

**(1) Consolidated Balance Sheets (1/2)**

KDDI Corporation and Consolidated Subsidiaries

(Millions of yen)

|   | June 30, 2003 |                | June 30, 2004<br>(A) |                | March 31, 2004<br>(B) |                | Change<br>(B)-(A) |
|---|---------------|----------------|----------------------|----------------|-----------------------|----------------|-------------------|
|   | Amounts       | % of the total | Amounts              | % of the total | Amounts               | % of the total | Amounts           |
| I Fixed Assets  |               | %              |                      | %              |                       | %              |                   |
| A Telecommunications Assets                           |               |                |                      |                |                       |                |                   |
| Property, Plant and Equipment                         | 1,601,572     | 58.6           | 1,451,653            | 56.7           | 1,485,452             | 56.3           | (33,798)          |
| Intangible Assets and Goodwill                        | 266,516       | 9.7            | 232,810              | 9.1            | 239,650               | 9.1            | (6,840)           |
| Total Telecommunications Assets                       | 1,868,089     | 68.3           | 1,684,464            | 65.8           | 1,725,103             | 65.4           | (40,638)          |
| B Other Business Assets                               |               |                |                      |                |                       |                |                   |
| Property, Plant and Equipment                         | 36,267        |                | 34,273               |                | 34,325                |                | (51)              |
| Intangible Assets                                     | 4,277         |                | 5,169                |                | 5,019                 |                | 150               |
| Total Other Business Assets                           | 40,544        | 1.5            | 39,442               | 1.5            | 39,344                | 1.5            | 98                |
| C Investments and Other Assets                        |               |                |                      |                |                       |                |                   |
| Investments in securities                             | 38,665        |                | 35,961               |                | 36,830                |                | (868)             |
| Deferred income taxes                                 | 11,803        |                | 11,904               |                | 13,687                |                | (1,783)           |
| Deposits and guarantee money                          | 43,411        |                | 35,990               |                | 36,137                |                | (147)             |
| Other Assets  | 107,416       |                | 93,129               |                | 101,874               |                | (8,743)           |
| Allowance for loss on investments<br>and other assets | (11,096)      |                | (10,564)             |                | (11,074)              |                | 510               |
| Total Investments and Other Assets                    | 190,203       | 7.0            | 166,422              | 6.5            | 177,455               | 6.7            | (11,032)          |
| Total Fixed Assets                                    | 2,098,836     | 76.8           | 1,890,330            | 73.8           | 1,941,903             | 73.6           | (51,573)          |
| II Current Assets                                     |               |                |                      |                |                       |                |                   |
| Cash and cash equivalents                             | 157,802       |                | 102,184              |                | 149,149               |                | (46,964)          |
| Accounts receivable                                   | 376,452       |                | 392,318              |                | 405,140               |                | (12,822)          |
| Marketable securities                                 | -             |                | 55,093               |                | 47,836                |                | 7,256             |
| Inventories   | 54,636        |                | 82,927               |                | 63,399                |                | 19,528            |
| Deferred income taxes                                 | 28,127        |                | 23,303               |                | 31,087                |                | (7,783)           |
| Other current assets                                  | 37,463        |                | 35,566               |                | 21,429                |                | 14,137            |
| Allowance for doubtful accounts                       | (20,646)      |                | (21,167)             |                | (20,365)              |                | (802)             |
| Total current assets                                  | 633,837       | 23.2           | 670,226              | 26.2           | 697,677               | 26.4           | (27,450)          |
| Total Assets  | 2,732,674     | 100.0          | 2,560,556            | 100.0          | 2,639,580             | 100.0          | (79,023)          |

**(1) Consolidated Balance Sheets (2/2)**

KDDI Corporation and Consolidated Subsidiaries

(Millions of yen)

|   | June 30, 2003    |                | June 30, 2004<br>(A) |                | March 31, 2004<br>(B) |                | Change<br>(B)-(A) |
|---|------------------|----------------|----------------------|----------------|-----------------------|----------------|-------------------|
|   | Amounts          | % of the total | Amounts              | % of the total | Amounts               | % of the total | Amounts           |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>             |                  | %              |                      | %              |                       | %              |                   |
| I Non-Current Liabilities:                              |                  |                |                      |                |                       |                |                   |
| Bonds   | 355,925          |                | 288,550              |                | 328,550               |                | (40,000)          |
| Long-term loans   | 788,691          |                | 533,410              |                | 567,324               |                | (33,913)          |
| Reserve for point service program                       | 16,602           |                | 19,063               |                | 17,859                |                | 1,204             |
| Other non-current liabilities                           | 47,510           |                | 37,923               |                | 46,148                |                | (8,223)           |
| Total Non-Current Liabilities                           | 1,208,730        | 44.2           | 878,949              | 34.4           | 959,882               | 36.4           | (80,933)          |
| II Current Liabilities:                                 |                  |                |                      |                |                       |                |                   |
| Short-term loans and current portion of long-term loans | 272,931          |                | 293,426              |                | 281,319               |                | 12,106            |
| Accounts Payable  | 213,177          |                | 245,116              |                | 249,916               |                | (4,800)           |
| Accrued expenses  | 18,805           |                | 11,334               |                | 16,762                |                | (5,427)           |
| Accrued income taxes                                    | 26,624           |                | 26,831               |                | 65,771                |                | (38,939)          |
| Allowance for bonuses                                   | 6,675            |                | 6,147                |                | 13,590                |                | (7,442)           |
| Other current liabilities                               | 26,271           |                | 27,289               |                | 23,088                |                | 4,200             |
| Total Current Liabilities                               | 564,485          | 20.7           | 610,145              | 23.8           | 650,450               | 24.6           | (40,304)          |
| <b>Total Liabilities</b>                                | <b>1,773,216</b> | <b>64.9</b>    | <b>1,489,095</b>     | <b>58.2</b>    | <b>1,610,332</b>      | <b>61.0</b>    | <b>(121,237)</b>  |
| Minority Interests                                      | 15,561           | 0.6            | 20,817               | 0.8            | 19,857                | 0.8            | 960               |
| <b>Shareholders' Equity</b>                             |                  |                |                      |                |                       |                |                   |
| I Common stock  | 141,851          | 5.2            | 141,851              | 5.5            | 141,851               | 5.4            | -                 |
| II Capital surplus                                      | 304,189          | 11.1           | 304,189              | 11.9           | 304,189               | 11.5           | -                 |
| III Retained earnings                                   | 495,629          | 18.2           | 605,146              | 23.6           | 563,678               | 21.4           | 41,468            |
| IV Net unrealized gains on securities                   | 11,683           | 0.4            | 11,920               | 0.5            | 11,977                | 0.4            | (56)              |
| V Foreign Currency Translations Adjustments             | 164              | 0.0            | (1,806)              | (0.1)          | (1,645)               | (0.1)          | (161)             |
| VI Treasury stock, at cost                              | (9,622)          | (0.4)          | (10,658)             | (0.4)          | (10,661)              | (0.4)          | 3                 |
| <b>Total Shareholders' Equity</b>                       | <b>943,896</b>   | <b>34.5</b>    | <b>1,050,644</b>     | <b>41.0</b>    | <b>1,009,390</b>      | <b>38.2</b>    | <b>41,253</b>     |
| <b>Total Liabilities and Shareholders' Equity</b>       | <b>2,732,674</b> | <b>100.0</b>   | <b>2,560,556</b>     | <b>100.0</b>   | <b>2,639,580</b>      | <b>100.0</b>   | <b>(79,023)</b>   |

## (2) Consolidated Statements of Income

KDDI Corporation and Consolidated Subsidiaries

(Millions of yen)

|  | 1Q Ended<br>June 30, 2003 |                | 1Q Ended<br>June 30, 2004 |                | Change<br>yoy | Year Ended<br>March 31, 2004 |         |
|--|---------------------------|----------------|---------------------------|----------------|---------------|------------------------------|---------|
|  | Amounts                   | % of the total | Amounts                   | % of the total |               | Amounts                      | Amounts |
|  |                           | %              |                           | %              |               |                              | %       |
| I Telecommunications Business  |                           |                |                           |                |               |                              |         |
| Operating Revenues   | 557,051                   | 80.8           | 582,353                   | 80.9           | 25,301        | 2,268,725                    | 79.7    |
| Operating Expenses   | 479,723                   | 69.6           | 494,213                   | 68.7           | 14,490        | 1,990,564                    | 69.9    |
| Sales expenses   | 224,540                   |                | 237,164                   |                | 12,624        | 939,147                      |         |
| Depreciation   | 90,501                    |                | 89,783                    |                | (717)         | 359,529                      |         |
| Charges for the use of telecommunications<br>services of third parties | 97,496                    |                | 100,209                   |                | 2,712         | 393,420                      |         |
| Other  | 67,180                    |                | 67,052                    |                | (129)         | 298,463                      |         |
| Telecommunications Business Operating Income                           | 77,328                    | 11.2           | 88,139                    | 12.2           | 10,811        | 278,160                      | 9.8     |
| II Other Business  |                           |                |                           |                |               |                              |         |
| Sales of Terminal equipment and other                                  | 132,615                   | 19.2           | 137,722                   | 19.1           | 5,106         | 577,372                      | 20.3    |
| Cost of sales of terminal equipment and other                          | 124,885                   | 18.1           | 136,304                   | 18.9           | 11,419        | 563,428                      | 19.8    |
| Other Business Operating Income  | 7,730                     | 1.1            | 1,417                     | 0.2            | (6,313)       | 13,943                       | 0.5     |
| Operating Income   | 85,059                    | 12.3           | 89,557                    | 12.4           | 4,497         | 292,104                      | 10.3    |
| III Other revenues   | 4,494                     | 0.7            | 4,513                     | 0.6            | 18            | 17,614                       | 0.6     |
| Interest income  | 147                       |                | 158                       |                | 11            | 594                          |         |
| Equity in profit of affiliates   | 212                       |                | 338                       |                | 125           | 1,439                        |         |
| Dividend income from anonymous association                             | 1,535                     |                | 1,526                     |                | (9)           | 5,690                        |         |
| Other  | 2,597                     |                | 2,488                     |                | (109)         | 9,888                        |         |
| IV Other expenses  | 8,356                     | 1.2            | 6,898                     | 0.9            | (1,457)       | 35,170                       | 1.3     |
| Interest expense   | 7,786                     |                | 5,938                     |                | (1,848)       | 27,762                       |         |
| Other  | 569                       |                | 960                       |                | 390           | 7,407                        |         |
| Ordinary Income  | 81,197                    | 11.8           | 87,171                    | 12.1           | 5,973         | 274,547                      | 9.6     |
| I Extraordinary profit   | 3,961                     | 0.6            | -                         | -              | (3,961)       | 15,117                       | 0.5     |
| Gain on sales of PPE   | -                         |                | -                         |                | -             | 2,903                        |         |
| Gain on sales of securities  | -                         |                | -                         |                | -             | 5,588                        |         |
| Gain on return of welfare pension funds to the<br>Government           | 3,961                     |                | -                         |                | (3,961)       | 3,961                        |         |
| Compensation for damage  | -                         |                | -                         |                | -             | 2,664                        |         |
| II Extraordinary loss  | 10,802                    | 1.6            | -                         | -              | (10,802)      | 97,565                       | 3.4     |
| Loss on sales of PPE   | -                         |                | -                         |                | -             | 847                          |         |
| Loss on disposal of PPE  | -                         |                | -                         |                | -             | 79,861                       |         |
| Loss on sales of securities  | 10,687                    |                | -                         |                | (10,687)      | 11,185                       |         |
| Loss on devaluation of securities                                      | 115                       |                | -                         |                | (115)         | 1,438                        |         |
| Loss on cancellation of lease contracts                                | -                         |                | -                         |                | -             | 4,232                        |         |
| Income before Income Taxes and Minority Interests                      | 74,356                    | 10.8           | 87,171                    | 12.1           | 12,814        | 192,100                      | 6.7     |
| Income Taxes - Current   | 26,258                    | 3.8            | 24,520                    | 3.4            | (1,738)       | 72,063                       | 2.5     |
| Income Taxes - Deferred  | 2,569                     | 0.4            | 9,542                     | 1.3            | 6,972         | (2,913)                      | (0.1)   |
| Minority Interests in Consolidated Subsidiaries                        | 1,596                     | 0.2            | 1,445                     | 0.2            | (151)         | 5,925                        | 0.2     |
| Net Income   | 43,931                    | 6.4            | 51,663                    | 7.2            | 7,731         | 117,025                      | 4.1     |

Note: % of the total is calculated based upon total amount of operating revenues of Telecommunications Business and Other Business as the denominator.

### (3) Consolidated Statements of Cash Flows

KDDI Corporation and Consolidated Subsidiaries

(Millions of yen)

|      | 1Q Ended<br>June 30, 2003   | 1Q Ended<br>June 30, 2004 | Change<br>yoy | Year Ended<br>March 31, 2004 |           |
|------|---|---------------------------|---------------|------------------------------|-----------|
|      | Amounts   | Amounts                   | Amounts       | Amounts                      |           |
| I    | Cash Flows from Operating Activities  |                           |               |                              |           |
|      | Income before income taxes and minority interests                               | 74,356                    | 87,171        | 12,814                       | 192,100   |
|      | Depreciation and amortization   | 93,190                    | 92,958        | (233)                        | 369,354   |
|      | (Gain)loss on sales of PPE  | (14)                      | 21            | 35                           | (2,028)   |
|      | Loss on disposal of PPE   | 1,081                     | 1,603         | 522                          | 100,877   |
|      | (Increase) decrease in allowance<br>for doubtful accounts                       | 466                       | 294           | (171)                        | 198       |
|      | Increase (decrease) in reserve for retirement benefits                          | (4,256)                   | (181)         | 4,074                        | (4,028)   |
|      | Interest and dividend income  | (209)                     | (262)         | (53)                         | (723)     |
|      | Interest expenses   | 7,786                     | 5,938         | (1,848)                      | 27,762    |
|      | Equity in (gain) of affiliates  | (212)                     | (338)         | (125)                        | (1,439)   |
|      | Loss on sales of investment securities  | 10,673                    | 2             | (10,670)                     | 5,594     |
|      | Investment securities write off   | 115                       | 34            | (81)                         | 1,438     |
|      | Increase in reserve for point services  | 891                       | 1,204         | 312                          | 2,148     |
|      | (Increase) decrease in prepaid pension cost                                     | 2,569                     | (426)         | (2,996)                      | 4,856     |
|      | (Increase)decrease in notes and accounts receivable                             | 9,349                     | 12,239        | 2,889                        | (21,359)  |
|      | (Increase) decrease in inventories  | (71)                      | (20,446)      | (20,374)                     | (10,015)  |
|      | Increase(decrease) in notes and accounts payable                                | (33,726)                  | (18,439)      | 15,286                       | (7,762)   |
|      | Other, net  | (15,477)                  | (16,422)      | (944)                        | 9,981     |
|      | Sub total   | 146,512                   | 144,948       | (1,563)                      | 666,955   |
|      | Interest and dividend income received   | 422                       | 597           | 174                          | 1,169     |
|      | Interest expenses paid  | (7,644)                   | (6,061)       | 1,583                        | (28,891)  |
|      | Income taxes paid   | (10,043)                  | (64,255)      | (54,211)                     | (16,536)  |
|      | Net cash provided by operating activities                                       | 129,246                   | 75,229        | (54,017)                     | 622,697   |
| II   | Cash Flows From Investing Activities  |                           |               |                              |           |
|      | Payments for purchase of PPE  | (22,388)                  | (29,850)      | (7,461)                      | (197,594) |
|      | Proceeds from sale of PPE   | 280                       | 215           | (64)                         | 4,898     |
|      | Payments for other intangible assets  | (11,305)                  | (10,898)      | 406                          | (48,130)  |
|      | Acquisition of investment securities  | (432)                     | (100)         | 332                          | (867)     |
|      | Proceeds from sale of investment securities                                     | 22,703                    | 854           | (21,849)                     | 29,127    |
|      | Payments for investment in affiliates   | (892)                     | (623)         | 269                          | (892)     |
|      | Increase in long-term prepayment  | (1,234)                   | (1,539)       | (304)                        | (9,121)   |
|      | Other, net  | (3,268)                   | (432)         | 2,836                        | 4,115     |
|      | Net cash used in investing activities   | (16,537)                  | (42,373)      | (25,836)                     | (218,465) |
|      | Free Cash Flows   | 112,708                   | 32,855        | (79,853)                     | 404,232   |
| III  | Cash Flows from Financing Activities  |                           |               |                              |           |
|      | Net increase(decrease) in short-term loans                                      | (79)                      | (15)          | 64                           | (1,500)   |
|      | Proceeds from issuance of long-term loans                                       | -                         | -             | -                            | 8,000     |
|      | Repayment of long-term loans  | (70,551)                  | (60,620)      | 9,931                        | (284,787) |
|      | Repayment of long-term accounts payable   | (2,996)                   | (2,107)       | 888                          | (7,029)   |
|      | Proceeds from new bond issue  | -                         | -             | -                            | 18,000    |
|      | Payment for redemption of bonds   | -                         | -             | -                            | (50,375)  |
|      | Payment for acquisition of treasury stocks                                      | (20)                      | (46)          | (26)                         | (1,277)   |
|      | Dividends paid  | (4,878)                   | (9,778)       | (4,899)                      | (10,200)  |
|      | Payments received from minority shareholders                                    | 1,061                     | -             | (1,061)                      | 1,166     |
|      | Others, net   | 407                       | 46            | (360)                        | (907)     |
|      | Net Cash used in Financing Activities   | (77,057)                  | (72,522)      | 4,535                        | (328,911) |
| IV   | Translation Adjustments on Cash and Cash Equivalents                            |                           |               |                              |           |
|      |   | 27                        | (34)          | (62)                         | (667)     |
| V    | Net increase in Cash and Cash Equivalents                                       |                           |               |                              |           |
|      |   | 35,678                    | (39,701)      | (75,379)                     | 74,654    |
| VI   | Cash and Cash Equivalents at Beginning of Quarter/Year                          |                           |               |                              |           |
|      |   | 121,854                   | 196,518       | 74,663                       | 121,854   |
| VII  | Net increase in Cash and Cash Equivalents of newly<br>consolidated subsidiaries |                           |               |                              |           |
|      |   | -                         | -             | -                            | 9         |
| VIII | Cash and Cash Equivalents at End of Quarter/Year                                |                           |               |                              |           |
|      |   | 157,533                   | 156,816       | (716)                        | 196,518   |