

Consolidated Financial Results for the Year Ended December 2003

Company name: Bell-Park Co., Ltd.
 Code number: 9441
 Stock exchange on which the shares are listed: JASDAQ
 Company domicile: Tokyo, Japan
 URL: <http://www.bellpark.co.jp>
 President & CEO: Takeru Nishikawa
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 Date of board meeting for approving consolidated financial results: February 19, 2004
 Adoption of U.S. GAAP: No

1. Consolidated Financial Results for the Year Ended December 2003 (Jan. 1, 2003 - Dec. 31, 2003)

(1) Results of Operations

Yen in millions, rounded down

| | Net sales | | Operating income | | Ordinary income | |
|----------------------|-------------|--------------|------------------|--------------|-----------------|--------------|
| | Million yen | YoY change % | Million yen | YoY change % | Million yen | YoY change % |
| Year ended Dec. 2003 | 14,047 | 6.6 | 647 | (14.4) | 646 | (16.9) |
| Year ended Dec. 2002 | 13,180 | (11.8) | 756 | 5.9 | 777 | 5.2 |

| | Net income | | Net income per share (basic) | Net income per share (diluted) |
|----------------------|-------------|--------------|------------------------------|--------------------------------|
| | Million yen | YoY change % | Yen | Yen |
| Year ended Dec. 2003 | 613 | 59.9 | 28,328.05 | 28,197.43 |
| Year ended Dec. 2002 | 383 | 24.9 | 18,134.43 | - |

| | Return on equity | Ratio of ordinary income to total assets | Ratio of ordinary income to net sales |
|----------------------|------------------|--|---------------------------------------|
| | % | % | % |
| Year ended Dec. 2003 | 19.4 | 12.6 | 4.6 |
| Year ended Dec. 2002 | 14.0 | 17.0 | 5.9 |

Notes:

1. Equity in earnings of non-consolidated subsidiaries and affiliates
 Year ended Dec. 2003: -
 Year ended Dec. 2002: -
2. Weighted average number of shares outstanding (consolidated)
 Year ended Dec. 2003: 21,580.15 shares
 Year ended Dec. 2002: 21,152.59 shares
3. Changes in accounting principles applied: Yes
4. The percentages shown for net sales, operating income, ordinary income, and net income represent changes from the same period in the previous fiscal year.
5. Diluted net income per share for the year ended Dec. 2002 is not presented since the Company has no outstanding bonds with warrants or convertible bonds and stock options issued by the Company were not in the money.

(2) Financial Position

| | Total assets | Shareholders' equity | Shareholders' equity ratio | Shareholders' equity per share |
|---------------------|--------------|----------------------|----------------------------|--------------------------------|
| | Million yen | Million yen | % | Yen |
| As of Dec. 31, 2003 | 5,465 | 3,419 | 62.6 | 159,887.98 |
| As of Dec. 31, 2002 | 4,825 | 2,902 | 60.1 | 137,202.53 |

Note: Number of shares outstanding (consolidated) at end of year:

As of Dec. 31, 2003: 21,372.56 shares

As of Dec. 31, 2002: 21,152.56 shares

(3) Cash Flows Position

| | Net cash provided by operating activities | Net cash provided by (used in) investing activities | Net cash used in financing activities | Cash and cash equivalents at end of year |
|----------------------|---|---|---------------------------------------|--|
| | Million yen | Million yen | Million yen | Million yen |
| Year ended Dec. 2003 | 351 | 8 | (121) | 2,104 |
| Year ended Dec. 2002 | 743 | (11) | (52) | 1,865 |

(4) Matters Concerning the Scope of Consolidation and the Application of the Equity Method

Consolidated subsidiaries: 2

Non-consolidated subsidiaries accounted for under the equity method: 0

Affiliates accounted for under the equity method: 0

(5) Changes in the Scope of Consolidation and Affiliates Accounted for Under the Equity Method

Consolidated subsidiaries

Newly: 1

Excluded: 0

Non-consolidated subsidiaries and affiliates accounted for under the equity method:

Newly: 0

Excluded: 0

2. Forecast for the Year Ending December 2004 (Jan. 1, 2004 - Dec. 31, 2004)

| | Net sales | Ordinary income | Net income |
|-----------|-------------|-----------------|-------------|
| | Million yen | Million yen | Million yen |
| Interim | 6,800 | 260 | 120 |
| Full Year | 14,000 | 680 | 340 |

Reference: Estimated net income per common share for the year ending Dec. 2004: ¥5,302.74

Estimated net income per common share is calculated based on the estimated average number of shares outstanding during the year.

Forward Looking Statements

Forecasts regarding future performance in these materials are based estimates and judgments of the Company's management made in accordance with information available at the time this report was prepared. Forecasts therefore embody risks and uncertainties. Actual results may differ significantly from these forecasts for a number of factors. Readers are advised to refer to Supplementary Information (Page 7) for details on business forecasts, and assumptions and other relevant factors on which they are based.

1. Corporate Group

The Bell-Park group of companies is made up of Bell-Park Co., Ltd., which is engaged primarily in the sale of mobile phones, and one consolidated subsidiary, which is engaged in the provision of training, staffing and sales promotion support services to companies involved in mobile communication businesses. Business activities and the positioning of each company are as follows.

Mobile communication devices marketing business

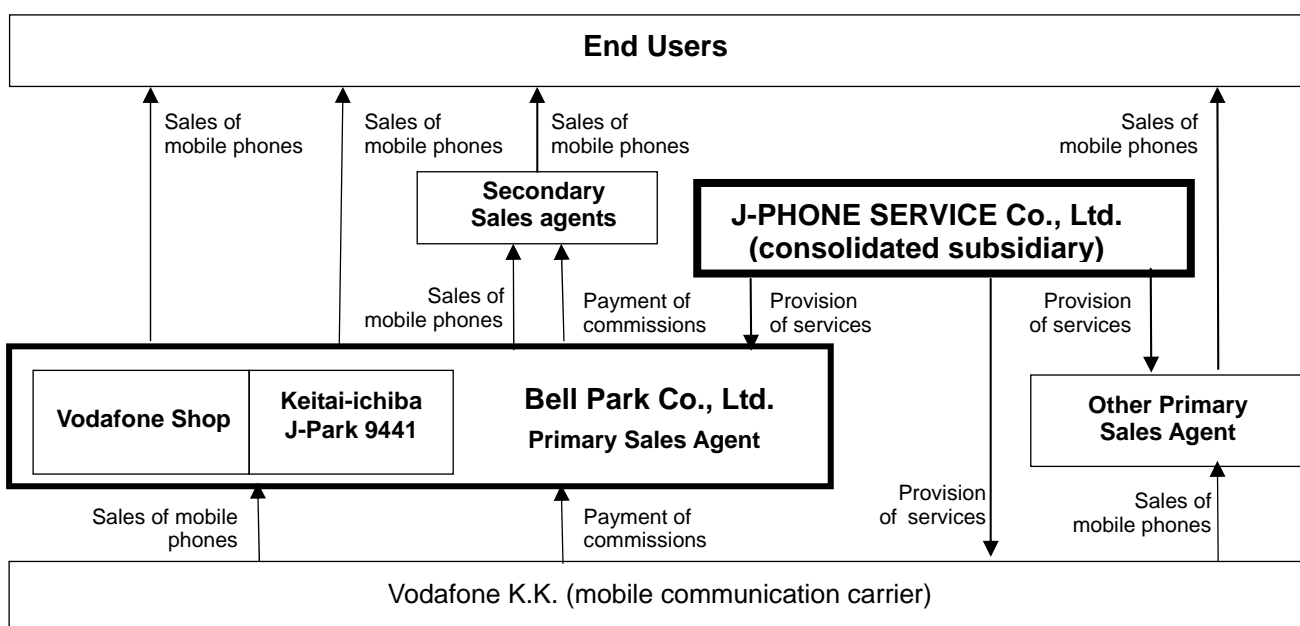
1. Accept applications for mobile communication service contracts from new users as an agent of mobile communication carriers, and sales of mobile phones to users.
2. Accept applications from current mobile communication service subscribers for a change to a new model of phone as an agent of mobile communication carriers, and sales of mobile phones to users.
3. Accept applications from current mobile communication service subscribers for changes in subscription terms as an agent of mobile communication carriers.
4. Consignment sales of mobile phones and other devices through Bell-Park's sales agents.
5. Sales of mobile phones and other devices to Bell-Park's sales agents.

Note: Mobile communication carriers in this context are Type I carriers, which are as companies that own and operate their own network facilities, that offer cell phone and other mobile communication services.

J-PHONE SERVICE Co., Ltd., the consolidated subsidiary, is engaged in the following activities involving the provision of training, staffing and marketing assistance to companies involved in mobile communication businesses.

1. Trains sales personnel at retail stores selling mobile communication products to increase their knowledge of these products and their ability to serve customers.
2. Trains sales personnel as an agent for mobile communication carriers operating retail stores selling mobile communication products.
3. Supplies sales personnel with specialized knowledge to work at retail stores selling mobile communication products.
4. Supplies personnel to conduct marketing campaigns conducted by retailers of mobile communication products.
5. Assists in sales promotion activities, including planning and production of newspaper inserts and novelties, for retailers of mobile communication products.

A flowchart of business operations is shown below.



Note: As Bell-Park sold all shares held in consolidated subsidiary Telec Co., Ltd. on November 25, 2003, this company will be excluded from the scope of consolidation in 2004.

2. Management Policies

(1) Fundamental Management Policies

We strongly believe in our ability, potential and the possibilities of the future. We will continue to diligently pursue excellence by innovatively meeting the challenges and opportunities that arise. The goal is the mutual prosperity of customers, shareholders, vendors and all other stakeholders. Management is also committed to strictly observing all laws and regulations and, to preserve the trust of the public, conducting business operations that are fair and transparent in every respect.

(2) Fundamental Policy Regarding Distribution of Earnings

Bell-Park's policy is to return earnings to shareholders in a stable and consistent manner while reflecting the Group's operating results. Dividend payments will also take into consideration the need to maintain sufficient retained earnings to preserve financial soundness and support aggressive future business expansion. Retained earnings will be used mainly to expand the retail store network and to fund strategic investments in new fields of business.

(3) Position and Policy Regarding Reduction in Investment Unit

Bell-Park views a reduction in the investment unit as an important capital policy issue from the standpoint of increasing the liquidity of its shares and the number of shareholders. The Company plans to carefully consider a reduction to make its shares more accessible to investors while taking into consideration the share price, trading volume and other factors.

(4) Medium- and Long-Term Strategies

In the mobile phone market, the full-scale introduction of third-generation mobile phone services is expected to generate an even higher level of demand. However, since the mobile phone penetration rate is already more than 60% of Japan's population, much of this demand is likely to come from existing users trading in phones for upgraded models. There is little hope for a significant increase in the number of new mobile phone users. This situation indicates that retailers of mobile phones will continue to face a difficult operating environment. More withdrawals and integrations in the industry are thus expected to occur.

In response, the Bell-Park group plans to concentrate on three themes over the medium and long terms: expand and strengthen the mobile phone sales business; develop activities related to these sales; and launch new businesses, such as the provision of content for mobile communication products. Sales of these products represent the primary source of earnings for the Bell-Park group. In this business, the goal is to generate a consistent earnings stream in order to remain among the few winners. The Group will use ongoing industry consolidations and realignments as an opportunity to aggressively increase its sales network through mergers and acquisitions. At the same time, the Group will seek opportunities to open new stores as well as store incorporating distinctive formats based on fresh concepts in order to reinforce the Group's sales networks in markets where it is already active. In the wholesaling sector, sales channels are to be enlarged by establishing relationships with discount stores and other new clients. Through these measures, the Group aims to squarely target demand that will be sparked by the full-scale emergence of third-generation mobile phones. In addition, plans call for enlarging and upgrading the store network as well as strengthening sales activities that target corporate users and other user segments not served by stores.

Regarding activities related to mobile phone sales, the Bell-Park group in January 2003 started a number of businesses, including the training, staffing and sales promotion support businesses, to establish a new source of earnings. The Group plans to continue developing these businesses while tightening its focus on the most promising sectors based on the outlook for profitability. Moreover, to build a new earnings base, the Group will continue to seek opportunities for starting new businesses, such as the provision of content for mobile phones.

(5) Corporate Governance

(Fundamental position regarding corporate governance)

Social demands for effective corporate governance systems are growing. In response, Bell-Park positions the establishment and strengthening of a fair management system as one of its highest priorities.

(Status of measures regarding corporate governance)

a. Management frameworks for management decision-making, execution of businesses and auditing and other corporate governance frameworks

(Corporate auditors)

Bell-Park employs the corporate auditor system. There is a Board of Auditors with three members. Two are outside auditors and one is employed by the Company.

(External directors)

The Company has two external directors. By participating in management from an objective standpoint, these directors provide for the effective supervision of the Company's management.

(Internal audits)

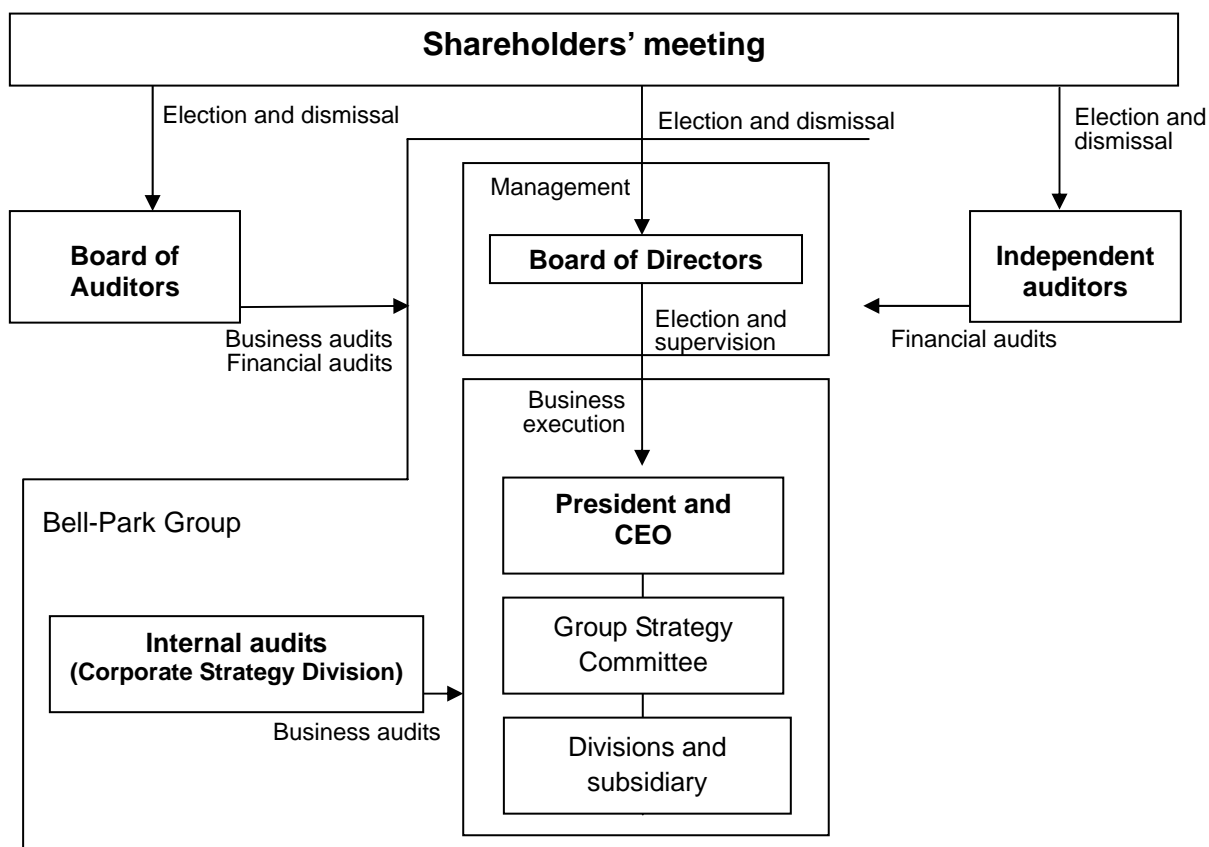
At Bell-Park, the Corporate Strategy Division is responsible for internal audits. To conduct audits that help strengthen management systems, audits are performed from an autonomous position so that evaluations and advice can be provided with regard to internal control systems. Additionally, the main objectives of audits are constantly reviewed and strengthened to reflect changes in the operating environment.

(Committees)

To provide for speedy decision-making and business execution, Bell-Park has established a Group Strategy Committee whose members are the president and CEO and all other executives at the level of general manager of key divisions and above. This committee meets once a month to monitor the execution of strategies, discuss new management issues, determine measures to deal with issues, reach decisions on important items involving business operations and handle other matters.

The framework for the execution of business activities, audits and internal controls is as follows.





b. Participation in corporate governance by attorneys, independent accountants and other external parties
 Bell-Park seeks advice from an attorney as necessary.
 Bell-Park's independent accountant is ChuoAoyama Audit Corp.

c. Personal, financial, business and other significant relationships with external directors and outside auditors
 None.

d. Actions to strengthen corporate governance during past year
 Bell-Park increased the number of external directors from one to two during the current fiscal year to improve its corporate governance.

(6) Key Issues

As was explained earlier, the mobile phone retailing industry continues to be challenging, a situation that is expected to lead to more consolidations and integrations. In this environment, the Bell-Park group views as a key issue the need to generate stable earnings from its mobile phone retailing business in order to position this business as one of the few winners in the industry. To accomplish this, the Group is strengthening its management framework to expand through mergers and acquisitions, upgrading skills of store personnel to prepare for the full-scale shift to third-generation mobile communication technology, and enhancing other aspects of store operations.

In January 2003, the Bell-Park group started a number of businesses related to the sale of mobile communication products, including the training, staffing and sales promotion support businesses. As was stated earlier, one key issue for the Group is tightening its focus based on the outlook for profitability in these businesses in order to develop these activities into viable businesses.

(7) Fundamental Policy Regarding Related Party Interests

There are no transactions with related parties, and the Bell-Park group's fundamental policy is to conduct no such transactions in the future.

(8) Targeted Performance Indicators

The Bell-Park group's medium- and long-term business strategies are to expand and strengthen the sales network in the mobile phone retailing business, steadily develop the training, staffing and sales promotion support businesses, and seek opportunities to begin a business for the distribution of content to mobile phones. To execute these strategies and generate new sources of growth, the Group believes that the reliable procurement of funds for investments is a key factor. Therefore, the performance indicator that is most important at the Company's current stage of development is the cash flow margin, which shows the degree to which the Company is able to generate stable cash flows from its core businesses. Although the Group had established a target of 5%, the cash flow margin in 2003 was 2.50% as shown in the table below. This was due to the decision to take advantage of opportunities created during the year-end selling season by the introduction of many new mobile phone models. A strategic decision was made to place emphasis on sales of new phones to create a base for future earnings, thereby increasing inventories at the expense of the year-end cash flow margin. The Group will continue to place emphasis on generating stable cash flows from core businesses, and will thus adhere to a policy of conducting operations in a manner that takes into account the cash flow margin.

Yen in thousands

| | FY 2001 (Jan 1- Dec.31, 2002) | FY 2002 (Jan.1- Dec.31, 2002) | FY 2003 (Jan.1 - Dec.31, 2003) |
|--------------------------------------|----------------------------------|----------------------------------|-----------------------------------|
| Net sales | 14,942,747 | 13,180,776 | 14,047,426 |
| Cash flows from operating activities | 363,348 | 743,929 | 351,411 |
| Cash flow margin | 2.43 % | 5.64 % | 2.50 % |

3. Results of Operations and Financial Position

1. Results of Operations

(1) Summary of 2003

During 2003, Japan's economy began showing signs of an upturn in September as capital expenditures grew along with improving corporate earnings. However, the recovery was limited to the corporate sector. There was no upturn in consumer spending and other household expenditures, which have a significant impact on the Bell-Park group's operating results. This created a difficult operating climate throughout the year. To generate a profit in its mobile phone sales business in this environment, the Group worked on developing the training, staffing and sales promotion support services businesses that were started in January 2003.

In Japan's mobile phone sales industry, growth in new subscriber contracts is slowing as the penetration rate continues to climb. At the end of December 2003, cumulative mobile phone and PHS subscriber subscriptions were 85,011 thousand lines, of which 79,787 thousand were for mobile phones. As a result, for sales to individuals, the shift in emphasis from new subscribers to current mobile phone users wishing to switch to an upgraded handsets became even more pronounced. Along with slowing growth in new subscribers, the operating environment was affected by reviews of sales commissions by mobile communication carriers. The result was an even more challenging environment for sales agents. This caused some even relatively large sales agents to sell their operations and withdraw from this business. Overall, these developments led to even more consolidations and integrations than in 2002.

In this environment, the Bell-Park group placed the highest priority on generating earnings, taking steps to take full advantage of the limited number of opportunities for making a profit. One such step is high-profile sales campaigns for new services introduced following the October 2003 shift from the J-PHONE to Vodafone brand. Another is aggressive measures taken to sell the large number of new mobile phone models that were launched during the year-end selling season. Due to these actions, many stores recorded all-time high sales of new mobile phones in December 2003.

New businesses mainly involve training, staffing and sales promotion support. In the training business, 2003, the first year for this activity, was positioned as a period for examining and upgrading the line of services. Priority was placed on increasing the number of trainees and enhancing the quality of training courses. In the staffing business, 2003 was positioned as a time to establish a sound foundation for the provision of services. Priority was placed on attracting the individuals and providing the training needed to meet the significant growth in demand. The goal is creating a framework capable of supplying a consistent number of highly trained individuals. In the sales promotion support business, the main themes were developing and upgrading products and services.

Due to these factors, consolidated net sales increased 6.6% to ¥14,047 million, operating income decreased 14.4% to ¥647 million, ordinary income decreased 16.9% to ¥646 million and net income increased 59.9% to ¥613 million.

(2) Outlook for 2004

In 2004, the upturn in the global economy is likely to continue to fuel a recovery in Japan's economy despite the yen's strength and other sources of concern. However, it remains unclear as to whether the improvement in corporate earnings will have a positive effect on consumer spending and other household expenditures. In the mobile phone retailing industry, the days of rapid growth in new subscribers are over. However, the Group expects to see some increases in demand, mainly for handset upgrades, as the use of third-generation mobile communication technology grows during 2004, especially in the year's second half. Based on this outlook, even greater emphasis will be placed on training employees in the mobile phone sales business. By improving the ability to serve customers, the Group expects to benefit from demand, and thus raise sales and earnings, that will be created by the expected full-scale launch of a third-generation service by Vodafone in the second half of 2004. In the training, staffing and sales promotion support businesses, the Group will concentrate on meeting demand for sales personnel at Vodafone shops and for helpers at large retailers.

Based on this outlook, Bell-Park is forecasting consolidated net sales of ¥14,000 million (down 0.3%), ordinary income of ¥680 million (up 5.3%) and net income of ¥340 million (down 44.5%) in 2004.

2. Financial Position

(1) Cash Flows

There was a net increase of ¥238 million in cash and cash equivalents to ¥2,104 million compared with December 31, 2002. This increase was due mainly to growth in operating cash flows.

Net cash provided by operating activities was ¥351 million compared with ¥743 million in 2002. Major sources of cash were income before income taxes of ¥554 million and a ¥166 million decrease in account receivables. Major uses of cash were a ¥415 million increase in inventories and income taxes paid of ¥405 million.

Net cash provided by investing activities was ¥8 million compared with net cash used of ¥11 million in 2002. There were proceeds of ¥109 million from the sale of property, plant and equipment and payments of ¥24 million for the purchase of property, plant and equipment and ¥73 million for other the purchase of other assets.

Net cash used in financing activities was ¥121 million compared with ¥52 million in 2002. The main uses of cash were ¥68 million for the purchase of treasury stock and ¥52 million for cash dividends paid.

Plans for Proceeds from Public Offering at Market Price and Actual Use of Proceeds

On May 25, 2000, Bell-Park procured ¥1,770 million, net of expenses, through a public offering of newly issued stock sold at the market price. The following is a summary of the plan for the use of these proceeds and the actual use.

(1) Plan for Use of Proceeds

Net proceeds of approximately ¥1,770 million were planned to be used as follows: ¥372 million for capital expenditures for stores and other requirements; ¥173 million for working capital; and ¥1,225 million for investments, loans and acquisitions of companies and businesses.

(2) Actual Use of Proceeds

There were some revisions to the above plan. As a result, ¥450 million was used for capital expenditures at stores and other requirements and ¥1,320 million was used for investments, loans and acquisitions of companies and businesses.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

| Account | FY 2002 (As of December 31, 2002) | | FY 2003 (As of December 31, 2003) | |
|---|--------------------------------------|------------------|--------------------------------------|------------------|
| | Thousand yen | % | Thousand yen | % |
| Assets | | | | |
| I. Current assets | | | | |
| 1. Cash on hand and in banks | | 1,865,683 | | 2,104,387 |
| 2. Accounts receivable - trade and accounts receivable - other | | 1,530,712 | | 1,458,007 |
| 3. Inventories | | 373,404 | | 797,686 |
| 4. Deferred tax assets | | 33,494 | | 83,808 |
| 5. Other current assets | | 87,447 | | 222,049 |
| Allowance for doubtful accounts | | (2,671) | | (187) |
| Total current assets | | 3,888,069 | 80.6 | 4,665,751 |
| II. Fixed assets | | | | |
| 1. Property, plant and equipment | | | | |
| (1) Buildings | 266,703 | | 169,631 | |
| Accumulated depreciation | 59,185 | 207,518 | 49,076 | 120,554 |
| (2) Structures | - | | 2,195 | |
| Accumulated depreciation | - | - | 37 | 2,157 |
| (3) Furniture and fixtures | 58,172 | | 61,273 | |
| Accumulated depreciation | 34,919 | 23,252 | 38,712 | 22,561 |
| (4) Land | | 85,400 | | - |
| Total property, plant and equipment | | 316,171 | 6.6 | 145,273 |
| 2. Intangible assets | | 10,569 | | 13,928 |
| 3. Investments and other assets | | | | |
| (1) Investment securities | | 30,000 | | - |
| (2) Leasehold deposits | | 359,619 | | 390,831 |
| (3) Deferred tax assets | | 53,794 | | 54,242 |
| (4) Others | | 167,697 | | 197,165 |
| Allowance for doubtful accounts | | (720) | | (1,770) |
| Total investments and other assets | | 610,390 | 12.6 | 640,469 |
| Total fixed assets | | 937,131 | 19.4 | 799,670 |
| Total assets | | 4,825,201 | 100.0 | 5,465,421 |

| Account | Fiscal Year | FY 2002 (As of December 31, 2002) | | FY 2003 (As of December 31, 2003) | |
|--|-------------|--------------------------------------|-------|--------------------------------------|-------|
| | | Thousand yen | % | Thousand yen | % |
| Liabilities | | | | | |
| I. Current liabilities | | | | | |
| 1. Accounts payable - trade and accounts payable - other | | 1,223,650 | | 1,585,940 | |
| 2. Accrued income taxes | | 226,310 | | 179 | |
| 3. Reserve for employees' bonuses | | 11,934 | | 29,100 | |
| 4. Reserve for loss on short-term contract cancellations | | - | | 12,597 | |
| 5. Other current liabilities | | 369,431 | | 345,209 | |
| Total current liabilities | | 1,831,326 | 38.0 | 1,973,027 | 36.1 |
| II. Long-term liabilities | | | | | |
| 1. Deferred tax liabilities | | 24,804 | | - | |
| 2. Liability for employees' retirement benefits | | 8,823 | | 15,870 | |
| 3. Accrued directors' severance benefits | | 37,896 | | 42,019 | |
| 4. Other long-term liabilities | | 20,166 | | 15,288 | |
| Total long-term liabilities | | 91,690 | 1.9 | 73,178 | 1.3 |
| Total liabilities | | 1,923,016 | 39.9 | 2,046,206 | 37.4 |
| Shareholders' equity | | | | | |
| I. Common stock | #1 | 1,074,301 | 22.3 | 1,074,301 | 19.7 |
| II. Capital surplus | | 1,492,892 | 30.9 | 1,528,708 | 28.0 |
| III. Retained earnings | | 335,839 | 6.9 | 885,782 | 16.2 |
| IV. Treasury stock | #2 | (848) | 0.0 | (69,576) | (1.3) |
| Total shareholders' equity | | 2,902,184 | 60.1 | 3,419,215 | 62.6 |
| Total liabilities and shareholders' equity | | 4,825,201 | 100.0 | 5,465,421 | 100.0 |

(2) Consolidated Statements of Income

| Account | Fiscal Year | FY 2002 (Jan. 1 - Dec. 31, 2002) | | FY 2003 (Jan. 1 - Dec. 31, 2003) | | |
|---|-------------|-------------------------------------|------------|-------------------------------------|------------|----------|
| | | Thousand yen | % | Thousand yen | % | |
| I. Net sales | | | 13,180,776 | 100.0 | 14,047,426 | 100.0 |
| II. Cost of goods sold | | | 10,414,997 | 79.0 | 11,341,439 | 80.7 |
| Gross profit | | | 2,765,779 | 21.0 | 2,705,986 | 19.3 |
| III. Selling, general and administrative expenses | #1 | | 2,009,642 | 15.3 | 2,058,902 | 14.7 |
| Operating income | | | 756,136 | 5.7 | 647,084 | 4.6 |
| IV. Non-operating income | | | | | | |
| 1. Interest income | | 194 | | | 872 | |
| 2. Income from rentals | | 9,216 | | | 2,278 | |
| 3. New store opening subsidy | | 11,599 | | | - | |
| 4. Other non-operating income | | 3,467 | 24,477 | 0.2 | 5,553 | 8,704 |
| 0.1 | | | | | | |
| V. Non-operating expenses | | | | | | |
| 1. Interest expense | | 1,593 | | | 1,603 | |
| 2. New stock issue expenses | | 815 | | | - | |
| 3. Foreign exchange loss | | - | | | 5,004 | |
| 4. Provision of allowance for doubtful accounts | | - | | | 1,050 | |
| 5. Other non-operating expenses | | 1,035 | 3,444 | 0.0 | 2,062 | 9,721 |
| 0.1 | | | | | | |
| Ordinary income | | | 777,168 | 5.9 | 646,068 | 4.6 |
| VI. Extraordinary income | | | | | | |
| 1. Prior year income adjustments | #2 | 27,220 | | | - | |
| 2. Gain on sale of investment securities | | 8,532 | | | - | |
| 3. Others | | 342 | 36,096 | 0.3 | - | - |
| VII. Extraordinary loss | | | | | | |
| 1. Loss on sale of fixed assets | #3 | - | | | 48,787 | |
| 2. Loss on removal of fixed assets | #4 | 11,778 | | | 11,684 | |
| 3. Loss on sale of investment securities | | 18,745 | | | - | |
| 4. Loss on revaluation of investment securities | | - | | | 30,000 | |
| 5. Loss on store closures | | 4,907 | | | - | |
| 6. Others | | 2,490 | 37,922 | 0.3 | 1,325 | 91,797 |
| 0.7 | | | | | | |
| Income before income taxes | | | 775,343 | 5.9 | 554,270 | 3.9 |
| Income taxes - current | | 376,442 | | | 16,513 | |
| Income taxes - deferred | | 15,310 | 391,752 | 3.0 | (75,566) | (59,052) |
| (0.4) | | | | | | |
| Net income | | | 383,590 | 2.9 | 613,323 | 4.3 |

(3) Consolidated Statements of Retained Earnings

| Account | Fiscal year | FY 2002 (Jan. 1 - Dec. 31, 2002) | | FY 2003 (Jan. 1 - Dec. 31, 2003) | |
|--|-------------|-------------------------------------|-----------|-------------------------------------|-----------|
| | | Thousand yen | | Thousand yen | |
| (Capital surplus) | | | | | |
| I. Capital surplus at beginning of year | | | 1,492,267 | | 1,492,892 |
| II. Increase in capital surplus | | | | | |
| 1. New stock issue for the exercise of stock options | | 625 | | - | |
| 2. New stock issue for exchange of stock | | - | 625 | 35,816 | 35,816 |
| III. Capital surplus at end of year | | | 1,492,892 | | 1,528,708 |
| (Retained earnings) | | | | | |
| I. Retained earnings at beginning of year | | | 13,964 | | 335,839 |
| II. Increase in retained earnings | | | | | |
| 1. Net income | | 383,590 | 383,590 | 613,323 | 613,323 |
| III. Decrease in retained earnings | | | | | |
| 1. Cash dividends | | 52,875 | | 52,881 | |
| 2. Directors' bonuses | | 8,840 | 61,715 | 10,500 | 63,381 |
| IV. Retained earnings at end of year | | | 335,839 | | 885,782 |

(4) Consolidated Statements of Cash Flows

| Account | Fiscal year | FY 2002 (Jan. 1 - Dec. 31, 2002) | FY 2003 (Jan. 1 - Dec. 31, 2003) |
|--|-------------|-------------------------------------|-------------------------------------|
| | | Thousand yen | Thousand yen |
| I. Cash flows from operating activities | | | |
| Income before income taxes | | 775,343 | 554,270 |
| Depreciation and amortization | | 37,044 | 29,951 |
| Increase (decrease) in allowance for doubtful accounts | | 1,575 | (1,433) |
| Increase (decrease) in reserve for employees' bonuses | | (2,906) | 15,955 |
| Increase in allowance for early subscription cancellations | | - | 12,597 |
| Increase (decrease) in liability for employees' retirement benefits | | (970) | 7,047 |
| Increase in accrued directors' severance benefits | | 12,559 | 4,122 |
| Interest and dividend income | | (1,575) | (1,472) |
| Interest expense | | 1,593 | 1,603 |
| Loss on sale of investment securities | | 10,212 | - |
| Loss on revaluation investment securities | | - | 30,000 |
| Loss on sale of fixed assets | | - | 48,787 |
| Loss on removal of fixed assets | | 11,778 | 11,684 |
| Decrease (Increase) in account receivables | | (613) | 166,889 |
| Decrease (Increase) in inventories | | 180,839 | (415,562) |
| Increase (decrease) in account payables | | (152,195) | 317,337 |
| Others | | 111,650 | (25,082) |
| Subtotal | | 984,335 | 756,696 |
| Interest and dividends received | | 1,575 | 1,472 |
| Interest paid | | (1,593) | (1,603) |
| Income taxes paid | | (240,387) | (405,154) |
| Net cash provided by operating activities | | 743,929 | 351,411 |
| II. Cash flows from investing activities | | | |
| Payment for purchase of investment securities | | (45,517) | - |
| Proceeds from sale of investment securities | | 66,250 | - |
| Payment for purchase of property, plant and equipment | | (37,532) | (24,957) |
| Proceeds from sale of property, plant and equipment | | 3,129 | 109,347 |
| Deduction from income related to sale of subsidiary involving a change in the scope of consolidation | | - | (2,298) |
| Others | | 2,239 | (73,736) |
| Net cash provided by (used in) investing activities | | (11,429) | 8,355 |
| III. Cash flows from financing activities | | | |
| Proceeds from issuance of new stock | | 1,250 | - |
| Payment for purchase of treasury stock | | (387) | (68,727) |
| Cash dividends paid | | (52,875) | (52,881) |
| Net cash used in financing activities | | (52,012) | (121,609) |
| IV. Effect of exchange rate changes on cash and cash equivalents | | - | (5,004) |
| V. Net increase in cash and cash equivalents | | 680,488 | 233,153 |
| VI. Cash and cash equivalents at beginning of year | | 1,185,195 | 1,865,683 |
| VII. Increase in cash and cash equivalents due to inclusion of additional subsidiary in the consolidation | | - | 5,550 |
| VIII. Cash and cash equivalents at end of year | | 1,865,683 | 2,104,387 |

Significant Accounting Policies in the Preparation of Consolidated Financial Statements

| | FY 2002 (Jan. 1 - Dec. 31, 2002) | FY 2003 (Jan. 1 - Dec. 31, 2003) |
|--|--|---|
| 1. Principles of consolidation | <p>The consolidated financial statements include the accounts of the Company and its one consolidated subsidiary.</p> <p>Name of consolidated subsidiary: Telec Co., Ltd.</p> | <p>The consolidated financial statements include the accounts of the Company and its two consolidated subsidiaries.</p> <p>Name of consolidated subsidiary: Telec Co., Ltd. J-PHONE SERVICE Co., Ltd.</p> <p>The Company sold its entire stock holding in Telec Co., Ltd., a former consolidated subsidiary, on November 25, 2003. Effective from the current consolidated year, J-PHONE SERVICE Co., Ltd. was included in the consolidation due to acquisition through an exchange of stock.</p> |
| 2. Fiscal year-end of consolidated subsidiaries | <p>The consolidated subsidiary's (Telec Co., Ltd.) fiscal year ends on November 30, 2002.</p> <p>Financial statements of the balance sheet date are used in the preparation of the consolidated financial statements. In case that the subsidiary has a significant transaction during the period from its balance sheet date to the consolidated balance sheet date, the Company makes certain adjustments to the consolidated financial statements.</p> | <p>The consolidated subsidiary's (Telec Co., Ltd.) fiscal year ends on November 30.</p> <p>The consolidated financial statements of the Company include the accounts of Telec Co., Ltd. as of November 25, 2003 since the Company sold its entire stock holding in Telec Co., Ltd. on this date.</p> |
| <p>3. Significant accounting policies</p> <p>(1) Valuation criteria and methods for principal assets</p> | <p>Securities</p> <p>Other securities</p> <p>Securities with market quotations</p> <p>Securities that have market value are carried at fair value on the balance sheet date. (Unrealized holding gain or loss is included directly in shareholders' equity. Cost of securities sold is determined by the moving-average method.)</p> <p>Securities without market quotations</p> <p>Securities without market quotations are stated at cost, cost being determined by the moving-average method.</p> <p>Inventories</p> <p>Merchandise</p> <p>Inventories are stated at cost determined primarily by the moving-average method.</p> <p>Supplies</p> <p>Supplies are stated at cost, cost being determined by the last purchase price method.</p> | <p>Securities</p> <p>Other securities</p> <p>Securities with market quotations</p> <p>-</p> <p>Securities without market quotations</p> <p>Same as on the left.</p> <p>Inventories</p> <p>Merchandise</p> <p>Same as on the left.</p> <p>Supplies</p> <p>Same as on the left.</p> |

| | FY 2002 (Jan. 1 - Dec. 31, 2002) | FY 2003 (Jan. 1 - Dec. 31, 2003) |
|---|---|---|
| (2) Depreciation and amortization of significant depreciable assets | <p>Property, plant and equipment Depreciation of property, plant and equipment is primarily computed by the declining-balance method. The Company computes depreciation on buildings (excluding fixtures) by the straight-line method. Useful life of principal assets is as follows: Buildings: 13-50 years Furniture and fixtures: 4-8 years</p> <p>Intangible assets Intangible assets (except software for internal use) are amortized by the straight-line method over their estimated useful lives. The development costs of software intended for internal use are amortized over an estimated useful life of 5 years by the straight-line method.</p> <p>Long-term prepaid expenses Long-term prepaid expenses are amortized by the straight-line method.</p> | <p>Property, plant and equipment Same as on the left.</p> <p>The Company computes depreciation on buildings (excluding fixtures) by the straight-line method. Useful life of principal assets is as follows: Buildings: 3-50 years Structures: 10 years Furniture and fixtures: 3-15 years</p> <p>Intangible assets Same as on the left.</p> <p>Long-term prepaid expenses Same as on the left.</p> |
| (3) Recognition of significant allowances | <p>Allowance for doubtful accounts To prepare for credit losses on accounts receivable and loans receivable etc., allowances equal to the estimated amount of uncollectible receivables are provided for general receivables based on the historical write-off ratio, and bad receivables based on case-by-case determination of collectibility.</p> <p>Reserve for employees' bonuses As a means of providing for bonus obligations, the Company designates in the reserve account an amount estimated to have accrued for the current period.</p> | <p>Allowance for doubtful accounts Same as on the left.</p> <p>Reserve for employees' bonuses Same as on the left.</p> |

| | FY 2002 (Jan. 1 - Dec. 31,2002) | FY 2003 (Jan. 1 - Dec. 31,2003) |
|--|------------------------------------|--|
| | - | <p>Reserve for loss on short-term contract cancellations</p> <p>The Company refunds subscription commission to the telecom carrier, with which it has an agency agreement, if a subscriber cancels his subscription early. To provide for repayment of subscription commission related to such early subscription cancellations, the Company provides an allowance equal to the estimated amounts of refund for early subscription commission based on the historical refund ratio.</p> <p>(Changes in accounting treatment)</p> <p>In prior year, the Company deducted refunds for early subscription commissions related to short-period subscription cancellations from the gross sales amount. Effective the current consolidated fiscal year, to provide for refund of subscription commission for early subscription cancellation, the Company provide an allowance equal to the estimated amount of refund of subscription commission related to early subscription cancellations based on the historical refund ratio. Competition is intensifying in the mobile communications industry. Furthermore, replacement demand is expected to increase as mobile phones with more powerful functions are introduced and win acceptance and it has now become possible to more precisely estimate the level of early subscription cancellations. The Company believes that establishment of a "Reserve for loss on short-term contract cancellations" will provide a more accurate balance between applicable income and expenses.</p> <p>The effect of this change was to decrease net sales by ¥12,597 thousand and decrease operating income, ordinary income and net income before income taxes by equivalent amounts, compared to the amounts that would have been reported if the previous method had been applied consistently.</p> |

| | FY 2002 (Jan. 1 - Dec. 31, 2002) | FY 2003 (Jan. 1 - Dec. 31, 2003) |
|---|---|---|
| (4) Other significant accounting policies in the preparation of consolidated financial statements | <p>Liability for employees' retirement benefits To provide for employee retirement benefits, the Company provides an allowance for retirement benefits in the amount deemed to have accrued, determined (simple method) on the basis of the estimated retirement benefit obligation on the fiscal year balance sheet date.</p> <p>Accrued directors' severance benefits To provide for accrued officers' severance benefits, the Company provides an allowance for the aggregate amount payable at the end of the consolidated fiscal year pursuant to the Company's rules on directors' retirement benefits.</p> <p>a. Accounting for consumption taxes All amounts stated are exclusive of consumption taxes.</p> <p>b. -</p> | <p>Liability for employees' retirement benefits Same as on the left.</p> <p>Accrued directors' severance benefits Same as on the left.</p> <p>a. Accounting for consumption taxes Same as on the left.</p> <p>b. Per-share information Effective the current consolidated fiscal year, the Company adopted the new accounting standards for earnings per share, Accounting Standard No. 2: "Accounting Standards for Earnings Per Share" and Accounting Standard Implementation Guidance No. 4: "Implementation Guidance on Accounting Standard for Earnings Per Share." See page 24 for details on the effect of the adoption of the new accounting standards.</p> |
| 4. Valuation of assets and liabilities of consolidated subsidiaries | Assets and liabilities of consolidated subsidiaries are valued at market. | Same as on the left. |
| 5. Appropriation of retained earnings | The consolidated statements of retained earnings include cash dividends declared by consolidated subsidiaries during the current consolidated year. | Same as on the left. |
| 6. Scope of cash and cash equivalents on consolidated statements of cash flows | For the purpose of consolidated statements of cash flows, cash and cash equivalents consists of vault cash, deposits that can be withdrawn on demand, and short-term investments, with original maturities of three months or less, that are readily convertible to known amounts of cash and present insignificant risk of change in value. | Same as on the left. |

Supplementary Information

| FY 2002 (Jan. 1 - Dec. 31, 2002) | FY 2003 (Jan. 1 - Dec. 31, 2003) |
|--|--------------------------------------|
| <p>Accounting for treasury stock and reduction in legal reserves</p> <p>Effective the current consolidated fiscal year, the Company has adopted the new accounting standards for treasury stock and reduction of legal reserves (Financial Accounting Standard No. 1, Accounting Standard for Treasury Stock and Reduction of Legal Reserves, Business Accounting Deliberation Council). The effect of this change on profit / loss is insignificant.</p> <p>Effective the current consolidated fiscal year, the Company has adopted the amended "Regulations regarding Terminology, Forms and Methods of Preparation of Consolidated Financial Statements, (Cabinet Office Ordinance No. 11, Supplementary Provision No. 2, March 26, 2002). Accordingly, the shareholders' equity section and the consolidated statements of retained earnings conform with the amended Regulation of Consolidated Financial Statements.</p> | <p style="text-align: center;">-</p> |

Notes to Financial Statements

Notes to Consolidated Balance Sheets

| FY 2002 (As of Dec. 31, 2002) | FY 2003 (As of Dec. 31, 2003) |
|---|---|
| #1: - | #1: Class and number of shares outstanding Common stock 21,882.06 shares |
| #2 Treasury stock Common stock: 3.5 shares | #2 Treasury stock Common stock 509.5 shares |

Notes to Consolidated Statements of Income

Yen in thousands

| FY 2002 (Jan. 1 - Dec. 31, 2002) | FY 2003 (Jan. 1 - Dec. 31, 2003) |
|--|--|
| #1: Significant components of selling, general and administrative expenses | #1: Significant components of selling, general and administrative expenses |
| Wages and allowances 507,400 | Wages and allowances 530,623 |
| Miscellaneous wages 309,258 | Miscellaneous wages 276,246 |
| Rent 307,523 | Rent 293,353 |
| Provision of accrued directors' severance benefits 15,059 | Provision of accrued directors' severance benefits 6,122 |
| Provision of reserve for employees' bonuses 11,934 | Provision of reserve for employees' bonuses 26,098 |
| Retirement benefit expenses 1,712 | Retirement benefit expenses 7,828 |
| Provision of allowance for doubtful accounts 1,706 | Provision of allowance for doubtful accounts - |
| #2: Refund from filing amended tax return. | #2: - |
| #3 - | #3: Significant components loss on removal of fixed assets |
| | Buildings 17,576 |
| | Furniture and fixtures 1,563 |
| | Land 27,235 |
| | Telephone rights 2,412 |
| | <u>Total 48,787</u> |
| #4: Significant components loss on removal of fixed assets | #4: Significant components loss on removal of fixed assets |
| Buildings 11,162 | Buildings 11,511 |
| Furniture and fixtures 616 | Furniture and fixtures 173 |
| <u>Total 11,778</u> | <u>Total 11,684</u> |

Notes to Consolidated Statements of Cash Flows

Yen in thousands

| FY 2002 (Jan. 1 - Dec. 31, 2002) | FY 2003 (Jan. 1 - Dec. 31, 2003) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|-------------------------------------|-----------|---------------------------|-----------|--|---------------------------|-----------|---------------------------|-----------|----------------|---------|--------------|-------|---------------------|-----------|----------------------------|--------|---------------------------|---------|---------------------------------------|----------|-------------------------------|-------|----------------|--------|---------------------|---------|-----------------------|------|-----------------------------|--------|---------------------------|----------|--|---------|
| <p>(1) Reconciliation of cash and cash equivalents of the statements of cash flows and account balances of balance sheets for the period is made as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Cash on hand and in banks</td> <td style="text-align: right;">1,865,683</td> </tr> <tr> <td style="border-top: 1px solid black;">Cash and cash equivalents</td> <td style="text-align: right; border-top: 1px solid black;">1,865,683</td> </tr> </table> <p>(2) -</p> <p>(3) -</p> | Cash on hand and in banks | 1,865,683 | Cash and cash equivalents | 1,865,683 | <p>(1) Reconciliation of cash and cash equivalents of the statements of cash flows and account balances of balance sheets for the period is made as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Cash on hand and in banks</td> <td style="text-align: right;">2,104,387</td> </tr> <tr> <td style="border-top: 1px solid black;">Cash and cash equivalents</td> <td style="text-align: right; border-top: 1px solid black;">2,104,387</td> </tr> </table> <p>(2) Assets and liabilities of newly consolidated subsidiary (acquired through and exchange of stock) Assets and liabilities of subsidiary newly included in the consolidation due to acquisition through an exchange of stock. A summary of assets and liabilities of J-PHONE SERVICE Co., Ltd., newly included in the consolidation due to acquisition through an exchange of stock, is as follows.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Current assets</td> <td style="text-align: right;">132,004</td> </tr> <tr> <td>Fixed assets</td> <td style="text-align: right;">4,368</td> </tr> <tr> <td style="border-top: 1px solid black;">Current liabilities</td> <td style="text-align: right; border-top: 1px solid black;">(100,556)</td> </tr> <tr> <td>Acquisition cost of shares</td> <td style="text-align: right;">35,816</td> </tr> <tr> <td>Cash and cash equivalents</td> <td style="text-align: right;">(5,550)</td> </tr> <tr> <td style="border-top: 1px solid black;">New stock issue for exchange of stock</td> <td style="text-align: right; border-top: 1px solid black;">(35,816)</td> </tr> <tr> <td>Income from acquisition - net</td> <td style="text-align: right;">5,550</td> </tr> </table> <p>(3) Principal assets and liabilities of the subsidiary excluded from the consolidation due to sale of equity interest Assets and liabilities at the time of sale, value of stock sold and deduction from income related to the sale of stock of Telec Co., Ltd. excluded from consolidation due to divestiture of stock holding.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Current assets</td> <td style="text-align: right;">14,958</td> </tr> <tr> <td>Current liabilities</td> <td style="text-align: right;">(2,328)</td> </tr> <tr> <td style="border-top: 1px solid black;">Loss on sale of stock</td> <td style="text-align: right; border-top: 1px solid black;">(29)</td> </tr> <tr> <td>Proceeds from sale of stock</td> <td style="text-align: right;">12,600</td> </tr> <tr> <td style="border-top: 1px solid black;">Cash and cash equivalents</td> <td style="text-align: right; border-top: 1px solid black;">(14,958)</td> </tr> <tr> <td>Deduction from income related to sale of stock</td> <td style="text-align: right;">(2,358)</td> </tr> </table> | Cash on hand and in banks | 2,104,387 | Cash and cash equivalents | 2,104,387 | Current assets | 132,004 | Fixed assets | 4,368 | Current liabilities | (100,556) | Acquisition cost of shares | 35,816 | Cash and cash equivalents | (5,550) | New stock issue for exchange of stock | (35,816) | Income from acquisition - net | 5,550 | Current assets | 14,958 | Current liabilities | (2,328) | Loss on sale of stock | (29) | Proceeds from sale of stock | 12,600 | Cash and cash equivalents | (14,958) | Deduction from income related to sale of stock | (2,358) |
| Cash on hand and in banks | 1,865,683 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Cash and cash equivalents | 1,865,683 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Cash on hand and in banks | 2,104,387 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Cash and cash equivalents | 2,104,387 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Current assets | 132,004 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Fixed assets | 4,368 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Current liabilities | (100,556) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Acquisition cost of shares | 35,816 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Cash and cash equivalents | (5,550) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| New stock issue for exchange of stock | (35,816) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Income from acquisition - net | 5,550 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Current assets | 14,958 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Current liabilities | (2,328) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Loss on sale of stock | (29) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Proceeds from sale of stock | 12,600 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Cash and cash equivalents | (14,958) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Deduction from income related to sale of stock | (2,358) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

Leases

No reportable information.

Securities

1. Securities with market quotations classified as "Other securities"

No reportable information.

2. Securities classified as "Other securities" sold during the previous and current consolidated fiscal years

Yen in thousands

| FY 2002 (Jan. 1 - Dec. 31, 2002) | | | FY 2003 (Jan. 1 - Dec. 31, 2003) | | |
|-------------------------------------|----------------|----------------|-------------------------------------|----------------|----------------|
| Aggregate sales amount | Aggregate gain | Aggregate loss | Aggregate sales amount | Aggregate gain | Aggregate loss |
| 66,250 | 8,532 | 18,745 | - | - | - |

3. Securities without market quotations

Yen in thousands

| | FY 2002 (As of Dec. 31, 2002) | FY 2003 (As of Dec. 31, 2003) |
|----------------------|----------------------------------|----------------------------------|
| | Carrying value | Carrying value |
| (1) Other securities | | |
| Equity securities | 30,000 | - |

Derivatives

FY 2002 (Jan. 1 - Dec. 31, 2002)

No reportable information. The Company did not have derivative transactions during the year.

FY 2003 (Jan. 1 - Dec. 31, 2003)

No reportable information. The Company did not have derivative transactions during the year.

Retirement Benefits

1. Retirement benefit plan

| FY 2002 (As of Dec. 31, 2002) | FY 2003 (As of Dec. 31, 2003) |
|--|----------------------------------|
| The Company and its domestic consolidated subsidiaries have defined benefit plan, i.e., a lump-sum pension plan. | Same as on the left. |

2. The following table sets forth the funded and accrued status of the plans.

Yen in thousands

| | FY 2002 (As of Dec. 31, 2002) | FY 2003 (As of Dec. 31, 2003) |
|--|----------------------------------|----------------------------------|
| (1) Retirement benefit obligation | (8,823) | (15,870) |
| (2) Liability for employees' retirement benefits | (8,823) | (15,870) |

* The projected retirement benefit obligation is computed by the simple method.

3. The following table sets forth the components of retirement benefit expenses.

Yen in thousands

| | FY 2002 (Jan. 1 - Dec. 31, 2002) | FY 2003 (Jan. 1 - Dec. 31, 2003) |
|---|-------------------------------------|-------------------------------------|
| Retirement benefit expenses | | |
| (1) Liability for employees' retirement benefits at the end of previous consolidated fiscal year | 9,794 | 8,823 |
| (2) Benefits at the current consolidated fiscal year | 2,683 | 1,358 |
| (3) Balance | 7,111 | 7,465 |
| (4) Liability for employees' retirement benefits at the end of the current consolidated fiscal year | 8,823 | 15,870 |
| (5) Retirement benefit expenses | 1,712 | 8,405 |

4. The assumptions used in accounting for the above plans were as follows:

| | FY 2002 (As of Dec. 31, 2002) | FY 2003 (As of Dec. 31, 2003) |
|--|--|----------------------------------|
| (1) Method of computing retirement benefit obligation | To provide for employee retirement benefits, the Company provides an allowance for retirement benefits in the amount deemed to have accrued if all eligible employees terminated employment on the balance sheet date. | Same as on the left. |
| (2) Years for the amortization of the difference at transition | No reportable information. | Same as on the left. |

Deferred Income Taxes

Yen in thousands

| FY 2002 (Jan. 1 - Dec. 31, 2002) | FY 2003 (Jan. 1 - Dec. 31, 2003) |
|---|---|
| 1. Major components of deferred tax assets | 1. Major components of deferred tax assets |
| Deferred tax assets | Deferred tax assets |
| Lump-sum amortized assets | Lump-sum amortized assets |
| 2,271 | 1,378 |
| Accrued enterprise taxes | Accrued enterprise taxes |
| 19,028 | (13,614) |
| Amortization of goodwill in excess of maximum amount allowed for inclusion in expenses | Amortization of goodwill in excess of maximum amount allowed for inclusion in expenses |
| 28,868 | 18,605 |
| Provision of reserve for employees' bonuses in excess of maximum amount allowed for inclusion in expenses | Provision of reserve for employees' bonuses in excess of maximum amount allowed for inclusion in expenses |
| 3,164 | 10,473 |
| Provision of liability for employees' retirement benefits in excess of maximum amount allowed for inclusion in expenses | Provision of reserve for loss on short-term contract cancellations not included in expenses |
| 2,711 | 5,303 |
| Provision of accrued directors' severance benefits in excess of maximum amount allowed for inclusion in expenses | Provision of liability for employees' retirement benefits in excess of maximum amount allowed for inclusion in expenses |
| 15,954 | 3,385 |
| Loss on revaluation of memberships not included in expenses | Provision of accrued directors' severance benefits in excess of maximum amount allowed for inclusion in expenses |
| 1,322 | 17,081 |
| Provision of allowance for doubtful accounts in excess of maximum amount allowed for inclusion in expenses | Loss on revaluation of memberships not included in expenses |
| 278 | 1,581 |
| Valuation gain/loss (subsidiary assets) | Provision of allowance for doubtful accounts in excess of maximum amount allowed for inclusion in expenses |
| 13,688 | 787 |
| Total deferred tax assets | Loss on revaluation of investment securities not included in expenses |
| 87,288 | 12,210 |
| | Loss carried forward |
| | 80,859 |
| | Total deferred tax assets |
| | 138,051 |
| Deferred tax liabilities | Deferred tax liabilities |
| Unrealized loss on inter-group transactions (with subsidiaries) | - |
| (24,804) | |
| Total deferred tax liabilities | |
| (24,804) | |
| Net deferred tax assets | Net deferred tax assets |
| 62,484 | 138,051 |
| 2. Significant sources of the difference between the statutory and effective tax rates | 2. Significant sources of the difference between the statutory and effective tax rates |
| Statutory tax rate | Statutory tax rate |
| 42.1% | 42.1% |
| (Adjustments) | (Adjustments) |
| Entertainment expenses and other items not to be included in expenses indefinitely | Entertainment expenses and other items not to be included in expenses indefinitely |
| 2.9% | 2.2% |
| Dividends etc. received not included in income indefinitely | Dividends etc. received not included in income indefinitely |
| (0.1)% | (5.2)% |
| Residential tax for the period (straight-line) | Residential tax for the period (straight-line) |
| 2.3% | 2.9% |
| Tax on retained earnings | Temporary difference related to future impairment of investment in consolidated subsidiary |
| 3.4% | (53.7)% |
| Other | Other |
| 0.0% | 1.0% |
| Effective tax rate | Effective tax rate |
| 50.5% | (10.7)% |

Segment Information

Operating segment information

FY 2002 (Jan. 1 - Dec. 31, 2002)

Operating segment information is not provided since the Companies operate in a single segment defined as mobile phone sales.

FY 2003 (Jan.1 - Dec. 31, 2003)

Operating segment information is not presented since mobile communications equipment accounted for more than 90% of total sales, operating income and assets.

Geographical Segment Information

FY 2002 (Jan. 1 - Dec. 31, 2002)

Geographic segment information is not presented since the Companies did not have consolidated subsidiaries in areas other than Japan.

FY 2003 (Jan.1 - Dec. 31, 2003)

Geographic segment information is not presented since the Companies did not have consolidated subsidiaries in areas other than Japan.

Overseas Sales

FY 2002 (Jan. 1 - Dec. 31, 2002)

The Companies operate mainly in Japan and have no overseas sales.

FY 2003 (Jan.1 - Dec. 31, 2003)

The Companies operate mainly in Japan and have no overseas sales.

Related Party Transactions

FY 2002 (Jan. 1 - Dec. 31, 2002)

No reportable information.

FY 2003 (Jan. 1 - Dec. 31, 2003)

No reportable information.

Per Share Information

Yen

| FY 2002 (Jan. 1 - Dec. 31, 2002) | | FY 2003 (Jan. 1 - Dec. 31, 2003) | |
|-------------------------------------|------------|-------------------------------------|------------|
| Shareholders' equity per share | 137,202.53 | Shareholders' equity per share | 159,887.98 |
| Net income per share | 18,134.43 | Net income per share | 28,328.05 |
| Net income per share (diluted) | - | Net income per share (diluted) | 28,197.43 |

Notes:

1. Net income per share and diluted net income per share is calculated based on the weighted average number of outstanding shares during the year, retroactively adjusted for a three-for-one stock split on February 20, 2002. Diluted net income per share is not presented for the year ended December 31, 2002 since the Company had no outstanding dilutive securities.
2. Effective the current fiscal year, the Company adopted the new accounting standards for earnings per share Accounting Standard No. 2: "Accounting Standards for Earnings Per Share," (ASBJ) and Accounting Standard Implementation Guidance No. 4: "Implementation Guidance on Accounting Standard for Earnings Per Share" (ASBJ).

Restatement of per-share information for the current fiscal year to conform with the previous standards:

| | |
|--------------------------------|----------------|
| Shareholders' equity per share | 159,981.56 yen |
| Net income per share | 28,420.73 yen |
| Net income per share (diluted) | 28,289.68 yen |

3. The following is a reconciliation of basic net income per share to diluted net income per share

Yen in thousands

| | FY 2002 (Jan. 1 - Dec. 31, 2002) | FY 2003 (Jan. 1 - Dec. 31, 2003) |
|---|-------------------------------------|---|
| Net income per share | | |
| Net income | - | 613,323 |
| Net income not available to common shareholders | - | 2,000 |
| [Of which bonuses to directors in the appropriation of retained earnings] | - | [2,000] |
| Net income available to common stock | - | 613,323 |
| Average number of shares outstanding | - | 21,580.15 |
| Net income per share (diluted) | | |
| Increase in the number of common shares (share) | - | 99.97 |
| [of which stock acquisition rights] | - | [99.97] |
| Summary of potential stock not included in the calculation of "net income per share (diluted)" since there was no dilutive effect in the current fiscal year. | - | <p>New stock acquisition rights under the provisions of Article 280-19 of the Commercial Code of Japan:</p> <p>(Pursuant to the resolution adopted at the General Meeting of Shareholders held on Nov.11, 1999). Number of shares to be issued: 148.5 Exercise price: ¥277,778</p> <p>(Pursuant to the resolution adopted at the General Meeting of Shareholders held on Mar.15, 2000). Number of shares to be issued: 18 Exercise price: ¥283,334</p> <p>(Pursuant to the resolution adopted at the General Meeting of Shareholders held on Mar.29, 2001)</p> <p>1.Beginning of exercise period: Apr.1, 2002 Number of shares to be issued: 114 Exercise price: ¥219,064</p> <p>2.Beginning of exercise period: Apr.1, 2003 Number of shares to be issued: 159 Exercise price: ¥219,064</p> <p>(Pursuant to the resolution adopted at the General Meeting of Shareholders held on Mar.28, 2002)</p> <p>1.Beginning of exercise period: Apr.1, 2003 Number of shares to be issued: 174 Exercise price: ¥221,662</p> <p>2.Beginning of exercise period: Apr.1, 2004 Number of shares to be issued: 64 Exercise price: ¥221,662</p> |

Subsequent Events

| FY 2002 (Jan. 1 - Dec. 31, 2002) | FY 2003 (Jan. 1 - Dec. 31, 2003) | | | | | | |
|---|-------------------------------------|---------------------------|------------|------------------|---------|-------------------|---|
| <p>Reasons for exchange of stock</p> <p>(1) Reasons for exchange of stock The Company acquired J-PHONE SERVICE Co., Ltd. on January 1, 2003, through an exchange of stock based on an agreement conclude on November 8, 2002. The acquisition of this wholly owned subsidiary is an initiative to diversify into staffing service.</p> <p>(2) J-PHONE SERVICE Co., Ltd.</p> <table border="1" style="margin-left: 20px;"> <tr> <td style="padding: 2px;">Name</td> <td style="padding: 2px;">J-PHONE SERVICE Co., Ltd.</td> </tr> <tr> <td style="padding: 2px;">Activities</td> <td style="padding: 2px;">Staffing service</td> </tr> <tr> <td style="padding: 2px;">Capital</td> <td style="padding: 2px;">¥100,000 thousand</td> </tr> </table> <p>(3) Stock exchange ratio</p> <p>a. One common share of J-PHONE SERVICE Co., Ltd. was exchanged for 0.363 shares of the Company</p> <p>b. Shares issued for the exchange of stock Common stock: 726 shares</p> <p>c. Increase in additional paid-in capital: ¥35,816 thousand</p> <p>d. Dividend reckoning date: January 1, 2003</p> | Name | J-PHONE SERVICE Co., Ltd. | Activities | Staffing service | Capital | ¥100,000 thousand | - |
| Name | J-PHONE SERVICE Co., Ltd. | | | | | | |
| Activities | Staffing service | | | | | | |
| Capital | ¥100,000 thousand | | | | | | |

(5) Supplementary Schedules

a. Corporate bond schedule
No reportable information.

b. Debt schedule
No reportable information.

(2) Other

No reportable information.

6. Production, Orders and Sales

(1) Production

No reportable information since the Companies have no manufacturing operations.

(2) Procurement

Yen in thousands

| Business unit | FY 2003 (Jan. 1 - Dec. 31, 2003) | |
|-----------------------------|-------------------------------------|-------------------|
| | | Vs. previous year |
| Mobile phone sales division | 9,198,485 | 112.6 |
| Others | 103,643 | - |
| Total | 9,302,128 | 113.9 |

Notes:

1. Amounts are based on purchase prices.
2. Amounts are exclusive of consumption taxes.

(3) Orders

Segment information is not presented since the Mobile Phone Sales Division represents the bulk of consolidated net sales, and sales (predominantly on-order-sales) of other operating divisions are insignificant

(4) Sales

Schedule of sales for the current consolidated fiscal year

Yen in thousands

| Business unit | Item | FY 2003 (Jan. 1 - Dec. 31, 2003) | |
|-----------------------------|----------------------|-------------------------------------|-------------------|
| | | | Vs. previous year |
| Mobile phone sales division | Merchandise sales | 3,478,827 | 96.7% |
| | Commissions received | 10,117,287 | 105.6% |
| | Sub total | 13,596,114 | 103.2% |
| Others | Sales | 451,312 | - |
| Total | | 14,047,426 | 106.6% |

Two-year summary of sales to principal customers and their shares of total sales:

Yen in thousands

| Business unit | Customer | FY 2002 (Jan. 1 - Dec. 31, 2002) | | FY 2003 (Jan. 1 - Dec. 31, 2003) | |
|---------------|---------------|-------------------------------------|---------------|-------------------------------------|-------|
| | | Amount | Share | Amount | Share |
| | | Mobile phone sales division | Vodafone K.K. | 9,572,261 | 72.6% |
| Others | Vodafone K.K. | - | - | 410,480 | 91.0% |

Note: The above amount is exclusive of consumption taxes.

This financial report is solely a translation of summary of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with generally accepted accounting principles in Japan, for the convenience of readers who prefer an English translation.