



Ubiquitous Solution Company

KDDI CORPORATION

Financial Results for the 1st Half of
the Fiscal Year Ending March 2010

October 23, 2009

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/FY2010.3 Financial Results Highlights

1 Consolidated basis

- Operating revenues declined by 1.4% yoy. Operating income declined by 4.5% yoy. This performance represented 53.4% of the full-year's operating income forecast.

2 Mobile Business

- Operating revenues declined by 1.7% yoy. Operating income declined by 5.5% yoy.
- No. of “au” subs at end-September was 31.23M with a cumulative share at 28.5%.
- Handset no. of unit sold declined 14% yoy to 4.77M.
- Handset units in inventory at end-September declined to an appropriate level of 0.83M.
- Two new flat-rate price plans introduced in August (“Call Designation Flat Rate” and “Double-Teigaku-Super Light”).

3 Fixed-line Business

- Operating revenues declined 2.0% yoy. Operating loss amounted to ¥22.3B.
- At end-September, no. of fixed access lines was 5.70M^{Note}. Within this, no. of FTTH subs rose to 1.32M.

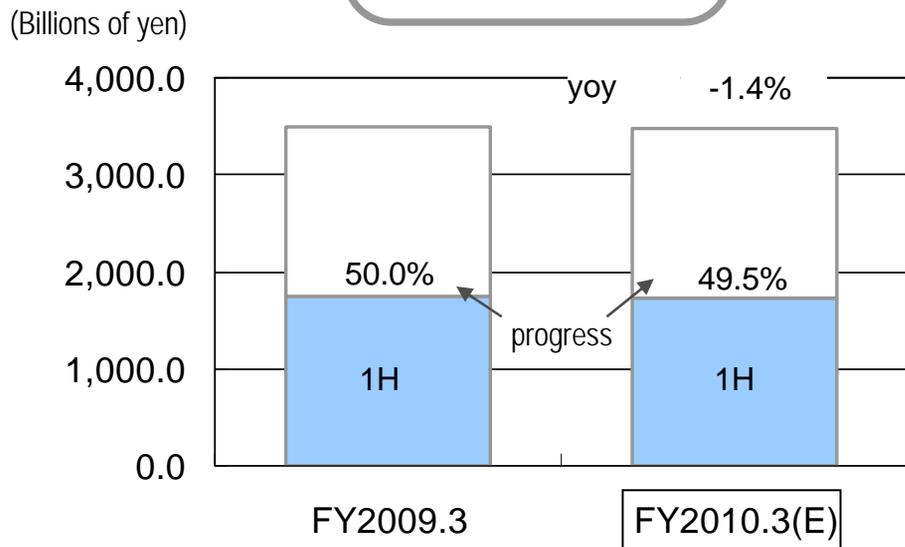
4 Interim dividend payment of ¥6,500 per share, including ¥1,000 commemorative dividend for the Company's 25th anniversary since the establishment.

1.2. 2H/FY2010.3 - Challenges

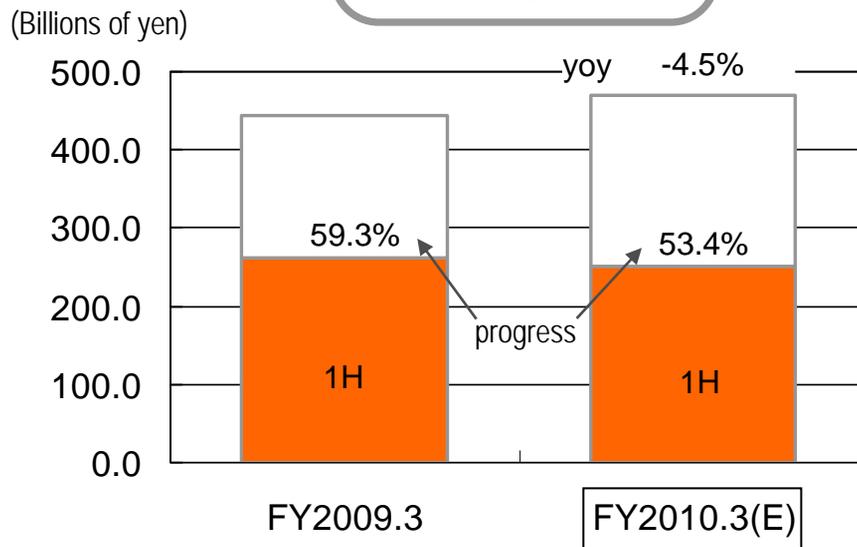
- 1 In response to major changes in the revenue structure, KDDI will work to enhance its business base by conducting a fundamental review of the cost structure on a Group-wide basis, and will implement initiatives directed toward the further development of the Group.
- 2 **Mobile Business**
 - Increase competitiveness in handsets and charges, and control costs in marketing overall.
 - For corporate customers, provide most suitable and effective solutions leading to enhanced business efficiency of large corporations. In the small and medium-sized enterprises market, develop new customers and strengthen after-sales framework.
- 3 **Fixed-line Business**
 - Initiatives toward profitability for the Fixed-line Business as a whole in FY2011.3.
 - Cut fixed costs by drastically streamlining network
 - Further expand customer base for FTTH
 - Limit declining trend of operating revenues from legacy services
 - Achieve single-year-basis profitability for consolidated subsidiary CTC^{Note1}, which develops FTTH etc. in the Chubu region.
 - For corporate customers, establish system to offer one-stop shopping for ICT^{Note2} solutions, combining mobile, fixed-line and global services.
- 4
 - Enhance high value-added products and services of Jibun Bank Corporation available through mobile phones and grow the customer base.
 - Support the expansion of the mobile WiMAX service of UQ Communications Inc.

2. Consolidated Financial Results

Operating revenues



Operating income



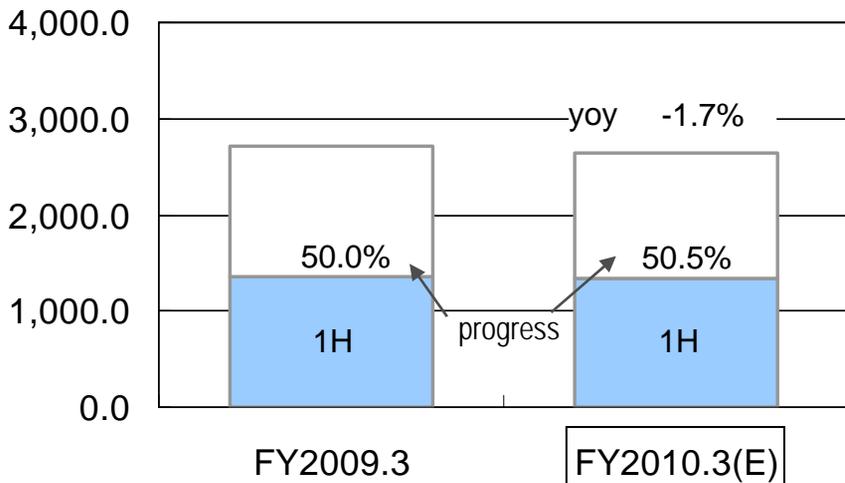
(Billions of yen)

	FY2009.3		FY2010.3(E)			
	1H		1H	yoy	progress	
Operating revenues	1,747.3	3,497.5	1,723.1	-1.4%	49.5%	3,480.0
Operating income	262.9	443.2	251.0	-4.5%	53.4%	470.0
<i>Operating margin</i>	15.0%	12.7%	14.6%	-	-	13.5%
Ordinary income	262.2	440.5	241.5	-7.9%	53.7%	450.0
Net income	151.1	222.7	145.3	-3.9%	57.0%	255.0
Free Cash Flow	-6.1	-63.2	49.5	-	-	67.0
EBITDA	467.5	904.0	479.1	+2.5%	49.9%	960.0
<i>EBITDA margin</i>	26.8%	25.8%	27.8%	-	-	27.6%

3. Mobile Business

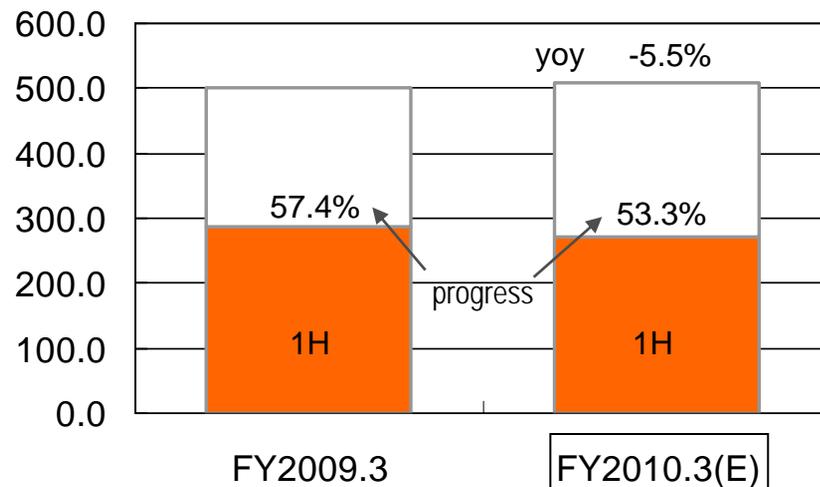
Operating revenues

(Billions of yen)



Operating income

(Billions of yen)



(Billions of yen)

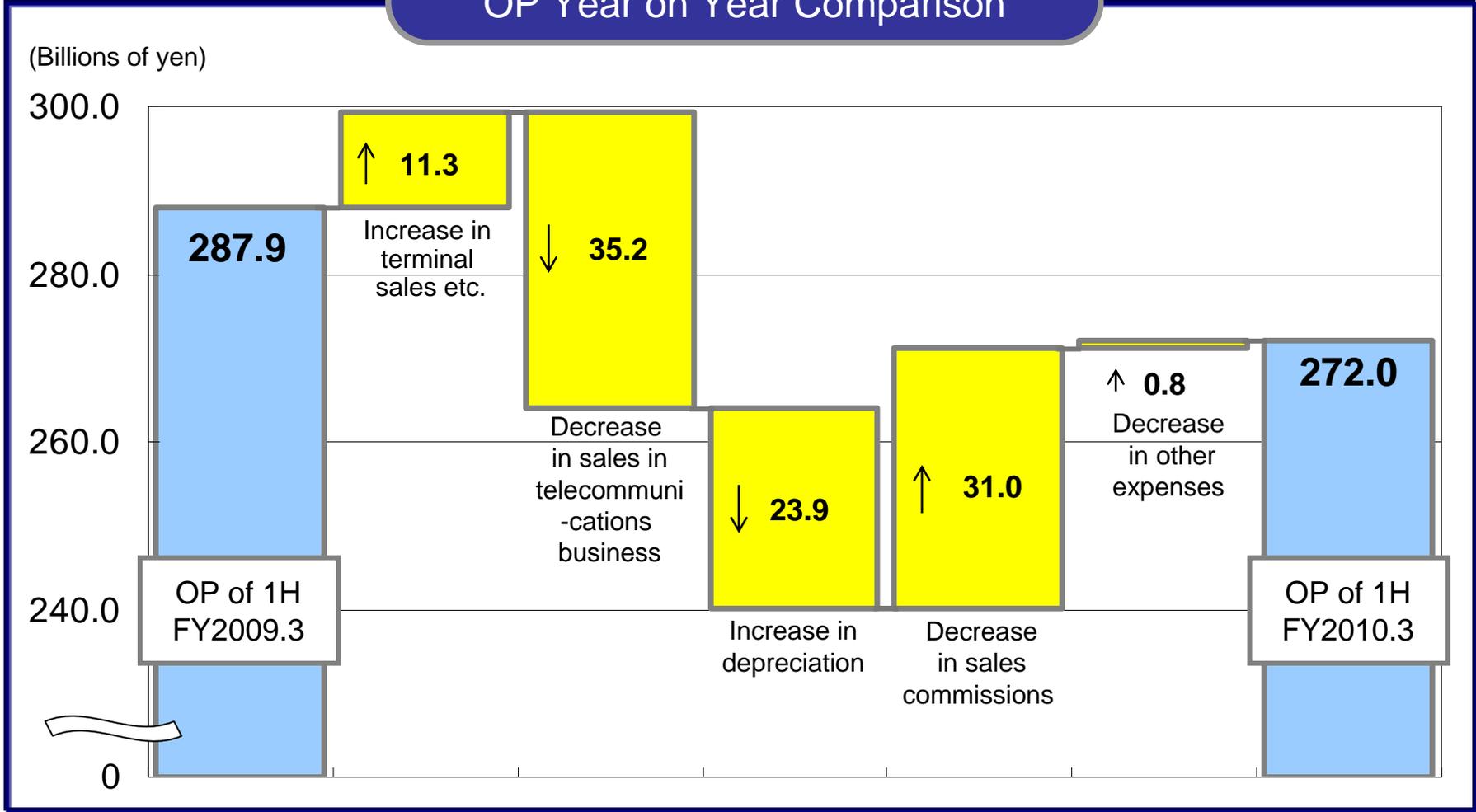
	FY2009.3		FY2010.3(E)		
	1H		1H	yoy	progress
Operating revenues	1,360.7	2,719.2	1,337.9	-1.7%	50.5%
Operating income	287.9	501.5	272.0	-5.5%	53.3%
<i>Operating margin</i>	21.2%	18.4%	20.3%	-	-
Ordinary income	291.9	509.1	275.4	-5.6%	53.5%
Net income	171.6	273.1	166.8	-2.8%	55.2%
Free Cash Flow	55.9	180.0	115.2	-	-
EBITDA	425.8	821.9	432.5	+1.6%	50.5%
<i>EBITDA margin</i>	31.3%	30.2%	32.3%	-	-

	FY2009.3		FY2010.3(E)	
	('000)		1H	1H
Total Subs	30,452	30,843	31,233	31,600
of module-type	882	923	999	1,000
WIN(EV-DO)	21,096	22,722	24,391	26,700
1X	8,980	7,805	6,558	-
cdmaOne	375	316	284	-

(Reference) Mobile Business OP

- Despite decreased sales commissions, decline in telecommunication business revenue and increased depreciation cost led to the less operating profit yoy.

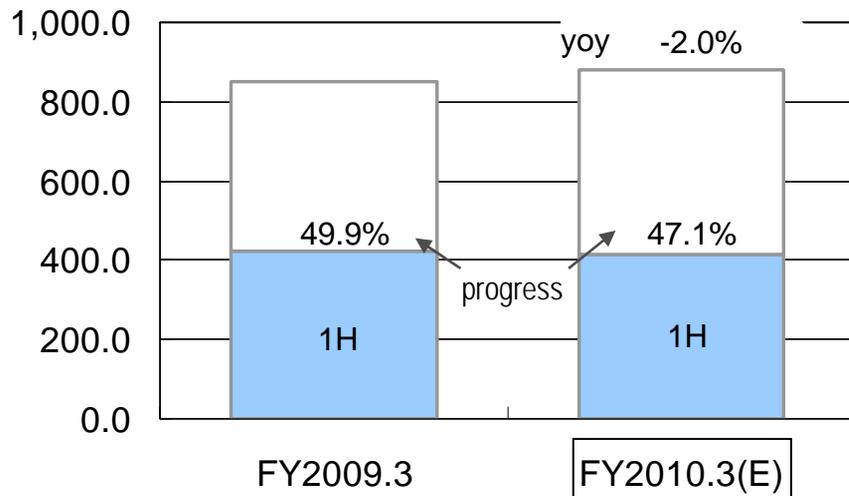
OP Year on Year Comparison



4. Fixed-line Business

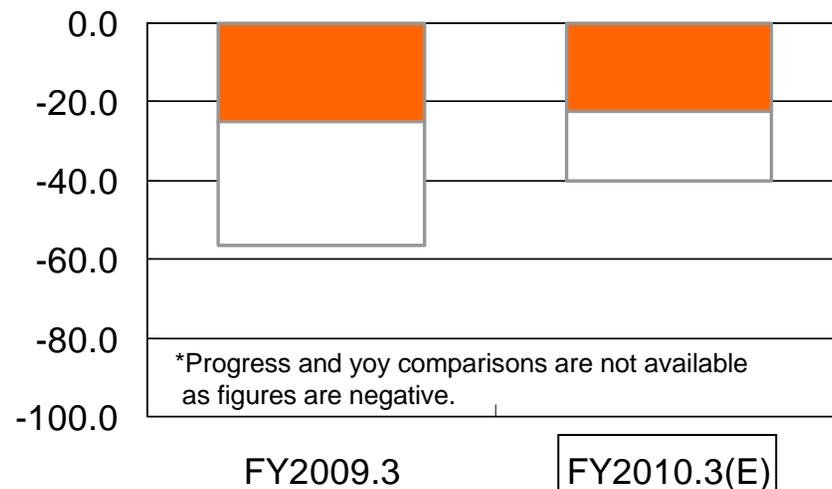
Operating revenues

(Billions of yen)



Operating income

(Billions of yen)



(Billions of yen)

	FY2009.3		FY2010.3(E)			
	1H	2H	1H	yoy	progress	
Operating revenues	423.1	848.7	414.9	-2.0%	47.1%	880.0
Operating income	-25.2	-56.6	-22.3	-	-	-40.0
Operating margin	-6.0%	-6.7%	-5.4%	-	-	-4.5%
Ordinary income	-27.4	-61.6	-29.2	-	-	-53.0
Net income	-18.7	-43.1	-16.7	-	-	-32.0
Free Cash Flow	-57.6	-40.7	-51.4	-	-	-78.0
EBITDA	40.9	82.3	44.7	+9.2%	43.8%	102.0
EBITDA margin	9.7%	9.7%	10.8%	-	-	11.6%

Subs	FY2009.3		FY2010.3(E)	
	('000)		1H	
ADSL	1,303	1,224	1,135	1,080
FTTH	967	1,099	1,319	1,520
Metal-plus	Note1	3,251	3,130	3,000
Cable-plus phone		429	604	778
CATV	Note2	697	722	896

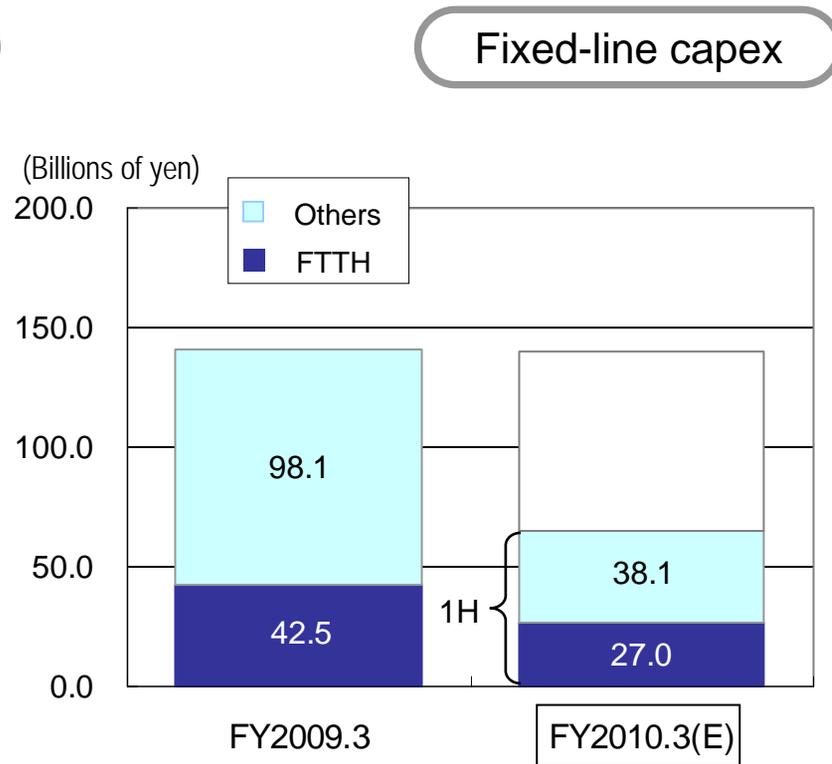
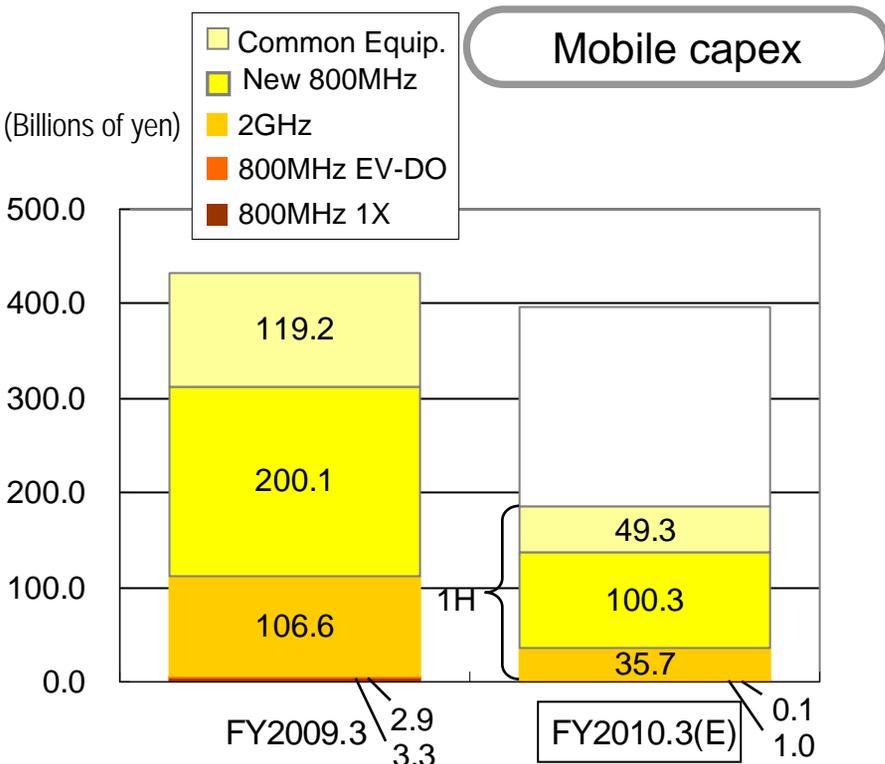
Fixed access lines	FY2009.3		FY2010.3(E)	
	Note3			
	5,178	5,342	5,700	5,950

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.

5. Capital Expenditures

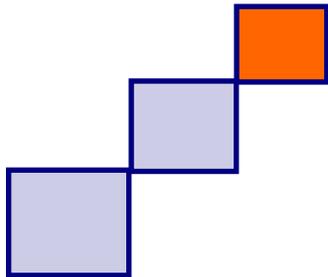


(Billions of yen)

		FY2009.3		FY2010.3(E)			
		1H		1H	yoy	progress	
Capex (Cash basis)	Consolidated	266.1	575.1	252.5	-5.1%	46.8%	540.0
	Mobile	204.2	432.1	186.3	-8.7%	46.9%	397.0
	Fixed-line	60.6	140.6	65.1	+7.5%	46.5%	140.0

Note: Excludes ¥207.1B cost for buy-back of 4 buildings in FY2009.3.

Segment Discussions



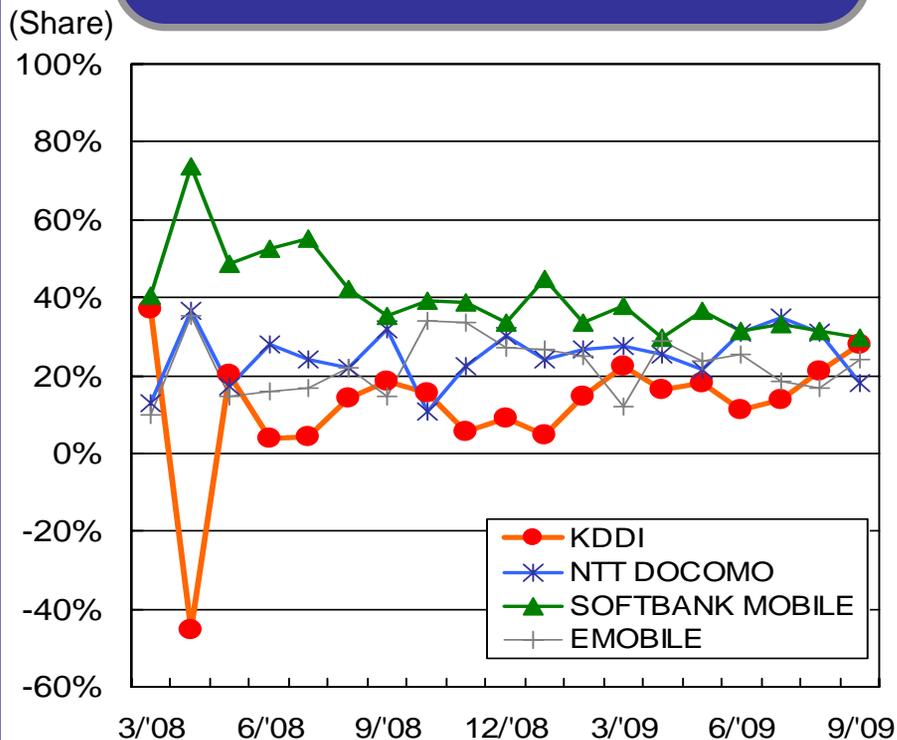
Mobile Business

Fixed-line Business

1.1. Net Additions

- Net additions of subs in 1H/FY2010.3 was 390k with a share of 18.2%.
- Net additions of mobile Internet subs was 319k with a share of 38.8%.

On a Total Sub Basis



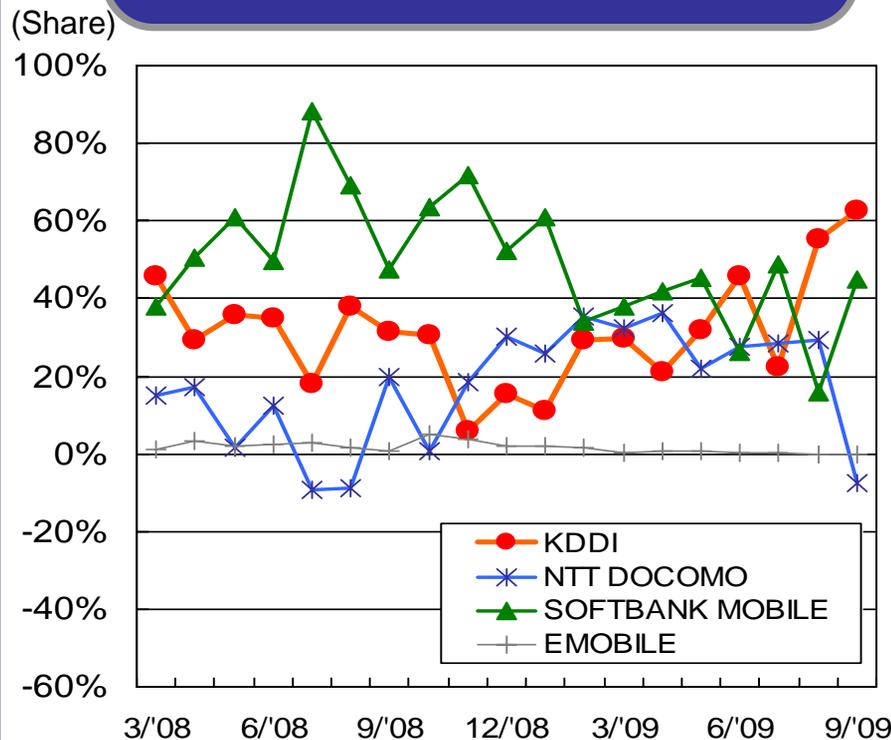
Full-year / FY2009.3

504k subs / 10.6%

1H / FY2010.3

390k subs / 18.2%

On a Mobile Internet Sub Basis



Full-year / FY2009.3

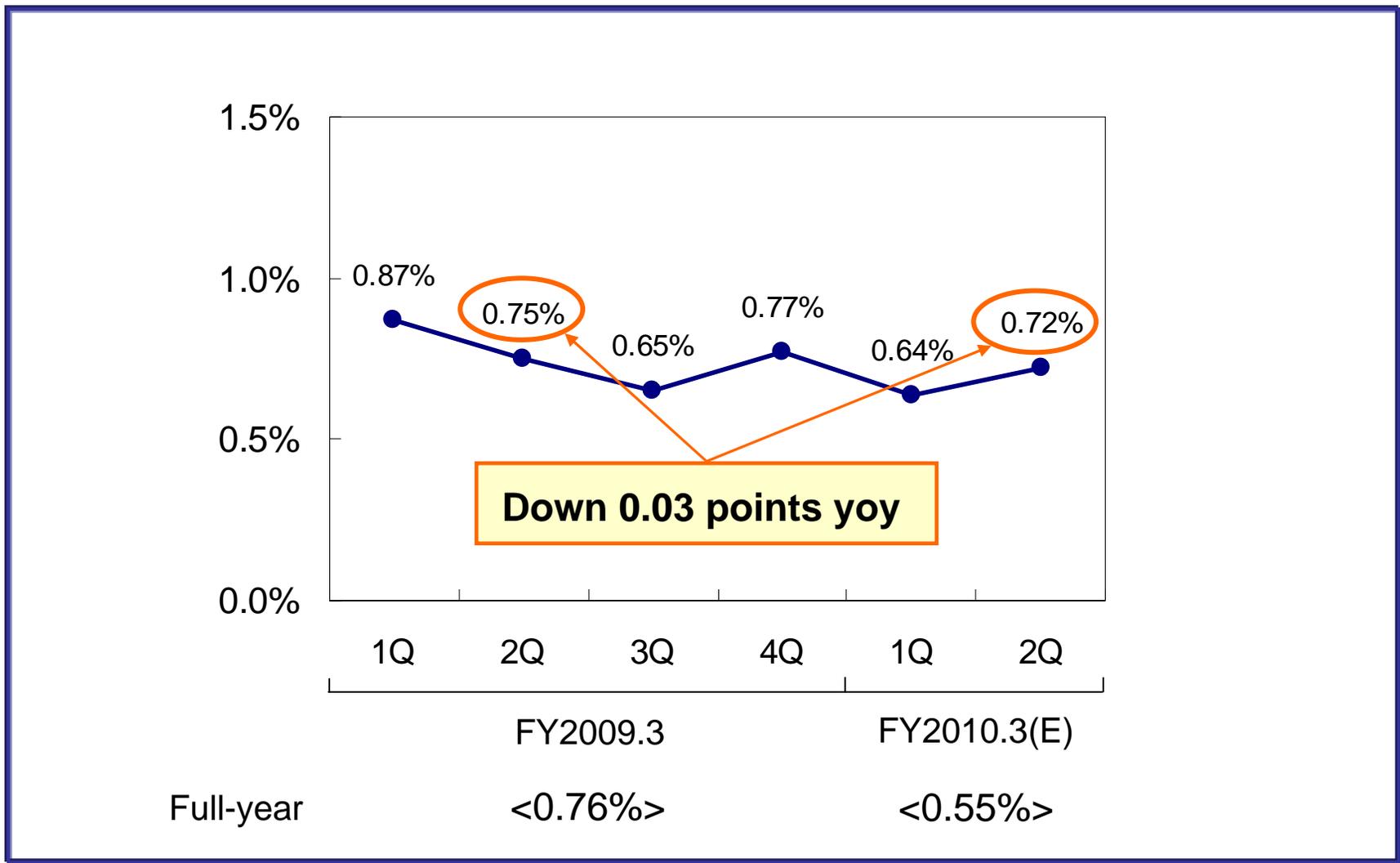
678k subs / 27.1%

1H / FY2010.3

319k subs / 38.8%

1.2. Churn Rate

■ Churn rate in 2Q was 0.72%, down 0.03 points yoy.

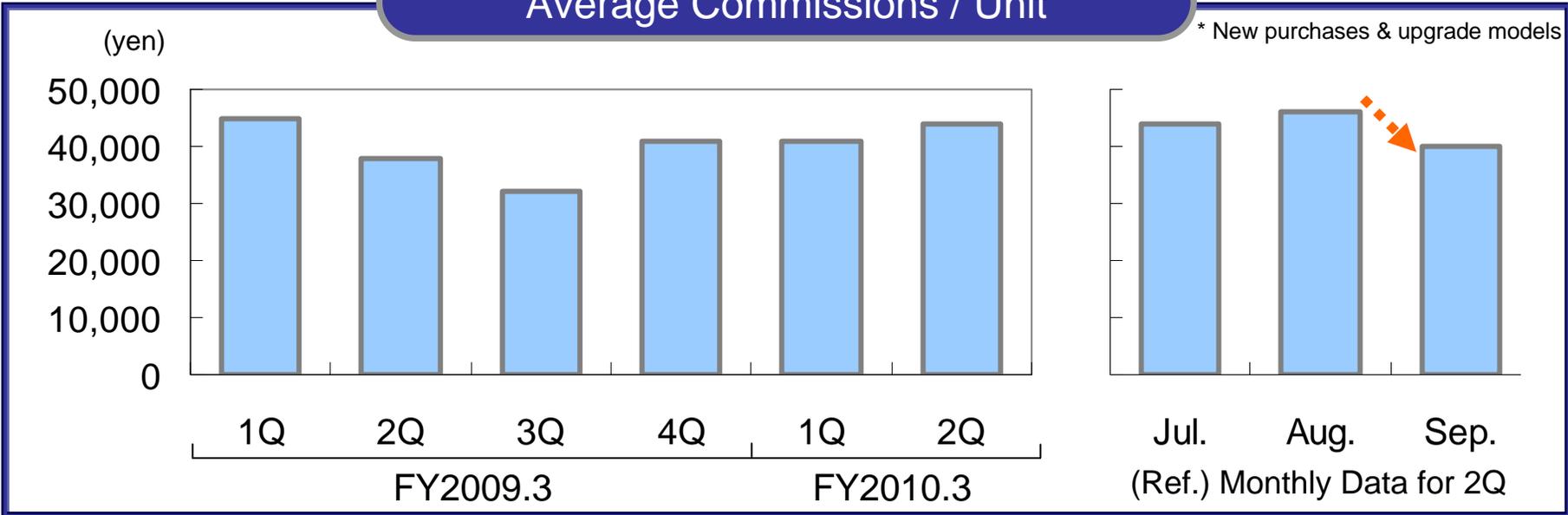


Note: Churn rate is calculated for ordinary handsets which exclude module-type terminals.

1.3. Sales Commissions

- Average sales commissions in 2Q was ¥44,000.
- Along with the two new flat-rate plans, in Jul and Aug introduced commissions in concentrated manner and expanded handset sales. Decreasing trend from Sep.

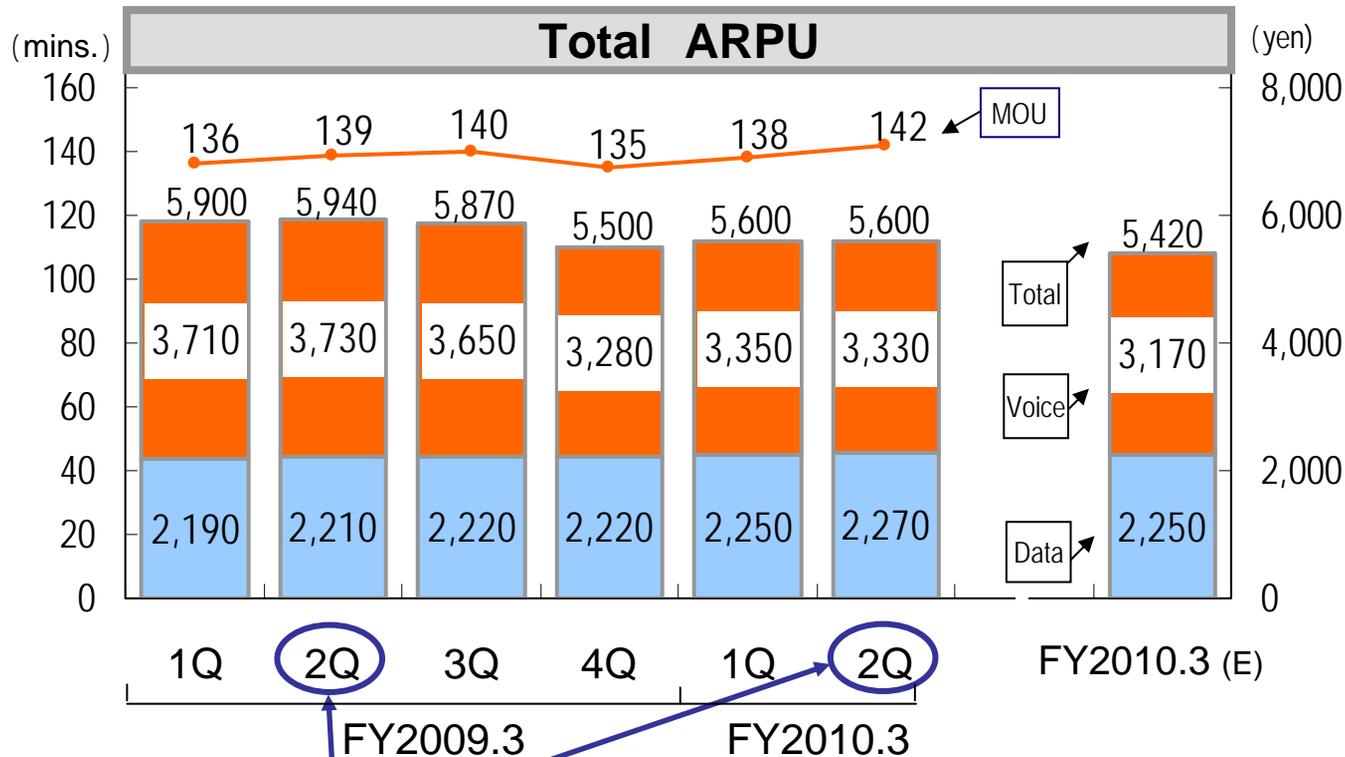
Average Commissions / Unit



	FY2009.3					FY2010.3(E)		
	1Q	2Q	3Q	4Q		1Q	2Q	
Total sales commissions (Billions of yen)	129.0	104.0	79.0	114.0	425.0	90.0	112.0	361.0
Average commissions / unit (yen)	45,000	38,000	32,000	41,000	39,000	41,000	44,000	36,000
Number of units sold ('000 units)	2,860	2,700	2,450	2,800	10,810	2,210	2,560	10,000

1.4. ARPU

■ In 2Q, ARPU remained firm at ¥5,600.



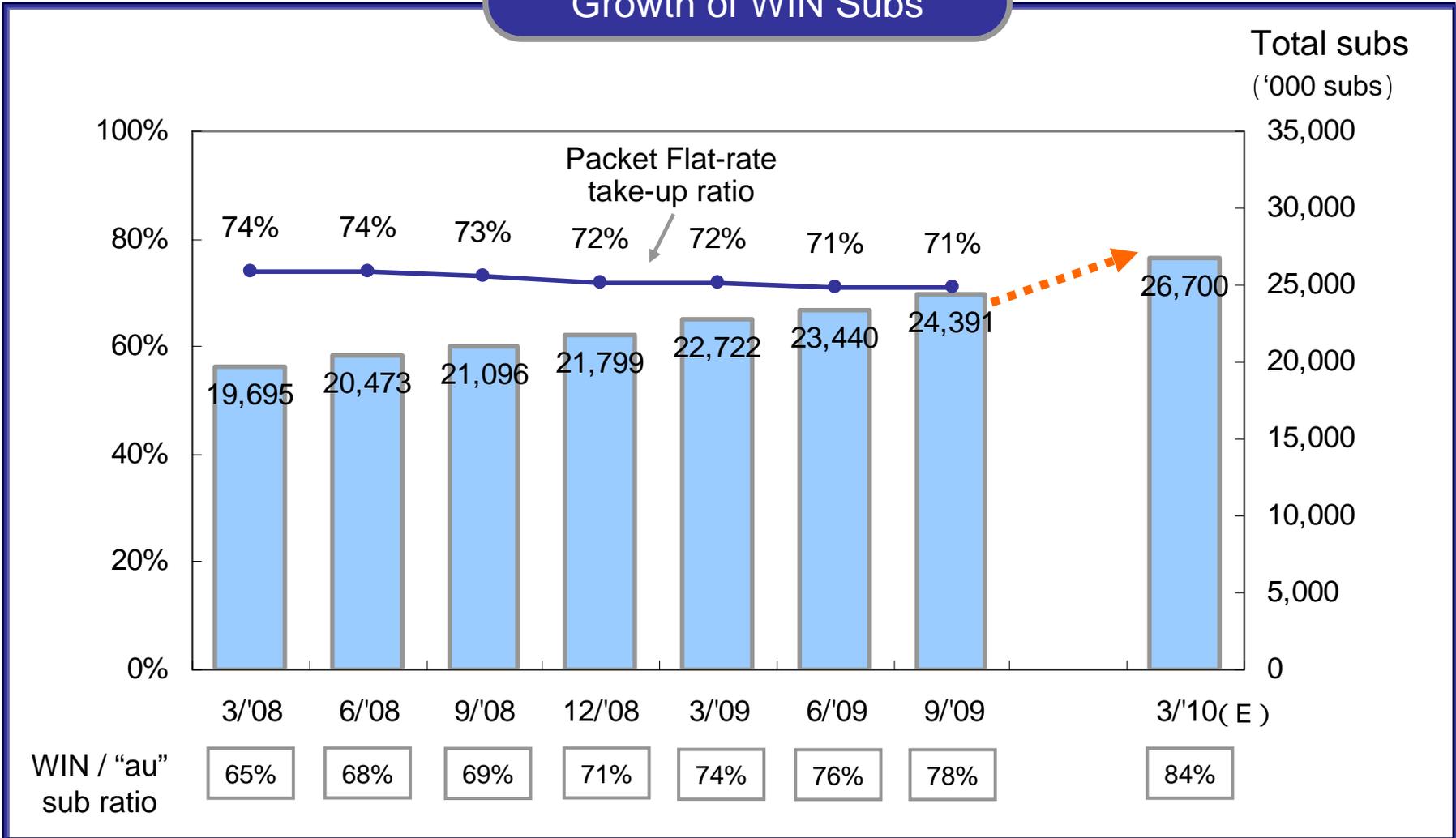
yoy	
Total ARPU	¥340 (5.7%)
of Voice	¥400 (10.7%)
of Data	+ ¥60 (+ 2.7%)

Full-year	FY2009.3	FY2010.3(E)
Total ARPU	¥5,800	¥5,420
of Voice	¥3,590	¥3,170
of Data	¥2,210	¥2,250

1.5. Update on WIN

- 78% of “au” users are with WIN at end-September, of which as high as 71% of customers sign up for Packet Flat-rate plans.

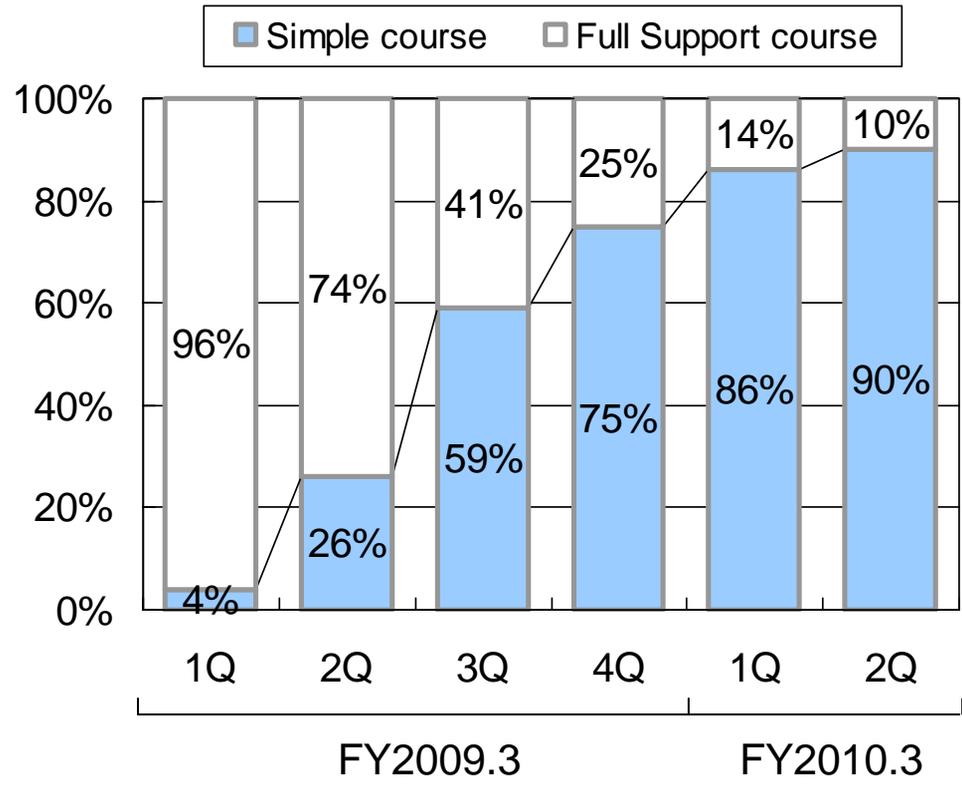
Growth of WIN Subs



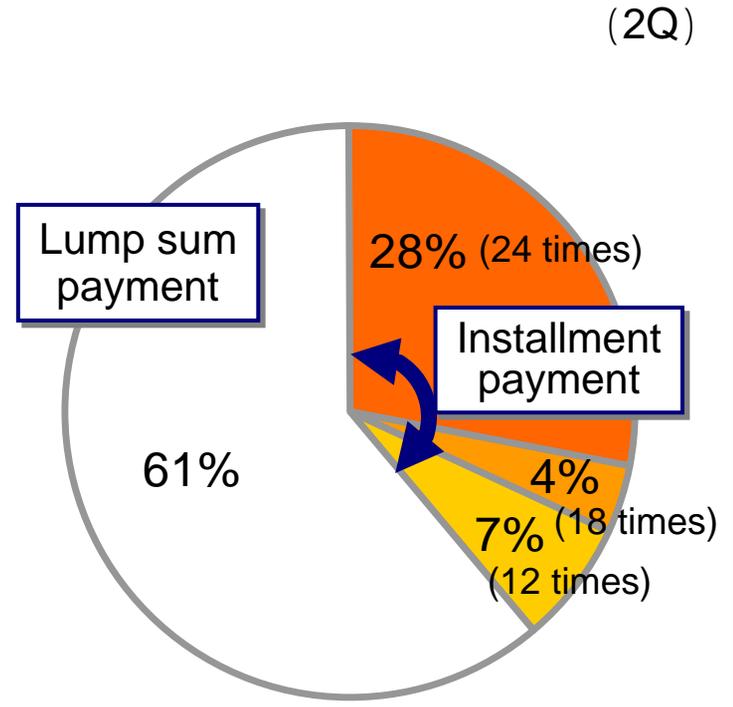
1.6. "au Purchase Program"

- The ratio of "Simple course" adoption to the total no. of units sold rose to 90% in 2Q.
- Among customers who selected the "Simple course", the installment payment rate was 39% in 2Q.

Selection of Course for All Handsets



Payment Method for Simple Course



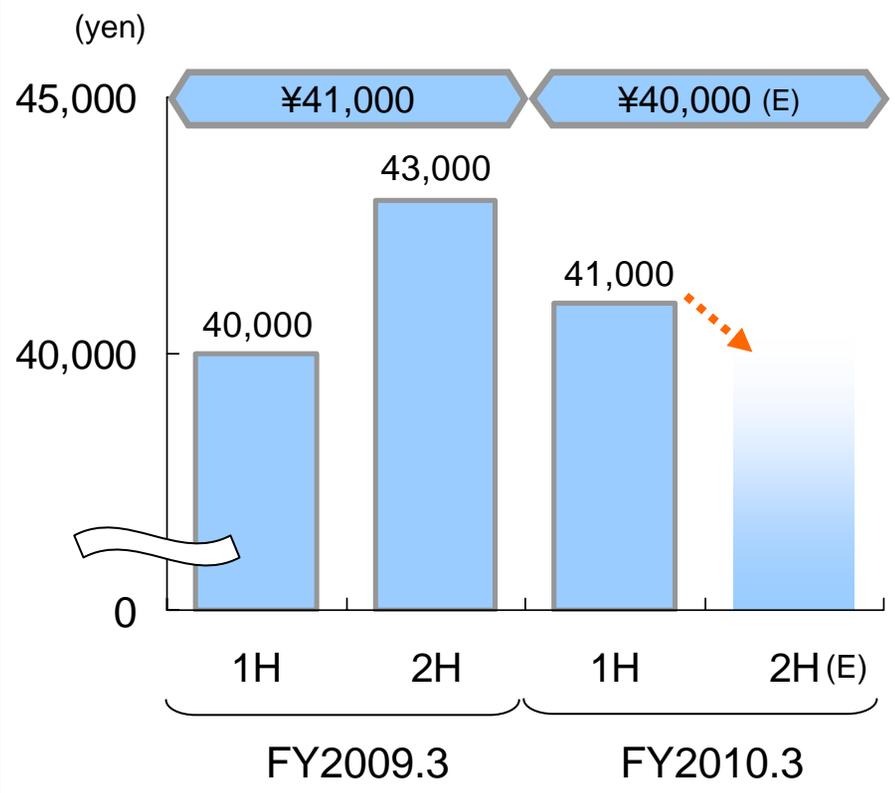
2. Lowering the Sales Commissions

- In 2H, aim to reduce average unit cost of sales commissions by cutting procurement costs, controlling inventories, and boost retention by promoting model upgrades.

Initiatives in 2H/FY2010.3

- (1) Reduce handset procurement cost
 - better lineup of popular models that meets customers' basic needs: slim/compact, waterproof, multi-color etc.
- (2) Keep the appropriate level of handset inventory
- (3) Firmer customer retention by promoting model upgrades
 - Promote upgrade from 1X to WIN
 - Raise retention, including at "au My Premiere Shop"

Trends in Handset Procurement Costs



3.1. Stronger Product -handsets-

- 2H lineup includes meet-the-basic-needs models (slim/compact, waterproof, multi-color etc.) as well as 12MP/8MP cameras and high quality video model.

Lineup for Autumn/Winter '09 - Spring '10: 20 models

12MP Camera Selection



EXILIM ケータイ
CA003



AQUOS SHOT
SH003



AQUOS SHOT
SH006



BRAVIA® Phone U1

8MP Camera Selection



EXILIM ケータイ
CA004



SH004



Cyber-shot™ケータイ
S001

Slim/Compact Selection



SA001



T003



SH005



S002

Elder/Junior



URBANO
PHONE



mamorino



簡単ケータイ
K004

Corporate and Data (WiMAX hybrid cards)



E07K



DATA01



DATA02



DATA03



DATA04

iida



PLY



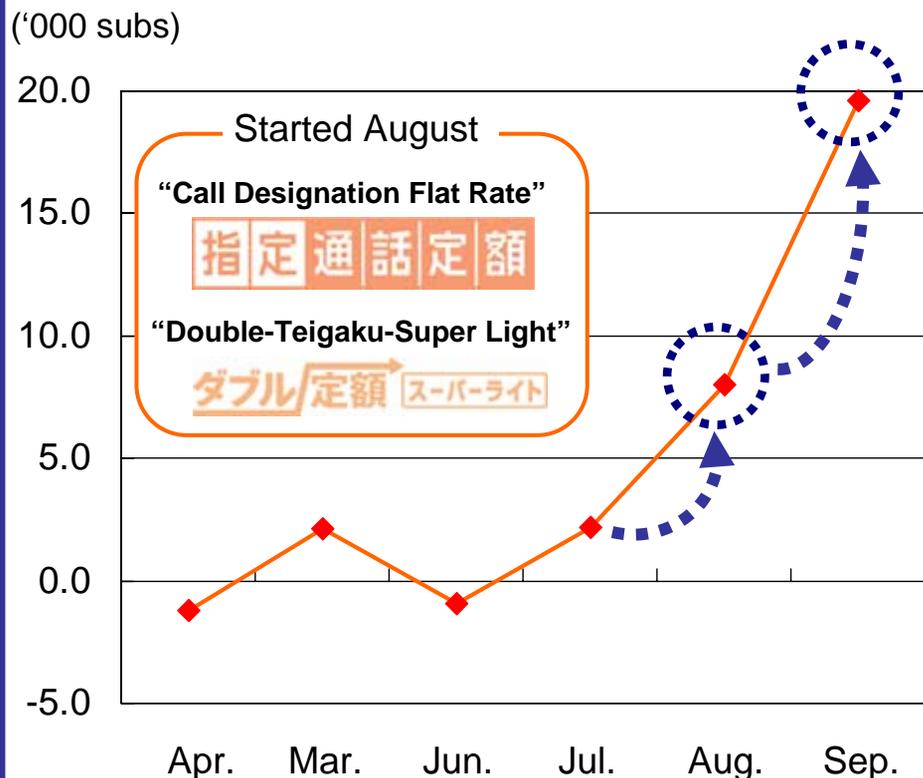
PRISMOID

Note: 20 models exclude additional colors for S001 model. EXILIM and EXILIM Phone are trademarks of Casio Computer Co., Ltd. BRAVIA is a registered trademark of Sony Corporation. Cyber-shot is a registered trademark of Sony Corporation. AQUOS SHOT is registered trademarks of Sharp Corporation.

3.2. Stronger Product -Charges-

- Growth in MNP flow-in, partly due to two new flat-rate plans that began in August.
- For further customer satisfaction, from November, introduce a new price plan that gives customers “piece-of-mind” when using more E-mails than ever.

Net Additions in MNP



New Price Plan

“GUN-GUN Mail” ガンガンメール

Free E-mail ! Note1

No matter with who or how big the attachment.

Starts on Nov. 9th

Plan-E Simple
Basic charge
/ month: ¥780 Note2
Calling charge
: ¥21/30 seconds

EZ WIN course
Monthly charge
:¥315

Monthly charge ¥1,095

(All tax inclusive)

Note1: Excludes international roaming and web mail.

Note2: With "Simple Course" and "Everybody Discount."

3.3. Stronger Product -Content-

- Improve customer satisfaction by strengthening entertainment content such as “LISMO” and “au Smart Sports,” as well as news and other convenient services.

LISMO!

LISMO supported handsets surpass 20M. Integrating entertainment brand of the music/video and related E-books.

LISMO!
(Music)

LISMO Video
(Video)

LISMO Book
(E-books)

au Smart Sports

“au Smart Sports” tops 1.5M members



Run & Walk



Karada Manager



Fitness



Golf



“EZ News EX”



Delivery to 100k+ members from broad user base. WEB version started in September.



- Ultra quick delivery to mobile
- More than 200 news a day
- Tailored to your preference

E-commerce

“au Shopping Mall” tops 2M members. Newly launched “au one Brand Garden.”



4. Corporate Business

- Aim the increase of voice service sales (combination of mobile and fixed-line) utilizing “KDDI Business Call Direct.”
- From 2H introduce WiMAX hybrid devices, increasing competitiveness in mobile data market.

Voice Market

Promote KDDI Business Call Direct

KDDI ビジネスコールダイレクト

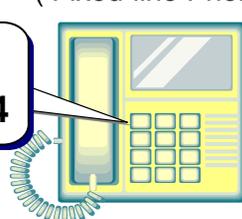
- a FMC (Fixed Mobile Convergence) service

Winner of MM Research Institute Award 2009! Note

(Mobile Phone)



(Fixed-line Phone)



Dial
9+1234

Features

Company call nationwide

Flat monthly rate

Promoting cross-selling of fixed and mobile voice service

Mobile Data Market

Introduce WiMAX hybrid device

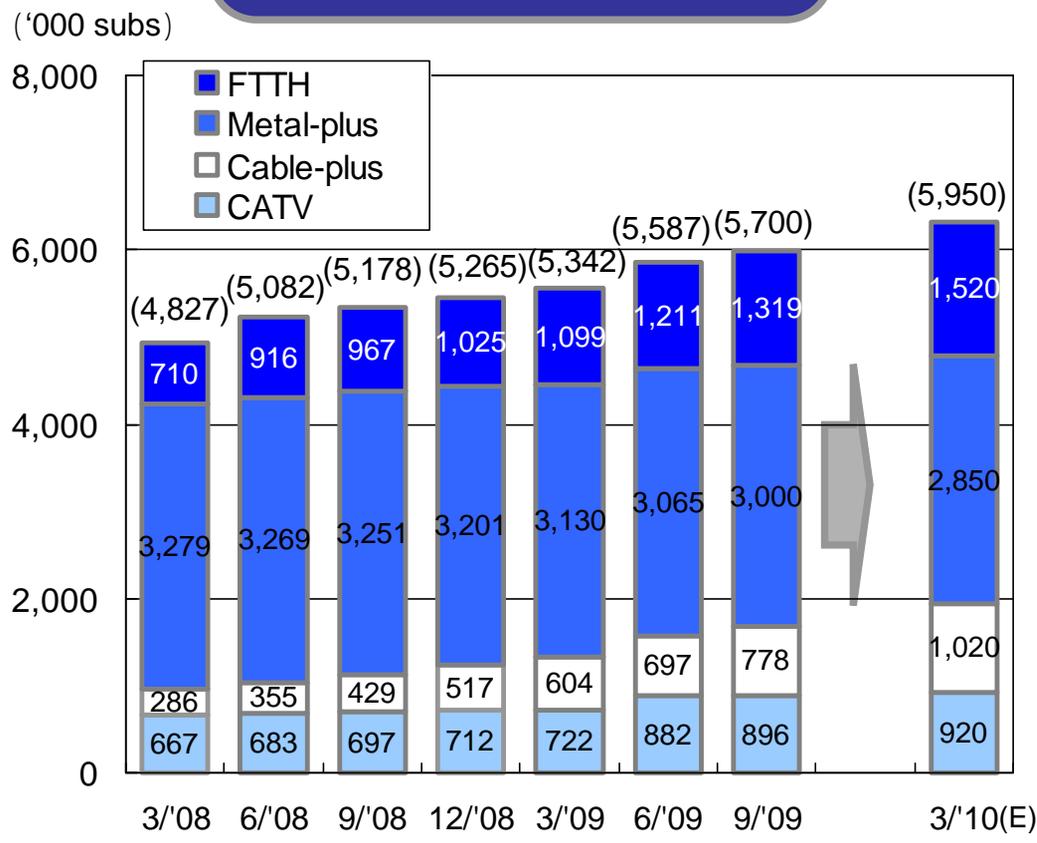


High-speed WiMAX + au's wide coverage

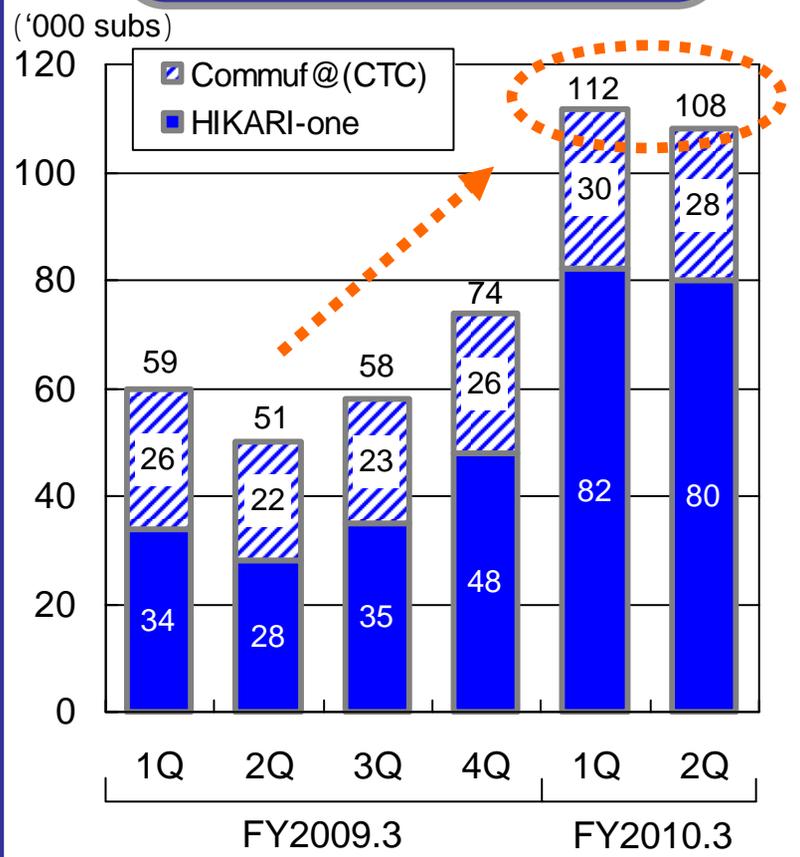
1. Fixed Access Lines

- At end-September, no. of fixed access lines was 5.70M.
- In FTTH, HIKARI-one cumulative subs topped 1M in 2Q, while commuf@(CTC) broke a cumulative 300k. On a quarterly basis, net increase in subs kept a strong rate from 1Q, maintaining 100k subs.

Fixed Access Lines Note



FTTH Net Additions



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

2. Initiatives for Legacy Services

- Increase convenience of international calls from au mobile and resume promotion of international call brand “001.”
- From November, introduce “au Collective Line,” a new FMC service that pairs au mobile phones and KDDI telephone link-up service. Put brakes on falling KDDI My Line registrations.

International Calls

➤ Improve convenience

- Added international prefix 001 (June), allowing int'l calls from au mobile phones without pre-registration
- Made int'l calls applicable as au mobile phone's free inclusive minutes
 Sep.: “au International Call Service” (dial 001)
 Dec.: Global Passport usage



➤ Resume promotion of the “001” brand

- In August, began new campaign with TV commercial

My Line

(service image)

“au Collective Line”

マイラインで、ますますおトク。



(starts Nov. 10)



*See company website for details on service provision.

Increase in international calls from au mobile phones

Realize cross-selling mobiles and fixed-lines nationwide

For FTTH and Metal-plus service areas: “au Collective Talk”
 For Other areas: “au Collective Line”

3. Enhancing Global ICT

- Actively develop ( **TELEHOUSE**) data centers, and provide one-stop support for customers' overseas business in 49 cities around the world (63 locations).



- KDDI Global Powered Ethernet**
No. 1 International Ethernet Sales Share in Japan

FY2009.3 Results

Company	Share (%)
KDDI	59.1%
Company A	27.3%
Others	13.6%

Source: Fuji Chimera Research Institute, Inc. 2009

- Interlink**
Speed up network connecting TELEHOUSE in the US, UK, and France (Started September 2009)
- TELEHOUSE LONDON Docklands West**
(March 2010 to open)

- More Locations**
 KDDI India Chennai Branch (opened May 2009)
- Strengthening Asia**

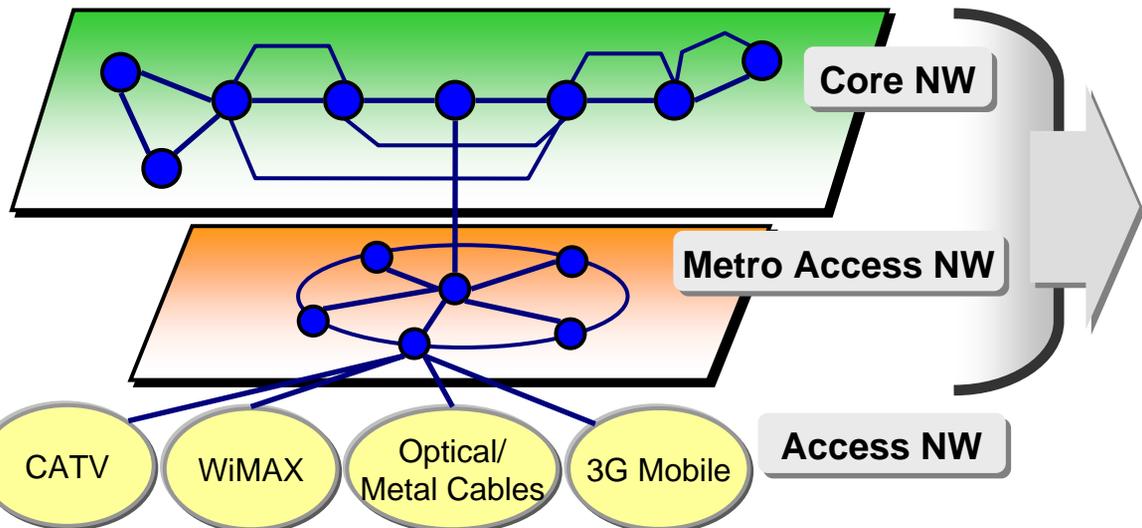
On Sep. 10, 2009, agreed on capital alliance to strengthen systems integration including digital media business in Asia.

4.1. Streamlining the Network -Purpose-

- By the multiple of mergers since 2000, observed overlaps of core NW, which supports the whole company businesses, and metro access NW.
- For strengthening the business base, major issue is dramatic reduction in NW costs.

	FY2001.3	FY2002.3	FY2003.3	FY2004.3	FY2005.3	FY2006.3	FY2007.3	FY2008.3	FY2009.3	FY2010.3
Core NW		Three-way merger of DDI, KDD and IDO								
Metro Access NW										
			Start building own facilities			Absorbed POWEREDCOM (TEPCO's subsidiary)	Integrated TEPCO's FTTH biz.			

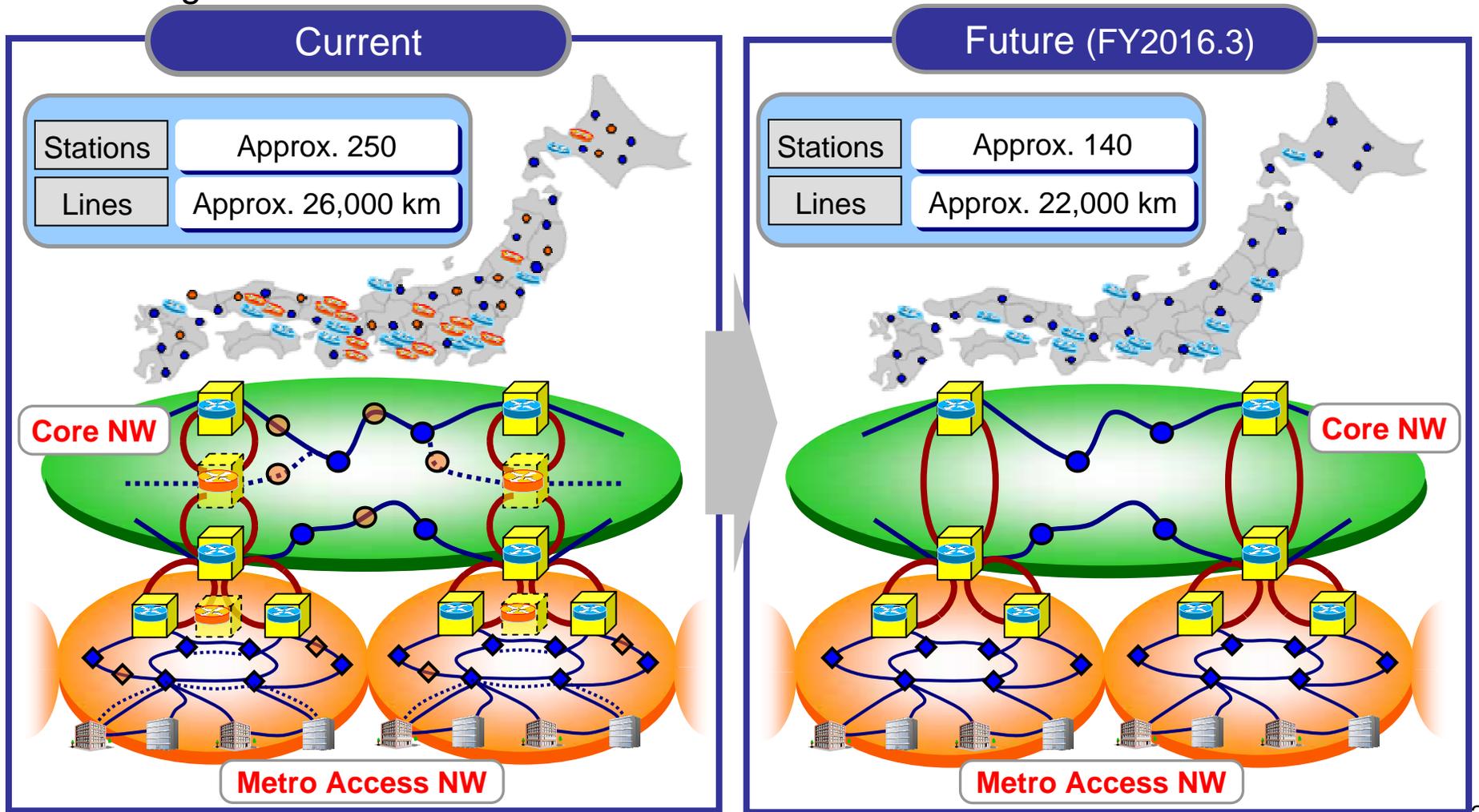
Reduplication
Larger fixed cost



Needs quick decrease in costs from Core NW and Metro Access NW

4.2. Streamlining the Network -Scenario-

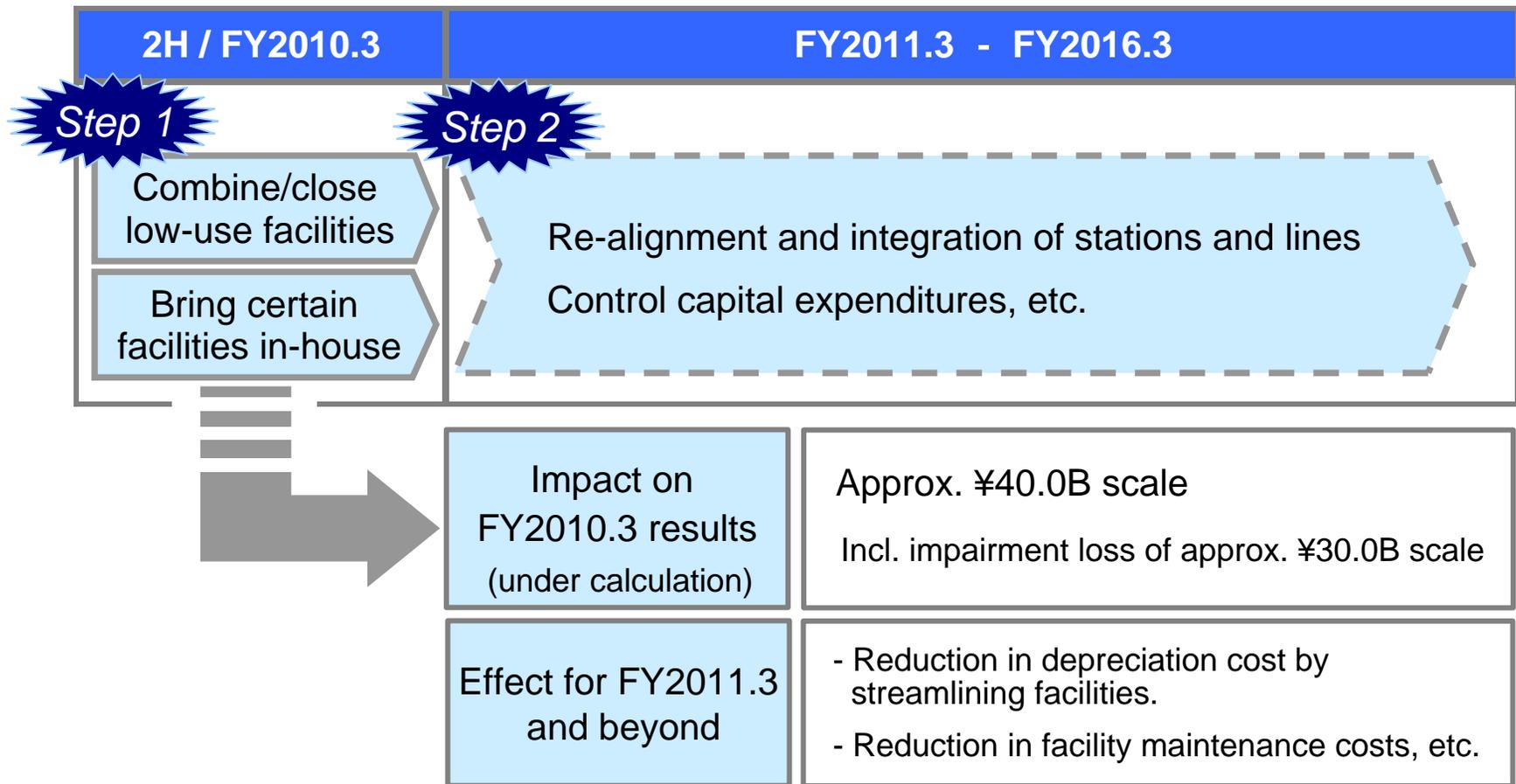
- Formulate streamlining the network plan through FY2016.3 with aim of dramatic cuts in NW costs.
- Maintain/consolidate stations and transmission lines to keep/raise quality while cutting costs.



Note: The stations and transmission lines are counted under Core NW.

4.3. Streamlining the Network -Going Forward-

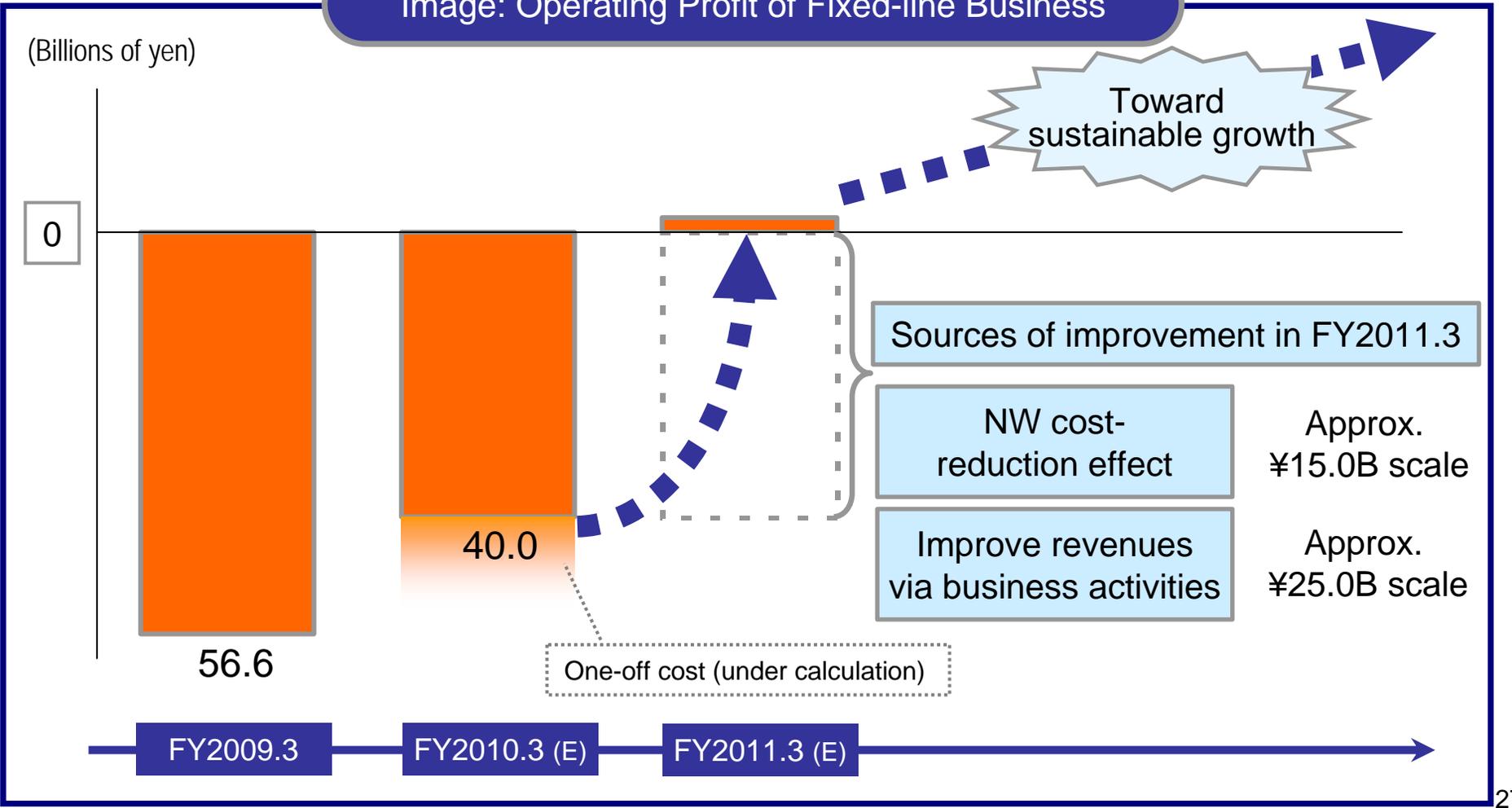
- In 2H prioritize quick cost reduction measures like improving operating rate by combining/closing low-use facilities and like moving facilities in-house to reduce costs for FY2011.3.
- In the next step, arrange stations and transmission lines, work steadily toward integration.



5. Making the Fixed-line Business Profitable

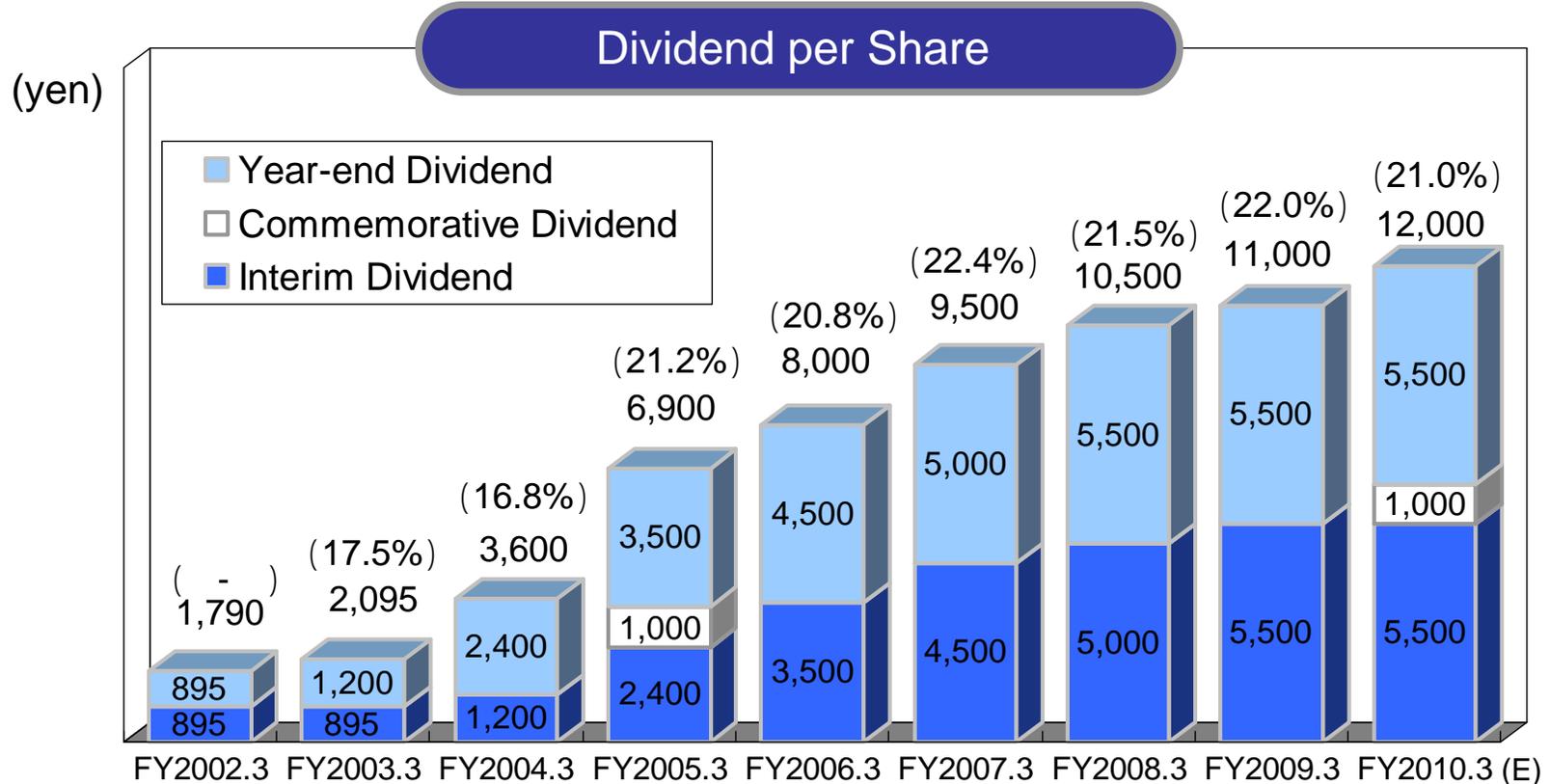
- Through improvements to the NW cost-reduction effect and revenues from business activities, achieve profitability in the Fixed-line Business during FY2011.3, and aim for sustainable growth in FY2012.3 and beyond.

Image: Operating Profit of Fixed-line Business



Shareholder Returns

- Maintain stable dividend – aim for consolidated payout ratio of 20% or more, taking investments for sustainable growth into consideration.
- Commemorative dividend (¥1,000 per share) for the Company’s 25th anniversary of the establishment is included in the interim dividend for FY2010.3. Per share estimate for annual payment is revised to ¥12,000.
- Increase the consolidated payout ratio to 25%-30% range within 5 years time.



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 (-).

