

1.1. FY 2005.3 Financial Highlights

1 Consolidated basis

- ▶ Operating revenues increased by 2.6% yoy and operating income was up 1.4% as strong “au” Business absorbed decreased revenues in Fixed-line Business and other segments
- ▶ Interest-bearing debt decreased to ¥864.6B (end-March)

2 “au” Business

- ▶ Operating revenue climbed 14.2% and operating income rose by 14.0% yoy
- ▶ Steady growth in Chaku-uta Full™; total downloads topped 5 million (on April 3)
- ▶ Achieved largest share of net adds for second consecutive year (50.4%) and continued to expand No. of WIN subs, reaching 3.25 million at end-March.

3 Fixed-line Business (Formerly BBC & Solutions Business)

- ▶ Despite growth in internet-based services, which narrowed decrease in revenues, sales of Metal Plus expanded, thereby pushing down operating income to ¥0.3B

4 TU-KA Business

- ▶ Expanded sales of simple handset “TU-KA S” among seniors

5 Business Reorganization

- ▶ Transferred PHS Business (Oct. 2004) and made 3 TU-KA companies into wholly-owned subsidiaries (end-March 2005)
- ▶ Reorganization of subsidiaries: Established KDDI Evolva (telemarketing, etc.), KNSL (fixed-line telecom) and KDDI Technical Engineering Service (Operation & Maintenance)

1.2. Full-Year Forecasts for FY 2006.3

FY2005.3 Result FY2006.3 Forecast (Change)

1 On a consolidated basis, Company forecasts an increase in operating revenues and a slight decrease in operating income, based on projected double-digit growth (15%) of ¥40.9 billion in “au” Business, which will almost cover an expected ¥41.7 billion decrease of OP through expanded sales of Metal Plus in Fixed-line Business.

▶ Operating revenues: ¥2,920.0B ¥2,976.0B (up ¥56.0B)
 Operating income : ¥296.2B ¥289.0B (down ¥7.2B)

(Reference) Results excluding Pocket
 up ¥142.8B
 down ¥1.7B

▶ Principal Factors

✓au ARPU	: ¥7,170	¥6,810	(down ¥360)
Cumulative subs	: 19,540k	21,540k	(up 2,000k)
✓Metal Plus cumulative subs	: 40k	2,200k	(up 2,160k)

2 Capex forecast at ¥440.0B (up ¥97.6B) due to enhanced “au” coverage and increased capex of 2GHz and wider coverage for Metal Plus

3 FCF guidance at ¥43.0B (down ¥359.2B) due to increased capex(¥97.6B) and disappeared prior year’s effect of ¥203.7B for divestiture of PHS Biz. and 1H result of Pocket.

1.3. FY 2006.3 Challenges

- 1** Secure new customers to strengthen business foundations and drive sustainable growth
 - ▶ Build up brand strength, enhance customer satisfaction and ensure compliance
 - ▶ Develop FMC (Fixed & Mobile Convergence) services by exploiting KDDI's competitive advantages

- 2** “au” Business:
 - ▶ Increase product attractiveness by pursuing uniqueness ;enhance EZ Chaku Uta Full™ etc.
 - ▶ Leverage strength of EV-DO network to expand sales of WIN's flat-rate services to wide range of users
 - ▶ Mobile Solutions: Enhance product development capability and promote sales along with solutions

- 3** Fixed-line Business (Formerly BBC & Solutions Business)
 - ▶ Expand sales of direct access services, led by Metal Plus, to rebuild Fixed-line Business

- 4** TU-KA Business
 - ▶ Establish stable customer base by focusing on seniors