

Ubiquitous Solution Company

KDDI CORPORATION



Financial Results of the Fiscal Year ended March 2007 & “ Challenge 2010”

April 24, 2007

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 FY2007.3

1 Consolidated basis

- Operating revenues rose by +9.0% yoy and operating income was up +16.2%, 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 revenues increased by +6.7% and operating income rose by +8.8% yoy.
- Share of total subs at 29.1% (“au”: 28.2%, Tu-Ka: 0.9%) at end-March with top share of net adds for full-year at 55.8% (“au”: 93.7%, Tu-Ka: -37.9%).
- Favorable progress in MNP with net additions by MNP at 816k (“au”: 853k, Tu-Ka: -37k).
- No. of “au” WIN subs continues to increase, totaling 14.55M at end-March, of which 77% of users sign up for packet flat-rate plans.
- A smooth Tu-Ka user-migration to “au” keeping same phone number; total who switched at 1.43M for full-year, making aggregate total of 2.13M (since Oct. 2005). Impairment loss of ¥39.6B posted due to service termination planned at end-March 2008.

3 Fixed-line Business

- Operating revenues rose by +15.3% yoy due to expanded sales of METAL PLUS and merger with POWEREDCOM. Operating loss was reduced by ¥12.3B to ¥ 49.0B.
- No. of METAL PLUS subs increased to 2.81M at end-March.
- Completed integration of TEPCO’s FTTH business (on Jan. 1, 2007) . No. of FTTH subs expanded to 0.59M.

1.2. Full-Year Outlook for FY 2008.3 (1)

FY2007.3 Result	FY2008.3 Forecast (Change)
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1 On a consolidated basis, Company forecasts an increase in operating revenues yoy and double-digit growth in operating income.

- Mobile Business:

A big jump in OP due to an increase in total subs through MNP, etc.

- Fixed-line Business:

OP loss continues as expanded sales of FTTH despite improved profitability in METAL PLUS.

➤ Operating revenues	: ¥3,335.3B	¥3,500.0B (+ ¥164.7B / yoy + 4.9%)
Operating income	: ¥344.7B	¥390.0B (+ ¥45.3B / +13.1%)
- Mobile Business	: ¥385.7B	¥438.0B (+ ¥52.3B / +13.6%)
- Fixed-line Business	: ¥ 49.0B	¥ 56.0B (¥ 7.0B / -)

➤ Key performance index

✓“au” ARPU	: ¥6,610	¥6,150 (¥460)
✓Mobile Business total subs (“au”+Tu-Ka)	: 28.19 M	30.00 M (+ 1.81 M)
✓METAL PLUS total subs	: 2.81 M	3.20 M (+ 0.39 M)
✓FTTH total subs	: 0.59 M	0.90 M (+ 0.31 M)

1.2. Full-Year Outlook for FY 2008.3 (2)

FY2007.3 Result	FY2008.3 Forecast (Change)
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- 2** Factor in increased depreciation by approx. ¥ 14.0B (operating expenses) due to drastic changes on the depreciation method including repeal of depreciable amount at 95% in FY2007-tax system revision.

- 3** Plan to make JCNH/JCN* (cable operators) consolidated subsidiaries from July and factor in the effect to consolidated outlook by ¥32.6B in sales and ¥1.0B in OP.

* JAPAN CABLENET HOLDINGS LIMITED / JAPAN CABLENET LIMITED

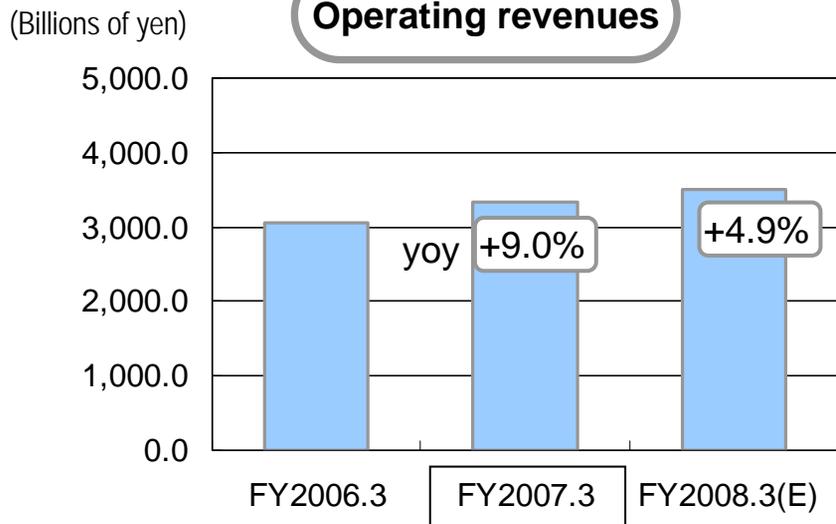
- 4** Forecast capex at ¥500.0B (+¥61.5B) due to increased investment in 2GHz for “au.” and FTTH in Fixed-line Business.

1.3. FY2008.3 Challenges

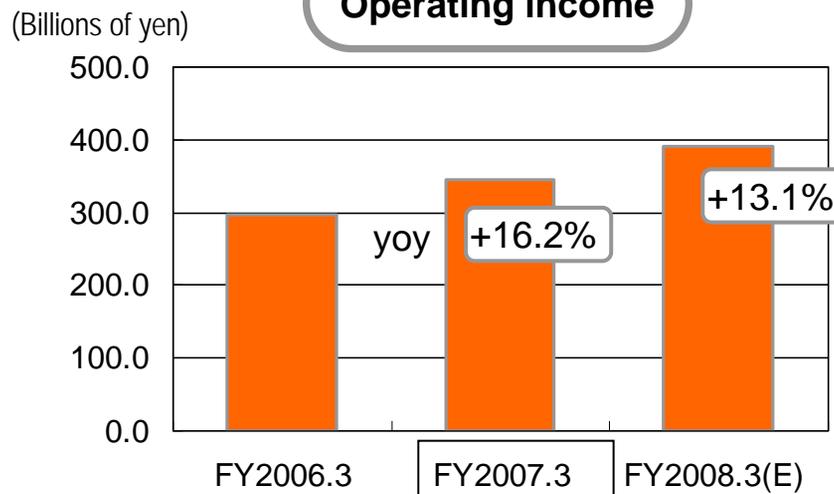
- 1** Address “Customer Satisfaction No. 1” in every service in the first year of “Challenge 2010”, aiming at “Sustainable Growth.”
 - Strengthen the existing business base and expand business domain to realize a mid-term system for increasing both sales and income.
- 2** Mobile Business (“au” + Tu-Ka)
 - Maintain “Customer Satisfaction No. 1,” by boosting all-round product attractiveness (infrastructure, handsets, charges and content & applications).
 - Continue to reinforce customer acquisition to achieve 30M subs with 30% share during the term.
 - Promote Tu-Ka user migration to “au” and a smooth termination of the service at end-March 2008.
 - For Corporate customers: Strengthen product development capabilities and promote sales together with solutions.
- 3** Fixed-line Business
 - Aim at 3.20M subs by end-March toward stable profitability of METAL PLUS.
 - Promote FTTH to achieve a 30% share in Tokyo-Metropolitan service area over the mid-long terms.
- 4** Change the organization as of April 1, ahead of the integration of infrastructure, to realize the unification of services in the higher-level layers with content media at its core and to promote FMBC* service.

2. Consolidated Financial Results

Operating revenues



Operating income



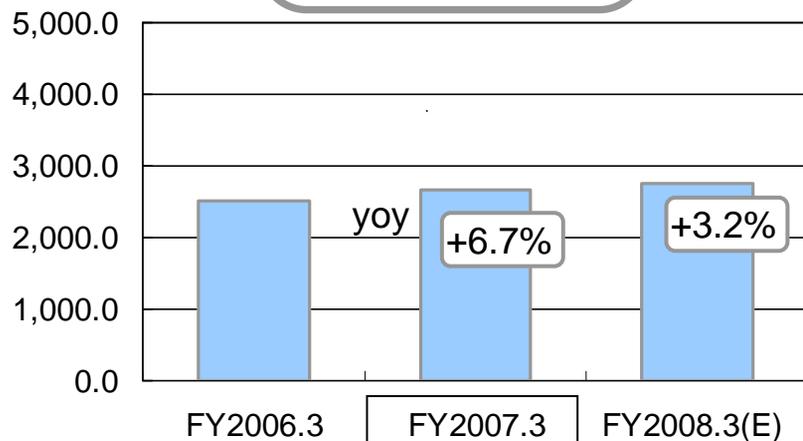
(Billions of yen)

	FY2006.3	FY2007.3		FY2008.3(E)	
			yoy		yoy
Operating revenues	3,060.8	3,335.3	9.0%	3,500.0	4.9%
Operating income	296.6	344.7	16.2%	390.0	13.1%
<i>Operating margin</i>	9.7%	10.3%	-	11.1%	-
Ordinary income	294.0	350.9	19.4%	390.0	11.1%
Net income	190.6	186.7	-2.0%	220.0	17.8%
Free Cash Flow	139.6	296.5	112.4%	2.0	-99.3%
EBITDA	654.4	691.7	5.7%	770.0	11.3%
<i>EBITDA margin</i>	21.4%	20.7%	-	22.0%	-

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

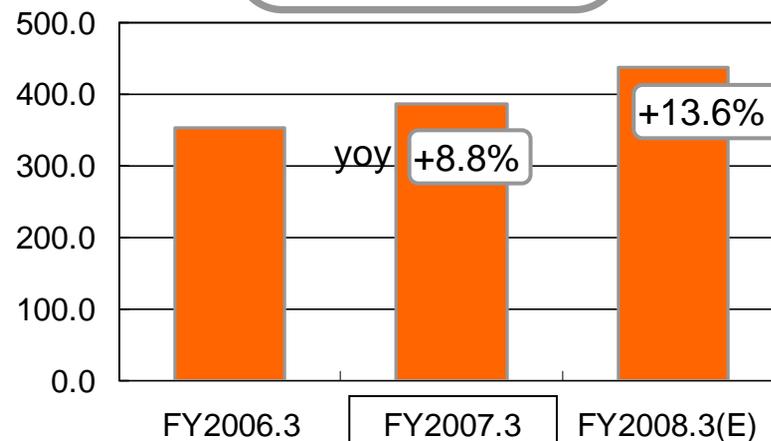
(Billions of yen)

Operating revenues



(Billions of yen)

Operating income



(Billions of yen)

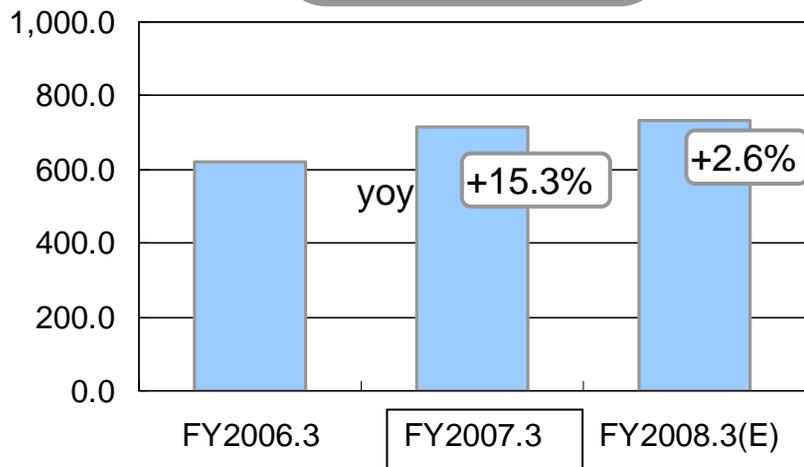
	FY2006.3	FY2007.3		FY2008.3(E)	
			yoy		yoy
Operating revenues	2,510.4	2,677.4	6.7%	2,763.0	3.2%
"au"	2,335.2	2,610.6	11.8%	2,756.0	5.6%
Tu-Ka	175.2	66.8	-61.9%	7.0	-89.5%
Operating income	354.4	385.7	8.8%	438.0	13.6%
<i>Operating margin</i>	14.1%	14.4%	-	15.9%	-
Ordinary income	352.8	393.5	11.6%	443.0	12.6%
Net income	145.3	209.5	44.2%	253.0	20.8%
Free Cash Flow	266.2	294.8	10.8%	126.0	-57.3%
EBITDA	605.2	598.1	-1.2%	681.0	13.9%
<i>EBITDA margin</i>	24.1%	22.3%	-	24.6%	-

	FY2006.3	FY2007.3	FY2008.3(E)
('000)			
Total Subs	25,439	28,188	30,000
of module-type	586	699	740
"au" total	22,699	27,317	30,000
WIN(EV-DO)	8,280	14,549	18,750
1X	13,548	12,170	-
cdmaOne	871	597	-
Tu-Ka(PDC)	2,739	872	0

4. Fixed-line Business

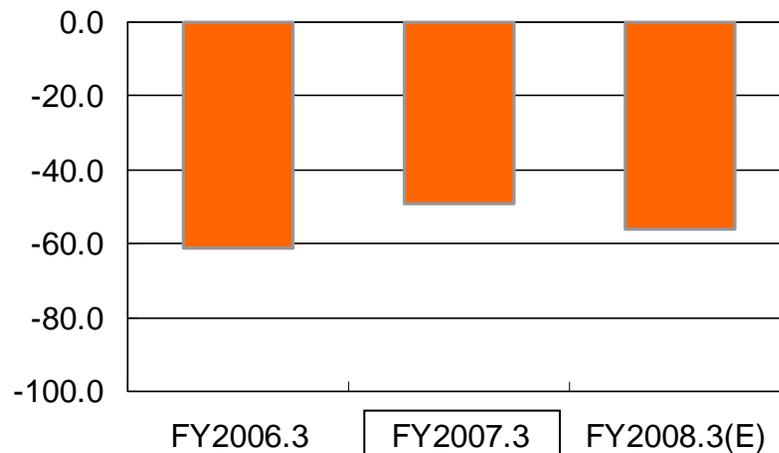
(Billions of yen)

Operating revenues



(Billions of yen)

Operating income



* yoy comparison are not available as figures are negative.

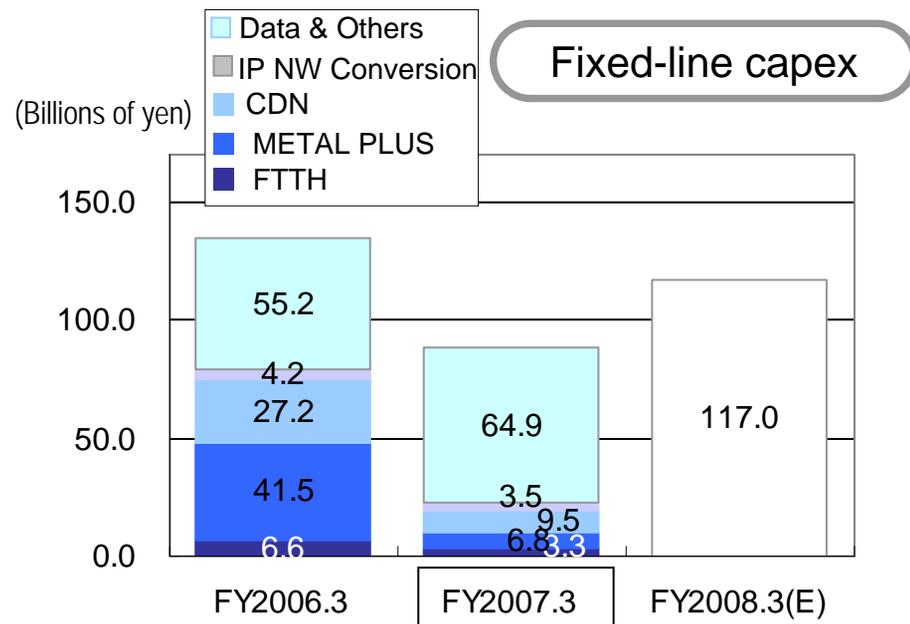
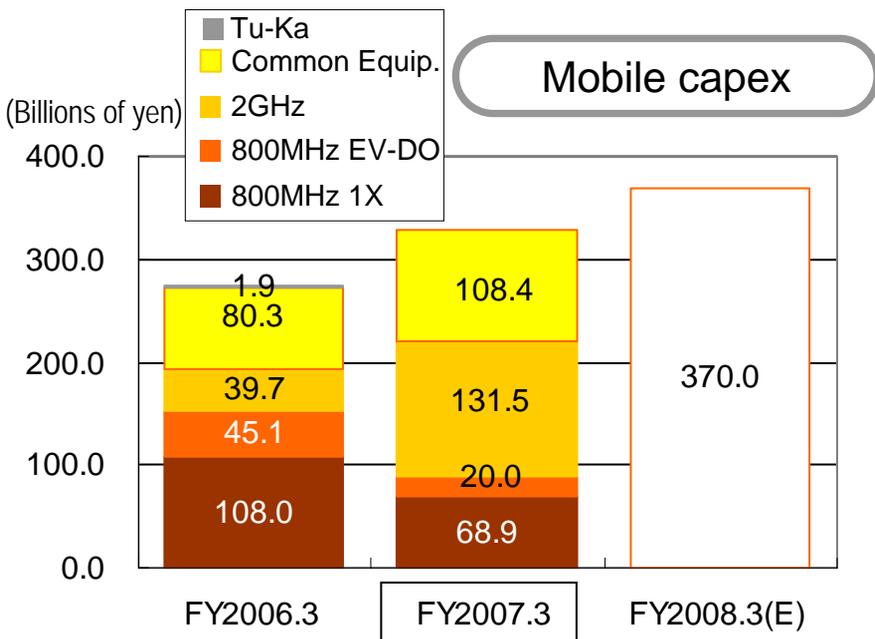
(Billions of yen)

	FY2006.3	FY2007.3		FY2008.3(E)	
			yoy		yoy
Operating revenues	619.3	714.4	15.3%	733.0	2.6%
Operating income	-61.3	-49.0	-	-56.0	-
<i>Operating margin</i>	-9.9%	-6.9%	-	-7.6%	-
Ordinary income	-62.2	-47.2	-	-60.0	-
Net income	26.4	-23.4	-	-35.0	-
Free Cash Flow	-102.3	6.3	-	-95.0	-
EBITDA	41.5	80.9	95.1%	73.0	-9.8%
<i>EBITDA margin</i>	6.7%	11.3%	-	10.0%	-

Subs	('000)	FY2006.3	FY2007.3	FY2008.3(E)
ADSL		1,516	1,512	1,500
FTTH		167	* 592	900
METAL PLUS		1,799	2,813	3,200

Note: FTTH includes TEPCO Hikari lines from March 2007.

5. Capital Expenditures



(Billions of yen)

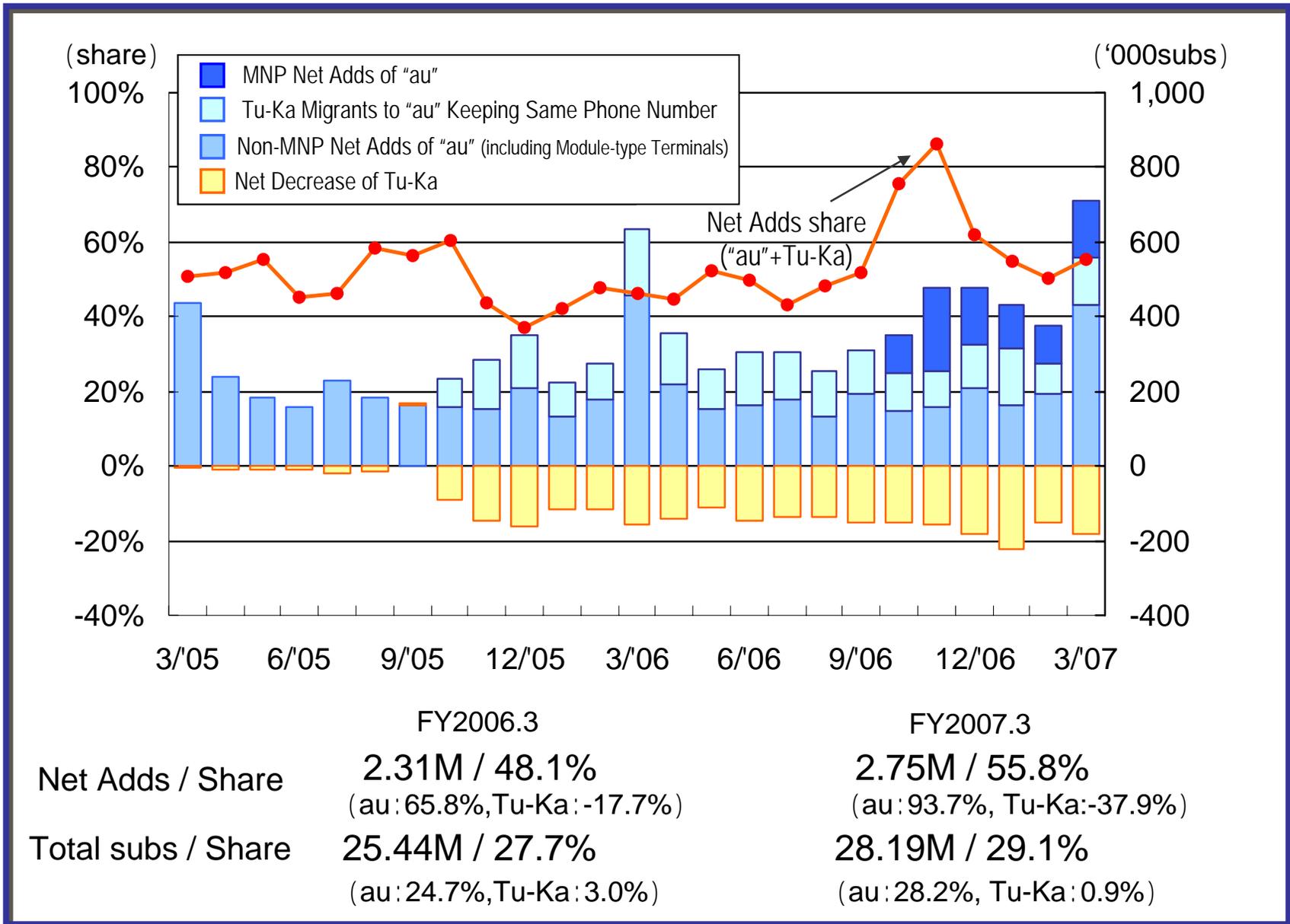
		FY2006.3	FY2007.3	FY2008.3(E)
CAPEX (Cash basis)	Consolidated	414.7	438.5	500.0
	Mobile	275.1	328.9	370.0
	Fixed-line	134.7	88.0	117.0

Segment Discussions

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

Fixed-line Business

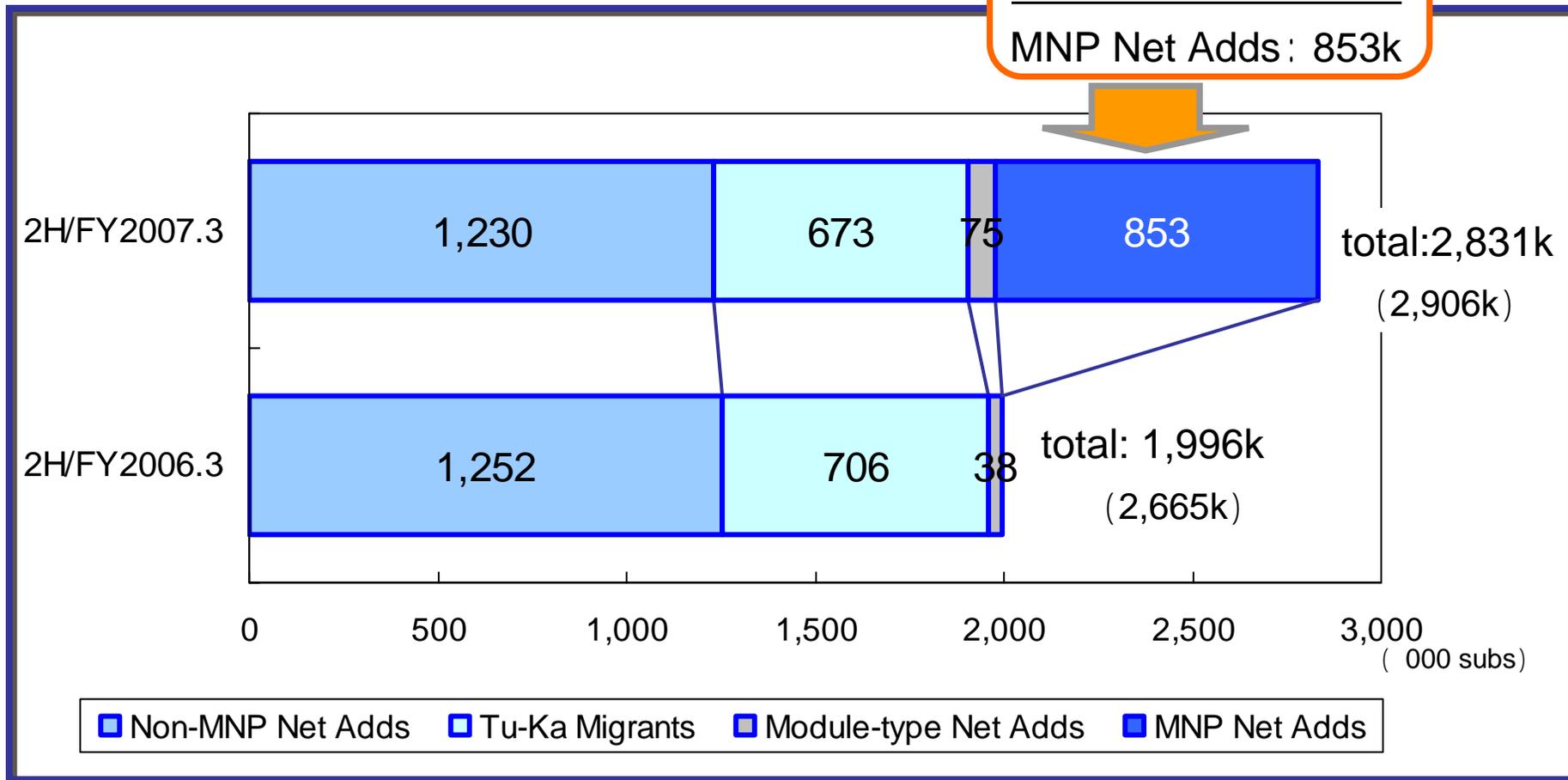
1.1. Net Additions of KDDI("au" + Tu-Ka)



1.2. Breakdown "au" Net Additions (cf. 2H)

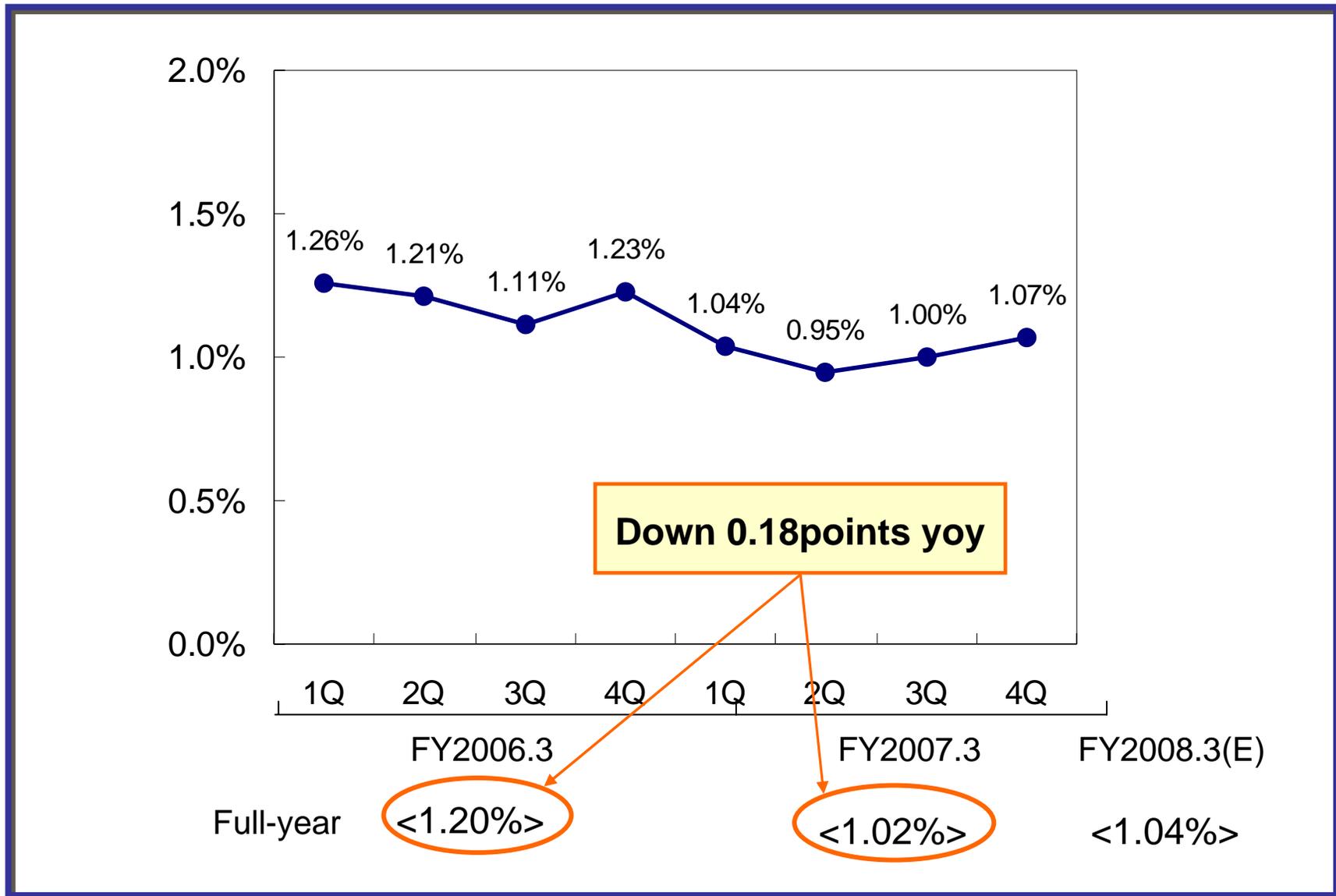
- MNP net additions contribute to the overall growth as add-on to conventional non-MNP net adds with mobile market activated by introduction of MNP.

Port-ins : 1,150k
 Port-outs : 297k
MNP Net Adds: 853k



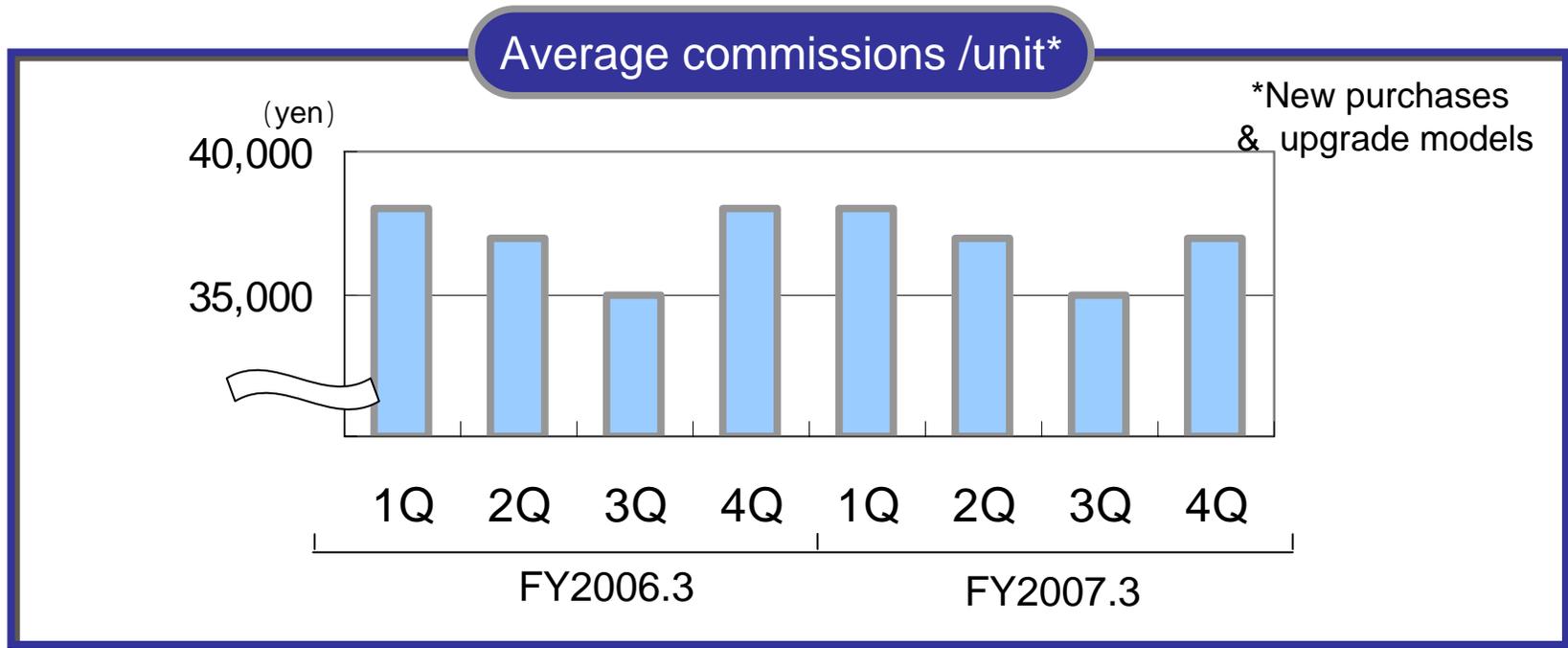
Note: () refers to net adds in the Japanese market.

1.3. "au" Churn Rate



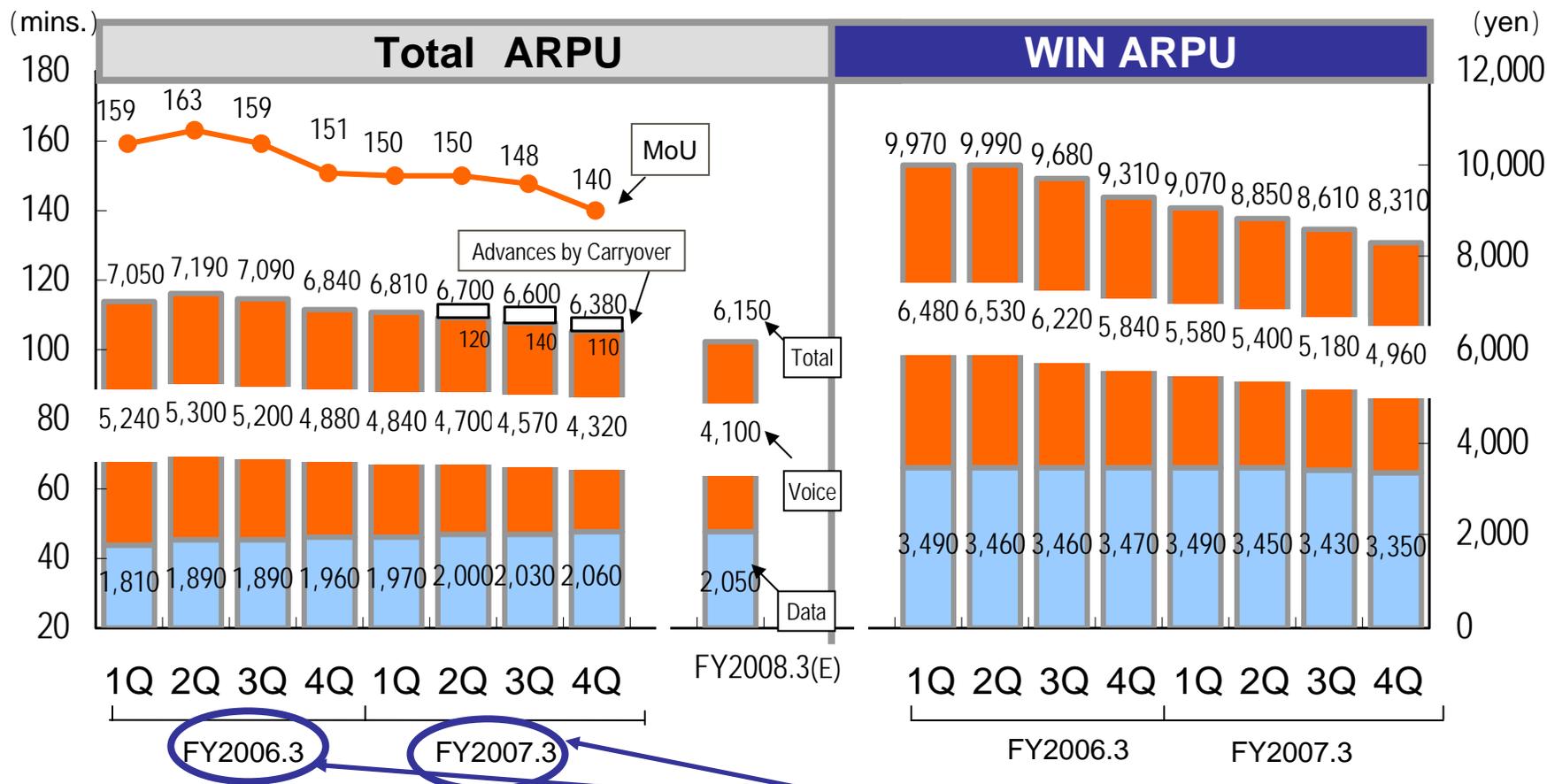
Note: Churn rate is calculated for ordinary handsets which exclude module-type terminals.

1.4. "au" Sales Commissions



	FY2006.3					FY2007.3				FY2008.3(E)	
	1Q	2Q	3Q	4Q		1Q	2Q	3Q	4Q		
Sales commissions (Billions of yen)	102.0	119.0	119.0	152.0	492.0	124.0	129.0	145.0	170.0	568.0	565.0
Average commissions/unit (yen)	38,000	37,000	35,000	38,000	37,000	38,000	37,000	35,000	37,000	37,000	36,000
Number of units sold ('000 units)	2,700	3,220	3,370	3,960	13,250	3,270	3,520	4,110	4,650	15,550	15,700

1.5. Trend of "au" ARPU



Full-year	FY2006.3	FY2007.3	FY2008.3(E)
Total ARPU	¥ 7,040	¥ 6,610	¥ 6,150
of Voice	¥ 5,150	¥ 4,590	¥ 4,100
of Data	¥ 1,890	¥ 2,020	¥ 2,050

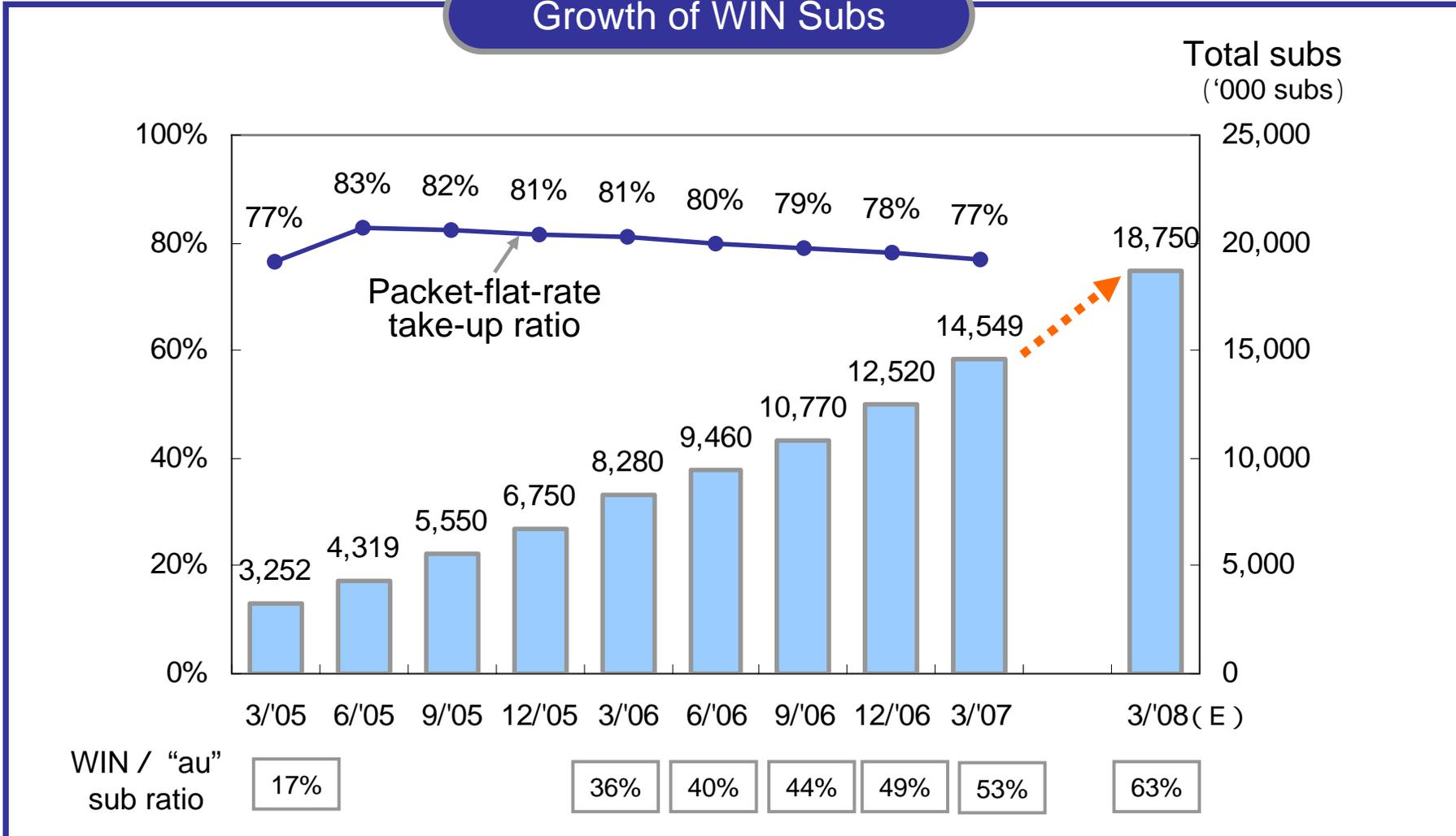
yoy change	
Total ARPU	¥ 430 (6.1%)
of Voice	¥ 560 (10.9%)
of Data	+ ¥ 130 (+ 6.9%)

1.6. Update on WIN



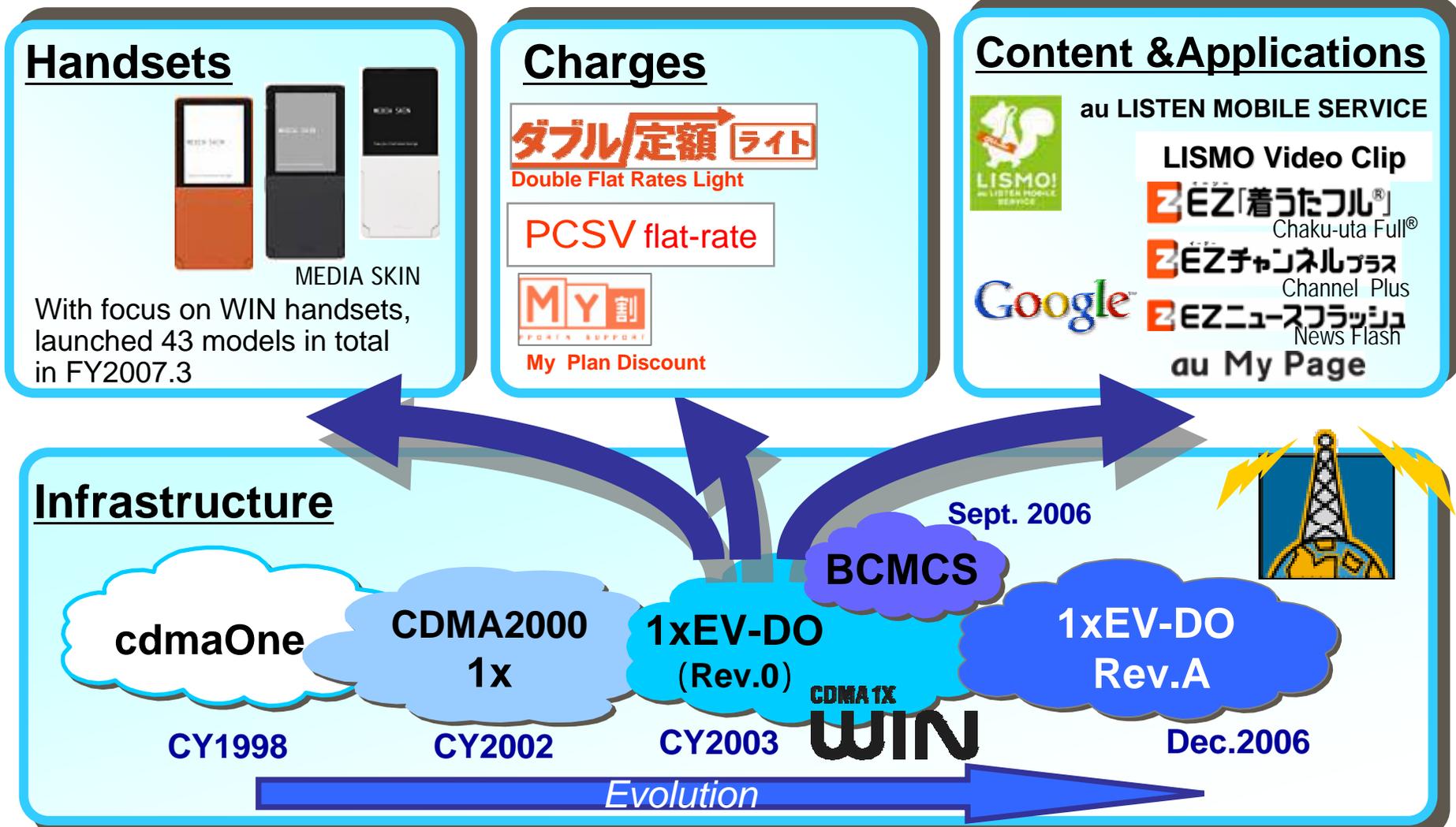
53% of "au" users are with WIN at end-March, of which as high as 77% of customers sign up for Packet Flat Rate plans.

Growth of WIN Subs



2. Boost All-Round Product Attractiveness

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

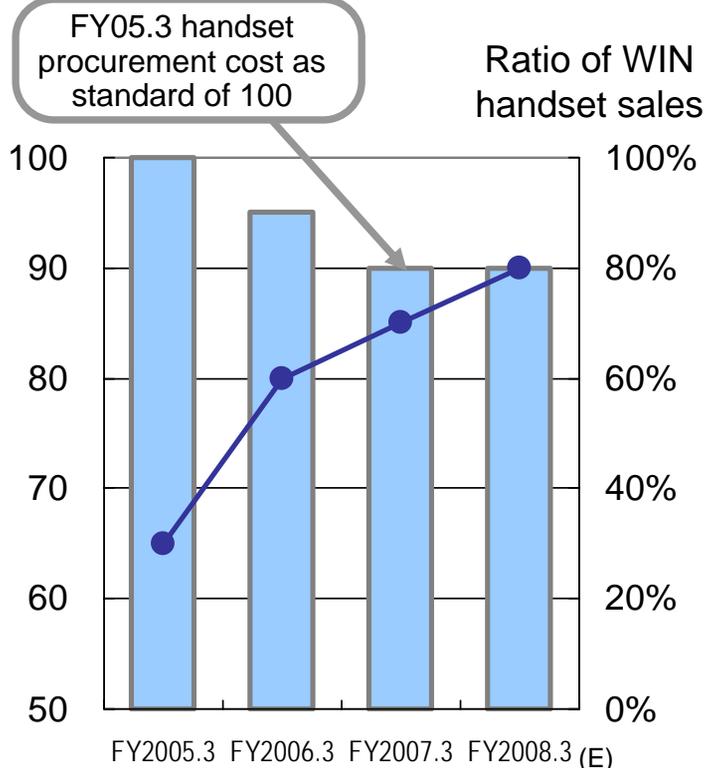


* PCSV : PC site viewer

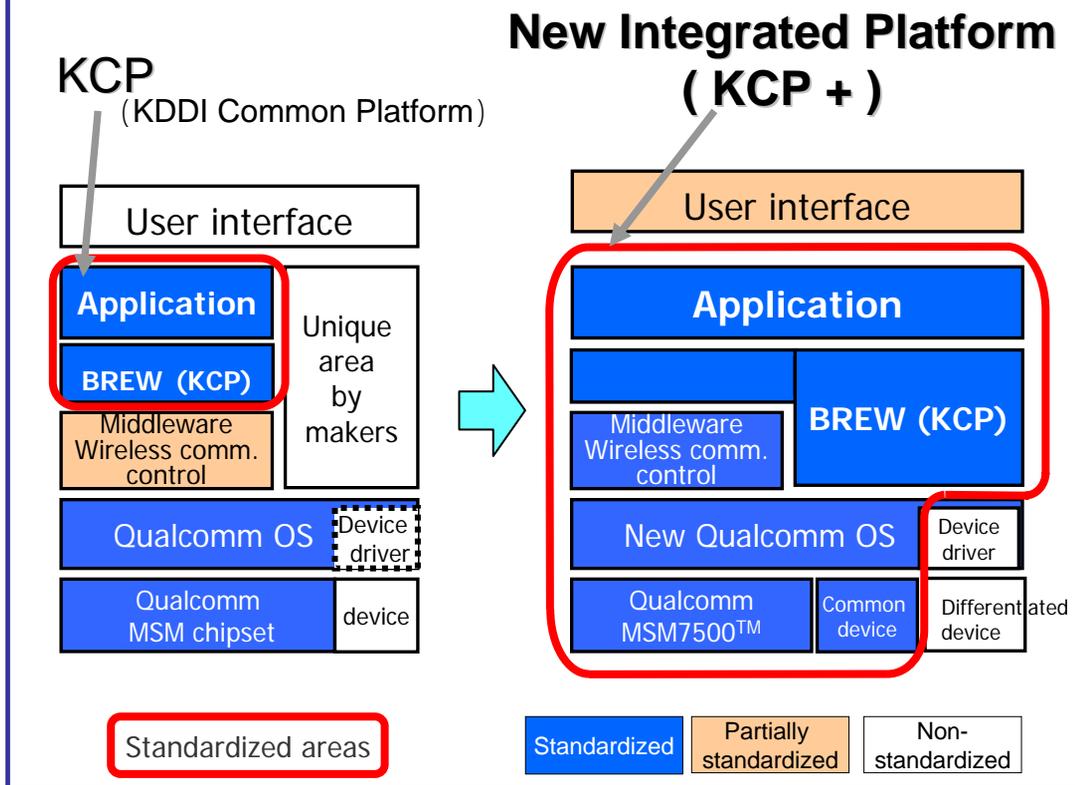
3. Measures to Reduce Handset Costs

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

"au" Handset Procurement Cost



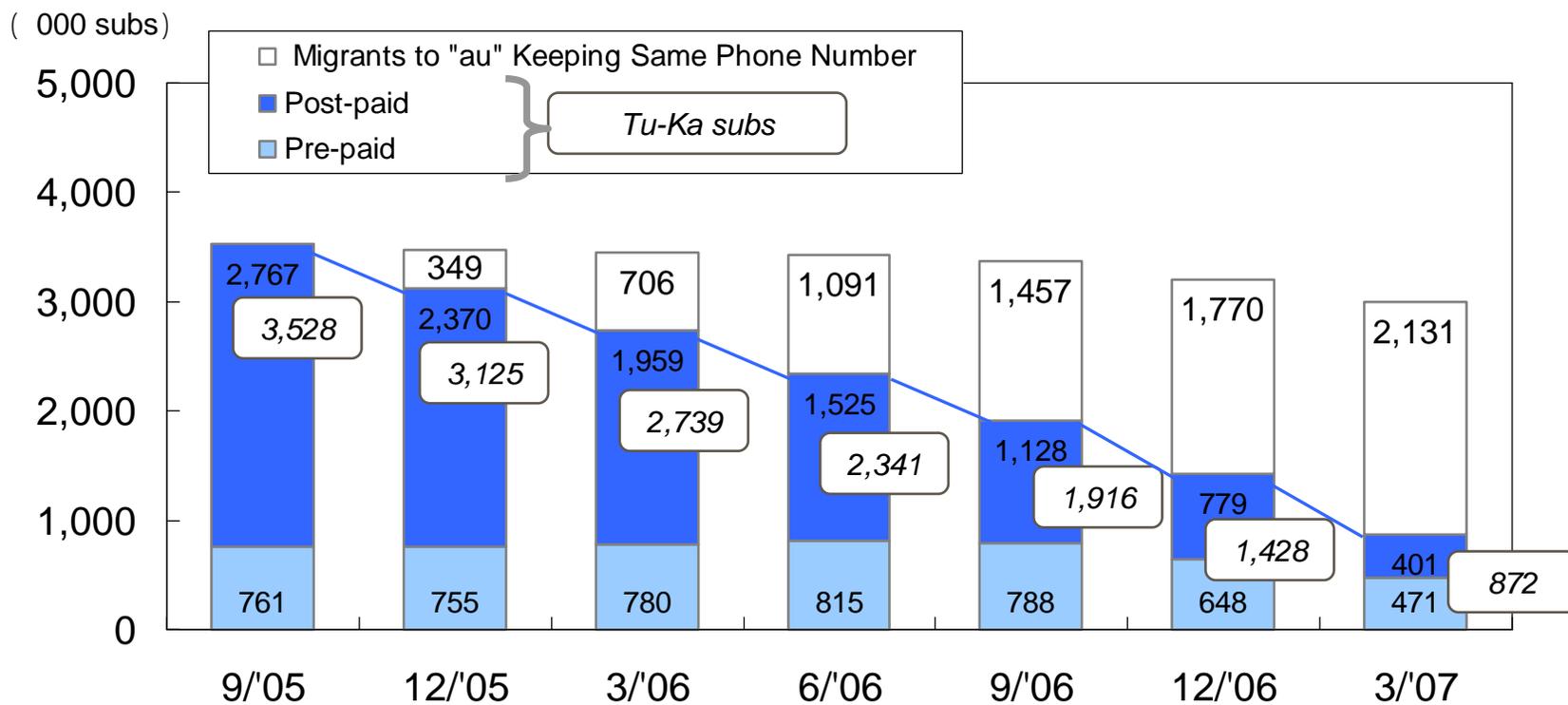
Create New Integrated Platform



4. Termination of Tu-Ka Service

Plan to terminate Tu-Ka service at end-March 2008 based upon a smooth user-migration to “au” keeping the same phone number; total who switched at 1.43M for full-year, making aggregate total of 2.13M (since Oct. 2005) .

Tu-Ka Total Subs



1. METAL PLUS

No. of METAL PLUS subs increased to 2.81M at end-March.

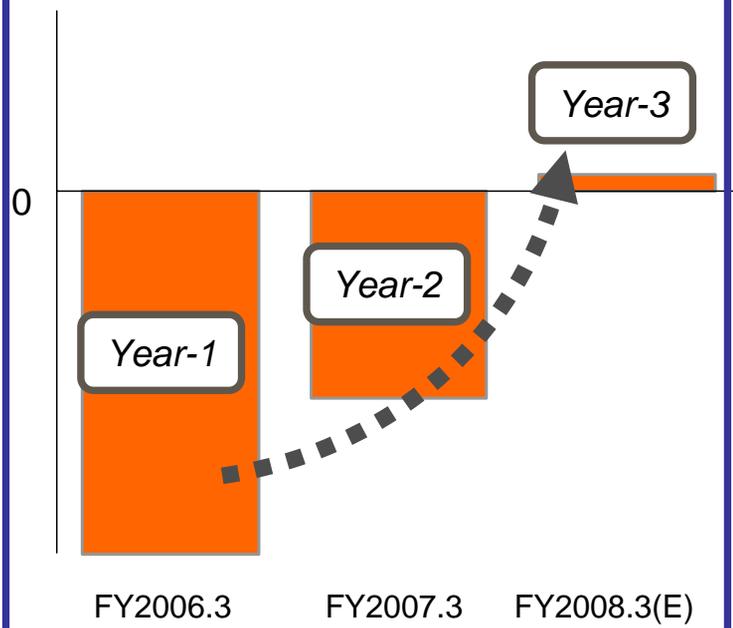
Aim at 3.20M subs by end-March toward stable profitability of METAL PLUS.



METAL PLUS Subs



Operating Income Image of METAL PLUS



2. FTTH Initiatives (1)

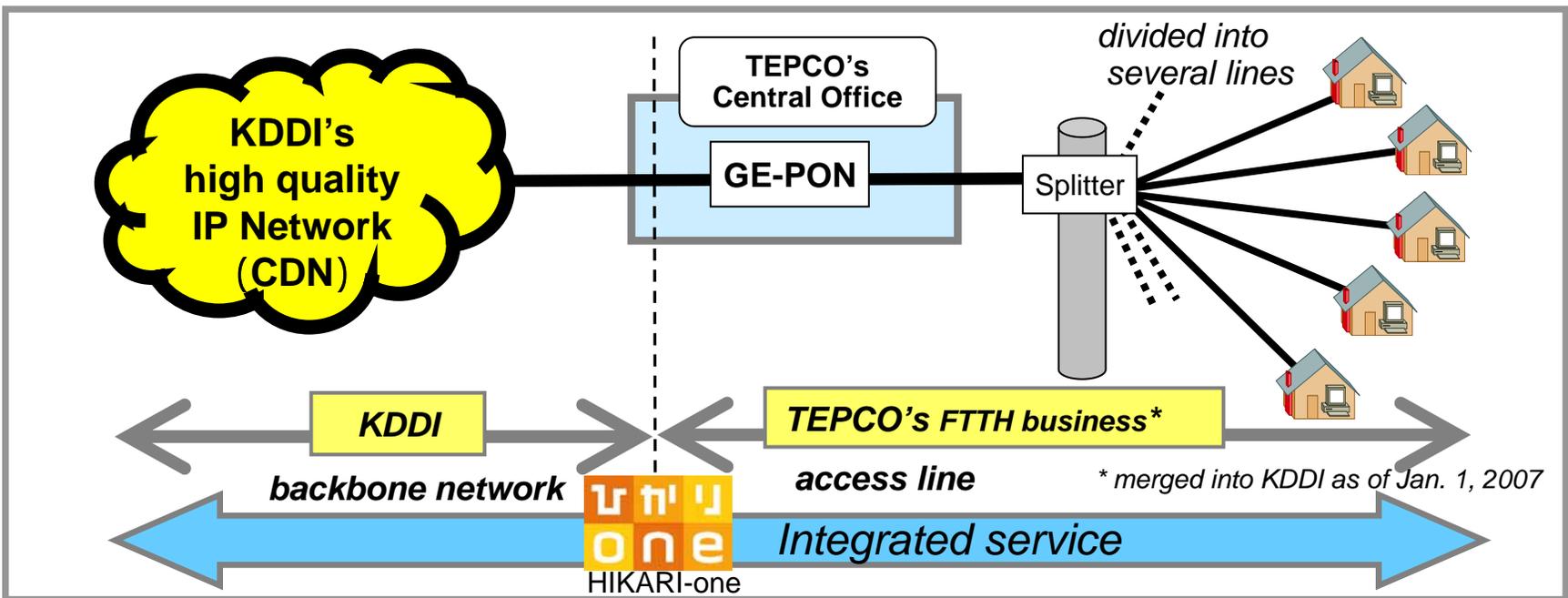
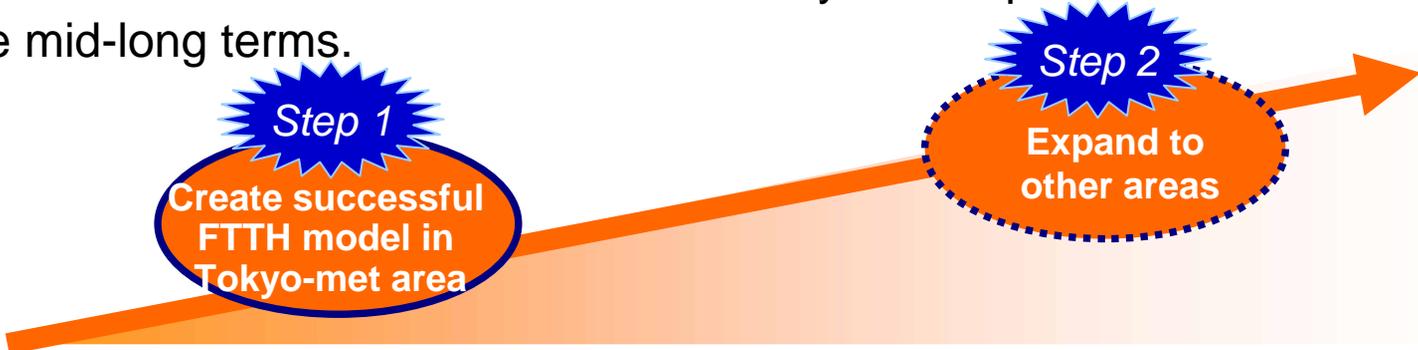


Fixed-line Business

Completed integration of TEPCO's FTTH business (on Jan. 1, 2007).



Promote FTTH to achieve a 30% share in Tokyo-Metropolitan service area over the mid-long terms.

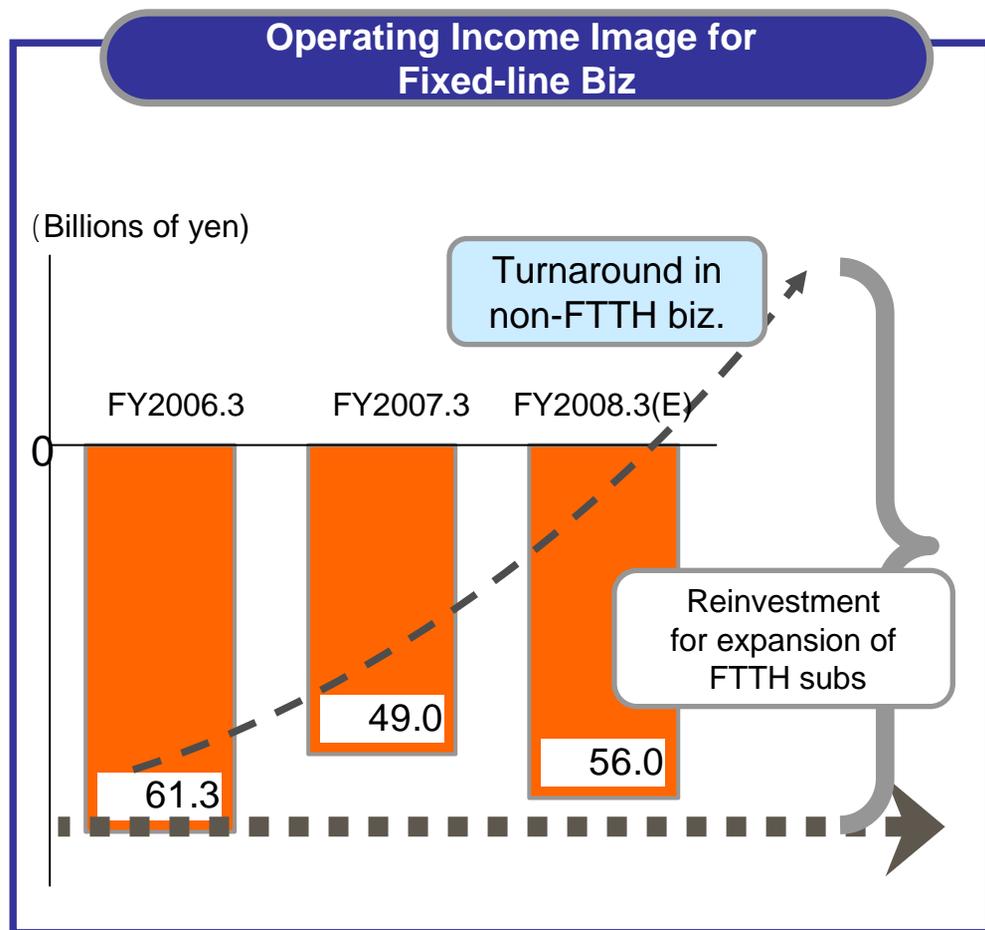
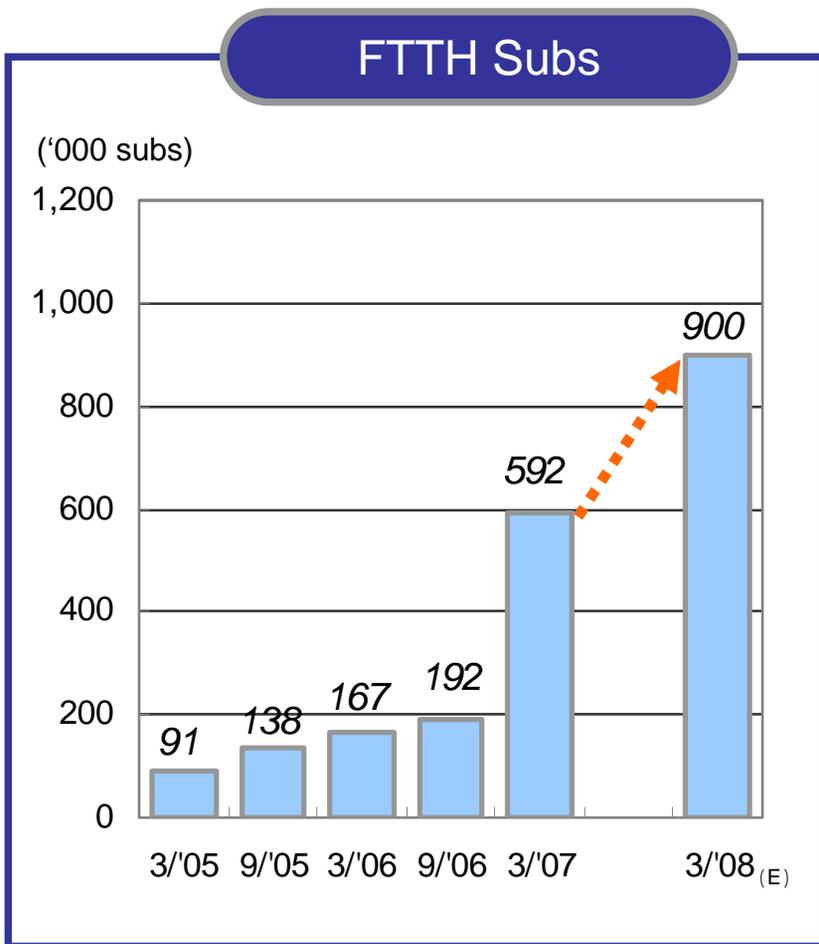


2. FTTH Initiatives (2)



No. of FTTH subs increased to 592k at end-March.

Project operating loss to bottom out in FY2006.3, in Fixed-line Business, even taking into account integration of TEPCO's FTTH business.





Challenge 2010

Positioning of “Challenge 2010”

**Challenge
2010**



= “Sustainable Growth Company”

**Challenge 2010
(2007 - 10)**

Simultaneous pursuit of
“Quantitative Expansion”
and “Qualitative Enhancement”

(2005 - 06)

“Strategy and Speed” toward sustainable growth

Expand Mobile customer base through MNP
Consolidate FTTH operating base (integration of TEPCO’s FTTH business)

**Mid-Term Management Plan
(2002 - 04)**

“Selection and Concentration” toward strengthening the management foundation

Concentrate resources on “au” business Reduce interest-bearing debts

- Aim for “Customer Satisfaction No.1” in every service.
- Realize sustainable growth through simultaneous pursuit of “Quantitative Expansion” and “Qualitative Enhancement.”
- Targets in FY2010 (consolidated)
 Operating revenues: ¥ 4 trillion, Operating income: ¥ 600 billion
 - Maintain the momentum of increasing revenues and income in Mobile business.
 - Enlarge sales by expanding customer base and business domain.
 - Promote broadband such as FTTH business, etc. and make a turnaround in Fixed-line Business.
 - Develop FMBC and expand non-traffic business domain.
 - Expand corporate business to be an all-round player which can offer ICT* as one-stop shopping. *Information and Communication Technology
- Enhance the return to shareholders.

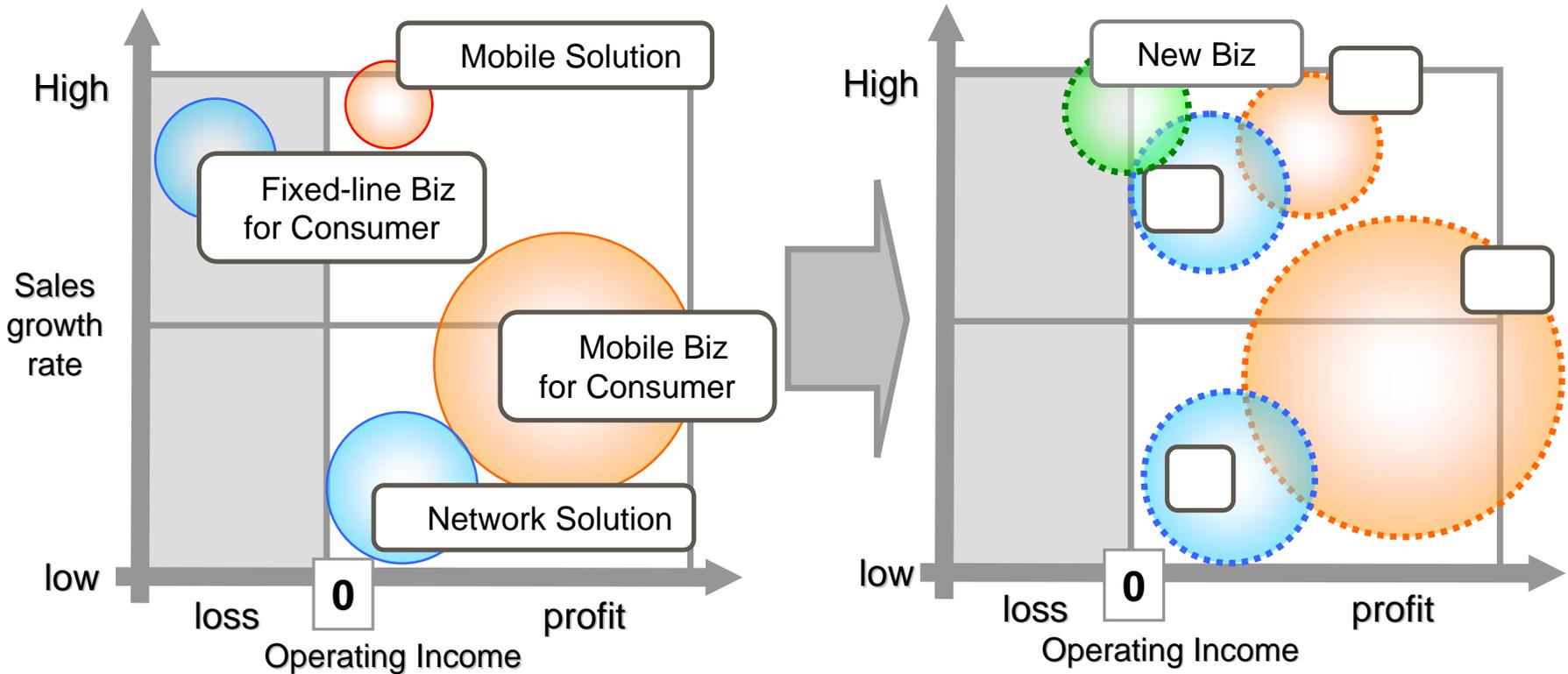
Growth Driver

- Mobile for Consumer, mainstay business, will continue to drive the consolidated business performance, with Fixed-line Business also aimed for improved profitability.

Image of Business Portfolios

Current

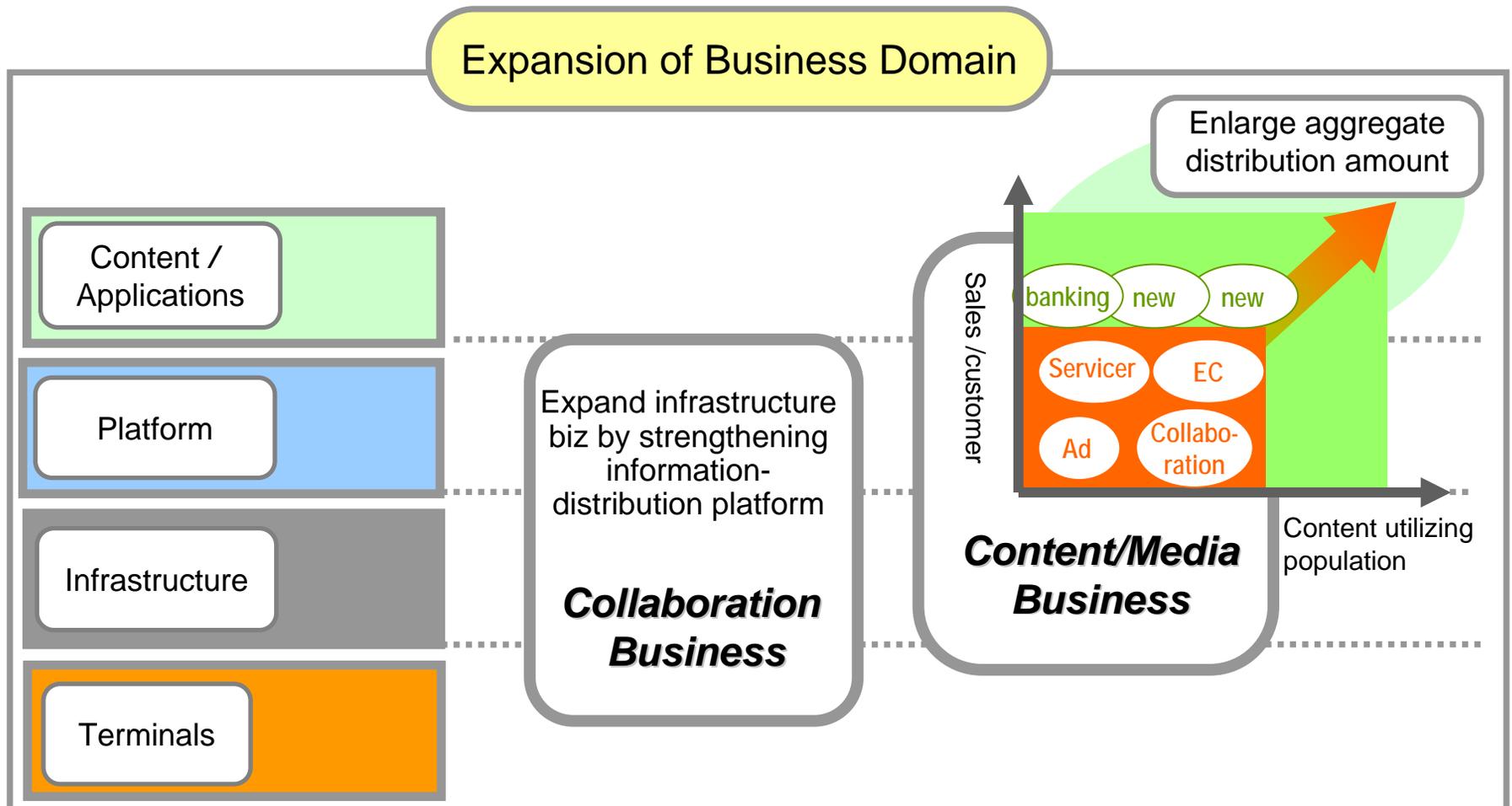
FY2010



Note: The sizes of the circles show images on those of sales.

Expansion of Business Domain(1)

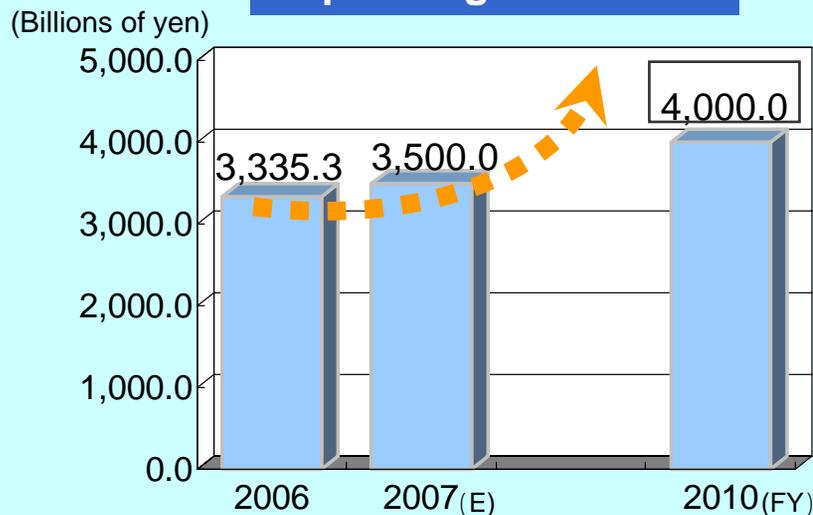
- Expand business domain by strengthening information-distribution platform, enhancing initiatives for content media business and enlarging aggregate distribution amount.



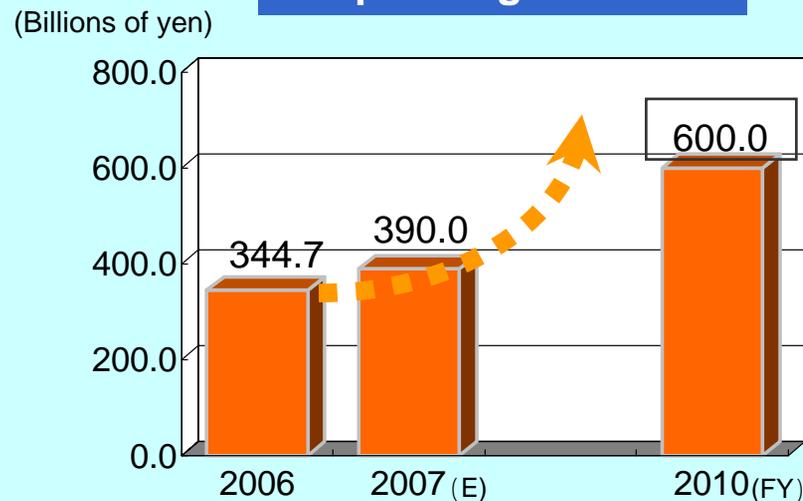
Expansion of Business Domain(2)

**Challenge
2010**

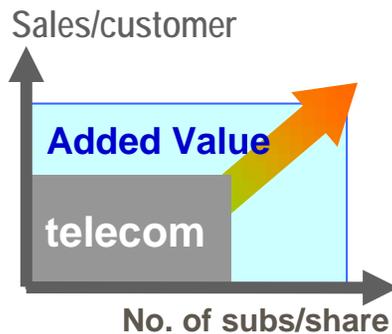
**Consolidated
Operating Revenues**



**Consolidated
Operating Income**

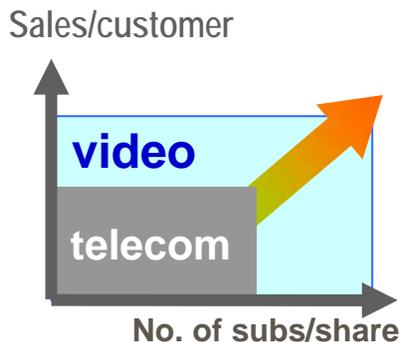


Mobile Biz for Consumer

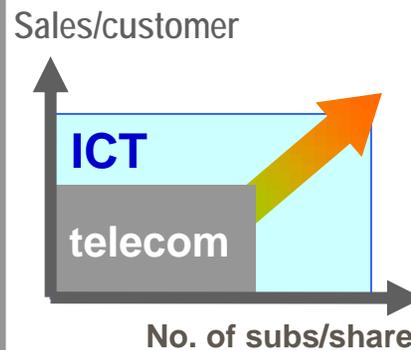


*Content servicing, EC, etc.

Fixed-line Biz for Consumer

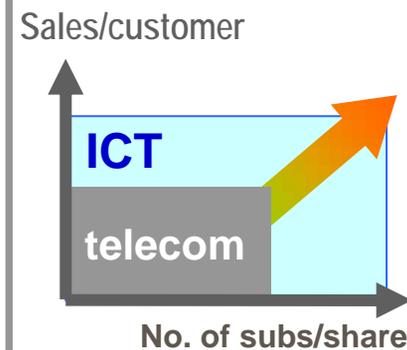


Mobile Solution



*Mobile solutions, Module solutions, etc.

Network Solution



*Managed service, premises solution, etc.

- Maintain the momentum of increasing revenues and income in Mobile business

➤ Enlarge sales by expanding customer base and business domain.

Further Strengthening Competitiveness

Handsets

- Reduce costs through KDDI Integrated Platform (KCP+) and expand Rev. A handsets

Charges
/service

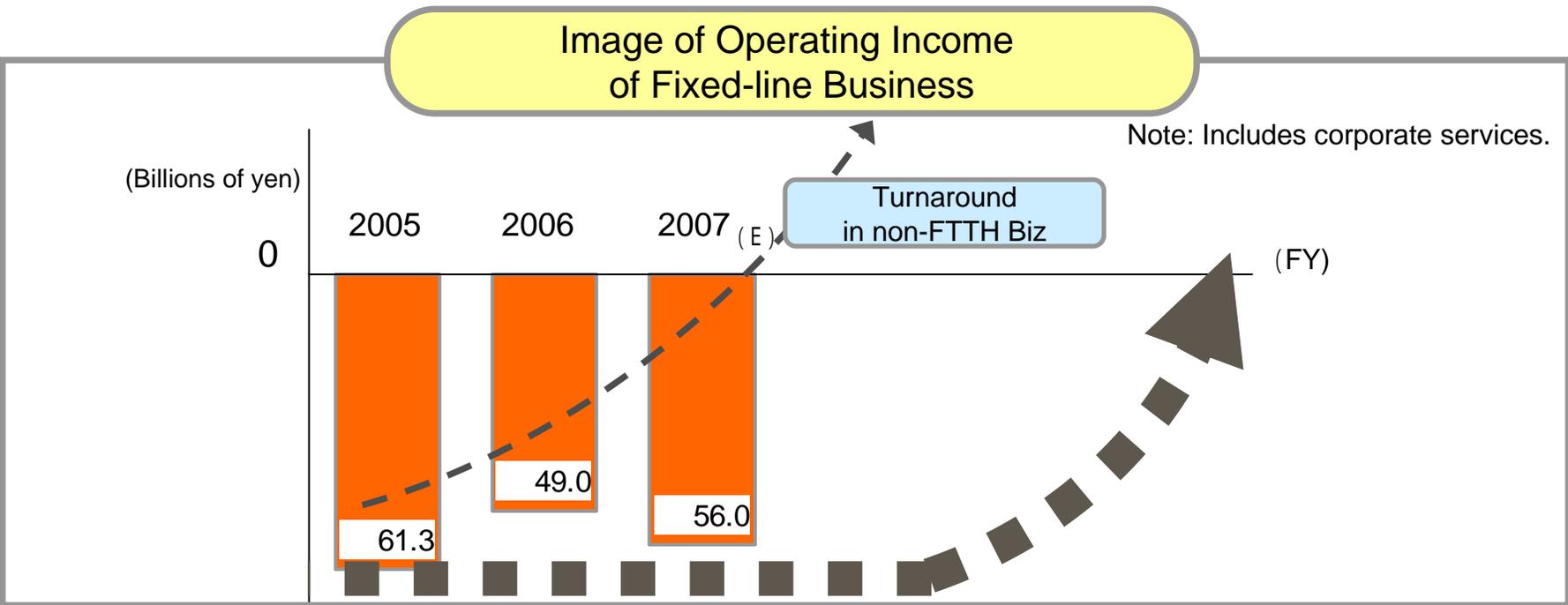
- Underpin ARPU by adding new services
- Enhance global roaming
- Develop business models to address customer needs
- Reinforce settlement / authentication functions and FMBC service

Infrastructure

- Reorganize 800MHz band and enhance coverage
- Improve communications quality
- Commercial launch of the post-Rev. A system

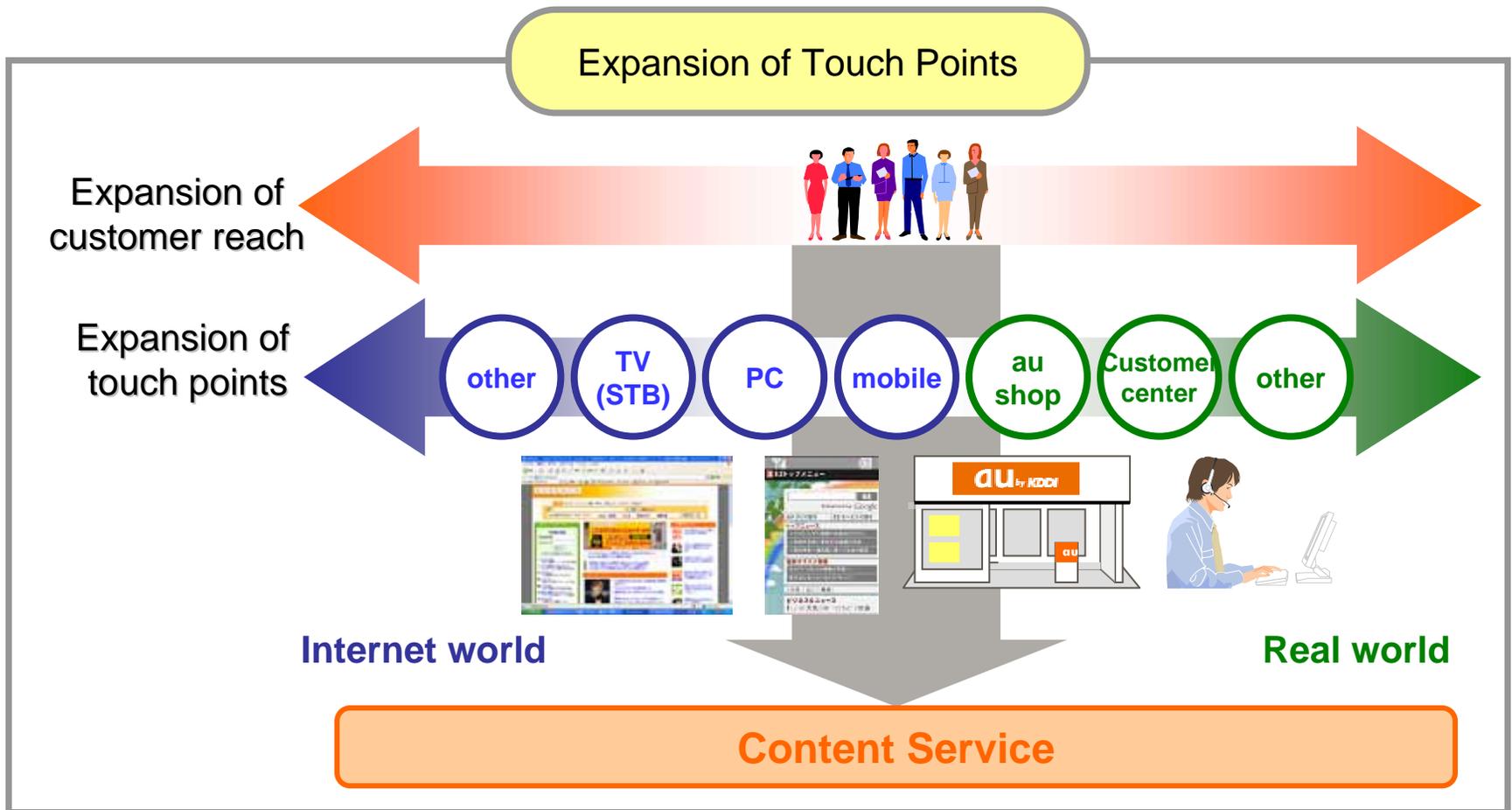
Fixed-line Business for Consumer

- Promote broadband such as FTTH business, etc. by utilizing various access lines and make a turnaround in Fixed-line Business.
 - As for FTTH, access network of our own, aim for a 30% share in Tokyo-metropolitan service area over the mid-long terms.
 - Enhance video ARPU by promoting broadband.
 - As for KDDI METAL PLUS, bolster profitability by maintaining a customer base of more than 3M over the mid-long terms.



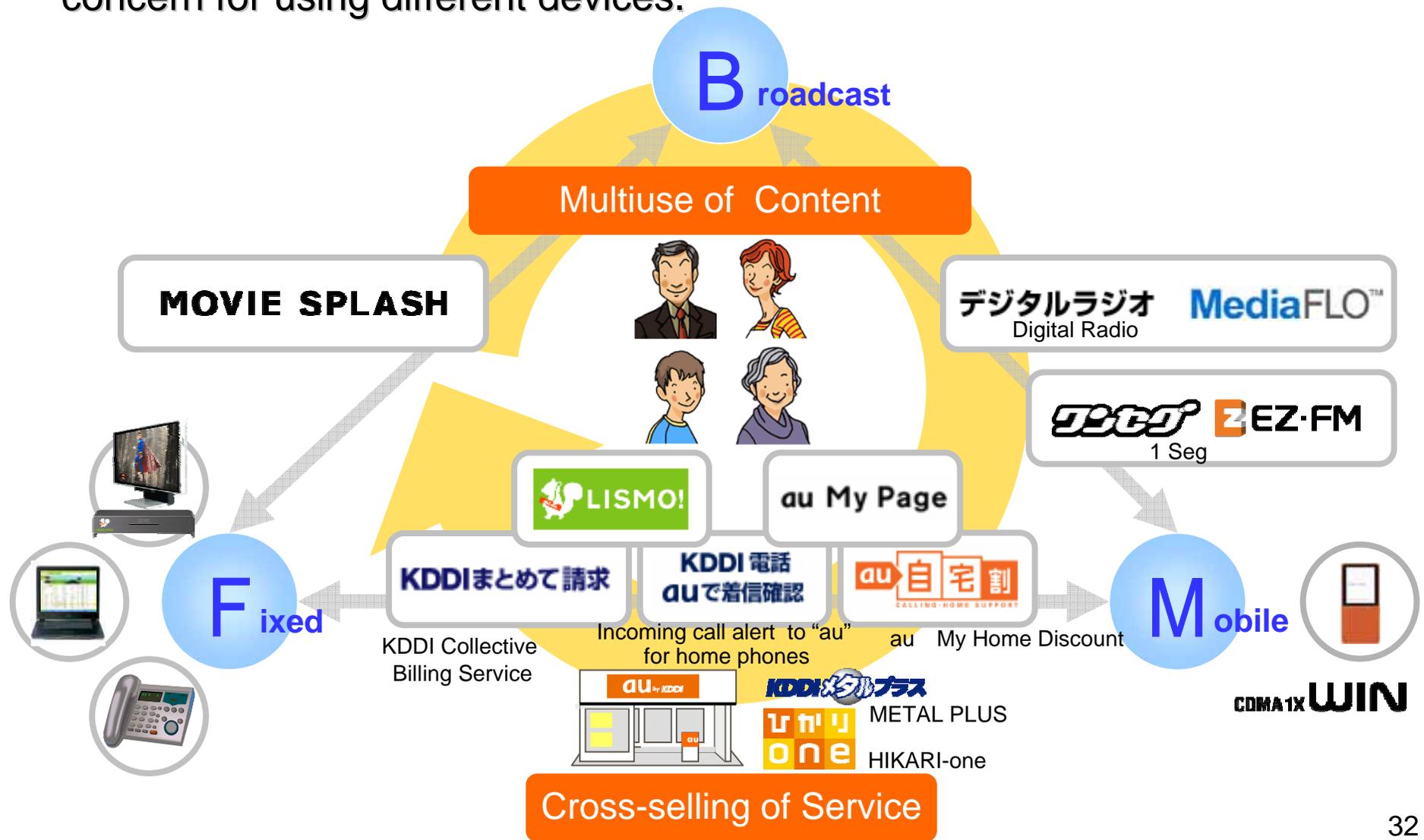
Expansion of Content/Media Business

- Enlarge content-use population by reinforcing touch points (contact points with customers) and reaching a wide-range of age groups.
- Sales results in FY2006 were ¥27.2B. Aim at expanding sales further by about 2.5 times in FY2010 compared with FY2006.



Development of FMBC for Consumer

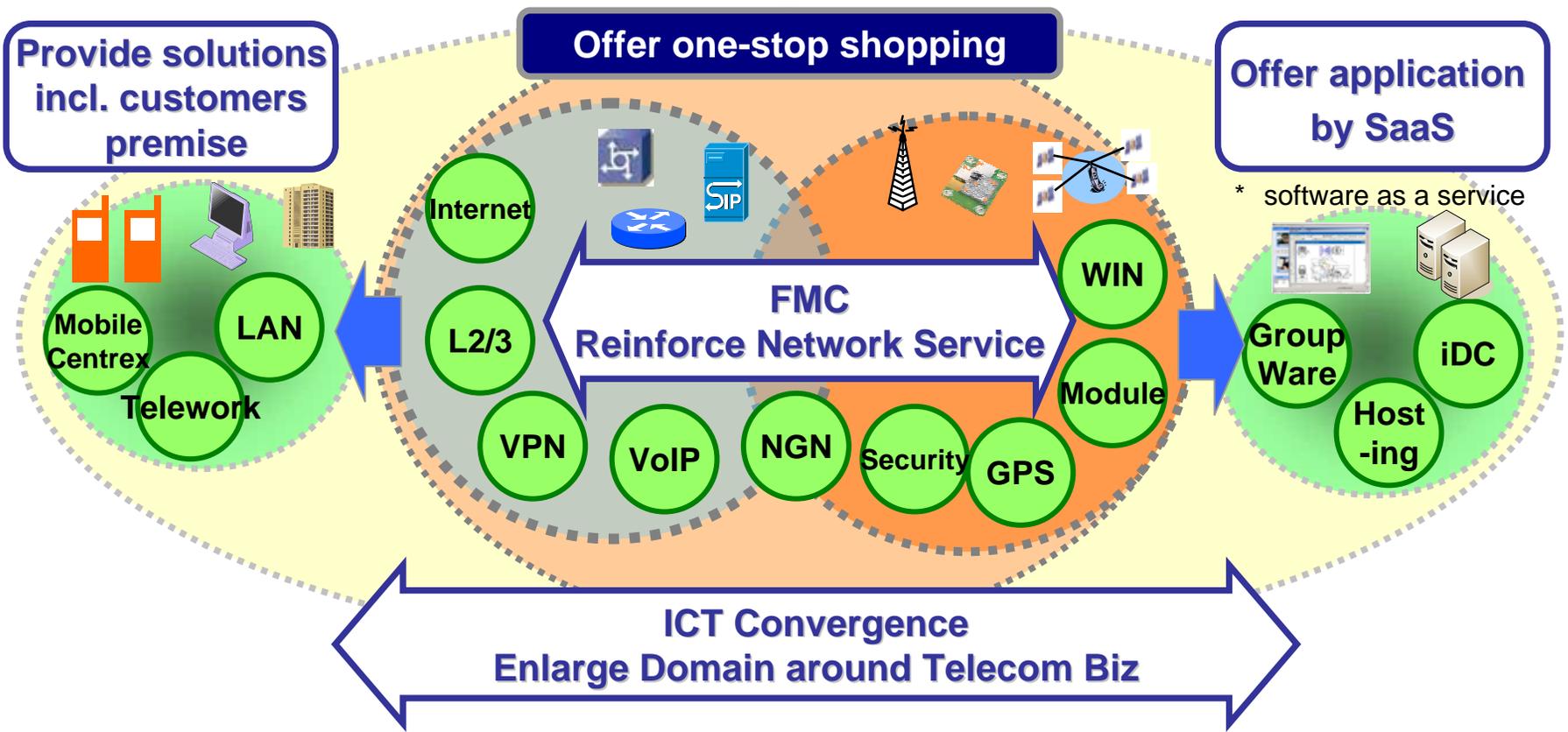
- Realize a world of optimum communication environment where customers can enjoy various services and content anywhere and anytime without concern for using different devices.



Corporate Services – Be an ICT Provider

- Expand corporate business to be an all-round player which can offer ICT* as one-stop shopping through further strengthening network service and enlarging its domain around conventional telecom business.

*Information and Communication Technology

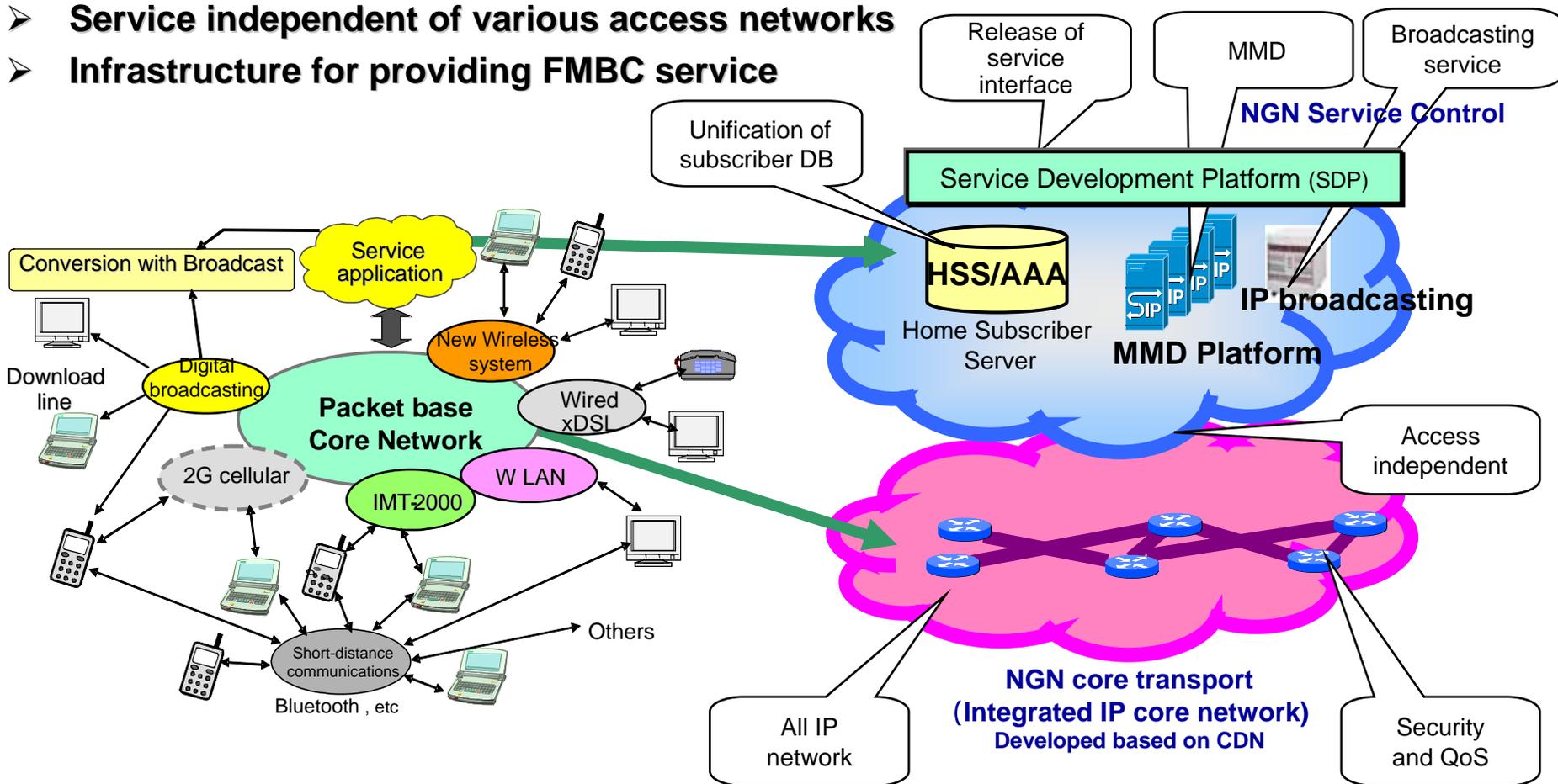


Infrastructure Strategy

Under the “Ultra 3G” plan, construct KDDI NGN, leveraging Mobile system (MMD) to precede competitors and establish differentiation.

- **Service independent of various access networks**
- **Infrastructure for providing FMBC service**

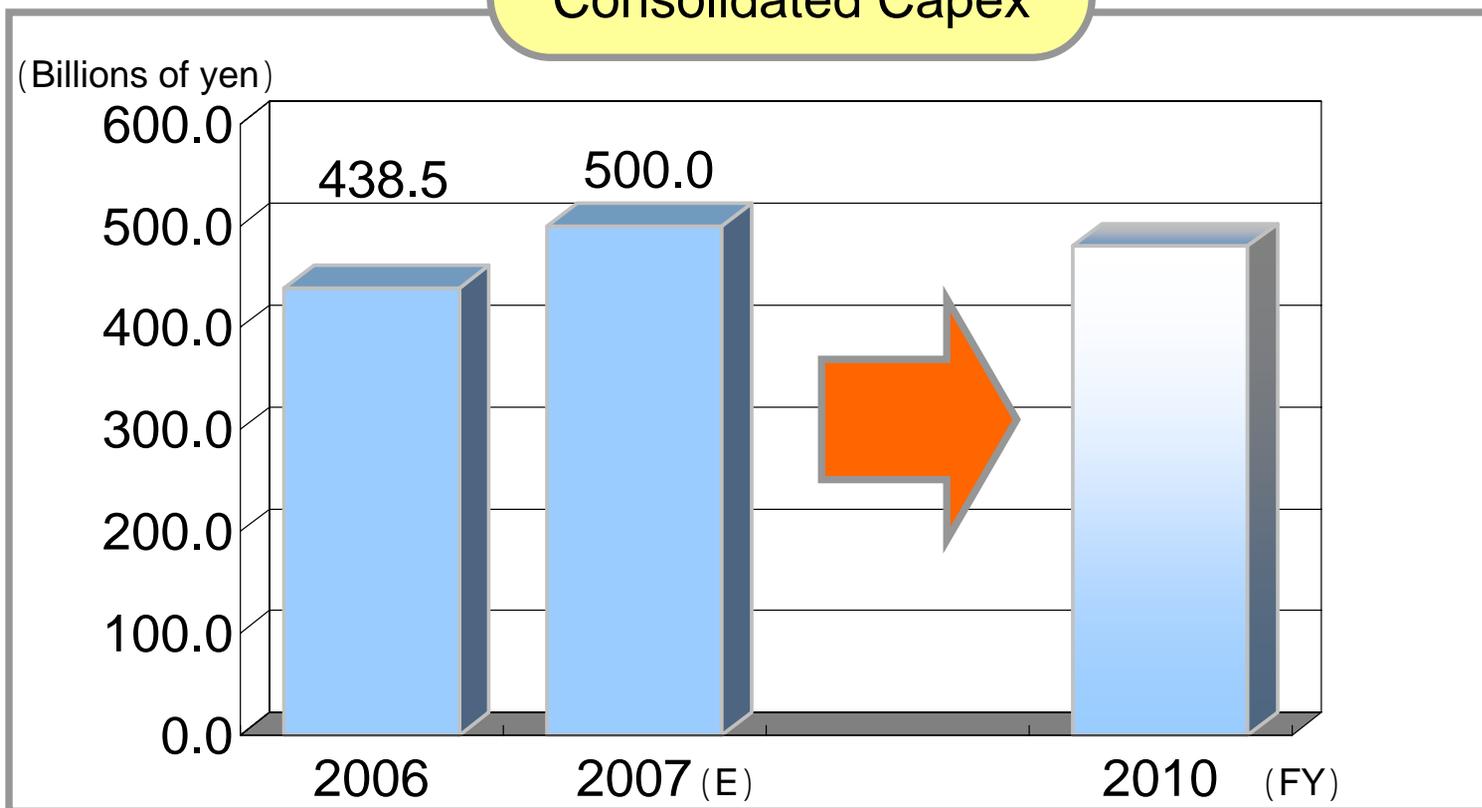
MMD: Multimedia Domain
 NGN: Next Generation Network



Capital Expenditure

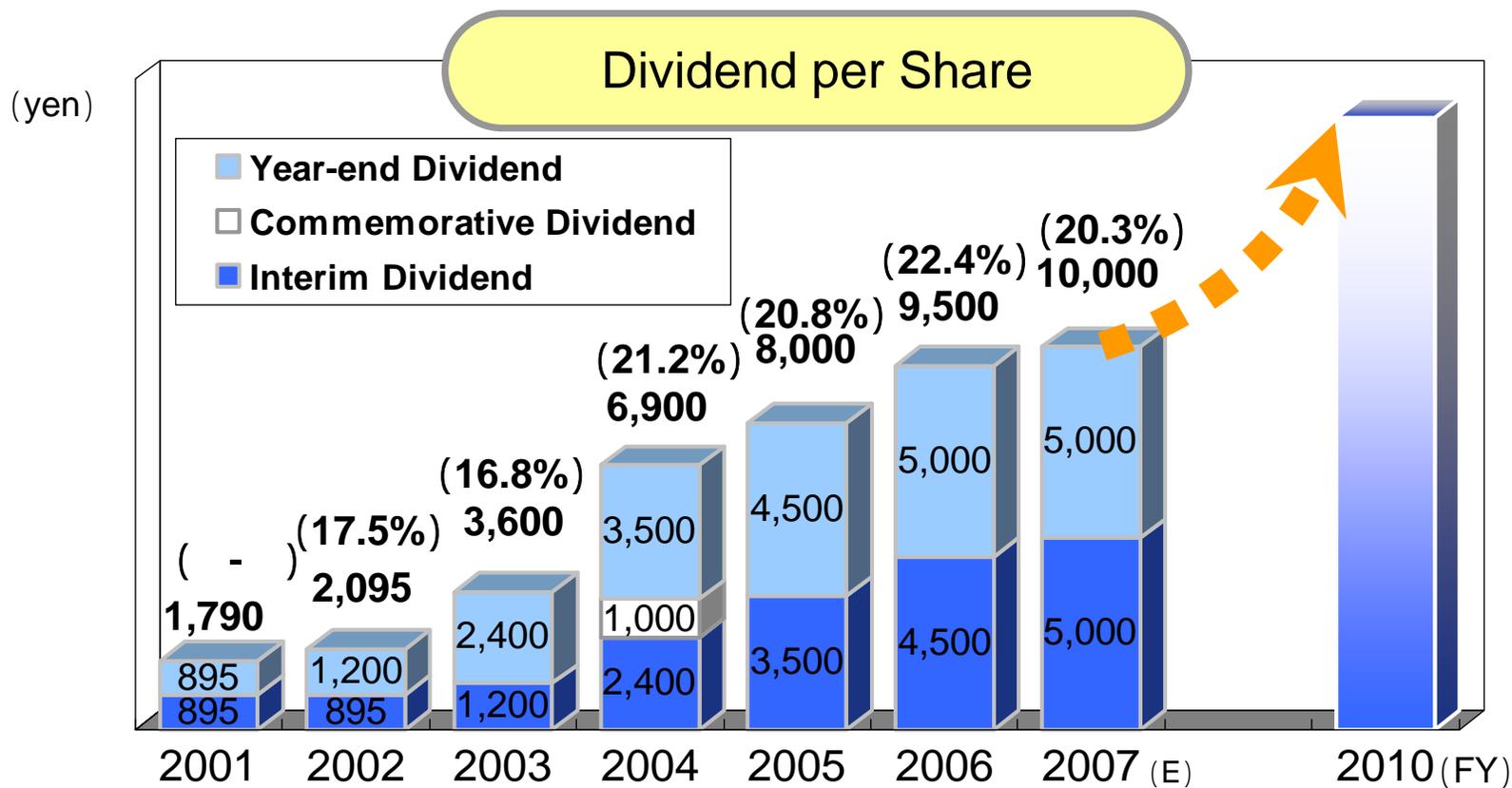
- Prioritize capex for expanding customer base and achieving sustainable growth.

Consolidated Capex



Shareholder Returns

- Maintain stable dividend – aim for consolidated payout ratio of 20% or more, taking investments for sustainable growth into consideration.
- Flexibly implement acquisitions of own shares from the viewpoint of agile capital policy.



Note: () refers to payout ratio, which shows on a company basis until FY2005 and on a consolidated basis in FY2006 and onwards. FY2001 posted net loss, therefore, shown as (-).

~ FY2010

➤ **Improvement of Fair Competition Rules, etc.**

(New Competition Promotion Program 2010)

- Study Group on Mobile Business
(Sales commission, SIM lock release, MVNO)
- Panel on Neutrality of Networks
- Study Group on Future Images of Universal Service Fund System

➤ **Panel on ICT International Competitiveness**

➤ **Study Group on Comprehensive Legal System
Governing Communications and Broadcasting**

As of FY2010

**Address
Organizational Issues on NTT**

“Challenge 2010”

KDDI aims to become an excellent company through simultaneous pursuit of “Quantitative Expansion” and “Qualitative Enhancement.”

