Vodafone Holdings K.K.

Annual Report

For the year ended 31 March 2004

Within Reach,
Across Borders

Contents

Recent Corporate Actions

Vodafone Group Plc announced that it had successfully completed tender offers for shares in Vodafone Holdings K.K. and the Vodafone K.K. As a result of the public tender offer for shares in Vodafone Holdings, Vodafone Group's ownership of Vodafone Holdings is now approximately 96.08%. In accordance with Tokyo Stock Exchange rules, the delisting of Vodafone Holdings is expected to occur after 31 March 2005. Further to the announcement by Vodafone Holdings and Vodafone K.K. on 25 May 2004 regarding the merger of Vodafone K.K. and Vodafone Holdings, the shareholders of both companies have approved the Merger. Accordingly, subject to regulatory approval, the Merger will become effective on 1 October 2004. Based on its current ownership in Vodafone Holdings and Vodafone K.K. (after settlement of the private tender offer for shares in Vodafone K.K.), Vodafone Group will have an interest of approximately 97.68% in the merged company, to be renamed Vodafone K.K., when the Merger becomes effective.

Consolidated Financial Highlights

Vodafone Holdings K.K. and Consolidated Subsidiaries Years ended 31 March 2004 and 2003

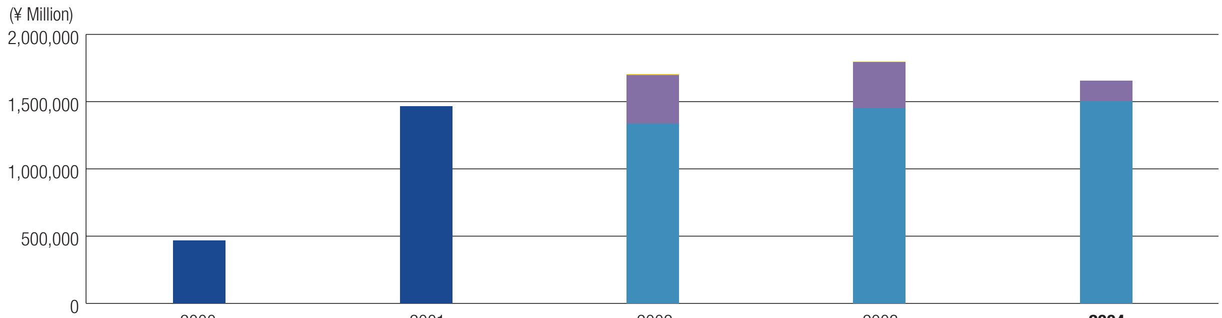
	Billions of Japanese Yen		Millions of U.S. Dollars	
	2004	2003	**2004**	2003
Operating Revenues	**¥1,655.7**	¥1,796.9	**$15,674**	$17,011
Mobile Telecommunication Business	**1,504.1**	1,451.0	**14,239**	13,736
Fixed-Line Telecommunications	**151.6**	340.5	**1,435**	3,224
Other Business	**—**	5.4	**—**	—
Operating Income	**185.0**	275.6	**1,752**	2,609
Ordinary Income	**181.2**	271.9	**1,715**	2,574
Net (Loss) Income	**(100.0)**	79.5	**(947)**	753
EBITDA	**460.0**	544.2	**4,355**	5,152
EBITDA Margin (%)	**27.8%**	30.3%	**27.8%**	30.3%
Depreciation	**258.0**	252.4	**2,442**	2,389
Capital Expenditures—Cash Flow Statement Basis	**248.6**	355.7	**2,353**	3,367
Capital Expenditures—Fixed Assets Addition Basis	**253.1**	279.3	**2,396**	2,644
Total Assets	**1,428.2**	1,839.8	**13,520**	17,417
Interest-Bearing Debt	**632.9**	878.7	**5,992**	8,319
Total Shareholders' Equity	**361.5**	466.0	**3,423**	4,412
	Yen		U.S. Dollars	
Net (Loss) Income per Share	**¥ (31,310)**	¥ 24,855	**$ (296.41)**	$ 235.30
Shareholders' Equity per Share	**113,150**	145,828	**1,071.19**	1,380.55
Dividends per Share	**1,200**	1,200	**11.36**	11.36

Notes: 1. The consolidated results marked a decline versus the prior fiscal year as Vodafone Holdings ceased to consolidate the results of its subsidiary Japan Telecom Co., Ltd., the sale of which was legally completed on 14 November 2003, from 1 October 2003.
2. U.S. Dollar amounts are converted from yen, for convenience only, at the approximate exchange rate of ¥105.63 = US$1.00 prevailing at 31 March 2004.

Consolidated Financial Indicators

Notes: 1. Vodafone Holdings K.K. added Vodafone K.K. (formerly J-PHONE Co., Ltd.) to its wholly owned consolidated subsidiaries in 2001, resulting in significant increases in the scale of revenue, income, and assets, etc. (Vodafone K.K. was an affiliated company accounted for by the equity method until 2000.)
2. The consolidated results marked a decline versus the prior fiscal year as Vodafone Holdings ceased to consolidate the results of its subsidiary Japan Telecom Co., Ltd., the sale of which was legally completed on 14 November 2003, from 1 October 2003.

● Composition of Operating Revenues (Consolidated)

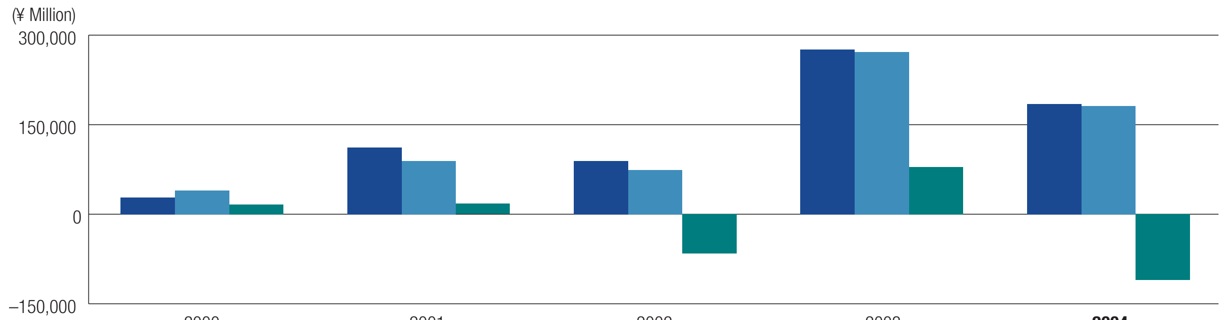


Years ended 31 March	2000		2001		2002		2003		**2004**	
Operating revenues	¥1,468,977	9.6%	¥1,465,384	212.5%	¥1,704,039	16.3%	¥1,796,915	5.5%	**¥1,655,651**	**(7.9)%**
Mobile telecommunication business	—	—	—	—	1,336,579	—	1,450,962	8.6%	**1,504,084**	**3.7%**
Fixed-line telecommunications	—	—	—	—	360,565	—	340,548	(5.6)%	**151,567**	**(55.5)%**
Others	—	—	—	—	6,894	—	5,405	(21.6)%	**—**	**—**

Operating revenues (2000 and 2001)—No segment breakdown available

Notes: 1. As a new segment breakdown was introduced in 2003, figures for 2002 have been introduced retroactively.
2. Mobile telecommunication business — Consolidated operating revenues of mobile business subsidiaries, including Vodafone K.K.
3. Fixed-line telecommunications — Consolidated operating revenues of fixed-line business subsidiaries, including JAPAN TELECOM HOLDINGS CO., LTD.

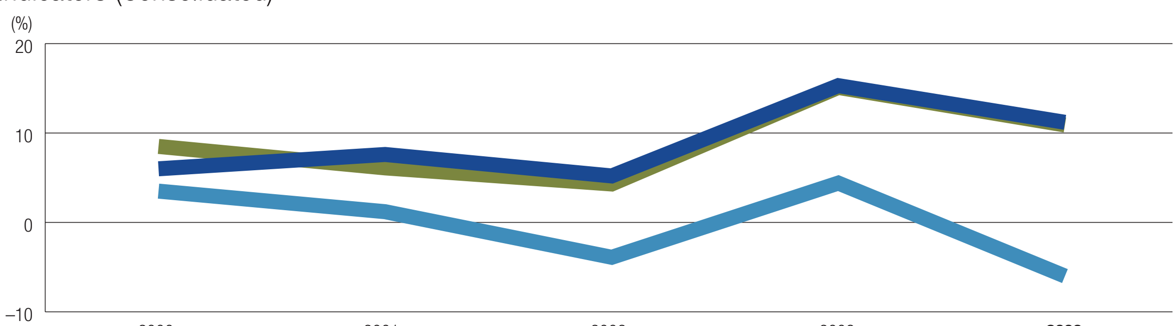
● Income (Loss) Information (Consolidated)



Years ended 31 March	2000		2001		2002		2003		**2004**	
Operating income	¥28,167	18.7%	¥111,852	297.1%	¥ 89,134	(20.3)%	¥275,606	209.2%	**¥ 185,045**	**(32.9)%**
Ordinary income	39,664	84.1%	89,477	125.6%	74,030	(17.3)%	271,869	267.2%	**181,208**	**(33.3)%**
Net income (loss)	16,417	172.3%	17,546	6.9%	(65,969)	—	79,502	—	**(100,042)**	**—**

Note: Due to a net loss in 2002, the rate of change in net income for 2002, 2003, and 2004 is not available.

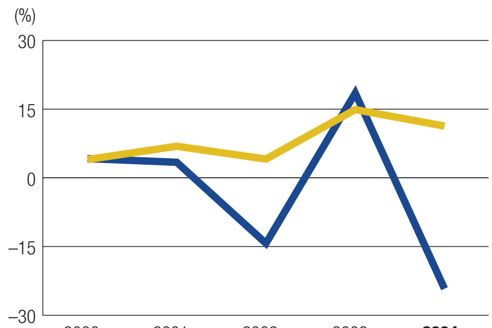
● Major Management Indicators (Consolidated)



Years ended 31 March	2000	2001	2002	2003	**2003**
Operating income-to-turnover ratio	6.0%	7.6%	5.2%	15.3%	**11.2%**
Ordinary income-to-turnover ratio	8.5%	6.1%	4.3%	15.1%	**10.9%**
Net income (loss)-to-turnover ratio	3.5%	1.2%	(3.9)%	4.4%	**(6.0)%**

Consolidated Financial Indicators Continued

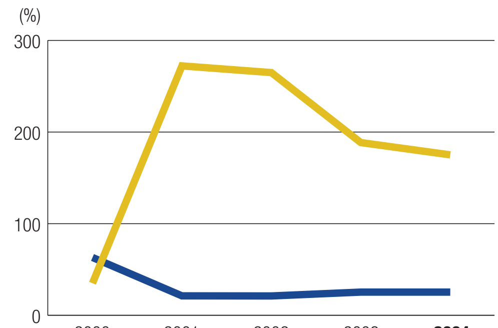
● Return on Assets (ROA) and Return on Equity (ROE)



Years ended 31 March	2000	2001	2002	2003	**2004**
ROA	4.0%	6.9%	4.1%	14.9%	**11.3%**
ROE	4.2%	3.4%	(14.3)%	18.5%	**(24.2)%**

Notes: 1. ROA = (Operating income + Interest income on deposits and dividends + Interest income on securities) / Average total assets x 100
2. ROE = Net income / Average net assets x 100

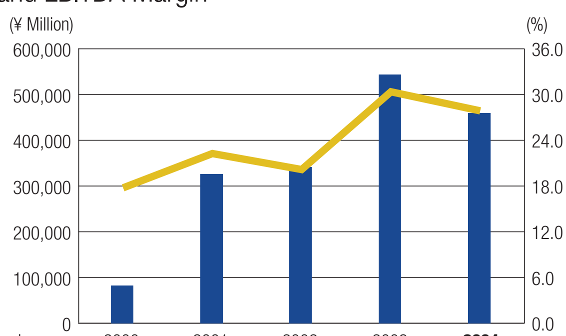
● Debt/Equity Ratio and Shareholders' Equity Ratio



Years ended 31 March	2000	2001	2002	2003	**2004**
Debt/equity ratio	35.0%	272.2%	264.9%	188.5%	**175.1%**
Shareholders' equity ratio	63.1%	21.2%	21.1%	25.3%	**25.3%**

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

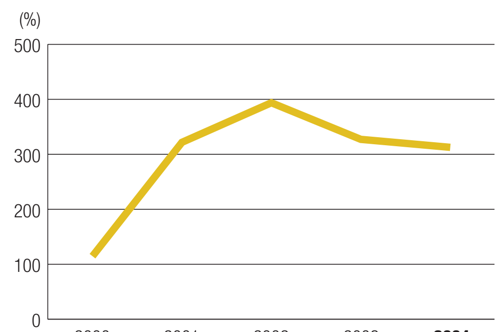
● EBITDA and EBITDA Margin



Years ended 31 March	2000	2001	2002	2003	**2004**
EBITDA	¥82,886	¥325,764	¥341,815	¥544,180	**¥460,049**
EBITDA margin	17.7%	22.2%	20.1%	30.3%	**27.8%**

Notes: 1. EBITDA = Operating income + Depreciation and amortization + Loss on disposal of fixed assets
2. EBITDA margin = EBITDA / Operating revenues X 100

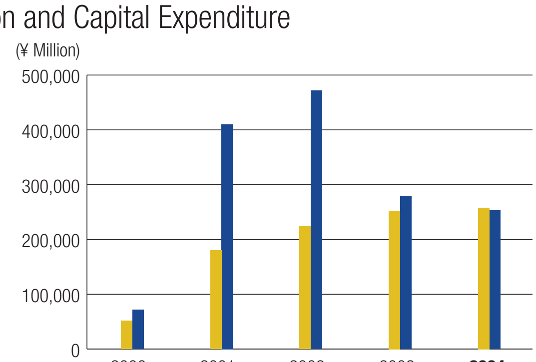
● Fixed Assets to Net Worth Ratio



Years ended 31 March	2000	2001	2002	2003	**2004**
Fixed assets to net worth ratio	114.7%	321.8%	393.8%	327.2%	**312.7%**

Note: Fixed assets to net worth ratio = Fixed assets (year-end) / Shareholders' equity (year-end) X 100

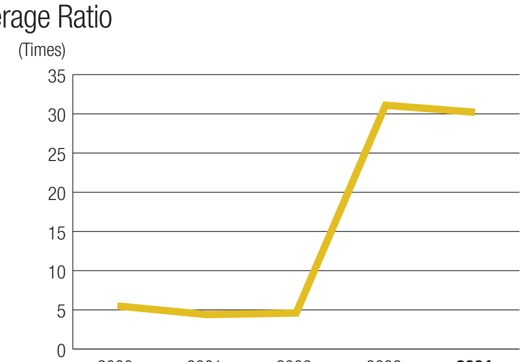
● Depreciation and Capital Expenditure



Years ended 31 March	2000	2001	2002	2003	**2004**
Depreciation	¥51,751	¥180,345	¥223,678	¥252,416	**¥257,975**
Capital expenditure	71,493	410,250	471,297	279,259	**253,081**

Note: Capital expenditure figures are based on a consolidated fixed assets addition basis.

● Interest Coverage Ratio

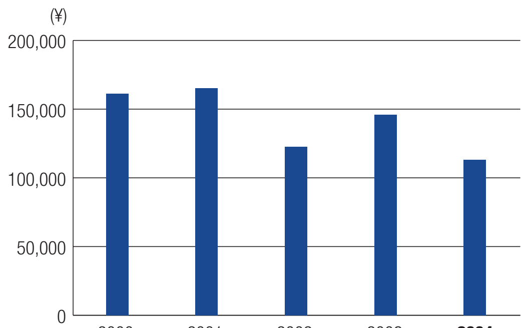


Years ended 31 March	2000	2001	2002	2003	**2004**
Interest coverage ratio	5.5	4.4	4.6	31.1	**30.2**

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

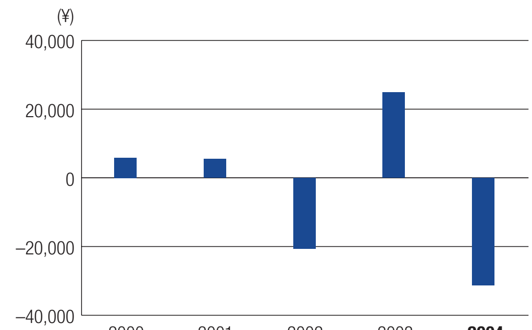
Consolidated Financial Indicators Continued

● Shareholders' Equity per Share



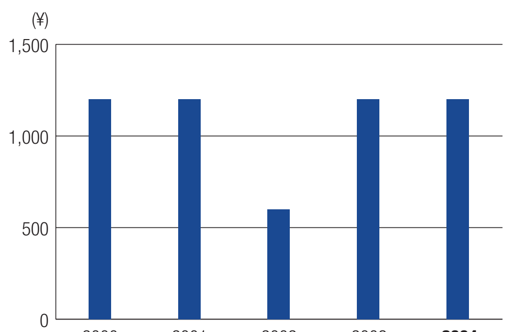
Years ended 31 March	2000	2001	2002	2003	**2004**
■ Shareholders' Equity per Share	¥161,296	¥165,394	¥122,494	¥145,828	**¥113,150**

● Net Income (Loss) per Share



Years ended 31 March	2000	2001	2002	2003	**2004**
■ Net income (loss) per share	¥5,875	¥5,491	¥(20,646)	¥24,855	**¥(31,310)**

● Dividend Data



Years ended 31 March	2000	2001	2002	2003	**2004**
■ Dividends per share	¥1,200	¥1,200	¥600	¥1,200	**¥1,200**
Dividend payout ratio (%)	35.2%	32.0%	—%	39.4%	**—**

Note: The dividend payout ratio for 2002 is not available due to a net loss.

Message from the President

J. Brian Clark
President, Representative Executive Officer

As a period of transition for Vodafone Holdings K.K., the year ended 31 March 2004 saw significant achievements. To begin with, we successfully migrated from the J-PHONE to the Vodafone brand and in the process remodeled our shops to better suit customer tastes. Vodafone brand awareness is now at the same level it was with J-PHONE before the brand transition. Our task now is to further drive brand preference.

We also dramatically improved our 3G coverage and network quality. At the end of March 2004, network population coverage was 99% compared to 71% one year previously, and our efforts are now going into enhancing indoor and underground coverage. In addition to having superior domestic coverage, at the end of March 2004 our 3G customers could roam on GSM networks in 85 countries and regions, and even access all of their Vodafone live!™ mobile internet services in 36 of them. Our global connectivity in the Japanese market is unsurpassed.

The Company also made great progress in further integrating the business, which originally comprised nine regional companies in 2001. For example, we greatly enhanced efficiencies and customer care in April 2003 with the consolidation of four separately located customer centres into a single East Japan customer service centre.

While we are proud of our achievements in the fiscal year ended 31 March 2004, we are also keenly aware of the challenges now facing us. To effectively address them, we have put in place an extensive plan to transform our performance through a wide range of initiatives.

To compete more effectively on 3G platforms, we will deliver a wider range of 3G handsets before the end of 2004 by fully leveraging local and global synergies. We expect these new 3G handsets, which will be jointly procured with the Vodafone Group, to be more competitive. We will also ensure our services and tariff plans are attractive.

Since David Jones was appointed COO of Vodafone K.K. in April 2004, we have made progress in implementing our new organisational structure, strengthening our relationships with key channel partners, and refining our processes. We will continue to focus on ways of improving our operational performance going forward.

With the Vodafone Group's successfully completed offer for shares in Vodafone Holdings K.K. and Vodafone K.K. and a merger of both companies scheduled for 1 October 2004, we believe we can benefit from a simplified company structure that will enable us to increase operating efficiencies and strengthen our management focus.

I'm also delighted to say that the respective Boards of Vodafone Holdings K.K. and Vodafone K.K. selected Shiro Tsuda to be the next President and CEO of Vodafone K.K., effective 1 December 2004. Shiro Tsuda's ability, knowledge and stature in the Japanese mobile telecoms market is well known and I'm confident his unrivalled expertise will make us a strong competitor over the medium-to-long term.

With all of these positive changes, I truly believe a new and exciting era is upon us. I look forward to sharing our success with you in the future and thank you for your continued support.

Brian Clark

J. Brian Clark
President, Representative Executive Officer
Vodafone Holdings K.K.

Review of Operations—Vodafone K.K.

Vodafone K.K., formerly J-PHONE Co., Ltd., 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 offers a wide range of sophisticated mobile voice and data services including Vodafone live!™, which provides e-mail and internet access to 86% of its customers, and Sha-mail, the pioneering picture messaging service first introduced in November 2000 that now has over 12 million users. 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 fast data speeds in Japan and roaming on 135 networks in 95 countries and regions as of 30 June 2004.

For more information, please visit www.vodafone.jp.

Financial Highlights

Vodafone K.K. Years ended 31 March 2004 and 2003

	Billions of Japanese Yen		Millions of U.S. Dollars	
	2004	2003	**2004**	2003
Operating Revenues	**¥1,509.1**	¥1,461.0	**$14,287**	$13,831
Operating Revenues from Telecommunications	**1,206.3**	1,156.6	**11,420**	10,950
Operating Revenues from Supplementary Services	**302.7**	304.4	**2,866**	2,882
Operating Income	**183.2**	243.7	**1,734**	2,307
Ordinary Income	**181.8**	239.5	**1,721**	2,267
Net Income	**110.7**	137.8	**1,048**	1,305
Total Assets	**1,338.5**	1,288.9	**12,672**	12,202
Total Shareholders' Equity	**300.0**	191.7	**2,840**	1,815
Capital Investment—Cash Flow Basis	**252.9**	306.1	**2,394**	2,898
Depreciation	**221.9**	187.1	**2,101**	1,771
	Thousands			
Subscribers	**15,002**	13,963		
Vodafone live!™ (Internet)-Enabled Terminals (thousands)	**12,956**	12,162		
Percentage of Vodafone live!™-Enabled Terminals (%)	**86.4%**	87.1%		
	Yen per Month per Unit		Dollars per Month per Unit	
Average Revenue per User (ARPU)	**¥6,730**	¥7,260	**$63.71**	$68.73
Voice Revenues	**5,250**	5,785	**49.70**	54.77
Non-Voice Services Revenues	**1,480**	1,475	**14.01**	13.96
	Number			
Employees	**3,283**	3,063		

Note: U.S. dollar amounts are converted from yen, for convenience only, at the approximate exchange rate of 105.63 = US$1.00 prevailing at 31 March 2004.

Review of Operations—Vodafone K.K. Continued

3G Vodafone live!™ Launched

V801SA

The V801SA handset was released on 1 December 2003 as Vodafone K.K.'s first 3G handset to offer Vodafone live!™ mobile internet services. Vodafone live!™ 3G customers can send or receive e-mails with attachments of up to a maximum 200 kilobytes, making it possible to enjoy high-resolution Sha-mails and Movie Sha-mails of up to 40 seconds in length. In addition, fast speeds on the W-CDMA network of up to 384kbps allows customers to enjoy rich content like Chaku-Uta® ringsongs, high-resolution wallpaper, and video clip downloads. Since the V801SA is a dual mode handset that operates both on W-CDMA and GSM networks, as of 31 March 2004 customers could roam on GSM networks in 85 countries and regions, and access all of their Vodafone live mobile internet services in 36 of them.

V801SA

V801SH

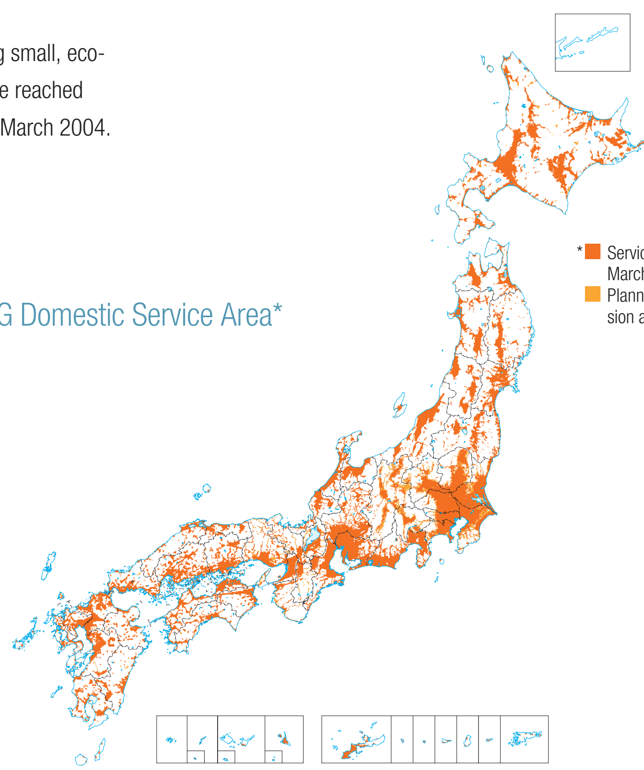
V801SH

In April 2004, the V801SH was launched as the second Vodafone live!™ 3G handset in Japan. The dual mode handset further enriches communication options as pictures taken in megapixel mode can be sent easily, both in Japan and whilst abroad.

Expanded 3G Coverage in Japan

Indoor and outdoor 3G service areas were expanded by introducing small, economical base stations. Accordingly, nationwide population coverage reached 99.5%, with approximately 13,500 3G base stations at the end of March 2004.

3G Domestic Service Area*



*Service area as of end of March 2004
Planned service area expansion after April 2004

Chaku-Uta® is a registered trademark of Sony Music Entertainment Inc.

Review of Operations—Vodafone K.K. Continued

Enhanced Services for Corporate Customers

Vodafone Biz Access

Vodafone K.K. increased its offerings for corporate customers in fiscal 2003. On 4 November 2003 it launched Vodafone Biz Access, a service that makes the mobile internet easier to use for businesses. Under the service, a company is charged a flat rate for web packet communications traffic on the industrial-use web content that it hosts.

Remote Module

The VRM301R remote module was announced in January 2004 as an offering for business machine manufacturers. By integrating the VRM301R into their products, manufacturers can add communication features like Sky Mail, Long Mail and voice in addition to other wireless data communication functions. This enables them to develop a wide range of low-cost applications that meet their needs, including ones for remote control and remote monitoring.

VRM301R

Vodafone Connect Card

Launched in April 2004, the VC701SI Vodafone Connect Card represents Vodafone K.K.'s first 3G CompactFlash® card data terminal offering. By inserting the card into notebook PCs, PDAs and other terminals, customers can access the internet virtually anywhere and enjoy high-speed packet transmissions of up to 384kbps for increased productivity.

Vodafone Connect Card

Compact Flash® is a registered trademark of San Disk Corporation in the U.S.
Bowlingual is a registered trademark of TAKARA Co., Ltd.

Innovative Handsets and Services

Japan's First TV Tuner Handsets

The V601N was launched in December 2003 as Japan's first handset to feature an analogue TV tuner. Simple operations allow customers to turn the TV on and alternate between vertical and horizontal views with just the touch of a button. In addition, customers can enjoy watching TV without worry as the V601N can confirm received calls or e-mails quickly whilst it is in TV mode. Vodafone K.K. released its second TV tuner handset, the V401T, in April 2004. The V401T's main display features a large-size 2.2.-inch QVGA LCD so customers can enjoy TV visuals on the high-quality screen capable of displaying at a rate of approximately 30 frames per second. In addition, the V401T is also capable of receiving FM radio broadcasts.

V601N

V401T

Bowlingual Connect

Bowlingual Connect, a service based on the popular toy by Takara Co. Ltd., was launched in December 2003. By inserting an SD card into the V601SH and activating the Bowlingual Connect application, barks can be analyzed into six dog feelings (happy, sad, frustrated, on-guard/territorial, assertive/ showing off and needy).

Bowlingual Connect

Global Mail

On 18 March 2004, Global Mail was offered as Japan's first international MMS (multimedia message) service. With Global Mail, Vodafone live!™ customers in Japan can send multimedia messages like Sha-mail to people on overseas networks by directly entering phone numbers. The service began with participating networks in Spain (Vodafone Spain) and Hong Kong (Hong Kong CSL), and Vodafone K.K. continues to expand the number of compatible overseas networks.

Review of Operations—Vodafone K.K. Continued

Convenient Vodafone live!™ Services

Search Engine

On 1 March 2004 the top menu functions of the Vodafone live!™ portal were changed to further enhance customer convenience. The most significant change was the introduction of a new search service whereby customers can view lists of content related to keywords. To help customers search desired content both quickly and easily, the service also offers various search methods, such as options for entering multiple keywords and categories to narrow down searches.

Search Engine

Links to Third Party Portal Sites

On 1 April 2004 a new menu option was added with easily accessible links to third party portal sites. Since these portal sites are not Vodafone K.K. official content, each portal operator is able to offer services based on their own policy guidelines. As a result, Vodafone K.K. customers can experience the rich and varied content of third-party portal operators in addition to Vodafone live!™ official content. With the enhanced portal functions of the Vodafone live!™ top page, customers can now more conveniently access content that meets their needs.

Measures to Combat Spam

Vodafone K.K. continued to step up measures against spam mail. In August 2003, written warnings were sent to subscribers sending spam mail from their PDC system-based Vodafone mobile phones to other customers. Since November 2003, such subscribers have been disconnected incrementally. In December 2003, Vodafone K.K. introduced a new function on its PDC system to limit the number of mail transmissions in a given time period and the same function was introduced to the W-CDMA-based system in March 2004. In February 2004, Vodafone K.K. established a new e-mail address so customers can forward and report indiscriminate bulk mails they receive from other Vodafone handsets.

Flagship Shops

All shops were remodeled as Vodafone shops to better suit customer tastes in time for the brand transition that took place in October 2003. Two flagship shops, Vodafone Nagoya and Vodafone Shibuya, were also opened in March 2004 to further strengthen brand image. The new flagship shops feature spacious interiors with facilities that enable people to fully experience Vodafone-branded products and services, such as the latest mobile handsets and Vodafone live! content.

Flagship shop in Shibuya

Corporate Social Responsibility

The Vodafone Group conducts business according to core values underpinned by the 'four values' — 'passion for customers, passion for results, passion for our people and passion for the world around us.' As part of 'passion for the world around us,' Vodafone K.K. strengthened its commitment to corporate social responsibility (CSR) with a number of initiatives in fiscal 2003.

Handset Recycling Scheme that Helps Children

After launching its new handset recycling scheme in April 2003, Vodafone K.K. collected a total of ¥20 million in recycling proceeds for donation to UNICEF Japan, an organization that helps children in developing countries.

Recycling Box

Mobile Eco School Awards

To increase environmental awareness and promote the use of mobile handsets as an educational tool, the Mobile Eco School Awards programme was launched in July 2003. In 2003, students from 43 high schools nationwide demonstrated science research projects on the theme of ecology, environment and science. The eight students on the team that won the Grand Prize later participated in a science tour in the United Kingdom in January 2004.

Mobile Eco School

Vodafone Hands-Sign Centre

In March 2004, the Vodafone Hands-Sign Centre was moved to the Vodafone Shibuya Tokyo flagship store and renamed Vodafone Hands-Sign Centre Shibuya. Since it opened in November 2001, the Vodafone Hands-Sign Centre has offered Vodafone shop services such as new contract sign-ups and handset upgrades via sign language so people with hearing disabilities can use their mobiles more comfortably.

As part of its commitment to the welfare of people with disabilities, Vodafone K.K. has since offered Japanese sign language courses at the new centre to further promote sign language as a means of communication.

Vodafone Hand-Sign Centre

PC Donation Programme

In fiscal 2003, Vodafone K.K. donated a total of 1,061 PCs to global non-profit organizations such as welfare and educational institutions. Not only is this programme an effective way to solve the problem of how to use old PCs efficiently, it is also useful in promoting the independence of people with disabilities who are employed in recycling them.

Corporate Data

As of 1 July 2004

Outline of Vodafone Holdings K.K.

Name	Vodafone Holdings K.K.		
Head Office	Atago Green Hills MORI Tower 2-51, Atago, Minato-ku, Tokyo 105-6201, Japan		
History	October 1984	JAPAN TELECOM CO., LTD., established	
	December 1986	Railway Telecommunication Co., Ltd., established	
	May 1989	Railway Telecommunication merges with JAPAN TELECOM to form JAPAN TELECOM CO., LTD.	
	September 1994	JAPAN TELECOM lists on the Second Section of the Tokyo Stock Exchange and the Osaka Securities Exchange	
	September 1996	JAPAN TELECOM lists on the First Section of the Tokyo Stock Exchange and the Osaka Securities Exchange	
	October 1997	JAPAN TELECOM and INTERNATIONAL TELECOM JAPAN INC. merge to form JAPAN TELECOM CO., LTD.	
	October 2001	Vodafone Group Plc obtains management control of JAPAN TELECOM CO., LTD.	
	August 2002	Company name changes to JAPAN TELECOM HOLDINGS CO., LTD., and the new JAPAN TELECOM CO., LTD., the fixed-line business operator, established through a corporate split procedure	
	June 2003	JAPAN TELECOM HOLDINGS introduces the executive committee corporate governance structure	
	October 2003	Subsidiary J-PHONE Co., Ltd., changes its company name to Vodafone K.K.	
	November 2003	The sale of JAPAN TELECOM CO., LTD., legally completes	
	December 2003	Company name changes to Vodafone Holdings K.K.	
	June 2004	Vodafone Group Plc completes tender offer for shares in Vodafone Holdings K.K.	
Paid-in Capital	¥177,251 million		
Number of Employees	28		
URL	http://www.vodafone-holdings.co.jp/		
Business	Serving as holding company that operates subsidiaries		
Board of Directors	Chairman of the Board, President, Representative Executive Officer	J. Brian Clark	(Chief Executive, Asia Pacific Region, Vodafone Group Plc; Director, Representative Executive Officer, President, CEO, Vodafone K.K.)
	Director	David Jones	(Director, COO, Representative Executive Officer, Vodafone K.K.)
	Director, CFO, Representative Executive Officer	John Durkin	(Director, CFO, Representative Executive Officer, Vodafone K.K.)
	Directors	Michael J. Pitt	(Financial Director, Group Operations, Vodafone Group Services Ltd.; Director, Vodafone K.K.)
		Charles Butterworth	(Director, Group Corporate Finance, Vodafone Group Plc.; Director, Vodafone K.K.)
		Takehiko Aoki	(Director, Executive Officer, Senior Vice President, CHRO, Vodafone K.K.)
		Hironori Aihara	(Director and Chairman, Space Communications Corporation; Director, Vodafone K.K.)
		Tatsuya Tamura	(President, Global Management Institute Inc.; Director, Vodafone K.K.)
		Yoko Kurita	(Professor, Graduate School of International Corporate Strategy, Hitotsubashi University)

As of 1 July 2004

Outline of Vodafone K.K.

Name	Vodafone K.K.		
Head Office	5-1, Atago 2-chome, Minato-ku, Tokyo 105-6205		
Start of Services	April 1, 1994		
Year of Establishment	November 30, 1998* *Establishment date of J-PHONE Co., Ltd.		
Paid-in Capital	¥26,791.8 million		
Number of Employees	3,283		
Business Activities	• Type 1 telecommunications business • Provision of high-quality mobile and automobile communications and related services		
Board of Directors	Director, Representative Executive Officer, President, CEO	J. Brian Clark	(Chief Executive, Asia Pacific Region, Vodafone Group Plc; Chairman of the Board, Director, President, Representative Executive Officer, Vodafone Holdings K.K.)
	Director, COO, Representative Executive Officer	David Jones	(Director, Vodafone Holdings K.K.)
	Director, CFO, Representative Executive Officer	John Durkin	(Director, CFO, Representative Executive Officer, Vodafone Holdings K.K.)
	Director	Michael J. Pitt	(Financial Director, Group Operations, Vodafone Group Services Ltd.; Director of Vodafone Holdings K.K.)
	Director	Charles Butterworth	(Director, Group Corporate Finance, Vodafone Group Plc.; Director, Vodafone Holdings K.K.)
	Director, Executive Officer, Senior Vice President, CHRO	Takehiko Aoki	(Director of Vodafone Holdings K.K.)
	Director	Hironori Aihara	(Director and Chairman, Space Communications Corporation; Director, Vodafone Holdings K.K.)

Financial Section

Contents

Consolidated Balance Sheets

Vodafone Holdings K.K. (formerly JAPAN TELECOM HOLDINGS CO., LTD.) and Consolidated Subsidiaries

March 31, 2004 and 2003

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	**2004**
ASSETS			
Current Assets:			
Cash and cash equivalents	**¥ 771**	¥ 8,114	**$ 7,299**
Notes and accounts receivable–trade	**152,265**	209,587	**1,441,490**
Accounts receivable—other	**80,548**	44,515	**762,549**
Less: allowance for doubtful accounts	**(10,054)**	(11,658)	**(95,185)**
Inventories (Note 4)	**36,242**	28,274	**343,102**
Deferred tax assets (Note 11)	**27,226**	25,257	**257,751**
Prepaid expenses and other current assets	**10,675**	11,071	**101,071**
Total current assets	**297,673**	315,160	**2,818,077**
Property, plant and equipment:			
Telecommunications equipment (Notes 5, 8)	**1,296,924**	1,779,341	**12,277,987**
Buildings and structures (Note 8)	**52,486**	133,832	**496,887**
Machinery and tools	**42,974**	115,591	**406,837**
Land (Note 8)	**8,236**	24,058	**77,966**
Construction in progress	**25,623**	92,911	**242,570**
Total	**1,426,243**	2,145,733	**13,502,247**
Less: Accumulated depreciation	**(583,023)**	(945,379)	**(5,519,483)**
Net property, plant and equipment	**843,220**	1,200,354	**7,982,764**
Investments and other assets:			
Investments in securities (Note 3)	**35,442**	19,738	**335,531**
Investments in unconsolidated subsidiaries and associated companies	**585**	2,558	**5,534**
Software	**172,587**	191,815	**1,633,887**
Goodwill (Note 6)	**12,285**	35,461	**116,298**
Deferred tax assets (Note 11)	**18,727**	26,271	**177,289**
Other assets (Note 7)	**47,649**	48,464	**451,095**
Total investments and other assets	**287,275**	324,307	**2,719,634**
Total assets	**¥1,428,168**	¥1,839,821	**$13,520,475**

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

	Millions of Yen 2004	Millions of Yen 2003	Thousands of U.S. Dollars (Note 1) 2004
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term borrowings (Note 8)	**¥ 445,866**	¥ 568,836	**$ 4,221,019**
Current portion of long-term debt (Note 8)	**4,066**	97,699	**38,493**
Accounts payable–trade	**58,689**	64,465	**555,608**
Accounts payable–other	**118,885**	92,429	**1,125,488**
Accrued expenses	**7,169**	41,874	**67,871**
Accrued income taxes	**30,732**	108,963	**290,943**
Allowance for point mileage	**—**	234	**—**
Allowance for losses on guarantees of liabilities	**3,442**	4,128	**32,586**
Other current liabilities	**16,480**	28,286	**156,008**
Total current liabilities	**685,329**	1,006,914	**6,488,016**
Long-term liabilities:			
Long-term debt (Note 8)	**183,000**	212,159	**1,732,462**
Accrued retirement benefits (Note 9)	**6,314**	19,463	**59,775**
Retirement allowances for directors and executive officers	**113**	308	**1,066**
Allowance for point mileage	**26,135**	24,691	**247,423**
Other	**1,378**	3,817	**13,047**
Total long-term liabilities	**216,940**	260,438	**2,053,773**
Minority interests in consolidated subsidiaries	**164,359**	106,432	**1,555,988**
Commitments and contingencies (Note 15)			
Shareholders' equity (Note 10):			
Common stock:	**177,251**	177,251	**1,678,039**
Authorized—12,780,000 shares			
Issued (2004 and 2003)—3,195,236.65 shares			
Capital surplus	**265,508**	265,508	**2,513,567**
(Deficit) retained earnings	**(81,196)**	22,165	**(768,687)**
Unrealized gains on available-for-sale securities, net of tax	**(12)**	1,095	**(118)**
Foreign currency translation adjustments	**—**	27	**—**
Treasury stock—at cost (2004—28.20 shares and 2003—23.60 shares)	**(11)**	(9)	**(103)**
Total shareholders' equity	**361,540**	466,037	**3,422,698**
Total liabilities and shareholders' equity	**¥1,428,168**	¥1,839,821	**$13,520,475**

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

Consolidated Statements of Operations

Vodafone Holdings K.K. (formerly JAPAN TELECOM HOLDINGS CO., LTD.) and Consolidated Subsidiaries

Years ended March 31, 2004 and 2003

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	**2004**
Operating revenues (Note 17):	**¥1,655,651**	¥1,796,915	**$15,674,063**
Operating expenses (Notes 12, 17):			
Selling and marketing expenses	**525,205**	541,019	**4,972,115**
Depreciation and amortization	**257,128**	244,471	**2,434,236**
Fees for utilization of telecommunication lines and facilities	**207,741**	246,728	**1,966,686**
Cost of sales of telecommunication equipment and other	**313,053**	314,190	**2,963,677**
Other	**167,479**	174,901	**1,585,526**
Total operating expenses	**1,470,606**	1,521,309	**13,922,240**
Operating income	**185,045**	275,606	**1,751,823**
Other expenses (income):			
Interest expense	**6,130**	8,872	**58,039**
Interest income	**(23)**	(40)	**(222)**
Lease and rental income	**(511)**	(755)	**(4,842)**
Revenue from contribution for installation of telecommunications equipment	**—**	(1,100)	**—**
Loss on write-down of investments in securities	**1,157**	1,887	**10,954**
Gain on sales of investments in associated companies	**—**	(902)	**—**
Loss on write-down of investments in unconsolidated subsidiaries and associated companies	**77**	3,608	**731**
Gain on sales of fixed assets	**(3,110)**	(21)	**(29,447)**
Gain on sales of investments in securities	**(4,465)**	(436)	**(42,267)**
Loss on disposal of fixed assets	**1,310**	4,534	**12,398**
Loss on sales of fixed assets	**23**	1,121	**216**
Reversal of allowance for doubtful accounts	**(1,357)**	—	**(12,851)**
Allowance for losses on guarantees of liabilities	**—**	953	**—**
Incremental payment for early retirement	**—**	1,607	**—**
Loss on sales of investments in consolidated subsidiaries	**152,332**	111	**1,442,128**
Penalty for early repayment of debt	**1,379**	—	**13,059**
Other, net	**(2,514)**	(2,161)	**(23,794)**
Other expenses—net	**150,428**	17,278	**1,424,102**
Income before income taxes and minority interests	**34,617**	258,328	**327,721**
Income taxes (Note 11):			
Current	**89,289**	119,688	**845,301**
Deferred	**(15,784)**	(16,756)	**(149,425)**
Total income taxes	**73,505**	102,932	**695,876**
Minority interests in income of consolidated subsidiaries	**61,154**	75,893	**578,947**
Net (loss) income	**¥ (100,042)**	¥ 79,503	**$ (947,102)**

	Yen		U.S. Dollars (Note 1)
	2004	2003	**2004**
Per share of common stock (Note 2. t.):			
Net (loss) income	**¥ (31,310)**	¥ 24,855	**$ 296.41**
Cash dividends applicable to the year	**1,200**	1,200	**11.36**

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

Consolidated Statements of Shareholders' Equity

Vodafone Holdings K.K. (formerly JAPAN TELECOM HOLDINGS CO., LTD.) and Consolidated Subsidiaries

Years ended March 31, 2004 and 2003

	Thousands	Millions of Yen						
	Issued number of shares of common stock	Common stock	Capital surplus	Land revaluation difference	(Deficit) retained earnings	Unrealized gains on available-for-sale securities	Foreign currency translation adjustments	Treasury stock, at cost
Balance at March 31, 2002	3,195	¥177,251	¥265,508	¥(7,720)	¥ (46,011)	¥2,351	¥25	¥ (6)
Net income	—	—	—	—	79,503	—	—	—
Cash dividends	—	—	—	—	(2,877)	—	—	—
Bonuses to directors and corporate auditors	—	—	—	—	(27)	—	—	—
Decrease resulting from changes in the scope of consolidation	—	—	—	—	(703)	—	—	—
Reversal of land revaluation loss	—	—	—	7,720	(7,720)	—	—	—
Decrease in unrealized gain on available-for-sale securities	—	—	—	—	—	(1,256)	—	—
Foreign currency translation adjustments	—	—	—	—	—	—	2	—
Net increase in treasury stock	—	—	—	—	—	—	—	(3)
Balance at March 31, 2003	3,195	177,251	265,508	—	22,165	1,095	27	(9)
Net loss	**—**	**—**	**—**	**—**	**(100,042)**	**—**	**—**	**—**
Cash dividends	**—**	**—**	**—**	**—**	**(3,834)**	**—**	**—**	**—**
Bonuses to directors and corporate auditors	**—**	**—**	**—**	**—**	**(83)**	**—**	**—**	**—**
Increase (decrease) resulting from changes in the scope of consolidation	**—**	**—**	**—**	**—**	**137**	**—**	**(27)**	**—**
Increase due to merger of consolidated and unconsolidated subsidiaries	**—**	**—**	**—**	**—**	**461**	**—**	**—**	**—**
Decrease in unrealized gain on available-for-sale securities	**—**	**—**	**—**	**—**	**—**	**(1,107)**	**—**	**—**
Net increase in treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(2)**
Balance at March 31, 2004	**3,195**	**¥177,251**	**¥265,508**	**¥ —**	**¥ (81,196)**	**¥ (12)**	**¥—**	**¥(11)**

	Thousands of U.S. Dollars (Note 1)						
	Common stock	Capital surplus	Land revaluation difference	(Deficit) retained earnings	Unrealized gains on available-for-sale securities	Foreign currency translation adjustments	Treasury stock, at cost
Balance at March 31, 2003	$1,678,039	$2,513,567	$—	$ 209,840	$10,361	$255	$ (87)
Net loss	**—**	**—**	**—**	**(947,102)**	**—**	**—**	**—**
Cash dividends	**—**	**—**	**—**	**(36,299)**	**—**	**—**	**—**
Bonuses to directors and corporate auditors	**—**	**—**	**—**	**(792)**	**—**	**—**	**—**
Increase (decrease) resulting from changes in the scope of consolidation	**—**	**—**	**—**	**1,300**	**—**	**(255)**	**—**
Increase due to merger of consolidated and unconsolidated subsidiaries	**—**	**—**	**—**	**4,366**	**—**	**—**	**—**
Decrease in unrealized gain on available-for-sale securities	**—**	**—**	**—**	**—**	**(10,479)**	**—**	**—**
Net increase in treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**(16)**
Balance at March 31, 2004	**$1,678,039**	**$2,513,567**	**$—**	**$(768,687)**	**$ (118)**	**$ —**	**$(103)**

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

Consolidated Statements of Cash Flows

Vodafone Holdings K.K. (formerly JAPAN TELECOM HOLDINGS CO., LTD.) and Consolidated Subsidiaries

Years ended March 31, 2004 and 2003

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	**2004**
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 34,617**	¥258,328	**$ 327,721**
Adjustments for:			
Income taxes paid	**(161,138)**	(40,386)	**(1,525,492)**
Depreciation and amortization	**259,908**	255,921	**2,460,550**
Reserve for retirement benefits	**968**	3,237	**9,168**
Loss on write-down of investments in securities	**1,157**	1,887	**10,954**
Loss on write-down of investments in unconsolidated subsidiaries and associated companies	**77**	3,608	**731**
Loss on sales of investments in consolidated subsidiaries	**152,332**	111	**1,442,128**
Loss on disposal of fixed assets	**11,602**	13,848	**109,839**
Increase (decrease) in allowance for point mileage	**1,637**	(6,655)	**15,494**
Changes in assets and liabilities:			
Decrease (increase) in trade receivables	**7,212**	(2,710)	**68,277**
(Increase) decrease in other receivables	**(36,863)**	16,293	**(348,984)**
Increase in inventories	**(27,018)**	(1,815)	**(255,783)**
(Decrease) increase in trade payables	**(2,146)**	3,202	**(20,319)**
Increase (decrease) in other payables	**24,436**	(11,277)	**231,339**
Decrease in accrued expenses	**(4,497)**	(22,670)	**(42,573)**
Other	**(154)**	25,402	**(1,460)**
Net cash provided by operating activities	**262,130**	496,324	**2,481,590**
Cash flows from investing activities:			
Purchase of property and equipment	**(248,601)**	(355,687)	**(2,353,512)**
Proceeds from sales of property and equipment	**5,572**	9,052	**52,749**
Proceeds from capital reduction of consolidated subsidiaries	**232,289**	—	**2,199,082**
(Payment for) proceeds from sales of shares of consolidated subsidiaries excluded from consolidation scope	**(50,943)**	227	**(482,273)**
Purchase of investments in securities	**(50)**	(1,003)	**(474)**
Proceeds from sales of investment securities	**16,045**	2,067	**151,894**
Other	**878**	3,618	**8,315**
Net cash used in investing activities	**(44,810)**	(341,726)	**(424,219)**
Cash flows from financing activities:			
Payment for bond redemption	**(25,000)**	—	**(236,675)**
Repayment of long-term debt	**(70,153)**	(88,301)	**(664,138)**
Decrease in short-term borrowings, net	**(123,207)**	(69,623)	**(1,166,397)**
Dividends paid	**(3,834)**	(2,876)	**(36,294)**
Other	**(1,492)**	(1,475)	**(14,134)**
Net cash used in financing activities	**(223,686)**	(162,275)	**(2,117,638)**
Foreign currency translation adjustments on cash and cash equivalents	**(1)**	72	**(7)**
Net decrease in cash and cash equivalents	**(6,367)**	(7,605)	**(60,274)**
Decrease in cash and cash equivalents due to exclusion of consolidated subsidiaries	**(1,051)**	(557)	**(9,959)**
Increase in cash and cash equivalents due to merger of consolidated and unconsolidated subsidiaries	**75**	—	**714**
Cash and cash equivalents at beginning of year	**8,114**	16,276	**76,818**
Cash and cash equivalents at end of year	**¥ 771**	¥ 8,114	**$ 7,299**
Non-cash investing and financing activities:			
Assets decreased due to decrease of previously consolidated subsidiaries	**¥ 782**	¥ 1,172	**$ 7,400**
Liabilities decreased due to decrease of previously consolidated subsidiaries	**729**	469	**6,902**

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

Additional Information

Vodafone Holdings K.K. (formerly JAPAN TELECOM HOLDINGS CO., LTD.) and Consolidated Subsidiaries

Years ended March 31, 2004 and 2003

Assets and liabilities excluded as of March 31, 2003 from consolidation scope and the related cash flows arising from sale of shares of Japan Telecom Max Co., Ltd.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	**2004**
Current assets	**¥—**	¥1,287	**$—**
Non-current assets	**—**	368	**—**
Current liabilities	**—**	(1,212)	**—**
Non-current liabilities	**—**	(82)	**—**
Book value of investments in securities sold	**—**	361	**—**
Loss on sales of investments in securities	**—**	(111)	**—**
Cash and cash equivalents	**—**	(23)	**—**
Proceeds from sale of shares of Japan Telecom Max Co., Ltd.	**¥—**	¥ 227	**$—**

Assets and liabilities excluded as of October 1, 2003 from consolidation scope and the related cash flows arising from sale of shares of Japan Telecom Co., Ltd.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	**2004**
Current assets	**¥109,876**	¥—	**$1,040,195**
Non-current assets	**398,524**	—	**3,772,830**
Current liabilities	**(79,161)**	—	**(749,417)**
Non-current liabilities	**(15,886)**	—	**(150,388)**
Minority interests	**(1,870)**	—	**(17,705)**
Unrealized gains on available-for-sale securities, net of tax	**(140)**	—	**(1,326)**
Foreign currency translation adjustments	**219**	—	**2,072**
Book value of investments in securities sold	**411,562**	—	**3,896,261**
Proceeds from capital reduction	**(232,289)**	—	**(2,199,082)**
Acquisition of investments in securities	**(32,500)**	—	**(307,678)**
Loss on sales of investments in securities	**(152,332)**	—	**(1,442,128)**
Cash and cash equivalents	**(45,384)**	—	**(429,646)**
Payment for sales of shares of Japan Telecom Co., Ltd.	**¥ (50,943)**	¥—	**$ (482,273)**

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

Notes to Consolidated Financial Statements

Vodafone Holdings K.K. (formerly JAPAN TELECOM HOLDINGS CO., LTD.) and Consolidated Subsidiaries

Years ended March 31, 2004 and 2003

1. Basis of presenting consolidated financial statements

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. Certain reclassifications have been made in the 2003 financial statements to conform to the classifications used in 2004.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Vodafone Holdings K.K. (the 'Company') is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥105.63 to $1, the approximate rate of exchange at March 31, 2004. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of significant accounting policies

a. Consolidation—The consolidated financial statements as of March 31, 2004 include the accounts of the Company and its three significant (12 in 2003) subsidiaries (together, the 'Group').

The sale of shares of JAPAN TELECOM CO., LTD., previously a consolidated subsidiary, was executed on November 14, 2003. Accordingly, JAPAN TELECOM CO., LTD. and its associated companies are excluded from the scope of consolidation as of October 1, 2003.

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

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

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

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

Cost in excess of the net assets of consolidated subsidiaries acquired at fair value arising from the data transmission business and 'other' business are amortized on a straight-line basis over a period of ten and five years, respectively.

b. Fiscal periods of consolidated subsidiaries—The accounts of the consolidated subsidiaries except JAPAN TELECOM AMERICA, INC. (whose fiscal year-end is December 31) are prepared as of the same date as the consolidated financial statements. The inclusion of the subsidiary referred to above into the consolidated financial statements is made based on the accounts as of December 31, and necessary adjustments for significant transactions during the period between its fiscal year-end and the date of the consolidated financial statements are reflected in the consolidated financial statements.

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

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

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

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

f. Investments in securities—Investments in securities are classified and accounted for, depending on management's intent, as follows:

Available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity.

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

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

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

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 JAPAN TELECOM CO., LTD. ceased commercial operations before the physical useful lives were over. JAPAN TELECOM CO., LTD. changed the estimated useful life of international ocean cable facilities and rights from 20 years to 10 years. Due to this change of useful life, depreciation increased by ¥3,553 million and operating income, income before income taxes and minority interests decreased respectively by the same account.

Machinery and equipment and air cable facilities have been depreciated over their respective reasonably estimated useful lives. Whereas, in connection with their promotion of 'Vodafone Global Standard,' third generation mobile communication service, which was launched in December 2002, Vodafone K.K. determined to dispose of PDC-related facilities in the future, and changed the estimation of the related facilities useful lives in order to correspond to the time of planned exit. The result of this change increased depreciation expense by ¥3,986 million and operating income, income before income taxes and minority interests decreased respectively by the same account.

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

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

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

i. Employees' retirement benefits—The Group has lump-sum severance and non-contributory funded pension plans covering substantially all of their employees.

The Group accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

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

k. Allowance for losses on guarantees of liabilities—Allowance for losses on guarantees of liabilities is stated in amounts considered to be appropriate based on an evaluation of the financial position of guarantees.

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

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

n. Revenue recognition—Telecommunication services are recognized as revenue as services are provided to customers, based upon seconds of traffic processed plus basic fees, on a monthly billings cycle basis. Sales of telecommunications equipment are recognized when products are delivered. Revenues from rentals and other services are recognized proportionately over the contract or as services are performed.

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

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

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

r. Foreign currency financial statements—The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for shareholders' equity, which is translated at the historical rate.

Differences arising from such translation are shown as 'Foreign currency translation adjustments' in a separate component of shareholders' equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the average exchange rate during the year.

s. Derivatives and hedging activities—The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts, interest rate swaps and interest rate caps are utilized by the Group to reduce foreign currency exchange and interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.

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

The foreign currency forward contracts are utilized to hedge currency exposures in the procurement of telecommunications equipment from overseas suppliers. Payables denominated in foreign currencies are translated at the contract rates if the forward contracts qualify for hedge accounting.

The interest rate swap and interest rate caps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market values, but the differentials paid or received under the swap and cap agreements are recognized and included in interest expense or income.

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

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

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

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

The Company is currently in the process of assessing the effect of adoption of these pronouncements.

3. Investments in securities

The carrying amounts and aggregate fair values of investments in securities at March 31, 2004 and 2003 were as follows:

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

	Millions of Yen					
	2004			2003		
	Cost	Fair value (Carrying amount)	Difference	Cost	Fair value (Carrying amount)	Difference
Securities for which market value exceeds cost:						
Equity securities	**¥140**	**¥830**	**¥691**	¥ 3,283	¥ 5,655	¥2,372
Debt securities	**—**	**—**	**—**	117	153	36
Sub-total	**140**	**830**	**691**	3,400	5,808	2,408
Securities for which market value does not exceed carrying amount:						
Equity securities	**—**	**—**	**—**	8,466	8,180	(286)
Sub-total	**—**	**—**	**—**	8,466	8,180	(286)
Total	**¥140**	**¥830**	**¥691**	¥11,866	¥13,988	¥2,122

(2) Major securities for which market quotations are not available

	Millions of Yen	
	2004	2003
	Carrying amount	Carrying amount
Available-for-sale securities:		
Equity securities of nonpublic companies	**¥34,612**	¥5,700
Other	**—**	50

(3) Sales of available-for-sale securities

Proceeds from sales of available-for-sale securities for the years ended March 31, 2004 and 2003 were ¥16,045 million ($151,894 thousand) and ¥1,822 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥4,465 million ($42,267 thousand) and ¥1 million ($13 thousand), respectively, for the year ended March 31, 2004 and ¥436 million and ¥144 million, respectively, for the year ended March 31, 2003.

(4) Securities with maturity and redemption dates

	Millions of Yen					
	2004			2003		
	Within 1 year	1-5 years	More than 5 years	Within 1 year	1-5 years	More than 5 years
Government bonds and local bonds	**¥—**	**¥—**	**¥—**	¥153	¥—	¥—
Total	**¥—**	**¥—**	**¥—**	¥153	¥—	¥—

4. Inventories

Inventories at March 31, 2004 and 2003 consisted of the following:

	Millions of Yen	
	2004	2003
Merchandise	**¥35,483**	¥25,783
Work-in-process	**—**	27
Supplies	**759**	2,464
Total	**¥36,242**	¥28,274

5. Property, plant and equipment

Telecommunications equipment at March 31, 2004 and 2003 are comprised of the following:

	Millions of Yen	
	2004	2003
Machinery and equipment, (principally transmitters and exchangers)	**¥1,034,950**	¥1,300,756
Air cable facilities	**253,561**	237,157
Line connector facilities	**8**	5,268
Local line facilities	**1,894**	6,628
Long-distance line facilities	**3,239**	87,493
Civil construction facilities	**3,272**	94,813
Ocean cable facilities	**—**	47,226
Total	**¥1,296,924**	¥1,779,341

6. Goodwill

Goodwill at March 31, 2004 and 2003 is comprised of the following:

	Millions of Yen	
	2004	2003
Goodwill on purchase of a specific business	**¥12,285**	¥24,569
Consolidation goodwill	**—**	10,892
Total	**¥12,285**	¥35,461

7. Other assets

Other assets at March 31, 2004 and 2003 are comprised of the following:

	Millions of Yen	
	2004	2003
Utilization rights for telecommunication circuits and facilities	**¥ 5,206**	¥ 7,566
Other	**42,443**	40,898
Total	**¥47,649**	¥48,464

8. Short-term borrowings and long-term debt

Short-term borrowings at March 31, 2004 and 2003 are comprised of the following:

	Millions of Yen	
	2004	2003
Loans from banks and other financial institutions with a weighted average interest rate of 0.38% for the year ended March 31, 2004		
—Unsecured	**¥445,866**	¥568,836
Total	**¥445,866**	¥568,836

Long-term debt at March 31, 2004 and 2003 comprised the following:

	Millions of Yen	
	2004	2003
Loans from banks and other financial institutions with a weighted average interest rate of 2.26% for the year ended March 31, 2004		
—Secured	**¥ —**	¥ 32,000
—Unsecured	**12,066**	77,858
Sub-total	**12,066**	109,858
Unsecured 2.575% yen bonds due April 2008	**25,000**	25,000
Unsecured 1.775% yen bonds due April 2003	**—**	25,000
Unsecured 2.500% yen bonds due August 2010	**25,000**	25,000
Unsecured 1.930% yen bonds due August 2005	**25,000**	25,000
Unsecured 2.000% yen bonds due August 2010	**25,000**	25,000
Unsecured 1.270% yen bonds due August 2005	**25,000**	25,000
Unsecured 2.280% yen bonds due September 2010	**25,000**	25,000
Unsecured 1.780% yen bonds due September 2006	**25,000**	25,000
Sub-total	**175,000**	200,000
Total	**187,066**	309,858
Less current portion	**(4,066)**	(97,699)
Long-term debt, less current portion	**¥183,000**	¥212,159

Annual maturities of long-term debt as of March 31, 2004 for the next five years and thereafter were as follows:

	Millions of Yen
2005	¥ 4,066
2006	50,000
2007	33,000
2008	—
2009	25,000
2010 and thereafter	75,000
Total	¥187,066

Assets pledged as collateral for short-term loans and long-term debt at March 31, 2004 and 2003 were as follows:

	Millions of Yen	
	2004	2003
Property, plant and equipment, net of accumulated depreciation:		
Telecommunications equipment	**¥—**	¥37,269
Buildings and structures	**—**	6,978
Land	**—**	581
Sub-total	**—**	44,828
Total	**¥—**	¥44,828

9. Retirement benefit plan

The Group has lump-sum severance and non-contributory defined benefit tax-qualified pension plans.

The liability for employees' retirement benefits at March 31, 2004 and 2003 consisted of the following:

	Millions of Yen	
	2004	2003
Projected benefit obligation	**¥(6,714)**	¥(20,149)
Fair value of plan assets	**400**	686
Net liability	**¥(6,314)**	¥(19,463)

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

	Millions of Yen	
	2004	2003
Service cost	**¥1,845**	¥2,831
Interest cost	**220**	322
Expected return on plan assets	**(11)**	(4)
Recognized actuarial (gain) loss	**(854)**	2,245
Additional benefits granted to employees	**2**	1,652
Lump-sum amortization of prior service cost	**—**	1,315
Net periodic benefit costs	**¥1,202**	¥8,361

Assumptions used for the years ended March 31, 2004 and 2003 are set forth as follows:

	2004	2003
Discount rate	**2.25%**	1.5~2.0%
Expected rate of return on plan assets	**4.0%**	4.4%
Amortization period of prior service cost	**1 year**	1 year
Recognition period of actuarial gain/loss	**1 year**	1 year

10. Shareholders' equity

Japanese companies are subject to the Commercial Code of Japan (the 'Code'), to which certain amendments have become effective since October 1, 2001.

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

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

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

The amount of retained earnings available for dividends under the Code was ¥91,315 million ($864,477 thousand) as of March 31, 2004, based on the amount recorded in the parent company's general books of account. In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends.

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

11. Income taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 42.0% for the years ended March 31, 2004 and 2003.

The tax effects of significant temporary differences and loss carryforwards, which resulted in deferred tax assets and liabilities at March 31, 2004 and 2003, were as follows:

	Millions of Yen	
	2004	2003
Deferred tax assets:		
Allowance for point mileage	**¥ 10,715**	¥10,221
Write-down of investments in associated companies	**1,275**	1,918
Write-down of investments in securities	**—**	805
Inventories	**9,601**	3,287
Accrued retirement benefits	**2,528**	7,632
Depreciation	**3,524**	3,787
Loss on disposal of fixed assets	**—**	1,365
Accrued bonuses	**2,016**	3,398
Accrued enterprise taxes	**3,248**	9,622
Allowance for losses on guarantees of liabilities	**1,401**	1,734
Accounts payable—other	**5,975**	—
Corporate split assets	**—**	2,815
Unearned revenue	**3,296**	2,752
Allowance for doubtful accounts	**1,500**	5,194
Net operating loss carried forward	**194,723**	26,772
Advances received	**1,838**	—
Other	**2,918**	4,652
Gross deferred tax assets	**244,558**	85,954
Valuation allowance	**(198,322)**	(34,426)
Total deferred tax assets	**46,236**	51,528
Deferred tax liabilities:		
Unrealized gains on securities	**(283)**	—
Total deferred tax liabilities	**(283)**	—
Net deferred tax assets	**¥ 45,953**	¥51,528

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of operations for the years ended March 31, 2004 and 2003 is as follows:

	2004	2003
Normal effective statutory tax rate	**42.0%**	42.0%
Amortization of consolidation goodwill	**—**	0.6
Unrecognized deferred tax of unrealized gain	**(3.9)**	—
Increase in valuation allowance	**459.9**	6.8
Tax credit for IT investment	**(22.6)**	—
Amortization of goodwill	**—**	(0.6)
Permanently non-taxable income	**(282.0)**	(8.7)
Expenses not deductible for income tax purposes	**2.1**	0.2
Per capita levy of local resident income taxes	**0.6**	0.1
Effect of tax rate change	**15.7**	—
Other	**0.5**	(0.6)
Effective income tax rate	**212.3%**	39.8%

At March 31, 2004, certain subsidiaries have tax loss carryforwards aggregating approximately ¥478,434 million ($4,529,338 thousand) which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year ending March 31	Millions of Yen
2005	¥ —
2006	—
2007	—
2008	63,505
2009	414,929
Total	¥478,434

12. Research and development costs

Research and development costs charged to income were ¥413 million ($3,907 thousand) and ¥859 million for the years ended March 31, 2004 and 2003, respectively.

13. Leases

As Lessee

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

Total rental expenses for the year ended March 31, 2004 were ¥38,394 million ($363,474 thousand), including ¥7,231 million ($68,460 thousand) of lease payments under finance leases.

Pro forma information of leased property, such as acquisition cost, accumulated depreciation, obligations under finance lease, depreciation expense and interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an “as if capitalized” basis for the years ended March 31, 2004 and 2003 is as follows:

	Millions of Yen	
	2004	2003
Machinery and equipment	**¥47,166**	¥56,911
Tools, furniture and fixtures	**1,538**	16,049
Other	**5,334**	8,123
Total	**54,038**	81,083
Less: Accumulated depreciation	**(52,045)**	(52,914)
Net leased property	**¥ 1,993**	¥28,169

Obligations under finance leases at March 31, 2004 and 2003 were:

	Millions of Yen	
	2004	2003
Due within one year	**¥ 958**	¥18,714
Due after one year	**1,035**	9,455
Total	**¥1,993**	¥28,169

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

Depreciation expense, which was not reflected in the accompanying consolidated statements of operations computed by the straight-line method, was ¥7,231 million ($68,460 thousand) and ¥17,254 million for the years ended March 31, 2004 and 2003, respectively.

The minimum rental commitments under noncancellable operating leases at March 31, 2004 and 2003 were as follows:

	Millions of Yen	
	2004	2003
Due within one year	**¥ 2,471**	¥2,483
Due after one year	**16,615**	6,819
Total	**¥19,086**	¥9,302

14. Derivative financial instruments

The Group enters into derivative financial instruments ("derivatives"), including foreign currency forward contracts, to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Group also enters into interest swap contracts and interest rate caps to manage its interest rate exposure on certain liabilities.

All derivative transactions are entered into to hedge interest rate and foreign currency exposures incorporated within its business. Accordingly, interest rate and foreign currency risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities. The Group does not hold or issue derivatives for trading or speculative purposes. Because the counterparties to those derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies, which regulate the authorization and credit limit amount.

Forward exchange contracted amounts which are assigned to associated assets or liabilities are reflected on the consolidated balance sheet at year-end and are not subject to disclosure of market value information.

The contract or notional amounts of derivatives which are shown in the following table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

	Millions of Yen					
	2004			2003		
	Contract amount	Fair value	Unrealized gain (loss)	Contract amount	Fair value	Unrealized gain (loss)
Foreign currency forward contracts:						
Payables:						
U.S. Dollars	**¥ —**	**¥ —**	**¥ —**	¥ 428	¥427	¥ (1)
Total	**¥ —**	**¥ —**	**¥ —**	¥ 428	¥427	¥ (1)
Interest rate cap agreements:						
Purchased	**¥ —**	**¥ —**	**¥ —**	¥1,000	¥ 0	¥(42)
Interest rate swap agreements:						
Receive-float/pay-fix	**32,500**	**(94)**	**(94)**	—	—	—
Total	**¥32,500**	**¥(94)**	**¥(94)**	¥1,000	¥ 0	¥(42)

15. Contingent liabilities

At March 31, 2004, the Company has made certain guarantees and similar items in the form of joint guarantees of ¥2,828 million ($26,770 thousand) under which it may be required to make payments. The allocation to the Company was ¥2,550 million ($24,141 thousand).

16. Subsequent events

(1) Voluntary Retirement Program ('VRP')

The Board of Directors of Vodafone K.K. resolved the adoption of the Employees' Early Retirement Plan on May 25, 2004.

1. Objective

   As migration towards 3G services in the Japanese mobile communications industry continues to accelerate, intensified competition among carriers is expected with the introduction of new services and price plans, the development of attractive new mobile handsets, and the offering of enriched content. Vodafone K.K. requires flexible human resources willing to adapt to change. To optimize the organization accordingly, Vodafone K.K. will enact a Company-supported voluntary retirement program for those employees wishing to leave in order that they may enter new ventures.

2. Outline of Voluntary Retirement Program

   (i) Eligible employees: All Company employees
   (ii) Period: June 28–July 2, 2004
   (iii) Date of retirement: July 31, 2004
   (iv) Retirement allowance: Special allowance added to normal retirement allowance
   (v) Re-hiring support: Support to be offered in the form of providing former employees with the services of a job placement company
   (vi) Estimated no. of employees accepting VRP: Approximately 600

(2) Merger

At the Board of Directors meetings of the Company and Vodafone K.K. held on May 25, 2004, the merger of the Company and Vodafone K.K. was resolved, and these companies entered into a merger agreement on the same date.

1. Goal

   To improve efficiency in operation and finance

2. Date of merger

   The merger is subject to shareholder and regulatory approvals. The annual general meeting for the Company and an emergency general meeting for Vodafone K.K., at which resolutions will be proposed to approve the merger, will be convened for June 29, 2004 and July 22, 2004, respectively.

   The date of merger shall be October 1, 2004 (the 'Merger Date'), provided however that the Merger Date might be changed as necessary in accordance with the progress of the merger proceedings through consultation between the parties hereto.

3. Method of merger
   The Company shall continue to exist, and Vodafone K.K. shall be dissolved.
4. Change of trade name
   The Company will be renamed Vodafone K.K. after the merger completes.
5. Head office
   Minato-ku, Tokyo
6. Issue and Allocation of New Shares upon Merger
   Upon the merger, the Company shall issue 2,233,371 new shares of common stock of the Company, and allocate its shares to the shareholders of Vodafone K.K. on the register of shareholders of Vodafone K.K. as of the close of the day immediately preceding the Merger Date at such rate as allocating 7.5898 shares of common stock of the Company to every one share of Vodafone K.K.'s common stock, provided, however, that the Company shall not allocate its new shares in respect of shares of Vodafone K.K.'s common stock held by the Company.
7. Delivered money due to merger
   None
8. Paid-in capital and capital reserve, etc. to be increased
   Upon the merger, the amounts by which the paid in capital, the capital reserve, the legal reserve, the voluntary reserve and any other retained earnings of the Company shall be increased are as follows (such amounts having been derived from the balance sheets as at March 31, 2004 of both the Company and Vodafone K.K.), provided however that the Company and Vodafone K.K. may change any such amounts through consultation between the parties hereto depending upon the value of the assets and/or liabilities of Vodafone K.K. as of the Merger Date (as defined below):
   (i) Paid-in capital: zero
   (ii) Capital reserve: ¥181,979 million
   (iii) Legal reserve: zero
   (iv) Voluntary reserve and any other retained earnings: ¥60,804 million
9. Transfer of assets
   Vodafone K.K. shall transfer to the Company on the Merger Date all of its assets, liabilities and rights and obligations recorded on the balance sheets and other accounts of Vodafone K.K. as of March 31, 2004, as adjusted for the increase or decrease which have occurred up to the Merger Date, and the Company shall inherit such assets, liabilities and rights and obligations from Vodafone K.K. Vodafone K.K. shall notify the Company of any fluctuation in its assets and/or liabilities which have occurred from March 31, 2004 to the Merger Date, together with the statement of calculation thereof.
10. Alteration and termination of this Agreement
   In the event of a serious change in the assets or business condition of Vodafone K.K. or the Company due to force majeure or other causes, or in the event that serious undiscovered defects are found therein, or otherwise when deemed necessary by the Company or Vodafone K.K. between the date of execution of this Agreement and the Merger Date, the terms and conditions of the merger may be changed or this Agreement may be terminated upon consultation between the Company and Vodafone K.K.

(3) Appropriations of retained earnings

The following appropriations of retained earnings at March 31, 2004 were approved at the Board of Directors meeting held on May 25, 2004:

	Millions of Yen
Year-end cash dividends, ¥600 ($5.68) per share	¥1,917

17. Segment information

Information about industry and geographic segments and sales to foreign customers for the years ended March 31, 2004 and 2003 is as follows:

(1) Segment information by business category

	Millions of Yen	
Year ended March 31	**2004**	2003
I. Operating revenues and operating income		
Operating revenues		
(1) Outside customers		
Fixed-line telecommunications	**¥ 151,567**	¥ 340,548
Mobile telecommunication business	**1,504,084**	1,450,962
Other business	**—**	5,405
Total	**1,655,651**	1,796,915
Elimination or corporate	**—**	—
Consolidated	**1,655,651**	1,796,915
(2) Inter-segment		
Fixed-line telecommunications	**23,489**	44,306
Mobile telecommunication business	**4,738**	9,406
Other business	**—**	10,938
Total	**28,227**	64,650
Elimination or corporate	**(28,227)**	(64,650)
Consolidated	**—**	—
Operating revenues total		
Fixed-line telecommunications	**175,056**	384,854
Mobile telecommunication business	**1,508,822**	1,460,368
Other business	**—**	16,343
Total	**1,683,878**	1,861,565
Elimination or corporate	**(28,227)**	(64,650)
Consolidated	**1,655,651**	1,796,915
Operating expenses		
Fixed-line telecommunications	**172,525**	356,661
Mobile telecommunication business	**1,326,566**	1,213,223
Other business	**—**	16,337
Total	**1,499,091**	1,586,221
Elimination or corporate	**(28,485)**	(64,912)
Consolidated	**1,470,606**	1,521,309
Operating income		
Fixed-line telecommunications	**2,531**	28,193
Mobile telecommunication business	**182,256**	247,145
Other business	**—**	6
Total	**184,787**	275,344
Elimination or corporate	**258**	262
Consolidated	**¥ 185,045**	¥ 275,606

Year ended March 31	Millions of Yen 2004	2003
II. Assets, depreciation and capital expenditure		
Assets		
Fixed-line telecommunications	**¥ —**	¥ 530,927
Mobile telecommunication business	**1,428,168**	1,743,820
Other business	**—**	2,570
Total	**1,428,168**	2,277,317
Elimination or corporate	**(—)**	(437,496)
Consolidated	**¥1,428,168**	¥1,839,821
Depreciation		
Fixed-line telecommunications	**¥ 32,243**	¥ 60,234
Mobile telecommunication business	**225,764**	192,214
Other business	**—**	151
Total	**258,007**	252,599
Elimination or corporate	**(31)**	(183)
Consolidated	**¥ 257,976**	¥ 252,416
Capital expenditures		
Fixed-line telecommunications	**¥ 9,162**	¥ 33,107
Mobile telecommunication business	**243,919**	266,584
Other business	**—**	151
Total	**253,081**	299,842
Elimination or corporate	**(—)**	(20,582)
Consolidated	**¥ 253,081**	¥ 279,260

(2) Segment information by geographic area

Segment information classified by geographic area is omitted since the domestic share of the total of all segment operating revenues and assets is over 90%.

(3) International operating revenues

International operating revenues were less than 10% of consolidated sales and such information was therefore omitted from presentation.

18. Related party transactions

The balances of accounts with the associated companies at March 31, 2004 and 2003 were as follows:

	Millions of Yen 2004	2003
Short-term borrowings	**¥445,595**	¥568,437
Accrued expenses	**198**	199
Total	**¥445,793**	¥568,636

Transactions with associated companies for the years ended March 31, 2004 and 2003 were as follows:

	Millions of Yen 2004	2003
Interest expense	**¥2,000**	¥2,240
Other	**218**	174
Total	**¥2,218**	¥2,414

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Independent Auditors' Report

Vodafone Holdings K.K. (formerly JAPAN TELECOM HOLDINGS CO., LTD.) and Consolidated Subsidiaries For the years ended March 31, 2004 and 2003

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

We have audited the accompanying consolidated balance sheets of Vodafone Holdings K.K. (formerly JAPAN TELECOM HOLDINGS CO., LTD.) and consolidated subsidiaries as of March 31, 2004 and 2003, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Vodafone Holdings K.K. and consolidated subsidiaries as of March 31, 2004 and 2003, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Note 16 to the consolidated financial statements, the Board of Directors of Vodafone K.K. resolved the adoption of the Employees' Early Retirement Plan on May 25, 2004. Also, at the Board of Directors meetings of the Company and Vodafone K.K. held on May 25, 2004, the merger of the Company and Vodafone K.K. was resolved, and these companies entered into a merger agreement on the same date.

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

Deloitte Touche Tohmatsu

June 29, 2004

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