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Japan Communications Inc.

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Notification of the Posting of Extraordinary Loss

Please be informed that Japan Communications Inc. (JCI) will post the following extraordinary loss on its interim financial results for the fiscal half year ending September 31, 2006.

1. Details of the Extraordinary Loss

The JCI Group has offered data communication services since October 2001, when we acquired a network through interconnection with the network of the PHS carrier, Willcom. However, while consumer focus is increasingly geared towards the 3G networks provided by cellular phone carriers, the JCI Group has yet to achieve interconnection with a 3G carrier and thus to provision a 3G network. As a result of this, the rate of growth of JCI's core business – data communication services – has fallen far short of expectations.

Therefore, the highest priority issue currently facing the JCI Group is the provisioning of a 3G network through interconnection with a 3G carrier. The reality, however, is that such an interconnection is still not in place, and therefore sales strategy has been revised to aggressively pursue the development of our security solutions division. This strategic reevaluation has necessitated a large-scale reorganization of human resources and, with a focus on directors and managers, total staff has been reduced by approximately 40 employees. This has resulted in a one-time business reconstruction cost estimated to amount to an extraordinary loss of 104 million yen.

2. Impact on Business Performance

Looking beyond the current fiscal period, selling, general and administrative costs of nearly equal scale that were already anticipated will, due to the above strategic reevaluation, now be posted as this one-time extraordinary loss.

This extraordinary loss will impact earnings as follows: an increase in ordinary income (decrease in ordinary loss) resulting from a decrease in selling, general and administrative costs of 123 million yen, and an increase in net profit (decrease in net loss) resulting from the difference of 19 million yen between the originally estimated SGA expense and this one-time cost.

3. Forecast

For details, please refer to “Notification of the Amendment of the Earnings Forecast for the Fiscal Year Ending March 2007”, announced separately today.

About JCI

Japan Communications Inc. (JCI) was the first to introduce the Mobile Virtual Network Provider (MVNO) business model to the world in 1996. JCI, a publicly listed company in Japan (JPN-9424), is the first and the largest data MVNO in the world. It has pioneered wireless data solutions, which address particular needs of specific customers both in consumer and enterprise markets. Operating as an integrator of wireless and fixed network services with information technology, it is the leading provider of end-to-end wireless data solutions.

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