

Report for 3rd Quarter, Fiscal Year Ending March 2007 (Non-Consolidated)

January 24, 2007

Company name: Okinawa Cellular Telephone Company
 URL: <http://www.au.kddi.com/chiiki/okinawa/index.html>
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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 3rd Quarter, FY Ending March 2007 (Apr. 1, 2006 – Dec. 31, 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	%
3 rd Quarter, FY ending Mar. 2007	34,753	(1.1)	8,865	(10.5)	8,897	(10.8)	5,604	(14.8)
3 rd Quarter, FY ending Mar. 2006	34,373	(3.1)	8,024	(36.0)	8,026	(33.4)	4,880	(28.2)
(Ref.) FY ending Mar. 2006	46,077		9,692		9,700		6,074	

	Earnings Per Share	Diluted Earnings Per Share
	Yen	Yen
3 rd Quarter, FY ending Mar. 2007	20,497.55	—
3 rd Quarter, FY ending Mar. 2006	17,848.85	—
(Ref.) FY ending Mar. 2006	22,177.43	—

Notes:

- The percentages accompanying Operating Revenues, Operating Income, etc. reflect the rate of change (increase/decrease) from the same quarter of the previous fiscal year.
- Average no. of shares outstanding: 3rd Quarter, FY ending Mar. 2007: 273,420 shares
 3rd Quarter, FY ending Mar. 2006: 273,420 shares
 FY ending Mar. 2006: 273,420 shares

(2) Changes in Financial Position

	Total Assets (million yen)	Net Assets (million yen)	Capital adequacy ratio (%)	Net Assets Per Share (yen)
3 rd Quarter, FY ending Mar. 2007	33,932	27,868	82.1	101,925.71
3 rd Quarter, FY ending Mar. 2006	29,183	22,504	77.1	82,307.71
(Ref.) FY ending Mar. 2006	31,562	23,677	75.0	86,558.74

Notes:

- Outstanding shares at end of period: 3rd Quarter, FY ending Mar. 2007: 273,420 shares
 3rd Quarter, FY ending Mar. 2006: 273,420 shares
 FY ending Mar. 2006: 273,420 shares
- No. of treasury stock: 3rd Quarter, FY ending Mar. 2007: — shares
 3rd 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
3 rd Quarter, FY ending Mar. 2007	5,965	(5,591)	(1,728)	4,210
3 rd Quarter, FY ending Mar. 2006	6,459	(5,337)	(2,060)	4,461
(Ref.) FY ending Mar. 2006	9,941	(7,309)	(2,466)	5,565

[Reference]

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

The earnings forecast for the fiscal year ending March 2007 has been revised from the amount published in the “Interim Report for Fiscal Year Ending March 2007 (Non-Consolidated)” (dated October 19, 2006). Please refer to page 4 of this report for items regarding earnings forecasts.

	Operating Revenues (million yen)	Recurring Profits (million yen)	Net Income (million yen)
Entire FY	46,800	10,900	6,800

Reference: Earnings Per Share for this period are projected at 24,870.16 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.

2. Operating Results and Financial Status

(1) Operating Results

① Review of operations during the current period

While a watchful eye must be kept on the effect of trends in crude oil prices on both domestic and international economies, factors such as the increase in capital investment and improvement in corporate earnings demonstrate that Japan's economy is maintaining its recovery.

In the Okinawa Prefecture regional economy, where our business is based, despite the lackluster performance of construction-related businesses, the tourism industry continued to perform well and personal consumption showed some underlying strength. As a whole, the economy continues to show moderate but steady growth. .

The domestic mobile phone industry nationwide (excluding PHS) had a total of 94,935 thousand subscribers registered at the end of December 2006 (a year-on-year increase of 3,143 thousand subscribers), with Okinawa Prefecture accounting for 868 thousand subscribers (a year-on-year increase of 23 thousand subscribers). In this maturing mobile phone market, and with the launch of Mobile Number Portability (MNP) on October 24, 2006, the competition among carriers to increase their customer bases is entering a new phase. Companies are providing all kinds of new services and contents, primarily for third generation (3G) mobile phones, and introducing handsets with high value-added functionality.

Against this backdrop, we have continued to provide services and mobile phone units designed for customer satisfaction.

For charge discount services, in October we revised "Family Discount Wide Support," a charge plan aimed at primary and junior high school students and customers aged 60 and over. This new version allows even new subscribers to pay a basic usage fee of 1,500 yen (1,575 yen including tax). Also, in November we launched "Business Call Flat Rate," which allows our corporate customers to pay a flat rate for all calls within a specified length of time* between au phones that have been previously registered as group phones on the same account.

* Calls that qualify for the flat rate in this plan are limited to 90 minutes per call; calls that exceed 90 minutes will be charged according to the rate of the subscriber's charge plan.

In terms of new communications services, in December we launched "TV Phone Service" along with the release of compatible handsets. This service offers customers the ability to make TV calls with customers using the compatible handsets of other carriers, and among up to five individuals simultaneously using compatible au handsets through the "Group TV Phone" feature.

We also unveiled "E Shaberi Mail," which allows users to arrange sounds and still images (photos, illustrations, etc.) to make the images move with voice.

Furthermore, in November we began offering the "Business Mail Address" service, through which corporate customers can designate their own e-mail (account) and subdomain names.

For our EZweb mobile internet service, we launched two new shopping services in October: "au Travel," a reservations site that offers a variety of useful features for travelers, including use of the GPS function on au handsets to guide users to hotels and other facilities at which they have made reservations; and "au Tickets," a site through which users can purchase tickets for concerts and other events anytime, anywhere with their mobile phones. And we expanded the functionality of the "au Auctions" mobile auction site to allow customers to use the same services from PCs as they would from their mobile phones.

In terms of services that allow users to customize their mobile phones, we launched "EZ Keitai Arrange," which enables users to set and change themes that cover the entire phone interface, including wallpaper, menus, and ringtones. We also introduced "au My Page," an individual portal site that lets users to store up to 100MB of data

and arrange the display of EZweb services and contents free of charge.

On our “LISMO” comprehensive music service, we launched the first service for mobile phones that lets users easily download music videos and other video clips with great audio and visual quality, anytime and anywhere using their au handsets.

We also bolstered our handset lineup in autumn and winter 2006 with 16 new models, rolled out from the beginning of September. These new models put the focus on both music and design. In addition to supporting the latest services such as “EZ Channel Plus,” which offers music and other video programs with enhanced audio and visual quality, our new handsets appeal to a broad array of lifestyles and tastes to comprise our most diverse lineup ever. Customers can choose from models that support EZ TV (“One Seg”*), ultra-slim (15mm) models, the first ever models that support digital radio, and models that allow TV phone calls with other carriers’ handsets, among many others.

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

As a result of the measures outlined above, our total subscribers as of the end of December 2006 reached 437 thousand (an increase of 13 thousand subscribers compared with the previous accounting period). This amounted to a 50.4% share of all subscribers in Okinawa Prefecture.

With regard to profit and loss during the current accounting period, these figures resulted in operating revenues of 28,187,047 thousand yen (2.8% increase year-on-year) in the telecommunications business and operating revenues of 6,566,430 thousand yen (5.6% decrease year-on-year) from associated businesses. Total operating revenues were 34,753,478 thousand yen (1.1% increase year-on-year). Meanwhile, recurring profits totaled 8,897,047 thousand yen (10.8% increase year-on-year), while net income amounted to 5,604,439 thousand yen (14.8% increase year-on-year).

② Forecast for full fiscal year

The competitive environment of the domestic mobile phone industry has become increasingly fierce due to the introduction of MNP. Under these conditions, however, we will first and foremost continue to emphasize 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.

Thanks to the strong performance of subscriptions and the efficient management of expenditures throughout our overall operations, we have revised the full-year earnings forecast that was published on October 19 of last year as follows.

	Last published forecast (A) (Announced October 19, 2006)	Current revised forecast (B)	Increase/Decrease (B - A)	Percentage Increase/Decrease (%)	(For reference) Previous FY results
Operating Revenues	46.8 billion yen	46.8 billion yen	—	—	46 billion yen
Recurring Profits	9.8 billion yen	10.9 billion yen	1.1 billion yen	11.2	9.7 billion yen
Current Net Income	6.2 billion yen	6.8 billion yen	0.6 billion yen	9.7	6 billion yen

(2) Financial Status

As for cash and cash equivalents for this third quarterly accounting period, there was 870,098 thousand yen increase (10.8% increase year-on-year) in quarterly pre-tax net income. However, due to certain offsets resulting from factors such as increased payments of corporate income taxes and increased expenditures for purchase of tangible fixed assets, cash and cash equivalents decreased by 250,659 thousand yen over the end of the previous third quarterly accounting period (5.6% decrease year-on-year) for a total of 4,210,802 thousand yen at the end of this third quarterly accounting period.

Cash flows for this third quarter accounting period are as follows:

(Cash flows from operating activities)

Despite an increase in pre-tax net income for the current quarterly accounting period, cash flow provided by operating activities amounted to 5,965,048 thousand yen, a decrease of 494,738 thousand yen from the previous third quarter accounting period (7.7% decrease year-on-year), due to factors such as a decrease in trade payables and an increase in payments of corporate income taxes.

(Cash flows from investing activities)

Despite income from collection of short-term loans made to our parent company KDDI Corporation, spending for investing activities amounted to 5,591,650 thousand yen, an increase in spending of 253,924 thousand yen from the previous third quarter accounting period (4.8% increase year-on-year), due to an increase in spending on short-term loans to KDDI Corporation and increased expenditures for purchase of tangible fixed assets.

(Cash flows from financing activities)

Cash used in financing activities decreased by 332,234 thousand yen over the previous third quarter accounting period (16.1% decrease year-on-year) to 1,728,380 thousand yen, due to a decrease in expenditures owing to the return of long-term loans, despite an increase in the amount of dividends paid.

(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	3 rd Quarter Closing, Previous FY (As of Dec. 31, 2005)		3 rd Quarter Closing, Current FY (As of Dec. 31, 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	6,846,729		7,437,000		590,271		7,568,275	
2. Antenna facilities	3,062,054		3,452,112		390,057		3,156,411	
3. Telecommunications line facilities	3,060		2,497		(562)		2,911	
4. Pipe and hand holes	37,997		36,125		(1,871)		37,529	
5. Buildings	1,596,375		1,694,815		98,439		1,639,104	
6. Structures	295,364		283,244		(12,120)		291,212	
7. Other machinery and equipment	40		40		—		40	
8. Tools, furniture and fixtures	91,357		153,763		62,406		133,805	
9. Land	391,106		391,106		—		391,106	
10. Construction in progress	788,360		387,747		(400,612)		493,769	
Total property, plant and equipment	13,112,445	44.9	13,838,452	40.8	726,006	5.5	13,714,167	43.4
(2) Intangible assets								
1. Utility facility usage rights	111,010		62,803		(48,207)		68,259	
2. Computer software	22,279		32,950		10,670		20,046	
3. Leasehold rights	2,000		2,000		—		2,000	
4. Telephone subscription rights	4,360		4,411		51		4,360	
Total intangible assets	139,650	0.5	102,166	0.3	(37,484)	(26.8)	94,665	0.3
Total non-current assets for telecommunications business	13,252,096	45.4	13,940,618	41.1	688,522	5.2	13,808,833	43.7
B. Non-current assets for associated businesses								
(1) Property, plant and equipment *1	50		—		(50)		38	
(2) Intangible assets	414		—		(414)		349	
Total non-current assets for associated businesses	465	0.0	—	—	(465)	—	387	0.0
C. Investments and other assets								
1. Investments in securities	280,470		185,940		(94,530)		245,250	
2. Long-term prepaid expenses	168,162		230,684		62,522		180,246	
3. Deferred income taxes	391,407		496,241		104,833		463,730	
4. Deposits and guarantee money	121,700		126,796		5,095		121,460	
5. Other investments and other assets	63,575		62,539		(1,036)		71,429	
Allowances for doubtful accounts	(66,002)		(64,966)		1,036		(73,856)	
Total investments and other assets	959,313	3.3	1,037,235	3.0	77,921	8.1	1,008,261	3.2
Total non-current assets	14,211,875	48.7	14,977,854	44.1	765,979	5.4	14,817,481	46.9
II. Current assets								
1. Cash and bank deposits	4,461,461		4,210,802		(250,659)		5,565,783	
2. Trade accounts receivable	4,318,234		4,588,041		269,807		4,381,805	
3. Other accounts receivable	1,028,581		1,001,353		(27,227)		973,954	
4. Inventories and supplies	1,023,515		920,873		(102,642)		689,104	
5. Prepaid expenses	86,898		108,941		22,043		55,869	
6. Deferred income taxes	163,704		238,938		75,233		240,130	
7. Short-term loans receivable from related companies	4,001,957		8,007,940		4,005,983		4,999,828	
8. Other current assets	280		763		483		20	
Allowances for doubtful accounts	(113,320)		(122,791)		(9,471)		(161,907)	
Total current assets	14,971,314	51.3	18,954,863	55.9	3,983,549	26.6	16,744,590	53.1
TOTAL ASSETS	29,183,189	100.0	33,932,718	100.0	4,749,528	16.3	31,562,071	100.0

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

2. (1) Quarterly Comparative Balance Sheet (Liability and Shareholders' equity)

(Unit: thousand yen)

Item	3 rd Quarter Closing, Previous FY (As of Dec. 31, 2005)		3 rd Quarter Closing, Current FY (As of Dec. 31, 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	187,500		—		(187,500)		—	
2. Reserves for retirement benefits	43,658		14,589		(29,069)		37,241	
3. Reserves for point services program	914,259		1,057,631		143,371		953,689	
4. Other non-current liabilities	182,267		181,371		(896)		199,973	
Total non-current liabilities	1,327,685	4.6	1,253,591	3.7	(74,094)	(5.6)	1,190,904	3.8
II. Current liabilities								
1. Current portion of long-term debt	766,090		187,500		(578,590)		552,940	
2. Trade accounts payable *2	693,301		674,017		(19,283)		855,408	
3. Other accounts payable *2	1,941,314		2,082,582		141,268		2,691,921	
4. Accrued expenses	80,799		77,452		(3,346)		102,882	
5. Accrued taxes on income	1,747,200		1,443,500		(303,700)		2,373,500	
6. Advances received	32,572		229,812		197,240		29,224	
7. Deposits received	50,731		63,226		12,494		8,707	
8. Allowances for bonuses	38,920		44,670		5,750		79,240	
9. Allowance for directors' and corporate auditors' bonuses	—		7,837		7,837		—	
Total current liabilities	5,350,930	18.3	4,810,599	14.2	(540,330)	(10.1)	6,693,825	21.2
TOTAL LIABILITIES	6,678,615	22.9	6,064,191	17.9	(614,424)	(9.2)	7,884,729	25.0
[Shareholders' equity]								
I. Common stock								
	1,414,581	4.8	—	—	—	—	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	5.5	—	—	—	—	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	5,504,303		—		—		6,698,273	
Total earned surplus	19,368,729	66.4	—	—	—	—	20,562,699	65.1
IV. Net unrealized gains on securities								
	106,272	0.4	—	—	—	—	85,070	0.3
TOTAL SHAREHOLDERS' EQUITY	22,504,574	77.1	—	—	—	—	23,677,342	75.0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	29,183,189	100.0	—	—	—	—	31,562,071	100.0
[Net assets]								
I. Shareholders' equity								
1. Common stock	—	—	1,414,581	4.2	—	—	—	—
2. Capital surpluses			1,614,991		—		—	
(1) Additional paid-in capital	—		1,614,991		—		—	
Total capital surplus	—	—	1,614,991	4.8	—	—	—	—
3. Earned surplus			64,425		—		—	
(1) Legal reserves	—		64,425		—		—	
(2) Other earned surplus			—		—		—	
Other reserves	—		18,400,000		—		—	
Earned surplus carried forward	—		6,325,163		—		—	
Total earned surplus	—	—	24,789,589	73.0	—	—	—	—
Total shareholders' equity	—	—	27,819,161	82.0	—	—	—	—
II. Assessments/exchange difference								
1. Net unrealized gains on securities	—		49,365		—		—	
Total assessments/exchange difference	—	—	49,365	0.1	—	—	—	—
TOTAL NET ASSETS	—	—	27,868,526	82.1	—	—	—	—
TOTAL LIABILITIES AND NET ASSETS	—	—	33,932,718	100.0	—	—	—	—

2. (2) Quarterly Comparative Statements of Income

(Unit: thousand yen)

Item	3 rd Quarter, Previous FY (Apr. 1, 2005 – Dec. 31, 2005)		3 rd Quarter, Current FY (Apr. 1, 2006 – Dec. 31, 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
I. Telecommunications business		%		%				%
(1) Operating revenues	27,417,206	79.8	28,187,047	81.1	769,841	2.8	36,553,914	79.3
(2) Operating expenses	19,672,146	57.3	19,513,574	56.1	(158,571)	(0.8)	27,162,038	58.9
1. Sales expenses	10,936,269		11,046,300		110,030		15,108,046	
2. Facilities maintenance expenses	1,442,945		1,244,890		(198,054)		2,202,509	
3. Administrative expenses	762,624		804,020		41,396		1,106,378	
4. Depreciation	1,981,637		1,953,829		(27,807)		2,611,108	
5. Loss on disposal of fixed assets	167,509		55,391		(112,117)		424,890	
6. Communication network charges	4,092,306		4,140,223		47,916		5,333,075	
7. Taxes and public dues	288,853		268,917		(19,935)		376,031	
Operating income from telecommunications business	7,745,059	22.5	8,673,473	25.0	928,413	12.0	9,391,875	20.4
II. Associated businesses								
(1) Operating revenues	6,955,834	20.2	6,566,430	18.9	(389,403)	(5.6)	9,523,129	20.7
(2) Operating expenses	6,676,242	19.4	6,373,987	18.4	(302,254)	(4.5)	9,222,663	20.1
Operating income from associated businesses	279,591	0.8	192,442	0.5	(87,149)	(31.2)	300,466	0.6
TOTAL OPERATING INCOME	8,024,651	23.3	8,865,915	25.5	841,263	10.5	9,692,342	21.0
III. Non-operating revenues *1,3	17,852	0.1	33,377	0.1	15,524	87.0	25,938	0.1
IV. Non-operating expenses *2	15,555	0.0	2,245	0.0	(13,309)	(85.6)	17,712	0.0
RECURRING PROFITS	8,026,948	23.4	8,897,047	25.6	870,098	10.8	9,700,568	21.1
Income before income taxes	8,026,948	23.4	8,897,047	25.6	870,098	10.8	9,700,568	21.1
Income taxes-current	3,124,225	9.1	3,300,321	9.5	176,095	5.6	3,738,606	8.1
Income taxes-deferred	22,491	0.1	(7,712)	(0.0)	(30,204)	—	(112,239)	(0.2)
Net income	4,880,231	14.2	5,604,439	16.1	724,207	14.8	6,074,202	13.2
Retained earnings brought forward	1,170,911		—		—		1,170,911	
Interim dividends	546,840		—		—		546,840	
Unappropriated retained earnings	5,504,303		—		—		6,698,273	

Notes:

1. Figures less than 1,000 yen have been rounded off.
2. 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 – December 31, 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						(1,367,100)	(1,367,100)	(1,367,100)			(1,367,100)
Bonuses to directors' and corporate auditors' due to profit appropriation						(10,450)	(10,450)	(10,450)			(10,450)
Net income						5,604,439	5,604,439	5,604,439			5,604,439
Amount of change during the quarterly accounting period for items that do not fall under shareholders' equity (net amount)									(35,704)	(35,704)	(35,704)
Total amount of change during the quarterly accounting period	—	—	—	—	4,600,000	(373,110)	4,226,889	4,226,889	(35,704)	(35,704)	4,191,184
As of December 31, 2006	1,414,581	1,614,991	1,614,991	64,425	18,400,000	6,325,163	24,789,589	27,819,161	49,365	49,365	27,868,526

2. (4) Quarterly Statement of Cash Flow

(Unit: thousand yen)

Period	3 rd Quarter, Previous FY (Apr. 1, 2005 – Dec. 31, 2005)	3 rd Quarter, Current FY (Apr. 1, 2006 – Dec. 31, 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	8,026,948	8,897,047	9,700,568
Depreciation	1,981,871	1,953,829	2,611,419
Increase (decrease) in allowances for doubtful accounts	(56,085)	(48,006)	356
Decrease in reserves for retirement benefits	(20,149)	(22,652)	(26,566)
Increase in reserves for point service program	97,558	103,941	136,988
Increase (decrease) in allowances for bonuses	(34,930)	(34,570)	5,390
Loss on disposal of fixed assets	162,925	48,229	398,217
Interest and dividend income	(4,610)	(18,461)	(6,482)
Interest expenses	15,555	2,245	17,712
Increase in accounts receivable	(235,254)	(206,235)	(298,825)
Increase in inventories and supplies	(409,304)	(231,032)	(57,084)
Increase (decrease) in accounts payable	121,817	(181,390)	283,925
Bonuses to directors' and corporate auditors'	(9,500)	(10,450)	(9,500)
Other , net	72,944	(86,635)	436,739
Subtotal	9,709,786	10,165,859	13,192,857
Interest and dividend income received	4,610	18,461	6,482
Interest expenses paid	(14,644)	(2,150)	(18,364)
Income taxes paid	(3,239,965)	(4,217,122)	(3,239,965)
Net cash provided by operating activities	6,459,787	5,965,048	9,941,009
II. Cash flows from investing activities			
Payments for purchase of Property , plant and equipment	(1,322,719)	(2,467,395)	(2,264,237)
Proceeds from sale of Property , plant and equipment	484	—	484
Payments for purchase of intangible assets	(5,823)	(20,413)	(5,975)
Payment of short-term loans receivable from related companies	(4,001,957)	(7,016,958)	(4,999,828)
Proceeds from collection of short-term loans to affiliated companies	—	4,008,846	—
Proceeds from returned investments and other assets	3,136	166	3,376
Payments for purchase of other investments and other assets	(10,845)	(95,894)	(42,841)
Net cash used in investing activities	(5,337,725)	(5,591,650)	(7,309,022)
III. Cash flows from financing activities			
Repayment of long-term loans	(1,059,208)	(177,940)	(1,272,358)
Payment for redemption of bonds	(187,500)	(187,500)	(375,000)
Dividends paid	(813,906)	(1,362,940)	(818,859)
Net cash used in financing activities	(2,060,614)	(1,728,380)	(2,466,217)
IV. Translation adjustments on cash and cash equivalents	—	—	—
V. Net increase(decrease) in cash and cash equivalents	(938,552)	(1,354,981)	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) *	4,461,461	4,210,802	5,565,783

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

Basis of Presentation of Non-consolidated Financial Statements

Item	3 rd Quarter, Previous Fiscal Year (Apr. 1, 2005 – Dec. 31, 2005)	3 rd Quarter, Current Fiscal Year (Apr. 1, 2006 – Dec. 31, 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	3 rd Quarter, Previous Fiscal Year (Apr. 1, 2005 – Dec. 31, 2005)	3 rd Quarter, Current Fiscal Year (Apr. 1, 2006 – Dec. 31, 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 4th 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>(5) _____</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>(5) Allowance for directors’ and corporate auditors’ bonuses In order to reserve payment for directors’ and corporate auditors’ bonuses, allowances for the current quarterly accounting period have been calculated based on the projected payment amount. (Changes in Basis of Presentation of Non-consolidated Financial Statements) The Accounting Standard for Directors’ and Corporate Auditors’ Bonus (ASBJ Statement No. 4 issued on November 29, 2005) is applied from this quarterly accounting period. Accordingly, operating income, recurring profits, income before income taxes and net income decreased by 7,837 thousand yen.</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> <p>(5) _____</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.

Item	3 rd Quarter, Previous Fiscal Year (Apr. 1, 2005 – Dec. 31, 2005)	3 rd Quarter, Current Fiscal Year (Apr. 1, 2006 – Dec. 31, 2006)	Previous Fiscal Year (Apr. 1, 2005 – Mar. 31, 2006)
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 203,154 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 72,684 thousand yen.	Accounting for consumption taxes Consumption tax is not included.

Changes in Basis of Presentation of Non-consolidated Financial Statements

3 rd Quarter, Previous Fiscal Year (Apr. 1, 2005 – Dec. 31, 2005)	3 rd Quarter, Current Fiscal Year (Apr. 1, 2006 – Dec. 31, 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 142,266 thousand yen and 75,926 thousand yen, respectively. Non-operating revenues and operating expenses from telecommunications business decreased by 142,266 thousand yen and 75,926 thousand yen, respectively. Furthermore, operating income from telecommunications business increased by 75,926 thousand yen, while operating income from associated businesses increased by 66,339 thousand yen, and total operating income increased by 142,266 thousand yen. These developments, however, did not have any impact on recurring profits or net income in the current quarterly reporting period.</p>	<p>—————</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 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 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)

3 rd Quarter Closing, Previous Fiscal Year (December 31, 2005)	3 rd Quarter Closing, Current Fiscal Year (December 31, 2006)	End of Previous Fiscal Year (March 31, 2006)
*1. Accumulated depreciation for property, plant and equipment 19,027,014	*1. Accumulated depreciation for property, plant and equipment 21,194,107	*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 692,845	Trade accounts payable 674,017	Trade accounts payable 855,408
Other accounts payable 1,160,958	Other accounts payable 1,393,688	Other accounts payable 1,262,068

[Quarterly Statements of income]

(Unit: thousand yen)

3 rd Quarter, Previous Fiscal Year (Apr. 1, 2005 – Dec. 31, 2005)	3 rd Quarter, Current Fiscal Year (Apr. 1, 2006 – Dec. 31, 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 1,960	Interest income 16,966	Interest income 3,832
Dividend income 2,650	Rental income 6,706	Dividend income 2,650
Rental income 5,344		Rental income 7,228
*2. Major non-operating expenses	*2. Major non-operating expenses	*2. Major non-operating expenses
Interest expenses 11,787	Interest expenses 615	Interest expenses 13,044
Interest expense-bonds 3,767	Interest expense-bonds 1,629	Interest expense-bonds 4,667
*3.	*3. Non-operating revenues to associated companies	*3. Non-operating revenues to associated companies
	Interest income 16,958	Interest income 3,828
4. Depreciation	4. Depreciation	4. Depreciation
Property, plant and equipment 1,918,134	Property, plant and equipment 1,901,403	Property, plant and equipment 2,537,175
Intangible assets 16,920	Intangible assets 12,805	Intangible assets 17,394

[Quarterly Statement of Changes in Shareholders' Equity]

Current quarterly accounting period (April 1, 2006 – December 31, 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 3rd (current) Quarterly Accounting Period	Number of Decrease in Stocks During 3rd (current) Quarterly Accounting Period	Number of Stocks at the End of 3rd (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
Board of Directors Meeting October 19, 2006	Common Stock	683,550	2,500	September 30, 2006	December 5, 2006

(2) Dividends whose date of record is in the 3rd (current) quarterly accounting period while their effective date is after the end of the 3rd quarterly accounting period.

There are no applicable items.

3. Lease Transactions

(Unit: thousand yen)

3 rd Quarter, Previous Fiscal Year Apr. 1, 2005 – Dec. 31, 2005	3 rd Quarter, Current Fiscal Year Apr. 1, 2006 – Dec. 31, 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. Estimated acquisition cost, estimated accumulated depreciation, and estimated balance at the end of the quarter for leased assets</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 10%;"></th> <th style="width: 15%; text-align: center;">Tools, furniture and fixtures</th> <th style="width: 15%; text-align: center;">Transpor- tation</th> <th style="width: 10%; text-align: center;">Total</th> </tr> </thead> <tbody> <tr> <td>Estimated Acquisition Cost</td> <td style="text-align: right;">84,586</td> <td style="text-align: right;">38,900</td> <td style="text-align: right;">123,487</td> </tr> <tr> <td>Estimated Accumulated Depreciation</td> <td style="text-align: right;">61,748</td> <td style="text-align: right;">15,035</td> <td style="text-align: right;">76,783</td> </tr> <tr> <td style="border-top: 1px solid black;">Estimated Balance</td> <td style="border-top: 1px solid black; text-align: right;">22,838</td> <td style="border-top: 1px solid black; text-align: right;">23,865</td> <td style="border-top: 1px solid black; text-align: right;">46,703</td> </tr> </tbody> </table> <p>The estimated acquisition cost includes interest paid due to the low percentage of prepaid lease expenses in the balance of property, plant and equipment at the end of the quarter.</p> <p>2. 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4. Securities

3rd Quarter Closing, Previous Fiscal Year (As of December 31, 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	275,440	176,532
Total	98,907	275,440	176,532

2. Main securities without market values

Omitted because of its insignificant value.

3rd Quarter Closing, Current Fiscal Year (As of December 31, 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	180,910	82,002
Total	98,907	180,910	82,002

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

3rd Quarter Closing, Previous Fiscal Year (As of December 31, 2005)

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

3rd Quarter Closing, Current Fiscal Year (As of December 31, 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.