

Report for 1st Quarter, Fiscal Year Ending March 2007 (Non-Consolidated)

July 20, 2006

Company name: Okinawa Cellular Telephone Company

(JASDAQ • Code No : 9436)

URL: <http://www.au.kddi.com/chiiki/okinawa/index.html>

For Inquiries: Toshio Okihashi, President
Seiken Takemoto, Director

Tel.: (098) 860-3608

1. Matters Pertaining to the Preparation of the Quarterly Report

- (1) Adoption of simplified procedures for accounting: none
- (2) Change(s) in accounting method from the latest accounting year: none

2. Financial and Business Performance for 1st Quarter, FY Ending March 2007 (Apr. 1, 2006 – Jun. 30, 2006)

(1) Operating Results

Note: Figures rounded off to nearest million yen.

	Operating Revenues		Operating Income		Recurring Profits		Net Income	
	million yen	%	million yen	%	million yen	%	million yen	%
1 st Quarter, FY ending Mar. 2007	11,476	(2.7)	2,948	(23.5)	2,954	(23.8)	1,798	(23.2)
1 st Quarter, FY ending Mar. 2006 (Ref.)	11,175	(2.1)	2,386	(25.7)	2,386	(23.1)	1,459	(12.9)
FY ending Mar. 2006	46,077		9,692		9,700		6,074	

	Earnings Per Share	Diluted Earnings Per Share
	Yen	Yen
1 st Quarter, FY ending Mar. 2007	6,579.18	—
1 st Quarter, FY ending Mar. 2006 (Ref.)	10,677.95	—
FY ending Mar. 2006	22,177.43	—

Notes:

1. The percentages accompanying Operating Revenues, Operating Income, etc. reflect the rate of change (increase/decrease) from the same quarter of the previous fiscal year.
2. Average no. of shares outstanding: 1st Quarter, FY ending Mar. 2007: 273,420 shares
1st Quarter, FY ending Mar. 2006: 136,710 shares
FY ending Mar. 2006: 273,420 shares
3. As of September 22, 2005, we implemented a two-for-one stock split.
4. The average number of shares is used in the calculation of the projected earnings per share. The average number of shares is calculated based on the premise that a stock split occurred at the beginning of the accounting period.

(2) Changes in Financial Position

	Total Assets (million yen)	Net Assets (million yen)	Capital adequacy ratio (%)	Net Assets Per Share (yen)
1 st Quarter, FY ending Mar. 2007	30,171	24,762	82.1	90,565.51
1 st Quarter, FY ending Mar. 2006 (Ref.)	25,500	19,566	76.7	143,127.41
FY ending Mar. 2006	31,562	23,677	75.0	86,558.74

Notes:

1. Outstanding shares at end of period: 1st Quarter, FY ending Mar. 2007: 273,420 shares
1st Quarter, FY ending Mar. 2006: 136,710 shares
FY ending Mar. 2006: 273,420 shares
2. No. of treasury stock: 1st Quarter, FY ending Mar. 2007: — shares
1st Quarter, FY ending Mar. 2006: — shares
FY ending Mar. 2006: — shares

[Cash Flow]

(Unit: million yen)

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of FY
1 st Quarter, FY ending Mar. 2007	235	(2,759)	(784)	2,257
1 st Quarter, FY ending Mar. 2006	824	(2,606)	(682)	2,935
(Ref.) FY ending Mar. 2006	9,941	(7,309)	(2,466)	5,565

3. Projected Business Performance for FY Ending March 2007 (Apr. 1, 2006 – Mar. 31, 2007)

The business forecast for the fiscal year ending March 31, 2007 has not been changed from the figures announced in “March 2006 Report Summary (Non-Consolidated)” issued on April 24, 2006.

	Operating Revenues (million yen)	Recurring Profits (million yen)	Net Income (million yen)	Annual Dividends Per Share (yen)		
				Interim	Year End	
Entire FY	46,800	9,800	6,200	2,500.00	2,500.00	5,000.00

Reference: Earnings Per Share for this period are projected at 22,675.74 yen

Notes : Projected business performance is based solely on information currently available to the company. Actual business performance may vary due to unpredictable conditions such as economic swings and competition.

1. Operating Results and Financial Status

(1) Operating Results

① Review of operations during the current period

With regard to domestic economic conditions, improvements in corporate earnings, increases in capital investments, and furthermore slow but steady increases in personal consumption, among other factors, showed that the economy was continuing its path of recovery. In the Okinawa Prefecture regional economy as well (where our business is based), despite the lackluster performance among construction-related businesses, tourism continued to perform well and personal consumption showed some underlying strength. As a whole, the overall pace of gradual economic recovery continued.

For the domestic mobile phone industry nationwide (excluding PHS), out of a total of 92,869 thousand subscribers registered at the end of June 2006 (a year-on-year increase of 1,077 thousand subscribers), Okinawa Prefecture accounted for 852 thousand subscribers (a year-on-year increase of 7 thousand subscribers). In a maturing mobile phone market, different carriers began offering new services and content for the third-generation mobile phones and introducing handsets with high value-added functions. The competition among carriers to increase customer base is therefore entering a new phase as Mobile Number Portability (MNP) is about to be introduced.

Against this backdrop, we are now offering a new charge plan, "Day Time Plan WIN" to corporate customers and others who use their CDMA 1X WIN broadband mobile phones primarily during the daytime. This plan does not include free minutes in its basic usage charge but is rather based on a complete pay-as-you-go plan.

Furthermore, a new service "Indefinite Carry-over" will be introduced this August, which allows au mobile phone customers to carry forward unused minutes from their plans with no time restriction.

In terms of content service, we have introduced "3D Navi" to our "EZ Navi Walk," which displays 3D maps for easier viewing experience. Furthermore, as the Road Traffic Law was partially revised, we have added a function that displays areas where parking restriction is strictly enforced. Also, a PC music distribution site "LISMO Music Store" was launched this past May. This site enables customers using our total music service "au Listen Mobile Service" (or LISMO) to search and download EZ "Chaku-Uta Full®"* music online through a PC music management software "au Music Port." Purchased music can be transferred to an au mobile phone and played as EZ "Chaku-Uta Full®."* The total number of EZ "Chaku-Uta Full®"* downloads has reached 50 million in May for the entire au network, an indication of an excellent reception by our customers.

* "Chaku-Uta Full®" is a registered trademark of Sony Music Entertainment (Japan) Inc.

As for new handsets, we have introduced "Walkman® Mobile,"* which offers the longest-ever battery life for playing music on a mobile phone (approximately 30 hours) as well as 1 GB memory capacity for storing music. It is also compatible with the total music service "LISMO." Another new addition is "Toughness Mobile" for CDMA 1X WIN, a first water-proof/shock-proof mobile phone. Along with handsets that support "One Seg"* terrestrial digital TV broadcasts for mobile devices and "EZ FeliCa"*-compatible handsets introduced last year, we believe that these mentioned above offer our customers a wide range of functions that address their diversifying needs.

* "Walkman" is a registered trademark of Sony Corporation.

* "One Seg" is a trademark of the Association for Promotion of Digital Broadcasting.

* "FeliCa" is a technology for contactless IC card developed by Sony Corporation. "FeliCa" is a registered trademark of Sony Corporation.

Furthermore, last April we began offering "EZ Safe Access Service" that blocks access by children and teenagers to "deai-kei" (dating service) websites and other adult-oriented websites while allowing them access only to carefully-selected age-appropriate web content.

As a result of the measures outlined above, our total subscribers as of the end of June 2006 reached 428 thousand (a year-on-year increase of 4 thousand subscribers). This amounted to a 50.2% share of all subscribers in Okinawa Prefecture.

With regard to profit and loss during the first quarterly accounting period, these figures resulted in operating revenues of 9,289,509 thousand yen (4.1% increase year-on-year) in the telecommunications business and operating revenues of 2,187,322 thousand yen (2.8% decrease year-on-year) from associated businesses. Total operating revenues were 11,476,831 thousand yen (2.7% increase year-on-year). Meanwhile, recurring profits totaled 2,954,865 thousand yen (23.8% increase year-on-year), while net income amounted to 1,798,879 thousand yen (23.2% increase year-on-year).

② Forecast for full fiscal year

As for the Japanese economy, while a watchful eye needs to be kept on crude oil prices, due to improvements in both corporate and household sectors, growth on a steady recovery track should continue backed by domestic private sector demand.

In the domestic mobile phone industry, in a mature market confronted by the introduction of Mobile Number Portability (MNP), which will allow customers to carry mobile phone numbers with them if they switch carriers, competition among businesses to acquire new customers and retain existing customers is expected to enter a new phase.

In these circumstances, we will first and foremost continue to place emphasis on overall subscriber and stakeholder satisfaction. To this end, we will push ahead with our Total Customer Satisfaction (TCS) activities, strengthen alliances with the KDDI Group and reinforce product development. At the same time we will provide high-quality services and work to strengthen brand power. Moreover, we will continue to strive for cost efficiency across all business platforms while further rationalizing operations and to devise a management base capable of generating profits as well as building our competitive strengths. We will also strive at all company levels to further the development of our region and its local communities through our telecommunications operations.

Regarding our financial outlook for the current period, we anticipate operating revenues of 46.8 billion yen (1.6% increase year-on-year), recurring profits of 9.8 billion yen (1.0% increase year-on-year), and net income of 6.2 billion yen (2.1% increase year-on-year).

(2) Financial Status

As for cash and cash equivalents (hereinafter referred to as “cash”) for this first quarterly accounting period, although there was an increase in income before income taxes, due to factors such as increased inventories, amount of income taxes paid, and payments of dividends, cash decreased by 678,261 thousand yen over the end of the previous first quarterly accounting period (23.1% decrease year-on-year) for a total of 2,257,509 thousand yen at the end of this first quarterly accounting period.

Cash flows for this first quarterly accounting period are as follows.

(Cash flows from operating activities)

Cash provided by operating activities decreased by 588,362 thousand yen over the previous first quarterly accounting period (71.4% decrease year-on-year) to 235,693 thousand yen due to factors such as increased inventories and amount of income taxes paid, despite increases in income before income taxes and accounts payable.

(Cash flows from investing activities)

Cash used in investing activities increased by 153,840 thousand yen over the previous first quarterly accounting period (5.9% increase year-on-year) to 2,759,921 thousand yen due primarily to an increase in payments for purchase of property, plant and equipment.

(Cash flows from financing activities)

Cash used in financing activities increased by 101,828 thousand yen over the previous first quarterly accounting period (14.9% increase year-on-year) to 784,046 thousand yen due to an increase in the amount of dividends paid, despite a decrease in expenditures owing to return of long-term loans.

(3) Risks of businesses

There are various risks associated with any regular businesses. The Company prevents or disperses any such risks in an effort to strictly reduce them. However, there are still some matters that may have a negative impact on the financial status or results of operations of the Company. Examples are: whether market demand exists as expected and whether we can maintain and increase contract numbers under situations of competition with other companies and technologies; whether we can maintain the confidentiality of communications or the protection of personal and customer information whether changes or policy decisions in laws and regulations relating to the telecommunications industry impair our profit; and whether we can secure and develop appropriate and sufficient personnel to address any greater-than-expected expansion of business. Moreover, there are some other risks such as system failures caused by natural disasters, and the possibility of KDDI Corporation, our parent company, exercising its influence over other shareholders against their interests.

2. (1) Quarterly Comparative Balance Sheet (Assets)

(Unit: thousand yen)

Item	1 st Quarter Closing, Previous FY (As of June 30, 2005)		1 st Quarter Closing, Current FY (As of June 30, 2006)		Increase/ Decrease		Summary of Previous Fiscal Year (As of March 31, 2006)	
	Amount	Ratio	Amount	Ratio	Amount	the rate of change	Amount	Ratio
[Assets]		%		%		%		%
I. Non-current assets								
A. Non-current assets for telecommunications business								
(1) Property, plant and equipment *1								
1. Machinery and equipment	7,825,794		7,230,391		(595,402)		7,568,275	
2. Antenna facilities	3,172,432		3,118,323		(54,108)		3,156,411	
3. Telecommunications line facilities	3,371		2,773		(598)		2,911	
4. Pipe and hand holes	38,933		37,061		(1,871)		37,529	
5. Buildings	1,641,824		1,613,483		(28,341)		1,639,104	
6. Structures	318,586		281,238		(37,348)		291,212	
7. Other machinery and equipment	40		40		—		40	
8. Tools, furniture and fixtures	96,807		129,005		32,198		133,805	
9. Land	391,106		391,106		—		391,106	
10. Construction in progress	177,908		407,403		229,494		493,769	
Total property, plant and equipment	13,666,805	53.6	13,210,827	43.8	(455,978)	(3.3)	13,714,167	43.4
(2) Intangible assets								
1. Utility facility usage	116,882		66,440		(50,441)		68,259	
2. Computer software	23,899		17,956		(5,943)		20,046	
3. Leasehold rights	2,000		2,000		—		2,000	
4. Telephone subscription rights	4,360		4,360		—		4,360	
Total intangible assets	147,142	0.6	90,757	0.3	(56,385)	(38.3)	94,665	0.3
Total non-current assets for telecommunications business	13,813,948	54.2	13,301,584	44.1	(512,363)	(3.7)	13,808,833	43.7
B. Non-current assets for associated businesses								
(1) Property, plant and equipment *1	74		25		(49)		38	
(2) Intangible assets	545		283		(261)		349	
Total non-current assets for associated businesses	620	0.0	309	0.0	(311)	(50.1)	387	0.0
C. Investments and other assets								
1. Investments in securities	174,130		212,360		38,230		245,250	
2. Long-term prepaid expenses	187,008		215,718		28,710		180,246	
3. Deferred income taxes	426,269		478,822		52,552		463,730	
4. Deposits and guarantee money	124,356		123,928		(427)		121,460	
5. Other investments and other assets	75,727		71,202		(4,524)		71,429	
Allowances for doubtful accounts	(78,154)		(73,629)		4,524		(73,856)	
Total investments and other assets	909,337	3.5	1,028,402	3.4	119,065	13.1	1,008,261	3.2
Total non-current assets	14,723,906	57.7	14,330,297	47.5	(393,609)	(2.7)	14,817,481	46.9
II. Current assets								
1. Cash and bank deposits	2,935,770		2,257,509		(678,261)		5,565,783	
2. Trade accounts receivable	4,064,824		4,389,822		324,998		4,381,805	
3. Other accounts receivable	850,667		997,585		146,918		973,954	
4. Inventories and supplies	759,674		1,074,567		314,893		689,104	
5. Prepaid expenses	175,889		137,008		(38,881)		55,869	
6. Deferred income taxes	123,171		122,301		(869)		240,130	
7. Short-term loans receivable from related companies	2,000,017		6,998,866		4,998,848		4,999,828	
8. Other current assets	134		55		(79)		20	
Allowances for doubtful accounts	(133,159)		(136,862)		(3,702)		(161,907)	
Total current assets	10,776,989	42.3	15,840,855	52.5	5,063,865	47.0	16,744,590	53.1
TOTAL ASSETS	25,500,896	100.0	30,171,152	100.0	4,670,256	18.3	31,562,071	100.0

Note: Figures less than 1,000 yen have been rounded off.

2. (1) Quarterly Comparative Balance Sheet (Liability and Net Assets)

(Unit: thousand yen)

Item	1 st Quarter Closing, Previous FY (As of June 30, 2005)		1 st Quarter Closing, Current FY (As of June 30, 2006)		Increase/ Decrease		Summary of Previous Fiscal Year (As of March 31, 2006)	
	Amount	Ratio	Amount	Ratio	Amount	the rate of change	Amount	Ratio
[Liabilities]								
I. Non-current liabilities								
1. Bonds	375,000	—	—	—	(375,000)	—	—	—
2. Long-term loans	61,000	—	—	—	(61,000)	—	—	—
3. Reserves for retirement benefits	56,003	—	29,783	—	(26,219)	—	37,241	—
4. Reserves for point services program	849,090	—	988,949	—	139,859	—	953,689	—
5. Other non-current liabilities	160,269	—	177,206	—	16,936	—	199,973	—
Total non-current liabilities	1,501,363	5.9	1,195,939	4.0	(305,423)	(20.3)	1,190,904	3.8
II. Current liabilities								
1. Current portion of long-term debt	1,335,902	—	436,000	—	(899,902)	—	552,940	—
2. Trade accounts payable *2	619,820	—	1,035,091	—	415,271	—	855,408	—
3. Other accounts payable *2	1,423,342	—	1,456,958	—	33,615	—	2,691,921	—
4. Accrued expenses	82,270	—	84,495	—	2,224	—	102,882	—
5. Accrued taxes on income	860,400	—	1,048,500	—	188,100	—	2,373,500	—
6. Advances received	31,608	—	31,242	—	(366)	—	29,224	—
7. Deposits received	40,724	—	78,523	—	37,799	—	8,707	—
8. Allowances for bonuses	38,515	—	41,980	—	3,465	—	79,240	—
Total current liabilities	4,432,584	17.4	4,212,792	13.9	(219,792)	(5.0)	6,693,825	21.2
TOTAL LIABILITIES	5,933,947	23.3	5,408,731	17.9	(525,216)	(8.9)	7,884,729	25.0
[Shareholders' equity]								
I. Common stock								
	1,414,581	5.5	—	—	—	—	1,414,581	4.5
II. Capital surpluses								
1. Additional paid-in capital	1,614,991	—	—	—	—	—	1,614,991	—
Total capital surplus	1,614,991	6.3	—	—	—	—	1,614,991	5.1
III. Earned surplus								
1. Legal reserves	64,425	—	—	—	—	—	64,425	—
2. Voluntary reserves	—	—	—	—	—	—	—	—
Other reserves	13,800,000	—	—	—	—	—	13,800,000	—
3. Unappropriated retained earnings	2,630,694	—	—	—	—	—	6,698,273	—
Total earned surplus	16,495,120	64.7	—	—	—	—	20,562,699	65.1
IV. Net unrealized gains on securities	42,255	0.2	—	—	—	—	85,070	0.3
TOTAL SHAREHOLDERS' EQUITY	19,566,948	76.7	—	—	—	—	23,677,342	75.0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	25,500,896	100.0	—	—	—	—	31,562,071	100.0
[Net assets]								
I. Shareholders' equity								
1. Common stock	—	—	1,414,581	4.7	—	—	—	—
2. Capital surpluses	—	—	1,614,991	—	—	—	—	—
(1) Additional paid-in capital	—	—	1,614,991	—	—	—	—	—
Total capital surplus	—	—	1,614,991	5.4	—	—	—	—
3. Earned surplus	—	—	64,425	—	—	—	—	—
(1) Legal reserves	—	—	64,425	—	—	—	—	—
(2) Other earned surplus	—	—	—	—	—	—	—	—
Other reserves	—	—	18,400,000	—	—	—	—	—
Earned surplus carried forward	—	—	3,203,152	—	—	—	—	—
Total earned surplus	—	—	21,667,578	71.8	—	—	—	—
Total shareholders' equity	—	—	24,697,150	81.9	—	—	—	—
II. Assessments/exchange difference								
1. Net unrealized gains on securities	—	—	65,270	—	—	—	—	—
Total assessments/exchange difference	—	—	65,270	0.2	—	—	—	—
TOTAL NET ASSETS	—	—	24,762,421	82.1	—	—	—	—
TOTAL LIABILITIES AND NET ASSETS	—	—	30,171,152	100.0	—	—	—	—

2. (2) Quarterly Comparative Statements of income

(Unit: thousand yen)

Item	Period		1 st Quarter, Previous FY Apr. 1, 2005 – Jun. 30, 2005		1 st Quarter, Current FY Apr. 1, 2006 – Jun. 30, 2006		Increase/ Decrease		Summary of Previous Fiscal Year Apr. 1, 2005 – Mar. 31, 2006	
	Amount	Ratio	Amount	Ratio	Amount	the rate of change	Amount	Ratio		
Recurring profits and losses		%		%		%				
[Operating revenues and expenses]										
I. Telecommunications business										
(1) Operating revenues	8,925,353	79.9	9,289,509	80.9	364,155	4.1	36,553,914	79.3		
(2) Operating expenses	6,648,651	59.5	6,442,363	56.1	(206,288)	(3.1)	27,162,038	58.9		
1. Sales expenses	3,683,558		3,595,161		(88,397)		15,108,046			
2. Facilities maintenance expenses	450,450		405,320		(45,129)		2,202,509			
3. Administrative expenses	288,016		273,083		(14,932)		1,106,378			
4. Depreciation	715,544		686,272		(29,272)		2,611,108			
5. Loss on disposal of fixed assets	6,849		14,518		7,669		424,890			
6. Communication network charges	1,409,988		1,379,227		(30,761)		5,333,075			
7. Taxes and public dues	94,243		88,778		(5,464)		376,031			
Operating income from telecommunications business	2,276,701	20.4	2,847,145	24.8	570,443	25.1	9,391,875	20.4		
II. Associated businesses										
(1) Operating revenues	2,249,688	20.1	2,187,322	19.1	(62,366)	(2.8)	9,523,129	20.7		
(2) Operating expenses	2,139,517	19.1	2,085,886	18.2	(53,631)	(2.5)	9,222,663	20.1		
Operating income from associated businesses	110,170	1.0	101,436	0.9	(8,734)	(7.9)	300,466	0.6		
TOTAL OPERATING INCOME	2,386,872	21.4	2,948,582	25.7	561,709	23.5	9,692,342	21.0		
[Non-operating revenues and expenses]										
III. Non-operating revenues *1	6,836	0.1	7,465	0.0	629	9.2	25,938	0.1		
IV. Non-operating expenses *2	6,891	0.1	1,181	0.0	(5,709)	(82.9)	17,712	0.0		
RECURRING PROFITS	2,386,817	21.4	2,954,865	25.7	568,048	23.8	9,700,568	21.1		
Income before income taxes	2,386,817	21.4	2,954,865	25.7	568,048	23.8	9,700,568	21.1		
Income taxes-current	856,547	7.7	1,040,159	9.0	183,611	21.4	3,738,606	8.1		
Income taxes-deferred	70,486	0.6	115,827	1.0	45,341	64.3	(112,239)	(0.2)		
Net income	1,459,783	13.1	1,798,879	15.7	339,095	23.2	6,074,202	13.2		
Retained earnings brought forward	1,170,911		—		(1,170,911)		1,170,911			
Interim dividends	—		—		—		546,840			
Unappropriated retained earnings	2,630,694		—		(2,630,694)		6,698,273			

Notes:

- Figures less than 1,000 yen have been rounded off.
- The percentages were calculated using the sum of Operating Revenues from the telecommunications business and Operating Revenues from associated businesses as 100%.

2. (3) Quarterly Statement of Changes in Shareholders' Equity

Current quarterly accounting period (April 1, 2006 – June 30, 2006)

(Unit: thousand yen)

	Shareholders' Equity								Assessments/Exchange Difference		Total Net Assets
	Common stock	Capital surpluses		Legal reserves	Earned surplus			Total Shareholders' Equity	Net unrealized gains on securities	Total Assessments/Exchange Difference	
		Additional paid-in capital	Total capital surplus		Other earned surplus		Total earned surplus				
					Other reserves	Earned surplus carried forward					
As of March 31, 2006	1,414,581	1,614,991	1,614,991	64,425	13,800,000	6,698,273	20,562,699	23,592,271	85,070	85,070	23,677,342
Amount of change during the quarterly accounting period											
Other reserve funds					4,600,000	(4,600,000)	—	—			—
Surplus dividends						(683,550)	(683,550)	(683,550)			(683,550)
Bonuses to officers due to profit appropriation						(10,450)	(10,450)	(10,450)			(10,450)
Net income						1,798,879	1,798,879	1,798,879			1,798,879
Amount of change during the quarterly accounting period for items that do not fall under shareholders' equity (net amount)									(19,799)	(19,799)	(19,799)
Total amount of change during the quarterly accounting period					4,600,000	(3,495,120)	1,104,879	1,104,879	(19,799)	(19,799)	1,085,079
As of June 30, 2006	1,414,581	1,614,991	1,614,991	64,425	18,400,000	3,203,152	21,667,578	24,697,150	65,270	65,270	24,762,421

2. (4) Quarterly Statement of Cash Flow

(Unit: thousand yen)

Period	1 st Quarter, Previous FY Apr. 1, 2005 – Jun. 30, 2005	1 st Quarter, Current FY Apr. 1, 2006 – Jun. 30, 2006	Summary of Previous Fiscal Year Apr. 1, 2005 – Mar. 31, 2006
Item	Amount	Amount	Amount
I. Cash flows from operating activities			
Income before income taxes	2,386,817	2,954,865	9,700,568
Depreciation	715,622	686,350	2,611,419
Increase (decrease) in allowances for doubtful accounts	(24,094)	(25,272)	356
Decrease in reserves for retirement benefits	(7,804)	(7,457)	(26,566)
Increase in reserves for point service program	32,388	35,260	136,988
Increase (decrease) in allowances for bonuses	(35,335)	(37,260)	5,390
Loss on disposal of fixed assets	6,841	11,317	398,217
Interest and dividend income	(2,024)	(3,006)	(6,482)
Interest expenses	6,891	1,181	17,712
Increase (decrease) in accounts receivable	18,155	(8,016)	(298,825)
Increase in inventories and supplies	(145,462)	(385,463)	(57,084)
Increase in accounts payable	48,337	179,683	283,925
Bonuses to officers	(9,500)	(10,450)	(9,500)
Other , net	(336,169)	(835,558)	436,739
Subtotal	2,654,662	2,556,173	13,192,857
Interest and dividend income received	2,024	3,006	6,482
Interest expenses paid	(5,644)	(566)	(18,364)
Income taxes paid	(1,826,987)	(2,322,919)	(3,239,965)
Net cash provided by operating activities	824,055	235,693	9,941,009
II. Cash flows from investing activities			
Payments for purchase of Property , plant and equipment	(599,536)	(711,708)	(2,264,237)
Proceeds from sale of Property , plant and equipment	—	—	484
Payments for purchase of intangible assets	(2,315)	(633)	(5,975)
Payment of short-term loans receivable from related companies	(2,000,017)	(4,002,154)	(4,999,828)
Proceeds from collection of short-term loans to affiliated companies	—	2,003,116	—
Proceeds from returned investments and other assets	50	—	3,376
Payments for purchase of other investments and other assets	(4,260)	(48,541)	(42,841)
Net cash used in investing activities	(2,606,080)	(2,759,921)	(7,309,022)
III. Cash flows from financing activities			
Repayment of long-term loans	(428,396)	(116,940)	(1,272,358)
Payment for redemption of bonds	—	—	(375,000)
Dividends paid	(253,822)	(667,106)	(818,859)
Net cash used in financing activities	(682,218)	(784,046)	(2,466,217)
IV. Translation adjustments on cash and cash equivalents	—	—	—
V. Net increase(decrease) in cash and cash equivalents	(2,464,243)	(3,308,274)	165,769
VI. Cash and cash equivalents at beginning of period	5,400,014	5,565,783	5,400,014
VII. Cash and cash equivalents at end of period (FY) *	2,935,770	2,257,509	5,565,783

Note: Figures less than 1,000 yen have been rounded off.

Basis of Presentation of Non-consolidated Financial Statements

Item	1 st Quarter, Previous Fiscal Year (Apr. 1, 2005 – Jun. 30, 2005)	1 st Quarter, Current Fiscal Year (Apr. 1, 2006 – Jun. 30, 2006)	Previous Fiscal Year (Apr. 1, 2005 – Mar. 31, 2006)
1. Depreciation calculations for non-current assets	<p>(1) Property, plant and equipment Depreciation calculated using the straight-line method. The useful lifespan of primary assets includes:</p> <p>Machinery and equipment: 6-15 yrs Antenna facilities: 10-21 yrs Buildings: 3-31 yrs</p> <p>(2) Intangible assets The straight-line method is applied. Useful lifespan as designated by the Company (5 years) is applied to software used within the company. The employment of the straight-line is based on this.</p> <p>(3) Long-term prepaid expenses Straight-line calculation method is applied.</p>	<p>(1) Property, plant and equipment Same as column to left.</p> <p>(2) Intangible assets Same as column to left.</p> <p>(3) Long-term prepaid expenses Same as column to left.</p>	<p>(1) Property, plant and equipment Same as column to left.</p> <p>(2) Intangible assets Same as column to left.</p> <p>(3) Long-term prepaid expenses Same as column to left.</p>
2. Standards and methods for evaluating assets	<p>(1) Securities Other securities Securities having fluctuating market values: Fluctuating market value method based on market value at quarterly closure of accounts (Valuation differential was accounted for by using the total capital direct input method, and sales cost was calculated using the moving average costing method)</p> <p>Securities without market values: Moving average costing method used</p> <p>(2) Valuations of inventories and supplies Inventories and supplies: Moving average costing method used</p>	<p>(1) Securities Other securities Securities having fluctuating market values: Same as column to left.</p> <p>Securities without market values: Same as column to left.</p> <p>(2) Valuations of inventories and supplies Inventories and supplies: Same as column to left.</p>	<p>(1) Securities Other securities Securities having fluctuating market values: Fluctuating market value method based on market value at closure of accounts (Valuation differential was accounted for by using the total capital direct input method, and sales cost was calculated using the moving average costing method)</p> <p>Securities without market values: Same as column to left.</p> <p>(2) Valuations of inventories and supplies Inventories and supplies: Same as column to left.</p>
3. Standards for reserve appropriations	<p>(1) Allowances for doubtful accounts To provide for bad debts, a reserve is set aside against those accounts considered to be uncollectible. The reserve amount is a percentage calculated from past losses in general accounts receivable. The potential for collection is separately considered for each account.</p>	<p>(1) Allowances for doubtful accounts Same as column to left.</p>	<p>(1) Allowances for doubtful accounts Same as column to left.</p>

Item	1 st Quarter, Previous Fiscal Year (Apr. 1, 2005 – Jun. 30, 2005)	1 st Quarter, Current Fiscal Year (Apr. 1, 2006 – Jun. 30, 2006)	Previous Fiscal Year (Apr. 1, 2005 – Mar. 31, 2006)
	<p>(2) Reserves for retirement benefits To provide for employee retirement benefits, the amount to be incurred at the end of the current quarterly accounting period is set aside according to the estimated amount of retirement benefits payable and pension funds earned by the end of the business year. The liabilities from past employee services are accounted for using the straight-line method based on a set number of years (14) within the average remaining tenure of the employees at the time the differential is generated. Any differences resulting from such calculations are resolved with the straight-line method, whereby the amount is divided by a fixed period of time (14 years) within the average remaining service period of each fiscal year.</p> <p>(3) Reserves for point services program A reserve has been set aside to provide against future costs of exchanging accumulated points under the “Point α” point services program. The reserve amount was determined according to the estimated point utilization for the 2nd quarter of the current fiscal year and thereafter, based on past rates of utilization.</p> <p>(4) Allowances for Bonuses To provide for employee bonuses, estimated cost during the current quarterly period is charged based on the estimated value of bonus payments.</p>	<p>(2) Reserves for retirement benefits Same as column to left.</p> <p>(3) Reserves for point services program Same as column to left.</p> <p>(4) Allowances for Bonuses Same as column to left.</p>	<p>(2) Reserves for retirement benefits This accounts for retirement payments and pensions set aside through the end of the period, to prepare for retirements of personnel. The liabilities from past employee services are accounted for using the straight-line method based on a set number of years (14) within the average remaining tenure of the employees at the time the differential is generated. Any differences resulting from such calculations are resolved with the straight-line method, whereby the amount is divided by a fixed period of time (14 years) within the average remaining service period of each fiscal year.</p> <p>(3) Reserves for point services program A reserve has been set aside to provide against future costs of exchanging accumulated points under the “Point α” point services program. The reserve amount was determined according to the estimated point utilization for the next fiscal year and thereafter, based on past rates of utilization.</p> <p>(4) Allowances for Bonuses To provide for employee bonuses, estimated cost during the accounting period is charged based on the estimated val(Additional information)</p>
4. Lease transactions	The accounting method used for general lease transactions is applied to all finance lease transactions, except for leased assets where ownership is deemed to transfer to lessees.	Same as column to left.	Same as column to left.
5. The range of funds included in the quarterly cash flow statement	Consists of cash on hand, deposits which can be withdrawn at any time, and short term investments with maturities of 3 months or less, which are readily convertible to cash and present minimum risk of changes in interest rates.	Same as column to left.	Same as column to left.
6. Other important items used as fundamentals in preparation of the quarterly statements	Accounting for consumption taxes Consumption tax is not included. Temporary tax payments and taxes collected are offset against each other and included in Arrearages. The amount after offset is 140,833 thousand yen.	Accounting for consumption taxes Consumption tax is not included. Temporary tax payments and taxes collected are offset against each other and included in Arrearages. The amount after offset is 125,281 thousand yen.	Accounting for consumption taxes Consumption tax is not included.

Changes in Basis of Presentation of Non-consolidated Financial Statements

1 st Quarter, Previous Fiscal Year (Apr. 1, 2005 – Jun. 30, 2005)	1 st Quarter, Current Fiscal Year (Apr. 1, 2006 – Jun. 30, 2006)	Previous Fiscal Year (Apr. 1, 2005 – Mar. 31, 2006)
<p>(Change in treatment of non-operating revenues)</p> <p>Conventionally, revenues and expenses derived from “various kinds of payment collection agency work” and “leasing of telecommunications infrastructure and its associated equipment” had been treated in the accounts as either non-operating revenues or operating expenses from telecommunications business. Starting from the current quarterly accounting period, however, relevant revenues and expenses are treated as operating revenues from associated businesses or operating expenses from associated businesses.</p> <p>These changes have been made due to certain additions to the company’s articles of incorporation that were approved at the regular shareholders general meeting held on June 22, 2005. Additions were made so as to recognize certain new business objectives as appropriate business activities for the company.</p> <p>Based on these changes, compared to the previous methods of calculation, operating revenues from associated businesses and operating expenses from associated businesses increased by 51,817 thousand yen and 25,548 thousand yen, respectively. Non-operating revenues and operating expenses from telecommunications business decreased by 51,817 thousand yen and 25,548 thousand yen, respectively. Furthermore, operating income from telecommunications business increased by 25,548 thousand yen, while operating income from associated businesses increased by 26,269 thousand yen, and total operating income increased by 51,817 thousand yen. These developments, however, did not have any impact on recurring profits or net income in the current quarterly reporting period.</p>	<p style="text-align: center;">—————</p> <p>(Accounting Standards for “Net Assets” on Comparative Balance Sheet)</p> <p>As of current quarterly accounting period, Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ Statement No. 5 issued on December 9, 2005) and Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ Guidance No. 8 issued on December 9, 2005) were implemented.</p> <p>The amount that corresponds to the previous shareholders’ equity is the same as the amount listed in the section for net assets.</p>	<p>(Change in treatment of non-operating revenues)</p> <p>Conventionally, revenues and expenses derived from “various kinds of payment collection agency work” and “leasing of telecommunications infrastructure and its associated equipment” had been treated in the accounts as either non-operating revenues or operating expenses from telecommunications business. Starting from the current interim period, however, relevant revenues and expenses are treated as operating revenues from associated businesses or operating expenses from associated businesses.</p> <p>These changes have been made due to certain additions to the company’s articles of incorporation that were approved at the regular shareholders general meeting held on June 22, 2005. Additions were made so as to recognize certain new business objectives as appropriate business activities for the company.</p> <p>Based on these changes, compared to the previous methods of calculation, operating revenues from associated businesses and operating expenses from associated businesses increased by 188,600 thousand yen and 100,877 thousand yen, respectively. Non-operating revenues and operating expenses from telecommunications business decreased by 188,600 thousand yen and 100,877 thousand yen, respectively. Furthermore, operating income from telecommunications business increased by 100,877 thousand yen, while operating income from associated businesses increased by 87,723 thousand yen, and total operating income increased by 188,600 thousand yen. These developments, however, did not have any impact on recurring profits or Income before income taxes.</p>

Notes

[Quarterly Balance Sheet]

(Unit: thousand yen)

1 st Quarter Closing, Previous Fiscal Year (June 30, 2005)	1 st Quarter Closing, Current Fiscal Year (June 30, 2006)	End of Previous Fiscal Year (March 31, 2006)
*1. Accumulated depreciation for property, plant and equipment 18,150,360	*1. Accumulated depreciation for property, plant and equipment 20,045,153	*1. Accumulated depreciation for property, plant and equipment 19,393,205
*2. Debts to associated companies	*2. Debts to associated companies	*2. Debts to associated companies
Trade accounts payable 619,820	Trade accounts payable 1,035,091	Trade accounts payable 855,408
Other accounts payable 734,991	Other accounts payable 812,885	Other accounts payable 1,262,068

[Quarterly Statements of income]

(Unit: thousand yen)

1 st Quarter, Previous Fiscal Year (Apr. 1, 2005 – Jun. 30, 2005)	1 st Quarter, Current Fiscal Year (Apr. 1, 2006 – Jun. 30, 2006)	Previous Fiscal Year (Apr. 1, 2005 – Mar. 31, 2006)
*1. Major non-operating revenues	*1. Major non-operating revenues	*1. Major non-operating revenues
Interest income 17	Interest income 2,154	Interest income 3,832
Dividend income 2,007	Dividend income 852	Dividend income 2,650
Commission received 744	Commission received 614	Commission received 1,570
Rental income 1,728	Rental income 2,050	Rental income 7,228
*2. Major non-operating expenses	*2. Major non-operating expenses	*2. Major non-operating expenses
Interest expenses 5,489	Interest expenses 480	Interest expenses 13,044
Interest expense-bonds 1,402	Interest expense-bonds 701	Interest expense-bonds 4,667
*3. _____	*3. Non-operating revenues to associated companies	*3. Non-operating revenues to associated companies
	Interest income 2,154	Interest income 3,828
4. Depreciation	4. Depreciation	4. Depreciation
Property, plant and equipment 694,011	Property, plant and equipment 670,097	Property, plant and equipment 2,537,175
Intangible assets 5,789	Intangible assets 3,973	Intangible assets 17,394

[Quarterly Statement of Changes in Shareholders' Equity]

Current quarterly accounting period (April 1, 2006 – June 30, 2006)

1. Items related to outstanding stocks and treasury stocks: Categories and total number

(Unit: share)

	Total Number of Stocks at the End of the Previous FY	Number of Increase in Stocks During 1st (current) Quarterly Accounting Period	Number of Decrease in Stocks During 1st (current) Quarterly Accounting Period	Number of Stocks at the End of 1st (current) Quarterly Accounting Period
Number of stocks issued				
Common stocks	273,420	—	—	273,420
Total	273,420	—	—	273,420
Treasury stocks				
—	—	—	—	—
Total	—	—	—	—

2. Items related to share warrant and treasury stock warrant.

There are no applicable items.

3. Items related to dividends

(1) Dividends paid

Resolution	Type of Stock	Total Dividend (thousand yen)	Dividend per Share (yen)	Date of Record	Effective as of
Annual general meeting of shareholders June 13, 2006	Common Stock	683,550	2,500	March 31, 2006	June 14, 2006

(2) Dividends whose date of record is in the 1st (current) quarterly accounting period while their effective date is after the end of the 1st quarterly accounting period.

There are no applicable items.

[Quarterly Cash Flow Statement]

(Unit: thousand yen)

1 st Quarter, Previous Fiscal Year (Apr. 1, 2005 – Jun. 30, 2005)	1 st Quarter, Current Fiscal Year (Apr. 1, 2006 – Jun. 30, 2006)	Previous Fiscal Year (Apr. 1, 2005 – Mar. 31, 2006)
* Relationship between the balance of cash and cash equivalents at the end of the quarter, and the items on the quarterly balance sheet (As of Jun. 30, 2005)	* Relationship between the balance of cash and cash equivalents at the end of the quarter, and the items on the quarterly balance sheet (As of Jun. 30, 2006)	* Relationship between the balance of cash and cash equivalents at the end of the fiscal year, and the items on the balance sheet (As of Mar. 31, 2006)
Cash and deposit accounts 2,935,770	Cash and deposit accounts 2,257,509	Cash and deposit accounts 5,565,783
Time deposits of over 3 months —	Time deposits of over 3 months —	Time deposits of over 3 months —
Cash and cash equivalents <u>2,935,770</u>	Cash and cash equivalents <u>2,257,509</u>	Cash and cash equivalents <u>5,565,783</u>

3. Lease Transactions

(Unit: thousand yen)

1 st Quarter, Previous Fiscal Year Apr. 1, 2005 – Jun. 30, 2005	1 st Quarter, Current Fiscal Year Apr. 1, 2006 – Jun. 30, 2006	Previous Fiscal Year Apr. 1, 2005 – Mar. 31, 2006																																																																														
<p>Finance lease transactions, excluding leased asset whose ownership is recognized to transfer to lessee</p> <p>1. 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4. Securities

1st Quarter Closing, Previous Fiscal Year (As of June 30, 2005)

1. Other securities having fluctuating market values

(Unit: thousand yen)

	Acquisition cost	Carrying value at the end of the quarter	Difference
Stocks	98,907	169,100	70,192
Total	98,907	169,100	70,192

2. Main securities without market values

Omitted because of its insignificant value.

1st Quarter Closing, Current Fiscal Year (As of June 30, 2006)

1. Other securities having fluctuating market values

(Unit: thousand yen)

	Acquisition cost	Carrying value at the end of the quarter	Difference
Stocks	98,907	207,330	108,422
Total	98,907	207,330	108,422

2. Main securities without fair values

Omitted because of its insignificant value.

End of Previous Fiscal Year (As of March 31, 2006)

1. Other securities having fluctuating market values

(Unit: thousand yen)

	Acquisition cost	Carrying value at the end of the fiscal year	Difference
Stocks	98,907	240,220	141,312
Total	98,907	240,220	141,312

2. Main securities without fair values

Omitted because of its insignificant value.

5. Derivative Transactions

1st Quarter Closing, Previous Fiscal Year (As of June 30, 2005)

There are no applicable items since the Company does not engage in derivative transactions.

1st Quarter Closing, Current Fiscal Year (As of June 30, 2006)

There are no applicable items since the Company does not engage in derivative transactions.

End of Previous Fiscal Year (As of March 31, 2006)

There are no applicable items since the Company does not engage in derivative transactions.