



# KDDI CORPORATION

Financial Results for the 3<sup>rd</sup> Quarter  
of the Fiscal Year Ending March 2014

January 30, 2014

President Takashi Tanaka

# Today's Presentation

- 1. Performance in 1-3Q**
- 2. Operational Data**
- 3. Revision of Full-year Results Forecasts**

## 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.

# **1. Performance in 1-3Q**

# Highlights of Performance in 1-3Q

Consolidated

## Consolidated Performance

### 1-3Q

(from April to December)

### Robust YOY Growth in Operating Revenues and Income

Operating Revenues YOY **+17%**

Operating Income YOY **+35%**

Personal Services

## Communications Revenues

### 1-3Q

(from April to December)

### Strong YOY Growth

YOY **+22%**

Excludes [Influence of J:COM consolidation] <sup>Note</sup>

YOY **+7%**

\*Note) In these materials, [influence of J:COM consolidation] excludes the performance of JCN, which became a consolidated subsidiary of J:COM in December 2013.

# Consolidated Performance

(Billions of yen)

	FY13.3 1-3Q	FY14.3 1-3Q	[Influence of J:COM consolidation]	yoy	FY14.3 (Initial Forecast)	Progress
Operating revenues	2,710.6	3,179.9	263.0	+17.3%	4,140.0	76.8%
Operating income	395.6	533.2	50.2	+34.8%	630.0	84.6%
Operating margin	14.6%	16.8%	-	-	15.2%	-
Ordinary income	394.0	538.6	47.6	+36.7%	620.0	86.9%
Net income	180.2	268.7	-30.6	+49.0%	295.0	91.1%
EBITDA	716.7	918.1	111.8	+28.1%	1,160.0	79.1%
EBITDA margin	26.4%	28.9%	-	-	28.0%	-
Free cash flow	-43.8	231.9	83.2	-	270.0	85.9%

# Segment Performance 1

## Revenues Up, Income Up

(Billions of yen)

	FY13.3 1-3Q	FY14.3 1-3Q	[Influence of J:COM consolidation]	yoy	FY14.3 (Initial Forecast)	Progress
Operating revenues	2,107.7	2,489.6	244.2	+18.1%	3,210.0	77.6%
Operating income	291.8	405.4	46.4	+38.9%	485.0	83.6%
Operating margin	13.8%	16.3%	-	-	15.1%	-
EBITDA	560.0	736.2	105.9	+31.5%	940.0	78.3%
EBITDA margin	26.6%	29.6%	-	-	29.3%	-

Personal  
Services

## Revenues Up, Income Up

(Billions of yen)

	FY13.3 1-3Q	FY14.3 1-3Q	[Influence of J:COM consolidation]	yoy	FY14.3 (Initial Forecast)	Progress
Operating revenues	104.9	154.4	32.9	+47.1%	210.0	73.5%
Operating income	31.0	40.9	3.6	+31.8%	50.0	81.8%
Operating margin	29.6%	26.5%	-	-	23.8%	-
EBITDA	38.1	50.1	5.7	+31.8%	62.0	80.9%
EBITDA margin	36.3%	32.5%	-	-	29.5%	-

Value  
Services

# Segment Performance 2

(Billions of yen)

## Business Services

Revenues Up, Income Up	FY13.3 1-3Q	FY14.3 1-3Q	yoy	FY14.3 (Initial Forecast)	Progress
	Operating revenues	470.3	490.9	+4.4%	650.0
Operating income	60.1	72.4	+20.5%	80.0	90.5%
Operating margin	12.8%	14.8%	-	12.3%	-
EBITDA	96.2	104.7	+8.8%	127.0	82.5%
EBITDA margin	20.5%	21.3%	-	19.5%	-

(Billions of yen)

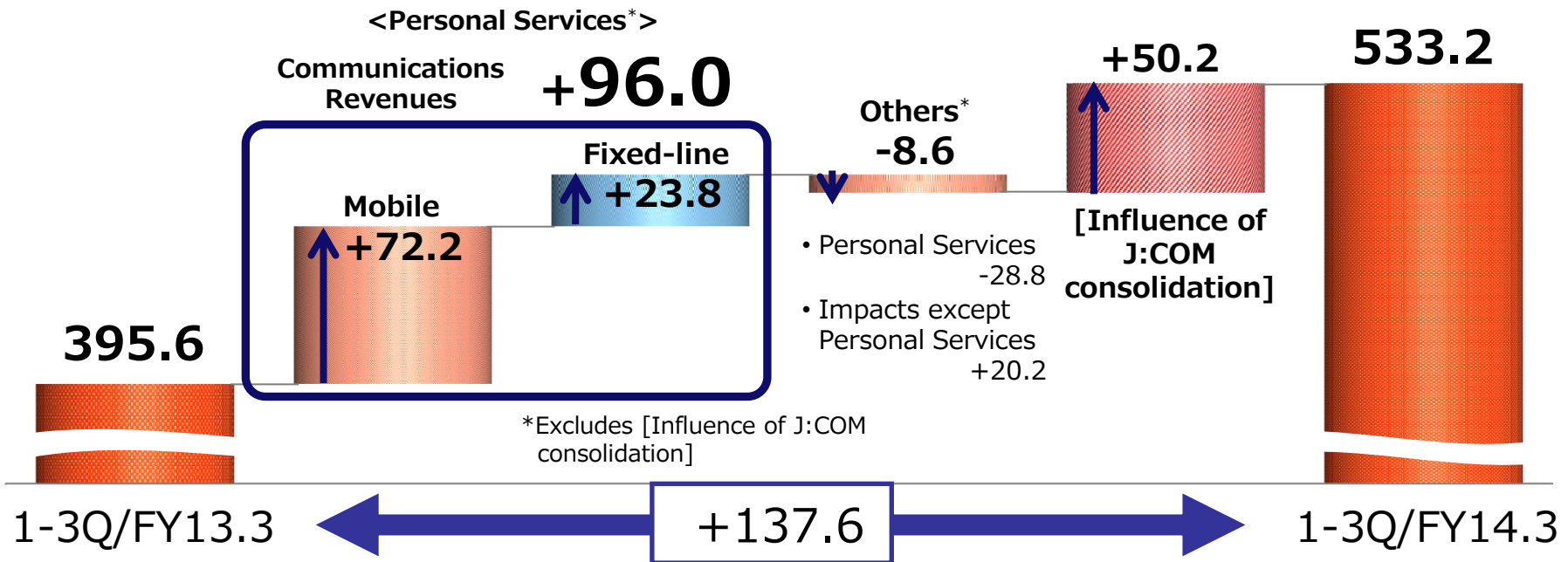
## Global Services

Revenues Up, Income Up	FY13.3 1-3Q	FY14.3 1-3Q	yoy	FY14.3 (Initial Forecast)	Progress
	Operating revenues	148.5	189.2	+27.4%	218.0
Operating income	5.4	8.3	+54.9%	9.0	92.4%
Operating margin	3.6%	4.4%	-	4.1%	-
EBITDA	14.9	19.9	+32.9%	23.0	86.4%
EBITDA margin	10.1%	10.5%	-	10.6%	-

# Consolidated Operating Income: Factor for Increase in 1-3Q YOY

Contributions from higher communications revenues accounted for 70% of increased income, further contributions made by J:COM consolidation

(Billions of yen)



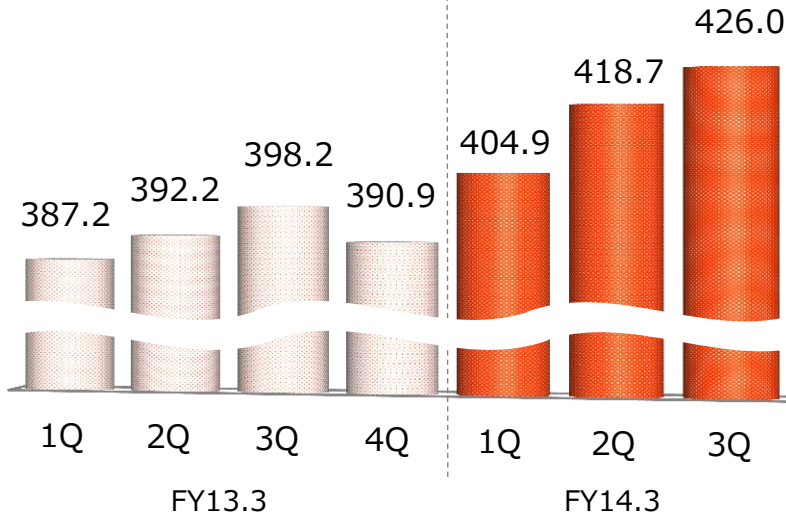


## YOY increases in both mobile and fixed-line communications revenues

Mobile Communications Revenues

(Billions of yen)

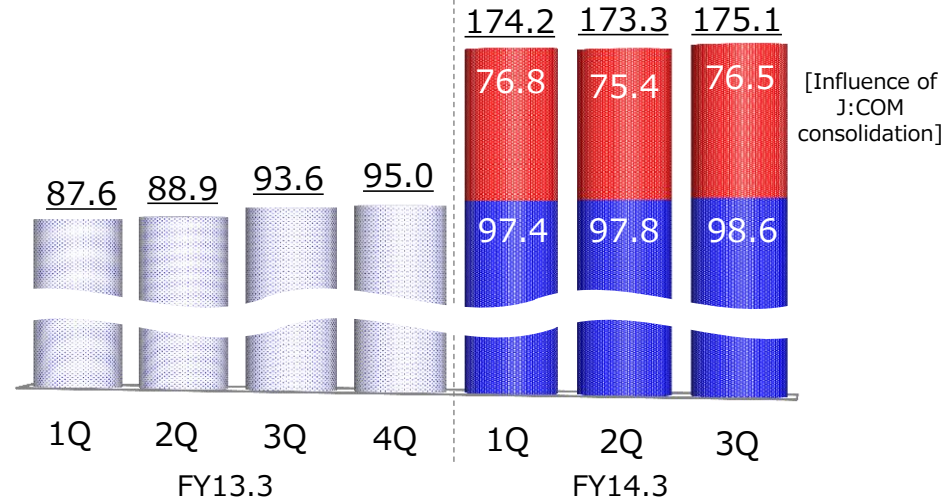
**1-3Q  
YOY +6.1%**



Fixed-line Communications Revenues

(Billions of yen)

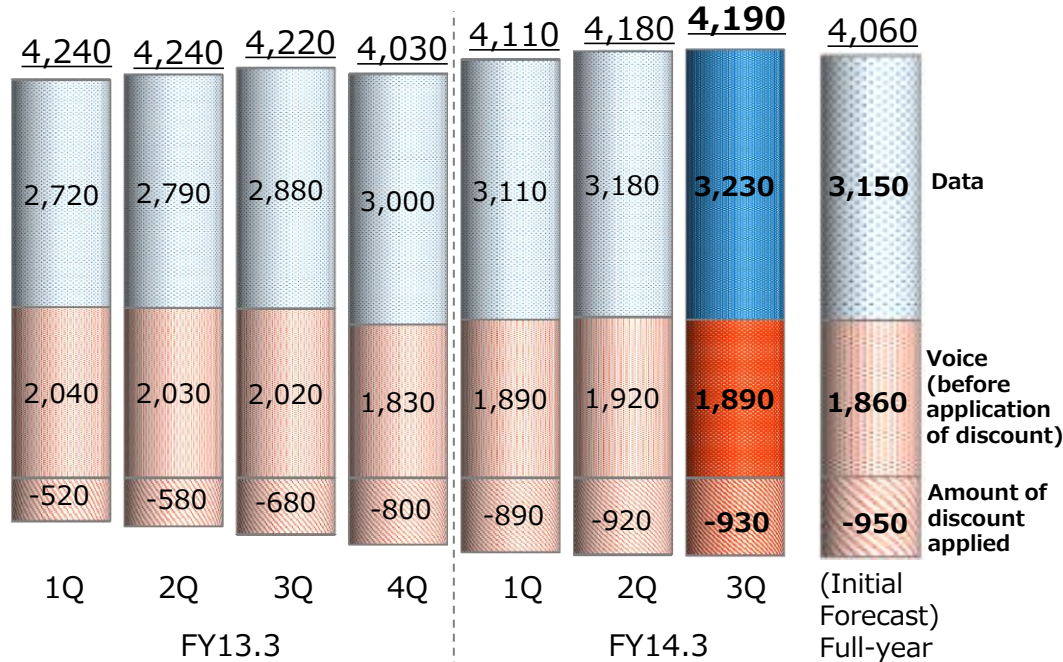
**1-3Q  
YOY +93.5%**



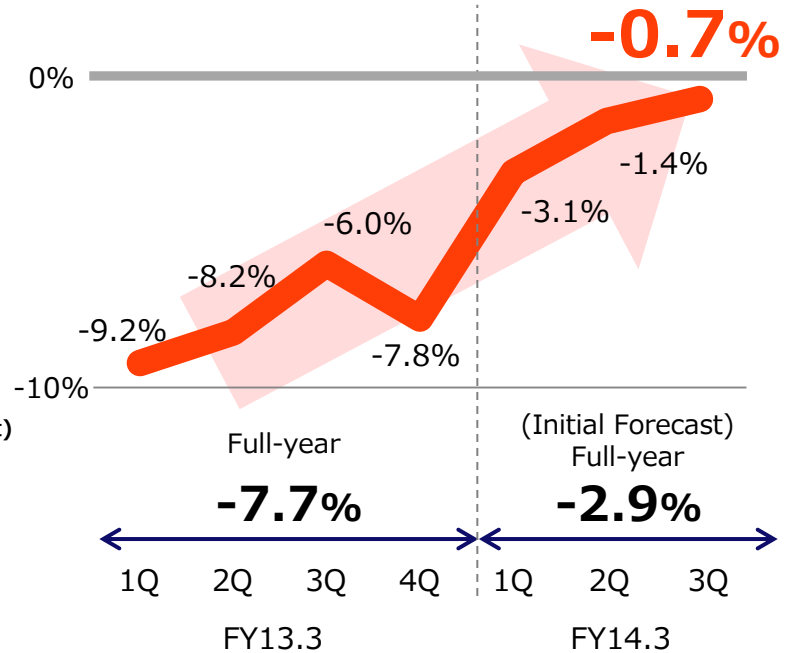
## **2. Operational Data**

## Steady progress toward positive YOY growth in 4Q

Breakdown of au ARPU (Yen)



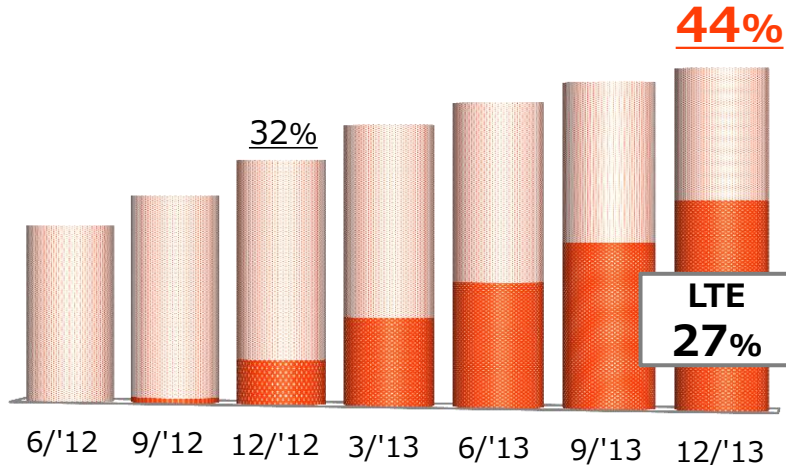
Quarterly YOY Change



## Over 61% of total smartphones compatible with LTE

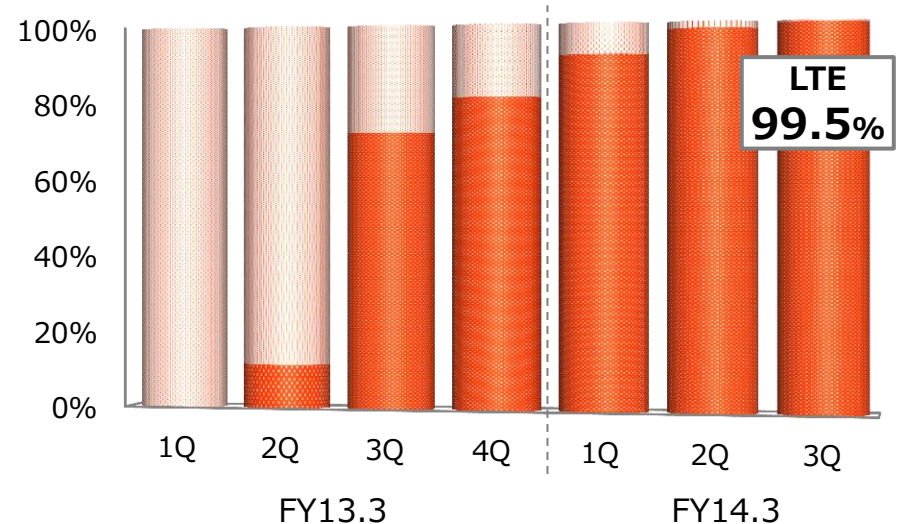
### au Smartphone Penetration

■ LTE smartphone ■ 3G smartphone

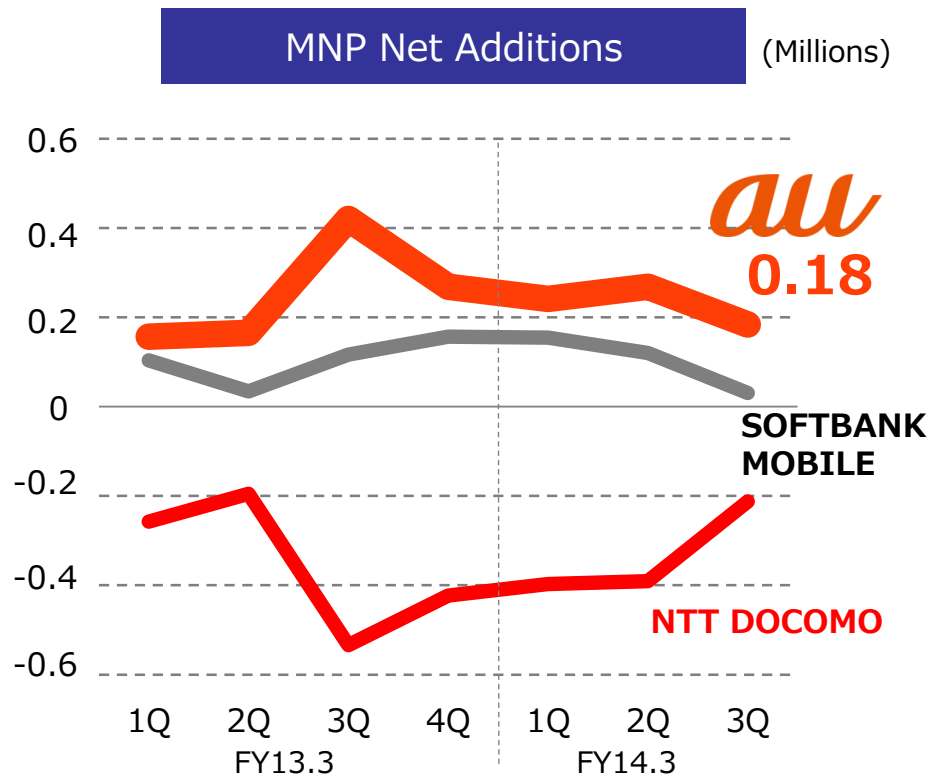
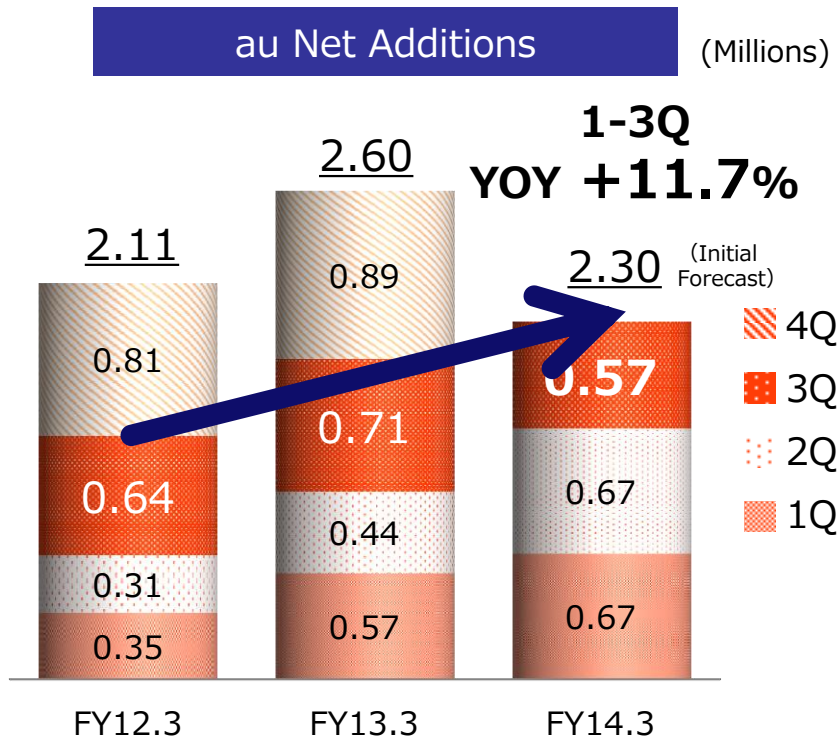


### Breakdown of Smartphone Sales

■ LTE smartphone ■ 3G smartphone



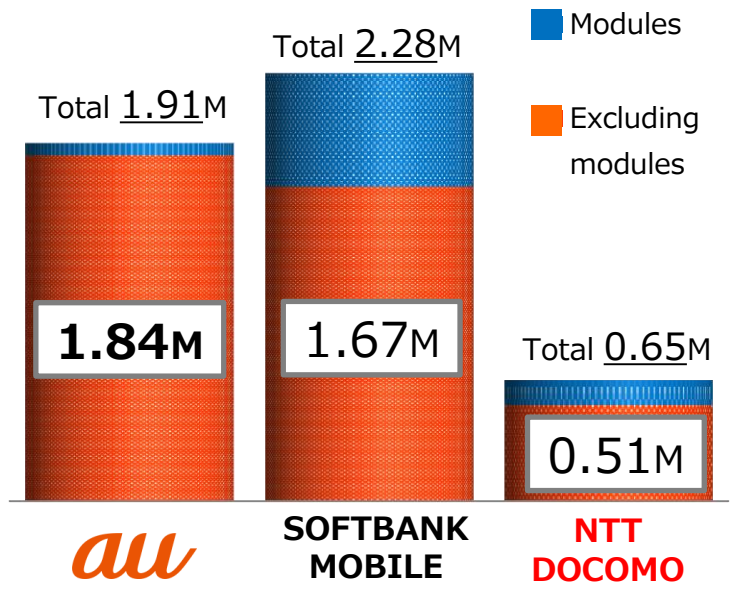
## No.1 in MNP net additions for 27 consecutive months



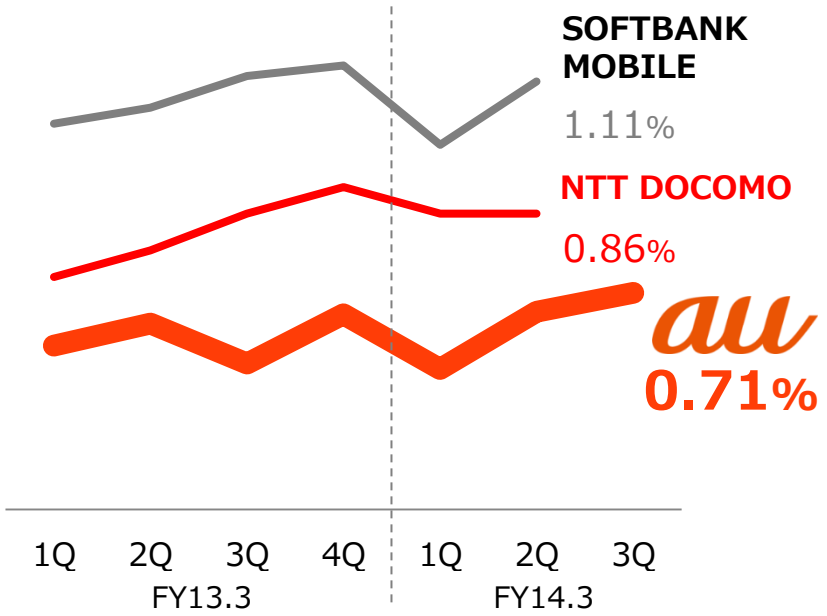
# Breakdown of Net Additions / Churn Rate

Maintained industry's highest level of net additions (excluding modules) and industry's lowest churn rate

Breakdown of Net Additions<sup>Note1</sup>(1-3Q)



Churn Rate<sup>Note2</sup>



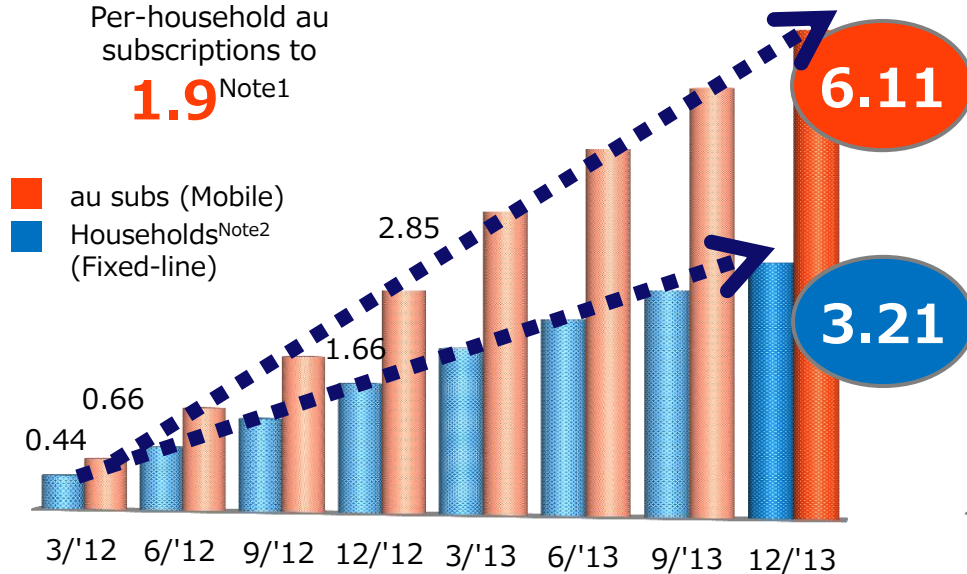
Note1) Net addition figures for au are on a consolidated basis. Figures from other companies are taken from disclosure materials.

Note2) 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.

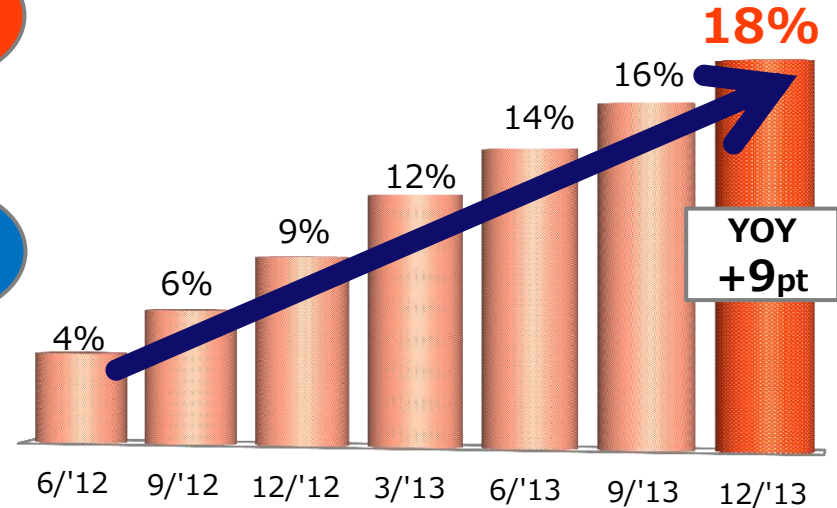
## Increased penetration of “au Smart Value” in conjunction with rise in smartphone usage

Quarterly Basis

(Millions)



au Smart Value Penetration<sup>Note3</sup>



Note1) au subscriptions divided by households

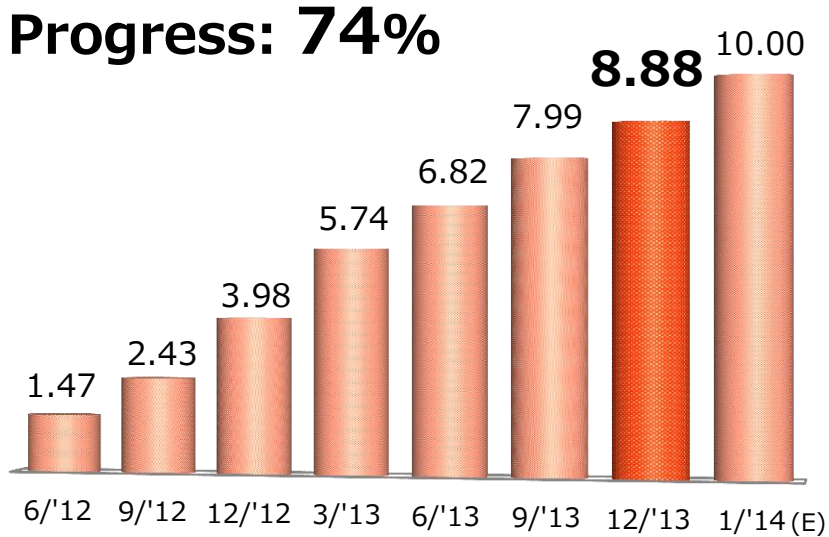
Note2) Households: total for KDDI group companies and fixed-line allied companies

Note3) au Smart Value subscriptions divided by total au subscriptions

## Boosting Value ARPU with “au Smart Pass”

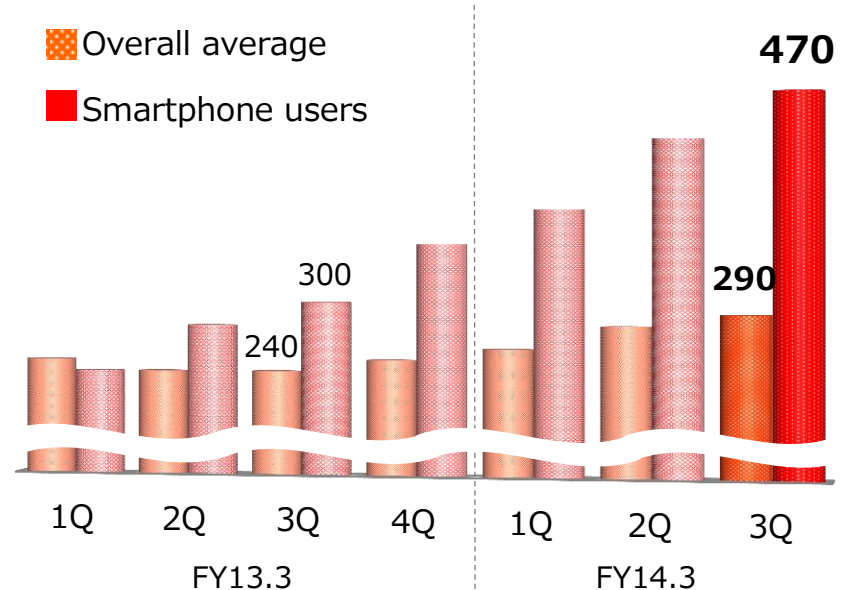
Trends in Members

(Millions)



Value ARPU on Quarterly Basis

(Yen)





# Mobile Phone Service Overall Satisfaction

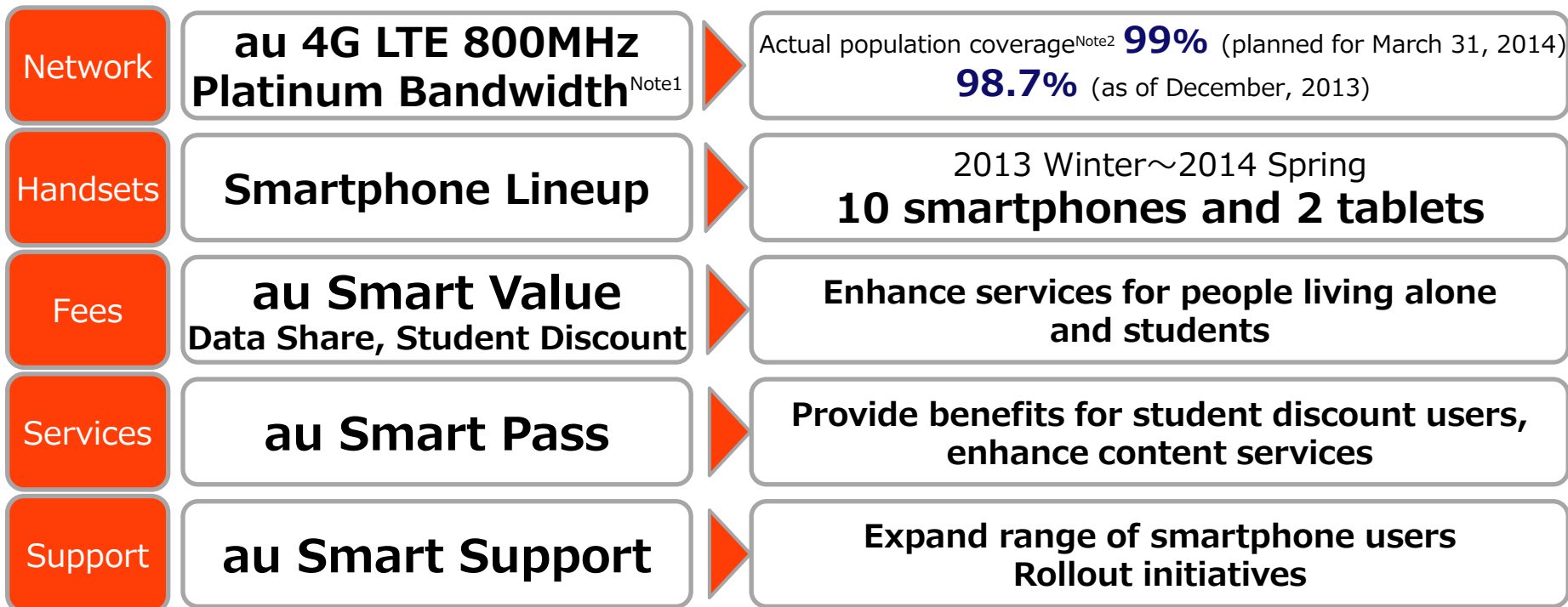
# No.1

## for Two Consecutive Years



# More Competitive Mobile Services

## Target further growth in smartphone usage



Note1) Applicable devices; Android™ smartphones compatible with 4G LTE, iPhone 5s, iPhone 5c, iPad Air, and iPad mini Retina display model

Note2) For calculation purposes, Japan has been divided into 500m<sup>2</sup> 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 January 2014.

# **3. Revision of Full-year Results Forecasts**

# Summary of Revisions

## Operating revenues / operating income forecasts and shareholder return raised

Figures in parentheses are comparisons with initial forecasts.

Performance	Consolidated Operating Revenues <u><b>¥4,280.0B</b></u> (+¥140.0B)	Consolidated Operating Income <u><b>¥660.0B</b></u> (+¥30.0B)
KPI	Personal Services au ARPU <u><b>¥4,130</b></u> (+¥70)	Consolidated au Net Additions <u><b>2.70M</b></u> (+0.40M)
Shareholder Return	Annual dividend per share <u><b>¥130</b></u> (+¥10)	

# Consolidated Performance Forecasts (Rev.)

20

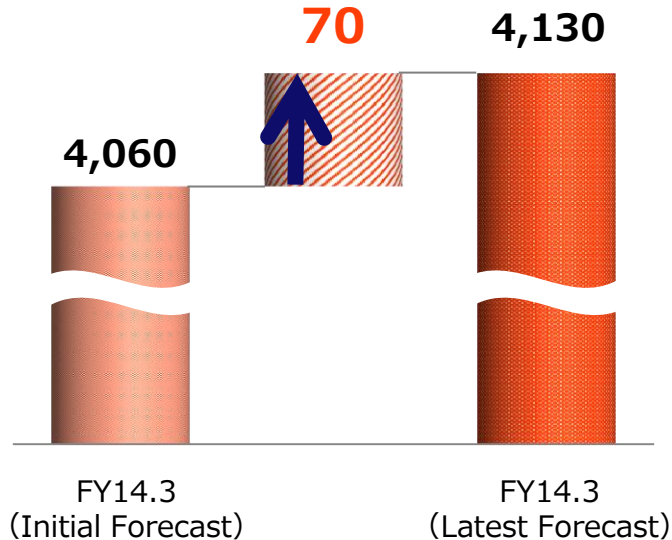
(Billions of yen)

	Initial Forecast	[Influence of J:COM consolidation]	Latest Forecast	[Influence of J:COM consolidation]	Change	Change Rate
Operating revenues	4,140.0	360.0	4,280.0	348.0	+140.0	+3.4%
Operating income	630.0	60.0	660.0	63.0	+30.0	+4.8%
Operating margin	15.2%	-	15.4%	-	-	-
Ordinary income	620.0	60.0	658.0	60.0	+38.0	+6.1%
Net income	295.0	-32.0	318.0	-30.0	+23.0	+7.8%
EBITDA	1,160.0	145.0	1,183.0	145.0	+23.0	+2.0%
EBITDA margin	28.0%	-	27.6%	-	-	-
Free cash flow	270.0	90.0	239.0	100.0	-31.0	-11.5%

Full-year forecasts raised by ¥70 from initial forecasts,  
YOY increase to be realized in 4Q

Difference Between Initial and Revised au ARPU Forecasts

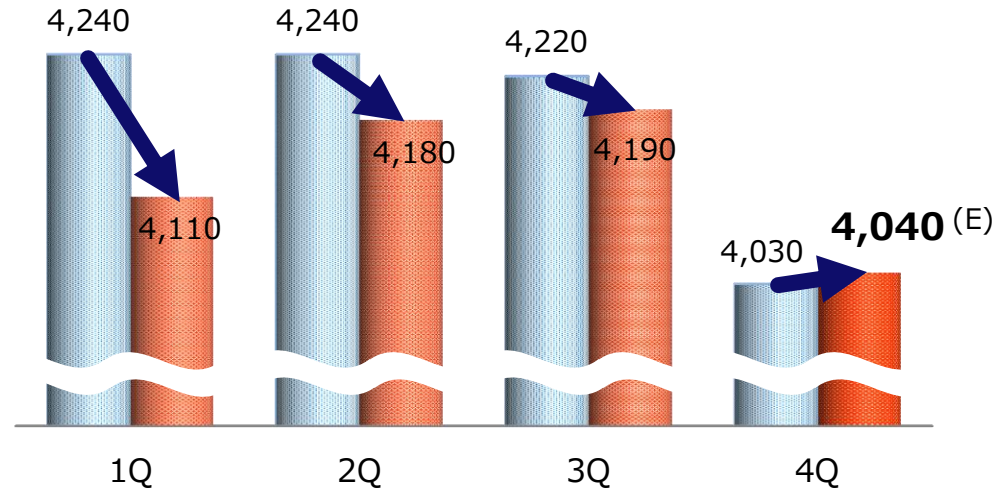
(Yen)



Quarterly Basis

(Yen)

FY13.3 FY14.3

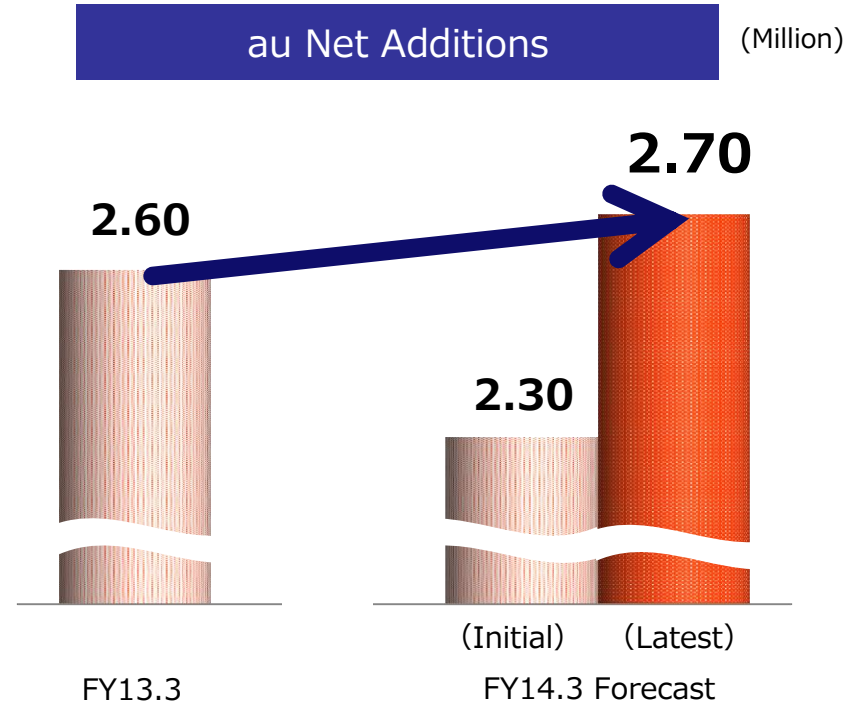


# au Net Additions

## Upward Revision

**+0.4M**  
from initial forecasts

**YOY +3.8%**



# Upward Revision of Dividend Forecast (per share)

## Annual dividend per share raised by ¥10 from initial forecast

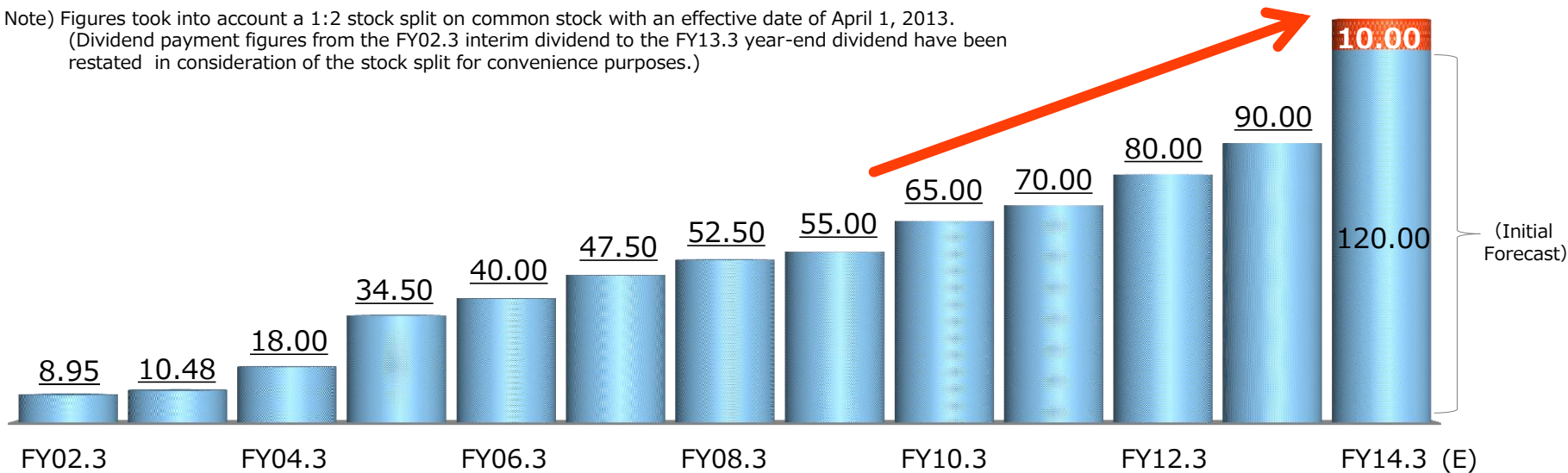
Annual dividend per share

(Yen)

**130.00**

(Latest Forecast)

Note) Figures took into account a 1:2 stock split on common stock with an effective date of April 1, 2013.  
(Dividend payment figures from the FY02.3 interim dividend to the FY13.3 year-end dividend have been restated in consideration of the stock split for convenience purposes.)



[Payout Ratio]

- 17.5% 16.8% 21.2% 20.8% 22.4% 21.5% 22.0% 27.2% 24.1% 27.5% 28.5% 33.0%



# Summary

- **Upward revision of full-year forecasts for consolidated operating revenues and income**
- **Progress toward positive YOY growth for au ARPU in 4Q**
- **Dividend forecast raised and enhanced shareholder return**



**Heading toward a phase of steady income growth**

# Appendix

# Performance Forecast by Segment 1 (Rev.)

(Billions of yen)

## Personal Services

	Initial Forecast	[Influence of J:COM consolidation]	Latest Forecast	[Influence of J:COM consolidation]	Change	Change Rate
Operating revenues	3,210.0	310.0	3,330.0	324.0	+120.0	+3.7%
Operating income	485.0	55.0	505.0	58.0	+20.0	+4.1%
Operating margin	15.1%	-	15.2%	-	-	-
EBITDA	940.0	139.0	954.0	138.0	+14.0	+1.5%
EBITDA margin	29.3%	-	28.6%	-	-	-

(Billions of yen)

## Value Services

	Initial Forecast	[Influence of J:COM consolidation]	Latest Forecast	[Influence of J:COM consolidation]	Change	Change Rate
Operating revenues	210.0	50.0	212.0	42.0	+2.0	+1.0%
Operating income	50.0	5.0	51.0	4.0	+1.0	+2.0%
Operating margin	23.8%	-	24.1%	-	-	-
EBITDA	62.0	6.0	64.0	7.0	+2.0	+3.2%
EBITDA margin	29.5%	-	30.2%	-	-	-

# Performance Forecast by Segment 2 (Rev.)

(Billions of yen)

## Business Services

	Initial Forecast	Latest Forecast	Change	Change Rate
Operating revenues	650.0	664.0	+14.0	+2.2%
Operating income	80.0	87.0	+7.0	+8.8%
Operating margin	12.3%	13.1%	-	-
EBITDA	127.0	131.0	+4.0	+3.1%
EBITDA margin	19.5%	19.7%	-	-

(Billions of yen)

## Global Services

	Initial Forecast	Latest Forecast	Change	Change Rate
Operating revenues	218.0	262.0	+44.0	+20.2%
Operating income	9.0	10.0	+1.0	+11.1%
Operating margin	4.1%	3.8%	-	-
EBITDA	23.0	27.0	+4.0	+17.4%
EBITDA margin	10.6%	10.3%	-	-

# Changes in Focus KPI in FY2014.3 (1)

## Consolidated

		12/'12	12/'13	Initial Forecast	Latest Forecast	Change	Change Rate
au subscriptions	'000	36,817	39,617	40,009	40,409	+400	+1.0%

## Personal Services

		12/'12	12/'13	Initial Forecast	Latest Forecast	Change	Change Rate
au subscriptions	'000	31,516	33,582	33,689	34,089	+400	+1.2%
		FY13.3-3Q	FY14.3-3Q	Change	yoy	Initial Forecast	Latest Forecast
au churn rate	%	0.58	0.71	+0.13	-	0.69	0.72
au ARPU	yen	4,220	4,190	-30	-0.7%	4,060	4,130
au handset sales	'000	2,830	2,790	-40	-1.4%	10,900	10,920
of smartphone sales	'000	2,300	2,120	-180	-7.8%	8,600	8,380
au handset shipments	'000	2,970	3,180	+210	+7.1%	10,680	10,720
Maitsuki Discount unit price	yen	2,050	1,650	-400	-19.5%	1,600	1,550

# Changes in Focus KPI in FY2014.3 (2)

## Personal Services

		12/'12	12/'13	Initial Forecast	Latest Forecast	Change	Change Rate
[Utilizing au Smart Value] au subscriptions	'000	2,850	6,110	6,900	6,800	-100	-1.4%
[Utilizing au Smart Value] Households	'000	1,660	3,210	3,450	3,580	+130	+3.8%
FTTH subscriptions	'000	2,711	3,117	3,260	3,197	-63	-1.9%

## Value Services

		FY13.3-3Q	FY14.3-3Q	Change	yoy	FY14.3(E)
Value ARPU	yen	240	290	+50	+20.8%	290

		12/'12	12/'13	Progress	3/'14(E)
au Smart Pass members	'000	3,980	8,880	73.7%	10,000

## Common

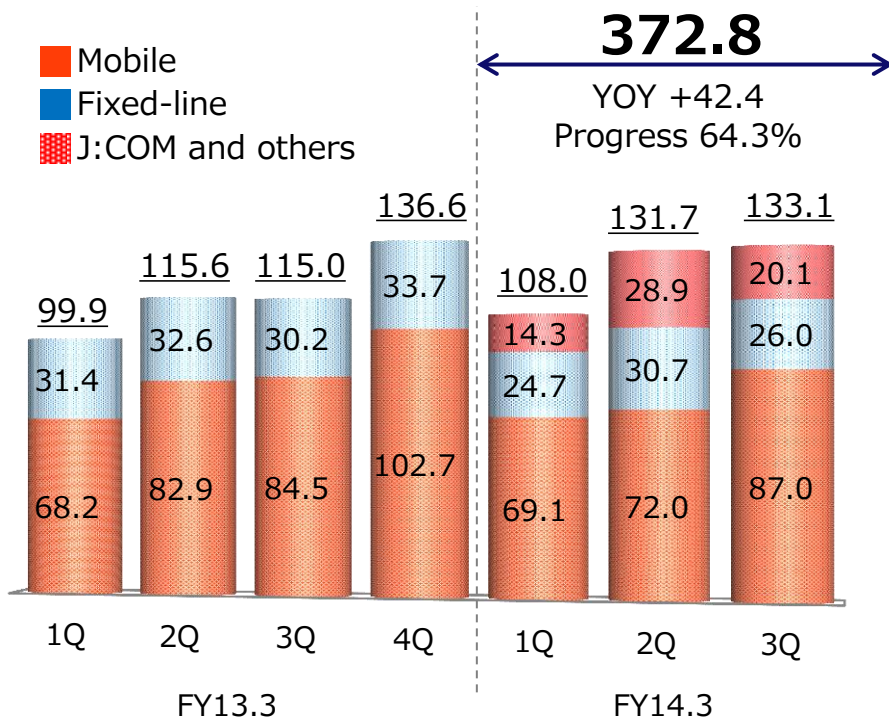
		12/'12	3/'13	6/'13	9/'13	12/'13	3/'14(E)
Data offload rate <sup>Note</sup>	%	43	52	56	59	56	54

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

# Capital Expenditures

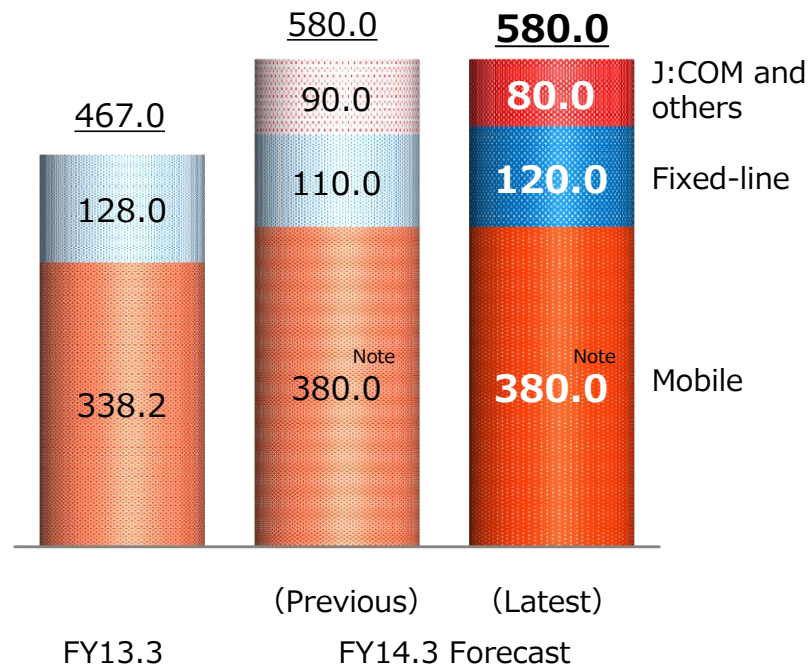
## Quarterly Basis

(Billions of yen)



## Full-year Basis

(Billions of yen)



*Designing The Future*

**KDDI**