

Special Feature

The Challenge: Creating New Value That Is Unique To KDDI

KDDI strives to achieve sustainable growth, enhance existing businesses, and create new, high-value-added businesses based on communications.

iida

The new “iida” brand is a development and expansion of the “au design project,” created in collaboration with guest designers to reflect customers’ lifestyles. This section introduces the background, aims, and brand concept behind the creation of “iida,” and the new possibilities for “iida” going forward.

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Jibun Bank

Jibun Bank Corporation opened its digital doors for mobile banking services in July 2008. This section describes the current status and future direction of the business.

じぶん銀行 → P.22
Jibun Bank

UQ Communications

UQ Communications Inc. started commercial service in July 2009. This section describes the current status of the business and its future prospects.

UQ → P.23
WiMAX

The Challenge for New Value Creation

iida**Four elements comprise the new iida brand**

innovation Even the briefest flash of inspiration can be an evolutionary leap that transforms your everyday world.

imagination Is it really true that the imagination of the creator surpasses the imagination of a person who owns a mobile phone? Not with an idea.

design The right design is the one that can thrill a person just by its feel.

art The idea that the seemingly ordinary things closest to you should be works of art.

Brand Concept

LIFE > PHONE

Issues and Initiatives

In the past, KDDI's performance growth has been driven by its Mobile Business. Due to the delays in the completion of the KDDI Integrated Platform during FY 2009.3, however, KDDI was unable to release sufficiently functional and high-performance handsets, which resulted in a loss of market competitiveness, making it clear that KDDI needed more attractive products as a solution.

In order to ensure growth going forward in a maturing and saturated consumer mobile phone market, it is critical that KDDI not only work to lower product procurement costs, but take up the challenge of developing new distribution methods that do not rely solely on existing sales channels. And, with the Company soon approaching its tenth year in business, KDDI needs to avoid the inertia that can plague any large corporation, revitalize its organization with an eye to the next ten years, and create a corporate environment in which every employee has the mettle to take on the challenge of new value creation.

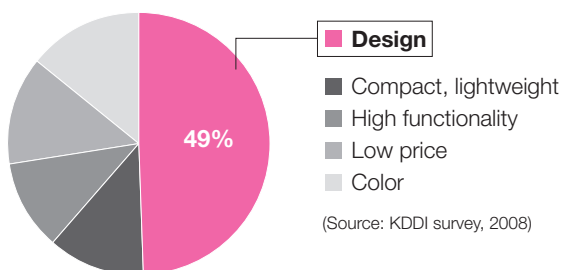
As one initiative in response to these issues, KDDI has launched its new "iida" brand.

The Value "iida" Brings

KDDI has provided a variety of attractively designed mobile phones through its "au design project" and other efforts. The basic concept of the new brand is to design products with peoples' lifestyles in mind, by developing and expanding these efforts in the past and collaborating with outside designers. The brand name "iida" is an acronym for the four words which are the basic elements of this concept: innovation, imagination, design, and art. The theme of the new brand is "LIFE>PHONE," and its keyword is not "mobile phone," but "lifestyle."

KDDI will continue to strengthen its "au" brand with strategic models that meet the needs of its customers by responding to their requests for emphasis on innovation, lifestyle, price, and other factors with mobile phone functions that meet their needs. At the same time, the new "iida" brand will use these strategic models as a platform, introducing new mobile phones and peripheral devices targeting those customers who wish to emphasize quality of design, ease of use, and other aesthetic considerations over function. By combining these two brands in a single, balanced product offering, the Company will also work to lower its procurement costs. In addition to its existing au shop and large-volume retailer outlets, KDDI will also explore new sales channels for the "iida" brand, taking on the challenge of developing product distribution matched to the specific characteristics of each model.

By making effective use of existing frameworks, while also providing a virtual platform for creating new business models, the "iida" brand is being positioned as a kind of internal MVNO, and in that sense is expected to bring fresh energy to the Company while generating a new, positive business cycle.

What Customers Look for in a Mobile Handset

Developer Interview



An integration of art and product, these new Art Editions have a presence that breaks through traditional wisdom.

Satoshi Sunahara

Assistant Manager, Concept Planning Group
Product Planning Dept., Consumer Service & Product Planning Division

Encounter with Yayoi Kusama

As we took the first step in moving from the “au design project” to the new “iida” brand, our goal was not only to create the “iida” brand, but to deliver what would be a new flagship product for KDDI, and for our customers. This product needed to meet the lofty ambition of contributing to Japan’s unique design culture, while being worthwhile of the efforts of KDDI as a company.

We began by focusing on a single avant-garde artist. Known for her many years of work in developing unique modes of expression, Yayoi Kusama enjoys an international reputation. Her characteristic dot motif and vivid color have brought to her works a new and strangely appealing level of “kawaii,” or “cuteness,” and we knew instinctively that these works were exactly the concept we had been looking for. When we explained to Ms. Kusama that we hoped to create a new value based on the integration of art and product, and to use a mobile phone company to present that creation to the world, she graciously accepted our proposal to collaborate on the project.

A New Kind of Art

The first Art Editions model attempted under the new “iida” brand, then, was to be a mobile phone as work of art, conceived by world-renowned avant-garde artist Yayoi Kusama. Our role was to use the mobile phone-based art-work created by Ms. Kusama as a model, ensuring that the product would lose none of its quality or functionality as a mobile phone, while enhancing its value and

presence as a work of art. For example, each and every dot represented on the body of the phone is the product of the detailed handiwork of experienced technicians and the use of advanced printing technology. And, despite its unique form, unheard of in traditional mobile phone design, the final product has cleared the strictest of quality standards, at the hands of mobile phone manufacturers both in Japan and abroad. This project thus represents a new approach to “monozukuri,” a true manufacturing, and the process itself becomes a new kind of art.

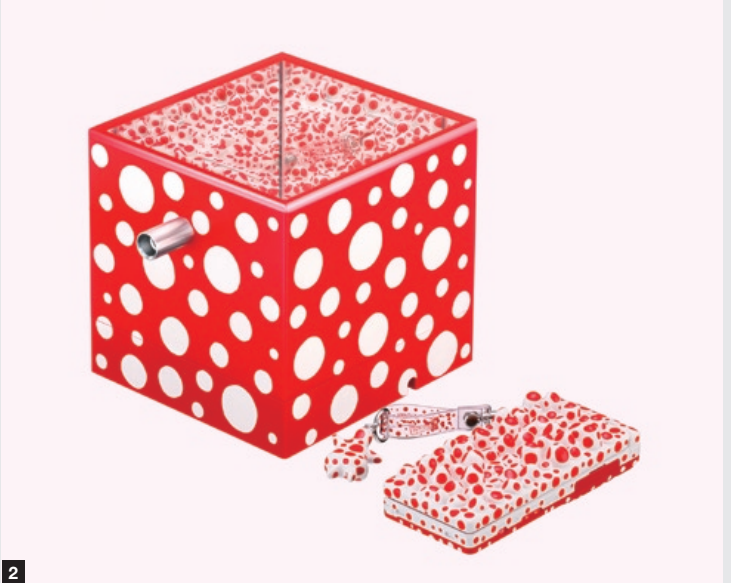
Creation of a New Genre

The desire of Ms. Kusama and our team to “share the excitement of art, the wonder of attempting to make art of a mobile phone, the wonder of being alive,” found its final expression in the three Art Editions YAYOI KUSAMA models first revealed at the announcement of the new “iida” brand in April 2009. The creation of a new “mobile phone as art” genre generated a wide range of reactions, and we later learned that the presence of the Art Editions had a significant impact on subsequent surveys of brand recognition.

The “iida” product line now consists of the Art Editions, along with the “G9” and “misora” models and other peripheral items announced at the same time, representing a diverse lifestyle brand. Going forward, we hope to see “iida” evolve into a creative design ecosystem, in which a wide variety of creative minds—product designers, artists, the famous and the unknown—can be free to participate across traditional boundaries.



1 2
3 4



1 G9

A sophisticated design from product designer Ichiro Iwasaki, the inaugural “iida” model combines the high-quality feel and practical usability of an instrument. This is the first model from “iida,” with global connectivity.

2 Dots Obsession, Full Happiness with Dots

This product set features a mobile phone and a box-shaped stand. The dot-and-emboss-ful mobile phone is placed inside the box, recreating the world of Yayoi Kusama’s iconic 1965 work, ‘Infinity Mirror Room—Phalli’s Field (or Floor Show).’

3 misora

Free of all extraneous or superfluous features, this handset seeks an easy-to-hold, simple-to-use design that fits perfectly with the human body.

4 MOBILE PICO PROJECTOR

A micro projector lets users share 1seg broadcasts or pictures from their camera phone with those around them. This groundbreaking mobile projector is about the same size as the “G9.”

Developer Interview



The competitiveness of the au brand is tied to the success of the iida brand, and that was our objective.

Ryota Fujima

Assistant Manager, Concept Planning Group
Product Planning Dept., Consumer Service & Product Planning Division

Positioning as an In-house MVNO

The mobile phones being rolled out under the new “iida” brand first announced in April 2009 appear to be off to a smooth start. The “G9,” a work by product designer Ichiro Iwasaki, who continues to work with us on “iida” after his participation in the “au design project,” along with his hyper-compact “MOBILE PICO PROJECTOR,” have attracted considerable notice for their elegant design. According to surveys, in fact, the strong initial showing by the “G9,” and the “iida” brand in general, have worked to boost the image of the “au” brand as well. This is exactly the result we had hoped for.

As can be seen from KDDI’s positioning of the “iida” brand as an in-house MVNO, our goal is to make effective use of “au” resources, while taking a different approach in developing new markets. While this will involve installing new dedicated promotional points in our existing sales channels, we will also move proactively in attempting to develop new modes of distribution, introducing “iida”-exclusive content and services, exhibiting our Art Editions at art galleries, and selling peripheral products over the Web.

Lifestyle Design Products

The concept behind the new “iida” brand is “LIFE>PHONE,” a theme for bringing lifestyle design to our customers. For example, the “misora” handset, produced by Yoshitaka Mukai, who has been intimately involved in the design of kitchens and other lifestyle components, offers a simple, comfortable design that slips easily into the everyday life of the user. In the survey mentioned earlier,

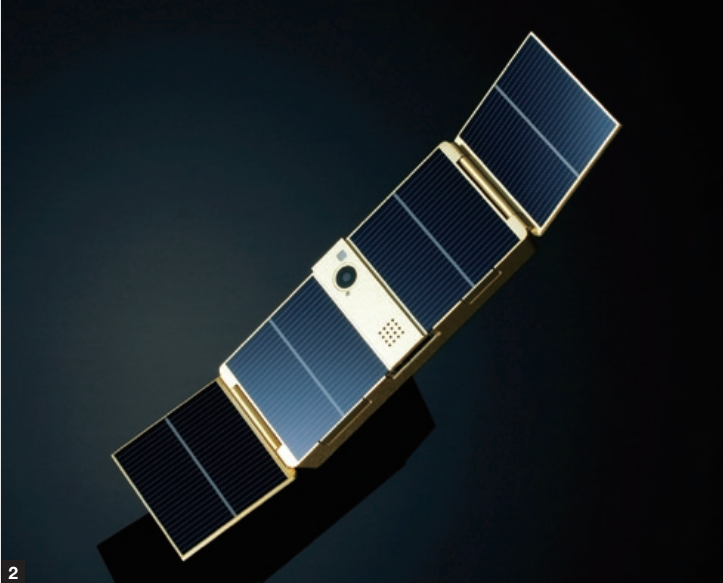
“misora” was well-received as the kind of product well-suited to communicating the appeal of the “iida” brand. The “AC Adapter MIDORI,” produced in collaboration with up-and-coming product designer Shunsuke Umiyama, has also garnered attention for breaking the “all AC adapters are black” stereotype—its design is modeled after a house plant—with the entire limited edition of 20,000 selling out shortly after being shipped. This is how “iida,” as a lifestyle design brand, is steadily opening doors to new markets for mobile phones and peripherals.

Synergies Born from Differences in Approach

Going forward, KDDI plans to continue to aggressively expand its lineup of “iida” brand mobile phones. With the world of technology evolving at a dizzying pace, we believe the “au” brand is best suited to the early adoption of technical innovation. While we have announced a solar-powered conceptual model mobile phone under the “iida” brand, this was strictly because we found the sight of the phone charging, its solar panels spread like wings, so beautiful. We hope to bring this sense of aesthetics and playfulness to our customers’ lives in a variety of forms, not limited to mobile phones and their peripherals. This difference in approach between the “au” and “iida” will generate new synergies, and our objective is for those synergies to lead to the improved competitiveness of the “au” brand. We hope you will look forward to how the “iida” brand develops going forward.



1 2
3 4



1 Musical Instruments and Mobile Phones

"Musical Mobile Phones/Instruments You Can Carry." From this concept, an emotional design creating a fusion of musical instruments and mobile handsets.

2 SOLAR PHONE CONCEPTS

This concept handset is equipped with solar panels, allowing users the pleasure of charging their phone with energy from the sun.

3 PLY

PLY means "lamination layers." The history of mobile phones has already laid down the first layers, what additions will the future bring?

4 AC Adapter MIDORI

Adapters have always been called "accessories," but now they play a central role. "ida" has created new possibilities for this indispensable item as a "lifestyle product."

Jibun Bank

Jibun Bank Provides a New Lifestyle Option

“Jibun Bank” is a personalized, built-in bank in customer’s mobile phone, offering both convenience and security while providing banking service that can be used anywhere, anytime, by anyone. We provide our customers with a new lifestyle option.



Characteristics of Jibun Bank

In June 2008, Jibun Bank Corporation (Jibun Bank) was established through a joint venture between KDDI and the Bank of Tokyo-Mitsubishi UFJ, Ltd. The bank’s management objective is to become our customers’ most familiar bank, by providing high quality financial and payment services over the mobile phones which are now said to be owned by virtually every individual in the nation. With a base of 30 million “au” subscribers and the approximately 40 million customers of the Bank of Tokyo-Mitsubishi UFJ, Jibun Bank offers a wide range of easy-to-use services that take full advantage of the unique attributes of mobile phones.

Status of Operations

Jibun Bank commenced service in July 2008. As of April 4, 2009, the bank has 500,000 accounts with deposits totaling ¥73.1 billion.

Since its start, Jibun Bank has offered basic banking functions including yen-denominated savings accounts, electronic transfers, and ATM services. There are also functions unique to Jibun Bank which fully leverage the functionality of the mobile phone, including Quick account opening, Jibun Bank Passbook, Mobile phone number bank transfers, Jibun Bank Payment service, Charging electronic money, E-mail notification service, and Jibun Bank Loans. In

April 2009, the Bank also began handling automobile insurance, and from May, has begun offering new foreign currency denominated savings account services.

Future Direction

Going forward, Jibun Bank will continue to expand its lineup of services, making them more convenient and enjoyable for customers to use. KDDI and the Bank of Tokyo-Mitsubishi UFJ will work together in an aggressive roll-out of new promotions, aiming for a goal of 2.4 million accounts and ¥1 trillion in deposits by FY 2011.3, its third year in business.

New Value for KDDI

A variety of appealing new services will be offered to “au” users from the main menu of their mobile phones, including one-touch access to the Jibun Bank Passbook, Mobile phone number bank transfers, and a highly secure au Information Linkage service.

We expect that this new feature will stimulate greater phone use involving Jibun Bank among “au” users, and that commercial transactions will spread, contributing to the increased appeal of the “au” brand, and bringing added value.

Depiction of Jibun Bank Services Screen

au mobile phone main menu screen



Jibun Bank application top menu screen



Available Services

- Yen-denominated Savings
- Bank Transfer
- Charging Electronic Money
- Shopping (Jibun Bank Payment Service)
- ATM/PC Lock
- Payment Memo
- Savings Plan
- “Split-the-bill” Calculator

Company Overview

Company name: Jibun Bank Corporation
 Representative: Takeo Tohara, President
 Established: June 17, 2008
 Shareholders: KDDI Corporation (50%)
 (Equity ratio) The Bank of Tokyo-Mitsubishi UFJ (50%)
 Capitalization: ¥20.0 billion
 URL: <http://www.jibunbank.co.jp/pc/>

The Challenge for New Value Creation

UQ Communications

Mobile WiMAX to Open New Markets

Through its WiMAX network, UQ Communications Inc. (UQ) works to provide critical communications infrastructure for the creation of a true mobile broadband society. Working with a variety of industries and businesses, UQ is driven to create new markets and new value, and will bring greater convenience and richness to people's lives.



Characteristics of Mobile WiMAX

Mobile WiMAX is a new world standard telecommunications technology offering high-speed broadband and "always-on" connections accessible even for users in rapidly moving vehicles. Currently, construction of the infrastructure and development of the user devices are going on around the world with the aim of launching services in the near future. As the only domestic mobile WiMAX operator in Japan, UQ is working to establish a nationwide network.

High Speed	40Mbps* downlink/10Mbps* uplink * Maximum speed
Mobility	Can be used even when moving at speeds of up to 200km/hour*. * 120km/hour under standard WiMAX configuration. Usability in environments up to 200km/hour evaluated using phasing simulator.
Always-On	Freed from the frustration of dial-up connections, opens up possibilities for new ways of use.
Global Standard	Enables low-cost user device development. Provides an environment that enables those devices to be used as is overseas.
Over the Air	Online contract application available using WiMAX frequency, eliminating traditional in-store sign-up procedures.

Status of Operations

On February 26, 2009, UQ began providing high-speed mobile data communications through its UQ WiMAX service in Tokyo's 23 wards, in Yokohama, and in parts of Kawasaki. During the trial period extending to the end of June 2009, UQ gathered feedback from 6,000 trial users, and is working to improve service quality based on those responses. From July 2009, UQ started the commercial service as had been planned and the service area has been expanded beyond the Tokyo metropolitan area to include Nagoya, Osaka, Kyoto, and Kobe. By the end of FY 2010.3, coverage is expected to include all 18 government-designated major cities nationwide.

Future Direction

To use the UQ WiMAX service, customers insert a UQ data communications card in their PC. In addition, from July 2009 PCs with a pre-installed WiMAX module started to show up in the market. In the future, cameras, portable game devices, and a wide variety of devices will be available with WiMAX modules already installed, expanding WiMAX beyond the PC into a broader domain of use.

UQ is also working as an MNO*¹ in building an open network, and by opening its WiMAX network to MVNOs*² and a wide range of other industry partners, it will create new markets and generate new value as these partners begin to provide an unprecedented variety of devices and services.

*¹ Mobile Network Operator

*² Mobile Virtual Network Operator

New Value for KDDI

As UQ's largest shareholder, KDDI uses its technology and business expertise to help UQ Communications build network infrastructure and develop its operations. The addition of WiMAX services to KDDI's service lineup will expand the range of solution services that the Company is able to offer, and allow KDDI to provide clients with the convenience and satisfaction that the latest technology makes possible.

Company Overview

Company name:	UQ Communications Inc.		
Representative:	Takashi Tanaka, Representative Director		
Established:	August 29, 2007		
Shareholders:	KDDI Corporation		(32.26%)
(Ratio of voting shares)	Intel Capital Corporation		(17.65%)
	East Japan Railway Company		(17.65%)
	Kyocera Corporation		(17.65%)
	Daiwa Securities Group Head Office		(9.80%)
	The Bank of Tokyo-Mitsubishi UFJ		(5.00%)
Capitalization:	¥47.0 billion		
URL:	http://www.uqwimax.jp		