

# 1. Toward Sustainable Growth (1)

From a period of strengthening management foundations  
to a period of expanded customer base aimed at future profit growth

**Beginning of  
a new stage**

**Keywords**

“Selection and concentration”  
to strengthen management  
foundations

“Strategy and Speed” to drive  
sustainable growth

**Strengthen  
Operating  
Foundations**

Concentrate resources into  
“au” Business

Increase net adds share of “au”  
Expand Metal/Hikari Plus sales

**Purpose of  
FCF**

Reduce interest-bearing debt

Make proactive capex  
Enhance shareholder return

# 1. Toward Sustainable Growth (2)

## Strengthen Operating Foundations

Aim to expand customer base by increasing sales of direct access services, led by Metal Plus and by enhancing “au”'s net adds share

## Assumed industry topics and KDDI initiatives

FY05

◆ Direct Access Services Begin in Earnest

*Aggressively expand sales of Metal Plus as opportunities to rebuild Fixed-line Biz.*

FY06

Introduction of MNP

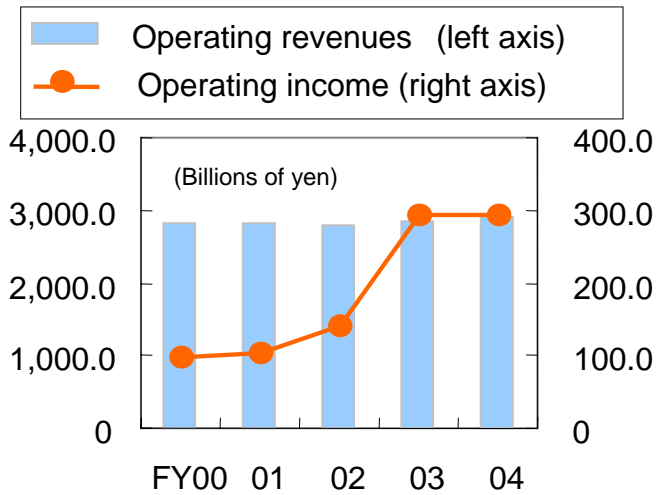
*Use MNP as opportunities to boost share of net adds for “au” as a challenger*

FY07

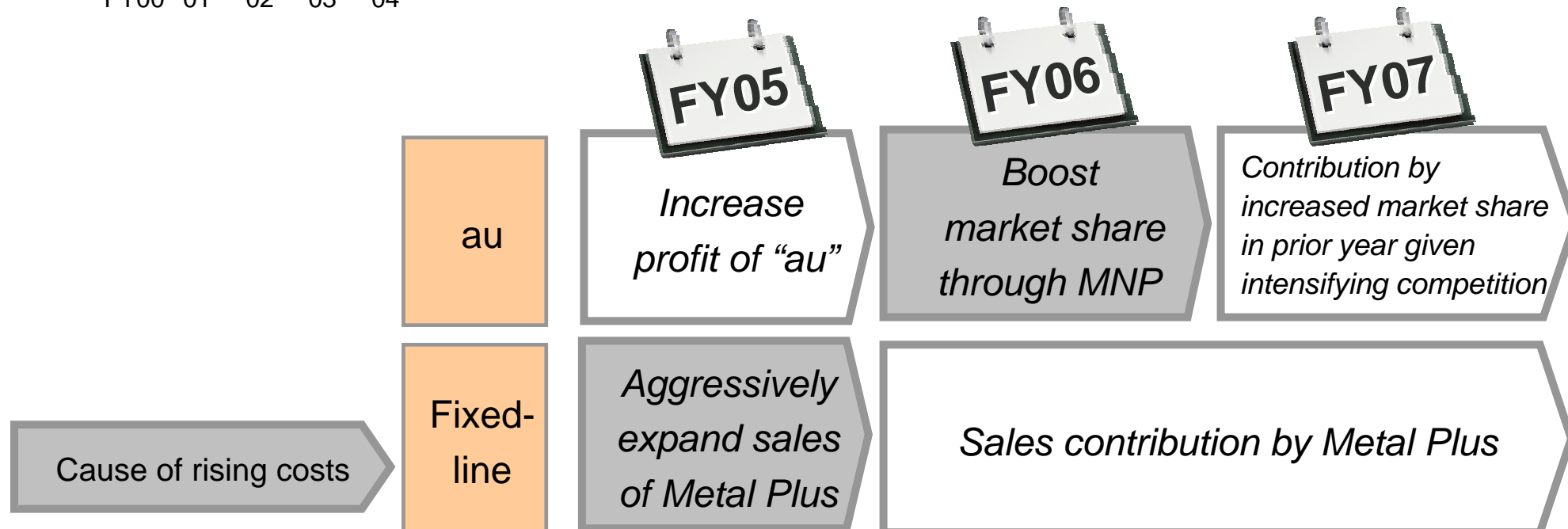
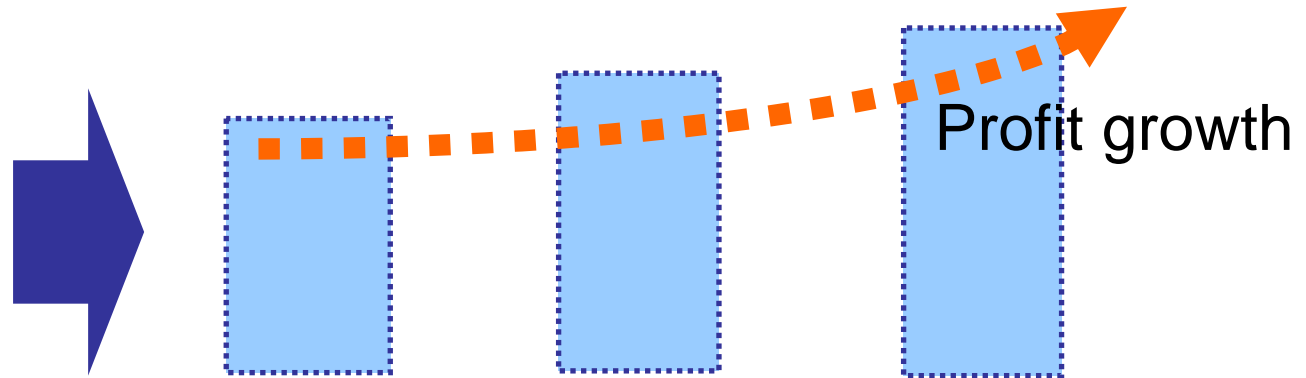
3G New Entrants

*Respond to the possible changes with total product attractiveness and brand strength enhanced through initiatives for MNP*

# 1. Toward Sustainable Growth (3)



Aiming for top-line growth first of all



# 1. Toward Sustainable Growth (4)

## Develop FMC

Aim for solid customer base by implementing FMC measures step by step so KDDI can penetrate every household

## Differentiation through FMC

(Fixed & Mobile Convergence)



05.5 ~

Step 1

Fixed-line/mobile combined bill, cross-selling

Step 2

Bundle fixed-line/mobile charges etc.

Step 3

Develop new services such as fixed-line/mobile integrated terminal

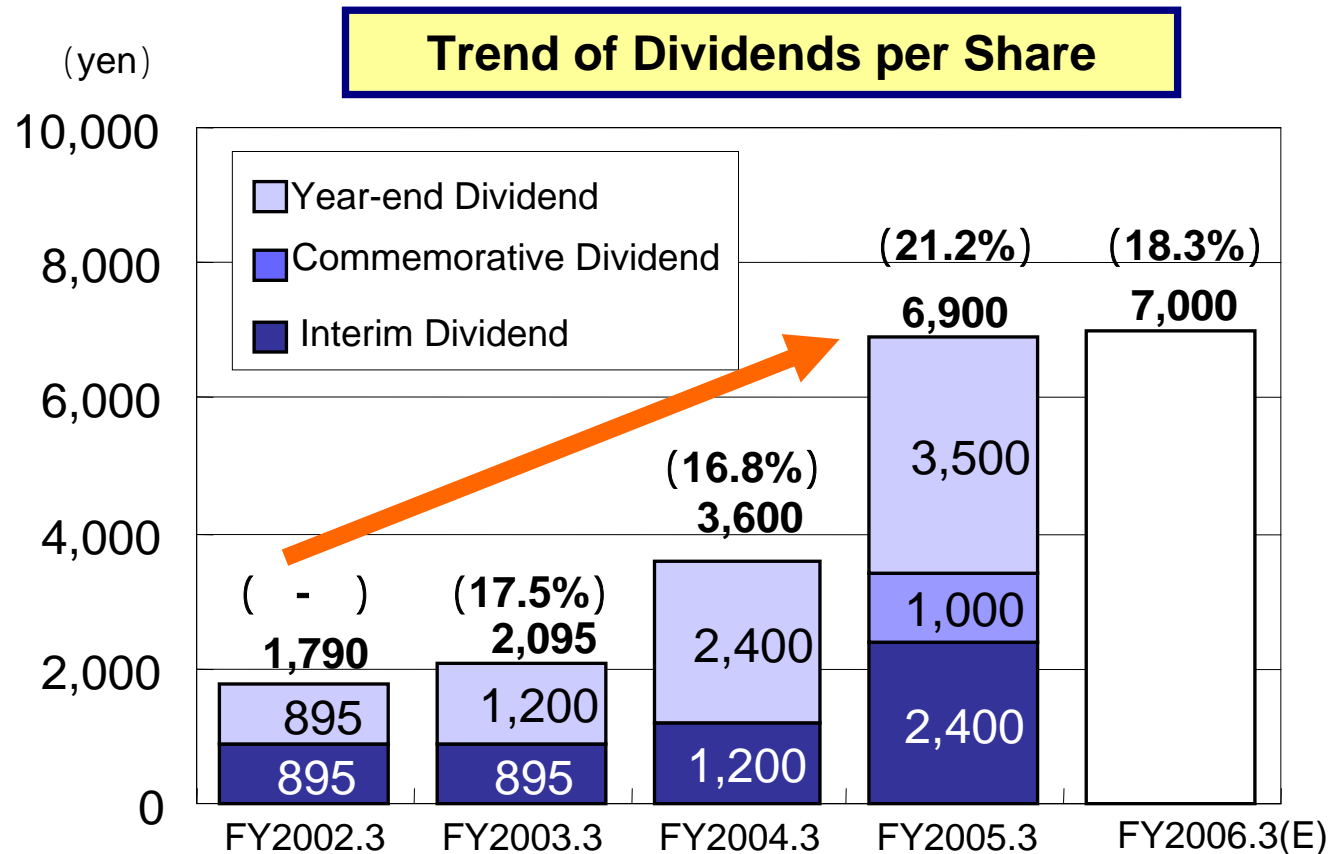
(Under review)

(Under review)

## 2. Shareholder Returns

### Return to shareholders

Achieved a 20% payout ratio target in FY2005.3. (no consolidated basis)  
 Maintain stable dividend payment with due considerations for investment for future growth.



Note: ( ) refers to payout ratio. FY2002.3 posted net loss, therefore, shown as ( - ). 16

# 3. Response to Regulatory Environments

## Review of Universal Service Charge System

### ■ Situation

MIC is promoting a review of universal service charge system and plans to release a report around Oct. 2005.

### ■ Responses & Implications

System revision expected to drive technological innovation and service diversification. Possible effects include an imposition of Universal Service System through reduction in costs not dependent on traffic volume in line with a review of interconnection charges and lower basic phone charges for users of NTT East/NTT West

## Mobile Number Portability (MNP)

### ■ Situation

In May 2004, MIC announced guidelines to introduce MNP. MNP is expected to be implemented by all mobile carriers by the earliest date possible in FY2006.

### ■ Responses & Implications

Detailed specifications on how to actualize the system and allocate costs will be decided going forward. KDDI plans to comply with the introduction by the target date.

## Open-up of Fiber Optics

### ■ Situation

Wider range of services offered via fiber optics, including FTTH, as access lines along with development of broadband. No. of FTTH subs is approx. 2.0 million as of September 2004.

### ■ Responses & Implications

Designated service providers, NTT East/NTT West, should maintain their fiber optics open for inexpensive broadband services. KDDI will advance FTTH biz for the merit of convenience for customers.

## New 3G Market Entry

### ■ Situation

In Sept. 2004, MIC announced 1.7GHz & 2GHz are to be allocated to new entries in the immediate future. In Feb. 2005, it announced a policy for IMT-2000 frequency allocation in the 800MHz frequency band.

### ■ Responses & Implications

KDDI will maintain competitive advantage in service offerings even as new companies enter the market and will actively cooperate with the government for the reallocation of 800MHz frequency band.