IR Meeting

Ubiquitous Solution Company

KDDI CORPORATION

Interim Financial Results of the Fiscal Year ending March 2005

October 28, 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. 1H/FY2005.3 - Financial Results Highlights

1 On a consolidated basis, operating revenues rose by 6.1% yoy and operating income was up by 2.7%, as strong “au” Business absorbed declines in revenues in BBC & Solutions Business and other segments.

2 “au” Business

- Operating revenues rose by 16.3% and operating income was up by 11.4% yoy.
- Achieved largest share of net adds (1H: 53.1%) by enhanced competitiveness of 1X and WIN products.
- WIN subscribers reached 1.19 million at end-September with No. of 3G (1X + WIN) subscribers accounting for 87.2% of the total.

3 BBC & Solutions Business

- Decline in sales & operating income yoy owing to fall in voice revenues and increased sales & marketing costs to raise sales of BB services such as ADSL.

4 TU-KA Business

- Decided to make it wholly-owned subsidiaries by end-December 2004 to increase speed of decision-making in response to changing business environment.

5 Pocket Business

- Divested business to consortium consisting of Carlyle Group and Kyocera. (as of October 1, 2004)

6 Balance of debt reduced by ¥1,010.6B as of end-September 2004

Note: “BBC” is an abbreviation of “BroadBand Consumers.”

1.2. Full-Year Outlook for FY 2005.3

Previous→Latest Forecast (Change)

1 Company forecasts remain unchanged for consolidated operating revenues and income thanks to the larger contribution of "au" to the Group as a whole which offsets revenue declines in other segments.

- ✔ "au": Increased revenues by ¥42.0B & operating income by ¥14.0B due to revised-up KPI.
  - – Net adds: approx.2.2 million → approx.2.5 million (approx. up 0.3 million)
  - – ARPU: ¥7,140 → ¥7,190 (up ¥50 yen)
- ✔ BBC & Solutions: Operating income projected at ▲¥12.0B (down ¥15.0B).
  - – Launch Metal Plus to cover declining revenues in legacy voice telephony.

2 Net income expected to drop ¥15.0B owing primarily to extraordinary loss through early adoption of asset-impairment accounting of ¥20.2B in H1 (of which ¥17.6B is for submarine cables) .

3 No change to capital investment from previous forecast (except Pocket Business).

Note 1: All figures are on a consolidated basis except those where business segments are referred.
Note 2: Full-year forecasts take into account the effect of divesting Pocket Business on both consolidated and segment basis.

1.3. 2H/FY2005.3 Challenges

1 Realize sustainable growth and bolster strategies to create new pillars of revenues.

- Build up brand strength, enhance customer satisfaction and ensure compliance.

2 “au” Business

- Continue to secure competitive edge in 3G market through enhanced product launches including EZ Chaku-uta Full™(Song-downloading) and au design project, talby.
- Mobile Solutions: Expand share in corporate market through buildup of dedicated sales forces, and strengthen product development capacity.

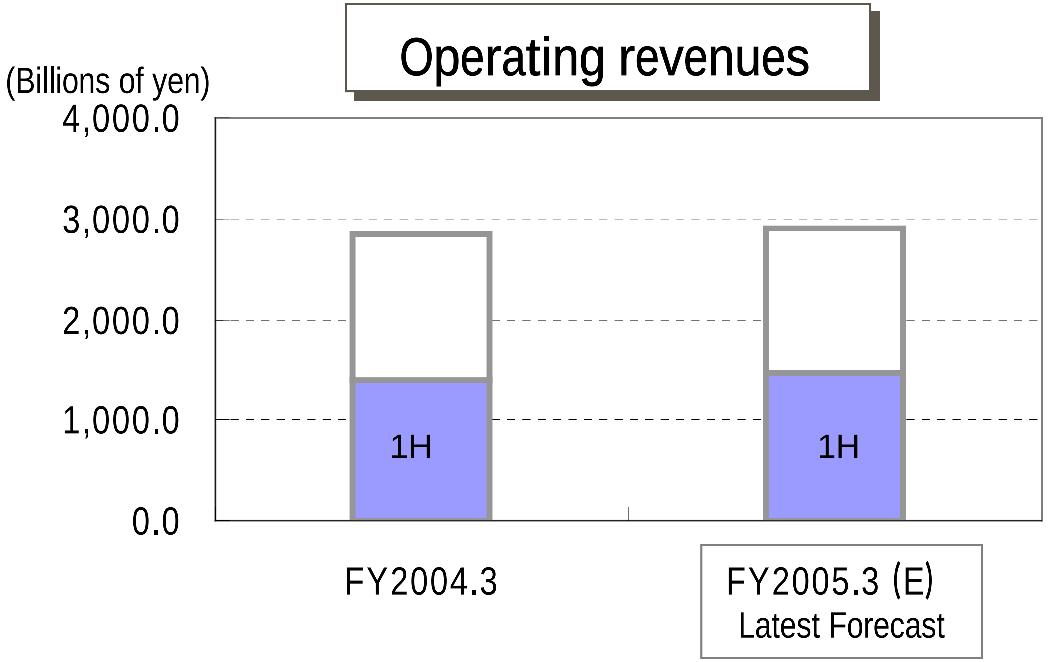
3 BBC & Solutions Business

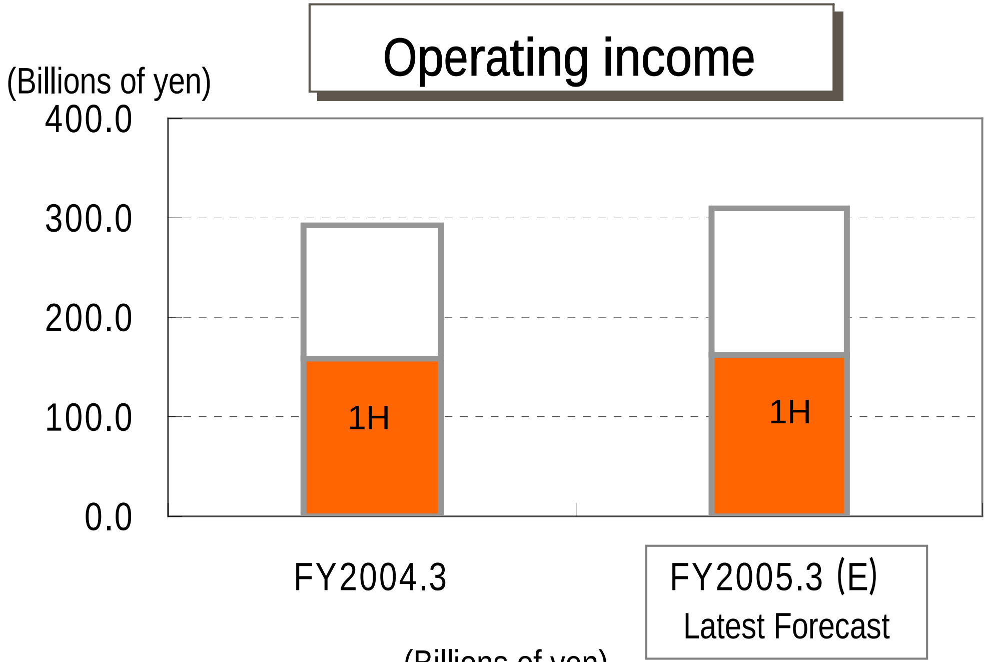
- Expand sales of Metal Plus aggressively.

4 TU-KA Business

- Maintain subscriber base by strengthening product lineup targeted at seniors.

2. Consolidated Financial Results



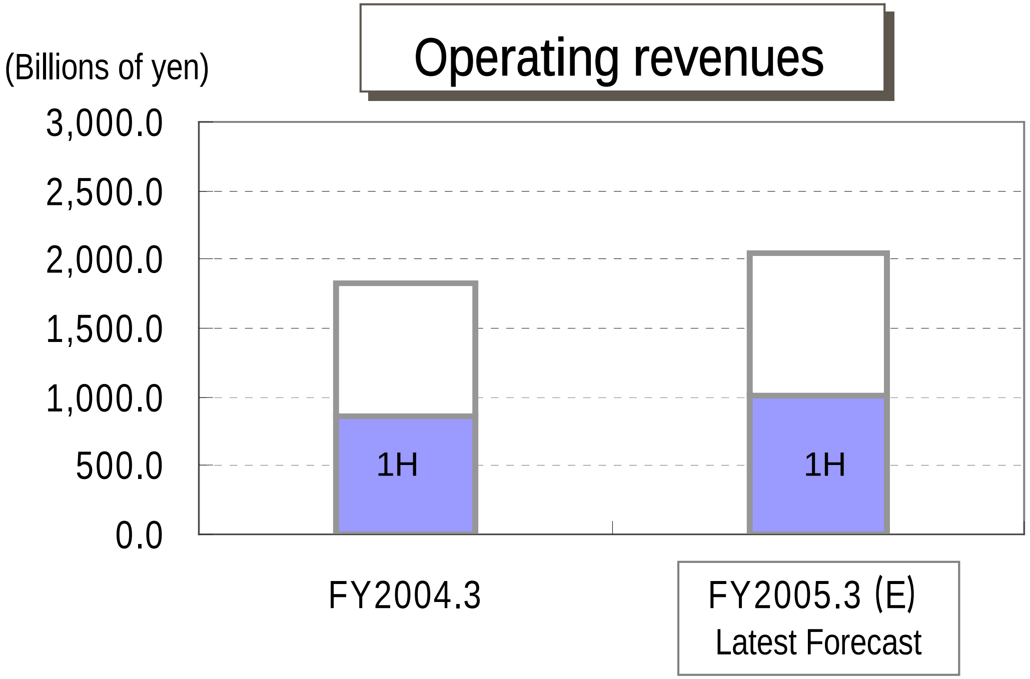


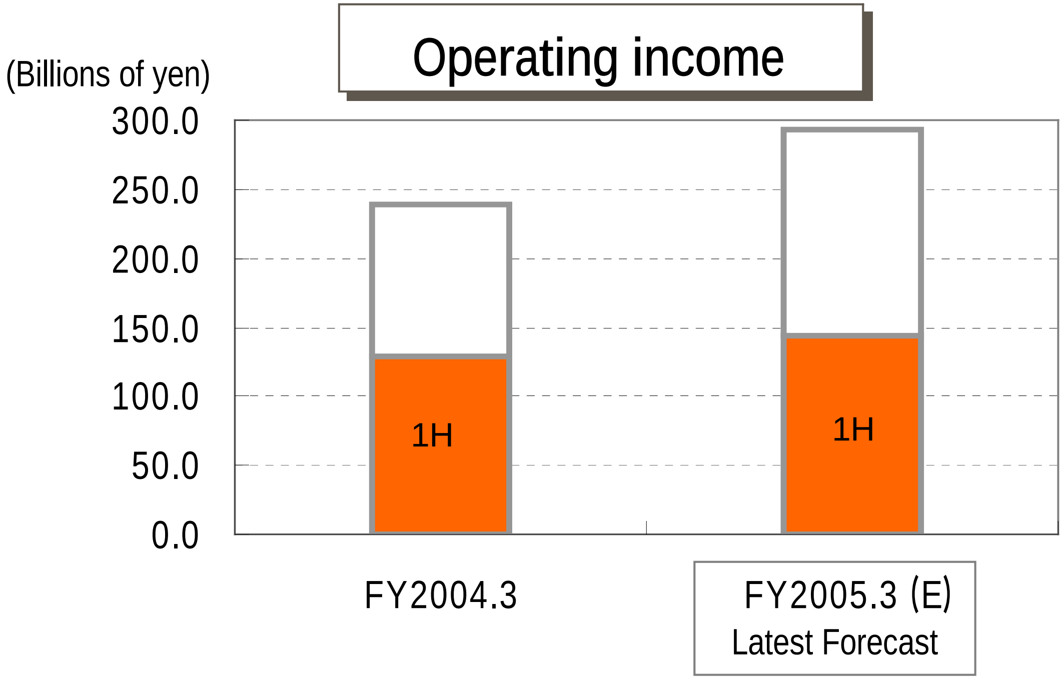
(Billions of yen)

	FY2004.3 1H	FY2004.3	FY2005.3(E) 1H	yoy	Latest F	FY2005.3 Previous F
Operating revenues	1,386.6	2,846.1	1,471.3	6.1%	2,899.0	2,899.0
Operating income	158.2	292.1	162.4	2.7%	309.0	309.0
Operating margin	*11.4%*	*10.3%*	*11.0%*	-	*10.7%*	*10.7%*
Ordinary income	148.2	274.5	156.3	5.4%	300.0	300.0
Net income	85.9	117.0	77.8	-9.3%	198.0	213.0
Free Cash Flow	246.8	404.2	113.1	-54.2%	406.0	427.0
EBITDA	349.4	688.0	351.8	0.7%	678.0	684.0
EBITDA margin	*25.2%*	*24.2%*	*23.9%*	-	*23.4%*	*23.6%*

Notes : Full-year forecasts take into account the effect of divesting Pocket Business on both consolidated and segment basis.

3. “au” Business





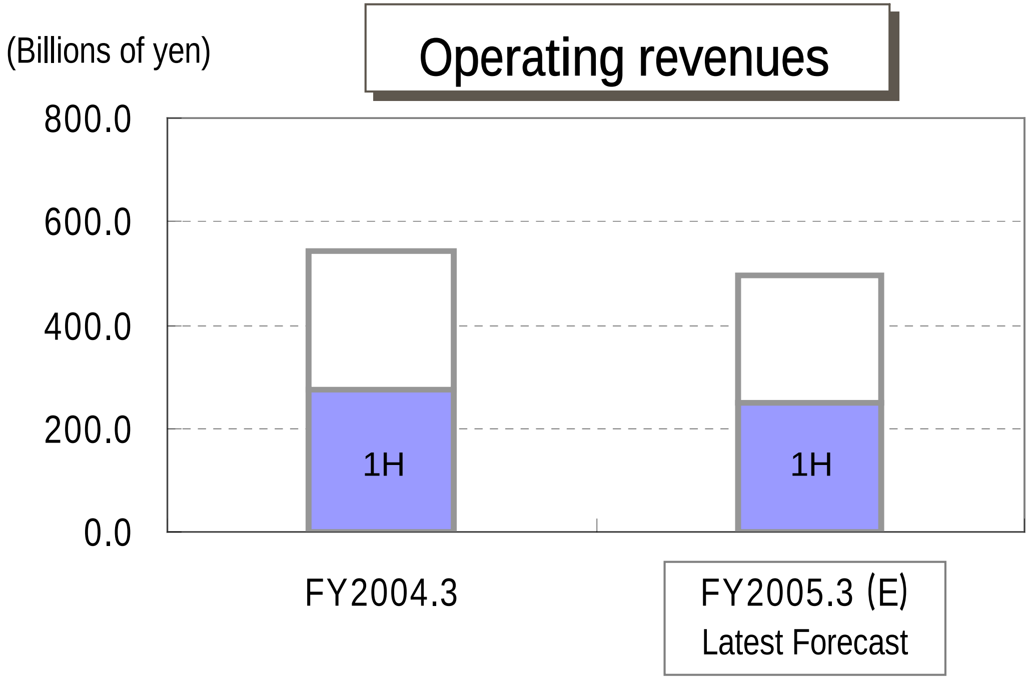
(Billions of yen)

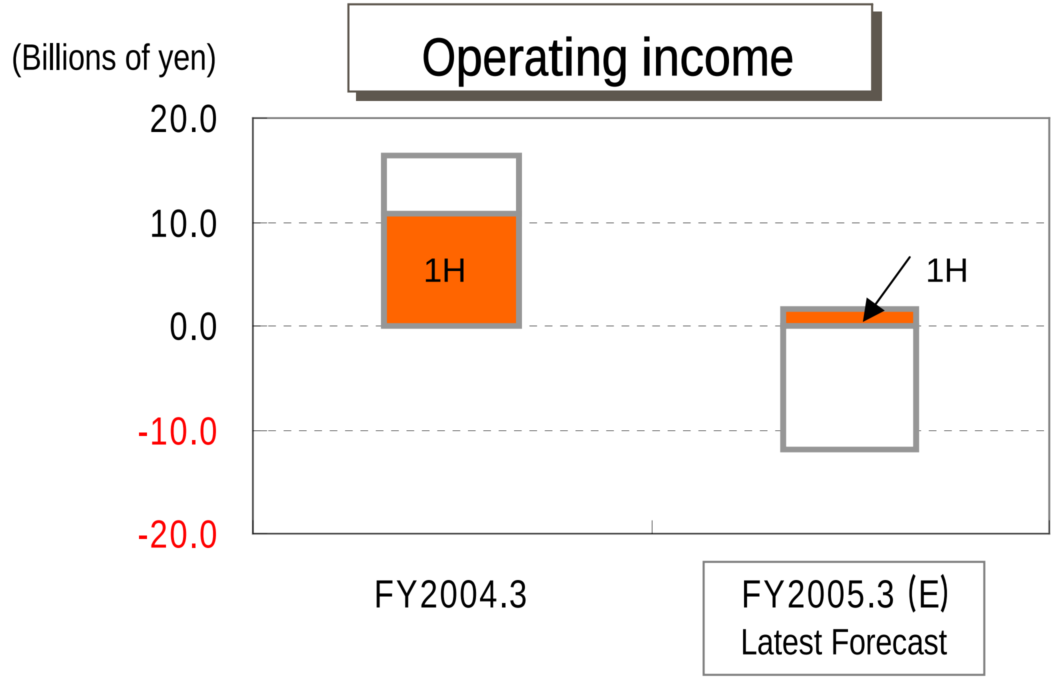
	FY2004.3		FY2005.3(E)		FY2005.3
	1H		1H	Latest F	Previous F
Operating revenues	864.7	1,825.1	1,005.3	2,049.0	2,007.0
Operating income	128.9	239.5	143.6	293.0	279.0
Operating margin	*14.9%*	*13.1%*	*14.3%*	*14.3%*	*13.9%*
Ordinary income	123.0	229.1	141.3	289.0	274.0
Net income	70.5	130.0	83.3	172.0	165.0
Free Cash Flow	131.9	207.3	44.0	158.0	165.0
EBITDA	222.1	437.7	246.5	503.0	488.0
EBITDA margin	*25.7%*	*24.0%*	*24.5%*	*24.5%*	*24.3%*

	FY2004.3		FY2005.3(E)		FY2005.3
	1H		1H	Latest F	Previous F
Subs ('000)	15,263	16,959	18,189	19,460	19,150
of module-type	292	361	421	470	450
WIN(EV-DO)	0	343	1,191	3,000	3,000
1X	10,203	13,166	14,667	-	-
cdmaOne	5,059	3,450	2,331	-	-
ARPU (yen)	7,510	7,440	7,280	7,190	7,140
Voice	5,920	5,800	5,560	5,440	5,340
Data	1,590	1,640	1,720	1,750	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)		FY2005.3
	1H		1H	Latest F	Previous F
Operating revenues	275.4	542.5	249.9	497.0	515.0
Operating income	10.8	16.4	1.6	-12.0	3.0
Operating margin	*3.9%*	*3.0%*	*0.6%*	*-2.4%*	*0.6%*
Ordinary income	10.3	15.8	2.2	-12.0	3.0
Net income	5.2	-28.8	-7.6	-15.0	4.0
Free Cash Flow	39.0	74.2	16.6	-9.0	1.0
EBITDA	58.2	112.4	41.8	75.0	96.0
EBITDA margin	*21.1%*	*20.7%*	*16.7%*	*15.1%*	*18.6%*

	FY2004.3		FY2005.3(E)		FY2005.3
	1H		1H	Latest F	Previous F
DION subs('000)	2,489	2,687	2,873	2,880	2,900
of ADSL	777	1,109	1,428	1,530	1,650
FTTH subs('000)	-	23	60	100	200
of Hikari Plus	0	9	* 44	-	-

Note: No. of line subscriptions was 53,000 at end-Sep.2004.

4. BBC & Solutions Business

- Expand sales of Metal Plus vigorously to cover declining revenues in legacy voice telephony.

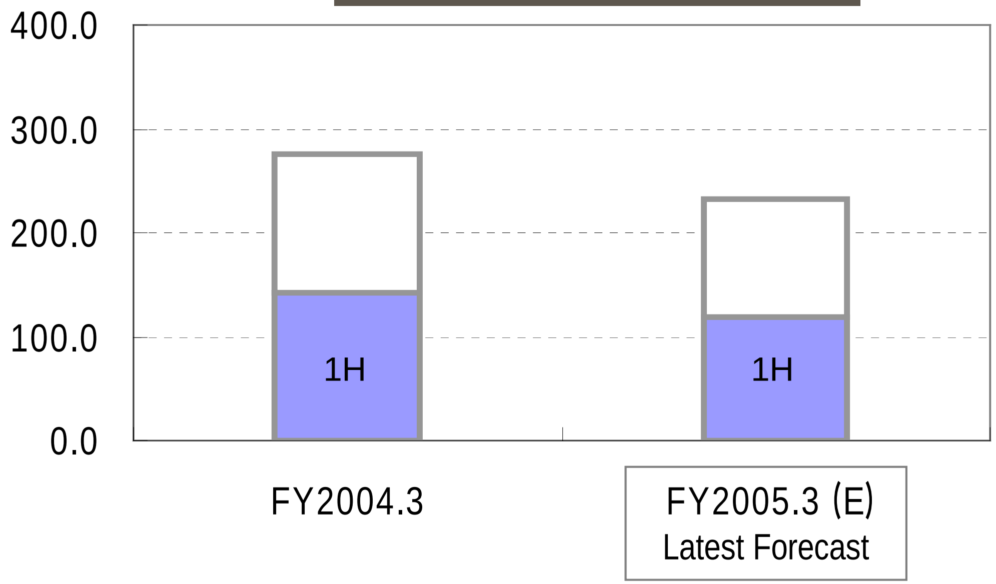
FY05.3	1H	2H(E)	Full-year(E)	1H / 2H(E) Change	
Revenues	¥249.9B	¥247.1B	¥497.0B	▲ ¥2.8B	<main factors> -Voice :▲¥11.0B -Data Comm. : + ¥6.5B -Ether/IP-VPN : + ¥1.5B
Operating Expenses	¥248.3B	¥260.7	¥509.0B	+¥12.4B	<main factors> - Depreciation/write-off:+ ¥6.0B - Sales/ O&M costs :+ ¥7.0B
Operating Income	¥1.6B	▲¥13.6B	▲¥12.0B	▲¥15.2B	

Note: Sales/O&M costs include costs for Sales commissions, Marketing, Outsourcing, and Advertisement.

5. TU-KA Business

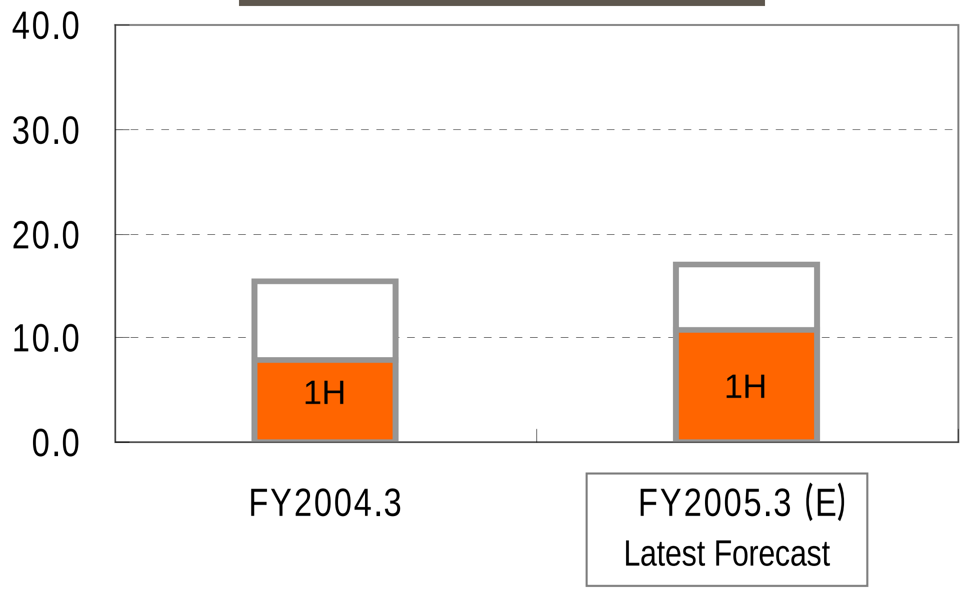
(Billions of yen)

Operating revenues



(Billions of yen)

Operating income



(Billions of yen)

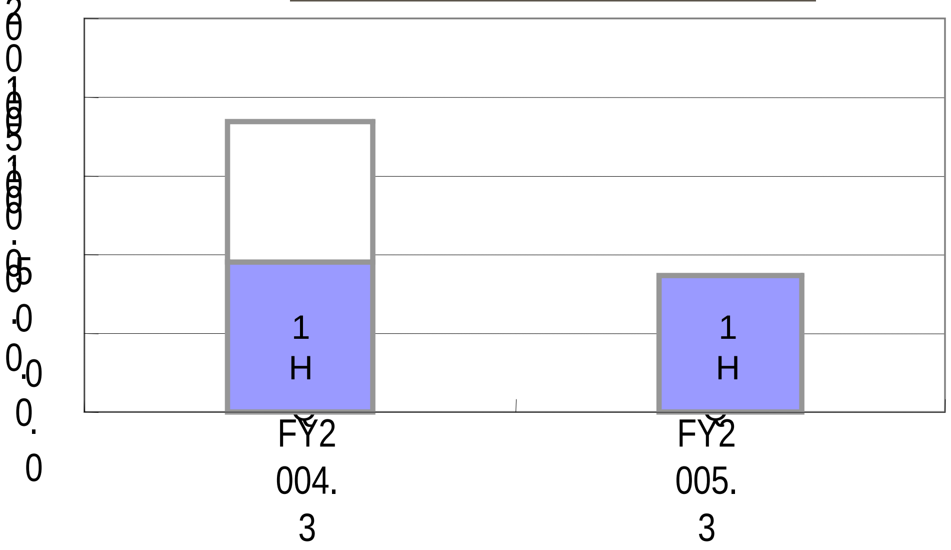
	FY2004.3		FY2005.3(E)		FY2005.3
	1H		1H	Latest F	Previous F
Operating revenues	141.8	276.5	119.7	232.0	254.0
Operating income	7.9	15.4	10.8	17.0	16.0
Operating margin	*5.6%*	*5.6%*	*9.0%*	*7.3%*	*6.3%*
Ordinary income	5.7	11.4	9.4	15.0	14.0
Net income	4.9	9.1	6.3	10.0	9.0
Free Cash Flow	27.2	55.0	27.9	54.0	52.0
EBITDA	35.8	71.2	35.5	65.0	65.0
EBITDA margin	*25.2%*	*25.7%*	*29.7%*	*28.0%*	*25.6%*

	FY2004.3		FY2005.3(E)		FY2005.3
	1H		1H	Latest F	Previous F
Subs ('000)	3,699	3,632	3,588	3,520	3,550
ARPU (yen)	5,100	5,020	4,630	4,470	4,710

6. Pocket Business

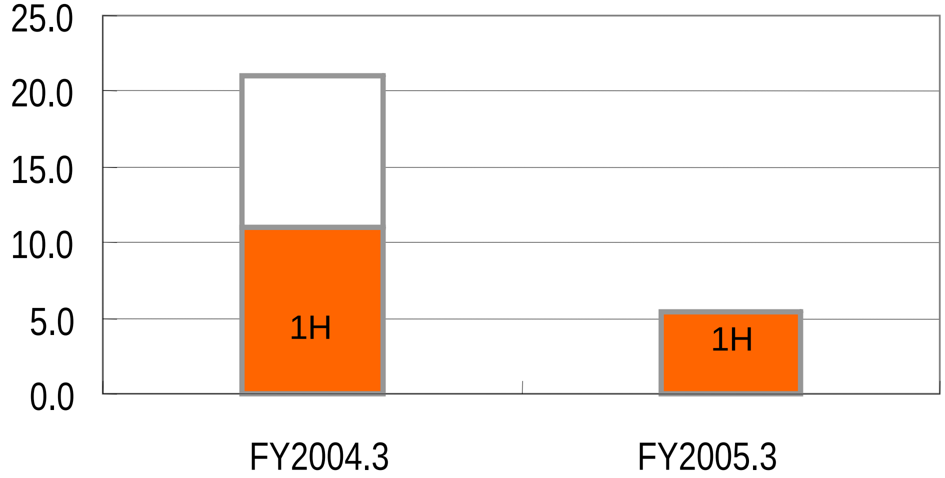
Operating revenues

(Billions of yen)



Operating income

(Billions of yen)



(Billions of yen)

	FY2004.3		FY2005.3(E)		FY2005.3
	1H		1H		Previous F
Operating revenues	95.7	184.0	86.9	86.9	90.0
Operating income	11.0	21.1	5.5	5.5	8.0
Operating margin	*11.5%*	*11.5%*	*6.3%*	*6.3%*	*8.9%*
Ordinary income	10.1	19.0	4.9	4.9	7.0
Net income	10.3	19.1	4.0	4.0	7.0
Free Cash Flow	25.2	47.2	20.9	20.9	22.0
EBITDA	31.1	61.3	24.6	24.6	28.0
EBITDA margin	*32.5%*	*33.3%*	*28.3%*	*28.3%*	*31.1%*

	FY2004.3		FY2005.3(E)		FY2005.3
	1H		1H		Previous F
Subs ('000)	2,938	2,897	2,926	-	-
of Air H"	890	990	1,101	-	-
ARPU (yen)	4,840	4,750	4,430	-	-

Note: This segment is deconsolidated in H2 due to the divestiture.

7. Capital Expenditures and others

(Billions of yen)

		FY2004.3		FY2005.3 (E)		FY2005.3
		1H		1H	Latest F	Previous F
CAPEX (Cash basis)	Consolidated	73.8	253.3	115.5	310.0	312.0
	au	41.2	161.2	87.0	200.0	200.0
	BBC & Solutions	17.1	55.1	17.1	82.0	82.0
	TU-KA	5.5	14.7	3.1	9.0	9.0
	Pocket	4.0	12.9	5.0	5.0	7.0
Depreciation	Consolidated	183.3	365.7	183.3	352.0	359.0
	au	91.0	184.9	99.3	202.0	202.0
	BBC & Solutions	43.6	84.1	38.7	80.0	86.0
	TU-KA	26.8	53.8	23.6	47.0	48.0
	Pocket	9.7	38.7	18.7	18.7	19.0
Debts	Consolidated	1,298.5	1,179.8	1,010.6	871.0	871.0
	au, BBC & Solutions	797.8	736.0	622.7	617.0	617.0
	TU-KA	290.6	262.4	234.5	208.0	214.0
	Pocket	156.8	134.5	114.1	-	-
Debt / EBITDA multiple		-	1.7	-	1.3	1.3
Debt / Equity ratio		1.32	1.17	0.94	0.75	0.75

Notes: Full-year forecasts take into account the effect of divesting Pocket Business on both consolidated and segment basis.

Segment Discussions & Strategies

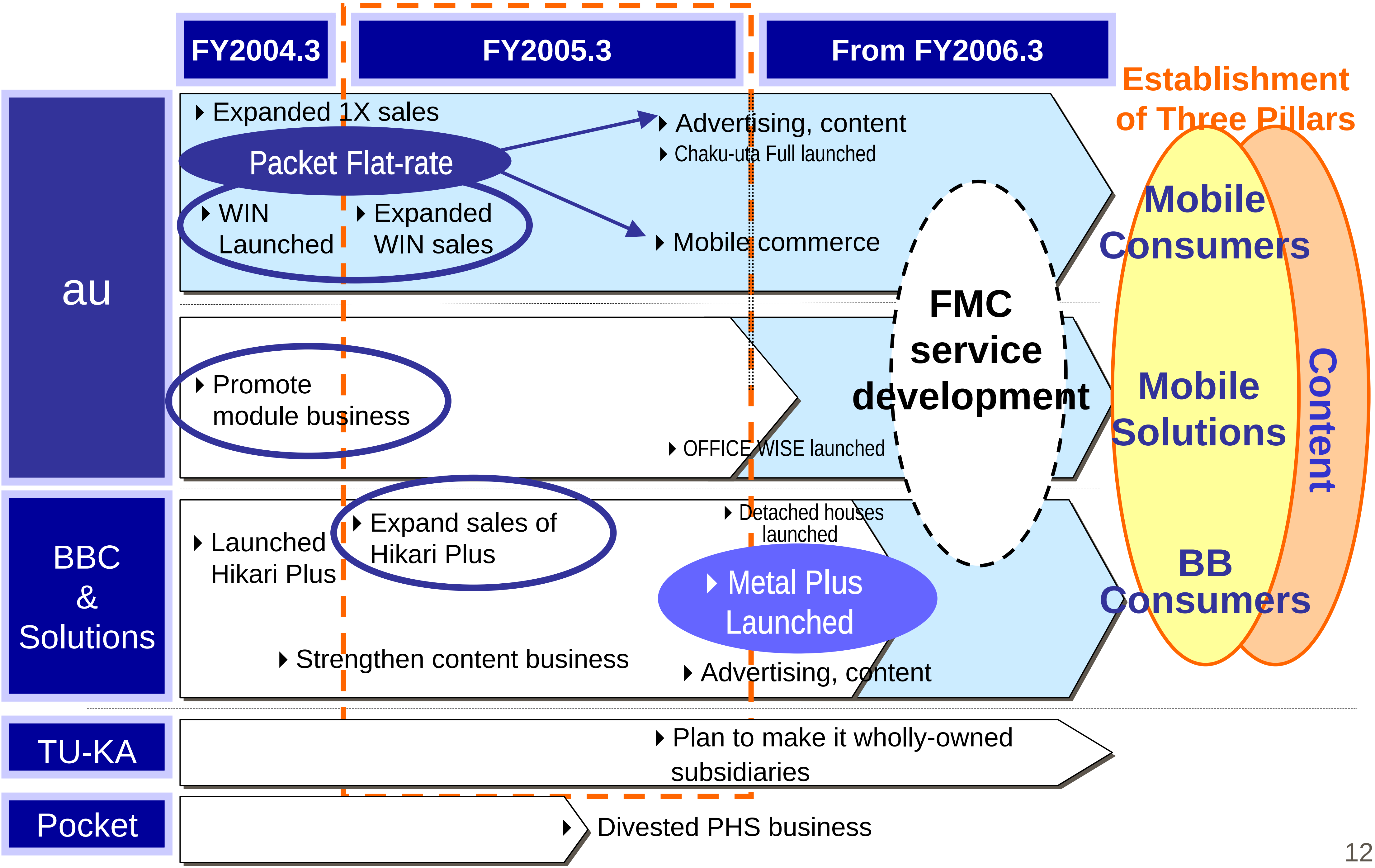
KDDI-wide Measures

“au” Business

BBC & Solutions Business

TU-KA Business

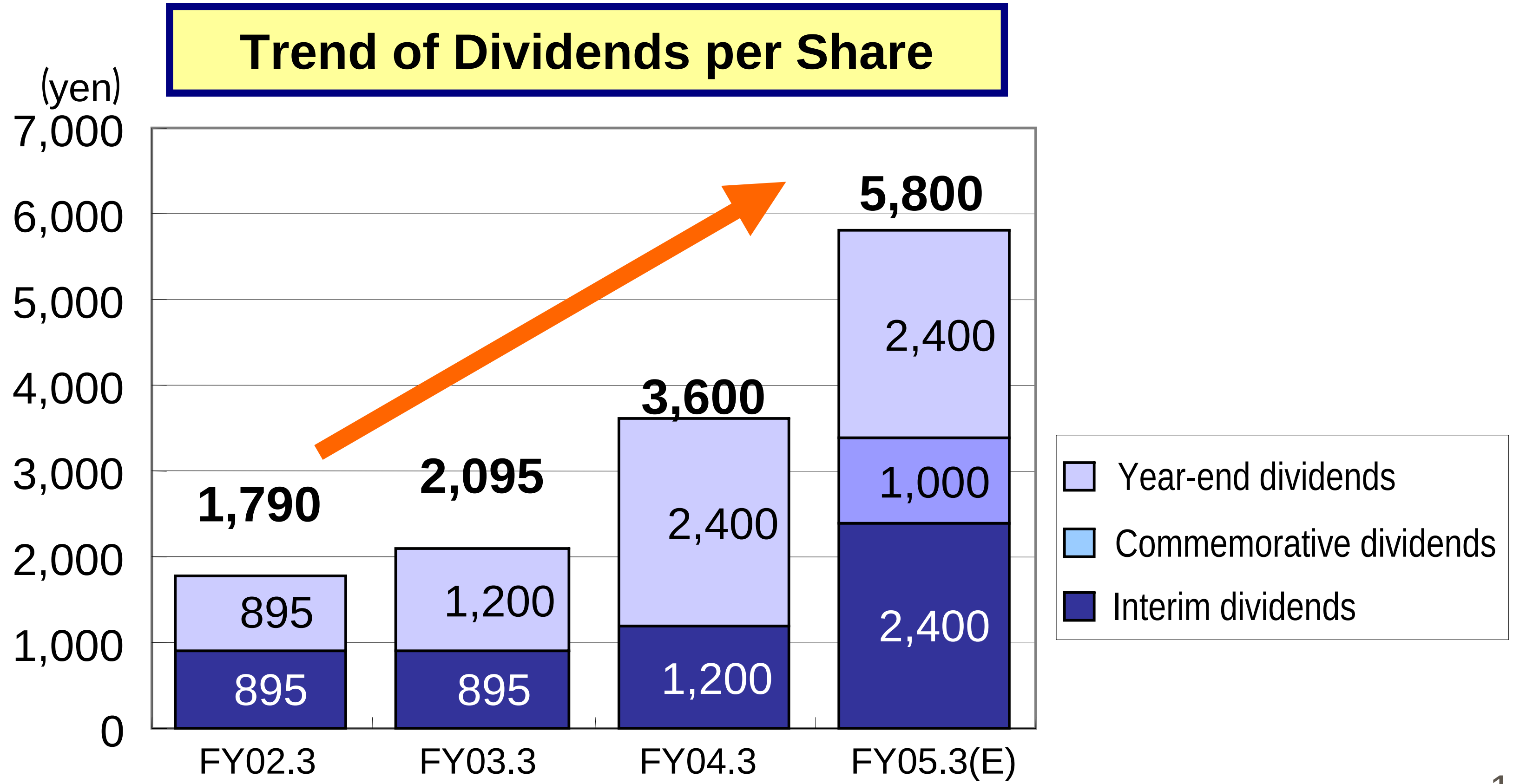
1. Toward Sustainable Growth



2. Return to Shareholders

■ Maximize corporate value by aiming to achieve the following medium- to long-term management objectives:

Return to shareholders	A targeted payout ratio of 20% under the policy of stable and sustainable dividend payment



3. Response to Regulatory Environments

Access Charges & others after FY2005

■ Situation

MIC decided to phase out Non Traffic Costs regarding NTT East/NTT West interconnection charge agreements starting from FY2005 and onwards.

■ Responses & Implications

KDDI will promote all-IP for telephony NWs first in an industry and offer a new direct access service, which will save interconnection charges on an upward trend. Intensified competition in basic charges might invoke Universal Service Fund.

Mobile Number Portability (MNP)

■ Situation

In May 2004, MIC announced guidelines to introduce MNP. MNP is expected to be implemented by all mobile carriers by the earliest date possible during FY2006.

■ Responses & Implications

Detailed specifications on how to actualize the system and how to allocate costs will be decided going forward. KDDI plans to comply with the introduction by the target date.

Open-up of Fiber Optics

■ Situation

Wider range of services offered via fiber optics, including FTTH, as access lines along with development of broadband. No. of FTTH subs is approx.1.6million as of August 2004.

■ Responses & Implications

Designated service providers, NTT East/NTT West, should maintain their fiber optics open for inexpensive broadband services. KDDI will advance FTTH biz for the merit of convenience for customers.

New 3G Market Entry

■ Situation

In Sept. 2004, MIC announced 1.7GHz & 2GHz are to be allocated to new entries in the immediate future. On the other hand, a certain party shows a different view on reassignment of the current 800MHz.

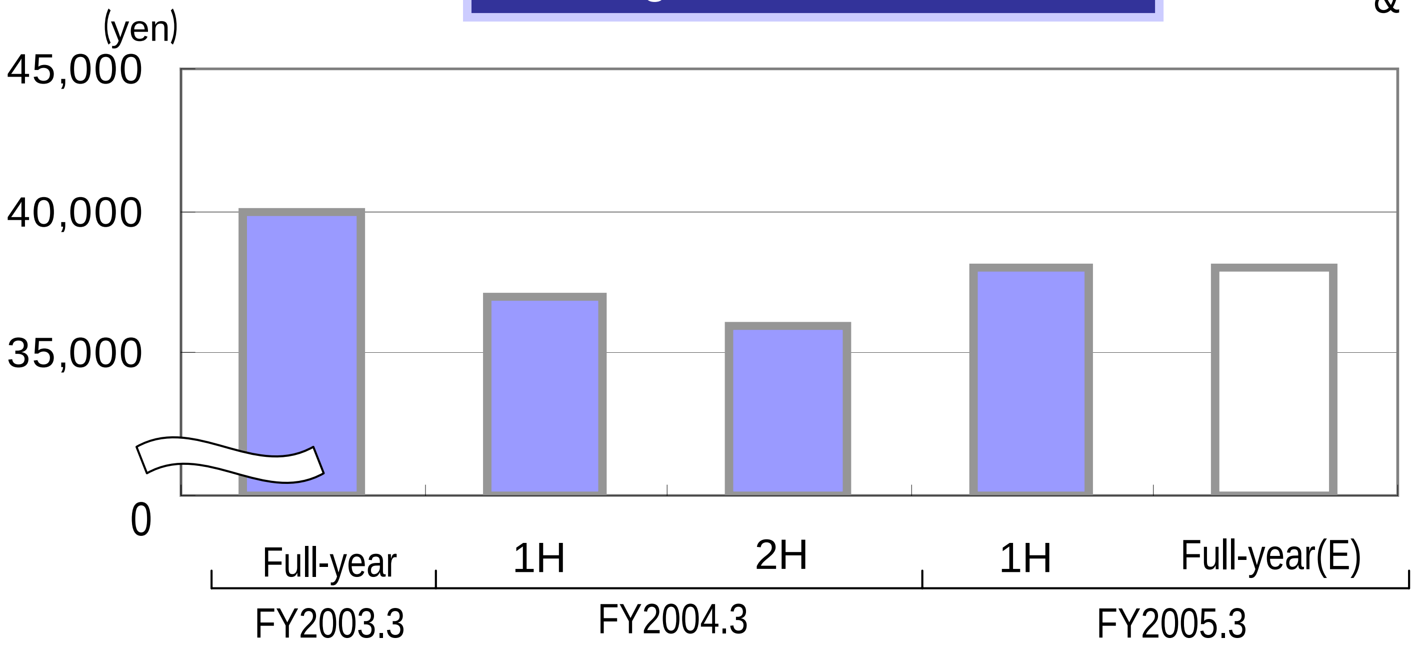
■ Responses & Implications

KDDI will claim the validity on reassignment of current frequencies and maintain firmly competitive advantage in service offerings even as other companies enter the market.

1.1. Sales Commissions

Average commissions /unit*

*New purchases & upgrade models

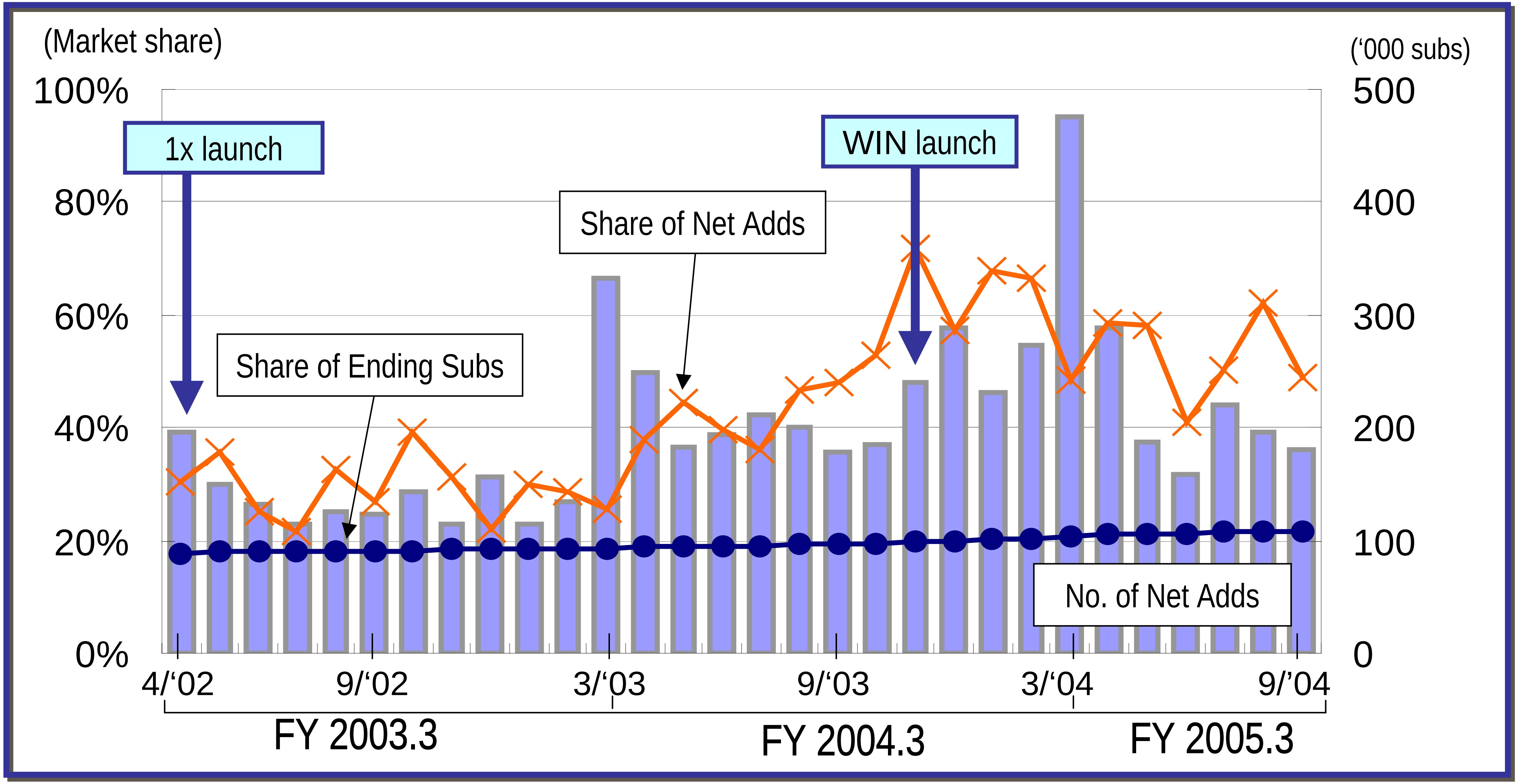


	FY2003.3	FY2004.3 1H	FY2004.3 2H	FY2004.3	FY2005.3(E) 1H	FY2005.3(E) Latest F	FY2005.3 Previous F
Sales commissions (Billions of yen)	405.0	180.0	204.0	384.0	208.0	428.0	400.0
Average commissions/unit (yen)	40,000	37,000	36,000	36,000	38,000	38,000	36,000
Number of units sold ('000 units)	10,100	4,900	5,670	10,570	5,480	11,300	11,100

“au” Business

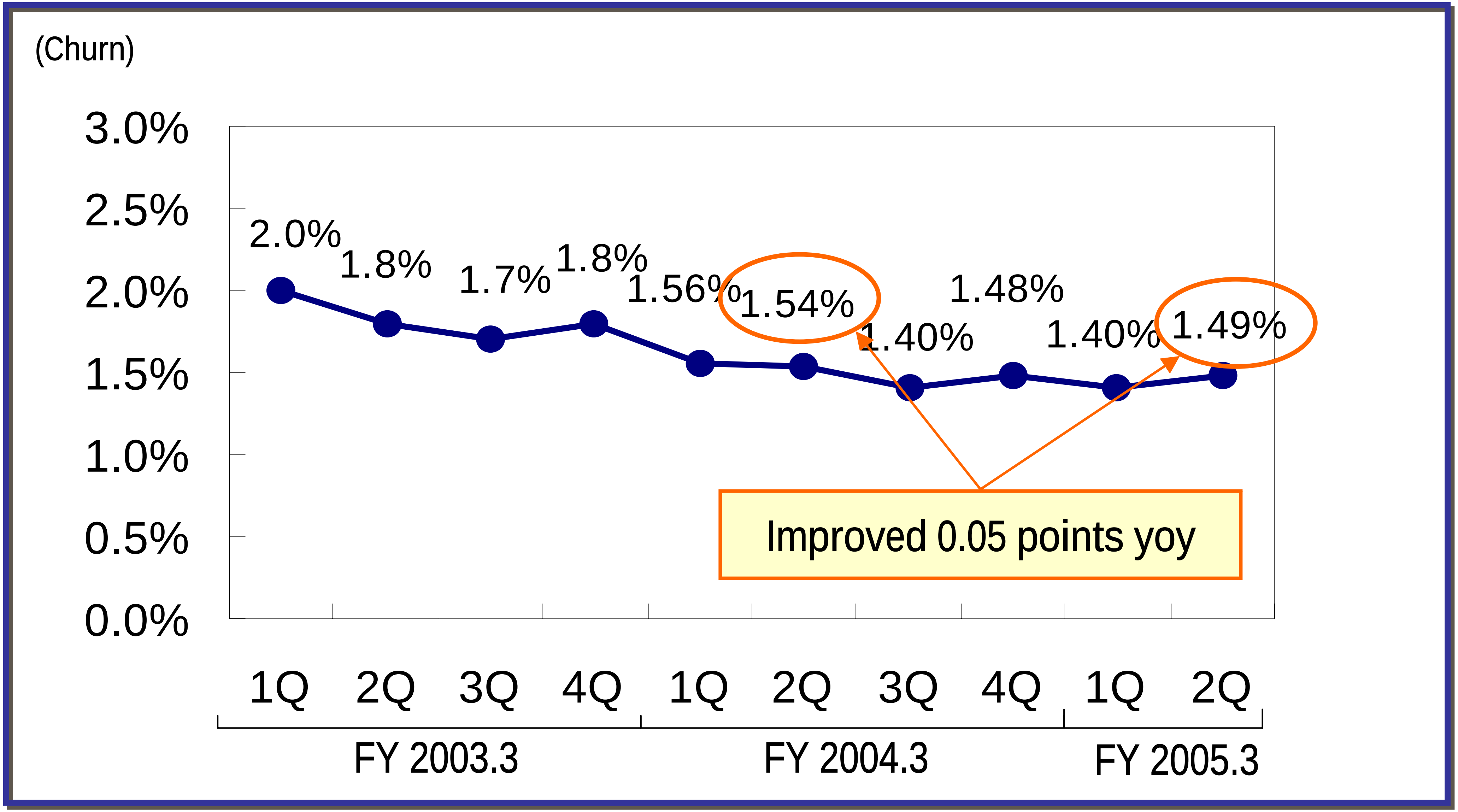
1.2. Trend of Net Additions

■ **Achieved top share of Net Adds in 1H with Sept.-end subs at 18.19M.**



Market share of Net Adds /Ending subs:			
	1H	<41.3% / 19.4%>	<53.1% / 21.7%>
	Full-year	<49.6% / 20.8%>	< - / - >

1.3. Churn Rate

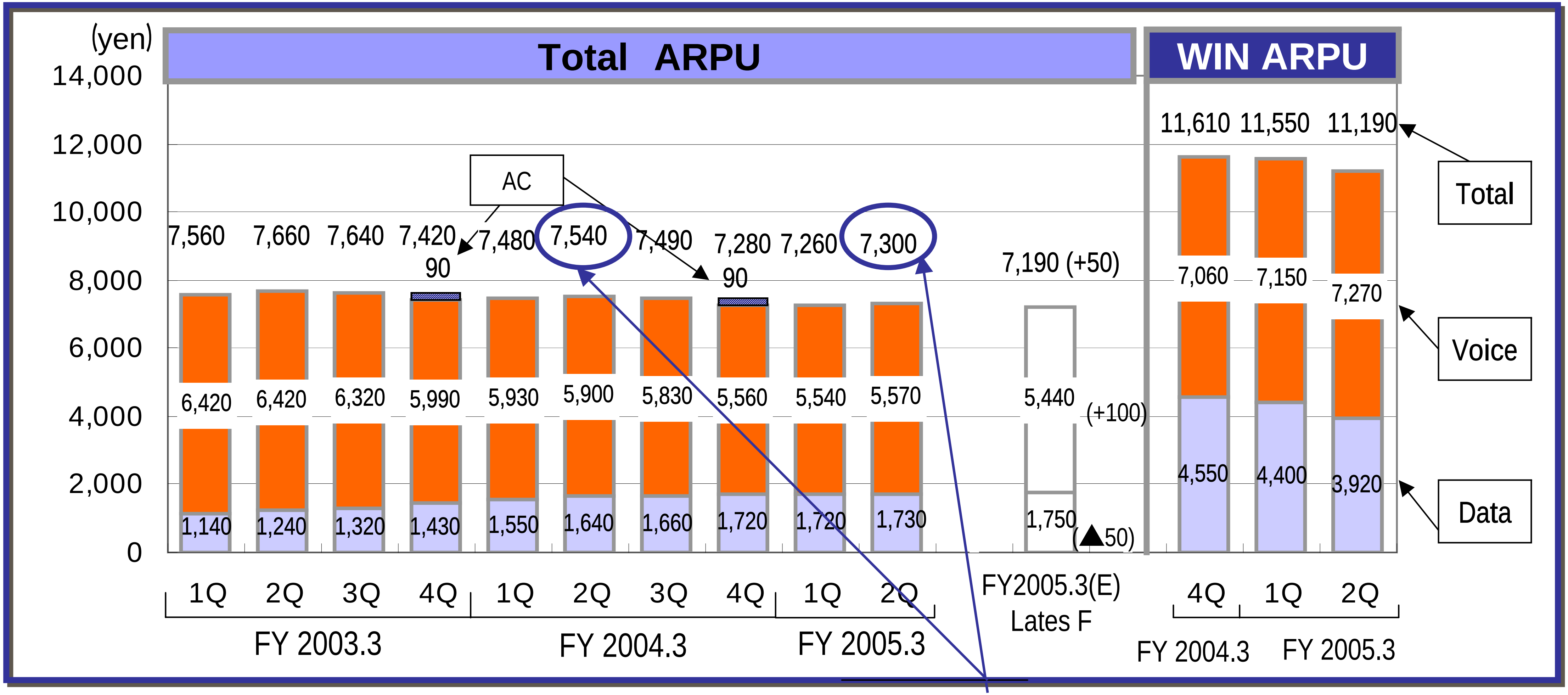


Full-year <1.8%> <1.49%>

“au” Business

1.4. Trend of ARPU

■Total ARPU has been stable and full-year outlook is revised-up.



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

yoy change

total	▲¥240	(▲ 3.2%)
of Voice	▲¥330	(▲ 5.6%)
of Data	+¥90	(+ 5.5%)

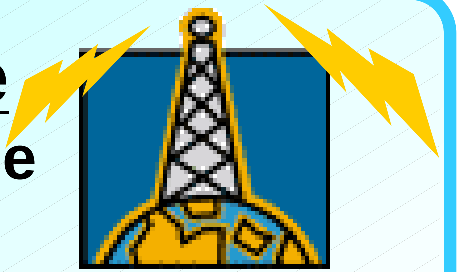
Note 1: 4Q ARPUs are those after the settlement of AC (Access Charges).

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

2.1. Measures to Expand Sales of WIN

CDMA 1X WIN au by KDDI

Infrastructure



Planned service coverage

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

Handsets

Expanded lineup

Increase sales proportion of WIN handsets

Broadband keitai

CDMA 1X WIN

Charges

August 1, 2004 –

ダブル定額

Double Teigaku(two-tiered flat rate)

Content & Applications

- Summer 2004~: Enhance EZ Navi Walk
- Late Nov. 2004~: EZ Chaku-uta Full™
- Fall 2005~: Introduce FeliCa (in all WIN handsets after FY2006)

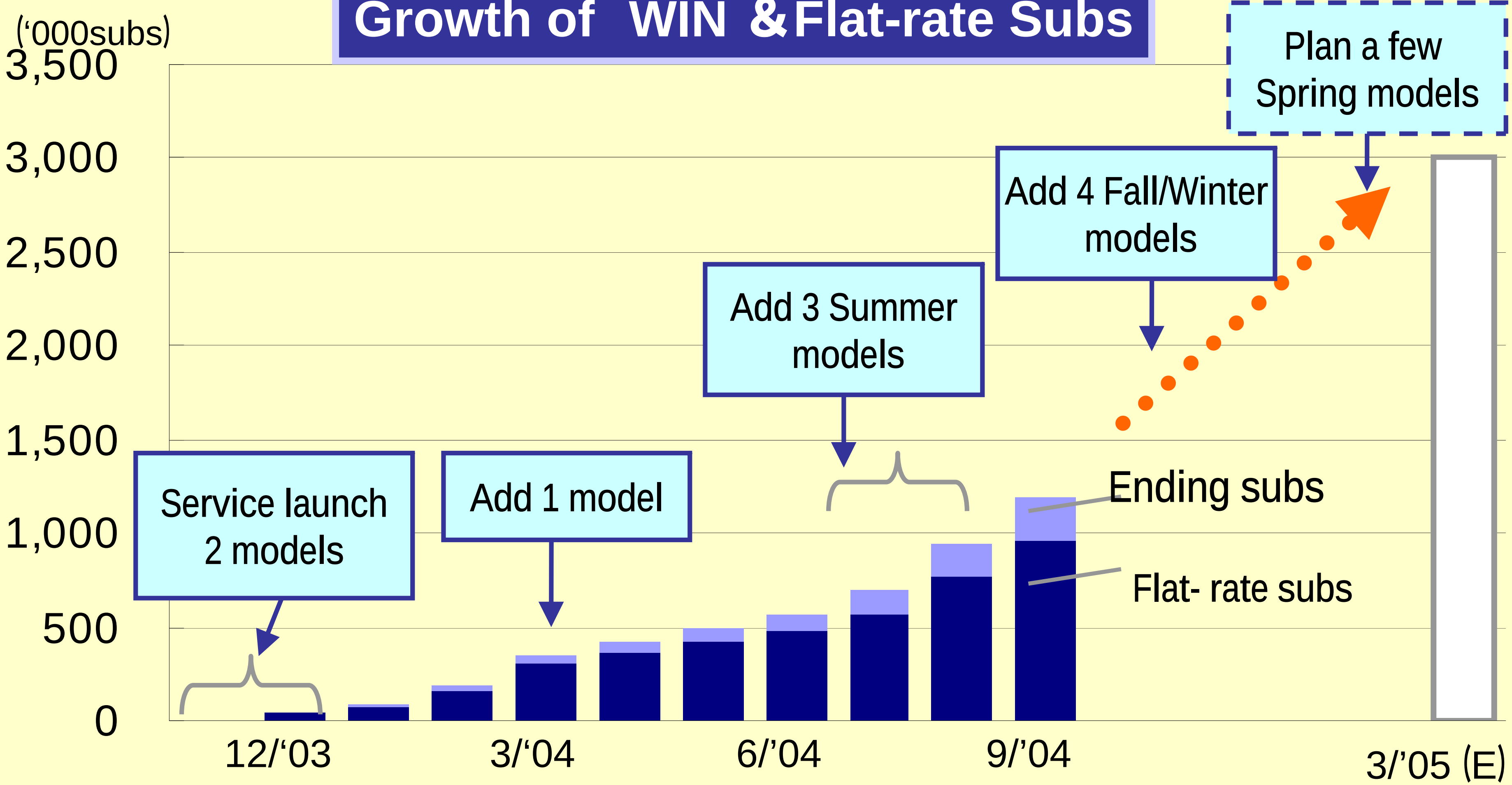
“au” Business

2.2. Update on WIN (1)

■ No. of WIN subs was doubled in Q2 with increase accelerated since expanded sales in summer.

■ Data Flat-rate subscription rate still remains high at 81%.

Growth of WIN &Flat-rate Subs



Ending subs (flat-rate sub ratio)	3/'04	6/'04	9/'04	3/'05 (E)
	343 (87%)	573 (83%)	1,191 (81%)	3,000 (—%)

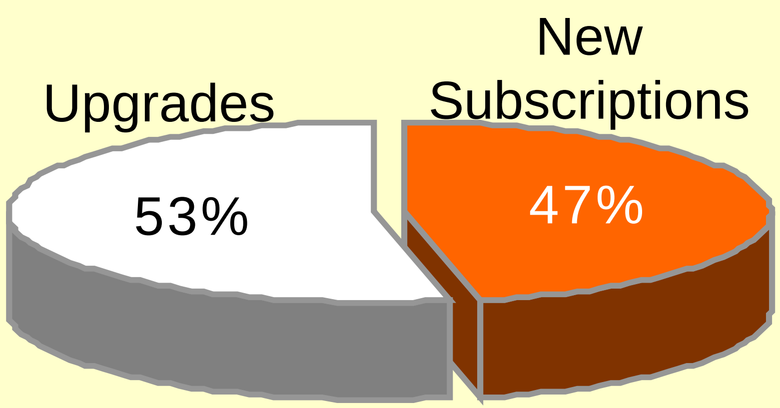
“au” Business

2.2. Updates on WIN (2)

■ With the ratio of new subscribers at almost one half, WIN is attracting high-end users from other companies.

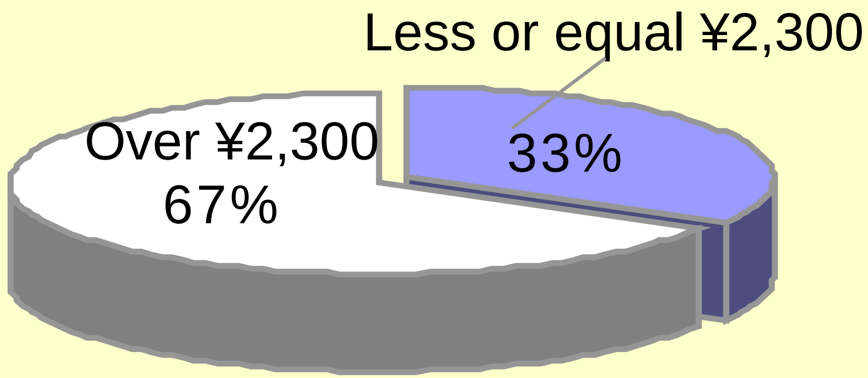
■ Looking at pre-switch data ARPU for those who upgraded to “WIN with Double Teigaku,” “less than ¥2,300 group” (Basic charge ¥2,000 + EZweb ¥300) is approx. 33%, so, increases in data usage can be expected.

Breakdown of WIN Subs



(Percentage of the simple total of subs sign up in 2Q/FY05.3.)

Pre-switch Data ARPU of Upgrades of ” WIN+Double Teigaku” (flat-rate)



(July - Data ARPU of Upgrade customers prior to switching to “WIN+Double Teigaku” in August 2004.)

2.3. EZ Chaku-uta Full™

EZ「着うたフル」™

- EZ Chaku-uta Full™" launched in autumn, offering a rich source of musical expression to meet the expectations of mobile phone users.

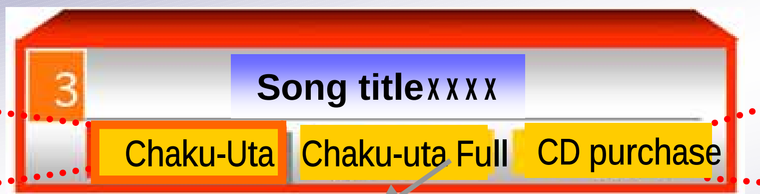
Possible with **"Double Teigaku"+"WIN"**	**Can download entire song directly**
Improved sound quality	**Can arrange it as your "Chaku-Uta"**

Music & Shopping Portal

- Commenced online CD sales to complement music portal

EZ「着うた」

"Chaku-Uta" purchase



au Records

CD purchase

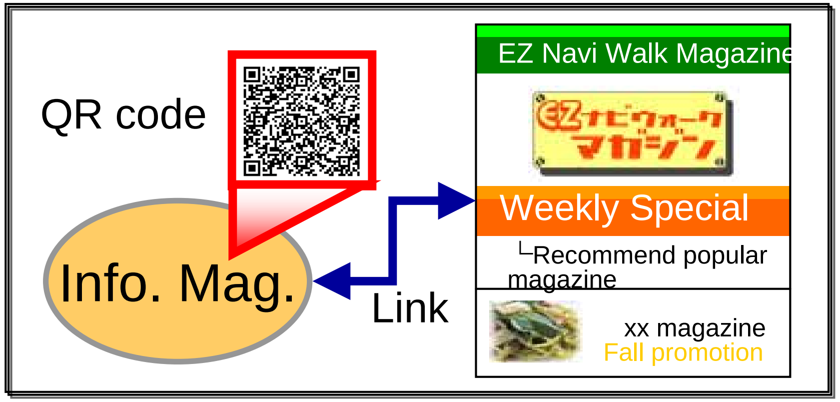
will start with about 10,000 songs from 6 websites

Comprehensive music portal that keeps you up with the play via mobile phone

2.4. Enhanced EZ Navi Walk

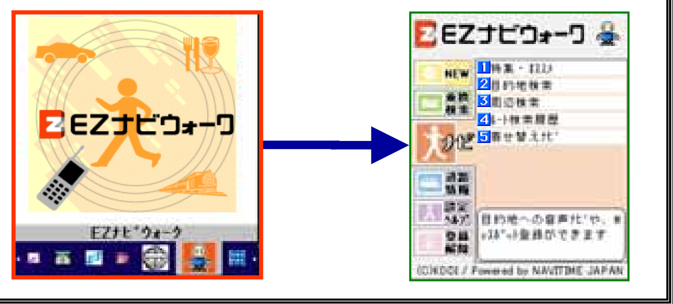
■Steadily increasing No. of users since launch in October 2003, with total at approx. 200k at end-September 2004

Increase usage opportunity	Magazine links (September)	◆ Create new usage through magazine links and EZ Navi Walk
Expand user base	Kisekae Navigation (July) (navigation characters changeable	◆ Use alluring characters/artists that are popular among younger agegroup (esp. females)
Raise customer satisfaction	User I/F Improvement (July)	◆ Evolution of EZ Navi Walk portal



Kisekae Navigation Service Menu

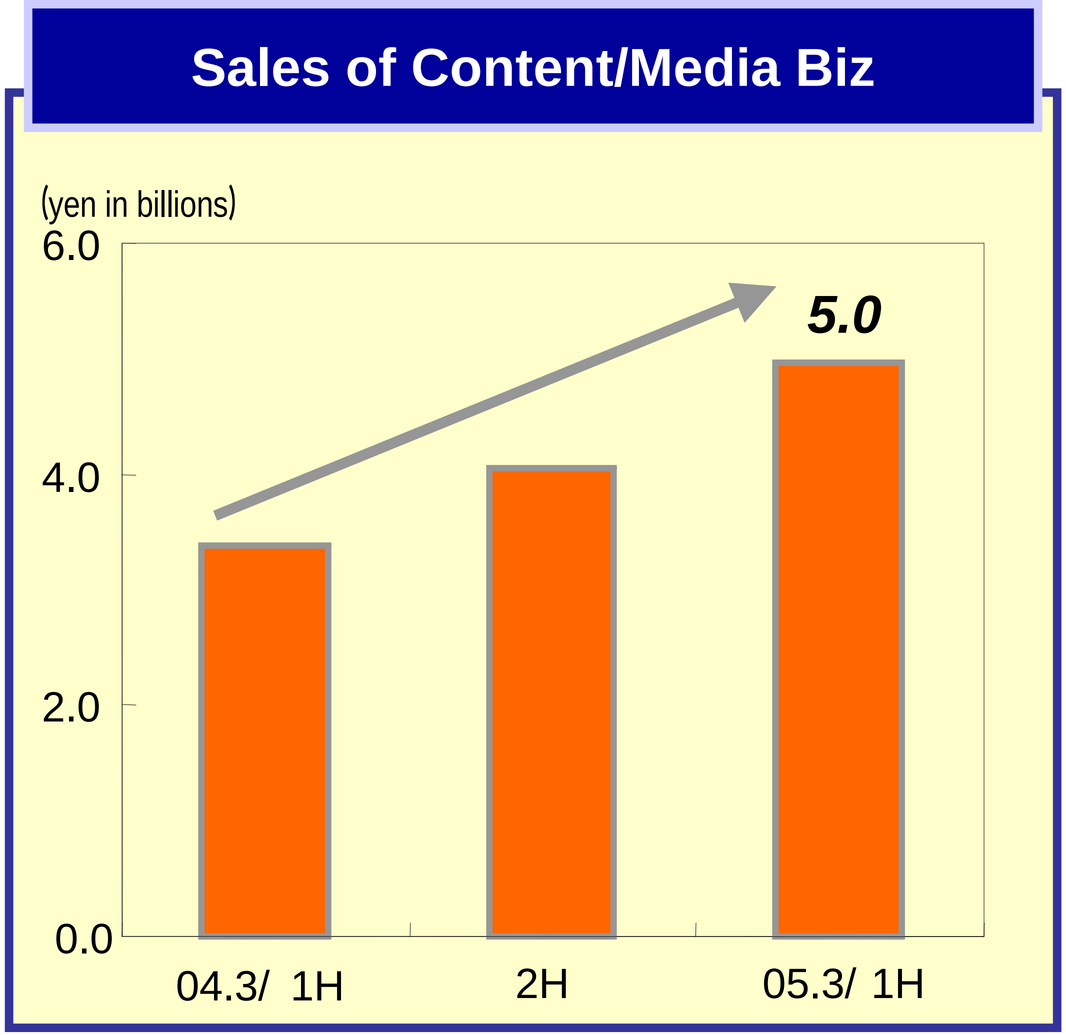
New User I/F Application

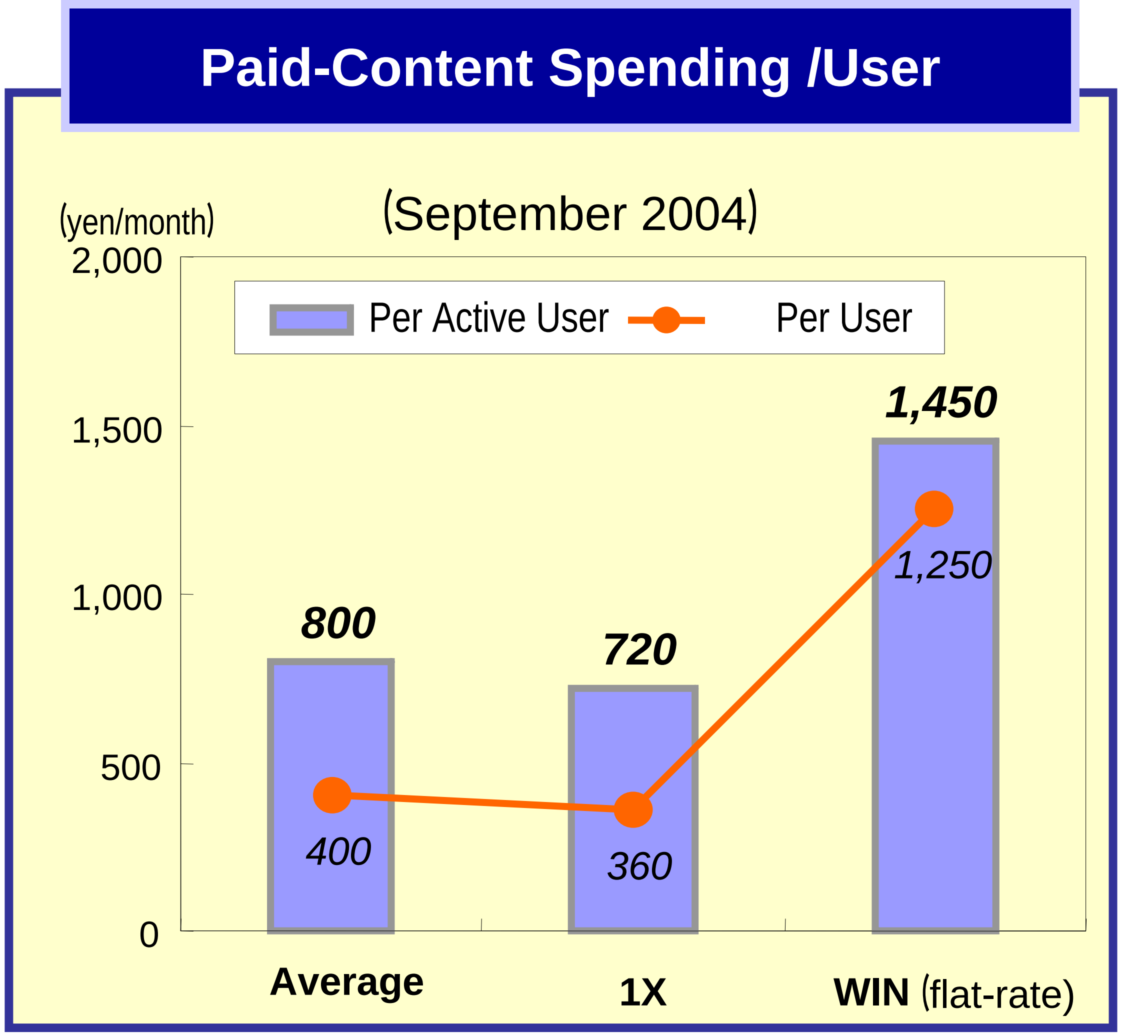


3. Content Use Expanded by Flat-Rate Plan (1)

■ Content/Media business sales shows a steady growth reaching at 5.0B in H1.

■ Paid-content spending for WIN flat-rate users is over two times that of 1X users.

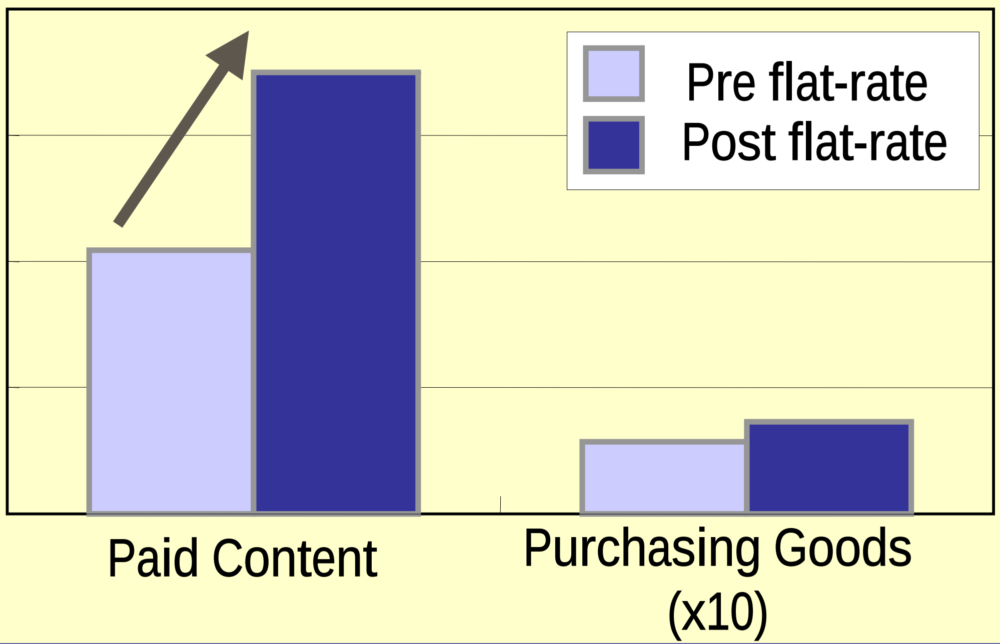




Note: Above charges are calculated for EZweb sub only. "Per active user" means those who uses paid content among EZweb subs in each customer category.

3. Content Use Expanded by Flat-Rate Plan (2)

Use of Paid Content/Purchasing Goods



Note:Compares usage in July and September for those who began flat-rate plan in August. Bar chart of purchasing goods is shown by x10 of usage.

Pre Flat-Rate vs. Post Flat-Rate:

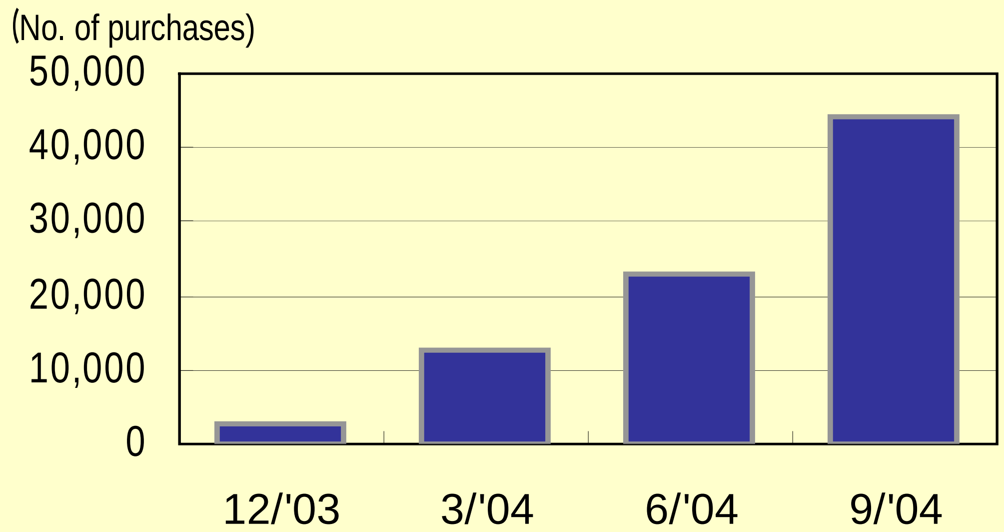
Paid Content : up 1.7 times

Purchasing Goods : up 1.3 times

- Better ease-of-use with flat-rate & high-speed

-No. of purchases over 16 times initial figures

No. of E-books purchased



“au” Business

4. Measures to Reduce Handset Costs

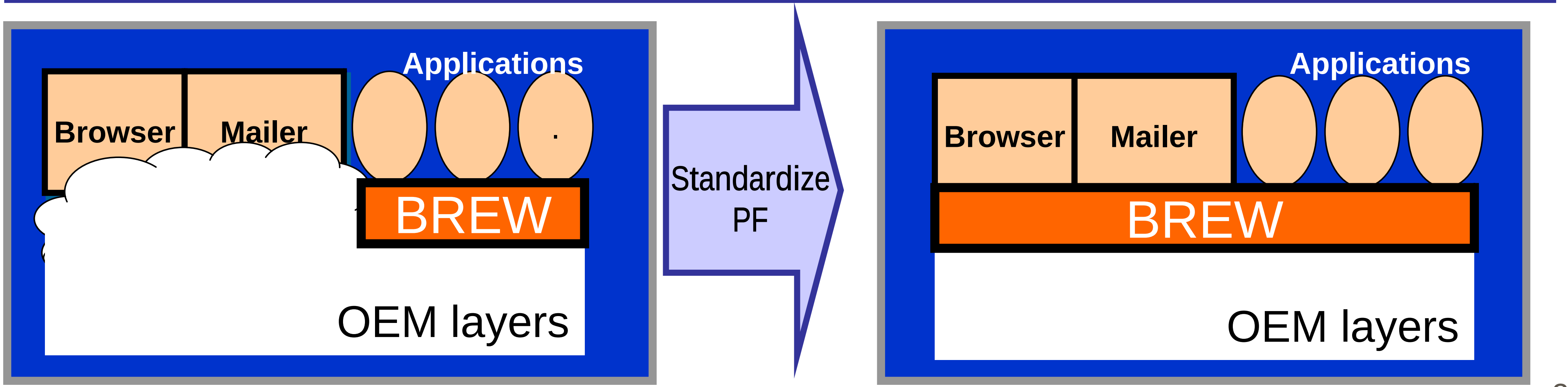
Handset Cost Reduction

- Select functions through optimal positions of handset lineups
- Review/reduce specifications to meet individual/various needs
- Cut down on development costs

■ Example of Development Cost Reduction

Standardize Software Platforms via BREW

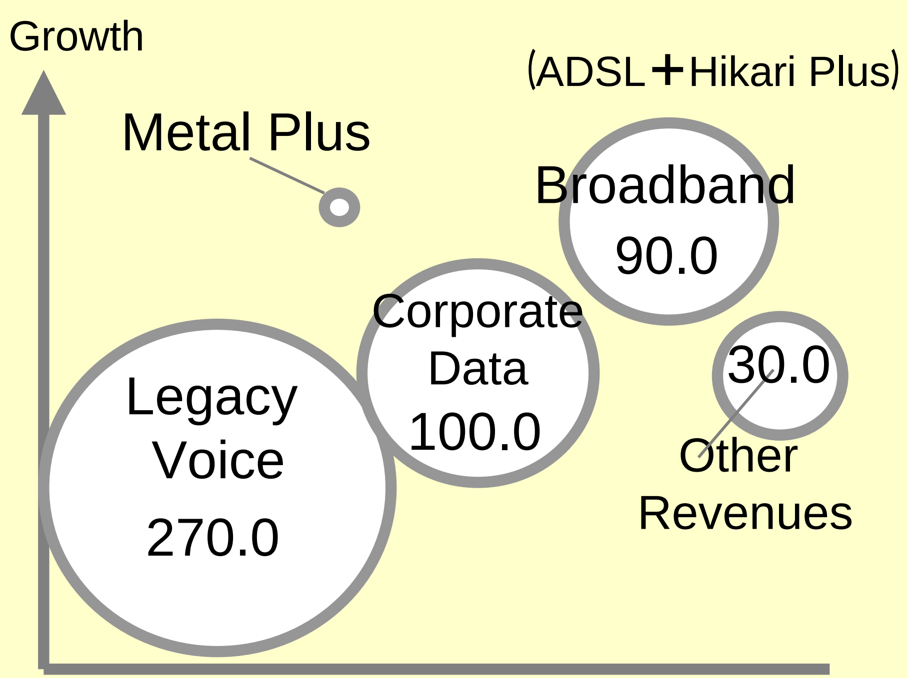
- Promote smooth, handset development and reduce verification man hours
- Share development costs for core applications among manufacturers
- Enable swift development of attractive services



1. Designing for build-up of New Revenue Sources

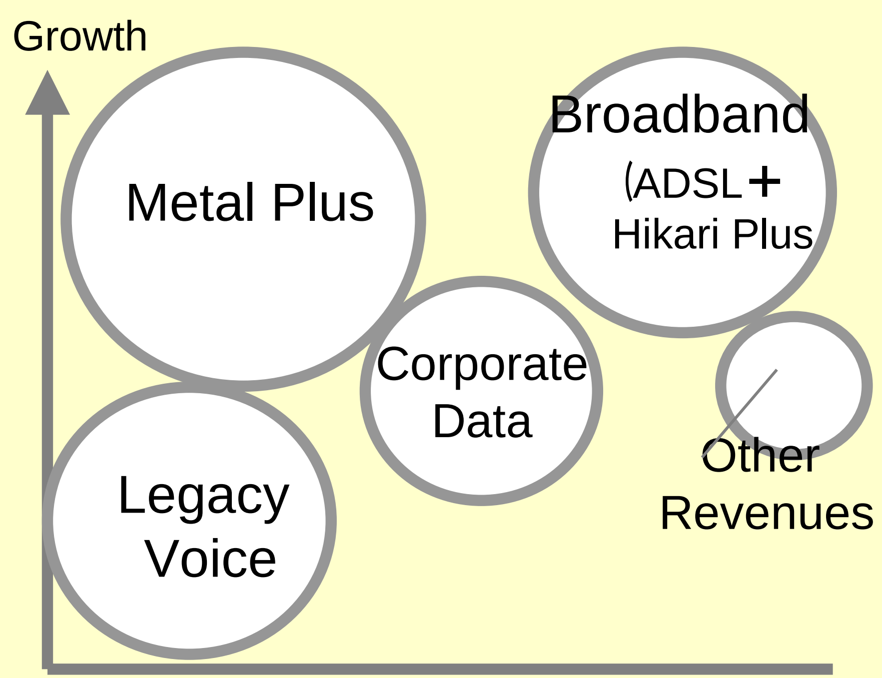
- Cover declining revenues in legacy voice telephony by expanded sales of Metal Plus & Broadband services.
- Aim to make Operating Income bottom out in FY06.3 and increase of revenues and income from FY07.3 and onward.

FY05.3(E) Revenues



Total approx. ¥490.0B

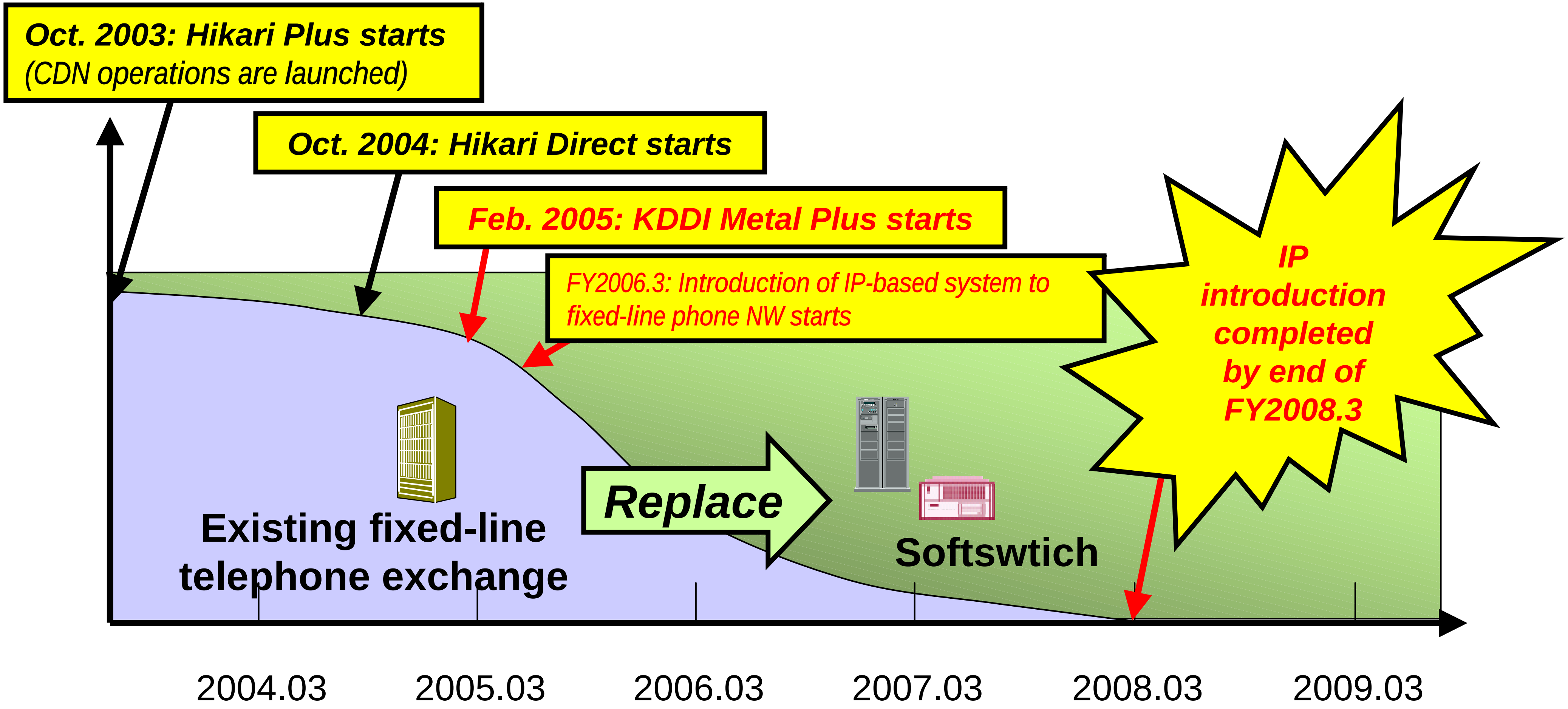
Mid-Long Term Revenue Image



Note: Legacy voice revenue excludes VoIP. Metal Plus includes Internet sales. Broadband includes ADSL & VoIP provided over non-KDDI direct access lines, Hikari Plus, corporate internet sales. Other revenues excludes video sales in Hikari Plus.

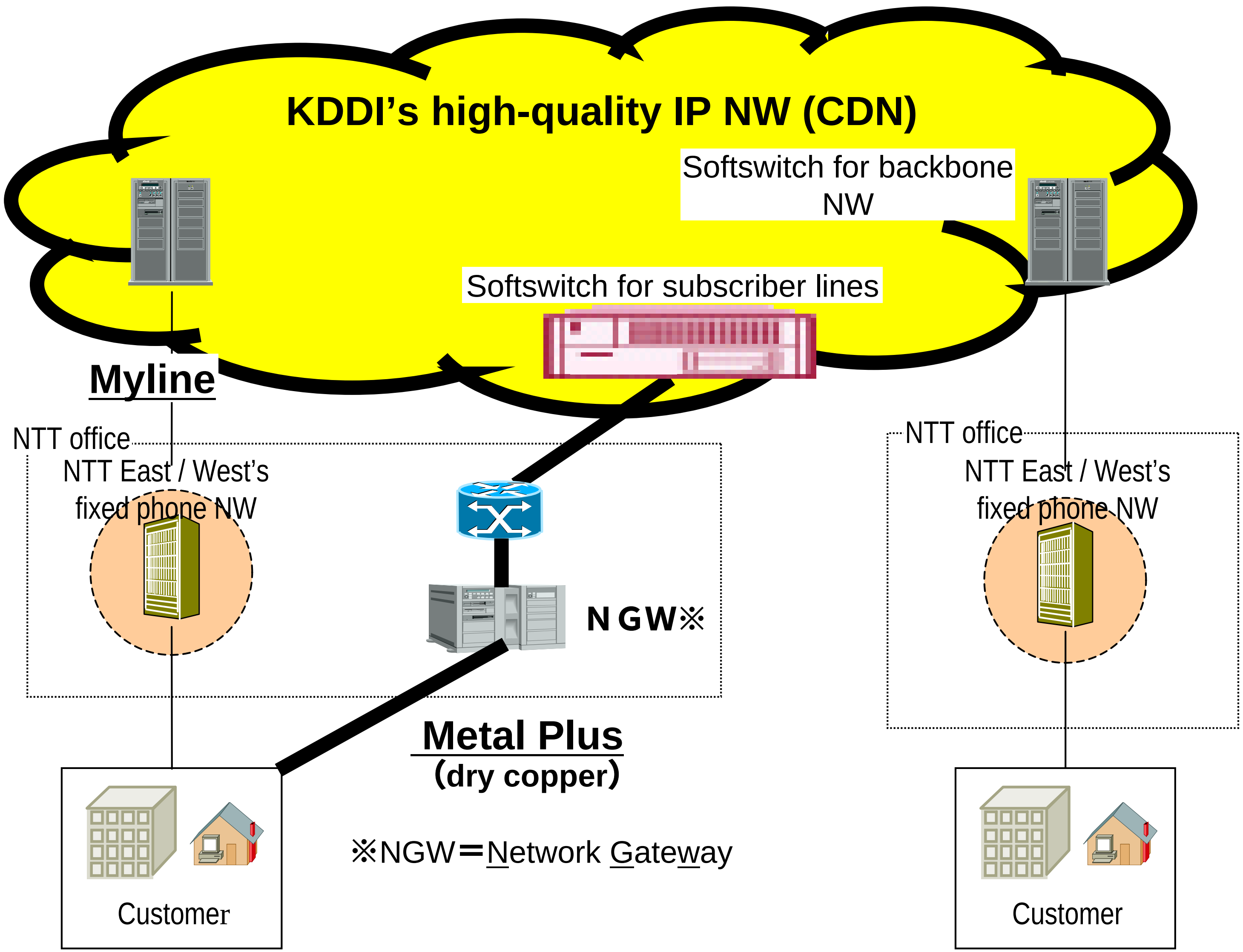
2.1. Moving ahead on IP-based Fixed-Line Phone NW

- The introduction of an IP-based system to the existing fixed-line phone NW will begin in FY06.3, and the replacement with softswitch will be completed by end of FY08.3.
- The introduction of IP to the fixed-line phone NW will make it easier to adopt new IP telephony services.
- Provide customers with direct connections to reduce NTT access charges.



2.2. Cost Reduction by IP-based Fixed-Line Phone NW

Network After Switch to IP-based System(overview)



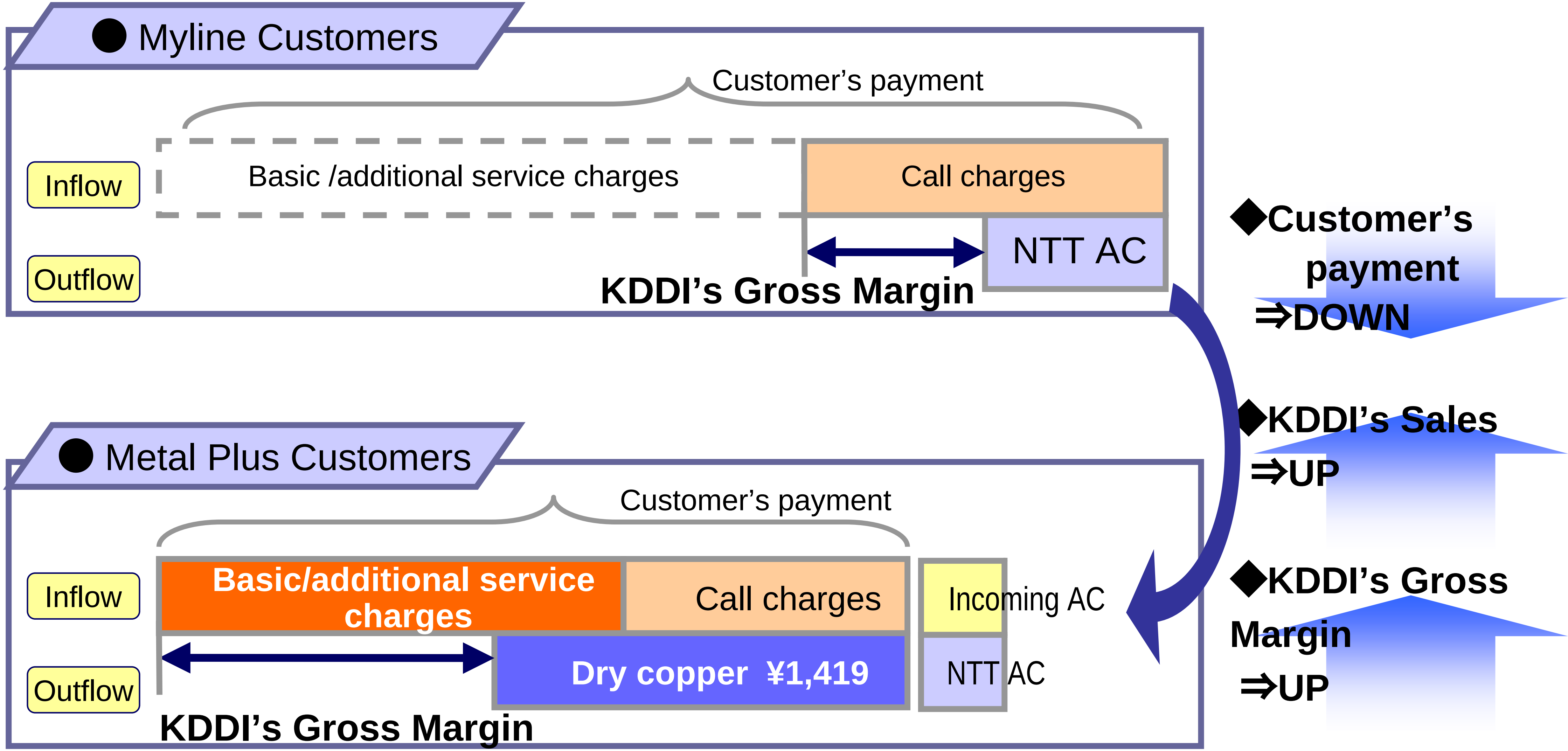
Cost comparison
- IP NW vs. current NW -

■Backbone NW:
approx.50% down from current NW

■Subscriber lines:
approx.20% down from current NW

2.3. Business Model of Metal Plus

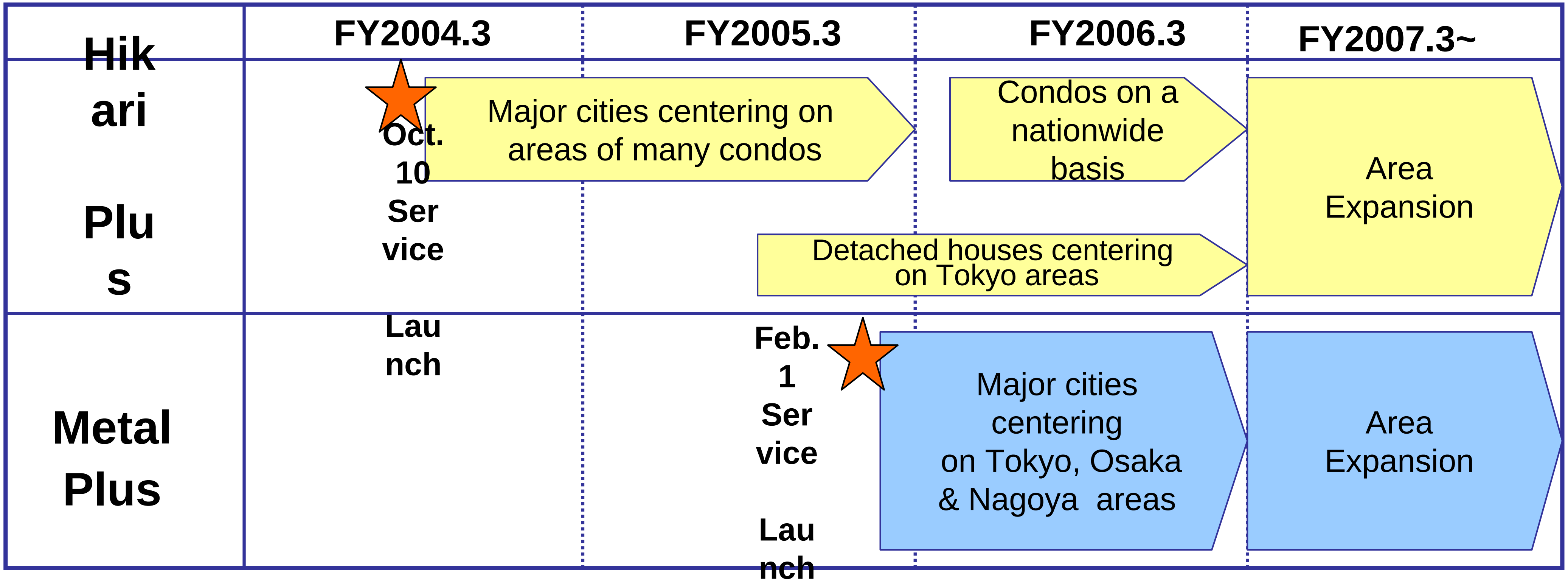
- Secure new revenue sources such as basic charge, additional service charges, and incoming ACs (Acess Charges) besides call charges.
- Can save AC payment because some part of traffics do not go through NTT lines.



Note: Averaged-out dry copper charge between NTT East /NTT West.

2.4. Launch Schedule of Metal Plus

■ Launch Schedules of Metal Plus & Hikari Plus



■ Aim to achieve over 75% - pop coverage by March 2006 for Metal Plus.

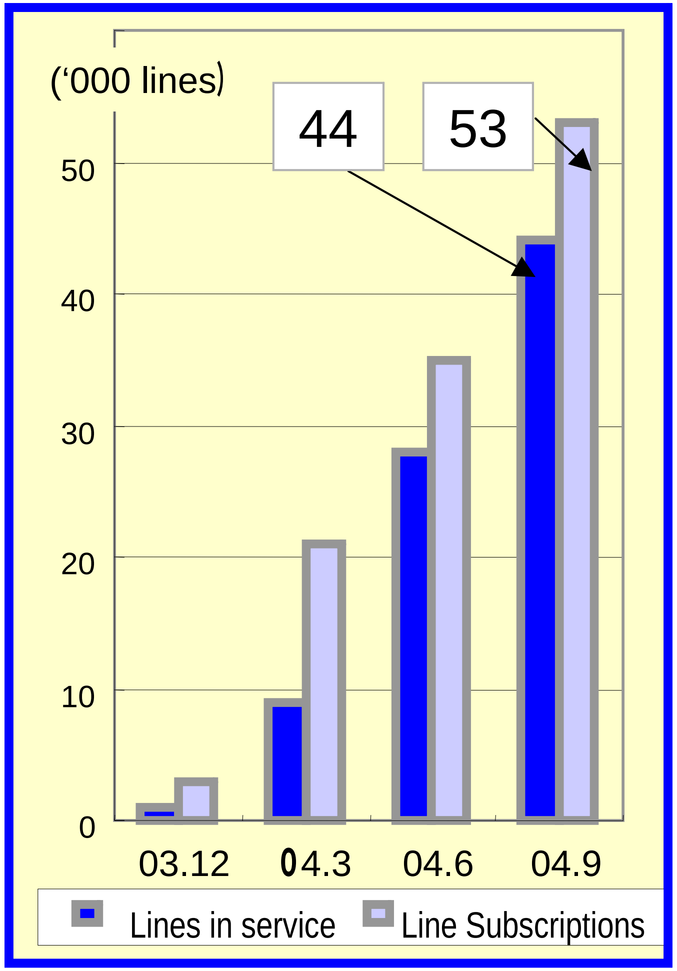
3. Updates on Hikari Plus(FTTH)

■Initiatives to Condos

Sales Expansion	- Reinforce customer acquisition where KDDI's fibers are already installed by reviewing sales forces in October - Expand areas into prefectural capitals by end of FY2005.3
Enhanced Services	- Launch 100MbpsVDSL in September - Upgrade HGW to integrate W-LAN slots as standardized equip. by end of 2004

Note: HGW:Home GateWay

Hikari Plus Lines



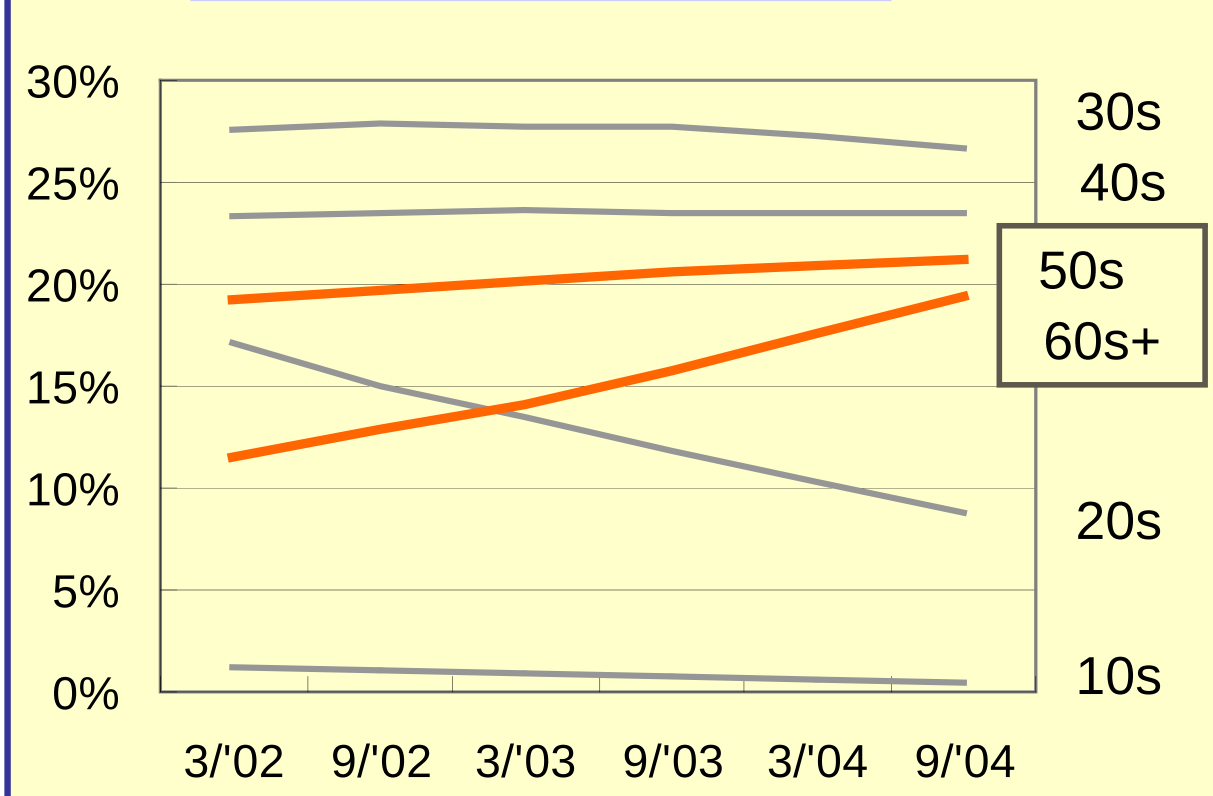
(end of month)

■ Initiatives to Detached Houses

- Service using GE-PON in preparation

TU-KA　2G Specialization Strategy

- Push forward with “simple campaign” unique to TU-KA.
- Target seniors who view mobile phones as complicated.



TU-KA S

(to be released in mid-November)

-New product only offering voice communications to meet the needs of seniors and new users.

-Based on the concept of ”Ultimate simplicity” “No manuals”.

Note:Subs are based on post-paid customers.

Ubiquitous Solution Company

KDDI