

• TO OUR SHAREHOLDERS AND INVESTORS



This year, KDDI will celebrate the 10th anniversary since its establishment in 2000. It has been a decade of challenges for growth. Today, as the business environment enters a new phase, we are reexamining our own uniqueness. Recapturing the venture business spirit from a decade ago, we are moving forward to create new value.



In the year ended March 31, 2010, total operating revenues decreased 1.6% year on year, to ¥3,442.1 billion. The decline resulted from customers shifting to “Simple course” pricing in the Mobile Business, which led to a decrease in voice ARPU (average revenue per unit). Operating income recorded was ¥443.9 billion, maintaining the same level as the previous year, after a reduction in the operating loss of the Fixed-line Business offset the decrease in operating income of the Mobile Business. Net income decreased 4.5% year on year, to ¥212.8 billion, due to business restructuring expenses that resulted from network streamlining in the Fixed-line Business. The streamlining was conducted to achieve profitability in the sector within the year ending March 31, 2011.

Currently, the business environment in Japan for the communications market is entering a new phase. In the mobile communications market, where growth in the individual customer market is slowing down, the increasing penetration of broadband service is making it essential to cater to the new demand beyond general mobile handsets, such as data cards and smart phones, as well as such non-traffic business areas represented by the content and media business. Meanwhile, in the fixed-line market, the access line business is becoming more important than ever due to the rapid development of direct access, IP, and broadband. The advancements in fixed-line and mobile communications combined with the convergence of communications and broadcasting represent the coming of an age where we can fully show our advantages as the Group with both fixed-line and mobile businesses.

KDDI is looking beyond the ubiquitous society to the coming of an “ambient intelligence society.” At this stage, ICT will become integrated naturally into society and enable users to live their everyday lives safely, comfortably, and with peace of mind without being conscious of the technology around them. With October 2010 marking 10 years since the merger of DDI CORPORATION, KDD Corporation, and IDO CORPORATION that led to its establishment, the Company will advance toward the realization of an “ambient intelligence society” by boldly creating new value that is unique to KDDI.

As we tackle this challenge, I would like to ask our shareholders and investors for their continued support.

July 2010

Tadashi Onodera
President and Chairman