PERFORMANCE ANALYSIS

FINANCIALS

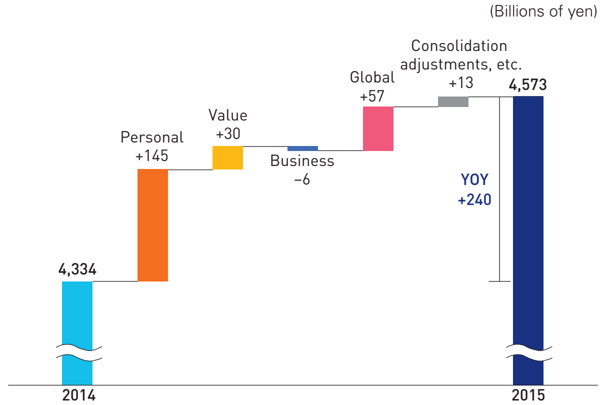
CORPORATE OVERVIEW

Performance Analysis for the Fiscal Year Ended March 31, 2015

Analysis of Statements of Income

Operating Revenues

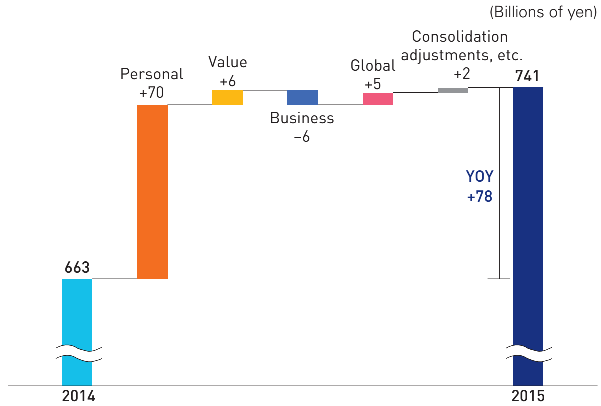
Mobile communications revenues increased due to a rise in au subscriptions and the reversal of au ARPU year on year. Revenues from terminal sales and revenues from overseas subsidiaries also rose. As a result, consolidated operating revenues expanded 5.5% year on year, to ¥4,573.1 billion.



(Years ended March 31)

Operating Income

Mobile communications revenues rose and au sales commissions declined in the Personal Services segment, absorbing the cost of up-front investments in new businesses such as "au WALLET" and higher depreciation. Consolidated operating income consequently increased 11.8%, to ¥741.3 billion.



(Years ended March 31)

Net Income

During the year, KDDI recorded higher operating income, equity-method investment income, and extraordinary income from a gain on sales of investment securities. The Company posted an extraordinary loss stemming from impairment loss and loss on business of overseas subsidiaries. These factors led to a 32.9% year-on-year increase in net income, to ¥427.9 billion.

Dividends per Share

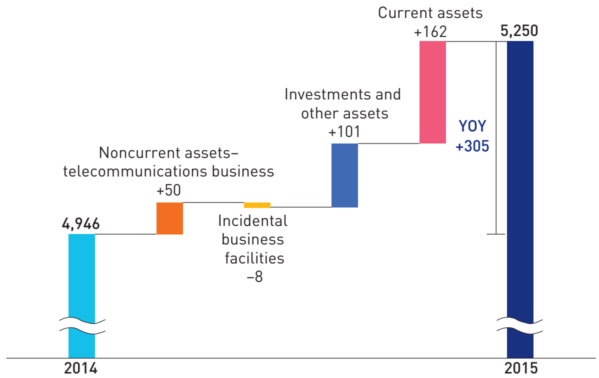
We awarded full-year dividends per share of ¥170, up ¥40 year on year, amounting to a consolidated dividend payout ratio of 33.2%. Our dividend policy is to maintain the consolidated dividend payout ratio at a level above 30% while taking into consideration the investments necessary to achieve growth and ensure stable business operations, and we plan to continue raising dividends through synergy between a higher consolidated dividend payout ratio and increasing earnings per share in line with higher operating income.

Analysis of Balance Sheets

Total Assets

YOY
¥**304.6** billion up
¥5,250.4 billion

Ongoing investment in LTE facilities, combined with rises in long-term loans receivable from subsidiaries and associates and higher installment sales receivables of au mobile phone handsets, boosted total assets ¥304.6 billion year on year, to ¥5,250.4 billion.

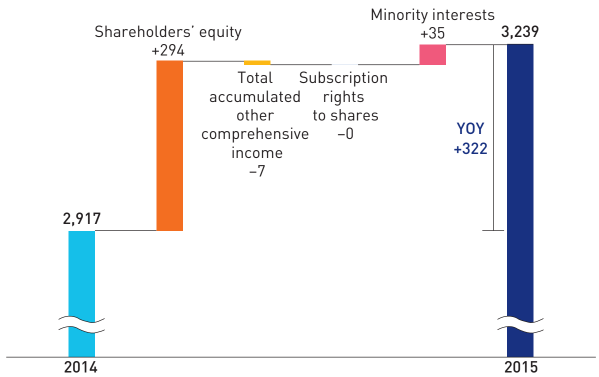


(Years ended March 31)

Total Net Assets

YOY
¥**321.8** billion up
¥3,238.7 billion

Due to increased retained earnings and minority interests, among other factors, total net assets rose ¥321.8 billion year on year, to ¥3,238.7 billion.



(Years ended March 31)

Interest-Bearing Debt

YOY
¥**82.8** billion down
¥1,002.2 billion

Interest-bearing debt decreased ¥82.8 billion year on year, to ¥1,002.2 billion, mainly because of our efforts to pay down short-term bonds payable and loans payable.

D/E Ratio

YOY
0.07 pt. down
0.33 times

The reduction in interest-bearing debt, coupled with higher retained earnings, led to an increase in shareholders' equity. As a result, the D/E ratio dropped 0.07 percentage point, to 0.33 times.

Analysis of Capital Expenditures and Cash Flows

Capital Expenditures

Mobile
YOY
¥11.2 billion up
¥385.2 billion

Fixed-Line, etc.
YOY
¥6.8 billion down
¥191.0 billion

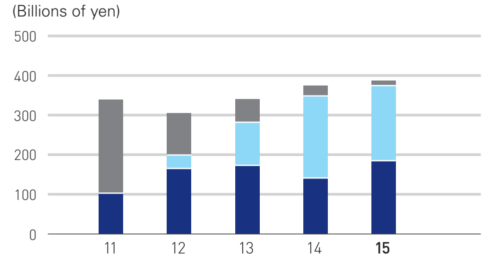
Consolidated capital expenditures rose ¥4.4 billion compared with the fiscal year ended March 31, 2014, to ¥576.2 billion.

Capital expenditures in the mobile business were up ¥11.2 billion, to ¥385.2 billion, as we expanded the LTE service area and invested in carrier aggregation for "LTE-Advanced," the next-generation high-speed LTE communications standard, and the next-generation voice calling service, "au VoLTE."

In the fixed-line business, capital expenditures fell ¥6.8 billion year on year, to ¥191.0 billion. This spending went toward the expansion of fixed-line communications networks to handle the ongoing increase in mobile data traffic, as well as for new and expanded FTTH and CATV facilities.

Mobile

(Billions of yen)

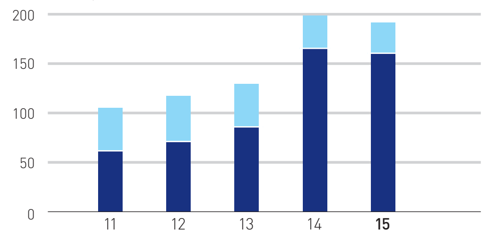


	11	12	13	14	15
3G	236	105	57	27	11
LTE	—	34	110	206	191
Common equipment	103	165	172	141	184
Total	339	304	338	374	385

(Years ended March 31)

Fixed-Line, etc.

(Billions of yen)



	11	12	13	14	15
FTTH	43	46	43	33	31
Other	62	71	86	165	160
Total	105	117	129	198	191

(Years ended March 31)

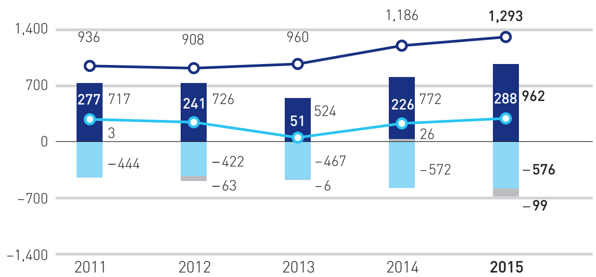
Cash Flows

Free Cash Flows
YOY
¥61.8 billion up
¥287.7 billion

Net cash provided by operating activities came to ¥962.2 billion, ¥190.0 billion more than in the previous year, affected by higher income before income taxes and minority interests and an increase in depreciation and amortization. Net cash used in investing activities totaled ¥674.5 billion, up ¥128.3 billion, mainly due to a rise in loans receivable from subsidiaries and affiliates. Free cash flows—the total of operating and investing cash flows—amounted to ¥287.7 billion, up ¥61.8 billion, mainly because of EBITDA expansion.

Cash Flows

(Billions of yen)



(Years ended March 31)

Free Cash Flows
Net Cash Provided by (Used in) Operating Activities
Capital Expenditures
Other, Net Cash Provided by (Used in) Investing Activities
EBITDA

Performance Analysis for the Fiscal Year Ended March 31, 2015 by Segment

Personal Services Segment

Overview of Operations

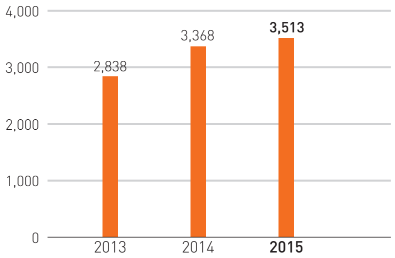
During the fiscal year ended March 31, 2015, operating revenues increased 4.3%, to ¥3,513.3 billion. This rise stemmed from higher mobile communications revenues, as ongoing au momentum led to increases in the number of subscribers and a reversal of au ARPU year on year. Also, revenues from terminal sales grew, thanks to higher unit sales.

Meanwhile, operating expenses increased 2.6%, to ¥2,935.9 billion. Although sales commissions dropped as the competitive environment stabilized, higher unit sales boosted handset procurement costs, and depreciation and amortization grew in line with the expansion in LTE facilities.

Operating income consequently increased 13.8% year on year, to ¥577.4 billion.

Operating Revenues

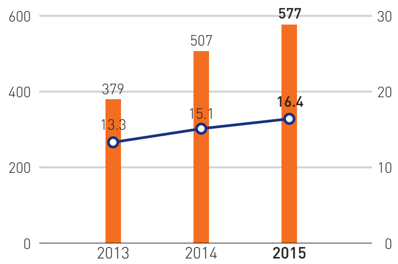
(Billions of yen)



(Years ended March 31)

Operating Income / Operating Margin

(Billions of yen) (%)



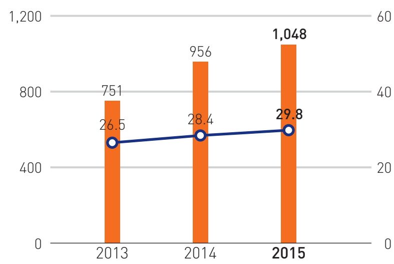
(Years ended March 31)

Operating Income (left)

Operating Margin (right)

EBITDA / EBITDA Margin

(Billions of yen) (%)



(Years ended March 31)

EBITDA (left)

EBITDA Margin (right)

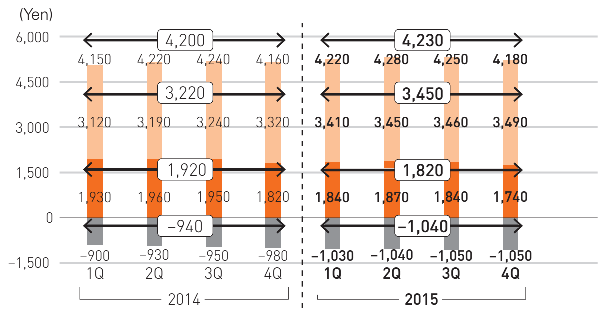
au ARPU

Voice ARPU declined ¥100 year on year, to ¥1,820, affected by the August 2014 introduction of the "Unlimited Voice & Tiered Data" rate plan.

Data ARPU was up ¥230 year on year, to ¥3,450, owing mainly to the increased smartphone penetration rate.

The amount of discount applied was ¥1,040, up ¥100 year on year. This rise was attributable mainly to increased discounts to bolster the penetration rate for "au Smart Value." However, our efforts to control "Maitsuki Discount (Monthly Discount)" levels caused this discount to make up a smaller proportion of the amount of discount applied, leaving levels essentially unchanged.

Owing to these factors, au ARPU rose ¥30 year on year, to ¥4,230, achieving a year-on-year reversal of au ARPU.



(Years ended March 31)

Data ARPU

Voice ARPU (before application of discount)

Amount of Discount Applied (total discount effect of "au Smart Value" and "Maitsuki Discount (Monthly discount)")

Value Services Segment

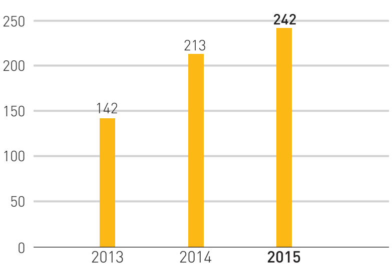
Overview of Operations

During the fiscal year ended March 31, 2015, operating revenues in this segment rose 14.0%, to ¥242.3 billion. In addition to a steady increase in "au Smart Pass" members, settlement commission grew via carrier billing (= "au Simple Payment"), and the business launch of KDDI Financial Service Corporation boosted revenues through the launch of a new settlement agency business.

Operating expenses, meanwhile, rose 14.6% year on year, to ¥184.4 billion, due to higher content procurement costs as we augmented content services centered on "au Smart Pass." We also generated costs associated with the launch of "au WALLET."

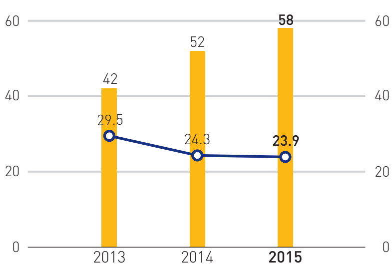
As a result, operating income rose 12.4% during the fiscal year ended March 31, 2015, to ¥58.0 billion.

Operating Revenues



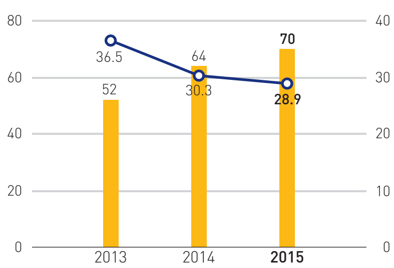
(Years ended March 31)

Operating Income / Operating Margin



(Years ended March 31)
Operating Income (left)
Operating Margin (right)

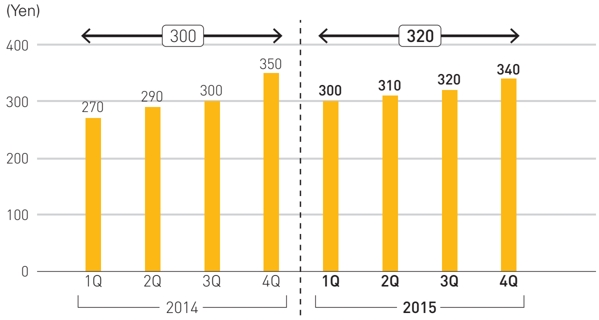
EBITDA / EBITDA Margin



(Years ended March 31)
EBITDA (left)
EBITDA Margin (right)

Value ARPU

In the fiscal year ended March 31, 2015, value ARPU grew ¥20, to ¥320. Contributing to this rise were a steady increase in the number of "au Smart Pass" members and expansion in the settlement and advertising businesses centered on smartphone carrier billing (= "au Simple Payment").



(Years ended March 31)

Business Services Segment

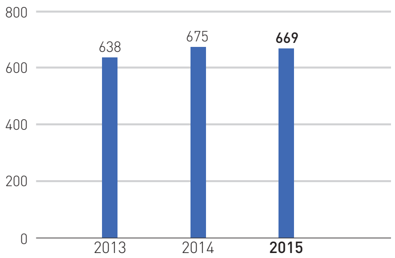
Overview of Operations

Operating revenues in this segment dipped 0.8% year on year, to ¥669.2 billion. Solution sales such as cloud-related business and IT outsourcing rose, and sales also grew for services from consolidated subsidiary KDDI MATOMETE OFFICE CORPORATION targeting small and medium-sized companies. However, the introduction of flat-rate voice communications caused mobile communications revenues to decrease.

Operating expenses, however, edged up 0.1%, to ¥588.8 billion, as sales commissions fell but handset procurement costs increased, as did depreciation and amortization associated with the expansion of LTE facilities. Consequently, operating income was down 7.0% year on year, to ¥80.4 billion.

Operating Revenues

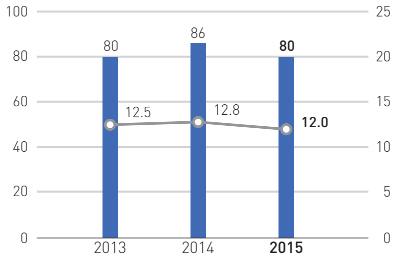
(Billions of yen)



(Years ended March 31)

Operating Income / Operating Margin

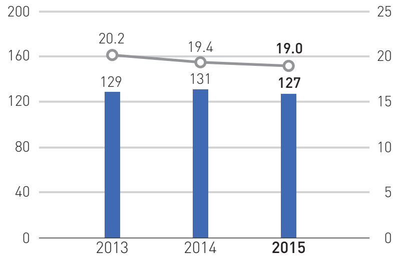
(Billions of yen) (%)



(Years ended March 31)
Operating Income (left)
Operating Margin (right)

EBITDA / EBITDA Margin

(Billions of yen) (%)



(Years ended March 31)
EBITDA (left)
EBITDA Margin (right)

Global Services Segment

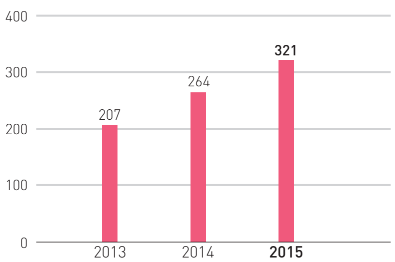
Overview of Operations

In this segment, operating revenues and expenses both grew. These increases were due to the extension of the performance period to 15 months, with the exception of certain consolidated subsidiaries, in line with our voluntary shift to International Financial Reporting Standards (IFRS) in the fiscal year ending March 31, 2016.

Excluding the impact of these changes, operating revenues were up 21.6% year on year, to ¥320.6 billion. Contributing factors included higher performance from existing businesses, such as our "TELEHOUSE" brand of data centers and expanded MVNO business in the United States. The commencement of the telecommunications business in Myanmar also contributed to revenues. As a result, operating income was up 47.3%, to ¥16.8 billion.

Operating Revenues

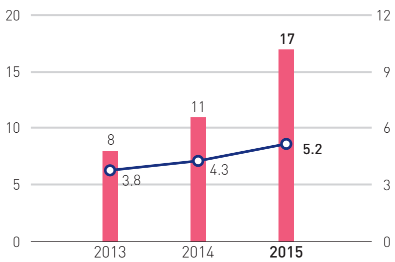
(Billions of yen)



(Years ended March 31)

Operating Income / Operating Margin

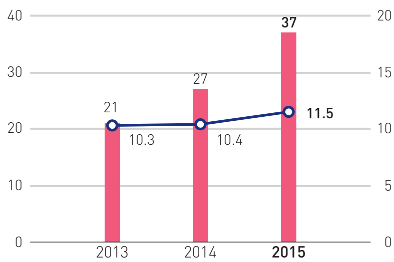
(Billions of yen) (%)



(Years ended March 31)
Operating Income (left)
Operating Margin (right)

EBITDA / EBITDA Margin

(Billions of yen) (%)



(Years ended March 31)
EBITDA (left)
EBITDA Margin (right)