FIXED-LINE BUSINESS

OVERVIEW OF OPERATIONS IN THE YEAR ENDED MARCH 31, 2010

Operating Loss Showed Solid Improvement Despite Decreased Revenues

Through its Fixed-line Business, the KDDI Group supplies a full range of fixed-line telecommunications services, such as local, long-distance, and international voice telephony, broadband Internet services, CATV services, solutions services and data center services for corporate clients.

The number of FTTH subscribers increased in the year ended March 31, 2010 as we strongly promoted this business during the year. This rise, plus the inclusion into the Group of such new companies as JCN Kanto Limited and Kawagoe Cable Vision Co., Ltd. contributed to the rise in operating revenues. However, decline in voice service revenues and appreciation of the yen that affected the performance of overseas subsidiaries provided fixed-line services resulted in a 1.1% drop in operating revenues from the previous year, to ¥839.2 billion in the year ended in March 31, 2010.

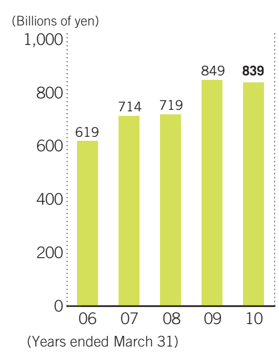
On a non-consolidated basis, the balance of payments on the FTTH business improved, and the Company experienced lower operating expenses, such as access charges for services. Moreover, stronger performance by consolidated subsidiaries such as Chubu Telecommunications Co., Inc. (CTC), helped to reduce operating loss in the Fixed-line Business to ¥44.2 billion, a ¥12.3 billion improvement compared with the previous year.

In the year ending March 31, 2011, owing to the addition of consolidated subsidiaries and an expanded customer base for FTTH services, we expect operating revenues to rise 12.0%, to ¥940.0 billion. In addition, we are aiming to put operating income back into the black, bolstered by the year-on-year increase in operating revenues that resulted from the expanded customer base for FTTH services, lower costs resulting from the network streamlining introduced in the previous year, and expanded income from consolidated subsidiaries.

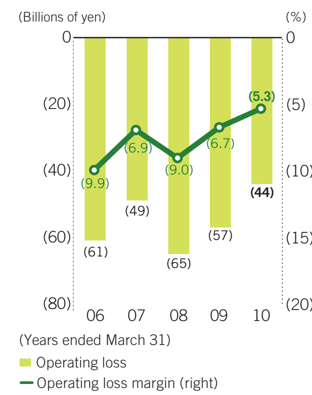
Business Objective

Principal Services/Operations
Local, long-distance, and international telecommunications services, Internet services, solutions services, data center services, CATV services, etc.
Principal Group Companies
KDDI Corporation, KDDI Technical & Engineering Service Corporation, JCN Group, CTC, and others

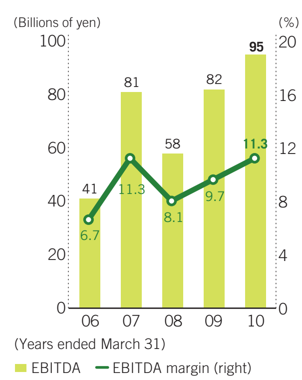
Operating Revenues



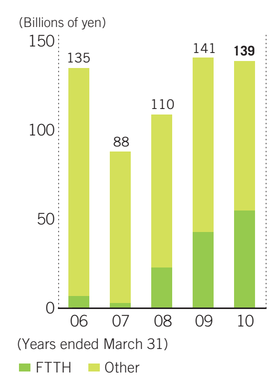
Operating Loss/ Operating Loss Margin



EBITDA/EBITDA Margin



Capital Expenditures



Streamlining of Networks

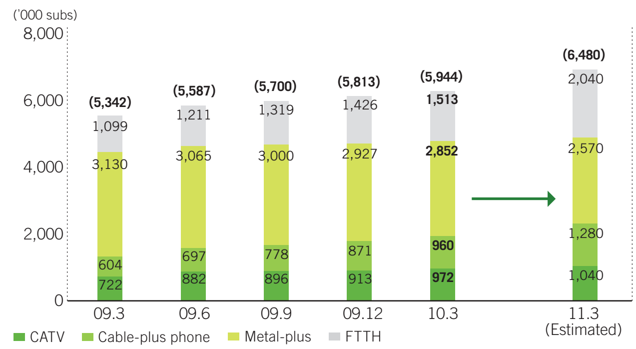
One result of our ongoing merger activity from 2000 onward has been increasing overlaps and greater complexity in fixed-line networks. This situation has complicated efforts to revise our earnings structure and respond expeditiously to market changes. Fixed-line networks support all the Group's businesses, because they also serve as the backbone for mobile communications. From the viewpoint of strengthening our business infrastructure, we faced an urgent need to reduce costs by thoroughly reforming our networks. During the year ended March 31, 2010, we rationalized our core network and metro access network by reducing base stations and transmission circuits with low-utilization rates. Ongoing efforts to consolidate network points and to streamline base stations and transmission circuits should result in higher Fixed-line Business profitability and sustainable growth.

REINFORCING ACCESS LINE BUSINESS INITIATIVES

Solid Increases in the Number of Fixed Access Line Subscribers

"Access line" refers to the line that connects customers' homes or offices with our backbone network. Whereas in the past most fixed-line business revenues derived from charges for calls, nowadays revenues center on access lines and add-on service provided over these lines. For example, KDDI offers the "au HIKARI" service, through which it provides fiber-optic "access lines" to customers' homes. Our Internet connection that provides access at speeds of up to 1Gbps is an "add-on service." To boost revenues from our access line business, we are promoting M&A with telecommunications companies that hark from power-generation companies such as Tokyo Electric Power Company and Chubu Electric Power Co., Inc., as well as CATV companies. Through such efforts, we have steadily expanded our customer bases. As of March 31, 2010, the Group's subscription number of fixed access lines had risen to 5.94 million, and the number of subscribers has been growing steadily.

Number of Fixed-access Lines



* ( ) shows total subscription of access lines excluding cross over subscriptions.

FTTH

Expanding Customer Base through Our Mainstay "Giga Value Plan"

Through its FTTH business, KDDI offers triple-play services, comprising voice telephony, Internet, and video. We have our FTTH services available to approximately 11.73 million households in the Tokyo metropolitan area, and 2.8 million households in the Chubu region. Most of these services are provided to individual homes. In Japan's other major metropolitan areas, we offer services mainly to apartment complexes by using NTT's circuits. On January 1, 2010, KDDI changed the name of its "HIKARI-one" fiber-optic service to "au HIKARI" to underscore the link between its fixed-line telecommunications and mobile telecommunications services.

With regard to products, KDDI offers Internet and phone service at super-high speeds of up to 1Gbps (best-effort) for both uplink and downlink through the "Giga Value Plan." The plan is offered at an industry-low monthly basic rate of ¥5,985 (tax inclusive) with a two-year contract. In January 2010, we began providing the "au HIKARI Condo Mini Giga" service, a low-price FTTH service comparable to ADSL, with maximum speeds of 1Gbps (best-effort) for both uplink and downlink to customers in low-rise apartment complexes in the Kanto region.

Also in January 2010, the "au HIKARI Home" FTTH service was extended to Tochigi and Miyagi prefectures, and KDDI expanded its service area in the Hokkaido region. Furthermore, KDDI began providing the service in Ishikawa Prefecture in April 2010. As a result, "au HIKARI Home" is now available in Hokkaido, in Miyagi Prefecture in the Tohoku region, in Ishikawa Prefecture in the Hokuriku region, and in eight prefectures in Japan's Kanto region.

Okinawa Telecommunication Network Co., Inc. (OTNet), became a consolidated subsidiary of Okinawa Cellular Telephone Company (OCT) in January 2010. OCT started offering "au HIKARI Chura," a bundled service comprising high-speed Internet, telephone, and television, in Okinawa Prefecture via fiber-optic lines in March 2010.

As of March 31, 2010, FTTH subscribers numbered 1.51 million, up 410,000 from the previous year. Combined revenues from voice, Internet, and video services during the year amounted to ¥78.0 billion, with an ARPU of ¥4,460. The business continues to operate in the red as a result of its costs for infrastructure maintenance, as well as the up-front costs of acquiring new customers, making it one of the main reasons for the fact the Fixed-line Business remains in the red.

auひかり
"au HIKARI"

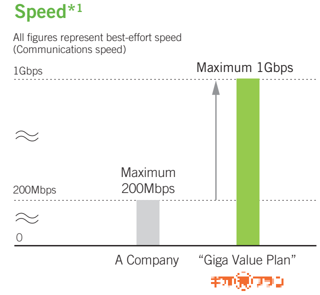
ギガ得プラン
"Giga Value Plan"

auひかり ホーム
"au HIKARI Home"

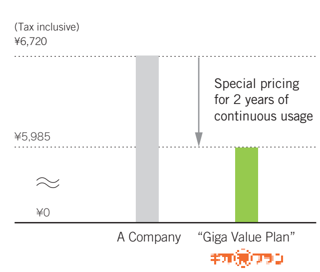
auひかり マンション
"au HIKARI Condo"

Features of the "Giga Value Plan" (As of March 31, 2010)

Speed*1



Charges (Internet + Phone)*2



*1 Represents speed to individual homes.
Speeds may vary due to differences in PC performance and other factors.
*2 Represents charges to individual homes. "Giga Value Plan" charges include discounts for automatic account withdrawal or credit card payments with "au one net" as the designated provider. "A company" charges are those to individual homes with OCN as the provider.

REINFORCING ACCESS LINE BUSINESS INITIATIVES

CATV

Reinforcing Fixed-line Telephony Services through Expansion of JCN and Allied Stations

"Cable-plus phone" service allows CATV operators to provide fixed-line telephony services using their coaxial cable network and KDDI's backbone network. We support the CATV operators through this service, which enables CATV stations to offer full-scale triple-play services, including multi-channel broadcasting, Internet, and telephone services. For KDDI, "Cable-plus phone" represents a new source of revenue from telephone basic charges. As of March 31, 2010, KDDI had business tie-ups with 95 CATV stations—25 more than one year earlier—and 960,000 telephone line subscriptions, an increase of 350,000 year on year.

On April 1, 2009, JCN Kanto and Kawagoe Cablevision became members of the JCN Group, which is a consolidated subsidiary of KDDI. Cable Television Adachi Corp. also joined the JCN Group in February 2010. As of March 31, 2010, the JCN Group had 18 CATV stations and 970,000 subscribers, 250,000 more than one year earlier.

In February 2010, KDDI assumed the stake in the Liberty Global, Inc. (LGI) Group's consolidated subsidiary Jupiter Telecommunications Co., Ltd. (J:COM), by acquiring the LGI Group's entire stake held by three companies—Liberty Global Japan II, LLC; Liberty Japan, LLC; and Liberty Jupiter, LLC, for ¥361.7 billion. Through this acquisition, KDDI assumed a 30.9%* stake, and J:COM became an equity-method affiliate of KDDI. J:COM and KDDI will form a strategic partnership and work to develop the CATV industry while striving to enable the KDDI Group, as a comprehensive telecommunications carrier, to provide its wide range of attractive services to CATV customers. Furthermore, collaborating with J:COM's existing shareholders, KDDI will support efforts to enhance J:COM's corporate value.

* Calculated on the basis of the total number of voting rights as of March 31, 2010, excluding J:COM treasury shares.

"Metal-plus"

Ongoing Decline in Subscriptions, with 9% Year-on-Year Drop as of March 31, 2010

"Metal-plus" is a direct-access, fixed-line telephone service. Since KDDI provides the line instead of NTT, the service generates basic monthly charge revenues for KDDI in addition to the conventional call-based revenues. "Metal-plus" targets customers who only want a basic telephone service, but it also offers Internet access through either ADSL or a dial-up connection.

During the year, the number of "Metal-plus" subscriptions decreased 270,000, to 2.85 million subscriptions as of March 31, 2010. Total revenues, including voice telephony and Internet, amounted to ¥119.0 billion, with an ARPU of ¥3,300.

FMBC

Forging Stronger Ties Between Fixed-line and Mobile Services

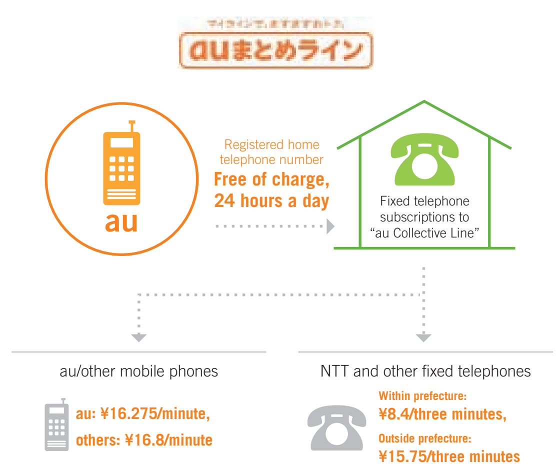
Leveraging its advantages as a comprehensive communications company operating both fixed-line and mobile communications services, KDDI is promoting FMBC services using the 31.87 million subscribers to its mobile phone services as of March 31, 2010 as a customer base.

As one initiative in this area, in November 2009 KDDI launched the new "au Collective Line" service. This offering enables NTT telephone line subscribers to use KDDI's "My Line" service to make calls from au mobile phones to home lines or from home to mobile or fixed-line phones at discounted rates.

On the marketing front, KDDI is promoting cross-selling at its au shops. During a campaign period that began in January 2010, new subscribers to the "au HIKARI" service could receive a ¥390 monthly discount on their au mobile phone basic monthly service charge for up to 12 months when applying for the au mobile phone and "KDDI Collective Billing Service."

Going forward, through ties between "au HIKARI" and au mobile phone services, we will continue working to create stronger ties between fixed-line and mobile communications services, thereby making these services more convenient for our customers.

"au Collective Line"



GLOBAL ICT

Meeting Corporate Clients' Global Telecommunications Needs with One-Stop Solutions

In the corporate fixed-line communications market, as companies seek to allocate resources more efficiently by outsourcing their information systems, KDDI is taking advantage of the strengths of having both fixed-line and mobile infrastructures, and continues to reinforce the structure for providing one-stop ICT solutions.

To meet a variety of the ICT needs of corporate clients advancing overseas business, including telecommunications network configuration, operation, and maintenance, we are creating a global structure that (as of May 30, 2010) spanned 87 locations in 57 cities within 25 countries.

In addition to networks, we provide data centers, security services, and LAN configurations to accompany factory launches. Through this broad range of offerings in peripheral fields, we aim to support clients' businesses by providing them with one-stop ICT solutions services.

Data Center Business (TELEHOUSE)

Moving Forward Aggressively to Create a Global Services Structure

In the data center business, KDDI provides services under the "TELEHOUSE" brand, which is synonymous with high-spec, safe-to-use data center services in Japan and overseas. We operate 37 "TELEHOUSE" sites—21 in Japan and 16 overseas—as well as seven that are not "TELEHOUSE" branded.

Our London, New York, and Los Angeles sites function as international Internet exchanges. Our "TELEHOUSE" Internet exchange in London handles more than half of the public Internet traffic in Europe, and the New York site performs a similar function on the U.S. East Coast.

As one initiative during the year ended March 31, 2010, we opened "TELEHOUSE CAPE TOWN" in Cape Town, South Africa in December 2009. This facility is the first data center that a Japanese telecommunications carrier has opened in Africa. We also opened "TELEHOUSE HANOI" in Hanoi, Vietnam in March 2010. Through such initiatives, KDDI is commencing services in emerging markets where high levels of economic growth are anticipated.

Cloud Service

"KDDI Cloud Server Service" Undergoes Full-Fledged Launch

In June 2009, we began offering a next-generation IT infrastructure, the "KDDI Cloud Server Service." This infrastructure incorporates firewalls, load balancers, and other key applications such as Web, operating systems, into cloud computing environments constructed in Japanese data centers.

This service involves the construction of a virtual private data center within one of KDDI's data centers in Japan. Using a platform as a service (PaaS)-type solution to build a virtual system allows clients to select only the functions they want to use, making complex systems more flexible and enabling them to be expanded or reduced quickly.

KDDI's data center business is a steadily growing component of its international business, in terms of both sales and income. In the future, we plan to expand the business into emerging markets in Southeast Asia and other regions.

Expanding Overseas Business

One of KDDI's growth strategies is to expand its overseas business. Specifically, we are promoting "global ICT solutions services," which provide a one-stop ICT platform linking global network services, data centers, overseas regional services (in the United States and Europe), and overseas system integration. With regard to Internet in emerging markets, we are expanding our WiMAX business (such as an investment in bracNet in Bangladesh) and our mobile phone business catering to immigrants (investments in two U.S. MVNOs). Through these Base of the Pyramid (BOP) businesses, we are boldly cultivating the development of altogether new global businesses.

Overview of New Overseas Subsidiaries and Affiliated Companies in the Year Ended March 31, 2010

Company	DMX Technologies Group Limited	Locus Telecommunications, Inc.	Total Call International, Inc.	bracNet (BRAC BD Mail Networks Limited)
Location	Hong Kong (headquarters registered in Bermuda)	New Jersey, United States	California, United States	Dhaka, Bangladesh
Business Overview	Telecommunications, system integration and broadcasting for corporate clients, and digital media solutions for telecommunications operators	MVNO, calling card, and other businesses	MVNO, calling card, and other businesses	Internet connectivity services business
KDDI Stake	51.68%	51%	51%	50%
2009 Sales	¥16.5 billion	¥19.1 billion	¥10.7 billion	—