



Moving on to a New Phase of Full-scale Income Growth

In the Japan's telecommunications market, the shift toward smartphones is creating opportunities for growth in communications revenues. Meanwhile, mobile telecommunications carriers are faced with the issue of efficiently handling the expansion of mobile data traffic. Furthermore, while telecommunications carriers are finding it difficult to differentiate themselves on the basis of handsets and networks, the market has entered a new phase of competitiveness.

In response to this changing environment, KDDI positioned the fiscal year ended March 31, 2013 as its starting point for growth centered on the "3M Strategy"—its business strategy for leveraging its strengths as a company that operates both mobile and fixed-line businesses—and began a full-scale implementation of this strategy. A core element of this strategy is "au Smart Value," for which subscriptions greatly exceeded our initial expectations, contributing substantially to the acquisition of both mobile and fixed-line subscriptions. Furthermore, favorable sales of smartphones pushed up data ARPU, with au ARPU bottoming out on a monthly basis in February 2013, leading to reach record levels of consolidated operating revenues and operating income.

We see the fiscal year ending March 31, 2014 as the first year in a new phase of full-scale income growth. In addition to further revenue and income increases, we are targeting operating income growth of more than 20%. We plan to make steady progress toward this goal by achieving the first increase in mobile communications revenues in five fiscal years, stably augmenting fixed-line communications revenues by bolstering FTTH subscriptions, and benefiting from the performance of Jupiter Telecommunications Co., Ltd., which was consolidated in April 2013.

Furthermore, we have set our basic policies for the next three years "Advance and Develop 3M Strategy" and "Implement Global Strategy." We intend to expand our operations in line with these policies, achieving annual double-digit growth in consolidated operating income and large increases in earnings per share accompanying income growth. At the same time, we will raise our target consolidated dividend payout ratio from "between 25% and 30%" to "more than 30%," thereby achieving sustainable growth and enhancing shareholder returns.

Even as we move our business to a new stage, we recognize that we must not forget our mission, namely to contribute to the realization of a prosperous communications-based society through our business by providing uninterrupted telecommunications services and delivering services that offer new value to society. All employees are working to fulfill this mission by sharing the "KDDI Philosophy," which defines the sort of company we want to be.

Through its widely varied business activities, KDDI intends to stimulate people all over the world, offering them safety and enjoyment and bringing smiles to their faces. We aim to contribute to society's development, while further enhancing corporate value through sustainable growth and increased shareholder returns.

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Takashi Tanaka
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