

# KDDI CORPORATION

Financial Results for the 3rd Quarter  
of the Fiscal Year Ending March 2013

January 28, 2013

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

- 1. Progress and Benefits of the 3M Strategy**
- 2. Performance in 1-3Q**
- 3. Growth in Communications Revenues Realized**
- 4. Revision of Full-year Results Forecasts**

# **Progress and Benefits of the 3M Strategy**

# au Smart Value

Expanding telecommunications  
business customer base

# au Smart Value

## Strong subscriptions for both mobile and fixed-line services

Met year-end households target ahead of schedule

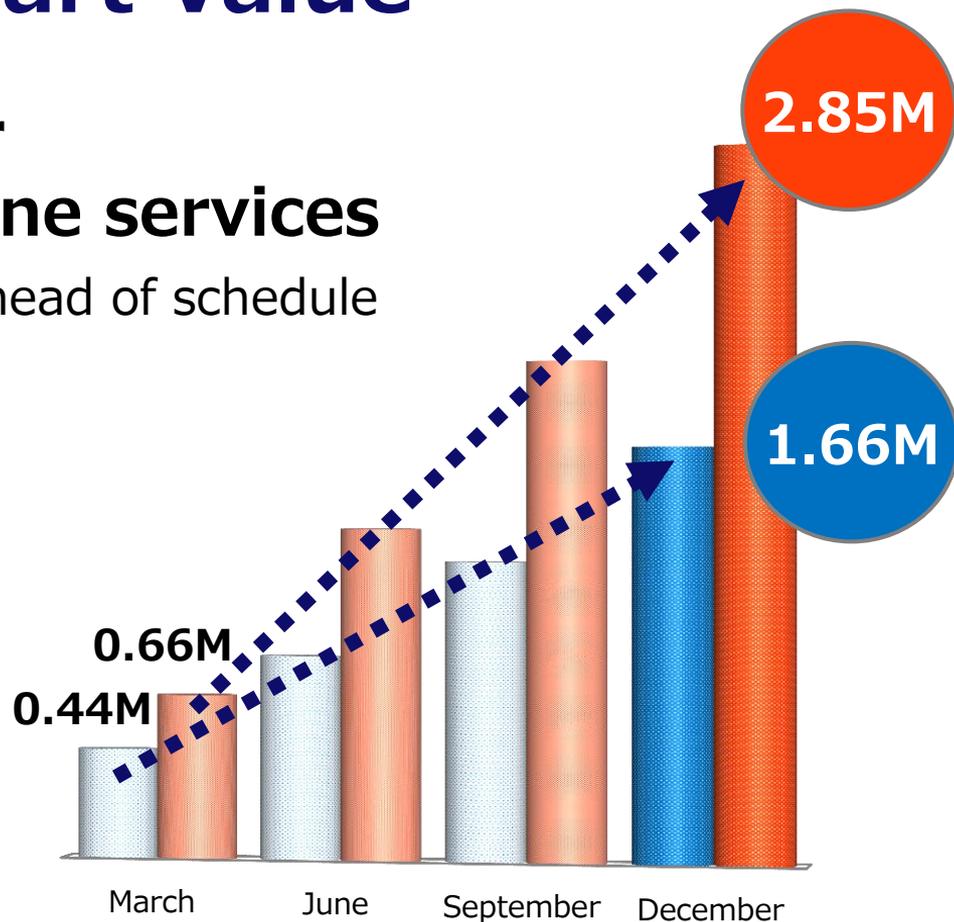
**■ au subs : 2.85M**

(Progress rate: 90%)

**■ Households\* : 1.66M**

(Progress rate: 110%)

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

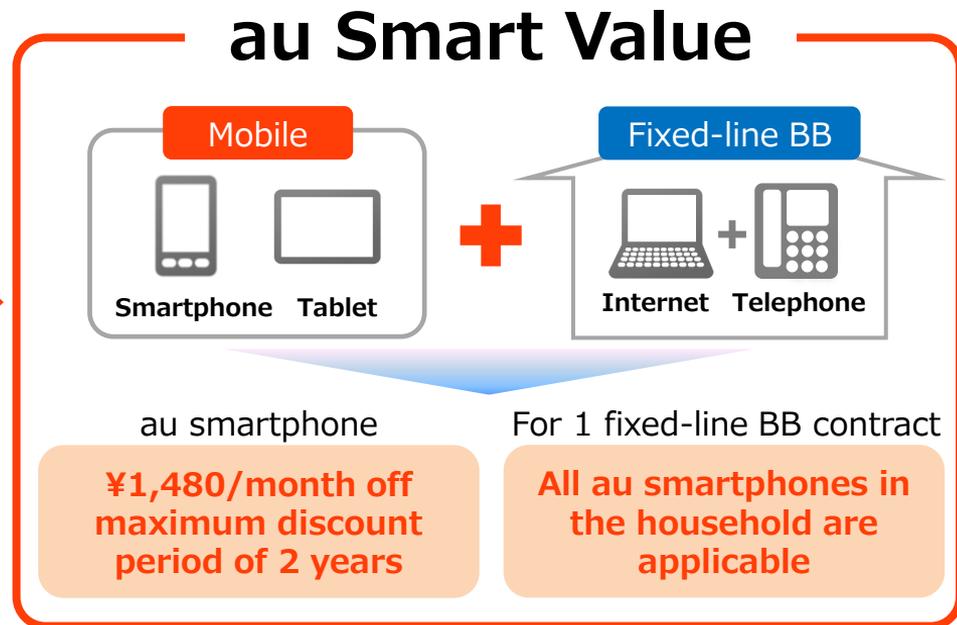
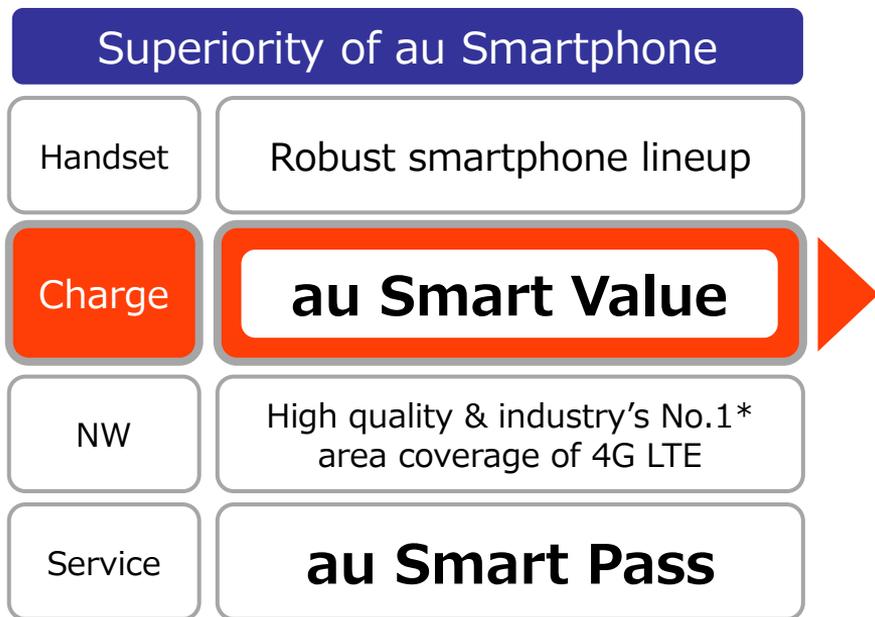


[Progress rate] Increase in 1-3Q in comparison to FY2013.3 targets  
(Previous Forecast: 3.10M of au subs and 1.55M of households)

\*Smart Value is a registered trademark of Energy Management Corporation.

# au Smart Value

## au smartphone + fixed-line BB bundle discounts

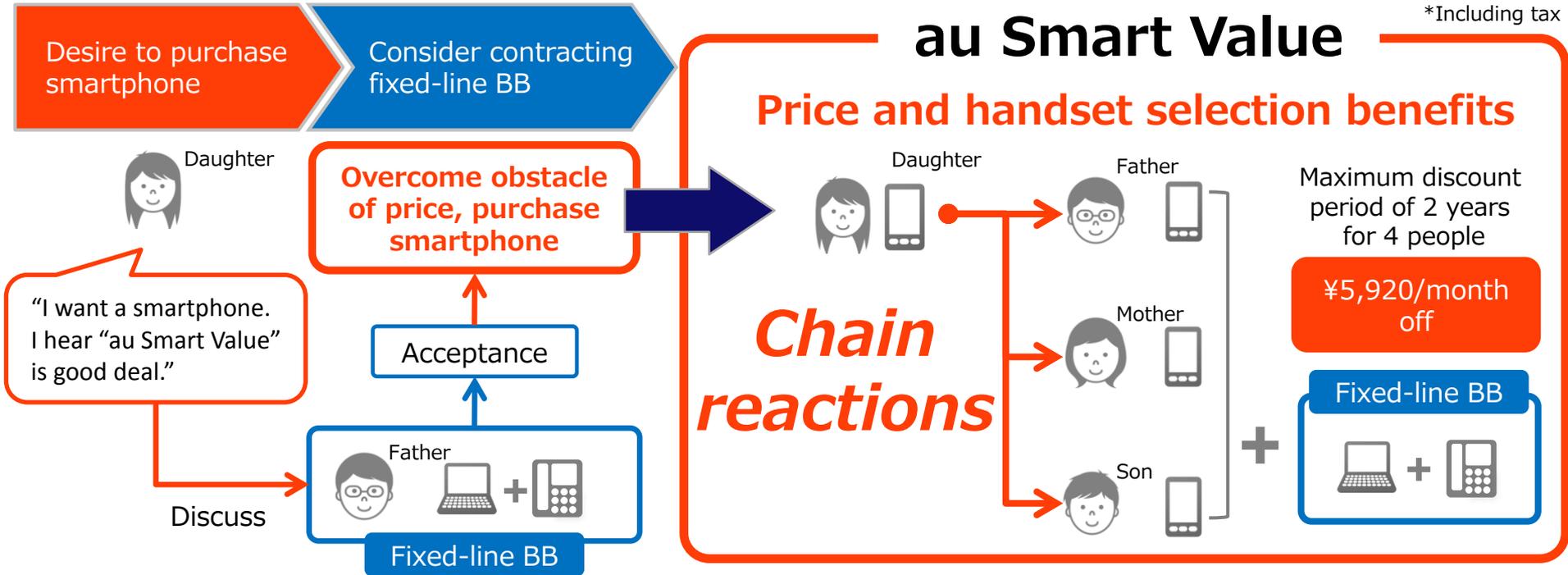


\*KDDI's estimates based on the expectation that actual population coverage will be approx. 96% on March 31, 2013. (Target: Android™ smartphones)

\*"Android" is a trademark or a registered trademark of Google Inc.

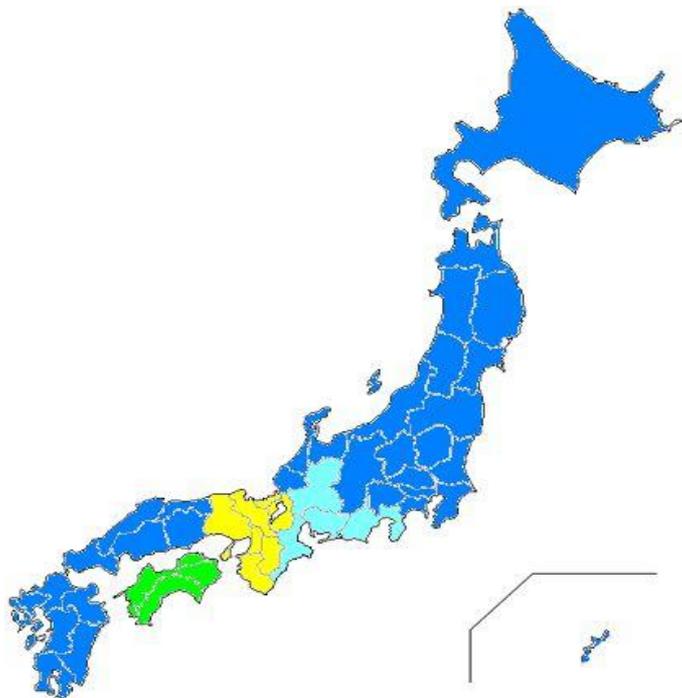
# Key Word 1: Chain Reactions

## Spread of au smartphones throughout households via chain reactions



# Key Word 2: Alliances

**Alliances with fixed-line companies = Expanding cross-selling area**



(Companies providing au Smart Value)

- **FTTH 5 companies**
- CATV 99 companies, 180 channels**
- **Nationwide household coverage ratio approx. 80%**

FTTH	<span style="color: blue;">■</span> au HIKARI / au HIKARI Chura (OCT)
	<span style="color: lightblue;">■</span> Commuf@-hikari (CTC)
	<span style="color: yellow;">■</span> eo HIKARI (K-Opticom) <span style="color: green;">■</span> Pikara (STNet)
CATV	  Allied CATV companies

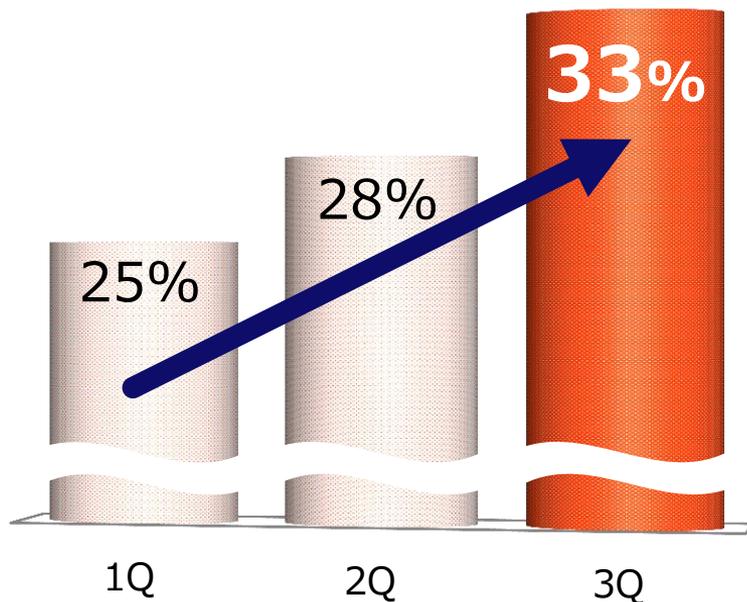
\*FTTH 5 companies include 3 KDDI group companies. (Shikoku covered by both "au HIKARI" and "Pikara")

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

\*Household coverage ratio in detached house provision area of FTTH/CATV

# Benefits 1

## Contribution to new smartphone subscriptions increase



(3Q)

33% of new smartphone subs<sup>Note</sup>

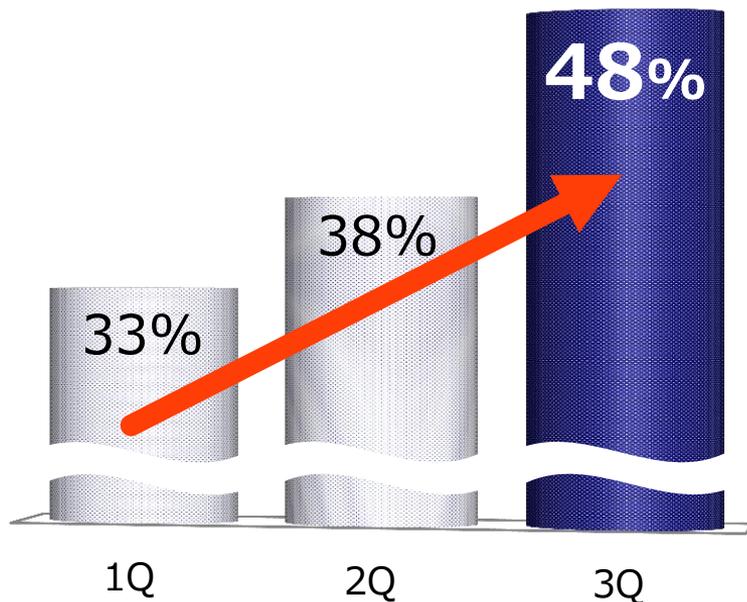
= au Smart Value

Subject: Percentage of au Smart Value subs among new smartphone subs (Personal Services segment)

Note: Excludes existing au users changing to smartphones

## Benefits 2

### Contribution to new FTTH subscriptions increase



(3Q)

48% of  
new au HIKARI subs<sup>Note</sup>

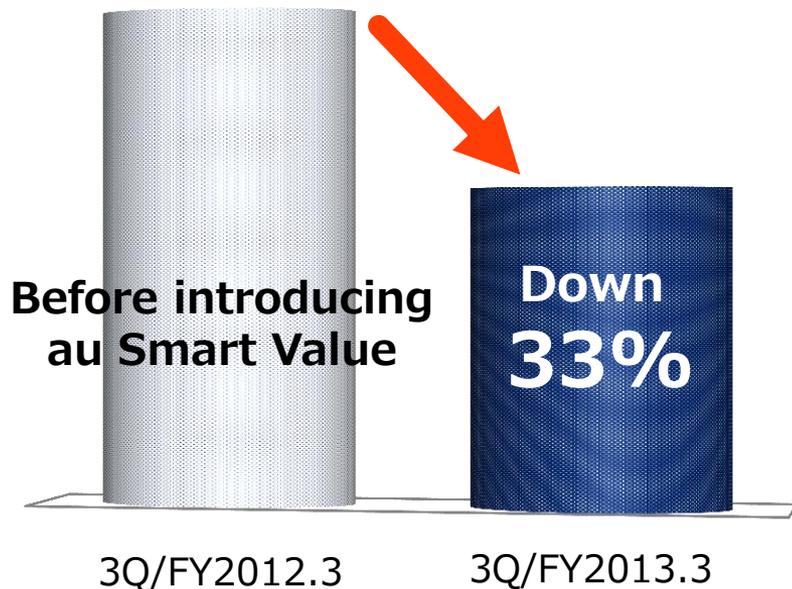
= au Smart Value

Subject: Percentage of au Smart Value subs among  
new au HIKARI subs (Personal Services segment)

Note: Excludes existing au users changing to smartphones

## Benefits 3

### Reduction in FTTH subscribers acquisition costs per unit

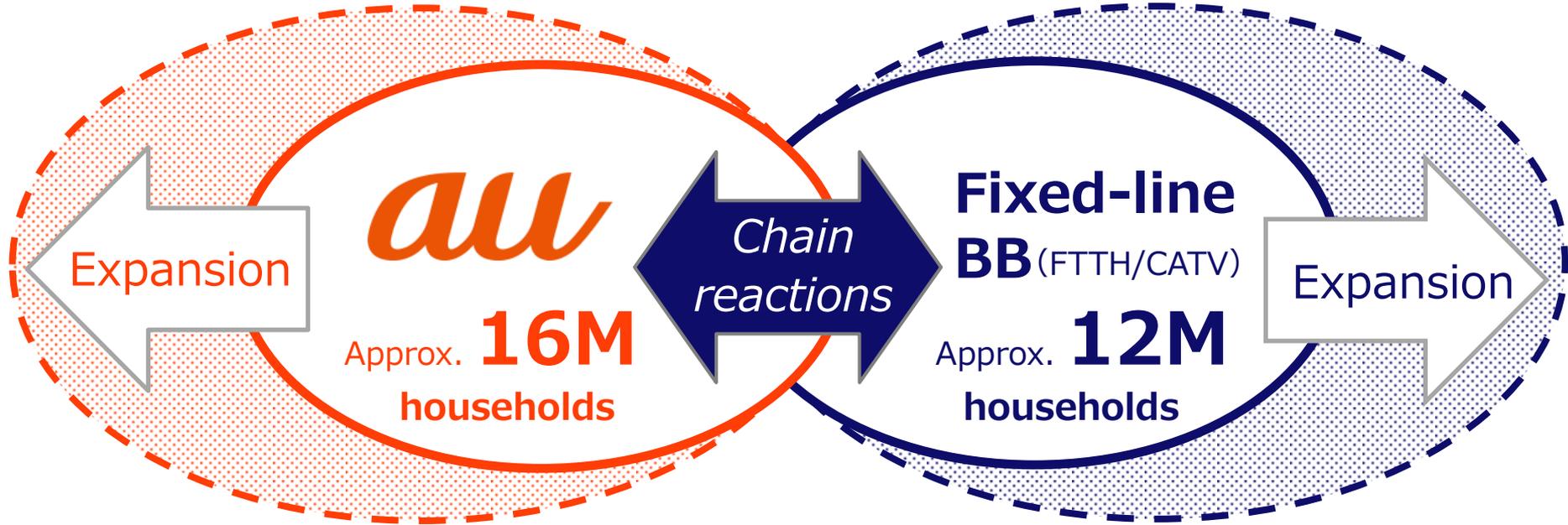


Compared with 3Q/FY2012.3,  
before introducing au Smart Value

**3Q/FY2013.3: down 33%**

# Expanding Customer Base Further

Promoting chain reactions through “au Smart Value”



# au Smart Pass

Value-added revenues expansion

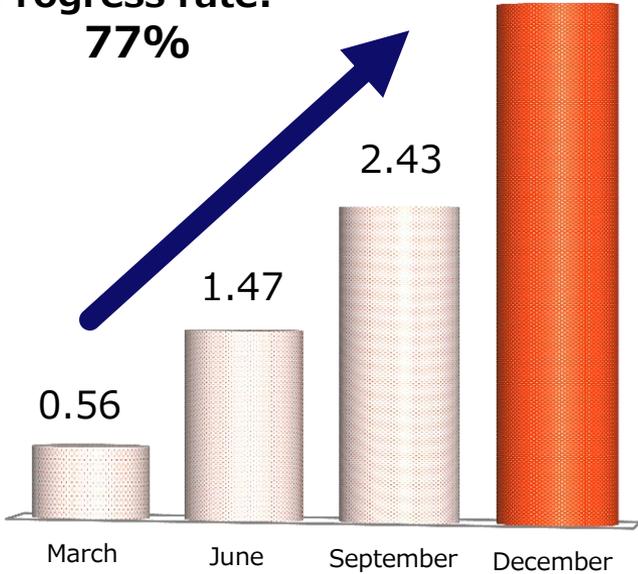
# au Smart Pass

Exceeded **4.00M** members in early January

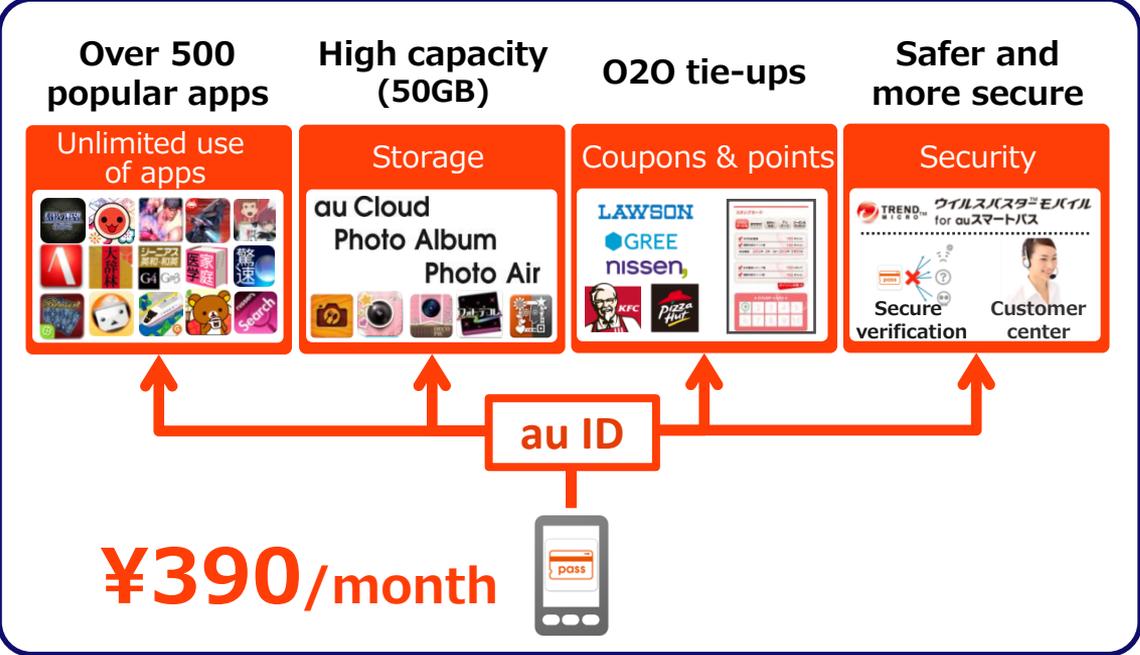
Trends in Members

(Million members)

Progress rate: **77%**



[Progress rate] Increase in 1-3Q in comparison to FY2013.3 target (5.00M members)

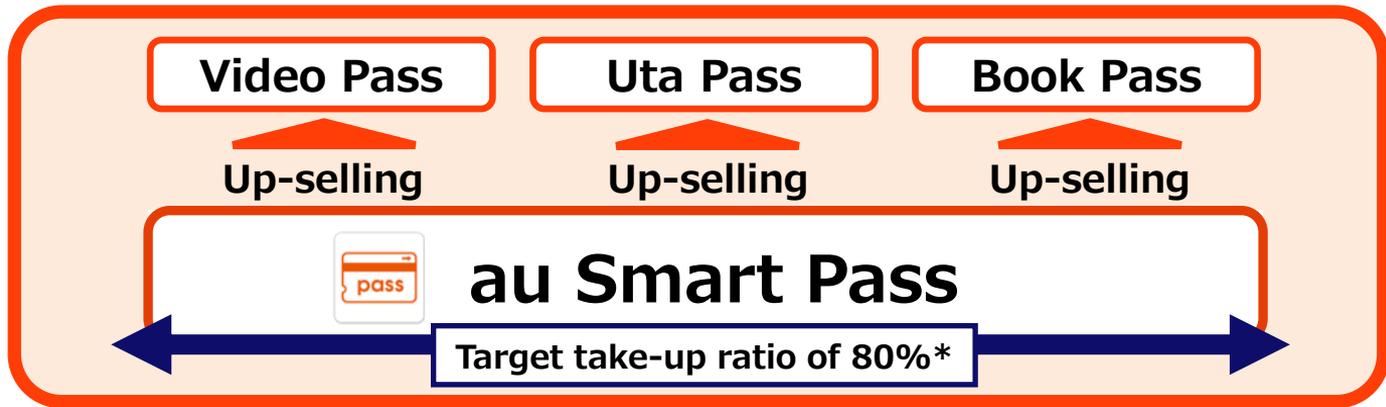


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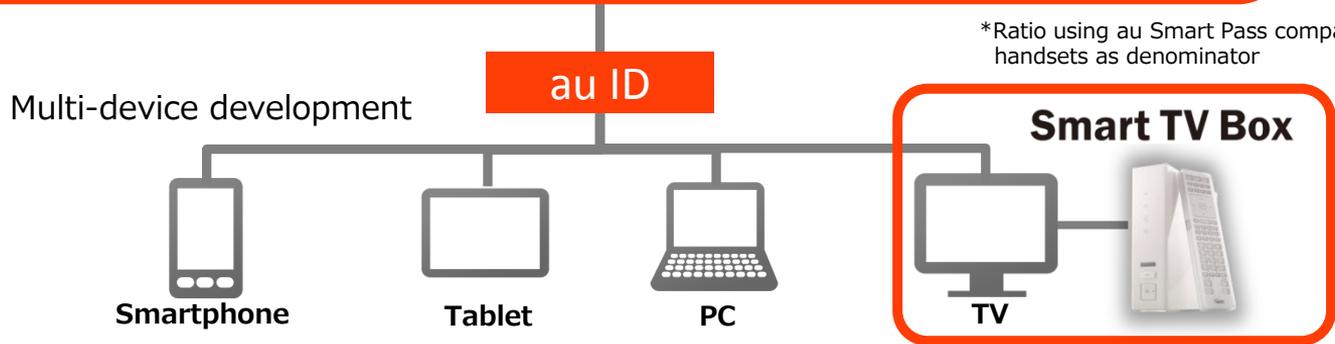
# Initiatives to Increase Value-added Revenues (1)

## Up-selling efforts and enhance coordination with CATV

Content  
chain  
reactions



Device  
chain  
reactions

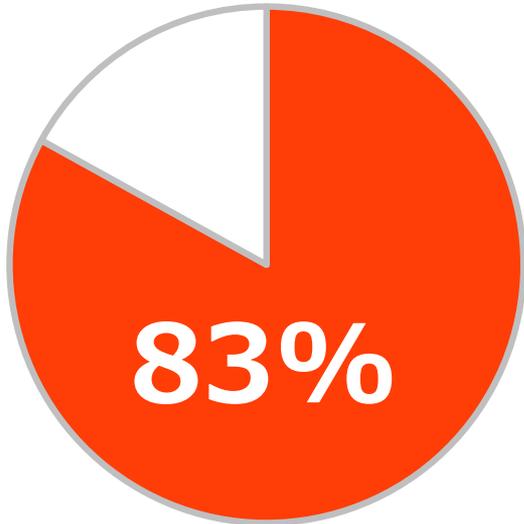


\*Ratio using au Smart Pass compatible handsets as denominator

# Initiatives to Increase Value-added Revenues (2)

16

## Subscription ratio of au Smart Pass exceeded 80%



Subscriptions as a percentage of  
December smartphone sales

83%<sup>Note</sup> of users purchasing  
smartphones



## au Smart Pass

Becoming a standard service  
for au smartphones

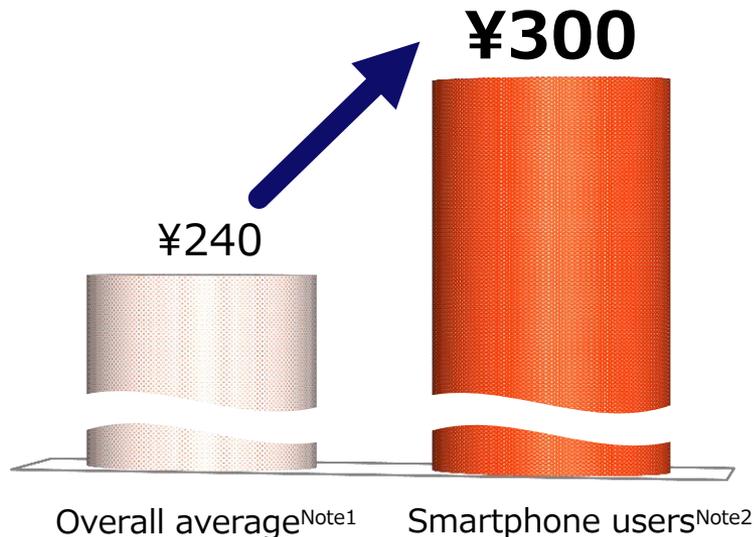
Note: Excludes sales from model upgrades by existing "au Smart Pass" users

# Initiatives to Increase Value-added Revenues (3)

17

## Boosting value-added ARPU with “au Smart Pass”

Comparison of 3Q Value-added ARPU



Smartphone-user  
value-added ARPU in 3Q: ¥300

=25% above overall average

Note1: 3Q value-added revenues ÷ average number of feature phones and smartphones in use during 3Q (Personal Services segment)

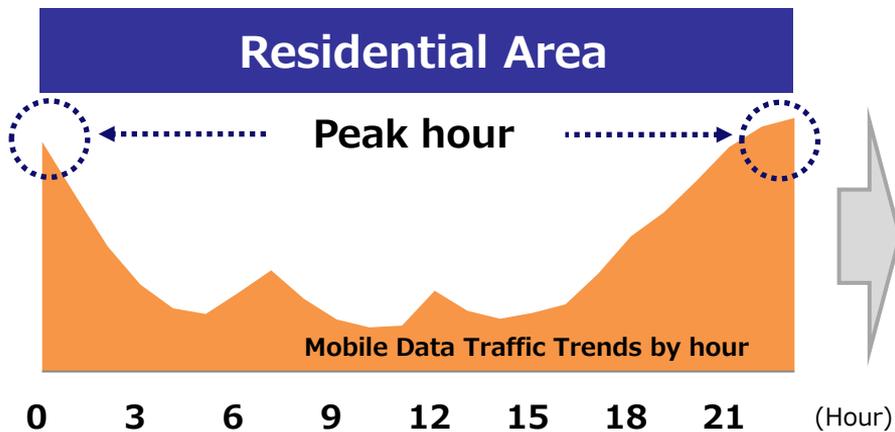
Note2: 3Q value-added revenues from smartphones ÷ average number of smartphones in use during 3Q (Personal Services segment)

# Smart Network

Accelerating data offloading  
through Multi-network development

# Data Offloading via Wi-Fi

## Residential Area



## Wi-Fi HOME SPOT

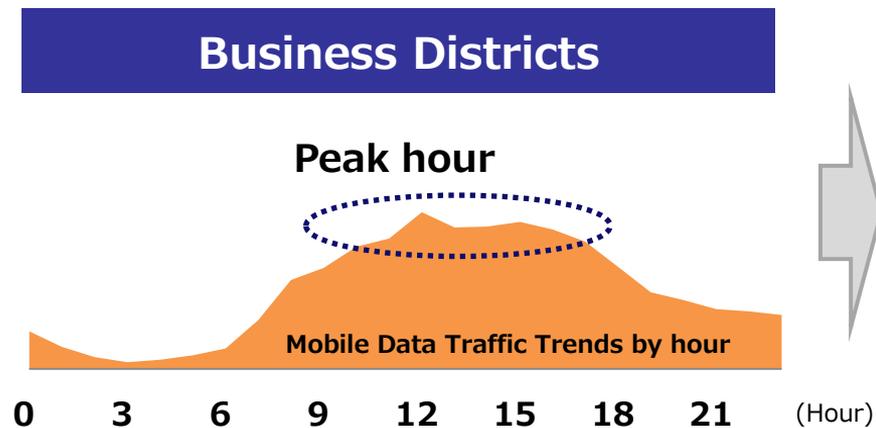
(Launched February 2012)



**1,650k** units

(As of December 31, 2012)

## Business Districts



## au Wi-Fi SPOT

(Launched June 2011)



Station  
/Train



Airport



Commercial  
facility



Cafe

Fast food, college/university, stadium,  
and others

**220k** spots

(As of December 31, 2012)

\*Graph represents KDDI's average hourly mobile data traffic.

# Data Offloading Performance

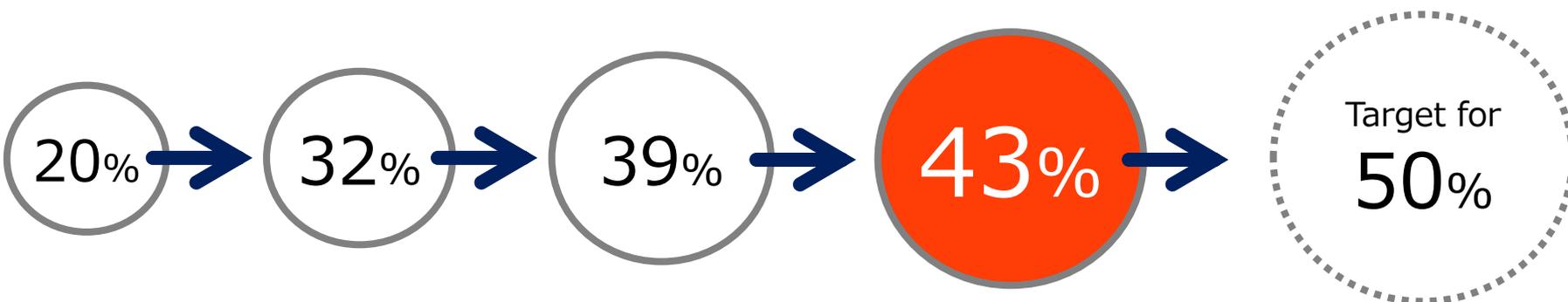
March 2012

June

September

December

March 2013



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

Definition

Numerator: Data offloading to Wi-Fi+WiMAX

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

# Performance in 1-3Q

# Highlights of Performance in 1-3Q

## Consolidated Operating Income

**3Q**

(from October to December)

**Substantial income  
growth**

**+40%** YOY

Income growth realized over 1-3Q

Personal  
Services

## Mobile Communications Revenues

**3Q**

(from October to December)

**Revenues growth  
realized**

**+1%** YOY

Overall communications revenues  
including fixed-line, up in 1-3Q

# Consolidated Performance

	FY12.3 1-3Q	FY13.3 1-3Q	yoy	FY13.3 (Previous Forecast)	(Billions of yen) Progress
Operating revenues	2,645.4	2,710.6	+2.5%	3,580.0	75.7%
Operating income	384.2	395.6	+3.0%	500.0	79.1%
Operating margin	14.5%	14.6%	-	14.0%	-
Ordinary income	364.7	394.0	+8.0%	490.0	80.4%
Net income	194.4	180.2	-7.3%	250.0	72.1%
EBITDA	701.2	716.7	+2.2%	974.0	73.6%
EBITDA margin	26.5%	26.4%	-	27.2%	-
Free cash flow	252.1	-43.8	-	150.0	-

# Segment Performance 1

## Personal Services

	FY12.3 1-3Q	FY13.3 1-3Q	yoy	FY13.3 (Previous Forecast)	Progress
Operating revenues	2,080.1	2,107.7	+1.3%	2,760.0	76.4%
Operating income	284.1	291.8	+2.7%	370.0	78.9%
Operating margin	13.7%	13.8%	-	13.4%	-
EBITDA	553.5	560.0	+1.2%	767.0	73.0%
EBITDA margin	26.6%	26.6%	-	27.8%	-

## Value Services

	FY12.3 1-3Q	FY13.3 1-3Q	yoy	FY13.3 (Previous Forecast)	Progress
Operating revenues	99.1	104.9	+5.9%	164.0	64.0%
Operating income	33.8	31.0	-8.3%	45.0	69.0%
Operating margin	34.1%	29.6%	-	27.4%	-
EBITDA	38.5	38.1	-1.0%	57.0	66.8%
EBITDA margin	38.8%	36.3%	-	34.8%	-

# Segment Performance 2

## Business Services

	FY12.3 1-3Q	FY13.3 1-3Q	yoY	FY13.3 (Previous Forecast)	Progress
Operating revenues	469.3	470.3	+0.2%	630.0	74.6%
Operating income	58.0	60.1	+3.7%	71.0	84.7%
Operating margin	12.3%	12.8%	-	11.3%	-
EBITDA	93.4	96.2	+3.0%	122.0	78.9%
EBITDA margin	19.9%	20.5%	-	19.4%	-

## Global Services

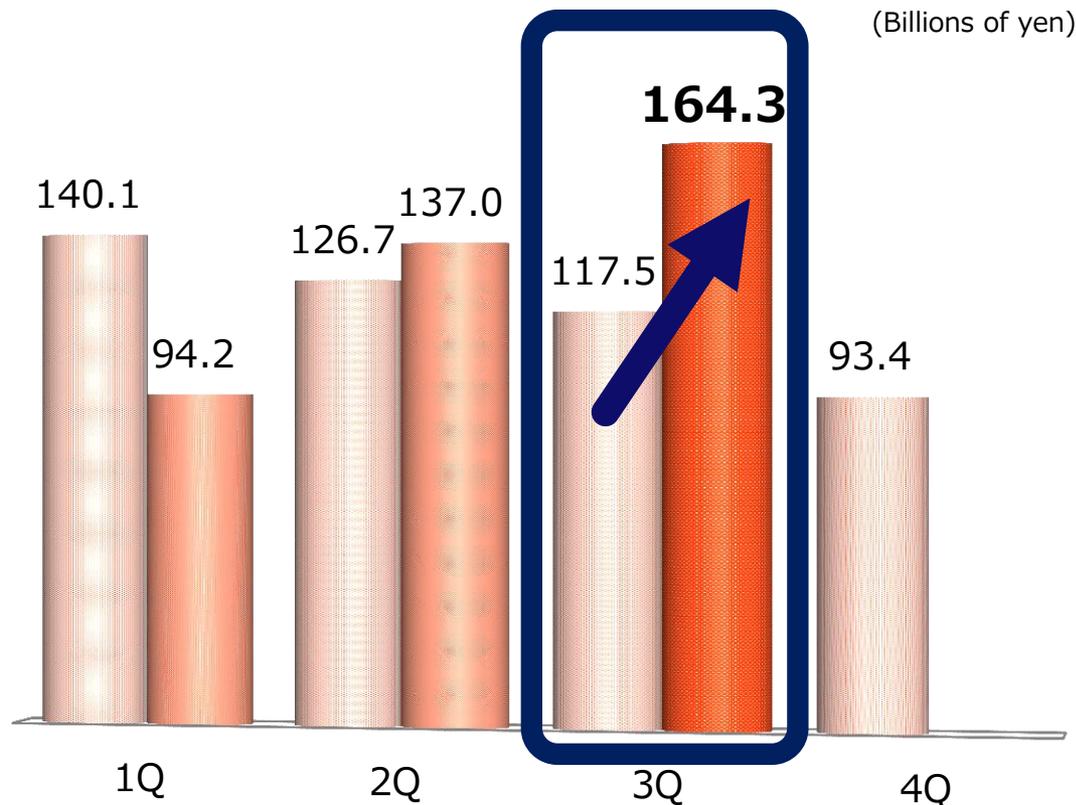
	FY12.3 1-3Q	FY13.3 1-3Q	yoY	FY13.3 (Previous Forecast)	Progress
Operating revenues	126.4	148.5	+17.5%	195.0	76.2%
Operating income	3.3	5.4	+64.3%	6.0	89.5%
Operating margin	2.6%	3.6%	-	3.1%	-
EBITDA	10.3	14.9	+45.7%	19.0	78.7%
EBITDA margin	8.1%	10.1%	-	9.7%	-

# Consolidated Operating Income by Quarter

3Q/FY2013.3  
(From October to December)

**¥164.3B**

**+40% YOY**

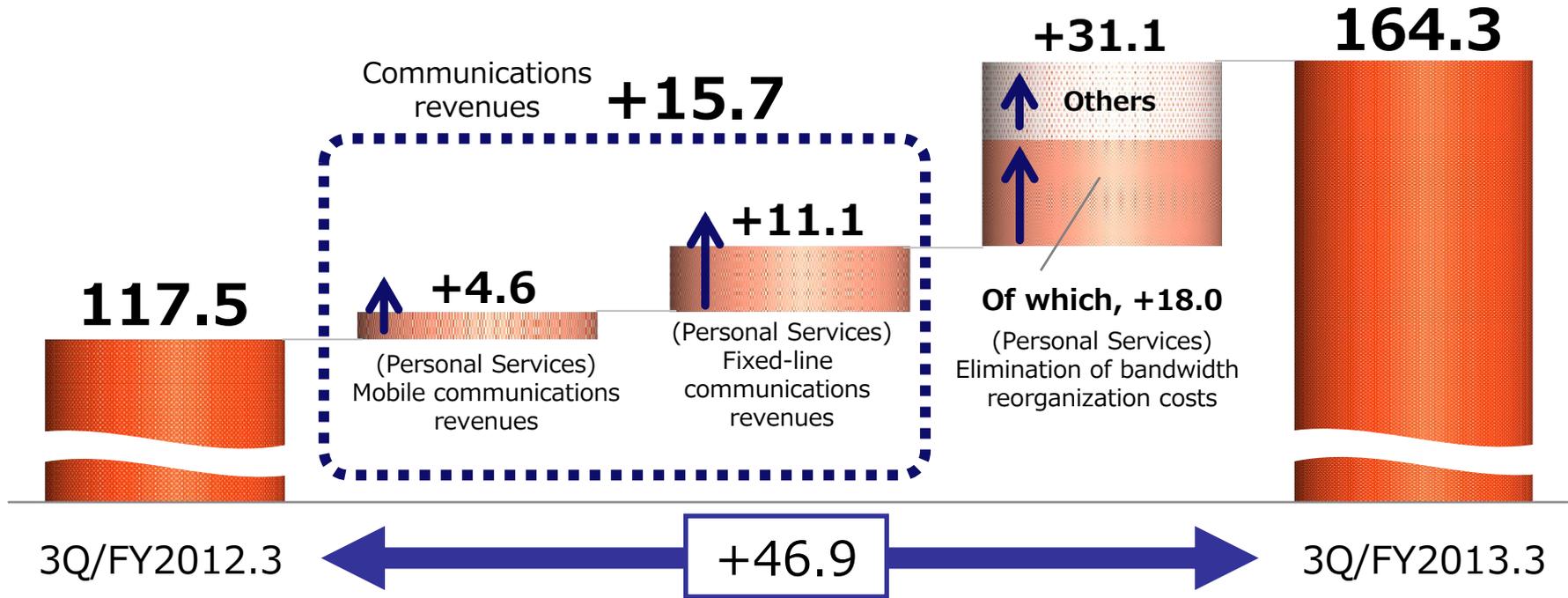


Left: FY2012.3/Right: FY2013.3

# Consolidated Operating Income: Factor for Increase in 3Q YOY

Higher communications revenues and elimination of bandwidth reorganization costs contributed

(Billions of yen)

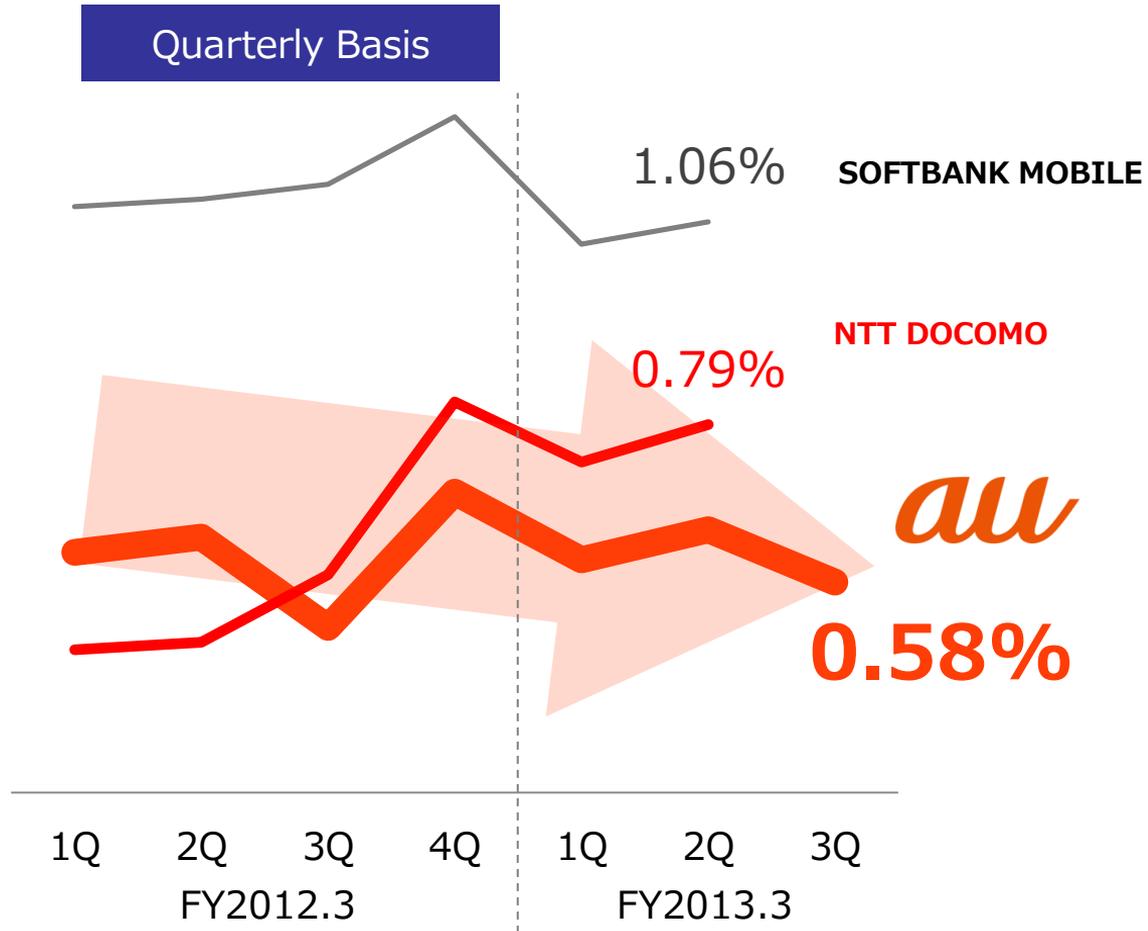


# **Strong Operating Results**

Progress of Focus KPI

# au Churn Rate

## Maintaining lowest rate in the industry



\*au churn rate is calculated for ordinary handsets based on Personal Services segment, which exclude module-type terminals.  
\*Based on financial results materials, etc. of each company.

# Mobile Phone Service Customer Satisfaction

First Time in 3 Years

# No. 1



Source: 2012 Japan Mobile Phone Service Customer Satisfaction Study<sup>SM</sup>, J.D. Power Asia Pacific, Inc.  
Evaluations were based on a comprehensive score calculated using survey responses from 31,200 mobile phone users residing in Japan with regard to six areas: services provided, transmission quality/area, prices, handsets, after-sales support services, and handset purchasing experience.

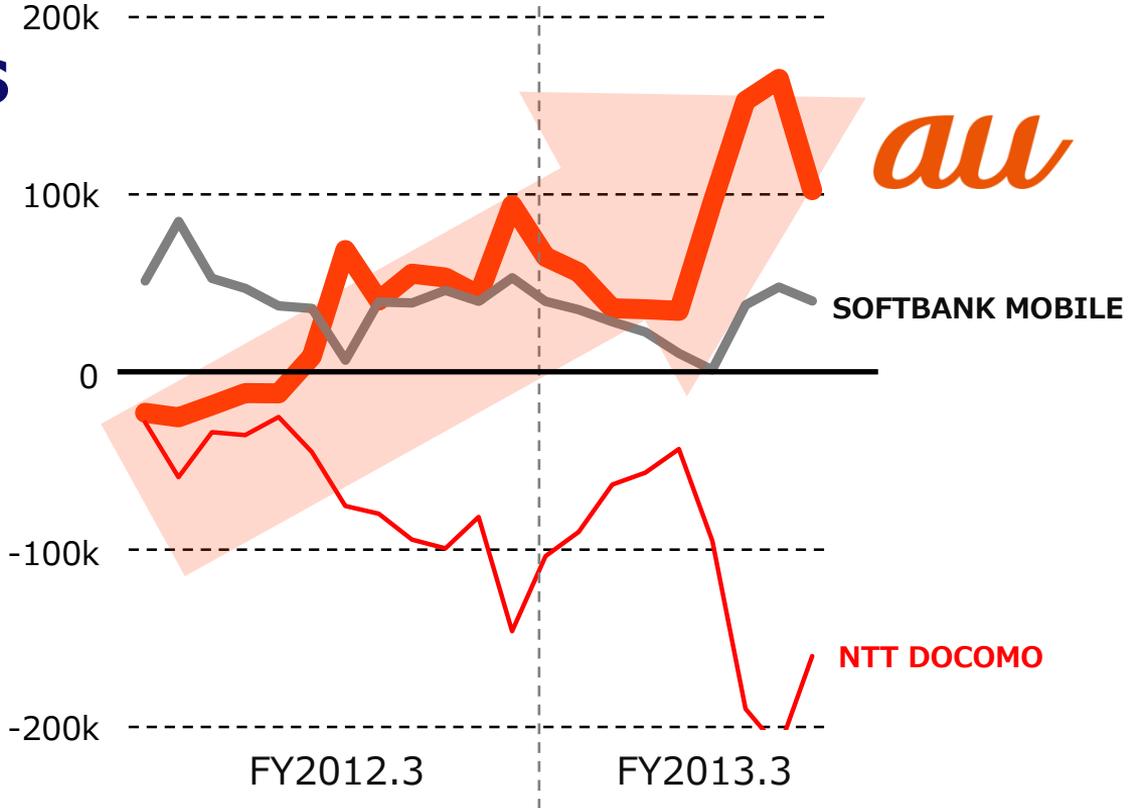
Monthly Basis

Period: from October 2010 to December 2012

# MNP Net Additions

## No.1 for 15 consecutive months

from October 2011

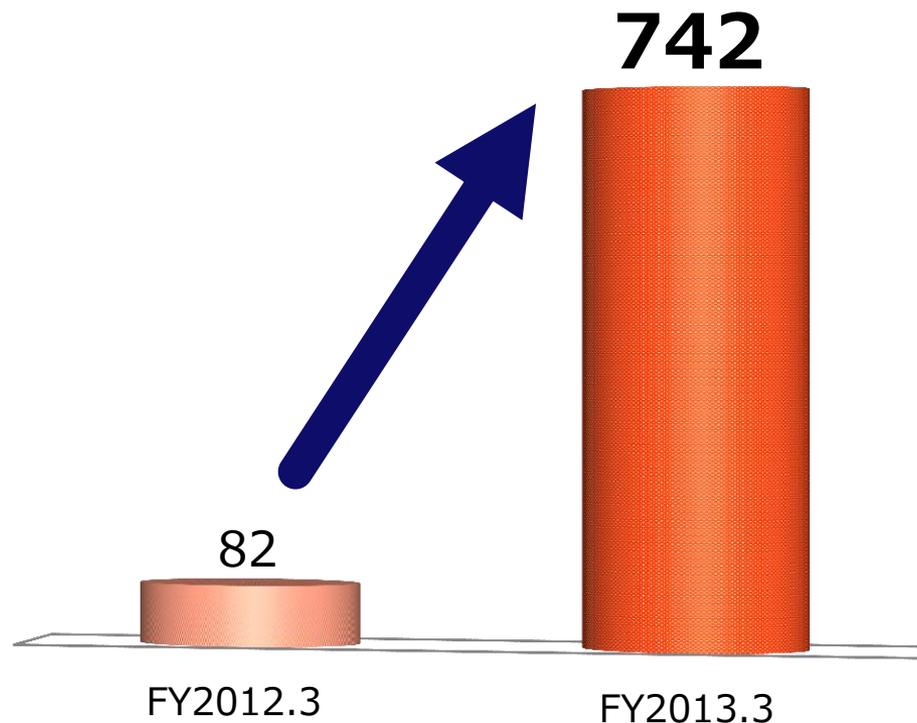


\*Created by KDDI based on telecommunications sector analyst reports, etc.

1-3Q YOY Comparison ('000)

# MNP Net Additions (1-3Q)

**Exceeded  
9 times YOY**



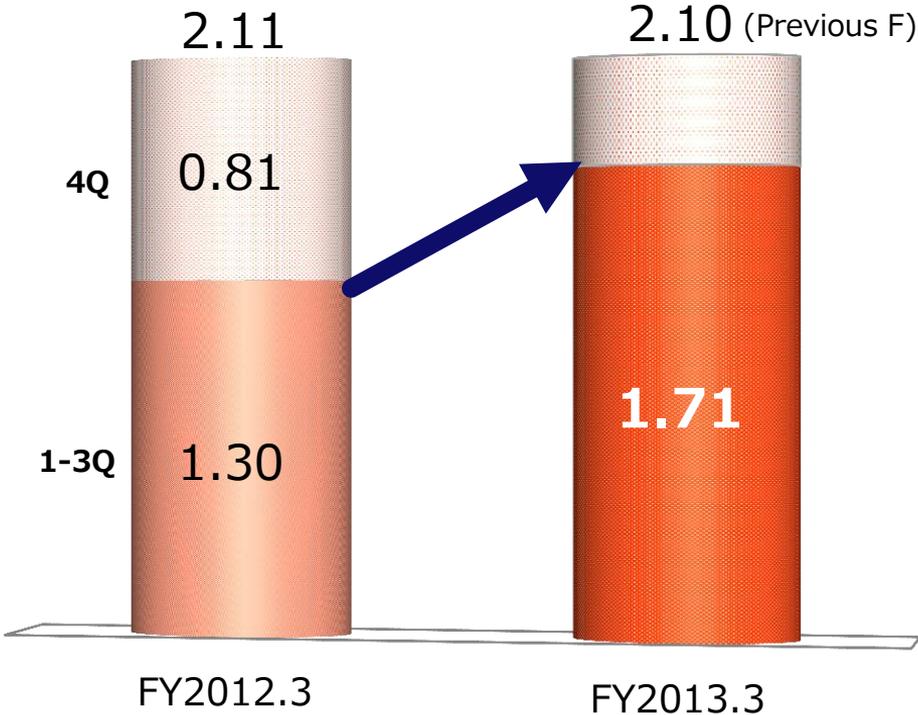
YOY Change

(Million subs)

# au Net Additions (1-3Q)

# +32% YOY

Rate of progress toward  
FY2013.3 targets: 81%



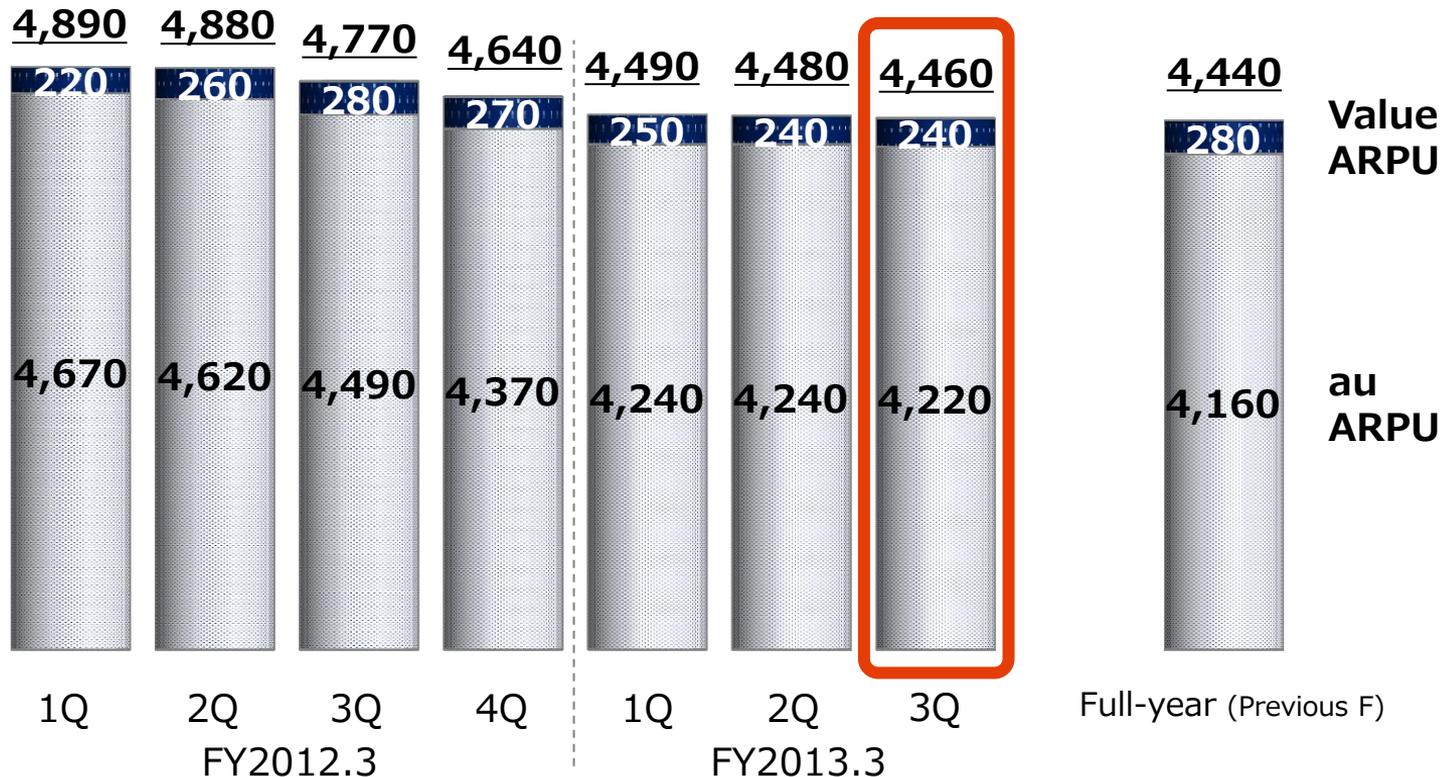
Personal  
Services

Value  
Services

# au ARPU/Value ARPU

34

(yen)



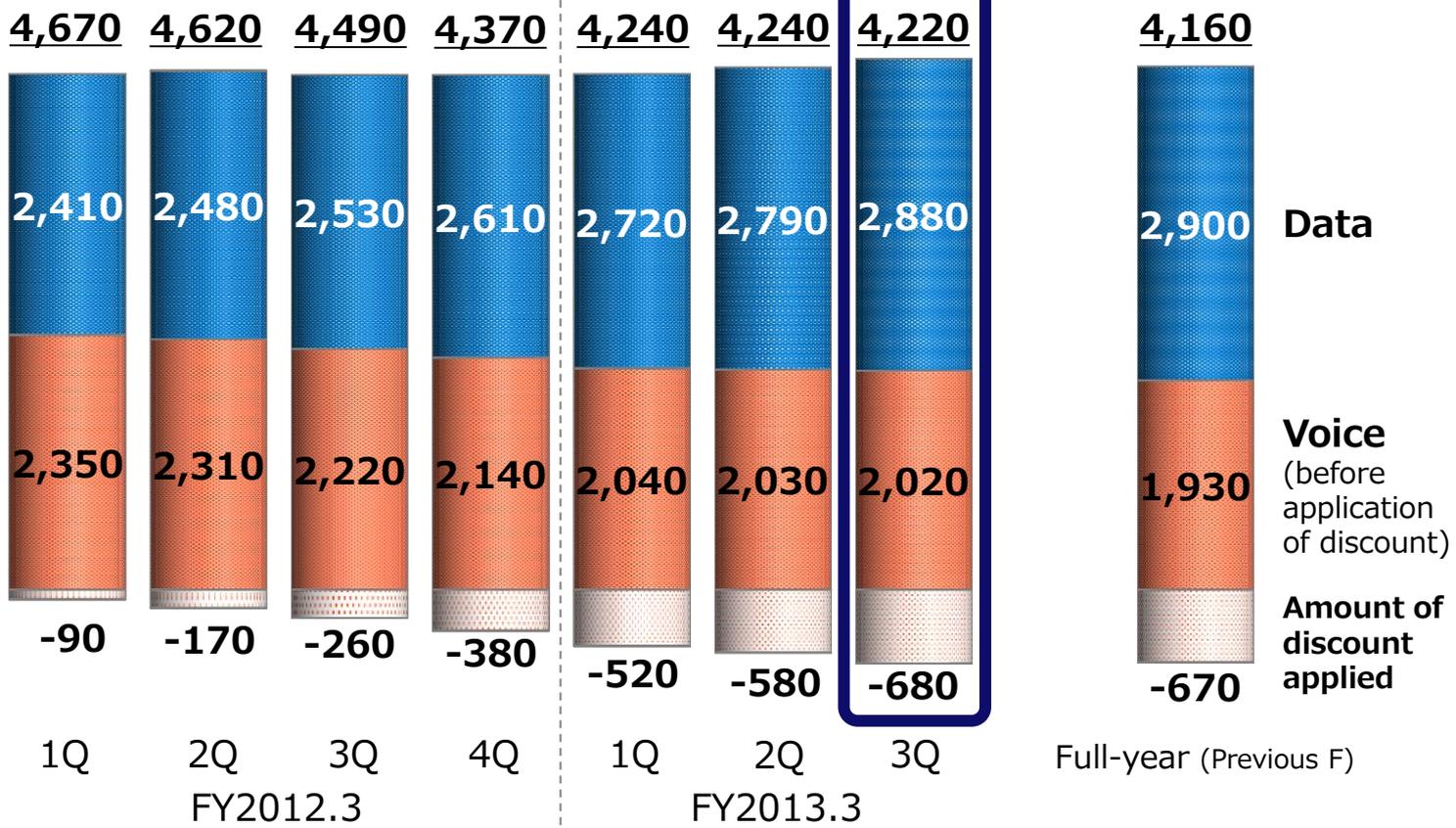
3Q: down  
6.5% YOY

# Break Down of au ARPU

(yen)

Improvement accelerates

3Q: down 6.0% YOY

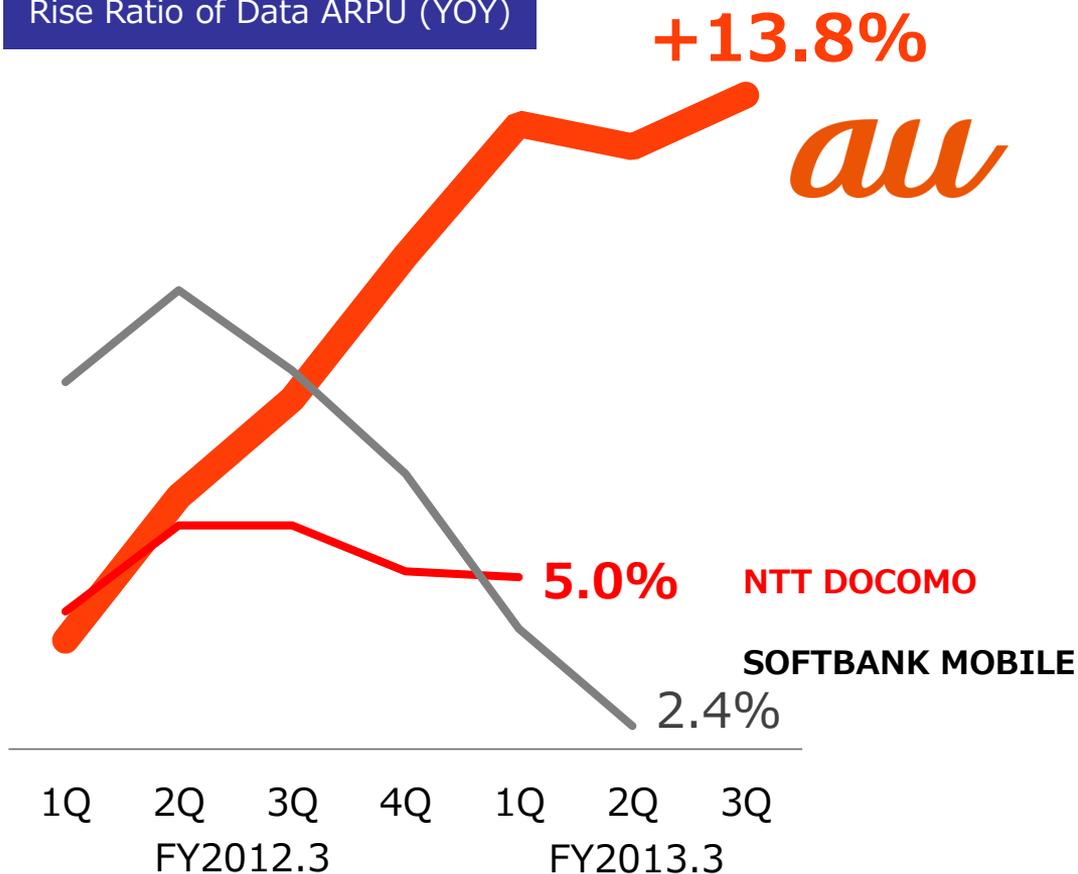


# Data ARPU

## No.1 Growth

3Q/FY2013.3: ¥2,880

Rise Ratio of Data ARPU (YOY)



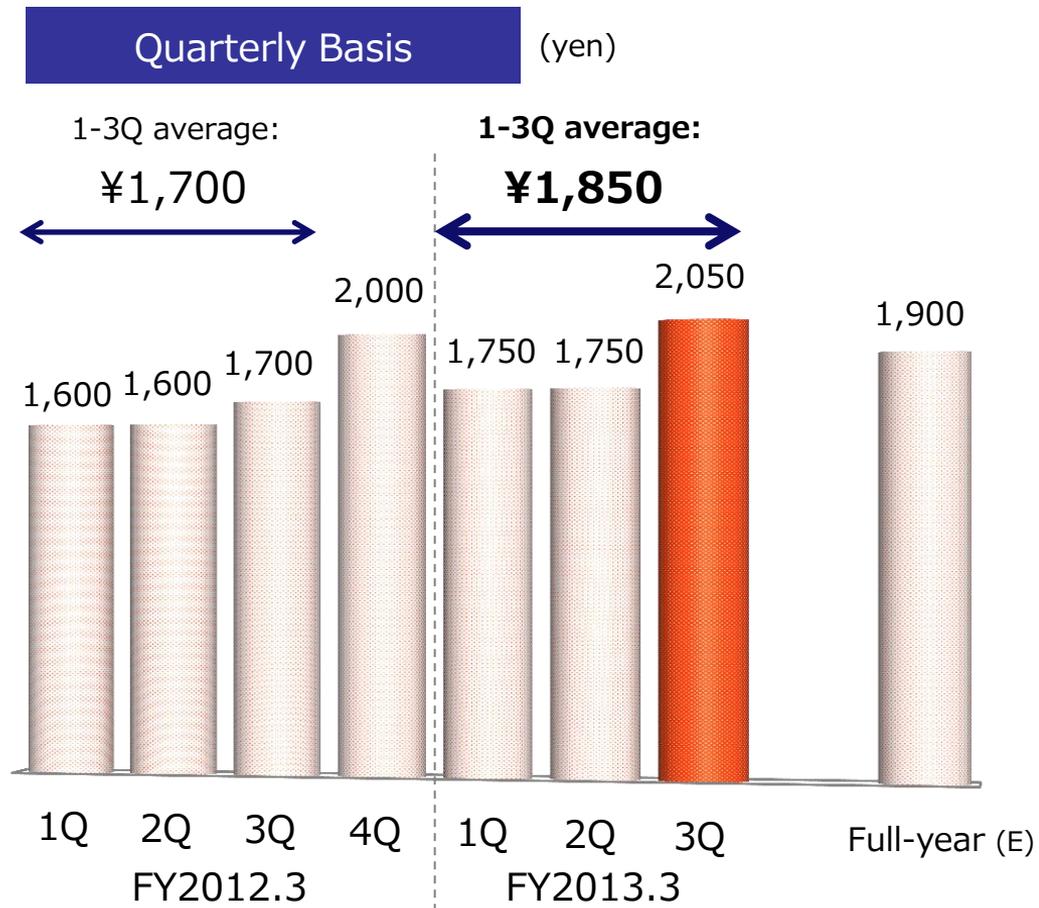
\*Based on financial results materials, etc. of each company.  
Figures for NTT DOCOMO based on former definition of data ARPU used in materials disclosed up until 1Q of FY2013.3.

# Maitsuki Discount unit Price

(Monthly Discount)

## Steady control of Maitsuki Discount unit price

1-3Q/FY2013.3 average: ¥1,850



# **Growth in Communications Revenues Realized**

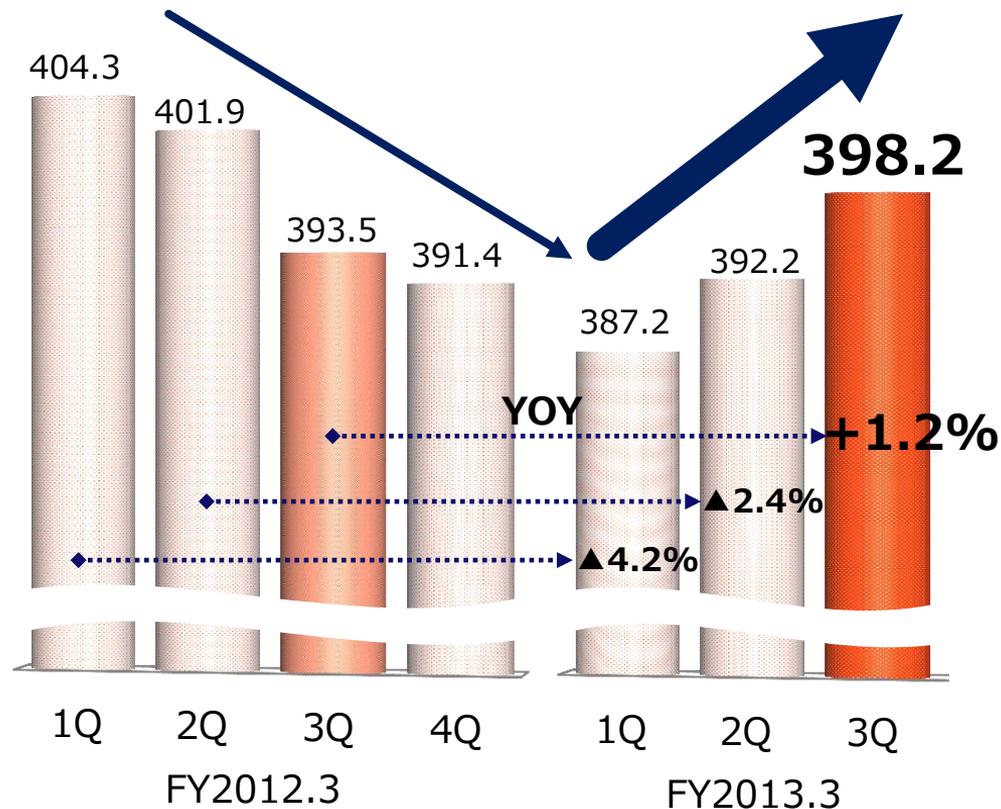
# Mobile Communications Revenues

## YOY growth in revenues

3Q: +1.2%

Quarterly Basis

(Billions of yen)



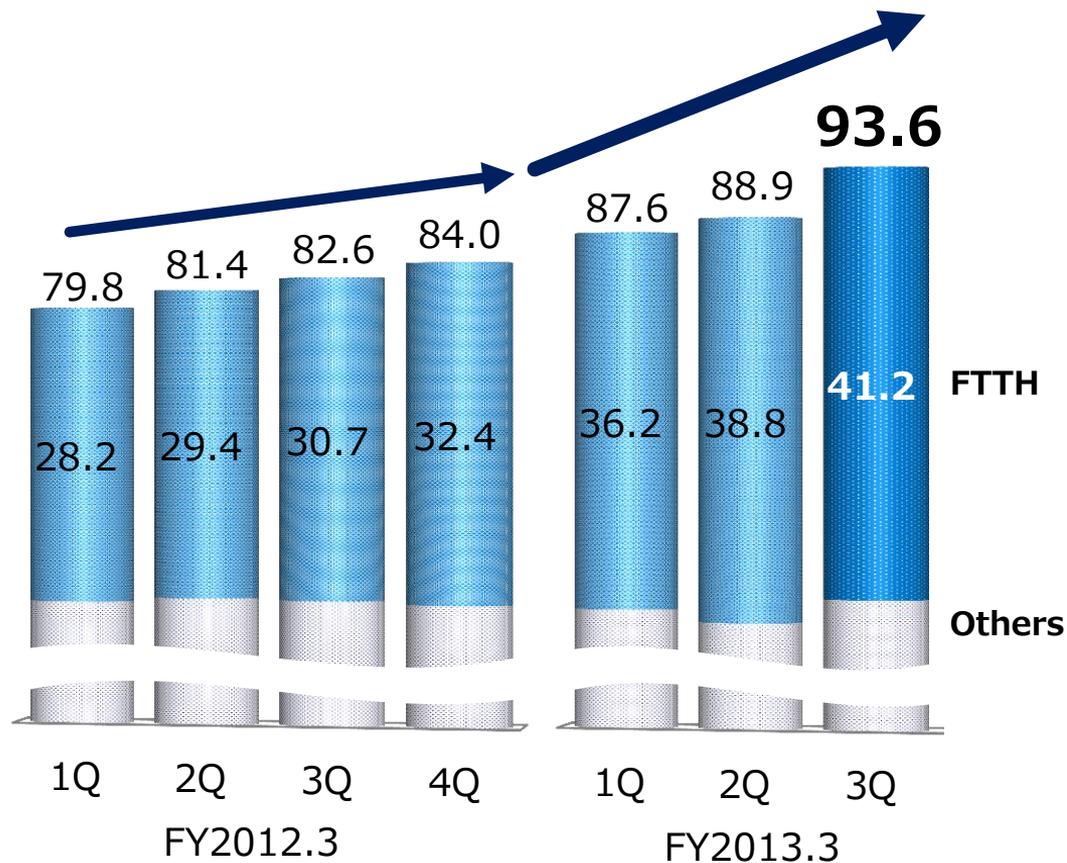
# Fixed-line Communications Revenues

## Greater revenues increases

Strong rise in FTTH contracts drove revenues growth

Quarterly Basis

(Billions of yen)

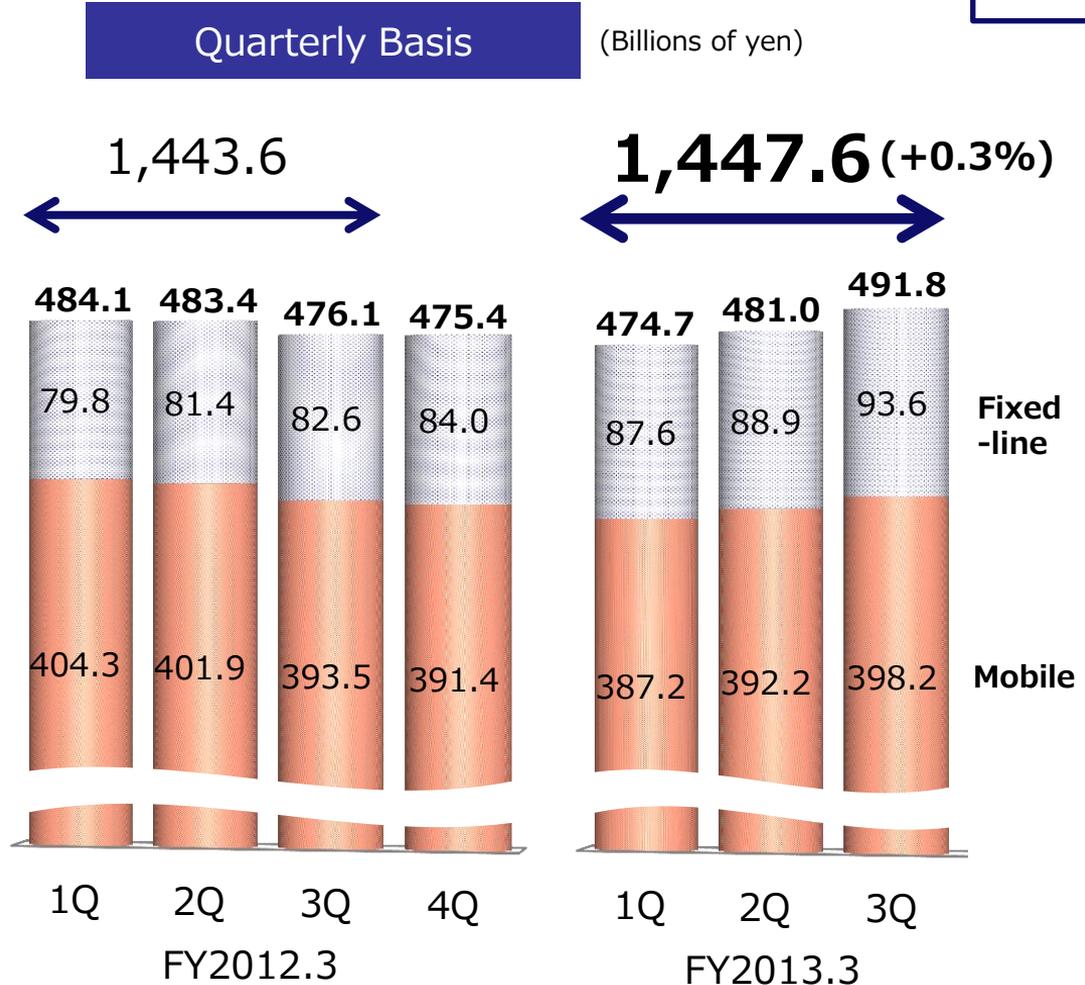


# Total Amount of Communications Revenues

(Mobile & Fixed-line)

## Revenues growth realized in 1-3Q

Transform into a business growth driver for next fiscal year and onward



# **Revision of Full-year Results Forecasts**

# Summary of Revisions

## Operating revenues and operating income forecasts raised to reflect strong operating results

Figures in parentheses are comparisons with previous forecasts.

Consolidated Operating Revenues

**¥3,630.0B** (+¥50.0B)

Consolidated Operating Income

**¥505.0B** (+¥5.0B)

au Smart Value

au subs

Households

**3.60M**

**2.00M**

(+0.50M)

(+0.45M)

Consolidated

au  
Net Additions

**2.42M**

(+0.32M)

Personal  
Services

au  
Handset Sales

Of Smartphone  
Sales

**11.00M**

**8.00M**

(+0.60M)

(+0.45M)

# Consolidated Performance Forecasts (Rev.)

(Billions of yen)

	Previous Forecast	Latest Forecast	Change	Change rate
Operating revenues	3,580.0	3,630.0	+50.0	+1.4%
Operating income	500.0	505.0	+5.0	+1.0%
Operating margin	14.0%	13.9%	-0.1%	-
Ordinary income	490.0	500.0	+10.0	+2.0%
Net income	250.0	235.0	-15.0	-6.0%
EBITDA	974.0	954.0	-20.0	-2.1%
EBITDA margin	27.2%	26.3%	-0.9%	-
Free cash flow	150.0	68.0	-82.0	-54.7%

# Performance Forecast by Segment 1 (Rev.)

		(Billions of yen)			
		Previous Forecast	Latest Forecast	Change	Change rate
Personal Services	Operating revenues	2,760.0	2,820.0	+60.0	+2.2%
	Operating income	370.0	372.0	+2.0	+0.5%
	Operating margin	13.4%	13.2%	-0.2%	-
	EBITDA	767.0	745.0	-22.0	-2.9%
	EBITDA margin	27.8%	26.4%	-1.4%	-
		(Billions of yen)			
		Previous Forecast	Latest Forecast	Change	Change rate
Value Services	Operating revenues	164.0	139.0	-25.0	-15.2%
	Operating income	45.0	40.0	-5.0	-11.1%
	Operating margin	27.4%	28.8%	+1.3%	-
	EBITDA	57.0	50.0	-7.0	-12.3%
	EBITDA margin	34.8%	36.0%	+1.2%	-

# Performance Forecast by Segment 2 (Rev.)

		(Billions of yen)			
		Previous Forecast	Latest Forecast	Change	Change rate
Business Services	Operating revenues	630.0	634.0	+4.0	+0.6%
	Operating income	71.0	77.0	+6.0	+8.5%
	Operating margin	11.3%	12.1%	+0.9%	-
	EBITDA	122.0	127.0	+5.0	+4.1%
	EBITDA margin	19.4%	20.0%	+0.7%	-
		(Billions of yen)			
		Previous Forecast	Latest Forecast	Change	Change rate
Global Services	Operating revenues	195.0	206.0	+11.0	+5.6%
	Operating income	6.0	8.0	+2.0	+33.3%
	Operating margin	3.1%	3.9%	+0.8%	-
	EBITDA	19.0	20.0	+1.0	+5.3%
	EBITDA margin	9.7%	9.7%	-0.0%	-

# Summary

- **Strengthen competitiveness of mobile and FTTH services through the 3M Strategy**
- **Definitely surpass full-year operating income goal of ¥500.0B**
- **Realized growth in communication revenues of Personal Services segment**

**Advance to income growth phase  
starting next fiscal year**

# Stock Split

## Reduce share-trading units to expand investor base

### Overview of Stock Split

## 1:2 stock split

(Shares of KDDI stock will be issued at a ratio of 1:2)

Record date : March 31, 2013

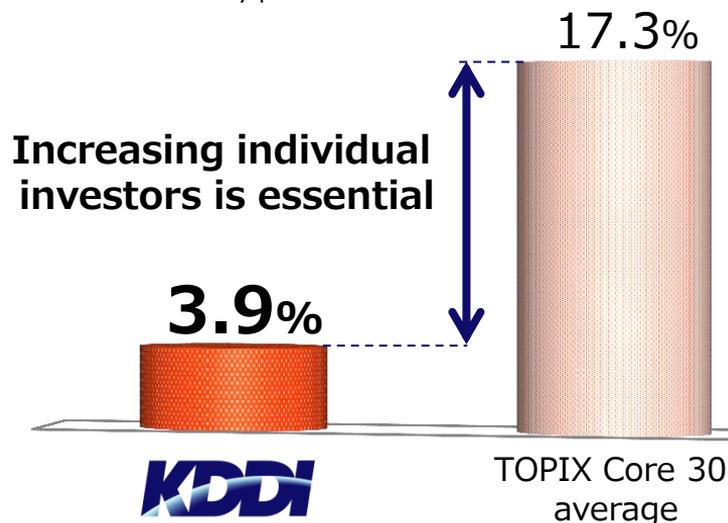
Effective date : April 1, 2013

#### 【Year-end dividends for FY2013.3】

As the effective date for the stock split is April 1, 2013, year-end dividends for FY2013.3 will be based on stocks before the split.

### Individual Investor Percentages for KDDI and TOPIX Core 30

\*Figures in parentheses represent the percentage of shares held by private investors.



\* Calculated by KDDI based on data for each company at the end of FY2011

# Appendix

# Changes in Focus KPI in FY2013.3

## Personal Services & Value Services

		12.3-3Q	13.3-3Q	Change	13.3(E)	yoy
au churn rate	%	0.52	0.58	+0.06	0.61	-
au ARPU	yen	4,490	4,220	-270	4,160	-6.0%
Value ARPU	yen	280	240	-40	240	-14.3%
		3/'12	12/'12	Change	3/'13(E)	
[Utilizing au Smart Value] au subscriptions	'000	660	2,850	+2,190	3,600	
[Utilizing au Smart Value] Households	'000	440	1,660	+1,220	2,000	
au Smart Pass members	'000	560	3,980	+3,420	5,000	

## Business Services

		12.3/1-3Q	13.3/1-3Q	Change	13.3(E)
Smartphone sales	'000	-	263	-	450

-

		3/'12	12/'12	Change	3/'13(E)
Data offload rate	%	20	43	+23	50

\*Figures under 13.3(E) and 3/'13(E) reflect latest forecasts.

# Forecasted KPI Changes (Rev.)

## Consolidated

		Previous Forecast	Latest Forecast	Change	Change rate
au Net Additions	'000	2,100	2,420	+320	+15.2%

## Personal Services & Value Services

		Previous Forecast	Latest Forecast	Change	Change rate
au ARPU	yen	4,160	4,160	-	-
Value ARPU	yen	280	240	-40	-14.3%
au handset sales	'000	10,400	11,000	+600	+5.8%
of smartphone sales	'000	7,550	8,000	+450	+6.0%
au handset shipments	'000	10,100	10,300	+200	+2.0%
[Utilizing au Smart Value]					
au subscriptions	'000	3,100	3,600	+500	+16.1%
[Utilizing au Smart Value]					
Households	'000	1,550	2,000	+450	+29.0%
au Smart Pass members	'000	5,000	5,000	-	-

\* Only items for which forecasts were revised are presented. (However, au ARPU and au Smart Pass members are unchanged.)

\* Figures for au subscriptions and households utilizing au Smart Value as well as au Smart Pass members are forecasts for March 31, 2013.

# Capital Expenditures

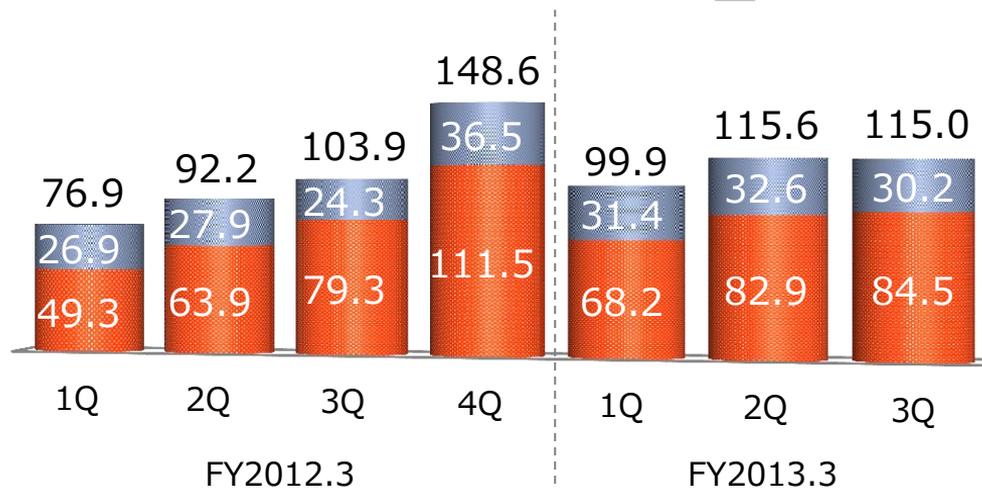
1-3Q/FY2013.3: ¥330.4B

(+¥57.5B, YOY / Progress 73.4%)

## Quarterly Basis

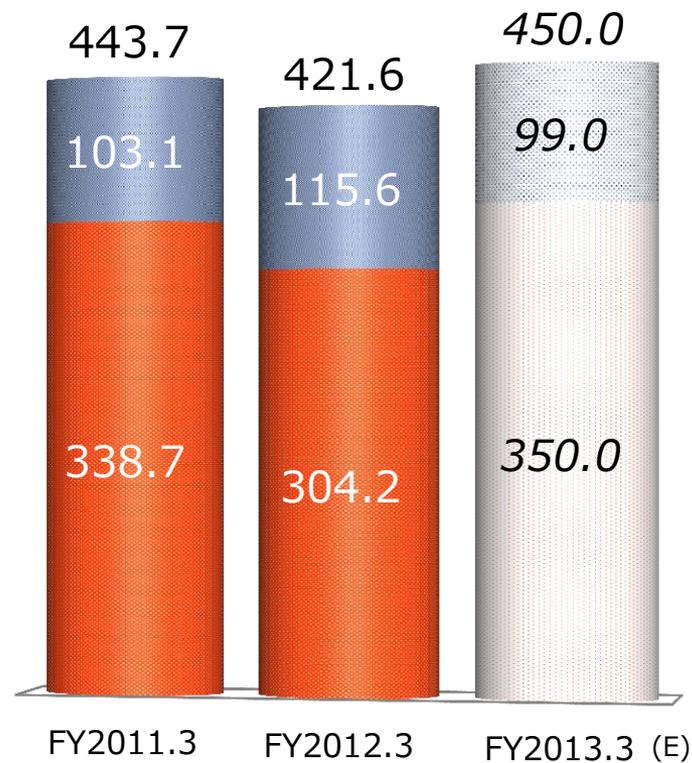
(Billions of yen)

Fixed-line  
Mobile



## Full-year Basis

(Billions of yen)

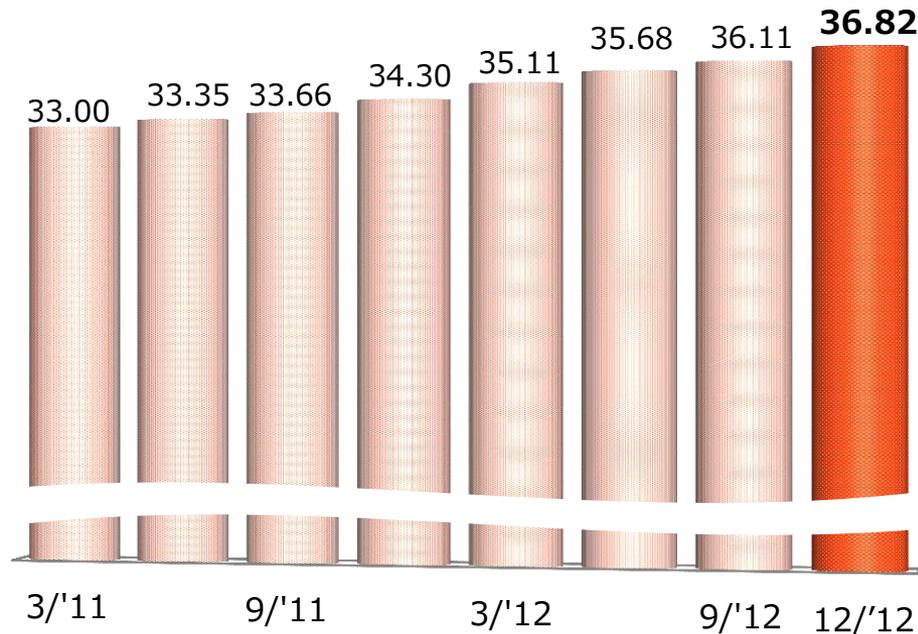
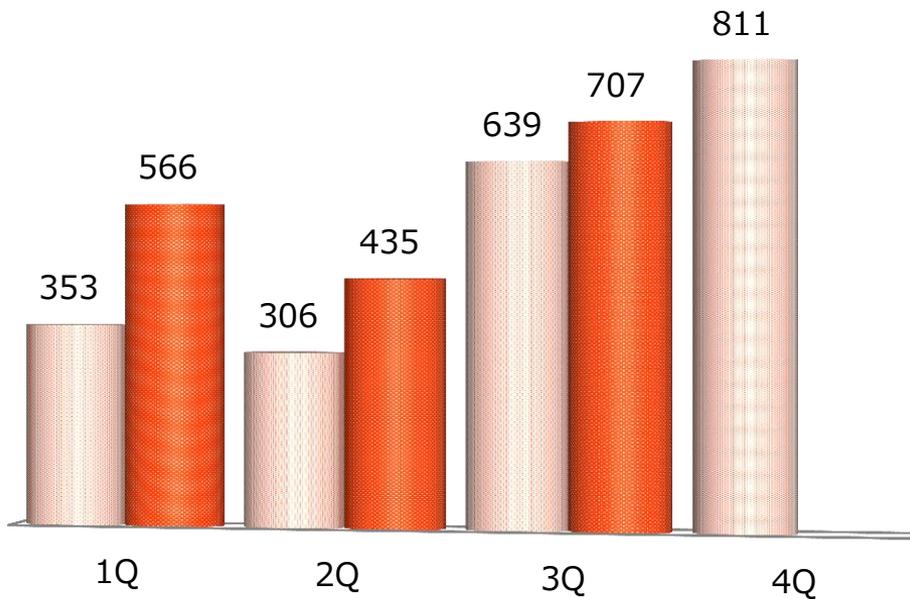


# au Net Additions/au Subscriptions

au Net Additions ('000)

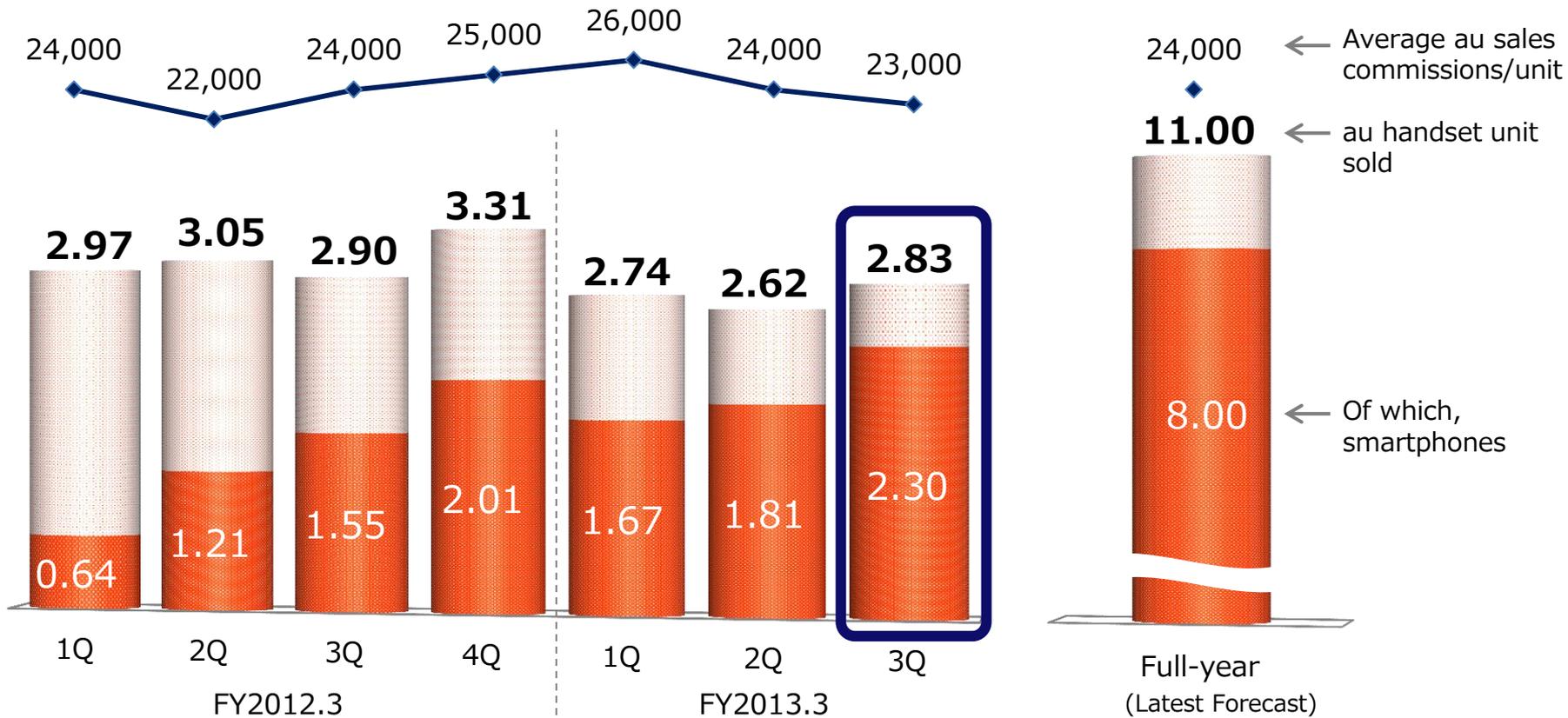
au Subscriptions (Million subs)

Left: FY2012.3/Right: FY2013.3



# au Handset Sales/au Sales Commissions

(Bar graph: Million units/Line graph: yen)

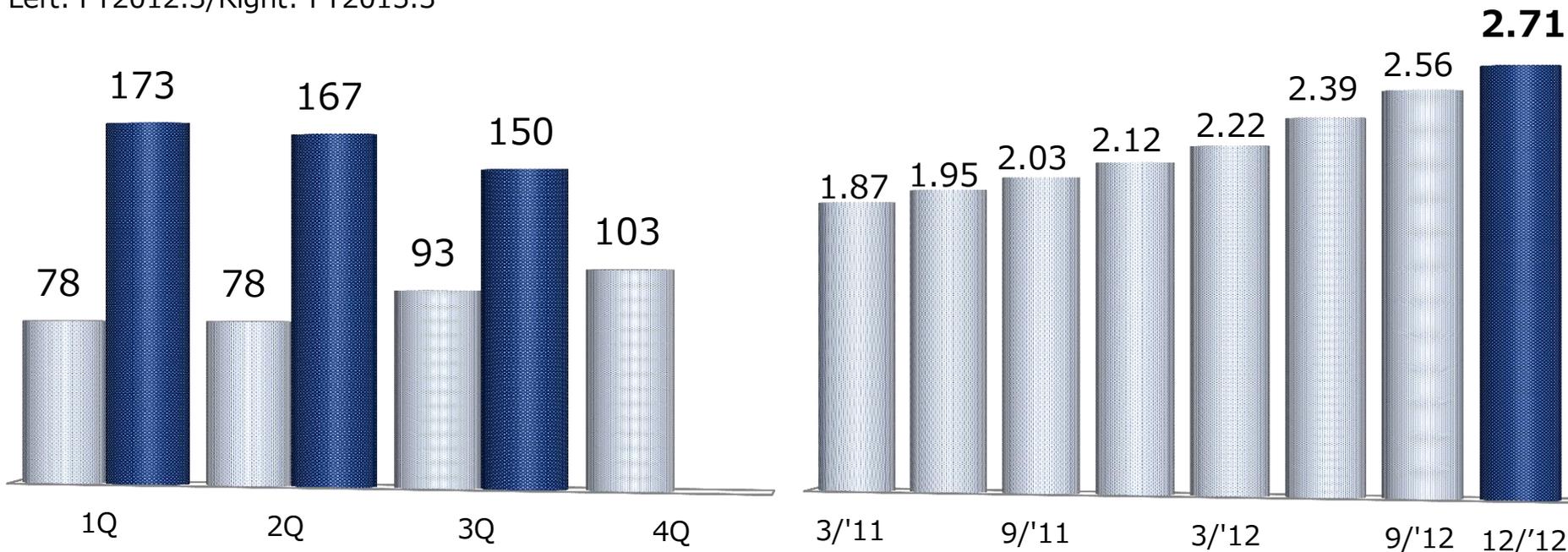


# FTTH Net Additions/FTTH Subscriptions

FTTH Net Additions ('000)

FTTH subscriptions (Million subs)

Left: FY2012.3/Right: FY2013.3



\*FTTH net additions/FTTH subscriptions: Total for KDDI group's FTTH services (au HIKARI, au HIKARI Chura, and Commuf@-hikari)

*Designing The Future*

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