

DDI CORPORATION

ANNUAL REPORT 2000



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DDI was established in June 1984 as Dai-ni Denden Planning Company. It changed its name to DDI Corporation in April 1985, as the liberalization of the telecommunications sector was taking place, and received permission to operate as a Type 1 Telecommunications Carrier in June 1985.

DDI began to provide leased circuit services in October 1986 and long-distance telephone services in September 1987, thus bringing competition to the Japanese telecommunications market, which had previously been monopolized by Nippon Telegraph and Telephone Corporation (NTT). The DDI Group subsequently expanded into cellular-phone services in 1989 and Personal Handy-phone System (PHS) services in 1995.

The DDI Group will continue to expand its activities in the future as it evolves into an integrated telecommunications services provider.

SELECTED FINANCIAL DATA

Millions of yen					
Years ended March 31	2000	1999	1998	1997	1996
Consolidated statements of income:					
Total operating revenues.....	¥1,525,953	¥1,246,582	¥1,178,345	¥1,016,398	¥669,609
Operating income.....	19,614	69,874	79,611	46,194	82,895
Income (loss) before income taxes					
and minority interests .....	(42,786)	49,715	65,018	37,880	75,569
Net income (loss).....	(10,468)	17,061	8,310	(26,161)	4,281
Consolidated balance sheets:					
Total assets .....	1,999,008	1,585,848	1,296,747	1,055,673	790,323
Total shareholders' equity.....	228,574	231,208	218,321	175,556	205,287
Interest-bearing debt.....	1,433,128	1,068,616	779,786	614,537	324,584
Per share data (yen):					
Net income (loss) .....	¥ (4,603)	¥ 7,501	¥ 3,807	¥ (12,031)	¥ 1,969
Cash dividends .....	1,790	1,790	1,790	1,790	1,380

Note: Interest-bearing debt consists of short-term loans, current portion of long-term loans, long-term loans, bonds and long-term accounts payable.



Chairman  
Jiro Ushio

Founder and Chairman Emeritus  
Kazuo Inamori

President  
Yusai Okuyama

# Rely on a Top Provider for All of Your Telecommunications Needs

DDI looks to the future as a leader in the telecommunications field, and through its merger with IDO and KDD, DDI aims to be a world-class leader in the development of new technologies and services that meet the exacting demands of the modern mobile consumer.

The telecommunications industry has rapidly diversified and enhanced its services in the 15 years since deregulation of telecommunications businesses. Success in this sector depends on the ability to provide a comprehensive range of low-cost, high-quality services. Competition has escalated in response to recent developments, including the restructuring of Nippon Telegraph and Telephone (NTT) and a series of business mergers and business alliances involving both Japanese and foreign firms. The result is an increasingly demanding business environment.

In August 1999 the DDI Group adopted the “Mobile & IP” strategy, which gives priority to mobile communications and the Internet. We have since worked aggressively to develop our business activities in line with this approach. Efforts to strengthen our competitiveness in the area of network-related businesses include enhancements of DION, Internet connection service, and the reduction of international

telephone charges. We also enhanced our cellular telephone activities through the nationwide introduction of cellular telephone services based on the new “cdmaOne” service, and the launch of the “EZweb” Internet connection service and the “PacketOne” packet communications service. In September 1999 we strengthened our sales structure by acquiring majority shareholdings in TU-KA Cellular Tokyo, Inc., TU-KA Cellular Tokai, Inc. and TU-KA Phone Kansai, Inc. Changes affecting the POCKET Telephone business include the reduction of charges for calls to cellular telephones, and the launch of the high-performance H” terminal. In January 2000 the nine POCKET TELEPHONE companies were merged into one company. Overseas, the dynamic development of our cellular-phone businesses in Brazil and Paraguay continued.

One of our goals was to restructure the Iridium business. However, it became difficult to continue with this activity due to changes in the mobile telecommunications market and other factors. For this reason, the DDI Group decided to withdraw from this area of activity as of March 2000.

Our determined efforts to ensure

the successful implementation of the policies outlined above were reflected in a 22.4% increase in total operating revenues over the previous fiscal year, which amounted to ¥1,525,953 million. However, increased operating expenses and the cost of retiring analog facilities resulted in an operating loss of ¥5,271 million on our cellular telephone services. There was also a special loss resulting from our withdrawal from the Iridium operation. Unfortunately, this left a net loss of ¥10,468 million for fiscal year 2000.

Founder and Chairman Emeritus  
Kazuo Inamori

Chairman  
Jiro Ushio

President  
Yusai Okuyama

TOPICS

The number of IP users has increased dramatically since April 1999. The number of people using the DION dial-up Internet service exceeded 1 million in June. The user base for *EZweb mobile Internet services* broke through the 2 million barrier in May and by July was above 3 million. The inclusion of people using the *P-mail DX mobile Internet service* via PHS units brings DDI's total Internet-related customer base to over 5 million, making it one of Japan's leading Internet service providers.

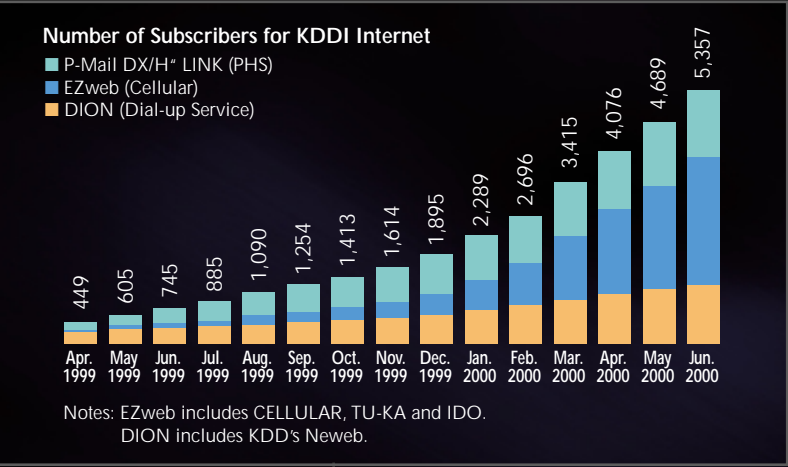
DDI will position cellular telephones as portals. Revenues are currently limited mainly to user charges and so forth, but in the future it will also be possible to earn revenues from advertisers. The benefits of this approach will be passed on to users through lower call charges.

DDI, the DDI CELLULAR Group and IDO have introduced the "Global Passport" international roaming service. This allows the customer to use a single cdmaOne system unit throughout Japan and overseas. The first stage of the service was launched on April 21, with roaming services available in South Korea and Hong Kong, through DDI's business partner carriers, STI (South Korea) and Hutchison (Hong Kong). Services in the United States started in July, and services in Australia began in August, in time for the Sydney Olympics in September, through the roaming service partners Verizon Wireless (U.S.) and Telestra Corporation Limited (Australia). Other countries will be added progressively.

Configured with Color Contents Site for EZweb Service		
A wide range of new content for mobile Internet service (EZweb), including the items shown below, will be added from July onwards.		
Content	Content Provider	Description
Machiuke Charagetter	Bandai Co., Ltd.	Users will be able to download various character images, including "Hello Kitty." Popular characters will appear one after another.
Itsumo Snoopy	NEC Interchannel Co., Ltd.	Visitors to this site can enjoy the "Peanuts" comic with Snoopy and Charlie Brown. By correctly answering a quiz, users can download illustrations.
Fubokai Yaro yo	Index Co., Ltd.	Users can develop an alter ego and pursue the careers they dreamed of as children. It is also possible to make new friends by talking with other users in the chat room.
Shin Yamagishi Shashinkan	KYOCERA Multimedia Corporation	Users can download pictures of pin-up idols taken by leading photographer Shin Yamagishi.
@Chaku Chara-Club	Cybird Co., Ltd.	Pictures of Lamb Chop, Casper, Heidi and other characters are available for downloading.
COJI-COJI Mail	Dentsu Kyushu Co., Ltd.	This greeting mail service allows users to send mail with Momoko Sakura's Coji Coji characters attached. It is also possible to download characters showing the date and day of the week.
EZ avexnet	Avex Network Co., Ltd	Visitors can download images of and call melodies by Avex-affiliated artists. The latest Avex information is also available, together with artists' discographies.
Mite Mite Paradise	DML Co., Ltd.	Users of this service can store albums of their own digital camera photos or pictures from the site's character park. Photos and images from albums can be swapped with friends or downloaded as wallpaper.
* DDI plans to add color content and cellular telephones with color support progressively.		



Users of this service can store albums of their own digital camera photos or pictures.



Superiority of EZweb (cdmaOne)		
Commencing of Services	April 1999	
Members (July 2000)	(3,049,000)	
Description Language	HDML:WAP	
Communications Speed	14.4kbps/Packet	
Per Packet Fee	¥0.27	
Number of Official Sites	300	Entertainment: 280 Banking: 20
Number of Non-official Sites	250	
Configured Terminals	10	
Collecting Agency Service	DDI (March 1999) IDO (July 2000)	
Color Screen Correspondence	July 2000	
Adopted Regions of WAP	Europe, North America, Asia	

# The Merger of DDI and Two Major Japanese Telecom Firms Will Provide Incredible Synergistic Effects

Last December DDI, KDD and IDO reached basic agreement, as outlined below. In April 2000 the three companies signed a merger agreement on this basis.

(1) The new company will operate as an integrated information and telecommunications carrier providing seamless services in all areas of mobile, domestic and international telecommunications. The aim of the merger is to achieve synergies that will contribute to the effective and efficient provision of services, thereby leading to the creation of a force capable of competing with the NTT Group.

(2) The merger is seen as a way of expanding capital resources to support accelerated business expansion.

(3) Improved efficiency and competitiveness and an expansion of business will create a structure capable of providing advanced services and supporting aggressive marketing activities designed to win the support of cus-

tomers, from individuals to mega corporations in Japan and overseas.

(4) Management resources will be concentrated into the post-merger company, and the work forces of the three companies will be integrated under a single business policy system. The aim is to create a powerful structure capable of competing with major carriers in Japan and overseas.

In addition to the prospect of increased competition, it will also be necessary to cope with changes in the market structure, including shifts from voice to data communications, and from fixed-line to mobile telecommunications. The provision of seamless services under the “Mobile & IP” strategy is an extremely important priority in this context. The three companies will use the merger as an opportunity to enhance their ability to adapt to this changing market environment by pooling their accumulated knowledge. The goals

are to build and expand a global backbone by integrating domestic and overseas services, to provide seamless integrated mobile services throughout Japan, and to introduce next-generation mobile telecommunications technology aggressively.

### Synergy Effects from Three-Company Merger

DDI, KDD and IDO have complementing facilities. The combination of DDI’s wireless network with KDD’s nationwide high-capacity fiber optic network will create Japan’s biggest and most disaster-resistant network. In addition, KDD has an international reputation for advanced research, and it should be possible to achieve major synergy effects by applying that technology in mobile business operations of DDI and IDO. For example, the development of medical image data bases

and ambulance video links will lead directly to actual business opportunities based on the cdmaOne and PHS technologies. In the past it has been difficult to differentiate services on the basis of content. However, KDD research is more advanced than that of DoCoMo or J-Phone and will contribute to future strategies based on content differentiation. DDI CELLULAR and IDO have complementing structures in terms of their service areas for mobile communication services. As a result of the merger, it is now possible to provide seamless nationwide services under a common brand, “au.”

KDD’s high profile will give the group access to major corporate users. It will give the group a competitive advantage in long-distance communications after the introduction of the preferred connection system.

The data centers currently operated by DDI and Kyocera will be merged with KDD’s data center, creating the biggest facility of its type in Japan with total installation space of 11,000 m². Moreover, since KDD owns land in central Tokyo, it will also be possible to ensure operational safety from a maintenance perspective. Reliability, including maintenance, is a crucial requirement in the data center business. The KDDI Data Center will be among the

### Overview of Merger Partners (as of March 2000)

Trading name	DDI Corporation		KDD Corporation		IDO Corporation	
Business Activities	Type 1 telecommunications carrier		Type 1 telecommunications carrier		Type 1 telecommunications carrier	
Date of Establishment	June 1, 1984		March 24, 1953		March 9, 1987	
Head Office	8, Ichiban-cho, Chiyoda-ku, Tokyo		3-2, Nishi-Shinjuku 2-chome, Shinjuku-ku, Tokyo		6, Rokuban-cho, Chiyoda-ku, Tokyo	
Representative	Yusai Okuyama		Tadashi Nishimoto		Satoshi Nakagawa	
Common Stock	¥72,635 million		¥61,777 million		¥68,740 million	
(Par value)	¥5,000		¥500		¥50,000	
Shareholders' Equity	¥287,996 million		¥424,112 million		¥18,871 million	
Total Assets	¥813,889 million		¥943,884 million		¥507,657 million	
Balance Date	March 31		March 31		March 31	
Employees	2,586		5,289		1,019	
Status of Shares						
Number of Authorized Shares	7,000,000		300,000,000		1,833,072	
Number of Shares Issued and Outstanding	2,274,442		80,236,623		1,374,804	
Number of Shareholders	45,909		50,137		48	
Major Shareholders and Their Shareholdings						
	Kyocera Corporation	25.16%	Postal Ministry Co-op. Assoc.	8.79%	Toyota Motor Corporation	63.20%
	The Kogin Trust & Banking Co., Ltd.	4.16%	Toyota Motor Corporation	8.00%	Tokyo Electric Power Co., Inc.	11.70%
	The Chase Manhattan Bank N.A. London	3.71%	NTT	8.00%	Chubu Electric Power Co., Inc.	7.50%
	The Sumitomo Trust & Banking Co., Ltd.	2.62%	Singapore Tele-communications Ltd.	4.99%	KDD	2.0%

best in Japan in terms of both quality and quantity.

### Preferred Connection System

In May 2001 a preferred connection system will be introduced. By registering their preferred telephone com-

pany, users will be able to connect via that company automatically without first dialing the company’s prefix (0077 for DDI). It will be possible to register preferences for local, prefectural long-distance, inter-prefecture long-distance and international carriers.

# DDI Provides Superior Services through Innovative Technologies

The Japanese telecommunications industry has entered an era of fierce competition, amid the easing of regulations and the flurry of mergers and realignments. Competition is now focused more on “one-stop teleservice” than on price, and companies are vying to provide an array of convenient, new services as the use of the Internet and data communications continue to grow.

## Subscriber Base

The rapid growth in the number of portable telephone subscribers was reflected in a decline in the number of fixed-line telephone subscribers. As of March 31, 2000, 51.139 million subscribers in Japan had portable telephone contracts. This represents an increase of 23.1% over the previous year's level. The number has consistently grown by over ten million in each of the past four years.

The number of subscribers to PHS services declined by 1.2% to 5.707 million as of March 31, 2000.

However, recent figures indicate that the subscriber base is now growing, mainly because of the demand for data communications. The total percentage of the population with portable telephone or PHS connections has reached 47.4%. As of September 1999, there were 57.29 million fixed-line telephone subscribers in Japan. This is 3.9% lower than at the same point in the previous year. However, Internet demand was reflected in a 64.9% increase in the number of fixed-line ISDN connections, which reached 5.14 million. The number of Internet users in Japan is estimated to have reached 27.06 million at the end of March 2000, an increase of 59.7% over the previous year's figure. Internet connection ratios have reached 19.1% for households, 31.8% for small and

medium-sized enterprises, and 88.6% for large corporations. These connection figures are indicative of major shifts toward mobile and data communications.

## Traffic Trends

Traffic statistics for the year ended March 1999 show that there were 93,930 million calls from fixed-line telephones, a decline of 7.2% from the previous year's level. The number of calls from portable telephones increased by 43.3% to 25,020 million, while the total for PHS units was 25.2% higher at 4,840 million. Total call time was 5.0% higher at

## Trends in Access Charges

Type	Fiscal Year Ended March 2000	Fiscal Year Ended March 1999	Fiscal Year Ended March 1998
ZC connection (telephone)	¥1.24/call ¥0.0522/second ¥10.64/3 minutes	¥1.27/call ¥0.0595/second ¥11.98/3 minutes	¥1.28/call ¥0.0647/second ¥12.92/3 minutes
ZC connection (ISDN)	¥1.85/call ¥0.0616/second ¥12.94/3 minutes	¥2.59/call ¥0.0847/second ¥17.84/3 minutes	¥3.67/call ¥0.1218/second ¥25.59/3 minutes
GC connection (telephone)	¥1.03/call ¥0.0252/second ¥5.57/3 minutes	¥0.99/call ¥0.0268/second ¥5.81/3 minutes	¥0.99/call ¥0.0289/second ¥6.19/3 minutes
PHS local communications	¥1.65/call ¥0.0522/second ¥11.05/3 minutes	¥1.66/call ¥0.0574/second ¥11.99/3 minutes	¥1.71/call ¥0.0633/second ¥13.10/3 minutes

5,080 million hours. Calls from subscriber telephones totaled 4,240 million hours, a year-on-year decline of 0.6%. Calls from portable telephones reached 720 million hours, an increase of 56.1%, while the total for PHS units increased by 7.1% to 110 million hours.

A feature of portable telephone and PHS call times is that the peaks occur late at night, at 11pm and 12 midnight. These traffic patterns are totally different from that for subscriber telephones, the peaks for which occur around 9am in the morning and 9pm in the evening.

Mobile Internet

Mobile Internet use is expanding rapidly in Japan, especially among users in their teens, twenties and thirties. Portable telephones and PHS telephones are being used not only for voice calls, but also for web browsing, data downloading, e-mail and other applications.

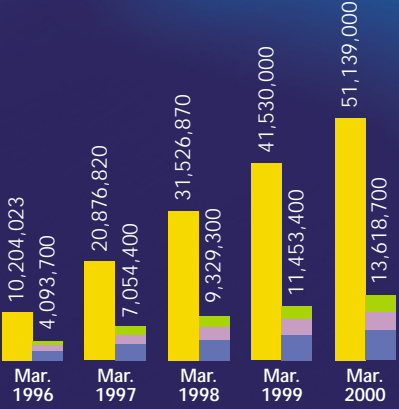
As of the end of June 2000, DDI had 4.12 million subscribers (cellular telephones: 2.69 million, PHS: 1.43 million), NTT DoCoMo 8.29 million, and J-phone 1.74 million. The total market now consists of 14.15 million subscribers. In May 2000 the number was 10.7 million, which means that there was an

increase of 3.45 million subscribers in just one month. The sophistication of portable terminals is also rising, and there are now models with color LCD screens. Models with Java script capabilities and built-in digital cameras or audio devices for MP3 and other formats are also expected to appear on the market.

In addition to entertainment applications, such as chatrooms, bulletin boards and gourmet information, users also can access sites offering various services, including news and banking. Portable telephone carriers have established systems to collect charges, including fees for pay-per-view content.

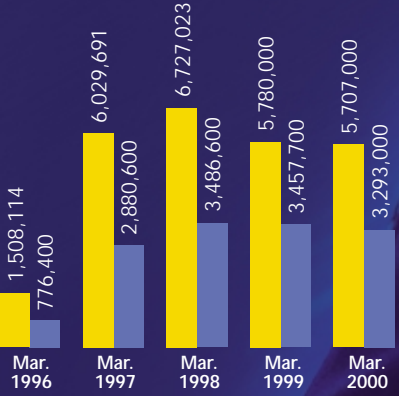
NTT Access Charges

NTT access charges have been falling over the years. In the fiscal year ended March 31, 2000, local exchange (GC) connection charges were reduced by 4.13% compared with the previous fiscal year's level, while relay exchange (ZC) connection charges were cut by 11.18%. However, there has been no significant change in the local loop monopoly enjoyed by NTT's eastern and western companies. Debate is now focusing on the need for further reductions, in part as a way of boosting Internet demand in Japan.



Total Number of Portable-Phone Subscribers—All Carriers' and DDI Group

■ All Carriers' Portable-phone Subscribers  
■ IDO  
■ TU-KA Cellular Group  
■ DDI CELLULAR Group



Total Number of PHS Subscribers—All Carriers' and DDI POCKET, Inc.

■ All Carriers' PHS Subscribers  
■ DDI POCKET, Inc.



# A Full Range of Telecom Services through Advanced Technology—from DDI

As a premiere telecommunications provider, DDI offers a full range of technologies and services, from high-speed, fiber-optic transmission capabilities to cdmaOne, the convenient personal handy-phone and a variety of Internet and mobile telecommunications services. Count on DDI to provide all of the latest technologies and services for your mobile telecommunications needs.

## NETWORK SERVICES .....14

DDI's foundation is its digital microwave and optic fiber network connecting the entire nation of Japan and extending overseas. This network is rapidly evolving to accommodate the explosion in IP (Internet-related) traffic.

## CELLULAR-PHONE SERVICES .....16

Through rapid conversion to digital, now including the amazingly clear-sounding cdmaOne technology, DDI's CELLULAR-PHONE network has grown to serve almost nine million subscribers as it meets the growing needs of a mobile society.

## PHS SERVICES .....20

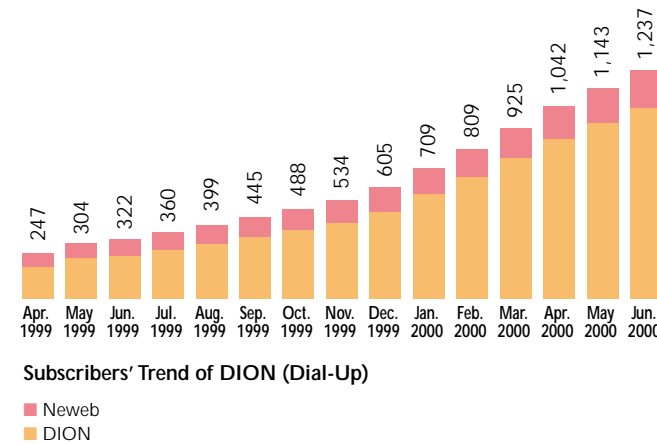
PHS (Personal Handy-phone System) technology offers a level of convenience and flexibility unprecedented in consumer personal mobile communications. New technologies are sweeping in a new era of smart, affordable voice and data communication.

## OVERSEAS MOBILE SERVICES .....23

Overseas business is a new strategic element of DDI's medium- to long-term growth. By partnering with local and international investors in new markets overseas, DDI is bringing global communications excellence to the world at large.

## Guaranteed Excellence in Every Aspect of Telecommunications

As Japan's second largest telecommunications company, DDI has a vast network throughout Japan and fast connections for overseas telecommunications services. Making use of both digital microwave and optical fiber technologies, the Company is also a leader in providing an array of advanced Internet services as part of its comprehensive network.



A key focus for network infrastructure development in fiscal 2000 was the development of group center (GC) connections to NTT local exchanges in order to reduce access charge costs. DDI also reduced its reliance on NTT-dependent networks by handling calls between fixed-line and cellular telephones within its own network structure through interconnections between its own network and those of eight CELLULAR companies and three TU-KA companies. To keep pace with the rapidly growing demand for data communications, DDI converted links between network centers to optical technology in readiness for the start of transmissions via the Japan Information Highway cable system. It also

increased the capacity and quality of its network through the use of the "PC-1" submarine cable between Japan and the United States.

### Voice Communication Services

DDI continued to strengthen the competitiveness of its existing services. For example, it introduced a new discount system, *Danzen Nenwari* (Ultra Annual Discount) for users of its long-distance and international telephone services. Call charges are discounted according to the length of time over which the customer has used these services. DDI also worked to make its popular international telephone services even more affordable and attractive by introducing discounts and other service enhancements, especially for the United States and other high-use regions.

Operating revenues from voice communication services increased by 8.9% over the level of the previous fiscal year to ¥246,829 million.

### Digital Data Transmission Services

For its DION service, DDI is developing a range of charging options based on usage patterns. In fiscal 2000 it launched the new *Bari-Bari Course* for high-frequency Internet customers. Another important enhancement was the addition of *ATM Leased Circuit Services* to the access circuit to support high-speed, high-capacity data communications. For corporate users, DDI introduced Original Mail and Original Web, which provide users with e-mail and home page addresses and also allows them to create their own domain names. As part of its continuing efforts to accommodate demand growth, DDI also reduced charges and enhanced user convenience in the area of *Frame Relay Services*.

Operating revenues from digital data transmission services amounted to ¥30,535 million, an increase of 180.5% compared with the previous fiscal year's result.

### Leased Circuit Services

The ability to set charges flexibly is important in terms of meeting customer needs in the area of *Leased Circuit Services*. For this reason, DDI

introduced end-to-end charging for its *Leased Circuit Services*. It also aggressively marketed *ATM Leased Circuit Services* and worked to enhance the economic attractiveness of its various network services.

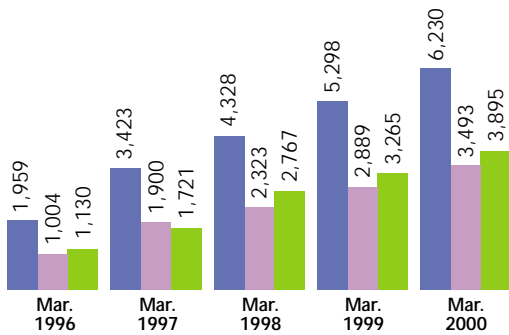
Operating revenues from *Leased Circuit Services* increased by 239.3% over those of the previous fiscal year to ¥16,449 million.



# cdmaOne—Voice Quality and Speed that You Just Would not Believe

DDI was instrumental in introducing cdmaOne cellular-phone services in Japan.

The voice quality of cdmaOne is close to that of fixed-line telephones and it supports high capacity data transmission (64kbps). DDI's total cellular-phone network now comprises over nine million subscribers.



Growth in Subscribers among the DDI CELLULAR Group and Three TU-KA Cellular Telephone Companies and IDO (Unit/Thousand)

■ DDI CELLULAR Group  
■ TU-KA Cellular Group  
■ IDO

In April 1999 DDI introduced seamless nationwide services based on the cdmaOne system, which combines highly efficient frequency use with excellent voice quality and high-speed data communications. In January 2000 it further enhanced customer convenience by launching the *PacketOne Service*, which supports high-speed 64kbps data communications over the cdmaOne system. Charges are based on the volume of data transmitted. DDI also launched the Sell-Pre prepayment system for call charges, and EZweb, which allows users to access information content and send or receive e-mail without connecting their telephones to computers. EZweb

employs the Wireless Application Protocol (WAP), an international industry standard for Internet access via cellular telephones. The content available via EZweb is continually expanding. The services that can be accessed include airline reservations and mobile banking. Customers can also download a huge range of information, content, including images and call melodies for their telephones. During the fiscal year ended March 31, 2000, DDI channeled considerable effort into the enhancement of this system to meet customer needs.

As a result, the number of subscribers registered with the eight CELLULAR TELEPHONE companies increased by 17.6% to 6,230,000. Operating revenues were 18.4% higher at ¥817,825 million compared with the previous fiscal year. The merger has provided the framework for seamless nationwide mobile communications services.



After the merger with IDO, “au,” which stands for “Access to You,” will become the uniform brand name for the Mobile Communications business.

Cellular-phone Service Rate Chart (KANSAI CELLULAR)  
(as of August 2000)

			Standard		Low Call	Set Plan			
Contract Business Handling Charge			¥2,700		¥2,700	¥2,700			
Basic Monthly Usage Charge (yen)			PDC cdmaOne	¥4,400 ¥4,600	PDC cdmaOne	¥3,400 ¥3,500	Jumbo	Plan-L	Plan-S
						– ¥8,900	¥5,700 ¥5,900	¥3,900 ¥4,000	
Call Charge			sec./¥10	yen/3 min.	yen/3 min.		Up to ¥4,000 of free-minute* calls included in monthly charge  ¥20/min Irrespective of calling time or distance	Up to ¥3,000 of free-minute* calls included in monthly charge  ¥30/min Irrespective of calling time or distance	Up to ¥1,400 of free-minute* calls included in monthly charge  ¥40/min Irrespective of calling time or distance
Cellular phone to cellular phone	Daytime on weekday	Inside own network	18.0	100	1.4 times Standard				
		Other area	16.0	120					
	Nighttime on weekday	Inside own network	29.0	70	Same as Standard				
		Other area	26.5	70					
	Daytime and nighttime on Sat., Sun. and holidays	Inside own network	32.5	60					
		Other area	29.0	70					
	Midnight, early morning	Inside own network	45.0	40					
		Other area	40.0	50					

\*Free-minute rates shown in Set Plan are for cdmaOne.



cdma2000 will change the world,  
and DDI will offer low-cost, high-speed access  
that will surpass anything offered by DoCoMo



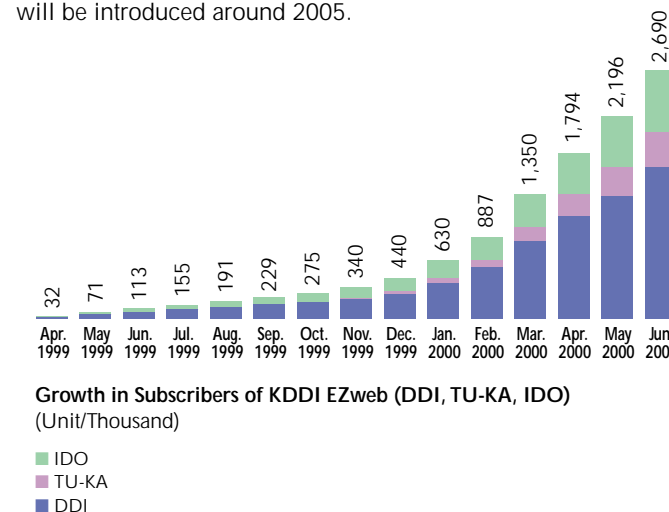
Prior to the merger, the DDI CELLULAR Group and IDO adopted “au” as the integrated brand name for their cellular-phone services. The combined sales potential of DDI CELLULAR and IDO will be further strengthened through the cooperation of the Toyota sales network. An enhanced range of content will be offered under the “au” brand, including color-content games, music distribution and advertising services. With the support of Toyota, which is a major shareholder, the companies will also pursue a wireless multimedia strategy geared toward the promotion of an intelligent transportation system (ITS) based on flow of information among people, roads and vehicles.

#### Next-Generation Cellular Telephone System (IMT-2000)

DDI’s next-generation cellular telephone system will be based on the cdma2000 system, an American system based on the world standard. Specifically, the cdma2000 technology adopted by DDI is an enhanced version of cdmaOne with “1X” specifications. It will support communications at 144kbps, which

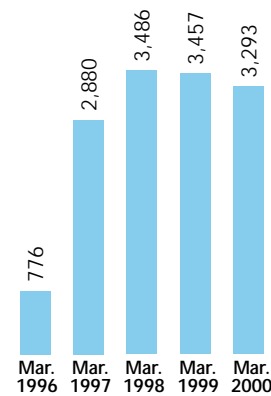
is 2~10 times faster than existing cellular phones. Since the technological infrastructure is already in place, it will be possible to implement the new system in an extremely short period of time. By introducing cdma2000 over the existing nationwide network, DDI will be able to offer low-cost, high-speed services with wider coverage than DoCoMo from the outset. This is an important advantage.

The shift to cdmaOne “1X” will begin in major metropolitan areas during 2001. Nationwide coverage will be available by the end of 2002. High-capacity cdma2000 will be introduced around 2005.



## DDI's Personal Handy-phone System: Fast, Easy-to-use Mobile Communications

DDI's Personal Handy-phone System is convenient and very affordable. It is an extremely useful alternative to cellular phones and provide not only great voice quality, but also high data transmission speeds and the capability to make telephone calls inside buildings or in underground malls. It's a popular choice for young people on the move.



Subscribers of the DDI POCKET, Inc.  
(Unit/Thousand)

DDI introduced new charge plans, *Super Pack S*, *Super Pack L* and *Nenkan Keiyaku Waribiki* (Annual Contract Discount), which allows customers to tailor service use to their specific circumstances. While promoting these new options to users, DDI also worked to reduce charges in step with the downward trend in the cost of cellular-phone services.

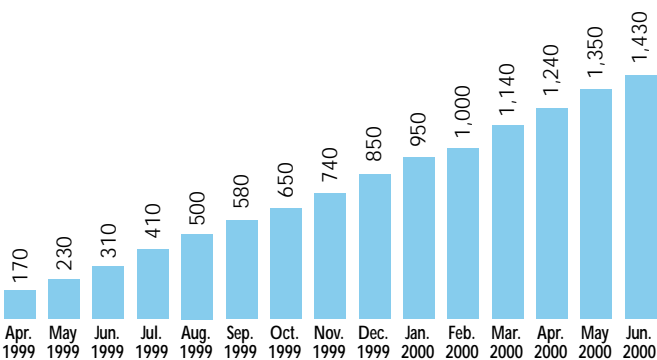
Another priority was the expansion of coverage. In addition, DDI introduced the new H" terminals, a PHS terminal with enhanced voice and data functions. Features of the new telephone include the twin-wave function, which

improves connection stability and prevents voice calls from being dropped when the caller is in motion. Data-related features include support for 64kbps communications, as well as the ability to send and receive e-mail through the installed P-Mail DX (H" LINK) system.

In addition to its efforts to reduce charges, DDI also worked to encourage non-voice use of the POCKET telephone system by expanding the range of content available. Examples include the *Open Net Content Service*, which allows users to view Internet home pages, and the *Positioning Information Content Service*, which provides access to useful information based on longitude and latitude data from POCKET telephones with the P-Mail DX (H" LINK) feature.



DDI's Personal Handy-phone System provides enhanced voice and data functions, allowing users to view Internet homepages



Growth in Subscribers of P-Mail DX (H LINK)  
(Unit/Thousand)

PHS Charge Table (as of August 1999)

	Standard				Data Pack		Super Pack-S	Super Pack-L
Contract Business Handling Charge	¥2,700				¥2,700		¥2,700	
Monthly Charge	¥2,700				¥3,000		¥3,300	¥5,000
Call Charge	Daytime		Nighttime		Midnight		*1 Free Calls (data com- munications only) up to ¥1,200, 2 times Standard	*2 Up to ¥1,200 of free minutes is included in the monthly charge Over ¥1,200, 1.2 times Standard
	sec.	yen	sec.	yen	sec.	yen		
Local area	60	40	60	40	70	40		
adjacent, ~30km ~60km	45 26	50 80	45 30	50 70	60 45	40 50		
~100km	18	110	26	80	36	60		
~160km	15	130	20	100	26	80		
160km~	15	130	17	120	20	100		

\*1. Free calls under the Data Pack Plan are limited to data communications (calls to providers, etc.). Data calls to H\* POCKET telephones, cellular telephones and other carriers' PHS units are excluded. Mail and content services using the DX Center are also excluded.

\*2. The free call service applies to call charges and charges for the use of added-function features, such as answering machine services. Information charges are not included.

In January 2000 the nine POCKET TELEPHONE companies were merged to form DDI POCKET, Inc. The purpose of the merger was to improve the speed and flexibility of decision-making and enhance services.

Despite the popularity of the H\* telephone, the number of subscribers registered with DDI POCKET, Inc. declined by 4.7% below the level of the previous fiscal year to 3,293,000. Operating revenues were 15.3% down at ¥280,736 million.

# For the Best in Telecom Services Worldwide, DDI Provides the Answers to All of Your Needs

DDI has become very active in providing high-quality mobile telephone services overseas through strategic partnerships with international investors in markets abroad. The Company views such investments as an important element of its business growth over the medium and long term and will continue to develop its capabilities in overseas markets.

## CELLULAR-PHONE Services in Brazil

GLOBAL TELECOM S.A. was established in December 1998 in response to buoyant demand for cellular-phone services in Brazil. Since then it has aggressively developed its business operations in the Brazilian states of Parana and Santa Catarina. Its marketing activities are based primarily on the high voice quality provided and low charges made possible by cdma technology.

As a result, the number of subscribers has risen faster than expected, reaching 161,000 as of December 31, 1999.



GLOBAL TELECOM S.A. has put down strong local roots and is working to contribute to the regional economy through its corporate activities. In fiscal 2001 it will introduce a number of new services, including access to Internet information services via cellular-phone terminals. Through enhancements such as these, the company aims to achieve further growth in its subscriber base.

## CELLULAR-PHONE Services in Paraguay

DDI and its local partner TOYOTOSHI S.A., which is a leading Japanese-owned company in Paraguay, established HOLA PARAGUAY S.A. in September 1998. The new company launched cellular-phone services in the Paraguayan capital, Asunción, in May 1999.

HOLA PARAGUAY S.A. has adopted the GSM system, which is the most common system world-wide. Its goals are to attract a large subscriber base, to develop its telecommunications infrastructure, and to contribute to the vitality of the Paraguayan economy through its corporate activities.