

KDDI Makes Tu-ka Cellular Operations into Wholly-Owned Units through Share Exchanges and Increases Share in Tu-ka Phone Kansai through Private Placement to Third Party

KDDI Corporation
Tu-ka Cellular Tokyo
Tu-ka Cellular Tokai
Tu-ka Phone Kansai

November 15, 2004

KDDI Corporation (hereinafter “KDDI”) and Tu-ka Cellular Tokyo, Tu-ka Cellular Tokai and Tu-ka Phone Kansai (hereinafter “Tu-ka group companies”) announced that, upon resolutions adopted at respective Board of Directors meetings today, KDDI will make the Tu-ka group companies into wholly-owned subsidiaries through share exchange agreements. It was also decided that KDDI will increase its share in Tu-ka Phone Kansai through private placement to a third party. Details are as follows.

Making Tu-ka group companies into wholly-owned subsidiaries through simple exchange of shares

1. Purpose

To counter an unpredictable market environment caused by intensifying competition in mobile phones, declining monthly net increase and new market entrants, KDDI aims to enhance the operational effectiveness of its group firms and promote a flexible business development strategy. In order to realize these goals, it was decided to make the Tu-ka group companies into wholly-owned subsidiaries through share exchanges to further strengthen corporate structure and increase speed of decision making.

2. Terms and conditions of share exchanges

(1) Schedule (planned)

November 15, 2004	Board of Directors approve share exchange agreements Conclusion of share exchange agreements
November 30, 2004	Shareholders’ meeting to approve share exchange agreement (Tu-ka Tokyo, Tu-ka Tokai)
December 1, 2004	Shareholders’ meeting to approve share exchange agreement (Tu-ka Kansai)
March 24, 2005	Due date for submission of share certificates (Tu-ka group companies)
March 25, 2004	Effective date of share exchanges

*Pursuant to the provisions of Clause 1 of Article 358 of the Commercial Code of Japan, KDDI shall perform the share exchanges without gaining the approval at its shareholders’ meeting.

(2) Share exchange ratios

	KDDI Corp. (parent company)	Tu-ka Cellular Tokyo Inc. (wholly-owned subsidiary)	Tu-ka Cellular Tokai Inc. (wholly-owned subsidiary)	Tu-ka Phone Kansai Inc. (wholly-owned subsidiary)
Exchange ratio	1	0.0892	0.0174	0.0087

Notes:

1. Share exchange ratios

For a share of Tu-ka Cellular Tokyo, 0.0892 shares of KDDI will be allocated, while 0.0174 KDDI shares will be allocated to each Tu-ka Cellular Tokai share. KDDI will allocate 0.0087 of its shares for each Tu-ka Phone Kansai share. Note, however, that no issue will be made for shares of the Tu-ka group companies that are already owned by KDDI as of the day prior to the share exchanges.

2. Method and basis for calculation of share exchange ratios

Calculation of the equity value of each Tu-ka group company was commissioned to the third party J.P. Morgan Securities Asia Pte. Limited (hereinafter "J.P. Morgan").

J.P. Morgan performed a DCF (Discounted Cash Flow) analysis, an analysis of past transaction history and a net asset value analysis to determine the equity values, with the results submitted to KDDI thereafter.

Based on the market value method for KDDI and the results of J.P. Morgan's calculations for the Tu-ka group companies, the above exchange ratios were determined upon sufficient consultation between KDDI and each Tu-ka group company.

3. Number of shares to be provided for the share exchanges

KDDI will allot shares of the Company's treasury stock in lieu of issuing new shares. The number of shares to be allotted will be calculated based on the above exchange ratios.

(3) Payment to shareholders for share exchange

No payment to shareholders for the exchange of shares is scheduled.

3.Outline of each company

(1) Company name	KDDI Corporation (parent company)	Tu-ka Cellular Tokyo (subsidiary company)	Tu-ka Cellular Tokai (subsidiary company)	Tu-ka Phone Kansai (subsidiary company)
(2) Business Objective	Telecommunications business	Telecommunications business	Telecommunications business	Telecommunications business
(3) Date of Establishment	June 1, 1984	July 26, 1991	February 14, 1992	October 31, 1991
(4) Principal Office	3-2, Nishi-shinjuku 2- chome, Shinjuku-ku, Tokyo	10-11, Shiba-Daimon 1- chome, Minato-ku, Tokyo	102-10, Rokuno 2-chome, Atsuta-ku, Nagoya	3-10, Umeda 3-chome, Kita- ku, Osaka

(5) President	Tadashi Onodera	Yuji Tsuda	Sumitada Nasu	Motohiko Fukuda
(6) Common stock (millions of yen)	141,851	6,000	3,000	6,000
(7) Total number of shares issued and outstanding	4,240,880.38	120,000	60,000	120,000
(8) Shareholders' equity (millions of yen)	1,136,074	8,134	311	23,787
(9) Total assets (millions of yen)	2,331,900	127,175	53,599	74,887
(10) Accounting period	March 31	March 31	March 31	March 31
(11) Number of Employees	9,010	401	207	301
(12) Main customer	Company and Consumer	Company and Consumer	Company and Consumer	Company and Consumer
(13) Major shareholder and shareholding ratio	Kyocera Corp. 13.50% TOYOTA Mortor. 11.72%	K D D I 92.0%	K D D I 95.75%	K D D I 94.85%
(14) Main bank	Development Bank of Japan Mizuho Corporate Bank UFJ Bank	Development Bank of Japan Mizuho Corporate Bank	Development Bank of Japan Mizuho Corporate Bank	Development Bank of Japan Mizuho Corporate Bank
(15) Each relation	Capital relation: KDDI is the largest stockholder who holds 94.85% of Tu-ka Phone Kansai, 95.75% of Tu-ka Cellular Tokai, 92.0% of Tu-ka Cellular Tokyo. Human relation: One director of KDDI is holding an additional post of the director of Tu-ka Cellular Tokyo, Tu-ka Cellular Tokai, Tu-ka Phone Kansai. Business connections: Providing the Telecommunication service.			

(1)-(12)(14)(15) : As of September 30, 2004

(13)(15) : As of October 31, 2004

(16) The achievements between 3 accounting periods recently.

	KDDI Corporation (parent company)			Tu-ka Cellular Tokyo (subsidiary company)		
	2002	2003	2004	2002	2003	2004
March 31, 2002, 2003, 2004						
Operating Revenues (millions of yen)	1,872,109	2,202,762	2,340,221	155,527	131,252	113,696
Operating income (millions of yen)	58,766	107,158	245,232	768	1,082	4,097
Ordinary income (millions of yen)	51,723	95,430	231,326	2,574	954	2,622
Net income (millions of yen)	18,315	50,396	90,617	3,781	1,234	2,612
Net income per share (yen)	4,318	11,913	21,483	31,514	10,287	21,769
Cash dividends per share (yen)	1,790	2,095	3,600			
Shareholders' equity per share (yen)	223,923	232,866	254,246	39,398	29,110	50,880

March 31, 2002, 2003, 2004	Tu-ka Cellular Tokai (subsidiary company)			Tu-ka Phone Kansai (subsidiary company)		
	2002	2003	2004	2002	2003	2004
Operating Revenues (millions of yen)	85,021	73,544	60,553	117,711	113,272	102,207
Operating income (millions of yen)	772	1,626	3,004	3,779	6,745	8,280
Ordinary income (millions of yen)	651	2,919	2,203	1,088	4,017	6,553
Net income (millions of yen)	529	4,779	2,604	1,034	2,787	3,837
Net income per share (yen)	8,819	79,664	43,410	8,621	23,231	31,977
Cash dividends per share (yen)						
Shareholders' equity per share (yen)	15,657	64,007	20,597	275,766	252,535	220,558

4. Circumstances after the share exchanges

(1) Each Company's name, Business Objective, Principal Office, President
There is no change from [3.Outline of each company].

(2) Capital of KDDI
The capital of KDDI will not increase as a result of the share exchanges.

(3) Impact on business Results
The share exchanges will not have a material effect on KDDI's consolidated business results, since the Tu-ka group companies are already consolidated subsidiaries of KDDI.

Issuance of new Tu-ka Phone Kansai shares by private placement

1. Purpose

As of October 31, 2004, KDDI owned 94.85% of the shares issued for Tu-ka Phone Kansai (hereinafter "Tu-ka Kansai"), which has become a key subsidiary for KDDI Group in terms of its mobile phone business. In preparation for the share exchange with Tu-ka Kansai, KDDI decided to issue ¥24.22 billion worth of new shares to a third party through private placement to eliminate the excessive liabilities of Tu-ka Kansai.

2. Outline of capitalization issue by private placement

(1) Number of shares issued

Number of shares: 4,844,000 shares of common stock

Issue price: ¥5,000 per share

Total amount of issue price: ¥24,220,000,000

Payment date: March 24, 2005

(2) Method for determining issue price

The issue price of ¥5,000 for each Tu-ka Kansai share was determined based on standards for calculating the share exchange ratios.

(3) Use of funds

Proceeds resulting from the private placement will be used as working capital.

3. Changes due to issuance of new shares by private placement

(1) Number of shares issued by Tu-ka Kansai

Current: 120,000 shares

After private placement: 4,964,000 shares

(2) Tu-ka Kansai shares held by KDDI and equity stake

Current (as of October 31, 2004): 113,820 shares (94.85%)

After private placement (planned): 4,957,820 shares (99.87%)

(3) Tu-ka Kansai capital and capital reserves

Current: Capital ¥600 billion

Capital reserves –

After private placement: Capital ¥1,811 billion

Capital reserves ¥1,211 billion

4. Impact on business results

The issuance of new shares by private placement will not have a material effect on KDDI's consolidated business results.