Consolidated Financial Results for the year ended March 31, 2003

May 27, 2003

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: Yuriko Ishihara, Corporate Officer, Director of Investor Relations
Date of approval of financial statements by the Board of Directors: May 27, 2003
TEL (03) 6403 - 2986
Name of parent company: Vodafone Group Plc (Code number : -)
Ratio of stock held by parent company: 66.7%

1. Consolidated results for the year ended March 31, 2003 (from April 1, 2002 to March 31, 2003)

(1) Consolidated operational results

	Revenue		Operating income		Ordinary income	
Year ended:	million yen	%	million yen	%	million yen	%
March 31, 2003	1,796,915	5.5	275,606	209.2	271,869	267.2
March 31 2002	1,704,039	16.3	89,134	(20.3)	74,030	(17.3)

	Net income (loss)		Earnings (loss) per share	Diluted Earnings (loss) per share	Return on Shareholders' Equity	Ordinary Income to Total Shareholders' equity ratio	Ordinary income to Turnover Ratio
Year ended:	million yen	%	yen	yen	%	%	%
March 31, 2003	79,502	-	24,855.53	-	18.5	14.7	15.1
March 31, 2002	(65,969)	-	(20,646.12)	-	(14.3)	3.4	4.3

Notes:
① Equity in earnings of affiliated companies under the equity method was ¥0 million and ¥0 million for the years ended March 31, 2003 and March 31, 2002, respectively.
②The weighted average number of shares were 3,195,217 shares and 3,195,225 shares for the years ended March 31, 2003 and March 31, 2002, respectively.
③ There were no changes in accounting policies during the year ended March 31, 2003.
④ The percentages for revenue, operating income, ordinary income, and net income represent the increase or decrease over the previous year.

(2) Consolidated financial position

	Total assets	Shareholders' equity	Ratio of shareholders' equity	Shareholders' equity per share
Year ended:	million yen	million yen	%	in yen
March 31, 2003	1,839,821	466,036	25.3	145,828.53
March 31, 2002	1,856,335	391,397	21.1	122,494.79

Note:
The number of shares at March 31, 2003 and March 31, 2002 were 3,195,213 shares and 3,195,221 shares 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 year
Year ended:	million yen	million yen	million yen	million yen
March 31, 2003	496,324	(341,726)	(162,275)	8,114
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: 12 companies

Number of non-consolidated subsidiaries accounted for under the equity method: 0

Number of affiliated companies accounted for under the equity method: 0

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

Consolidated subsidiaries: increase - 3 and decrease - 2

Subsidiaries/affiliated companies accounted for under the equity method: increase - 0 and decrease - 0

2. Forecast of consolidated operational results for the year ending March 31, 2004 (from April 1, 2003 to March 31, 2004)

	Revenue	Ordinary income	Net income
	million yen	million yen	million yen
Half year ending September 30, 2003			
Year ending March 31, 2004	1,865,000	213,000	62,000

Reference: The forecasted earnings per share for the year ending March 31, 2004 is 19,404.00 yen.

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

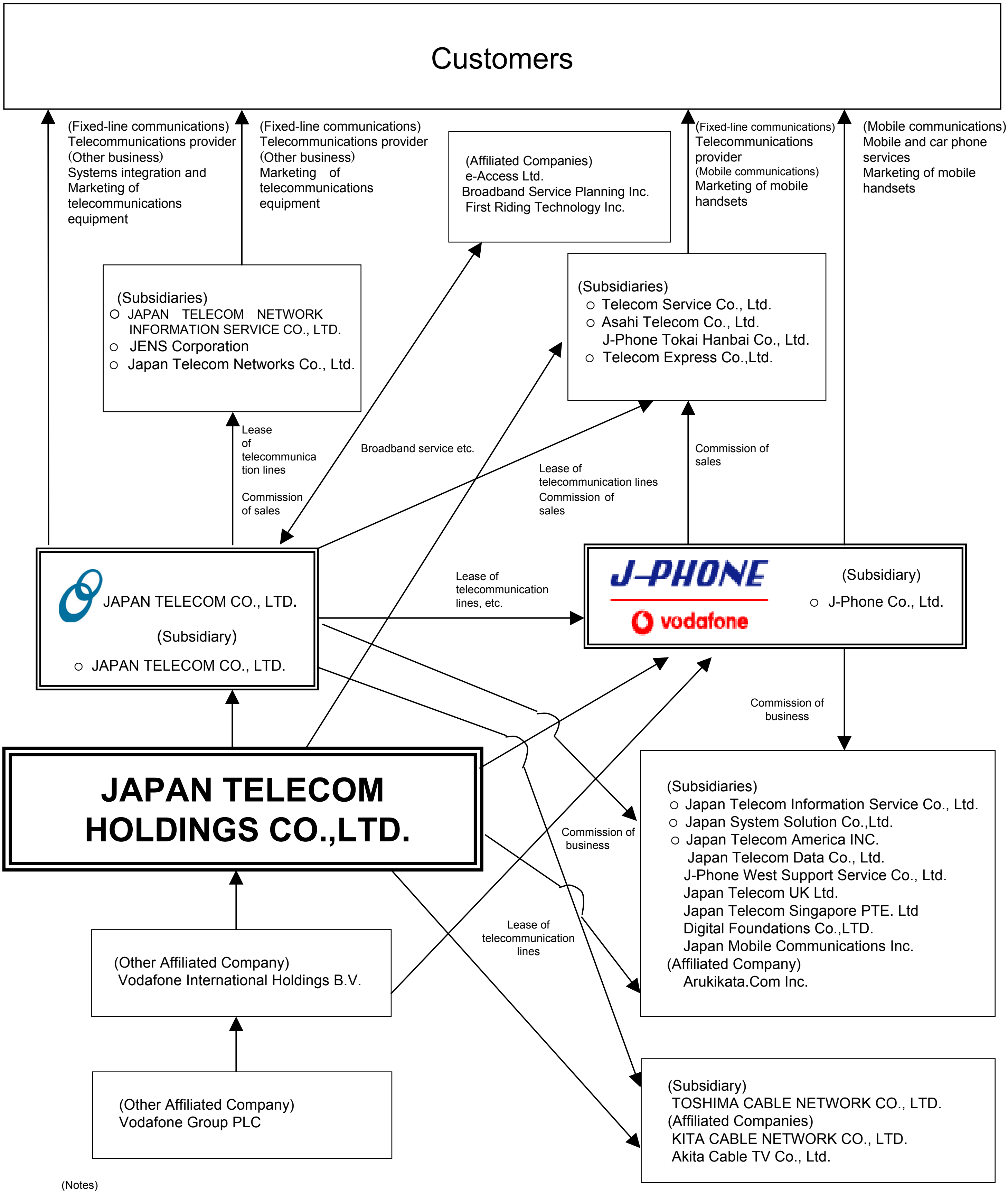
(Supporting documentation)

1. Organisation

The Group's operations are concentrated in the mobile, fixed-line telecommunications, and related sectors. In the mobile communications sector, Group companies provide mobile phone services including the sale of handsets, while in the fixed-line sector, Group companies concentrate primarily on the provision of voice service and data transmission and leased-line services. Other Group operations include data centre operations, systems integration operations, telecommunication system construction services, and telecommunication equipment sales. As at 31 March 2003, the group had 20 subsidiaries, including 12 consolidated subsidiaries, and six associated companies. It had no equity method affiliates.

On 1 August 2002, the company reorganized itself into a holding company structure by splitting off part of its operations to form a wholly owned subsidiary named 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"). Additionally, on 1 July 2002 the mobile communications related information systems business and mobile phone agency businesses of the former JAPAN TELECOM were split off to form wholly owned subsidiaries Japan System Solution Co., Ltd. and Telecom Express Co., Ltd., respectively. Following the creation of the new structure, the Group's two core information and communications companies, J-PHONE Co., Ltd. ("J-PHONE"), which controls the Group's mobile communications operations, and JAPAN TELECOM, which is responsible for fixed-line operations, will manage their operations with the objective of creating additional shareholder value.

The following diagramme shows the company, subsidiaries, and associated companies that make up the Group, along with their business activities.



(Notes)

1. Data is as of March 31, 2003.
2. A company headed with "○" represents a consolidated subsidiary.
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 Data Co., Ltd. and JAPAN TELECOM NETWORKS were merged with JAPAN TELECOM CO., LTD on April 1, 2003.
6. Asahi Telecom Co., Ltd is currently under liquidation as a result of a business transfer on March 31, 2003.

2. Management Policy

(1) Core management policies

① JAPAN TELECOM HOLDINGS

JAPAN TELECOM HOLDINGS seeks to enhance Group synergies by efficiently allocating management resources of the Group's independently led mobile and fixed-line telecommunication operations. In so doing, it will further increase shareholder value and become a preferred choice of investors.

② J-PHONE

As one of the leading mobile operators in Japan, J-PHONE's goal is to enrich the communications environment of its customers while managing its operations efficiently and profitably under the motto "Aim to Gain".

As the successful introduction of advanced and original products like Sha-mail (picture messaging), Movie Sha-mail (video clip messaging) and Vodafone Global Standard (3G mobile communications service) exemplify, J-PHONE will continue to commit itself to offering high customer satisfaction services that are underpinned by innovative and reliable technologies.

③ JAPAN TELECOM

JAPAN TELECOM seeks to become Japan's best and most trusted network solution partner for its customers and to become the preferred employer for talented people. The company will realise this vision by efficiently leveraging its sophisticated technology, by empowering its employees, by perfecting business methodologies and processes, and by focusing on core businesses.

(2) Policy regarding profit appropriations

Since the Group companies operate telecommunications businesses that are of importance to the public, strong emphasis is placed on the long-term stability of management. The Group strives to maintain a stable dividend and to return a suitable amount of profits to shareholders in relation to its earnings level and capital strength.

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

(i) J-PHONE

J-PHONE is actively implementing cost structure improvements, as shown by its reforming mobile handset inventory management and bringing new subscriber incentives to appropriate levels. Furthermore, J-PHONE is further looking to expand profit growth by integrating the equipment procurement process and introducing a comprehensive supply chain management system made possible by the integration of former independent operations into a single company in November 2001.

Following the success of Sha-mail and Movie Sha-mail, J-PHONE launched its 3G mobile communications service Vodafone Global Standard (VGS) in December 2002 to offer an even higher level of service to customers. With VGS, J-PHONE will work towards continued improvement in customer satisfaction, increased ARPU and lower churn rates.

(ii) JAPAN TELECOM

JAPAN TELECOM defines its core business segments as those in which the company can leverage its competitive edge. The company has set up three business units to focus its resources on key areas and has introduced a new marketing system to strengthen its efforts in each of these core segments. In addition, strategic management targets which emphasize profitability will serve to maintain the company’s competitive advantage and improve profitability.

(4) Realignment of management and administrative organization

(i) J-PHONE

After the integration of into a single company in November 2001, J-PHONE has been actively implementing fundamental policies to maximize the resulting benefits of the merger.

In order to meet the needs of a changing business environment, from April 2003 J-PHONE enacted a new organizational structure with greater efficiency and manoeuvrability. Notably, some departments were integrated into the Corporate Planning Division, Technical Division and Corporate Affairs Division, while Human Resources became an independent division and a CC&B (Customer Care and Billing) Promotion Office (currently Project CORE) was established.

Additionally, J-PHONE is currently planning to introduce an executive committee structure in order to realize greater transparency and high standards of corporate governance.

With these reinforcements to its managerial foundation, J-PHONE will strive to create an even richer communication environment in the midst of an increasingly competitive business environment.

(ii) JAPAN TELECOM

In order to achieve a world-class corporate governance standard of transparency and thereby enhance timely decision-making and execution, Japan Telecom is planning to introduce an executive committee structure. At the same time, the company will strengthen the operation of its existing committees—including the executive committee, operations committee, policy committee, brand committee and product development committee—to enable company-wide, cross-functional decision making on a range of management issues.

(5) Issues to be addressed

The Company expects telecommunications growth to be driven by increasing demand for data communications in the mobile communications business, and by growing demand for high-speed, low-cost corporate data communications services and consumer broadband internet services in the fixed line business. However, it also expects some deterioration in the business environment caused by adverse factors, such as further price erosion owing to intensified competition and prolonged economic weakness. Furthermore, a contraction in the voice transmission market in the fixed line business due to [changes in market demand] and more modest growth in the mobile communications market are also expected. In view of this environment, operating companies of the JAPAN TELECOM HOLDINGS Group will work together to boost management efficiency and to strengthen the Group's financial position by enhancing the Group's marketing strategy and cost effectiveness. These steps, taken together, seek to increase shareholder value.

(i) J-PHONE

As mobile handset market penetration exceeds 60% and competition intensifies, J-PHONE will work to actively differentiate itself with strategies to offer new services and introduce mobile handsets with cutting-edge functions. With the continued maintenance of new subscriber incentives at appropriate levels and reduced primary costs through Vodafone Group joint purchasing, J-PHONE will implement cost structure improvement and ensure efficient and effective capital expenditures.

In addition, with its 3G mobile communications service Vodafone Global Standard (VGS), J-PHONE is making new value-added customer propositions by offering high-quality voice communications, the world's first international roaming service based on 3GPP standards, and high-speed data services and by expanding its communications foundation.

(ii) JAPAN TELECOM

Deflation in today's Japanese economy might constitute a negative factor for the industry as a whole. This environment, however, presents an opportunity for the company to expand its customer base by differentiating its services with cutting-edge technologies and a streamlined management structure in response to evolving consumer needs. JAPAN TELECOM will seek to ensure profitability by offering more attractive services in a timely manner, leveraging its advanced technologies.

(6) Fundamental policies regarding relationship of affiliated companies and parent company

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

(7) Performance targeted by management

(i) J-PHONE

J-PHONE aims to maintain an overall EBITDA margin of 30% on all of its operations by fiscal 2005 and is currently making progress in this endeavour.

(ii) JAPAN TELECOM

JAPAN TELECOM aims to a significantly expand cash flow from its core business from fiscal 2002, and seeks to increase its EBIT margin to over 10% by fiscal 2004.

3. Business results and financial conditions

(1) Conditions for fiscal 2002

(i) General conditions

During the term under review, in the middle of a deflationary environment and falling stock prices, the Japanese economy remained sluggish with no signs of recovery in capital investment and personal consumption. The telecommunications industry consequently experienced increasingly severe business conditions. While the mobile telephone market continued to grow gradually, competition among carriers continued to intensify as they launched a variety of services. The environment became extremely challenging in the fixed-line telecommunications market, too, as carriers scrambled to win new customers in an increasingly competitive broadband environment with more advanced solution needs.

To meet these challenges, we established a holding company to manage the business activities of our group companies. On 1 August 2002, we assigned the entire operations, excluding certain investments in affiliated companies, to JAPAN TELECOM, a wholly owned subsidiary created by the *kaisha bunkatsu*, or corporate split process. Our company was renamed JAPAN TELECOM HOLDINGS. Since transitioning to a holding company structure, we continued to focus our business resources through the reorganisation of subsidiaries. We designated two areas – mobile communications and fixed-line communications -- as our core businesses, and going forward we will focus the efforts of the Group on these two key businesses.

For the fiscal year under review, earnings improved dramatically thanks to increased operating revenue, lower acquisition costs at J-PHONE, higher profits, and various cost-cutting initiatives at JAPAN TELECOM.

Consolidated financial summary

¥ billions, except per share data	**Fiscal 2002**	**Fiscal 2001**	**Change**
Operating revenue	1,796,915	1,704,039	5.5%
Ordinary income	271,869	74,030	267.2%
Net income (loss)	79,502	(65,969)	—
Earnings (loss) per share (¥)	24,855.53	(20,646.12)	—
EBITDA margin (%)	30.3	20.1	10.2 pp

Consolidated operating revenue

On a consolidated basis, operating revenue totalled ¥1,796,915 million. This 5.5% increase from the previous fiscal year was due to strong sales at J-PHONE and other mobile communications operations that more than outweighed restrained revenue growth in the fixed-line businesses.

Consolidated costs and expenses

Consolidated operating costs and expenses in fiscal 2002 declined 5.8% compared to the previous fiscal year to ¥1,521,309 million.

Operating costs and expenditures in the mobile operations declined 3.8% to ¥1,213,223 million because J-PHONE was able to generate synergies by streamlining technical and administrative functions after consolidation of the mobile operating companies into a single entity. Annual average acquisition incentives per unit decreased 6.0%. Moreover, leveraging the resources of Vodafone Group Plc, J-PHONE achieved savings in procurement of handsets and other network infrastructure.

Fixed-line operating costs and expenses, meanwhile, totalled ¥356,660 million, a decline of 16.8%, largely due to substantial increases in efficiency brought about by JAPAN TELECOM through aggressive implementation of Project V. JAPAN TELECOM took steps to rationalise its business during the year; by selling its ADSL access services to its related company eAccess and establishing a partnership with eAccess thereafter, JAPAN TELECOM was able to reduce cost in its ADSL service operations. Moreover, by transferring the printing businesses of Japan Telecom Create Co., Ltd., a wholly owned subsidiary of JAPAN TELECOM, to Toppan-Forms Co., Ltd. JAPAN TELECOM was able to obtain a supplier who assures reasonable cost for JAPAN TELECOM's bill printing services.

Consolidated capital expenditures

Consolidated capital expenditures in fiscal 2002 totalled ¥355,686 million. Through efficient investments, J-PHONE will continue an accelerated deployment of its 3G network. The mobile operator intends to attain 3G coverage equivalent in scope to its current 2G coverage by September 2003.

Consolidated earnings

Reflecting revenue growth and strong improvements in costs and expenses, fiscal 2002 consolidated ordinary income rose 267%, to ¥271,869 million. Consolidated EBITDA margin for the fiscal year stood at 30.3%, a 10.2 percentage point improvement from a year earlier. As a result of these achievements, fiscal 2002 consolidated net income totalled ¥79,502 million. JAPAN TELECOM HOLDINGS will pay a final dividend of ¥1,200 per share.

(ii) Financial condition

1. Cash flow

¥ millions	**FY2002**	**FY2001**	**Increase (decrease)**
Cash flow from operating activities	496,324	299,495	196,828
Cash flow from investing activities	(341,726)	(352,230)	10,504
Cash flow from financing activities	(162,275)	(401,565)	239,290
Variance due to currency conversion	72	68	3
Net increase in cash and cash equivalents	(7,604)	(454,231)	446,626
Outstanding balance of cash and cash equivalents at end of the year	8,114	16,275	(8,161)
Outstanding balance of loans payable/bonds at end of the year	878,693	1,036,654	(157,961)

a. Cash flow from operating activities

Cash flow from operating activities increased 65.7% from the previous fiscal year, to ¥496,324 million, due to strong improvement in earnings before income tax and other adjustments.

b. Cash flow from investing activities

Cash flow from investing activities declined 3.0%, to (¥341,726) million. Despite the absence of proceeds from the sale of investments in subsidiaries recorded in the previous fiscal year, investment efficiency significantly improved in fiscal 2002 because of a decline in capital expenditures for the purchase of property and equipment.

c. Cash flow from financing activities

Higher cash flow from operating activities and lower payments for purchase of property and equipment enabled the Company to reduce long- and short-term debts, resulting in cash flow from financing activities of (¥162,275) million. As a result, the outstanding balance of cash and cash equivalents at the end of the fiscal year stood at ¥8,114 million.

2. Cash flow key measures

	FY2002	**FY2001**
Shareholder equity ratio	25.3%	21.1%
Shareholder equity ratio based on market value	55.7%	68.9%
Number of years to debt redemption	1.8	3.5
Interest coverage ratio	55.6	14.1

Notes: Shareholder equity ratio = Shareholder equity / total assets

Shareholder equity ratio based on market value = market capitalization / total assets

Number of years to debt redemption = interest bearing debt / cash flow from operating activities

Interest coverage ratio = cash flow from operating activities / interest payment

Overview by business

Consolidated operating revenue

¥ millions	**FY2002**	**FY2001**	**Change (%)**
Fixed-line communications	384,854	410,160	(6.2%)
Mobile communications	1,460,368	1,347,572	8.4%
Others	16,343	30,435	(46.3%)
Elimination	(64,649)	(84,130)	—
Consolidated operating revenue	1,796,915	1,704,039	5.5%

Mobile Communication Services

The total number of mobile phone subscribers including PHS users in Japan exceeded 81,110,000 as of 31 March 2003. This represents 63% of the total population. The pace of growth in the total number of cellular subscribers began to slow from fiscal 2001 after achieving an annual increase of over 10 million in the prior several years. In fiscal 2002, the total number of cellular subscribers increased some 6,530,000, to a total 75,650,000 units.

Against this backdrop, in December 2002 J-PHONE launched its 3G business, called Vodafone Global Standard, for initial service in the Tokyo metropolitan region and principal cities around the country. These services are accessible not only in Japan but also in many other countries around the world. They consist of 3G mobile telecommunications based on international 3GPP* standards and international roaming functions that allow J-PHONE subscribers to enjoy mobile services using the same phone number when travelling overseas. Moreover, new services and a lineup of mobile handsets with improved image quality and higher resolution have been added to the existing PDC services. As a result, the total number of subscribers has shown a steady increase, and J-PHONE handsets in use reached 13,960,000 units as of 31 March 2003.

In June 2002, J-PHONE began offering "Global Mail" and "Global Call" services enabling subscribers to exchange short mail messages (SMS) directly with GSM mobile users overseas and also make direct international phone calls. In addition, "J-PHONE Online," which was launched in September 2002, allows subscribers to change their price plans and contractual terms and conditions for "J-SKY" internet access services directly via the Web.

In July 2002, the Company also introduced its "@Sha-mail Album" service, which enables subscribers to store and display their Sha-mail pictures on J-SKY.

In August 2002, in response to enactment of the "Law on Topics Including the Appropriateness of Sending Specified E-mail Messages," J-PHONE moved a step closer to the provision of stress-free mail service by providing a service that enables subscribers to block mails that are marked "unsolicited advertisement," or spam mail.

Regarding price plans, in August 2002 the Company sought to address the needs of heavy users by introducing the "Smart Business Pack." This plan offers a fixed rate for daytime voice calls which includes some free calls. Its "Late Night Pack," meanwhile, offers a fixed rate for night calls which includes some free calls. In addition, in February 2003, J-PHONE introduced a nationwide unified rate plan in addition to those service plans offered with rates and contents which vary by region, as well as a number of discount services.

In February 2003, J-PHONE launched "enjorno," Japan's first handset specifically developed for the prepaid market. The Company also introduced a plan that provides up to 40% discount on services for "Preca" prepaid mobile service subscribers. This was in addition to an extended validation period for prepaid mobile services (PJ Gold) and a discount on Sky Mail transmissions.

J-PHONE also strengthened its lineup of Sha-mail-enabled handsets equipped with mobile cameras by upgrading LCD image quality and resolution. As a result, the total number of Sha-mail enabled handsets in operation as of 31 March 2003, exceeded 9,000,000 units. The Company also launched a new handset with a barcode reading function in August 2002 and another new

handset with QVGA*2 colour LCD in December 2002.
During fiscal 2002, the Company closed 105 J-PHONE shops in a move aimed at consolidating its nationwide network of sales outlets. As a result, the total number of J-PHONE shops including direct shops as of 31 March 2003, stood at 1,912. At the same time, in March 2003, "J-PHONE Shinjuku East Exit", "Vodafone Yokohama the Diamond," and "Vodafone Counter Kansai International Airport" were newly opened as Vodafone shops to spearhead the deployment of the Vodafone brand in Japan. J-PHONE is planning to set up certain areas in the shops to offer new mobile handset experiences to the customer in a more pleasant and satisfying atmosphere.
For corporate services, J-PHONE started in June 2002 to offer solutions that enable corporate customers to use Java™*3 packet data transmission and to download Java business applications in a closed environment.

Fixed-line Communication Services
In the voice transmission service segment, we undertook aggressive sales activities aimed at expanding the corporate business. We placed particular emphasis on services catering to corporate customers, such as QuickLine and J-Net Quick, which feature direct access, and Free Call Super, which provides number portability for collect calls. In September 2002, we launched the "Business Flat Rate Plan," which is Japan's first flat rate service using circuit switched telephone networks. Then, in February 2003, we added the "Carry-Over of Unused Minutes" service plan. These are some examples of how the company improved its service selection for customers who wish to reduce costs without sacrificing quality.
In data transmission services, we strove to improve our corporate data communication network services and to provide total-solution services. Namely, in April 2002, we launched the "SOLTERIA Access Gateway," which allows users to access their intranet from anywhere via the Internet. In addition, we introduced the "SOLTERIA Router Pack (VoIP *4 option)," a service that provides customers with all the necessary terminals and lines for voice communication services. In November 2002, we added Ethernet access lines to our Wide-Ether menu, thus enabling broadband connections of up to 1 Gb/s. In addition, we launched Wide-Ether Managed CPE in December 2002, which provides customers with equipment, setup, installation, and maintenance services.
For our Internet connection service (ODN), in May 2002 we launched ODN Biz-flat, which utilizes access services provided by regional NTT companies. Then, in November 2002, we unveiled "mpls ASSOCIO," which is the world's first network service with IX technology *5 that enables Internet service providers, content service providers, and others to exchange Internet traffic. These are some examples of new services that seek to increase our business.
For residential customer ODN services, in October 2002 we added "ODN ADSL 12M Plan". In December 2002, we launched "ADSL Rakuraku Shuccho service." Furthermore to increase our customer base, in March 2003, we started "ODN IP Phone", an IP telephone service provided over ADSL connections.

(2) Outlook for fiscal 2003

While we foresee increasing demand in the telecommunication sector through the shift from current technology to 3G in mobile communications and proliferation of broadband Internet services in the fixed line business, we also acknowledge intensifying competition among operators together with ever changing customer demand. We expect the environment in which the Group operates to become even more severe with a potential increase in access fees from regional NTT operators and regulatory changes going forward.

We are determined to continue efficiently allocating the Group's resources in order to achieve synergies among member operators. Through these and other efforts, consolidated operating revenue for fiscal 2003 is expected to reach ¥1,865,000 million. Despite this climb, consolidated ordinary income for the coming fiscal year is expected to decrease 21.7% compared to the most recent period to ¥213,000 million, due primarily to increased depreciation of capital investment in the mobile telecom sector. As a result, fiscal 2003 consolidated net income is expected to decline 22.0% from a year earlier to ¥62,000 million.

JAPAN TELECOM HOLDINGS plans to pay a total dividend of ¥1,200 per share in fiscal 2003.

Notes: *[1] 3GPP (Third Generation Partnership Project): a project group responsible for preparing specifications for the third-generation mobile communications system (IMT-2000).

*[2] QVGA (QuarterVGA): Video graphics array denoting a resolution of 240 horizontal x 320 vertical pixels, resembling the display of a PC.

*[3] Java™: An object-oriented programming language developed by Sun Microsystems. The user can download pre-installed applications and a wide variety of sophisticated games from J-SKY.

*[4]. VoIP (Voice over IP): a voice communication service that utilizes Internet protocol technology

*[5]. IX (Internet eXchange) technology: A technology that enables Internet service providers, content service providers and other s to mutually connect networks to exchange traffic on the Internet.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(in Millions of Yen)

	March 31, 2002	March 31, 2003	Increase (Decrease)
(ASSETS)			
Fixed Assets	***1,541,188***	***1,524,661***	***(16,527)***
Fixed Assets for Telecommunication Services	***1,420,722***	***1,429,155***	***8,432***
Tangible fixed assets	***1,176,862***	***1,193,413***	***16,550***
Machinery and equipment	*565,091*	*620,855*	*55,764*
Air cable facilities	*156,894*	*189,639*	*32,745*
Terminal facilities	*2,460*	*2,519*	*59*
Local line facilities	*4,623*	*4,973*	*349*
Long-distance line facilities	*22,859*	*26,245*	*3,385*
Civil construction facilities	*64,294*	*64,512*	*218*
Ocean cable facilities	*35,854*	*34,404*	*(1,450)*
Buildings and structures	*89,665*	*91,070*	*1,405*
Other machinery and vehicles	*2,210*	*1,697*	*(513)*
Tools, furniture and fixtures	*31,619*	*41,382*	*9,762*
Land	*27,364*	*23,638*	*(3,726)*
Construction in progress	*173,923*	*92,473*	*(81,450)*
Intangible fixed assets	***243,860***	***235,741***	***(8,118)***
Ocean cable facility rights	*2,868*	*2,547*	*(320)*
Facility/utility rights	*7,159*	*5,018*	*(2,140)*
Software	*178,159*	*191,814*	*13,655*
Goodwill	*36,853*	*24,569*	*(12,284)*
Consolidation goodwill	*14,469*	*10,892*	*(3,577)*
Others	*4,349*	*899*	*(3,450)*
Fixed Assets for Supplementary Businesses	***31,297***	***8,590***	***(22,707)***
Tangible fixed assets	***24,190***	***6,941***	***(17,249)***
Intangible fixed assets	***7,107***	***1,649***	***(5,457)***
Investments and other assets	***89,168***	***86,915***	***(2,252)***
Investment securities	*24,615*	*19,738*	*(4,876)*
Investments in unconsolidated subsidiaries and affiliated companies	*6,794*	*2,557*	*(4,237)*
Long-term prepaid expenses	—	*19,594*	*19,594*
Deferred tax assets	*20,425*	*26,271*	*5,845*
Deposits	*18,712*	—	*(18,712)*
Others	*19,337*	*21,203*	*1,865*
Allowance for doubtful accounts	*(717)*	*(2,449)*	*(1,732)*
Current Assets	***314,963***	***315,159***	***195***
Cash on hand and in banks	*16,275*	*8,114*	*(8,161)*
Notes and accounts receivable - trade	*209,757*	*209,586*	*(170)*
Accounts receivable - other	*48,602*	*44,092*	*(4,509)*
Marketable securities	*31*	—	*(31)*
Inventories	*27,760*	*28,273*	*512*
Deferred tax assets	*13,401*	*25,256*	*11,855*
Others	*11,123*	*11,493*	*370*
Allowance for doubtful accounts	*(11,987)*	*(11,657)*	*330*
Deferred Charges	***183***	**—**	***(183)***
Bond issuance cost	*183*	—	*(183)*
Total Assets	***1,856,335***	***1,839,821***	***(16,514)***

(in Millions of Yen)

	March 31, 2002	March 31, 2003	Increase (Decrease)
(LIABILITIES)			
Long-term Liabilities	***365,244***	***260,437***	***(104,806)***
Bonds	200,000	175,000	*(25,000)*
Long-term borrowings	109,857	37,158	*(72,698)*
Liability for employees' retirement benefits	16,336	19,463	*3,126*
Retirement allowances for directors and corporate auditors	352	307	*(44)*
Allowance for loyalty program	31,279	24,690	*(6,589)*
Others	7,417	3,817	(3,600)
Current Liabilities	***1,067,650***	***1,006,914***	***(60,735)***
Current portion of long term debt	—	25,000	25,000
Accounts payable-trade	61,816	*64,464*	*2,648*
Short-term borrowings	726,797	641,535	*(85,262)*
Accounts payable-other	183,458	92,428	*(91,029)*
Accrued expenses	55,968	32,528	*(23,440)*
Income taxes payable	18,324	108,963	*90,638*
Accrued bonuses to employees	7,670	9,345	*1,675*
Allowance for guarantees	3,174	4,128	*953*
Allowance for loyalty program	299	233	*(65)*
Others	10,139	28,286	*18,146*
Total Liabilities	***1,432,894***	***1,267,352***	***(165,542)***
Minority Interests	***32,043***	***106,432***	***74,389***
(SHAREHOLDERS' EQUITY)			
Common Stock	***177,251***	***177,251***	—
Capital Surplus	***265,508***	***265,508***	—
Retained Earnings (Deficit)	***(46,011)***	***22,165***	***68,176***
Net unrealized loss on revaluation of Land	***(7,720)***	—	***7,720***
Net unrealized gain on available-for-sale securities	***2,350***	***1,094***	***(1,256)***
Foreign currency translation adjustments	***25***	***26***	***1***
Treasury stock	***(6)***	***(9)***	***(3)***
Total Shareholders' Equity	***391,397***	***466,036***	***74,638***
Total Liabilities, Minority Interests, and Shareholders' Equity	***1,856,335***	***1,839,821***	***(16,514)***

(2) Consolidated Statements of Operations

(in Millions of Yen)

	Year ended March 31, 2002	Year ended March 31, 2003	Increase (Decrease)
ORDINARY INCOME/LOSS			
(Operating Income/Loss)			
Telecommunication Services			
Revenue	1,361,717	1,472,550	110,833
Operating expenses	1,271,599	1,207,119	(64,480)
Operating Income from Telecommunication Services	***90,117***	***265,431***	***175,313***
Supplementary Businesses			
Revenue	342,321	324,364	(17,956)
Operating expenses	343,305	314,190	(29,115)
Operating Income (Loss) from Supplementary Businesses	***(983)***	***10,174***	***11,158***
Total Operating Income	***89,134***	***275,606***	***186,472***
(Non-operating Income/Loss)			
Non-operating Revenue	***7,545***	***5,840***	***(1,705)***
Interest income	595	40	(554)
Dividend income	197	222	24
Rental income	521	754	232
Facilities income	—	1,100	1,100
Miscellaneous income	6,231	3,723	(2,508)
Non-operating Expenses	***22,649***	***9,577***	***(13,071)***
Interest expenses	19,650	8,871	(10,779)
Amortization of bond issuance costs	183	183	—
Amortization of stock issuance costs	67	—	(67)
Miscellaneous expenses	2,747	522	(2,224)
Ordinary Income	***74,030***	***271,869***	***197,838***
Special Gain/Loss			
Special Gain	***19,074***	***1,564***	***(17,510)***
Gain on sales of fixed assets	1,424	20	(1,404)
Gain on sales of investments securities	2	436	433
Gain on sales of investments in unconsolidated subsidiaries and affiliated companies	17,647	902	(16,745)
Penalty for cancellation of contract	—	160	160
Others	—	44	44
Special Loss	***105,131***	***15,105***	***(90,026)***
Provision for deferred gain on sales of fixed assets for tax purposes	183	—	(183)
Loss on sales of fixed assets	—	1,120	1,120
Loss on disposal of fixed assets	414	4,534	4,119
Write down of investment securities	—	1,886	1,886
Loss on sales of investment securities	—	144	144
Write down of investment in unconsolidated subsidiaries and affiliated companies	—	3,607	3,607
Loss on sales of investment in unconsolidated subsidiaries and affiliated companies	—	111	111
Amortization of prior service pension cost	447	—	(447)
Write down of golf club membership	100	—	(100)
Prior year's provision for loyalty program	25,831	—	(25,831)
Amortization of consolidation goodwill	39,002	—	(39,002)
Restructuring loss of unconsolidated subsidiaries and affiliated companies	—	738	738
Loss on guarantee	—	953	953
Additional benefit on early retirement program	—	1,606	1,606
Restructuring loss of business organization	39,152	—	(39,152)
Others	—	401	401
Income (Loss) before Income Taxes and Minority Interests	***(12,026)***	***258,328***	***270,354***
Income Taxes - Current	***39,236***	***120,649***	***81,413***
Reversal of income tax payable	***—***	***(961)***	***(961)***
Income Taxes - Deferred	***(4,571)***	***(16,755)***	***(12,183)***
Minority Interests	***19,278***	***75,893***	***56,614***
Net Income (Loss)	***(65,969)***	***79,502***	***145,471***

(3) Consolidated Statements of Capital Surplus and Retained Earnings

(in Millions of Yen)

	Year ended March 31, 2002	Year ended March 31, 2003	Increase (Decrease)
(Capital Surplus)			
Additional Paid-in Capital			
Balance at the beginning of year	265,508	265,508	—
Balance at the end of year	265,508	265,508	—
(Retained Earnings)			
Retained Earnings (Deficit)			
Balance at the beginning of year	82,559	(46,011)	(128,570)
Increase of retained earnings			
Increase:	190	79,502	79,312
Merger of consolidated subsidiaries and unconsolidated subsidiaries	190	—	(190)
Net income	—	79,502	79,502
Decrease:	128,761	11,326	(117,434)
Cash dividends paid	2,875	2,875	0
Bonuses paid to directors and corporate auditors	176	27	(148)
〔Corporate auditors' portion〕	〔 15 〕	〔 2 〕	〔 (13) 〕
Take-over of deficit for Merger	59,740	—	(59,740)
Divestiture of consolidated subsidiaries	—	703	703
Reversal of net unrealized loss on revaluation of land	—	7,720	7,720
Net loss	65,969	—	(65,969)
Balance at the end of year	(46,011)	22,165	68,176

(4) Consolidated Statements of Cash Flows

(Millions of Yen)

		Year ended March 31, 2002	Year ended March 31, 2003	Increase (Decrease)
Ⅰ	***Cash Flows from Operating activities***			
	Income (loss) before income taxes and minority interests	(12,026)	258,328	270,354
	Depreciation and amortization	222,516	252,416	29,899
	Provision for retirement benefits	(298)	3,237	3,535
	Amortization of consolidation goodwill	53,901	3,504	(50,396)
	Interest expense	19,650	8,871	(10,779)
	Write down of investment securities	19,460	1,886	(17,574)
	Write down of investment in unconsolidated subsidiaries and affiliated companies	—	3,607	3,607
	Gain on sales of investments in subsidiaries	(17,647)	—	17,647
	Gain on sales of investments in unconsolidated subsidiaries and affiliated companies	—	(902)	(902)
	Loss on disposal of fixed assets	15,571	13,847	(1,723)
	Amortization of long-term prepaid expense	—	3,212	3,212
	Provision for loyalty program	31,579	(6,655)	(38,235)
	Increase in notes and accounts receivable - trade	(24,963)	(2,710)	22,253
	Increase in accounts receivable - other	(4,691)	16,292	20,984
	Decrease (increase) in inventories	20,509	(1,814)	(22,324)
	Decrease in long-term accounts payable - other	(7,190)	(3,869)	3,321
	Increase in accounts payable - trade	4,942	3,202	(1,740)
	Increase (Decrease) in accounts payable - other	36,417	(11,277)	(47,694)
	Decrease in accrued expenses	(14,101)	(22,670)	(8,568)
	Increase in accrued consumption tax	—	16,669	16,669
	Other-net	15,326	10,203	(5,122)
	(Subtotal)	358,956	545,382	186,425
	Interest income and dividend income received	839	261	(577)
	Interest expenses paid	(21,267)	(8,933)	12,334
	Income taxes paid	(39,033)	(40,386)	(1,353)
	Net Cash provided by Operating activities	***299,495***	***496,324***	***196,828***
Ⅱ	***Cash Flows from Investing activities***			
	Expenditures for fixed assets	(450,821)	(355,686)	95,135
	Proceeds from sale of fixed assets	3,451	9,052	5,600
	Proceeds from sales of investments in subsidiaries	68,354	—	(68,354)
	Purchases of investments in unconsolidated subsidiaries and affiliated companies	—	1,207	1,207
	Purchases of investment securities	(6,987)	(1,002)	5,984
	Proceeds from sales of investment securities	8,235	2,066	(6,168)
	Withdrawal of time deposits with original maturity more than three months	20,023	—	(20,023)
	Purchases of marketable securities	(9,868)	—	9,868
	Proceeds from sales of marketable securities	19,963	—	(19,963)
	Other-net	(4,581)	2,637	7,218
	Net Cash used in Investing activities	***(352,230)***	***(341,726)***	***10,504***
Ⅲ	***Cash Flows from Financing activities***			
	Proceeds from long-term borrowings	3,000	—	(3,000)
	Repayments of long-term borrowings	(434,859)	(88,301)	346,557
	Net increase in short-term borrowings	29,843	(69,623)	(99,467)
	Paid-in capital from minority shareholders	4,348	—	(4,348)
	Payment of dividends	(2,875)	(2,875)	0
	Payment of dividends to minority shareholders	(1,024)	(1,471)	(446)
	Other-net	1	(3)	(4)
	Net Cash used in Financing activities	***(401,565)***	***(162,275)***	***239,290***
Ⅳ	***Effect of Exchange Rate Changes on Cash and Cash Equivalents***	***68***	***72***	***3***
Ⅴ	***Net decrease in Cash and Cash Equivalents***	***(454,231)***	***(7,604)***	***446,626***
Ⅵ	***Cash and Cash Equivalents, Beginning of Period***	***470,326***	***16,275***	***(454,050)***
Ⅶ	***Decrease in cash and cash equivalents due to divestiture of consolidated subsidiaries***	***—***	***(556)***	***(556)***
Ⅷ	***Increase in cash and cash equivalents due to merger of consolidated subsidiaries and unconsolidated subsidiaries***	***180***	***—***	***(180)***
Ⅸ	***Cash and Cash Equivalents, End of Period***	***16,275***	***8,114***	***(8,161)***

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 12

(2) Major consolidated subsidiaries
J-PHONE Co., Ltd. and JAPAN TELECOM CO., Ltd.

JAPAN TELECOM HOLDINGS CO., LTD. (the “Company”) established the wholly owned companies, “Japan System Solution Co., Ltd.” and “Telecom Express Co., Ltd.” on July 1 2002 as a result of Simplified Corporate Split pursuant to section 374-6 of the Commercial Code of Japan (“Commercial Code”).

Also, the existing fixed-line business was separated and a wholly owned company, “JAPAN TELECOM CO., LTD.” (new JAPAN TELECOM) was established as of August 1, 2002 as a result of the Corporate Split based on section 374 of the Commercial Code. After which, JAPAN TELECOM CO., LTD was renamed JAPAN TELECOM HOLDINGS CO., LTD.

Japan Telecom Create Co., Ltd., which transferred its business outside as of September 30, 2002 and liquidated afterwards, was excluded from the scope of consolidation from this fiscal year.

Asahi Telecom Co., Ltd. transferred its business outside as of March 31, 2003, and is currently in the process of liquidation.

Japan Telecom Max Co., Ltd was sold as of March 31, 2003 and was excluded from the scope of consolidation from this fiscal year.

(3) Number of non-consolidated subsidiaries: 8

(4) Major non-consolidated subsidiary
Japan Telecom Data 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 8 non-consolidated subsidiaries and 6 affiliated companies (including the major affiliated company, e-Access Ltd.) were not accounted for under the equity method, since the impact of non application of the equity method to each company has only minor influence on current net income or loss or on the consolidated retained earnings. Further, these companies are considered to be insignificant as a whole.

3. Fiscal year of consolidated subsidiaries

The financial statements of JAPAN TELECOM AMERICA, INC. were prepared as of December31, 2002. Inclusion of its financial statements into the consolidated financial statements was made based on its financial results as of December 31, 2003, and necessary adjustments for significant transactions during the intervening period to March 31, 2003 were made in the consolidated financial statements.

4. Significant accounting treatments

(1) Depreciation method of major 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 securities

- Securities with market quotation: Securities with market quotation 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 sale).
- Securities without market quotation: Securities without market quotation are carried at cost on a moving-average method.

② Derivatives

Derivative 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 under the straight-line method over the maximum period of 3 years as stated in the Commercial Code.

(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 benefits is established based on a projection of retirement obligations and plan assets at each balance sheet date. The actuarial loss and the prior service cost were charged to net periodic benefit cost of the fiscal period when such expenses were incurred.

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 bonus payments to employees, the Company estimates the accrued bonus applicable to the 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 points" and "J-Point", based on past experience.

(5) Foreign currency transactions

Foreign currency receivables and payables are translated into Japanese yen at year end exchange rates and the 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 year-end exchange rate. The resulting translation adjustments are included in foreign currency translation adjustments in 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 under 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 until 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. Interest rate swap and cap agreements that 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 transaction

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

③ Policy for hedging activities

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

④ Measurement of hedge effectiveness

The Company measures 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 cap agreements that qualify for hedge accounting and meet specific matching criteria are excluded from the scope of this assessment.

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

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

5. The appraisal of assets and liabilities of consolidated subsidiaries

The Company uses the fair value appraisal method for all assets and liabilities of consolidated subsidiaries including minority interests.

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 and Cash equivalents in the consolidated cash flow statements.

Cash and Cash equivalents includes money on hand, 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

1. Accounting for Treasury stock and reversal of the legal reserves

Effective from this fiscal year-end, the Company adopted Financial Accounting Standards No.1, "Accounting for Treasury Stock and Reduction of legal reserves". The adoption of this statement did not have a material impact to the Company's net income for the year ended March 31, 2003.

The shareholders' equity section of the consolidated balance sheet as of March 31, 2003 were prepared in accordance with the revised financial statement regulation.

2. Per share information

From this fiscal period the Company adopted Financial Accounting Standard No.2, "Accounting Standards for Earnings Per Share" and Financial Accounting Standards Implementation Guidance No.4 "Implementation Guidance for Accounting Standard for Earnings Per Share" which is effective from the fiscal year starting on or after April 1, 2002.

The adoption of this statement did not have a material impact to the Company's per share information.

Foot note information relating to the consolidated balance sheets

(Millions of Yen except otherwise indicated)

	March 31, 2002	March 31, 2003	
1. Accumulated depreciation of tangible fixed assets	800,130	945,378	
2. Assets pledged as collateral	16,454	59,288	
3. Notes regarding non-consolidated subsidiaries and affiliated companies:			
Investments in affiliated companies	6,794	2,557	
4. Contingent liabilities			
Guarantees outstanding	5,012	2,968	
(Company's proportional risk exposure included above	3,428	2,652	)
Guarantees arranged	335	-	
(Company's proportional risk exposure included above	262	-	)
5. Goodwill included in "Others" of Non-current Liability.	208	135	

6. Revaluation of Land (for March 31, 2002)

The Company revalued the Land for its business use based on "the Law concerning Revaluation of Land"(Clause 34, promulgated on March 31, 1998) and the law to revise "the Law concerning Revaluation of Land (Clause 94, promulgated on June 29, 2001). The difference from book value and revaluated value are charged directly to shareholder's equity. The followings are the details of the revaluation.

Method of revaluation: Revaluated based on the governmental ordinance no. 2 – 3 of the law concerning revaluation of land
Date of Revaluation: March 31, 2002
Book Value before revaluation: 31,027 million
Book Value after revaluation: 23,307 million

Foot note information relating to the consolidated statements of operations

(Millions of Yen except where stated)

	Year ended March 31, 2002	Year ended March 31, 2003
1. Major items included in operating expenses of the telecommunications business are as follows:		
Selling and promotional expenses	624,633	541,019
Telecommunications operation expenses	238	12
Facilities maintenance costs	70,896	69,481
Common costs	1,665	1,306
Administrative expenses	53,023	74,523
Research and development expenses	1,616	859
Depreciation and amortization	223,232	244,471
Disposal of fixed assets	13,441	10,140
Fees for utilization of other companies' network facilities	267,573	246,728
Taxes and dues	15,279	18,576
2. R&D expenses included in the operating expenses	1,616	859

	Year ended March 31, 2002	Year ended March 31, 2003
3. Loss on business restructuring mainly consists of the followings:		
Loss on impairment of investment securities	19,061	
Penalty for advanced redemption of borrowings	11,230	
Allowance for loss on debt guarantee	3,174	N/A
Penalty for cancellation of construction agreements	3,161	
Incremental benefits under early retirement program	2,170	

Foot note information relating to the consolidated statements of cash flows

(Millions of Yen)

	Year ended March 31, 2002	Year ended March 31, 2003
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	16,275	8,114
Cash and cash equivalents	16,275	8,114

Per share information

(in Yen)

	Year ended March 31, 2002	Year ended March 31, 2003
Net assets per share	122,494	145,828
Net income (loss) per share	(20,646)	24,855

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

Changes in Accounting policies (for March 31, 2003)
From this fiscal period the Company adopted Financial Accounting Standard No.2, "Accounting Standards for Earnings Per Share" and Financial Accounting Standards Implementation Guidance No.4 "Implementation Guidance for Accounting Standard for Earnings Per Share".

Per share information as of March 31, 2002 restated based on those statements are as follows:

Net assets per share	122,486
Net loss per share	20,654

Note :
March 31, 2003
The following data was used as the basis to calculate the earnings per share.

Net income per share

Net Income (in millions of yen)	79,502
Amounts not belonging to ordinary shareholders (in millions of yen) (including 83 millions of directors' bonus)	83
Net income attributable to common stock (in millions of yen)	79,418
Weighted average number of shares	3,195,217

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 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
Other machinery and 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

As of March 31, 2003	Millions of Yen		
	Acquisition cost	Accumulated depreciation	Net leased property
Machinery and equipment	53,614	36,819	16,794
Building and structure	105	54	50
Other machinery and vehicles	3,463	2,745	718
Tools, furniture and fixtures	15,883	7,472	8,410
Software	8,017	5,822	2,195
Total	81,083	52,913	28,169

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

② Obligations under finance leases were as follows:

	Millions of Yen	
	March 31, 2002	March 31, 2003
Due within one year	18,419	18,714
Due after one year	26,460	9,455
	44,880	28,169

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

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

	Millions of Yen	
	March 31, 2002	March 31, 2003
Rental expense	17,339	17,254
Depreciation expense, if recognized	17,339	17,254

④ Depreciation expense is 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	
	March 31, 2002	March 31, 2003
Due within one year	1,636	2,482
Due after one year	8,024	6,818
	9,661	9,301

Marketable and investments securities

As of March 31, 2002

1. Other securities with market quotation

(Millions of Yen)

	Acquisition cost	Per consolidated balance sheet	Variance
Securities with book value in consolidated balance sheet exceeding the acquisition cost			
(1) Equity securities	11,658	15,674	4,016
(2) Debt securities			
Government/Municipal bonds	147	184	36
Sub total	11,805	15,858	4,053
Securities with book value less than acquisition cost			
(1) Equity securities	209	177	(31)
Sub total	209	177	(31)
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 without market quotation

(Millions of Yen)

	Per consolidated balance sheet	Remarks
(1) Investment in subsidiaries and associated companies		
①Investment in subsidiaries	2,203	
②Investment in associated companies	4,591	
TOTAL	6,794	
(2) Other securities		
①Unlisted stocks (except for over-the-counter stocks)	8,558	
②Other	51	
TOTAL	8,609	

3. Redemption schedule of other securities with maturity and held to maturity securities

(Millions of Yen)

	within 1 year	1-5 years	5-10 years	more than 5 years
(1) Debt securities Government/Municipal bonds	31	-	153	-
TOTAL	31	-	153	-

As of March 31, 2003

1. Other securities with market quotation

(Millions of Yen)

	Acquisition cost	Per consolidated balance sheet	Variance
Securities with book value in consolidated balance sheet exceeding the acquisition cost			
(1) Equity securities	3,283	5,654	2,371
(2) Debt securities			
Government/Municipal bonds	117	153	35
Sub total	3,401	5,808	2,406
Securities with book value less than acquisition cost			
(1) Equity securities	8,465	8,179	(285)
Sub total	8,465	8,179	(285)
TOTAL	11,866	13,987	2,120

Note: Other marketable securities with market quotation were written down by 40 million as a result of impairment of acquisition cost for the year ended March 31, 2003.

2.Other securities sold during the fiscal year

(Millions of Yen)

Amount sold	Profit on sales	Loss on sales
1,833	436	144

3. Major securities which market quotations are unavailable

(Millions of Yen)

	Per consolidated balance sheet	Remarks
(2) Investment in subsidiaries and associated companies		
① Investment in subsidiaries	1,179	
② Investment in associated companies	1,378	
TOTAL	2,557	
(1) Other securities		
①Unlisted stocks (except for over-the-counter stocks)	5,700	
②Other	50	
TOTAL	5,750	

4. Redemption schedule of other securities with maturity and held to maturity securities

(Millions of Yen)

	within 1 year	1-5 years	5-10 years	more than 5 years
(1) Debt securities Government/Municipal bonds	-	-	153	-
TOTAL	-	-	153	-

Derivative financial instruments

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

Year ended March 31, 2002

(Millions of Yen)

Hedged transaction	Hedging instruments	Notional principal amounts		Fair value	Variance
			more than one year		
Foreign currency	Foreign currency forward contracts	945	-	993	48
Interest rate	Interest rate cap agreements	4,500	1,000	0	(96)
Total		5,445	1,000	993	(48)

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

Year ended March 31, 2003

(Millions of Yen)

Hedged transaction	Hedging instruments	Notional principal amounts		Fair value	Variance
			more than one year		
Foreign currency	Foreign currency forward contracts	427	-	427	0
Interest rate	Interest rate cap agreements	1,000	-	0	(42)
Total		1,427	-	427	(42)

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

Employees’ Retirement Benefits Plan

1. Summary of Employees’ Retirement Benefits
   The Company and consolidated subsidiaries have severance lump-sum payment. Certain subsidiaries have tax qualified pension plan and employer’s pension fund.
   There are certain cases where employees are entitled to additional benefits upon retirement, however, these additional payments are not included in the actuarial calculation.

2. The components of liability (asset) for employees' retirement benefits plan at March 31, 2003 and 2002 are as follows:

(Millions of Yen)

	March 31, 2002	March 31, 2003
(1) Projected benefit obligation	(16,966)	(20,149)
(2) Fair value of plan assets	630	686
(3) Unfunded projected benefit obligation (1) + (2)	(16,336)	(19,463)
(4) Unrecognized actuarial (gain) loss	-	-
(5) Liability for employees’ retirement benefit (3) + (4)	(16,336)	(19,463)

3. The components of net periodic benefit costs for the years ended March 2003 and 2002 are as follows:

(Millions of Yen)

	March 31, 2002	March 31, 2003
(1) Service cost	1,919	4,932
(2) Interest cost	496	321
(3) Expected return on plan assets	(4)	(4)
(4) Amortization of actuarial loss	15	1,123
(5) Additional retirement benefit paid	2,173	1,652
(6) Amortization of prior service cost	447	-
Net periodic benefit costs	5,048	8,025

Note: The service cost includes net periodic benefit costs of certain subsidiaries, which are calculated based on the simplified method as specified in the generally accepted accounting principle in Japan.

4. Assumptions used for the calculation

	March 31, 2002	March 31, 2003
(1) Discount rate	2.5%	1.5% - 2.0%
(2) Expected rate of return on plan assets	mainly 4.4%	mainly 4.4%
(3) Method of periodic allocation of expected benefit	benefit/years-of-service approach	benefit/years-of-service approach
(4) Amortization period of prior service cost	Mainly expensed in the fiscal year when incurred	-
(5) Amortization period of actuarial gain/loss	Mainly expensed in the fiscal year when incurred	Mainly expensed in the fiscal year when incurred

(Deferred Taxes)

1. The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities were as follows:

As of March 31, 2002

(Deferred tax assets)	(Millions of Yen)
Allowance for loyalty program	13,263
Investment securities	10,116
Inventory	7,141
Liability for employees' retirement benefits	6,484
Loss carried forward of consolidated subsidiaries	3,474
Loss on disposal of fixed assets	3,215
Accrued bonuses for employees	2,228
Enterprise tax payable	1,626
Unrealized gain	1,107
Deferred revenue	1,087
Allowance for guarantee loss	1,333
Others	3,830
Sub-total	54,909
Less valuation allowance	(16,494)
Total deferred tax assets	38,414
(Deferred tax liability)	
Net unrealized gain on other securities	(1,697)
Allowance for doubtful debt - intercompany balance	(1,785)
Reversal of special depreciation reserve	(1,027)
Others	(78)
Total deferred tax liability	(4,588)
Net deferred tax assets	33,825

As of March 31, 2003

(Deferred tax assets)	(Millions of Yen)
Allowance for loyalty program	10,221
Investment securities	2,571
Liability for employees' retirement benefits	7,631
Depreciation	3,786
Amortization of software	1,456
Inventory	3,287
Enterprise tax payable	9,621
Allowance for doubtful debt	5,194
Accrued bonuses to employees	3,398
Loss on disposal of assets	1,365
Advance received	1,166
Deferred revenue	2,751
Allowance for guarantee	1,667
Deferred gain on fixed assets obtained through Corporate Split	2,814
Others	29,019
Sub-total	85,954
Less valuation allowance	(34,426)
Total deferred tax assets	51,527
(Deferred tax liability)	
Unrealized gain on fixed assets	(272)
Total deferred tax liability	(272)
Net deferred tax assets	51,255

(Segment Information)

(1) Operating segment information

(Millions of Yen)

	Year ended March 31, 2002						
	Fixed-line Telecommunication Services		Mobile Telecommunication Services	Other	Total	Eliminating and other adjustments	Consolidated
	Voice Transmission	Data Transmission					
I Revenue and operating income (loss)							
Revenue							
(1) Sales to external customers	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
II Assets, depreciation expense and capital expenditures							
Assets	312,648	278,803	1,261,476	3,986	1,856,914	(578)	1,856,335
Depreciation expense	30,668	29,034	162,365	448	222,516	—	222,516
Capital expenditure	32,502	66,074	370,413	2,306	471,297	—	471,297

(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) Geographic area segment information

Segment information classified by geographic area is not disclosed since more than 90% of revenue are domestic and more than 90% of assets are located in Japan.

(3) Sales to external customers outside Japan

Sales to external customers outside Japan were less than 10% of consolidated sales and thus the related information is not disclosed.

(Millions of Yen)

(Millions of Yen)	Year ended March 31, 2003					
	Fixed-line Telecommunication Services	Mobile Telecommunication Services	Other	Total	Eliminating and other adjustments	Consolidated
Ⅰ Revenue and operating income(loss)						
Revenue						
(1) Sales to external customers	340,548	1,450,962	5,405	1,796,915	—	1,796,915
(2) Intersegment sales	44,305	9,406	10,937	64,649	(64,649)	—
Total revenue	384,854	1,460,368	16,343	1,861,565	(64,649)	1,796,915
Operating expenses	356,660	1,213,223	16,336	1,586,221	(64,911)	1,521,309
Operating income (loss)	28,193	247,144	6	275,344	261	275,606
II Assets, depreciation expense and capital expenditures						
Assets	530,926	1,743,819	2,570	2,277,316	(437,495)	1,839,821
Depreciation expense	60,233	192,214	150	252,598	(182)	252,416
Capital expenditure	33,106	266,584	151	299,841	(20,582)	279,259

(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. Changes in business categories

The Company had the business categories of voice transmission services, data transmission services, mobile telecommunication services and other business in prior years. These categories were changed to fixed-line telecomunication services, mobile telecommunication services and others in this fiscal yea since the holding company structure was implemented and business resturucturing of consolidated subusidiaries was made in this fiscal year based on the nature of business.

The following table contains operating segment information for the year ended March 31, 2002 based on the new business categories

(Millions of Yen)

	Year ended March 31, 2002 - As restated					
	Fixed-line Telecommunication Services	Mobile Telecommunication Services	Other	Total	Eliminating and other adjustments	Consolidated
I Revenue and operating income(loss)						
Revenue						
(1) Sales to external customers	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	89,134
II Assets, depreciation expense and capital expenditures						
Assets	614,052	1,249,707	9,645	1,873,405	(17,070)	1,856,335
Depreciation expense	59,618	162,365	533	222,516	—	222,516
Capital expenditure	100,397	370,355	543	471,297	—	471,297

(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

Non-consolidated Financial Results for the year ended March 31, 2003

May 27, 2003

JAPAN TELECOM HOLDINGS CO., LTD.

Code number 9434 Stock exchange listings: TSE, OSE
(URS http://www.telecom-holdings.co.jp) Location of corporate headquarters
Representative: William T. Morrow, President and Representative Director Tokyo
Person responsible for inquires: Yuriko Ishihara, Corporate Officer, Director of Investor Relations
TEL (03) 6403 - 2986
Date of approval of financial statements by the Board of Directors: May 27, 2003 Interim dividend: Yes
Date of the general shareholders' meeting: June 27, 2003 Fractional share: None

1. Non-consolidated results for the year ended March 3, 2003 (from April 1, 2002 to March 31, 2003)

(1) Operational results

	Revenue		Operating income (loss)		Ordinary income (loss)	
Year ended:	million yen	%	million yen	%	million yen	%
March 31, 2003	149,665	(67.3)	11,560	n/a	10,879	n/a
March 31, 2002	457,443	(4.2)	(13,812)	n/a	(14,498)	n/a

	Net income (loss)		Earnings (loss) per share	Deluted earnings per share	Return on shreholder's equity	Ordinary income to total shareholders' equity ratio	Ordianry income to turnover ratio
Year ended:	million yen	%	yen	yen	%	%	%
March 31, 2003	9,724	n/a	3,037.96	n/a	2.0	0.8	7.3
March 31, 2002	(64,544)	n/a	(20,200.22)	n/a	(12.3)	(1.2)	(3.2)

Notes:
① The average number of shares were 3,195,217 shares and 3,195,225 shares for the year ended March 31, 2003 and 2002, respectively.
② Earning per share for the yesr ended March 31, 2002 was calculated based on the assumption that the stock split of one to five shares was performed at beginning of the fiscal year.
③ There are no changes in accounting policies during the year ended March 31, 2003.
④ The percentages for revenues, operating income (loss), ordinary income (loss), and net income represent the increase or decrease over the previous year.

(2) Dividends

	Dividends per share			Total dividends for the year	Payout ratio	Dividends to share capital ratio
		Half-year	Year-end			
Year ended:	yen	yen	yen	million yen	%	%
March 31, 2003	1,200.00	600.00	600.00	3,834	39.4	0.8
March 31, 2002	600.00	300.00	300.00	1,917	-	0.4

Note: The year-end dividends as of March 31, 2003 consisted of commemoratitive and special dividends amounting to - yen and - yen per share, respectively.

(3) Financial position

	Total assets	Shareholders’ equity	Ratio of shareholders’ equity	Shareholders’ equity per share
As of:	million yen	million yen	%	yen
March 31, 2003	1,289,360	490,584	38.0	153,531.81
March 31, 2002	1,501,887	486,191	32.4	152,162.12

Notes
① The number of shares outstanding were 3,195,213 shares and 3,195,221 shares as of March 31, 2003 and March 31,2002, respectively.
② The number of treasury shares as of March 31, 2003 and March 31, 2002 were 23 shares and 15 shares, respectively.

2. Forecast of non-consolidated operations for the year ending March 31, 2004 (from April 1, 2003 to March 31, 2004)

	Revenue	Ordinary income	Net income	Annual dividend per share		
				Semi-annual	Year-end	
	million yen	million yen	million yen	yen	yen	yen
Half-year	n/a	n/a	n/a	600.00	-	-
Full year	n/a	n/a	n/a	-	600.00	1,200.00

Note: Forecast for the year ending March 31, 2004 is omitted since JAPAN TELECOM HOLDINGS CO., LTD. became a holding company as of August 1, 2002.

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	March 31, 2003	Increase (Decrease)
ASSETS			
CURRENT ASSETS	**840,150**	**728,521**	**(111,629)**
Cash on hand and in banks	3,461	30	(3,430)
Accounts receivable - trade	72,587	-	(72,587)
Accounts receivable - other	14,845	13,535	(1,310)
Marketable securities	31	-	(31)
Inventories	3,052	-	(3,052)
Advance payments	13	-	(13)
Prepaid expenses	923	-	(923)
Short-term loans	746,406	719,686	(26,719)
Deferred tax assets (current)	3,340	-	(3,340)
Others	2,557	7	(2,549)
Allowance for doubtful accounts	(7,069)	(4,739)	2,329
FIXED ASSETS	**661,553**	**560,839**	**(100,714)**
Tangible fixed assets	430,480	4	(430,475)
Machinery and equipment	146,791	-	(146,791)
Air cable facilities	6,622	-	(6,622)
Terminal facilities	2,460	-	(2,460)
Local line facilities	3,224	-	(3,224)
Long-distance line facilities	22,065	-	(22,065)
Civil construction facilities	62,394	-	(62,394)
Ocean cable facilities	35,854	-	(35,854)
Buildings	60,473	-	(60,473)
Structures	3,541	-	(3,541)
Other machinery	3,457	-	(3,457)
Vehicles	24	-	(24)
Tools, furniture and fixtures	34,007	4	(34,002)
Land	23,307	-	(23,307)
Construction in progress	26,256	-	(26,256)
Intangible fixed assets	49,877	0	(49,876)
Ocean cable facility rights	2,868	-	(2,868)
Facility/utility rights	3,306	-	(3,306)
Software	28,820	-	(28,820)
Goodwill	10,982	-	(10,982)
Others	3,899	0	(3,899)
Investments and other assets	181,196	560,834	379,637
Investment securities	24,297	2,866	(21,430)
Non-share equity investments	1	-	(1)
Investments in subsidiaries and affiliated companies	137,409	557,927	420,518
Long-term prepaid expenses	6,485	6	(6,479)
Deferred tax assets (non-current)	2,918	-	(2,918)
Others	10,166	33	(10,132)
Allowance for doubtful accounts	(82)	-	82
DEFERRED CHARGES	**183**	**-**	**(183)**
Bond Issuance costs	183	-	(183)
TOTAL ASSETS	**1,501,887**	**1,289,360**	**(212,527)**

(Millions of Yen)

	March 31, 2002	March 31, 2003	Increase (Decrease)
LIABILITIES			
CURRENT LIABILITIES	**768,900**	**623,576**	**(145,324)**
Current portion of long-term debt	9,318	25,000	15,681
Accounts payable - trade	5,001	-	(5,001)
Short-term borrowings	638,100	588,213	(49,886)
Accounts payable - other	43,757	31	(43,726)
Accrued expenses	54,291	1,511	(52,780)
Income taxes payable	7,316	2,993	(4,323)
Accrued consumption tax	-	1,664	1,664
Advances received	1,841	-	(1,841)
Deposits received	1,060	34	(1,025)
Accrued bonuses to employees	3,468	-	(3,468)
Allowance for losses from guaranty of liabilities	3,174	4,128	953
Allowance for loyalty program	299	-	(299)
Other current liabilities	1,269	-	(1,269)
LONG-TERM LIABILITIES	**246,795**	**175,200**	**(71,595)**
Bonds	200,000	175,000	(25,000)
Long-term borrowings	32,202	-	(32,202)
Liability for employees' retirement benefits	13,070	22	(13,048)
Retirement allowances for directors and corporate auditors	285	177	(107)
Others	1,236	-	(1,236)
TOTAL LIABILITIES	**1,015,696**	**798,776**	**(216,919)**

SHAREHOLDERS' EQUITY			
COMMON STOCK	177,251	177,251	-
CAPITAL SURPLUS	265,508	265,508	-
Additional paid-in capital	265,508	265,508	-
RETAINED EARNINGS	48,819	47,948	(871)
Appropriated for legal reserve	8,302	8,302	-
Reserve for special depreciation	384	1,418	1,033
Other reserve	102,000	36,000	(66,000)
Unappropriated retained earnings (deficit)	(61,867)	2,227	64,095
[Net income (loss) for the period included above]	[(64,544)]	[9,724]	74,268
NET UNREALIZED LOSS ON REVALUATION OF LAND	(7,720)	-	7,720
NET UNREALIZED GAIN ON AVAILABLE-FOR-SALE SECURITIES	2,338	(114)	(2,453)
TREASURY STOCK	(6)	(9)	(3)
TOTAL SHAREHOLDERS' EQUITY	**486,191**	**490,584**	**4,392**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,501,887**	**1,289,360**	**(212,527)**

Japan Telecom Holdings Co., Ltd.
Non-consolidated Comparative Statements of Operations

(Millions of Yen)

	Year ended March 31, 2002	Year ended March 31, 2003	Increase (Decrease)
ORDINARY INCOME/LOSS			
(Operating income/loss)			
Revenue	457,443	149,665	(307,777)
Operating expenses	471,255	138,104	(333,151)
Operating income (loss)	**(13,812)**	**11,560**	**25,373**
(Non-operating income/loss)			
Non-operating revenues	**6,056**	**4,984**	**(1,072)**
Interest income	700	989	288
Interest income on securities	7	6	(0)
Dividend income	1,065	1,463	397
Facilities income	-	1,100	1,100
Miscellaneous income	4,282	1,424	(2,857)
Non-operating expenses	**6,742**	**5,665**	**(1,076)**
Interest expenses	1,879	1,275	(603)
Interest on bond	4,027	4,027	-
Amortization of bond issuance costs	183	183	-
Loss on sales of marketable securities	1	-	(1)
Miscellaneous expenses	651	179	(472)
Ordinary income (loss)	**(14,498)**	**10,879**	**25,377**
SPECIAL GAIN/LOSS			
Special gain	**40,815**	**4,728**	**(36,087)**
Gain on sales of fixed assets	1,424	-	(1,424)
Gain on sales of investment securities	2	3,699	3,696
Gain on sales of investments in subsidiaries and affiliated companies	39,388	1,019	(38,369)
Others	-	9	9
Special loss	**78,526**	**10,101**	**(68,424)**
Provision for deferred gain on sales of fixed assets for tax purposes	183	-	(183)
Loss on sales of fixed assets	-	366	366
Loss on disposal of fixed assets	414	1,460	1,045
Amortization of prior service pension cost	447	-	(447)
Loss on sales of investment securities	-	782	782
Write down of investment securities	-	1,240	1,240
Write down of investment in subsidiaries and affiliated companies	-	4,585	4,585
Write down of golf membership	43	-	(43)
Restructuring loss of subsidiaries and affiliated companies	-	712	712
Loss on guarantee	-	953	953
Restructuring loss of business organization	77,437	-	(77,437)
INCOME (LOSS) BEFORE INCOME TAXES	**(52,209)**	**5,505**	**57,714**
Income taxes - current	10,740	26	(10,714)
Reversal of income taxes payable	-	(961)	(961)
Income taxes - deferred	1,594	(3,283)	(4,878)
NET INCOME (LOSS)	**(64,544)**	**9,724**	**74,268**
Retained earnings, at beginning	3,635	2,140	(1,494)
Interim dividend	958	1,917	958
Decrease in revaluation difference	-	(7,720)	(7,720)
UNAPPROPRIATED RETAINED EARNINGS (DEFICIT) AT END	**(61,867)**	**2,227**	**64,095**

Japan Telecom Holdings Co., Ltd.

Proposed Appropriations of Retained Earnings

(in Millions of Yen)

	Year ended March 31, 2002	Year ended March 31, 2003
Unappropriated retained earnings (deficit), at end	**(61,867)**	**2,227**
Reversal of special depreciation reserve	122	1,418
Reversal of general reserve	66,000	-
Total	**4,255**	**3,646**
The balance will be appropriated as follows:		
Cash dividends	958 (¥300 per share)	1,917 (¥600 per share)
Bonus to directors and corporate auditors (bonuses to corporate auditors included in above)	- (-)	17 (6)
Special depreciation reserve	1,156	-
Balance to be carried forward	**2,140**	**1,711**

Note: Interim cash dividend amounting to 1,917 million yen (600 yen per share) was made on December 10, 2002.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Marketable and investment 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

①Securities with market quotation

Securities with market quotation are accounted for at fair value (unrealized gains and losses are excluded from net income and reported directly as a component of shareholders' equity. The cost of securities sold is determined based on a moving average method).

②Securities without market quotation

Securities without market quotation are carried at cost on a moving-average method.

2. Derivative transactions

Derivative transactions are measured at fair value.

3. Fixed assets

(1) Tangible fixed assets

Depreciation of fixed assets are computed under the straight-line method.
The estimated useful lives are mainly as follows:
Tools, furniture and fixtures: 5 years

(2) Long-term prepaid expenses

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

4. 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.

5. Allowances

(1) Allowance for doubtful accounts

An allowance for doubtful accounts is established in amounts considered to be appropriate based on the past credit loss experience of JAPAN TELECOM HOLDINGS CO., LTD. (the "Company") 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 at each period end.

(3) Retirement allowances for directors and corporate auditors

Retirement allowances for directors and corporate auditors are established 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.

6. Leases as a lessee

Finance leases, other than those which are deemed to transfer the ownership of the leased assets to lessees, are accounted for under 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 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.

(2) Hedging instrument and hedged transaction

The Company enters into foreign currency forward contracts to hedge foreign exchange risk of certain foreign currency transactions.

(3) Company's policy to use derivatives
The risk management and control of derivatives are exercised 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 risk associated with assets and liabilities, therefore the Company does not enter into derivatives for trading or speculative purposes.
(4) Measurement of hedge effectiveness
The Company measures 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 foreign currency forward contract which qualify for hedge accounting is excluded from the scope of this 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.

ADDITIONAL INFORMATION

1. Accounting for Treasury stock and reversal of the legal reserves
Effective from this fiscal year-end, the Company adopted Financial Accounting Standards No.1, "Accounting for Treasury Stock and Reduction of legal reserves". The adoption of this statement did not have a material impact to the Company's net income for the year ended March 31, 2003.
The shareholders' equity section of the consolidated balance sheet as of March 31, 2003 was prepared in accordance with the revised financial statement regulation.

2. Per share information
From this fiscal period the Company adopted Financial Accounting Standard No.2, "Accounting Standards for Earnings Per Share" and Financial Accounting Standards Implementation Guidance No.4 "Implementation Guidance for Accounting Standard for Earnings Per Share" which is effective from the fiscal year starting on or after April 1, 2002. The adoption of this statement did not have a material impact to the Company's per share information.

CHANGES IN METHOD OF DISCLOSURE

In previous years, Assets and Liabilities in the Balance Sheet were disclosed in the fixed-first order arrangement in accordance with "Accounting regulation for telecommunication business".
However, since a holding company structure was established effective on 1 August 2002 as a result of Corporate Split, such accounting regulation was not applicable to the Company. Consequently, the balance sheet is presented in the order of liquidity from this fiscal period.

NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS

(Millions of Yen except otherwise indicated)

(Non-consolidated Balance Sheets)

	March 31, 2002	March 31, 2003
1.Accumulated depreciation of tangible fixed assets	456,118	0
2. Assets pledged as collateral	15,416	-
3. Major receivables from and payables to subsidiaries and affiliated companies (The significant balances not classified separately are as follows)		
Accounts receivable	20,051	-
Short-term loans receivable	746,406	719,536
Short-term borrowings	-	19,776

4.Contingent liabilities		
Guarantees outstanding	5,005	2,967
(Company's risk exposure included above	3,421	2,651)
Guarantees arranged	335	-
(Company's risk exposure included above	262	-)
5.Treasury stock	15.35 shares	23.60 shares

(Non-consolidated Statements of Operations)

1. Operating Revenue and Operating Expense

The Company established the holding company structure as a result of Corporate Split effective as of August 1, 2002. Accordingly, the expense and revenues incurred after August 1, 2002 in the following operating revenue and expense accounts, that were categorized as non-operating revenue and expense in prior years, were disclosed as operating revenue and expenses in this fiscal year.

(in millions of yen)

March 31, 2003	
Operating revenue	
Interest revenue from the loans due to subsidiaries and affiliated companies	1,756
Commitment fee revenue	126
Dividend received from subsidiaries	3,095
Operating expense	
Interest expense for loans due from subsidiaries and affiliated companies	1,526
Commitment fee expense	128

As a result of Corporate Split, the Company transferred all the businesses except for certain investments in affiliated companies to JAPAN TELECOM CO., LTD, newly established wholly owned subsidiary, and changed its business name to JAPAN TELECOM HOLDINGS CO., LTD.. Consequently, operating revenue of the current fiscal year decreased by 67.3% to 149,665 million yen. Ordinary income and net income were 10,879 million yen and 9,724 million yen, respectively.

2. Loss on business restructuring

Loss on business restructuring recognized in prior year mainly consisted of the following:

(in millions of yen)

March 31, 2002	
Impairment of investments in subsidiaries and affiliated companies	51,530
Impairment of investment securities	17,835
Allowance for loss on debt guarantee	3,174
Allowance for doubtful debt	2,731
Incremental benefit under early retirement program	1,934

(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 March 31, 2002	Millions of yen		
	Acquisition cost	Accumulated depreciation	Net leased property
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 cost represents an aggregation of lease payments including the interest portion outstanding as of the end of each period because such balance is immaterial compared to the each fixed asset in the balance sheet.

As of March 31, 2003	Millions of yen		
	Acquisition cost	Accumulated depreciation	Net leased property
Vehicles	9	9	0
Total	9	9	0

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

② Obligations under finance leases were:

	Millions of Yen	
	March 31, 2002	March 31, 2003
Due within one year	3,760	0
Due after one year	7,815	-
	11,575	0

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

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

	Millions of Yen	
	March 31, 2002	March 31, 2003
Rental expense	3,367	1,248
Depreciation expense, if recognized	3,367	1,248

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

(Deferred Taxes)

1. The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities were as follows:

As of March 31, 2002

(Deferred tax assets)	(Millions of Yen)
Investment securities	10,102
Investment in subsidiaries and affiliated companies	21,642
Liability for employees' retirement benefits	5,406
Loss on disposal of fixed assets	1,918
Allowance for guarantee loss	1,333
Accrued bonuses for employees	1,015
Others	1,363
Sub-total	42,784
Less valuation allowance	(33,779)
Total deferred tax assets	9,004
(Deferred tax liability)	
Net unrealized gain on other securities	(1,693)
Reversal of special depreciation reserve	(1,027)
Others	(24)
Total deferred tax liability	(2,745)
Net deferred tax assets	6,259

As of March 31, 2003

(Deferred tax assets)	(Millions of Yen)
Investment securities	2,571
Investment in subsidiaries and affiliated companies	28,877
Allowance for doubtful accounts	1,990
Allowance for losses for guarantee liabilities	1,667
Others	23,773
Sub-total	58,880
Less valuation allowance	(58,880)
Total deferred tax assets	-
(Deferred tax liability)	
Total deferred tax liability	-
Net deferred tax assets	-

Transfer of Directors, Auditors, Executive Officers and Corporate Officers (Pre-appointment)

Japan Telecom Holdings Co., Ltd. announced today the following changes in directors, according to the transition to a company with officers and three committees "Iinkai tou setchi kaisha" subject to the approval at the General Meeting of Shareholders to be held on June 27, 2003. This pre-appointment was resolved at Board of Directors meeting held today.

The appointments are subject to the approval of the General Meeting of Shareholders for Director candidates and to the approval of the Board of Directors meeting etc. to be held after the General Meeting of Shareholders for Chairmen and members of three Committees and Executive Officers.

Current Corporate Officer system will be continued with partial change.

(As of June 27, 2003)

(1) Candidates for New Directors (* Outside directors provided by Japanese Commercial Code)

Chairman of the Board, Director	
	J. Brian Clark*
	(Currently Vodafone Group Plc, CEO, Asia Pacific Region)
Director	Michael J. Pitt*
	(Currently Vodafone Group Services Ltd. Financial Director, Group Operations)
Director	Charles Butterworth*
	(Currently Director of Group Corporate Finance; Vodafone Group Plc)
Director	Peter Newbound*
	(Currently Director of HR, Group Services, Vodafone Group Plc)

(2) Committee Chairmen and Members (* Outside directors provided by Japanese Commercial Code)

Nominating Committee	
Chairman	Peter Newbound*
	J. Brian Clark*
	William T. Morrow
Audit Committee	
Chairman	J. Brian Clark*
	Michael J. Pitt*
	Charles Butterworth*
	Hironori Aihara*
Compensation Committee	
Chairman	Peter Newbound*
	J. Brian Clark*
	William T. Morrow

(3) Candidates for New Executive Officers (** Concurrent with Director)

President, Representative Executive Officer		
	William T. Morrow **	(Currently President, Representative Director)
Chief Financial Officer, Representative Executive Officer		
	John Durkin**	(Currently EVP, Corporate Officer, Managing Director)
EVP, Executive Officer	Morihiro Iwata	(Currently EVP, Corporate Officer)
VP, Executive Officer	Bradley E. Whitcomb	(Currently VP, Corporate Officer)
VP, Executive Officer	Yuriko Ishihara	(Currently SGM, Corporate Officer)

VP, Executive Officer	Shuji Ishii	(Currently Director of Finance Department)

EVP	Executive Vice President, Senmu-shikkoyaku
VP	Vice President, Joumu-shikkoyaku

(4) Retiring Directors

Director	William L. Keever
Director	Michael Benner
Director	Kazuyasu Hakata

(5) Retiring Auditors

Auditor (full-time)	Shunsuke Kimura
Auditor	Teruhiko Ikeda
Auditor	Bruce Weitzenhoffer

<For reference> Directors and Executive Officers after the 17th General Meeting of Shareholders (scheduled on June 27, 2003)

(* Outside directors provided by Japanese Commercial Code)

Title	Name	Responsibilities	Notes
Chairman of the Board, Director	J. Brian Clark*	-	Vodafone Group Plc, CEO, Asia Pacific Region
Director, Senior Executive Advisor	Haruo Murakami	-	
Director, President, Representative Executive Officer	William T. Morrow	-	
Director, CFO, Representative Executive Officer	John Durkin	Head, Finance Dept.	Senior Managing Director and CFO, J-Phone Co., Ltd.
Director	Darryl E. Green*	-	President and Representative Director, J-Phone Co., Ltd.
Director	Michael J. Pitt*	-	Vodafone Group Services Ltd. Financial Director, Group Operations
Director	Charles Butterworth*	-	Director of Group Corporate Finance; Vodafone Group Plc
Director	Peter Newbound*	-	Director of HR, Group Services, Vodafone Group Plc
Director	Yoshiro Hayashi	-	Chairman and Representative Director, J-Phone Co., Ltd.
Director	Hironori Aihara*	-	Senior Executive Vice President, Executive Officer, Mitsubishi Corporation
Director	Tetsuo Shimura*	-	Representative Vice President of the Bank of Tokyo-Mitsubishi, Ltd.
Director	Tatsuya Tamura*	-	President of Global Management Institute Inc.
EVP, Executive Officer	Morihiro Iwata	Head, General Affairs & Human Resources Dept.	
VP, Executive Officer	Bradley E. Whitcomb	Head, Corporate Development Dept.	
VP, Executive Officer	Yuriko Ishihara	Responsible for IR	
VP, Executive Officer	Shuji Ishii	Director of Finance Dept.	

EVP Executive Vice President, Senmu-shikkoyaku
VP Vice President, Joumu-shikkoyaku

(Corporate Officer)

Title	Name	Responsibilities	Notes
Senior Corporate Officer	Hideki Yamauchi	Vice Head, Corporate Development Dept.	

Reference

(Candidate for Director)

1. Name J. Brian Clark
2. Present title CEO, Asia Pacific Region, Vodafone Group Plc
   Advisor, Japan Telecom Holdings Co., Ltd.
   Representative Director, Vodafone Japan Co., Ltd.
3. Birthday Jan 27, 1949
4. Education DSc of Physics, University of Pretoria, South Africa (1973)
5. Career Summary

Jan 1981 :	Vice President, CSIR (Council for Scientifical and Industrial Research), South Africa
Oct 1990 :	President, CSIR
Apr 1995 :	Managing Director & CEO, TELKOM SA Ltd.
May 1997 :	CEO, Pacific Region, Vodafone Group Plc
Jan 2003 :	CEO, Asia Pacific Region, Vodafone Group Plc (to present)
Jan 2003 :	Advisor, Japan Telecom Holdings Co., Ltd. (to present)
Mar 2003 :	Representative Director, Vodafone Japan Co., Ltd. (to present)

Reference

(Candidate for Director)

1.Name	Michael J. Pitt
2.Present title	Vodafone Group Services Ltd., Financial Director, Group Operations
3.Birthday	Jan 7, 1956
4.Education	University of Southampton (June, 1976)
5.Career Summary	
Jun 1984:	BEMROSE CORPORATION PLC, Group Financial Controller
Jul 1991:	MASSEY FERGUSON GROUP, Group Chief Accountant
Jan 1993:	Vodafone Group Plc, Group Financial Controller
Sep 1993:	Vodafone Group International Ltd., Financial Director
Mar 2001:	Vodafone Group Services Ltd., Financial Director, Group Operations (to present)
Dec 2001:	Director, Japan Telecom Co., Ltd.
Jun 2002:	Retired Director, Japan Telecom Co., Ltd.

Reference

(Candidate for Director)

1.Name	Charles Butterworth
2.Present title	Director of Group Corporate Finance, Vodafone Group Plc
3.Birthday	Feb 23, 1970
4.Education	Bristol University, UK (1993)
5.Career Summary	
Sep 1993:	Entered Union Bank of Switzerland
May 1995:	Associate Director, Telecoms Investment Banking, UBS AG
May 1999:	Director, Telecoms Investment Banking, UBS AG
May 2002:	Director of Group Corporate Finance, Vodafone Group Plc (to present)

Reference

(Candidate for Director)

1.Name	Peter Newbound
2.Present title	Director of HR, Group Services, Vodafone Group Plc
	Director, Vodafone Japan Co., Ltd.
	Director, Japan Telecom Co., Ltd.
3.Birthday	May 28, 1949
4.Education	Nuclear Reactor Technology, Royal Naval College, London (1973)
5.Career Summary	
Jan 1989 :	European HR Director, Mars Electronics, Mars Inc.
Sep 1996 :	European Compensation Director, Mars Inc.
Jan 2001 :	Director of HR, Group Services, Vodafone Group Plc (to present)
Feb 2002 :	Director, Vodafone Japan Co., Ltd. (to present)
Aug 2002 :	Director, Japan Telecom Co., Ltd. (to present)

Reference

(Candidate for Executive Officer)

1. Name Shuji Ishii
2. Present title J-PHONE Co., Ltd., Corporate Officer, Finance Planning and Analysis General Manager
   Japan Telecom Holdings Co., Ltd., Finance Dept., Financial Director
3. Birthday May 22, 1947
4. Education Otaru University of Commerce, Dept. of Commerce (March, 1971)
5. Career Summary

Apr 1971:	Joined Nissan Motor Co., Ltd.
Jan 1994:	Nissan Motor Co., Ltd., Mobile Communications Dept., Manager
May 1998:	Nissan Motor Co., Ltd., TU-KA Business Dept., Manager
Apr 2000:	Joined Japan Telecom Co., Ltd. Advanced Mobile Communications Headquarters, Executive Staff
Aug 2000:	Seconded to J-PHONE Co., Ltd., Treasury Dept., General Manager
Nov 2001:	Seconded to J-PHONE Co., Ltd., Financial and Procurement Div., Finance Project Dept., General Manager
Apr 2002:	Joined J-PHONE Co., Ltd.
Nov 2002	J-PHONE Co., Ltd., Corporate Officer, Financial and Procurement Div., Finance Project Dept., General Manager
May 2003:	J-PHONE Co., Ltd., Corporate Officer, Financial and Procurement Div., Finance Planning/Analysis Dept., General Manager (to present)
Aug 2002:	Concurrently seconded to Japan Telecom Holdings Co., Ltd., Finance Dept., Financial Director (to present)