This translation is to be used solely as a reference and the consolidated financial statements in this release are unaudited.

Financial Statements Summary for the Three Months Ended June 30, 2010 [Japan GAAP]

July 23, 2010

Company Name	**KDDI CORPORATION**		
Stock Listing	Tokyo Stock Exchange-First Section		
Code No.	9433	URL	http://www.kddi.com
Representative	Tadashi Onodera, President and Chairman		

Scheduled date for filing of quarterly report: July 30, 2010

Scheduled date for dividend payment: -

Quarterly earnings supplementary explanatory documents: Yes

Quarterly earnings presentation: Yes

(Amount Unit : Millions of yen, unless otherwise stated)
(Amounts are rounded down to nearest million yen)

1. Consolidated Financial Results for the Three Months Ended June 30, 2010 (April 1, 2010 – June 30, 2010)

(1) Consolidated Results of Operation

(Percentage represents comparison change to the corresponding previous quarterly period)

	Operating Revenues		Operating Income		Ordinary Income		Net Income	
		%		%		%		%
Three months ended June 30, 2010	866,019	1.4	129,297	(8.8)	122,580	(11.5)	71,921	(16.8)
Three months ended June 30, 2009	853,729	(1.9)	141,826	14.0	138,447	10.9	86,417	19.3

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Three months ended June 30, 2010	16,147.14	-
Three months ended June 30, 2009	19,401.68	-

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Total Net Assets per Share
			%	Yen
As of June 30, 2010	3,749,352	2,119,432	54.9	461,831.00
As of March 31, 2010	3,819,536	2,078,450	52.8	453,003.09

(Reference) Shareholder's Equity   As of June 30, 2010: 2,057,047 million yen   As of March 31, 2010: 2,017,726 million yen

2. Dividends

	Dividends per Share				
	1st Quarter End	2nd Quarter End	3rd Quarter End	Fiscal Year End	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2010	-	6,500.00	-	6,500.00	13,000.00
Year ending March 31, 2011	-				
Year ending March 31, 2011 (forecast)		6,500.00	-	6,500.00	13,000.00

Note: Changes in forecasts during the three months ended June 30, 2010: None

3. Consolidated Financial Results Forecast for Year Ending March 31, 2011 (April 1, 2010 – March 31, 2011)

(Percentage represents comparison to previous fiscal year)

	Operating Revenues		Operating Income		Ordinary Income		Net Income		Net Income per Share
		%		%		%		%	Yen
Entire Fiscal Year	3,440,000	(0.1)	445,000	0.3	420,000	(0.7)	240,000	12.8	53,882.78

Note: Changes in forecasts during the three months ended June 30, 2010: None
Forecast of consolidated business results for the first six months of the year is not prepared.

4. Other (Please refer to page 9 “Others” for details.)

(1) Changes in significant consolidated subsidiaries during the three months ended June 30, 2010 : None

(2) Application of accounting methods which are simplified or exceptional for quarterly consolidated financial statements : Yes

(3) Changes in significant accounting policies, procedures and presentation

1) Changes resulting from the revision of the accounting standards and other regulations: Yes

2) Others : None

Note: Items to be disclosed in “Significant Changes in the Basis of Presenting Quarterly Consolidated Financial Statements”

(4) Numbers of Outstanding Shares (common shares)

1) Number of shares outstanding (inclusive of treasury stock)	As of June 30, 2010	4,484,818
	As of March 31,2010	4,484,818
2) Number of treasury stock	As of June 30, 2010	30,705
	As of March 31,2010	30,705
3) Number of weighted average common shares outstanding (cumulative for all quarters)	For the three months ended June 30, 2010	4,454,113
	For the three months ended June 30, 2009	4,454,113

Indication of quarterly review procedure implementation status

This quarterly earnings report is exempt from quarterly review procedure based upon the Financial Instruments and Exchange Act. It is under the review procedure process at the time of disclosure of this report.

Explanation for Appropriate Use of Forecasts and Other Notes

The forward-looking statements such as operational forecasts contained in this statements summary are based on the information currently available to KDDI and certain assumptions which are regarded as legitimate. Large discrepancies may be seen in the actual results due to various factors. Please refer to P.8 ″Qualitative Information on Consolidated Operating Results Forecast″ of the Attachment for the assumptions used and other notes.

Index of the Attachment

1. Qualitative Information / Financial Statements, etc.

(1) Qualitative Information on Consolidated Operating Results

1) Results Overview (For the three months ended June 30, 2010)

(Amount unit: Millions of yen)

	Three months ended June 30, 2009	Three months ended June 30, 2010	Increase (Decrease)	Increase (Decrease) %
Operating Revenues	853,729	866,019	12,289	1.4
Operating Expenses	711,903	736,722	24,818	3.5
Operating Income	141,826	129,297	(12,529)	(8.8)
Non-operating Income (Expense)	(3,379)	(6,716)	(3,337)	—
Ordinary Income	138,447	122,580	(15,866)	(11.5)
Extraordinary Profit (Loss)	5,626	5,555	(70)	(1.3)
Income before Income Taxes and Minority Interests	144,073	128,136	(15,937)	(11.1)
Income Taxes	56,427	54,509	(1,918)	(3.4)
Income before minority interests	—	73,626	—	—
Minority Interests	1,228	1,705	476	38.8
Net Income	86,417	71,921	(14,496)	(16.8)

Operating revenues for the three months ended June, 30, 2010, increased 1.4%, to ¥866,019 million, mainly due to increase in revenues from sales of handsets and revenues of group companies in the Fixed-Line Business, despite the fact the voice ARPU (Average Revenue per Unit) declined due to the increase in the Simple Course users in the Mobile Business. Operating expenses increased, due to an increase in handsets procurement cost and band reorganization cost. Operating income dropped 8.8% year on year to ¥129,297 million. Ordinary income declined 11.5% year on year, to ¥122,580 million, and net income was down 16.8% year on year, to ¥71,921 million.

Overview of Economic Conditions

Although the global economy, which has witnessed undermining of real economies, described a path of mild recovery as a result of a brisk upturn in the economies of developing nations and other factors, the sovereign debt crisis, originating in Greece, led the countries of Europe to tighten fiscal policies, driving economies back toward a downturn and necessitating continued and careful observation.

Conditions in Japan will require careful ongoing monitoring, with falling share prices and a rising yen caused by the fiscal problems in Europe damping the upward momentum of the Japanese economy.

Industry Trends

In the mobile communications market, competition for customers is intensifying further in such areas as provision of inexpensive pricing plans, handset variety including for smart phones, and provision of music, video, e-books and other content services. In the fixed-line market, meanwhile, the expansion of broadband services centered on FTTH is accompanied by an ongoing convergence between fixed-line and mobile communications, as well as between communications and broadcasting. As a result, competition between services is entering a new phase.

KDDI's Position

In the Mobile Business, the Group worked to enhance its services targeting individual and corporate clients in order to meet diversifying customer needs by developing and launching an enhanced lineup of handsets and accessories, including smartphones and digital photo frames, as well as formulating and offering new pricing plans.

In the Fixed-line Business, the Group worked to enhance ease of use for its services and expand access lines, particularly FTTH services, while offering more solutions services for corporate clients. The Group also strove to bolster its systems that support corporate clients’ international business development by increasing its overseas locations.

2) Results by Business Segment

- Results Summary (For the three months ended June 30, 2010)

(Amount unit: Millions of yen)

	Three months ended June 30, 2009	Three months ended June 30, 2010	Increase (Decrease)	Increase (Decrease) %
Mobile Business				
Operating Revenues	663,181	663,710	529	0.1
Operating Expenses	510,637	530,387	19,750	3.9
Operating Income	152,544	133,323	(19,221)	(12.6)
Fixed-line Business				
Operating Revenues	207,167	214,107	6,940	3.3
Operating Expenses	217,885	219,484	1,598	0.7
Operating Income (Loss)	(10,717)	(5,376)	5,341	—
Other Business				
Operating Revenues	19,063	28,715	9,652	50.6
Operating Expenses	19,111	27,536	8,424	44.1
Operating Income (Loss)	(48)	1,179	1,227	—

Note: From the three months ended June 30, 2010, KDDI began applying the “Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related information” (ASBJ Statement No. 17 of March 27, 2009) and “Guidance on Accounting Standard for Segment Information Disclosures” (ASBJ Guidance No. 20 of March 21, 2009). We have conducted comparisons with the previous year as the impact on KDDI's consolidated financial statements for the quarter as a result of this change was negligible.

- Total Subscriptions

(Unit : Thousand line)

	As of June 30, 2009	As of June 30, 2010	Increase (Decrease)	Increase (Decrease) %
au[1]	30,996	32,091	1,095	3.5
CDMA 1X WIN	23,440	27,147	3,707	15.8
(Ref.) UQ WiMAX	—	214	214	—
FTTH	1,211	1,637	426	35.2
Metal-plus	3,065	2,775	(290)	(9.5)
Cable-plus phone	697	1,062	365	52.4
CATV[2]	882	1,019	137	15.5
Fixed access lines[3]	5,587	6,109	522	9.3

Note 1 : Inclusive of module-type contracts

Note 2 : Number of households which subscribe any of broadcast, internet or telephone service

Note 3 : Total access lines of FTTH, Metal-plus phone, Cable-plus phone and CATV excluding crossover.

<u>Mobile Business</u>

Operating revenues in the Mobile Business for the three months ended June 30, 2010 amounted to 663,710 million, up 0.1% year on year. Contributing factors include the decrease in ARPU (Average Revenue per Unit) caused by the increased revenue from handset sales despite the uptake of low-rate plans. Operating expenses increased due to the increase in handsets procurement cost and band reorganization cost As a result, operating income decreased 12.6% year on year to ¥133,323 million.

<u>Overall</u>

- The number of au mobile phone subscriptions was 32.091 million as of June 30, 2010.
- After the completion of the reorganization of frequencies, which is being carried out with the main objective of effective utilization of the bandwidth, it will no longer be possible to use au mobile phones that are not compatible with the newly assigned frequencies. Accordingly, services for CDMA 1X and for CDMA 1X WIN models without au IC card compatibility are to be discontinued by the date of completion of the reorganization. In step with this change, KDDI will stop accepting new subscriptions for CDMA 1X WIN models without au IC card compatibility from August 8, 2010. From April 15, 2010, customers using CDMA 1X WIN models without au IC Card compatibility have been able to upgrade to IC-card-compatible models free of charge, with KDDI waiving the ¥2,100 (tax inclusive) charge for handset upgrade processing.

Mobile Handsets

- Under the au brand, KDDI offered a diverse product lineup in pursuit of greater usability, with all products in its portfolio now being waterproof. Mobile handset launches since May 28, 2010, include the "IS01" smartphone, Android™ OS smartbook equipped with five-inch touch panel; the "IS02" Windows® phone, the world's thinnest[1] sliding phone equipped with QWERTY keyboard; the "EXILIM-Keitai CA005;" the "Cyber-shot™ phone S003;" the "BRAVIA® Phone S004;" the "SA002," the world's slimmest[2] waterproof sliding phone; the "beskey," with a selection of keypads; the "REGZA Phone T004," which is the first model in the REGZA Phone series; the "AQUOS SHOT SH008;" the "SOLAR PHONE SH007;" and the "K005" dustproof Simple Phone. In the future, KDDI also plans to launch the "PT001" Simple Phone S, a mobile handset dedicated to voice calls.

  KDDI also commenced sales of the "au Wi-Fi WIN Card," which can be inserted in the au mobile phone microSD card slot to use Wi-Fi WIN.

  As part of its MVNO services, utilizing the Group's infrastructure, KDDI launched the "Tigers-Keitai" mobile phone service, the first such public service dedicated to one baseball team's fan base, followed by the "GIANTS-Keitai," which offers an enhanced lineup of services for fans of the Yomiuri Giants baseball team. We also instigated the "JAL MILE PHONE" service, which awards up to seven air miles for every ¥100 spent on charges.

  Notes:
  1. For a waterproof slide-type mobile phone handset (as of Mar. 31, 2010). Source: Mediainteractive Inc. survey.
  2. Thickness of 12.9 mm. Source: TOSHIBA CORPORATION (Mar. 31, 2010)
- KDDI commenced sales of the "PHOTO-U SP01" digital photo frame, a universally easy-to-use model that displays photos taken on a mobile phone and features audio and animation functions along with an array of other contents.

Consumer Services

- KDDI instigated "au Simple Payment Service" for au mobile phone subscribers from June 1, 2010. Through this service, customers using au smartphones equipped with Android™ and PCs can register with "au one-ID" to benefit from joint calculation and payment of fees for contents and services in conjunction with their au charges, providing the same convenience as using "EZweb." "au Simple Payment Service" is the first settlement service provided by a telecommunication carrier in Japan for smartphones equipped with Android™.
- On June 30, 2010, KDDI began providing the "au one Market," a new applications market for au smartphones equipped with Android™. This facilitates secure, convenient access to the marketplace for Android™-equipped handsets through provision of "au Simple Payment Service" and a security check function of contents providers.
- In the field of commerce, in May 17, 2010, KDDI, in collaboration with Grand Marche Co., Ltd., started providing "au one la Select," which enables online shopping for products attuned to customers' individual lifestyles. Moreover, in cooperation with EC Navi Company, KDDI launched the "au one Shopping Search" from June 15, 2010, online shopping support site, which showcases a lineup of more than 30 million items. This is the first shopping service run by a carrier that facilitates product price comparisons.

Corporate Services

- KDDI commenced sales of WIN data communications terminals*, Japan's first terminals that can be used with both WiMAX and CDMA networks, on June 29, 2010. These terminals enable customers to use high-speed WiMAX communications and CDMA communications which run over enhanced service areas. As this service is flexible to customers' mode of use, WIN data communications terminals are marketed in conjunction with specialized price plans.

* "DATA01," "DATA03" (USB type), and "DATA02" "DATA04" (ExpressCard type).

Main Services in the Second Quarter and Beyond

- KDDI, in collaboration with Sony Corporation, Toppan Printing Co., Ltd., and The Asahi Shimbun Company, reached a basic agreement on the establishment of a business planning joint venture, intended to develop into an e-book distribution company on July 1, 2010.

  Based on discussions between these four companies, the joint venture is intended to build and manage a common distribution platform for digital contents including books, comics, magazines and newspapers for the Japanese market. The company intends to start a content distribution service before the end of 2010.

- In order to respond to expansion of the market for products equipped with data communication functions, such as digital home electronics equipment, from July 2010, KDDI will commence “Link→au” an alliance service providing au telecommunications service through products under its partners’ brands. The first such product is “CAR NAVITIME ‘WND-01K,’” a car navigation system with telecommunications functions, which is planned for launch by NAVITIME JAPAN Co., Ltd., in July 2010.
- On July 1, 2010, KDDI launched “Sekai Camera ZOOM,” an augmented reality (AR) application realized through a collaboration of an AR platform jointly developed by KDDI and KDDI R&D Laboratories with Tonchidot Corporation’s Sekai Camera. As it is equipped with a Twitter Client function for social networking, this new application allows the “Sekai Camera ZOOM” to be enjoyed with the full range of functions from Twitter.
- “Run Pit by au Smart Sports” is a shower and locker facility for runners looking to jog around the Imperial Palace in the conveniently located Palaceside Building, which adjoins Takebashi Station on Tokyo Metro Tozai Line. Through this facility, we promote a new sports lifestyle, fusing sports and mobile phones.
- On July 1, 2010, KDDI began strengthening measures to improve home area reception quality enhancement measures in response to customer requests for improvement of the au mobile phone service area and home-area posted on “Let’s Create! au Area” section of the au website. Such initiatives include providing “au Femtocell,” a micro-mini base station for customers’ home areas.
- KDDI plans to provide closed-area remote access services for WiMAX connection as an MVNO of UQ Communications Inc. for corporate clients from August 2010. Through a direct connection between WiMAX and KDDI’s IP-VPN and WVS data circuits, this service achieves high security without passing through the Internet.
  Note: WVS is the KDDI Wide Area Virtual Switch.
- KDDI introduced “LIGHT POOL,” a new model of “iida” brand that has been created with a concept to design the space of the mobile phone with its ambient lightings and music. A total of six items of “LIFESTYLE PRODUCTS,” including products to fully enjoy the lighting effects, will be released from the end of July, 2010.

Notes:

1. “EXILIM-Keitai” is a registered trademark of Casio Computer Co., Ltd.
2. “Cyber-shot” and “BRAVIA” are a trademark or a registered trademark of Sony Corporation.
3. “AQUOS” and “AQUOS SHOT” are registered trademarks of Sharp Corporation.
4. “REGZA” is a registered trademark of TOSHIBA CORPORATION.
5. “Android” is a trademark of Google Inc.
6. Windows® is a trademark or registered trademark of Microsoft Corporation in the United States, Japan and other countries.
7. “NAVITIME” is trademark of NAVITIME JAPAN Co., Ltd.
8. “Wi-Fi” is a registered trademark of Wi-Fi Alliance®.
9. “Twitter” is a registered trademark of Twitter, Inc. in the United States and other countries.
10. “Sekai Camera” is a registered trademark of Tonchidot Corporation.
11. “WiMAX” is a registered trademark of WiMAX Forum.

Fixed-line Business

Operating revenues in the Fixed-Line Business for the three months ended June 30, 2010, amounted to ¥214,107 million, 3.3% increase year on year, despite the decline in voice revenue, due to the increase in revenues by Chubu Telecommunications Co., Inc. and Japan Cablenet Ltd., as well as an merger of DMX Technologies Group Limited as a consolidated subsidiary. Operating loss was ¥5,376 billion, showing recovery of ¥5,341 million year on year.

Overall

- The number of FTTH service subscriptions, consisting of “au HIKARI” and services of consolidated subsidiaries (Chubu Telecommunications Co., Inc.’s “Commuf@-hikari”, Okinawa Cellular Telephone Company’s “au HIKARI Chura” and Okinawa Telecommunication Network Co., Inc.’s “Hikarifuru”) reached 1.637 million as of June 30, 2010.
- As of June 30, 2010, the number of “Metal-plus” subscriptions totaled 2.775 million.
- “Cable-plus phone” saw strong expansion in subscriptions, passing the one million mark on May 12, 2010. Alliances with cable television companies also grew steadily, reaching 96 companies and 1.062 million subscriptions as of June 30, 2010.

- Consolidated subsidiary JCN Group, which oversees 19 cable companies primarily in the Tokyo metropolitan area, had 1.019 million cable television subscriptions as of June 30, 2010.

Consumer Services

- From April 1, 2010, the “au HIKARI Home” FTTH service was extended to Ishikawa Prefecture. Accordingly, “au HIKARI Home” is now available in the Tokyo Metropolitan Area and seven prefectures* in Japan’s Kanto region, in Miyagi Prefecture in the Tohoku region, in Hokkaido, and in Ishikawa Prefecture in the Hokuriku region. In the future, KDDI will continue striving to improve its services and expand its service area in order to provide customers with maximum high-speed optical fiber services.
  * Tokyo, Kanagawa, Saitama, Chiba, Ibaraki, Tochigi, Gunma, and Yamanashi
- On the “au HIKARI MANSHION” front, in June 2010 KDDI began extending “au HIKARI MANSHION Giga,” a service that realizes low-cost, high-speed telecommunications with uplink and downlink speeds of 1 Gbps, to properties for which installation of facilities has been completed. Accordingly, customers residing in multi-unit housing of more than four floors can now benefit from optical fiber services at up to 1 Gbps.
- KDDI supplemented its “au HIKARI” TV service set-top box (STB) lineup with “HD-STB,” which is mounted with a 500GB hard disk, and will start leasing this model from June 2, 2010. By connecting “HD-STB” to “au HIKARI,” subscribers can access the video-on-demand “au HIKARI Video Channel Service” and multi-channel services. In addition, by connecting a digitally compatible antenna, customers can view terrestrial digital broadcasts, BS digital broadcasts and 110 degree CS digital broadcasts*. Up to 500 hours of programs can be stored on the “HD-STB” internal HDD, with simultaneous recording of two different programs also possible. In addition, movies and other programs provided by the “LISMO Video Store” video-on-demand distribution site can be enjoyed at customers’ homes and can be transferred to au mobile phones for viewing outside the house. In the future, KDDI will continue to strive for improvements to services that enable customers to enjoy video and music contents using broadband in their lives.

  * Requires connection to an antenna that can receive terrestrial digital broadcast, BS digital broadcast and 110 degree CS digital broadcast frequencies.

Corporate Services

- We have upgraded the functions of our wide-area data network service, “KDDI Wide Area Virtual Switch” (KDDI WVS), and began offering new functions from May 10, 2010, as STEP 2 in this drive for improvements. In July 2009, to meet the needs of corporate customers, we began to provide a “traffic-free function” and a “plug-in function” as part of STEP 1 in KDDI WVS, and we will incorporate various functions to realize Cloud Server Services for corporate clients on a more stable Intranet work environment as part of STEP 2.
- KDDI had added “System Menu” to its “KDDI Cloud Server Service Virtual SYS Type” next-generation IT infrastructure. On June 18, 2010, KDDI commenced provision of this upgraded service. Configuration and design are conducted by dedicated system engineers, with surveillance and maintenance carried out by KDDI, which is supplying this system on a one-stop basis. The system components are all itemized in the pricing menu, which facilitates an easily comprehensible fee structure.

Main Services in the Second Quarter and Beyond

- KDDI began providing “KDDI Matomete Office,” a membership-based support program to realize total cost of ownership (TCO) reductions and enhanced business efficiency for small and medium-sized companies from July 1, 2010. This program provides member corporate clients with a set of fixed-line and mobile telephone call services and various solution services, in addition to cultivating an IT environment conducive to OA equipment services. In addition, KDDI has established a dedicated helpdesk to provide comprehensive support and to deal with maintenance and other issues following installation.

Other Business

Operating revenues in the Other Business segment for the three months ended June 30, 2010 increased 50.6% year on year to ¥28,715 million. The Other Business segment posted an operating profit if ¥1,179 million, an increase of ¥1,227 million year on year.

3) Status of Major Affiliates

- UQ Communications Inc. (“UQ”), an equity method affiliate of KDDI, has been promoting the spread of its lineup of Wi-Fi[1] routers, marketed as “WiMAX Speed Wi-Fi,” that facilitate Internet access via WiMAX from a range of Wi-Fi–compatible equipment since June 7, 2010. Currently, tablet PCs and other machines equipped with a Wi-Fi connection function and related applications are diversifying at an increasing pace. By utilizing “WiMAX Speed Wi-Fi” with the fastest data transmission speed* in the industry, provided by UQ

WiMAX, customers can download videos, music, e-books and other media and easily access online battle games.

* A maximum download speed of 40Mbps, as of June 7, 2010.

- The total number of accounts handled by equity method affiliate of KDDI, Jibun Bank Corporation, topped one million mark on May 23, 2010. Achieving this milestone in the one year and 10 months since the bank commenced customer services in July 2008 represents the fastest growth for any specialized Internet bank.
- KDDI and equity method affiliate Jupiter Telecommunications Co., Ltd. set up four working groups and have been conducting preliminary discussions and investigations for achieving business synergies from late April 2010, just after the tender offer for J:COM shares by Sumitomo Corporation was completed. The working group covers the telecom business and product collaboration, media business, CATV business, and technology and infrastructure.
- As a result of these discussions, J:COM and KDDI came to the conclusion that cooperation between their two companies in certain areas may lead to the achievement of synergies. Accordingly, on June 10, J:COM, KDDI and Sumitomo agreed to conduct a detailed investigation into various measures to achieve this goal. Moreover, the three companies have acknowledged that Sumitomo and KDDI intend to fully cooperate for the purpose of increasing the corporate value of J:COM and that Sumitomo will continue to further strengthen its longstanding relationship with J:COM by enhancing coordination with Sumitomo's extensive business network of media-, retail-, and network-related businesses and other means.
- On May 26, 2010, KDDI established a new company, MediaFLO Broadcast Planning Incorporated, with the aim of expanding into contracted multimedia broadcasting services for mobile terminals (MediaFLO) using MediaFLO™ technology. MediaFLO Broadcast Planning examines services and business plans that employ the special features of the MediaFLO™ system, with a view to expanding into contracted multimedia broadcasting services for mobile terminals expected to start in fiscal year ending March 31,2011.

Note: "MediaFLO" is a trademark of QUALCOMM Incorporated of the United States.

(2) Qualitative Information on Consolidated Financial Position

Consolidated total assets as of June 30, 2010, stood at ¥3,749,352 million, a decrease of ¥70,184 million from March 31, 2010. This decrease was primarily attributable to factors such as decreases in securities (negotiable certificate of profit) and tangible fixed assets of telecommunication business.

Total liabilities amounted to ¥1,629,919 million, a decline of ¥111,166 million from March 31, 2010. Major factors contributing to this decline were decreases in short-term loans payable and accounts payable-other.

Net assets increased to ¥2,119,432 million, mainly due to an increase in retained earnings. As a result, the shareholders' equity ratio rose from 52.8% to 54.9 %.

The following describes the cash flow situation for the three months ended June 30, 2010.

(Amount unit: Millions of yen)

	Three months ended June 30, 2009	Three months ended June 30, 2010	Increase (Decrease)
Net cash provided by (used in) operating activities	90,963	108,890	17,926
Net cash provided by (used in) investing activities	(167,493)	(110,100)	57,393
Free cash flows	(76,529)	(1,209)	75,319
Net cash provided by (used in) financing activities	(5,503)	(52,329)	(46,825)
Effect of exchange rate change on cash and cash equivalents	523	(21)	(544)
Net increase (decrease) in cash and cash equivalents	(81,510)	(53,560)	27,950
Cash and cash equivalents at beginning of period	200,310	165,476	(34,833)
Cash and cash equivalents at end of period	118,800	111,916	(6,883)

Note: Free cash flows are calculated as the sum of "net cash provided by (used in) operating activities" and "net cash provided by (used in) investing activities."

Operating activities provided net cash of ¥108,890 million. This includes ¥128,136 million of income before income taxes and minority interests, ¥106,112 million of depreciation and amortization, ¥67,525 million of income taxes paid.

Investing activities used net cash of ¥110,100 million. This includes ¥78,563 million in payments for purchase of Property, plant and equipment and ¥27,084 million in payments for purchase of intangible assets.

Financial activities used net cash of ¥52,329 million largely due to ¥50,000 million in payments to long-term loans, ¥70,013 million in payments to long-term loans and ¥28,468 million in payments of cash dividends.

(3) Qualitative Information on Consolidated Operating Results Forecast

1.Outlook for the Fiscal Year Ending March 31, 2011

Overview

- KDDI is strengthening its business foundation to by responding the rapid changes in its operating environment in order to achieve sustainable growth.
- The Company will strive to be No.1 in customer satisfaction in all services and tackle the challenge of new value creation.
- KDDI, by promoting more assertively total customer satisfaction (TCS) activities in order to raise satisfaction among all stakeholders, will endeavor to boost corporate value further and strengthen its brand competitiveness.
- Regarding information security, the Company will pursue extensive information management and compliance, and promote adoption of a more robust risk management structure.
- With an emphasis on harmony with the natural environment, KDDI will contribute to the creation of a more humane and prosperous society through vigorous environmental conservation activities, including energy and resource conservation, recycling, and ‘green’ purchasing.
- KDDI has positioned support for all socioeconomic activities through the provision of safe and secure information and communications services as the principle underlying its CSR activities, and will work from this vantage to actively contribute to a prosperous communications society.

Mobile Business

In a bid to lift the level of customer satisfaction even higher, the Company will take steps to expand its business domains while pushing to strengthen overall product appeal and deliver a more secure mobile environment than ever before. To this end, the Company will develop and offer attractive handsets, new services, and new content that match customers’ diverse needs, in addition to extending its service area and improving quality through customer home visits and other measures.

With respect to corporate clients, the Company will develop and provide converged services of the areas of mobile and fixed-line communications, and other offerings, in an effort to improve customer convenience.

Fixed-Line Business

Along with efforts to promote sales of the “au HIKARI”, “au HIKARI Chura”[1] and “Commuf@-hikari” FTTH services, KDDI will seek ties with cable television companies with the goal of expanding its access lines, including for “Cable-plus phone” and cable television services.

With respect to corporate clients, KDDI, guided by the slogan “Maximize Your Corporate Strength,” will assist clients in developing their businesses anywhere in the world using data centers as a core leverage point to offer services that encompass everything from network lines and IT equipment to sophisticated operation and maintenance services.

Note 1: Okinawa Cellular Telephone Company is scheduled to commence with the provision of FTTH service in Okinawa Prefecture from March 2010.

Full-Year Results

The estimated consolidated financial results for FY ending March 2011 for full-year basis disclosed in the Financial Statements Summary for FY ended March 2010 were as follows; Operating Revenues: ¥3,440,000 million, Operating Income: ¥445,000 million, Ordinary Income: ¥420,000 million, Net Income: ¥240,000 million. There is no change to these figures.

The Company has not prepared consolidated business forecasts for the first six months of the fiscal year ending March 31, 2011 because the rapidly changing operating environment, characterized by competition among telecommunication carriers, means it is difficult to make forecasts for this period.

2.Business Risks

As KDDI Group pursues its business, there are various risks involved. The Group takes every effort to reduce these risks by preventing and hedging them.

However, there are various uncertainties which could have negative impacts on the Group’s brand image, liability, financial position and/or earnings performance such as;

- subscription growth trends out of line with the Group expectations due to competition, rival technologies and rapid market shifts
- breach of obligations regarding communications security and protection of customer privacy
- revision or repeal of laws and ordinances governing telecommunications, together with related government policies
- general legal and regulatory, litigation and patents, personnel retention and training, retirement benefits, asset-impairment accounting, telecommunications sector consolidation and business restructuring in the KDDI Group

2. Others

(1) Changes in Significant Consolidated Subsidiaries during the Three Months Ended June 30, 2010 (Which Results in Changes in Scope of Consolidation)

None

(2) Application of Accounting Methods which are Simplified or Exceptional for Consolidated Financial Statements

1) Simplified accounting methods

Valuation of inventories

The Company omits physical stocktaking of inventories and calculated inventories as of June 30, 2010 by a reasonable method based on the actual inventories as of March 31, 2010.

Calculation of depreciation expense for noncurrent assets

The depreciation expense for noncurrent assets that are depreciated by the declining-balance method is calculated by proportionally allocating the depreciation expense for the consolidated fiscal year.

Calculation of income taxes, deferred tax assets and deferred tax liabilities

The collectability of deferred tax assets is determined based on the future earnings projections and tax planning used in the previous fiscal year, when the business environment and temporary differences are not considered to have changed significantly from the end of the previous fiscal year.

2) Exceptional accounting method for quarterly consolidated financial statements

None

(3) Outline of Changes in Significant Accounting Policies, Procedures and Presentation

1. Changes in accounting standard

1) Application of “Accounting Standard for Equity Method of Accounting for Investment” and “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method”

From the first quarter of the fiscal year ending March 31, 2011, KDDI applies the “Accounting Standard for Equity Method of Accounting for Investment” (Accounting Standards Board of Japan [ASBJ] Statement No. 16 of March 10, 2008) and the “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method” (ASBJ PITF No. 24 of March 10, 2008).

There is no impact on KDDI’s consolidated financial statements for quarter as a result of this change.

2) Application of “Accounting Standard for Asset Retirement Obligations”

From the first quarter of the fiscal year ending March 31, 2011, KDDI applies the “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No. 18 of March 31, 2008) and the “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21 of March 31, 2008).

There is no significant impact on KDDI’s consolidated financial statements for the quarter as a result of this change.

3) Application of “Accounting Standard for Business Combinations” and others

From the first quarter of the fiscal year ending March 31, 2011, KDDI began applying the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21 of December 26, 2008), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22 of December 26, 2008), the “Partial amendments to Accounting Standard for Research and Development Costs” (ASBJ Statement No. 23 of December 26, 2008), the “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7 of December 26, 2008), the “Revised Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No. 16 of December 26, 2008), and the “Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10 of December 26, 2008).

2. Changes in presentation

Based on the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22 of December 26, 2008), KDDI applies the “Cabinet Office Ordinance Partially Revising Regulation on Terminology, Forms and Preparation of Financial Statements” (Cabinet Office Ordinance No.5, March 24, 2009). As a result, “Income before minority interests” is included in the consolidated financial statements for the first quarter of the fiscal year ending March 31, 2011.

3. Consolidated Financial Statements

(1) Consolidated balance sheets

(Amount unit: Millions of yen)

	As of June 30, 2010	As of March 31, 2010
Assets		
Noncurrent assets		
Noncurrent assets-telecommunications business		
Property, plant and equipment		
Machinery, net	679,771	686,592
Antenna facilities, net	332,593	326,252
Local line facilities, net	133,933	130,047
Long-distance line facilities, net	14,665	15,667
Engineering facilities, net	32,952	33,353
Submarine line facilities, net	11,409	12,081
Buildings, net	223,915	227,011
Structures, net	31,802	31,757
Land	240,743	240,746
Construction in progress	74,707	84,087
Other tangible assets, net	38,444	40,073
Total property, plant and equipment	1,814,940	1,827,672
Intangible assets		
Right of using facilities	7,587	7,368
Software	219,233	221,785
Goodwill	23,162	24,411
Other intangible assets	8,845	8,445
Total intangible assets	258,829	262,010
Total noncurrent assets-telecommunications business	2,073,769	2,089,683
Incidental business facilities		
Property, plant and equipment	113,821	113,374
Intangible assets	60,754	60,733
Total noncurrent assets-incidental business	174,575	174,108
Investments and other assets		
Investment securities	77,202	93,057
Stocks of subsidiaries and affiliates	368,071	372,167
Investments in capital of subsidiaries and affiliates	202	182
Long-term prepaid expenses	80,045	79,878
Deferred tax assets	102,070	100,392
Lease and guarantee deposits	38,264	38,380
Other investment and other assets	11,474	10,882
Allowance for doubtful accounts	(9,095)	(8,576)
Total investments and other assets	668,236	686,367
Total noncurrent assets	2,916,581	2,950,158
Current assets		
Cash and deposits	113,684	96,863
Notes and accounts receivable-trade	534,310	536,309
Accounts receivable-other	39,409	44,515
Short-term investment securities	-	70,000
Supplies	58,297	49,249
Prepaid expenses	39,766	-

(Amount unit: Millions of yen)

	As of June 30, 2010	As of March 31, 2010
Deferred tax assets	55,469	67,398
Other current assets	5,321	18,751
Allowance for doubtful accounts	(13,488)	(13,709)
Total current assets	832,770	869,378
Total assets	3,749,352	3,819,536
Liabilities		
Noncurrent liabilities		
Bonds payable	374,971	374,968
Long-term loans payable	546,171	497,775
Provision for retirement benefits	18,609	18,542
Provision for point card certificates	80,757	78,693
Other noncurrent liabilities	35,264	34,178
Total noncurrent liabilities	1,055,773	1,004,159
Current liabilities		
Current portion of noncurrent liabilities	111,888	111,941
Notes and accounts payable-trade	77,726	66,553
Short-term loans payable	31,154	101,166
Accounts payable-other	175,155	250,517
Accrued expenses	16,173	16,150
Income taxes payable	41,385	67,856
Advances received	75,319	74,608
Provision for bonuses	8,179	18,975
Other current liabilities	37,162	29,156
Total current liabilities	574,145	736,927
Total liabilities	1,629,919	1,741,086
Net assets		
Shareholders' equity		
Capital stock	141,851	141,851
Capital surplus	367,091	367,091
Retained earnings	1,549,921	1,506,951
Treasury stock	(25,244)	(25,244)
Total shareholders' equity	2,033,620	1,990,650
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	30,819	34,326
Foreign currency translation adjustment	(7,392)	(7,250)
Total valuation and translation adjustments	23,427	27,076
Subscription rights to shares	1,735	1,606
Minority interests	60,649	59,117
Total net assets	2,119,432	2,078,450
Total liabilities and net assets	3,749,352	3,819,536

(2) Consolidated statements of income

(Amount unit: Millions of yen)

	Three months ended June 30, 2009	Three months ended June 30, 2010
Operating income and loss from telecommunications		
Operating revenue		
Total operating revenue	665,733	637,380
Operating expenses		
Business expenses	169,175	166,453
Operating expenses	75	34
Facilities maintenance expenses	56,007	76,521
Common expenses	429	578
Administrative expenses	27,208	16,418
Experiment and research expenses	1,310	1,462
Depreciation	103,290	100,214
Noncurrent assets retirement cost	3,497	2,272
Communication facility fee	105,244	101,253
Taxes and dues	7,818	7,869
Total operating expenses	474,058	473,079
Net operating income from telecommunication	191,674	164,301
Operating income and loss from incidental business		
Operating revenue	187,996	228,638
Operating expenses	237,844	263,642
Net operating loss from incidental business	(49,848)	(35,004)
Operating income	141,826	129,297
Non-operating income		
Interest income	166	124
Dividends income	603	705
Foreign exchange gains	895	—
Miscellaneous income	1,347	1,771
Total non-operating income	3,012	2,601
Non-operating expenses		
Interest expenses	3,129	3,645
Equity in losses of affiliates	1,690	3,462
Foreign exchange losses	—	1,453
Miscellaneous expenses	1,570	756
Total non-operating expenses	6,391	9,318
Ordinary income	138,447	122,580
Extraordinary income		
Gain on sales of noncurrent assets	—	985
Gain on sales of investment securities	317	5,691
Reversal of allowance for doubtful accounts	5,309	—
Total extraordinary income	5,626	6,676
Extraordinary loss		
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	1,120
Total extraordinary losses	—	1,120
Income before income taxes and minority interests	144,073	128,136
Income taxes-current	39,351	42,081
Income taxes-deferred	17,075	12,428

(Amount unit: Millions of yen)

	Three months ended June 30, 2009	Three months ended June 30, 2010
Total income taxes	56,427	54,509
Income before minority interests	—	73,626
Minority interests in income	1,228	1,705
Net income	86,417	71,921

(3) Consolidated statements of cash flows

(Amount unit: Millions of yen)

	Three months ended June 30, 2009	Three months ended June 30, 2010
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	144,073	128,136
Depreciation and amortization	108,434	106,112
Amortization of goodwill and negative goodwill	2,717	3,045
Loss (gain) on sales of noncurrent assets	(65)	(984)
Loss on retirement of noncurrent assets	2,064	1,226
Increase (decrease) in allowance for doubtful accounts	(5,238)	300
Increase (decrease) in provision for retirement benefits	223	(15)
Interest and dividends income	(770)	(830)
Interest expenses	3,129	3,645
Equity in (earnings) losses of affiliates	1,690	3,462
Loss (gain) on sales of investment securities	(317)	(5,693)
Loss (gain) on valuation of investment securities	―	24
Increase (decrease) in provision for point card certificates	4,799	2,063
Decrease (increase) in prepaid pension costs	1,034	(522)
Decrease (increase) in notes and accounts receivable-trade	13,454	22,095
Decrease (increase) in inventories	19,160	(9,018)
Increase (decrease) in notes and accounts payable-trade	(19,892)	9,249
Increase (decrease) in accounts payable-other	(43,972)	(55,856)
Increase (decrease) in accrued expenses	725	838
Increase (decrease) in advances received	3,470	259
Other, net	(27,137)	(29,042)
Subtotal	207,584	178,495
Interest and dividends income received	1,546	1,267
Interest expenses paid	(2,481)	(3,347)
Income taxes paid	(115,686)	(67,525)
Net cash provided by (used in) operating activities	90,963	108,890
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(102,353)	(78,563)
Proceeds from sales of property, plant and equipment	75	734
Purchase of intangible assets	(26,262)	(27,084)
Purchase of investment securities	―	(152)
Proceeds from sales of investment securities	400	1,361
Purchase of stocks of subsidiaries and affiliates	(15,233)	(26)
Purchase of investments in subsidiaries and affiliates resulting in change in scope of consolidation	(17,090)	(577)
Purchase of long-term prepaid expenses	(7,160)	(5,452)
Other, net	131	(337)
Net cash provided by (used in) investing activities	(167,493)	(110,100)

(Amount unit: Millions of yen)

	Three months ended June 30, 2009	Three months ended June 30, 2010
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(34,552)	(70,013)
Proceeds from long-term loans payable	29,500	50,000
Repayment of long-term loans payable	(5,358)	(2,096)
Proceeds from issuance of bonds	50,000	—
Redemption of bonds	(19,800)	—
Cash dividends paid	(24,035)	(28,468)
Cash dividends paid to minority shareholders	(530)	(574)
Other, net	(726)	(1,175)
Net cash provided by (used in) financing activities	(5,503)	(52,329)
Effect of exchange rate change on cash and cash equivalents	523	(21)
Net increase (decrease) in cash and cash equivalents	(81,510)	(53,560)
Cash and cash equivalents at beginning of period	200,310	165,476
Cash and cash equivalents at end of period	118,800	111,916

(4) Going Concern Assumption

None

(5) Segment Information

[Business segment information]

For the three months ended June 30, 2009 (April 1, 2009 – June 30, 2009)

(Amount unit: Millions of yen)

	Mobile Business	Fixed-line Business	Other Business	Total	Elimination and corporate	Consoli-dation
Sales and Operating Income (Loss)						
Sales						
1) Outside Sales	660,033	185,954	7,742	853,729	-	853,729
2) Intersegment Sales	3,148	21,213	11,321	35,683	(35,683)	-
Total	663,181	207,167	19,063	889,413	(35,683)	853,729
Operating Expenses	510,637	217,885	19,111	747,634	(35,730)	711,903
Operating Income (Loss)	152,544	(10,717)	(48)	141,779	47	141,826

Note 1: Business segments and principal services/operations of each segment

Business Segment	Principal Services/Operations
Mobile Business	Mobile phone services, sales of mobile phone handsets, mobile solutions services
Fixed-line Business	Local, long-distance, and international telecommunications services, internet services, solutions services, data center services, cable television services
Other Business	Call center business, content business, research and advanced development, and other mobile phone services, etc.

[Geographic segment information]

For the three months ended June 30, 2009 (April 1, 2009 – June 30, 2009)

Information by geographic segment is not shown since net sales in Japan accounted for over 90% of total net sales in all business segments.

[Net sales from overseas operations]

For the three months ended June 30, 2009 (April 1, 2009 – June 30, 2009)

Net sales from overseas operations are not shown since they account for less than 10% of consolidated net sales.

Additional Information

From the three months ended June 30, 2010, the Group applies the "Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related information" (ASBJ Statement No. 17 of March 27, 2009) and "Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20 of March 21, 2009).

1. Outline of business segments reported

The business segments the Group reports are the business units for which the Company is able to obtain respective financial information separately in order for the Board of Directors to conduct periodic investigation to determine distribution of management resources and evaluate their business results.

As the Group is a comprehensive telecommunications company combining mobile and fixed-line communications in a single company, its business segments reported comprise of the "Mobile Business" and the "Fixed-line Business."

The Mobile Business provides mobile services (voice and data service), sales of mobile phone handsets and content and other services. The Fixed-Line Business provides various fixed-line communications services, including long distance and international telecommunications services, FTTH services, direct access telephony, including cable television services (CATV). In addition, the Group offers data center services and various ICT solutions services outside of Japan.

2. Information on sales and income (loss) by business segment reported

For the three months ended June 30, 2010 (Amount unit: Millions of yen)

	Business segments reported			Other Business [1]	Total	Adjustment [2]	Consolidated Statements of Income [3]
	Mobile Business	Fixed-line Business	Subtotal				
Sales							
Outside Sales	661,207	192,317	853,525	12,493	866,019	−	866,019
Intersegment Sales or Transfer	2,502	21,790	24,293	16,222	40,515	(40,515)	−
Total	663,710	214,107	877,818	28,715	906,534	(40,515)	866,019
Operating Income (Loss)	133,323	(5,376)	127,947	1,179	129,126	170	129,297

Notes: 1. The "Other Business" category incorporates operations not included in business segments reported, including call center business, research and technological development, and other operations.
2. Adjustment of segment income (loss) refers to elimination of intersegment transactions.
3. Operating income (loss) for segment is adjusted on operating income on the quarterly consolidated statements of income.

3. Information concerning impairment loss from noncurrent assets, goodwill and other items by business segment

(Material impairment loss from noncurrent assets)

None

(Material changes in goodwill)

None

(Material profit from negative goodwill)

None

(6) Material Changes in Shareholders' Equity

None