

Consolidated Financial Results for the year ended March 31, 2004

May 25, 2004



Vodafone Holdings K.K.

Code number 9434

Stock exchange listings: TSE, OSE

(URS <http://www.vodafone-holdings.co.jp>)

Location of corporate headquarters: Tokyo

Representative: Darryl E. Green, Director, President, Representative Executive Officer

Person responsible for inquires: Yuriko Ishihara, VP, Executive Officer, Investor Relations

Date of approval of financial statements by the Board of Directors: May 25, 2004

Tel: (03) 6403 - 2986

Name of parent company: Vodafone Group Plc (Code number : -)

Ratio of stock held by parent company: 66.7%

1. Consolidated results for the year ended March 31, 2004 (from April 1, 2003 to March 31, 2004)

(1) Consolidated operating results

| Year ended: | Revenue | | Operating income | | Ordinary income | |
|----------------|-----------------|-------|------------------|--------|-----------------|--------|
| | Millions of Yen | % | Millions of Yen | % | Millions of Yen | % |
| March 31, 2004 | 1,655,651 | (7.9) | 185,045 | (32.9) | 181,208 | (33.3) |
| March 31, 2003 | 1,796,915 | 5.5 | 275,606 | 209.2 | 271,869 | 267.2 |

| Year ended: | Net income (loss) | | Earnings (loss) per share | Diluted earnings (loss) per share | Return on shareholders' equity | Ordinary income to total shareholders' equity ratio | Ordinary income to turnover ratio |
|----------------|-------------------|---|---------------------------|-----------------------------------|--------------------------------|---|-----------------------------------|
| | Millions of Yen | % | Yen | Yen | % | % | % |
| March 31, 2004 | (100,042) | - | (31,310.11) | - | (24.2) | 11.1 | 10.9 |
| March 31, 2003 | 79,502 | - | 24,855.53 | - | 18.5 | 14.7 | 15.1 |

Notes:

- Equity in earnings of affiliated companies under the equity method was ¥0 million for the years ended March 31, 2004 and 2003.
- The weighted average number of shares were 3,195,210 shares and 3,195,217 shares for the years ended March 31, 2004 and 2003, respectively.
- There were no changes in accounting policies during the year ended March 31, 2004.
- The percentages for revenue, operating income, ordinary income, and net income (loss) represent the increase or decrease over the previous year.

(2) Consolidated financial position

| Year ended: | Total assets | Shareholders' equity | Shareholders' equity to total assets ratio | Shareholders' equity per share |
|----------------|-----------------|----------------------|--|--------------------------------|
| | Millions of Yen | Millions of Yen | % | Yen |
| March 31, 2004 | 1,428,167 | 361,539 | 25.3 | 113,150.56 |
| March 31, 2003 | 1,839,821 | 466,036 | 25.3 | 145,828.53 |

Note:

The number of shares outstanding at March 31, 2004 and 2003 were 3,195,208 shares and 3,195,213 shares, respectively.

(3) Consolidated cash flows information

| Year ended: | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents as of the end of the year |
|----------------|--------------------------------------|--------------------------------------|--------------------------------------|---|
| | Millions of Yen | Millions of Yen | Millions of Yen | Millions of Yen |
| March 31, 2004 | 262,130 | (44,810) | (223,686) | 770 |
| March 31, 2003 | 496,324 | (341,726) | (162,275) | 8,114 |

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

Number of consolidated subsidiaries: 3 companies

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

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

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

Consolidated subsidiaries: increase - 0 and decrease - 9 companies

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

2. Forecast of consolidated operating results for the year ending March 31, 2005 (from April 1, 2004 to March 31, 2005)

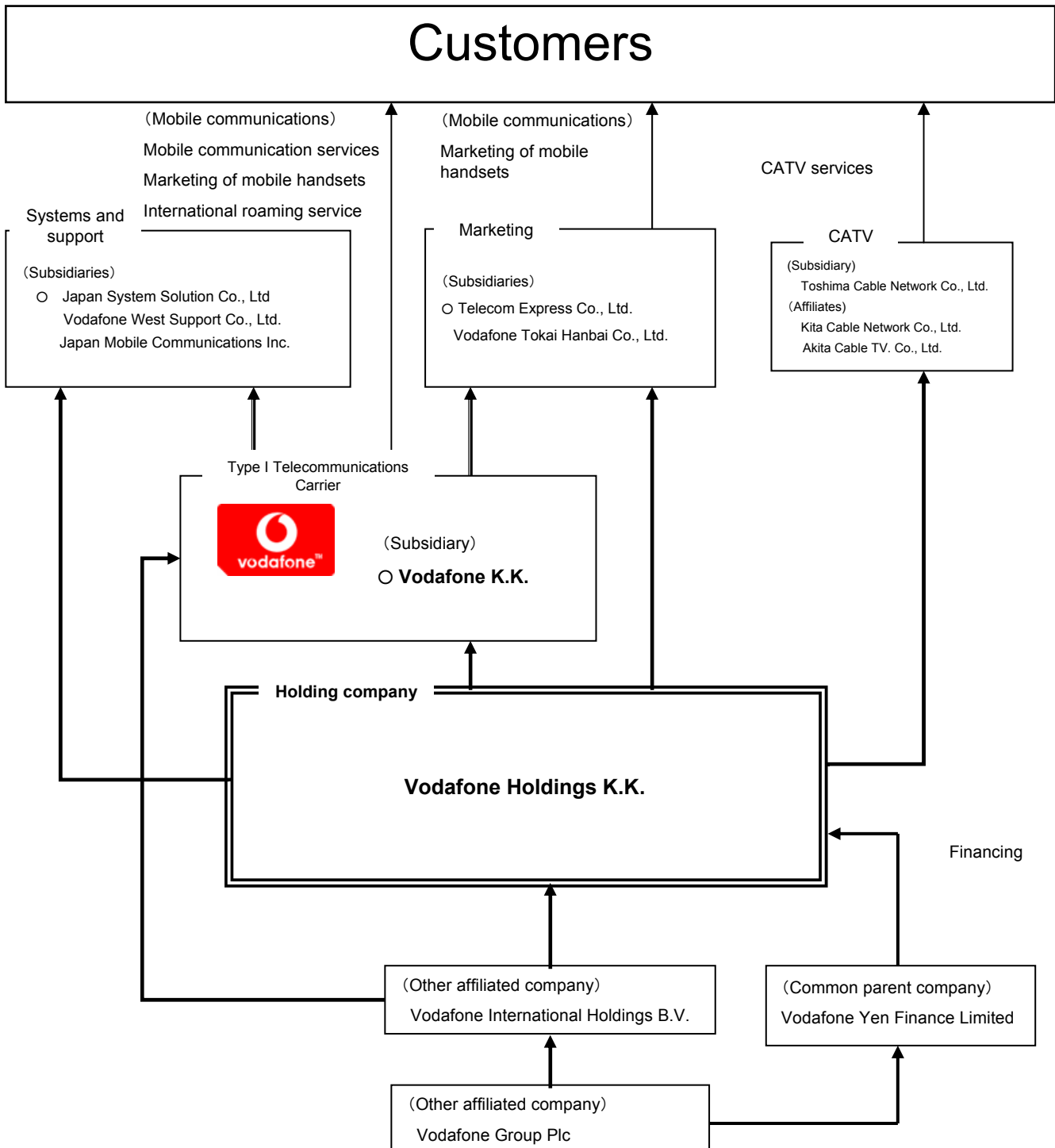
| | Revenue | Ordinary income | Net income |
|-------------------------------------|----------------|-----------------|----------------|
| | Million of Yen | Million of Yen | Million of Yen |
| Half year ending September 30, 2004 | - | - | - |
| Year ending March 31, 2005 | 1,531,000 | 127,000 | 110,000 |

Reference: The forecast earnings per share for the year ending March 31, 2005 is 34,426.52 yen.

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

1. Business Overview and Organisation

In alignment with its strategy to focus exclusively on mobile communication services, Vodafone Holdings K.K. (“VH-KK”) sold its interest in fixed line communications provider Japan Telecom Co., Ltd. (“Japan Telecom”) on 14 November 2003. Subsequent to the transaction, VH-KK, which was previously made up of both mobile and fixed-line operations, now mainly consists of mobile operations. In the mobile telecommunications area, it engages in cellular phone services and the associated sale of handsets. As of 31 March 2004, VH-KK had 7 subsidiaries, including 3 consolidated subsidiaries, and 2 affiliates. It had no affiliates accounted for by the equity method. The following diagram summarises the organisation and businesses of VH-KK as of 31 March, 2004.



(Note) -All data is current as of 31 March, 2004.

-A ○ symbol denotes a consolidated subsidiary.

2. Management Policies and Corporate Strategy

(1) Overall Management Policies and Mid- to Long-term Corporate Strategy

VH-KK positions Vodafone K.K. at its core and provides mobile communication services as the Japan subsidiary of leading global operator Vodafone Group Plc. VH-KK aims to capitalise on the Vodafone brand, which is known for its global reach and dependability, and economies of scale and best practice expertise gained from operations around the world to serve the community by enhancing communications among individual and corporate customers.

Vodafone K.K. provides services in mobile voice and data communications and access to internet and multimedia contents and will work towards further delighting its customers, while striving to optimise churn rates and ARPU. Vodafone K.K. also aims to improve its cost structure by continually rationalising subscriber acquisition costs and realising synergies from its membership in the Vodafone Group, which includes purchasing cost reductions through global procurement initiatives.

Furthermore, efforts to increase operating efficiencies, a continued drive to reduce general and administrative costs and an effective, efficient capital expenditure programme should lead to enhanced managerial efficiency and a strengthened financial position. VH-KK will strive to achieve these improvements and the ultimate goal of maximising shareholder value.

VH-KK has been focusing exclusively on its mobile communication operations, as they offer prospects of superior profitability and higher growth. In alignment with this strategy, the Company sold its interest in Japan Telecom, a fixed line communications service provider, in November 2003.

As of 1 October 2003, Vodafone K.K. also changed its brand and company names from J-PHONE to Vodafone to strengthen its corporate image.

(2) Issues and Challenges Facing VH-KK

The migration to 3G mobile services continues to move forward at fast pace in the mobile communications industry. With this, the competition between carriers will likely intensify in such areas as release of new services, development of attractive mobile handsets, and enrichment of contents.

Under these circumstances, Vodafone K.K. will promote the development of mobile phones and services that satisfy the diverse needs of customers. In the meantime, Vodafone K.K. will install additional micro base stations to efficiently increase indoor coverage of the Vodafone Global Standard 3G service in places including underground and high-rise buildings. This will also serve to maintain and improve network quality.

Additionally, Vodafone K.K. aims to improve its cost structure by utilising Vodafone Group's global scale and scope, and invest effectively in equipment and facilities. Furthermore,

Vodafone K.K. is targeting an increase in corporate customers through measures that include a revamped corporate sales structure and the implementation of price plans made possible by recent revisions in the Telecommunications Business Law.

Vodafone K.K. continues to be committed to stable growth and, at the same time, strives to ensure profitability through improving operating efficiencies and realising additional cost reductions. The combination of the two should lead to further strengthening of its business foundation.

(3) Performance Target

VH-KK aims to maintain an overall EBITDA margin of about 30%.

(4) Policy Concerning Profit Distribution

VH-KK operates telecommunications and other businesses and a strong emphasis is placed on the long-term stability of management. VH-KK intends to maintain stable dividends according to its earnings level, and financial stability.

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

VH-KK has been undertaking various managerial and organisational reforms in relation to corporate governance. In December 2001, VH-KK adopted a corporate executive officer (*shikko-yakuin*) structure in order to expedite decision making and strengthen execution capabilities. It concurrently shortened the tenure of its directors to one year. In June 2002, the compensation and personnel committee, a non-mandatory organisation, was established to achieve greater transparency. Striving to further improve its corporate governance framework, in June 2003, VH-KK transformed itself from a company with statutory auditors to a company with statutory committees, as provided in the revised Commercial Code that had come into effect in April of that year. This has enabled the separation of responsibilities for managerial execution and supervision: VH-KK aims to expedite the execution of its operations while ensuring effective oversight. Vodafone K.K. also became a company with statutory committees in its effort to strengthen corporate governance.

(6) Relationships with the Parent Companies

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

3. Operating and Financial Review and Prospects

(1) Operating and Financial Review – The fiscal year ended 31 March, 2004

I. Review of Business Conditions and Operations

VH-KK earlier established a strategy to focus its corporate resources on the mobile communications business. To align with this, VH-KK sold its interest in Japan Telecom, a fixed line communications service provider, aiming to concentrate its available resources to Vodafone K.K..

Consolidated financial results of VH-KK for the fiscal year ended 31 March, 2004, are summarized as follows.

As a consequence of the closing of sale of its interest in Japan Telecom on 14 November 2003, VH-KK records a net loss from the sale, and as Japan Telecom and five other companies were deconsolidated effective 1 October 2003, comparisons of VH-KK's consolidated financial performance against the prior fiscal year are negatively affected.

Financial Highlights

(millions of yen, except as noted otherwise)

| | Fiscal year 2003, ended 31 March 2004 | Fiscal year 2002, ended 31 March 2003 | Change (%) |
|------------------------------------|---|---|------------|
| Operating Revenue | 1,655,651 | 1,796,915 | (7.9%) |
| Ordinary Income | 181,208 | 271,869 | (33.3%) |
| Net Income (loss) | (100,042) | 79,502 | — |
| Full year earnings per share (yen) | (31,310.11) | 24,855.53 | — |
| EBITDA margin (%) | 27.8 | 30.3 | (2.5pp) |

Consolidated Operating Revenue

On a consolidated basis, operating revenue decreased by 7.9%, compared with the same period a year ago, to ¥1,655,651 million.

Consolidated Costs and Expenses

Consolidated costs and expenses in the fiscal year just ended decreased 3.3% on a year-on-year basis to ¥1,470,606 million.

Operating expenses in the mobile communications segment amounted to ¥1,326,566 million, due to an increase in 3G equipment depreciation, a provision for slow moving handsets, an increase in customer retention costs and incremental costs related to operating the 3G network.

Consolidated Earnings and Losses

As a consequence of the above, consolidated ordinary income for the fiscal year ended 31

March 2004, decreased by ¥90,660 million to ¥181,208 million.

Meanwhile, consolidated EBITDA margin stood at 27.8%, a decrease of 2.5 percentage points from the previous year.

The sale of stock in Japan Telecom resulted in a consolidated net loss of ¥100,042 million for the fiscal year.

The Company decided to pay ¥1,200 per share as a total annual dividend for the fiscal year ended 31 March 2004, which includes an interim dividend of ¥600 already paid on 10 December 2003. The fiscal year-end dividend payments will be paid starting 30 June 2004.

Consolidated Capital Expenditures

Consolidated capital expenditures in the six month period just ended totaled ¥248.6 billion, which emphasised the 3G network infrastructure rollout by Vodafone K.K..

II. Review of Financial Developments and Conditions

i. Statement of Cash Flows

(millions of yen)

| | Fiscal year 2003, ended 31 March 2004 | Fiscal year 2002, ended 31 March 2003 | Change |
|---|---|---|-----------|
| Cash flows from operating activities | 262,130 | 496,324 | (234,194) |
| Cash flows from investing activities | (44,810) | (341,726) | 296,915 |
| Cash flows from financing activities | (223,686) | (162,275) | (61,410) |
| Effect of exchange rate changes on cash and cash equivalents | (0) | 72 | (72) |
| Net increase (decrease) in cash and cash equivalents | (6,366) | (7,604) | 1,238 |
| Cash and cash equivalents, end of fiscal year | 770 | 8,114 | (7,343) |
| Bonds and borrowings, end of fiscal year | 632,932 | 878,693 | (245,761) |

Cash and cash equivalents at the end of the fiscal year decreased by ¥7,343 million from the end of the prior fiscal year to ¥770 million.

a. Cash flows from operating activities

Cash flows from operating activities decreased ¥262,130 million, due to a significant increase in payment in income tax and other dues, the effect of excluding Japan Telecom's results for the 2nd half of the fiscal year, as well as a decrease in earnings

before taxes and other dues.

b. Cash flows from investing activities

Cash flows used for investing activities decreased ¥44,810 million, due to the receipts from the leveraged disposal of VH-KK's interest in Japan Telecom that partially offset the expenditures for fixed assets.

c. Cash flows from financing activities

Cash flows from financing activities decreased ¥223,686 million, as corporate bonds, long-term debt, and short-term borrowings were repaid by cash flows from operating activities.

ii. Cash flow key measures

| | Fiscal year 2003, ended 31 March 2004 | Fiscal year 2002, ended 31 March 2003 |
|--|--|--|
| Shareholder equity ratio | 25.3% | 25.3% |
| Shareholder equity ratio based on market value | 51.3% | 55.7% |
| Number of years to debt redemption | 2.4 | 1.8 |
| Interest coverage ratio | 27.9 | 55.6 |

Notes: Shareholder equity ratio=Shareholder equity / total assets

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

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

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

III. Segment Information

Consolidated Operating Revenue

(millions of yen)

| | Fiscal year 2003, ended 31 March 2004 | Fiscal year 2002, ended 31 March 2003 | Change (%) |
|--------------------------------|---|---|------------|
| Mobile communications | 1,508,821 | 1,460,368 | 3.3 |
| Fixed-line communications | 175,056 | 384,854 | (54.5) |
| Others | — | 16,343 | — |
| Eliminations | (28,226) | (64,649) | — |
| Consolidated operating revenue | 1,655,651 | 1,796,915 | (7.9) |

Mobile Communications Services

Japan's mobile phone subscriber base excluding PHS users showed gradual growth in the

period to 81,520,000 with a net addition of 5,860,000 subscribers in the twelve months ended 31 March, 2004, which brought the penetration rate up to 63.9%.

Mobile communications operators accelerated the migration to 3G mobile services. Competition between carriers has continued to be intense with a series of handset launches with innovative functions and a string of new services, all in an effort to satisfy the diverse needs of customers and gain their support and patronage.

In this environment, Vodafone K.K. registered a net addition of 1,040,000 subscribers, which resulted in over 15 million total subscribers and a 17.7% market share of net additions. The installed base of handsets compatible with the Movie Sha-mail video clip messaging service increased 1.29 million to over 3 million while the installed base of Sha-mail picture messaging service-compatible handsets grew by 2.75 million to 11.86 million.

Notable developments in the mobile segment in the period just ended were as follows.

- Vodafone K.K.'s continued to introduce innovative communication devices in fiscal 2003:
 - In May 2003 the J-SH53 was released as the world's first mobile handset with a megapixel camera, and the V601SH, which features an autofocus 2 megapixel camera, was offered in December 2003.
 - In December 2003, the V601N was launched as Japan's first analogue TV tuner handset.
 - The 3G version of Vodafone live! was launched in December 2003 to let customers enjoy enriched Sha-mail, Movie Sha-mail and web browsing services both in Japan and abroad. Two compatible handsets, the V801SA and V801SH, have been available since December 2003 and April 2004 respectively.
 - In February 2004, the VRM301R remote module was marketed to industrial and business machine manufacturers to meet their needs for remote control and monitoring.
 - In February 2004, the VC701SI 3G datacard terminal was announced. The VC701SI lets customers access the internet anywhere on their PCs, PDAs or other terminals at high speeds.
- Vodafone K.K. continued its efforts to delight customers with improved services:
 - In April 2003, efficiencies and customer care were enhanced by integrating the customer service functions of centres separately located in the Hokkaido, Tohoku, Kanto and Hokuriku regions into a single East Japan customer service centre.
 - Major retention initiatives were launched in October 2003 to improve competitiveness. As a result of new discount services, increased retention payments, and attractive handset offerings, the company observed a positive impact on monthly average churn, which was 1.91% for fiscal 2003, down 0.03 percentage points compared to that of the previous period.

- With the transition to the Vodafone brand in October 2003, shops were remodeled as Vodafone shops, featuring improved floor ambiance to suit customer tastes. To further strengthen its brand image, the flagship shops Vodafone Nagoya and Vodafone Shibuya were opened in March 2004.
- In November 2003, Vodafone K.K. launched a service called Vodafone Biz Access to make the mobile internet easier to use for corporate customers. Under this service, a company is charged a flat rate for web packet communications traffic for industrial-use web content that it provides.
- The company also stepped up measures against spam mail. In December 2003, a new function to limit the number of mail transmissions in a given time period was introduced and the same function was applied to the 3G network in March 2004. Furthermore, in February 2004, Vodafone K.K. established a new e-mail address for customers so they can report spam they receive from other Vodafone handsets.
- Vodafone live! enjoyed continued popularity and subscribers accounted for 86.4% of the customer base at the end of March 2004. The 3G version of Vodafone live! launched in December 2003 provides customers with faster speeds and richer content offerings such as Chaku-uta™ ringsongs.
- Indoor and outdoor 3G service areas was expanded by introducing economical, small base stations. Accordingly, nationwide population coverage reached 99.5% with approximately 13,500 3G base stations at the end of March 2004. 3G customers could also roam on 122 GSM networks in 85 countries and regions, approximately 98% of travel destinations originating from Japan, at the end of fiscal 2003.
- Vodafone K.K. strengthened its commitment to corporate social responsibility (CSR) with the launch of a new handset recycling scheme in April 2003, whereby a total of 20 million yen in proceeds was donated to UNICEF Japan in fiscal 2003. Furthermore, 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. Last year, students from 43 high schools nationwide demonstrated science research projects on the themes of ecology, environment and science.

Fixed-line Communications Services

In alignment with the strategy to focus exclusively on mobile communication operations, VH-KK sold its interest in Japan Telecom on 14 November, 2003 and deconsolidated it and five other former subsidiaries and affiliates effective 1 October of the same year.

In the first half of fiscal 2003, Japan Telecom strived to expand its fixed-line services as it has done previously.

(2) Prospects for the Fiscal Year 2004

For fiscal 2004, consolidated operating revenue is expected to reach 1,531 billion yen, ordinary income and net income are foreseen to amount to 127 billion yen and 110 billion yen, respectively. As fiscal 2003 contained half a year of Japan Telecom's results, consolidated operating revenue and ordinary income for fiscal 2004 is expected to mark a significant decline versus the prior year. If compared on a proforma¹ basis, however, this forecast is based on an assumption of slight revenue growth in the mobile business, and on incremental costs associated with increased migration to 3G and the costs of maintaining two networks. As a result of the above, margins are not expected to recover immediately from the levels seen in the second half of fiscal 2003.

Vodafone K.K. is in the midst of a transition phase to 3G technology. The competitive landscape is intensifying as the market shifts to a 3G focus and prepares for mobile number portability, which is expected in 2006. A range of initiatives has been put in place to transform Vodafone K.K.'s performance. Vodafone K.K. will further improve its 3G offering as it actively expands indoor and underground coverage and rolls out a wider range of appealing handsets before the end of 2004. Further efforts to expand product offerings, to improve distribution for better customer service, to grow share in the corporate/business market, and to enhance cost competitiveness by leveraging the scale and scope of Vodafone's global footprint and reviewing operational processes are key areas of focus to improve Vodafone K.K.'s competitive position for fiscal 2004 and beyond. The company plans to pay total annual dividend of ¥1,200 per share.

¹ Excludes Japan Telecom results.

Consolidated Financial Statements

(1) Consolidated Comparative Balance Sheets

(Millions of Yen)

| | March 31, 2003 | March 31, 2004 | Increase (Decrease) |
|---|-------------------|-------------------|------------------------|
| (ASSETS) | | | |
| Fixed Assets | 1,524,661 | 1,130,494 | (394,167) |
| Fixed Assets for | | | |
| Telecommunication Services | 1,429,155 | 1,049,450 | (379,704) |
| Tangible fixed assets | 1,193,413 | 843,219 | (350,194) |
| Machinery and equipment | 620,855 | 534,867 | (85,988) |
| Air cable facilities | 189,639 | 200,305 | 10,665 |
| Terminal facilities | 2,519 | 4 | (2,515) |
| Local line facilities | 4,973 | 1,530 | (3,442) |
| Long-distance line facilities | 26,245 | 2,800 | (23,444) |
| Civil construction facilities | 64,512 | 2,651 | (61,861) |
| Ocean cable facilities | 34,404 | — | (34,404) |
| Buildings and structures | 91,070 | 40,527 | (50,542) |
| Other machinery and vehicles | 1,697 | 211 | (1,486) |
| Tools, furniture and fixtures | 41,382 | 26,462 | (14,919) |
| Land | 23,638 | 8,235 | (15,402) |
| Construction in progress | 92,473 | 25,622 | (66,850) |
| Intangible fixed assets | 235,741 | 206,231 | (29,510) |
| Ocean cable facility rights | 2,547 | — | (2,547) |
| Facility/utility rights | 5,018 | 5,205 | 187 |
| Software | 191,814 | 172,587 | (19,227) |
| Goodwill | 24,569 | 12,284 | (12,284) |
| Consolidation goodwill | 10,892 | — | (10,892) |
| Others | 899 | 16,153 | 15,253 |
| Fixed Assets for | | | |
| Supplementary Businesses | 8,590 | — | (8,590) |
| Tangible fixed assets | 6,941 | — | (6,941) |
| Intangible fixed assets | 1,649 | — | (1,649) |
| Investments and other assets | 86,915 | 81,043 | (5,872) |
| Investment securities | 19,738 | 35,442 | 15,703 |
| Investments in unconsolidated subsidiaries and affiliated companies | 2,557 | 584 | (1,973) |
| Deferred tax assets | 26,271 | 18,727 | (7,544) |
| Others | 40,798 | 26,290 | (14,508) |
| Allowance for doubtful accounts | (2,449) | — | 2,449 |
| Current Assets | 315,159 | 297,673 | (17,486) |
| Cash on hand and in banks | 8,114 | 770 | (7,343) |
| Notes and accounts receivable - trade | 209,586 | 152,264 | (57,322) |
| Accounts receivable - other | — | 80,099 | 80,099 |
| Inventories | 28,273 | 36,241 | 7,968 |
| Deferred tax assets | 25,256 | 27,226 | 1,969 |
| Others | 55,586 | 11,125 | (44,460) |
| Allowance for doubtful accounts | (11,657) | (10,054) | 1,603 |
| Total Assets | 1,839,821 | 1,428,167 | (411,653) |

(Millions of Yen)

| | March 31, 2003 | March 31, 2004 | Increase (Decrease) |
|---|-------------------|-------------------|------------------------|
| (LIABILITIES) | | | |
| Long-term Liabilities | 260,437 | 216,940 | (43,497) |
| Bonds | 175,000 | 175,000 | |
| Long-term borrowings | 37,158 | 8,000 | (29,158) |
| Provision for employees' retirement benefits | 19,463 | 6,313 | (13,149) |
| Provision for retirement allowances for directors and corporate auditors | 307 | 112 | (195) |
| Allowance for loyalty program | 24,690 | 26,135 | 1,444 |
| Others | 3,817 | 1,378 | (2,439) |
| Current Liabilities | 1,006,914 | 685,329 | (321,585) |
| Current portion of long term bonds | 25,000 | | (25,000) |
| Accounts payable - trade | 64,464 | 58,688 | (5,775) |
| Short-term borrowings | 641,535 | 449,932 | (191,602) |
| Accounts payable - other | 92,428 | 118,885 | 26,456 |
| Accrued expenses | 32,528 | 2,251 | (30,276) |
| Income taxes payable | 108,963 | 30,732 | (78,230) |
| Accrued employees bonuses | 9,345 | 4,917 | (4,428) |
| Allowance for guarantees | 4,128 | 3,442 | (686) |
| Allowance for loyalty program | 233 | | (233) |
| Others | 28,286 | 16,479 | (11,807) |
| Total Liabilities | 1,267,352 | 902,269 | (365,082) |
| | | | |
| Minority Interests | 106,432 | 164,359 | 57,926 |
| (SHAREHOLDERS' EQUITY) | | | |
| Common Stock | 177,251 | 177,251 | — |
| Capital Surplus | 265,508 | 265,508 | — |
| Retained Earnings (Deficit) | 22,165 | (81,196) | (103,361) |
| Net unrealized gain on available-for-sale securities | 1,094 | (12) | (1,106) |
| Foreign currency translation adjustments | 26 | — | (26) |
| Treasury stock | (9) | (10) | (1) |
| Total Shareholders' Equity | 466,036 | 361,539 | (104,497) |
| | | | |
| Total Liabilities, Minority Interests, and Shareholders' Equity | 1,839,821 | 1,428,167 | (411,653) |

(2) Consolidated Comparative Statements of Operations

(Millions of Yen)

| | Year ended March 31, 2003 | Year ended March 31, 2004 | Increase (Decrease) |
|---|------------------------------|------------------------------|------------------------|
| ORDINARY INCOME/LOSS | | | |
| (Operating Income/Loss) | | | |
| Telecommunication Services | | | |
| Revenue | 1,472,550 | 1,347,828 | (124,722) |
| Operating expenses | 1,207,119 | 1,157,553 | (49,566) |
| Operating Income from Telecommunication Services | 265,431 | 190,275 | (75,156) |
| Supplementary Businesses | | | |
| Revenue | 324,364 | 307,822 | (16,542) |
| Operating expenses | 314,190 | 313,053 | (1,136) |
| Operating Income (Loss) from Supplementary Businesses | 10,174 | (5,230) | (15,405) |
| Total Operating Income | 275,606 | 185,045 | (90,561) |
| (Non-operating Income/Loss) | | | |
| Non-operating Revenue | 5,840 | 3,678 | (2,161) |
| Interest income | 40 | 23 | (16) |
| Dividend income | 222 | 108 | (113) |
| Foreign exchange gains | — | 898 | 898 |
| Rental income | 754 | 511 | (243) |
| Facilities income | 1,100 | — | (1,100) |
| Miscellaneous income | 3,723 | 2,137 | (1,585) |
| Non-operating Expenses | 9,577 | 7,515 | (2,061) |
| Interest expenses | 8,871 | 6,130 | (2,740) |
| Amortization of bond issuance costs | 183 | — | (183) |
| Miscellaneous expenses | 522 | 1,384 | 861 |
| Ordinary Income | 271,869 | 181,208 | (90,660) |
| Special Gain/Loss | | | |
| Special Gain | 1,564 | 9,948 | 8,384 |
| Gain on sales of fixed assets | 20 | 3,110 | 3,089 |
| Gain on sales of investment securities | 436 | 4,464 | 4,028 |
| Gain on sales of investments in unconsolidated subsidiaries and affiliated companies | 902 | — | (902) |
| Gain from liquidation of unconsolidated subsidiaries and affiliated companies | — | 302 | 302 |
| Gain from reversal of allowance for guarantees | — | 686 | 686 |
| Gain from reversal of allowance for doubtful accounts | — | 1,357 | 1,357 |
| Penalty for cancellation of contract | 160 | — | (160) |
| Others | 44 | 27 | (17) |
| Special Loss | 15,105 | 156,539 | 141,434 |
| Loss on sales of fixed assets | 1,120 | 22 | (1,098) |
| Loss on disposal of fixed assets | 4,534 | 1,309 | (3,224) |
| Write down of investment securities | 1,886 | 1,157 | (729) |
| Loss on sales of investment securities | 144 | 1 | (143) |
| Write down of investments in unconsolidated subsidiaries and affiliated companies | 3,607 | 77 | (3,530) |
| Loss on sales of investments in unconsolidated subsidiaries and affiliated companies | 111 | 152,331 | 152,220 |
| Restructuring loss for unconsolidated subsidiaries and affiliated companies | 738 | — | (738) |
| Allowance for guarantees | 953 | — | (953) |
| Additional benefits for early retirement program | 1,606 | — | (1,606) |
| Penalty for loan prepayment | — | 1,379 | 1,379 |
| Others | 401 | 260 | (140) |
| Income before Income Taxes and Minority Interests | 258,328 | 34,617 | (223,711) |
| Income Taxes - Current | 120,649 | 90,160 | (30,489) |
| Reversal of income tax payable | (961) | (871) | 89 |
| Income Taxes - Deferred | (16,755) | (15,783) | 971 |
| Minority Interests | 75,893 | 61,154 | (14,738) |
| Net Income (Loss) | 79,502 | (100,042) | (179,544) |

(3) Consolidated Statements of Capital Surplus and Retained Earnings

(Millions of Yen)

| | Year ended March 31, 2003 | Year ended March 31, 2004 | Increase (Decrease) |
|--|------------------------------|------------------------------|------------------------|
| (Capital Surplus) | | | |
| Additional Capital Surplus | | | |
| <i>Balance at the beginning of year</i> | 265,508 | 265,508 | — |
| <i>Balance at the end of year</i> | 265,508 | 265,508 | — |
| (Retained Earnings) | | | |
| Retained Earnings (Deficit) | | | |
| <i>Balance at the beginning of year</i> | (46,011) | 22,165 | 68,176 |
| Increase: | 79,502 | 670 | (78,831) |
| Divestiture of consolidated subsidiaries | — | 209 | 209 |
| Merger of consolidated and unconsolidated subsidiaries | — | 461 | 461 |
| Net income | 79,502 | — | (79,502) |
| Decrease: | 11,326 | 104,032 | 92,706 |
| Cash dividends paid | 2,875 | 3,834 | 958 |
| Bonuses paid to directors and corporate auditors [Corporate auditors' portion] | 27 [2] | 83 [20] | 56 [17] |
| Divestiture of consolidated subsidiaries | 703 | 72 | (630) |
| Reversal of net unrealized loss on revaluation of land | 7,720 | — | (7,720) |
| Net loss | — | 100,042 | 100,042 |
| Balance at the end of year | 22,165 | (81,196) | (103,361) |

(4) Consolidated Comparative Statements of Cash Flows

(Millions of Yen)

| | Year ended March 31, 2003 | Year ended March 31, 2004 | Increase (Decrease) |
|---|------------------------------|------------------------------|------------------------|
| I Cash Flows from Operating activities | | | |
| Income before income taxes and minority interests | 258,328 | 34,617 | (223,711) |
| Depreciation and amortization | 252,416 | 257,975 | 5,559 |
| Provision for retirement benefits | 3,237 | 968 | (2,268) |
| Amortization of consolidation goodwill | 3,504 | 1,932 | (1,572) |
| Interest expense | 8,871 | 6,130 | (2,740) |
| Write down of investment securities | 1,886 | 1,157 | (729) |
| Write down of investments in unconsolidated subsidiaries and affiliated companies | 3,607 | 77 | (3,530) |
| Loss on sales of investments in unconsolidated subsidiaries and affiliated companies | — | 152,331 | 152,331 |
| Loss on disposal of fixed assets | 13,847 | 11,602 | (2,245) |
| Amortization of long-term prepaid expenses | 3,212 | 3,493 | 280 |
| Change in operating assets and liabilities: | | | |
| Increase (Decrease) in allowance for loyalty program | (6,655) | 1,636 | 8,291 |
| Increase (Decrease) in notes and accounts receivable - trade | (2,710) | 7,212 | 9,922 |
| Increase (Decrease) in accounts receivable - other | 16,292 | (36,863) | (53,155) |
| Increase in inventories | (1,814) | (27,018) | (25,203) |
| Increase (Decrease) in accounts payable - trade | 3,202 | (2,146) | (5,348) |
| Increase (Decrease) in accounts payable - other | (11,277) | 24,436 | 35,713 |
| Decrease in accrued expenses | (22,670) | (4,496) | 18,173 |
| Other - net | 24,445 | (3,898) | (28,343) |
| (Subtotal) | 547,725 | 429,147 | (118,577) |
| Interest income and dividend income received | 261 | 3,523 | 3,261 |
| Interest expenses paid | (8,933) | (9,403) | (469) |
| Additional benefits for early retirement program | (2,343) | — | 2,343 |
| Income taxes paid | (40,386) | (161,137) | (120,751) |
| Net Cash provided by Operating activities | 496,324 | 262,130 | (234,194) |
| II Cash Flows from Investing activities | | | |
| Purchases of fixed assets | (355,686) | (248,601) | 107,085 |
| Proceeds from sales of fixed assets | 9,052 | 5,571 | (3,480) |
| Proceeds from sales of investments in unconsolidated subsidiaries and affiliated companies | 1,178 | — | (1,178) |
| Proceeds from refund of subsidiaries' common stock | — | 185,831 | 185,831 |
| Proceeds (Adjustments) from sales of subsidiaries' stocks | 226 | (4,484) | (4,710) |
| Purchases of investment securities | (1,002) | (50) | 952 |
| Proceeds from sales of investment securities | 2,066 | 16,044 | 13,978 |
| Facilities income | 1,100 | — | (1,100) |
| Other - net | 1,338 | 878 | (461) |
| Net Cash used in Investing activities | (341,726) | (44,810) | 296,915 |
| III Cash Flows from Financing activities | | | |
| Payment for bond redemption | — | (25,000) | (25,000) |
| Repayments of long-term borrowings | (88,301) | (70,152) | 18,148 |
| Net decrease in short-term borrowings | (69,623) | (123,206) | (53,583) |
| Payment of dividends | (2,875) | (3,833) | (957) |
| Payment of dividends to minority shareholders | (1,471) | (1,491) | (19) |
| Other - net | (3) | (1) | 1 |
| Net Cash used in Financing activities | (162,275) | (223,686) | (61,410) |
| IV Effect of Exchange Rate Changes on Cash and Cash Equivalents | 72 | (0) | (72) |
| V Net decrease in Cash and Cash Equivalents | (7,604) | (6,366) | 1,238 |
| VI Cash and Cash Equivalents, Beginning of Period | 16,275 | 8,114 | (8,161) |
| VII Decrease in cash and cash equivalents due to divestiture of consolidated subsidiaries | (556) | (1,051) | (495) |
| VIII Increase in cash and cash equivalents due to merger of consolidated and unconsolidated subsidiaries | — | 75 | 75 |
| IX Cash and Cash Equivalents, End of Period | 8,114 | 770 | (7,343) |

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Scope of consolidation

- (1) Number of consolidated subsidiaries: 3
- (2) Major consolidated subsidiaries: Vodafone K.K.

We disposed of Japan Telecom Co., Ltd. shares on November 14, 2003, and excluded Japan Telecom Co., Ltd. and its subsidiaries, including Telecom Service Co., Ltd. and 4 other companies, from the scope of consolidation.

Asahi Telecom Co., Ltd. and 1 other company were liquidated and, therefore, excluded from the scope of consolidation from April 1, 2003.

- (3) Number of non-consolidated subsidiaries: 4
- (4) Major non-consolidated subsidiary: Vodafone Tokai Sales K.K.

All of the Company's non-consolidated subsidiaries are small in scale. Their total assets, total revenue, total net income or loss (equivalent to shares in equity), and consolidated retained earnings (equivalent to shares in equity) do not have a significant impact on the consolidated financial statements as a whole. Therefore, these subsidiaries are not subject to consolidation.

2. Equity method

Non-consolidated subsidiaries and affiliated companies to which the equity method of accounting is applied: N/A

The 4 non-consolidated subsidiaries and 2 affiliated companies (including the major affiliated company, Kita Cable Network Co., Ltd.) were not accounted for using the equity method of accounting, since the impact of non-application of the equity method of accounting does not have a significant impact on the current net income or loss or on the consolidated retained earnings. As these companies are insignificant as a whole, they are not subject to the equity method of accounting.

3. Significant accounting policies

(1) Fixed assets

1. Tangible fixed assets

Depreciation of tangible fixed assets are computed mainly under the straight-line method.

The estimated useful lives of the major fixed assets are as follows:

- Machinery and equipment: 2 to 15 years.
- Air cable facilities: 10 to 42 years.
- Buildings: 3 to 50 years.
- Structures: 3 to 50 years.
- Tools, furniture and fixtures: 2 to 15 years.

2. Intangible fixed assets

Intangible fixed assets are amortized under the straight-line method. The estimated useful lives of the major intangible fixed assets are as follows:

- Software for internal use: 5 years (estimated useful life)
- Goodwill: 5 years

3. Long-term prepaid expenses

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

(Notes)

- (1) Corresponding to increasing demand for high volume data transmission, a number of international ocean cables have been constructed in recent years. As a result, certain existing ocean cables have lost cost effectiveness and ceased commercial operations before the end of their physical useful lives. The commercial useful lives currently range from 9 to 13 years.
Considering such current circumstances, the Company revised the estimated useful life of international ocean cable facilities and rights from 20 years to 10 years from April 1, 2003. Due to this change of useful life, operating expenses increased and operating income, ordinary income and income before income taxes and minority interests for the year ended March 31, 2004 decreased by ¥3,553 million, respectively.
- (2) Historically, machinery and equipment and air cable facilities have been depreciated over the reasonably estimated useful lives. However, PDC leased facility to be disposed is depreciated over the estimated remaining usable life from this fiscal year as a result of the implementation of "Vodafone Global Standard" for 3G mobile communications service, which Vodafone commenced in December 2002. Due to this change of useful life, operating expenses increased and operating income, ordinary income and income before income taxes and minority interests for the year ended March 31, 2004 decreased by ¥3,986 million, respectively.

(2) Valuation methods of significant assets

1. Marketable and investment securities – Other than trading securities and held-to-maturity debt securities
 - Securities with market value: at market value in accordance with the market price on the account-closing day. Differences between book value and market value are directly charged to shareholders' equity. The cost of securities sold during the period is calculated by the moving-average method.
 - Securities without market value: at cost using the moving-average method.
2. Derivatives
Derivatives are measured at fair value.
3. Inventories
 - Mobile phones: at cost by the moving-average method
 - Others: at cost by first-in first-out method

(3) Significant allowances and provisions

1. Allowance for doubtful accounts
Allowance for doubtful accounts is calculated based on the companies' past credit loss experience and an evaluation of potential losses for outstanding receivables.
2. Provision for employees' retirement benefits
The provision for employees' retirement benefits is established based on projected retirement obligations and plan assets at each balance sheet date. The full amounts of the transitional obligation have charged to operations and prior service cost is charged to operations when incurred.
3. Provision for retirement allowances for directors and corporate auditors
Retirement allowances for directors and corporate auditors are accrued based on the amount that would be required to be paid, based on the Company's practices, in the event of retirement of all directors and corporate auditors at each balance sheet date.
4. Accrued employees bonuses
The Company accrues the estimated liability for employees' bonuses in the period to which the bonuses relate.
5. Allowance for guarantees
Allowance for guarantees is accrued for the Company's contingent liabilities as guarantor of indebtedness of others based on an evaluation of the financial position of guarantees.
6. Allowance for loyalty program
Allowance for loyalty program is accrued based on the estimated future obligation arising from "Vodafone Mileage Service" (formerly known as "J-Point"), based on past experience.

(4) Foreign currency transactions

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

(5) Leases

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

(6) Hedge accounting

1. Hedge accounting method
Gains or losses on derivatives for hedging purposes are principally deferred to maturity of the hedged transactions. To the extent that foreign currency forward contracts qualify for hedge accounting, foreign currency payables are translated into Japanese yen at the forward contract rate. Interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market values but the differential paid or received under the swap agreements are recognized and included in interest expense or income.
2. Hedging instrument and hedged item
The Company enters into foreign currency forward contracts to hedge foreign exchange risk of certain foreign currency transactions. The Company also enters into interest swap contracts to manage interest rate risk exposure on certain bonds and borrowings.

3. **Company's policy for using derivatives**

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

4. **Assessment of hedge effectiveness**

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

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

Consumption taxes are excluded from the principal amount of related transactions and are stated separately as a component of current assets or liabilities.

4. The appraisal of assets and liabilities of consolidated subsidiaries

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

5. Appropriation of profit and disposition of loss

The consolidated statement of retained earnings is prepared based on the appropriation of profit or disposition of loss resolved during the consolidated fiscal year.

6. Cash equivalents

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Consolidated Balance Sheets)

(Millions of Yen, except where indicated)

1. Accumulated depreciation of tangible fixed assets

| | March 31, 2003 | March 31, 2004 |
|---|----------------|----------------|
| Accumulated depreciation of tangible fixed assets | ¥945,378 | ¥583,022 |

2. Assets pledged as collateral

| | | |
|--|---------|---|
| • "Factory foundation" collateral | | |
| Machinery and equipment | ¥18,882 | - |
| Air cable facilities | 130 | - |
| Long-distance line facilities | 16,515 | - |
| Civil construction facilities | 1,739 | - |
| Buildings | 6,978 | - |
| Land | 580 | - |
| Total | ¥44,827 | - |
| • Other | | |
| Buildings | 9,163 | - |
| Land | 5,297 | - |
| Total | ¥14,461 | - |
| Distribution of collateral | | |
| Long-term debt (including current portion) | ¥32,000 | - |

3. Non-consolidated subsidiaries and affiliated companies

| | March 31, 2003 | March 31, 2004 |
|--|----------------|----------------|
| Investment in unconsolidated subsidiaries and affiliated companies | ¥2,557 | ¥584 |

4. Contingent liabilities

The Company issued guarantees in respect of borrowings made by and bonds issued by the following parties:

| Guaranteed party | March 31, 2003 | | March 31, 2004 | |
|---|------------------------|---|------------------------|---|
| | Guarantees Outstanding | Company's allocated share of guarantees outstanding | Guarantees Outstanding | Company's allocated share of guarantees outstanding |
| POWEREDCOM (Tokyo Telecommunication Network) | ¥2,494 | ¥2,494 | ¥2,494 | ¥2,494 |
| South Tokyo Cable Television | 378 | 63 | 333 | 55 |
| KOALA TV | 94 | 94 | - | - |
| Japan Mobile Communications | 1 | 1 | - | - |
| Total | ¥2,968 | ¥2,652 | ¥2,827 | ¥2,550 |

(Note) Tokyo Telecommunication Network merged with POWEREDCOM as of April 1, 2003 and the merged company name is POWEREDCOM.

5. Negative consolidation goodwill in Long-term liabilities

| | March 31, 2003 | March 31, 2004 |
|--|----------------|----------------|
| Negative consolidation goodwill included in Long-term Liabilities - Others | ¥135 | - |

6. Shares issued and outstanding

| | | |
|--|-------|-------|
| Total issued and outstanding shares (In thousands of ordinary shares) | 3,195 | 3,195 |
|--|-------|-------|

7. Treasury stock

| | | |
|---|-------------|-------------|
| Total shares held by unconsolidated companies (In ordinary shares) | 23.6 shares | 28.2 shares |
|---|-------------|-------------|

8. Fixed assets acquired with government subsidies

| | | |
|---|---------|---|
| Accumulated total amount of tangible fixed assets acquired at reduced cost due to receipts of government subsidies. | ¥10,315 | - |
|---|---------|---|

(Consolidated statements of operations)

(Millions of Yen)

1. Telecommunication services operating expenses

Telecommunication services operating expenses consist of the following:

| | Year ended March 31, 2003 | Year ended March 31, 2004 |
|---|------------------------------|------------------------------|
| Selling and promotional expenses | ¥541,019 | ¥525,201 |
| Telecommunications operation expenses | 12 | 49 |
| Facilities maintenance costs | 69,481 | 50,099 |
| Common costs | 1,306 | 433 |
| Administrative expenses | 74,523 | 85,732 |
| Research and development expenses | 859 | 412 |
| Depreciation and amortization | 244,471 | 257,128 |
| Costs of disposal of fixed assets | 10,140 | 10,689 |
| Fees for utilization of other companies' network facilities | 246,728 | 207,741 |
| Taxes and dues | 18,576 | 20,061 |

2. Research and development expenses included in operating expenses

| | Year ended March 31, 2003 | Year ended March 31, 2004 |
|-----------------------------------|------------------------------|------------------------------|
| Research and development expenses | ¥859 | ¥412 |

3. Details of gain/loss on sales of fixed assets

(1) Gains were realized on sales of the following fixed assets:

| | Year ended March 31, 2003 | Year ended March 31, 2004 |
|------------------------|------------------------------|------------------------------|
| Land | ¥16 | ¥2,218 |
| Ocean cable facilities | - | 858 |
| Others | 4 | 32 |
| Total | ¥20 | ¥3,110 |

(2) Losses were realized on sales of the following fixed assets:

| | | |
|-------------------------------|--------|-----|
| Building | ¥69 | - |
| Tools, furniture and fixtures | 158 | - |
| Construction in progress | 366 | - |
| Software | 121 | - |
| Land | 386 | - |
| Facility / utility rights | - | ¥10 |
| Long-term prepaid expenses | - | 7 |
| Terminal facilities | - | 4 |
| Others | 18 | 0 |
| Total | ¥1,120 | ¥22 |

4. Major components of restructuring loss for unconsolidated subsidiaries and affiliated companies

| | Year ended March 31, 2003 | Year ended March 31, 2004 |
|---|------------------------------|------------------------------|
| Liquidation loss for unconsolidated subsidiaries and affiliated companies | ¥353 | - |

(Consolidated statements of cash flows)

(Millions of Yen)

1. Reconciliation of cash and cash equivalents at March 31, 2004 and 2003, in the consolidated statements of cash flows to the consolidated balance sheets

| | March 31, 2003 | March 31, 2004 |
|---------------------------|----------------|----------------|
| Cash on hand and in banks | ¥8,114 | ¥770 |
| Cash and cash equivalents | ¥8,114 | ¥770 |

2. Assets and liabilities of companies no longer consolidated as a result of sale of shares

As of March 31, 2003

Breakdown of assets and liabilities of Japan Telecom Max that are no longer consolidated as a result of sale of shares and reconciliation of the sale price of Japan Telecom Max shares to the net proceeds from the sale transaction are summarized below.

| | March 31, 2003 |
|---|----------------|
| Current Assets | ¥1,287 |
| Fixed Assets | 367 |
| Current Liabilities | (1,211) |
| Long-term Liabilities | (82) |
| Investment per consolidated balance sheet | 361 |
| Loss on sale of investment | (111) |
| Cash and cash equivalents | (23) |
| Proceeds from sale of investment | ¥226 |

As of March 31, 2004

Breakdown of assets and liabilities of Japan Telecom and its 5 subsidiaries that are no longer consolidated as a result of sale of shares and the adjustments from the sale transaction are summarized below.

| | March 31, 2004 |
|--|----------------|
| Current Assets | ¥109,875 |
| Fixed Assets | 398,524 |
| Current Liabilities | (79,160) |
| Long-term Liabilities | (15,885) |
| Minority Interests | (1,870) |
| Net unrealized gain on available-for-sale securities | (140) |
| Foreign currency translation adjustments | 218 |
| Investment per consolidated balance sheet | 411,562 |
| Proceeds from refund of subsidiaries' common stock | (185,831) |
| Acquisition of investment securities | (32,500) |
| Loss on sale of investment | (152,331) |
| Cash and cash equivalents | (45,383) |
| Adjustments due to sale of investment | ¥(4,484) |

(Leases)

Refer to the disclosure in EDINET.

(Marketable and investment securities)

1. Other securities with market value

As of March 31, 2003

(Millions of Yen)

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

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

As of March 31, 2004

(Millions of Yen)

| | Acquisition cost | Per consolidated balance sheet | Variance |
|---|------------------|--------------------------------|----------|
| Securities with book value in consolidated balance sheet exceeding acquisition cost | | | |
| (1) Equity securities | ¥139 | ¥830 | ¥690 |
| (2) Debt securities - Government/Municipal bonds | - | - | - |
| Sub total | 139 | 830 | 690 |
| Securities with book value in consolidated balance sheet less than acquisition cost | | | |
| Equity securities | - | - | - |
| Sub total | - | - | - |
| TOTAL | ¥139 | ¥830 | ¥690 |

2. Other securities sold during the fiscal year

(Millions of Yen)

| Year ended March 31, 2003 | | | Year ended March 31, 2004 | | |
|---------------------------|-----------------|---------------|---------------------------|-----------------|---------------|
| Sales proceeds | Profit on sales | Loss on sales | Sales proceeds | Profit on sales | Loss on sales |
| ¥1,833 | ¥436 | ¥144 | ¥16,044 | ¥4,464 | ¥1 |

3. Major securities with no market value

(Millions of Yen)

| | As of March 31, 2003 | As of March 31, 2004 |
|--|--------------------------------|--------------------------------|
| | Per consolidated balance sheet | Per consolidated balance sheet |
| Other securities | | |
| (1) Unlisted stocks (except for over-the-counter stocks) | ¥5,700 | ¥34,611 |
| (2) Other | 50 | - |

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

(Millions of Yen)

| | As of March 31, 2003 | | | | As of March 31, 2004 | | | |
|----------------------------|----------------------|-----------|------------|-------------------|----------------------|-----------|------------|-------------------|
| | Within 1 year | 1-5 years | 5-10 years | More than 5 years | Within 1 year | 1-5 years | 5-10 years | More than 5 years |
| Debt securities | | | | | | | | |
| Government/Municipal bonds | - | - | ¥153 | - | - | - | - | - |
| TOTAL | - | - | ¥153 | - | - | - | - | - |

(Derivative financial instruments)

Refer to the disclosure in EDINET.

(Employees' Retirement Benefits)

1. Summary of Employees' Retirement Benefits

The Company and its consolidated subsidiaries operate severance lump-sum payment and tax qualified pension plans.

There are certain cases where employees are entitled to additional benefits upon retirement. However, these additional payments are not included in the actuarial calculation of projected benefit obligation.

2. Funded status of employees' retirement benefits plan at March 31, 2004 and 2003

| | (Millions of Yen) | |
|--|-------------------|----------------|
| | March 31, 2003 | March 31, 2004 |
| (1) Projected benefit obligation | ¥(20,149) | ¥(6,714) |
| (2) Fair value of plan assets | 686 | 400 |
| (3) Unfunded projected benefit obligation (1) + (2) | (19,463) | (6,313) |
| (4) Unrecognized actuarial (gain) loss | - | - |
| (5) Provision for employees' retirement benefits (3) + (4) | ¥(19,463) | ¥(6,313) |

3. Components of net periodic benefit costs for the years ended March 31, 2004 and 2003

| | (Millions of Yen) | |
|--|-------------------|----------------|
| | March 31, 2003 | March 31, 2004 |
| (1) Service cost | ¥2,727 | ¥1,845 |
| (2) Interest cost | 430 | 219 |
| (3) Expected return on plan assets | (9) | (10) |
| (4) Amortization of prior service cost | 1,315 | - |
| (5) Amortization of actuarial loss | 2,245 | (854) |
| (6) Additional retirement benefit paid | 1,652 | 1 |
| Net periodic benefit costs | ¥8,361 | ¥1,202 |

(Note)

- (1) The service cost includes net periodic benefit costs of certain subsidiaries, which are calculated based on the simplified method as specified by Japanese generally accepted accounting principles.
- (2) Prior service cost arose for certain subsidiaries due to change of employees' retirement benefits plan during the year ended March 31, 2003.

4. Assumptions used for actuarial calculations

| | March 31, 2003 | March 31, 2004 |
|---|---|----------------|
| (1) Discount rate | 1.5% - 2.0% | 2.25% |
| (2) Expected rate of return on plan assets | 4.4% | 4.0% |
| (3) Method of periodic allocation of expected benefit | Benefit / years-of-service approach | |
| (4) Amortization period of prior service cost | Expensed in the fiscal year when incurred | |
| (5) Amortization period of actuarial gain/loss | Expensed in the fiscal year when incurred | |

(Deferred Taxes)

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

| | (Millions of Yen) | |
|--|-------------------|----------------|
| (Deferred tax assets) | March 31, 2003 | March 31, 2004 |
| Loss carried forward | ¥26,772 | ¥194,722 |
| Allowance for loyalty program | 10,221 | 10,715 |
| Write-down of Inventory | 3,287 | 9,600 |
| Accounts payable - other | - | 5,975 |
| Depreciation | 3,786 | 3,524 |
| Deferred revenue | 2,751 | 3,295 |
| Enterprise tax payable | 9,621 | 3,248 |
| Provision for employees' retirement benefits | 7,631 | 2,528 |
| Accrued employees' bonuses | 3,398 | 2,016 |
| Advances received | - | 1,837 |
| Allowance for doubtful accounts | 5,194 | 1,500 |
| Allowance for guarantees | 1,773 | 1,400 |
| Investment in unconsolidated subsidiaries and affiliated companies | 1,917 | 1,275 |
| Deferred gain on fixed assets obtained through Corporate split | 2,814 | - |
| Loss on disposal of fixed assets | 1,365 | - |
| Write-down of investment securities | 805 | - |
| Others | 4,651 | 2,916 |
| Sub-total | 85,954 | 244,558 |
| Less valuation allowance | (34,426) | (198,321) |
| Total deferred tax assets | 51,527 | 46,236 |
| Less deferred tax liabilities | - | (283) |
| Net deferred tax assets | ¥51,527 | ¥45,953 |
| | | |
| (Deferred tax liabilities) | March 31, 2003 | March 31, 2004 |
| Unrealized gain on available-for-sale securities | - | ¥(283) |
| Total deferred tax liabilities | - | (283) |
| Less deferred tax assets | - | 283 |
| Net deferred tax liabilities | - | - |

2. A reconciliation between the statutory effective tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of operations for the years ended March 31, 2004 and 2003 were as follows:

| | Year ended March 31, 2003 | Year ended March 31, 2004 |
|--|------------------------------|------------------------------|
| Statutory effective tax rate | 42.0% | (42.0)% |
| (Explanation of tax rate change) | | |
| Deferred tax resulting from unrealized profit not recognized | - | 3.9 |
| Valuation allowance | 6.8 | (459.9) |
| Permanently non-taxable income | (8.7) | 282.0 |
| Expenses not deductible for income tax purposes | 0.2 | (2.1) |
| Per capita levy of inhabitant taxes | 0.1 | (0.6) |
| IT investment credit | - | 22.6 |
| Effect of tax rate change | - | (15.7) |
| Amortization of consolidation goodwill | 0.6 | - |
| Amortization of goodwill | (0.6) | - |
| Others | (0.6) | (0.5) |
| Effective tax rate | 39.8% | (212.3)% |

(Segment Information)**(1) Business segments**

Year ended March 31, 2003

(Millions of Yen)

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

Year ended March 31, 2004

(Millions of Yen)

| | Fixed-line Telecomm- unication Services | Mobile Telecomm- unication Services | Total | Elimination and other adjustments | Consolidated |
|---|--|--|-----------|---|--------------|
| I Revenue and operating income | | | | | |
| Revenue | | | | | |
| (1)Sales to external customers | 151,566 | 1,504,084 | 1,655,651 | - | 1,655,651 |
| (2)Intersegment sales | 23,489 | 4,737 | 28,226 | (28,226) | - |
| Total revenue | 175,056 | 1,508,821 | 1,683,877 | (28,226) | 1,655,651 |
| Operating expenses | 172,525 | 1,326,566 | 1,499,091 | (28,485) | 1,470,606 |
| Operating income | 2,531 | 182,255 | 184,786 | 258 | 185,045 |
| II Assets, depreciation expense and capital expenditure | | | | | |
| Assets | - | 1,428,167 | 1,428,167 | - | 1,428,167 |
| Depreciation expense | 32,242 | 225,764 | 258,006 | (31) | 257,975 |
| Capital expenditure | 9,161 | 243,919 | 253,081 | - | 253,081 |

(Note) Business segments and main services

| Business segment | Main Services |
|---------------------------------------|--|
| Fixed-line Telecommunication Services | Domestic long-distance telephone services, international telephone services, High-speed digital leased circuit services, ODN (Open Data Network), Frame relay services, etc. |
| Mobile Telecommunication Services | Mobile telecommunication services, mobile handset sales |

(2) Geographical Segments

The domestic share of all segment revenue and assets exceeds 90% and, therefore, geographical segment information is not provided for the years ended March 31, 2004 and 2003.

(3) Sales to Foreign Customers

Sales to foreign customers are less than 10% of total revenue and, therefore, such information is not provided for the years ended March 31, 2004 and 2003.

(Related party transactions)

Year ended March 31, 2004

Common parent companies

(Millions of Yen)

| Relation-ship with Vodafone Holdings K.K. | Company | Location | Capital (Par value) | Nature of Business | Ownership of the voting rights (%) | Relations | | Nature of transactions | Transac-tion amount during the year | Consolidat-ed balance sheet accounts | Year-end balance |
|---|--------------------------------|---------------|--------------------------|--------------------|------------------------------------|------------------|--------------------------|-----------------------------------|-------------------------------------|--------------------------------------|------------------|
| | | | | | | Common directors | Operational relationship | | | | |
| Common parent company | Vodafone Yen Finance Ltd. | Newbury, U.K. | (Millions of Yen) 55,000 | Finance Company | - | - | Borrowing funds | Borrowing of funds | 267,035 | Short term-Borrowings | 267,035 |
| | | | | | | | | Payment of Interest | 1,398 | Accrued Expenses | 116 |
| | | | | | | | | Payment of Miscellaneous expenses | 58 | - | - |
| Common parent company | Vodafone Overseas Finance Ltd. | Newbury, U.K. | (Millions of Euro) 1,000 | Finance Company | - | - | Borrowing funds | Borrowing of funds | 178,560 | Short term-borrowings | 178,560 |
| | | | | | | | | Payment of Interest | 601 | Accrued Expenses | 81 |
| | | | | | | | | Payment of Miscellaneous expenses | 159 | - | - |

(Note)

1. These companies are subsidiaries of Vodafone Group Plc, the parent company of Vodafone Holdings K.K.
2. Interest on borrowed funds is determined based on current market interest rates.
3. Miscellaneous expenses are mainly commitment fees.

(Per share information)

| | Year ended March 31, 2003 | Year ended March 31, 2004 |
|--------------------------------------|------------------------------|------------------------------|
| Net assets per share (in Yen) | ¥145,828 | ¥113,150 |
| Net income/(loss) per share (in Yen) | ¥24,855 | ¥(31,310) |

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

From the year ended March 31, 2003, the Company adopted Financial Accounting Standard No.2 "Accounting Standard for Earnings Per Share" and Financial Accounting Standards Implementation Guidance No.4 "Implementation Guidance for Accounting Standard for Earnings Per Share".

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

| | |
|----------------------|----------|
| Net assets per share | ¥122,486 |
| Net loss per share | ¥20,654 |

(Note)

The following data was used as the basis to calculate earnings per share.

| | Year ended March 31, 2003 | Year ended March 31, 2004 |
|---|------------------------------|------------------------------|
| Net Income/(loss) (Millions of Yen) | ¥79,502 | ¥(100,042) |
| Amounts not belonging to ordinary shareholders (Millions of Yen) | ¥83 | - |
| (including directors' bonus) (Millions of Yen) | ¥83 | - |
| Net income/(loss) attributable to ordinary shares (Millions of Yen) | ¥79,418 | ¥(100,042) |
| Weighted average number of shares (shares) | 3,195,217 | 3,195,210 |

Non-consolidated Financial Results for the year ended March 31, 2004

May 25, 2004



Vodafone Holdings K.K.

Code number 9434

(URS <http://www.vodafone-holdings.co.jp>)

Representative: Darryl E. Green, Director, President, Representative Executive Officer

Person responsible for inquiries: Yuriko Ishihara, VP, Executive Officer, Investor Relations

Stock exchange listings: TSE, OSE

Location of corporate headquarters

Tokyo

Tel: (03) 6403 - 2986

Interim dividend: Yes

Fractional share: None

Date of approval of financial statements by the Board of Directors: May 25, 2004

Date of the general shareholders' meeting: June 29, 2004

Date of year end dividend payment: June 30, 2004

1. Non-consolidated results for the year ended March 31, 2004 (from April 1, 2003 to March 31, 2004)

(1) Operating results

| Year ended: | Revenue | | Operating income | | Ordinary income | |
|----------------|-----------------|--------|------------------|--------|-----------------|--------|
| | Millions of Yen | % | Millions of Yen | % | Millions of Yen | % |
| March 31, 2004 | 15,562 | (89.6) | 8,999 | (22.2) | 5,847 | (46.3) |
| March 31, 2003 | 149,665 | (67.3) | 11,560 | - | 10,879 | - |

| Year ended: | Net income (loss) | | Earnings (loss) per share | Diluted earnings (loss) per share | Return on shareholder's equity | Ordinary income to total shareholders' equity ratio | Ordinary income to turnover ratio |
|----------------|-------------------|---|---------------------------|-----------------------------------|--------------------------------|---|-----------------------------------|
| | Millions of Yen | % | Yen | Yen | % | % | % |
| March 31, 2004 | (144,272) | - | (45,152.78) | - | (34.6) | 0.5 | 37.6 |
| March 31, 2003 | 9,724 | - | 3,037.96 | - | 2.0 | 0.8 | 7.3 |

Notes:

- The weighted average number of shares were 3,195,210 shares and 3,195,217 shares for the years ended March 31, 2004 and 2003, respectively.
- There were no changes in accounting policies during the year ended March 31, 2004.
- The percentages for revenue, operating income, ordinary income, and net income (loss) represent the increase or decrease over the previous year.

(2) Dividends

| Year ended: | Dividends per share | | | Total dividends for the year | Payout ratio | Dividends to share capital ratio |
|----------------|---------------------|------------|------------|------------------------------|--------------|----------------------------------|
| | Half-year | Year-end | Year-end | | | |
| March 31, 2004 | Yen 1,200.00 | Yen 600.00 | Yen 600.00 | Millions of Yen 3,834 | % - | % 1.1 |
| March 31, 2003 | Yen 1,200.00 | Yen 600.00 | Yen 600.00 | Millions of Yen 3,834 | % 39.4 | % 0.8 |

(3) Financial position

| As of: | Total assets | Shareholders' equity | Shareholders' equity to total assets ratio | Shareholders' equity per share |
|----------------|---------------------------|-------------------------|--|--------------------------------|
| March 31, 2004 | Millions of Yen 984,973 | Millions of Yen 342,376 | % 34.8 | Yen 107,153.07 |
| March 31, 2003 | Millions of Yen 1,289,360 | Millions of Yen 490,584 | % 38.0 | Yen 153,531.81 |

Notes:

- The number of shares outstanding were 3,195,208 shares and 3,195,213 shares as of March 31, 2004 and 2003, respectively.
- The number of treasury shares as of March 31, 2004 and 2003 were 28 shares and 23 shares, respectively.

2. Forecast of non-consolidated operating results for the year ending March 31, 2005 (from April 1, 2004 to March 31, 2005)

| | Revenue | Ordinary income | Net income | Dividend per share | |
|-------------------------------------|-------------------|-------------------|-------------------|--------------------|--------------|
| | | | | Half-year | Year-end |
| Half year ending September 30, 2004 | Millions of Yen - | Millions of Yen - | Millions of Yen - | Yen 600.00 | Yen - |
| Year ending March 31, 2005 | Millions of Yen - | Millions of Yen - | Millions of Yen - | Yen - | Yen 1,200.00 |

Note: Forecast for the year ending March 31, 2005 is omitted since Vodafone Holdings K.K became a holding company as of August 1, 2002.

Non-consolidated Financial Statements

(1) Non-consolidated Comparative Balance Sheets

(Millions of Yen)

| | March 31, 2003 | March 31, 2004 | Increase (Decrease) |
|---|-------------------|-------------------|------------------------|
| (ASSETS) | | | |
| Current Assets | | | |
| | 728,521 | 819,090 | 90,569 |
| Cash on hand and in banks | 30 | 7 | (22) |
| Inventories | — | 0 | 0 |
| Prepaid expenses | — | 1 | 1 |
| Accounts receivable - other | 13,535 | 49,313 | 35,777 |
| Short-term loans | 719,686 | 769,598 | 49,912 |
| Others | 7 | 618 | 610 |
| Allowance for doubtful accounts | (4,739) | (448) | 4,290 |
| Fixed Assets | | | |
| | 560,839 | 165,883 | (394,956) |
| Tangible fixed assets | | | |
| | 4 | 4 | (0) |
| Tools, furniture and fixtures | 4 | 4 | (0) |
| Intangible fixed assets | | | |
| | 0 | 0 | — |
| Telephone rights | 0 | 0 | — |
| Investments and other assets | | | |
| | 560,834 | 165,877 | (394,956) |
| Investment securities | 2,866 | 34,563 | 31,696 |
| Investments in subsidiaries and affiliated companies | 557,927 | 131,268 | (426,659) |
| Others | 39 | 45 | 6 |
| Total Assets | | | |
| | 1,289,360 | 984,973 | (304,386) |

(Millions of Yen)

| | March 31, 2003 | March 31, 2004 | Increase (Decrease) |
|---|-------------------|-------------------|------------------------|
| (LIABILITIES) | | | |
| Current Liabilities | 623,576 | 467,596 | (155,979) |
| Current portion of long term bonds | 25,000 | | (25,000) |
| Short-term borrowings | 588,213 | 460,173 | (128,040) |
| Accounts payable - other | 31 | 3,077 | 3,046 |
| Accrued expenses | 1,511 | 792 | (718) |
| Income taxes payable | 2,993 | 2 | (2,991) |
| Deposits received | 34 | 14 | (19) |
| Allowance for guarantees | 4,128 | 3,442 | (686) |
| Others | 1,664 | 93 | (1,570) |
| Long-term Liabilities | 175,200 | 175,000 | (199) |
| Bonds | 175,000 | 175,000 | |
| Provision for employees' retirement benefits | 22 | | (22) |
| Provision for retirement allowances for directors and corporate auditors | 177 | 0 | (176) |
| Total Liabilities | 798,776 | 642,597 | (156,179) |
| (SHAREHOLDERS' EQUITY) | | | |
| Common Stock | 177,251 | 177,251 | |
| Capital Surplus | 265,508 | 265,508 | |
| Additional paid-in capital | 265,508 | 65,508 | (200,000) |
| Other capital surplus | | | |
| Transfer due to capital reduction | — | 200,000 | 200,000 |
| Retained Earnings (Deficit) | 47,948 | (100,175) | (148,124) |
| Appropriated to legal reserve | 8,302 | 8,302 | |
| Voluntary reserve | | | |
| Reserve for special depreciation | 1,418 | | (1,418) |
| Other reserve | 36,000 | 36,000 | |
| Unappropriated retained earnings (undisposed deficit) | 2,227 | (144,478) | (146,705) |
| Net unrealized gain on available-for-sale securities | (114) | (196) | (81) |
| Treasury stock | (9) | (10) | (1) |
| Total Shareholders' Equity | 490,584 | 342,376 | (148,207) |
| Total Liabilities and Shareholders' Equity | 1,289,360 | 984,973 | (304,386) |

(2) Non-consolidated Comparative Statements of Operations

(Millions of Yen)

| | Year ended March 31, 2003 | Year ended March 31, 2004 | Increase (Decrease) |
|---|------------------------------|------------------------------|------------------------|
| Revenue | 149,665 | 15,562 | (134,102) |
| Operating expenses | 138,104 | 6,563 | (131,541) |
| Operating Income | 11,560 | 8,999 | (2,561) |
| Non-operating Revenue | 4,984 | 62 | (4,921) |
| Interest income | 989 | 0 | (989) |
| Interest income from securities | 6 | 2 | (4) |
| Dividend income | 1,463 | 15 | (1,447) |
| Facilities income | 1,100 | — | (1,100) |
| Foreign exchange gains | — | 35 | 35 |
| Miscellaneous income | 1,424 | 8 | (1,415) |
| Non-operating Expenses | 5,665 | 3,214 | (2,451) |
| Interest expenses | 1,275 | 0 | (1,275) |
| Bond interest | 4,027 | 2,919 | (1,107) |
| Amortization of bond issuance costs | 183 | — | (183) |
| Miscellaneous expenses | 179 | 294 | 115 |
| Ordinary Income | 10,879 | 5,847 | (5,031) |
| Special Gain | 4,728 | 5,646 | 918 |
| Gain on sales of investment securities | 3,699 | 484 | (3,214) |
| Gain on sales of investments in subsidiaries and affiliated companies | 1,019 | 2,770 | 1,751 |
| Restructuring gain of subsidiaries and affiliated companies | — | 302 | 302 |
| Gain from reversal of allowance for guarantees | — | 686 | 686 |
| Gain from reversal of allowance for doubtful accounts | — | 1,328 | 1,328 |
| Others | 9 | 74 | 64 |
| Special Loss | 10,101 | 156,636 | 146,534 |
| Loss on sales of fixed assets | 366 | — | (366) |
| Loss on disposal of fixed assets | 1,460 | — | (1,460) |
| Loss on sales of investment securities | 782 | — | (782) |
| Write down of investment securities | 1,240 | 23 | (1,217) |
| Loss on sales of investments in affiliated companies | — | 156,597 | 156,597 |
| Write down of investments in subsidiaries and affiliated companies | 4,585 | — | (4,585) |
| Restructuring loss for subsidiaries and affiliated companies | 712 | — | (712) |
| Allowance for guarantees | 953 | — | (953) |
| Others | — | 15 | 15 |
| Income (Loss) before Income Taxes | 5,505 | (145,142) | (150,648) |
| Income Taxes - Current | 26 | 1 | (24) |
| Reversal of income tax payable | (961) | (871) | 89 |
| Income Taxes - Deferred | (3,283) | — | 3,283 |
| Net Income (Loss) | 9,724 | (144,272) | (153,997) |
| Retained earnings at beginning of year | 2,140 | 1,711 | (428) |
| Interim dividend | 1,917 | 1,917 | (0) |
| Reversal of net unrealized loss on revaluation of land | (7,720) | — | 7,720 |
| Unappropriated retained earnings (undisposed deficit) at end of year | 2,227 | (144,478) | (146,705) |

Statement of Appropriation of Retained Earnings and Proposed Disposition of Deficit

Year ended March 31, 2003

Statement of Appropriation of Retained Earnings

(Millions of Yen)

| | Year ended March 31, 2003 |
|---|------------------------------|
| <i>Unappropriated retained earnings at end of year</i> | 2,227 |
| Reversal of voluntary reserves | |
| Reversal of special depreciation reserve | 1,418 |
| The balance will be appropriated as follows: | |
| Cash dividends paid | 1,917 (¥ 600 per share) |
| Bonuses paid to directors and corporate auditors [Corporate auditors' portion] | 17 [6] |
| <i>Balance to be carried forward</i> | 1,711 |

Year ended March 31, 2004

Statement of Proposed Disposition of Deficit

(Millions of Yen)

| | Year ended March 31, 2004 |
|---|------------------------------|
| (Undisposed accumulated deficit) | |
| <i>Undisposed accumulated deficit at end of year</i> | 144,478 |
| Amounts to be disposed | |
| Reversal of voluntary reserves | |
| Reversal of other reserve | 36,000 |
| Transfer from other capital surplus | 108,478 |
| <i>Retained earnings to be carried forward</i> | — |
| (Transfer of other capital surplus) | |
| Other capital surplus | 200,000 |
| Amounts to be transferred | |
| Transfer to undisposed accumulated deficit | 108,478 |
| Cash dividends paid | 1,917 (¥ 600 per share) |
| <i>Other capital surplus to be carried forward</i> | 89,604 |

Note: Interim cash dividend amounting to 1,917 million yen (600 yen per share) was made on December 10, 2003.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Marketable and investment securities

(1) *Investments in subsidiaries and affiliated companies*

Investments in subsidiaries and affiliated companies are carried at cost by the moving-average method.

(2) *Other securities (without market value)*

Other securities are carried at cost by the moving-average method.

2. Derivatives

Derivatives are measured at fair value.

3. Fixed assets

Tangible fixed assets

Depreciation of tangible fixed assets are computed under the straight-line method.

The estimated useful lives of the major fixed assets, such as tools, furniture and fixtures are principally 5 years.

4. Foreign currency transactions

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

5. Allowances and provisions

(1) *Allowance for doubtful accounts*

Allowance for doubtful accounts is calculated based on the companies' past credit loss experience and an evaluation of potential losses for outstanding receivables.

(2) *Provision for retirement allowances for directors and corporate auditors*

Retirement allowances for directors and corporate auditors are accrued based on the amount that would be required to be paid, based on the Company's practices, in the event of retirement of all directors and corporate auditors at each balance sheet date.

(3) *Allowance for guarantees*

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

6. Leases

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

7. Hedge accounting

(1) *Hedge accounting method*

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

(2) *Hedging instrument and hedged item*

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

(3) *Company's policy for using derivatives*

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

(4) *Assessment of hedge effectiveness*

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

8. Other important matters relating to the preparation of the financial statements

Consumption taxes are excluded from principal amount of related transactions and are stated separately as a component of current assets or liabilities.

NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS

(Non-consolidated Balance Sheets)

(Millions of Yen, expect where indicated)

1. Accumulated depreciation of tangible fixed assets

| | March 31, 2003 | March 31, 2004 |
|---|----------------|----------------|
| Accumulated depreciation of tangible fixed assets | ¥0 | ¥1 |

2. Major receivables from and payables to subsidiaries and affiliated companies

The significant balances not classified separately are as follows:

| | March 31, 2003 | March 31, 2004 |
|-----------------------------|----------------|----------------|
| Short-term loans receivable | ¥719,536 | ¥769,598 |
| Short-term borrowings | ¥19,776 | ¥14,578 |

3. Authorized shares and issued and outstanding shares

| | March 31, 2003 | March 31, 2004 |
|--|----------------|----------------|
| Authorized shares - Common Share (In shares) | 12,780,000 | 12,780,000 |
| Issued and outstanding shares - Common Share (In shares) | 3,195,236.65 | 3,195,236.65 |

4. Treasury stock

| | March 31, 2003 | March 31, 2004 |
|--|----------------|----------------|
| Number of treasury stock held by the Company | 23.6 shares | 28.2 shares |

5. Contingent liabilities

The Company issued guarantees in respect of borrowings made by and bonds issued by the following parties:

| Guaranteed party | March 31, 2003 | | March 31, 2004 | |
|---|------------------------|---|------------------------|---|
| | Guarantees Outstanding | Company's allocated share of guarantees outstanding | Guarantees Outstanding | Company's allocated share of guarantees outstanding |
| POWEREDCOM (Tokyo Telecommunication Network) | ¥2,494 | ¥2,494 | ¥2,494 | ¥2,494 |
| South Tokyo Cable Television | 378 | 63 | 333 | 55 |
| KOALA TV | 94 | 94 | - | - |
| Total | ¥2,967 | ¥2,651 | ¥2,827 | ¥2,550 |

(Note) Tokyo Telecommunication Network merged with POWEREDCOM as of April 1, 2003 and the merged company name is POWEREDCOM.

(Non-consolidated Statements of Operations)

(Millions of Yen)

1. Major components of operating expenses

| | Year ended March 31, 2003 | Year ended March 31, 2004 |
|---|------------------------------|------------------------------|
| Commission fees | ¥8,948 | ¥2,507 |
| Financial costs | - | 2,300 |
| Payroll costs | 11,414 | 728 |
| Taxes and dues | - | 461 |
| Allowance for doubtful accounts | 639 | 188 |
| Fees for utilization of other companies' network facilities | 41,409 | - |
| Depreciation and amortization | 21,982 | - |
| Promotion expenses | 15,927 | - |
| Purchase of merchandise | 9,670 | - |
| Other business costs | 7,075 | - |

2. Transactions with affiliated companies

| | Year ended March 31, 2003 | Year ended March 31, 2004 |
|-----------------|------------------------------|------------------------------|
| Revenues | ¥45,397 | ¥15,562 |
| Dividend income | 1,247 | - |
| Interest income | 989 | - |

3. Research and development expenses included in operating expenses

| | Year ended March 31, 2003 | Year ended March 31, 2004 |
|-----------------------------------|------------------------------|------------------------------|
| Research and development expenses | ¥469 | - |

4. Details of loss on sales of fixed assets

| | Year ended March 31, 2003 | Year ended March 31, 2004 |
|-------------------------|------------------------------|------------------------------|
| Machinery and equipment | ¥366 | - |
| Other investments | 0 | - |
| Total | ¥366 | - |

(Note) The above realized loss on sales of machinery and equipment for the year ended March 31, 2003 was recorded on sale to subsidiaries and affiliated companies.

5. Gain/loss on sales of investment securities and investments in affiliated companies to affiliated companies

| | Year ended March 31, 2003 | Year ended March 31, 2004 |
|--|------------------------------|------------------------------|
| Gain on sale of investment securities to affiliated companies | ¥3,264 | - |
| Loss on sale of investment securities to affiliated companies | ¥629 | - |
| Gain on sale of investment in affiliated companies to affiliated companies | - | ¥2,770 |

6. Major components of restructuring gain / loss from subsidiaries and affiliated companies

| | Year ended March 31, 2003 | Year ended March 31, 2004 |
|--|------------------------------|------------------------------|
| Gain from liquidation of subsidiaries and affiliated companies | - | ¥302 |
| Loss from liquidation of subsidiaries and affiliated companies | ¥322 | - |

(Leases)

Refer to the disclosure in EDINET.

(Marketable and investments securities)

The Company has no investments in subsidiaries or affiliated companies with market value as of March 31, 2003 and 2004.

(Deferred Taxes)

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

| (Deferred tax assets) | March 31, 2003 | (Millions of Yen) March 31, 2004 |
|--|----------------|-------------------------------------|
| Loss carryforward | ¥23,969 | ¥194,722 |
| Allowance for guarantees | 1,733 | 1,400 |
| Investments in subsidiaries and affiliated companies | 30,727 | 1,275 |
| Accounts payable - other | — | 358 |
| Write-down of investment securities | 805 | 291 |
| Allowance for doubtful accounts | 1,990 | 182 |
| Provision for employees' retirement benefit | 9 | — |
| Others | 158 | 91 |
| Sub-total | 59,393 | 198,321 |
| Less valuation allowance | (59,393) | (198,321) |
| Total deferred tax assets | — | — |

2. A reconciliation between the statutory effective tax rate and the actual effective tax rate reflected in the accompanying statements of operations for the years ended March 31, 2004 and 2003 were as follows:

| | Year ended March 31, 2003 | Year ended March 31, 2004 |
|---|------------------------------|------------------------------|
| Statutory effective tax rate | 42.0% | (42.0)% |
| (Explanation of tax rate change) | | |
| Expenses not deductible for income tax purposes | 0.5 | 0.1 |
| Valuation allowance | 406.3 | 108.9 |
| Permanently non-taxable income | (417.0) | (70.5) |
| Effect of tax rate change | 31.9 | 2.9 |
| Per capita levy of inhabitant taxes | 0.5 | - |
| Temporary difference on the value of shares in subsidiaries acquired through spin-off | (150.7) | - |
| Others | 9.9 | 0.0 |
| Effective tax rate | (76.6)% | (0.6)% |

(Per share information)

| | Year ended March 31, 2003 | Year ended March 31, 2004 |
|--------------------------------------|------------------------------|------------------------------|
| Net assets per share (In Yen) | ¥153,531 | ¥107,153 |
| Net income/(loss) per share (In Yen) | ¥3,037 | ¥(45,152) |

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

From the year ended March 31, 2003, Company adopted Financial Accounting Standard No.2 "Accounting Standard for Earnings Per Share" and Financial Accounting Standards Implementation Guidance No.4 "Implementation Guidance for Accounting Standard for Earnings Per Share".

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

| | |
|----------------------|----------|
| Net assets per share | ¥152,162 |
| Net loss per share | ¥20,200 |

(Note)

The following data was used as the basis to calculate earnings per share.

| | Year ended March 31, 2003 | Year ended March 31, 2004 |
|--|------------------------------|------------------------------|
| Net income/(loss) (Millions of Yen) | ¥9,724 | ¥(144,272) |
| Amounts not belonging to ordinary shareholders (Millions of Yen) | ¥17 | - |
| (including director's bonus) (Millions of Yen) | ¥17 | - |
| Net income/(loss) attributable to common stock (Millions of Yen) | ¥9,706 | ¥(144,272) |
| Weighted average number of shares (shares) | 3,195,217 | 3,195,210 |

6. Transfer of Directors and Executive Officers (Pre-appointment)

(As of June 29, 2004)

(1) New Director Candidates (*indicates external director as provided by Japanese Commercial Code)

| | |
|----------|---|
| Director | David Jones* |
| | (Currently Representative Executive Officer, COO, Vodafone K.K.) |
| Director | Takehiko Aoki* |
| | (Currently Corporate Officer, Senior Vice President, Vodafone K.K.) |

(2) Committee Members (*indicates external director as provided by Japanese Commercial Code)

Nomination Committee

| | |
|--------|----------------------|
| Member | J. Brian Clark* |
| Member | Charles Butterworth* |
| Member | Takehiko Aoki* |

Audit Committee

| | |
|--------|----------------------|
| Member | J. Brian Clark* |
| Member | Michael J. Pitt* |
| Member | Charles Butterworth* |
| Member | Hironori Aihara* |

Compensation Committee

| | |
|--------|----------------------|
| Member | J. Brian Clark* |
| Member | Charles Butterworth* |
| Member | Takehiko Aoki* |

(3) Directors scheduled to retire

| | |
|----------|-----------------|
| Director | Peter Newbound |
| Director | Yoshiro Hayashi |

(4) Executive Officers scheduled to retire

| | |
|--------------------------------------|-------------|
| Vice President, Executive Officer | Shuji Ishii |
|--------------------------------------|-------------|

<Reference> Directors and Executive Officers after the 18th Annual General Meeting (scheduled for June 29, 2004)

(*indicates external director as provided by Japanese Commercial Code)

| Title | Name | Responsibilities | Notes |
|---|----------------------|---|--|
| Chairman of the Board, Director | J. Brian Clark* | | CEO, Asia Pacific Region, Vodafone Group Plc |
| Director, President, Representative Executive Officer | Darryl E. Green | | |
| Director | David Jones* | | Representative Executive Officer, COO, Vodafone K.K. |
| Director, CFO, Representative Executive Officer | John Durkin | Head, Finance Dept. | |
| Director | Michael J. Pitt* | | Financial Director, Group Operations, Vodafone Group Services Ltd. |
| Director | Charles Butterworth* | | Director of Group Corporate Finance, Vodafone Group Plc |
| Director | Takehiko Aoki* | | Corporate Officer, Senior Vice President, Vodafone K.K. |
| Director | Hironori Aihara* | | Director and Chairman, Space Communications Corporation |
| Director | Tatsuya Tamura* | | President of Global Management Institute Inc. |
| Director | Yoko Kurita* | | Professor, International Corporate Strategies, Hitotsubashi University |
| VP, Executive Officer | Yuriko Ishihara | Responsible for IR | |
| VP, Executive Officer | Chiyoko Saeki | Head, General Affairs and Human Resources Dept. | |

VP: Vice President

<Reference>

(New Director Candidate)

1. Name: David Jones
2. Present Position: Representative Executive Officer, COO, Vodafone K.K.
3. Birth date: Nov. 30, 1948
4. Highest degree: Heriot-Watt University (Edinburgh), Honours Degree in Business Organisation, Law and Accounting (1970)
5. Work history:

| | |
|-----------|---|
| Sep. 1970 | Graduate Trainee Accountant, British Steel Corporation |
| Sep. 1986 | Enters Vodafone Group, Financial Director, Vodac |
| Apr. 1993 | Managing Director, Vodafone Connect Ltd. |
| Oct. 1999 | Managing Director, Sales and Distribution, Vodafone UK Ltd. |
| Aug. 2001 | CEO and Chairman, Vodafone Libertel N.V. |
| Apr. 2004 | Representative Executive Officer, COO, Vodafone K.K. |
| | (to present) |

(New Director Candidate)

1. Name: Takehiko Aoki
2. Present Position: Corporate Officer, Senior Vice President, Vodafone K.K.
3. Birth date: Apr. 5, 1958
4. Highest degree: Waseda University, School of Political Science & Economics (March 1981)
5. Work history:
 - Apr. 1981 Enters Bridgestone Corporation
 - Sep. 1995 Business Planning Director, Bridgestone/Firestone, Inc. (currently Bridgestone/Firestone North American Tire, LLC)
 - Aug. 1997 Assistant to President, Bridgestone/Firestone South Carolina Company Assistant to President
 - Dec. 1999 Human Resources Strategy Director, Bridgestone/Firestone Inc.
 - Oct. 2000 Business Planning Executive Director, Bridgestone Americas Holding, Inc.
 - Feb. 2004 Corporate Officer, Senior Vice President, Vodafone K.K. (to present)