

The Japanese Telecommunications Market and KDDI

Characteristics of the Japanese Mobile Telecommunications Market

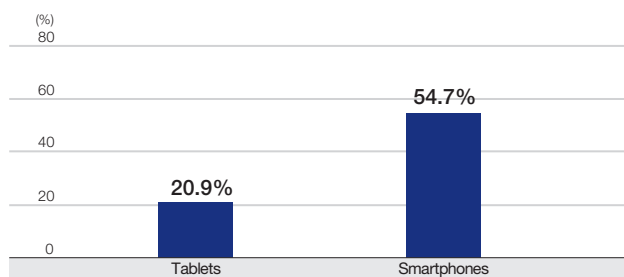
Mobile

As of March 31, 2014, cumulative mobile communication subscriptions in Japan totaled 144.01 million, up 5.9% year on year. As in the preceding fiscal year, smartphone subscriptions grew significantly, and the smartphone penetration rate exceeded 50% as of March 31, 2014.

The Japanese market for mobile telecommunications is characterized by the advancement of LTE networks, which

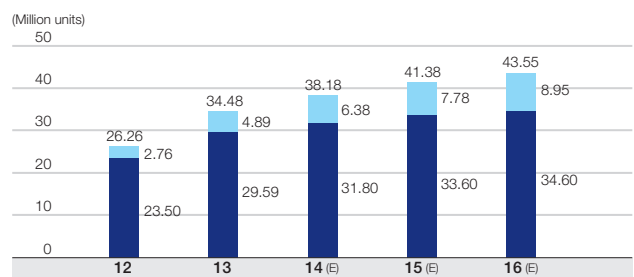
enable high-speed data communications, leading to the creation of communications environments that facilitate diverse services and are independent of handset and location. Going forward, the market is expected to continue expanding, owing to increased use of tablets and mobile Wi-Fi routers, as well as smartphones.

Penetration of Smart Devices in Japan



Source: Results of a consumer trend survey conducted in March 2014 by the Cabinet Office of Japan

Forecast Shipments of Smart Devices in Japan



Sources: Prepared by KDDI from the FY2013 Smart Device Trends Survey and the FY2013 Survey of Demand in the Market for Tablets, ICT Research and Consulting Inc.

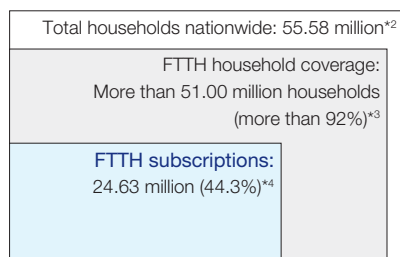
Fixed-Line Broadband

The nationwide FTTH household coverage ratio is more than 90% or "homes passed"*1 is more than 70%, indicating that high-speed broadband environments are essentially in place nationwide.

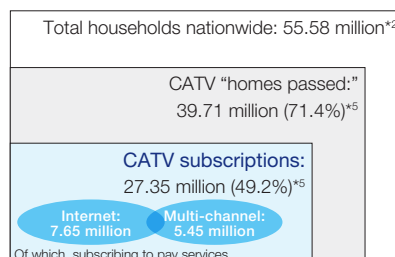
As of March 31, 2014, fixed-line broadband service subscriptions numbered 35.85 million, up 1.6% from the preceding fiscal year.

Fixed-line broadband service penetration is already at 70%. Amid a gradual market expansion, telecommunications providers are working to boost revenues by promoting "triple play" services that include access to Internet, telephony, and video.

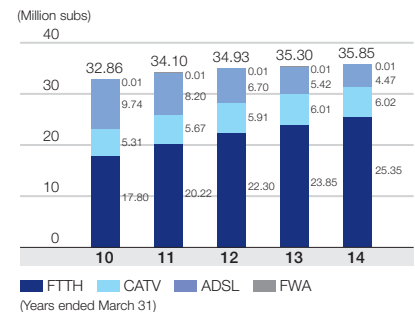
FTTH



CATV



Number of Broadband Subscriptions*2



*1 In regions where the installation of CATV facilities are permitted, households in areas where installation of transit routes is complete
 *2 Source: Ministry of Internal Affairs and Communications (as of March 31, 2013)
 *3 Source: NTT Data Book, NTT East (published September 2013). As of March 31, 2014, Nippon Telegraph and Telephone East Corporation (NTT East)'s FTTH household coverage ratio is 94% and Nippon Telegraph and Telephone West Corporation (NTT West)'s is approximately 92%.
 *4 Source: Ministry of Internal Affairs and Communications (as of September 30, 2013)
 *5 Source: Hoso Journal, December 2013 edition (as of September 30, 2013)

KDDI's Status

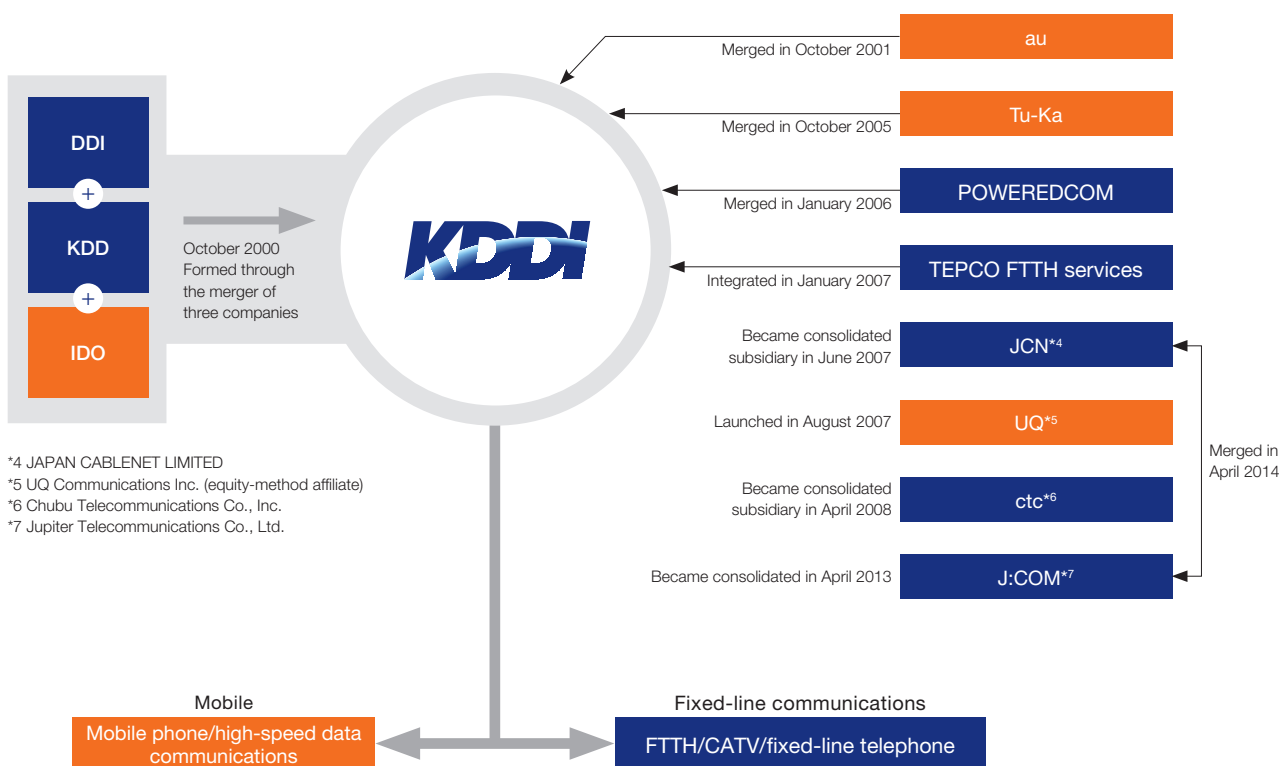
Leveraging the KDDI Group's Comprehensive Mobile and Fixed-Line Capabilities

The KDDI Corporation was established in October 2000 through the merger of DDI CORPORATION, a long distance communications company; KDD Corporation, an international communications company; and IDO CORPORATION, which provided mobile communications. Thereafter, we expanded our business through mergers in both the mobile and fixed-line businesses.

As a result, KDDI has amassed a host of access lines. In the mobile category, these include 3G/LTE and WiMAX networks. In the fixed-line category, we have FTTH and CATV. The

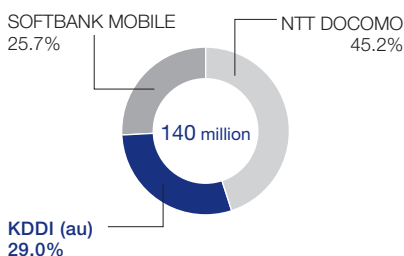
KDDI Group's customer base includes approximately 45 million mobile subscribers*1 and around 8 million fixed-line broadband subscribers*2. We are leveraging this situation by promoting the "3M Strategy"*3.

*1 Total for au + UQ
 *2 Total for FTTH + CATV pay multi-channel
 *3 3M stands for Multi-device, Multi-use, and Multi-network. Our growth strategy calls for the establishment of an environment that seamlessly provides a variety of content and services to customers through an optimal network that can be used anytime and anywhere, with a variety of devices, including smartphones and tablets.



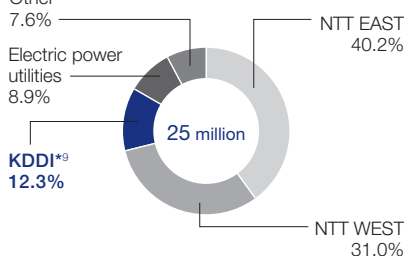
*4 JAPAN CABLENET LIMITED
 *5 UQ Communications Inc. (equity-method affiliate)
 *6 Chubu Telecommunications Co., Inc.
 *7 Jupiter Telecommunications Co., Ltd.

Share of Cumulative Mobile Communication Subscriptions*8 (As of March 31, 2014)



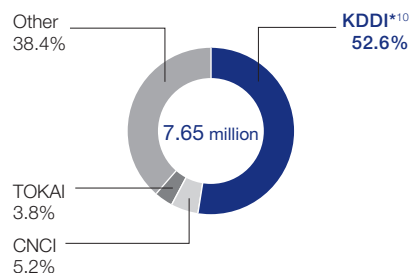
Source: Prepared by KDDI based on Telecommunications Carriers Association's data
 *8 Share among NTT DOCOMO, INC. (NTT DOCOMO), SoftBank Mobile Corp. (SOFTBANK MOBILE), and KDDI

Share of Cumulative FTTH Subscriptions (As of March 31, 2014)



Source: Prepared by KDDI based on Ministry of Internal Affairs and Communication's data
 *9 KDDI + ctc + Okinawa Cellular Telephone Company (Okinawa Cellular)

Share of Cumulative Pay Multi-Channel CATV Subscriptions (As of September 30, 2013)



Source: Prepared by KDDI based on *Hoso Journal* (December 2013 issue)
 *10 J:COM + JCN

Principal Businesses of the KDDI Group

Mobile

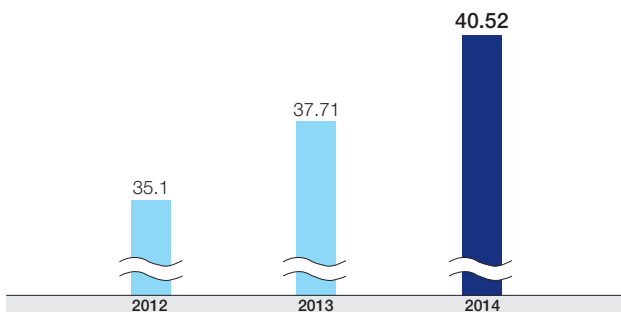
As of March 31, 2014, au mobile subscriptions numbered 40.52 million, up 7.5% year on year and accounting for a 29.0% share of the mobile market, which has three major carriers.

Of this figure, in the Personal Services segment, which accounts for more than 70% of KDDI's consolidated operating revenues, smartphone penetration had risen to 49% (35% if limited to LTE).

UQ Communications Inc., an equity-method affiliate that provides WiMAX service and "WiMAX 2+" (compatible with TD-LTE) service using 50MHz bandwidth of frequency in the 2.5GHz band, has subscriptions in place with more than 4 million customers.

Cumulative au Subscriptions*¹¹

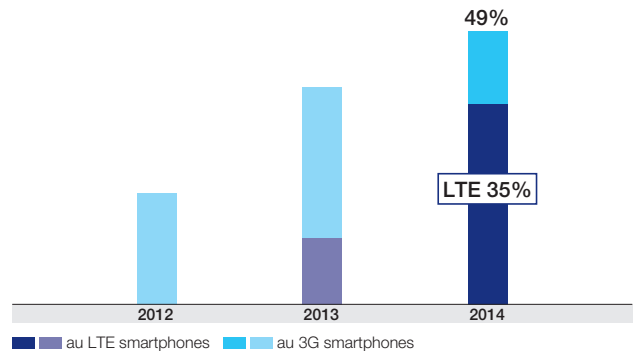
(Million subs)



(Years ended March 31)

*¹¹ KDDI + Okinawa Cellular

au Smartphone Penetration*¹² (Personal Services)



(Years ended March 31)

*¹² (au LTE smartphones + au 3G smartphones) ÷ (au subscriptions minus data-only terminals, tablets, and modules)

Fixed-Line Broadband

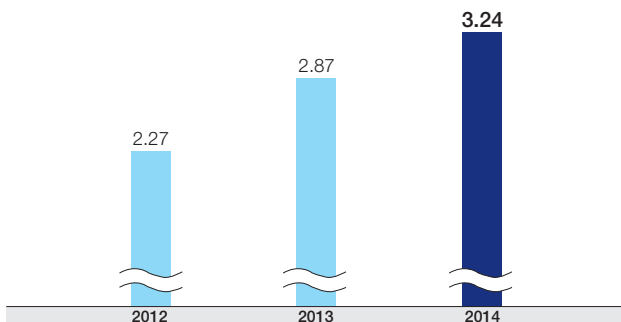
As of March 31, 2014, FTTH subscriptions stood at 3.24 million, up 12.8% year on year and accounting for a market share of 12.3%.

In CATV, in addition to the industry's second-largest company, JCN, in April 2013 KDDI included into its scope of consolidation the largest company, J:COM.

Consequently, KDDI's market share led the industry, with household subscribers numbering 5.00 million, up 3.76 million year on year. Also, J:COM got off to a new start on April 2014, due to a merger between its former self and the former JCN.

Cumulative FTTH Subscriptions*⁹

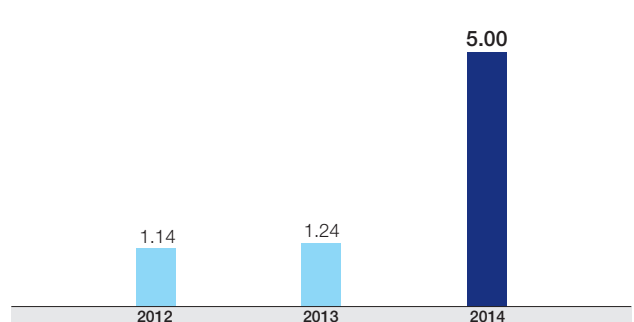
(Million subs)



(Years ended March 31)

Cumulative Pay Multi-Channel CATV Subscriptions*¹³

(Million subs)



(Years ended March 31)

*¹³ JCN only for the fiscal years ended March 31, 2012 and 2013. J:COM + JCN for the fiscal year ended March 31, 2014.

In line with the inclusion of JCN into the scope of J:COM's consolidation in December 2013, the method of calculating the total number of subscribing households has been unified to J:COM's standard.