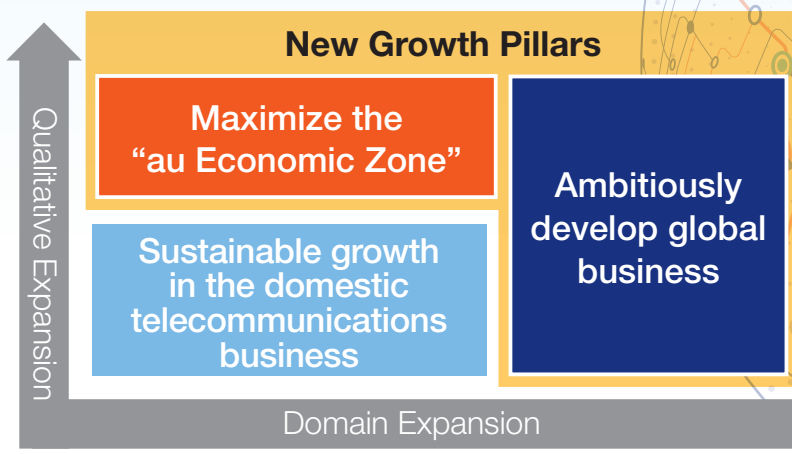




Establishing new growth pillars



1. Maximize the "au Economic Zone"

KDDI aims for maximization of the "au Economic Zone" as a new growth pillar in Japan amid maturation of the domestic telecommunications market and the unlikelihood of a significant increase in the number of subscribers. In addition to sustainable growth in the domestic telecommunications business we will generate new revenues on the domestic telecommunications business base.

2. Ambitiously develop global business

KDDI is ambitiously developing global business to establish a new growth pillar in anticipation of the market contraction expected with the decrease in population caused by the low birthrate and rapid aging of society, which is a long-term issue confronting the domestic telecommunications business. We are aiming to expand our global business base, primarily in the consumer business centered on mobile, and in the ICT business targeting the corporate market.

Expand and strengthen the au Economic Zone



1. Maximize the “au Economic Zone”*

* The “au Economic Zone” refers to a new economic zone, built on au’s customer base, that includes online content, offline convenience stores and settlement at physical stores, as well as commerce and financial services that extend across both online and offline environments.

Establishing a Payment Platform

In May 2014, we launched the “au WALLET” prepaid card service as a platform for generating revenues by augmenting revenue from conventional online carrier billing (= “au Simple Payment”) with offline service transactions (i.e. at physical shops); this was followed by the launch of the “au WALLET” credit card in October of the same year. As of the end of March, 2016, the number of valid “au WALLET” cards issued (prepaid cards and credit cards) reached 17.9 million, a number that continues to grow steadily.

Transformation From a Telecommunications Company into a Life Design Company

In addition to our conventional telecommunications services, we are working to maximize synergies and expand the “au Economic Zone,” utilizing our existing domestic telecommunications business and settlement platform to provide a wide variety of services to customers at every stage of their lives under the banner of “au Life Design.”

In “au Life Design” KDDI provides food and daily products sold through “au WALLET Market,” a commerce business involving actual stores (au Shops), and “au WALLET Market powered by LUXA” online to provide a wide variety of products and services related to daily life. Moreover, in conjunction with the liberalization of the electricity retail market in April 2016, we started “au Denki,” a service that provides electric power we get from power companies in each region. Furthermore, with companies in which we have invested, KDDI also handles financial products as an agent for life insurance, non-life insurance and mortgage products through “au Insurances” and “au Mortgage.” In providing these products, we believe we will create new business opportunities in the coming age by leveraging our strength as a telecommunications operator, and by combining IoT and services.

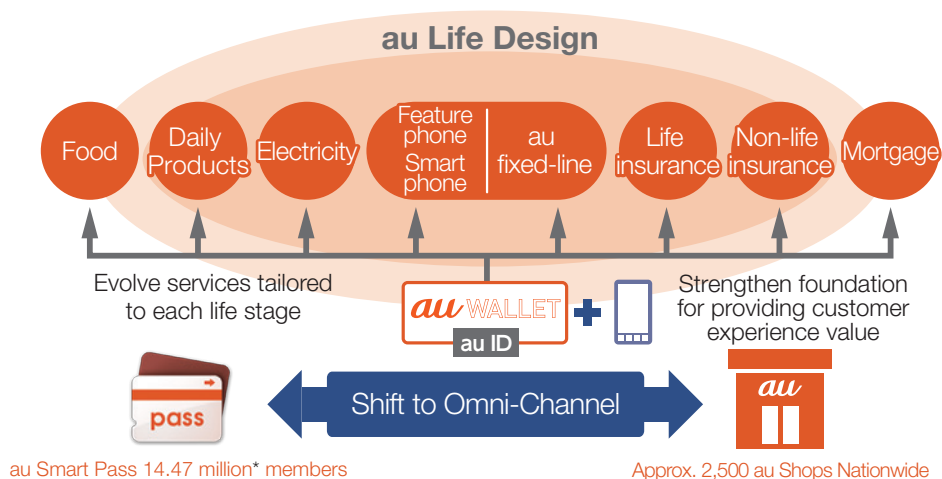
Expand “au WALLET”



Prepaid card

Credit card

Transforming to a “Life Design Company”



* As of March 31, 2016

Contact with Various Customers

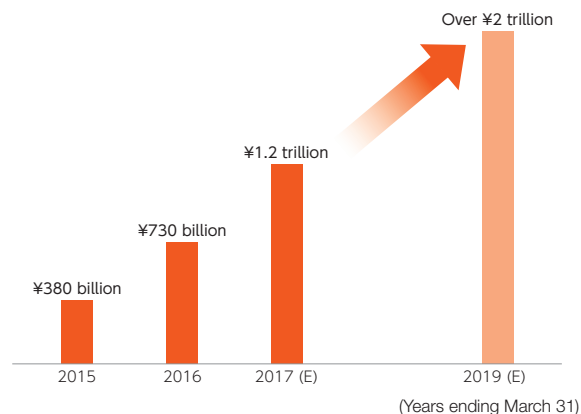
One of our strengths is our contact points with our customers. As of the end of March 2016, there were over 14.47 million members of our online contact point, “au Smart Pass,” as well as 2,500 au shops nationwide providing offline touch points, and we will work to advance an omni-channel approach by further strengthening and linking these touch points. In March 2016, we also consolidated Jupiter Shop Channel Co., Ltd., Japan’s largest television shopping firm, building further opportunities for new customer touch points.



Leveraging these unique contact points with customers, KDDI can in addition to au communications services, make proposals targeted toward customers tastes and interests for all sorts of products and services, including electricity, finance and commerce, as part of “au Life Design.” Bundling electricity and financial services with communications services as with the successful example of “au Smart Value” (discounts for bundled mobile and fixed-line communications services) raises expectations of a low churn rate, which is a feature of bundled services. If payment is made through “au WALLETT Credit Card” and this becomes the customer’s main card, it can also be expected to build a circulation model for WALLETT points and increase their transaction volume.

By strengthening these and other services, and building a circulating model for the WALLETT points customers given to customers when they use our settlement platform, we aim to expand the total volume of transactions in the “au Economic Zone” from ¥730.0 billion in the fiscal year ended March 31, 2016, to ¥1.2 trillion in the fiscal year ending March 31, 2017, and onto ¥2 trillion in the fiscal year ending March 31, 2019, the final target year of our medium-term management plan.

Total transaction volumes in the “au Economic Zone”^{*1}



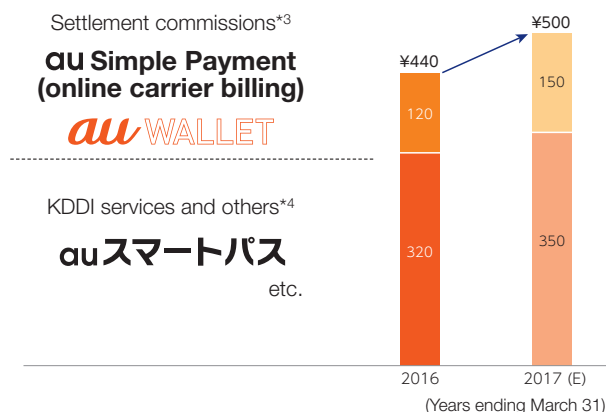
^{*1} Total amount indicated includes “au Simple Payment (online carrier billing)” and “au WALLETT” in addition to the scale of economic activities from commerce, energy, finance and the like from au’s customer base

Expansion of Value-Added ARPA with Growth of the “au Economic Zone”

In the fiscal year ended March 31, 2016, value ARPA—value-added revenues sales per au customer—amounted to ¥440. Of this amount, KDDI services such as “au Smart Pass” accounted for ¥320, and settlement commissions from the two settlement platforms (“au Carrier Billing” + “au WALLETT”) the remaining ¥120.

With the expansion of the “au Economic Zone,” “au WALLETT” settlement fee revenue and revenue from “au WALLETT Market” and other services will also increase, and we expect “value-added ARPA” in the fiscal year ending March 31, 2017 to rise 13.6% year on year to ¥500.

Value-Added ARPA^{*2}



^{*2} Value-Added ARPA = Value-Added ARPA revenues (Settlement commissions + KDDI services and others) ÷ au customers

^{*3} Settlement commissions = Settlement commissions revenue of “au Simple Payment” (online carrier billing) and “au WALLETT”

^{*4} KDDI services and others = Sales from KDDI services (such as “au Smart Pass” and product sales) and advertising revenues, etc.

2. Ambitiously develop global business

Global Consumer Business

As of 2013, penetration of mobile phones had reached 94.4% worldwide where there had been just 12.1% in 2000. However, when it came to ownership of several SIM cards, the penetration rate was at just 48%* of the population worldwide, a rate that is expected to rise as 1.5 billion* new mobile users are added through the year 2020.

We are working to advance the international telecommunications business centered on mobile as an axis of growth for our global business.

* Source: 2015 White Paper on Information and Communications in Japan, Ministry of Internal Affairs and Communications

Myanmar: moving ahead with further improvements in network quality and reliability.

The telecommunications business in Myanmar, operated jointly by KDDI's subsidiary KSGM and MPT, adds mobile phone base stations, strengthens operations and improves network quality by expanding coverage areas, and service is now available in every state, with population coverage reaching 96% (as of March 2016). Future efforts will include additional expansion of coverage, enhanced communications quality, and a stronger customer support structure, combining with the expansion of highly convenient services to meet the strong demand for data.



Mongolia: Launched 4G LTE

In March 2016, KDDI acquired additional shares in MobiCom Corporation, which holds the top market share of subscribers in the Mongolian mobile phone market, and made it a consolidated subsidiary. The strength of MobiCom Corporation lies in its brand value, built on a customer reputation for security and reliability, and in the high quality of service it provides. In May 2016, it began

offering 4G LTE service, as well as "MobiPlay," a video service utilizing a high-speed internet environment. We will continue to expand the area for 4G LTE and other services, contributing to the growth of a telecommunications society in Mongolia.



Utilizing the technology and expertise we have gained at home and abroad, with their strengths in quality and reliability, we will commit resources primarily to emerging countries with large populations and fast-growing economies and areas mainly where latent demand exists for upgrading the business model from 3G to 4G, contributing to improve quality of life and economic growth in the countries in which we invest.

Global ICT Business TELEHOUSE

Under the TELEHOUSE brand, KDDI deploys data centers in 48 locations spread across 24 cities and 13 countries and regions of the world. TELEHOUSE, which began business in the U.S. in the 1980s, has a total floor area of 447,000m² across its data centers as of the end of March 2016. In the U.K., TELEHOUSE LONDON is moving to expand, with Docklands North Two (23,000m²), a green data center utilizing the latest environmental technology, expected to open this summer.

In this age when the cloud is everything, data centers must address the conflicting issues of both high demand for electric power and concern for the environment. At the same time, providing the connection to carriers, ISPs and cloud service providers is one of the most essential criteria for customers when selecting a data center. To continue to be the first choice of customers, we will continue to expand the scope of our business as a premium data center operator, leveraging the high quality of our connectivity in the primary regional hubs where our customers deploy business.

Telehouse History (Excluding within Japan)

	1980's	1990's	2000's	2010's
US	1989 ●New York/Teleport	1997 ●New York/Broadway 1998 ●Los Angeles		2011 ●New York/Chelsea
Europe	1990 ●London/Docklands North	1996 ●Paris/Jeuneurs 1997 ●London/Metro	1999 ●London/Docklands East ●Paris/Voltaire	2009 ●Paris/Magny 2010 ●London/Docklands West 2011 ●Istanbul 2012 ●Frankfurt ●Moscow 2016 ●London/Docklands North Two
Asia			2000 ●Hong Kong ●Seoul	2008 ●Beijing/BEZ ●Singapore 2010 ●Hanoi ●Shanghai/Zhangjiang 2011 ●Hong Kong/CCC 2013 ●Beijing/BDA ●Shanghai/Jinqiao
Africa				2009 ●Cape Town 2010 ●Johannesburg