Consolidated Financial Results for the six-month period ended September 30, 2002

November 12, 2002

JAPAN TELECOM HOLDINGS CO., LTD.

Code number 9434 Stock exchange listings: TSE, OSE
(URL http://www.telecom-holdings.co.jp) Location of corporate headquarters: Tokyo
Representative: William T. Morrow, Representative Director and President
Person responsible for inquires: John Durkin, CFO
Date of approval of financial statements by the Board of Directors: November 12, 2002 TEL (03) 6403 - 2986
Name of parent company: Vodafone Group Plc Ratio of stock held by parent company: 66.7%
Adoption of U.S. GAAP: No

1. Consolidated results for the six-month period ended September 30, 2002 (from April 1, 2002 to September 30, 2002)

(1) Consolidated operational results

	Revenue		Operating income		Ordinary income	
Half-year ended:	million yen	%	million yen	%	million yen	%
September 30, 2002	884,826	4.1	142,757	508.5	141,102	836.3
September 30, 2001	849,751	27.7	23,459	(65.2)	15,069	(72.0)
Year ended March 31, 2002	1,704,039		89,134		74,030	

	Net income (loss)		Earning (loss) per share
Half-year ended:	million yen	%	yen
September 30, 2002	43,524	n/a	13,621.67
September 30, 2001	(5,189)	n/a	(1,624.10)
Year ended March 31, 2002	(65,969)		(20,646.12)

Notes:
① Equity in earnings of affiliated companies under the equity method was ¥0 million, ¥0 million and ¥0 million for the six-month periods ended September 30, 2002 and 2001 and for the year ended March 31, 2002, respectively.
② The average number of shares were 3,195,220 shares, 3,195,226 shares and 3,195,225 shares for the six-month periods ended September 30, 2002 and 2001 and for the year ended March 31, 2002, respectively.
③ The earning (loss) per share for the six-month period ended September 30, 2001 and for the year ended March 31, 2002 were calculated based on the assumption that stock split of one to five shares was performed at the beginning of the fiscal year.
④ There were changes in accounting policies during the six-month period ended September 30, 2002.
⑤ The percentages for revenue, operating income, ordinary income, and net income represent the increase or decrease over the previous first half-year period.

(2) Consolidated financial position

	Total assets	Shareholders' equity	Ratio of shareholders' equity	Shareholders' equity per share
	million yen	million yen	%	in yen
September 30, 2002	1,787,567	432,932	24.2	135,493.77
September 30, 2001	2,513,074	522,408	20.8	163,496.08
March 31, 2002	1,856,335	391,397	21.1	122,494.79

Notes:
The number of shares outstanding were 3,195,218 shares, 3,195,235 shares and 3,195,221shares as of September 30, 2002 and 2001 and March 31, 2002, respectively.

(3) Consolidated cash flows information

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents as of the end of the period
Half-year ended:	million yen	million yen	million yen	million yen
September 30, 2002	237,897	(186,757)	(61,522)	5,323
September 30, 2001	129,880	(181,971)	18,976	437,177
Year ended March 31, 2002	299,495	(352,230)	(401,565)	16,275

(4) Scope of consolidation and application of the equity method of accounting

Number of consolidated subsidiaries: 13 companies
Number of non-consolidated subsidiaries accounted for using the equity method: 0
Number of affiliated companies accounted for using the equity method: 0

(5) Changes in the scope of consolidation and the equity method of accounting

Consolidated subsidiaries: increase - 3 and decrease - 1
Subsidiaries/affiliated companies accounted for using the equity method: increase - 0 and decrease - 0

2. Forecast of consolidated operational results for the year ending March 31, 2003 (from April 1, 2002 to March 31, 2003)

	Revenue	Ordinary income	Net income
	million yen	million yen	million yen
Year ending March 31, 2003	1,770,000	245,000	65,000

Reference: The expected earning per share for the year ending March 31, 2003 is ¥20,342.88.

The above forecasts are based on the information available to the Company management at the date of announcement. The actual results may vary from the forecasts because of unknown factors, such as altered trends in the markets in which the Company operates and the prevailing economic conditions.

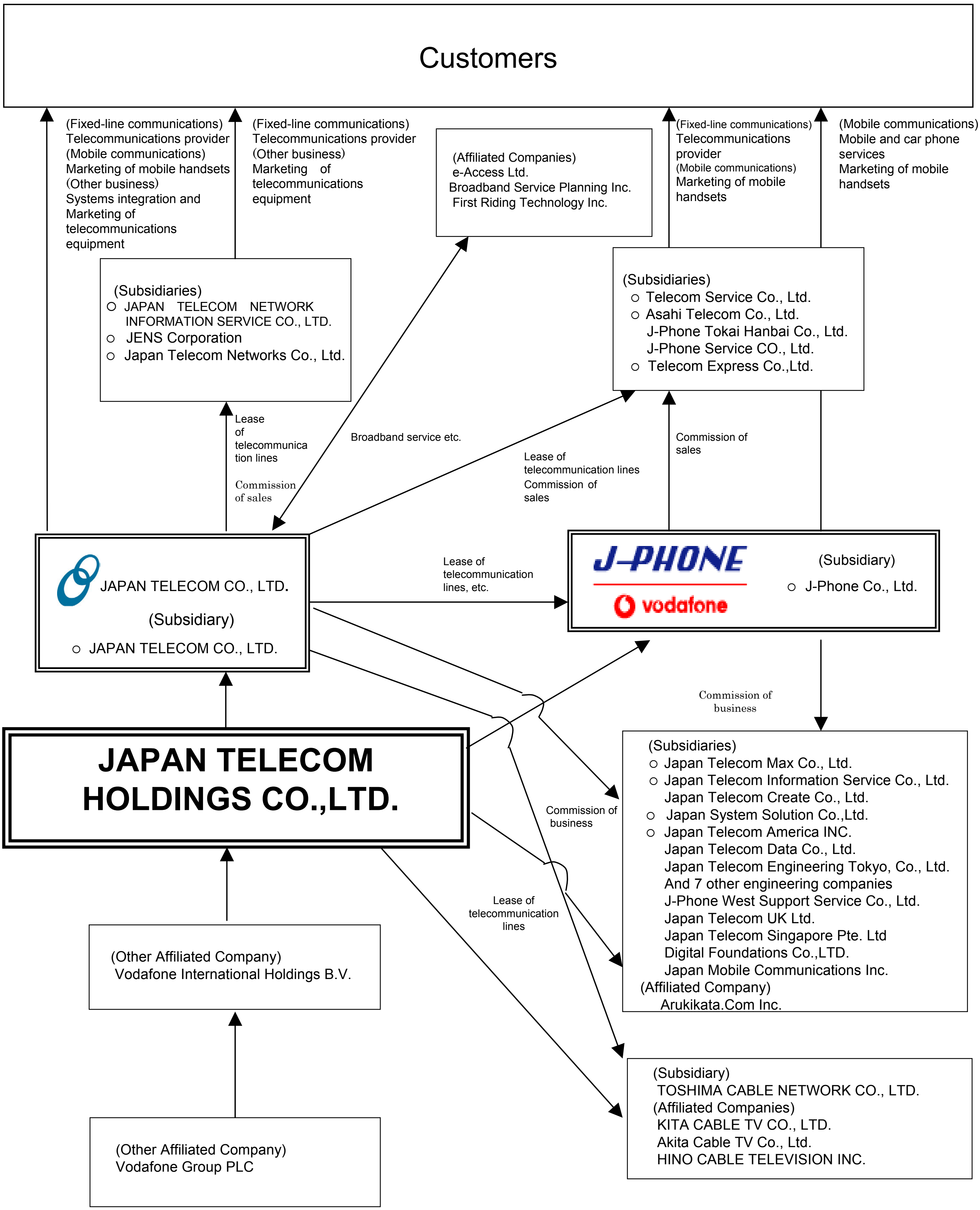
（**Attachment [English translation of the original in Japanese])**

1. Organization

The Group operates in the mobile and fixed-line telecommunications and the related sectors. In the mobile communications sector, the group companies provide mobile phone operating services and marketing mobile phone handsets and accessories.　In the fixed-line sector, the group companies provide primarily voice and data transmission services and leased-line services. The other group operations include: data center business, systems integration operations, telecommunication system construction services, telecommunication equipment sales, and cable TV broadcasting services.　As at September 30, 2002, the group had 32 subsidiaries, of which 13 are consolidated, and 7 affiliated companies. There are no companies accounted for using the equity method of accounting.

On August 1, 2002, the Company reorganized itself to create a holding company structure by splitting off part of its operations to form a wholly owned subsidiary under the name JAPAN TELECOM CO., LTD. ("JAPAN TELECOM"), conducting the fixed-line business, with a holding company assuming overall control of group operations under the name JAPAN TELECOM HOLDINGS CO., LTD. ("JAPAN TELECOM HOLDINGS").　As of July 1, 2002, the Company also separated its mobile phone billing service operation and mobile handsets sales agency and established 100% subsidiaries named "Japan System Solution Co., Ltd.", and "Telecom Express Co., Ltd.", respectively. Following the creation of the new structure, the Group has been reorganized, for the purpose of promoting an additional shareholder value, as a telecommunications company with two wheels of core business; J-PHONE Co., Ltd. ("J-PHONE"), a mobile telephone provider, and JAPAN TELECOM, a fixed-line telephone provider.

The following diagram shows the JAPAN TELECOM HOLDINGS, subsidiaries, and associated companies that make up the Group, along with their business activities.



Customers
(Fixed-line communications)
Telecommunications provider
(Mobile communications)
Marketing of mobile handsets
(Other business)
Systems integration and Marketing of telecommunications equipment
(Fixed-line communications)
Telecommunications provider
(Other business)
Marketing of telecommunications equipment
(Affiliated Companies)
e-Access Ltd.
Broadband Service Planning Inc.
First Riding Technology Inc.
(Fixed-line communications)
Telecommunications provider
(Mobile communications)
Marketing of mobile handsets
(Mobile communications)
Mobile and car phone services
Marketing of mobile handsets
(Subsidiaries)
○ JAPAN TELECOM NETWORK INFORMATION SERVICE CO., LTD.
○ JENS Corporation
○ Japan Telecom Networks Co., Ltd.
(Subsidiaries)
○ Telecom Service Co., Ltd.
○ Asahi Telecom Co., Ltd.
J-Phone Tokai Hanbai Co., Ltd.
J-Phone Service CO., Ltd.
○ Telecom Express Co.,Ltd.
Lease of telecommunication lines
Commission of sales
Broadband service etc.
Lease of telecommunication lines
Commission of sales
Commission of sales
JAPAN TELECOM CO., LTD.
(Subsidiary)
○ JAPAN TELECOM CO., LTD.
Lease of telecommunication lines, etc.
J-PHONE
vodafone
(Subsidiary)
○ J-Phone Co., Ltd.
Commission of business
JAPAN TELECOM HOLDINGS CO.,LTD.
Commission of business
(Subsidiaries)
○ Japan Telecom Max Co., Ltd.
○ Japan Telecom Information Service Co., Ltd.
Japan Telecom Create Co., Ltd.
○ Japan System Solution Co.,Ltd.
○ Japan Telecom America INC.
Japan Telecom Data Co., Ltd.
Japan Telecom Engineering Tokyo, Co., Ltd.
And 7 other engineering companies
J-Phone West Support Service Co., Ltd.
Japan Telecom UK Ltd.
Japan Telecom Singapore Pte. Ltd
Digital Foundations Co.,LTD.
Japan Mobile Communications Inc.
(Affiliated Company)
Arukikata.Com Inc.
Lease of telecommunication lines
(Other Affiliated Company)
Vodafone International Holdings B.V.
(Subsidiary)
TOSHIMA CABLE NETWORK CO., LTD.
(Affiliated Companies)
KITA CABLE TV CO., LTD.
Akita Cable TV Co., Ltd.
HINO CABLE TELEVISION INC.
(Other Affiliated Company)
Vodafone Group PLC

(Notes)

1. Data is as of September 30, 2002.
2. Companies headed with “○” represent consolidated subsidiaries.
3. Japan System Solution Co.,Ltd. and Telecom Express Co., Ltd. were established through the simplified *kaisya-bunkatsu,* or corporate split, procedure provided for under the Commercial Code of Japan on July 1, 2002
4. The new JAPAN TELECOM CO.,LTD. was created through the *kaisya-bunkatsu,* or corporate split procedure on August 1,2002. The company name of the JAPAN TELECOM CO.,LTD. has changed to JAPAN TELECOM HOLDINGS CO.,LTD., as a result.
5. Japan Telecom Create Co.,Ltd. is currently under liquidation as a result of business transfer on September 30,2002.
6. Each of eight Japan Telecom Engineering companies was split into two entities on November 1,2002. One entity was established to provide maintenance of telecommunication equipment and solution services and the other to sfunction as an engineering company for 3G base stations. The former is named Japan Telecom Engineering Co.,Ltd. after mergers of each others. The latter was sold on the date of separations.

2. Management policy

(I) Basic management policy

① **JAPAN TELECOM HOLDINGS**

In addition to Efficiently allocating group management resources and supervising the consolidated operations of the independent subsidiaries operating fixed-line, mobile, and other, JAPAN TELECOM HOLDINGS concentrates much of its efforts on realizing synergies and facilitating business efficiencies among its subsidiaries. We believe that this new structure will notably boost corporate value for the shareholders.

② **J-PHONE**

As a leading mobile telecommunication provider in Japan, J-PHONE's goal is to enrich customers' lives while managing its operations efficiently and profitably. J-PHONE has embraced a new motto, "Aim to Gain". This slogan embodies three missions for J-PHONE that are crucial to future growth. The first mission is the fostering of a "Global Sky"—multimedia communications that enrich and enliven users' lives. The second mission is to bring about an "Internal Revolution." This refers to changes in J-PHONE's corporate culture and the sharing of common values, goals, and strategies by management and employees alike. The third mission is to continue to be a company synonymous with "Market Innovation." J-PHONE is committed to being at the forefront of advanced technology and services and has a proud history of pioneering products and services, as the success of Sha-mail (picture messaging) and Movie Sha-mail (video messaging) and J-SKY (mobile Internet platform) demonstrate.

③ **JAPAN TELECOM**

JAPAN TELECOM's vision is to become the Japan's most trustworthy network service partner, to become the most preferable telecommunications investment for investors, and to become a most favorable company for talented people to work for. Customers will chose JAPAN TELECOM because it understands their current and future business needs better than competitors, and because it has an ability to deliver more valuable, innovative, and timely products and services. The vision will be realized by leveraging technology, by empowering employees, by perfecting business processes, and by focusing on specific services and segments.

(2) Basic policy regarding profit appropriations

Since the Groups companies operate in publicly responsible sectors centered on the telecommunications business, JAPAN TELECOM HOLDINGS strives to establish a stable management structure in a long-term. The Group basic policy is to maintain a stable and appropriate dividend to shareholders, considering operational results and suitable payout ratio.

(3) Mid-to-long-term corporate strategy

① **J-PHONE**

By enhancing brand recognition and exercising stricter inventory controls of mobile handsets, J-PHONE has been actively making efforts to price its products and acquisition costs more reasonably. By continuing with cost cutting measures, such as the rationalization of equipment procurement process, made possible by the integration of its former independent operations into a single company in November 2001, J-PHONE is seeking for further profit growth.

J-PHNE is also trying to improve its churn rate, as an important indicator of customer satisfaction, by obtaining better understanding of market trends for improvement. In December 2002, J-PHONE plans to launch its 3G (IMT-2000) mobile phone service, which is expected to become the company's core business in the future.

② **JAPAN TELECOM**

JAPAN TELECOM has defined its core business segments as those in which the company can keep a competitive edge. Specifically, JAPAN TELECOM has focused on three key customer-facing units: the Corporate Business Unit, the Consumer Business Unit; and the International and Wholesale Business Unit. To further strengthen efforts in each of these core areas, JAPAN TELECOM has introduced a new marketing system and is working to improve the marketing skills of its sales force.

At the same time, JAPAN TELECOM is shifting its strategic objectives from expanding market share to enhancing customer value. JAPAN TELECOM will also be looking to improve its earnings through continuing management reform to secure competitive advantages in the market for further improvement in profitability.

(4) Reinforcement of management organization

① **J-PHONE**

Following its integration into a single company in November 2001, J-PHONE is actively leveraging effects resulting from this merger. In addition, J-PHONE has established strategic action teams whose purpose is to facilitate rapid organization-wide response to imminent requirements. J-PHONE has also strengthened its risk management systems by improving internal audit functions to clarify various potential risks and offer suitable remedies in a timely manner. J-PHONE has established a remuneration and personnel committee in June this year to ensure appropriateness and transparency in corporate management.

② **JAPAN TELECOM**

In addition to introducing an executive director system, JAPAN TELECOM has established an Executive committee, Operations committee, Policy committee, Brand committee, and Product development committee to facilitate company-wide and cross-functional decision making process in order to cope with a variety range of management issues. JAPAN TELECOM has also established a remuneration and personnel committee to ensure appropriateness and transparency in corporate management.

(5) Issues that the Group should address

Looking at the current telecommunications market, the rapid growth is expected principally in the areas of data communications in the mobile communications sector, high-speed and low-cost corporate data communications services and consumer broadband internet services. However, it also expects the business environment to become even more difficult due to adverse factors, such as further price erosion owing to the intensified competition, contractions in the voice transmission service market due to changes in the demand structure, and a shift to modest growth in the mobile telecommunications market. Under these circumstances, the Group companies will work together to select and focus on core business areas to increase cooperate value for shareholders.

① **J-PHONE**

J-PHONE continues to improve its cost structure by maintaining reasonable levels of customer acquisition costs. To improve high quality voice communication services, global roaming services that conform to international standards and higher speed data communication services, the Company is preparing for the planned commercial launch of 3G in December 2002. Currently J-PHONE is conducting a trial service in the Tokyo metropolitan area as it gears up for its full-scale commercial service, with coverage initially in Tokyo and other major Japanese cities.

② **JAPAN TELECOM**

The new JAPAN TELECOM continues to work towards the objectives set out in Project V, a company-wide revitalization program. JAPAN TELECOM will also continue to focus on the profitability of its core operations, by cutting down expenses and maximizing the capital efficiency. On the voice transmission front, JAPAN TELECOM looks to secure earnings by improving marketing and introducing services to accommodate the changing market demand. JAPAN TELECOM will make all possible effort to be the customers' "best network solutions partner" through providing even more attractive data communication services by concentrating its capital investment on the strategic areas as implementation of metro access networks in order to meet the growing demand for such corporate network services as Wide-Ether and SOLTERIA.

(6) Basic policy regarding relationships with related parties

The parent company of JAPAN TELECOM HOLDINGS is Vodafone International Holdings BV, which holds 66.7% of the voting rights and is itself an indirectly held subsidiary of the world's leading mobile telecommunications company, Vodafone Group Plc. The JAPAN TELECOM HOLDINGS' group companies are able to leverage the synergy effects of being a member of the Vodafone Group by, for example, curtailing costs through the joint procurement of communications equipment, sharing expertise obtained from the Vodafone Group's global reach, rationalizing management through the use of key performance indicators, and enhancing brand equity.

(7) Performance indicators targeted by management

① **J-PHONE**

J-PHONE management has set a target to achieve an overall EBITDA margin of 30% on all its operations by the end of the year ending March 31, 2006.

② **JAPAN TELECOM**

JAPAN TELECOM management has set a target to achieve strong positive cash flows in its core operations and an EBIT margin of over 10% by the end of the year ending March 31, 2005.

3. Results of operations and financial position

(1) Summary for the first half year

① General conditions

JAPAN TELECOM HOLDINGS' has returned to profitability in the six-month period ended September 30, 2002, thanks to both a strong showing by its mobile phone division, J-PHONE, resulting from increase in revenue and cut down on expenses, and larger-than-expected cost savings from restructuring and revitalization activities at its fixed-line telecommunications division, JAPAN TELECOM.

Consolidated financial summary

(millions of Yen except where stated)

	Six-month period ended September 30, 2002	Six-month period ended September 30, 2001	Change (%)
Revenue	884,826	849,751	4.1%
Ordinary income	141,102	15,069	836.3%
Net income (loss)	43,524	(5,189)	—
Earning (loss) per share (yen)	¥13,621	¥(1,624)	—
EBITDA margin (%)	30.4%	16.8%	13.6pp

Consolidated revenue

Consolidated revenue for the six-month period ended September 30, 2002 rose to ¥884,826 million, up 4.1% compared with a year earlier.

Consolidated expenses

Consolidated operating expenses decreased 10.2% to ¥742,068 million in the first half year. The operating expenses of the mobile telecommunications was reduced by 9.7% to ¥578,065 million, mainly because of the merger benefits at J-PHONE that were achieved by rationalizing overall technical and administrative functions. Additionally, customer acquisition incentives per customer was reduced by 10% in the six-month period ended September 30, 2002, compared to the average acquisition incentive per customer for the year ended March 31, 2002. J-PHONE also began to leverage the resources of Vodafone Group Plc to achieve savings in procurement of handsets and other network infrastructure.

Fixed-line operating expenses, meanwhile, totaled ¥186,432 million, a decline of 14.1% largely due to substantial increases in efficiency brought about by aggressive implementation of the ongoing Project V. JAPAN TELECOM did much to rationalize its business structure during the period, redefining its business model. JAPAN TELECOM established cooperative business relationship with eAccess to provide ADSL services; and spitted mobile sales agency business and mobile phone billing service activities into distinct companies with effect from July 1, 2002. JAPAN TELECOM HOLDINGS has transferred printing business of Japan Telecom Create Co., Ltd, 100% subsidiary to Toppan Forms Co., Ltd. on October 1, 2002.

Consolidated capital expenditures

Consolidated capital expenditures during the six-month period ended September 30, 2002 decreased to ¥192.8 billion, 25.7% lower than that in the previous first half year. Capital spending will accelerate in the second half of the year ending March 31, 2003 due to the deployment of J-PHONE's 3G network. J-PHONE plans to offer 3G coverage equivalent to its current 2G coverage by September 2003 through deploying an innovative network of the latest advancements in 3G-network technology.

Consolidated earnings

As a result of combining effects of revenue growth and cost reductions, consolidated ordinary income in the six-month period ended September 30, 2002 remarkably improved to ¥141,102 million, eight times as much as that in the previous first half year.

Consolidated EBITDA for the period margin stood at 30.4%, a 13.6 point increase from the previous first half year.

The net income for the period was ¥43,524 million.

JAPAN TELECOM HOLDINGS pays interim dividends of 600 yen per share, an increase of 300 yen from the previous interim dividends.

② **Cash flows information**

(millions of Yen)

	Six-month period ended September 30, 2002	Six-month period ended September 30, 2001	Change
Cash flows from operating activities	237,897	129,880	108,017
Cash flows from investing activities	(186,757)	(181,971)	(4,785)
Cash flows from financing activities	(61,522)	18,976	(80,499)
Effect of exchange rate changes	(12)	(34)	21
Net increase in cash and cash equivalents	(10,395)	(33,149)	22,754
Cash and cash equivalents, end of the period	5,323	437,177	(431,853)
Short-term and long-term debts and bonds, end of the period	977,518	1,456,077	(478,559)

Cash and cash equivalents as of September 30, 2002 decreased by ¥431,853 million compared to September 30, 2001 mainly due to repayment of long-term debt.

a. Cash flows from operating activities

Cash flows from the operating activities increased 83.2% to ¥237,897 million, due to strong improvement in income before income taxes and an increased non-cash effect in amortization and depreciation.

b. Cash flows from investing activities

While payments for the purchase of property and equipment declined, the absence of proceeds from sale of investments in subsidiaries recorded during the previous first half year amounting to ¥68,354 million led cash flow from investing activities to decline 2.6% to negative ¥186,757 million.

c. Cash flows from financing activities

Cash flows utilized for financing activities were ¥61,522 million mainly as a result of repayment of long-term debts. Results of higher cash flows from operating activities and lower capital expenditures contributed for reduction of debt.

③ **Segment information**

Consolidated revenue

(millions of yen)

	Six-month period ended September 30, 2002	**Six-month period ended September 30, 2001**	**Change (%)**
Mobile Telecommunications	709,182	671,784	5.6%
Fixed-line Telecommunications	199,085	196,922	1.1%
Others	8,523	16,831	(49.4)%
Elimination and other adjustments for consolidation	(31,966)	(35,787)	—
Consolidated revenue	**884,826**	**849,751**	**4.1%**

Note 1. Segment classification has changed from previous voice transmission, data transmission/leased circuit, mobile telecommunication business, and other business to fixed-line telecommunications and mobile telecommunications and others, from this six-month period ended September 30, 2002.

Note 2. The segment figures do not correspond with any of individual company figures, since the segment figures are aggregation of result of each segment of the Group companies.

Mobile telecommunications business

Thanks to plurality of Sha-mail (picture messaging), camera-equipped handsets, customers with Sha-mail-enabled handsets climbed to approximately 6.7 million users at September 30, 2002 from approximately 4.4 million at a year earlier. Customers with camera-equipped handsets represented approximately 52% of J-PHONE’s customer base at September 30, 2002. Movie Sha-mail (movie messaging) enabled handsets registered 766,000 at September 30, 2002, up from 115,300 at March 31, 2002, the month when Movie Sha-mail started its services. Customers with this movie Sha-mail enabled handsets represented about 6% of J-PHONE’s customer base at September 30, 2002. This figure is climbing steadily.

The success of data and content products further boosted data revenues. Although this benefited ARPU, an expected decline in voice ARPU more than offset gains, with ARPU declining from ¥7,600 for the year ended March 31, 2002 to ¥7,350 for the six-month period ended September 30, 2002. Data, as a percentage of service revenue on a twelve month rolling basis climbed from 15.1% for the year ended March 31, 2002 to 19.5% for the six-month period ended September 30, 2002.

Average Churn rate improved to 1.94% for the six-month period ended September 30, 2002 from 2.14% for the year ended March 31, 2002. The improvement of Chun rate was contributed by attractive Customer Relationship Management (CRM) activities and the appeal of J-PHONE’s product portfolio.

The average new subscriber incentives decreased from ¥40,000 for the year ended March 31, 2002 to

¥36,000 for the six-month period ended September 30, 2002, as J-PHONE improved procurement procedures of handsets and control over inventory.

In June 2002, J-PHONE took a step towards globalization of its mobile telecommunication services with the launch of “Global SMS”, “Global Call Service” and “Travel one”. “Global SMS” is an international mail service that enables the direct exchange of mail between J-Phones and any mobile phone on GSM, the world's most widely used global communication standard[3]. “Global Call Service” enables subscribers to make international calls directly from J-Phones. The coverage of “Travelfone” mobile phone rental service was extended to be used in 124 countries and regions. In July, J-PHONE took advantage of the growing popularity of Sha-mail communication to roll out its "@Sha-mail album" service, which enables subscribers to store and display Sha-mail on J-SKY. In August, the Company introduced "Unwanted advertisement blocking function" to enable subscribers to block the receipt of unsolicited communications for the purpose to provide a stress-free and pleasant mailing services.

In August 2002, J-PHONE sought to accommodate the increasing diversification of subscriber requirements by extending its range of payment plans to include "Smart Business Pack", which offers low daytime rates for voice calls and includes a number of free calls, and "Late Night Pack", which offers low rates for night calls and also makes allowance for a number of free calls".

As a result of these developments and activities, revenue from mobile telecommunication business for the six-month period ended September 30 2002 increased 5.6% to ¥709,182 million, compared to the previous first half year. The operating income of the mobile telecommunication business tripled to ¥131,117 million due to such increased revenue and cost reduction.

Fixed-line telecommunications business

Project V, JAPAN TELECOM’s enterprise-wide initiative, which was put in place to revitalize and optimize the company’s performance, made considerable strides in raising competitiveness. Of particular note, JAPAN TELECOM substantially improved its operating cost structure, with reductions in cost of sales, mainly access charges, and a broad range of selling, general and administrative expenses.

The Company has sought both to increase sales and at the same time improve the functionality of its corporate data transmission and leased line network services such as “SOLTERIA”, an IP-VPN service that has seen a sharp increase in demand, and also “Wide-Ether”, a wide-area Ethernet service. JAPAN TELECOM took various steps to improve its customer services including the launch in April 2002 of the “SOLTERIA Access Gateway”, which gives subscribers the added option of connecting via

[3] Global System for Mobile communication is a telecommunication method that is globally utilized in more than 160 countries.

the internet, and the roll-out in July of the “SOLTERIA Router Pack (VoIP option)”, which combines everything from terminal equipment to circuits in the same package for subscribers that want to add a voice-over IP service (VoIP)[4] to their SOLTERIA virtual closed network service. JAPAN TELECOM also sought to provide a total solution service by combining the provision of network operation, management, and maintenance services with sales of every kind of network equipment.

On the corporate Internet service (ODN service) front, JAPAN TELECOM sought to boost usage through the introduction in May 2002 of “ODN Biz-Flat”, a high-speed Internet connection service using the local access services of regional NTT companies.

JAPAN TELECOM sought to stimulate greater user satisfaction and boost the number of consumer ODN service subscribers by introducing new applications such as “Pooh-san Mail 2”. JAPAN TELECOM also devoted substantial resources towards making its ODN service operations more efficient and developing subscriber needs in its capacity as an Internet service provider by consolidating the management of its ADSL access operations to its associated company e-Access in June 2002.

JAPAN TELECOM has actively marketed corporate voice transmission services, such as the “Quick Line” and “J-Net Quick” direct access services, and the “Free Call Super” service, an automatic reversed-charges service equipped with number portability[5]. In September this year, JAPAN TELECOM launched “Business Flat Rate” plan, the first service of its kind in Japan provided over the public switched telephone networks, with a view to extending sales to corporate customers that want to cut their communication costs at the same time place a high priority on service quality.

As a result of these activities, revenue form fixed-line telecommunications business increased 1.1% to ¥199,085 million and operating income rose to ¥12,653 million.

(2) Outlook for the year ending March 31, 2003

JAPAN TELECOM HOLDINGS upwardly revised forecasts for the year ending March 31, 2003 based on the vitality of its businesses and on continuing improvements in cost-saving synergies. On a consolidated basis, JAPAN TELECOM HOLDINGS expects revenue for the year ending March 31, 2003 will stay the same level as with ¥1.77 trillion; however, ordinary income and net income will reach as high as ¥245.0 billion and ¥65.0 billion, respectively.

JAPAN TELECOM HOLDINGS will pay interim dividends of 600 yen per share, and as a result of its strong performance, will increase the full year dividends to 1,200 yen per share.

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[4] Voice over IP technology enabling voice calls to be made over the Internet.
[5] This service enables inbound call services of the sort provided by all the major telephone companies to be switched from one service provider to another without the need to change the number

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of Yen)	March 31, 2002	September 30, 2002	Increase (Decrease)	September 30, 2001
(ASSETS)				
Fixed Assets	***1,541,188***	***1,512,619***	***(28,569)***	***1,786,287***
Fixed Assets for Telecommunication Services	***1,420,722***	***1,411,841***	***(8,881)***	***1,648,425***
Tangible fixed assets	***1,176,862***	***1,180,574***	***3,711***	***1,105,377***
Machinery and equipment	565,091	538,289	(26,802)	535,055
Air cable facilities	156,894	158,771	1,876	146,450
Terminal facilities	2,460	2,476	15	2,230
Local line facilities	4,623	4,816	192	4,025
Long-distance line facilities	22,859	25,188	2,329	23,231
Civil construction facilities	64,294	64,886	592	64,130
Ocean cable facilities	35,854	36,577	723	32,746
Buildings and structures	89,665	89,934	269	84,819
Other machinery and vehicles	2,210	1,605	(605)	2,066
Tools, furniture and fixtures	31,619	42,550	10,930	33,508
Land	27,364	26,693	(670)	34,810
Construction in progress	173,923	188,783	14,860	142,301
Intangible fixed assets	***243,860***	***231,267***	***(12,593)***	***543,048***
Ocean cable facility rights	2,868	2,799	(68)	1,573
Facility/utility rights	7,159	7,115	(44)	6,775
Software	178,159	176,861	(1,297)	162,875
Goodwill	36,853	30,711	(6,142)	—
Consolidation goodwill	14,469	12,681	(1,788)	363,324
Others	4,349	1,098	(3,251)	8,499
Fixed Assets for Supplementary Services	***31,297***	***9,487***	***(21,809)***	***31,201***
Tangible fixed assets	***24,190***	***7,510***	***(16,680)***	***24,424***
Intangible fixed assets	***7,107***	***1,977***	***(5,129)***	***6,777***
Investments and other assets	***89,168***	***91,289***	***2,121***	***106,659***
Investment securities	24,615	22,793	(1,821)	43,552
Investments in unconsolidated subsidiaries and affiliated companies	6,794	4,845	(1,949)	14,001
Deferred tax assets	20,425	25,544	5,119	6,191
Deposits	18,712	20,036	1,323	—
Others	19,337	20,055	717	43,728
Allowance for doubtful accounts	(717)	(1,985)	(1,268)	(814)
Current Assets	***314,963***	***274,857***	***(40,106)***	***726,512***
Cash on hand and in banks	16,275	5,323	(10,952)	219,459
Notes and accounts receivable - trade	209,757	207,643	(2,113)	193,463
Accounts receivable - other	48,602	27,932	(20,669)	23,721
Marketable securities	31	30	(0)	231,054
Inventories	27,760	18,545	(9,215)	43,554
Deferred tax assets	13,401	15,312	1,910	17,009
Others	11,123	12,176	1,053	12,337
Allowance for doubtful accounts	(11,987)	(12,107)	(119)	(14,087)
Deferred Charges	***183***	***91***	***(91)***	***274***
Bond issuance cost	183	91	(91)	274
Total Assets	***1,856,335***	***1,787,567***	***(68,767)***	***2,513,074***

(Millions of Yen)	March 31, 2002	September 30, 2002	Increase (Decrease)	September 30, 2001
(LIABILITIES)				
Long-term Liabilities	***365,244***	***276,216***	***(89,027)***	***603,655***
Bonds	200,000	175,000	(25,000)	200,000
Long-term borrowings	109,857	45,559	(64,297)	374,152
Liability for employees' retirement benefits	16,336	19,647	3,310	17,707
Retirement allowances for directors and corporate auditors	352	234	(118)	1,320
Allowance for loyalty program	31,279	29,051	(2,228)	—
Others	7,417	6,723	(694)	10,475
Current Liabilities	***1,067,650***	***1,007,158***	***(60,492)***	***1,156,730***
Current portion of long term debt	—	25,000	25,000	—
Accounts payable-trade	61,816	40,014	(21,801)	59,982
Short-term borrowings	726,797	731,958	5,161	881,924
Accounts payable-other	183,458	87,609	(95,848)	113,466
Accrued expenses	55,968	30,742	(25,226)	64,285
Income taxes payable	18,324	58,125	39,800	23,745
Accrued bonuses to employees	7,670	7,869	198	7,171
Allowance for guarantees	3,174	2,989	(185)	—
Allowance for loyalty program	299	412	112	—
Others	10,139	22,436	12,297	6,154
Total Liabilities	***1,432,894***	***1,283,375***	***(149,519)***	***1,760,386***
Minority Interests	***32,043***	***71,260***	***39,217***	***230,279***
(SHAREHOLDERS' EQUITY)				
Common Stock	***177,251***	***177,251***	—	***177,251***
Capital Surplus	***265,508***	***265,508***	—	***265,508***
Retained Earnings (Deficit)	***(46,011)***	***(11,895)***	***34,115***	***75,277***
Revaluation difference	***(7,720)***	—	***7,720***	—
Net unrealized gain on available-for-sale securities	***2,350***	***2,137***	***(213)***	***4,450***
Foreign currency translation adjustments	***25***	***(61)***	***(86)***	***(77)***
Treasury stock	***(6)***	***(7)***	***(1)***	***(0)***
Total Shareholders' Equity	***391,397***	***432,932***	***41,534***	***522,408***
Total Liabilities, Minority Interests, and Shareholders' Equity	***1,856,335***	***1,787,567***	***(68,767)***	***2,513,074***

(2) Consolidated Statements of Operations

(Millions of Yen)	Six-month period ended September 30, 2001	Six-month peirod ended September 30, 2002	Increase (Decrease)	Year ended March 31, 2002
ORDINARY INCOME/LOSS				
(Operating Income/Loss)				
Telecommunication Services				
Revenue	670,878	733,960	63,082	1,361,717
Operating expenses	645,317	597,834	(47,483)	1,271,599
Operating Income from Telecommunication Services	***25,561***	***136,126***	***110,565***	***90,117***
Supplementary Services				
Revenue	178,873	150,865	(28,007)	342,321
Operating expenses	180,974	144,234	(36,740)	343,305
Operating Income (Loss) from Supplementary Services	***(2,101)***	***6,631***	***8,732***	***(983)***
Total Operating Income	***23,459***	***142,757***	***119,298***	***89,134***
(Non-operating Income/Loss)				
Non-operating Revenue	***3,727***	***3,972***	***244***	***7,545***
Interest income	475	18	(456)	595
Dividend income	118	148	29	197
Rental income	309	283	(26)	521
Facilities income	—	1,100	1,100	—
Miscellaneous income	2,824	2,421	(403)	6,231
Non-operating Expenses	***12,117***	***5,627***	***(6,490)***	***22,649***
Interest expenses	11,229	5,186	(6,043)	19,650
Amortization of bond issuance costs	91	91	—	183
Amortization of stock issuance costs	67	—	(67)	67
Miscellaneous expenses	729	349	(379)	2,747
Ordinary Income	***15,069***	***141,102***	***126,032***	***74,030***
Special Gain/Loss				
Special Gain	***18,876***	***395***	***(18,480)***	***19,074***
Gain on sales of fixed assets	1,248	—	(1,248)	1,424
Gain on sales of investments securities	—	49	49	2
Gain on sales of investments in unconsolidated subsidiaries and affiliated companies	17,627	—	(17,627)	17,647
Reversal of allowance for guarantees	—	185	185	—
Penalty for cancellation of contract	—	160	160	—
Special Loss	***2,639***	***5,859***	***3,219***	***105,131***
Provision for deferred gain on sales of fixed assets for tax purposes	7	—	(7)	183
Loss on disposal of fixed assets	414	1,460	1,045	414
Write down of investment securities	639	1,229	590	—
Write down of investment in unconsolidated subsidiaries and affiliated companies	—	1,993	1,993	—
Amortization of prior service pension cost	447	—	(447)	447
Write down of golf club membership etc	71	—	(71)	100
Provision for loyalty program	—	—	—	25,831
Amortization of consolidation goodwill	—	—	—	39,002
Penalty for specification change of telecommunication facility	867	—	(867)	—
Loss on business transfer of packet operations	192	—	(192)	—
Restructuring loss of unconsolidated subsidiaries and affiliated companies	—	607	607	—
Restructuring loss of business organization	—	—	—	39,152
Others	—	569	569	—
Income (Loss) before Income Taxes and Minority Interests	***31,305***	***135,638***	***104,332***	***(12,026)***
Income Taxes - Current	***22,738***	***58,194***	***35,456***	***39,236***
Reversal of income tax payable	***—***	***(3,164)***	***(3,164)***	***—***
Income Taxes - Deferred	***2,937***	***(3,637)***	***(6,574)***	***(4,571)***
Minority Interests	***10,819***	***40,720***	***29,901***	***19,278***
Net Income (Loss)	***(5,189)***	***43,524***	***48,713***	***(65,969)***

(3) Consolidated Statements of Capital Surplus and Retained Earnings

(Millions of Yen)	Six-month period ended September 30, 2001	Six-month period ended September 30, 2002	Increase (Decrease)	Year ended March 31, 2002
(Capital Surplus)				
Additional Paid-in Capital				
Balance at the beginning of period	265,508	265,508	—	265,508
Balance at the end of period	265,508	265,508	—	265,508
(Retained Earnings)				
Retained Earnings (Deficit)				
Balance at the beginning of period	82,559	(46,011)	(128,570)	82,559
Increase:	—	43,524	43,524	190
Merger of consolidated subsidiaries with unconsolidated subsidiaries	—	—	—	190
Net income	—	43,524	43,524	—
Decrease:	7,282	9,408	2,126	128,761
Cash dividends paid	1,917	958	(958)	2,875
Bonuses paid to directors and corporate auditors	176	27	(148)	176
〔Corporate auditors' portion〕	15	2	(13)	15
Merger	—	—	—	59,740
Divestiture of consolidated subsidiaries	—	703	703	—
Reversal of revaluation difference	—	7,720	7,720	—
Net loss	5,189	—	(5,189)	65,969
Balance at the end of period	75,277	(11,895)	(87,172)	(46,011)

(4) Consolidated Statements of Cash Flows

(Millions of Yen)	Six-month period ended September 30, 2001	Six-month period ended September 30, 2002	Increase (Decrease)	Year ended March 31, 2002
Ⅰ ***Cash Flows from Operating activities***				
Income (loss) before income taxes and minority interests	31,305	135,638	104,332	(12,026)
Adjustments to reconcile Income (loss) before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization	101,633	122,104	20,471	222,516
Provision for retirement benefits	1,040	3,340	2,300	(298)
Amortization of consolidation goodwill	13,149	1,752	(11,397)	53,901
Interest expense	11,229	5,186	(6,043)	19,650
Write down of investment securities	639	1,229	590	19,460
Write-down of Investments in unconsolidated subsidiaries and affiliated companies	—	1,993	1,993	—
Gain on sales of investments in subsidiaries	(17,627)	—	17,627	(17,647)
Loss on disposal of property, plant and equipment	2,620	5,326	2,706	15,571
Provision for loyalty program	—	(2,115)	(2,115)	31,579
Change in operating assets and liabilities:				
Decrease (increase) in notes and accounts receivable - trade	(8,717)	782	9,500	(24,963)
Decrease (increase) in accounts receivable - other	20,028	20,556	527	(4,691)
Decrease in inventories	4,695	8,136	3,441	20,509
Decrease in long-term accounts payable - other	(4,021)	(2,471)	1,550	(7,190)
(Decrease) increase in accounts payable - trade	3,111	(21,247)	(24,359)	4,942
(Decrease) increase in accounts payable - other	(544)	(9,843)	(9,298)	36,417
Decrease in accrued expenses	(7,275)	(25,772)	(18,496)	(14,101)
Increase in accrued consumption tax	—	11,531	11,531	—
Other-net	6,790	1,806	(4,983)	15,326
(Subtotal)	158,057	257,936	99,879	358,956
Interest income and dividend income received	619	166	(453)	839
Interest expenses paid	(11,360)	(4,975)	6,385	(21,267)
Income taxes paid	(17,436)	(15,229)	2,206	(39,033)
Net Cash provided by Operating activities	129,880	237,897	108,017	299,495
Ⅱ ***Cash Flows from Investing activities***				
Expenditures for fixed assets	(263,329)	(192,857)	70,472	(450,821)
Proceeds from sale of fixed assets	3,441	6,416	2,975	3,451
Purchases of investments in unconsolidated subsidiaries and affiliated companies	(1,208)	(23)	1,185	—
Proceeds from sales of investments in subsidiaries	68,354	—	(68,354)	68,354
Purchases of investment securities	(6,008)	(1)	6,006	(6,987)
Proceeds from sales of investment securities	3,550	294	(3,256)	8,235
Withdrawal of time deposits with original maturity more than three months	15,000	—	(15,000)	20,023
Purchases of marketable securities	(8,868)	—	8,868	(9,868)
Proceeds from sales of marketable securities	10,652	—	(10,652)	19,963
Other-net	(3,556)	(586)	2,970	(4,581)
Net Cash used in Investing activities	(181,971)	(186,757)	(4,785)	(352,230)
Ⅲ ***Cash Flows from Financing activities***				
Proceeds from long-term borrowings	3,000	—	(3,000)	3,000
Repayments of long-term borrowings	(84,194)	(69,801)	14,393	(434,859)
Net increase in short-term borrowings	98,720	10,702	(88,018)	29,843
Paid-in capital from minority shareholders	4,385	—	(4,385)	4,348
Payment of dividends	(1,917)	(951)	965	(2,875)
Payment of dividends to minority shareholders	(1,024)	(1,471)	(446)	(1,024)
Other-net	7	(1)	(8)	1
Net Cash (used in) provided by Financing activities	18,976	(61,522)	(80,499)	(401,565)
Ⅳ ***Effect of Exchange Rate Changes on Cash and Cash Equivalents***	(34)	(12)	21	68
Ⅴ ***Net decrease in Cash and Cash Equivalents***	(33,149)	(10,395)	22,754	(454,231)
Ⅵ ***Cash and Cash Equivalents, Beginning of Period***	470,326	16,275	(454,050)	470,326
Increase in cash and cash equivalents due to merger of consolidated subsidiaries and unconsolidated subsidiaries	—	—	—	180
Decrease in cash and cash equivalents due to divestiture of consolidated subsidiaries	—	(556)	(556)	—
Ⅶ ***Cash and Cash Equivalents, End of Period***	437,177	5,323	(431,853)	16,275

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 13

(2) Major consolidated subsidiaries

J-PHONE Co., Ltd. and JAPAN TELECOM CO., Ltd.

Billing and Information processing business in the field of mobile communication services and mobile phone sales agency business were separated in accordance with the Japanese Commercial Code and wholly owned companies, “Japan System Solution Co., Ltd.” and “Telecom Express Co., Ltd.”, respectively, were established as of July 1, 2002. Also, the existing fixed-line business was separated and established a wholly owned company, “JAPAN TELECOM CO., LTD.” (new JAPAN TELECOM) as of August 1, 2002. After which, JAPAN TELECOM was renamed JAPAN TELECOM HOLDINGS CO., LTD.
Japan Telecom Create Co., Ltd. transferred its business outside as of September 30, 2002, and is currently in the process of liquidation. Japan Telecom Create Co., Ltd was excluded from the scope of consolidation for the six-month period ended September 30, 2002.

(3) Number of non-consolidated subsidiaries: 19

(4) Major non-consolidated subsidiary

Japan Telecom Engineering Tohoku Co., Ltd.

All of the Company’s non-consolidated subsidiaries are small in scale. Their total assets, total revenue, total net income or loss (equivalent to shares in equity), and consolidated retained earnings (equivalent to shares in equity) have no significant impact on the consolidated financial statements as a whole. Therefore, these subsidiaries are not subject to consolidation.

2. Equity method

Non-consolidated subsidiaries and affiliated companies to which the equity method of accounting is applied: N/A
The 19 non-consolidated subsidiaries and 7 affiliated companies (including the major affiliated company, eAccess Ltd.) were not accounted for by using the equity method, since the impact of non application of the equity method of accounting has only minor

influence on current net income or loss or on the consolidated retained earnings. As these companies are insignificant as a whole, they are not subject to the equity method.

3. Fiscal year of consolidated subsidiaries

The financial statements of the consolidated subsidiaries except JAPAN TELECOM AMERICA, INC. (whose 1st six-month period was ended as of June 30, 2002) are prepared as of September 30, 2002, the same date as the consolidated financial statements. Inclusion of the subsidiary referred to above into the consolidated financial statements is made based on its financial results as of June 30, and necessary adjustments for significant transactions during the intervening period were made in the consolidated financial statements for the six-month period ended September 30, 2002.

4. Significant accounting policies

(1) Fixed assets

① Tangible fixed assets

Depreciation of tangible fixed assets is computed mainly under the straight-line method. The estimated useful lives of the major fixed assets are as follows:

Machinery and equipment: 6 to 9 years.

Air cable facilities: 10 to 40 years.

② Intangible fixed assets

Intangible fixed assets are amortized under the straight-line method. The estimated useful lives of the major intangible fixed assets are as follows:

Software for internal use: 5 years (estimated useful life)

Goodwill: 5 years

③ Long-term prepaid expenses

Long-term prepaid expenses are amortized under the straight-line method.

(2) Valuation methods of significant assets

① Marketable and investment securities – Other than trading securities and held-to-maturity debt securities

- Securities with market value: at mark-to-market in accordance with the market price on the account-closing day. (The differences from book value and market value are directly charged to the shareholders' equity and the cost of securities sold during the period is calculated by the moving-average method.)
- Securities without market value: at cost using the moving-average method.

② Derivatives

Derivatives transactions are appraised by the mark-to-market method.

③ Inventories

Inventories are stated at cost, mainly determined by the moving-average method.

(3) Deferred charges

① Bond issuance costs are amortized over 3 years by the straight-line method.

(4) Significant allowances and provisions

① Allowance for doubtful accounts

Allowance for doubtful accounts is stated in amounts considered to be appropriate based on the companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding.

② Liability for employees' retirement benefits

To prepare for the future payment to employees, the liability for employees' retirement benefit benefits is established based on a projection of retirement obligations and plan assets at each balance sheet date. The full amounts of the transitional obligation was charged to income and presented in other expenses in the income statement.

The full amounts of prior service cost were also charged to net periodic benefit cost.

③ Retirement allowances for directors and corporate auditors

Retirement allowances for directors and corporate auditors are accrued based on the amount that would be required, based on the Company's practices, in the event that all directors and corporate auditors retired at each balance sheet date.

④ Accrued bonuses to employees

To prepare for bonuses payments to employees, the Company accrued the estimated the liability in the appropriate period.

⑤ Allowance for guarantees

Allowance for guarantees is accrued for the Company's contingent liabilities as guarantor of indebtedness of others based on an evaluation of financial position of guarantees.

⑥ Allowance for loyalty programs

Allowance for loyalty programs is accrued based on the estimated future obligation arising from "Telecom Club" and "J-Point ", based on past experience.

(5) Foreign currency transactions

Foreign currency receivables and payables are translated into Japanese yen at period-end exchange rates and resulting exchange gains or losses are recognized in earnings. The assets, liabilities, revenue and expenses of foreign subsidiaries are translated into Japanese yen at the respective period-end exchange rate. The resulting translation adjustments are included in the foreign currency translation adjustments in the shareholders' equity.

(6) Leases

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

(7) Hedge accounting

① Hedge accounting method

Gains or losses on derivatives for hedging purposes are principally deferred maturity of the hedged transactions. To the extent that the foreign currency forward contracts qualify for the hedge accounting, foreign currency payables are translated into Japanese yen at the forward contract rate. The interest rate swap which qualify for hedge accounting and meet specific matching criteria are not remeasured at market values but the differential paid or received under the swap and cap agreements are recognized and included in interest expense or income.

② Hedging instrument and hedged item

The Company enters into derivative financial instruments (" derivatives"), including foreign currency forward contracts to hedge foreign exchange risk associated with a transactions denominated in foreign currencies. The Company also enters into interest swap and interest rate cap contracts to manage their interest rate exposure on certain borrowings.

③ Company's policy to use derivatives

The execution and control of derivatives are controlled by the Finance Department in accordance with the internal policies and regulations. It is the Company's policy to use derivatives only for the purpose of reducing market risks associated with assets and liabilities, therefore the Company does not hold or issue derivatives for trading or speculative purposes.

④ Assessment of hedge effectiveness

The Company assesses hedge effectiveness based on the semi-annual analysis of cumulative amount of change in cash flows of hedged items and fluctuation of market price. The interest rate swap and interest rate caps which qualify for hedge accounting and meet specific matching criteria are excluded from the scope of the assessment.

(8) Other important matters relating to the preparation of financial statements

Consumption tax is excluded from principal amount of related transaction and stated separately as a component of current assets or liabilities.

5. The appraisal of assets and liabilities of consolidated subsidiaries

The Company uses the mark-to-market value appraisal method for all assets and liabilities of consolidated subsidiaries.

6. Consolidation goodwill

Cost in excess of the net assets of subsidiaries acquired arising from the data transmission business and "other" business are amortized on a straight-line basis over a period of 10 and 5 years, respectively.

7. Cash equivalents

Cash equivalents are short-term investments with maturity due within 3 months of the date of acquisition that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Additional information

Accounting for Treasury stock and reversal of the legal reserves

Effective April 1, 2002, the Company adopted Statement of Accounting Standards Board of Japan No. 1, "Accounting for treasury stock and reversal of legal reserves". The adoption of this statement did not have a material impact to the Company's net income for the six-month period ended September 30, 2002.

The shareholders' equity section of the consolidated balance sheet and the consolidated statement of capital surplus and retained earnings as of September 30, 2002 were prepared in accordance with the revised financial statement regulation.

Foot notes information relating to the consolidated balance sheets

(Millions of Yen except where indicated)

	September 30, 2001	September 30, 2002	March 31, 2002
1. Accumulated depreciation of tangible fixed assets	¥743,778	¥871,308	¥800,130
2. Assets pledged as collateral	18,543	14,901	16,454
3. Notes regarding non-consolidated subsidiaries and affiliated companies:			
Investments in affiliated companies	7,954	4,845	6,794
4. Contingent liabilities			
Guarantees outstanding	8,535	4,676	5,012
Company's proportional risk exposure included above	5,069	3,169	3,428
Guarantees arranged	1,789	222	335
Company's proportional risk exposure included above	1,482	222	262
Keep-well arrangement	2,700		
Company's proportional risk exposure included above	532		

Foot notes information relating to the consolidated statements of operations

(Millions of Yen except where stated)

	Six-month period ended September 30, 2001	Six-month period ended September 30, 2002	Year ended March 31, 2002
1. Major items included in operating expenses of the telecommunications business are as follows:			
Selling and promotional expenses	¥328,479	¥251,734	¥624,633
Telecommunications operation expenses	119	12	238
Facilities maintenance costs	34,797	35,547	70,896
Common costs	973	879	1,665
Administrative expenses	28,177	36,945	53,023
Research and development expenses	672	574	1,616
Depreciation and amortization	103,482	120,429	223,232
Disposal of fixed assets	2,205	5,540	13,441
Fees for utilization of other companies' network facilities	138,442	136,939	267,573
Taxes and dues	7,967	9,230	15,279
2. R&D expenses included in the operating expenses	672	574	1,616

Per share information

(in Yen)

	Six-month period ended September 30, 2001	Six-month period ended September 30, 2002	Year ended March 31, 2002
Net assets per share	¥163,496	¥135,493	¥122,494
Net income (loss) per share	¥(1,624)	¥13,621	¥(20,646)

The Company has no dilutive securities outstanding, and therefore there is no difference between basic and diluted earnings per share.

Foot notes information relating to the consolidated statements of cash flows

(Millions of Yen)

	Six-month period ended September 30, 2001	Six-month period ended September 30, 2002	Year ended March 31, 2002
Reconciliation between cash and cash equivalents and items listed in the consolidated balance sheet at the end of each period:			
Cash on hand and in banks	¥219,459	¥5,323	¥16,275
Time deposits with maturity more than 3 months	(5,023)	-	-
Items falling under the securities account	222,740	-	-
Cash and cash equivalents	¥437,177	¥5,323	¥16,275

Leases as lessee

1. Finance leases without transfer of ownership

① Pro forma information of leased property that do not transfer ownership of the leased property to the lessee on a " as if capitalized " basis was as follows:

As of September 30, 2001	Millions of yen		
	Acquisition cost	Accumulated depreciation	Net leased property
Machinery and equipment	¥68,390	¥34,135	¥34,254
Building and structure	129	23	105
Vehicles	5,849	4,034	1,815
Tools, furniture and fixtures	17,215	7,648	9,567
Software	17,752	12,121	5,631
Total	¥109,337	¥57,963	¥51,373

As of September 30, 2002	Millions of yen		
	Acquisition cost	Accumulated depreciation	Net leased property
Machinery and equipment	¥53,614	¥31,347	¥22,266
Building and structure	129	46	82
Vehicles	3,486	2,403	1,082
Tools, furniture and fixtures	15,662	5,816	9,845
Software	8,058	5,027	3,031
Total	¥80,950	¥44,641	¥36,309

As of March 31, 2002	Millions of yen		
	Acquisition cost	Accumulated depreciation	Net leased property
Machinery and equipment	¥62,419	¥33,757	¥28,662
Building and structure	129	35	93
Vehicles	5,458	4,026	1,432
Tools, furniture and fixtures	16,298	5,156	11,141
Software	10,935	7,385	3,550
Total	¥95,240	¥50,360	¥44,880

(Note) The acquisition cost is aggregation of lease payments, including interest portion, outstanding as of the end of each period, because such balance is immaterial compared to the each fixed asset in the consolidated balance sheet.

② Obligations under finance leases were as follows:

	Millions of yen		
	September 30, 2001	September 30, 2002	March 31, 2002
Due within one year	¥18,545	¥19,197	¥18,419
Due after one year	32,828	17,111	26,460
	¥51,373	¥36,309	¥44,880

(Note) The obligations under finance leases include interest portion in lease paymentsg outstanding as of the end of each period, because such balance is immaterial compared to the each fixed asset in the consolidated balance sheet.

③ Rental expenses and depreciation expense, if recognized, were as follows:

	Millions of yen		
	Six-month period ended September 30, 2001	Six-month period ended September 30, 2002	Year ended March 31, 2002
Rental expenses	¥9,257	¥8,719	¥17,339
Depreciation expense, if recognized	¥9,257	¥8,719	¥17,339

④ Depreciation expense are computed as if the straight-line method with zero residual value had been used. Estimated useful life is based on lease term of each lease agreement.

2. Operating leases

Obligations under operating leases were as follows:

	Millions of yen		
	September 30, 2001	September 30, 2002	March 31, 2002
Due within one year	¥38	¥2,706	¥1,636
Due after one year	44	5,962	8,024
	¥83	¥8,668	¥9,661

Marketable and investments securities

As of September 30, 2001

1. Other marketable securities (with market quotation)

(Millions of Yen)

	Acquisition cost	Consolidated balance sheet	Variance
(1) Equity securities	¥12,217	¥19,931	¥7,713
(2) Debt securities			
① Government/Municipal bonds	7,152	7,222	69
② Corporate bonds	4,300	4,296	(3)
③ Others	1,002	1,006	3
Total	¥24,673	¥32,457	¥7,784

Note: Other marketable securities were written down by \ 320 million as a result of impairment of acquisition cost for the six-month period ended September 30, 2001.

2. Major investment securities which market quotations are unavailable

(Millions of Yen)

	Consolidated balance sheet	Remarks
(1) Investments in unconsolidated subsidiaries and affiliated companies	¥7,954	
(2) Held-to-maturity debt securities:		
Commercial paper	69,989	
(3) Other marketable securities:		
①Money market funds, etc.	137,885	
②Commercial paper	14,864	
③Unlisted stocks (except for over-the-counter stocks)	25,405	
④Certificate of investments	51	

As of September 30, 2002

1. Other marketable securities (with market quotation)

(Millions of Yen)

	Acquisition cost	Consolidated balance sheet	Variance
(1) Equity securities	¥11,737	¥15,497	¥3,759
(2) Debt securities			
Government/Municipal bonds	147	184	36
Total	¥11,885	¥15,681	¥3,796

Note: Other marketable securities were written down by \ 17 million as a result of impairment of acquisition cost for the six-month period ended September 30, 2002.

2. Major securities which market quotations are unavailable

(Millions of Yen)

	Consolidated balance sheet	Remarks
(1) Investments in unconsolidated subsidiaries and affiliated companies	¥4,845	
(2) Other securities		
①Unlisted stocks (except for over-the-counter stocks)	7,090	
②Other	51	

As of March 31, 2002

1. Other marketable securities (with market quotation)

(Millions of Yen)

	Acquisition cost	Consolidated balance sheet	Variance
(1) Equity securities	¥11,867	¥15,852	¥3,984
(2) Debt securities			
Government/Municipal bonds	147	184	36
Total	¥12,015	¥16,036	¥4,021

Note: Other marketable securities were written down by \ 228 million as a result of impairment of acquisition cost for the year ended March 31, 2002.

2. Major securities which market quotations are unavailable

(Millions of Yen)

	Consolidated balance sheet	Remarks
(1) Other securities		
①Unlisted stocks (except for over-the-counter stocks)	¥8,558	
②Other	51	

Derivative financial instruments

The aggregate notional principal amounts and the estimated fair value of derivative financial instruments are summarized as follows:

Six-month period ended September 30, 2001

(Millions of Yen)

	Notional principal amounts	Fair value	Variance
Interest rate cap agreements	¥3,000	¥0	¥0
Interest rate swap agreements	13,500	(98)	(98)
Total	¥16,500	¥(98)	¥(99)

Note: Derivative financial instruments to which hedge accounting is applied are excluded.

Six-month period ended September 30, 2002

(Millions of Yen)

	Notional principal amounts	Fair value	Variance
Foreign currency forward contracts	¥808	¥806	¥(1)
Interest rate cap agreements	3,000	0	(79)
Total	¥3,808	¥806	¥(81)

Note: Derivative financial instruments to which hedge accounting is applied are excluded.

Year ended March 31, 2002

(Millions of Yen)

	Notional principal amounts	Fair value	Variance
Foreign currency forward contracts	¥945	¥993	¥48
Interest rate cap agreements	4,500	0	(96)
Total	¥5,445	¥993	¥(48)

Note: Derivative financial instruments to which hedge accounting is applied are excluded.

(Segment Information)

(1) Business Segments

(Millions of Yen)	Six-month period ended September 30, 2001						
	Fixed-line Telecommunication Services		Mobile Telecommunication Services	Other	Total	Eliminating amd other adjustments	Consolidated
	Voice Transmission	Data Transmission					
Ⅰ Revenue and operating income(loss)							
Revenue							
(1) Sales to external customer	105,109	65,328	671,105	8,207	849,751	−	849,751
(2) Intersegment sales	11,652	24	90	−	11,767	(11,767)	−
Total Revenue	116,762	65,353	671,196	8,207	861,519	(11,767)	849,751
Operating expenses	127,534	71,934	629,027	10,163	838,660	(12,368)	826,292
Operating income (loss)	(10,772)	(6,581)	42,168	(1,956)	22,858	600	23,459

(Note) 1. Business categories and main services

Business Categories		Main Services
Fixed-line Telecommunication Services	Voice transmission services	Domestic telephone services, international telephone services, Japan Railway telephone services, direct access telephone services, terminal telephone services
	Data transmission services	Frame relay services, cell relay services, ODN (Open Data Network), general leased circuit services, high-speed digital leased circuit services, ATM (Asymchronous Transfer Mode) leased circuit services, international leased circuit services
Mobile Telecommunication Services		Mobile telecommunication services, moblile handset sales
Other business		Construction of telecommunication facilities, development/maintenance/sales/lease of telecommunication equipments, telecommunication consulting, architectural planning, construction management, property insurance brokerage

(Millions of Yen)	Six-month period ended September 30, 2002					
	Fixed-line Telecommunication Services	Mobile Telecommunication Services	Other	Total	Eliminating amd other adjustments	Consolidated
Ⅰ Revenue and operating income(loss)						
Revenue						
(1) Sales to external customer	177,279	704,676	2,869	884,826	–	884,826
(2) Intersegment sales	21,806	4,505	5,654	31,966	(31,966)	–
Total Revenue	199,085	709,182	8,523	916,792	(31,966)	884,826
Operating expenses	186,432	578,065	9,059	773,557	(31,489)	742,068
Operating income (loss)	12,653	131,117	(536)	143,234	(477)	142,757

(Note 1) Business categories and main services

Business Categories	Main Services
Fixed-line Telecommunication Services	Domestic long-distance telephone services, international telephone services High-speed digital leased circuit services, ODN (Open Data Network), Frame relay services, etc.
Mobile Telecommunication Services	Mobile telecommunication services, mobile handset sales
Other business	Construction of telecommunication facilities, development/maintenance/sales/lease of telecommunication equipments, telecommunication consulting, architectural planning, construction management, property insurance brokerage

(Note 2) Change of business categories

The Group has changed its business categories to separate into fixed-line telecommunication services, mobile telecommunication services and other business, while the former categories were separated into voice transmission services, data transmission serivices, mobile telecommunications, and other business.

This change is due to estabilishment of the holding company and restructuring of consolidated subsidiaries.

Segment information conformed to new business categories for the six months ended September 30, 2001 and for the year ended March 31, 2002 are as follows.

(Millions of Yen)	Six-month period ended September 30, 2001					
	Fixed-line Telecommunication Services	Mobile Telecommunication Services	Other	Total	Eliminating amd other adjustments	Consolidated
Ⅰ Revenue and operating income(loss)						
Revenue						
(1) Sales to external customer	179,071	667,025	3,654	849,751	−	849,751
(2) Intersegment sales	17,851	4,759	13,176	35,787	(35,787)	−
Total Revenue	196,922	671,784	16,831	885,539	(35,787)	849,751
Operating expenses	216,994	639,816	16,036	872,846	(46,554)	826,292
Operating income (loss)	(20,071)	31,968	795	12,692	10,767	23,459

(Note) Business categories and main services

Business Categories	Main Services
Fixed-line Telecommunication Services	Domestic long-distance telephone services, international telephone services High-speed digital leased circuit services, ODN (Open Data Network), Frame relay services, etc.
Mobile Telecommunication Services	Mobile telecommunication services, moblile handset sales
Other business	Construction of telecommunication facilities, development/maintenance/sales/lease of telecommunication equipments, telecommunication consulting, architectural planning, construction management, property insurance brokerage

(Millions of Yen)	Year ended March 31, 2002					
	Fixed-line Telecommunication Services	Mobile Telecommunication Services	Other	Total	Eliminating amd other adjustments	Consolidated
Ⅰ Revenue and operating income(loss)						
Revenue						
(1) Sales to external customer	360,565	1,336,579	6,894	1,704,039	—	1,704,039
(2) Intersegment sales	49,595	10,993	23,541	84,130	(84,130)	–
Total revenue	410,160	1,347,572	30,435	1,788,169	(84,130)	1,704,039
Operating expenses	428,637	1,261,341	30,543	1,720,522	(105,617)	1,614,904
Operating income (loss)	△ 18,476	86,231	△ 107	67,646	21,487	89,133

(Note) Business categories and main services

Business Categories	Main Services
Fixed-line Telecommunication Services	Domestic long-distance telephone services, international telephone services High-speed digital leased circuit services, ODN (Open Data Network), Frame relay services, etc.G161
Mobile Telecommunication Services	Mobile telecommunication services, mobile handset sales
Other business	Construction of telecommunication facilities, development/maintenance/sales/lease of telecommunication equipments, telecommunication consulting, architectural planning, construction management, property insurance brokerage

(Millions of Yen)	Year ended March 31, 2002						
	Fixed-line Telecommunication Services		Mobile Telecommunication Services	Other	Total	Eliminating amd other adjustments	Consolidated
	Voice Transmission	Data Transmission					
Ⅰ Revenue and operating income(loss)							
Revenues							
(1) Sales to external customer	206,803	133,611	1,344,550	19,073	1,704,039	－	1,704,039
(2) Intersegment sales	28,413	－	81	416	28,911	(28,911)	－
Total revenue	235,217	133,611	1,344,632	19,490	1,732,950	(28,911)	1,704,039
Operating expenses	261,340	145,221	1,213,308	21,798	1,641,668	(26,763)	1,614,904
Operating income (loss)	(26,123)	(11,610)	131,324	(2,308)	91,282	(2,148)	89,134

(Note) Business categories and main services

Business Categories		Main Services
Fixed-line Telecommunication Services	Voice transmission services	Domestic telephone services, international telephone services, Japan Railway telephone services, direct access telephone services, terminal telephone services
	Data transmission services	Frame relay services, cell relay services, ODN (Open Data Network), general leased circuit services, high-speed digital leased circuit services, ATM (Asymchronous Transfer Mode) leased circuit services, international leased circuit services
Mobile Telecommunication Services		Mobile telecommunication services, mobile handset sales
Other business		Construction of telecommunication facilities, development/maintenance/sales/lease of telecommunication equipments, telecommunication consulting, architectural planning, construction management, property insurance brokerage

(2) Geographical Segments

The domestic share in the total of all the segment revenue and assets iare both over 90 %, and thus the geographical segments is not provided.

(3) Sales to Foreign Customers

Sales to foreign customers is less than 10 % of total revenue, and thus such information is not provided.

Non-consolidated Financial Results for the six-month period ended September 30, 2002

November 12, 2002

JAPAN TELECOM HOLDINGS CO., LTD.

Code number 9434
（URL http://www.telecom-holdings.co.jp ）
Representative: William T. Morrow, Representative Director and President
Person responsible for inquires: John Durkin, CFO
Date of approval of financial statements by the Board of Directors: November 12, 2002
Date of the interim dividend payment: December 10, 2002

Stock exchange listings: TSE, OSE
Location of corporate headquarters
Tokyo

TEL (03) 6403 - 2986
Interim dividend: Yes
Odd share system: No

1. Non-consolidated results for the six-month period ended September 30, 2002 (from April 1, 2002 to September 30, 2002)

(1) Operational results

	Revenue		Operating income (loss)		Ordinary income (loss)	
Half-year ended:	million yen	%	million yen	%	million yen	%
September 30, 2002	144,255	(34.0)	8,280	n/a	9,509	n/a
September 30, 2001	218,709	(14.3)	(14,576)	n/a	(14,363)	n/a
Year ended March 31, 2002	457,443		(13,812)		(14,498)	

	Net income (loss)		Earning (loss) per share
Half-year ended:	million yen	%	yen
September 30, 2002	9,549	(34.2)	2,988.67
September 30, 2001	14,511	432.1	4,541.53
Year ended March 31, 2002	(64,544)		(20,200.22)

Notes

① The average number of shares were 3,195,220 shares, 3,195,236 shares and 3,195,225 shares for the six-month periods ended September 30, 2002 and 2001 and for the year ended March 31, 2002, respectively.

② The earnings (loss) per share for the six-month period ended September 30, 2001 and for the year ended March 31, 2002 were calculated based on the assumption that the stock split of one to five shares was performed at the beginning of the fiscal year, respectively.

③ There are no changes in accounting policies during the six-month period ended September 30, 2002.

④ **The percentages for revenues, operating income (loss), ordinary income (loss), and net income represent the increase or decrease over the previous first half-year period.**

(2) Dividends

	Half-year dividends per share	Dividends per share for the year
Half-year ended:	in yen	in yen
September 30, 2002	600.00	−
September 30, 2001	300.00	−
Year ended March 31, 2002	−	600.00

(3) Financial position

	Total assets	Shareholders' equity	Ratio of shareholders' equity	Shareholders' equity per share
	million yen	million yen	%	yen
September 30, 2002	1,371,540	494,561	36.1	154,781.83
September 30, 2001	951,703	576,033	60.5	180,278.69
March 31, 2002	1,501,887	486,191	32.4	152,162.12

Notes

1. The number of shares outstanding were 3,195,218 shares, 3,195,236 shares and 3,195,221shares as of September 30, 2002 and 2001 and March 31, 2002, respectively.
2. The number of treasury stocks were 18 shares, 1 share and 15 shares as of September 30, 2002 and 2001 and March 31, 2002, respectively.

2. Forecast of non-consolidated operational results for the year ending March 31, 2003 (from April 1, 2002 to March 31, 2003)

	Revenue	Ordinary income	Net income	Annual dividend per share	
				Half-year dividend	
	million yen	million yen	million yen	yen	yen
Year ending March 31, 2003	147,000	9,500	11,500	600.00	1,200.00

Reference: The expected earning per share for the year ending March 31, 2003 is ¥3,599.12.

The above forecasts are based on the information available to the Company management at the date of announcement. The actual results may vary from the forecasts because of unknown factors, such as altered trends in the markets in which the Company operates and the prevailing economic conditions.

Japan Telecom Holdings Co., Ltd.

Non-consolidated Comparative Balance Sheets

(Millions of Yen)	March 31, 2002	September 30, 2002	Increase (Decrease)	September 30, 2001
ASSETS				
CURRENT ASSETS	**840,150**	**739,193**	**(100,957)**	**208,392**
Cash on hand and in banks	3,461	1	(3,460)	119,871
Accounts receivable - trade	72,587	-	(72,587)	66,758
Accounts receivable - other	14,845	-	(14,845)	4,833
Marketable securities	31	-	(31)	3,000
Treasury stock	-	-	-	0
Inventories	3,052	-	(3,052)	3,247
Advance payments	13	-	(13)	40
Prepaid expenses	923	-	(923)	2,996
Short-term loans	746,406	740,651	(5,754)	5,840
Deferred tax assets (current)	3,340	-	(3,340)	2,060
Others	2,557	3,330	773	3,047
Allowance for doubtful accounts	(7,069)	(4,789)	2,279	(3,304)
FIXED ASSETS	**661,553**	**632,255**	**(29,298)**	**743,036**
Tangible fixed assets	430,480	0	(430,480)	434,553
Machinery and equipment	146,791	-	(146,791)	150,821
Air cable facilities	6,622	-	(6,622)	6,912
Terminal facilities	2,460	-	(2,460)	2,230
Local line facilities	3,224	-	(3,224)	2,739
Long-distance line facilities	22,065	-	(22,065)	23,219
Civil construction facilities	62,394	-	(62,394)	62,878
Ocean cable facilities	35,854	-	(35,854)	32,746
Buildings	60,473	-	(60,473)	56,695
Structures	3,541	-	(3,541)	3,549
Other machinery	3,457	-	(3,457)	3,746
Vehicles	24	-	(24)	30
Tools, furniture and fixtures	34,007	0	(34,006)	37,099
Land	23,307	-	(23,307)	30,743
Construction in progress	26,256	-	(26,256)	21,140
Intangible fixed assets	49,877	0	(49,876)	51,568
Ocean cable facility rights	2,868	-	(2,868)	1,573
Facility/utility rights	3,306	-	(3,306)	3,469
Software	28,820	-	(28,820)	29,562
Goodwill	10,982	-	(10,982)	12,813
Others	3,899	0	(3,899)	4,149
Investments and other assets	181,196	632,255	451,059	256,915
Investment securities	24,297	21,958	(2,339)	38,851
Non-share equity investments	1	-	(1)	1
Investments in subsidiaries and affiliated companies	137,409	610,283	472,874	194,888
Advances to subsidiaries and affiliated companies	-	-	-	186
Long-term prepaid expenses	6,485	-	(6,485)	6,497
Deferred tax assets (non-current)	2,918	-	(2,918)	4,272
Others	10,166	13	(10,152)	12,448
Allowance for doubtful accounts	(82)	-	82	(230)
DEFERRED CHARGES	183	91	(91)	274
Bond Issuance costs	183	91	(91)	274
TOTAL ASSETS	**1,501,887**	**1,371,540**	**(130,346)**	**951,703**

(Millions of Yen)	March 31, 2002	September 30, 2002	Increase (Decrease)	September 30, 2001
LIABILITIES				
CURRENT LIABILITIES	**768,900**	**700,266**	**(68,633)**	**118,085**
Current portion of long-term debt	9,318	25,000	15,681	9,318
Accounts payable - trade	5,001	-	(5,001)	2,638
Short-term borrowings	638,100	668,660	30,560	6,250
Accounts payable - other	43,757	-	(43,757)	33,319
Accrued expenses	54,291	-	(54,291)	48,715
Income taxes payable	7,316	-	(7,316)	11,211
Advances received	1,841	-	(1,841)	1,526
Deposits received	1,060	-	(1,060)	825
Accrued bonuses to employees	3,468	-	(3,468)	3,702
Allowance for losses from guaranty of liabilities	3,174	2,989	(185)	-
Allowance for point mileage	299	-	(299)	-
Other current liabilities	1,269	3,616	2,347	576
LONG-TERM LIABILITIES	**246,795**	**176,712**	**(70,083)**	**257,585**
Bonds	200,000	175,000	(25,000)	200,000
Long-term borrowings	32,202	-	(32,202)	39,767
Liability for employees' retirement benefits	13,070	12	(13,058)	15,528
Retirement allowances for directors and corporate auditors	285	165	(120)	962
Others	1,236	1,534	298	1,325
TOTAL LIABILITIES	**1,015,696**	**876,978**	**(138,717)**	**375,670**

SHAREHOLDERS' EQUITY				
COMMON STOCK	177,251	177,251	-	177,251
CAPITAL SURPLUS	265,508	265,508	-	265,508
Additional paid-in capital	265,508	265,508	-	265,508
RETAINED EARNINGS	48,819	49,690	870	128,833
Appropriated for legal reserve	8,302	8,302	-	8,302
Reserve for special depreciation	384	1,418	1,033	384
Other reserve	102,000	36,000	(66,000)	102,000
Unappropriated retained earnings (deficit)	(61,867)	3,969	65,837	18,146
(Net income (loss) for the period included above)	(64,544)	(9,549)	(74,093)	(14,511)
REVALUATION DIFFERENCE	(7,720)	-	7,720	-
NET UNREALIZED GAIN ON AVAILABLE-FOR-SALE SECURITIES	2,338	2,119	(219)	4,439
TREASURY STOCK	(6)	(7)	(1)	-
TOTAL SHAREHOLDERS' EQUITY	**486,191**	**494,561**	**8,370**	**576,033**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,501,887**	**1,371,540**	**(130,346)**	**951,703**

(Note) The non-consolidated comparative balance sheets has been changed in order to conform with the current year presentation.

Japan Telecom Holdings Co., Ltd.

Non-consolidated Comparative Statements of Operations

(Millions of Yen)	Six months ended September 30, 2001	Six months ended September 30, 2002	Increase (Decrease)	Year ended March 31, 2002
ORDINARY INCOME/LOSS				
Operating income/loss				
revenue	218,709	144,255	(74,454)	457,443
Operating expenses	233,285	135,974	(97,310)	471,255
Operating income (loss)	(14,576)	8,280	22,856	(13,812)
Non-operating income/loss				
Non-operating revenues	3,359	4,822	1,463	6,056
Non-operating expenses	3,147	3,593	446	6,742
Ordinary income (loss)	(14,363)	9,509	23,873	(14,498)
SPECIAL GAIN/LOSS				
Special gain	40,617	233	(40,383)	40,815
Special loss	1,233	6,606	5,373	78,526
INCOME (LOSS) BEFORE INCOME TAXES	25,019	3,136	(21,883)	(52,209)
Income taxes - current	10,508	34	(10,473)	10,740
Reversal of income taxes payable	-	(3,164)	(3,164)	-
Income taxes - deferred	-	(3,283)	(3,283)	1,594
NET INCOME (LOSS)	**14,511**	**9,549**	**(4,961)**	**(64,544)**
Retained earnings at the beginning of period	3,635	2,140	(1,494)	3,635
Interim dividend	-	-	-	(958)
Decrease in revaluation difference	-	(7,720)	(7,720)	-
UNAPPROPRIATED RETAINED EARNINGS (DEFICIT) AT THE END OF PERIOD	**18,146**	**3,969**	**(14,176)**	**(61,867)**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Marketable and investments securities

(1) Investments in subsidiaries and affiliated companies

Investments in subsidiaries and affiliated companies are carried at cost on a moving-average method.

(2) Other securities

- Marketable securities

  Marketable securities are accounted for at fair value (with unrealized gains and losses excluded from net income and reported directly as a component of shareholders' equity and the cost of securities sold is determined based on the average cost of the shares of each such security held at the time of sales).

- Investments other than marketable securities

  Investments other than marketable securities are carried at cost on a moving-average method.

2. Derivatives transactions

Derivatives transactions are measured at fair value.

3. Inventories

Inventories are stated at cost on a first-in first-out method.

4. Fixed assets

(1) Tangible fixed assets

Depreciation of fixed assets are computed under the straight-line method.
The estimated useful lives of these assets, such as tools, furniture and fixtures, are principally 6 years.

(2) Intangible fixed assets

Intangible fixed assets are amortized under the straight-line method.

5. Deferred charges

Bond issuance costs are amortized under the straight-line method over the maximum period of 3 years per the Commercial Code of Japan.

6. Foreign currency transactions

Foreign currency receivables and payables are translated into Japanese yen at period-end exchange rates and resulting exchange gains or losses are recognized in earnings.

7. Allowances

(1) Allowance for doubtful accounts

An allowance for doubtful accounts is established in amounts considered to be appropriate based on the companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding.

(2) Liability for employees' retirement benefits

Liability for employees' retirement benefits is established based on a projection of retirement obligations and plan assets at each period end.

(3) Retirement allowances for directors and corporate auditors

Retirement allowances for directors and corporate auditors are establisheded to state the liability at the amount that would be required, based on the Company's practices, in the event that all directors and corporate auditors retired at each period end.

(4) Allowance for guarantees

Allowance for guarantees is accrued for the Company's contingent liabilities as guarantor of indebtness of others based on an evaluation of financial position of guarantees.

8. Hedge accounting

(1) Hedge accounting method

Gains or losses on derivatives for hedging purposes are principally deferred until maturity of the hedged transactions. To the extent that the foreign currency forward contracts qualify for hedge accounting, foreign currency payables are translated into Japanese yen at the forward contract rates. The interest rate swap which qualify for hedge accounting and meet specific matching criteria are not remeasured at market values but the differential paid or received under the swap and cap agreements are recognized and included in interest expense or income.

(2) Hedging instrument and hedged item

The Company enters into foreign currency forward contracts to hedge foreign exchange risk of certain foreign currency transactions. The Company also enters into interest swap contracts to manage their interest rate risk exposure on certain borrowings.

(3) Company's policy to use derivatives

The execution and control of derivatives are controlled by the Finance Department in accordance with internal policies which regulate the authorization. It is the Company's policy to use derivatives only for the purpose of reducing market risks associated with assets and liabilities, therefore the Company does not hold or issue derivatives for trading or speculative purposes.

(4) Assessment of hedge effectiveness

The Company assesses hedge effectiveness based on the semi-annual analysis of cumulative amount of change in cash flow of hedged items and fluctuation of market price. The interest rate swap which qualify for hedge accounting and meet specific matching criteria is excluded from the scope of the analysis.

9. Other important matters relating to the preparation of financial statements

Consumption tax is excluded from principal amount of related transaction and stated separately as a component of current assets or liabilities.

ADDITIONAL INFORMATION

Accounting for treasury stock and reversal of the legal reserves

Effective April 1, 2002, the Company adopted Statement of Accounting Standards Board of Japan No.1, "Accounting for treasury stock and reversal of legal reserves." The adoption of this statement did not have a material impact to the Company's net income for the six-month period ended September 30, 2002.

The shareholders' equity section of the balance sheet as of September 30, 2002 is prepared in accordance with the revised financial statement regulation.

The treasury stock, which was previously classified as a component of current assets in an amount less than \ 1 million, is stated as a deduction item in the shareholders' equity as of September 30, 2002.

NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS

(Millions of Yen except where indicated)

(Non-consolidated Balance Sheets)

1. Major receivables from and payables to affiliated companies

(The significant balances not classified separately are as follows)

	March 31, 2002	September 30, 2002
Short-term loans receivable	¥746,406	¥740,651
Short-term borrowings	-	¥23,825

2. Contingent liabilities

		March 31, 2002	September 30, 2002
Guarantees outstanding		¥5,005	¥4,676
	Company's risk exposure included above	¥3,421	¥3,169
Guarantees arranged		¥335	¥222
	Company's risk exposure included above	¥262	¥222

3. Treasury stock

	March 31, 2002	September 30, 2002
Treasury stock (shares)	15.35	18.30

(Non-consolidated Statements of Operations)

1. Major items of non-operating income

	Six-month period ended September 30, 2001	Six-month period ended September 30, 2002
Interest income	¥251	¥985
Dividend income	¥993	¥1,384
Facilities allotment income	-	¥1,100

2. Major items of non-operating expenses

	Six-month period ended September 30, 2001	Six-month period ended September 30, 2002
Interest expenses	¥918	¥1,275
Bonds interest	¥2,019	¥2,019

3. Major items of special loss

	Six-month period ended September 30, 2001	Six-month period ended September 30, 2002
Write-down of investments in subsidiaries and affiliated companies	-	¥2,971
Write-down of investment securities	¥321	¥1,210
Loss on disposal of fixed assets	¥414	¥1,460

(Leases as lessee)

① Pro forma information of leased property that do not transfer ownership of the leased property to the lessee on a “ as if capitalized “ basis was as follows:

As of September 30, 2001	Millions of yen		
	Acquisition cost	Accumulated depreciation	Net leased property
Machinery and equipment	¥237	¥227	¥9
Vehicles	72	37	34
Tools, furniture and fixtures	8,961	2,209	6,752
Software	3,144	551	2,593
Total	¥12,415	¥3,025	¥9,390

As of September 30, 2002	Millions of yen		
	Acquisition cost	Accumulated depreciation	Net leased property
Machinery and equipment	-	-	-
Vehicles	-	-	-
Tools, furniture and fixtures	-	-	-
Software	-	-	-
Total	-	-	-

As of March 31, 2002	Millions of yen		
	Acquisition cost	Accumulated depreciation	Net leased property
Machinery and equipment	-	-	-
Vehicles	¥61	¥26	¥35
Tools, furniture and fixtures	11,429	2,102	9,327
Software	3,075	861	2,213
Total	¥14,566	¥2,990	¥11,575

(Note) The acquisition costs aggregation of lease payments including interest portion.

② Obligations under finance leases were:

	Millions of yen		
	September 30, 2001	September 30, 2002	March 31, 2002
Due within one year	¥2,916	-	¥3,760
Due after one year	6,473	-	7,815
Total	¥9,390	-	11,575

(Note) The obligations under finance leases includes interest portion in the lease payments outstanding at the end of each period.

③ Rental expenses and depreciation expense, if recognized, were as follows:

	Millions of yen		
	Six-month period ended September 30, 2001	Six-month period ended September 30, 2002	Year ended March 31, 2002
Rental expenses	¥1,474	¥1,247	¥3,367
Depreciation expense	¥1,474	¥1,247	¥3,367

④ Depreciation expense are computed, as if the straight-line method with zero residual value had been used. Estimated useful life is based on lease term of each lease agreement.