Consolidated Balance Sheets

KDDI Corporation and Consolidated Subsidiaries

March 31, 2005 and 2006	Millions of yen 2005	Millions of yen 2006	Millions of U.S. dollars (Note 1) 2006
ASSETS			
Current Assets:			
Cash and cash equivalents	¥ 222,532	¥ **151,003**	$ **1,285**
Accounts receivable	383,083	**408,905**	**3,481**
Allowance for doubtful accounts	(17,900)	**(15,175)**	**(129)**
Inventories	48,613	**38,384**	**326**
Deferred income taxes (Note 12)	30,407	**17,730**	**151**
Prepaid expenses and other current assets	20,678	**15,837**	**135**
Total Current Assets	687,413	**616,684**	**5,249**
Property, Plant and Equipment (Note 4):			
Telecommunications equipment	2,619,605	**3,001,891**	**25,555**
Buildings and structures	383,982	**428,448**	**3,647**
Machinery and tools	118,564	**117,078**	**997**
Land	50,286	**48,423**	**412**
Construction in progress	71,439	**70,419**	**599**
Other property, plant and equipment	10,255	**1,195**	**10**
	3,254,131	**3,667,454**	**31,220**
Accumulated depreciation	(1,841,446)	**(2,257,597)**	**(19,218)**
Total Property, Plant and Equipment	1,412,685	**1,409,857**	**12,002**
Investments and Other Assets:			
Investments in securities (Notes 3, 4)	31,846	**49,276**	**420**
Deposits and guarantee money	35,298	**38,547**	**328**
Intangible assets	149,642	**165,332**	**1,408**
Goodwill	48,248	**—**	**—**
Deferred income taxes (Note 12)	23,682	**103,625**	**882**
Other assets	96,048	**126,326**	**1,075**
Allowance for doubtful assets	(12,540)	**(8,782)**	**(75)**
Total Investments and Other Assets	372,224	**474,324**	**4,038**
Total Assets	¥ 2,472,322	¥ **2,500,865**	$ **21,289**

The accompanying notes are an integral part of these statements.

March 31, 2005 and 2006	Millions of yen 2005	Millions of yen 2006	Millions of U.S. dollars (Note 1) 2006
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities:			
Short-term loans and current portion of long-term loans (Note 4)	¥ 227,744	**¥ 246,757**	**$ 2,100**
Accounts payable	260,407	**275,107**	**2,342**
Accrued income taxes	65,682	**18,780**	**160**
Accrued expenses	9,956	**10,919**	**93**
Allowance for bonuses	13,511	**16,892**	**144**
Other current liabilities	25,483	**26,971**	**230**
Total Current Liabilities	602,783	**595,426**	**5,069**
Non-Current Liabilities:			
Long-term loans (Note 4)	368,967	**266,340**	**2,267**
Bonds (Note 4)	268,175	**257,800**	**2,195**
Reserve for point service program	20,805	**24,893**	**212**
Reserve for retirement benefits and other non-current liabilities (Notes 4, 13)	36,171	**44,078**	**375**
Total Non-Current Liabilities	694,118	**593,111**	**5,049**
Total Liabilities	1,296,901	**1,188,537**	**10,118**
Minority Interests	13,229	**16,797**	**142**
Contingent Liabilities (Note 5)			
Shareholders' Equity (Note 10):			
Common stock			
Authorized—7,000,000 and 7,000,000 shares at			
March 31, 2005 and 2006, respectively			
Issued —4,240,880.38 and 4,427,256.86 shares at			
March 31, 2005 and 2006, respectively	141,852	**141,852**	**1,208**
Additional paid in capital surplus	304,190	**305,676**	**2,602**
Retained earnings	739,448	**853,405**	**7,265**
Net unrealized gains on securities	9,858	**21,666**	**184**
	1,195,348	**1,322,599**	**11,259**
Foreign Currency Translation Adjustments	(1,650)	**1,166**	**10**
Treasury stock, at cost	(31,506)	**(28,234)**	**(240)**
Total Shareholders' Equity	1,162,192	**1,295,531**	**11,029**
Total Liabilities and Shareholders' Equity	¥ 2,472,322	**¥ 2,500,865**	**$ 21,289**

Consolidated Statements of Income

KDDI Corporation and Consolidated Subsidiaries

March 31, 2005 and 2006	Millions of yen 2005	Millions of yen 2006	Millions of U.S. dollars (Note 1) 2006
Operating Revenues:			
Revenues from telecommunication business	¥ 2,300,566	¥ 2,398,526	$ 20,418
Sales of terminal equipment and other	619,473	662,288	5,638
Total Operating Revenues	2,920,039	3,060,814	26,056
Operating Expenses:			
Sales expenses	998,403	1,047,003	8,913
Depreciation	341,043	328,259	2,795
Charges for use of telecommunications services of third parties	382,064	413,294	3,518
Cost of sales of terminal equipment and other	615,539	653,531	5,563
Other	286,814	322,131	2,742
Total Operating Expenses	2,623,863	2,764,218	23,531
Operating Income	296,176	296,596	2,525
Other Expenses (Income):			
Interest expense	20,949	15,682	133
Interest income	(701)	(1,027)	(9)
Gain on sales of securities	(3,008)	(699)	(6)
Valuation loss on investments in securities	273	695	6
Loss (gain) on sales of property, plant and equipment (Note 6)	(205)	422	4
Gain from transfer of PHS business	(27,674)	—	—
Equity in gain of affiliates	(1,426)	(2,278)	(19)
Gains from forgiveness of debt	—	(1,298)	(11)
Dividend income from anonymous association	(6,418)	(6,836)	(58)
Loss on disposal of property, plant and equipment	174	160	1
Impairment loss (Note 7)	23,449	114,296	973
Other, net	(2,768)	(3,127)	(26)
Total Other Expenses	2,645	115,990	988
Income before Income Taxes and Minority Interests	293,531	180,606	1,537
Income Taxes:			
Current	96,647	61,140	520
Deferred	(8,541)	(74,597)	(635)
Total Income Taxes	88,106	(13,457)	(115)
Minority Interests in Consolidated Subsidiaries	4,833	3,494	30
Net Income	¥ 200,592	¥ 190,569	$ 1,622

March 31, 2005 and 2006	Yen 2005	Yen 2006	U.S. dollars (Note 1) 2006
Per Share Data:			
Net income	¥ 47,612	¥ 45,056	$ 383.55
Net income after adjusted the potential stocks	47,571	45,025	383
Cash dividends	6,900	8,000	68.10

The accompanying notes are an integral part of these statements.

Consolidated Statements of Shareholders' Equity

KDDI Corporation and Consolidated Subsidiaries

Years ended March 31, 2005 and 2006	Thousands Number of shares of common stock	Millions of yen Common stock	Additional paid in capital surplus	Retained earnings	Net unrealized gains on securities	Foreign currency translation adjustments	Treasury stock at cost
Balance, March 31, 2004	4,241	¥ 141,852	¥ 304,190	¥ 563,678	¥ 11,977	¥ (1,645)	¥ (10,661)
Net income for the year				200,592			
Cash dividends (Note 10)				(24,460)			
Directors' and corporate auditors' bonuses				(78)			
Loss on disposal of treasury stocks				(284)			
Decrease due to decrease in equity method companies				(0)			
Net unrealized gains on securities					(2,119)		
Foreign currency translation adjustments						(5)	
Net changes in treasury stock							(20,845)
Balance, March 31, 2005	4,241	¥ 141,852	¥ 304,190	¥ 739,448	¥ 9,858	¥ (1,650)	¥ (31,506)
Increase due to merger	186		1,486				
Net income for the year				190,569			
Cash dividends (Note 10)				(29,247)			
Directors' and corporate auditors' bonuses				(89)			
Loss on disposal of treasury stocks				(838)			
Disposition of goodwill				(46,438)			
Net unrealized gains on securities					11,808		
Foreign currency translation adjustments						2,816	
Net changes in treasury stock							3,272
Balance, March 31, 2006	**4,427**	**¥ 141,852**	**¥ 305,676**	**¥ 853,405**	**¥ 21,666**	**¥ 1,166**	**¥ (28,234)**

Years ended March 31, 2006	Thousands Number of shares of common stock	Millions of U.S. dollars (Note 1) Common stock	Additional paid in capital surplus	Retained earnings	Net unrealized gains on securities	Foreign currency translation adjustments	Treasury stock at cost
Balance, March 31, 2005	4,241	$ 1,208	$ 2,590	$ 6,295	$ 84	$ (14)	$ (268)
Increase due to merger	186		12				
Net income for the year				1,622			
Cash dividends (Note 10)				(249)			
Directors' and corporate auditors' bonuses				(1)			
Loss on disposal of treasury stocks				(7)			
Disposition of goodwill				(395)			
Net unrealized gains on securities					100		
Foreign currency translation adjustments						24	
Net changes in treasury stock							28
Balance, March 31, 2006	**4,427**	**$ 1,208**	**$ 2,602**	**$ 7,265**	**$ 184**	**$ 10**	**$ (240)**

Consolidated Statements of Cash Flows

KDDI Corporation and Consolidated Subsidiaries

March 31, 2005 and 2006	Millions of yen 2005	Millions of yen 2006	Millions of U.S. dollars (Note 1) 2006
Cash Flows from Operating Activities:			
Income before income taxes and Minority interests Adjustments for:	¥ 293,531	¥ **180,606**	$ **1,537**
Depreciation and amortization	354,061	**337,461**	**2,873**
Loss (gain) on sales of property, plant and equipment	(205)	**422**	**4**
Loss on disposal of property, plant and equipment	18,172	**22,074**	**188**
Impairment loss	23,449	**114,296**	**973**
Decrease in allowance for doubtful accounts	(465)	**(5,642)**	**(48)**
Decrease in reserve for retirement benefits	(640)	**(1,673)**	**(14)**
Interest and dividend income	(886)	**(1,494)**	**(13)**
Interest expenses	20,949	**15,682**	**133**
Equity in gain of affiliates	(1,426)	**(2,278)**	**(19)**
Gain on sales of investment securities	(3,008)	**(699)**	**(6)**
Valuation loss in investments in securities	273	**695**	**6**
Gain from transfer of PHS business	(27,674)	**—**	**—**
Increase in reserve for point services	3,698	**4,088**	**35**
Changes in assets and liabilities:			
Increase in prepaid pension cost	(1,916)	**(1,534)**	**(13)**
Increase in notes and accounts receivable	(3,840)	**(6,863)**	**(58)**
Decrease in inventories	10,466	**10,872**	**93**
Increase (decrease) in notes and accounts payable	(12,256)	**24,424**	**208**
Other, net	2,116	**5,916**	**49**
Sub total	674,399	**696,353**	**5,928**
Interest and dividend income received	1,929	**2,281**	**19**
Interest expenses paid	(22,233)	**(16,348)**	**(139)**
Income taxes paid	(115,419)	**(106,755)**	**(909)**
Net cash provided by operating activities	538,676	**575,531**	**4,899**
Cash Flows from Investing Activities:			
Payments for purchase of property, plant and equipment	(271,926)	**(311,614)**	**(2,653)**
Proceeds from sale of property, plant and equipment	1,466	**1,953**	**17**
Payments for other intangible assets	(56,035)	**(87,665)**	**(746)**
Acquisition of investment in securities	(6,085)	**(413)**	**(4)**
Proceeds from sale of investment in securities	10,282	**3,336**	**28**
Payments for investment in affiliates	(5,395)	**(28,669)**	**(244)**
Proceeds from sale of subsidiaries excluded from consolidation	206,234	**—**	**—**
Increase in long-term prepayment	(14,058)	**(13,648)**	**(116)**
Other, net	(991)	**797**	**7**
Net cash used in investing activities	(136,508)	**(435,923)**	**(3,711)**
Cash Flows from Financing Activities:			
Net decrease in short-term loans	(1,351)	**(543)**	**(5)**
Repayment of long-term loans	(293,330)	**(216,530)**	**(1,843)**
Repayment of long-term accounts payable	(5,935)	**(2,583)**	**(23)**
Proceed from new bond issue	—	**49,973**	**424**
Payment for redemption of bonds	(15,375)	**(60,375)**	**(514)**
Payments for acquisition of treasury stocks	(24,436)	**(262)**	**(2)**
Dividends paid	(24,594)	**(29,552)**	**(249)**
Payments received from minority shareholders	164	**242**	**2**
Other, net	(11,201)	**2,695**	**23**
Net cash used in financing activities	(376,058)	**(256,935)**	**(2,187)**
Translation Adjustments on Cash and Cash Equivalents	(96)	**1,146**	**10**
Net Increase (Decrease) in Cash and Cash Equivalents	26,014	**(116,181)**	**(989)**
Cash and Cash Equivalents at Beginning of Year	196,518	**222,532**	**1,894**
Increase in Cash and Cash Equivalents due to Merger and Subsidiaries Newly Consolidated	—	**44,722**	**381**
Decrease in Cash and Cash Equivalents due to change in consolidation	—	**(70)**	**(1)**
Cash and Cash Equivalents at End of Year	¥ 222,532	¥ **151,003**	$ **1,285**

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

KDDI Corporation and Consolidated Subsidiaries

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements are prepared from the consolidated financial statements issued in Japan for domestic reporting purposes.

KDDI Corporation (the "Company") and its domestic subsidiaries maintain their accounts and records in accordance with the Japanese Commercial Code and Japanese Telecommunications Business Law, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. Its foreign subsidiaries maintain their accounts in conformity with the generally accepted accounting principles and practices of each country of their domicile.

In order to make it easier for overseas readers to comprehend, financial statements prepared for disclosure in Japan have been reclassified slightly.

The Company's consolidated financial statements for the year ended March 31, 2006, include 46 consolidated subsidiaries. These are: OKINAWA CELLULAR TELEPHONE Co., KDDI Network & Solutions Inc., KDDI Technical Engineering Service, KDDI Evolva Inc., KMN Corporation, KDDI AMERICA INC. and 40 other subsidiaries.

During the year ended March 31, 2006, significant changes in the scope were incurred as follows;

Consolidated:

KDDI Technical Engineering Servic	Established
Ubiquitous Core Inc.	Established
Media Flow Japan Co., Ltd.	Established
Power Nets Co., Ltd.	Merged

Removed (Consolidated)

Merger
KDDI Evolva Inc.
CTC Create Inc.
The corporations above merged in May 2005 with the surviving company being KDDI Evolva Inc.

Merger
KDDI Evolva Inc.
KSS Clean Corporation
The corporations above merged in July 2005 with the surviving company being KDDI Evolva Inc.

Merger
KDDI Corporation
Tu-Ka Cellular Tokyo Inc.
Tu-Ka Cellular Tokai Inc.
Tu-Ka Phone Kansai Inc.
The corporations above merged in October 2005 with the surviving company being KDDI Corporation.

Merger
Okinawa Call Center Corporation
KDDI Telemarketing Inc.
The corporations above merged in December 2005 with the surviving company being Okinawa Call Center Corporation. The company name has been changed to KDDI Evolva Okinawa Inc.

Merger
KDDI Evolva Inc.
Tu-Ka Services, Inc.
The corporations above merged in February 2006 with the surviving company being KDDI Evolva Inc.

TOKYO NETWORK COMPUTING PTY. LTD.	Liquidated
KDDI Submarine Cable Systems, Inc.	Liquidated
KDDI R&D LABORATORIES USA, INC.	Liquidated
SWIFTCALL CENTRE LTD.	Sale of shares
SWIFTCALL LONG DISTANCE LTD.	Sale of shares

Nippon Iridium Corp. Decision to start bankruptcy proceedings
NIPPON IRIDIUM (BERMUDA) LTD. Decision to start bankruptcy proceedings

Equity Method
Added:
Mobaoku. Co., Ltd., Japan Cablenet Holdings Limited, Japan Cablenet Limited, Cable Network, OTA Co., Ltd., City TV Nakano Ltd., Katsushika Cable Network Corporation, Odawara Cable TV Co., Ltd., Musashino-Mitaka Cable Television Inc., Town TV Minami Yokohama Co., Ltd., Cable Network Chiba Co., Ltd., Town TV Narashino Co., Ltd., Funabashi Cable Network Co., CATV KOHNAN Limited, Kumamoto Cable Network Corporation, Hachioji TeleMedia Ltd., Koala TV Co., Ltd., My TV Co., Ltd. Acquisition of shares

Removed:
Ampersand Broadband Inc. Liquidated

The financial statements presented herein are expressed in Japanese yen and, solely for the convenience of the readers, have been translated into U.S. dollars at the rate of ¥117.47=$1, the approximate exchange rate on March 31, 2006. These translations should not be construed as representations that the Japanese yen amounts actually are, have been or could be readily converted into U.S. dollars at this rate or any other rate.

2. Significant Accounting Policies

a. Basis of Consolidation and Accounting for Investments in Affiliated Companies

The accompanying consolidated financial statements include the accounts of the Company and its consolidated subsidiaries.

All significant intercompany transactions and accounts are eliminated.

Investments in certain affiliates are accounted for by the equity method, whereby a consolidated group includes in net income its share of the profits or losses of these companies, and records its investments at cost adjusted for such share of profits or losses. Exceptionally, investments in 1 unconsolidated subsidiary and 2 affiliates for which the equity method have not been applied are stated at cost because the effect of application of the equity method would be immaterial.

b. Revenue Recognition
For telecommunications services, revenues are recorded mainly on the basis of minutes of traffic processed and contracted fees earned. Revenues from sales of products and systems are recognized upon fulfillment of contractual obligations, which is generally upon shipment. Revenues from rentals and other services are recognized proportionately over the contract period or as services are performed.

c. Cash and Cash Equivalents
Cash and cash equivalents in the accompanying consolidated statements of cash flows are composed of cash on hand, bank deposits able to be withdrawn on demand and short-term highly liquid investments with an original maturity of three months or less at the time of purchase and which represent a minor risk of fluctuations in value.

d. Inventories
Inventories are stated at cost. Cost is determined by the moving average method.

e. Foreign Currency Translation
All monetary assets and liabilities denominated in foreign currencies, whether long-term or short-term, are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting gains and losses are included in net profit or loss for the period.

Then, all assets and liabilities of foreign subsidiaries and affiliates are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Shareholders' equity at the beginning of the year is translated into Japanese yen at the historical rates. Profit and loss accounts for the year are translated into Japanese yen using the average exchange rate during the year. The resulting differences in yen amounts are presented as minority interests and foreign currency translation adjustments in shareholders' equity.

f. Property, Plant and Equipment and Depreciation
Property, plant and equipment is stated at cost. Assets are depreciated over their estimated useful lives by applying the declining-balance method to machinery and equipment used for fixed-line business by the Company, and by the straight-line method to machinery and equipment used for mobile communications business and other assets held by the Company, and most of depreciated assets held by its subsidiaries. The main depreciation periods are as follows.

Machinery and equipment used for fixed-line and mobile communications business:	2-17 years
Telecommunications service lines, engineering equipment, submarine cable system and buildings:	2-65 years

g. Financial Instruments
(1) Derivatives
All derivatives are stated at fair value, with changes in fair value included in net profit or loss for the period in which they arise, except for derivatives that are designated as hedging instruments.
(2) Securities
Held-to-maturity debt securities, which the Company and its subsidiaries have intended to hold to maturity, are stated at cost after accounting for premium or discount on acquisition, and are amortized over the period to maturity.

Investments of the Company in equity securities issued by affiliates are accounted for by the equity method.

Other securities for which market quotations are available are stated at fair value prevailing at the balance sheet date with unrealized gains and losses, net of applicable deferred tax assets/liabilities, directly reported as a separate component of shareholders' equity. The cost of securities sold is determined by the moving-average method.

Other securities for which market quotations are not available are valued at cost mainly determined by the moving-average method.
(3) Hedge Accounting
Gains or losses arising from changes in fair value of the derivatives designated as hedging instruments are deferred as assets or liabilities and included in net profit or loss in the same period during which the gains or losses on the hedged items or transactions are recognized.

The derivatives designated as hedging instruments by the Company are principally interest swaps and forward exchange contracts. The related hedged items are foreign currency-denominated transactions and long-term bank loans.

The Company has a policy to utilize the above hedging instruments in order to reduce the Company's exposure to the risk of interest and exchange rate fluctuation. Thus, the Company's purchases of the hedging instruments are limited to, at maximum, the amounts of the hedged items.

The Company evaluates the effectiveness of its hedging activities by quarterly comparing the accumulated gains or losses on the hedging instruments and the gains or losses on the related hedged items.

h. Research and Development Expenses and Software
Research and development expenses are charged to income when incurred. Software for internal use included in intangible assets is amortized using the straight-line method over the estimated useful lives (five years).

i. Income Taxes
Income taxes of the Company and its domestic subsidiaries consist of corporate income taxes, local inhabitants' taxes and enterprise taxes. The Company and its domestic subsidiaries have adopted the deferred tax accounting method. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial reporting and the tax bases of assets and liabilities, using the enacted tax rates in effect for the year in which the differences are expected to reverse.

j. Leases
Finance leases, other than those leases deemed to transfer the ownership of the leased assets to lessees, are accounted for using a method similar to that applicable to operating leases.

k. Other Assets
Goodwill is amortized over five and/or 20 years. Amortization of goodwill is included in operating expenses in the accompanying consolidated statements of income.

l. Net Income per Share

Net income per share is computed based on the average number of shares outstanding during each year.

m. Allowance for Doubtful Accounts

To prepare for uncollectible credits, the Company and its subsidiaries based an allowance for general credits on the actual bad debt ratio, and appropriated an estimated unrecoverable amount for specific credits deemed to be uncollectible after considering possible losses on collection.

n. Retirement Benefits

The amount for employee retirement benefits at fiscal 2006 year-end is based on the estimated value of benefit obligations, plan assets and retirement benefit trust assets at fiscal 2006 year-end. Prior service cost is amortized on a straight line basis over the average remaining service life of employees (14 years) in the year i n which it arises and unrecognized actuarial differences are amortized on a straight-line basis over the average remaining service life of employees (14 years) from the year following that in which they arise.

Upon approval from the Ministry of Health, Labour and Welfare, the Company and certain of its domestic subsidiaries shifted to a defined benefit enterprise pension plan for their employee pension funds on April 1, 2004.

o. Point Service Programs

In order to prepare for the future cost of the points customers have earned under the “au” Point Program, based on its past experience, the Company reserves an amount considered appropriate to cover possible redemption of the points during or after the next consolidated fiscal year.

p. Early Adoption of Accounting Standard for Impairment of Fixed Assets

The “Accounting Standard for Impairment of Fixed Assets” was issued on August 9, 2002 by the Business Accounting Council. This standard requires an entity to review its long-lived assets for impairment changes whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss shall be recognized by reducing the carrying amount of impaired assets or asset groups to the recoverable amount to be measured as the higher of net selling price and value in use. The standard shall be effective for fiscal years beginning April 1, 2005. However, an earlier adoption is permitted for fiscal years beginning April 1, 2004 and for fiscal years ending between March 31, 2004 and March 30, 2005. KDDI applied this new standard early for the fiscal year ended March 31, 2005. As a result, KDDI recorded impairment loss of ¥23,449 million and depreciation decreased by ¥2,726 million compared with before the change. As a result, operating income and ordinary income increased by ¥2,647 million and ¥2,726 million, respectively, while income before income taxes decreased by ¥20,722 million.

3. Market Value Information

At March 31, 2006 and 2005, book value, market value and net unrealized gains or losses of quoted securities were as follows:
Bonds intended to be held to maturity that have market value.

No items to be reported.

Other securities that have market prices

	Millions of yen						Millions of U.S. dollars		
	2005			**2006**			**2006**		
	Acquisition cost	Book value	Unrealized gain (loss)	Acquisition cost	Book value	Unrealized gain (loss)	Acquisition cost	Book value	Unrealized gain (loss)
Securities for which book value of consolidated balance sheets exceeds acquisition cost	¥ 3,355	¥ 19,867	¥ 16,512	**¥ 3,623**	**¥ 40,195**	**¥ 36,572**	**$ 31**	**$ 342**	**$ 311**
Securities for which book value of consolidated balance sheets does not exceed acquisition cost	849	846	(3)	**657**	**650**	**(7)**	**6**	**6**	**(0)**
Total	¥ 4,204	¥ 20,713	¥ 16,509	**¥ 4,280**	**¥ 40,845**	**¥ 36,565**	**$ 37**	**$ 348**	**$ 311**

Other securities sold during the current consolidated fiscal year

	Millions of yen						Millions of U.S. dollars		
	2005			**2006**			**2006**		
	Amount of sale	Total gain on sale	Total loss on sale	Amount of sale	Total gain on sale	Total loss on sale	Amount of sale	Total gain on sale	Total loss on sale
Other securities sold	¥ 7,301	¥ 3,056	¥ 47	**¥ 869**	**¥ 703**	**¥ 4**	**$ 7**	**$ 6**	**$ 0**

Type and book value of securities whose market value is not determinable.

	Millions of yen		Millions of U.S. dollars
	2005	**2006**	**2006**
	Book value	Book value	Book value
Other securities			
Unlisted equity securities	¥ 9,416	**¥ 9,003**	**$ 77**
Unlisted corporate bonds	2,508	**—**	**—**
Commercial papers	61,988	**4,999**	**42**
Total	¥ 73,912	**¥ 14,002**	**$ 119**

Among other securities, scheduled redemption amount of bonds intended to be held to maturity and of instruments that have maturities.

	Millions of yen								Millions of U.S. dollars			
	2005				**2006**				**2006**			
	Within one year	One to five years	Five to 10 years	Over 10 years	Within one year	One to five years	Five to 10 years	Over 10 years	Within one year	One to five years	Five to 10 years	Over 10 years
Bonds												
Corporate bonds	¥ —	¥ 300	¥ —	¥ 2,508	**¥ 300**	**¥ —**	**¥ —**	**¥ —**	**$ 3**	**$ —**	**$ —**	**$ —**
Other	62,032	5	—	—	**5,005**	**—**	**—**	**—**	**42**	**—**	**—**	**—**
Other securities	—	—	—	—	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total	¥ 62,032	¥ 305	¥ —	¥ 2,508	**¥ 5,305**	**¥ —**	**¥ —**	**¥ —**	**$ 45**	**$ —**	**$ —**	**$ —**

4. Short-Term Loans and Long-Term Debt

Short-term bank loans at March 31, 2006 were ¥2,626 million (U.S. $22 million), and the annual average interest rate applicable to short-termbank loans at March 31, 2006 was 5.15%.

Long-term debt at March 31, 2006 and 2005 consisted of the following:

	Millions of yen		Millions of U.S. dollars
	2005	**2006**	**2006**
Domestic unsecured straight bonds due 2005 through 2012 at rates of 0.435% to 2.57% per annum	¥ 218,750	**¥ 224,875**	**$ 1,914**
General secured bonds due 2006 through 2017 at rates of 2.65% to 3.20% per annum (*)	109,800	**109,800**	**935**
Total bonds	¥ 328,550	**¥ 334,675**	**$ 2,849**
Loans from banks:			
Maturing through 2020 at average rates of 1.43% per annum	¥ 530,377	**¥ 433,387**	**$ 3,689**
Other interest-bearing debt	2,604	**4**	**0**
	¥ 532,981	**¥ 433,391**	**$ 3,689**
Total bonds, loans and other interest-bearing debt	¥ 861,531	**¥ 768,066**	**$ 6,538**
Less, amount due within one year	224,385	**243,926**	**2,076**
	¥ 637,146	**¥ 524,140**	**$ 4,462**

(*)The Company has offered overall assets as general collateral for the above corporate bonds.

Aggregate annual maturities of long-term debt subsequent to March 31, 2006 were as follows:

	Millions of yen	Millions of U.S. dollars
Year ending March 31	2006	2006
2007	¥ 243,926	$ 2,075
2008	255,702	2,177
2009	91,589	780
2010	36,958	315
2011 and thereafter	139,891	1,191
	¥ 768,066	$ 6,538

At March 31, 2006, assets pledged as collateral for long-term loans were as follows:

	Millions of yen	Millions of U.S. dollars
	2006	2006
Mortgage on factory foundation	¥ 20,815	$ 177
Investment in securities	5,934	51
	¥ 26,749	$ 228
Long-term loans	¥ 5,068	$ 43
Current portion of long-term loans	3,164	27
Loans of Wilcom Inc.*	113,752	968
	¥ 121,984	$ 1,038

(*) Each investor in said company has provided stock as collateral for these loans.

5. Contingent Liabilities

At March 31, 2006 and 2005, the Company was contingently liable as follows:

	Millions of yen		Millions of U.S. dollars
	2005	2006	2006
As a guarantor for:			
System supply contract of KDDI Submarine Cable Systems Inc.	125,863	111,148	946
Office lease contract of KDDI America, Inc.	892	1,469	12
CABLENET SAITAMA CO., LTD. (Keepwell for management guidance todebt)*	—	204	2
	¥ 126,755	¥ 112,821	$ 960

(*) The Company was liable to ¥204 million of the total keepwell for management guidance to debt of ¥1,032 million.

6. Gains and Losses on Sales of Property, Plant and Equipment

Gains and losses on sales of property, plant and equipment, in the year ended March 31, 2006 and 2005 were as follows:

	Millions of yen		Millions of U.S. dollars
	2005	2006	2006
Gain on sales of land for small offices	¥ (519)	¥ —	$ —
Loss on sale of employee apartments and welfare centers	316	—	—
Gain on sale of Oyama site	—	(204)	(2)
Loss on sale of Oyama golf course and adjacent lot	—	573	5
Other	(2)	53	1
	¥ (205)	¥ 422	$ 4

7. Impairment Losses

Impairment losses in the year ended March 31, 2006 and 2005 were outlined below.

	Millions of yen		Millions of U.S. dollars
	2005	2006	2006
Machinery and equipment	¥ 2,006	¥ 62,084	$ 529
Antenna facilities	—	22,535	192
Submarine cable systems	13,717	—	—
Buildings	946	—	—
Software	—	6,009	51
Other	6,780	23,668	201
	¥ 23,449	¥ 114,296	$ 973

The Company recorded impairment losses mainly on the assets and asset groups below.

	Millions of yen		Millions of U.S. dollars
	2005	2006	2006
Submarine cables and submarine line and mechanical equipment for relay stations of KDDI Corporation	¥ 16,886	¥ —	$ —
Utility rights of KDDI Submarine Cable Systems Inc.	2,258	—	—
KDDI Corporation TU-KA phone service assets	—	104,263	888
KDDI Corporation domestic transmission systems equipment and other idle assets	—	9,974	85

* KDDI Group recorded impairment losses on the above assets and asset groups during the fiscal year. To measure impairment loss, assets are grouped at the lowest level for which identifiable cash flows are largely independent of the cash flows generated by other assets and asset groups.

With regard to asset groups related to TU-KA phone services, new subscriptions decreased significantly during the year ended March 31, 2006 while the Company promoted the migration to "au" services. New subscriptions were concluded on June 30, 2006. As a result, the Company recorded ¥104,263 million (US$885 million) in extraordinary losses as impairment loss, the amount by which the carrying value exceeds the recoverable value of the asset. In addition, the Company recorded ¥9,974 million (US$85 million) in extraordinary losses as impairment loss, the amount by which the carrying value exceeds the recoverable value of an idle asset, including certain domestic transmission systems equipment. The recoverable value of assets is estimated after consideration of the net sales price. The market value of assets is determined based on appraisal assessments, while the value of assets difficult to sell or convert for other uses is deemed to be zero. The communications equipment of certain other subsidiaries also recorded an extraordinary loss.

8. Lease Payment

Lessee side

Finance leases without transfer of ownership

Assumed amounts of acquisition cost (inclusive of interest), accumulated depreciation and net book value at March 31, 2006 and 2005 were summarized as follows:

	Millions of yen								Millions of U.S. dollars			
	Acquisition cost	Accumulated depreciation	Impairment loss	Net book value	Acquisition cost	Accumulated depreciation	Impairment loss	Net book value	Acquisition cost	Accumulated depreciation	Impairment loss	Net book value
	2005				**2006**				**2006**			
Tools, furniture and fixtures	¥ 99,331	¥ 73,376	¥ 302	¥ 25,653	**¥ 85,522**	**¥ 57,592**	**¥ 2,887**	**¥ 25,043**	**$ 728**	**$ 490**	**$ 25**	**$ 213**
Other	4,970	1,646	—	3,324	**4,942**	**1,972**	**4**	**2,966**	**42**	**17**	**0**	**25**
	¥104,301	¥ 75,022	¥ 302	¥ 28,977	**¥ 90,464**	**¥ 59,564**	**¥ 2,891**	**¥ 28,009**	**$ 770**	**$ 507**	**$ 25**	**$ 238**

Future lease payments as of March 31, 2006 and 2005 were as follows:

	Millions of yen		Millions of U.S. dollars
	2005	**2006**	**2006**
Within one year	¥ 15,476	**¥ 10,470**	**$ 89**
Over one year	13,803	**17,539**	**149**
	¥ 29,279	**¥ 28,009**	**$ 238**
Balance of impairment loss on leased assets	¥ 302	**¥ 2,891**	**$ 25**

Lease payments, assumed depreciation charges and impairment loss for the years ended March 31, 2006 and 2005 were as follows.

	Millions of yen		Millions of U.S. dollars
	2005	**2006**	**2006**
Lease payments	¥ 22,315	**¥ 18,892**	**$ 161**
Reclassification of impairment loss on leased assets	—	**302**	**3**
Assumed depreciation charges	22,315	**18,892**	**161**
Impairment loss	302	**2,891**	**25**

Depreciation charges were computed using the straight-line method over lease terms assuming no residual value.

Operating leases

Obligation under non-cancelable operating leases as of March 31, 2006 and 2005 were as follows:

	Millions of yen		Millions of U.S. dollars
	2005	2006	2006
Within one year	¥ 17,750	¥ 17,852	$ 152
Over one year	56,401	41,246	351
	¥ 74,151	¥ 59,098	$ 503

Lessor side

Finance leases without transfer of ownership

There were no assumed amounts of acquisition cost (inclusive of interest), accumulated depreciation and net book value at March 31, 2006 and 2005 were summarized as follows.

	Millions of yen						Millions of U.S. dollars		
	2005			2006			2006		
	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
Tools, furniture and fixtures	¥ 1,721	¥ 1,304	¥ 417	¥ —	¥ —	¥ —	$ —	$ —	$ —
Other	176	109	67	—	—	—	—	—	—
	¥ 1,897	¥ 1,413	¥ 484	¥ —	¥ —	¥ —	$ —	$ —	$ —

Future lease receipts as of March 31, 2006 and 2005 were as follows:

	Millions of yen		Millions of U.S. dollars
	2005	2006	2006
Within one year	¥ 309	¥ —	$ —
Over one year	200	—	—
	¥ 509	¥ —	$ —

Lease receipts and assumed depreciation charges for the years ended March 31, 2006 and 2005 were as follows:

	Millions of yen		Millions of U.S. dollars
	2005	2006	2006
Lease received	¥ 483	¥ 97	$ 1
Assumed depreciation charges	444	90	1

9. Derivatives

Lessee side

For the purpose of minimizing risks of foreign exchange or interest rate fluctuations, the Company and certain of its subsidiares have entered into particular financial agreements.

Information on such financial arrangements outstanding as of March 31, 2006 and 2005 was summarized as follows:

	Millions of yen			Millions of U.S. dollars		
2006	National amount	Market value	Unrealized gain	National amount	Market value	Unrealized gain
Interest rate swap agreements:						
Fixed rate into variable rate obligations	¥ —	¥ —	¥ —	$ —	$ —	$ —
Variable rate into fixed rate obligationsl	—	—	—	—	—	—

	Millions of yen			Millions of U.S. dollars		
2005	National amount	Market value	Unrealized gain	National amount	Market value	Unrealized gain
Interest rate swap agreements:						
Fixed rate into variable rate obligations	¥ 2,000	¥ 68	¥ 68	$ 19	$ 1	$ 1
Variable rate into fixed rate obligationsl	2,000	(38)	(38)	19	(0)	(0)

10. Shareholders' Equity

The Japanese Commercial Code provides that an amount equal to at least 10 percent of cash dividends and other distribution paid out of retained earnings by the parent company and its Japanese subsidiaries be appropriated as a legal reserve which is included in retained earnings in the consolidated balance sheets. No further appropriation is required when the sum of the legal reserve and capital surplus equals 25 percent of their respective stated capital. This reserve amounted to ¥12,223 million ($104 million) and ¥12,263 million at March 31, 2006 and 2005, respectively.

This reserve and capital surplus is not available for dividend payment but may be capitalized by resolution of the Board of Directors or compensated for deficits by approval of the shareholders. The capital surplus and legal reserve, exceeding 25 percent of stated capital, are available for distribution upon approval of the shareholders' meeting.

Under the Commercial Code, 100% of the issue price of new shares is required to be designated as stated capital, however, by resolution of the Board of Directors, less than or equal to 50% of the issued price of new shares may be designated as additional paid-in capital.

Also, an amount up to the excess of (i) the portion of the issue price of new shares accounted for as common stock over (ii) the sum of the par value of such new shares and additional paidin capital may be distributed, by resolution of the Board of Directors, in the form of free share distributions to shareholders.

11. Research and Development Expenses

Research and development expenses charged to income were ¥15,337 million ($131 million) and ¥10,963 million, for the years ended March 31, 2006 and 2005, respectively.

12. Income Taxes

The statutory tax rates used for calculating deferred tax assets and deferred tax liabilities as of March 31, 2006 was 40.6%.
At March 31, 2006 and 2005, significant components of deferred tax assets and liabilities were analyzed as follows:

	Millions of yen		Millions of U.S. dollars
	2005	**2006**	**2006**
Deferred tax assets:			
Depreciation and amortization	¥ 8,325	**¥ 38,471**	**$ 328**
Allowance for doubtful accounts	8,548	**12,316**	**105**
Disposal of fixed assets	1,681	**2,876**	**24**
Inventory write down	1,711	**2,623**	**22**
Impairment loss	7,134	**51,193**	**436**
Reserve for retirement benefits	4,678	**5,736**	**49**
Allowance for bonus payment	6,003	**7,404**	**63**
Accrued expenses	3,443	**2,617**	**22**
Accrued enterprise taxes	5,084	**2,437**	**21**
Net operating loss carried forward	31,318	**3,580**	**30**
Unrealized profits	3,723	**2,572**	**22**
Reserve for point service program	7,775	**10,105**	**86**
Other	7,991	**5,443**	**46**
Gross deferred tax assets	97,414	**147,373**	**1,254**
Valuation allowance	(34,939)	**(9,941)**	**(84)**
Net deferred tax assets	¥ 62,475	**¥ 137,432**	**$ 1,170**
Deferred tax liabilities:			
Special depreciation reserve	¥ (2,023)	**¥ (1,912)**	**$ (17)**
Net unrealized gains on securities	(6,702)	**(14,793)**	**(126)**
Retained earnings for overseas affiliates	(1,307)	**(863)**	**(7)**
Other	(604)	**(1,448)**	**(12)**
Total deferred tax liabilities	¥ (10,636)	**¥ (19,016)**	**$ (162)**
Net deferred tax assets	¥ 51,839	**¥ 118,416**	**$ 1,008**

The following table summarizes significant differences between the statutory tax rate and the Company's effective tax rate for financial statementpurposes for the year ended March 31, 2006.

Statutory tax rate	40.6%
Special tax treatment for IT investment	(5.1)%
Appropriation of net operating loss carried forward	(8.1)%
Effect of merger	(34.3)%
Reversal of reserve for tax contingencies	(1.9)%
Other	1.3%
Effective tax rate	(7.5)%

13. Retirement Benefits

The Company and its subsidiaries have retirement benefit plans that consist of welfare pension plan, a defined benefit pension system, a retirement lump-sum plan and a retirement benefit trust scheme.

The reserve for retirement benefits as of March 31, 2006 and 2005 were analyzed as follows:

	Millions of yen		Millions of U.S. dollars
	2005	**2006**	**2006**
Projected benefit obligations	¥ (259,579)	**¥ (270,535)**	**$ (2,303)**
Plan assets	188,124	**238,413**	**2,029**
Retirement benefit trust	8,168	**8,203**	**70**
	¥ (63,287)	**¥ (23,919)**	**$ (204)**
Unrecognized prior service cost	(9,539)	**(8,743)**	**(74)**
Unrecognized actuarial differences	68,007	**26,412**	**225**
Prepaid pension cost	(15,127)	**(16,667)**	**(142)**
Reserve for retirement benefits	¥ (19,946)	**¥ (22,917)**	**$ (195)**

Net pension expense related to the retirement benefits for the year ended March 31, 2006 and 2005 were as follows:

	Millions of yen		Millions of U.S. dollars
	2005	**2006**	**2006**
Service cost	¥ 8,706	**¥ 8,730**	**$ 74**
Interest cost	5,189	**5,203**	**44**
Expected return on plan assets	(3,366)	**(3,766)**	**(32)**
Amortization of prior service cost	(797)	**(797)**	**(6)**
Amortization of actuarial differences	7,742	**6,829**	**58**
Net pension cost	¥ 17,474	**¥ 16,199**	**$ 138**

Assumptions used in calculation of the above information were as follows:

Discount rate	2.0%
Expected rate of return on plan assets	2.0% (Mainly)
Expected rate of return concerning retirement benefit trust	0%
Method of attributing the projected benefits to periods of services	straight-line basis
Amortization of prior service cost	14 years from the year ending March 31,
Amortization of actuarial differences	14 years from the year following that in which they arise

Note: On April 1, 2003, the Company and its subsidiaries established a new defined benefit enterprise plan called “Corporation Pension Fund of KDDI” in order to combine three individual Qualified Pension Plans, formerly held by KDD, IDO and au, which had been maintained separately after the merger in October 2000.

Welfare Pension Plans, formerly held by DDI, au (except Kansai Cellular Telephone Company), Okinawa Cellular Telephone Company and DDI Pocket, which had also been maintained separately after the merger, were integrated into the “Corporate Pension Fund of KDDI” on April 1, 2004.

14. Segment Information

Business segment for the years ended March 31, 2006 and 2005 is as follows:

	Millions of yen							
Year ended March 31, 2005	Fixed-line	au	TU-KA	PHS	Other	Total	Elimination	Consolidation
I. Sales and Operating Income (loss):								
Outside sales	¥494,729	¥2,067,843	¥225,683	¥ 85,387	¥ 46,397	¥2,920,039	¥ —	¥ 2,920,039
Intersegment sales	101,312	24,859	5,714	1,486	34,983	168,354	(168,354)	—
Total	596,041	2,092,702	231,397	86,873	81,380	3,088,393	(168,354)	2,920,039
Operating expenses	596,351	1,819,596	212,965	81,397	80,429	2,790,738	(166,875)	2,623,863
Operating income (loss)	(310)	¥ 273,106	¥ 18,432	¥ 5,476	¥ 951	¥ 297,655	(1,479)	¥ 296,176
II. Identifiable Assets, Depreciation, Impairment losses and Capital Expenditures:								
Identifiable assets	¥616,415	¥1,298,828	¥225,947	¥ —	¥ 82,472	¥2,223,662	¥ 248,660	¥ 2,472,322
Depreciation	78,720	201,658	46,645	18,659	4,997	350,679	(771)	349,908
Impairment losses	17,631	—	184	—	5,446	23,261	188	23,449
Capital expenditures	90,585	243,720	7,342	8,538	2,993	353,178	(582)	352,596

	Millions of yen					
Year ended March 31, 2006	Fixed-line	Mobile	Other	Total	Elimination	Consolidation
I. Sales and Operating Income (loss):						
Outside sales	**¥ 518,716**	**¥ 2,484,202**	**¥ 57,896**	**¥ 3,060,814**	**¥ —**	**¥ 3,060,814**
Intersegment sales	**100,598**	**26,193**	**45,607**	**172,398**	**(172,398)**	**—**
Total	**619,314**	**2,510,395**	**103,503**	**3,233,212**	**(172,398)**	**3,060,814**
Operating expenses	**680,623**	**2,155,956**	**99,122**	**2,935,701**	**(171,483)**	**2,764,218**
Operating income (loss)	**¥ (61,309)**	**¥ 354,439**	**¥ 4,381**	**¥ 297,511**	**¥ (915)**	**¥ 296,596**
II. Identifiable Assets, Depreciation, Impairment losses, and Capital Expenditures:						
Identifiable assets	**¥ 838,081**	**¥ 1,404,454**	**¥ 68,248**	**¥ 2,310,783**	**¥ 190,082**	**¥ 2,500,865**
Depreciation	**94,226**	**237,523**	**4,483**	**336,232**	**(493)**	**335,739**
Impairment losses	**9,193**	**105,028**	**21**	**114,242**	**54**	**114,296**
Capital expenditures	**135,554**	**253,471**	**5,468**	**394,493**	**(163)**	**394,330**

	Millions of U.S. dollars					
Year ended March 31, 2006	Fixed-line	Mobile	Other	Total	Elimination	Consolidation
I. Sales and Operating Income (loss):						
Outside sales	**$ 4,416**	**$ 21,147**	**$ 493**	**$ 26,056**	**$ —**	**$ 26,056**
Intersegment sales	**856**	**224**	**388**	**1,468**	**(1,468)**	**—**
Total	**5,272**	**21,371**	**881**	**27,524**	**(1,468)**	**26,056**
Operating expenses	**5,794**	**18,353**	**844**	**24,991**	**(1,460)**	**23,531**
Operating income (loss)	**$ (522)**	**$ 3,018**	**$ 37**	**$ 2,533**	**$ (8)**	**$ 2,525**
II. Identifiable Assets, Depreciation, Impairment losses, and Capital Expenditures:						
Identifiable assets	**$ 7,134**	**$ 11,956**	**$ 581**	**$ 19,671**	**$ 1,618**	**$ 21,289**
Depreciation	**802**	**2,022**	**38**	**2,862**	**(4)**	**2,858**
Impairment losses	**78**	**895**	**0**	**973**	**0**	**973**
Capital expenditures	**1,154**	**2,158**	**46**	**3,358**	**(1)**	**3,357**

Notes: 1. Business segment and Principal Services/Operations of Each Segment.

(1) The year ended March 31, 2005

Business segment	Principal services/operations
Fixed line	Local, long distance and international telecommunications services, internet services, solution services, data center services
au	au phone services, sale of au phone terminals, mobile solution services
TU-KA	TU-KA phone services, sale of TU-KA phone terminals
PHS	PHS services, sale of PHS terminals
Other	Telemarketing business, content business, research and pioneering development, other fixed line services, other mobile phone services, other data center services, etc.

(2) The year ended March 31, 2006

Business segment	Principal services/operations
Fixed-line	Urban, long distance and international telecommunications services, internet services, solution services, data center services
Mobile	Mobile phone services, sale of phone terminals, mobile solution services
Other	Call center business, content business, research and development of advanced technologies, other fixed line services, other mobile phone services, other data center services, etc.

2. Change in business segment

Previously, KDDI divided its operations into five business segments: Fixed-line Business, "au," "TU-KA," PHS and other. From the year ended March 31, 2006, the "au" and "TU-KA" segments were merged, and the name changed to "Mobile Business," while the entire operations of the PHS business were transferred in October 2004 and have therefore been eliminated from the year ended March 31, 2006. Consequently, the Company's operations are now comprised of the following three business segments: Fixed-line Business, Mobile Business and Other.

In October 2005, KDDI absorbed the three TU-KA group companies (Tu-Ka Cellular Tokyo Inc., Tu-Ka Cellular Tokai Inc. and Tu-Ka Phone Kansai Inc.), and the TU-KA business was integrated into the "au" business. Through this absorption, KDDI hopes to counter intensifying competition and drastic changes in the market environment for cellular phones. At the same time, KDDI believes it has created a strategic business structure that can maximize synergistic effects, such as mobile number portability to "au" services and sales network expansion, areas that other companies will have difficulty emulating.

Internal management has also employed an integrated financial management system for both of these businesses in line with the aforementioned absorption. KDDI judged it could more definitively disclose the business contents of the Group's businesses by changing the business segments to ones employed by internal management.

Segment information by business segment for the previous fiscal year is based on business classification used in the current fiscal year.

	Millions of yen						
Year ended March 31, 2005	Fixed-line	Mobile	PHS	Other	Total	Elimination	Consolidation
I. Sales and Operating Income (loss):							
Outside sales	¥ 494,729	¥2,293,526	¥ 85,387	¥ 46,398	¥2,920,040	¥ —	¥2,920,040
Intersegment sales	101,312	19,012	1,486	34,983	156,793	(156,793)	—
Total	596,041	2,312,538	86,873	81,381	3,076,833	(156,793)	2,920,040
Operating expenses	596,351	2,020,286	81,397	80,430	2,778,464	(154,600)	2,623,864
Operating income (loss)	(310)	¥ 292,252	¥ 5,476	¥ 951	¥ 298,369	¥ (2,193)	¥ 296,176
II. Identifiable Assets, Depreciation, Impairment losses and Capital Expenditures:							
Identifiable assets	¥ 616,415	¥1,523,438	¥ —	¥ 82,472	¥2,222,324	¥ 249,998	¥2,472,322
Depreciation	78,720	248,248	18,659	4,997	350,625	(717)	349,908
Impairment losses	17,631	184	—	5,446	23,261	188	23,449
Capital expenditures	90,585	250,947	8,538	2,993	353,063	(468)	352,596

	Millions of U.S. dollars						
Year ended March 31, 2005	Fixed-line	Mobile	PHS	Other	Total	Elimination	Consolidation
I. Sales and Operating Income (loss):							
Outside sales	$ 4,607	$ 21,357	$ 795	$ 432	$ 27,191	$ —	$ 27,191
Intersegment sales	943	177	14	326	1,460	(1,460)	—
Total	5,550	21,534	809	758	28,651	(1,460)	27,191
Operating expenses	5,553	18,813	758	749	25,873	(1,440)	24,433
Operating income (loss)	$ (3)	$ 2,721	$ 51	$ 9	$ 2,778	$ (20)	$ 2,758
II. Identifiable Assets, Depreciation, Impairment losses and Capital Expenditures:							
Identifiable assets	$ 5,740	$ 14,186	$ —	$ 768	$ 20,694	$ 2,328	$ 23,022
Depreciation	733	2,312	174	46	3,265	(7)	3,258
Impairment losses	164	2	—	51	217	2	218
Capital expenditures	844	2,337	80	28	3,288	(4)	3,283

3. Information by geographic area and overseas sales is not shown since overseas sales were not material compared to consolidated net sales.

15. Subsequent Events

The appropriation of retained earnings of the Company with respect to the year ended March 31, 2006, proposed by the Board of Directors and approved at the shareholder's meeting held on June 15, 2006, was as follows:

	Millions of yen	Millions of U.S. dollars
Year-end cash dividends (¥3,500 = US$32.59)	¥ 19,668	$ 167
Bonuses to directors and statutory auditors	83	1