

Ubiquitous Solution Company

KDDI CORPORATION



Interim Financial Results of the Fiscal Year Ending March 2008

October 19, 2007

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. 1H/FY2008.3 - Financial Results Highlights

1 Consolidated basis

- Operating revenues rose by +8.1% yoy and operating income was up +8.8%, as strong Mobile Business (“au”+ Tu-Ka) absorbed loss of Fixed-line Business which is in the middle of new service expansion.

2 Mobile Business (“au”+ Tu-Ka)

- Operating revenues increased by +7.6% and operating income rose by +12.6% yoy.
- Net additions for 1H were 1.03M (“au”:1.43M, Tu-Ka: -0.40M) with a favorable progress to the full-year outlook of 1.81M (“au”: 2.68M, Tu-Ka: -0.87M).
- Net additions of MNP ^{note 1} for 1H were +381k (“au”:+395k, Tu-Ka: -14k).
- No. of “au” WIN subs is steadily increasing, totaling 17.06M at end-September, of which 76% of users sign up for Packet Flat-rate plans.
- Plan to terminate Tu-Ka service at end-March 2008 based upon a smooth user-migration to “au” keeping the same phone number; total who switched at 0.27M in 1H, making aggregate total of 2.40M (since October 2005).

3 Fixed-line Business

- Operating revenues decreased by 2.2% yoy (though sales outside the group increased by +3.3%) and operating loss was ¥29.5B.
- No. of Metal-plus ^{note 2} subs rose to 3.17M and no. of HIKARI-one (FTTH) subs increased to 0.67M at end-September.

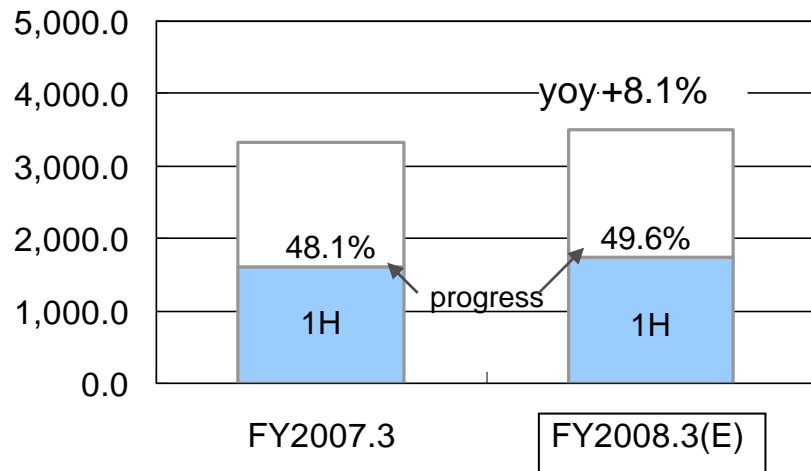
1.2. 2H/FY2008.3 - Challenges

- 1** Address “Customer Satisfaction No. 1” in every service in the first year of “Challenge 2010”, aiming at “Sustainable Growth.”
 - Strengthen the existing business base and expand business domain to realize a mid-term system for increasing both sales and income.
 - Review the organizational structure of sales to further promote FMBC/FMC (October 1).
 - Consumer market : Utilize the “au” brand asset.
 - Corporate market : Reinforce sales to SMEs through the business integration of KNSL.
- 2** Mobile Business (“au” + Tu-Ka)
 - Launch “au Purchase Program” designed to suit customer needs.
 - Maintain “Customer Satisfaction No. 1,” by boosting all-round product attractiveness (infrastructure, handsets, charges and content & applications).
 - Continue to reinforce customer acquisition to achieve 30M subs with a 30% share during the term.
 - Promote Tu-Ka user migration to “au” and a smooth termination of the service at end-March 2008.
- 3** Fixed-line Business
 - Aim at 3.20M subs by end-March 2008 toward stable profitability of Metal-plus.
 - Promote HIKARI-one (FTTH) to achieve a 30% share in the Tokyo-Metropolitan service area over the medium-long terms.
- 4** Increase efforts to acquire the license of 2.5GHz frequency based upon mobile WiMAX technology. (Submission of application on October 11).

2. Consolidated Financial Results

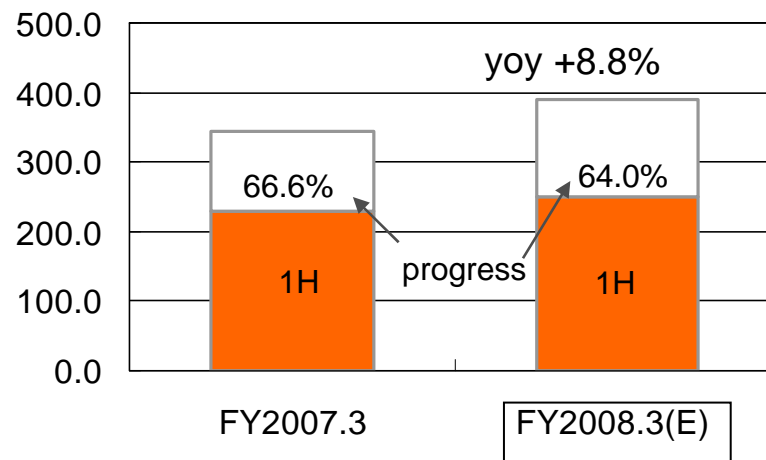
Operating revenues

(Billions of yen)



Operating income

(Billions of yen)

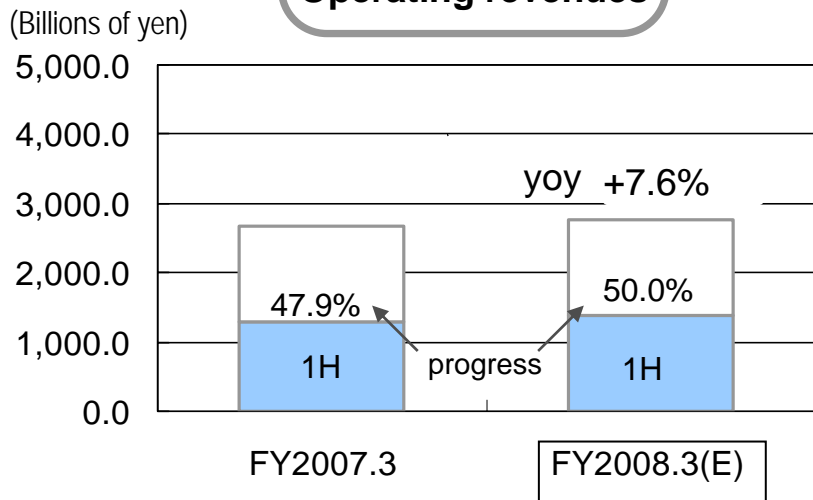


(Billions of yen)

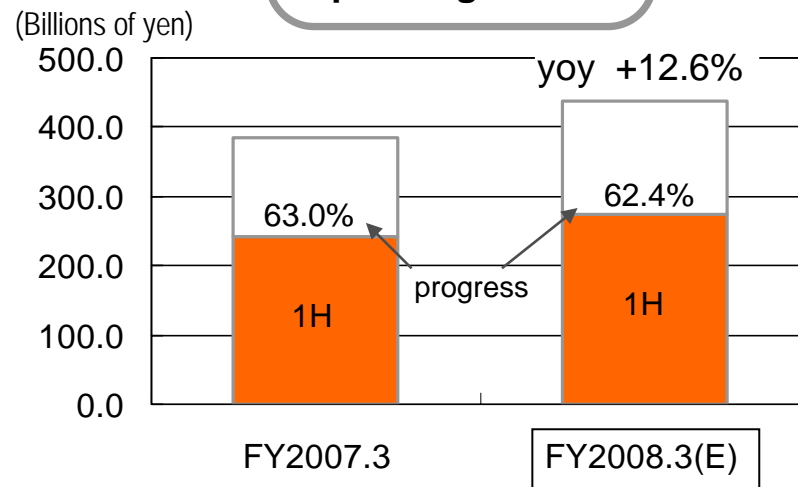
	FY2007.3		FY2008.3(E)			
	1H		1H	yoy	progress	
Operating revenues	1,604.8	3,335.3	1,734.3	8.1%	49.6%	3,500.0
Operating income	229.5	344.7	249.6	8.8%	64.0%	390.0
<i>Operating margin</i>	14.3%	10.3%	14.4%	-	-	11.1%
Ordinary income	227.3	350.9	252.4	11.1%	64.7%	390.0
Net income	136.0	186.7	145.7	7.1%	66.2%	220.0
Free Cash Flow	200.6	296.5	59.8	-	-	2.0
EBITDA	392.1	691.7	424.7	8.3%	55.2%	770.0
<i>EBITDA margin</i>	24.4%	20.7%	24.5%	-	-	22.0%

3. Mobile Business/ "au"+Tu-Ka(PDC)

Operating revenues



Operating income



(Billions of yen)

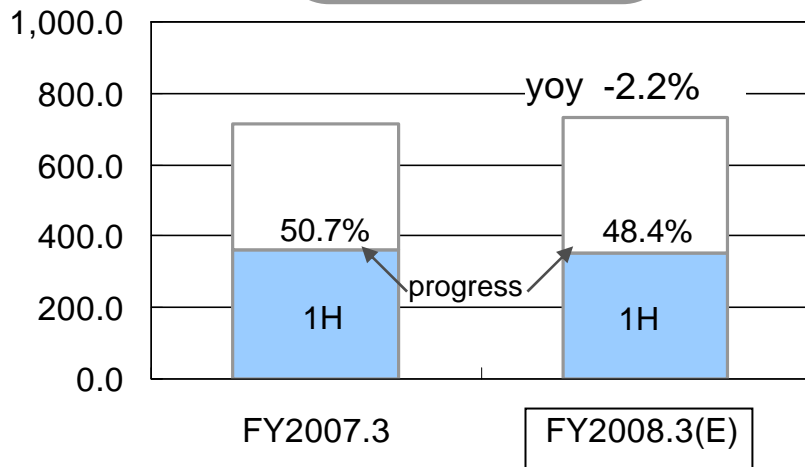
	FY2007.3		FY2008.3(E)			
	1H		1H	yoy	progress	
Operating revenues	1,283.4	2,677.4	1,381.2	7.6%	50.0%	2,763.0
"au"	1,238.2	2,610.6	1,373.1	10.9%	49.8%	2,756.0
Tu-Ka	45.2	66.8	8.1	-82.2%	115.0%	7.0
Operating income	242.8	385.7	273.3	12.6%	62.4%	438.0
<i>Operating margin</i>	18.9%	14.4%	19.8%	-	-	15.9%
Ordinary income	244.6	393.5	276.7	13.1%	62.5%	443.0
Net income	144.8	209.5	160.0	10.5%	63.3%	253.0
Free Cash Flow	184.5	294.8	94.4	-	-	126.0
EBITDA	339.0	598.1	386.8	14.1%	56.8%	681.0
<i>EBITDA margin</i>	26.4%	22.3%	28.0%	-	-	24.6%

	FY2007.3		FY2008.3(E)	
	1H		1H	
Total Subs	26,403	28,188	29,217	30,000
of module-type	624	699	776	740
"au" total	24,486	27,317	28,744	30,000
WIN(EV-DO)	10,770	14,549	17,063	18,750
1X	12,997	12,170	11,177	-
cdmaOne	719	597	503	-
Tu-Ka(PDC)	1,916	872	473	0

4. Fixed-line Business

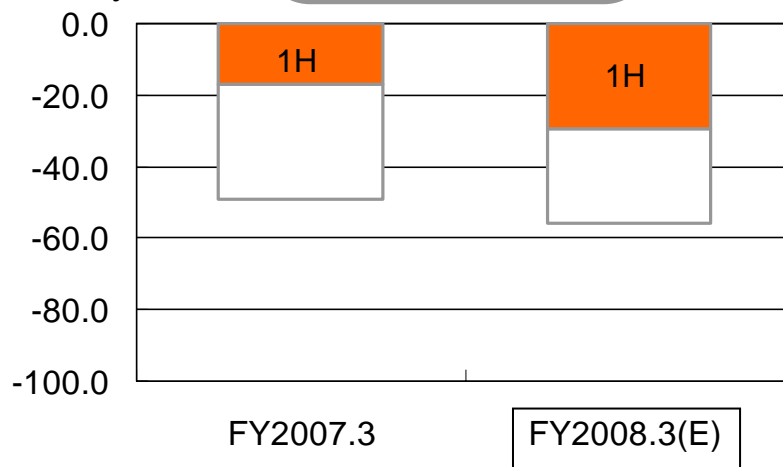
Operating revenues

(Billions of yen)



Operating income

(Billions of yen)



* yoy comparison are not available as figures are negative.

(Billions of yen)

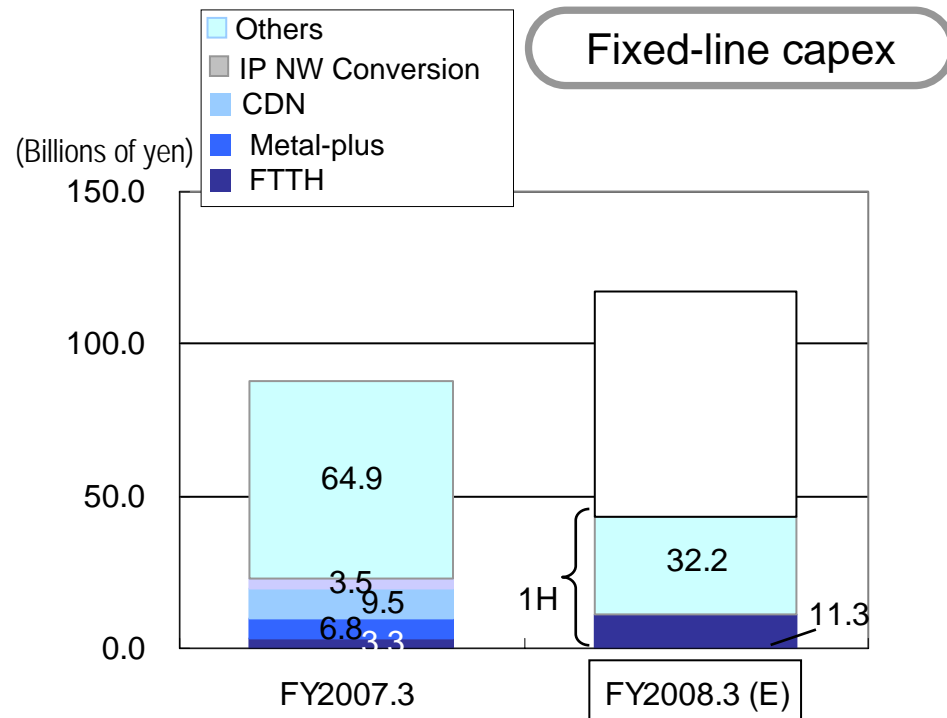
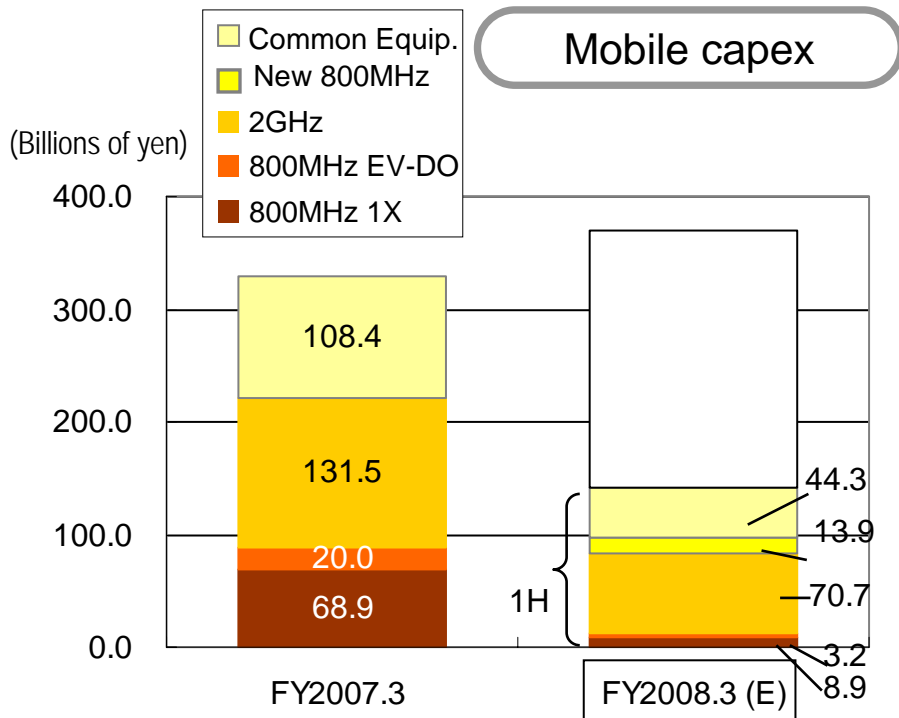
	FY2007.3		FY2008.3(E)			
	1H		1H	yoy	progress	
Operating revenues	362.4	714.4	354.6	-2.2%	48.4%	733.0
Operating income	-16.8	-49.0	-29.5	-	-	-56.0
<i>Operating margin</i>	-4.6%	-6.9%	-8.3%	-	-	-7.6%
Ordinary income	-17.3	-47.2	-29.5	-	-	-60.0
Net income	-8.5	-23.4	-17.1	-	-	-35.0
Free Cash Flow	18.8	6.3	-12.6	-	-	-95.0
EBITDA	47.8	80.9	29.3	-38.7%	40.2%	73.0
<i>EBITDA margin</i>	13.2%	11.3%	8.3%	-	-	10.0%

Subs	('000)	FY2007.3		FY2008.3(E)	
		1H		1H	
ADSL		1,545	1,512	1,471	1,500
HIKARI-one (FTTH)		192	Note 1 592	668	900
Metal-plus	Note 2	2,441	2,813	3,172	3,200

Note 1 : HIKARI-one (FTTH) subs include former TEPCO Hikari subs from March 2007.

Note 2 : Including ADSL one (ADSL used over Metal-plus).

5. Capital Expenditures



Note: Items other than FTTH are included in "Others" in FY2008.3.

(Billions of yen)

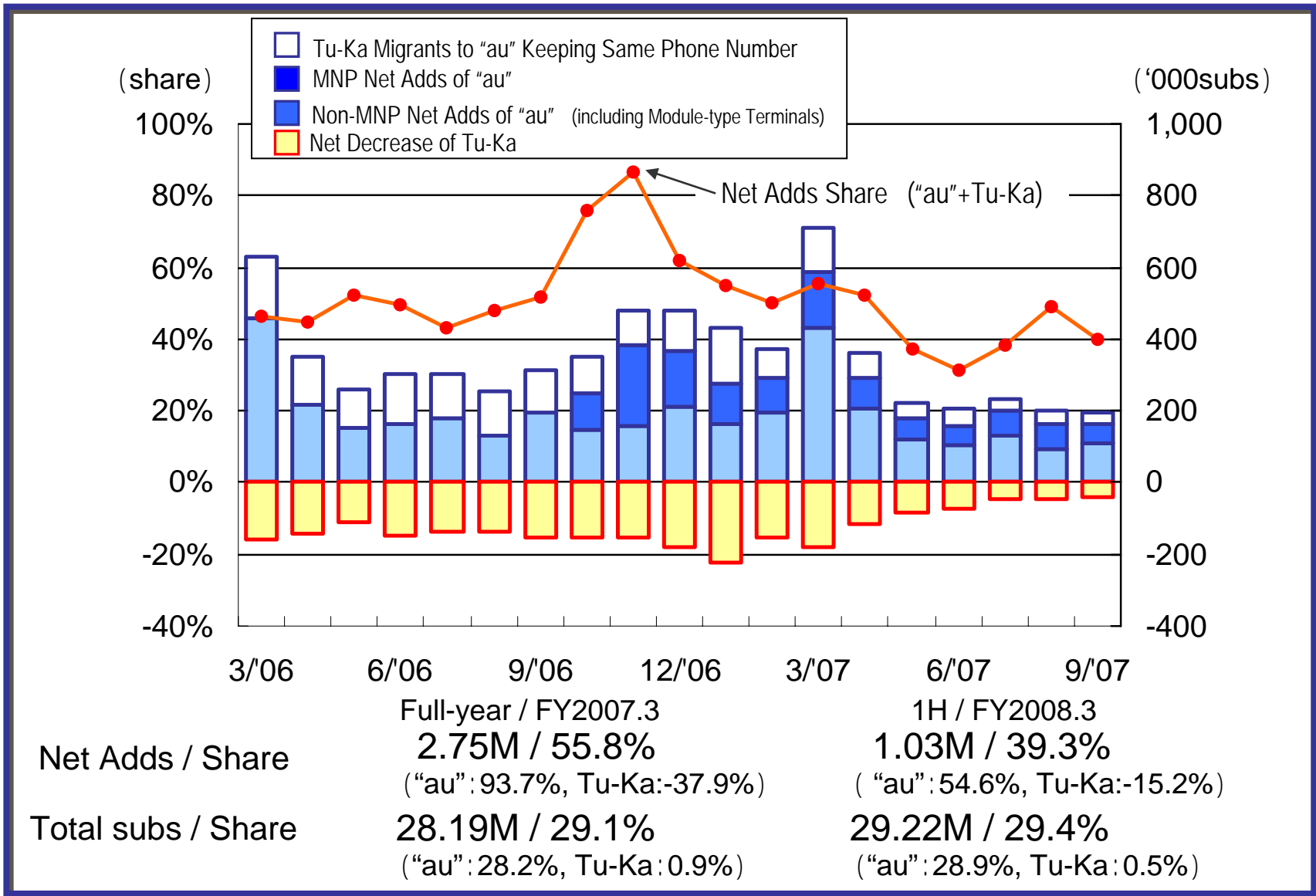
		FY2007.3		FY2008.3 (E)			
		1H		1H	yoy	progress	
CAPEX (Cash basis)	Consolidated	176.2	438.5	190.6	8.2%	38.1%	500.0
	Mobile	121.8	328.9	141.1	15.8%	38.1%	370.0
	Fixed-line	44.4	88.0	43.5	-2.0%	37.2%	117.0

Segment Discussions & Strategies

Mobile Business
"au" / Tu-Ka (PDC)

Fixed-line Business

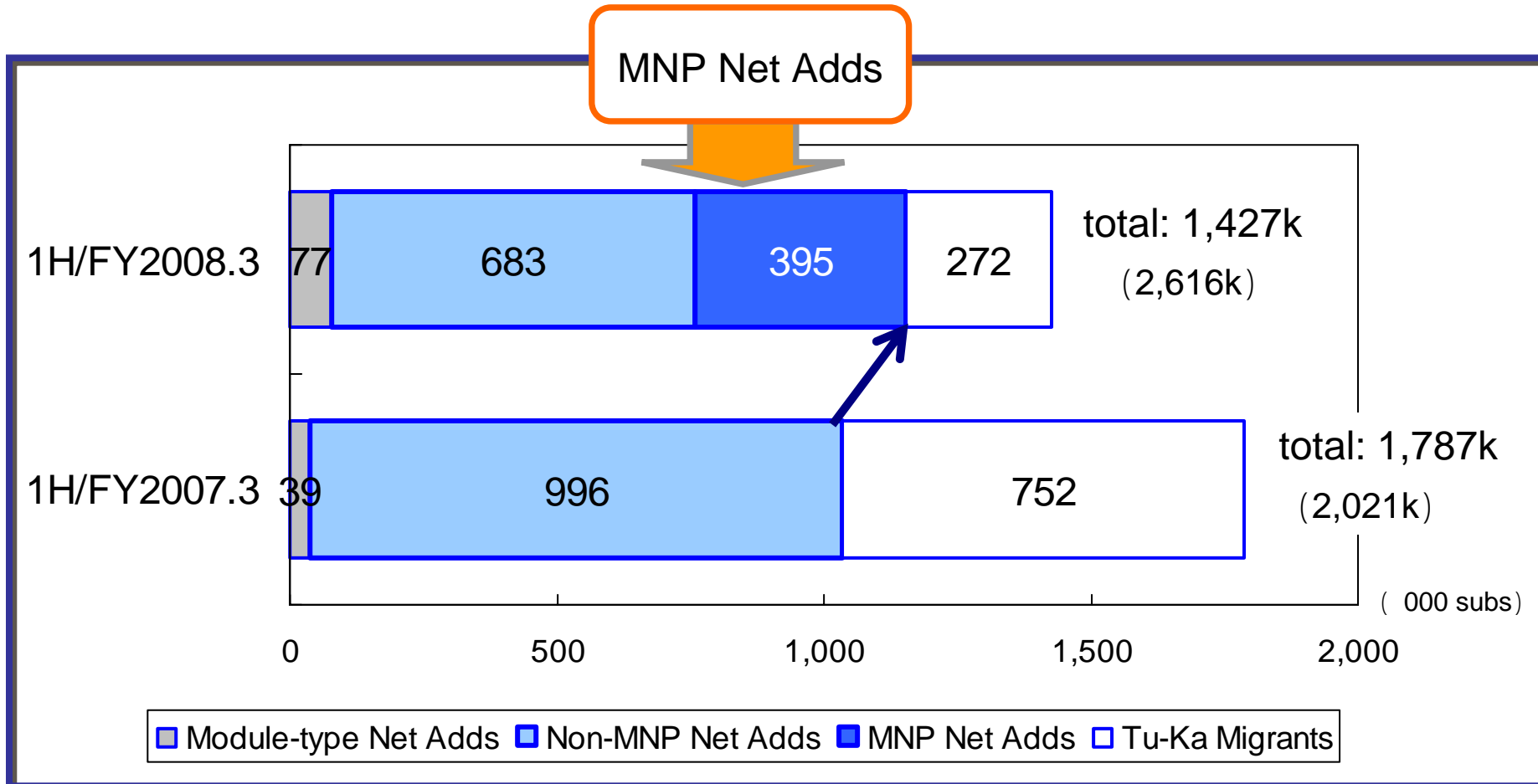
1.1. Net Additions of KDDI("au" + Tu-Ka)



Note: The graph of the net adds share excludes EMOBILE and the 1st half share includes it, as its number was disclosed on a quarterly basis.

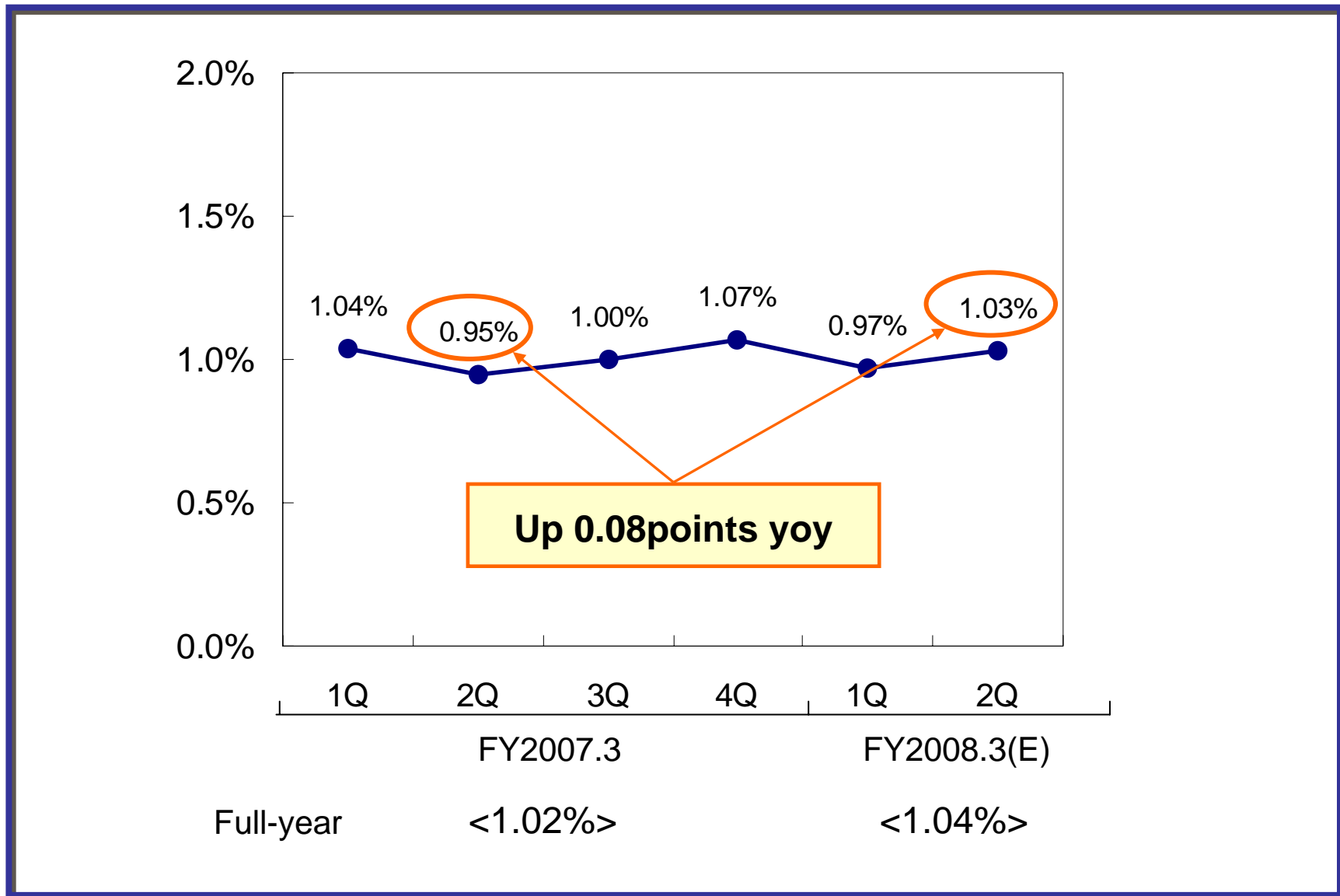
1.2. Breakdown "au" Net Additions (yoy)

- Net additions of MNP for 1H were +395k.
- On a basis that excludes Tu-Ka migrants to "au", the MNP-related net additions contributed to the year-on-year net additions.



Note: () refers to net adds in the Japanese market.

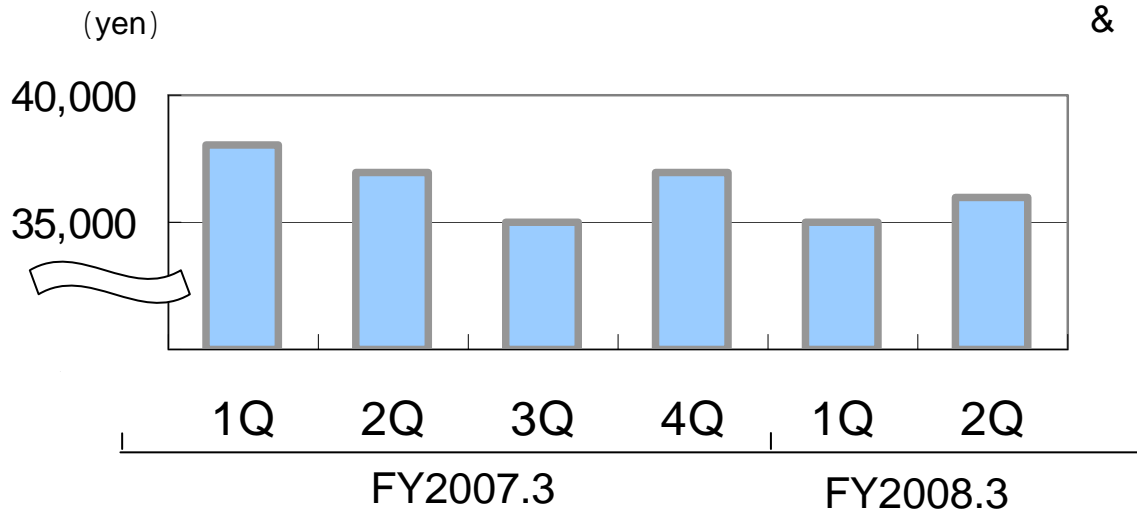
1.3. "au" Churn Rate



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

1.4. "au" Sales Commissions

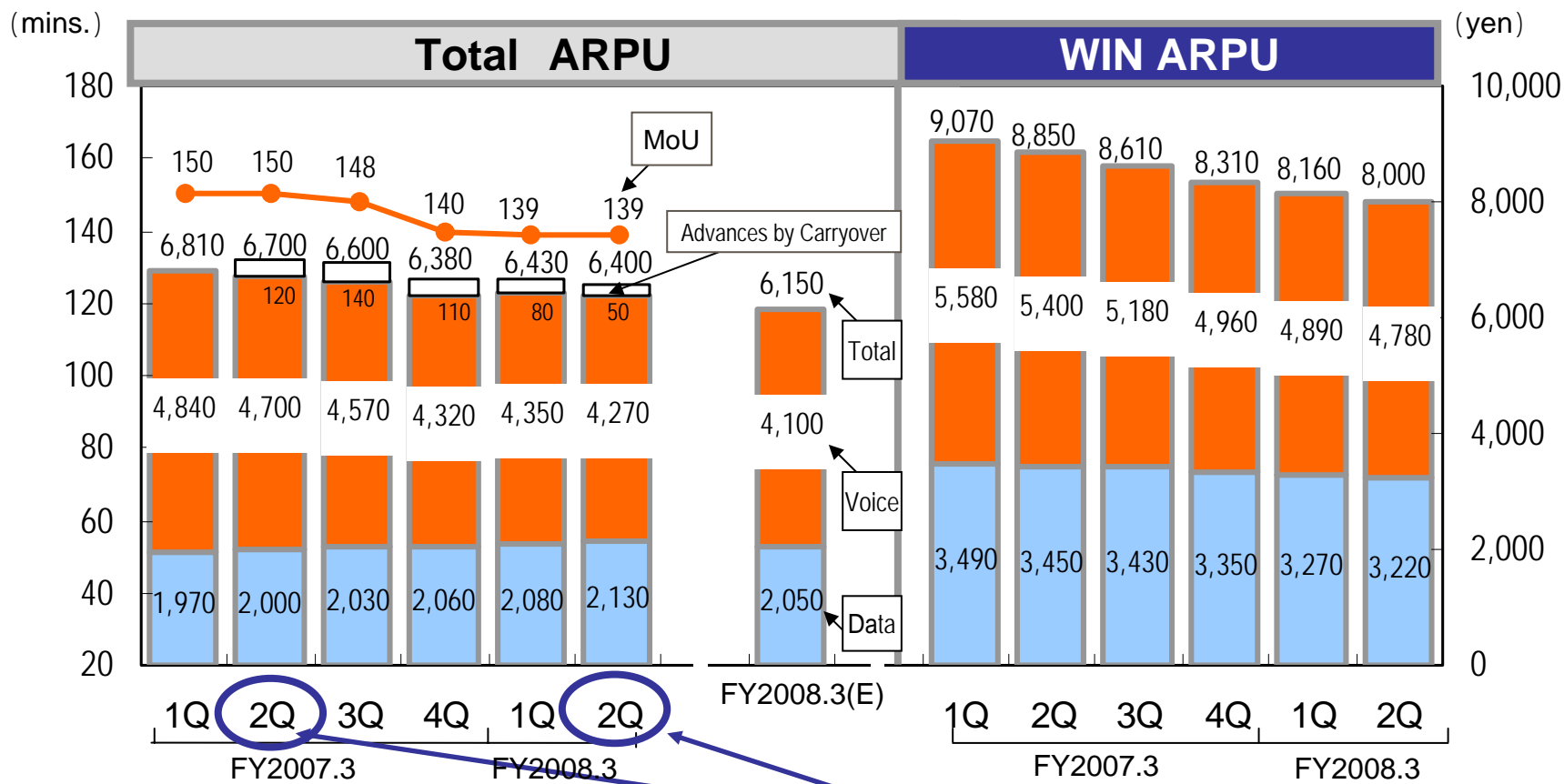
Average commissions /unit*



*New purchases & upgrade models

	FY2007.3					FY2008.3(E)		
	1Q	2Q	3Q	4Q		1Q	2Q	
Sales commissions (Billions of yen)	124.0	129.0	145.0	170.0	568.0	124.0	149.0	565.0
Average commissions/unit (yen)	38,000	37,000	35,000	37,000	37,000	35,000	36,000	36,000
Number of units sold ('000 units)	3,270	3,520	4,110	4,650	15,550	3,530	4,080	15,700

1.5. Trend of "au" ARPU



Full-year	FY2007.3	FY2008.3(E)
Total ARPU	¥ 6,610	¥ 6,150
of Voice	¥ 4,590	¥ 4,100
of Data	¥ 2,020	¥ 2,050

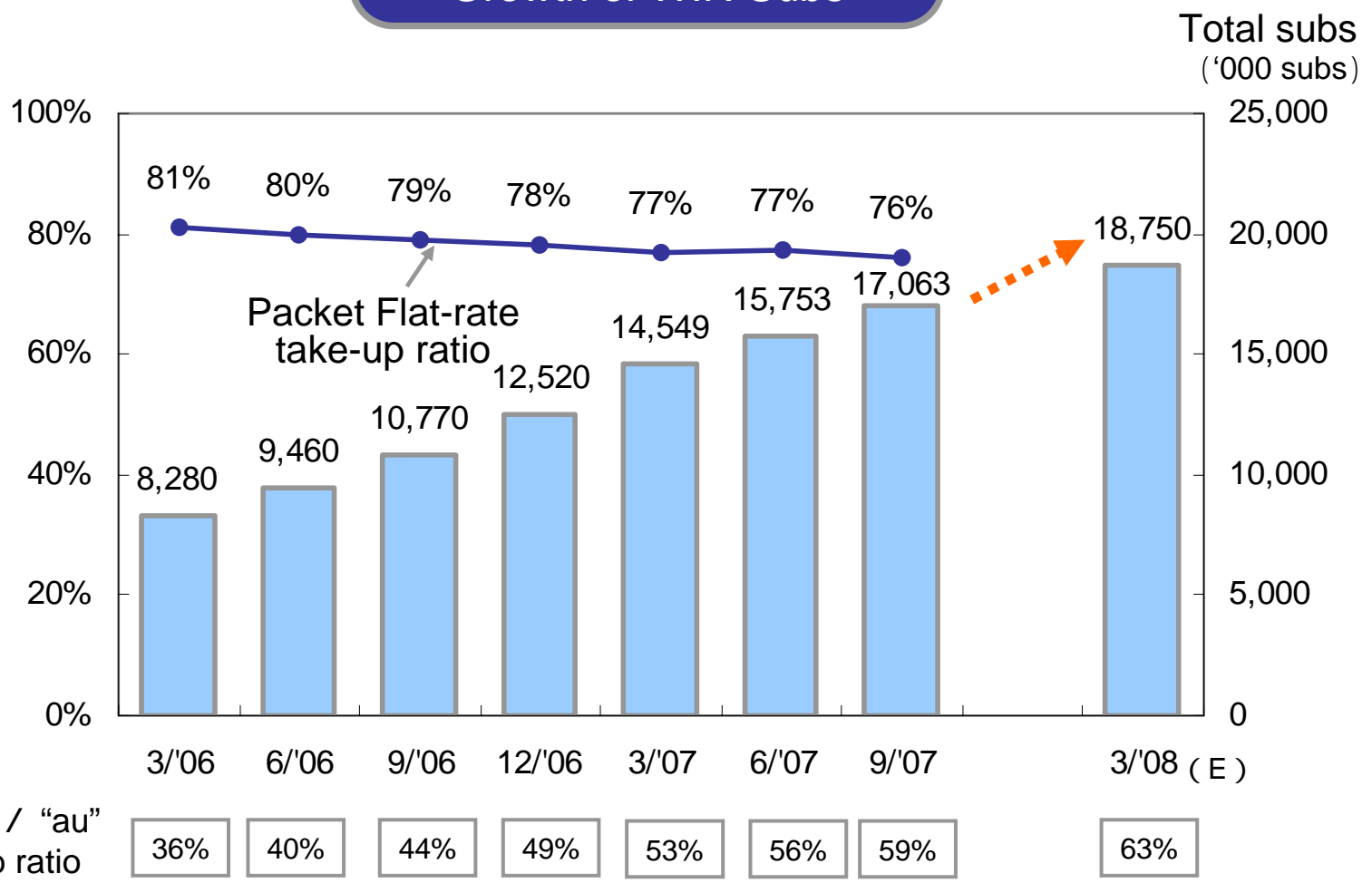
yoy change	
Total ARPU	¥ 300 (- 4.5%)
of Voice	¥ 430 (+ 9.1%)
of Data	+ ¥ 130 (+ 6.5%)

1.6. Update on WIN



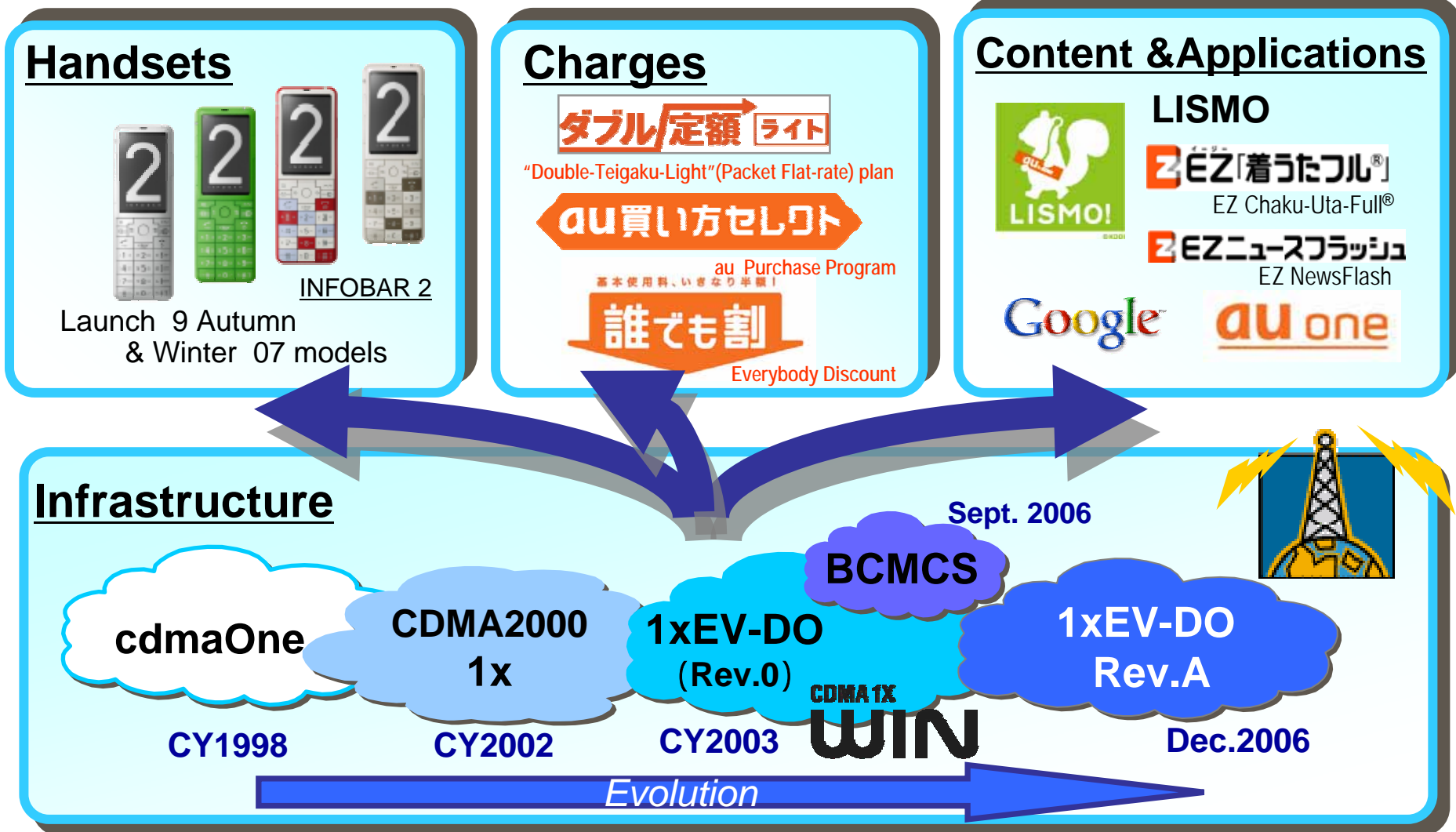
- 59% of "au" users are with WIN at end-September, of which as high as 76% of customers sign up for Packet Flat-rate plans.

Growth of WIN Subs



2. Boost All-Round Product Attractiveness

- Promote differentiation by leveraging competitive advantage in infrastructure to boost all-round product attractiveness in terms of handsets, charges and content.



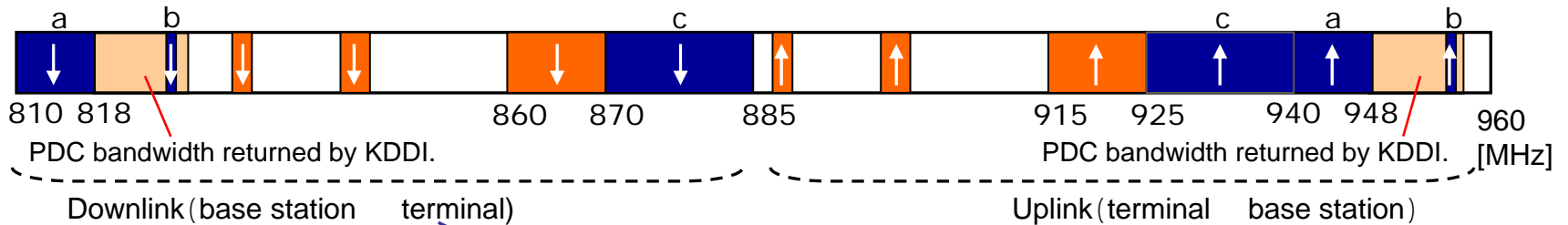
3. Reorganization of 800MHz Band (1)

- The reorganization of current 800MHz will be finished by July 2012 under the government policy with the objective to solve (i) the fragmented bandwidth assignment and (ii) uplink/downlink configuration that is opposite with other countries.
- Total capacity allocated to KDDI is 15MHz each uplink/downlink and remains unchanged before and after the reorganization.

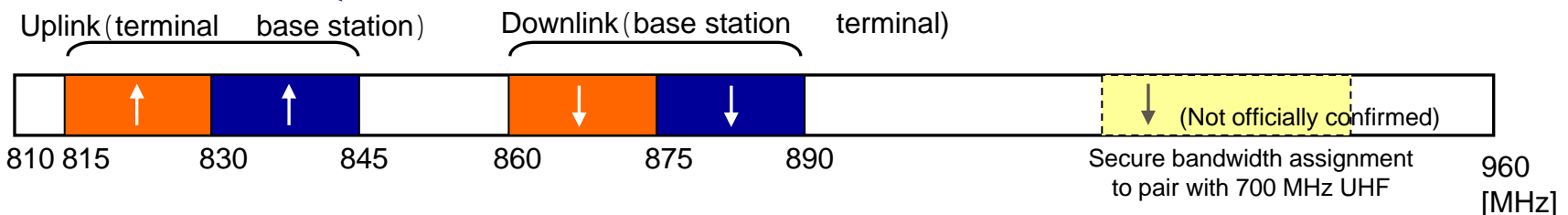
< Reorganization of 800MHz band >

■ KDDI ■ NTT DoCoMo

Current situation



From July 2012

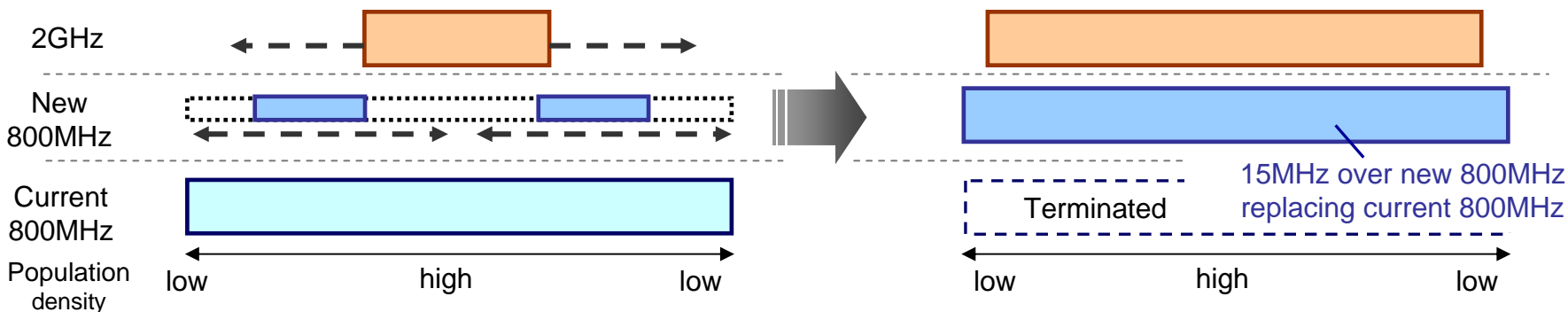


3. Reorganization of 800MHz Band (2)

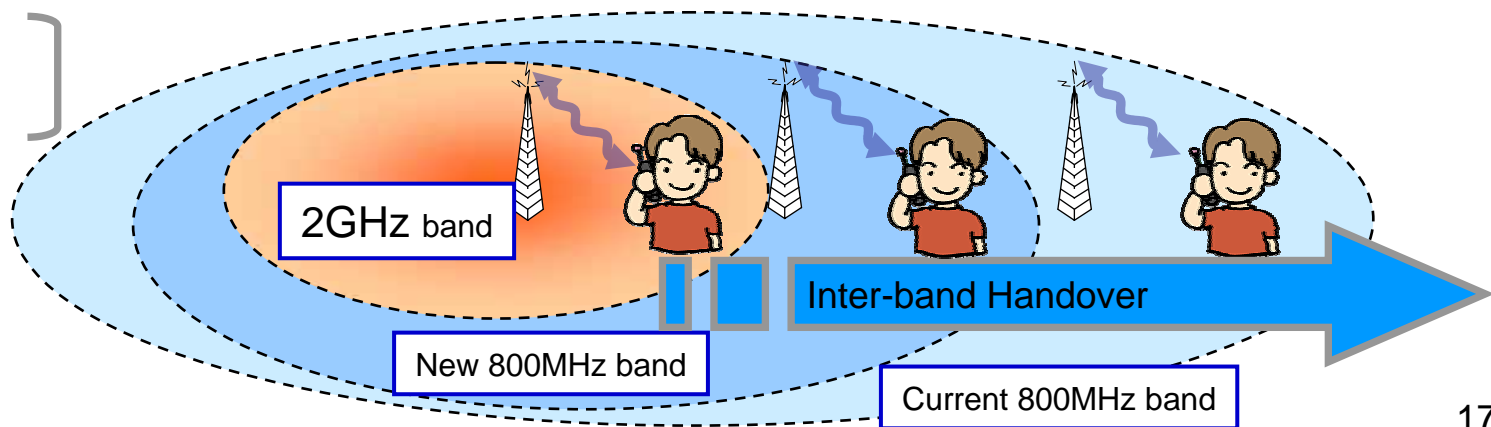
- Secure nationwide coverage and additional capacity for subscriber increase with 2GHz and new 800MHz band for the current 800MHz band reorganization.
- Handsets that support dual band (current 800MHz and 2GHz band) and tri-band (including the new 800MHz band) will enable the handover between bands. As of end-September, 11.80M of these terminals are in use.

< FY 2007 >

< From July 2012 >

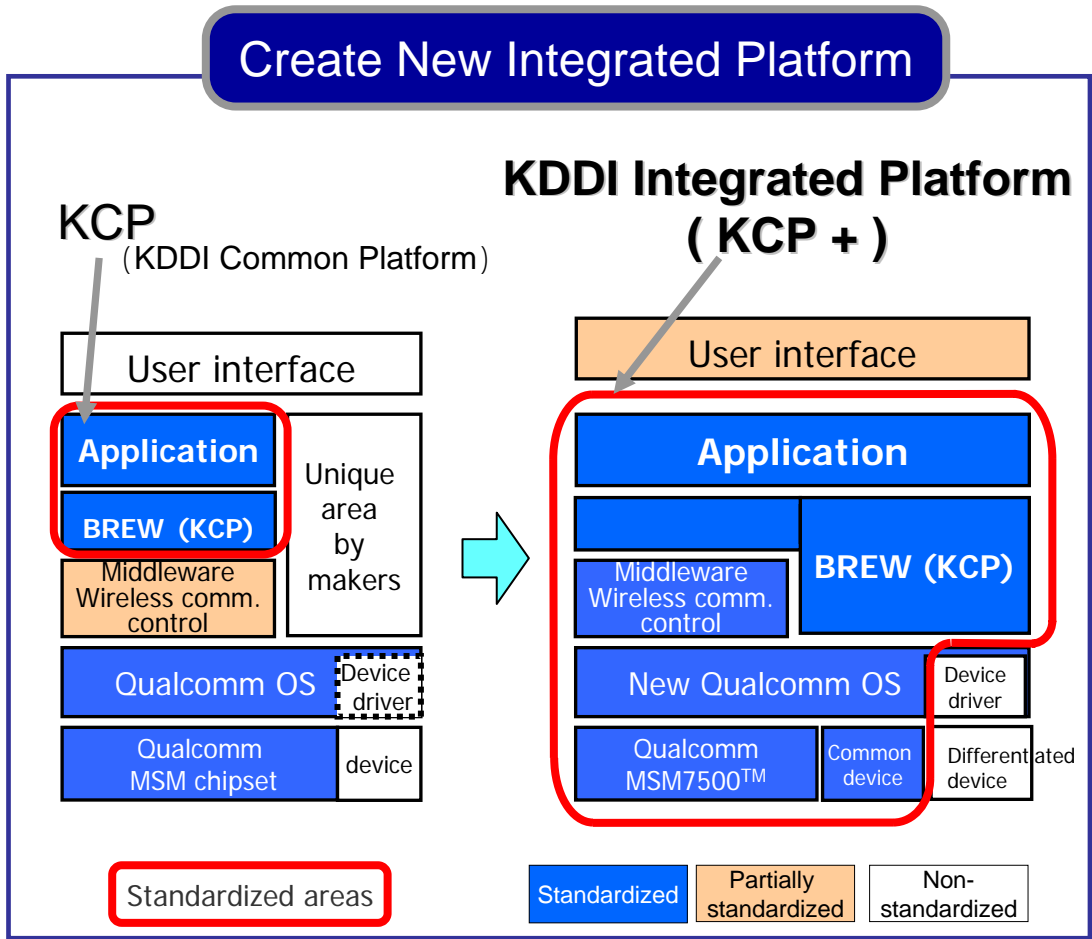
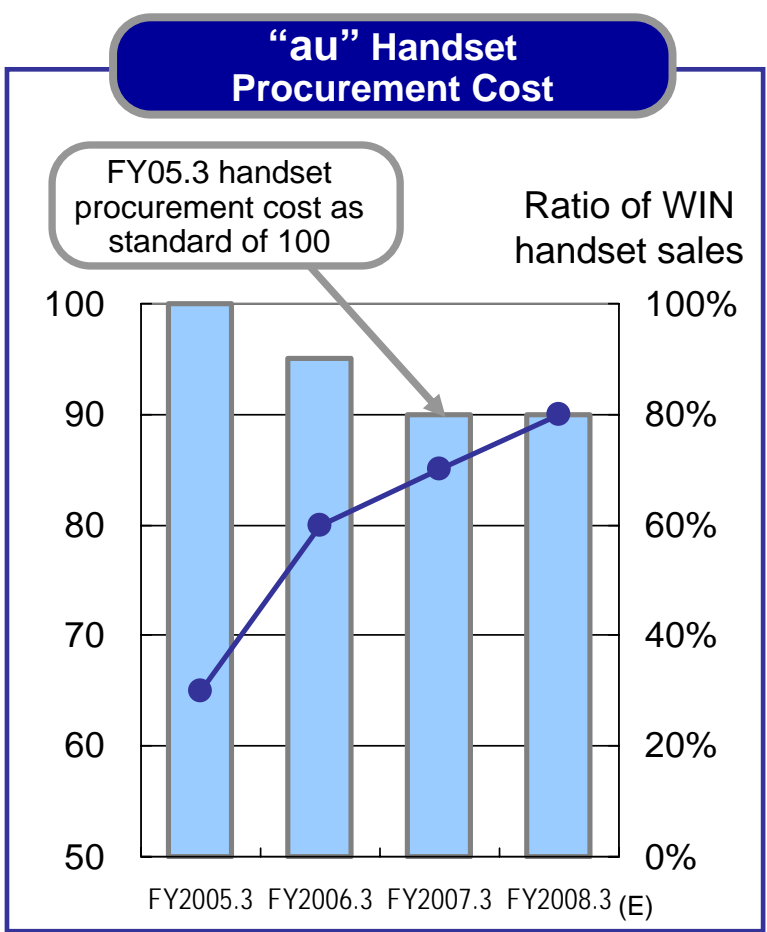


Handover Image during the 800MHz Reorganization



4. Measures to Reduce Handset Costs

- Launch 3 models of Rev. A handsets developed upon KDDI Integrated Platform as part of the Autumn & Winter 07 model lineup. Aim to further strengthen cost competitiveness in mobile phone development to deal with more complex and sophisticated software.



5. au Purchase Program (New purchasing option) (1)

Purchasing methods until now:

- By reducing the initial cost burden of purchasing a handset through a handset subsidy, the popular uptake of mobile service has increased, which has contributed to the lowering of charges and the advancement of services.
- There will be an ongoing need for customers to switch to newer handsets and schemes are needed to encourage the use of new services etc.



However:

- Insufficient explanation to customers concerning handset subsidy.
- Perception of unfairness concerning frequent need for upgrading handsets.
- Perception that the current system brings unnecessary switching of handsets.



Purchasing methods from now on:

- Easy-to-understand handset subsidy schemes (Establish handset user contractual periods with clear description of the handset subsidy).
- Add extra options on the cheaper discounted charges available after the fixed period.
- Also offer cheaper discounted charges with no handset subsidy.

5. au Purchase Program (New purchasing option) (2)

- Launch "au Purchase Program", which enables customers buying an "au" handset to choose a purchasing method suited to their needs from November 12, 2007.

au Purchase Program

* Including tax.

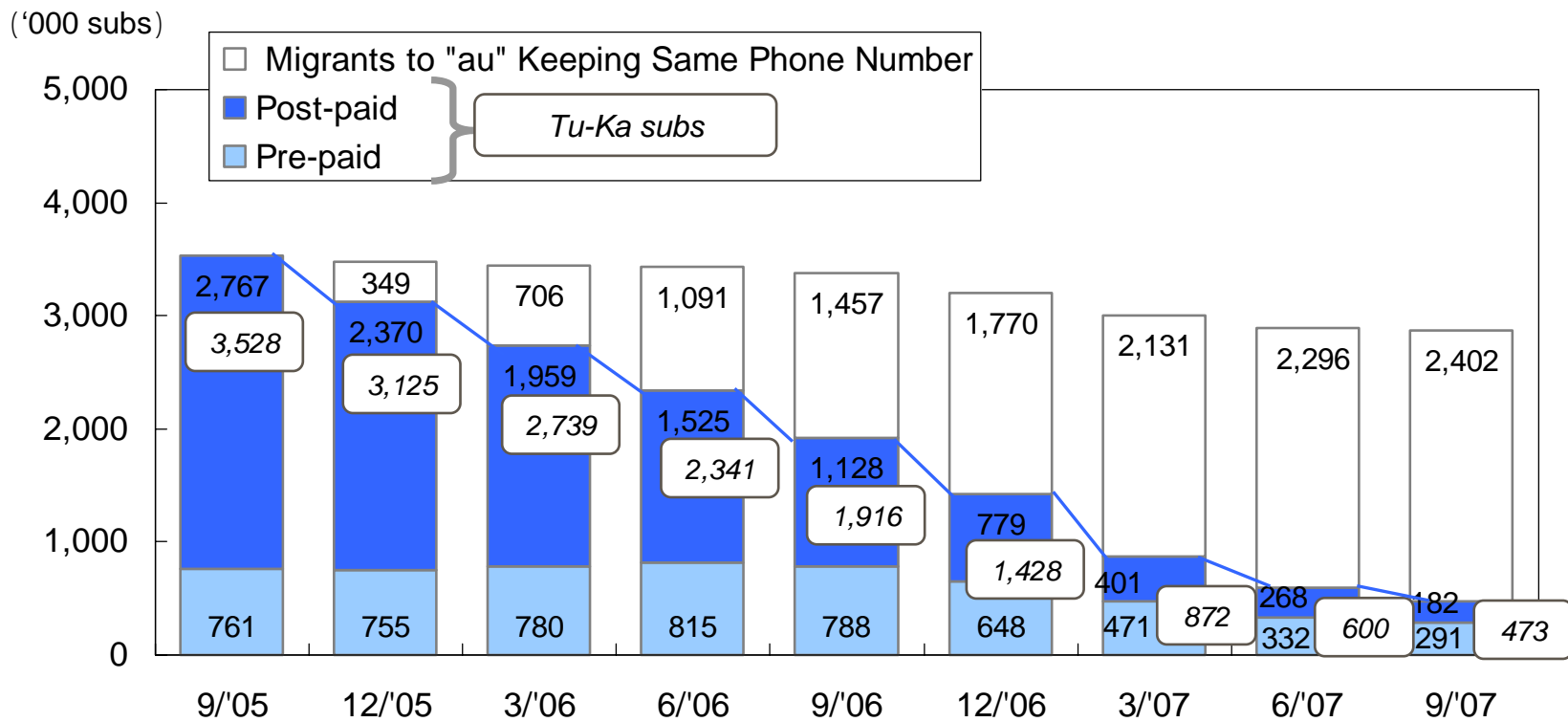
	Full Support Course (New scheme based on incentive model)	Simple Course (Separation model without subsidy)
Course Name		
Target	For customers who wish to keep the initial cost of their handset purchase low.	For customers who consider lower monthly bill is more important than upgrading a handset
Purchase Support (subsidy to users)	yes (¥21,000)	No
Contractual Period for Handset	2 years	No
Rate Options (handset-type)	Current Rate Plans (8 plans)	Simple Plan (2 plans) * Basic charge: S ¥1,050 L ¥2,625 Call charges: S ¥15.75/30 sec. L ¥10.5/1 min.
Other Details	<ul style="list-style-type: none"> · Applicable: basic charge discounts. · Full Support Cancellation Fee required for early cancellation. · Cancellation fee for a fixed-term discount waived. · Monthly points rate increased upon usage. 	-

Note: Simple Course customers can select rate plans other than the Simple Plan.

6. Termination of Tu-Ka Service

- Plan to terminate Tu-Ka service at end-March 2008 based upon a smooth user-migration to "au" keeping the same phone number; total who switched at 0.27M in 1H, making aggregate total of 2.40M (since October 2005).

Tu-Ka Total Subs

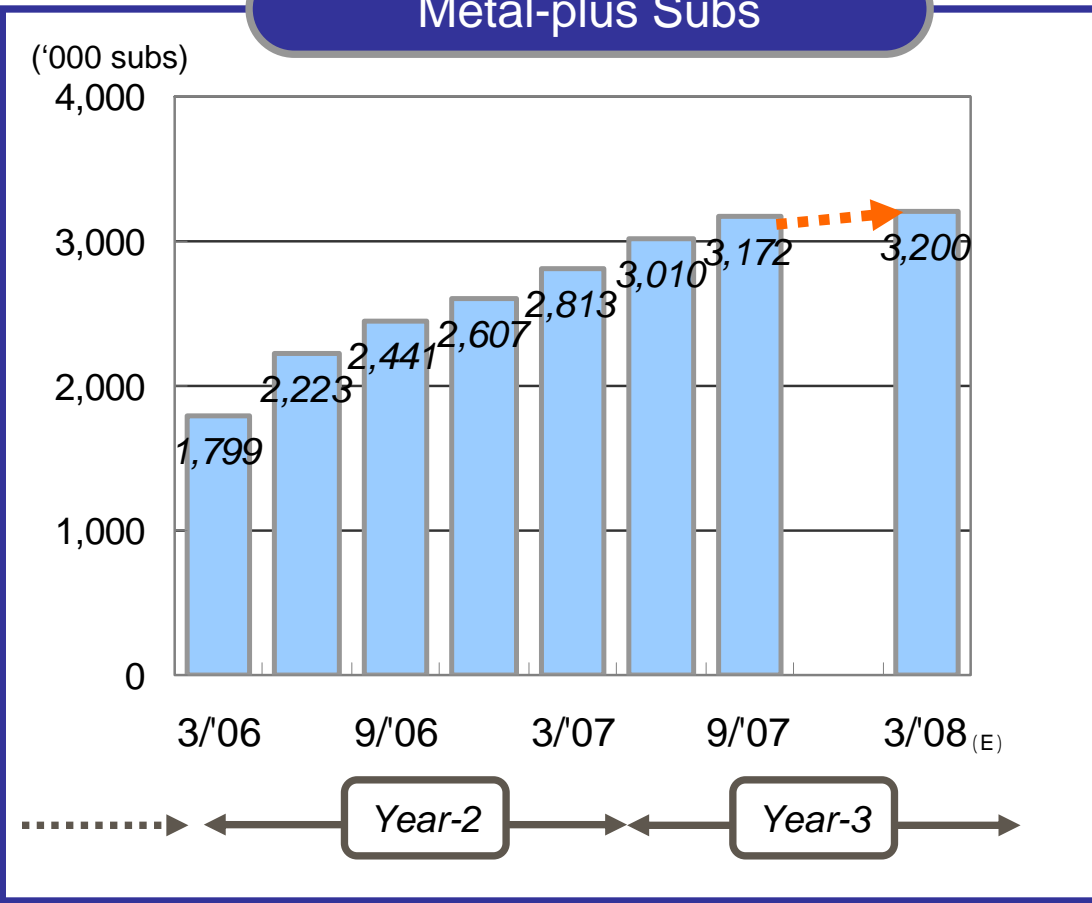


1. Metal-plus

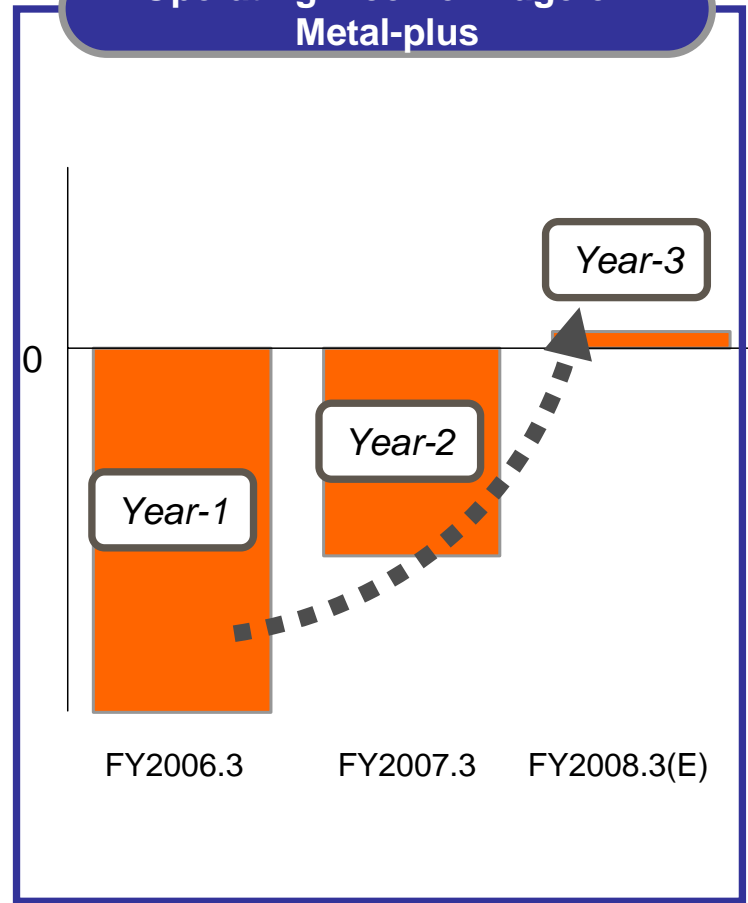
■ No. of Metal-plus subs rose to 3.17M at end-September.



Metal-plus Subs



Operating Income Image of Metal-plus



Note: Including ADSL one.

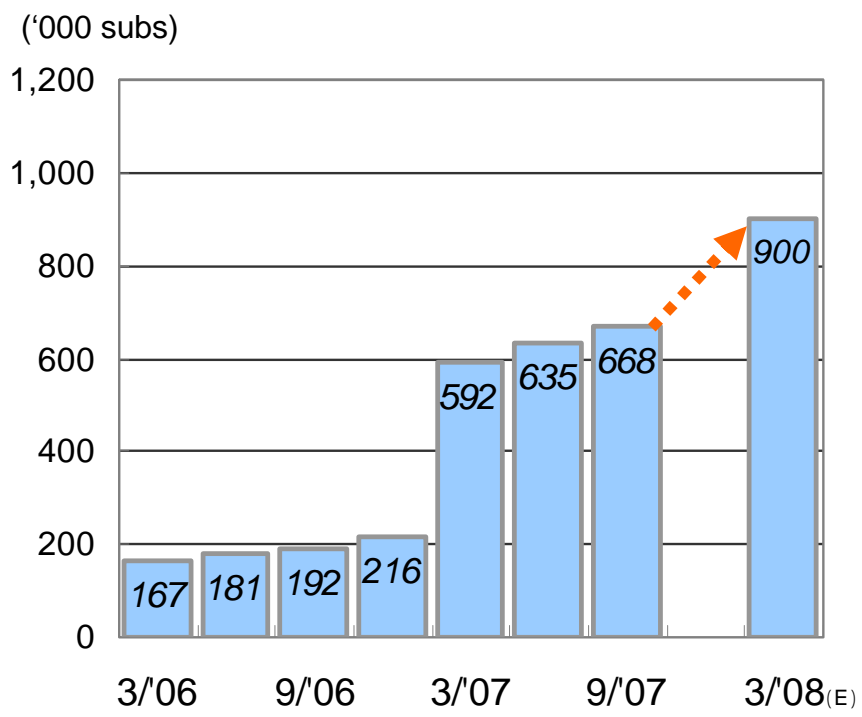
2. HIKARI-one (FTTH) (1)



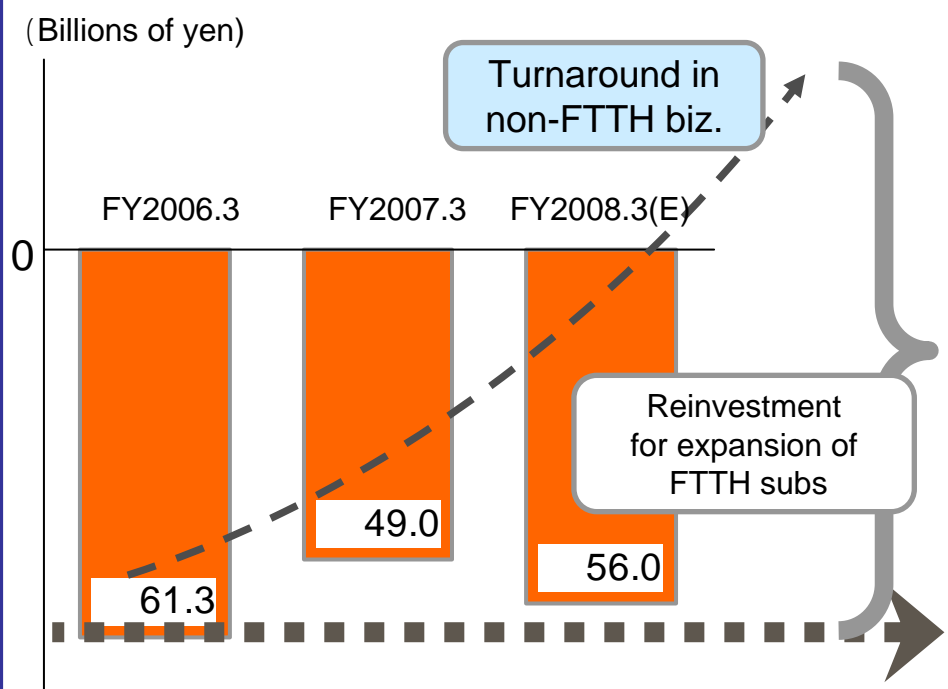
Fixed-line Business

■ No. of HIKARI-one (FTTH) subs increased to 0.67M at end-September.

HIKARI-one Subs



Operating Income Image for Fixed-line Biz



2. HIKARI-one (FTTH) (2)



- Reinforce sales force including sales channels and competitiveness of products.
- In 2H, expand sales for condos and for homes in the Tokyo-Metropolitan area.

Course Name (Targeted area)	HIKARI-one Condo (All major cities nationwide)	HIKARI-one Home (Tokyo-Metropolitan area)
Challenges	➤ Intensify sales force	➤ Strengthen product competitiveness



Initiatives to take	Sales & Marketing	<ul style="list-style-type: none"> ➤ Fully utilize the channels of the consumer business domain. ➤ Increase customer touch points through multi-ISP ➤ Sales shift from Metal-plus to FTTH ➤ Strengthen developer sales (HIKARI-one Condo)
	Product	<ul style="list-style-type: none"> ➤ Develop products suited to market needs (DVD Burning)* ➤ Change ISP brand from "DION" to "au one net" and strengthen linkage with "au."

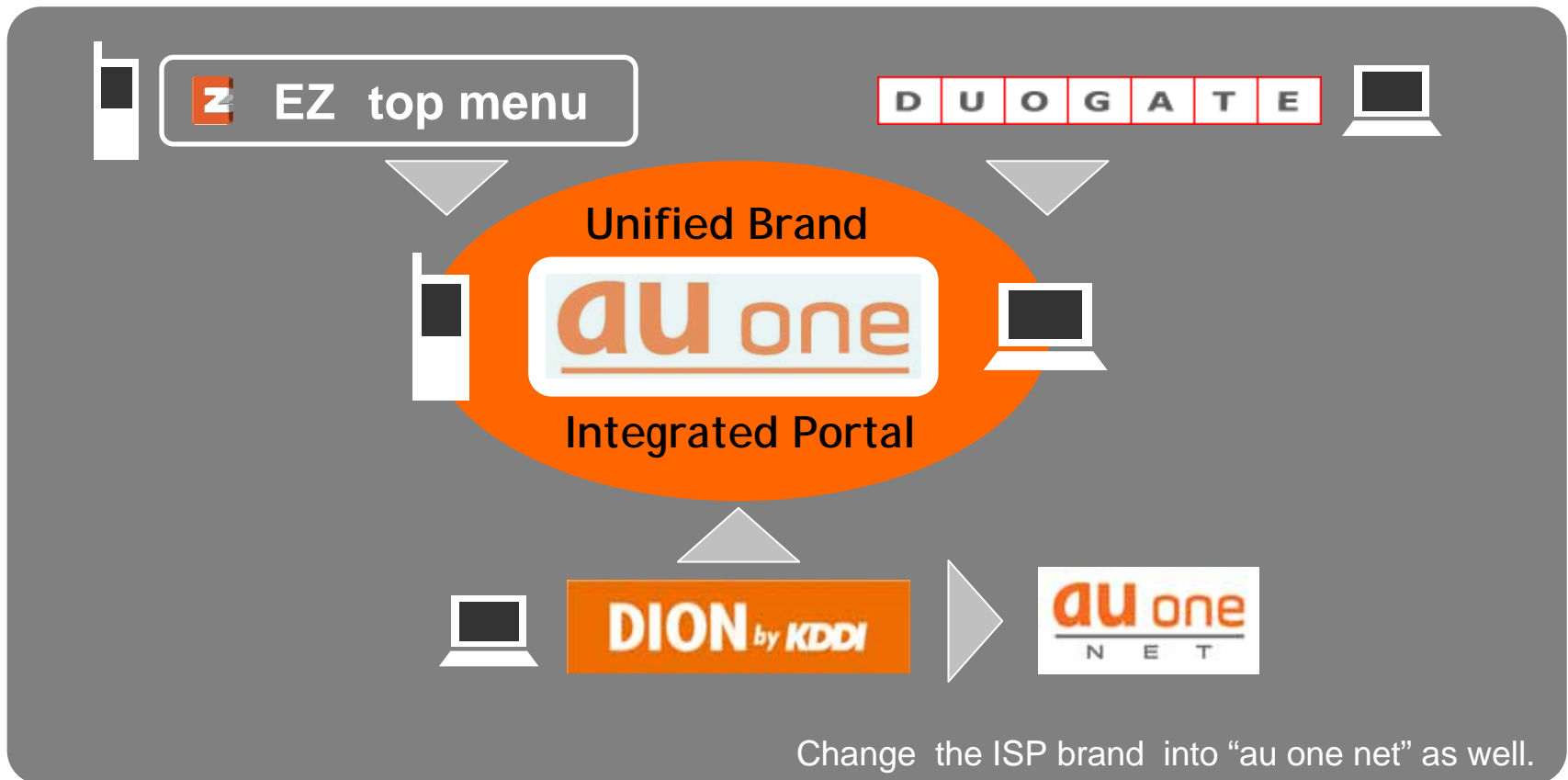


Strengthen sales efforts and product competitiveness for FTTH business. Also, establish successful models targeting homes in the Tokyo-Metropolitan area.

* DVD Burning is a service enabling users to download DVD video that is for sale.

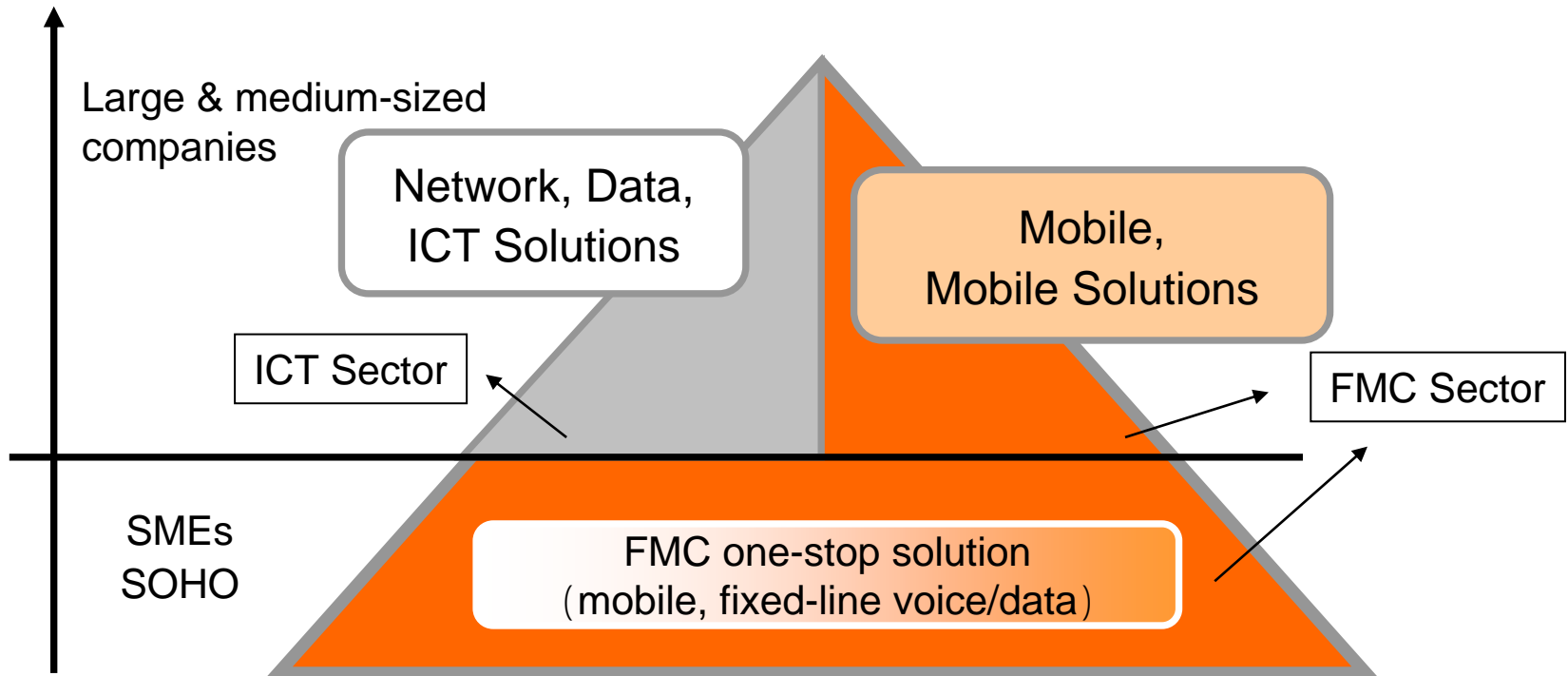
FMBC Initiatives for Consumer Market

- Reorganize sales forces of “au” and BBC into Consumer Sales Sector (October 1).
- Integrate mobile and PC portal sites as a big step toward KDDI’s envisaged FMBC world. Add the “au” brand to the new portal to cultivate a sense of unity.



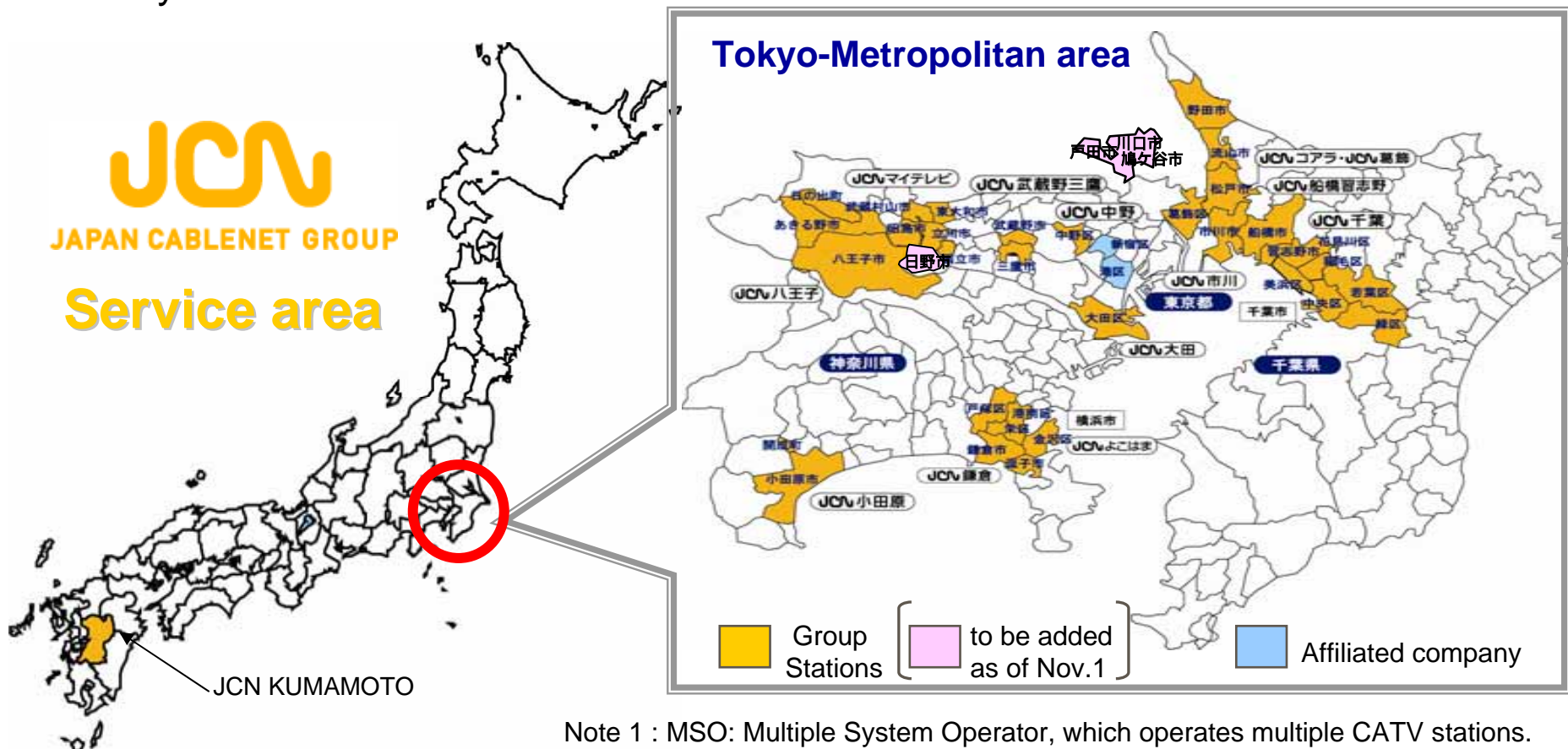
FMC Initiatives to Corporate Market

- Reorganize three forces of Mobile Solution, Network Solution and KNSL (for SMEs) to meet the needs of corporate customers (October 1).
 - Both FMC and ICT Sector are responsible for large companies depending on the customer needs of mobile/fixed-line services.
 - FMC Sector is all responsible for SMEs with one-stop solutions.
- Enhance mobile sales to SMEs including linkage with “au” shops.



CATV initiatives

- JCN(MSO), a consolidated subsidiary of KDDI, deployed 13 CATV stations centering on the Tokyo-Metropolitan area as of end-September.
- KDDI provides Cable-plus phone to support the triple play service of CATV operators (30 stations as of end-September) followed by a start of VOD service in July.



Note 1 : MSO: Multiple System Operator, which operates multiple CATV stations.

Note 2 : CABLENET SAITAMA and HINO CABLE TELEVISION to be added, totaling 15 stations as of Nov. 1, 2007. 27

License Application for the 2.5GHz Frequency

- Applied for the license of 2.5GHz frequency through a planning company to provide wireless broadband service based upon mobile WiMAX technology.

Company Outline

<Company Name>

Wireless Broadband Planning K.K.

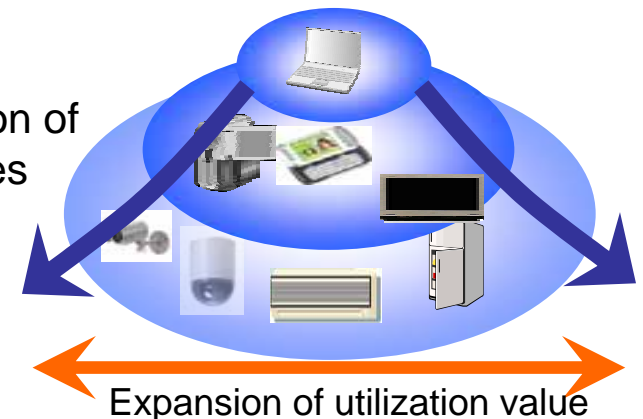
<Shareholders>

KDDI	32.26%
Intel Capital	17.65%
East Japan Railway Company	17.65%
Kyocera Corporation	17.65%
Daiwa Securities Group Inc.	9.80%
The Bank of Tokyo-Mitsubishi UFJ	5.00%

Business Concept

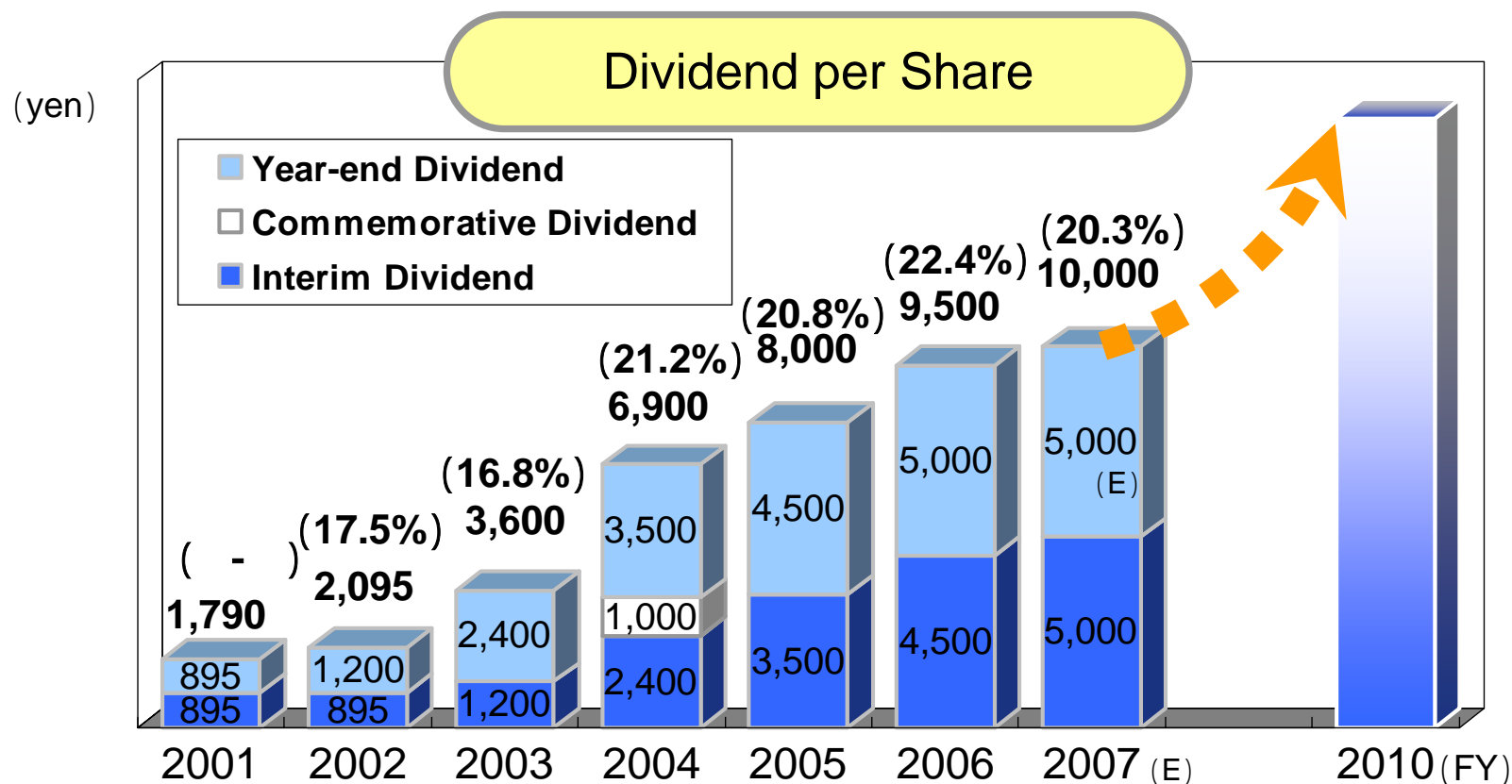
- Expand popular uptake of embedded devices and enhance the utilization value of the WiMAX.
- Strongly promote open model and expand the WiMAX market together with MVNOs.

Expansion of devices



Shareholder Returns

- Maintain stable dividend – aim for consolidated payout ratio of 20% or more, taking investments for sustainable growth into consideration.



Note: () refers to payout ratio, which shows on a company basis until FY2005 and on a consolidated basis in FY2006 and onwards. FY2001 posted net loss, therefore, shown as (-).

