

**Financial Results
for the 1st Half of the
Fiscal Year Ending March 2015
(from April to September, 2014)**

October 31, 2014

**President Takashi Tanaka
KDDI Corporation**



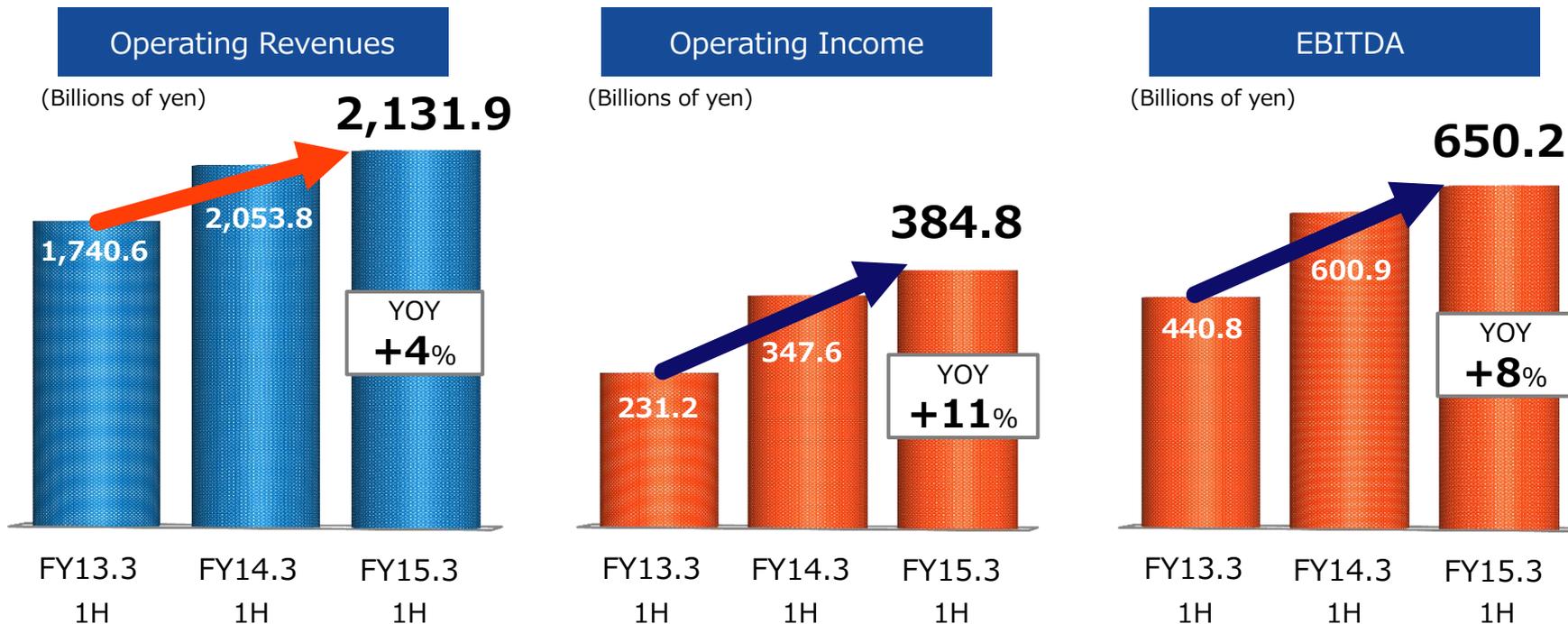
Today's Presentation

- 1. Financial Results for 1H/FY2015.3**
 - 2. Targeting a New 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 1H/FY2015.3

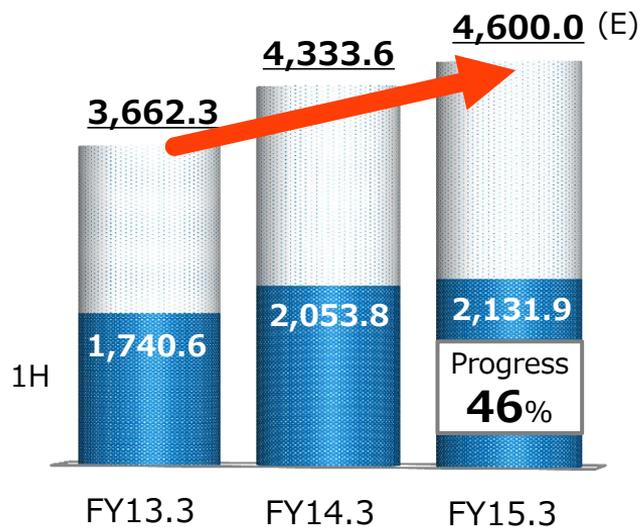
Achieved Second Consecutive Double-Digit Growth in Operating Income in the 1st Half



Steady Progress Toward Second Consecutive Years of Double-Digit Growth in Consolidated Operating Income

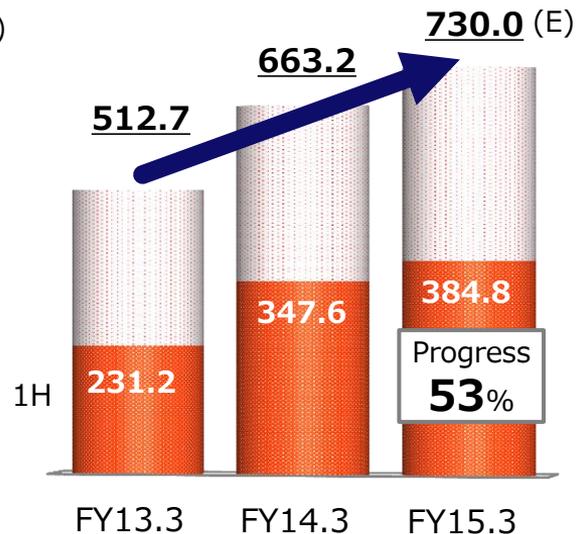
Operating Revenues

(Billions of yen)



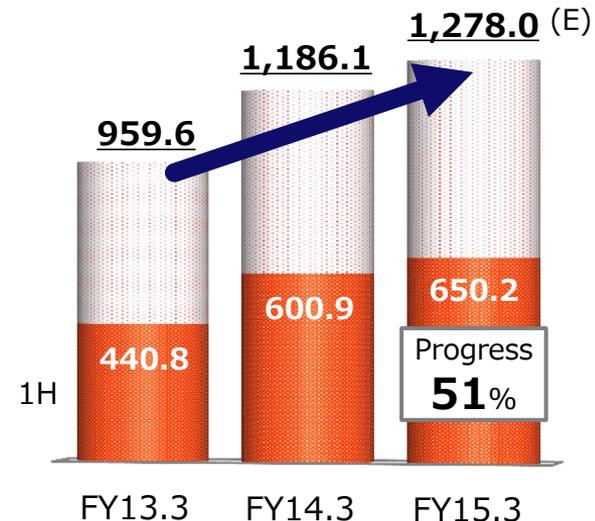
Operating Income

(Billions of yen)



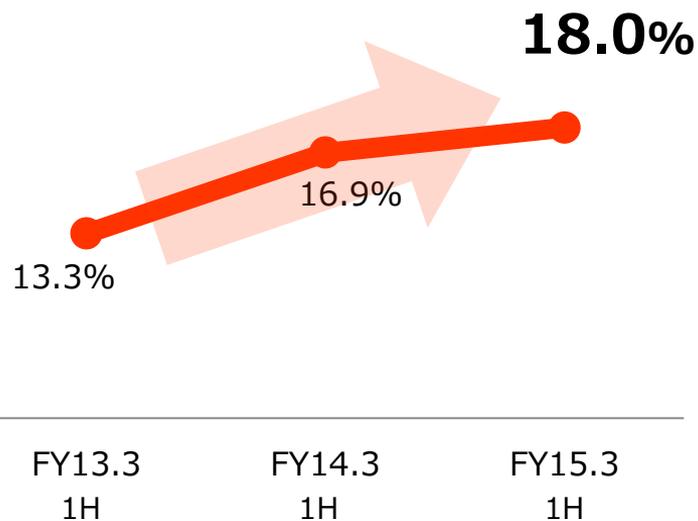
EBITDA

(Billions of yen)

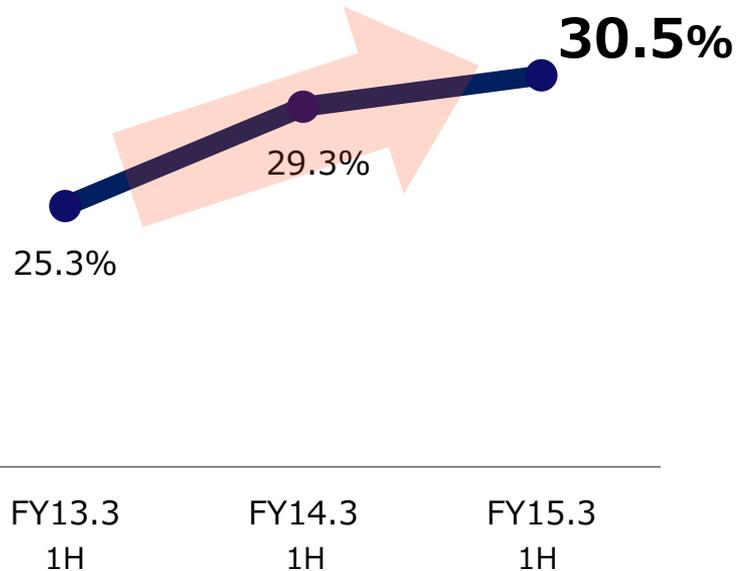


YOY Margin Increase of Operating Profit and EBITDA

Operating Profit Margin



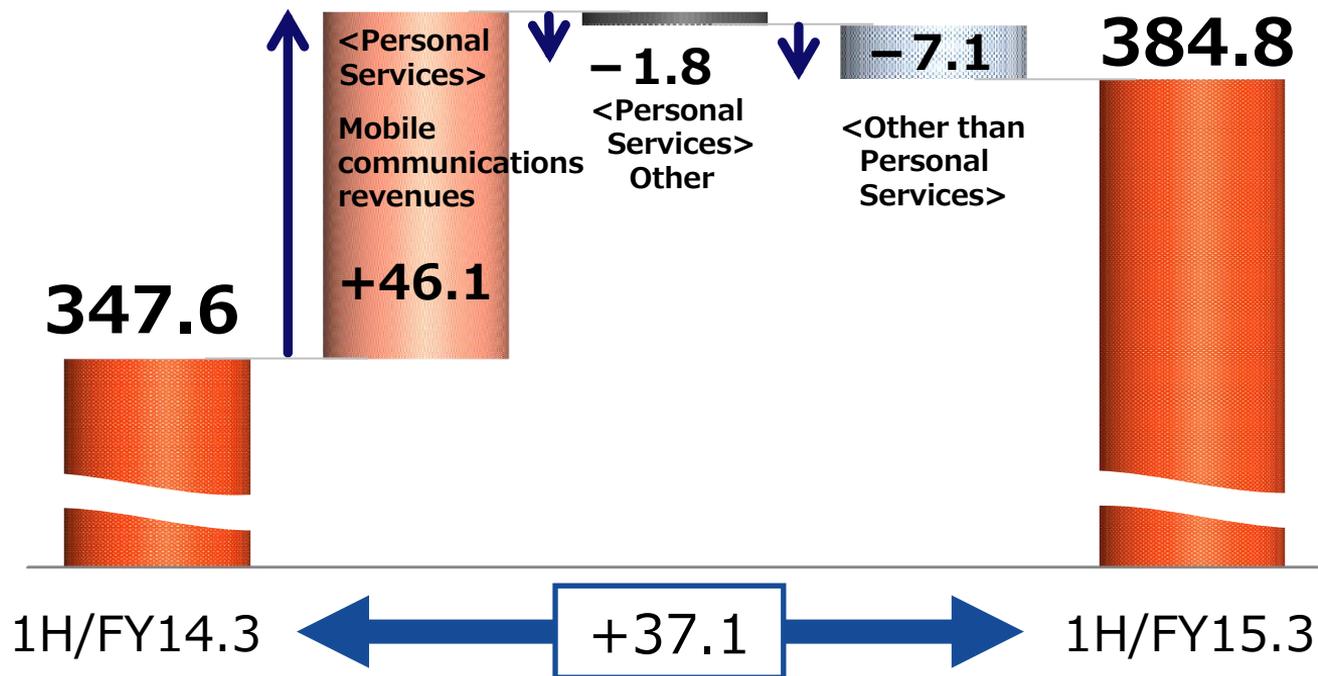
EBITDA Margin



Consolidated Operating Income: Factor for Change, YOY

Contributing Factors Included Increase in Mobile Communications Revenues

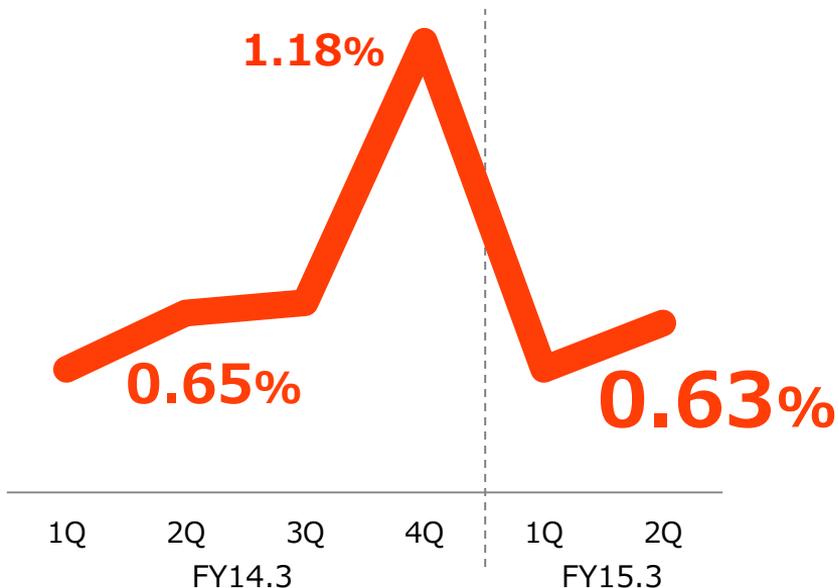
(Billions of yen)



au Subscribers

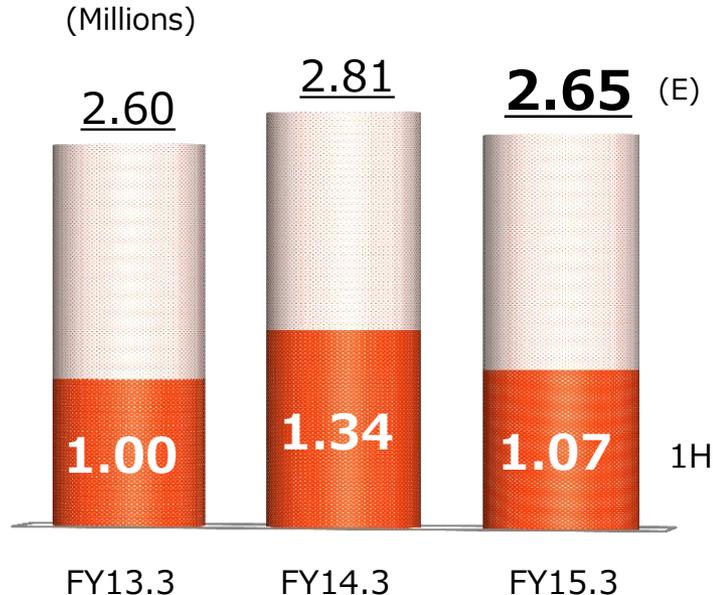
Maintained Low Churn Rate.
au Net Adds Over 1 Million in 1st Half for Third Consecutive Year

au Churn Rate^{Note1}



Note1) Personal Services basis

au Net Adds^{Note2}



Note2) Consolidated basis

Initial Trends for iPhone 6 / 6 Plus

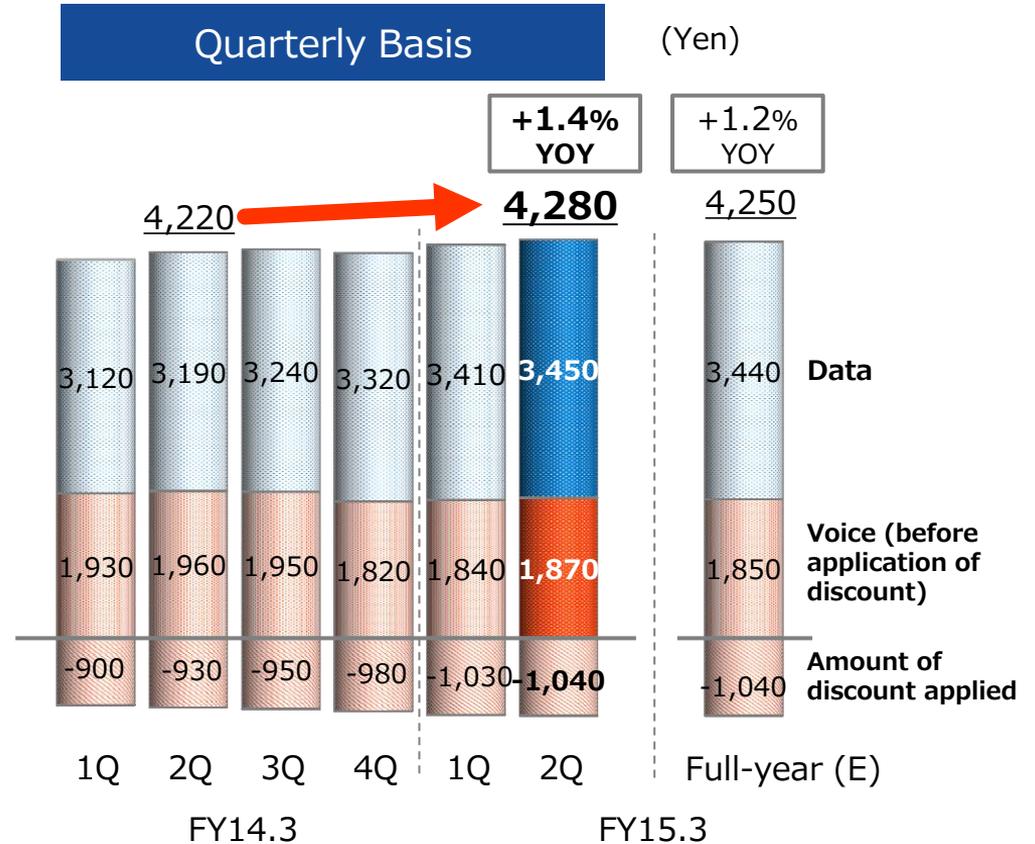
**Achieved High Stay Rate^{Note},
MNP Net Adds Up
in September**

Stay Rate^{Note} for
iPhone 4S / 5 Customers



au ARPU

Steadily Progress,
at +1.4%, YOY

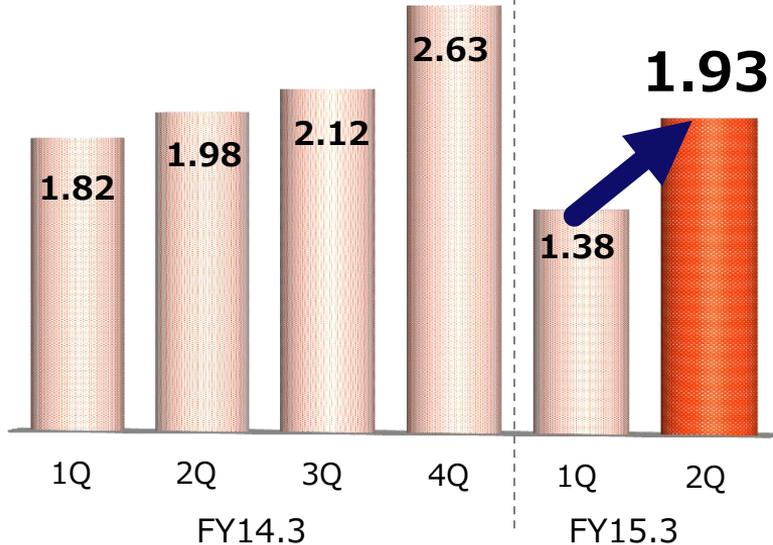


au Smartphone

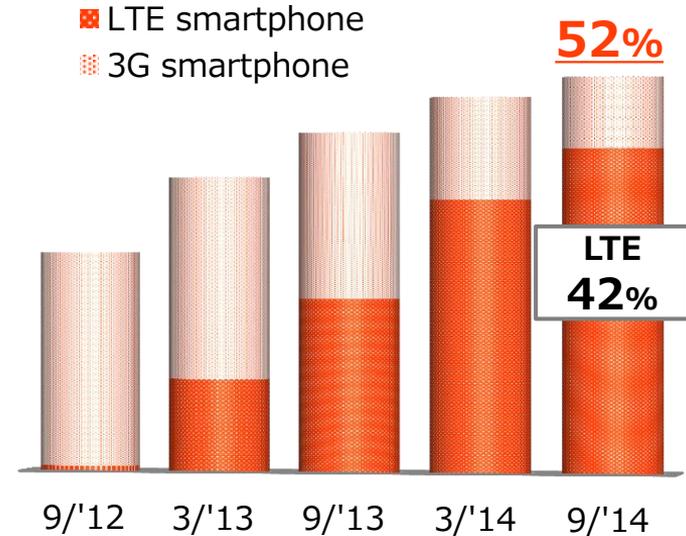
Steady Progress in au Smartphone Penetration, at 52%

Number of au Smartphones Sold

(Millions)

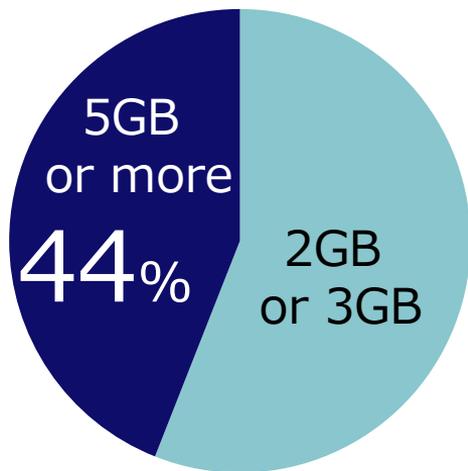


au Smartphone Penetration

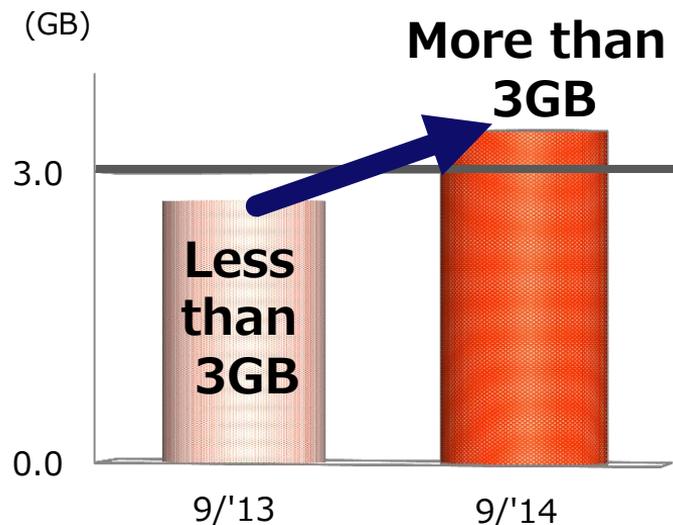


With Increasing Data Use, 44% Opting for 5GB or More

Flat Rate Selection^{Note1}



Data Volume/Month per LTE Smartphone^{Note2}

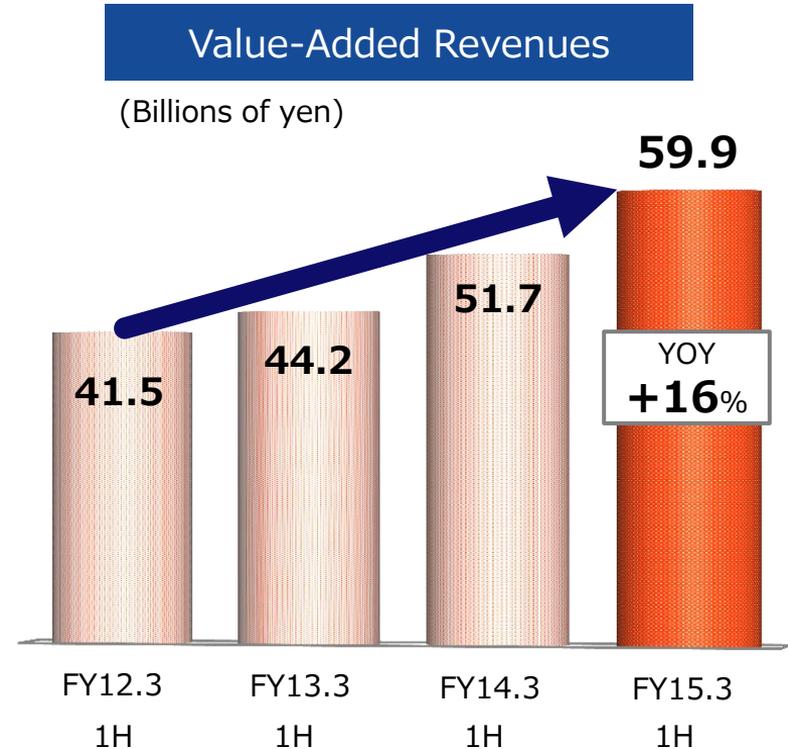


Note1) Personal Services basis. Customers opting for flat-rate data service as new rate plan (on cumulative basis as of September 30, 2014)

Note2) Consolidated basis. Volume of monthly data use per au LTE smartphone. Data volume does not include data offloading via Wi-Fi

Value-Added Revenues

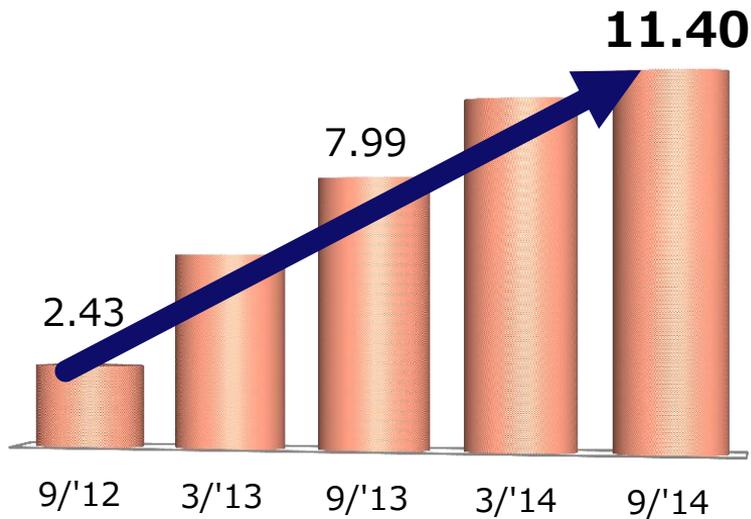
YOY +16%



au Smart Pass Driving Value-Added ARPU

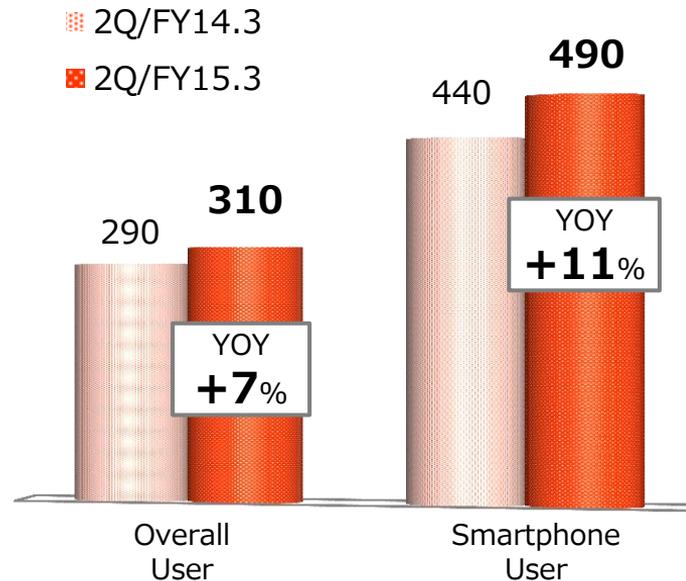
au Smart Pass Members

(Millions)



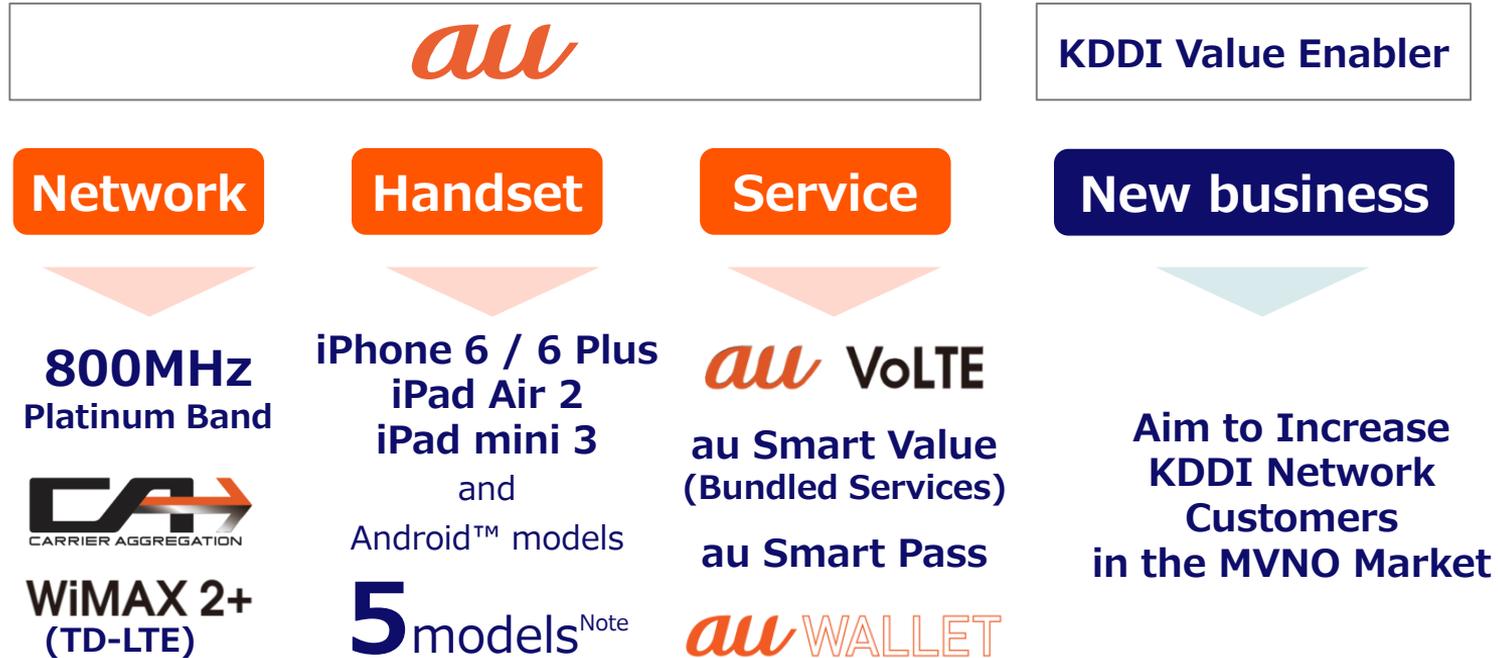
Value-Added ARPU

(Yen)



2. Targeting a New Stage

Enhanced Competitiveness Supporting “ID×ARPU” Expansion



Network

In Addition to Area Coverage, Boosting Competitiveness in Terms of Speed

FY2013

FY2014

FY2015

**Area
Coverage**
Population
coverage^{Note1}

au 4G LTE Population coverage^{Note1}
2014/3/14
99% achieved

**800MHz
Platinum Band**

Speed

Maximum
downlink
speed^{Note2}



150Mbps

225Mbps^{Note3}

(TD-LTE)

WiMAX 2+

110Mbps

220Mbps^{Note4}

**Leading
on
Speed**

*Models compatible with carrier aggregation (CA) and WiMAX 2+ can be used in certain areas

Note1) The "population coverage ratio" is calculated by using national census data and dividing the nation into 500m² sections. If coverage is possible in more than 50% of the locations within that grid square, the mesh square is considered to be covered

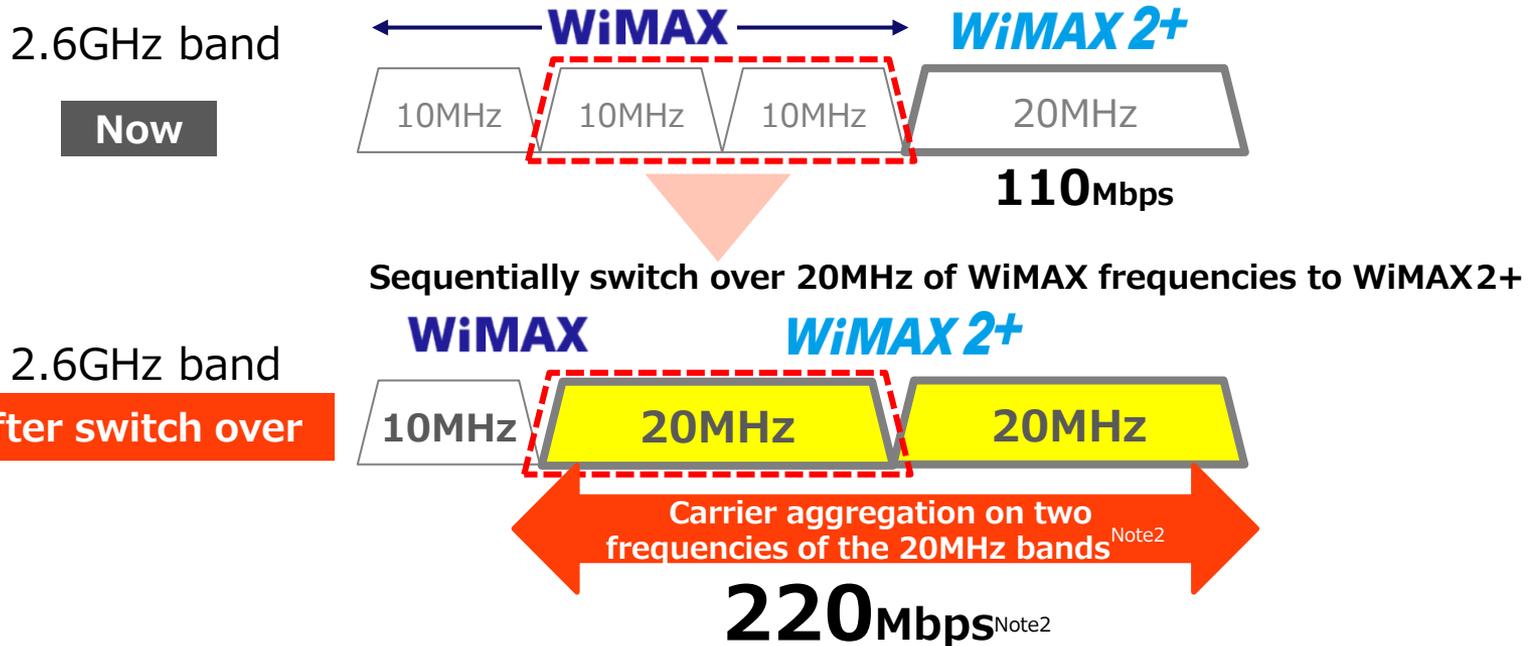
Note2) The speeds mentioned are the maximum speeds by technical standards and do not represent actual usage speeds. Even within the areas mentioned, the speed may slow down depending on the usage environment and traffic status. This is a best-effort service

Note3) Compatibility is slated to begin in certain areas for compatible models scheduled to be launched in the future. Carrier aggregation with a maximum downlink speed of 225Mbps will not be available in all areas covered by the 800MHz/2.1GHz frequencies

Note4) Compatibility is slated to begin in certain areas for compatible models scheduled to be launched in the future

Increasing Speed of UQ WiMAX 2+

Service with Maximum Downlink Speed^{Note1} of 220Mbps to Launch Next Spring



Note1) The speeds mentioned are the maximum speeds by technical standards and do not represent actual usage speeds. Even within the areas mentioned, the speed may slow down depending on the usage environment and traffic status. This is a best-effort service

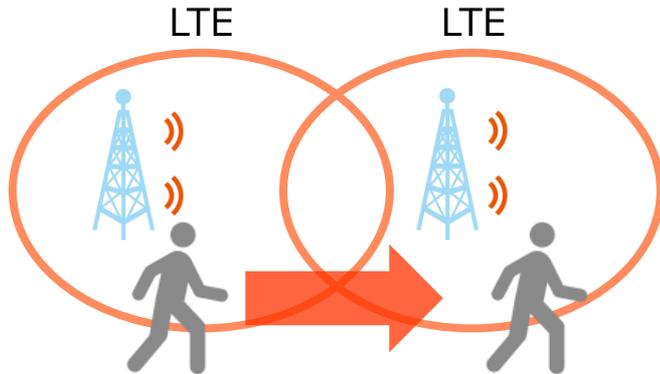
Note2) Compatibility is slated to begin in certain areas for compatible models scheduled to be launched in the future. A maximum downlink speed of 220Mbps is not available for Wi-Fi WALKER WiMAX 2+ HWD14/HWD15/NAD11. The maximum downlink speed for these models is 110Mbps

High-Quality LTE Network

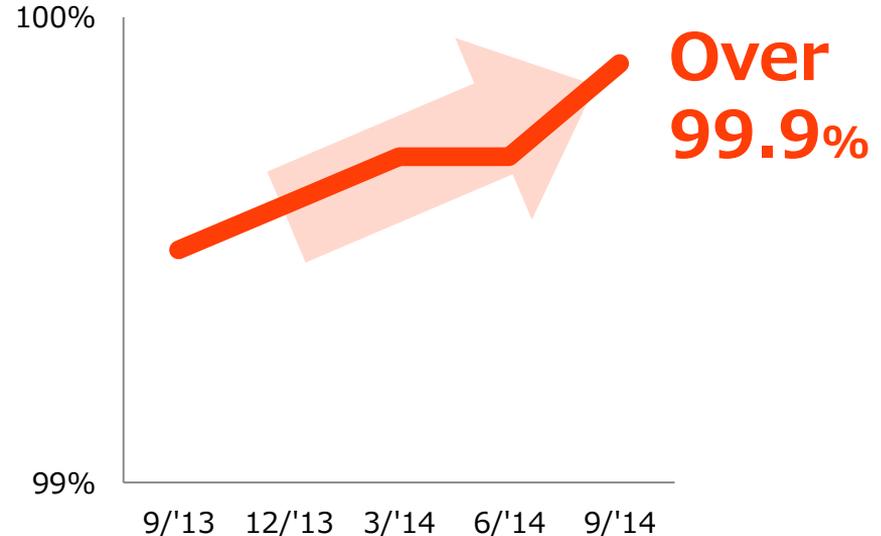
**Moving the LTE Uphold Rate to over 99.9%.
“Always Connected with 4G LTE”**

The LTE Uphold Rate

LTE uphold rate = The percentage of communications that end without having been handed down from LTE to 3G



LTE Uphold Rate



*Based on data the Company manages itself, KDDI calculates the LTE uphold rate as the percentage of data communications that end without having been handed down from LTE to 3G (managed data from all base stations)

*Models compatible with KDDI's 800MHz LTE are used in calculating the LTE uphold rate

Launch of New Services with VoLTE of High-Quality Voice Communications

High-Quality Voice Communications

Voice Frequency Range

50Hz-7kHz

au VoLTE

Previous

200Hz-3.4kHz

New Services^{Note1}

Screen Sync

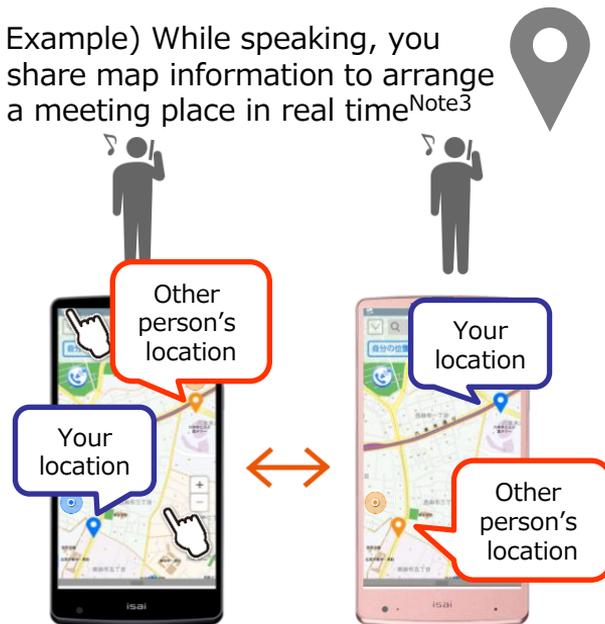
Handwriting Sync

Location Sync

Camera Sync

Voice Party^{Note2}

Example) While speaking, you share map information to arrange a meeting place in real time^{Note3}



*au VoLTE is available with compatible models. Communications with high voice quality are possible when both parties use compatible models (within the au 4G LTE area)

Note1) Service is scheduled to commence in February 2015 (some services excluded)

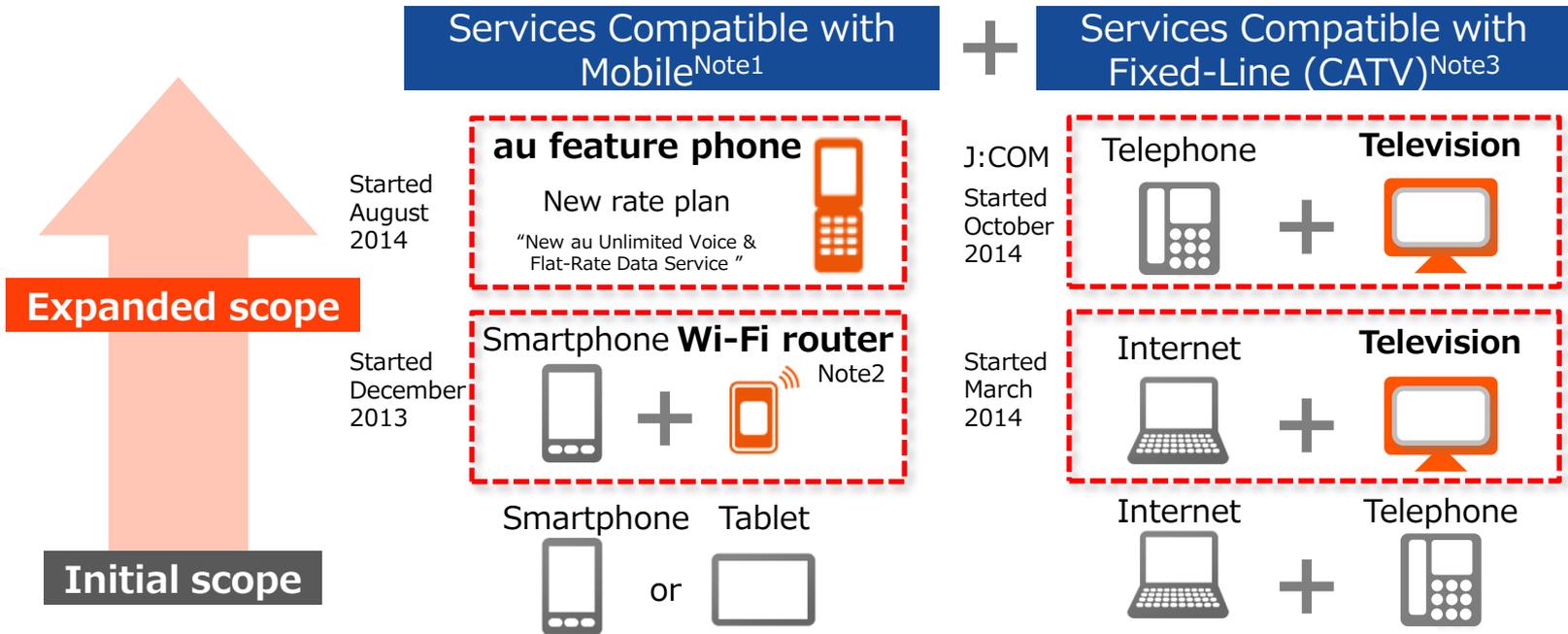
Note2) Service is scheduled to commence in early December 2014. Can be used for calls with up to 30 people. An optional subscription (paid) is required. Separate communication charges apply in accordance with call recipients (multiple people.) Parties receiving calls can also participate via other companies' mobile phones or fixed-lined telephones, etc.

Note3) Screens and video shots are samples. Can be used if both parties are using au VoLTE compatible models (one on one)

au Smart Value

(Bundled Services)

Expanded Applicable Conditions Allowing More People to Use



Note1) Discount amounts differ, depending on specified data communications service. In addition to family members with the same last name living at the same address, "au Smart Value" applicability has been expanded to include family members aged 50 or more living at different addresses since August 2014

Note2) For the "smartphone + Wi-Fi router" combination, application to "au Smart Value mine" is possible regardless of fixed-line use

Note3) au Smart Value set discount for "Internet" + "TV" does not apply for some CATV alliance partners. Also, for some CATV alliance partners the au Smart Value set discount is not available for "Internet" and "television" courses

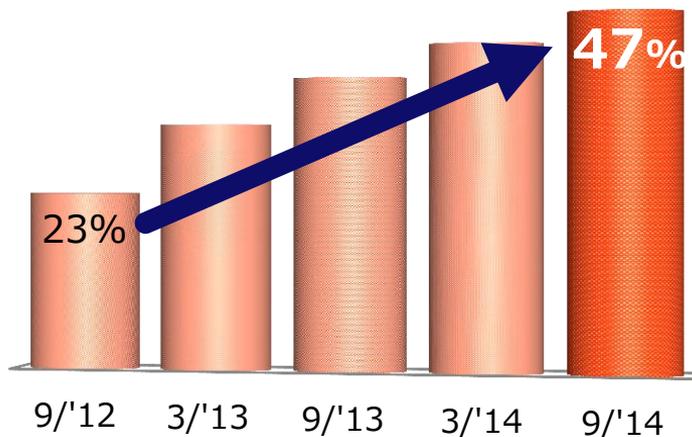
au Smart Value

(Bundled Services)

Bundling Penetrated to Around Half of Smartphone/FTTH Customers

Penetration for au Smartphone
Subscribers^{Note1}

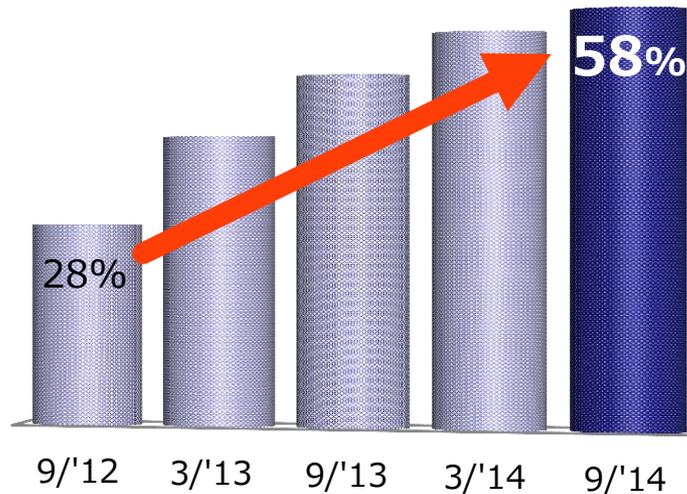
47% of au Smartphones



Note1) Percentage of au smartphone subscribers for au Smart Value

Penetration for FTTH
Subscribers^{Note2}

58% of au HIKARI



Note2) Percentage of au HIKARI subscribers for au Smart Value

In the First Five Months Since Service Launch, Number of Applications Already Exceed 6.6 Million



Use for Shopping
(Prepaid)

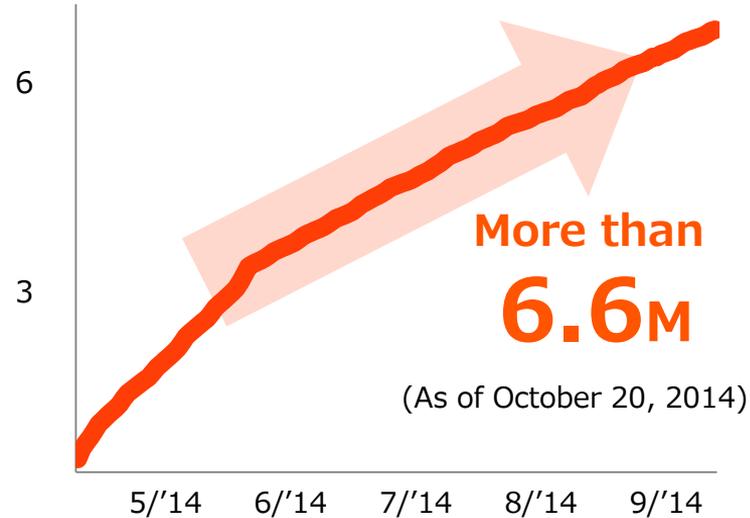


Reward Points
also Accumulate



au WALLET Cards Applications

(Millions)



au WALLET

Throughout Japan, Increasing the Number of Reward Point-Up Stores, Which Are Attractive for Customers



Aiming to Increase Transaction Volume by Providing Credit Card

au WALLET Card



Reward Point accumulation rate

Ordinarily, 1 point for every 200 yen



Reward Point accumulation rate

Ordinarily, 2 points for every 200 yen



More opportunities to accumulate reward points

(Such as for the payment of monthly
communication charges and utility fees)

NEW

au WALLET Credit Card Applications Accepted from October 28



Unveiling the “Syn.” Concept to Further Increase Customer Contact Points

With the “Syn.alliance” Federation, Creating a
“Portal without a Hub” as a Point of Entry for All Services



Syn.

Started in October 2014 with 12 Companies

Total monthly users, at

more than **41Millions**^{Note}

Jorte

natalie

B! はてなブックマーク

icon

合資会社
LUXA

weathernews

NAVITIME

ゲームギフト

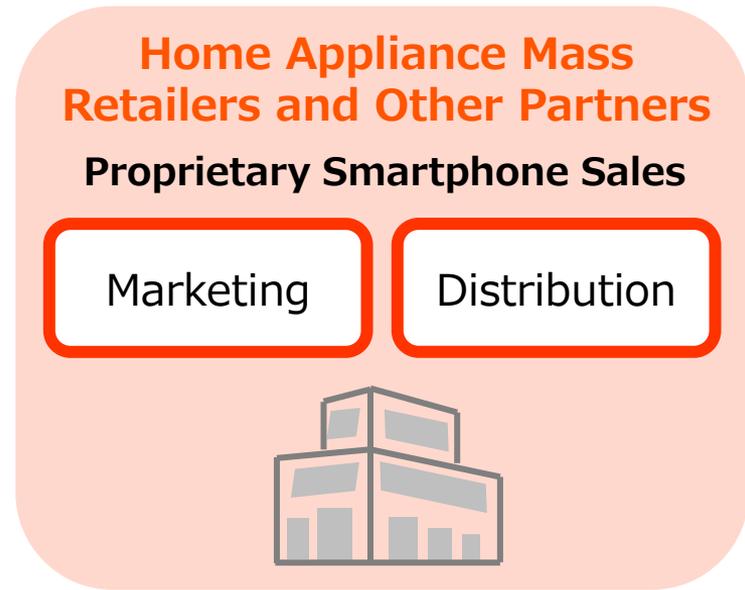
報道ヘッドライン

nanapi

@cosme

Qrank

Through KVE, Aim to Increase Number of KDDI Network Customers in the Expanding MVNO^{Note} Market



SIM Card Sales Reached 1 Million in September Alone

New Brand Unveiled in
September 2014



Summary

- **Consolidated Operating Income of ¥384.8 Billion for 1H of FY2015.3 (YOY+11%)**
- **By Sustaining au Momentum, Mobile Communications Revenues and Value-Added Revenues Rose Steadily**



Based on “ID×ARPU” Expansion, Making Steady Progress Toward Double-Digit Income Increase for Full Fiscal Year

■ Appendix

KPI

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| Segment | | | 3/'14 | 9/'14 | Change | 3/'15 (E) |
|-------------------|-----------------------------|------------|-------|-------|--------|-----------|
| Consolidated | au subscriptions | (Millions) | 40.52 | 41.60 | +1.07 | 43.17 |
| Personal Services | au subscriptions | (Millions) | 34.13 | 34.95 | +0.82 | 35.83 |
| | au smartphone penetration | (%) | 49.1% | 51.6% | +2.5pt | -- |
| | (Mobile) au Smart Value | (Millions) | 7.05 | 8.16 | +1.11 | -- |
| | (Fixed-Line) au Smart Value | (Millions) | 3.58 | 4.13 | +0.55 | -- |
| Value Services | au Smart Pass | (Millions) | 10.25 | 11.40 | +1.15 | -- |

| Segment | | | 2Q/FY14.3 | 2Q/FY15.3 | YOY | FY15.3(E) |
|-------------------|----------------------|------------|-----------|-----------|-------|-----------|
| Personal Services | au ARPU | (Yen) | 4,220 | 4,280 | +1.4% | 4,250 |
| | au churn rate | (%) | 0.65% | 0.63% | -- | -- |
| | Number of units sold | (Millions) | 2.52 | 2.43 | -3.6% | 10.50 |
| | of au smartphone | (Millions) | 1.98 | 1.93 | -2.5% | 8.67 |
| Value Services | Value-Added ARPU | (Yen) | 290 | 310 | +6.9% | -- |

Consolidated Financial Results

(Billions of yen)

| | 1H/FY14.3 | 1H/FY15.3 | YOY | Progress | FY15.3 (E) |
|--------------------|-----------|-----------|--------|----------|------------|
| Operating revenues | 2,053.8 | 2,131.9 | +3.8% | 46.3% | 4,600.0 |
| Operating income | 347.6 | 384.8 | +10.7% | 52.7% | 730.0 |
| Operating margin | 16.9% | 18.0% | -- | -- | 15.9% |
| Ordinary income | 352.1 | 387.3 | +10.0% | 52.7% | 735.0 |
| Net income | 163.0 | 231.4 | +41.9% | 54.6% | 424.0 |
| EBITDA | 600.9 | 650.2 | +8.2% | 50.9% | 1,278.0 |
| EBITDA margin | 29.3% | 30.5% | -- | -- | 27.8% |
| Free cash flow | 173.0 | 145.3 | -- | -- | 245.0 |

Financial Results by Segment

32

(Billions of yen)

| Segment | | 1H/FY14.3 | 1H/FY15.3 | YOY | Progress | FY15.3 (E) |
|-------------------|--------------------|-----------|-----------|--------|----------|------------|
| Personal Services | Operating revenues | 1,603.4 | 1,642.5 | +2.4% | 46.1% | 3,560.0 |
| | Operating income | 260.7 | 305.0 | +17.0% | 54.5% | 560.0 |
| | Operating margin | 16.3% | 18.6% | -- | -- | 15.7% |
| | EBITDA | 479.0 | 532.5 | +11.2% | 51.9% | 1,026.0 |
| | EBITDA margin | 29.9% | 32.4% | -- | -- | 28.8% |
| Value Services | Operating revenues | 99.8 | 114.3 | +14.6% | 47.6% | 240.0 |
| | Operating income | 27.2 | 30.3 | +11.1% | 53.1% | 57.0 |
| | Operating margin | 27.3% | 26.5% | -- | -- | 23.8% |
| | EBITDA | 33.3 | 36.7 | +10.4% | 51.0% | 72.0 |
| | EBITDA margin | 33.3% | 32.1% | -- | -- | 30.0% |

Financial Results by Segment

33

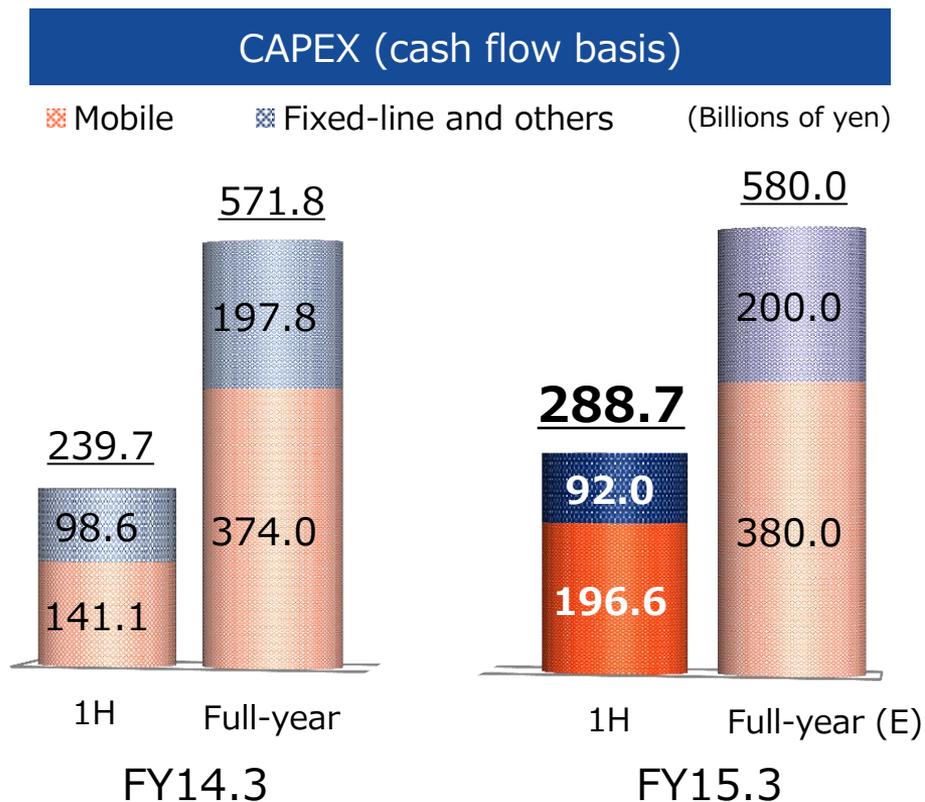
(Billions of yen)

| Segment | | 1H/FY14.3 | 1H/FY15.3 | YOY | Progress | FY15.3 (E) |
|-------------------|--------------------|-----------|-----------|--------|----------|------------|
| Business Services | Operating revenues | 322.1 | 327.2 | +1.6% | 47.4% | 690.0 |
| | Operating income | 50.6 | 40.3 | -20.4% | 44.8% | 90.0 |
| | Operating margin | 15.7% | 12.3% | -- | -- | 13.0% |
| | EBITDA | 71.6 | 62.3 | -13.0% | 45.5% | 137.0 |
| | EBITDA margin | 22.2% | 19.0% | -- | -- | 19.9% |
| Global Services | Operating revenues | 123.3 | 137.9 | +11.9% | 44.5% | 310.0 |
| | Operating income | 4.7 | 5.2 | +10.9% | 37.3% | 14.0 |
| | Operating margin | 3.8% | 3.8% | -- | -- | 4.5% |
| | EBITDA | 12.3 | 13.8 | +12.5% | 43.3% | 32.0 |
| | EBITDA margin | 10.0% | 10.0% | -- | -- | 10.3% |

Capital Expenditures

1H/FY15.3
¥288.7B

YOY +¥48.9B
 Progress Rate 49.8%



Designing The Future

KDDI