



Financial Results for the Fiscal Year Ended March 2016

(From April 2015 to March 2016)

May 12, 2016

President Takashi Tanaka
KDDI Corporation

KDDI would like to extend its sincere condolences to the people affected by the recent earthquakes in Kumamoto and Oita prefectures, and to their families.

The KDDI Group is fully committed to recovering the areas affected by the disaster.

Today's Presentation

- **Review through to FY2016.3**
 - **Medium-Term Target**
 - Looking toward FY2019.3 –
 - **Forecasts for FY2017.3**
- **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.

Review through to FY2016.3

“Achieve Continuous Growth and Enhance Shareholder Return”**Business growth by promoting the 3M strategy****au Smart Value**

(Bundled Services)

au Smart Pass

(Subscription Service of Apps, etc.)

**Profit
Growth****➤ Operating Income****Double-digit annual growth rate****➤ EPS****Large increases with income growth****Shareholder
Return****➤ Dividend
Payout Ratio****Over 30%****➤ Repurchase of
Own Shares****Consider as possible option for
management**

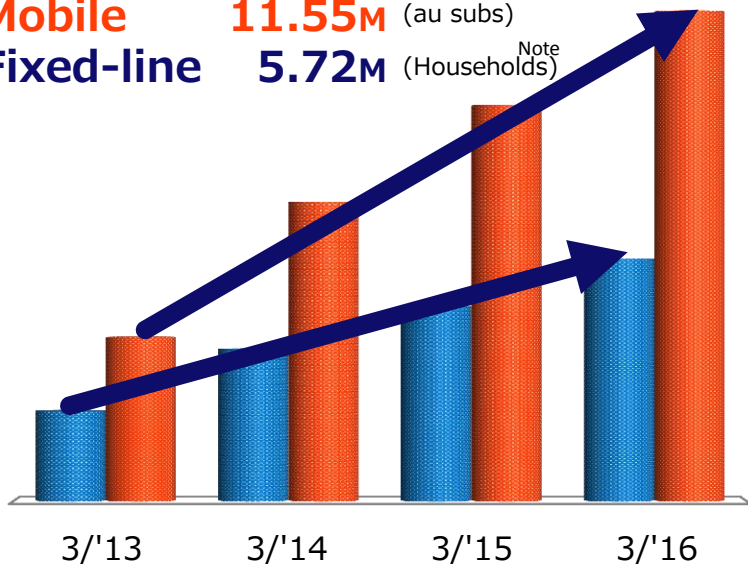
Results through to FY2016.3 (Operation)

Secured Solid Customer Base by Promoting the 3M Strategy

au Smart Value Subs (Bundled Services)

(As of March 31, 2016)

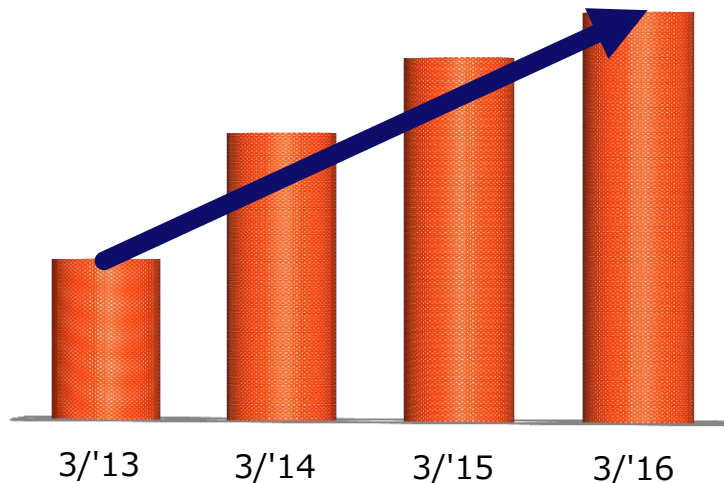
Mobile 11.55M (au subs)
Fixed-line 5.72M (Households)^{Note}



au Smart Pass Members (Subscription Service of Apps, etc.)

(As of March 31, 2016)

au Smart Pass 14.47M



Results through to FY2016.3

(Profit Growth)

Operating Income: Achieved Double Digit Growth for Three Consecutive Fiscal Years

	FY13.3 J-GAAP	FY14.3 J-GAAP	FY15.3 J-GAAP/[IFRS]	FY16.3 IFRS
Operating Revenue ^{Note1}	¥3,662.3B	¥4,333.6B YOY +18.3%	¥4,573.1B [¥4,270.1B] YOY +5.5%	¥4,466.1B YOY +4.6%
Operating Income	¥512.7B	¥663.2B YOY +29.4%	¥741.3B [¥665.7B] YOY +11.8%	¥833.4B YOY +25.2%
Profit for the Period ^{Note2}	¥241.5B	¥322.0B YOY +33.4%	¥427.9B [¥395.8B] YOY +32.9%	¥494.5B YOY +24.9%
EPS ^{Note3}	¥105.30	¥132.87 YOY +26.2%	¥170.84 [¥158.01] YOY +28.6%	¥197.56 YOY +25.0%

Note1) "Operating revenues" based on Japan GAAP Note2) "Net income" based on Japan GAAP, "Profit for the period attributable to owners of the parent" based on IFRS

Note3) Earnings Per Share. Figures are adjusted to reflect stock split

*YOY comparisons through to FY15.3 are based on Japan GAAP. YOY comparisons between FY15.3 and FY16.3 are based on IFRS

Results through to FY2016.3

(Shareholder Return)

**Dividend Payout Ratio Set over 30%,
DPS^{Note} Showed Double-Digit Growth Each Year**

	<u>FY13.3</u> J-GAAP	<u>FY14.3</u> J-GAAP	<u>FY15.3</u> J-GAAP	<u>FY16.3</u> IFRS
Payout Ratio	28.5%	32.6%	33.2%	35.4%(E)
DPS ^{Note}	¥30.00 —	¥43.33 YOY +44.4%	¥56.67 YOY +30.8%	¥70.00(E) YOY +23.5%
ROE	11.2%	13.0%	14.9%	15.5%
Share Price (fiscal year-end)	¥1,290.0	¥1,992.0	¥2,720.5	¥3,006.0

*Figures are adjusted to reflect stock split

Note) Dividend per Share

Shareholder Return in the Final Year of the Medium-Term Target

In Appreciation for Three Years of Support from Shareholders

Dividend
for FY16.3

- “5 yen” to be increased over the initial forecast for the year-end dividend
- Payout ratio is 35.4%

Repurchase
of Own
Shares

- Resolution of repurchase of own shares up to aggregate price of **¥100 billion**
 - Aggregate number of shares to be repurchased:
Up to 38 million shares
 - Period for share repurchase:
May 13, 2016 – September 23, 2016

Medium-Term Target
– Looking toward FY2019.3 –

New Direction for the Next Three Years

10



Business
Management
Direction

Transform into a business providing customer experience value

Business
Strategy

- Sustainably grow the domestic telecommunications business
- Maximize the "au Economic Zone"
- Aggressively develop global business

Financial Targets

Achieve continuous profit growth and enhance shareholder return

Business Management Direction

Transform into a Business Providing Customer Experience Value

Up To Now

An Era of Telecommunication Service Differentiation

**Business growth by
promoting the 3M strategy**

au Smart Value

(Bundled Services)

au Smart Pass

(Subscription Service of Apps, etc.)

**Developing into an established
growing company in the
telecommunications business**

From Now On

To an Era of Existing as the Preferred Choice of Customers

**Customer
Perspective**



Innovation

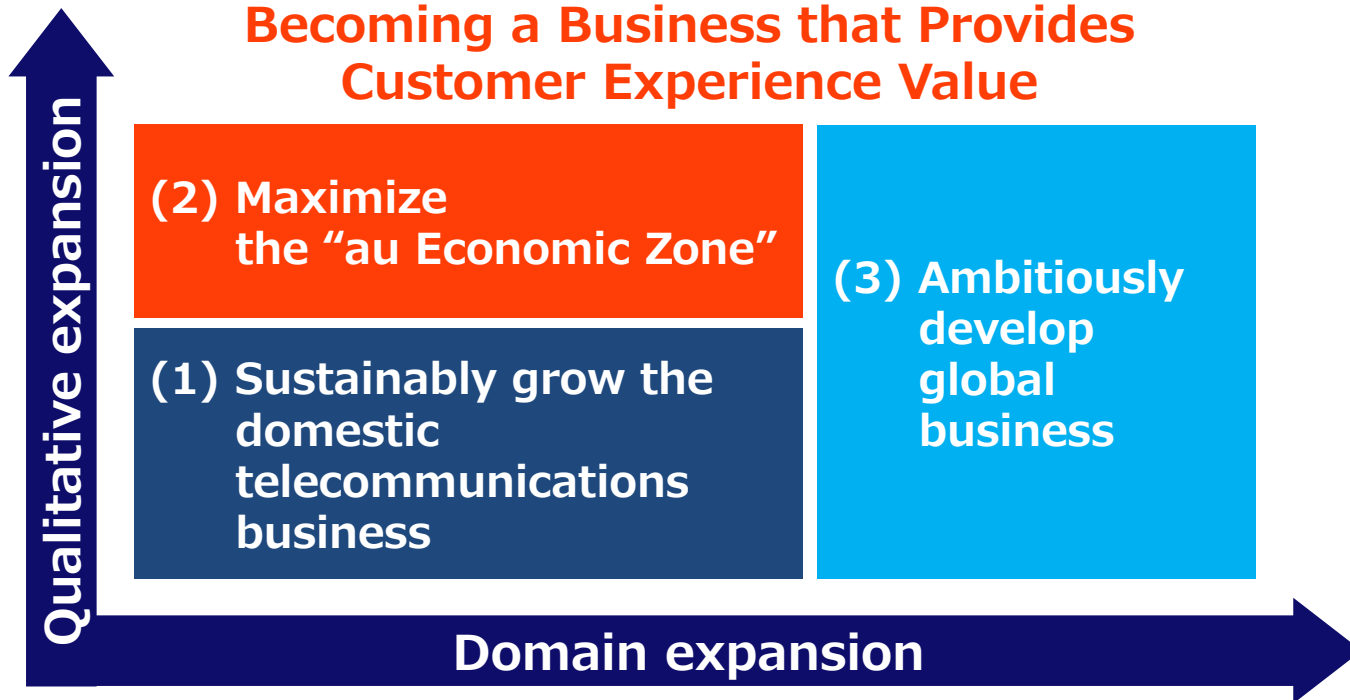
- Provide individual customers with rich experiences
- Support corporate customers' businesses to grow
- Contribute to overseas economic development and growth

**Pursue customer
experience value at all
customer contact points**

Business Strategy

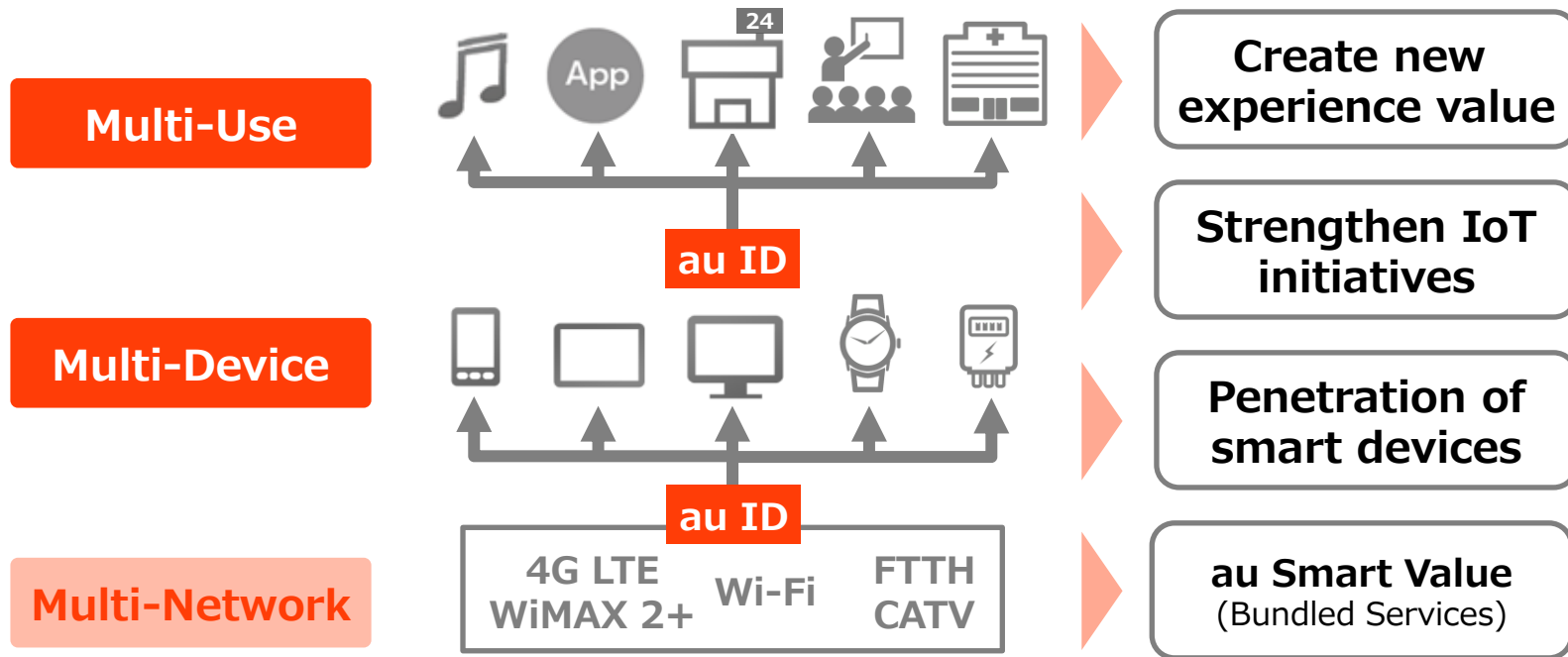
**Sustainably Grow the Domestic Business
and Establish New Growth Pillars**

**Becoming a Business that Provides
Customer Experience Value**



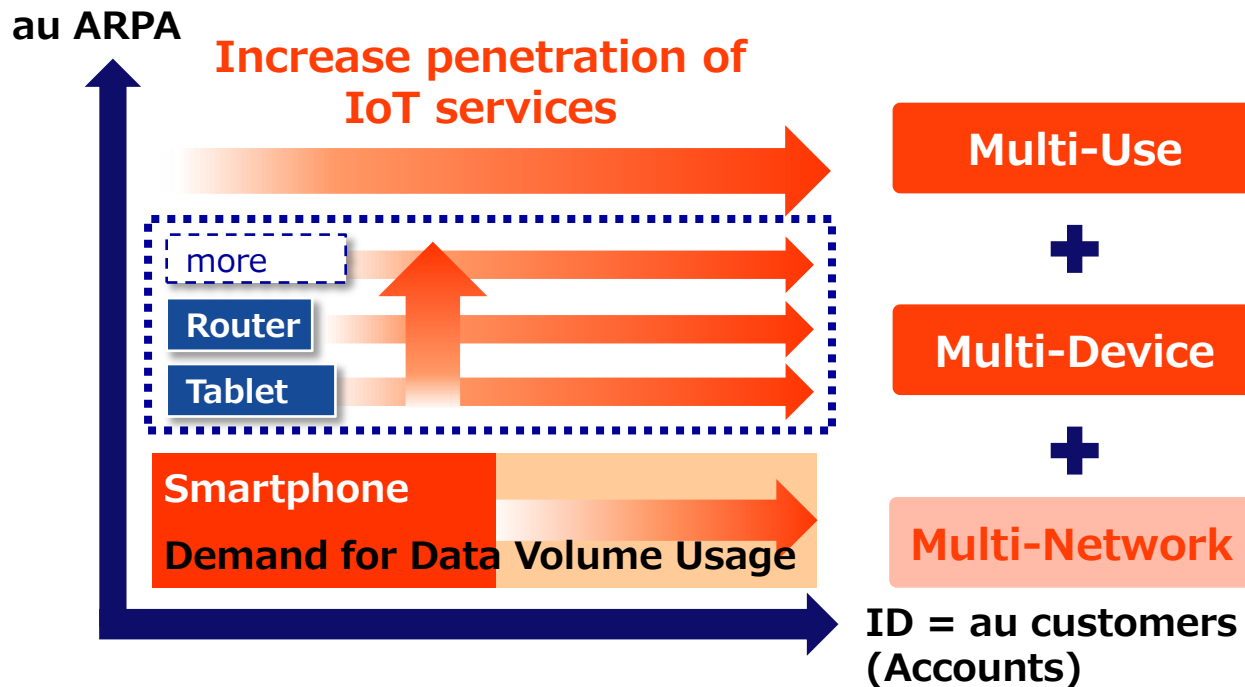
(1) Sustainably Grow the Domestic Telecommunications Business

**Aim for Sustainable Growth
through Further Promotion of the 3M Strategy**



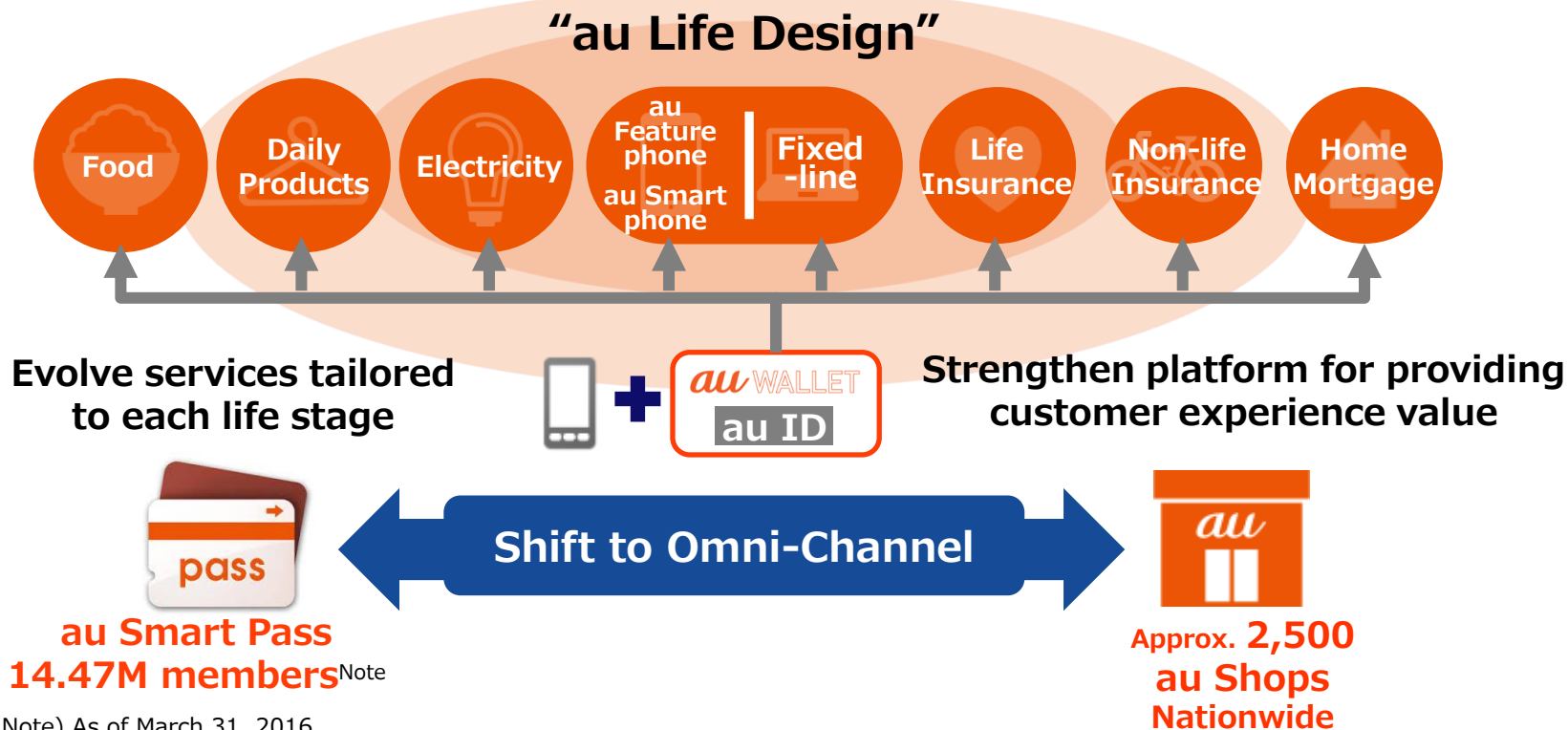
(1) Sustainably Grow the Domestic Telecommunications Business

Promote Multi-Device and Multi-Use to Maximize "ID×ARPA"

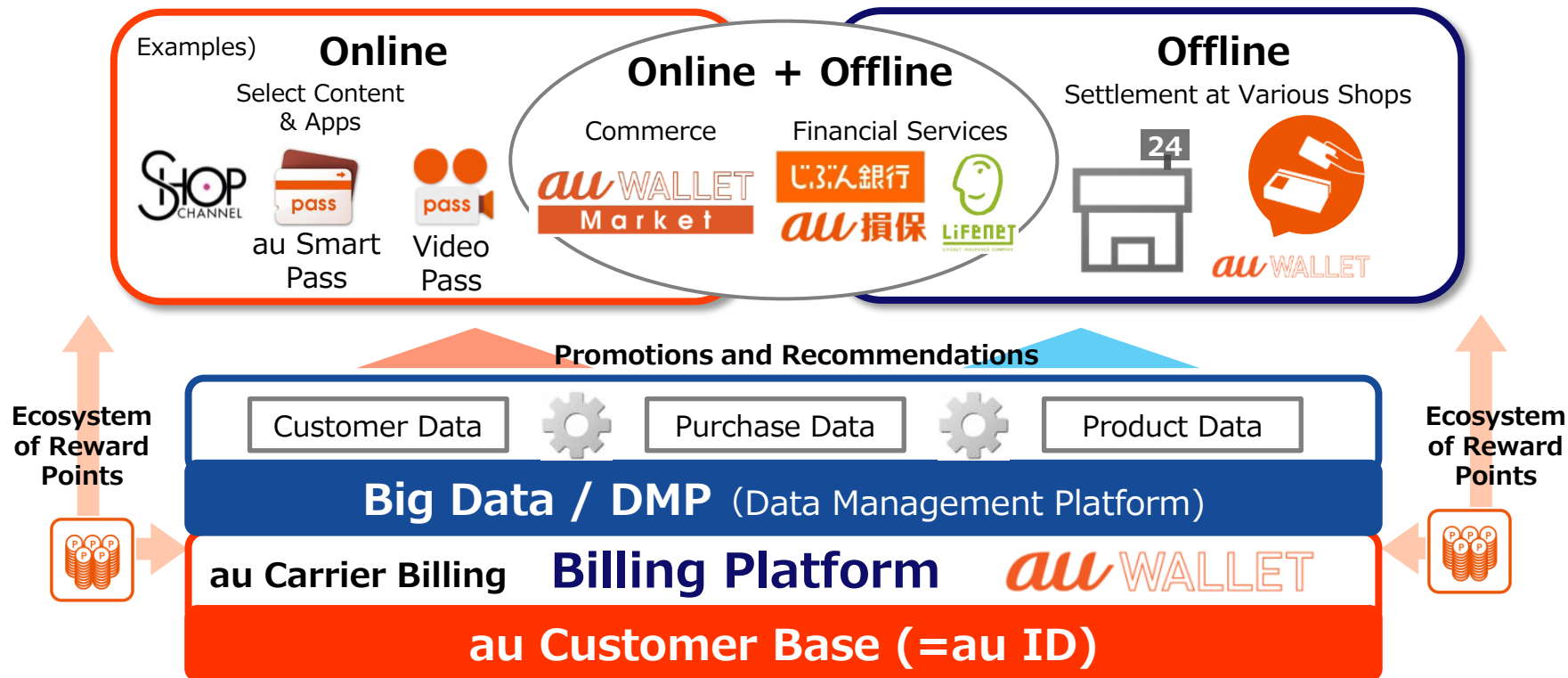


(2) Maximize the “au Economic Zone”

**Aim to Transform from a Telecommunication Company
into a Life Design Company**



Note) As of March 31, 2016



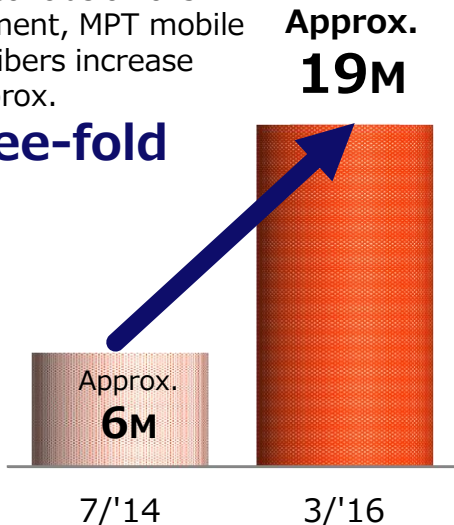
(3) Ambitiously Develop Global Business

Accelerate the Growth of the Global Consumer Business by Promoting Further Initiatives

Myanmar Telecommunications Business

Since conclusion of JV agreement, MPT mobile subscribers increase by approx.

Three-fold



Aim to be the leading local carrier striving as the best choice of customers



- ✓ Expand branch network
- ✓ Improve network quality
- ✓ Expand area coverage



MobiCom

- ✓ Launch next-generation communication service (LTE)

(3) Ambitiously Develop Global Business

Evolve to a Premium Data Center Operator with Prolific Connectivity



48 Locations in 24 Cities across
13 of the World's Countries/Regions



**New data center
opens this summer
to strengthen
operations in Europe**



Docklands North Two

Expansion in London
23,000m²

Total floor space: 447,000m² (As of March 31, 2016)

Medium-Term Target

– Looking toward FY2019.3 –

“Achieve Continuous Growth and Enhance Shareholder Return”

Profit Growth

- Target operating income; CAGR^{Note} of 7%
- Gross merchandise value of au Economic Zone; over ¥2 trillion
- M&As for growth; Approx. 500 billion yen over three years

Shareholder Return

- Lift dividend payout ratio from “above 30%” to “above 35%”
- Repurchase own shares after growth investment
- Limit the amount of those treasury stock to approximately 5% of our total issued shares, and will cancel any treasury stock held in excess of this limit

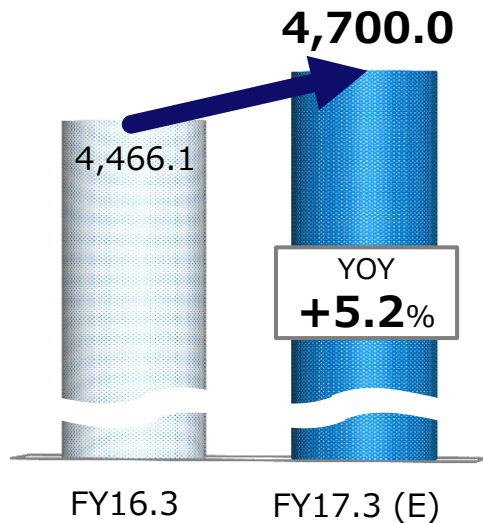
Forecasts for FY2017.3

Forecasts for FY2017.3

Aim to Increase Both Sales and Profits in the First Year of the Medium-Term Target

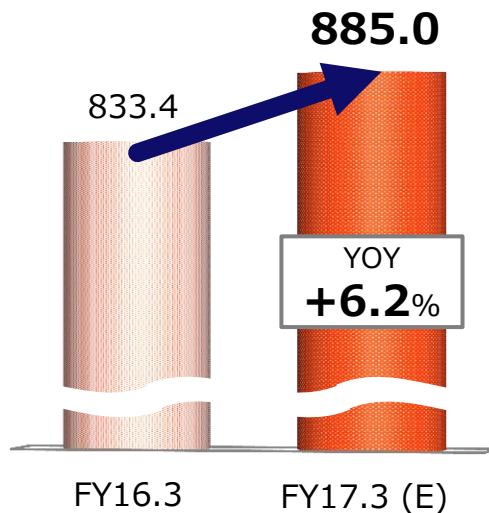
Operating Revenue

(Billions of yen)



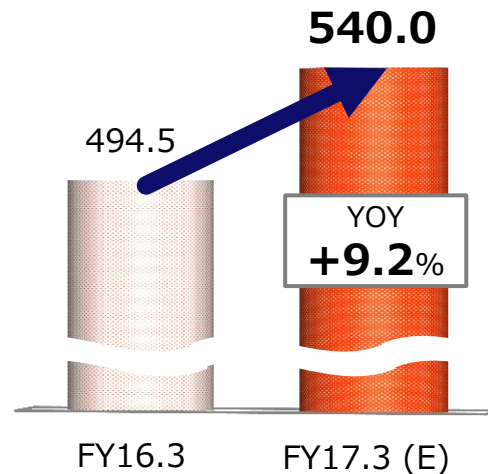
Operating Income

(Billions of yen)



Profit for the period attributable to owners of the parent

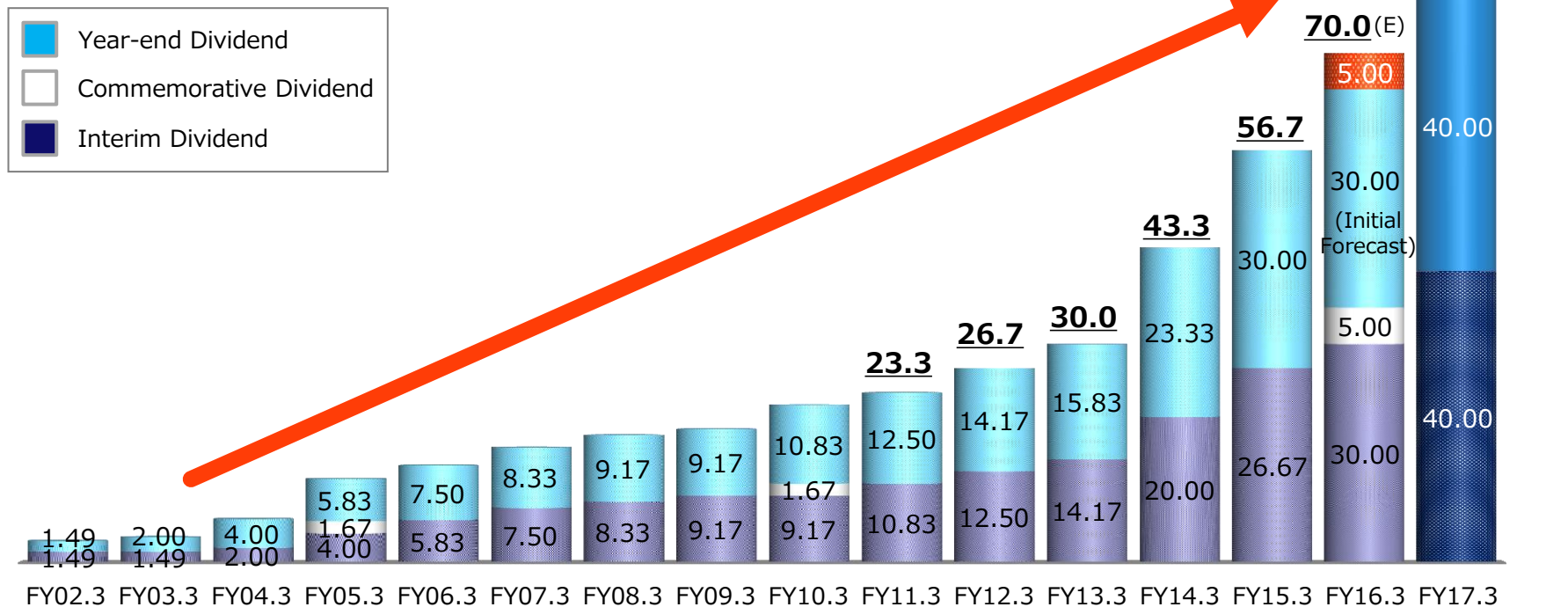
(Billions of yen)



Dividend per Share

Aim for 15th Consecutive Year of Dividend Increase and 6th Consecutive Year of Double-Digit Dividend Increase

*Figures are adjusted to reflect stock split



Shareholder Benefits

Expanding the Content of the Previous Shareholder Benefit Scheme^{Note}



A present comprising a selection of carefully picked popular items from the rich variety of products available on “au WALLET Market”

*For shareholders holding 1 share unit (100 shares) or more listed on the shareholders' register as of March 31, 2016

Note) Previous shareholder benefit scheme: au handset discount coupon

Summary

“Achieve Continuous Growth and Enhance Shareholder Return”

Review through to FY16.3

➤ Operating income

Achieved Double
Digit Growth for
Three Consecutive
Fiscal Years

In Appreciation for Support
from Shareholders

➤ “¥5” to be increased (¥)
over the initial forecast for
the FY16.3 year-end dividend

➤ Resolution of
repurchase of own
shares up to aggregate
price of ¥100 billion^{Note}

Medium-Term Target – Looking toward FY19.3 –

Forecasts for FY17.3

➤ Operating income
¥885.0 billion
(YOY + 6.2%)

➤ Target
operating
income
CAGR of 7%

- Lift dividend payout ratio from “above 30%” to “above 35%”
- Share repurchases after growth investment
- Limit the amount of those treasury stock to approximately 5% of our total issued shares, and will cancel any treasury stock held in excess of this limit

Note) Aggregate number of shares to be repurchased: Up to 38 million shares, period for share repurchase: May 13, 2016 – September 23, 2016

■ Appendix

(Billions of yen)

	FY15.3	FY16.3	YOY	FY17.3(E)
Operating revenue	4,270.1	4,466.1	+4.6%	4,700.0
Operating income	665.7	833.4	+25.2%	885.0
Operating margin	15.6%	18.7%	--	18.8%
Profit for the period attributable to owners of the parent	395.8	494.5	+24.9%	540.0
EBITDA	1,284.6	1,411.0	+9.8%	1,480.0
EBITDA margin	30.1%	31.6%	--	31.5%
Free cash flows	333.0	216.6	-34.9%	350.0

*Based on IFRS

(Ref.) IFRS/J-GAAP Differences in FY2015.3

27

(Billions of yen)

Operating Revenue	Consolidated	Personal	Value	Business	Global	Other, Elimination and Corporate
IFRS	4,270.1	3,330.6	237.7	659.2	279.0	(236.4)
J-GAAP	4,573.1	3,513.3	242.3	669.2	320.6	(172.3)
Difference	(303.0)	(182.7)	(4.6)	(10.0)	(41.6)	(64.1)
Major differences	<ul style="list-style-type: none"> Impact of excluding selling commissions: (184.1) Impact of excluding reward point expenses: (26.9) Differences in the scope of consolidation: (24.1) 	<ul style="list-style-type: none"> Impact of excluding selling commissions: (178.8) Impact of excluding reward point expenses: (24.8) Differences in the scope of consolidation: +39.2 		<ul style="list-style-type: none"> Impact of excluding selling commissions: (5.3) Impact of excluding reward point expenses: (2.2) 	Unification of reporting period for overseas subsidiaries: (41.6)	Differences in the scope of consolidation: (63.3)

Operating Income	Consolidated	Personal	Value	Business	Global	Other, Elimination and Corporate
IFRS	665.7	546.7	52.7	75.9	(15.3)	5.7
J-GAAP	741.3	577.4	58.0	80.4	16.8	8.7
Difference	(75.6)	(30.7)	(5.3)	(4.5)	(32.1)	(3.0)
Major differences	<ul style="list-style-type: none"> Reclassification (73.2) Non-amortization of goodwill: +28.1 Differences in depreciation method: (26.6) 	<ul style="list-style-type: none"> Reclassification (25.0) Non-amortization of goodwill: +20.2 Differences in depreciation method: (27.4) 	<ul style="list-style-type: none"> Reclassification (8.7) Non-amortization of goodwill: +2.5 	Reclassification (7.2)	Reclassification (33.4)	Differences in the scope of consolidation: (4.2)

Financial Results and Forecasts by Segment (1)

28

(Billions of yen)

Segment		FY15.3	FY16.3	YOY	FY17.3(E)
Personal Services	Operating revenue	3,330.6	3,503.3	+5.2%	3,550.0
	Operating income	546.7	656.6	+20.1%	690.0
	Operating margin	16.4%	18.7%	--	19.4%
	EBITDA	1,080.1	1,162.7	+7.6%	1,200.0
	EBITDA margin	32.4%	33.2%	--	33.8%
Value Services	Operating revenue	237.7	271.8	+14.3%	440.0
	Operating income	52.7	73.8	+40.1%	90.0
	Operating margin	22.2%	27.2%	--	20.5%
	EBITDA	70.7	85.5	+21.0%	110.0
	EBITDA margin	29.7%	31.5%	--	25.0%

*Based on IFRS

Financial Results and Forecasts by Segment (2)

29

(Billions of yen)

Segment		FY15.3	FY16.3	YOY	FY17.3(E)
Business Services	Operating revenue	659.2	632.0	-4.1%	635.0
	Operating income	75.9	61.4	-19.0%	63.0
	Operating margin	11.5%	9.7%	--	9.9%
	EBITDA	129.0	109.5	-15.2%	110.0
	EBITDA margin	19.6%	17.3%	--	17.3%
Global Services	Operating revenue	279.0	294.4	+5.5%	310.0
	Operating income	(15.3)	32.1	--	34.0
	Operating margin	--	10.9%	--	11.0%
	EBITDA	(1.0)	44.4	--	48.0
	EBITDA margin	--	15.1%	--	15.5%

*Based on IFRS

KPI

30

Segment			3/'15	3/'16	Change	3/'17(E)
Consolidated	au subscriptions	(Millions)	43.48	45.91	+2.43	48.71
Personal Services	au subscriptions	(Millions)	36.48	38.24	+1.75	39.24
	Devices per person	(Units)	1.37	1.41	+0.04	1.44
	au smartphone penetration	(%)	54.3%	58.2%	+3.9pt	--
	au Smart Value (Mobile)	(Millions)	9.33	11.55	+2.22	--
	au Smart Value (Fixed-line)	(Millions)	4.59	5.72	+1.13	--
Value Services	au Smart Pass	(Millions)	12.89	14.47	+1.58	--

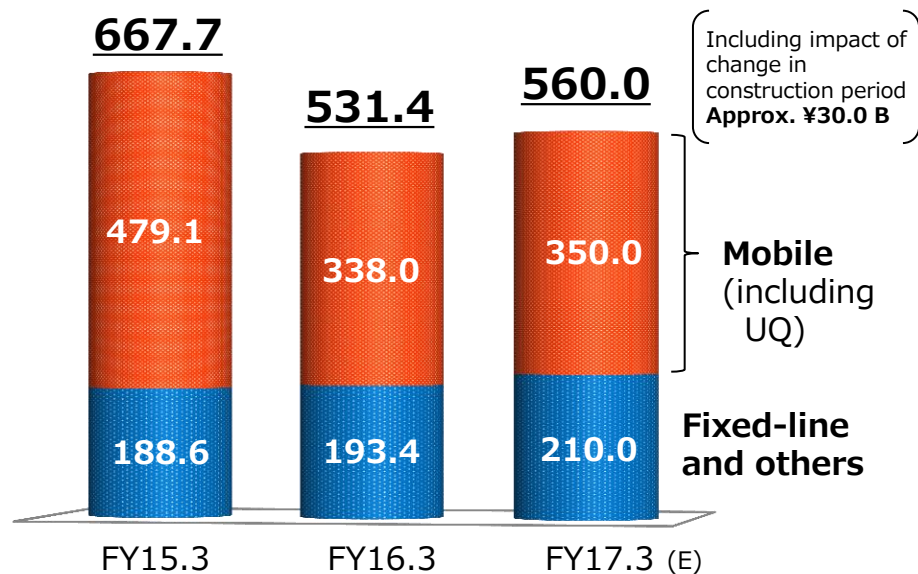
Segment			FY15.3	FY16.3	YOY	FY17.3(E)
Personal / Value	Total ARPA	(Yen)	5,950	6,130	+3.0%	6,230
Personal Services	au ARPA	(Yen)	5,530	5,690	+2.9%	5,730
Value Services	Value-added ARPA	(Yen)	420	440	+4.8%	500
Personal / Value	au Economic Zone gross merchandise value	(Billions of yen)	--	730.0	--	1,200.0

Capital Expenditure

FY17.3 (E)
¥560.0B

CAPEX (cash flow basis)

(Billions of yen)



Designing The Future

