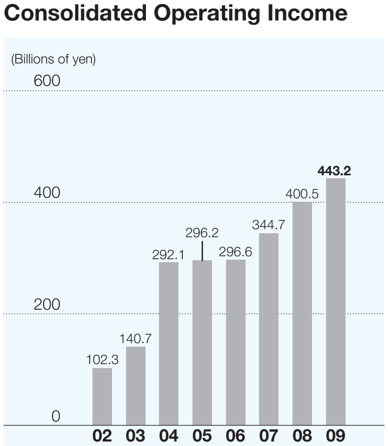
Interview with the President

Answers on market conditions and performance in FY 2009.3, KDDI's medium-term growth strategy, and the future direction of the Company.

Consolidated Operating Income



(Years ended March 31)

1. Market Environment

Q. Please describe the impact of the global economic slowdown on business performance for FY 2009.3 and FY 2010.3. Is the decline in handset sales an effect of economic trends?

A. The economic downturn did affect our corporate client business, but the impact on consolidated performance overall has been minimal.

The telecommunications industry, in which KDDI operates, is said to be in general relatively immune to the state of the economy. In fact, we do not believe we suffered a serious impact even during the latter half of FY 2009.3, when slowdown in the economy became apparent. Since the start of FY 2010.3, there has been a falloff in new inquiries in the corporate Mobile Business market, but the impact on our business overall is limited.

The significant year-on-year decline in handset sales volume in the consumer market can not be attributed simply to the impact from the economy. Instead, I think the bigger factor is the widespread adoption of pricing plans separating tariffs from handset prices, which were introduced in FY 2008.3. Customers are now more inclined to hold on to their phones longer. Through FY 2008.3 subscribers kept the same phone for an average of around two years, but in FY 2009.3 that increased to around three years.

Consequently, we feel that it is important to establish a competitive position that will allow us to overcome the decline in handset demand and reduced liquidity, and to take steps to invigorate the market.

2. Assessment of Operating Results

Q. Looking at the results for FY 2009.3, it seems that KDDI's competitiveness in the Mobile Business declined relative to the competitors. What is your view on this?

A. Although we achieved an increase in earnings for the eighth consecutive year, a breakdown of that increase also reveals the issues we need to address.

KDDI posted a decline in revenues with an increase in earnings during FY 2009.3. Consolidated operating revenues totaled ¥3,497.5 billion (down 2.7% year on year), with operating income of ¥443.2 billion (up 10.7%). We recognize that not every factor behind the rise in earnings was positive. Earnings rose in large part because of the considerable reduction in sales costs following the significant decline in mobile handset sales, rather than as a result of KDDI's competitiveness.

It's true that KDDI's product competitiveness was relatively weak during the past year, particularly for mobile phone handsets. This was due mainly to delays in completing "KDDI Integrated Platform (KCP+)," the common software platform developed to lower handset procurement costs and shorten development lead time, and as a result we failed to launch handsets with sufficient functionality and performance in a timely manner. However, as a result of efforts begun in FY 2009.3 to prioritize regaining product competitiveness, the handset models launched from spring 2009 have overcome these limitations in functionality and performance, and helped us to steadily regain product competitiveness.

I also think that during FY 2009.3 we did not sufficiently communicate to customers about the advantages of KDDI, such as the cutting-edge aspects of our products and services that had been so highly rated by customers in the past. Focusing on this point, in FY 2010.3 we are working to actively draw attention to KDDI's overall strengths and cutting-edge features with, for example, the launch of our new mobile phone brand "iida," and improve our image among customers.

3. Medium-term Growth Strategies

Q. What were the reasons behind the decision to withdraw the targets for operating revenues and operating income in the "Challenge 2010" Mid-term Target? What are your views on the new targets?

A. Although we have withdrawn our ¥4,000 billion in consolidated operating revenues and ¥600 billion in operating income targets for FY 2011.3, we will take responsible action to turn the Fixed-line Business back around into profitability.

Revenues in the Mobile Business declined year on year in FY 2009.3, which we did not anticipate at all when setting the medium-term targets. Behind this decline was the impact from the pricing plan devised and promoted by regulatory authorities separating tariffs from handset prices, which all the mobile carriers have adopted. Under the former business model the prospect for revenues increases was more than sufficient, but with this change we determined that it would be extremely difficult to achieve the FY 2011.3 targets of ¥4,000 billion in operating revenues, and ¥600 billion in operating income on a consolidated basis.

At the same time, we will take responsible action to make the Fixed-line Business profitable by the end of FY 2011.3. There are two major elements involved in achieving profitability. The first is to increase the subscription for FTTH services, aiming to boost sales in order to narrow the losses in the FTTH business. The second is cost reductions. KDDI maintains redundant network infrastructure left over from past mergers—we are going to cut the operation, maintenance and other costs by reorganizing this infrastructure. The Fixed-line Business is basically profitable except for the FTTH business, and we believe that

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by enhancing the profitability of the FTTH business and cutting infrastructure costs, there is sufficient potential for getting the Fixed-line Business back into the black overall.

We are currently holding internal discussions on medium- to long-term business directions and management plans ahead of the tenth anniversary of KDDI's launch in October 2010. It's unclear at this point exactly when or how, but we would like to make some sort of announcement of the results from these discussions.

Q. What are your medium- to long-term strategies for realizing sustainable growth going forward?

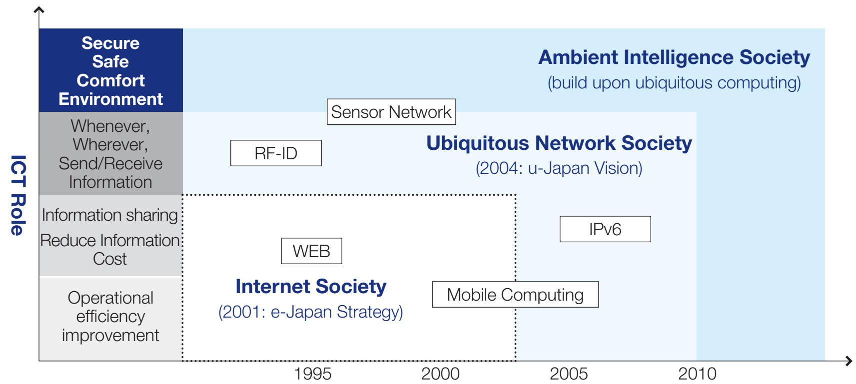
A. Along with profitability in the Fixed-line Business, we believe it is important to create new value by pursuing new business, strengthening the content business, and developing global business.

Over the medium to long term, I believe that we will be unable to rely solely on the operating revenues in the telecommunication business that has been the growth driver up to this point, and must expand revenues in other areas. Specifically, we will strengthen efforts through UQ Communications Inc. and Jibun Bank Corporation, and in completely new businesses related to the telecommunications field. We will also seek growth in the content business, which has been one of the areas with the highest rates of growth among existing businesses, as well as in the system integration and data center businesses overseas.

Q. What will be the future direction for KDDI's business?

A. We will create scenes in which people use our services in the emerging "ambient intelligence society," and generate business opportunities by offering new value and styles.

The word "ambient," though it may sound unfamiliar to you, refers to one's surroundings, an awareness of one's environment. As opposed to the "ubiquitous network society," the "Wherever, Whenever, Whoever" environment in which the customers connect to the network themselves, the "ambient intelligence society" is a "For now, Right here, Only you" service that exists on top of the ubiquitous network, helping to support a customer's activities in a safe, secure, comfortable, and environmentally friendly manner. In the ambient intelligence society the telecommunications company needs to create scenes for using services tailored to each individual customer. This is exactly what KDDI has done up to now, offering new value and lifestyles by creating scenes in which its services are used. I believe that the most important role we will play in the emerging ambient intelligence society is to make integrated efforts from the standpoint of creating scenes for people to use our services.



Note: Composed by KDDI Research Institute based on Hitachi Research Institute documentation.

Q. The number of mobile phone subscriptions in Japan has surpassed 100 million, which has had a profound influence on society. What is KDDI doing to help promote the safe use of mobile phones, and what environmental initiatives have you adopted?

A. We are taking proactive steps to educate customers, along with recycling and other environmental measures.

The widespread use of mobile phones has led to their use in ways that we could not have imagined initially, such as minors accessing harmful websites. This is one of the hidden liabilities of the usefulness of mobile phones, and I think it is vitally important for customers to understand what the potential problems are, and how to use the services properly. KDDI has been helping to educate customers with a program of classes on mobile phones, which we plan to expand further in FY 2010.3. We also provide a filtering service for accessing Internet sites through mobile phones to ensure a safe and secure environment for young people. Going forward, we plan to allow for further control of the access environment by sharing information with website developers.

KDDI also has a proactive program of environmental initiatives, such as the collection and recycling of used mobile phone handsets, including those from other carriers. The disassembly of the handsets is conducted by KDDI Challenged, a special subsidiary established to help provide work opportunities for people with disabilities. Also, through our mobile content services we actively sponsor environmental conservation campaigns in which customers participate, such as the “au Smart Sports Yakushima Walk” begun in November 2008, and the “Green Road Project” launched in February 2009.

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Result Forecast (Consolidated)

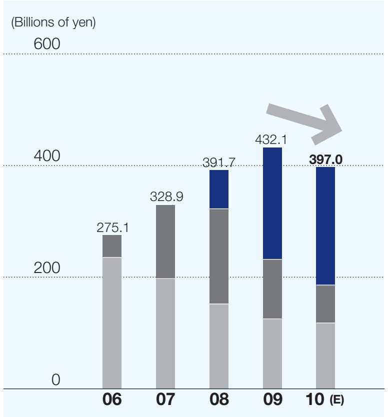
Operating Revenue (Billions of yen)

2009	2010 (E)	YoY
3,497.5	**3,480.0**	(0.5)%

Operating Income (Billions of yen)

2009	2010 (E)	YoY
443.2	**470.0**	6.0%

Capital Expenditures (Mobile Business)



(Years ended March 31)
New 800MHz 2GHz Others

4. Results Forecast

Q. What are your forecasts for FY 2010.3 and the underlying assumptions, based on your relative competitiveness with other companies?

A. Our product competitiveness has risen sufficiently, and we forecast a ninth consecutive period of rising earnings.

For FY 2010.3, we forecast operating revenues of ¥3,480.0 billion (down 0.5% year on year), with operating income of ¥470.0 billion (up 6.0%), and net income of ¥255.0 billion (up 14.5%). (For the breakdown by business segment and underlying assumptions, see the Overview of Operations on page 25.)

While adapting to the changes in the business environment, to achieve sustainable growth KDDI is strengthening its business foundations, and accelerating its efforts for further development of the KDDI group as a whole. We are also taking on "the challenge of New Value Creation" with the goal of being the leader in customer satisfaction in all aspects of service. By actively taking on new challenges we give a boost to activity internally, while at the same time project a buoyant image of KDDI outside the company.

5. Capital Expenditures

Q. Capital expenditures rose in FY 2008.3 and FY 2009.3. What is the outlook for investment going forward?

A. Capital expenditures peaked in FY 2009.3.

KDDI's capital expenditures have remained high because the 800MHz band KDDI uses as its main frequency in the Mobile Business will be reorganized with a new frequency by July 2012 in line with government policy, requiring substantial capital investment. However, capital expenditures peaked in FY 2009.3, and for FY 2010.3 we anticipate investment on a consolidated basis will decrease 6.1% year on year to ¥540 billion. Capital expenditures related to the reorganization of the 800MHz band will be completed in FY 2012.3, and we expect spending to continue to decline.

Depreciation costs, considering that capital expenditure peaked in FY 2009.3, will likely peak in FY 2010.3 or FY 2011.3.

6. Shareholder Returns and Capital Policy

Q. KDDI's competitors increased their payout ratios in FY 2009.3. What is KDDI's policy regarding shareholder returns?

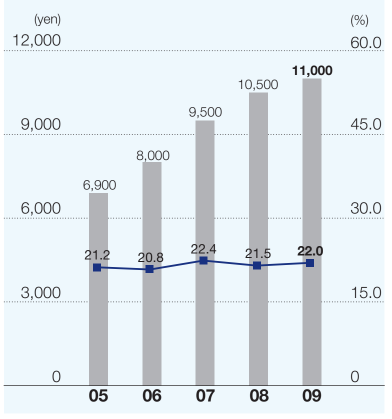
A. Within five years' time, we target a steady increase in payout ratio to between 25% and 30%.

The first management priority for KDDI following the three-way merger of DDI, KDD and IDO in 2000 was reducing interest-bearing debt. As growth potential increased, centered on the Mobile Business, we set a target for a payout ratio of 20% or higher. However, with the increase in capital expenditures in recent years as a result of the reorganization of the 800MHz band and other factors, we have maintained the payout ratio at the same level so far, opting instead to increase the dividend amount in line with the steady growth in earnings.

In FY 2009.3, free cash flow amounted to a negative ¥63.2 billion as a result of the buy-back of four securitized buildings, and an increase in installment liabilities stemming from the introduction of an installment payment plan in the Mobile Business. As a result, full-year dividends for FY 2009.3 were increased ¥500 from the previous fiscal year to ¥11,000 per share, for a consolidated payout ratio of 22.0%.

KDDI considers dividends to be its main method of shareholder returns. We recognize, however, that the current payout ratio is not necessarily adequate. While we need to improve profitability in the Fixed-line Business, there is sufficient basis for stabilizing free cash flow and revising the payout ratio in FY 2010.3 or FY 2011.3. We plan to steadily increase the payout ratio, targeting between 25% and 30% within five years' time.

Cash Dividends/ Dividend Payout Ratio



(Years ended March 31)
Cash dividends — Dividend payout ratio