
KDDI CORPORATION

Financial Results for the 1st Half of
the Fiscal Year Ending March 2012

October 24, 2011

President

Takashi Tanaka

1

Overview of First-Half Performance

2

First-Half Performance Highlights

3

Second-Half Challenges

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.

1

Consolidated financial results: Increases in revenues and income

- Consolidated operating revenues: ¥1,743.3B (+1.4% yoy)
- Consolidated operating income: ¥266.7B (+7.6% yoy)

2

Mobile Business: au rapidly recovers momentum

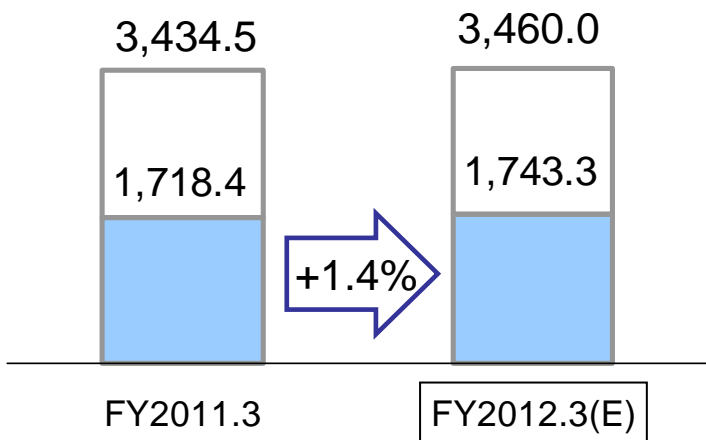
- Net additions for MNP, an indicator of mobile handset competitiveness, hit target six months earlier than initially expected (in September, 2011)
- Smartphone sales accelerated after summer models introduced (1.91M units)

3

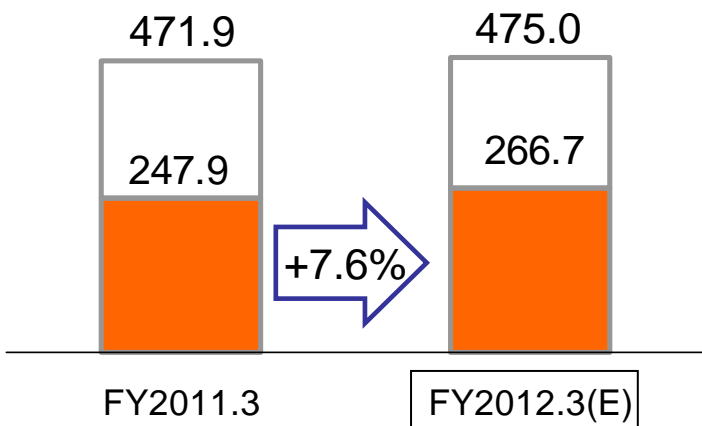
Fixed-line Business: Steady progress toward increases in revenues and income

- Revenues were up 2.0% yoy, with higher FTTH revenues (+¥11.5B) as a major factor
- Made steady inroads in lowering network costs (¥8.1B)

Operating Revenues (Billions of yen)

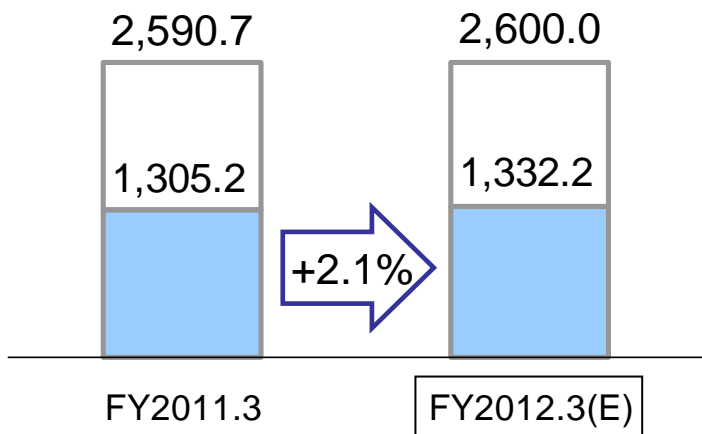


Operating Income (Billions of yen)

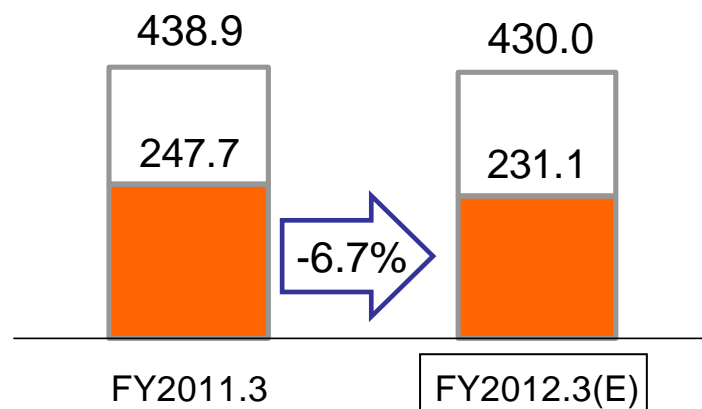


	FY2011.3		FY2012.3(E)			
	1H		1H	yoy	progress	
Operating revenues	1,718.4	3,434.5	1,743.3	+1.4%	50.4%	3,460.0
Operating income	247.9	471.9	266.7	+7.6%	56.2%	475.0
<i>Operating margin</i>	14.4%	13.7%	15.3%	-	-	13.7%
Ordinary income	234.0	440.7	252.4	+7.8%	56.1%	450.0
Net income	137.0	255.1	140.1	+2.3%	56.1%	250.0
EBITDA	467.4	936.3	475.2	+1.7%	51.5%	923.0
<i>EBITDA margin</i>	27.2%	27.3%	27.3%	-	-	26.7%
Free Cash Flow	136.9	276.8	176.3	-	-	330.0
CAPEX (Cash basis)	215.7	443.7	169.1	-21.6%	36.8%	460.0

Operating Revenues (Billions of yen)

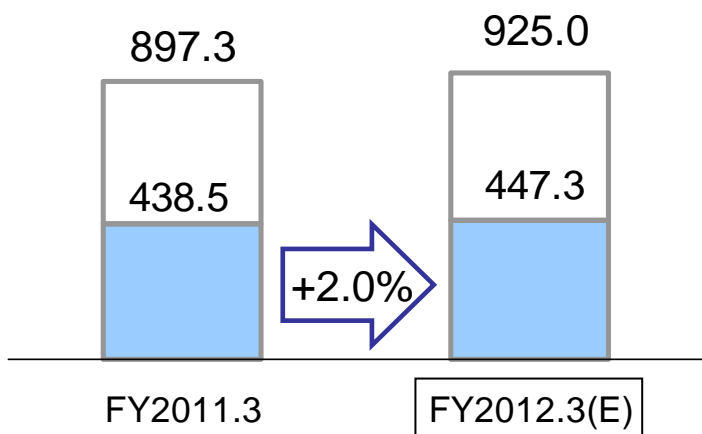


Operating Income (Billions of yen)

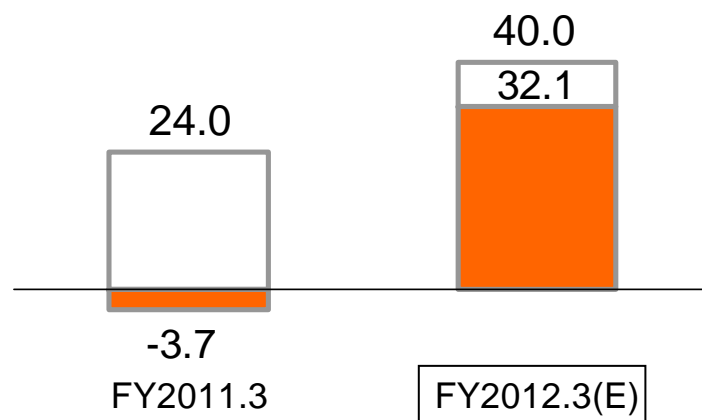


	FY2011.3		FY2012.3(E)			
	1H		1H	yoy	progress	
Operating revenues	1,305.2	2,590.7	1,332.2	+2.1%	51.2%	2,600.0
Operating income	247.7	438.9	231.1	-6.7%	53.7%	430.0
<i>Operating margin</i>	19.0%	16.9%	17.3%	-	-	16.5%
Ordinary income	243.6	429.9	227.3	-6.7%	53.9%	422.0
Net income	140.9	214.0	127.7	-9.3%	53.2%	240.0
EBITDA	404.6	774.4	382.4	-5.5%	50.7%	754.0
<i>EBITDA margin</i>	31.0%	29.9%	28.7%	-	-	29.0%
Free Cash Flow	137.6	244.8	110.4	-	-	270.0
CAPEX (Cash basis)	161.5	338.7	113.3	-29.9%	33.8%	335.0

Operating Revenues (Billions of yen)



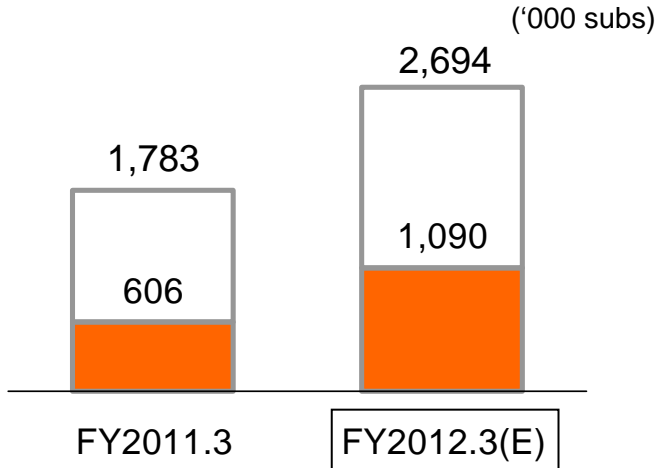
Operating Income (Billions of yen)



(Billions of yen)

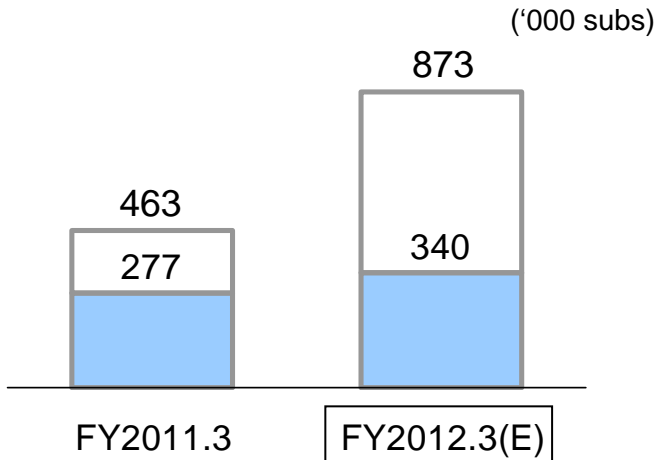
	FY2011.3		FY2012.3(E)			
	1H		1H	yoy	progress	
Operating revenues	438.5	897.3	447.3	+2.0%	48.4%	925.0
Operating income	-3.7	24.0	32.1	-	80.1%	40.0
<i>Operating margin</i>	<i>-0.8%</i>	<i>2.7%</i>	<i>7.2%</i>	-	-	<i>4.3%</i>
Ordinary income	-10.7	7.8	24.1	-	104.6%	23.0
Net income	-4.3	39.7	12.7	-	159.3%	8.0
EBITDA	58.6	151.6	88.5	+51.1%	54.6%	162.0
<i>EBITDA margin</i>	<i>13.4%</i>	<i>16.9%</i>	<i>19.8%</i>	-	-	<i>17.5%</i>
Free Cash Flow	1.2	35.1	65.8	-	-	58.0
CAPEX (Cash basis)	53.3	103.1	54.8	+2.8%	44.9%	122.0

Net Adds (au+UQ WiMAX)



Mobile Business	FY2011.3		FY2012.3 (E)		Net adds 1H/FY2012.3
	1H		1H		
au Total	32,291	32,999	33,659	34,500	660
of module-type	1,230	1,494	1,708	1,800	214
WIN(EV-DO)	27,989	29,633	31,507	33,000	1,874
1X	4,116	3,221	2,051	-	-1,170
cdmaOne	186	146	101	-	-45
UQ WiMAX	337	807	1,237	2,000	431
au + UQ WiMAX	32,628	33,806	34,896	36,500	1,090

Net Adds (Fixed access lines)



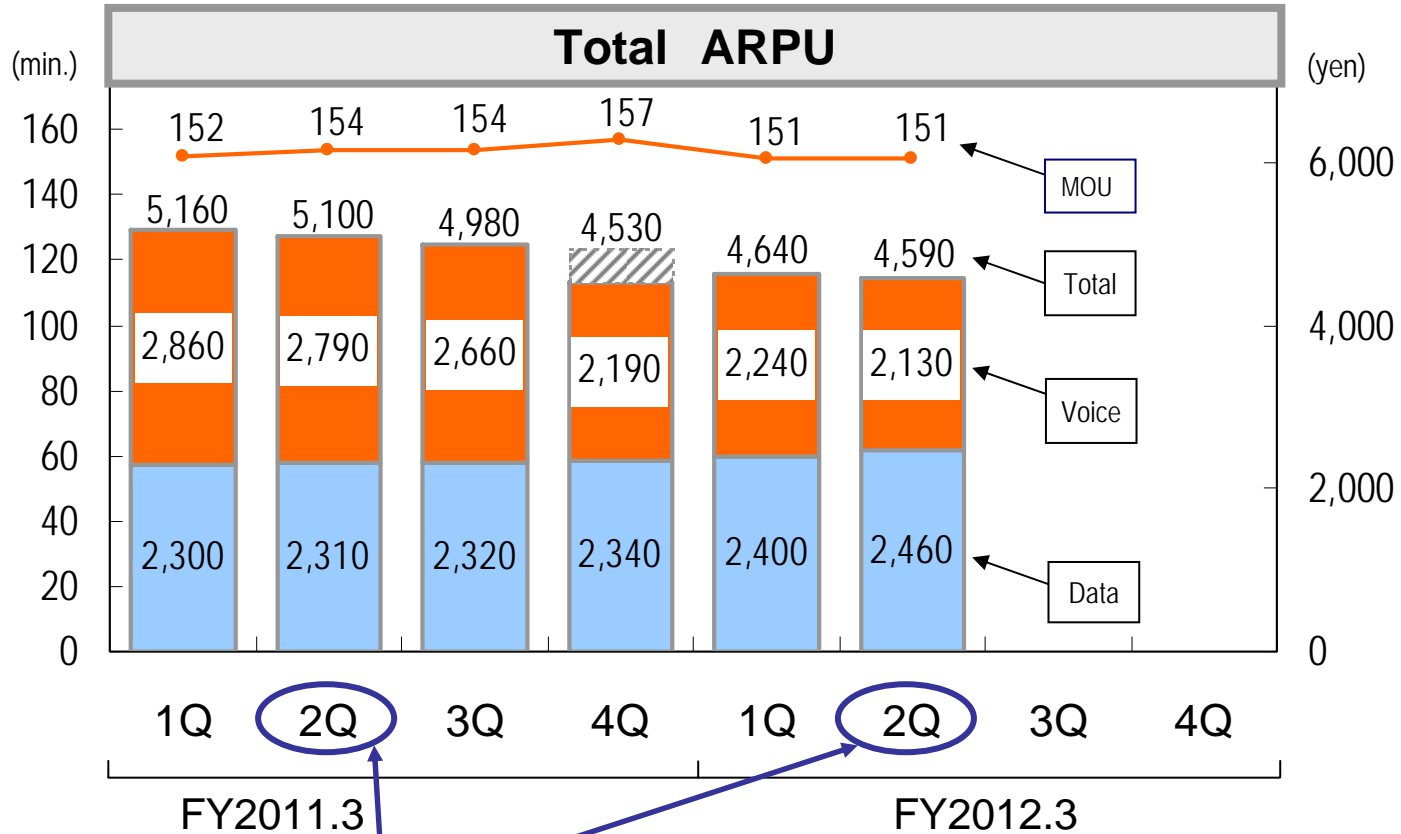
Fixed-line Business	FY2011.3		FY2012.3 (E)		Net adds 1H/FY2012.3
	1H		1H		
FTTH	1,741	1,901	2,070	2,400	170
Metal-plus	2,702	2,543	2,384	2,130	-159
Cable-plus phone ^{Note1}	1,152	1,341	1,679	2,160	339
CATV ^{Note2}	1,042	1,088	1,123	1,130	36
Fixed access lines ^{Note3}	6,220	6,407	6,747	7,280	340

Note1: Includes wholesale to "J:COM PHONE Plus" from FY2012.3.

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.

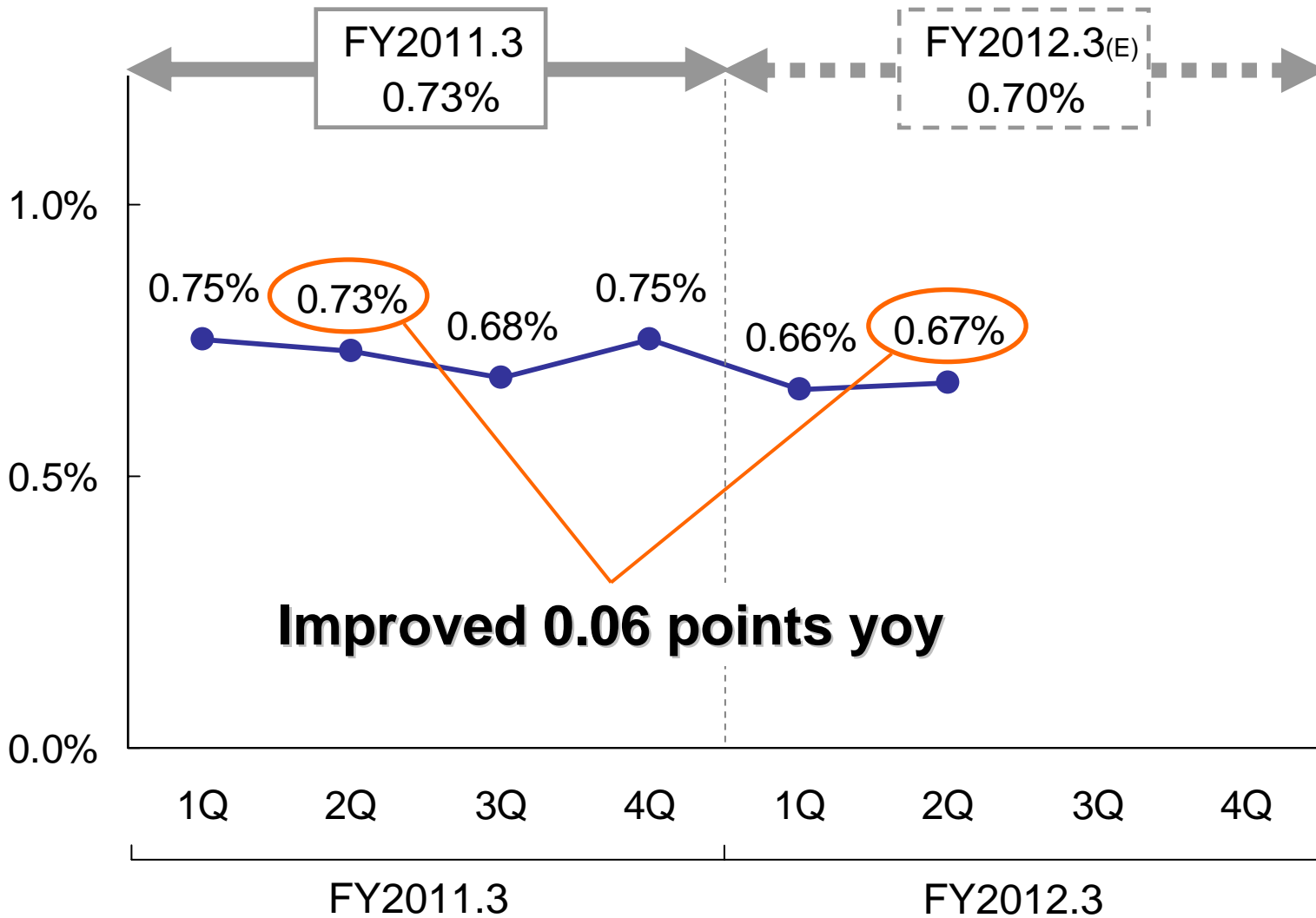
The number excludes crossover subs.



yoy	
Total ARPU	▲ ¥ 510 (▲ 10.0%)
of Voice	▲ ¥ 660 (▲ 23.7%)
of Data	+ ¥ 150 (+ 6.5%)

Full-year	FY2011.3	FY2012.3(E)	Year-to-year comparison
Total ARPU	¥4,940	¥4,540	▲ ¥400 (▲ 8.1%)
of Voice	¥2,620	¥2,000	▲ ¥620 (▲ 23.7%)
of Data	¥2,320	¥2,540	+ ¥220 (+9.5%)

* The  portion of FY2011.3 4Q was negative due to the settlement of access charges among carriers.

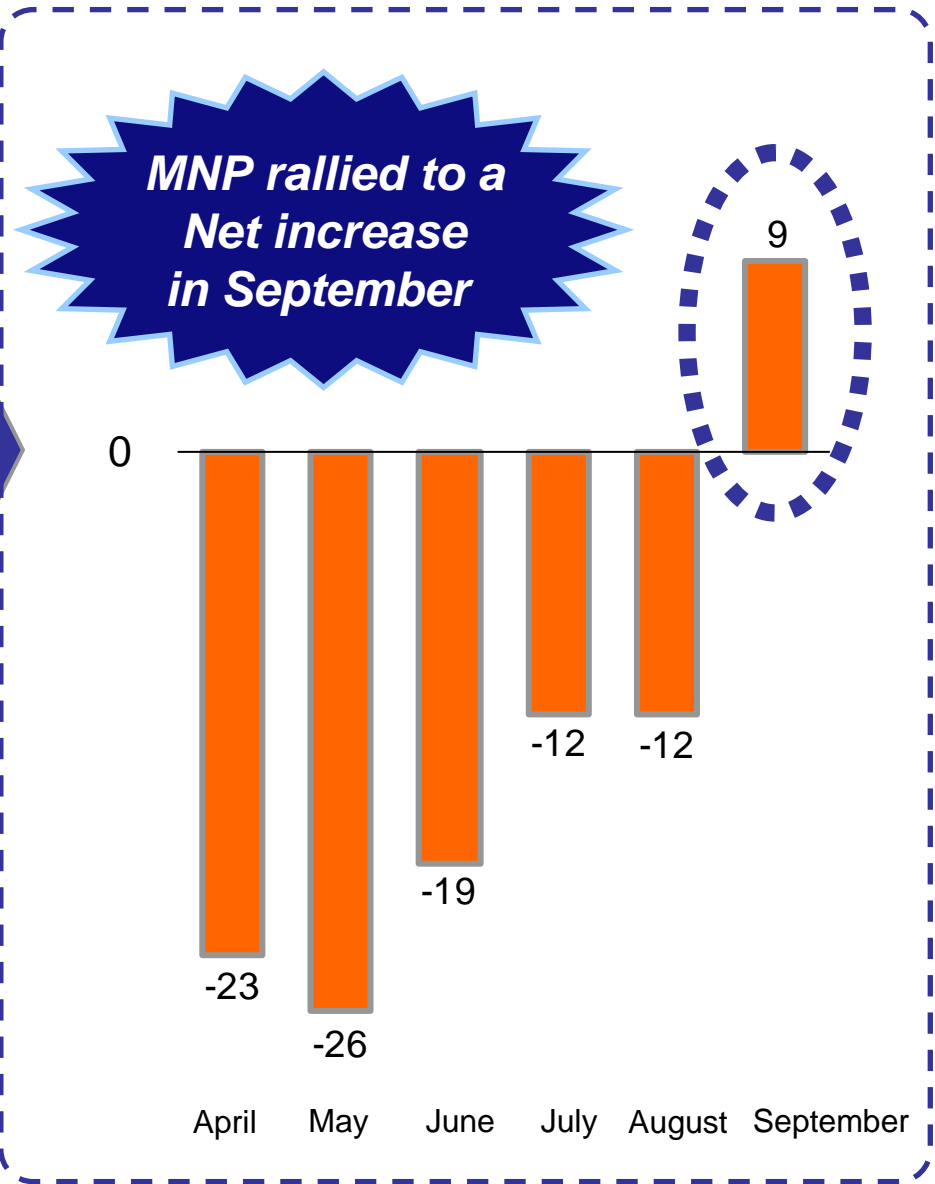
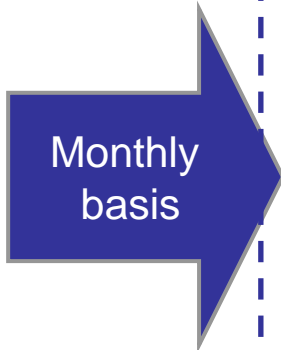
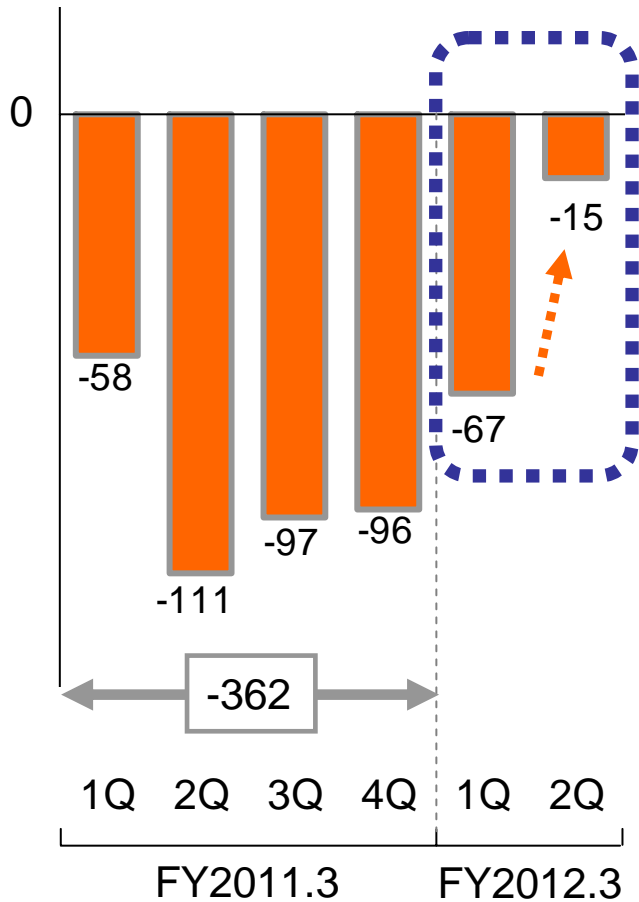


* au churn rate is calculated for ordinary handsets which exclude module-type terminals.

MNP Net Additions ('000 subs)

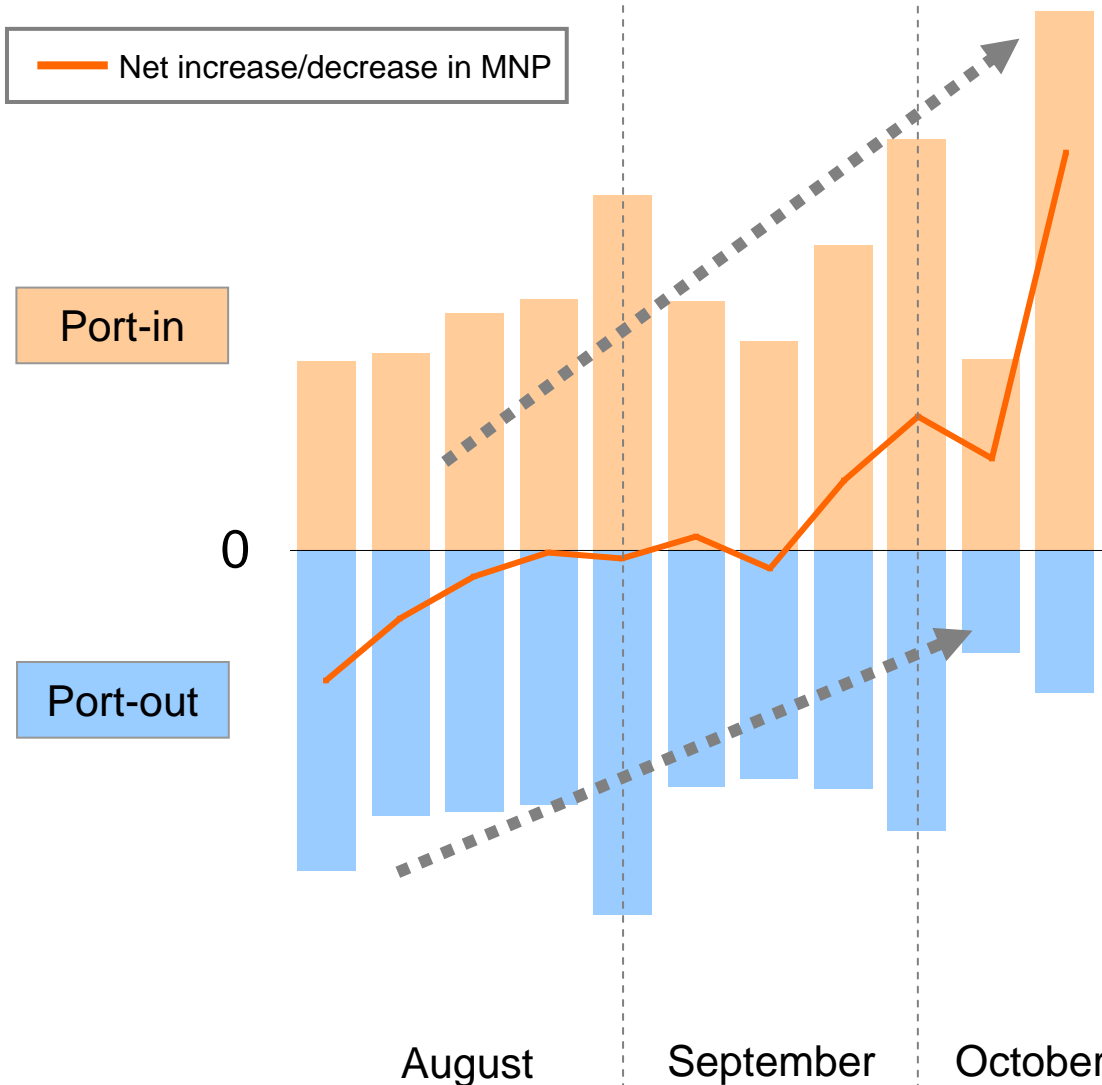
1H/FY2012.3: -83k subs

(Improved 87k, yoy)



Port-in / Port-out from August 1 (weekly basis)

*Period: From August 1 to October 16

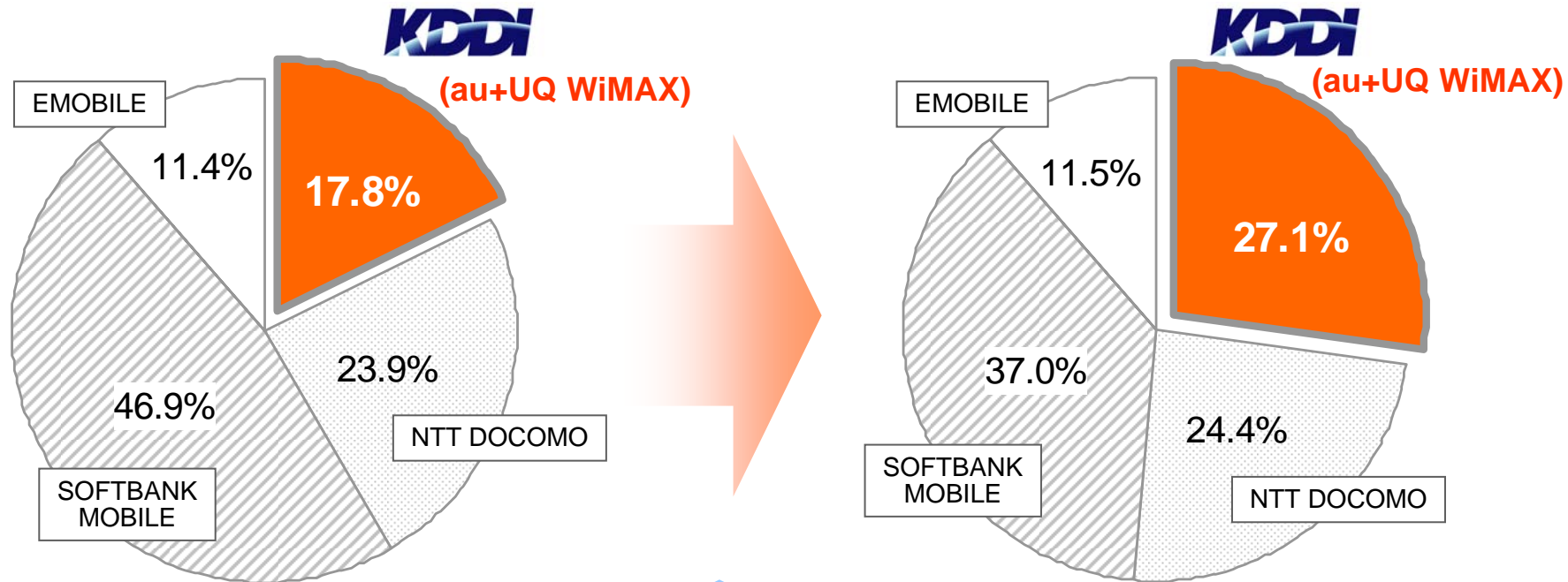


Rapid growth in port-in
Dramatic decline in port-out
from late September

*Acceleration in
MNP net additions*

1H/FY2011.3: 17.8%

1H/FY2012.3: 27.1%



**9.3 Points
Increase yoy**

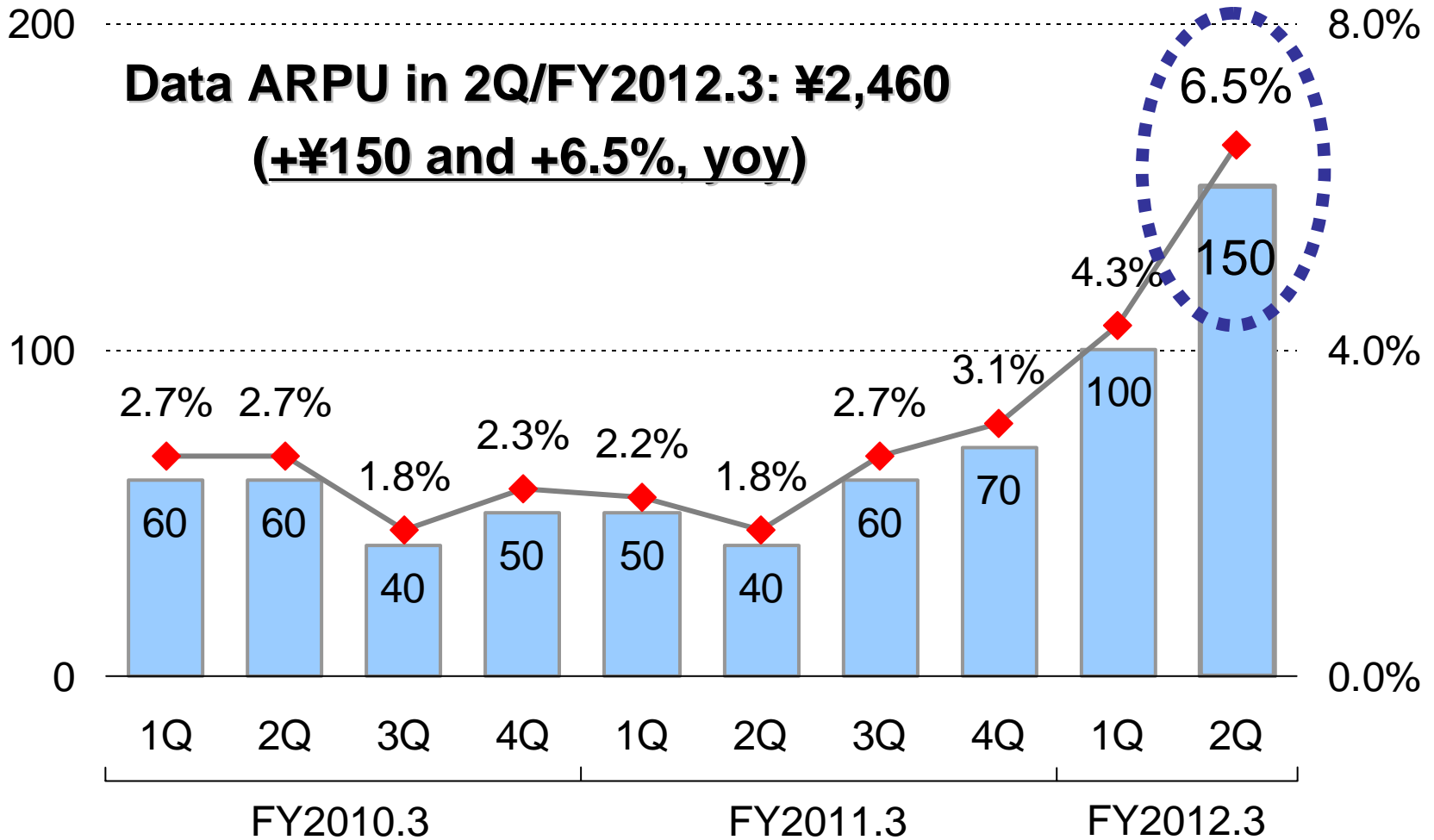
* Net addition share is created by KDDI using data from Telecommunication Carriers Association's website.

YOY Increase / Rise Ratio

■ Increase (Left axis) —◆— Rise ratio (Right axis)

(yen)

(%)



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Second-Half Challenges

Appendix

Objectives for the Year

First-Half Highlights

1

Turn around our core business

Mobile Business:
Recover au momentum

Fixed-line Business:
Achieve increases in
revenues and income

Full-fledged shift to smartphones

Transition to new 800MHz handsets
faster than expected

Operating income up in
Fixed-line Business

2

Preparation for medium-term strategy

3M strategy/global strategy

Made steady progress in preparation

KDDI Group made steady inroads toward its next phase of growth

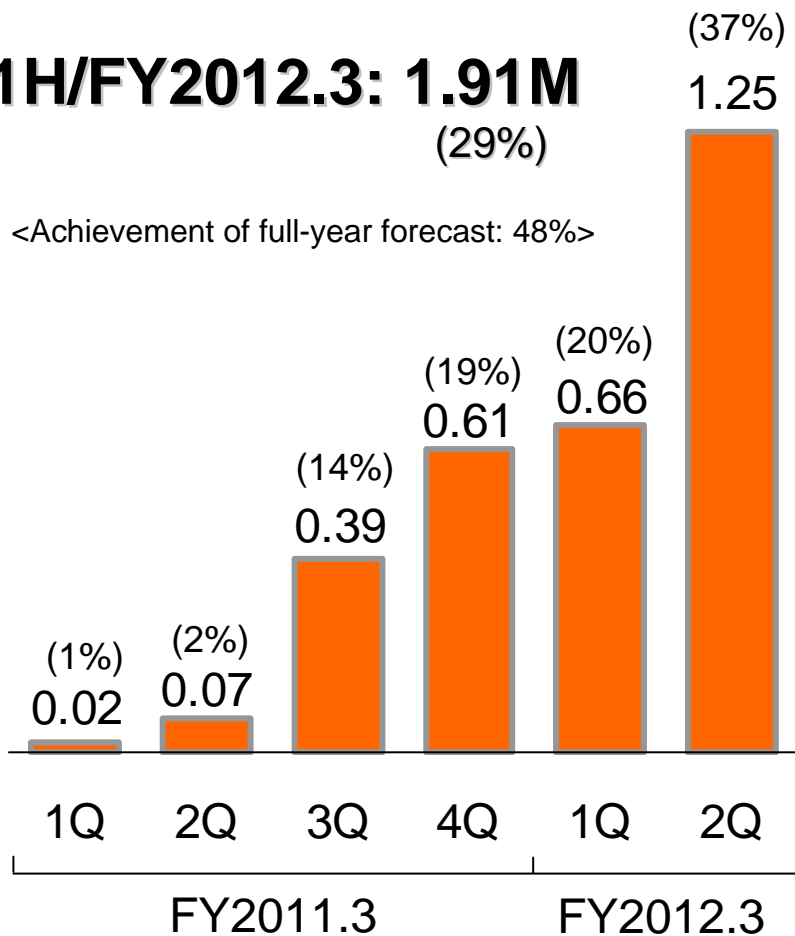
Smartphone Sales

(Million units)

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

1H/FY2012.3: 1.91M
(29%)

<Achievement of full-year forecast: 48%>



■2H/FY2011.3: Introduced four models



Centered on models with functions that are standard in Japan

■1H/FY2012.3: Introduced nine models



Diverse lineup, including +WiMAX, designs, Windows®

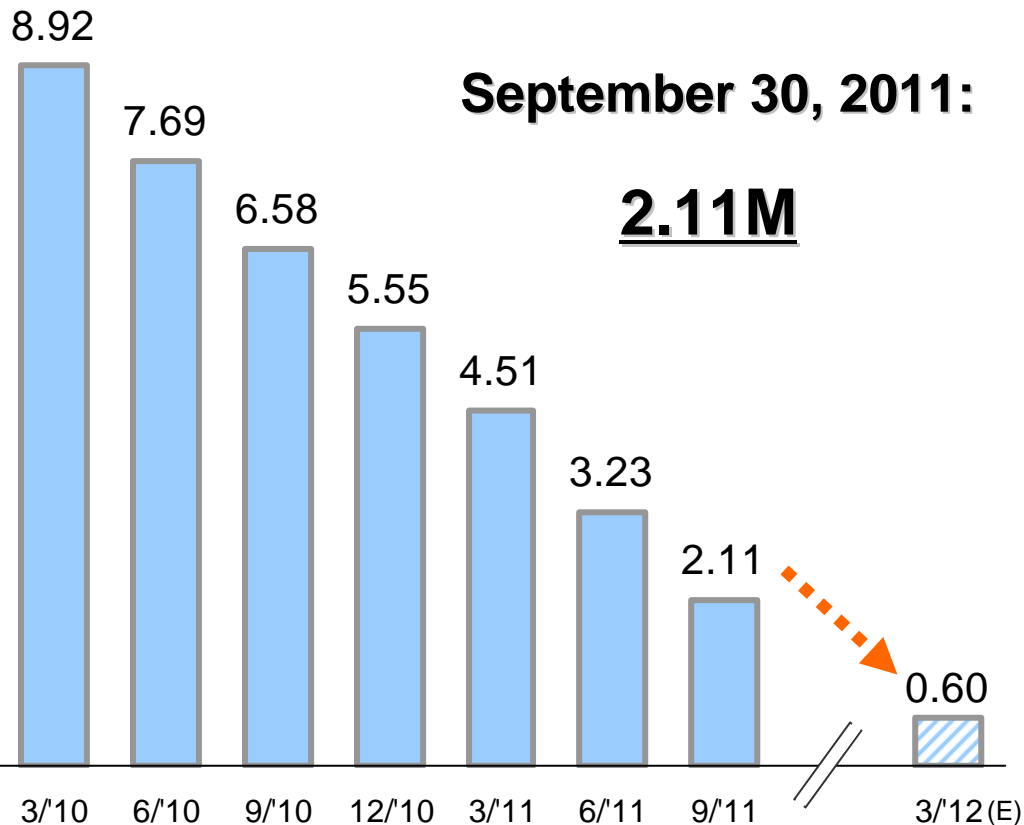
*“WiMAX” is a registered trademark of WiMAX Forum. * “Windows®” is a trademark or a registered trademark of Microsoft Corporation in the United States, Japan and other countries.

Expanded lineup, accelerated smartphone sales

Handsets Not Compatible* with New 800MHz Bandwidth

(Million units)

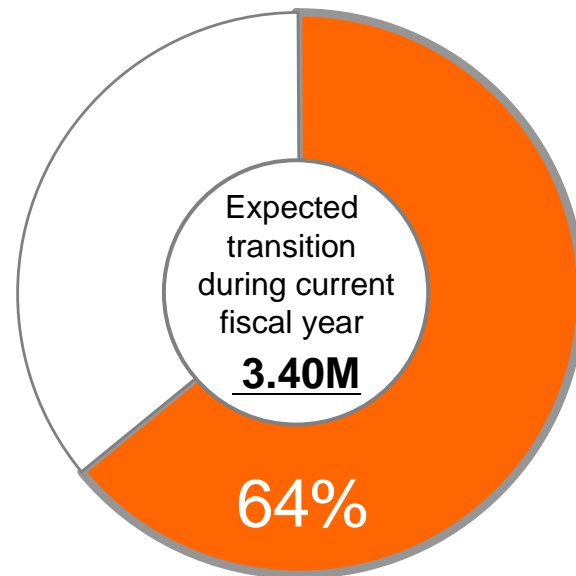
* Excludes module-type handsets



September 30, 2011:

2.11M

Transition to Handsets Compatible with New 800MHz Bandwidth



Transition in 1H/FY2012.3:

2.18M migration rates 91%

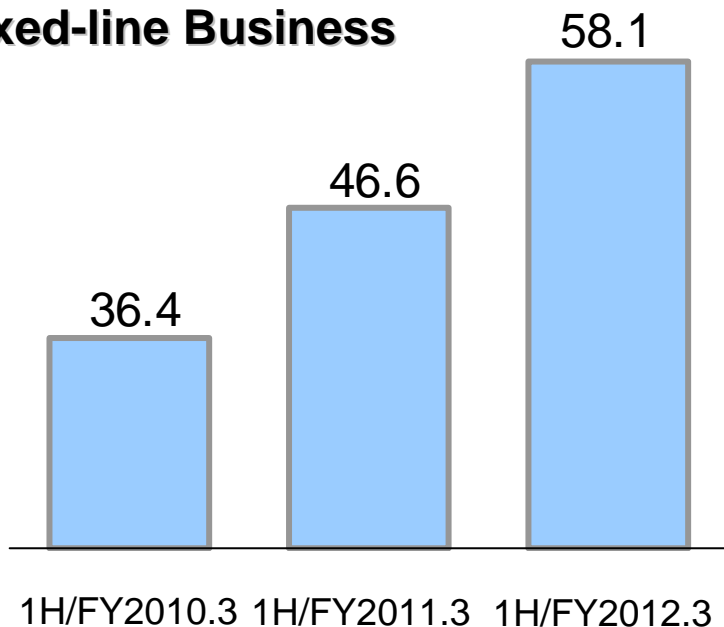
**"Non-triband" used through previous fiscal year. From current fiscal year, expressed as "handsets not compatible with new 800MHz bandwidth."

Accelerating migration while reducing churn rate

FTTH Revenues

(Billions of yen)

**Driving Increased Revenues
in Fixed-line Business**

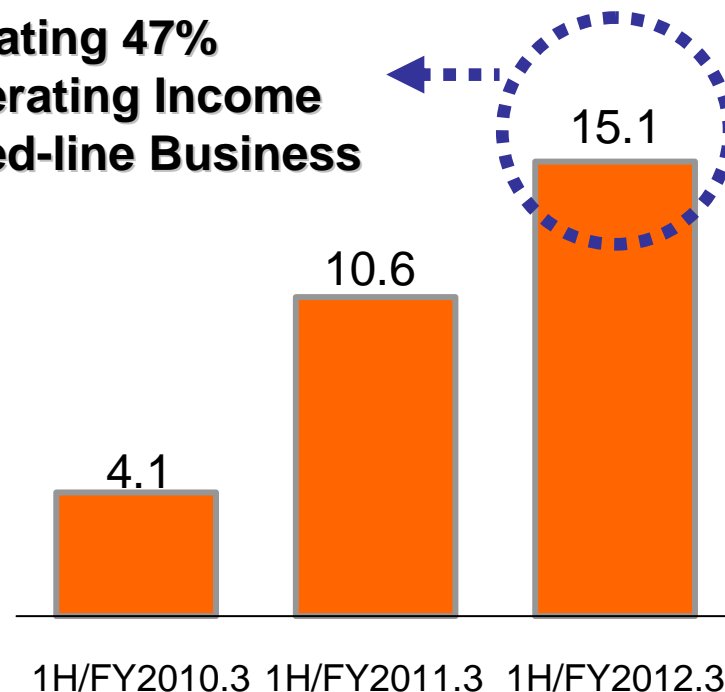


Group Company* Operating Income

* CTC, JCN, and overseas subsidiaries

(Billions of yen)

**Generating 47%
of Operating Income
in Fixed-line Business**



Reduced Network Costs

1H/FY2012.3: ¥8.1 billion (progress 58%)

Steady progress toward higher revenues and income

Entry into Content Delivery Network (CDN) Business

Investment in CDNetworks of South Korea

- Investment: Approx. US\$167M(approx. ¥12.8B)*
→Stock ownership following investment: 85.5%
- Net sales (fiscal 2010)
Approx. US\$99M (approx. ¥7.6B)*
- Global distribution, strong in Asia

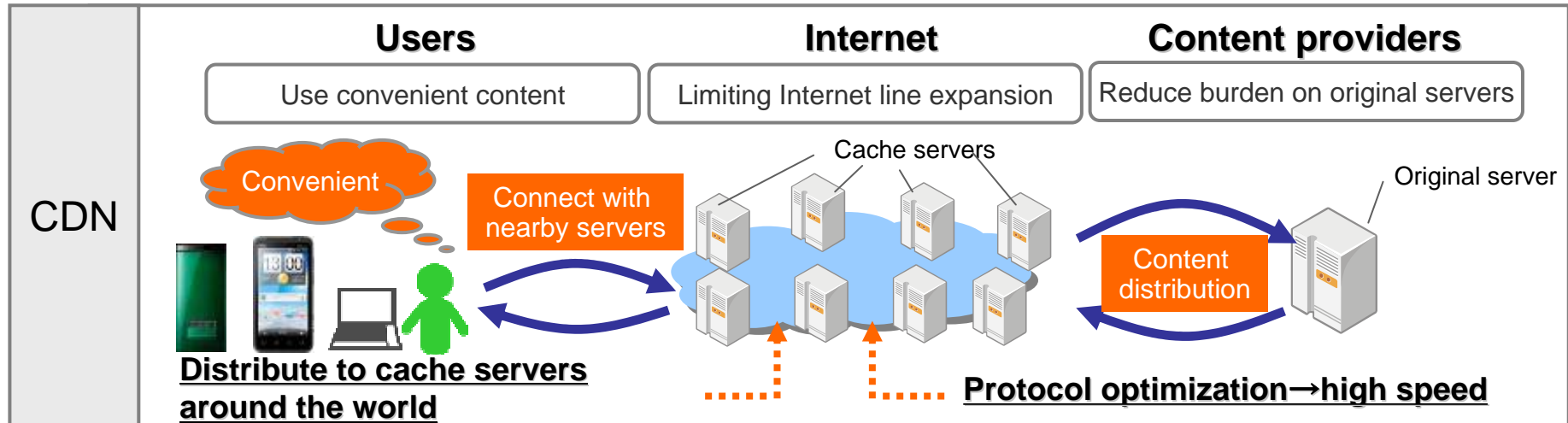


Effect of CDN

Reduce Internet traffic
= more effective networks

Improve mobile response

* Based on exchange rates on October 11, 2011



Raise network competitiveness and provide convenient services

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3**Second-Half Challenges**

Appendix

Mobile Business

Fully recover au momentum

Second-half
MNP
net additions

Boost
share of net
additions

Raise
data ARPU

Strengthen Shift to Smartphones

Enhance
product
lineup

Boost
sales
capabilities

Strengthen
data offloading

Fixed-line Business

**Achieve increases in
revenues and income**

Boost
Net additions
in FTTH

Expand FTTH Customer Base

Strengthen sales
organization

Expand service area

Follow through with efforts to turn around core business

Full rollout of 3M strategy next fiscal year



Six models

Smartphones

Dual core CPU



MOTOROLA PHOTON™
ISW11M

Dual core CPU



htc EVO 3D
ISW9100

Dual core CPU



ARROWS Z ISW11F
by FUJITSU



DIGNO
ISW11K by KYOCERA

Wi-Fi routers



Wi-Fi WALKER DATA900W
by HILAND

Tablets

Dual core CPU



ビジネスタブレット・TOUGH・ETBW11AA

Leverage superiority of high-speed WiMAX (speed, coverage)

Tethering function as standard
(Smartphones: four models with WiMAX function)

Promote data offloading

Smartphones



AQUOS PHONE IS13SH
by SHARP



MEDIAS BR IS11N
by NEC



F001
by FUJITSU



URBANO AFFARE
by Sharp



E10K
by KYOCERA

* "Wi-Fi" is a registered trademark of Wi-Fi Alliance®. "MOTOROLA" and "MOTOROLA PHOTON" are registered trademarks of Motorola Trademark Holdings, LLC. "HTC EVO 3D" is a trademark or a registered trademark of HTC CORPORATION. "DIGNO" is a registered trademark of Kyocera Corporation. "AQUOS PHONE" is a trademark or a registered trademark of Sharp Corporation. "MEDIAS" is a registered trademark of NEC CASIO Mobile Communications, Ltd.

Lineup selection centering on six "+WiMAX" models

Better Connectivity and Coverage, with au's iPhone



The first iPhone from au, on sale from October 14

IS flat (Start-iPhone campaign)

Flat rate of ¥4,980 (incl. tax) for up to 24 months

Cash-back campaign for customers using MNP

Customers get ¥10,000 cash-back when they buy an iPhone using MNP

au by KDDI

iPhone 4 S

Plan Z Simple

Orders started
September 28

Basic charge: ¥980/month

Applying "Everybody Discount" (two-year contract)

au smartphone, **au** mobile phones



**Free calls in Japan
from 1am to 9pm**



C-mail free 24 hours a day

Maximize new contracts through simple pricing plans

LISMO unlimited

powered by 

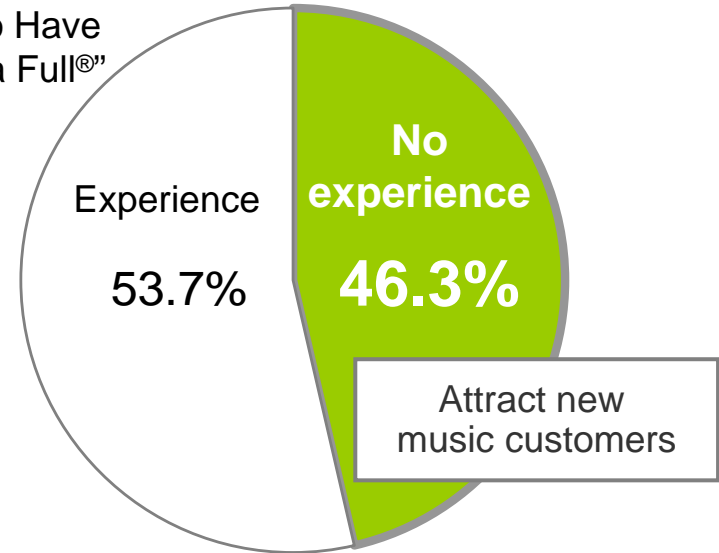


Started
June 15

- ✓ Listen all you want for ¥1,480(incl. tax)/month
- ✓ Western music focus
Approx. 1 million songs

Initial Trends following Service Launch

Subscribers Who Have Used "Chaku Uta Full®"



Usage frequency per subscriber

Average of 26 songs/day

And the "unlimited" options will continue



* "RecoChoku" and "." are registered trademarks of RecoChoku Co., Ltd.

Create new value: "cloud" and "flat fee" are key

Enhance smartphone convenience

EZweb content with au smartphone compatibility

Provide au one Market for PC

500 programs
(by 200 companies)

Menu List and new au one service menu for smartphones



Security

“Guarantee Security Pack”

安心セキュリティパック

¥315/month (incl. tax)

Free until December 31, 2011

Secure

- Remote lock
- Location search

Safe

- Virus and web fraud countermeasures
- Web filtering

Simple

- Operator provides instructions remotely

* “TRENDMICRO” is registered trademarks of Trend Micro Incorporated.

Expand support services to promote shift to smartphones

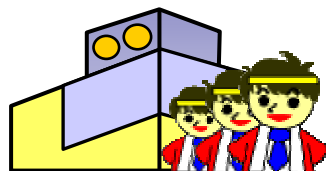
au shops



- Renovate shops, increase sales staff, enhance smartphone skills
 - Counters: Up 7% from September 30, 2010
 - Enhance skills: Train two staff members at each shop by end of fiscal year
- Introduce proactive retention marketing using au my premier shop mail
- Use tablets for new type of customer interaction on trial basis
- Share a stock business model

Move toward consulting-oriented shops

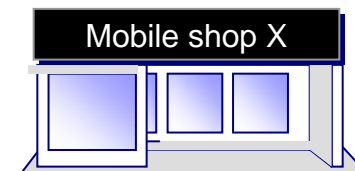
Mass retailers



- Expand sales areas
- Increase sales staff, enhance skills

Strengthen sales structure

Mobile Phone Shops



- Strengthen initiatives with shops that excel at attracting customers and selling
- Increase number of au products carried

Expand points of contact with customers

Reinforce sales efforts, tailored to sales channel characteristics

Expand Wi-Fi area

Advanced security capabilities



au Wi-Fi SPOT

Now more than 30,000 spots

→working to add 100,000 more (by March 31, 2012)



“au HIKARI”

Approx. 100,000 wireless LAN contracts*

*HGW internal wireless LAN contracts + wireless LAN equipment rental contracts

Enhance WiMAX area



Tokyo/Nagoya/Osaka metro

99%*

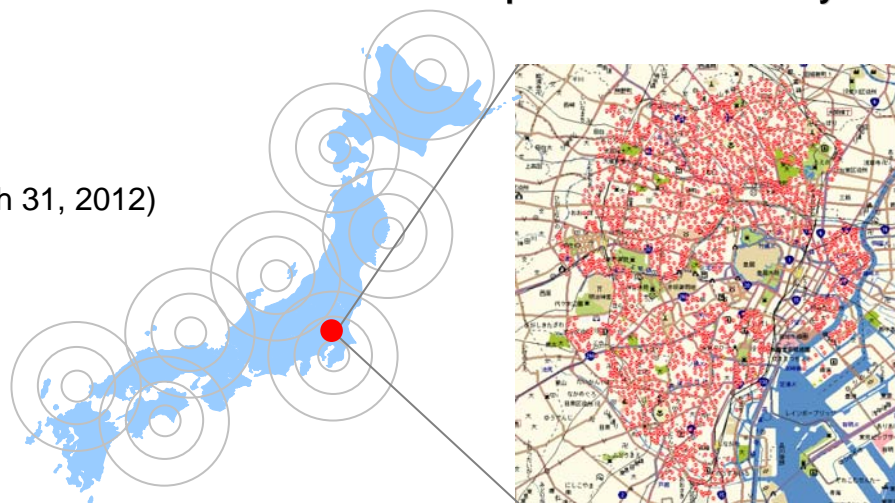
Major cities nationwide

95%*

* Based on percentage of actual population covered. (Population from 2005 national census.)
Population coverage ratio calculation: Population covered in target area ÷ Households in target area
Major cities include the 23 wards of Tokyo. Tokyo/Nagoya/Osaka metro includes Tokyo's 23 wards, Nagoya and Osaka.

Taking over public wireless LAN business from livedoor Co., Ltd.

Has extensive access points in central Tokyo



Expand FTTH area

Household coverage ratio (detached homes)

Approx. 40%

Now

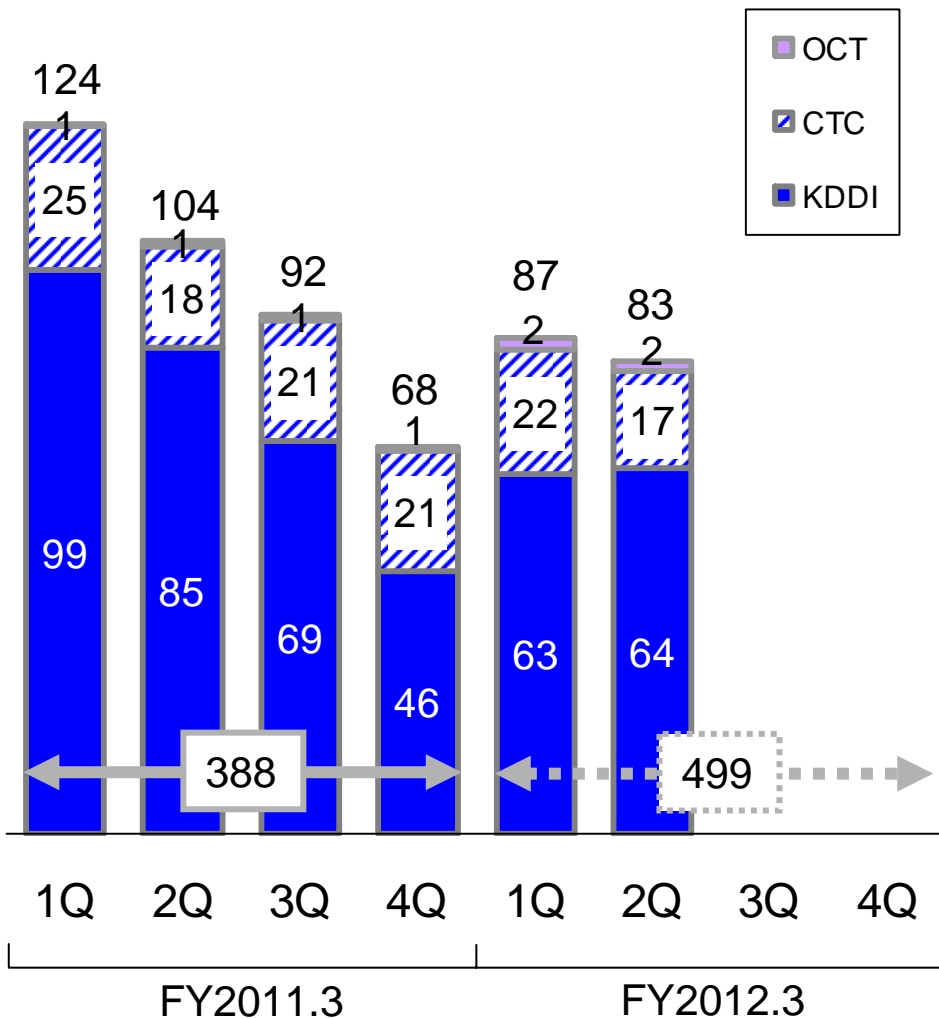
Approx. 70%

Spring of 2012

* KDDI, CTC, and Okinawa Cellular service areas for detached houses

Moving aggressively to realize a multi-network environment

FTTH Net Additions ('000 subs)



■ First half: Expand “au HIKARI Home” service area

Initial efforts show promise

- Available in 25 Japanese prefectures (up 13 from March 31, 2011)
- Target expansion in service area achieved: 167%

■ Focus initiatives in second half

Further strengthen sales system

Expand sales channels in line with area

Further increase service area

In spring of 2012, aim to expand household coverage to 70% of area with detached homes

* KDDI, CTC, and Okinawa Cellular service areas for detached houses

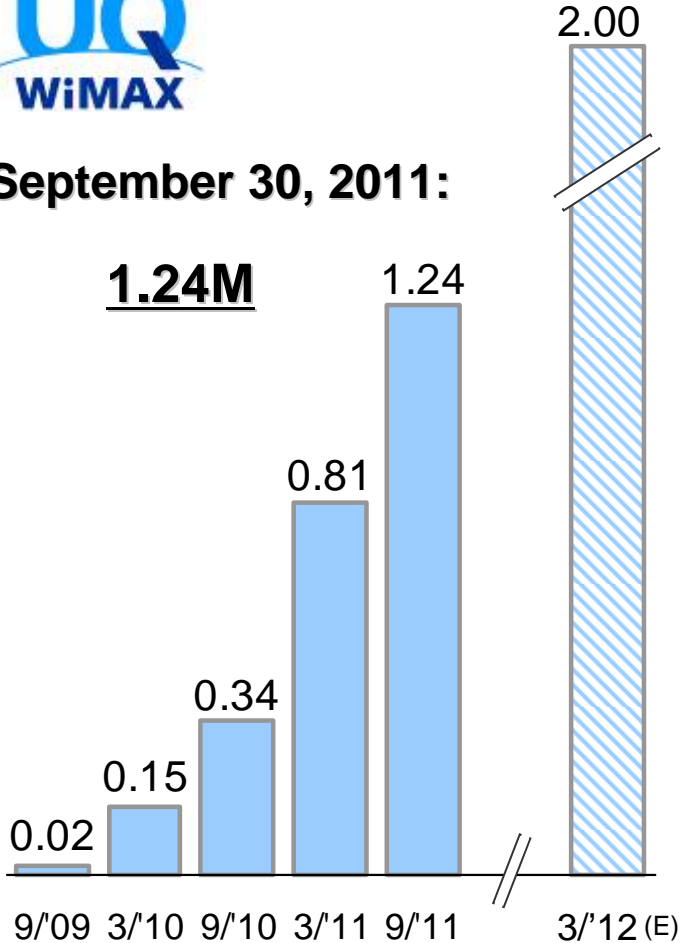
Concentrating on expanding the FTTH customer base

Subscriptions

(million subs)

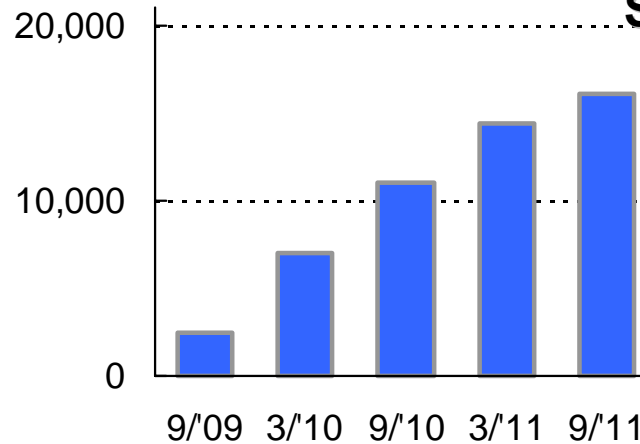


September 30, 2011:



Base Stations

September 30, 2011:



16,084

<Coverage area>
Expand to
716 towns/cities
in Japan

Key areas to strengthen

Traffic routes

Underground

➤ **Enable use on subways**

-Form basic contracts with Toei Subway and Tokyo Metro and gradually begin extending service from end of fiscal year

➤ **Expand underground availability in key locations throughout Japan**

-Use ultracompact base stations (right)



Strengthen relations with KDDI, aim to increase subs to 2M by end of fiscal year

1 Cooperation in telephony business

Expand "J:COM PHONE Plus" using Cable-plus phone wholesale

2 Cross-selling promotions

Access to seniors a strength of J:COM sales routes

3 Joint sourcing of VOD content

Steadily implement joint sourcing

4 Develop next-generation STBs

Discuss joint specifications

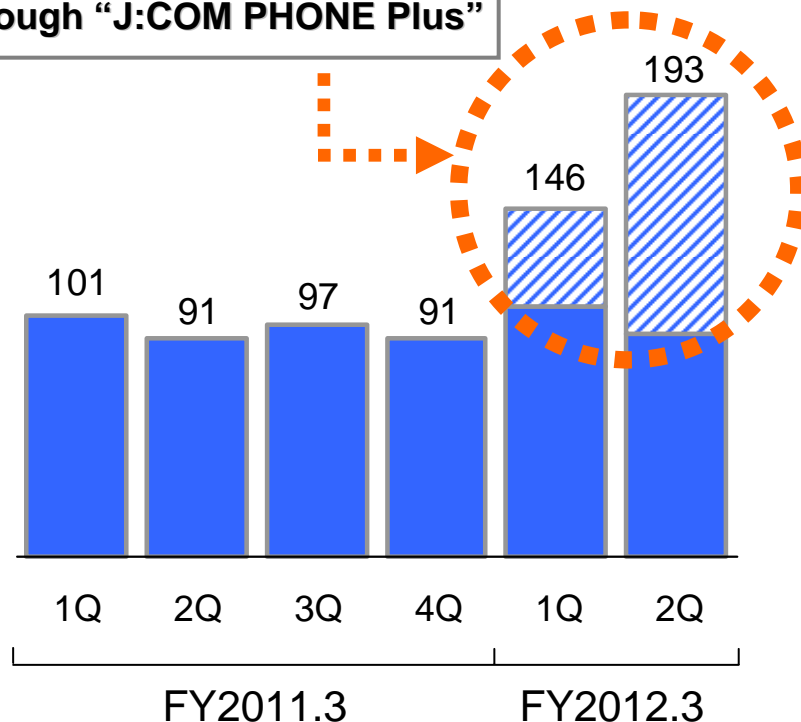
5 Boost network effectiveness

Decision to integrate J:COM backbone network into KDDI integrated IP core network

Net additions for "Cable-plus phone"

Boost effectiveness through "J:COM PHONE Plus"

('000 subs)



Move steadily forward with J:COM alliance

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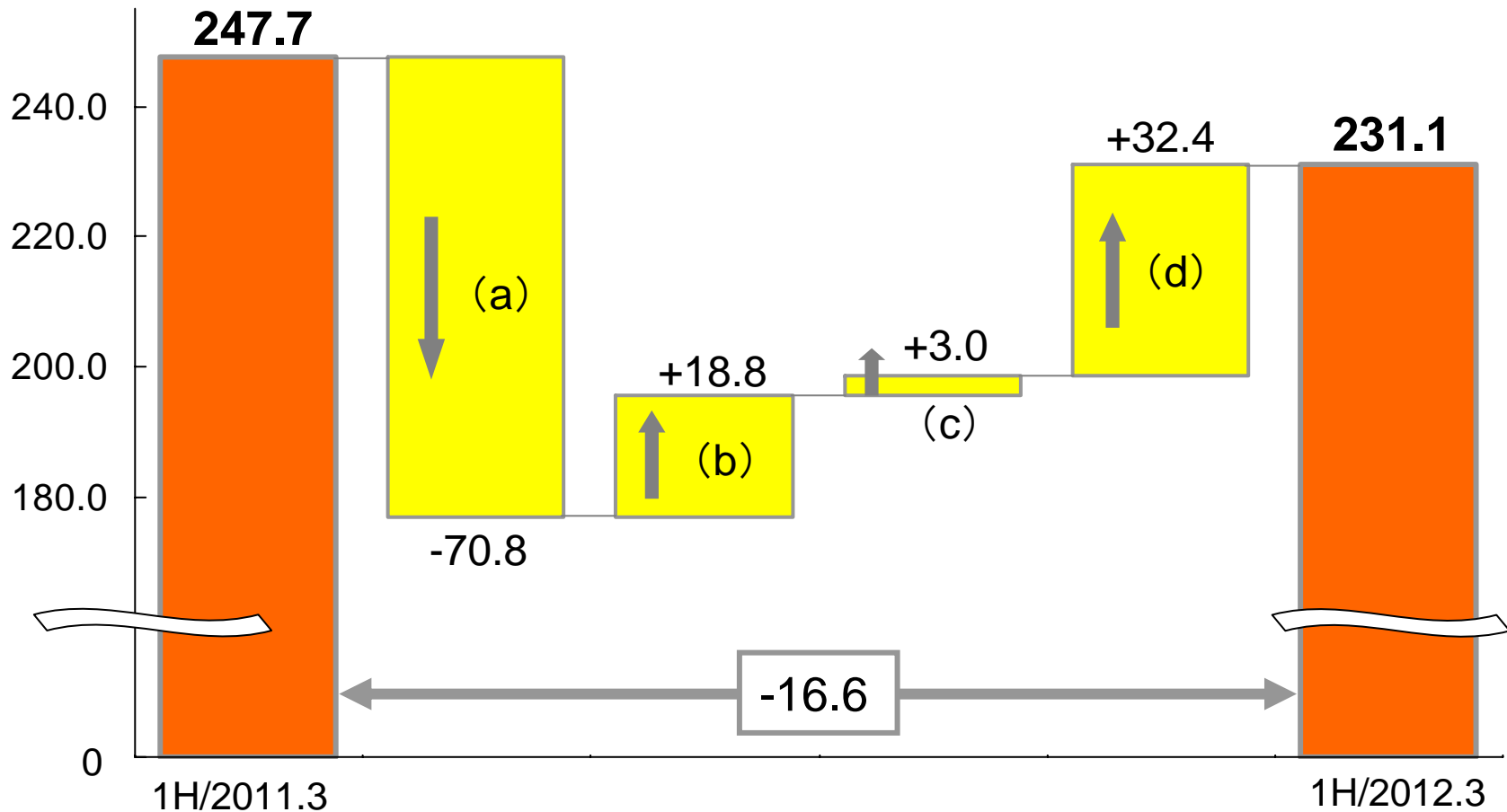
Second-Half Challenges

Appendix

Factor for Change (year-on-year)

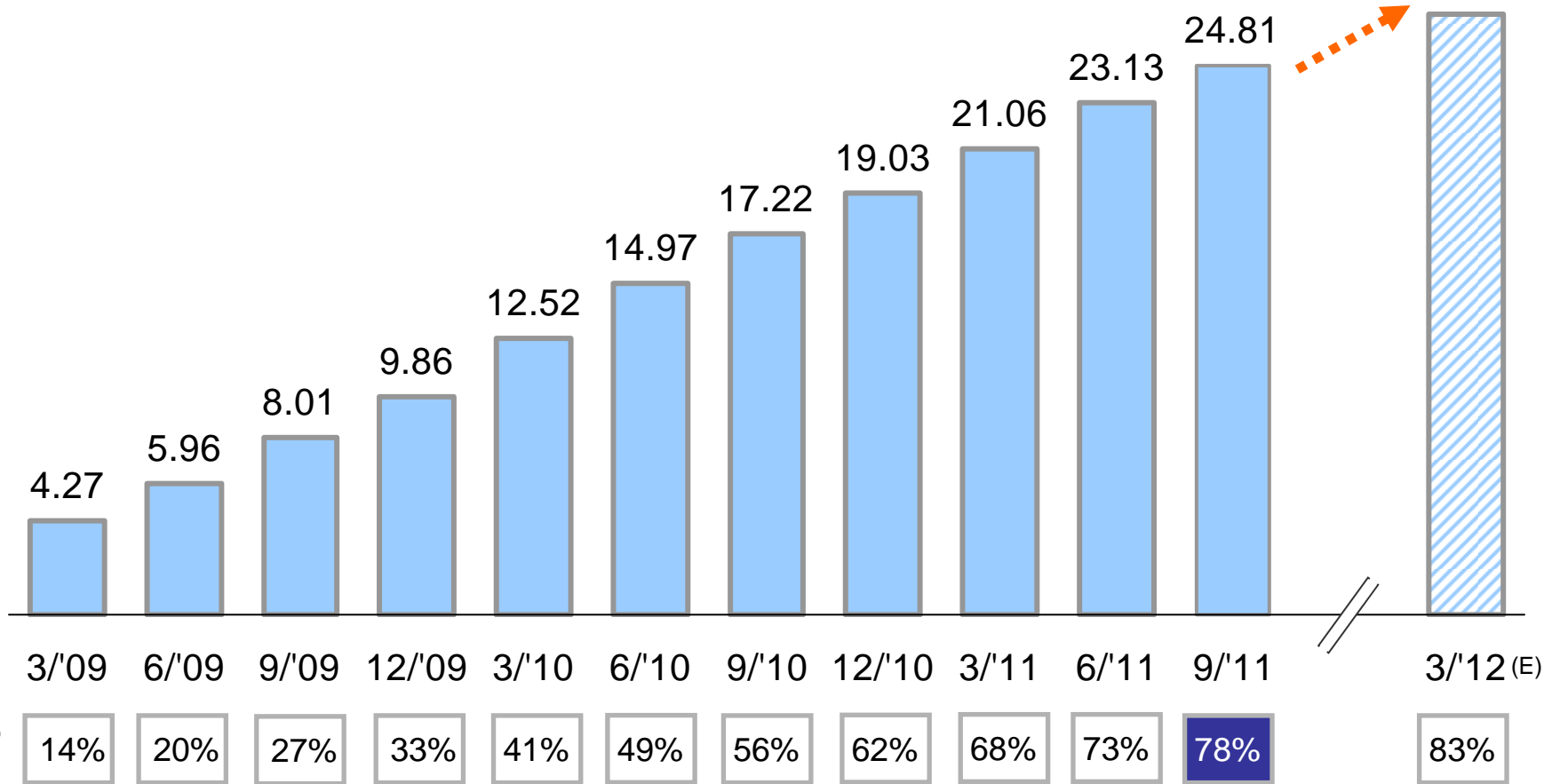
- Operating income
- (a) Revenues from telecommunication business
- (b) NW-related expenses^{Note}
- (c) Sales commissions (d) Others

(Billions of yen)



Note: Depreciation + noncurrent assets retirement cost + Telecom facility charges (including access charges).

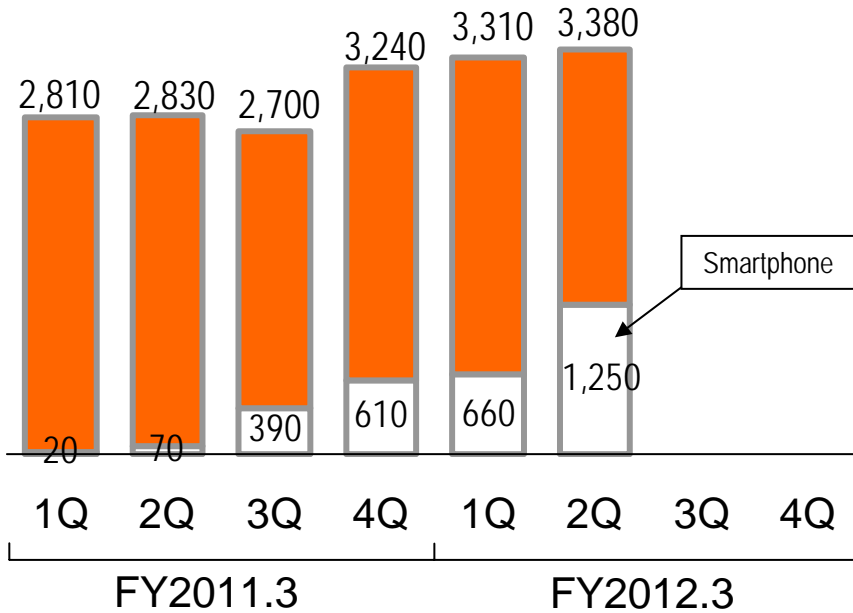
(Million subs)



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

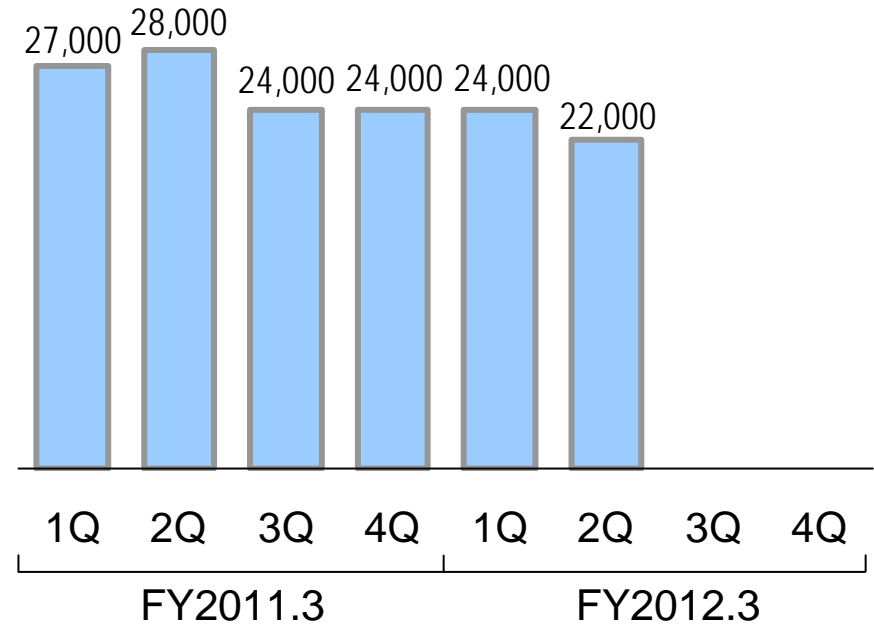
au Handset Sales

(‘000 units)



Average Commissions / Unit

(yen)

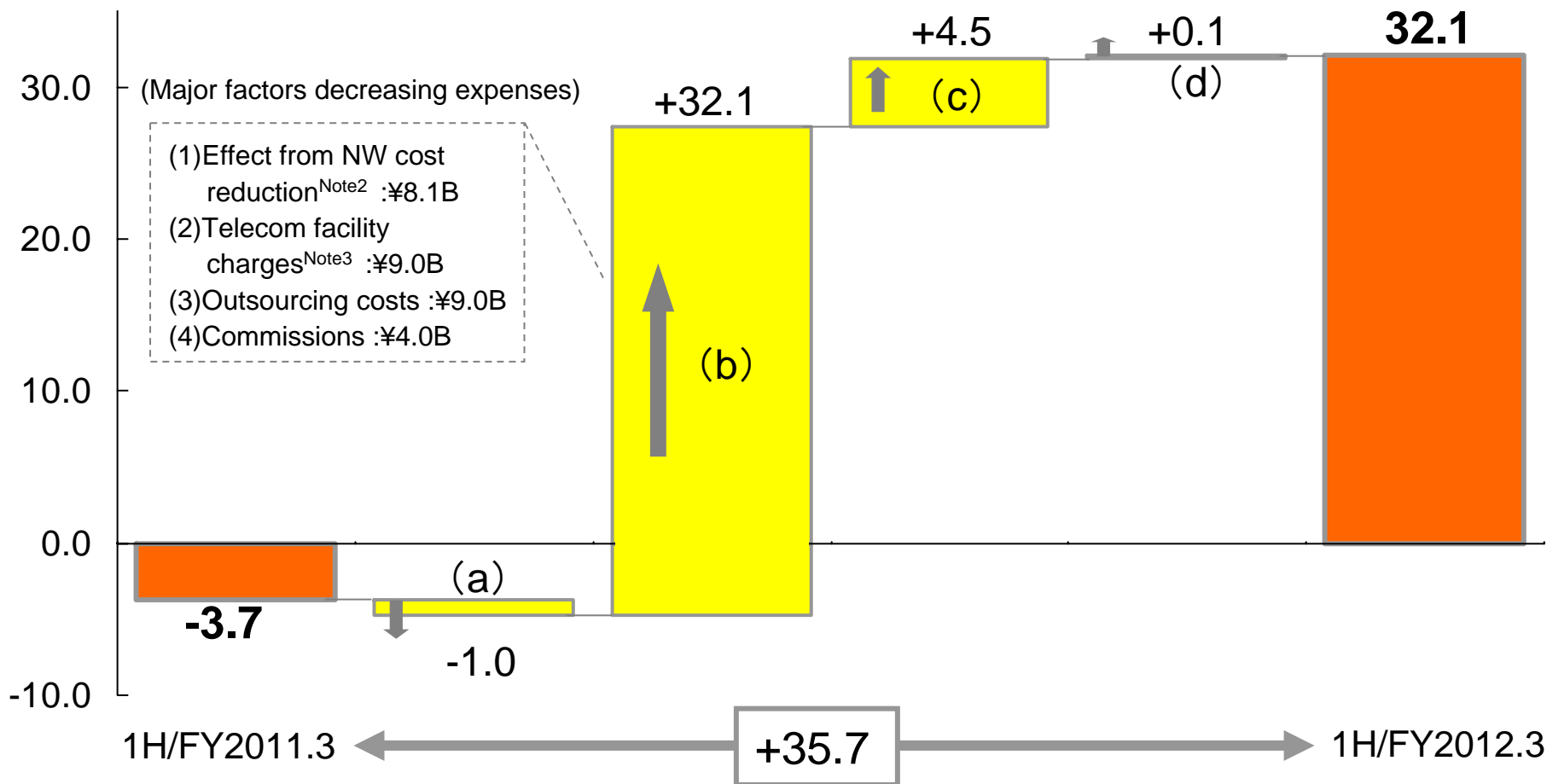


	FY2011.3					FY2012.3(E)		
	1Q	2Q	3Q	4Q		1Q	2Q	
Total sales commissions (Billions of yen)	76.0	80.0	65.0	78.0	299.0	78.0	76.0	266.0
Average commissions / unit (yen)	27,000	28,000	24,000	24,000	26,000	24,000	22,000	22,000
Number of units sold (‘000 units)	2,810	2,830	2,700	3,240	11,570	3,310	3,380	12,100
Of smartphone (‘000 units)	20	70	390	610	1,090	660	1,250	4,000

Factor for Change (year-on-year)

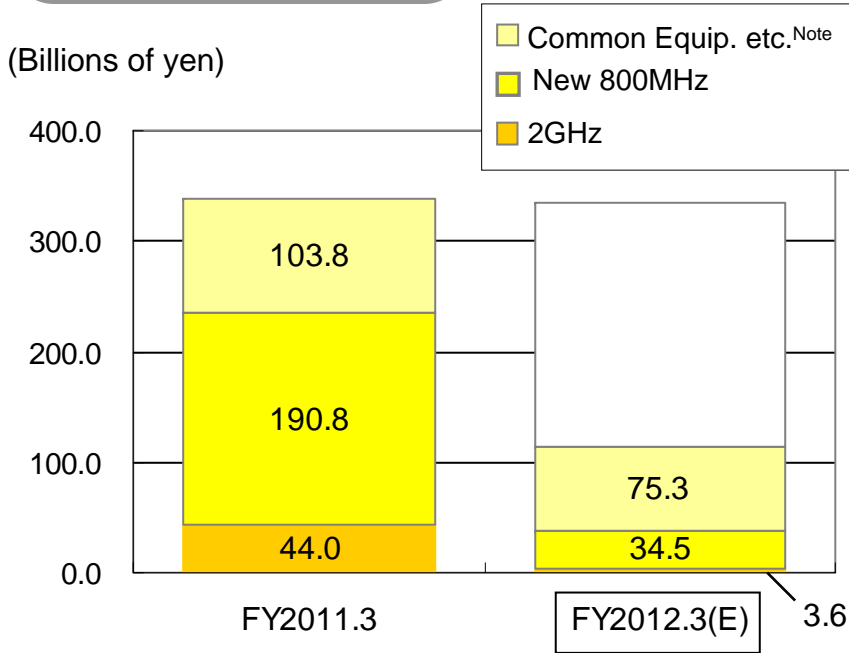
- Operating income
- (a) Parent company operating revenues
- (b) Parent company operating expenses
- (c) Group company earnings^{Note1}
- (d) Others

(Billions of yen)

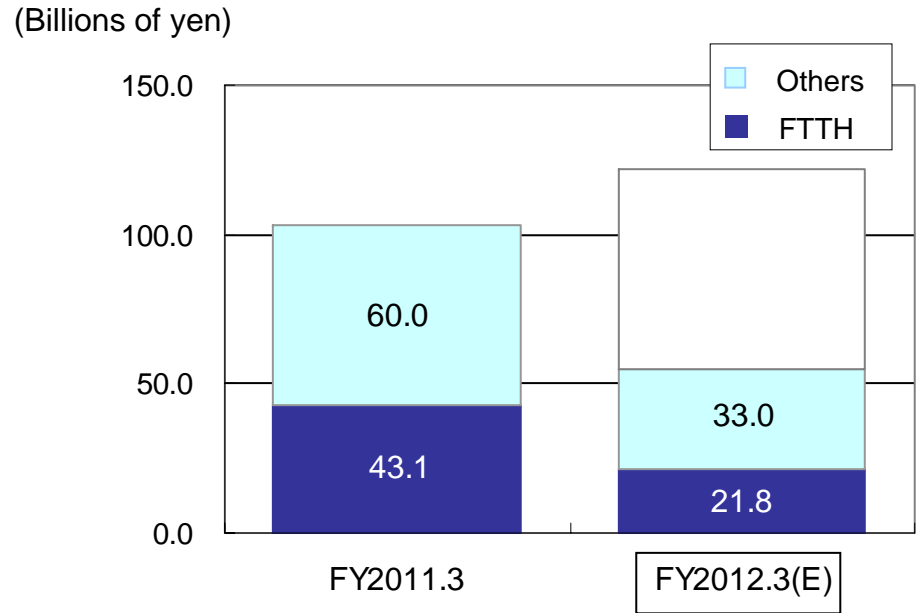


Note1: CTC, JCN, and overseas subsidiaries Note2: Principally depreciation and amortization expense, also includes certain outsourcing expenses Note3: Inclusive of access charge

Mobile CAPEX



Fixed-line CAPEX



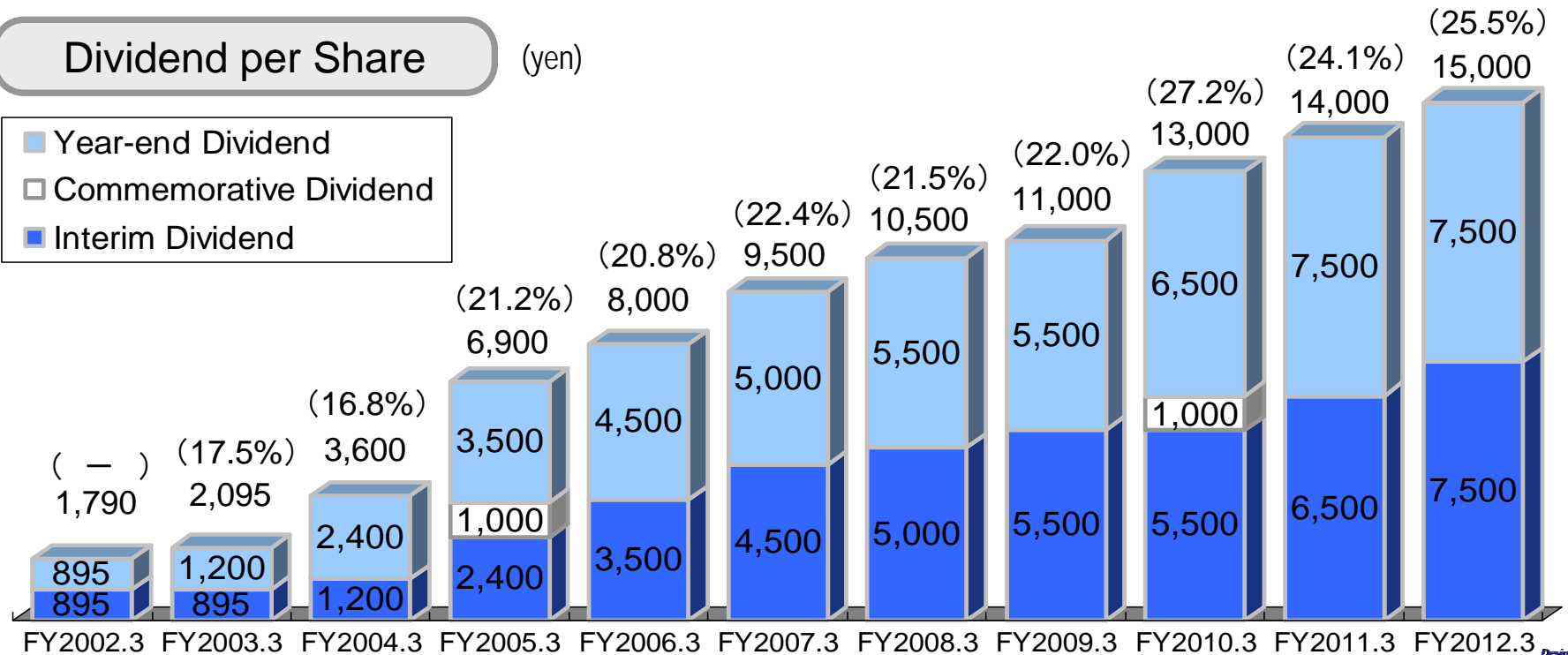
(Billions of yen)

		FY2011.3		FY2012.3(E)			
		1H		1H	yoy	progress	
CAPEX (Cash basis)	Consolidated	215.7	443.7	169.1	-21.6%	36.8%	460.0
	Mobile	161.5	338.7	113.3	-29.9%	33.8%	335.0
	Fixed-line	53.3	103.1	54.8	+2.8%	44.9%	122.0

Note: Common Equip. etc. for FY2011.3 include ¥1.2B for "800MHz 1X / EV-DO."

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.

Designing The Future

KDDI