



Ubiquitous Solution Company

KDDI CORPORATION

Financial Results for the 1st Quarter
of the Fiscal Year Ending March 2011

July 23, 2010

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. 1st Quarter – Financial Results Highlights

1 Consolidated basis

- Operating revenues increased 1.4% yoy. Operating income declined 8.8% yoy.
On-track performance: 29.1% of full-year's operating income forecast.

2 Mobile Business

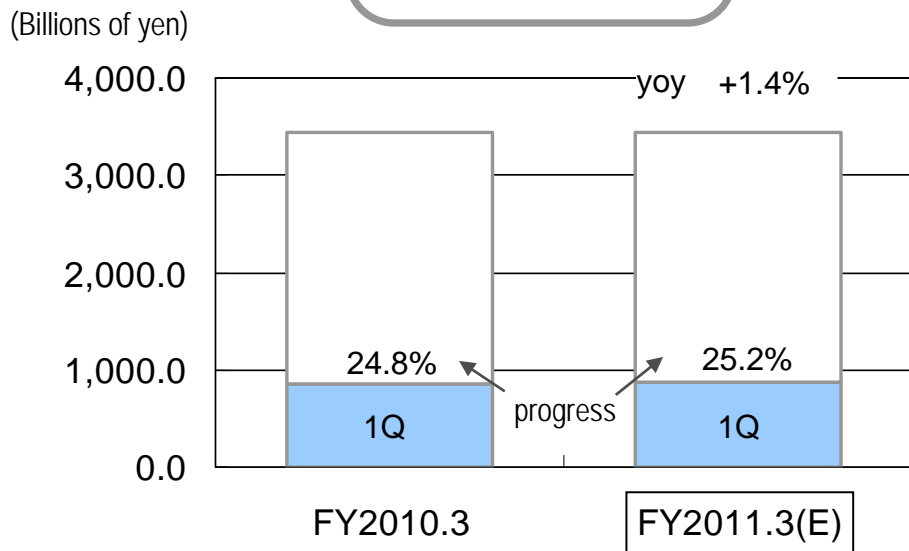
- Operating revenues increased 0.1% yoy. Operating income declined 12.6% yoy.
- Number of “au” subs as of June 30, 2010 was 32.09M with a cumulative share of 28.2%^{Note}.
- Number of non-triband handset units was 7.69M as of June 30, 2010.

3 Fixed-line Business

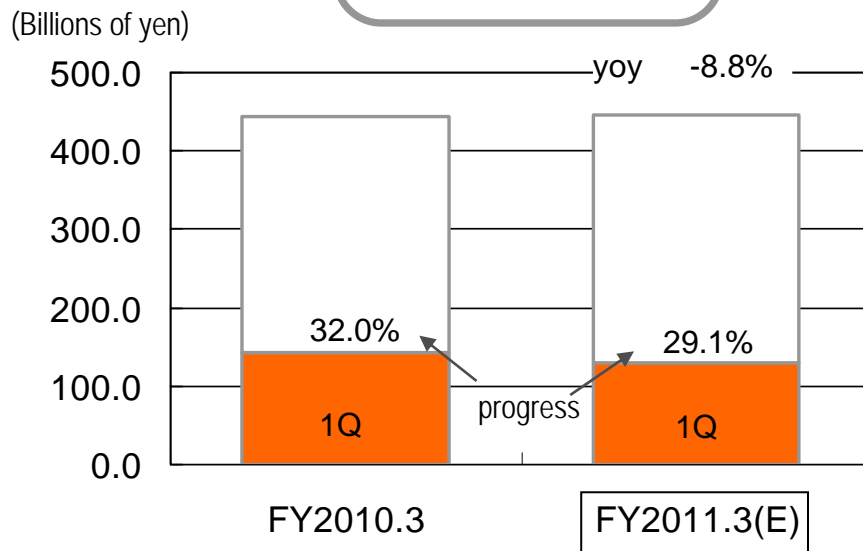
- Operating revenues increased 3.3% yoy. Operating loss reduced to ¥5.4B, approx. half of previous year.
- Posted ¥5.7B extraordinary income from the disposal of a part of the entrusted shares of Jupiter Telecommunications Co., Ltd. (hereafter, “J:COM”).
- Fixed access line subs counted 6.11M as of June 30, 2010. Of which, FTTH subs rose to 1.64M.
- Cable-plus phone subs topped 1M. Alliance with 96 CATV stations as of June 30, 2010.
- Agreed with J:COM and Sumitomo Corporation to examine the details of forging the alliance.

2. Consolidated Financial Results

Operating revenues



Operating income

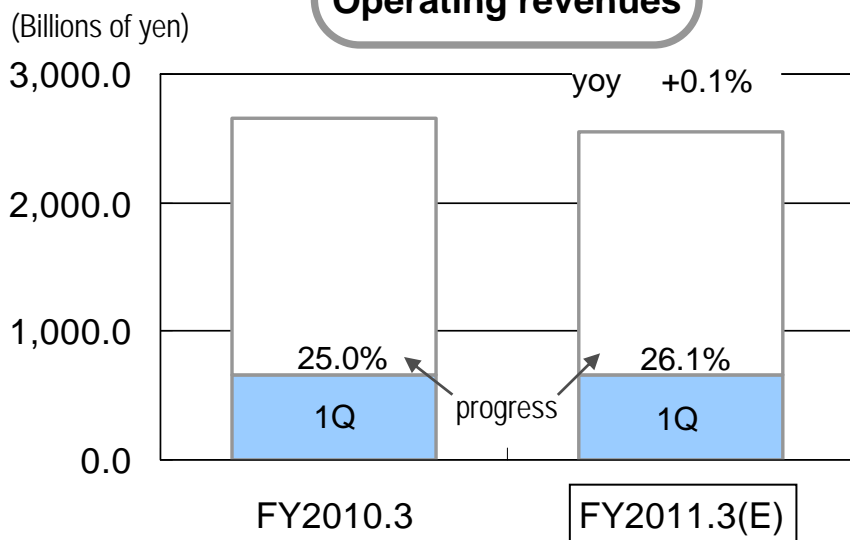


(Billions of yen)

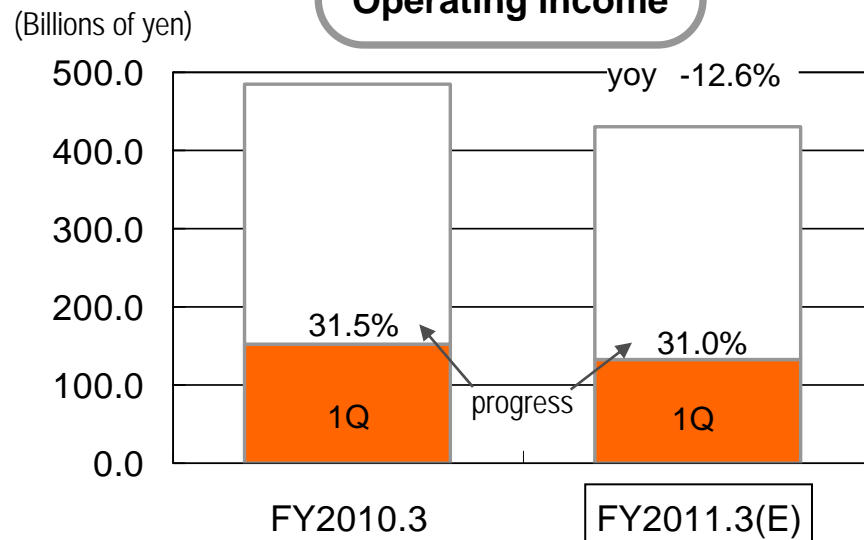
	FY2010.3		FY2011.3(E)			
	1Q		1Q	yoy	progress	
Operating revenues	853.7	3,442.1	866.0	+1.4%	25.2%	3,440.0
Operating income	141.8	443.9	129.3	-8.8%	29.1%	445.0
<i>Operating margin</i>	16.6%	12.9%	14.9%	-	-	12.9%
Ordinary income	138.4	422.9	122.6	-11.5%	29.2%	420.0
Net income	86.4	212.8	71.9	-16.8%	30.0%	240.0
Free Cash Flow	-76.5	-184.4	-1.2	-	-	230.0
EBITDA	252.3	927.3	236.6	-6.2%	26.0%	910.0
<i>EBITDA margin</i>	29.6%	26.9%	27.3%	-	-	26.5%

3. Mobile Business

Operating revenues



Operating income



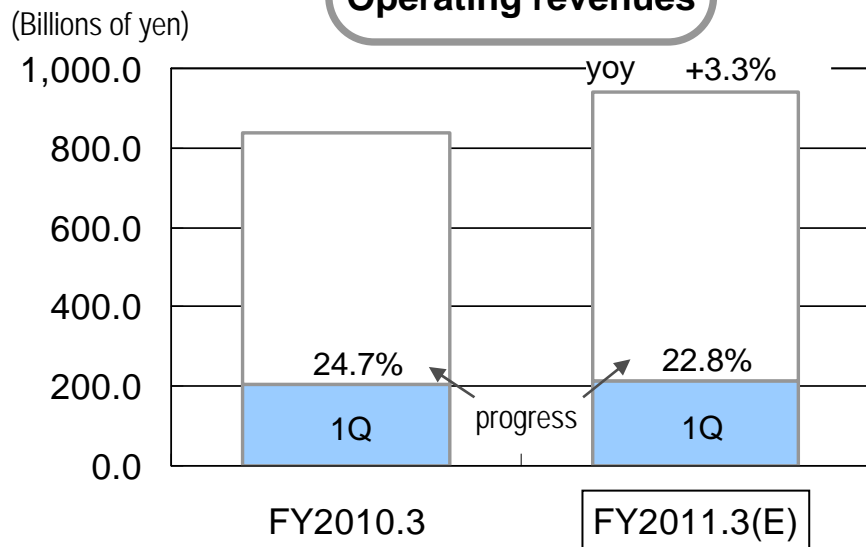
(Billions of yen)

	FY2010.3		FY2011.3(E)			
	1Q		1Q	yoy	progress	
Operating revenues	663.2	2,650.1	663.7	+0.1%	26.1%	2,545.0
Operating income	152.5	483.7	133.3	-12.6%	31.0%	430.0
<i>Operating margin</i>	23.0%	18.3%	20.1%	-	-	16.9%
Ordinary income ^{Note}	154.8	490.6	131.6	-15.0%	31.7%	415.0
Net income	95.9	293.2	75.1	-21.7%	31.9%	235.0
Free Cash Flow	-25.2	276.5	18.1	-	-	235.0
EBITDA	230.1	826.8	209.8	-8.8%	27.4%	765.0
<i>EBITDA margin</i>	34.7%	31.2%	31.6%	-	-	30.1%

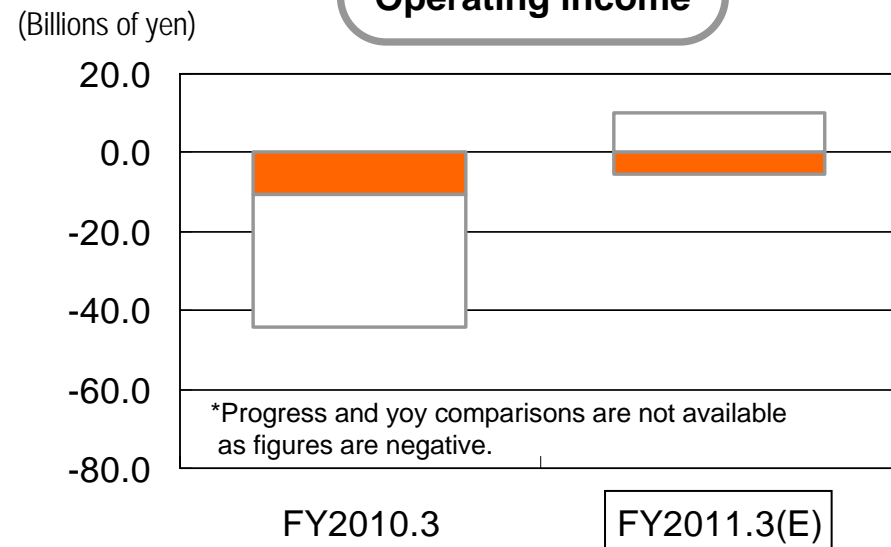
Subs	FY2010.3		FY2011.3(E)	
	1Q		1Q	
"au" Total	30,996	31,872	32,091	32,800
of module-type	960	1,085	1,134	1,300
WIN(EV-DO)	23,440	26,174	27,147	29,900
1X	7,257	5,451	4,734	-
cdmaOne	299	247	211	-
UQ WiMAX	-	150	214	800
(Ref.) au + UQ WiMAX	30,996	32,023	32,305	33,600

4. Fixed-line Business

Operating revenues



Operating income



(Billions of yen)

	FY2010.3		FY2011.3(E)			
	1Q		1Q	yoy	progress	
Operating revenues	207.2	839.2	214.1	+3.3%	22.8%	940.0
Operating income	-10.7	-44.2	-5.4	-	-	10.0
Operating margin	-5.2%	-5.3%	-2.5%	-	-	1.1%
Ordinary income ^{Note4}	-13.0	-56.8	-8.3	-	-	0.0
Net income	-6.4	-68.4	-2.1	-	-	0.0
Free Cash Flow	-36.7	-75.7	-19.4	-	-	0.0
EBITDA	21.9	94.7	25.3	+15.6%	18.1%	140.0
EBITDA margin	10.6%	11.3%	11.8%	-	-	14.9%

Subs	FY2010.3		FY2011.3(E)	
	(' 000)		1Q	1Q
ADSL	1,181	1,031	982	840
FTTH	1,211	1,513	1,637	2,040
Metal-plus ^{Note1}	3,065	2,852	2,775	2,570
Cable-plus phone	697	960	1,062	1,280
CATV ^{Note2}	882	972	1,019	1,040

Fixed access lines ^{Note3}	5,587	5,944	6,109	6,480
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Note1 : Including ADSL one (ADSL used over Metal-plus).

Note2: CATV subs include number of households with at least one contract via broadcasting, internet, or telephone.

Note3: Fixed access lines are FTTH, direct-revenue telephony (Metal-plus, Cable-plus phone), and CATV subs. The number excludes crossover subs.

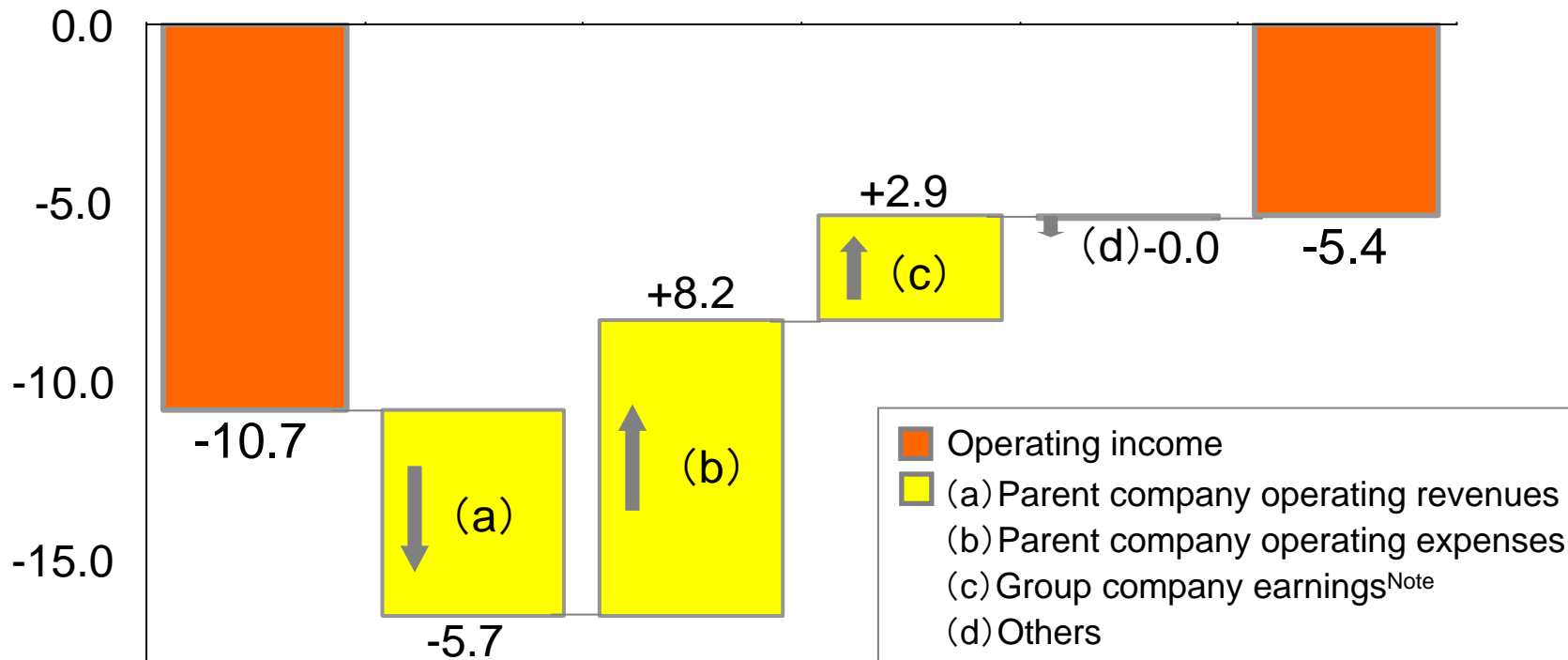
Note4: For FY2011.3 and its expected figures, equity-method investment income/loss, which used to be excluded from segment, is allocated to each segment.

(Ref.) Fixed-line Business Operating income

- Operating loss in 1Q contracted steadily yoy. Aim to post operating profit within 2Q.

Factors for change (year-on-year)

(Billions of yen)



■ Operating income
■ (a) Parent company operating revenues
■ (b) Parent company operating expenses
■ (c) Group company earnings^{Note}
■ (d) Others

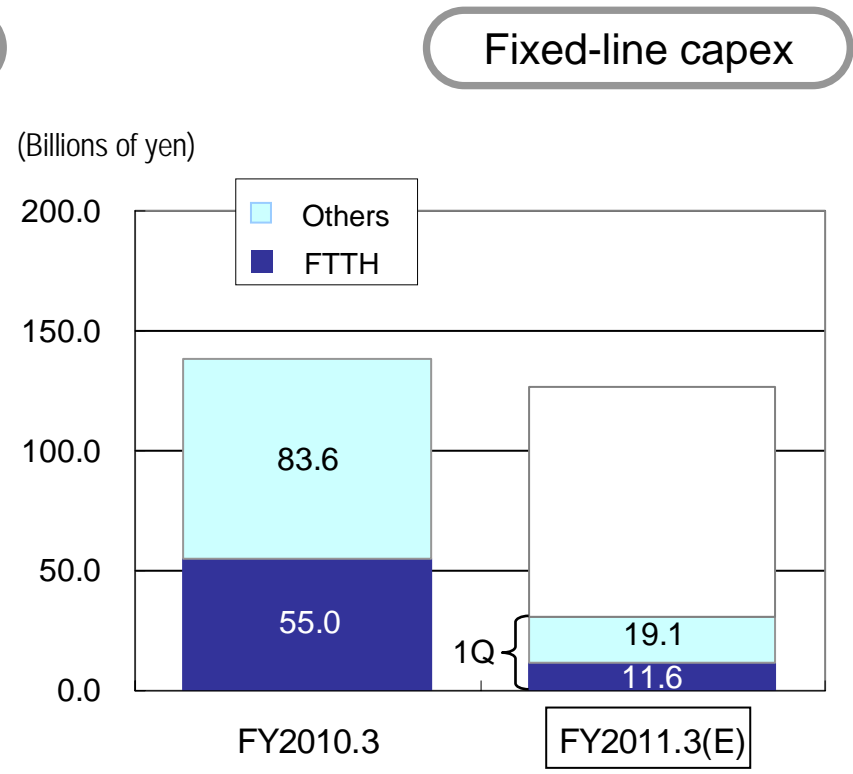
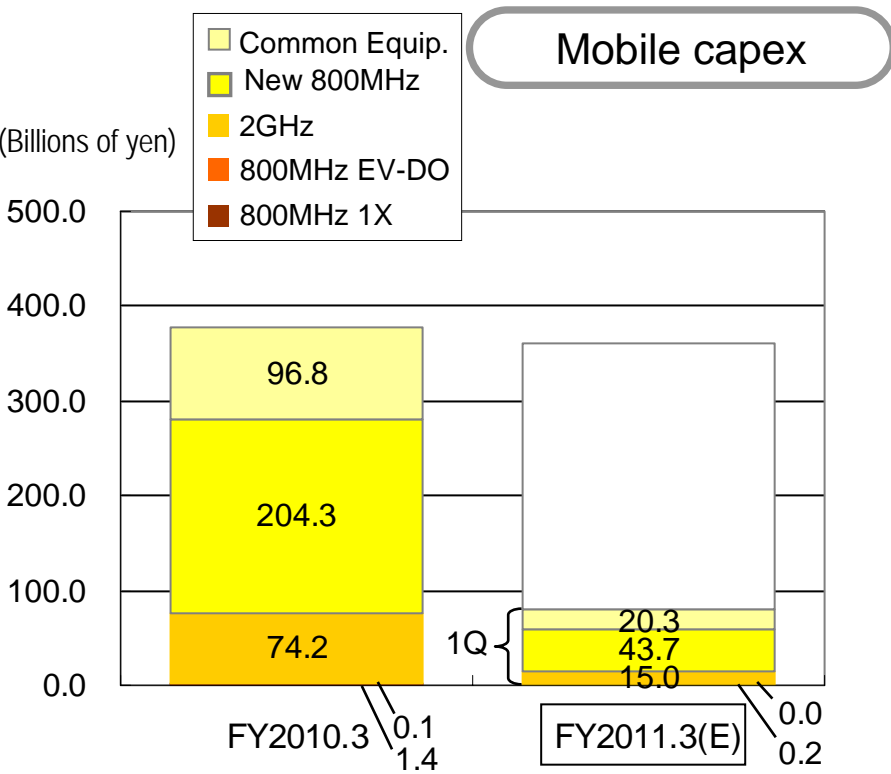
1Q/FY2010.3

+5.3

1Q/FY2011.3

Note: CTC, JCN and overseas subsidiaries

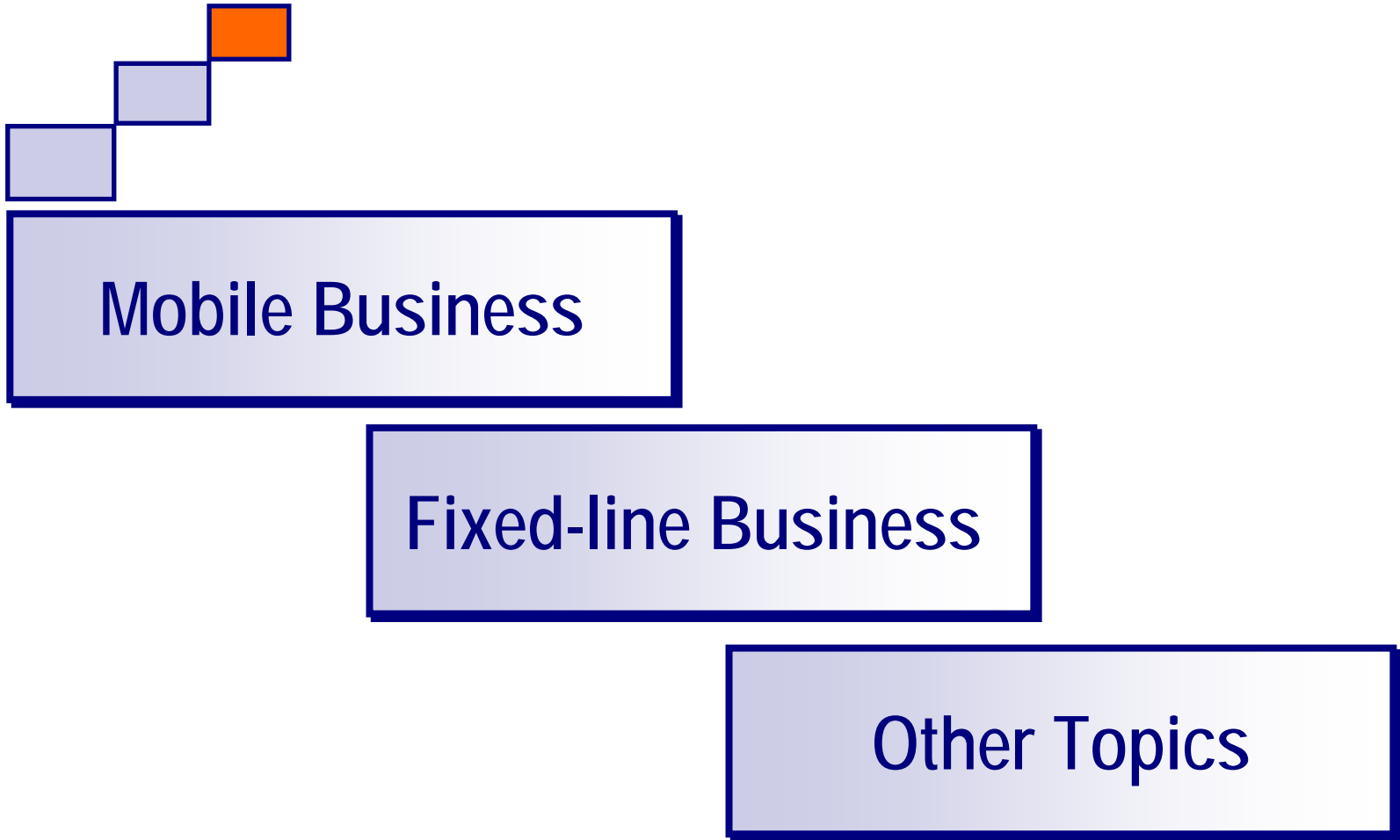
5. Capital Expenditures



(Billions of yen)

		FY2010.3		FY2011.3(E)			
		1Q		1Q	yoy	progress	
Capex (Cash basis)	Consolidated	135.2	518.0	110.4	-18.3%	22.5%	490.0
	Mobile	100.4	376.8	79.3	-21.0%	22.0%	360.0
	Fixed-line	34.2	138.7	30.7	-10.3%	24.2%	127.0

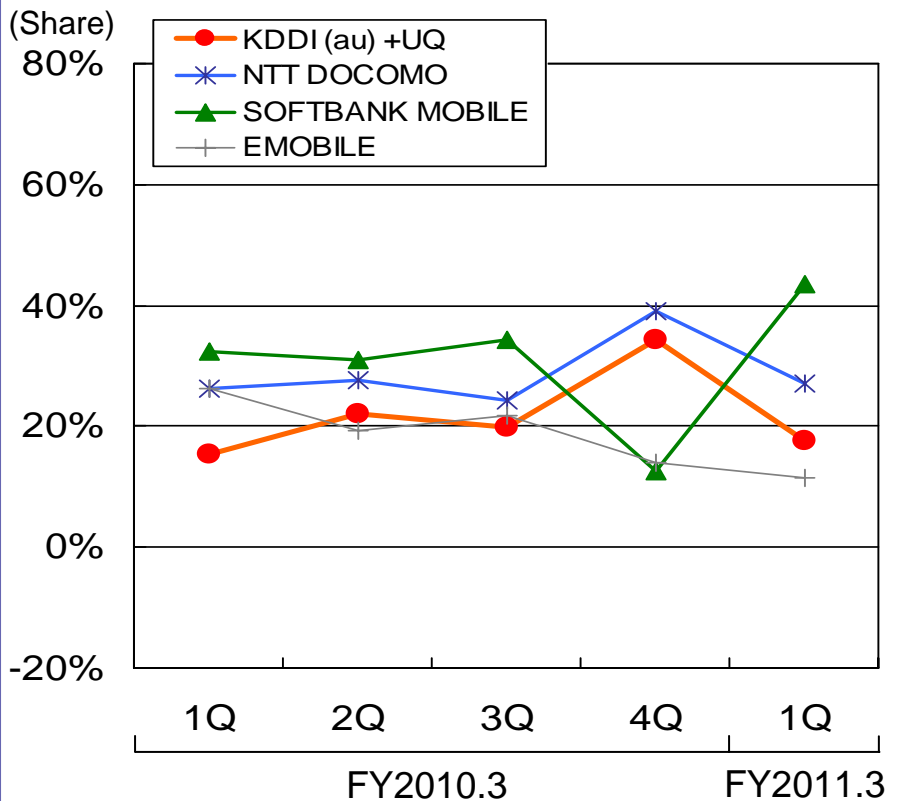
Segment Discussions



1.1. Net Additions

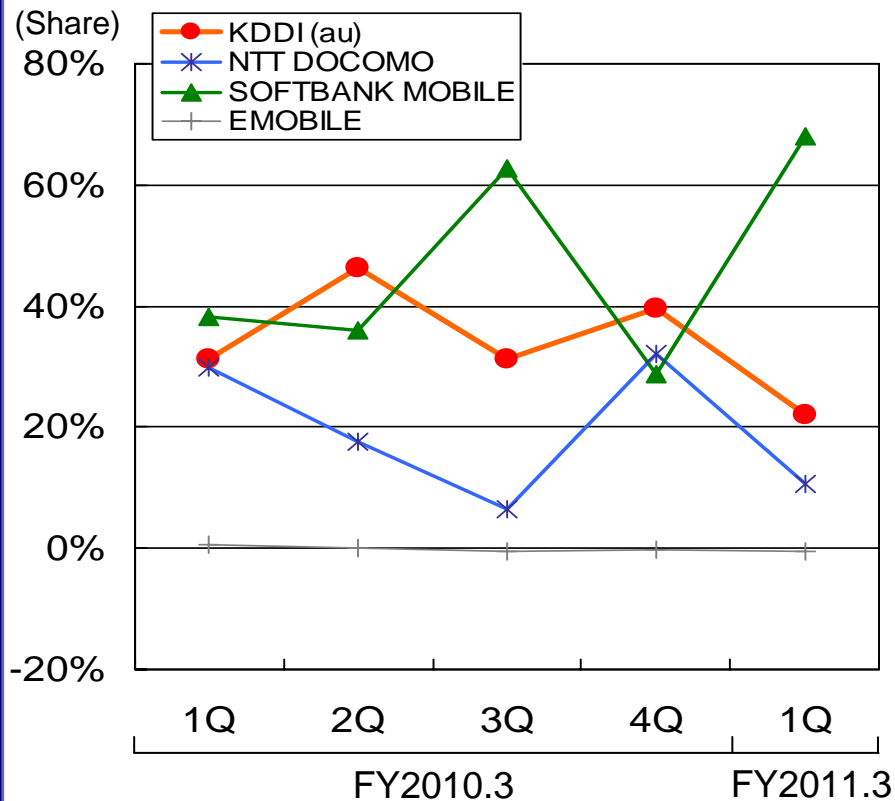
- Net additions of subs incl. UQ in 1Q/FY2011.3 was 283k with a share of 17.7%.
- Net additions of mobile Internet subs was 144k with a share of 22.1%.

On Total Sub Basis ^{Note} (including BWA)



Full-year / FY2010.3: 1,180k subs / 24.3%
 1Q / FY2011.3: 283k subs / 17.7%

On Mobile Internet Sub Basis

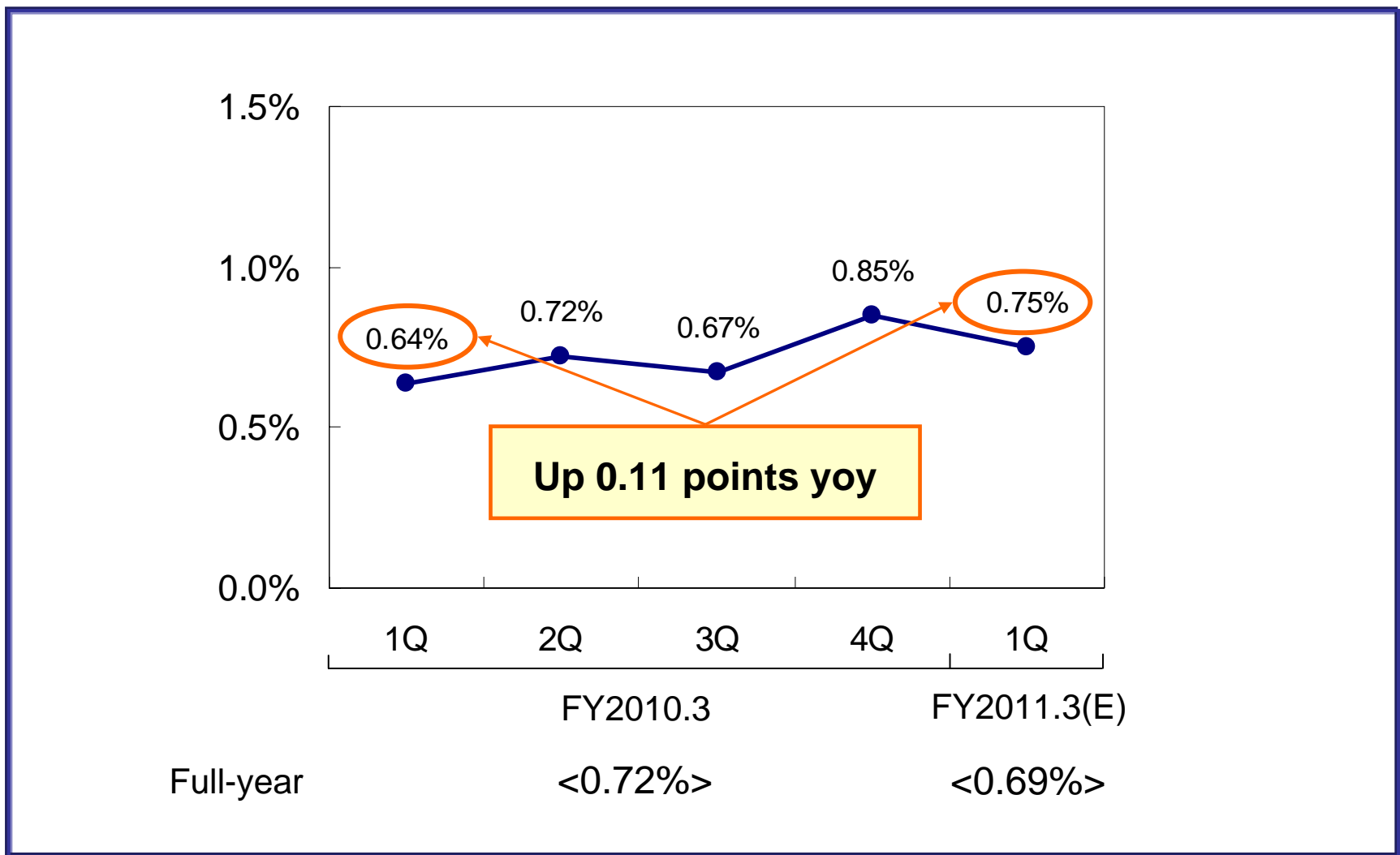


Full-year / FY2010.3: 784k subs / 38.2%
 1Q / FY2011.3: 144k subs / 22.1%

Note: The number includes mobile handsets, smartphones, data and module-type terminals. BWA: Broadband Wireless Access
 Source: Telecommunications Carriers Association's website.

1.2. Churn Rate

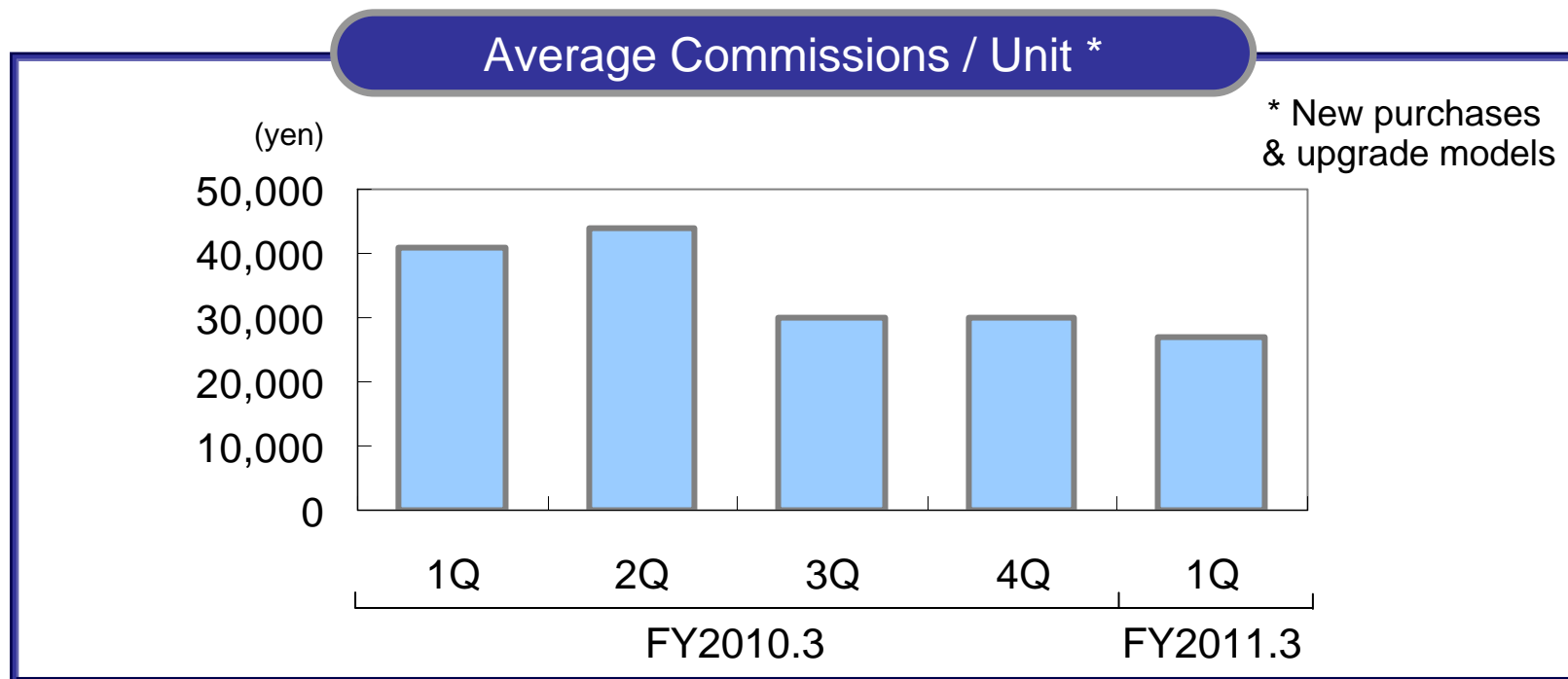
■ Churn rate in 1Q was 0.75%, up 0.11 points yoy.



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

1.3. Sales Commissions

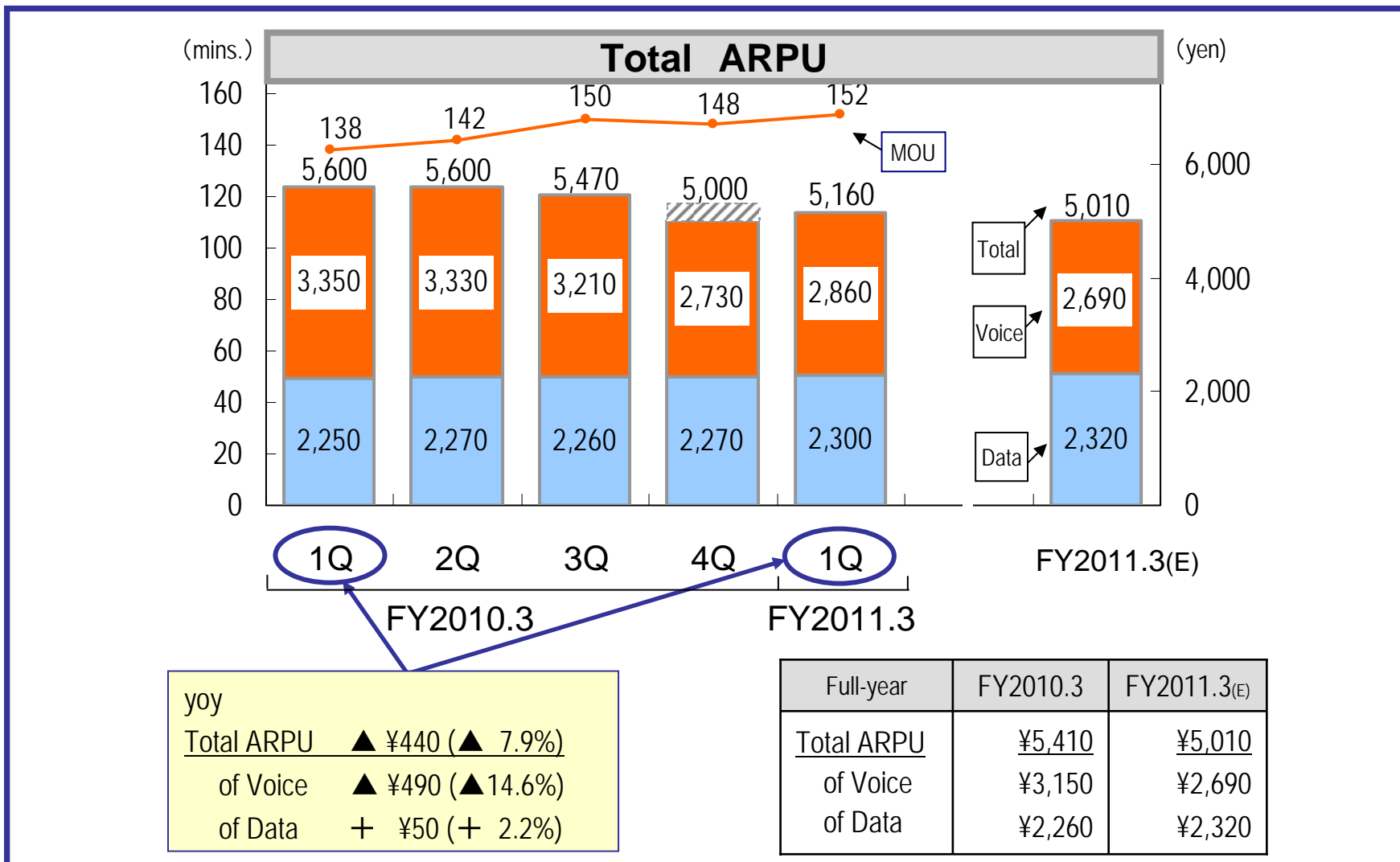
- Average sales commissions in 1Q was ¥27,000.




	FY2010.3					FY2011.3(E)	
	1Q	2Q	3Q	4Q		1Q	
Total sales commissions (Billions of yen)	90.0	112.0	71.0	93.0	365.0	76.0	303.0
Average commissions / unit (yen)	41,000	44,000	30,000	30,000	36,000	27,000	29,000
Number of units sold ('000 units)	2,210	2,560	2,330	3,100	10,200	2,810	10,600

1.4. ARPU

- 1Q Total ARPU dropped 7.9% yoy to ¥5,160 due to the fall in voice ARPU resulted from the rise in the Simple Course users.

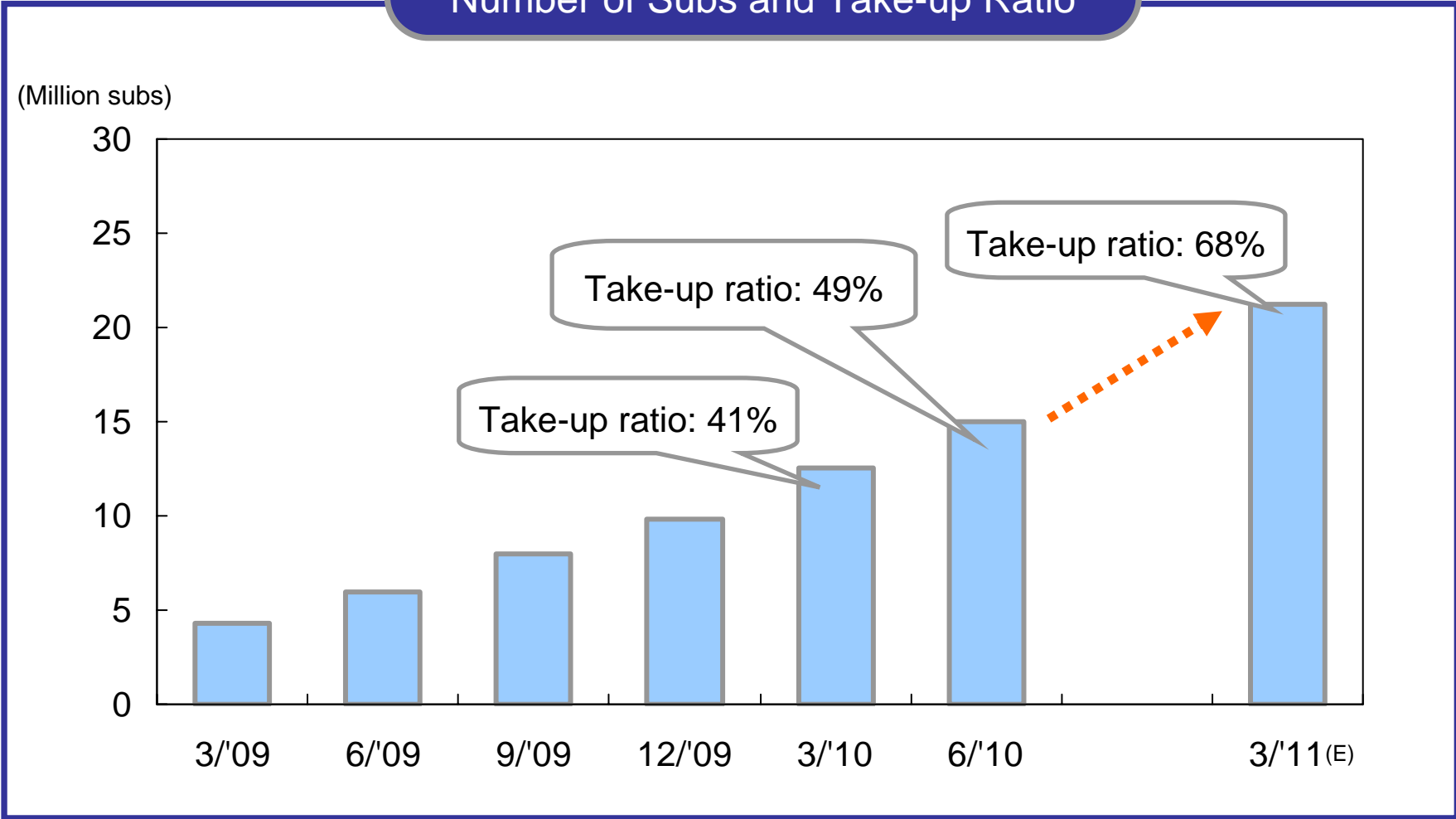


Note: The  portion of FY2010.3 4Q was negative due to the settlement of access charges among carriers.

1.5. " Simple Course "

■ 14.97M subscription as of June 30, 2010, making cumulative take-up ratio of 49%^{Note}.

Number of Subs and Take-up Ratio

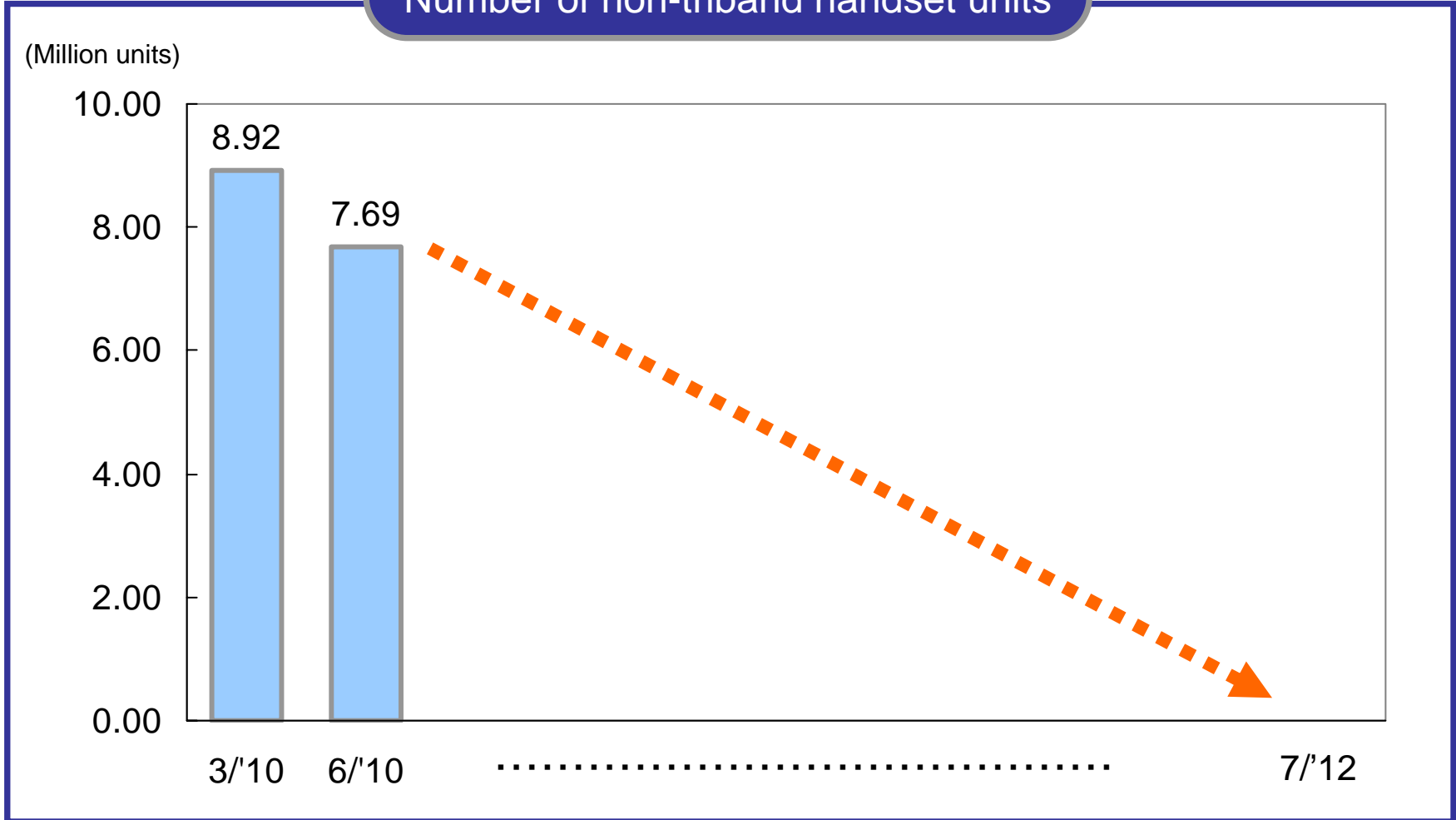


Note: Module-type and pre-paid contract are excluded from take-up ratio calculation.

1.6. Reorganization of 800MHz Band

- Transfer from non-triband handset units to triband handset units was 0.98M in 1Q. The number of non-triband handset units was 7.69M as of June 30, 2010.

Number of non-triband handset units



Note: The number excludes module-type terminals.

2. Initiatives for Diversifying Market

- Strengthen initiatives for diversifying market including smartphones. Plan to launch Android™ smartphones with features unique in Japan such as FeliCa by autumn/winter 2010.

Smartphones

- Launched 2 models of “IS” series.
- Launched “au one market” for Android™ smartphones.



IS series

au one Market

* “Android” is a registered trademark of Google Inc..


mobile phones (2010 summer model)

- 10 models focusing on “easy-to-use”
(9 models out on sale as of June 30, 2010)
- Evolution of platform (KCP3.0, adopted by 2 models)
 - =Complete adoption of KCP+ on new CPU “**snapdragon**”
by Qualcomm
 - =Easy usage from significant improvement in processing speed
- Strengthening basic functions
 - =Waterproof, easy-to-type keys, high-quality camera, etc.

* “Snapdragon™” is a trademark of Qualcomm Inc..

Data communication terminals

- Launched au/WiMAX hybrid data terminal.



(wide coverage) (high speed data)

Compatible to both CDMA/WiMAX networks

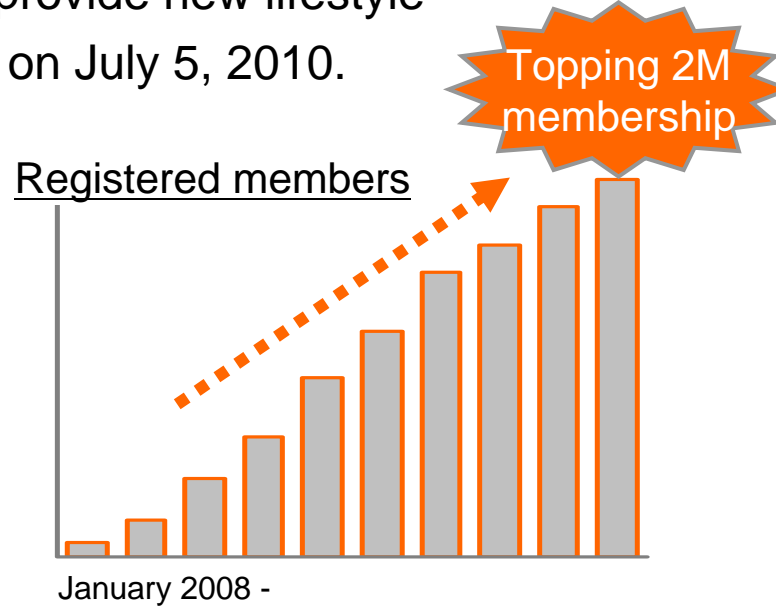
Terminals with communication device (module type)

- Launched digital photo frame “PHOTO-U SP01”
- Started new alliance model “**Link>au**”
Adding communication functions to corporate/brand products
(First service to start in August)
Car navigation by NAVITIME JAPAN Co., Ltd
“**CAR NAVITIME**”



3. au Smart Sports

- “au Smart Sports”, launched in January 2008, to provide new lifestyle opinions to users topped 2 million in subscription on July 5, 2010.



Developments unique to au

Supporting sports activities in various ways other than the service by releasing sports-oriented handsets and collaborating with other companies.



New approach

Established Japan's first runners' rest space in central Tokyo to collaborate with au mobile phones. Also supporting sports-oriented lifestyle in real life.



4. Strengthen coverage/communication quality

- Aim for customers' further satisfaction and retention reinforcement by strengthening coverage and communication quality.



Let's Create! au Area

Accepting requests, suggestions, inquiries on service areas from users at "au" website.

Further reinforcement

Reinforce commercial facilities coverage

Representative measures

All in Japanese

Golf courses (approx. 2,350)

Service Areas, Parking Areas (approx. 900)
Road Stations (approx. 940)

Large-sized commercial facilities
(shopping malls, department stores, large-size supermarkets: approx. 15,000)

To be completed by July 2011

Reinforce reception at home

To requests to improve reception at home

Respond in 48 hours

↓

Visits by researchers
Check reception and suggest the best tool for improvement

↓

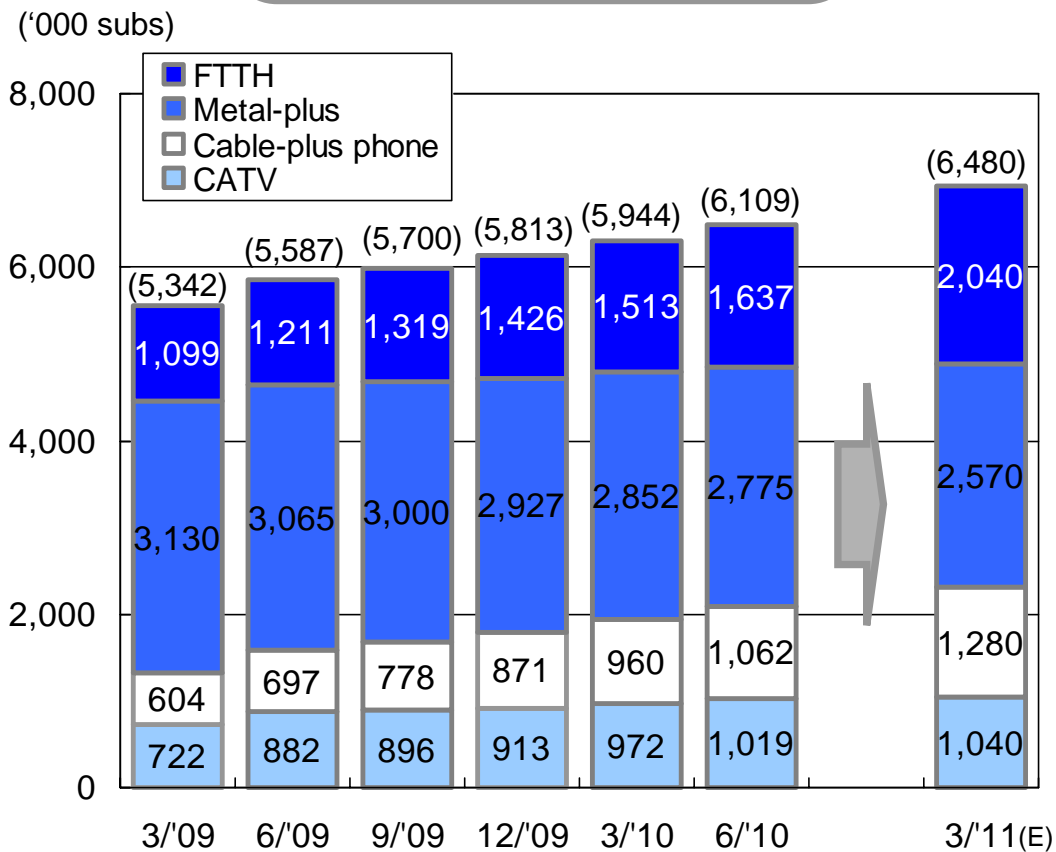
au Repeater Simple Antenna

au Femtocell

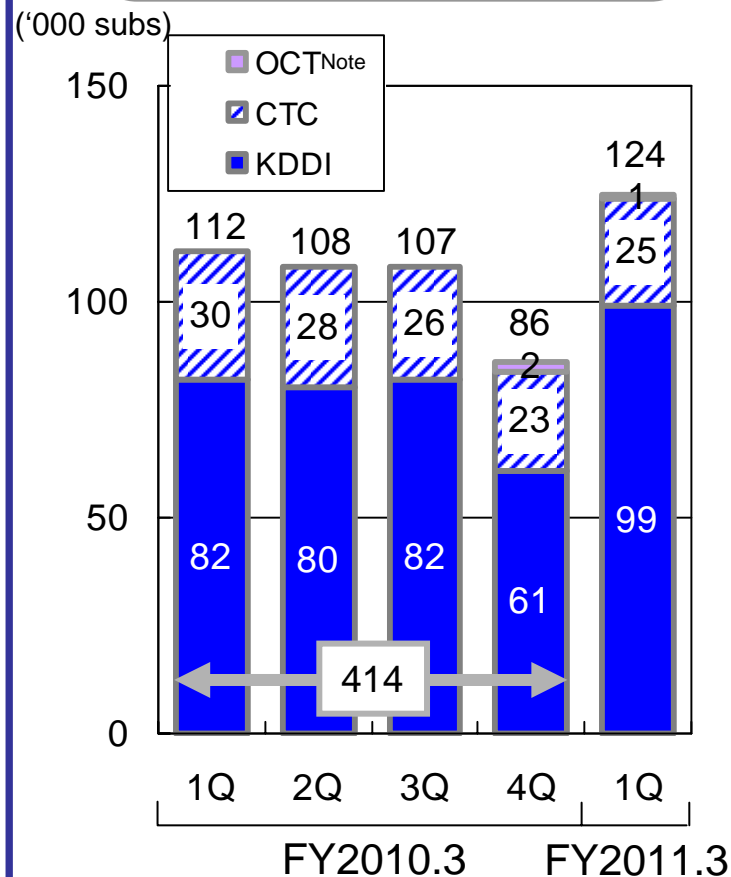
1. Fixed Access Lines

- Number of fixed access lines was 6.11M as of June 30, 2010.
- Net additions of FTTH subscription was 124k in 1Q.

Fixed Access Lines ^{Note}



FTTH Net Additions



Note: () shows total subscriptions of access lines excluding crossover subscriptions.

Note: Okinawa Cellular Telephone Company. Subs of Okinawa Telecommunication Network Co., Inc. included.

2. Expanding overseas business

- Capture pre-paid mobile phone users, who are on steady rise, by reinforcing MVNO businesses for U.S. immigrants, while aiming to establish a new business model.

Macro factor: Growth in pre-paid phone usage by immigrants



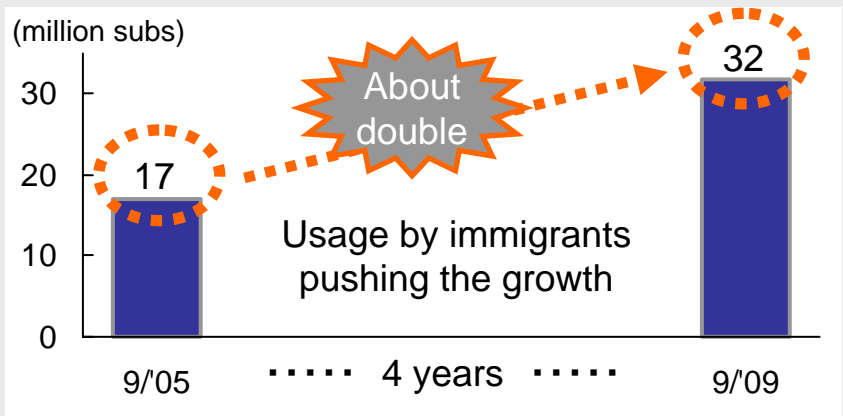
World's largest immigrant nation
(approx. 40M: approx. 1M increase/year)

Source: "Immigrants in the United States, 2007", "INTERNATIONAL MIGRATION 2006"

Growth of phone traffic from the U.S. to home countries

-As the number of immigrants rises, phone traffic from the U.S. (worth 53.7B minutes) is likely to grow 2.4 times of 2000 level.
Source: Telegeography (Total minutes use in 2008)

Pre-paid mobile phone users in the U.S.



Source: World Cellular Information Service

Measures by KDDI America

1) For Japanese in the U.S.
(April 2007 -)



2) Expanding to non-Japanese market
(March 2010)

[Acquisition of two MVNOs in the U.S.]

Guatemalans
Filipinos
West Coast

Main area
of target
immigrants

Mexicans
Koreans
East Coast

Strength

About 110k sales bases

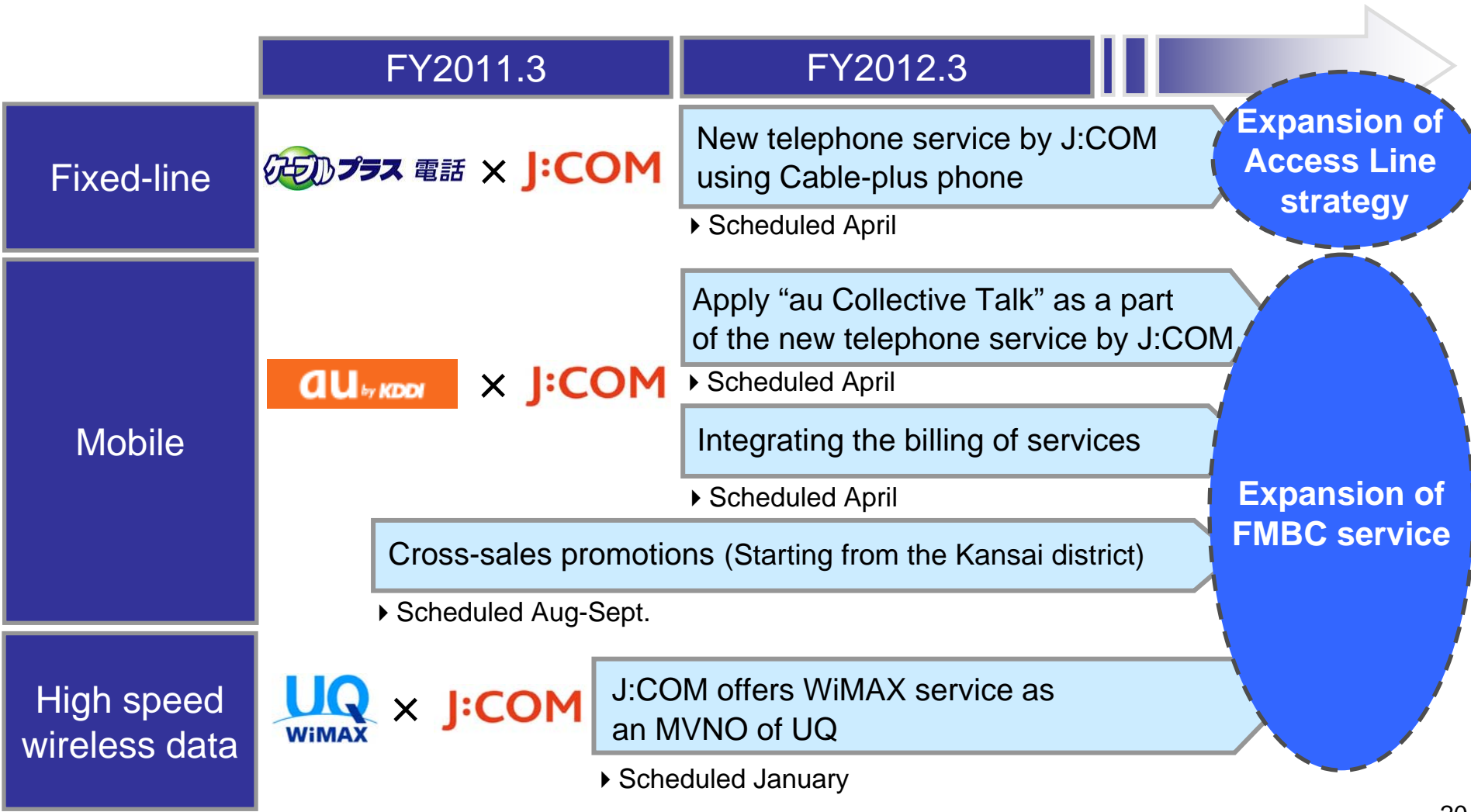
Strong branding among immigrants

Target: To be in top10 in the U.S.



3. Alliance with J:COM

■ Negotiations on concrete alliance plans under process at Telecom business and product collaboration working group since the tri-party agreement on June 10, 2010.



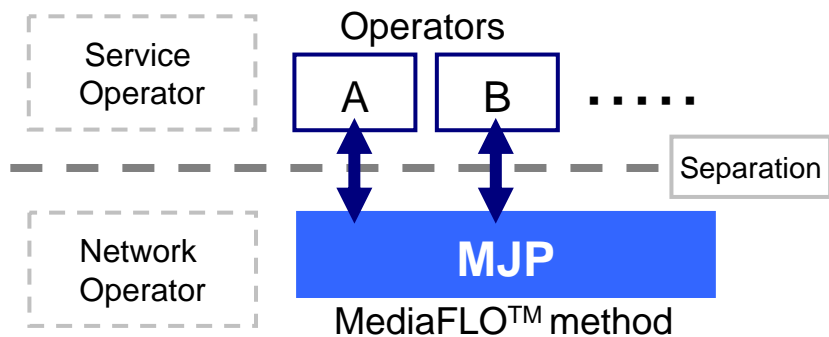
Multimedia Broadcasting for Mobile Terminals

- MediaFLO Japan Planning Inc. (MJP) has filed an application for approval of a plan to establish specially designated base stations to provide multimedia broadcasts for mobile terminals using frequencies made available by the full digitization of terrestrial television broadcasts. (June 7, 2010)

Business model

- Constructed infrastructure using the contents distribution method (MediaFLO™) developed for mobile terminals ...Network Operator
 - Provide rich contents distribution services for various devices using broadcast frequencies ...Service Operator
- (Established a planning company for market entry*)

* MediaFLO Broadcast Planning Inc.



MJP corporate outline

- Capital : ¥450M (Scheduled increase up to ¥35.0B)
- Shareholders: KDDI Corporation (80%)
Qualcomm Inc. (20%)

MJP business plan

- Business launch: Scheduled to start in April 2012
- Expand : Outdoor reception 95%^{Note}
coverage area Indoor reception 90%^{Note}
(Both by end of Mar. 2016)
- Capital expenditures : ¥96.1B (up to end of Mar. 2017)
- Business target : Post annual profit in 5 years
(by FY2017.3)

* "MediaFLO" is a trademark of Qualcomm Inc..

Note: Coverage of households nationwide.

Designing The Future
KDDI