

Ubiquitous Solution Company

KDDI CORPORATION



**Financial Results for the 3rd Quarter
of the Fiscal Year Ending March 2008**

January 25, 2008

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 (1-3Q/9 months ended Dec. 2007)

1 Consolidated basis

- Operating revenues rose by +7.2% yoy and operating income was up +17.4%, as steady Mobile Business (“au”+ Tu-Ka) absorbed loss of Fixed-line Business which is in the middle of a new service expansion.

2 Mobile Business (“au”+ Tu-Ka)

- Operating revenues increased by +6.3% and operating income rose by +22.5% yoy.
- New “au Purchase Program” started (on November 12).
- Net additions of 1.37M in 1-3Q (“au”:1.88M, Tu-Ka: -0.51M), making solid progress towards the March-end target of 30M “au” customers.
- Net additions of 481k (“au”:+502k, Tu-Ka: -21k) in 1-3Q through MNP ^{note 1}.
- No. of “au” WIN subs is steadily increasing, totaling 18.13M at end-December, of which 75% of users sign up for Packet Flat-rate plans.

3 Fixed-line Business

- Operating revenues decreased by 0.4% yoy (though sales outside the group increased by +3.0%) and operating loss was ¥47.8B.
- No. of Metal-plus ^{note 2} subs rose to 3.27M and no. of HIKARI-one (FTTH) subs increased to 0.7M at end-December.

1.2. Full-year Outlook for FY 2008.3

Previous	Latest Forecast (Change)
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1 Due to a steady growth in Mobile Business, revise up both consolidated operating revenues & income from the initial forecast.

➤ Operating revenues	: ¥3,500.0B	¥3,580.0B (+ ¥80.0B)
Operating income	: ¥390.0B	¥414.0B (+ ¥24.0B)
- Mobile Business	: ¥438.0B	¥468.0B (+ ¥30.0B)
- Fixed-line Business	: ¥ 56.0B	¥ 64.0B (¥ 8.0B)

➤ Key performance index

- “au” ARPU	: ¥6,150	¥6,240 (+ ¥90)
- “au” total subs	: 30.00M	30.00M (- M)
- “au” churn rate	: 1.04%	1.00% (0.04pts.)
- “au” handset no. of unit sold	: 15.70M	15.70M (- M)
- Metal-plus subs	: 3.20M	3.27M (+ 0.07M)
- HIKARI-one (FTTH) total subs	: 0.90M	0.73M (0.17M)

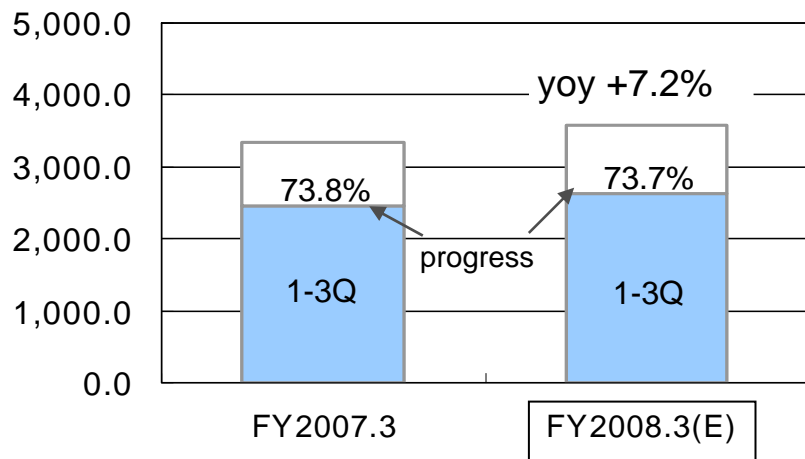
2 Factor in an extraordinary loss including removal costs of Tu-Ka equipment, etc. (¥12.0B) and an impairment loss of domestic network from a drop in capacity utilization, etc. (¥20.0B), resulting in no change to net income at ¥220.0B.

3 Forecast capex at ¥520.0B (+¥20.0B) due to increased investment for “au”.

2. Consolidated Financial Results

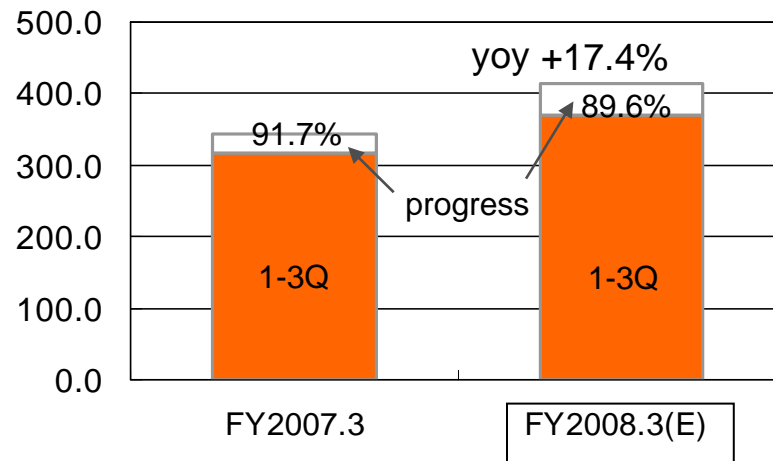
Operating revenues

(Billions of yen)



Operating income

(Billions of yen)

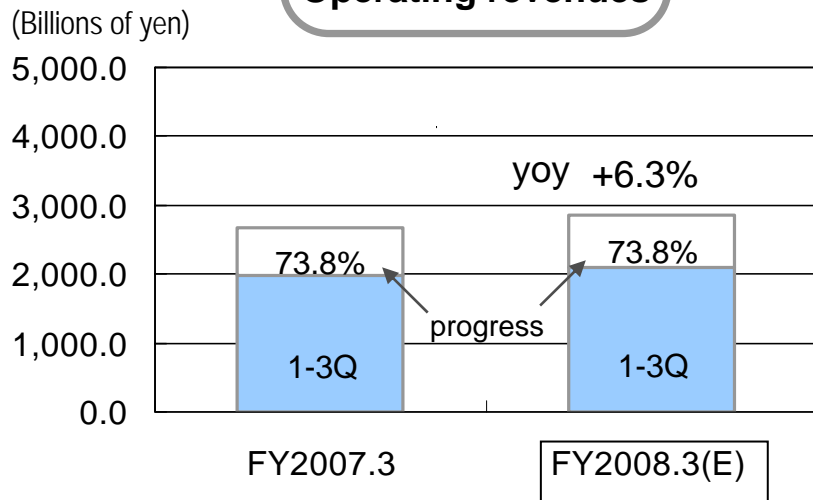


(Billions of yen)

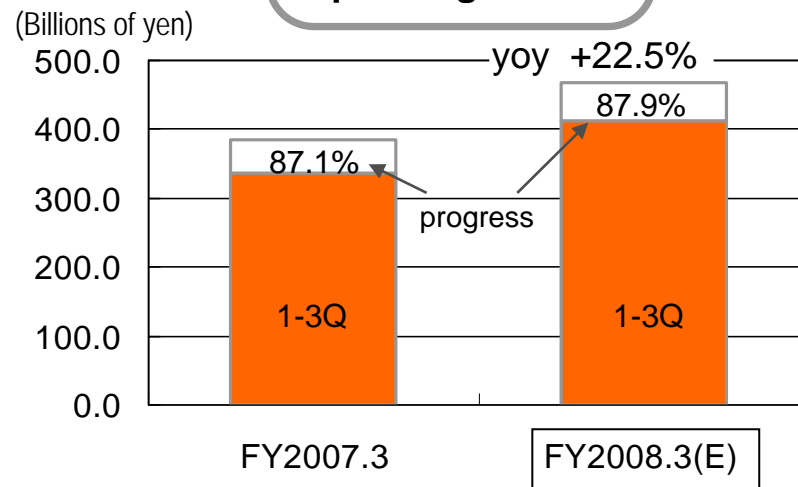
	FY2007.3		FY2008.3(E)				FY2008.3
	1-3Q		1-3Q	yoy	progress	Latest F	Previous F
Operating revenues	2,462.5	3,335.3	2,638.7	7.2%	73.7%	3,580.0	3,500.0
Operating income	316.1	344.7	371.0	17.4%	89.6%	414.0	390.0
<i>Operating margin</i>	12.8%	10.3%	14.1%	-	-	11.6%	11.1%
Ordinary income	319.6	350.9	375.5	17.5%	89.4%	420.0	390.0
Net income	191.0	186.7	214.8	12.4%	97.6%	220.0	220.0
Free Cash Flow	227.4	296.5	94.6	-	-	-28.0	2.0
EBITDA	564.2	691.7	639.9	13.4%	81.6%	784.0	770.0
<i>EBITDA margin</i>	22.9%	20.7%	24.3%	-	-	21.9%	22.0%

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

Operating revenues



Operating income



(Billions of yen)

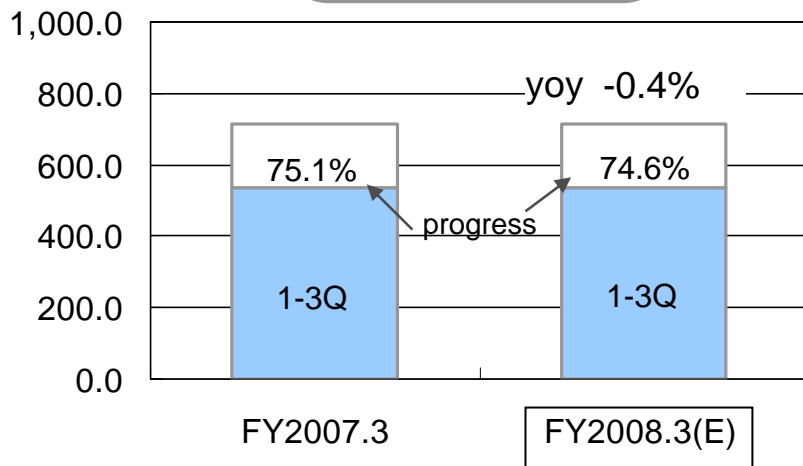
	FY2007.3		FY2008.3(E)				FY2008.3 Previous F
	1-3Q		1-3Q	yoy	progress	Latest F	
Operating revenues	1,976.0	2,677.4	2,100.4	6.3%	73.8%	2,846.0	2,763.0
"au"	1,916.8	2,610.6	2,090.3	9.1%	73.7%	2,835.7	2,756.0
Tu-Ka	59.2	66.8	10.1	-83.0%	97.7%	10.3	7.0
Operating income	335.9	385.7	411.4	22.5%	87.9%	468.0	438.0
<i>Operating margin</i>	17.0%	14.4%	19.6%	-	-	16.4%	15.9%
Ordinary income	339.3	393.5	417.2	23.0%	87.5%	477.0	443.0
Net income	199.4	209.5	242.4	21.6%	89.8%	270.0	253.0
Free Cash Flow	217.9	294.8	154.0	-	-	73.0	126.0
EBITDA	487.6	598.1	584.2	19.8%	82.7%	706.0	681.0
<i>EBITDA margin</i>	24.7%	22.3%	27.8%	-	-	24.8%	24.6%

	FY2007.3		FY2008.3(E)		FY2008.3 Previous F
	(^{'000})	3Q	3Q	Latest F	
Total Subs	27,226	28,188	29,555	30,250	30,000
of module-type	658	699	801	810	740
"au" total	25,798	27,317	29,196	30,000	30,000
WIN(EV-DO)	12,520	14,549	18,126	19,000	18,750
1X	12,622	12,170	10,613	-	-
cdmaOne	656	597	456	-	-
Tu-Ka(PDC)	1,428	872	359	250	0

4. Fixed-line Business

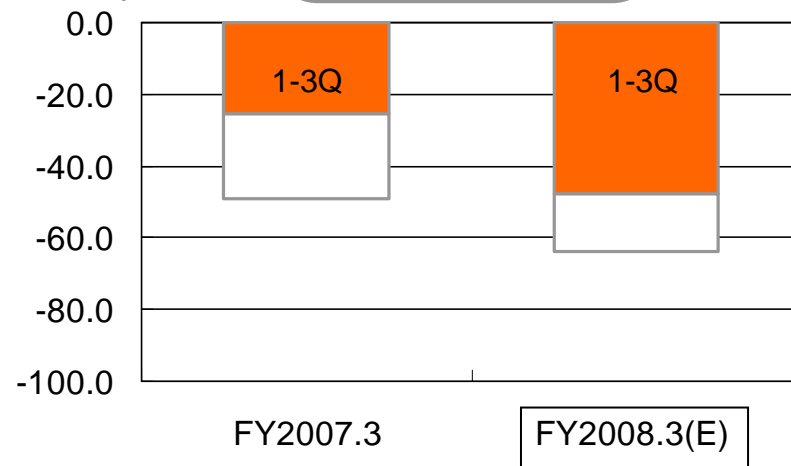
Operating revenues

(Billions of yen)



Operating income

(Billions of yen)



* yoy comparison are not available as figures are negative.

(Billions of yen)

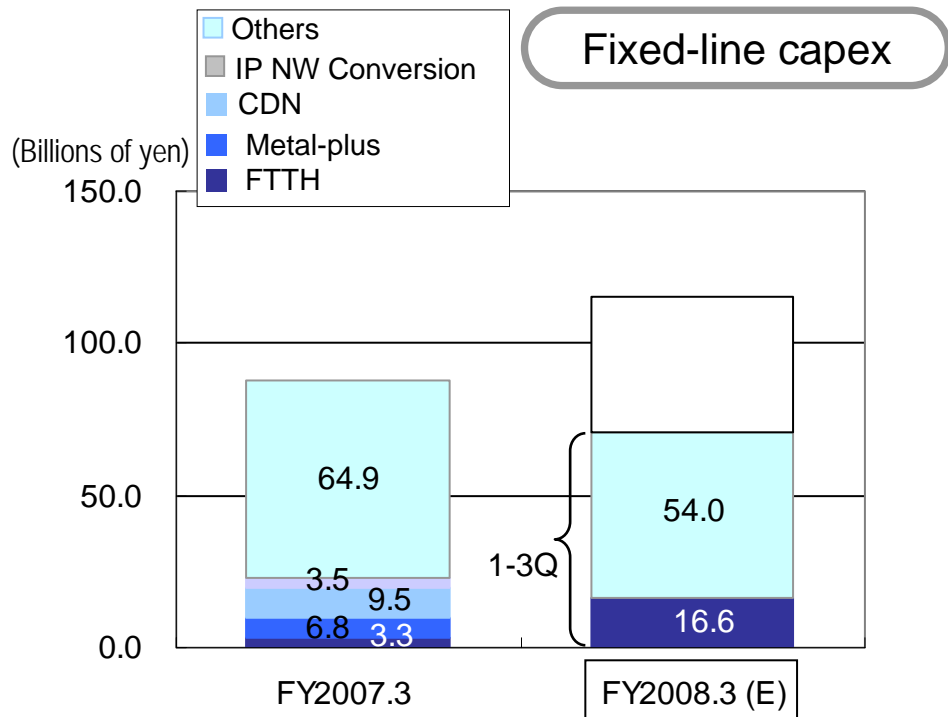
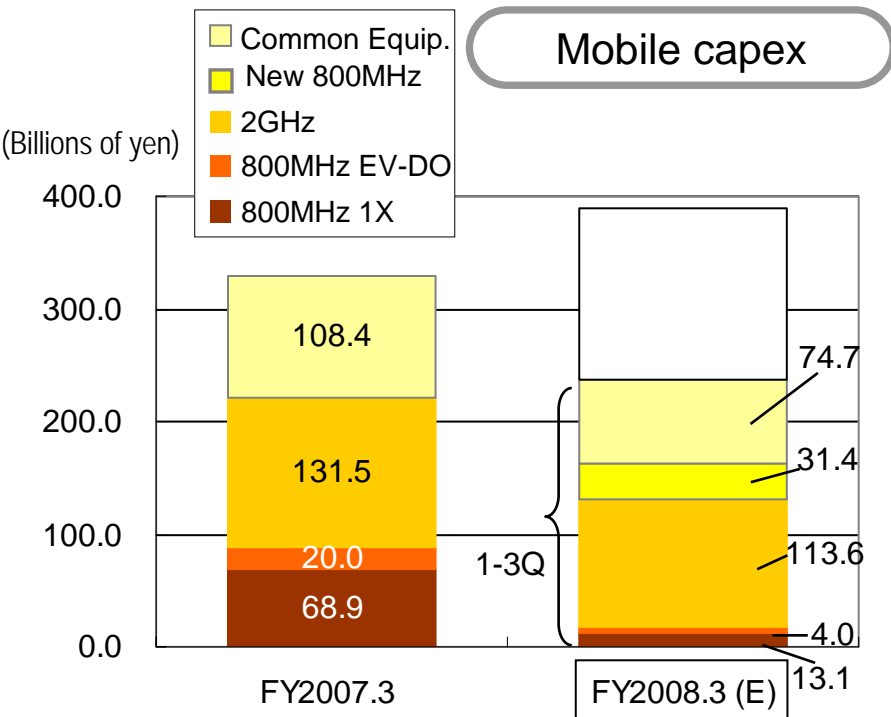
	FY2007.3		FY2008.3(E)				FY2008.3 Previous F
	1-3Q	Latest F	1-3Q	yoy	progress	Latest F	
Operating revenues	536.4	714.4	534.3	-0.4%	74.6%	716.0	733.0
Operating income	-25.5	-49.0	-47.8	-	-	-64.0	-56.0
Operating margin	-4.8%	-6.9%	-8.9%	-	-	-8.9%	-7.6%
Ordinary income	-25.4	-47.2	-47.4	-	-	-65.0	-60.0
Net income	-12.8	-23.4	-30.0	-	-	-53.0	-35.0
Free Cash Flow	17.4	6.3	-26.6	-	-	-62.0	-95.0
EBITDA	68.0	80.9	42.7	-37.2%	72.4%	59.0	73.0
EBITDA margin	12.7%	11.3%	8.0%	-	-	8.2%	10.0%

Subs	('000)	FY2007.3		FY2008.3(E)		FY2008.3 Previous F
		3Q	Latest F	3Q	Latest F	
ADSL		1,531	1,512	1,437	1,400	1,500
HIKARI-one (FTTH)		216	592 ^{Note1}	698	730	900
Metal-plus ^{Note 2}		2,607	2,813	3,271	3,270	3,200

Note 1 : HIKARI-one (FTTH) subs include former TEPCO Hikari subs from March 2007.

Note 2 : Including ADSL one (ADSL used over Metal-plus).

5. Capital Expenditures



Note: Items other than FTTH are included in "Others" in FY2008.3.

		FY2007.3		FY2008.3 (E)				FY2008.3 Previous F
		1-3Q		1-3Q	yoy	progress	Latest F	
CAPEX (Cash basis)	Consolidated	296.6	438.5	318.3	7.3%	61.2%	520.0	500.0
	Mobile	217.8	328.9	236.7	8.7%	60.7%	390.0	370.0
	Fixed-line	64.1	88.0	70.6	10.1%	61.4%	115.0	117.0

Segment Discussions

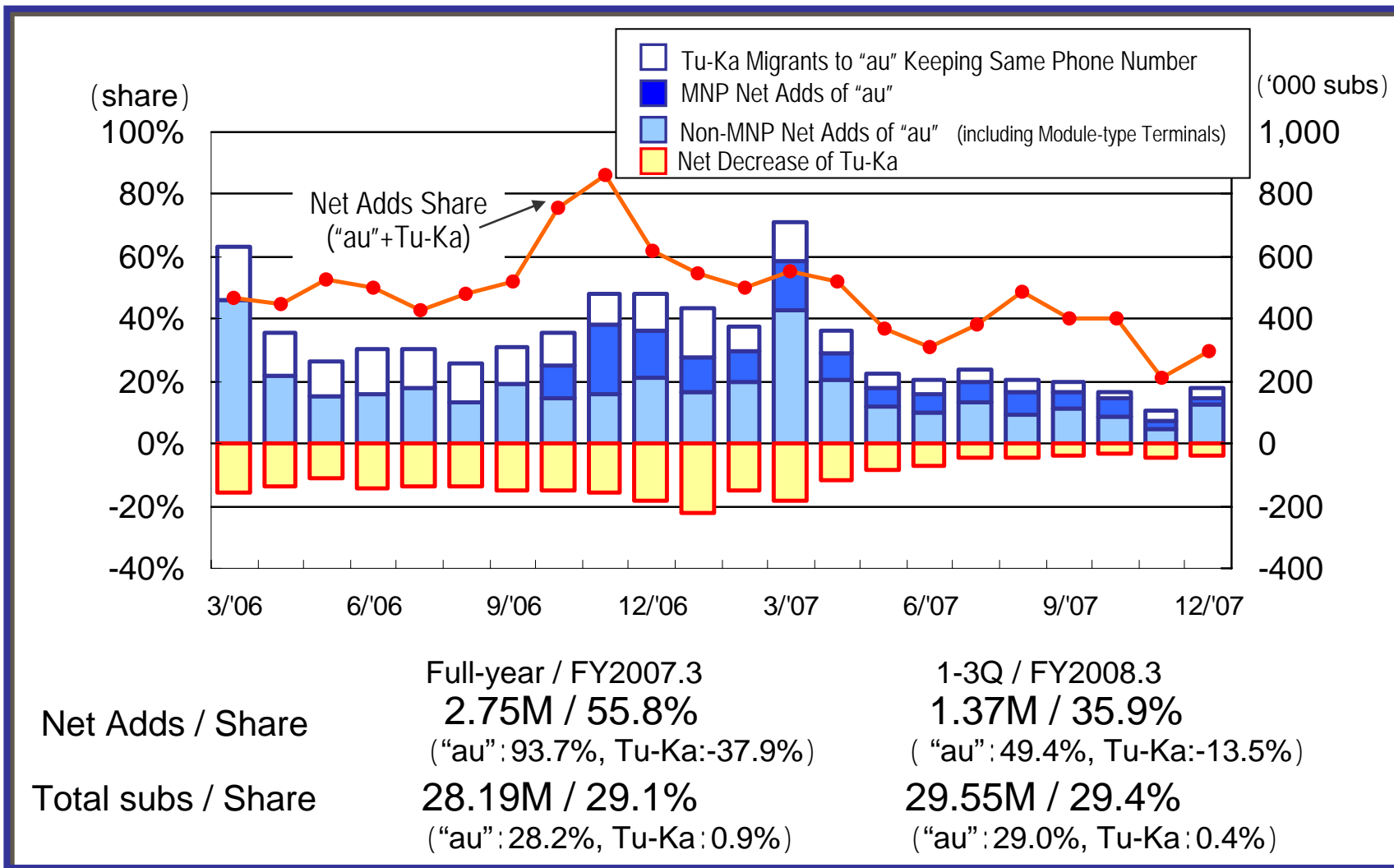
Mobile Business
"au" / Tu-Ka (PDC)

Fixed-line Business

Other Topics

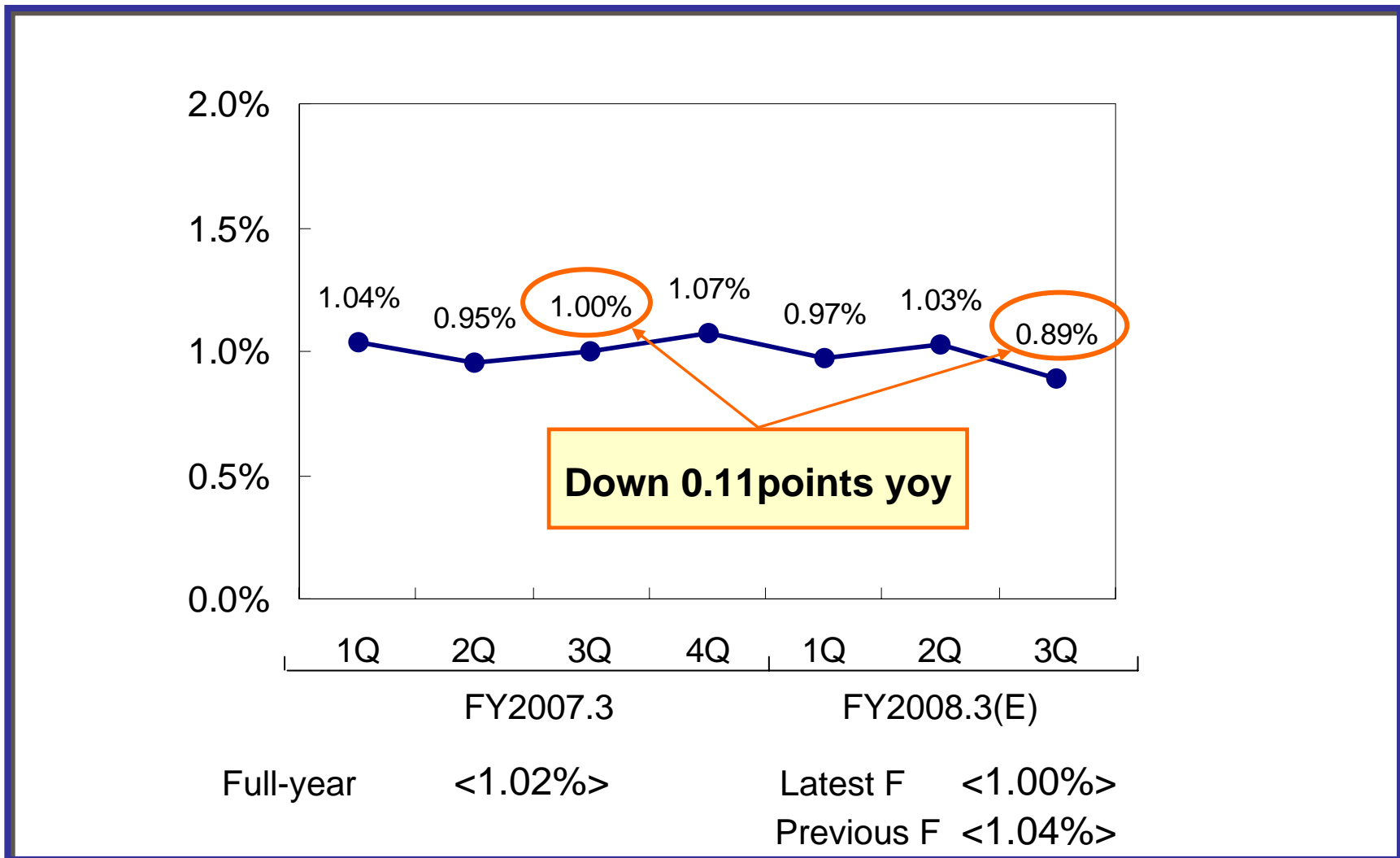
1.1. Net Additions of KDDI("au" + Tu-Ka)

Net additions of 1.37M in 1-3Q, making solid progress towards the March-end target of 30M "au" customers.



1.2. "au" Churn Rate

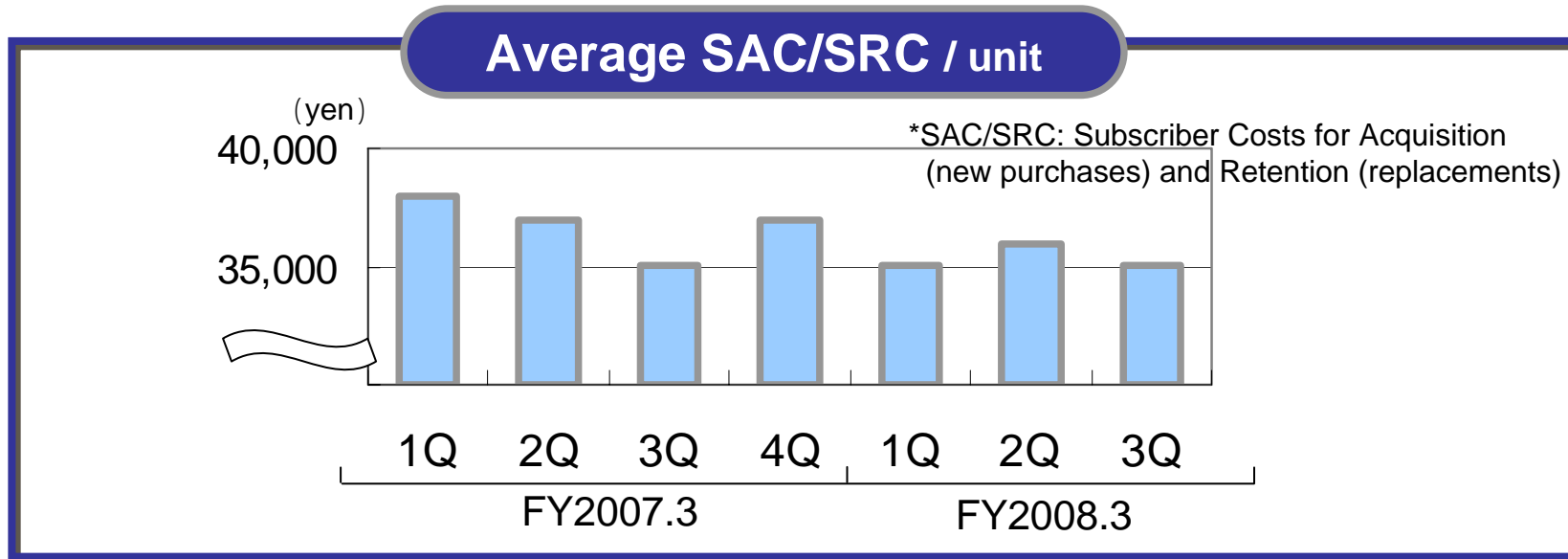
Churn rate in 3Q was 0.89%, down 0.11points yoy.



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

1.3. "au" SAC/SRC

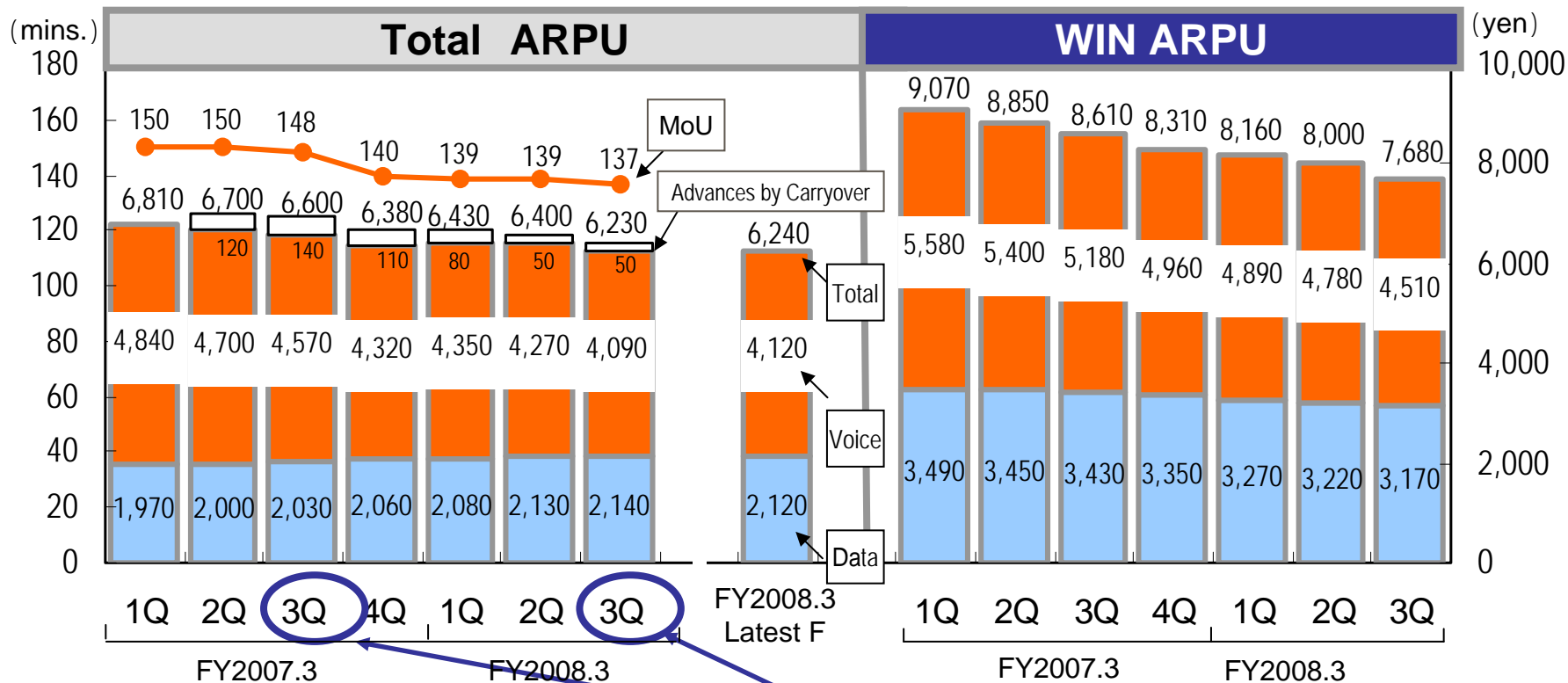
SAC/SRC in 3Q was ¥35,000, which was lower than in 2Q.



	FY2007.3				FY2008.3(E)				FY2008.3
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	Latest F	Previous F
Total SAC/SRC (Billions of yen)	124.0	129.0	145.0	170.0	124.0	149.0	130.0	565.0	565.0
Average SAC/SRC / unit (yen)	38,000	37,000	35,000	37,000	35,000	36,000	35,000	36,000	36,000
Number of units sold ('000 units)	3,270	3,520	4,110	4,650	3,530	4,080	3,700	15,700	15,700

1.4. Trend of "au" ARPU

Rise in the percentage of high-ARPU WIN subs is supporting overall ARPU.



Full-year	FY2007.3	FY2008.3(E)	
		Previous F	Latest F
Total ARPU	¥6,610	¥6,150	¥6,240
of Voice	¥4,590	¥4,100	¥4,120
of Data	¥2,020	¥2,050	¥2,120

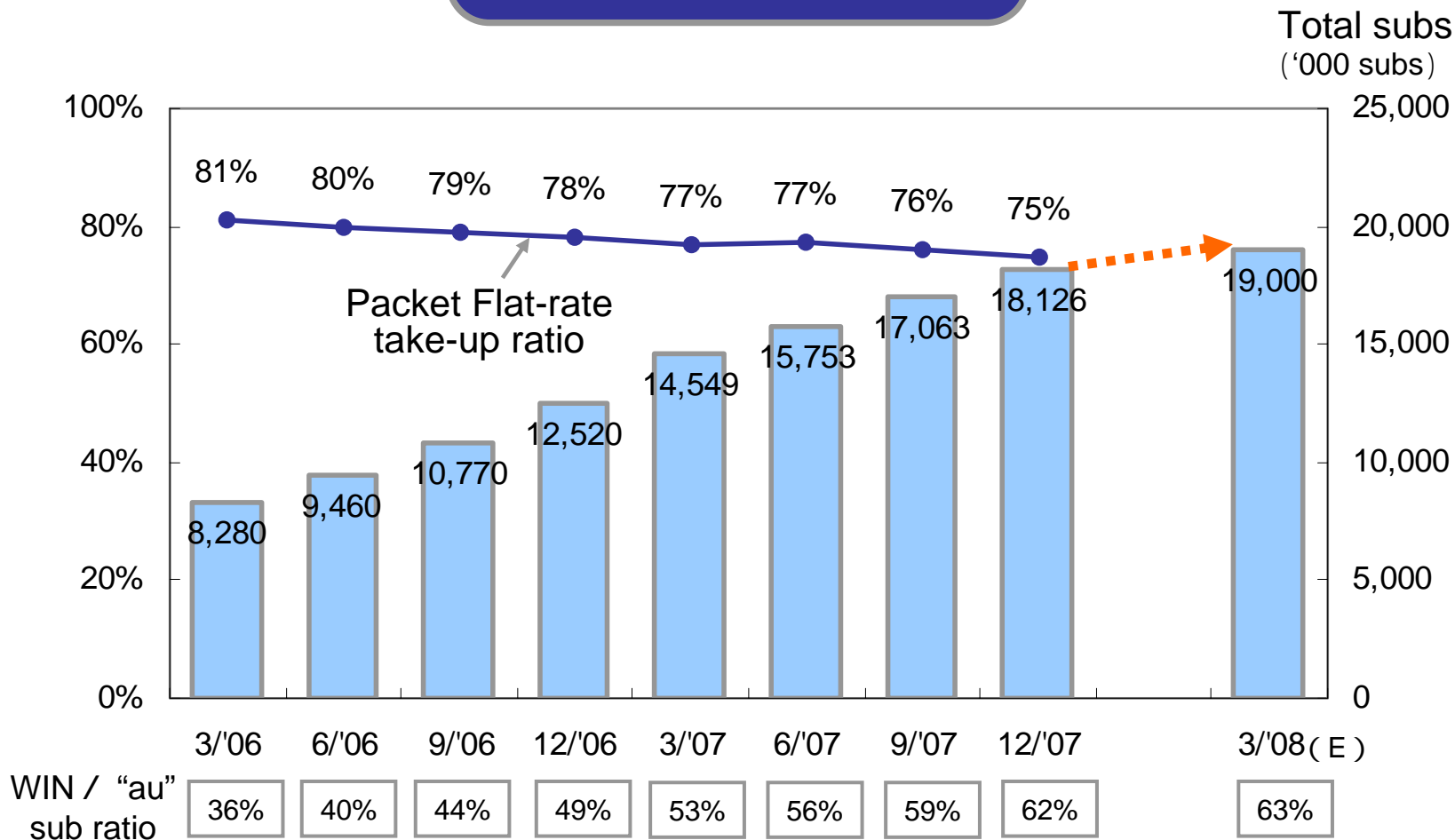
yoy change	
Total ARPU	¥370 (5.6%)
of Voice	¥480 (10.5%)
of Data	+ ¥110 (+ 5.4%)

1.5. Update on WIN



62% of "au" users are with WIN at end-December, of which as high as 75% of customers sign up for Packet Flat-rate plans.

Growth of WIN Subs

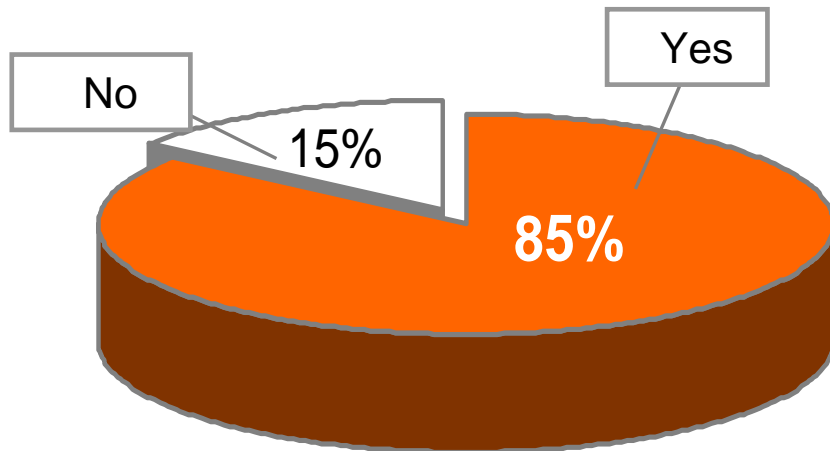


2. au Purchase Program - Initial Situation (1)

The new "au Purchase Program" started on November 12. As it is only one and a half months since its launch, it is still too early for evaluation, but during this initial period more than 90% of customers have chosen the Full Support Course.

A high percentage of customers (over 80%) also chose the optional "Keitai Guarantee Service" (¥315/month tax incl.), creating a new source of revenue.

Subscription of **安心ケータイサポート**
 "Keitai Guarantee Service"

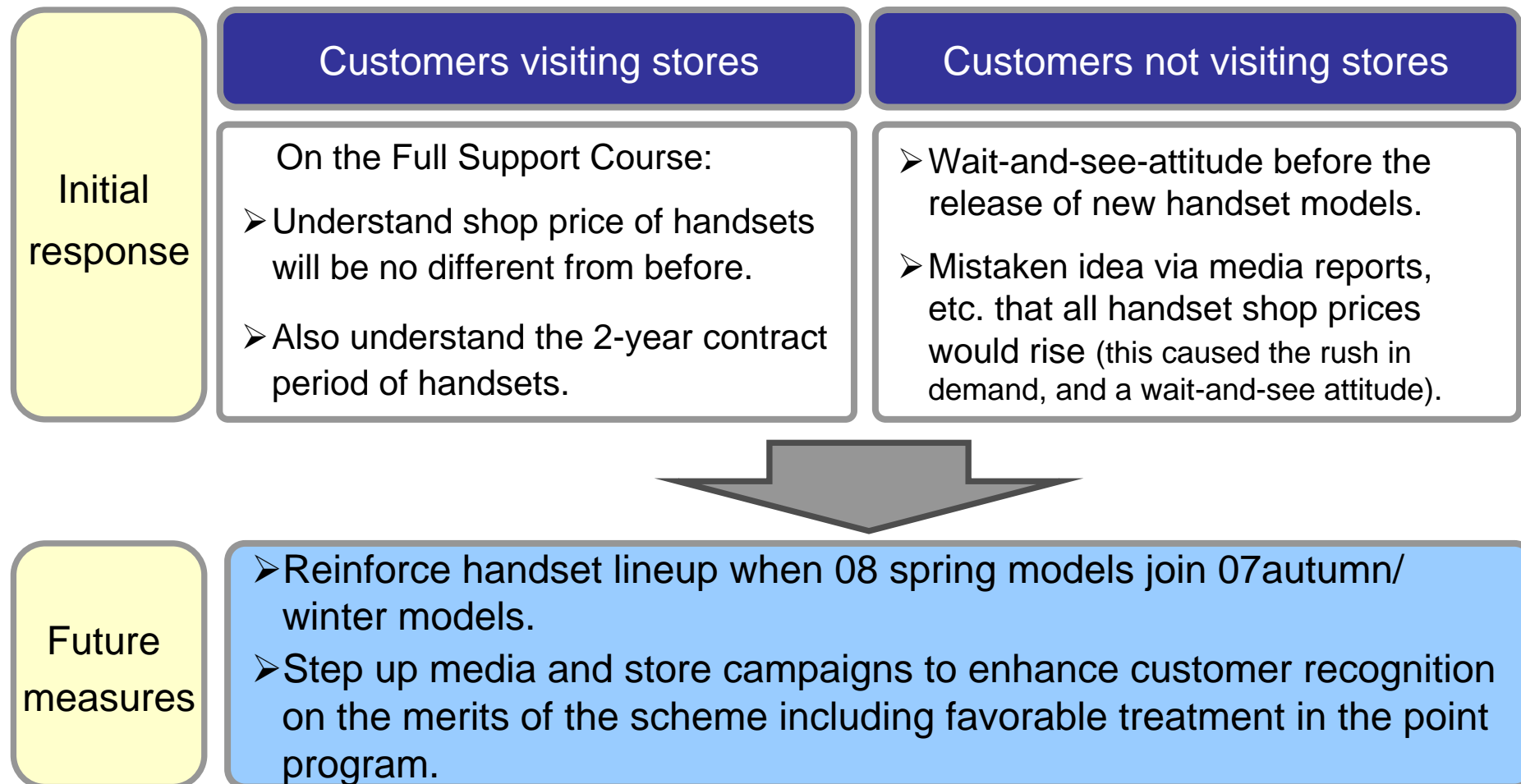


- 5 Year Warranty
- Repair Cost Discount
- Refurbishing Service for Water Damage or Total Loss
- Security Service for Loss or Theft
- Free Battery Pack Replacement
- Point Refund for No Claims

Note: Contract ratio to the total subs of the Full Support Course and Simple Course during 2007.11.12 —12.31

Ref. : The Full Support Course (New scheme based on incentive model) is suitable for those customers who wish to keep the initial cost of their handset purchase low, while the Simple Course (Separation model without subsidy) is for customers who consider a lower monthly bill is more important than upgrading a handset.

After start of "au Purchase Program", KDDI observed both customers waiting for the release of new handset models and an adverse reaction to the rush in demand, resulting in a slight decline in the no. of customers visiting stores. KDDI will strengthen handset lineup and promote customer awareness of the scheme toward the fiscal-year-end selling season.

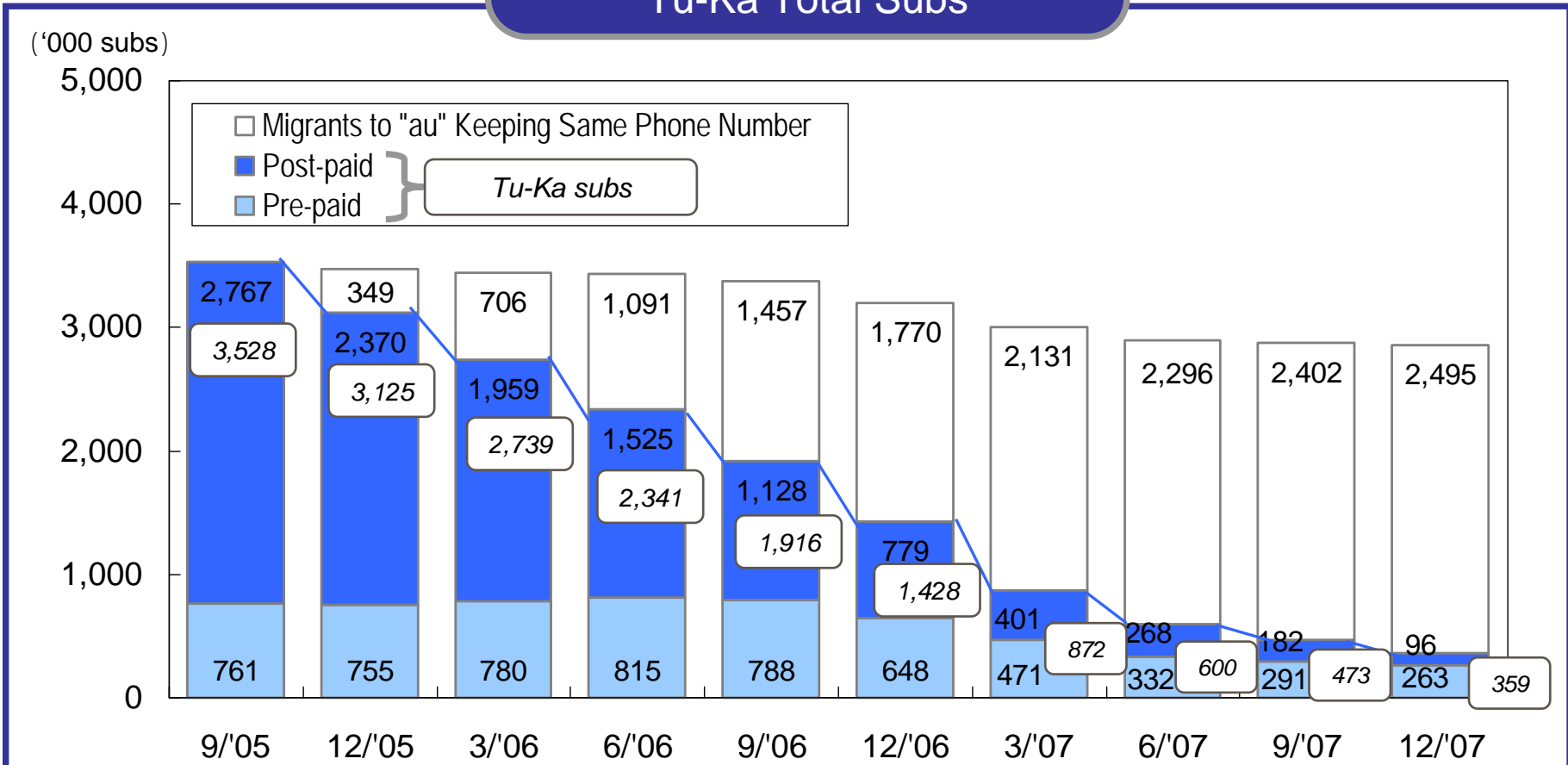


3. Termination of Tu-Ka Service

Tu-Ka customers who switched to “au” were 0.36M in 1-3Q, making aggregate total of 2.50M (since October 2005).

Reinforce marketing efforts by home visit or telephone to mainly post-paid customers to ensure understanding about their migration to “au” and service termination toward the planned closure at end-March 2008.

Tu-Ka Total Subs

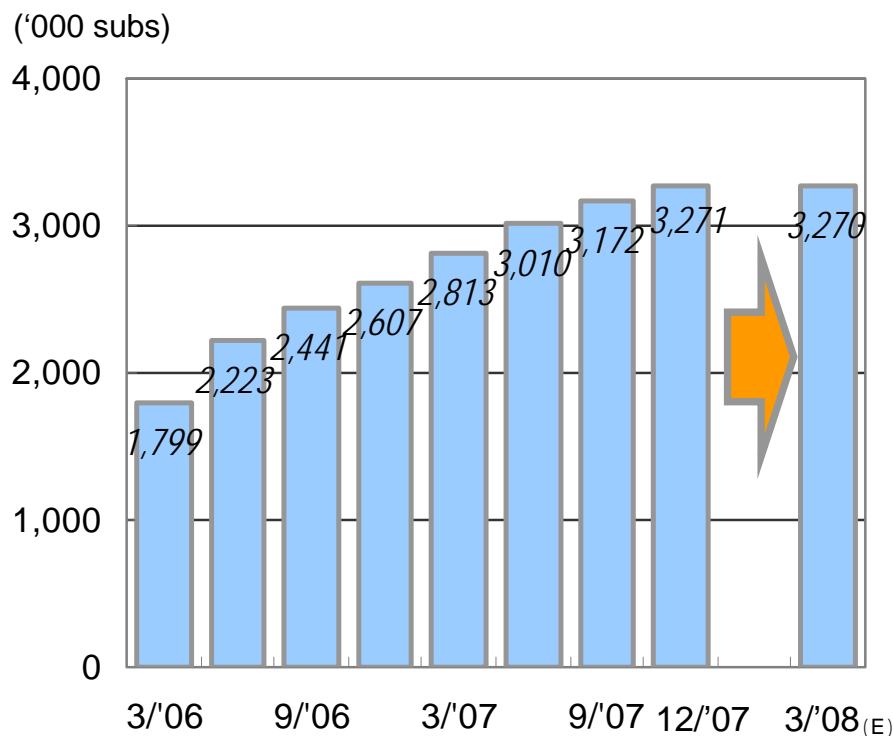


1. Metal-plus / HIKARI-one (FTTH)

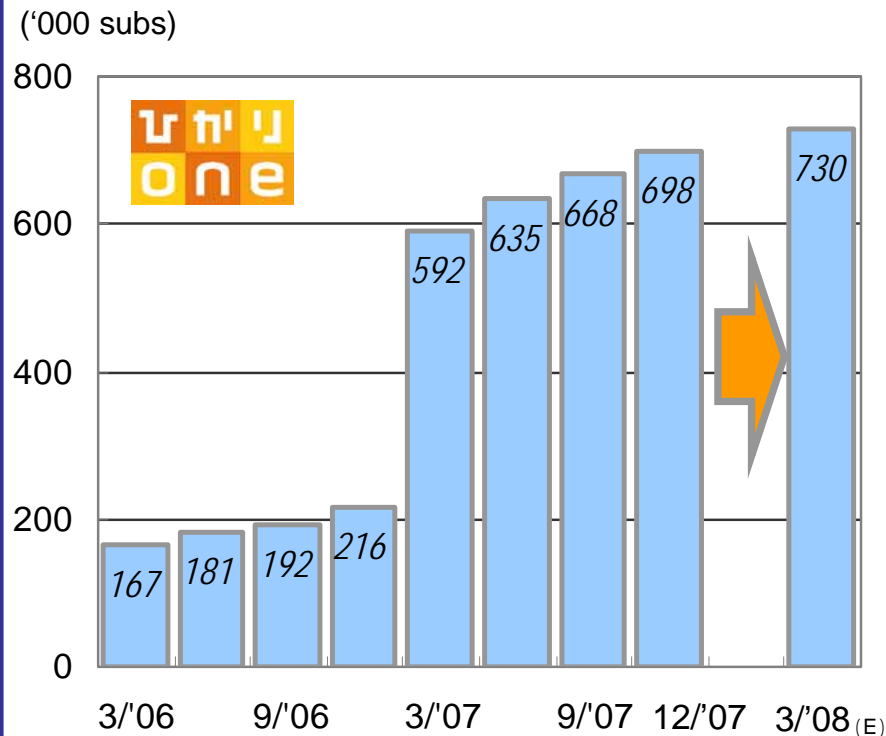
No. of Metal-plus subs rose to 3.27M at end-December.

No. of HIKARI-one (FTTH) subs increased to 0.7M at end-December.

Metal-plus Subs (Note)



HIKARI-one Subs

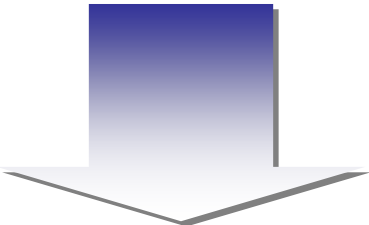
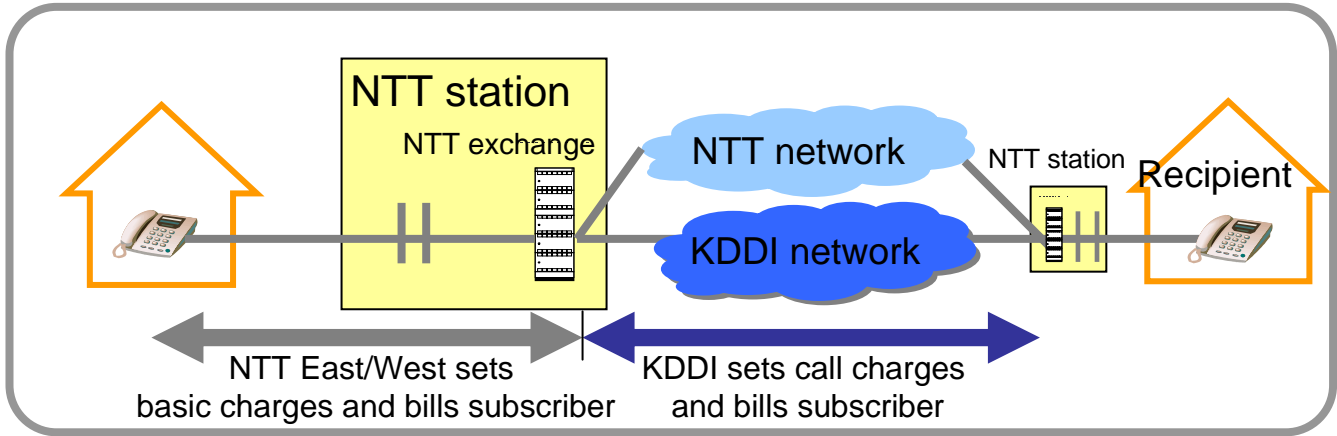


Note: Including ADSL one.

2. Cable-plus Phone

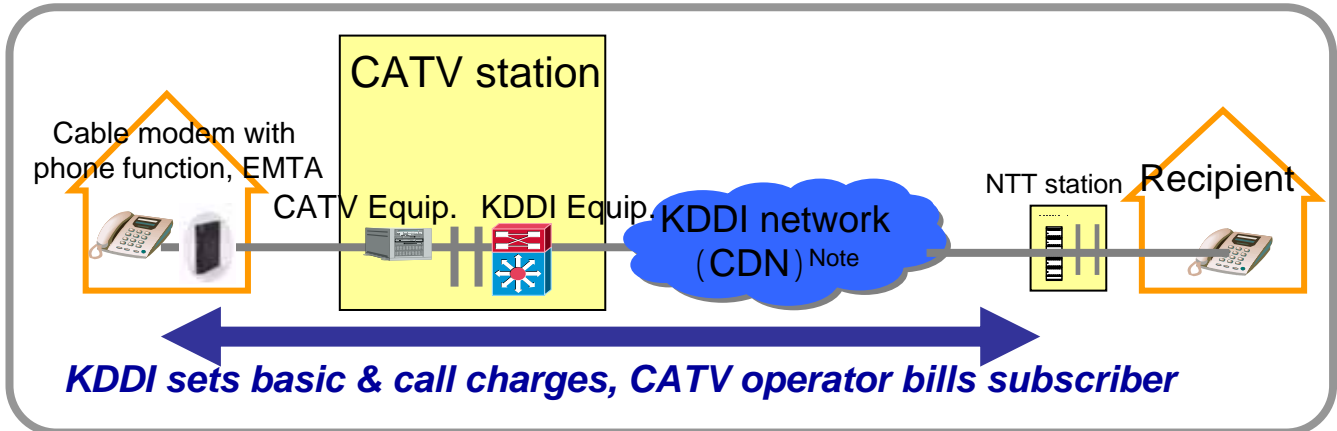
KDDI provides Cable-plus phone to support the triple play service of CATV operators. As of end-December, 38 stations with 0.22M subs are supported including 14 JCN group companies.

Existing system
 for phone service
 (MYLINE)



Using cable of CATV operator (coaxial cable)

Cable-plus
 phone system



Note: CDN: Contents Delivery Network

Wireless Broadband Planning K.K. (WBB) successfully received approval from the MIC ^{note} on December 21 for its plan to set up base stations for the 2.5GHz frequency band.

Business Plan

- | | |
|------------------------------|---------------------------------|
| ■ Scheduled start of service | Trial service: Feb. 2009 |
| | Commercial service: Summer 2009 |

- Expand coverage area 90% pop. coverage by end-March 2013
- Estimated subs Approx. 5.60M (end-March 2014)
- Estimated sales Approx. ¥145.0B (fiscal year March 2014)
- Capital expenditures Approx. ¥144.0B (up to end-March 2014)
- Business target Achieve annual profit in 4th fiscal year

Note: MIC: Ministry of Internal Affairs and Communications

