

Ubiquitous Solution Company


KDDI CORPORATION



1st Quarter Financial Results of the Fiscal Year ended March 2004

July 31, 2003

Tadashi Onodera
President



The figures included in the following brief, including the business performance target and the target for the number of subscribers are all projected data based on the information currently available to the KDDI Group, and are subject to variable factors such as economic conditions, a competitive environment and the future prospects for newly introduced services.

Accordingly, please be advised that the actual results of business performance or of the number of subscribers may differ substantially from the projections described here.

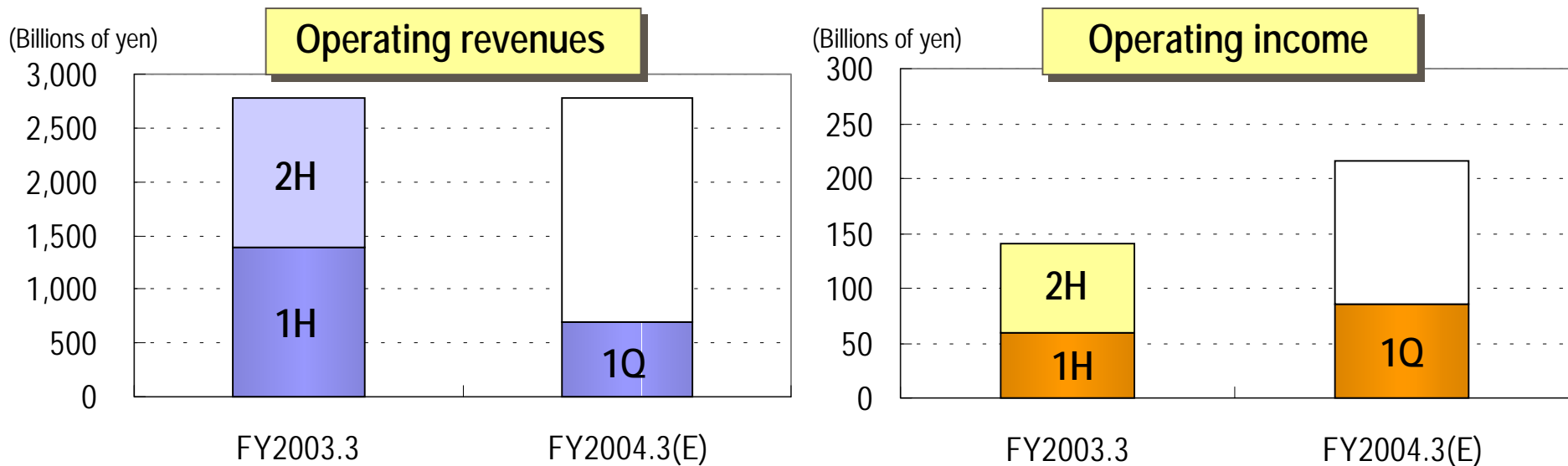
1. Highlights

- 1** On a consolidated basis, made a good progress on both income and FCF fronts against the full-year forecast
- 2** Reduced debts steadily to ¥1,423.6B by ¥73.5B from March 2003
- 3** “au” Business
 - ▶ Driving force behind financial results in sales, income and FCF
 - ▶ Achieved largest share of net adds for 3 consecutive months (1Q average: 40.1%)
- 4** BBC & Solution Business
 - ▶ Despite revenue downtrend, generated income at a constant level
- 5** TUKA Business & Pocket Business
 - ▶ Made a good progress in income and FCF relative to the full-year forecast



Will continue to enhance customer satisfaction
by building up brand strength

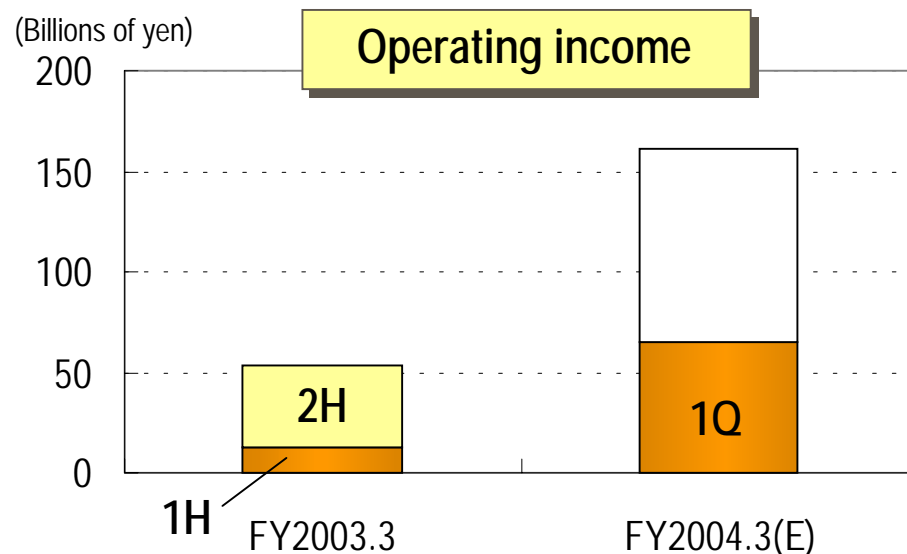
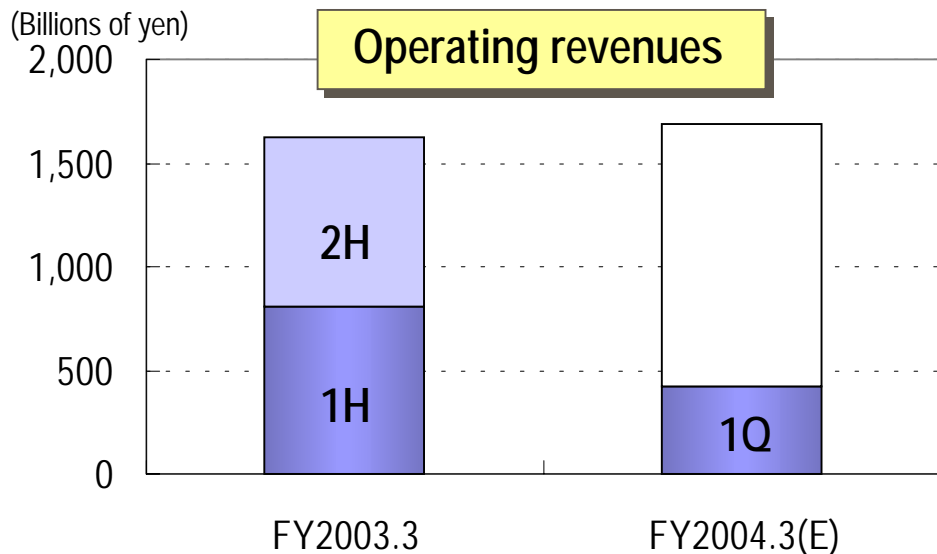
2. Consolidated Financial Results



(Billions of yen)

| | FY2003.3 | | FY2004.3(E) | |
|-------------------------|----------|---------|-------------|---------|
| | 1H | | 1Q (A) | |
| Operating revenues | 1,393.2 | 2,785.3 | 689.7 | 2,780.0 |
| Operating income | 59.8 | 140.7 | 85.1 | 216.0 |
| <i>Operating margin</i> | 4.3% | 5.0% | 12.3% | 7.8% |
| Ordinary income | 42.4 | 113.2 | 81.2 | 195.0 |
| Net income | 20.4 | 57.4 | 43.9 | 71.0 |
| Free Cash Flow | 80.9 | 305.3 | 112.7 | 244.0 |
| EBITDA | 257.5 | 563.5 | 178.4 | 630.0 |
| <i>EBITDA margin</i> | 18.5% | 20.2% | 25.9% | 22.7% |

3. "au" Business

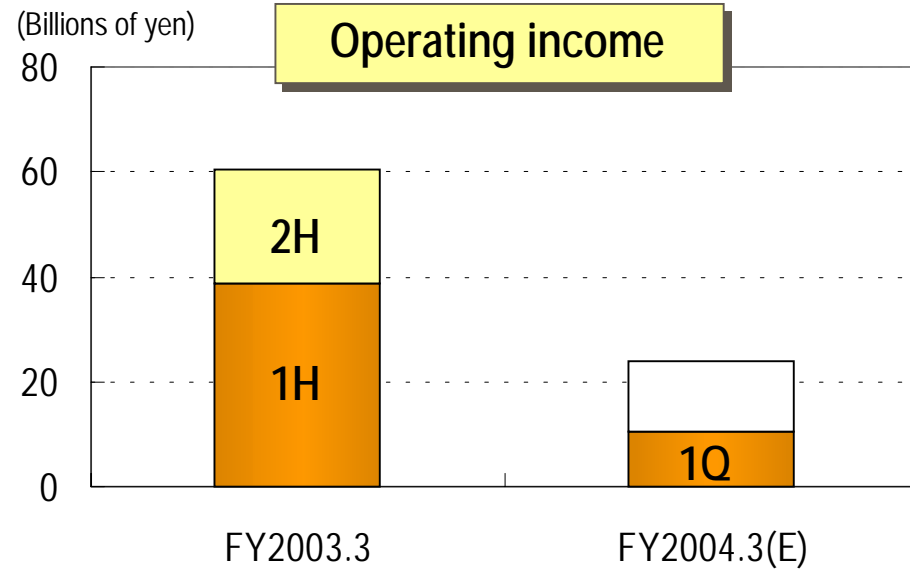
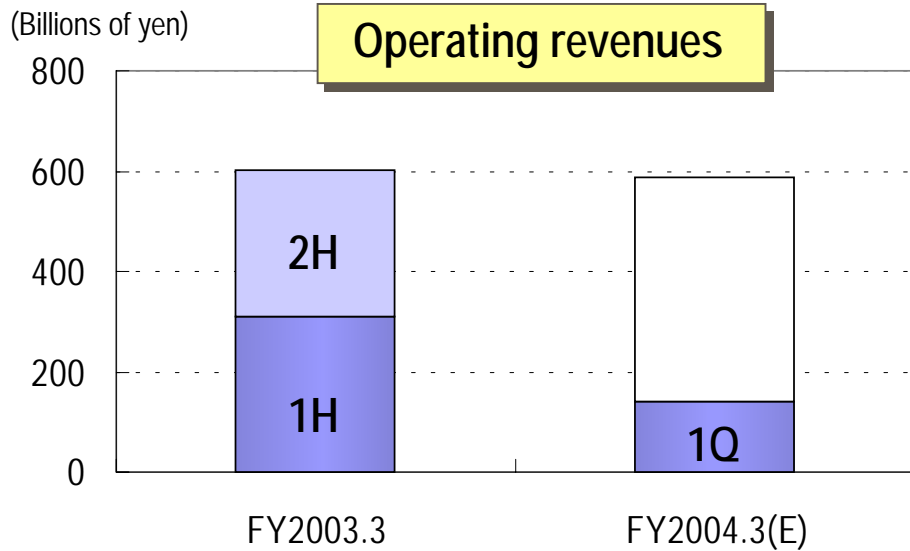


| | FY2003.3 | | FY2004.3(E) | |
|-------------------------|--------------|--------------|--------------|--------------|
| | 1H | | 1Q (A) | |
| Operating revenues | 806.5 | 1,626.3 | 425.6 | 1,686.0 |
| Operating income | 12.9 | 53.8 | 64.6 | 161.0 |
| <i>Operating margin</i> | <i>1.6%</i> | <i>3.3%</i> | <i>15.2%</i> | <i>9.5%</i> |
| Ordinary income | 6.1 | 41.8 | 61.9 | 150.0 |
| Net income | 1.2 | 21.0 | 35.2 | 84.0 |
| Free Cash Flow | 40.1 | 96.6 | 51.6 | 138.0 |
| EBITDA | 104.2 | 245.1 | 110.0 | 368.0 |
| <i>EBITDA margin</i> | <i>12.9%</i> | <i>15.1%</i> | <i>25.8%</i> | <i>21.8%</i> |

| | FY2003.3 | | FY2004.3(E) | |
|-----------------------|----------|--------|-------------|--------|
| | 1H | | 1Q (A) | |
| Subs ('000) | 13,054 | 14,049 | 14,674 | 15,900 |
| module-type terminals | - | - | 250 | 550 |
| 1x | 2,652 | 6,806 | 8,572 | - |
| cdmaOne | 9,955 | 7,208 | 6,101 | - |
| PDC | 447 | 35 | - | - |
| ARPU (yen) | 7,610 | 7,570 | 7,480 | 7,140 |
| Voice | 6,420 | 6,280 | 5,930 | 5,610 |
| Data | 1,190 | 1,290 | 1,550 | 1,530 |

Note: ARPU is calculated for ordinary handsets which exclude module-type terminals.

4. BBC & Solution Business

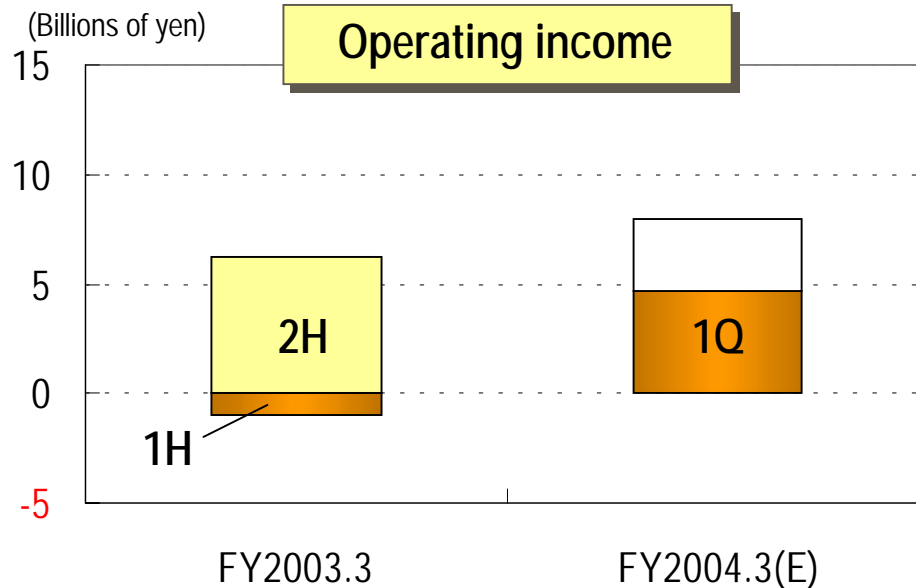
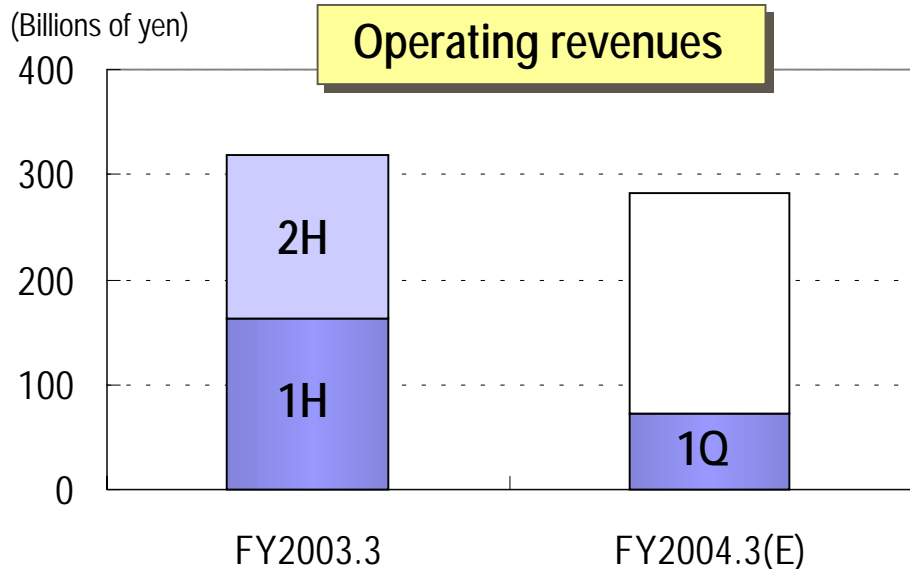


(Billions of yen)

| | FY2003.3 | | FY2004.3(E) | |
|-------------------------|----------|-------|-------------|-------|
| | 1H | | 1Q (A) | |
| Operating revenues | 308.5 | 601.9 | 139.2 | 586.0 |
| Operating income | 38.8 | 60.3 | 10.4 | 24.0 |
| <i>Operating margin</i> | 12.6% | 10.0% | 7.5% | 4.1% |
| Ordinary income | 37.8 | 60.4 | 11.4 | 21.0 |
| Net income | 21.0 | 32.3 | 6.5 | -32.0 |
| Free Cash Flow | 31.2 | 116.9 | 16.4 | 25.0 |
| EBITDA | 89.8 | 176.8 | 33.4 | 128.0 |
| <i>EBITDA margin</i> | 29.1% | 29.4% | 24.0% | 21.8% |

| | FY2003.3 | | FY2004.3(E) | |
|-------------|----------|-------|-------------|-------|
| | 1H | | 1Q (A) | |
| DION ('000) | 2,270 | 2,373 | 2,430 | 2,750 |
| ADSL | 265 | 498 | 627 | 1,200 |

5. TUKA Business

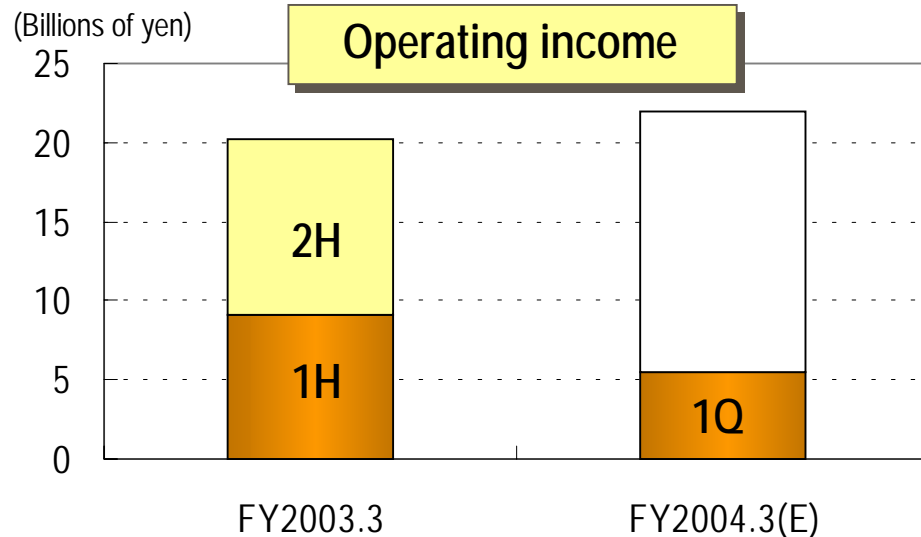
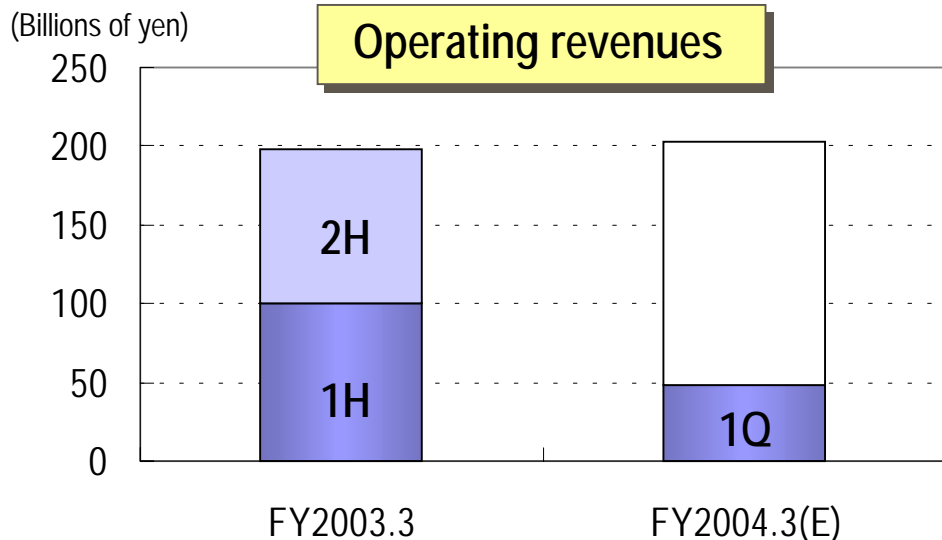


(Billions of yen)

| | FY2003.3 | | FY2004.3(E) | |
|-------------------------|----------|-------|-------------|-------|
| | 1H | | 1Q (A) | |
| Operating revenues | 162.0 | 318.1 | 72.1 | 283.0 |
| Operating income | -1.0 | 6.2 | 4.7 | 8.0 |
| <i>Operating margin</i> | -0.6% | 1.9% | 6.5% | 2.8% |
| Ordinary income | -4.4 | 0.1 | 3.5 | 4.0 |
| Net income | -7.1 | -3.2 | 2.5 | 2.0 |
| Free Cash Flow | 21.5 | 52.1 | 11.4 | 39.0 |
| EBITDA | 29.0 | 66.5 | 18.5 | 64.0 |
| <i>EBITDA margin</i> | 17.9% | 20.9% | 25.6% | 22.6% |

| | FY2003.3 | | FY2004.3(E) | |
|-------------|----------|-------|-------------|-------|
| | 1H | | 1Q (A) | |
| Subs ('000) | 3,864 | 3,783 | 3,740 | 3,750 |
| ARPU (yen) | 5,370 | 5,330 | 5,150 | 5,030 |

6. Pocket Business



(Billions of yen)

| | FY2003.3 | | FY2004.3(E) | |
|-------------------------|--------------|--------------|--------------|--------------|
| | 1H | | 1Q (A) | |
| Operating revenues | 100.3 | 197.6 | 48.5 | 203.0 |
| Operating income | 9.1 | 20.3 | 5.5 | 22.0 |
| <i>Operating margin</i> | <i>9.1%</i> | <i>10.3%</i> | <i>11.4%</i> | <i>10.8%</i> |
| Ordinary income | 7.7 | 17.7 | 5.1 | 19.0 |
| Net income | 7.0 | 17.0 | 5.3 | 20.0 |
| Free Cash Flow | 14.4 | 43.0 | 10.1 | 43.0 |
| EBITDA | 30.1 | 62.2 | 15.4 | 62.0 |
| <i>EBITDA margin</i> | <i>30.0%</i> | <i>31.5%</i> | <i>31.8%</i> | <i>30.5%</i> |

| | FY2003.3 | | FY2004.3(E) | |
|-------------|----------|-------|-------------|-------|
| | 1H | | 1Q (A) | |
| Subs ('000) | 2,953 | 2,975 | 2,959 | 3,100 |
| Air H" | 568 | 765 | 830 | 1,150 |
| ARPU (yen) | 5,080 | 5,010 | 4,880 | 4,780 |

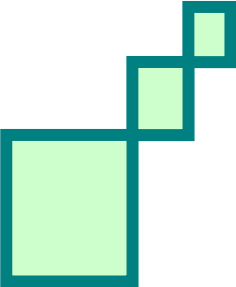
7. Capital Expenditures and others

Made execution of capital expenditures at a low rate as a result of scrutiny

Implemented a further reduction of debts by ¥73.5B from March 31 level.

(Billions of yen)

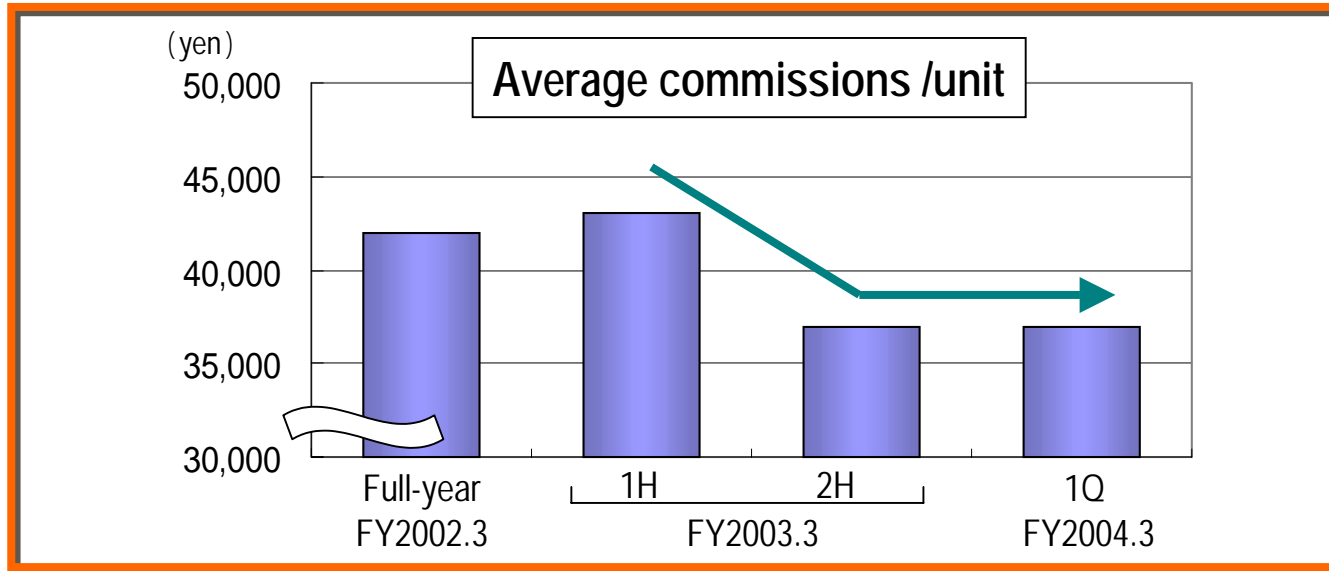
| | | FY2003.3 | | FY2004.3 (E) | |
|----------------------|--------------------|----------|---------|--------------|---------|
| | | 1H | | 1Q (A) | |
| CAPEX (Cash basis) | Consolidated | 126.3 | 246.2 | 33.8 | 338.0 |
| | au | 82.7 | 167.3 | 16.7 | 190.0 |
| | BBC & Solution | 19.3 | 40.8 | 8.5 | 83.0 |
| | TUKA | 9.4 | 16.2 | 3.1 | 24.0 |
| | Pocket | 7.5 | 11.7 | 3.0 | 16.0 |
| Depreciation | Consolidated | 192.7 | 389.0 | 92.2 | 387.0 |
| | au | 89.3 | 176.0 | 45.2 | 192.0 |
| | BBC & Solution | 49.7 | 105.4 | 22.7 | 92.0 |
| | TUKA | 29.8 | 60.0 | 13.5 | 55.5 |
| | Pocket | 19.5 | 39.6 | 9.7 | 39.0 |
| Debts | Consolidated | 1,675.3 | 1,497.0 | 1,423.6 | 1,270.0 |
| | au, BBC & Solution | 1,043.4 | 937.2 | 886.7 | 785.0 |
| | TUKA | 348.4 | 317.8 | 306.7 | 280.0 |
| | Pocket | 211.4 | 182.7 | 172.9 | 143.0 |
| Debt/EBITDA multiple | | | 2.7 | - | 2.0 |



“au” Business Discussion

1. Sales Commissions

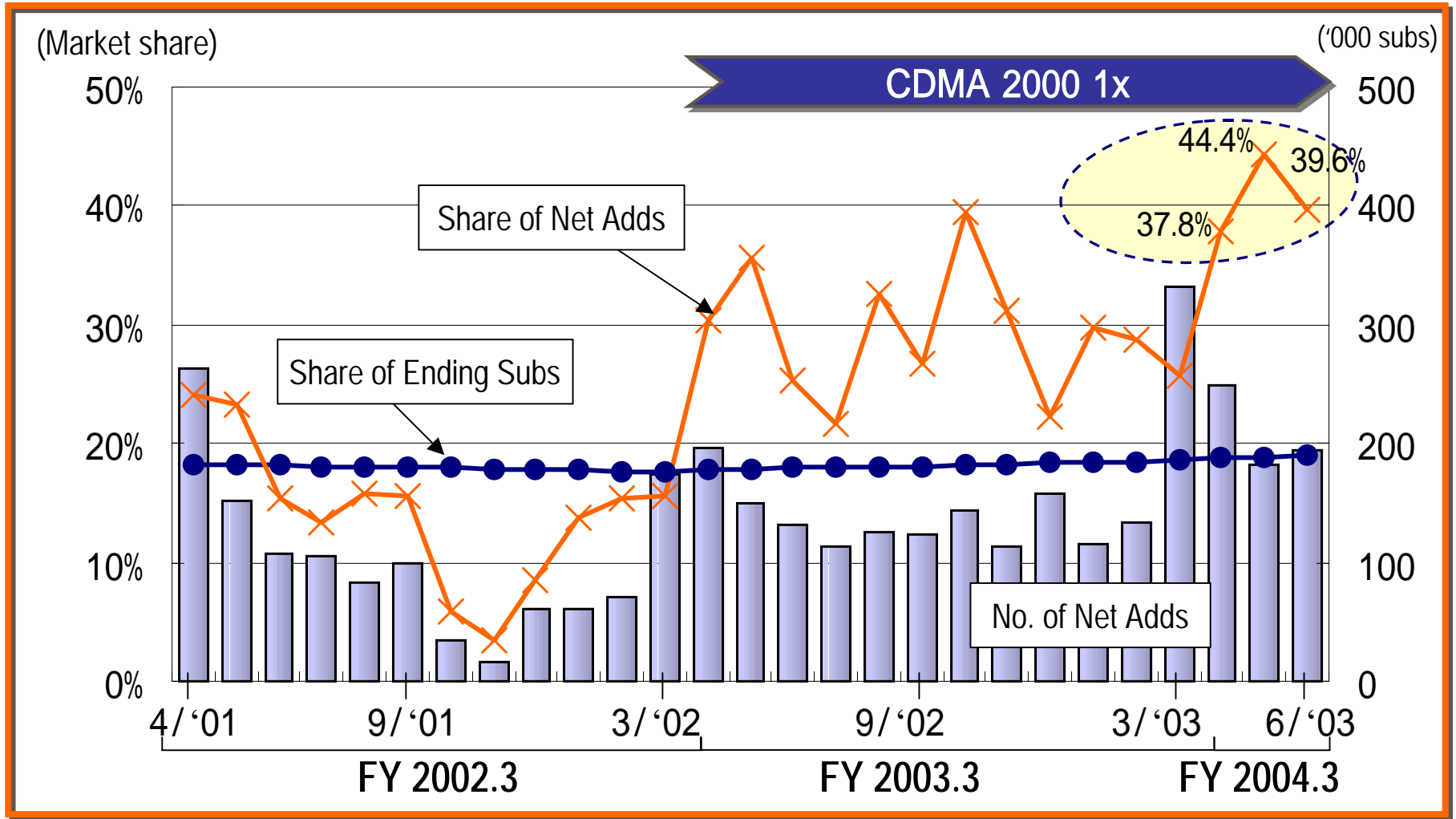
【Sales Commissions】 (New purchases, switch models)



| | FY 2002.3 | FY 2003.3 | | FY 2004.3 (E) | |
|--|-----------|-----------|--------|---------------|--------|
| | | 1H | 2H | 1Q (A) | |
| Sales commissions (Billions of yen) | 365.0 | 219.0 | 186.0 | 405.0 | 320.0 |
| Average commissions/unit (yen) | 42,000 | 43,000 | 37,000 | 40,000 | 36,000 |
| Number of units sold ('000 units) | 8,700 | 5,100 | 5,000 | 10,100 | 9,000 |

2. Trend for Net Additions

Achieved top share of Net Adds for 3 consecutive months in 1Q

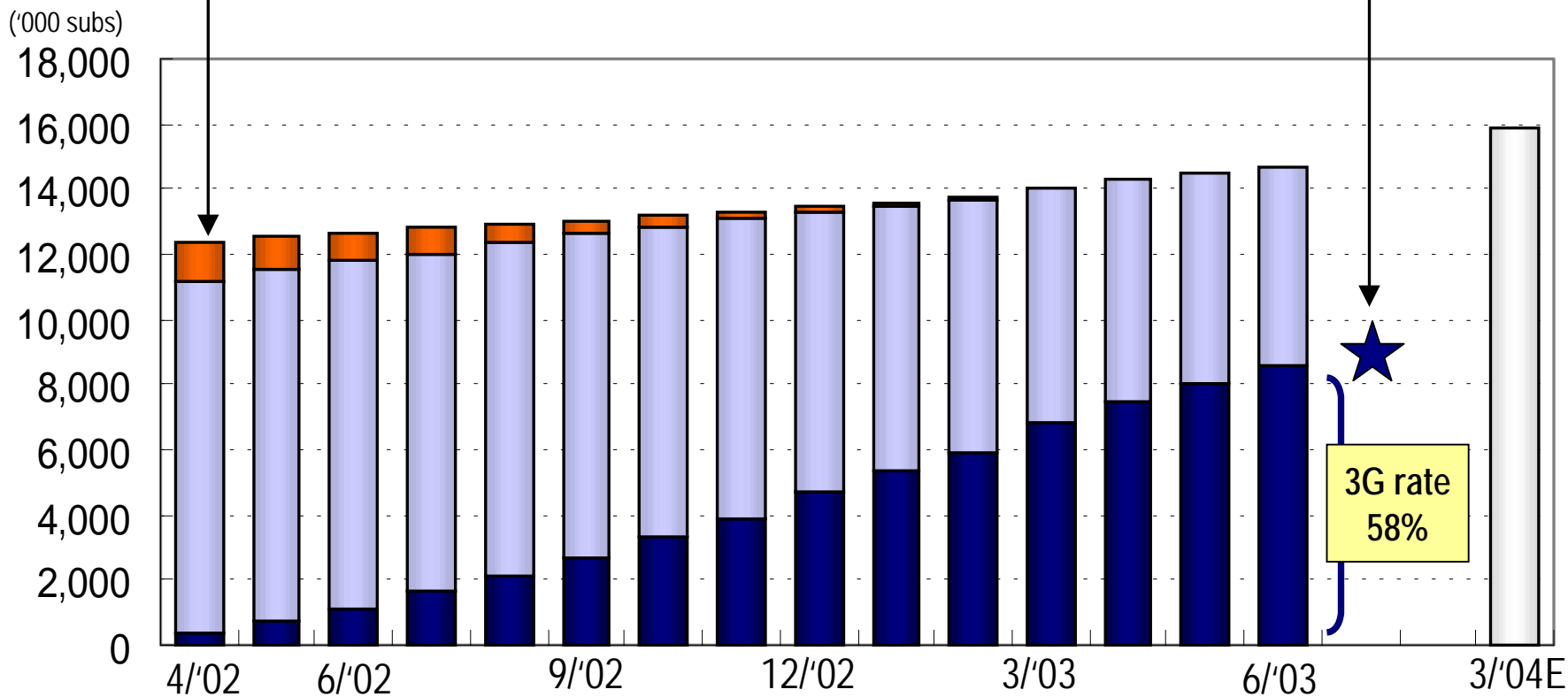


| | | | |
|------------------------|--------------------|--------------------|---------------|
| Market share of | Full-year/FY2002.3 | Full-year/FY2003.3 | 1Q / FY2004.3 |
| Net Adds /Ending subs: | <15.0% / 17.7%> | <28.1% / 18.6%> | <40.1%/19.0%> |




3. Trend for Subscribers

Launch of 1x service

Surpassed 9M subs (July 22)

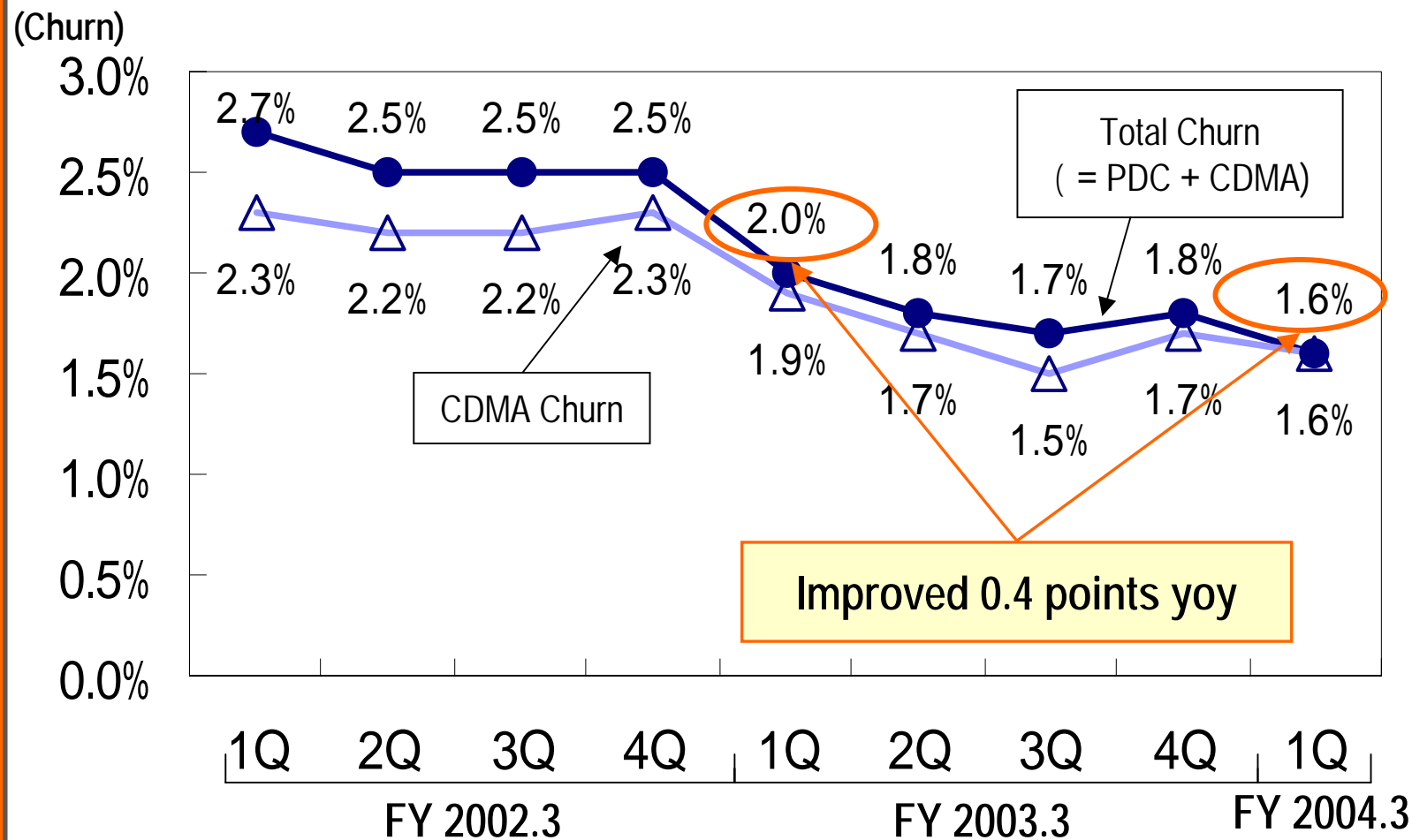


3G rate
58%

| | | |
|--|-------------|-----------------------|
|  | PDC | |
|  | cdmaOne | : 6,101 |
|  | CDMA2000 1x | : 8,572 |
| totals | | : 14,674 ('000 subs) |

4. Reduction of Churn

Reduced Churn rate through brand and product competitiveness



Full-year
Churn

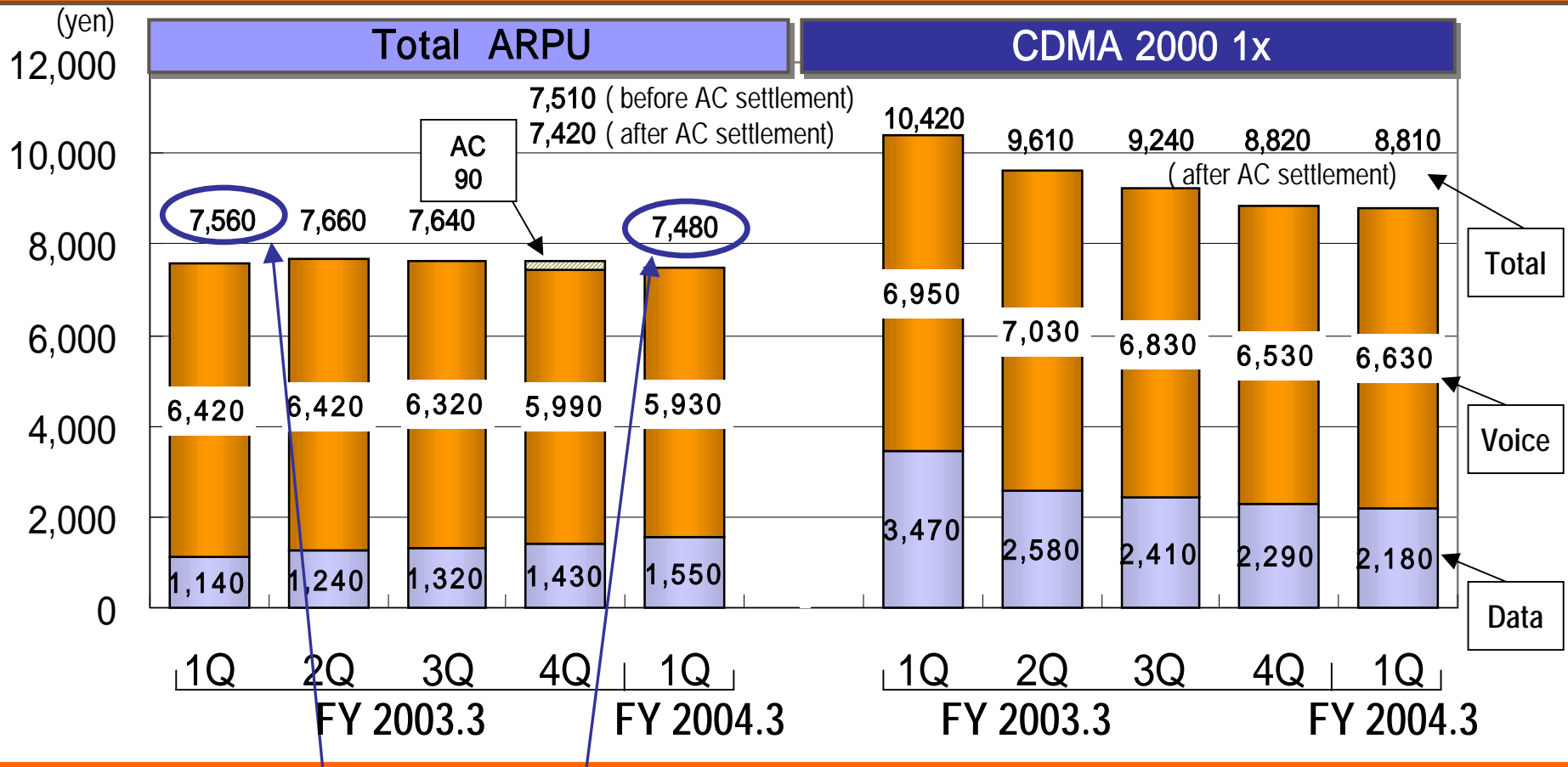
<Total: 2.6%, CDMA: 2.3%>

<Total: 1.8%, CDMA: 1.7%>

Note: Following a termination of PDC service at the end of March 2003, "Total Churn" equals to "CDMA Churn" in FY2004.03

5. Trend for ARPU

ARPU is likely to have bottomed out

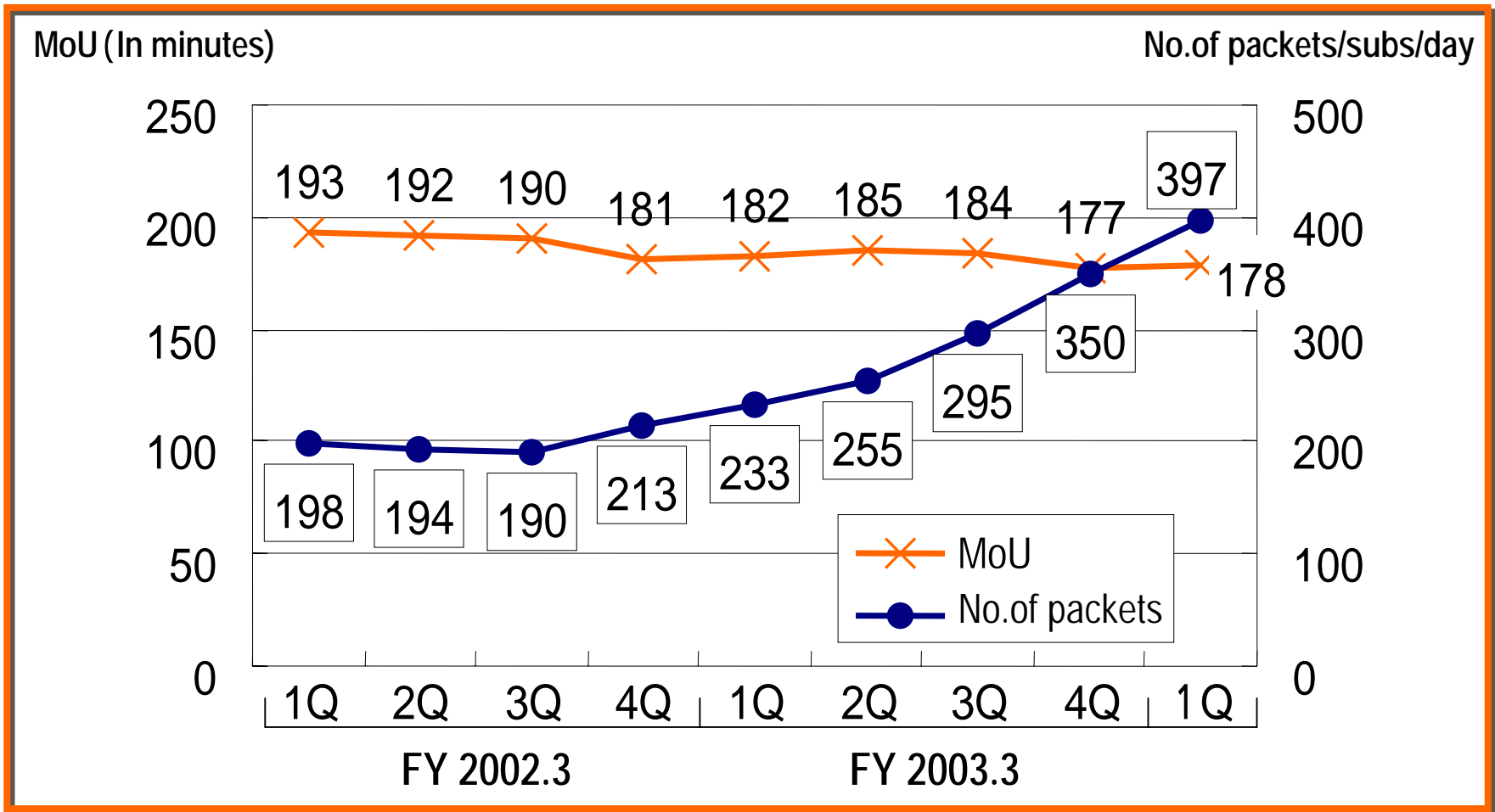


yoy change: Total ARPU down 1.1% by ¥80 (Data ARPU up 36.0% by ¥410)

6. MoU & Packet Usage

MoU is likely to be stabilized

Number of packets is still on the rise



Full-year

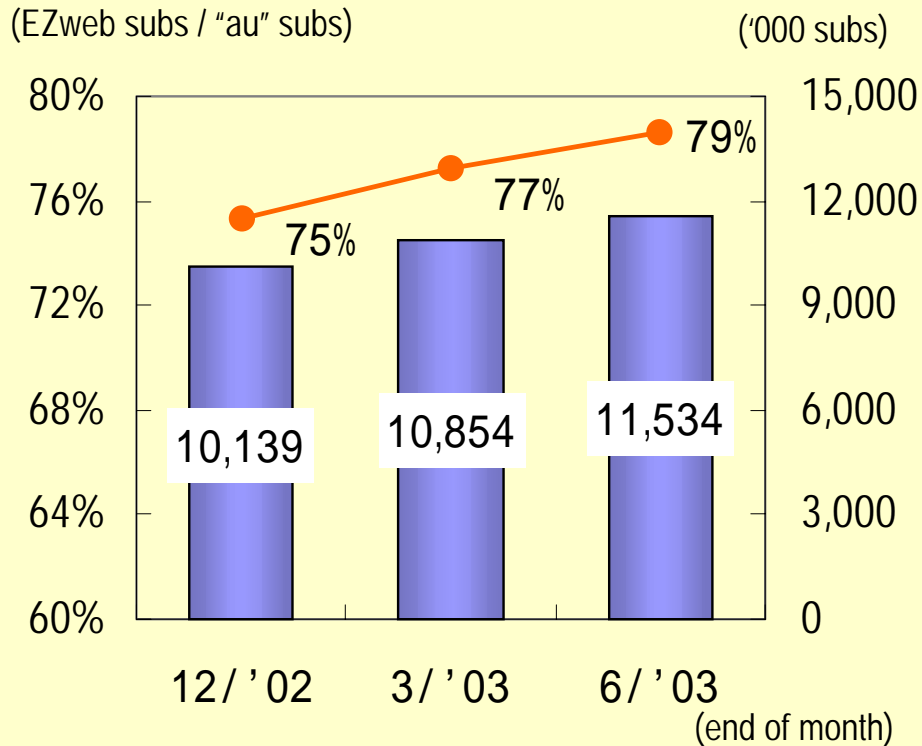
<MoU: 189mins >
<No. of packets: 202 >

<MoU: 182mins >
<No. of packets: 286 >

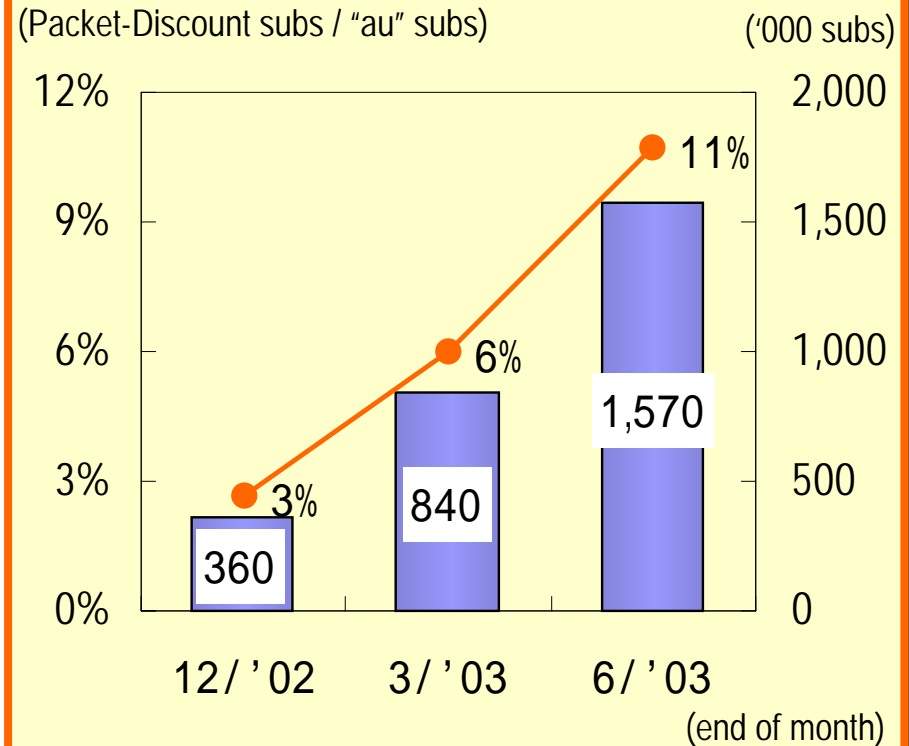
7. Growth in Data Usage (1)

EZweb-sub ratio is on the rise due to an expansion of data-use customer bases
Packet-Discount service has increased churn-ins of high-end users

No. of EZweb subs



No. of Packet-Discount subs

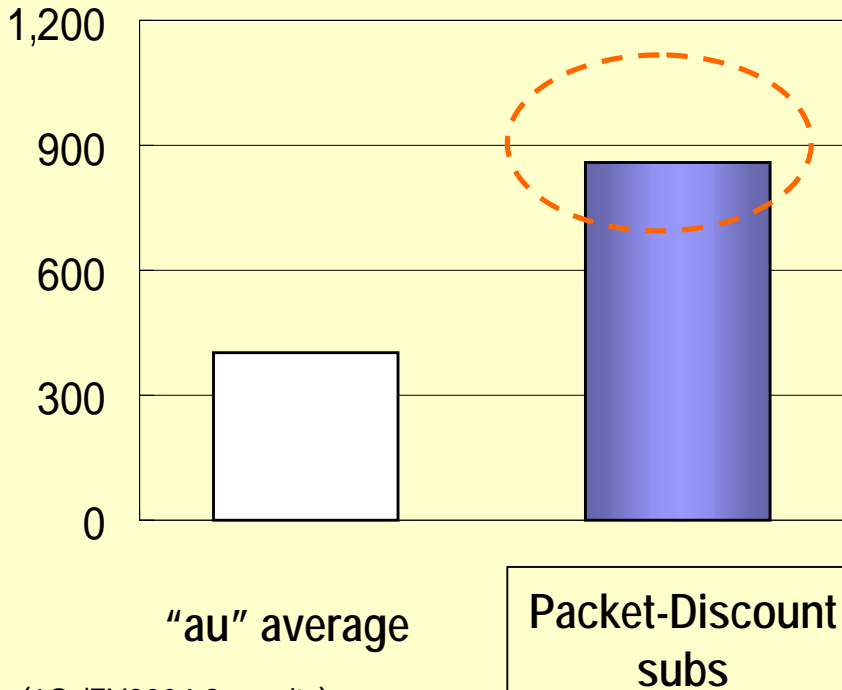


7. Growth in Data Usage (2)

Packet-Discount subs are high-end customers in both data and voice usage

No. of Packets of Packet-Discount subs

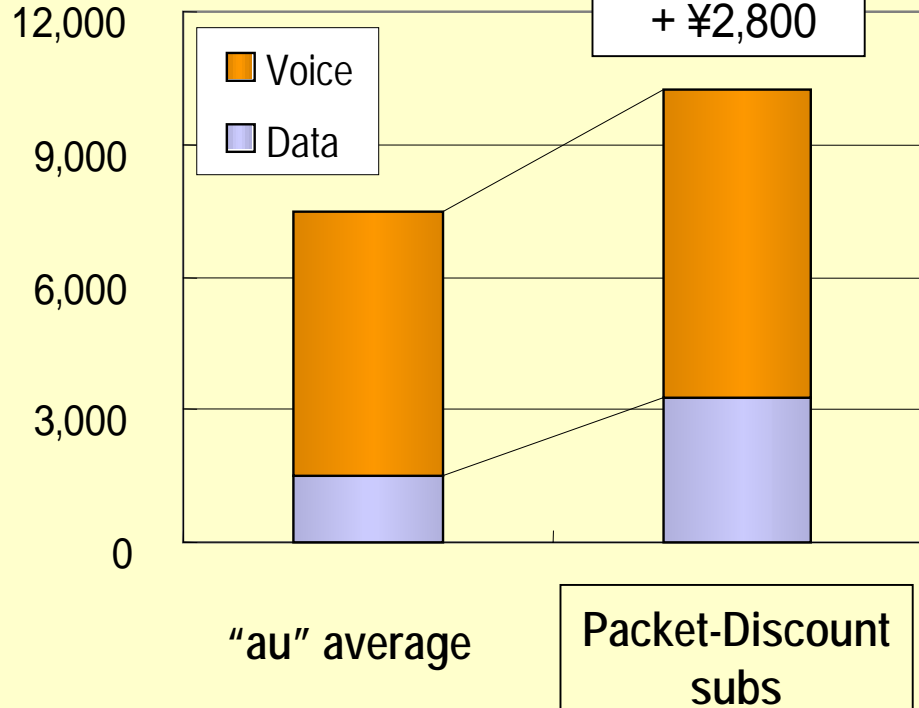
(No. of Packets /sub/ day)



(1Q /FY2004.3 results)

ARPU of Packet-Discount subs

(yen)



(1Q /FY2004.3 results)

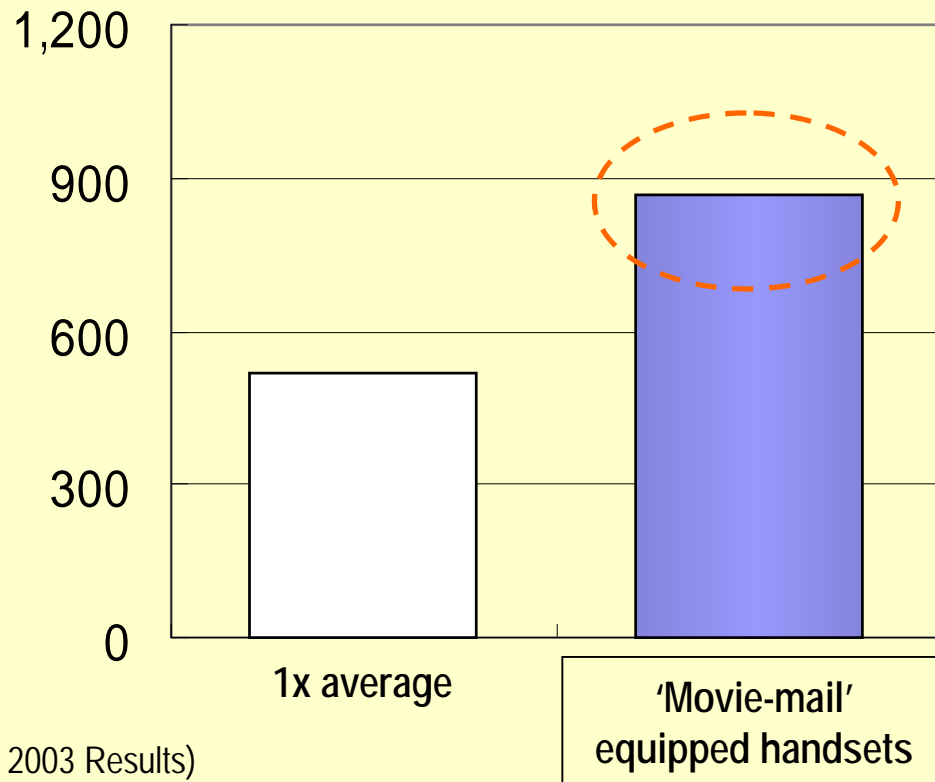
7. Growth in Data Usage (3)

Increase in 'movie-mail' equipped handsets leading to rise in churn-ins of high-end customers



No. of Packets of 'movie-mail' equipped handsets

(No. of Packets /sub/ day)



(June 2003 Results)

Results of "Chaku-Uta" downloads

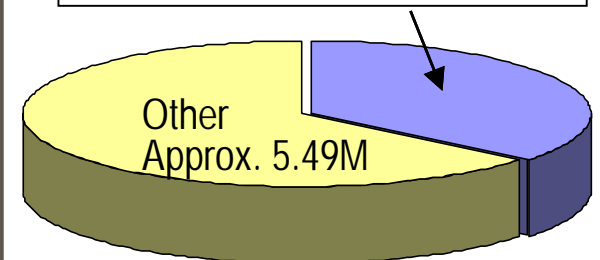


Approx. 4.0 M times/month

(June 2003 Results)

Breakdown of 1x Terminals

'Movie-mail' equipped handsets:
Approx. 3.08M (=36%)



(As of the end of June 2003)

Ubiquitous Solution Company

