

# Performance / Operation

# Performance Analysis for the Fiscal Year Ended March 31, 2013

## 5 year Summary (Years ended March 31)

| Consolidated | 2009 | 2010 | 2011 | 2012 | 2013 (Millions of yen) | 2013 (Millions of U.S dollars*1) |
|---|---|---|---|---|---|---|
| Operating Revenues | ¥3,497,509 | ¥3,442,147 | ¥3,434,546 | ¥3,572,098 | ¥3,662,289 | $38,940 |
| Telecommunications Business | 2,720,675 | 2,606,165 | 2,489,403 | 2,394,136 | 2,432,726 | 25,866 |
| Other Business | 776,834 | 835,982 | 945,143 | 1,177,962 | 1,229,562 | 13,073 |
| Operating Income | 443,207 | 443,862 | 471,912 | 477,648 | 512,669 | 5,451 |
| Net Income | 222,736 | 212,764 | 255,122 | 238,605 | 241,470 | 2,567 |
| EBITDA | 904,030 | 927,253 | 936,315 | 908,499 | 959,571 | 10,203 |
| Operating Income Margin | 12.7% | 12.9% | 13.7% | 13.4% | 14.0% | 14.0% |
| EBITDA Margin | 25.8% | 26.9% | 27.3% | 25.4% | 26.2% | 26.2% |
| Total Assets | 3,429,133 | 3,819,537 | 3,778,918 | 4,004,009 | 4,084,999 | 43,434 |
| Interest-bearing Debt | 874,951 | 1,096,778 | 979,630 | 1,046,754 | 977,563 | 10,394 |
| Total Net Assets | 1,881,329 | 2,078,451 | 2,171,839 | 2,128,625 | 2,323,363 | 24,703 |
| Net Cash Provided by (Used in) Operating Activities | 712,231 | 739,992 | 717,354 | 725,886 | 523,908 | 5,571 |
| Net Cash Provided by (Used in) Investing Activities | (775,470) | (924,442) | (440,546) | (484,507) | (472,992) | (5,029) |
| Free Cash Flows | (63,240) | (184,450) | 276,808 | 241,379 | 50,916 | 541 |
| Net Cash Provided by (Used in) Financing Activities | 191,490 | 149,239 | (279,998) | (225,931) | (140,250) | (1,491) |
| Per Share Data*2 (Yen and U.S. Dollars): | | | | | | |
| Net Income | 249.87 | 238.84 | 290.75 | 290.58 | 315.90 | 3.36 |
| Diluted Net Income | — | — | — | 283.34 | 289.26 | 3.08 |
| Cash Dividends | 55 | 65 | 70 | 80 | 90 | 0.96 |
| Total Net Assets | 2,066.70 | 2,265.02 | 2,476.93 | 2,696.03 | 2,943.12 | 31.29 |

*1 U.S. dollar amounts are translated into yen, for convenience only, at the rate of ¥94.05 = U.S.$1 on March 31, 2013.
*2 KDDI implemented a stock split at a ratio of 100 shares for 1 share of common stock with an effective date of October 1, 2012. Further, KDDI implemented a stock split at a ratio of 2 shares for 1 share of common stock with an effective date of April 1, 2013. The cash dividends amount reflects the two above-mentioned stock splits. Also, amounts for previous fiscal years have been adjusted to reflect the stock splits.

| Selected Financial Indicators | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|
| Equity Ratio (%) | 53.7 | 52.8 | 55.7 | 51.5 | 55.1 |
| D/E Ratio (Times) | 0.48 | 0.54 | 0.47 | 0.51 | 0.43 |
| ROE (%) | 12.6 | 11.0 | 12.4 | 11.5 | 11.2 |
| ROA (%) | 14.1 | 12.2 | 12.4 | 12.3 | 12.7 |
| Total Assets Turnover Ratio (Times) | 1.1 | 0.9 | 0.9 | 0.9 | 0.9 |
| Shareholders' Equity Turnover Ratio (Times) | 2.0 | 1.8 | 1.7 | 1.7 | 1.7 |
| Current Ratio (%) | 122.5 | 118.0 | 153.5 | 135.2 | 142.6 |
| Fixed Assets to Equity (%) | 139.0 | 146.2 | 135.3 | 139.1 | 126.0 |
| Fixed Assets to Long-term Capital (%) | 95.5 | 97.6 | 91.7 | 92.6 | 90.4 |
| Liquidity In-hand (Times) | 0.7 | 0.6 | 0.6 | 0.6 | 0.3 |
| Interest Coverage Ratio (Times) | 60.6 | 59.7 | 51.1 | 56.3 | 46.7 |
| Dividend Payout Ratio (%) | 22.0 | 27.2 | 24.1 | 27.5 | 28.5 |

Equity ratio = Shareholders' equity (end of fiscal year) ÷ total assets (end of fiscal year)
D/E ratio = Interest-bearing debt (end of fiscal year) ÷ shareholders' equity (end of fiscal year)
ROE = Net income ÷ average shareholders' equity over fiscal year
ROA = Operating income ÷ average total assets over fiscal year
Total assets turnover ratio = Operating revenues ÷ average total assets over fiscal year
Shareholders' equity turnover ratio = Operating revenues ÷ average shareholders' equity over fiscal year
Current ratio = Current assets (end of fiscal year) ÷ current liabilities (end of fiscal year)
Fixed assets to equity = Fixed assets (end of fiscal year) ÷ total shareholders' equity (end of fiscal year)
Fixed assets to long-term capital = Fixed assets (end of fiscal year) ÷ (total shareholders' equity (end of fiscal year) + noncurrent liabilities (end of fiscal year))
Liquidity in-hand = Liquidity in-hand (cash + marketable securities among the current assets) ÷ (operating revenues ÷ 12)
Interest coverage ratio = Operating cash flows ÷ interest payments
Dividend payout ratio = Annual dividend amounts ÷ net income

Note: Shareholders' equity = Net assets – subscription rights to shares – minority interests

## Analysis of Statements of Income

### Operating Revenues

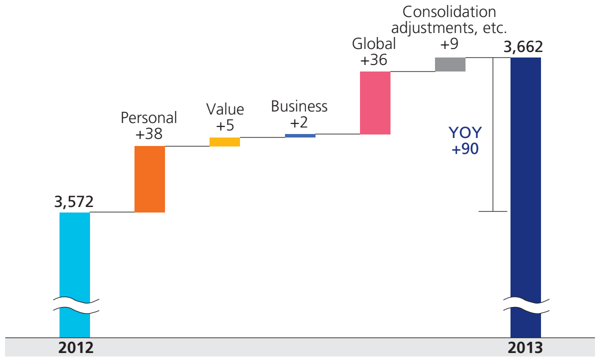
(Billions of yen)

Year on Year

**2.5% up**

¥3,662.3 billion

In the Personal Services segment, which accounts for three quarters of operating revenues, au ARPU bottomed out on a monthly basis, and revenues from handset sales increased, leading to a ¥38.4 billion year on year rise in revenues. Revenues also grew ¥35.7 billion year on year in the Global Services segment, owing to higher revenues from existing overseas subsidiaries and the effect of consolidating new subsidiaries. As a result, operating revenues expanded 2.5%.



(Years ended March 31)

### Operating Income

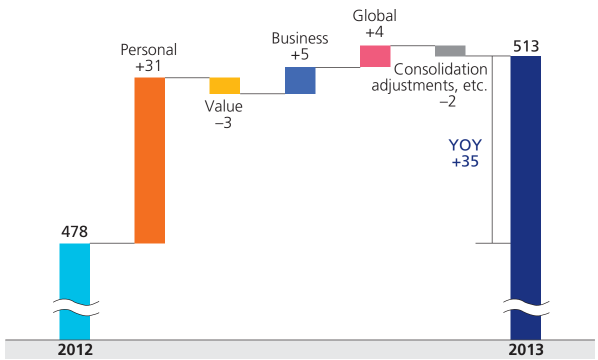
(Billions of yen)

Year on Year

**7.3% up**

¥512.7 billion

In the Personal Services segment, which accounts for three quarters of operating income, income rose ¥31.4 billion year on year, despite up-front investment cost for the "3M Strategy." This increase was due to (1) an improvement in the amount of the decline in mobile communications revenues, (2) higher fixed-line communications revenues, mainly owing to an increase in FTTH subscriptions, and (3) the elimination of bandwidth reorganization costs. As the other three segments contributed a total of ¥5.8 billion in additional income during the year, operating income grew by a total of 7.3% year on year.



(Years ended March 31)

### Net Income

Year on Year

**1.2% up**

¥241.5 billion

Net income rose 1.2% year on year, bolstered by an increase in operating income and a decrease in income taxes due to revisions in the tax code, although extraordinary losses rose ¥89.7 billion year on year. Extraordinary losses stemmed from an impairment loss and loss on retirement of noncurrent assets owing to the conclusion of service on the former 800MHz frequency facilities, as well as impairment losses on idle and legacy service facilities.

### Dividends per Share*3

Year on Year

**¥10 up**

¥90

We awarded full-year cash dividends per share of ¥90, up ¥10 year on year, amounting to a consolidated payout ratio of 28.5%. Our dividend policy is to raise the consolidated payout ratio above 30% while taking into consideration the investments necessary to achieve growth and ensure stable business operations, and we plan to continue raising dividends through synergy between raising the consolidated payout ratio and increasing earnings per share in line with increased operating income.

*3 KDDI implemented a stock split at a ratio of 100 shares for 1 share of common stock with an effective date of October 1, 2012. Further, KDDI implemented a stock split at a ratio of 2 shares for 1 share of common stock with an effective date of April 1, 2013. The cash dividends amount reflects the two above-mentioned stock splits.

# Analysis of Balance Sheets

## Total Assets

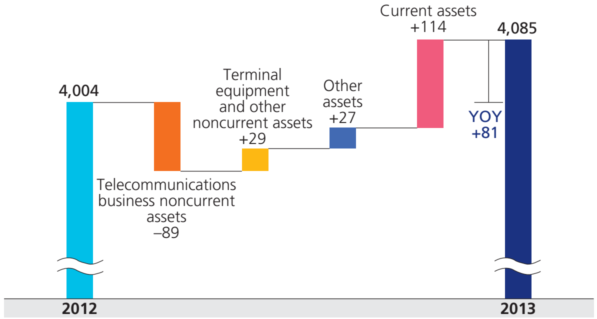
(Billions of yen)

Year on Year

**¥81.0 billion up**

¥4,085.0 billion

Telecommunications business noncurrent assets decreased, owing to an impairment loss stemming from the conclusion of service on the former 800MHz frequency facilities in line with bandwidth reorganization, as well as depreciation. However, accounts receivable—trade rose due to higher installment sales of au mobile phone handsets, boosting total assets ¥81.0 billion year on year.




(Years ended March 31)

## Total Net Assets

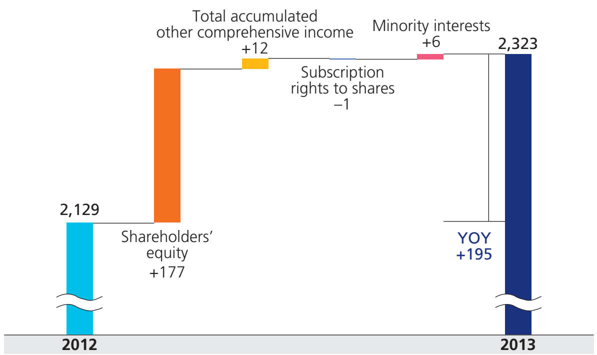
(Billions of yen)

Year on Year

**¥194.7 billion up**

¥2,323.4 billion

Shareholders' equity expanded in line with a rise in retained earnings; total accumulated other comprehensive income grew due to an increase in the foreign currency translation adjustment, resulting from the translation to yen of overseas subsidiaries' assets and liabilities; and minority interests increased. As a result, net assets expanded ¥194.7 billion year on year.




(Years ended March 31)

## Interest-bearing Debt

Year on Year

**¥69.2 billion down**

¥977.6 billion

We raised funds through loans but at the same time repaid bonds payable and long-term loans payable, resulting in a ¥69.2 billion decrease in interest-bearing debt.

The balance of interest-bearing debt as of March 31, 2013 includes ¥200.7 billion in convertible bond-type bonds with subscription rights to shares issued in the fiscal year ended March 31, 2012.

## D/E Ratio

Year on Year

**0.08 pt. down**

0.43 time

We paid down bonds payable and long-term loans payable, causing interest-bearing debt to decline, while net assets rose due to higher retained earnings. The D/E ratio consequently decreased 0.08 percentage point.

## Analysis of Capital Expenditures and Free Cash Flows

### Capital Expenditures

Mobile

Year on Year

**¥34.0 billion up**

¥338.2 billion

Fixed-line

Year on Year

**¥12.4 billion up**

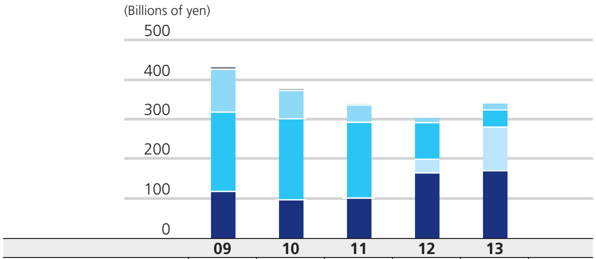
¥128.0 billion

Consolidated capital expenditures rose ¥45.5 billion compared with the fiscal year ended March 31, 2012, to ¥467.0 billion.

In the mobile area, this investment chiefly went toward the expansion of base station facilities to raise communication quality and expand our service area. During the fiscal year ended March 31, 2013, we made aggressive LTE-related investments, causing capital expenditures in the mobile business to increase ¥34.0 billion year on year, to ¥338.2 billion.

In the fixed-line area, principal investments were related to the FTTH business and for the expansion of the overseas data center business. During the year, expenditures increased in line with a rise in FTTH subscriptions and spending on communication infrastructure, such as transmission circuits and base station facilities, to increase capacity. Consequently, in the fixed-line business capital expenditures rose ¥12.4 billion year on year, to ¥128.0 billion.

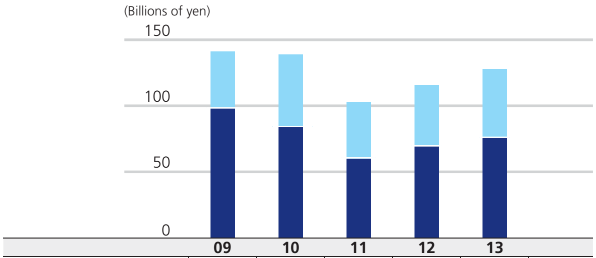
#### Mobile




| | 09 | 10 | 11 | 12 | 13 |
|---|---|---|---|---|---|
| Former 800MHz | 6 | 1 | 1 | 0 | 0 |
| 2GHz | 107 | 74 | 44 | 11 | 14 |
| New 800MHz (excluding LTE) | 200 | 204 | 191 | 93 | 43 |
| LTE | — | — | — | 34 | 110 |
| Common Equipment | 119 | 97 | 103 | 165 | 172 |
| Total | 432 | 377 | 339 | 304 | 338 |

(Years ended March 31)

#### Fixed-line




| | 09 | 10 | 11 | 12 | 13 |
|---|---|---|---|---|---|
| FTTH | 43 | 55 | 43 | 46 | 52 |
| Other | 98 | 84 | 60 | 70 | 76 |
| Total | 141 | 139 | 103 | 116 | 128 |

(Years ended March 31)

### Free Cash Flows

Year on Year

**¥190.5 billion down**

¥50.9 billion

Net cash provided by operating activities came to ¥523.9 billion, affected by an increase* in income taxes paid and higher installment sales receivables stemming from the rise in smartphone sales.

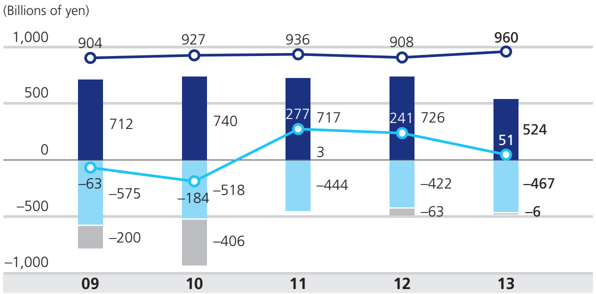
Net cash used in investing activities totaled ¥473.0 billion, due in part to increased capital expenditures.

As a result of the above-mentioned factors, free cash flow was ¥50.9 billion, down ¥190.5 billion.

* The liquidation of the intermediate holding company of J:COM caused a decrease in income taxes paid of approximately ¥100.0 billion in the fiscal year ended March 31, 2012. In the fiscal year ended March 31, 2012, income taxes paid increased by approximately ¥50.0 billion.

#### Free Cash Flows

(Billions of yen)




(Years ended March 31)

- Free Cash Flows
- Net Cash Provided by (Used in) Operating Activities
- Capital Expenditures
- Other Net Cash Provided by (Used in) Investing Activities
- EBITDA

# FAQ about Operating and Financial Results

Years ended March 31

For the convenience of shareholders and investors, we have assembled the below summary of frequently asked questions (FAQ.) We hope the readers will find this information useful.

## QUESTION 1

### au ARPU bottomed out on a monthly basis in February 2013. How do you see this trend going forward?

We expect the rate of decline in voice ARPU to ease. The reason is that while minutes of use (MOU) billed has continued to fall, the penetration rate on "Simple Cource" pricing, the main factor that has been holding down voice ARPU, has reached 95%. Meanwhile, the penetration rate for smartphones as of March 31, 2013 was only around 40%, and we believe data ARPU will continue rising in line with a steady increase in smartphone penetration.

The amount of discount applied*1 has continued to rise in line with the increasing adoption of "au Smart Value." However, we should be able to control the level of the monthly discount, "Maitsuki Discount," which accounts for the majority of the current discount.

During the fiscal year ended March 31, 2013, au ARPU was down 7.7% year on year, but in the fiscal year ending March 31, 2014, we believe the year-on-year decline will narrow to 2.9%. Our goal is to achieve a year-on-year upturn in the fourth quarter of the fiscal year ending March 31, 2014.

Breakdown of au ARPU (Personal Services)

| | FY2013.3 | | FY2014.3 | |
|---|---|---|---|---|
| | Results | YOY change | Forecasts | YOY change |
| au ARPU | ¥4,180 | −7.7% | ¥4,060 | −2.9% |
| Voice ARPU | ¥1,980 | −12.0% | ¥1,860 | −6.1% |
| Data ARPU | ¥2,850 | +13.5% | ¥3,150 | +10.5% |
| Amount of Discount Applied*1 | −¥650 | −182.6% | −¥950 | −46.2% |

*1 Total discount effect of "au Smart Value" and "Maitsuki Discount"

## QUESTION 2

### How will you achieve your objective of "double-digit annual growth in consolidated operating income?"

Our target for operating income in the fiscal year ending March 31, 2014 is ¥630.0 billion, which amounts to a year-on-year increase of ¥117.3 billion, or 23%. We expect this figure to rise because we anticipate that total communications revenues to grow substantially, by ¥75.6 billion. There are two reasons for this on the sales front in the Personal Services segment. First, we expect mobile communications revenues to increase for the first time in five fiscal years, rising ¥43.6 billion. Second, we anticipate a ¥32.0 billion rise in fixed-line communications revenues, stemming mainly from growth in FTTH subscriptions. In the Personal Services segment, the conclusion of service on the 800MHz bandwidth reorganization costs, which will reduce operating expenses by ¥18.0 billion. Also, the impact of having consolidated J:COM in the fiscal year ending March 31, 2014 should add ¥60.0 billion.

To achieve growth over the medium term, we will expand our customer base for both mobile and fixed-line services through the stable competitiveness of "au Smart Value." Also, we expect mobile ARPU to bottom out year on year beginning in the fiscal year ending March 31, 2014. Consequently, we aim to raise communications revenues further. At the same time, we will leverage "au Smart Pass" to expand our upper layer business, boosting value-added revenues.

Furthermore, in addition to domestic business based on the "3M Strategy," we will put in place pillars of growth for our global business. As a result, we are targeting double-digit annual growth in consolidated operating income for the next three years.

Forecast for the Fiscal Year Ending March 31, 2014

**Consolidated operating income: up 23%**

Goal Leading Up to the Fiscal Year Ending March 31, 2016

**Consolidated operating income: Double-digit annual growth rate**




## QUESTION 3

### What are the reasons for changes in free cash flows (FCFs) in the fiscal year ended March 31, 2013, and in the fiscal year ending March 31, 2014?

During the fiscal year ended March 31, 2013, EBITDA rose ¥51.1 billion, but (1) installment sales receivables increased in line with higher smartphone sales and (2) income taxes paid*2 and capital expenditures rose, causing FCF to decrease ¥190.5 billion year on year, to ¥50.9 billion.

We expect to raise our level of capital expenditures by ¥23.0 billion in the fiscal year ending March 31, 2014, but we anticipate a ¥55.4 billion rise in EBITDA and a ¥90.0 billion impact from the consolidation of J:COM in the fiscal year ending March 31, 2014. FCF should therefore rise ¥219.1 billion year on year, to ¥270.0 billion.

*2 The liquidation of the intermediate holding company of J:COM caused a decrease in income taxes paid of approximately ¥100.0 billion in the fiscal year ended March 31, 2012. In the fiscal year ended March 31, 2012, income taxes paid increased by approximately ¥50.0 billion.

**Free Cash Flows (FCFs)**

(Billions of yen)

| | FY2013.3 | | FY2014.3 | | |
|---|---|---|---|---|---|
| | Results | YOY change | Forecasts | YOY change | Of which, impact of J:COM |
| FCFs | 50.9 | – 190.5 | 270.0 | +219.1 | +90.0 |
| EBITDA | +959.6 | +51.1 | +1,160.0 | +200.4 | +145.0 |
| Capital Expenditures | – 467.0 | – 45.5 | – 550.0 | – 83.0 | – 60.0 |
| Income Taxes Paid | – 218.4 | – 163.1*2 | | | |
| Increase (Decrease) in Accounts Payable–trade | – 10.3 | – 33.7 | – 340.0 | +101.7 | +5.0 |
| Other | – 213.0 | +0.7 | | | |

## QUESTION 4

### What is your redemption schedule for euro zero-coupon convertible bonds?

These convertible bonds mature in 2015, but they have a 120% call option rider attached. Therefore, they can be redeemed earlier—at the Company's discretion—if exercise conditions are met.

As a condition for exercising the 120% call option, the closing price must exceed the conversion price by 120%, or ¥3,440*3, during 20 continuous trading days after August 20, 2013.

If exercised on the shortest possible schedule, an exercise notice would be submitted to bondholders within 30 days after the end of the share price calculation period, with the bond redemption completed on December 16, 2013.

*3 Adjusted price reflecting a stock split at a ratio of 100 shares for 1 share of common stock with an effective date of October 1, 2012 and a stock split at a ratio of 2 shares for 1 share of common stock with an effective date of April 1, 2013.

*4 The maximum number of shares delivered to holders of convertible bonds would be approximately 69.8 million shares (7.8% of shares issued and outstanding.)

**If the 120% Call Option Is Exercised on the Shortest Possible Schedule**

Redemption Complete

Share Price Calculation Period
(20 consecutive trading days)

Exercise Notification to Bondholders
(Within 30 days after completion of share price calculation period)

Redemption Date
(Between 30 and 60 days following the exercise notification)

August 20 — September 17 — October 17 — December 16

# Performance Analysis for the Fiscal Year Ended March 31, 2013 by Segment

## Segments at a Glance

From the fiscal year ended March 2013, KDDI has realigned its reportable segments into new segments based on management resource allocation and financial results evaluation in accordance with management's approach.

The Personal Services segment, which provides mobile and fixed-line services for households and consumers, accounts for more than 70% of operating revenues and operating income.

Overview

### Personal Services Segment

**Provision of communications services for households and individuals**

This segment provides mobile and fixed-line communications services to individual customers. The segment's main activities are the provision of "au" brand mobile communication services and the sale of mobile handsets. In addition, in fixed-line communications we provide "au HIKARI" brand FTTH and CATV services.

### Value Services Segment

**Provision of content and settlement services for households and individuals**

In this segment, we provide individual customers with content, settlement and other services. We are also reinforcing our Multi-device and Multi-network initiatives, and creating environments to facilitate more convenient and confortable use of value-added services.

### Business Services Segment

**Provision of communications and solution / cloud services for companies**

In this segment, which targets corporate customers ranging from small and medium-sized businesses to major corporations, we propose cloud-based solutions that seamlessly integrate mobile handsets such as smartphones, tablets, and networks, as well as applications.

### Global Services Segment

**Provision of communications and solution / cloud services for companies and individuals overseas**

Centered on our "TELEHOUSE" data centers, this segment provides corporate customers with one-stop ICT solutions. We are also making proactive forays into the Internet business in emerging markets, as well as the MVNO business targeting immigrants in the United States, and other consumer businesses. Furthermore, we provide international voice traffic transmission services for more than 600 telecommunications providers throughout the world.

### Other

**Communications facility construction as well as maintenance, call centers, R&D, etc.**

| Operating Revenue | Operating Income | EBITDA |
|---|---|---|
| 71% ¥2,838.0 billion YOY 1.4%up | 74% ¥378.6 billion Operating Income Margin 13.3% YOY 9.0%up | 78% ¥751.0 billion EBITDA Margin 26.5% YOY 5.3%up |
| 4% ¥141.9 billion YOY 4.0%up | 8% ¥41.9 billion Operating Income Margin 29.5% YOY 5.7%down | 5% ¥51.8 billion EBITDA Margin 36.5% YOY 1.4%up |
| 16% ¥638.3 billion YOY 0.4%up | 16% ¥79.8 billion Operating Income Margin 12.5% YOY 6.4%up | 13% ¥128.8 billion EBITDA Margin 20.2% YOY 4.6%up |
| 5% ¥207.3 billion YOY 20.8%up | 2% ¥7.8 billion Operating Income Margin 3.8% YOY 83.4%up | 2% ¥21.3 billion EBITDA Margin 10.3% YOY 55.3%up |
| 4% ¥144.2 billion | 1% ¥4.9 billion | 1% ¥6.6 billion |

## Analysis by Segment

# Personal Services Segment

### Overview of Operations

During the fiscal year ended March 31, 2013, operating revenues increased 1.4%, to ¥2,838.0 billion. This result stemmed from (1) an improvement in the downward trend of mobile communications revenues and (2) an increase in fixed-line communications revenues, mainly due to FTTH net additions, pushing up communications revenues.

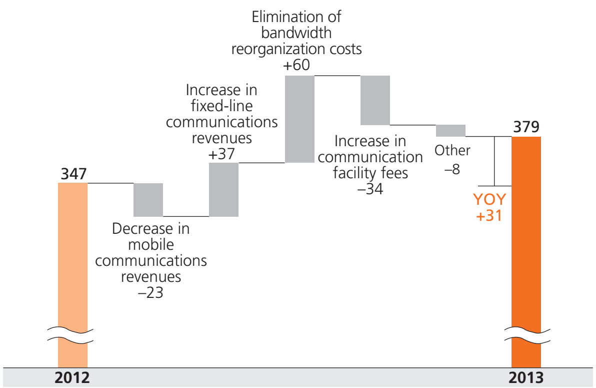
Operating expenses, meanwhile, rose 0.3%, to ¥2,459.4 billion. Although bandwidth reorganization costs were eliminated during the year under review, communication facility fees increased for purposes such as offloading data to WiMAX circuits, and the Company incurred up-front costs in relation to the "3M Strategy."

Operating income consequently increased 9.0% year on year, to ¥378.6 billion.

In the fiscal year ending March 31, 2014, we expect mobile communications revenues to rise for the first time in five fiscal years and anticipate that fixed-line communications revenues will continue to grow, boosting income. Owing to these factors, plus the impact of the J:COM consolidation and the eliminated of bandwidth reorganization costs, we forecast a ¥106.4 billion increase in operating income.

#### Factors Affecting Operating Income

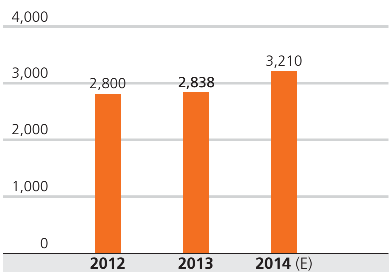
(Billions of yen)




(Years ended March 31)

#### Operating Revenues

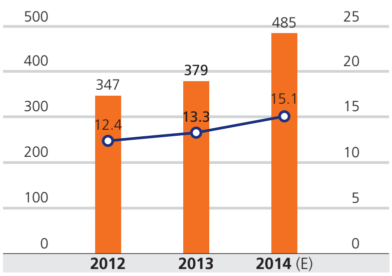
(Billions of yen)




(Years ended March 31)

#### Operating Income / Operating Income Margin

(Billions of yen) (%)



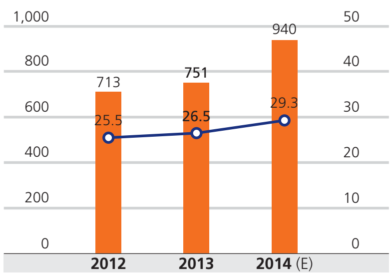

(Years ended March 31)

Operating Income (left)

Operating Income Margin (right)

#### EBITDA / EBITDA Margin

(Billions of yen) (%)




(Years ended March 31)

EBITDA (left)

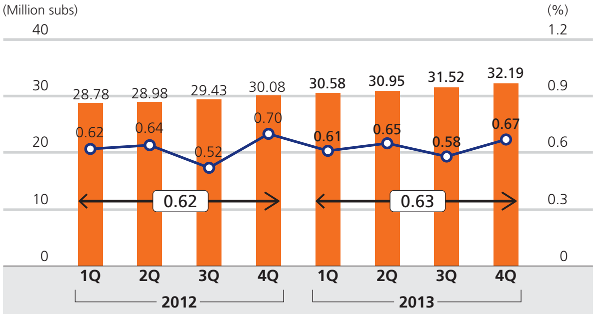
EBITDA Margin (right)

### au Subscriptions / au Churn Rate

The net addition in au subscriptions outpaced our initial expectations of 1.92 million subscriptions by 190,000, amounting to 2.11 million subscriptions, thanks to robust sales of smartphones, centering on "au Smart Value." As a result, total subscriptions numbered 32.19 million as of March 31, 2013, up 7.0% from March 31, 2012.

The au churn rate was the lowest level in the industry, at 0.63%, with low levels continuing on from the fiscal year ended March 31, 2012.

(Million subs) (%)




(Years ended March 31)

Total Subscriptions at the End of Each Quarter (left)

au Churn Rate (right)

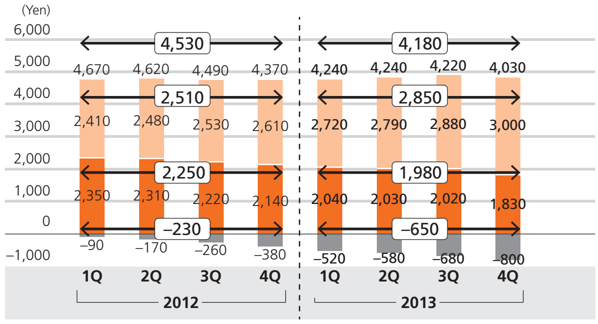
Explanation on P.38 "Overview of Operations"

## au ARPU

Voice ARPU declined 12.0% year on year, to ¥1,980, affected by the transition to inexpensive "Simple Course" pricing and the introduction of other pricing measures, a decrease in MOU billed, and the impact of access charge revisions.

Data ARPU grew 13.5% year on year, to ¥2,850, due to an increase in the number of smartphone users. The amount of discount applied was ¥650, up ¥420, owing to the spread of "Maitsuki Discount (Monthly Discount)" in line with the increase in smartphone sales.

As a result, au ARPU amounted to ¥4,180, which was down 7.7% year on year but ¥20 above our initial forecast. In the fiscal year ending March 31, 2014, we expect the rate of year-on-year decrease in au ARPU to fall to 2.9%.




(Years ended March 31)

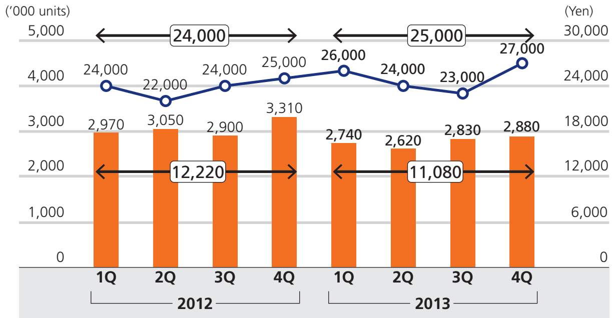
Data ARPU
Voice ARPU (Before application of discount)
Amount of Discount Applied
(Total discount effect of "au Smart Value" and "Maitsuki Discount")

## au Handset Units Sold / au Sales Commissions

au handset sales fell 9.3% year on year, to 11.08 million units. Although robust demand for new smartphones drove up new unit sales substantially, sales for handset upgrades compatible with the new bandwidth in line with the bandwidth reorganization dropped sharply after this transition was completed in July 2012.

au sales commissions increased ¥1,000 year on year, to ¥25,000. We raised sales commissions to increase their weight of discounted handset sales, thereby controlling to a lower level the "Maitsuki Discount (Monthly Discount)," which suppresses future earnings. Another reason was to attract customers amid increasing competition, centering on MNP.

In the fiscal year ending March 31, 2014, we expect au sales commissions to increase ¥2,000, to ¥27,000, as we hold down the level of "Maitsuki Discount (Monthly Discount) in anticipation of au ARPU bottoming out and turning upward. Despite this increase, we expect total selling costs to fall.



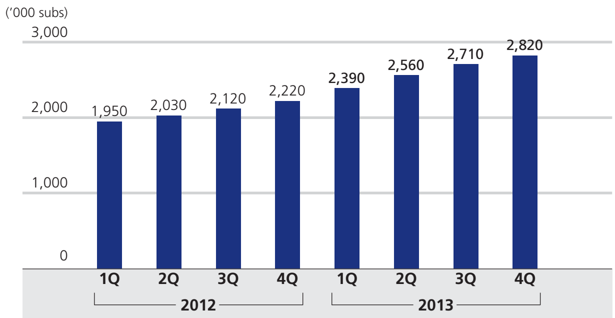

(Years ended March 31)

au Handset Units Sold (left)
au Sales Commissions (right)

## FTTH Subscriptions

The impact of "au Smart Value," which involves FTTH subscriptions and smartphone services cross-selling, as well as an expanded service area, led to 600,000 net additions to FTTH subscriptions, for total subscriptions of 2.82 million as of March 31, 2013.

We expect the effect of an expanded service area to be less pronounced in the fiscal year ending March 31, 2014, but believe that "au Smart Value" will encourage favorable ongoing subscriber acquisition. Consequently, we expect total FTTH subscriptions to grow by 440,000 year on year, to 3.26 million as of March 31, 2014.




(Years ended March 31)

Performance / Operation

## Analysis by Segment

## Value Services Segment

Explanation on P.40 "Overview of Operations"

### Overview of Operations

During the fiscal year ended March 31, 2013, operating revenues in this segment were up 4.0%, to ¥141.9 billion, as an increase in the number of "au Smart Pass" members pushed up sales, leading to higher value-added revenues.

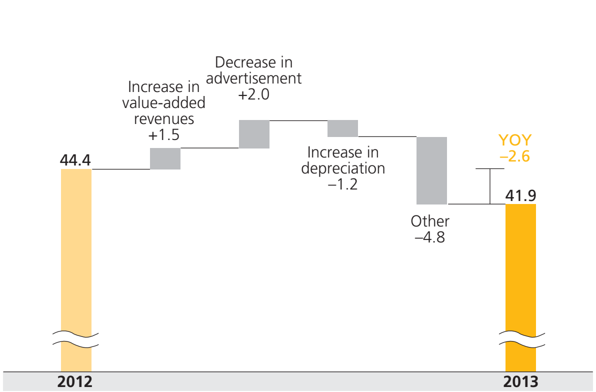
Operating expenses, meanwhile, rose 8.7% year on year, to ¥100.0 billion, due to the payment of up-front expenses such as content procurement costs to acquire "au Smart Pass" members, as well as related costs.

As a result, operating income dropped 5.7% year on year, to ¥41.9 billion.

For the fiscal year ending March 31, 2014, we anticipate an ¥8.1 billion increase in operating income, as a growing number of "au Smart Pass" members pushes up value-added revenues and due to the effect of including J:COM in the scope of consolidation.

Factors Affecting Operating Income

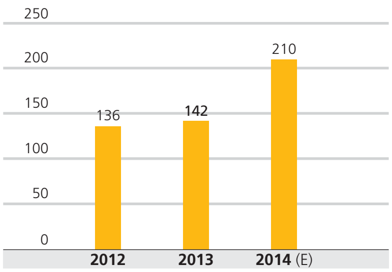
(Billions of yen)




(Years ended March 31)

Operating Revenues

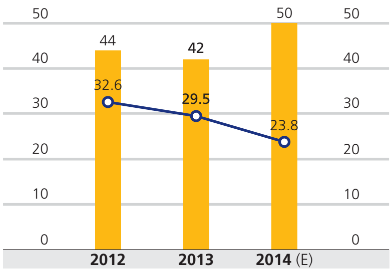
(Billions of yen)




(Years ended March 31)

Operating Income / Operating Income Margin

(Billions of yen) (%)

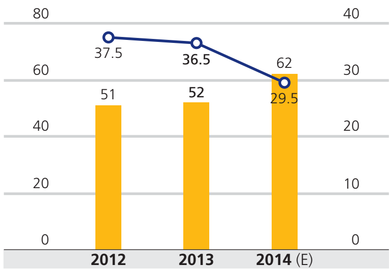



(Years ended March 31)

Operating Income (left)
Operating Income Margin (right)

EBITDA / EBITDA Margin

(Billions of yen) (%)



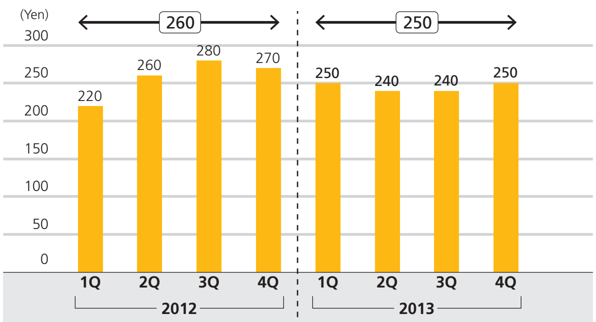

(Years ended March 31)

EBITDA (left)
EBITDA Margin (right)

### Value ARPU

"au Smart Pass" contributed to favorable growth in value-added revenues from smartphones, but this rise was insufficient to cover the drop in value-added revenues on feature phones. Consequently, value ARPU was down 3.8% year on year, to ¥250.

For the fiscal year ending March 31, 2014, we forecast a 16.0% increase in value ARPU, to ¥290, as value ARPU levels bottomed out and began to turn upward in the second quarter of the fiscal year ended March 31, 2013, and due to the ongoing increase in the number of "au Smart Pass" members.




(Years ended March 31)

## Business Services Segment

Explanation on P.41 "Overview of Operations"

### Overview of Operations

Operating revenues in this segment grew 0.4% year on year, to ¥638.3 billion, as the rise in revenues from mobile handset sales outpaced decreases in revenues from fixed-line legacy voice services and lower sales within the Group.

Operating expenses fell 0.5% year on year, to ¥558.5 billion, owing to falling outsourcing expenses due to lower facility maintenance costs and lower migration expenses (sales commissions) due to the conclusion of bandwidth reorganization.

Accordingly, operating income increased 6.4% year on year, to ¥79.8 billion.

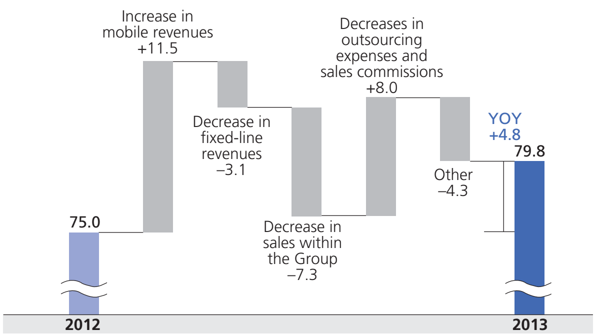
In the fiscal year ending March 31, 2014, we expect mobile revenues to rise on higher sales of smartphones and tablets, which should cover a decline in revenues from fixed-line legacy voice services, and we expect handset procurement costs to rise as we strengthen mobile handset sales, so operating income will remain approximately at the same level as in the fiscal year ended March 31, 2013.

(Billions of yen)

| | FY2012.3 | FY2013.3 | FY2014.3 (E) |
|---|---|---|---|
| Operating Revenues | 636.0 | 638.3 | 650.0 |
| Operating Income | 75.0 | 79.8 | 80.0 |
| Operating Income Margin (%) | 11.8 | 12.5 | 12.3 |
| EBITDA | 123.1 | 128.8 | 127.0 |
| EBITDA Margin (%) | 19.4 | 20.2 | 19.5 |

#### Factors Affecting Operating Income

(Billions of yen)




(Years ended March 31)

## Global Services Segment

Explanation on P.42 "Overview of Operations"

### Overview of Operations

Operating revenues in this segment expanded 20.8% year on year, to ¥207.3 billion. In addition to the impact of CDNetworks Co., Ltd., which was newly included as a consolidated subsidiary, revenues increased at Locus Telecommunications Inc., a wholly owned subsidiary of KDDI America, Inc.

As with operating revenues, operating expenses increased 19.2% year on year, to ¥199.5 billion, due to higher expenses at overseas subsidiaries.

Operating income consequently surged 83.4%, to ¥7.8 billion.

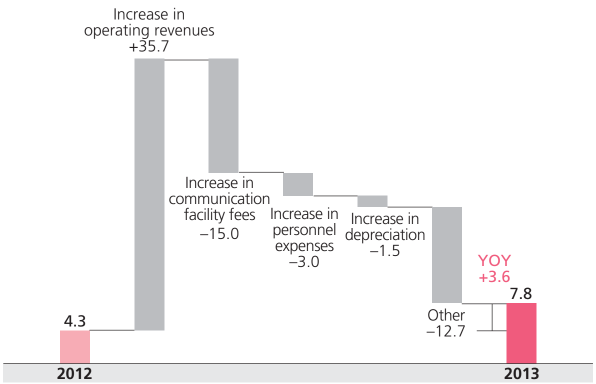
We anticipate a ¥1.2 billion increase in operating income during the fiscal year ending March 31, 2014, stemming from higher revenues at overseas subsidiaries and the effect of exchange rates, although we also expect communication facility fees and personnel expenses to rise in line with higher sales.

(Billions of yen)

| | FY2012.3 | FY2013.3 | FY2014.3 (E) |
|---|---|---|---|
| Operating Revenues | 171.6 | 207.3 | 218.0 |
| Operating Income | 4.3 | 7.8 | 9.0 |
| Operating Income Margin (%) | 2.5 | 3.8 | 4.1 |
| EBITDA | 13.7 | 21.3 | 23.0 |
| EBITDA Margin (%) | 8.0 | 10.3 | 10.6 |

#### Factors Affecting Operating Income

(Billions of yen)




(Years ended March 31)

# Personal Services Segment

Yuzo Ishikawa
General Manager, Consumer Business Sector
Senior Vice President, Member of the Board

This segment provides mobile and fixed-line communications services to individual customers. The segment's main activities are the provision of "au" brand mobile communication services and the sale of mobile handsets. In addition, in fixed-line communications we provide "au HIKARI" brand FTTH and CATV services.

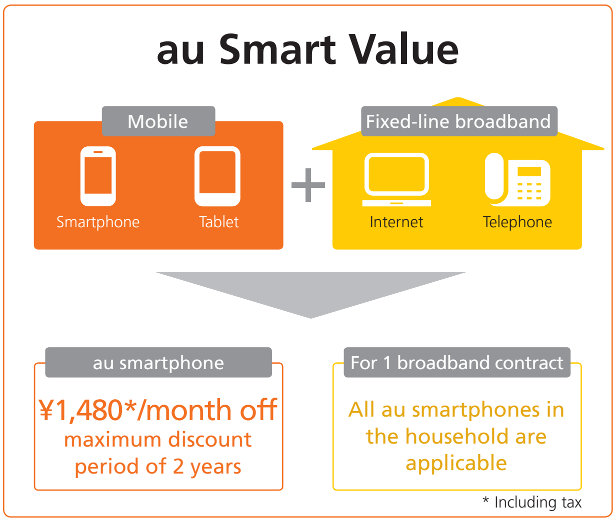
## au Smart Value

"au Smart Value" is a bundled of service, comprising au smartphone service and "au HIKARI" and other fixed-line broadband services (FTTH and CATV) provided by the KDDI Group and its allied companies. Customers who subscribe to "au Smart Value" receive a discount of ¥1,480 (including tax)*1 on their monthly usage charges for au smartphones.

In March 2012, we began offering this service, which leverages KDDI's competitive advantage of possessing both mobile and fixed-line networks. Since that time, the number of subscribers has increased steadily. As of March 31, 2013, au subscriptions totaled 3.86 million and 2.12 million households.

*1 This discount is available for up to two years. After the second year, the discount amount is ¥980 (including tax.)

au Smart Value




## Commencement of "au 4G LTE"

In September 2012, we launched "au 4G LTE," a high-speed data communications service offering downlink speeds of up to 75Mbps*2. We have already realized downlink speeds of up to 100Mbps*2 in some areas, and in June 2013 we began to gradually expand this service throughout Japan.

The actual population coverage ratio*3 for "au 4G LTE" was 96.4%*4 as of March 31, 2013. By March 31, 2014, we plan to increase this ratio to 99%*4.

*2 Speeds mentioned are maximum speeds for technical standards and do not indicate actual speeds. Actual speeds may be lower, depending on the customers' usage environment and line conditions.
*3 For calculation purposes, Japan has been divided into 500m² 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.
*4 For LTE compatible Android™ smartphones

## Smartphones

During the fiscal year ended March 31, 2013, in addition to extending our lineup of 3G smartphones, we launched 11 models compatible with "au 4G LTE."

Due in part to the impact of "au Smart Value," smartphone sales rose by 2.70 million units year on year, to 8.11 million units. As a result, as of March 31, 2013, smartphone subscriptions numbered 11.86 million, and our smartphone penetration rate had risen to 36.9%.

By March 31, 2014, we expect smartphone subscriptions to total 16.06 million, with the smartphone penetration rate rising to 47.7%.

## FTTH / CATV

Thanks to the "au Smart Value" a bundle of service with au smartphone service and to service area expansion, net additions to KDDI's FTTH service, "au HIKARI, " were 1.7 times higher than in the fiscal year ended March 31, 2012, contributing to favorable growth in subscriptions. Owing to this increase in subscriptions, "au HIKARI" moved into the black monthly on an operating basis in May 2012, excluding the cost of acquiring customers. During the fiscal year ending March 31, 2014, we expect this service to move into the black on an ordinary income basis.

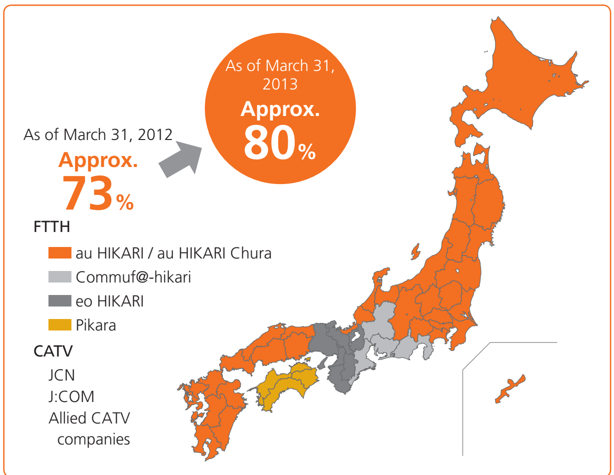
In the CATV business, we included J:COM in the scope of consolidation in April 2013. As a result of this move, based on cable television subscription figures some 50% of CATV companies in Japan are now in the KDDI Group. Going forward, in addition to synergies with "au Smart Value" and other KDDI businesses, we expect to reap the benefits of synergies between J:COM and JCN.

## Expanding the Service Area by Strengthening Alliances

As of March 31, 2013, our household coverage ratio*5 for the broadband services for "au Smart Value" targets was up 7 percentage points from the fiscal year ended March 31, 2012, to 80%, thanks partly to an increase in the number of fixed-line allied companies.

*5 The household coverage ratio expresses the coverage ratio in areas where FTTH / CATV service is provided to detached homes.

### "au Smart Value" Household Coverage Ratio*5 as of March 31, 2013




## Mobile Data Offloading

In addition to their traditional role in the provision of broadband services, KDDI's fixed-line access circuits are serving an increasingly important role as a means of offloading mobile data traffic, which is increasing dramatically. We have nearly doubled the number of "au Wi-Fi SPOTs," which we use for offloading data outdoors, since the end of the fiscal year ended March 31, 2012, to 230,000 spots. We use "HOME SPOT CUBE" for indoor data offloading, and the number of these units installed as of March 31, 2013 was 2.03 million, up 1.68 million from March 31, 2012.

Consequently, our data offload rate*6 as of March 31, 2013 was 52%, up a substantial 32 percentage points from March 31, 2012. Our operational target is to maintain a data offload rate of around 50%*7, even taking into account the increase in data traffic from LTE smartphones.

*6 Definition of the offload rate for the fiscal year ended March 31, 2013: Data traffic during the peak hour (11–12 pm) over one month

| | |
|---|---|
| Definition | Numerator: Data offloading to Wi-Fi + WiMAX |
| | Denominator: Total smartphone data traffic (3G + Wi-Fi + WiMAX) |

*7 From the fiscal year ending March 31, 2014, the denominator will change to include data traffic from LTE smartphones.

### Mobile Data Offloading Trends

March 2012 Approx. 20% → September 2012 Approx. 39% → March 2013 Approx. 52%

**Economic Value & Social Value**

KDDI pays careful attention to comments from the customers who use our services, and we reflect this feedback in our business. We also strive to provide services that are safe, secure, and of high quality, as we work to enhance customer satisfaction.

Holding the "au CS AWARDS" in pursuit of quality customer service P.61


Slimmed-down operation manual P.65

# Value Services Segment

In this segment, we provide individual customers with content, settlement and other services. We are also reinforcing our Multi-device and Multi-network initiatives, and creating environments to facilitate more convenient and confortable use of value-added services.

Makoto Takahashi
General Manager, Business Development Sector
Senior Vice President, Member of the Board

## au Smart Pass

"au Smart Pass" is a service in which we provide au smartphone customers with more than 500 popular apps, security-related services, and other offerings for ¥390 (including tax) per month. We began offering this service in March 2012 to enable even first-time smartphone users to enjoy the world of the open Internet safely and securely. Membership has grown steadily since the service launched, to 5.74 million as of March 31, 2013.

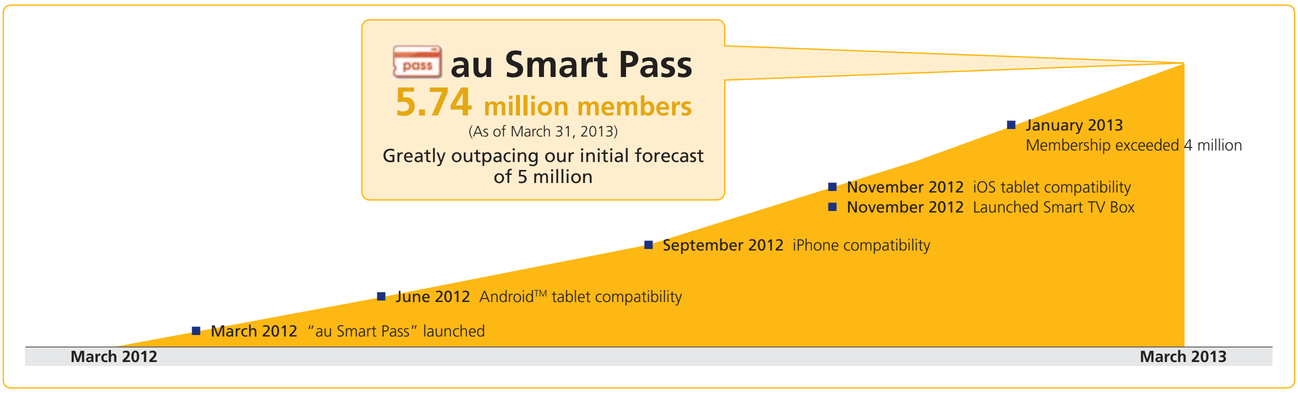
We will continue working to increase the "au Smart Pass" customer base. At the same time, we will upsell value-added services (such as music, video, and books) and create new business by directing "au Smart Pass" members to various services and physical shops.

## Multi-OS, Multi-device Initiatives

Initially offering "au Smart Pass" for Android™ smartphones, we made the service iPhone-compatible in September 2012, and in the future we plan to also make it compatible with the Firefox operating system. By moving forward with the development of HTML5-based apps, KDDI plans to provide content that is compatible with a wide range of operating systems.

In November 2012, we also began offering the "Smart TV Box," a CATV set-top box using Android™. In these ways, we are increasing convenience further by creating environments that enable customers to enjoy accessing a host of content on a range of devices.

"au Smart Pass" Members and the Roadmap for Multi-OS Compatibility




Economic Value

&

### Social Value

KDDI works proactively to provide products and services that anticipate various societal issues and customer needs. As well as providing compelling content to the users of our services, we take a number of approaches to make content safer and more convenient.

KDDI mobile phone learning class safety and security seminar P.58

Supporting the growth of venture companies "KDDI ∞ Labo" (Mugen Labo) P.78

# Business Services Segment

In this segment, which targets corporate customers ranging from small and medium-sized businesses to major corporations, we propose cloud-based solutions that seamlessly integrate mobile handsets such as smartphones, tablets, and networks, as well as applications.

Takashi Shouji
General Manager, Solution Business Sector



## Business for Major Corporations

Of the 13,000 or so major corporations*[1] in Japan, KDDI already conducts business with around 70%*[2]. Consequently, boosting our earnings in this category means that we need to increase our revenues per customer by offering them higher value-added services.

In July 2012, we began providing the "KDDI Cloud Platform Service," a cloud-platform service that operates as either a private or a public cloud depending on a customer's needs, as one of our efforts to meet wide-ranging customer demands.

In addition to increasing sales opportunities through smart devices (such as smartphones and tablets), we provide highly attractive cloud-based package services in an effort to offer total support for customers' communication environments.

*1 Source: Research based on the 2009 Economic Census, with major corporations defined as those having more than 300 employees
*2 KDDI's estimate

## Strengthening Service Offerings for Small and Medium-sized Companies

In April 2012, we began offering "Smart Value for Business" to small and medium-sized companies with subscriptions to au smartphones, "au HIKARI Business (FTTH / FTTB)," and the "Basic Pack" of business-optimized cloud applications. "Smart Value for Business" provides a discount on au smartphone monthly usage charges of ¥1,480 (including tax.)*[3] Through measures such as these, we are working to expand our customer base.

To augment our service offerings for customers in small / home offices and small and medium-sized businesses, with our consolidated subsidiary KDDI MATOMETE OFFICE CORPORATION we have integrated our system for providing these customers with various communications services, OA equipment, and general IT environments. On April 1, 2013, we established four new regional companies that have begun operations, increasing the total to five companies throughout Japan, with 1,500 employees.

*3 This discount is available for up to two years. After the second year, the discount amount is ¥980 (including tax.)

### Features of the KDDI MATOMETE OFFICE Member-based Support System

- Dedicated desk providing collective support to members
- Proposal of optimal IT environments
- PC support services
- Simple cost management through one-billing

## Economic Value & Social Value

By providing optimal ICT environments, KDDI helps corporate customers address a variety of issues. In addition to raising operational efficiency and reducing costs, we work proactively to provide products and services that contribute to their efforts to address societal and environmental issues.

Battery with life extended to 24 hours P.51

Holding the "Front Skills Contest" P.61

# Global Services Segment

Centered on our "TELEHOUSE" data centers, this segment provides corporate customers with one-stop ICT solutions. We are also making proactive forays into the Internet business in emerging markets, as well as the MVNO business targeting immigrants in the United States, and other consumer businesses. Furthermore, we provide international voice traffic transmission services for more than 600 telecommunications providers throughout the world.

Hidehiko Tajima
General Manager, Global Business Sector
Associate Senior Vice President,
Member of the Board

## Global ICT

With Japanese companies accelerating the global expansion of their businesses, as of March 31, 2013, KDDI has in place a network spanning 100 locations in 60 cities across 28 regions of the world to meet the range of ICT needs of customers moving into overseas markets, including the construction, operation, and maintenance of communications networks. As part of this offering, in the data center business we are developing our operations under the "TELEHOUSE" brand, through which we provide high-quality services to customers at 25 locations in 15 cities across 12 regions.

## Global Consumer Business

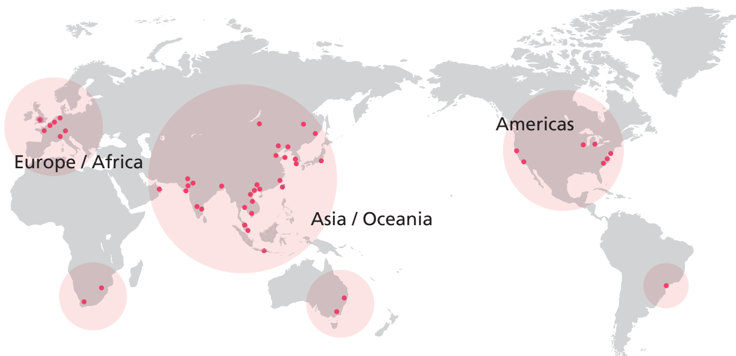
In the United States, we are developing business targeting immigrants through MVNO prepaid mobile phone services and calling card services via Locus Telecommunications, Inc. and Total Call International, Inc., wholly owned subsidiaries of KDDI America, Inc. As the immigrant market in the United States expands, we expect this business to grow and our profitability to increase accordingly.

In emerging markets, particularly in Asia, we plan to enter the mobile phone and ISP businesses, based on the expertise we have cultivated in Japan.

## Carrier Business

We provide international voice traffic transmission services for more than 600 telecommunications providers throughout the world.

Overseas Centers




Overseas
100 locations in 60 cities
across 28 regions

As of March 31, 2013

**Economic Value** & **Social Value**

In response to the rapid globalization of its operations, KDDI is putting particular effort into human resource cultivation. KDDI has various training programs in place to nurture and increase the number of personnel who can work at overseas locations and is aggressively educating global human resources in Japan. We are also pursuing measures to cultivate personnel locally hired in overseas locations.

The SJC rising from the sea P.60

Training and Cultivating Locally Hired Employees P.71

# Research and Development

KDDI's growth strategy, the "3M Strategy," aims to realize a world in which customers are provided with a host of content and services, whenever and wherever they want, over optimal networks and on their devices of choice.

In KDDI R&D laboratories, our main research arm, we conduct leading-edge research to provide stress-free, safe and secure communications environments. We strive to provide services that customers can use with peace of mind in their daily lives, whether related to the environment or health. Furthermore, through our research and development we endeavor to deliver new and diverse value, and we conduct basic research that is designed to open up a future of exciting new possibilities.

## Ultrahigh-definition Image Transmission Technology Chart 1

We have developed a method of hierarchical coding that allows full-definition and super-high-definition images to be highly compressed and transmitted simultaneously. KDDI was the first company in the world to succeed in transmission testing using this technology over CATV networks. Under existing compression methods, HDTV is transmitted over one channel, 4K transmission uses two channels, and 8K transmission requires five channels, so a total of eight channels of bandwidth are needed. Our new technology allows ultrahigh-definition images to be transmitted using only half the bandwidth necessary with conventional methods.

## Advanced MIMO Technology Chart 2

KDDI has developed new Multiple-Input Multiple-Output (MIMO) technology that combines multiple antennas at both the base station and handset ends, allowing large volumes of data to be sent simultaneously. With existing technology, interference tends to increase when sending data to multiple handsets. By compressing and providing feedback on information such as handset–base station reception status, the new technology reduces interference when transmitting data from the base station. This approach also boosts bandwidth efficiency to approximately three times that of LTE.

## Multicore Optical Fiber Transmission Technology Chart 3

We have succeeded in the world's first transoceanic optical transmission trial using a new seven-core optical fiber cable and optical amplifier. Typically, as the number of optical fiber cores increases, signal leakage results in interference. By minimizing this interference, we succeeded in long-distance transoceanic transmission and set a world record for the transmission capacity index, which expresses the product of transmission volume and transmission distance, at 177 petabits per second-kilometer.

## "KCipher-2" High-speed Encoding Algorithm Chart 4

We have developed a symmetric key encryption algorithm that is designed to perform fast and lightweight data encryption and decryption in fields that require large amounts of processing with limited resources and that handle large data volumes, such as in multimedia content distribution. This algorithm conducts encryption/decryption 7–10 times faster than methods using the Advanced Encryption Standard (AES) specification, and in March 2013 it was selected as a "government-recommended electronic encryption" method by the Ministry of Internal Affairs and Communications and the Ministry of Economy, Trade and Industry.

Chart 1

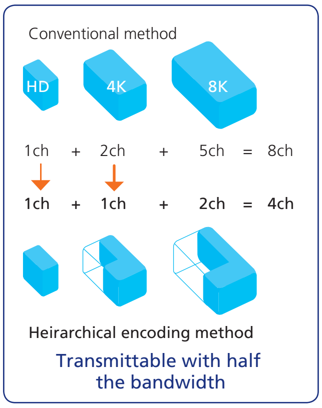



Chart 2

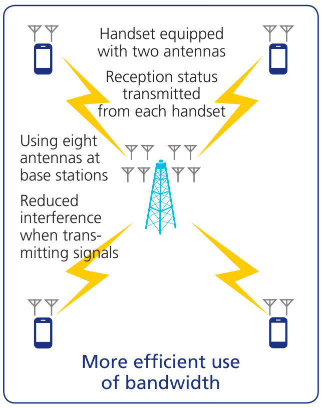



Chart 3

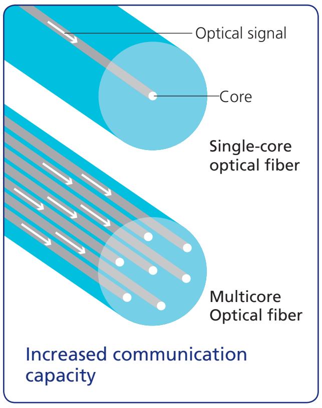
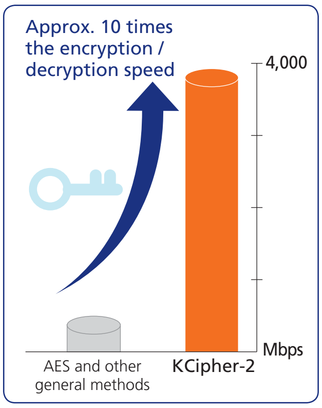



Chart 4

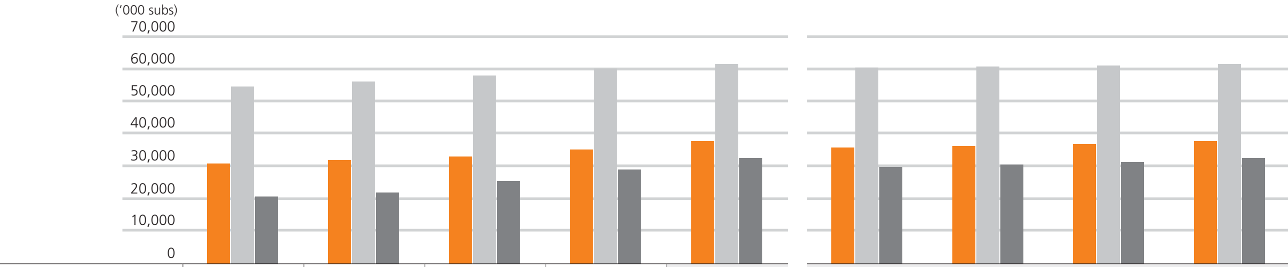



Performance / Operation

# Market Overview

## Mobile Communications Market Data (Years ended March 31)

### Number of Total Subscribers




| | 2009 | 2010 | 2011 | 2012 | 2013 | 2013 1Q | 2013 2Q | 2013 3Q | 2013 4Q |
|---|---|---|---|---|---|---|---|---|---|
| au | 30,843 | 31,872 | 32,999 | 35,109 | **37,709** | **35,675** | **36,110** | **36,817** | **37,709** |
| NTT DOCOMO | 54,601 | 56,082 | 58,010 | 60,130 | 61,536 | 60,396 | 60,787 | 60,988 | 61,536 |
| SOFTBANK MOBILE | 20,633 | 21,877 | 25,409 | 28,949 | 32,480 | 29,702 | 30,461 | 31,322 | 32,480 |
| Total | 106,076 | 109,831 | 116,418 | 124,188 | 131,725 | 125,773 | 127,358 | 129,127 | 131,725 |

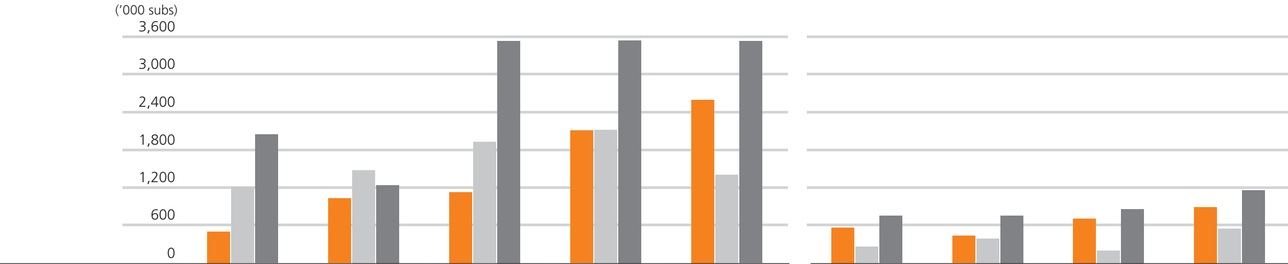
Source: Data prepared by KDDI based on materials from the Telecommunication Carriers Association

### Share of Cumulative Subscriptions*1

(%)

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2013 1Q | 2013 2Q | 2013 3Q | 2013 4Q |
|---|---|---|---|---|---|---|---|---|---|
| au | 29.1 | 29.0 | 28.3 | 28.3 | **28.6** | **28.4** | **28.4** | **28.5** | **28.6** |
| NTT DOCOMO | 51.5 | 51.1 | 49.8 | 48.4 | 46.7 | 48.0 | 47.7 | 47.2 | 46.7 |
| SOFTBANK MOBILE | 19.5 | 19.9 | 21.8 | 23.3 | 24.7 | 23.6 | 23.9 | 24.3 | 24.7 |

### Net Additions




| | 2009 | 2010 | 2011 | 2012 | 2013 | 2013 1Q | 2013 2Q | 2013 3Q | 2013 4Q |
|---|---|---|---|---|---|---|---|---|---|
| au | 504 | 1,030 | 1,127 | 2,110 | **2,600** | **566** | **435** | **707** | **892** |
| NTT DOCOMO | 1,213 | 1,481 | 1,928 | 2,120 | 1,407 | 266 | 391 | 202 | 548 |
| SOFTBANK MOBILE | 2,047 | 1,244 | 3,532 | 3,540 | 3,531 | 753 | 759 | 861 | 1,158 |
| Total | 3,763 | 3,755 | 6,586 | 7,770 | 7,537 | 1,585 | 1,585 | 1,769 | 2,598 |

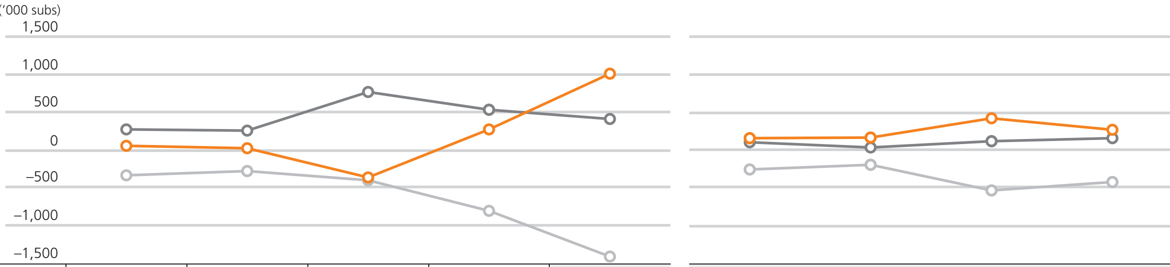
Source: Data prepared by KDDI based on materials from the Telecommunication Carriers Association

### Share of Net Additions*1

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2013 1Q | 2013 2Q | 2013 3Q | 2013 4Q |
|---|---|---|---|---|---|---|---|---|---|
| au | 13.4 | 27.4 | 17.1 | 27.2 | **34.5** | **35.7** | **27.5** | **40.0** | **34.3** |
| NTT DOCOMO | 32.2 | 39.5 | 29.3 | 27.3 | 18.7 | 16.8 | 24.7 | 11.4 | 21.1 |
| SOFTBANK MOBILE | 54.4 | 33.1 | 53.6 | 45.6 | 46.8 | 47.5 | 47.9 | 48.7 | 44.6 |

*1 Share among NTT DOCOMO, SOFTBANK MOBILE, and KDDI

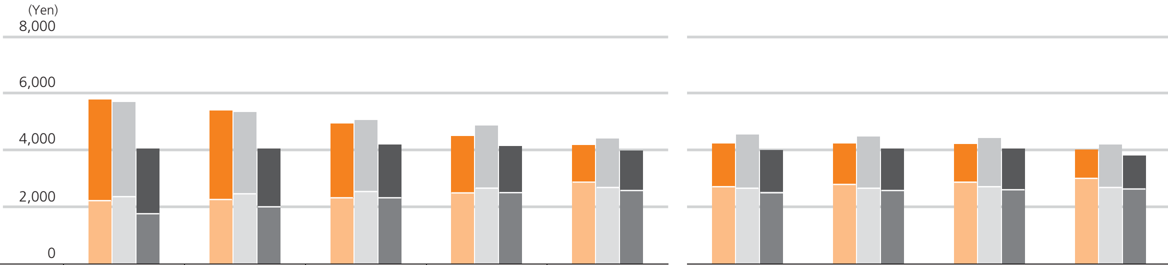
## MNP Net Additions




| | 2009 | 2010 | 2011 | 2012 | 2013 | 2013 1Q | 2013 2Q | 2013 3Q | 2013 4Q |
|---|---|---|---|---|---|---|---|---|---|
| au | 56 | 24 | –362 | 273 | **1,010** | **157** | **165** | **420** | **268** |
| NTT DOCOMO | –334 | –278 | –400 | –804 | –1,409 | –257 | –195 | –534 | –423 |
| SOFTBANK MOBILE | 273 | 257 | 768 | 533 | 411 | 103 | 34 | 117 | 157 |

Source: Data prepared by KDDI based on securities analyst reports (from hearings at individual companies)

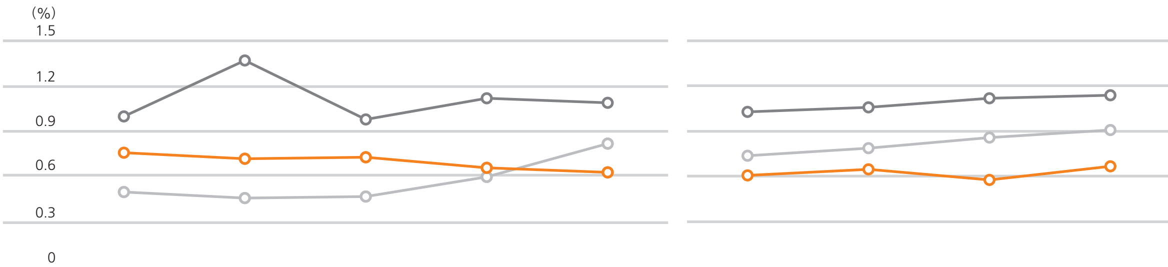
## ARPU (Average Revenue per Unit)




| | 2009 | 2010 | 2011 | 2012 | 2013 | 2013 1Q | 2013 2Q | 2013 3Q | 2013 4Q |
|---|---|---|---|---|---|---|---|---|---|
| au*2 | 5,800 | 5,410 | 4,940 | 4,510 | **4,180** | **4,240** | **4,240** | **4,220** | **4,030** |
| Voice ARPU*3 | 3,590 | 3,150 | 2,620 | 2,020 | **1,330** | **1,520** | **1,450** | **1,340** | **1,030** |
| Data ARPU | 2,210 | 2,260 | 2,320 | 2,490 | **2,850** | **2,720** | **2,790** | **2,880** | **3,000** |
| NTT DOCOMO*4 | 5,710 | 5,350 | 5,070 | 4,870 | 4,420 | 4,560 | 4,480 | 4,430 | 4,210 |
| Voice ARPU | 3,330 | 2,900 | 2,530 | 2,200 | 1,730 | 1,900 | 1,810 | 1,710 | 1,520 |
| Data ARPU | 2,380 | 2,450 | 2,540 | 2,670 | 2,690 | 2,660 | 2,670 | 2,720 | 2,690 |
| SOFTBANK MOBILE*5 | 4,070 | 4,070 | 4,210 | 4,150 | 3,990 | 4,020 | 4,070 | 4,050 | 3,800 |
| Voice ARPU | 2,320 | 2,050 | 1,890 | 1,650 | 1,400 | 1,480 | 1,490 | 1,450 | 1,190 |
| Data ARPU | 1,740 | 2,020 | 2,310 | 2,510 | 2,590 | 2,540 | 2,580 | 2,610 | 2,620 |

Source: Data prepared by KDDI from individual companies' materials
*2 Excludes module-type terminals. On a consolidated basis (Mobile Communications segment) through the fiscal year ended March 31, 2012. For the fiscal year ended March 31, 2013, based on Personal Services segment.
*3 Indicated figures for au voice ARPU for the fiscal year ended March 31, 2013 take into consideration the amount of discount applied
*4 NTT DOCOMO changed its definition of ARPU from the fiscal year ended March 31, 2013. Figures indicated above are the sum of voice ARPU and data ARPU.
*5 After applying the "Maitsuki Discount (Monthly Discount)" and including module-type terminals

## Churn Rate

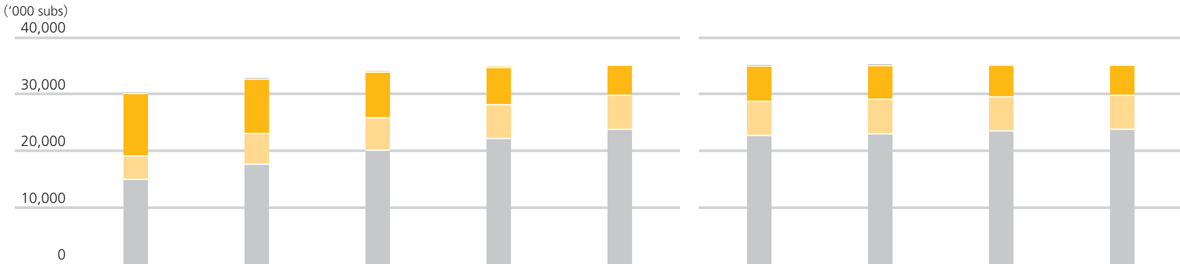



| | 2009 | 2010 | 2011 | 2012 | 2013 | 2013 1Q | 2013 2Q | 2013 3Q | 2013 4Q |
|---|---|---|---|---|---|---|---|---|---|
| au*2 | 0.76 | 0.72 | 0.73 | 0.66 | **0.63** | **0.61** | **0.65** | **0.58** | **0.67** |
| NTT DOCOMO | 0.50 | 0.46 | 0.47 | 0.60 | 0.82 | 0.74 | 0.79 | 0.86 | 0.91 |
| SOFTBANK MOBILE | 1.00 | 1.37 | 0.98 | 1.12 | 1.09 | 1.03 | 1.06 | 1.12 | 1.14 |

Source: Data prepared by KDDI from individual companies' materials

## Fixed-line Communications Market Data (Years ended March 31)

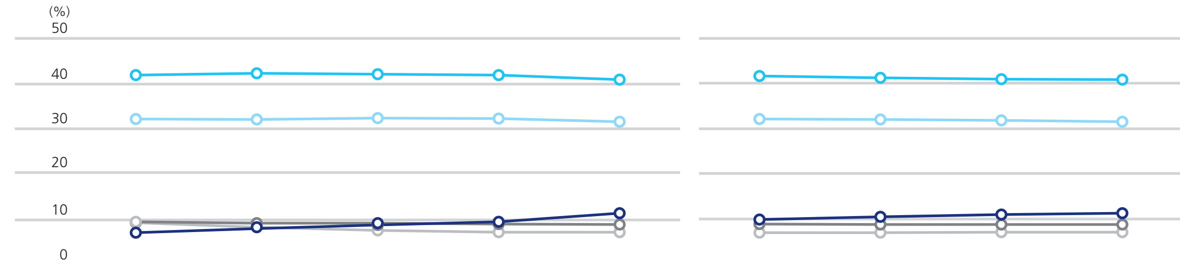
### Number of Broadband Subscriptions




| | 2009 | 2010 | 2011 | 2012 | 2013 | 2013 1Q | 2013 2Q | 2013 3Q | 2013 4Q |
|---|---|---|---|---|---|---|---|---|---|
| FTTH | 15,021 | 17,802 | 20,218 | 22,305 | 23,858 | 22,842 | 23,203 | 23,549 | 23,858 |
| CATV | 4,110 | 5,314 | 5,672 | 5,906 | 6,013 | 5,955 | 5,981 | 6,006 | 6,013 |
| ADSL | 11,184 | 9,735 | 8,201 | 6,705 | 5,425 | 6,344 | 6,046 | 5,740 | 5,425 |
| FWA | 13 | 12 | 10 | 10 | 9 | 10 | 9 | 9 | 9 |
| Total | 30,328 | 32,863 | 34,102 | 34,926 | 35,304 | 35,152 | 35,238 | 35,305 | 35,304 |

Source: Ministry of Internal Affairs and Communications

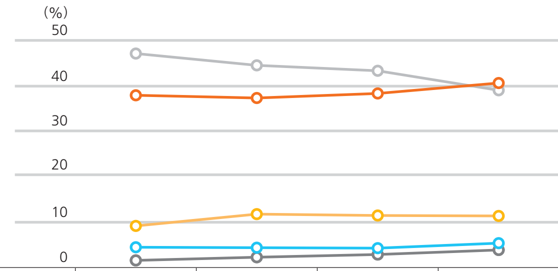
### Share of FTTH Subscriptions




| | 2009 | 2010 | 2011 | 2012 | 2013 | 2013 1Q | 2013 2Q | 2013 3Q | 2013 4Q |
|---|---|---|---|---|---|---|---|---|---|
| KDDI | 7.1 | 8.0 | 8.8 | 9.5 | 11.4 | 10.0 | 10.6 | 11.1 | 11.4 |
| NTT EAST | 41.9 | 42.3 | 42.1 | 41.9 | 40.9 | 41.7 | 41.3 | 41.0 | 40.9 |
| NTT WEST | 32.2 | 32.1 | 32.4 | 32.3 | 31.6 | 32.2 | 32.1 | 31.9 | 31.6 |
| Electric power utilities | 9.5 | 9.2 | 9.2 | 9.0 | 8.9 | 9.0 | 8.9 | 8.9 | 8.9 |
| Other | 9.3 | 8.3 | 7.6 | 7.2 | 7.2 | 7.1 | 7.1 | 7.2 | 7.2 |

Source: Ministry of Internal Affairs and Communications

### Share of CATV Subscriptions




| | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|
| J:COM | 37.9 | 37.3 | 38.3 | 40.6 |
| JCN | 9.1 | 11.7 | 11.4 | 11.3 |
| CNCI | 4.4 | 4.3 | 4.2 | 5.3 |
| TOKAI | 1.5 | 2.2 | 2.8 | 3.8 |
| Other | 47.1 | 44.5 | 43.3 | 39.0 |

Source: Data prepared by KDDI based on *Hoso Journal*