

Ubiquitous Solution Company


KDDI CORPORATION



Financial Results of the Fiscal Year ended March 2004

April 28, 2004

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.

1.1. FY 2004.3 Financial Highlights

- 1** On a consolidated basis, operating income jumped up 107.7%, while operating revenues slightly rose 2.2% yoy, as strong “au” business covered decreased revenues in BBC & Solutions Business and other segments.
- 2** Debts decreased steadily to ¥1,179.8B (by ¥317.3B from the end of March 2003).
- 3** Per share dividend for the year rose substantially from ¥2,095 (FY 2003.3) to ¥3,600.
- 4** “au” Business
 - ▶ Operating revenues increased 12.2%, operating income up 345.2% yoy.
 - ▶ Achieved largest share of net adds (full-year average: 49.6%) by enhancing 1x product competitiveness.
 - ▶ 1x subscribers surpassed 13M subs. WIN (EV-DO) launched on Nov. 28, 2003.
- 5** BBC & Solutions Business
 - ▶ A constant level of operating income was secured owing to cost control measures amid substantial decline of sales yoy due to voice revenue reductions in addition to the retroactive settlement allowance for AC of ¥8.4B.
 - ▶ Hikari Plus (FTTH) service launched on Oct. 10, 2003 (Hikari Plus TV commenced on Dec. 12)
- 6** TU-KA Business & Pocket Business
 - ▶ Contributed to Group management in terms of income and FCF amid revenue downtrend due to net decrease in subscribers.

1.2. Full-Year Forecasts for FY 2005.3

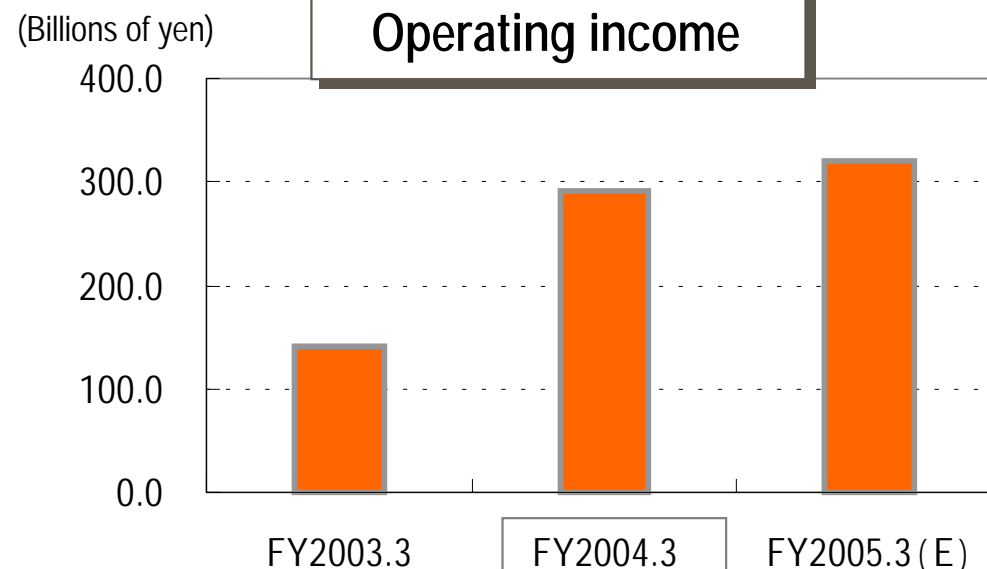
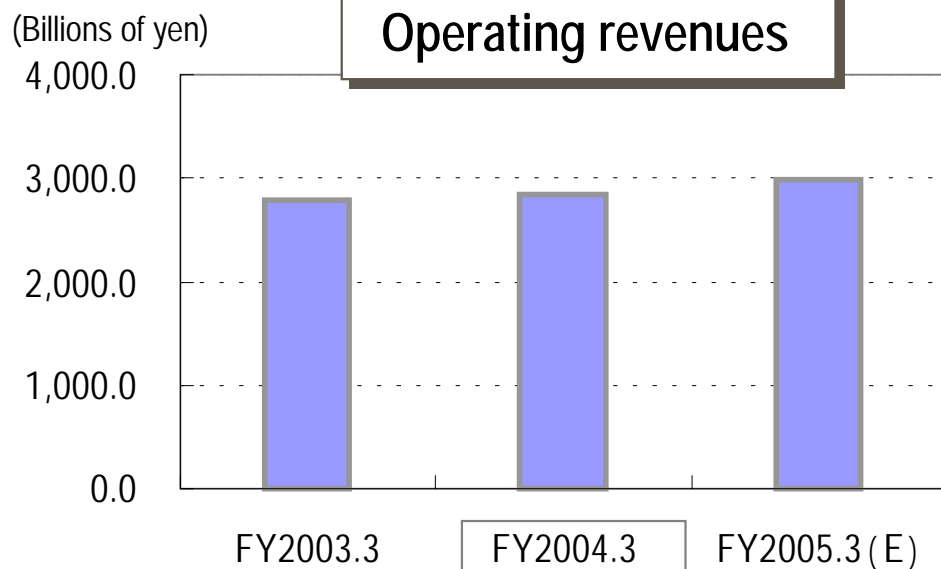
FY2004.3 Result → FY2005.3 Forecast (Change)

- 1** Company forecasts year-on-year increases in consolidated operating revenues and income, thanks to the larger contribution of “au” to the Group as a whole which offsets revenue declines in other segments.
 - ▶ Operating revenues: ¥2,846.1B → ¥2,982.0B (up ¥135.9B)
Operating income : ¥ 292.1B → ¥ 320.0B (up ¥ 27.9B)
 - ▶ Principal Factors
 - ✓ “au”: Increases of revenue by ¥181.9B and income by ¥39.5B projected.
 - Ending subs : 16,960k subs → 19,150k subs (up 2,200k subs)
 - ARPU : ¥7,440 → ¥7,140 (down ¥300)
 - ✓ Factored in ¥14.5B additional ACs on retroactive settlement
(of which ¥11.8B is for BBC & Solutions.)
- 2** CAPEX increased from ¥253.3B to ¥323.0B (up ¥69.7B)
- 3** FCF decreased from ¥404.2B to ¥251.0B (down 153.2B) partly due to increased CAPEX despite expanded operating income.
- 4** Annual per share dividend planned at ¥4,800.

1.3. Agenda in FY 2005.3

- 1** Aim to achieve sustainable growth and strengthen initiatives directed at establishing new pillars of business.
 - ▶ Build up brand strength, enhance customer satisfaction and ensure compliance.
- 2** Reduce debts steadily to the target of ¥1,000B by the end of March 2005.
- 3** “au” Business:
 - ▶ Continue to secure competitive edge in 3G market through full-fledged development of WIN (EV-DO) in addition to 1x service.
 - ▶ Mobile Solutions: Expand market share in the corporate market through buildup of dedicated sales forces, and strengthen product development capacity.
- 4** BBC & Solutions Business
 - ▶ Consumer : Expand sales of broadband services of ADSL and Hikari Plus (FTTH).
 - ▶ Corporate : Raise profitability by reinforcing cost control measures.
- 5** TU-KA Business & Pocket Business
 - ▶ TU-KA Business: Maintain subscriber base by strengthening product lineup targeted at seniors.
 - ▶ Pocket Business: Strengthen data and corporate sales; maintain customer base by increasing the reliability of AirH”.

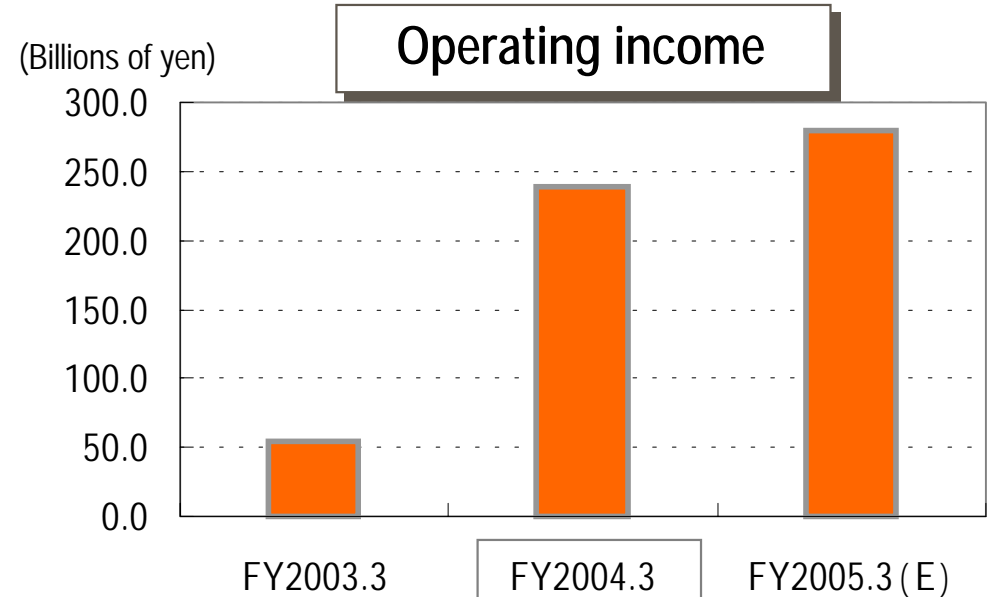
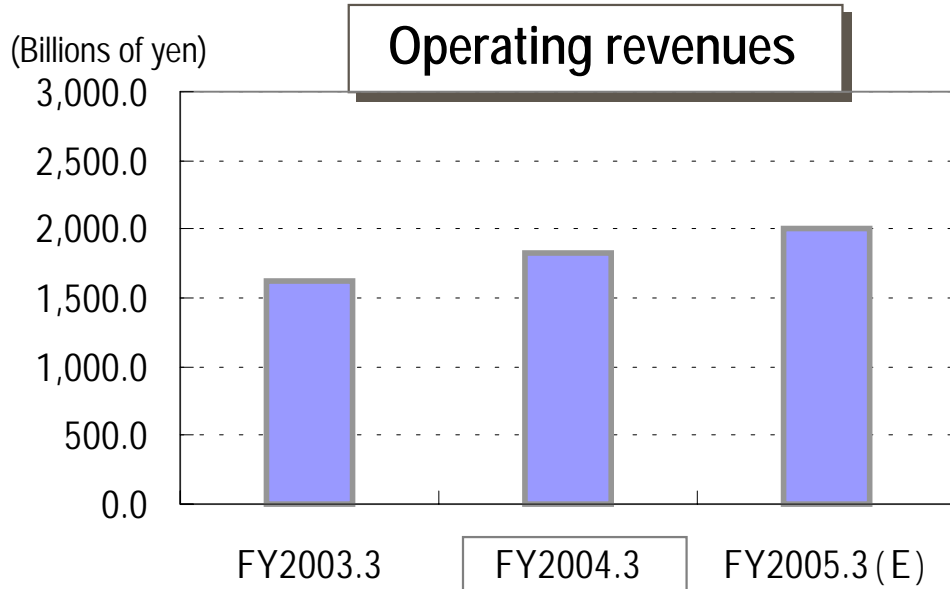
2. Consolidated Financial Results



(Billions of yen)

	FY2003.3	FY2004.3		FY2005.3 (E)	
			yoy		yoy
Operating revenues	2,785.3	2,846.1	2.2%	2,982.0	4.8%
Operating income	140.7	292.1	107.7%	320.0	9.5%
<i>Operating margin</i>	<i>5.0%</i>	<i>10.3%</i>	-	<i>10.7%</i>	-
Ordinary income	113.2	274.5	142.5%	311.0	13.3%
Net income	57.4	117.0	104.0%	190.0	62.4%
Free Cash Flow	305.3	404.2	32.4%	251.0	-37.9%
EBITDA	563.5	688.0	22.1%	714.0	3.8%
<i>EBITDA margin</i>	<i>20.2%</i>	<i>24.2%</i>	-	<i>23.9%</i>	-

3.1. "au" Business



(Billions of yen)

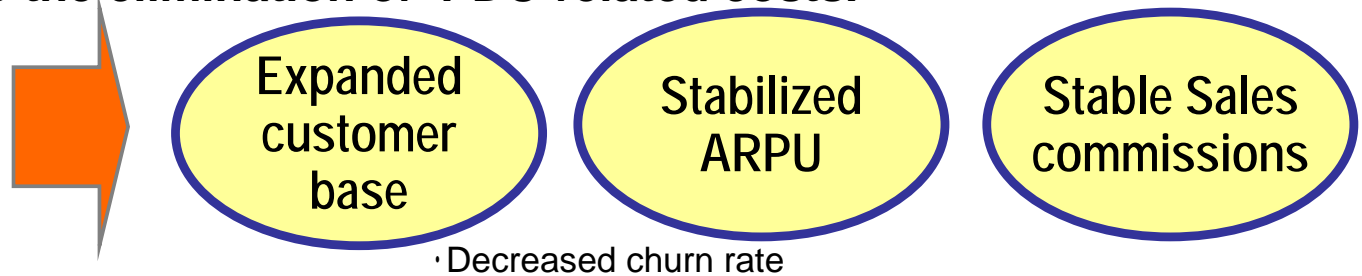
	FY2003.3	FY2004.3	FY2005.3 (E)
Operating revenues	1,626.3	1,825.1	2,007.0
Operating income	53.8	239.5	279.0
<i>Operating margin</i>	3.3%	13.1%	13.9%
Ordinary income	41.8	229.1	274.0
Net income	21.0	130.0	165.0
Free Cash Flow	96.6	207.3	165.0
EBITDA	245.1	437.7	488.0
<i>EBITDA margin</i>	15.1%	24.0%	24.3%

	FY2003.3	FY2004.3	FY2005.3 (E)
Subs ('000)	14,049	16,959	19,150
<i>of module-type</i>	-	361	450
WIN(EV-DO)	0	343	-
1x	6,806	13,166	-
cdmaOne	7,208	3,450	-
PDC	35	0	-
ARPU (yen)	7,570	7,440	7,140
Voice	6,280	5,800	5,340
Data	1,290	1,640	1,800

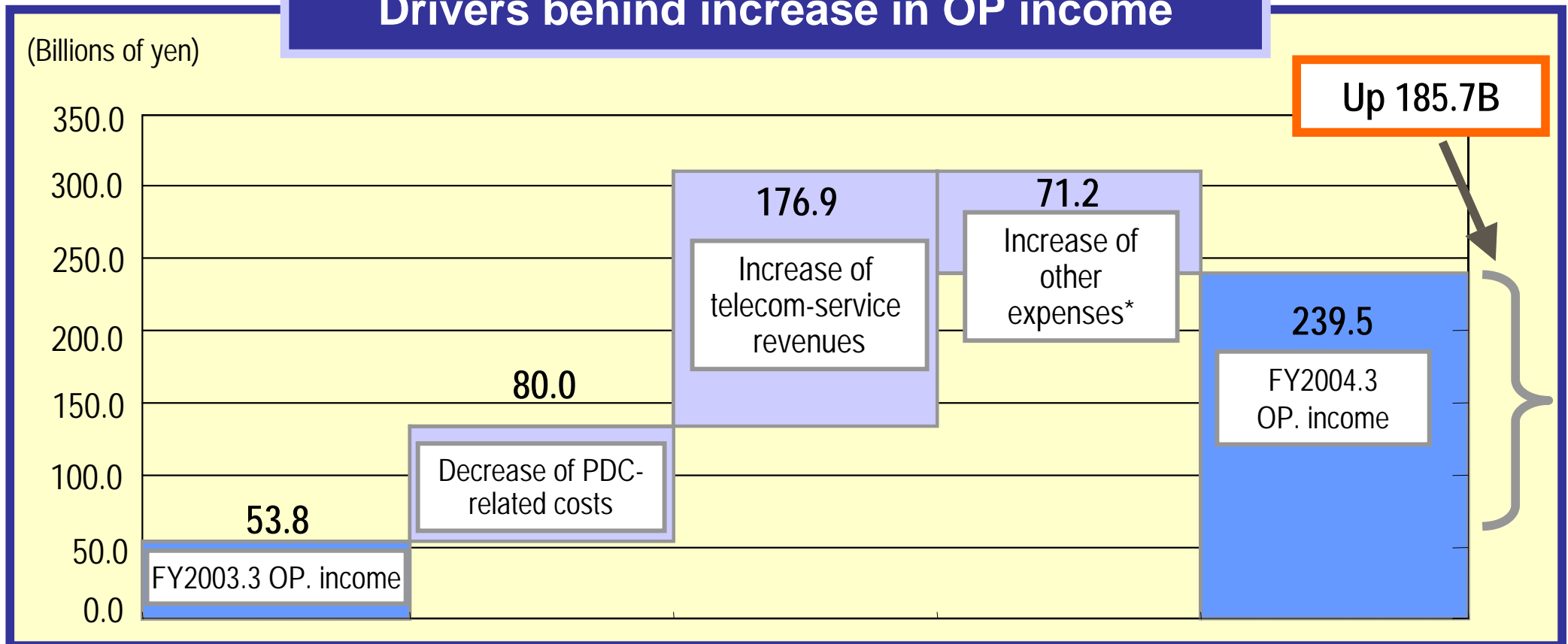
Note: ARPU is calculated for ordinary handsets which exclude module-type terminals.

3.2. "au" Business (Reference)

Drivers behind an increase in operating income in FY2004.3 were enhanced "au" brand strength in addition to the elimination of PDC-related costs.

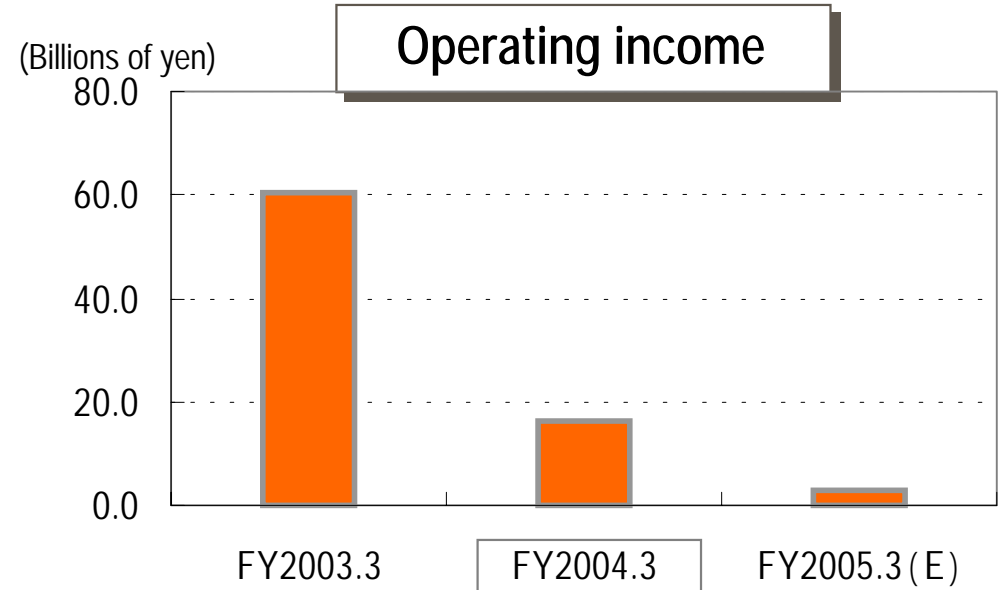
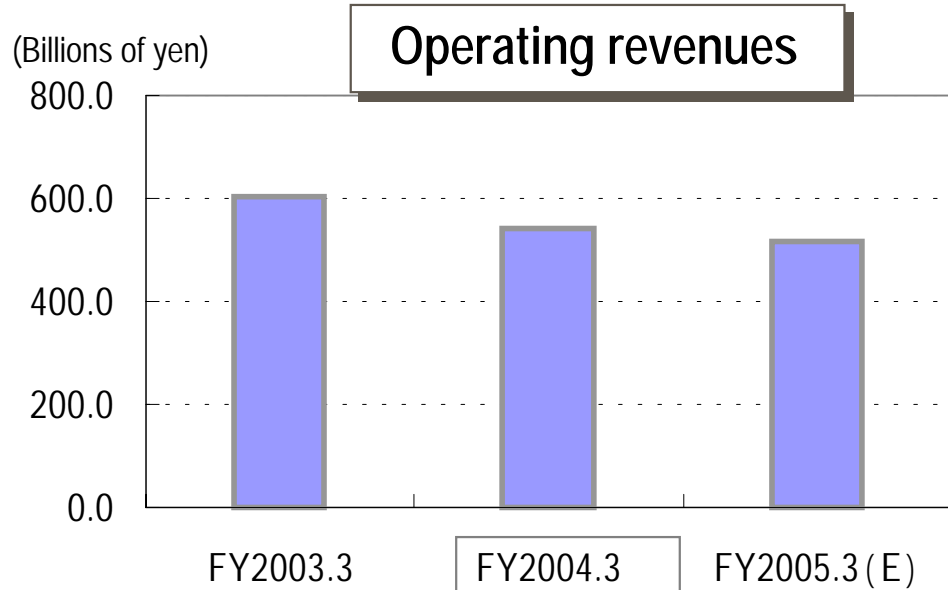


Drivers behind increase in OP income



Note: Other expenses includes profit or loss of handset sales.

4. BBC & Solutions Business



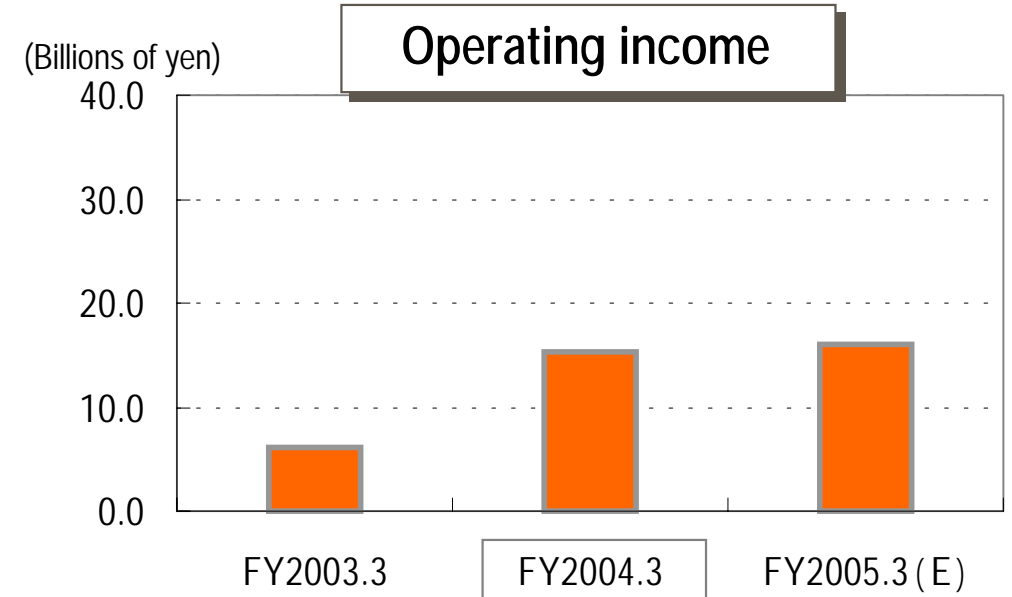
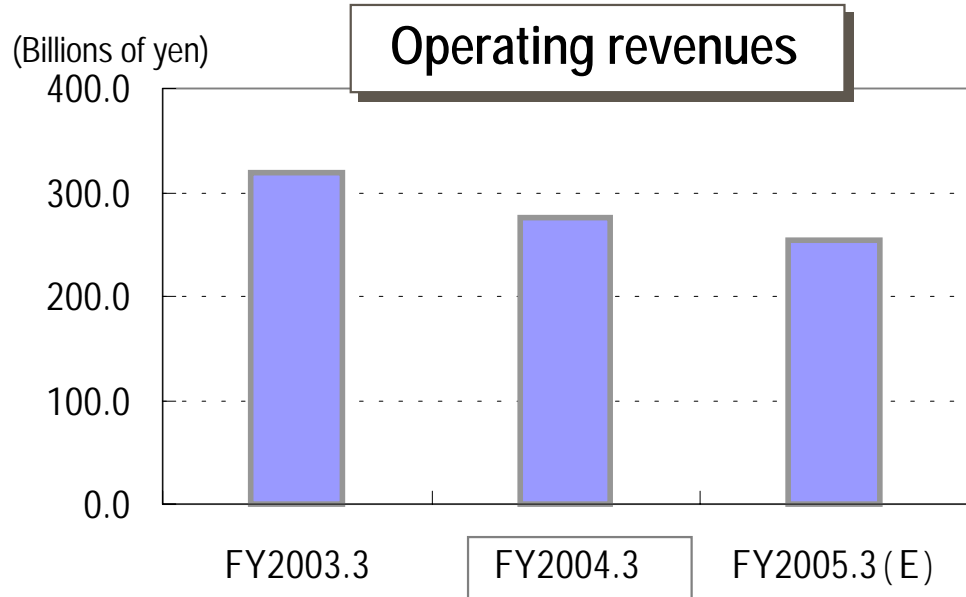
(Billions of yen)

	FY2003.3	FY2004.3	FY2005.3 (E)
Operating revenues	601.9	542.5	515.0
Operating income	60.3	16.4	3.0
<i>Operating margin</i>	<i>10.0%</i>	<i>3.0%</i>	<i>0.6%</i>
Ordinary income	60.4	15.8	3.0
Net income	32.3	-28.8	4.0
Free Cash Flow	116.9	74.2	1.0
EBITDA	176.8	112.4	96.0
<i>EBITDA margin</i>	<i>29.4%</i>	<i>20.7%</i>	<i>18.6%</i>

	FY2003.3	FY2004.3	FY2005.3 (E)
DION subs('000)	2,373	2,687	2,900
<i>of ADSL</i>	498	1,109	1,650
FTTH subs('000)	-	23	200
<i>of Hikari Plus</i>	-	* 9	-

Note: No. of line subscriptions was 21,000 as of end of March 2004.

5. TU-KA Business

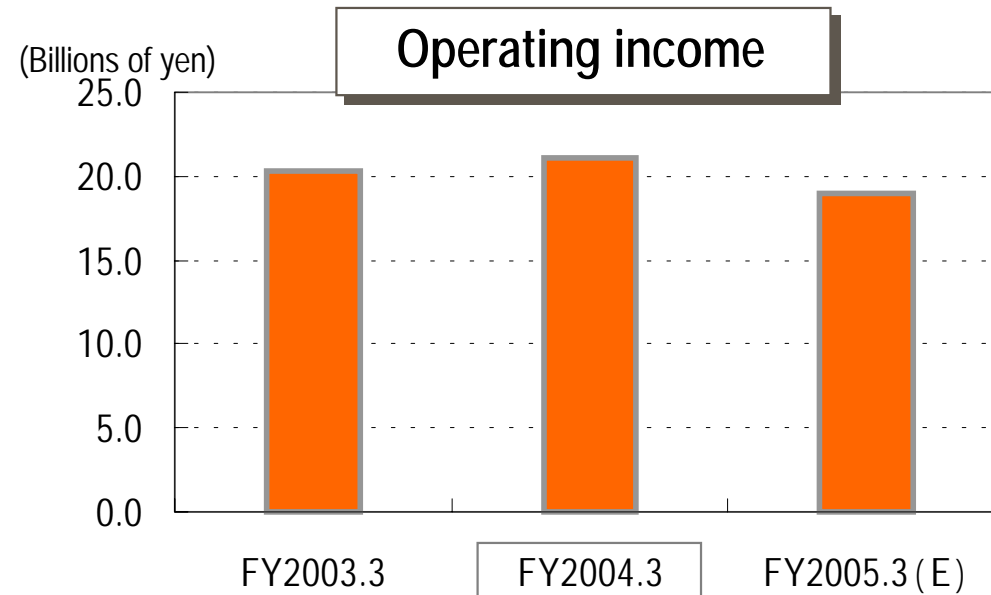
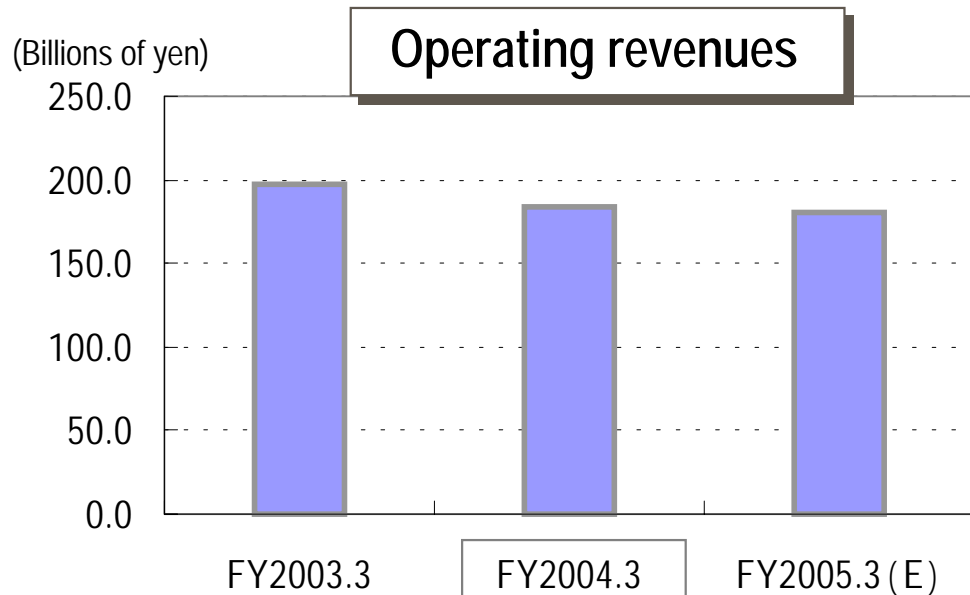


(Billions of yen)

	FY2003.3	FY2004.3	FY2005.3 (E)
Operating revenues	318.1	276.5	254.0
Operating income	6.2	15.4	16.0
<i>Operating margin</i>	1.9%	5.6%	6.3%
Ordinary income	0.1	11.4	14.0
Net income	-3.2	9.1	9.0
Free Cash Flow	52.1	55.0	52.0
EBITDA	66.5	71.2	65.0
<i>EBITDA margin</i>	20.9%	25.7%	25.6%

	FY2003.3	FY2004.3	FY2005.3 (E)
Subs ('000)	3,783	3,632	3,550
ARPU (yen)	5,330	5,020	4,710

6. Pocket Business



(Billions of yen)

	FY2003.3	FY2004.3	FY2005.3 (E)
Operating revenues	197.6	184.0	181.0
Operating income	20.3	21.1	19.0
<i>Operating margin</i>	10.3%	11.5%	10.5%
Ordinary income	17.7	19.0	17.0
Net income	17.0	19.1	17.0
Free Cash Flow	43.0	47.2	38.0
EBITDA	62.2	61.3	58.0
<i>EBITDA margin</i>	31.5%	33.3%	32.0%

	FY2003.3	FY2004.3	FY2005.3 (E)
Subs ('000)	2,975	2,897	3,000
<i>of Air H"</i>	765	990	1,300
ARPU (yen)	5,010	4,750	4,610

7. Capital Expenditures and others

(Billions of yen)

		FY2003.3	FY2004.3	FY2005.3(E)
CAPEX (Cash basis)	Consolidated	246.2	253.3	323.0
	au	167.3	161.2	200.0
	BBC & Solutions	40.8	55.1	82.0
	TU-KA	16.2	14.7	9.0
	Pocket	11.7	12.9	18.0
Depreciation	Consolidated	389.0	365.7	378.0
	au	176.0	184.9	202.0
	BBC & Solutions	105.4	84.1	86.0
	TU-KA	60.0	53.8	48.0
	Pocket	39.6	38.7	38.0
Debts	Consolidated	1,497.0	1,179.8	902.0
	au, BBC & Solutions	937.2	736.0	547.0
	TU-KA	317.8	262.4	214.0
	Pocket	182.7	134.5	101.0
Debt / EBITDA multiple		2.7	1.7	1.3
Debt / Equity ratio		1.7	1.2	0.8

Segment Discussions & Strategies

**KDDI-wide
Measures**

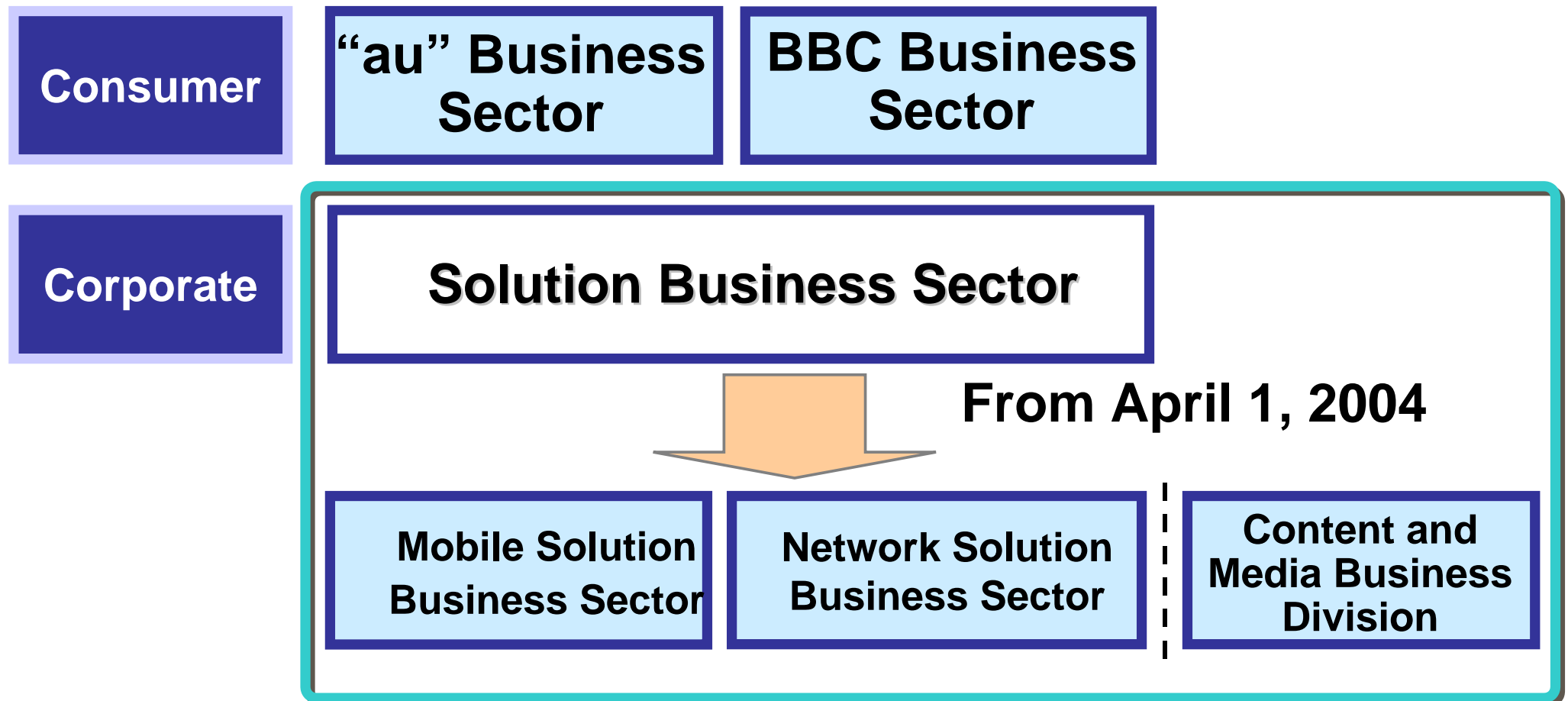
“au” Business

**BBC & Solutions
Business**

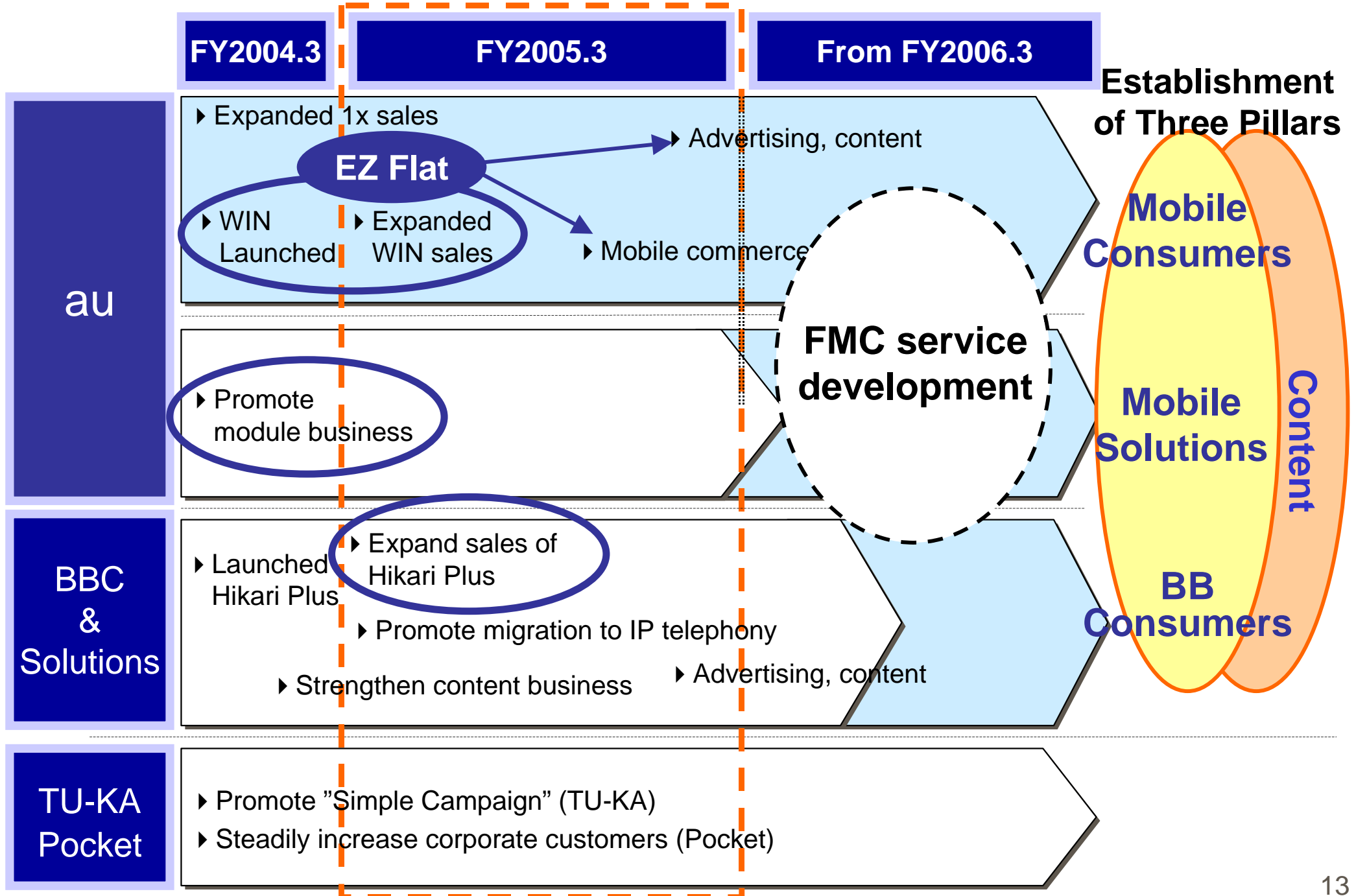
**TU-KA Business &
Pocket Business**

1.1. Reorganization of Business Structure

Measures to boost profitability are under consideration for the corporate fixed-line business due to the need to respond to changes in the operating environment such as decreased voice revenues, increased ACs, and ongoing price competition in corporate data services.



1.2. Toward Sustainable Growth



1.3. Medium- to Long-Term Management Objectives

Maximize corporate value by aiming to achieve the following medium- to long-term management objectives:

Strengthen operating foundations

A 30% market share, a base for stable growth in mobile business, by fully ensuring total customer satisfaction

Raise profitability

An operating margin over 10% and EBITDA margin over 25%

Return to shareholders

A targeted payout ratio of 20% under the policy of stable and sustainable dividend payment

2. KDDI's Responsibility to Society



Environment

Handset recycling



Energy & resource saving

Green procurement

Corporate Ethics

Protection of personal information

Anti-spam

Online dating sites

Social Action

Universal design

"Smile heart" discount

Sign-language assistance at "au" shop

50% discount for the handicapped

3. Response to Regulatory Environments

Increased Access Charges

■ Situation

In April 2003, MPHPT approved NTT East/NTT West interconnection charge agreements that provide increased FY2004.3 and FY2005.3 ZC AC and extra charges when actual traffic volume decreased more than 15%.

■ Responses & Implications

Filed administrative suit in July 2003 and in currently litigation; extra charges already factored in the said years.

Mobile Number Portability (MNP)

■ Situation

Since November 2003, MPHPT has held meetings of the Study Group on Mobile Number Portability (MNP). MNP is expected to be implemented by all mobile carriers by the target date of the middle of FY2007.3.

■ Responses & Implications

Detailed specifications on how to actualize the system and how to allocate costs will be decided going forward. KDDI plans to comply with the introduction by the target date.

Open-up of Fiber Optics

■ Situation

Wider range of services offered via fiber optics, including FTTH, as access lines along with development of broadband.

■ Responses & Implications

Designated service providers, NTT East/NTT West, should maintain their fiber optics open for inexpensive broadband services. KDDI will rapidly advance FTTH business based on the improvement of environment for the use of fiber optics.

New 3G Market Entry

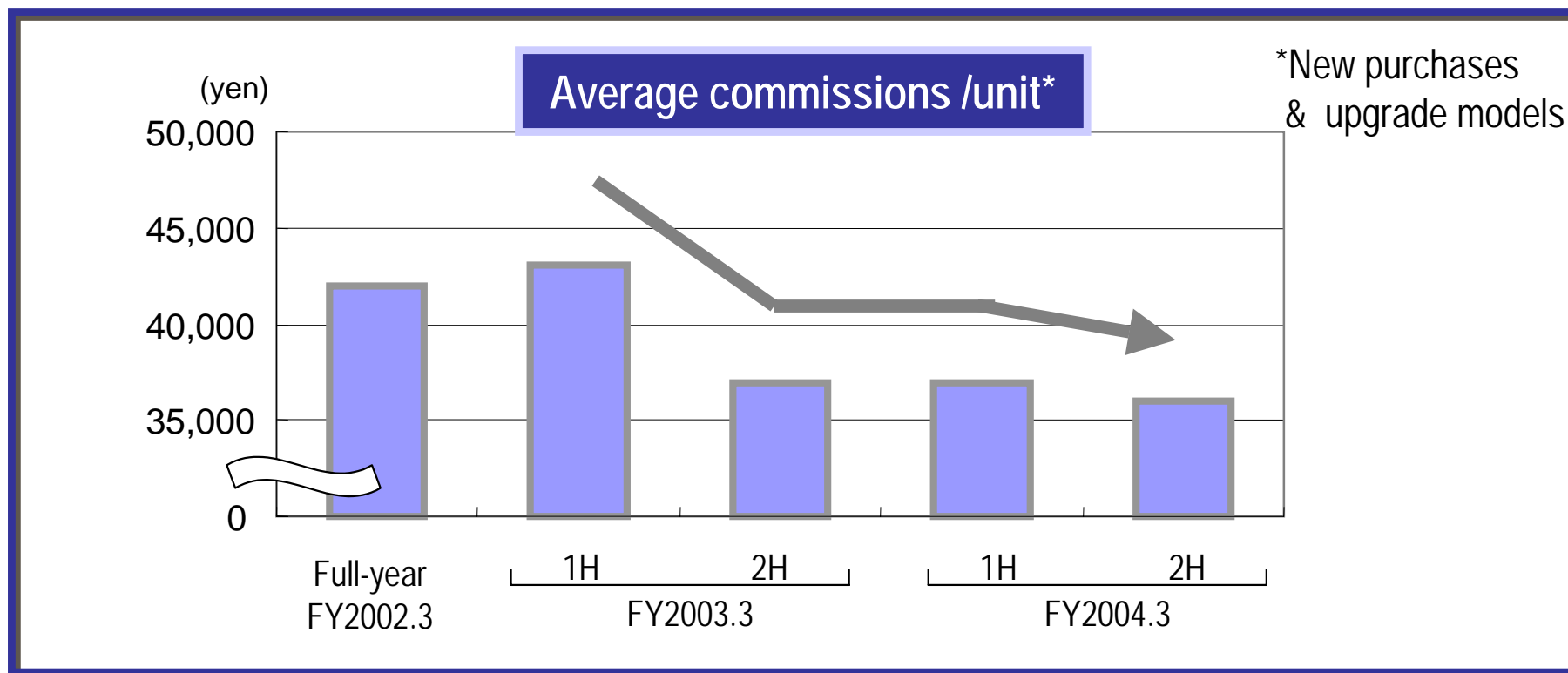
■ Situation

Since November 2003, MPHPT has issued experimental station licenses to a few companies. A new entry into the mobile market is expected going forward.

■ Responses & Implications

KDDI will promote the development of attractive services even as other companies enter the market. Along with EV-DO, which was launched in November 2003, 1x service over the 2GHz band is scheduled to commence in the fall of this year.

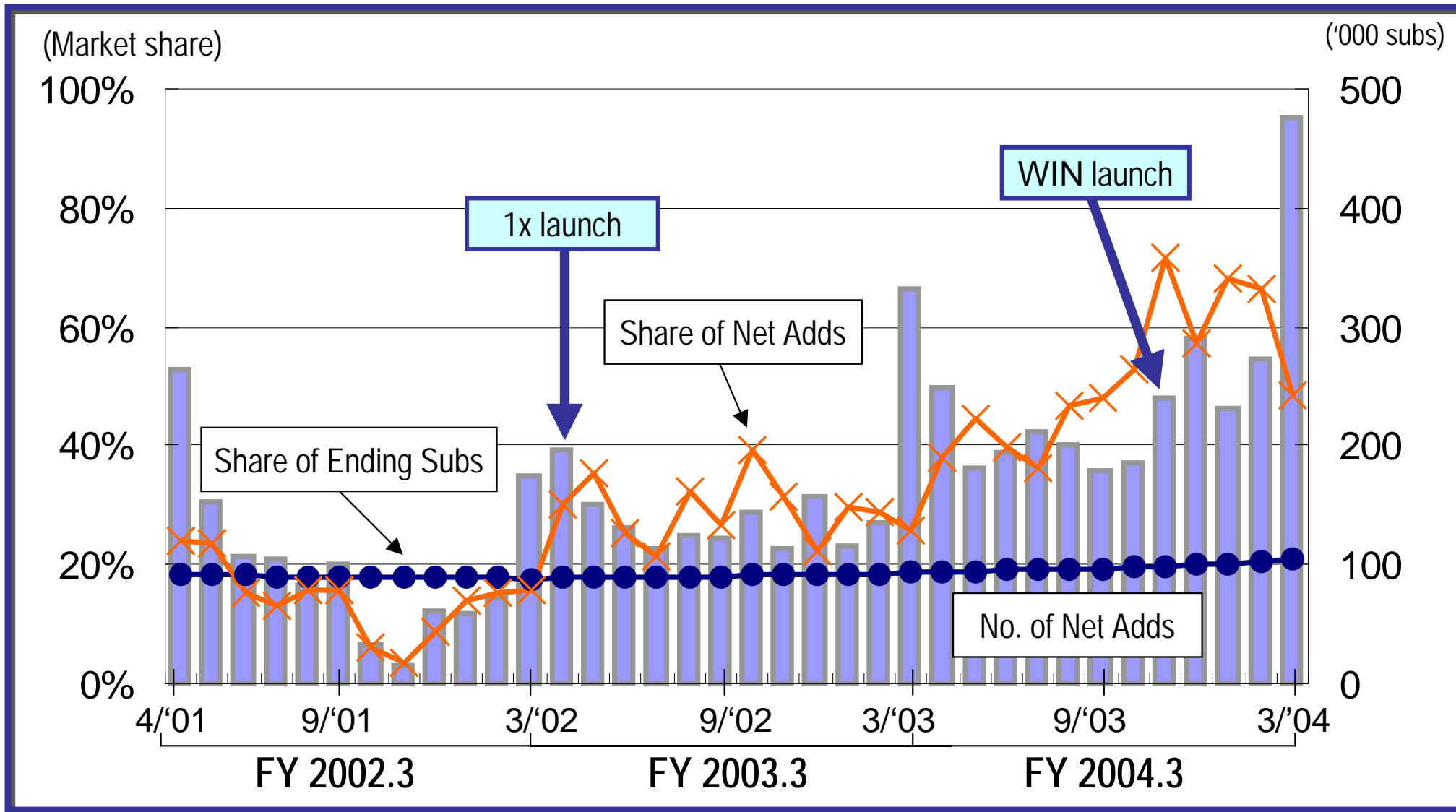
1.1. Sales Commissions



	FY2002.3	FY2003.3			FY2004.3		FY2005.3 (E)	
		1H	2H		1H	2H		
Sales commissions (Billions of yen)	365.0	219.0	186.0	405.0	180.0	204.0	384.0	400.0
Average commissions/unit (yen)	42,000	43,000	37,000	40,000	37,000	36,000	36,000	36,000
Number of units sold ('000 units)	8,700	5,100	5,000	10,100	4,900	5,670	10,570	11,100

1.2. Trend of Net Additions

Achieved top share of Net Adds throughout FY2004.3 with March-end subs at 16.96M.



Full-year market share of
Net Adds /Ending subs:

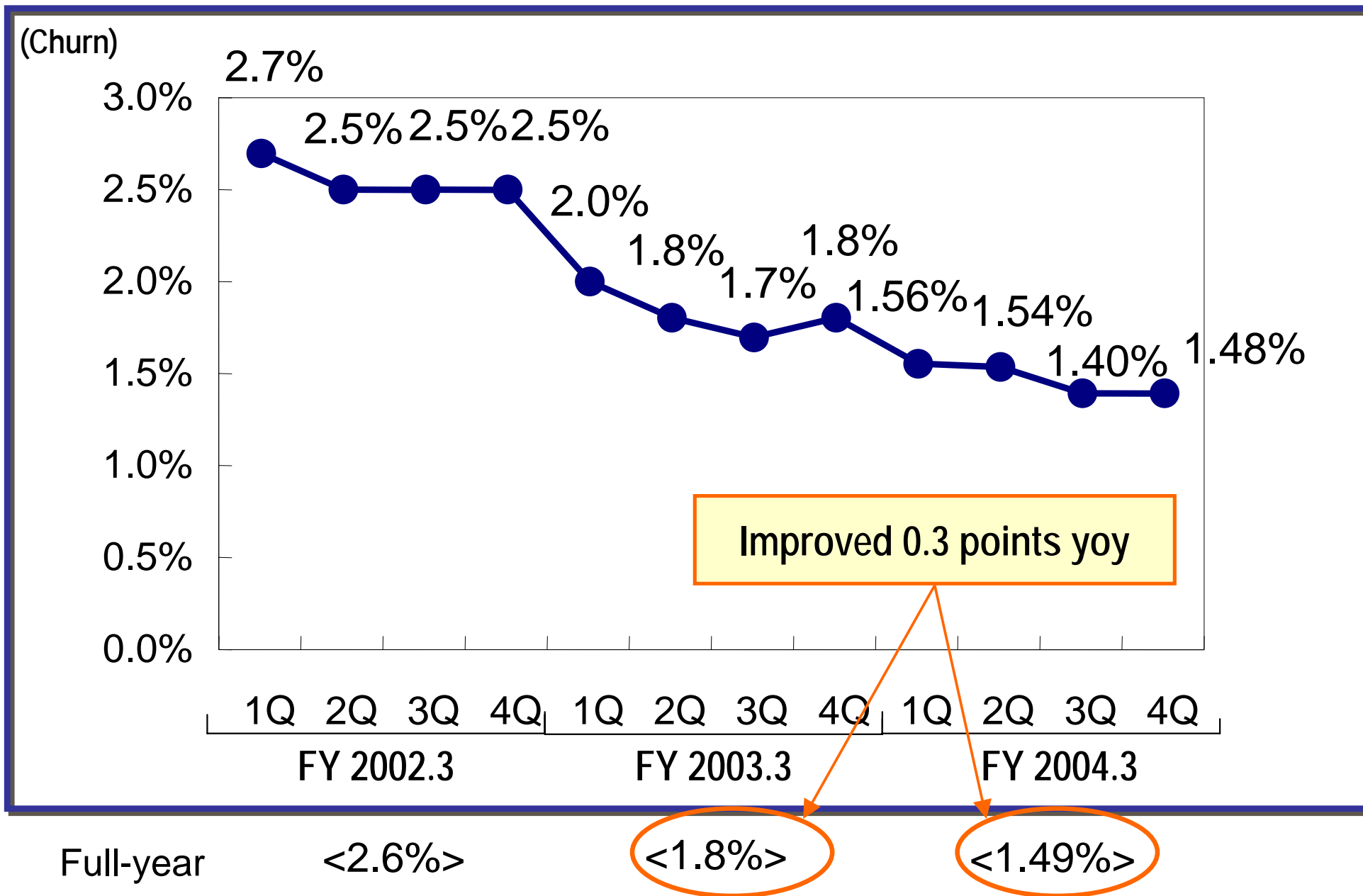
<15.0% / 17.7%>

<28.1% / 18.6%>

<49.6% / 20.8%>

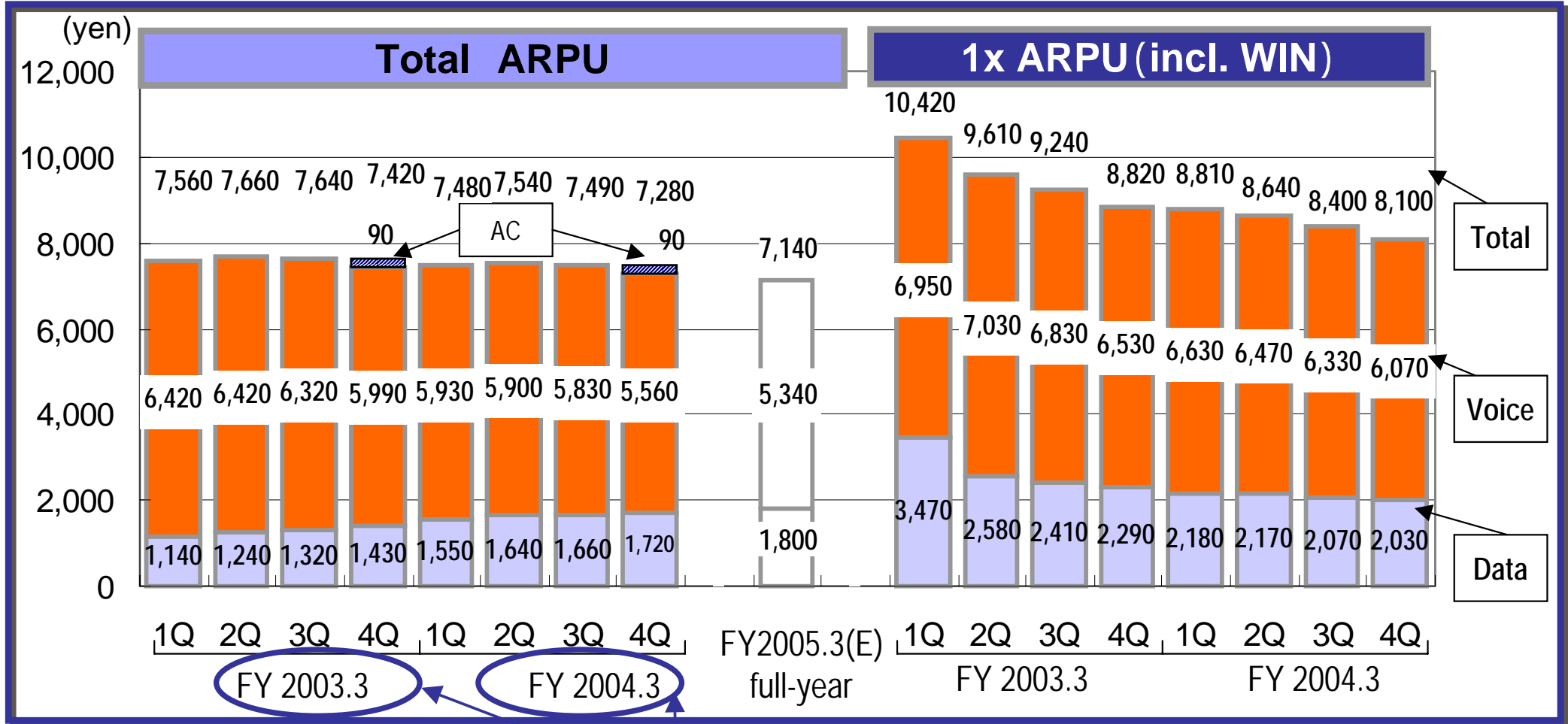
1.3. Reduction of Churn

Reduced Churn rate through brand and product competitiveness.



1.4. Trend of ARPU

ARPU is likely to have bottomed out. Full-year forecast is at ¥7,140.

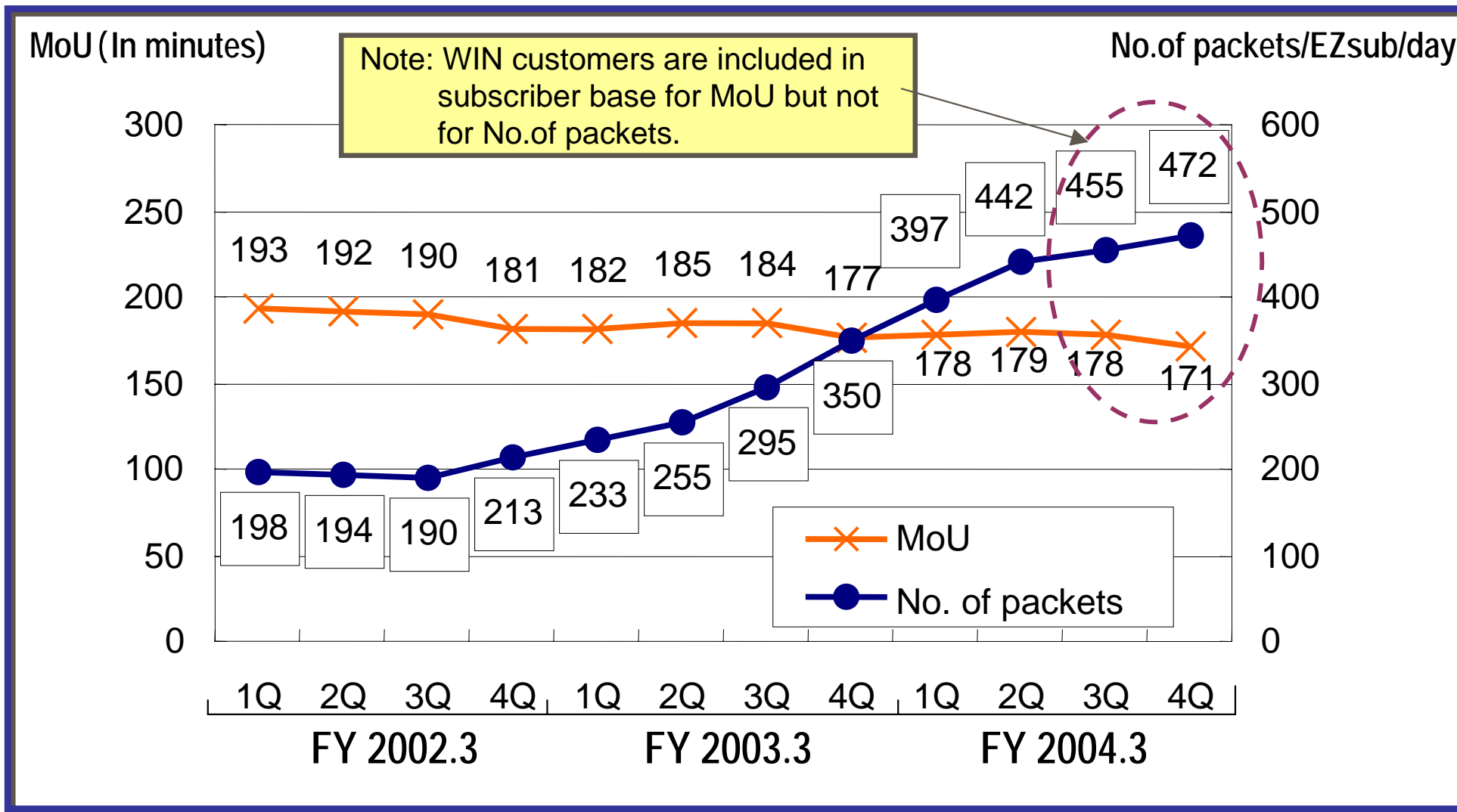


Full-year total ARPU	<¥7,570>	<¥7,440>
of Voice	<¥6,280>	<¥5,800>
of Data	<¥1,290>	<¥1,640>

yoy change	¥130 (1.7%)
	¥480 (7.6%)
	+ ¥350 (+ 27.1%)

Note 1: 1x ARPU for FY2004.3 is on a nation-wide basis, whereas its FY2003.3 figures are based on subs only in the Kanto and Chubu districts.
Also, 1x ARPU started to include WIN customers from 3Q/FY2004.3 Note 2: 4Q ARPUs are those after the settlement of AC (Access Charges).

1.5. MoU & Packet Usage



Full-year

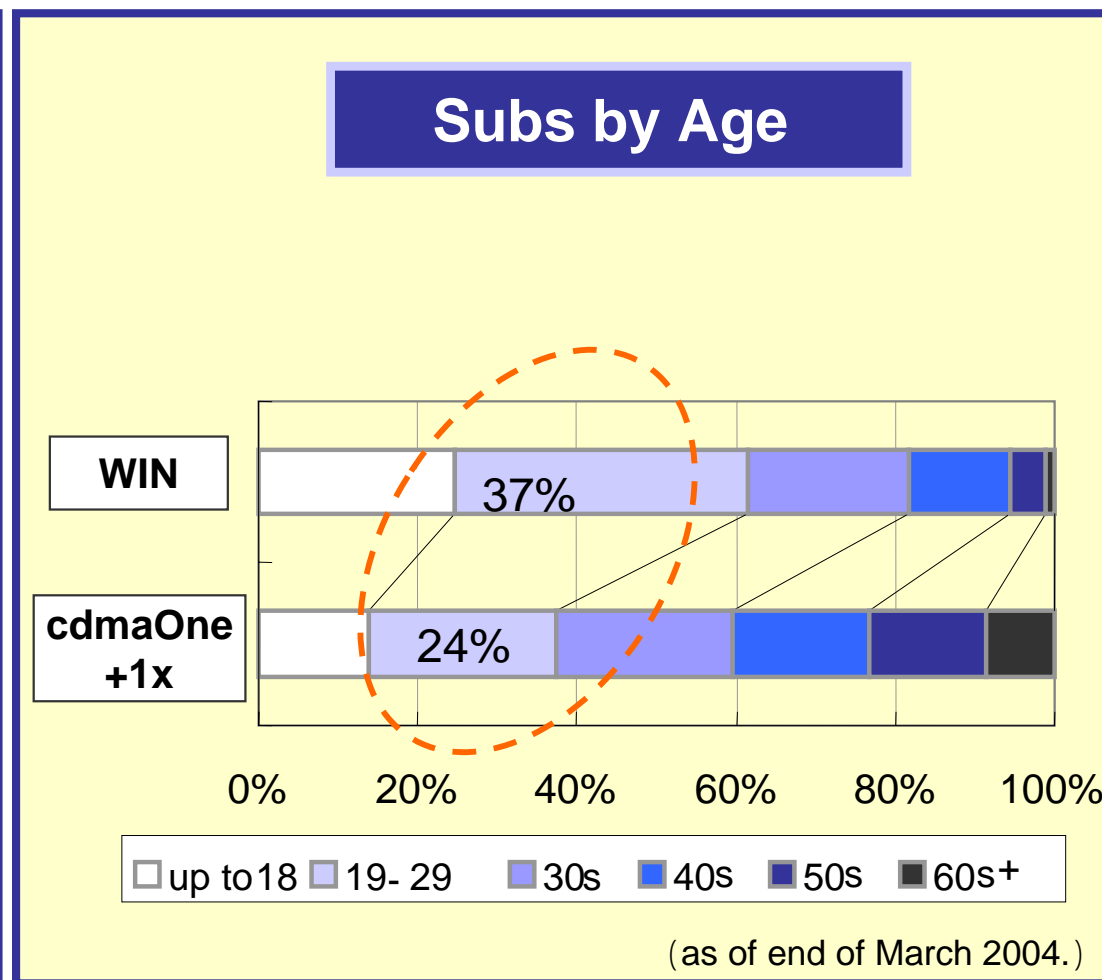
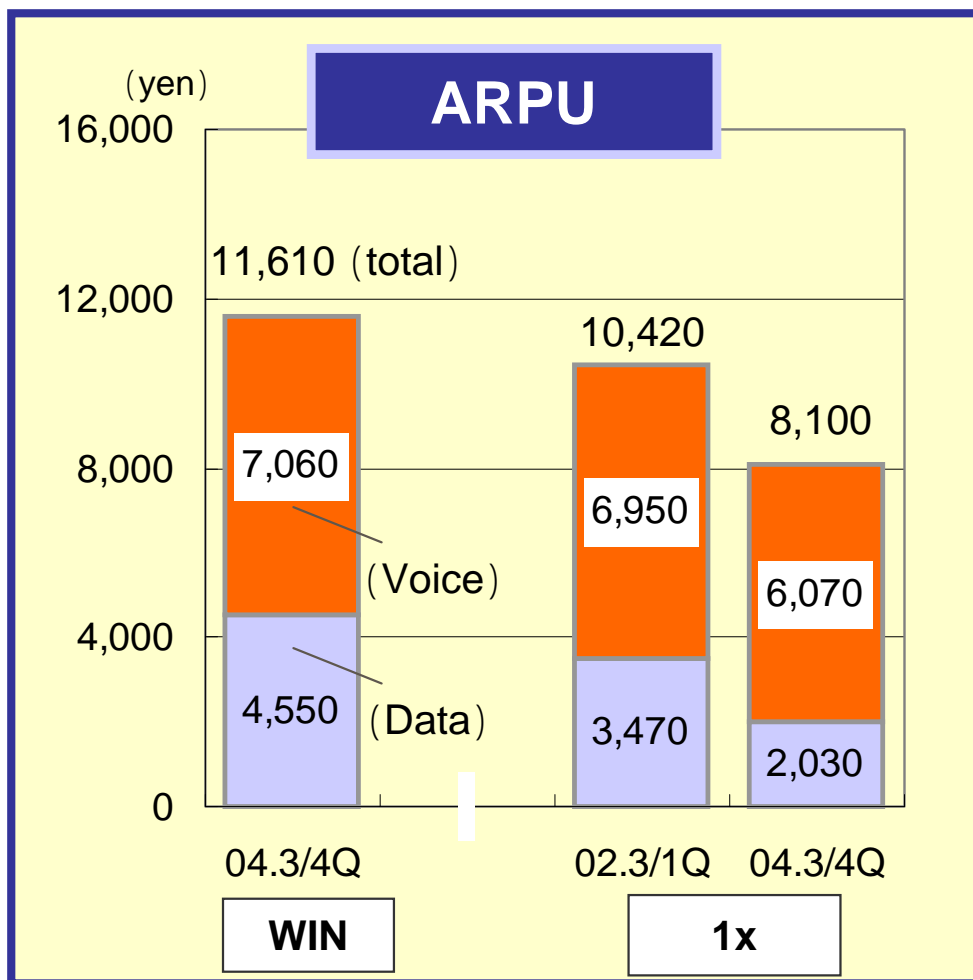
< MoU >	< 189mins >	< 182mins >	< 176mins >
<No. of packets>	< 202 >	< 286 >	< 443 >

2.1. Updates on WIN



EZ Flat (a fixed-rate plan) subscription rate is high (87%), so WIN’s initial ARPU exceeded that of 1x.

WIN’s customer profile includes a higher percentage of young people compared to 1x, so WIN is successfully attracting groups that tend to use mobile phones heavily.



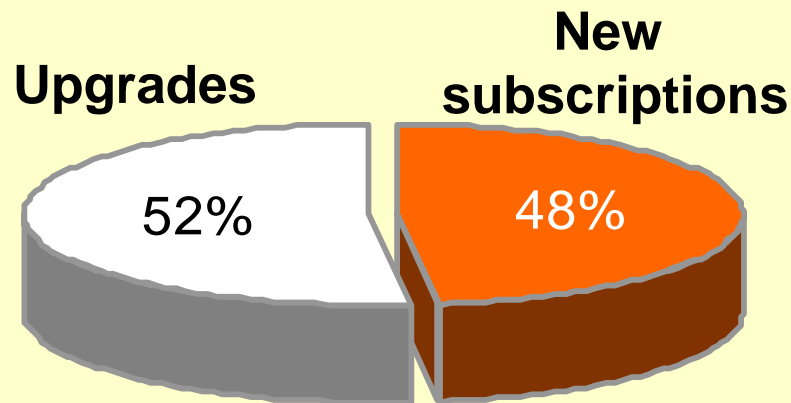
Note: WIN’s ARPU is calculated based on customers in one full month of operations. This calculation method differs from the one used for 1x’s ARPU.

2.2. Updates on WIN

With the ratio of new subscribers at almost one half, WIN is getting the high-end users of other companies.

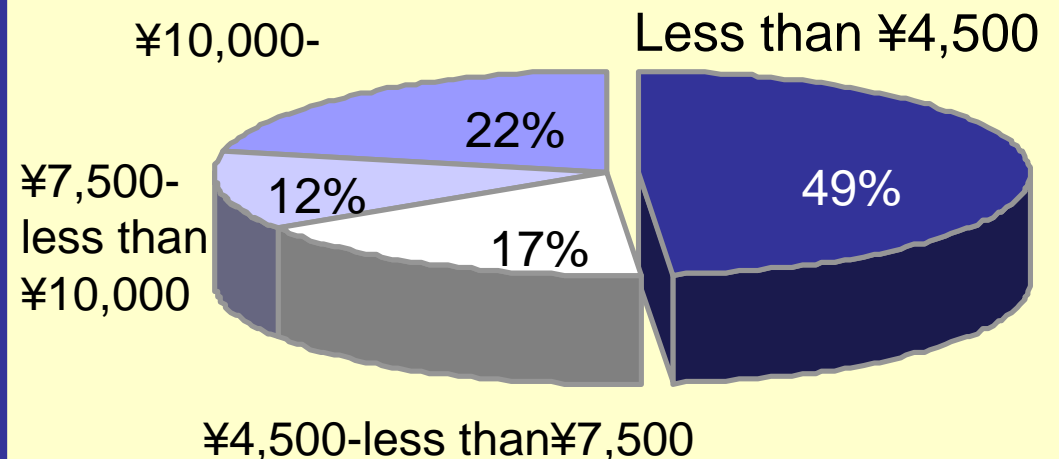
Looking at pre-switch data ARPU for those who upgraded to “WIN+EZ Flat”, “less than ¥4,500” group is high at 49%, so, increases in data usage can be expected.

Breakdown of WIN Subs



(Percentage of the simple total of subscribers by end of March 2004)

Pre-Switch Data ARPU of Upgrades to “WIN+EZ Flat”



(Three month average data ARPU prior to switching to “WIN+EZ Flat” of Upgrade Customers as of end of March 2004)

2.3. Updates on WIN : Flat-Rate Plan



Achieved dramatic data unit-price reductions for WIN based on efficient CAPEX
Compared on a total monthly charge bases, WIN’s flat-rate service is applicable for less expensive basic voice plans.

For WIN, KDDI will work to boost comprehensive product strength allowing unique flat-rate services to be used in conformable environments.

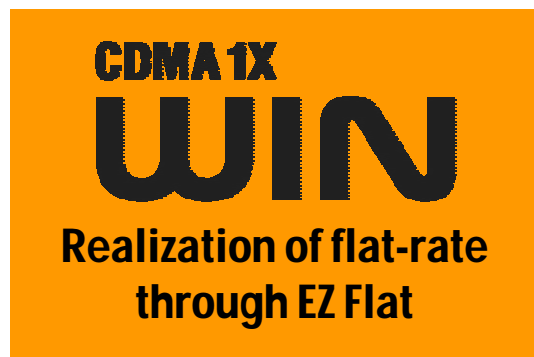
*Charges described here do not include consumption tax.

Service Comparison		WIN	FOMA
Monthly Charges	Basic Voice Charge (*)	From ¥3,900 (¥2,486) Plan SS –	From ¥6,700(¥4,350) Limited to Plan 67 and above
	Flat Packet Charge	¥4,200	¥3,900
	Basic Data Charge	¥300	¥150
	Total (*)	From ¥8,400(¥6,986)	From ¥10,750(¥8,400)
Unique Content		EZ Channel, EZ Live Camera	-
Network Capacity		Provided on a best effort basis over a data dedicated IP network of EV-DO.	Network congestion may affect transmission speeds for flat-rate users.

Note: The figures in parentheses refer, for WIN, to charges after application of the Family Discount and the Annual Discount in the first year, and same for FOMA.

3.1. Business Domain Expansion by Flat-Rate Plan

Seek to develop the e-commerce business and media business as pillars of revenue in addition to digital content, which is currently a core of the value-added business, and expand the scale of their sales.



You can enjoy the mobile Internet without concern
- no matter how much you spend on packets.

→**WIN** will expand new businesses and
new way of use of mobile phones.

Content Usage Expansion

Develop enhanced content with music and videos that leverage the characteristics of WIN
Expand use of network-type content such as match-up games

E-commerce Business

Strengthen on-line shopping and settlement business over the mobile Internet
Develop linkage between virtual settlement and real settlement

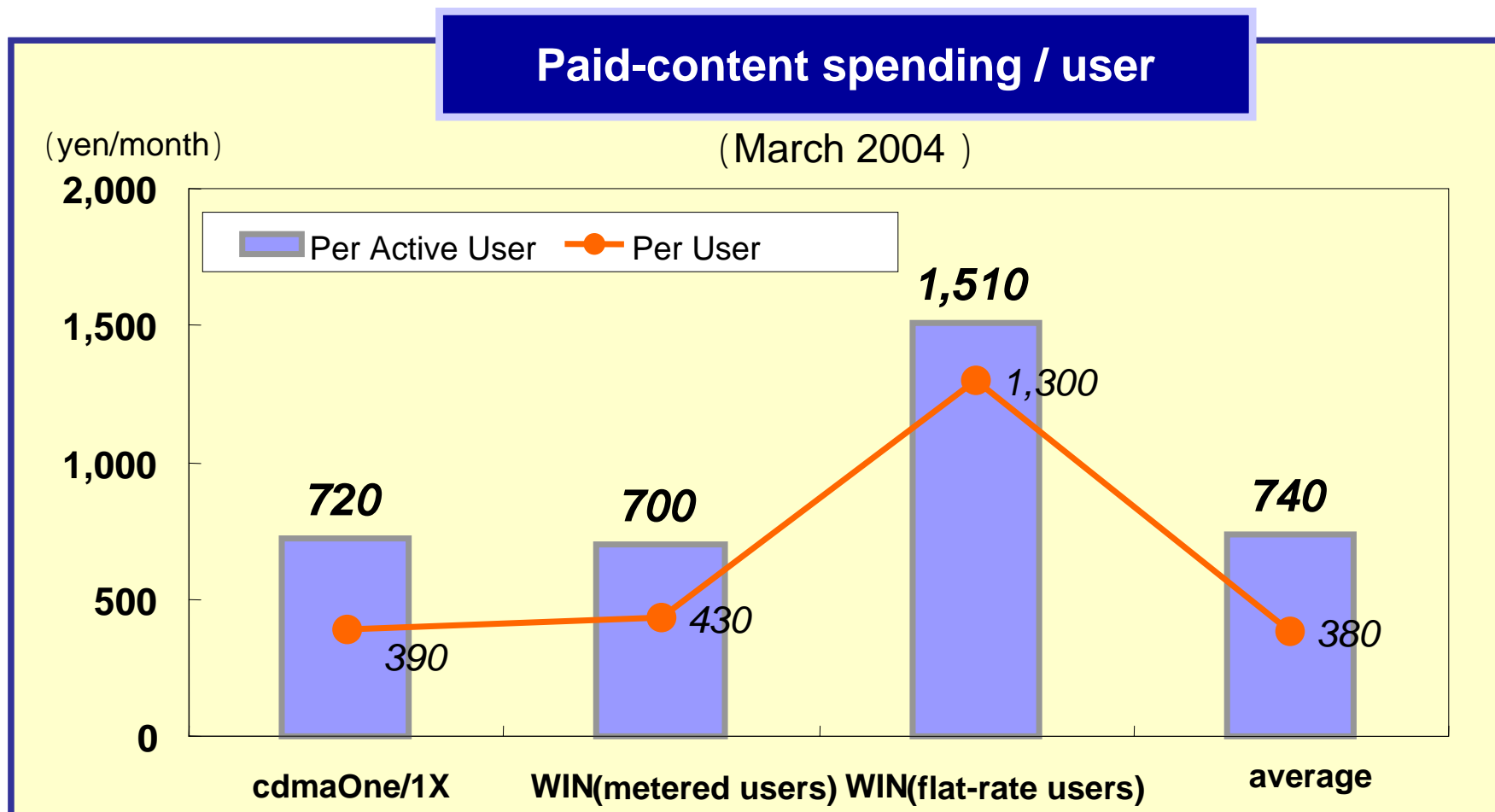
Media Business

Evolve mobile handsets into Media through enhanced expressive capability of mobile portals
Provide broadcast-type content focusing on EZ Channel
Establish a new business model that partners with FM and terrestrial TV stations
Develop joint services with Hikari Plus TV (FTTH) and DION

3.2. Business Domain Expansion by Flat-Rate Plan

Content Usage Expansion

Paid-content spending per user of WIN flat-rate customers is over two times that of cdmaOne/1x users, which is buoying the average usage of paid-content.



Note: Above charges are calculated for EZweb subs only. “Per active user” means those who uses paid-content among EZweb subs in each customer category.

3.3. Business Domain Expansion by Flat-Rate Plan

E-commerce
Business

With the aim of improving the attractiveness of mobile handsets (which means promoting mobile phones as personal gateways), KDDI is considering commercializing Kei-Credit and is developing contact/contactless IC-equipped handsets.



Kei-Credit

(Outline of Trial Service)
Conducted March to August 2003

- Japan's first mobile phone credit settlement trial over 3G mobile phones using multipurpose IC card, Next Generation UIM card, which incorporates PKI technology and the credit applications of credit card companies.
- In the trial, two ways of settlements were available over a single mobile phone; credit settlement at online shops (virtual) and credit settlement using IrDA at brick and mortar shops (real).

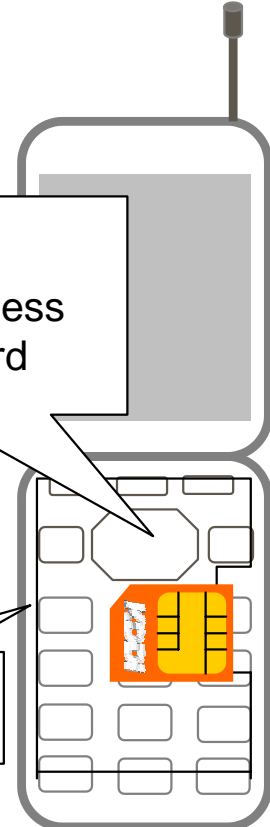


Handset with contactless IC under development

UIM card
*Contact/contactless dual interface card

Contactless antenna

· Can be removed



3.4. Business Domain Expansion by Flat-Rate Plan

Media Business

Expand revenues by developing new advertising businesses with enhancing mobile media value through partnering with a1adnet Corp. and other media companies.

Overview of a1adnet Corp.

- Established in December 2000
- Shareholders: KDDI (51%), Hakuholdo DY Media Partners Inc. (35%), others
- Scope of Business : Mobile advertising planning and distribution centered on EZweb

Interactive advertising with program sponsors

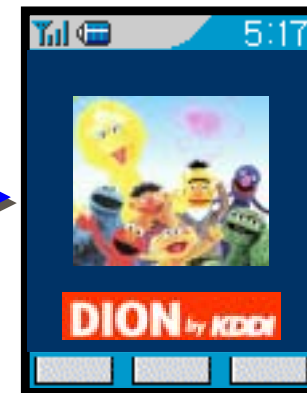


Advertisement by same sponsor

- Acquire new advertising revenue from clients of existing media advertisement.
- Considering partnering with digital terrestrial TV in addition to FM-radio handsets.

Advertising Distribution Trials Using EZ Channel

Play Program



Company ad (15 sec.)



Main program

<<Quiz! Shitte do suru!??>>

©a1adnet corporation/Hakuholdo DY/Kundo Koyama/BUDDIEZ

4. Product Strategy

Through FY 2005.3

**Promotion of
mobile functions
as personal
gateways**

Premium collection agent service

**Use and popularization of
EZ Navi Walk**

Bluetooth, IrDA

**Development of
broadband
services**

**Higher quality EZ Channel,
streaming, movie extensions,
and Chaku-Uta**

**New service
development and
handset lineup
enhancement**

Global data roaming

**More FM-broadcasting
handsets**

More WIN handsets

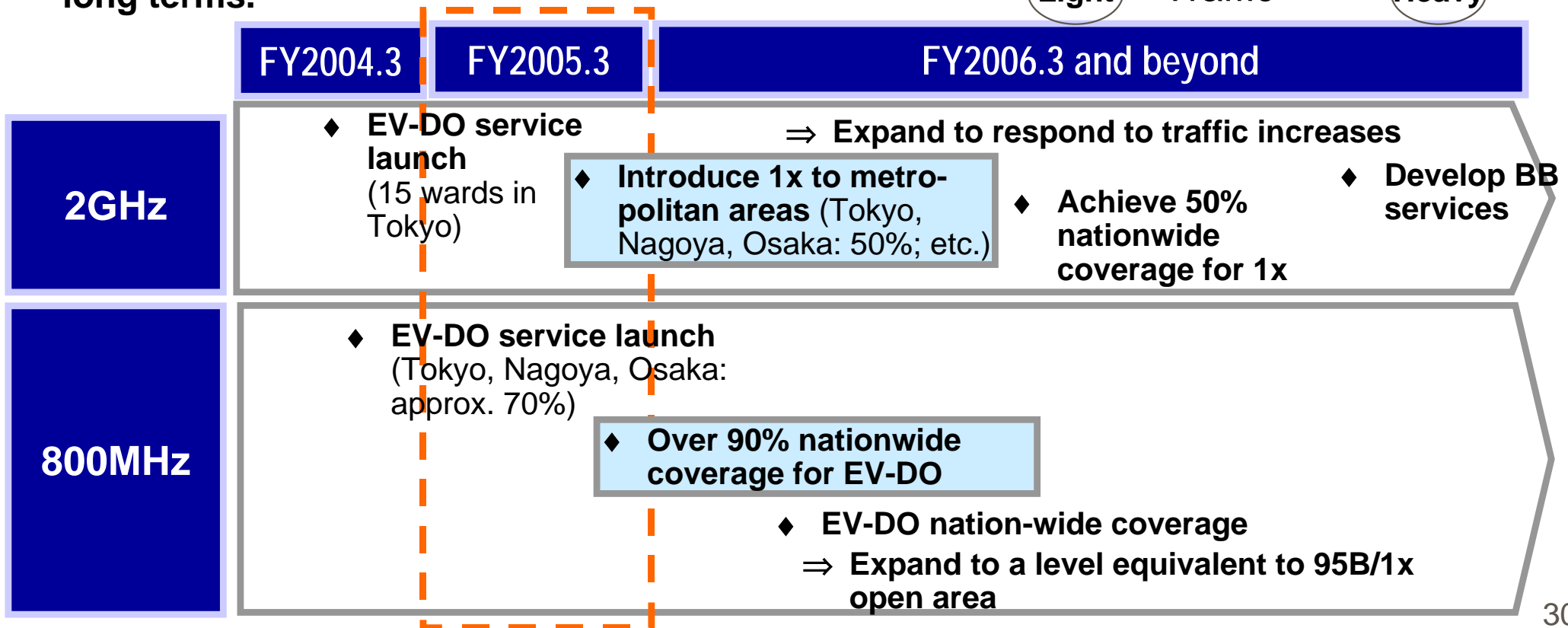
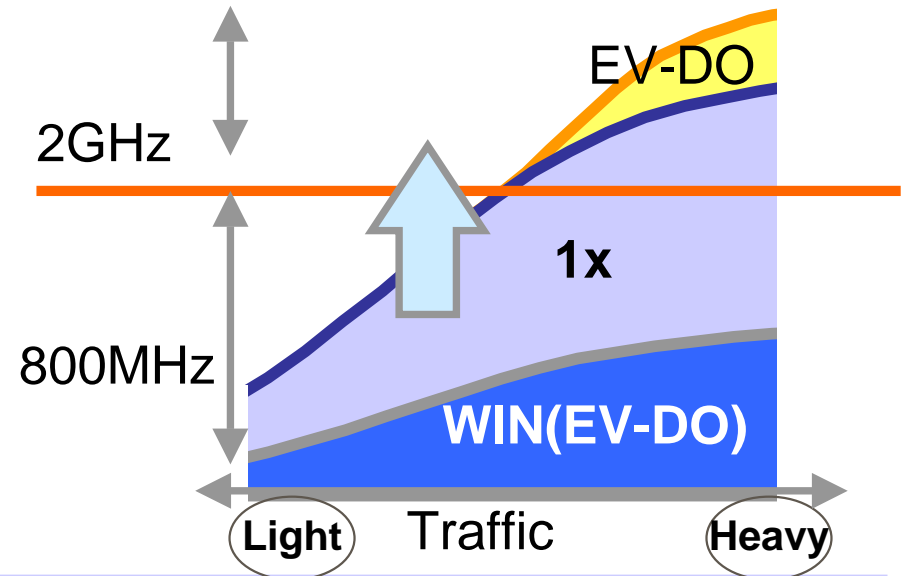
2GHz dual band handsets

Design-Project handsets

5. Responding to an Expanding Customer Base

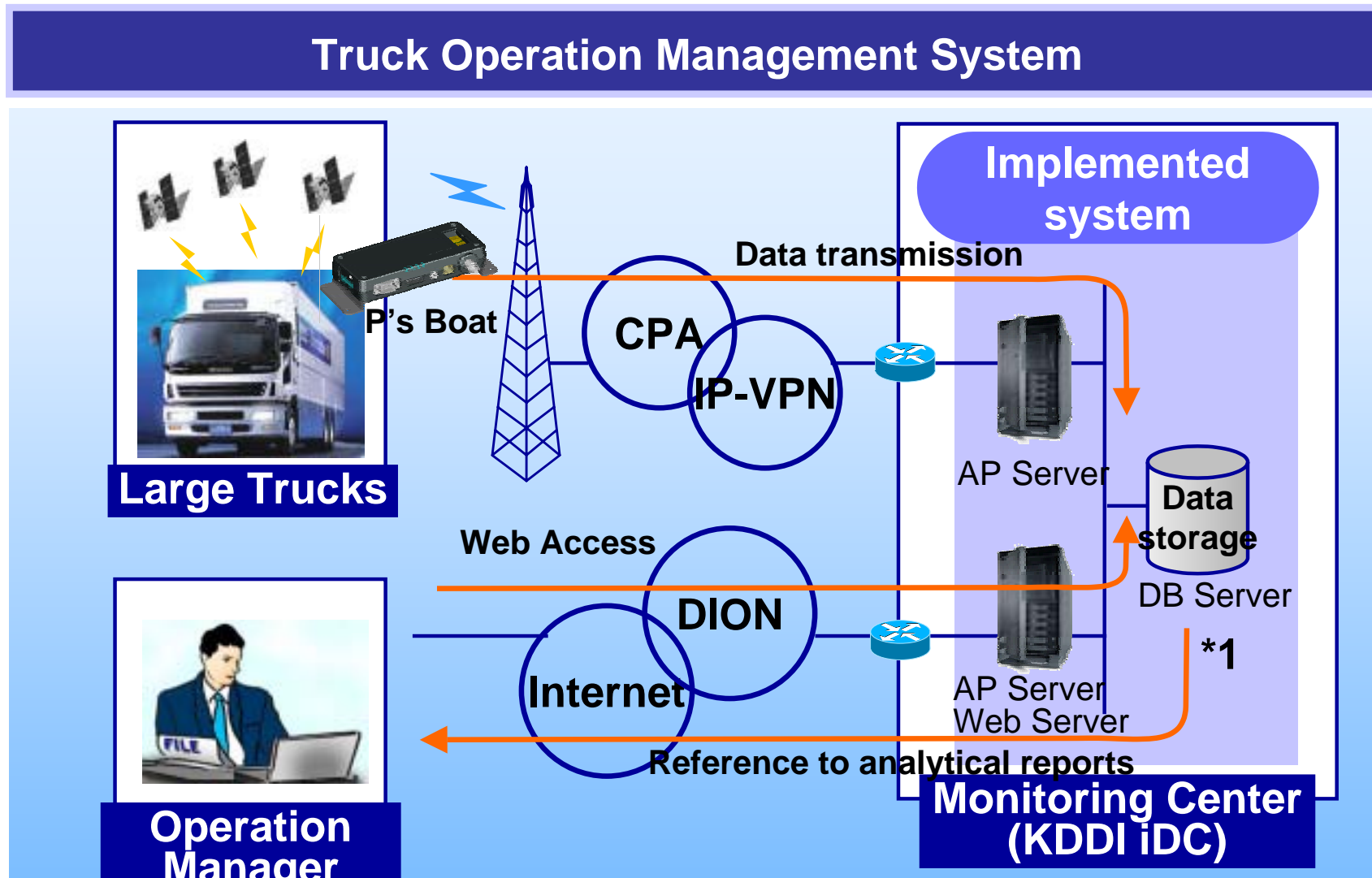
Plan to introduce 1x over 2GHz with existing 800MHz band as base infrastructure to secure capacity with a view to achieving medium- and long-term subscriber target.

Broadband services based on high capacity, high speed data transmissions will be fully developed over 2GHz in the medium and long terms.



6. Mobile Solutions Offered

Developed a next-generation telematics service for commercial vehicles that reads data from the vehicle control computers and provides advice on fuel conservation and safe driving. Collection and analysis of nationwide truck operation flow data are available through KDDI telecom services. (Has been in use by Isuzu Motors Limited.)



Note: CPA: cdma Packet Access. P's Boat: Tele-metering terminal.

Updates on Hikari Plus (FTTH)

Initial sales period brings a positive assessment of product strength.

Sales for condominiums

Issues include promotion of management associations' understanding and effective use

Sales for households

Issues include raising product awareness of residential households and shortening installation times

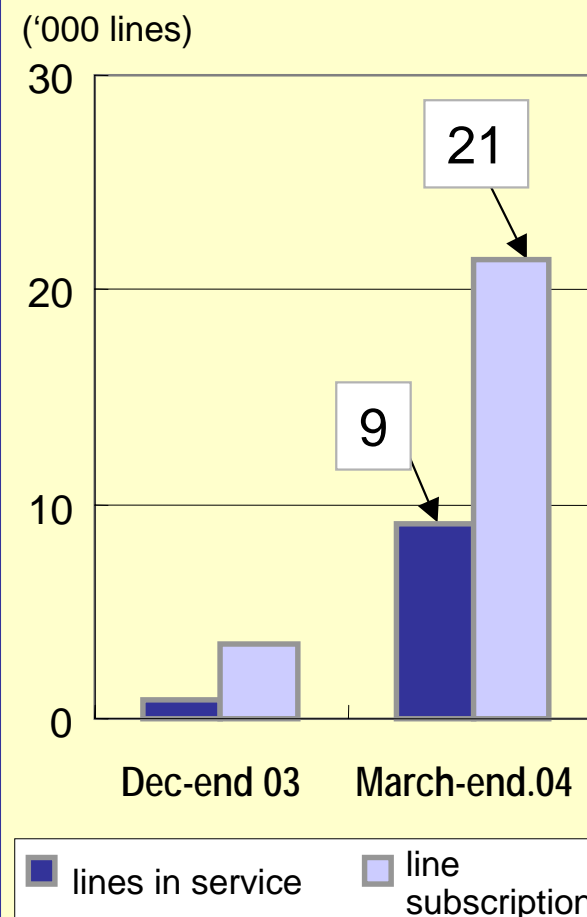


Initiatives going forward

For Early Subscription Acquisition

- Strengthen sales structure for condominiums by developing and enhancing agency sales network
- Enhance advertising and sales promotion activities in order to raise awareness of Hikari Plus
- Shorten installation period by improving work process efficiency

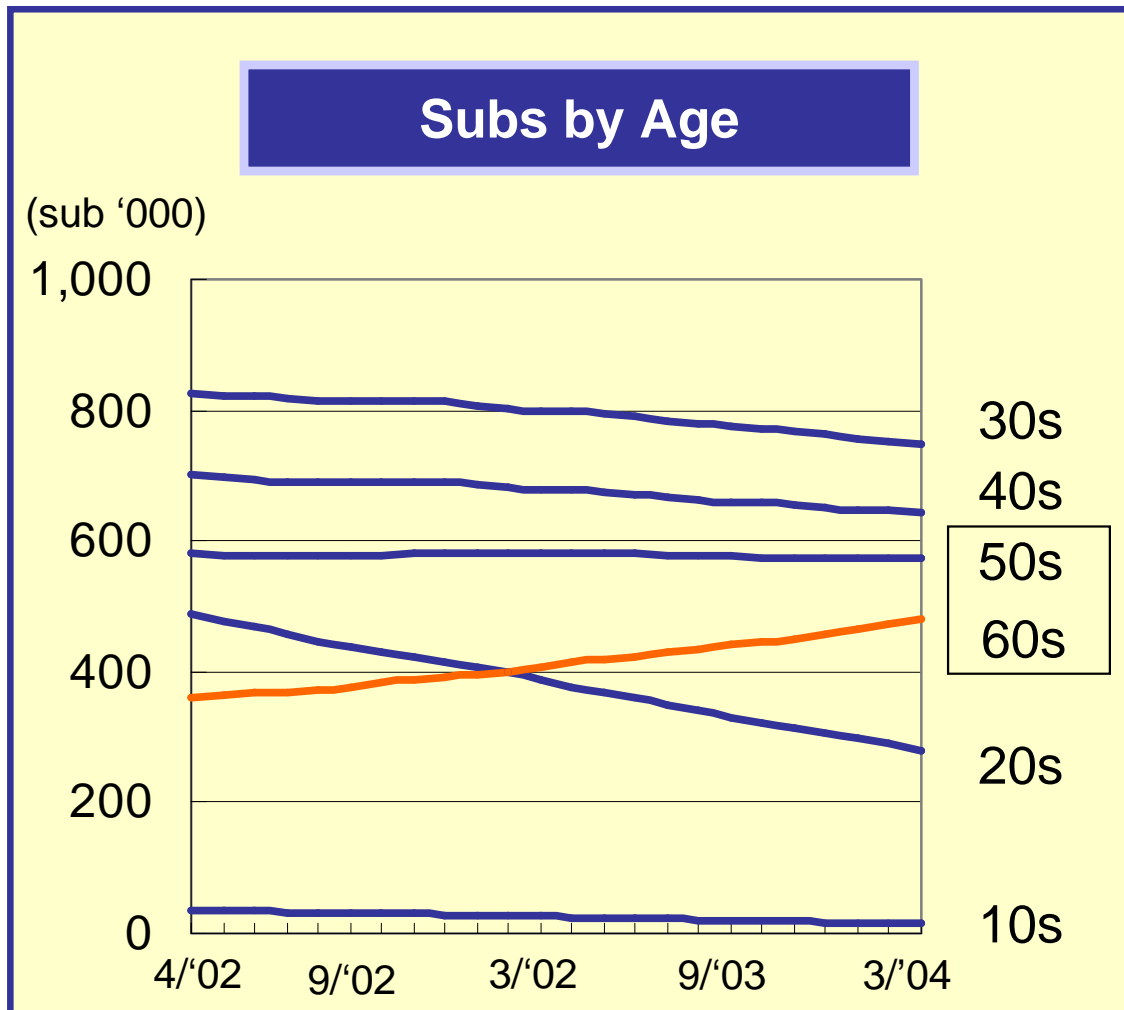
Trends in Hikari Plus Lines



1. TU-KA: 2G Specialization Strategy

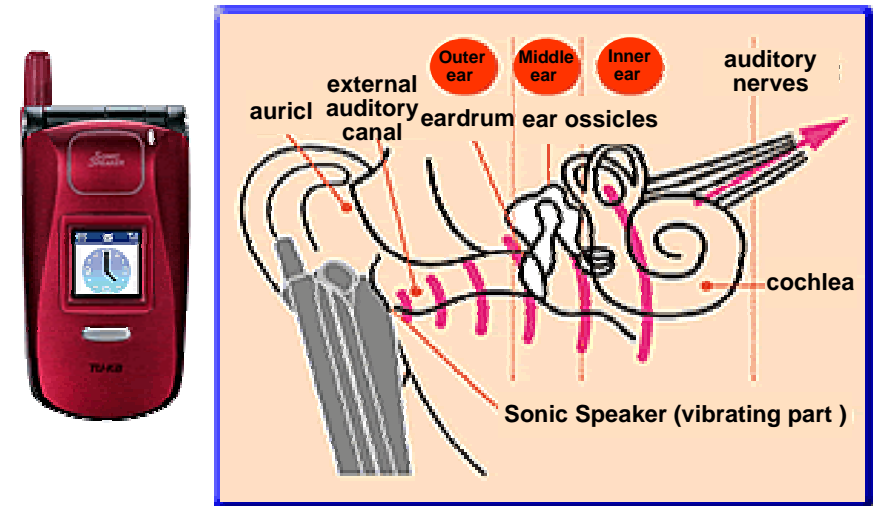
Maintain subscriber base by strengthening product lineup focusing on seniors.

- Procure inexpensive handsets with easy-to-use functions and excellent design and launch them mainly to seniors.



**TS41
(Bone conduction compatible)**

Equipped with a sonic speaker that conveys sound with vibrations



Note: Subs are based on post-paid customers and exclude corporate users.

2. Pocket: Data Specialization Strategy

Obtain a solid customer base focusing on data

(AirH” subs surpassed 1,000,000 on April 14, 2004)

Future
Developments

Speed

- Effective speed exceeds 80 kbps (actual value) even in the busiest areas as a result of improving technology and enhancing base stations.

⇒ Combined with data compression, perceived speed exceeds 200 kbps

Area

- Nationwide area (pop. coverage 96%)

Charges

- Low cost/flat-rate services
(Optimal for always-on mobile connections PC's)

-Net25: ¥3,780/mo (unlimited usage up to 25 hours)

-Unlimited use: ¥4,060/mo (completely flat-rate; Max 32 Kbps)

-Unlimited use: ¥7,560/mo (completely flat-rate; Max128 Kbps)

Work to further improve services by improving speeds, expanding service coverage, and diversifying charges

Note: Charges are after application of annual discount in its 1st year and the A&B Discount.
Charges do not include consumption taxes.

Ubiquitous Solution Company

