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Period of: March 2007 **Interim Flash Financial Report (Consolidated)** November 15, 2006

Company Name: Japan Communications Inc. Listed Securities Exchange: Osaka Securities Exchange, Hercules
Stock code: 9424 Location and Head Office: Tokyo
(URL http://www.j-com.co.jp)
Representative: Frank Seiji Sanda, Representative Director and CEO
Direct inquiries to: Naohisa Fukuda, Director and CFO Tel: (03) 5767-9100 (Switchboard)
Board of Director meeting convened: November 11, 2006
Was this report prepared in line with U.S. accounting standards? No

1 Consolidated interim results (April 1, 2006 to September 30, 2006)

(1) Consolidated result of operations (Amounts rounded down, percentages rounded.)

	Net Sales		Operating Profit		Ordinary Income	
	Million Yen	%	Million Yen	%	Million Yen	%
Interim ended Sep 2006	1,932	(22.9)	(452)	—	(443)	—
Interim ended Sep 2005	2,506	11.7	120	93.3	58	(8.8)
Full year ended Mar 2006	4,943		173		113	

	Interim Net Income		Interim Net Income per Share	Interim Net Income per fully diluted share
	Million Yen	%	Yen	Yen
Interim ended Sep 2006	(528)	—	(2,358.08)	—
Interim ended Sep 2005	55	39.4	258.33	245.26
Full year ended Mar 2006	107		495.40	474.61

Notes: ① Profits and losses due to holding investment period: Sep 2006 – million yen / period: Sep 2005 – million yen / period: Mar 2006 – million yen

② Average Shareholdings (consolidated) Sep 2006 period: 224,260 shares; Sep 2005 period: 213,617 shares; Mar 2006 period: 217,910 shares

③ Changes in accounting method: Yes

④ The percentages displayed indicate any gains/losses compared with the previous year in terms of Net Sales, Operating Profit, Ordinary Income and Interim Net Income.

⑤ Diluted Net Income per share is not shown for the Sep 2006 interim period, due to the fact that there was a net loss per share during the interim period.

(2) Consolidated Financial Status

	Total Assets	Shareholders' Equity	Equity Ratio	Shareholders' Equity per Share
	Million Yen	Million Yen	%	Yen
Interim ended Sep 2006	5,593	3,279	57.4	14,314.26
Interim ended Sep 2005	4,493	3,564	79.3	16,278.39
Full year ended Mar 2006	5,364	3,733	69.6	16,657.01

Note: Shares Outstanding (Consolidated) Sep 2006 period: 224,379 shares; Sep 2005 period: 218,997 shares; Mar 2006 period: 224,152 shares

(3) Consolidated cash Flow Status

	Cash Flow From Operations	Cash Flow from Investing	Cash Flow from Financing	Cash and Cash Equivalents at end of period
	Million Yen	Million Yen	Million Yen	Million Yen
Interim ended Sep 2006	(54)	(493)	805	2,145
Interim ended Sep 2005	36	(611)	1,781	2,185
Full year ended Mar 2006	154	(1,609)	2,375	1,885

(4) Scope of consolidation and Equity Method applied:

Consolidated subsidiaries: 4 companies

(5) Change in scope of consolidation and Equity Method applied:

Consolidated (new): 2 companies

2 Forecast for consolidated results for the March 2007 period (April 1, 2006 to March 31, 2007)

(Unit: Million Yen)

	Net Sales	Ordinary Income	Net Income
Full Business Year	4,433	(375)	(452)

Reference: The forecast net income per share (full business year): (2,015.52) yen

The performance forecasts announced on May 25, 2006 have been amended. Please refer to the announcement, *Notification of the Amendment of Earnings Forecast for the Fiscal Year Ending March 31, 2007* made public on November 15, 2006.

※ For the period ending March 2007, the revenue recognition standard for our Telecom Service has changed. With this change, the sales period for our Telecom Service will be 11 months, so an expected reduction in revenue of 125 million yen and a reduction in Ordinary income and net income of 20 million yen has been included in the formation of the above forecast.

※ Although Japan Communications Inc. (hereafter referred to as the Group) has four consolidated subsidiaries, the subsidiaries function either as research and development or business operation sections for the Group, so management and administration is done at a consolidated level. Therefore, our Group is only making the consolidated forecast public.

※ The above forecast, as much as possible, takes into account the current status of the market and future precedents, forecast and business plans. However, due to uncertain risks, such as the state of the global economy, competitors and currency exchange rates, actual performance may differ greatly from the figure forecasted above.

I. Group Companies

Japan Communications Inc. and its consolidated subsidiaries (hereafter referred to as our Group or JCI Group) are engaged in businesses providing unique wireless communication services, using the wireless communication networks of mobile carriers and public wireless LAN spots.

The positions of consolidated subsidiaries are as follows:

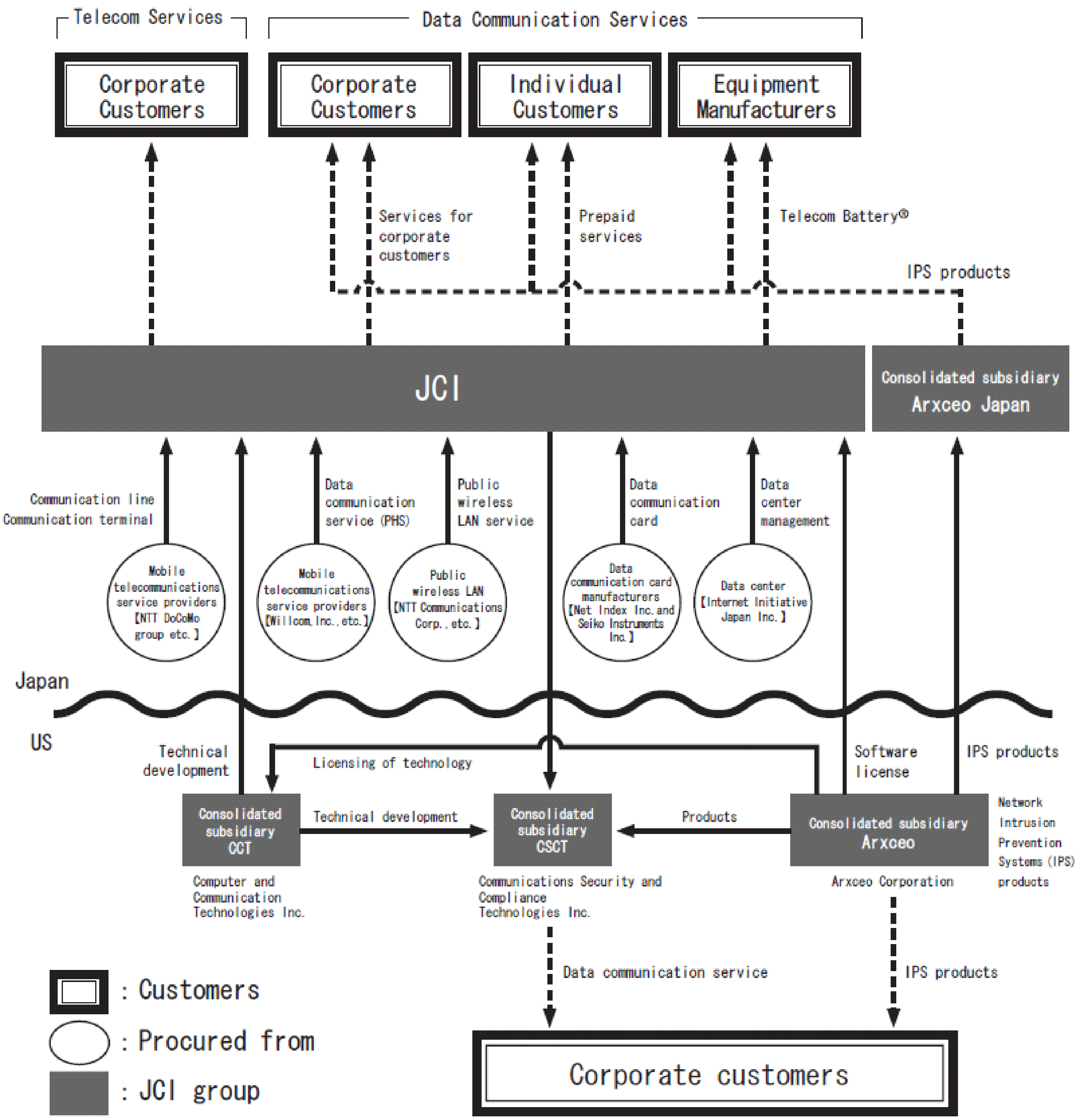
Name	Location	Capital	Principal Business	Percentage of Voting Rights		Internal Relationships
				Owned by Parent (%)	Owned by Subsidiary (%)	
Computer and Communication Technologies Inc.	Englewood, Colorado, USA	$200	Development of technologies and services related to data communication. Development and implementation of billing systems.	100.0	—	Outsourced development of technologies and services, as well as the implementation of part of our Group's services. BoD Positions Concurrent with Parent Co.: 2
Arxceo Corporation	Huntsville, Alabama, USA	$236	Development and sale of network IPS (Intrusion Prevention System) technology.	57.1	—	Provide network Intrusion Prevention System technology. BoD Positions Concurrent with Parent Co.: 1
Communications Security and Compliance Technologies Inc.	Atlanta, Georgia, USA	$1,000,000	Sale of enhanced wireless data communication services targeting security and compliance.	100.0	—	Provide data communication services. BoD Positions Concurrent with Parent Co.: 2
Arxceo Japan Inc.	Shinagawa, Tokyo, Japan	¥50,000,000	Development and sale of network security solutions.	100.0	—	Provide data communication services and security solutions. BoD Positions Concurrent with Parent Co.: 1

The type and content of Group service offerings are as follows:

Type of Service	Summary of Principal Services
Data communication services	Using the wireless communications network provided by mobile carriers, we offer wireless data communication services with added value such as improved security and user friendliness through the development of our own technologies, including network control software.
	① Enterprise Services (Brand: Infinity Care®)
	Aimed mainly at our enterprise clients, we provide wireless data communication services tailored to the challenges and needs of each client, including design, development, structure, support and implementation. (Service commenced October 2001)
	② Prepaid Services (Brand: b-mobile®)
	Aimed mainly at our small- to medium-sized corporate clients and individuals, we have packaged together data communication cards, network control software, and related network charges and Internet connection fees, in order to provide a prepaid wireless data communication service. (Service commenced December 2001)
	③ Machine-to-Machine Services (Brand: Telecom Battery)
	Aimed mainly at equipment manufacturers, we provide communications services as a hardware component. In the past, on top of buying the equipment, it was necessary to subscribe to a communication service provider. Now, we have made it possible to build this service into the equipment like a battery, which can then be sold as a convenient, fully functioning product. (Service commenced December 2002)
Telecommunications service	Mobile phone services (including PHS voice communication) aimed at enterprises with added value, such as the choice of business or private billing and the breakdown of charges by division. These services are made available through the procurement of communication lines and mobile communication terminals from mobile carriers. (Service commenced January 1997)

The flow chart for our group's business operation is as follows:

JCI Group:Business Flow Chart



(Note) Sales may be carried out through agents, PC makers, etc.

II. Management Policy

1. Basic Policies of Corporate Group Management

The JCI Group is engaged in the business of providing our clients with highly value-added communication and communication-related services. At present, plans to improve productivity and promote business using communication and communication-related services are extremely important management issues at many companies. However, technological innovation in the communication service industry is progressing rapidly, so it is very difficult for customers to understand and choose the most up-to-date and appropriate service. Our Group has taken on the role of a "Telecommunication Integrator", offering clients this new and complicated technology in an understandable, easy-to-use form.

Our target customer segments include: (1) enterprises that seek to increase productivity in their organizations, such as in sales and field services; (2) individuals who seek to improve business efficiency; and (3) equipment manufacturers that require built-in communication functionality.

Our Group does not own any wireless communications infrastructure. Our business model involves procuring the necessary communications lines and technologies, integrating them using our Group's expertise and technology, and finally packaging the services into an accessible form for our clients. Complementary technologies, such as security, are becoming increasingly important to data communication services. Thus, data communication alone is no longer enough to fulfill customer needs. Our business model stems from recognizing that our clients demand a complete integrated solution, with all the services necessary for data communication.

2. Company profit distribution policy

JCI considers the financial return to our shareholders an important aspect in running our business. We intend to take measures to maximize returns to shareholders by balancing investment in the expansion of our existing business with that of our new businesses and internal reserves.
Also, our Group has introduced incentive plans such as stock options for our directors, auditors and employees in both the company and its subsidiary in order to encourage participation and contribution to the business. Our Group plans to continue granting stock options in the future to maintain and increase the morale of its directors and employees, as well as to create an incentive to attract talented people.

3. Tradable units of shares

We would like to further attract investment from individual as well as institutional investors. Therefore, we intend to maintain a unit number of shares for trading that will make it easier for individual investors to invest in our company.

4. Key management performance indicators

Our Group has focused on the transition of our main operations from mobile phone services, which we have provided to corporations since our establishment, to data communication services that we have offered since 2001. For this consolidated interim period, data communication services accounted for 64.6% of net sales and 78.9% of gross profits, indicating that this area has indeed grown to become our Group's main service.

Additionally, providing highly value-added services is our principal objective, and we believe achievement of this will be reflected in our gross profit-to-sales ratio (gross margin ratio). As such, this is one of our management indicators. Specifically, we aim to reach profitability in the 40% range in the medium term, and will continue to work toward the fulfillment of this goal.

However, in this interim consolidated period the total gross margin ratio for data communication services fell to 38.6%. This was not related to the fixed nature of the cost of supplying the network used for data communication services, but rather resulted from the decrease in data communication service proceeds for this interim consolidated accounting period. Also, in responding to corporate customer needs, our Group offers 3G (third generation mobile phone network) services, but the Group has not yet established an interconnection between its network and a 3G network. Because we are unable to offer value-added services, the sales profit ratio for our

3G service is limited and lower than that of our PHS service, for which an interconnection is already established. This is the primary reason for the decline in the data communication service gross margin ratio.

In order to achieve a short-term recovery, the Group continues to improve management efforts to increase proceeds from data communication services and, depending on the establishment of an interconnection with a 3G network, the Group will continue to strive for a data communication service sales profit ratio in the 40% range.

5. Group mid- and long-term management strategies

The Group's business development is broadly divided into two areas: data communication services and telecom services, but we remain cautious regarding continuous growth of data communication services in the second half of this fiscal year.

For data communication services, we lease a mobile network from a mobile communications carrier, build our own in-house network on top of it, and offer it to clients as a PHS business. Since October 2001, Willcom, Inc. has supplied our company's wireless communication network. With our data communication service offerings, we target three main customer segments: corporations, individuals and equipment manufacturers.

Data Communication Services for Corporate Clients
While preparing to meet with clients, sales agents use information devices such as notebook PCs and PDAs connected to wireless network services in order to access their companies' internal networks from outside the office. Therefore, it is necessary to bundle network access with software and support. We at JCI make every effort to offer this end-to-end service. In this interim period we strove to distinguish ourselves from other mobile phone/PHS businesses by placing a particular emphasis on security countermeasures. We offer total service to allow customers safe yet easy access to their corporate networks from outside the office.

Data Communication Services for Individuals
JCI sells data communication cards bundled with wireless communication service, Internet connection services and easy-to-use software at high-volume PC retailers.

Data Communication Services for Equipment Manufacturers
We are expanding the sale of wireless communication devices to manufacturers of ubiquitous products, i.e. devices designed to be connected to a wireless network.Traditionally, in order to use communication services, it was necessary to sign a contract with a telecommunications carrier. In reality, this meant that the development and sale of ubiquitous products and services by telecommunications carriers and device manufacturers required users to sign contracts with separate carriers. Given this limitation, ubiquitous products became less attractive to manufacturers, an important factor that hindered their diffusion. In recognition of this problem, JCI offers the Telecom Battery to device manufacturers. We have already introduced the Telecom Battery into a wide range of products. Indeed, we are currently in discussion with a variety of manufacturers regarding the Telecom Battery, and use trials are taking place.

In addition, we believe that mobile data communication service providers must offer solutions for the problems and dangers related to Internet security. This is why, on March 3, 2006, we acquired Arxceo Corporation (HQ: Huntsville, Alabama, USA), a market-leading developer of network anti-reconnaissance and IPS (intrusion prevention system) technology. Incorporating their IPS into our PC software will allow us to equip customers who use notebook PCs outside the office with network IPS, which we believe will be a major distinguishing factor for our services.

We intend to leverage the technology and know-how acquired through operating in Japan, the world's most advanced mobile communications market, to conduct business on a global level. As a first step toward fulfilling this vision and in order to begin US operations, JCI completed a wholesale contract agreement with Verizon Wireless, a US-based mobile communications provider, in December 2005. We began offering wireless data services in the US in March 2006. On April 3, 2006, we established a new subsidiary, Communication Security and Compliance Technologies, Inc. (CSCT, HQ: Atlanta, Georgia, USA) to manage the new US operations. In the U.S., network security-related needs are at an extremely high level, and this company's objective is to start making use of both the security-related know-how fostered in the U.S. and the services currently offered in Japan.

As the mobile communications industry offers cellular phone and PHS telecom services to corporate clients, customized charging and billing services that allowed us to separate official from private use has been our special value-added service. We have offered telecommunications services since the company's founding in 1996, but we are now gradually reducing those services in order to focus on data communication services, which began in 2001.

6. Challenges facing the Group

① Recognition of current status

The market for wireless data communication services, the driving force behind the JCI Group, is still in the early stages of its life cycle. This is true even in Japan, home to the world's most advanced wireless data communications market. Mobile telecommunications providers, which own the wireless communication infrastructure, generate the vast majority of their sales from voice communication services. Wireless data communication services are seen simply as options attached to voice services and as such account for only a fraction of the revenue generated by the dominant voice services.

Meanwhile, following the lead of JCI, many companies, including Fujitsu Ltd., NTT Communications Corp., Kyocera Communications Systems, Co. Ltd., Mitsubishi Electric Information Networks Corp., and Sony Communications Networks Corp. (which changed its name to So-net Entertainment Corp. on October 1, 2006) (listed in no particular order), have borrowed space on the networks of mobile telecommunications providers to initiate and develop MVNO (Mobile Virtual Network Operators) businesses. These MVNOs each appear to be developing in a similar manner as, at the present time, they all procure their communications networks from PHS provider Willcom, Inc. While they are expanding their services, none is ready to provide services on a third generation (3G) network. We believe that both PHS and 3G networks are important for mobile data communication, and hold that it is of the utmost importance to be able to use both.

Based on the Ministry of Internal Affairs and Communications' "Final Report on Desirable Pro-Competitive Policies in the Telecommunications Business Field for Promoting the IT Revolution", the Ministry established the New Competition Promotion Program 2010 (announced September 19, 2006). JCI Group, an industry pioneer, is setting out on a policy to promote the recently opened path for MVNO businesses as opportunities to use third generation mobile phone networks continue to increase.

JCI currently provides access to the largest number of wireless LAN spots in Japan. However, as there is still no established wireless LAN spot business model, we provide this access as an add-on option to our PHS and 3G services.

The communication and computer industries, which differ greatly in terms of culture, scope and regulation, are both cultivating the market for wireless data communication services. The reality of such an inter-industry field is that it inherently consists of many disparate themes and only a limited number of people can fully understand and unite them.

As Internet usage increases, so does the importance of security-related issues. Due to factors such as the Act on the Protection of Personal Information and corporations' demands for internal controls, it is necessary for corporations that use IT outside the office to implement comprehensive security counter-measures. It is clear that sales and service staff cannot adequately fulfill their tasks without leaving the office. In order to improve their productivity, it is necessary to allow them to use IT outside the office as well as to provide wireless network data services with built-in security.

There is increased activity in the market to develop new products using wireless data communication that are unrestricted by location. The Government and the private sector have indicated their vision for the diffusion of the Internet and diverse networked devices allowing for a lifestyle full of convenient and fun-filled activities, so that the development of products required to make this a reality can advance.

The state of wireless data communications is as true in Japan, a country advanced in wireless data communication, as it is abroad. For example, we recognize great market potential in the U.S., given the continued construction of 3G cellular phone networks specializing in wireless data communication, and the passage of SOX (Sarbanes-Oxley Act, or the Public Company Accounting Reform and Investor Protection Act) and its extensive legislative demands.

② Near-term Challenges

Due to the current state of wireless data communication services, which we recognize are still in the early stages of their market life cycle, we believe that expanding our services and strengthening our business to meet increasing demand are important issues needing our immediate attention.

First, as the highest priority issue, in order to expand service, it is essential to establish interconnections between 3G (third generation mobile phone) networks and the JCI Group network. In October 2001, our Group established an interconnection with Willcom, Inc.'s PHS network. This, along with the completion of the data center and development of PC terminal software, allowed for the creation of the Group's value-added services. We now offer our customers a data communication service using this PHS network. However, customers are now showing a strong interest in 3G services, so it has become urgent for us to establish service offerings on both the existing PHS data network as well as on 3G networks. JCI has already completed the design for products that use 3G data communication services. Missing only an interconnection with a 3G network, we announced the new service, "Doccica", that can seamlessly use both 3G and PHS networks.

With respect to strengthening our business, specific sales methods have not yet been established, as wireless data communication services have not traditionally been supported in corporate IS departments. It follows, then, that there are few talented and experienced people with actual business achievements in this and similar markets. At our Group there is thus a persistent need to educate talented people and continue to establish business methods. However, it takes a certain amount of time for this process to generate results. In order to succeed, a sales agent needs to be familiar with the specific needs of customers and be able to promote business cooperation.

Moreover, we have initiated business development activities in the U.S. that build on the technology and knowledge that we have fostered in Japan. Since we are starting from scratch, it is likely that we will face far-reaching, difficult challenges. As business development in the U.S. is under pressure from the demands of high-level security, a trend we feel will soon be reflected in business development in Japan, we are actively strengthening the company's security technology and know-how.

③ Action Plan

In order to meet the challenges listed above, our Group will emphasize the following action items:

(a) Further strengthen technological development
Consistently develop technologies that match both evolving customer needs and the technological trends of the mobile telecommunications and IT industries.

(b) Further strengthen marketing abilities
Further strengthen marketing ability to understand clients' current and potential future needs, discover technologically feasible methods, and develop competitive services.

(c) Further strengthen sales
Cultivate and educate talented people who understand the technical aspects of the constantly evolving IT and communications industries.

(d) Strengthen our procurement negotiation ability
As an MVNO that leases the communications infrastructure from a mobile telecommunications provider, the continuous improvement of our network supply and procurement conditions is essential.

(e) Secure human resources
As an MVNO focused on data communication, our Group's business model is the first of its kind in the world. In order for business development to take place in this environment, we must secure talented people who possess strong conceptual, executive, and learning abilities.

7. Notes regarding parent company

Nothing to report.

III. Business results and financial status

1. Business results

The mobile telecommunications market remained firm during this period, with the number of mobile phone and PHS subscriber lines reaching 98.48 million as of the end of September 2006 (Telecommunications Carriers Association statistics), an increase of 2.2% over March 2006. In addition, three new companies signed on as cellular phone carriers in November 2006, and we anticipate further growth in the mobile telecommunications sector.

Furthermore, in December 2004, the Ministry of Internal Affairs and Communications unveiled "u-Japan", a policy that seeks to realize the ubiquitous networked society. Introduced in 2005 and scheduled for full implementation by 2010, this policy is seen as the way to accelerate the construction and application of wireless networks, thus adding to the broadband environment that has been cultivated in Japan up to this point.

In the PC industry, domestic shipments showed strong expansion in fiscal 2005 (from April 2005 to March 2006, growing by 9.3% over the previous year to 12.86 million (Japan Electronics and Information and Technology Industries Association statistics). In particular, shipments of notebook PCs increased 12.0% over this period, to 7.08 million units, as PCs were used in a wider variety of locations. At the same time, influenced by such factors such as broad enforcement of the Act on the Protection of Personal Information in April 2005, many corporations have prohibited employees from taking notebook PCs outside the office. However, there is a clear increase in the productivity of those employees, such as sales and service staff, who can carry out their duties while outside the office if they have remote access to the corporate network. How to access the company network from outside the office in an efficient and secure manner has become the important question. It is in this context that JCI Group is developing data communication services and telecommunication services.

Among data communication services, enterprise service (Infinity Care®) clients have become extremely interested in 3G networks. From here on out, these customers' needs are being recognized, and in response we examined (1) providing an interconnection with a 3G network; and (2) offering the addition of diverse solutions to PHS networks. Regarding the former, we formed a business partnership with Vodafone, Inc. (now Softbank Mobile, Inc.) in May 2005, and agreed on the provisioning of a 3G network as a prerequisite. However, we started without an interconnection, and planned to switch over to an interconnection in 2005. Nevertheless, due to changes in the company's management structure, we have still not been able to establish an interconnection. With respect to diverse solutions over the PHS network, we continue to post results with the continued expansion of the secure and convenient PHS service as a main product, adopted at Kansai Electric Power Co. Group's Kanden System Solutions Co., Inc. However, at the Group, there were internal issues such as the fact that the skills of the Solution Sales Group were not sufficient, and objectives were not achieved.

In addition, with our prepaid service (b-mobile), in a similar vein to enterprise services, clients' expectations of 3G started to have an effect on current product sales trends. As an example of a new product to respond to these expectations, we propose Doccica (announced October 31, 2006), which can be seamlessly used with both 3G and PHS. JCI Group has completed the development of this product, but as an interconnection with a 3G network has not yet been achieved, we are unfortunately not yet able to offer this service.

When JCI and Vodafone announced their business partnership in spring 2005, we assumed that we would achieve a 3G interconnection soon afterwards, and introduce 3G related products to the market in the first half of FY 2006 at the latest. Unfortunately we have still not been able to achieve this.

The competitive reduction in telecom services continues from the previous fiscal year, but due to a change in the calculation method for sales starting this period, sales targets for this interim consolidated accounting period were only for a five-month period, affecting net sales, by 132,452 thousand yen, and profits by 40,286 thousand yen.

The results of the above are net sales of 1,932,384 thousand yen for this interim consolidated accounting period (a decrease of 574,392 thousand yen (22.9%) from last year), gross profits of 608,889 thousand yen (down 346,948 thousand yen (36.3%) from last year). Because the cost of providing a network for use with JCI data communication services is of a highly fixed nature, when net sales decrease, as with this consolidated interim period, there is a large impact on gross profits. Also, because we do not have an interconnection, the profit ratio for 3G services, which are currently being offered in part to respond to the needs of enterprise customers, is low. This has a negative effect on gross profits. We are reporting selling, general and administrative expenses of 1,061,750 thousand yen (an increase of 226,277 thousand yen (27.1%) over last year), but increase is mainly due to the acquisition in March 2006 of our U.S. subsidiary Arxceo Corporation and the foundation in April 2006 of our U.S. subsidiary CSCT Inc.

As for our financial results, operating income was a loss of 452,860 thousand yen (a decrease of 573,223 thousand yen from the previous period), and ordinary income was a loss of 443,316 thousand yen (a decrease in income of 501,518 thousand yen over the previous period). Furthermore, this interim consolidated accounting period, because we incurred a one-time expense of 104,659 thousand yen for business reorganization, interim net profit was a loss of 528,824 thousand yen (584,007 thousand yen less than the previous period).

2. Economic Conditions

Cash Flow from Operations

As reported in the management results for the last period, sales activities ended poorly. Net income before taxes for this period was an interim loss of 556,409 thousand yen (total for the last interim consolidated period was a gain of 58,088 thousand yen). A decrease in accounts receivable of 311,300 thousand yen was accompanied by changes in the accounting method for telecom service sales, and total amortization (including depreciation and amortization, amortization of intangible fixed assets, and goodwill amortization) was 197,776 thousand yen. Cash flow from operations was a negative 54,950 thousand yen (total for the previous interim consolidated period was an increase of 36,468 thousand yen).

Cash Flow from Investments

Use of capital resulting from investment activities totaled 493,586 thousand yen (611,644 thousand yen of capital was used in the last interim consolidated period). This resulted mainly from the development of solutions for data communication services and internal management systems.

Cash Flow from Financial Activities

Capital acquired through financial activities was 805,693 thousand yen (capital acquired in the previous interim consolidated period was 1,781 thousand yen). This was mainly from long-term bank loans.

Cash Flow Index Trends

	Period Ending March 2005		Period Ended March 2006		Period Ended March 2007
	Interim	Period End	Interim	Period End	Interim
Equity Ratio (%)	63.7	60.3	79.3	69.6	57.4
Market Capitalization-to-Asset Ratio (%)	—	—	697.0	480.5	163.5
Debt Repayment (years)	0.2	0.1	0.6	3.2	—
Interest Coverage Ratio	468.3	641.6	116.7	122.4	—

Equity Ratio = Shareholders' equity / Total assets
Market Capitalization-to-Asset Ratio = Stock market capitalization / Total assets
Debt Repayment = Interest-bearing debt / Cash Flow from operations
Interest Coverage Ratio = Cash flow from operations / Interest payments

※ All calculations are based on consolidated financial figures.
※ Cash Flow is used for Cash Flow from Operations. Interest-bearing debt includes all liabilities listed on the balance sheet for which interest is being paid.
※ Market Capitalization-to-Asset Ratios for the period ended March 2005 are omitted, as stock was not yet publicly listed.
※ Debt Repayment and Interest Coverage Ratio for the interim period for the year ending 3/2007 are omitted because cash flow from operations for this period was negative.

3. Business and Other Risks

Risks that may have an influence on our Group's business developments, business results, or financial standings include the following matters. We have included points that may not apply directly to such risks, but those that we consider to be important in terms of disclosing information actively to our investors in order for them to make sound decisions about their investments. They do not represent all the risks related to investing into our company's shares.

Issues concerning the future within the paragraphs below are judgments made by our Group, taking into consideration our current standing at the end of this interim consolidated period.

1. Market

Our company has been engaged in business expansion in the mobile communication market since its establishment. Mobile communications can be roughly categorized, based on usage, into voice communication and data communication. With respect to the voice market, mobile phones have become so widespread that the market has nearly reached saturation and maturity. On the other hand, data communications have only just come into general use as communication methods shift from circuit switching to packet transmission. The industry is in the early stages of growth. Additionally, fixed line data communication using broadband connections such as ADSL or optic fiber have spread rapidly, but data communication using mobile lines has been limited by technology, especially concerning performance. Looking at the industry as a whole, it can be said that the demands of customers surrounding connection speed and security have yet to be fulfilled.

With the rapid advance of wireless communication technology and security technology that we are seeing, we believe that such technical problems will eventually be solved and the standards will rise as high as customers wish them to be. However, if this technological progress does not happen in the time frame that we have estimated, there is the possibility that the market in which our Group operates will not expand as rapidly as we believe, or its expansion will be delayed. In such a case, there is a possibility that our Group's business results will be adversely affected.

2. Service structure

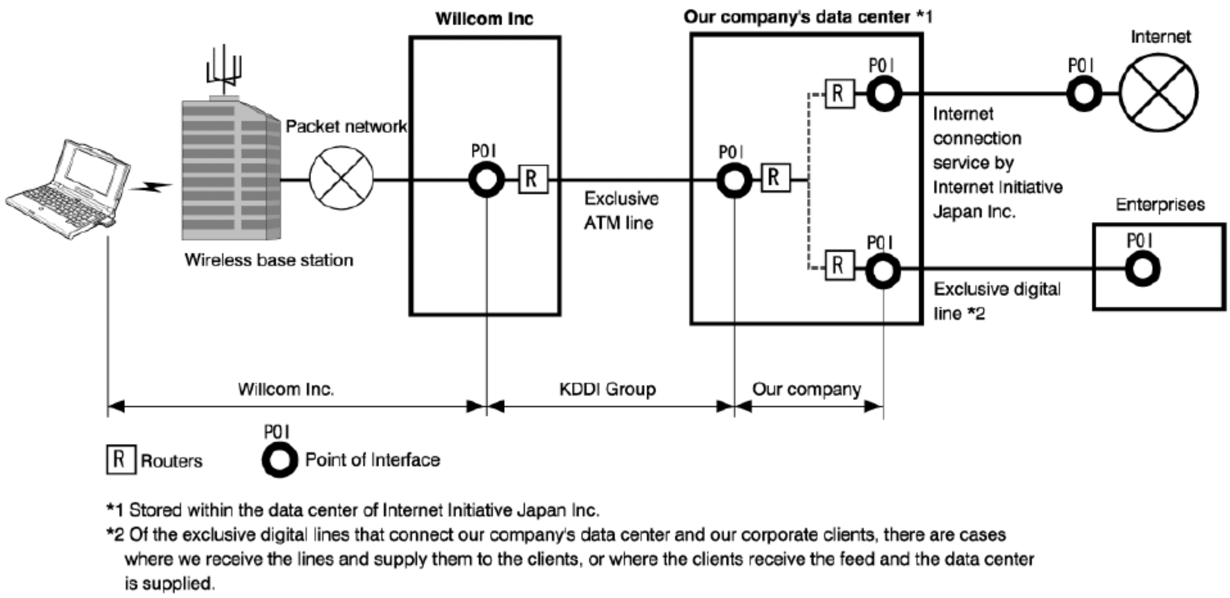
(1) Mobile communication lines

Our services can be roughly divided into two categories: data communication services that provide enterprises and individuals with wireless Internet and other data communication; and telecommunication services that provide enterprises with mobile telephone services. The structure of each service is as follows.

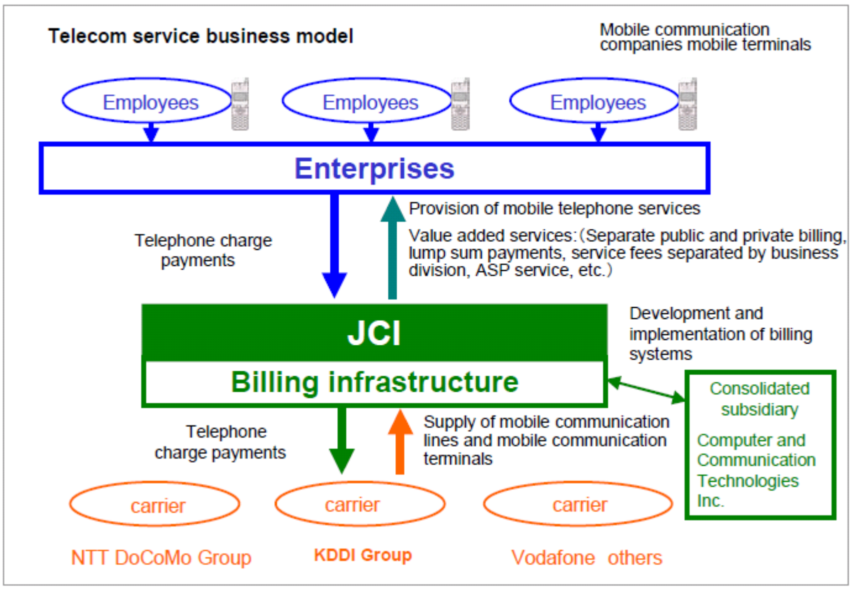
① Data communication service

For our data communication service, Willcom, Inc. supplies our company with a PHS communication network. Features such as security technology, speed acceleration, and network control software are added to the data communication service and then offered to our clients. The infrastructure of the service is made up of a PHS communication network and data center at Willcom, Inc., an exclusive connection point to KDDI Corporation, and the data centers of each group. Their relationships can be seen in Figure 1 below. The most important systems of each group's data centers are stored within the data center run by Internet Initiative Japan Inc. (The PHS communication network and the other systems mentioned above will be referred to as the "main infrastructure of our data communication service".)

Figure 1. Main data communication service infrastructure



② Telecommunication services



For our telecommunication services, our company is supplied with communications lines and mobile handset terminals from mobile communication businesses such as NTT DoCoMo Group, KDDI Group, Willcom, Inc., and Vodafone K.K. (company name changed to SoftBank Mobile Corp. on October 1, 2006). Contracts are made with our corporate clients to either lend or sell mobile communication terminals and provide communication services using these terminals. In doing so, we can provide two lines from one mobile communication terminal, one for business (public) and one for private (for the employees private use), by separating the telephone costs and providing separate bills. We receive detailed usage data for each of the mobile communication terminals from each of the mobile carriers on a monthly basis, and using the billing system developed and implemented by our company's consolidated subsidiary, we process the necessary data to provide the value-added charge and billing service as laid out above.

As stated in ① and ② above, the PHS communication network and mobile communication lines essential to the structure of our data communication, and telecommunication, respectively, are both supplied by other mobile communication businesses. Therefore, our suppliers carry out maintenance for the PHS communication network and mobile communication lines. In order for our Group to provide our clients with a reliable service, it is a prerequisite that the lines and network at each source are in full functioning order. When this is not the case, our services may be partially or fully suspended or the quality of our services may drop, possibly having adverse effects on our business.

Moreover, our Group has agreed to contracts with our network and line suppliers. By actively proposing ideas on new technologies or services, we have worked to create a close relationship with our suppliers and to maintain and strengthen our negotiating power. Despite this, there is no guarantee that at the moment of renewal, the contracts will be written with the same terms and conditions as before. There is also no guarantee that we will be successful in negotiating improvements in the terms and conditions. Furthermore, there may be situations where, because of a change in the business policy of a supplier, our Group is put in a position where we must accept terms and conditions that are less favorable than before. In cases where our Group is not able to maintain or improve purchasing conditions from our suppliers, or when conditions worsen, it is possible that this would have adverse effects on our business.

In addition, it cannot be denied that we are, and will be for our business' future developments, dependent on each of the mobile communication businesses that are our suppliers. In other words, the expansion of our service area depends on the expansion of the areas covered by the network or lines of the mobile communications businesses, just as any improvements in the speed or capacity of the communication depends on improvements in the network or lines of each supplier.

(2) Impediments to the network system of communication lines and networks

As parts of the service structure are supplied by other mobile carriers, there is always the possibility that the communication lines and networks of our suppliers will be impeded in some way, even when the suppliers themselves have carried out adequate system maintenance and management. The communication lines and networks may become overloaded when access is heavy, there may be network intrusions, employees may make errors, or damage may be caused by natural events or accidents. When such events occur, our services may be partially or fully suspended or the quality of our services may drop, possibly having an adverse effect on our business.

In order for us to prevent problems before they can occur, we have set up programs to constantly monitor system status and run regular tests on the network system at the Group's data center. We have also set up a system to contact suppliers in case problems do occur, cutting the recovery time down significantly. Despite such measures being in place, it is not possible to prevent setbacks completely. There are very large costs involved in responding to such setbacks, so depending on the scale of the problem or other factors; it is possible that this would have an adverse effect on our business.

Additionally, our Group uses various network equipment and computer systems and software, including those developed by us. If problems were to occur with the equipment and systems, for example by incorrect configuration, or a bug (including bugs in commercial software), our services may be partially or fully suspended, or the quality of our services may drop, possibly having adverse effects on our business.

(3) Network systems

Because our data communication service uses mobile communication technology, the speed of the connection depends on the location of use, the strength of the reception at the time of use, and the state of traffic at the base station. Also, when using an Internet connection, the speed is dependent on the Internet connection speed as well as the connection speed of the exclusive line between the data center of our Group and the mobile carriers, and the processing speed of the network system and computer system within the data center. In addition to this, in cases where our corporate clients are connected to our Group's data center via an exclusive line, the connection speed is also dependent on the speed of this line.

Our Group is making efforts to secure enough capacity in the network to adequately supply what is necessary by having a clear understanding of the clients and their usage patterns, and predicting the number of future clients and their usage patterns as well. However, in cases where the capacity of the network system that we manage does not meet demand, the connection speed may slow, possibly having an adverse effect on our business. On the other hand if we were to greatly increase the capacity of the network to more than the demand, the cost would be so great that it may have an adverse effect on our business.

(4) Technological revolution

The data communication service that The JCI Group provides uses PHS communication, wireless LAN technology, TCP/IP network technology, the Microsoft Windows operating system, a Radius authentication system – the standard in authentication technology, and others. If these technology standards were to go through a sudden, significant change, we would be faced with the potentially large cost of developing new technologies in response to these changes. This would put pressure on our profits and possibly result in adverse effects on our business. Furthermore, if we were late in responding to these technical changes, or if the technology used in our services, or our services themselves were to become obsolete, this may also adversely affect our business.

3. Our business operations

(1) The purchasing of mobile communication terminals

For our data communication service we purchase data communication cards from multiple suppliers, and for our telecommunication service we purchase mobile phone and PHS handsets from the mobile carriers mentioned above. Depending on the conditions of the market at the time, or the policies of the mobile carriers, the purchasing conditions may differ for each transaction.

Our Group has made efforts to improve the conditions for the purchase of mobile communication terminals, but despite our efforts, it is possible that we will face an increase in costs or miss some business opportunities because we are unable to supply our clients in time, which may have an adverse effect on our business. Furthermore, if a problem occurs with the quality of the mobile communication terminals, services may have to be suspended, possibly having an adverse effect on our business.

(2) The risk of mobile communication terminals becoming obsolete

The supply of data communication cards used for our data communication service comes from the manufacturers of mobile communication terminals, primarily based on an OEM Supply & Purchase Agreement. However, the minimum order for these cards tends to be very large and there are cases where we must order an excessive number of cards in relation to demand. Thus, there is a risk that the stock will become obsolete. Our Group has endeavored to stay in close contact with the mobile communication terminal manufactures, and to predict as accurately as possible the demand based on sales conditions, but if the mobile communication terminals we purchased become obsolete, or we miss a business opportunity because there is an order delay, this may have an adverse effect on our business.

Additionally, for our telecommunication service there are cases where our Group will lend mobile communication terminals to our corporate clients for a fixed contract period, but when new products appear on the market or if the clients request it, we may replace at our expense, the mobile communication terminals before the contract terminates. The expenses involved in the supply of new mobile communication terminals may have an adverse effect on our business.

(3) Marketing force and technological development capabilities

We believe the results of our Group's business is based on our ability to grasp and understand the services that customers want or will want to use, and to be able to provide these new services. In other words, our marketing and technological development skills enable us to keep up with the drastic changes that occur in this industry and to predict the changes and move the business on accordingly. If our Group is unable to maintain the capabilities needed to do this, or we are unable to improve them, then we may miss a business opportunity. That may have an adverse effect on our business.

(4) The securing of personnel

As our Group is conducting business in a relatively new area, we rely heavily on the experience, skills, and expertise of a few individuals. There is no denying that the loss of such personnel would affect our business. As our business expands, we intend to enhance and strengthen our organization by securing valuable personnel. However, attracting exceptional talent is not an easy task as we are reliant on a limited pool of human resources. When trouble arises with an employee's performance, or an employee leaves the Group after only a short period of time, our business may be adversely affected.

(5) Dependence on a specific person

The founder and CEO of our company, Frank Seiji Sanda (referred to as "CEO" hereafter in this paragraph) served as Managing Director at Motorola Japan Ltd. from November 1989 and as Representative Director at Apple Computer Japan, Inc. in 1994. The personal connections and experience he gained in the mobile communication and PC industry in Japan and abroad, plays a very big role in making decisions about our company's business policies or strategies. Our Group has been trying to develop into an organization that does not excessively depend on the CEO, taking measures such as employing highly talented personnel. However, it cannot be denied that there is still a high level of dependency on a few executives, which means that if the CEO or other executives were to leave the Group, our business may be adversely affected.

4. Competition

Our Group offers telecommunication services including mobile telephone services for corporate clients, and data communication services using the wireless infrastructure of mobile carriers. The circumstances concerning our competition are as follows.

(1) Competition in the data communication service sector

The market for wireless data communication services is still in an early stage of growth, but is expected to grow rapidly. For this reason we assume that there will be new entries in the future that will intensify competition. In particular, there are two sides to wireless data communication services; the communication services offered by network operators, and the system services offered by computer related businesses. Therefore, we believe competing services may be introduced from both the communication business and computer related business sides as follows.

① Mobile carriers
Mobile carriers, who own mobile infrastructure, have overwhelmingly more plentiful resources available to them than our Group. By taking advantage of this, they have the ability to provide lower cost, higher function services. Therefore, if mobile carriers were to advance into offering competing services, our Group's competitiveness would decrease or our net sales would decrease due to drastic price changes, which may adversely affect our business. On the other hand, the mobile carriers are also the suppliers of our mobile communication lines and PHS communication networks. If they were to enter into competition with our services, there is a possibility that they will make amendments to our transacting conditions in order to make their own services more attractive. As this would surely limit our pricing options and the services we could offer, we may lose existing clients or not attract enough new clients, which may adversely affect our business.

② MVNO (Mobile Virtual Network Operators)
Because many of the MVNOs that are in competition with our company originated as fixed line network service providers, they already have existing clients to whom they can sell their mobile communication services. This is a very valuable opportunity to expand their businesses. Also, in order not to lose their existing fixed line service customers, they may bring out a strategic pricing strategy for their mobile communication services. If these situations were to arise, we may be faced with a situation where we lose existing clients or do not attract enough new clients, which may adversely affect our business.

③ System Integrators
System Integrators (SIs) conduct their business by customizing computer systems to best suit their clients' needs, and carry out system proposals and planning, program development, selection and ordering of necessary hardware and software as well as maintenance of the completed systems. Through this, their ties with their clients go very deep. What's more, because they integrate diverse systems into one, the networking abilities of the systems tend to be very high. If SIs were to join together with mobile carriers and gain the capability to provide communication services, they could become very strong competitors to our Group. If this situation were to arise, we may lose existing clients or not attract enough new clients, which may adversely affect our business.

(2) Competition in the telecommunication service sector
The telecommunication service offered by our Group is unique in its billing processing service, including the separation of business and private calls, or the categorization of charges by division, but other mobile carriers and lump sum payment businesses have now begun to offer similar services. We wish to remain competitive by offering additional innovative billing options. However, despite our efforts, if another competing company starts to offer an even better service, or if a competitor with far richer resources than our Group launches a strong sales challenge, our business may be adversely affected.

5. Intellectual property and legal regulations
(1) The protection of intellectual property
The protection of intellectual property held by our Group falls under regulations of contract and other related laws. For the protection of our intellectual property, we have made efforts to apply for patents and have a good understanding of the advances in technology and expertise of other companies. However, there is no guarantee that the patent applications will be approved.

Furthermore, it is possible that the patents we have applied for or registered for the sake of protecting intellectual property, and those that we will register in the future, will not be sufficient, and that similar technology will be developed by other companies, even perhaps imitating our Group's services.

Even in cases where our Group has been granted the rights to a piece of intellectual property, there is the possibility that a third party will violate our rights. This is likely to be a hindrance to the smooth running of our business as we will inevitably have to allocate our limited resources to bring the violator to court and implement other preventative measures, possibly affecting our business adversely.

(2) Third party licenses
Our Group has licenses from various third parties for network acceleration and security technology for our wireless data communication services. In the future, when we need to renew our existing licenses, it is possible that we will be unable to renew or receive licenses under favorable conditions or receive the licenses necessary for new services. In such cases, our advantage will be lost and our business may be adversely affected.

(3) Legal obligations
The operations of our Group fall under the Electricity and Telecommunication Business Law. If this law was to be amended, and new regulations applied that tightened the restrictions on our business, it is possible that our operations will be limited and may lead to an increase in our costs. On the other hand, if the restrictions were to be loosened, it may encourage many new entrants to the market and intensify competition, possibly having an adverse effect on our business.

In accordance with the revision of the Electricity and Telecommunications Business Law enforced April 1, 2004, former Type-1 mobile carriers are now able to offer one-on-one prices to corporations. Thus, by offering discounts, price competition among providers may intensify, which may adversely affect our business.

Moreover, in the event self-imposed regulations that restrict our business were to be established in our industry with respect to, for example, prepaid services, the services may be halted or their cost may increase and our business may be adversely affected.

(4) Protection of personal data
Our company is obliged to comply with the Law Concerning Protection of Personal Information (Law No. 57, enacted on and partially enforced since May 30, 2003, wholly enforced since April 1, 2005). Our Group deals with personal data as described below. In general, personal information is not obtained for our Infinity Care service, as it is part of our data communication service for corporate clients.

For our telecom services, with permission from the client we collect the names, addresses, payment methods, call logs, etc., of the employees of the client in order to provide them with our separate billing service and other services. This information is passed on to our consolidated subsidiary, Computer and Communication Technologies Inc., which carries out the data processing for our services. For our data communication services, and in particular our prepaid service, we are likely to obtain the name, address, email address, and other information when clients register themselves as users, or when they contact our call center.

We make sure that the personal data we have collected is used only within the boundaries of our business operations and that it is accessible only by those with the proper authority. In addition, all employees, contract workers, and temporary employees must sign a confidentiality agreement upon joining our company. In the call center, where they are most likely to be dealing with personal data, we hire mainly full-time employees only. Despite the fact that we have taken such measures to protect personal data, we cannot guarantee that there will be absolutely no leak of personal information from our Group. If such a situation arises, this may lead to a loss of trust from our clients and lawsuits brought on by individuals, and our business may be adversely affected.

6. Other Risks
(1) Our relatively short time in business
Our Group was established in 1996, but our data communication services commenced in 2001. The market for these services is relatively new and still developing. The MVNO business model is also very young in Japan, making it impossible to rely on statistics and results of the general communication industry from the past years, let alone predict the factors that may possibly affect the MVNO business in the future, such as the transition of possible users, the reaction of markets, etc. Therefore, it is possible that there will be a great disparity in our profit forecasts, and that unexpected expenses may occur. In such cases, our business may be adversely affected.

(2) Raising capital
Our Group plans to invest in the development and purchasing of network facilities, software and systems, in order to differentiate the company and promote the expansion of our business. However, if we face difficulties in securing the necessary investment capital, we may miss a business opportunity and our business may be adversely affected.

(3) The dilution of shares due to stock options
Our Group employs incentive plans such as stock options to heighten awareness and encourage participation in the business by our company and our subsidiary's directors, auditors, employees and consultants. It includes the plan resolved at the general shareholders' meeting that, based on article 280 paragraph 19 of the former Company Law (enforced in 2002) from before the 2001 amendments, stock purchase rights would be granted to directors and employees of our company as well as to employees from our subsidiary. It also includes the plan that stock purchase rights would be granted to directors, auditors, employees and consultants from both our company as well as from our subsidiary, based on Article 280, Paragraphs 20, 21 and 27 of the former Company Law and Article 238 of the current Company Law, as resolved at the general shareholders' meeting and board of directors' meeting.

If these stock option rights were to be exercised, the value of a single share of our company's stock would be diluted. That would have an effect on our overall share value. The company intends to carry on with the granting of stock purchase rights as an incentive for directors, employees and consultants to keep up morale, while also attracting valuable talent to our Group. Therefore we may see a further dilution of our stock value.

1 Interim consolidated financial statements

(1) Interim consolidated financial statements

① Interim consolidated balance sheet

		Previous interim consolidated accounting period (Ended Sept. 30, 2005)			Current interim consolidated accounting period (Ended Sept. 30, 2006)			Previous consolidated accounting period (Year ended Mar. 31, 2006)		
Segment	Note No.	Amount（thousand yen）		(%)	Amount（thousand yen）		(%)	Amount（thousand yen）		(%)
Assets										
Ⅰ Current assets										
1 Cash and equivalents			2,166,798			1,561,281			1,200,408	
2 Accounts receivable - trade			633,308			369,192			678,706	
3 Marketable securities			19,141			584,093			684,725	
4 Merchandise			42,274			77,312			65,972	
5 Inventory			76,224			180,502			272,002	
6 Accounts receivable - other			14,062			550			23,578	
7 Other			32,392			136,541			49,676	
Allowance for doubtful accounts			(1,000)			(1,000)			(1,000)	
Total current assets			2,983,203	66.4		2,908,475	52.0		2,974,071	55.4
Ⅱ Fixed assets										
1 Tangible fixed assets	※1									
(1) Buildings and related facilities		22,407			18,582			20,314		
(2) Vehicles		3,973			2,527			3,043		
(3) Tools, furniture and equipment		211,412			228,787			234,427		
(4) Mobile devices		91,239	329,033		51,780	301,678		67,534	325,320	
2 Intangible fixed assets										
(1) Trademarks		3,451			3,181			3,096		
(2) Patents		387			2,157			950		
(3) Telephone subscriber rights		1,294			1,294			1,294		
(4) Software		525,711			1,040,764			653,937		
(5) Temporary account for software		546,472			788,820			841,854		
(6) Consolidated adjustment account		―			―			459,586		
(7) Goodwill		―	1,077,318		441,143	2,277,361		―	1,960,719	
3 Investments and other assets										
(1) Security deposits		55,381			55,537			53,296		
(2) Other		25,096			36,649			32,582		
Allowance for doubtful receivables		(19)	80,458		(19)	92,166		(19)	85,859	
Total fixed assets			1,486,809	33.1		2,671,207	47.8		2,371,899	44.2
Ⅲ Deferred assets										
1 New share issuing expense			23,158			13,895			18,526	
Deferred assets total			23,158	0.5		13,895	0.2		18,526	0.3
Total assets			4,493,171	100.0		5,593,577	100.0		5,364,497	100.0

Segment	Note No.	Previous interim consolidated accounting period (Ended Sept. 30, 2005)			Current interim consolidated accounting period (Ended Sept. 30, 2006)			Previous consolidated accounting period (Year ended Mar. 31, 2006)		
		Amount (thousand yen)		(%)	Amount (thousand yen)		(%)	Amount (thousand yen)		(%)
Liabilities										
I Current liabilities										
1 Accounts payable			283,350			310,778			287,996	
2 Short-term debt			21,000			500,000			500,000	
3 Current portion of long-term debt			—			266,400			—	
4 Accounts payable - other			111,721			200,660			132,370	
5 Accrued expenses			21,598			33,538			—	
6 Deferred revenue			454,641			431,725			567,957	
7 Data communication service cost reserves			7,748			—			—	
8 Corporate and other taxes payable			8,830			9,534			13,520	
9 Other			19,353			27,356			39,537	
Total current liabilities			928,244	20.7		1,779,993	31.9		1,541,382	28.7
II Fixed liabilities										
1 Long-term debt			—			533,600			—	
Total fixed liabilities			—	—		533,600	9.5		—	—
Total liabilities			928,244	20.7		2,313,593	41.4		1,541,382	28.7
Minority interests										
Minority interests			—	—		—	—		89,404	1.7
Shareholders' equity										
I Common stock			2,195,260	48.8		—	—		2,269,710	42.3
II Capital surplus			1,530,015	34.0		—	—		1,576,246	29.4
III Retained earnings (loss)			(85,669)	(1.9)		—	—		(32,899)	(0.6)
IV Exchange conversion adjustment			(73,064)	(1.6)		—	—		(69,134)	(1.3)
V Net unrealized gain on other securities			—	—		—	—		(8,471)	(0.2)
VI Treasury stock			(1,616)	(0.0)		—	—		(1,741)	(0.0)
Total shareholders' equity			3,564,926	79.3		—	—		3,733,710	69.6
Total liabilities and shareholders' equity			4,493,171	100.0		—	—		5,364,497	100.0
Net assets										
I Shareholders' equity										
1 Common stock			—	—		2,272,847	40.6		—	—
2 Capital surplus			—	—		1,578,838	28.2		—	—
3 Retained earnings (loss)			—	—		(561,723)	(10.0)		—	—
4 Treasury stock			—	—		(1,741)	(0.0)		—	—
Total Shareholders' equity			—	—		3,288,220	58.8		—	—
II Valuation and conversion adjustments										
1 Net unrealized gain on other securities			—	—		(4,787)	(0.1)		—	—
2 Exchange conversion adjustment			—	—		(71,608)	(1.3)		—	—
Total valuation and conversion adjustments			—	—		(76,396)	(1.4)		—	—
III New stock acquisition rights, etc.										

1 New stock acquisition rights			—			6,032			—	
2 Warrants			—			1,413			—	
Total stock acquisition rights, etc.			—	—		7,445	0.1		—	—
Ⅳ Minority interests			—	—		60,714	1.1		—	—
Total net assets			—	—		3,279,984	58.6		—	—
Total liabilities and net assets			—	—		5,593,577	100.0		—	—

② Interim consolidated income statement

		Previous interim consolidated accounting period (From April 1, 2005 to September 30, 2005)			Current interim consolidated accounting period (From April 1, 2006 to September 30, 2006)			Previous consolidated accounting period (From April 1, 2005 to March 31, 2006)		
Segment	Note No.	Amount（thousand yen）		（%）	Amount（thousand yen）		（%）	Amount（thousand yen）		（%）
Ⅰ Net sales										
1 Revenue			2,506,776	100.0		1,932,384	100.0		4,943,987	100.0
Ⅱ Cost of sales										
2 Cost of goods sold			1,550,939	61.9		1,323,494	68.5		3,035,560	61.4
Gross profit			955,837	38.1		608,889	31.5		1,908,427	38.6
Ⅲ Selling, general and administrative expenses	※1		835,473	33.3		1,061,750	54.9		1,734,476	35.1
Operating profit (loss)			120,363	4.8		(452,860)	(23.4)		173,950	3.5
Ⅳ Non-operating income										
1 Interest income		431			7,216			8,607		
2 Interest on securities		-			12,269			—		
3 Foreign exchange gains		11,449			1,915			22,852		
4 Other		271	12,152	0.5	333	21,734	1.1	557	32,017	0.6
Ⅴ Non-operating expenses										
1 Interest expense		312			3,175			493		
2 Expenses related to IPO		69,369			—			69,369		
3 New share expense amortization		4,631			4,631			9,263		
4 Loss on sale of securities		—			2,199			12,800		
5 Other		—	74,313	3.0	2,183	12,190	0.6	161	92,088	1.8
Ordinary income (loss)			58,202	2.3		(443,316)	(22.9)		113,880	2.3
Ⅵ Extraordinary loss										
1 Loss on disposal of fixed assets	※2	113			1,223			115		
2 One-time restructuring charge		—			104,659			—		
3 Loss on change in equity		—	113	0.0	7,209	113,093	5.9	—	115	0.0
Net income (loss) before income taxes)			58,088	2.3		(556,409)	(28.8)		113,764	2.3
Corporate, residence and business taxes			2,905	0.1		2,905	0.2		5,810	0.1
Loss from minority interests			—	—		30,489	(1.6)		—	—
Net income (loss)			55,183	2.2		(528,824)	(27.4)		107,954	2.2

③ Interim consolidated statement of retained surplus

Segment	Previous interim consolidated accounting period (From April 1, 2005 to September 30, 2005) Amount (thousand yen)		Previous consolidated accounting period (From April 1, 2005 to March 31, 2006) Amount (thousand yen)	
Capital surplus				
Ⅰ Balance of capital surplus at beginning of period		383,056		383,056
Ⅱ Increase in capital surplus				
1 Capital increase from issuance of new stock	1,146,959	1,146,959	1,193,189	1,193,189
Ⅲ Capital surplus at end of period		1,530,015		1,576,246
Retained earnings				
Ⅰ Retained earnings at beginning of period		(140,853)		(140,853)
Ⅱ Increase in retained earnings				
1 Net interim income	55,183	55,183	107,954	107,954
Ⅲ Retained earnings at end of period		(85,669)		(32,899)

③ Consolidated statement of shareholders' equity

Current interim consolidated accounting period (From April 1, 2006 to September 30, 2006) (thousand yen)

	Shareholders' equity					Valuation and conversion adjustments			New stock acquisition rights, etc.		Minority interests	Total net assets
	Common stock	Capital surplus	Retained earnings (loss)	Treasury stock	Total shareholders' equity	Net unrealized gain on other securities	Exchange conversion adjustment	Total valuation and conversion adjustments	Warrants	New stock acquisition rights		
Balance as of March 31, 2006	2,269,710	1,576,246	(32,899)	(1,741)	3,811,316	(8,471)	(69,134)	(77,606)	1,419	—	89,404	3,824,533
Changes during the interim consolidated accounting period												
New stock issuance	3,136	2,592			5,728							5,728
Interim net loss			(528,824)		(528,824)							(528,824)
Changes other than to shareholders' equity during the interim consolidated accounting period						3,684	(2,474)	1,210	(5)	6,032	(28,690)	(21,453)
Total changes during the interim consolidated accounting period	3,136	2,592	(528,824)		(523,095	3,684	(2,474)	1,210	(5)	6,032	(28,690)	(544,543)
Balance as of September 30, 2006	2,272,847	1,578,838	(561,723)	(1,741)	3,288,220	(4,787)	(71,608)	(76,396)	1,413	6,032	60,714	3,279,984

④ Interim consolidated cash flow statement

	Previous interim consolidated accounting period (From April 1, 2005 to September 30, 2005)	Current interim consolidated accounting period (From April 1, 2006 to September 30, 2006)	Previous consolidated accounting period (From April 1, 2005 to March 31, 2006)
Segment	Amount (thousand yen)	Amount (thousand yen)	Amount (thousand yen)
I Cash flow from operations			
1 Net income (loss) before taxes and others	58,088	(556,409)	113,764
2 Depreciation and amortization	80,479	87,845	161,201
3 Intangible fixed asset depreciation	88,259	98,441	188,750
4 Amortization of goodwill	—	11,489	—
5 Data communication service cost reserve	(20,623)	—	(28,372)
6 Interest income	(431)	(7,216)	(8,607)
7 Interest income on securities	—	(12,269)	
8 Interest expense	312	3,175	493
9 Loss on disposal of tangible fixed assets	113	1,223	115
10 Gain (loss) on foreign exchange	—	(1,896)	(15,302)
11 Loss on sale of marketable securities	—	2,199	12,800
12 Increase (decrease) in notes and accounts receivable	(67,308)	311,300	(115,113)
13 Increase (decrease) in inventories	35,331	80,550	(175,039)
14 Increase (decrease) in trade payables	(15,666)	22,790	(15,450)
15 Increase (decrease) in deferred revenue	(28,098)	(136,231)	85,217
16 Increase (decrease) in accrued consumption tax	(66,688)	—	(64,703)
17 Increase (decrease) in unpaid expenses	20,679	12,335	—
18 Other increase (decrease)	(42,286)	19,453	19,162
Subtotal	42,159	(63,217)	158,916
19 Net receipts from interest and dividends	431	19,485	8,607
20 Net interest paid	(312)	(5,408)	(1,263)
21 Corporate and other income taxes paid	(5,810)	(5,810)	(11,620)
Net cash flow from operations	36,468	(54,950)	154,640

	Previous interim consolidated accounting period (From April 1, 2005 to September 30, 2005)	Current interim consolidated accounting period (From April 1, 2006 to September 30, 2006)	Previous consolidated accounting period (From April 1, 2005 to March 31, 2006)
Segment	Amount（thousand yen）	Amount（thousand yen）	Amount（thousand yen）
Ⅱ Cash flow from investing			
1 Purchase of tangible fixed assets	(127,631)	(54,340)	(209,193)
2 Purchase of intangible fixed assets	(460,920)	(432,980)	(984,284)
3 Purchase of consolidated subsidiary	—	—	(388,056)
4 Security deposit payments	(7,417)	(2,199)	(7,417)
5 Other	(15,675)	(4,066)	(21,035)
Net cash flow from investing	(611,644)	(493,586)	(1,609,986)
Ⅲ Cash flow from financing			
1 Proceeds from short-term debt	(33,000)	—	—
2 Increase of short-term debt	—	—	500,000
3 Proceeds from long-term debt	—	—	(54,000)
4 Proceeds from long-term debt	—	800,000	—
5 New share issuance expense	—	—	(12,940)
6 Proceeds from issuance of common stock	1,814,843	5,693	1,943,546
7 Treasury stock acquisition expense	(804)	—	(929)
Net cash flow from financing	1,781,038	805,693	2,375,676
Ⅳ Effect of exchange rate changes on cash and cash equivalents	1,959	3,084	(13,314)
Ⅴ Net increase in cash and cash equivalents	1,207,822	260,241	907,016
Ⅵ Cash and cash equivalents at beginning of period	978,117	1,885,134	978,117
Ⅶ Cash and cash equivalents at end of interim period	2,185,940	2,145,375	1,885,134

Important items required for drafting interim consolidated financial statements

Item	Previous interim consolidated accounting period (From April 1, 2005 to September 30, 2005)	Current interim consolidated accounting period (From April 1, 2006 to September 30, 2006)	Previous consolidated accounting period (From April 1, 2005 to March 31, 2006)
1 Items relating to the scope of consolidation	All subsidiaries are consolidated. The consolidated subsidiary concerned is Computer and Communication Technologies, Inc.	All subsidiaries are consolidated. The consolidated subsidiaries are Computer and Communication Technologies Inc., Arxceo Corporation, Communications Security and Compliance Technologies Inc.and Arxceo Japan Inc. As Communications Security and Compliance Technologies Inc. and Arxceo Japan Inc have been established during this fiscal year, they are included in the scope of consolidation for this consolidated fiscal year.	All subsidiaries are consolidated. The consolidated subsidiaries concerned are Computer and Communication Technologies, Inc. and Arxceo Corporation. As Arxceo Corporation became a subsidiary of the Company on March 3, 2006, through the acquisition of stock; it is included in the scope of consolidation for this consolidated fiscal year.
2 Items relating to the application of the equity method	There is no non-subsidiary or affiliate applying the equity method.	Same as left	Same as left
3 Items relating to the fiscal years of consolidated subsidiaries	The interim closing date and interim consolidated closing date for subsidiaries are identical.	Arxceo Corporation’s interim financial period ends June 30. However, the formal consolidation of interim financial statements is carried out on September 30.	Arxceo Corporation's fiscal period ends December 31. However, the formal consolidation of current financial statements is carried out on March 31.
4 Items relating to accounting standards (1) Basis and method of valuation of important assets	1 Basis and method of valuation of marketable securities Other Marketable Securities Marketable securities without quotation Cost accounting method based on periodic average method 2 Basis and method of valuation of inventory Cost accounting method based on periodic average method	1 Basis and method of valuation of marketable securities Other Marketable Securities Marketable securities without quotation Same as left 2 Basis and method of valuation of inventory Same as left	1 Basis and method of valuation of marketable securities Other Marketable Securities Marketable securities without quotation Same as left 2 Basis and method of valuation of inventory Same as left
(2) Methods of depreciation of important depreciable assets	1 Tangible fixed assets Mobile Devices Straight line depreciation method where “0” is the residual value after a useful life of 2 years Other tangible fixed assets Straight line method The following are periods of useful life. Buildings and attached equipment: 8 to 15 years Vehicles and conveyance equipment: 2 to 6 years Tools and equipment: 5 to 10 years	1 Tangible fixed assets Mobile Devices Same as left Other tangible fixed assets Same as left	1 Tangible fixed assets Mobile Devices Same as left Other tangible fixed assets Same as left

Item	Previous interim consolidated accounting period (From April 1, 2005 to September 30, 2005)	Current interim consolidated accounting period (From April 1, 2006 to September 30, 2006)	Previous consolidated accounting period (From April 1, 2005 to March 31, 2006)
	2 Intangible fixed assets Software for in-house use Straight-line method based on projected term of validity (5 years) Other intangible fixed assets Straight line method Periods of useful life: Trademark 10 years Patent 8 years	2 Intangible fixed assets Software for in-house use Same as left Other intangible fixed assets Same as left	2 Intangible fixed assets Software for in-house use Same as left Other intangible fixed assets Same as left
	3 Deferred assets Expenses for new share issuance Evenly redeemed over 3 years	3 Deferred assets Same as left	3 Deferred assets Same as left
(3) Basis and method of calculating important reserves	1 Allowance for doubtful accounts To provide for losses due to bad debt claims, general claims are treated using the loan loss ratio and specific claims, such as potential losses on loans, are treated by calculating the amount of unrecoverable debt expected considering the recoverability of each separate claim.	1 Allowance for doubtful accounts Same as left	1 Allowance for doubtful accounts Same as left
	2 Data communication service cost reserve An estimate of communication costs that should be paid over the remaining period of future data communication service is included that corresponds to the net prepaid service sales calculated for previous consolidated fiscal year.	――――――	――――――
(4) Method of treatment of important lease transactions	Finance lease transactions other than those accepted as the transfer of property rights of leased articles to debtors are treated using an accounting method based on ordinary lease transaction methods.	Same as left	Same as left
(5) Important items required for drafting other interim consolidated financial statements	① Accounting method for consumption and other taxes Applying the “tax excluded” method	① Accounting method for consumption and other taxes Same as left	① Accounting method for consumption and other taxes Same as left
5 (Interim) Range of amounts appearing in the consolidated cash flow statements	Cash equivalents in the interim consolidated cash flow statements include only short-term investments maturing within 3 months after the acquisition date that are highly liquid, easily convertible and bear a minimal risk of price fluctuation.	Same as left	Cash equivalents in the consolidated cash flow statements include only short-term investments maturing within 3 months after the acquisition date that are highly liquid, easily convertible and bear a minimal risk of price fluctuation.

Revised items required for drafting interim consolidated financial statements

Previous interim consolidated accounting period (From April 1, 2005 to September 30, 2005)	Current interim consolidated accounting period (From April 1, 2006 to September 30, 2006)	Previous consolidated accounting period (From April 1, 2005 to March 31, 2006)
The accounting standard relating to the depreciation of fixed assets From this interim consolidated fiscal period, the new accounting standard that relates to accounting for the impairment of fixed assets, "written opinion on the format of the accounting standard which relates to the depreciation of fixed assets" (Corporate Accounting Conference August 9, 2002), is applied. The new guidelines for applying the accounting standard that relates to the depreciation of fixed assets, "Guidelines for Applying Accounting Standards No. 6 October 31, 2003", is applied. This has no influence on profit and loss.	——————	The accounting standard relating to the depreciation of fixed assets From this consolidated fiscal year, the new accounting standard that relates to accounting for the impairment of fixed assets, "written opinion on the format of the accounting standard which relates to the depreciation of fixed assets" (Corporate Accounting Conference August 9, 2002), is applied. The new guidelines for applying the accounting standard that relates to the depreciation of fixed assets, "Guidelines for Applying Accounting Standards No. 6 October 31, 2003", is applied. This has no influence on profit and loss.
——————	Accounting Standard for the Presentation of Net Assets in the Balance Sheet From this interim consolidated accounting period, the "Accounting standard for the presentation of net assets in the balance sheet" (Corporate Accounting Standard No. 5, December 9, 2005) and the "Guidelines for applying the accounting standard for the presentation of net assets in the balance sheet" (Guidelines for Applying Corporate Accounting Standards No. 8, December 9, 2005) are applied. With this accounting standard applied, total assets are valued at 3,211,824 thousand yen. Furthermore, as stipulated in the amendment to the regulations governing interim consolidated balance sheets, the net assets section of this interim consolidated balance sheet has been drafted in line with the amended regulations governing interim consolidated balance sheets.	——————
——————	The Accounting Standard for Stock Options From this interim consolidated accounting period, the "Accounting Standard for Stock Options" (Corporate Accounting Standard No. 8, December 27, 2005) and the "Guidelines for applying the accounting standard for Stock Options" (Guidelines for Applying Corporate Accounting Standards No. 11, May 31, 2006) are applied. As a result of this, operating loss, ordinary loss and interim net loss before adjustment for taxes have increased by 6,032 thousand yen. The effect that this will have on our segment information is detailed in the appropriate sections.	——————

Previous interim consolidated accounting period (From April 1, 2005 to September 30, 2005)	Current interim consolidated accounting period (From April 1, 2006 to September 30, 2006)	Previous consolidated accounting period (From April 1, 2005 to March 31, 2006)
――――――	Change in revenue recognition method In the past, the accounting standard for telecom services has been based on when the communication on the mobile phone occurred. However, starting this interim consolidated fiscal period, the accounting standard will be based not on when the communication occurred but when the bills have been processed and charged. The decision to make this change is due to the fact that the reason our corporate customers choose our Telecom Service has changed from simply being able to avail of multiple carriers and is now increasingly centered on the value-added services that JCI offer, such as separate billing for official/private use. The change has also been made, as part of JCI's effort to expedite the calculation of results, as it will remove the losses that previously resulted from the lengthy process of receiving billing information from each carrier. This change will result in a decrease in sales and cost of sales of 132,452 thousand yen and 92,165 thousand yen respectively, while operating loss, ordinary loss and net interim losses before adjustment for taxes have increased by 40,286 thousand yen.	――――――

Change in display method

Previous interim consolidated accounting period (From April 1, 2005 to September 30, 2005)	Current interim consolidated accounting period (From April 1, 2006 to September 30, 2006)
――――――	Relating to the interim consolidated balance sheet Items that were included in the previous fiscal year under "Consolidated Adjustments" are this year included in "Goodwill". Relating to the interim consolidated cash flow statement Items that in the previous fiscal year were included with cash flow from operations under "Increase/decrease in accrued consumption tax" (totaling 276 thousand yen for this fiscal year) are, from this interim consolidated fiscal period, included with cash flow from operations under "Other increases/decreases".

Notes:

Related to the interim consolidated balance sheet

Previous interim consolidated accounting period (Ended Sept. 30, 2005)	Current interim consolidated accounting period (Ended Sept. 30, 2006)	Previous consolidated accounting period (Year ended March 31, 2006)
※1 Accumulated depreciation of tangible fixed assets 306,559 thousand yen	※1 Accumulated depreciation of tangible fixed assets 365,329 thousand yen	※1 Accumulated depreciation of tangible fixed assets 336,295 thousand yen

Related to the interim consolidated income statement

Previous interim consolidated accounting period (From April 1, 2005 to September 30, 2005)	Current interim consolidated accounting period (From April 1, 2006 to September 30, 2006)	Previous consolidated accounting period (From April 1, 2005 to March 31, 2006)
※1 The following are the main expenses in sales and general administrative expenses (thousand yen) Sales promotion expense ¥41,859 Advertising expense ¥20,757 Director salary ¥112,665 Employee salary ¥317,496 Contract worker salaries, etc. ¥77,833 Business consignment fees ¥10,600 Statutory welfare expenses ¥33,598 Traveling and transportation expenses ¥41,198 Correspondence expenses ¥8,305 Depreciation ¥21,442 Land and residential rental fees ¥44,224 Advisor fees ¥16,348 Commissions ¥30,617	※1 The following are the main expenses in sales and general administrative expenses (thousand yen) Sales promotion expense ¥22,816 Advertising expense ¥20,150 Director salary ¥117,707 Employee salary ¥457,691 Contract worker salaries, etc. ¥76,864 Business consignment fees ¥15,263 Statutory welfare expenses ¥56,156 Traveling and transportation expenses ¥45,029 Correspondence expenses ¥16,270 Depreciation ¥13,941 Land and residential rental fees ¥56,983 Advisor fees ¥30,584 Commissions ¥47,099 Amortization of goodwill ¥11,489	※1 The following are the main expenses in sales and general administrative expenses (thousand yen) Sales promotion expense ¥98,963 Advertising expense ¥22,542 Director salary ¥226,431 Employee salary ¥654,815 Contract worker salaries, etc. ¥161,088 Business consignment fees ¥26,621 Statutory welfare expenses ¥69,160 Traveling and transportation expenses ¥77,553 Correspondence expenses ¥17,291 Depreciation ¥47,528 Land and residential rental fees ¥92,788 Advisor fees ¥62,906 Commissions ¥85,417

Previous interim consolidated accounting period (From April 1, 2005 to September 30, 2005)	Current interim consolidated accounting period (From April 1, 2006 to September 30, 2006)	Previous consolidated accounting period (From April 1, 2005 to March 31, 2006)
※2 Loss on disposal of fixed assets (thousand yen) Tools, furniture and equipment ¥65 Vehicles ¥47	※2 Loss on disposal of fixed assets (thousand yen) Software ¥1,223	※ 2 Loss on disposal of fixed assets (thousand yen) Tools, furniture and equipment ¥68 Vehicles ¥47

Related to the consolidated statement of shareholders' equity1. Concerning the total number of common and treasury shares issued

	Number of shares outstanding at the end of the previous consolidated accounting year	Increase in the number of shares outstanding during the current interim consolidated accounting period	Decrease in the number of shares outstanding during the current interim consolidated accounting period	Number of shares outstanding shares at the end of the current interim consolidated accounting period
Issued shares				
Common stock (Note)	224,177.63	227	—	224,404.63
Total	224,177.63	227	—	224,404.63
Treasury stock				
Common stock	25.18	—	—	25.18
Total	25.18	—	—	25.18

Note: There was an increase of 277 common shares due to the exercise of new share reservation rights.

2. Concerning new share reservation rights and new share reservation rights held by the Group

Segment	New stock reservation rights	Type of stock issued from the exercise of new stock reservation rights	Number of shares issued from the exercise of the new stock reservation rights				Balance at the end of the current interim consolidated accounting period
			As of the end of the previous consolidated accounting year	Increase during the current interim consolidated accounting period	Decrease during the current interim consolidated accounting period	End of the current interim consolidated accounting period	
Submitting company	Corporate bond with warrants for the 1999 fiscal year (note 2)	Common stock	150	—	33	117	— (Note 1)
	Warrants for the 2000 fiscal year	Common stock	2,247	—	—	2,247	
	Corporate bond with warrants for the 2000 fiscal year	Common stock	246	—	—	246	
	Corporate bond with warrants for the 2001 fiscal year (note 3)	Common stock	2,358	—	33	2,325	
	New share reservation rights for the 2002 fiscal year (note 4)	Common stock	2,058	—	72	1,986	
	New share reservation rights for the 2003 fiscal year (note 5)	Common stock	1,602	—	344	1,258	
	New share reservation rights for the 2004 fiscal year (note 6)	Common stock	3,800	—	530	3,270	
	New share reservation rights for the 2005 fiscal year (note 7)	Common stock	3,976	—	44	3,932	
	New share reservation rights for the 2006 fiscal year (note 8)	Common stock	—	2,000	—	2,000	6,032
Total		—	16,437	2,000	1,056	17,381	6,032

Note:
1. There is no balance as these incentive stock options were granted before the enforcement of the Corporate Law.
2. There was a decrease of 33 corporate bonds with warrants in 1999 due to their exercise.
3. There was a decrease of 33 warrants in 2001 due to their expiration.
4. There was a decrease of 21 new share reservation rights due to expiration and a decrease of 51 due to their exercise in 2002.
5. There was a decrease of 321 new share reservation rights due to expiration and a decrease of 23 due to their exercise in 2003.
6. There was a decrease of 410 new share reservation rights due to expiration and a decrease of 120 due to their exercise in 2004.
7. There was a decrease of 44 new share reservation rights in 2005 due to their expiration.
8. There was an increase in new share reservation rights due to the issuance of new rights on August 10, 2006.

Related to the interim consolidated cash flow statements

Previous interim consolidated accounting period (From April 1, 2005 to September 30, 2005)		Current interim consolidated accounting period (From April 1, 2006 to September 30, 2006)		Previous consolidated accounting period (From April 1, 2005 to March 31, 2006)	
1 Relation between cash and cash equivalents at end of interim accounting period and items appearing in the interim consolidated balance sheet (thousand yen)		1 Relation between cash and cash equivalents at end of interim accounting period and items appearing in the interim consolidated balance sheet (thousand yen)		1 Relation between cash and cash equivalents at end of accounting period and items appearing in the interim consolidated balance sheet (thousand yen)	
Cash and deposit accounts	¥2,166,798	Cash and deposit accounts	¥1,561,281	Cash and deposit accounts	¥1,200,408
Marketable securities (Money Market Fund)	¥19,141	Marketable securities (Money Market Fund)	¥584,093	Marketable securities (Money Market Fund)	¥684,725
Cash and cash equivalents	¥2,185,940	Cash and cash equivalents	¥2,145,375	Cash and cash equivalents	¥1,885,134

Related to lease transactions

As the Half-Term Report will be disclosed through EDINET, the following entry is abridged.

Related to marketable securities

Previous interim consolidated accounting period (April 1, 2005 to Sept 30, 2005)
Breakdown of the main marketable securities with no quoted price

Amounts calculated on the interim consolidated balance sheet (thousand yen)	
Other marketable securities Marketable securities (Money Market Fund)	19,141

Current interim consolidated accounting period (April 1, 2006 to Sept 30, 2006)
Breakdown of the main marketable securities with no quoted price

Amounts calculated on the interim consolidated balance sheet (thousand yen)	
Other marketable securities Marketable securities (Money Market Fund)	584,093

Previous consolidated fiscal year (April 1, 2005 to Mar. 31, 2006)
Breakdown of the main marketable securities with no quoted price

Amounts calculated on the consolidated balance sheet (thousand yen)	
Other marketable securities Marketable securities (Money Market Fund)	684,725

Related to derivatives trading

Previous interim consolidated accounting period (Apr 1, 2005 to Sept 30, 2005)
Derivative trading was not executed; therefore, there are no relevant items.

Current interim consolidated accounting period (Apr 1, 2006 to Sept 30, 2006)
Derivative trading was not executed; therefore, there are no relevant items.

Previous consolidated accounting period (Apr 1, 2005 to Mar 31, 2006)
Derivative trading was not executed; therefore, there are no relevant items.

Related to Stock Options

As the Half-Term Report will be disclosed through EDINET, the following entry is abridged.

Segment information

Segment information per business line

Previous interim consolidated accounting period (Apr 1, 2005 to Sept 30, 2005)

Our Group is engaged in a single business, mobile communications, and there are no other businesses. Thus the business segment information is not available.

Current interim consolidated accounting period (Apr 1, 2006 to Sept 30, 2006)

Our Group is engaged in a single business, mobile communications, and there are no other businesses. Thus the business segment information is not available.

Previous consolidated fiscal year (Apr 1, 2005 to Mar 31, 2006)

Our Group is engaged in a single business, mobile communications, and there are no other businesses. Thus the business segment information is not available.

Segment information per location

Previous interim accounting period (April 1, 2005 to Sept 30, 2005)

	Japan (thousand yen)	USA (thousand yen)	Total (thousand yen)	Deletion or entire company (thousand yen)	Consolidated (thousand yen)
Net sales and operating profit and loss					
Net sales					
(1) Sales to external customers	2,506,776	—	2,506,776	—	2,506,776
(2) Internal sales or transfer amount between segments	—	338,809	338,809	(338,809)	—
Total	2,506,776	338,809	2,845,585	(338,809)	2,506,776
Operating expenses	2,364,816	329,145	2,693,962	(307,548)	2,386,413
Operation profit	141,960	9,663	151,623	(31,260)	120,363

Note: Countries or regions are classified by geographic proximity to each other.

Current Interim Consolidated Fiscal Period (April 1, 2006 to September 30, 2006)

	Japan (thousand yen)	USA (thousand yen)	Total (thousand yen)	Deletion or entire company (thousand yen)	Consolidated (thousand yen)
Net sales and operating profit and loss					
Net sales					
(1) Sales to external customers	1,927,845	4,539	1,932,384	—	1,932,384
(2) Internal sales or transfer amount between segments	—	276,231	276,231	(276,231)	—
Total	1,927,845	280,770	2,208,616	(276,231)	1,932,384
Operating expenses	2,117,869	501,950	2,619,819	(234,574)	2,385,245
Operation loss	(190,023)	(221,180)	(411,203)	(41,656)	(452,860)

Notes: 1. Countries or regions are classified by geographic proximity to each other.

2. Revised items required for drafting interim consolidated financial statements
As detailed in the section "Revised items required for drafting interim consolidated financial statements" (Accounting standard for stock options), from this consolidated fiscal period the "Accounting Standard for Stock Options" (Corporate Accounting Standard No. 8, December 27, 2005) and the "Guidelines for applying the accounting standard for Stock Options" (Guidelines for Applying Corporate Accounting Standards No. 11, May 31, 2006) are applied. When compared with the previous method, this change has resulted in an increase in "Japan's" operating cost and operating loss of 6,032 thousand yen.

3. Revised items required for drafting interim consolidated financial statements
As detailed in the section "Revised items required for drafting interim consolidated financial statements" (Change in revenue recognition method) the revenue recognition method has been changed as of this interim consolidated fiscal period. When compared with the previous method, this change has resulted in a decrease in total sales in Japan and operating cost of 132,452 thousand yen and 92,165 thousand yen respectively. Operating loss has increased by 40,286 thousand yen.

Previous consolidated fiscal year (Ended Mar 31, 2006)

	Japan (thousand yen)	USA (thousand yen)	Total (thousand yen)	Deletion or entire company (thousand yen)	Consolidated (thousand yen)
Net sales and operating profit and loss					
Net sales					
(1) Sales to external customers	4,943,987	—	4,943,987	—	4,943,987
(2) Internal sales or transfer amount between segments	—	708,968	708,968	(708,968)	—
Total	4,943,987	708,968	5,652,955	(708,968)	4,943,987
Operating expenses	4,734,900	678,826	5,413,727	(643,690)	4,770,036
Operating profit	209,087	30,141	239,228	(65,277)	173,950

Notes: Countries or regions are classified by geographic proximity.

Overseas sales

Previous interim consolidated accounting period (Apr 1, 2005 to Sept 30, 2005)

Overseas sales are omitted because they represent less than 10% of total consolidated sales for the previous interim consolidated accounting period.

Current interim consolidated accounting period (Apr 1, 2006 to Sept 30, 2006)

Overseas sales are omitted because they represent less than 10% of total consolidated sales for the current interim consolidated accounting period.

Previous consolidated fiscal year (Apr 1, 2005 to Mar 31, 2006)

Overseas sales are omitted because they represent less than 10% of total consolidated sales for the current fiscal year.

Data per share

Item	Previous interim consolidated accounting period (From April 1, 2005 to September 30, 2005)	Current interim consolidated accounting period (From April 1, 2006 to September 30, 2006)	Previous consolidated accounting period (From April 1, 2005 to March 31, 2006)
Net assets per share	¥16,278.39	¥14,314.26	¥16,657.01
Net interim income (loss) per share	¥258.33	(¥2,358.08)	¥495.40
Net interim income per share on a fully diluted basis	¥245.26	Net interim income per share on a fully diluted basis is not reported this term as there is a net loss per share this term.	¥474.61

Note: Basis for calculating the interim (current term) net income per share and the interim (current term) net income per share on a fully diluted basis

Item	Previous interim consolidated accounting period (From April 1, 2005 to September 30, 2005)	Current interim consolidated accounting period (From April 1, 2006 to September 30, 2006)	Previous consolidated accounting period (From April 1, 2005 to March 31, 2006)
Net interim income per share			
Net interim income (loss) (thousand yen)	55,183	(528,824)	107,954
Amount not attributed to common shares (thousand yen)	—	—	—
(Director bonus as appropriation of profit surplus)	—	—	—
Net interim income (loss) relating to common shares (thousand yen)	55,183	(528,824)	107,954
Average number of shares during period (shares)	213,617.19	224,260.59	217,910.86
Net interim income per share on a fully diluted basis			
Net interim income adjustment (thousand yen)	—	—	—
(Interest due (After deducting the amount of corresponding tax))	—	—	—
Number of increased common stock (shares)	11,383.40	—	9,545.82
(Stock options)	11,383.40	—	9,545.82
Details of those latent shares that are not included in fully diluted net interim income per share because they have no dilution effects.	① New Share Reservation Rights (—) ② Share Purchase warrants granted in accordance with Chapter 280, Article 19 of the former Commercial Code of Japan: 4,668 warrants. ③ Corporate bonds with warrants that are classified as corporate bonds with warrants according to Chapter 19, Article 2 of the Law to maintain amendments to laws associated with the Commercial Code: remainder 1,394 thousand yen.	① New Share Reservation Rights (3,932) ② Share Purchase warrants granted in accordance with Chapter 280, Article 19 of the former Commercial Code of Japan: 4,572 warrants ③ Corporate bonds with warrants that are classified as corporate bonds with warrants according to Chapter 19, Article 2 of the Law to maintain amendments to laws associated with the Commercial Code: remainder 1,394 thousand yen.	① New Share Reservation Rights (3,976) ② Share Purchase warrants granted in accordance with Chapter 280, Article 19 of the former Commercial Code of Japan: 4,605 warrants ③ Corporate bonds with warrants that are classified as corporate bonds with warrants according to Chapter 19, Article 2 of the Law to maintain amendments to laws associated with the Commercial Code: remainder 1,394 thousand yen.

Important post-balance sheet events

Previous interim consolidated accounting period (From April 1, 2005 to September 30, 2005)	Current interim consolidated accounting period (From April 1, 2006 to September 30, 2006)	Previous consolidated accounting period (From April 1, 2005 to March 31, 2006)
————	————	1. Establishment of a subsidiary On April 3, 2006, our Company established a US subsidiary, Communications Security and Compliance Technologies, Inc. (Headquarters: Atlanta, Georgia). Details of the subsidiary Headquarters: Atlanta, Georgia, USA Incorporated in: Delaware, USA Primary business: Providing security and compliance measures combined with wireless data communication services for US customers. Capital: US$ 1,000,000 Ratio of ownership by JCI: 100% 2. Stock options At the Board of Directors' meeting held on May 25, 2006, the issuance of stock options, to be distributed on August 18, 2006, was approved for directors, auditors and employees of this company and its subsidiaries. [Details of the stock options] ・Type of share: Common stock ・Planned number of options to be issued: 2,000 shares maximum ・Issue price of stock options: Free ・Issue price: (See Note 1) ・Capital incorporation: (See Note 2) ・Total issue price: TBA ・Total capital incorporation: TBA ・Acquirers: Directors, auditors and employees of this company and its subsidiaries ・Options exercise period: August 10, 2006 to August 10, 2011 (Note 1) The closing price (including quote displays) for this company's common stock traded on the Osaka Securities Exchange Hercules market on the day prior to the issuance date for stock options, August 10, 2006 (excluding non-trading days). (Note 2) The amount resulting from multiplying the issue price per share issued by exercising these stock options by 0.5 (rounding down to the nearest 1 yen) is set as Capital and the balance as Capital Reserve.

2 Production, orders and sales situation

(1) Production results

The results of services provided by our Group are almost the same as those for sales. See the items relating to sales results for details on production results.

(2) Purchasing results

The following shows the purchasing results for our Group per service segment.

	Previous interim consolidated accounting period (From April 1, 2005 to September 30, 2005)		Current interim consolidated accounting period (From April 1, 2006 to September 30, 2006)		Previous consolidated accounting period (From April 1, 2005 to March 31, 2006)	
Segment	Amount (Thousand yen)	(%)	Amount (Thousand yen)	(%)	Amount (Thousand yen)	(%)
Telecommunication services	781,588	57.4	518,138	52.1	1,509,183	53.2
Data communications services	579,492	42.6	475,820	47.9	1,327,556	46.8
Total	1,361,081	100.0	993,959	100.0	2,836,740	100.0

Notes: 1 Consumption taxes are not included in the amounts above.
2 The amounts shown are purchase prices.

(3) Order results

No relevant items.

(4) Sales results

The following shows the sales results for our Group per service segment.

	Previous interim consolidated accounting period (From April 1, 2005 to September 30, 2005)		Current interim consolidated accounting period (From April 1, 2006 to September 30, 2006)		Previous consolidated accounting period (From April 1, 2005 to March 31, 2006)	
Segment	Amount (Thousand yen)	(%)	Amount (Thousand yen)	(%)	Amount (Thousand yen)	(%)
Telecommunication services	1,051,851	42.0	683,925	35.4	2,033,853	41.1
Data communications services	1,454,925	58.0	1,248,459	64.6	2,910,134	58.9
Total	2,506,776	100.0	1,932,384	100.0	4,943,987	100.0

Notes: 1 Consumption taxes are not included in the amounts above.
2 There is no customer who exceeds 10% of the total sales.