Takashi Tanaka
President, KDDI CORPORATION

KDDI Maintaining Its Lead in a New Era

Our 3M Strategy, long in preparation, is going fully operational. Now back in fighting condition, KDDI is launching service innovations like never before. Reaffirming our mission as a telecommunications operator that provides social infrastructure, we are striving to achieve sustainable growth.

Assessment of Financial Results for the Year Ended March 31, 2012: Operating Revenues Up for the First Time in Four Years; Operating Income Up for the 11th Consecutive Fiscal Year

Positioning the year ended March 31, 2012 as the start of our next growth stage, all members of the KDDI Group pulled together to advance the "Reconstruction of Our Foundational Business." The results were successful.

Our operating revenues rose for the first time in four years. Although voice ARPU (Average Revenue per Unit) declined because of the increased usage of the "Maitsuki Discount (Monthly Discount)" and "Simple Course" pricing plans, the total number of handset sales increased and the revenues of Group companies handling the Fixed-line Business expanded.

We posted an increase in operating income for the 11th consecutive fiscal year. Such factors as a higher cost of sales for handsets in the Mobile Business drove down income, but the success of our network streamlining efforts prompted a major increase in income in the Fixed-line Business that offset the negative factor.

Dramatic Improvement in Four Key Performance Indicators (KPIs) and Complete Recovery of au Momentum

We achieved dramatic improvement against all KPIs.

KDDI is getting into fighting condition. At the time I was appointed president, I recognized that this was my most important task. To put KDDI back onto a strong growth trajectory, we announced our "3M Strategy" both within and outside the Company. The 3Ms are for "Multi-network," "Multi-device," and "Multi-use." However, we had another task to accomplish before we could fully implement this strategy. Namely, we had to turn around the Mobile Business—our foundamental business, which accounts for around 75% of operating revenues.

The Mobile Business was in need of repair to help KDDI reestablish its position of strength. As a result of Mobile Number Portability (MNP), business was draining away to our competitors, and our increases in data ARPU were lagging those of other companies. It was clear that KDDI would be unable to recover without first reconstructing the Mobile Business, which accounts for a large portion of operating income. For this reason, I introduced a policy of "recovering au momentum," established four KPIs to measure our progress, and sought to instill a sense of urgency throughout the Company as we worked to reach those KPIs.

The first and most important indicator was related to the churn rate. As mobile phone penetration is high, our current market environment makes it difficult to acquire new customers. Accordingly, encouraging customers to continue using our services is of utmost importance. If we could lower the churn rate, we would be able to maintain or expand our customer base without incurring high costs to acquire new customers. This situation would also lead to sound growth, characterized by increases in revenues and income.

The next KPI was MNP, a direct indicator of a mobile telecommunications operators' competitiveness. Customers wanting to switch to KDDI by taking advantage of MNP tend to pay particularly high monthly fees (ARPU), so we set maximizing the net increase in MNP as our second KPI.

Our third objective was to increase our share of net additions spanning all devices, including smartphones, feature phones, and modules. Finally, we concentrated on raising data ARPU in order to drive the Company's growth organically.

Let us look back on the year ended March 31, 2012, and review our performance against these KPIs. First, our churn rate improved from 0.73% in the preceding term to 0.66%, reaching a historic low. In the third quarter, the rate had improved to 0.56%—the lowest rate in the industry—and we maintained this position in the fourth quarter, as well. I see this as proof that we succeeded in raising customer satisfaction with au.

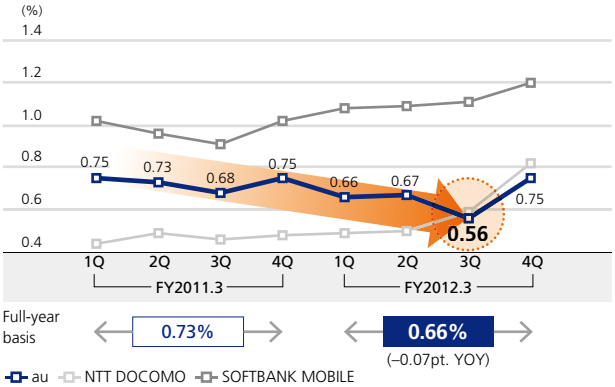
In MNP, we consistently had the highest net increase in the industry for the six months beginning in October 2011. This result was extremely positive; we achieved this level considerably faster than our internal plans had called for. In the year ended March 31, 2011, a total of 362,000 subscriptions were lost due to MNP, but in the year under review we enjoyed a total increase of 273,000 subscriptions—a net change of 634,000 subscriptions and a major improvement. These figures show that we have made great strides in improving our competitiveness. This trend is continuing unabated into the year ending March 31, 2013, and we maintained our standing as No.1 in terms of net MNP increase.

Our share of net additions also improved 10.1 points during the year, to 27.2%. This shift was particularly pronounced in the fourth quarter, when our share reached 33.4%. Data ARPU also increased, led by the accelerating shift to smartphones. The increase was most notable in the fourth quarter, when data ARPU rose 10.3% year on year.

In short, we made dramatic improvements against all four KPIs. I believe we can honestly say that we completely achieved our goal of recovering au momentum.

au Churn Rate*1

Down to historic low for the year ended March 31, 2012!
At an industry low during the third quarter!



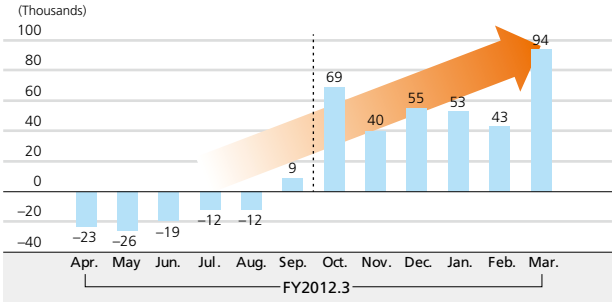
Full-year basis: 0.73% → 0.66% (–0.07pt. YOY)

au NTT DOCOMO SOFTBANK MOBILE

*1 Created by KDDI using financial results materials of each company.
au churn rate excludes module-type terminals.

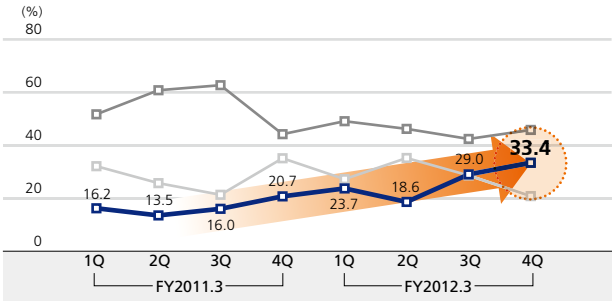
MNP

Achieved 9,000 net increase in September 2011
No. 1 in net MNP increase for six consecutive months from October 2011!



Share of Net Additions*2

Rose to 33.4% in the fourth quarter of the year ended March 31, 2012!



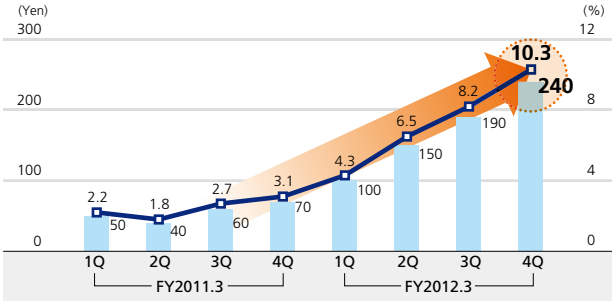
Full-year basis: 17.1% → 27.2% (+10.1pt. YOY)

au NTT DOCOMO SOFTBANK MOBILE

*2 Created by KDDI using Telecommunications Carriers Association's data.
Share among NTT DOCOMO, SOFTBANK MOBILE, and KDDI.

Data ARPU (YOY Increase, Rise Rate)

+10.3% YOY
Up substantially in the fourth quarter of the year ended March 31, 2012!



Increase (left) Rise Rate (right)

Strong Results from the Appeal of Our Product Offerings and Our Enhanced Sales Capabilities

The shift toward smartphones accelerated

The accelerated shift toward smartphones was a key element driving the complete recovery of au momentum. Given the major role that smartphones play in today's market, performance in this area affected KPIs in a number of ways, including through the total number of handset sales and data ARPU. Whereas we had offered six smartphone models in the preceding fiscal year, during the year under review we introduced 25 models—a major increase. We also distinguished ourselves by offering numerous highly competitive models. We launched six "+WiMAX" compatible models with a maximum downlink speed of 40Mbps and enable users to use tethering. We also introduced the "INFOBAR" series, which is distinguished by the use of sophisticated designs and a variety of global models for high-end users. Furthermore, in October 2011 we began offering au's first iPhone, the "iPhone 4S" (made by Apple Inc.). Through these moves, we expanded our lineup and made it the best in the industry.

When launching the "iPhone 4S," we used the promotional tag line "Get more 'connected' with an iPhone," making a strong appeal to our network quality and extensive coverage area, which was well received by customers. When we introduced the "iPhone 4S," there was some concern within the Company that the iPhone might cannibalize our sales of Android™ smartphones. Ultimately, though, this was not the case. Sales of both types of smartphone were favorable, which certainly was excellent news for us.

As a result of these efforts, smartphone sales more than quintupled during the year, to 5.63 million units, substantially outpacing our initial target of 4 million units.

In conjunction with the rapid expansion in the smartphone market, we introduced simultaneous "offensive" and "defensive" initiatives. We took an "offensive" with regard to sales channels, seeking to acquire new customers through the mass retailer channel, and we expanded our floor space and augmented our sales staff. Another "offensive" strategy we strengthened was to set up temporary sales outlets during holidays at event venues. Meanwhile, we took a "defensive" approach to bolster retention at au shops by renovating stores and leveraging ICT (Information and Communication Technology) to boost our ability to interact with customers. This combination of "offensive" and "defensive" strategies enabled us to reinforce our sales channels.

These efforts to strengthen the appeal of our product offerings and enhanced our sales capabilities were instrumental in achieving a complete recovery of au momentum.

"Smartphones' Limitations" the Departure Point for Our 3M Strategy

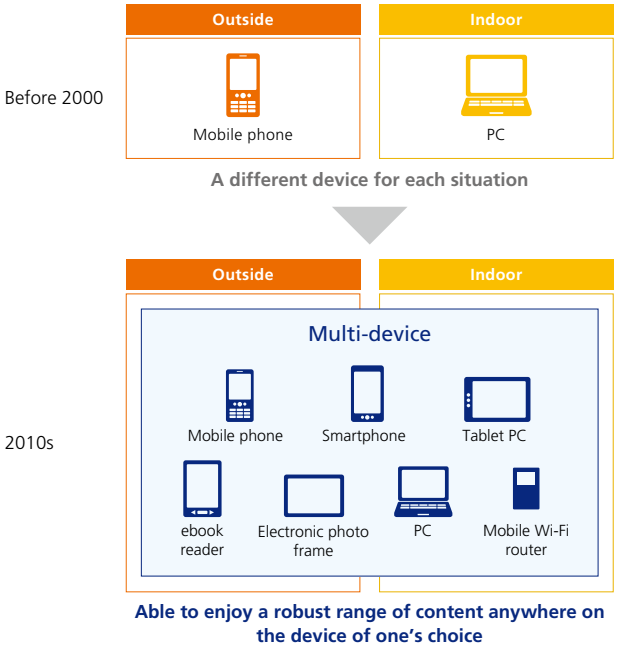
We have the resources to elicit solutions.

In the year ended March 31, 2012, alongside measures to "Reconstruction of Our Foundational Business," we paved the way for the full-fledged implementation of our 3M Strategy. In January 2012, we announced the "Smart Passport Concept" as our 3M Strategy roadmap, and in March we began rolling out strategic services for realizing this strategy: "au Smart Value" and "au Smart Pass." As of March 31, 2012, we had surpassed 100,000 spots in "au Wi-Fi SPOT" installations, marking a key development in our Multi-network strategy. Before going into the details, I would like to review the reasons behind our introduction of the 3M Strategy and explain what kind of world we are trying to realize through this strategy.

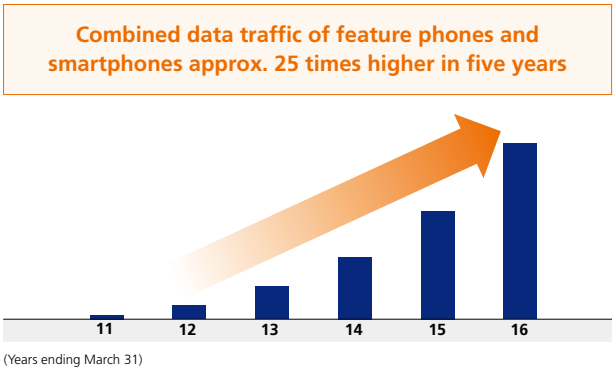
Looking back, up until 2000 people used discrete devices for different activities. For example, at work people would typically use PCs to create documents and exchange information via email. When they went out, they would take along their mobile phones to engage in voice communication, and home entertainment tended to center on the television. As we entered the 2000s, mobile phones began taking on a growing presence. It became possible to access email and the Internet, and phones were loaded with a host of functions that allowed users to watch "one seg" broadcasts and settle payments. This is also referred to as the era of "mobile convergence." The emergence of the smartphone has accelerated the pace of these changes. Larger screens, standardized use of full browsers, and the introduction of touch screens as a user interface has contributed hugely to usability.

Nevertheless, we believe that sooner or later, we will reach the limits of what smartphones can achieve. Regardless of the number of high-end functions they include, smartphones cannot match PCs in some ways. There are limits to the number of PC applications that can be loaded onto smartphones, and creating and manipulating documents is clearly easier on a PC. And while families may be able to gather around a smartphone screen at home for entertainment, this has its obvious limits. Smartphones do not adequately meet

Changing Usage Situations



Data Traffic Forecast



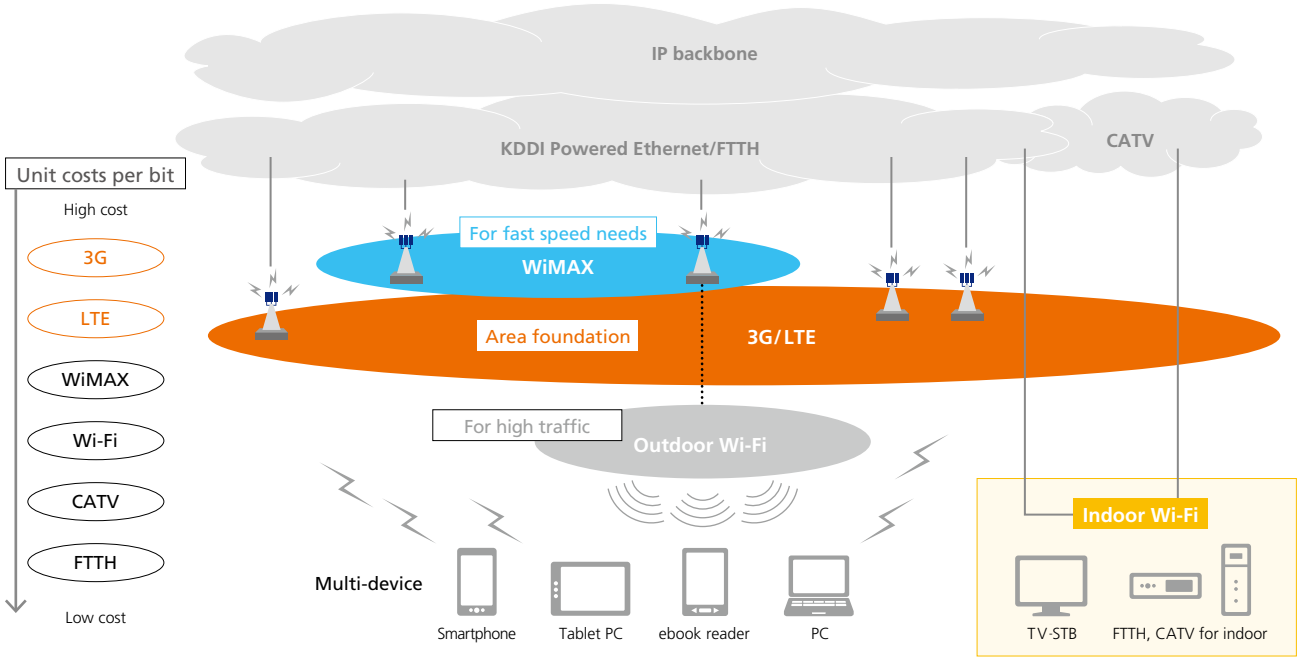
the needs of people who want to enjoy large screens showing attractive, high-resolution, impactful images. This is the realm of the television. We believe that in the 2010s, the "Multi-device" movement will go mainstream. In addition to smartphones, people will want to share a wealth of content on the device that is most appropriate to the situation.

We also see limitations on the network side of the equation. With smartphones, data traffic per unit is around 20 times higher than that of feature phones. During the five-year period spanning from the year ended March 31, 2011, to the year ending March 31, 2016, we expect mobile data traffic to increase by 25 times. At these levels, even the introduction of LTE (Long Term Evolution), which makes highly efficient use of bandwidth, and traffic control technologies will not be sufficient to meet the growing traffic on mobile networks. The option that remains is to offload data onto fixed-line networks. KDDI can address the issue of "smartphones' limitations" by bringing to bear resources that other companies lack. As fixed-line services, we offer Fiber To The Home (FTTH) and CATV. For mobile communications, in addition to 3G we offer WiMAX, and this year we will also launch an LTE service. In combination with Wi-Fi, we can deploy multiple networks in a seamless manner to emulate

a single network. As a result, we will be able to efficiently contain the rapid expansion in mobile data traffic by using multiple networks including fixed-line networks. As an integrated telecommunications operator, KDDI has a right to be proud of its ability to offer such solutions.

Our goal is to enable customers to enjoy a host of content on the devices of their choice, at any time and regardless of location, without experiencing a decline in network quality. This is the aim behind our project to realize the goals of the 3M Strategy.

Offloading Data Traffic onto Fixed-line Networks using Wi-Fi



3M Strategy Phase 1: Start of the Smart Passport Concept

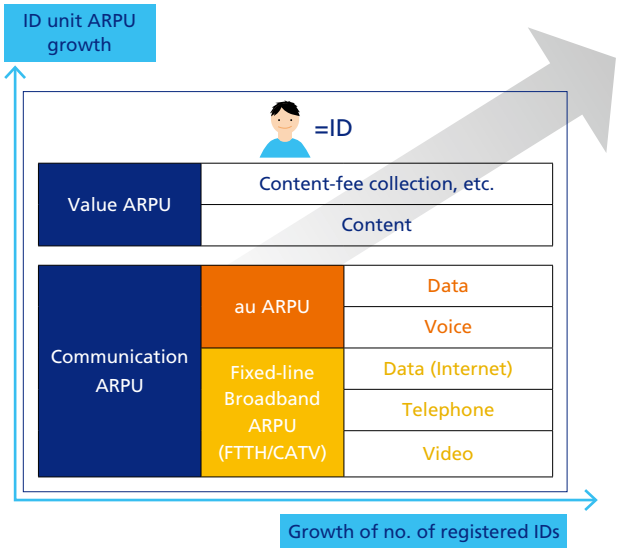
The 3M Strategy is to be “Game Change.”

The 3M Strategy represents a shift from a business model weighted toward the acquisition of mobile subscriptions to a model of mobile/fixed-line convergence. Whereas mobile subscriptions tend to be for individuals, households are the typical unit for fixed-line services. Our new model will involve fundamental changes in the way customers see our services and how we think about business.

Before the launch of “au Smart Value,” ARPU was used as an indicator of per-subscriber revenue for mobile communications, but this is changing. We are expanding this measurement to encompass au ARPU; fixed-lined broadband ARPU for FTTH, CATV, and other services; and value ARPU, which will cover services and content provided using the “au Smart Pass” as a gateway. In addition, through “au Smart Value” we will increase mobile and fixed IDs to maximize household ARPU. We view this transition to a new business model as the quest to be “Game Change.”

From a cost standpoint, the new model will enable cross-selling, allowing us to curtail marketing costs. Furthermore, bundling mobile and fixed-line services should lower the churn rate, thereby holding down retention costs. The biggest reduction, though, will come in network costs. The use of home Wi-Fi to access high-speed FTTH will drive down the overall network costs by enabling us to offload onto fixed-line networks, which are relatively lower per bit network costs. We will pass on these cost savings to customers in the form of more attractive services, which should also bolster our competitiveness, creating a virtuous cycle.

Atransition to Communication ARPU + Value ARPU-based Business Model = “Game Change”



A solid Grasp of Initial Trends

So far, our launch of “au Smart Value” and “au Smart Pass” has been extremely smooth. In the two months since the start of these two services, subscriptions have already exceeded 1 million. The key to the success of “au Smart Value” lies in the degree to which it enables us to attract new customers for both au smartphones and fixed-line services. We have already had early proof of the services’ potential to boost sales and profits in both the mobile and fixed-line arenas.

Directions for the Year Ending March 31, 2013: Achieve Consolidated Operating Income of ¥500 Billion and Reverse the Decline in au ARPU

We are aiming to maximize communications fee revenues and value-added revenues.

We are positioning the year ending March 31, 2013, as the time for our full-scale rollout of the 3M Strategy, which is already off to a solid start. In line with this deployment, we reorganized reportable segments into four business segments based on management resource allocation. The organizational divisions through which we advance business strategies are consistent with these reporting segments.

In the previous fiscal year, we introduced four KPIs on the way to staging a recovery in au momentum. In the current term, we will pursue initiatives targeting two priorities: achieving consolidated operating income of ¥500 billion and reversing the decline in au ARPU.

To achieve consolidated operating income of ¥500 billion, we will seek to maximize mobile and fixed-line communications fee revenues and value-added revenues. At the same time, we will work to employ sales and marketing costs more efficiently and step up efforts to lower network costs through progress on offloading data.

We will also endeavor to reverse the decline in au ARPU. Although au ARPU has been trending downward, during the fiscal year we expect au ARPU to bottom out on a monthly basis and begin changing course.

To continue growing over the medium to long term as well, during the year we will embark on a full-scale rollout of the 3M Strategy.

Target for The Year Ending March 31, 2013

Consolidated Operating Income ¥500 Billion	au ARPU Dips and rises in performance in monthly basis by the end of the year

The World of Smart Network: Commencing a High-quality LTE Service

This fiscal year, we will launch the au "4G LTE" service. As we have made progress on base station installation and the development of compatible handsets, we now expect to introduce the service earlier than our originally planned date of December 2012. As its base band, the service will use the new 800MHz band, which offers superior frequency efficiency. We will augment this spectrum with the 1.5GHz band, as well as the 2GHz band, which is currently being used by EV-DO. We plan to boost the coverage area quickly; by March 31, 2013, we expect LTE to cover 96% of the actual population. Introducing LTE will enable downlink speeds of up to 75Mbps, which will add depth to our Multi-network strategy.

The LTE addition will make our networks even more seamless and bring us into the world of the "smart network."

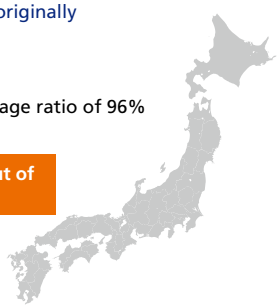
Launching the au "4G LTE" Service

Service to commence prior to the originally scheduled start in December 2012

4G LTE

Achieving actual population coverage ratio of 96% by March 31, 2013

Simultaneous nationwide rollout of high-quality LTE



Plans for Capital Expenditures and Cash Flow Allocation (Shareholder Return)

We will curtail capital expenditures by leveraging "Multi-network."

KDDI's capital expenditures amounts have been decreasing steadily from their peak in the year ended March 31, 2009. In the year ended March 31, 2012, combined capital expenditures in Mobile Business and Fixed-line Business services came to ¥421.6 billion, down 5.0% year on year.

For the year ending March 31, 2013, we expect capital expenditures on a consolidated basis to rise 6.7%, to ¥450.0 billion.

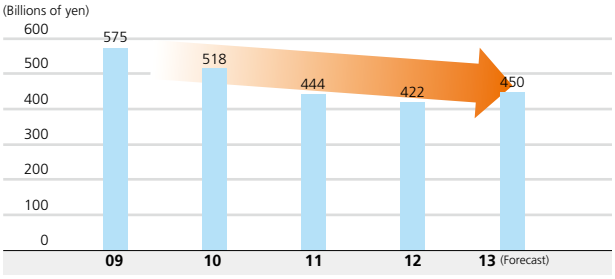
Each year, we are generating a steady ¥700.0 billion or more in operating cash flows. For the year ending March 31, 2013, we forecast free cash flow of ¥150.0 billion.

Our shareholder return activities center on dividends. The year ended March 31, 2012, was our 10th consecutive year of dividend increases, and going forward we intend to steadily raise dividends, to reach a consolidated payout ratio of between 25% and 30%. Dividends for the year ended March 31, 2012, totaled ¥16,000 per share, up ¥2,000 from the preceding term, for a consolidated payout ratio of 27.5%.

For the year ending March 31, 2013, we plan to raise annual dividends an additional ¥1,000, to ¥17,000 per share. We will also look into acquiring our own shares as one way to allocate cash flow, taking our cash flow situation and other factors into account.

Capital Expenditures

Capital expenditures peaked on a consolidated basis in the year ended March 31, 2009



(Years ended March 31)

Fulfilling Our Corporate Social Responsibility (CSR) as a Telecommunications Operator

Our biggest responsibility is to provide uninterrupted telecommunications services.

As a telecommunications operator, we are well aware that KDDI's operations have two faces. On the one hand, we are akin to a public institution in the sense of our responsibility for maintaining the social infrastructure. At the same time, we are a company in the pursuit of profits.

We have some 35 million au subscribers as well as a number of other customers for our various services, so even a small amount of trouble could have repercussions for many people. As a telecommunications operator, KDDI recognizes that its first and foremost responsibility is to provide uninterrupted services, regardless of conditions. KDDI also enjoys the support of numerous stakeholders—the many companies that are its business partners, the stakeholders who invest in the Company, regional communities, government institutions, and employees. To meet

the expectations of all these stakeholders, we recognize our obligation to meet our responsibilities as a public institution, as well as to leverage ICT to help resolve societal issues involving the environment, healthcare, education, and a range of other issues. I have a strong sense of mission to meet these responsibilities by guiding our management in an appropriate direction.

Meeting our responsibilities to society, meanwhile, requires us to deliver sustained earnings increases. My intention is to create a virtuous cycle whereby we grow by taking advantage of the major opportunities that await us as a telecommunications service provider and share the fruits of our successes with our stakeholders.

KDDI is also monitoring developments worldwide. For example, we see potential in emerging markets that are experiencing economic growth but where, at present, communication environments are less well developed. After taking full stock of individual countries' differences, we are looking at ways in which we might provide value in distinctively "KDDI-specific" ways.

Aiming to Provide Ongoing Support to Stricken Area

The Great East Japan Earthquake made us once again realize the importance of the key roles and responsibilities of telecommunications operators in providing communications lifelines. Shortly after the earthquake struck on March 11, 2011, we mounted full-fledged efforts to gets service back on line as quickly as possible. By June 30, 2011, we had restored service in the stricken area to pre-earthquake levels. Even so, communications difficulties persisted outside the Tohoku region. Various issues surfaced, and we worked steadily to address each of these, one at a time.

Just after the earthquake, numerous employees volunteered their time to assist recovery in the affected area. The rebuilding efforts have just began, and we understand these efforts will require sustained medium- to long-term support, and so we established the Reconstruction Support Office, which reports directly to me. Going forward, this department will coordinate Companywide efforts to provide ongoing support to aid restoration, working closely with local government bodies.

Employee volunteer activities

In Closing

We will continue introducing new services that other companies cannot emulate.

Progress on the 3M Strategy is smoother than our internal plans had forecast. Even so, technology changes extremely quickly, and we operate in an environment that is rife with competition. Consequently, we cannot let down our guard as we work to lock in the momentum that we have clawed back in the Mobile Business. Maintaining our sense of crisis and communicating this urgency throughout the Company, we will work to achieve progress on the 3M Strategy even faster than we have in the past.

As we implement the 3M strategy, in truth I believe that KDDI is the only company that can succeed in a Multi-network approach. We aim to steadily introduce new services that competitors cannot emulate as we do our utmost to stay at the head of the pack. As we do so, KDDI's true colors will become apparent.

Full-fledged Launch of the 3M Strategy

**In April 2011, KDDI announced its new growth strategy—"3M Strategy"—and since that time, we have been making preparations for its full-scale rollout.
In March 2012, we commenced Phase 1 of the 3M Strategy, the "Smart Passport Concept."
The 3M Strategy aims to realize two goals: "Revenue Maximization" and "Cost Containment."
In this section, the directors in charge of this strategy outline the strategy's objectives, current status and future directions.**

Revenue Maximization

Maximizing "Communications Fee Revenues"

au Smart Value

Expanding Areas and Sales Channels and Pinning Our Hopes on Linked Acquisitions

Yuzo Ishikawa Senior Vice President, Member of the Board

Maximizing "Value-added Revenues"

au Smart Pass

A Passport to the World of the Open Internet

Makoto Takahashi Senior Vice President, Member of the Board

Cost Containment

Reducing Network Costs by Promoting Data Offloading

Smart Network

Pursuing Communications Quality while Reducing Network Costs

Yoshiharu Shimatani Senior Vice President, Member of the Board

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au Smart Value

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au Smart Pass

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Smart Network

Maximizing "Communications Fee Revenues"

By expanding our sales channels and enhancing operational quality, we will work with allied fixed-line companies to boost linked customer acquisitions.

QUESTION 1 How would you evaluate your progress since commencing the "au Smart Value" service?

We are progressing favorably in both the mobile and fixed-line categories.

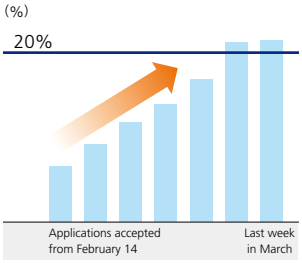
On the mobile side, the percentage of new au smartphone subscribers who subscribe to "au Smart Value" is gradually increasing. In March, when this service was launched, this percentage reached 20% of new subscribers, which is the break-even point for the service, and subscriptions in this area have remained solid since. Furthermore, of new au subscribers employing "au Smart Value," some 60% are subscribing through MNP. We consider this figure positive, because it means that our goal of using "au Smart Value" to attract subscribers from other companies is largely successful. We are also helping customers overcome one of the major barriers they feel when shifting to smartphones—namely, high communications fees—thereby broadening the scope of smartphone users.

On the fixed-line side of our business, performance is surpassing our expectations. Since launching the service, new subscriptions to au HIKARI have grown substantially. We moved significantly above the break-even point of a 12% share of new subscriptions shortly after we began accepting applications, and we have maintained a high level since. As au HIKARI also offers communications speeds that are overwhelmingly superior to other companies' services, at up to 1Gbps, we have been able to differentiate ourselves on a cost-benefit basis, which has proved effective. In addition, we have quickly increased the "au Smart Value" coverage area through cooperation with four FTTH companies and 43 CATV firms. As a result, our household coverage ratio*1 had risen to 73% as of March 31, 2012.

*1 The total for KDDI Group companies and allied fixed-line companies

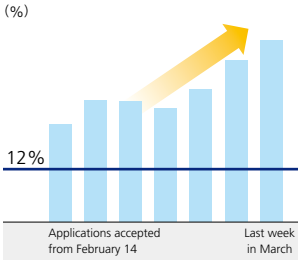
Subscription Rate for New au Subscriptions Utilizing au Smart Value (Weekly)

At a level exceeding ARPU-based BEP



Subscription Rate for New au HIKARI Subscriptions Utilizing au Smart Value (Weekly)

At a level substantially exceeding ARPU-based BEP



QUESTION 2 What are the advantages of allied fixed-line companies pursuing aggressive sales?

We expect that they will expand customer bases while reducing the churn rate and lowering sales costs.

Sales results at allied companies are extremely favorable. We believe that the reason for this is that "au Smart Value" is an attractive service not just for KDDI, but also for allied companies. Of course, for allied companies simply offering our mobile phone services in a package along with their own services does not contribute directly to revenue expansion on its own, but this approach has the advantages of (1) introducing new users via KDDI, (2) creating sales opportunities that leverage new products in the form of mobile phones, and (3) reducing the churn rate by offering set-purchase discounts. Looking at au Smart Value household contracts as of March 31, 2012, over 50% of total applications, including those for au HIKARI, were through set contracts via allied companies. We see this situation as evidence that "au Smart Value" is an attractive service for allied companies, and we look forward to continuing to forge positive relationships.

On the cost front, by taking advantage of mutual sales channels both KDDI and allied companies can reduce sales costs, and we expect to hold down promotional expenses through joint advertising and sales promotions. Furthermore, our allied approach allows us to avoid overlapping investments, which should raise the efficiency of our network investment and enable us to expand the sales area.

Yuzo Ishikawa
Senior Vice President,
Member of the Board

QUESTION 3 How did you prepare for the sale of services?

We are creating more time for sales staff to propose "au Smart Value."

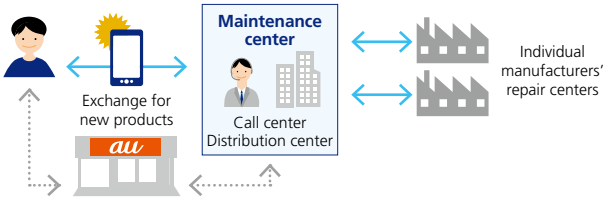
At au shops, we are reducing the amount of time required for customer interaction by allowing customer to view customer information, analyze fees, and compare models ahead of time using tablets. We have integrated our mobile and fixed-line customer information referral systems and consolidated application forms. We have also reduced the time needed to respond to malfunctions, which takes up around 40% of interaction time, through a maintenance center dedicated to handling such queries. We will continue listening to the needs of the people on the front line of sales to reduce the workload at au shops, so that sales staff have more time to propose "au Smart Value."

Revising Our Handset Maintenance Scheme

Both boosting customer satisfaction and reducing operating burdens at au shops

Past: Shops accepted handsets and sent them for repair

Current: Consolidating activities at maintenance center, making time for proposals



QUESTION 4 What issues do you need to address to boost the number of service subscribers going forward?

We need to create a business model that is mutually beneficial to allied companies and KDDI.

I perceive three major issues. The first involves our ability to increase the number of targeted households, including by allied companies. As of March 31, 2012, our household coverage ratio was 73%. We aim to raise this figure to 80%. Next, we need to augment the support we provide to allied companies, such as providing au sales training, to increase the number of new au subscribers that they introduce to us. Through these initiatives, we should be able to constantly surpass the 20% new subscriber ratio. As this is a new service, we recognize that boosting awareness of "au Smart Value" is important, and we are doing so through marketing efforts that link mass media, the web and shops.

QUESTION 5 What are your goals for the year ending March 31, 2013?

Our targets are 3.10 million au subscriptions and 1.55 million households.

For the year ending March 31, 2013, through "au Smart Value" we aim to increase the number of au subscriptions to 3.10 million, up 2.44 million from the previous year, and achieve a 1.11 million increase in household subscriptions, to 1.55 million. This rise will not come from simply expanding the customer base. We also aim to augment the number of au subscribers per household from 1.5 as of March 31, 2012, to 2.0 by March 31, 2013. The average number of people per household in Japan is 2.5*2, and we are already progressing steadily toward this goal, taking into account children and older people who do not have mobile phones. To achieve this target, we are also making steady progress toward our other KPIs. We will continue our vigorous efforts to strengthen relations with allied companies.

*2 Source: 2010 National Census, Statistics Bureau, Ministry of Internal Affairs and Communications

au Smart Pass

Maximizing "Value-added Revenues"

We aim to use our base of "au Smart Pass" members to maximize value-added revenues.

QUESTION 1 What are the goals behind your introduction of the "au Smart Pass"?

The main thrust is to enable a host of customers to enjoy using their smartphones.

The advent of smartphones had a very positive effect on the open Internet, but many customers have not yet downloaded apps, due to app prices or out of security concerns. We created the "au Smart Pass" to enable these customers to use the open Internet safely and securely.

"au Smart Pass" gives subscribers access to more than 500 popular apps and makes use of security software and a call center, functions that increase customers' sense of security when using smartphones. By lowering these barriers, we aim to foster a transition to smartphones and expand the smartphone customer base over a wide range of ages.

QUESTION 2 Can you turn a profit with a model that offers ¥50,000 worth of apps for ¥390 a month?

We aim to create a model that is successful for both content providers and KDDI.

A service will not survive long unless it has a business model that contributes to customers and content providers alike. In the past, in addition to developing apps, content providers had to incur promotional costs themselves in order to attract customers. To encourage content providers to focus on the development of attractive apps, via the "au Smart Pass" platform we offer them potential access to KDDI's 35 million customers and take over the burden of promoting their apps. By pooling our resources in this way, we are creating a win-win situation with content providers that we have developed relationships with through our feature phone-related operations, encouraging the extension to smartphones. Given the up-front investments we have made on the platform, we do not expect the service to be profitable in the year ending March 31, 2013, but we should quickly reach the break-even point of 4 million subscribers. We believe this business will move into the black in the year ending March 31, 2014.

QUESTION 3 Since you started the service, what has been your record on attracting customers, and how are you evaluated within the Company?

Subscribers have increased at unprecedented speed.

Only two months have passed since we introduced the service, and membership already tops 1 million, so our record on attracting customers is favorable. We are also attracting customers over a wide range of ages, not just young people, and we have high expectations for the future. Average downloads of apps have quadrupled since we began offering this service. Between 60% and 70% of people who enter a smartphone agreement at shops also join this service. We attribute this high rate of membership to the inexpensive fee, easy-to-understand service content and proactive promotion at au shops.

Makoto Takahashi
Senior Vice President,
Member of the Board

QUESTION 4 **What are your objectives for "Uta Pass" and "Video Pass," which you introduced after the "au Smart Pass"?**

We want to allow subscribers to enjoy music and video over Multi-device.

In music and video as well, we intend to leverage the expertise that au has cultivated in feature phones—an area in which we have an advantage over competitors—to success in smartphones.

"Uta Pass" is a service that lets customers listen to as many songs as they wish, both Japanese and foreign music, for ¥315 a month. The difference between this service and "LISMO unlimited" is that the service allows customers to access, in a broadcast-like manner, songs that are being promoted by music labels. As "Uta Pass" is a promotion channel, it provides labels with a new sales route, which allows us to keep fees low. By using the facilities of KKBOX Inc., a Taiwan music content distribution company that we converted to a subsidiary, we have been able to hold down costs and expect the business to make an early contribution to profits.

Meanwhile, "Video Pass" is a service that offers unlimited viewing of video content for ¥590 per month. We have centralized content procurement at Jupiter Telecommunications Co., Ltd., which has extensive expertise in this area, providing economies of scale while enabling us to hold down prices. In addition to enabling customers to view new releases at the same time as they become available as rental DVDs, the service allows access via Multi-device, including tablets, personal computers and televisions. Accordingly, "Video Pass" is highly competitive with services offered by other companies in Japan.

"au Smart Pass" provides an easy way for customers to trial linked services such as "Uta Pass" and "Video Pass." In this manner, we aim to maximize value-added revenues by upselling linked services.

QUESTION 5 **Please explain your plans for acquiring subscribers in the year ending March 31, 2013, and your future directions and developments.**

The most important thing will be to increase the number of "au Smart Pass" subscribers.

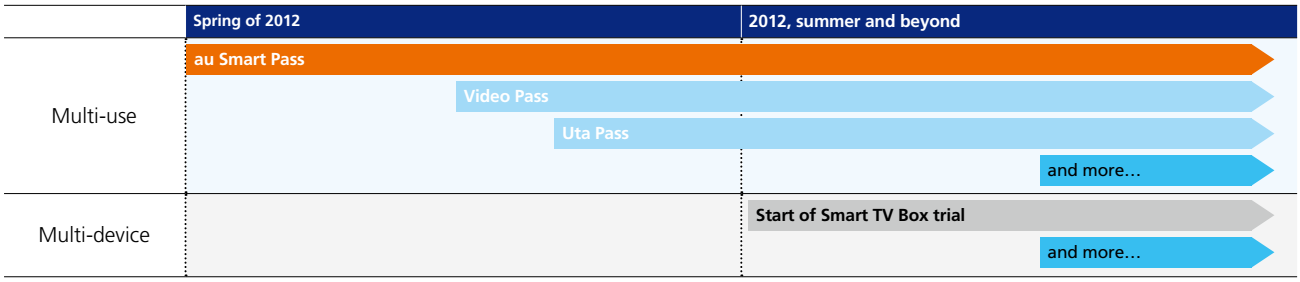
By March 31, 2013, we aim for the cumulative number of "au Smart Pass" subscribers to reach 5 million. We expect this increase to correlate to an expansion in value ARPU as we continue to add content that customers can enjoy safely and securely. In December 2011, we made "LISMO unlimited" compatible with iOS, and we are extending "au Smart Pass" to au-provided operating systems other than Android™ systems.

We have also commenced "O2O*" initiatives, using "au Smart Pass" as an entryway to sales at physical shops. We expect to quickly increase the number of "au Smart Pass" subscribers, bolstering our customer base and leading to the expansion of a host of other exciting services.

* Online to Offline: Combining the effects of online and offline purchasing activities or benefiting from the effects of online activities through purchases at physical shops.

Note: Basic monthly usage fee is tax inclusive.

Multi-use, Multi-device Development



Reducing Network Costs by Promoting Data Offloading

We will respond to the dramatic increase in data traffic by offloading data to our fixed-line network. This approach will allow us to ensure high-quality communications services while simultaneously containing network costs.

QUESTION 1 **Please describe some of the specific measures you are taking to handle data traffic volumes, given the expected surge in mobile data traffic.**

Our most effective measures will involve offloading data onto fixed-line networks.

Looking at total au data traffic by comparing smartphones and feature phones, although smartphones amount to no more than 20% of units in operation, they account for 80% of overall data traffic. By March 31, 2013, we expect smartphones to grow to around 40% of unit in operation, leading to a corresponding increase in traffic. As we will not use the newly allocated 700MHz band frequency until 2014, we will need to handle mobile data traffic using existing network and LTE networks starting service this year.

Our answer to this dilemma is to use Wi-Fi to offload mobile data traffic onto fixed-line networks. This is our objective for promoting bundled subscriptions to smartphone and fixed-line broadband service through "au Smart Value" and for au Wi-Fi SPOT installations in public locations. Whereas we were offloading approximately 20% of data originating from smartphones onto WiMAX and Wi-Fi as of March 31, 2012, we expect this figure to rise to 50% by March 31, 2013. We are undertaking a number of initiatives to make this possible.

QUESTION 2 **Your goal is to offload 50% of data traffic. How will you meet this high target?**

We will promote efficient offloading in line with traffic distribution.

The volume of data traffic increases in different areas depending on the time. We are installing au Wi-Fi SPOTs efficiently in accordance with traffic distributions following on detailed traffic surveys. For example, traffic tends to spike around train stations during commuting times and in dinning establishments and other areas where people gather and remain for long periods of time as well as waiting areas during the daytime. Therefore, we are siting au Wi-Fi SPOTs efficiently in high-traffic zones, which vary based on time. We had completed installations of 100,000 spots as of March 31, 2012, but boosting this further will not be a matter of simply increasing the number of base stations. Instead, when installing new stations we will bring to bear the expertise that we are garnering by conducting surveys of radio interference and traffic.

Meanwhile, data volume tends to peak at night, between the hours of 9pm and 1am. As most of this data is from home use, on February 14 we began providing the "HOME SPOT CUBE" ("CUBE"), a dedicated in-home rental Wi-Fi router that allows us to offload traffic. Initial results have been positive due to the fact that the CUBE is popular for its convenience, attractive design and ease of setting. As a result, only two and a half months since introducing the service, the number of users already exceeds 570,000. The CUBE is also allowing us to offload onto Wi-Fi approximately 66% of the traffic from CUBE users at around 11pm. As CUBE sales expand, we expect offloading to progress commensurately.

We are working to eliminate barriers to the use of Wi-Fi, which include smartphone power consumption and the time required to switch over to a Wi-Fi signal. By optimizing Wi-Fi signal search timing in wait mode, We reduced the current required to switch to Wi-Fi. Further, we offered apps that improve Wi-Fi connection by reducing switching time by more than half. We plan to continue promoting initiatives that will enhance service and make Wi-Fi use more customary.

Yoshiharu Shimatani
Senior Vice President,
Member of the Board

In addition, KDDI's Wi-Fi devices are compatible with two frequency bands—2.4GHz and 5GHz—which is a major advantage. Whereas radio interference is relatively high at the 2.4GHz frequency where KDDI and other companies' Wi-Fi spots are clustered, at 5GHz interference is lower, and higher communication speeds are possible. We are taking advantage of these characteristics to realize more convenient communication environments.

Another important feature of au Wi-Fi SPOTs is their use of "beam forming technology." This technique directs waves toward people using smartphones, improving transmission efficiency and resulting in a broader coverage area and improved communication speeds. Rather than simply increasing the number of access points, we believe it is important to make use of our knowhow to design detailed area access.

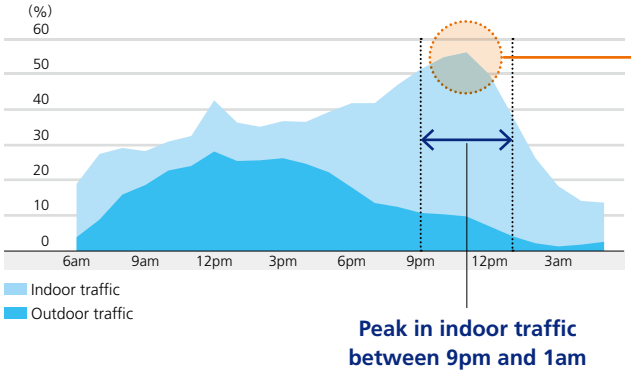
QUESTION 3 **What measures are you taking to hold down capital expenditures, and what are your capital expenditure plans over the medium- to long-term?**

We will restrain LTE investment and offloading mobile data onto fixed-line networks, which are lower network costs. In addition, we plan to curtail construction costs.

Making LTE base stations more compact and using amperage that is common with CDMA2000 enables us to install the new base stations in parallel with existing CDMA2000 stations, extending the coverage area quickly and inexpensively. Furthermore, offloading mobile data traffic to fixed-line networks, which have a lower cost per bit, will allow us to reduce data communication volumes during peak times and curtail capital expenditures. We are also working to reduce base station construction costs through the cumulative effect of many small improvements. For example, we are employing un-air-conditioned equipment, reviewing construction procedures, and streamlining operations.

Through initiatives such as these, we expect to hold down consolidated capital expenditures to around ¥450 billion in the medium- to long-term, despite increases in data traffic.

Changing Usage Situations



Peak in indoor traffic between 9pm and 1am

HOME SPOT CUBE Usage Status