

Ubiquitous Solution Company


KDDI CORPORATION



3rd Quarter Financial Results of the Fiscal Year ending March 2004

January 30, 2004

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.

1.1. Financial Results Highlights (1-3Q/ 9 months ended Dec.2003)

- 1** On a consolidated basis, operating income jumped up 101.3% (doubled), with operating revenues slightly up 0.8% year-on-year, as strong “au” Business covered decreased sales in BBC & Solutions Business
- 2** Reduced debts steadily to ¥1,229.1B (by ¥267.9B from March-end 2003)
- 3** “au” Business
 - ▶ Operating revenues rose 9.6%, operating income up 302.7%(quadrupled) yoy
 - ▶ Achieved top share of net adds during 3Q (average: 59.9%) & 1H
 - ▶ Launched WIN (EV-DO) on Nov. 28, 2003 as scheduled
- 4** BBC & Solutions Business
 - ▶ Ensured a constant level of operating income by reinforcing cost-controls, while reduced profits significantly yoy due to voice sales declines
 - ▶ Started Hikari plus (FTTH) on Oct.10, 2003 as planned (Hikari plus TV started on Dec.12.)
- 5** TU-KA Business & Pocket Business
 - ▶ Made good progress in income and FCF amid net decrease in subscribers

Note: Operating revenues, operating income, year-on-year comparisons described here are those during 9 months ended December basis. See attached Data Book for 3Q results.

1.2. FY2004.3 Full-year Forecasts Revised Up

- 1** Company revised up consolidated FY2004.3 operating revenues & income forecasts against October - guidance, thanks to strong “au” figures and earnings recovery in other segments in 3Q
 - ▶ Operating revenues : ¥ 2,820.0B → ¥2,848.0B (up ¥28.0B)
 - ▶ Operating income : ¥ 255.0B → ¥ 285.0B (up ¥30.0B)
 - ▶ Main reasons for upward modifications
 - ✓ Revised-up KPI resulting increased “au” operating revenues & income (up ¥35.0B, ¥18.0B each)
 - ARPU : ¥ 7,320 → ¥7,440 (up ¥120)
 - Ending subs : 16,550K → 16,820K (up 270K with full-year net adds of 2,770K)
 - ✓ Improved operating income in other segments
 - BBC & Solutions : ¥ 11.0B → ¥18.0B (up ¥7.0B)
 - TU-KA : ¥ 10.0B → ¥14.0B (up ¥4.0B)
- 2** CAPEX guidance revised down : ¥300.0B → ¥260.0B (down ¥ 40.0B) with some payments carried over to the next fiscal year & through review of investment needs
- 3** FCF forecasts revised up : ¥ 321.0B → ¥ 393.0B (up ¥72.0B) due to more operating income & less CAPEX

Note: All figures are on a consolidated basis.

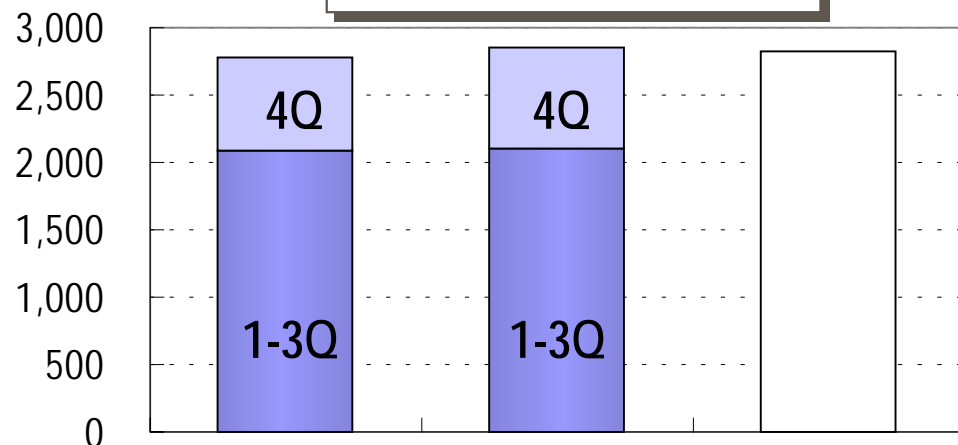


Will continue to enhance customer satisfaction and build up brand strength for sustainable growth

2. Consolidated Financial Results

(Billions of yen)

Operating revenues



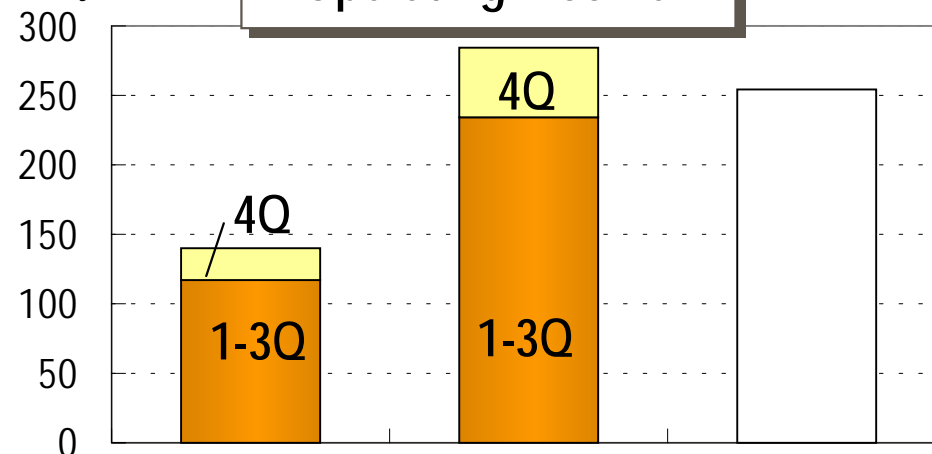
FY2003.3

FY2004.3 (E)
Latest Forecast

FY2004.3 (E)
Oct. Forecast

(Billions of yen)

Operating income



FY2003.3

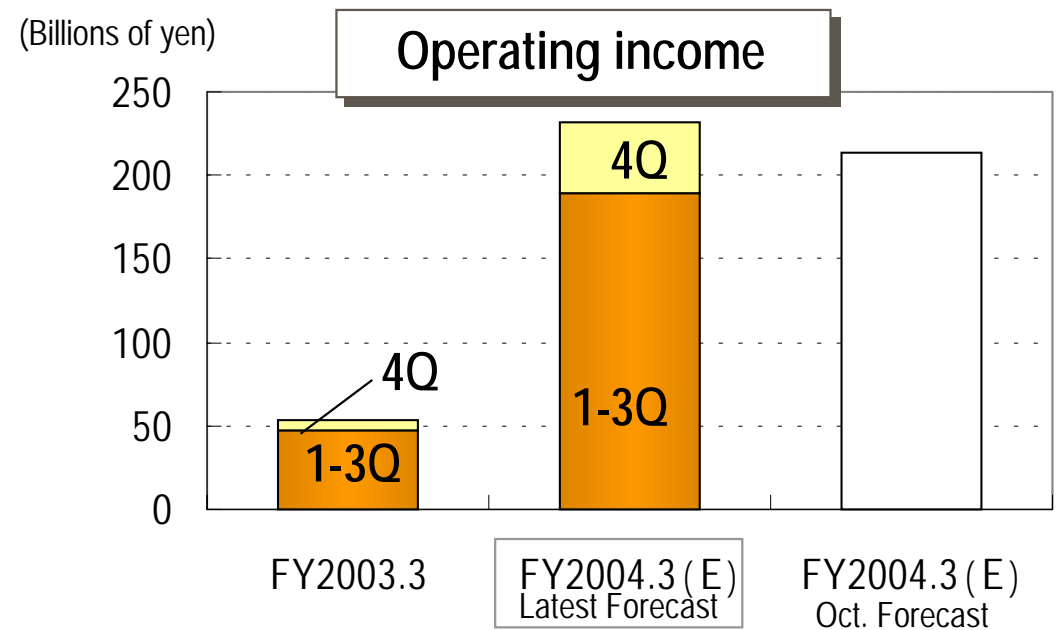
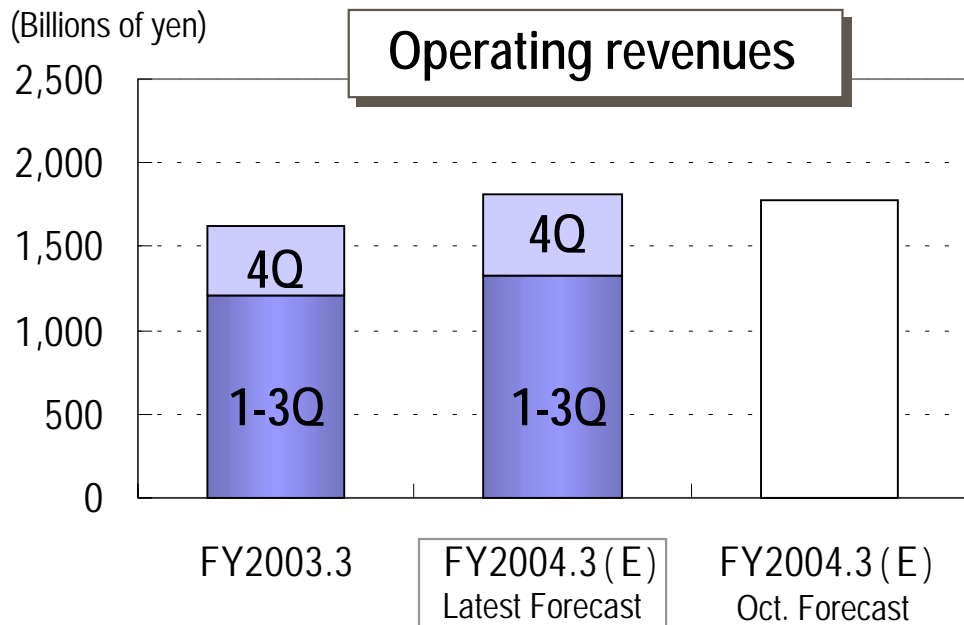
FY2004.3 (E)
Latest Forecast

FY2004.3 (E)
Oct. Forecast

(Billions of yen)

	FY2003.3		FY2004.3(E)			FY2004.3(E)
	1-3Q		1-3Q	Growth Rate yoy	Latest Forecast	Oct.F
Operating revenues	2,088.3	2,785.3	2,104.3	0.8%	2,848.0	2,820.0
Operating income	116.6	140.7	234.7	101.3%	285.0	255.0
<i>Operating margin</i>	5.6%	5.0%	11.2%	-	10.0%	9.0%
Ordinary income	94.3	113.2	221.2	134.5%	267.0	240.0
Net income	51.3	57.4	123.4	140.5%	117.0	95.0
Free Cash Flow	236.5	305.3	384.6	62.6%	393.0	321.0
EBITDA	417.4	563.5	522.2	25.1%	674.0	649.0
<i>EBITDA margin</i>	20.0%	20.2%	24.8%	-	23.7%	23.0%

3. "au" Business



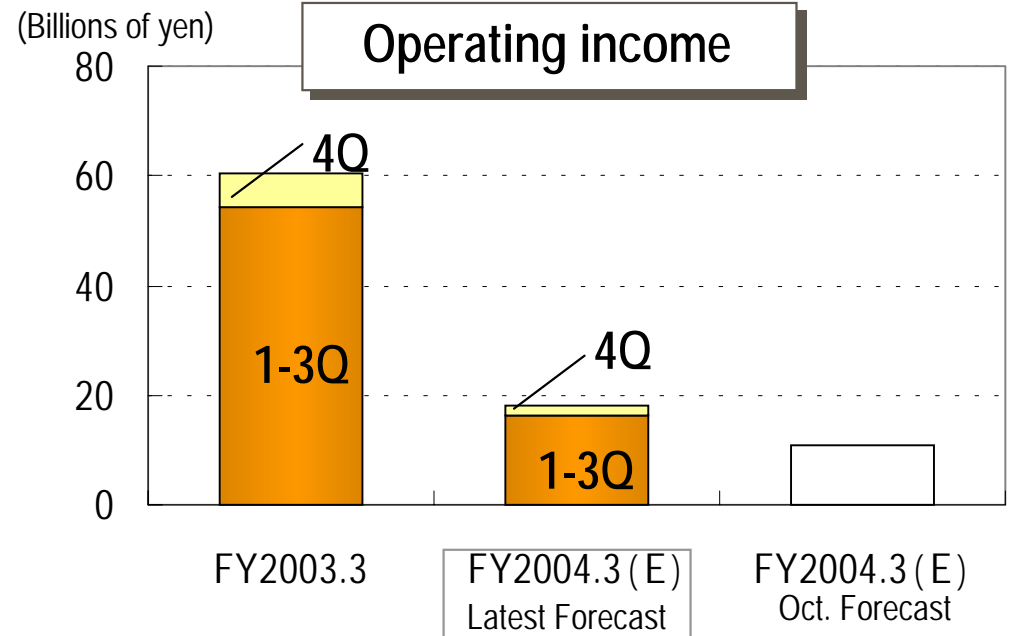
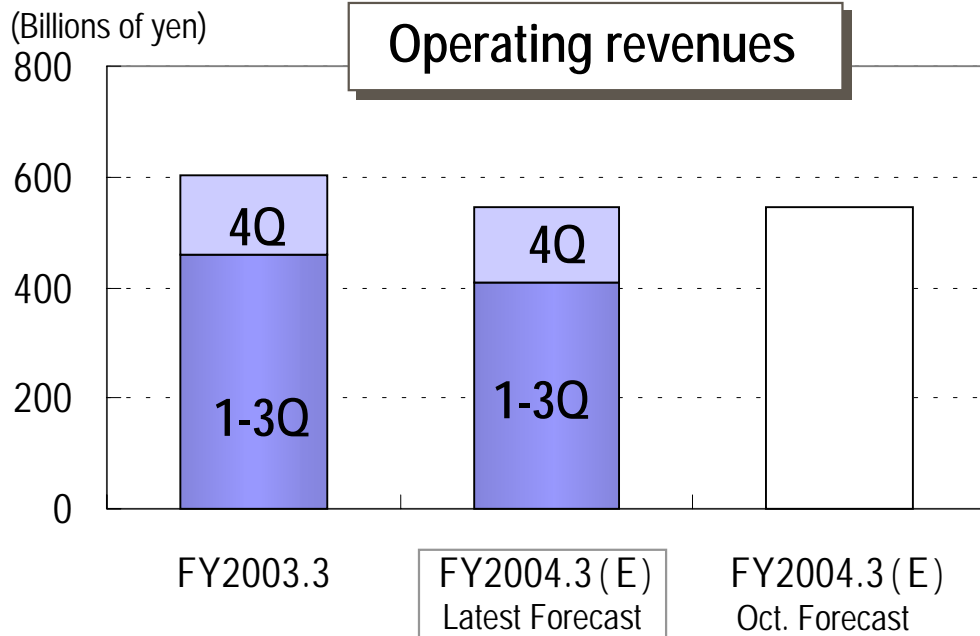
(Billions of yen)

	FY2003.3		FY2004.3(E)		FY2004.3(E)
	1-3Q		1-3Q	Latest F	Oct. F
Operating revenues	1,214.3	1,626.3	1,330.7	1,817.0	1,782.0
Operating income	47.0	53.8	189.5	232.0	214.0
<i>Operating margin</i>	3.9%	3.3%	14.2%	12.8%	12.0%
Ordinary income	37.4	41.8	181.3	222.0	204.0
Net income	19.2	21.0	105.3	129.0	117.0
Free Cash Flow	99.2	96.6	218.9	214.0	198.0
EBITDA	185.6	245.1	332.4	429.0	409.0
<i>EBITDA margin</i>	15.3%	15.1%	25.0%	23.6%	23.0%

	FY2003.3		FY2004.3(E)		FY2004.3(E)
	3Q		3Q	Latest F	Oct. F
Subs ('000)	13,468	14,049	15,977	16,820	16,550
<i>of module-type</i>	-	-	326	350	330
WIN(EV-DO)	0	0	47	-	-
1x	4,674	6,806	11,717	-	-
cdmaOne	8,637	7,208	4,213	-	-
PDC	157	35	0	-	-
ARPU (yen)	7,640	7,570	7,490	7,440	7,320
Voice	6,320	6,280	5,830	5,790	5,650
Data	1,320	1,290	1,660	1,650	1,670

Note: ARPU is calculated for ordinary handsets which exclude module-type terminals.

4. BBC & Solutions Business

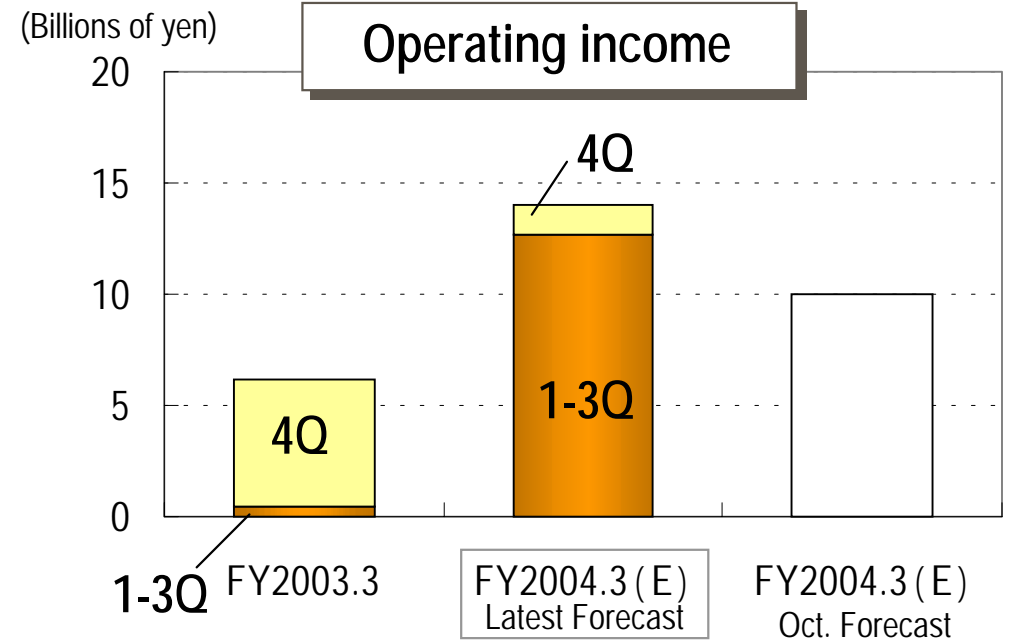
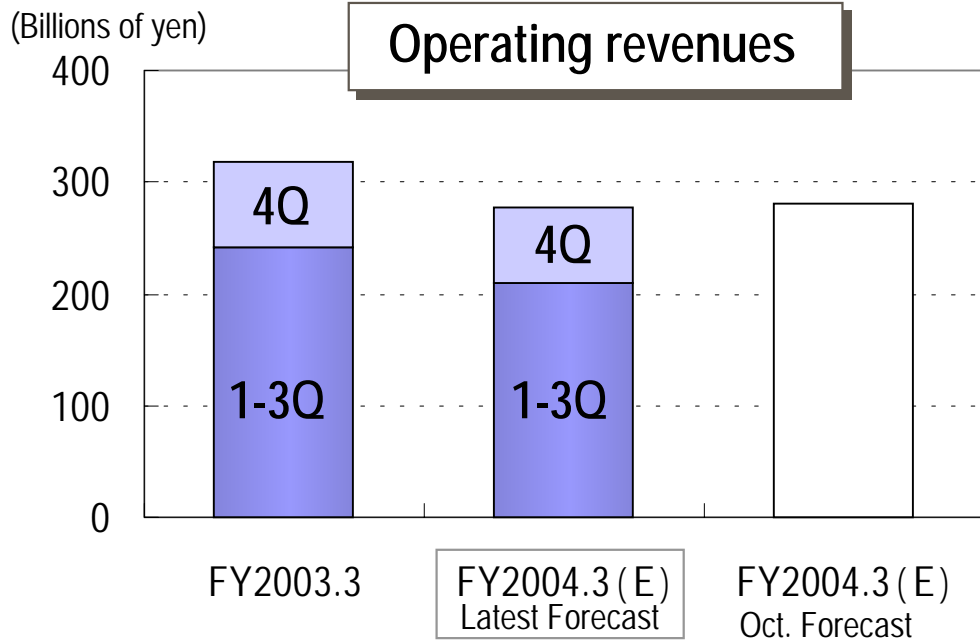


(Billions of yen)

	FY2003.3		FY2004.3(E)		FY2004.3(E)
	1-3Q		1-3Q	Latest F	Oct. F
Operating revenues	458.9	601.9	409.7	545.0	544.0
Operating income	54.4	60.3	16.3	18.0	11.0
<i>Operating margin</i>	<i>11.9%</i>	<i>10.0%</i>	<i>4.0%</i>	<i>3.3%</i>	<i>2.0%</i>
Ordinary income	54.2	60.4	15.8	17.0	10.0
Net income	30.3	32.3	1.5	-29.0	-37.0
Free Cash Flow	90.1	116.9	60.3	60.0	27.0
EBITDA	134.0	176.8	85.7	109.0	108.0
<i>EBITDA margin</i>	<i>29.2%</i>	<i>29.4%</i>	<i>20.9%</i>	<i>20.0%</i>	<i>19.9%</i>

	FY2003.3		FY2004.3(E)		FY2004.3(E)
	3Q		3Q	Latest F	Oct. F
DION subs('000)	2,300	2,373	2,559	2,600	2,600
<i>of ADSL</i>	<i>374</i>	<i>498</i>	<i>914</i>	<i>1,100</i>	<i>1,200</i>

5. TU-KA Business

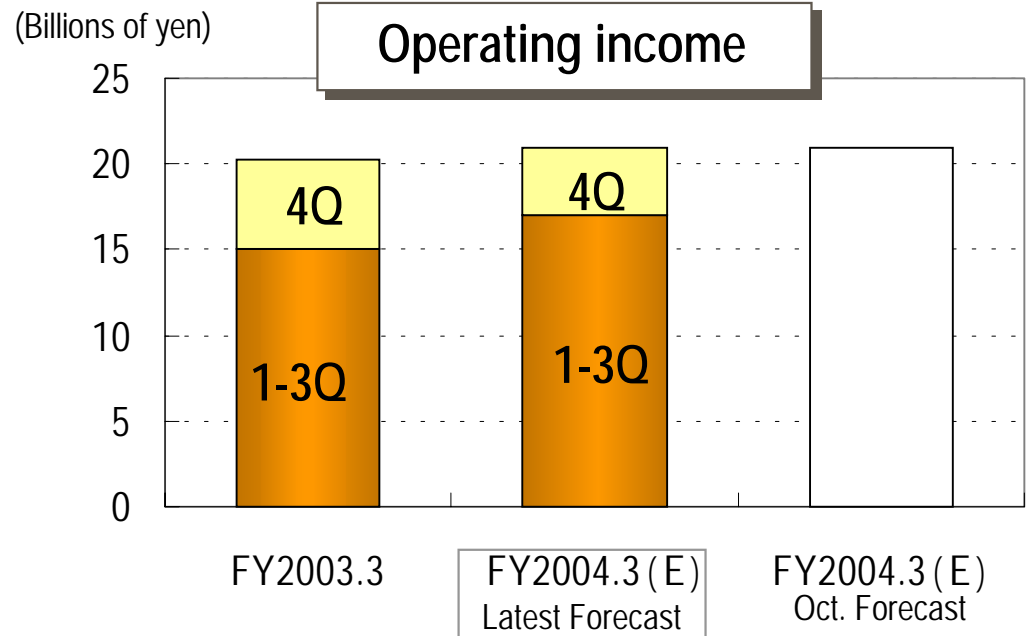
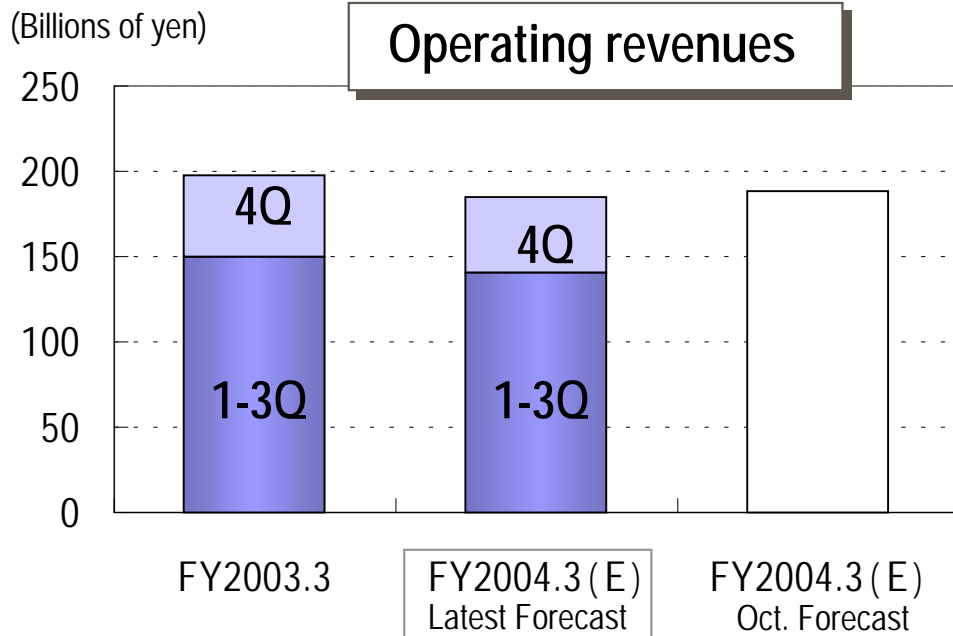


(Billions of yen)

	FY2003.3		FY2004.3(E)		FY2004.3(E)
	1-3Q		1-3Q	Latest F	Oct. F
Operating revenues	241.6	318.1	210.6	277.0	281.0
Operating income	0.5	6.2	12.7	14.0	10.0
<i>Operating margin</i>	<i>0.2%</i>	<i>1.9%</i>	<i>6.0%</i>	<i>5.1%</i>	<i>3.6%</i>
Ordinary income	-4.2	0.1	9.5	10.0	6.0
Net income	-7.6	-3.2	8.3	8.0	5.0
Free Cash Flow	35.4	52.1	42.2	52.0	44.0
EBITDA	45.6	66.5	54.2	70.0	66.0
<i>EBITDA margin</i>	<i>18.9%</i>	<i>20.9%</i>	<i>25.7%</i>	<i>25.3%</i>	<i>23.5%</i>

	FY2003.3		FY2004.3(E)		FY2004.3(E)
	3Q		3Q	Latest F	Oct. F
Subs ('000)	3,849	3,783	3,670	3,640	3,700
ARPU (yen)	5,360	5,330	5,020	5,010	5,050

6. Pocket Business



(Billions of yen)

	FY2003.3		FY2004.3(E)		FY2004.3(E)
	1-3Q		1-3Q	Latest F	Oct. F
Operating revenues	149.5	197.6	140.6	185.0	188.0
Operating income	15.1	20.3	17.0	21.0	21.0
<i>Operating margin</i>	10.1%	10.3%	12.1%	11.4%	11.2%
Ordinary income	13.1	17.7	15.6	19.0	19.0
Net income	12.4	17.0	15.8	19.0	20.0
Free Cash Flow	32.9	43.0	40.0	43.0	43.0
EBITDA	46.2	62.2	47.0	61.0	61.0
<i>EBITDA margin</i>	30.9%	31.5%	33.4%	33.0%	32.4%

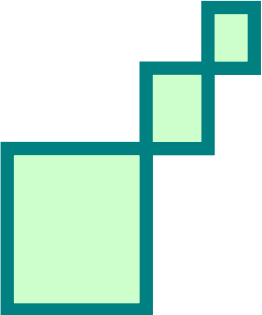

	FY2003.3		FY2004.3(E)		FY2004.3(E)
	3Q		3Q	Latest F	Oct. F
Subs ('000)	2,969	2,975	2,914	2,920	2,950
<i>of Air H"</i>	668	765	936	1,000	1,000
ARPU (yen)	4,990	5,010	4,730	4,770	4,680

7. Capital Expenditures and Others

(Billions of yen)

		FY2003.3		FY2004.3 (E)		FY2004.3(E)
		1-3Q		1-3Q	Latest F	Oct. F
CAPEX (Cash basis)	Consolidated	166.5	246.2	146.2	260.0	300.0
	au	110.0	167.3	89.9	160.0	184.0
	BBC & Solutions	25.3	40.8	32.0	60.0	66.0
	TUKA	11.6	16.2	8.9	15.0	19.0
	Pocket	10.6	11.7	7.5	14.0	16.0
Depreciation	Consolidated	292.4	389.0	274.2	364.0	371.0
	au	134.2	176.0	137.6	186.0	184.0
	BBC & Solutions	77.7	105.4	63.9	80.0	89.0
	TUKA	44.8	60.0	40.2	54.0	54.0
	Pocket	29.5	39.6	29.1	39.0	39.0
Debts	Consolidated	1,592.5	1,497.0	1,229.1	1,180.0	1,187.0
	au, BBC & Solutions	995.4	937.2	766.5	730.0	716.0
	TUKA	333.5	317.8	276.0	265.0	272.0
	Pocket	193.1	182.7	142.4	139.0	140.0
Debt/EBITDA multiple			2.7		1.8	1.8

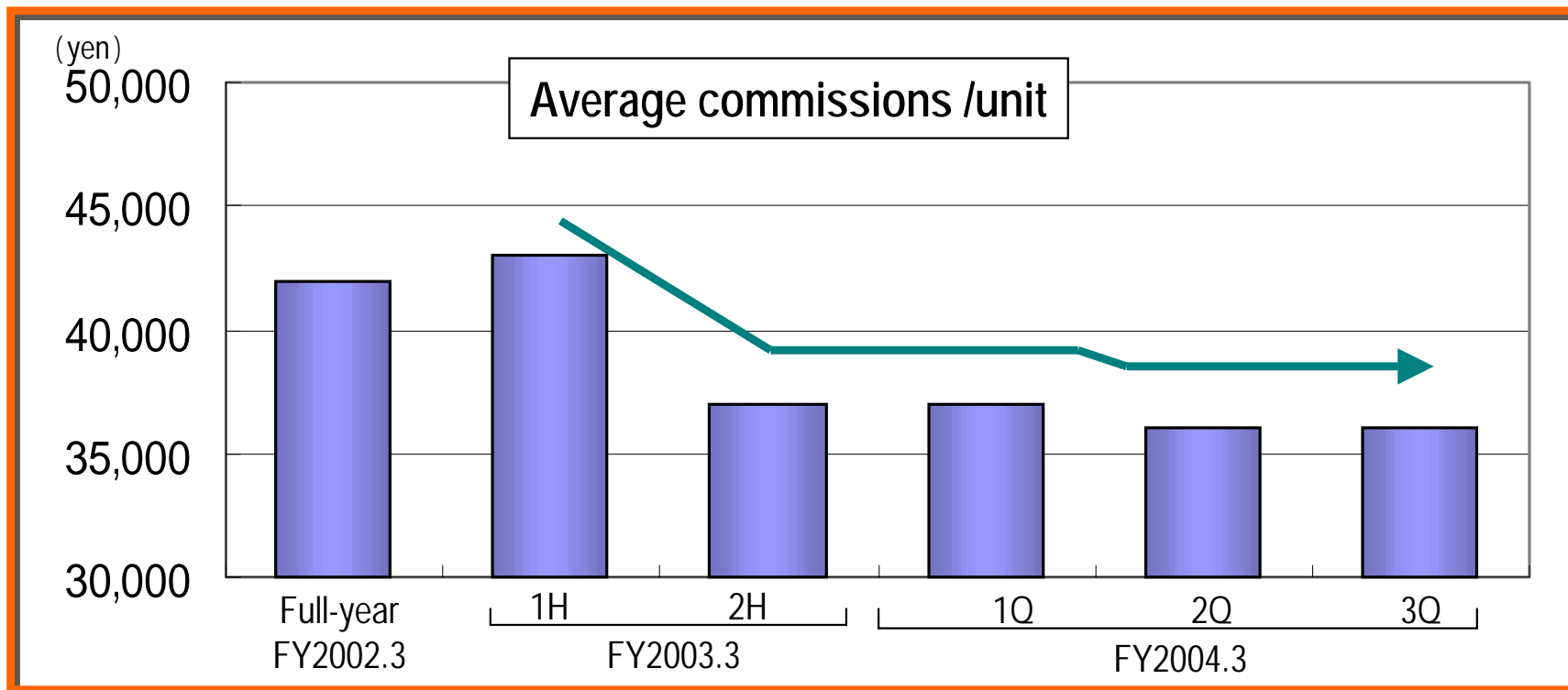
Note: Debts during 1-3Q are the ending balance of 3Q.



"au" Business Discussion

1.1. Sales Commissions

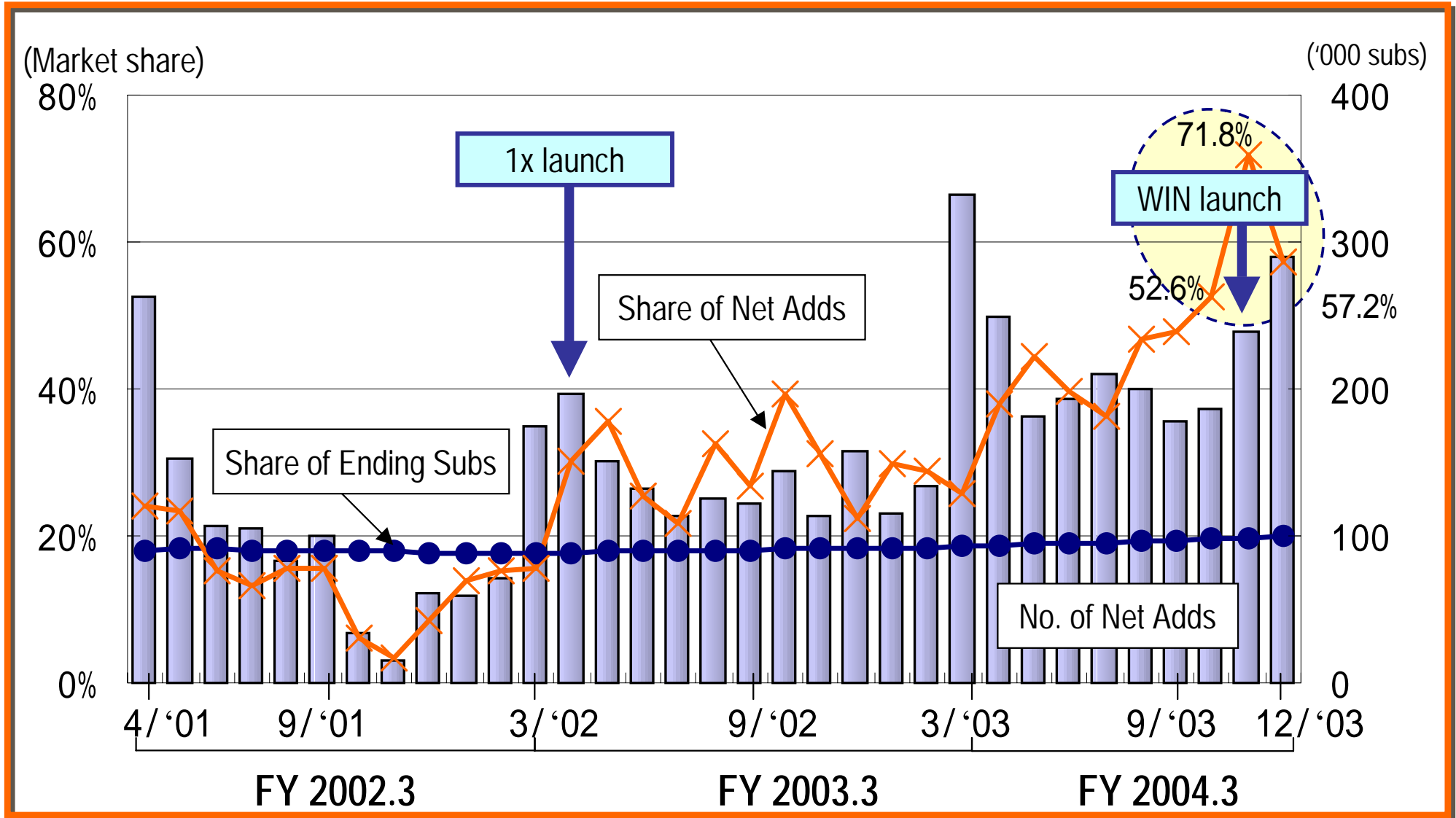
【Sales Commissions】 (New purchases, upgrade models)



	FY 2002.3	FY 2003.3		FY 2004.3 (E)				FY2004.3(E)
		1H	2H	1Q	2Q	3Q	Latest F	Oct. F
Sales commissions (Billions of yen)	365.0	219.0	186.0	90.0	90.0	92.0	383.0	370.0
Average commissions/unit (yen)	42,000	43,000	37,000	37,000	36,000	36,000	36,000	36,000
Number of units sold ('000 units)	8,700	5,100	5,000	2,410	2,490	2,590	10,500	10,200

1.2. Trend for Net Additions

Achieved top share of Net Adds during 3Q & 1H with Dec.-ending subs at 15.98M



Market share of
Net Adds /Ending subs: <15.0% / 17.7%>

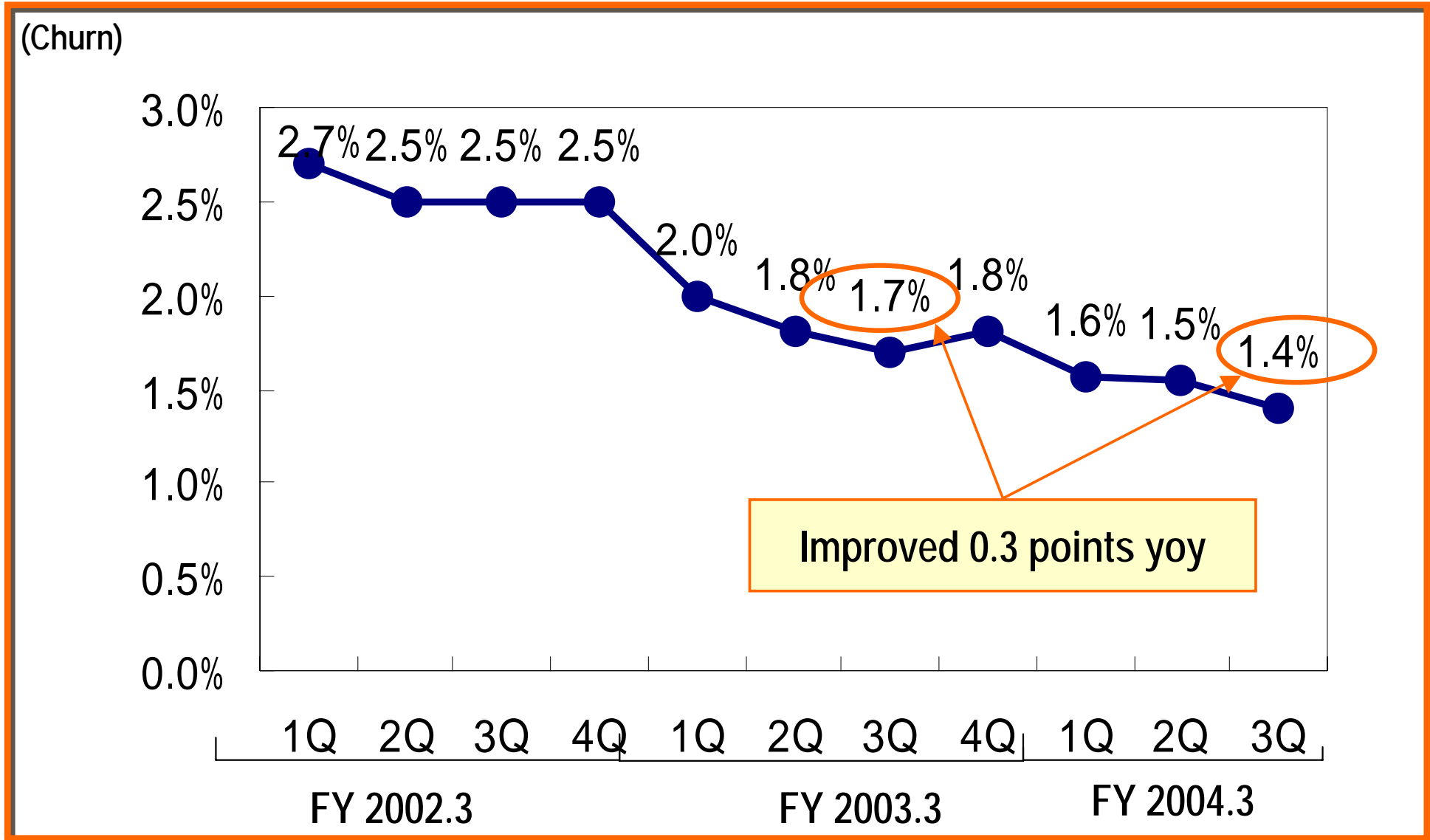
Full-year/FY2002.3

Full-year/FY2003.3
<28.1% / 18.6%>

3Q /FY2004.3
<59.9% / 20.0%>

1.3. Reduction of Churn

Reduced Churn rate through brand and product competitiveness



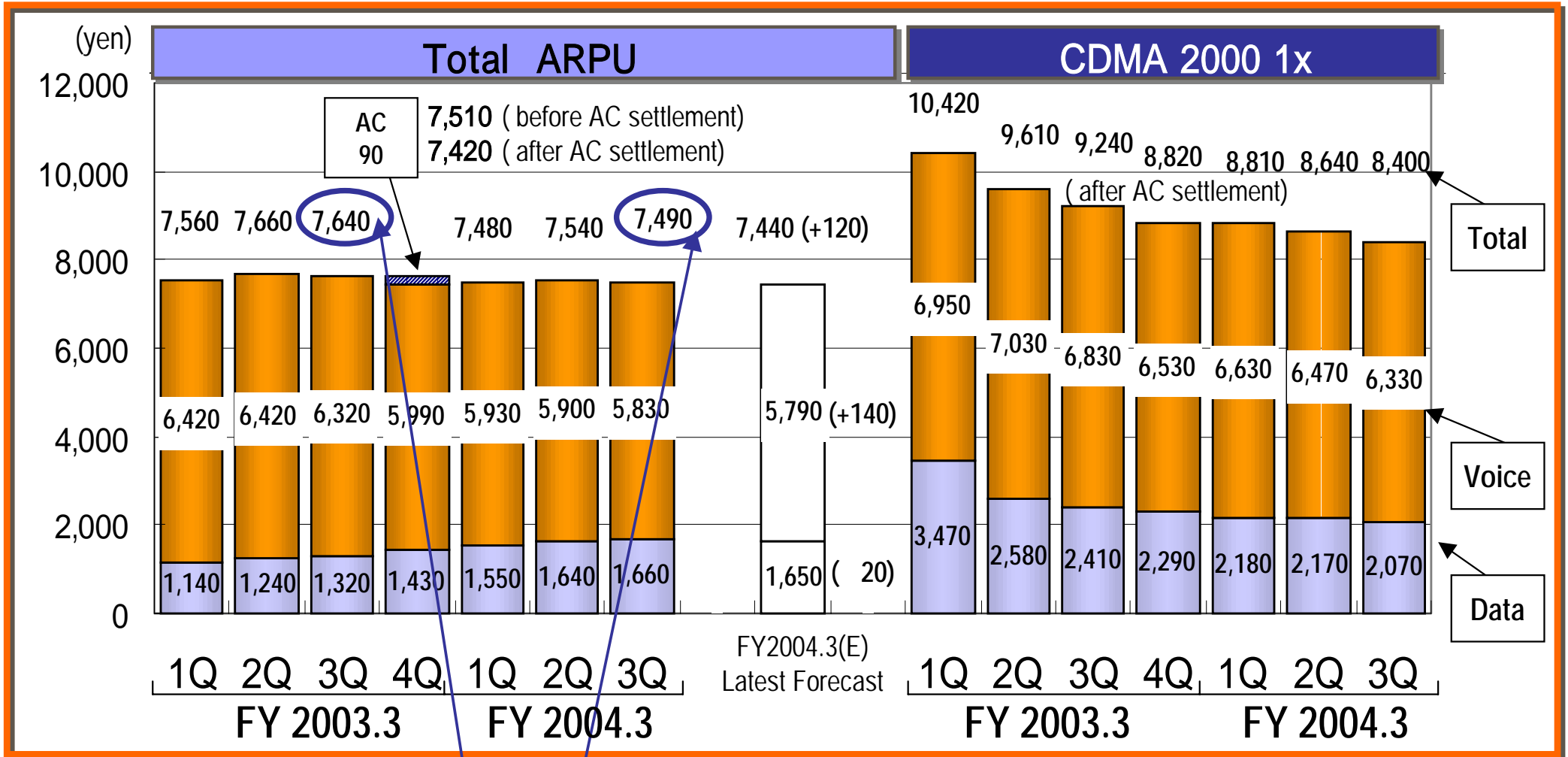
Full-year
Churn

<2.6%>

<1.8%>

1.4. Trend for ARPU

ARPU is likely to have bottomed out. Full-year forecast revised up from ¥7,320 to ¥7,440.



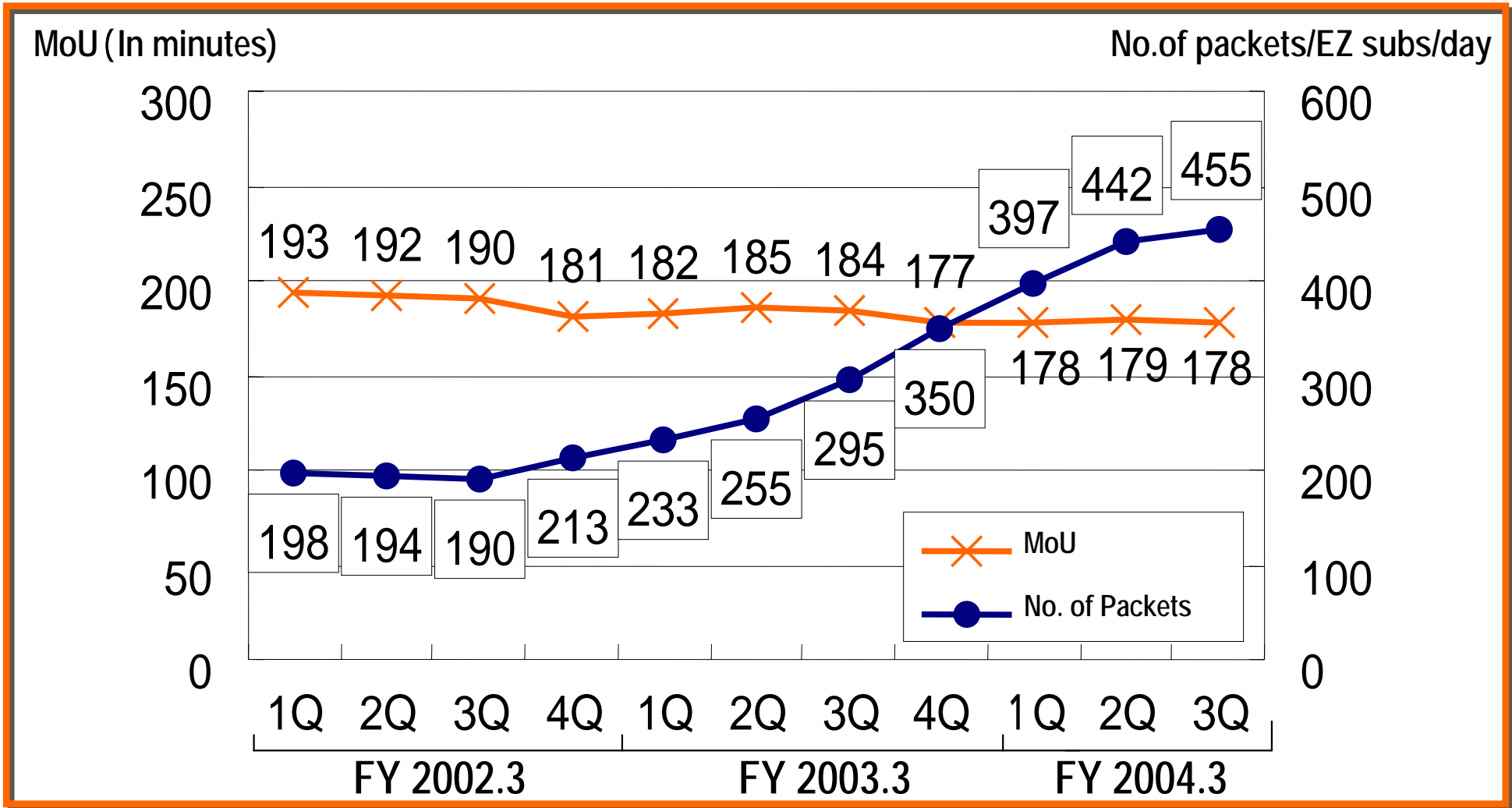
yoy change: Total ARPU down 2.0% by ¥150 (Data ARPU up 25.8% by ¥340)

Note: CDMA2000 1x ARPU for FY2004.3 is on a nation-wide basis, whereas its FY2003.3 figures are based on subs only in the Kanto and Chubu districts. Also, 1x ARPU started to include WIN customers from 3Q/FY2004.3.

1.5. MoU & Packet Usage

MoU is likely to be stabilized

Number of packets is on a gradual increase



Full-year <MoU: 189mins >
<No. of packets: 202 >

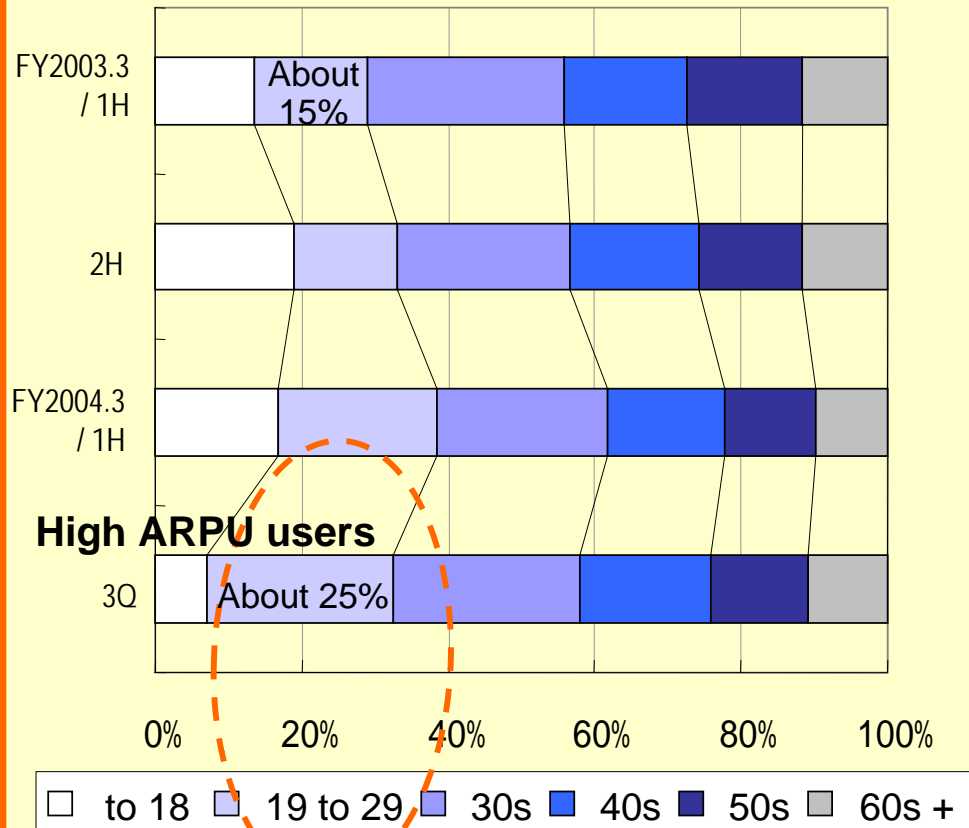
<MoU: 182mins >
<No. of packets: 286 >

(Note) WIN customers are included in subscriber base for MoU but not for No. of Packets.¹⁴

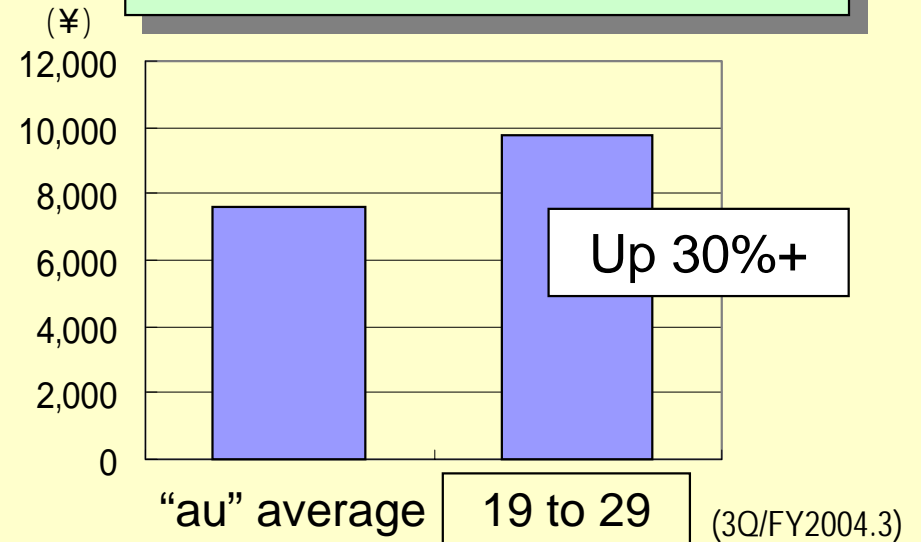
2.1. Churn-in of High-end Users

Steady growth for young users with high ARPUs (particularly women)

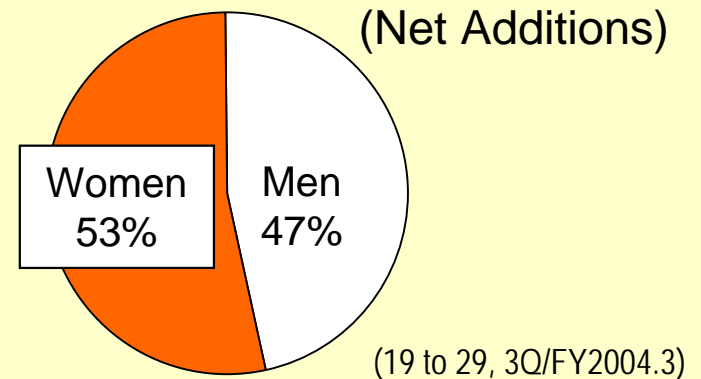
Net Additions by Age Group



ARPU of Young Users



Gender Share of Young Users

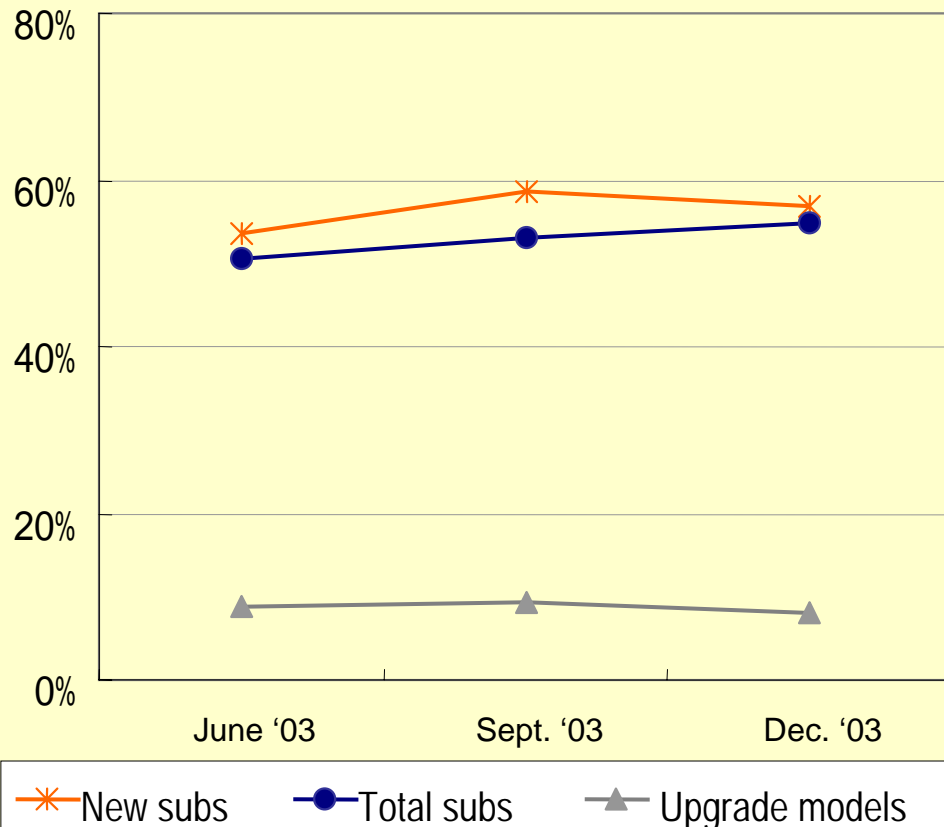


2.2. Retention through Family Discount Plans

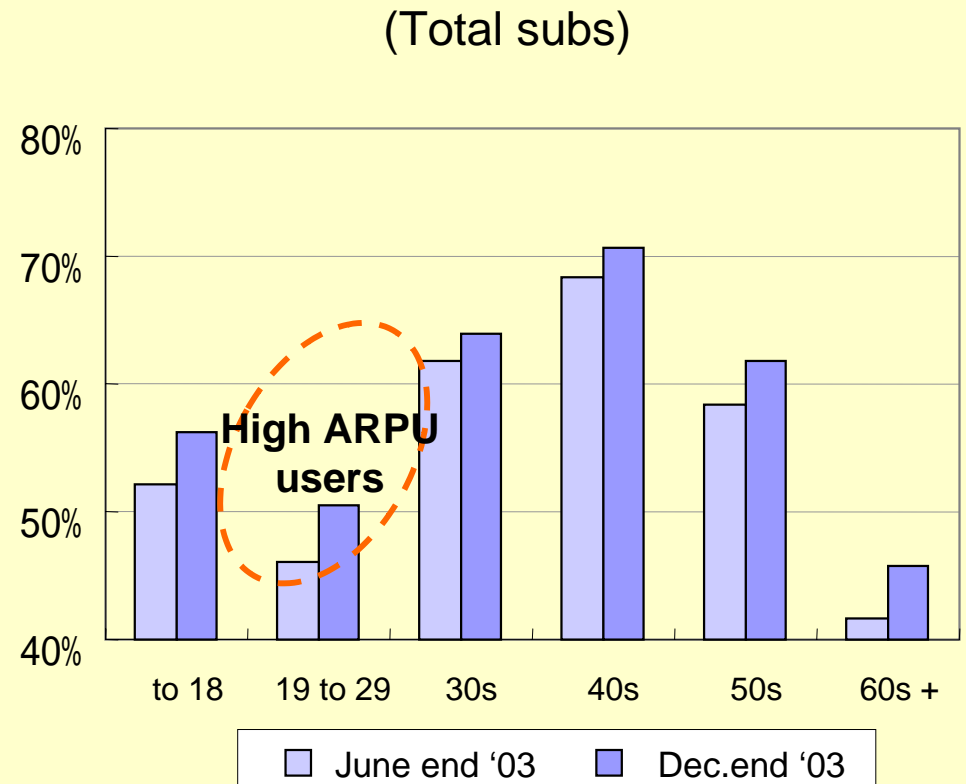
Reinforce retention of new users by pushing family discount plans

Remarkable increase in family-discount contract rate of young users with high ARPU

More New Subs Sign up for Family Discount Plans



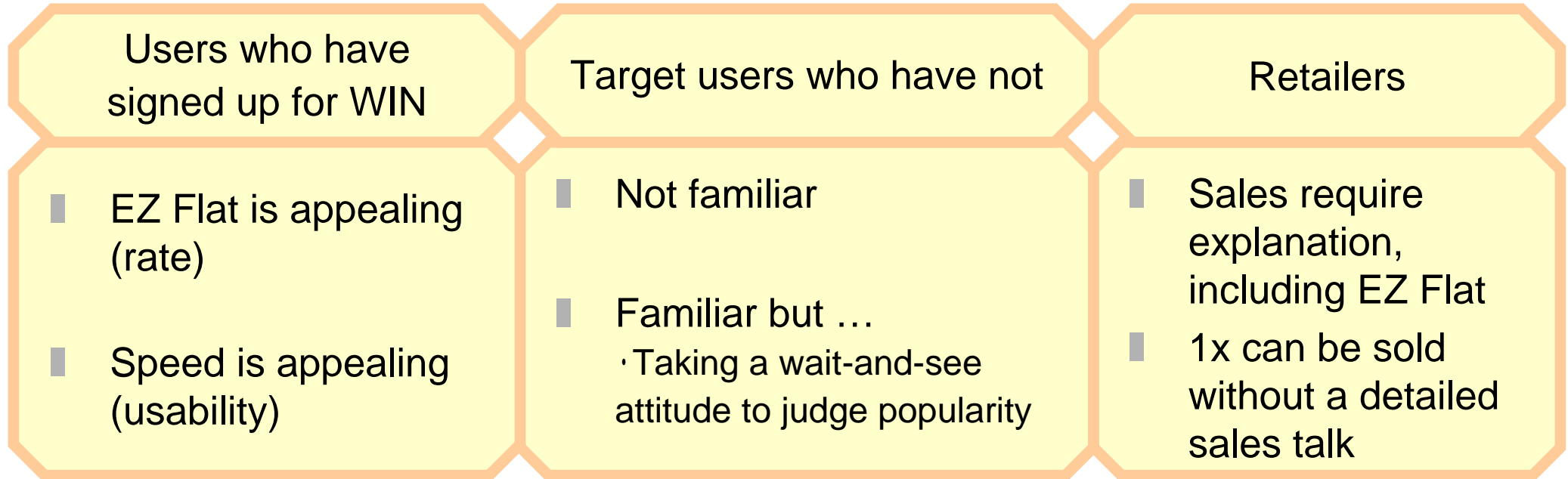
Family Discount Contract rate by Age Group



3. Sales & Marketing for WIN (EV-DO) Launch



1 Initial responses



2 Too early to make an assessment only one month after launch...

KDDI

- Positive. ---We could confirm that the product is in a phase fully usable by customers, considering many new elements related to services (EZ Channel, EZ Flat), handsets, and NW.
- Customer awareness is still insufficient.

3. Sales & Marketing for WIN (EV-DO) Launch

2H/ FY2004.3 positioned as the launch period

- 3** Top priority issue is to increase customer awareness (particularly for the flat rate plan).
- Enhanced mass media ad campaign with more focus on EZ-flat
 - Vigorous support of sales promotion plans for retailers
 - Increased exposure through in-store and street events



As a pillar against competitors' full-scale 3G services

Ubiquitous Solution Company

