



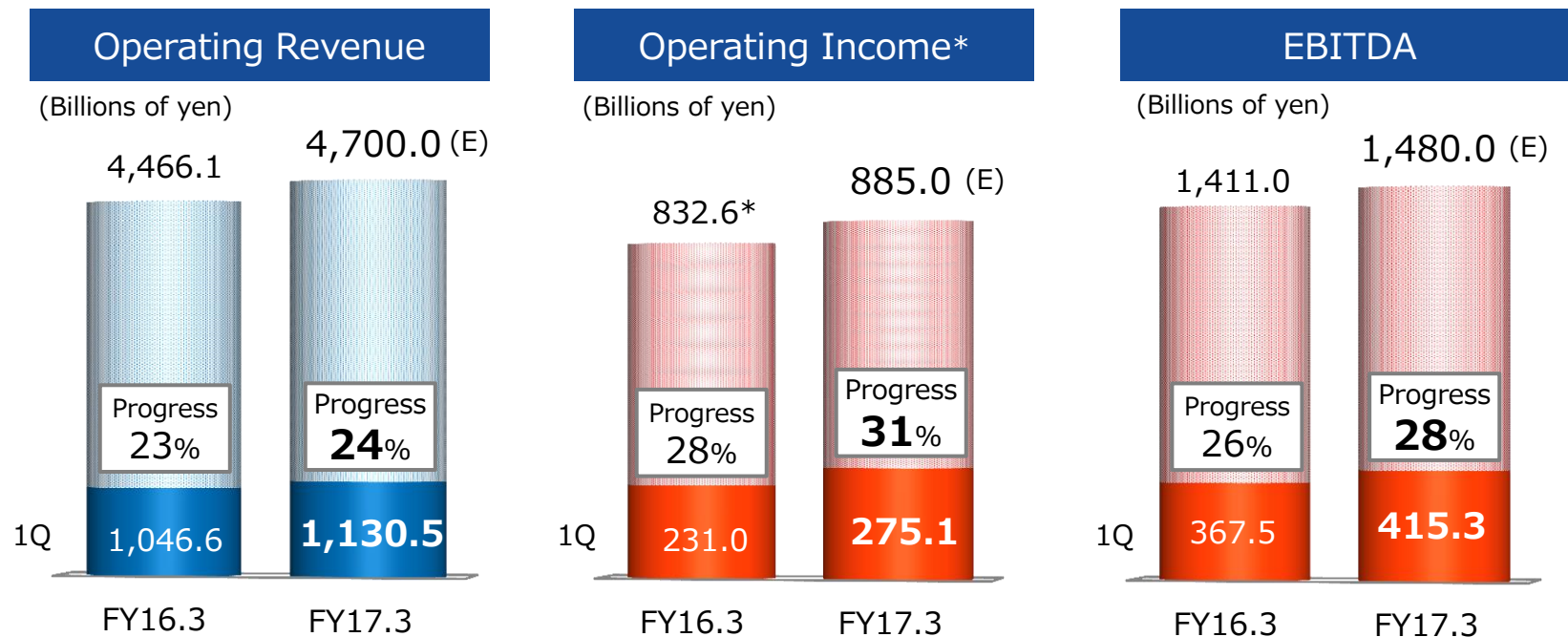
Financial Results for the 1st Quarter of the Fiscal Year Ending March 2017 (from April to June 2016)

August 2, 2016

**Takashi Tanaka, President
KDDI Corporation**

Highlights of 1Q Performance

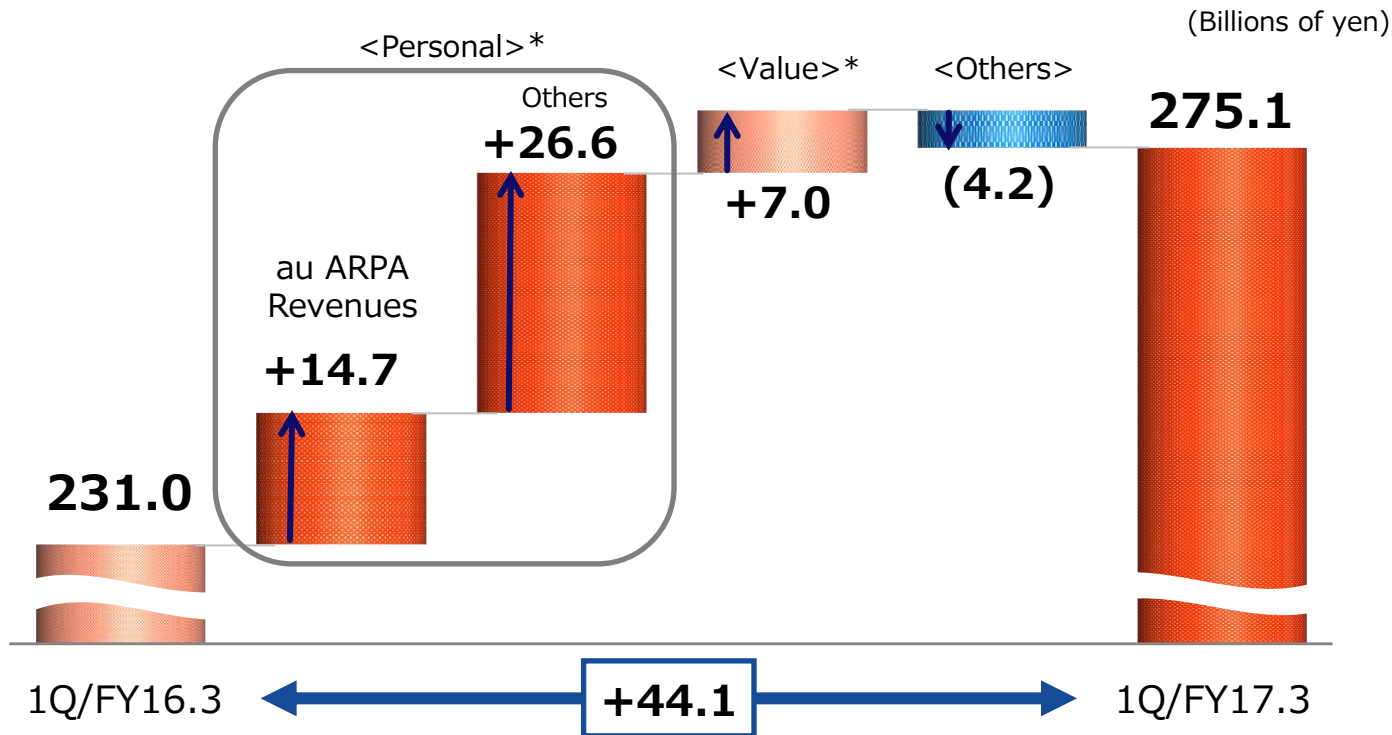
Achieved YOY Growth in Revenue and Income. Steady Progress



*Provisional accounting treatment was applied for the business combination conducted in the 4Q/FY16.3. In this presentation, the data has been replaced with confirmed values

Operating Income: Factor for Change, YOY for 1Q/FY17.3

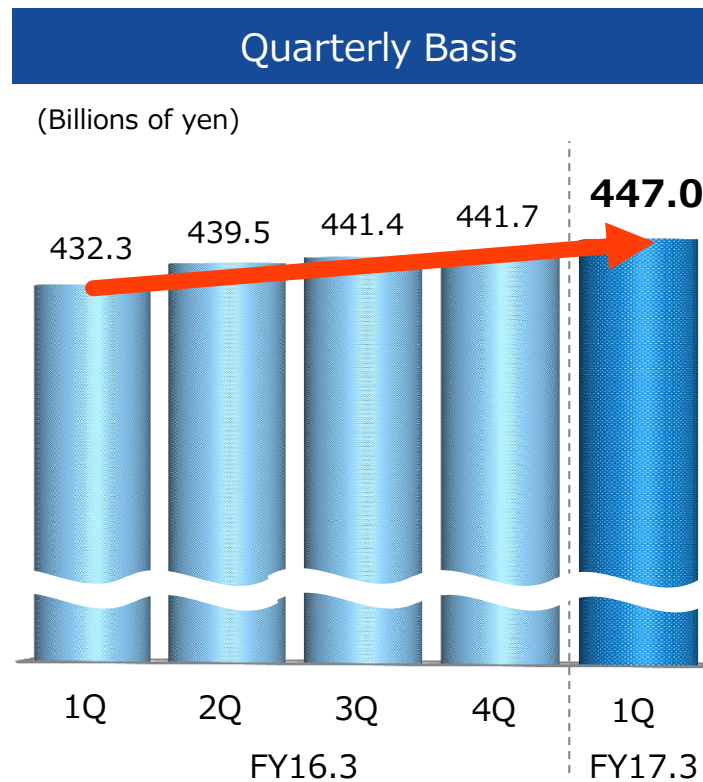
Steady Progress with the Domestic Telecommunications Business Contributed to Profits



*<Personal> the Personal Services segment <Value> the Value Services segment

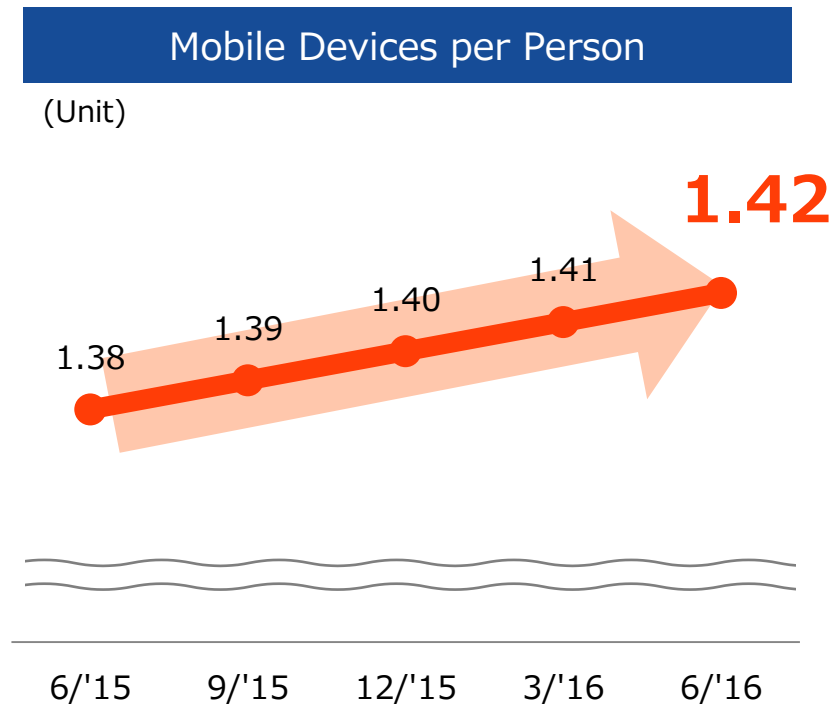
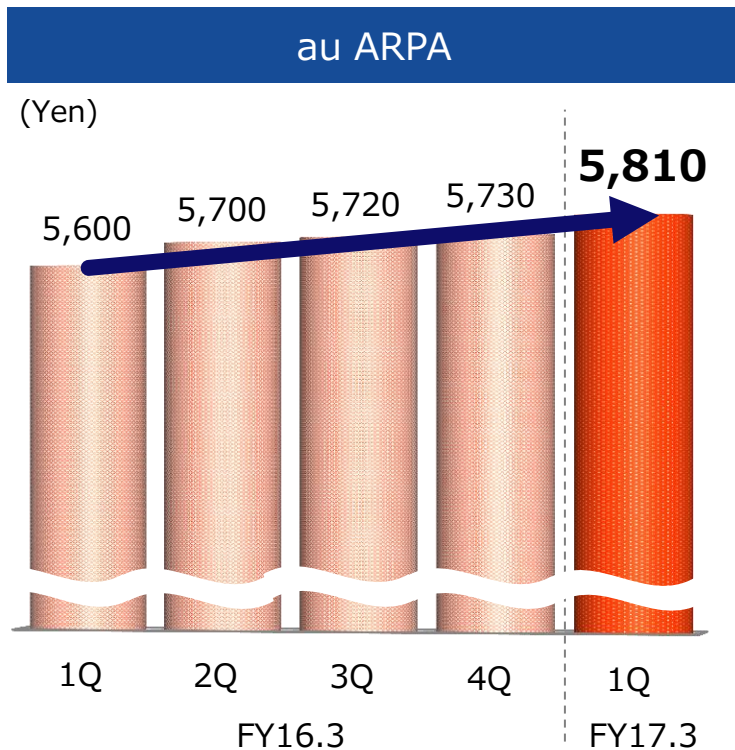
au ARPA Revenues

Steady Progress



au ARPA

Growth in au ARPA Driven by Promotion of Multi-Device



Note) Excluding prepaid and MVNO. Based on the Personal Services segment

Domestic Telecom Business

Start of a New Membership Program* Designed to Encourage Long-Term Use

Priority reservation of au shops

Phased in from August



Special benefits for customers using au for four years or longer

Scheduled to start in November



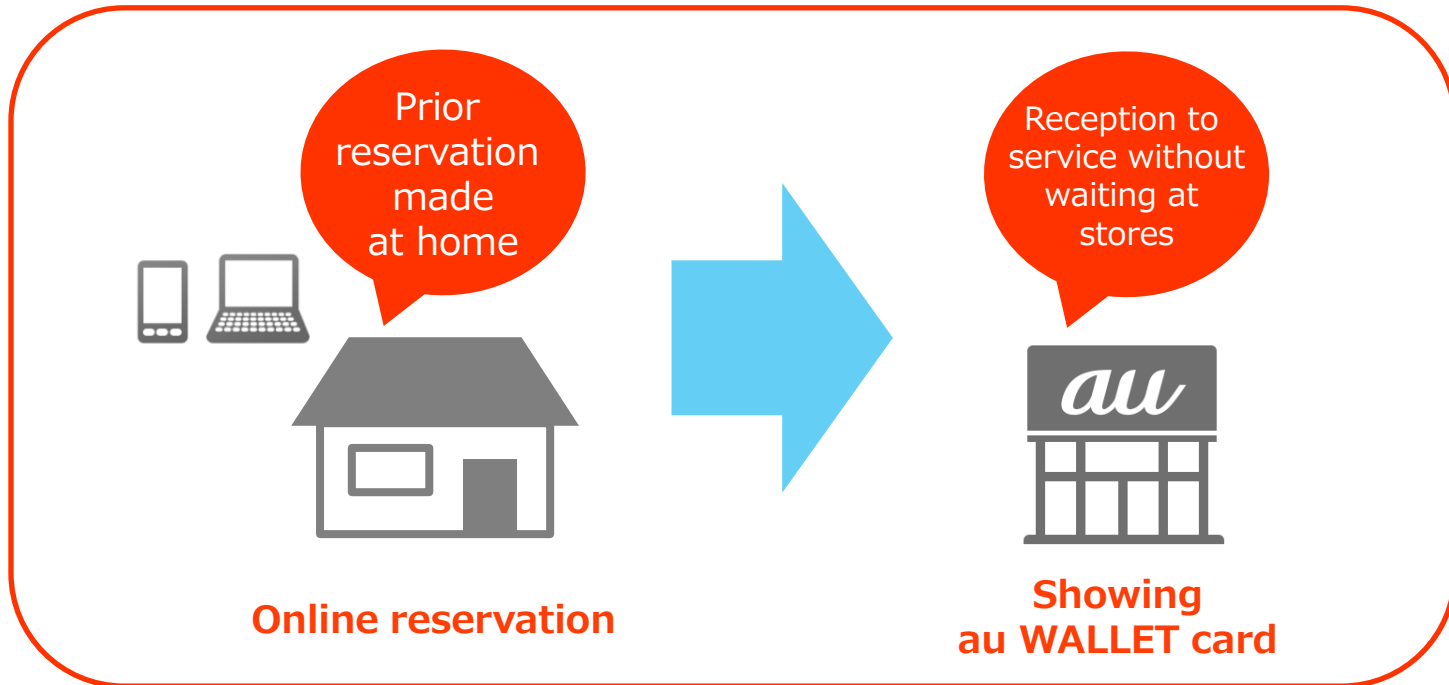
Special benefits for all registered members

Phased in from August



(1) au STAR Passport

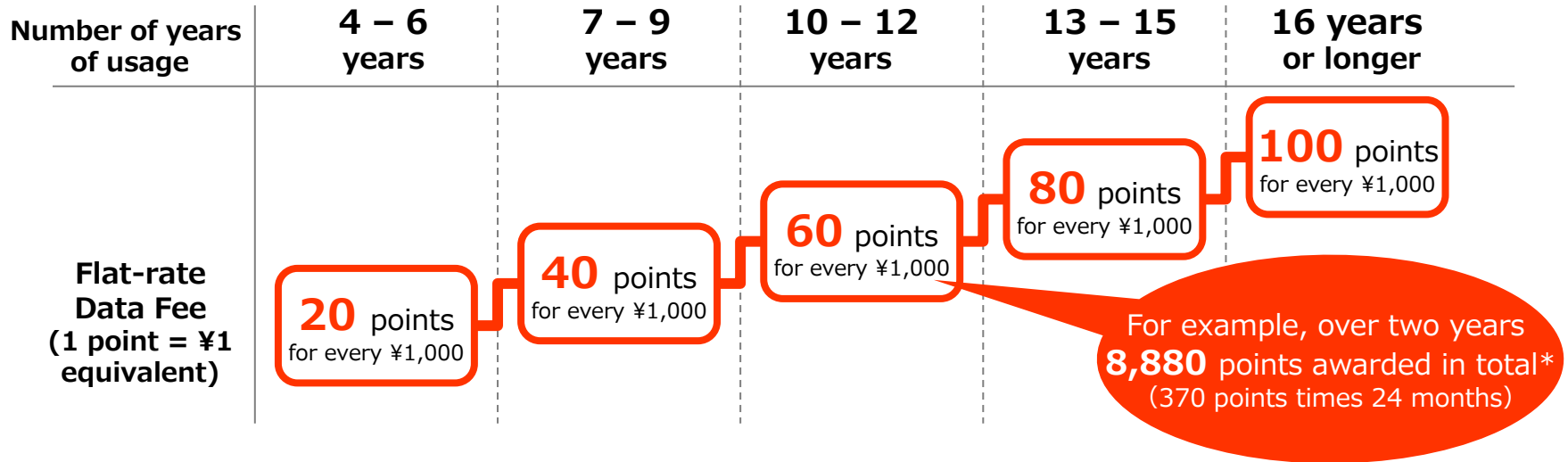
Shortening Wait-Times at au shops (Phased in from August)



(2) au STAR Loyal

Strengthen Returns to Customers of Long-Term Use (Scheduled to Start in November)

In addition to the conventional point system, **WALLET points are awarded monthly depending on years of service use and flat-rate data fee.**

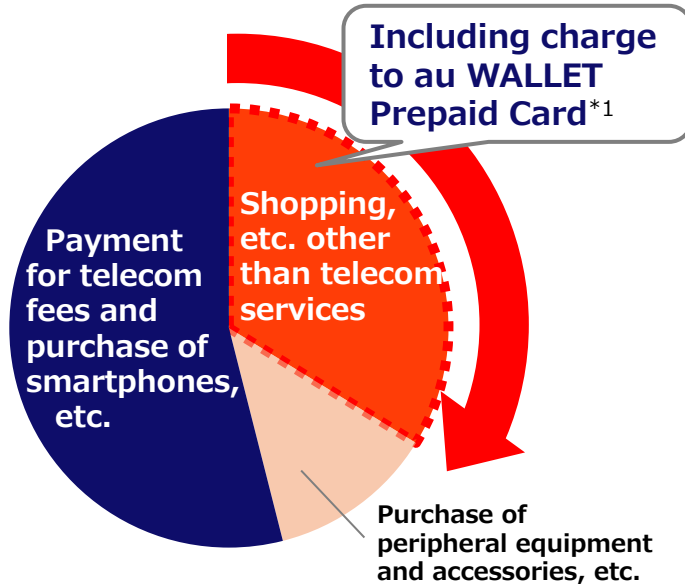


Note) au Smart Value and au Smart Value mine subscribers receive points on the discounted flat-rate data fee amount. Only available to users of eligible flat-rate data services. Indicated figures exclude taxes. Points are awarded in the following month based on the usage at the end of the month

* [Fee plan image] "Unlimited Calling Plan S" (Basic charge ¥1,700/month when "Everybody Discount" applied), "Flat-rate Data 5" (¥5,000/month), and "LTE NET, internet connection" (¥300/month). (370 points/month = [Conventional Reward Point]70 points+[au STAR Loyal]300 points)

Points Can Be Charged to the Card and Spent Like Cash

Use of WALLET Point (1Q/FY17.3)



au WALLET Prepaid Card



Usable at **MasterCard®** network of **39.6** million stores worldwide *2



Convenience stores, drug stores, electric appliance mass retailers, etc., throughout Japan



*1 Charge conditions: One charge per au ID per month, with a maximum of 20,000 points (100-point units)

*2 The Nilson Report, Issued, June 2015. The card cannot be used at some stores

(3) au STAR Gift

Various Special Benefits to Be Available. Plans to Expand Applications for Point Usage

Scheduled to start in August

24 hour use of
World Data FLAT (monthly)

Free



Entertainment Content

Free



Note) Not available for some fee plans and device models

Scheduled to be launched in Autumn 2016



Look out for it!

"Exclusive au STAR
member point
exchange website"

"au WALLET Market
powered by LUXA"

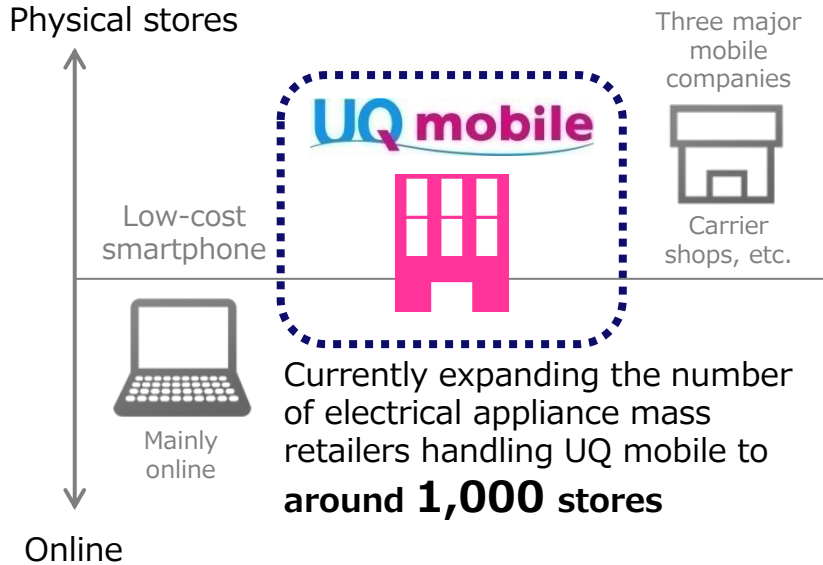
Plans to expand
applications
for point usage



*Applied to customers who have continued using "Everybody Discount" after renewing a two-year contract. Users need to apply through the dedicated website within 6 months of renewing

Strengthening and Promoting Smartphone Services through UQ

Customer Touchpoint



Communications Fee Plan

NEW

Pittari Plan*

Up to 1 year

¥2,980/month - -> **¥1,980-**

Monthly fee when transferring from au or au-affiliated MVNO is from ¥2,980

Smartphone Lineup

NEW



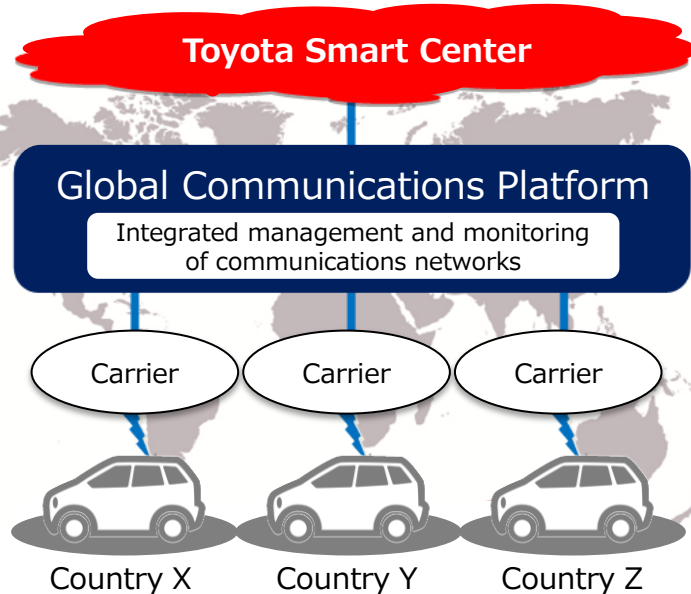
Successive launch including iPhone 5s

* Indicated figures exclude taxes. Only available for new subscribers and subscribers joining under MNP. Monthly service charges shown here are fees from the month following application of "Special Smartphone Discount" and "1,980 Discount." Fix-period contracts apply. After the second year, from ¥2,980/month and upward

Promotion of IoT

Aim to Develop New Markets for the Mid-to-Long Term Strategy

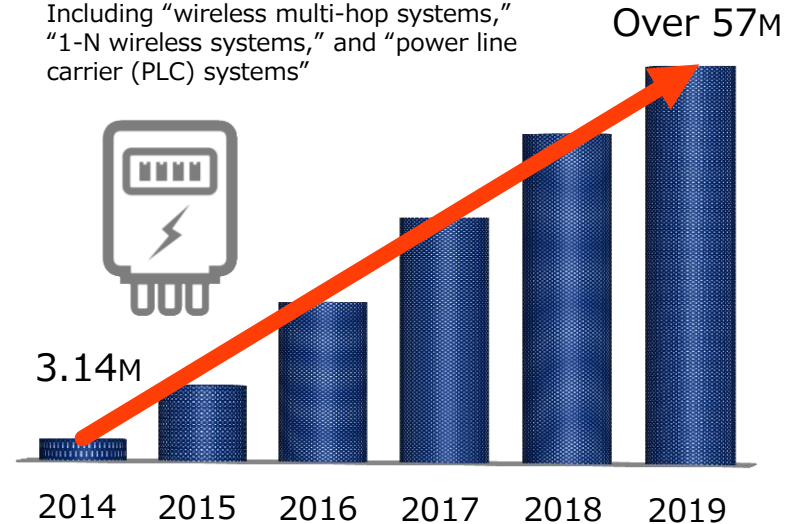
Connected Car



Smart Meter Market in Japan

Plan of all power companies to introduce Smart Meters*

Including "wireless multi-hop systems," "1-N wireless systems," and "power line carrier (PLC) systems"



*Total meter installations. Smart meters are constructed using either type of three communication systems: "wireless multi-hop systems," "1-N wireless systems," and "power line carrier (PLC) systems." The composition of these systems varies by electric power company

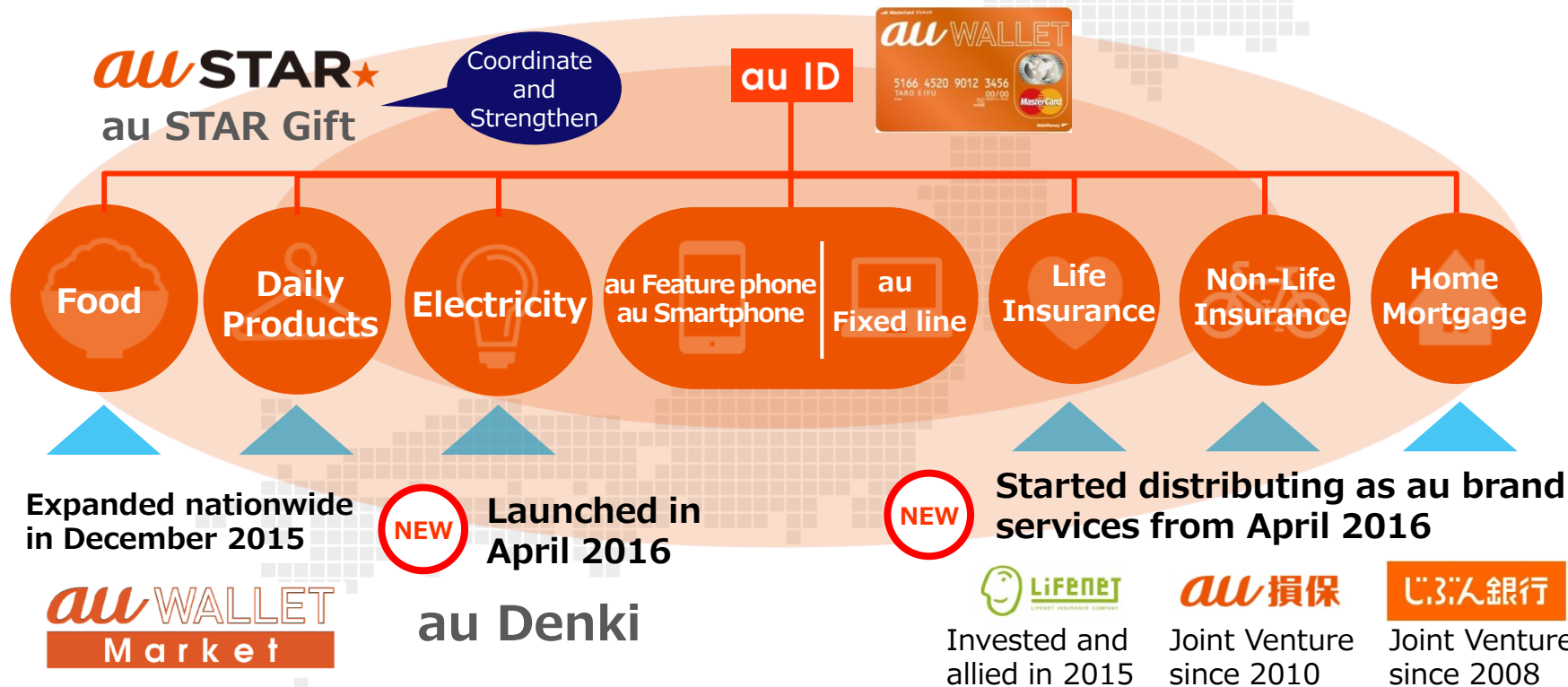
*Created by KDDI based on data from "Status of System Development and Implementation at Power Companies and Status of Smart Meter Installation," October 27, 2015 (Agency for Natural Resources and Energy) (http://www.meti.go.jp/committee/sougouenergy/denryoku_gas/kihonseisaku/pdf/001_07_01.pdf)

Life Design Strategy

-Maximize the “au Economic Zone”-

"au Denki" and "au Insurances and Mortgage" Launched in April

(Electricity Service)



Secure Multi-Touchpoints Both Online and Offline

au Smart Pass
(Subscription Service)



High use of carrier-billing customers

14.64 million^{*2} members

Shop Channel^{*1}
(TV Shopping)



Top share of TV shopping market

Approx. 29 million^{*3} of potential viewer households

au Shop
(Physical Stores)

au STAR[★]
au STAR Passport



Face to face services and follow-up support

Approx. 2,500 shops nationwide

*1 KDDI Group acquired 55% of the shares of Jupiter Shop Channel Co., Ltd., in March 2016

*2 As of June 30, 2016

*3 As of March 31, 2016

Three Enablers for Expanding the “au Economic Zone”

au ID

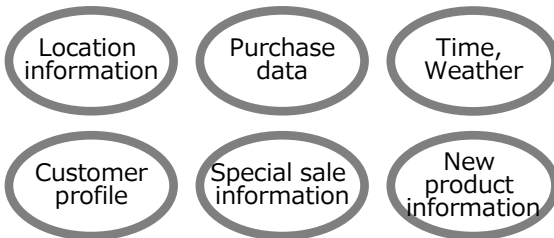
Strengthen

Point Reward
Platform



au STAR★
au STAR Loyal

Big Data &
Data Management
Platform (DMP)



**Recommendations
and Promotions**

Settlement
Platform

au Carrier Billing
au WALLET



**Security and
Credentials**

Services

Food

Daily
Products

Electricity



Life
Insurance

Non-Life
Insurance

Home
Mortgage

Customer
Touchpoint

Online



au Smart
Pass



TV
Shopping

Offline



Approx. 2,500
au Shops
Nationwide

Enablers

Systems & Platforms
based on

au ID

Promotions and Recommendations

Customer Data



Purchase Data



Product Data

Point Reward Platform / WALLET Point

Big Data / Data Management Platform (DMP)

Settlement Platform / au Carrier Billing and au WALLET

Customer Base

au Customer Base (=au ID)

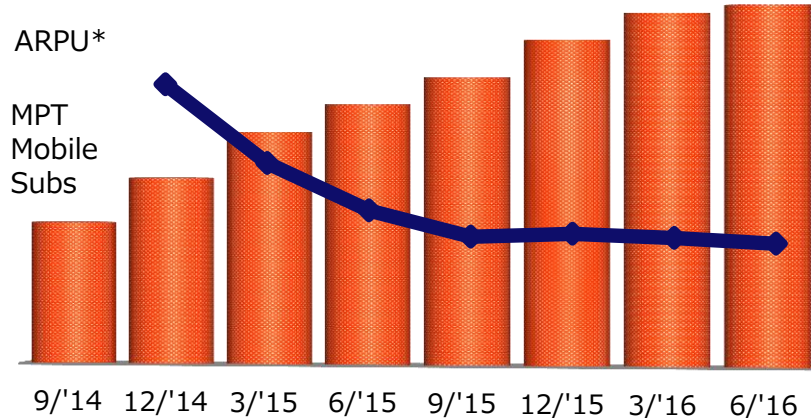
Global Business

Developing the Telecommunications Business in Myanmar and Mongolia



**Steady growth in subscribers,
Stable trend in ARPU**

**Launched 4G service (LTE)
in May 2016**



* Quarterly Basis (MMK)



Summary

Promoting Business Strategies in Japan and Overseas for the New Medium-Term Targets

1Q Results [Consolidated]

- 1Q operating income ¥275.1B,
31% progress rate on full-year targets
- au ARPA revenue increase and sales expense reduction
drove profit in the Personal Services segment

Business Strategy

1. **Domestic Telecom Business**
au STAR Starts. Strengthening UQ Mobile
2. **Life Design Strategy**
“au Denki” and “au Insurances and Mortgage” Launched
3. **Global Business**
Developing the Telecommunications Business in Myanmar and Mongolia

■ Appendix

(Billions of yen)

	1Q/FY16.3	1Q/FY17.3	Progress	FY17.3(E)
Operating revenue	1,046.6	1,130.5	24.1%	4,700.0
Operating income	231.0	275.1	31.1%	885.0
Operating margin	22.1%	24.3%	--	18.8%
Profit for the period attributable to owners of the parent	143.9	167.1	30.9%	540.0
EBITDA	367.5	415.3	28.1%	1,480.0
EBITDA margin	35.1%	36.7%	--	31.5%
Free cash flows	(80.1)	127.7	--	350.0

Financial Results by Segment (1)

(Billions of yen)

Segment		1Q/FY16.3	1Q/FY17.3	Progress	FY17.3(E)
Personal	Operating revenue	814.6	868.5	24.5%	3,550.0
	Operating income	179.2	220.5	32.0%	690.0
	Operating margin	22.0%	25.4%	--	19.4%
	EBITDA	299.8	341.2	28.4%	1,200.0
	EBITDA margin	36.8%	39.3%	--	33.8%
Value	Operating revenue	61.8	103.5	23.5%	440.0
	Operating income	18.4	25.4	28.2%	90.0
	Operating margin	29.7%	24.5%	--	20.5%
	EBITDA	20.7	30.5	27.7%	110.0
	EBITDA margin	33.5%	29.4%	--	25.0%

Financial Results by Segment (2)

(Billions of yen)

Segment		1Q/FY16.3	1Q/FY17.3	Progress	FY17.3(E)
Business	Operating revenue	151.2	151.4	23.8%	635.0
	Operating income	20.1	20.3	32.2%	63.0
	Operating margin	13.3%	13.4%	--	9.9%
	EBITDA	31.0	31.6	28.7%	110.0
	EBITDA margin	20.5%	20.9%	--	17.3%
Global	Operating revenue	76.8	65.8	21.2%	310.0
	Operating income	11.3	7.2	21.1%	34.0
	Operating margin	14.7%	10.9%	--	11.0%
	EBITDA	14.0	10.5	21.8%	48.0
	EBITDA margin	18.3%	15.9%	--	15.5%

KPI

Segment			3/'16	6/'16	Change	3/'17(E)
Consolidated	au subscriptions	(Millions)	45.91	46.59	+0.68	48.71
Personal	au subscriptions	(Millions)	38.24	38.46	+0.22	39.24
	Mobile devices per person	(Units)	1.41	1.42	+0.01	1.44
	au smartphone penetration	(%)	58.2	58.9	+0.7pt	--
	au Smart Value (Mobile)	(Millions)	11.55	11.83	+0.28	--
	au Smart Value (Fixed-line)	(Millions)	5.72	5.85	+0.13	--
Value	au Smart Pass	(Millions)	14.47	14.64	+0.17	--

Segment			1Q/FY16.3	1Q/FY17.3	YOY	FY17.3(E)
Personal/Value	Total ARPA	(Yen)	6,030	6,280	+250	6,230
Personal	au ARPA	(Yen)	5,600	5,810	+210	5,730
Value	Value-added ARPA	(Yen)	430	470	+40	500

Capital Expenditures

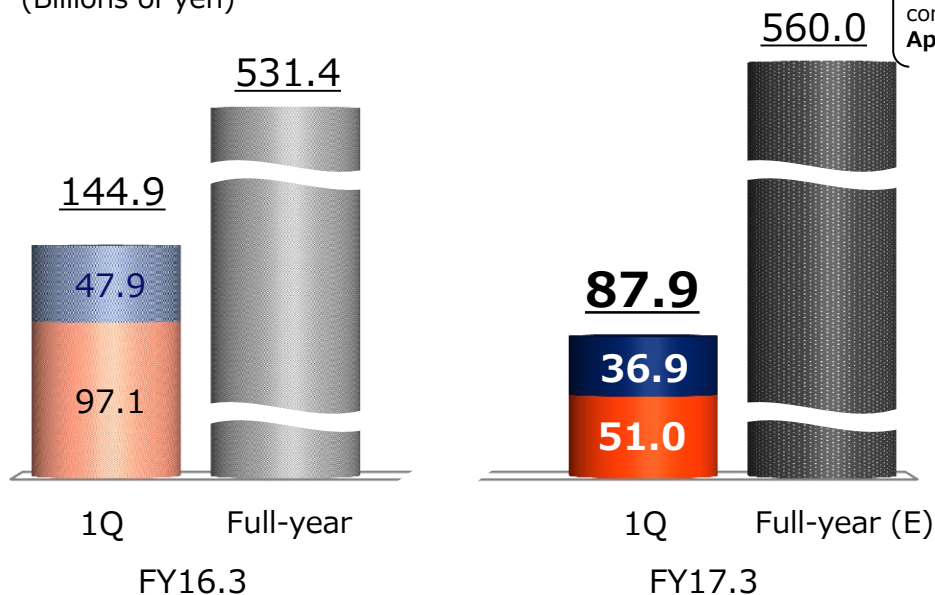
CAPEX (cash flow basis)

■ Mobile (including UQ) ■ Fixed-line and others

(Billions of yen)

1Q/FY17.3
¥87.9B

YOY -¥57.1B
 Progress Rate 15.7%



Disclaimer

The figures included in the this 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, the actual results of business performance or of the number of subscribers may differ substantially from the projections described here.

Designing The Future

KDDI

あたらしい自由。

au