

Non-consolidated Financial Results for the First Quarter Ended June 30, 2006

Company name: Telepark Corp.

Stock code: 3738

URL: <http://www.teleparkcorp.com>

Listing: Tokyo Stock Exchange, First Section

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1. Accounting Policies in the Preparation of Quarterly Financial Results

1) Adoption of simplified accounting method: Yes

We have adopted the simplified method for booking income taxes using the legally defined effective tax rate.

2) Change in accounting method in current fiscal year: None

2. Financial Results for the First Quarter Ended June 2006 (April 1, 2006 – June 30, 2006)

(1) Results of Operations

All amounts are rounded down to the nearest million yen

	Net sales		Operating income		Ordinary income	
	Million yen	YoY change (%)	Million yen	YoY change (%)	Million yen	YoY change (%)
First quarter ended Jun. 2006	77,399	14.1	1,981	(16.3)	1,984	(16.4)
First quarter ended Jun. 2005	67,821	34.6	2,368	71.0	2,373	72.3
(Ref.) Year ended Mar. 2006	300,748		6,282		6,310	

	Net income		Net income per share (basic)	Net income per share (diluted)
	Million yen	YoY change (%)	Yen	Yen
First quarter ended Jun. 2006	1,106	(19.3)	3,367.43	3,337.30
First quarter ended Jun. 2005	1,370	71.1	8,354.23	8,321.95
(Ref.) Year ended Mar. 2006	3,547		10,704.29	10,627.69

Note: Net income per share for the 1Q (Apr. - Jun. 2005) of the fiscal year ended March 2006 was calculated using pre-stock split levels (a 2-for-1 stock split was carried out on January 20, 2006).

Qualitative Information Regarding Non-consolidated Results of Operations

1. Overview

The Japanese economy remained on a steady expansion path in the 1Q (Apr. - Jun. 2006) of the current fiscal year as consumer spending was firm and capital investment strong on expanding corporate profits.

In the mobile phone market, cumulative mobile phone subscriptions totaled 92.87 million units at end-June 2006, representing a 1.2% increase over end-March. Mobile phone subscriptions increased a net 1.08 million units in the first quarter, or about the same level as last year; however, 3G mobile phone subscriptions increased a net 4.43 million units (+31.1% year-over-year) on greater continued replacement demand for new high-performance phone models.

In this environment, profits rose in the mobile business as we steadily increased sales by expanding and strengthening sales channels. However, profits declined in the network business due to a decline in volume incentives booked in 1Q for new subscriptions successfully brokered in the previous fiscal year. Volume incentives to be booked this fiscal year on new subscriptions successfully brokered in the previous fiscal year were roughly unchanged year-over-year; however, volume incentives for this fiscal year will be booked in both 1Q and 2Q, as opposed to last fiscal year when

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volume incentives were all booked in 1Q, which explains the decline. Profits declined only slightly in the network business on an underlying basis excluding this special factor. Total company-wide profits declined year-over-year on a nominal basis, but were generally flat on an underlying basis as profit growth in the mobile business offset a modest profit decline in the network business. Underlying profits are trending above our initial forecast.

Net sales in the first quarter totaled 77,399 million yen (+14.1% year-over-year), operating income 1,981 million yen (-16.3% year-over-year), ordinary income 1,984 million yen (-16.4% year-over-year), and net income 1,106 million yen (-19.3% year-over-year).

2. Results by Business

Mobile business

The current first quarter was the best on record in terms of mobile phone sales as a rise in the number of secondary sales agencies and volume electronics retailers helped boost sales of mobile phones, particularly 3G mobile phones.

Sales in the mobile business totaled 73,918 million yen (+17.2% year-over-year), and operating income 1,465 million yen (+28.8% year-over-year).

Network business/others

Steady growth in FTTH (fiber optic, etc.) promotional support services contributed to profits, but volume incentives declined year-over-year for 'MYLINE' subscriptions captured in the previous fiscal term because the booking of incentives is to be split this fiscal year between the 1Q and 2Q.

Sales in the network business/others totaled 3,481 million yen (-26.6% year-over-year), and operating income 516 million yen (-58.1% year-over-year).

(2) Financial Position

All amounts are rounded down to the nearest million yen

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Jun. 30, 2006	52,009	13,728	26.4	41,757.56
As of Jun. 30, 2005	46,008	11,592	25.2	70,619.50
(Ref.) As of Mar. 31, 2006	58,764	13,343	22.7	40,507.62

Note: Net income per share for the 1Q (Apr. - Jun. 2005) of the fiscal year ended March 2006 was calculated using pre-stock split levels (a 2-for-1 stock split was carried out on January 20, 2006).

Cash Flow Position

All amounts are rounded down to the nearest million yen

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
First quarter ended Jun. 2006	3,017	(325)	(1,996)	1,032
First quarter ended Jun. 2005	774	(133)	(313)	666
(Ref.) Year ended Mar. 2006	(1,172)	(1,052)	2,222	336

Qualitative Information Regarding Financial Position

Cash and cash equivalents at the end of the first quarter totaled 1,032 million yen (an increase of 695 million yen over the beginning of the fiscal year).

Cash flows from operating activities

Cash flows from operating activities during the first quarter totaled 3,017 million yen. The main items were 1,900 million yen in income before income taxes, a 6,929 million yen decrease in accounts receivable, and a 5,185 million yen decrease in accounts payable.

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Cash flows from investing activities

Cash flows used in investing activities during the first quarter totaled 325 million yen. The main items were 209 million yen in payment for purchase of property, plant and equipment, and 121 million yen in outlays for shop succession.

Cash flows from financing activities

Cash flows used in financing activities during the first quarter totaled 1,996 million yen. The main items were a 1,399 million yen increase in repayment of short-term borrowings, and 601 million yen in cash dividends paid.

3. Forecast for the Year Ending March 2007 (April 1, 2006 – March 31, 2007)

	Net sales	Ordinary income	Net income
	Million yen	Million yen	Million yen
Interim	160,000	3,300	1,900
Full year	350,000	7,000	4,000

Qualitative Information Regarding Non-consolidated Forecast

We maintain the interim and full-year earnings forecasts we announced on May 9, 2006.

* Forecasts regarding future performance in these materials are based on estimates and judgments of the Company's management made in accordance with information available at the time this report was prepared. Forecasts therefore embody risks and uncertainties. Actual results may differ significantly from these forecasts for a number of factors.

Attachment:

1. Summary Balance Sheets
2. Summary Statements of Income
3. Summary Statements of Changes in Shareholders' Equity
4. Summary Statements of Cash Flows
5. Segment Information

(Translation)

[Attachment]**1. Summary Balance Sheets**

Account	1Q FY2006	1Q FY2005	YoY change		(Ref.) FY2005
	(As of Jun. 30, 2006)	(As of Jun. 30, 2005)	Million yen	%	(As of Mar. 31, 2006)
	Million yen	Million yen	Million yen		Million yen
Assets					
I. Current assets					
1. Cash on hand and in banks	1,032	666	365	54.8	336
2. Note receivable	1	4	(2)	(57.1)	2
3. Accounts receivable - trade	27,935	25,940	1,994	7.7	34,863
4. Inventories	15,701	12,039	3,662	30.4	15,767
5. Other current assets	3,321	3,639	(318)	(8.8)	3,683
6. Allowance for doubtful accounts	(47)	(48)	1	(2.9)	(37)
Total current assets	47,944	42,242	5,702	13.5	54,617
II. Fixed assets					
1. Property, plant and equipment	832	557	275	49.4	882
2. Intangible assets					
(1) Goodwill	370	458	(87)	(19.1)	403
(2) Others	7	7	0	0.3	7
Total intangible assets	378	466	(87)	(18.8)	411
3. Investments and other assets					
(1) Loans to subsidiaries	179	179	-	-	179
(2) Leasehold deposits	1,495	1,465	29	2.0	1,483
(3) Others	1,220	1,371	(150)	(11.0)	1,232
(4) Allowance for doubtful accounts	(40)	(273)	232	(85.0)	(42)
Total investments and other assets	2,854	2,742	111	4.1	2,853
Total fixed assets	4,065	3,766	298	7.9	4,147
Total assets	52,009	46,008	6,001	13.0	58,764
Liabilities					
I. Current liabilities					
1. Accounts payable - trade	28,031	26,045	1,985	7.6	33,217
2. Short-term borrowings	4,700	3,000	1,700	56.7	6,100
3. Accrued payable - other	2,630	2,270	360	15.9	2,931
4. Other current liabilities	2,424	2,658	(234)	(8.8)	2,699
Total current liabilities	37,787	33,975	3,812	11.2	44,949
II. Long-term liabilities					
1. Liability for employees' retirement benefits	451	413	38	9.4	432
2. Other long-term liabilities	41	27	14	54.1	39
Total long-term liabilities	493	440	53	12.2	471
Total liabilities	38,281	34,415	3,865	11.2	45,421
Shareholders' equity					
I. Common stock	-	1,509	-	-	1,514
II. Capital surplus	-	1,628	-	-	1,633
III. Retained earnings	-	8,354	-	-	9,955
IV. Net unrealized holding gain on securities	-	100	-	-	239
Total shareholders' equity	-	11,592	-	-	13,343
Total liabilities and shareholders' equity	-	46,008	-	-	58,764
Net assets					
I. Shareholders' equity					
1. Common stock	1,516	-	-	-	-
2. Capital surplus	1,635	-	-	-	-
3. Retained earnings	10,373	-	-	-	-
Total shareholders' equity	13,526	-	-	-	-
II. Valuation and translation adjustments					
1. Net unrealized holding gain on securities	201	-	-	-	-
Total valuation and translation adjustments	201	-	-	-	-
Total net assets	13,728	-	-	-	-
Total liabilities and net assets	52,009	-	-	-	-

(Translation)

2. Summary Statements of Income

Account	1Q FY2006 (Apr. 1, 2006 - Jun. 30, 2006)	1Q FY2005 (Apr. 1, 2005 - Jun. 30, 2005)	YoY change		(Ref.) FY2005 (Apr. 1, 2005 - Mar. 31, 2006)
	Million yen	Million yen	Million yen	%	Million yen
I. Net sales	77,399	67,821	9,578	14.1	300,748
II. Cost of goods sold	70,879	61,497	9,382	15.3	277,009
Gross profit	6,520	6,323	196	3.1	23,739
III. Selling, general and administrative expenses	4,538	3,955	583	14.7	17,457
Operating income	1,981	2,368	(386)	(16.3)	6,282
IV. Non-operating income	7	6	0	7.3	42
V. Non-operating expenses	5	1	3	177.0	14
Ordinary income	1,984	2,373	(389)	(16.4)	6,310
VI. Extraordinary income	0	8	(8)	(100.0)	53
VII. Extraordinary loss	83	37	46	123.1	139
Income before income taxes	1,900	2,344	(443)	(18.9)	6,224
Tax bill	793	973	(179)	(18.5)	2,677
Net income	1,106	1,370	(263)	(19.3)	3,547

3. Summary Statements of Changes in Shareholders' Equity

1Q FY2006 (Apr. 1, 2006 - Jun. 30, 2006)

(Million yen)

	Shareholders' equity			
	Common stock	Capital surplus	Retained earnings	Total shareholders' equity
Balance as of March 31, 2006	1,515	1,633	9,955	13,103
Changes during the period				
New stock issue (exercise of stock options)	2	2	-	4
Dividend of surplus	-	-	(657)	(657)
Directors' bonuses	-	-	(31)	(31)
Net income	-	-	1,106	1,106
Total changes during the period	2	2	418	423
Balance as of June 30, 2006	1,516	1,635	10,373	13,526

	Valuation and translation adjustments		Total net assets
	Net unrealized holding gain on securities	Total valuation and translation adjustments	
Balance as of March 31, 2006	239	239	13,343
Changes during the period			
New stock issue (exercise of stock options)	-	-	4
Dividend of surplus	-	-	(657)
Directors' bonuses	-	-	(31)
Net income	-	-	1,106
Changes (net) in items other than shareholders' equity	(38)	(38)	(38)
Total changes during the period	(38)	(38)	384
Balance as of June 30, 2006	201	201	13,728

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3. Summary Statements of Cash Flows

Account	1Q FY2006 (Apr. 1, 2006 - Jun. 30, 2006)	1Q FY2005 (Apr. 1, 2005 - Jun. 30, 2005)	YoY change	(Ref.) FY2005 (Apr. 1, 2005 - Mar. 31, 2006)
	Million yen	Million yen	Million yen	Million yen
I. Cash flows from operating activities				
Income before income taxes	1,900	2,344	(443)	6,224
Depreciation and computer expenses	105	96	9	528
Amortization of goodwill	32	30	2	131
Impairment losses	71	27	44	27
New stock issue expenses	0	-	0	2
Increase (decrease) in allowance for doubtful accounts	8	(24)	32	(266)
Increase (decrease) in reserve for employees' bonuses	162	141	21	81
Allowance for early subscription cancellations	(16)	(2)	(13)	63
Increase (decrease) in liability for employees' retirement benefits	19	7	12	26
Increase (decrease) in liability for directors' severance benefits	2	2	0	14
Interest and dividend income	(1)	(1)	(0)	(2)
Interest expenses	4	1	2	9
Loss (gain) on sale and removal of fixed assets	11	9	2	84
Loss (gain) on receipt of fixed assets	-	-	-	(15)
Decrease (increase) in account receivables	6,929	5,825	1,104	(3,095)
Decrease (increase) in inventories	65	(1,377)	1,443	(5,106)
Increase (decrease) in account payables	(5,185)	(4,503)	(681)	2,667
Payment of bonuses to directors	-	(20)	20	(20)
Others	31	(82)	113	567
Subtotal	4,144	2,475	1,669	1,923
Interests and dividends received	1	1	0	2
Interests paid	(4)	(1)	(2)	(9)
Income taxes paid	(1,124)	(1,700)	575	(3,089)
Net cash provided by (used in) operating activities	3,017	774	2,243	(1,172)
II. Cash flows from investing activities				
Payment for purchase of property, plant and equipment	(209)	(64)	(144)	(544)
Proceeds from sale of property, plant and equipment	0	0	(0)	3
Payment for purchase of software	(30)	(27)	(3)	(125)
Payment for purchase of investment securities	(0)	(0)	(0)	(40)
Payment for loans receivable	(1,241)	-	(1,241)	(50)
Proceeds from collection of loans receivable	1,215	6	1,208	23
Net increase in loans to affiliates	30	30	-	100
Payment for leasehold deposits	(25)	(52)	27	(149)
Proceeds from return of leasehold deposits	57	5	52	34
Payment for shop succession	(121)	-	(121)	(265)
Other investment outlays	(0)	(31)	31	(38)
Net cash provided by (used in) investing activities	(325)	(133)	(192)	(1,052)
III. Cash flows from financing activities				
Net increase (decrease) in short-term borrowings	(1,399)	500	(1,899)	3,600
Repayment for long-term borrowings	-	(12)	12	(12)
New stock issue expenses	(0)	-	(0)	(2)
Proceeds from issuance of new stock	4	18	(13)	28
Cash dividends paid	(601)	(819)	218	(1,390)
Net cash provided by (used in) financing activities	(1,996)	(313)	(1,682)	2,222
IV. Increase (decrease) in cash and cash equivalents	695	327	368	(2)
V. Cash and cash equivalents at beginning of period	336	339	(2)	339
VI. Cash and cash equivalents at end of period	1,032	666	365	336

(Translation)

4. Segment Information

Business Segment

1Q FY2006 (Apr. 1, 2006 - Jun. 30, 2006)

Business segment	Items	1Q FY2006 (Apr. 1, 2006 - Jun. 30, 2006)	1Q FY2005 (Apr. 1, 2005 - Jun. 30, 2005)	YoY change	
		Million yen	Million yen	Million yen	%
Mobile business	Net sales	73,918	63,076	10,841	17.2
	Operating income	1,465	1,138	327	28.8
Network business/others	Net sales	3,481	4,744	(1,263)	(26.6)
	Operating income	516	1,230	(714)	(58.1)
Total	Net sales	77,399	67,821	9,578	14.1
	Operating income	1,981	2,368	(386)	(16.3)