

Ubiquitous Solution Company


KDDI CORPORATION



First Quarter Financial Results of the Fiscal Year ending March 2005

July 29, 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. 1Q/FY2005.3 - Financial Results Highlights

- 1** On a consolidated basis, operating revenues rose by 4.4% yoy and operating income was up by 5.3%, as strong “au” Business absorbed declines in revenues in BBC & Solutions Business and other segments.
- 2** Plan a commemorative dividend of ¥ 1,000 per share at the interim dividend payment to mark the 20th anniversary of the Company's establishment.
- 3** “au” Business
 - ▶ Operating income up 23.8% yoy.
 - ▶ Achieved largest share of net adds (1Q: 53.0%) by enhanced competitiveness of 1X products.
 - ▶ Expanded No. of 3G (1X + WIN) subscribers, accounting for 83.6% of the total.
- 4** BBC & Solutions Business
 - ▶ Decreased operating income yoy owing to fall in voice revenues as well as the impact of retroactive settlement of ACs which was not factored in the previous 1Q accounts.
 - ▶ Steadily increased No. of Hikari Plus subscribers, reaching 28,000 at end June.
- 5** TU-KA Business
 - ▶ Contributed to Group management in terms of operating income and FCF amid revenue downtrend due to net decrease in subscribers.
- 6** Pocket Business
 - ▶ Continued a net-increase trend since March 2004.

1.2. Group Company Business Policies

Pocket Business

To transfer business

▶ Objective:

Concentrate management resources on businesses selected

▶ Schedule:

Agreed on business transfer on June 21; effectuation planned for October 1, 2004.

▶ Outline:

Sale of PHS business for ¥220 billion to consortium comprising Carlyle (60%), Kyocera (30%), KDDI (10%). Apportionment to existing shareholders (KDDI's interest 80.93%) of balance remaining after completion of payment of interest-bearing debt. Projected gain on sale (consolidated) is approx. ¥31 billion.

TU-KA Business

To increase interests aiming at wholly-owned subsidiaries

▶ Objective:

Make TU-KA further respond to customer needs in a timely and appropriate manner and promote their business operations more in line with KDDI's group strategies in order to address future changes in the business environment.

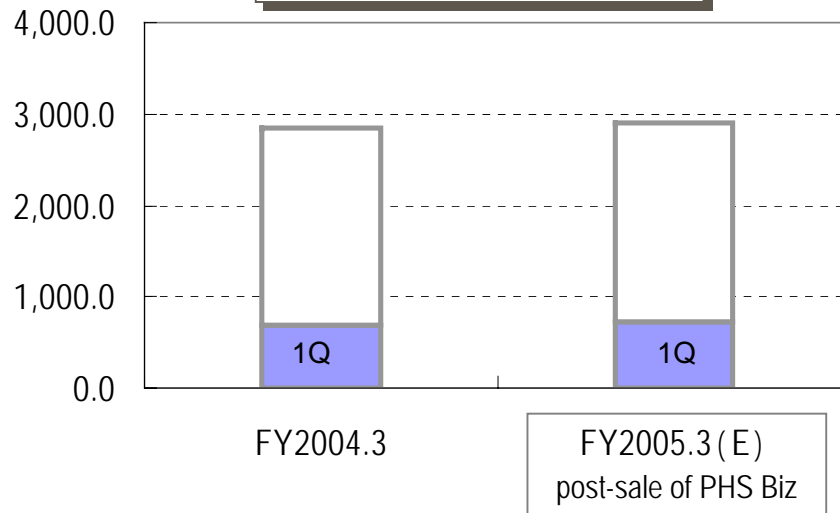
▶ Schedule:

Target date is end-December, 2004

2. Consolidated Financial Results

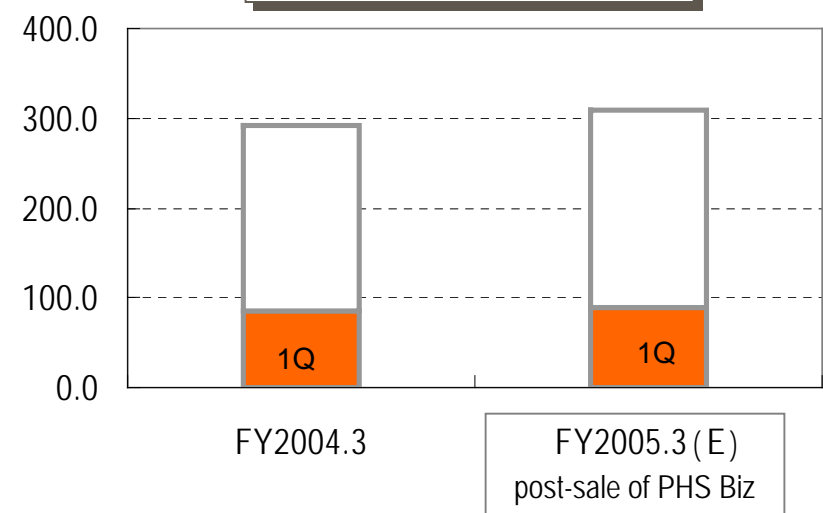
(Billions of yen)

Operating revenues



(Billions of yen)

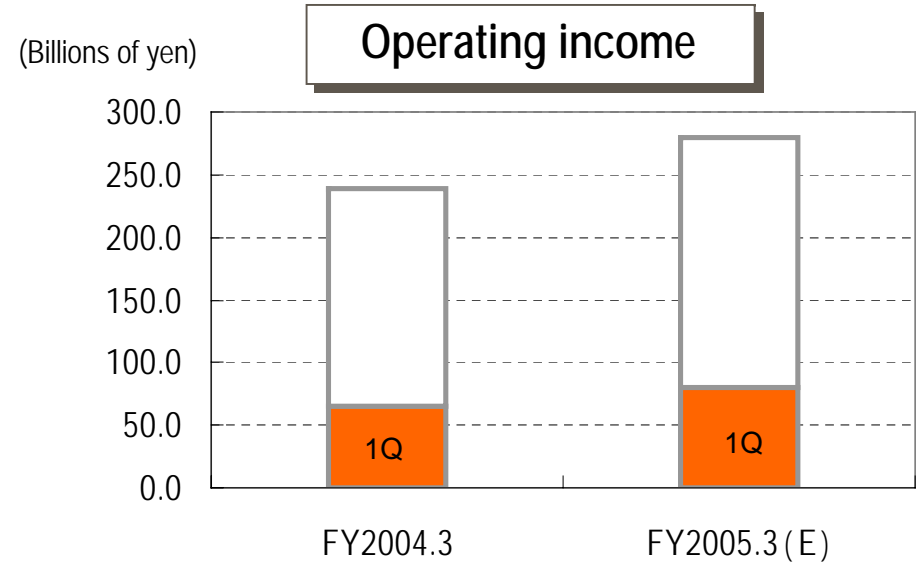
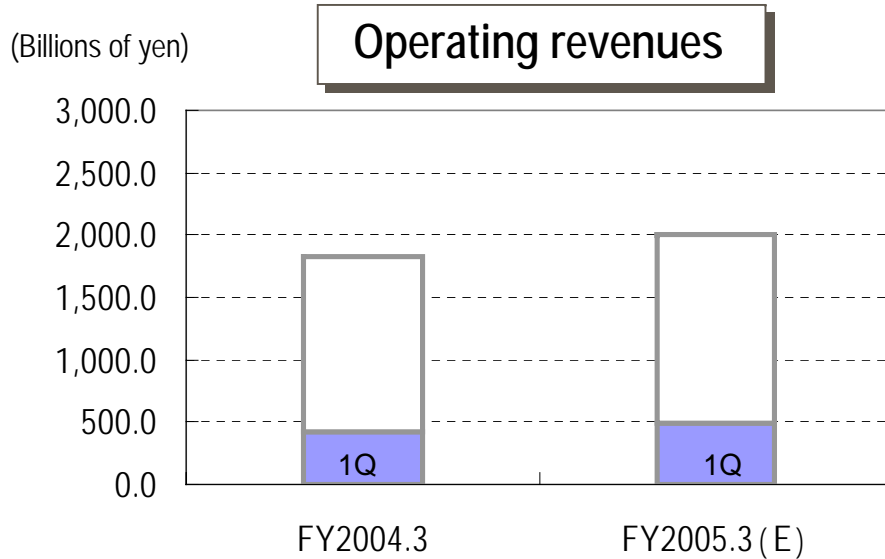
Operating income



(Billions of yen)

	FY2004.3		FY2005.3(E)				
	1Q		1Q		(forecasts due to sale of PHS Business)		
				yoy	post-sale	impact	pre-sale
Operating revenues	689.7	2,846.1	720.1	4.4%	2,899.0	-83.0	2,982.0
Operating income	85.1	292.1	89.6	5.3%	309.0	-11.0	320.0
Operating margin	12.3%	10.3%	12.4%	-	10.7%	-	10.7%
Ordinary income	81.2	274.5	87.2	7.4%	300.0	-11.0	311.0
Net income	43.9	117.0	51.7	17.6%	213.0	23.0	190.0
Free Cash Flow	112.7	404.2	32.9	-70.8%	427.0	176.0	251.0
EBITDA	178.4	688.0	183.2	2.7%	684.0	-30.0	714.0
EBITDA margin	25.9%	24.2%	25.4%	-	23.6%	-	23.9%

3. "au" Business



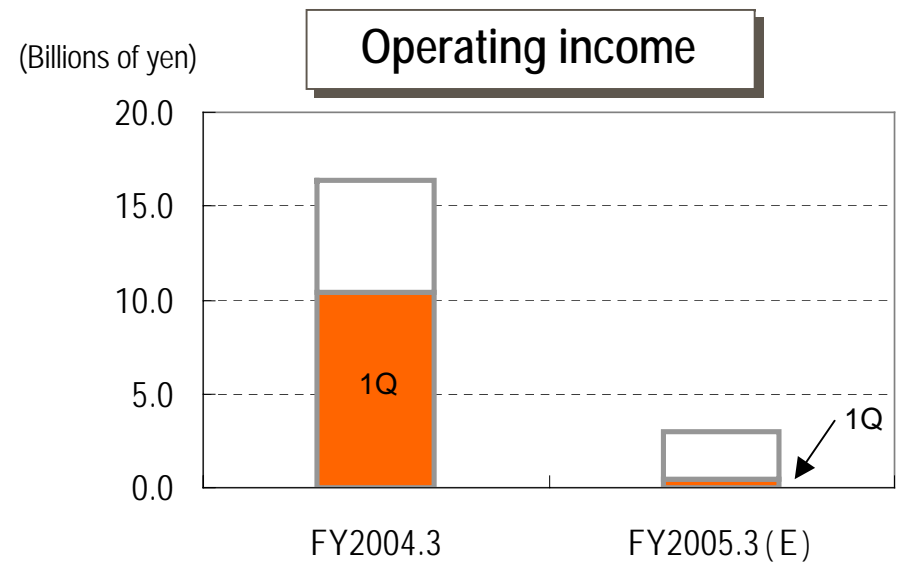
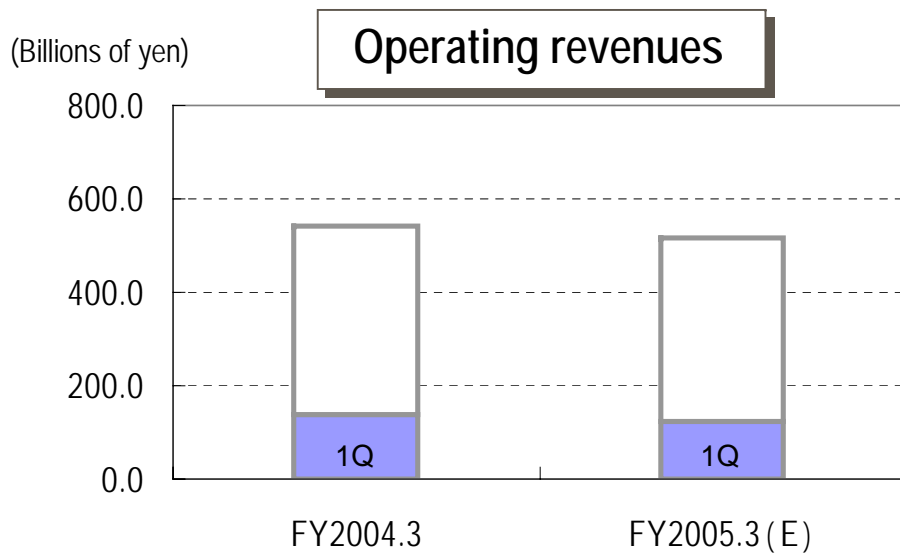
(Billions of yen)

	FY2004.3		FY2005.3(E)	
	1Q		1Q	
Operating revenues	425.6	1,825.1	486.2	2,007.0
Operating income	64.6	239.5	80.0	279.0
<i>Operating margin</i>	15.2%	13.1%	16.4%	13.9%
Ordinary income	61.9	229.1	79.1	274.0
Net income	35.2	130.0	46.6	165.0
Free Cash Flow	51.6	207.3	2.5	165.0
EBITDA	110.0	437.7	130.6	488.0
<i>EBITDA margin</i>	25.8%	24.0%	26.9%	24.3%

	FY2004.3		FY2005.3(E)	
	1Q		1Q	
Subs ('000)	14,674	16,959	17,591	19,150
<i>of module-type</i>	250	361	393	450
WIN(EV-DO)	0	343	573	-
1X	8,572	13,166	14,131	-
cdmaOne	6,101	3,450	2,887	-
ARPU (yen)	7,480	7,440	7,260	7,140
Voice	5,930	5,800	5,540	5,340
Data	1,550	1,640	1,720	1,800

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

4. BBC & Solutions Business



(Billions of yen)

	FY2004.3		FY2005.3(E)	
	1Q		1Q	
Operating revenues	139.2	542.5	123.9	515.0
Operating income	10.4	16.4	0.01	3.0
Operating margin	7.5%	3.0%	0.01%	0.6%
Ordinary income	11.4	15.8	0.4	3.0
Net income	6.5	-28.8	0.9	4.0
Free Cash Flow	16.4	74.2	8.3	1.0
EBITDA	33.4	112.4	20.4	96.0
EBITDA margin	24.0%	20.7%	16.4%	18.6%

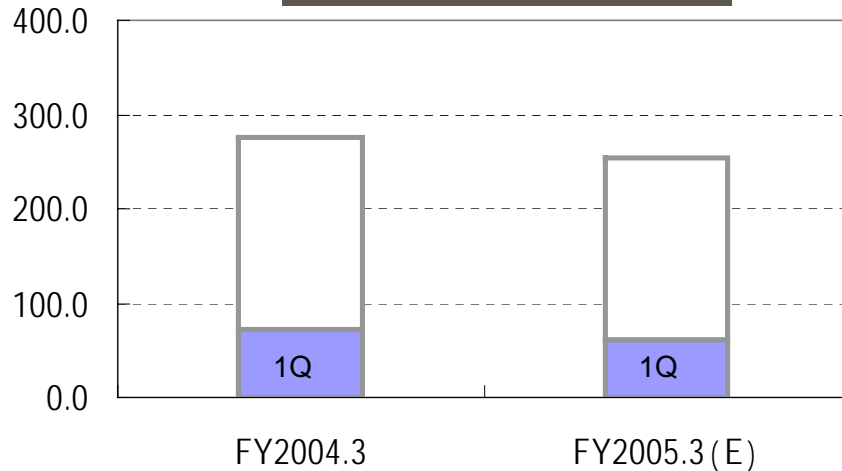
	FY2004.3		FY2005.3(E)	
	1Q		1Q	
DION subs('000)	2,430	2,687	2,760	2,900
of ADSL	662	1,109	1,251	1,650
FTTH subs('000)	-	23	43	200
of Hikari Plus	0	9	* 28	-

Note: No. of line subscriptions was 35,000 at end-June 2004.

5. TU-KA Business

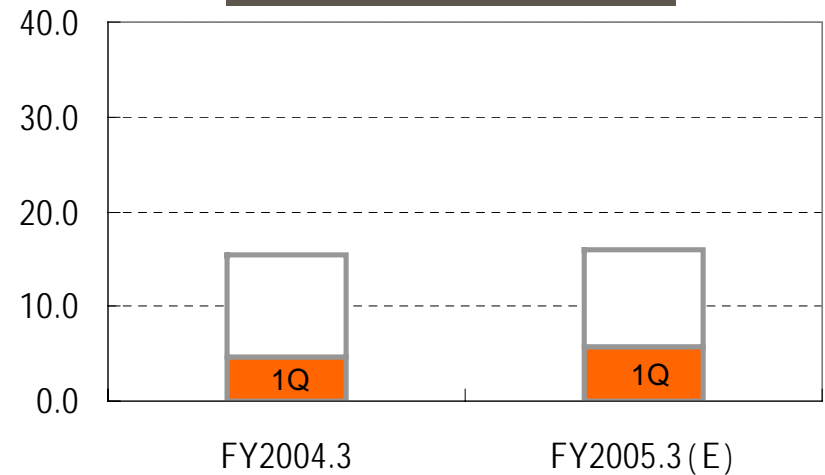
(Billions of yen)

Operating revenues



(Billions of yen)

Operating income



(Billions of yen)

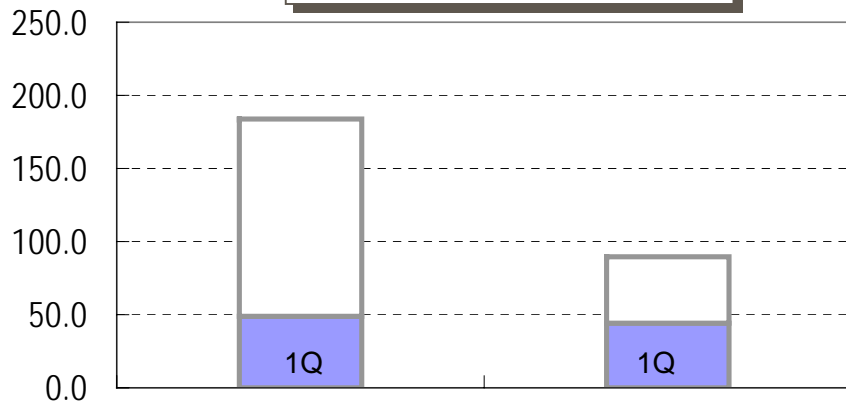
	FY2004.3		FY2005.3(E)	
	1Q		1Q	
Operating revenues	72.1	276.5	61.1	254.0
Operating income	4.7	15.4	5.7	16.0
Operating margin	6.5%	5.6%	9.3%	6.3%
Ordinary income	3.5	11.4	5.0	14.0
Net income	2.5	9.1	3.4	9.0
Free Cash Flow	11.4	55.0	11.2	52.0
EBITDA	18.5	71.2	17.7	65.0
EBITDA margin	25.6%	25.7%	29.0%	25.6%

	FY2004.3		FY2005.3(E)	
	1Q		1Q	
Subs ('000)	3,740	3,632	3,606	3,550
ARPU (yen)	5,150	5,020	4,690	4,710

6. Pocket Business

(Billions of yen)

Operating revenues

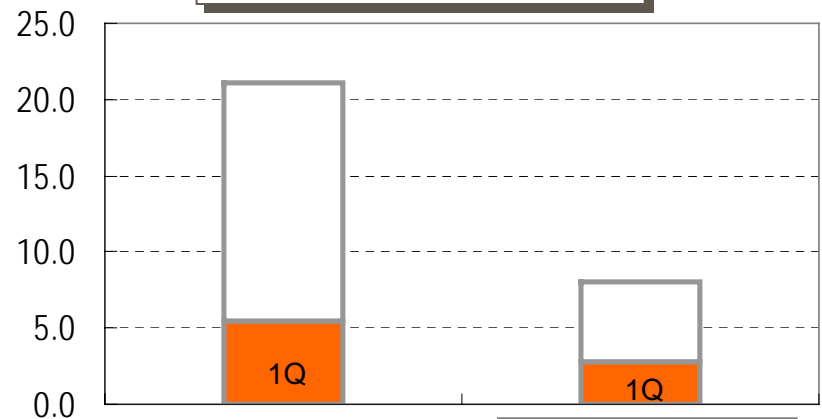


FY2004.3

FY2005.3 (E)
post-sale of PHS Biz

(Billions of yen)

Operating income



FY2004.3

FY2005.3 (E)
post-sale of PHS Biz

(Billions of yen)

	FY2004.3		FY2005.3(E)			
	1Q		1Q	(forecasts due to sale of PHS Business)		
				post-sale	impact	pre-sale
Operating revenues	48.5	184.0	44.1	90.0	-91.0	181.0
Operating income	5.5	21.1	2.8	8.0	-11.0	19.0
Operating margin	11.4%	11.5%	6.3%	8.9%	-	10.5%
Ordinary income	5.1	19.0	2.6	7.0	-10.0	17.0
Net income	5.3	19.1	2.3	7.0	-10.0	17.0
Free Cash Flow	10.1	47.2	12.0	22.0	-16.0	38.0
EBITDA	15.4	61.3	12.3	28.0	-30.0	58.0
EBITDA margin	31.8%	33.3%	27.8%	31.1%	-	32.0%

	FY2004.3		FY2005.3(E)	
	1Q		1Q	
Subs ('000)	2,959	2,897	2,913	-
of Air H"	830	990	1,060	-
ARPU (yen)	4,880	4,750	4,430	-

7. Capital Expenditures and others

(Billions of yen)

		FY2004.3		FY2005.3 (E)			
		1Q		1Q	(forecasts due to sale of PHS Business)		
					post-sale	impact	pre-sale
CAPEX (Cash basis)	Consolidated	33.8	253.3	42.1	312.0	-11.0	323.0
	au	16.7	161.2	26.6	200.0	-	200.0
	BBC & Solutions	8.5	55.1	9.3	82.0	-	82.0
	TU-KA	3.1	14.7	2.0	9.0	-	9.0
	Pocket	3.0	12.9	2.9	7.0	-11.0	18.0
Depreciation	Consolidated	92.2	365.7	92.0	359.0	-19.0	378.0
	au	45.2	184.9	50.1	202.0	-	202.0
	BBC & Solutions	22.7	84.1	19.9	86.0	-	86.0
	TU-KA	13.5	53.8	11.6	48.0	-	48.0
	Pocket	9.7	38.7	9.3	19.0	-19.0	38.0
Debts	Consolidated	1,423.6	1,179.8	1,116.9	871.0	-31.0	902.0
	au, BBC & Solutions	886.7	736.0	697.3	617.0	* 70.0	547.0
	TU-KA	306.7	262.4	251.6	214.0	-	214.0
	Pocket	172.9	134.5	123.1	-	-101.0	101.0
Debt / EBITDA multiple		-	1.7	-	1.3	-	1.3
Debt / Equity ratio		1.51	1.17	1.06	0.75	-	0.76

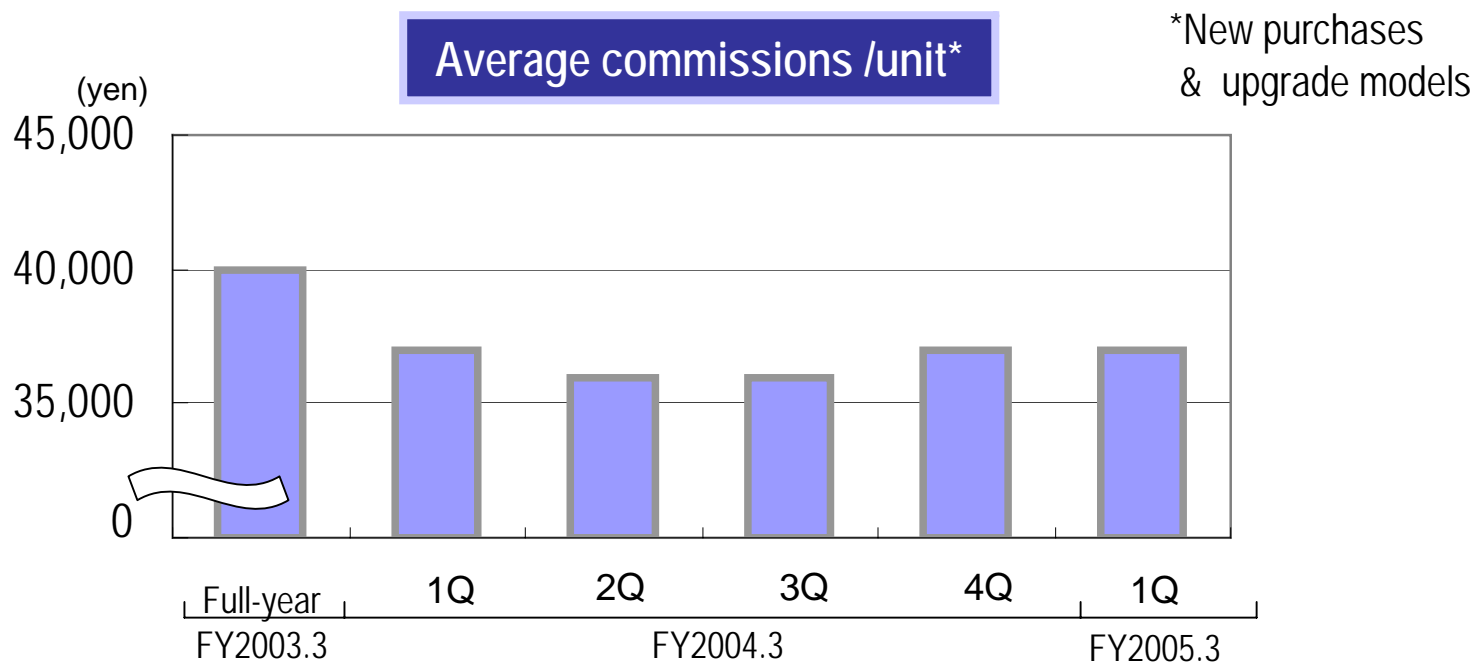
Note: There is no change in the borrowings of KDDI Company from outside the group, though the amount looks increased with a decrease of its loan to Pocket, which used to be deducted in the Company's balance of debt.

Segment Discussions

"au" Business

**BBC & Solutions
Business**

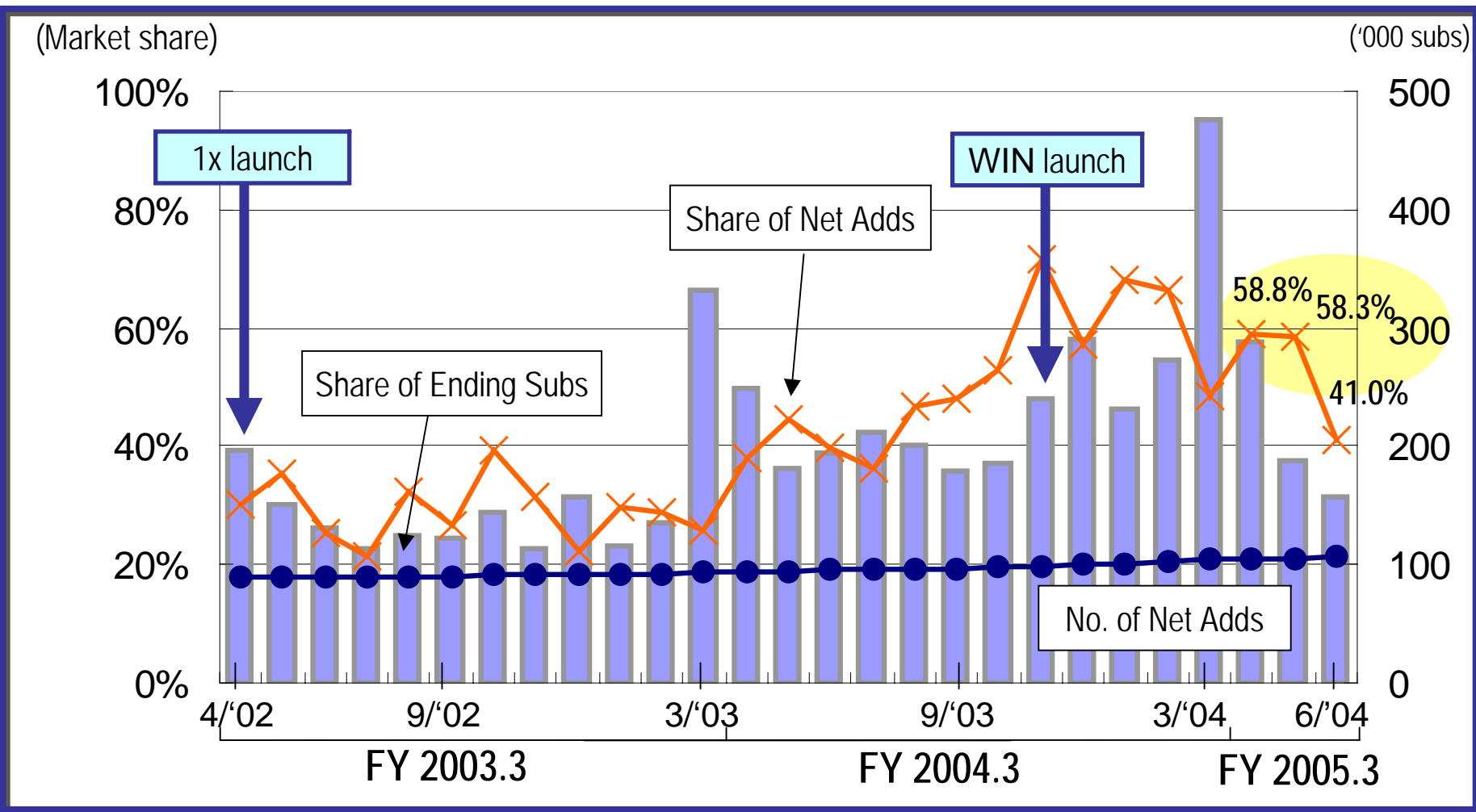
1.1. Sales Commissions



	FY2003.3	FY2004.3					FY2005.3(E)	
		1Q	2Q	3Q	4Q		1Q	
Sales commissions (Billions of yen)	405.0	90.0	90.0	92.0	112.0	384.0	94.0	400.0
Average commissions/unit (yen)	40,000	37,000	36,000	36,000	37,000	36,000	37,000	36,000
Number of units sold ('000 units)	10,100	2,410	2,490	2,590	3,070	10,570	2,550	11,100

1.2. Trend of Net Additions

Achieved top share of Net Adds in 1Q with June-end subs at 17.59M.

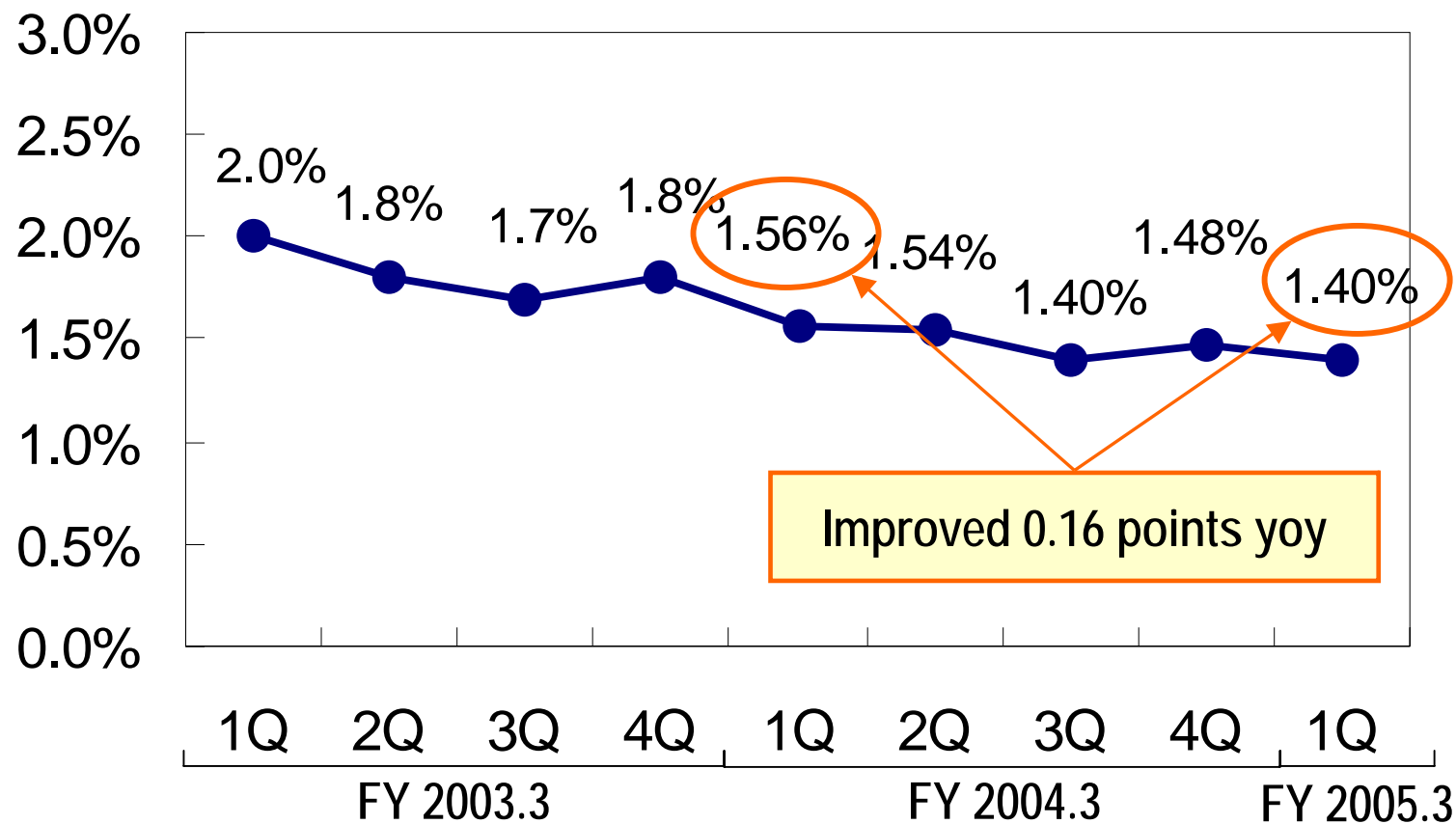


Market share of Net Adds /Ending subs:	1Q Full-year	<40.1% / 19.0%>	<53.0% / 21.3%>
		<49.6% / 20.8%>	< - / - >

1.3. Reduction of Churn

Continued to reduce Churn rate through brand and product competitiveness.

(Churn)



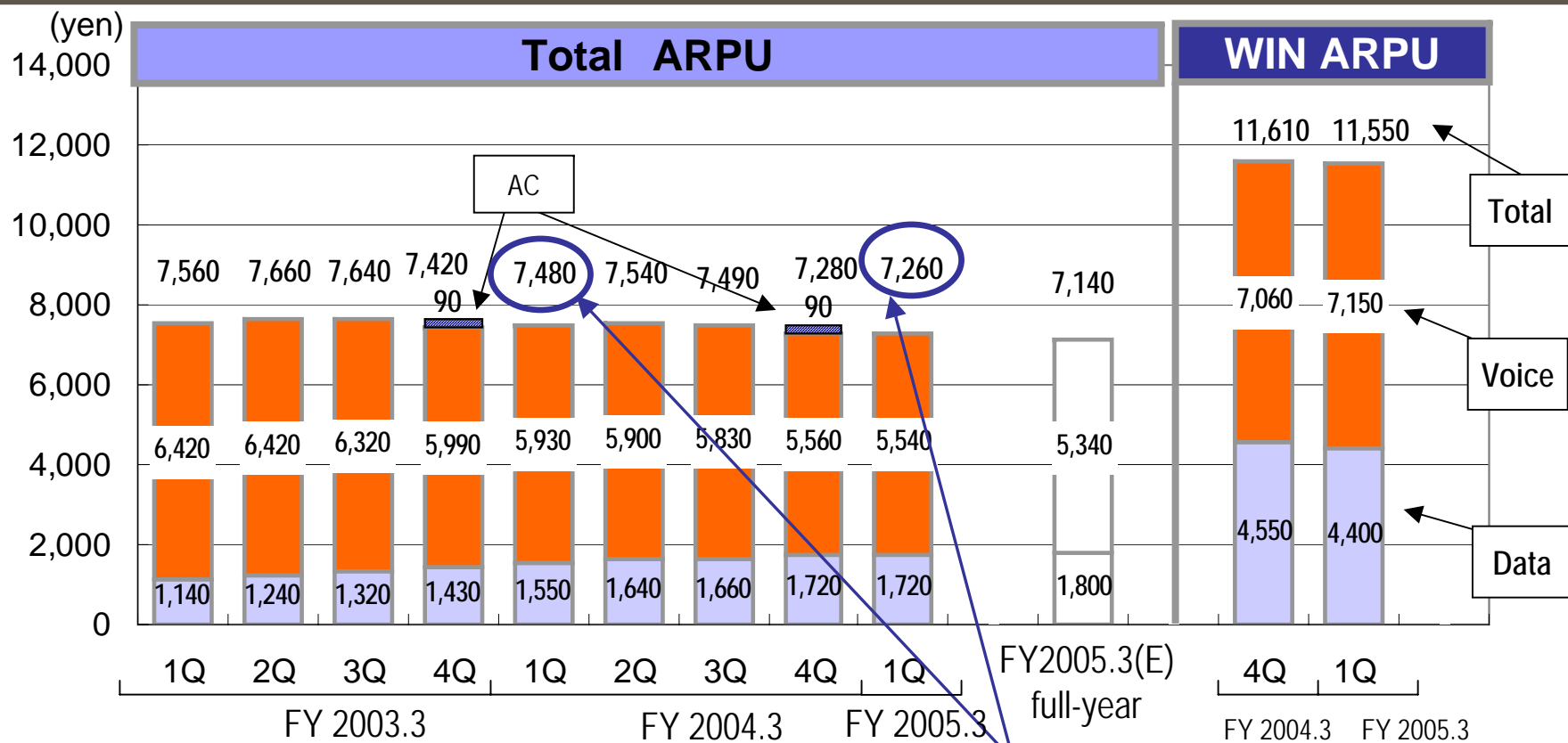
Full-year

<1.8%>

<1.49%>

1.4. Trend of ARPU

WIN ARPU hovered at a high-level with a high 83% subscription for data flat-rate plan.



Full-year total ARPU	<¥7,570>	<¥7,440>
of Voice	<¥6,280>	<¥5,800>
of Data	<¥1,290>	<¥1,640>

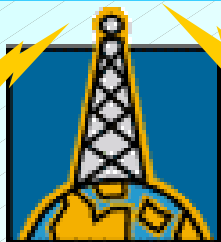
yoy change	¥220 (2.9%)
	¥390 (6.6%)
	+ ¥170 (+ 11.0%)

Note 1: 4Q ARPUs are those after the settlement of AC (Access Charges).

Note 2: WIN ARPU is calculated on customers in one full month of operations.

Infrastructure

Planned service
coverage



- ✓ End-March 2005:
Over 98%- nationwide
(within 16 months after service
launch)

Handsets



Late July 2004 –
Expanded lineup

Charges

August 1, 2004 –



Double Teigaku(two-tiered flat rate)

Content & Applications

- ✓ July 2004 –
Upgraded EZ Channel
- ✓ August 2004 –
Renewal of portal design

Broadband keitai
CDMA 1X
WIN

Broadband keitai WIN to be further evolved by fitting all models with cameras of at least megapixel size and with BREW™

W21SA



- 2.4-inch QVGA
- 2-megapixel camera
- FM radio with recording capability
- EZ Navi Walk
- miniSD™*

W21S



- 2.4-inch QVGA
- 1.3-megapixel camera
- Stereo surround-sound effect
- EZ Navi Walk
- Memory stick Duo*

W21K



- 2.2-inch QVGA
- 1.3-megapixel camera
- Ugoku Kisekae menu (Characters changeable)
- Deka-Moji (Large letters)
- Moving clock

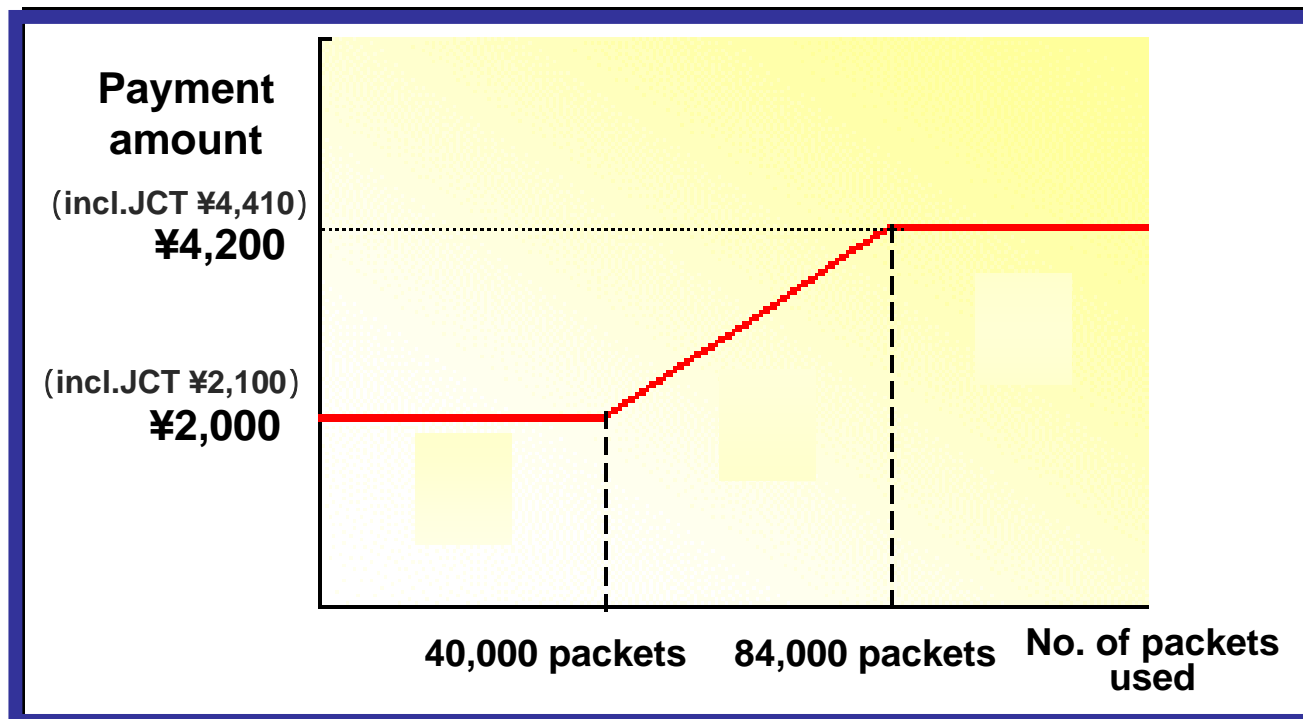
* With secured capability able to store copyrighted data.

The introduction of the new WIN flat-rate charges will make you feel easier to sign up for a fixed-rate plan, so as to boost sales of "WIN with Double Teigaku"

ダブル定額




**Double Teigaku
(two-tiered flat rate)**

Starts on August 1, 2004

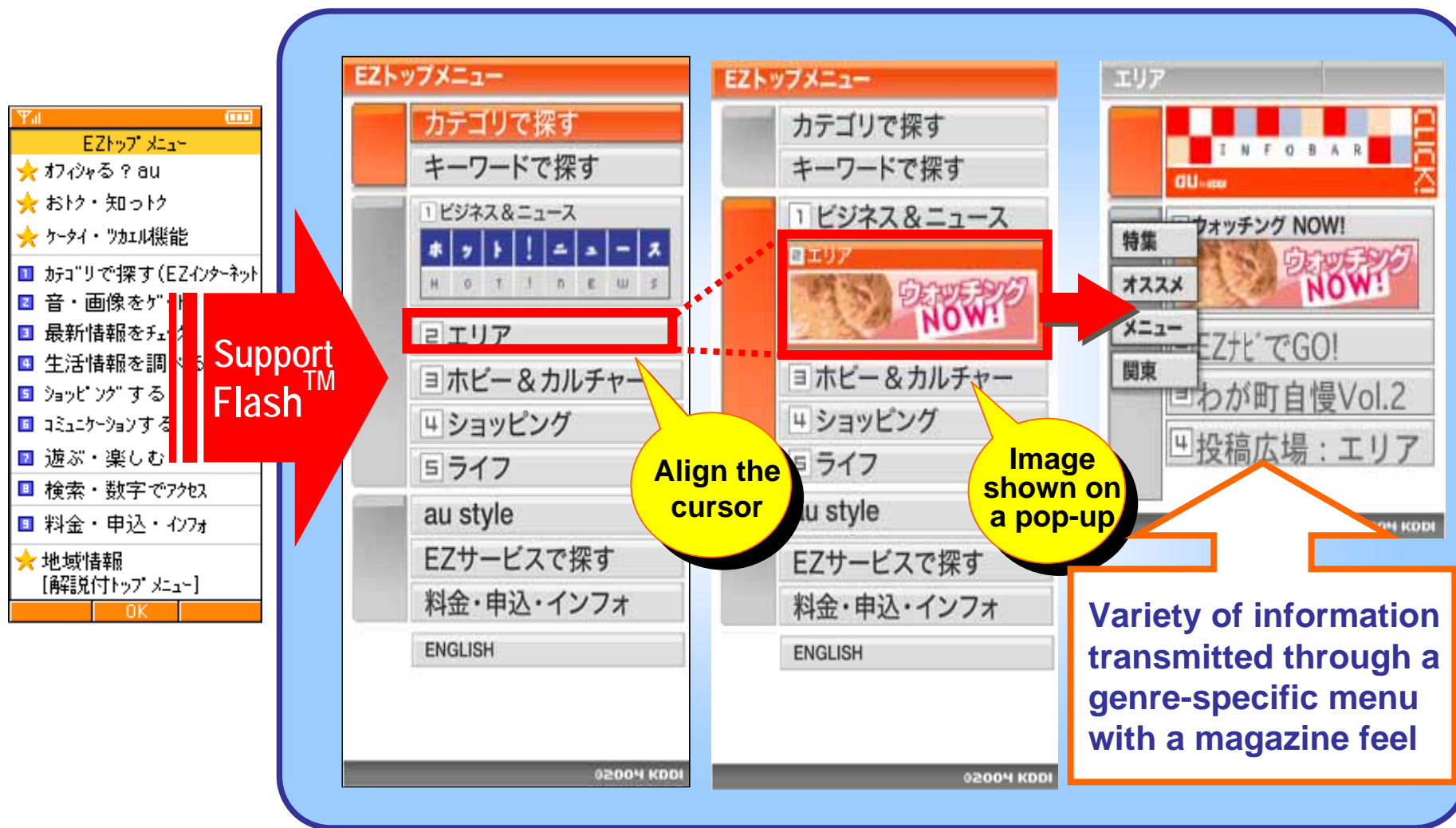


- Offer content service able to be in continuous use with regular program changes
- Through the new free channel, KDDI provides 7 free programs that change daily, e.g. "Chaku-Uta Ranking," "Original Drama."
- The free channel as flagship programs is design to attract customers to adopt the new flat-rate plan

One week program schedule for free channel provided by KDDI

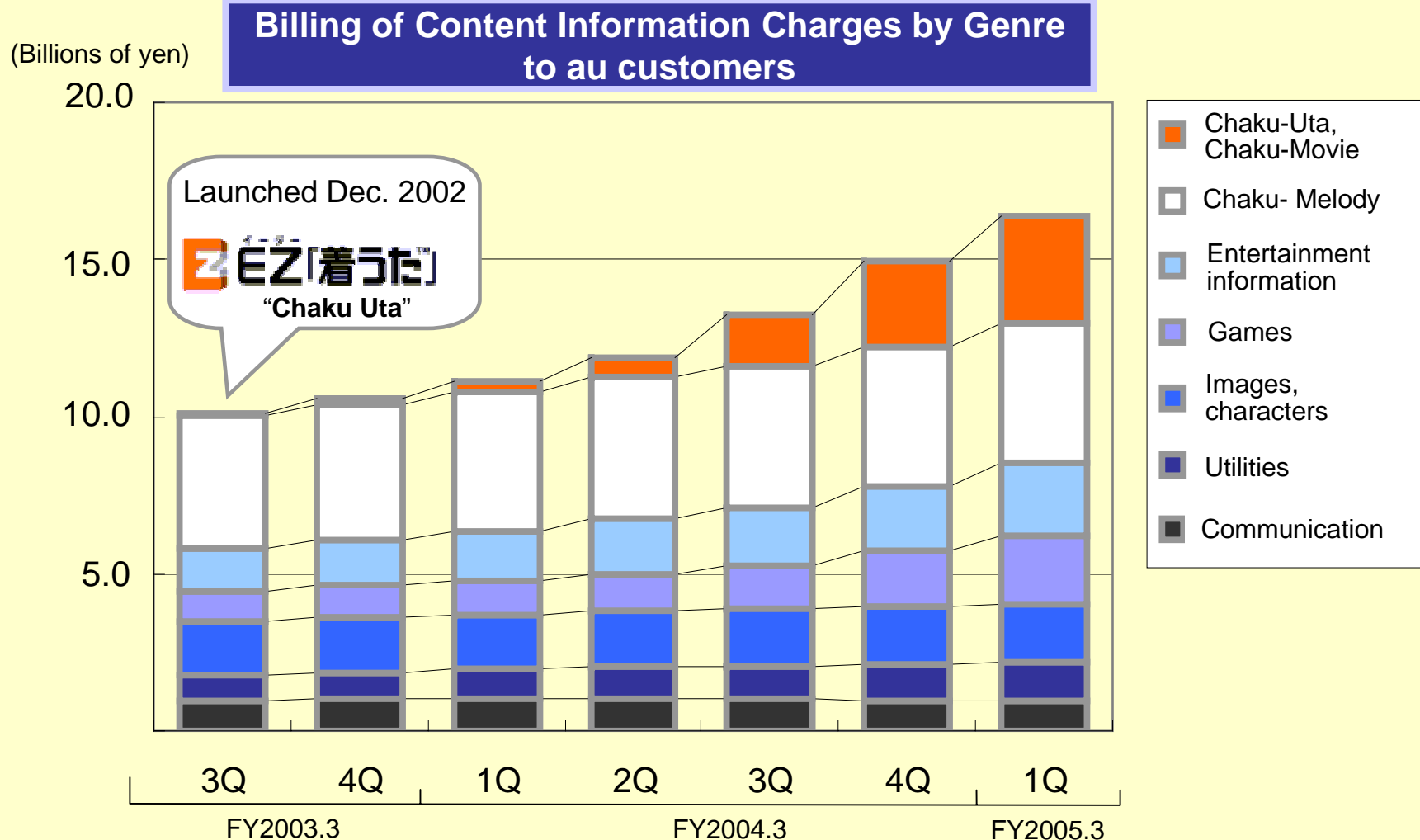
Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
						
© KDDI/mediba	© KDDI/mediba	© KDDI/mediba	© KDDI/mediba	© KDDI/mediba		© Label mobile. Inc

- Renewal to highly expressive "entrance" leading users to rich content



3.1. Expansion of Content Use

Rapid expansions of Chaku-Uta (Ring-tong songs) and Chaku-Movie (Downloadable movie clips) have brought about a steady increase of billing of content information charges.

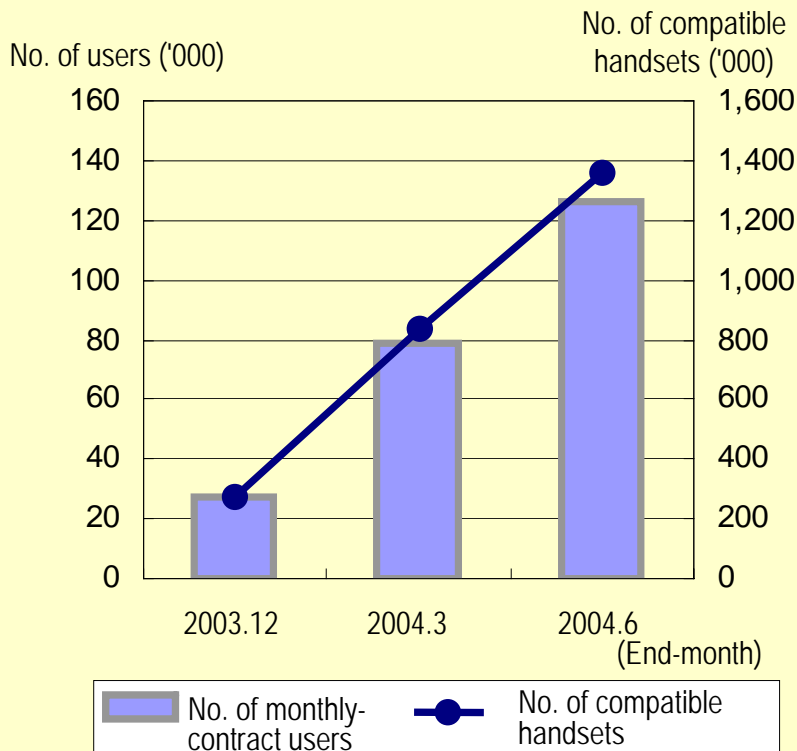


3.2. Expansion of Content Use

130,000 EZ Navi Walk users at end June

Expand customers with upgraded menus such as links with magazine media through 2-dimensional codes, improved user interface, and Kisekai Navigation (navigation characters changeable), etc.

No. of EZ Navi Walk users



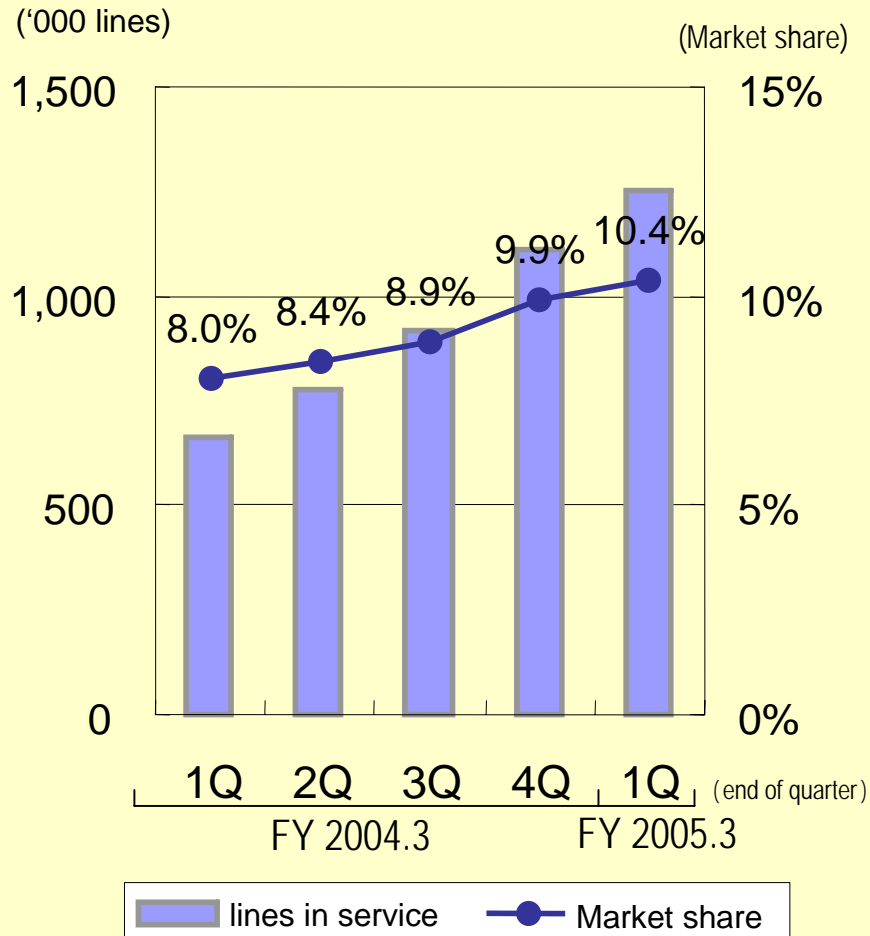
Linked through 2-dimensional codes

2-dimensional codes read by camera gives street guide to destination

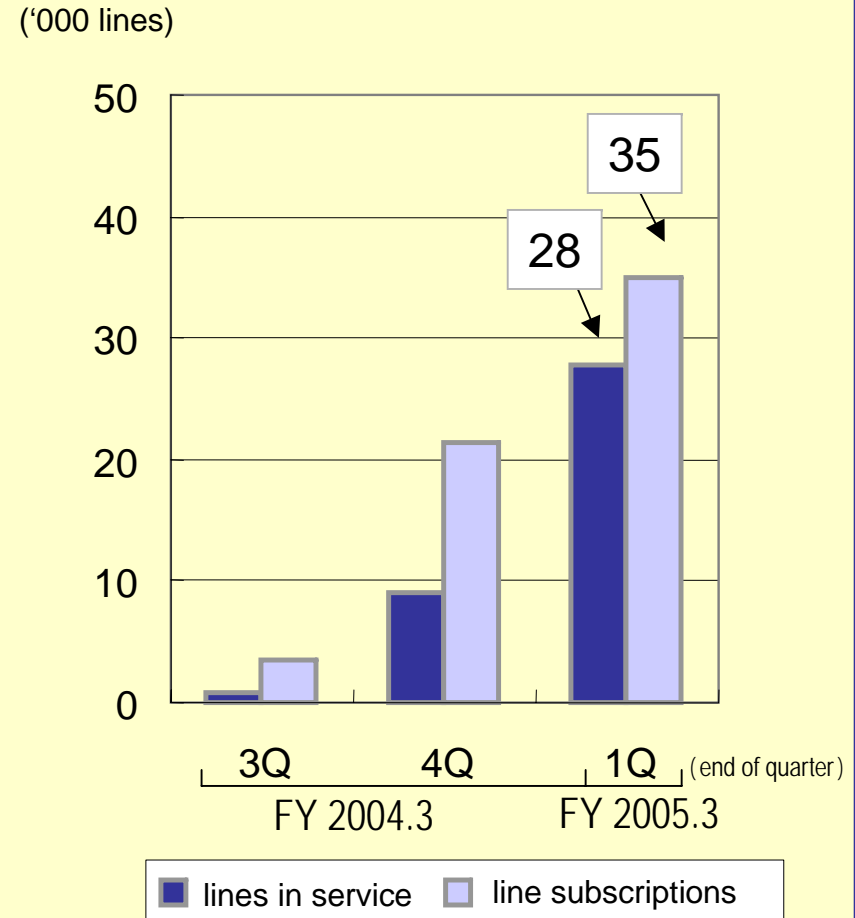


Updates on Broadband

DION ADSL



Hikari Plus



Ubiquitous Solution Company

