Vodafone Japan

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Bill Morrow, President
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Agenda

• Market Overview
• Commercial Strategy
Japan remains an attractive mobile market

Relatively low market penetration

- UK: 116.8%
- Italy: 115.5%
- Spain: 92.7%
- Germany: 89.9%
- Japan: 69.0%

Share of mobile voice traffic increasing

- FY01: 411
- FY02: 367
- FY03: 302
- FY04: 284
- FY05: 243

Relatively high ARPU

- Ireland: £411
- Japan: £367
- Netherlands: £302
- UK: £300
- Spain: £284
- Italy: £243
- Germany: £199

Market share and EBITDA share

Scale is important driver for profitability

1 As at June 2005
2 12 months ended June 2005
3 EBITDA of Vodafone, au and TUKA = Japan GAAP; of NTT DoCoMo = US GAAP; market shares for FY05
Source: Company and public data
## Key trends in Japan’s mobile market development

<table>
<thead>
<tr>
<th>Mobile handset</th>
<th>Service platform</th>
<th>Network</th>
<th>New business model</th>
</tr>
</thead>
</table>
| • SIP-compatible | • IMS platform  
  - Presence  
  - Push-to-Talk  
  - VoIP  
  - Rich Voice | • All-IP | • Low cost  
• Control complexity (speed)  
• Flat-rate (usage ≠ revenue) |
| • IMS (IP Multimedia Subsystem) apps | • IMS platform  
  - Presence  
  - Push-to-Talk  
  - VoIP  
  - Rich Voice | • HSDPA  
• Beyond 3G (4G) | • Upgrade user equipment |
| • All-IP | • Approaching PC  
  - CPU  
  - Memory/HDD  
  - Fuel cell  
  - Digital camera  
  - Large-volume capacity  
  - WAP/MMS  
  - Streaming | | • Retain customer |
| | | | • Authentication  
• New billing method |
| | | | • Wi-Fi  
• IrDA  
• Bluetooth  
• RF-ID  
• QR code |
| | | | • Authentication server  
• Billing server |
| | | | • Convergence with Wi-Fi |
| | | | • FeliCa chip  
• GPS chip  
• Digital TV chip  
• MP3 player  
• MPEG4 player |
| | | | • FeliCa authentication  
• GPS Server  
• Digital TV-WAP link  
• Digital Rights Management Server |

**Device evolution**

- FeliCa chip
- GPS chip
- Digital TV chip
- MP3 player
- MPEG4 player

**beyond infotainment**

- FeliCa authentication
- GPS Server
- Digital TV-WAP link
- Digital Rights Management Server

**Multi-access**

- Wi-Fi
- IrDA
- Bluetooth
- RF-ID
- QR code

- Authentication server
- Billing server
Regulatory environment

New entrants

- Obliged to launch service within 2 years
- Obliged to reach coverage of 50% within 5 years (within 3 years for major metropolitan areas on 1.7GHz)
- Additional 5MHz spectrum for first operator to reach 2.5 million subscribers

Max 3 new entrants:
- 2 on 1.7GHz
- 1 on 2.0GHz

Existing operators

Potential new entrants

Spectrum

<table>
<thead>
<tr>
<th>800MHz</th>
<th>NTT DoCoMo 29M x 2</th>
<th>au 15M x 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.5GHz</td>
<td>NTT DoCoMo 5.5M x 2</td>
<td>Vodafone 11.5M x 2</td>
</tr>
</tbody>
</table>
| 1.7GHz | • 15M x 2 nationwide spectrum available
        • 20M x 2 Tokyo, Osaka, Nagoya Metropolitan spectrum available
        • Official application process expected to start late August
        • Initial spectrum allocations expected to be announced by December 2005 |
| 2.0GHz | NTT DoCoMo 15M x 2 | au 15M x 2 | Vodafone 15M x 2 | New entrant 15M |

MNP

- Anticipated introduction in autumn 2006
- Provides opportunity to shift market share

Source: Company and public data

1 The Ministry has decided to allocate guard bands of additional 5M x 2 to each of the incumbent operators
Agenda

• Market Overview
• Commercial Strategy
Review of our May 2005 presentation

• Identified areas of improvement and milestones

<table>
<thead>
<tr>
<th>Turnaround</th>
<th>Growth</th>
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<tbody>
<tr>
<td>FY05</td>
<td>FY06</td>
</tr>
<tr>
<td>Terminals</td>
<td>Improve 3G handset functionality, new PDC design offerings</td>
</tr>
<tr>
<td>Services</td>
<td>Improve content offering (esp. music), introduce Felica</td>
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<tr>
<td>Pricing</td>
<td>Encourage usage with competitive price plans</td>
</tr>
<tr>
<td>Network</td>
<td>Improve indoor coverage and suburban area coverage/capacity</td>
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<tr>
<td>Customers</td>
<td>From net loss to net gain</td>
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</table>

• Turnaround: Part of long term overall strategy
Aligning our employees and partners

**Vision**
- Messaging leadership
- Community focus
- Easy to use

**Segment focus**
Core consumer segments, core business customers and selective wholesale/partnerships

**Competitive advantage**
- Easiest to deal with for customers & business partners
- Innovative products and services
- Lowest operating cost position
- Efficient and speedy processes and execution

**Strategic priorities**
- Terminal and service development based on segment needs
- Always easy, at every touch point
- Revenue break out options
- Grow the business customer base
- Execution strength and speed
- Targeting value share in consumer
## Terminals and services – terminals

### Number of 3G terminals shown in catalogue

<table>
<thead>
<tr>
<th></th>
<th>Vodafone</th>
<th>NTT DoCoMo</th>
<th>au</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jul</td>
<td>6</td>
<td>19</td>
<td>13</td>
</tr>
<tr>
<td>Sep</td>
<td>8</td>
<td>18</td>
<td>12</td>
</tr>
</tbody>
</table>

- Drive industrial design initiative and introduce segment tailored terminals
- Around 10 further terminals to be introduced in FY06
- Improve 3G terminal repair rate

### 3G

- **Vodafone**
  - 702NK
  - 802SE
  - 902SH
  - 802SH
  - 802N
  - 902T
  - 903T
  - 703T
  - 703SH

- **NTT DoCoMo**
  - V602SH
  - V603T
  - V501SH
  - V501T
  - V302SH
  - V302SH
  - Ferrari Edition

- **au**
  - 803T
  - 903T
  - V703N
  - 702NKII
  - 703SHf

### PDC

- **Vodafone**
  - V602T
  - V603SH
  - V603T
  - V604SH

- **au**
  - V604SH

Source: Company and public data
Terminals and services – services and pricing

**Services**

- Improve Vodafone live! portal usability to drive mobile web usage
- Expand 3G content portfolio
  - Comics
  - Full track download service started in August: holding 30,000 songs in 20 sites
  - 8,500 mobile games available in 334 sites (incl. PDC-enabled games)
    - More online and network based games to be added
- Introduce innovative messaging products
- Develop enterprise-specific services

**Pricing**

- Offer simplified tariffs appealing to personal communities
  - Family Call Flat-rate
    - Positive impact on churn so far
  - Mail Flat-rate
    - Launched in June 2005
    - Reinforce Vodafone KK as “messaging” company
  - Dual Packet Flat-rate
    - Launched in June 2005 (the original Packet Flat-rate launched in November 2004)
    - Popular, nearly 30% of 3G customers as of August 2005
**Terminals and services – network**

- Improving network performance
  - Investment plan on track: Base station roll-out of 5,400 in FY06
- Indoor coverage significantly improving
  - Indoor: to above 90% in FY07

- Offer comfortable 3G experience to customers
  - 3G drop call rate better than PDC
  - Drive tests indicated good network performance vs competitors

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**Residential indoor 3G availability**

- 1st survey Q4 FY05: 94%
- 2nd survey Q1 FY06: 96%

**3G drop call rate**

- Vodafone PDC: 2 Values of Vodafone PDC are 7-month average
- Vodafone (Indicative vendor)

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1. % of customers surveyed who had coverage at home
2. Values of Vodafone PDC are 7-month average
Source: Company and public data
Revenue breakout options – significant opportunity

• Wholesale
  – “Retail price minus” business model
  – Selective partnerships to drive value for customers
  – Demand higher than expected:
    – Cable TV providers
    – ISPs
    – Data services providers
    – Content providers
    – System integrators

• Fixed Mobile Convergence
  – Explore revenue opportunities across the entire telecom industry
  – Offer multi-access technologies through partnerships
Customers – grow the business customer base

**Market**

- Business user market estimated to be around 30% of mobile market in Japan
- Low share of Vodafone in business segment
- Significant potential for leveraging global footprint
- Established and expanded Enterprise Business Unit, hired experienced head

**Total estimated market size:** 30m customers

- **17.5%**: Vodafone Japan average customer share

**Products**

- **Product portfolio**
  - Mobile Centrex / On-net Strategy
  - M-M On-net Voice
  - Real time Push & Sync service
  - Higher network security

- **Managed service**
  - Additional sources of revenue
    - Pre-sales: system integration proposals
    - Post-sales: paid support, software installation, training

- **Service platform**
  - Harmonise platform with user specific applications

- **Organise sales & channel support**
  - Increase number of qualified touch points

Source: Company data
Customers – momentum improving

**Monthly net additions**

- Graph showing net additions from Sep-04 to Aug-05 with negative values indicating losses.

**Monthly net additions by type**

- Graph showing net additions by type with negative values indicating losses.

**Investment in customers**

- Graph showing SAC/SRC as % of service revenue with an increase of 4.7 p.p. from Q1 FY05 to Q1 FY06.

**Churn rate**

- Graph showing churn rate with customer churn at all time low.

Source: Company data
Encouraging 3G trends

- 3G ARPU 55% higher than PDC ARPU in July 2005, contributing to total ARPU uplift
- Migration from PDC to 3G favourable to ARPU trend, mainly due to uplift of lower ARPU customers
- 3G data usage rapidly picking up, increasing total data usage
  - 3G data usage 7 times PDC (2.5G) data usage in July 2005
  - 3G data ARPU 2 times PDC data ARPU in July 2005
- Data ARPU stable overall despite data rate (average price per KB) decline

Source: Company data
Summary

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<td>FY07</td>
<td>FY08</td>
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- Terminals: Japan-centric, higher usability
- Services: Appealing to personal communities
- Pricing: Simple and easy to understand
- Network: Improvement in coverage and capacity
- Customer: Return to steady monthly customer growth in 2H
Forward-Looking Statements

This presentation contains "forward-looking statements" within the meaning of the US Private Securities Litigation Reform Act of 1995 with respect to the financial condition of the Vodafone Group (the "Group"), results of operations and businesses and certain of the Group’s plans and objectives. In particular, such forward-looking statements include statements with respect to Vodafone’s reiteration of the guidance for its expectations for the year ending 31 March 2006 as to future performance, including turnover, cash flows, costs, capital expenditures and margins, non-voice services and their revenue contribution; share price performance; cash flow; global roaming and international integration, user penetration and penetration growth; cost saving and cost avoidance initiatives; cash flow improvements; profitability; revenue market share; projections related to operating and capital expenditure, cash flow, average revenue per user ("ARPU"), cost savings, and handset costs in 2008; the comparison of data and voice services on mobile networks and the use of fixed-line services estimated in 2010; estimates for 2005 of mobile share of total outgoing minutes; Vodafone Passport’s impact on penetration and usage levels; the impact of One Vodafone on operating and capital expenditure, and mobile and capital expenses in 2008 and the ability to achieve targeted incremental cash flow goals and the launch of new services and products. In addition, these forward-looking statements also include statements related to certain businesses within the Group excepted the expected performance of such businesses, and their revenues, to its competitive position in the market, to its ability to expand 3G services, including Vodafone Live! and Music TV services; to maintain low maintenance costs and to its profitability in the migration towards 3G services, by Vodafone Germany related to growth of the German mobile market and the level of customer usage, and to the impact on revenue and ARPU from new service offerings and 3G services; by Vodafone Japan related to the effect of its turnaround program on its handset market and service offerings, including the offering of new handsets, its network coverage and performance and the growth of its customer base, to the impact of partnerships on its revenue, to its ability to introduce new products and improve existing products such as Vodafone Live! and its ability to expand its 3G content portfolio; by Vodafone UK related to its commercial strategy and the addition of new services; and to services such as Vodafone Simply, Vodafone Passport and Vodafone Stop the Clock; about the "Other Vodafone Subsidiaries" related to customer retention and growth in the region and its ability to integrate new companies from the Group’s perspective which each of Vodafone and the Group believes, as the case may be, believes to be reasonable in light of operating experience in recent years. The principal assumptions on which these statements are based relate to exchange rates, customer numbers, usage and pricing, take-up of new services, termination rates, customer acquisition and retention costs, and the availability of technology necessary to introduce new products, services and network or other enhancements.

The presentation also contains other forward-looking statements including statements with respect to Vodafone’s expectations as to launch and roll-out dates for products and services, including, for example, 3G services, including product offerings facilitated by the availability of 3G, mobile data applications, data and non-data services and video and multimedia offering services; intentions regarding the development of products and services introduced by the Group globally or on a regional basis and intentions regarding the future development of services in relation to email solutions, connectivity, mobile network coverage; development and impact of new mobile technology, including the expected benefits of 3G; expansion of the geographic coverage of the network and the timing of the evolution of 3G to include new standards and protocols, such as HSDPA and HSUPA; and the technological enhancements and related customer benefits and service offerings in connection with the evolution of the core network and demand for such services; the ratio of capital expenditures to sales; and implementation of commercial strategies targeted to each region and perceived advantages in such region; growth in customers and usage, including improvements in customer mix and customer penetration; the ability to integrate operations throughout the Group in the same format and on the same technical platform and the ability to be operationally efficient; the expected accounting treatment arising from the adoption of IFRS by the Group; mobile penetration and coverage rates; future performance, including turnover, ARPU, cash flows, costs, capital expenditures, operating expenditures and improvements in margin, non-voice services and their revenue contribution; the anticipated impact on profitability of the One Vodafone global integration programme; ability to be the mobile market leader; overall market trends and other trends and projections. Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as “anticipates”, “aims”, “could”, “may”, “should”, “expects”, “believes”, “intends”, “plans” or “targets”. 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 or political conditions in markets served by operations of the Group that would adversely affect the level of demand for mobile services; greater than anticipated competitive activity requiring changes in pricing models and/or new product offerings or resulting in higher costs of acquiring new customers or providing new services; the impact on capital spending from investment in network capacity and the deployment of new technologies, or the rapid obsolescence of existing technology; slower customer growth or reduced customer retention; the possibility that technologies, including mobile internet platforms, will not perform according to expectations or that vendors’ performance will fail to meet the Group’s requirements; changes in the projected growth rates of the mobile telecommunications industry; the Group’s ability to realise expected synergies and benefits associated with 3G technologies and the integration of our operations and those of recently acquired companies; future revenue contributions of both voice and non-voice services offered by the Group; lower than expected impact of 3G, Vodafone Live!, the Group’s business offerings and other new or existing products, services or technologies on the Group’s future revenues, cost structure and capital expenditure outlays; the ability of the Group to harmonise mobile platforms and any delays, impediments or other problems associated with the roll-out and scope of 3G technology and services and Vodafone Live! and the Group’s business or service offerings as well as other new or existing products, services or technologies in new markets; the ability of the Group to offer new services and secure the timely delivery of high-quality, reliable 3G handsets, network equipment and other key products from suppliers; the ability to realise benefits from entering into partnerships for developing data and internet services and entering into service franchising and brand licensing; the possibility that the pursuit of new, unexpected strategic opportunities may have a negative impact on one or more of the measurements of our financial performance; any unfavourable conditions, regulatory or otherwise, imposed in connection with future acquisitions or dispositions; changes in the regulatory framework in which the Group operates, including possible action by regulators in the markets in which the Group operates, including the UK and Ireland, or by the European Commission regulating the Group’s ability to charge; the Group’s ability to develop competitive data content and services which will attract new customers and increase average usage; the impact of legal or other proceedings against the Group or other companies in the mobile telecommunications industry; the possibility that new marketing campaigns or efforts are not an effective expenditure; the possibility that the Group’s integration efforts do not increase the speed to market for new products or improve the profitability of exchange rates in exchange rate markets, including the US dollar and the pound sterling; the risk that, upon obtaining control of certain of Vodafone’s businesses, the Group discovers additional information relating to the businesses of that investment leading to restructuring charges or write-offs or with other negative implications; changes in statutory tax rates and profit mix which would impact the weighted average tax rate; changes in tax legislation in the jurisdictions in which the Group operates; final resolution of open issues which might impact the effective tax rate; timing of tax payments relating to the resolution of open issues; and, loss of suppliers or disruption of supply chains.

Furthermore, a review of the reasons why actual results and developments may differ materially from the expectations disclosed or implied within forward-looking statements can be found under "Risk Factors" contained in our Annual Report with respect to the financial year ended 31 March 2005. All subsequent written or oral forward-looking statements attributable to Vodafone or any member of the Group or any person acting on their behalf are expressly qualified by all of the factors referred to above. No assurances can be given that the forward-looking statements in this document will be realised. Neither Vodafone nor any of its affiliates intends to update these forward-looking statements.