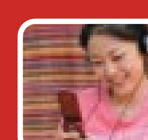
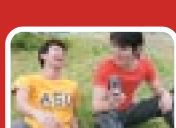
Vodafone K.K.

Annual Report For the year ended 31 March 2005

Focus on Customers

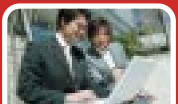




vodafone™

A subsidiary of Vodafone Group Plc, the world's largest mobile community, Vodafone K.K. is a leading mobile operator in Japan with nearly 15 million subscribers. The Tokyo-based company offers a wide range of sophisticated mobile voice and data services, including Vodafone live!, and pioneered the picture messaging service called Sha-mail, first introduced in November 2000. In December 2002, Vodafone K.K. launched the world's first commercial 3G W-CDMA service based on 3GPP international standards.

Contents



Consolidated Financial Highlights

	Billions of Yen		Millions of U.S. Dollars	
Years ended 31 March 2005 and 2004	2005	2004	2005	2004
Operating Revenues	¥1,470.0	¥1,655.7	$13,686	$15,414
Mobile Telecommunications	1,470.0	1,504.1	13,686	14,003
Fixed-line Telecommunications	—	151.6	—	1,411
Operating Income	158.0	185.0	1,471	1,723
Ordinary Income	153.4	181.2	1,428	1,687
Net Income (Loss)	162.0	(100.0)	1,508	(931)
EBITDA	403.1	460.0	3,753	4,283
EBITDA margin	27.4%	27.8%	27.4%	27.8%
Depreciation	236.9	258.0	2,206	2,402
Capital Expenditures—Cash Flow Statement Basis	166.8	248.6	1,553	2,314
Capital Expenditures—Fixed Asset Addition Basis	174.3	253.1	1,623	2,356
Total Assets	1,364.4	1,428.2	12,703	13,296
Interest-bearing Debt	371.5	632.9	3,459	5,893
Total Shareholders' Equity	710.3	361.5	6,613	3,366
		Yen		
Net Income (Loss) per Share	¥ 38,341	¥ (31,310)	$ 356.96	$ (291.50)
Shareholders' Equity per Share	130,863	113,150	1,218.35	1,053.44
Dividends per Share	1,200	1,200	11.17	11.17
MOBILE BUSINESS		Thousands		
Subscribers	15,041	15,002		
Vodafone live!-enabled Terminals (thousands)	12,874	12,956		
Percentage of Vodafone live!-enabled Terminals (%)	85.6%	86.4%		
		Yen per Month per Unit		Dollars per Month per Unit
Average Revenue per User (ARPU)	¥6,150	¥6,730	$57.26	$62.66
Voice Revenues	4,830	5,250	44.97	48.88
Non-voice Services Revenues	1,320	1,480	12.29	13.78

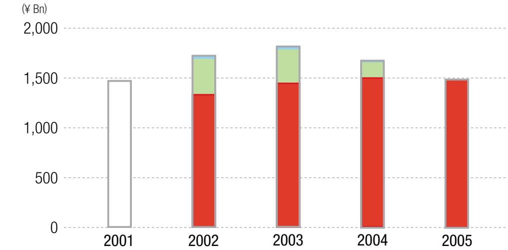
Note: 1 The consolidated results marked a decline from the prior fiscal year as Vodafone K.K. ceased to consolidate the results of its subsidiary, JAPAN TELECOM CO., LTD. ("JAPAN TELECOM"), from 1 October 2003, the sale of which was legally completed on 14 November 2003.

2 U.S. dollar amounts are converted from yen, for convenience only, at the fiscal year-end exchange rate of ¥107.41 = US$1.00.

3 The total number of subscribers was adjusted as at the end of March 2005 to align with the Vodafone Group's global policy.

Performance at a Glance (Consolidated)

Composition of Operating Revenues

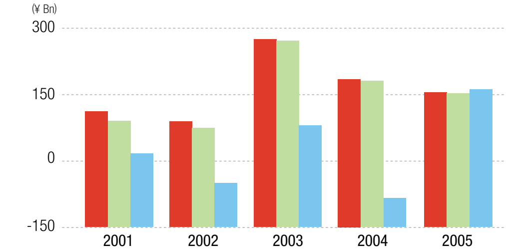


(¥ Bn)

Years ended 31 March	2001	2002	2003	2004	**2005**
Operating revenues	1,465.4 (3)	1,704.0	1,796.9	1,655.7	**1,470.0**
Mobile telecommunications (1)	—	1,336.6	1,451.0	1,504.1	**1,470.0**
Fixed-line telecommunications (2)	—	360.6	340.5	151.6	**—**
Others	—	6.9	5.4	—	**—**

Note 1: Consolidated operating revenue of mobile business subsidiaries including Vodafone K.K.
Note 2: Consolidated operating revenue of fixed-line business subsidiaries including JAPAN TELECOM
Note 3: Operating revenues for the year ended 31 March 2001—No segment breakdown available

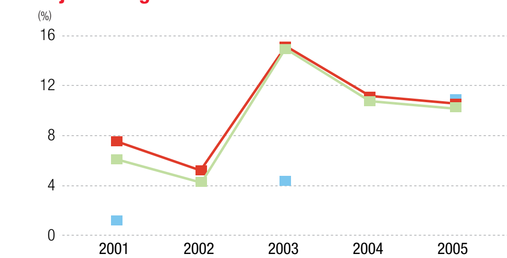
Income (Loss) Information



(¥ Bn)

Years ended 31 March	2001	2002	2003	2004	**2005**
Operating income	111.9	89.1	275.6	185.0	**158.0**
Ordinary income	89.5	74.0	271.9	181.2	**153.4**
Net income (loss)	17.5	(66.0)	79.5	(100.0)	**162.0**

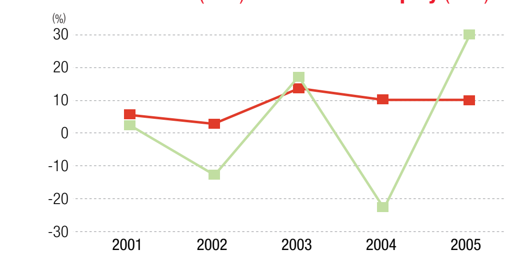
Major Management Indicators



(%)

Years ended 31 March	2001	2002	2003	2004	**2005**
Operating income-to-revenue ratio	7.6%	5.2%	15.3%	11.2%	**10.7%**
Ordinary income-to-revenue ratio	6.1%	4.3%	15.1%	10.9%	**10.4%**
Net income-to-revenue ratio	1.2%	—	4.4%	—	**11.0%**

Return on Assets (ROA) and Return on Equity (ROE)

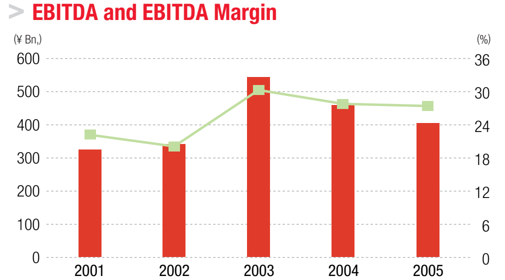


(%)

Years ended 31 March	2001	2002	2003	2004	**2005**
ROA (1)	6.9%	4.1%	14.9%	11.3%	**11.3%**
ROE (2)	3.4%	(14.3%)	18.5%	(24.2%)	**30.2%**

Note 1: (Operating income + Interest received + Dividends received) / Average total assets
Note 2: Net income / Average shareholders' equity

EBITDA and EBITDA Margin

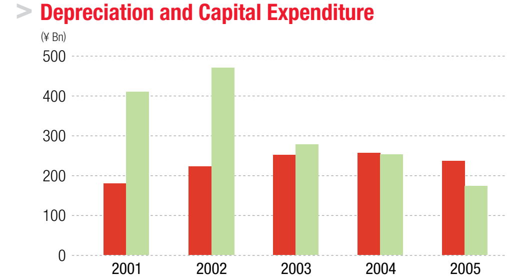


(¥ Bn,%)

Years ended 31 March	2001	2002	2003	2004	**2005**
EBITDA (1)	325.8	341.8	544.2	460.0	**403.1**
EBITDA margin (2)	22.2%	20.1%	30.3%	27.8%	**27.4%**

Note 1: Operating income + Depreciation and amortization + Loss on disposal of fixed assets
Note 2: EBITDA / Operating revenues

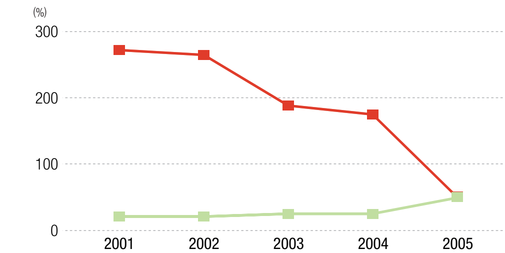
Depreciation and Capital Expenditure



(¥ Bn)

Years ended 31 March	2001	2002	2003	2004	**2005**
Depreciation	180.3	222.5	252.4	258.0	**236.9**
Capital expenditure—fixed asset addition	410.3	471.3	279.3	253.1	**174.3**

Debt/Equity Ratio and Shareholders' Equity Ratio

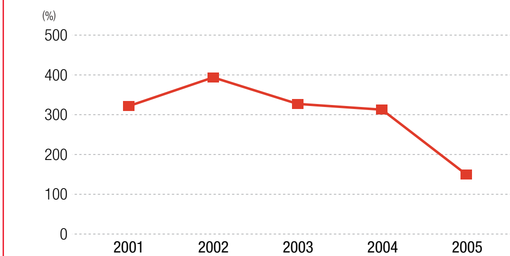


(%)

Years ended 31 March	2001	2002	2003	2004	**2005**
Debt/equity ratio [1]	272.2%	264.9%	188.5%	175.1%	**52.3%**
Shareholders' equity ratio [2]	21.2%	21.1%	25.3%	25.3%	**52.1%**

Note 1: Interest-bearing debt (year-end) / Shareholders' equity (year-end)
Interest-bearing debt = Bonds + Long-term borrowings + Short-term borrowings + Current portion of long-term liabilities
Note 2: Shareholders' equity (year-end) / Total assets (year-end)

Fixed Assets-to-Net Worth Ratio

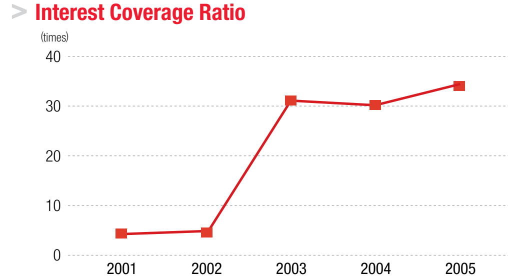


(%)

Years ended 31 March	2001	2002	2003	2004	**2005**
Fixed assets-to-net worth ratio	321.8%	393.8%	327.2%	312.7%	**149.3%**

Note: Fixed assets (year-end) / Shareholders' equity (year-end)

Interest Coverage Ratio

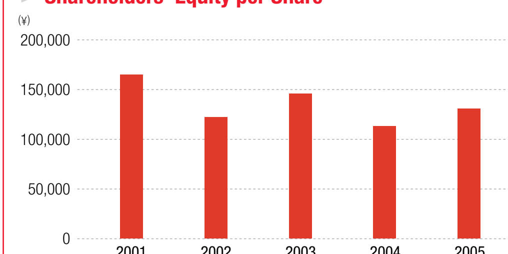


(times)

Years ended 31 March	2001	2002	2003	2004	**2005**
Interest coverage ratio	4.4	4.6	31.1	30.2	**33.9**

Note: (Operating income + Interest received + Dividends received) / Interest paid

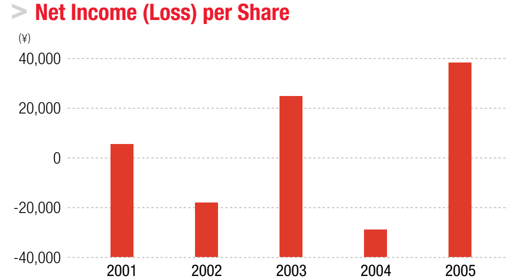
Shareholders' Equity per Share



(¥)

Years ended 31 March	2001	2002	2003	2004	**2005**
Shareholders' equity per share	165,394	122,494	145,828	113,150	**130,863**

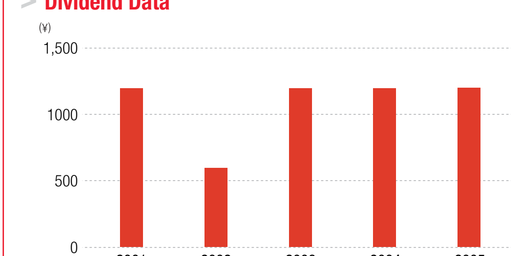
Net Income (Loss) per Share



(¥)

Years ended 31 March	2001	2002	2003	2004	**2005**
Net income (loss) per share	5,491	(20,646)	24,855	(31,310)	**38,341**

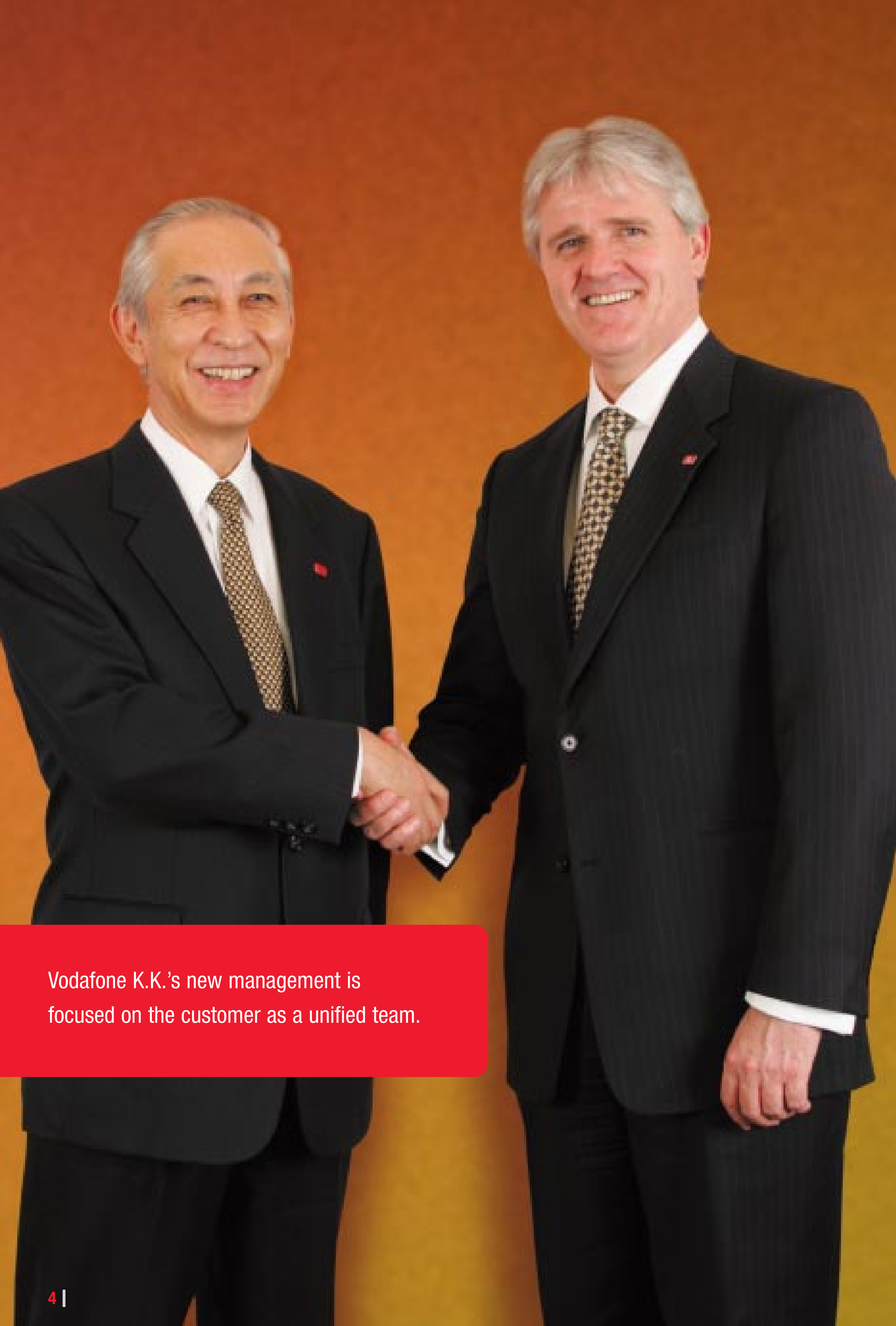
Dividend Data



(¥,%)

Years ended 31 March	2001	2002	2003	2004	**2005**
Dividends per share	1,200	600	1,200	1,200	**1,200**
Dividend payout ratio	32.0%	—	39.4%	—	**3.6%**

Note: On 20 August 2001, a 5-for-1 share split became effective. The figures concerning shareholders' equity per share, net income per share and dividend data for the year ended 31 March 2001 were calculated as if the share split occurred at the beginning of 1999.



Vodafone K.K.'s new management is focused on the customer as a unified team.

Fiscal 2004 in review

Fiscal 2004 proved to be a challenging year for Vodafone K.K. as market conditions became increasingly severe and our overall competitiveness fell. This was mainly due to our new 3G technology not being fully up to customer expectations and an underestimation in the required overlap time for the 2G (PDC) network.

Vodafone K.K. business operating revenue decreased by 2.6%, compared to the previous fiscal year, to ¥1,470.2 billion. Within this total, telecommunications service revenue declined by 4.7% to ¥1,150.1 billion. Ordinary income declined by 15.4%, compared to the previous fiscal year, to ¥153.8 billion, mainly due to lower service revenue. Net customer additions totalled 89,300, representing a 1.7% share of market net additions for the fiscal year.

Good progress was made in our 9-to-1 integration transformation plan. One noteworthy initiative was a change in our backbone cost structure, where we started to go from leased lines to dark fibre, and this has enabled us to be able to sustain costs going forward.

Consolidated operating revenues and consolidated ordinary income declined by 11.2% to ¥1,470.0 billion and 15.4% to ¥153.4 billion respectively, primarily due to the deconsolidation of the fixed-line business on 1 October 2003, which was not included in the fiscal 2004 results. Consolidated net profit was ¥162.0 billion, an increase of ¥262.0 billion from the previous fiscal year, after extraordinary losses of ¥25.5 billion and a deferred tax credit of ¥89.9 billion.

Recent improvements

While we lost ground in fiscal 2004 in our transition to 3G, many actions are currently underway to improve our performance. On 1 June 2005, we introduced new flat-rates for packet data usage and messaging, and we followed this with a flat-rate for voice calls among family members. We think these and other improvements led to our first month of positive net additions in June 2005, a return to growth after five months of consecutive losses. While we take this as a positive sign, we know there is much more work to be done.

Mid-term plan and customer focus

After taking our positions as the new leadership team on 1 April 2005, we spent our first 90 days putting together a mid-term plan, one that was based on extensive feedback from customers, business partners and employees. We believe this strategy and our new customer-centric focus will put Vodafone K.K. back on a growth footing.

The communications industry structure in Japan is changing, more so than it has since the inception of mobile services in Japan. For this reason, we are looking at new ways to grow our business and will be moving into the wholesale business to leverage our high-quality network. We will also seek fixed-mobile convergence (FMC) opportunities by working with multi-access providers using technologies like WiMAX or Wi-Fi.

With our future products and services, we are very much committed to putting the customer first, and will have a segment-oriented focus on handset designs, services, prices, tariffs, stores, advertising and other aspects of our offering. We will also address loyalty in a new way that effectively utilises customer behaviour insights and market trends. Our market research shows that we can serve small communities best, so we will focus on friends, families and certain business communities.

We will look at addressing handset costs, and work closely with the Vodafone Group to utilise their global scale and scope while balancing with our local customer needs. Future handsets will have what we believe to be leading-edge and unique features associated with messaging, one of our core strengths historically, and one that we continue to be well-positioned in. Our services will be enhanced and enriched in many ways to offer new, innovative, rich forms of communication. We will also improve the quality, coverage and capacity of our network and focus on “ease of use” where our customers live, by investing ¥260 billion this fiscal year, a significant increase from ¥166.7 billion in fiscal 2004.

New organisation and vision

As of 1 July 2005, we implemented a customer-focused organisation to execute on our plans. We realigned our organisation into consumer, enterprise and, in the near future, wholesale business units to focus on their respective customers. Supplier units will focus on the business units as their customers, and enabler units will serve both the supplier units and the business units, providing a certain level of service to them so they can in turn serve external customers. New cross-functional committees and bodies, which are aligned with this new organisation structure, have been put into place to make decisions, review past performance and set future objectives and plans, and additional appointments of key Japanese business leaders will complement our management team.

To summarise our new vision, we want to serve small communities of people, we want to achieve the highest loyalty we can have within selected segments we are strong in, we want to continue to bring in new innovative messaging services, we want to be the easiest company to do business with, and we want to have the easiest to use handsets and services so we can simplify people’s lives.

We thank you for your continued support as we embark on this new and exciting journey.

Shiro Tsuda
Executive Chairman

Bill Morrow
President

Our vision is to serve communities of people and offer new, innovative messaging services so people can stay more connected.

We know the Japanese market well and we know what our challenges are. We have adopted a customer-centric approach to ensure our future growth. We are working closely together with our valued business partners—handset and infrastructure suppliers, content providers and distributors.

At Vodafone K.K., we have a clear legacy and we are a proven challenger. We believe we have the plans, and the ability, to bring ourselves back to growth.

Areas of focus

> Offering attractive handsets >>>>>>>>>>>>>>>>>>>>>>>>>>>> See pp.08–09

We are working to offer a variety of attractive, Japan-centric handsets by collaborating with our customers

> Launching innovative services >>>>>>>>>>>>>>>>>>>>>>>>>>> See pp.10–11

Building on our proud heritage as pioneers, we are committed to offering leading-edge services

> Enhancing 3G network coverage

We are investing to achieve 3G network coverage and quality that is on parity with our competitors

> Improving customer loyalty

We will put greater focus on increasing loyalty in targeted market segments to grow our customer base

New design initiative

As part of a new handset design initiative to offer customers greater choice in style and variety, Vodafone K.K. began developing select models by specifying its own design concepts and then working closely with handset vendors to bring them to market.

The KOTO V303T by Toshiba, released in May 2004, represented the first model using this new approach to handset development. Combining traditional and modern elements of Japanese design, the KOTO has dial keys that are delicately constructed like the strings of a *koto* (a Japanese traditional musical instrument) and a lacquer-like surface to add an attractive gloss.

The V602T, also by Toshiba and released in November 2004, used a new design concept employing two different textures, rather than conventional colour variations. The "metal" variation features a dimpled exterior while the "ceramic" version has a grooved finish reminiscent of porcelain.

Most recently, the V501SH by Sharp, which comes with "texture panels" that alter the handset's tactile feel, and the V501T by Toshiba, which lets customers change a handset's appearance with interchangeable "costume covers", were rolled out in June and July 2005 respectively.

KOTO V303T

V602T

First camera phone with optical zoom

In July 2004, Vodafone K.K. introduced the world's first mobile handset to feature an embedded camera with optical zoom capability. Combined with its high-specification 2 megapixel autofocus CCD camera and unique "Swivel Style" design, the V602SH by Sharp can be used as a true digital camera in any setting. The 902SH and V603SH, subsequent handsets by Sharp, rolled out in December 2004 and February 2005 respectively, also featured 2 megapixel cameras with optical zoom.

TV and karaoke

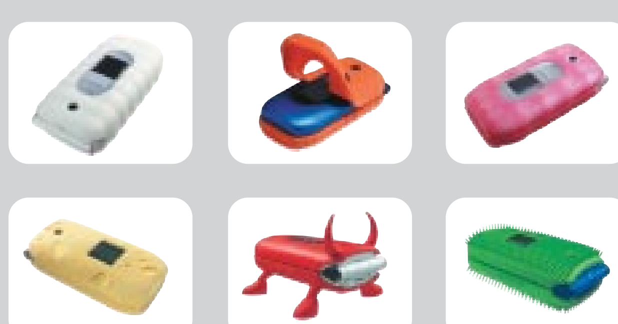
In July 2004, Vodafone K.K. introduced its first V-kara Mobile Karaoke handsets, the V602SH by Sharp and the V601T by Toshiba, enabling customers to enjoy karaoke on a large screen by connecting handsets to their TVs. An authentic home karaoke environment can be created by downloading song content on Vodafone live!, connecting video output cables to a TV and then singing into a handset microphone to have vocals added to the audio mix. To make for more fun with friends and family, an enhanced version of V-kara that can award points after a song has been performed was offered with the release of V603SH by Sharp and V603T by Toshiba in February 2005.

Motion Control Sensor

The V603SH by Sharp, introduced in February 2005, was the first handset in Japan to feature a Motion Control Sensor that recognises and responds to movements, enabling customers to experience a host of new features not available in mobile phones until now. Jointly developed by Aichi Steel Corporation and Vodafone K.K., the one-chip sensor lets customers perform menu operations by moving the handset up, down, left or right and call up often-used functions (shortcuts) by moving the handset in a variety of preset patterns. Customers can also enjoy new possibilities with mobile gaming, such as aiming a gun by moving the handset while playing shooting games or swinging the phone like a golf club in golf games. The Motion Control Sensor was also introduced to the V501SH handset by Sharp, released in June 2005, and the list of Motion Control Sensor content continues to grow, with mail applications, sports titles and more.

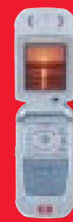
Costume covers

In a completely new design concept, the V501T handset lets customers completely change the look of their handsets, not just colours or patterns, by attaching tightly fitting silicone "costume covers". Fanciful forms and shapes such as tire, bull, cheese, lawn and mermaid motifs are available.



New 3G handsets with global specifications

A new Vodafone live! 3G service and platform based on WAP 2.0/MMS global specifications was launched in December 2004, with seven 3G handsets rolled out from December 2004 to February 2005. These consisted of the Vodafone 702NK by Nokia, 702MO and 702sMO by Motorola, 802SE by Sony Ericsson, 902SH and 802SH by Sharp and 802N by NEC. The 902T by Toshiba was later offered in June 2005.



Vodafone 702MO

Clamshell handset with global roaming support and twin cameras for video call enjoyment

Vodafone 702sMO

Stylistic variation of the 702MO handset with a smooth and straight design for ease of use

Vodafone 702NK

High-performance straight model with PC Link function for synchronizing calendar and contacts with a PC

Vodafone 802SE

Handset features a sleek, sophisticated Scandinavian design and a Motion Eye™ rotating camera

Vodafone 802N

Features enhanced messaging functions like Picture Voice® and Chance Capture® for richer communications

Vodafone 802SH

Compact handset with Mobile ASV display, 1.3 megapixel camera and "Swivel Style" design

Vodafone 902SH

Model features a Mobile ASV display and advanced 2.02 megapixel mobile camera with 2x optical zoom

Vodafone 902T

High-end model with "Active Turn Style" design for easy photography and video call enjoyment

Three new tariffs for greater mobile freedom

On 1 June 2005, Vodafone K.K. began a staggered rollout of three flat-rate services—Mail Flat-rate, Dual Packet Flat-rate and Family Call Flat-rate. Based on extensive customer feedback from heavy e-mail users, light users of web services and families, these services let customers enjoy Vodafone K.K. services at reasonable prices with more confidence.

Building on Vodafone K.K.'s heritage as a pioneer in messaging services, Mail Flat-rate lets customers with 3G handsets send and receive within Japan as much mail as they like, both to Vodafone K.K. and non-Vodafone K.K. addresses, for a fixed monthly charge of 800 yen (840 yen including tax).

Dual Packet Flat-rate is a usage-based, two-tier revision to the Packet Free packet communications flat-rate introduced in November 2004. In addition, customers on two price plans for light users are also able to sign up for Dual Packet Flat-rate.

Marking a first in the Japanese mobile market, Family Call Flat-rate makes it possible for family members signed up to the Family Discount to call each other as much as they like by paying for an additional flat-rate option that has a fixed monthly charge of 300 yen (315 yen including tax).

New 3G Vodafone live! web services

In December 2004, the company launched new Vodafone live! with 3G services based on world-standard WAP 2.0/MMS, to coincide with the introduction of the first of its range of 7 new 3G handsets. To take Vodafone live! web services to the next level, the per-page download size on the new WAP 2.0 platform was expanded to a maximum 300 kilobytes, and file download sizes were also increased. This expanded bandwidth makes it possible to provide customers with Chaku-Uta® real-song ring tones that are over twice the length of previous versions, high-quality e-comics and 3D games with better graphics, sound and depth. Virtual live video downloads were also launched, enabling customers to check weather and crowd conditions up-to-the-minute, or even wave levels before they go surfing. Full music track downloads and real-time video and audio streaming services were also launched.

Expanded roaming network

Vodafone K.K. further expanded its global roaming network to offer richer global communications to customers. As of 30 June 2005, Vodafone K.K. 3G customers could enjoy roaming services in 119 countries and regions with 160 operators. Video call roaming was also launched in December 2004, a first for the Japanese market.

Notably, in June 2005 Vodafone K.K. began offering roaming services on SK Telecom Co., Ltd.'s W-CDMA network for its 3G customers, marking the first time for an operator in Japan to offer roaming in South Korea on a W-CDMA network. Previously, customers traveling to that country had to rent dedicated CDMA handsets to roam on local CDMA networks, but with the opening of W-CDMA networks there, it is now possible for customers to take their 3G handsets for use in South Korea, a top-ranking travel destination for Japan residents.

Enhancing personal safety

In late April, Vodafone K.K. began offering a Disaster Message Board Service so customers can confirm personal safety information concerning their family and friends in the event of a major disaster, such as a large earthquake.

The Disaster Message Board Service, which is available on the Vodafone live! web, lets customers in disaster-affected areas register their status by selecting from options like “I'm fine” or “I'm at the evacuation area” and input comments in either Japanese or English of up to 100 full-sized characters.

In the event of a major disaster, messages registered to the Disaster Message Board can be confirmed on Vodafone live! or with non-Vodafone K.K. handsets or PCs by using the internet. In addition, customers can have automatic notifications sent to their family and friends regarding their personal safety information on the Disaster Message Board, if the mail addresses are pre-registered.

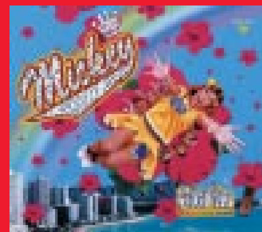
Clear and simple services for the business market

In June 2005, Vodafone K.K. reduced monthly basic charges for Vodafone Mobile Office, a price plan for business customers that makes it possible to use Vodafone K.K. 3G handsets as office extensions for free calls between company handsets.

Lonely No More / rob thomas

Music Videos

WARNER MOBILE



Mickey / Gorie with Jasmine & Joann

Music Tracks

R and C

Animation

Psalms of Planets Eureka seveN

Drama

Winter Sonata

Vodafone live! BB

Debuts

Vodafone live! BB, launched in December 2004, allows 3G customers to download high-quality audio or visual content that is too large to access on their mobiles. Customers first download encrypted content on a PC and then transfer it to their mobile handset via a memory card or another method. The content can then be unlocked by purchasing a “content key” over the mobile network. A large selection of exciting content from many genres is now available.


Warai Meshi

Comedy

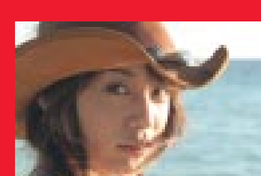
Yoshimoto Bakushou Selection

Sports

Serie A Highlights

Relaxation

Kitaeru Yoga


Kana Ito

Pin-ups

Horipro.Net-TV

The Vodafone Group is driven by four core Values, described internally as Passions: for customers, our people, results and the world around us. The Group has also developed six strategic goals, one of which is to "be a responsible business". This formalises the importance of corporate social responsibility at a strategic level and reinforces the drive to integrate it into the business. As a member of the Vodafone Group, Vodafone K.K. is also committed to corporate social responsibility and continues to implement local initiatives to achieve its goal of being a responsible business.

Stopping spam

In February and May 2005, Vodafone K.K. introduced limitations on sending SMS and MMS to its 3G service, effectively placing sending restrictions on all of its Vodafone live! mail services. In March 2005, new functions were introduced to block "spoof mails", messages sent via PCs with addresses that pose as handset addresses, and e-mails with URLs linking to dating and adult sites. These combined measures have made mobile internet usage more comfortable for customers.

Encouraging mobile etiquette

In October 2004, Vodafone K.K. began distributing posters and pamphlets with information on mobile etiquette, how to avoid spam e-mails and false billing schemes, precautions for dating sites, and other relevant topics to promote safe and responsible mobile use. The pamphlets are available at the more than 1,800 Vodafone shops nationwide, and an electronic version is also available at the www.vodafone.jp website. Both printed and electronic versions are being updated on a regular basis.

Supporting the Special Olympics

Vodafone K.K. helped support the 2005 Special Olympics World Winter Games by lending 350 mobile handsets to athletes and volunteers free of charge. The Special Olympics is an international organisation dedicated to empowering individuals with intellectual disabilities to become physically fit, productive and respected members of society through sports training and competition. The 2005 Special Olympics World Winter Games were the first to be held in Asia since the organisation was founded in 1968.

2005
Special Olympics
World Winter Games
Nagano Japan
Special Olympics

Vodafone Mobile Eco School

To increase environmental awareness and promote the use of mobile handsets as an educational tool, the Mobile Eco School Awards programme was launched in July 2003. In 2004, students from 24 high schools nationwide demonstrated science research projects on subjects such as fauna, space, weather patterns and buildings. The team that won the Grand Prix prize in November 2004 won prizes and a study tour to Australia.

Five-year Summary

Years ended 31 March 2001 to 2005	2001	2002	2003	2004	2005
			Billions of Yen		
Operating Revenues	¥1,465.4	¥1,704.0	¥1,796.9	¥1,655.7	¥1,470.0
Mobile Telecommunications	—	1,336.6	1,451.0	1,504.1	1,470.0
Fixed-line Telecommunications	—	360.6	340.5	151.6	—
Others	—	6.9	5.4	—	—
Operating Income	111.9	89.1	275.6	185.0	158.0
Ordinary Income	89.5	74.0	271.9	181.2	153.4
Net Income (Loss)	17.5	(66.0)	79.5	(100.0)	162.0
EBITDA	325.8	341.8	544.2	460.0	403.1
EBITDA margin (%)	22.2%	20.1%	30.3%	27.8%	27.4%
Depreciation	180.3	222.5	252.4	258.0	236.9
Capital Expenditures—Cash Flow Statement Basis	318.9	450.8	355.7	248.6	166.8
Capital Expenditures—Fixed Asset Addition Basis	410.3	471.3	279.3	253.1	174.3
Total Assets	2,489.1	1,856.3	1,839.8	1,428.2	1,364.4
Interest-bearing Debt	1,438.5	1,036.7	878.7	632.9	371.5
Total Shareholders' Equity	528.5	391.4	466.0	361.5	710.3
MOBILE BUSINESS			Yen		
Net Income (Loss) per Share	¥ 5,491	¥(20,646)	¥ 24,855	¥(31,310)	¥ 38,341
Shareholders' Equity per Share	165,394	122,494	145,828	113,150	130,863
Dividends per Share	1,200	600	1,200	1,200	1,200
			Yen per month per unit		
Average Revenue per User (ARPU)	¥7,700	¥7,600	¥7,260	¥6,730	¥6,150
Voice Revenues	7,060	6,450	5,785	5,250	4,830
Non-voice Services Revenues	640	1,150	1,475	1,480	1,320

Note: 1 The consolidated results marked a decline from the prior fiscal year as Vodafone K.K. ceased to consolidate the results of its subsidiary, JAPAN TELECOM, from 1 October 2003, the sale of which was legally completed on 14 November 2003.
2 Operating revenues for the year ended 31 March 2001—No segment breakdown available.
3 On 20 August 2001, a 5-for-1 share split became effective. The figures concerning net income (loss) per share, shareholders' equity per share and dividends per share for the year ended March 2001 were calculated as if the share split occurred at the beginning of 1999.

Contents

Consolidated Balance Sheets

Vodafone K.K. (formerly Vodafone Holdings K.K.) and Consolidated Subsidiaries
March 31, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	¥ 638	¥ 771	$ 5,937
Accounts receivable—trade	167,880	152,265	1,562,979
Accounts receivable—other	32,070	80,548	298,573
Less: allowance for doubtful accounts	(8,335)	(10,054)	(77,595)
Inventories (Note 4)	33,222	36,242	309,300
Deferred tax assets (Note 10)	67,956	27,226	632,678
Prepaid expenses and other current assets	10,548	10,675	98,207
Total current assets	303,979	297,673	2,830,079
PROPERTY, PLANT AND EQUIPMENT:			
Telecommunications equipment (Note 5)	1,382,121	1,296,924	12,867,710
Buildings and structures	54,720	52,486	509,453
Machinery and tools	43,878	42,974	408,513
Land	8,263	8,236	76,933
Construction in progress	34,823	25,623	324,199
Total	1,523,805	1,426,243	14,186,808
Less: Accumulated depreciation	(737,467)	(583,023)	(6,865,903)
Net property, plant and equipment	786,338	843,220	7,320,905
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	2,129	35,442	19,825
Investments in unconsolidated subsidiaries and associated companies	585	585	5,443
Software	157,838	172,587	1,469,493
Goodwill	—	12,285	—
Deferred tax assets (Note 10)	67,894	18,727	632,097
Other assets (Note 6)	45,631	47,649	424,826
Total investments and other assets	274,077	287,275	2,551,684
Total assets	¥1,364,394	¥1,428,168	$12,702,668

The accompanying notes are an integral part of the consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Short-term borrowings (Note 7)	¥ 188,522	¥ 445,866	$ 1,755,159
Current portion of long-term debt (Note 7)	50,000	4,066	465,506
Accounts payable—trade	47,200	58,689	439,434
Accounts payable—other	159,232	118,885	1,482,465
Accrued expenses	5,690	7,169	52,971
Accrued income taxes	1,990	30,732	18,523
Allowance for losses on guarantees of liabilities	—	3,442	—
Other current liabilities	30,101	16,480	280,261
Total current liabilities	482,735	685,329	4,494,319
LONG-TERM LIABILITIES:			
Long-term debt (Note 7)	133,000	183,000	1,238,246
Liability for employees' retirement benefits (Note 8)	5,389	6,314	50,172
Retirement allowances for directors and executive officers	48	113	450
Allowance for point mileage	31,624	26,135	294,423
Other	1,283	1,378	11,941
Total long-term liabilities	171,344	216,940	1,595,232
MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES	—	164,359	—
COMMITMENTS AND CONTINGENCIES (Note 14)			
SHAREHOLDERS' EQUITY (Note 9)**:**			
Common stock:	177,251	177,251	1,650,230
Authorized—12,780,000 shares			
Issued 2005—5,427,946.02 shares			
2004—3,195,236.65 shares			
Capital surplus	387,503	265,508	3,607,700
Retained earnings (deficit)	145,210	(81,196)	1,351,922
Unrealized gains on available-for-sale securities, net of tax	368	(12)	3,423
Treasury stock—at cost (2005—49.08 shares and 2004—28.20 shares)	(17)	(11)	(158)
Total shareholders' equity	710,315	361,540	6,613,117
Total liabilities and shareholders' equity	¥1,364,394	¥1,428,168	$12,702,668

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Operations

Vodafone K.K. (formerly Vodafone Holdings K.K.) and Consolidated Subsidiaries
Years ended March 31, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
OPERATING REVENUES (Note 16):			
Telecommunication service revenues	¥1,150,192	¥1,347,829	$10,708,425
Sales of mobile handsets and accessories	319,822	307,822	2,977,581
Total operating revenues	1,470,014	1,655,651	13,686,006
OPERATING EXPENSES (Notes 11, 16):			
Selling and marketing expenses	493,317	525,205	4,592,837
Depreciation and amortization	236,912	257,128	2,205,677
Fees for utilization of telecommunication lines and facilities	149,740	207,741	1,394,101
Cost of sales of mobile handsets and accessories	294,382	313,053	2,740,735
Other	137,636	167,479	1,281,407
Total operating expenses	1,311,987	1,470,606	12,214,757
Operating income	158,027	185,045	1,471,249
OTHER EXPENSES (INCOME):			
Interest expense	4,672	6,130	43,500
Interest income	(24)	(23)	(223)
Lease and rental income	(508)	(511)	(4,731)
Loss on write-down of investments in securities	17	1,157	158
Loss on write-down of investments in unconsolidated subsidiaries and associated companies	—	77	—
Gain on sales of property, plant and equipment	(47)	(3,110)	(439)
Gain on sales of investments in securities	(1,444)	(4,465)	(13,447)
Loss on disposal of property, plant and equipment	—	1,310	—
Loss on sales of property, plant and equipment	132	23	1,224
Reversal of allowance for doubtful accounts	(449)	(1,357)	(4,179)
Reversal of allowance for losses on guarantees of liabilities	(3,442)	(686)	(32,046)
Loss on change of system development	20,011	—	186,301
Loss on early retirement program	5,123	—	47,697
Loss on sales of investments in consolidated subsidiaries and non-consolidated subsidiaries	156	152,332	1,451
Penalty for early repayment of debt	—	1,379	—
Other, net	546	(1,828)	5,092
Other expenses—net	24,743	150,428	230,358
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	133,284	34,617	1,240,891
INCOME TAXES (Note 10):			
Current	33,355	89,289	310,539
Deferred	(89,869)	(15,784)	(836,687)
Total income taxes	(56,514)	73,505	(526,148)
MINORITY INTERESTS IN INCOME OF CONSOLIDATED SUBSIDIARIES	27,780	61,154	258,632
Net income (loss)	¥ 162,018	¥ (100,042)	$ 1,508,407

	Yen		U.S. Dollars (Note 1)
	2005	2004	2005
PER SHARE OF COMMON STOCK (Note 2.r.):			
Net income (loss)	¥38,341	¥(31,310)	$357
Cash dividends applicable to the year	¥ 1,200	¥ 1,200	$ 11

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Vodafone K.K. (formerly Vodafone Holdings K.K.) and Consolidated Subsidiaries

Years ended March 31, 2005 and 2004

	Thousands	Millions of Yen					
	Issued number of shares of common stock	Common stock	Capital surplus	Retained earnings (deficit)	Unrealized gains on available-for-sale securities	Foreign currency translation adjustments	Treasury stock, at cost
BALANCE AT MARCH 31, 2003	3,195	¥177,251	¥265,508	¥ 22,165	¥ 1,095	¥ 27	¥ (9)
Net loss	—	—	—	(100,042)	—	—	—
Cash dividends	—	—	—	(3,834)	—	—	—
Bonuses to directors and corporate auditors	—	—	—	(83)	—	—	—
Increase (decrease) resulting from changes in the scope of consolidation	—	—	—	137	—	(27)	—
Increase due to merger of consolidated and unconsolidated subsidiaries	—	—	—	461	—	—	—
Decrease in unrealized gain on available-for-sale securities	—	—	—	—	(1,107)	—	—
Net increase in treasury stock	—	—	—	—	—	—	(2)
BALANCE AT MARCH 31, 2004	3,195	¥177,251	¥265,508	¥ (81,196)	¥ (12)	¥ —	¥(11)
Net income	—	—	—	162,018	—	—	—
Cash dividends	—	—	(1,917)	(1,917)	—	—	—
Bonuses to directors	—	—	—	(6)	—	—	—
Transfer from capital surplus	—	—	(108,478)	108,478	—		—
Take over of retained earnings for merger of former Vodafone K.K.	2,233	—	232,390	(42,167)	—	—	—
Increase in unrealized gain on available-for-sale securities	—	—	—	—	380	—	—
Net increase in treasury stock	—	—	—	—	—	—	(6)
BALANCE AT MARCH 31, 2005	5,428	¥177,251	¥387,503	¥ 145,210	¥ 368	¥ —	¥(17)

	Thousands of U.S. Dollars (Note 1)					
	Common stock	Capital surplus	Retained earnings (deficit)	Unrealized gains on available-for-sale securities	Foreign currency translation adjustments	Treasury stock, at cost
BALANCE AT MARCH 31, 2004	$1,650,230	$ 2,471,912	$ (755,948)	$ (116)	$ —	$(101)
Net income	—	—	1,508,407	—	—	—
Cash dividends	—	(17,849)	(17,849)	—	—	—
Bonuses to directors	—	—	(52)	—	—	—
Transfer from capital surplus	—	(1,009,946)	1,009,946	—	—	—
Take over of retained earnings for merger of former Vodafone K.K.	—	2,163,583	(392,582)	—	—	—
Increase in unrealized gain on available-for-sale securities	—	—	—	3,539	—	—
Net increase in treasury stock	—	—	—	—	—	(57)
BALANCE AT MARCH 31, 2005	$1,650,230	$ 3,607,700	$1,351,922	$3,423	$ —	$(158)

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Cash Flows

Vodafone K.K. (formerly Vodafone Holdings K.K.) and Consolidated Subsidiaries
Years ended March 31, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 133,284	¥ 34,617	$1,240,891
Adjustments for:			
Income taxes paid	(62,098)	(161,138)	(578,137)
Depreciation and amortization	236,912	259,908	2,205,677
Pension and severance costs, less payment	(925)	968	(8,612)
Loss on write-down of investment securities	17	1,157	158
Loss on write-down of investments in unconsolidated subsidiaries and associated companies	—	77	—
Loss on sales of investments in consolidated subsidiaries and associated companies	156	152,332	1,451
Loss on disposal of property, plant and equipment	19,374	11,602	180,371
Increase in allowance for point mileage	5,489	1,637	51,100
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable—trade	(15,615)	7,212	(145,377)
(Increase) decrease in accounts receivable—other	48,142	(36,863)	448,206
(Increase) decrease in inventories	16,670	(27,018)	155,198
Decrease in accounts payable—trade	(11,489)	(2,146)	(106,966)
Increase in accounts payable—other	32,858	24,436	305,910
Decrease in accrued expenses	(630)	(4,497)	(5,868)
Other	(3,205)	(154)	(29,823)
Net cash provided by operating activities	398,940	262,130	3,714,179
INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	(166,791)	(248,601)	(1,552,843)
Proceeds from sales of property, plant and equipment	103	5,572	962
Proceeds from capital reduction of consolidated subsidiaries	—	232,289	—
Proceeds from sales of shares of consolidated subsidiaries excluded from consolidation scope	—	(50,943)	—
Purchase of investment securities	—	(50)	—
Proceeds from sales of investment securities	34,535	16,045	321,525
Other	(198)	878	(1,849)
Net cash used in investing activities	(132,351)	(44,810)	(1,232,205)
FINANCING ACTIVITIES:			
Payment for bond redemption	—	(25,000)	—
Repayment of long-term debt	(4,066)	(70,153)	(37,855)
Decrease in short-term borrowings, net	(257,345)	(123,207)	(2,395,909)
Dividends paid	(3,834)	(3,834)	(35,696)
Other	(1,477)	(1,492)	(13,755)
Net cash used in financing activities	(266,722)	(223,686)	(2,483,215)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	—	(1)	—
NET DECREASE IN CASH AND CASH EQUIVALENTS	(133)	(6,367)	(1,241)
DECREASE IN CASH AND CASH EQUIVALENTS DUE TO EXCLUSION OF CONSOLIDATED SUBSIDIARIES	—	(1,051)	—
INCREASE IN CASH AND CASH EQUIVALENTS DUE TO MERGER OF CONSOLIDATED AND UNCONSOLIDATED SUBSIDIARIES	—	75	—
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	771	8,114	7,178
CASH AND CASH EQUIVALENTS AT END OF YEAR	¥ 638	¥ 771	$ 5,937
NONCASH INVESTING AND FINANCING ACTIVITIES:			
Assets decreased due to decrease of previously consolidated subsidiaries	—	¥ 782	—
Liabilities decreased due to decrease of previously consolidated subsidiaries	—	¥ 729	—

The accompanying notes are an integral part of the consolidated financial statements.

The breakdown of assets and liabilities excluded from consolidation in connection of sales of shares of JAPAN TELECOM was as follows.

	Millions of Yen
Years ended March 31, 2005 and 2004	2004
Current assets	¥ 109,876
Non-current assets	398,524
Current liabilities	(79,161)
Non-current liabilities	(15,886)
Minority interests	(1,870)
Unrealized gains on available-for-sale securities, net of tax	(140)
Foreign currency translation adjustments	219
Book value of investments in securities sold	411,562
Proceeds from capital reduction	(232,289)
Acquisition of investments in securities	(32,500)
Loss on sale of investments in securities	(152,332)
Cash and cash equivalent	(45,384)
Payment for sales of shares of JAPAN TELECOM	¥ (50,943)

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and the Accounting Regulations for the Telecommunications Business and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. Certain reclassifications have been made in the 2004 financial statements to conform to the classifications used in 2005.

On October 1, 2004, former Vodafone Holdings K.K.(former "VHKK") merged with former Vodafone K.K.(former "VKK"), one of the consolidated subsidiaries, and changed its name to Vodafone K.K.(the "Company"). Former VHKK, the acquiring company, succeeded all of the assets and liabilities of former VKK at their carrying amounts, and allocated 2,233,371 new shares of common stock of the Company to the shares of former VKK, except for those held by the Company.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥107.41 to $1, the approximate rate of exchange at March 31, 2005. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation The consolidated financial statements as of March 31, 2005 include the accounts of the Company and its two significant (three in 2004) subsidiaries (together, the "Group").

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated. Those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in the unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

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

b. Fiscal periods of consolidated subsidiaries The accounts of the consolidated subsidiaries are prepared as of the same date as the consolidated financial statements.

c. Cash equivalents Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, certificate of deposits, commercial paper and bond funds, all of which mature or become due within three months of the date of acquisition.

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

e. Inventories Inventories are stated at cost substantially determined by the moving average method for merchandise and by the first-in, first-out method for other.

f. Investment securities Investment securities are classified and accounted for, depending on management's intent, as follows: Available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method.

For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

g. Property, plant and equipment Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated subsidiaries is computed substantially by the straight-line method based on the estimated useful lives of the assets. The range of useful lives is principally from 2 to 15 years for machinery and equipment and from 10 to 42 years for air cable facilities.

Machinery and equipment and air cable facilities have been depreciated over the respective reasonably estimated useful lives. Whereas, in connection with the promotion of third generation mobile communication service, which was launched in December 2002, Vodafone K.K. determined to terminate PDC services and dispose of PDC-related facilities in the future, and changed the useful lives of such facilities in October 2003 in order to correspond to the time of planned exit. The result of this change increased a depreciation expense by ¥11,539 million and operating income, income before income taxes and minority interests decreased respectively by the same amount.

h. Intangible assets Utilization rights for telecommunication circuits and facilities are stated at cost and amortized on a straight-line method.

Goodwill on purchase of a specific business is carried at cost less accumulated amortization, which is calculated by the straight-line method over five years.

Expenditures related to computer software development for internal use are capitalized as an intangible asset and amortized on a straight-line method over the estimated useful life of the software (five years).

i. Employees' retirement benefits Group employees are eligible to receive payments for voluntary or mandatory retirements at the age of 60. Substantially all Group employees are covered by lump-sum severance pension plans and certain employees of the Company are covered by non-contributory pension plan. Both plans are defined benefit plans and the Group recognizes liability for the retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

j. Retirement allowances for directors and executive officers Retirement allowances for directors and executive officers are recorded to state the liability at the amount that would be required if all directors and executive officers retired at each balance sheet date.

k. Allowances for point mileage Allowances for point mileage are recorded to state the estimated future obligation arising from "Vodafone Mileage Service" based on past experience.

l. Leases All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

m. Revenue recognition Telecommunications services are recognized as revenue as services are provided to customers, based upon seconds of traffic processed plus basic fees, on a monthly billings cycle basis. Sales of mobile handsets and accessories are recognized when merchandise are delivered. Revenues from rentals and other services are recognized proportionately over the contract or as services are performed.

n. Income taxes The provision for income taxes is computed based upon the pre-tax income included in the consolidated statements of operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences. A valuation allowance is provided for any portion of the deferred tax assets where it is considered more likely than not that they will not be realized.

o. Appropriations of retained earnings Appropriations of retained earnings are reflected in the financial statements of the following year upon shareholders' approval.

p. Foreign currency transactions All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at exchange rates in effect at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the income statement to the extent that they are not hedged by forward exchange contracts.

q. Derivatives and hedging activities The Group uses derivative financial instruments to manage its exposures to fluctuations in interest rates. Interest rate swaps are utilized to reduce interest rate risk. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows: a) all derivatives are recognized as either assets or liabilities and measured at fair value, with gains or losses recognized in the statements of operations and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at fair value, but the differential paid or received under the swap agreement are recognized and included in interest expense or income.

r. Per share information Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted net income per share is not presented in the accompanying consolidated financial statements, as the Group does not have any dilutive securities.

Cash dividends per share presented in the accompanying consolidated statements of operations are dividends applicable to the respective years, including dividends to be paid after the end of the year.

s. New accounting pronouncements In August 2002, the Business Accounting Council issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets", and in October 2003 the Accounting Standards Board of Japan (ASB) issued ASB Guidance No.6, "Guidance for Accounting Standard for Impairment of Fixed Assets". These new pronouncements are effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ended on or after March 31, 2004.

The new accounting standard requires an entity to review its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

The Group expects to adopt these pronouncements as of April 1, 2005 and is currently in the process of assessing the effect of adoption of these pronouncements.

3. INVESTMENT SECURITIES

The carrying amounts and aggregate fair values of investment securities at March 31, 2005 and 2004 were as follows:

(1) Available-for-sale securities (market value applicable)

	Millions of Yen					
	2005			2004		
	Cost	Fair value (Carrying amount)	Difference	Cost	Fair value (Carrying amount)	Difference
Securities for which market value exceeds cost:						
Equity securities	¥139	¥762	¥623	¥140	¥830	¥691
Sub-total	139	762	623	140	830	691
Securities for which market value does not exceed carrying amount:						
Equity securities	1	1	—	—	—	—
Sub-total	1	1	—	—	—	—
Total	¥140	¥763	¥623	¥140	¥830	¥691

	Thousands of U.S. Dollars		
	2005		
	Cost	Fair value (Carrying amount)	Difference
Securities for which market value exceeds cost:			
Equity securities	$1,289	$7,093	$5,804
Sub-total	1,289	7,093	5,804
Securities for which market value does not exceed carrying amount:			
Equity securities	10	8	(2)
Sub-total	10	8	(2)
Total	$1,299	$7,101	$5,802

(2) Major securities for which market quotations are unavailable

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
	Carrying Amount	Carrying Amount	Carrying Amount
Available-for-sale securities			
Equity securities of nonpublic companies	¥1,367	¥34,612	$12,724

(3) Sales of available-for-sale securities

Proceeds from sales of available-for-sale securities for the years ended March 31, 2005 and 2004 were ¥34,535 million ($321,525 thousand) and ¥16,045 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥1,444 million ($13,447 thousand) and ¥28 million ($262 thousand), respectively, for the year ended March 31, 2005 and ¥4,465 million and ¥1 million, respectively, for the year ended March 31, 2004.

4. INVENTORIES

Inventories at March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Merchandise	¥32,896	¥35,483	$306,263
Supplies	326	759	3,037
Total	¥33,222	¥36,242	$309,300

5. PROPERTY, PLANT AND EQUIPMENT

Telecommunications equipment at March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Machinery and equipment (principally transmitters and exchangers)	¥1,102,198	¥1,034,950	$10,261,597
Air cable facilities	270,281	253,561	2,516,349
Line connector facilities	1	8	9
Local line facilities	2,164	1,894	20,147
Long-distance line facilities	4,115	3,239	38,308
Civil construction facilities	3,362	3,272	31,300
Total	¥1,382,121	¥1,296,924	$12,867,710

6. OTHER ASSETS

Other assets at March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Utilization rights for telecommunication circuits and facilities	¥ 4,457	¥ 5,206	$ 41,495
Other	41,174	42,443	383,331
Total	¥45,631	¥47,649	$424,826

7. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Borrowings from associated companies with a weighted average interest rate of 0.38% for the years ended March 31, 2005 and 2004	¥188,522	¥445,866	$1,755,159
Total	¥188,522	¥445,866	$1,755,159

Long-term debt at March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Unsecured loans from banks and other financial institutions with a weighted average interest rate of 2.34% for the year ended March 31, 2005 and 2.26% for the year ended March 31,2004	¥ 8,000	¥ 12,066	$ 74,481
Sub-total	8,000	12,066	74,481
Unsecured 2.575% yen bonds due April 2008	25,000	25,000	232,753
Unsecured 2.500% yen bonds due August 2010	25,000	25,000	232,753
Unsecured 1.930% yen bonds due August 2005	25,000	25,000	232,753
Unsecured 2.000% yen bonds due August 2010	25,000	25,000	232,753
Unsecured 1.270% yen bonds due August 2005	25,000	25,000	232,753
Unsecured 2.280% yen bonds due September 2010	25,000	25,000	232,753
Unsecured 1.780% yen bonds due September 2006	25,000	25,000	232,753
Sub-total	175,000	175,000	1,629,271
Total	183,000	187,066	1,703,752
Less current portion	(50,000)	(4,066)	(465,506)
Long-term debt, less current portion	¥133,000	¥183,000	$1,238,246

Annual maturities of long-term debt as of March 31, 2005 for the next five years and thereafter were as follows:

	Millions of Yen	Thousands of U.S. Dollars
2006	¥ 50,000	$ 465,506
2007	33,000	307,234
2008	—	—
2009	25,000	232,753
2010	—	—
2011 and thereafter	75,000	698,259
Total	¥183,000	$1,703,752

8. RETIREMENT AND PENSION PLANS

The Group sponsors lump-sum severance and non-contributory pension plans. The liability for employees' retirement benefits at March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Projected benefit obligation	¥(5,868)	¥(6,714)	$(54,633)
Fair value of plan assets	479	400	4,461
Net liability	¥(5,389)	¥(6,314)	$(50,172)

The components of net periodic pension benefit costs were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Service cost	¥1,070	¥1,845	$9,965
Interest cost	143	220	1,332
Expected return on plan assets	—	(11)	—
Recognized gain	(366)	(854)	(3,411)
Additional benefits granted to employees	4,658	2	43,367
Net periodic retirement benefit costs	¥5,505	¥1,202	$51,253

Assumptions used for the years ended March 31, 2005 and 2004 were set forth as follows:

	2005	2004
Discount rate	2.5%	2.25%
Expected rate of return on plan assets	0.0%	4.0%
Amortization period of prior service cost	1 year	1 year
Recognition period of actuarial gain/loss	1 year	1 year

9. SHAREHOLDERS' EQUITY

Japanese companies are subject to the Japanese Commercial Code (the "Code"). The Code requires that all shares of common stock are recorded with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock. The remaining net proceeds are recorded as additional paid-in capital, which is included in capital surplus. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration as a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The Code also provides that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings) until such reserve and additional paid-in capital equals 25% of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 25% of the common stock may be available for dividends by resolution of the shareholders. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The Code allows Japanese companies to repurchase treasury stock by resolution of the shareholders at the general shareholders meeting and to dispose of such treasury stock by resolution of the Board of Directors. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amount of common stock, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders meeting.

In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends. The amount of retained earnings available for dividends under the Code was ¥228,413 million ($2,126,555 thousand) as of March 31, 2005, based on the amount recorded in the parent company's general books of account.

Dividends are approved by the Directors at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semi-annual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

10. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 41.0% and 42.0% for the year ended March 31, 2005 and 2004, respectively.

The tax effects of significant temporary differences and loss carryforwards, which resulted in deferred tax assets and liabilities at March 31, 2005 and 2004, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Deferred tax assets:			
Tax loss carryforwards	¥170,674	¥194,723	$1,588,985
Allowance for point mileage	12,966	10,715	120,713
Depreciation	9,433	3,524	87,825
Unearned revenue	8,819	3,296	82,108
Accounts payable - other	7,852	5,975	73,107
Loss on disposal of software	6,186	—	57,589
Deemed depreciation	5,778	—	53,793
Write-down of investment in associated companies	5,613	1,275	52,255
Allowance for doubtful accounts	3,417	1,500	31,816
Inventories	3,358	9,601	31,264
Accrued retirement benefits	2,179	2,528	20,290
Advances received	2,053	1,838	19,118
Accrued bonuses	1,757	2,016	16,354
Accrued enterprise taxes	261	3,248	2,427
Allowance for losses on guarantees of liabilities	—	1,401	—
Other	1,480	2,918	13,784
Gross deferred tax assets	241,826	244,558	2,251,428
Valuation allowance	(105,721)	(198,322)	(984,274)
Total deferred tax assets	136,105	46,236	1,267,154
Deferred tax liabilities:			
Unrealized gains on securities	(255)	(283)	(2,379)
Total deferred tax liabilities	(255)	(283)	(2,379)
Net deferred tax assets	¥135,850	¥45,953	$1,264,775

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of operations for the years ended March 31, 2005 and 2004 were as follows:

	2005	2004
Normal effective statutory tax rate	41.0%	42.0%
Unrecognized deferred tax of unrealized gain	—	(3.9)
Valuation allowance	(51.5)	459.9
Tax credit for IT investment	(1.5)	(22.6)
Utilization of tax loss carryforwards	(19.0)	—
Permanently non-taxable income	(9.9)	(282.0)
Expenses not deductible for income tax purpose	0.3	2.1
Per capital levy of local resident income taxes	—	0.6
Effect of tax rate change	—	15.7
Other	(1.8)	0.5
Actual effective tax rate	(42.4)%	212.3%

At March 31, 2005, certain subsidiaries have tax loss carryforwards aggregating approximately ¥418,566 million ($3,896,900 thousand) which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2006	¥ —	$ —
2007	—	—
2008	—	—
2009	—	—
2010	3,579	33,324
2011	414,906	3,862,824
2012	81	752
Total	¥418,566	$3,896,900

11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥6,600 million ($61,445 thousand) and ¥413 million for the years ended March 31, 2005 and 2004, respectively.

12. LEASES

The Group leases certain machinery, equipment, tools, furniture, fixtures and other assets.

Total rental expenses for the year ended March 31, 2005 were ¥27,675 million ($257,654 thousand), including ¥965 million ($8,988 thousand) of lease payments under finance leases.

Pro forma information of leased property, such as acquisition cost, accumulated depreciation, obligations under finance lease, depreciation expense, interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2005 and 2004, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Machinery and equipment	¥ 459	¥ 47,166	$ 4,273
Tools, furniture and fixtures	1,187	1,538	11,052
Other	2,614	5,334	24,340
Total	4,260	54,038	39,665
Less: Accumulated depreciation	(3,189)	(52,045)	(29,690)
Net leased property	¥ 1,071	¥ 1,993	$ 9,975

Obligations under finance leases at March 31, 2005 and 2004 were:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Due within one year	¥ 492	¥ 958	$4,581
Due after one year	579	1,035	5,394
Total	¥1,071	¥1,993	$9,975

The amounts of acquisition cost and obligations under finance leases include the imputed interest expense portion.

Depreciation expense, which was not reflected in the accompanying consolidated statements of operations computed by the straight-line method, was ¥965 million ($ 8,988 thousand) and ¥7,231 million for the years ended March 31, 2005 and 2004, respectively.

The minimum rental commitments under noncancellable operating leases at March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Due within one year	¥ 2,848	¥ 2,471	$ 26,520
Due after one year	15,056	16,615	140,171
Total	¥17,904	¥19,086	$166,691

13. DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into interest swap contracts to manage its interest rate exposure on certain liabilities. All derivative transactions are entered into to hedge interest exposures incorporated within its business. Accordingly, market risk in these derivatives is largely offset by opposite movements in the value of hedged assets or liabilities. The Group does not hold or issue derivatives for trading or speculative purposes. Because the counterparties to those derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk. Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amount.

	Millions of Yen					
	2005			2004		
	Contract Amount	Fair Value	Unrealized Gain (Loss)	Contract Amount	Fair Value	Unrealized Gain (Loss)
Interest rate swap agreements:						
Receive—float / pay—fix	¥—	¥—	¥—	¥32,500	¥(94)	¥(94)
Total	¥—	¥—	¥—	¥32,500	¥(94)	¥(94)

14. COMMITMENTS AND CONTINGENT LIABILITIES

The Group has a Revolving Credit Facility Agreement with an associated companies. The available commitments at March 31, 2005 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Facility Amount	¥150	$1,397
Outstanding advances	131	1,220
Available commitment	19	177

At March 31, 2005, the Company has made certain guarantees and similar items in the form of joint guarantees of ¥2,802 million ($26,084 thousand), under which it may be required to make payment. The allocation to the Company was ¥2,562 million ($23,850 thousand).

15. SUBSEQUENT EVENTS

Appropriations of retained earnings

The following appropriations of retained earnings at March 31, 2005 were approved at the Board of Directors meeting held on May 24, 2005:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥600 ($5.59) per share	¥3,257	$30,321

16. SEGMENT INFORMATION

Information about industry and geographic segments and sales to foreign customers for the years ended March 31, 2005 and 2004 is as follows:

(1) Segment information by business category

Segment information by business category for the year ended March 31, 2005 is not presented since the Group manages only mobile communication services.

Year Ended March 31, 2004	Millions of Yen
I. Operating revenues and operating income	
Operating revenues	
(1) Outside customers	
Fixed-line telecommunications	¥ 151,567
Mobile telecommunication business	1,504,084
Total	1,655,651
Inter-segment	—
Consolidated total	¥1,655,651
(2) Inter-segment	
Fixed-line telecommunications	¥ 23,489
Mobile telecommunication business	4,738
Total	28,227
Inter-segment	(28,227)
Consolidated total	¥ —
Operating revenues total	
Fixed-line telecommunications	¥ 175,056
Mobile telecommunication business	1,508,822
Total	1,683,878
Inter-segment	(28,227)
Consolidated total	¥1,655,651
Operating expenses	
Fixed-line telecommunications	¥ 172,525
Mobile telecommunication business	1,326,566
Total	1,499,091
Inter-segment	(28,485)
Consolidated total	¥1,470,606
Operating income	
Fixed-line telecommunications	¥ 2,531
Mobile telecommunication business	182,256
Total	184,787
Inter-segment	258
Consolidated total	¥ 185,045

Year ended March 31, 2004	Millions of Yen
II. Assets, depreciation and capital expenditures	
Assets	
Fixed-line telecommunications	¥ —
Mobile telecommunication business	1,428,168
Total	1,428,168
Inter-segment	(—)
Consolidated total	¥1,428,168
Depreciation	
Fixed-line telecommunications	¥ 32,243
Mobile telecommunication business	225,764
Total	258,007
Inter-segment	(31)
Consolidated total	¥ 257,976
Capital expenditures	
Fixed-line telecommunications	¥ 9,162
Mobile telecommunication business	243,919
Total	253,081
Inter-segment	(—)
Consolidated total	¥ 253,081

(2) Segment information by geographic area

Segment information classified by geographic area is not presented since the domestic share of the total of all segment operating revenues and assets were over 90 percent for the year ended March 31, 2004 and there were no overseas consolidated subsidiaries or major overseas branches for the year ended March 31, 2005.

(3) International operating revenues

International operating revenues are not presented since such revenues were less than 10 percent of consolidated operating revenues.

17. RELATED PARTY TRANSACTIONS

The balances with the affiliated companies at March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Accounts receivable—other	¥ 1,500	¥ —	$ 13,969
Total	¥ 1,500	¥ —	$ 13,969
Short-term borrowings	¥188,350	¥445,595	$1,753,562
Accounts payable—other	17,675	—	164,557
Accrued expenses	93	198	862
Total	¥206,118	¥445,793	$1,918,981

Transactions with affiliated companies for the years ended March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Other income	¥ 64	¥ —	$ 595
Total	¥ 64	¥ —	$ 595
Operating expenses	¥1,209	¥ —	$11,259
Interest expense	582	2,000	5,416
Other expenses	131	218	1,224
Total	¥1,922	¥2,218	$17,899

Deloitte.

Deloitte Touche Tohmatsu
MS Shibaura Building
4-13-23, Shibaura
Minato-ku, Tokyo 108-8530
Japan
Tel: +81(3)3457 7321
Fax: +81(3)3457 1694
www.deloitte.com/jp

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Vodafone K.K.:

We have audited the accompanying consolidated balance sheets of Vodafone K.K. (formerly Vodafone Holdings K.K.) and consolidated subsidiaries as of March 31, 2005 and 2004, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Vodafone K.K. and consolidated subsidiaries as of March 31, 2005 and 2004, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 29, 2005

Corporate Data

as of 29 June 2005

Name	Vodafone K.K.	
Head Office	Atago Green Hills MORI Tower, 2-5-1 Atago, Minato-ku, Tokyo 105-6201, Japan	
History	October 1984	JAPAN TELECOM CO., LTD. established
	December 1986	Railway Telecommunication Co., Ltd. established
	May 1989	Railway Telecommunication Co., Ltd. merges with (the former) JAPAN TELECOM CO., LTD. to form JAPAN TELECOM CO., LTD.
	September 1994	JAPAN TELECOM CO., LTD. lists on the Second Sections of the Tokyo Stock Exchange and the Osaka Securities Exchange
	September 1996	JAPAN TELECOM CO., LTD. lists on the First Sections of the Tokyo Stock Exchange and the Osaka Securities Exchange
	October 1997	JAPAN TELECOM CO., LTD. and INTERNATIONAL TELECOM JAPAN INC. merge to form JAPAN TELECOM CO., LTD.
	October 2001	Vodafone Group Plc obtains management control of JAPAN TELECOM CO., LTD.
	August 2002	Company name changes to JAPAN TELECOM HOLDINGS CO., LTD., and the new JAPAN TELECOM CO., LTD., the fixed-line business operator, established through a corporate split procedure
	June 2003	JAPAN TELECOM HOLDINGS CO., LTD. introduces the executive committee corporate governance structure
	October 2003	Subsidiary J-PHONE Co., Ltd. changes its company name to Vodafone K.K.
	November 2003	The sale of JAPAN TELECOM CO., LTD. is legally completed
	December 2003	Company name changes to Vodafone Holdings K.K.
	June 2004	Vodafone Group Plc completes tender offer for shares in Vodafone Holdings K.K.
	October 2004	Vodafone K.K. merges with Vodafone Holdings K.K. and company name is changed to Vodafone K.K.
	August 2005	Vodafone K.K. is delisted from the Tokyo Stock Exchange and the Osaka Securities Exchange
Paid-in capital	¥177,251 million	
Number of Employees	Approx. 2,600	
URL	http://www.vodafone.jp/	
Business activities	Type I telecommunications business Provision of high-quality mobile and automobile communications and related services	
Board of Directors	Chairman of the Board of Directors, Executive Chairman, Representative Executive Officer	Shiro Tsuda
	Director, President, Representative Executive Officer	William T. Morrow
	Director, CFO, Representative Executive Officer	John Durkin
	Directors	Charles Butterworth (Director of Group Investor Relations, Vodafone Group Services Ltd.) Gerry Bacon (Group Treasurer, Vodafone Group Plc; CFO, Vodafone Group Services Ltd.) Pauline Best (Global Resourcing & People Development Director, Vodafone Group Services Ltd.)

Forward-Looking Statements

This Annual Report contains certain forward-looking statements concerning the operations and strategy of Vodafone K.K. and its subsidiaries (collectively, "Vodafone Japan Group") and its expectations concerning its financial and operating results, such as expectations for trends in the Japanese fixed-line and wireless telecommunications markets and capital expenditure. By their nature, forward-looking statements are inherently predictive, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future.

There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to: changes in economic conditions that would adversely affect demand for Vodafone Japan Group's services; greater than anticipated competitive activity; slower customer growth or reduced customer retention; the impact on capital spending from investment in network capacity and the deployment of new technologies, including 3G technology; the possibility that technologies will not perform according to expectations or that vendors' performances will not meet Vodafone Japan Group's requirements; changes in projected growth rates in the wireless telecommunications industry; the accuracy of and any changes in Vodafone Japan Group's projected revenue models; future revenue contributions of data services offered by Vodafone Japan Group; Vodafone Japan Group's ability to successfully introduce new services, in particular, 3G services, and the delivery and performance of key products; changes in the regulatory framework in which Vodafone Japan Group operates; and the impact of legal or other proceedings involving Vodafone Japan Group or other companies in the telecommunications industry.

All written or verbal forward-looking statements attributable to Vodafone Japan Group or persons acting on its behalf made in this Annual Report or subsequent hereto are expressly qualified in their entirety by the factors referred to above.

Vodafone K.K.

Atago Green Hills MORI Tower
2-5-1 Atago, Minato-ku
Tokyo 105-6201, Japan

Printed in Japan, August 2005

vodafone™