

TODAY

Management Assets
Held by KDDI

DIRECTION


Business Vision and Growth
Strategies of KDDI

CHANGE

Change in
the Business Environment
Surrounding KDDI

OUR NEW STORY

Under our new President Tanaka, who assumed the position in December 2010, a new business vision and growth strategies have been released for recovery of competency and future development, and all employees are working together to practice them. This section explains the direction KDDI is going to take and its background.



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**We have abundant
management
assets that are full
of potential.**

TODAY

Management Assets Held by KDDI





For more information

With its unique foundation history resulting from the merger of three companies from different business fields and its background as a general telecommunications operator that led development of the telecommunications market, KDDI has abundant management assets that serve as a means to lead the market, which has entered a new stage of development.

Advantage of being **the only domestic company** **to have both mobile and fixed-line businesses**

KDDI is a unique corporate group that provides various access lines, including third-generation mobile phones and WiMAX in the mobile business, as well as its own access lines for Fiber to the Home (FTTH) and CATV in the fixed-line business. The Company intends to improve its advantage by proactively developing LTE (Long Term Evolution) and Wi-Fi in the mobile business, while further expanding access lines—mainly of FTTH—in the fixed-line business.

Customers **who use KDDI services**

Customers—including 33 million*¹ using au mobile phones, 6.4 million*² using fixed-line services, and domestic and overseas corporate clients—are irreplaceable assets for us. We believe we can provide customers with new added-value by offering both mobile and fixed-line services.

*1. (As of March 31, 2011) Subscription of au mobile phones.

*2. (As of March 31, 2011) Number of fixed-line access lines (FTTH, Metal-Plus, CATV, and Cable-plus phone)

About 18,000*³ employees **supporting KDDI**

For KDDI, which grew to be a company with diversity due to the merger of culture from 17 companies, employees with different values are a source of competency. Under the new president, we are proceeding with reforms with “*JIBUNGOTOKA* (taking things as own problems)” and “speeding up” as key phrases.

*3. (As of March 31, 2011) Number of employees on a consolidated basis.

Experience and know-how

as a general telecommunications operator in a wide variety of fields

KDDI has ample experience and know-how to offer high-quality services as a general telecommunications operator by overseeing all services ranging from mobile phone handsets, which serve as contact points with customers; networks; billing systems; and content services, which fall into an upper layer, in a unified manner.

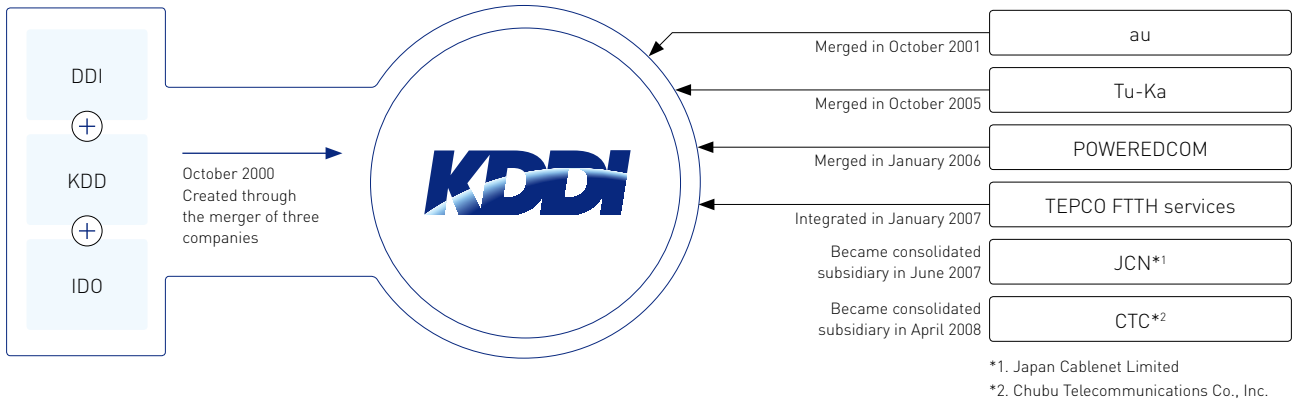


KDDI IN BRIEF

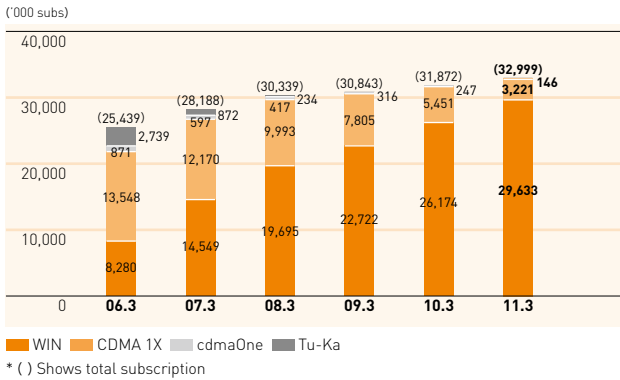
Business Overview

The KDDI Group was established in October 2000 through the merger of DDI CORPORATION, KDD Corporation, and IDO CORPORATION. Thereafter, we expanded our business foundation through M&As in both the mobile business and fixed-line business. We are proud to be the only company in Japan to have a uniquely comprehensive business structure combining mobile and fixed-line communications in a single company, and establishment of a solid foundation for growth.

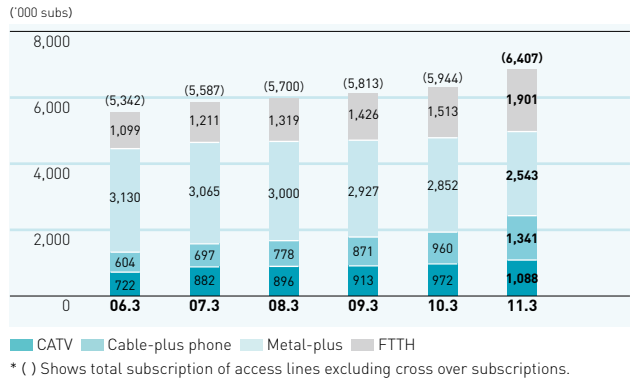
Comprehensive Telecommunications Operator Combining Mobile and Fixed-line Business



Mobile Communications: Cumulative Subscriptions

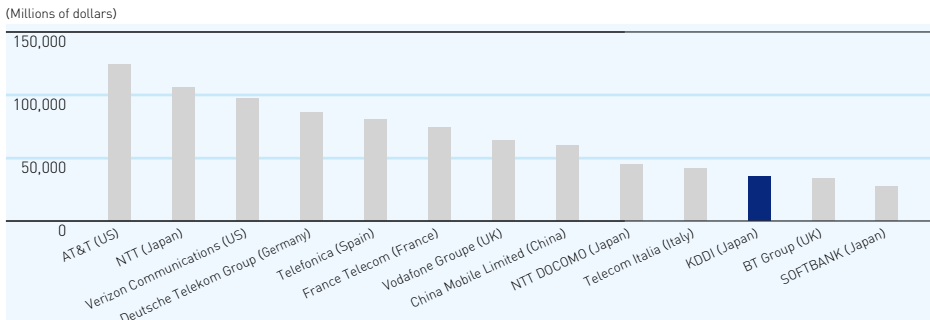


Number of Fixed-access Lines



Market Position

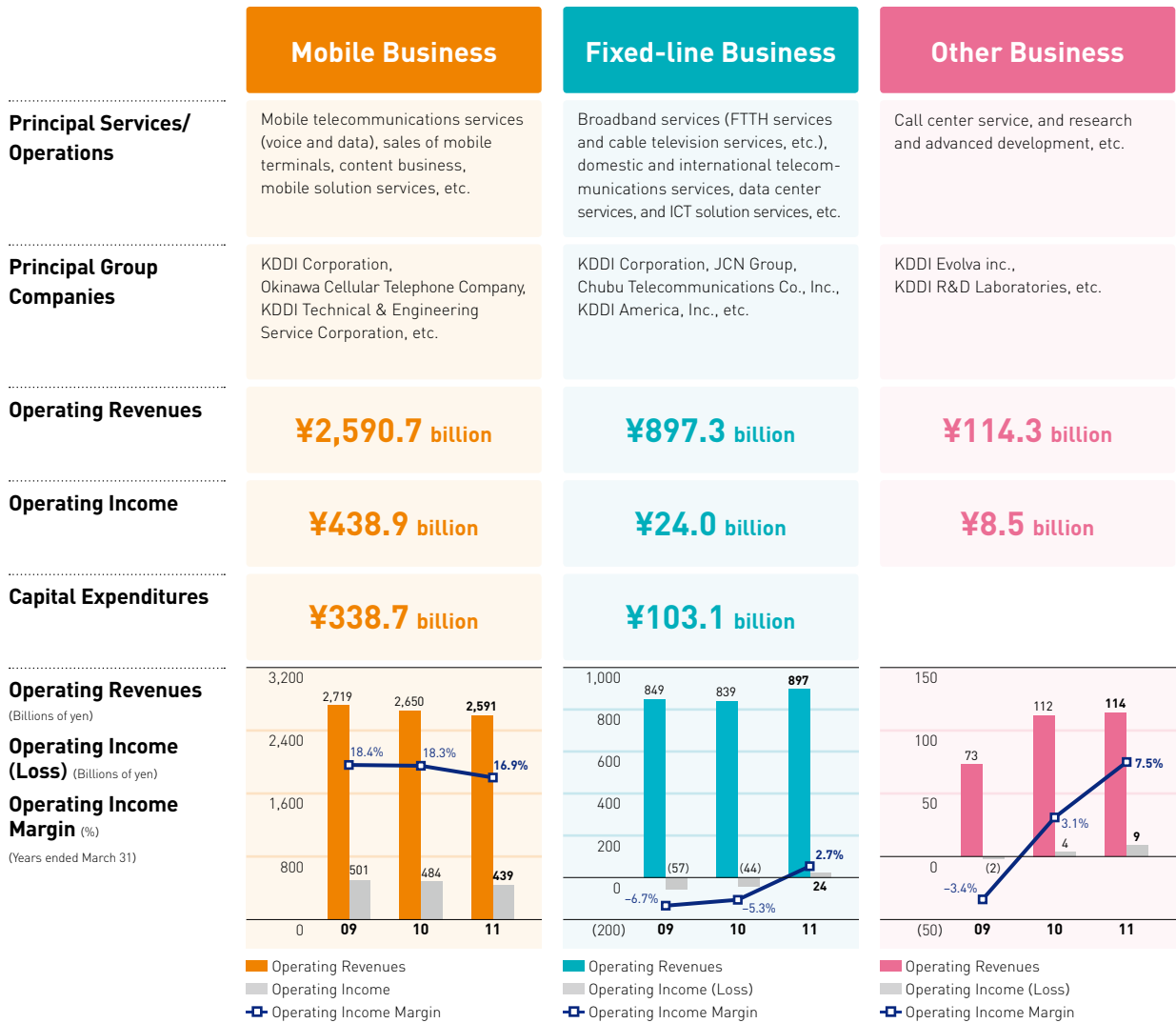
International Comparison of Telecommunications Carriers by Sales



Source: Created by KDDI using "Telecom Data Book 2010" by Telecommunications Carriers Association.

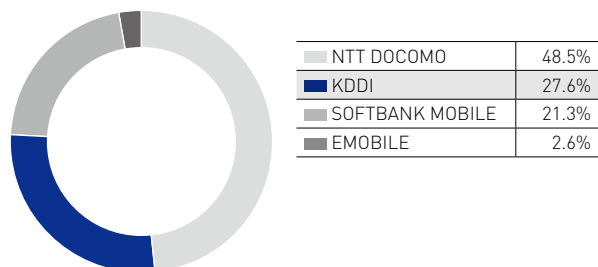
- Created to have a better idea of our business size.
- Fiscal year is FY2008, which is January 1, 2008 to December 31, 2008 for the United States, Germany, Italy, and Spain, while it is April 1, 2008 to March 31, 2009 for the United Kingdom and Japan.
- KDDI and SOFTBANK calculate sales accounting to Japanese accounting standard into U.S. dollars.

Business Overview



● Mobile Communications: Share of Cumulative Subscriptions

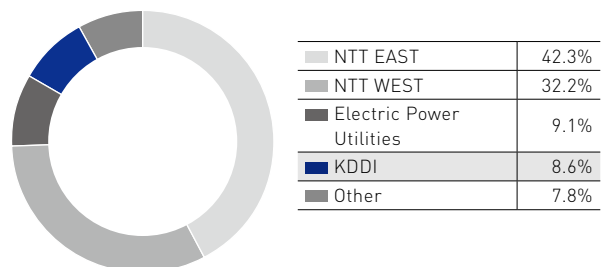
(As of March 31, 2011)



Source: Telecommunications Carriers Association

● Share of FTTH Subscriptions

(As of December 31, 2010)



Source: Ministry of Internal Affairs and Communications

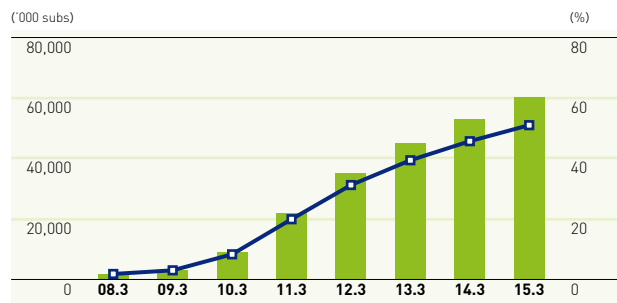
CHANGE

**Change in the Business Environment
Surrounding KDDI**

**We see change in
the business
environment as an
opportunity for
further growth.**

The business environment surrounding KDDI is changing rapidly due to technological innovation in the telecommunications area, fierce global competition, and the entry of various players into the market. We see this change in the business environment as an opportunity for further growth.

● **Change and Expected Change of Subscriptions and Ratio of Smart Phones in Japan**



■ Subscriptions of Smart Phones in Japan (left)
 ■ Ratio of Subscriptions of Smart Phones in Japan (right)
 Source: MM Research Institute, Ltd. (Minato Ward, Tokyo)
 "Change and expected change in smart phone market" (December 2010)

Rapid spread of smart phones

With the "iPhone™," launched by Apple Inc. of the United States, as a trigger, shipments of smart phones across the world rose 74% from the previous year to more than 300 million in 2010, and further rapid spread is expected. This served as one of the main causes behind the increase in domestic sales of mobile phones, which had been on a decline. Rapid spread of smart phones and tablet terminals brought major change to the market structure.

Explosive expansion of data traffic

There are forecasts that project mobile data traffic to expand 18 times in the 5 years between 2010 and 2015. This increase will be driven by the spread of such devices as smart phones and tablet terminals, which cause 10 times more data traffic than conventional mobile phones. How to counter this rapid data traffic expansion has become a major task for telecommunications operators.

Change in the business model and the nature of competition

Previously, the market has been characterized by competition between domestic telecommunications operators. However, the nature of competition is changing rapidly. Competition between various players over terminals, networks, and content layers at a global level has intensified. Vertical unified models where telecommunications operators controlled terminals, networks, and content layers in a unified manner are moving toward an open Internet model. Telecommunications operators need to react flexibly to such changes.



Due to major changes in the business environment, KDDI will undertake reforms for new growth.

DIRECTION

Business Vision and Growth Strategies of KDDI

KDDI began steps for reforms with its business vision “Three Mores” and new growth strategies, which brings out the potential of management assets and grasps the opportunities for future growth.

Business Vision

“More Connected!”

The KDDI Group will organically link its mobile networks, such as mobile phone and WiMAX, and fixed-line networks, such as FTTH and CATV, through Wi-Fi services. We aim to become a more familiar presence in our users' lives by providing a fast and comfortable communications environment and attractive content for every type of device.

“More Diverse Values!”

With the spread of IP technology such as the Internet, the domain of ICT (Information and Communication Technology) is spreading to a wide variety of different fields, including the medical, health, education, government, and environmental fields. KDDI will more actively engage with these various lifestyles and corporate activities in order to create more diverse value for customers.

“More Global!”

Turning our attention overseas, there are many emerging nations where economic growth is remarkable but the dissemination of the Internet is lagging. On the world stage, KDDI will actively open up the new markets by utilizing the experience and expertise it has accumulated in Japan with regard to ICT and content businesses.

Growth Strategies

3M Strategy

Explained on P.16–P.24
“Management Interview” and
P.25–P.31 “Special Feature: Stepping
Stones for Shaping Our Future”

Global Strategy

Explained on P.16–P.24
“Management Interview”