Consolidated Financial Results for the six-month period ended September 30, 2003

November 18, 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, Director, President, Reperesentative Executive Officer

Person responsible for inquires: Yuriko Ishihara, Vice President, Executive Officer

Date of approval of financial statements by the Board of Directors: November 18, 2003 TEL (03) 6403 - 2986

Name of parent company: Vodafone Group Plc Ratio of stock held by parent company: 66.7%

Adoption of U.S. GAAP: No

1. Consolidated results for the six-month period ended September 30, 2003 (from April 1, 2003 to September 30, 2003)

(1) Consolidated operational results

	Revenue		Operating income		Ordinary income	
Half-year ended:	million yen	%	million yen	%	million yen	%
September 30, 2003	902,843	2.0	125,321	(12.2)	123,664	(12.4)
September 30, 2002	884,826	4.1	142,757	508.5	141,102	836.3
Year ended March 31, 2003	1,796,915		275,606		271,869	

	Net income (loss)		Earning (loss) per share	Diluted Earning(loss)per share
Half-year ended:	million yen	%	yen	yen
September 30, 2003	(125,039)	n/a	(39,133.35)	n/a
September 30, 2002	43,524	n/a	13,621.67	n/a
Year ended March 31, 2003	79,502		24,855.53	n/a

Notes:

① Equity in earnings of affiliated companies under the equity method was ¥- million, ¥- million and ¥- million for the six-month periods ended September 30, 2003 and 2002 and for the year ended March 31, 2003, respectively.

② The average number of shares were 3,195,211 shares, 3,195,220 shares and 3,195,217 shares for the six-month periods ended September 30, 2003 and 2002 and for the year ended March 31, 2003, respectively.

③ There were no changes in accounting policies during the six-month period ended September 30, 2003.

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

(2) Consolidated financial position

	Total assets	Shareholders' equity	Ratio of shareholders' equity	Shareholders' equity per share
	million yen	million yen	%	yen
September 30, 2003	1,837,002	338,278	18.4	105,870.60
September 30, 2002	1,787,567	432,932	24.2	135,493.77
March 31, 2003	1,839,821	466,036	25.3	145,828.53

Notes:

The number of shares outstanding were 3,195,210 shares, 3,195,218 shares and 3,195,213 shares as of September 30, 2003 and 2002 and March 31, 2003, respectively.

(3) Consolidated cash flows information

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents as of the end of the period
Half-year ended:	million yen	million yen	million yen	million yen
September 30, 2003	155,257	(103,668)	(11,921)	46,804
September 30, 2002	237,897	(186,757)	(61,522)	5,323
Year ended March 31, 2003	496,324	(341,726)	(162,275)	8,114

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

Number of consolidated subsidiaries: 9 companies

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

Number of affiliated companies accounted for using the equity method: -

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

Consolidated subsidiaries: increase - 0 and decrease - 3

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

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

	Revenue	Ordinary income	Net income
	million yen	million yen	million yen
Year ending March 31, 2004	1,680,000	212,000	(104,000)

Reference: The expected earning per share for the year ending March 31, 2004 is net loss of 32,548.70yen.

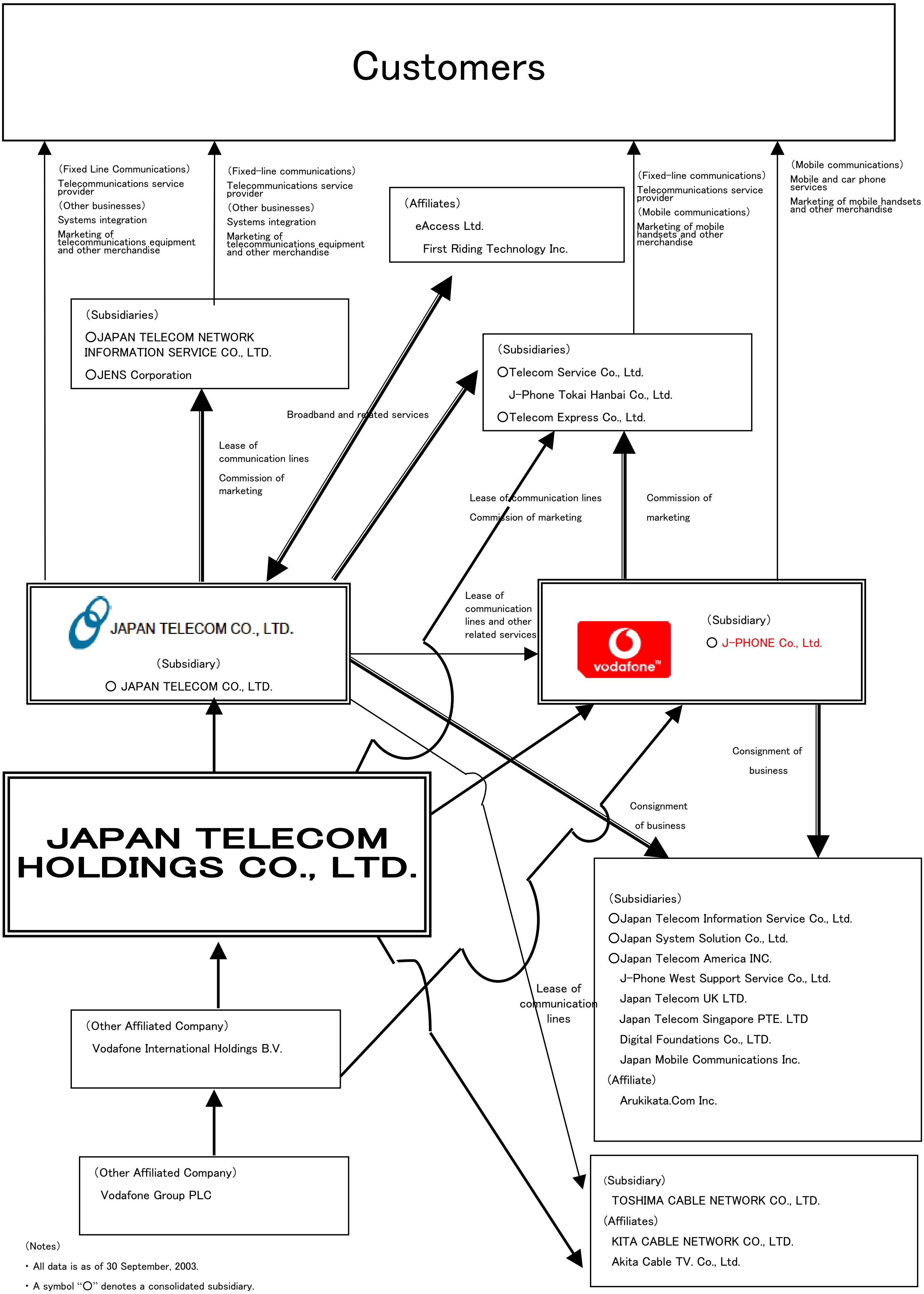
The above forecasts are based on the information available to the Company management at the date of announcement. The actual results may vary from the forecasts because of unknown factors, such as altered trends in the markets in which the Company operates and the prevailing economic conditions.

1. Business Overview and Organisation

Japan Telecom Holdings (the "Company"), through its subsidiaries and affiliates (collectively the "Group"), operates businesses in mobile and fixed-line telecommunications. In the mobile telecommunications area, it engages in cellular phone services and the associated sale of handsets, while its fixed-line operation includes voice and data communications and leased-line services. As of 30 September 2003, the Group had 16 subsidiaries, including 9 consolidated subsidiaries, and 5 affiliates. It had no affiliates accounted for by the equity method.

The following diagram summarises the organisation and businesses of the Group as of 30 September 2003.

In order to focus exclusively on mobile communication services, the Company agreed to sell its interest in Japan Telecom, and legal completion of the sale occurred on 14 November 2003.



(Notes)

- All data is as of 30 September, 2003.
- A symbol "○" denotes a consolidated subsidiary.
- On 21 August, 2003, the Company and Ripplewood Holdings LLC reached agreement on the acquisition of JAPAN TELECOM CO., LTD. by an affiliate of RHJ Industrial Partners, a Ripplewood fund, with legal completion on 14 November, 2003.
- J-PHONE Co., Ltd. changed its company name to Vodafone K.K. as of 1 October, 2003.
- J-Phone Tokai Hanbai Co., Ltd. changed the company name to Vodafone Tokai Hanbai K.K. as of 1 October, 2003.
- J-Phone West Support Service Co., Ltd. changed the company name to Vodafone West Support Service K.K. as of 1 October, 2003.
- Japan Telecom Holdings Co. Ltd will change its company name to Vodafone Holdings K.K., subject to shareholder approval on 9 December, 2003.

2. Management Policies and Corporate Strategies

(1) Overall Management Policies

The Group had positioned as its core Vodafone K.K. ("Vodafone K.K."), a mobile communications service provider, and JAPAN TELECOM CO., LTD. ("Japan Telecom"), a fixed-line network carrier, to form an integrated solution provider of information and telecommunications service areas. In order to maximise shareholder value, the Company has decided to focus exclusively on its mobile communication operations in the future, as they offer the prospect of superior profitability and higher growth. In alignment with this strategy, the Company agreed to sell its interest in Japan Telecom, and legal completion of the sale occurred on 14 November 2003.

As of 1 October, "J-PHONE Co., Ltd" changed its brand name from "J-PHONE" to "Vodafone", and concurrently changed the company name to "Vodafone K.K.". By combining J-PHONE's reputation for "innovation," as exemplified by its pioneering Sha-mail picture messaging service, together with the Vodafone brand which is associated with "global service" and "reliability," the new Vodafone K.K. aims to create an even stronger brand presence in Japan.

As a leading mobile operator in Japan, Vodafone K.K. aims to enrich the communication experience of its customers anywhere in the world, and, at the same time, to efficiently and profitably manage its operations under the corporate philosophy of "Aim to gain."

Commitment by Vodafone K.K. to customer satisfaction is unwavering. As has been witnessed with the Sha-mail picture messaging service and Movie Sha-mail video clip messaging service, it will continue to offer advanced and original services that cater to unmet needs of our valued customers, by promoting further development of Vodafone Global Standard 3G mobile communications service, strengthening customer support and offering a wide range in its price plan options.

(2) Policy Concerning Profit Distribution

The Group operates telecommunications and other businesses with high public utility and strong emphasis is placed on the long-term stability of management. The Group intends to maintain stable dividends with due consideration, on a consolidated basis, to its earnings level, capital position and payout ratio.

(3) Mid- to Long-term Corporate Strategy

The Group's strategy is to focus its resources in the mobile communications business with Vodafone K.K. at the core, realise synergies from its membership of the Vodafone Group and enhance management efficiency.

Vodafone K.K. will work toward continued improvement in customer satisfaction, and strive for lower churn rates, increased ARPU and profitability. Vodafone Global Standard 3G mobile communications service, launched last December, has since undergone the constant expansion of its service areas. In addition to its sustained effort to improve coverage and communication quality, Vodafone K.K. is determined to be a customer-centric organisation, which proactively responds to the ever-diversifying needs of the people it serves.

Vodafone K.K. is further looking to rationalise its cost structure through its effort to develop a centralised equipment procurement process and refine its company-wide supply chain management system, both made possible by the unification of its nationwide operations in November 2001.

(4) Policy Concerning Corporate Governance and Implementation of its Measures

In order to realise a highly transparent system of corporate governance, the Company, Vodafone K.K. and Japan Telecom each adopted an executive committee structure earlier this fiscal year.

In April 2003, in order to speed up execution in a constantly changing business environment, Vodafone K.K. integrated several formerly independent departments into newly created Corporate Planning Division, Technical Division, Corporate Affairs Division, Human Resources Division and Project CORE. This has resulted in a more efficient and dynamic organisation.

(5) Issues and Challenges

The Group intends to maximise shareholder value by further improving the efficiency in its operations and strength of its balance sheet with an increased focus on mobile communications services. This will be enabled by the disposition of its holding in Japan Telecom on 14 November 2003.

While Japan's mobile telecommunications market continues to exhibit gradual growth, with the mobile penetration rate exceeding 60%, carrier competition for new subscribers is expected to intensify. Meanwhile, demand for data communication services is likely to expand further.

Faced with these challenges, Vodafone K.K. will vigorously seek to differentiate itself by offering innovative services and cutting-edge functionality.

Vodafone K.K. also aims to improve its cost structure by continued rationalisation of subscriber acquisition costs and procurement cost reduction through global procurement initiatives. Combined with an effective, efficient capital expenditure programme, this should lead to further strengthening of its financial position.

Vodafone K.K. will continue to offer new valued-added propositions to its customers by further expanding and enhancing its 3G mobile communication infrastructure. Vodafone Global Standard, the world's first international roaming service based on the international standard 3GPP, is enabling customers to enjoy high fidelity voice quality and fast data speeds.

Amid intensifying competition, the Group will put unflagging effort into enriching the communication experience of its customers.

(6) Relationships with the Parent Companies

The Company is a subsidiary of Vodafone International Holdings B.V., the parent company, which holds 66.7% of the voting rights of the Company, and is an indirect subsidiary of Vodafone Group Plc, the world's mobile telecommunications leader. The global group operates its businesses based on merits such as cost advantages by leveraging joint procurement of communication equipment, best practice expertise gained from operations in other parts of the world, a universal, effective management method based on key performance indicators (KPI), as well as the brand equity of its global network.

(7) Performance Target

The Company aims to maintain an overall EBITDA margin of about 30%.

* Project CORE integrates and strategically realigns customer care and billing and other related business processes.
* 3 GPP stands for third generation partnership project, a working group for the development of IMT-2000 third generation mobile communication system standard.

3.Operating and Financial Review and Prospects

(1) Operating and Financial Review - The Six-month Period ended 30 September, 2003

① Review of Business Conditions and Operations

While Japan's economy continued to suffer with further unemployment, there were some signs of recovery such as a pickup in business spending in the six-month period ended 30 September 2003.

In the telecommunications industry, Japan's mobile telecommunications market continued to exhibit gradual growth, and carrier competition intensified with the introduction of a variety of new services.

In such an environment, the Group underwent business reorganisations and concentrated its operating resources on focused areas.

Consolidated financial results of the Group for the six months ended 30 September 2003, are summarized as follows.

Financial Highlights (millions of yen, except as noted otherwise)

	Six months ended 30 September, 2003	Six months ended 30 September, 2002	Change (%)
Operating revenue	902,843	884,826	2.0
Ordinary income	123,664	141,102	(12.4)
Net income (loss)	(125,039)	43,524	—
Half year earnings per share (yen)	(39,133.35)	13,621.67	—
EBITDA margin (%)	30.5	30.4	0.1 pp

Consolidated Operating Revenue

On a consolidated basis, operating revenue rose 2.0%, compared with the same period a year ago, to ¥902,843 million, due to growth in sales by Vodafone K.K.

Consolidated Costs and Expenses

Consolidated costs and expenses in the six-month period just ended increased 4.8% year-on-year to ¥777,522 million.

Operating expenses in the mobile communications segment amounted to ¥633,483 million, mostly due to increases in depreciation and other costs associated with coverage expansion in 3G services by Vodafone K.K., costs associated with the change of brand name to Vodafone.

Operating expenses in the fixed-line communications segment decreased by ¥13,907 million to ¥172,525 million.

Consolidated Capital Expenditures

Consolidated capital expenditures in the six month period just ended totaled ¥124,700 million, concentrated in the infrastructure rollout of the 3G network by Vodafone K.K.

Consolidated Earnings and Losses

Despite increased revenue, consolidated ordinary income for the six-month period ended 30 September, 2003, decreased by ¥17,438 million to ¥123,664 million, impacted by increases in costs associated with the depreciation of 3G assets and brand reorganization. Meanwhile, consolidated EBITDA margin stood at 30.5%, an improvement of 0.1 percentage point from a year earlier. Losses from revaluation of stock in Japan Telecom and others resulted in a consolidated net loss of ¥125,039 million for the period.

The Company intends to pay ¥600 per share as an interim dividend for the six months ended 30 September, 2003.

② Review of Financial Developments and Conditions

i. Statement of Cash Flows (millions of yen)

	Six months ended 30 September, 2003	Six months ended 30 September, 2002	Change
Cash flows from operating activities	155,257	237,897	(82,640)
Cash flows from investing activities	(103,668)	(186,757)	83,088
Cash flows from financing activities	(11,921)	(61,522)	49,601
Effect of exchange rate changes on cash and cash equivalents	(0)	(12)	12
Net increase (decrease) in cash and cash equivalents	39,666	(10,395)	50,061
Cash and cash equivalents, end of the six-month period	46,804	5,323	41,480
Borrowings and debt, end of the six-month period	870,181	977,518	(107,336)

Cash and cash equivalents at the end of the six-month period increased by ¥41,480 million from the same time in the prior year to ¥46,804 million.

a. Cash flows from operating activities

Cash flows from operating activities decreased 34.7% from the same period a year before, to ¥155,257 million, due to a significant increase in income taxes paid.

b. Cash flows from investing activities

Cash flows used for investing activities decreased 44.5% from the same period a year before, to ¥103,668 million, due to lower expenditures for fixed assets associated with increased proceeds from sales of investment securities.

c. Cash flows from financing activities

Cash flows used for financing activities declined to ¥11,921million, as long-term debt was repaid by funds raised through short-term borrowings.

ii. Cash flow key measures

	Six months ended 30 September, 2003	Six months ended 30 September, 2002
Shareholder equity ratio	18.4%	24.2%
Shareholder equity ratio based on market value	57.4%	54.2%
Number of years to debt redemption	5.6	4.1
Interest coverage ratio	31.1	47.8

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

③ Segment Information

Consolidated Operating Revenue (millions of yen)

	Six months ended 30 September, 2003	Six months ended 30 September, 2002	Change (%)
Mobile communications	756,014	709,182	6.6
Fixed-line communications	175,056	199,085	(12.1)
Others	—	8,523	—
Elimination	(28,226)	(31,966)	—
Consolidated operating revenue	902,843	884,826	2.0

Mobile Communications Services

Japan's mobile phone subscriber base excluding PHS users showed gradual growth in the period to 78,590,000, with net additions of 2,940,000 in the six months ended 30

September, 2003.

During the same time frame, Vodafone K.K. added 1,600,000 Sha-mail picture messaging service and 610,000 Movie Sha-mail video clip messaging service customers, bringing their customer bases to 10,710,000 and 2,330,000, respectively. The total customer base for Vodafone K.K. grew by 628,000 to 14,590,000. Demand for mobile camera handsets remained high throughout the period, with Sha-mail customers exceeding 10 million and Movie Sha-mail customers 2 million, both by the end of June.

Notable developments in the mobile segment are as follows.

・ New Eastern Japan Customer Service Centre Began Operation

The new centre integrated four centres formerly in Hokkaido, Tohoku, Kanto and Hokuriku regions. The integration has enabled higher quality and greater consistency in responses to customers.

・ Launch of Mega-pixel Camera Phone

The J-SH53 has a built-in CCD mobile camera with 1 million effective pixels and is capable of photographing an image in resolutions of up to 1144 x 858 dots.

・ New Vodafone live! 3G Services planned to be launched in December

Vodafone K.K. will launch new mobile Internet services conforming to the Vodafone Global Standard 3G platform in operation since December 2002. Vodafone live! Services, through Internet connection both in Japan and abroad, will allow customers to access Sha-mail, Movie Sha-mail and myriads of web contents and send and receive e-mail messages up to 200 kilobytes in size.

The Vodafone Global Standard 3G platform originally started with 3,500 base stations and approximately 8,000 stations were added by September 2003. Vodafone K.K. plans to further actively build out its 3G network going forward, providing further improved quality of 3G communications.

Concurrently, Vodafone K.K. announced the V801SA, a new handset compatible with the new services.

・ Decision to change J-PHONE’s corporate and brand names to Vodafone on 1 October.

J-PHONE decided to change its corporate and brand names to Vodafone as of 1 October and, on the same day, completed the migration to the identical corporate logo and design used by Vodafone operators throughout the world.

・ Vodafone K.K. Introduced New Discount Services

A new discount service called Vodafone Happy Time was introduced that automatically applies itself to all customers and a uniform rate of 5 yen per minute will be charged for calls to other Vodafone K.K. customers during Saturday, Sunday and national holidays.

Vodafone Happy Bonus, another new offering, gives a 15% discount on monthly basic charges under the condition of signing a two-year contract. In addition, the plan waives basic charges in the 14th and 15th months of service. For every 10 months of service on and after the 16th month, customers will be exempted from another 2 months of basic charges.

Fixed-line Communications Services

In the area of voice communications services, Japan Telecom launched its IP-One IP Phone service in July 2003, a new solution for cost-conscious corporate customers. The service provides calls to legacy phone numbers nationwide at a rate of 8 yen per 3 minutes. It was followed up in September by IP-One IP Centrex, introducing intra-company VoIP services via the carrier network, rendering costly PBXs obsolete.

The market for toll-free dial services has been expanding and Japan Telecom announced a Gold Plan discount regime on its service offering, Free Call Super, in December 2002, in order to boost its sales. Under this plan, a portion of basic charges goes towards call charges and the rate for incoming calls from mobile phones are discounted.

In the area of data communications services, which faced increased customer needs for broadband, network scalablility and affordably-priced access lines, Japan Telecom lowered price plans for select Wide-Ether services in June and July, and added the Hokkaido, Tohoku, Chugoku and Kyushu zones to its Category II zones, bringing the total number of zones across the country to seven. Also in July, the Ether Access service area was expanded to include Osaka, Nagoya and Yokohama/Kawasaki and, combined with broadened connections with power-affiliated NCC's Ethernet access lines, Japan Telecom sought to present a wider choice in economical broadband access. In the international arena, a cross-border IP-VPN service was launched in cooperation with China Telecommunications Corporation in July, in a timely response to growing demand for corporate communications networks with China.

Japan Telecom incrementally added 13 access points for the world's first network service with IX* functionality, mpls ASSOCIO, in service since November, 2002, and revised its price plan in September 2003, aiming to further promote the innovative service.

In relation to ODN services for individual customers, price plans for e-mail services were revised in June, in order to acquire a greater number of new customers. The move was followed in September by the launch of ODN ADSL 24M Plan, a cut in monthly basic charges for existing plans and ODN Broadband Free Campaign, where customers were exempted from initial costs and basic charges up to three months for ODN and ODN IP Phone services.

* Note: IX (Internet eXchange) functionality allows the interconnection of service providers, e.g. ISPs and CSPs, on the Internet.

(2) Prospects for the Fiscal Year 2003

In the upcoming months, with full-scale rollout of 3G mobile communications services, competition among mobile carriers is expected to further intensify despite increased demand stimulated by such new offerings.

Concerning the Company specifically, it anticipates a decline in consolidated revenue, ordinary income and net income for the year, due to the disposition of Japan Telecom Co., Ltd., which occurred on 14 November 2003.

As a result, revenue, ordinary income and net loss, all on a consolidated basis, are estimated to be ¥1,680 billion, ¥212 billion and ¥104 billion, respectively.

The Company plans to pay total annual dividends of ¥1,200 per share, including the interim dividend.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of Yen)	March 31, 2003	September 30, 2003	Increase (Decrease)	September 30, 2002
(ASSETS)				
Fixed Assets	***1,524,661***	***1,499,951***	***(24,710)***	***1,512,619***
Fixed Assets for Telecommunication Services	***1,429,155***	***1,418,712***	***(10,442)***	***1,411,841***
Tangible fixed assets	***1,193,413***	***1,183,854***	***(9,559)***	***1,180,574***
Machinery and equipment	620,855	654,904	34,049	538,289
Air cable facilities	189,639	206,844	17,205	158,771
Terminal facilities	2,519	2,522	2	2,476
Local line facilities	4,973	5,031	58	4,816
Long-distance line facilities	26,245	25,685	(559)	25,188
Civil construction facilities	64,512	63,323	(1,189)	64,886
Ocean cable facilities	34,404	30,057	(4,346)	36,577
Buildings and structures	91,070	89,966	(1,103)	89,934
Other machinery and vehicles	1,697	1,811	113	1,605
Tools, furniture and fixtures	41,382	40,663	(718)	42,550
Land	23,638	21,852	(1,785)	26,693
Construction in progress	92,473	41,189	(51,283)	188,783
Intangible fixed assets	***235,741***	***234,858***	***(883)***	***231,267***
Ocean cable facility rights	2,547	1,982	(565)	2,799
Facility/utility rights	5,018	5,560	541	7,115
Software	191,814	194,472	2,657	176,861
Goodwill	24,569	18,846	(5,722)	30,711
Consolidation goodwill	10,892	8,959	(1,932)	12,681
Others	899	5,036	4,137	1,098
Fixed Assets for Supplementary Services	***8,590***	***7,218***	***(1,372)***	***9,487***
Tangible fixed assets	***6,941***	***5,621***	***(1,320)***	***7,510***
Intangible fixed assets	***1,649***	***1,597***	***(52)***	***1,977***
Investments and other assets	***86,915***	***74,020***	***(12,895)***	***91,289***
Investment securities	19,738	5,404	(14,333)	22,793
Investments in unconsolidated subsidiaries and affiliated companies	2,557	3,011	454	4,845
Deferred tax assets	26,271	30,323	4,052	25,544
Others	40,798	39,367	(1,430)	40,091
Allowance for doubtful accounts	(2,449)	(4,087)	(1,638)	(1,985)
Current Assets	***315,159***	***337,050***	***21,891***	***274,857***
Cash on hand and in banks	8,114	46,804	38,689	5,323
Notes and accounts receivable - trade	209,586	205,422	(4,164)	207,643
Marketable securities	—	—	—	30
Inventories	28,273	31,919	3,645	18,545
Deferred tax assets	25,256	26,141	884	15,312
Others	55,586	41,635	(13,950)	40,109
Allowance for doubtful accounts	(11,657)	(14,872)	(3,214)	(12,107)
Deferred Charges	***—***	***—***	***—***	***91***
Bond issuance cost	—	—	—	91
Total Assets	***1,839,821***	***1,837,002***	***(2,819)***	***1,787,567***

(Millions of Yen)	March 31, 2003	September 30, 2003	Increase (Decrease)	September 30, 2002
(LIABILITIES)				
Long-term Liabilities	***260,437***	***234,957***	***(25,480)***	***276,216***
Bonds	175,000	175,000	—	175,000
Long-term borrowings	37,158	11,828	(25,330)	45,559
Liability for employees' retirement benefits	19,463	20,491	1,028	19,647
Retirement allowances for directors and corporate auditors	307	299	(8)	234
Allowance for loyalty program	24,690	24,554	(136)	29,051
Others	3,817	2,783	(1,033)	6,723
Current Liabilities	***1,006,914***	***1,120,147***	***113,233***	***1,007,158***
Accounts payable-trade	64,464	51,832	(12,631)	40,014
Short-term borrowings	641,535	683,352	41,817	731,958
Current portion of bonds	25,000	—	(25,000)	25,000
Accounts payable-other	92,428	106,089	13,660	87,609
Accrued expenses	32,528	28,208	(4,320)	30,742
Income taxes payable	108,963	59,982	(48,980)	58,125
Accrued bonuses to employees	9,345	7,620	(1,725)	7,869
Allowance for guarantees	4,128	3,777	(350)	2,989
Allowance for loyalty program	233	426	192	412
Allowance for loss on sale of fixed line business	—	161,300	161,300	—
Others	28,286	17,557	(10,729)	22,436
Total Liabilities	***1,267,352***	***1,355,105***	***87,753***	***1,283,375***
Minority Interests	***106,432***	***143,618***	***37,185***	***71,260***
(SHAREHOLDERS' EQUITY)				
Common Stock	***177,251***	***177,251***	—	***177,251***
Capital Surplus	***265,508***	***265,508***	—	***265,508***
Retained Earnings (Deficit)	***22,165***	***(104,276)***	***(126,441)***	***(11,895)***
Net unrealized gain on available-for-sale securities	***1,094***	***24***	***(1,069)***	***2,137***
Foreign currency translation adjustments	***26***	***(218)***	***(245)***	***(61)***
Treasury stock	***(9)***	***(10)***	***(1)***	***(7)***
Total Shareholders' Equity	***466,036***	***338,278***	***(127,758)***	***432,932***
Total Liabilities, Minority Interests, and Shareholders' Equity	***1,839,821***	***1,837,002***	***(2,819)***	***1,787,567***

(2) Consolidated Statements of Operations

(Millions of Yen)	Six-month period ended September 30, 2002	Six-month peirod ended September 30, 2003	Increase (Decrease)	Year ended March 31, 2003
ORDINARY INCOME/LOSS				
(Operating Income/Loss)				
Telecommunication Services				
Revenue	733,960	756,707	22,746	1,472,550
Operating expenses	597,834	630,717	32,882	1,207,119
Operating Income from Telecommunication Services	136,126	125,990	(10,135)	265,431
Supplementary Services				
Revenue	150,865	146,136	(4,728)	324,364
Operating expenses	144,234	146,805	2,571	314,190
Operating Income (Loss) from Supplementary Services	6,631	(669)	(7,300)	10,174
Total Operating Income	142,757	125,321	(17,436)	275,606
(Non-operating Income/Loss)				
Non-operating Revenue	3,972	2,623	(1,348)	5,840
Interest income	18	15	(3)	40
Dividend income	148	100	(47)	222
Rental income	283	380	97	754
Facilities income	1,100	—	(1,100)	1,100
Miscellaneous income	2,421	2,126	(295)	3,723
Non-operating Expenses	5,627	4,280	(1,346)	9,577
Interest expenses	5,186	3,406	(1,779)	8,871
Amortization of bond issuance costs	91	—	(91)	183
Miscellaneous expenses	349	873	524	522
Ordinary Income	141,102	123,664	(17,438)	271,869
Special Gain/Loss				
Special Gain	395	9,241	8,845	1,564
Gain on sales of fixed assets	—	3,110	3,110	20
Gain on sales of investments securities	49	4,461	4,412	436
Gain on sales of investments in unconsolidated subsidiaries and affiliated companies	—	—	—	902
Reversal of allowance for guarantees	185	350	164	—
Penalty for cancellation of contract	160	—	(160)	160
Reversal of allowance for doubtful accounts	—	1,291	1,291	—
Others	—	27	27	44
Special Loss	5,859	165,480	159,621	15,105
Loss on sale of fixed assets	—	—	—	1,120
Loss on disposal of fixed assets	1,460	1,309	(150)	4,534
Write down of investment securities	1,229	1,129	(100)	1,886
Loss on sale of investment securities	—	—	—	144
Write down of investment in unconsolidated subsidiaries and affiliated companies	1,993	—	(1,993)	3,607
Loss on sale of investment in unconsolidated subsidiaries and affiliated companies	—	—	—	111
Restructuring loss of unconsolidated subsidiaries and affiliated companies	607	—	(607)	738
Allowance for gurantees	—	—	—	953
Additional benefit on early retirement program	—	—	—	1,606
Penalty for cancellation of contract	—	1,379	1,379	—
Allowance for loss on sale of fixed line business	—	161,300	161,300	—
Others	569	362	(207)	401
Income (Loss) before Income Taxes and Minority Interests	135,638	(32,575)	(168,213)	258,328
Income Taxes - Current	58,194	59,109	915	120,649
Reversal of income tax payable	(3,164)	(871)	2,292	(961)
Income Taxes - Deferred	(3,637)	(4,494)	(857)	(16,755)
Minority Interests	40,720	38,720	(1,999)	75,893
Net Income (Loss)	43,524	(125,039)	(168,563)	79,502

(3) Consolidated Statements of Capital Surplus and Retained Earnings

(Millions of Yen)	Six-month period ended September 30, 2002	Six-month period ended September 30, 2003	Increase (Decrease)	Year ended March 31, 2003
(Capital Surplus)				
Additional Paid-in Capital				
Balance at the beginning of period/year	265,508	265,508	—	265,508
Balance at the end of period/year	265,508	265,508	—	265,508
(Retained Earnings)				
Retained Earnings (Deficit)				
Balance at the beginning of period/year	(46,011)	22,165	68,176	(46,011)
Increase:	43,524	670	(42,853)	79,502
Divestiture of consolidated subsidiaries	—	209	209	—
Merger of consolidated subsidiaries with unconsolidated subsidiaries	—	461	461	—
Net income	43,524	—	(43,524)	79,502
Decrease:	9,408	127,112	117,703	11,326
Cash dividends paid	958	1,917	958	2,875
Bonuses paid to directors and corporate auditors	27	83	56	27
〔Corporate auditors' portion〕	(2)	(20)	(17)	(2)
Divestiture of consolidated subsidiaries	703	72	(630)	703
Reversal of revaluation difference	7,720	—	(7,720)	7,720
Net loss	—	125,039	125,039	—
Balance at the end of period/year	(11,895)	(104,276)	(92,380)	22,165

(4) Consolidated Statements of Cash Flows

(Millions of Yen)	Six-month period ended September 30, 2002	Six-month period ended September 30, 2003	Increase (Decrease)	Year ended March 31, 2003
Ⅰ Cash Flows from Operating activities				
Income (loss) before income taxes and minority interests	135,638	(32,575)	(168,213)	258,328
Adjustments to reconcile Income (loss) before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization	122,104	141,135	19,030	252,416
Provision for retirement benefits	3,340	1,020	(2,320)	3,237
Decrease in accrued bonuses to emplyees	—	(1,739)	(1,739)	—
Allowance for loss on sale of fixed line business	—	161,300	161,300	—
Amortization of consolidation goodwill	1,752	1,932	180	3,504
Interest expense	5,186	3,406	(1,779)	8,871
Write down of investment securities	1,229	1,129	(100)	1,886
Write-down of Investments in unconsolidated subsidiaries and affiliated companies	1,993	—	(1,993)	3,607
Gain on sale of investments in unconsolidated subsidiaries and affiliated companies	—	(4,461)	(4,461)	—
Gain on sale of property, plant and equipment	—	(3,110)	(3,110)	—
Loss on disposal of property, plant and equipment	5,326	5,015	(311)	13,847
Amortization of long-term prepaid expenses	—	1,824	1,824	3,212
Provision for loyalty program	(2,115)	55	2,171	(6,655)
Change in operating assets and liabilities:				
Decrease (increase) in notes and accounts receivable - trade	782	4,561	3,779	(2,710)
Decrease in accounts receivable - other	20,556	19,083	(1,473)	16,292
Decrease (increase) in inventories	8,136	(4,599)	(12,736)	(1,814)
Decrease in long-term accounts payable - other	(2,471)	(594)	1,876	—
(Decrease) increase in accounts payable - trade	(21,247)	(12,640)	8,607	3,202
(Decrease) increase in accounts payable - other	(9,843)	2,791	12,635	(11,277)
Decrease in accrued expenses	(25,772)	(4,832)	20,939	(22,670)
Increase (decrease) in accrued consumption tax	11,531	(12,731)	(24,263)	16,669
Other-net	1,806	(94)	(1,901)	7,775
(Subtotal)	257,936	265,876	7,940	547,725
Interest income and dividend income received	166	1,588	1,422	261
Interest expenses paid	(4,975)	(4,989)	(14)	(8,933)
Additional benefit paid for early retirement program	—	—	—	(2,343)
Income taxes paid	(15,229)	(107,218)	(91,989)	(40,386)
Net Cash provided by Operating activities	237,897	155,257	(82,640)	496,324
Ⅱ Cash Flows from Investing activities				
Expenditures for fixed assets	(192,857)	(124,771)	68,085	(355,686)
Proceeds from sale of fixed assets	6,416	5,539	(877)	9,052
Acquisition of consolidated subsidiaries	—	(39)	(39)	—
Purchases of investments in unconsolidated subsidiaries and affiliated companies	(23)	—	23	—
Proceeds from sale of investments in unconsolidated subsidiaries and affiliated companies	—	—	—	1,178
Purchases of investment securities	(1)	(50)	(48)	(1,002)
Proceeds from sales of investment securities	294	16,015	15,721	2,066
Increase in long-term prepaid expenses	—	(1,575)	(1,575)	—
Repayment of short-term loan	—	1,133	1,133	—
Other-net	(586)	79	665	2,665
Net Cash used in by Investing activities	(186,757)	(103,668)	83,088	(341,726)
Ⅲ Cash Flows from Financing activities				
Repayments of long-term borrowings	(69,801)	(66,134)	3,666	(88,301)
Net increase in short-term borrowings	10,702	82,622	71,920	(69,623)
Redemption of bond	—	(25,000)	(25,000)	—
Payment of dividends	(951)	(1,917)	(965)	(2,875)
Payment of dividends to minority shareholders	(1,471)	(1,491)	(19)	(1,471)
Other-net	(1)	(1)	0	(3)
Net Cash used in by Financing activities	(61,522)	(11,921)	49,601	(162,275)
Ⅳ Effect of Exchange Rate Changes on Cash and Cash Equivalents	(12)	(0)	12	72
Ⅴ Net decrease in Cash and Cash Equivalents	(10,395)	39,666	50,061	(7,604)
Ⅵ Cash and Cash Equivalents, Beginning of Period/Year	16,275	8,114	(8,161)	16,275
Increase in cash and cash equivalents due to merger of consolidated subsidiaries and unconsolidated subsidiaries	—	75	75	—
Decrease in cash and cash equivalents due to divestiture of consolidated subsidiaries	(556)	(1,051)	(495)	(556)
Ⅶ Cash and Cash Equivalents, End of Period/Year	5,323	46,804	41,480	8,114

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 9

(2) Major consolidated subsidiaries: J-PHONE CO., LTD. (The company name was changed to Vodafone K.K. as of October 1, 2003.) and JAPAN TELECOM CO., LTD

Asahi Telecom Co., Ltd. transferred its business to JAPAN TELECOM CO., LTD. and Telecom Service Co., Ltd, which are both consolidated subsidiaries, at March 31, 2003. Asahi Telecom Co., Ltd is currently in process of liquidation and is excluded from the scope of consolidation for the year ending March 31, 2004.

JAPAN TELECOM CO., LTD. merged Japan Telecom Networks Co., Ltd. as of April 1, 2003.

(3) Number of non-consolidated subsidiaries: 7

(4) Major non-consolidated subsidiary: J-Phone Tokai Hanbai 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) do not have a 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 7 non-consolidated subsidiaries and 5 affiliated companies (including the major affiliated company, eAccess Ltd.) were not accounted for by using the equity method of accounting, since the impact of non application of the equity method of accounting has only minor influence on the current net income or loss or on the consolidated retained earnings. As these companies are insignificant as a whole, they are not subject to the equity method of accounting.

3. Fiscal year of consolidated subsidiaries

The financial statements of the consolidated subsidiaries except JAPAN TELECOM AMERICA, INC. (whose 1st six-month period was ended as of June 30, 2003) are prepared as of September 30, 2003, the same date as the consolidated financial statements. Inclusion of the subsidiary referred to above into the consolidated financial statements is made based on its financial results for the six-month period ended June 30, and necessary adjustments for significant transactions during the intervening period were made in the consolidated financial statements for the six-month period ended September 30, 2003.

4. Significant accounting policies

(1) Fixed assets

① Tangible fixed assets

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

Machinery and equipment: 6 to 9 years

Air cable facilities: 10 to 40 years

② Intangible fixed assets

Intangible fixed assets are amortized mainly 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

(Note) Corresponding to increasing demand for high volume data transmission, a number of international ocean cables have been constructed in recent years. As a result, certain existing ocean cables have lost cost effectiveness and ceased commercial operations before the physical useful lives were over. The commercial useful lives currently range from 9 to 13 years.

Considering to such current circumstances, the Company changed estimated useful life of international ocean cable facilities and rights from 20 years to 10 years. Due to this change of useful life, operating expenses increased, operating income and ordinary income decreased and loss before income taxes and minority interests increased by ¥3,553 million, respectively

③ Long-term prepaid expenses

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

(2) Valuation methods of significant assets

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

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

② Derivatives

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

③ Inventories

- Mobile phone: at cost by the moving-average method
- Others: at cost by first-in first-out method.

(3) Significant allowances and provisions

① Allowance for doubtful accounts

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

② Liability for employees' retirement benefits

To prepare for the future payment to employees, the liability for employees' retirement benefit benefits is established based on a projection of retirement obligations and plan assets at each balance sheet date. The full amounts of the transitional obligation and prior service cost are charged to operation when 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 of retirement of all directors and corporate auditors at each balance sheet date.

④ Accrued bonuses to employees

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

⑤ Allowance for guarantees

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

⑥ Allowance for loyalty programs

Allowance for loyalty programs is accrued based on the estimated future obligation arising from "Telecom Club" and "J-Point" (The name was changed to "Vodafone Mileage Service" as of October 1, 2003), based on past experience.

⑦ Allowance for loss on sale of the fixed-line business

The Company has estimated and accrued loss on sale of the fixed-line business.

(4) Foreign currency transactions

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

(5) Leases

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

(6) Hedge accounting

① Hedge accounting method

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

② Hedging instrument and hedged item

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

③ Company’s policy to use derivatives

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

④ Assessment of hedge effectiveness

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

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

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

5. Cash equivalents

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

NOTES TO THE CONSOLIDATED FONANCIAL STATEMENTS

(Consolidated Balance Sheets)

(Millions of Yen except where indicated)

	September 30, 2002	September 30, 2003	March 31, 2003
1. Accumulated depreciation of tangible fixed assets	¥871,308	¥1,040,023	¥945,378
2. Assets pledged as collateral:			
(1) Fixed assets pledged as collateral:			
・Factory foundation			
Machinery and equipment	¥3,992	¥16,690	¥18,882
Air cable facilities	132	128	130
Long-distance line facilities	1,188	15,402	16,515
Civil construction facilities	1,780	1,699	1,739
Buildings	7,216	6,757	6,978
Land	580	580	580
Total	¥14,891	¥41,258	¥44,827
・other			
Buildings	-	8,929	9,163
Land	-	5,549	5,297
Total	-	¥14,478	¥14,461
Distribution of collateral			
Long-term debt (including current portion)	¥10,203	¥27,637	¥32,000
Accrued expenses	-	¥1,544	-
(2) Investment securities pledged as collateral	¥10	-	-
Distribution of collateral: Accrued postage expense	¥0	-	-

3. Contingent liabilities

The Company issued guarantees in respect to borrowings made by and bonds issued by the following parties.

As of September 30, 2002:

Guaranteed party:	Guarantees Outstanding	Company's risk exposure included in outstanding amount	Guarantees Arranged	Company's risk exposure included in arranged amount
Tokyo Telecommunication Network	¥2,494	¥2,494	—	—
City Telecom Kanagawa	1,473	392	—	—
South Tokyo Cable Television	401	66	—	—
City Cable Net	92	92	—	—
Hino Cable Television	115	23	—	—
KOALA TV	99	99	—	—
City Telecom Kanagawa	—	—	¥142	¥142
Hino Cable Television	—	—	79	79
Total	¥4,676	¥3,169	¥222	¥222

As of September 30, 2003:

Guaranteed party:	Guarantees Outstanding	Company's risk exposure included in outstanding amount
Powered Com	¥2,494	¥2,494
South Tokyo Cable Television	355	59
Total	¥2,850	¥2,553

As of March 31, 2003:

Guaranteed party:	Guarantees Outstanding	Company's risk exposure included in outstanding amount
Tokyo Telecommunication Network	¥2,494	¥2,494
South Tokyo Cable Television	378	63
KOALA TV	94	94
Japan Mobile Communications	1	1
Total	¥2,968	¥2,652

Note: Tokyo Telecommunication Network was merged with Powered Com as of April 1, 2003 and changed its company name to Powered Com.

(Consolidated Statements of Operations)

(Millions of Yen except where stated)

	Six-month period ended September 30, 2002	Six-month period ended September 30, 2003	Year ended March 31, 2003
1. Operating expenses of the telecommunication services consist of the followings:			
Selling and promotional expenses	¥251,734	¥267,718	¥541,019
Telecommunications operation expenses	12	49	12
Facilities maintenance costs	35,547	31,713	69,481
Common costs	879	433	1,306
Administrative expenses	36,945	46,515	74,523
Research and development expenses	574	412	859
Depreciation and amortization	120,429	140,288	244,471
Disposal of fixed assets	5,540	4,409	10,140
Fees for utilization of other companies' network facilities	136,939	128,002	246,728
Taxes and dues	9,230	11,171	18,576
2. R&D expenses included in the operating expenses	574	412	859
3. (1) Gain was realized on sales of the following fixed assets :			
Land	—	—	¥16
Others	—	—	4
Total	—	—	¥20
(2) Loss was realized on sales of the following fixed assets:			
Building	—	—	¥69
Tools, furniture and fixtures	—	—	158
Construction in progress	—	—	366
Software	—	—	121
Land	—	—	386
Others	—	—	18
Total	—	—	¥1,120

(Consolidated statements of cash flows)

	Six-month period ended September 30, 2002	Six-month period ended September 30, 2003	Year ended March 31, 2003
			(Millions of Yen)
Cash and cash equivalents listed in the consolidated balance sheet at the end of each period:			
Cash on hand and in banks	¥5,323	¥46,804	¥8,114

Leases

(Millions of Yen except where stated)

1. Finance leases without transfer of ownership (as lessee)

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

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

As of September 30, 2003	Acquisition cost	Accumulated depreciation	Net leased property
Machinery and equipment	¥47,139	¥40,713	¥6,426
Building and structure	80	35	44
Vehicles	2,454	1,985	468
Tools, furniture and fixtures	13,795	7,992	5,802
Software	7,021	5,539	1,481
Total	¥70,490	¥56,266	¥14,224

As of March 31, 2003	Acquisition cost	Accumulated depreciation	Net leased property
Machinery and equipment	¥53,614	¥36,819	¥16,794
Building and structure	105	54	50
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 aggregation of lease payments, including interest portion, outstanding as of the end of each period, because such balance is immaterial compared to the each fixed asset in the consolidated balance sheet.

② Obligations under finance leases were as follows:

	September 30, 2002	September 30, 2003	March 31, 2003
Due within one year	¥19,197	¥10,234	¥18,714
Due after one year	17,111	3,989	9,455
Total	¥36,309	¥14,224	¥28,169

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

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

	Six-month period ended September 30, 2002	Six-month period ended September 30, 2003	Year ended March 31, 2003
Rental expenses	¥8,719	¥5,692	¥17,254
Depreciation expense, if recognized	¥8,719	¥5,692	¥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:

	September 30, 2002	September 30, 2003	March 31, 2003
Due within one year	¥2,706	¥2,412	¥2,482
Due after one year	5,962	16,709	6,818
Total	¥8,668	¥19,121	¥9,301

3. Leases without transfer of ownership (as lesser)

① Leased fixed assets that existed as of September 30, 2002 were as follows:

	Acquisition cost	Accumulated depreciation	Net book value
Investment and other assets	¥3,851	¥3,850	¥0
Total	¥3,851	¥3,850	¥0

② Lease receivables due within one year and due after one year as of September 30, 2002 were ¥0 and nil, respectively.

(Note) The lease receivable include interest portion in lease payments outstanding, because such balance is immaterial compared to the receivable balance outstanding at the end of the fiscal year.

③ Rental income and depreciation expense for the six-month period ended September 30, 2002 was ¥2 million and ¥2 million, respectively.

④ Depreciation expense is computed by the straight-line method with zero residual value. Estimated useful life is based on lease term of each lease agreement.

Marketable and investments securities

(Millions of Yen except where stated)

As of September 30, 2002

1. Other marketable securities (with market quotation):

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

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

2. Major securities which market quotations are not available:

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

As of September 30, 2003

1. Other marketable securities (with market quotation)

Classification	Acquisition cost	Consolidated balance sheet	Variance
(1) Equity securities	¥369	¥833	¥463
Total	¥369	¥833	¥463

2. Major securities which market quotations are not available

	Consolidated balance sheet
① Investments in unconsolidated subsidiaries and affiliated companies	¥3,011
② Other securities:	
Unlisted stocks (except for over-the-counter stocks)	4,521
Other	50

As of March 31, 2003

1. Other marketable securities (with market quotation)

	Acquisition cost	Consolidated balance sheet	Variance
(1) Equity securities	¥11,748	¥13,834	¥2,085
(2) Debt securities: Government/Municipal bonds	117	153	35
Total	¥11,866	¥13,987	¥2,120

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

2. Major securities which market quotations are not available

	Consolidated balance sheet
① Investments in unconsolidated subsidiaries and affiliated companies	¥2,557
② Other securities	
Unlisted stocks (except for over-the-counter stocks)	¥5,700
Other	50

Derivative financial instruments

(Millions of Yen except where stated)

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

Six-month period ended September 30, 2002

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

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

Six-month period ended September 30, 2003

	Notional principal amounts	Fair value	Variance
Foreign currency forward contracts	¥444	¥422	¥(22)
Total	¥444	¥422	¥(22)

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

Year ended March 31, 2003

	Notional principal amounts	Fair value	Variance
Foreign currency forward contracts	¥427	¥427	¥(0)
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.

(Segment Information)

(1) Business Segments

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

(Millions of Yen)	Six-month period ended September 30, 2003				
	Fixed-line Telecommunication Services	Mobile Telecommunication Services	Total	Eliminating amd other adjustments	Consolidated
Revenue and operating income(loss)					
Revenue					
(1) Sales to external customers	151,566	751,277	902,843	−	902,843
(2) Intersegment sales	23,489	4,737	28,226	(28,226)	−
Total Revenue	175,056	756,014	931,070	(28,226)	902,843
Operating expenses	172,525	633,483	806,008	(28,485)	777,522
Operating income (loss)	2,531	122,531	125,062	258	125,321

(Millions of Yen)	Year ended March 31, 2003					
	Fixed-line Telecommunication Services	Mobile Telecommunication Services	Other	Total	Eliminating amd other adjustments	Consolidated
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

(Note) Business categories and main services

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

(2) Geographical Segments

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

(3) Sales to Foreign Customers

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

Per share information

(Millions of Yen except where stated)

	Six-month period ended September 30, 2002	Six-month period ended September 30, 2003	Year Ended March 31, 2003
Net assets per share (in Yen)	¥135,493	¥105,870	¥145,828
Net income (loss) per share (in Yen)	¥13,621	¥(39,133)	¥24,855
Net income (loss)	¥43,524	¥(125,039)	¥79,502
Amounts not available to common share holders	—	—	¥83
(Bonuses to directors and corporate auditors included above)	¥(—)	¥(—)	¥(83)
Net income (loss) available to common share holders	¥43,524	¥(125,039)	¥79,418
Average number of common stock outstanding	3,195,220	3,195,211	3,195,217

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

Subsequent event

On 21 August 2003, Japan Telecom Holdings entered into an agreement with an affiliate of Ripplewood Holdings L.L.C. ("Ripplewood"), pursuant to which such affiliate has agreed to buy Japan Telecom Co., Ltd. ("Japan Telecom").

On 6 October 2003, Japan Telecom entered into a ¥224 billion Senior Credit Facilities Agreement pursuant to which it has borrowed ¥209 billion.

On 7 October 2003, Japan Telecom issued ¥32.5 billion of redeemable preferred equity which has a dividend yield of 6.28% increasing over the term of the redeemable preferred equity to 6.78% and which will mature no later than 7th December 2011.

On 12 November 2003, JT declared the dividends of JPY 232 billion in respect of its shareholder at 30 September 2003, Japan Telecom Holdings.

On 14 November 2003, the transaction completed and Japan Telecom Holdings received the economic interest in the Japan Telecom redeemable preferred equity from Ripplewood in exchange for all outstanding ordinary shares in Japan Telecom.

Non-consolidated Financial Results for the six-month period ended September 30, 2003

November 18, 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
Representative: William T. Morrow, Director, President, Representative Executive Offi Tokyo
Person responsible for inquires: Yuriko Ishihara, Vice President, Executive Officer
Date of approval of financial statements by the Board of Directors: November 18, 2003 TEL (03) 6403 - 2986
Date of the interim dividend payment: December 10, 2003 Interim dividend: Yes
Unit share system: No

1. Non-consolidated results for the six-month period ended September 30, 2003 (from April 1, 2003 to September 30, 2003)

(1) Operational results

	Revenue		Operating income		Ordinary income	
Half-year ended:	million yen	%	million yen	%	million yen	%
September 30, 2003	13,681	(90.5)	11,135	34.5	9,893	4.0
September 30, 2002	144,255	(34.0)	8,280	n/a	9,509	n/a
Year ended March 31, 2003	149,665		11,560		10,879	

	Net income (loss)		Earning (loss) per share
Half-year ended:	million yen	%	yen
September 30, 2003	(135,374)	n/a	(42,367.99)
September 30, 2002	9,549	(34.2)	2,988.67
Year ended March 31, 2003	9,724		3,037.96

Notes

① The average number of shares were 3,195,211 shares, 3,195,220 shares and 3,195,217 shares for the six-month periods ended September 30, 2003 and 2002 and for the year ended March 31, 2003, respectively.

② There were no changes in accounting policies during the six-month period ended September 30, 2003.

③ The percentages for revenues, operating income, ordinary income, and net income (loss) represent the increase or decrease over the previous first half-year period.

(2) Dividends

	Half-year dividends per share	Dividends per share for the year
Half-year ended:	yen	yen
September 30, 2003	600.00	―
September 30, 2002	600.00	―
Year ended March 31, 2003	―	1,200.00

(3) Financial position

	Total assets	Shareholders' equity	Ratio of shareholders' equity	Shareholders' equity per share
	million yen	million yen	%	yen
September 30, 2003	1,192,173	353,206	29.6	110,542.34
September 30, 2002	1,371,540	494,561	36.1	154,781.83
March 31, 2003	1,289,360	490,584	38.0	153,531.81

Notes

1. The number of shares outstanding were 3,195,210 shares, 3,195,218 shares and 3,195,213shares as of September 30, 2003 and 2002 and March 31, 2003, respectively.
2. The number of treasury stocks were 26 shares, 18 share and 23 shares as of September 30, 2003 and 2002 and March 31, 2003, respectively.

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

	Revenue	Ordinary income	Net income	Annual dividend per share	
				Half-year dividend	
	million yen	million yen	million yen	yen	yen
Year ending March 31, 2004	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, 2003	September 30, 2003	Increase (Decrease)	September 30, 2002
ASSETS				
CURRENT ASSETS	**728,521**	**784,333**	**55,812**	**739,193**
Cash on hand and in banks	30	14	(16)	1
Short-term loans	719,686	783,527	63,841	740,651
Others	13,543	4,457	(9,086)	3,330
Allowance for doubtful accounts	(4,739)	(3,665)	1,073	(4,789)
FIXED ASSETS	**560,839**	**407,840**	**(152,998)**	**632,255**
Tangible fixed assets	4	4	(0)	0
Intangible fixed assets	0	0	-	0
Investments and other assets	560,834	407,835	(152,998)	632,255
Investment securities	2,866	2,104	(762)	21,958
Investments in subsidiaries and affiliated companies	557,927	405,711	(152,215)	610,283
Others	39	19	(19)	13
DEFERRED CHARGES	-	-	-	91
Bond issuance costs	-	-	-	91
TOTAL ASSETS	**1,289,360**	**1,192,173**	**(97,186)**	**1,371,540**

(Millions of Yen)	March 31, 2003	September 30, 2003	Increase (Decrease)	September 30, 2002
LIABILITIES				
CURRENT LIABILITIES	**623,576**	**663,808**	**40,231**	**700,266**
Current portion of bonds	25,000	-	(25,000)	25,000
Short-term borrowings	588,213	658,921	70,707	668,660
Allowance for losses from guaranty of liabilities	4,128	3,777	(350)	2,989
Others	6,234	1,108	(5,125)	3,616
LONG-TERM LIABILITIES	**175,200**	**175,159**	**(40)**	**176,712**
Bonds	175,000	175,000	-	175,000
Liability for employees' retirement benefits	22	-	(22)	12
Retirement allowances for directors and corporate auditors	177	159	(17)	165
Others	-	-	-	1,534
TOTAL LIABILITIES	**798,776**	**838,967**	**40,191**	**876,978**
SHAREHOLDERS' EQUITY				
COMMON STOCK	177,251	177,251	-	177,251
CAPITAL SURPLUS	265,508	265,508	-	265,508
Additional paid-in capital	265,508	265,508	-	265,508
RETAINED EARNINGS	47,948	(89,360)	(137,309)	49,690
Appropriated for legal reserve	8,302	8,302	-	8,302
Other reserve	37,418	36,000	(1,418)	37,418
Unappropriated retained earnings (deficit)	2,227	(133,663)	(135,890)	3,969
(Net income (loss) for the period included above)	9,724	(135,374)	(145,099)	9,549
NET UNREALIZED GAIN ON AVAILABLE-FOR-SALE SECURITIES	(114)	(182)	(67)	2,119
TREASURY STOCK	(9)	(10)	(1)	(7)
TOTAL SHAREHOLDERS' EQUITY	**490,584**	**353,206**	**(137,378)**	**494,561**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,289,360**	**1,192,173**	**(97,186)**	**1,371,540**

Japan Telecom Holdings Co., Ltd.

Non-consolidated Comparative Statements of Operations

(Millions of Yen)	Six months ended September 30, 2002	Six months ended September 30, 2003	Increase (Decrease)	Year ended March 31, 2003
ORDINARY INCOME/LOSS				
Operating income/loss				
Revenue	144,255	13,681	(130,573)	149,665
Operating expenses	135,974	2,545	(133,429)	138,104
Operating income (loss)	8,280	11,135	2,855	11,560
Non-operating income/loss				
Non-operating revenues	4,822	23	(4,798)	4,984
Non-operating expenses	3,593	1,265	(2,327)	5,665
Ordinary income (loss)	9,509	9,893	384	10,879
SPECIAL GAIN/LOSS				
Special gain	233	4,938	4,704	4,728
Special loss	6,606	151,077	144,470	10,101
INCOME (LOSS) BEFORE INCOME TAXES	3,136	(136,245)	(139,381)	5,505
Income taxes - current	34	0	(33)	26
Reversal of income taxes payable	(3,164)	(871)	2,292	(961)
Income taxes - deferred	(3,283)	-	3,283	(3,283)
NET INCOME (LOSS)	**9,549**	**(135,374)**	**(144,924)**	**9,724**
Retained earnings at the beginning of period	2,140	1,711	(428)	2,140
Interim dividend	-	-	-	1,917
Decrease in revaluation difference	(7,720)	-	7,720	(7,720)
UNAPPROPRIATED RETAINED EARNINGS (DEFICIT) AT THE END OF PERIOD	**3,969**	**(133,663)**	**(137,632)**	**2,227**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Marketable and investments securities

(1) Investments in subsidiaries and affiliated companies

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

(2) Other securities

- Marketable securities

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

- Investments other than marketable securities

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

2. Fixed assets

(1) Tangible fixed assets

Depreciation of fixed assets are computed under the straight-line method.
The estimated useful lives of these assets, such as tools, furniture and fixtures, are principally 5 years.

(2) Long-term prepaid expenses

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

3. Allowances

(1) Allowance for doubtful accounts

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

(2) Liability for employees' retirement benefits

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

(3) Retirement allowances for directors and corporate auditors

Retirement allowances for directors and corporate auditors are 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.

4. Foreign currency transactions

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

5.Leases

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

6. Hedge accounting

(1) Hedge accounting method

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

(2) Hedging instrument and hedged item

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

(3) Company's policy to use derivatives

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

(4) Assessment of hedge effectiveness

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

7. 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.

NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS

(Millions of Yen except where indicated)

(Non-consolidated Balance Sheets)

1. Accumulated depreciation of tangible fixed assets

	September 30, 2002	September 30, 2003	March 31, 2003
Accumulated Depreciation of tangible fixed assets	0	0	0

2. Contingent liabilities

As of September 30, 2002

Guaranteed party	Guarantees Outstanding	Company's risk exposure included in outstanding amount	Guarantees Arranged	Company's risk exposure included in arranged amount
Tokyo Telecommunication Network	2,494	2,494	-	-
City Telecom Kanagawa	1,473	392	-	-
South Tokyo Cable Television	401	66	-	-
City Cable Net	92	92	-	-
Hino Cable Television	115	23	-	-
KOALA TV	99	99	-	-
City Telecom Kanagawa	-	-	142	142
Hino Cable Television	-	-	79	79
Total	4,676	3,169	222	222

As of September 30, 2003

Guaranteed party	Guarantees Outstanding	Company's risk exposure included in outstanding amount
Powered Com	2,494	2,494
South Tokyo Cable Television	355	59
Total	2,850	2,553

As of March 31, 2003

Guaranteed party	Guarantees Outstanding	Company's risk exposure included in outstanding amount
Tokyo Telecommunication Network	2,494	2,494
South Tokyo Cable Television	378	63
KOALA TV	94	94
Total	2,967	2,651

(Non-consolidated Statements of Operations)

1. Major items of non-operating income

	Six-month period ended September 30, 2002	Six-month period ended September 30, 2003	Year ended March 31, 2003
Interest income	985	-	989
Dividend income	1,384	-	1,463
Facilities allotment income	1,100	-	1,100

2. Major items of non-operating expenses

	Six-month period ended September 30, 2002	Six-month period ended September 30, 2003	Year ended March 31, 2003
Interest expense	1,275	-	1,275
Bonds interest	2,019	1,265	4,027

3. Major items of special gain

	Six-month period ended September 30, 2002	Six-month period ended September 30, 2003	Year ended March 31, 2003
Gain on sales of investment securities	47	481	3,699
Reversal of allowance for guarantees	185	350	-
Gain on sales of investments in subsidiaries and affiliated companies	-	2,770	1,019
Reversal of allowance for doubtful accounts	-	1,262	-

4. Major items of special loss

	Six-month period ended September 30, 2002	Six-month period ended September 30, 2003	Year ended March 31, 2003
Loss on disposals of fixed assets	1,460	-	1,460
Write-down of investments in subsidiaries and affiliated companies	2,971	151,038	4,585
Write-down of investment securities	1,210	-	1,240

5. Depreciation/Amortization expenses

	Six-month period ended September 30, 2002	Six-month period ended September 30, 2003	Year ended March 31, 2003
Depreciation expenses	18,618	0	18,618
Amortization expenses	4,391	-	4,391

(Leases as lessee)

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

As of September 30, 2002	Acquisition cost	Accumulated depreciation	Net leased property
Vehicles	9	7	2
Total	9	7	2

As of September 30, 2003	Acquisition cost	Accumulated depreciation	Net leased property
Not applicable	-	-	-
Total	-	-	-

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

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

② Obligations under finance leases were:

	Six-month period ended September 30, 2002	Six-month period ended September 30, 2003	Year ended March 31, 2003
Due within one year	2	-	0
Due after one year	-	-	-
Total	2	-	0

(Note)

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

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

	Six-month period ended September 30, 2002	Six-month period ended September 30, 2003	Year ended March 31, 2003
Rental expenses	1,247	0	1,248
Depreciation expense	1,247	0	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 lease term of each lease agreement.