



# Vodafone K.K.

**FY04 results**  
**Period ended 31 March 2005**

**Presented by:**

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**Shiro Tsuda,** Executive Chairman

**John Durkin,** CFO

# Financial summary - consolidated

- FY04/FY03 comparison
  - Decline in revenue and ordinary income due to fixed line business deconsolidation on 1 October 2003
  
- FY2004 actual/forecast comparison
  - Operating revenues fell short of forecast by 4.0% due to revenue decline in mobile business
  - Ordinary income exceeded forecast by 20.8% due to expense management
  - Net income exceeded forecast by 47.3% due to deferred tax of 89.9 B yen, which offset extraordinary loss from Voluntary Retirement Programme and asset disposals
  
- Expect to be delisted from the Tokyo Stock Exchange and Osaka Securities Exchange during fiscal 2005

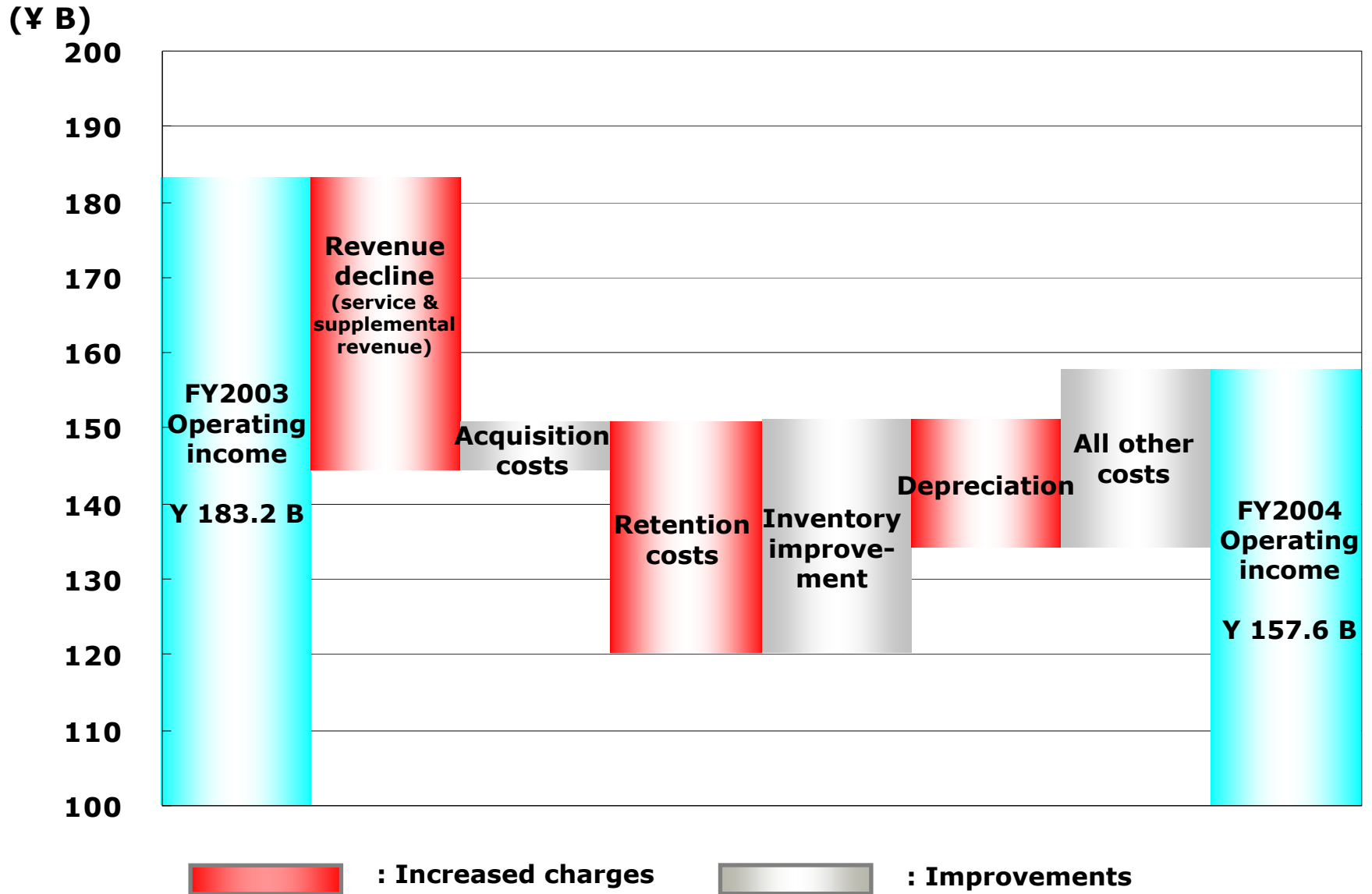
(¥ billions)	FY 2003	FY 2004		FY04/ FY03	actual/ forecast
		forecast	actual		
<b>Operating revenues</b>	<b>1,655.7</b>	<b>1,531.0</b>	<b>1,470.0</b>	<b>-11.2%</b>	<b>-4.0%</b>
<b>Mobile business</b>	<b>1,508.8</b>	-	<b>1,470.0</b>	<b>-2.6%</b>	-
<b>Ordinary income</b>	<b>181.2</b>	<b>127.0</b>	<b>153.4</b>	<b>-15.4%</b>	<b>20.8%</b>
<b>Net income</b>	<b>-100.0</b>	<b>110.0</b>	<b>162.0</b>	<b>nm</b>	<b>47.3%</b>

## Financial highlights – mobile operations

- Service revenue decline of 4.7% (yoy)
  - Lower net additions: 89,300 (FY04) vs 1,039,100 (FY03)
  - ARPU decline: From 6,730 yen to 6,150 yen (-8.6%)
  
- Operating income decline of 14.0% (yoy)
  - Lower service revenue and higher retention cost, offset by lower acquisition costs, inventory improvement and overhead management
  - Increased depreciation from continued investment in 3G
  
- Capital expenditure: 166.7 billion yen (Cashflow basis)

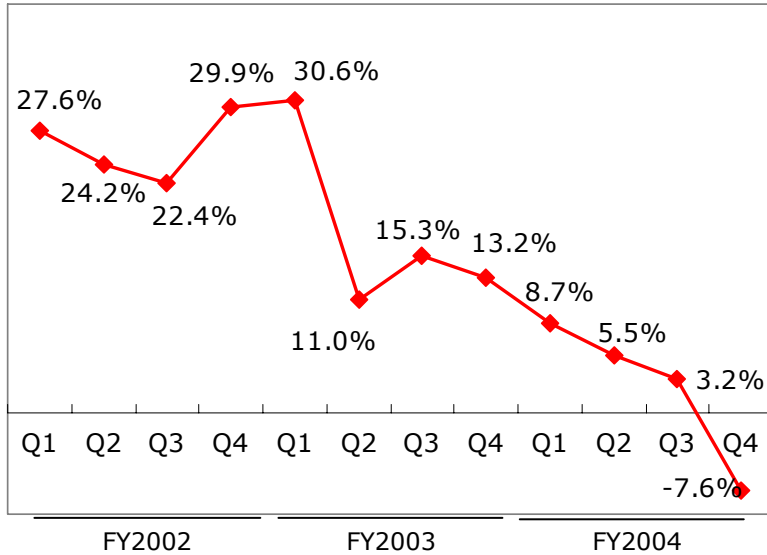
(¥ billions)	FY 2002	FY 2003	FY 2004	FY04/FY03 chg (%)
<b>Operating revenues</b>	<b>1,461.0</b>	<b>1,509.1</b>	<b>1,470.2</b>	<b>-2.6%</b>
<b>Service revenue</b>	<b>1,156.6</b>	<b>1,206.4</b>	<b>1,150.1</b>	<b>-4.7%</b>
<b>Operating expense</b>	<b>1,217.3</b>	<b>1,325.9</b>	<b>1,312.6</b>	<b>-1.0%</b>
<b>Operating income</b>	<b>243.7</b>	<b>183.2</b>	<b>157.6</b>	<b>-14.0%</b>
<b>Ordinary income</b>	<b>239.5</b>	<b>181.8</b>	<b>153.8</b>	<b>-15.4%</b>
<b>Net income</b>	<b>137.8</b>	<b>110.7</b>	<b>186.9</b>	<b>68.8%</b>
<b>EBITDA margin</b>	<b>30.0%</b>	<b>27.7%</b>	<b>27.4%</b>	<b>- 0.3 pp</b>

# Mobile operating income

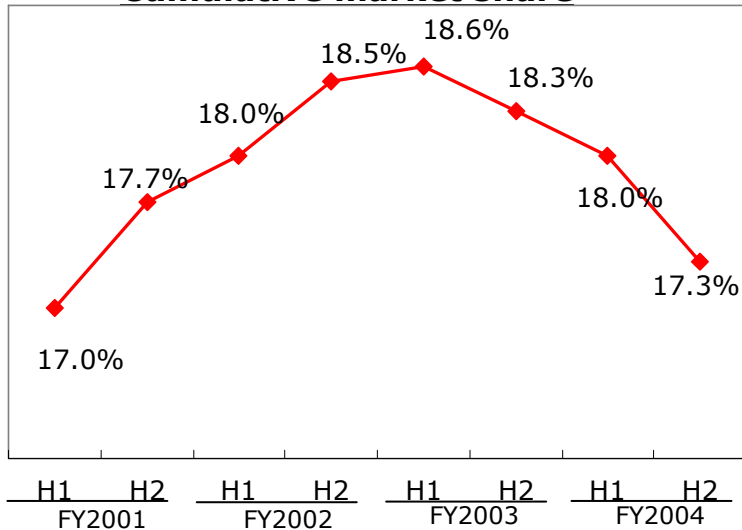


# Customer and ARPU trends

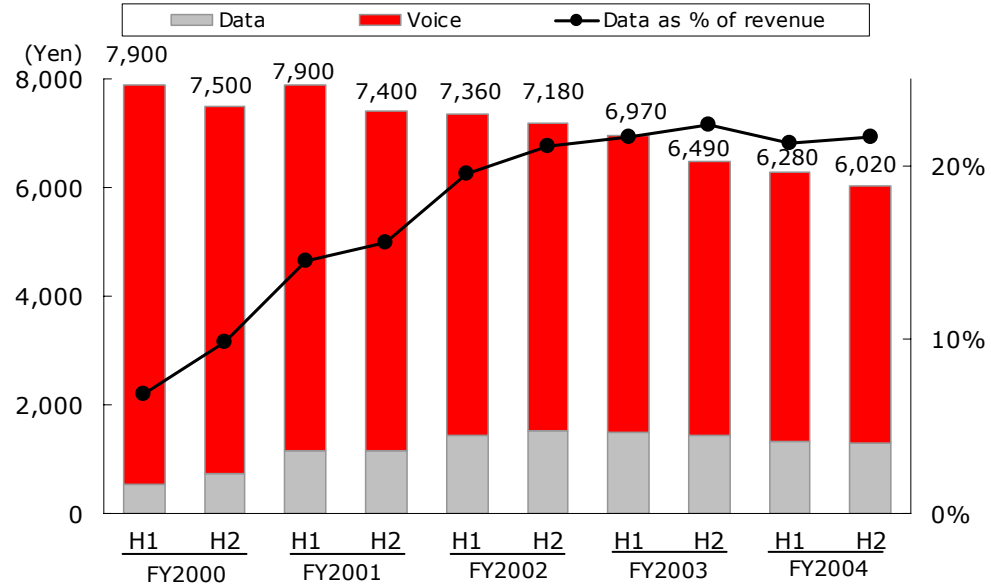
## Share of net additions



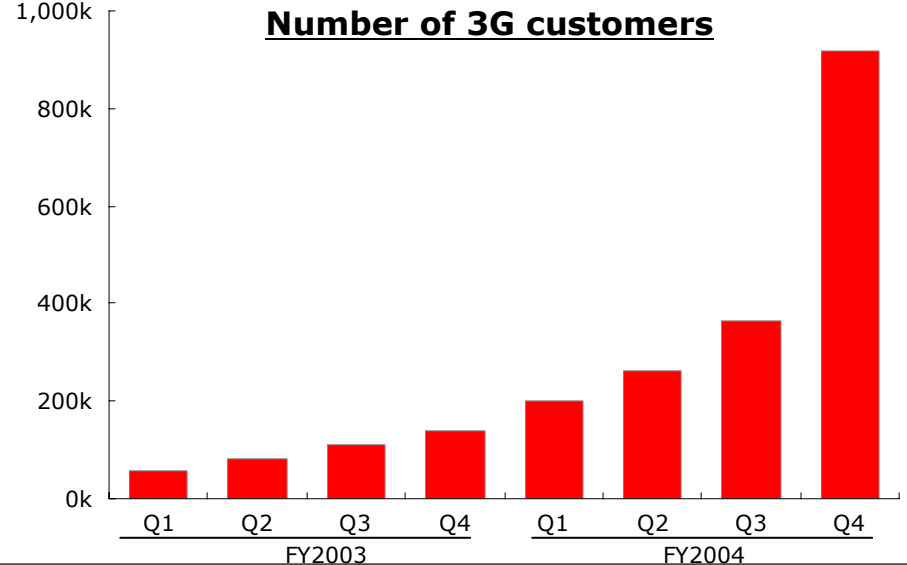
## Cumulative market share



## ARPU

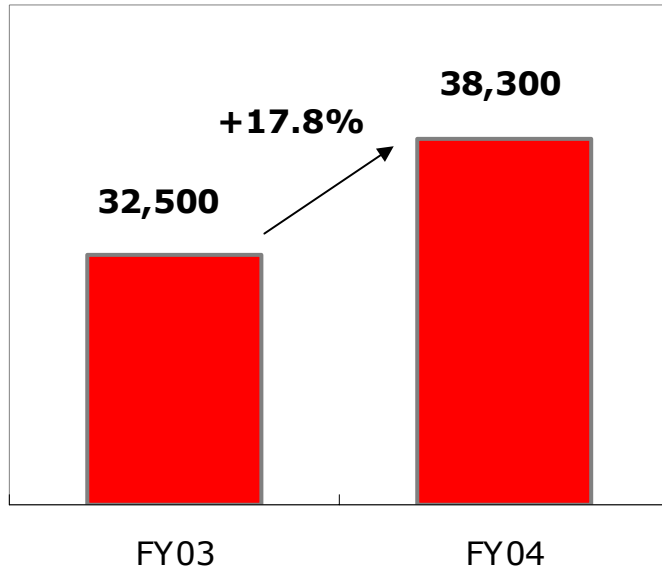


## Number of 3G customers

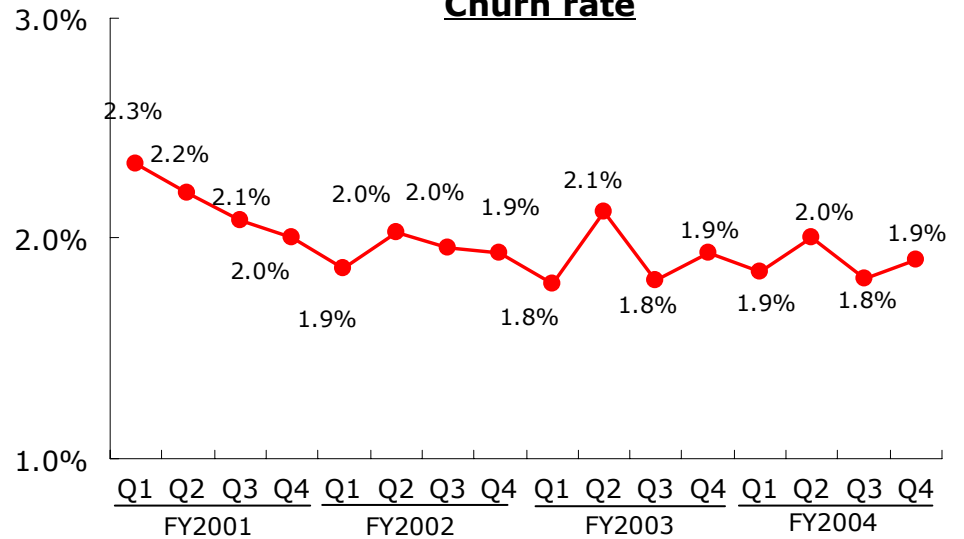


# Acquisition incentive, churn and upgrade rate

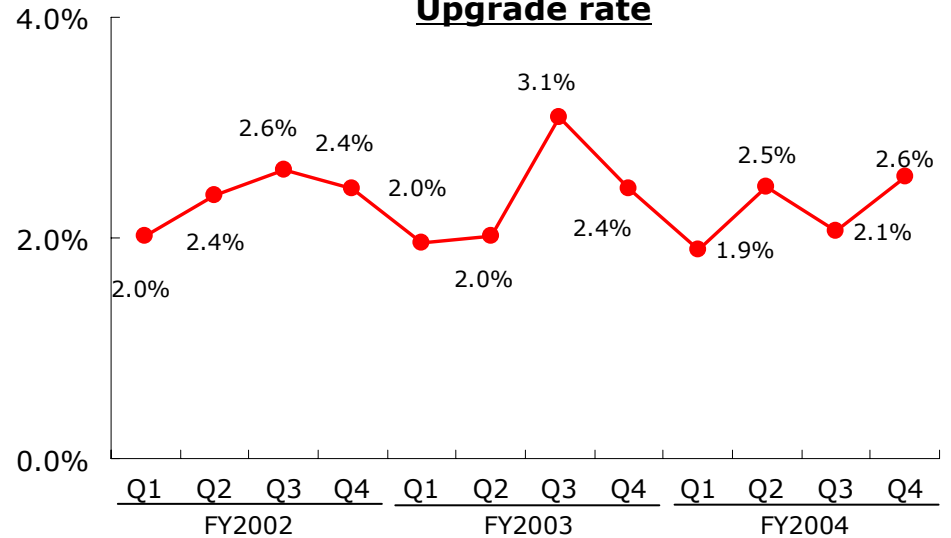
**Acquisition incentive per gross add**



**Churn rate**



**Upgrade rate**



## ■ 9-1 integration

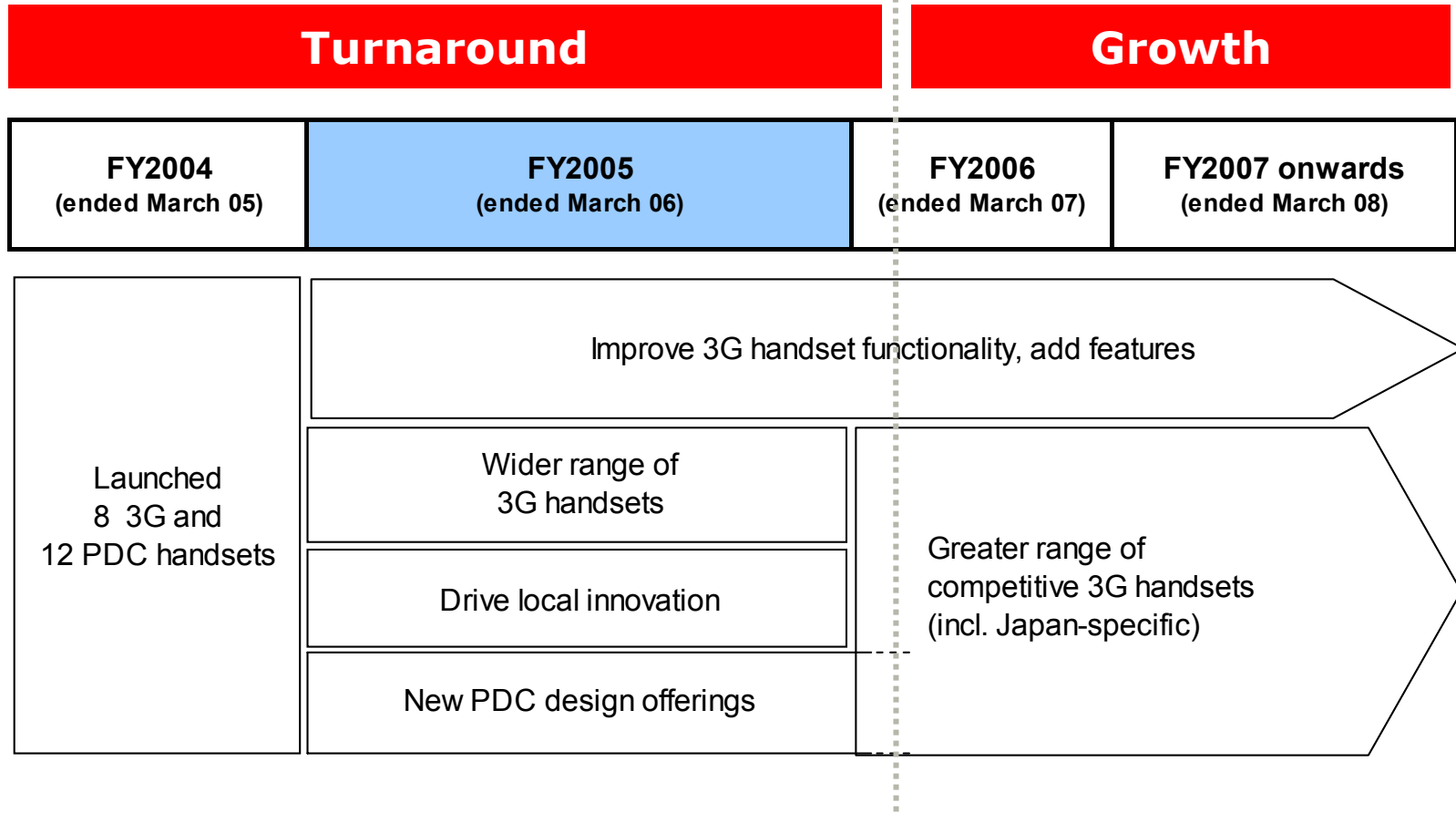
- Integration of key business systems complete
  - East Japan call centres (FY03)
  - Network operations (FY04)
  - Consolidated logistics network (FY04)
  - ERP systems (FY04)
  - Shop operation support (FY04)
  - Sales incentive and commission related processes (FY04)
  - Agency invoice management system (FY04)
- Billing in progress, development change in FY2004

## ■ Improved cost structure

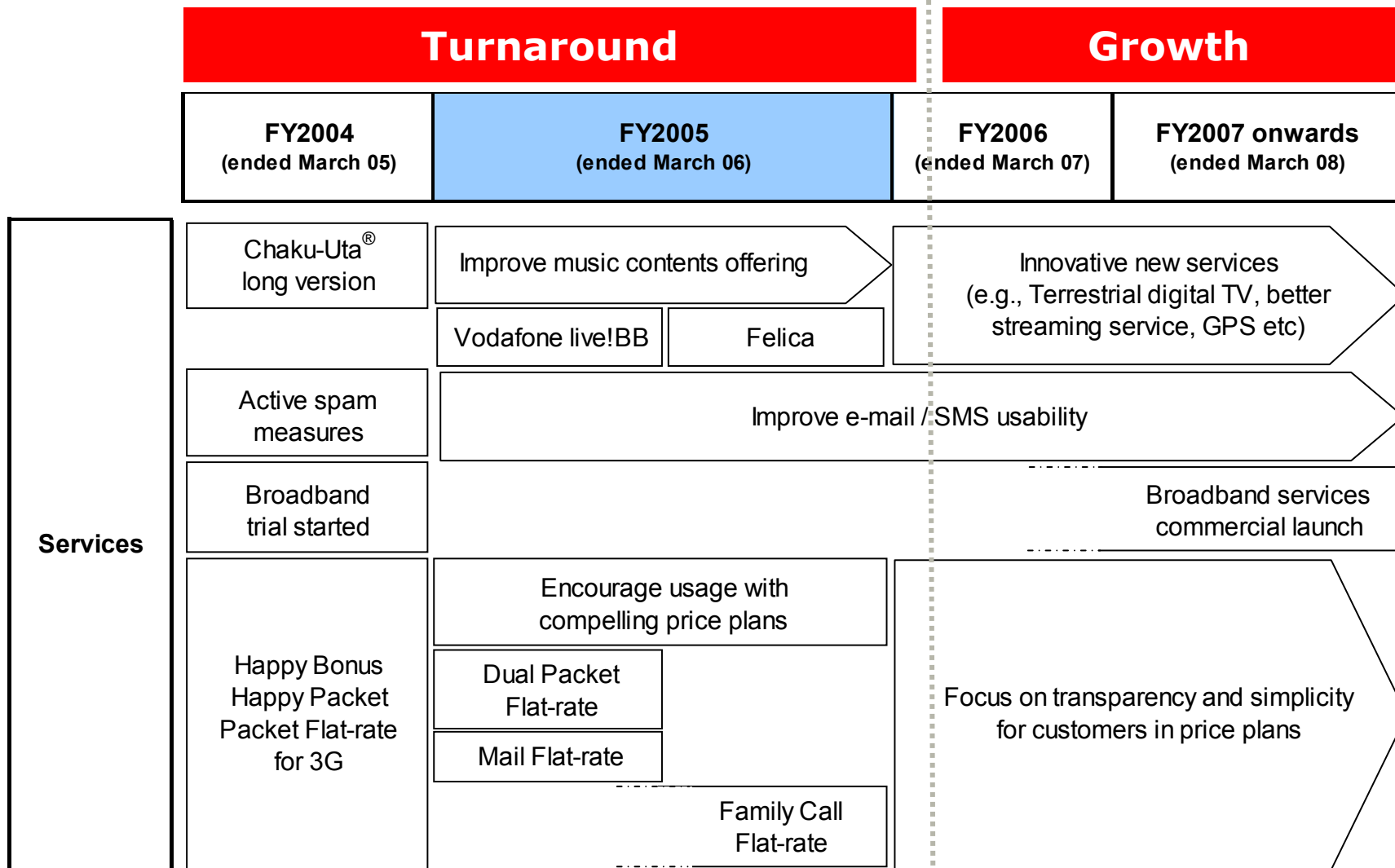
- Effective utilisation of dark fibre
- General overhead expense reduced



# Milestones for Recovery (1): Handsets



# Milestones for Recovery (2): Services and pricing



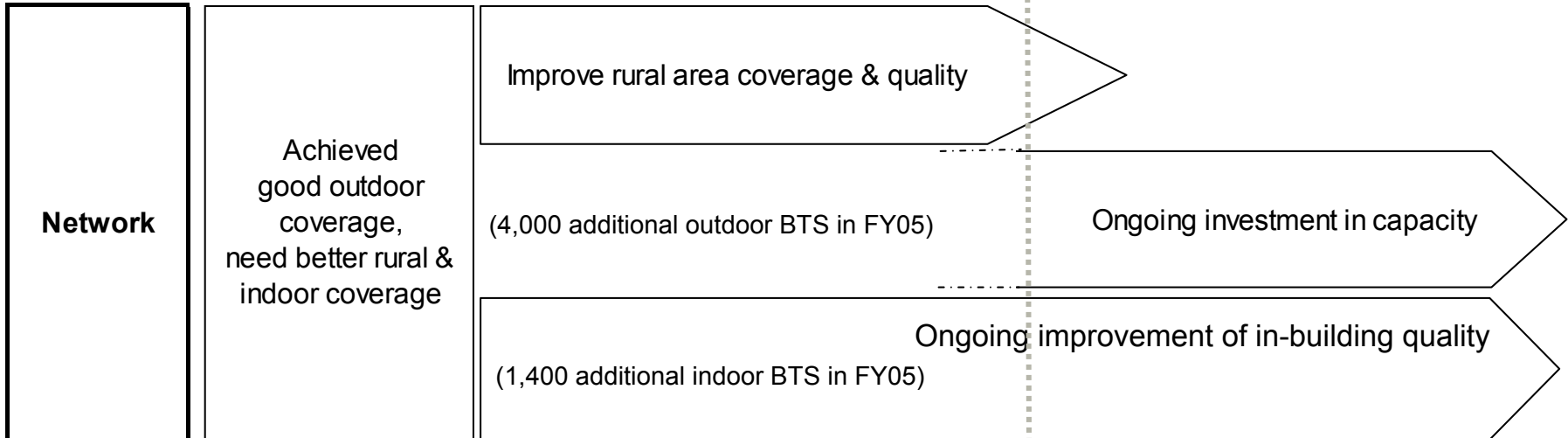
Chaku-Uta<sup>®</sup> is a registered trademark of Sony Music Entertainment Inc.

# Milestones for Recovery (3): 3G network

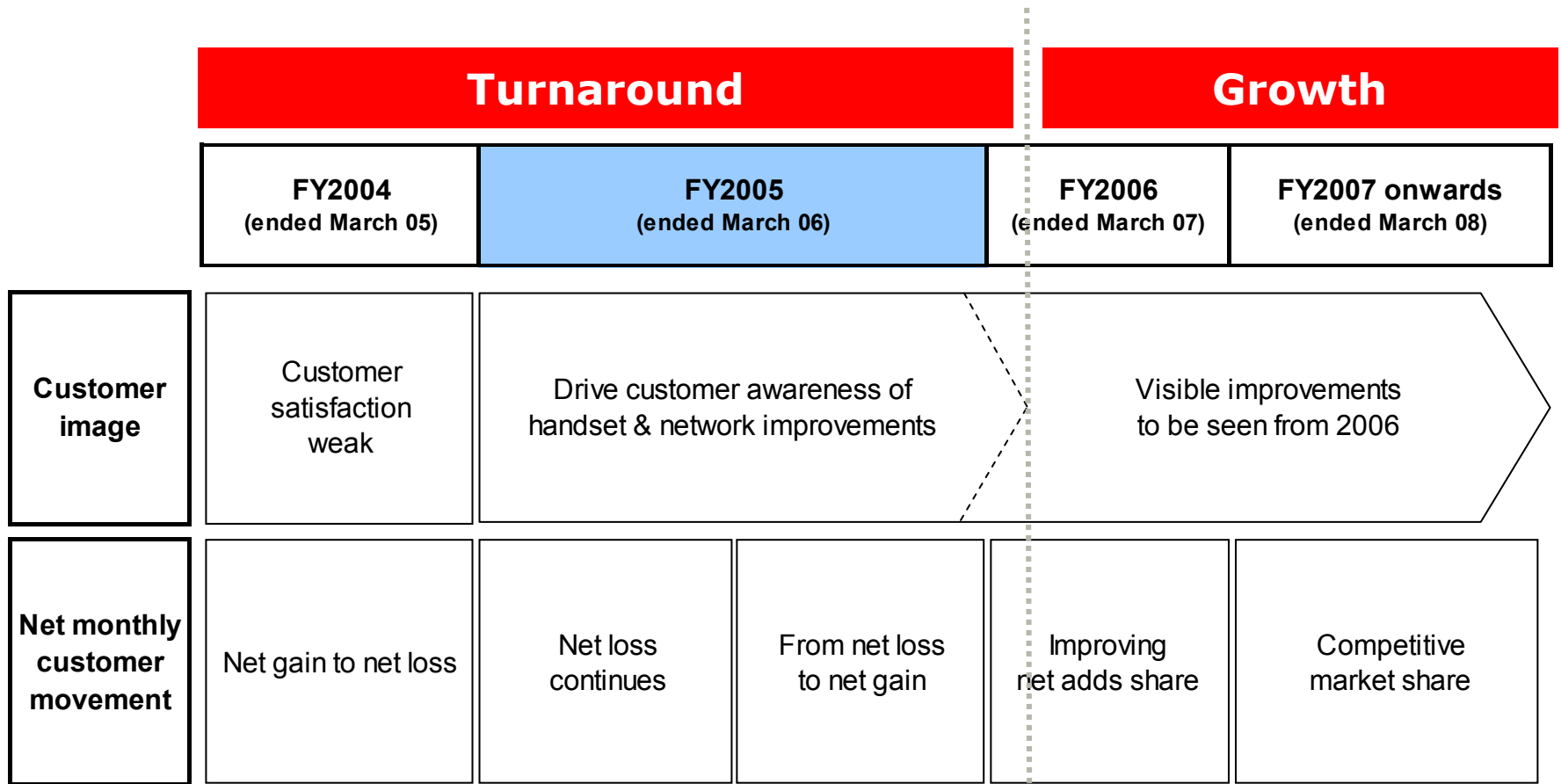
**Turnaround**

**Growth**

<p><b>FY2004</b> (ended March 05)</p>	<p><b>FY2005</b> (ended March 06)</p>	<p><b>FY2006</b> (ended March 07)</p>	<p><b>FY2007 onwards</b> (ended March 08)</p>
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# Milestones for Recovery (4) : Customers



**Thank You**

**Vodafone K.K.**

A member of the Vodafone Group

# Forward-looking Statements

This presentation 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.

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