

July 29, 2005

1st Quarter Financial and Performance Summary for the Term Ending March 2006 (consolidated)

Listed company: I-Net Corporation

(Code 9600, Tokyo Stock Exchange, Second Section)

(URL: <http://www.inet.co.jp/>)

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1. Items relating to the preparation, etc., of quarterly financial data

(1) Has a simple method been adopted for accounting? Yes

* A simple method for standards for posting reserves has been adopted

* Book inventory, rather than actual inventory, is implemented for inventory assets.

* A simple method for standards for posting corporate and other tax based on the effective statutory tax rate has been adopted.

(2) Are there any differences between the accounting method used and the method used in recent consolidated accounting years? Yes

* Application of asset-impairment accounting: Refer to p.6

* Posting of company officer retirement allowance reserves: Refer to p.6

(3) Are there any changes in the scope of application of consolidation or equity method?

No

2. 1st quarter financial and performance summary for the term ending March, 2006 (April 1, 2005 –June 30, 2005)

(1) Conditions of progress of management performance (consolidated)

Values less than ¥1 million are omitted.

	Sales		Operating profit		Ordinary profit		Net profit of the quarter (term)	
	¥ mil.	%	¥ mil.	%	¥ mil.	%	¥ mil.	%
1 st quarter, term ending	5,099	3.2	△8	-	△34	-	△146	-

March 2006 1 st quarter, term ending March 2005	4,940 -	△49 -	△83 -	△93 -
(Reference) Term ending March 2005	25,303	1,269	1,195	600

	Net profit per share for the quarter (term)	Net profit per share for the quarter (term) after latent stock adjustment
1 st quarter, term ending March 2006	¥ △10 44	¥ - -
1 st quarter, term ending March 2005	△6 53	- -
(Reference) Term ending March 2005	42 45	41 69

Note: The percentages indicated for sales, operating profit, etc., represent the fluctuation rate compared to the same quarter in the previous year.

<Qualitative information, etc., relating to the conditions of progress of sales performance (consolidated)>

Despite concerns regarding the impact of the rise in the cost of oil and other raw materials, there was an increase in capital investments in the domestic economy during the 1st quarter prompted by improvement in corporate performance and, in addition, there are evident signs of recovery, though moderate, in the business climate including more robust personal consumption.

In the information service industry, of which our Group is a part, there are clear signs of recovery in investment in corporate information technology while users are also demanding a clarification of investment effects, proposals with higher value added elements and lower operating costs, demonstrating persistently severe conditions in the receipt of orders.

Within this business environment, we achieved improved earnings continuing on the previous term as well as improvement in profits as the result of promoting specific measures with the aim of reinforcing sales strength and improving profitability.

Sales for outsourcing for the oil industry, consumer finance and so forth activated during the previous consolidated accounting year, in particular, bore fruit from the very beginning of the term, contributing to a significant expansion in data processing services and a boost in the stock business that we are promoting.

As a result of the above, consolidated sales in the 1st quarter amounted to ¥5,099 million (up 158 million year-on-year). In terms of profit, improvement progressed in the ratio of gross profit to sales especially in the software development sector, resulting in consolidated operating profit of -¥8 million (up 40 million year-on-year) and consolidated ordinary profit amounting to -¥34 million (up 48 million year-on-year). Along with the application of asset-impairment accounting for fixed assets, we posted ¥97 million as a extraordinary loss and, as a result, net profit for the term amounted to -¥146 million (a decline of ¥53 million year-on-year).

In a breakdown of sales volume by item, data processing services showed sales amounting to ¥1,556 million (up ¥148 million year-on-year), software development ¥2,417 million (up ¥34 million) and system device sales ¥1,125 million (up ¥45 million).

<Characteristics of quarterly performance of the Group>

Acceptance inspections are utilized as sales posting standards in the software development sector, which accounts for just under 60% of sales, and acceptance inspections are concentrated in the second and fourth quarters. Meanwhile, selling, general and administrative expenses are equalized in each month and, since expenses are especially high in the first quarter compared to earnings for the term, operating and ordinary losses are anticipated from the planning stage.

The progress rate of sales in the first quarter compared to the plan for the full business year (¥27,150 million) was 18.8% (18.5% in the previous year). In addition, both consolidated and non-consolidated sales volume and profit exceeded the initial plan and continue to proceed favorably.

(Reference) Conditions of progress of management performance (individual)

Values less than ¥1 million are omitted.

	Sales		Operating profit		Ordinary profit		Net profit of the quarter (term)	
	¥ mil.	%	¥ mil.	%	¥ mil.	%	¥ mil.	%
1 st quarter, term ending March 2006	3,553	6.2	113	270.2	109	525.3	0	△94.3
1 st quarter, term ending March 2005	3,344	7.4	30	-	17	-	10	-
(Reference) Term ending March 2005	17,441		1,159		1,147		543	

(2) Changes in financial conditions (consolidated)

	Total assets	Equity capital	Equity ratio	Equity capital per share	
	¥ mil.	¥ mil.	%	¥ mil.	
1 st quarter, term ending March 2006	18,762	6,230	33.2	443	78
1 st quarter, term ending March 2005	19,884	6,060	30.5	424	65
(Reference) Term ending March 2005	19,555	6,583	33.7	468	90

<Consolidated cash flow conditions>

	Net cash provided by operating activities	Net cash used in investing activities	Net cash provided by (used in) financing activities	Net change in cash and cash equivalents
	¥ mil.	¥ mil.	¥ mil.	¥ mil.
1 st quarter, term ending March 2006	714	80	234	2,653
1 st quarter, term ending March 2005	-	-	-	-
(Reference) Term ending March 2005	2,032	△481	△1,623	1,623

Note: Since cash flow conditions are being disclosed beginning with the previous 3rd quarter, quarterly performance in the previous year is not noted.

< Qualitative information, etc., relating to fluctuations in financial conditions (consolidated)>

The conditions of consolidated cash flow, etc., in the 1st quarter of the consolidated accounting term are as indicated below.

In regard to cash and cash equivalents (“funds”) in the first quarter, cash flow provided by operating activities increased by ¥714 million, cash flow used in investing activities increased by ¥80 million and cash flow used in financing activities increased by ¥234 million for an increase of ¥1,029 million against the previous consolidated accounting year to ¥2,653 million.

- Net cash provided by operating activities

Funds acquired through operating activities during the 1st quarter amounted to ¥714 million. This is due primarily to a boost in funds amounting to ¥2,300 million through the collection of accounts receivable in spite of a decline in purchase liabilities of ¥711 million, an increase in inventory assets of ¥572 million and the payment of ¥316 million in corporate and other taxes.

- Net cash used in investing activities

Funds used as the result of investing activities during the 1st quarter amounted to ¥80 million. This is due primarily to income amounting to ¥176 million for the sale of land in spite of the disbursement of ¥115 million for the acquisition of fixed assets.

- Net cash provided by (used in) financing activities

Funding used as the result of financing activities during the 1st quarters amounted to ¥234 million. This originates primarily in an increase in loans amounting to ¥388 million in spite of the payment of ¥154 million in dividends.

3. Performance forecast for the term ending March 2006 (April 1, 2005 – March 31, 2006)

Performance proceeded as anticipated during the 1st quarter and there is no change in either the interim or full business year performance forecast announced in May 16, 2005.

	Forecast sales	Forecast ordinary profit	Forecast net profit	Forecast net profit per share for the term
Interim term	¥ mil.	¥ mil.	¥ mil.	¥ mil.
Full business	12,180	316	77	5 48
year	27,150	1,527	710	50 57

<Note regarding Performance Forecasts>

Performance forecasts and other assumptions regarding the future noted in this material are based on judgments, hypotheses and convictions reflecting information obtainable at the time of the announcement by the Company and, since they are affected by unforeseen changes in economic conditions and various other factors, please be aware that the figures in forecasts of the future do not represent a promise or guarantee.