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**Notification of the Posting of Extraordinary Loss and Amendment of the  
Earnings Forecast for the Fiscal Year Ended March 2007**

Japan Communications Inc. (JCI) has posted an extraordinary loss in the fiscal year ended March 2007.

In addition, JCI has made following changes to the November 15, 2006 consolidated forecast for the fiscal year, made at the time of the interim financial report for the consolidated fiscal year ended March 2007 (April 1, 2006 to March 31, 2007).

I. Posting of Extraordinary Loss

JCI Group, using the business model fostered in Japan and applied technologies and know-how, is driving similar business development in overseas markets.

As a first step, JCI Group procured a mobile network through a business alliance with U.S. cellular operator Verizon Wireless in December 2005. Also, in March 2006 JCI acquired Arxceo Corporation, which owns intrusion prevention system (IPS) technologies, and the following month established Communications Security and Compliance Technologies Inc. (CSCT) as a consolidated subsidiary with the objective of developing business in the U.S.

However, the establishment of an inter-carrier connection with Verizon Wireless, a necessary condition of providing differentiated network services, was delayed, resulting in the current situation in which U.S. business has not developed.

Therefore, the JCI Group began to negotiate MVNO contracts, including interconnections with other U.S. wireless operators in the second half of the fiscal year ending March 2007, and in

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March 2007 came close to an agreement (after this negotiation, an agreement was reached and announced on April 23, 2007).

JCI, in consideration of the above conditions, and in taking a conservative stance toward a sound accounting policy, we posted an extraordinary loss.

Write-off of goodwill for Arxceo Corporation	429 million yen
(JCI-only write-off of affiliated stock of affiliated companies	524 million yen)
Write-off of software	133 million yen
Write-off of data cards for Verizon Wireless	29 million yen

The above extraordinary loss is an accounting treatment, and is not a cash expense.

## II. Amendments to the earnings forecast

1. Amendment to the consolidated earnings forecast for the fiscal year ended March 2007  
(April 1, 2006 to March 31, 2007)

(Unit: million yen, %)

	Net Sales	Ordinary Income	Net Income
Previously Announced Forecast (A)	4,433	(375)	(452)
Amended Forecast (B)	4,002	(630)	(1,230)
Difference (B – A)	(431)	(255)	(778)
Difference Ratio (%)	(9.7)	(68.0)	(172.1)
(Reference) Previous fiscal year (ended March 2006) performance	4,943	113	107

2. Reason for the Amendment

In regards to achievement for the period ended March 2007, business operations in Japan proceeded generally as expected; however, revenues from the consolidated subsidiaries fell far below their target levels. For this reason, sales and ordinary income fell short of the previously forecasted levels.

In addition to the shortage of ordinary profit as compared to the forecast, we will have a much larger net loss due to the extraordinary loss described above.

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### 3. Regarding the business structure of our Group

Using cash raised from business activities in Japan, as well as the MVNO business model, technologies and know-how fostered in Japan, JCI Group is driving similar business development in overseas markets.

However, in the interim period for the year ended March 2007 (April 1 to September 30, 2006), we posted a loss on our Japanese operations, and in October 2006 conducted a reduction in personnel and a restructuring of the organization's sales and operations. Due to this, for the period from October to December 2006, JCI returned to profitability and posted 59 million yen in ordinary profit, and from January to March of 2007 we expect JCI ordinary profit to have exceeded that of the previous quarter. With depreciation and amortization taken into consideration, cash-based revenue from operations in Japan is expected to exceed 250 million yen in the second half of the fiscal year ended March 2007.

Note: This 250 million yen is earnings before interest, taxes, depreciation and amortization (EBITDA), and is different from cash flow from operations.

### **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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