

KDDI announces third quarter earnings and revises full-year forecasts for fiscal year ending March 2004
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KDDI today reported third quarter earnings and also has revised up its full-year forecasts for fiscal year ending March 2004 against its earlier projections announced on October 7, 2003. The new guidance was issued because (1) in "au" business, the number of net additions of CDMA2000 1x subscribers and ARPU are likely to overshoot its previous forecasts (2) in BBC & Solutions business, the company has promoted further cost-cutting measures.

1. Third quarter Consolidated Financial Results

See the attached financial statements.

- (1) Balance Sheet
- (2) Income Statement – for nine months ended December 31, 2003
- (3) Cash Flow Statement – for nine months ended December 31, 2003
- (4) Supplementary Information
 - (A) Income Statement – for three months ended December 31, 2003
 - (B) Selected Financial Data

2. Revised Full-year Forecasts for Year Ending March 2004 (April 1, 2003 – March 31, 2004)

(Millions of yen, %)

		Previous Forecasts (A) (Oct. 7, 2003)	Latest Forecasts (B)	Change		FY2003.3 full-year results
				(B - A)	%	
Consolidated basis	Revenues	2,820,000	2,848,000	28,000	1.0%	2,785,343
	Ordinary Income	240,000	267,000	27,000	11.3%	113,210
	Net Income	95,000	117,000	22,000	23.2%	57,358
Non- consolidated basis	Revenues	2,298,000	2,336,000	38,000	1.7%	2,202,762
	Ordinary Income	203,000	226,000	23,000	11.3%	95,430
	Net Income	70,000	90,000	20,000	28.6%	50,396

(1) Consolidated Balance Sheets (1/2)

KDDI Corporation and Consolidated Subsidiaries

(Millions of yen)

	December 31, 2002		December 31, 2003 (A)		March 31, 2003 (B)		Change (A) - (B)
	Amounts	% of the total	Amounts	% of the total	Amounts	% of the total	Amounts
I Fixed Assets		%		%		%	
A Telecommunications Assets							
Property, Plant and Equipment	1,730,692	58.1	1,540,618	55.8	1,650,042	59.3	(109,424)
Intangible Assets and Goodwill	289,939	9.8	250,187	9.1	276,616	9.9	(26,428)
Total Telecommunications Assets	2,020,631	67.9	1,790,805	64.9	1,926,659	69.2	(135,853)
B Other Business Assets							
Property, Plant and Equipment	65,384		34,584		38,352		(3,767)
Intangible Assets	4,488		4,915		4,309		605
Total Other Business Assets	69,873	2.3	39,500	1.4	42,662	1.5	(3,161)
C Investments and Other Assets							
Investments in securities	59,868		36,604		54,739		(18,134)
Deferred income taxes	21,814		13,247		20,377		(7,130)
Deposits and guarantee money	38,570		38,820		40,145		(1,324)
Other Assets	112,430		104,586		111,379		(6,793)
Allowance for loss on investments and other assets	(12,101)		(11,622)		(10,974)		(648)
Total Investments and Other Assets	220,583	7.4	181,639	6.6	215,668	7.8	(34,029)
Total Fixed Assets	2,311,088	77.6	2,011,945	72.9	2,184,990	78.5	(173,044)
II Current Assets							
Cash and cash equivalents	133,737		226,855		122,121		104,733
Accounts receivable	411,099		425,994		388,046		37,948
Inventories	57,887		61,529		55,850		5,679
Deferred income taxes	45,692		23,133		28,860		(5,727)
Other current assets	38,506		31,214		22,469		8,745
Allowance for doubtful accounts	(20,978)		(20,601)		(20,301)		(300)
Total current assets	665,945	22.4	748,127	27.1	597,048	21.5	151,078
Total Assets	2,977,033	100.0	2,760,072	100.0	2,782,038	100.0	(21,966)

(1) Consolidated Balance Sheets (2/2)

KDDI Corporation and Consolidated Subsidiaries

(Millions of yen)

	December 31, 2002		December 31, 2003 (A)		March 31, 2003 (B)		Change (A) - (B)
	Amounts	% of the total	Amounts	% of the total	Amounts	% of the total	Amounts
LIABILITIES AND SHAREHOLDERS' EQUITY		%		%		%	
I Non-Current Liabilities:							
Bonds	354,800		328,737		355,925		(27,187)
Long-term loans	887,813		608,910		851,837		(242,926)
Reserve for point service program	14,349		19,266		15,711		3,555
Other non-current liabilities	63,867		46,589		53,655		(7,065)
Total Non-Current Liabilities	1,320,831	44.4	1,003,504	36.4	1,277,129	45.9	(273,624)
II Current Liabilities:							
Short-term loans and current portion of long-term loans	336,667		288,499		281,239		7,261
Accounts Payable	340,545		322,813		250,125		72,687
Accrued expenses	20,900		18,585		19,889		(1,304)
Accrued income taxes	20,196		58,639		10,433		48,206
Allowance for bonuses	6,169		6,641		12,687		(6,045)
Other current liabilities	31,869		26,088		21,610		4,478
Total Current Liabilities	756,350	25.4	721,268	26.1	595,985	21.4	125,283
Total Liabilities	2,077,181	69.8	1,724,773	62.5	1,873,115	67.3	(148,341)
Minority Interests	11,318	0.4	19,397	0.7	14,212	0.5	5,185
Shareholders' Equity							
I Common stock	141,851	4.8	141,851	5.1	141,851	5.1	-
II Capital surplus	304,189	10.2	304,189	11.0	304,189	10.9	-
III Retained earnings	450,784	15.1	570,060	20.7	456,827	16.4	113,233
IV Net unrealized gains on securities	1,223	0.0	11,700	0.4	1,454	0.1	10,246
V Foreign Currency Translations Adjustments	75	0.0	(1,216)	(0.0)	(3)	(0.0)	(1,212)
VI Treasury stock, at cost	(9,590)	(0.3)	(10,684)	(0.4)	(9,608)	(0.3)	(1,075)
Total Shareholders' Equity	888,534	29.8	1,015,901	36.8	894,710	32.2	121,190
Total Liabilities and Shareholders' Equity	2,977,033	100.0	2,760,072	100.0	2,782,038	100.0	(21,966)

(2) Consolidated Statements of Income

KDDI Corporation and Consolidated Subsidiaries

(Millions of yen)

	Nine Months Ended December 31, 2002		Nine Months Ended December 31, 2003		Change yoy	Year Ended March 31, 2003	
	Amounts	% of the total	Amounts	% of the total		Amounts	Amounts
		%		%			%
I Telecommunications Business							
Operating Revenues	1,647,623	78.9	1,698,958	80.7	51,335	2,191,887	78.7
Voice communications	1,206,940		1,113,983		(92,957)	1,574,509	
Digital data transmission services	316,960		459,250		142,290	450,658	
Leased circuits	71,144		63,526		(7,617)	93,941	
Telegraph and other telecommunications services	52,577		62,197		9,620	72,778	
Operating Expenses	1,565,213	74.9	1,475,266	70.1	(89,947)	2,089,919	75.0
Sales expenses	723,691		685,130		(38,561)	963,250	
Depreciation	284,490		269,425		(15,065)	378,777	
Charges for the use of telecommunications	330,723		308,049		(22,674)	419,715	
Other	226,303		212,658		(13,645)	328,173	
Telecommunications Business Operating Income	82,410	4.0	223,692	10.6	141,282	101,967	3.7
II Other Business							
Sales of Terminal equipment and other	440,671	21.1	405,364	19.3	(35,307)	593,455	21.3
Cost of sales of terminal equipment and other	406,520	19.5	394,376	18.7	(12,143)	554,770	19.9
Other Business Operating Income	34,151	1.6	10,987	0.6	(23,164)	38,685	1.4
Operating Income	116,561	5.6	234,679	11.2	118,117	140,652	5.1
III Other revenues	13,404	0.6	12,913	0.6	(490)	18,928	0.7
Interest income	460		450		(9)	735	
Equity in profit of affiliates	816		920		103	1,169	
Dividend income from anonymous association	3,669		4,374		705	5,054	
Other	8,458		7,168		(1,290)	11,968	
IV Other expenses	35,642	1.7	26,395	1.3	(9,246)	46,370	1.7
Interest expense	27,599		21,640		(5,958)	35,891	
Other	8,042		4,754		(3,286)	10,478	
Ordinary Income	94,324	4.5	221,197	10.5	126,873	113,210	4.1
I Extraordinary profit	9,293	0.5	12,713	0.6	3,419	20,669	0.7
Gain on sales of PPE	5,674		515		(5,159)	6,003	
Gain on sales of securities	-		5,571		5,571	10,438	
Gain on reversal of allowance for doubtful accounts	3,619		-		(3,619)	4,227	
Gain on return of welfare pension funds to the Government	-		3,961		3,961	-	
Compensation for damage	-		2,664		2,664	-	
II Extraordinary loss	9,688	0.5	34,290	1.6	24,601	23,154	0.8
Loss on sales of PPE	-		375		375	6,287	
Loss on disposal of PPE	-		22,132		22,132	-	
Loss on sales of securities	-		10,701		10,701	1,071	
Loss on devaluation of securities	2,257		1,080		(1,176)	5,269	
Cumulative effect of new method of accounting for point service program	6,771		-		(6,771)	6,771	
Loss from amendments to submarine cable	659		-		(659)	678	
Other	-		-		-	3,074	
Income before Income Taxes and Minority Interests	93,929	4.5	199,620	9.5	105,691	110,725	4.0
Income Taxes - Current	24,215	1.2	64,708	3.1	40,493	14,831	0.5
Income Taxes - Deferred	17,514	0.8	6,063	0.3	(11,450)	35,524	1.3
Minority Interests in Consolidated Subsidiaries	884	0.0	5,444	0.2	4,559	3,011	0.1
Net Income	51,315	2.5	123,404	5.9	72,088	57,358	2.1

Note: % of the total is calculated based upon total amount of operating revenues of Telecommunications Business and Other Business as the denominator.

(3) Consolidated Statements of Cash Flows

KDDI Corporation and Consolidated Subsidiaries

(Millions of yen)

	Nine Months Ended December 31, 2002	Nine Months Ended December 31, 2003	Change yoy	Year Ended March 31, 2003	
	Amounts	Amounts	Amounts	Amounts	
I	Cash Flows from Operating Activities				
	Income before income taxes and minority interests	93,929	199,620	105,691	110,725
	Depreciation and amortization	295,260	276,892	(18,367)	392,854
	(Gain)loss on sales of PPE	(5,448)	(141)	5,306	284
	Loss on disposal of PPE	8,451	32,619	24,167	33,879
	(Increase) decrease in allowance for doubtful accounts	(4,626)	974	5,601	(6,293)
	Increase (decrease) in reserve for retirement benefits	5,959	(4,246)	(10,205)	7,634
	Interest and dividend income	(1,187)	(573)	613	(1,462)
	Interest expenses	27,599	21,640	(5,958)	35,891
	Equity in (gain) of affiliates	(816)	(920)	(103)	(1,169)
	Loss on sales of investment securities	-	5,129	5,129	-
	Investment securities write off	2,257	1,080	(1,176)	5,269
	Increase in reserve for point services	14,349	3,555	(10,794)	15,711
	(Increase) decrease in prepaid pension cost	(2,437)	4,538	6,975	(4,314)
	Decrease in notes and accounts receivable	68,183	(35,155)	(103,338)	92,342
	(Increase) decrease in inventories	41,224	(7,323)	(48,547)	50,214
	Decrease in notes and accounts payable	(61,735)	52,615	114,352	(97,330)
	Other, net	(12,228)	(4,202)	8,025	(15,158)
	Sub total	468,733	546,104	77,370	619,079
	Interest and dividend income received	1,864	1,017	(847)	2,881
	Interest expenses paid	(27,908)	(22,262)	5,645	(37,298)
	Income taxes paid	(57,474)	(16,387)	41,086	(57,774)
	Net cash provided by operating activities	385,215	508,471	123,256	526,887
II	Cash Flows From Investing Activities				
	Payments for purchase of PPE	(103,199)	(110,401)	(7,202)	(159,535)
	Proceeds from sale of PPE	16,701	1,735	(14,965)	23,911
	Payments for other intangible assets	(54,985)	(32,300)	22,685	(84,606)
	Acquisition of investment securities	(879)	(866)	13	(1,023)
	Proceeds from sale of investment securities	325	22,916	22,591	1,755
	Payments for investment in affiliates	(333)	(892)	(559)	(333)
	Proceeds from sale of subsidiaries	-	-	-	11,314
	Increase in long-term prepayment	(8,334)	(5,378)	2,955	(14,537)
	Other, net	2,034	1,286	(747)	1,502
	Net cash used in investing activities	(148,672)	(123,900)	24,771	(221,552)
	Free Cash Flows	236,543	384,571	148,027	305,334
III	Cash Flows from Financing Activities				
	Net increase(decrease) in short-term loans	9,471	(1,798)	(11,269)	3,221
	Proceeds from issuance of long-term loans	121,739	8,000	(113,739)	142,855
	Repayment of long-term loans	(268,975)	(236,029)	32,946	(357,459)
	Repayment of long-term accounts payable	(13,636)	(6,071)	7,564	(19,204)
	Proceeds from new bond issue	20,000	18,000	(2,000)	21,500
	Payment for redemption of bonds	(25,000)	(50,187)	(25,187)	(25,000)
	Payment for acquisition of treasury stocks	(9,551)	(1,232)	8,318	(9,566)
	Dividends paid	(7,462)	(10,011)	(2,548)	(7,648)
	Payments received from minority shareholders	83	1,166	1,083	103
	Others, net	2,257	(995)	(3,252)	(163)
	Net Cash used in Financing Activities	(171,074)	(279,160)	(108,085)	(251,363)
IV	Translation Adjustments on Cash and Cash Equivalents				
		(568)	(548)	19	(712)
V	Net increase in Cash and Cash Equivalents				
		64,901	104,862	39,961	53,258
VI	Cash and Cash Equivalents at Beginning of Year				
		68,595	121,854	53,258	68,595
VII	Net increase in Cash and Cash Equivalents of newly consolidated subsidiaries				
		-	9	9	-
VIII	Cash and Cash Equivalents at End of Quarter/Year				
		133,496	226,726	93,229	121,854

(4) Supplementary Information (A)

Consolidated Statements of Income

KDDI Corporation and Consolidated Subsidiaries

(Millions of yen)

	Three Months Ended December 31, 2002		Three Months Ended December 31, 2003		Change yoy
	Amounts	% of the total	Amounts	% of the total	Amounts
I Telecommunications Business		%		%	
Operating Revenues	554,012	79.7	573,514	79.9	19,502
Voice communications	397,713		370,051		(27,661)
Digital data transmission services	114,079		161,674		47,595
Leased circuits	24,350		20,224		(4,125)
Telegraph and other telecommunications services	17,868		21,562		3,695
Operating Expenses	506,122	72.8	497,279	69.2	(8,842)
Sales expenses	224,755		233,388		8,632
Depreciation	97,090		89,822		(7,267)
Charges for the use of telecommunications	108,196		103,095		(5,101)
Other	76,077		70,970		(5,107)
Telecommunications Business Operating Income	47,889	6.9	76,234	10.7	28,344
II Other Business					
Sales of Terminal equipment and other	141,070	20.3	144,248	20.1	3,178
Cost of sales of terminal equipment and other	132,161	19.0	144,033	20.1	11,871
Other Business Operating Income	8,908	1.3	214	0.0	(8,693)
Operating Income	56,798	8.2	76,449	10.7	19,651
III Other revenues	5,252	0.8	4,164	0.6	(1,087)
Interest income	125		137		12
Equity in profit of affiliates	277		341		63
Dividend income from anonymous association	1,434		1,610		175
Other	3,413		2,073		(1,338)
IV Other expenses	10,165	1.5	7,654	1.1	(2,511)
Interest expense	8,737		6,583		(2,153)
Other	1,428		1,070		(358)
Ordinary Income	51,884	7.5	72,959	10.2	21,074
I Extraordinary profit	2,095	0.3	5,697	0.7	3,601
Gain on sales of property, plant, and equipment	1,917		125		(1,792)
Gain on sales of securities	-		5,571		5,571
Gain on reversal of allowance for doubtful accounts	178		-		(178)
II Extraordinary loss	-	-	22,507	3.1	22,507
Loss on sales of PPE	-		375		375
Loss on disposal of PPE	-		22,132		22,132
Income before Income Taxes and Minority Interests	53,979	7.8	56,148	7.8	2,168
Income Taxes - Current	19,695	2.8	14,475	2.0	(5,219)
Income Taxes - Deferred	2,314	0.3	2,022	0.3	(291)
Minority Interests in Consolidated Subsidiaries	1,101	0.2	2,101	0.3	1,000
Net Income	30,869	4.5	37,549	5.2	6,680

Note: % of the total is calculated based upon total amount of operating revenues of Telecommunications Business and Other Business as the denominator.

(4) Supplementary Information (B)

Selected Financial Data

Fiscal Year ending March 2004

KDDI Corporation and Consolidated Subsidiaries

	1Q April – June, 2003	2Q July – Sept., 2003	3Q Oct. – Dec., 2003
	(Millions of yen)	(Millions of yen)	(Millions of yen)
Total Operating Revenues	689,667	696,892	717,762
Operating Income	85,059	73,170	76,449
Ordinary Income	81,197	67,040	72,959
Income before Income Taxes and Minority Interests	74,356	69,115	56,148
Net Income	43,931	41,923	37,549
	(yen)	(yen)	(yen)
Earnings per basic share	10,421.33	9,945.33	8,910.87
Earnings per diluted share	10,416.93	9,928.93	8,895.28
	(Millions of yen)	(Millions of yen)	(Millions of yen)
Total Assets	2,732,674	2,701,107	2,760,072
Total Shareholders' Equity	943,896	987,152	1,015,901
	(yen)	(yen)	(yen)
Total Shareholders' Equity per share	223,908.36	234,270.06	241,083.93
	(Millions of yen)	(Millions of yen)	(Millions of yen)
Cash Flows from Operating Activities	129,246	172,456	206,768
Cash Flows from Investing Activities	(16,537)	(38,346)	(69,016)
Cash Flows from Financing Activities	(77,057)	(128,287)	(73,815)
Cash and Cash Equivalents at End of quarter	157,533	163,485	226,726