

KDDI CORPORATION

Financial Results for the 1st Half of
the Fiscal Year Ending March 2014

October 28, 2013

President Takashi Tanaka

Disclaimer

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.

Highlights of 1st Half Performance

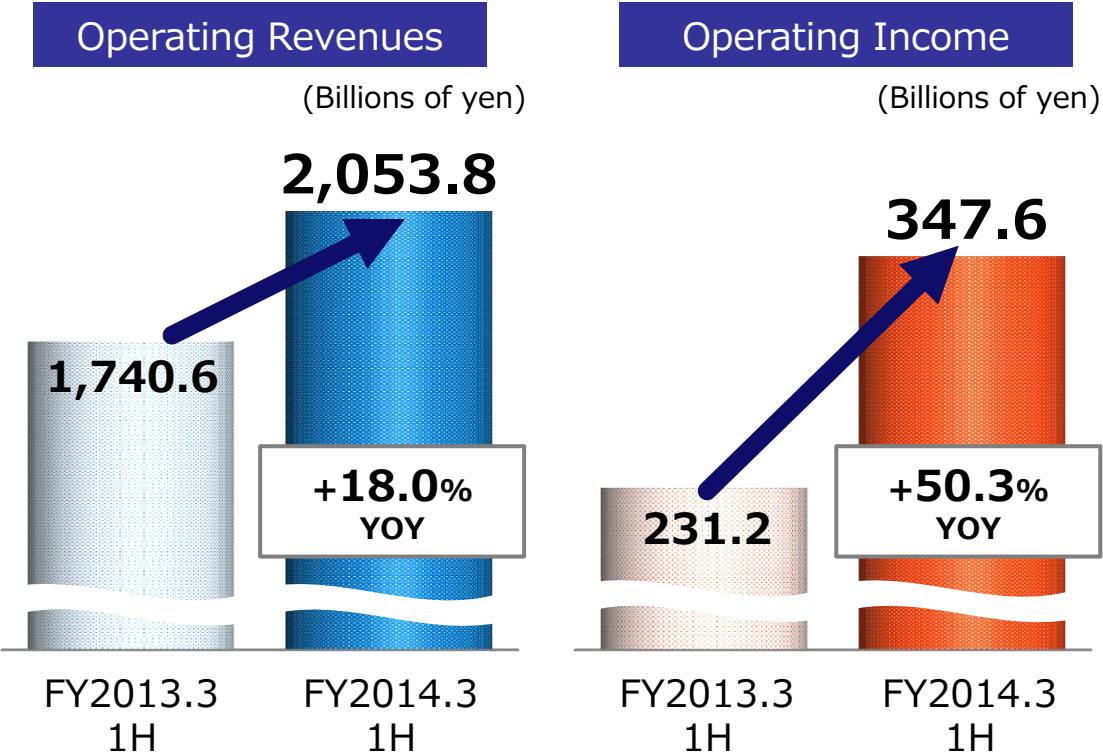
**Favorable progress
toward 20% YOY increase in income**

- Higher communications revenues made strong contributions to increased income
- Favorable progress in mobile ARPU and net additions
- Fixed-line progress favorable for both FTTH and J:COM

1H Performance

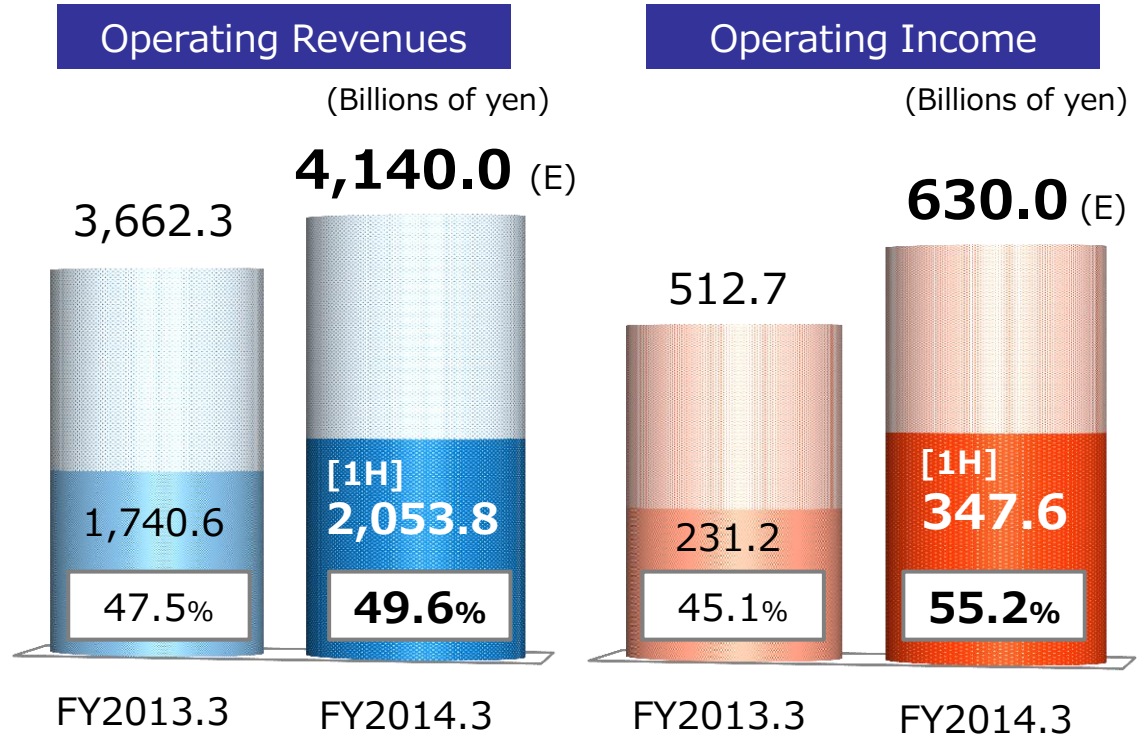
Consolidated Performance (YOY)

**Robust Growth in
Operating Revenues
and Income, YOY**



Consolidated Performance (Progress Rate)

Toward Full-year
Operating Income Forecasts
**Strong Progress of
55.2%**



Consolidated Performance

6

(Billions of yen)

	FY13.3 1H	FY14.3 1H	Influence of J:COM consolidation	yoy	FY14.3 (Forecast)	Progress
Operating revenues	1,740.6	2,053.8	174.0	+18.0%	4,140.0	49.6%
Operating income	231.2	347.6	34.7	+50.3%	630.0	55.2%
Operating margin	13.3%	16.9%	-	-	15.2%	-
Ordinary income	227.0	352.1	34.7	+55.1%	620.0	56.8%
Net income	79.8	163.0	-32.6	+104.4%	295.0	55.3%
EBITDA	440.8	600.9	75.0	+36.3%	1,160.0	51.8%
EBITDA margin	25.3%	29.3%	-	-	28.0%	-
Free cash flow	-7.6	173.0	41.0	-	270.0	64.1%

Segment Performance (1)

7

	Revenues Up, Income Up	(Billions of yen)					
		FY13.3 1H	FY14.3 1H	Influence of J:COM consolidation	yoy	FY14.3 (Forecast)	Progress
Personal Services	Operating revenues	1,344.7	1,603.4	161.9	+19.2%	3,210.0	50.0%
	Operating income	166.9	260.7	31.9	+56.2%	485.0	53.8%
	Operating margin	12.4%	16.3%	-	-	15.1%	-
	EBITDA	341.1	479.0	70.8	+40.4%	940.0	51.0%
	EBITDA margin	25.4%	29.9%	-	-	29.3%	-

	Revenues Up, Income Up	(Billions of yen)					
		FY13.3 1H	FY14.3 1H	Influence of J:COM consolidation	yoy	FY14.3 (Forecast)	Progress
Value Services	Operating revenues	69.8	99.8	21.4	+43.1%	210.0	47.5%
	Operating income	19.8	27.2	2.7	+37.8%	50.0	54.5%
	Operating margin	28.3%	27.3%	-	-	23.8%	-
	EBITDA	24.2	33.3	4.1	+37.3%	62.0	53.6%
	EBITDA margin	34.7%	33.3%	-	-	29.5%	-

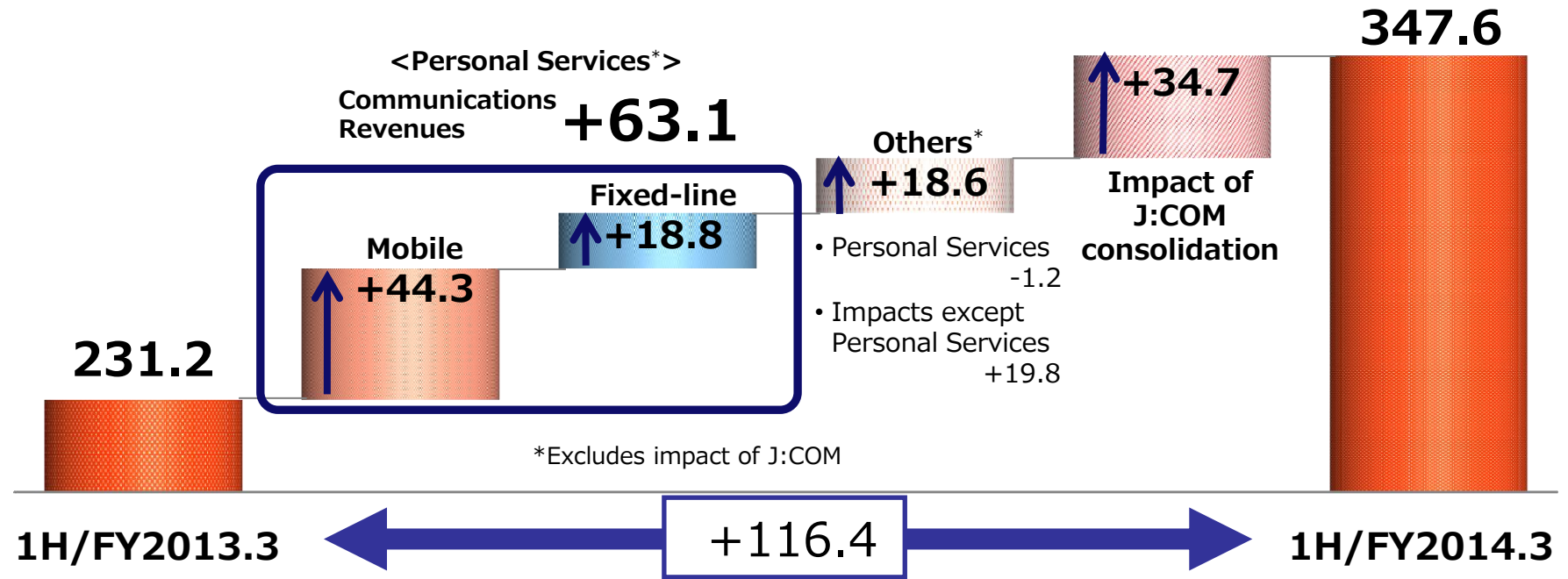
Segment Performance (2)

	Revenues Up, Income Up		yoy	(Billions of yen)		
	FY13.3 1H	FY14.3 1H		FY14.3 (Forecast)	Progress	
Business Services	Operating revenues	313.0	322.1	+2.9%	650.0	49.6%
	Operating income	36.9	50.6	+37.3%	80.0	63.3%
	Operating margin	11.8%	15.7%	-	12.3%	-
	EBITDA	61.1	71.6	+17.2%	127.0	56.4%
	EBITDA margin	19.5%	22.2%	-	19.5%	-
	Revenues Up, Income Up		yoy	(Billions of yen)		
	FY13.3 1H	FY14.3 1H		FY14.3 (Forecast)	Progress	
Global Services	Operating revenues	95.3	123.3	+29.3%	218.0	56.5%
	Operating income	2.8	4.7	+66.3%	9.0	52.4%
	Operating margin	3.0%	3.8%	-	4.1%	-
	EBITDA	9.2	12.3	+33.3%	23.0	53.5%
	EBITDA margin	9.7%	10.0%	-	10.6%	-

Consolidated Operating Income: Factor for Change in 1H, YOY

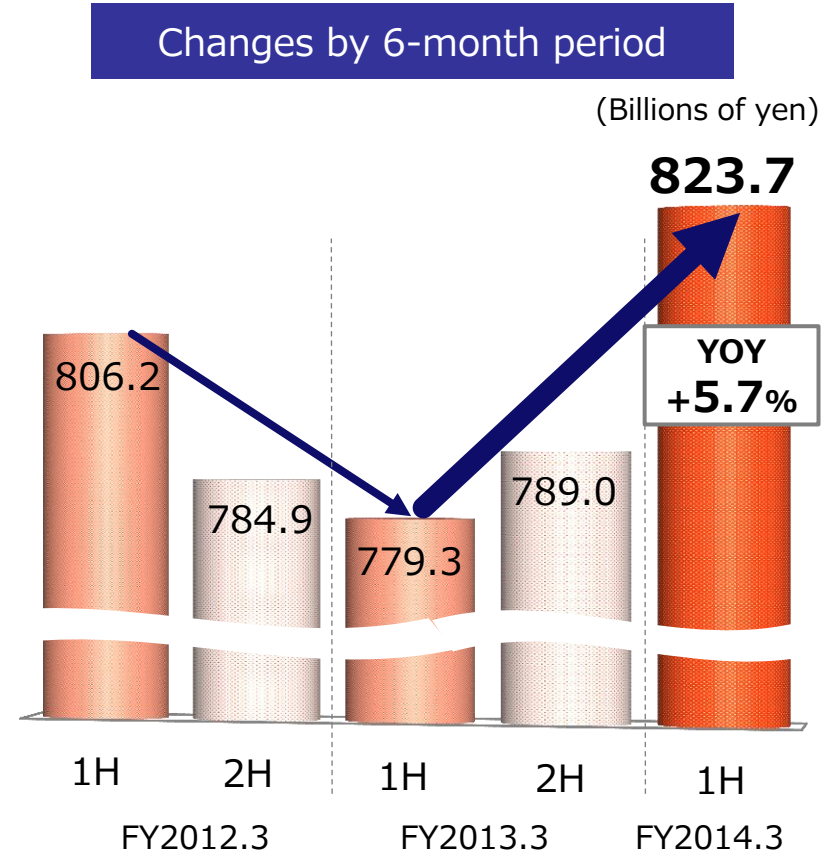
Contributions from higher communications revenues accounted for 54% of increased income, further contributions made by J:COM consolidation

(Billions of yen)



Mobile Communications Revenues

YOY +5.7%



Fixed-line Communications Revenues

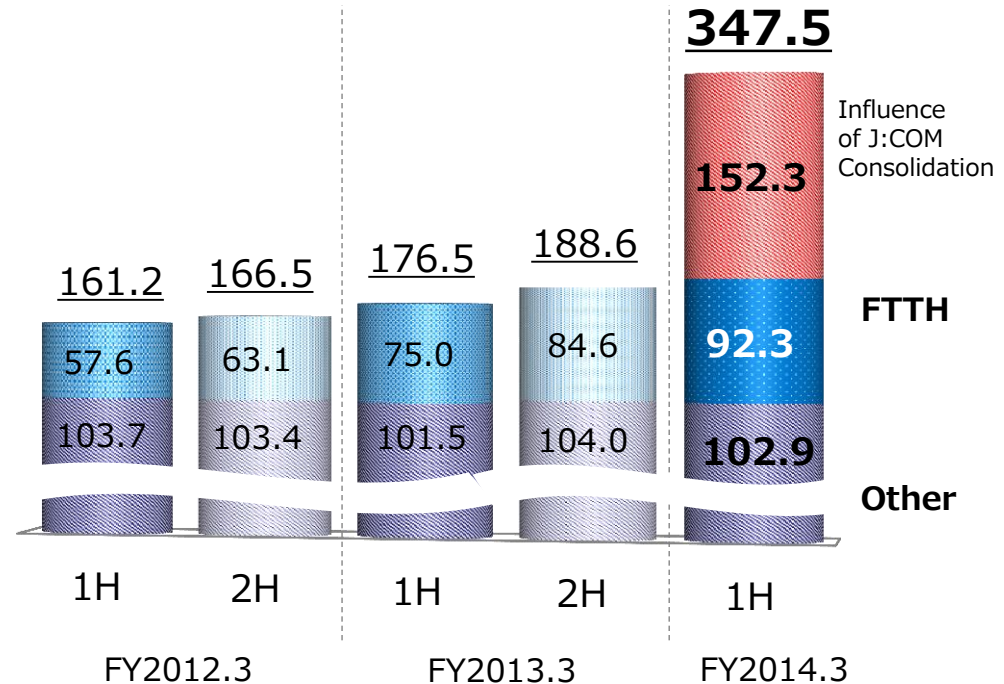
YOY +96.9%

(Except J:COM consolidation)

+10.6%

Changes by 6-month period

(Billions of yen)



Note: Other (Cable-plus phone, CATV, Metal-plus, etc.)

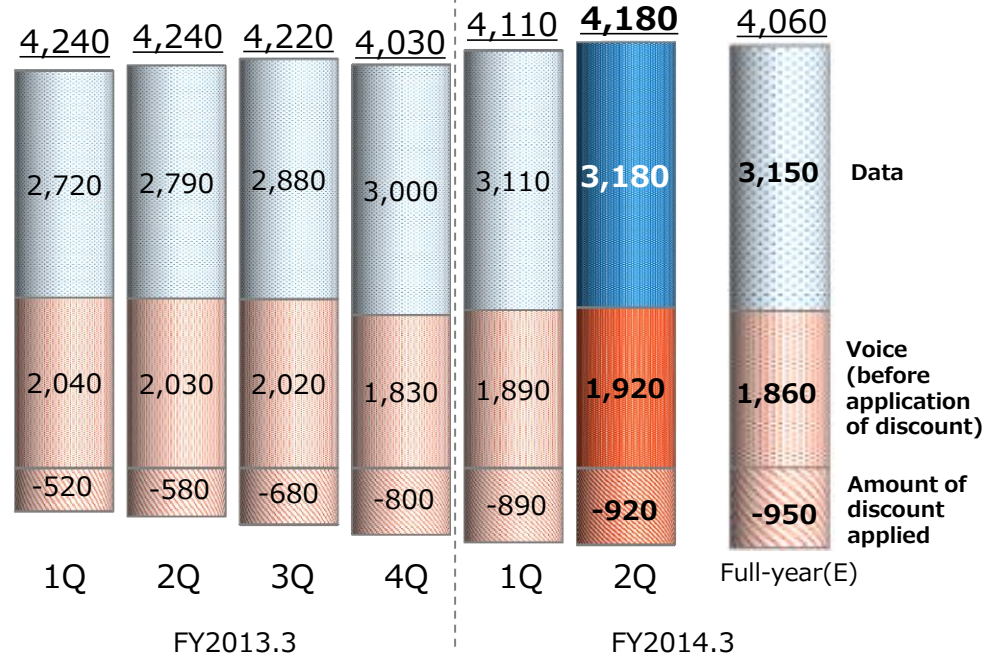
**Strong Performance Underpinning
Communications Revenues Growth**

au ARPU

2Q/FY14.3 **¥4,180**

Breakdown of au ARPU

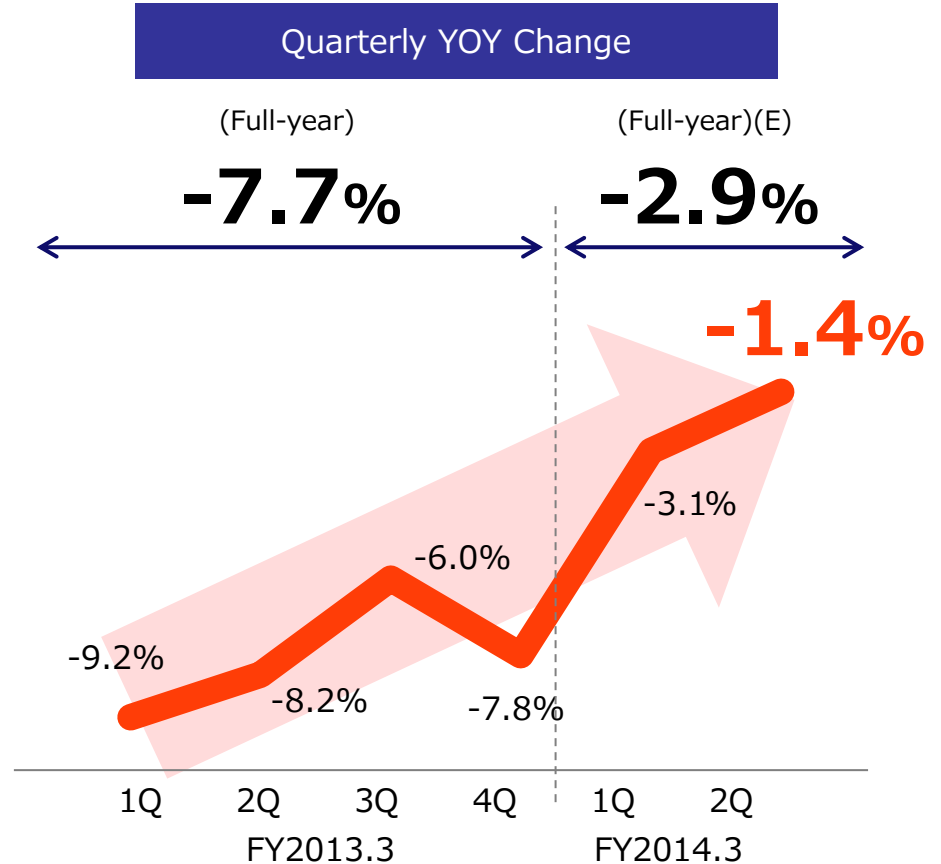
(Yen)



au ARPU

Rapid Improvement

Heading toward YOY Upturn in 4Q

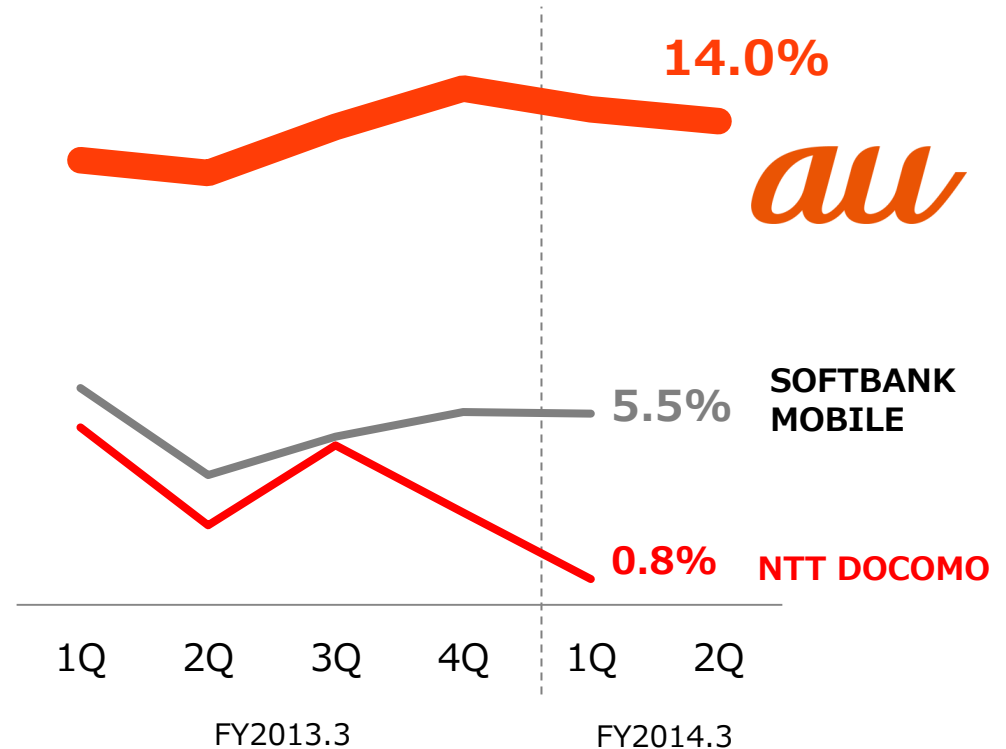


Rise Ratio of Data ARPU (YOY)

Data ARPU

2Q/FY14.3 **¥3,180**

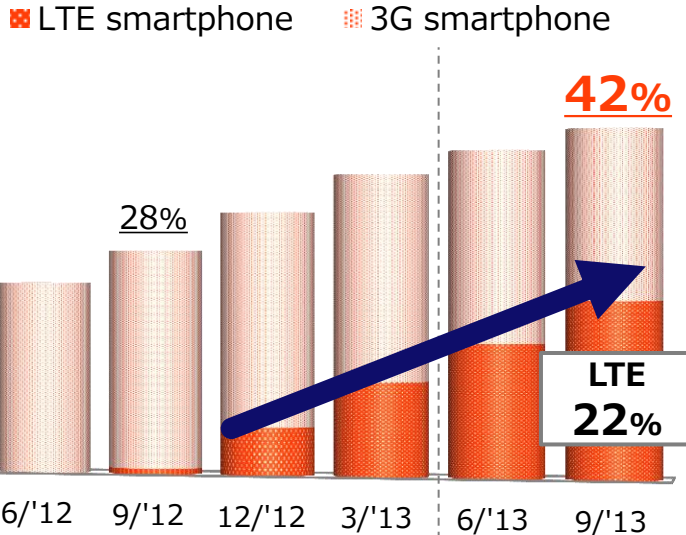
No.1 Growth



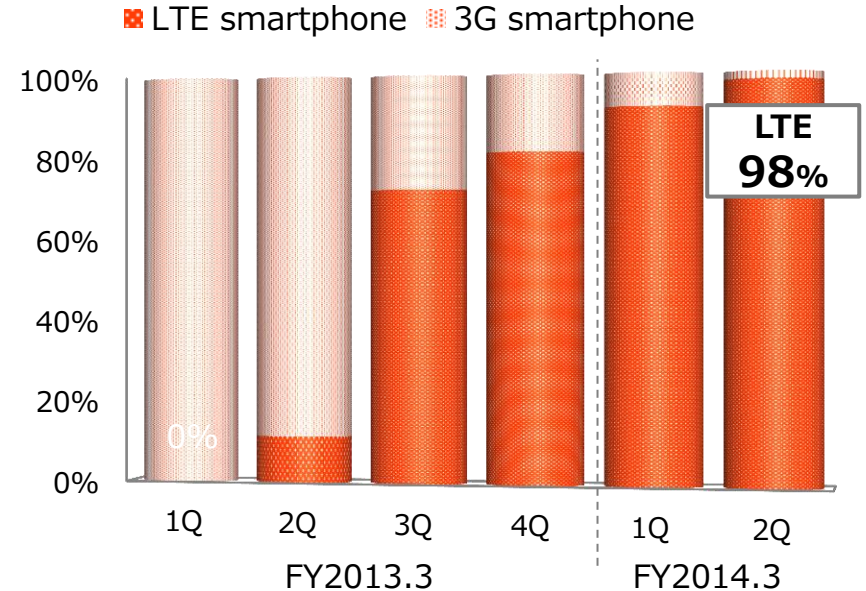
*Data ARPU figures prepared by KDDI based on packet ARPU for NTT DOCOMO and data ARPU for SoftBank Mobile (excluding communications modules)

Over half of total smart phones compatible with LTE

au Smartphone Penetration



Breakdown of Smartphone Sales



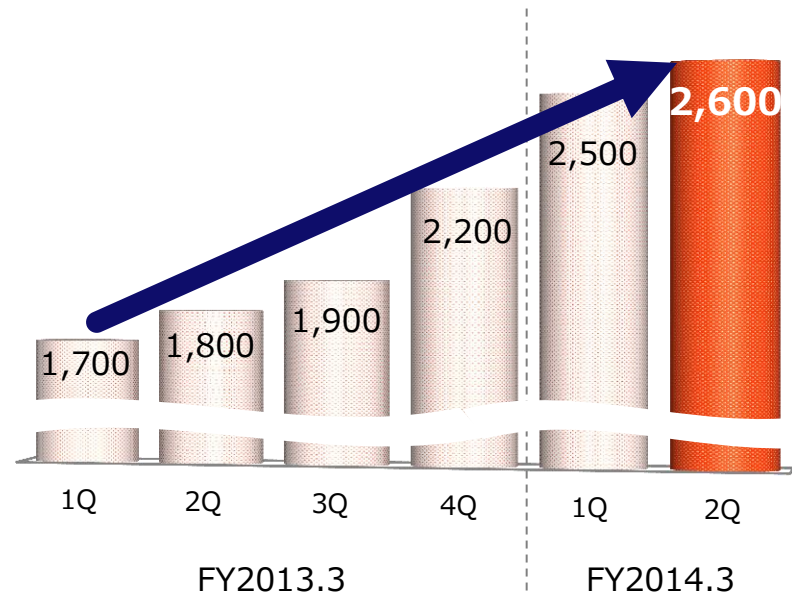
Data ARPU

Greater Increases*

Due to Customers Changing
to Smartphones

Increase in Data ARPU* around
the Time of Upgrades to Smartphones

(Yen)



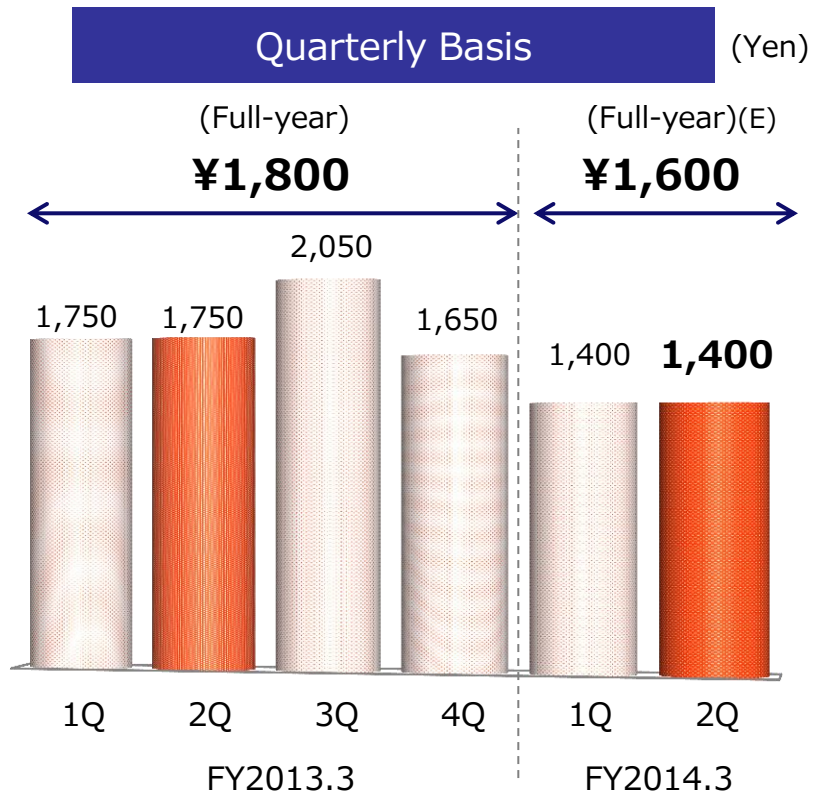
* Comparison of data ARPU between the month before users upgrade from feature phones to smartphones and the month after

Maitsuki Discount

(Monthly Discount)

Steadily Control

YOY -20%



au Churn Rate

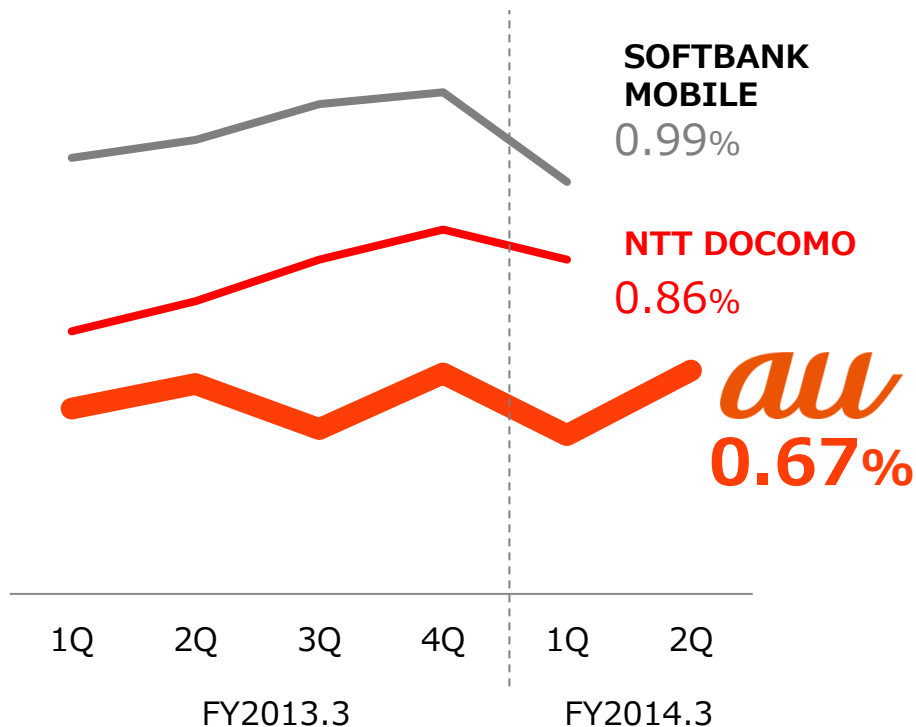
Maintaining lowest
rate in the industry

2Q/FY14.3 **0.67%**

*au churn rate is calculated for ordinary handsets based on Personal Services segment, which exclude module-type terminals.

*Based on financial results materials, etc. of each company.

Quarterly Basis

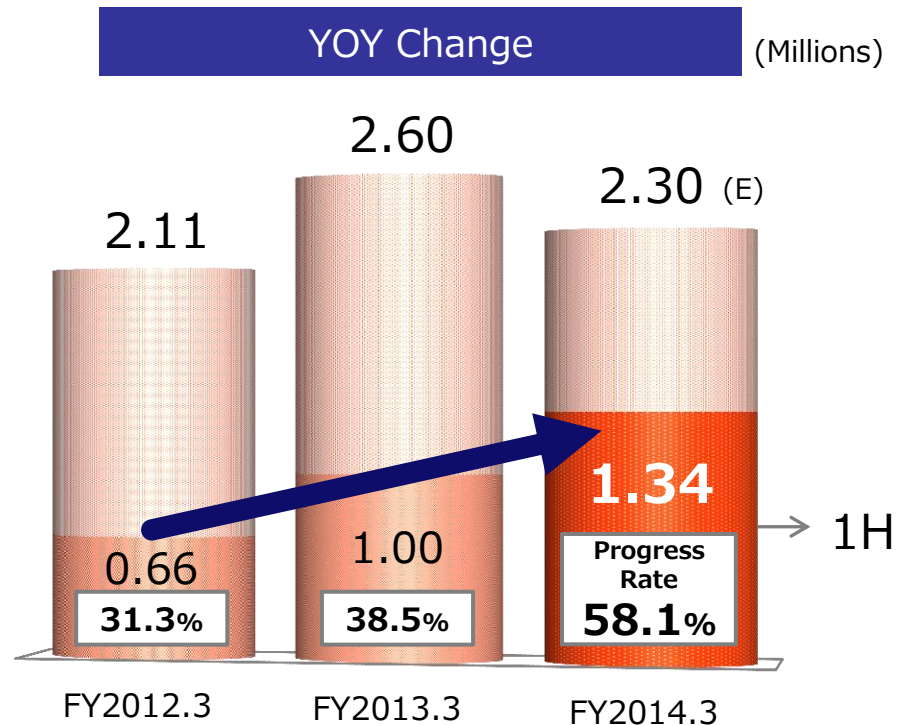


au Net Additions

Favorable Progress

Progress Rate **58.1%**

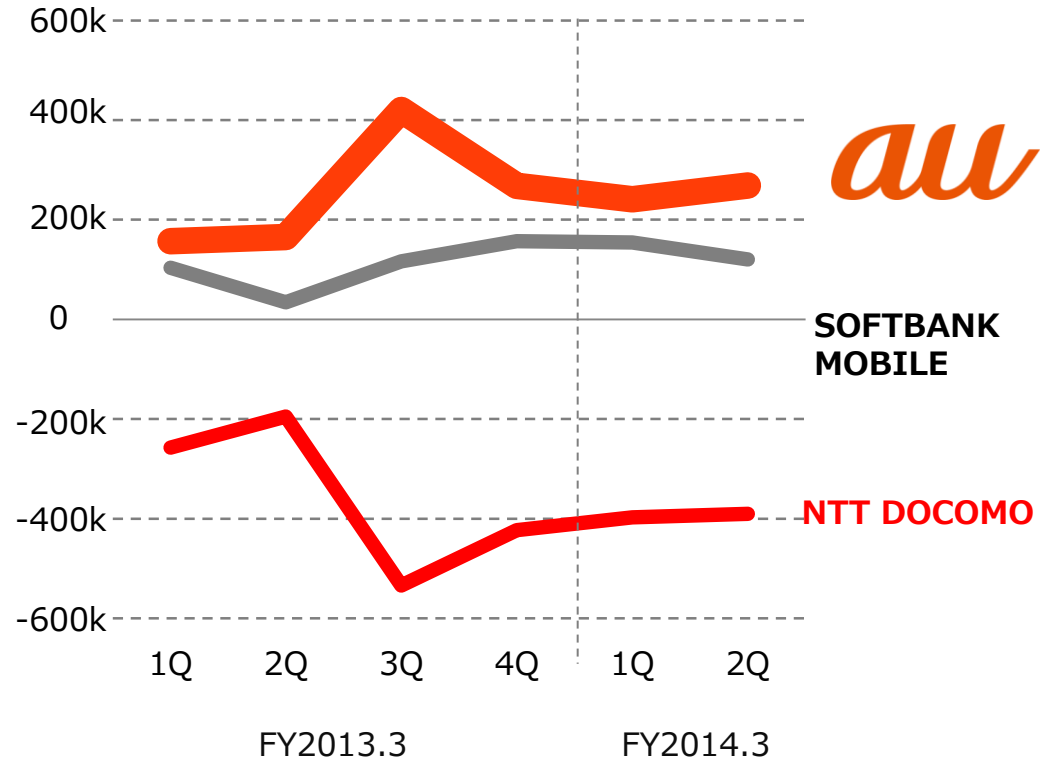
YOY **+33.4%**



MNP Net Additions

24 consecutive months
No.1

Quarterly Basis

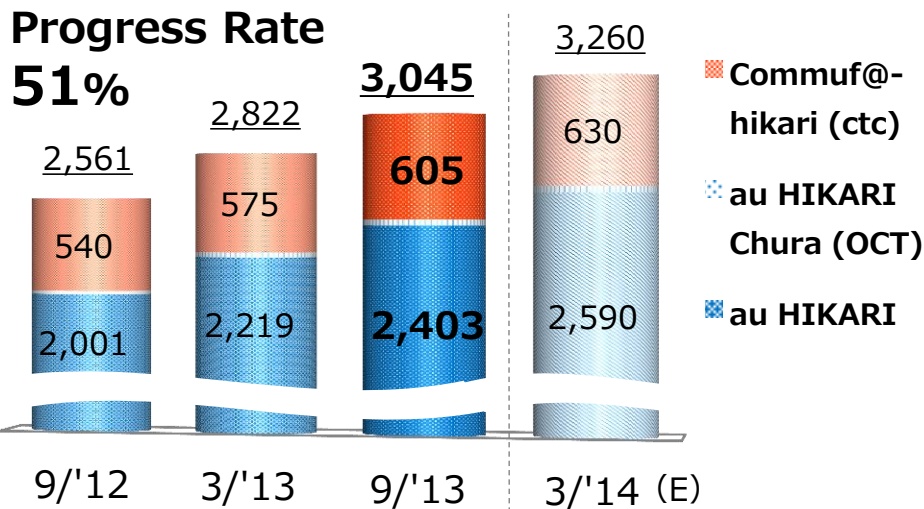


*Created by KDDI based on telecommunications sector analyst reports, etc.

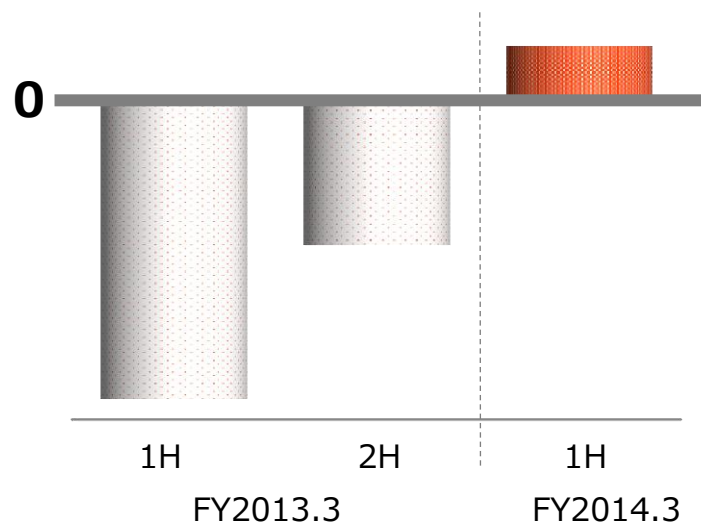
Favorable growth in subscriptions, au HIKARI to begin generating a profit

FTTH Net Additions

('000)



au HIKARI Operating Income/Loss



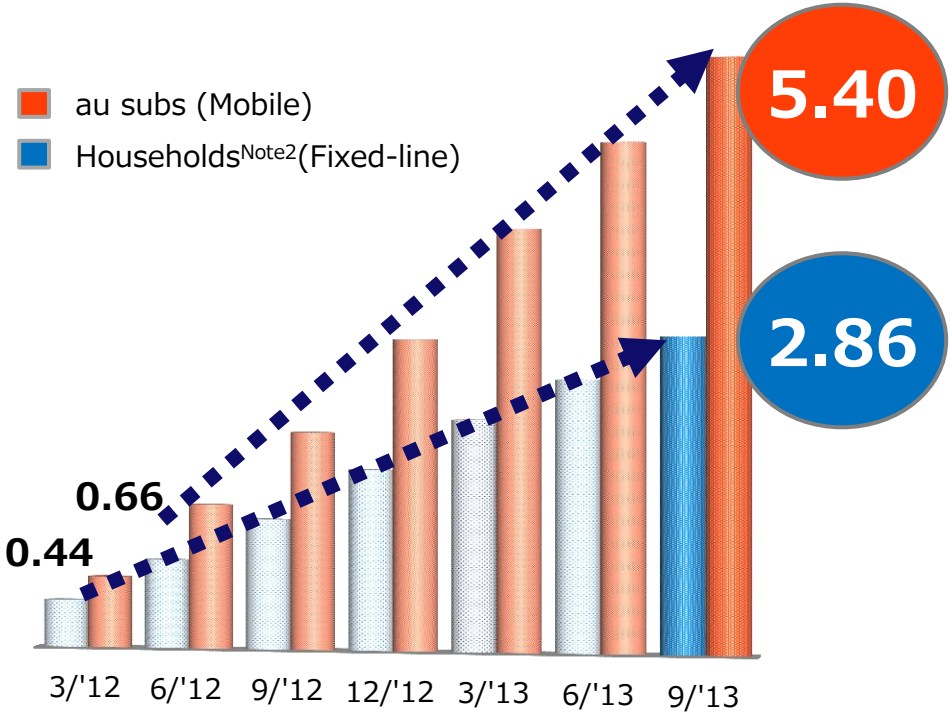
Note: FTTH net additions: total for KDDI group's FTTH services (au HIKARI, au HIKARI Chura, and Commuf@-hikari)

au Smart Value Increasing Steadily

Per-household au subscriptions to
1.89^{Note1}

Quarterly Basis

(Millions)

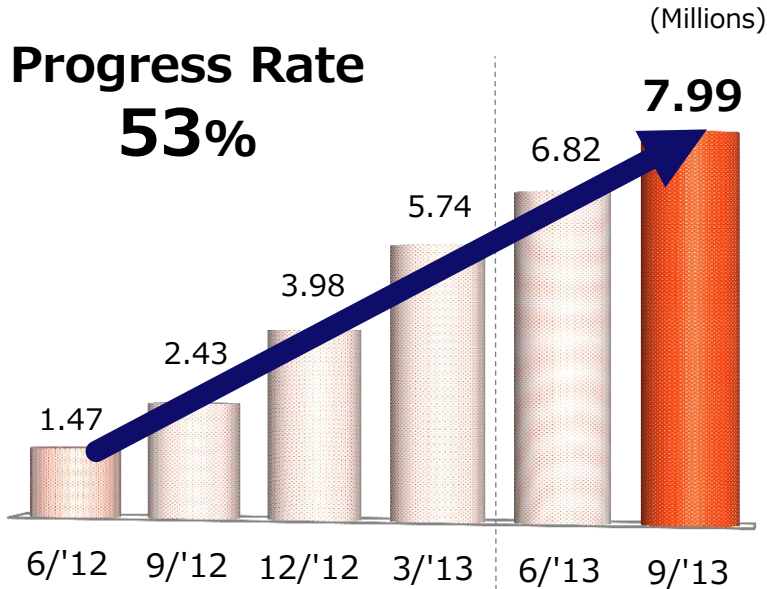


Note1: au subscriptions divided by households
 Note2: Households: total for KDDI group companies and fixed-line allied companies

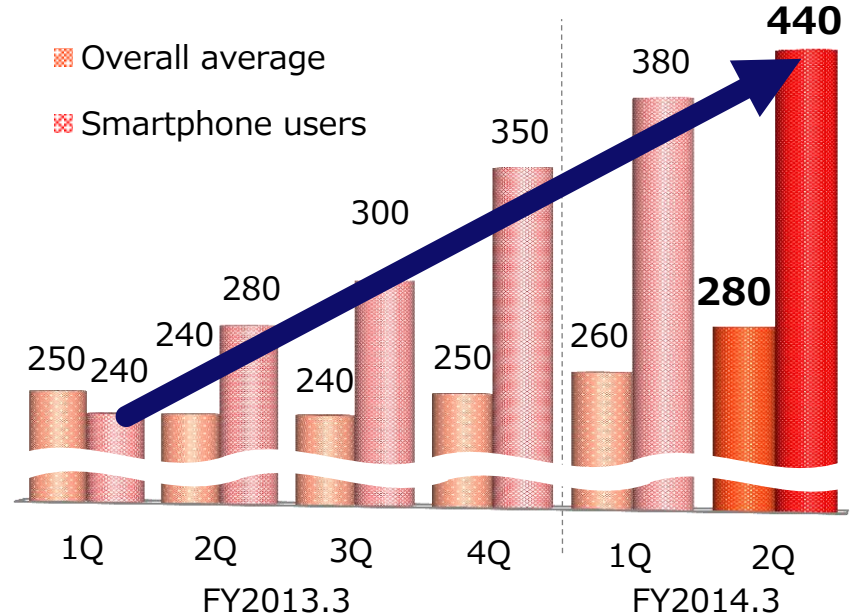
au Smart Pass

Boosting Value ARPU with "au Smart Pass"

Trends in Members



Value ARPU on Quarterly Basis



Supporting the Competitiveness of Mobile Services

The New *au* 4G LTE

Comprehensive Strength of au 4G LTE

Further reinforce comprehensive strength
leveraging foundation of network strengths

Network	800MHz Platinum Bandwidth	Actual population coverage ^{Note1} 99% (planned for March 2014) Maximum downlink speed ^{Note2} of 75Mbps available nationwide
Handsets	Smartphone Lineup	iPhone 5s/5c, iPad Air, iPad mini with Retina display 7 Android™ models
Fees	au Smart Value	Collaborate with 4 CATV companies Enhance services for people living alone
Services	au Smart Pass	Strengthen O2O^{Note3} businesses
Support	au Smart Support	Expand range of smartphone users Rollout unique initiatives

Note1) For calculation purposes, Japan has been divided into 500m² grid squares. Actual population coverage is the coverage ratio in comparison to the total population of grid squares designated as part of KDDI's service area. Plan is based on forecasts released in September 2013. Note2) Maximum downlink speeds for 4G LTE networks vary by area. This is the best-effort method service. The speed mentioned is the maximum speed by technical standards and does not show the actual usage speed. Even within high-maximum speed service areas, the speed may slow down significantly depending on the usage environment and traffic status. Note 3) O2O (online to offline) refers to utilizing information available on the Internet to encourage users to purchase items in the real world (community organizations, stores, etc.)

au 4G LTE Network

Strengthening of competitiveness with emphasis placed on 800MHz Platinum Bandwidth

	Maximum downlink speed ^{Note1}	Actual population coverage ^{Note2}
800MHz Platinum Bandwidth	75Mbps	(planned for March 2014) 99% Approx. 98% (As of Oct 16, 2013)
2.1GHz	37.5Mbps - 150Mbps	(planned for March 2014) Over 80% Approx. 78% (As of Oct 16, 2013)

Note1) Maximum downlink speeds for au 4G LTE networks vary by area by handset. The speed mentioned is the maximum speed by technical standards and does not show the actual usage speed. Bandwidth compatibility may vary by handset.

Even within high-maximum speed service areas, the speed may slow down significantly depending on the usage environment and traffic status. This is the best-effort method service.

Note2) For calculation purposes, Japan has been divided into 500m² grid squares. Actual population coverage is the coverage ratio in comparison to the total population of grid squares designated as part of KDDI's service area. Plan is based on forecasts released in September 2013.

Lineup 2013 winter

**Robust lineup compatible with
800MHz Platinum Bandwidth 4G LTE**

**iPhone 5s/5c
iPad Air, iPad mini with Retina display**

7 Android™ models^{Note}

- au exclusive model
- Handsets popular both in Japan and overseas

WiMAX 2+ WiMAX au 4G LTE
Tribrid mobile routers

WiMAX 2+ (TD-LTE)

- New 20MHz of bandwidth in the 2.5GHz band
- Compatibility with TD-LTE
- Commercial usage from Oct 31, 2013

Strengthening of au Smart Value

For Families

au Smart Value

Increase number of allied companies

(Start accepting applicants in December 2013)

COMMUNITY TV KOMORO



Himawari TV



Cable Net Suzuka Co., Ltd



株式会社

ケーブルネット 鈴鹿

TV MATSUMOTO CABLEVISION

テレビ松本

Expand to consist of 6 FTTH companies^{Note1},
122 CATV companies and
209 CATV channels^{Note2}

New For People Living Alone

au Smart Value mine



Tribrid mobile router*

au smartphone

Applications accepted beginning
November 12, 2013

Note 1: KDDI (au HIKARI); Okinawa Cellular Telephone Company (au HIKARI Chura); CHUBU TELECOMMUNICATIONS CO., INC. (Commuf@-hikari); K-Opticom Corporation (eo HIKARI); STNet, Inc. (Pikara Hikari); and Energia Communications, Inc. (MEGA EGG)

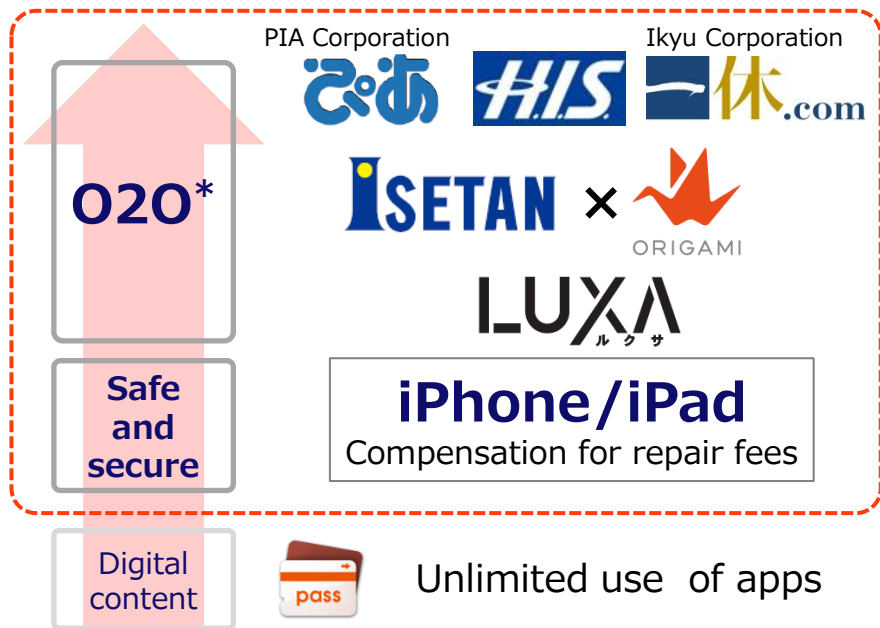
Note 2: Numbers of CATV companies and channels includes 22 companies and 22 channels allied with STNet, Inc.

*Wi-Fi WALKER WiMAX+

Strengthen Services and Support

au Smart Pass

Bolster collaboration in O2O* businesses



au Smart Support



Hold event-style
smartphone
classes

Conduct first bus
tour featuring
smartphone class

Begin sales of
gift certificates

Allow gift certificates to be
used to give support to
one's elderly parents



*O2O (online to offline) refers to utilizing information available on the Internet to encourage users to purchase items in the real world (community organizations, stores, etc.)

Convertible Bond^{Note1} Redemption

31

Early redemption exercise of convertible bonds approved
89%* already converted

*Based on information disclosed through the Tokyo Stock Exchange on October 17, 2013

		As of Mar 31, 2013	As of Sep 30, 2013	As of Dec 16, 2013 Forecasts ^{Note2}
Treasury stock	Million shares	132.54	70.54	61.98
Shares outstanding		764.42	826.42	834.98
FY2014.3 Forecasts				
Earnings per share (EPS) ^{Note3}	Yen	385.91	356.96	353.30
Total dividend payments ^{Note4} (Dividend payout ratio) ^{Note3}	Billion Yen	91.7 (31.1%)	—	99.7 (33.8%)

Note1: The Zero Coupon Convertible Bonds due 2015 (bonds with stock acquisition rights, tenkanshasaigata shinkabu yoyakuken-tsuki shasai)

Note2: Calculated using the number of shares outstanding and treasury stock as of September 30, 2013, and by dividing the number of unconverted bonds as of September 30, 2013, by the conversion price of ¥2,865.5

Note3: Forecasts for EPS and dividend payout ratio calculated using the forecasted net income figure of ¥295.0 billion

Note4: Forecasts for total dividend payments calculated using the initial forecasts for full-year dividends per share (interim dividend and year-end dividend of ¥60 per share)

Introduction of Shareholder Benefits

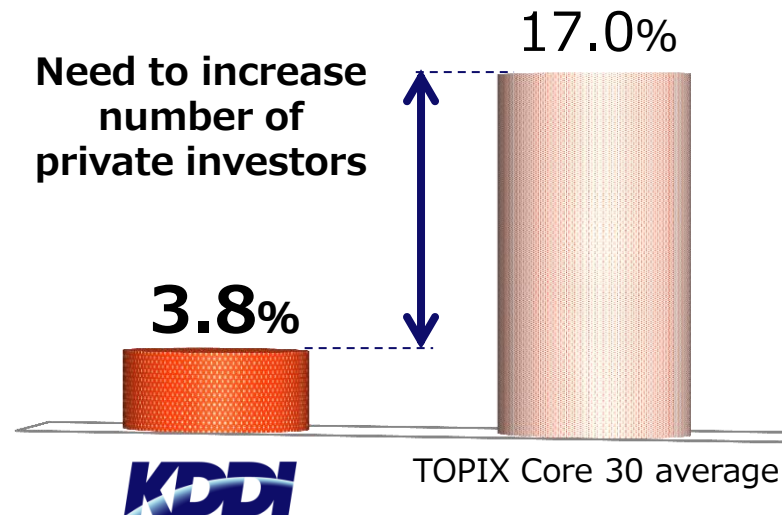
Target improved satisfaction and increased numbers of private investors

Overview of Shareholder Benefits

Provide coupons for purchasing au handsets in accordance with numbers of shares held and holding period

Example: 1 share-trading unit (100 shares)
Held for more than 5 years
->¥10,000 discount coupon

Ratio^{Note} of Shares Held by Private Investors
for KDDI and TOPIX Core 30



Note: Prepared by KDDI based on the data regarding each company's stock as of March 31, 2013

Summary

- Strong progress toward operating income goal due to increase in communication revenues
- Rapid improvement toward 4Q YOY upturn in ARPU
- Strengthening of competitiveness by leveraging the new “au 4G LTE” with emphasis placed on 800MHz Platinum Bandwidth



**Favorable progress toward achieving
double-digit annual operating profit growth rate
up until FY2016.3**

Appendix

Progress of KPIs in FY2014.3 (1)

35

Consolidated

		3/'13	9/'13	Change	3/'14(E)	Progress
au subscriptions	'000	37,709	39,045	+1,336	40,009	58.1%

Personal Services

		3/'13	9/'13	Change	3/'14(E)	Progress
au subscriptions	'000	32,189	33,206	+1,017	33,689	67.8%
		FY13.3-2Q	FY14.3-2Q	Change	FY14.3(E)	yoy
au churn rate	%	0.65	0.67	+0.02	0.69	-
au ARPU	yen	4,240	4,180	-60	4,060	-1.4%
au handset sales	'000	2,620	2,630	+10	10,900	+0.4%
of smartphone sales	'000	1,810	1,980	+170	8,600	+9.4%
au handset shipments	'000	2,410	2,520	+110	10,680	+4.6%
Maitsuki Discount unit price	yen	1,750	1,400	-350	1,600	-20.0%

Progress of KPIs in FY2014.3 (2)

Personal Services

		3/'13	9/'13	Change	3/'14(E)	Progress
[Utilizing au Smart Value] au subscriptions	'000	3,860	5,400	+1,540	6,900	50.7%
[Utilizing au Smart Value] Households	'000	2,120	2,860	+740	3,450	55.6%
FTTH subscriptions	'000	2,822	3,045	+223	3,260	50.8%

Value Services

		3/'13	9/'13	Change	3/'14(E)	Progress
au Smart Pass members	'000	5,740	7,990	+2,250	10,000	52.8%
		FY13.3-2Q	FY14.3-2Q	Change	FY14.3(E)	yoy
Value ARPU	yen	240	280	+40	290	+16.7%

--

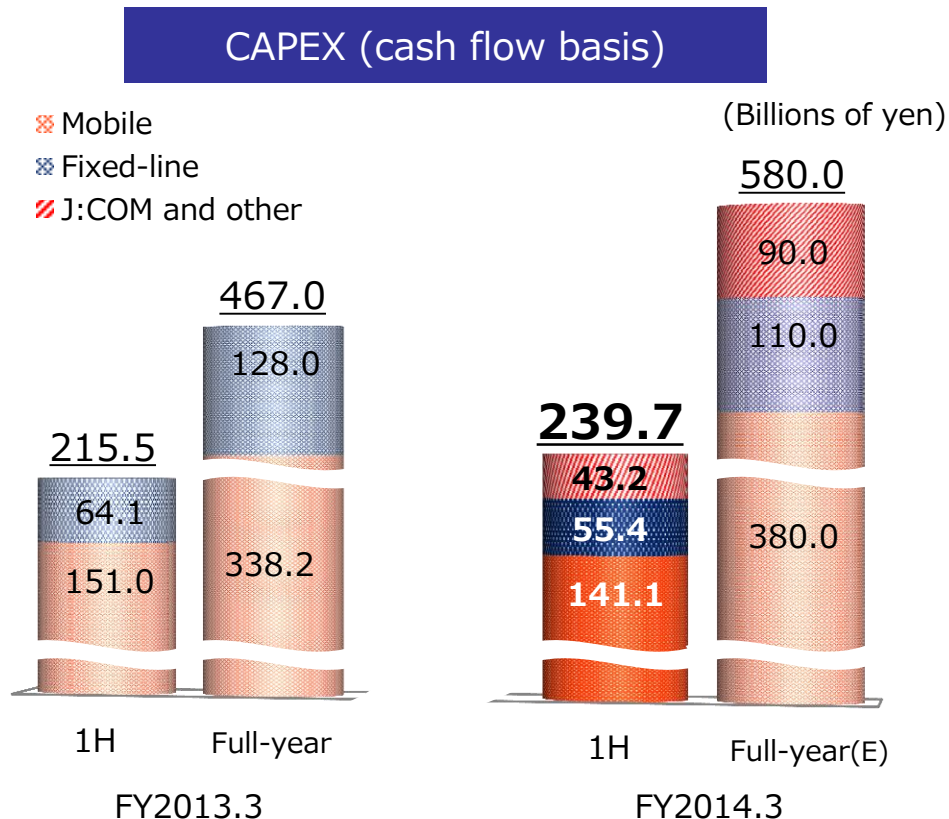
		6/'12	9/'12	12/'12	3/'13	6/'13	9/'13	3/'14(E)
Data offload rate ^{Note}	%	32	39	43	52	56	59	54

Note: Data offload rate for FY14.3 includes data traffic of LTE compatible smartphones.

CAPEX

1H/FY2014.3
¥239.7B

YOY +¥24.2B
 Progress Rate 41.3%



- * "Android" is a trademark or a registered trademark of Google Inc.
- * "iPhone" and "iPad" are trademarks or registered trademarks of Apple Inc. The trademark 'iPhone' is used with a license from Aiphone K.K.
- * "WiMAX" is a trademark of WiMAX Forum.
- * "AQUOS PHONE" and "SERIE" are trademarks or registered trademarks of Sharp Corporation.
- * "DIGNO" is a registered trademark of Kyocera Corporation.
- * "Xperia" is a trademark or a registered trademark of Sony Mobile Communications AB.
- * "ARROWS" is a registered trademark of Fujitsu Limited.
- * "GALAXY" is a trademark or a registered trademark of SAMSUNG ELECTRONICS Co., Ltd.
- * Other company names and product names are generally registered trademarks or trademarks of their respective company.

Designing The Future

KDDI