



Ubiquitous Solution Company

KDDI CORPORATION

Financial Results for the 1st Half of
the Fiscal Year Ending March 2009

October 22, 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. 1H/FY2009.3 Financial Results Highlights

1 Consolidated basis

- Operating revenues increased by +0.8% and operating income up +5.3% yoy.
On-track performance: 59.3% of full-year's operating income forecast.

2 Mobile Business

- Although operating revenues declined 1.5%, operating income increased +5.3% yoy.
- No. of "au" subs at end-Sep. was 30.45M with a cumulative share at 29.0%.
- From Jun. 10, "Simple course" of "au Purchase Program" was expanded to include new simple price plans and installment payments for handset purchases.

3 Fixed-line Business

- Operating revenues up +19.3%, impacted partly by changes to segment's scope.
Operating loss was ¥25.2B.
- At end-Sep., No. of fixed access lines was 5.18M. ^{Note1}

- The "au Collective Talk" ^{Note2} service launched on Aug.1, 2008, enabling domestic calls free of charge between au mobile phone and "au home phone" users 24 hours a day.
- Jibun Bank Corporation started client service on Jul. 17 with the number of new accounts growing steadily.

Note1: FTTH, direct-revenue telephony (Metal-plus, Cable-plus phone) and CATV and the number excludes crossover subs.

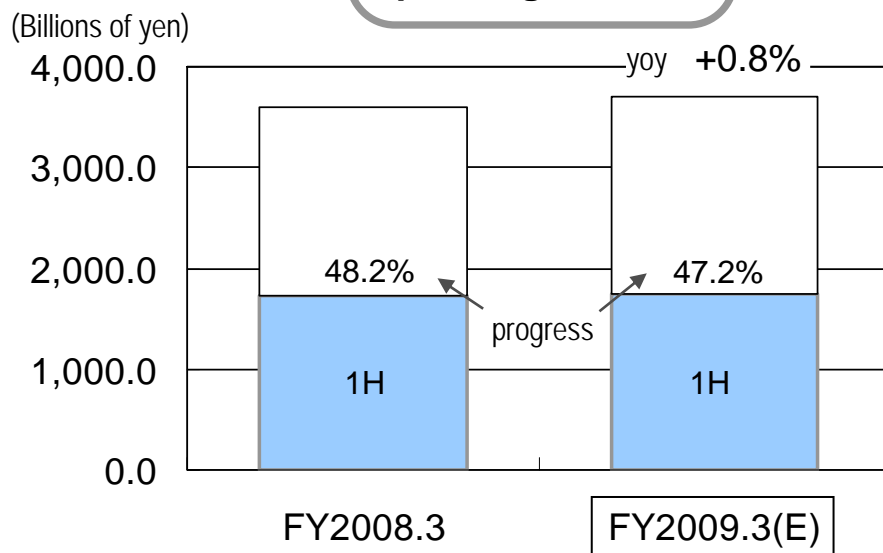
Note2: Refer to p. 22.

1.2. 2H/FY2009.3 - Challenges

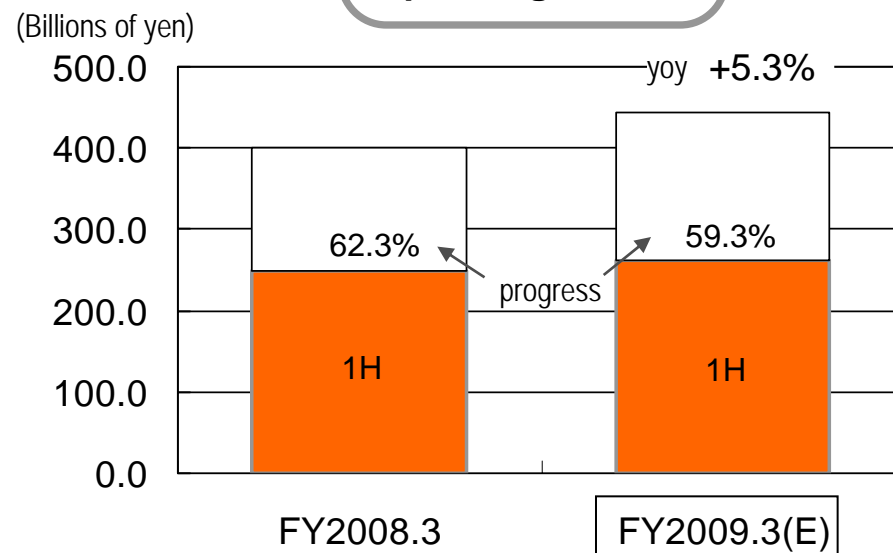
- 1** Address customer satisfaction No. 1 in every service in the second year of “Challenge 2010”, aiming at sustainable growth.
 - Strengthen the existing business base and expand business domain to realize a mid-term system for increasing both sales and income.
- 2** Mobile Business
 - Strengthen product and sales capabilities through the timely launch of "distinctly KDDI" handsets and services as well as market activation measures amid declining unit sales of handsets under a new sales model.
 - For corporate customers: Reinforce mobile solutions for large corporations and sales promotion for small business.
- 3** Fixed-line Business
 - Secure stable profitability of Metal-plus and enhance FTTH product capabilities.
 - For consumers: Further extend fixed access line base beyond 5.00M.
 - For corporate customers: Establish system for offering one-stop ICT^{Note1} solutions that include fixed-line/mobile and global services.
- 4**
 - Maintain and expand customer base developed through FMBC^{Note2} services.
 - Support UQ Communications Inc. for the launch of mobile WiMAX service in 2009.
 - Plan to buy back 4 buildings (located in Tokyo, etc.) at ¥206.85B upon expiration of securitized period at end-Oct.

2. Consolidated Financial Results

Operating revenues



Operating income



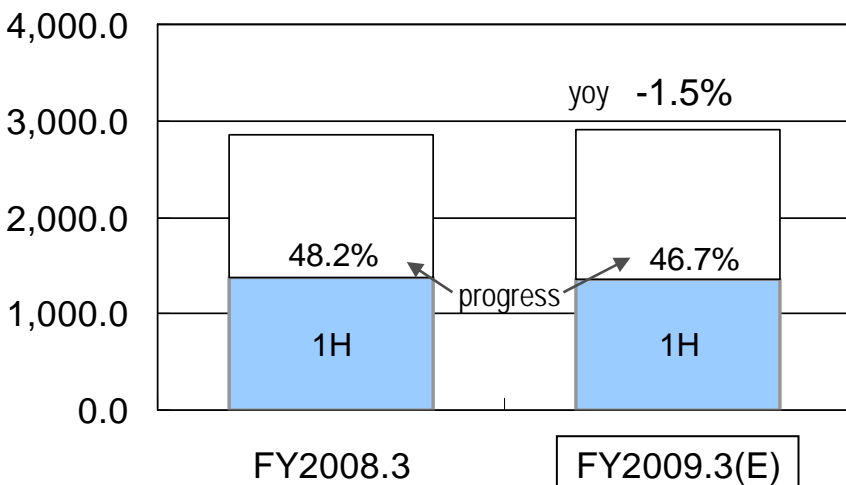
	FY2008.3		FY2009.3(E)				FY2009.3
	1H		1H	yoy	progress	Latest F	Previous F
Operating revenues	1,734.3	3,596.3	1,747.3	+0.8%	47.2%	3,700.0	3,700.0
Operating income	249.6	400.5	262.9	+5.3%	59.3%	443.0	443.0
Operating margin	14.4%	11.1%	15.0%	-	-	12.0%	12.0%
Ordinary income	252.4	407.9	262.2	+3.9%	59.6%	440.0	440.0
Net income	145.7	217.8	151.1	+3.7%	60.4%	250.0	250.0
Free Cash Flow	59.8	-12.5	-6.1	-	-	Note -224.0	-17.0
EBITDA	424.7	769.2	467.5	+10.1%	53.1%	881.0	881.0
EBITDA margin	24.5%	21.4%	26.8%	-	-	23.8%	23.8%

Note: Including impact of a planned buy-back of real estate upon expiration of securitized period.

3. Mobile Business

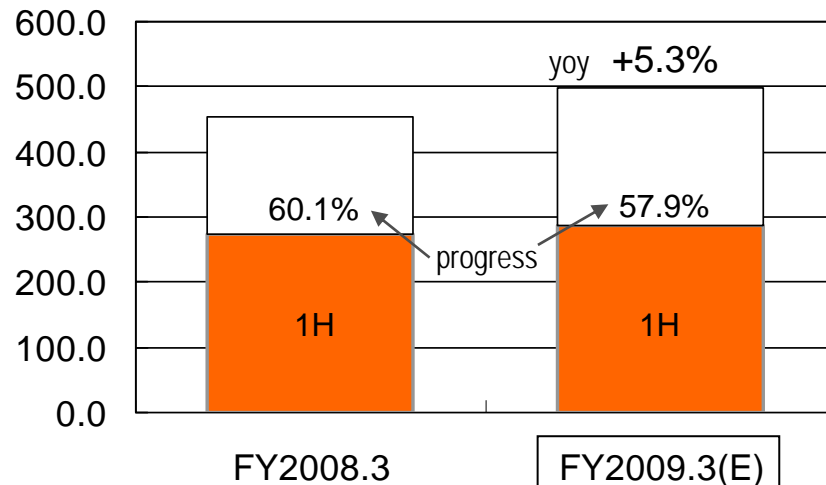
Operating revenues

(Billions of yen)



Operating income

(Billions of yen)



(Billions of yen)

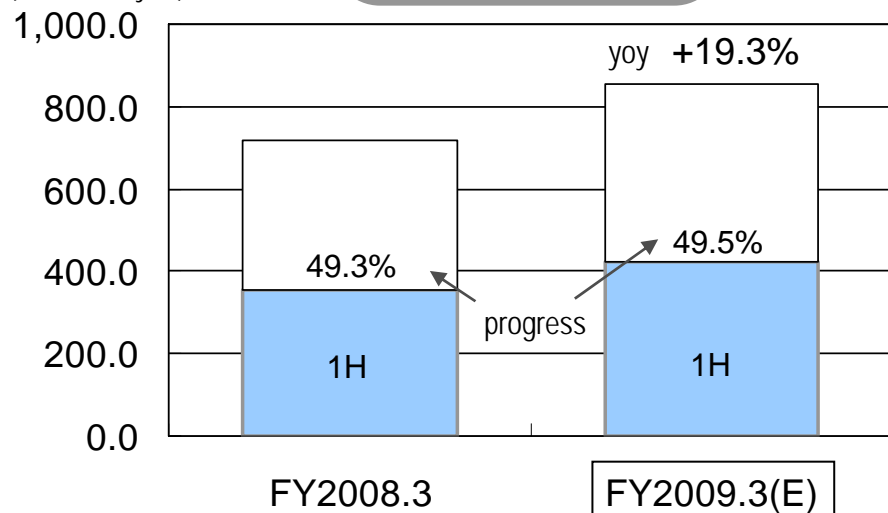
	FY2008.3		FY2009.3(E)			
	1H		1H	yoy	progress	
Operating revenues	1,381.2	2,862.6	1,360.7	-1.5%	46.7%	2,911.0
"au"	1,373.1	2,851.7	1,360.7	-0.9%	46.7%	2,911.0
Tu-Ka	8.1	10.9	-	-	-	-
Operating income	273.3	455.0	287.9	+5.3%	57.9%	497.0
Operating margin	19.8%	15.9%	21.2%	-	-	17.1%
Ordinary income	276.7	463.5	291.9	+5.5%	58.0%	503.0
Net income	160.0	266.5	171.6	+7.2%	58.8%	292.0
Free Cash Flow	94.4	82.4	55.9	-	-	127.0
EBITDA	386.8	692.2	425.8	+10.1%	53.6%	794.0
EBITDA margin	28.0%	24.2%	31.3%	-	-	27.3%

	FY2008.3		FY2009.3(E)	
	1H		1H	
Total Subs	29,217	30,339	30,452	31,600
of module-type	776	814	882	1,000
"au" total	28,744	30,105	30,452	31,600
WIN(EV-DO)	17,063	19,695	21,096	24,000
1X	11,177	9,993	8,980	-
cdmaOne	503	417	375	-
Tu-Ka(PDC)	473	234	0	0

4. Fixed-line Business

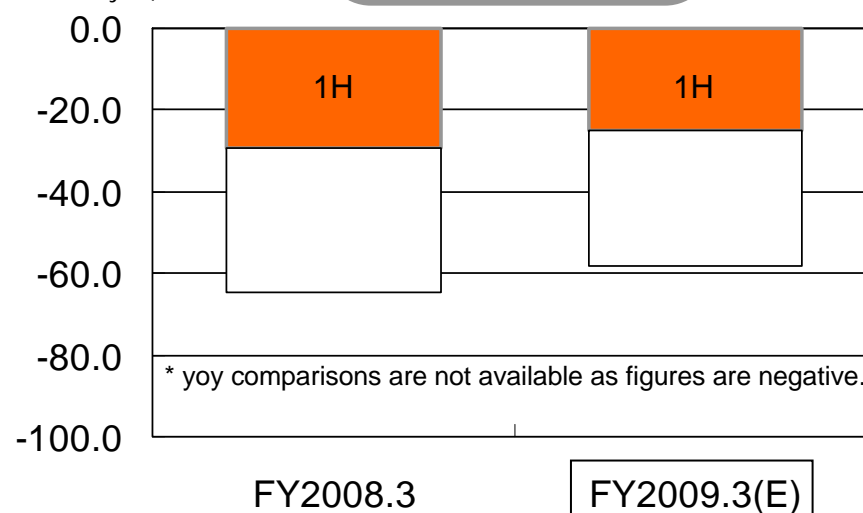
Operating revenues

(Billions of yen)



Operating income

(Billions of yen)



	FY2008.3		FY2009.3(E)			(Billions of yen)
	1H		1H	yoy	progress	
Operating revenues	354.6	718.6	423.1	+19.3%	49.5%	855.0
Operating income	-29.5	-64.7	-25.2	-	-	-58.0
Operating margin	-8.3%	-9.0%	-6.0%	-	-	-6.8%
Ordinary income	-29.5	-64.8	-27.4	-	-	-62.0
Net income	-17.1	-51.7	-18.7	-	-	-38.0
Free Cash Flow	-12.6	-53.9	-57.6	-	-	-117.0
EBITDA	29.3	58.1	40.9	+39.5%	50.5%	81.0
EBITDA margin	8.3%	8.1%	9.7%	-	-	9.5%

Subs	(' 000)	FY2008.3		FY2009.3(E)	
		1H		1H	
ADSL		1,471	1,396	1,303	1,280
FTTH		668	710	967	1,140
Metal-plus	Note1	3,172	3,279	3,251	3,080
Cable-plus phone		-	286	429	580
CATV	Note2	-	667	697	700
Fixed access lines	Note3	-	4,827	5,178	5,300

Note 1 : Including ADSL one (ADSL used over Metal-plus).

Note 2: CATV subs include number of households with at least one contract via broadcasting, internet, or telephone.

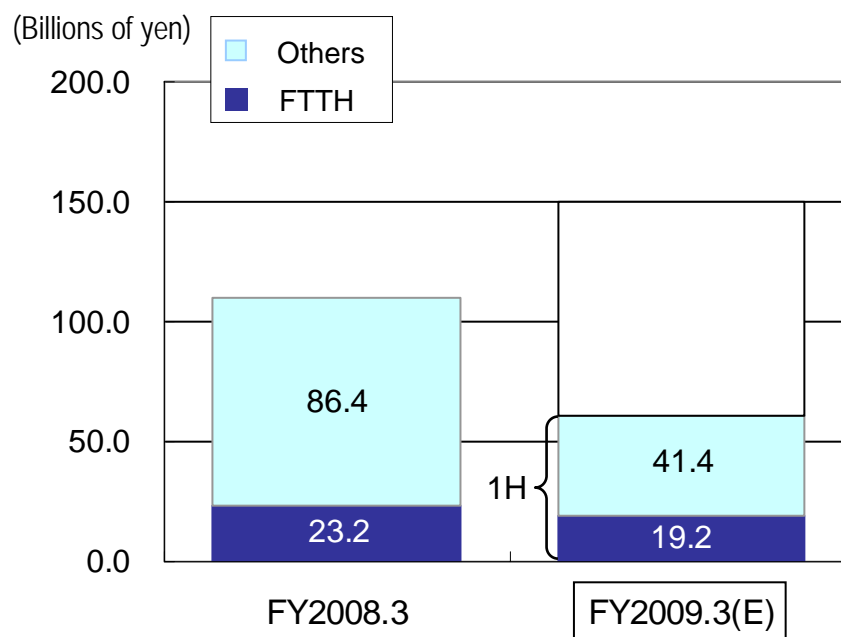
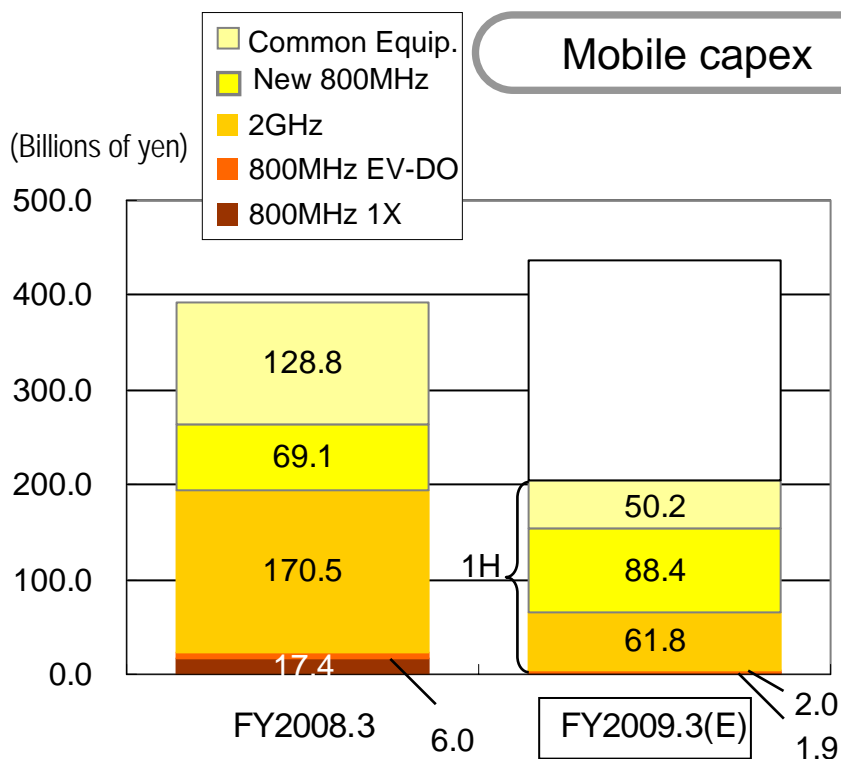
Note 3: Fixed access lines are FTTH, direct-revenue telephony (Metal-plus, Cable-plus phone) and CATV subs and the number excludes crossover subs.

Note 4: The FY2009.3 figures include CTC as a subsidiary as well as JCN Group and overseas network subsidiaries included up till FY2008.3 in the Other Business segment.

5. Capital Expenditures

Mobile capex

Fixed-line capex



(Billions of yen)

		FY2008.3		FY2009.3(E)			
		1H		1H	yoy	progress	
CAPEX (Cash basis)	Consolidated	190.6	517.0	266.1	+39.6%	45.1%	590.0
	Mobile	141.1	391.7	204.2	+44.7%	46.8%	436.0
	Fixed-line	43.5	109.6	60.6	+39.3%	40.4%	150.0

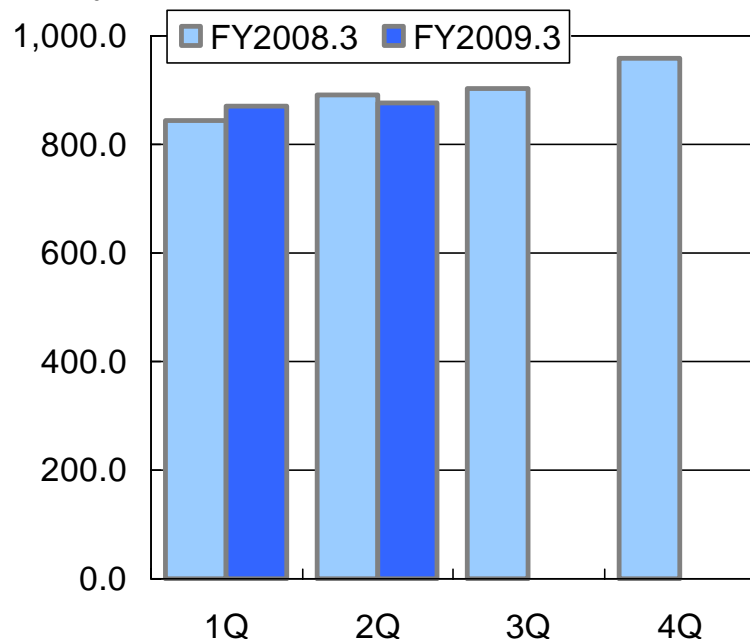
Note: Excluding impact of a planned buy-back of real estate upon expiration of securitized period.

(Reference) Quarterly Performance

- More stable progress is expected in quarterly OP unlike the past pattern as we factor in the reduction of costs including sales commissions of the Mobile Business in 2H.

Consolidated Sales

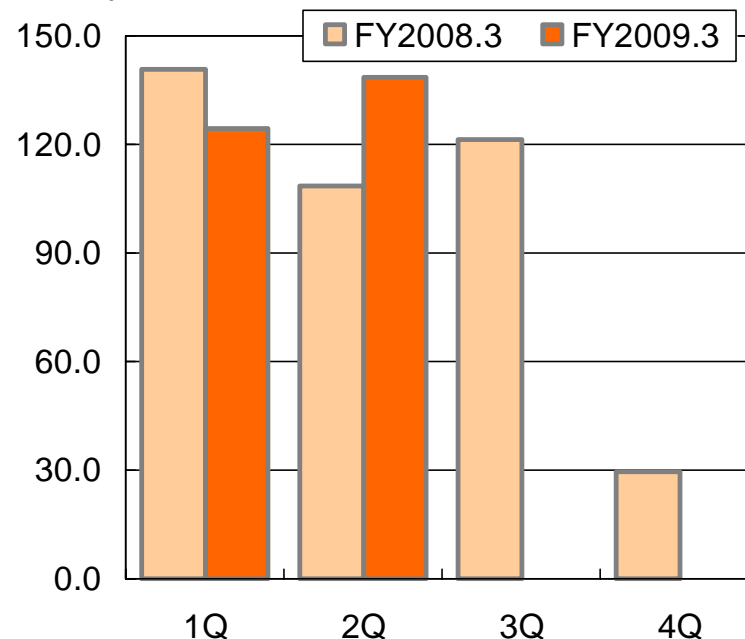
(Billions of yen)



	FY2008.3	FY2009.3	yoy
1H	¥1,734.3B	¥1,747.3B	+0.8%
Full-year	¥3,596.3B	¥3,700.0B (E)	+2.9%

Consolidated OP

(Billions of yen)



	FY2008.3	FY2009.3	yoy
1H	¥249.6B	¥262.9B	+5.3%
Full-year	¥400.5B	¥443.0B (E)	+10.6%

Segment Discussions & Strategies



Mobile Business



Fixed-line Business



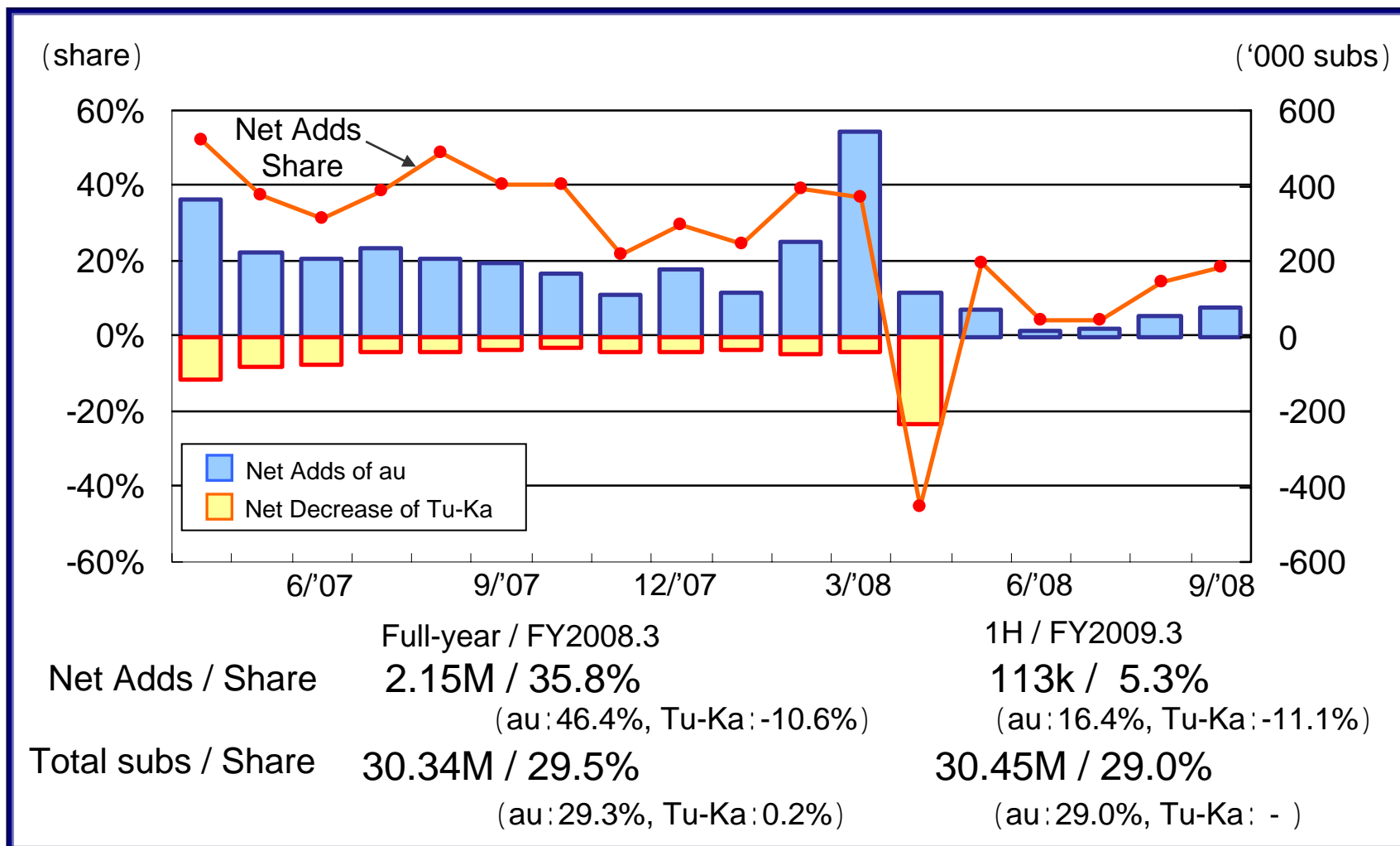
FMBC



Challenge 2010

1.1. Net Additions of KDDI

- KDDI posted a net increase by 113k in 1H partly due to a net decline of Tu-Ka subs in Apr. (-234k). Total KDDI subs at end-Sep. : 30.45M, a share of 29.0%.

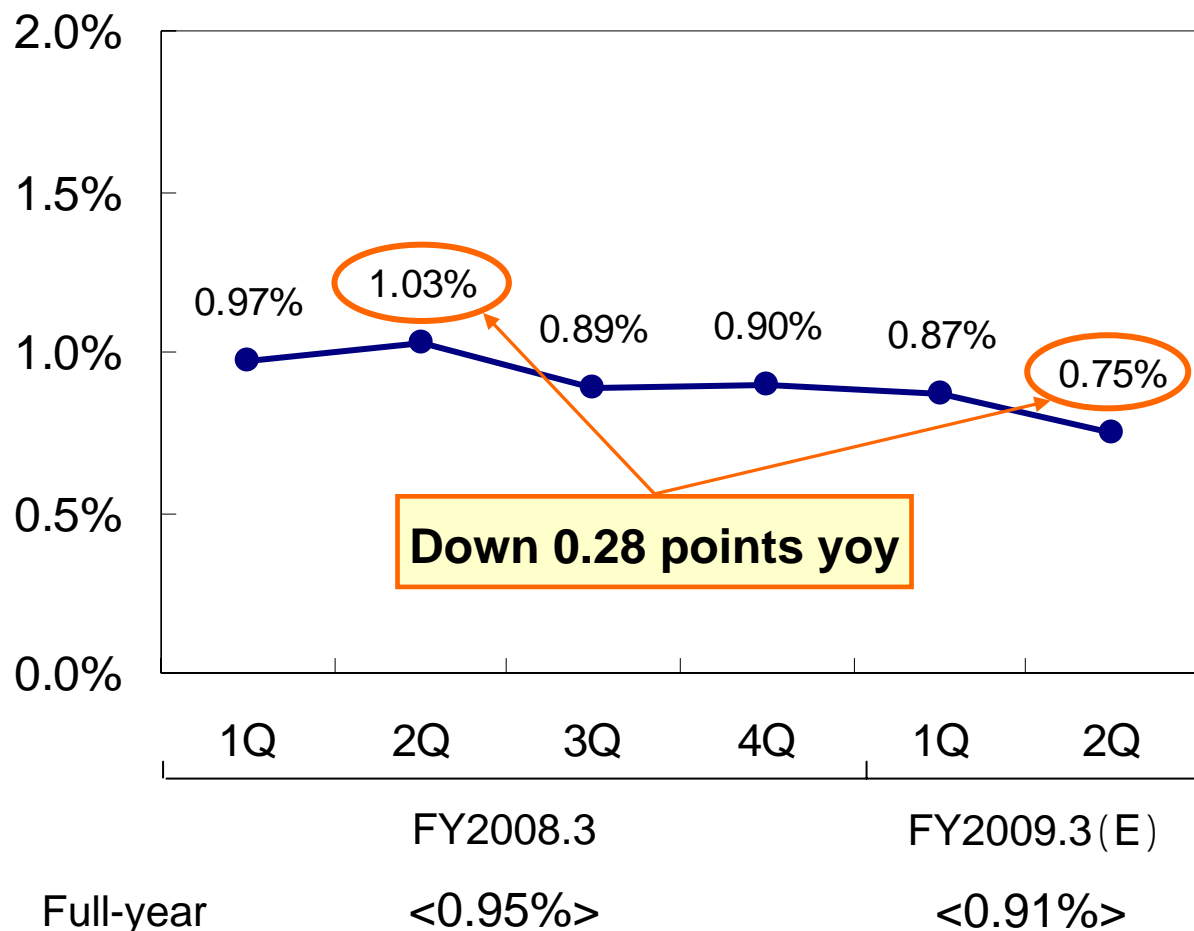


Note1: The graph of the net adds share excludes EMOBILE until December 2007.

Note2: Tu-Ka shut down the operation at end-Mar. 2008.

1.2. "au" Churn Rate

- Churn rate in 2Q was 0.75%, down 0.28 points yoy.

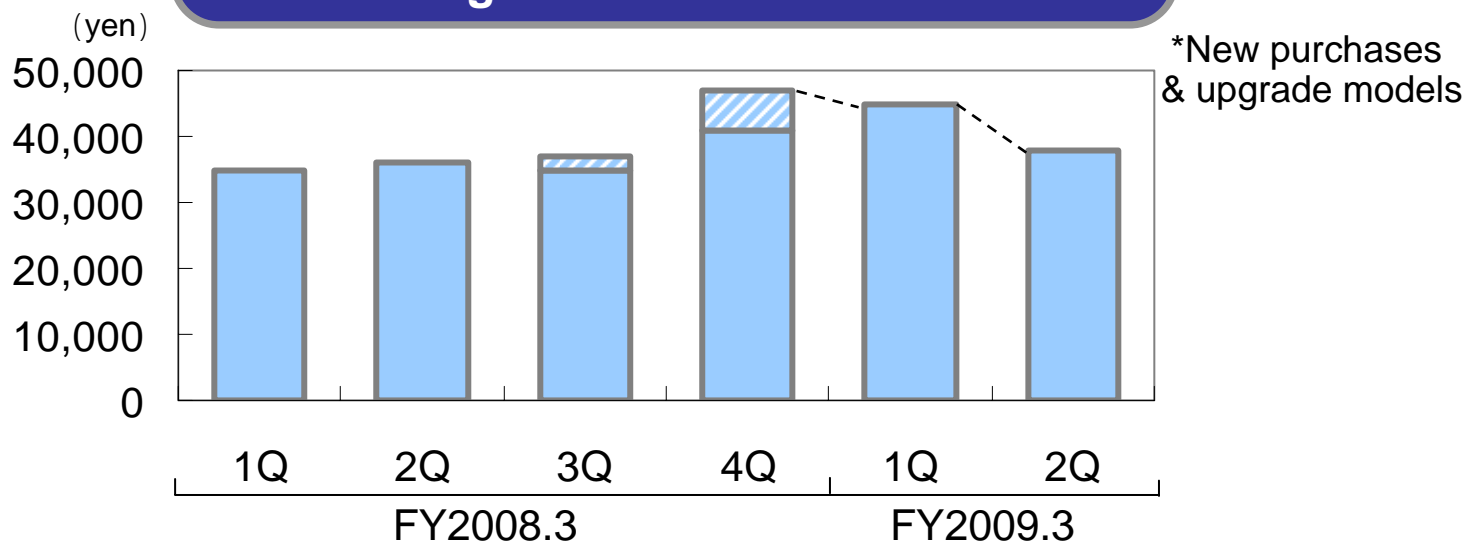


Note: Churn rate is calculated for ordinary handsets which exclude module-type terminals.

1.3. “au” Sales Commissions

- Average sales commissions in 2Q was ¥38,000.

Average Commissions / Unit *

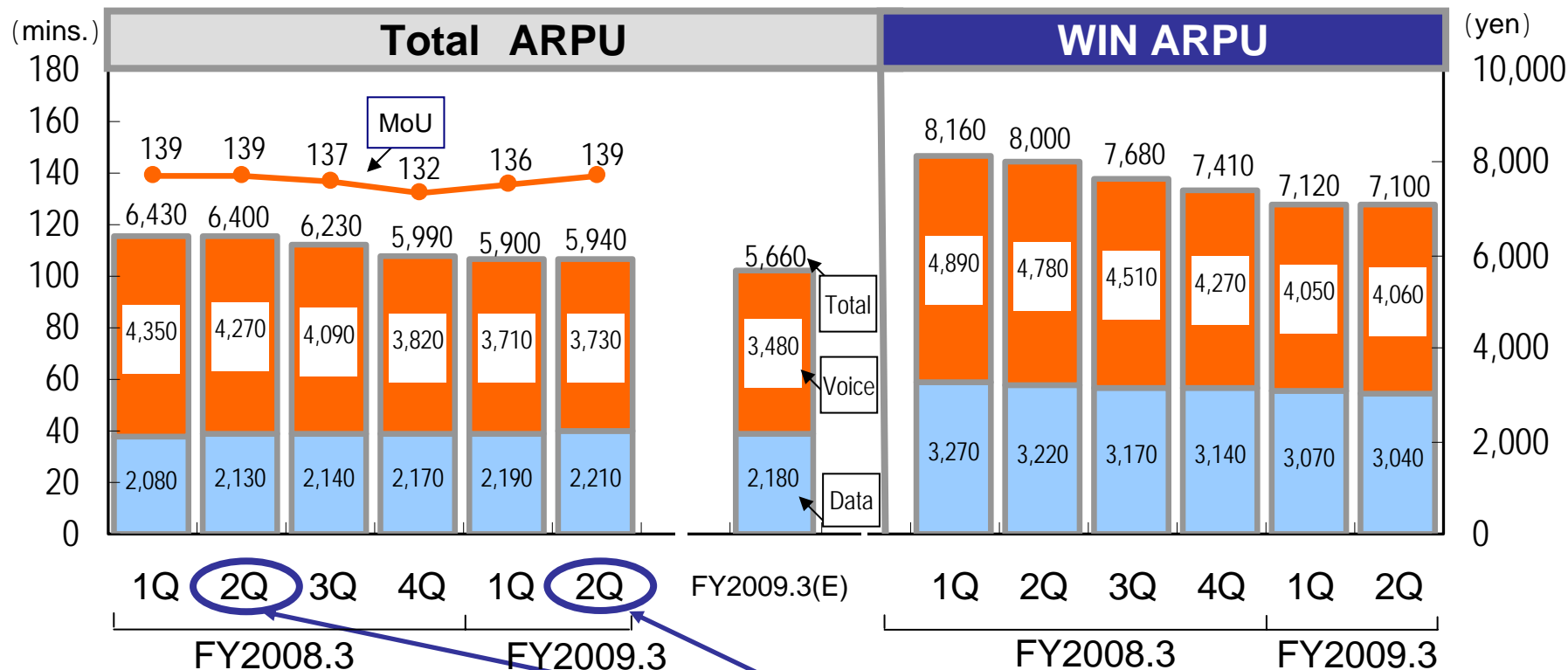


	FY2008.3					FY2009.3(E)		
	1Q	2Q	3Q	4Q		1Q	2Q	
Total sales commissions (Billions of yen)	124.0	149.0	130.0	183.0	586.0	129.0	104.0	-
Average commissions / unit (yen)	35,000	36,000	35,000	41,000	37,000	45,000	38,000	-
Number of units sold ('000 units)	3,530	4,080	3,700	4,510	15,820	2,860	2,700	14,400

Note: Beginning from 3Q / FY2008.3, when the “au Purchase Program” was introduced, average commissions per unit was calculated after deducting the increase in gross profit margin attributable to handset sales (shaded portion), but beginning from FY2009.3, the basis of calculation is without the deduction step.

1.4. Trend of "au" ARPU

■ Data ARPU continuously shows a steady increase.



Full-year	FY2008.3	FY2009.3(E)
Total ARPU	¥6,260	¥5,660
of Voice	¥4,130	¥3,480
of Data	¥2,130	¥2,180

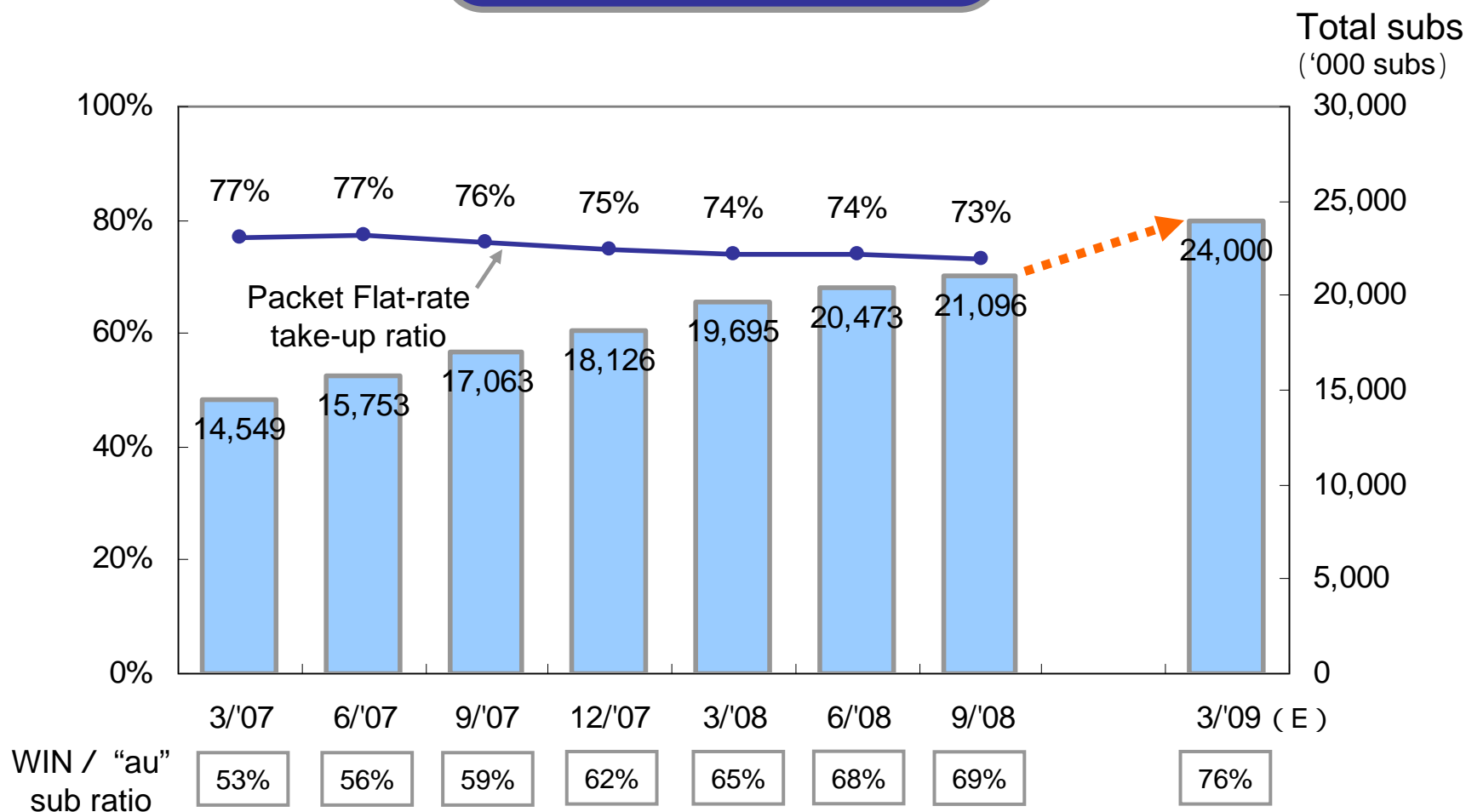
yoy change	
Total ARPU	¥460 (7.2%)
of Voice	¥540 (12.6%)
of Data	+ ¥80 (+ 3.8%)

1.5. Update on WIN

- 69% of “au” users are with WIN at end-Sep., of which as high as 73% of customers sign up for Packet Flat-rate plans.



Growth of WIN Subs



2. "au Purchase Program"

- 55% of customers select the Simple course.
- 91% of customers selecting the Simple course chose installment payments.

Selection of Course

Full Support course

With subsidy *

45%

55%

Simple course

Without subsidy *

* Purchase Support

Payment Method for Simple course

Lump sum payment

9%

91%

Installment payment

Note: Applicable to W61S handsets and handsets launched since the release of summer 2008 models sold between Jul. 1 and Sep. 30, 2008.

3. Customized Phone

- Through collaboration with other companies using “Full Change^{Note}”, KDDI efficiently realizes the individualization and diversification of handsets aimed at meeting customer needs amid declining unit sales of handsets.

“Full Change”

Full Change Phone is customizable both inside and out.



Announcement of

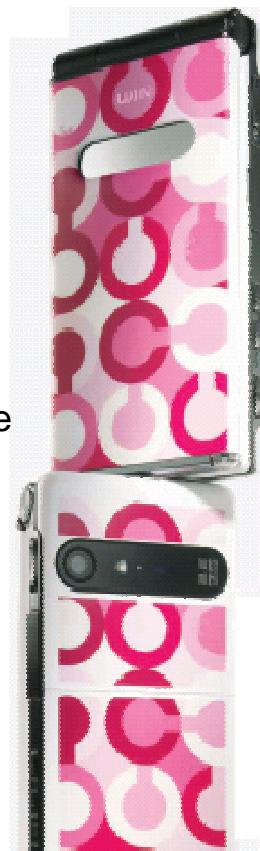
21 models

(As of Oct. 22, 2008)

COACH Mobile Phone

©Coach, Inc.

Appearance



Idle screen



+

4. Proposing a New lifestyle

- “au Smart Sports Run&Walk” shows a steady increase in subs since its launch in Jan.
- KDDI makes a new lifestyle proposition in sports by combining applications and handsets.



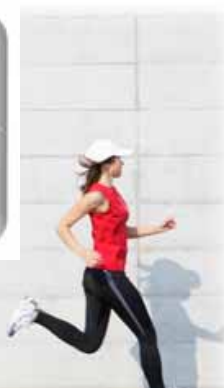
Run & Walk

With “au Smart Sports Run&Walk”, you can get:

- a professional personal trainer of your own.
- course/distance/speed/calories-out of your run.
- your step to the music with the “BEAT RUN”

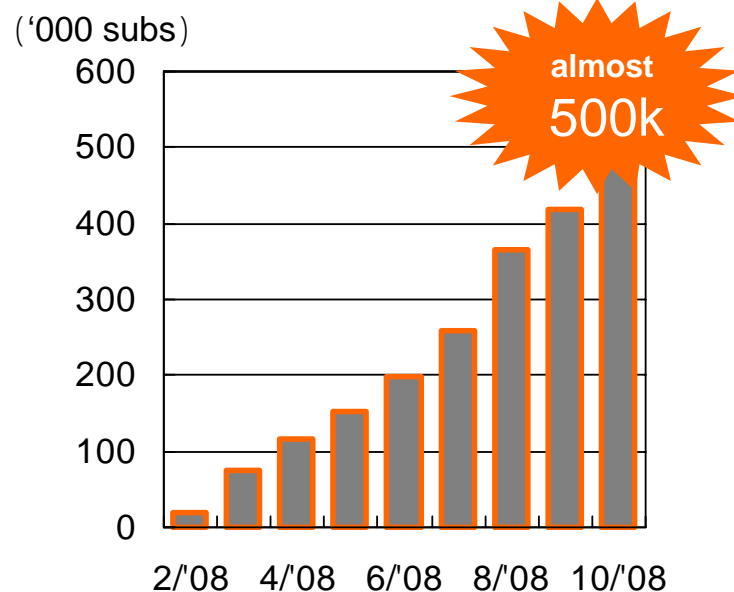


Sportio



au Smart Sports

“au Smart Sports Run&Walk” Subs



Music



Video



Sports

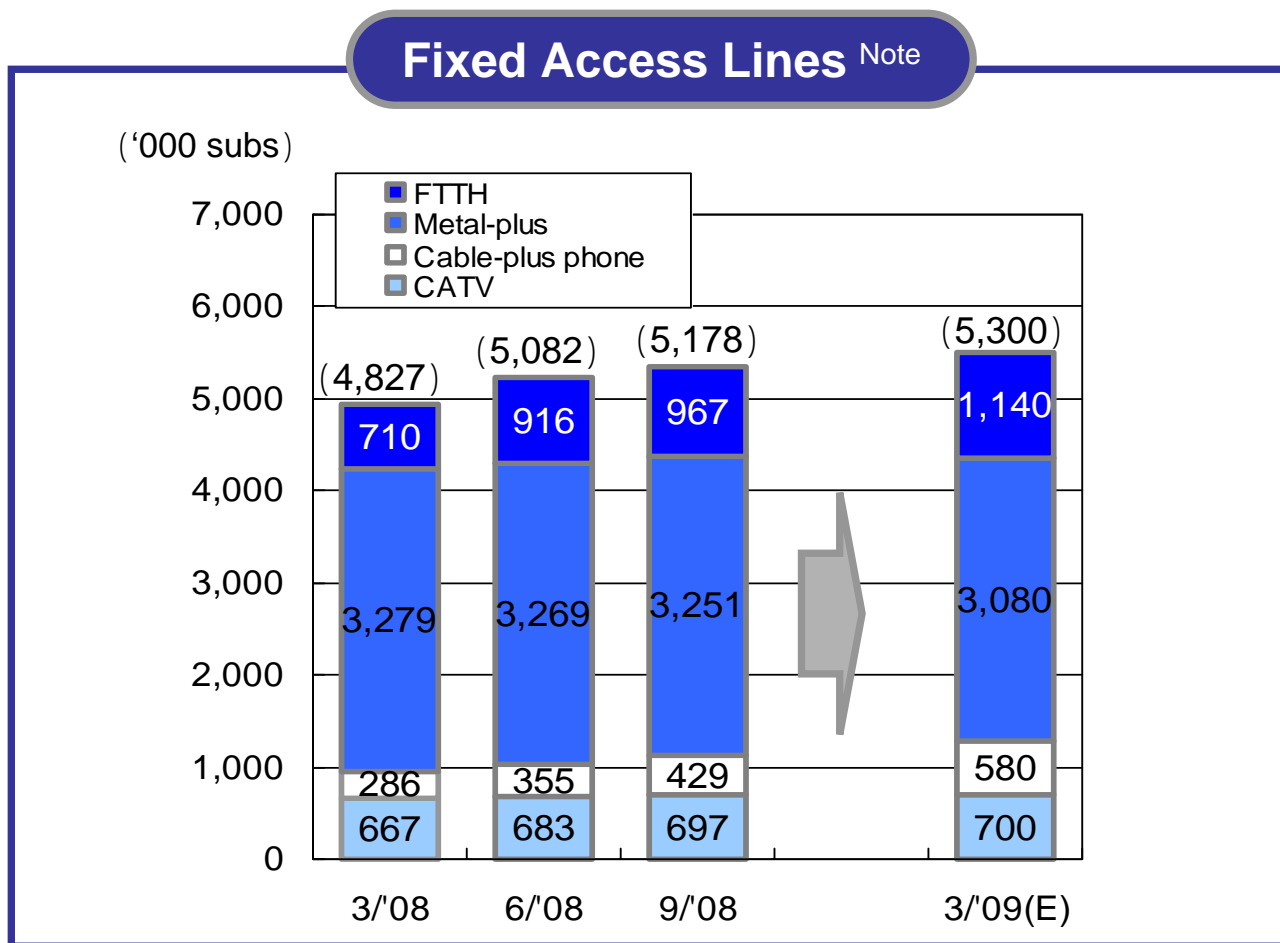


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1. Fixed Access Lines

- At end-Sep., no. of fixed access lines was 5.18M.



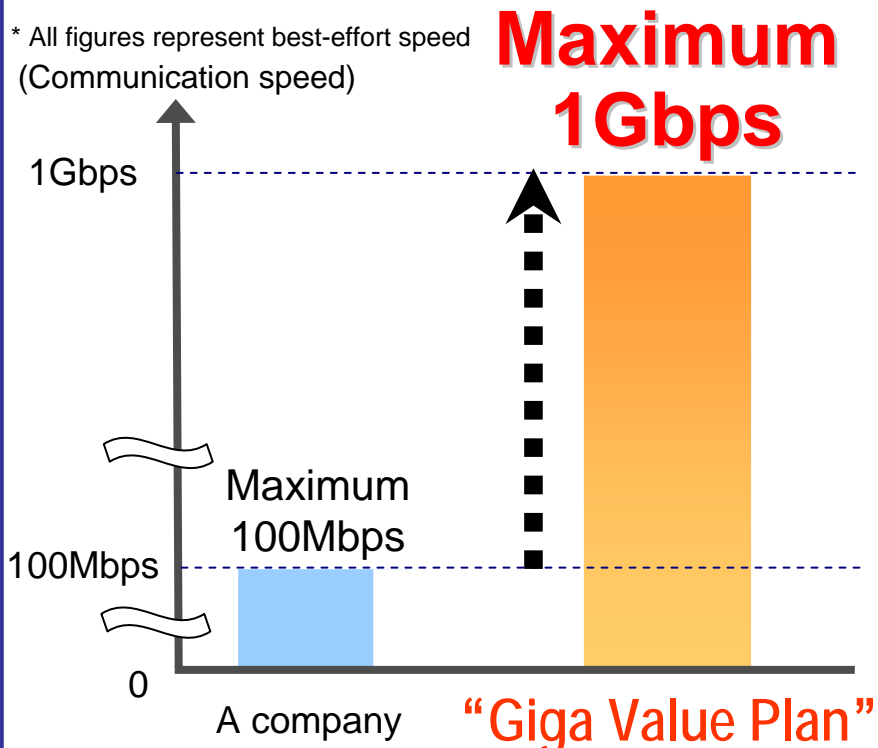
Note: () shows total subs of access lines excluding crossover subs.

2. FTTH Product Capabilities

- Enhance product capabilities in terms of speed and charges by “Giga Value Plan” for “HIKARI-one Home” in Oct.
- Start FTTH services to individual homes in Sapporo area in addition to the Kanto and Chubu regions (CTC).

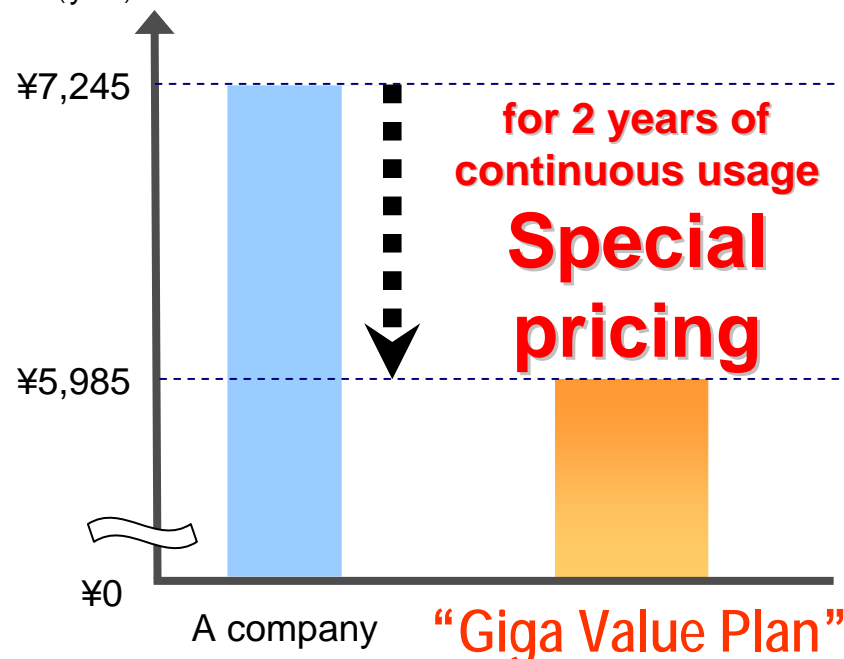
Speed Note1

* All figures represent best-effort speed
(Communication speed)



Charge (Internet + phone) Note2

* Include tax
(yen)



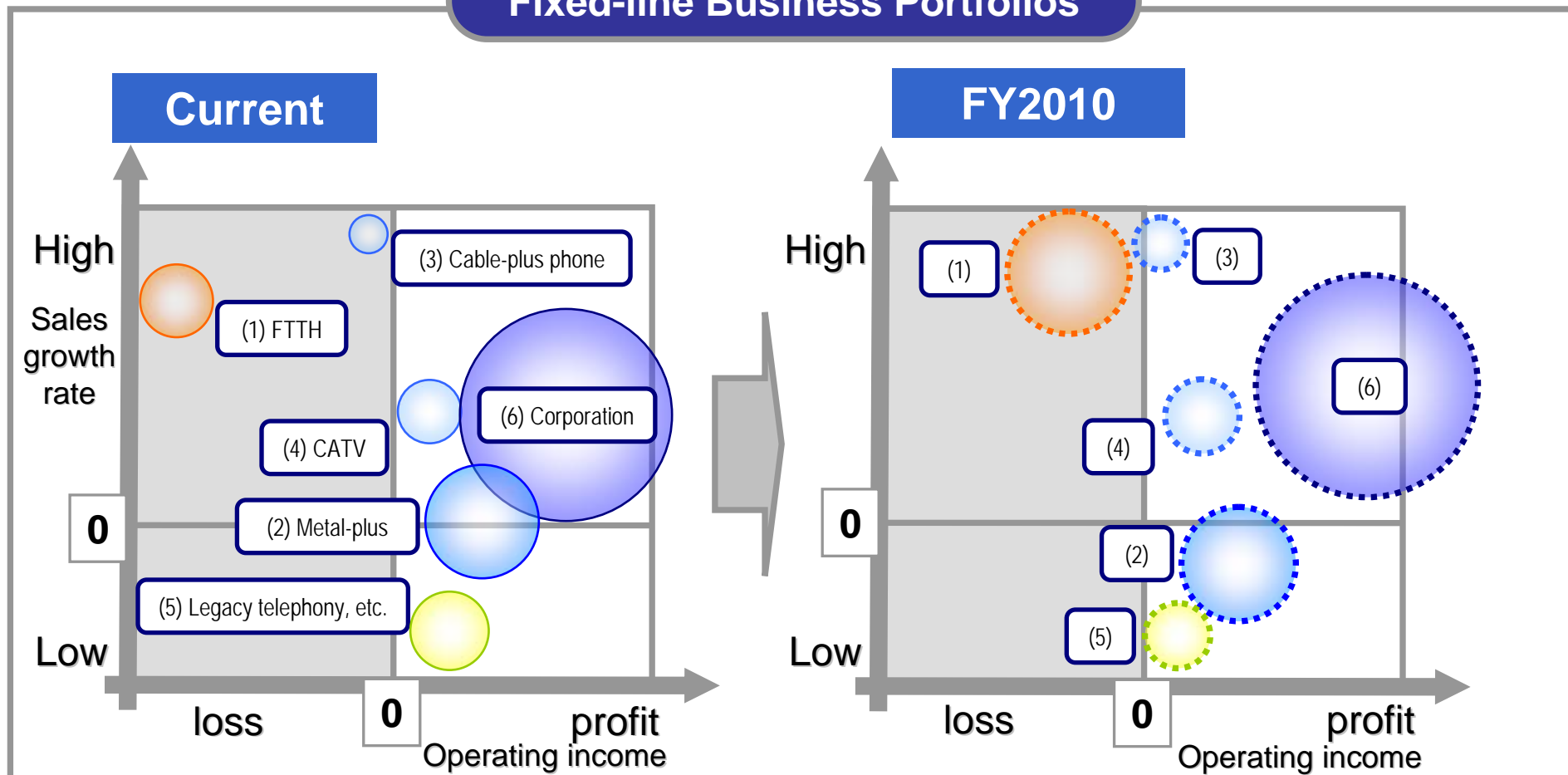
Note 1: Represents speed to individual homes. Speeds may vary due to differences in PC performance and other factors.

Note 2: Represents charges to individual homes. “Giga Value Plan” charges include discounts for automatic account withdrawal or credit card payments with au one net as the designated provider. “A company” charges are those to individual homes with OCN as the provider. 19

3. Turnaround of Fixed-line Business

- Aim at making a turnaround in Fixed-lined Business in FY2010, through lower loss of FTTH, which is currently a major loss-making service, and higher profit of other services.

Fixed-line Business Portfolios



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

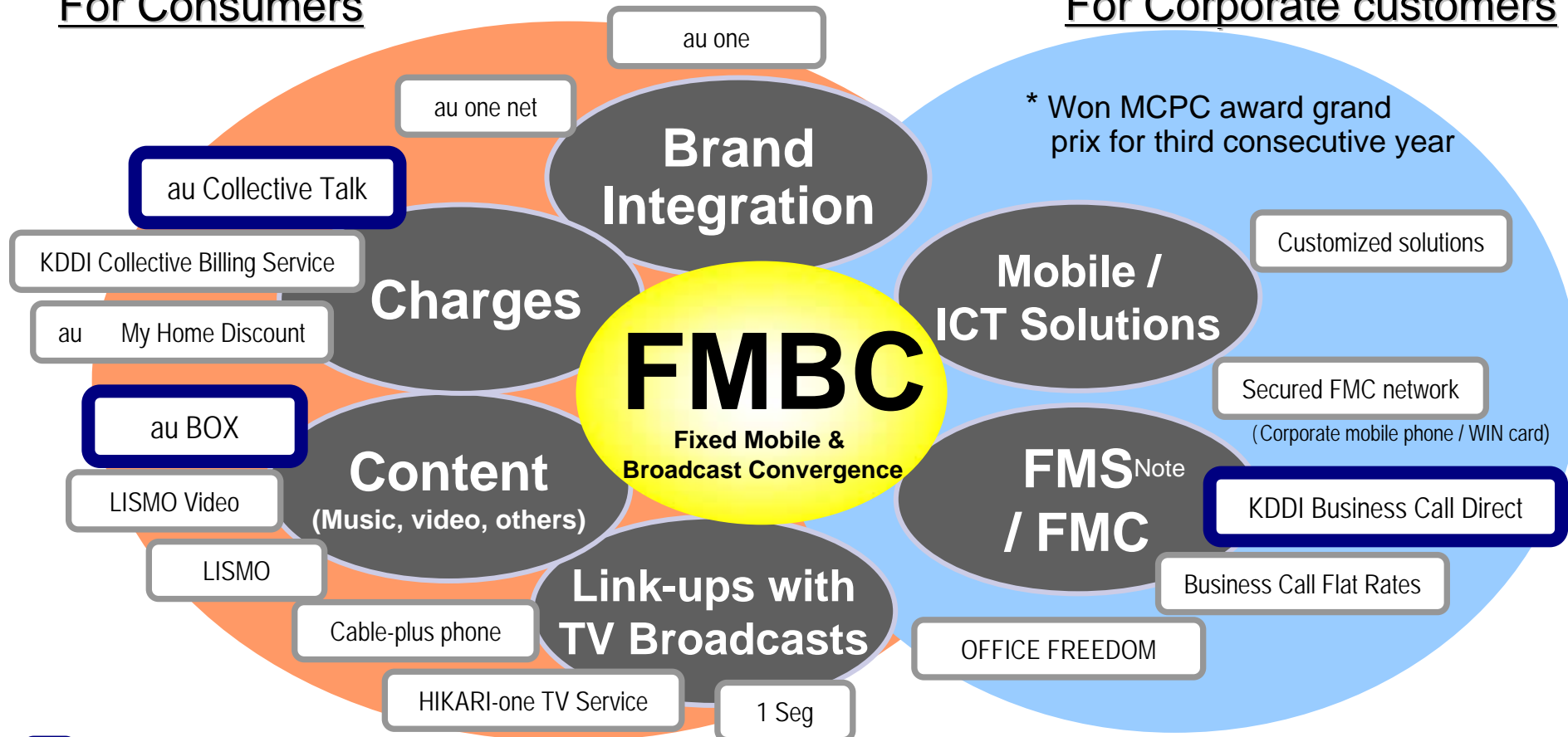
1. FMBC Initiatives

FMBC

- For consumers: Leverage 30M strong "au" mobile customers and develop FMBC services by positioning "au" as the overall brand for KDDI consumer services.
- For corporate customers: Offer FMC services by adding mobile convenience to customer ICT bases to contribute to maximizing their capabilities.

For Consumers

For Corporate customers

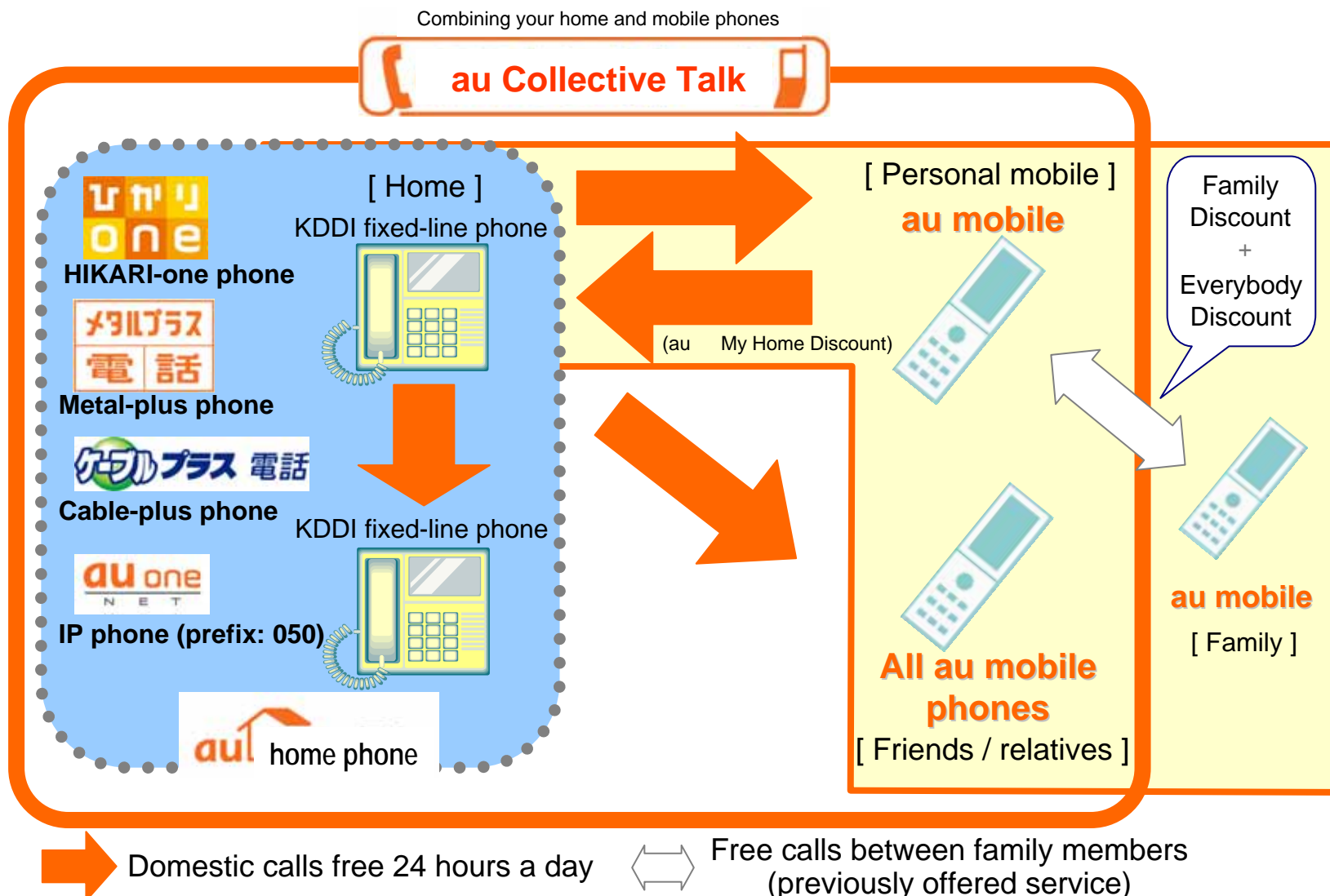


Details for services can be found on subsequent pages.

Note: Fixed Mobile Substitution

2.1. “au Collective Talk”

- The “au Collective Talk” service launched on Aug. 1 enables domestic calls free of charge between au mobile phone and “au home phone” users 24 hours a day.



2.2. “au Collective Talk”

- Expand sales of both au mobile phones and “au home phone” thanks to “au Collective Talk”
- There was a steady increase in issuance of “KDDI Collective Billing Service” ^{Note} one of a condition for using the “au Collective Talk” service.

Targets

au mobile phone
owners households

“au home phone”
contract households

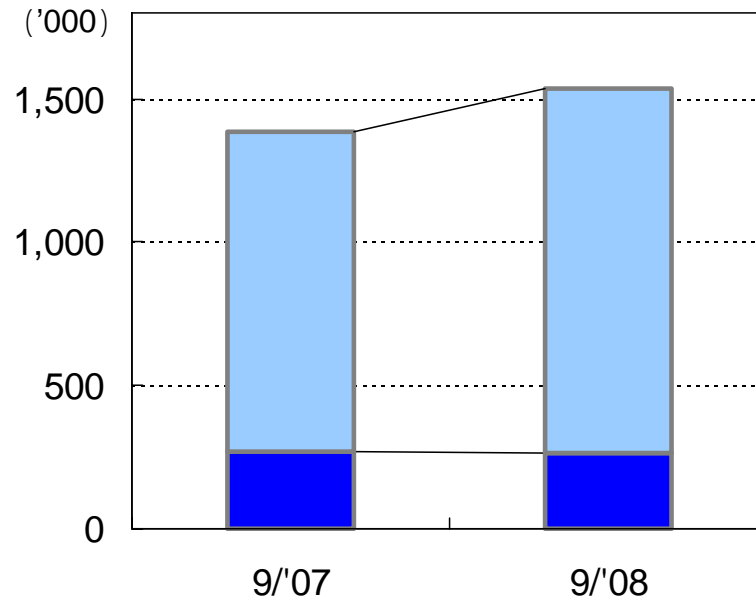
**approx.
13,700k
households**

approx. 1,800k households

(as of Aug. 31, 2008)

Bills Issued through “KDDI Collective Billing Service”

“au home phone” etc.
Others (Mylne)



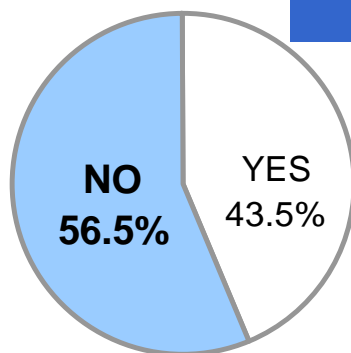
Note: A service that consolidates bills of KDDI fixed-line and au mobile phone services.
Users of “au Collective Talk” are required as a part of the conditions to apply for this service.

3.2. "au BOX"

- Primary targets: Teens who have a TV in their room but no PC of their own.
- The spread of an environment that allows users to easily enjoy music and video will promote the use of "LISMO" FMBC services and contribute to greater customer satisfaction.

Targets

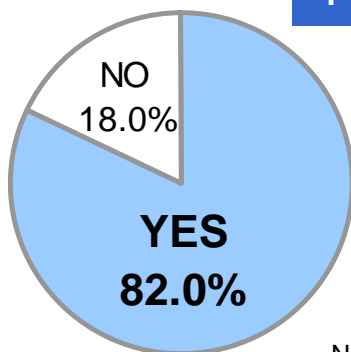
I have my own PC



NO 56.5 %

Roughly 80% of high school students without their own PC

I have a TV in my room



YES 82.0 %

Roughly 80% of high school students with TV in their room

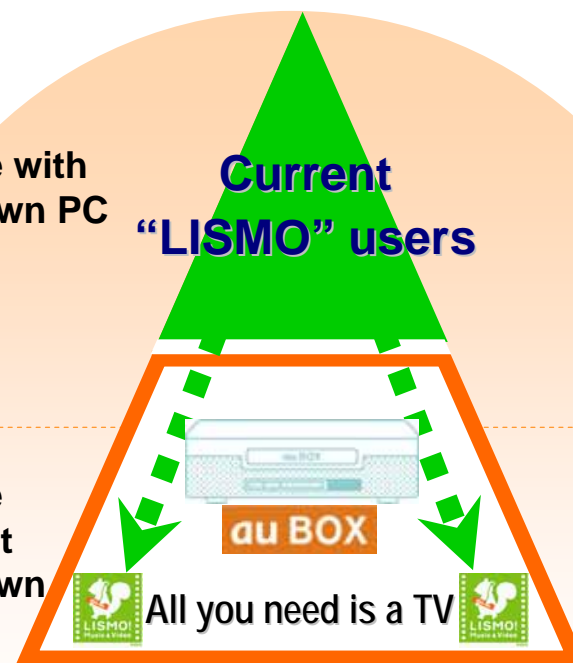
Note: Based on marketing surveys by KDDI

Expansion of "LISMO" Users

People with their own PC

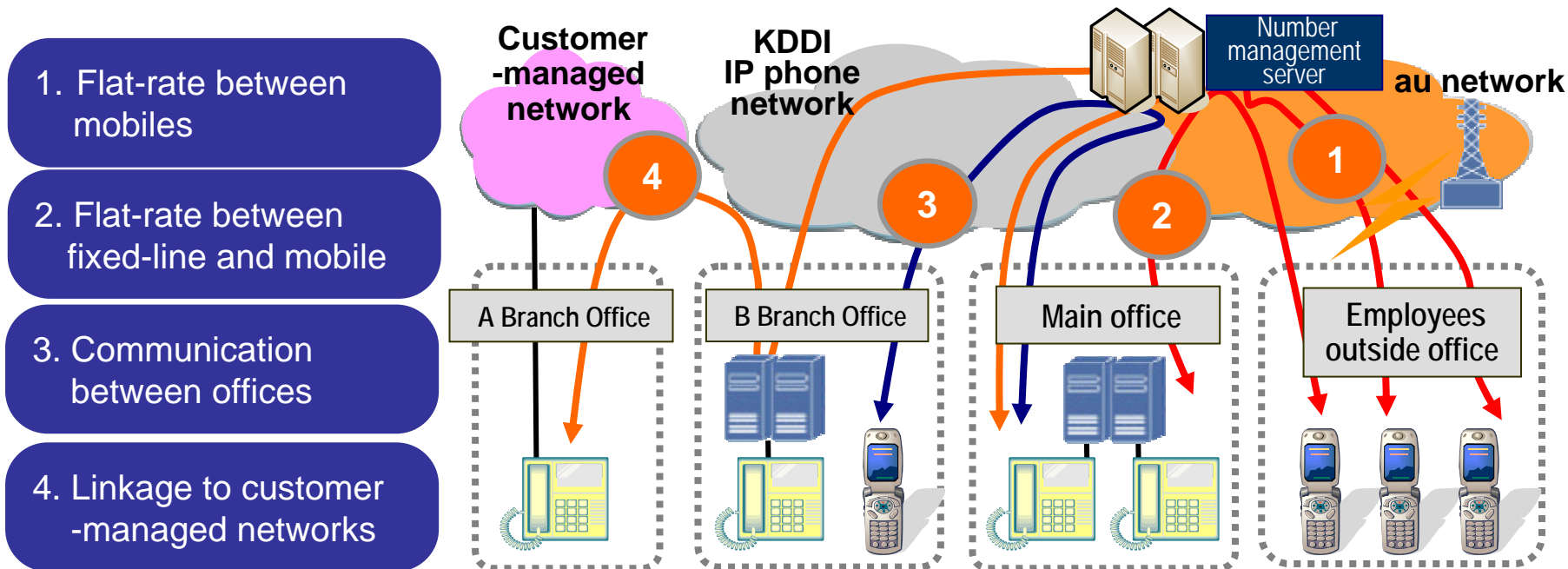
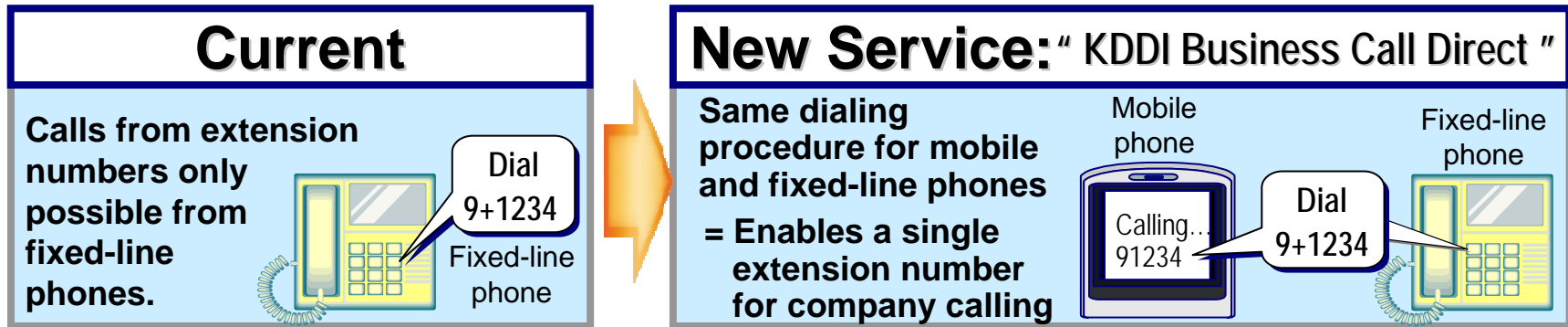
Current "LISMO" users

People without their own PC



4. "KDDI Business Call Direct"

- Next spring, plans to begin offering services linked to the fixed-line and mobile phone networks of corporate customers, the first of its kind by a telecommunications carrier in Japan.



1. Achieving the Goals of “Challenge 2010”

■ Aim for customer satisfaction
No.1 in every service.

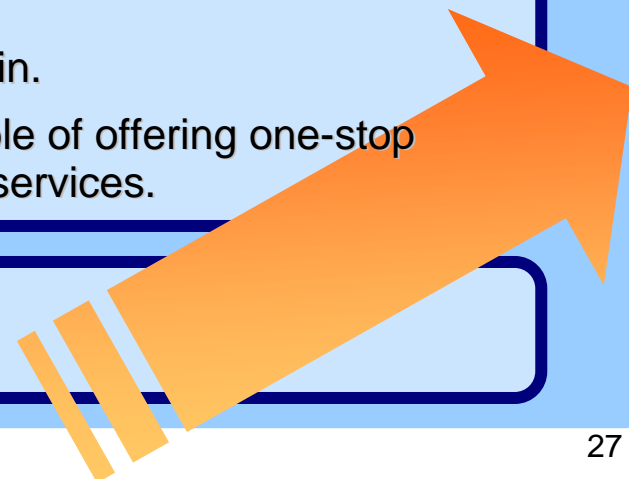
■ Realize sustainable growth
through simultaneous pursuit of
“Quantitative Expansion” and
“Qualitative Enhancement.”

■ Targets in FY2010 (FY2011.3 consolidated)

Operating revenues: ¥ 4 trillion, Operating income: ¥ 600 billion

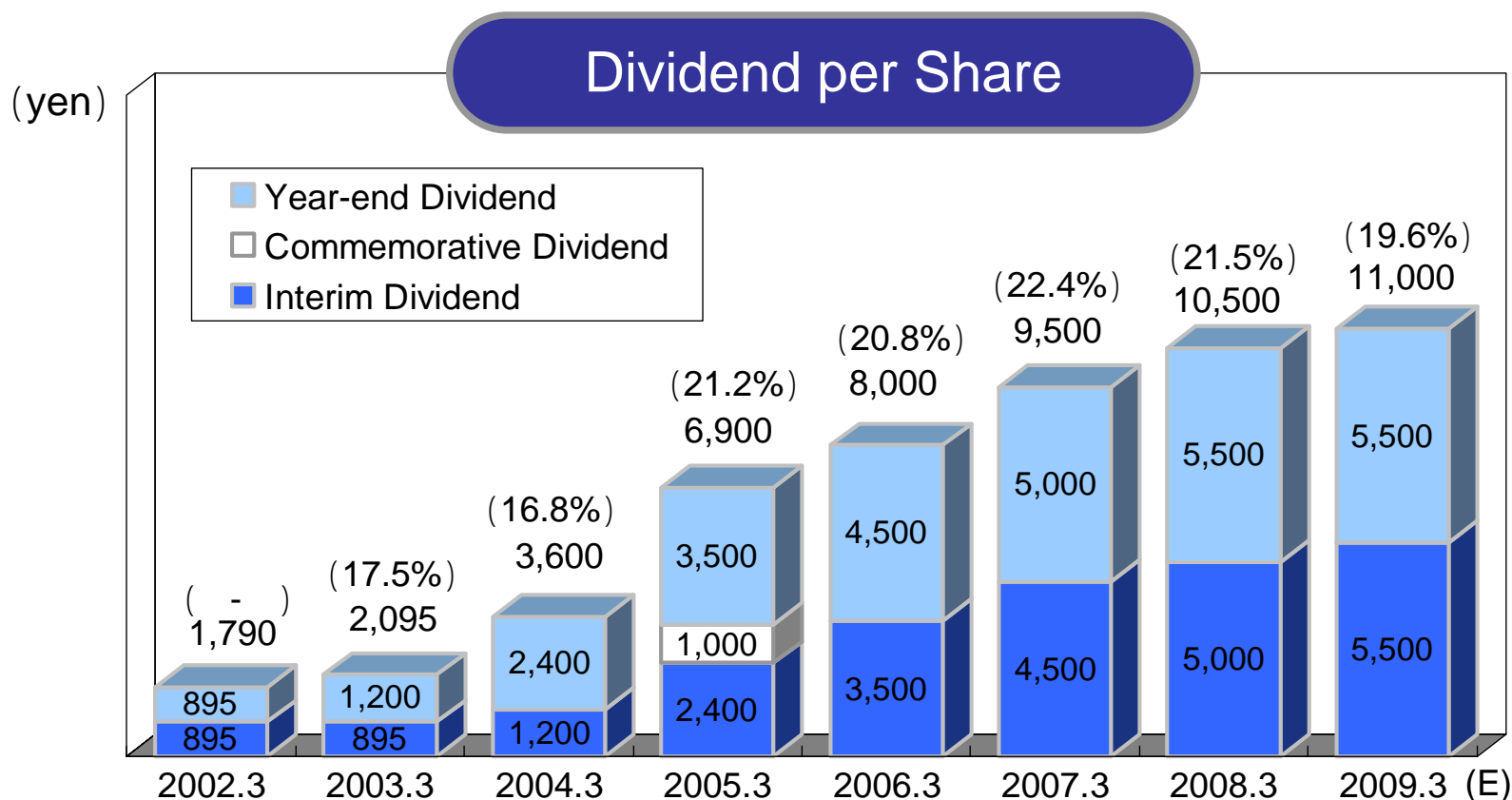
- Secure new earnings and reduce costs under a new sales model to achieve sustainable growth in mobile phones.
- Promote access line strategy such as FTTH, etc. and make a turnaround in Fixed-line Business.
- Develop FMBC and expand non-traffic business domain.
- For corporate customers: Be an all-round player capable of offering one-stop ICT solutions that include fixed-line/mobile and global services.

■ Enhance the return to shareholders.



2. Shareholder Returns

- Maintain stable dividend – aim for consolidated payout ratio of 20% or more, taking investments for sustainable growth into consideration.



Note: () refers to payout ratio, which shows on a company basis until FY2006.3 and on a consolidated basis in FY2007.3 and onwards. FY2002.3 posted net loss, therefore, shown as (-).

