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March 31, 2006

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Japan Communications Inc.

Frank Seiji Sanda

Representative Director-President

(Code No.: 9424)

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**Announcing the Amendment of Projected Business Performance  
for Fiscal Year Ending March 2006**

The latest projection of FY financials (from April 1, 2005 to March 31, 2006), which differ from previous projections, was reported to the Board of Directors Meeting today. Accordingly, previous projections of consolidated (disclosed on February 14,2006) and unconsolidated financials (disclosed on March 18,2005) shall be amended as follows:

1. Amendment of the consolidated Projected Business Performance for the fiscal year ending March 2006 (From April 1, 2005 to March 31, 2006)

(Unit: million yen, %)

	Revenue	Ordinary Income	Net Income
Previously Announced Projection (A)	6,255	57	51
Amended Projection (B)	4,916	159	158
Difference (B – A)	▲1,339	102	107
Difference Ratio (%)	▲21.4	178.9	209.8
(Reference) Actual performance of the last fiscal year (ended March 2005)	4,559	153	112

2. Amendment of the non-consolidated consolidated Projected Business Performance for the fiscal year ending March 2006 (From April 1, 2005 to March 31, 2006)

(Unit: million yen, %)

	Revenue	Ordinary Income	Net Income
Previously Announced Projection (A)	6,052	546	540
Amended Projection (B)	4,910	319	262
Difference (B – A)	▲1,142	▲227	▲278
Difference Ratio (%)	▲18.9	▲41.6	▲51.5
(Reference) Actual performance of the last fiscal year (ended March 2005)	4,559	183	142

### 3. Reason for Amendment

JCI and its subsidiaries (hereafter called “JCI Group”) operate cellular phone services for enterprises (hereafter called “voice service”), data communication services, and businesses in the US market.

#### Voice Service

In order to focus our business activities on data communication service, JCI Group ceased all sales activities to seek out new enterprise customers for voice service four years ago. The resulting natural, gradual decrease in voice service revenue was accelerated during this FY, as cellular phone carriers executed a price drop for enterprise customers. As a result of this, it is anticipated that revenue from voice service will fall short of previous projections by 2 oku yen (200 million yen). However, profit will almost meet the projected target as the voice service business has increased in profitability due to improvement in the purchasing price from the carriers.

#### Data Communication Service

While it is expected that revenue from data communication services will increase by 54% over the previous FY, revenue will be 9 oku yen (900 million yen) short of the previous projection, which projected revenues would double those of the previous FY. This is anticipated to have a 4 oku yen (400 million yen) negative impact on profit.

- (1) The JCI Group provides network services with security solutions for enterprise customers. In this FY, we introduced a software solution to protect notebook PCs from security threats, customizing the solution for each enterprise to fit to their specific security needs. However, customization was more time-intensive than originally forecasted, causing significant delays in sales activities during testing. Fundamental changes and improvements were made to the software and great effort was made to recover from the delay of the sales deals, but lost revenues could not be recuperated for the end of this FY. Since this service has considerable profitability, the impact from the revenue decrease holds a significant impact on profit.
- (2) JCI Group started a 3G data communication service in July last year, using Vodafone’s 3G mobile network. However, the network connection between Vodafone and JCI was not realized and the expected revenue from this service was not delivered, which was one of the factors for the slow sales of the data communication service in this FY. The procurement cost of the network during this FY is expected to far exceed revenue from this service, and will have a downward effect on profit.
- (3) It is expected that the data communication service for consumers and small and medium businesses will hit its revenue projection for this FY. In the area of prepaid cards, a new product launched in March last year which allows the user up to 150 hours of wireless internet access saw a threefold increase in new customers over the previous FY. However, the impact to revenue and profit was not that large, as the average selling price was lower than that of previous products.

#### Business in the US

- (1) In the US market, JCI Group made a wholesale contract with a major cellular phone carrier (Verizon Wireless) and while business preparations are progressing, they have not yet reached the point to bring first revenues from the US market. Therefore, the revenue in the US is anticipated to

be lower than the projection by 2 oku yen (200 million yen).

- (2) Arxceo Corporation, acquired by JCI Group on March 3, 2006, has had very low revenue in the period of consolidation and thus it has made little impact to the consolidated revenue of the group. As disclosed on February 14, 2006, it was originally planned that the consolidation adjustment account, estimated to be 4 oku yen (400 million yen), would be conservatively written off during this FY. However, following discussions with JCI's accounting auditor, it is to be depreciated over a number of years, beginning next FY as the acquisition date is so close to the end of this FY. Therefore, depreciation will not take place in this FY, resulting in a 4 oku yen (400 million yen) increase over the previous projection. This will have no impact on unconsolidated financials as the consolidation adjustment account does not exist in unconsolidated financial statements.

As explained above, the data communication service that is the main business for JCI group is expected to show a 54% revenue growth over last year, although due primarily to sales delays to enterprise customers caused by the technical challenges of customization, revenues in this FY are not expected to reach those previously projected. However, the fundamental remedies to the technical challenges have already been executed. The end of this FY will show a delay in the building of the JCI Group's customer base as compared with mid to long-term plans, but JCI will continue to make the utmost effort to catch up from the delays by furthering sales activities with enterprise customers.

#### ■ Japan Communications Inc. Company Overview

Company name: Japan Communications Inc. (Osaka Securities Exchange code: 9424)

Representative: Frank Seiji Sanda (Representative Director and President)

Capitalization: 2,269 million Yen (As of March 31, 2006)

Established: May 24, 1996

Business details: ● Japan's first MVNO (Mobile Virtual Network Operator)

● "Infinity Care" is an end to end service concept for wireless data communication services for corporate customers.

● The "Telecom Battery enabling wireless internet anywhere" is a wireless internet connection concept for consumer products.

● Offered to OEMs, the Telecom Battery allows for the realization of the ubiquitous computing society and for the development of new communication services in cooperation with individual enterprise customers.

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