep 30, 2005			Sep 30, 2004			Jun 30, 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	23,791	2,695,325	22.6%	2,832,355	27.0%	(4.8%)	2,746,900	27.8%	(1.9%)
Dial-up access services	6,024	682,439	5.7	739,957	7.0	(7.8)	698,670	7.1	(2.3)
Value-added services	12,875	1,458,557	12.2	1,220,119	11.6	19.5	1,387,893	14.1	5.1
Other	8,211	930,205	7.8	715,617	6.8	30.0	933,120	9.4	(0.3)
Total connectivity and value-added services	50,901	5,766,526	48.3	5,508,048	52.4	4.7	5,766,583	58.4	(0.0)
Systems integration revenues	45,561	5,161,600	43.3	3,837,711	36.5	34.5	3,840,075	38.9	34.4
Equipment sales	8,833	1,000,701	8.4	1,166,569	11.1	(14.2)	273,438	2.7	266.0
Total revenues	105,295	11,928,827	100.0	10,512,328	100.0	13.5	9,880,096	100.0	20.7
Costs and expenses:									
Cost of connectivity and value-added services	44,029	4,987,986	41.8	4,780,268	45.5	4.3	4,963,835	50.2	0.5
Cost of systems integration revenues	34,591	3,918,774	32.9	2,982,577	28.3	31.4	2,910,262	29.5	34.7
Cost of equipment sales	8,527	966,095	8.1	1,090,870	10.4	(11.4)	243,699	2.5	296.4
Total costs	87,147	9,872,855	82.8	8,853,715	84.2	11.5	8,117,796	82.2	21.6
Sales and marketing	7,058	799,562	6.7	711,661	6.8	12.4	767,801	7.8	4.1
General and administrative	6,171	699,166	5.8	612,526	5.8	14.1	713,917	7.2	(2.1)
Research and development	441	49,947	0.4	52,237	0.5	(4.4)	33,904	0.3	47.3
Total costs and expenses	100,817	11,421,530	95.7	10,230,139	97.3	11.6	9,633,418	97.5	18.6
Operating income	4,478	507,297	4.3	282,189	2.7	79.8	246,678	2.5	105.7
Other income (expenses)	5,204	589,617	4.9	(10,188)	(0.1)	(5,887.4)	435,233	4.4	35.5
Income before income tax expense, minority interest and equity in net income of equity method investee	9,682	1,096,914	9.2	272,001	2.6	303.3	681,911	6.9	60.9
Income tax expense	387	43,900	0.4	15,506	0.1	183.1	38,111	0.4	15.2
Minority interests in earnings of subsidiaries	(722)	(81,777)	(0.7)	(42,837)	(0.4)	90.9	(23,855)	(0.2)	242.8
Equity in net income of equity method investee	260	29,403	0.3	15,548	0.1	89.1	2,729	0.0	977.4
Net income	8,833	1,000,640	8.4%	229,206	2.2%	336.6%	622,674	6.3%	60.7%
Basic Net Income Per Share		26,128		5,983			16,254		
Diluted Net Income Per Share		26,087							
Basic Net Income Per ADS Equivalent		13.06		2.99			8.13		
Diluted Net Income Per ADS Equivalent		13.04							
Weighted Average Number of Share		38,298		38,312			38,309		
Weighted Average Number of Shares (including potential share)		38,358							
Weighted Average Number of ADS Equivalents		76,595,702		76,623,702			76,618,779		
Weighted Average Number of ADS Equivalents (including potential share)		76,715,032							

Note (1): The translations of Japanese yen amounts into US dollar amounts with respect to the three months ended Sep 30, 2005 are included solely for the convenience of readers outside Japan and have been made at the rate of JPY 113.29 = \$1, the approximate rate of exchange on Sep 30, 2005.

INTERNET INITIATIVE JAPAN INC.
CONSOLIDATED BALANCE SHEETS(UNAUDITED)

Appendix 2

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

	Sep 30, 2005			Sep 30, 2004		Jun 30, 2005	
	USD (1)	JPY	%	JPY	%	JPY	%
ASSETS							
Current Assets:							
Cash and cash equivalents	61,378	6,953,496	19.3%	11,802,165	27.4%	5,106,388	15.1%
Short-term investments	-	-	-	-	-	304,628	0.9
Accounts receivable, net	59,007	6,684,910	18.5	6,739,000	15.6	5,792,808	17.2
Inventories	2,527	286,367	0.8	262,180	0.6	265,286	0.8
Prepaid expenses	8,737	989,785	2.7	652,061	1.5	1,263,409	3.8
Other current assets	1,282	145,243	0.4	106,364	0.3	80,797	0.2
Total current assets	132,931	15,059,801	41.7	19,561,770	45.4	12,813,316	38.0
Investments in and Advances to Equity Method Investees	3,996	452,702	1.3	783,933	1.8	677,035	2.0
Other Investments	71,044	8,048,512	22.3	10,657,082	24.7	7,882,229	23.4
Property and Equipment, net	80,704	9,142,951	25.3	9,045,349	21.0	9,155,981	27.1
Guarantee Deposits	18,537	2,100,008	5.8	2,080,345	4.8	2,091,237	6.2
Other Assets	11,621	1,316,561	3.6	963,895	2.3	1,124,441	3.3
Total assets	318,833	36,120,535	100.0%	43,092,374	100.0%	33,744,239	100.0%
LIABILITIES AND SHAREHOLDERS' EQUITY							
Current Liabilities:							
Short-term borrowings	43,447	4,922,177	13.6%	5,732,204	13.3%	4,723,387	14.0%
Payable under securities loan agreement	13,403	1,518,400	4.2	816,800	1.9	1,530,400	4.5
Accounts payable	45,953	5,205,982	14.4	4,502,356	10.5	3,665,233	10.9
Accrued expenses	4,554	515,976	1.5	448,585	1.0	523,478	1.6
Other current liabilities	6,975	790,194	2.2	604,868	1.4	918,829	2.7
Long-term borrowings-current portion	22,403	2,537,997	7.0	1,650,139	3.8	3,187,023	9.4
Convertible notes	-	-	-	11,088,000	25.7	-	-
Capital lease obligations-current portion	23,974	2,716,030	7.5	2,491,070	5.8	2,718,759	8.1
Total current liabilities	160,709	18,206,756	50.4	27,334,022	63.4	17,267,109	51.2
Long-term Borrowings	9,361	1,060,476	2.9	1,732,473	4.0	870,342	2.6
Capital Lease Obligations-Noncurrent	34,397	3,896,848	10.8	3,620,613	8.4	3,950,359	11.7
Accrued Retirement and Pension Costs	1,600	181,289	0.5	102,224	0.3	169,460	0.5
Other Noncurrent Liabilities	3,418	387,259	1.1	300,190	0.7	246,818	0.7
Total liabilities	209,485	23,732,628	65.7	33,089,522	76.8	22,504,088	66.7
Minority Interest	8,896	1,007,787	2.8	945,572	2.2	1,053,212	3.1
Shareholders' Equity:							
Common stock	121,506	13,765,372	38.1	13,765,372	31.9	13,765,372	40.8
Additional paid-in capital	208,647	23,637,628	65.4	23,637,628	54.9	23,637,628	70.0
Accumulated deficit	(289,617)	(32,810,738)	(90.8)	(37,349,204)	(86.7)	(33,811,378)	(100.2)
Accumulated other comprehensive income	60,659	6,872,096	19.0	9,047,484	21.0	6,679,555	19.8
Treasury stock	(743)	(84,238)	(0.2)	(44,000)	(0.1)	(84,238)	(0.2)
Total shareholders' equity	100,452	11,380,120	31.5	9,057,280	21.0	10,186,939	30.2
Total liabilities and shareholders' equity	318,833	36,120,535	100.0%	43,092,374	100.0%	33,744,239	100.0%

Note (1): The translations of Japanese yen amounts into US dollar amounts with respect to Sep 30, 2005 are included solely for the convenience of readers outside Japan and have been made at the rate of JPY 113.29 = \$1, the approximate rate of exchange on Sep 30, 2005.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

For the Three Months Ended Sept 30, 2005, Sept 30, 2004 and Jun 30, 2005

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

	Sept 30, 2005		Sept 30, 2004	Jun 30, 2005
	USD (1)	JPY	JPY	JPY
Operating Activities:				
Net income	8,832	1,000,640	229,206	622,674
Depreciation and amortization	8,916	1,010,139	1,011,532	1,013,745
Provision for (reversal of) doubtful accounts	(15)	(1,673)	19,968	(5,339)
Equity in net income of equity method investees	(260)	(29,403)	(15,548)	(2,729)
Minority interests in earnings of subsidiaries	722	81,777	42,837	23,855
Foreign exchange gains	(36)	(4,131)	(14,152)	(6,278)
Net gains on other investments	(5,826)	(660,039)	(98,103)	(488,758)
Decrease (increase) in accounts receivable	(7,033)	(796,785)	(1,396,506)	1,621,419
Increase (decrease) in accounts payable	11,228	1,272,038	566,837	(1,132,992)
Decrease (increase) in inventories	(186)	(21,081)	149,969	(125,190)
Deferred income taxes	(94)	(10,681)	-	18,343
Other	1,136	128,646	542,953	(511,252)
Net cash provided by operating activities	17,384	1,969,447	1,038,993	1,027,498
Investing Activities:				
Purchase of property and equipment	(1,008)	(114,208)	(51,435)	(213,485)
Purchase of subsidiary stock	(1,696)	(192,142)	-	-
Proceeds from sales and redemption of short-term and other investments	8,663	981,420	125,281	514,460
Acquisition of a newly controlled company, net of cash acquired	2,025	229,457	-	-
Purchase of short-term and other investments	(7)	(844)	(3,083)	(299,311)
Payment of guarantee deposits-net	(64)	(7,256)	(19,193)	(39,210)
Other	(68)	(7,655)	904	(5,450)
Net cash provided by (used in) investing activities	7,845	888,772	52,474	(42,996)
Financing Activities:				
Proceeds from long-term borrowings	8,827	1,000,000	1,000,000	-
Repayments of long-term borrowings	(12,878)	(1,458,892)	(1,436,943)	(208,654)
Proceeds from securities loan agreement	15,313	1,734,800	816,800	-
Repayments of securities loan agreement	(15,419)	(1,746,800)	-	(199,120)
Principal payments under capital leases	(6,609)	(748,762)	(688,418)	(766,807)
Net increase (decrease) in short-term borrowings	1,755	198,790	369,203	(1,246)
Net cash provided by (used in) financing activities	(9,011)	(1,020,864)	60,642	(1,175,827)
Effect of Exchange Rate Changes on Cash	86	9,753	22,853	11,236
Net Increase (Decrease) in Cash	16,304	1,847,108	1,174,962	(180,089)
Cash, Beginning of Period	45,074	5,106,388	10,627,203	5,286,477
Cash, End of Period	61,378	6,953,496	11,802,165	5,106,388

Note (1): The translations of Japanese yen amounts into US dollar amounts with respect to the three months ended Sept 30, 2005 are include solely for the convenience of readers outside Japan and have been made at the rate of JPY 113.29 = \$1, the approximate rate of exchange on Sept 30, 2005.