

Financial Results for the Fiscal Year Ended March 2015

May 12, 2015

KDDI Corporation
President Takashi Tanaka



Today's Presentation

- 1. Financial Results for FY2015.3**
- 2. Targeting the Next Growth Stage**
- 3. Forecasts for FY2016.3**
- Appendix**

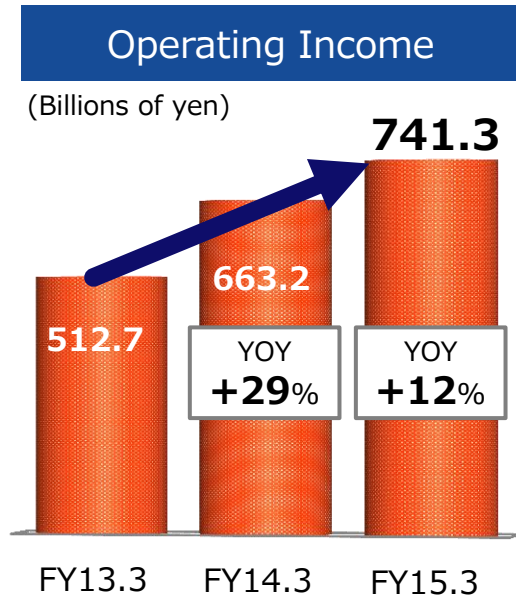
The figures included in the following brief, including the business performance target and the target for the number of subscribers are all projected data based on the information currently available to the KDDI Group, and are subject to variable factors such as economic conditions, a competitive environment 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. Financial Results for FY2015.3

Highlights of Performance in FY15.3

Operating Income: Achieved Double-Digit Growth for Two Consecutive Fiscal Years

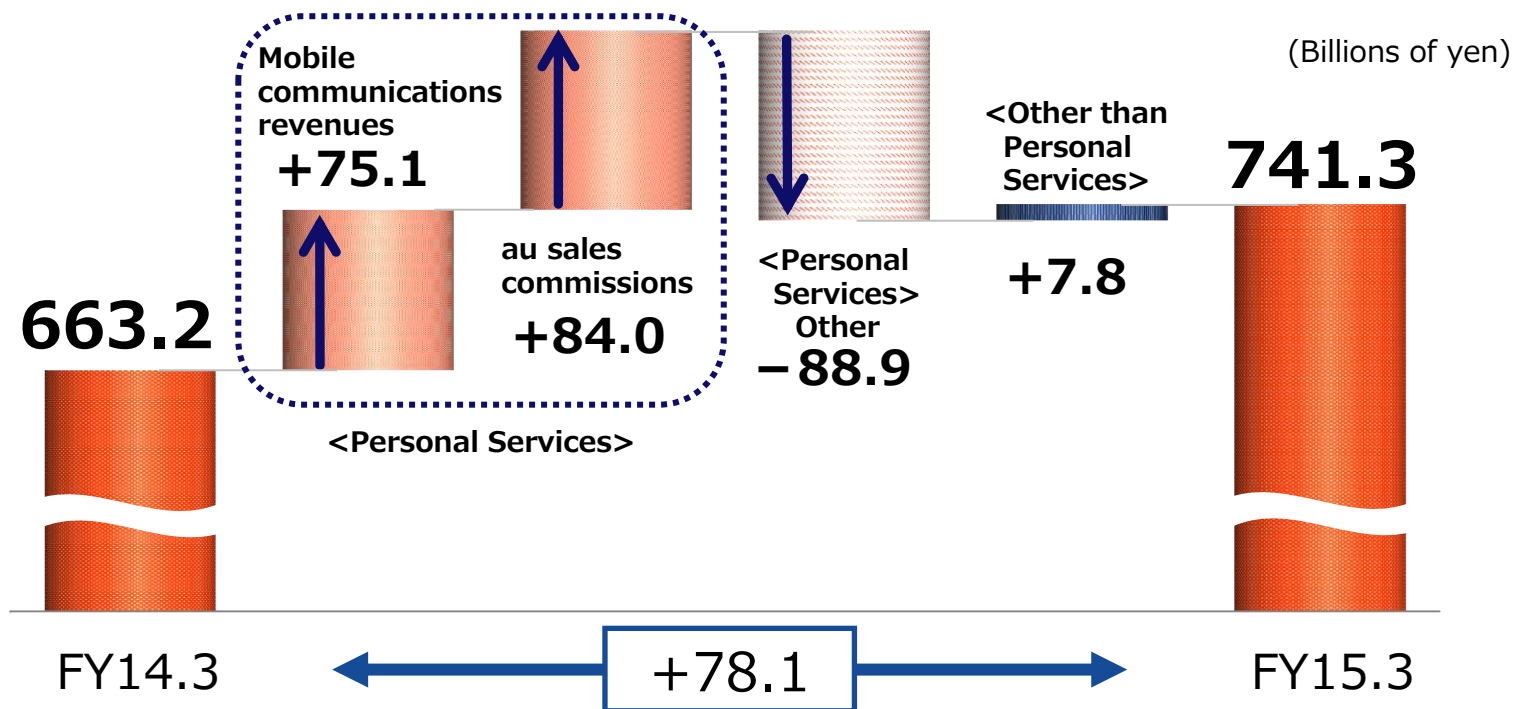
Business Development toward a New Growth Stage



- Operating income **+12% YOY**
- Maintained au momentum
- New business development in Japan and overseas

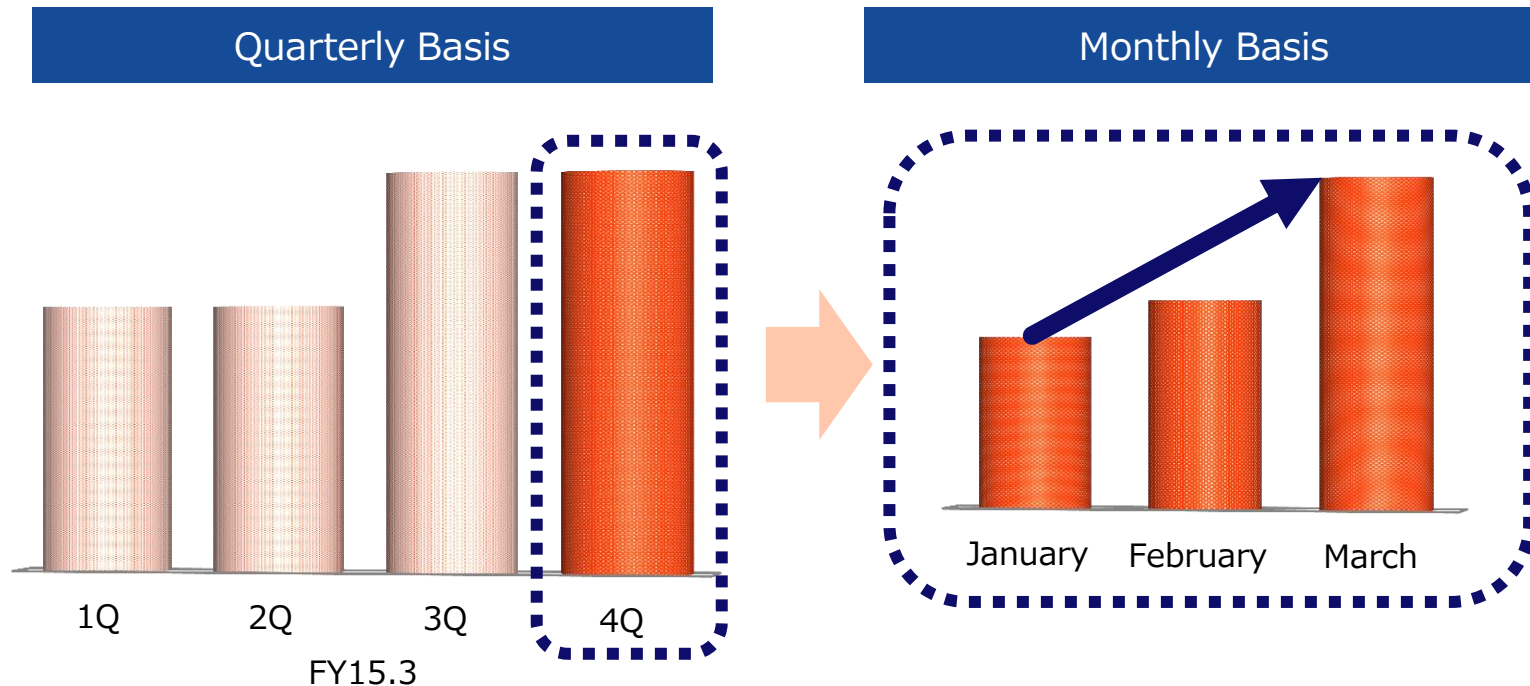
Consolidated Operating Income: Factor for Change, YOY

Contributions from Increased Mobile Communications Revenues and Lower au Sales Commissions

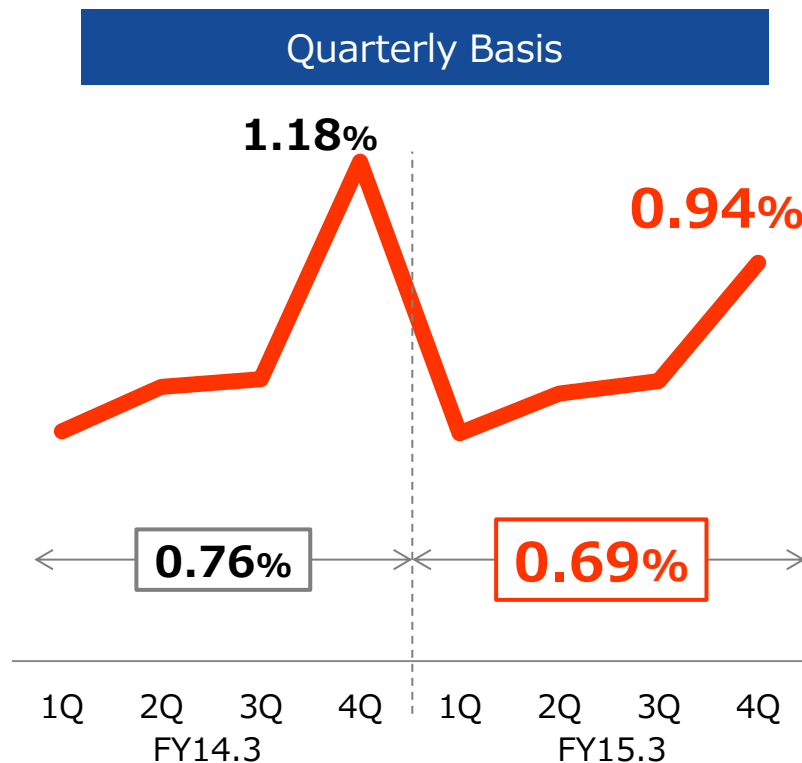


Operational Data

Remained Favorable in 4Q. In March, at Highest Level for Year

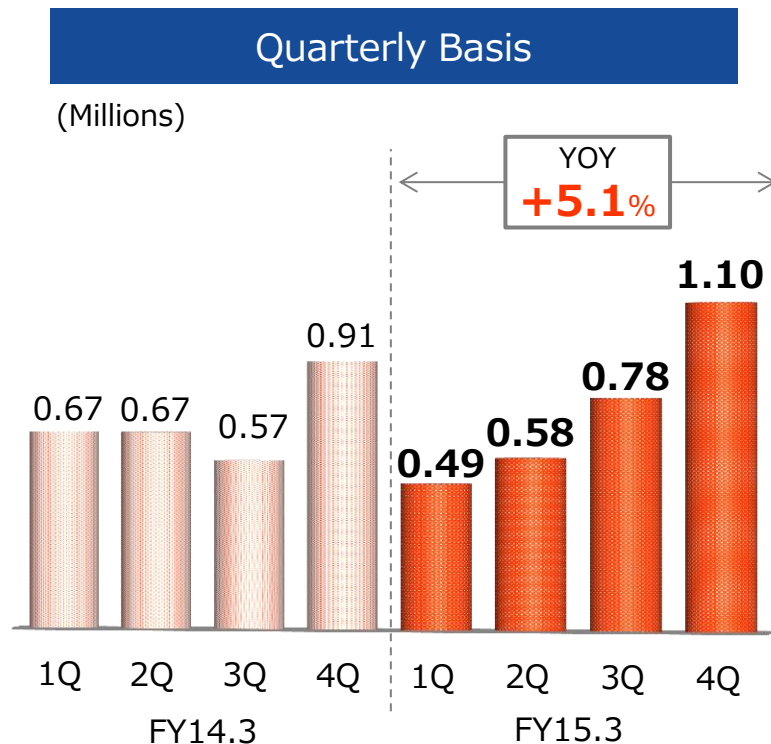


au Churn Rate Improved YOY



au Net Adds

YOY +5.1%

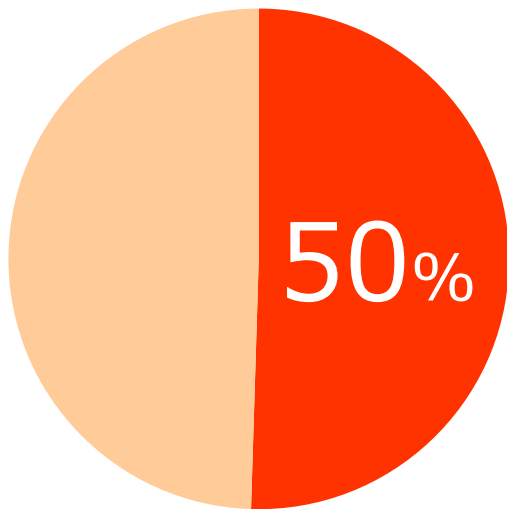


au Smart Value

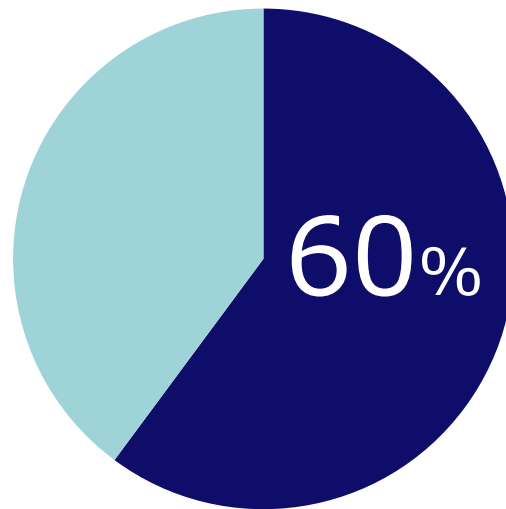
(Bundled Services)

Penetration Now More Than Half of KDDI Group's Service Subscribers

Penetration for au Smartphone Subscribers^{Note1}



Penetration for au HIKARI(FTTH) Subscribers^{Note2}



*As of March 31, 2015

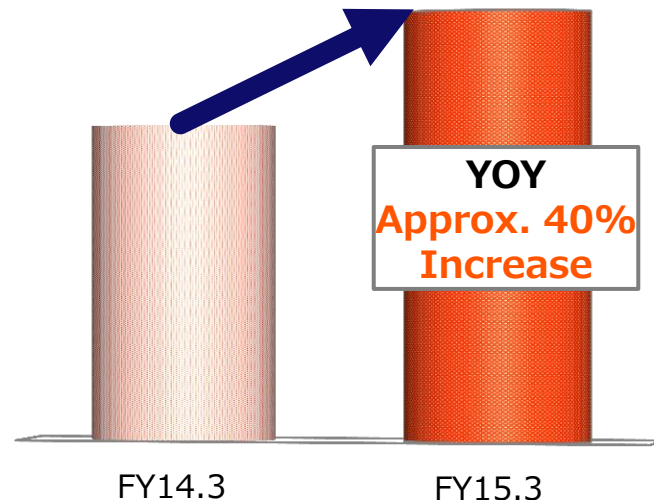
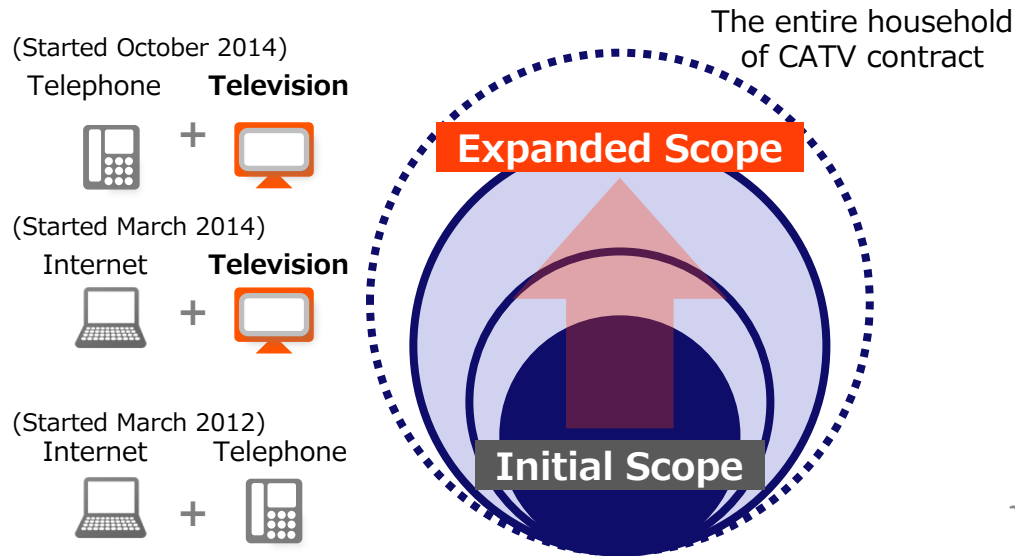
Note1) Percentage of au Smart Value for au smartphone subscribers

Note2) Percentage of au Smart Value for au HIKARI subscribers

Expanding au Sales via CATV Sales Channel after Extending Applicable Conditions

Applicable Services and Households
(CATV)^{Note}

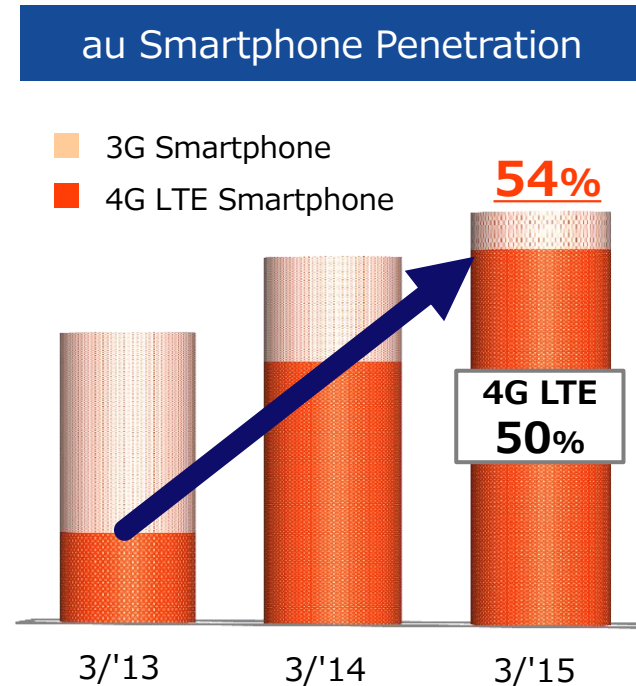
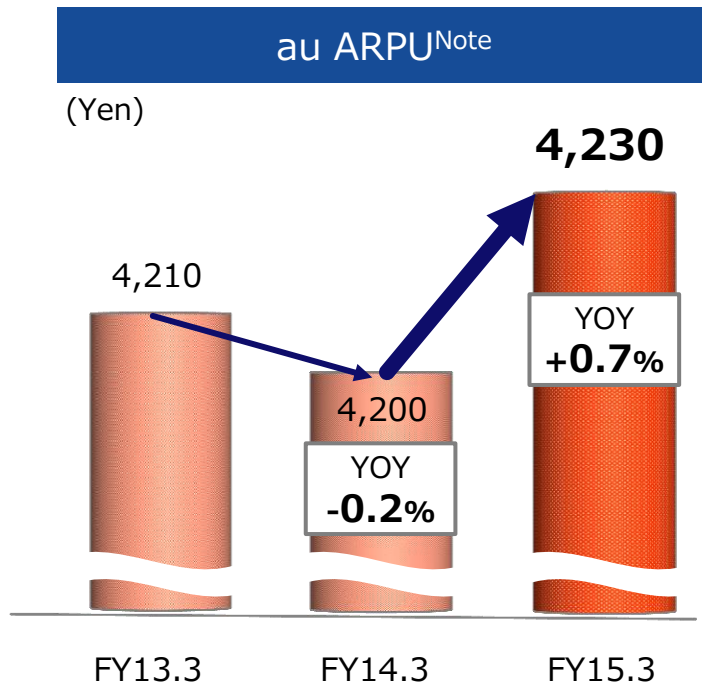
au Sales through J:COM



Note) au Smart Value set discounts for “Internet” + “TV” or “Telephone” + “TV” do not apply for some CATV alliance partners. Also, for some CATV alliance partners the au Smart Value set discount is not available for some “Internet” and “television” courses

au ARPU

Reversal of Downward Trend on au ARPU, due to Smartphone Penetration



Note) Including amount of discount applied

Impacts of Discounts on au ARPU

Impacts of Discounts Bottom Out

au ARPU

(Yen)

4,230

3,450

1,820

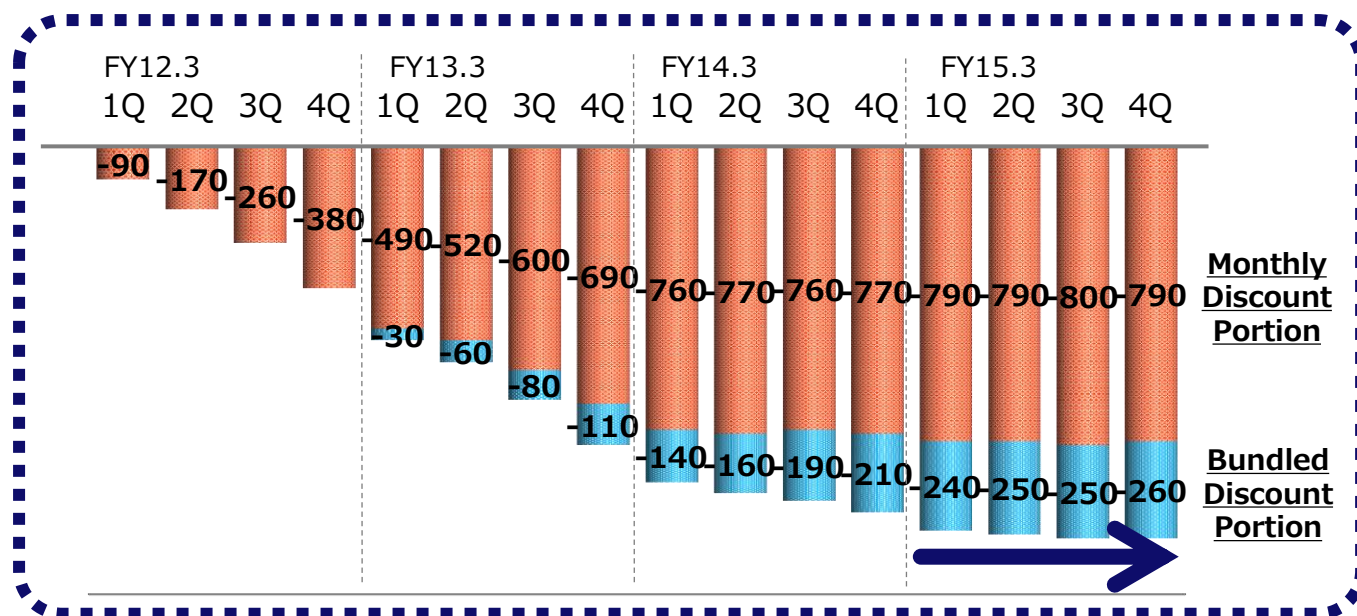
0

Amount of
discount
applied

FY15.3

Impacts of Discounts on au ARPU

(Yen)



*Definition changed. [until FY13.3] Mobile subscriptions (on aggregate basis, excluding tablets and modules)
→ [FY14.3 later] Mobile subscriptions (on aggregate basis, excluding data-only terminals, tablets, and modules)

Network with **Two** Methods of High-Speed Communication^{Note}



Galaxy S6 edge,
the first model compatible
with 225Mbps

au 4G LTE

Maximum downlink speed
150Mbps

Maximum downlink speed
225Mbps

WiMAX 2+

Maximum downlink speed
220Mbps



Note) Provided in certain areas for compatible devices. Please see the KDDI website for details on the most recent areas

*The speeds mentioned are the maximum speeds by technical standards and do not represent actual usage speeds. Even within the areas mentioned, the speed may slow down depending on the usage environment and traffic status. This is a best-effort service

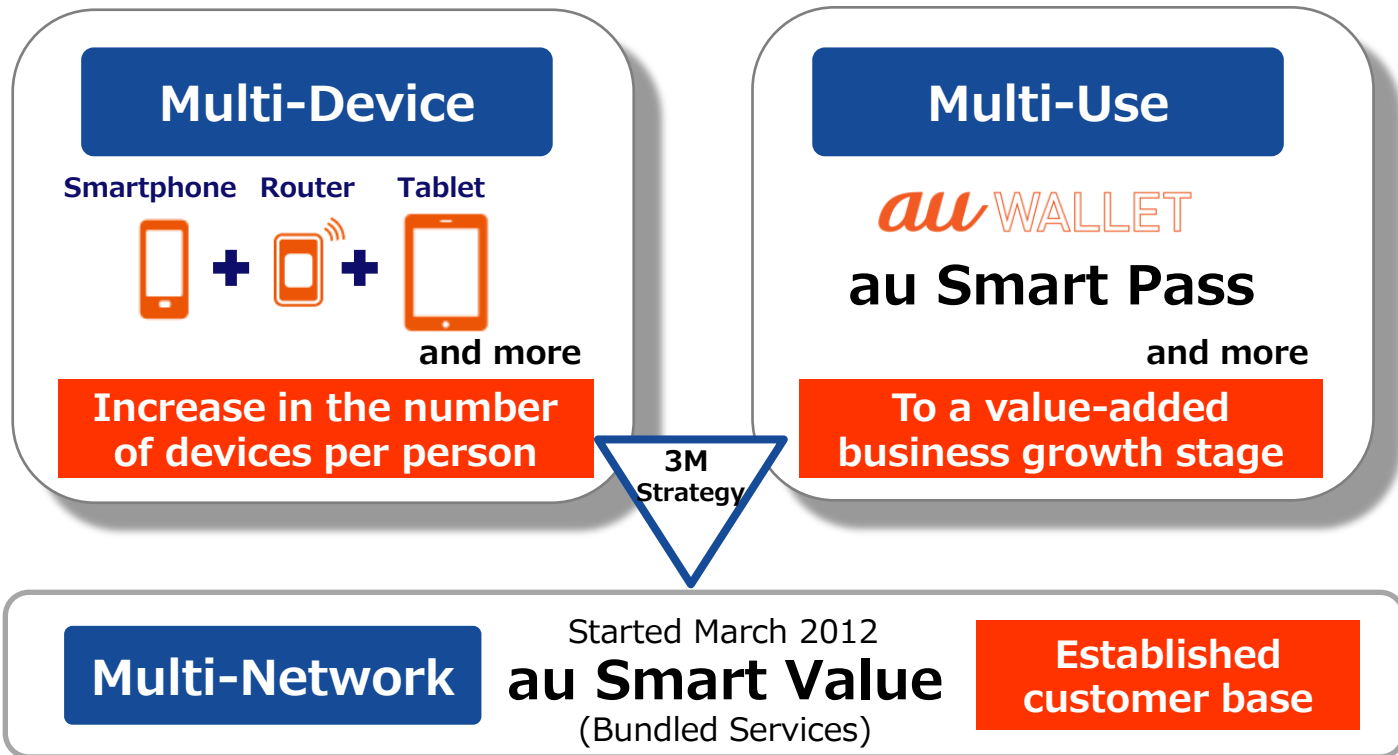
*Downlink is outside the scope of carrier aggregation

*"Galaxy" is a trademark or a registered trademark of Samsung Electronics Co., Ltd.

2. Targeting the Next Growth Stage

Promoting the 3M Strategy

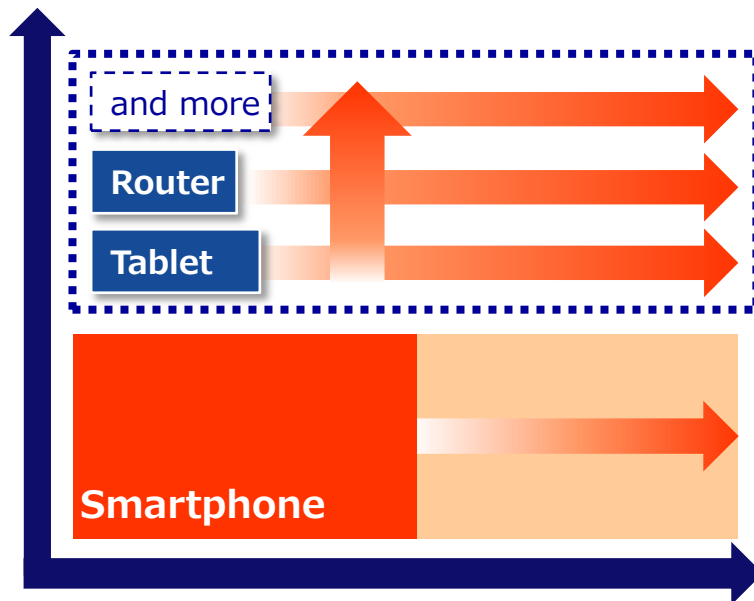
Move to a Full-Fledged Multi-Device, Multi-Use Phase



From “ARPU” to “ARPA”

Aiming to Maximize au ARPA by Promoting Multi-Device
(Average Revenue per Account)

au ARPA



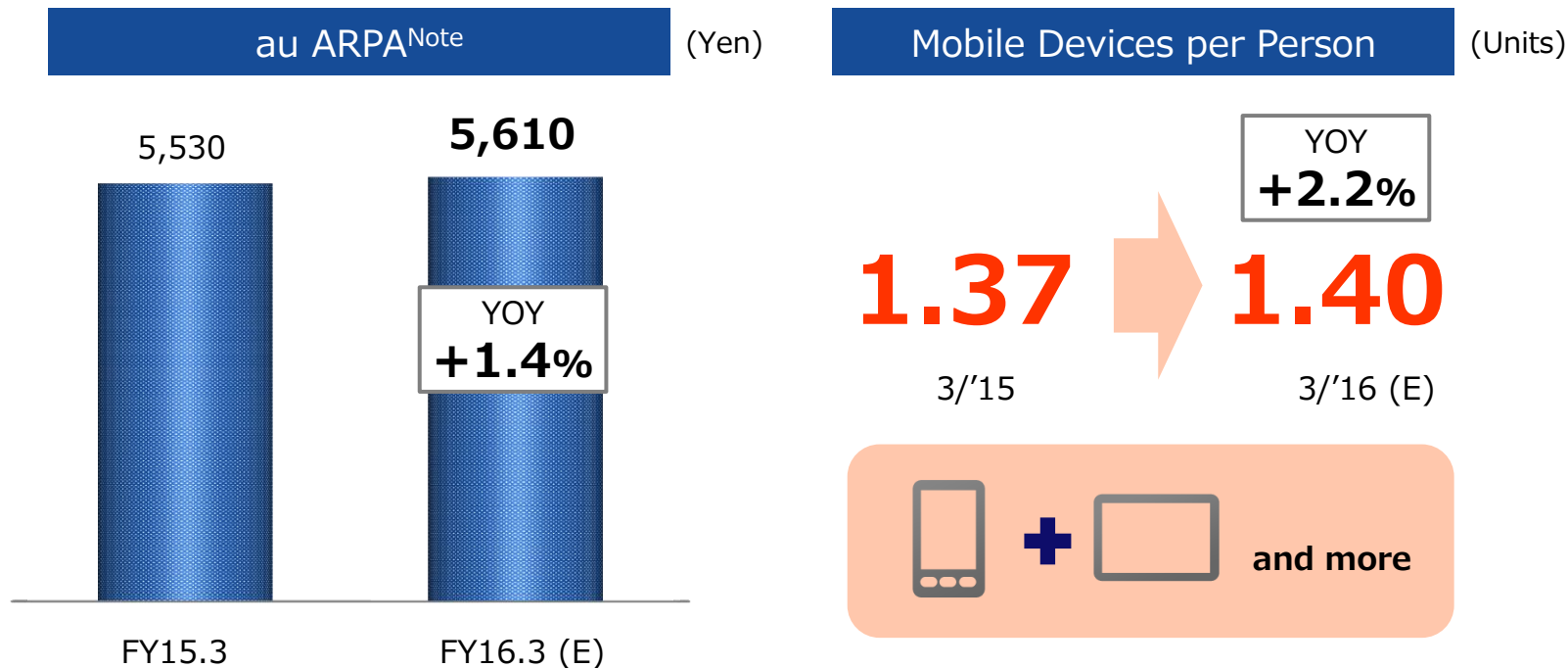
Multi-device shift



**Further shift to
smartphones**
(Conventional au ARPU)

au customers
(Accounts)

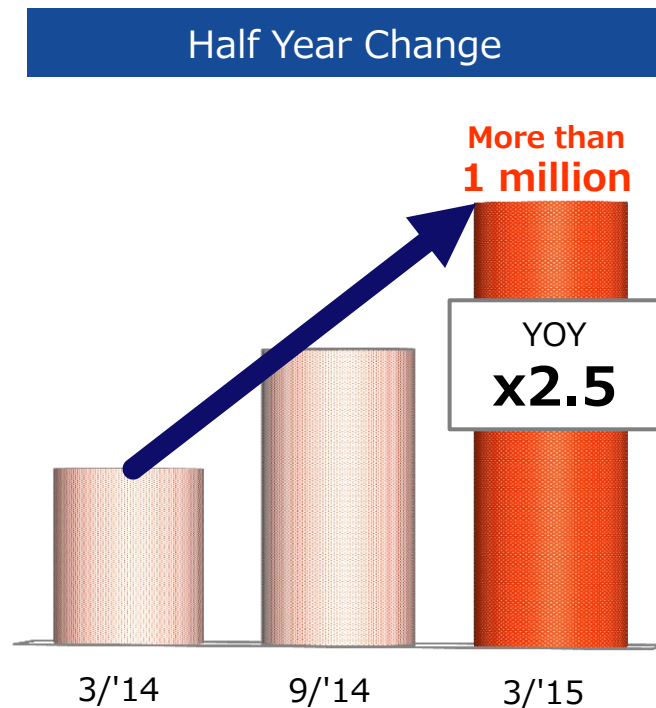
Further Drive of Growth by Increasing the Number of Mobile Devices per Person



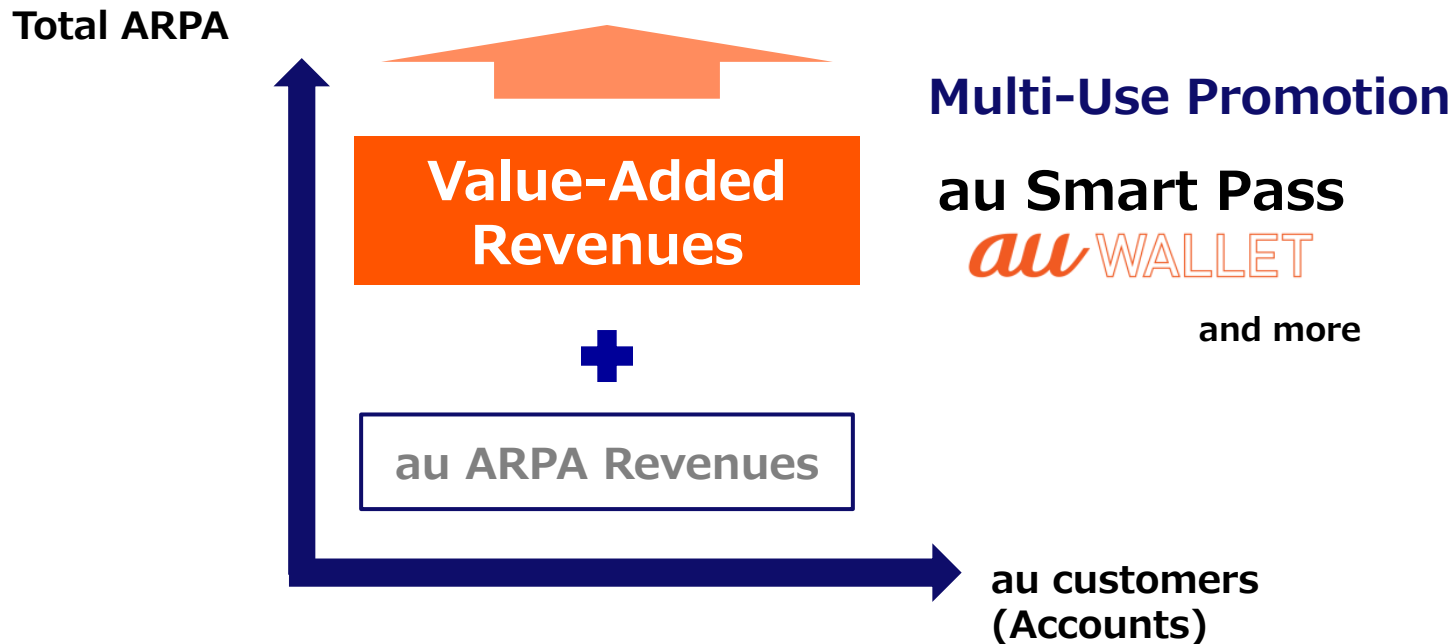
Note) Based on the Personal Services segment. Mobile communications revenue, excluding MVNO and prepaid ÷ au customers

Cumulative Tablet Subs

In an Expansionary Phase
due to Trend toward
Multi-Device Usage



Aiming to Increase Value-Added ARPA through Multi-Use (Average Revenue per Account)



Strengthen Finance and Commerce to Expand the Value-Added Economic Zone

Value-added economic zone



Settlement
platform

au Simple Payment
"Online Carrier Billing"

au WALLET

au customer base

Value-Added Economic Zone

au Simple Payment

Online Carrier Billing

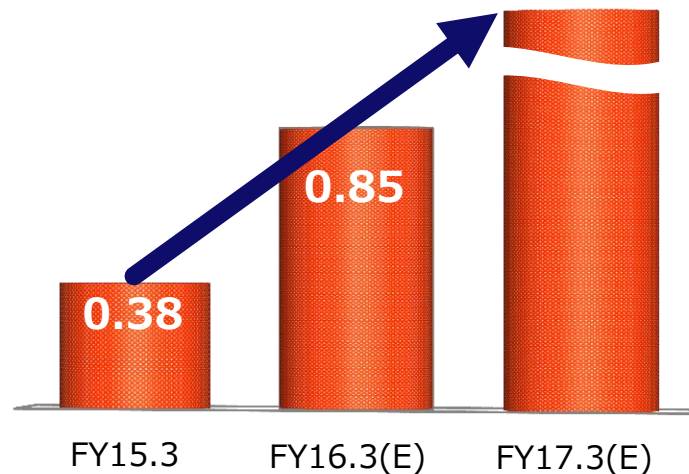
au WALLET

Gross Merchandise Value^{Note}

FY16.3 ¥0.85 Trillion (E)

Gross Merchandise Value^{Note}

(Trillion Yen)



Note) Total amount in circulation, including from KDDI's own services such as "au Simple Payment (Online Carrier Billing)" and "au WALLET"

Value-Added ARPA^{Note1}

YOY +19% (E)

<Settlement
commissions^{Note2}>

au Simple Payment
(Carrier billing)

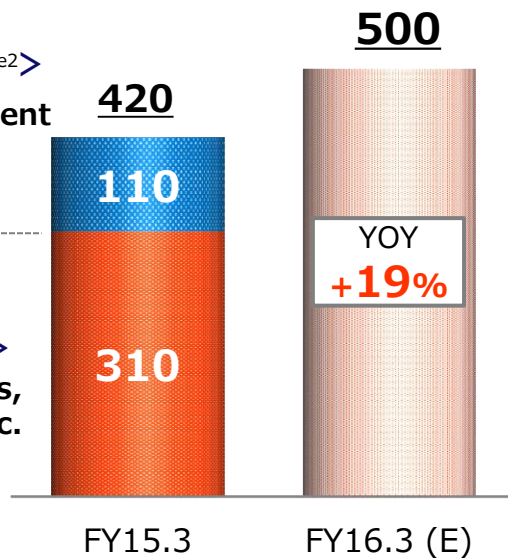
au WALLET

<KDDI services
and others^{Note3}>

au Smart Pass,
etc.

YOY Change

(Yen)



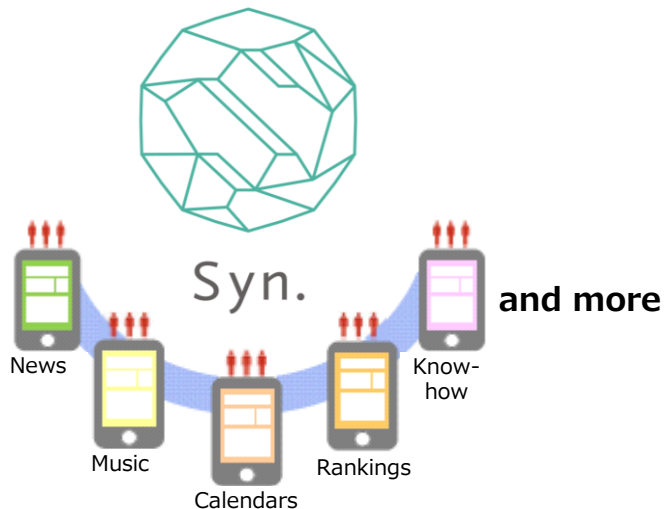
Note1) Value-Added ARPA = Value-Added ARPA revenues (Settlement commissions + KDDI services and others) ÷ au customers

Note2) Settlement commissions = Settlement commissions revenue of au Simple Payment (carrier billing) and au WALLET

Note3) KDDI services and others = Sales from KDDI services (such as "au Smart Pass" and product sales) and advertising revenues, etc.

Increasing the Number of Customer Contact Points by Providing New Value via “the Syn. Concept”

“Syn.menu” linking and integrating
various other services



Participation^{Note1} from five new services,
including “Tabelog,” Japan’s top foodie site
(total of 20 services)

kakaku.com

Four services,
including

tabelog.com
🍴 食ベログ

Hatena

Hatena::Diary

Total monthly users,

at more than **100 Millions**^{Note2}

*“The Syn. Concept” works through a federation of leading companies that provide service on the internet (the “Syn.alliance”), providing a decentralized web portal in which all of the services function as entrances, with the aim of creating new mobile Internet experiences for customers

Note1) February 2015

Note2) The total number of unique monthly users of “Syn.alliance” members’ 20 services
(total includes customers using the services of multiple members through smartphone) (as of March 31, 2015)

Seven Months Since the Joint Business Launch, SIM Card Sales Totaled More than 8 Million

Sales network enhancement

- Establishment of brand booth in Yangon Airport
- Expansion of sales network through directly operated shops, specialized shops, etc.



MPT brand booth, which opened in Yangon Airport in March 2015

Network quality improvements

- Steadily rolling out high-speed 3G data communications in principal cities

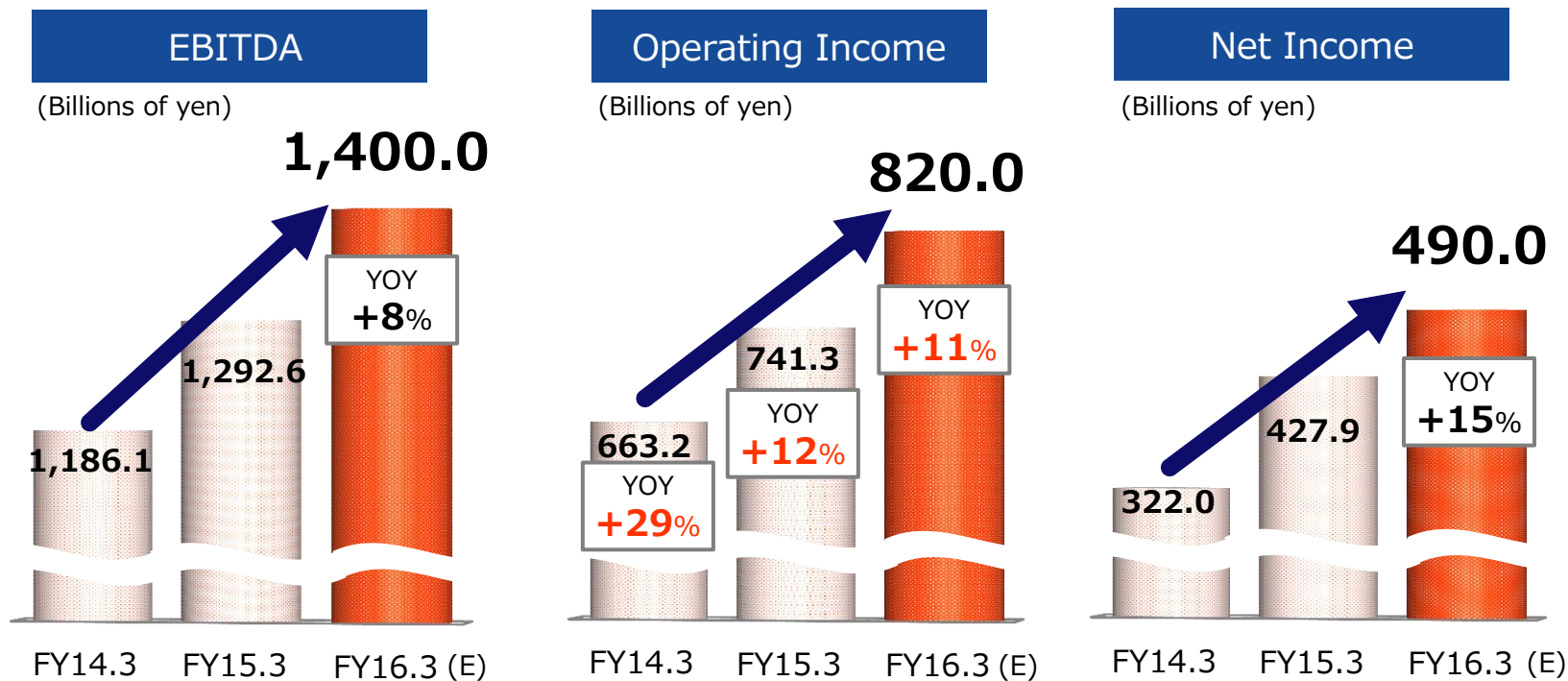


MPT's appeal citing new rate plan/increased network speeds

3. Forecasts for FY2016.3

Forecasts for FY16.3

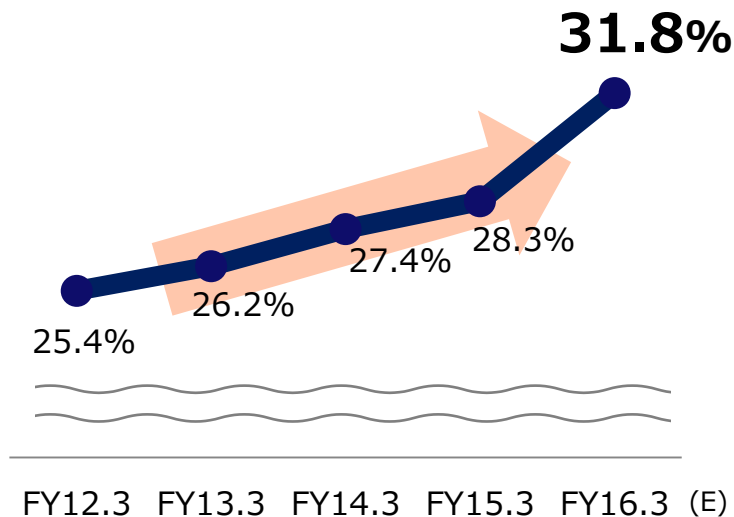
Double-Digit Growth in Consolidated Operating Income to be Targeted for the Third-Consecutive Year



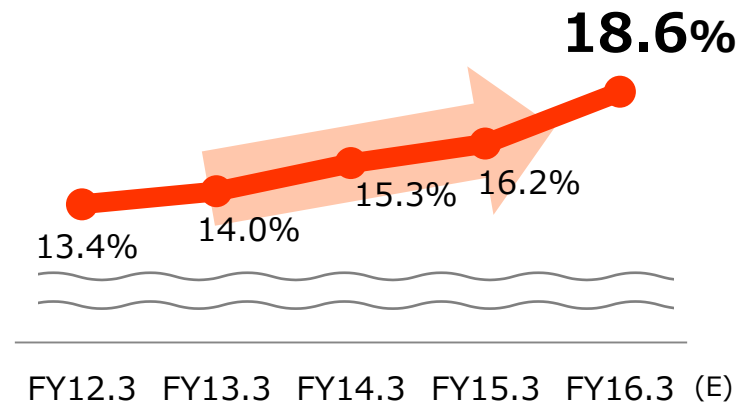
*Figures for FY14.3 and FY15.3 are based on Japan GAAP. Forecast figures for FY16.3 are based on IFRS

YOY Margin Increase of EBITDA and Operating Profit

EBITDA Margin



Operating Margin

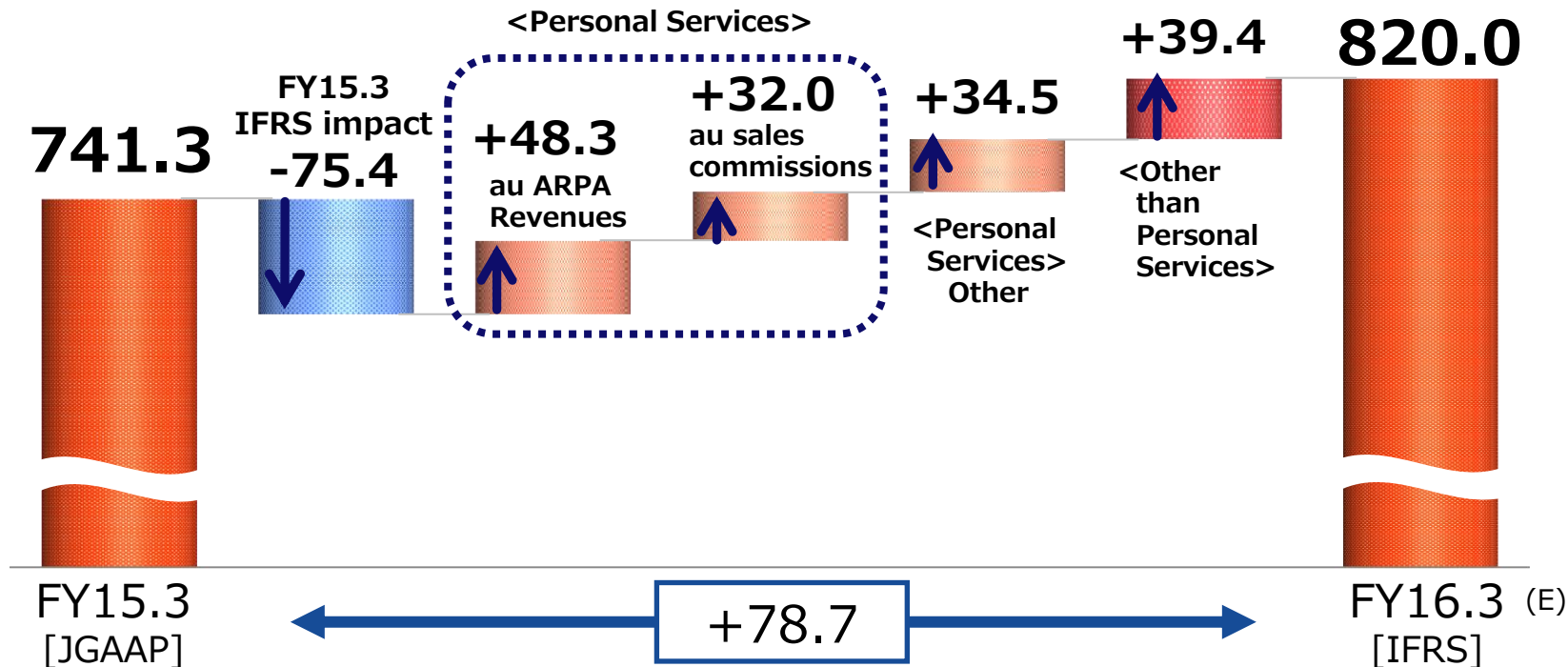


*Figures for FY14.3 and FY15.3 are based on Japan GAAP. Forecast figures for FY16.3 are based on IFRS

Consolidated Operating Income Factor for Increase YOY (E)

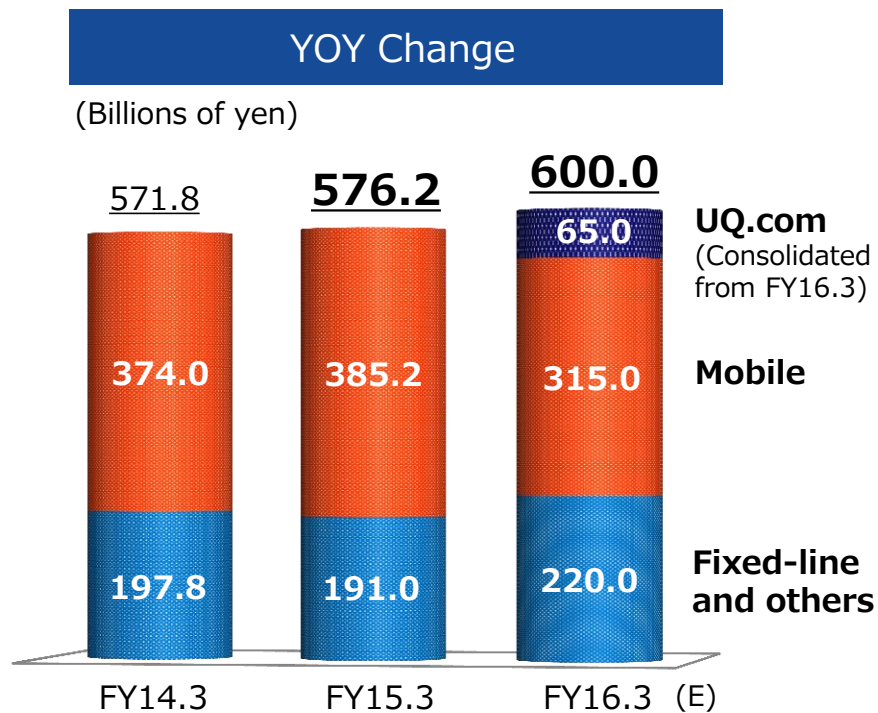
Continuing on from FY15.3, the Domestic Mobile Business
is Expected to Contribute to Profits

(Billions of yen)



Capital Expenditure

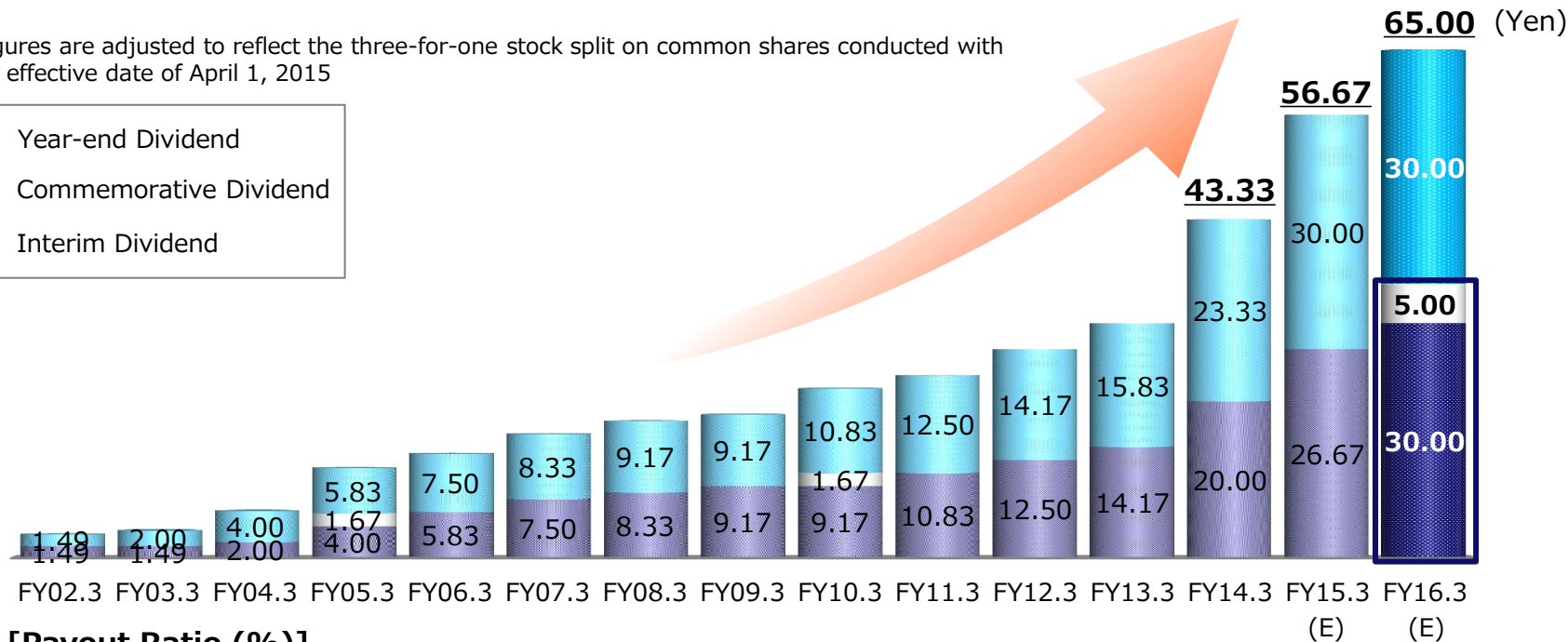
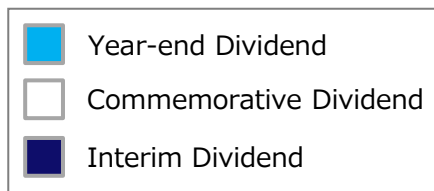
FY16.3 (E)
¥600 billion



*Figures for FY14.3 and FY15.3 are based on Japan GAAP. Forecast figures for FY16.3 are based on IFRS

Dividends Up for 13th Consecutive Fiscal Year, Due to Growth in EPS

*Figures are adjusted to reflect the three-for-one stock split on common shares conducted with an effective date of April 1, 2015



[Payout Ratio (%)]

-	17.5	16.8	21.2	20.8	22.4	21.5	22.0	27.2	24.1	27.5	28.5	32.6	33.2	33.2
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Summary

Steady Progress toward Achieving Medium-Term Targets over Three Years

	<u>FY14.3</u>	<u>FY15.3</u>	<u>FY16.3(E)</u>
Consolidated Operating Income ^{Note1}	¥663.2B YOY +29%	¥741.3B YOY +12%	¥820.0B YOY +11%
Dividend (per share) ^{Note2} Payout Ratio	¥43.33 32.6%	¥56.67 (E) 33.2%	¥65.00 33.2%

Note1) Figures for FY14.3 and FY15.3 are based on Japan GAAP. Forecast figures for FY16.3 are based on IFRS

Note2) Figures are adjusted to reflect the three-for-one stock split on common shares conducted with an effective date of April 1, 2015

■ Appendix

Consolidated Financial Results and Forecasts

(Billions of yen)

	FY14.3	FY15.3	YOY	FY16.3(E)
Operating revenues	4,333.6	4,573.1	+ 5.5%	4,400.0
Operating income	663.2	741.3	+ 11.8%	820.0
Operating margin	15.3%	16.2%	--	18.6%
Ordinary income	662.9	752.4	+ 13.5%	--
Net income	322.0	427.9	+ 32.9%	490.0 ^{Note}
EBITDA	1,186.1	1,292.6	+ 9.0%	1,400.0
EBITDA margin	27.4%	28.3%	--	31.8%
Free cash flow	226.0	287.7	+ 27.3%	280.0

*Figures for FY14.3 and FY15.3 are based on Japan GAAP. Forecast figures for FY16.3 are based on IFRS

Note) Net income attributable to KDDI

Financial Results and Forecasts by Segment (1)

(Billions of yen)

Segment		FY14.3	FY15.3	YOY	FY16.3(E)
Personal Services	Operating revenues	3,367.9	3,513.3	+ 4.3%	3,400.0
	Operating income	507.2	577.4	+ 13.8%	650.0
	Operating margin	15.1%	16.4%	--	19.1%
	EBITDA	955.7	1,048.3	+ 9.7%	1,150.0
	EBITDA margin	28.4%	29.8%	--	33.8%
Value Services	Operating revenues	212.5	242.3	+ 14.0%	280.0
	Operating income	51.6	58.0	+ 12.4%	79.0
	Operating margin	24.3%	23.9%	--	28.2%
	EBITDA	64.5	70.0	+ 8.6%	90.0
	EBITDA margin	30.3%	28.9%	--	32.1%

*Figures for FY14.3 and FY15.3 are based on Japan GAAP. Forecast figures for FY16.3 are based on IFRS

Financial Results and Forecasts by Segment (2)

35

(Billions of yen)

Segment		FY14.3	FY15.3	YOY	FY16.3(E)
Business Services	Operating revenues	674.9	669.2	- 0.8%	630.0
	Operating income	86.5	80.4	- 7.0%	54.0
	Operating margin	12.8%	12.0%	--	8.6%
	EBITDA	130.7	127.1	- 2.8%	103.0
	EBITDA margin	19.4%	19.0%	--	16.3%
Global Services ^{Note}	Operating revenues	263.6	320.6	+ 21.6%	325.0
	Operating income	11.4	16.8	+ 47.3%	31.0
	Operating margin	4.3%	5.2%	--	9.5%
	EBITDA	27.3	37.0	+ 35.6%	44.0
	EBITDA margin	10.4%	11.5%	--	13.5%

*Figures for FY14.3 and FY15.3 are based on Japan GAAP. Forecast figures for FY16.3 are based on IFRS

Note) With certain exceptions, the fiscal period for consolidated subsidiaries for FY15.3 is 15 months, from April 1, 2014 to March 31, 2015

Segment			3/'14	3/'15	Change	3/'16(E)
Consolidated	au subscriptions	(Millions)	40.52	43.48	+2.96	45.78
Personal Services	au subscriptions	(Millions)	34.13	36.48	+2.35	38.18
	Devices per Person	(Units)	--	1.37	--	1.40
	au smartphone penetration	(%)	49.1%	54.3%	+5.2pt	--
	au Smart Value (Mobile)	(Millions)	7.05	9.33	+2.28	--
	au Smart Value (Fixed-line)	(Millions)	3.58	4.59	+1.01	--
Value Services	au Smart Pass	(Millions)	10.25	12.89	+2.64	--

Segment			FY14.3	FY15.3	YOY	FY16.3(E)
Personal Services	au ARPU	(Yen)	4,200	4,230	+0.7%	--
Personal / Value	Total ARPA	(Yen)	--	5,950	--	6,110
Personal Services	au ARPA	(Yen)	--	5,530	--	5,610
Value Services	Value-added ARPA	(Yen)	--	420	--	500

Designing The Future

