Performance Highlights by Segment for the Fiscal Year Ended March 31, 2016

The KDDI Group is developing "3M Strategy" as a growth strategy for domestic business and "Global Strategy" for expanding business overseas. The KDDI Group has four reporting segments: "Personal Services", "Value Services", "Business Services" and "Global Services" for driving this strategy.

Business Outline

Personal Services Segment

Provision of communications services for individuals and more

This segment provides mobile and fixed-line communications services for individual customers.
In addition to providing mobile communications services, chiefly under the "au" brand, and selling mobile handsets, in fixed-line communications, our services include "au HIKARI" brand FTTH services, CATV services and other services. The segment is also working to expand the provision of "au WALLET Market" that makes use of au shops, and in April 2016 it entered the electric power retailing business.

Value Services Segment

Provision of content and settlement services for individuals and more

This segment provides individual customers with content, settlement and other value-added services. The segment will make "au Smart Pass" and other subscription services more attractive, boost its commerce business with "au WALLET Market powered by LUXA," and strengthen the finance business, which will include insurance and housing loans from April 2016 to maximize the "au Economic Zone" to contribute to higher merchandise value and increased value ARPA.

Business Services Segment

Provision of communications and solution/cloud services for companies and more

This segment provides diverse solutions, including cloud services that seamlessly utilize networks and applications across smartphones, tablets and other mobile devices, to a wide range of corporate customers, ranging from small and medium-sized businesses to major corporations.

Global Services Segment
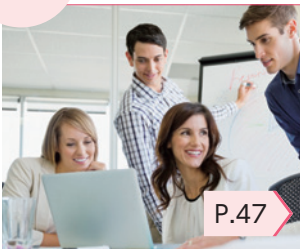
Overseas provision of communications for companies and individuals, as well as solution/cloud services and more

This segment offers the one-stop provision of ICT solutions to corporate customers, centered on our "TELEHOUSE" data centers. In addition, we are working aggressively to expand customer businesses, such as the telecommunications business in Myanmar and Mongolia.
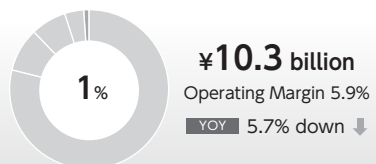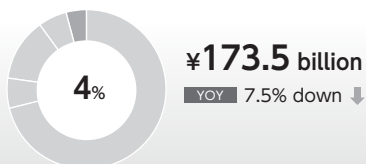
Others

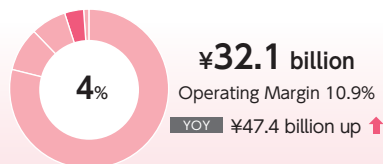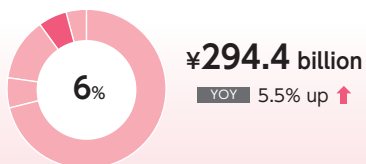### Includes network facilities operation and maintenance, call center service, research and development

In addition to construction of equipment supporting network services and call center operations, this domain also engages in ICT research and development.

Operating Revenue	Operating Income	EBITDA

Row 1 (orange)

72%	79%	82%
¥3,503.3 billion	¥656.6 billion	¥1,162.7 billion
YOY 5.2% up ↑	Operating Margin 18.7%	EBITDA Margin 33.2%
	YOY 20.1% up ↑	YOY 7.6% up ↑

Row 2 (yellow)

6%	9%	6%
¥271.8 billion	¥73.8 billion	¥85.5 billion
YOY 14.3% up ↑	Operating Margin 27.2%	EBITDA Margin 31.5%
	YOY 40.1% up ↑	YOY 21.0% up ↑

Row 3 (purple)
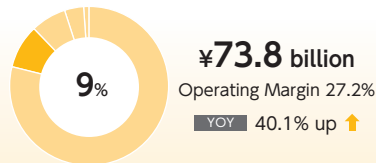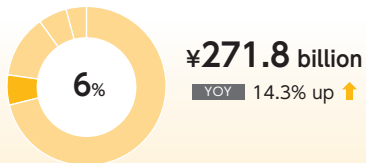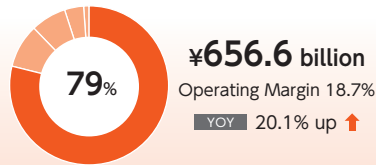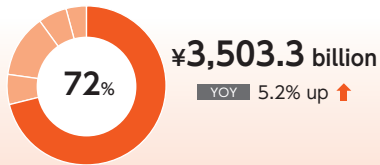
13%	7%	8%
¥632.0 billion	¥61.4 billion	¥109.5 billion
YOY 4.1% down ↓	Operating Margin 9.7%	EBITDA Margin 17.3%
	YOY 19.0% down ↓	YOY 15.2% down ↓

Row 4 (pink)

6%	4%	3%
¥294.4 billion	¥32.1 billion	¥44.4 billion
YOY 5.5% up ↑	Operating Margin 10.9%	EBITDA Margin 15.1%
	YOY ¥47.4 billion up ↑	YOY ¥45.4 billion up ↑

Row 5 (gray)

4%	1%	1%
¥173.5 billion	¥10.3 billion	¥12.1 billion
YOY 7.5% down ↓	Operating Margin 5.9%	EBITDA Margin 7.0%
	YOY 5.7% down ↓	YOY 5.6% down ↓

* The composition ratio is calculated based on the simple sum of the sales for each segment as being 100%.
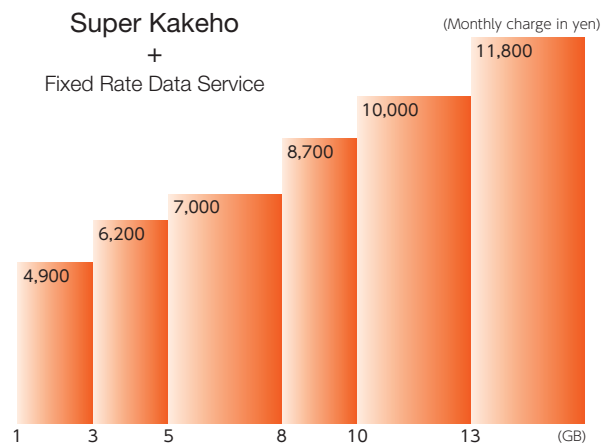
Personal Services Segment

Key Initiatives

"au Smart Value" Expanding Steadily

As of the end of March 2016 the number of subscriptions to "au Smart Value" had increased by 2.22 million year on year, to 11.55 million, while household subscriptions (fixed-line) increased by 1.13 million year on year to 5.72 million. The number of "au Smart Value" allied companies also held steady, with seven companies (including KDDI) offering FTTH, and 143 CATV companies with 238 stations (including 25 CATV companies and 25 channels allied with STNet, Inc.).

Expansion of Pricing Plans

Beginning September 2015, we added Super Kakeho (Unlimited Calling Plan S), allowing unlimited free domestic calling[1] for calls of five minutes or less to the "Unlimited Voice & Data Freedom rate plan."

Since the introduction of the plan, smartphone penetration rates have risen, along with the ratio of subscribers choosing fixed-rate voice plans and data plans above 5GB, all of which contributed to boosting au ARPA.

Super Kakeho
+
Fixed Rate Data Service

(Monthly charge in yen)

GB	Charge
1	4,900
3	6,200
5	7,000
8	8,700
10	10,000
13	11,800

(Note) Total amount for Super Kakeho (¥1,700/month when Everybody Discount* applied) + Fixed Rate Data Service + LTE NET (¥300/month).
* Automatically renewed every two years. Early cancellation will incur a cancellation charge of ¥9,500 (except during the renewal period).

Promoting Multi-Device Services

In the fiscal year ended March 31, 2016, we launched 22 models of devices[2] to meet the needs of customers of all ages.

In general handsets (smartphones and feature phones), we offered 16 models, included iPhone 6s and iPhone 6s Plus; the TORQUE, the world's first[3] salt water-resistant[4] model; the DIGNO rafre, the world's first[5] hand soap-washable[6] smartphone; the AQUOS K, an au VoLTE compatible feature phone; and the Qua phone, a smartphone from the original Qua brand series from au.

To promote multi-device services, we also offered a strong lineup of tablets, introducing a total of five models, including the iPad Pro and the Qua tab, as well as the mamorino Watch, a children's watch-type mobile phone.

iPhone 6s/ iPhone 6s Plus   TORQUE   DIGNO rafre   AQUOS K

mamorino Watch   Qua phone   Qua tab

*1 Some calls not eligible. Each call in excess of five minutes will incur a separate charge of ¥20 yen for each 30 seconds over five minutes.
*2 Personal Services segment base
*3 For smartphones released as of March 31, 2015. According to research by NEO MARKETING INC.
*4 Based on the Kyocera Corporation-defined durability test. This does not guarantee salt water resistance in all conditions.
*5 For smartphones released as of November 1, 2015. According to research by NEO MARKETING INC.
*6 IPX5/8 water resistance. We also implemented the Kyocera Corporation-defined durability test. (We do not guarantee the phone can be washed with all hand soaps.)
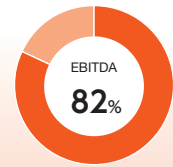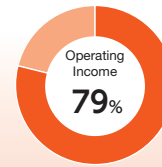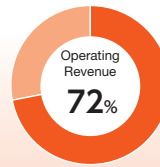
Start of "au WALLET Market" Product Sales Business

In August 2015, KDDI began a new shopping service, "au WALLET Market" at its au shops, the primary touchpoint connecting au and its customers. The service was subsequently expanded to 2,500 shops nationwide in December 2015.

"au WALLET Market" is a new proposal-style shopping service that enables visitors of au shops of easily make purchases. This offers effective use of customer wait times[7] and enables shop staff to introduce products and subscription items to customers based on their life stages and preferences.

Utilizing its base of approximately 38 million subscribers[8], and by also strengthening its tie-ups with the electricity, financial services and other businesses, KDDI is building a circular model for its "au Economic Zone" centered around au WALLET.

[7] Weekday average 22 minutes, weekend average 25 minutes (average at au shops nationwide between April 1 and May 23, 2016, excluding directly operated shops).
[8] As of the end of March 2016. Based on the Personal Services segment.

UQ Mobile (MVNO) Service

In October 2015, UQ Communications, a consolidated subsidiary of KDDI, merged with KDDI VALUE ENABLER CORPORATION, which had offered UQ Mobile MVNO services using the au network.

In February 2016, UQ began working to expand its share of the MVNO market by launching a new "Pittari Plan" rate plan, combining communication fees and smartphone handset fees for as little as ¥2,980 a month (excluding tax). In October 2015, it expanded service compatibility with "WiMAX 2+" (TD-LTE), which offers download speeds of up to 220 Mbps[9] nationwide[10], and the service enjoys high customer satisfaction.

[9] Transmission speed shown is the maximum speed based on technical specifications. Transmission speed may drop depending on equipment used, the communications environment and network congestion.
[10] Excluding some areas.

Enhancing the Value of the au Brand

As differentiating ourselves from other companies becomes more difficult, enhancing brand value is indispensable for ensuring more of our customers continue to support us. KDDI is advancing efforts to improve the quality of our contact points with all of our customers, not only through our products and services, but in everything such as advertising and customer contact. Among these efforts, in advertising, we were named Brand of the Year in the CM Research Center's 2015 TV Commercial Favorability Ranking, our second consecutive year as the No. 1 preferred commercial, and earning us the Best Advertiser award.

Solving Social Issues Through Business

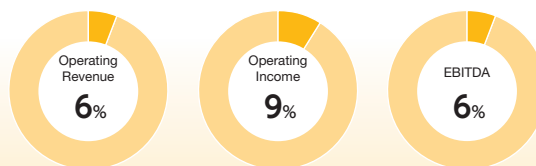### Providing Safe and Secure Products and Services

KDDI is engaged in a variety of initiatives intended to ensure that a wide range of customers, from children to seniors, can use our services safely and securely.

In products, we launched the mamorino Watch, Japan's first[11] children's watch-type mobile phone. The watch offers security features that allow parents to confirm the location of their children and prevent them from becoming lost. This is part of our efforts to provide products that both children and their parents can use comfortably and with peace of mind. For "BASIO" a smartphone for seniors, the home screen has an easy-to-see display and dedicated hard buttons are included for the phone and email as part of efforts to ensure this can be easily operable for seniors who are using a smartphone for the first time.

In services, we began offering a Net Skills Diagnostic service, a way of helping children use the internet safely and securely by acquiring knowledge and having the proper environment in place. The service determines a child's internet literacy and offers remedies based on the results.

[11] Wrist watch-shaped communication device for children. As of March 16, 2016. Researched by ZTE.

Activities by Segment

Value Services Segment

Operating Revenue	Operating Income	EBITDA
6%	**9**%	**6**%

Key Initiatives

au WALLET Market powered by LUXA

Making "au Smart Pass" and Other Membership Services More Attractive

As of the end of March 2016, "au Smart Pass" members numbered 14.47 million, an increase of 1.58 million from March 31, 2015. In our "Video Pass" service, in August 2015 we became the first communications carrier[1] in the Japanese video distribution business to utilize big data[2] to begin co-production of original content tied to terrestrial broadcast programming. We have also begun providing "Video Coins" and "Uta Coins" that can be used to pay for video rentals or to purchase music, as a way of giving something back to "Video Pass" and "Uta Pass" members.

[1] As of August 20, 2015. Research by KDDI.
[2] Limited to statistical analysis data (not including information that could identify an individual) for which customer consent has been obtained through "Video Pass," "au ID" and other end user agreements.

Taking on New Commerce Services

In a collaboration with LUXA, Inc., a consolidated subsidiary, in August 2015 KDDI began offering a new internet shopping service called "au WALLET Market powered by LUXA," in which carefully selected products and experiences are easily available for purchase via smartphones, personal computers and tablets. In addition to product sales, the service offers unique products such as fine dining and theater tickets through limited-time sales.

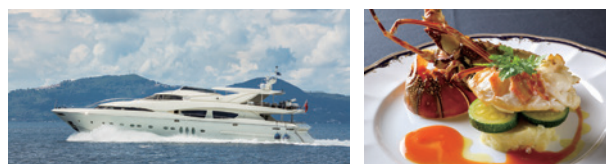#### Cultivating New Services

In March 2016, J:COM acquired 50% of the shares of Jupiter Shop Channel (Shop Channel), the country's largest television shopping business.

At the same time, KDDI acquired 5% of the shares in Shop Channel held by Sumitomo Corporation. With this investment, we will offer a new service combining the smartphone with television shopping, as we work to achieve sustained improvement in the KDDI Group's corporate value.

Expanding the Financing Business

In May 2015, KDDI entered into a capital and business tie-up with LIFENET INSURANCE COMPANY. With this alliance, we entered into the internet life insurance field, adding to our existing initiatives in internet banking (Jibun Bank) and internet general insurance (au Insurance).

Beginning in April 2016, we have restructured some financial products provided by companies in which we have invested under the au brand, and have begun offering in-shop support by qualified staff at our au shops, as well as discounts for packages that combine these products with au communication services as part of our effort to expand the "au Economic Zone."

### Solving Social Issues Through Business

Active Support Using Twitter®

With the widespread use of smartphones and the sudden growth in the number of social media users, customer concerns and complaints previously invisible are now taking the form of "tweets", and widely proliferated.

Instead of waiting for customer inquiries by phone or at our au shops, we are using Twitter®, one of the most powerful SNS platforms, to dynamically seek out and approach customers about their concerns and complaints, an initiative known as "Active Support." We may be able to solve issues by answering "tweets" not intended as inquiries with responses such as, "We saw your tweet and may be able to assist you. Please tell us more." This service has received strong recognition from outside the company, because by responding on an open platform such as social media, we can reach out to many other customers at the same time, resolving their concerns and complaints as well.

Business Services Segment

Operating Revenue **13**%

Operating Income **7**%

EBITDA **8**%
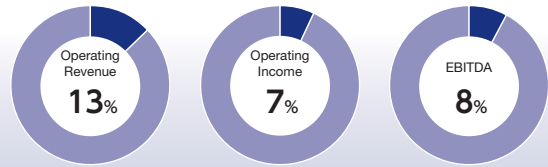
Key Initiatives

Addition of Cloud Service Functions

As part of our efforts to enhance our "KDDI Cloud Platform Service," a cloud platform for corporate customers, we began providing Object Storage in September 2015. This offers the flexibility to allow unlimited storage of data, which may explosive grow, with 99.999999999999%*3 (14-nines) robustness, and enables us to provide customers with highly reliable communication services.

*3 A figure that indicates that stored data will not be lost or destroyed. The difference between this figure and 100% represents the probability of data loss within one year.

Solving Social Issues Through Business

Initiatives with Corporate Customers

The KDDI ENTERPRISE USERS' GROUP is an organization run by corporate customers of KDDI's services. KDDI provides office support for the group's activities, where members from different industries gather to hold seminars, site visits and workshops, working to interact, study and build friendships. These activities also provide an opportunity for us to reflect the opinions of the members in improvements to KDDI services and new product development.

Global Services Segment

Operating Revenue **6**%

Operating Income **4**%

EBITDA **3**%
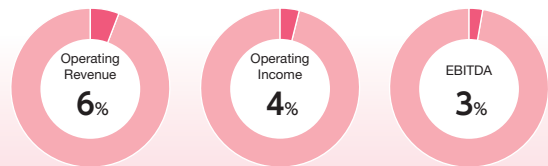
Key Initiatives

Promoting the Telecommunications Business in Emerging Countries

In the telecommunications business in Myanmar, we have enhanced customer touchpoints. We worked to improve network quality by adding mobile phone base stations, strengthening network operations, and expanding area coverage in line with customer flow. We also worked to enhance customer contact points by expanding brand shops, including regional locations, systemizing call center operations, and launching a new content portal site.

As a result, by March 31, 2016, the number of mobile phone subscribers had increased by 3 times in the period since we signed the joint business agreement in July 2014, to more than 19 million, at higher than planned levels.

In March 2016, we also consolidated MobiCom Corporation LLC, which has a top share of domestic mobile communication subscriptions in Mongolia.

Solving Social Issues Through Business

Initiatives in Mongolia

In Mongolia, construction of a fiber network is in progress, and installation of a 33,000 km backbone network has been completed. However, broadband internet is not available in villages distant from connection points to that network, and over 30 villages have difficulty just connecting to the internet.

In 2015, the KDDI Foundation, working with the Mongolia Information Technology, Post and Telecommunication Authority, introduced a pilot program to offer satellite-based broadband internet connectivity to three villages along the country's border. Following construction of the network, the speed of exchange of information between village offices, hospitals, schools and relevant central government institutions has improved dramatically, contributing to maintaining and enhancing life in these villages. KDDI plans to consider expanding this effort.

Ceremony marking the opening of services in Tsagaannuur village in northern Mongolia.