

Ubiquitous Solution Company

KDDI Corporation



Third Quarter Financial Results of the Fiscal Year Ending March 2003

February 4, 2003

Tadashi Onodera
President

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.

Current Fiscal Year Business Condition Overview

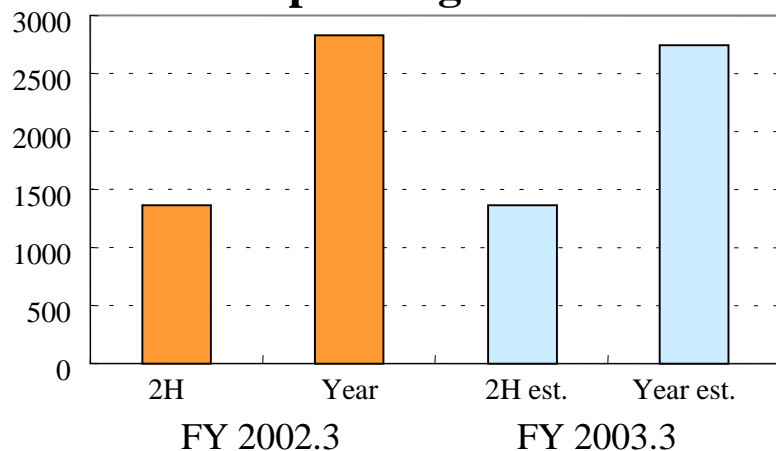
- **“au” net increase revised up further from 1.5 million units forecasted in November to 1.6 million units**
- **Full year profit target revised up due to earnings recovery in the third quarter**
- **Asset restructuring mostly completed with the decision to sell the property management subsidiary**
- **Interest-bearing debt reduction progresses**
Initial forecast of the balance of such debt at the end of the current fiscal year of 1,560 billion yen has been revised to the current estimate of 1,508 billion yen

Profit-emphasized management to continue

Consolidated Financial Statement

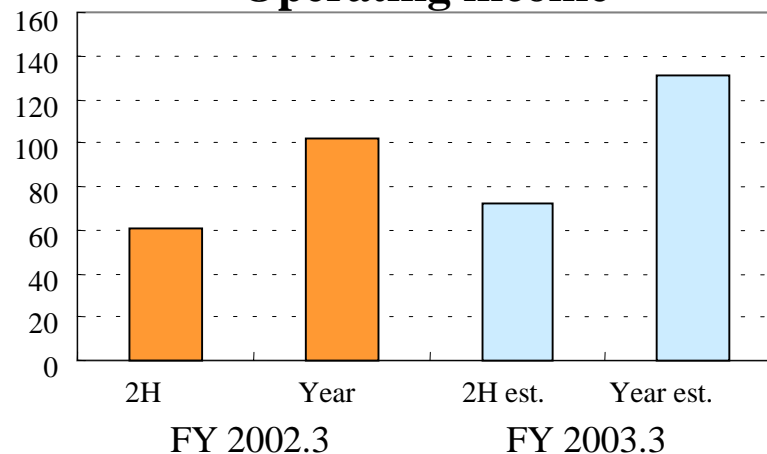
Billions of Yen

Operating revenues



Billions of Yen

Operating income



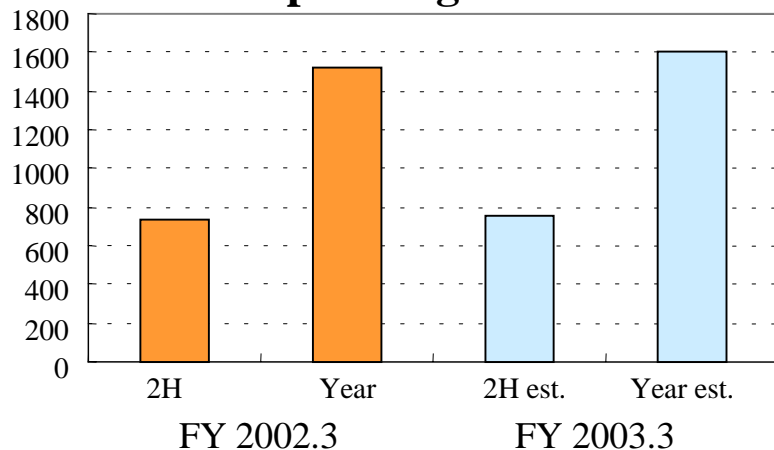
Billions of Yen

	FY2002.3			FY2003.3				FY2003.3	FY2003.3
	1H	2H	Year	1H	2H	3Q	Year est.	Year Nov. est.	1-3Q
					02/10-02/10-12	02/10-03/3			02/4-12
Operating revenues	1,464	1,370	2,834	1,393	695	1,365	2,758	2,770	2,088
Operating income	41	61	102	60	57	69	129	120	117
<i>Margin</i>	2.8%	4.4%	3.6%	4.3%	8.2%	5.1%	4.7%	4.3%	5.6%
Ordinary income	24	55	79	42	52	58	100	90	94
Net income	7	6	13	20	31	34	54	49	51
Free cash flow	-23	313	291	81	156	171	252	216	237
EBITDA	257	288	545	258	160	293	550	535	417
<i>Margin</i>	17.5%	21.0%	19.2%	18.5%	23.0%	21.4%	19.9%	19.3%	20.0%

“au” Business

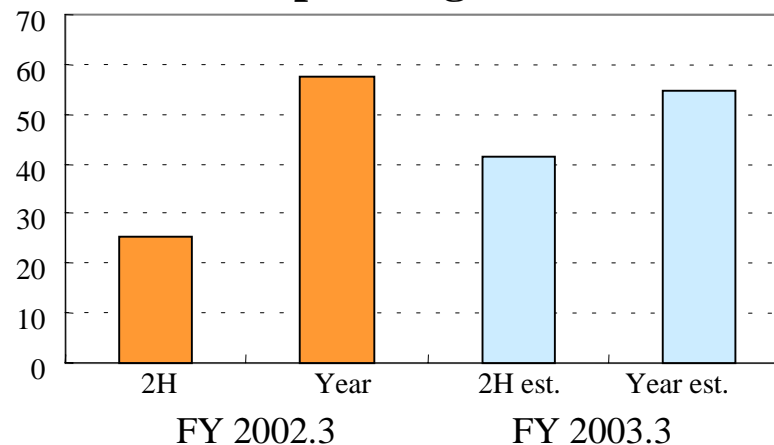
Billions of Yen

Operating revenues



Billions of Yen

Operating income



Billions of Yen

	FY 2002.3			FY 2003.3				FY 2003.3 Year Nov. est.	FY 2003.3			Year Nov. est.
	1H	2H	Year	1H	2H	02/10- 03/3	Year est.			3Q 02/10-12	Year est.	
Operating revenues	790	735	1,525	807	408	798	1,604	1,609	Subs('000)	13,468	13,800	13,700
Operating income	33	25	57	13	34	40	53	53	1X	4,674	-	-
Margin	4.1%	3.4%	3.8%	1.6%	8.4%	5.0%	3.3%	3.3%	cdmaOne	8,637	-	-
Ordinary income	26	27	53	6	31	33	39	39	PDC	157	-	-
Net income	14	-73	-59	1	18	19	20	20	ARPU (yen)	7,640	* 7,490	7,520
Free cash flow	-43	58	16	40	59	33	73	30	Voice	6,440	6,330	6,270
EBITDA	135	134	269	104	81	144	248	246	Data	1,200	1,160	1,250
Margin	17.1%	18.3%	17.7%	12.9%	20.0%	18.0%	15.5%	15.3%				

* Access charge adjustment is included.

Notes to “au” Business Financial Results

(1) Sales commission (New purchase, switch models)

(In billions of yen)

	FYE 3/’02	FYE 3/’03				
		1H	3Q	4Q (F)	2H (F)	Year (F)
Sales commission	365	219	89	86	175	394
Average commission per unit (yen)	42,000	43,000	37,000	37,000	37,000	40,000
Number of units sold (In ‘000 of units)	8,700	5,100	2,400	2,300	4,700	9,800

(2) PDC-related expenses

- Since the PDC service will be discontinued in March, allocate all expenses within the current fiscal year.
- Upcoming fiscal year will have no PDC-related expenses.

Temporary expenses

(Billions of Yen)

	FYE 3/’02	FYE 3/’03					2 Year total	
		1H	3Q	4Q (F)	2H(F)	Year(F)		
Equipment retirement expenses (EL)	134						134	
Removal-related expenses (OE)		Lease cancellation	5	3	3	6	10	10
		Removal work allowance			10	10	10	10
		Equipment retirement			6	6	6	6
Total		5	3	18	21	26	26	
Additional shift measure expenses (OE)		19	6	5	11	30	30	
Total	134	23	9	23	32	56	190	

Reduction of depreciation attributable to the across-the-board retirement of PDC equipment: FYE 3/02=-5 billion yen., FYE 3/03=-44 billion yen

Running cost

(Billions of Yen)

	FYE 3/’02	FYE 3/’03				
		1H	3Q	4Q (F)	2H(F)	Year(F)
Communication equipment rental cost (OE)	26	13	6	6	12	25

(3) Points allowance expenses

(Billions of Yen)

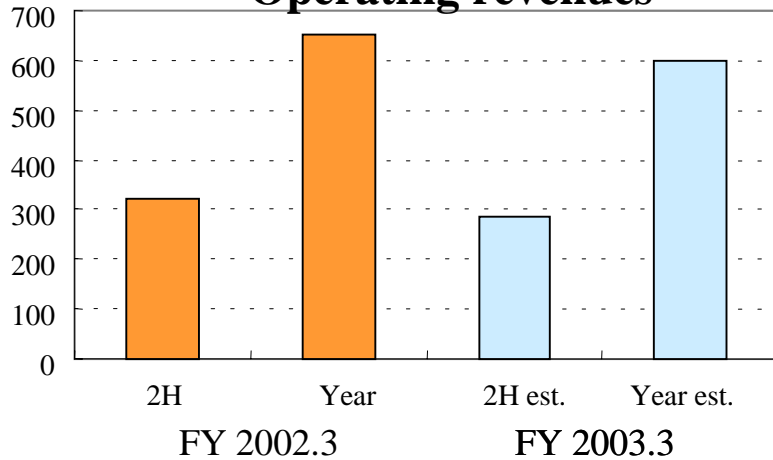
		FYE 3/’03				
		1H	3Q	4Q (F)	2H(F)	Year(F)
Current fiscal year portion (OE)		5	2	1	3	8
Prior fiscal year portion (EL)		4				4
Total		9	2	1	3	12

(OE) : Operating expense, (EL) : Extraordinary loss, (F) : Forecast

NW&Solution Business

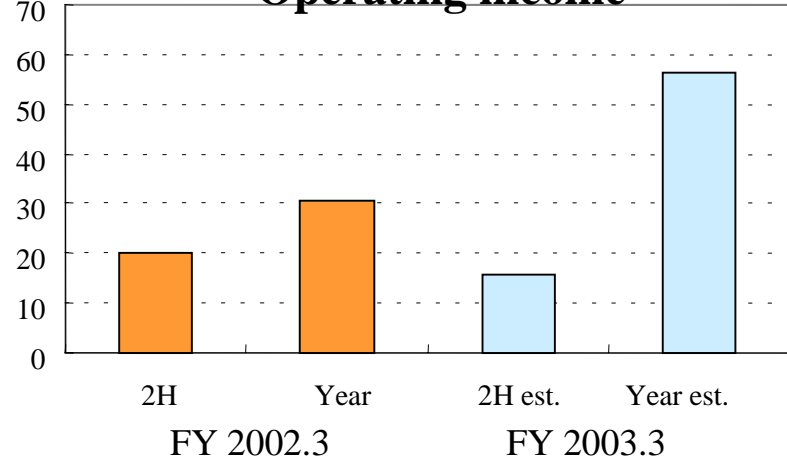
Billions of Yen

Operating revenues



Billions of Yen

Operating income



Billions of Yen

	FY 2002.3			FY 2003.3				FY2003.3 Year Nov. est.
	1H	2H	Year	1H	2H 3Q 02/10-12	02/10- 03/3	Year est.	
Operating revenues	331	321	652	309	150	291	599	600
Operating income	10	20	31	39	16	16	55	47
<i>Margin</i>	3.1%	6.3%	4.7%	12.6%	10.4%	5.6%	9.2%	7.8%
Ordinary income	6	19	25	38	16	17	55	45
Net income	-0.7	5	4	21	9	9	30	26
Free cash flow	17	38	56	31	59	56	87	73
EBITDA	74	84	158	90	44	78	168	158
<i>Margin</i>	22.3%	26.0%	24.2%	29.1%	29.4%	26.9%	28.0%	26.3%

	FY 2003.3		Year Nov. est.
	3Q 02/10-12	Year est.	
DION ('000)	2,300	2,350	2,430
ADSL	374	500	540

Notes to NW & Solution Business Financial Results

(1) Additional depreciation

■ Additional depreciation of some inactive assets

(In billions of yen)

		FYE 3/03				
		1H	3Q	4Q (F)	2H (F)	Year (F)
	Additional depreciation of discontinued cables (OE)		3	1	4	4
	Fixed asset retirement cost (OE)	1	1	10	11	12
	Total	1	4	11	15	16

(2) Point allowance expenses

(In billions of yen)

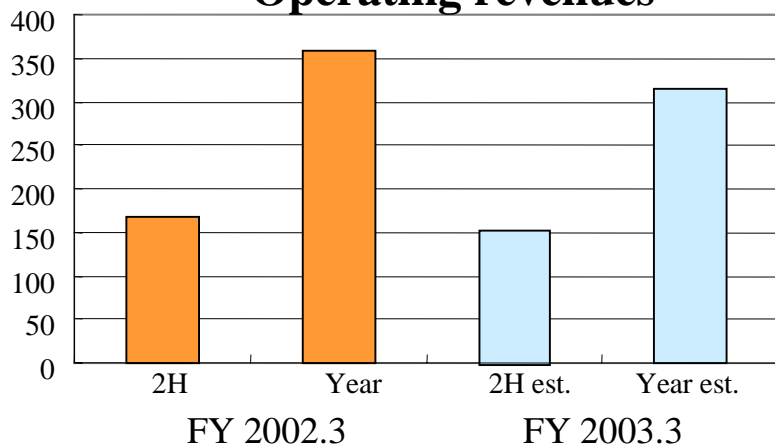
		FYE 3/03				
		1H	3Q	4Q (F)	2H (F)	Year (F)
NW	Current fiscal year portion (OE)	0.2	0.1	0.5	0.6	0.8
	Prior fiscal year portion (EL)	0.4				0.4
	Total	0.6	0.1	0.5	0.6	1.2

(OE): Operating expense, (EL) Extraordinary loss, (F) Forecast

TUKA Business

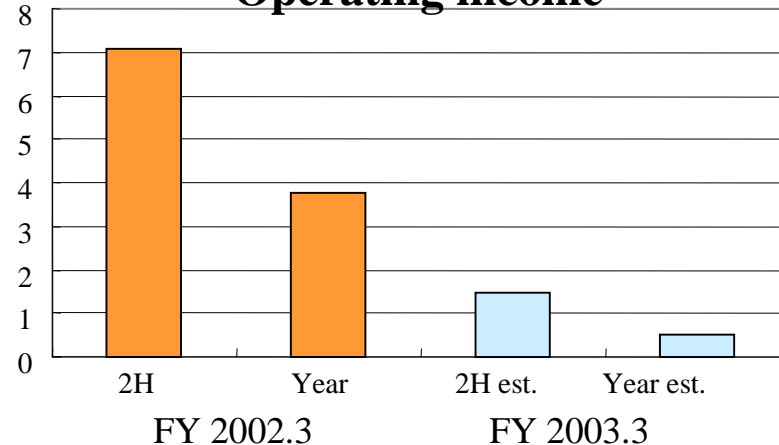
Billions of Yen

Operating revenues



Billions of Yen

Operating income



Billions of Yen

	FY 2002.3			FY 2003.3				FY2003.3 Year Nov. est.
	1H	2H	Year	1H	2H 3Q 02/10-12	02/10- 03/3	Year est.	
Operating revenues	191	168	358	162	80	153	315	319
Operating income	-3	7	4	-1	2	2	1	1
Margin	-1.7%	4.2%	1.1%	-0.6%	1.8%	1.0%	0.2%	0.3%
Ordinary income	-6	4	-2	-4	0	0	-4	-4
Net income	-5	1	-3	-7	-0.5	-1	-8	-9
Free cash flow	-1	16	15	22	14	31	52	47
EBITDA	26	38	63	29	17	33	62	62
Margin	13.4%	22.5%	17.7%	17.9%	20.8%	21.3%	19.6%	19.4%

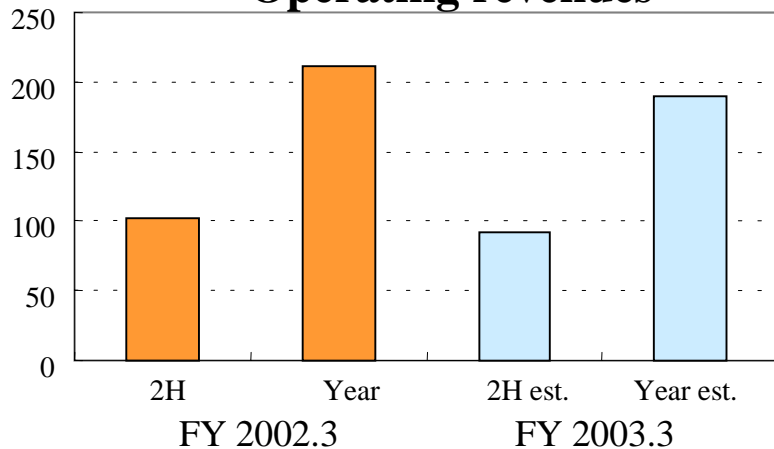
	FY 2003.3		Year Nov. est.
	3Q 02/10-12	Year est.	
Subs('000)	3,849	3,810	3,860
ARPU (yen)	5,360	* 5,250	5,330

* Access charge adjustment is included.

Pocket Business

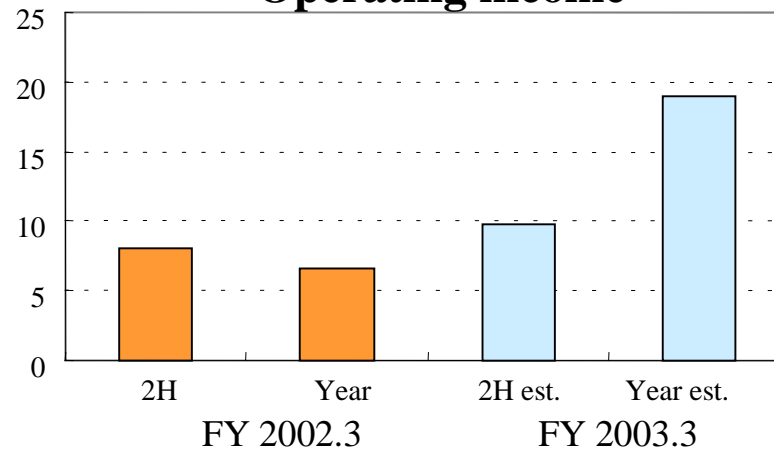
Billions of Yen

Operating revenues



Billions of Yen

Operating income



Billions of Yen

	FY 2002.3			FY 2003.3				FY2003.3 Year Nov. est.
	1H	2H	Year	1H	2H 3Q 02/10-12	02/10- 03/3	Year est.	
Operating revenues	109	102	211	100	49	98	198	201
Operating income	-1	8	7	9	6	10	19	17
Margin	-1.2%	7.8%	3.2%	9.1%	12.2%	10.1%	9.6%	8.5%
Ordinary income	-3	6	3	8	5	8	16	14
Net income	-8	23	15	7	5	8	15	13
Free cash flow	-2	16	14	14	19	26	40	38
EBITDA	18	29	48	30	16	31	61	59
Margin	16.7%	28.7%	22.5%	30.0%	32.9%	31.7%	30.8%	29.4%

	FY 2003.3		Year Nov. est.
	3Q 02/10-12	Year est.	
Subs ('000)	2,969	3,000	3,070
Air EDGE	668	764	800
ARPU (yen)	4,990	4,990	5,010

Other Notes to Financial Results

(1) TUKA / Pocket point allowance expenses (In billions of yen)

		FYE 3/'03				
		1H	3Q	4Q (F)	2H (F)	Year (F)
TUKA	Current fiscal year portion (OE)	0.4	0.3		0.3	0.7
	Prior fiscal year portion (EL)	1.7				1.7
	Total	2.1	0.3		0.3	2.4
Pocket	Current fiscal year portion (OE)		0.1			0.1
	Prior fiscal year portion (EL)	0.6				0.6
	Total	0.6	0.1			0.7

(OE): Operating expense, (EL): Extraordinary loss, (F): Forecast

(2) Impact of asset restructuring

- Restructure a part of assets in order to concentrate management resources on communication

(In billions of yen)

	Extraordinary Income/loss			Impact on Cash Flow		
	FYE 3/02	FYE 3/03	2 Year Total	FYE 3/02	FYE 3/03	2 Year Total
Securitization of 4 buildings	144		144	187		187
Sales of the property management subsidiary		9	9		17	17
Sales of properties	-4	3	-1	11	22	33
Total	140	12	152	198	39	237

Note: Sale of the property management subsidiary has also an impact of reducing 11.5 billion yen interest-bearing debts incurred by the subsidiary.

Capital Expenditure and Debt

- Reduce investment by enhancing capital expenditures management
- Improve current fiscal year end Debt/EBITDA ratio to 2.7

Billions of Yen

		FY 2002.3			FY 2003.3				FY2003.3
		1H	2H	Year	1H	2H		Year est.	Year Nov. est.
						3Q			
						02/10-12	02/10-03/3		
CAPEX(Cash basis)	Consolidated	192	182	375	126	40	136	262	291
	au	111	115	226	83	27	101	184	197
	NW&Solution	54	32	86	19	6	26	45	53
	TUKA	20	19	39	9	2	7	16	16
	Pocket	11	6	17	8	3	5	13	14
Depreciation	Consolidated	212	212	424	193	100	196	389	393
	au	100	99	199	89	45	92	181	183
	NW&Solution	63	60	123	50	28	52	102	100
	TUKA	29	30	59	30	15	30	60	60
	Pocket	19	20	39	20	10	20	40	40
Interest bearing debts	Consolidated	2,050	—	1,747	1,675	1,593	—	1,508	1,560
	au, NW&Solution	1,301	—	1,067	1,043	995	—	939	950
	TUKA	387	—	371	348	334	—	318	328
	Pocket	262	—	226	211	193	—	187	188
Debt/EBITDA multiple		—	—	3.2	—	—	—	2.7	2.9

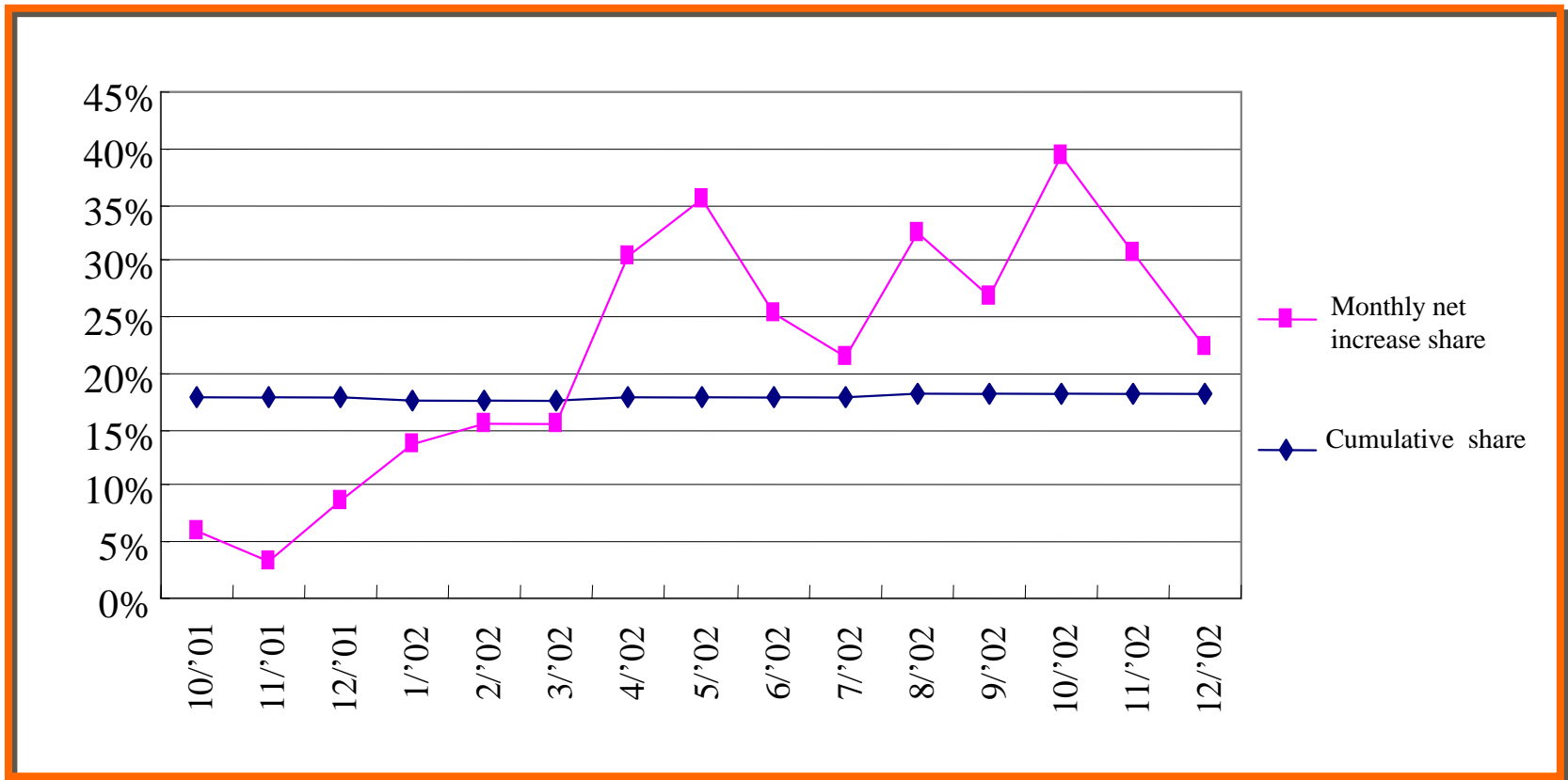
Attached Data



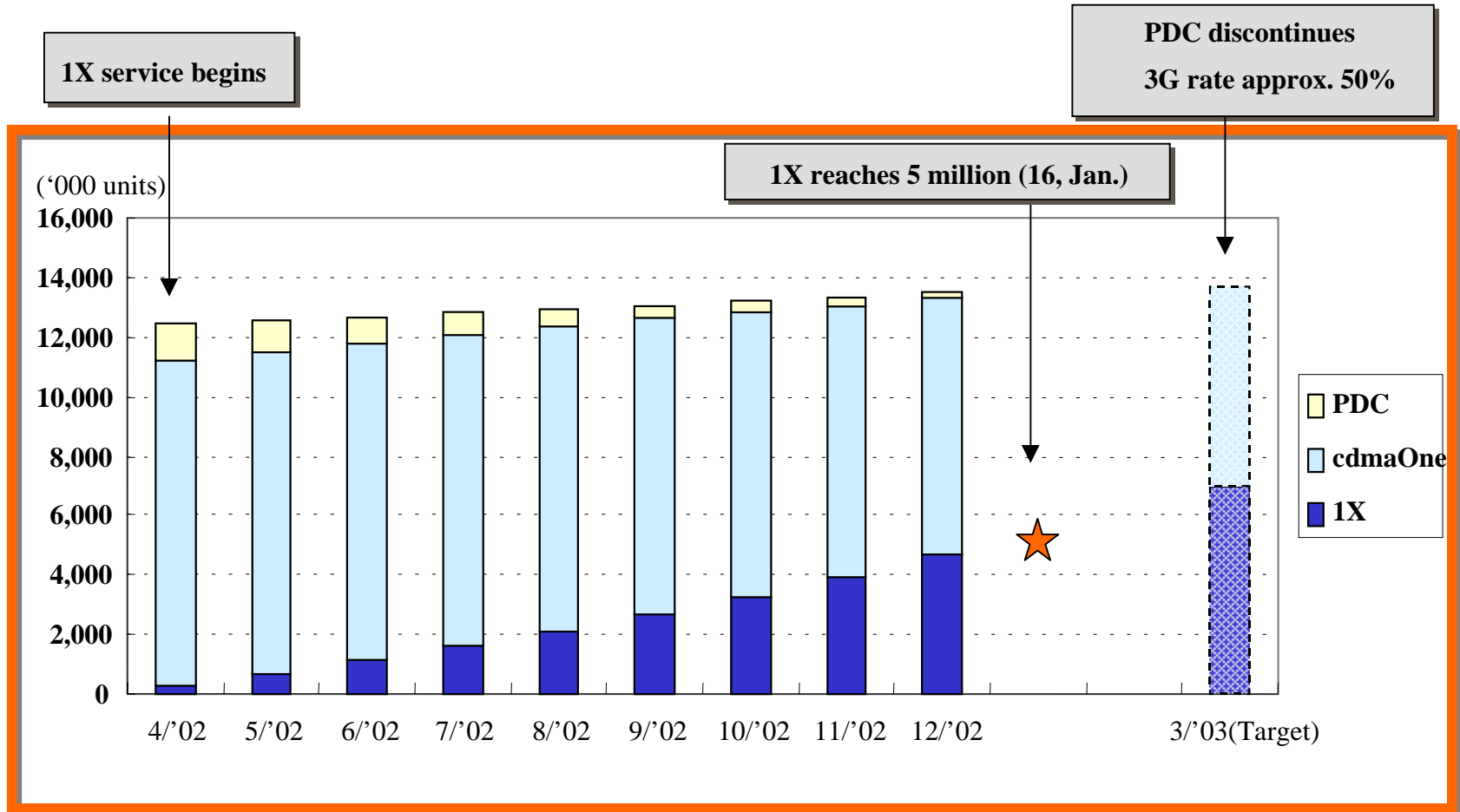
Condition of “au” Business

Trend for “au” Market Share

- April – December average net increase share: 29.4%
- Results surpassed the 25% net increase share targeted at the beginning of the fiscal year

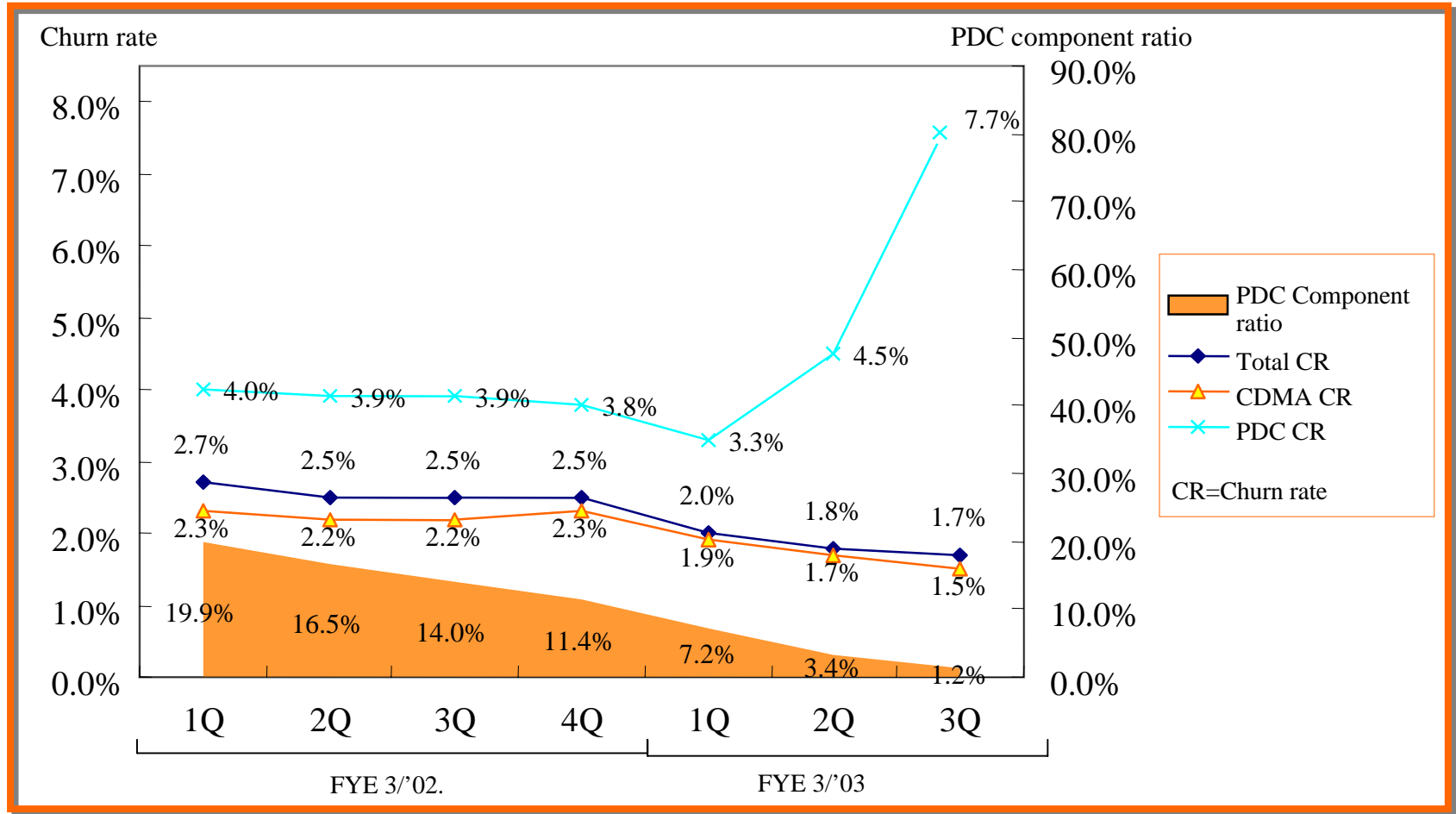


Trend for Cumulative No. of CDMA2000 1X Subscribers



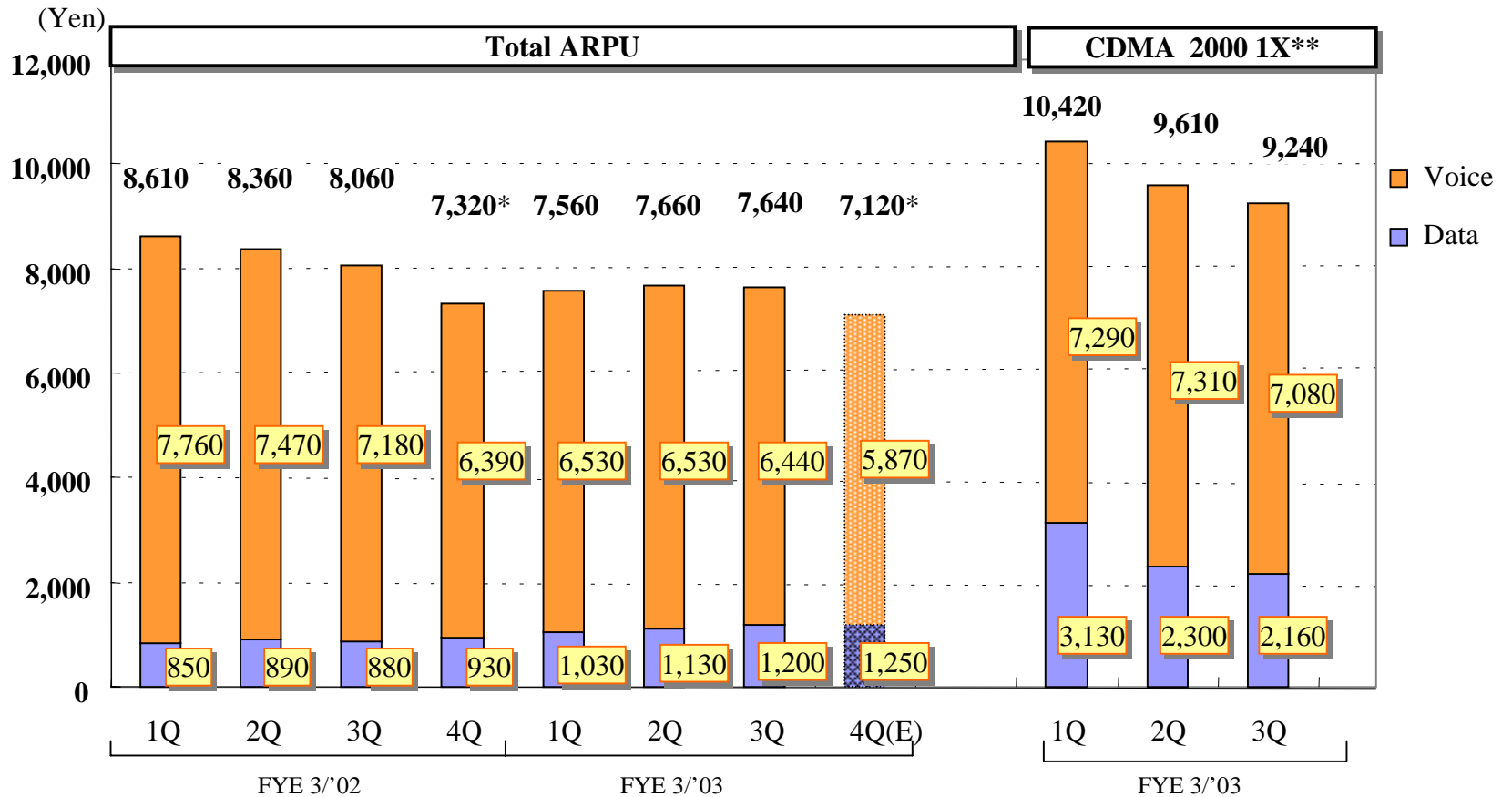
Reduction of Churn Rate

■ Churn rate reduction through increased brand and product power



Trend for ARPU

■ Percentage change from 1st quarter to 3rd quarter last fiscal year: -6.4%; The same from 1st quarter to 3rd quarter this fiscal year: +1%



Annual average ARPU = 8,080 (Voice 7,190, data 890)

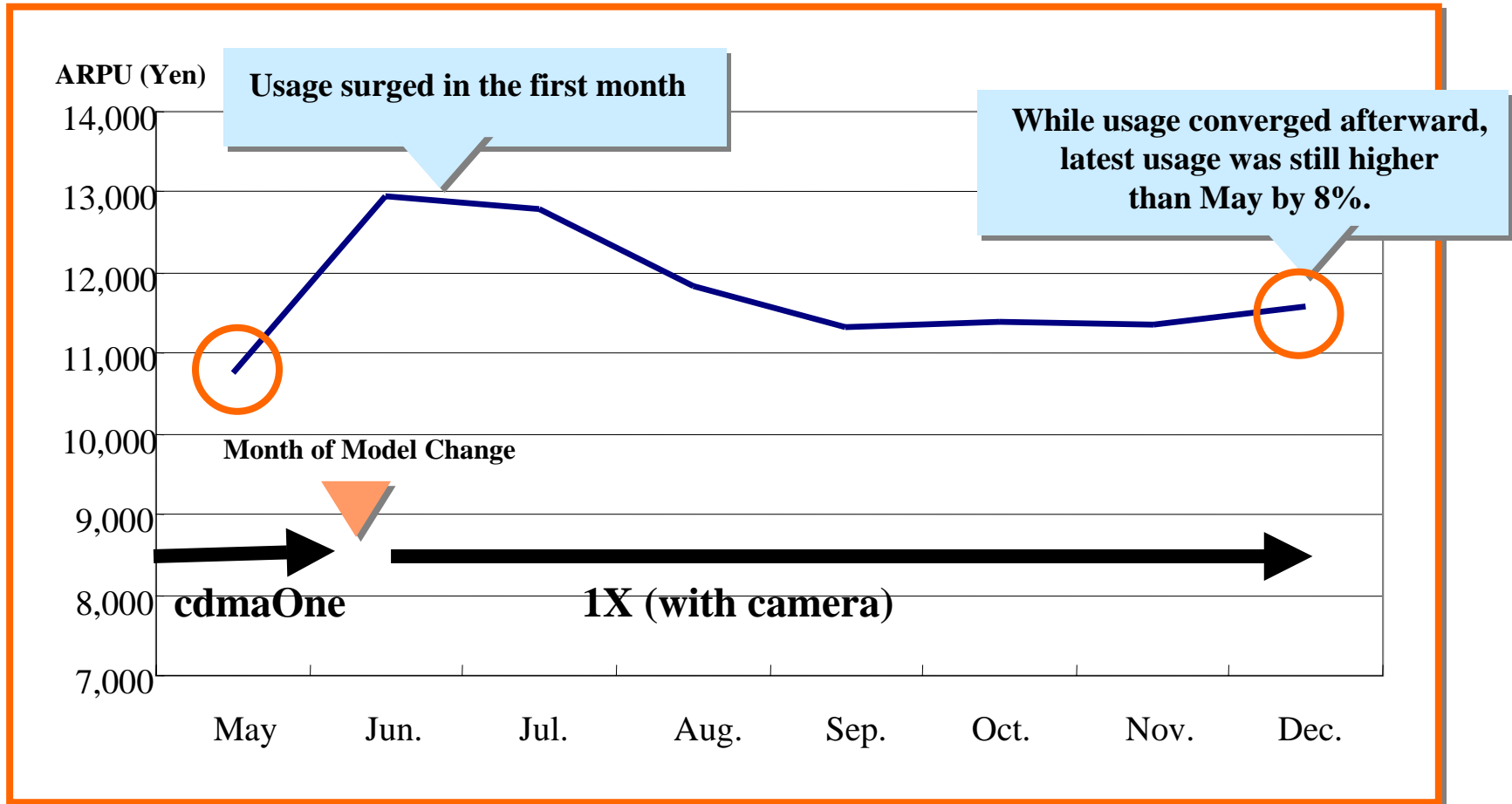
7,490 (Voice 6,330, data 1,160)

* Access charge adjustment is included. (FYE 3/02: Actual results, FYE 3/03 Estimated)

** All series (5000, 3000, 1000) are included in ARPU of CDMA2000 1X.

Trend for Usage of CDMA2000 1X Subscribers

- Conducted a survey of per customer ARPU involving 20,000 users who have switched from cdmaOne to 1X.
- ARPU of users who have switched to 1X is definitely rising.



ARPU Analysis

About Voice ARPU

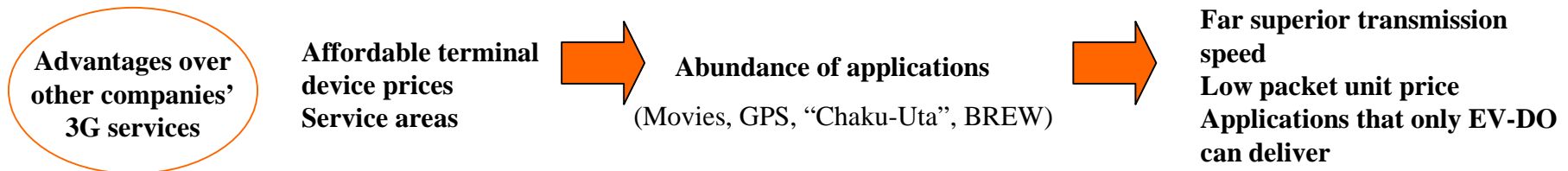
Steady trend for MoU	Stabilization is seen with 184 minutes in the first half of this fiscal year and 184 minutes in the third quarter.
Gain first-class users through 1X	<ul style="list-style-type: none">• ARPU of 1X remains at a high level• 44% of 1X users are new, suggesting the churn-in strategy is making progress

About Data ARPU

Increase in application use	Riding on an up trend with such rich contents as JAVA, camera, movies, “Chaku-Uta, and WAP2.0
Increase in mail use	Growth in sending/receiving data size of pictures, movies, and pictographs

“au” & Solution Chart

	FYE 3/'03			FYE 3/'04
	1-2Q	3Q	4Q	
3G acceleration	CDMA2000 1X 144kbps <i>3G Launch Period</i>	CDMA2000 1X 144kbps <i>Advanced 3G</i>		EV-DO (Autumn) 2.4Mbps <i>Super-advanced 3G</i>
		<i>BREW Advanced GPS High-speed Processor</i>		
Going forward with global strategies	Roaming partners		Cooperative business structure that even includes applications	
Advancement of ubiquitous solutions	GPS-MAP	BREW G-BOOK, AirNavi Collaborate with SI Vendors		



Ubiquitous Solution Company

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