

Ubiquitous Solution Company


KDDI CORPORATION



Financial Results for the 1st Quarter of the Fiscal Year ending March 2007

July 21, 2006

Tadashi Onodera
President & Chairman



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. 1Q/FY2007.3 - Financial Results Highlights

1 Consolidated basis

- Operating revenues rose by +11.8% yoy and operating income was up +38.8%, as continued strong Mobile Business (“au” + TU-KA) absorbed loss in Fixed-line Business amid expansion of new services.

2 Mobile Business (“au” + TU-KA)

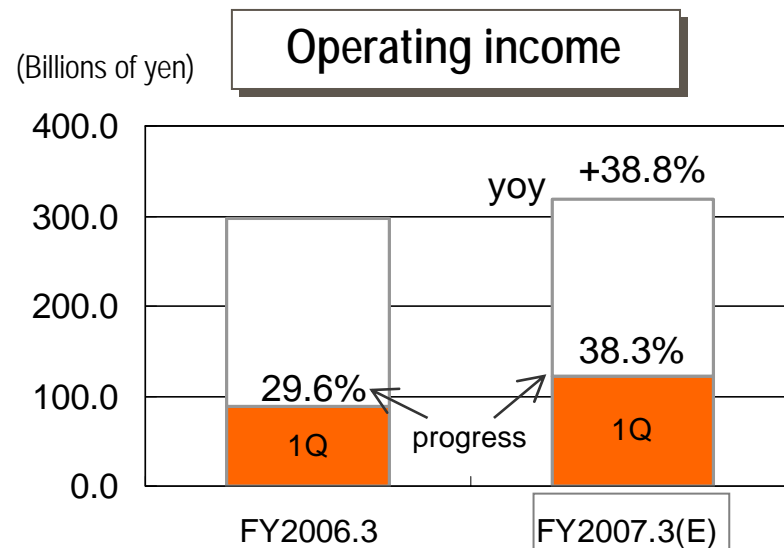
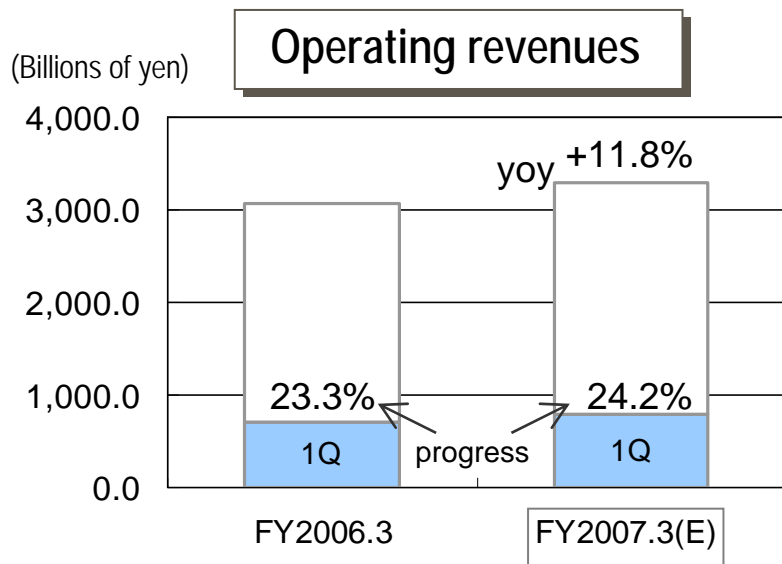
- Operating revenue increased by +8.8% and operating income rose by +31.4% yoy.
- Share of total subs at 27.9% (“au”: 25.4%, TU-KA: 2.5%) at end-June with continued strong share of net adds for 1Q at 48.1% (“au”: 85.1%; TU-KA: -37.0%).
- No. of “au” WIN subs continues to increase, totaling 9.46 million at end-June, of which 80% have signed up for flat-rate plan.
- Promoted smooth migration of TU-KA users to “au” allowing same phone numbers; total who switched at 390 thousand in 1Q, making aggregate total of 1,090 thousand.
- Created Mobile Net Bank Establishment Investigation Corporation with Bank of Tokyo-Mitsubishi UFJ.
- Formed alliance with Google.

3 Fixed-line Business

- Operating revenue rose by 23.3% yoy due to expanded sales of Metal Plus and others. Operating loss was reduced to ¥9.9B.
- Number of activated lines of Metal Plus increased to 2.22 million at end-June.
- Started integrated FTTH service with TEPCO under the new brand “Hikari one” in June.
- Agreed to form joint venture with BT (on global outsourcing services).

4 Work out company-wide measures to prevent a recurrence of similar incidents against the leak of DION customer information.

2. Consolidated Financial Results



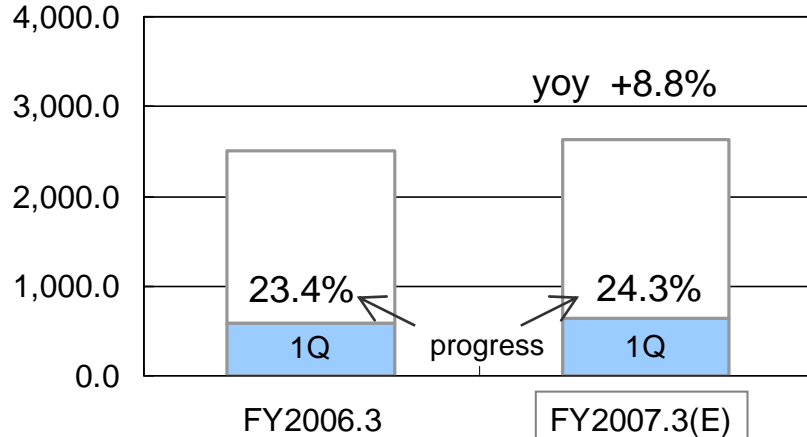
(Billions of yen)

| | FY2006.3 | | FY2007.3(E) | | | |
|-------------------------|----------|---------|-------------|-------|----------|---------|
| | 1Q | | 1Q | yoy | progress | |
| Operating revenues | 714.3 | 3,060.8 | 798.4 | 11.8% | 24.2% | 3,293.0 |
| Operating income | 87.8 | 296.6 | 121.9 | 38.8% | 38.3% | 318.0 |
| <i>Operating margin</i> | 12.3% | 9.7% | 15.3% | - | - | 9.7% |
| Ordinary income | 88.0 | 294.0 | 122.4 | 39.1% | 38.8% | 315.0 |
| Net income | 52.6 | 190.6 | 75.6 | 43.8% | - | 186.0 |
| Free Cash Flow | 24.2 | 139.6 | 48.0 | 98.0% | - | 235.0 |
| EBITDA | 174.1 | 654.4 | 201.7 | 15.9% | 30.2% | 668.0 |
| <i>EBITDA margin</i> | 24.4% | 21.4% | 25.3% | - | - | 20.3% |

3. Mobile Business/ "au"+TU-KA(PDC)

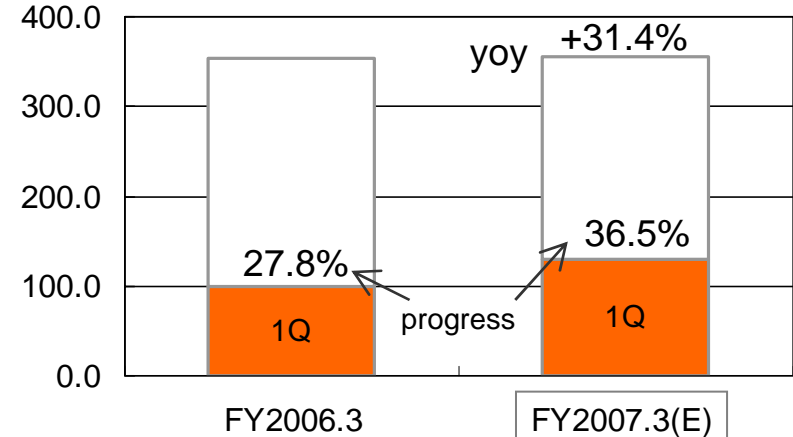
Operating revenues

(Billions of yen)



Operating income

(Billions of yen)

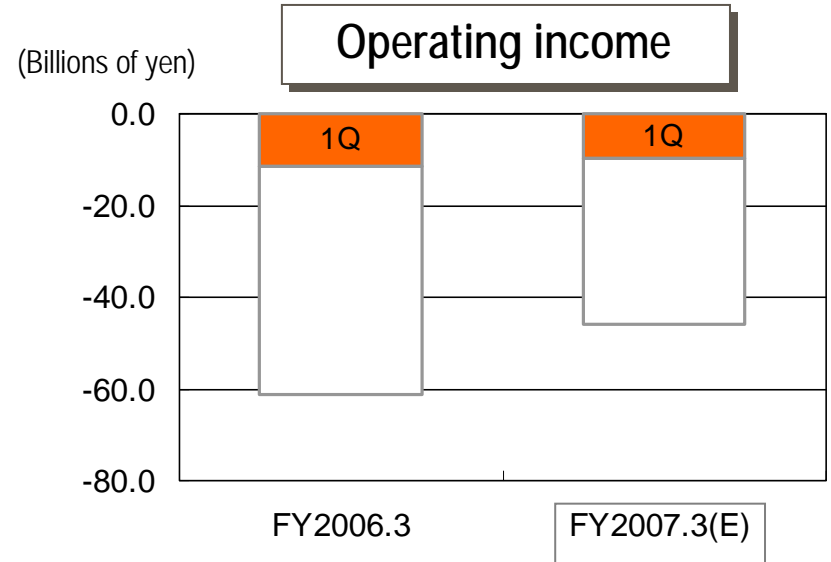
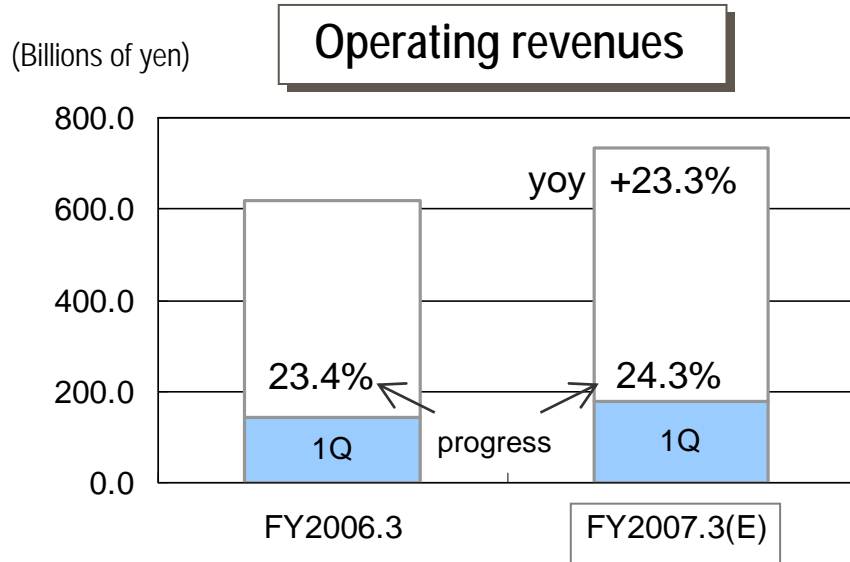


(Billions of yen)

| | FY2006.3 | | FY2007.3(E) | | | |
|--------------------|----------|---------|-------------|--------|----------|---------|
| | 1Q | | 1Q | yoy | progress | |
| Operating revenues | 588.1 | 2,510.4 | 639.8 | 8.8% | 24.3% | 2,636.0 |
| "au" | 537.9 | 2,335.2 | 614.0 | 14.1% | 23.9% | 2,567.0 |
| TU-KA | 50.2 | 175.2 | 25.8 | -48.5% | 37.4% | 69.0 |
| Operating income | 98.7 | 354.4 | 129.7 | 31.4% | 36.5% | 355.0 |
| Operating margin | 16.8% | 14.1% | 20.3% | - | - | 13.5% |
| Ordinary income | 98.2 | 352.8 | 130.0 | 32.4% | 36.4% | 357.0 |
| Net income | 57.7 | 145.3 | 77.9 | 35.1% | - | 211.0 |
| Free Cash Flow | 26.8 | 266.2 | 49.6 | 85.1% | - | 256.0 |
| EBITDA | 163.5 | 605.2 | 176.8 | 8.1% | 30.4% | 582.0 |
| EBITDA margin | 27.8% | 24.1% | 27.6% | - | - | 22.1% |

| | FY2006.3 | | FY2007.3(E) | |
|----------------|----------|--------|-------------|--------|
| | 1Q | | 1Q | |
| Subs ('000) | 23,679 | 25,439 | 25,957 | 27,440 |
| of module-type | 527 | 586 | 607 | 670 |
| "au" total | 20,123 | 22,699 | 23,616 | 26,210 |
| WIN(EV-DO) | 4,319 | 8,280 | 9,460 | 14,330 |
| 1X | 14,404 | 13,548 | 13,367 | - |
| cdmaOne | 1,400 | 871 | 789 | - |
| TU-KA(PDC) | 3,557 | 2,739 | 2,341 | 1,230 |

4. Fixed-line Business



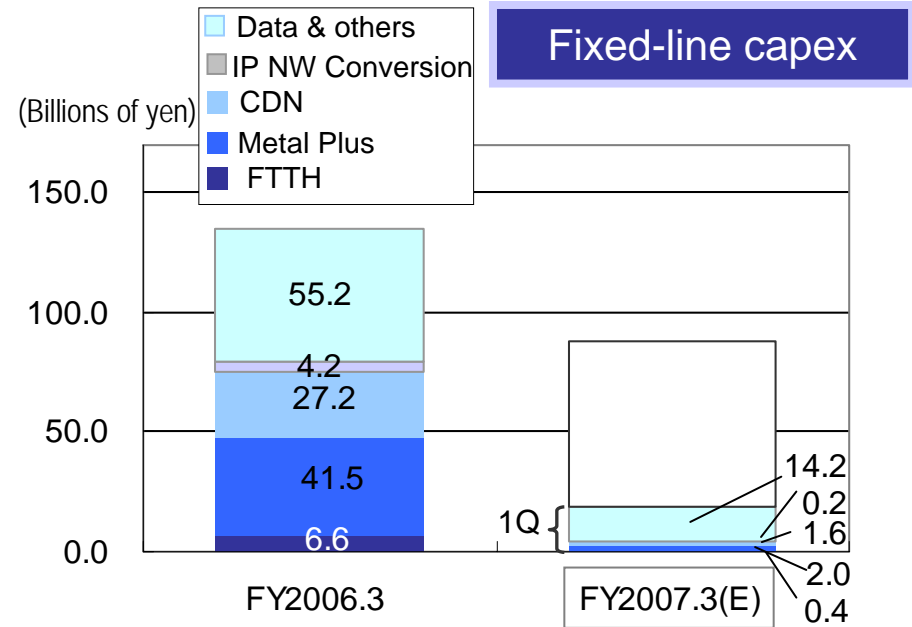
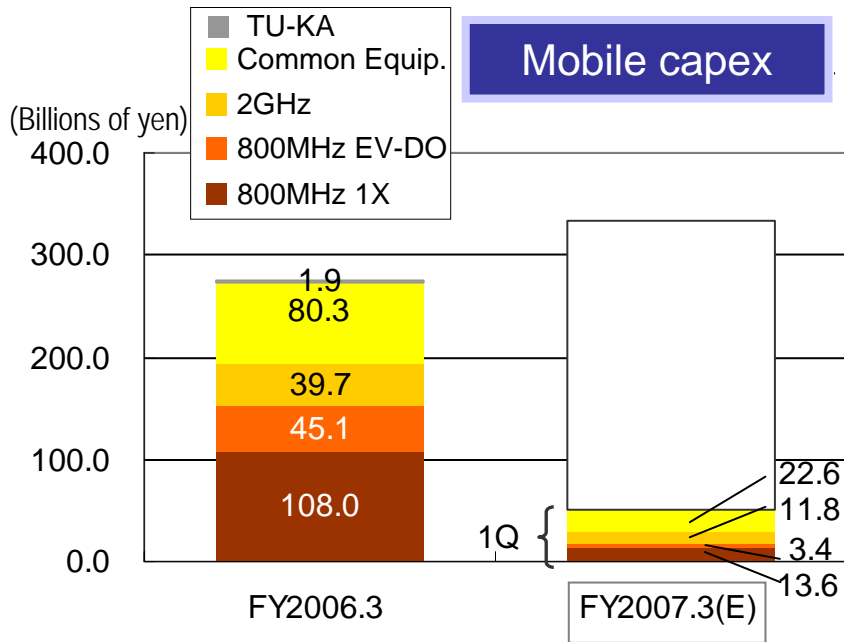
* yoy comparison and progress are not available as figures are negative.

(Billions of yen)

| | FY2006.3 | | FY2007.3(E) | | | |
|-------------------------|----------|--------|-------------|--------|----------|-------|
| | 1Q | | 1Q | yoy | progress | |
| Operating revenues | 145.0 | 619.3 | 178.8 | 23.3% | 24.3% | 735.0 |
| Operating income | -11.6 | -61.3 | -9.9 | - | - | -46.0 |
| <i>Operating margin</i> | -8.0% | -9.9% | -5.5% | - | - | -6.3% |
| Ordinary income | -10.5 | -62.2 | -9.7 | - | - | -48.0 |
| Net income | -4.9 | 26.4 | -4.1 | - | - | -28.0 |
| Free Cash Flow | -3.8 | -102.3 | 3.0 | - | - | -9.0 |
| EBITDA | 9.0 | 41.5 | 21.8 | 142.4% | 30.2% | 72.0 |
| <i>EBITDA margin</i> | 6.2% | 6.7% | 12.2% | - | - | 9.8% |

| | FY2006.3 | | FY2007.3(E) | |
|-----------------|----------|-------|-------------|-------|
| | 1Q | | 1Q | |
| DION subs | 2,870 | 2,847 | 2,829 | 2,680 |
| of ADSL | 1,494 | 1,516 | 1,555 | 1,470 |
| FTTH subs | 118 | 167 | 181 | 290 |
| Metal Plus subs | 408 | 1,799 | 2,223 | 2,750 |

5. Capital Expenditures and others



(Billions of yen)

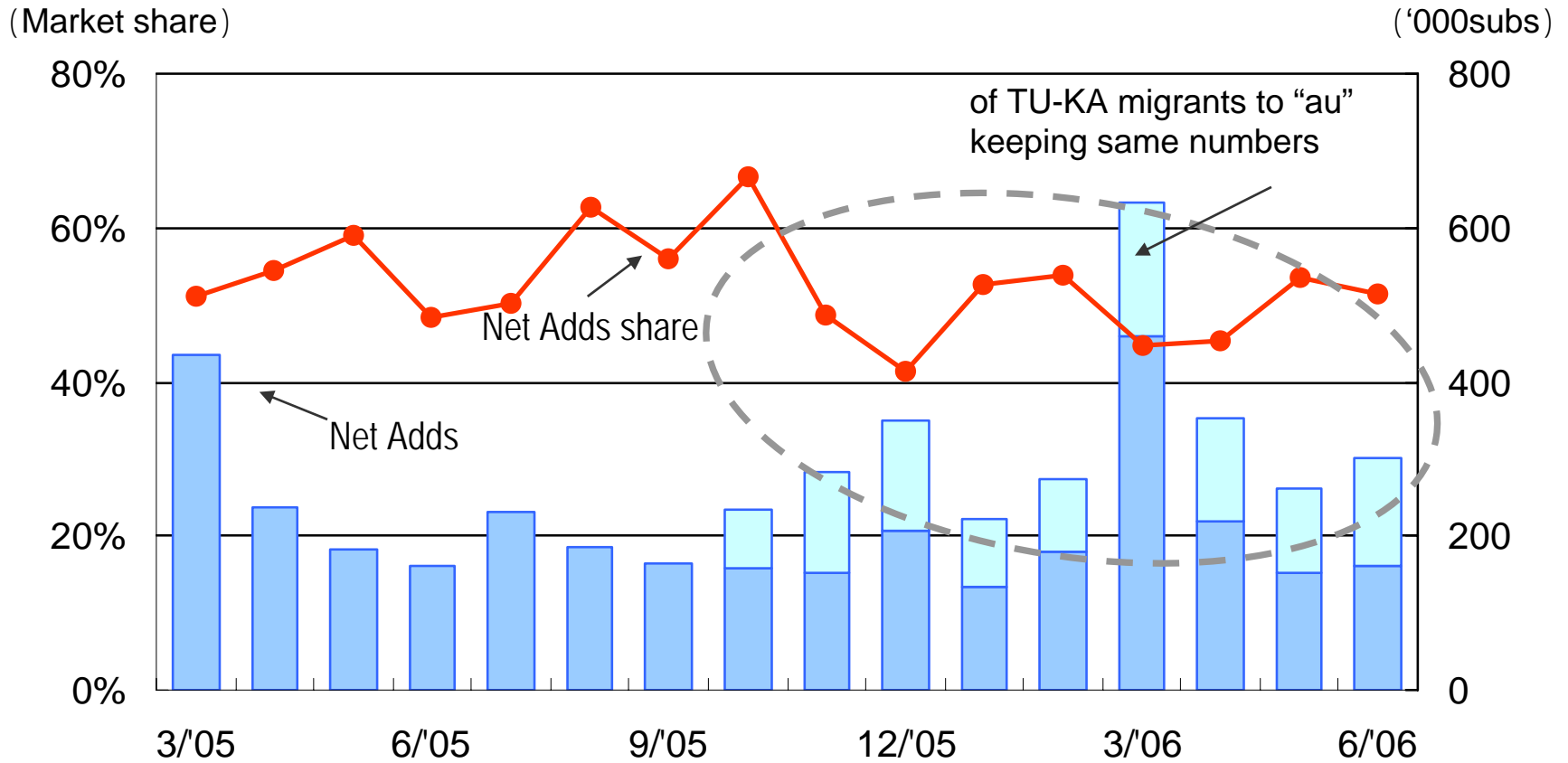
| | | FY2006.3 | | FY2007.3(E) | | |
|--------------------|--------------|----------|-------|-------------|----------|-------|
| | | 1Q | | 1Q | progress | |
| CAPEX (Cash basis) | Consolidated | 77.7 | 414.7 | 75.0 | 16.7% | 450.0 |
| | Mobile | 52.5 | 275.1 | 51.4 | 15.4% | 333.0 |
| | Fixed-line | 24.1 | 134.7 | 18.4 | 20.9% | 88.0 |
| Depreciation | Consolidated | 84.5 | 335.7 | 78.6 | 23.6% | 333.0 |
| | Mobile | 63.6 | 237.5 | 46.6 | 21.4% | 218.0 |
| | Fixed-line | 19.9 | 94.2 | 31.0 | 27.9% | 111.0 |

Segment Discussions

Mobile Business
"au" / TU-KA(PDC)

Fixed-line
Business

1.1. Net Additions



Share of :

Full-year/FY2006.3

1Q/FY2007.3

*The line chart excludes the effect of TU-KA migration in the net-adds share.

Net Adds

<65.8%>

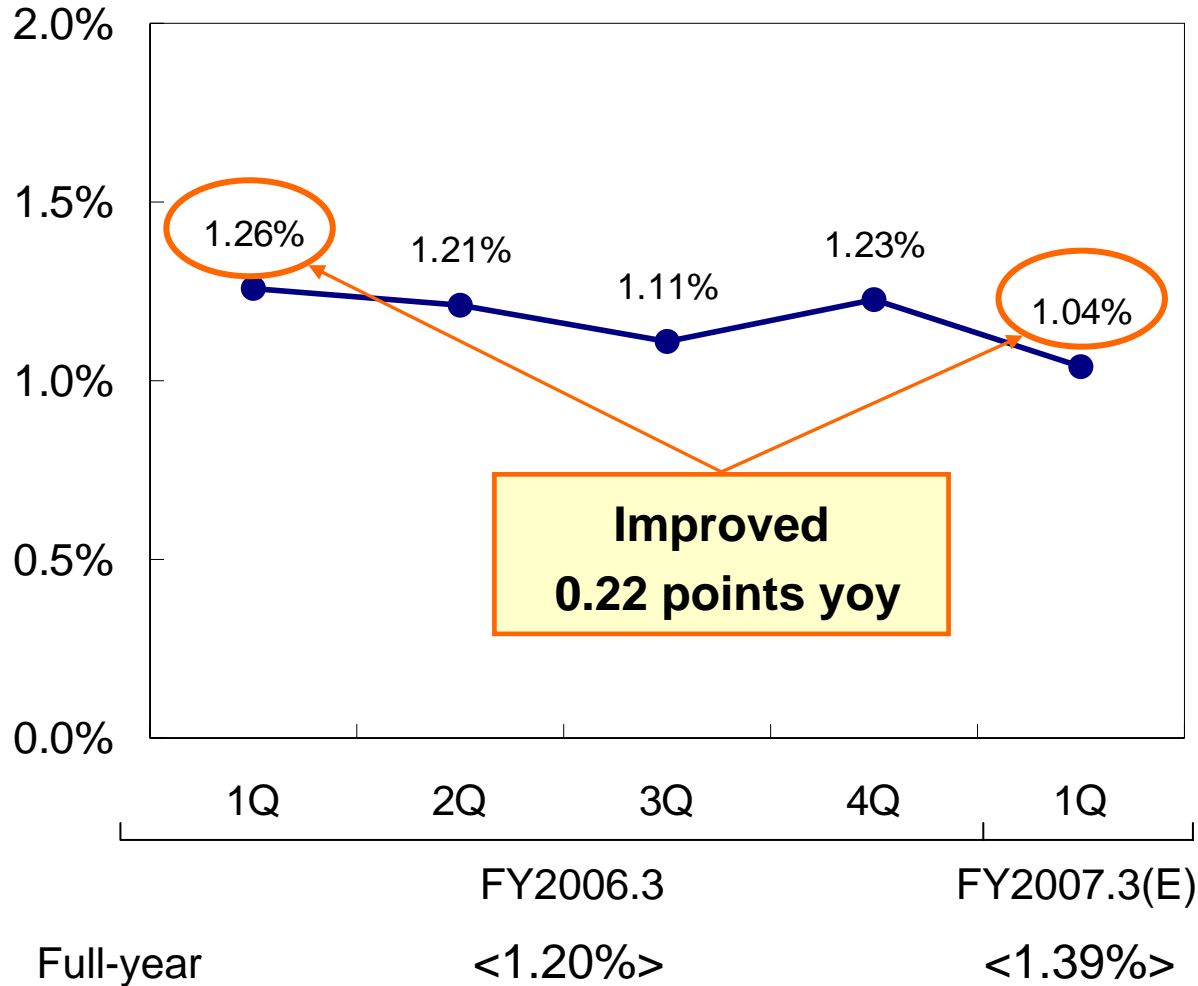
<85.1%>

Total subs

<24.7%>

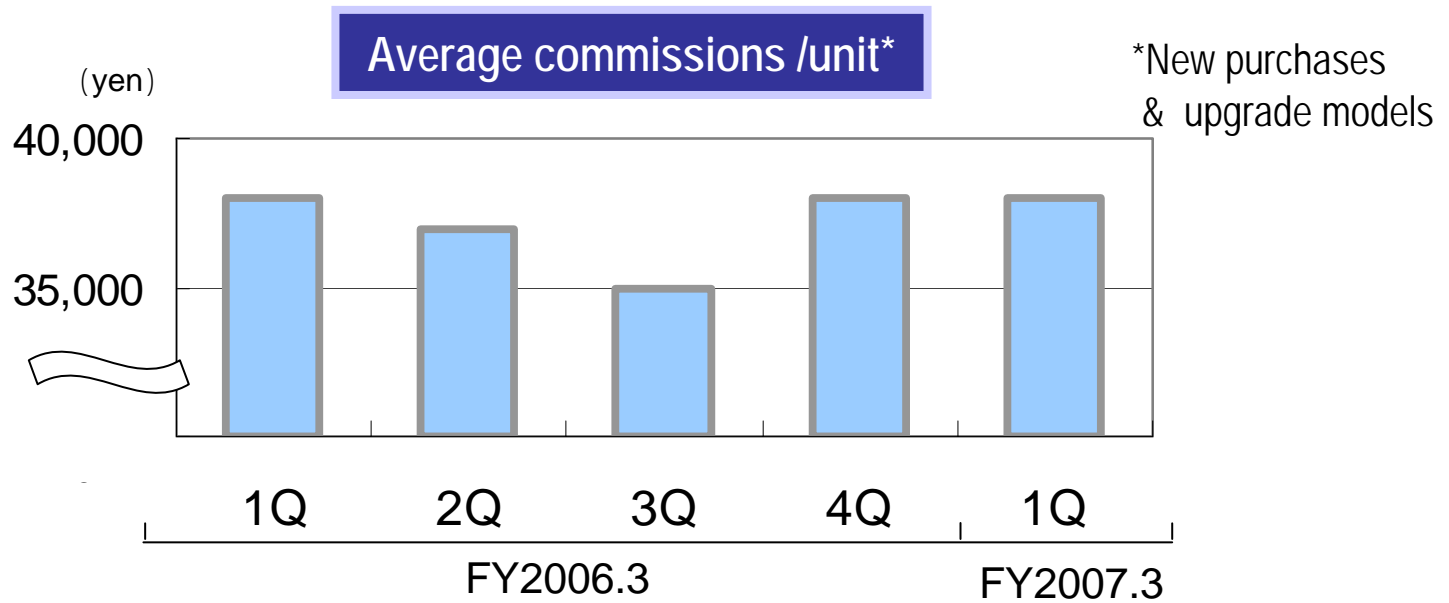
<25.4%>

1.2. Churn Rate



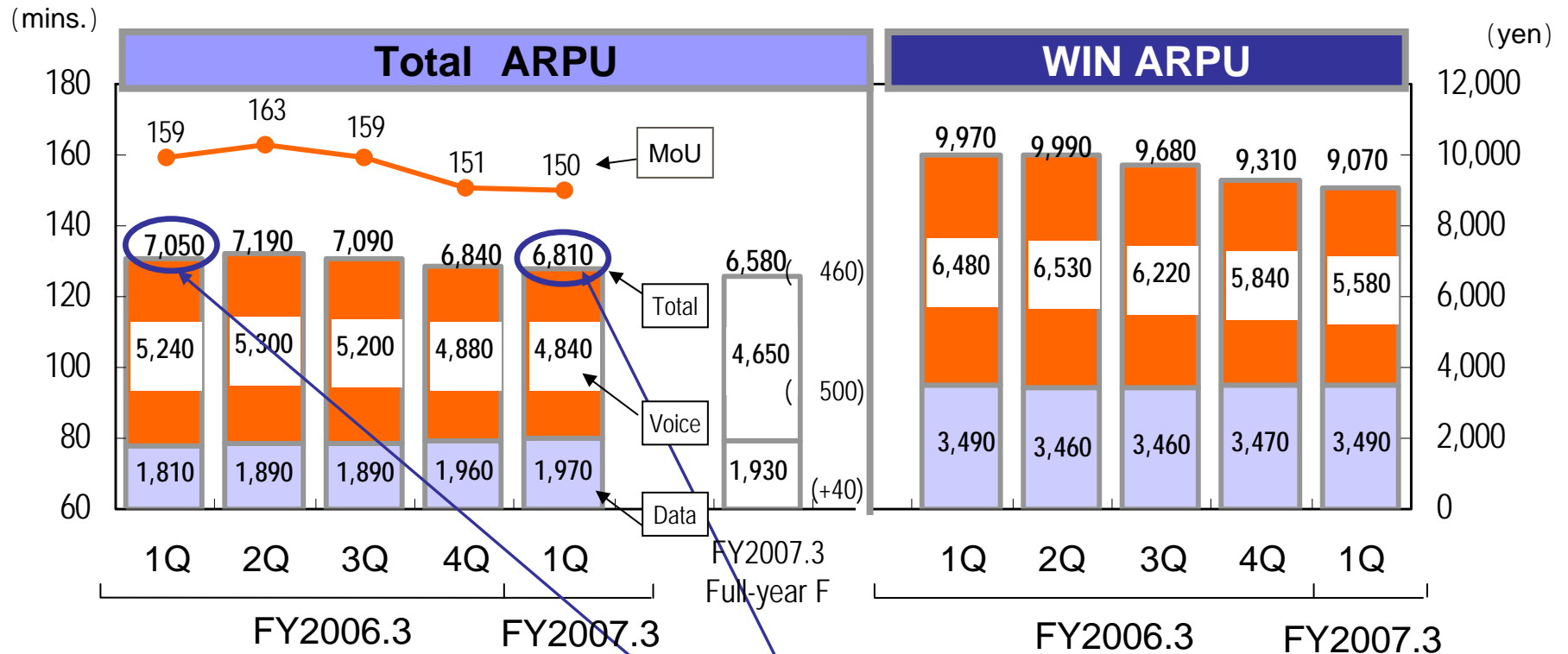
Note: Churn rate is calculated for ordinary handsets which exclude module-type terminals.

1.3. Sales Commissions



| | FY2006.3 | | | | | FY2007.3(E) | |
|--|----------|--------|--------|--------|--------|-------------|--------|
| | 1Q | 2Q | 3Q | 4Q | | 1Q | |
| Sales commissions (Billions of yen) | 102.0 | 119.0 | 119.0 | 152.0 | 492.0 | 124.0 | 551.0 |
| Average commissions/unit (yen) | 38,000 | 37,000 | 35,000 | 38,000 | 37,000 | 38,000 | 37,000 |
| Number of units sold ('000 units) | 2,700 | 3,220 | 3,370 | 3,960 | 13,250 | 3,270 | 14,920 |

1.4. Trend of ARPU

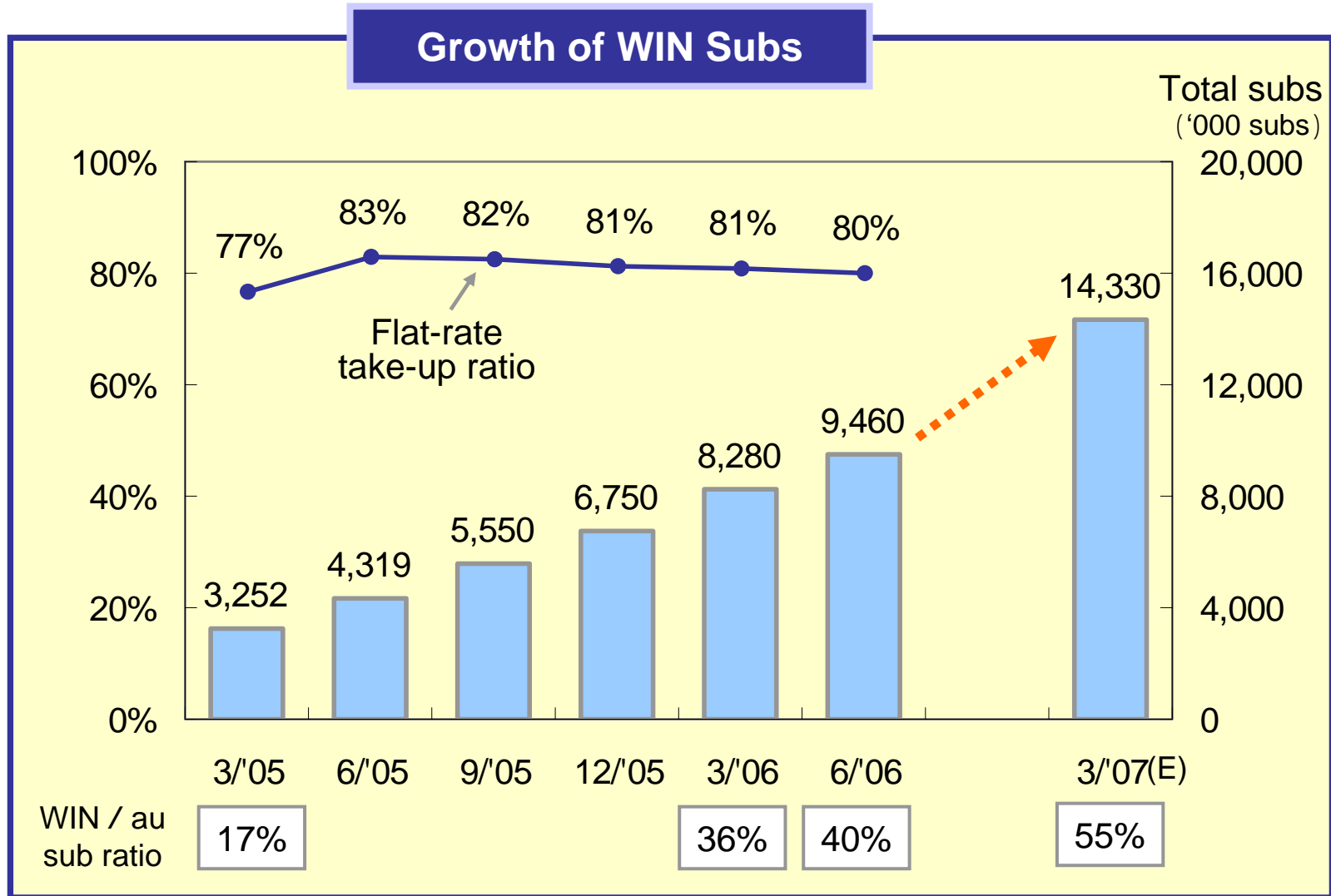


Full-year total ARPU < ¥ 7,040 >
of Voice < ¥ 5,150 >
of Data < ¥ 1,890 >

| yoy change | |
|------------|------------------|
| total | ¥240 (3.4%) |
| of Voice | ¥400 (7.6%) |
| of Data | + ¥160 (+ 8.8%) |

2. Update on WIN

Expanded flat-rate plan to even wider customer base through Double Flat Rates Light, resulting a high take-up ratio of 80% at end-June.



3. Boost All-Round Product Attractiveness

Promote differentiation by leveraging competitive advantage in infrastructure to boost all-round product attractiveness in terms of handset, charges and content.

Handsets



In 1Q, marketed 8 models, incl. 7 WIN summer models

Charges

ダブル定額 ライト
Double Flat Rates Light

PCSV flat-rate



My Plan Discount

無期限くりこし
INDEFINITE-PERIOD CARRY OVER (Aug.'06 ~)

Content & Applications



au LISTEN MOBILE SERVICE



EZ「着うたフル」
Chaku-uta Full®

EZ助手席ナビ 安心ナビ
Passenger-seat Navigation Safe Navigation

EZテレビ EZ FeliCa
Use Google search engine (July '06 ~)

Infrastructure

cdmaOne

CY1998

CDMA2000
1x

CY2002

1xEV-DO
(Rev.0)

CY2003

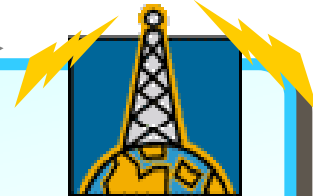
CDMA 1X

1xEV-DO
Rev.A

To be Launched in CY2006

Evolution

WIN

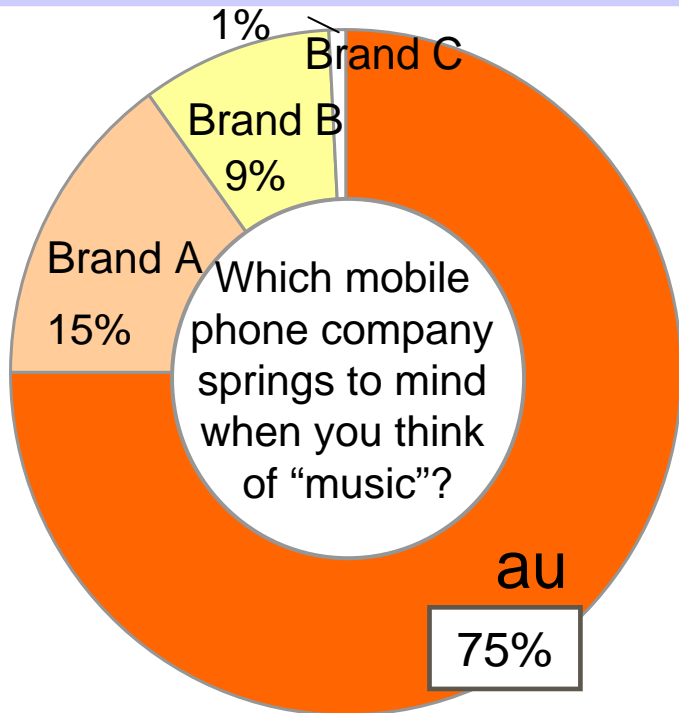


4.1. Mobile Music-Player =au

Establish image: When it comes to music, it must be "au".

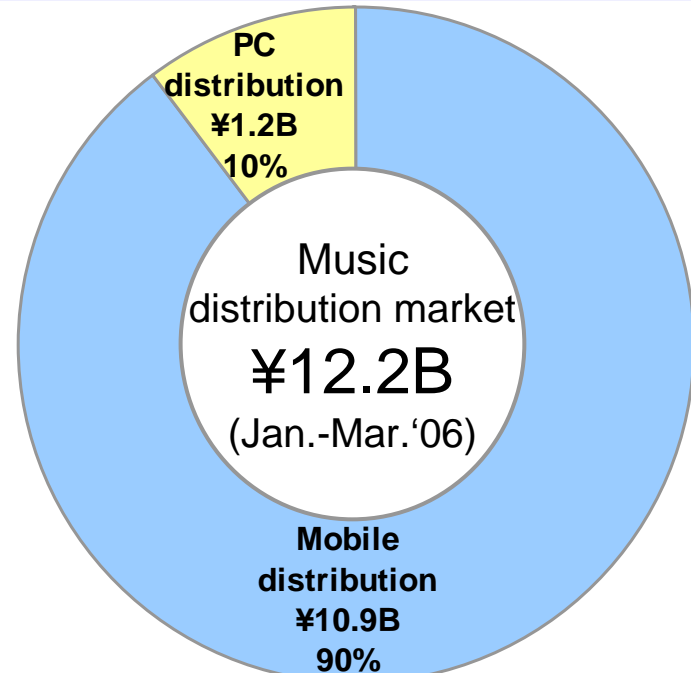
Mobile music distribution (Chaku-uta Full®/Chaku-Uta®) exceeds PC music distribution by nine-fold. "au" is leading the mobile distribution market as a pioneer of Chaku-uta Full® /Chaku-Uta® .

When it comes to music...



Source: KDDI research, June 2006

Japan's Music Distribution Market



Source: Mobile distribution market figure from Recording Industry Association of Japan, based on sound-source sales results from member companies.

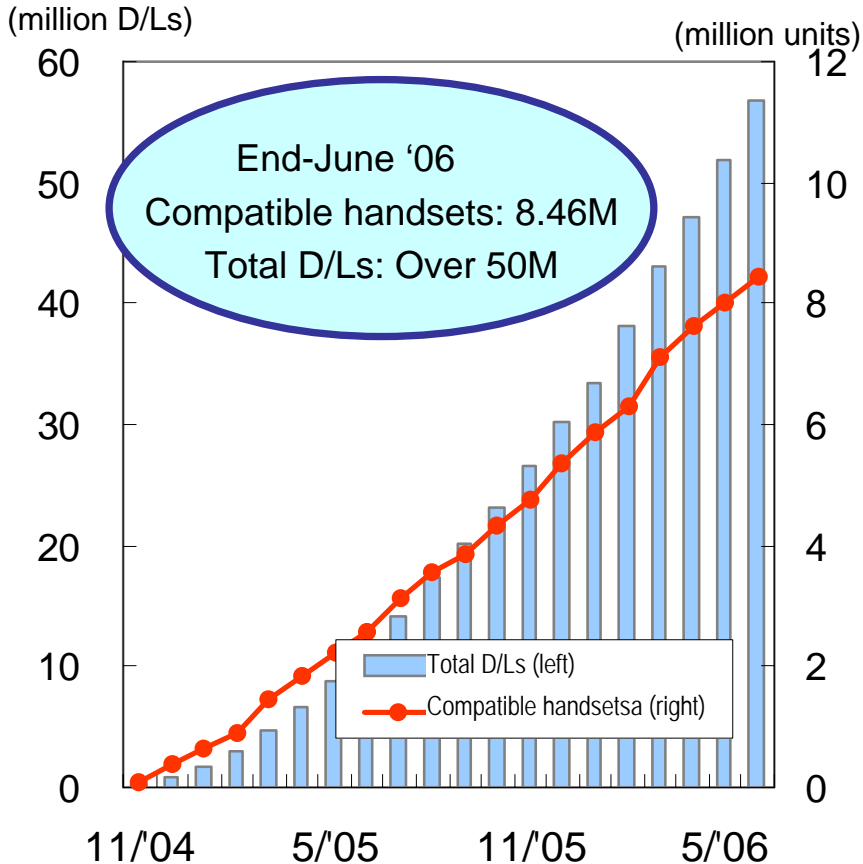
au: ¥7.3B
 Company data; Mobile distribution figure based on sales of Chaku-uta Full® / Chaku-Uta® (excluding those of independent labels and nonuse of original sound source) Note: Count method differs from the above association data.

4.2. EZ Chaku-uta Full®

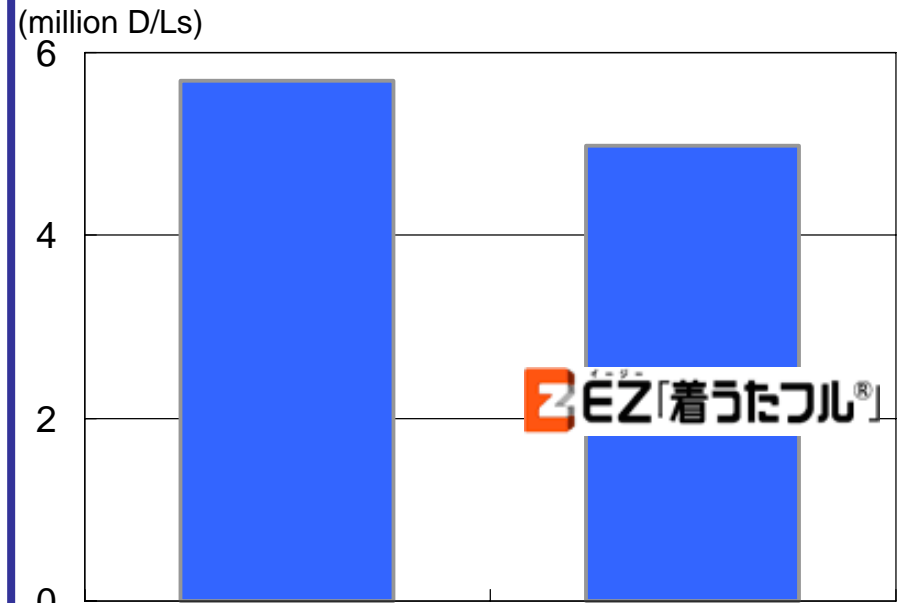


Steady increase in EZ Chaku-uta Full® D/Ls in line with growth in compatible handsets
EZ Chaku-uta Full® D/Ls approach level of CD single production volume
as market expands.

Growth in EZ Chaku-uta Full®



Monthly D/Ls of EZ Chaku-uta Full®



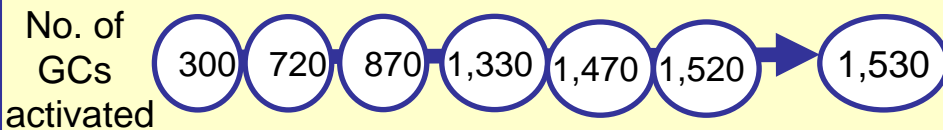
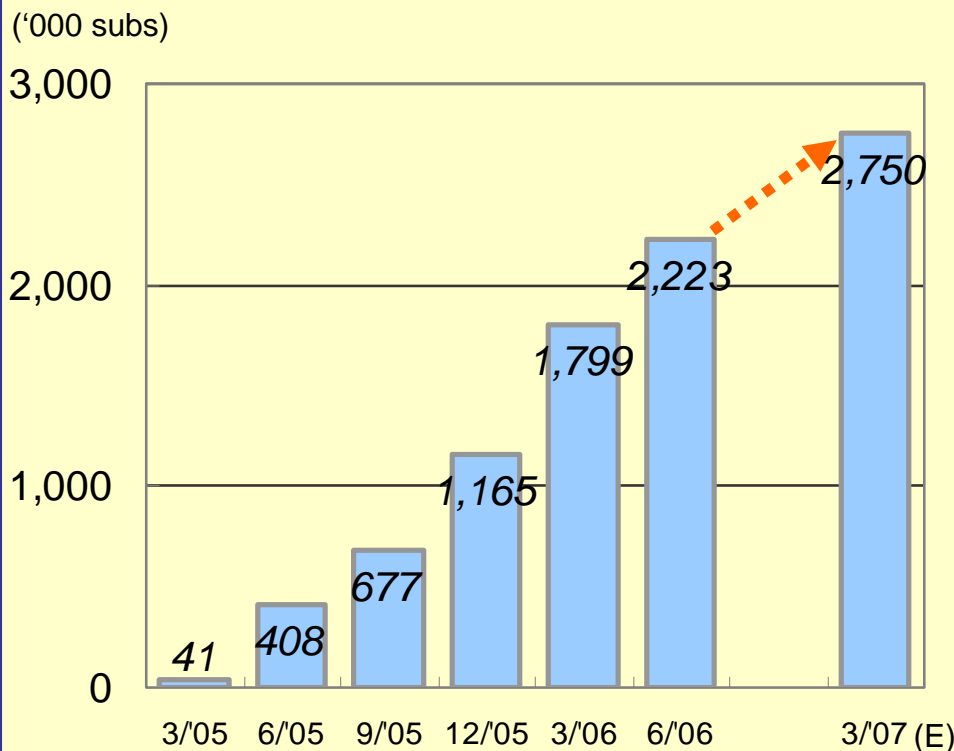
CD singles production volume (Monthly average of results Jan.-May '06)

EZ Chaku-uta Full® (June '06)

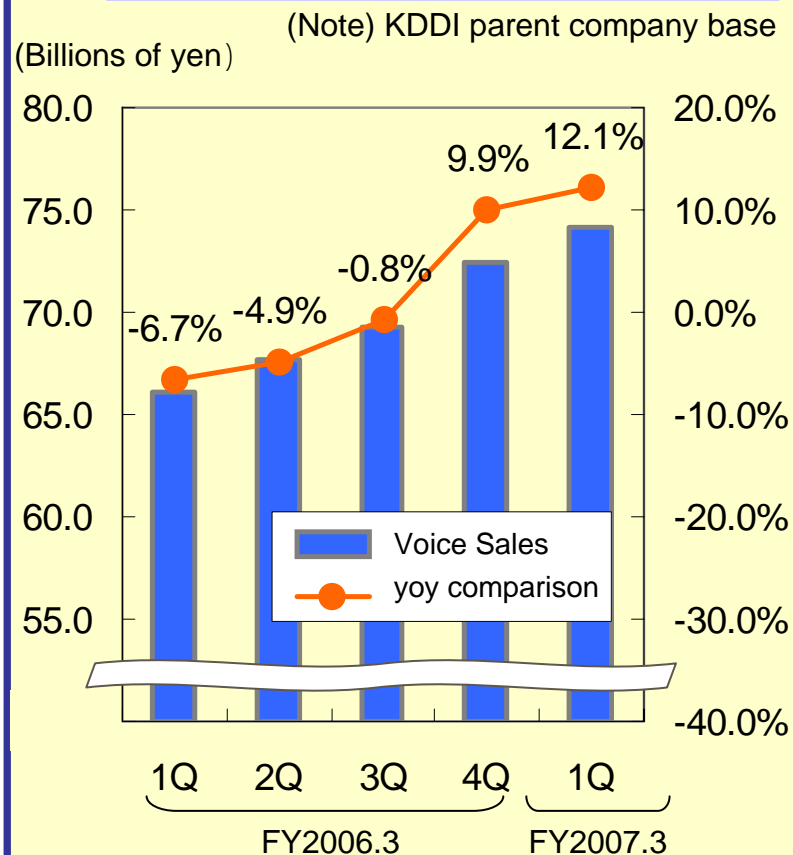
Source: CD single production results from Recording Industry Association of Japan

Number of activated lines of Metal Plus increased to 2.22 million at end-June.
Upbeat sales of voice services through expanded sales of Metal Plus.

No. of Metal Plus Subs

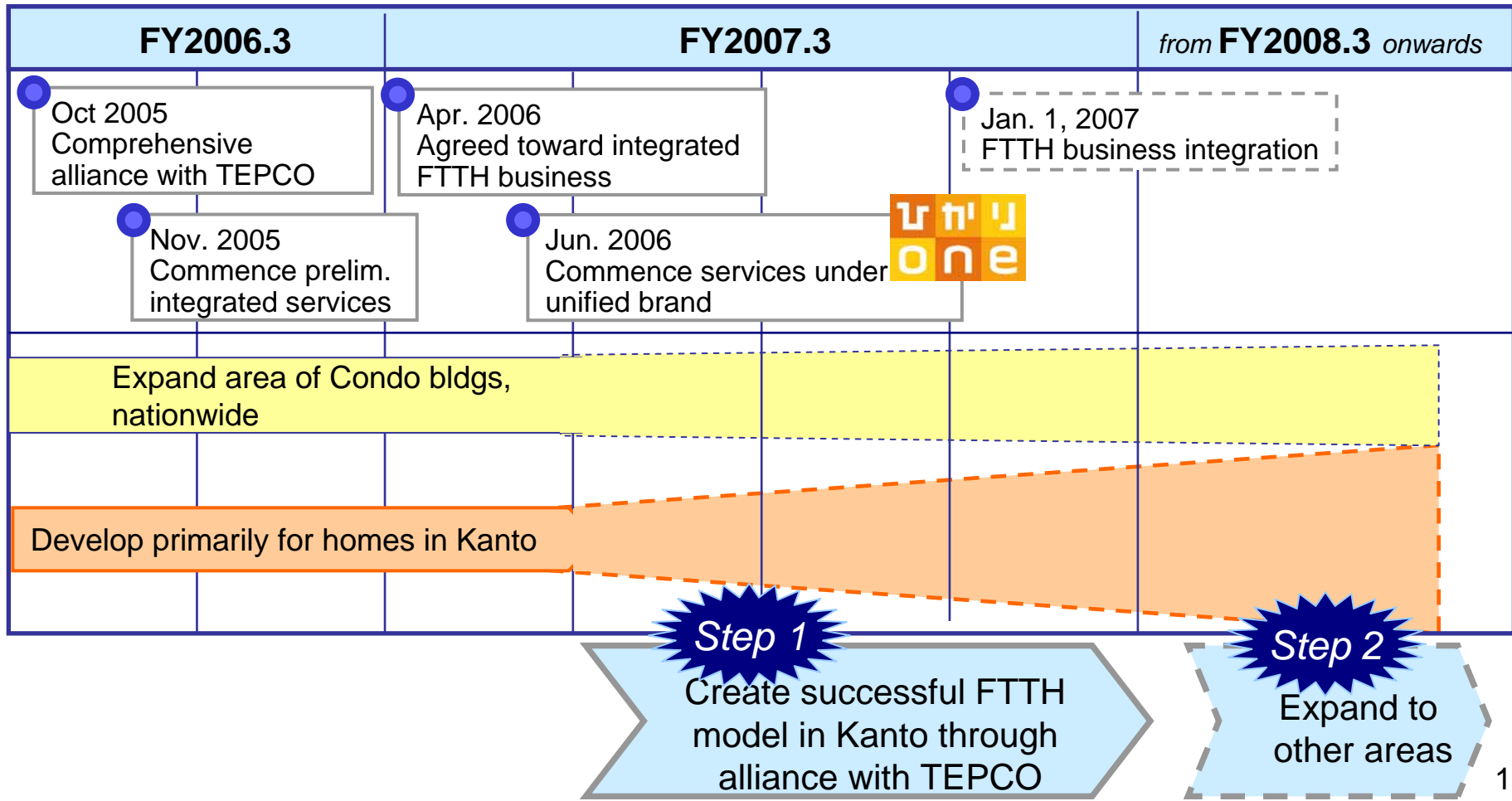


Voice Service Sales (Note)



2. FTTH Initiatives

Changed name from “KDDI Hikari Plus” to “Hikari one” and started integrated FTTH services with TEPCO under new brand in June.



Measures to Prevent Customer Information Leaks

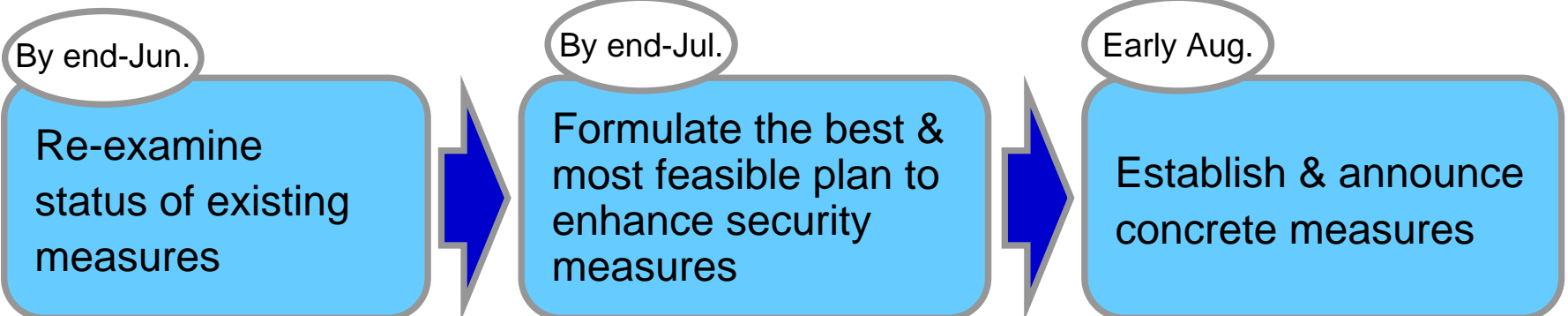
Leak of personal data of 3,996,789 customers who had applied for KDDI's internet service DION by December 18, 2003 (Reported on June 13, 2006)

Existing Security Measures

- Compared to time of leak, KDDI has bolstered measures to raise security through compliance with Personal Information Security Act, enhanced security technology, Information Security Committee activities and improved personnel education.

Future Measures

- Set up special countermeasures committee under Information Security Committee to formulate and execute the following action plan.



Ubiquitous Solution Company

