

Ubiquitous Solution Company

KDDI CORPORATION



Interim Financial Results of the Fiscal Year ending March 2007

October 20, 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.

1.1. Financial Results Highlights for 1H/FY2007.3

1 Consolidated basis

- Operating revenues rose by +9.3% yoy and operating income was up +37.7%, as strong Mobile Business (“au” + Tu-Ka) absorbed loss of Fixed-line Business in the middle of expanding new services.

2 Mobile Business (“au” + Tu-Ka)

- Operating revenue increased by +5.7% and operating income rose by +23.9% yoy.
- Share of total subs at 28.1% (“au”: 26.1%, Tu-Ka: 2.0%) at end-Sept. with top share of net adds for 1H at 47.7% (“au”: 88.4%, Tu-Ka: -40.7%).
- No. of “au” WIN subs continues to increase, totaling 10.77 million at end-Sept., of which 79% of users have signed up for flat-rate plan.
- Promoted smooth migration of Tu-Ka users to “au” allowing same phone numbers; total who switched at 750 thousand in 1H, making aggregate total of 1,460 thousand.
- 14-Autumn/Winter models are on sale/upcoming toward MNP (Mobile Number Portability).
- No. of searches increased in line with introduction of Google search engine; advertising sales up around 30% * due to search-related ads (AdWords) and others.

(Note) June 2006 compared with August 2006 result after introduction of Google.

3 Fixed-line Business

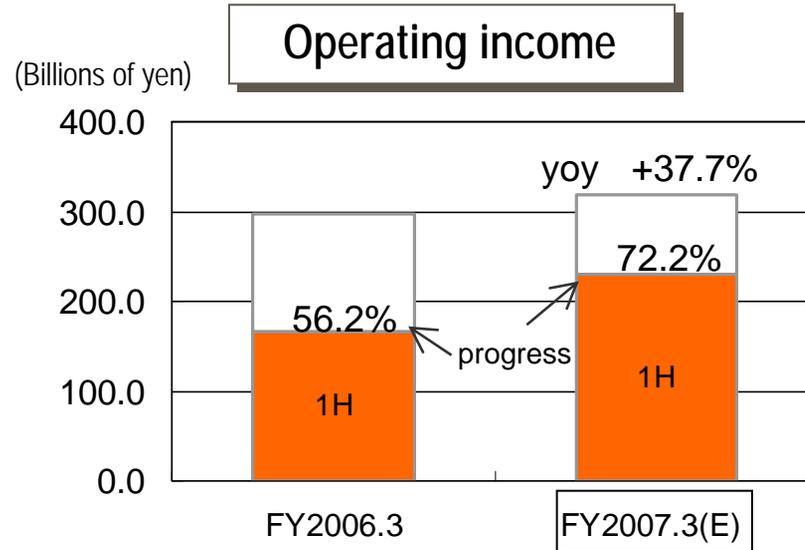
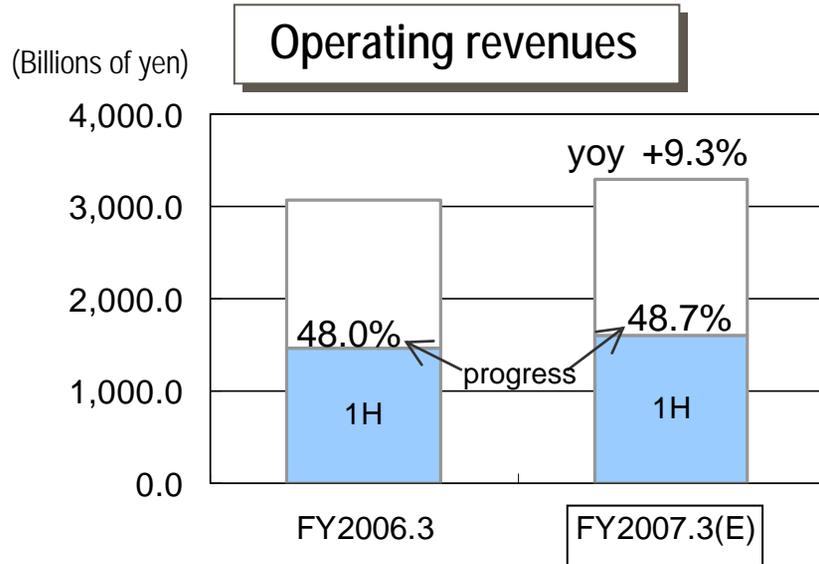
- Operating revenue rose by 26.6% yoy due to expanded sales of METAL PLUS and merger with POWEREDCOM. Operating loss was reduced by ¥12.7B to ¥16.8B.
- Number of activated lines of METAL PLUS increased to 2.44 million at end-Sept.
- Started integrated FTTH service with TEPCO under the new brand “HIKARI-one” in June. Both companies also agreed to integrate FTTH business (on Oct.12).

1.2. 2H/FY 2007.3 Challenges

- 1** Secure customer acquisitions to strengthen business foundations for sustainable growth.
 - Build up brand strength, enhance customer satisfaction and bolster compliance.
 - Develop FMBC services by exploiting KDDI's competitive advantages.

(Note) Fixed Mobile & Broadcast Convergence
- 2** Mobile Business ("au" + Tu-Ka)
 - Enhance retention measures and customer acquisition with MNP by boosting product competitiveness. Aim for "au" to continue being the brand of choice among customers.
 - Reinforce competitive edge in terms of handset, charges and content through introduction of BCMCS (Sept. 06) and Rev.A (planned Dec.06), by exploiting strength in infrastructure.
 - Promote smooth migration of Tu-Ka users to "au."
 - Mobile Solutions: Secure new customers with MNP by improving product development capabilities and promoting sales together with solutions services.
- 3** Fixed-line Business
 - Bolster business foundations towards future development of FMBC services by promoting direct access services, IP and broadband.
 - Expand sales of METAL PLUS and boost profitability.
 - Ensure smooth launch of integrated FTTH services with TEPCO.

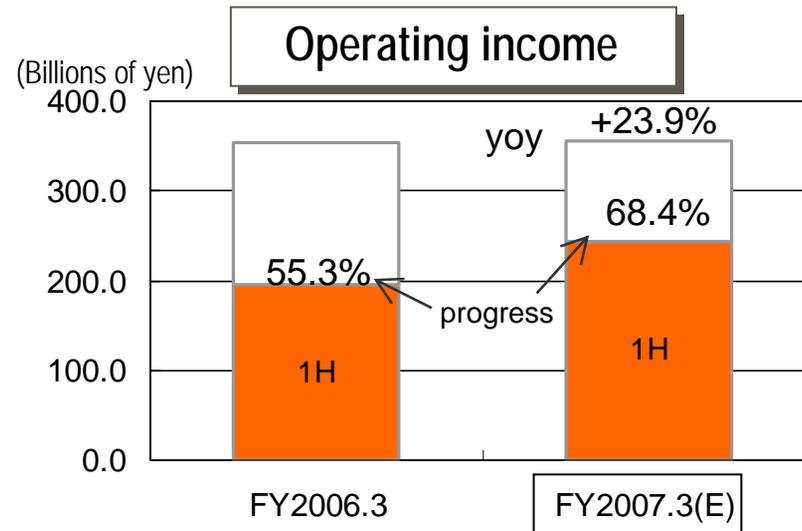
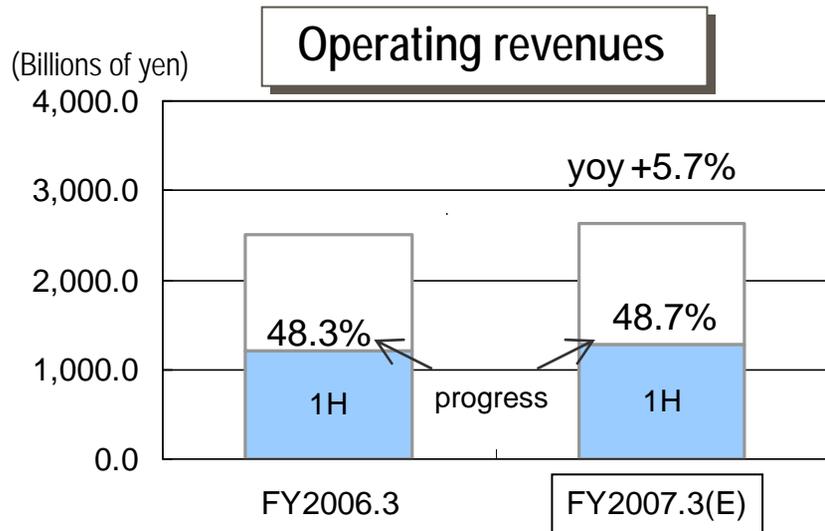
2. Consolidated Financial Results



(Billions of yen)

	FY2006.3		FY2007.3(E)			
	1H		1H	yoy	progress	
Operating revenues	1,468.8	3,060.8	1,604.8	9.3%	48.7%	3,293.0
Operating income	166.7	296.6	229.5	37.7%	72.2%	318.0
<i>Operating margin</i>	11.3%	9.7%	14.3%	-	-	9.7%
Ordinary income	164.9	294.0	227.3	37.8%	72.2%	315.0
Net income	101.4	190.6	136.0	34.1%	-	186.0
Free Cash Flow	99.0	139.6	200.6	102.6%	-	235.0
EBITDA	337.4	654.4	392.1	16.2%	58.7%	668.0
<i>EBITDA margin</i>	23.0%	21.4%	24.4%	-	-	20.3%

3. Mobile Business/ "au"+Tu-Ka(PDC)



(Billions of yen)

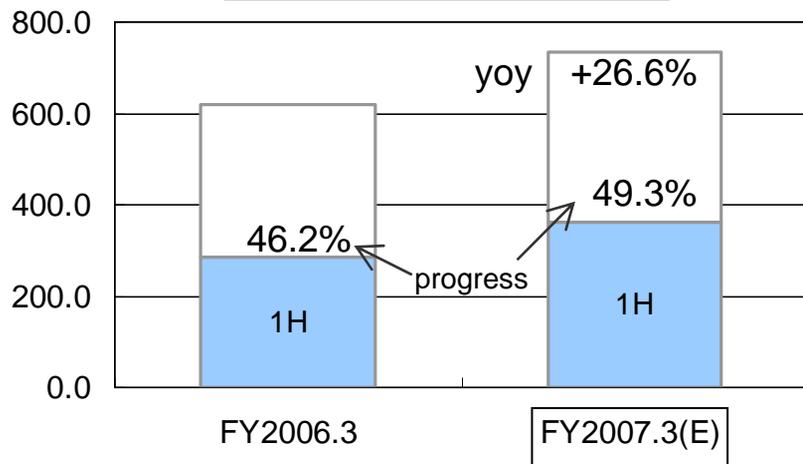
	FY2006.3		FY2007.3(E)			
	1H		1H	yoy	progress	
Operating revenues	1,213.7	2,510.4	1,283.4	5.7%	48.7%	2,636.0
"au"	1,114.6	2,335.2	1,238.2	11.1%	48.2%	2,567.0
Tu-Ka	99.1	175.2	45.2	-54.4%	65.4%	69.0
Operating income	196.1	354.4	242.8	23.9%	68.4%	355.0
<i>Operating margin</i>	16.2%	14.1%	18.9%	-	-	13.5%
Ordinary income	194.3	352.8	244.6	25.9%	68.5%	357.0
Net income	118.0	145.3	144.8	22.8%	-	211.0
Free Cash Flow	145.6	266.2	184.5	26.7%	-	256.0
EBITDA	322.1	605.2	339.0	5.3%	58.2%	582.0
<i>EBITDA margin</i>	26.5%	24.1%	26.4%	-	-	22.1%

	FY2006.3		FY2007.3(E)	
	1H		1H	
Subs ('000)	24,231	25,439	26,403	27,440
of module-type	548	586	624	670
"au" total	20,704	22,699	24,486	26,210
WIN(EV-DO)	5,550	8,280	10,770	14,330
1X	13,997	13,548	12,997	-
cdmaOne	1,156	871	719	-
Tu-Ka(PDC)	3,528	2,739	1,916	1,230

4. Fixed-line Business

Operating revenues

(Billions of yen)



Operating income

(Billions of yen)



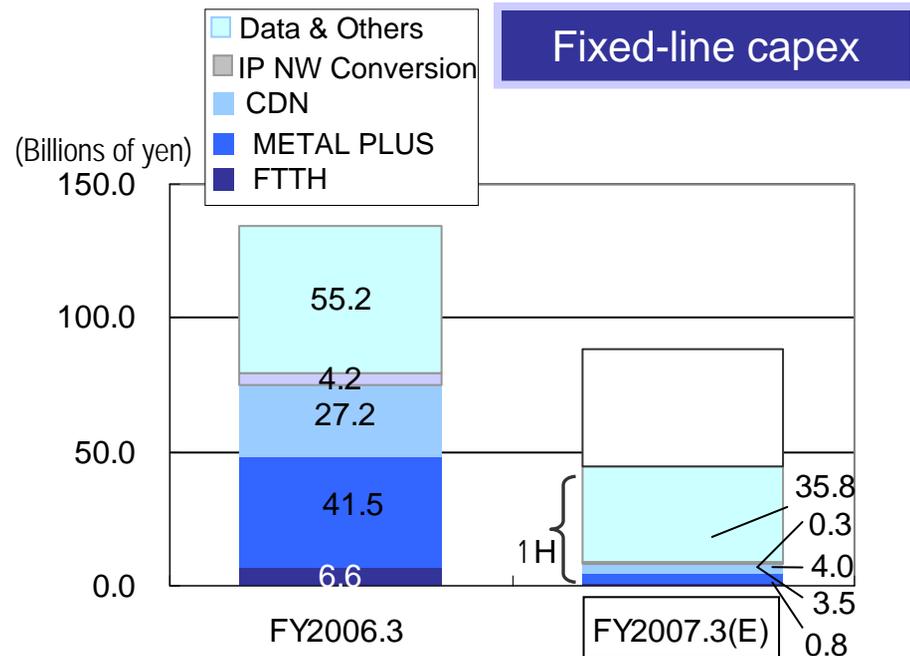
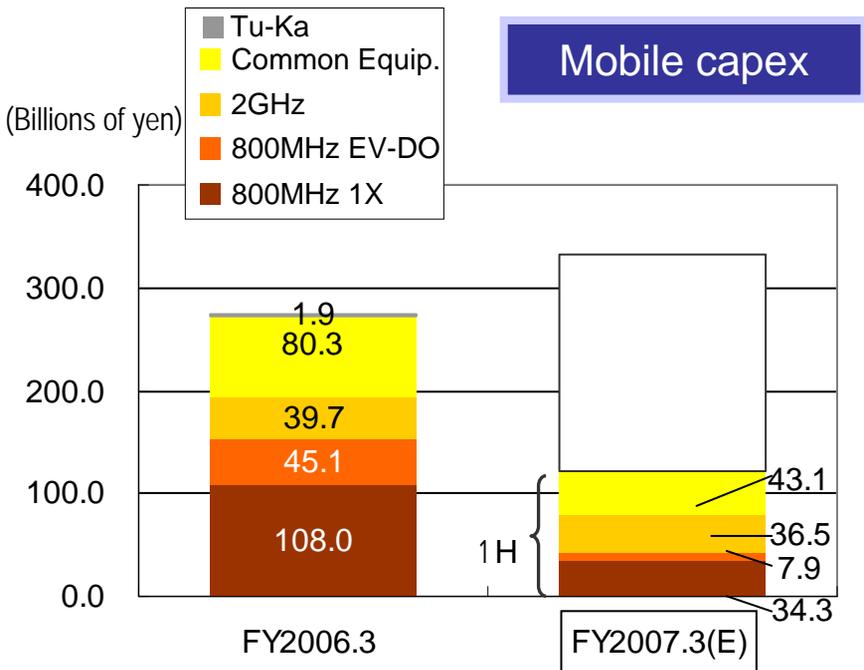
* yoy comparison and progress are not available as figures are negative.

(Billions of yen)

	FY2006.3		FY2007.3(E)			
	1H		1H	yoy	progress	
Operating revenues	286.2	619.3	362.4	26.6%	49.3%	735.0
Operating income	-29.5	-61.3	-16.8	-	-	-46.0
Operating margin	-10.3%	-9.9%	-4.6%	-	-	-6.3%
Ordinary income	-29.0	-62.2	-17.3	-	-	-48.0
Net income	-16.2	26.4	-8.5	-	-	-28.0
Free Cash Flow	-49.6	-102.3	18.8	-	-	-9.0
EBITDA	13.5	41.5	47.8	255.2%	66.4%	72.0
EBITDA margin	4.7%	6.7%	13.2%	-	-	9.8%

	FY2006.3		FY2007.3(E)	
	1H		1H	
DION subs	2,850	2,847	2,785	2,680
of ADSL	1,495	1,516	1,545	1,470
FTTH subs	138	167	192	290
METAL PLUS subs	677	1,799	2,441	2,750

5. Capital Expenditures and others



(Billions of yen)

		FY2006.3		FY2007.3(E)		
		1H		1H	progress	
CAPEX (Cash basis)	Consolidated	176.1	414.7	176.2	39.2%	450.0
	Mobile	118.3	275.1	121.8	36.6%	333.0
	Fixed-line	55.9	134.7	44.4	50.4%	88.0
Depreciation	Consolidated	166.6	335.7	158.3	47.5%	333.0
	Mobile	123.4	237.5	93.6	42.9%	218.0
	Fixed-line	41.5	94.2	62.8	56.6%	111.0

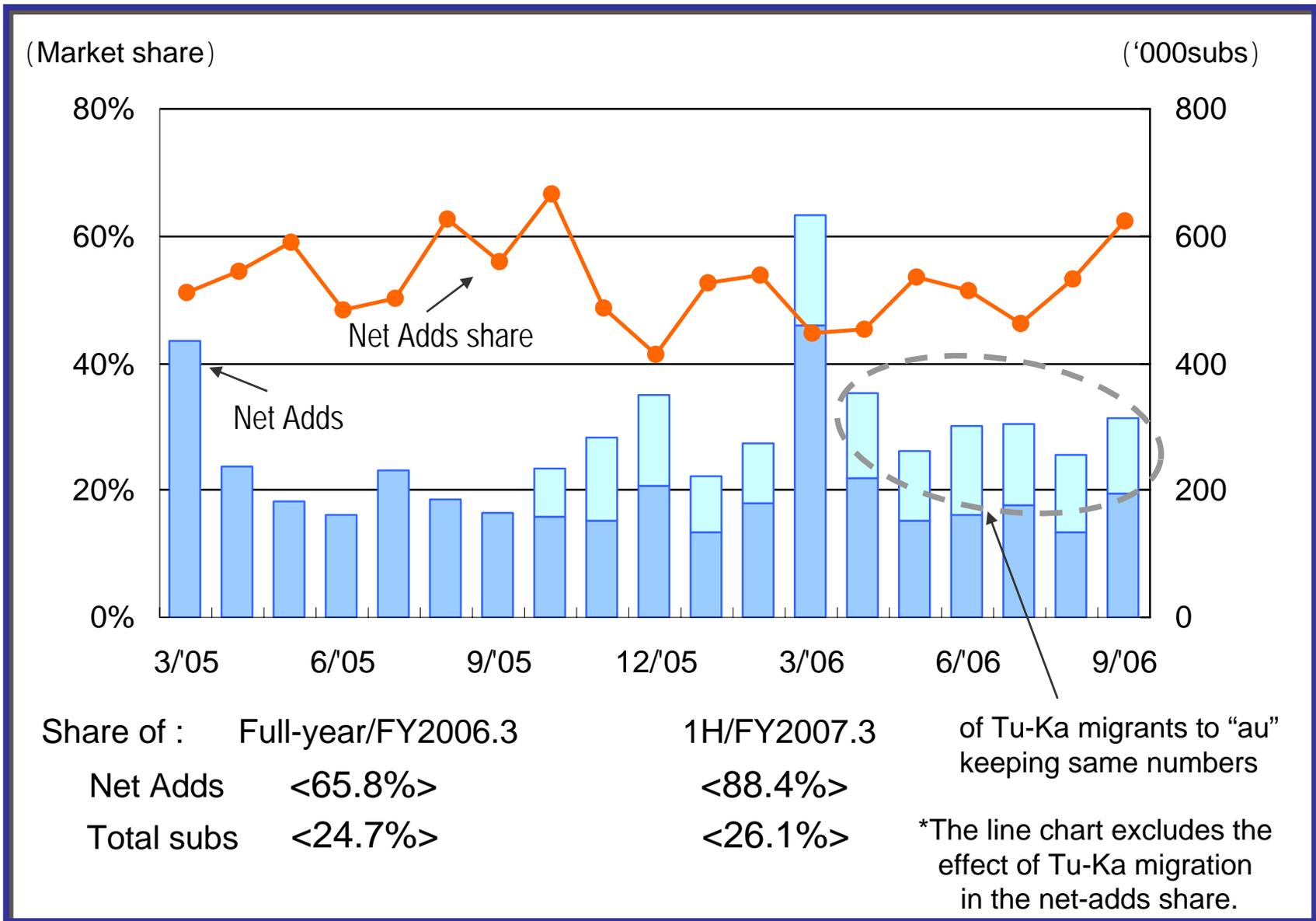
Segment Discussions & Strategies

Mobile Business
"au" / Tu-Ka (PDC)

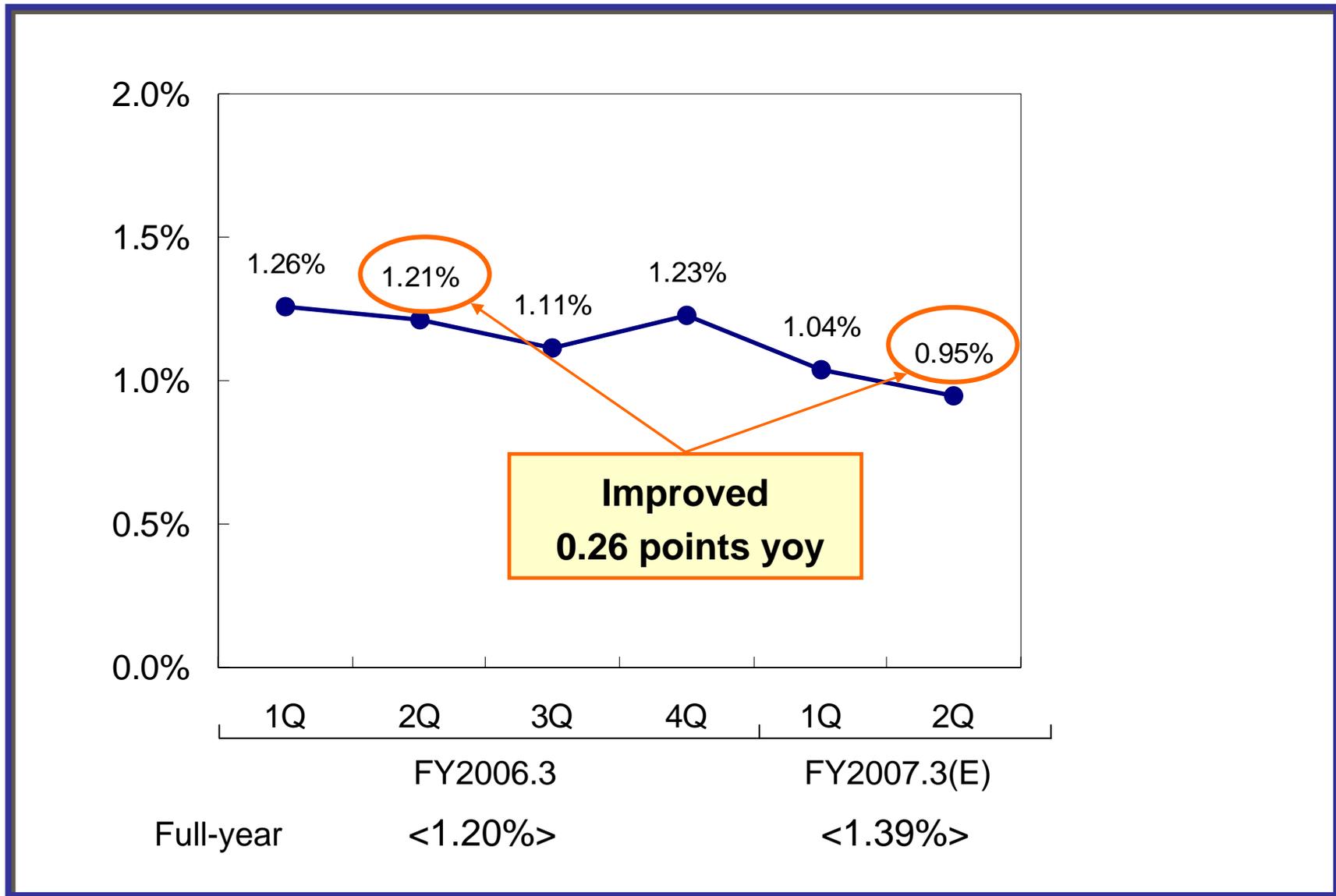
Fixed-line
Business

KDDI-wide
Measures

1.1. Net Additions

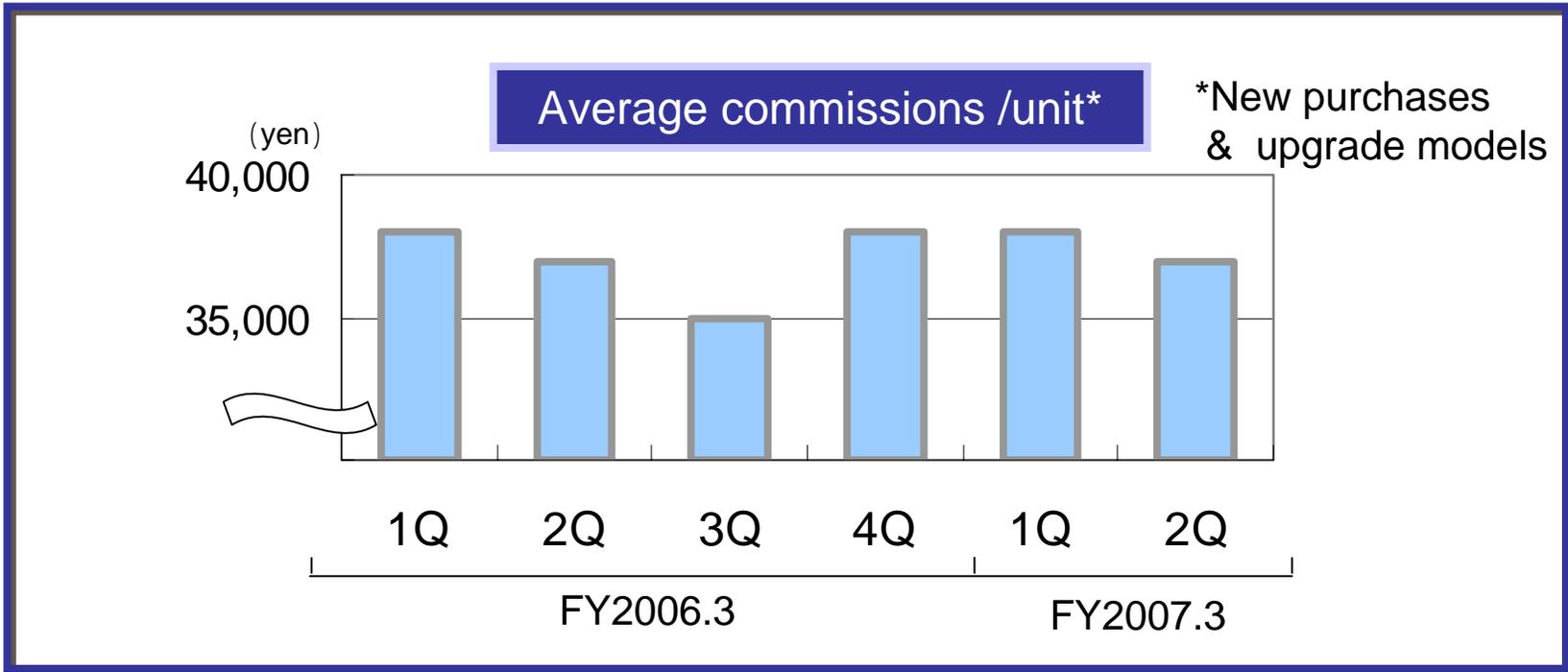


1.2. Churn Rate



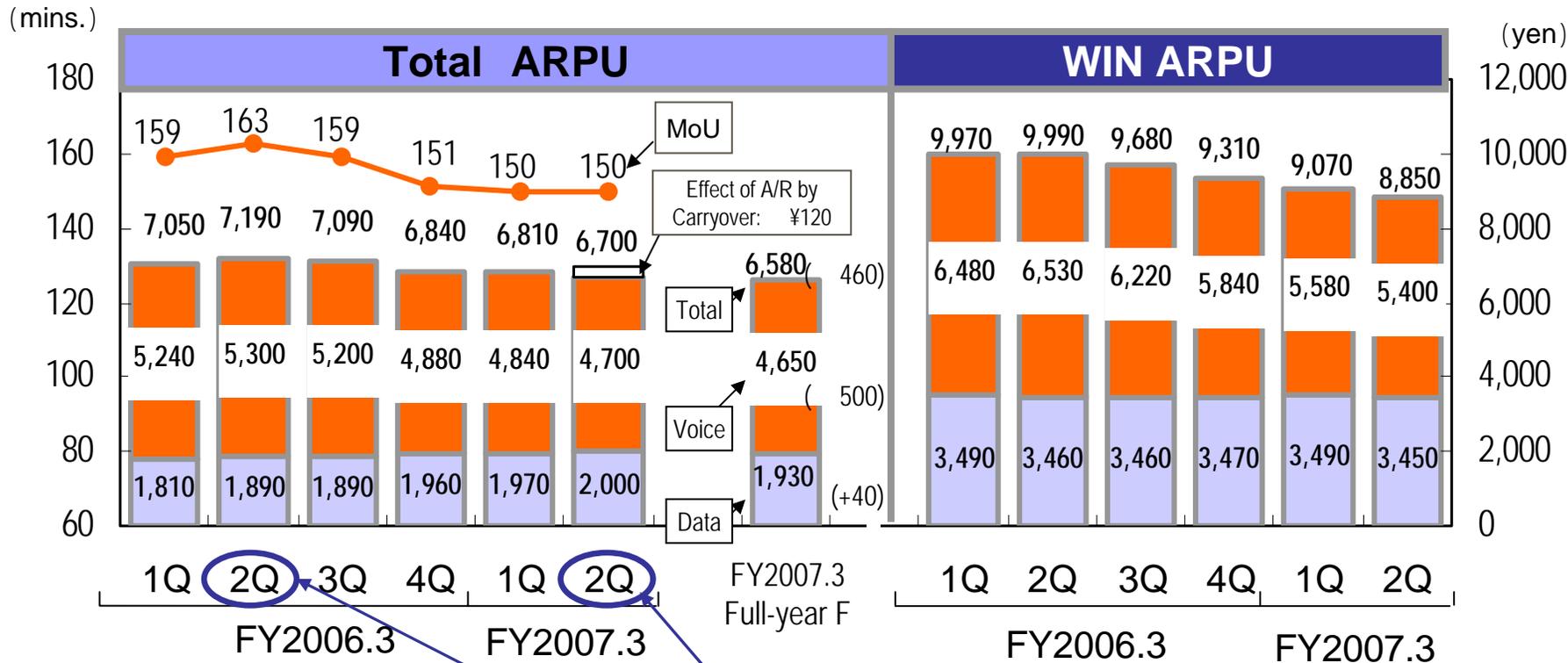
Note: Churn rate is calculated for ordinary handsets which exclude module-type terminals. 10

1.3. Sales Commissions



	FY2006.3					FY2007.3(E)		
	1Q	2Q	3Q	4Q		1Q	2Q	
Sales commissions (Billions of yen)	102.0	119.0	119.0	152.0	492.0	124.0	129.0	551.0
Average commissions/unit (yen)	38,000	37,000	35,000	38,000	37,000	38,000	37,000	37,000
Number of units sold ('000 units)	2,700	3,220	3,370	3,960	13,250	3,270	3,520	14,920

1.4. Trend of ARPU



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

yoy change	
total	¥ 490 (6.8%)
of Voice	¥ 600 (11.3%)
of Data	+ ¥ 110 (+ 5.8%)

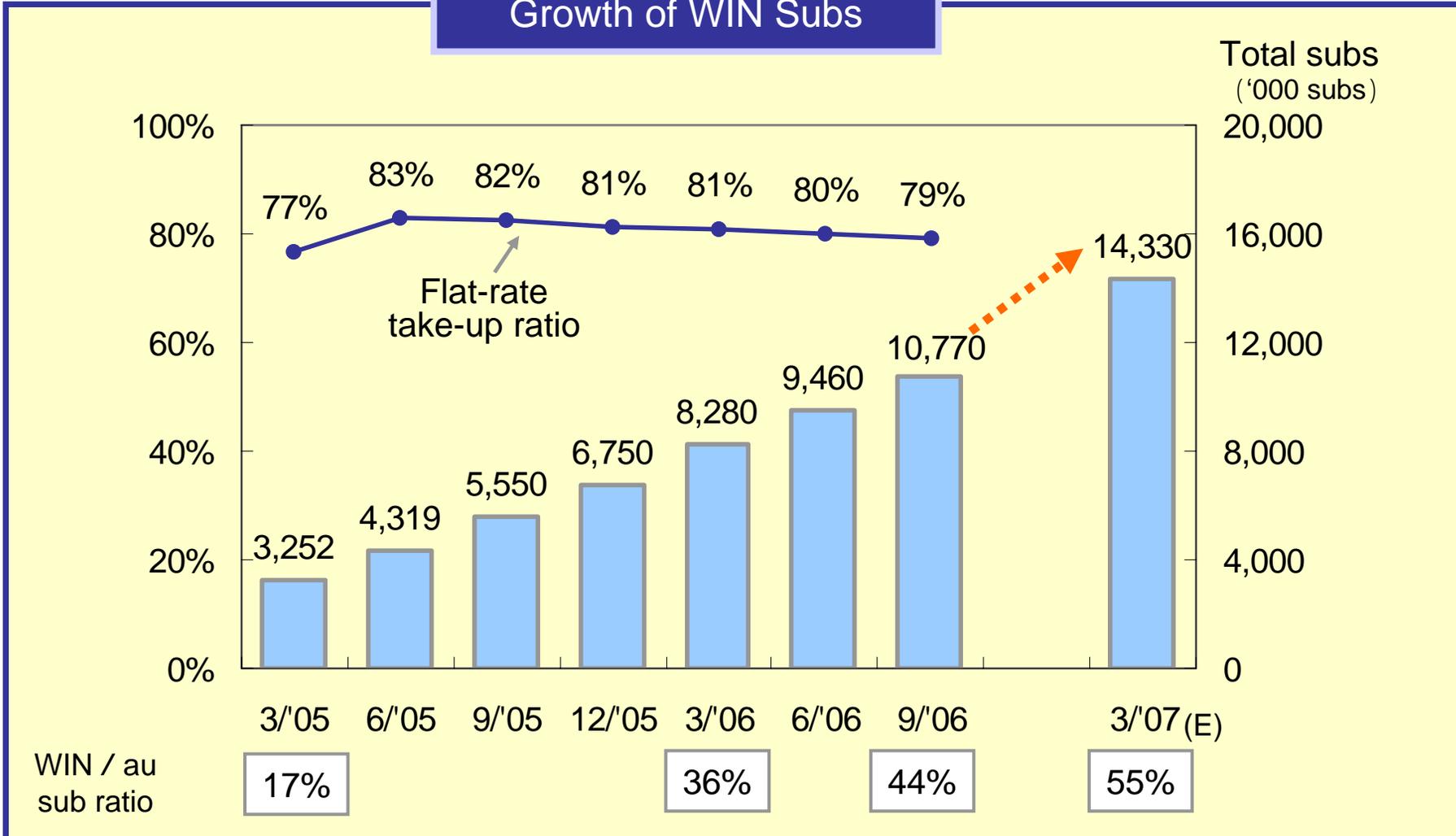
*A/R: Accounts Receivable

1.5. Update on WIN

Expanded flat-rate plan to even wider customer base through Double Flat Rates Light, resulting a high take-up ratio of 79% at end-Sept.



Growth of WIN Subs



2. MNP (Mobile Number Portability)

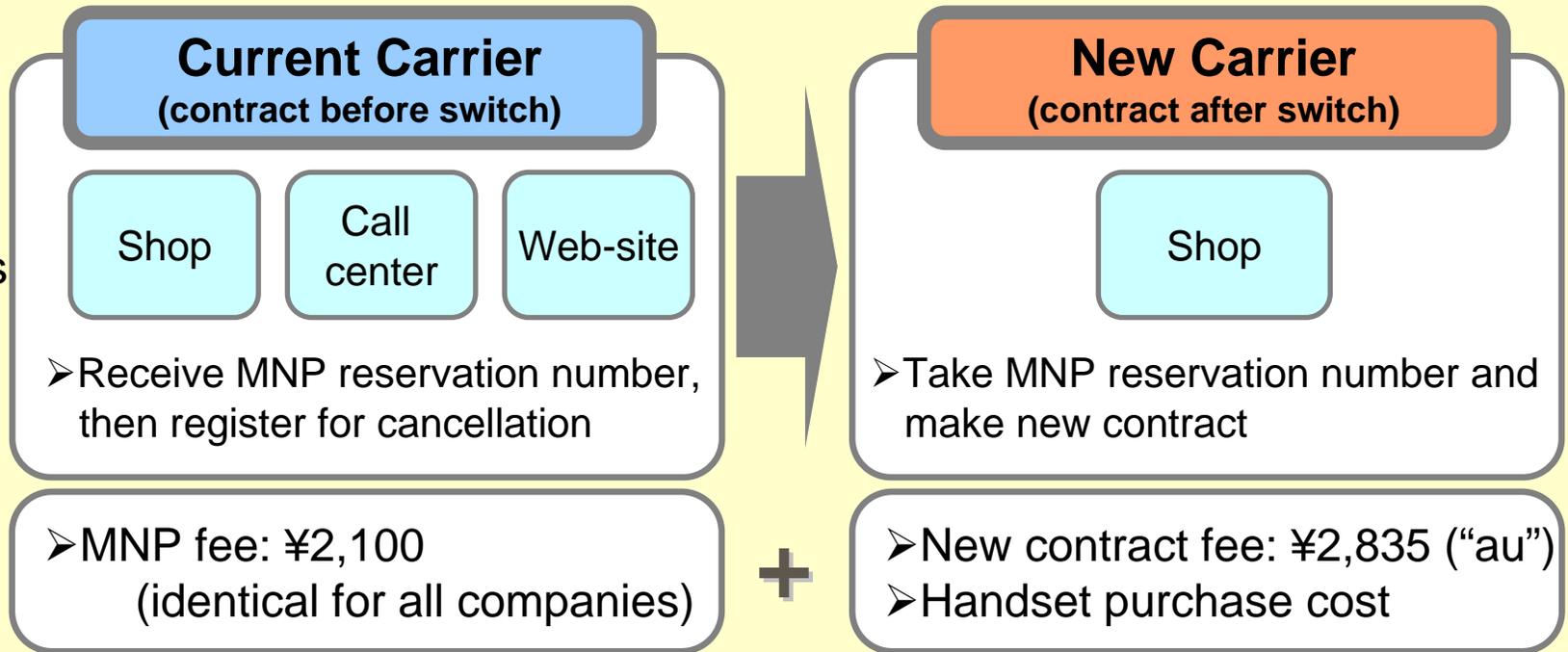
MNP starts on October 24, 2006.

Chance for KDDI to expand customer base to swiftly achieve 30% share and 30 million subs.

Aim for "au" to continue being the brand of choice among customers by strengthening overall product competitiveness.

Consider customer convenience

- Customers only need to visit practically one shop to start a new contract with MNP.
- Time to transfer at new-carrier shops to be same as making new contract or replacing models.



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



14 Autumn/Winter models are on sale/upcoming

Charges

ダブル定額ライト
Double Flat Rates Light

PCSV flat-rate **MY au**
My Plan Discount

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

Content & Applications

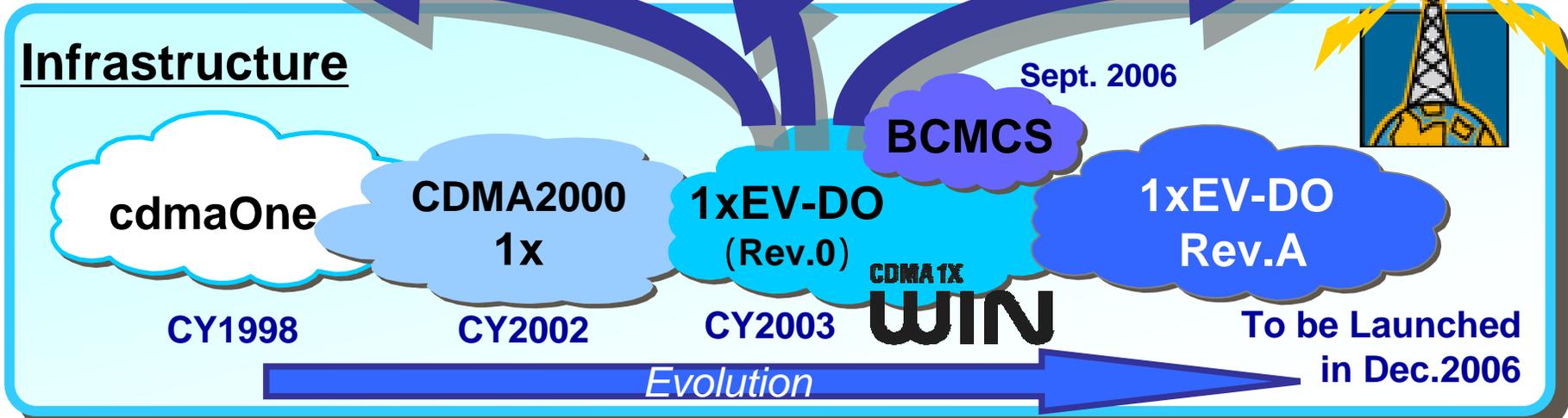
au LISTEN MOBILE SERVICE

EZ「着うたフル」
Chaku-uta Full®

EZチャンネルプラス
Channel Plus

EZニュースフラッシュ
News Flash

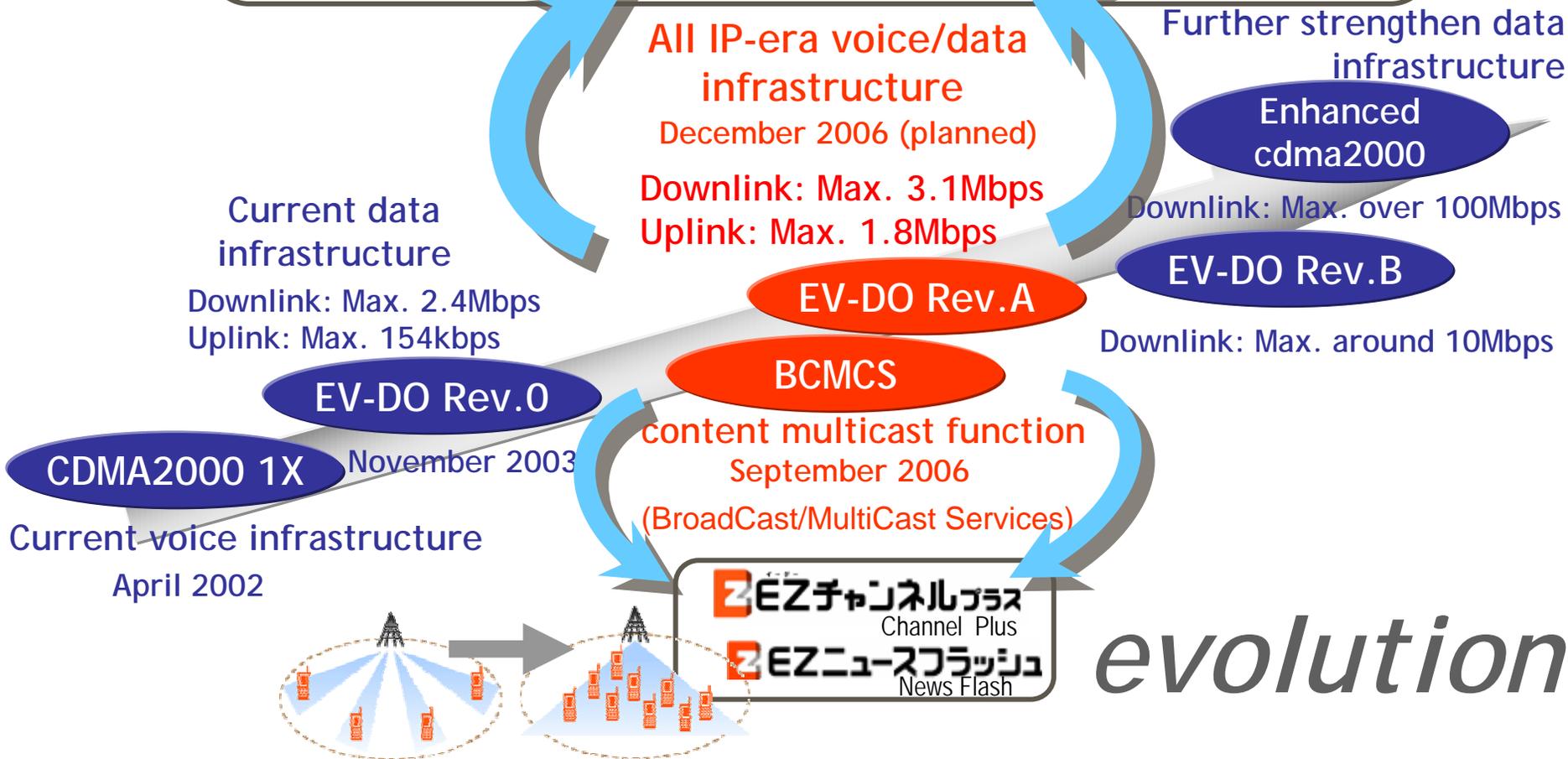
au My Page



* PCSV : PC site viewer

4. Further Evolve Network

= Enhance functions to expand interactive real-time services
 = Start development of All IP infrastructure
 HSDPA rivalry (EV-DO Rev.0 HSDPA)



evolution

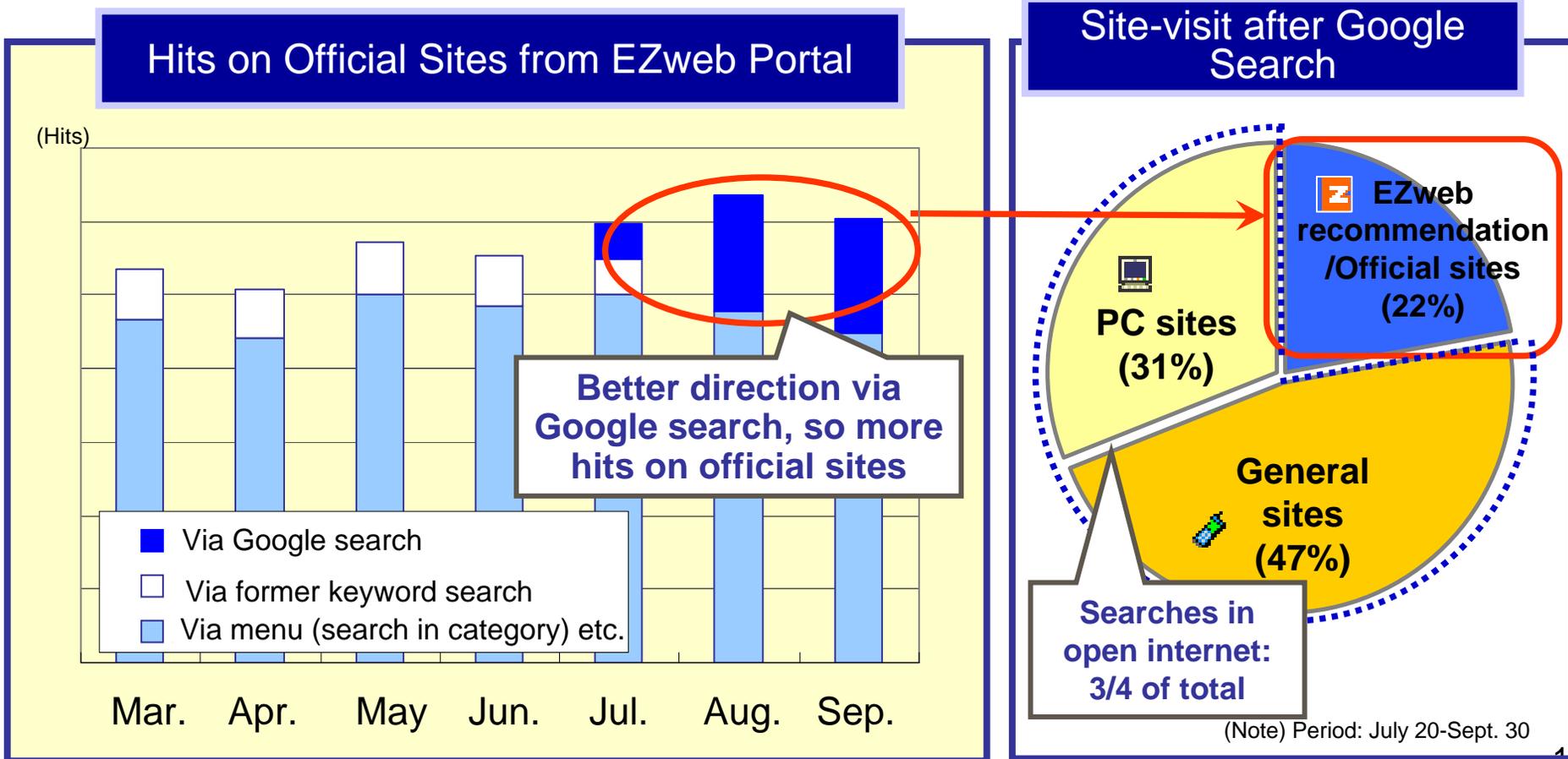
5. Effect of Google Search Engine(1)

[Aim 1] Increase use by enabling direct access to official content

➡ Increase hits on official sites from EZweb portal by enhancing search route.

[Aim 2] Promote initiatives for open internet ahead of other companies

➡ Satisfy search needs in open environment as 3/4 of searches are for general and PC sites.



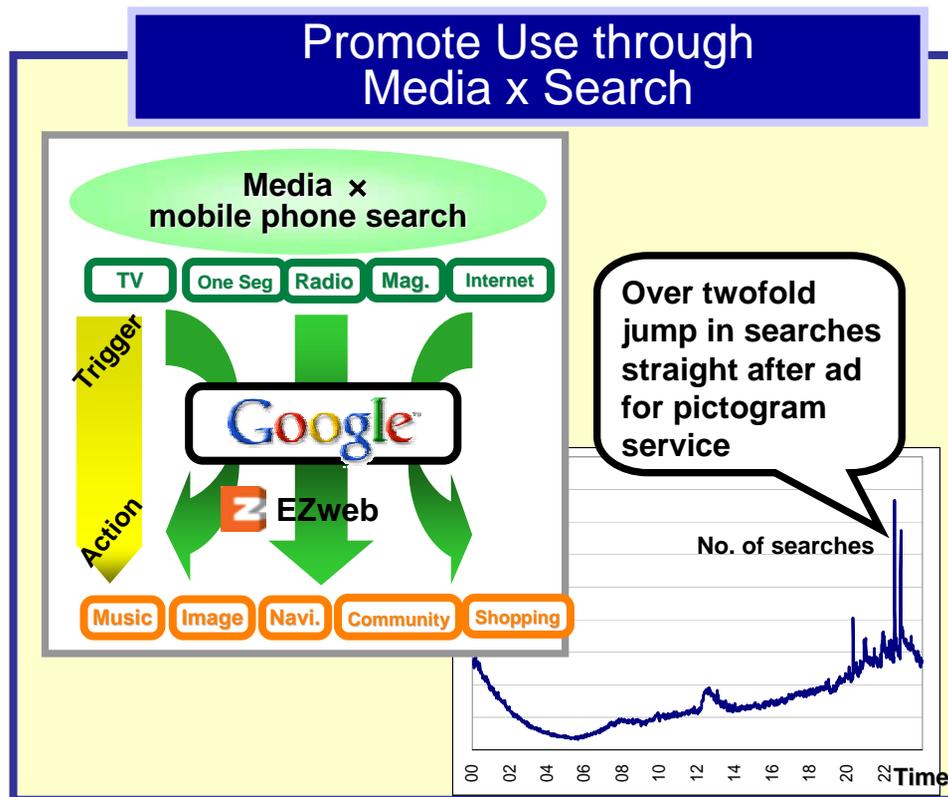
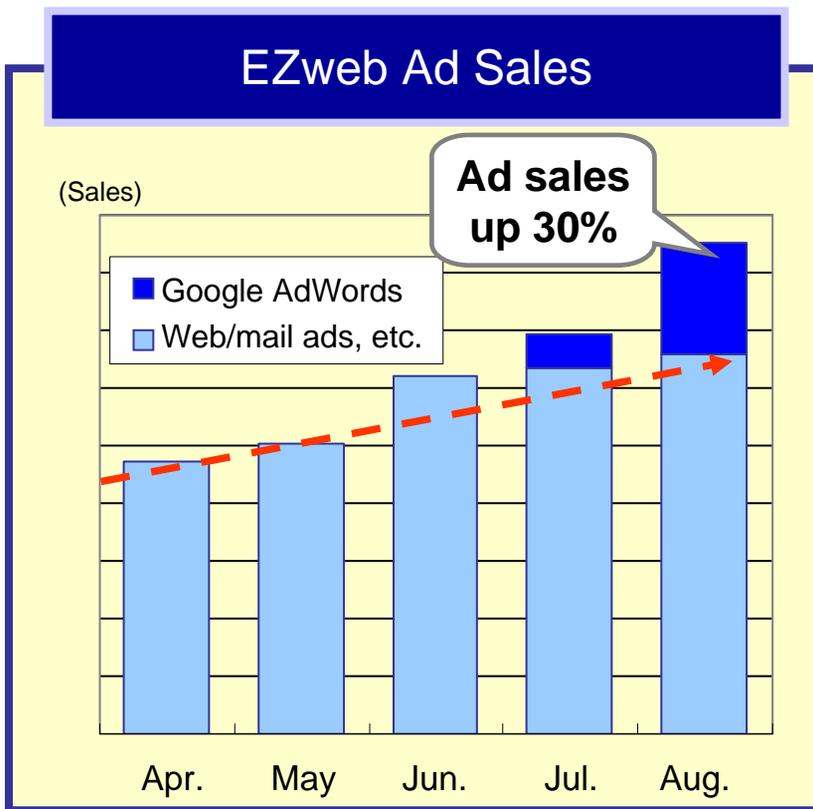
5. Effect of Google Search Engine(2)

[Aim 3] Increase ad sales through search-related ads (AdWords)

- No. of searches tripled in EZweb menu and month after start, ad sales jumped 30% (Note). Scope for high growth as no. of searches and ad sales are on the rise.

[Aim 4] Create new usage scenario: search anytime with your mobile phone

- Searches increase dramatically directly after broadcast ads, inspired by contact with media. Vitalize content use and e-commerce by capitalizing on affinity of media & mobile search.



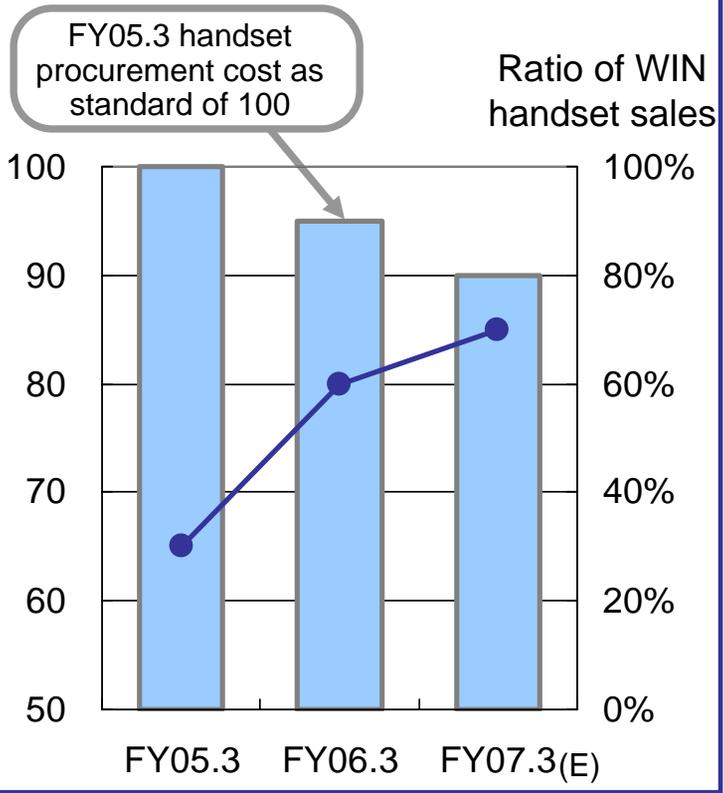
Note: June 2006 compared with August 2006 result after incorporation of Google search engine

6. Measures to Reduce Handset Costs

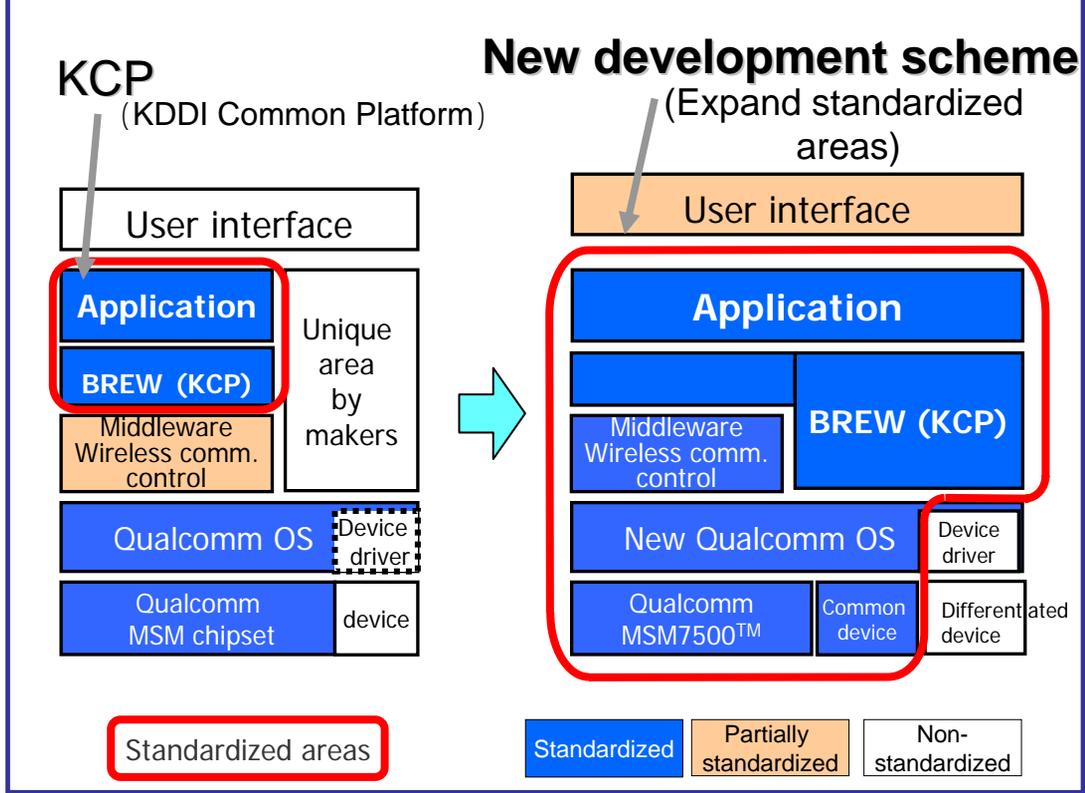
Average "au" handset procurement costs/unit is expected to be below previous year's result thanks to cost reduction through KCP despite enhancing lineup, adding functions and increasing the salesratio of WIN handsets.

Aim to strengthen cost competitiveness in mobile phone development by creating an integrated platform during 2007 to deal with more complex, sophisticated software.

Reduce "au" Handset Procurement Cost

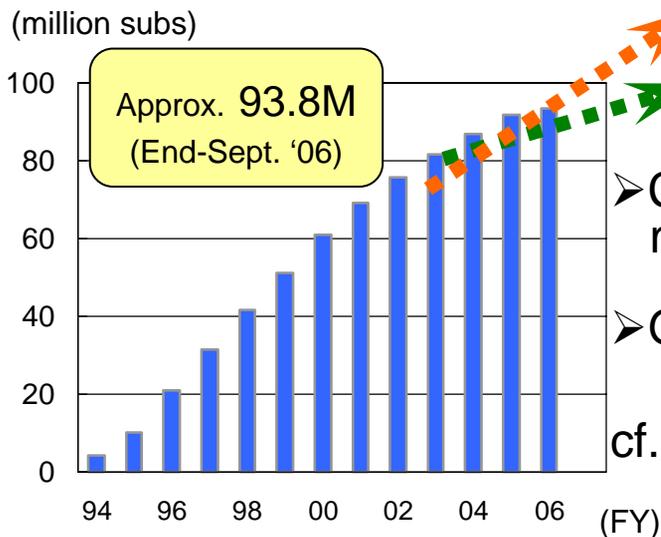


Create New Integrated Platform



7. Initiatives in Business Mobile Market

Japan's Mobile Macro Market



New markets (corporate, module etc.)

Individual market

➤ Corporate contracts make up approx. 10%* of macro market (over 9 million)

➤ Growth rate of corporate market in 2006: +11%*

cf. growth rate of macro market in past year: +5.3%

*KDDI estimate

Evolution of Business Mobile

au's first business mobile, B01K with high battery capacity and high security



OFFICE FREEDOM



au's first wireless LAN capable handset E02SA out now



E03CA realizes toughness

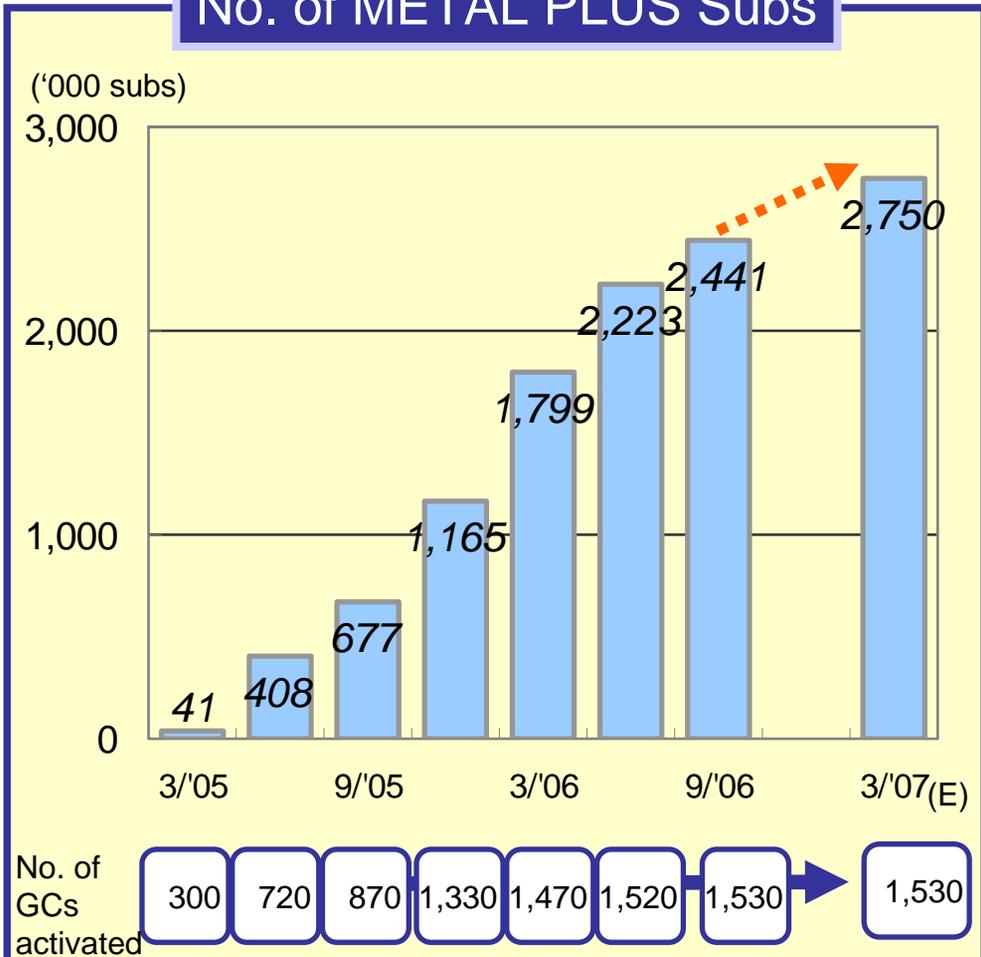
To be continued...

1. METAL PLUS

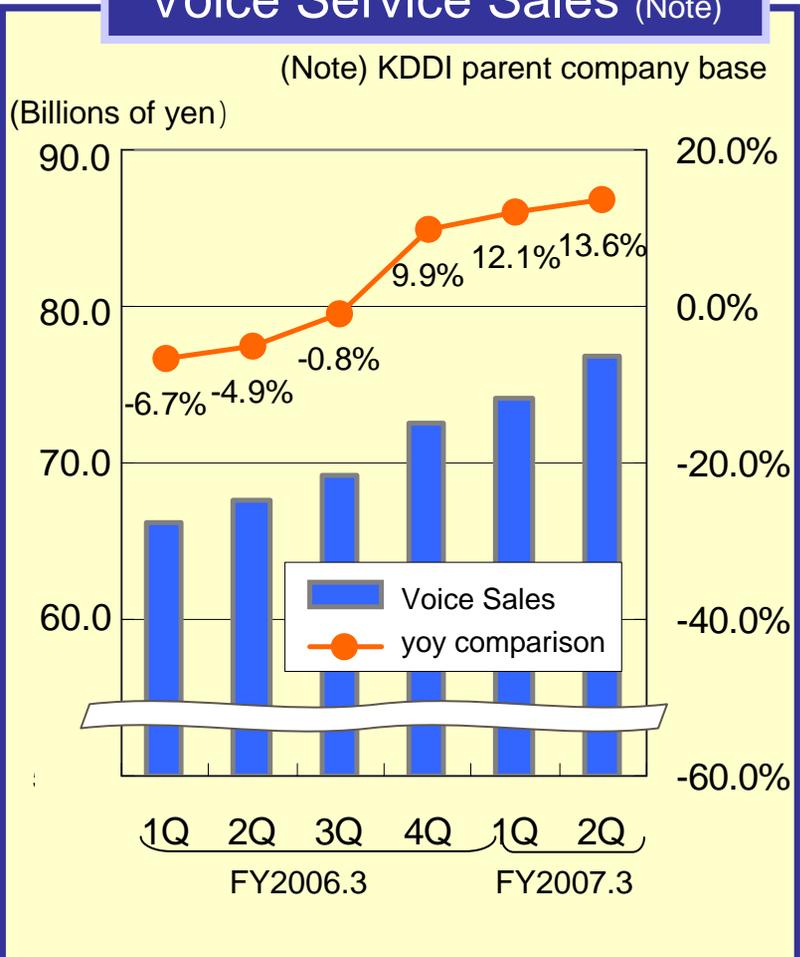
No. of activated lines of METAL PLUS increased to 2.44 million at end-Sept.
Upbeat sales of voice services through expanded sales of METAL PLUS.



No. of METAL PLUS Subs

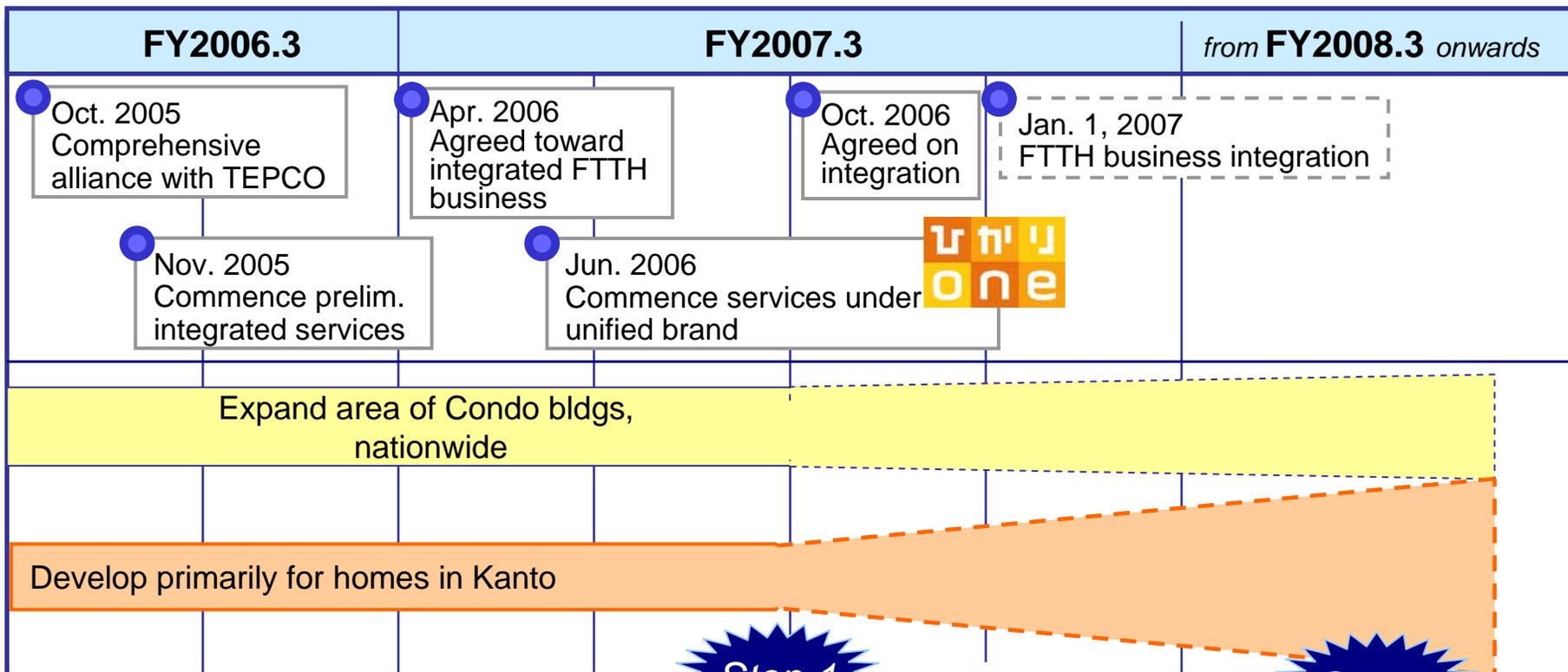


Voice Service Sales (Note)



2. FTTH Initiatives (1)

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



Step 1
 Create successful FTTH model in Kanto through alliance with TEPCO



Step 2
 Expand to other areas

2. FTTH Initiatives (2)

Agree to integrate FTTH business* with TEPCO as of January 1, 2007.

Aim for 30% share in Metropolitan-Tokyo service area over mid-long term.

Focus on launching FTTH business in 2H.



Benefits of Business Integration

- **Enhanced FTTH biz base; 530K lines**
 (KDDI: 190K, TEPCO: 340K (end-Sept. '06))
- **Can flexibly expand coverage in line with demand in each area by establishing own optical access network, leading to more efficient and agile business development.**
- **Efforts with PLC** (Power Line Communications)

Current Efforts

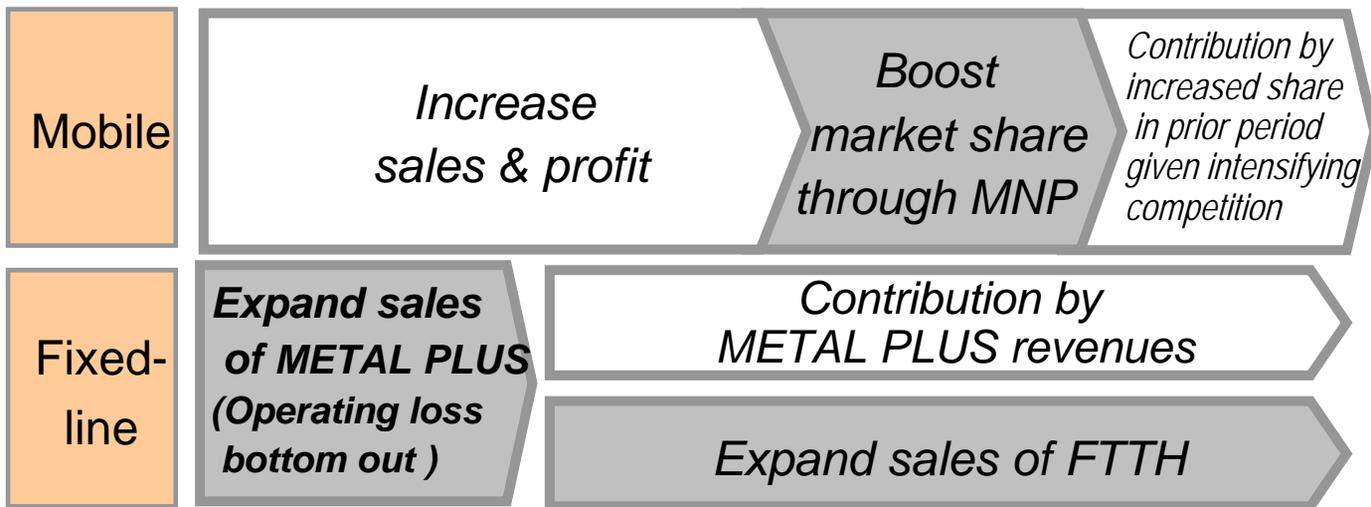
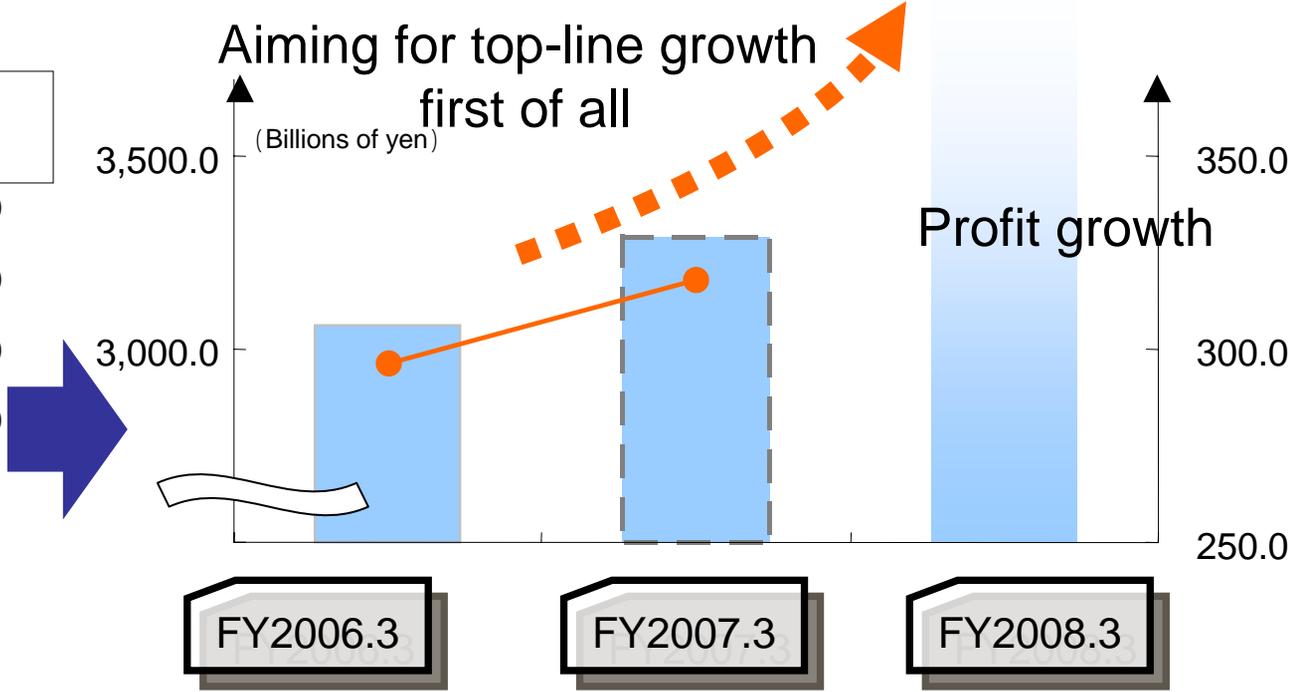
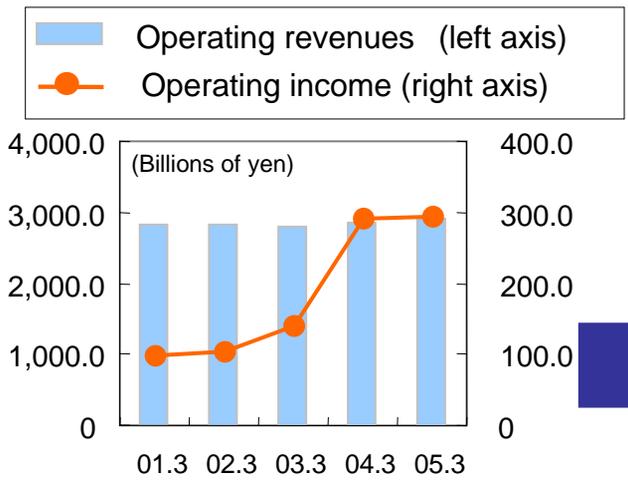
- **Expand sales channel**
 - Volume retailers (actively use au mobile/TEPCO sales channels)
 - “au” shops
 - Subscription on website & direct sales support
- **Expand ISPs (Multi-ISP capable)**

(Note) TEPCO figure refers only to TEPCO Hikari lines.

(Ref.) *Results of Optical Network Company			(Billions of yen)
Accounting period	FY2005.3	FY2006.3	FY2007.3(E)
Operating revenue	10.1	20.3	40.4
Operating income	-30.6	-35.8	-25.0

1. Toward Sustainable Growth

KDDI-wide Measures



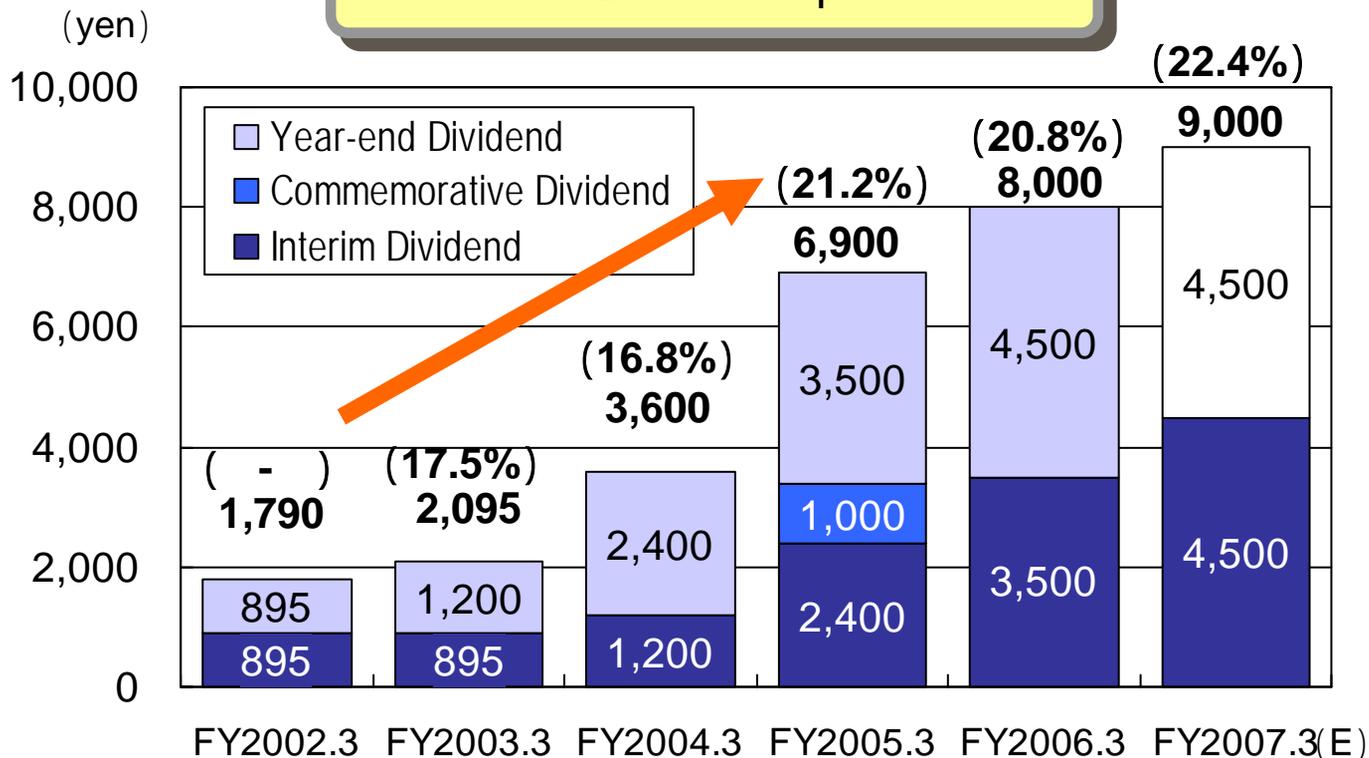
2. Shareholder Returns

**Return to
 shareholders**

Continued to achieve a 20% pay-out ratio target in FY2006.3.
 (non-consolidated basis)

Maintain stable dividend payment with considerations for
 investment for future growth.

Trend of Dividends per Share



Note: (-) refers to payout ratio. FY2002.3 posted net loss, therefore, shown as (-). 25

