

FISCAL 2006 FIRST QUARTER RESULTS

TOKYO: VODAFONE K.K. (VKK) today announces its results for the first quarter (from 1 April through 30 June 2006) of fiscal 2006 ending March 2007. VKK experienced a growth in 3G subscriptions of 677,800 during the period, due to an expanded lineup of 3G handsets with most advanced features and improved 3G network coverage. In total, VKK reports 15,240,200 customers at the end of June 2006 with positive net customer additions of 30,300 for the quarter ended 30 June 2006.

Consolidated financial summary

<i>¥ millions; amounts less than one million yen are omitted</i>	1 st quarter of Fiscal 2006	1 st quarter of Fiscal 2005	Change
Operating revenue	352,321	363,772	(11,451)
Operating income	31,162	35,188	(4,025)
Ordinary income	28,833	34,918	(6,084)
Net income	17,895	20,729	(2,834)
EBITDA	83,866	91,314	(7,447)
CAPEX - fixed asset addition	56,030	26,044	29,986
CAPEX - cashflow statement	67,765	53,640	14,125

Despite growth in data transmission revenue due to an increase in 3G subscriptions, consolidated operating revenue in the period has recorded 352,321 million yen, a decrease of 11,451 million yen (3%) as compared to the same period of the previous fiscal year, due to a decline of voice revenue affected by a new price plan launched in the previous fiscal year and other factors. The launch of marketable handsets has resulted in a decrease in selling and marketing expenses and a change in the estimated useful life of certain assets led to a reduction in depreciation. Along with the decline in operating revenue, VKK recorded operating income of 31,162 million yen, a decrease of 4,025 million yen from the same period of the previous fiscal year. Due to the acquisition of VKK by SOFTBANK Group and the related change in the brand name on October 1 2006, to "SOFTBANK", VKK accrued loss on disposal of property, plant and equipment for certain relevant fixed assets as extraordinary losses. Net income, therefore, has recorded 17,895 million yen.

Operating highlights

- Net customer additions totaled 30,300, representing a 2.8% share of market net additions for the first quarter.
- 3G subscriptions increased by 677,800 to a total of 3,715,400 (24.4% of the customer base) at the end of

June 2006, as compared to 3,037,600 (20% of the customer base) at the end of March 2006.

- Prepaid customers were 1,561,100 at the end of June 2006, down by 3% from 1,608,500 at the end of March 2006.
- ARPU for the first quarter declined by 5% to 5,590 yen as compared to 5,870 yen in the same period of the previous fiscal year and by 0.1% from 5,600 yen¹ in the previous quarter, respectively.
- Data and messaging revenue as a percentage of total service revenue for the first quarter was 24.2%, a 1.5% increase from 22.7% recorded in the same period of the previous fiscal year and a 0.3% increase from 23.9% recorded in the previous quarter².
- Operating expenditures totaled 321,158 million yen, a decrease of 7,425 million yen (2%) from the same period of the previous fiscal year.
- As a result, VKK recorded EBITDA of 83,866 million yen, a decrease of 7,447 million yen (8%) and EBITDA margin was 23.8%, a 1% decline from the same period of the previous fiscal year.
- As a result of proactive efforts to expand 3G network coverage, capital expenditures for VKK increased to 56,030 million yen on a fixed asset addition basis, an increase of 29,986 million yen compared to the same period of the previous fiscal year. On a cash flow basis, expenditures were 67,765 million yen, an increase of 14,125 million yen on a year-on-year basis.

Product and service highlights

Products and services provided in the first quarter are as follows:

- Commenced sales of "Vodafone 904SH" by Sharp with the industry's first super high-resolution VGA LCD and "Vodafone 804N" by NEC compact music mobile in April 2006. In addition, VKK began selling the "Vodafone 905SH" by Sharp, AQUOS Mobile capable of receiving "One Seg" terrestrial digital TV broadcasts for mobile devices in May 2006. Further, VKK launched sales of compact and colorful "Vodafone 705T" 3G music mobile by Toshiba and thin, light and stylish "Vodafone 705SH SLIMIA" by Sharp in June 2006.
- Launched "V604T" by Toshiba, a new PDC (2G) handset that features a terrestrial analogue TV tuner and a separate, dedicated FM radio tuner, including complete features for music enjoyment in April 2006. Sales of new color variations of "V403SH" by Sharp also commenced in June 2006.
- On our Internet connection service "Vodafone live!", in June 2006, VKK began offering "Cars 3D Game", Disney's first Bluetooth-enabled multiplayer 3D racing game, and service in advance for "Disney Mobile Comics", an electronic comics service.
- Launched a new service called "RECO MAIL" in which customers can recommend their favorite content such as Chaku-Uta®, via MMS and other methods to friends and acquaintances.

¹ Termination fees and other fees were included in ARPU calculation up to the previous fiscal year, but such fees are no longer included in ARPU calculation from this fiscal year onward. ARPU is compared with the same period of the previous fiscal year and with the previous quarter under such criteria.

² Along with the change in the ARPU calculation criteria, data and messaging revenues as a percentage of total service revenue are also changed. Such percentage is compared with the same period of the previous fiscal year and with the previous quarter under the same criteria.

- For roaming abroad, VKK had 222 roaming agreements in 158 countries and regions in place as of 30 June 2006, an expansion of 22 agreements and 16 countries and regions over the quarter.
- Subscriptions to "Love Flat-rate" totaled approximately 1.2 million at the end of June 2006.
- VKK continues its capital investments to focus on expanding its 3G networks and covering blackspots including indoor areas. In addition to flat-rate service of good repute, such as "Love Flat-rate" or "Family Call Flat-rate" as well as discounts on fixed monthly charge like "Happy Bonus" that will be continuously provided, VKK intends to further enrich services represented by handset line-up and mobile content.

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Condensed Consolidated Statements of Income and Balance Sheet

<i>(¥ millions; amounts less than one million yen are omitted)</i>	1 st quarter Fiscal 2006	1 st quarter Fiscal 2005	Change
Operating revenue	352,321	363,772	(11,451)
Operating expenses	321,158	328,583	(7,425)
Operating income	31,162	35,188	(4,025)
Non-operating revenue	1,165	784	381
Non-operating expenses	3,495	1,055	2,440
Ordinary income	28,833	34,918	(6,084)
Extraordinary gains	108	149	(40)
Extraordinary losses	3,144	52	3,091
Profit before income taxes	25,797	35,014	(9,217)
Net income	17,895	20,729	(2,834)
EBITDA	83,866	91,314	(7,447)
EBITDA margin (%)	23.80%	25.10%	-

<i>(¥ millions; amounts less than one million yen are omitted)</i>	As of 30 June 2006	As of 31 March 2006	Change
Assets			
Fixed assets	1,053,394	1,047,425	5,969
Current assets	320,719	308,382	12,337
Total assets	1,374,113	1,355,807	18,306
Liabilities			
Fixed liabilities	146,526	143,969	2,557
Current liabilities	452,535	454,085	(1,550)
Total liabilities	599,061	598,054	1,007
Shareholders' equity	775,052	757,753	17,299
Total liabilities and shareholders' equity	1,374,113	1,355,807	18,306