24 May 2005

VODAFONE K.K. ANNOUNCES FISCAL 2004 RESULTS

TOKYO: VODAFONE K.K. (TSE, OSE: 9434) today announces its results for fiscal 2004. Consolidated operating revenues and consolidated ordinary income declined by 11.2% to 1,470.0 billion yen and 15.4% to 153.4 billion yen respectively primarily due to the deconsolidation of the fixed line business on 1 October 2003, which is not included in the fiscal 2004 results. Consolidated net profit was 162.0 billion yen, an increase of 262.0 billion yen from the previous fiscal year, after extraordinary losses of 25.5 billion yen and deferred tax credit of 89.9 billion yen.

Vodafone K.K. business operating revenue decreased 2.6% compared to the previous fiscal year to 1,470.2 billion yen. Within this total, telecommunications service revenue declined by 4.7% to 1,150.1 billion yen. Ordinary income declined by 15.4% compared to the previous fiscal year to 153.8 billion yen, mainly due to lower service revenue.

Shiro Tsuda, Executive Chairman of Vodafone K.K., said, “Fiscal 2004 proved to be a challenging year for Vodafone K.K. as market conditions became increasingly competitive and our overall competitiveness fell due to new 3G technology not being fully up to customer expectations. We are aware of the high demand for 3G products and services in the market, and have struggled to keep up with early stages of the technology. Working closely with our business partners, we are determined to deliver advanced products and services quickly by effectively leveraging leading-edge Japanese technology and synergies with the Vodafone Group.”

Bill Morrow, President of Vodafone K.K., added, “Delighting our customers in Japan is key to our future success. Now that 3G technology has stabilised, we will be collaborating with our customers to offer the services they want, while actively investing in our network to enhance our competitiveness. I am confident these and other steps will increase our competitive standing and poise us for future growth.”

Consolidated financial summary

¥ billions, except per share data	**Fiscal 2004**	**Fiscal 2003**	**Change (%)**
Operating revenue	1,470.0	1,655.7	(11.2%)
Ordinary income	153.4	181.2	(15.4%)
Net income (loss)	162.0	(100.0)	-
Earnings per share	¥38,341	(¥31,310)	-

Consolidated operating revenue breakdown

¥ billions	**Fiscal 2004**	**Fiscal 2003**	**Change (%)**
Mobile business[1]	1,470.0	1508.8	(2.6%)
Fixed-line business[2]	-	175.1	-
Elimination	-	(28.2)	-
Operating revenue	**1,470.0**	**1,655.7**	**(11.2%)**

Operating highlights

- Net customer additions totaled 89,300, representing a 1.7% share of market net additions for the fiscal year.
- The percentage of prepaid customers at the end of March 2005 increased to 11% from 9% at the end of the previous fiscal year. To help prevent the inappropriate use of prepaid mobiles in Japan, initiatives were implemented in December 2004 to confirm the identities of subscribers.
- The launch of eight 3G handsets and new services helped increase Vodafone K.K.'s 3G subscriptions by 779,500 to a total of 917,200 (6.1% of the customer base) at the end of 31 March 2005, compared to 137,700 (0.9% of the customer base) at the end of the previous fiscal year.
- Total ARPU for the fiscal year declined by 8.6% to 6,150 yen compared to the previous fiscal year.
- Data and messaging revenues as a percentage of total service revenue for the fiscal year was 21.5%, a slight decrease from 22.0% recorded in the last fiscal year.
- Vodafone K.K.'s operating expenditures totaled 1,312.6 billion yen, a 1.0% decrease from the previous fiscal year, due to higher retention costs and increased depreciation from continued investment in 3G, offset by lower acquisition costs, inventory improvement and overhead management.
- Vodafone K.K.'s EBITDA margin for the period was 27.4%, a 0.3 percentage point decline from the previous fiscal year.

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[1] Consolidated operating revenue of mobile business subsidiaries including Vodafone K.K., Japan System Solution Co., Ltd. and Telecom Express Co., Ltd.

[2] Consolidated operating revenue of fixed-line business subsidiaries including JAPAN TELECOM Co., Ltd.

- Capital expenditures for Vodafone K.K. reached 174.2 billion yen for the fiscal year on a fixed asset addition basis, a decline of 86.6 billion yen compared to the same period last year. On a cash flow basis, expenditures were 166.7 billion yen.

- Project MOVE (an operational improvement plan), which was launched in April 2004, has been completed.

  Vodafone K.K. introduced its integrated 3G offering with handsets, network and services to the market, and saw early successes in the corporate segment with new products and services. In addition, the cost structure was improved by reviewing workflows and contracts, by effectively utilising dark fibre, and by reducing payroll through a voluntary retirement programme. Furthermore, successful completions on the 9 to 1 integration included recent shop operation support, sales incentives, and an agency invoice management system. The company recorded an extraordinary loss of 20.0 billion yen on the project of integrating billing/CRM as it underwent a development change. As the adjustments ensure system flexibility at all times, the change was a necessary step to better serve customers. Relationships with key channels, such as mass electronic retailers were also improved, and a model store in Roppongi was opened in December 2004.

  Although these steps strengthened the company's foundation, it realises that overall competitiveness has declined, and new management is developing a new set of strategies to address more effectively the current challenges in the market.

- Vodafone K.K. continued to introduce innovative handsets and services.

  - Following the release of the V801SH 3G handset by Sharp in April 2004, a new Vodafone live! 3G service and platform based on WAP 2.0/MMS was launched in December 2004 with seven 3G handsets rolled out from December 2004 to February 2005, which consisted of the Vodafone 702NK by Nokia, 702MO and 702sMO by Motorola, 802SE by Sony Ericsson, 902SH and 802SH by Sharp, and 802N by NEC.
  - A total of twelve PDC handsets were offered in the fiscal year, with four of them featuring analogue TV tuners and three launched as part of a new handset design development initiative. Other innovations on PDC handsets included the world's first optical zoom camera, and a five-axis motion control sensor.
  - An expanded portfolio of products and services for corporate customers was introduced. These included the VC701SI Vodafone Connect Card by SII in April 2004 for internet access on PCs with download speeds of up to 384kbps, Vodafone Mobile Office in July 2004 for enabling workers to use 3G handsets as office desk phone replacements, and a camera-less version of the V301D by Mitsubishi Electric in August 2004 to meet the needs of corporate customers who work in environments where camera phones are restricted for security reasons.
  - With the new 3G launch, Vodafone K.K. began delivering enhanced Vodafone live! content, including long version Chaku-Uta®[3] ringsongs, digital comics, advanced games, and the

[3] Chaku-Uta® is a registered trademark of Sony Music Entertainment (Japan) Inc.

Vodafone live! BB service which lets 3G customers enjoy high-quality video content by transferring large files downloaded over the PC internet to their handsets. The new 3G mail platform also features increased capacity for sending and receiving rich picture and video messages.

- A flat rate for packet communications was introduced in November 2004 to allow customers to enjoy 3G Vodafone live! services with better price clarity and certainty. The service will be changed to a two-tier system on 1 June 2005, making it accessible to even more customers, including light users of data services.
- Building on its heritage as a pioneer in messaging services, Vodafone K.K. introduced in February 2005 free mail exchanges to customers signed up to Family Discount and Designated Number Discount services. To further meet the needs of frequent mailers, a mail flat-rate will be introduced on 1 June 2005 for 3G customers.
- By the end of March 2005, 3G network population coverage reached 99.8%, compared to 99.5% one year ago, as further expansions were made to outdoor, indoor and underground service areas while effectively leveraging the Group's global economies of scale for joint equipment purchasing.
- For roaming abroad, Vodafone K.K. had 155 roaming agreements in 116 countries and regions in place as of 31 March 2005, an expansion of 33 agreements in 31 countries and regions over the fiscal year.

Recent corporate actions

- The Vodafone Group successfully completed tender offers for shares in Vodafone Holdings K.K. (the current Vodafone K.K.) and the former Vodafone K.K. in June and July of 2004, respectively. As a result of these tender offers and of the merger of Vodafone Holdings K.K. and the former Vodafone K.K., which completed on 1 October 2004, the Group's ownership of the merged Vodafone K.K. is now approximately 97.7%. Since the holdings of the top ten shareholders including the shares owned by the Vodafone Group exceeded 90% of all listed shares as of 31 March 2005, TSE and OSE assigned Vodafone K.K. shares to the "post for stocks under special supervision" on 13 May 2005 in accordance with their rules.

  This indicates that Vodafone K.K.'s shares are expected to be delisted this fiscal year, one month after publication of its annual securities report ("Yuka Shoken Hokokusho" or "Yuho").

- After assuming the position of Representative Executive Officer, President & CEO and becoming a Vodafone K.K. Director on 1 December 2004, Shiro Tsuda became Representative Executive Officer, Chairman on 1 April 2005. Bill Morrow became Representative Executive Officer, President on the same day.

(Financial summary attached)

Condensed Consolidated Statements of Income

For fiscal years ended 31 March 2005 and 2004

¥ millions	**Fiscal 2004**	**Fiscal 2003**
Operating revenue	1,470,013	1,655,651
Operating costs and expenses	1,311,987	1,470,606
Operating income	158,026	185,045
Non-operating revenue	1,977	3,678
Non-operating expenses	6,636	7,515
Ordinary income	153,367	181,208
Extraordinary gains	5,382	9,948
Extraordinary losses	25,466	156,539
Profit (loss) before income taxes	133,284	34,617
Net income (loss)	162,017	(100,042)
EBITDA	403,059	460,048
EBITDA margin (%)	27.4%	27.8%

Note: Figures in above table are rounded down.

Condensed Consolidated Balance Sheets

As of 31 March 2005 and 2004

¥ millions	**As of 31 March 2005**	**As of 31 March 2004**
Assets		
Fixed assets	1,060,414	1,130,494
Current assets	303,978	297,673
Total assets	**1,364,393**	**1,428,167**
Liabilities		
Fixed liabilities	171,343	216,940
Current liabilities	482,734	685,329
Total liabilities	654,078	902,269
Minority stakes	-	164,359
Shareholders' equity	710,314	361,539
Total liabilities and shareholders' equity	**1,364,393**	**1,428,167**

Note: Figures in above table are rounded down.

About Vodafone K.K.

Vodafone K.K., formerly Vodafone Holdings K.K.[4], is a leading mobile operator in Japan with over 15 million customers and a subsidiary of Vodafone Group Plc, the world's largest mobile community. The Tokyo-based company is listed on the Tokyo Stock Exchange and the Osaka Securities Exchange, with Vodafone Group Plc holding an indirect interest in the company of 97.7%. On 13 May 2005, the TSE and OSE assigned Vodafone K.K.'s shares to the "post for stocks under special supervision" in accordance with their rules. Vodafone K.K. offers a wide range of sophisticated mobile voice and data services including Vodafone live!, which provides e-mail and internet access to 85% of its customers, and pioneered the picture messaging service called Sha-mail first introduced in November 2000. In December 2002, Vodafone K.K. launched the world's first commercial 3G W-CDMA service based on 3GPP, the international standard. Vodafone K.K.'s 3G service offers its customers rich content and roaming on 156 networks in 117 countries and regions. Vodafone K.K. also owns 100% stakes in Japan System Solution Co., Ltd. and Telecom Express Co. Ltd. For more information, please visit www.vodafone.jp
*Above data is current as of 30 April 2005.

[4] Vodafone Holdings K.K. merged with the former Vodafone K.K. on 1 October 2004. The merged entity was renamed Vodafone K.K. on the same day.

Forward-Looking Statements

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

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

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