

# Financial Results for the Fiscal Year Ended March 2014

April 30, 2014

KDDI Corporation  
President Takashi Tanaka



## Today's Presentation

- 1. Financial Results for FY2014.3**
  - 2. Forecasts for FY2015.3**
  - 3. Targeting the Next Growth Stage**
- ◆ **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. Financial Results for FY2014.3**

# First Step Leading Up to FY16.3



FY14.3~  
FY16.3

**“Full-scale Income Growth”**

FY13.3

“Growth to Start”

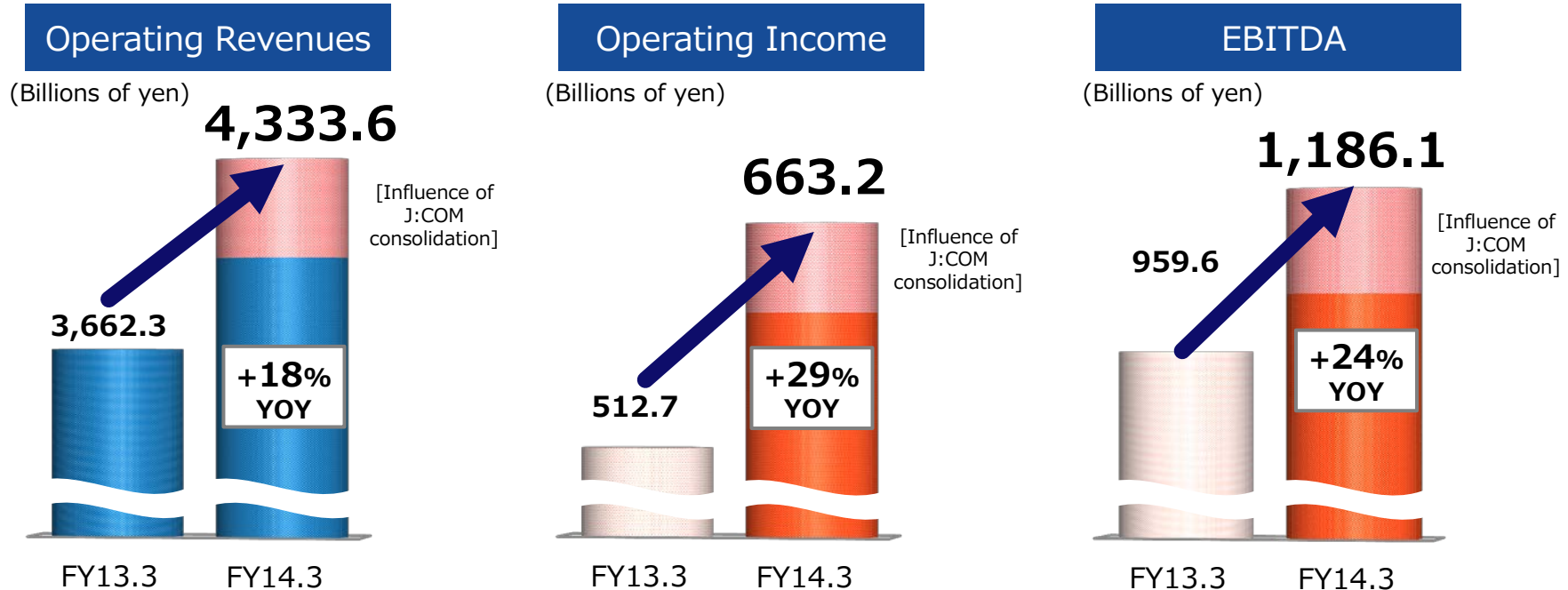
Full-scale implementation of 3M Strategy

FY12.3

“Reconstruction of Foundational Business”

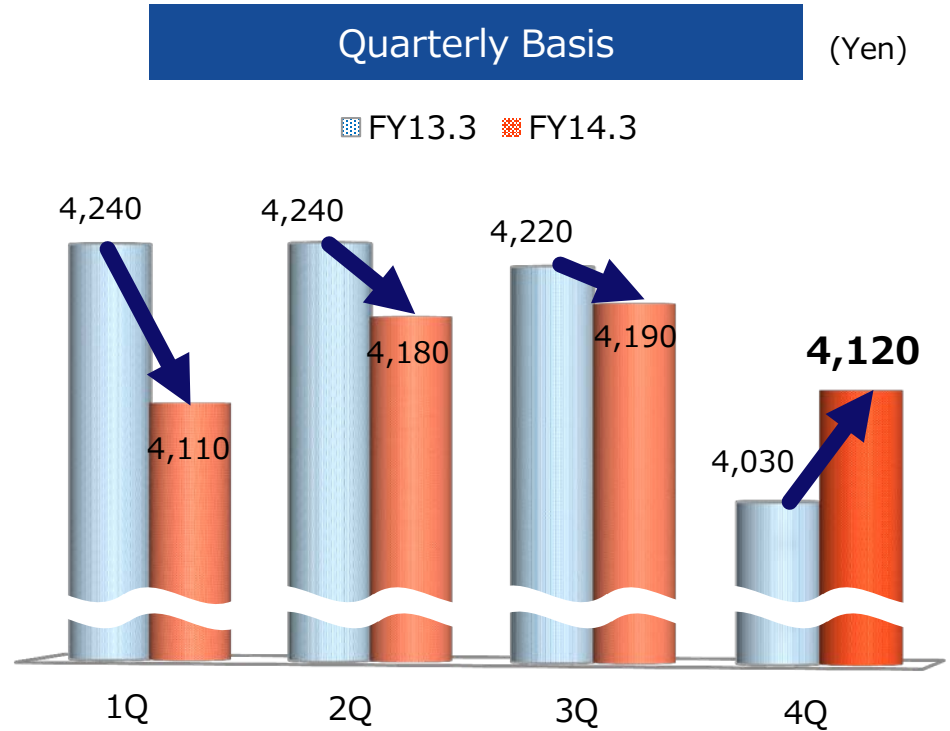
Complete recovery of au momentum

## Double-digit growth in operating revenues, operating income, and EBITDA



# au ARPU

YOY increase  
in 4Q

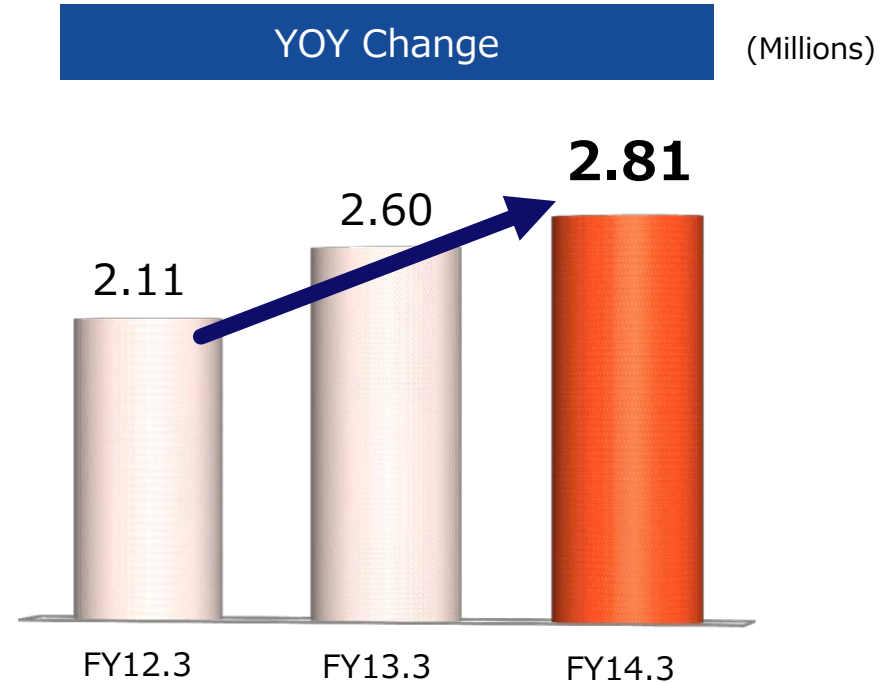


\*au ARPU = [Voice (before application of discount)] + [Data] - [Amount of discount applied]

# au Net Additions

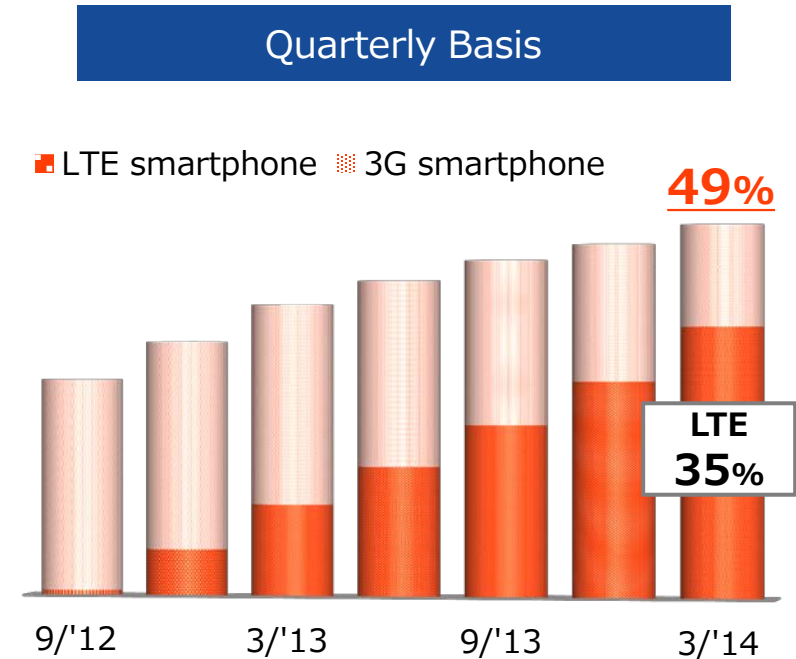
**Net additions reach  
2.81 million**

**Up 7.5% YOY  
(on cumulative basis)**



# au Smartphone Penetration<sup>Note</sup>

Penetration rate  
reaches 49%  
(35% for LTE)

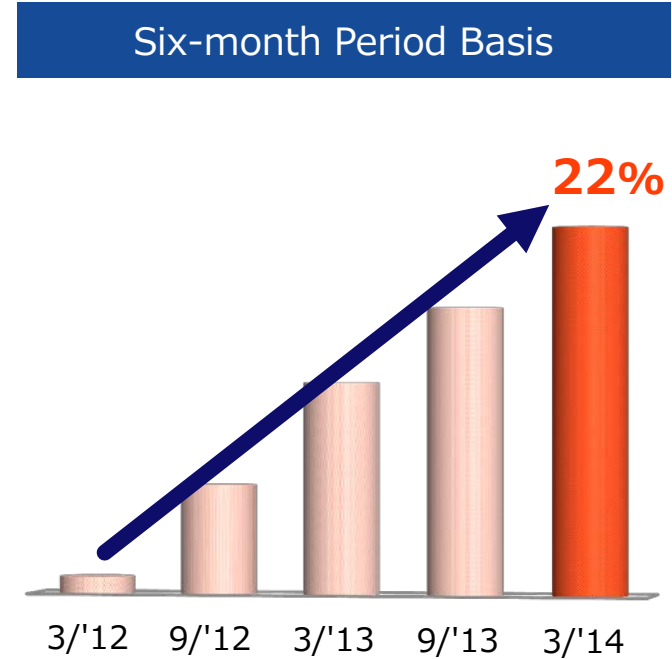




# au Smart Value Penetration<sup>Note</sup>

(Mobile)

Penetration rate  
reaches 22%



# au 4G LTE

**First achievement of 99% actual population coverage**<sup>Note1, Note2</sup>

Actual Population Coverage

au 4G LTE

**800MHz Platinum Bandwidth**<sup>Note3</sup>

Reach **99%**  
by March 14, 2014

A map of Japan is shown in the background, with a large orange '99%' overlaid on it, indicating the population coverage. The text 'Reach 99% by March 14, 2014' is positioned over the map.

Communication Speed

au 4G LTE

**800MHz Platinum Bandwidth**<sup>Note3</sup>

Maximum downlink speed<sup>Note4</sup>

**75Mbps**

Maximum uplink speed<sup>Note4</sup>

**25Mbps**

Note1) 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

Note2) Target is for actual population coverage for the 800MHz platinum bandwidth. Based on area maps of several providers and KDDI's own finding

Note3) Applicable devices; Android™ smartphones compatible with 4G LTE, iPhone 5s, iPhone 5c, iPad Air, and iPad mini Retina display model

Note4) Certain areas have maximum downlink speeds of 37.5Mbps and maximum uplink speeds of 12.5Mbps or lower. The speed mentioned is the maximum speed by technical standards. The speed may slow down significantly depending on the usage environment and traffic status. This is the best-effort method service

# New Market Development

## Promotion of new products together with strengthened fee plans

### (1) au Smart Value mine

Discount of **¥934**<sup>Note1</sup>/month  
from smartphone fees when using 2-year contract  
(Application period: November 12, 2013–August 31, 2014)<sup>Note1</sup>



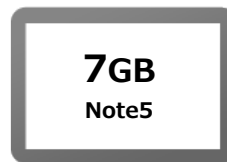
**Wi-Fi WALKER**  
**WiMAX 2+**<sup>Note2</sup>

**au smartphone**<sup>Note2</sup>

### (2) Data Share Campaign Currently Underway

(Application period: September 20, 2013–)<sup>Note3</sup>

Basic tablet fee **¥1,000**/month  
for up to 2 years<sup>Note4</sup>



**4G LTE tablet**<sup>Note2</sup>

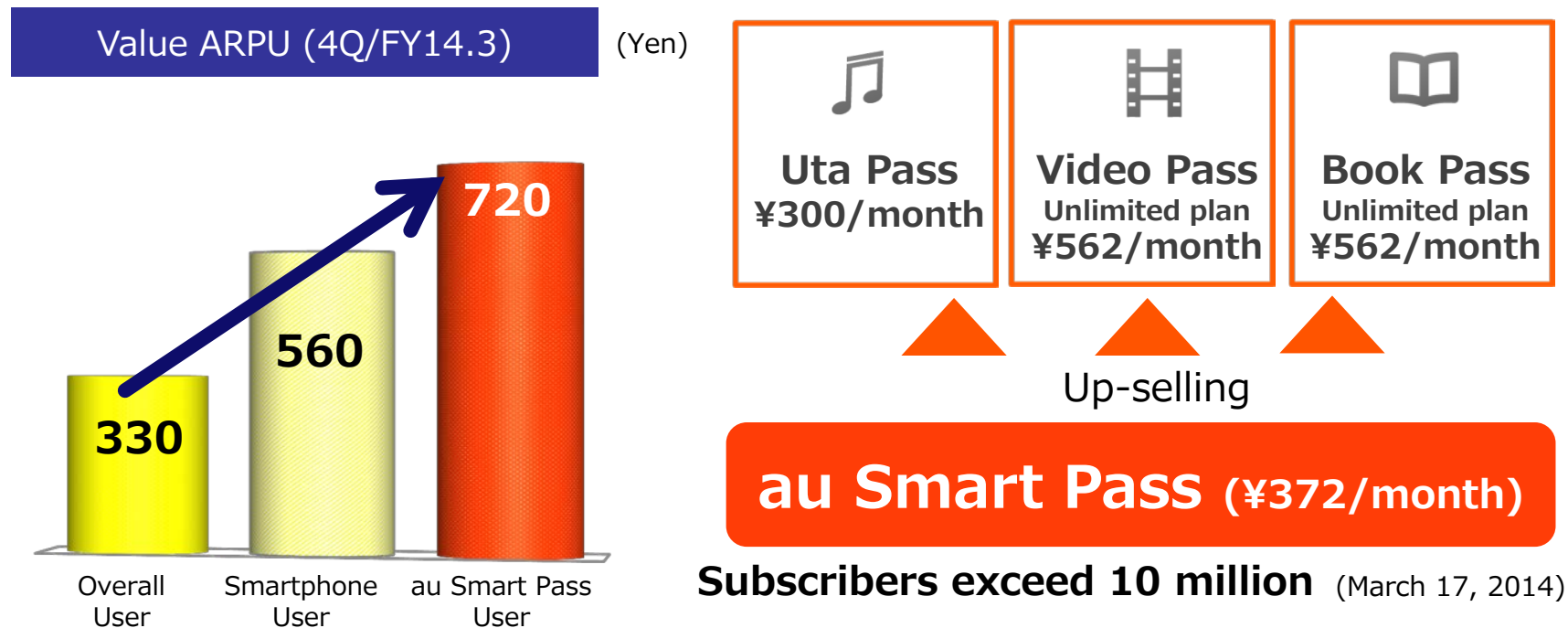
**au smartphone**<sup>Note2</sup>

\*Displayed monetary values exclude tax. Separate fees apply for router, smartphone, and tablet usage Note1) For subscriptions commenced during application period, discounts of ¥743/month will be applied from 3rd year onward. For subscriptions commenced after the application period, discounts of ¥743/month will be applied.

Note2) Subscribed to designated packet communication service Note3) Timing for campaign end will be announced in advance Note4) ¥2,850/month from 3rd year onward Note5) 2GB after the commencement of data sharing

# Expansion of Value ARPU

## Usage of au Smart Pass to spearhead promotion of other services



\* Displayed monetary values exclude tax

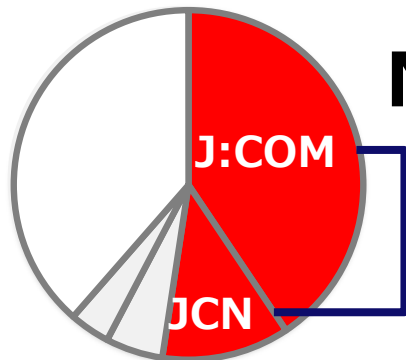
# Promotion of Cross-selling Initiatives with J:COM

Acceleration of both companies' cross-selling initiatives by taking advantage of (1) the birth of the new J:COM and (2) expanded application of au Smart Value

## (1) Integration of J:COM and JCN

2014.4  
2014.6(E)

Merging of J:COM and JCN  
Integration of JCN's services  
into J:COM brand

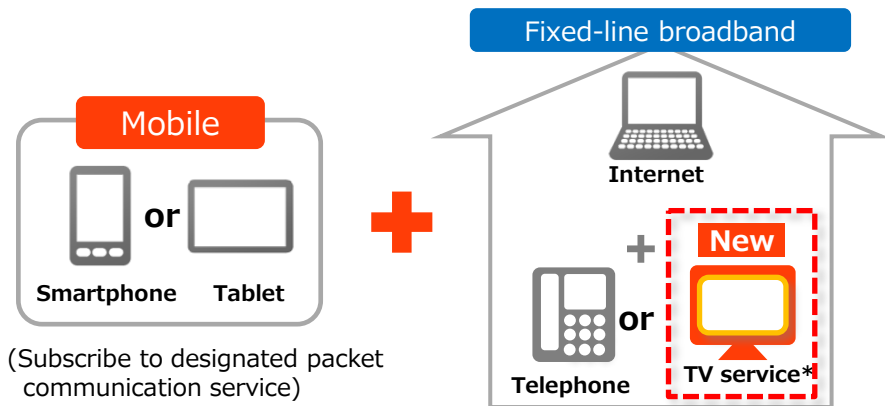


### New J:COM

Market share for  
multi-channel services

**53%**

## (2) Expanded Applicable Condition of au Smart Value



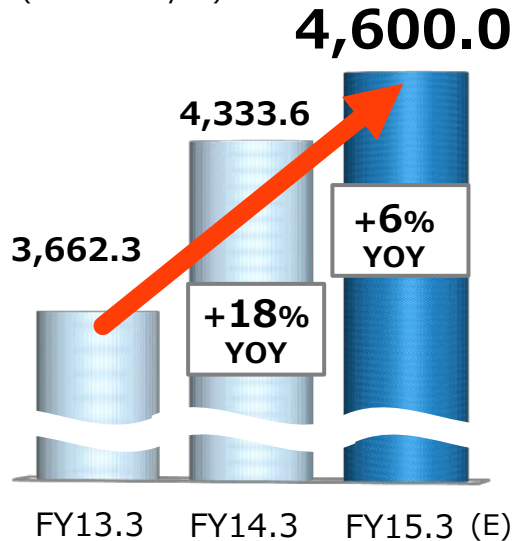
**au Smart Value made applicable for customers  
subscribed to both Internet and TV services  
(applications accepted from March 2014)**

## **2. Forecasts for FY2015.3**

## Double-digit growth in consolidated operating income to be targeted for the second-consecutive year

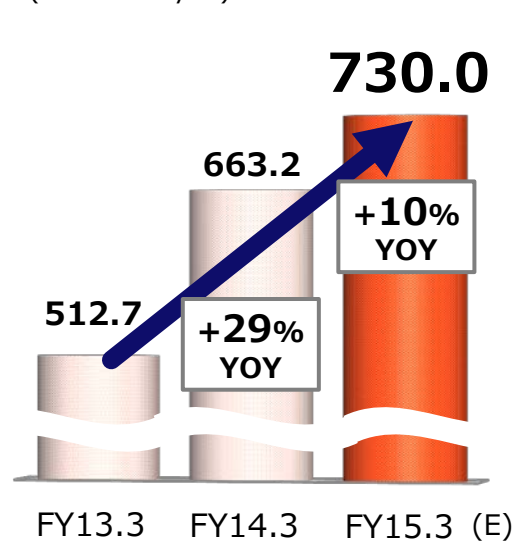
### Operating Revenues

(Billions of yen)



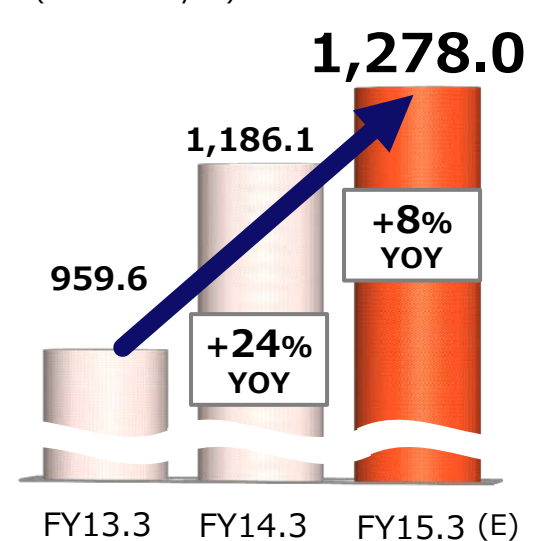
### Operating Income

(Billions of yen)



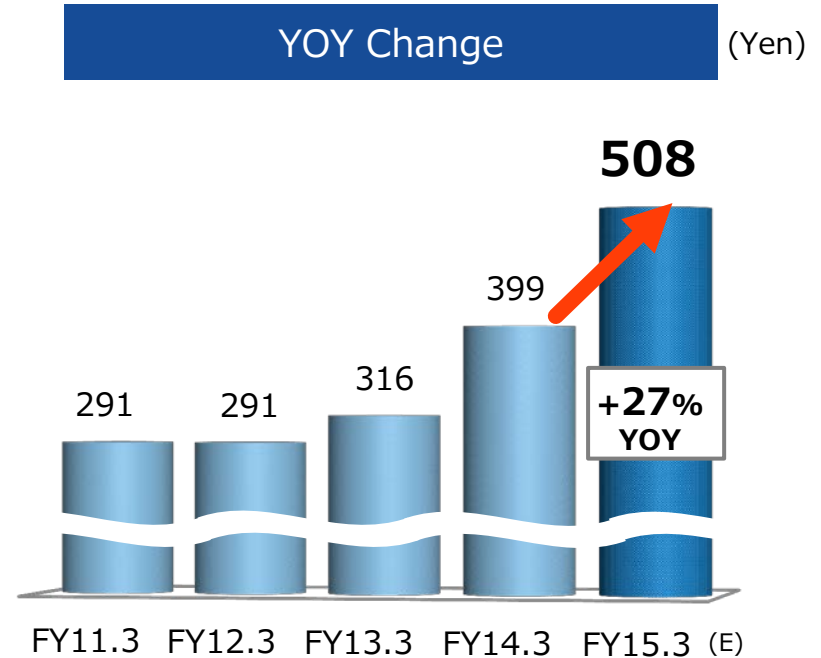
### EBITDA

(Billions of yen)



# Earnings per Share (EPS)

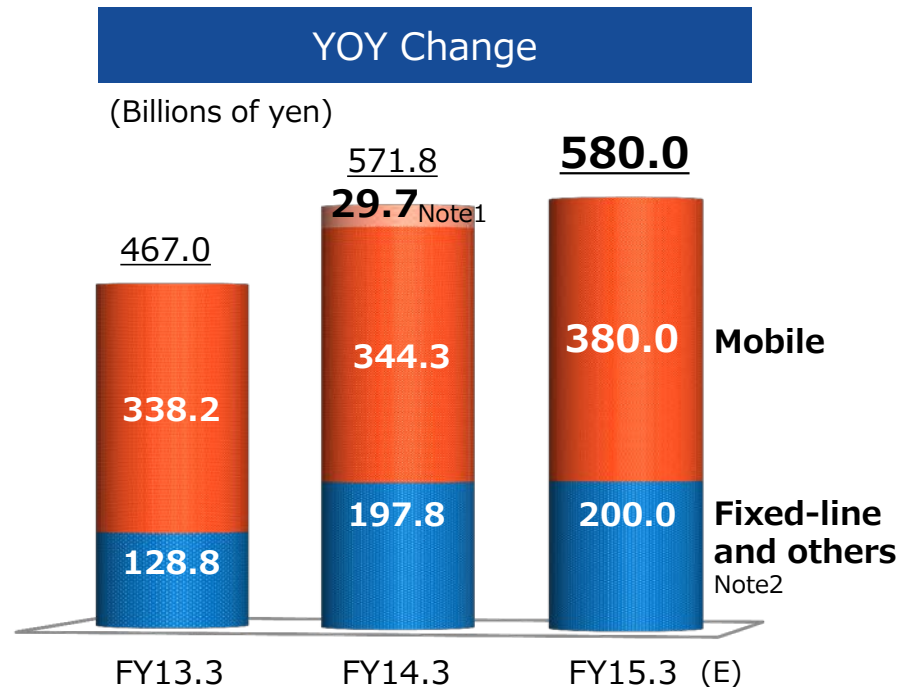
**YOY +27%**





# Capital Expenditure

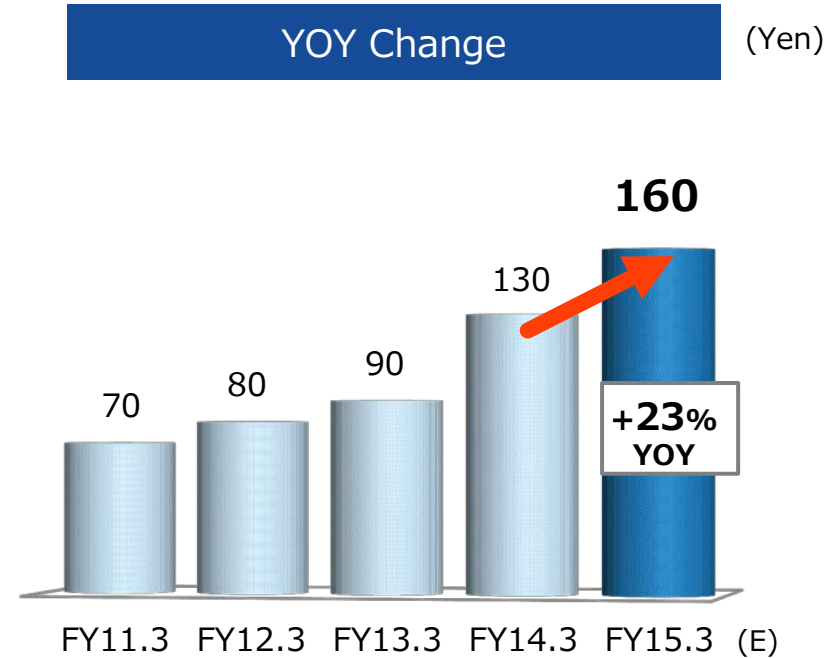
Expenditures forecast to be ¥580 billion in FY15.3



Note1) Additional investment of ¥29.7B to augment LTE facilities  
Note2) Impacts of J:COM consolidation included from FY14.3 onward

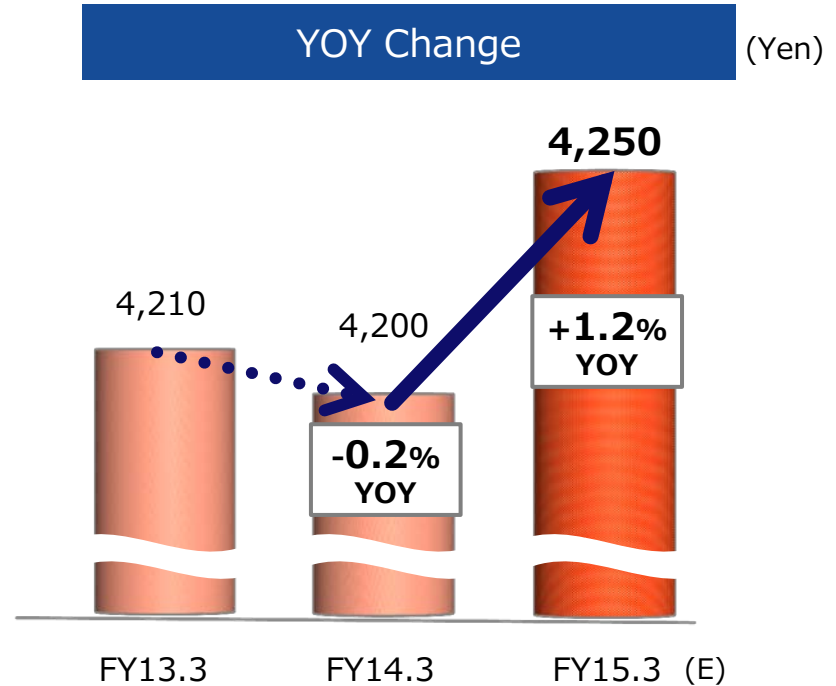
# Dividends per Share (DPS)

**YOY +23%**



# au ARPU

## YOY increase on full-year basis



\*au ARPU = [Voice (before application of discount)] + [Data] - [Amount of discount applied]

\*Definition changed. Figures and graphs used on this slide employ post-revision definitions. See slide 35 for details.

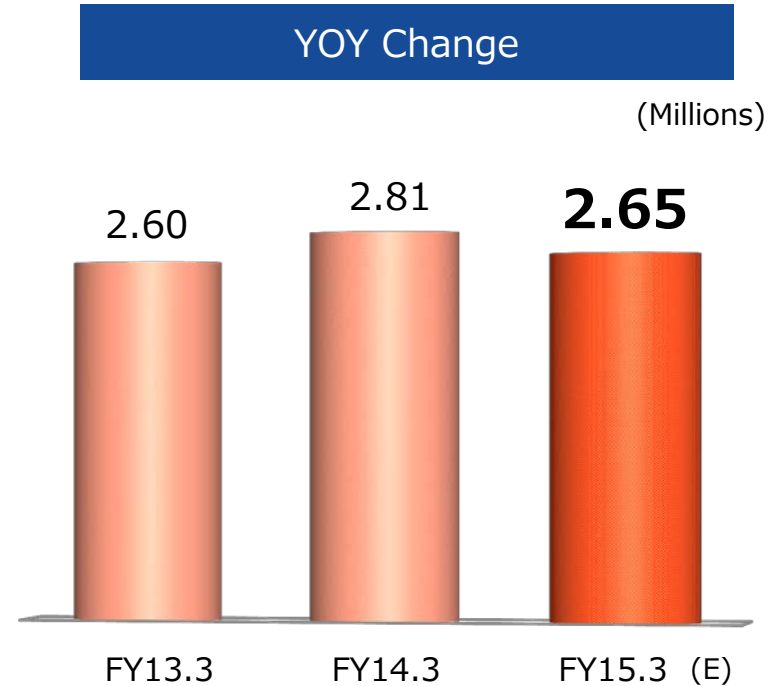
[Before revision] Mobile subscriptions (on aggregate basis, excluding tablets and modules)

→ [New definition] Mobile subscriptions (on aggregate basis, excluding data-only terminals, tablets, and modules)

# au Net Additions

**Target net additions  
of 2.65 million**

**Up 6.5% YOY  
(on cumulative basis)**



# **3. Targeting the Next Growth Stage**

# Establishment of Growth Bases

Establishment of growth bases to target the next growth stage

## Customer Base

*au* Exceeded **40 million**

**au Smart Pass**

Exceeded **10 million**

## Infrastructure Base

Actual population coverage ratio<sup>Note1</sup> of  
au 4G LTE 800MHz platinum band<sup>Note2</sup>

Achieved **99%**

Standing on two bases to target the next growth stage

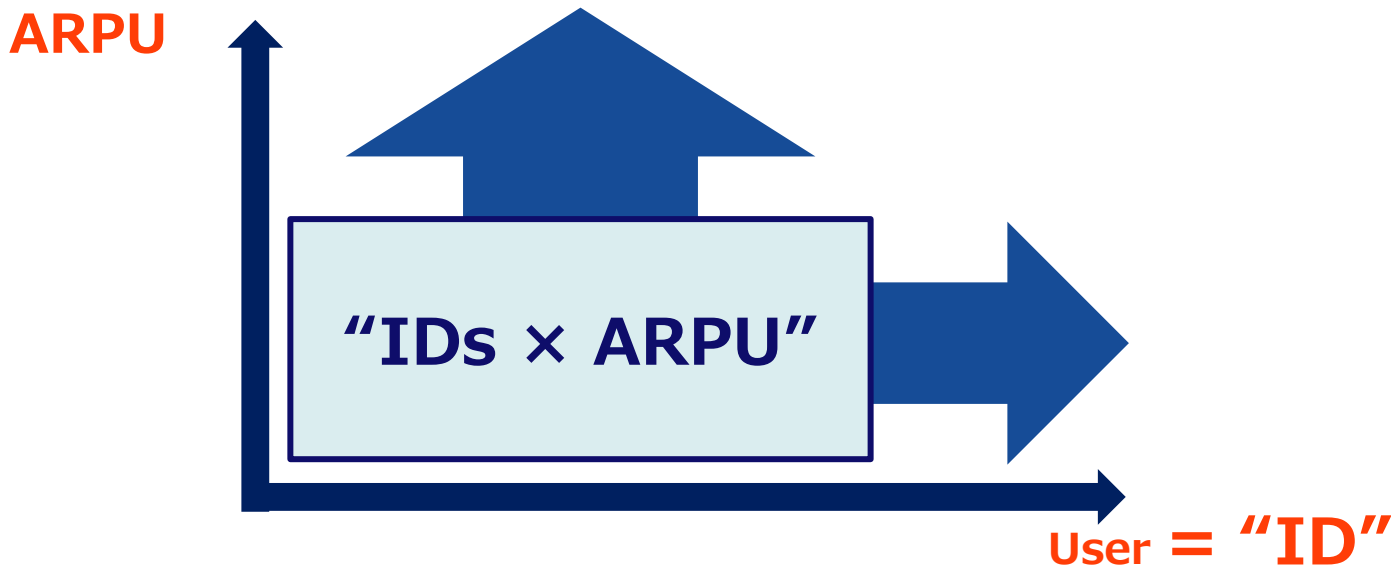
Note1) For calculation purposes, Japan has been divided into 500m<sup>2</sup> grid squares. Actual population coverage is the coverage ratio in comparison to the total population of grid squares designated as part of KDDI's service area.

Note2) Applicable devices; Android™ smartphones compatible with 4G LTE, iPhone 5s, iPhone 5c, iPad Air, and iPad mini Retina display model

# Key Growth Factors

Accelerated trend of Multi-device usage by individual users  
as the era of smart devices approaches

Target expansion of "ID × ARPU"<sup>Note</sup>

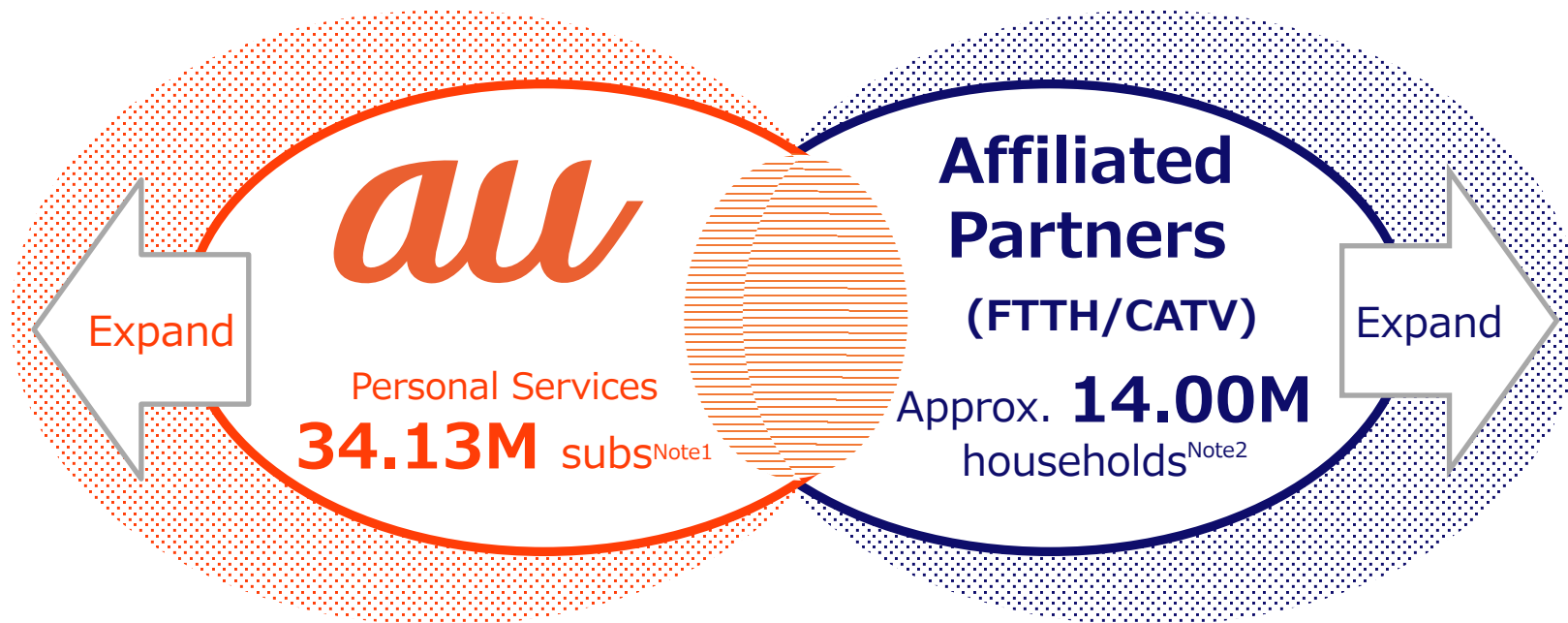


Note) Combined total of communications fees and value-added service revenues for all devices used



## Further Expansion of Customer Base/IDs

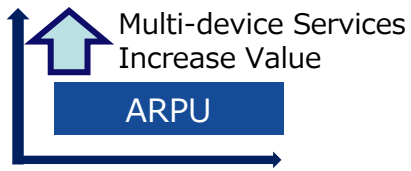
Expansion of customer contact points  
together with affiliated partners



Note1) As of March 31, 2014

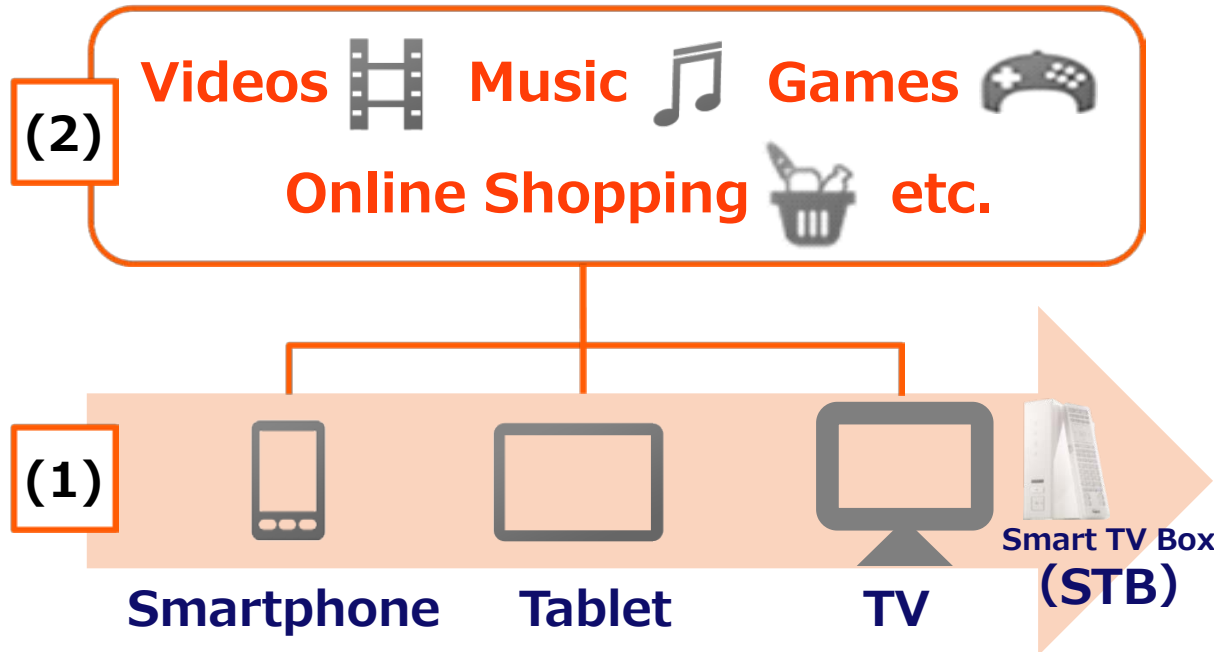
Note2) Number of households for which au Smart Value was available on December 31, 2013 (based on KDDI's calculations)





# Synergies Between Mobile and Fixed-line Services

Promotion of (1) Multi-device usage and (2) value-added services

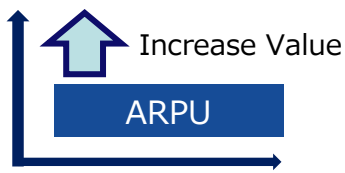




# New e-money card business scheduled for summer 2014 launch. Reward Point Program<sup>Note</sup> and physical cards realize easy usage



Note) "The au WALLEET Point Program" is scheduled to be launched in May 2014. Through this program, "WALLEET Points" can be accumulated by paying monthly fees for au mobile phones (some restrictions apply) or by using au WALLEET card. Points are assigned to individual au IDs based on usage amounts. These points will be usable for payment of au communications fees (beginning in August 2014) or purchases at any store where MasterCard® is accepted (not applicable at all stores.)

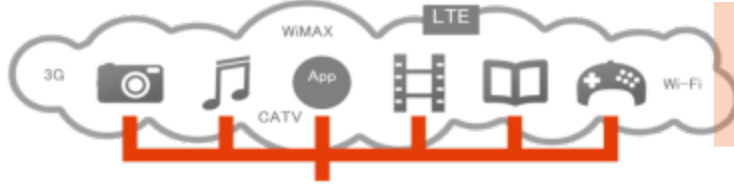


# au WALLET

## Creation of a new economic sphere by developing au WALLET with partners

### Online services

### Brick and mortar services

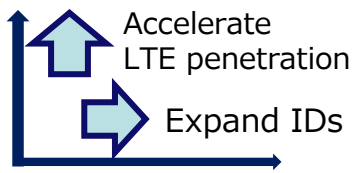


Utilize the balance management and payment systems of WebMoney, one of Japan's largest server-managed e-money



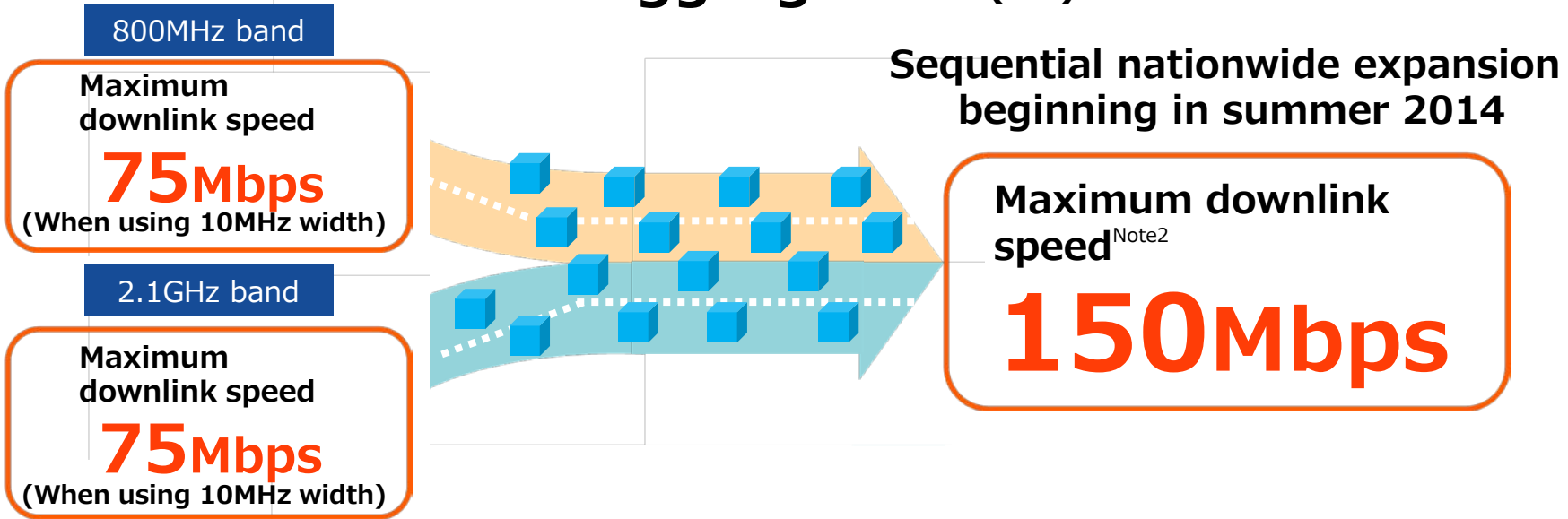
Utilize network of 38.1 million stores worldwide at which MasterCard® is usable  
 (Reference: The Nilson Report, Issue, March 2014)

\*Some stores and services are not applicable



# LTE-Advanced (Carrier Aggregation)

## Ultrahigh communication speeds realized through carrier aggregation (CA) <sup>Note1, Note2</sup>



\*The speeds mentioned are the maximum speeds by technical standards and do not represent actual usage speeds. The speed may slow down significantly depending on the usage environment and traffic status. This is the best-effort method service. Note1) LTE-Advanced communication technology that realizes faster communication speeds by connecting different frequency bandwidths to achieve the virtual expansion of effective bandwidth. Note2) Diagram assumes 10MHz width usage for both 800MHz and 2.1GHz bands. Carrier aggregation will not be available in all 800MHz and 2.1GHz service areas. Carrier aggregation is only available for compatible models. Gradual expansion from currently limited area

# Global Strategy

## Expansion of ICT businesses and further growth of consumer businesses

### ICT Business

- Foundation supporting growth -

Datacenters

Networks

Cloud/SI



Further strengthen business model focused on data centers

### Consumer Business

- Engine driving expansion -

U.S. MVNO operations

Mongolian mobile phone operations

Target expansion of businesses in emerging countries and Asia

# Summary

## FY14.3

- +29% YOY increase in consolidated operating income
- +44% YOY increase in DPS
- YOY increase in au ARPU on quarterly basis

## FY15.3 (E)

- +10% YOY increase in consolidated operating income
- +23% YOY increase in DPS
- YOY increase targeted in au ARPU on full year basis
- Focus on revenue growth of "IDs × ARPU"

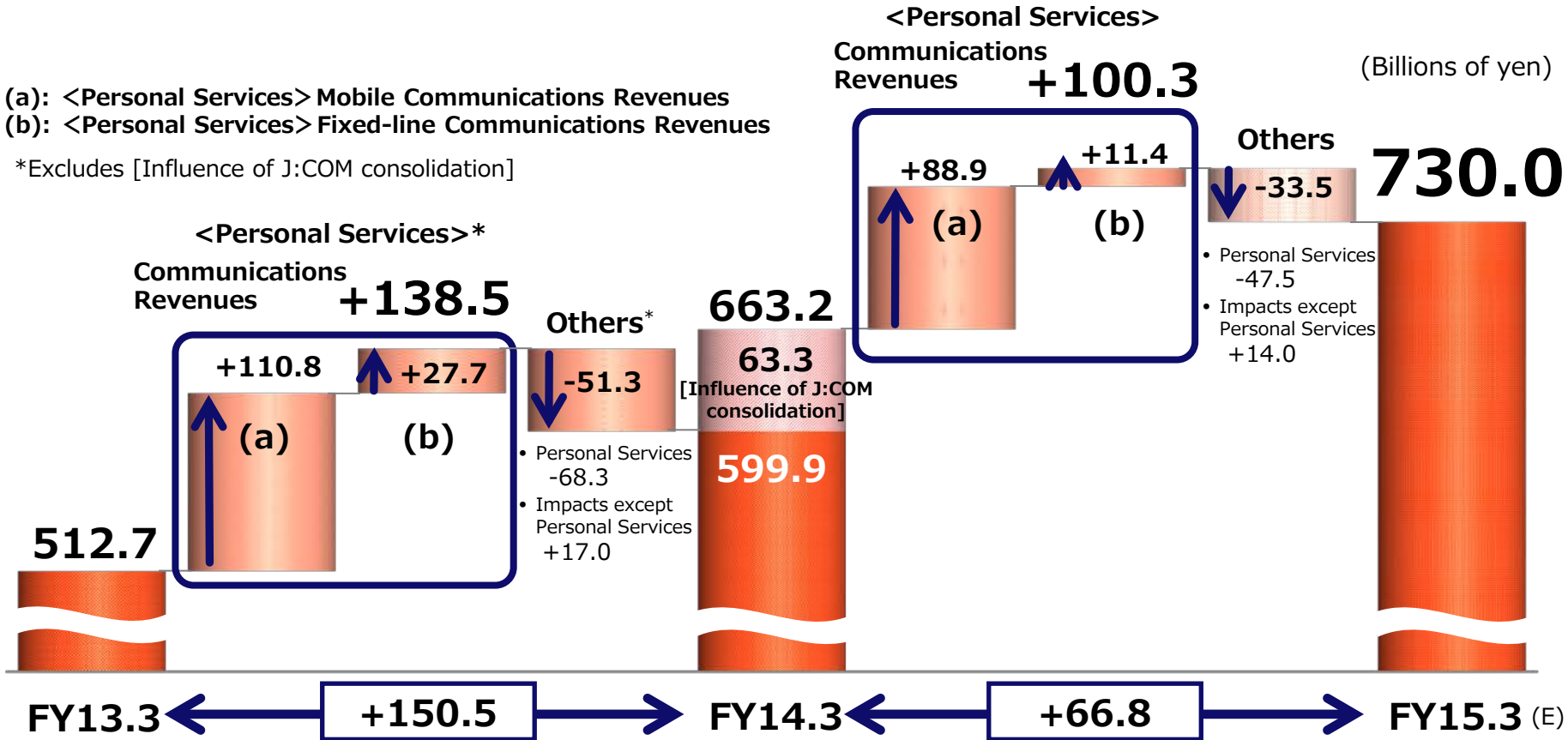
**Steadily pursue double-digit income growth, achieve continuous growth in income and target the next growth stage**

# ◆ Appendix

# Consolidated Operating Income Factor for Increase YOY

(a): <Personal Services> Mobile Communications Revenues  
 (b): <Personal Services> Fixed-line Communications Revenues

\*Excludes [Influence of J:COM consolidation]





# Consolidated Financial Results

(Billions of yen)

	FY13.3	FY14.3	FY15.3 (E)	YOY
Operating revenues	3,662.3	4,333.6	4,600.0	+ 6.1%
Operating income	512.7	663.2	730.0	+ 10.1%
Operating margin	14.0%	15.3%	15.9%	--
Ordinary income	514.4	662.9	735.0	+ 10.9%
Net income	241.5	322.0	424.0	+ 31.7%
EBITDA	959.6	1,186.1	1,278.0	+ 7.8%
EBITDA margin	26.2%	27.4%	27.8%	--
Free cash flow	50.9	226.0	245.0	+ 8.4%

# Financial Results by Segment

(Billions of yen)

Segment		FY13.3	FY14.3	FY15.3(E)	YOY
Personal Services	Operating revenues	2,838.0	3,367.9	3,560.0	+ 5.7%
	Operating income	378.6	507.2	560.0	+ 10.4%
	Operating margin	13.3%	15.1%	15.7%	--
	EBITDA	751.0	955.7	1,026.0	+ 7.4%
	EBITDA margin	26.5%	28.4%	28.8%	--
Value Services	Operating revenues	141.9	212.5	240.0	+ 12.9%
	Operating income	41.9	51.6	57.0	+ 10.4%
	Operating margin	29.5%	24.3%	23.8%	--
	EBITDA	51.8	64.5	72.0	+ 11.6%
	EBITDA margin	36.5%	30.3%	30.0%	--

# Financial Results by Segment

(Billions of yen)

Segment		FY13.3	FY14.3	FY15.3(E)	YOY
Business Services	Operating revenues	638.3	674.9	690.0	+ 2.2%
	Operating income	79.8	86.5	90.0	+ 4.1%
	Operating margin	12.5%	12.8%	13.0%	--
	EBITDA	128.8	130.7	137.0	+ 4.8%
	EBITDA margin	20.2%	19.4%	19.9%	--
Global Services	Operating revenues	207.3	263.6	310.0	+ 17.6%
	Operating income	7.8	11.4	14.0	+ 22.7%
	Operating margin	3.8%	4.3%	4.5%	--
	EBITDA	21.3	27.3	32.0	+ 17.3%
	EBITDA margin	10.3%	10.4%	10.3%	--

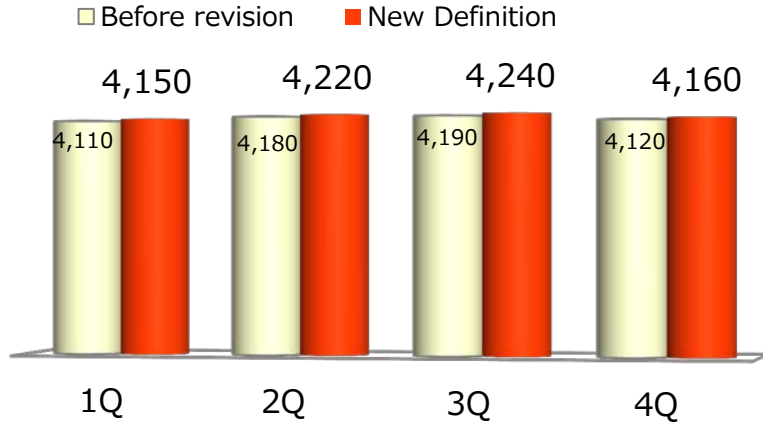
# Revision of KPIs Definitions

Definitions of au ARPU, value ARPU, au churn rate, and smartphone penetration will be revised in FY15.3

[Before revision] Mobile subscriptions (on aggregate basis, excluding tablets and modules)

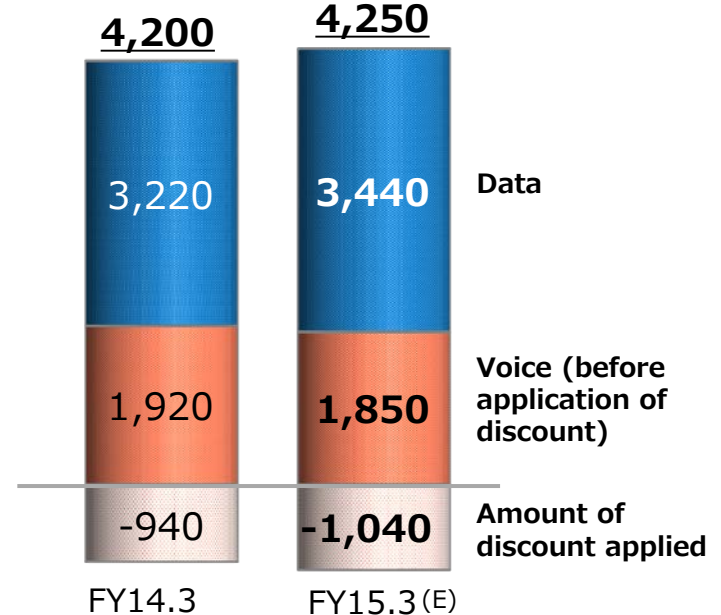
→ [New Definition] Mobile subscriptions (on aggregate basis, excluding data-only terminals, tablets, and modules)

Effects of au ARPU Definition Revision (FY14.3) (Yen)



	1Q	2Q	3Q	4Q
Before revision	4,110	4,180	4,190	4,120
New Definition	4,150	4,220	4,240	4,160
Difference	+40	+40	+50	+40

Breakdown of au ARPU (New Definition) (Yen)



*Designing The Future*

**KDDI**