



Ubiquitous Solution Company

# KDDI CORPORATION

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Financial Results  
of the Fiscal Year Ended March 2010

April 23, 2010

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 FY2010.3

## 1 Consolidated basis

- Operating revenues declined by 1.6% yoy. Operating income rose by 0.1% yoy.
- Posted ¥61.1B extraordinary loss including business restructuring expenses for streamlining NW and impairment loss etc.

## 2 Mobile Business

- Operating revenues declined by 2.5% yoy. Operating income declined by 3.5% yoy.
- No. of “au” subs at end-March was 31.87M with a cumulative share at 28.4%.
- Handset sales were 10.20 million units, average sales commission was ¥36,000.

## 3 Fixed-line Business

- Operating revenues declined 1.1% yoy. Operating income recovered by ¥12.3B, to ¥44.2B.
- At end-March, no. of fixed access lines was 5.94M. Within this, no. of FTTH subs rose to 1.51M.
- Profitability achieved for the fiscal year by CTC<sup>Note1</sup>, consolidated subsidiary providing FTTH services etc. in Chubu region.

## 4 KDDI's Equity Participation in J:COM

- Assumed Liberty Global, Inc. (LGI) Group's stake in J:COM by acquiring LGI Group's entire stake in three intermediary holding companies<sup>Note2</sup> for ¥361.7B.

## 5 Increase year-end dividend per share from ¥5,500, to ¥6,500, giving full-year dividend per share of ¥13,000.

Note1: Chubu Telecommunications Co., Inc.

Note2: Liberty Global Japan II, LLC / Liberty Jupiter, LLC / Liberty Japan LLC

# 1.2. Full-year Outlook for FY2011.3 (1)

FY2010.3 Result → FY2011.3 Forecast (Change)

**1** On a consolidated basis, both operating revenues and operating income are forecasted to keep the same level as FY2010.3.

- Mobile Business

Decrease due to decrease in voice ARPU caused by customer shift to “Simple course” and increase in cost due to reorganization of 800MHz band.

- Fixed-line Business

Achieve profitability through reduction of NW cost etc. and improvement of profitability of FTTH business etc.

➤ Operating revenues	¥3,442.1B	→	¥3,440.0B (▲ ¥2.1B / - 0.1% yoy)
Operating income	¥443.9B	→	¥445.0B (+ ¥1.1B / + 0.3% yoy)
Mobile Business	¥483.7B	→	¥430.0B (▲ ¥53.7B / -11.1% yoy)
Fixed-line Business	▲¥44.2B	→	¥10.0B (+ ¥54.2B / - )
➤ Key performance index			
- “au” ARPU	¥5,410	→	¥ 5,010 (▲ ¥400)
- “au” total subs	31.87M	→	32.80M (+ 0.93M)
- “au” handset no. of unit sold	10.20M	→	10.60M (+ 0.40M)
- Fixed-access lines total subs	5.94M	→	6.48M (+ 0.54M)
- FTTH total subs	1.51M	→	2.04M (+ 0.53M)

## 1.2. Full-year Outlook for FY2011.3 (2)

**2** CAPEX peaked out in FY2009.3.

Forecast for FY2011.3 at ¥490.0B, decrease by ¥28.0B yoy.

**3** Main new facts included in the basis of the outlook and the effect amount

- Increased number of overseas companies included in the scope of consolidation

Operating revenues: ¥50.0B / Operating income: ¥3.0B

- Equity participation in J:COM (became KDDI Group affiliate)

Effect on equity in gain of affiliates: ▲¥3.0B<sup>Note1</sup> (same effect on ordinary income)

Breakdown: Amortization of goodwill: ¥11.0B

(goodwill equivalent: ¥290.0B<sup>Note2</sup> / depreciation 20 years)

Equity in gain of affiliates : ¥8.0B<sup>Note3</sup>

Note1: Plan to recognize from 2Q. Note2: Estimate as of Apr. 23, 2010.

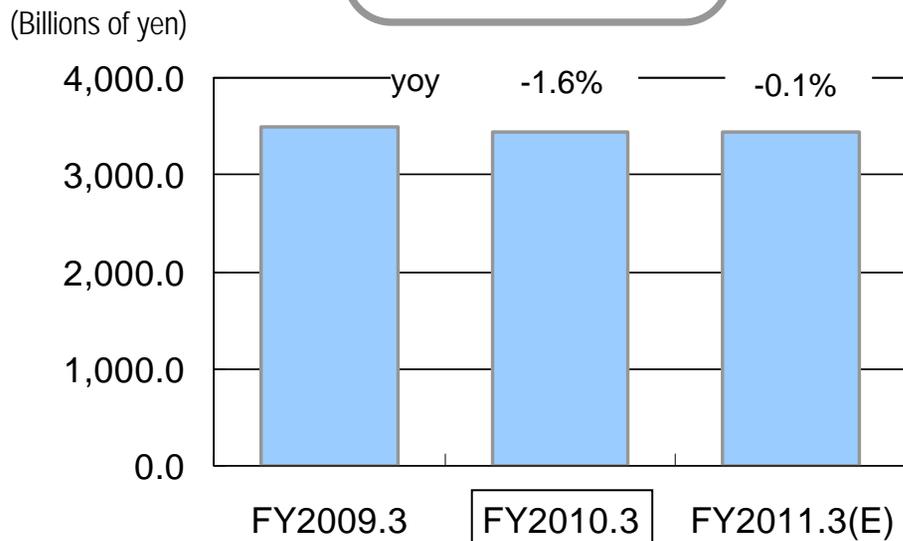
Note3: Calculation by KDDI based on business results forecasts for the year ending Dec. 31, 2010, which J:COM released on Jan. 28, 2010.

## 1.3. FY2011.3 Challenges

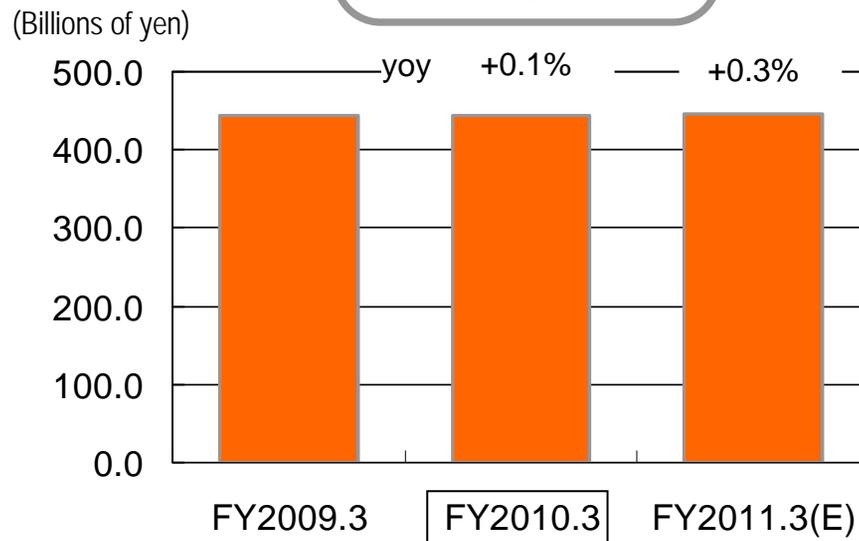
- 1** Amid dramatic change in markets and earnings structures, advance business restructuring for sustainable growth.
- 2** Mobile Business
  - Achieve fundamental improvement in profitability as voice ARPU decreases with customer shift to “Simple course”.
  - Promote transfer to tri-band compatible handsets in preparation for reorganization of the 800MHz band.
  - Step up initiatives for new areas (smart phones / data cards etc.) and enhance data ARPU.
  - Strengthen infrastructure for mobile Broadband era.
- 3** Fixed-line Business
  - Achieve profitability on operating income basis.
  - Expand FTTH customer base even further.
- 4** Growing / new areas
  - Expand businesses not dependent on telecommunications traffic (content/media business).
  - Expand overseas businesses through development of data center business globally and entry into emerging countries’ business etc.
  - Strengthen management foundations of WiMAX business / financial business and promote development of new businesses.
  - Build partnership with J:COM and J:COM’s existing shareholders and realize synergies.

# 2. Consolidated Financial Results

**Operating revenues**



**Operating income**



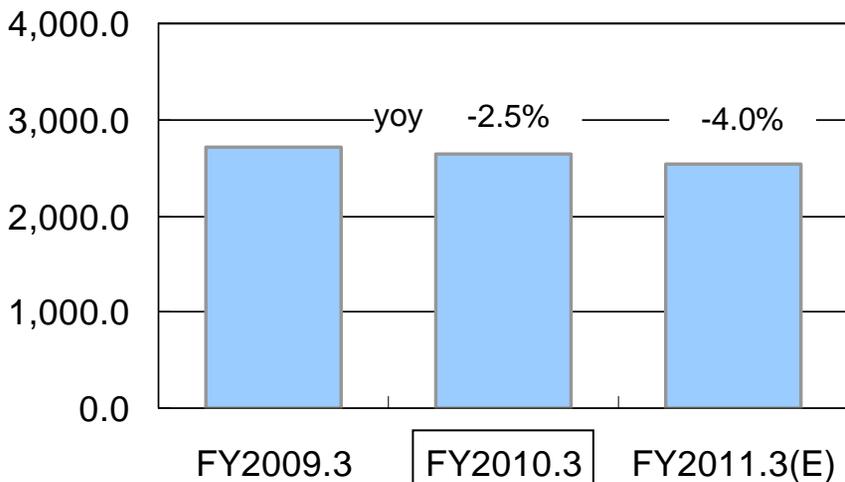
(Billions of yen)

	FY2009.3	FY2010.3		FY2011.3(E)	
			yoy		yoy
Operating revenues	3,497.5	3,442.1	-1.6%	3,440.0	-0.1%
Operating income	443.2	443.9	0.1%	445.0	0.3%
<i>Operating margin</i>	12.7%	12.9%	-	12.9%	-
Ordinary income	440.5	422.9	-4.0%	420.0	-0.7%
Net income	222.7	212.8	-4.5%	240.0	12.8%
Free Cash Flow	-63.2	-184.4	-	230.0	-
EBITDA	904.0	927.3	2.6%	910.0	-1.9%
<i>EBITDA margin</i>	25.8%	26.9%	-	26.5%	-

# 3. Mobile Business

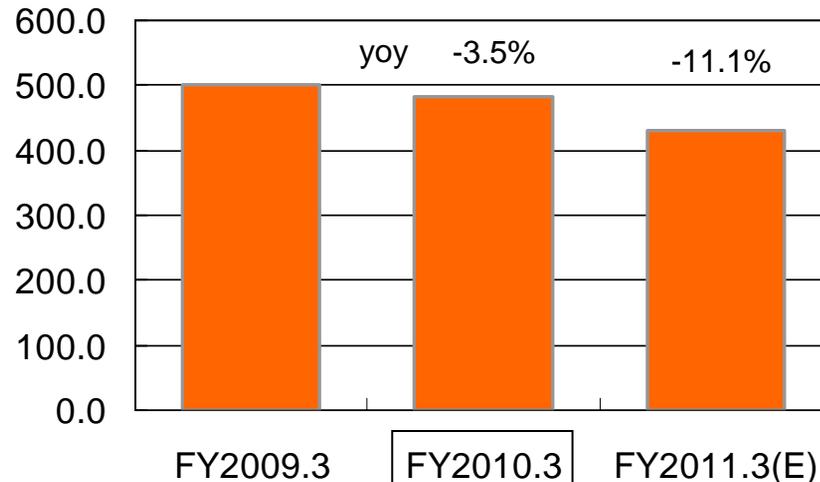
**Operating revenues**

(Billions of yen)



**Operating income**

(Billions of yen)



(Billions of yen)

	FY2009.3	FY2010.3		FY2011.3(E)	
			yoy		yoy
Operating revenues	2,719.2	2,650.1	-2.5%	2,545.0	-4.0%
Operating income	501.5	483.7	-3.5%	430.0	-11.1%
<i>Operating margin</i>	18.4%	18.3%	-	16.9%	-
Ordinary income <sup>Note</sup>	509.1	490.6	-3.6%	415.0	-15.4%
Net income	273.1	293.2	7.3%	235.0	-19.8%
Free Cash Flow	180.0	276.5	53.6%	235.0	-15.0%
EBITDA	821.9	826.8	0.6%	765.0	-7.5%
<i>EBITDA margin</i>	30.2%	31.2%	-	30.1%	-

	FY2009.3	FY2010.3	FY2011.3(E)
( ' 000)			
Total Subs	30,843	31,872	32,800
of module-type	923	1,085	1,300
WIN(EV-DO)	22,722	26,174	29,900
1X	7,805	5,451	-
cdmaOne	316	247	-

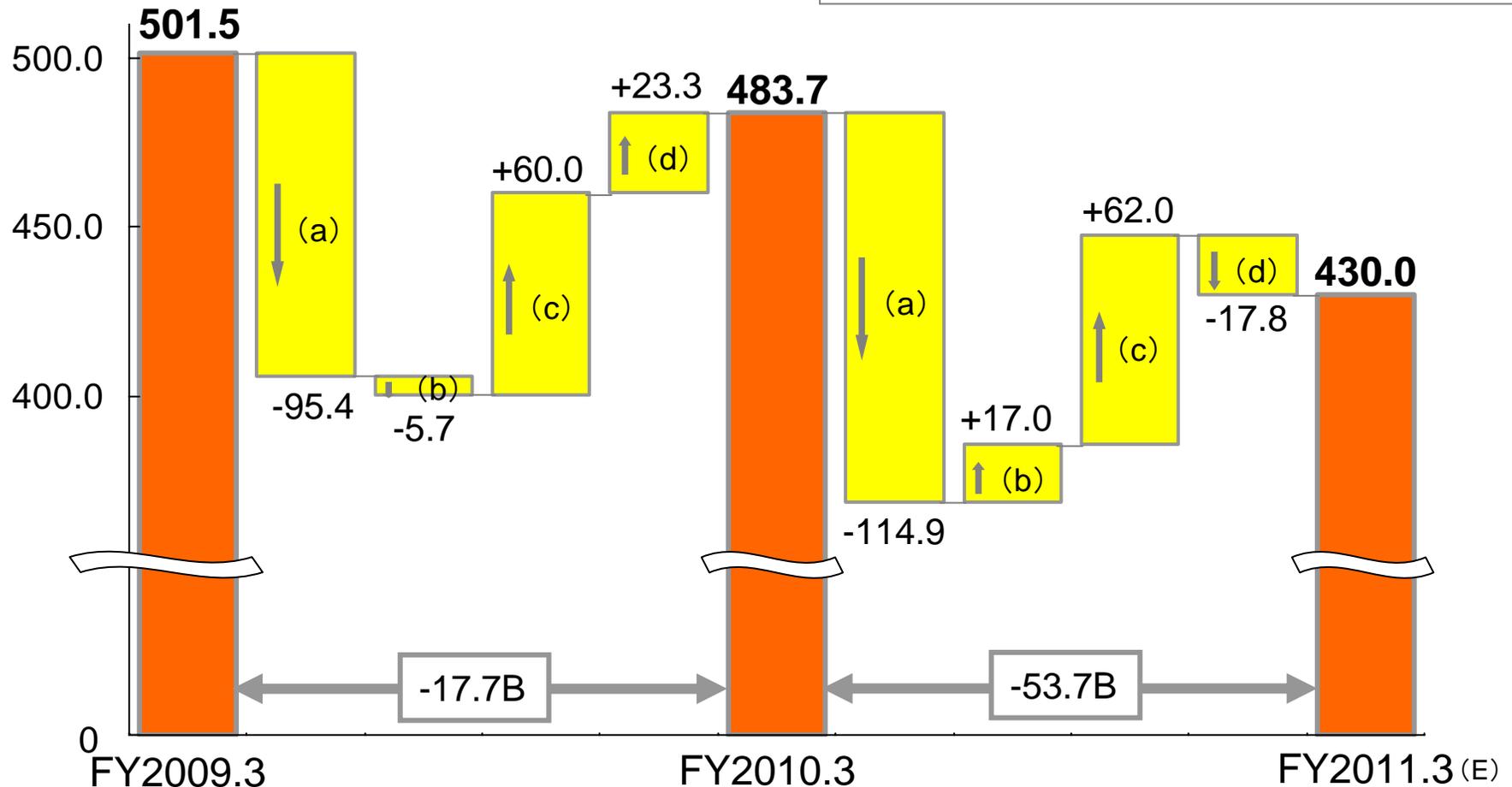
Note: For FY2011.3 (E), equity-method investment income/loss, that used to be out of segment, is allocated to each segment.

# (Ref.) Mobile Business Operating income

Cases of increases and decreases  
 (FY2009.3 to FY2011.3 estimate)

- Operating income
- (a) Revenues from telecommunication business
- (b) NW-related expenses<sup>Note</sup>
- (c) Sales commissions (d) Others

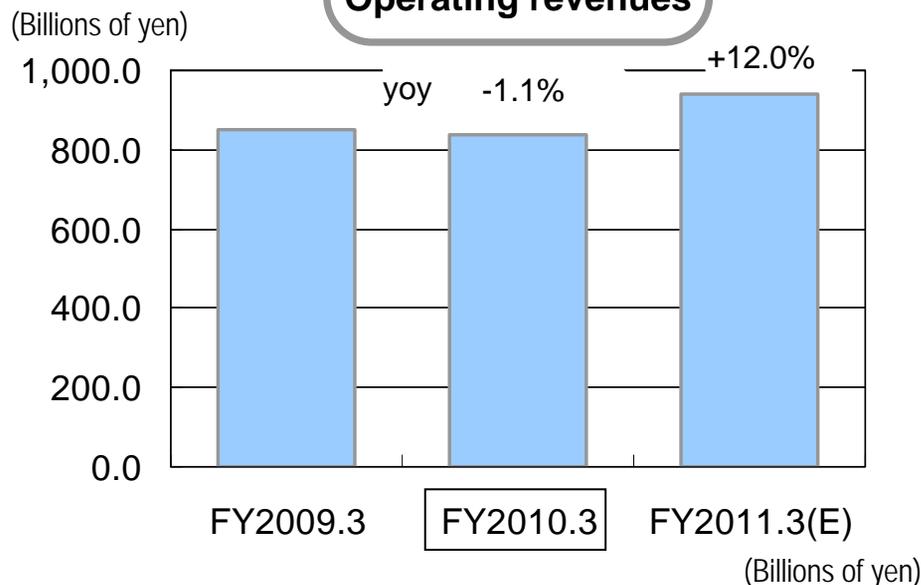
(Billions of yen)



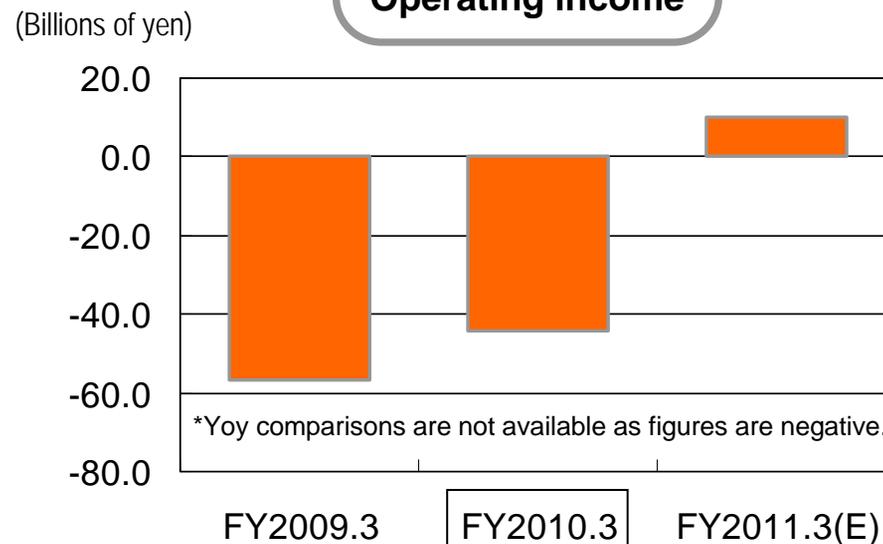
Note: Depreciation + noncurrent assets retirement cost + communication facility fee (including access charge for services).

# 4. Fixed-line Business

**Operating revenues**



**Operating income**



	FY2009.3	FY2010.3	FY2011.3(E)	
			yoy	yoy
Operating revenues	848.7	839.2	-1.1%	12.0%
Operating income	-56.6	-44.2	-	-
<i>Operating margin</i>	-6.7%	-5.3%	-	1.1%
Ordinary income <sup>Note4</sup>	-61.6	-56.8	-	0.0
Net income	-43.1	-68.4	-	0.0
Free Cash Flow	-40.7	-75.7	-	0.0
EBITDA	82.3	94.7	15.0%	47.9%
<i>EBITDA margin</i>	9.7%	11.3%	-	14.9%

Subs	FY2009.3	FY2010.3	FY2011.3(E)
( ' 000)			
ADSL	1,224	1,031	840
FTTH	1,099	1,513	2,040
Metal-plus <sup>Note1</sup>	3,130	2,852	2,570
Cable-plus phone	604	960	1,280
CATV <sup>Note2</sup>	722	972	1,040
Fixed access lines <sup>Note3</sup>	5,342	5,944	6,480

Note1 : Including ADSL one (ADSL used over Metal-plus).

Note2: CATV subs include number of households with at least one contract via broadcasting, internet, or telephone.

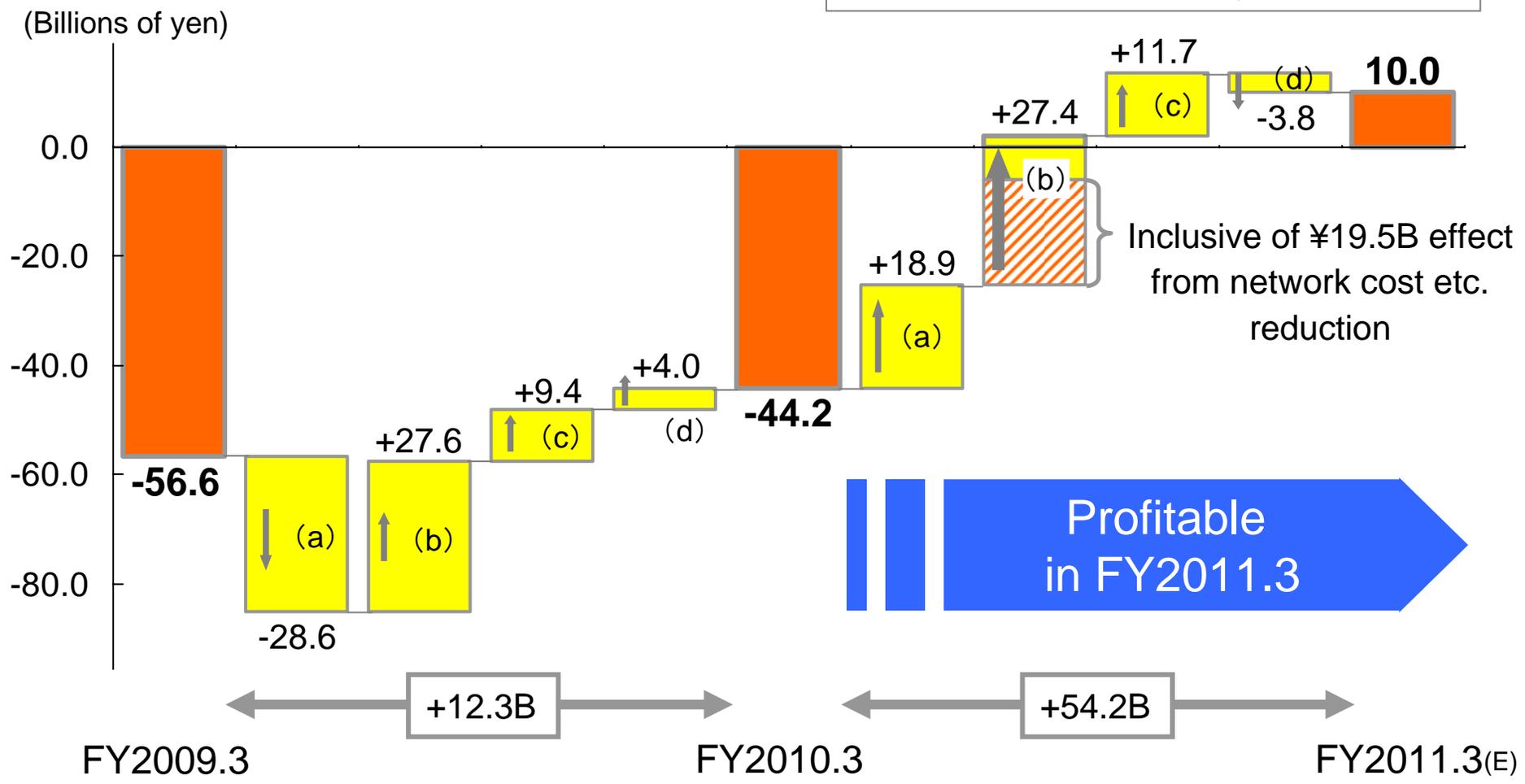
Note3: Fixed access lines are FTTH, direct-revenue telephony (Metal-plus, Cable-plus phone) and CATV subs and the number excludes crossover subs.

Note4: For FY2011.3 (E), equity-method investment income/loss, that used to be out of segment, is allocated to each segment.

# (Ref.) Fixed-line Business Operating income

Cases of increases and decreases  
 (FY2009.3 to FY2011.3 estimate)

- Operating income
- (a) Non-consolidated operating revenues
- (b) Non-consolidated operating expenses
- (c) Group company earnings<sup>Note</sup>
- (d) Others



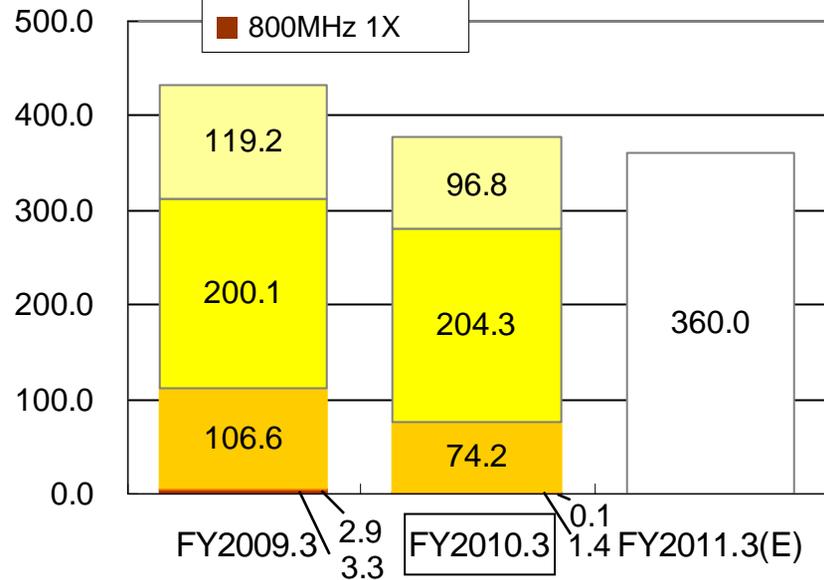
Note: CTC, JCN and overseas subsidiaries

# 5. Capital Expenditures

Mobile capex

- Common Equip.
- New 800MHz
- 2GHz
- 800MHz EV-DO
- 800MHz 1X

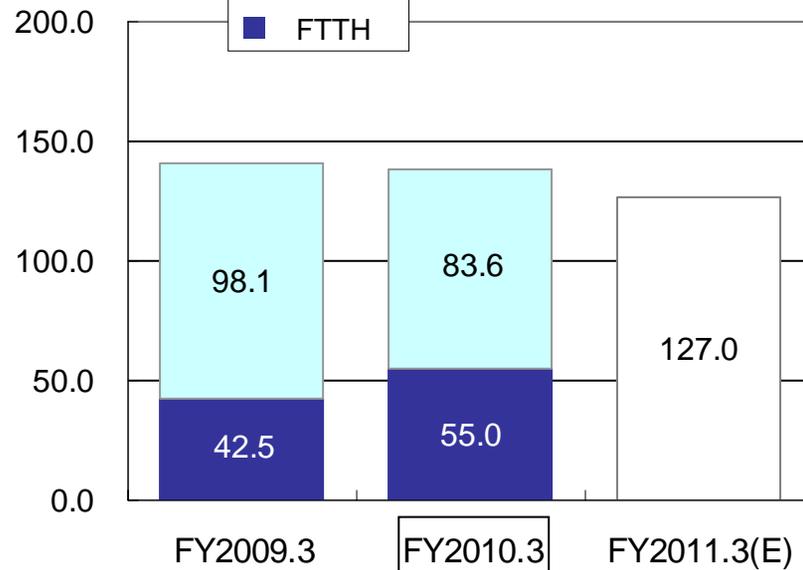
(Billions of yen)



Fixed-line capex

(Billions of yen)

- Others
- FTTH



(Billions of yen)

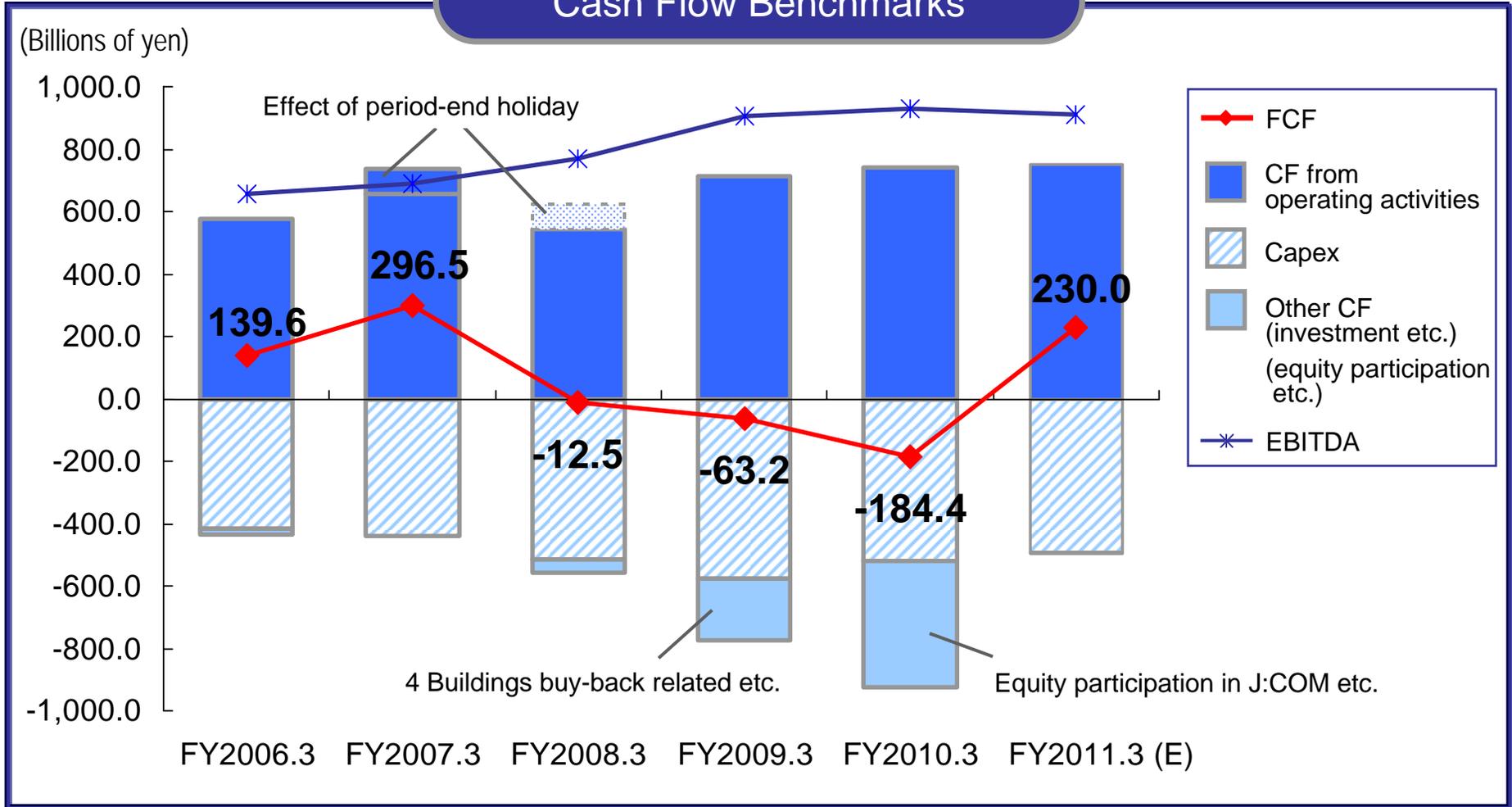
		FY2009.3	FY2010.3		FY2011.3(E)	
			yoy		yoy	
Capex (Cash basis)	Consolidated	575.1	518.0	-9.9%	490.0	-5.4%
	Mobile	432.1	376.8	-12.8%	360.0	-4.5%
	Fixed-line	140.6	138.7	-1.4%	127.0	-8.4%

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

# 6. Free Cash Flows

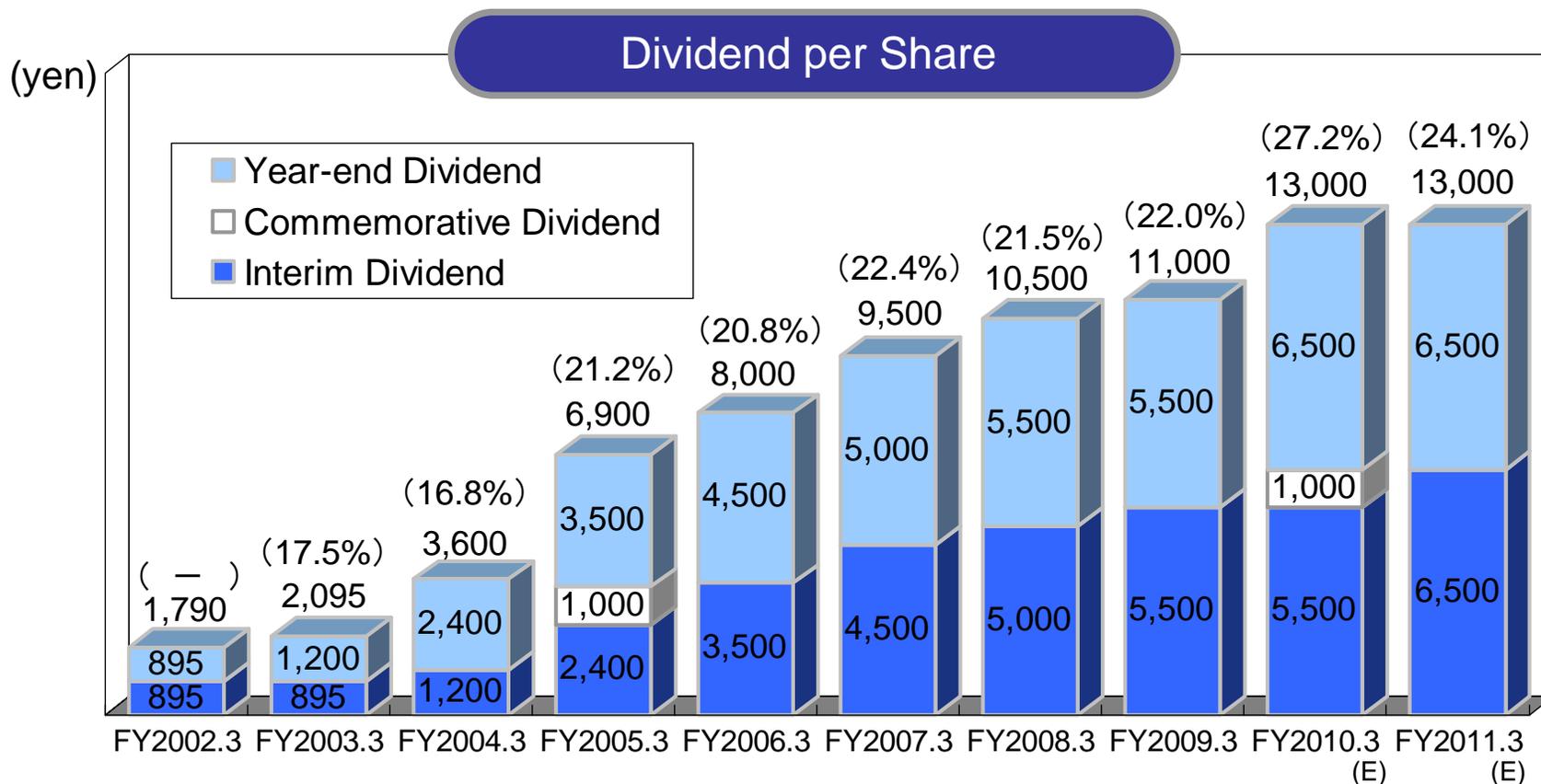
- Create stable operating cash flows of approx. ¥600.0B every fiscal year.  
 Expect free cash flows of ¥230.0B for FY2011.3.

**Cash Flow Benchmarks**



# 7. Shareholder Returns

- Increased dividend ¥2,000 for FY2010.3 (increased for 8 consecutive periods).
- Policy of steadily increase consolidated payout ratio to 25%–30% range while considering investment for sustainable growth remains.



Note: ( ) refers to payout ratio, which shows on non-consolidated basis until FY2006.3 and on a consolidated basis from FY2007.3. FY2002.3 posted net loss.

# Segment Discussions & Strategies

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Mobile Business

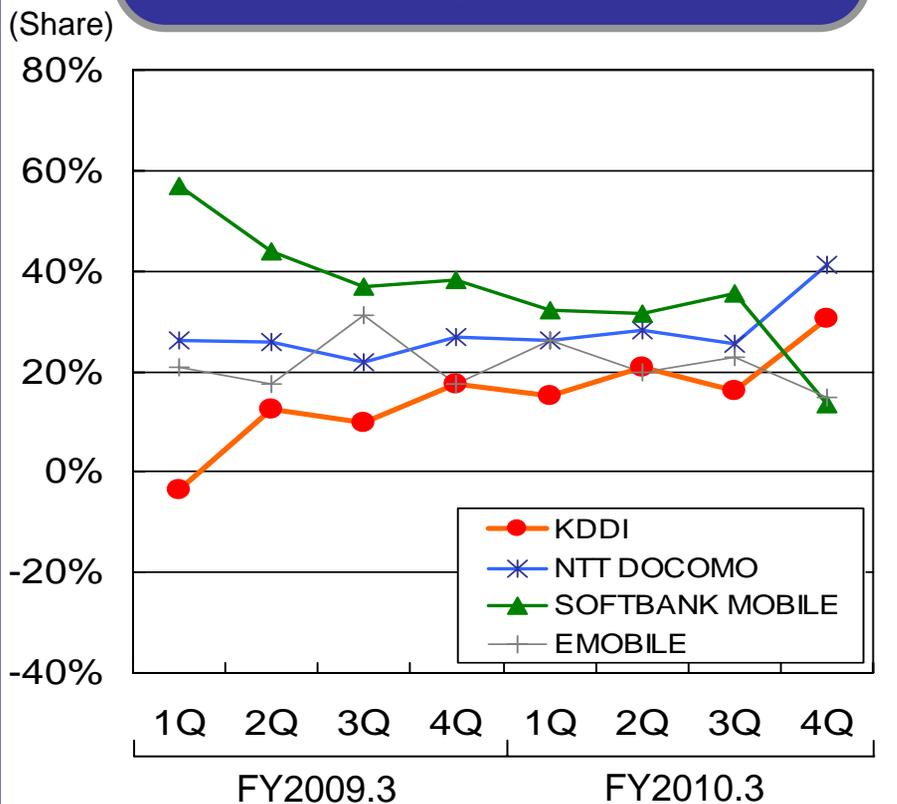
Fixed-line Business

Growth / new areas

# 1.1. Net Additions

- Net additions of subs in FY2010.3 was 1,030k with a share of 21.9%.
- Net additions of mobile Internet subs in FY2010.3 was 784k with a share of 38.2%.

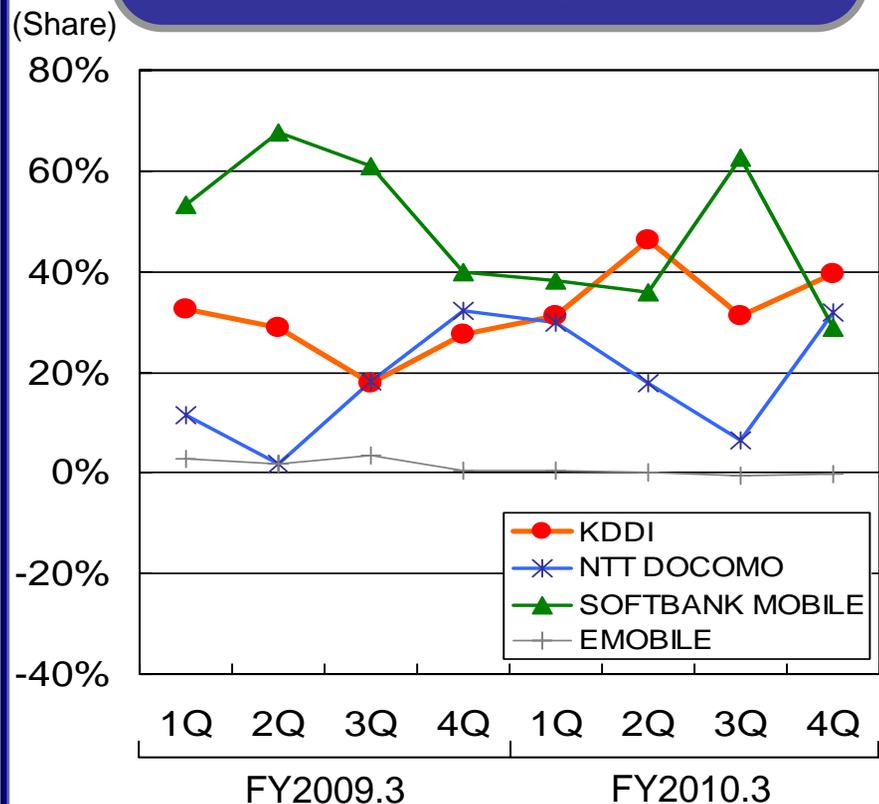
### Total Sub Basis



Full-year / FY2009.3      Full-year / FY2010.3

504k subs / 10.6%      1,030k subs / 21.9%

### Mobile Internet Sub Basis

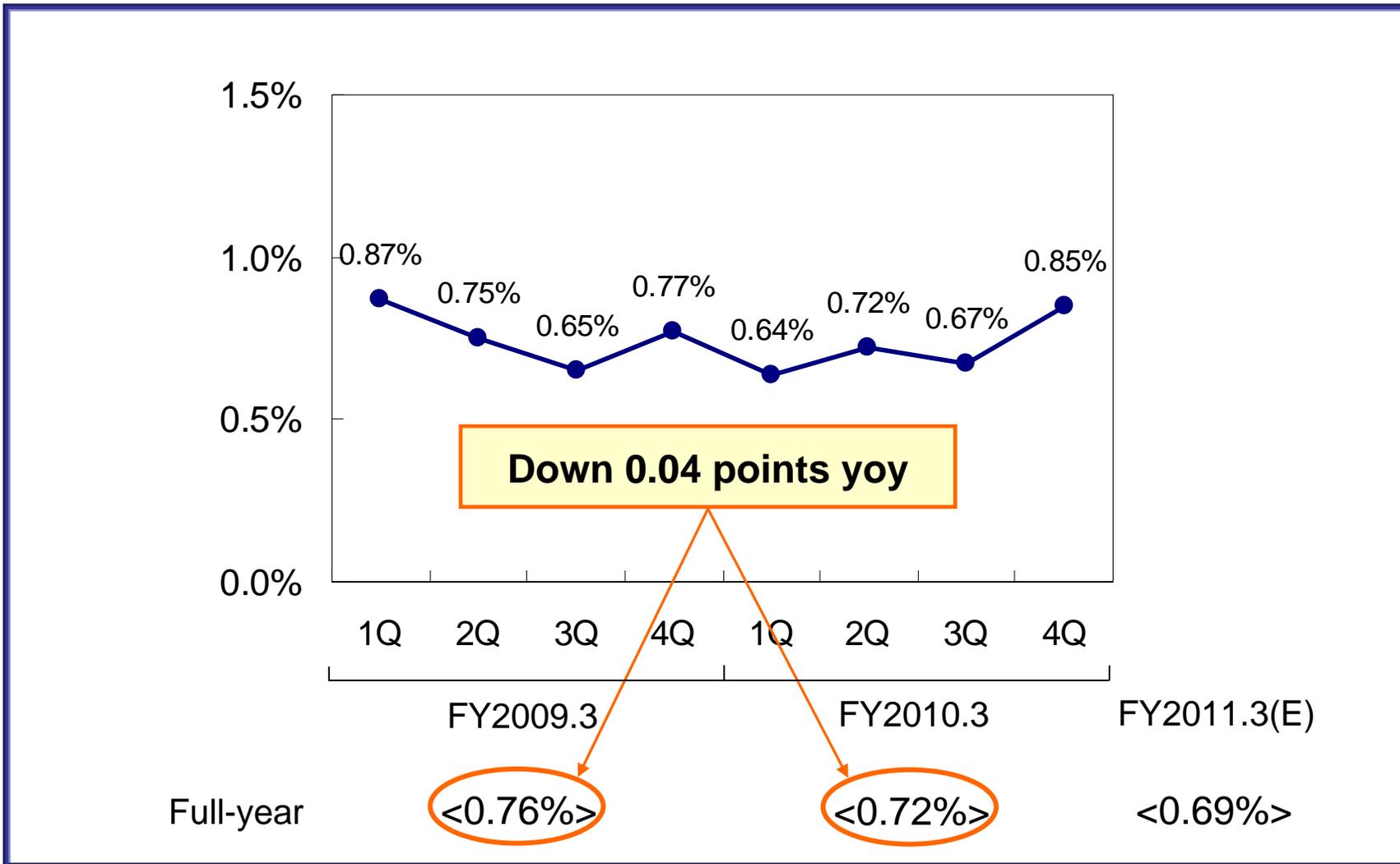


Full-year / FY2009.3      Full-year / FY2010.3

678k subs / 27.1%      784k subs / 38.2%

# 1.2. Churn Rate

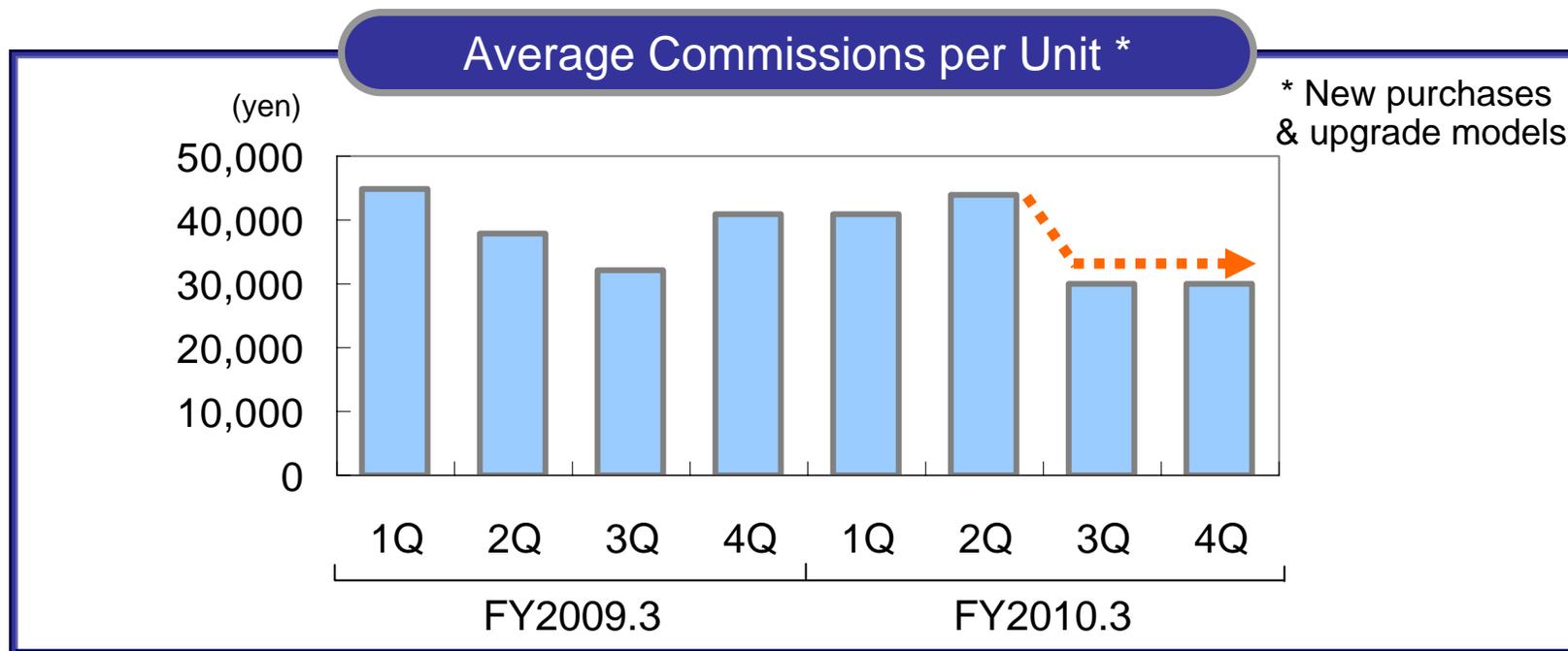
■ Churn rate in FY2010.3 was 0.72%, down 0.04 points yoy.



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

# 1.3. Sales Commissions

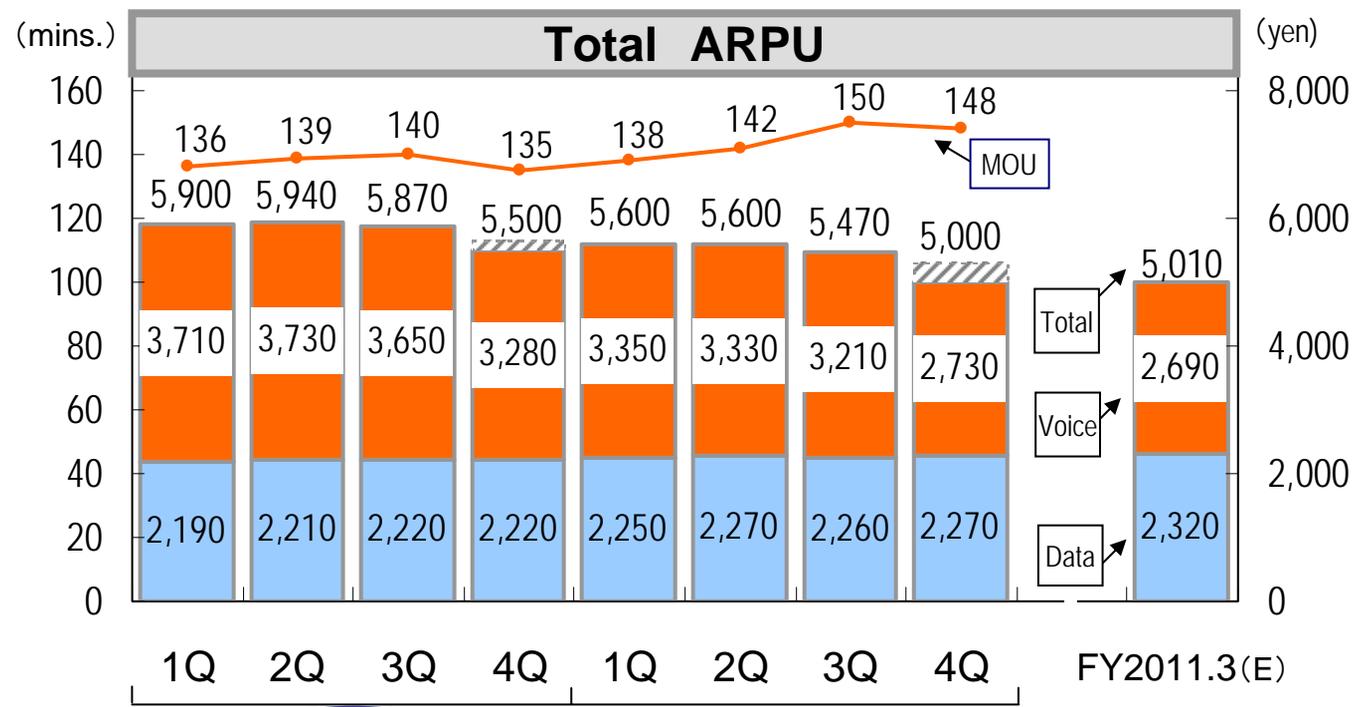
- Average sales commissions for FY2010.3 was ¥36,000, down ¥3,000 yoy.



	FY2009.3					FY2010.3				FY2011.3 (E)	
	1Q	2Q	3Q	4Q		1Q	2Q	3Q	4Q		
Total sales commissions (Billions of yen)	129.0	104.0	79.0	114.0	425.0	90.0	112.0	71.0	93.0	365.0	303.0
Average commissions / unit (yen)	45,000	38,000	32,000	41,000	39,000	41,000	44,000	30,000	30,000	36,000	29,000
Number of units sold ('000 units)	2,860	2,700	2,450	2,800	10,810	2,210	2,560	2,330	3,100	10,200	10,600

# 1.4. ARPU

■ ARPU in FY2010.3 was ¥5,410, down 6.7% yoy.



FY2009.3      FY2010.3

yoy		
Total	▲ ¥390 (▲ 6.7%)	
of Voice	▲ ¥440 (▲ 12.3%)	
of Data	+ ¥50 (+ 2.3%)	

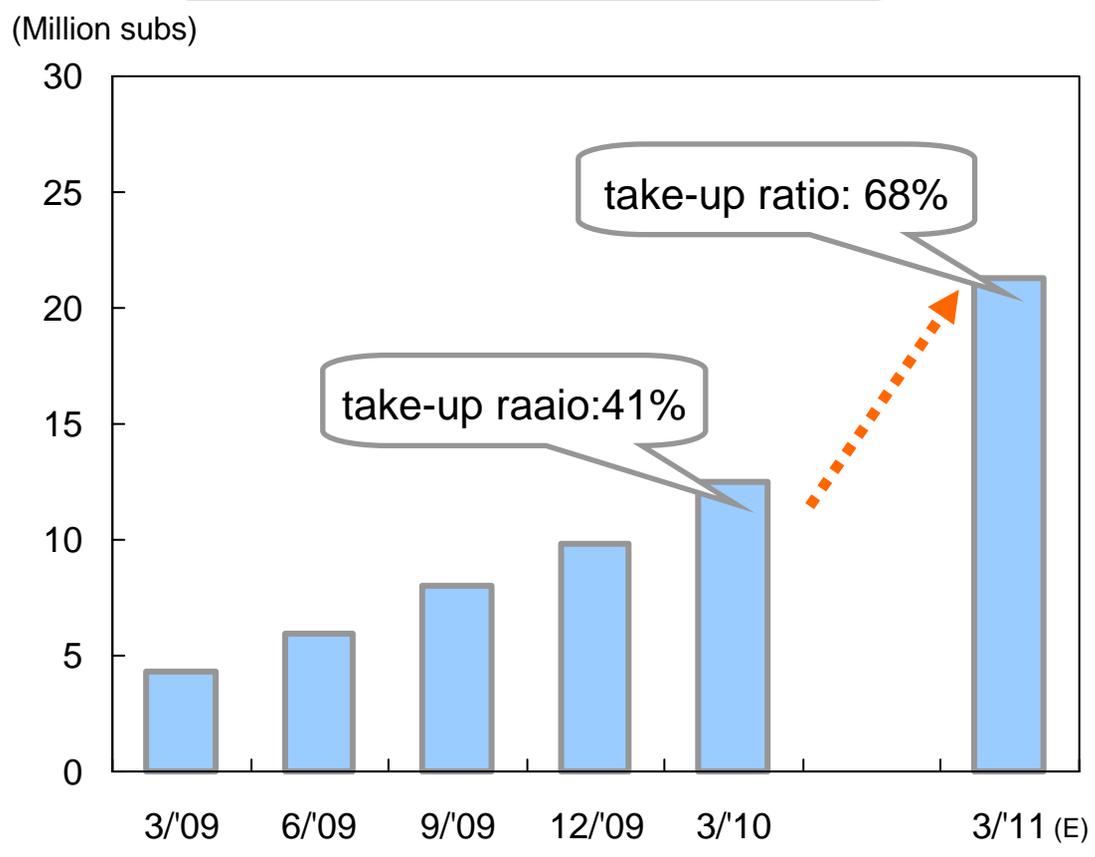
Full-year	FY2009.3	FY2010.3	FY2011.3(E)
Total ARPU	¥5,800	¥5,410	¥5,010
of Voice	¥3,590	¥3,150	¥2,690
of Data	¥2,210	¥2,260	¥2,320

Note: The portion of FY2009.3 4Q and FY2010.3 4Q are decreases due to the settlement of access charges among carriers.

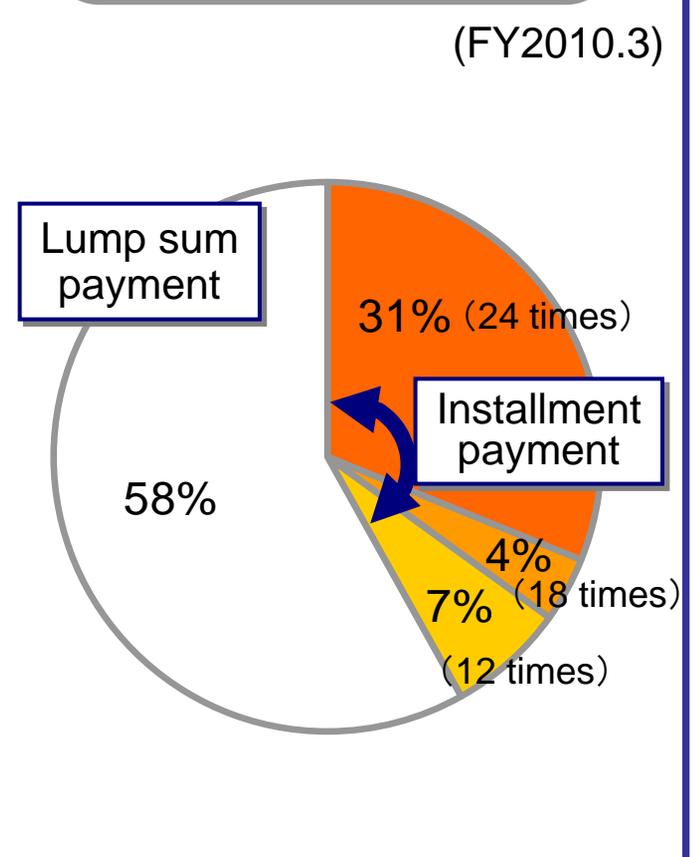
# 1.5. " Simple Course "

- 12.52M subscriptions at end-March, making cumulative take-up ratio 41%<sup>Note</sup>.
- Among customers who selected "Simple course," installment payment rate was 42% in FY2010.3.

No. of Subs and Take-up Ratio



Payment Method

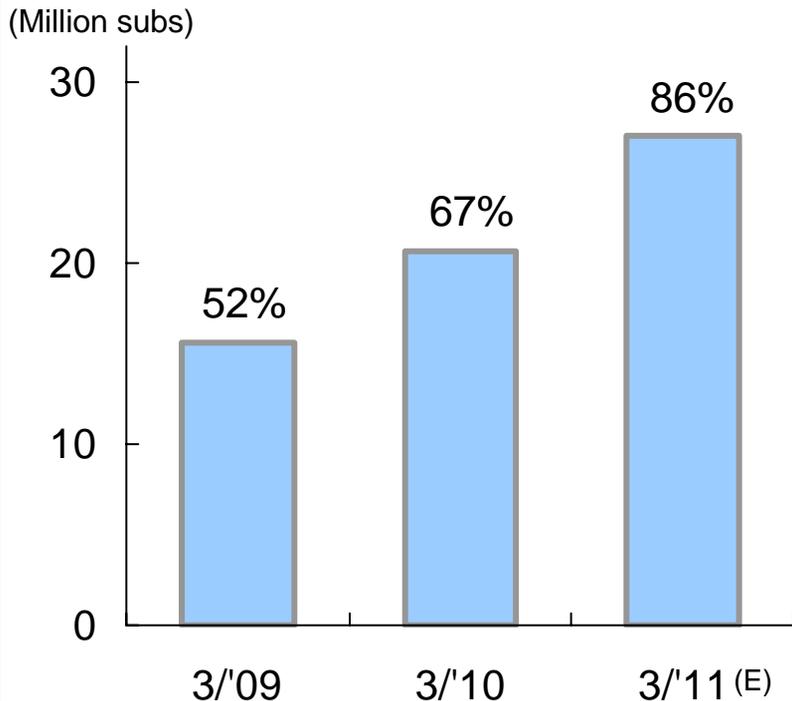


Note: Module-type and pre-paid contract are out of scope of take-up ratio calculation.

## 2. Reorganization of 800MHz Band

- 20.67 million tri-band (new 800MHz / current 800MHz / 2GHz) compatible handsets as of end-March.
- Promote transfer to tri-band compatible handsets in preparation for reorganization of the 800MHz band in Jul. 2012.

### Tri-band Compatible Handset Contract



### Measure to Promote Transfer

Target non-tri-band-compatible handset users by...

- Attracting to stores by sending DM.
- Waiving charges for handset upgrade processing.
- Providing handsets at affordable prices etc. (Use mid-range / low-end handsets)

### Effect on FY2011.3

Expected cost: approx. ¥80.0B

# 3. Smart Phones

- Based on open platform handsets, use operator packs to customize functions standard in Japan and seek “ease of use” while aiming to reduce handset procurement cost.
- Plan to introduce models likely to be used as primary handset from second release onward.



## UI suited to Japanese mobile users

Customize standard Android™ UI for Japan



Card-type menu, control functions for applications running etc.

## Functions standard in Japan <sup>Note1</sup>



“1-seg”

Infrared communication

E-mail  
(@ezweb.ne.jp)

Decoration mail



## Also compatible with au services



“au one Navi Walk”



Planned, from late Sept.

## Roll out in Japanese apps. market

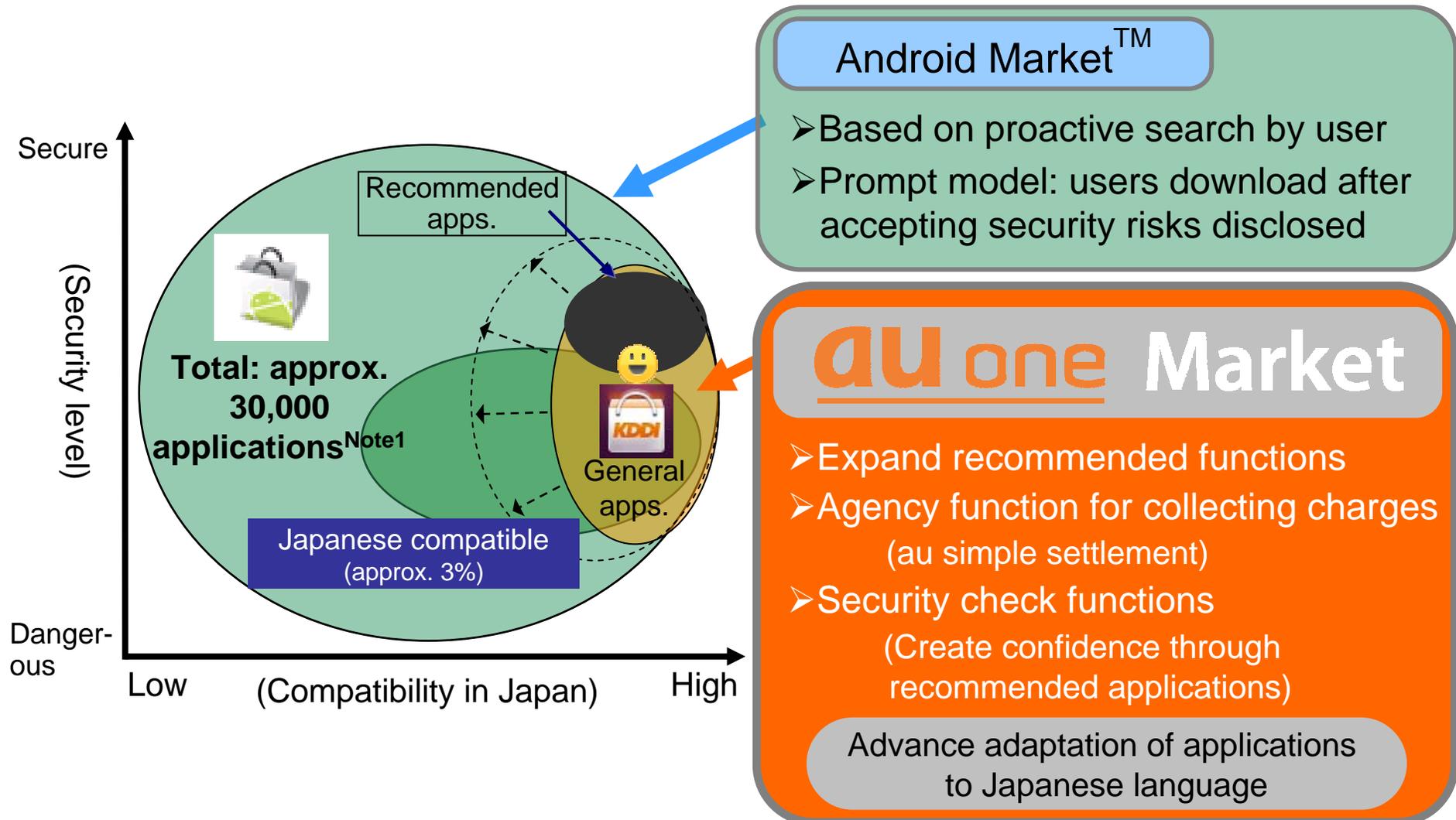
Android Market™



**au one Market**

# 4. Applications Market

- For smart phones incorporating Android™, in addition to Android Market™, construct easy-to-understand applications market suited to Japan and encourage data usage.



Note1: as of end-Mar. 2010

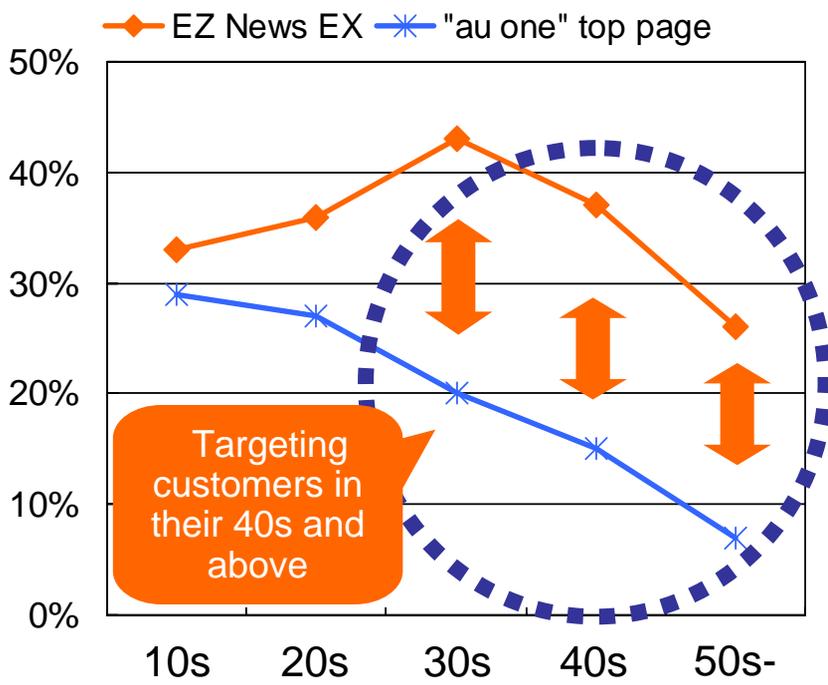
Note2: Planned release from late Aug. 2010.

# 5. Promote Increased Data Usage (1)

- Promote spread of EZ News EX as content suited to targeting customers in their 40s and above.
- For customers that use data infrequently, use au shops to encourage data usage.

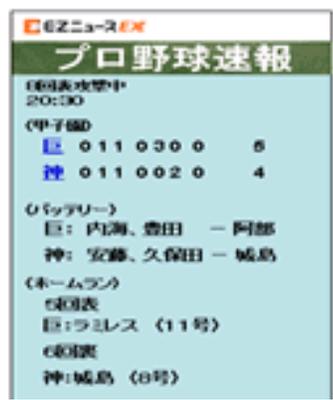
## EZ News EX Readers by Age Group

Members surpass 500k, eight months after service begins



## Expand EZ News EX Services

“Ultra-fast Bulletin Mail” and “Professional Baseball Bulletins” started from March

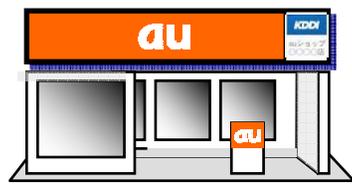


Further expand content to increase percentage of readers

## Promotion at au Shops



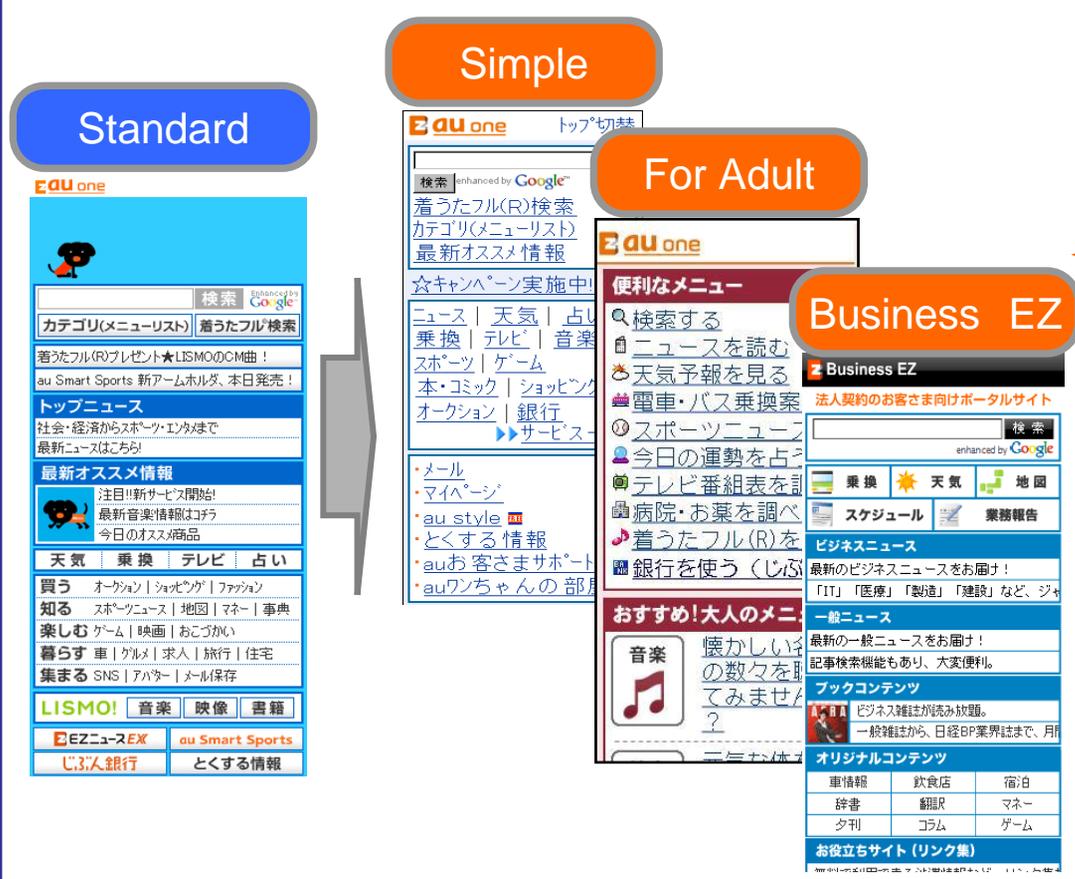
- Showcase content at au shop outlets.
- Consider using digital signage etc. to showcase / sell content.



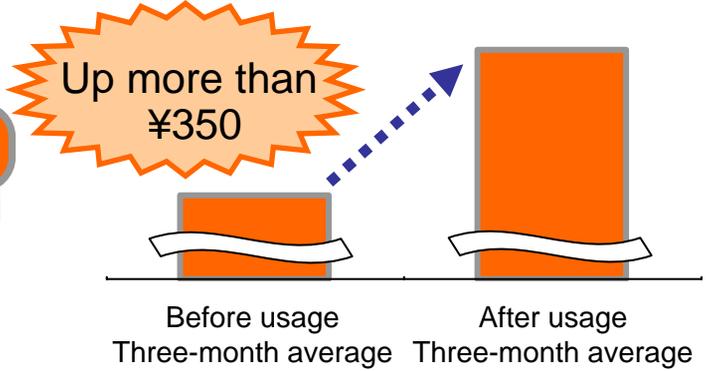
# 5. Promote Increased Data Usage (2)

- Instead of standard efforts to attract customers to the general portal site “au one,” establish new entrances suited to different lifestyles, and encourage content usage among mid-level-usage customers and enhance data ARPU.

## Expansion of Portal for Each Segment



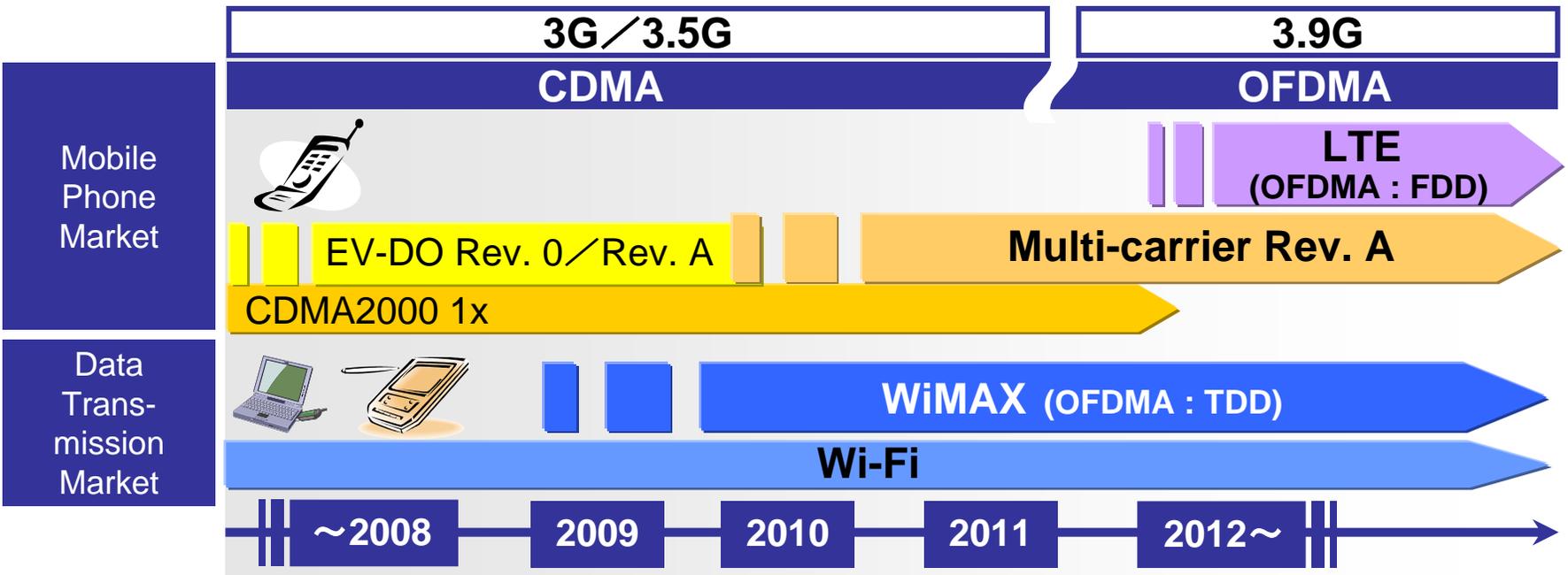
Change in data ARPU before/after “au one for adults” usage (50s and above)



- (Statistical parameters)
- (1) Target period: Oct. 2009 – Dec. 2009
  - (2) Target customers: Individual users receiving services at Feb. 28, 2010
  - (3) Calculation of average value in three months before and after month in which customer first accessed “au one for adults” over three times.

# 6. Strengthening Infrastructure

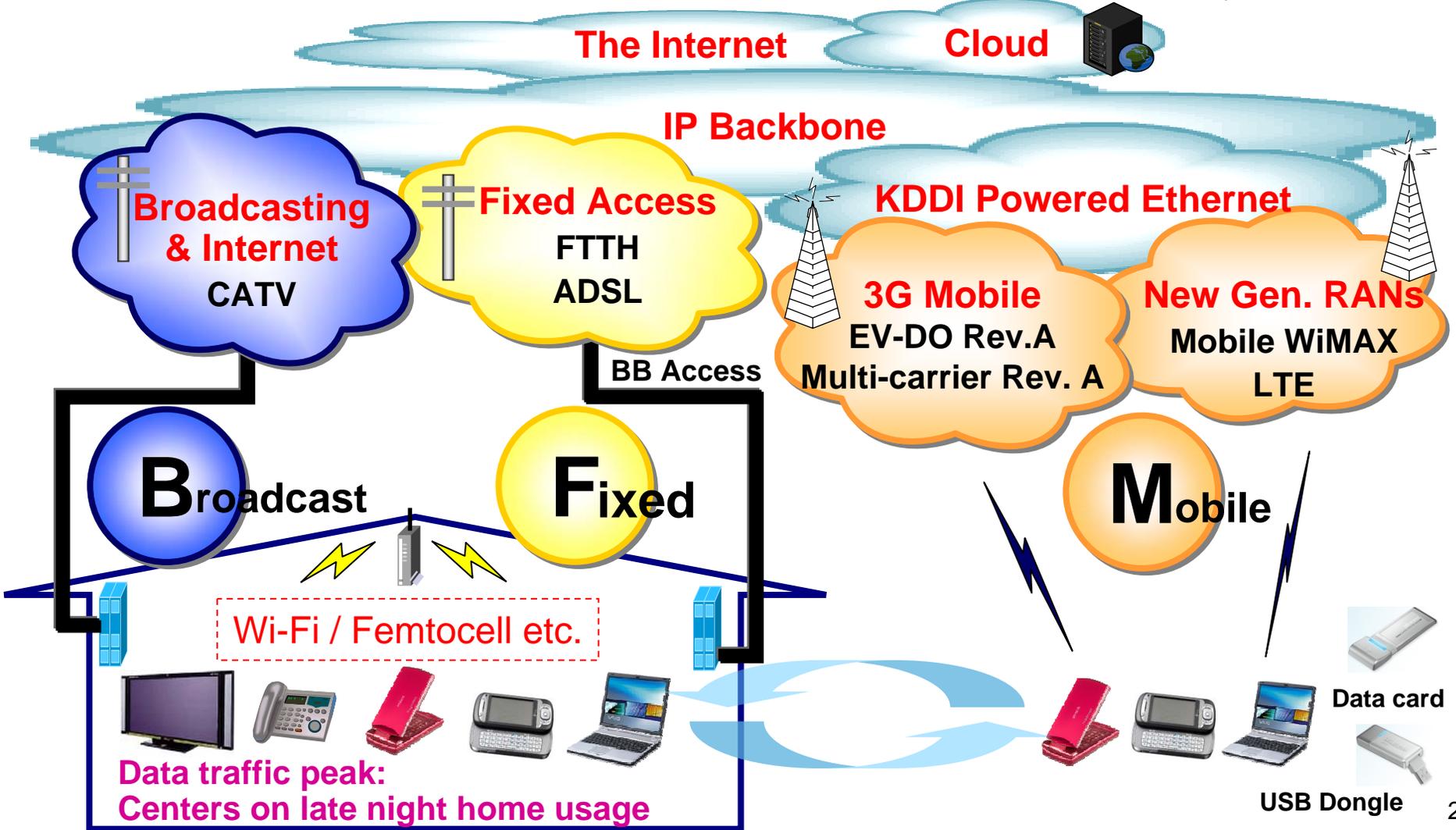
- Realize max. of 9.3Mbps (downstream) by converting current Rev.A system to multicarrier, strengthen competitiveness.
- Exploit Wi-Fi and Femtocell, promote development of data usage indoors and improvement of connection quality.



	Purpose	FY2011.3 measures
Wi-Fi	➢ Exploit to expand data services	➢ Increase Wi-Fi compatible handsets
Femtocell	➢ Expand au area ➢ Develop into major access point of future mobile BB era	➢ Plan to begin providing this summer —

# (Rer.) Competitiveness in the Mobile Broadband Era

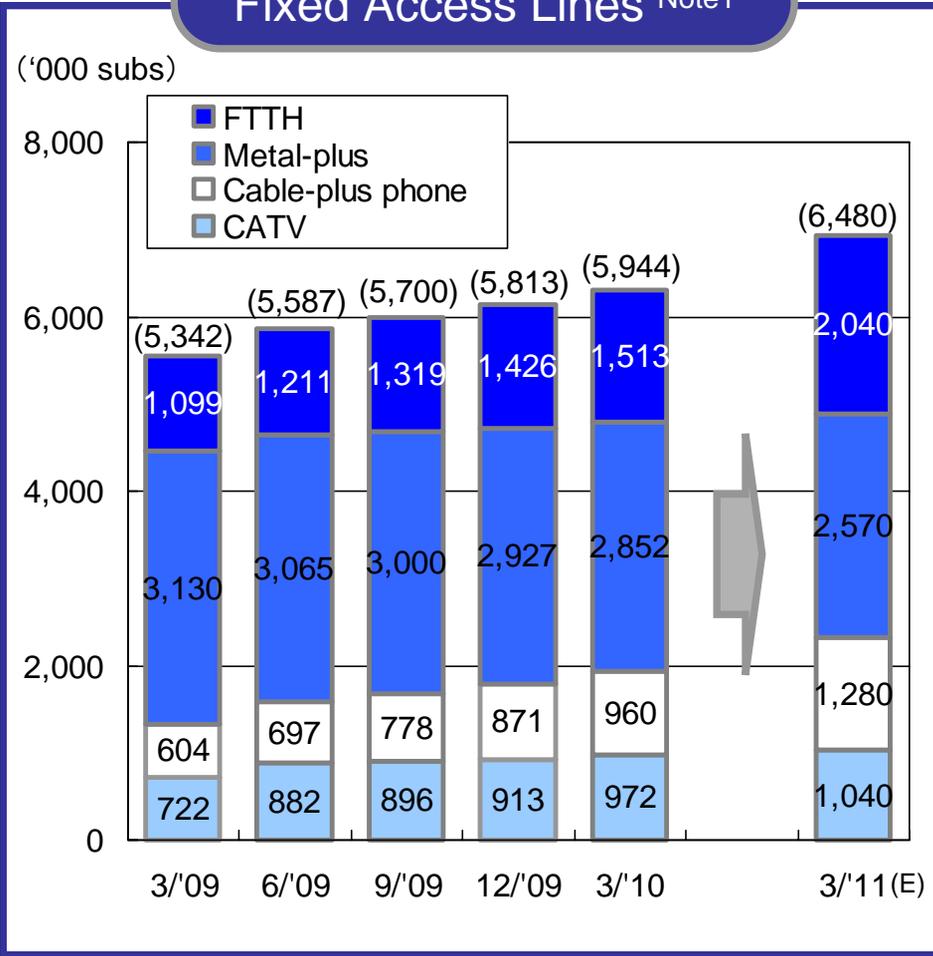
- Fixed broadband system has significant importance as the backhaul for the mobile communication as well as for FTTH service.
- For femtocell, which is at center of attention, needs fixed broadband system.



# 1. Fixed Access Lines

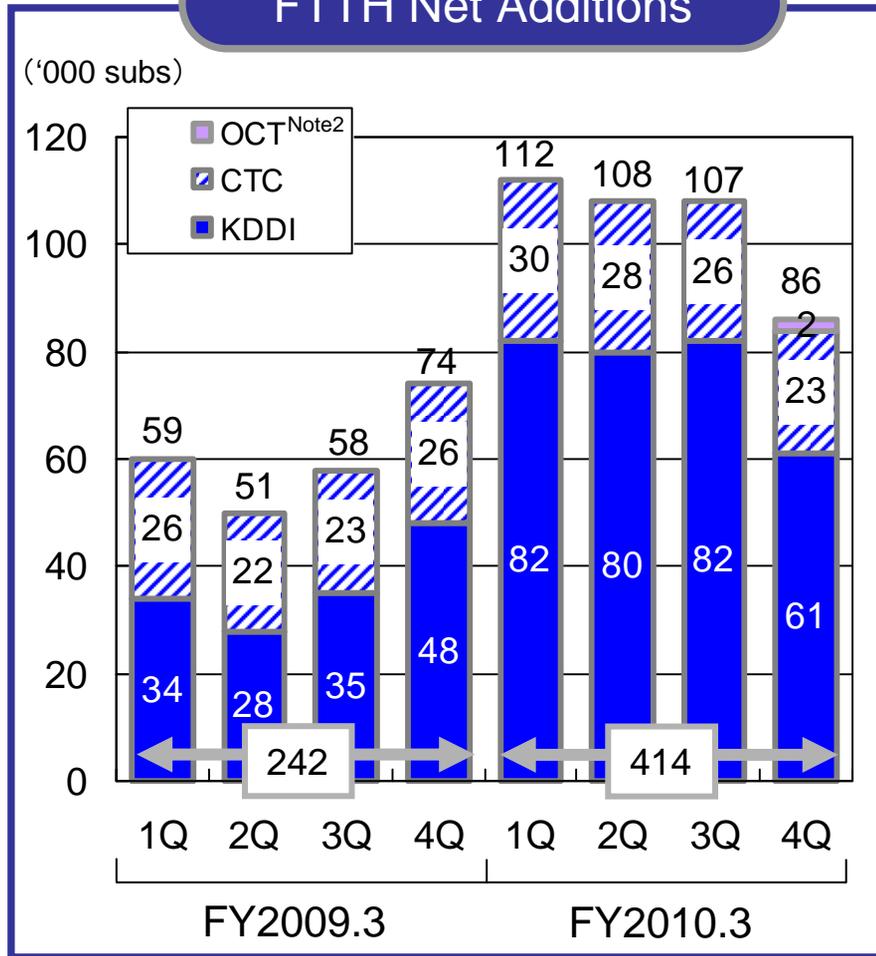
- At end-March, number of fixed access lines was 5.94M.
- FTTH subs in FY2010.3 was 414k, up 71% yoy.

Fixed Access Lines <sup>Note1</sup>



Note1: ( ) shows total subs of access lines excluding crossover subs.

FTTH Net Additions



Note2: Okinawa Cellular Telephone Company. Subs of Okinawa Telecommunication Network Co., Inc. included.

# 2. FTTH

■ In FY2011.3, work to further expand FTTH customer base, aim for full-year net increase of 0.53M and 2.04M cumulative subs at end-March 2011.

FY2009.3

- Introduction of "Giga Value Plan"

Enhancement of products

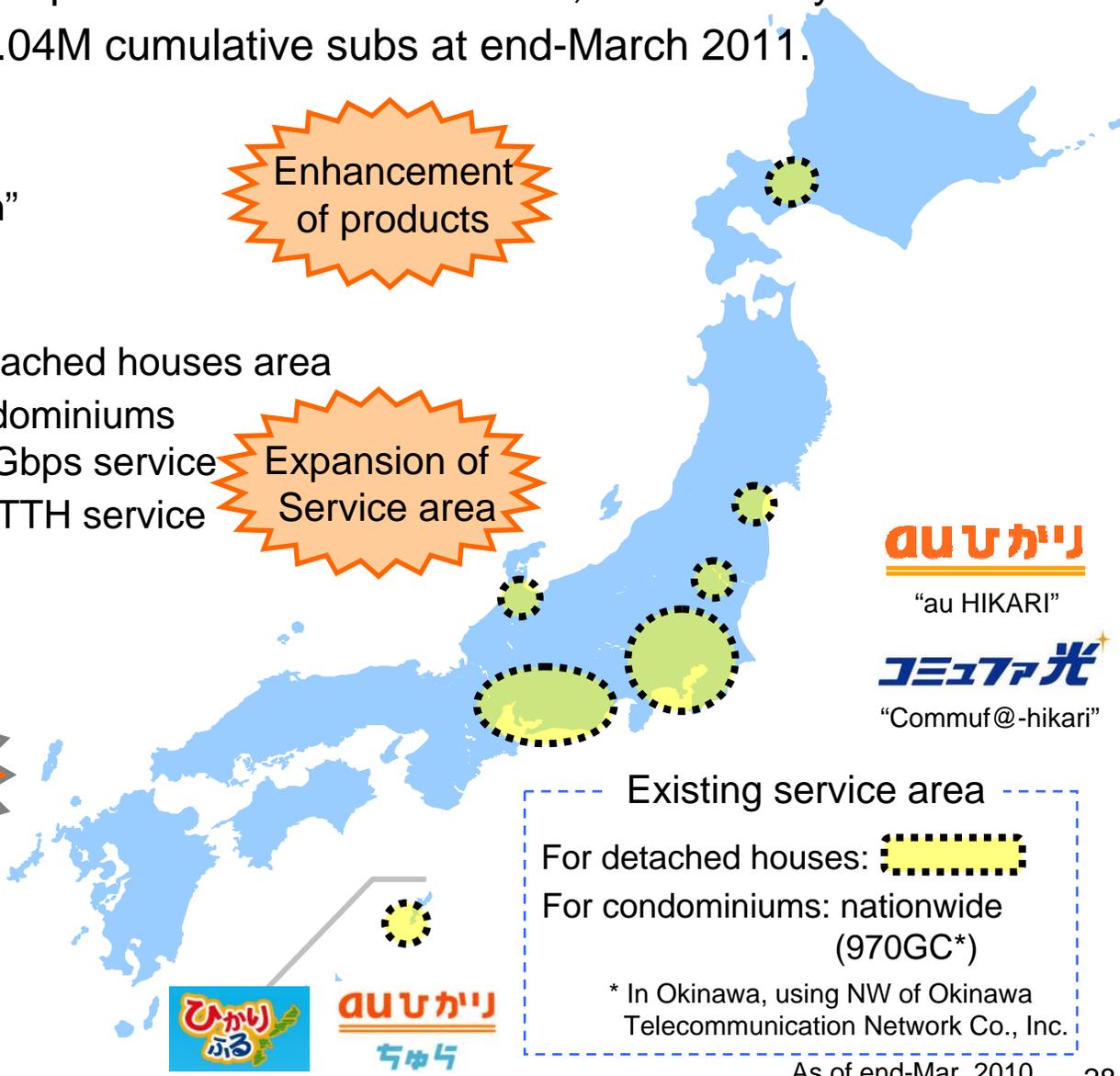
FY2010.3

- Expansion of detached houses area
- For low-rise condominiums introduction of 1Gbps service
- OCT launched FTTH service

Expansion of Service area

FY2011.3

Customer base expansion



**auひかり**  
"au HIKARI"

**コミュファ光**  
"Commuf@-hikari"

**ひかりふる**  
"Hikarifuru"

**auひかり**  
"au HIKARI Chura"

Existing service area

For detached houses:

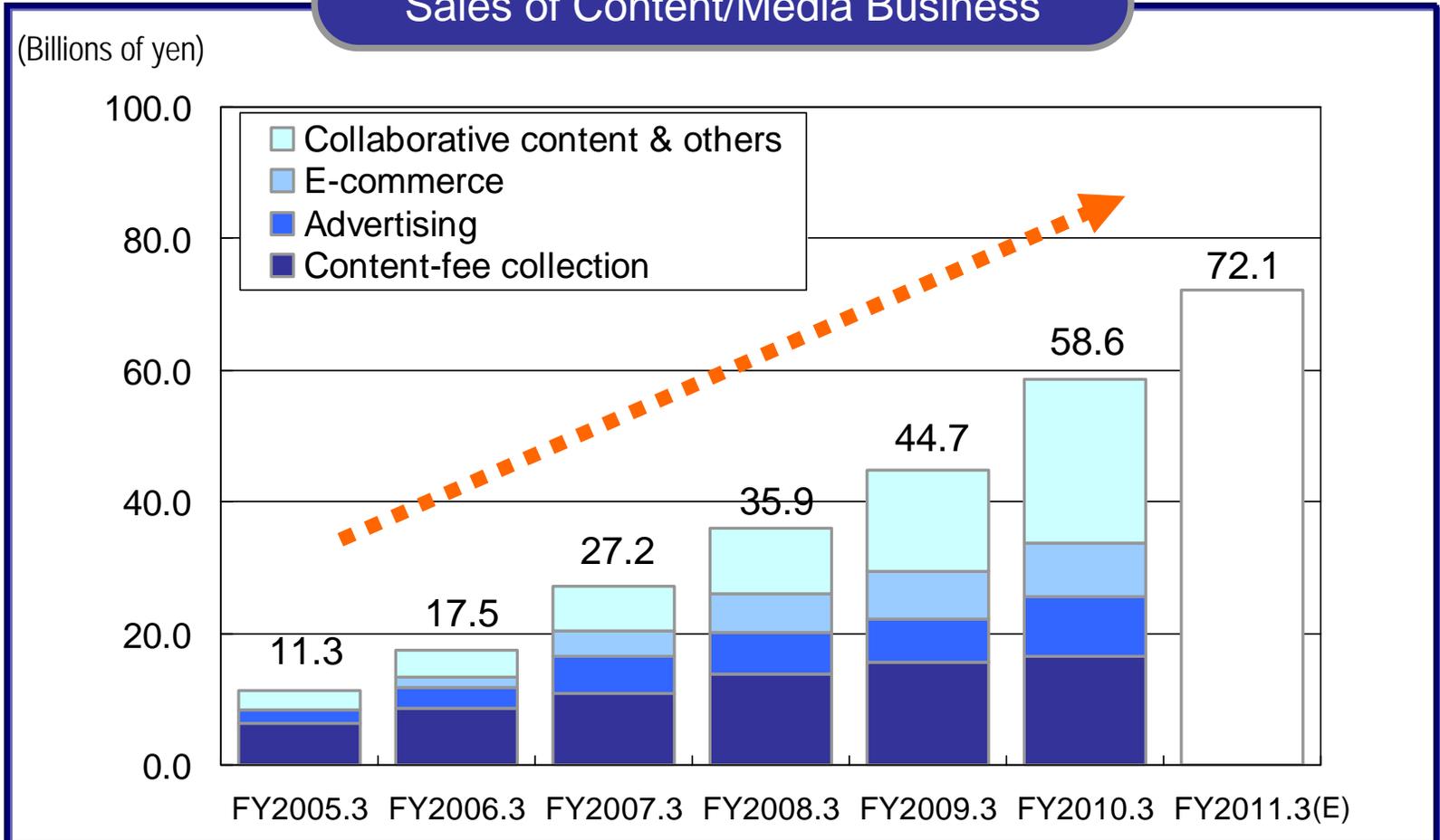
For condominiums: nationwide (970GC\*)

\* In Okinawa, using NW of Okinawa Telecommunication Network Co., Inc.

# 1. Content/Media Business

- FY2010.3 content/media revenues increased 31% yoy, to ¥58.6B. Focus on developing various business models not dependent on telecommunications traffic and expand business fields of entire Group.

Sales of Content/Media Business



Note: The accounting method for advertising sales changed in FY2008.3 and FY2009.3.

# 2. Overseas Business

- Expand existing ICT businesses, develop WiMAX businesses and DC businesses in developing countries' growth markets. Enter the mobile phone businesses targeting immigrants in U.S., expand business domain overseas.

## Expanding Existing ICT Businesses

### Strengthening SI

- Strengthening in Asia
- Making DMX consolidated subsidiary

### Expanding NW

- Between Japan and U.S.: Unity
- Asia: SJC

### Increasing DC

- U.K.: London (Docklands West)
- Singapore
- Vietnam: Hanoi
- South Africa: Cape Town, Johannesburg



### Overseas Bases

25 countries  
55 cities  
83 locations

Entry into mobile phone businesses targeting immigrants in U.S. (MVNO)



Entry into fixed WiMAX business in Bangladesh



Entry into growth markets

Development of ICT businesses in **developing countries**

Services for **immigrants from developing countries**

# 3. WiMAX

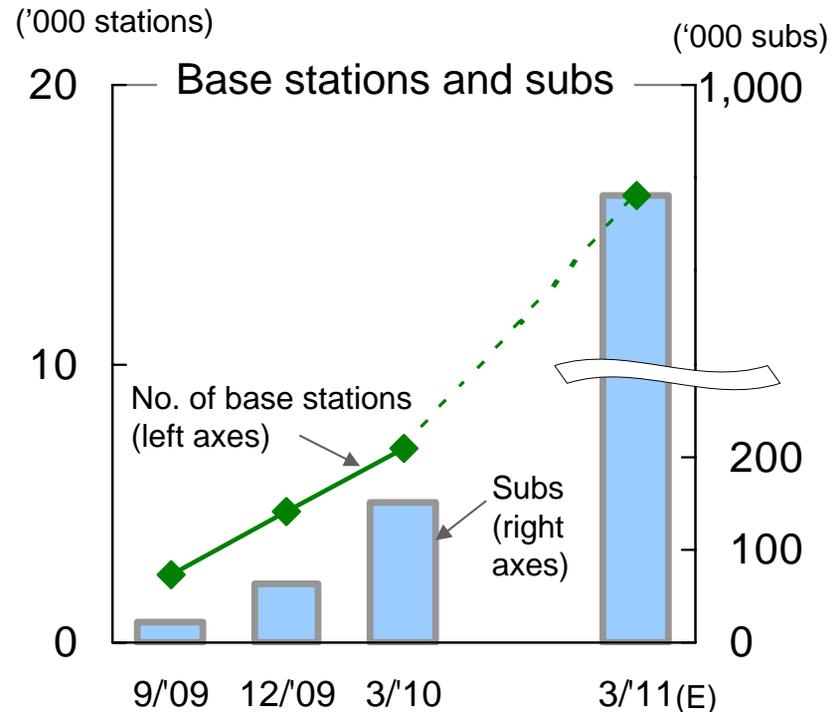
Growth/  
new areas

- UQ Communications Inc., an affiliate of KDDI, develop mobile WiMAX services aiming to realize true mobile broadband society.



## Current situation

Subs.	<ul style="list-style-type: none"> <li>➤ Subs. at Mar. 31: 150,300</li> <li>→ Accompanying area expansion, currently accelerating</li> </ul>
Area Coverage	<ul style="list-style-type: none"> <li>➤ Base stations at Mar. 31: 7,013</li> <li>→ Covering all 47 pref. capitals and major cities nationwide</li> <li>➤ Development of repeaters</li> <li>→ Strengthening indoor connectivity</li> </ul>
Handsets	<ul style="list-style-type: none"> <li>➤ WiMAX-embedded PCs: 9 manufacturers, 31 models</li> <li>→ Embedded-as-standard models increasing</li> <li>➤ Mobile Wi-Fi gateway: 4 manufacturers, 4 models</li> </ul>
MVNO	<ul style="list-style-type: none"> <li>➤ Concluded wholesale contracts: 39 companies</li> <li>→ Number of electronics retail stores carrying MVNO increasing</li> </ul>

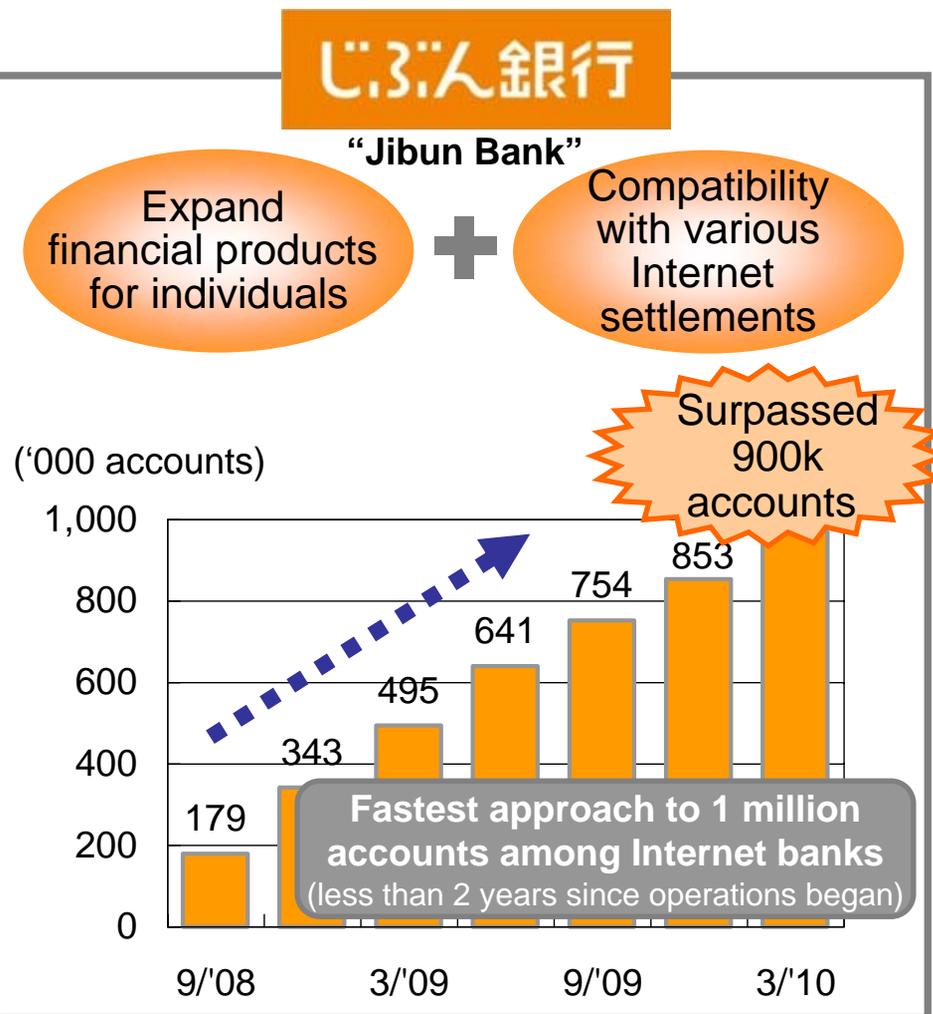


## FY2011.3 initiatives

Expand area coverage	Spread WiMAX PCs
Realize international roaming	Expand sales channels

# 4. Financial Business

- Expand services of affiliate Jibun Bank Corporation and increase no. of accounts.
- To develop a mobile-based new-concept general insurance business, Aioi Insurance Co., Ltd., and KDDI jointly invested to establish a preparatory company (Feb. 2010).



## Entry into General Insurance Business

### Establishment of preparatory company

(Company name) Mobile General Insurance Planning Co., Ltd.

(Capital) ¥300M (KDDI stake: 33.4%)

### Concept

- Combine mobile content and nonlife insurance etc., provide optimal insurance suited to au mobile phones and services used
- (example)
  - au Smart Sports** × sports insurance
  - EC / auction × shopping insurance

# 5. Alliance with J:COM (1)

- Started the talk about business alliance between KDDI and J:COM going forward. Build partnership with J:COM and J:COM's existing shareholders and realize synergies.



2<sup>nd</sup> largest telecom operator in Japan

( Holds JCN, the 2<sup>nd</sup> largest MSO<sup>Note</sup> in Japan, as a consolidated subsidiary )



Establish strategic partnership



Largest MSO<sup>Note</sup> in Japan

Value of Alliance

By converging KDDI's telecommunications business (mobile/fixed-line) resource and J:COM's CATV business resource, offer attractive FMBC service and enhance customer satisfaction, as well as enhance both companies' enterprise value by the synergies given.

Note: Multiple System Operator

# 5. Alliance with J:COM (2)

- Establish Alliance Study Committee where concrete plans for collaboration between KDDI and J:COM are studied. By setting up working groups (WG) for every category of issues, aim to speed up the study for the collaboration plans.

## Alliance Study Committee and Possible Themes to be Studied

<p>Telecom Business                  /Product                  Collaboration WG</p>	<ul style="list-style-type: none"> <li>➤ Business collaboration among fixed-line telephone, mobile/wireless communication and ISP.</li> <li>➤ Sales channel collaboration.</li> </ul>
<p>Media Business                  WG</p>	<ul style="list-style-type: none"> <li>➤ Utilization of J:COM content business by KDDI.</li> <li>➤ Collaboration in mobile/multimedia broadcasting.</li> </ul>
<p>CATV Business                  WG</p>	<ul style="list-style-type: none"> <li>➤ Joint marketing and sales collaboration by J:COM and JCN.</li> </ul>
<p>Technology/                  Infrastructure WG</p>	<ul style="list-style-type: none"> <li>➤ Development of equipment or products utilizing technology development resource of KDDI, such as next generation set-top box (STB) for CATV etc.</li> <li>➤ Effective investment by both companies, network consolidation, for example.</li> </ul>

*Designing The Future*  
**KDDI**