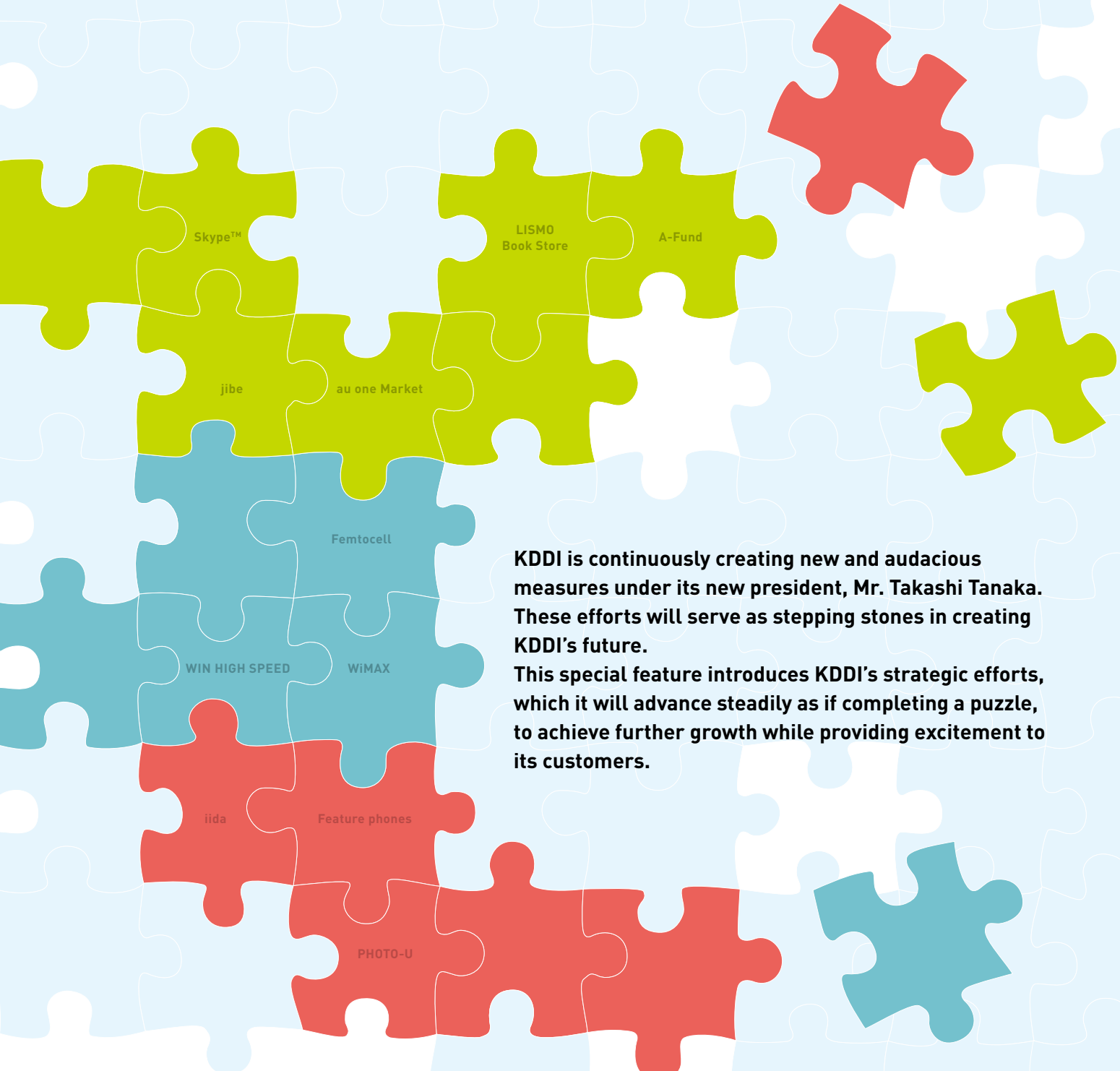
Stepping Stones for Shaping Our Future



KDDI is continuously creating new and audacious measures under its new president, Mr. Takashi Tanaka. These efforts will serve as stepping stones in creating KDDI's future.
This special feature introduces KDDI's strategic efforts, which it will advance steadily as if completing a puzzle, to achieve further growth while providing excitement to its customers.

3M Strategy

KDDI's New Strategy for Growth

3M Strategy—Its Background

In the global information telecommunications market, competition among telecommunications operators, terminal manufacturers, contents providers, etc., are becoming fierce. New services such as combining highly functional terminals and cloud-type services are being born, while business models are rapidly evolving.

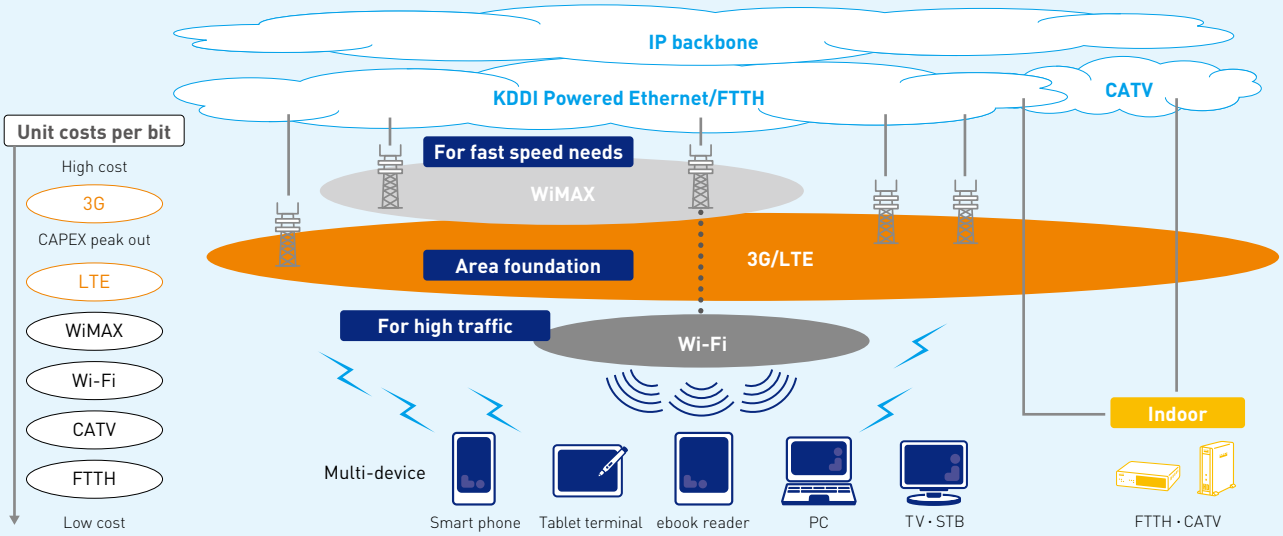
As a result, existing telecommunications operators are expected to become "dumb pipe" in the future, which only exist to provide telecommunications lines while endless price competitions arise.

However, we have no intent of becoming "dumb pipe." Rather, we will use our management resources at the maximum level to raise additional values of our services. By promoting the "3M Strategy"—named after "multi-network," "multi-device," and "multi-use"—we aim for growth of the domestic consumer business and the realization of becoming "smart pipe."

Multi-use
Multi-network
Multi-device

"Multi-network" is a Source of KDDI's Competitiveness

In the Mobile Business we provide 3G (third-generation mobile phone) and WiMAX, which is supplied by our group company UQ Communications Inc., while offering FTTH and CATV in the Fixed-line Business. Preparation is underway for the LTE service commencement in December 2012. Having various mobile and fixed-line networks is a source of KDDI's competitiveness, and the "multi-network" constructed by these networks is the pillar of the 3M strategy, created as a medium-term business strategy.



Aim of the "Multi-network"

Support Rapidly Increasing Traffic

With the transfer to smart phones from conventional feature phones, data traffic per user has expanded about 10 to 20 times. In the five years between 2010 and 2015, domestic mobile data traffic is expected to expand by about 18 times.

We are trying to manage this mobile data traffic that cannot be supported by 3G and LTE by offloading it to fixed-line networks so that we can efficiently support rapidly increasing traffic.

Providing a High-speed and Comfortable Telecommunications Environment

We are creating the foundation for our area network utilizing "WIN HIGH SPEED (EV-DO Multi-carrier)," which offers a maximum downlink speed of 9.2 Mbps, and LTE, whose service starts in December 2012, while offering high-speed and reasonable Wi-Fi at home and in urban areas where high traffic is expected. We will respond to the needs for high-speed communication with WiMAX, offered by UQ Communications, which allows for a maximum downlink speed of 40Mbps. We will offer the best service among various high-speed communication services according to the environment to meet the high-speed communication needs of customers.

Reduction of Network Costs

All areas of the mobile phone network have been covered using 3G networks. In the future, we will use public wireless LAN or WiMAX, whose per bit cost is more reasonable, outside of high-traffic areas such as stations. We will try to reduce network cost by using appropriate network technologies in appropriate areas, such as using fixed-line networks including FTTH and CATV as offloading devices at indoor areas.

We also aim for major network management cost reductions by sharing backhaul lines that connect 3G and WiMAX base stations with main networks, which were connected individually before.

KDDI intends to maximize its competitive superiority of having both mobile and fixed-line networks and will create a new world where various contents and apps are used seamlessly by connecting to various networks as if it were just one network. To achieve these objectives, we are implementing the 3M Strategy. In the following pages, we will introduce initiatives, which will serve as "strategic puzzle pieces," implemented under the "multi-network," "multi-device," and "multi-use" themes.

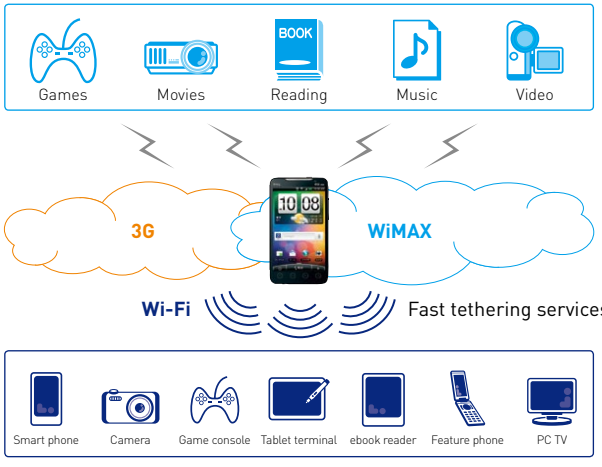
CLOSE-UP

"HTC EVO WiMAX ISW11HT" Realizes the Strength of "Multi-network"

"HTC EVO WiMAX ISW11HT" (hereafter, "ISW11HT"), released in April 2011, is a terminal that realized the usage of a high-speed and comfortable telecommunications environment through "Multi-network."

In addition to au's 3G network and Wi-Fi, ISW11HT has WiMAX communication function with a data communication maximum downlink speed of 40Mbps. With the "Wi-Fi tethering function," it can also serve as a wireless LAN router to connect up to eight wireless LAN devices. This tethering function can be used for an additional monthly charge of only ¥525 (including tax).

Through this high-speed and comfortable telecommunications environment and competitive price settings, we aim to raise the convenience of users while differentiating and securing our competitiveness in comparison to other companies. By proactively launching "+WiMAX" models such as ISW11HT, we will promote the offloading of rapidly increasing mobile data traffic to WiMAX/Wi-Fi.



Multi-network Stepping stones for multi-network

"Wi-Fi" that serves as the key to Multi-network

Wi-Fi serves as the key to organically combining mobile and fixed-line networks to promote "multi-network." KDDI started offering "au Wi-Fi SPOT," a public wireless LAN service that allows comfortable Internet communication using au smart phones outdoors from June 2011.

Special Features of "au Wi-Fi SPOT"

Easy, Comfortable, and Safe

With the specialized application "au Wi-Fi connection tool" developed by KDDI R&D Laboratories, anyone can easily connect to Wi-Fi without inputting an ID or password. It automatically switches to the best connection such as Wi-Fi and 3G according to the radio wave condition so that customers can use Internet comfortably. In addition, it works with "WPA2-PSK (AES)" *, an encryption system that realizes high security, to prevent wiretapping, spoofing, and illegal access by a third party to allow safe Wi-Fi connection.

* Only using "au Wi-Fi SPOT" and certain roaming areas.

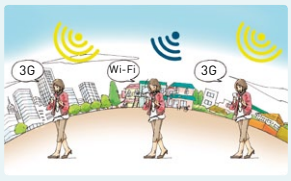
Automatic connection by just one touch

No need to input ID or password

Tap widget　　Set up completed!

Automatic switch over between

Wi-Fi and 3G according to radio wave strength



Comfortable connection anywhere anytime

A Large Number of Access Points

Of 100,000 spots, about 10,000 spots are access points by such affiliates as Wire and Wireless Co., Ltd.*, and UQ Communications Inc. Approximately 90,000 of our own access points can be rapidly developed by actively using WiMAX as backhaul network and hence avoid construction of cable lines.

* Develops wireless broadband business using pubic wireless LAN under "Wi²" brand and became a consolidated subsidiary in October 2010.

au Wi-Fi SPOT

About 100,000 spots, the largest level in Japan

POINT Largest number of access points in Japan with 100,000 spots, usage free, apps anyone can use easily.


Airports


Stations


Hotels


Cafes

Expanding the number of useable spots, including au shops and commercial facilities

Price Plans with Competency

Customers subscribing to packet communication flat-rate service "IS Flat" or "Plan F(IS) Simple/ Plan F (IS)" can use with au smart phones for free of charge.

This would take out obstacles of usage and promote data offloading mainly of users of smart phones that have higher traffic.

Multi-device Stepping stones for multi-device

Expand touch points with clients using various devices

Of "devices" that serve as touch points with clients, various devices such as smart phones, tablet terminals, and ebook readers have been introduced in addition to feature phones. By connecting them to networks, we can create a variety of usage styles for our customers.

Regarding smart phones that serve as the core of "multi-device," we have introduced six models that pursue usability of a wide range of users as the summer models. "INFOBAR A01," the first smart phone released under the "iida" brand, has not only a sophisticated design based on the first generation INFOBAR released in 2003, but also features "iida UI," an interface with high usability and design. It is a model that symbolized the complete recovery of "au with distinctive design."

In addition, we have expanded our lineup with such models as "MOTOROLA XOOM™ Wi-Fi TBi11M," a tablet-type terminal dedicated for Wi-Fi usage featuring Android™3.0 that allows comfortable video viewing, ebook reader "biblio Leaf," and a data terminal for PC that can be used on both WiMAX and CDMA systems.

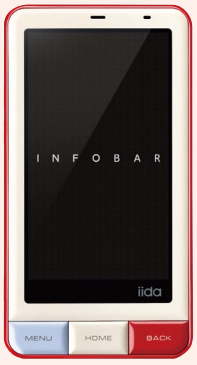
KDDI will further advance its preparations for a world where automobiles, consumer electronics, and various devices collaborate on a multi-network.

MOTOROLA XOOM™ Wi-Fi TBi11M

biblio Leaf SP02

PHOTO-U2 SP03

DATA07



INFOBAR A01

CLOSE-UP

Android™ × Lifestyle = STB* Featuring Android™

KDDI R&D Laboratories has developed STB featuring Android™. In addition to watching CATV and IPTV, this service will enable Internet usage as well as the usage of various Android™ apps to be conducted through a television set.

The biggest feature is that it enabled collaboration with smart phones featuring Android™. For example, smart phones can be used as a touch panel-type remote controller and the transferring of recorded programs to smart phones so as to watch outside the home is also possible.

In the future, various household information such as electricity consumption, usage of gas and water, delay of trains, road traffic information, and family members' health can be managed in one system.

STB featuring Android™ is the device that serves as the foundation to realize the new family lifestyle we aim for in a multi-device age.

* STB: Set-Top Box

Multi-use Stepping stones for multi-use

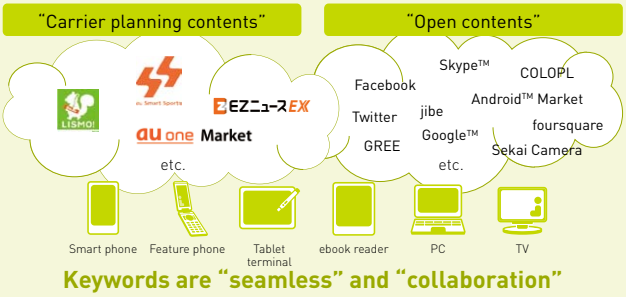
Open Internet experience and contents/apps unique to KDDI

With the development of "multi-network" and "multi-device," contents services are also changing. The future of KDDI's contents service is "multi-use."

Seamless & Collaboration

For contents services provided on mobile phones, we aim to develop an environment in which these services can be used through both fixed-line and mobile connections, and on various devices seamlessly for "multi-use." Services offered as our own brand, such as "LISMO!" and "au one News EX" and "au Smart Sports," will be expanded to multi-device, and we will proactively adopt open contents with powerful partners such as Facebook.

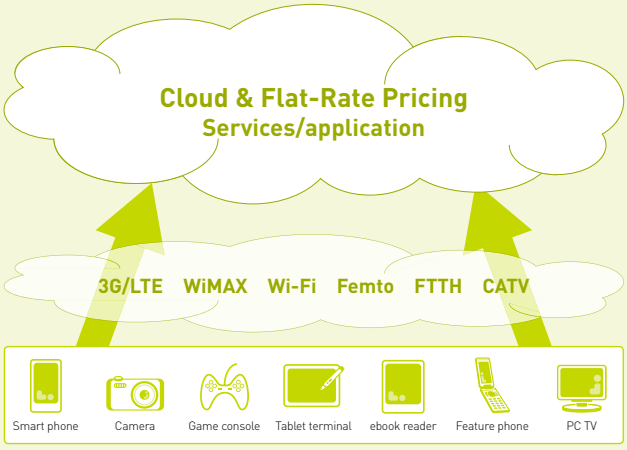
Shift to Multi-use



Keywords are "seamless" and "collaboration"

Cloud & Subscription

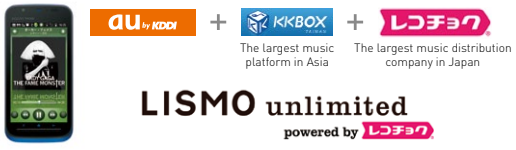
With rapid improvement in network quality through "multi-network," cloud-type services that provide massive contents and services on the cloud through networks on demand became possible, shifting from the existing download-type contents services. Furthermore, cloud-type services enable subscription models such as "LISMO unlimited" that offer various contents at flat-rate pricing in addition to the existing model of charging per content.



CLOSE-UP

Cloud × Flat-rate Pricing = "LISMO unlimited"

"LISMO unlimited" is a music distribution service realized by a joint venture with RecoChoku Co., Ltd., the largest music distribution company in Japan, using the platform of KKBOX Inc.*, a Taiwan music contents distribution company.



At the time of service launch, about one million tracks mainly of foreign music will be ready at the cloud distribution platform. Users can enjoy the music as if they are in their data folders anywhere and anytime using 3G and Wi-Fi networks with a flat-rate monthly pricing of ¥1,480 (including tax).

"LISMO unlimited" is the service that leads "multi-use" in the development of 3M strategies.

* Offers music contents distribution services for multi-devices such as PCs, smart phones, and mobile phones in Taiwan and Hong Kong, and became a consolidated subsidiary in December 2010

From now on...

KDDI sets the year ending March 31, 2012, as "the year for the KDDI Group to start a new phase of growth" and start "preparations for the new era" for a full-fledged launch of the 3M Strategy from the year ending March 31, 2013. Going forward, one by one we will place "strategic puzzle pieces" that form the core of the 3M Strategy. Also, the stepping stones placed for "multi-network," "multi-device," and "multi-use" will be connected organically to form the "new business model" that we are aiming toward.