
KDDI CORPORATION

Financial Results
of the Fiscal Year Ended March 2011
& Medium-term Strategy of KDDI Group

April 25, 2011

President
Takashi Tanaka

1	On the Great East Japan Earthquake
2	Financial Results for FY2011.3 and Full-year Outlook for FY2012.3
3	Tasks and Measures for FY2012.3
4	Medium-term Strategy of KDDI Group

Appendix

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.

On the Great East Japan Earthquake

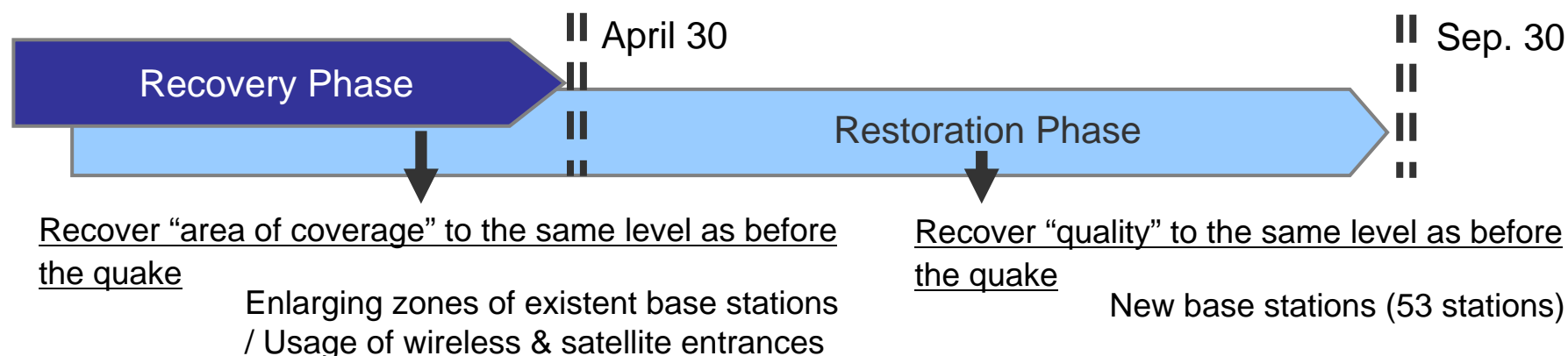
2

Impact of Damages on FY2011.3^{Note1}: ¥19.7 billion

■ Status of Impact on Services

	At the time of quake ^{Note3}	As of April 7	As of April 22
Suspended base stations ^{Note2}	1,933	176	124
Fixed-line services for individuals (line)	390,000	4,097	2,237

■ Recovery & Restoration Plan of au Base Station



■ Impact on FY2011.3 Results

	Consolidated	of Mobile	of Fixed-line
Operating Income Decline	2.1	1.2	0.9
Extraordinary Losses	17.6	12.3	5.3

(Billions of yen)

Note1: excluding ¥1.1B in donation, etc. Note2: Total number in 6 prefectures of Tohoku region. Note3: Maximum effected number.

1	On the Great East Japan Earthquake
2	Financial Results for FY2011.3 and Full-year Outlook for FY2012.3
3	Tasks and Measures for FY2012.3
4	Medium-term Strategy of KDDI Group
Appendix	

Financial Results Highlights for FY2011.3

4

- Consolidated operating income recorded increase in 10 consecutive years. Fixed-line Business recorded a turnaround in operating income for the first time in 7 years.

➤ Consolidated operating income: ¥471.9B (+6.3% yoy)
Mobile Business: ¥438.9B (-9.3%) / Fixed-line Business ¥24.0B (+¥68.2B^{Note1})

- Net income was ¥255.1 billion

➤ Loss from the Great East Japan Earthquake was ¥17.6B. Loss from impairment of current 800 MHz facility and fixed-line legacy service facilities was ¥85.8B. Total of ¥103.3B recorded as extraordinary losses.
➤ Tax expenses decreased by ¥56.2B due to loss on liquidation of four intermediary holding companies^{Note2} that possessed shares of Jupiter Telecommunications Co., Ltd.

- Smartphone sales was 1.09 million units^{note3} (9% of terminals sold)

➤ Data ARPU of users who changed models to smartphone rose approx. ¥1,600.

- Increased end of year dividend from ¥6,500 to ¥7,500, annual dividend was ¥14,000.^{Note4}

➤ Total return ratio of 63.0% including total of ¥100.0B purchase of own shares

Note1: Shown in the improved amount as the previous year was in loss. Note2: Consolidated subsidiaries of KDDI. Note3: Total unit sales of "IS series."
Note4: Dividend per share

■ Aim for increase in consolidated operating revenues and operating income

- Plan for consolidated operating income: ¥475.0B (yoy +0.7%)
Mobile Business: ¥430.0B (-2.0%) / Fixed-line Business: ¥40.0B (+66.7%)
- Impairment loss and others recorded in FY2011.3 expected to affect +¥15.0B in Mobile Business and +¥7.0B in Fixed-line Business on FY2012.3 operating income.

■ Sales of smartphone sales expected to record 4.00M (33% of all terminals)

■ au's data ARPU likely to surpass voice ARPU

- Data ARPU expected a major increase to ¥2,540, (+9.5%, +¥220 yoy)
Total ARPU dropped to ¥4,540 (-8.1%, -¥400 yoy) due to decline in voice ARPU.

■ Free cash flow plans to be ¥330.0B^{Note1}

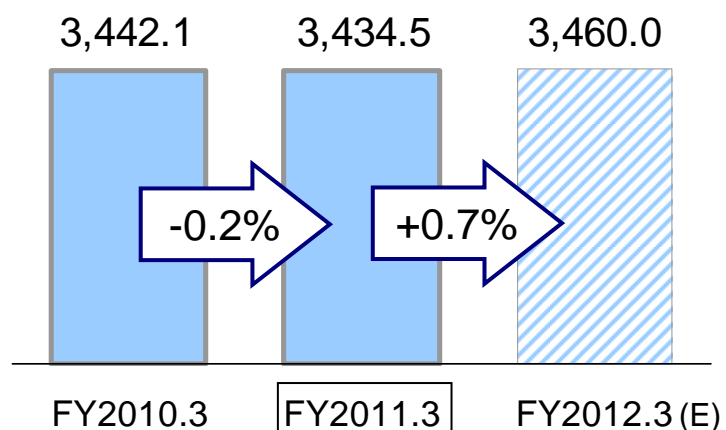
- CAPEX expected to be ¥460.0B, including additional CAPEX from the Great East Japan Earthquake and BCP^{Note2} measures, forecast to be approx. ¥20.0B.

Consolidated Financial Results

6

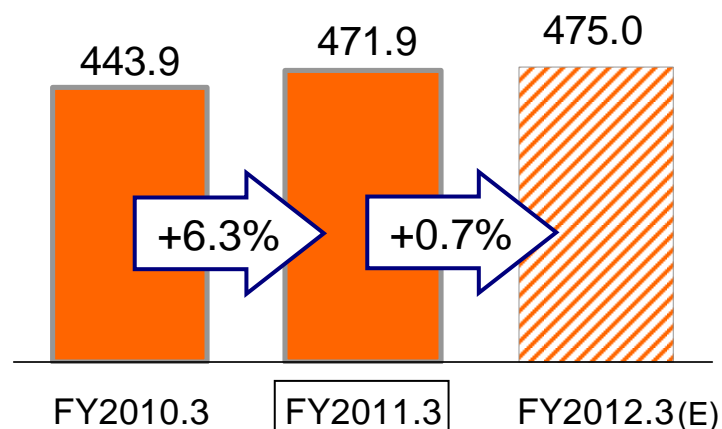
Operating Revenues

(Billions of yen)



Operating Income

(Billions of yen)

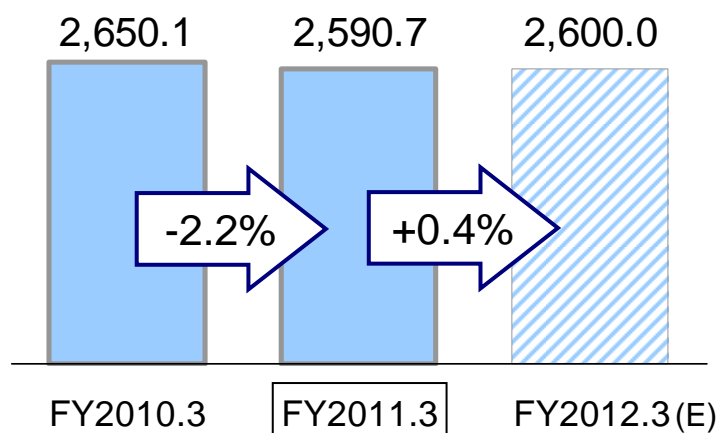


(Billions of yen)

	FY2010.3	FY2011.3		FY2012.3(E)	
			yoy		yoy
Operating revenues	3,442.1	3,434.5	-0.2%	3,460.0	+0.7%
Operating income	443.9	471.9	+6.3%	475.0	+0.7%
Operating margin	12.9%	13.7%	-	13.7%	-
Ordinary income	422.9	440.7	+4.2%	450.0	+2.1%
Net income	212.8	255.1	+19.9%	250.0	-2.0%
EBITDA	927.3	936.3	+1.0%	923.0	-1.4%
EBITDA margin	26.9%	27.3%	-	26.7%	-
Free Cash Flow	-184.4	276.8	-	330.0	-
CAPEX (Cash basis)	518.0	443.7	-14.4%	460.0	+3.7%

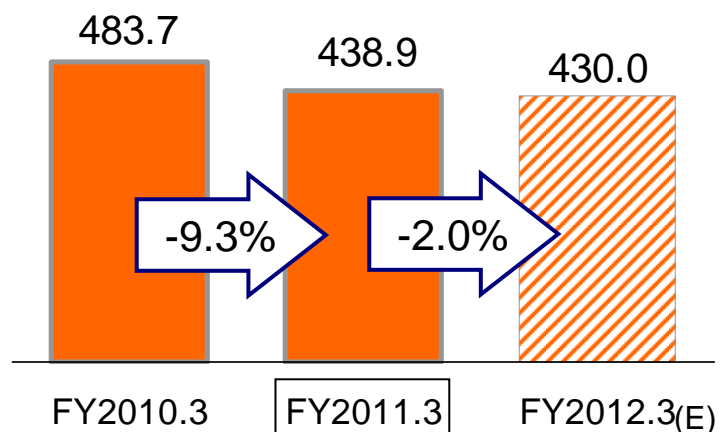
Operating Revenues

(Billions of yen)



Operating Income

(Billions of yen)



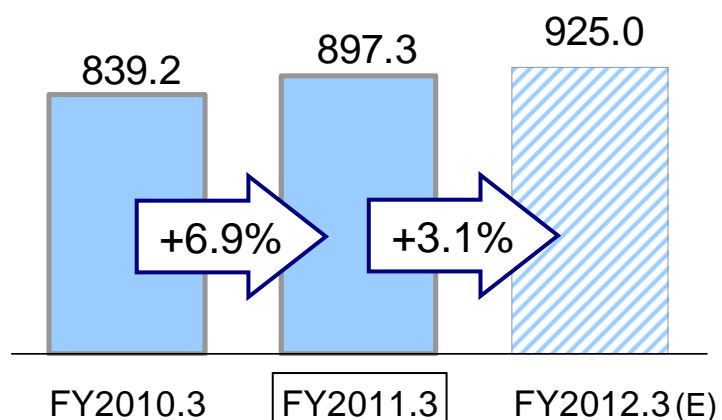
(Billions of yen)

	FY2010.3	FY2011.3		FY2012.3(E)	
			yoy		yoy
Operating revenues	2,650.1	2,590.7	-2.2%	2,600.0	+0.4%
Operating income	483.7	438.9	-9.3%	430.0	-2.0%
Operating margin	18.3%	16.9%	-	16.5%	-
Ordinary income ^{Note}	490.6	429.9	-12.4%	422.0	-1.8%
Net income	293.2	214.0	-27.0%	240.0	+12.1%
EBITDA	826.8	774.4	-6.3%	754.0	-2.6%
EBITDA margin	31.2%	29.9%	-	29.0%	-
Free Cash Flow	276.5	244.8	-	270.0	-
CAPEX (Cash basis)	376.8	338.7	-10.1%	335.0	-1.1%

Note: Equity-method investment income/loss, which used to be excluded from segment, is allocated to each segment from FY2011.3.

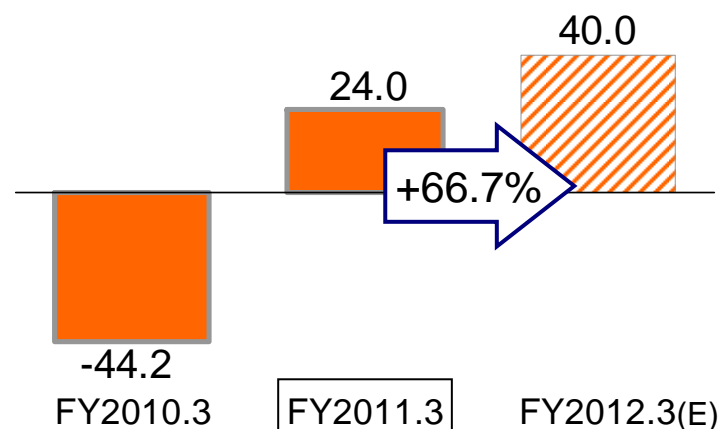
Operating Revenues

(Billions of yen)



Operating Income

(Billions of yen)



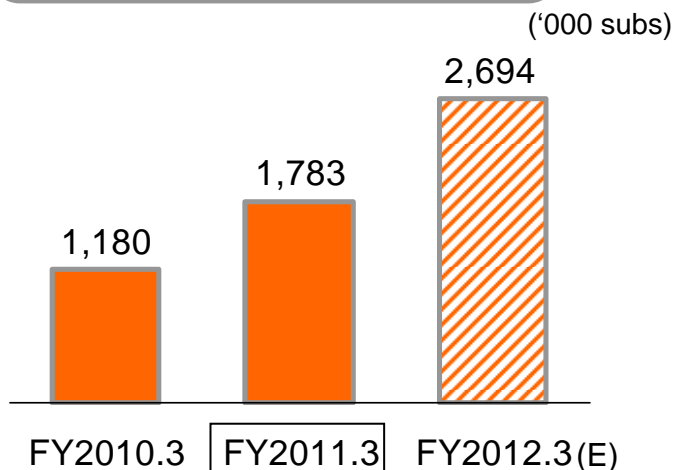
(Billions of yen)

	FY2010.3	FY2011.3		FY2012.3(E)	
			yoy		yoy
Operating revenues	839.2	897.3	+6.9%	925.0	+3.1%
Operating income	-44.2	24.0	-	40.0	+66.7%
Operating margin	-5.3%	2.7%	-	4.3%	-
Ordinary income ^{Note}	-56.8	7.8	-	23.0	+193.2%
Net income	-68.4	39.7	-	8.0	-79.9%
EBITDA	94.7	151.6	+60.1%	162.0	+6.9%
EBITDA margin	11.3%	16.9%	-	17.5%	-
Free Cash Flow	-75.7	35.1	-	58.0	-
CAPEX (Cash basis)	138.7	103.1	-25.6%	122.0	+18.3%

Note: Equity-method investment income/loss, which used to be excluded from segment, is allocated to each segment from FY2011.3.

Net adds (au+UQ WiMAX)

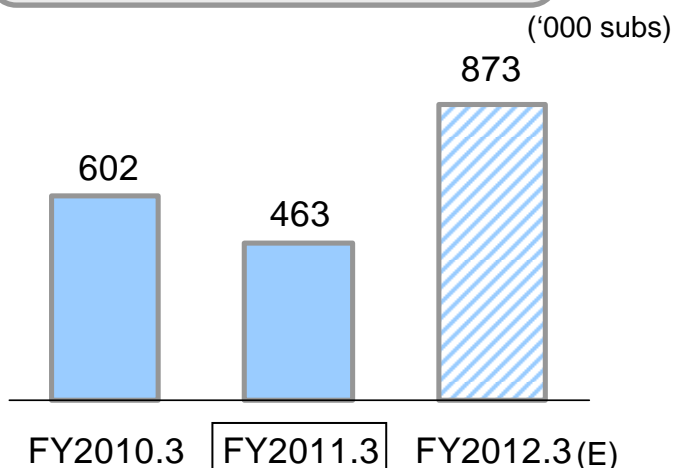
('000 subs)



Mobile Business	FY2010.3	FY2011.3		FY2012.3 (E)	
			yoy		yoy
"au" Total	31,872	32,999	1,127	34,500	1,501
of module-type	1,085	1,494	409	1,800	306
WIN(EV-DO)	26,174	29,633	3,459	33,000	3,367
1X	5,451	3,221	-2,230	-	-
cdmaOne	247	146	-102	-	-
UQ WiMAX	150	807	656	2,000	1,193
au + UQ WiMAX	32,023	33,806	1,783	36,500	2,694

Net adds (Fixed access lines)

('000 subs)



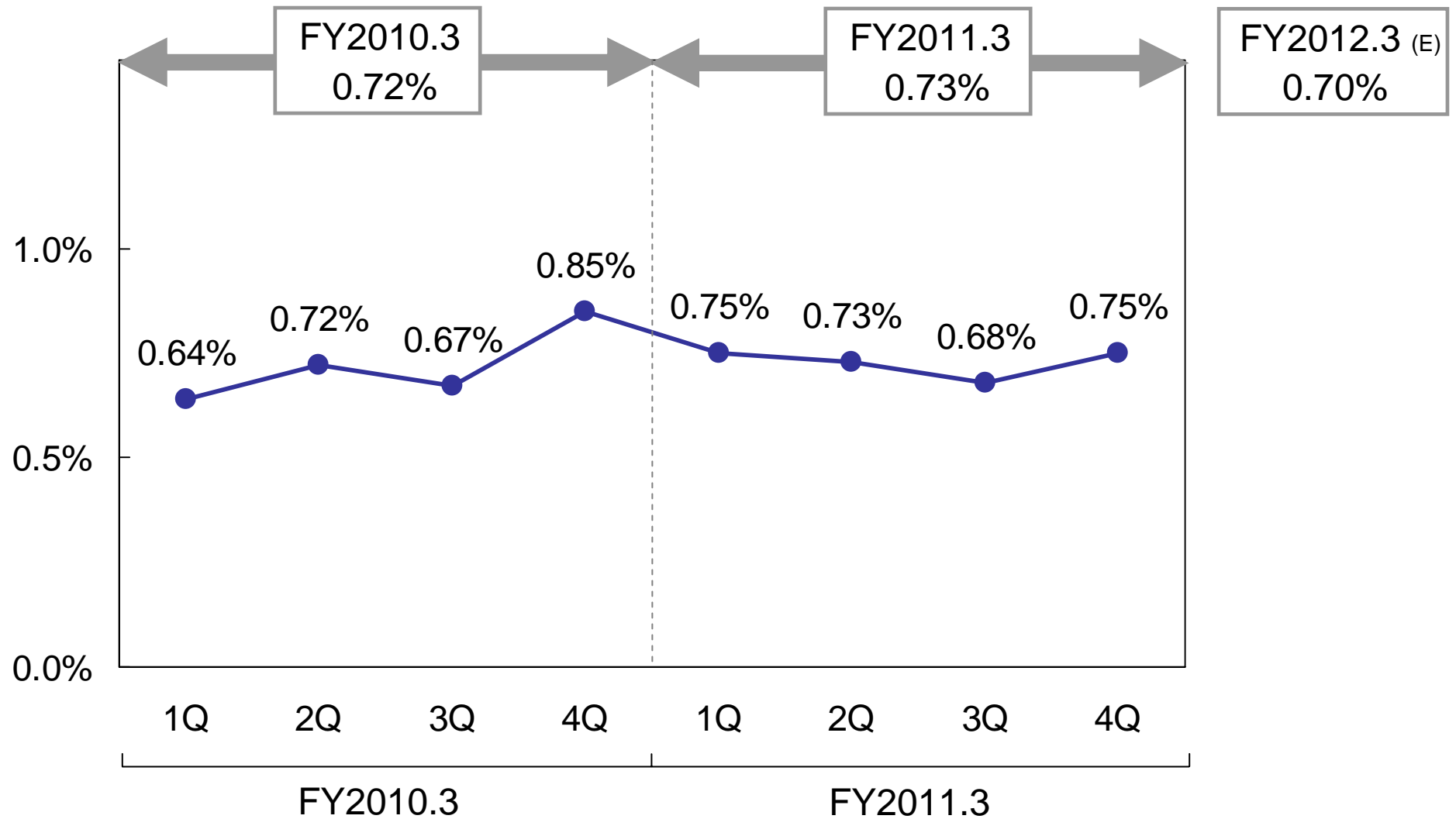
Fixed-line Business	FY2010.3	FY2011.3		FY2012.3 (E)	
			yoy		yoy
FTTH	1,513	1,901	388	2,400	499
Metal-plus	2,852	2,543	-309	2,130	-413
Cable-plus phone ^{Note1}	960	1,341	380	2,160	819
CATV ^{Note2}	972	1,088	116	1,130	42
Fixed access lines ^{Note3}	5,944	6,407	463	7,280	873

Note1: Include wholesale to "J:COM PHONE Plus" from FY2012.3(E).

Note2: CATV subs include number of households with at least one contract of 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.

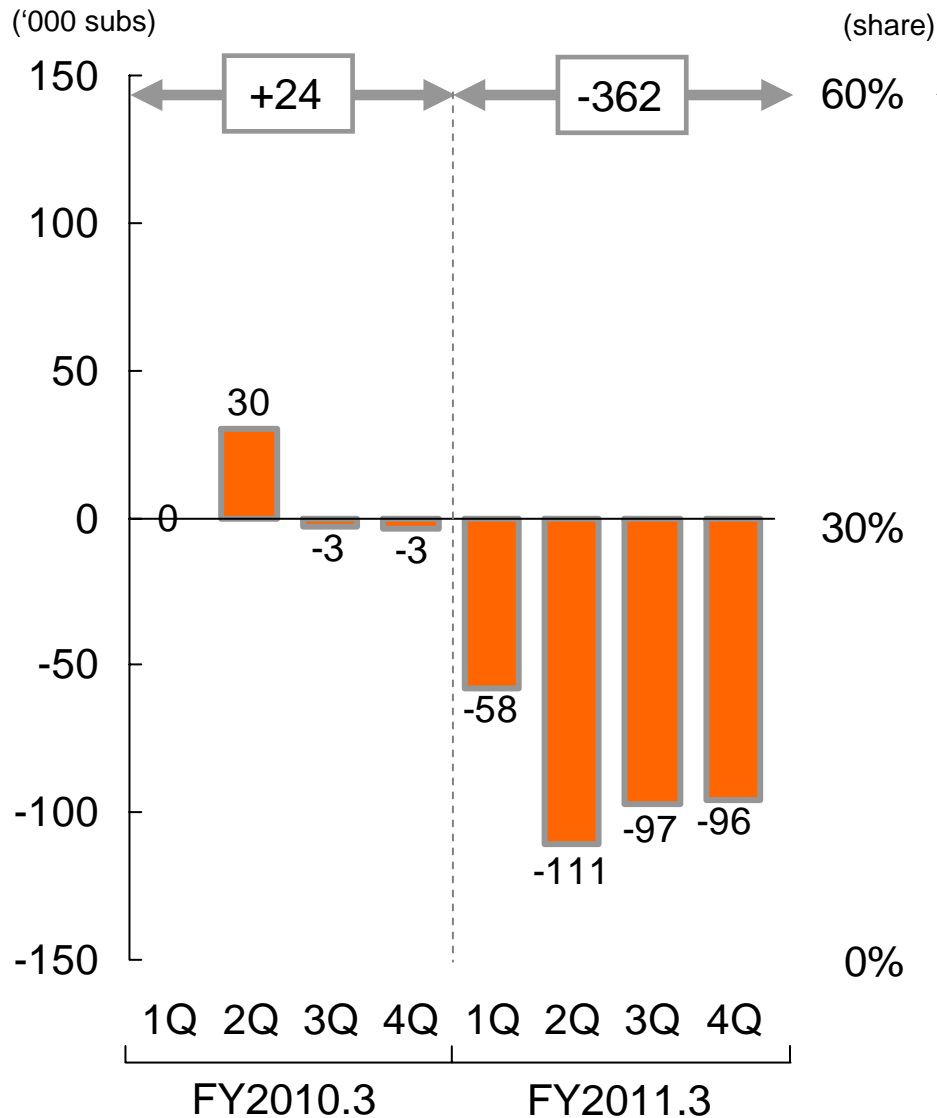


Note: "au" churn rate is calculated for ordinary handsets which exclude module-type terminals.

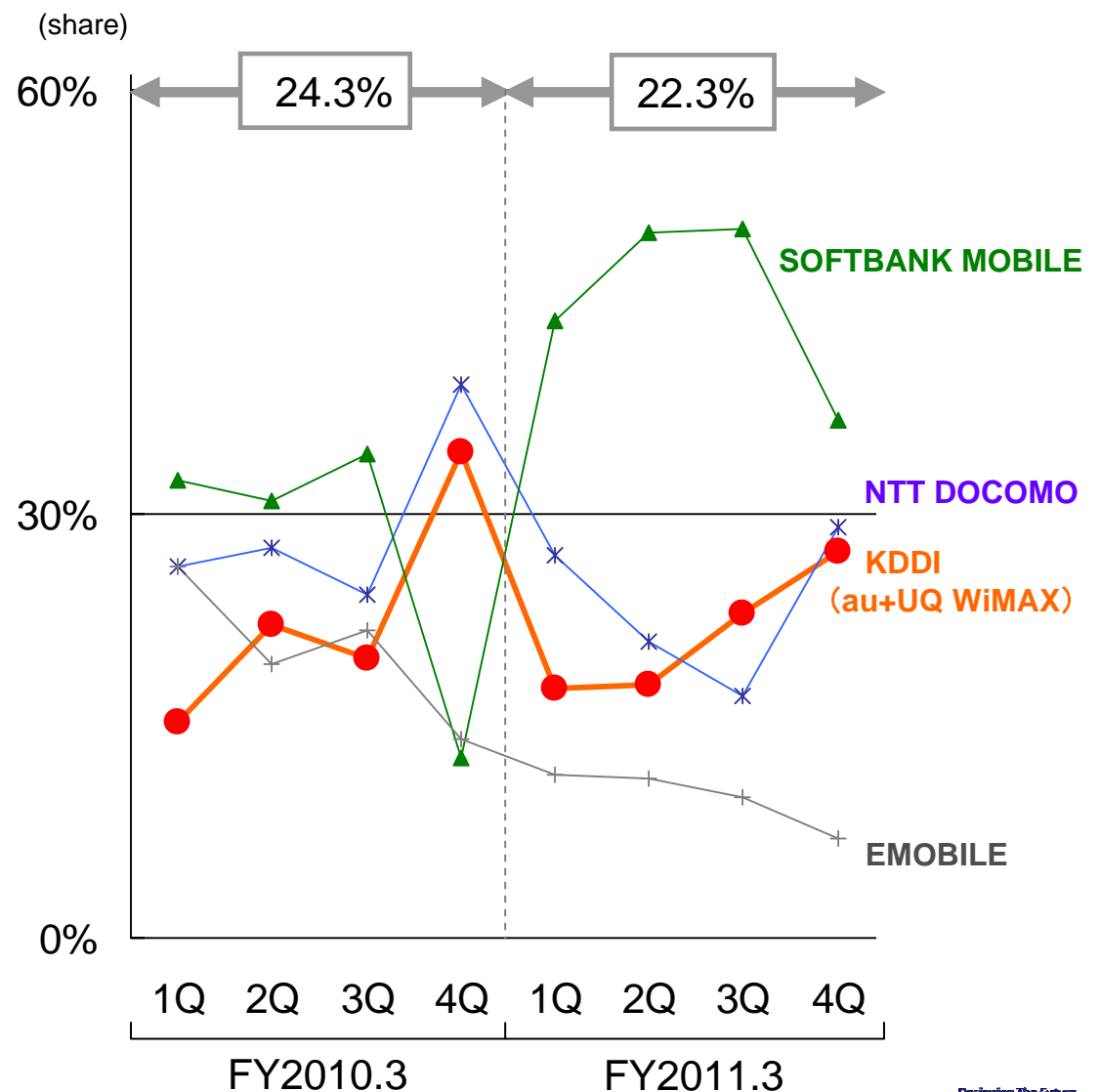
KPI (3) -MNP / Net Addition Share

11

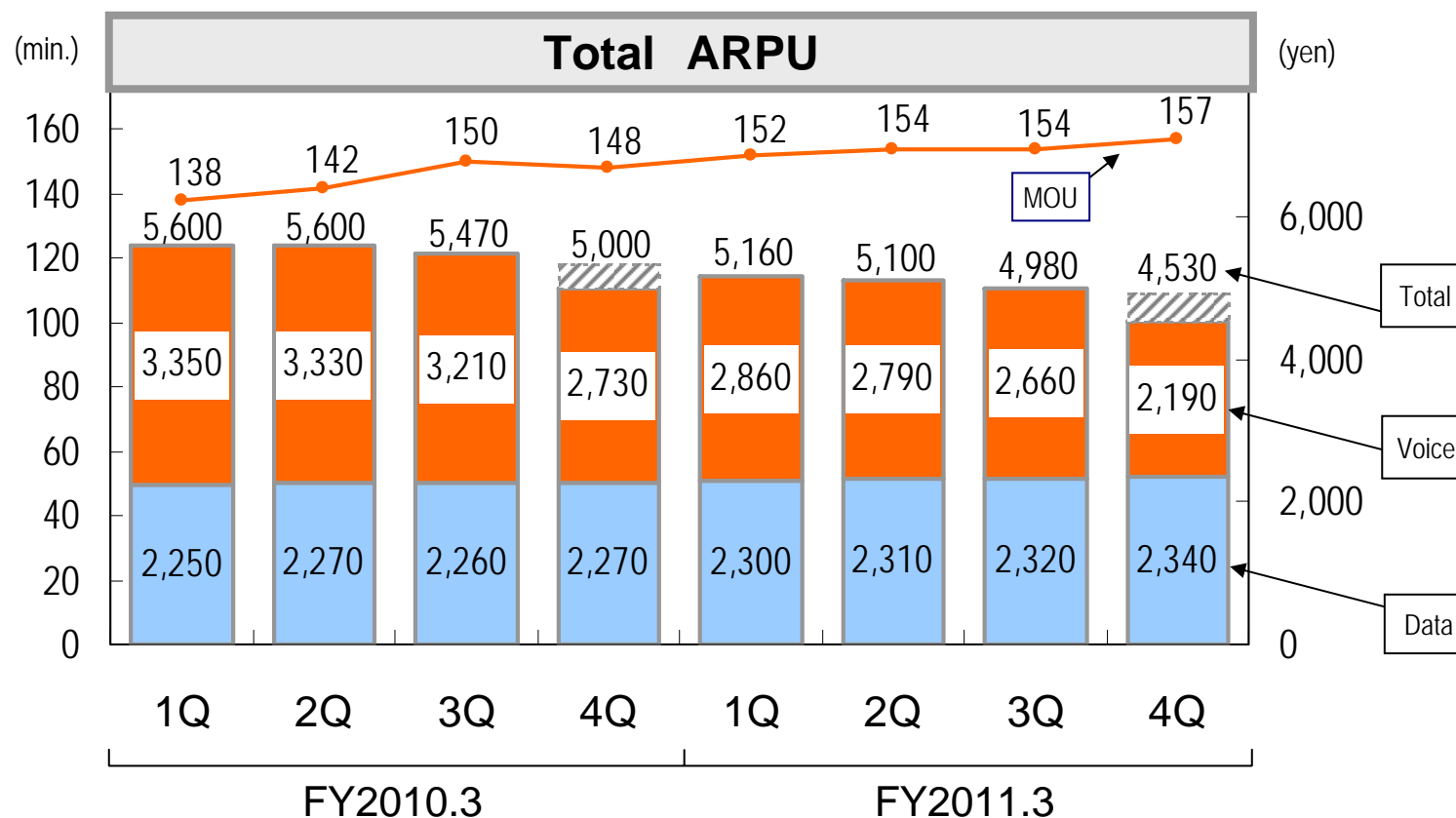
MNP (au)



Net Addition Share (au + UQ WiMAX)



* MNP: Mobile Number Portability * Net addition share is created by KDDI using data on Telecommunication Carriers Association's website.



Full-year	FY2010.3	FY2011.3	FY2012.3(E)
Total ARPU	¥5,410	¥4,940	¥4,540
of Voice	¥3,150	¥2,620	¥2,000
of Data	¥2,260	¥2,320	¥2,540

FY2011.3 - FY2010.3	FY2012.3(E) - FY2011.3
▲¥470 (▲8.7%)	▲¥400 (▲8.1%)
▲¥530 (▲16.8%)	▲¥620 (▲23.7%)
+¥60 (+2.7%)	+¥220 (+9.5%)

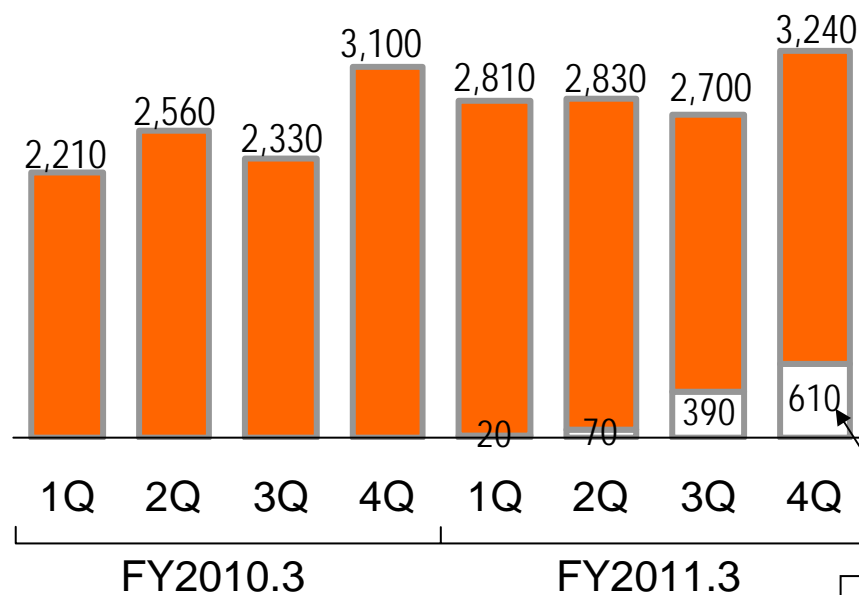
Note: The portion of FY2010.3 4Q and FY2011.3 4Q are negative due to the settlement of access charges among carriers.

KPI (5) -Number of au Units Sold / au Sales Commissions

13

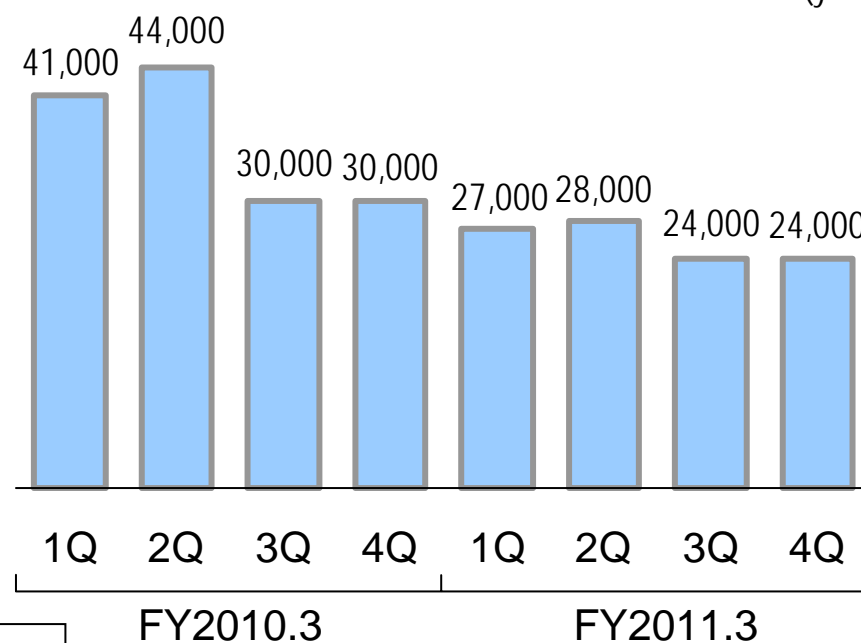
Number of Units Sold

('000 units)



Average Commissions / Unit

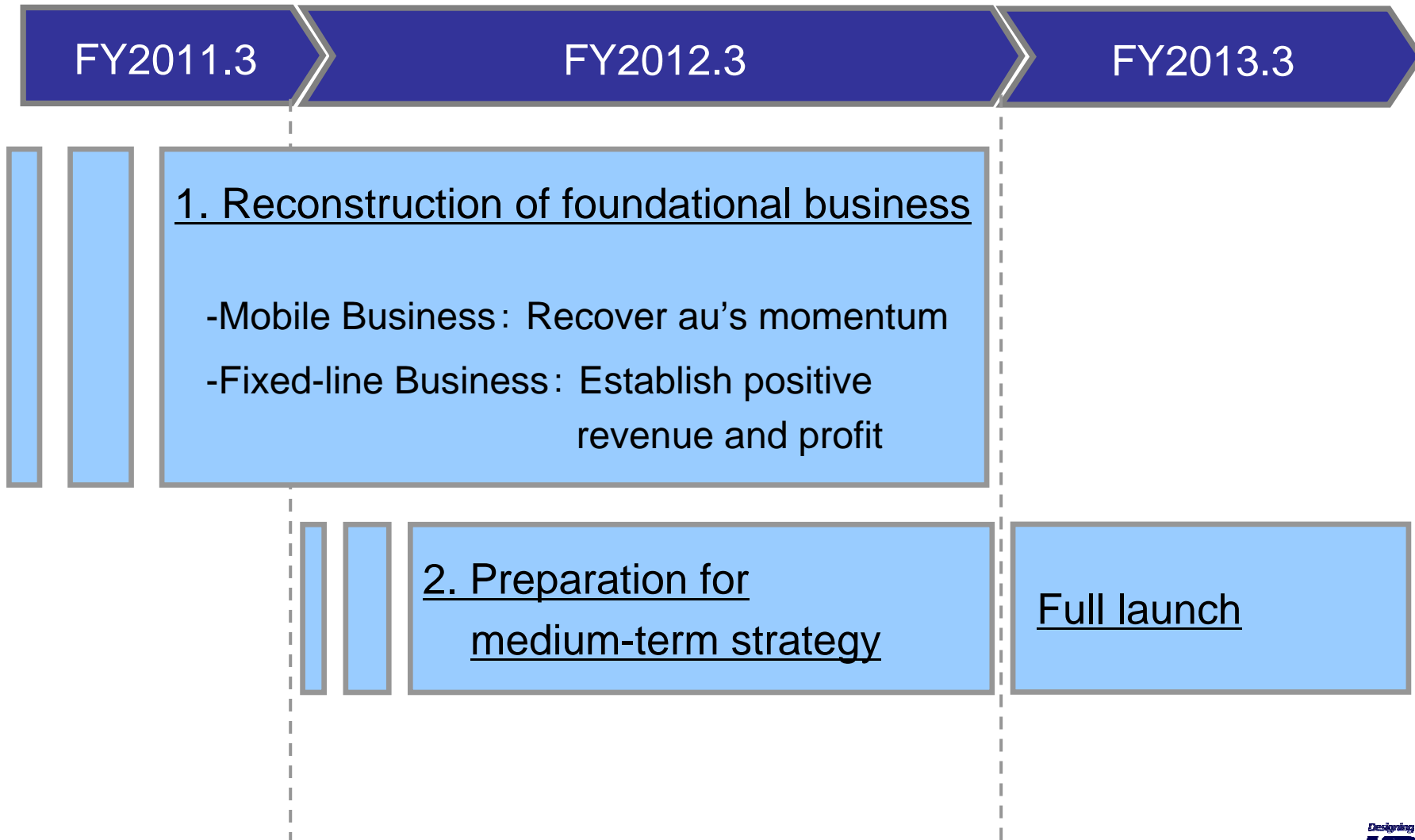
(yen)



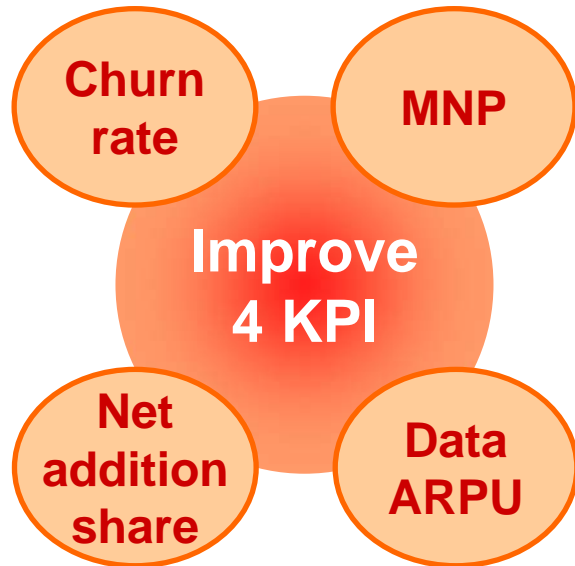
	FY2010.3					FY2011.3					FY2012.3 (E)
	1Q	2Q	3Q	4Q		1Q	2Q	3Q	4Q		
Total sales commissions (Billions of yen)	90.0	112.0	71.0	93.0	365.0	76.0	80.0	65.0	78.0	299.0	266.0
Average commissions / unit (yen)	41,000	44,000	30,000	30,000	36,000	27,000	28,000	24,000	24,000	26,000	22,000
Number of units sold ('000 units)	2,210	2,560	2,330	3,100	10,200	2,810	2,830	2,700	3,240	11,570	12,100
Of smartphone	-	-	-	-	-	20	70	390	610	1,090	4,000

1	On the Great East Japan Earthquake
2	Financial Results for FY2011.3 and Full-year Outlook for FY2012.3
3	Tasks and Measures for FY2012.3
4	Medium-term Strategy of KDDI Group
Appendix	

The year of start for next growth of KDDI Group



■ Mobile Business: Recover au's momentum



- Shift to smartphone
 - Expansion of lineup
 - Strengthening service & apps
 - Strengthening sales
 - Promotion of data offloading
- Solid measures for reorganization of 800MHz band

■ Fixed-line Business: Establish positive revenue and profit



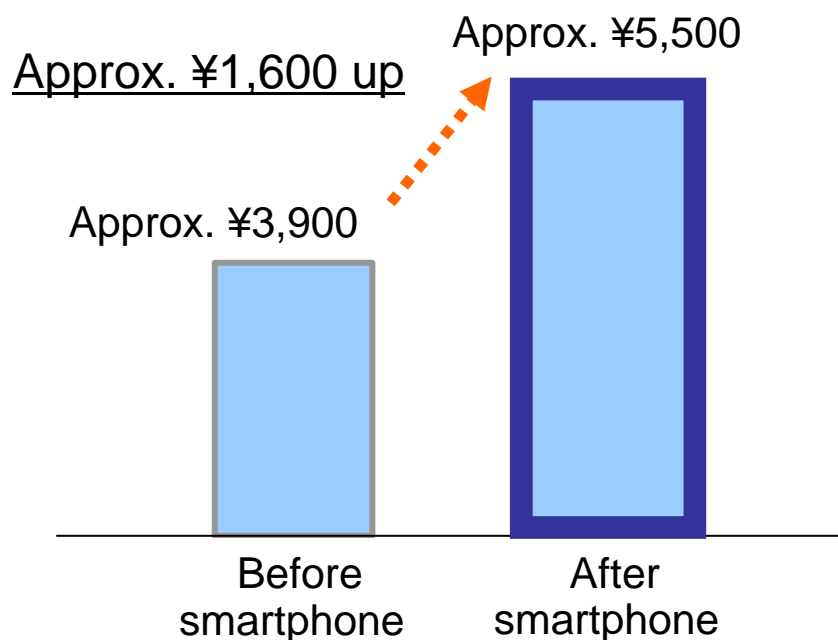
- Expansion of FTTH customer base
- Strengthen corporate client solutions
- Reduce network costs

Smartphone (1) -Data ARPU / Number of Unit Sold

17

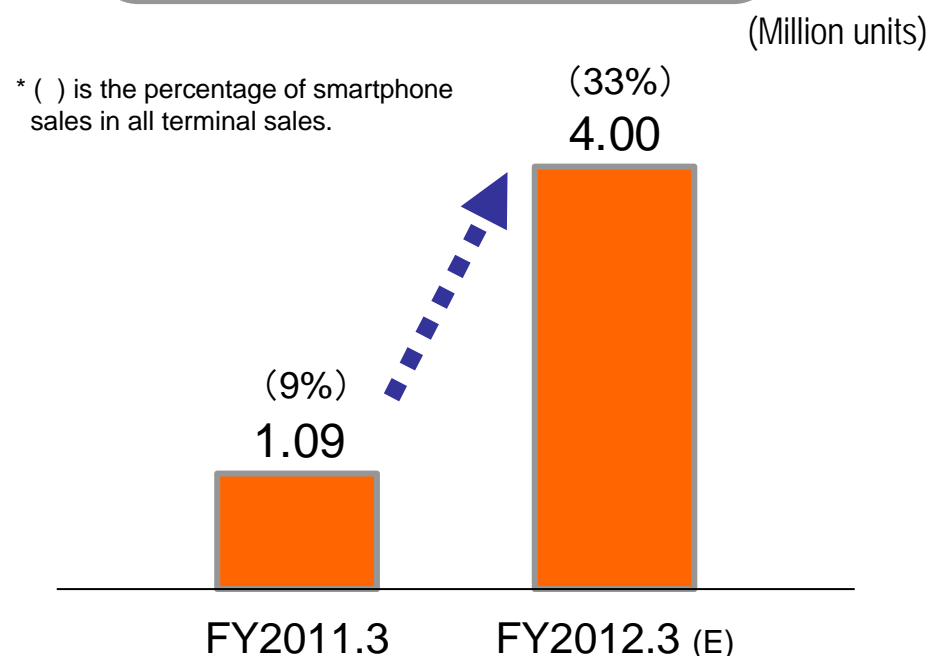
Aim for 4 million sales of smartphone in FY2012.3 (33% of all terminals)

Change in data ARPU



Subject: Users who changed to "IS03", "IS04", "IS06" between November, 2010 and February, 2011.
Contents: Comparison of ARPU in the month before change and the month after change.

Sales of smartphone



* () is the percentage of smartphone sales in all terminal sales.

➤ Aim for further increase in data ARPU by expanding sales of smartphones and their users.

Data ARPU in FY2012.3(E): ¥2,540 (+9.5% / +¥220 yoy)

Small size smartphone "IS05" contributes to expansion of female users.

IS05 by SHARP



White

Pink

Green × Black

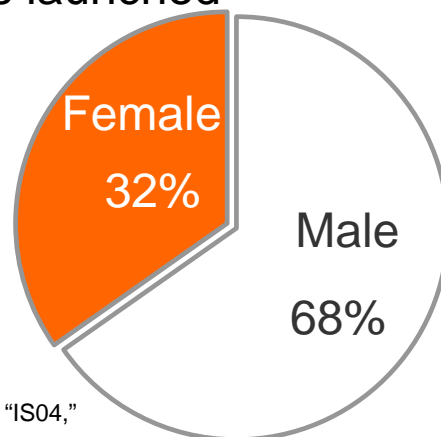
■ Special features

- Small size easy to carry by female users
- Stylish and casual design
- Standard functions in Japan such as 1seg and Osaifu-Keitai®

Launched
March 10

Gender of users who purchased smartphone^{Note}

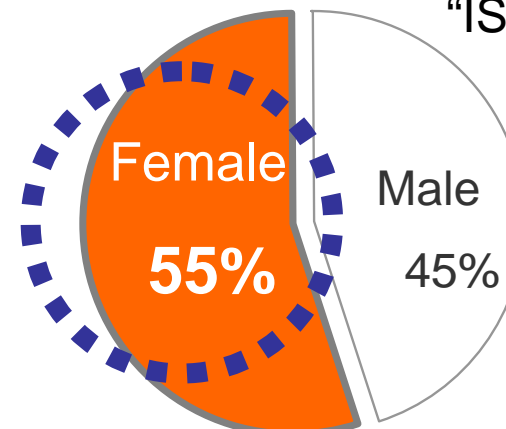
All models launched
in 2nd half



* 4 models of "IS03," "IS04,"
"IS05," "IS06"



"IS05"



Note: Gender of users who purchased models between their release and March 31, 2011. * "Osaifu-Keitai" is a registered trademark of NTT DOCOMO, INC.

Smartphone (3) -Expansion of Lineup

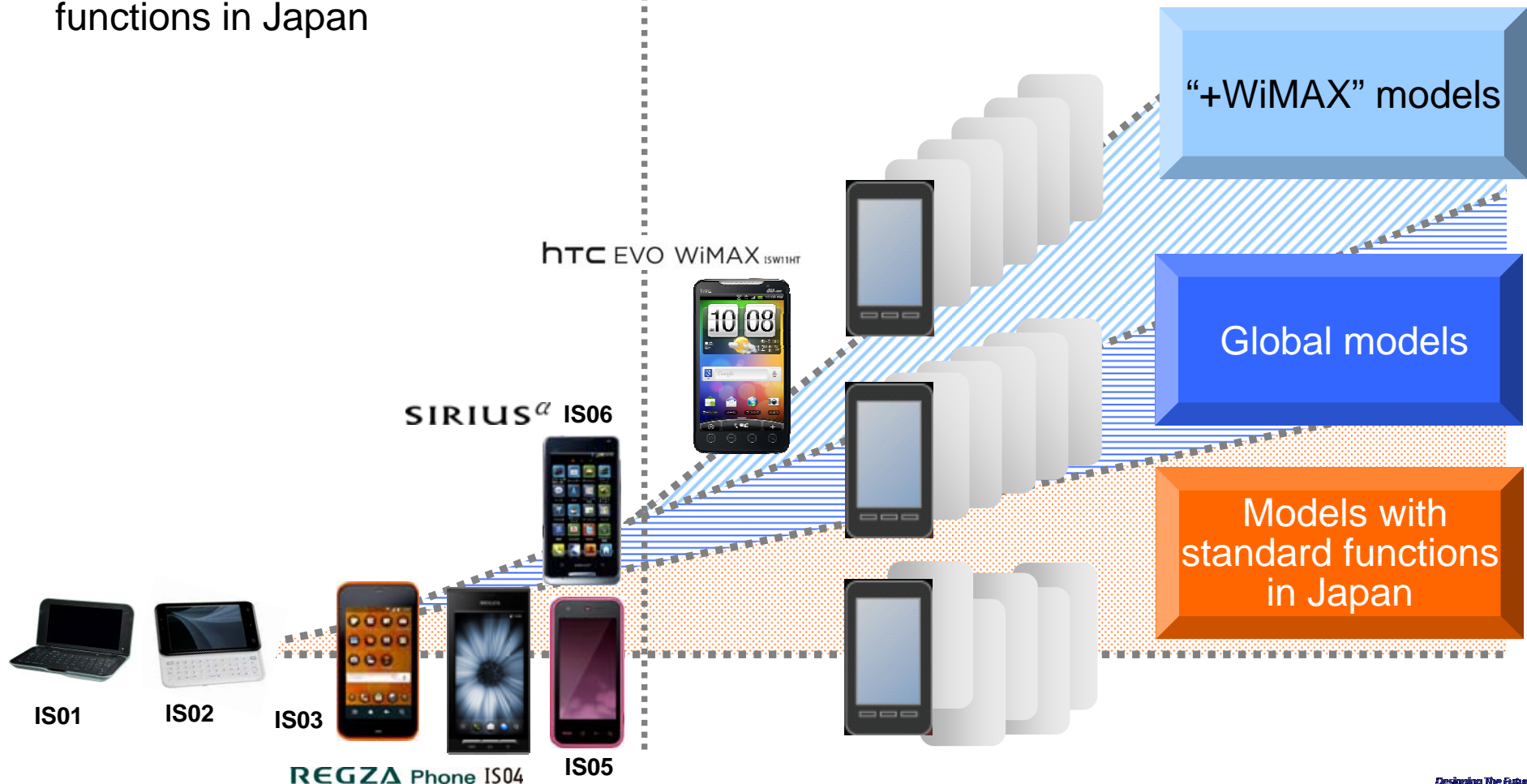
19

FY2011.3

FY2012.3

- Lineup mainly of high-end models
- Mainly models with standard functions in Japan

- Various lineup to expand users
- Introduce “+WiMAX” models and global models



* “REGZA” is a registered trademark or trademark of Toshiba Corporation. * “htc EVO” is a registered trademark or trademark of HTC CORPORATION.

Promote hybrid models that improve convenience of users



■ High-speed smartphone

(Max 40Mbps downlink)

- WiMAX usage available with ¥525
- No speed limit when using WiMAX

■ Standard tethering function^{Note}

- Max of 8 devices can be connected when used as a mobile Wi-Fi router

■ Provide best connection environment

- Users can switch between 3G/WiMAX/Wi-Fi

Offloading effect
to WiMAX / Wi-Fi

Note: Tethering price is included in the upper limit of the usage fee for smartphone. (ex. Tethering usage possible with the flat rate of ¥5,460 (incl. tax) in the case of "IS Flat.")

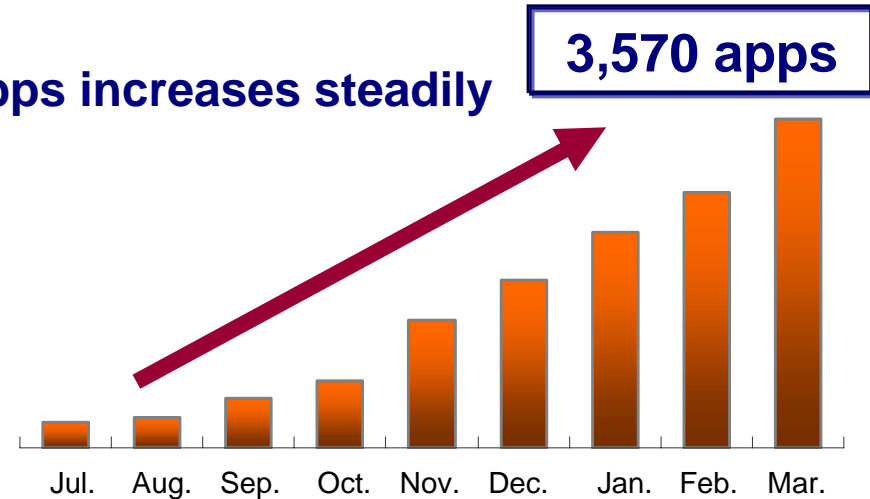
* "Wi-Fi" is a registered trademark of Wi-Fi Alliance®. * Prices include tax.

Proactively promote cultivation of domestic and overseas apps with competency

Apps at
au one Market



Number of apps increases steadily

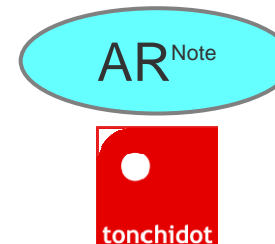


Obtain apps
with
competency

Overseas

Domestic

Cultivate strategic apps through
funds targeting Android™ apps



Note: AR: Abbreviation for Augmented Reality. * "Android™" is a registered trademark or trademark of Google Inc. * Skype, its trademarks and logos are trademarks of Skype Limited.

Strengthen sales channels for expansion of smartphone

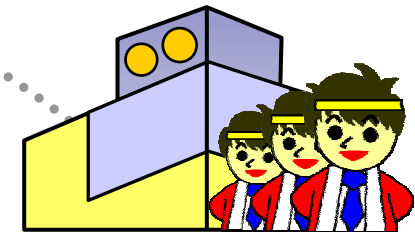
au shop



- Increase sales staff, strengthen skills
- Improve customer traffic through renewal of shops
- Proactive retention from au shops (au my premium shop mails)
- Improve customer support using ICT

Strengthen sales channel

= Strengthen both channels
that serve as center of sales



Mass
merchandize store

■ Expand smartphone using “Maitsuki Discount”

- Expand sales area
- Increase sales staff



Customers

Reduce purchase price

advantage

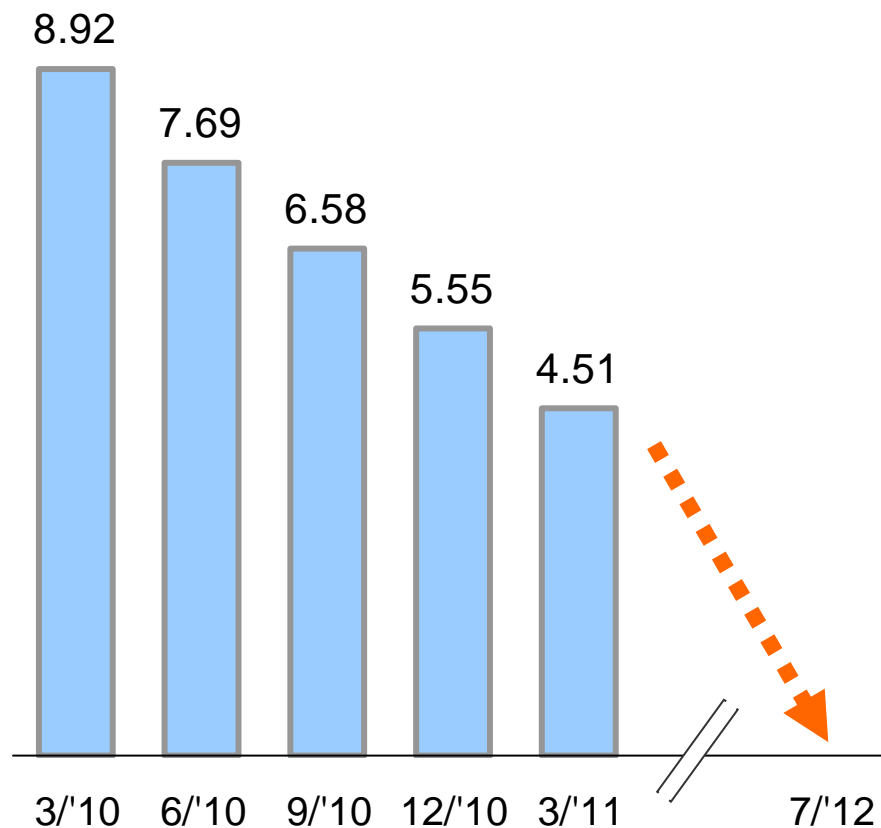
Reduce sales commissions
= Leveling off cost

au by KDDI

Transfer from non-triband to triband handset units were 3.68M in FY2011.3.

Number of Non-triband Handset Units

(Million units)



Note: The number excludes module-type terminals.

■ Measures to Promote Transfer

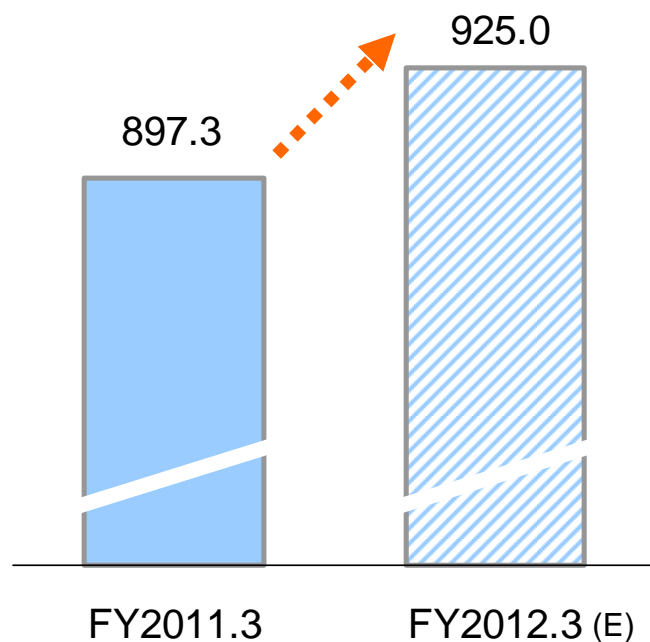
- Attracting to stores by sending DM.
- Proactive announcement through telephone operators.
- Waiving charges for handset upgrade processing.
- Providing handsets at affordable prices etc. (Use mid-range/low-range handsets)

Conduct measures for transfer steadily for completion of reorganization in July 2012

Promote measures for income increase to sustain continuous growth.

Fixed-line Business Operating Revenues

(Billions of yen)



■ Expansion of FTTH users

(Target by March 31, 2012: 2.40M)

- Expansion of service areas
- Strengthen cross sales with au mobile phone

auひかり

“au HIKARI”

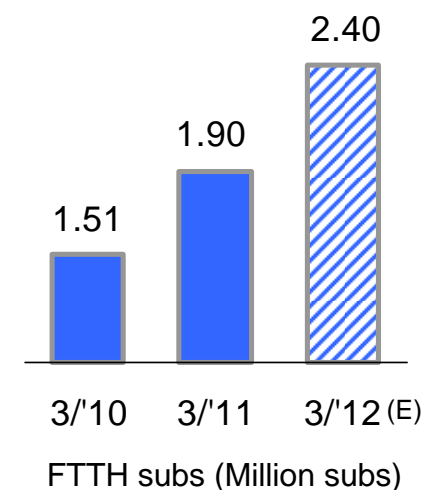
コミュファ光

“Commuf@-hikari”

auひかり

ちゅら

“au HIKARI Chura”



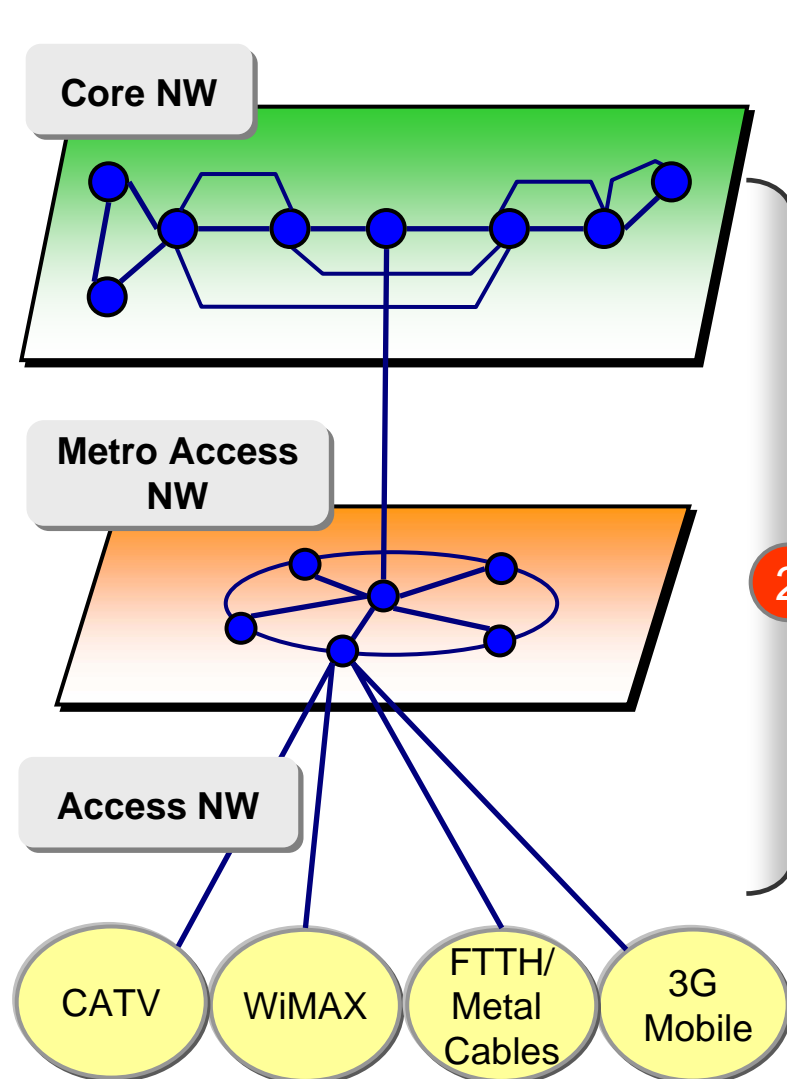
■ Strengthen corporate client solutions

- Strengthen network base to promote crowd service
- Cultivate small and medium company market

KDDI まとめてオフィス

“KDDI Matomete Office”

Reduce NW cost to strengthen fixed-line business foundation and concentrate resources on strategic services



NW cost reduction effect
in FY2011.3

¥19.5B

1

1) Streamlining NW Phase1, etc.

Organizing and integrating mainly core NW

NW cost reduction effect
in FY2012.3

Approx. ¥14.0B

2

2) Streamlining NW Phase 2 Approx. ¥7.0B

Efficient usage of metro access NW,
structural reform of NW management etc.

3) Impairment loss
on legacy service facilities etc. Approx. ¥7.0B

→¥41.9B in extraordinary loss in FY2011.3 ^{Note}

Note: Includes a part of streamlining NW Phase 2

Topped 800k subs by Mar. 31, 2011, strengthen ties with KDDI in FY2012.3.

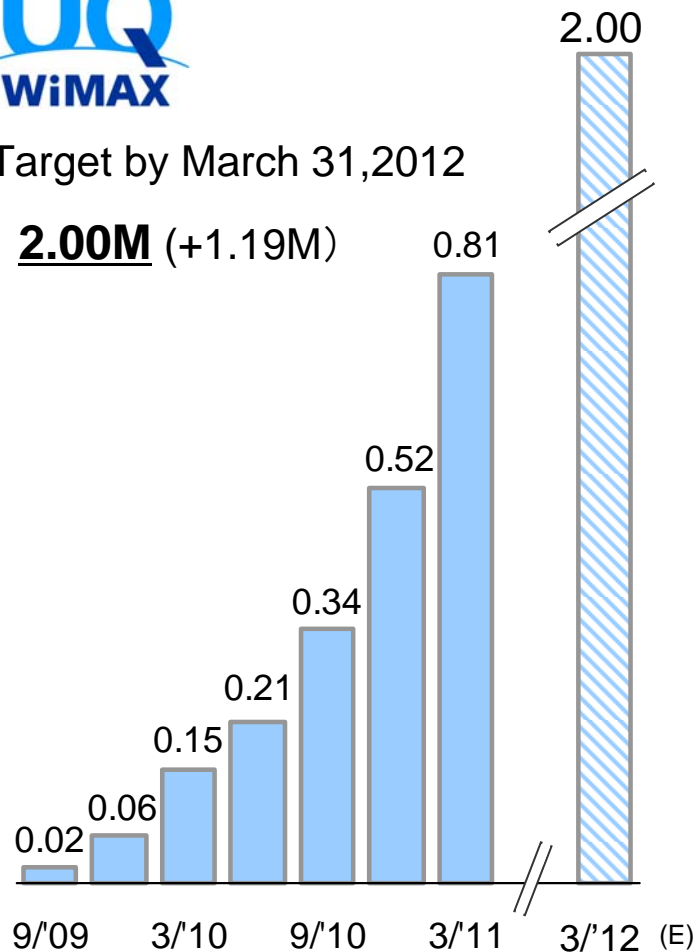
Subscriptions

(million subs)



Target by March 31, 2012

2.00M (+1.19M)



Current Situation

Subs

- Net addition accelerated in 2nd half
1st half: +187k → 2nd half: +470k
(2.5 times from 1st half)

Area coverage

- Base stations as of Mar. 31, 2011: 14,376
-Ave. of 70% in Japan, 99% in Tokyo, Nagoya, Osaka by population
-Covering 569 cities and towns in all 47 pref.

Device

- Wi-Fi router, WiMAX PC become main

Fee

- “UQ Flat Yearly Passport” proves popular

WiMAX
Speed Wi-Fi



4 manufactures,
10 models



10 manufactures,
54 models


UQ Flat
年間パスポート

Flat rate plan (1years subs)
¥3,880 (incl. tax) /month



From investigation phase to action phase

Personnel exchange	<p>To promote business tie up, from three part-time executives to</p> <ul style="list-style-type: none"> ➤ One full-time vice president and two part-time executives ➤ Send managers on loan from KDDI 	April 2011 ^{note1}
Telecom business /Product collaboration	New “J:COM PHONE Plus” using Cable-plus phone wholesale	April 2011
	Apply “au Collective Talk” to J:COM PHONE Plus	April 2011
	Integrating billing service	May 2011
	J:COM to provide WiMAX service	Completed
Sales cooperation	Cross promotion (Kansai, Sapporo, Sendai areas)	Completed
Media business	Unify VOD contents procurement function to J:COM	Completed
	Broadcast au’s contents (LISMO!) as VOD and to community ch.	Completed
CATV business	Joint promotion such as ads by J:COM & JCN	Completed
Technology infrastructure	Switch J:COM phone traffic to KDDI relay network ^{Note2}	Completed
	Jointly promote tech standard for commercializing next gen. Android™ STB	

Note1: J:COM executives take office from March 23, Note2: Switching takes place sequentially. *  shows items aimed in FY2012.3.

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

1	On the Great East Japan Earthquake
2	Financial Results for FY2011.3 and Full-year Outlook for FY2012.3
3	Tasks and Measures for FY2012.3
4	Medium-term Strategy of KDDI Group
Appendix	

Change of
social environment

Declining birthrate, aging society, lowering
domestic demands, acceleration of globalization

Change of business
environment

Rapid expansion of smartphone, tablet market

Usage of terminals

Outdoor: mobile/ Indoor: PC



Using terminal of preference
without worrying about venue

Competition
environment

Domestic operators



Include global player

Business model

Vertical unification model



Open internet

Rapid increase
of traffic

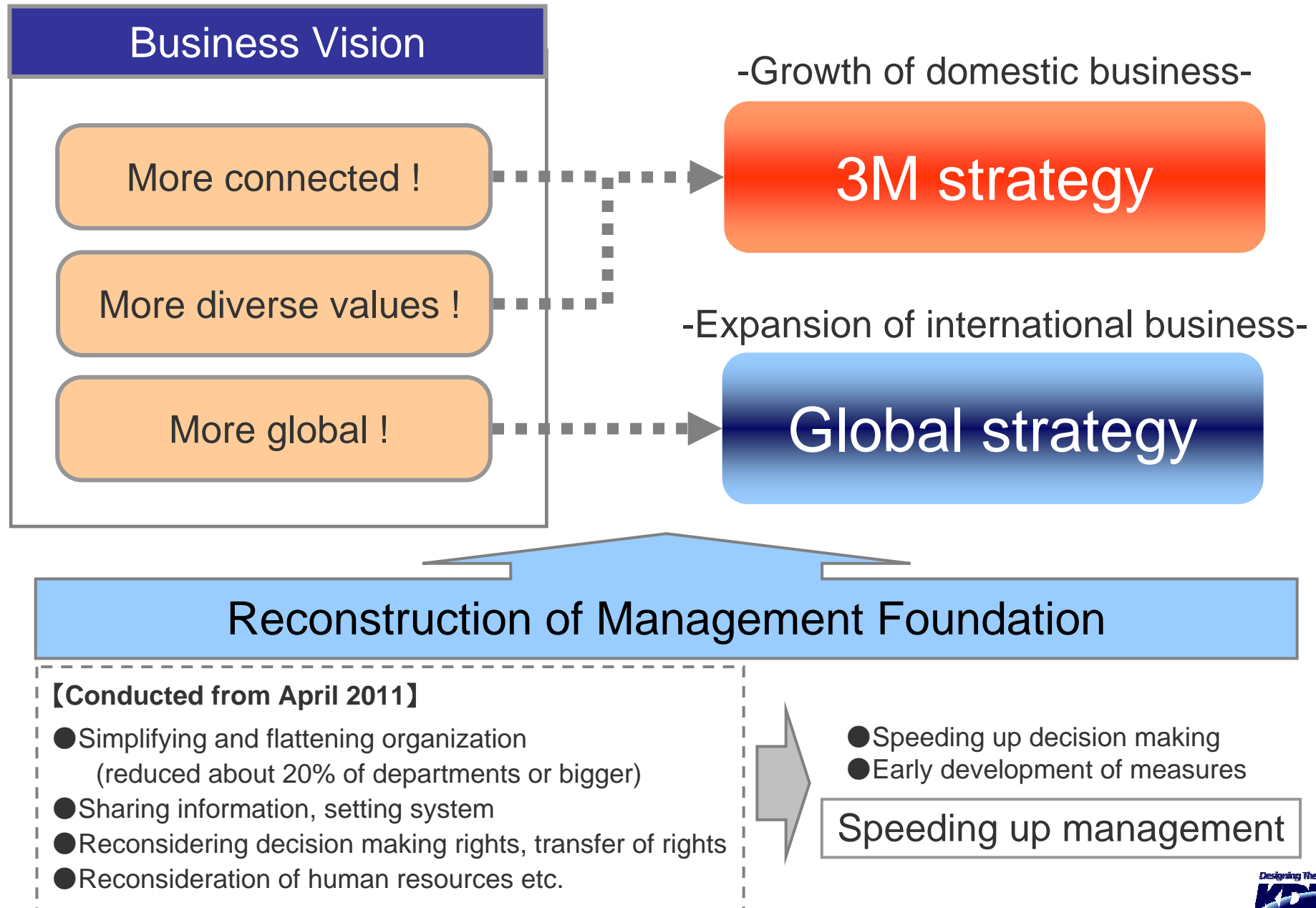
NW centering around mobile



NW centering
around internet terminals

Coming of new business opportunity = Need for reform

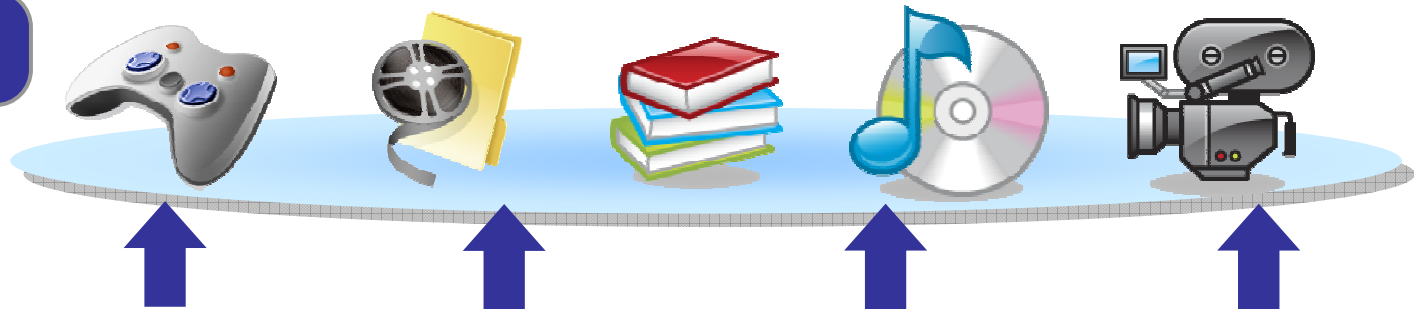
Shift to new business model for further growth



Shift domestic business axis to 3M

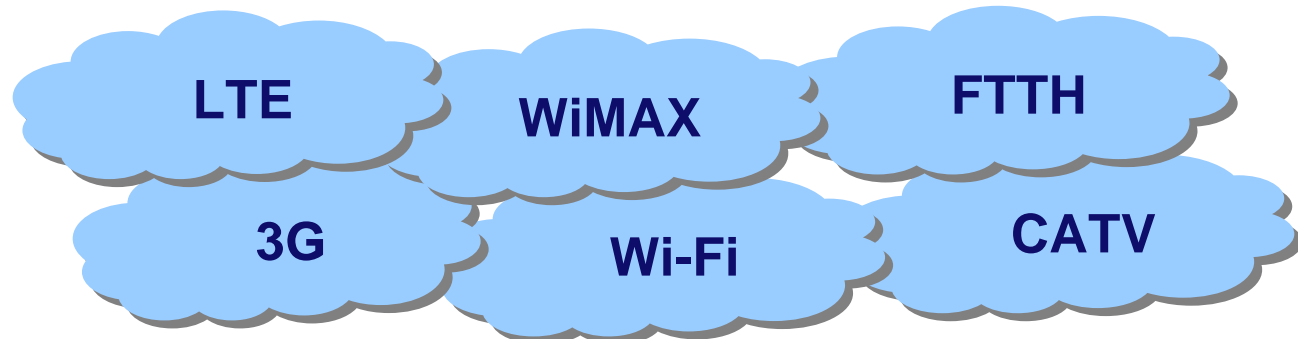
Multi-use

Various contents
and services



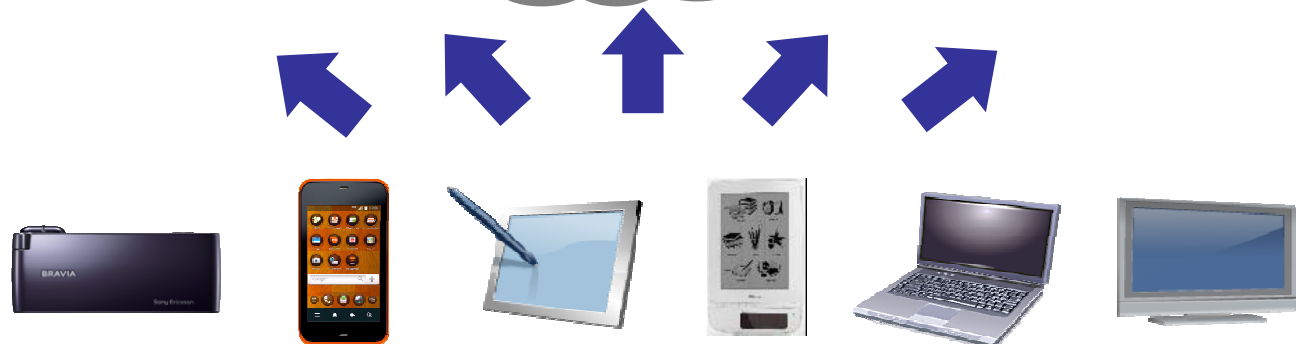
Multi-network

Best network
anywhere & anytime



Multi-device

Usage of
preferred device



Feature phone

Smartphone

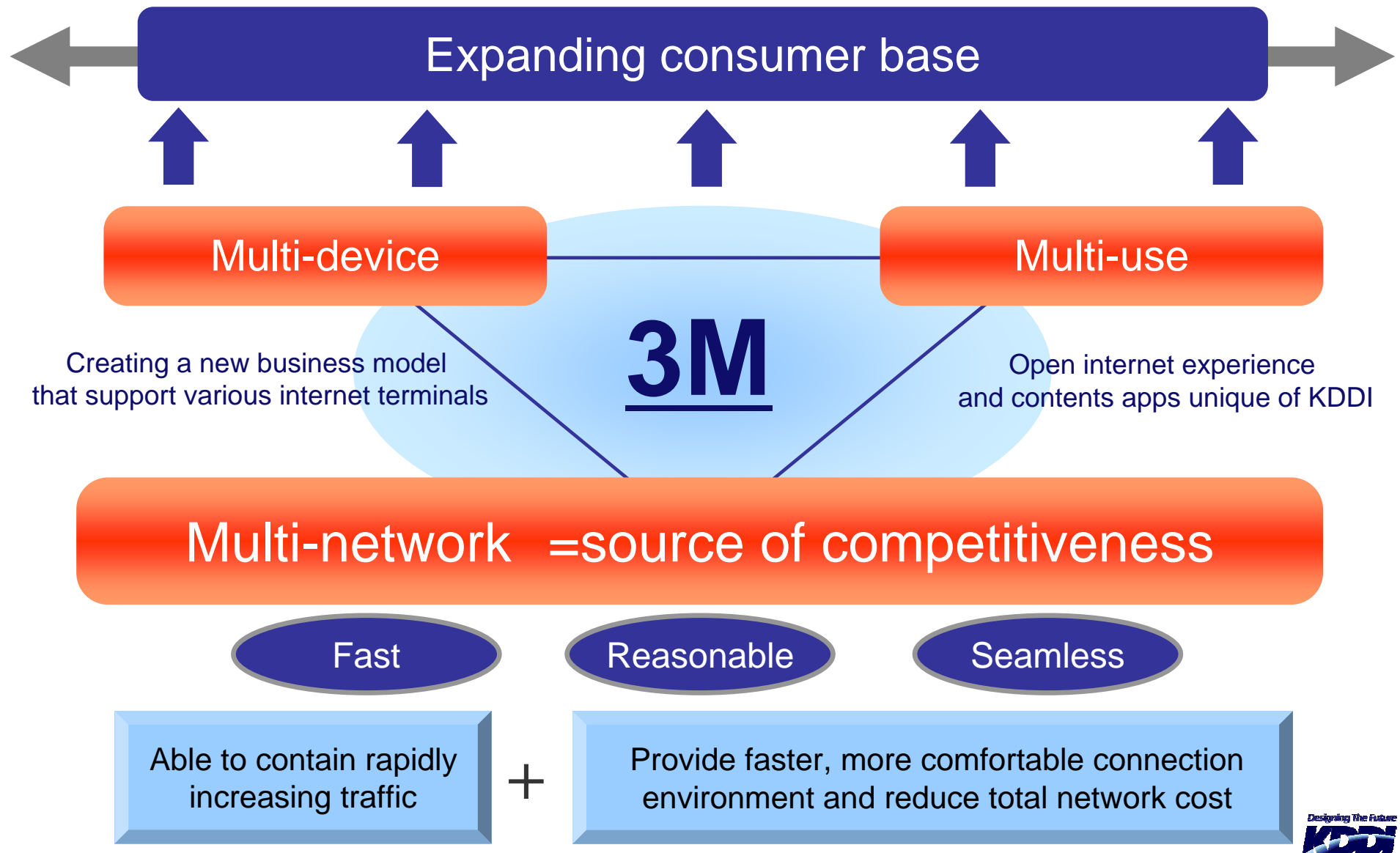
Tablet

E-book reader

PC

TV-STB

-Maximizing sales from individuals to households level-

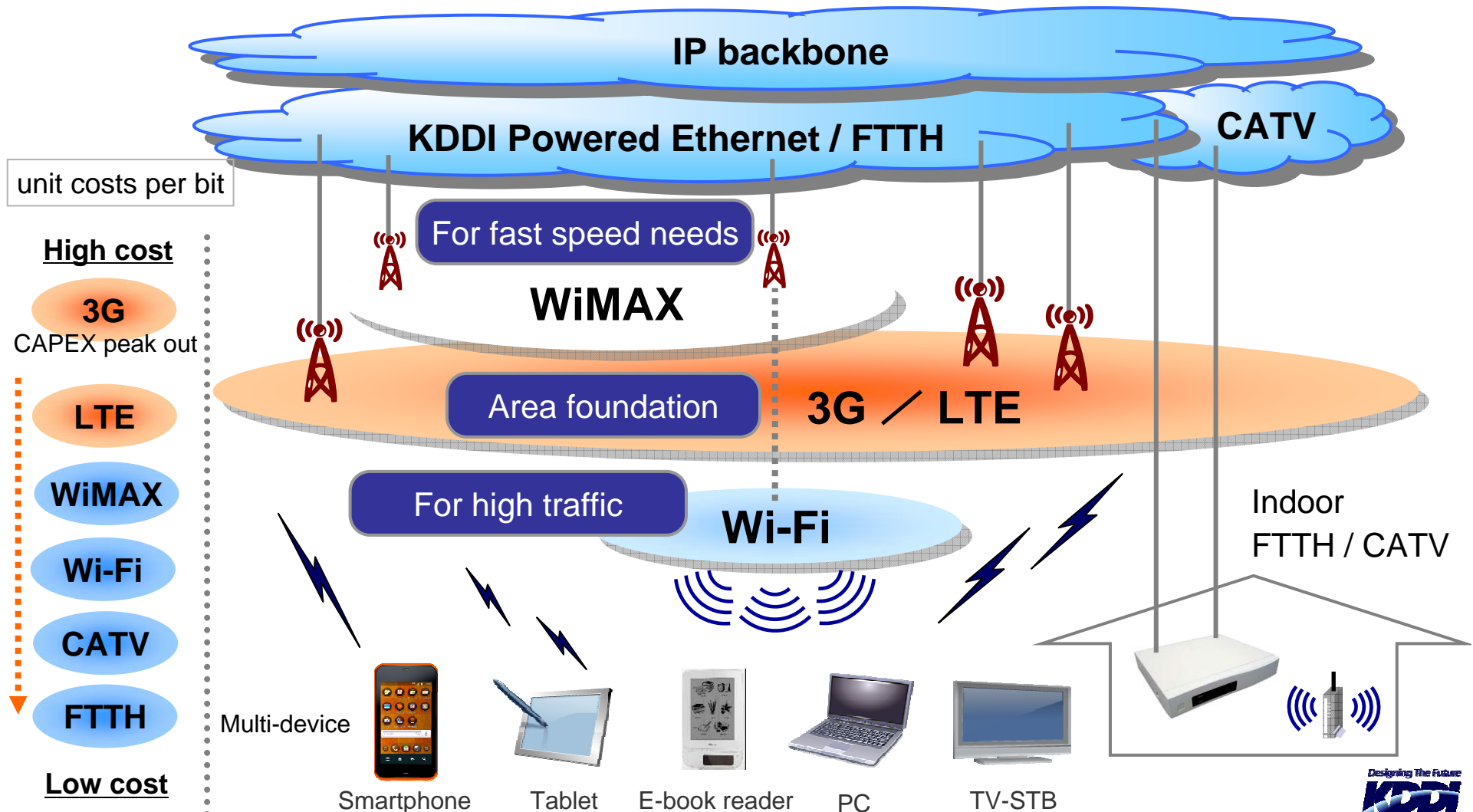


3M Strategy (3) -Promotion of Multi-network

33

Meet fast speed demand and
reduce cost per bit through multi-NW

Reduce NW management cost
by sharing backhaul

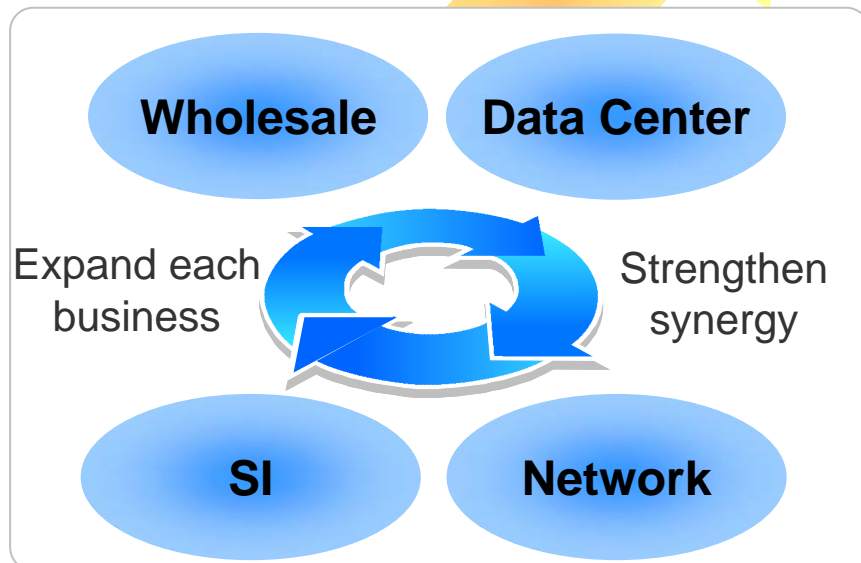


Make Global Business as the Pillar of KDDI Group Business.

Synergy of Existent Business

Establishment of Global ICT Foundation

- Strengthen price competition ability
- Adding of high value
- Strengthen non-Japanese client foundation



New Business

Development to Developing Countries/ Asia

- Reach the market of 2 billion people
- Expanding the consumer business on global basis

-Internet / international remittance / contents

Use Knowledge & Experience in Japan

Internet
ISP



WiMAX



Contents



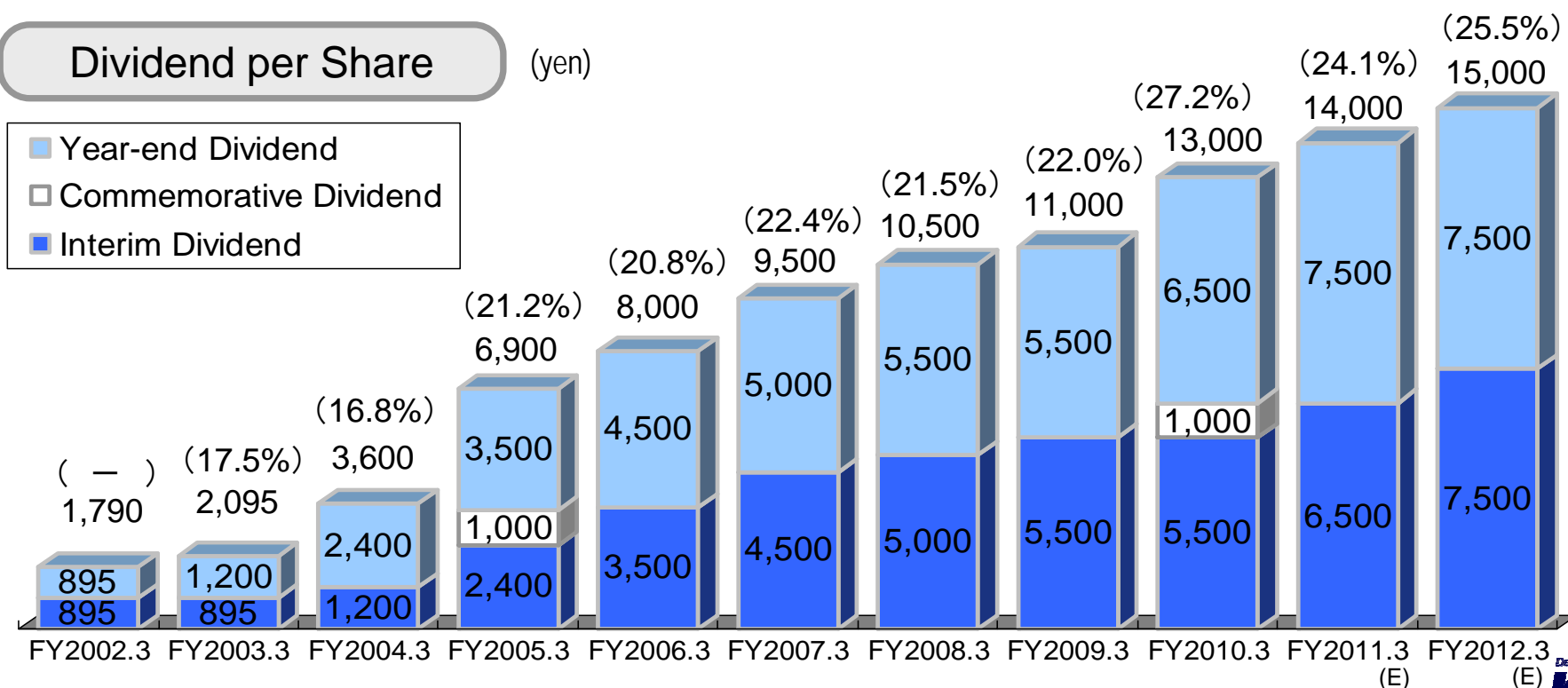
Cash Flow and Shareholder Return

35

1	CAPEX	Aim for development of multi-NW and conduct efficient CAPEX
2	Investment, M&A	Conduct necessary M&A for further growth strategy
3	Dividend Policy	Steadily increasing consolidated payout ratio to 25%-30% range
4	Share Buyback	Consider as a choice after judging cash flow status etc.

Dividend per Share

(yen)



Note: () refers to payout ratio, which shows on non-consolidated basis until FY2006.3 and on a consolidated basis from FY2007.3. FY2002.3 posted net loss.

1	On the Great East Japan Earthquake
2	Financial Results for FY2011.3 and Full-year Outlook for FY2012.3
3	Tasks and Measures for FY2012.3
4	Medium-term Strategy of KDDI Group

Appendix

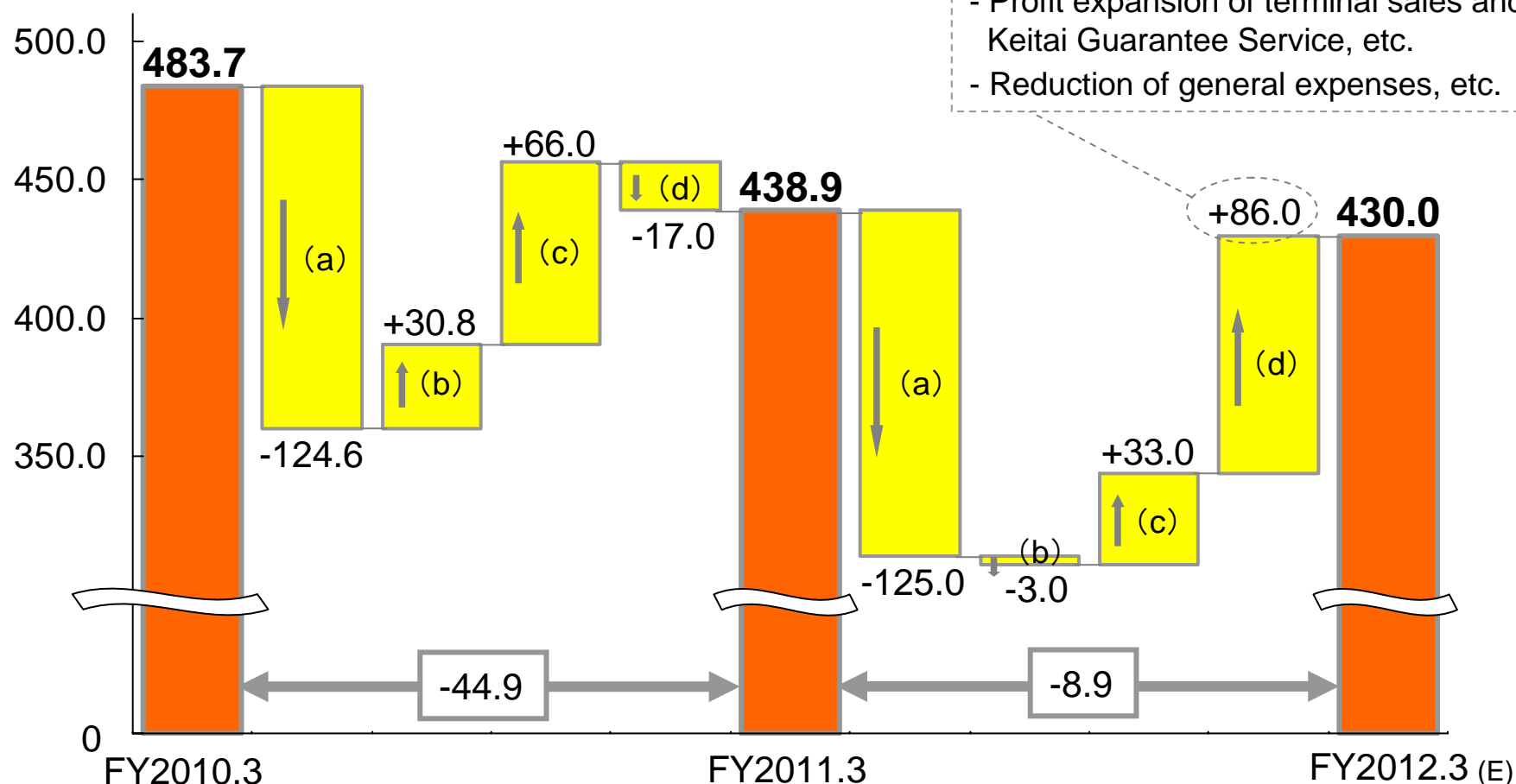
Mobile Business Operating Income

37

Factors for Change
(FY2010.3 to FY2012.3 estimate)

- Operating income
- (a) Revenues from telecommunication business
- (b) NW-related expenses^{Note}
- (c) Sales commissions
- (d) Others

(Billions of yen)



Note: Depreciation + noncurrent assets retirement cost + communication facility fee (including access charge for services).

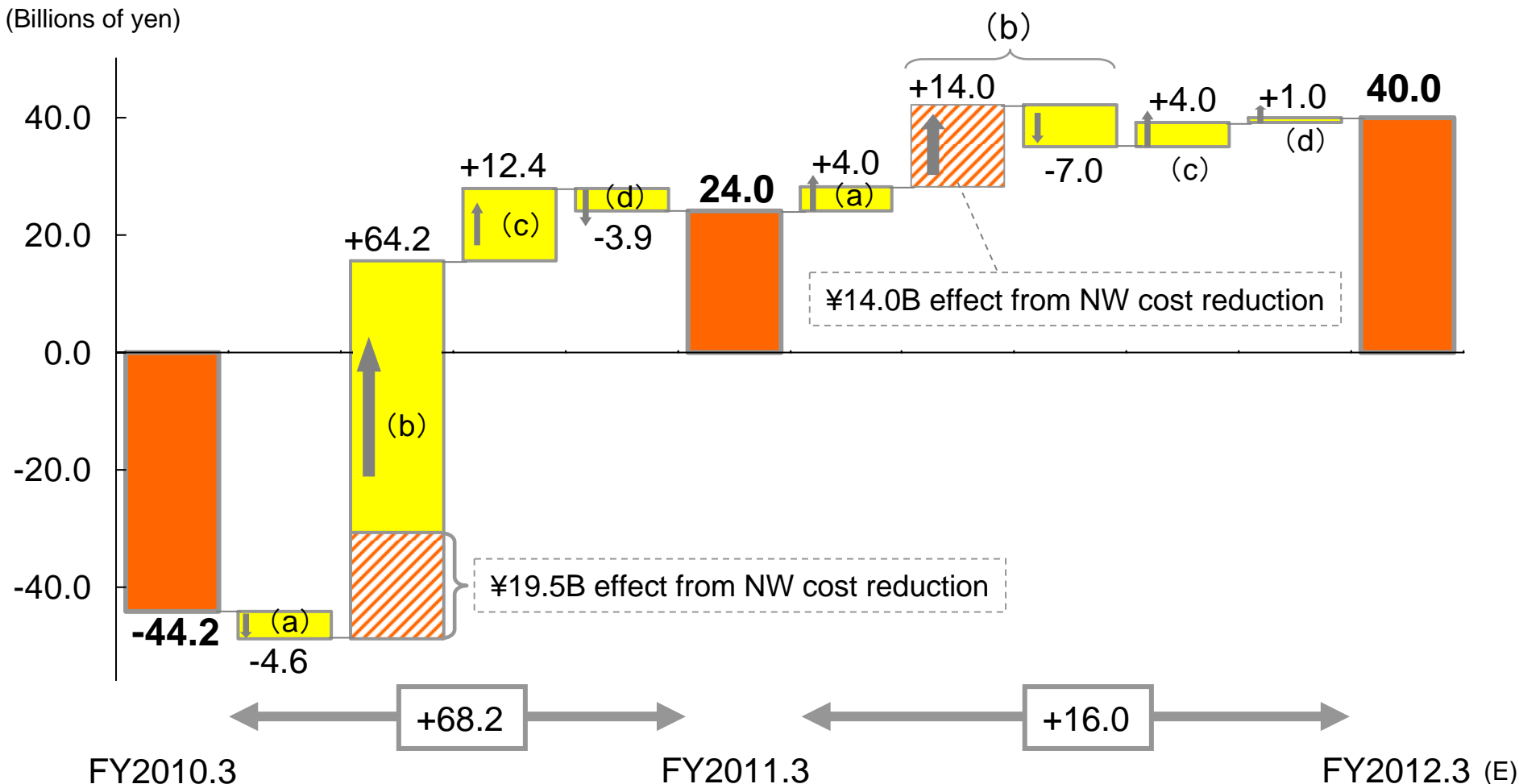
Fixed-line Business Operating Income

38

Factors for Change
(FY2010.3 to FY2012.3 estimate)

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

(Billions of yen)



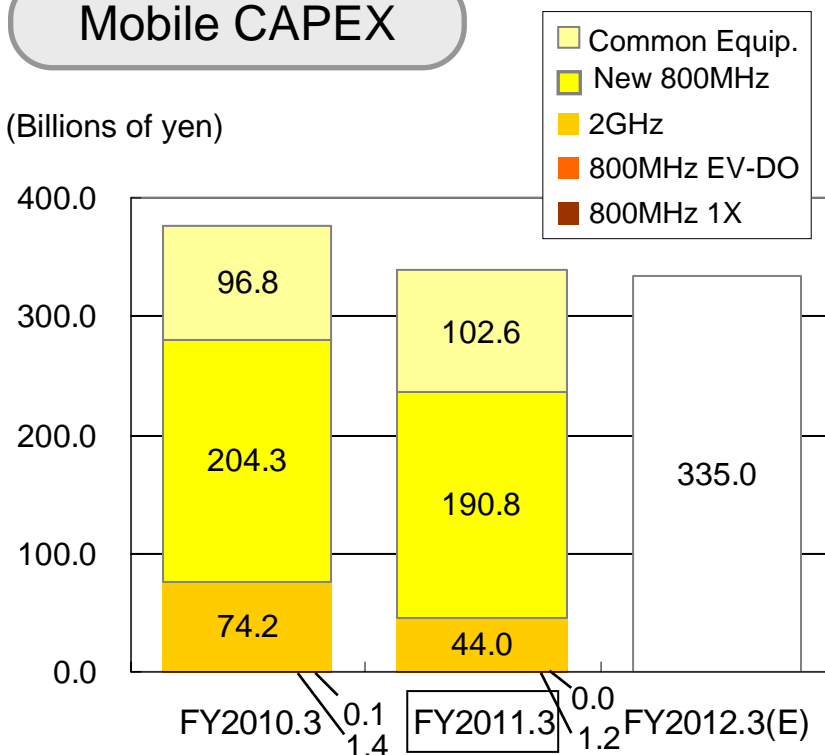
Note: CTC, JCN and overseas subsidiaries

Capital Expenditures

39

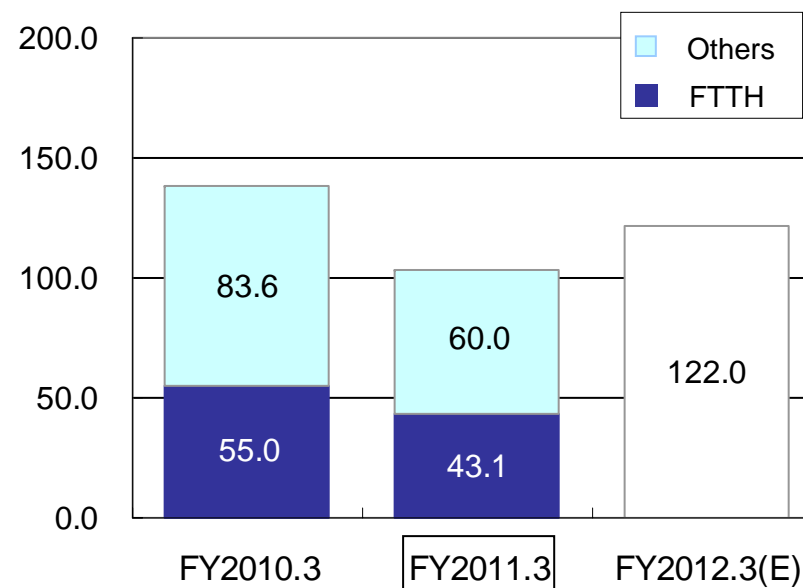
Mobile CAPEX

(Billions of yen)



Fixed-line CAPEX

(Billions of yen)



(Billions of yen)

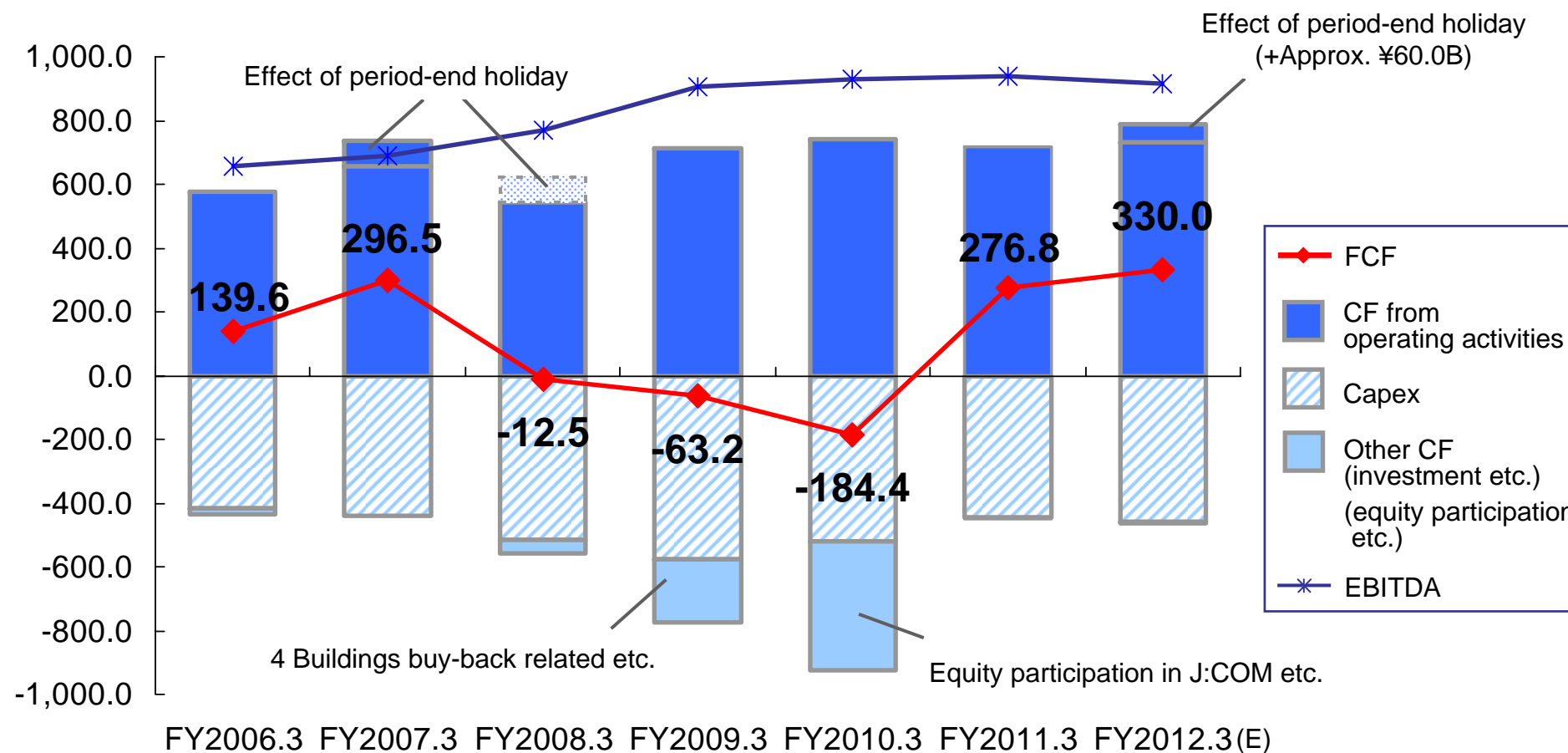
		FY2010.3	FY2011.3		FY2012.3(E)	
				yoy		yoy
CAPEX (Cash basis)	Consolidated	518.0	443.7	-14.4%	460.0	+3.7%
	Mobile	376.8	338.7	-10.1%	335.0	-1.1%
	Fixed-line	138.7	103.1	-25.6%	122.0	+18.3%

Free Cash Flow

40

■ Free cash flow in FY2011.3 was ¥276.8 billion.

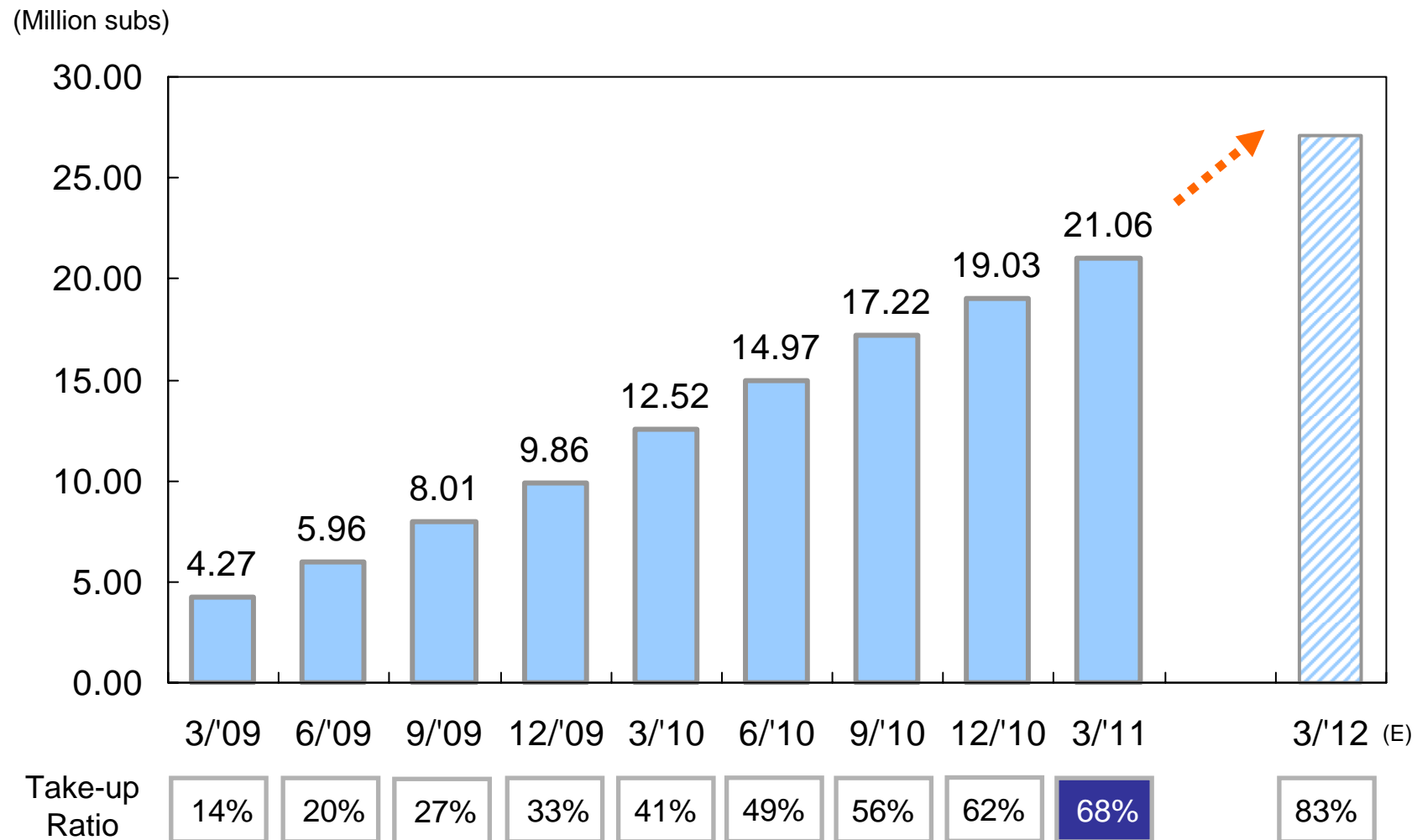
(Billions of yen)



" Simple Course " - Number of Subs and Take-up Ratio

41

- 21.06M subs as of March 31, 2011, making cumulative take-up ratio of 68%^{Note}.



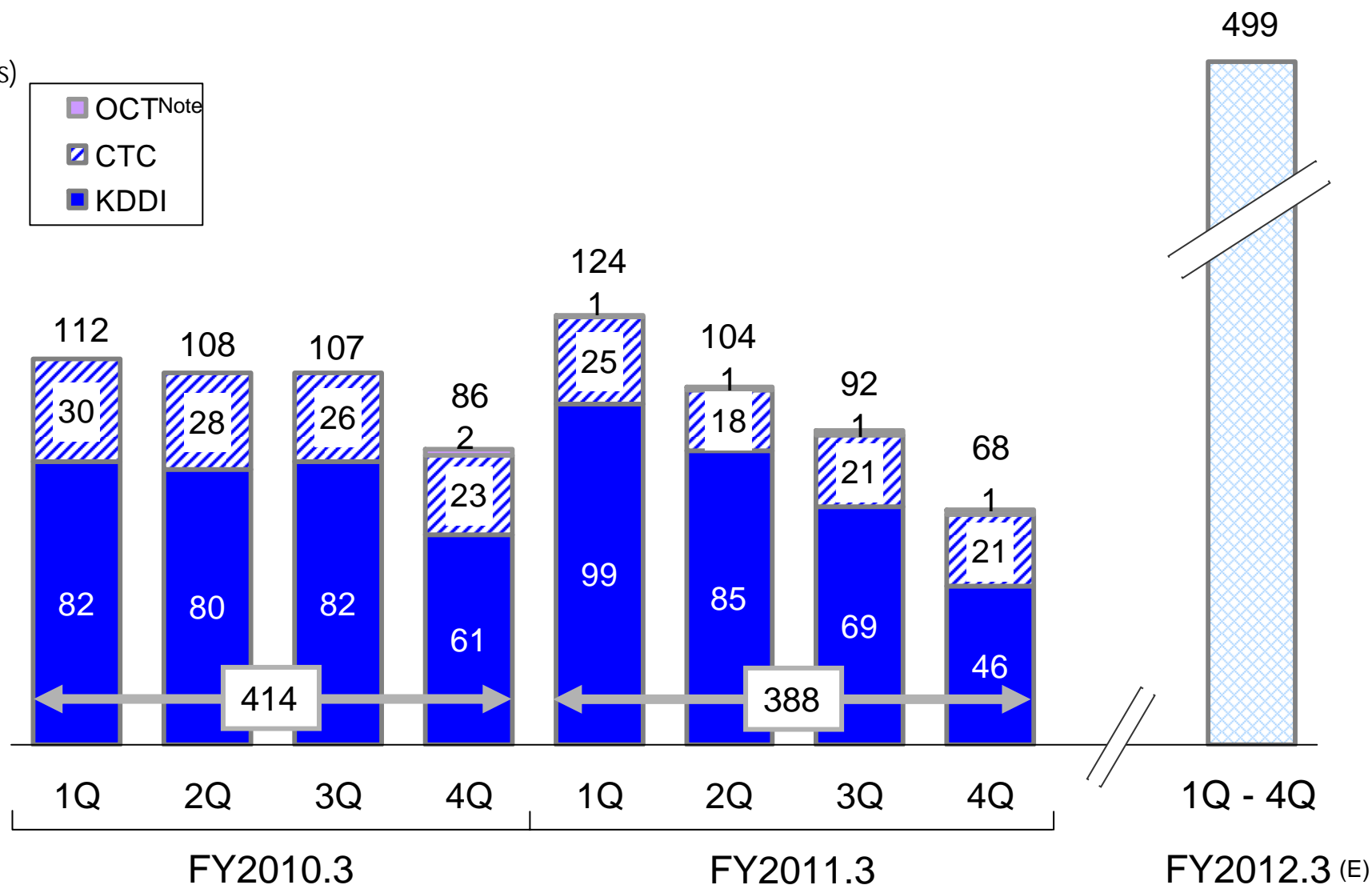
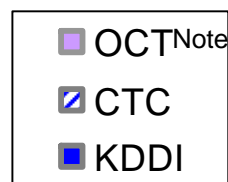
Note: Module-type and pre-paid contract are excluded from take-up ratio calculation.

FTTH Net Additions

42

- Net additions of FTTH subs in FY2011.3 was 388k.

('000 subs)



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

