

KDDI CORPORATION

Financial Results for the 1st Quarter
of the Fiscal Year Ending March 2013

July 25, 2012

President Takashi Tanaka

Disclaimer

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.

Today's Presentation

- **Progress under the 3M Strategy**
- **1Q Performance**

Progress under the 3M Strategy

January 2012

“Game Change”

declaration

Change in Business Model

Mobile-centered lines acquisition model

No. of lines, centered on mobile

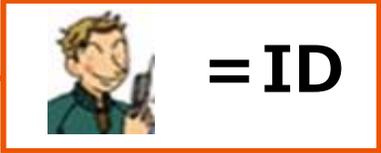
Data ARPU

Voice ARPU



New Revenues Model

ID unit ARPU growth



Value ARPU

Content-fee collection, etc.
Content ARPU

FMC ARPU

Mobile

Data ARPU
Voice ARPU

Fixed-line Broadband (FTTH/CATV)

Data (internet)
Telephone
Video

Growth in no. of registered ID's

au Smart Value

Expanding telecommunications
business customer base

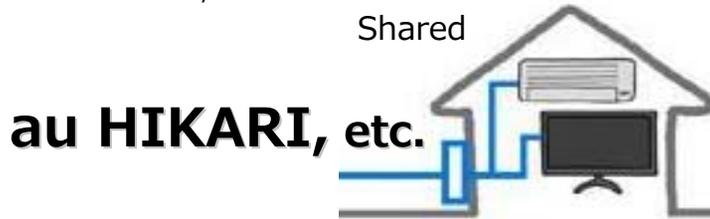
au Smart Value

Discount on au smartphone charges for subscribers to both fixed-line BB and au smartphone

<Fixed-line BB>

au HIKARI, CTC, K-Opticom, and 118 CATV channels (JCN, J:COM, etc.)*

*As of June 30, 2012



For au HIKARI Home, revenues of ¥5,985^{Note1}/month

<Mobile>

Smartphone charges
-¥1,480/month for up to 2 years

(Charn-in)

Mother



Father



Son



Daughter



-¥1,480
/month

-¥1,480
/month

-¥1,480
/month

-¥1,480
/month

Securing revenues of more than ¥5,275^{Note2}
/month × 4 people = more than ¥21,100/month

Note1: Conditions: Applied for Internet and telephone service together. Note2: In case of ¥1,480 discount being applied to combined total of basic usage fee(Plan Z Simple) + data plan (IS Flat) + IS NET. (Monthly discounts not included) *All amounts include tax *Smart Value is a registered trademark of Energy Management Corporation.

Aim of au Smart Value

1. Expanding in au's share in households

Efficient expansion of au's share, using linked acquisition of subscriptions in households as the hook

2. Expanding FTTH/CATV subscriptions

Growth in subscriptions through cross-selling with au smartphones

3. Reduction of SAC

Reductions in cost of acquiring customers through cross-selling

4. Stronger relations with fixed-line allied companies

Increase in subscriptions through cross-selling to each other's customer bases

5. au data offloading

Reduce mobile network costs through data offloading to fixed-line network

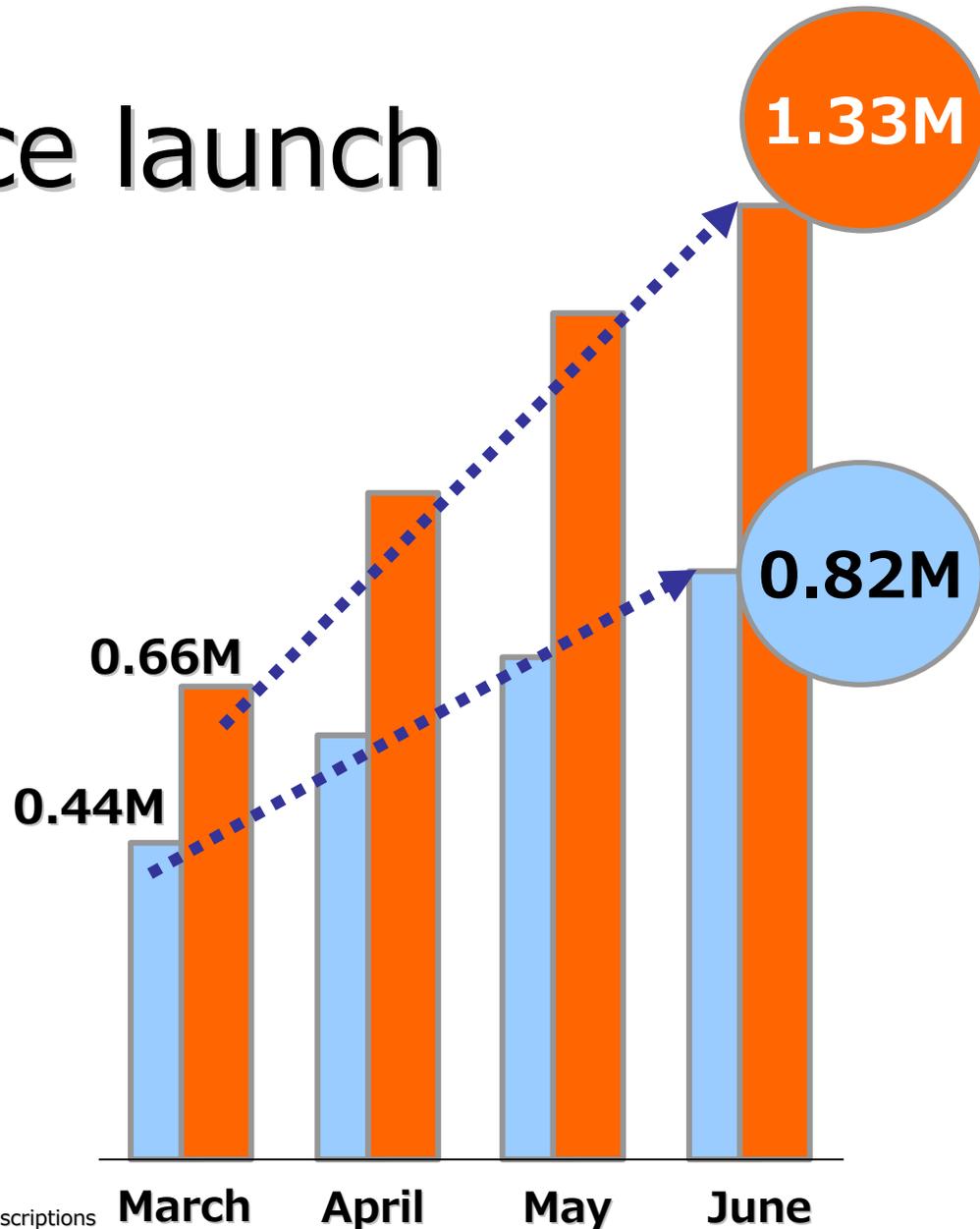
au Smart Value

Four month since launch
Favorable start

au subs: 1.33M
(Progress rate: 27.5%)

Households*
: 0.82M
(Progress rate: 34.2%)

*Total for KDDI group companies
and fixed-line allied companies

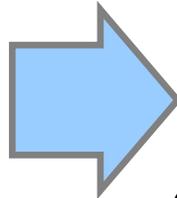


*progress rate: Increase in 1Q in comparison to FY2013.3 targets (3.10M of au subscriptions and 1.55M of households)

Benefits 1(a)

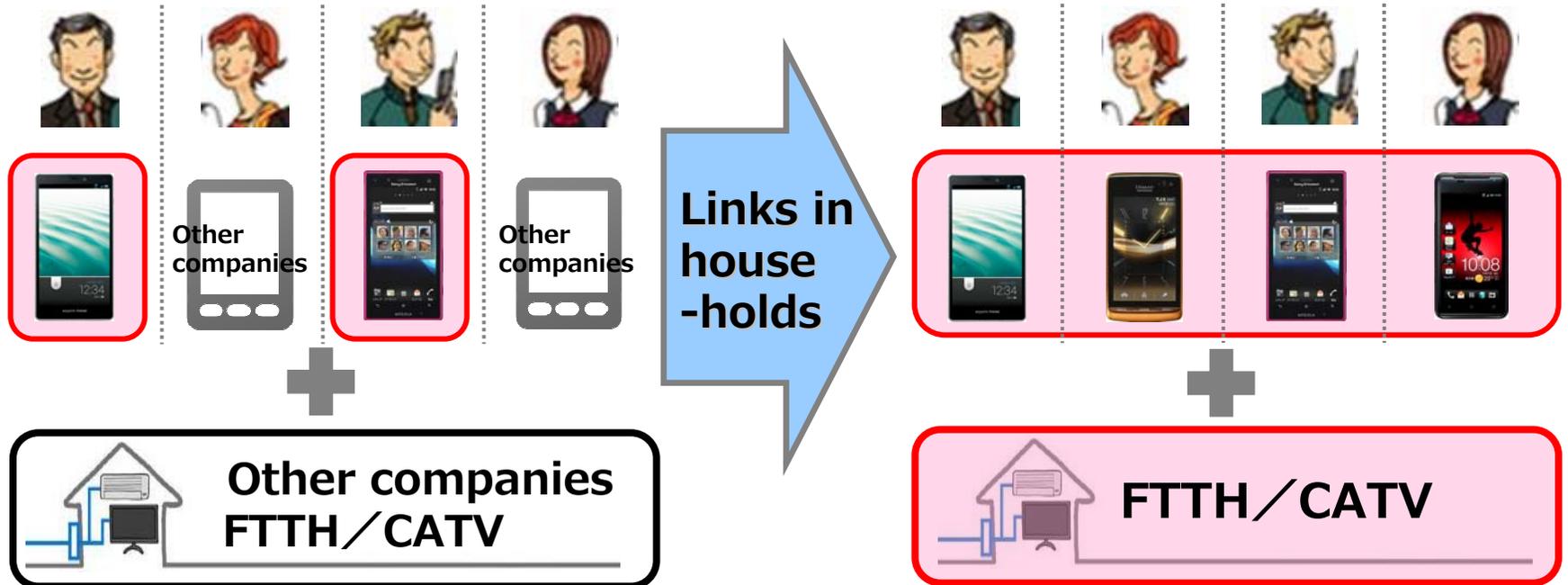
Expanding in au's share in households

March 31: **1.5**
(au subs 0.66M ÷ Households 0.44M)



June 30: **1.6**
(au subs 1.33M ÷ Households 0.82M)

<**Target for March 31, 2013: 2.0** (au subs 3.10M ÷ Households 1.55M)>



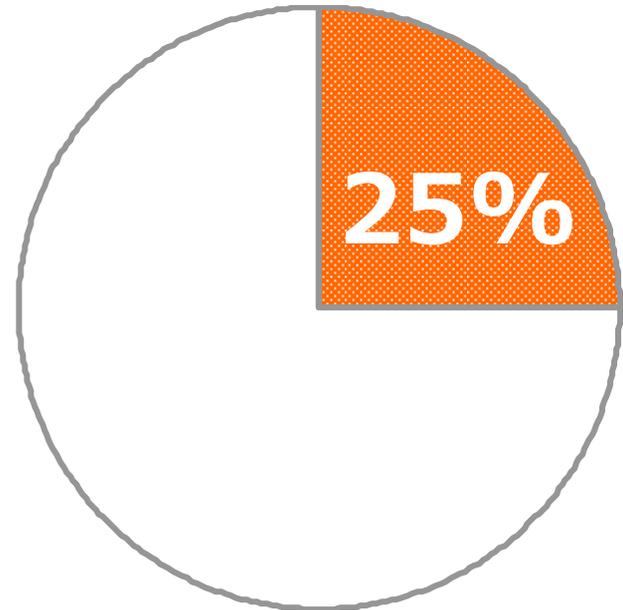
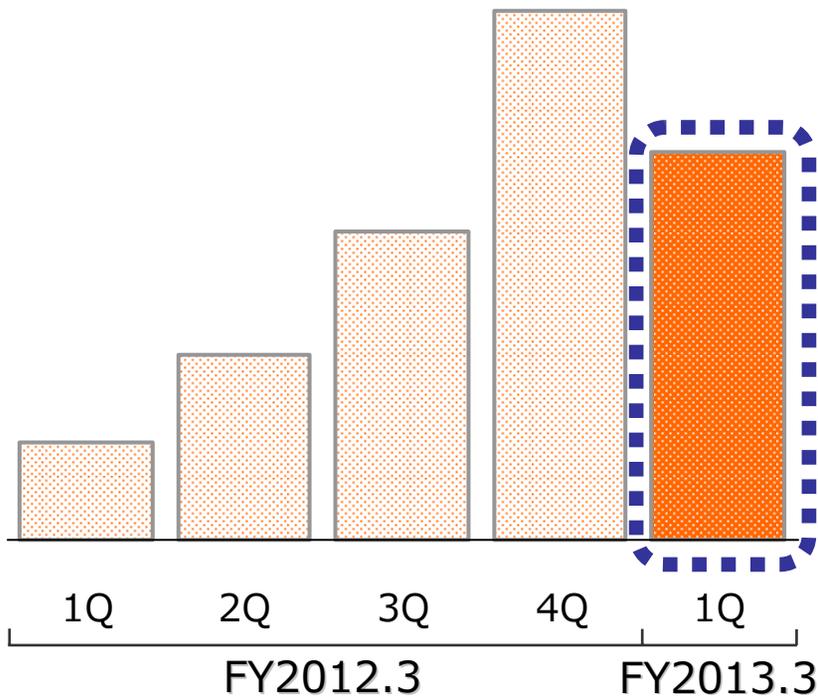
Benefits 1(b)

Contribution to new smartphone subscriptions increase

Smartphone Subscriptions

Contributions from au Smart Value

25% of new smartphone subs = au Smart Value



Subject: Percentage of au Smart Value subs among 1Q new smartphone subs (Personal Service segment)

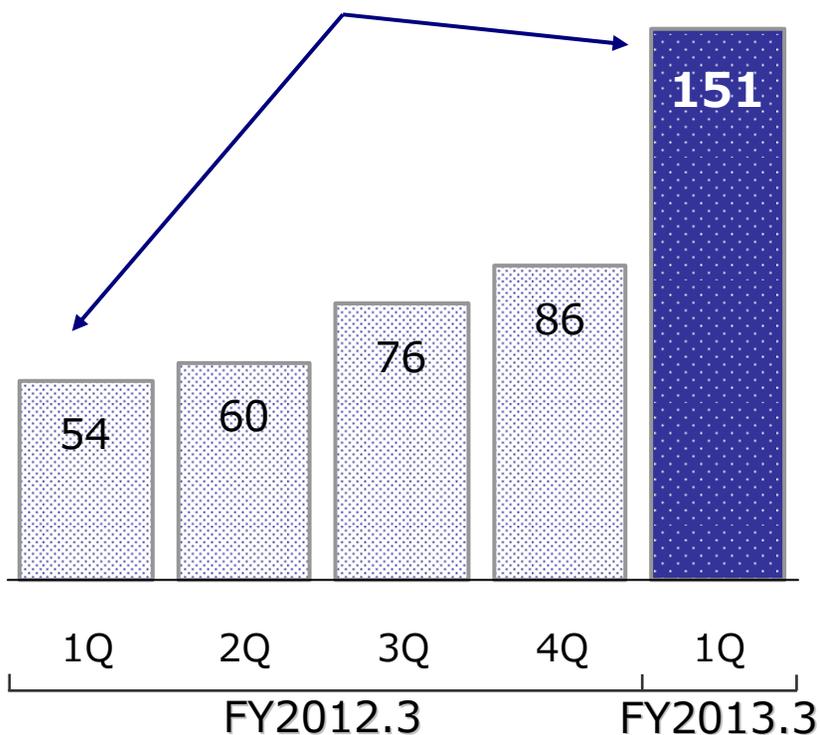
*Based on Personal Services segment

Benefits 2

Increased FTTH subscriptions

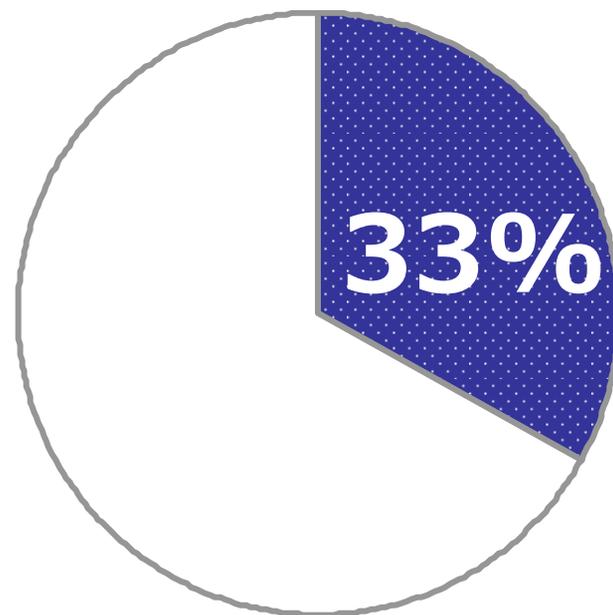
au HIKARI Net Additions ('000)

Up 2.8 times YOY



Contribution to New au HIKARI Subs

Strong contribution to subs increases



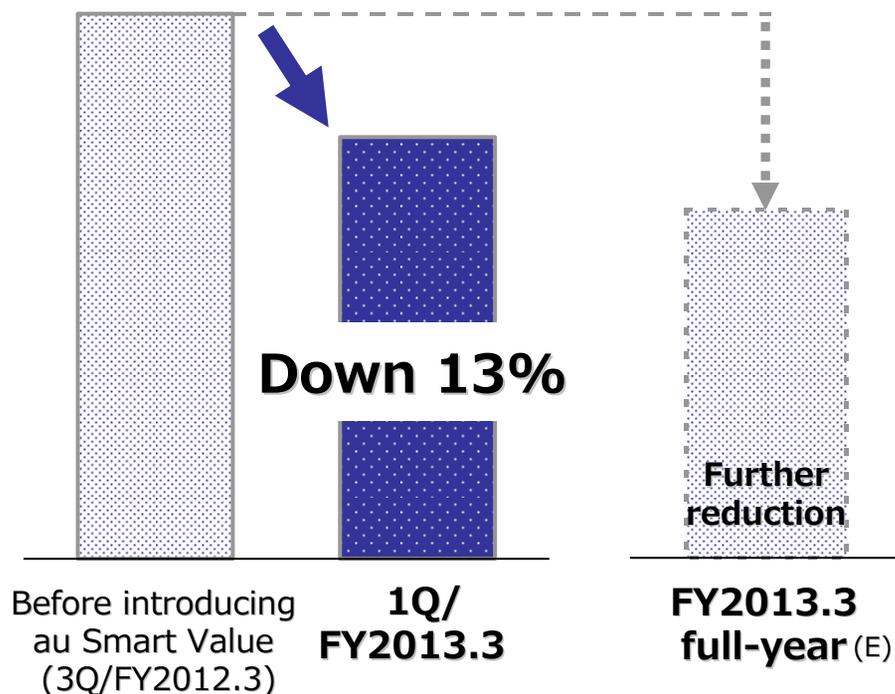
Subject: Percentage of "au Smart Value" subs among 1Q new "au HIKARI" subs (Personal Service segment)

*Based on Personal Services segment

Benefits 3

Reduction in FTTH subscribers acquisition costs

au HIKARI Subscribers Acquisition Costs



Compared with 3Q/FY2012.3, before introducing au Smart Value

1Q: down 13%

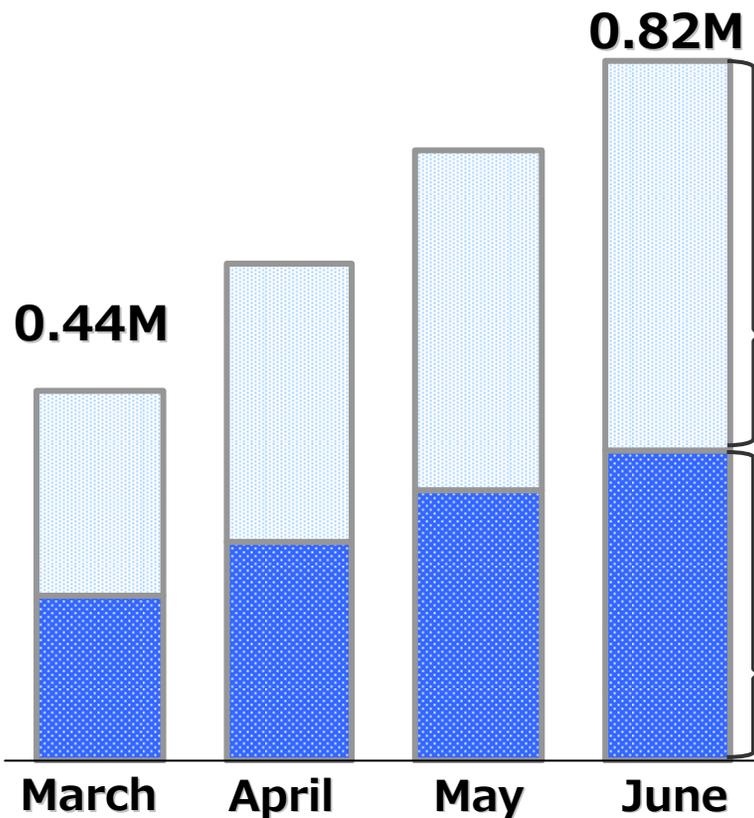
*Based on Personal Services segment

Benefits 4

Stronger relations with fixed-line allied companies

Households Subscribed to au Smart Value

(Million households)



Applications through remain strong

Approx. 60%

Approx. 40%

<FTTH>	<CATV>
au HIKARI Chura	JCOM
Commuf@-hikari (CTC)	J:COM
eo HIKARI (K-Opticom)	Allied CATV companies

au HIKARI

Benefits 5

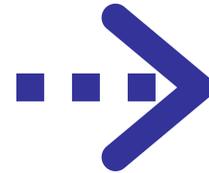
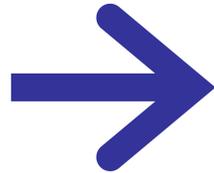
Data offloading promotion

Data Offloading Performance and Targets

March 2012

June 2012

March 2013



Definition

Data traffic during peak hours (11-12PM) over one month

Numerator: Data offloading to Wi-Fi+WiMAX

Denominator: Total smartphone data traffic (3G+Wi-Fi+WiMAX)

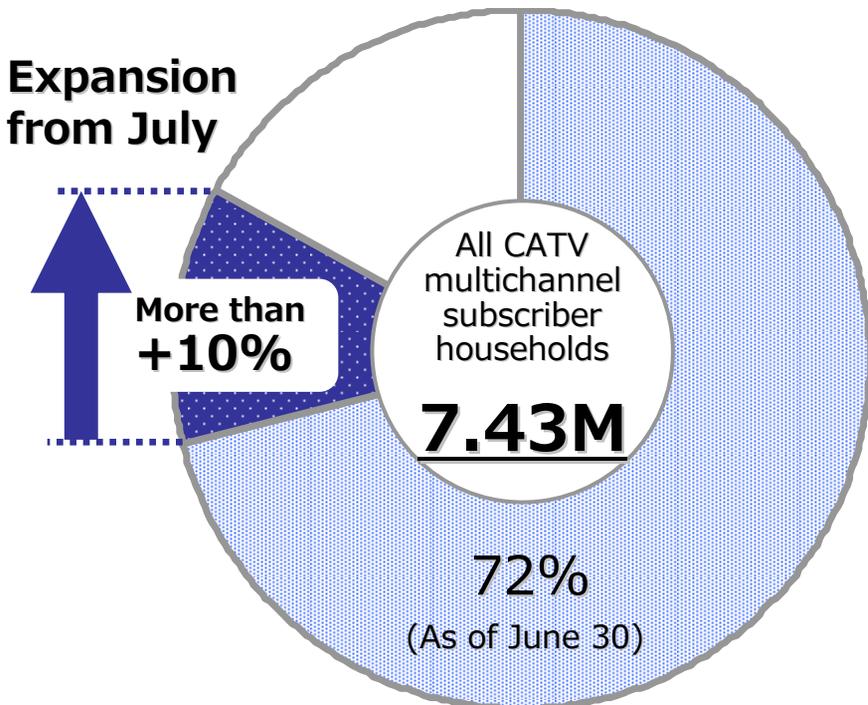
Expand Alliance with fixed-line companies

16

1 new FTTH company (STNet), 56 new CATV companies and 58 new channels since July 2012

⇒ **5 FTTH companies,**
97 CATV companies and 176 channels

Approach Japanese CATV Users with au Smart Value



More than **80%**

of nationwide CATV users
can subscribe to
au Smart Value !

*CATV companies/channels include 22 CATV companies through alliance with STNet.

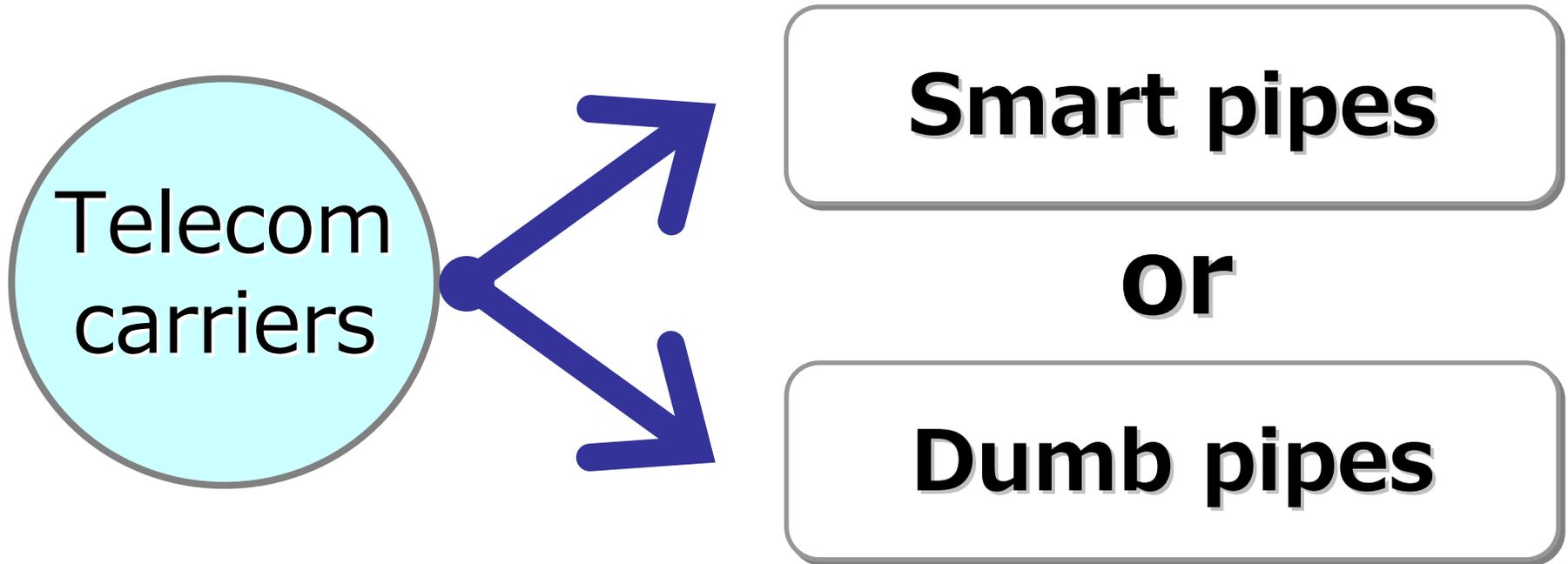
*Nationwide CATV users = defined as multichannel subscriber households.

*Multichannel subscriber households: Refer to HOSO Journal (December 2011 edition)

au Smart Pass

Value-added revenues maximization

Era of Open Internet



KDDI aims to be a smart pipe

Aspiring to be a Smart Pipe

Create new customer contact points and platform for the era of open internet

Feature Phones

EZweb portal

Mobile phones

Carrier settlement services

Era of Open Internet

au Smart Pass



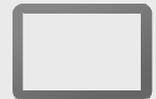
Smart phone



PC



TV



Tablet

Multi-device



Carrier settlement services

(au Simple Payment Service)

E-money

(WebMoney, Rakuten-edu)

Credit cards

(au Jibun card, etc.)

Diversification of payment methods



au Smart Pass

June 30: 1.47M subs

(Up 0.91M subs from March 31)

Trends in Take-up Ratio* (Weekly)

Steady rise in take-up ratio

Unlimited Use of Apps

Storage

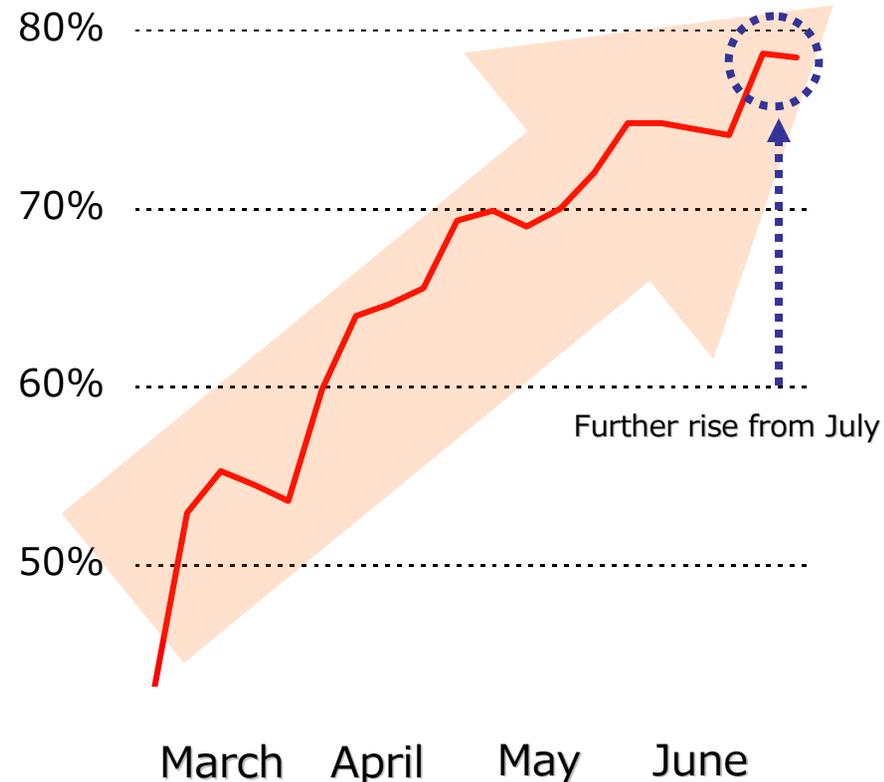
au Cloud
Photo Album
Photo Air

Coupons & Points

Safety & Security

TRENDMICRO ウィルスバスターモバイル for auスマートパス

Secure verification Customer center



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*"au Smart Pass" take-up ratio compared with sales of au Smart Pass compatible handsets.
*TRENDMICRO and VirusBuster are registered trademarks of Trend Micro Incorporated.

Enhancing lineup of cloud and subscription services through au Smart Pass



Video Pass

May 15
launch

Unlimited movies:¥590/month



Uta Pass

June 27
launch

Unlimited music:¥315/month

As of June 30, Approx.80% users
via au Smart Pass

Provide in advance to au Smart Pass
members through August 31

Up-selling

Free trial

Up-selling



au Smart Pass

¥390/month

← **Increasing members** →

(Target take-up ratio of 80%*)

*Ratio using au Smart Pass compatible handsets as denominator

Enhancement of Cloud and Subscription Services



Video Pass

1 Unlimited viewing of popular works

2 One free new release viewing per month

3 Multi-device compatibility



Uta Pass

1 Unlimited listening for Japanese and foreign music

2 Can listen to songs of choice

3 Enjoy chatting while listening to the same music

Benefits of au Smart Pass members

- (1) Free trial (2 weeks)
- (2) Several specially selected movies: no charge

- (1) Early free provision to au Smart Pass members
- (2) Free trial (Up to 3 months)

1Q Performance

Operating income: ¥94.2B

- ⇒ Make up-front investment toward Game Change/
full-fledged launch of 3M strategy
- ⇒ Down 32.8% YOY, in line with plans to meet
full-year forecast of ¥500.0 billion

- ✓ Reorganization of 800MHz bandwidth in final phase
⇒ Progress on prior handset migration
(Remaining on July 22: 0.14M subscriptions*)
- ✓ Large increase in Data ARPU: Up ¥310 YOY
- ✓ Maitzuki Discount unit price lowered:
¥2,000 (4Q/FY2012.3) → ¥1,700 (1Q/FY2013.3)

Consolidated Performance

25

(Billions of yen)

	FY12.3 1Q	FY13.3 1Q	yoy	FY13.3(E)	Progress
Operating revenues	865.0	861.6	-0.4%	3,580.0	24.1%
Operating income	140.1	94.2	-32.8%	500.0	18.8%
Operating margin	16.2%	10.9%	-	14.0%	-
Ordinary income	132.4	90.2	-31.9%	490.0	18.4%
Net income	71.9	51.3	-28.7%	250.0	20.5%
EBITDA	242.2	199.7	-17.5%	974.0	20.5%
EBITDA margin	28.0%	23.2%	-	27.2%	-
Free cash flow	67.2	-109.7	-	150.0	-

[EBITDA]

From FY2013.3, amortization of goodwill is included in the calculation of EBITDA (excluded in FY2012.3)

FY2013.3 : EBITDA = operating income + depreciation + noncurrent asset retirement cost + **amortization of goodwill**

Segment Performance 1

26

(Billions of yen)

Personal Services

	FY12.3 1Q	FY13.3 1Q	yoy	FY13.3(E)	Progress
Operating revenues	685.7	665.8	-2.9%	2,760.0	24.1%
Operating income	104.7	65.1	-37.9%	370.0	17.6%
Operating margin	15.3%	9.8%	-	13.4%	-
EBITDA	191.5	152.7	-20.2%	767.0	19.9%
EBITDA margin	27.9%	22.9%	-	27.8%	-

(Billions of yen)

Value Services

	FY12.3 1Q	FY13.3 1Q	yoy	FY13.3(E)	Progress
Operating revenues	28.4	34.7	+22.3%	164.0	21.2%
Operating income	10.8	10.1	-6.7%	45.0	22.4%
Operating margin	38.1%	29.1%	-	27.4%	-
EBITDA	12.3	12.3	+0.3%	57.0	21.6%
EBITDA margin	43.2%	35.4%	-	34.8%	-

Segment Performance 2

27

(Billions of yen)

	FY12.3 1Q	FY13.3 1Q	yoy	FY13.3(E)	Progress	
Business Services	Operating revenues	153.3	156.3	+1.9%	630.0	24.8%
	Operating income	20.9	15.2	-27.4%	71.0	21.4%
	Operating margin	13.6%	9.7%	-	11.3%	-
	EBITDA	32.3	27.6	-14.8%	122.0	22.6%
	EBITDA margin	21.1%	17.6%	-	19.4%	-

(Billions of yen)

	FY12.3 1Q	FY13.3 1Q	yoy	FY13.3(E)	Progress	
Global Services	Operating revenues	39.1	46.3	+18.4%	195.0	23.7%
	Operating income	1.1	1.4	+22.2%	6.0	23.1%
	Operating margin	2.9%	3.0%	-	3.1%	-
	EBITDA	3.4	4.5	+34.1%	19.0	23.9%
	EBITDA margin	8.7%	9.8%	-	9.7%	-

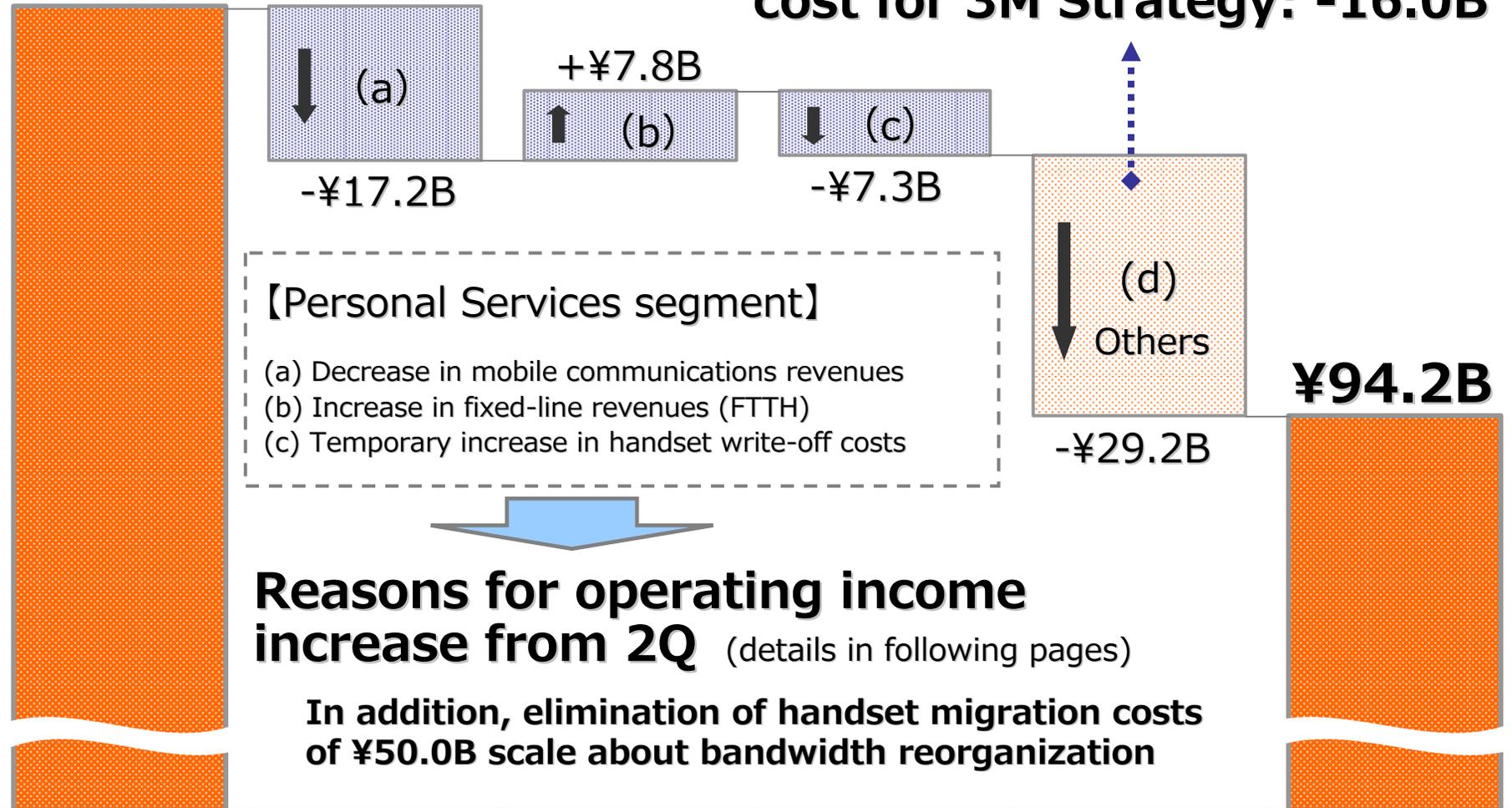
Consolidated Operating Income: Factor for Change, YOY

28

(Billions of yen)

¥140.1B

Of which, up-front investment cost for 3M Strategy: -16.0B



1Q/FY2012.3

-¥45.9B

1Q/FY2013.3

Factors Increasing Operating Income from 2Q (Summary)

Increase in Revenues

Cost Reductions

(a) Improvement in lower mobile communications revenues

Smaller decrease in mobile communications revenues due to effect of increase in au subs

(c) Handset write-offs elimination starting from 2Q

1Q:¥7.3B
Temporary, in plan at start of FY2013.3

(b) Expanded fixed-line revenues

Major increase in FTTH subs in FY2013.3, so higher FTTH revenues

(d) Elimination bandwidth reorganization costs

Handset migration costs:
Decrease approx. ¥50.0B scale, YOY

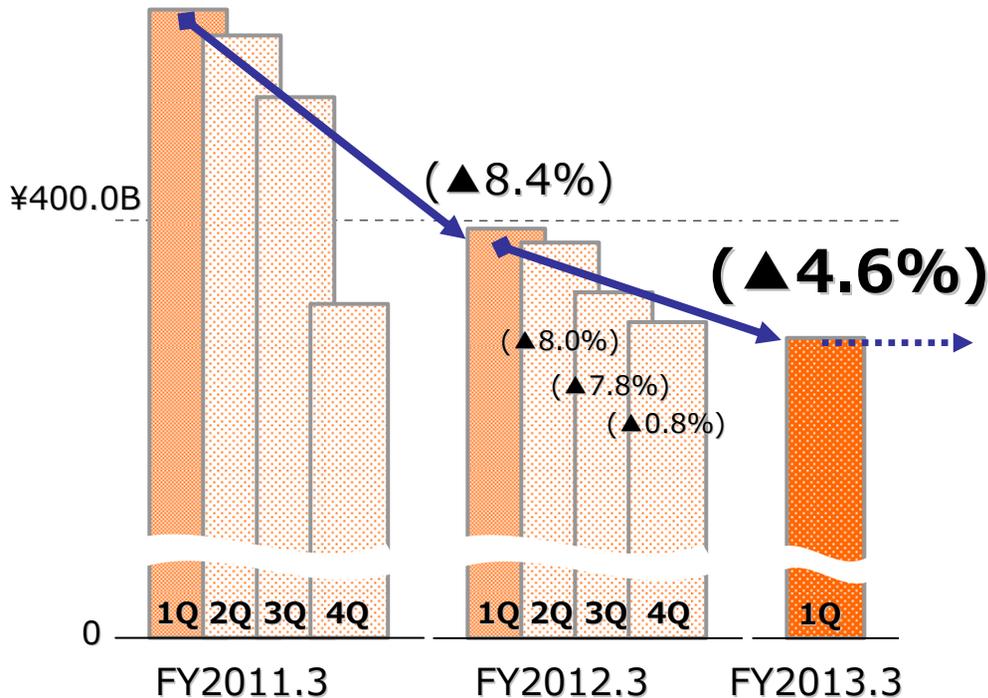
Factors Increasing Operating Income from 2Q (a)

Increase in au net additions

⇒ Smaller decrease in mobile communications revenues

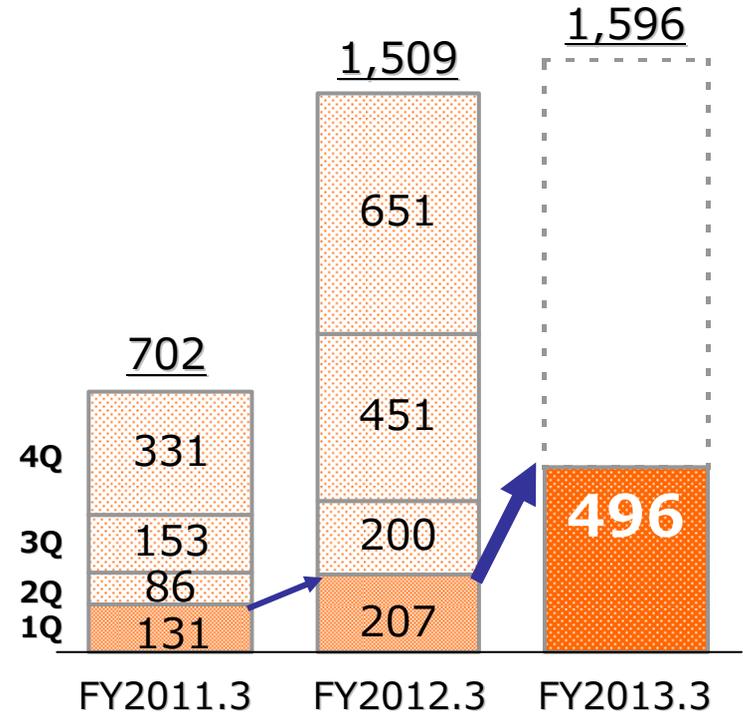
Revenues for au ARPU* (Billions of yen)

1Q: Reduced to ▲4.6%, YOY



au Net Additions* ('000)

1Q: Progress 31%
Solid au net additions



*Based on Personal Services segment

Factors Increasing Operating Income from 2Q (b)

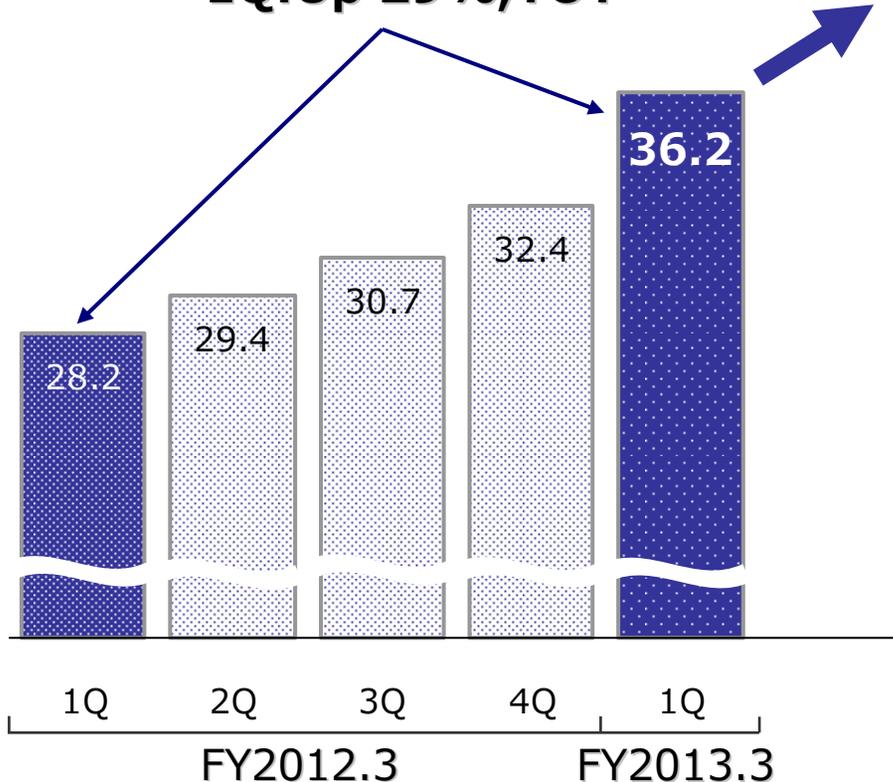
Large FTTH net additions

⇒ Major increase in FTTH revenues

FTTH Revenues*

(Billions of yen)

1Q:Up 29%,YOY

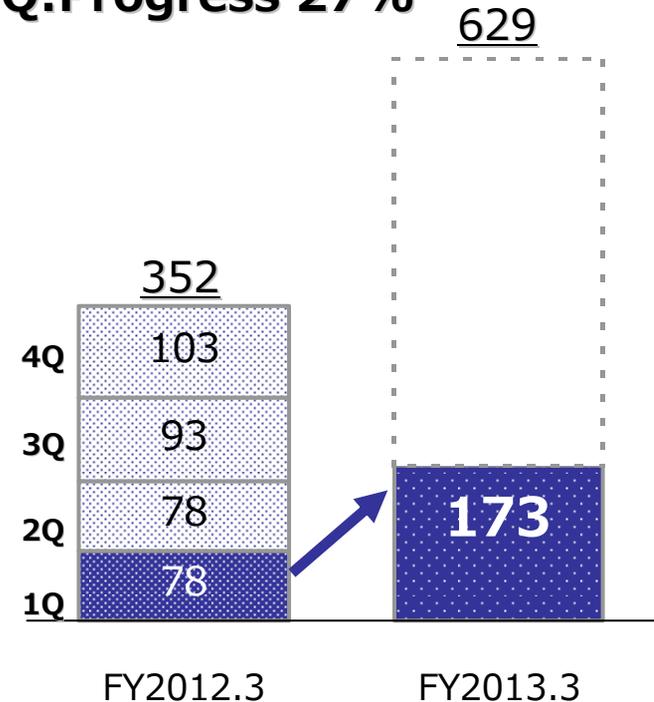


FTTH Net Additions*

('000)

FY2013.3: Plan for increase of 1.8 times

1Q:Progress 27%



*Based on Personal Services segment

Factors Increasing Operating Income from 2Q (d)

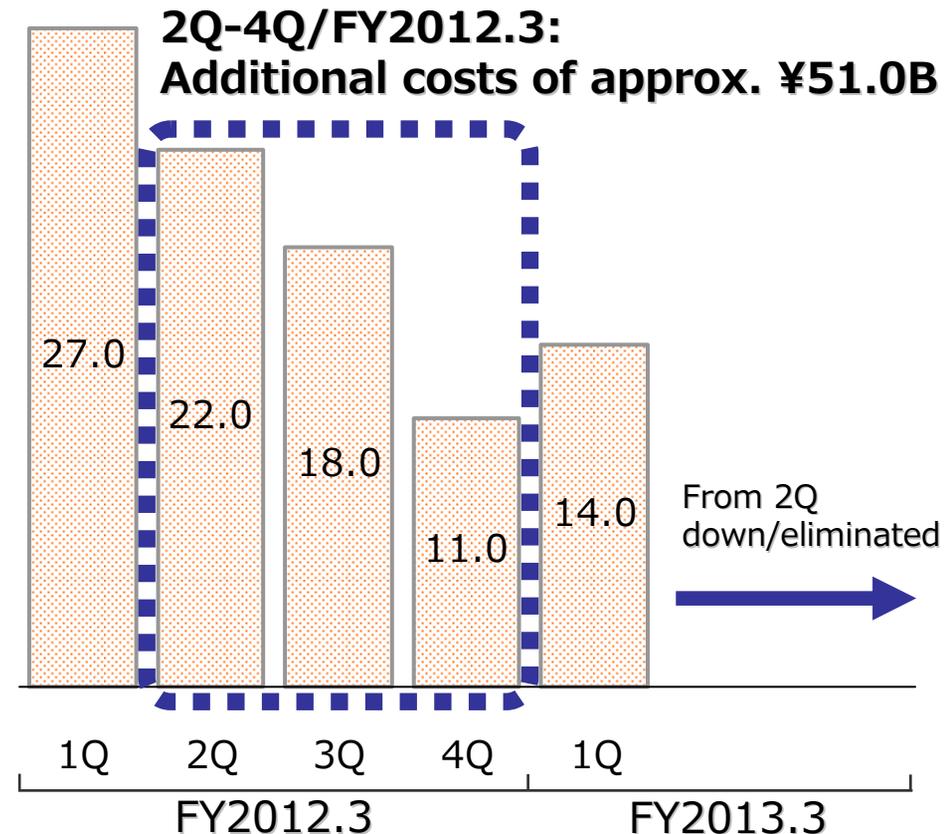
Elimination bandwidth reorganization costs

(=Handset migration costs down)

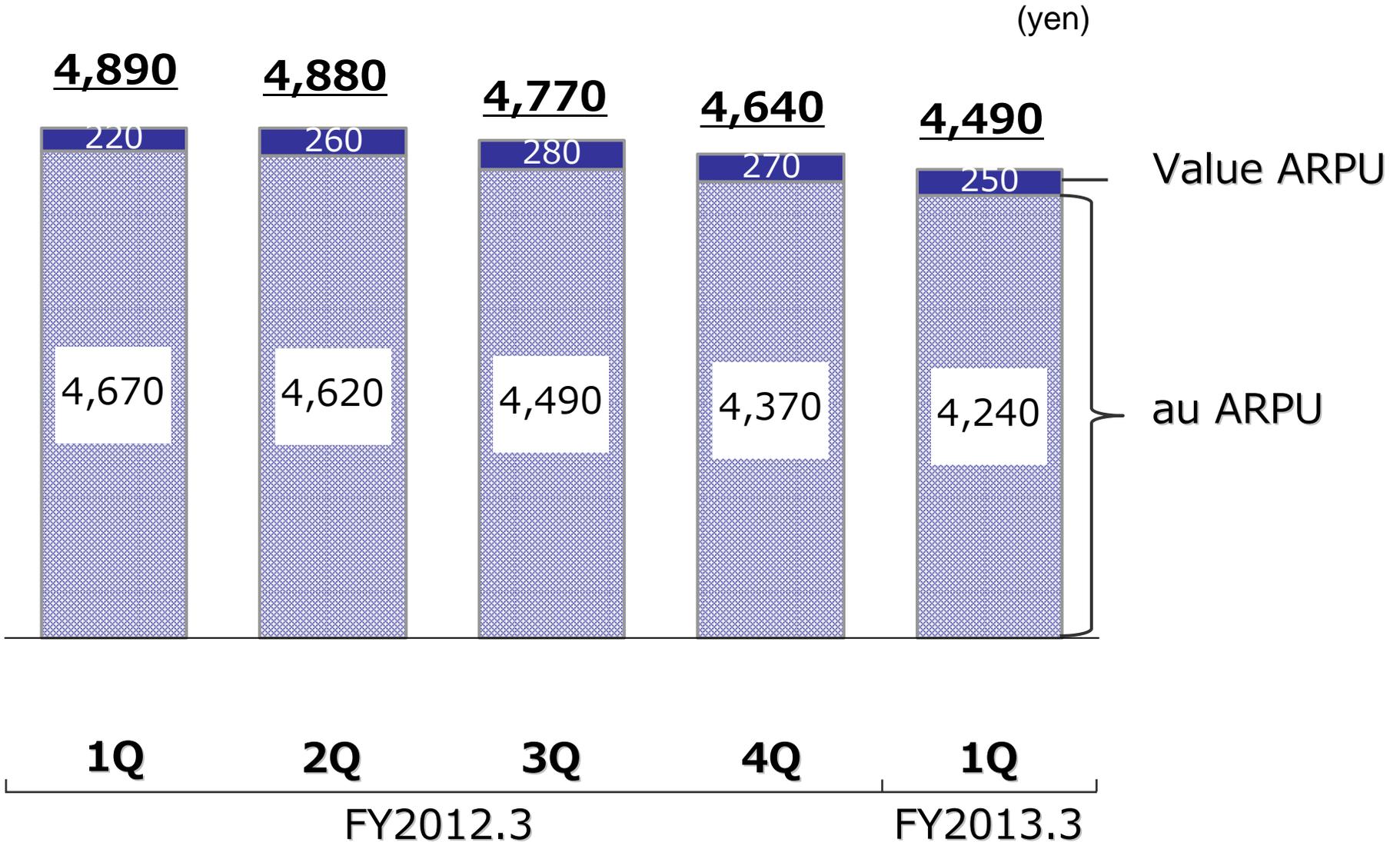
From 2Q,
decrease
approx. ¥50.0B
scale, YOY

Additional Costs of Handset Migration*

(Billions of yen)



au ARPU* / Value ARPU*



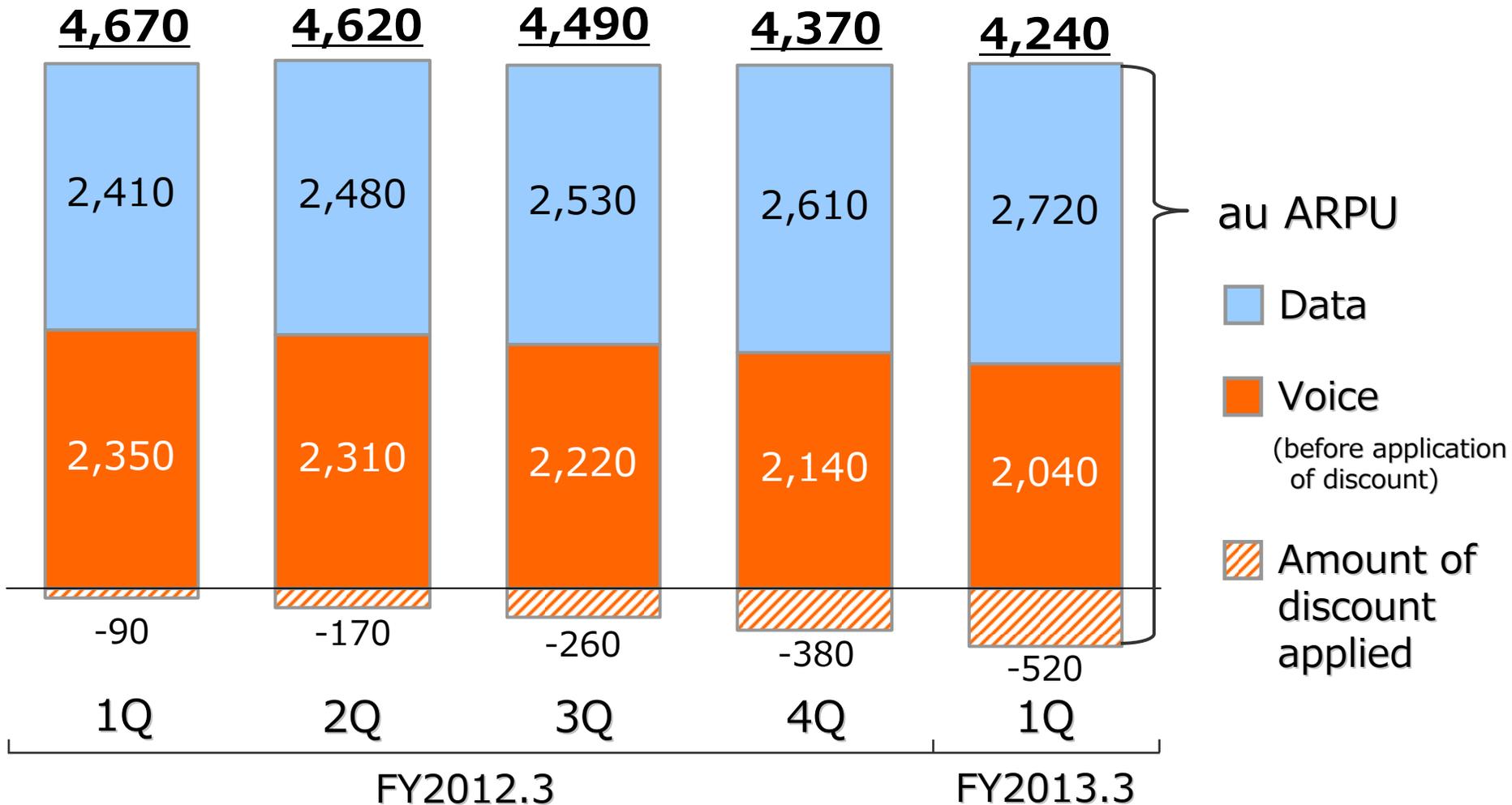
*au ARPU: Based on Personal Services segment

*Value ARPU: Based on Value Services segment

Breakdown of au ARPU*

1Q: Down 9.2%, yoy

(yen)



au ARPU

Data

Voice

(before application of discount)

Amount of discount applied

*Based on Personal Services segment

Target Period-end Bottoming Out of au ARPU

au ARPU =

Data ARPU

Growing steadily based on
shift to smartphones

Rise ratio

Industry's No.1
rise ratio
12.9%, YOY

Smartphone
sales

Up 2.6 times , YOY
to 1.67M units

+

Voice ARPU (before application of discount)
+ Amount of discount applied

Reduction of negative impacts
from Simple Course, and adjustment
of Maitzuki Discount unit price

Simple
Course

Penetration rate:92%
Reduction of negative
impacts to voice ARPU

Maitzuki
Discount
unit price

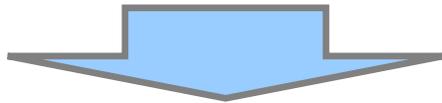
Reduced to ¥1,700
in 1Q

Strong Growth of Data ARPU

No.1 Growth

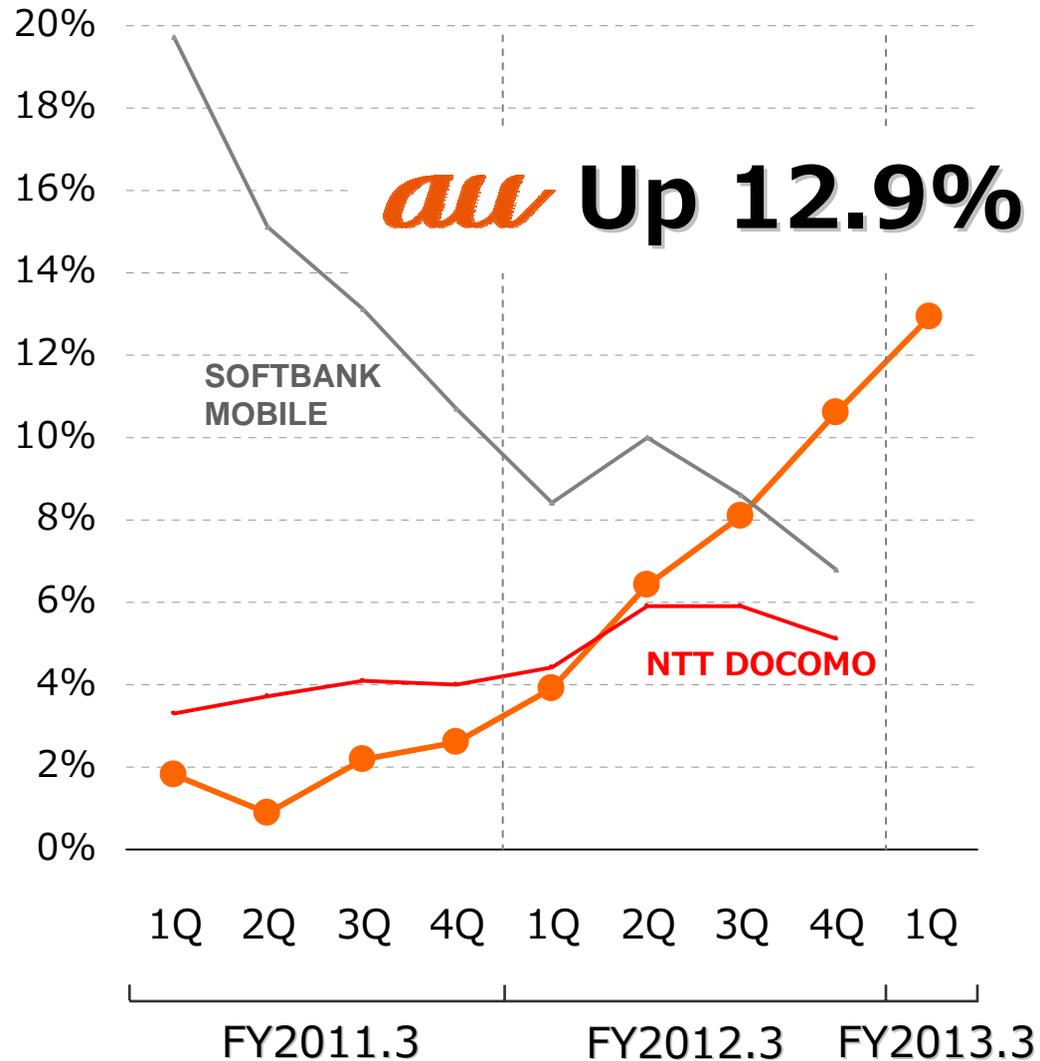
1Q: ¥2,720
(Up ¥310, YOY)

(As of June 30, 2012)
Smartphone penetration rate
:24%



Further expansion of data ARPU growth is possible enough

Rise Ratio of Data ARPU(YOY)



*Based on financial results materials, etc. of each company.
*Smartphone penetration rates based on Personal Services segment.

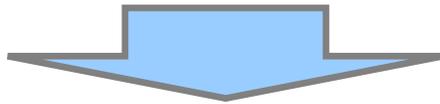
Strong Growth of Smartphone Sales

Number of Smartphone unit Sold

(Million units)

1Q: 1.67M

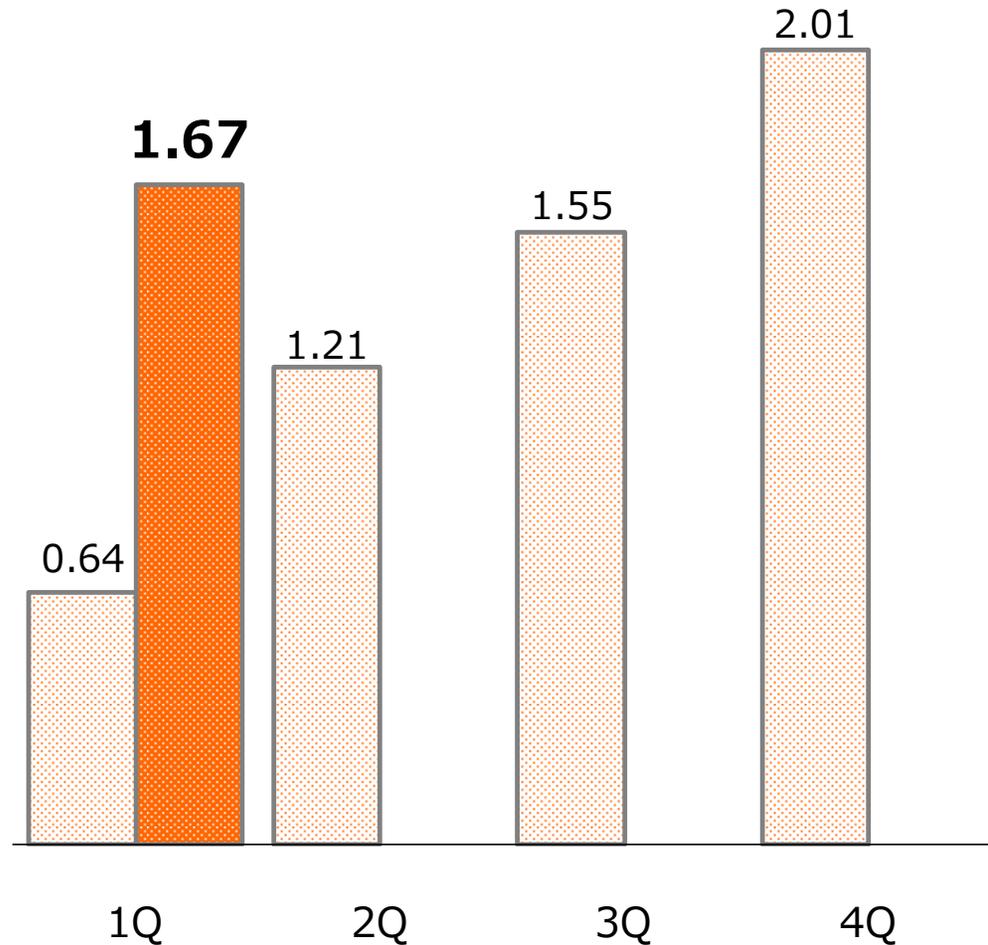
(Up 2.6 times, YOY)



Smooth start toward achieving full-year target of 7.55M units

Consolidated full-year target: 8.00M units
/1Q actual: 1.74M units

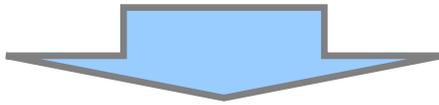
FY2012.3(left) / FY2013.3(right)



*Based on Personal Services segment

Reduction of Negative Impact to Voice ARPU from Simple Course

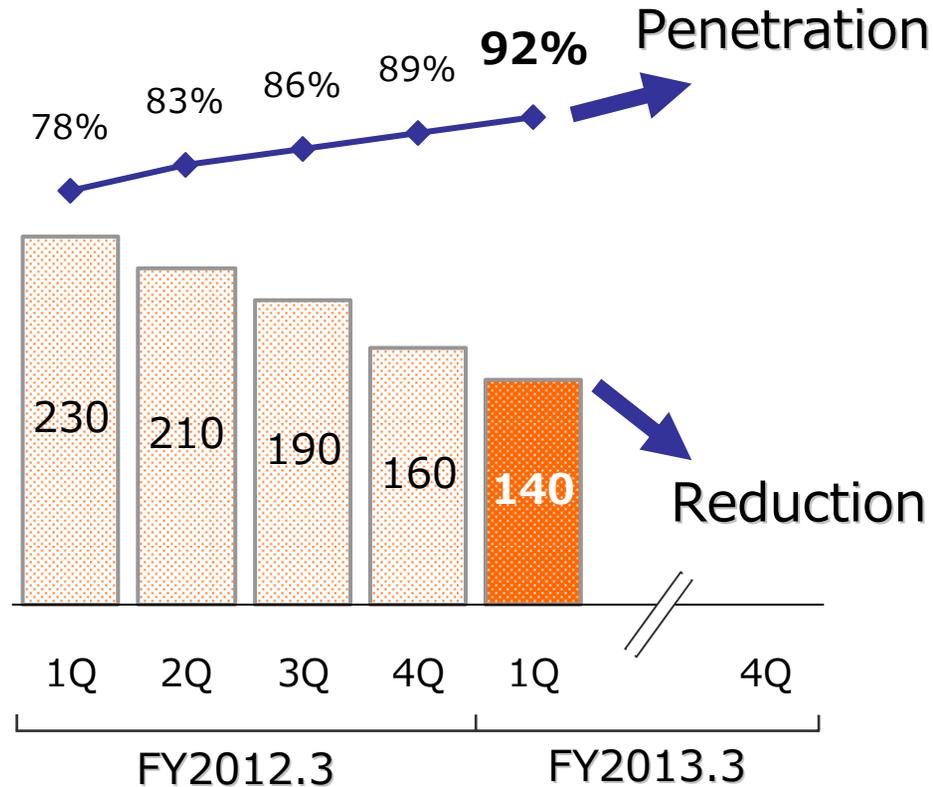
Increased penetration rate of Simple Course



Negative impact on voice ARPU from Simple Course down quarterly, forecasted to disappear in FY2013.3

YOY Negative Impact to Voice ARPU from Simple Course and Simple Course Penetration Rate

(Line graph: % / "Simple Course" penetration rate)
 (Bar graph: yen / YOY negative impact to voice ARPU by Simple Course)



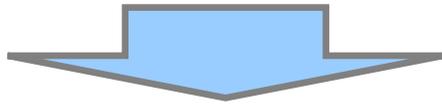
*Based on Personal Services segment

*Penetration rates exclude modules

Adjustment of Maitzuki Discount unit Price

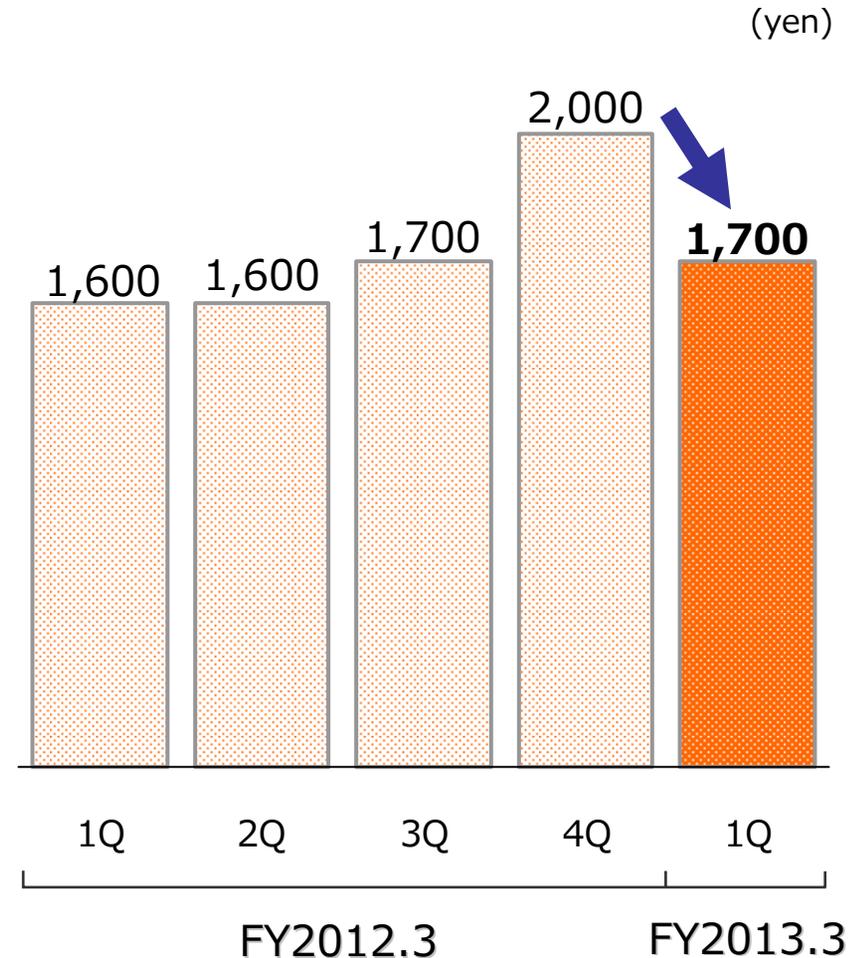
1Q: ¥1,700

(Down ¥300 from 4Q/FY2012.3)



Steady adjustment of Maitzuki Discount unit price targeting period-end bottoming out of au ARPU

Maitzuki Discount unit Price



Summary of 1Q Performance

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1. Full-fledged launch of 3M Strategy
2. Strong operating results
3. Reorganization of 800MHz bandwidth in final phase related costs to decrease substantially from 2Q



1Q performance in line with plans

(No change to target consolidated operating income of ¥500.0B in FY2013.3)

Appendix

Focus KPI in FY2013.3

42

Personal Services & Value Services

		12.3-1Q	13.3-1Q	Change	13.3(E)	yoy
au churn rate	%	0.62	0.61	-0.01	0.61	-
au ARPU	yen	4,670	4,240	-430	4,160	-9.2%
Value ARPU	yen	220	250	+30	280	+13.6%
		3/'12	6/'12	Change	3/'13(E)	Progress
【Utilizing au Smart Value】 au subscriptions	'000	660	1,330	+670	3,100	27.5%
【Utilizing au Smart Value】 Households	'000	440	820	+380	1,550	34.2%
au Smart Pass members	'000	560	1,470	+910	5,000	20.5%

Business Services

		12.3-1Q	13.3-1Q	Change	FY2013.3(E)	Progress
Smartphone sales	'000	-	74	-	450	16.4%

—

		3/'12	6/'12	Change	3/'13(E)
Data offload rate	%	20	32	+12	50

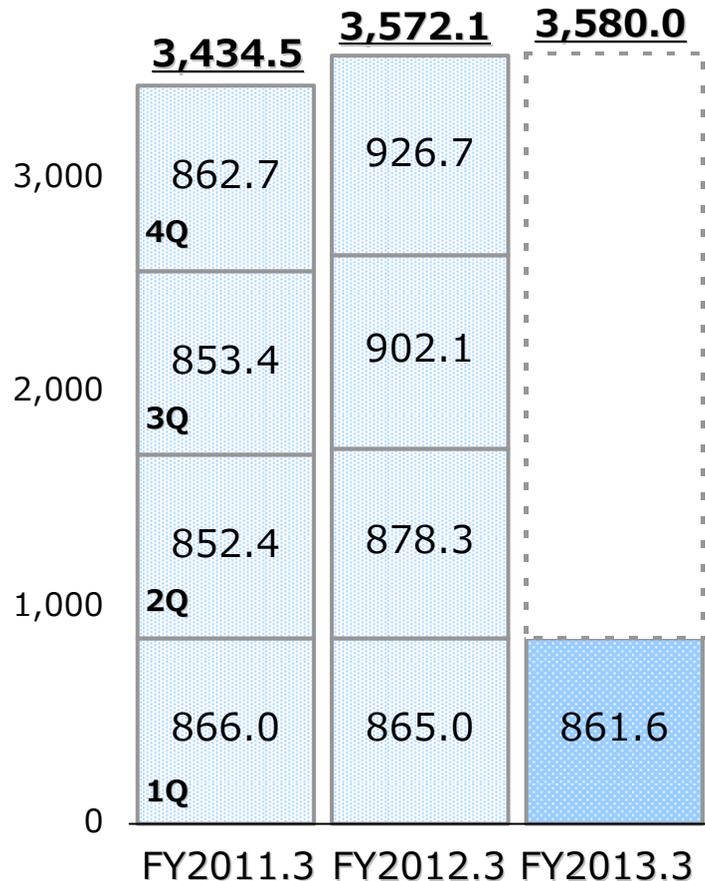
Operating Revenues and Income

Operating Revenues (Consolidated)

(Billions of yen)

1Q/FY2013.3: ¥861.6B

(Down 0.4%, YOY / Progress: 24.1%)

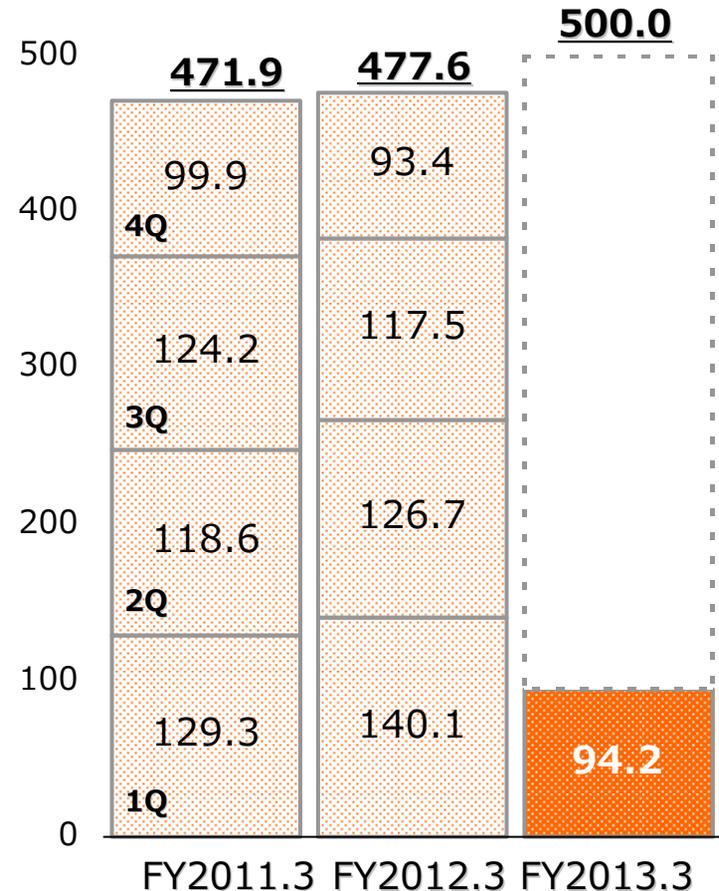


Operating Income (Consolidated)

(Billions of yen)

1Q/FY2013.3: ¥94.2B

(Down 32.8%, YOY / Progress: 18.8%)



Capital Expenditures (Consolidated)

1Q/FY2013.3: ¥99.9B

(+29.9%,YOY / Progress: 22.2%)

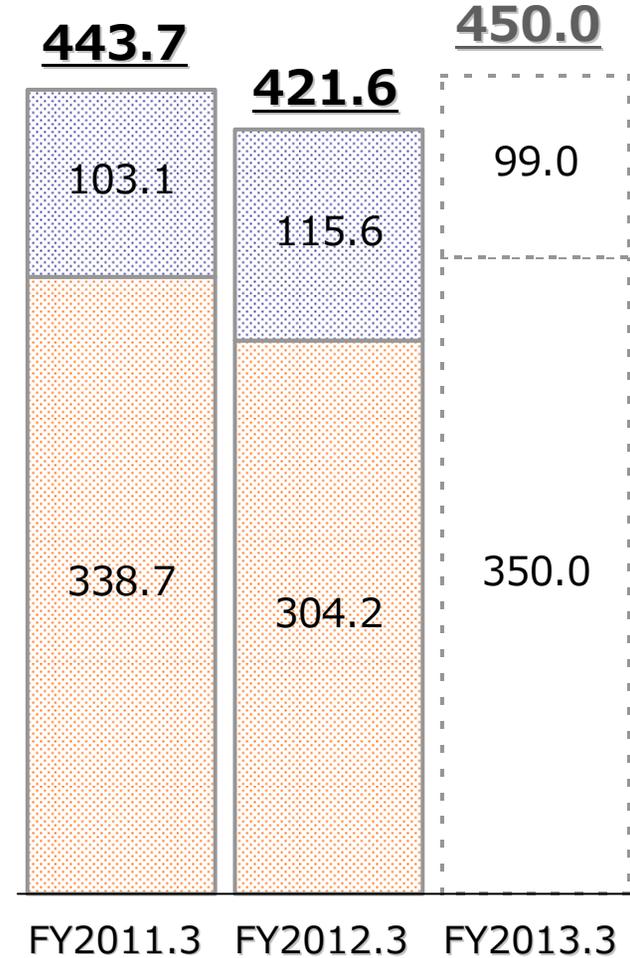
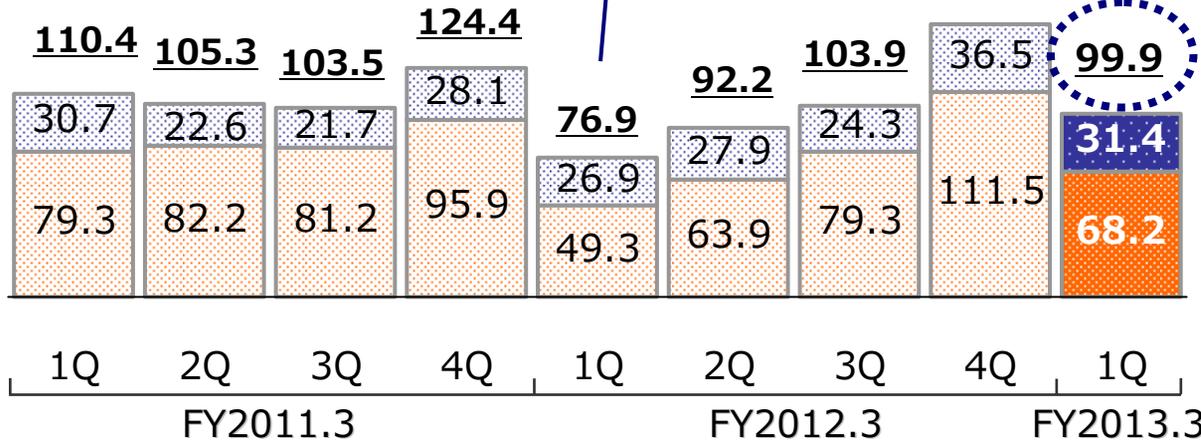
Full-year Basis (Billions of yen)

Quarterly Basis

(Billions of yen)



Decrease due to Great East Japan Earthquake



au Net Additions/au Subscriptions

(Consolidated)

(Consolidated)

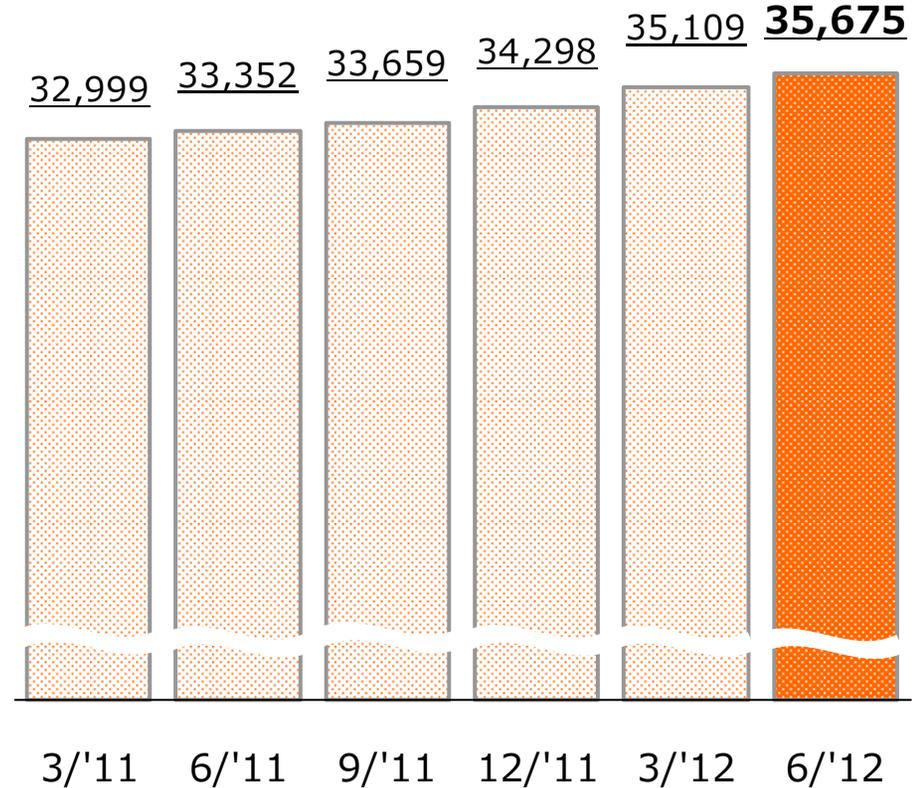
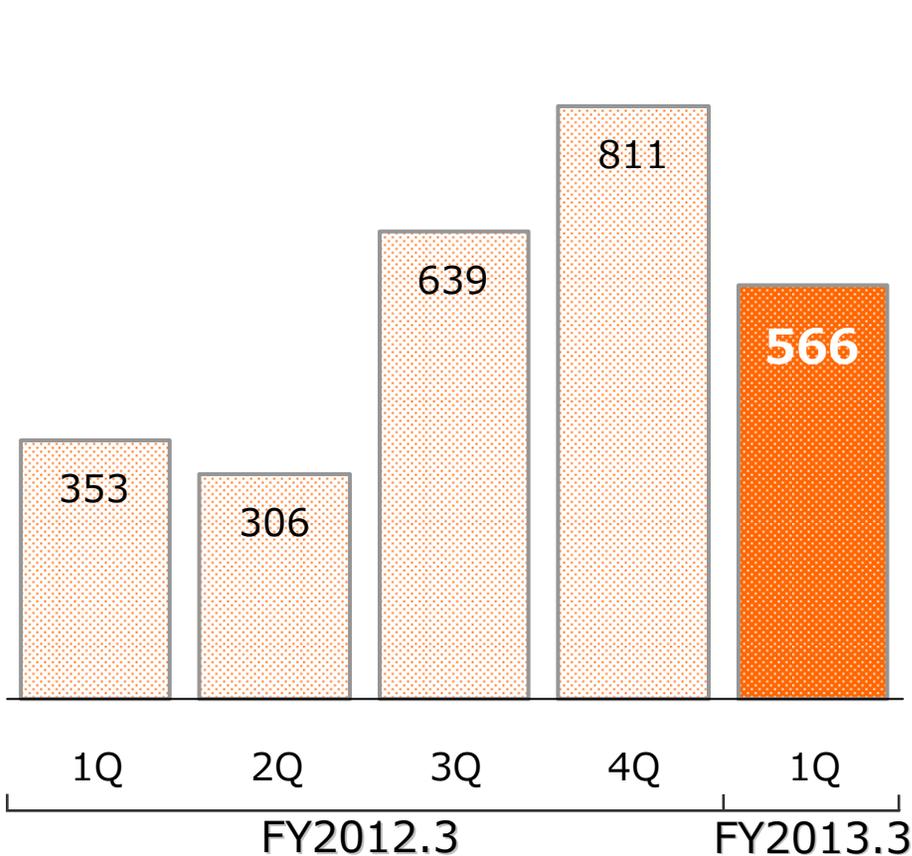
45

au Net Additions

('000)

au Subscriptions

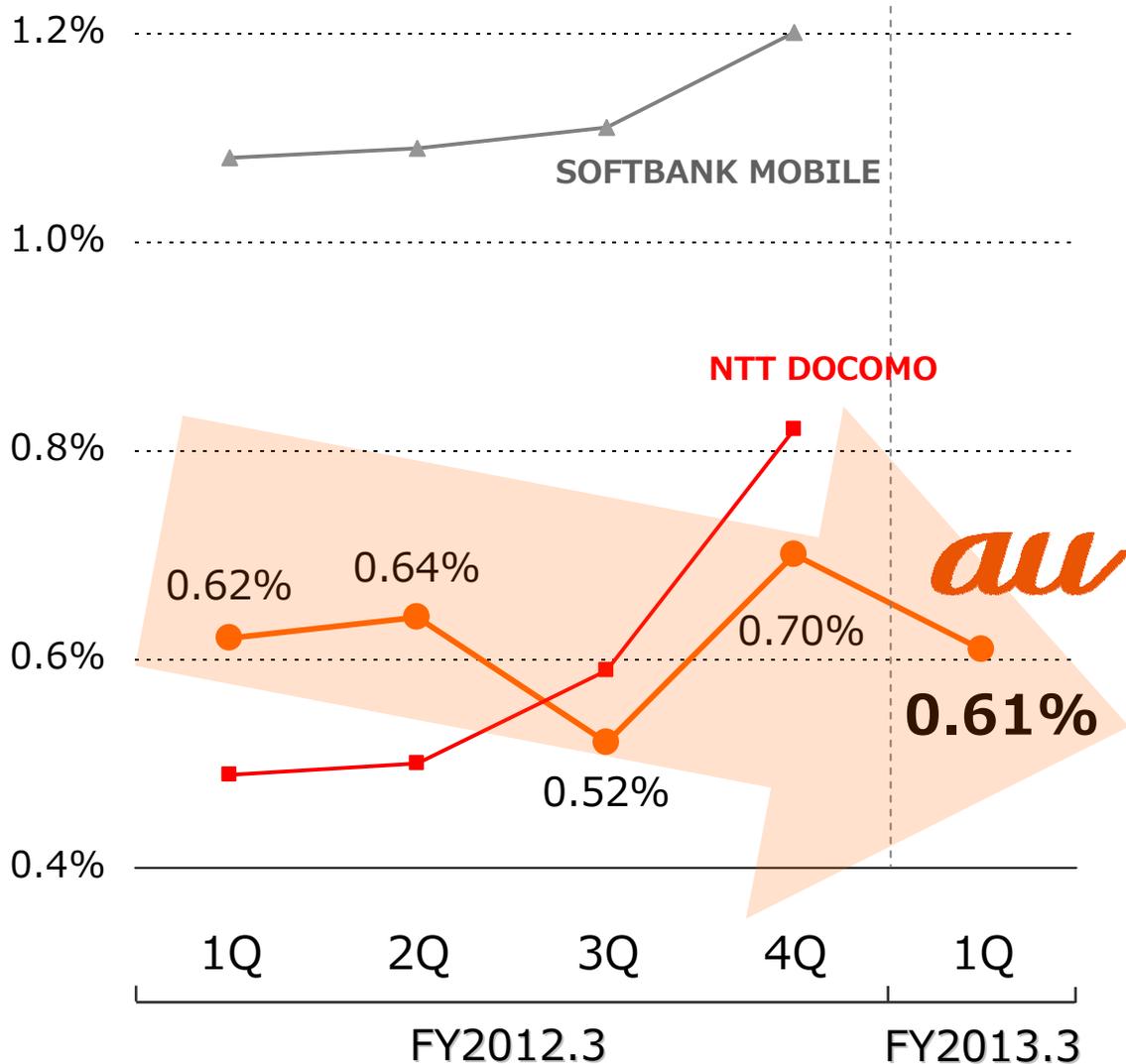
('000)



au Churn Rate (Personal Services segment)

1Q: 0.61%

Down to industry's lowest level starting in 3Q/FY2012.3



*Based on financial results materials, etc. of each company.

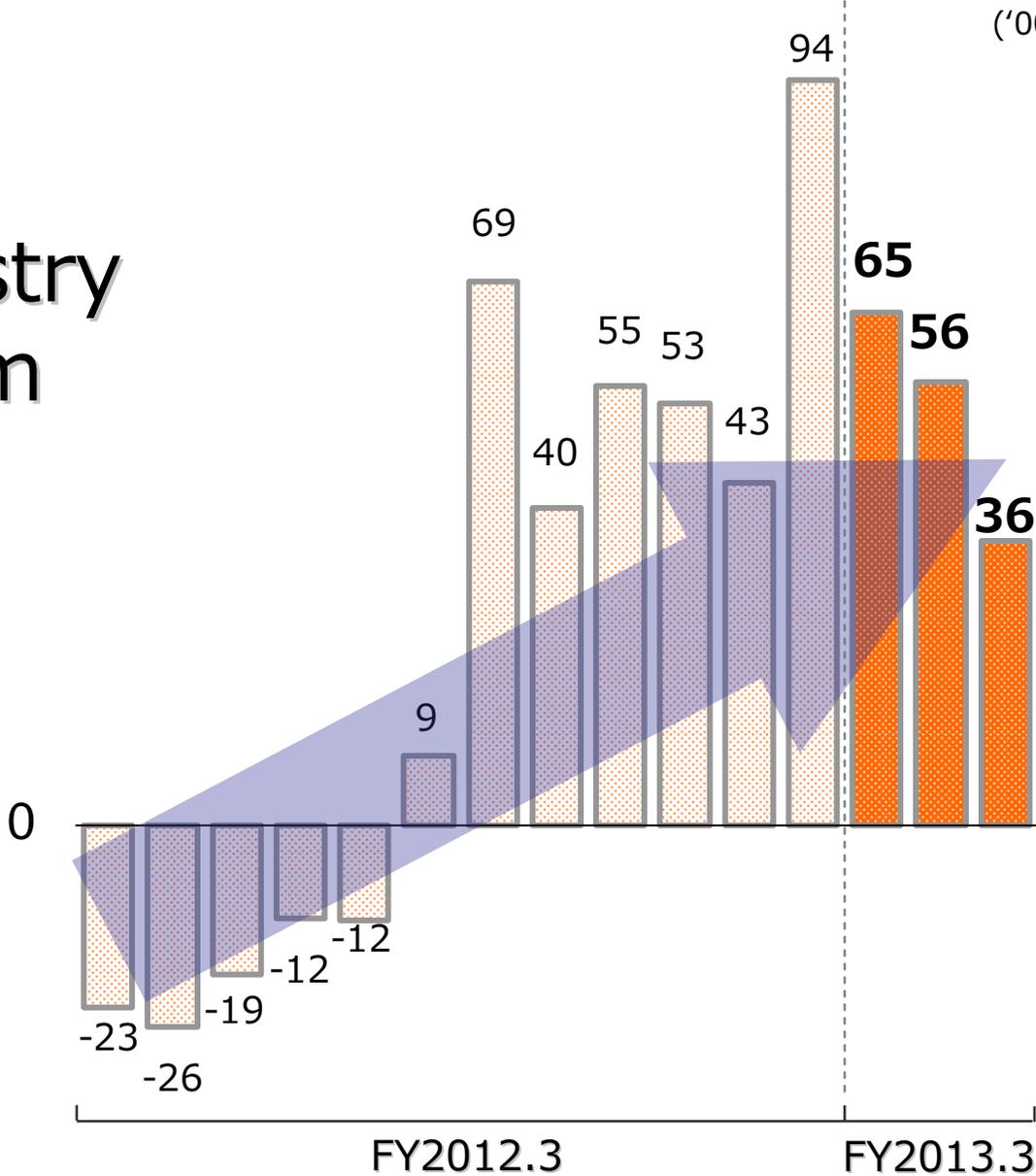
*au churn rate is calculated for ordinary handsets which exclude module-type terminals.

au MNP Net Additions (Consolidated)

('000)

No.1 of MNP net additions in industry for 9 months from October 2011

1Q: 157k
(Up 224k, YOY)



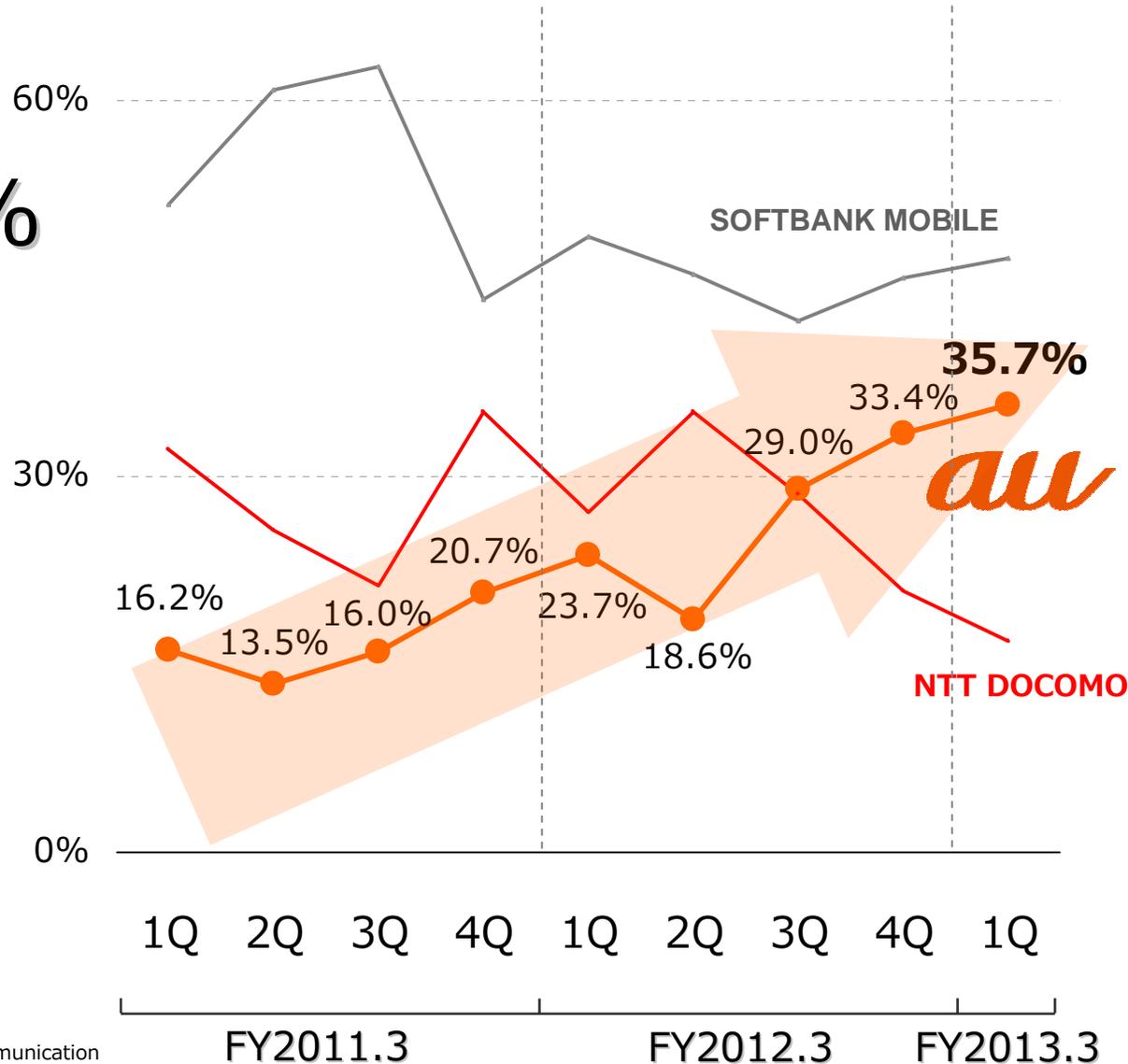
au Net Addition Share

(Consolidated)

48

1Q:
Rose to 35.7%

Up 12.0 points
YOY



*Net addition share is created by KDDI using data from Telecommunication Carriers Association's website.

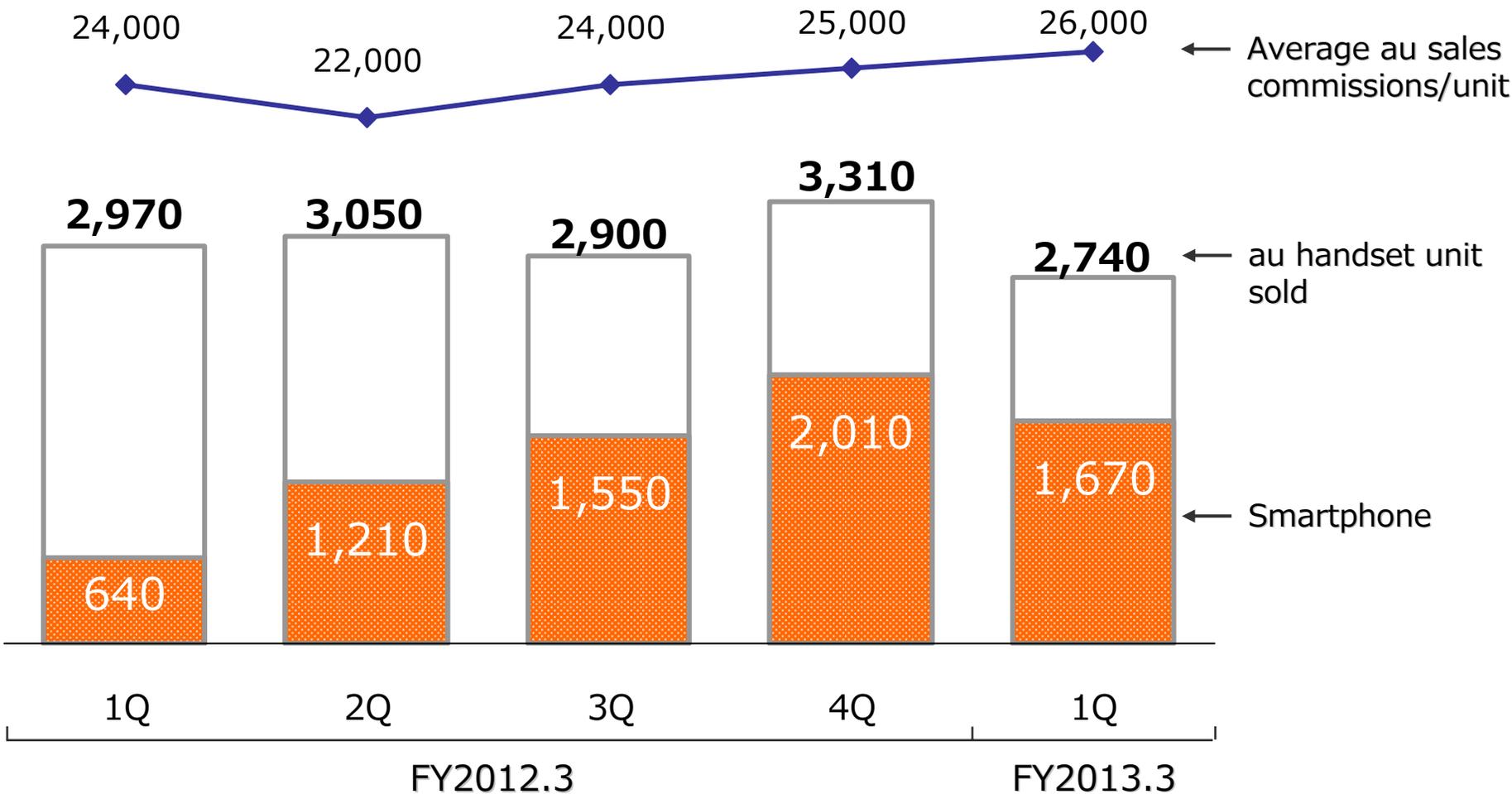
*Net addition share among NTT DOCOMO, SOFTBANK MOBILE, and KDDI

au Handset Sales/au Sales Commissions

(Personal Services segment)

(Personal Services segment)

(Bar graph: '000 units)
(Line graph: yen)



FTTH Net Additions / FTTH Subscriptions

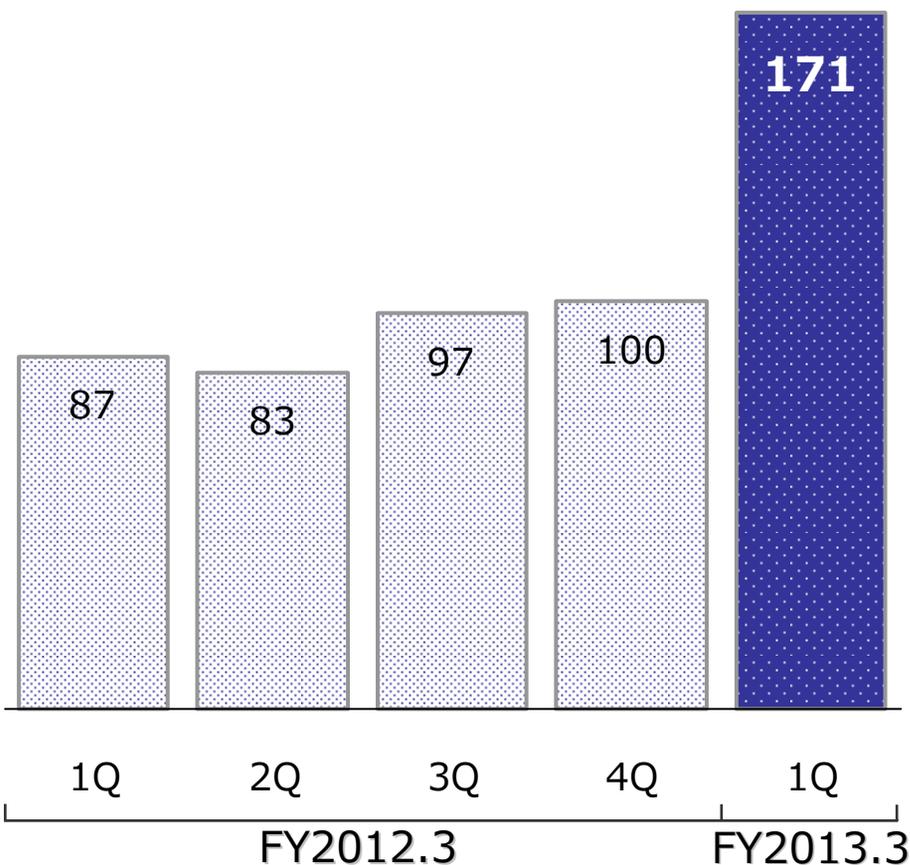
(Consolidated)

(Consolidated)

50

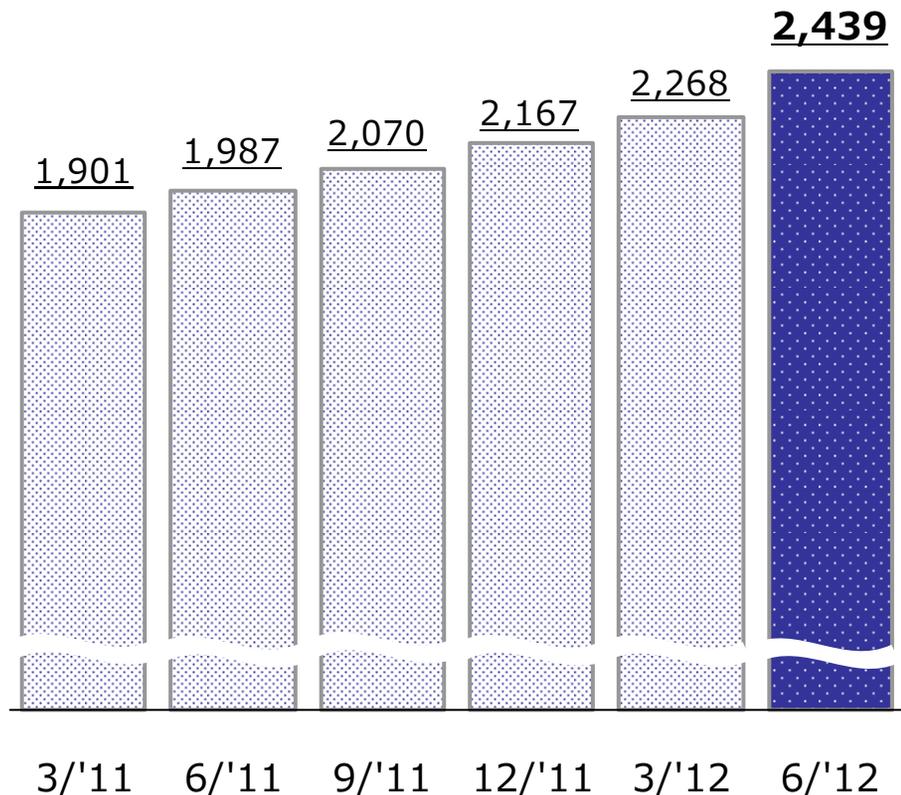
FTTH Net Additions ('000)

FTTH services of KDDI Group companies
(au HIKARI, au HIKARI Chura, Commuf@-hikari)



FTTH Subscriptions ('000)

FTTH services of KDDI Group companies
(au HIKARI, au HIKARI Chura, Commuf@-hikari)



Designing The Future

KDDI