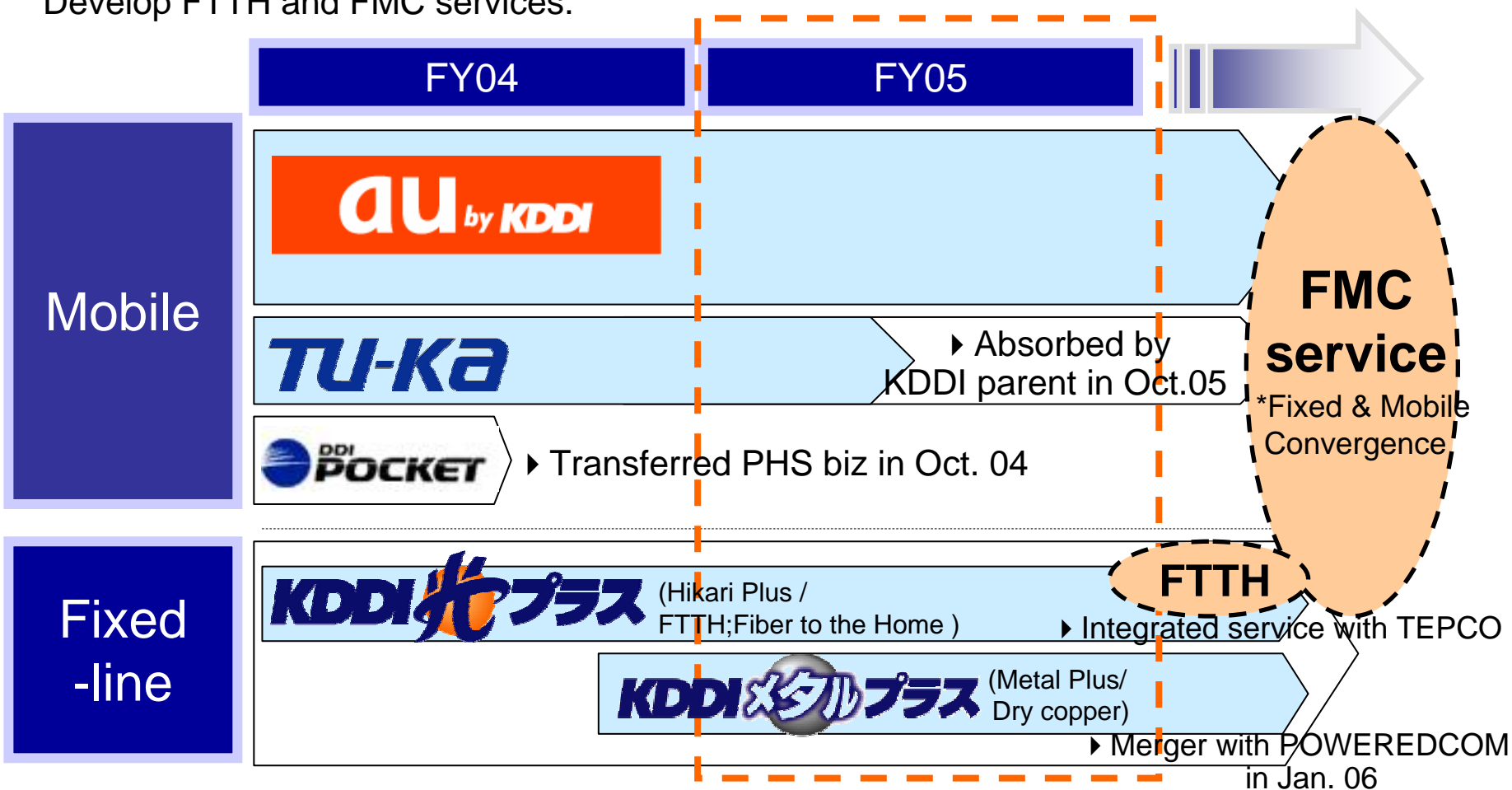


1. Future Challenges

Reorganize mobile business to eliminate duplication at time of Oct-2000 merger by transferring Pocket Business and absorbing TU-KA. Aim to raise mobile market share of “au” and TU-KA combined from current 27% to more than 30% over mid-term.

Promote shift to direct access services such as Hikari Plus and Metal Plus in Fixed-line Business.

Develop FTTH and FMC services.



2.1. Integrated IP Core Networks

Mobile

CDMA2000
Circuit Switch NW



MMD
(3GPP2)

GSM
Circuit Switch NW



IMS
(3GPP)

MMD: MultiMedia Domain
IMS: IP Multimedia Subsystem
NGN: Next Generation Network



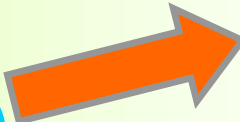
**Integrated
Fixed & Mobile
IP Network**

Fixed

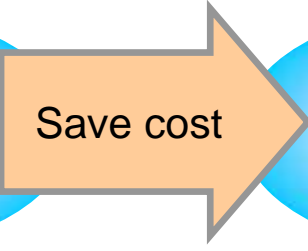
Fixed-line
Circuit Switch NW



NGN
(ITU-T)

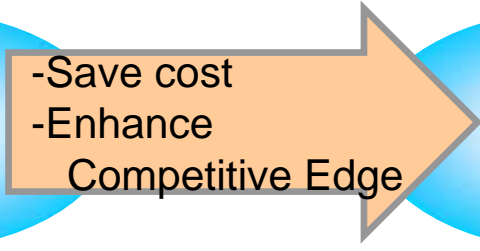


**Circuit
Switch
Network**



Save cost

**IP
Network**



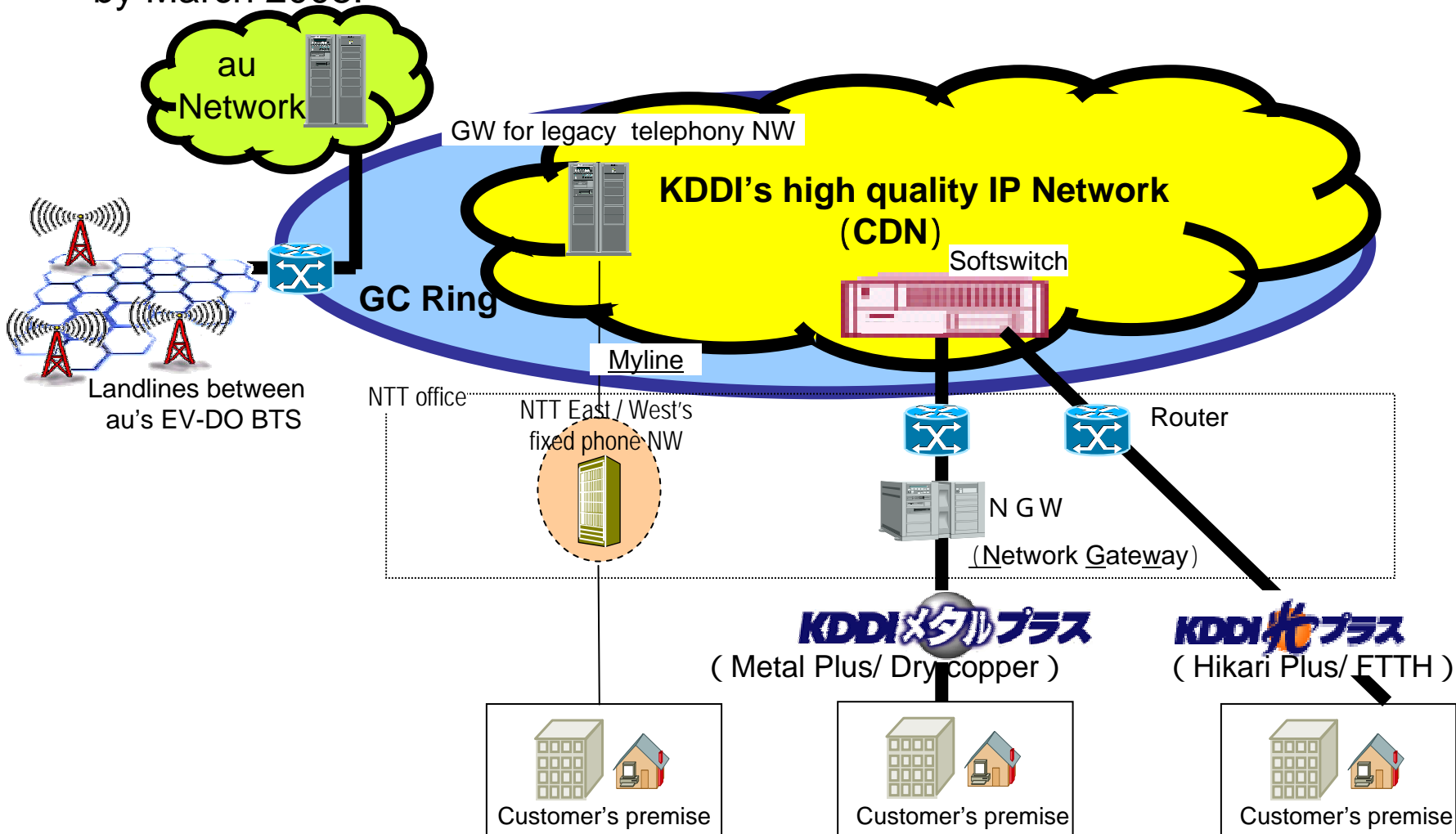
-Save cost
-Enhance
Competitive Edge

FMC

2.2. Change Fixed-line NW into IP

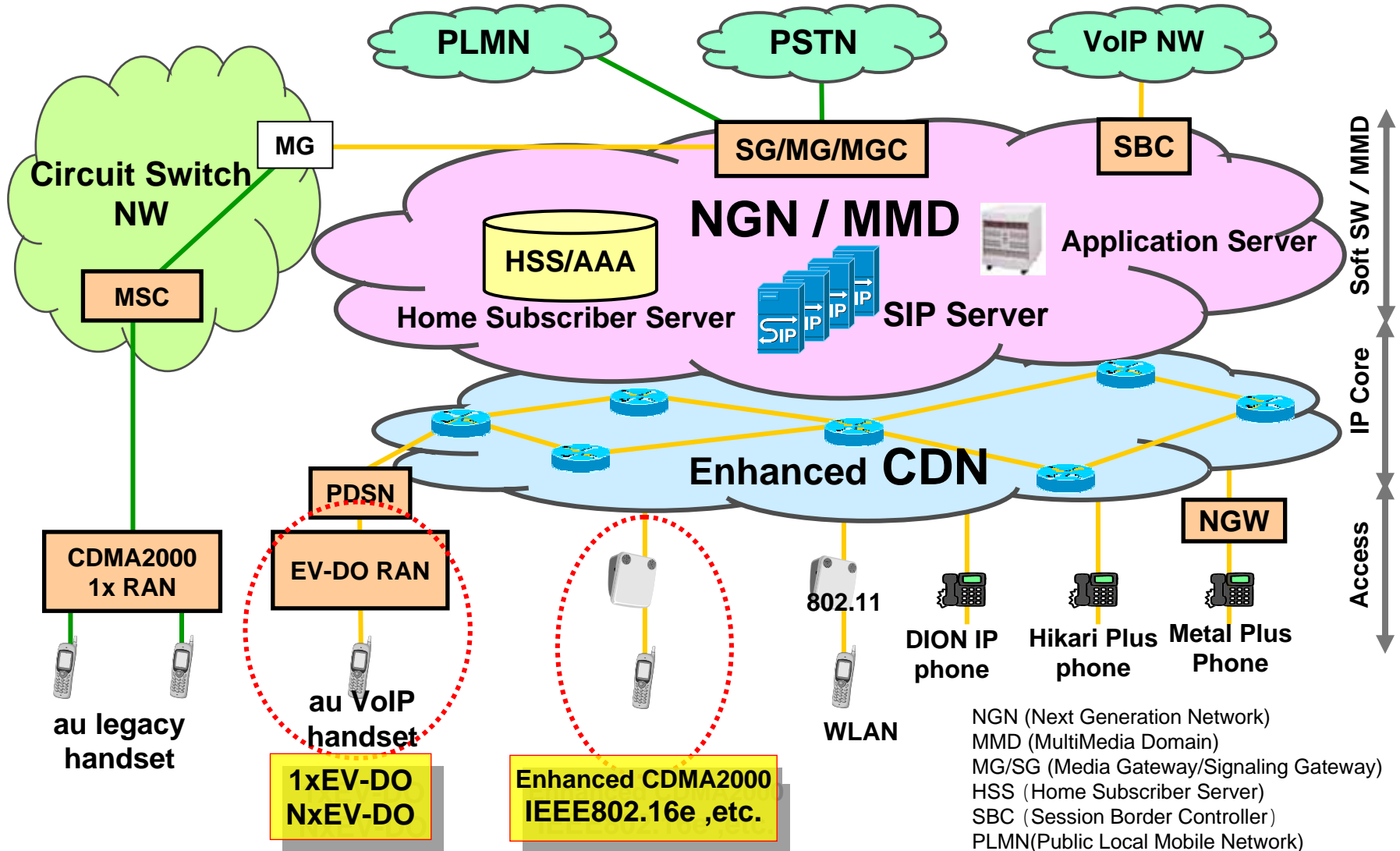
Expand GC link and CDN (Contents Delivery Network) to promote shift to direct-access business models through Hikari Plus and Metal Plus.

Plan to be first in the world to complete shift to IP-based fixed-line networks by March 2008.



2.3. Integrated Fixed & Mobile IP Network

Aim to create cost-competitive infrastructure and achieve seamless provision of FMC services through integration of fixed & mobile networks



3. Response to Regulatory Environments

Review of Universal Service Charge System

■ Situation

MIC is promoting a review of universal service charge systems and plans to release a report on Oct. 25, 2005.

■ Responses & Implications

Besides contraction of fixed-line market, effects in FY2006 include an imposition of Universal Service System through reduction in non-traffic costs in line with a review of interconnection charges and lower basic phone charges of NTT East/NTT West.

Mobile Number Portability (MNP)

■ Situation

In May 2004, MIC announced guidelines to introduce MNP. MNP is expected to be implemented by all mobile carriers by the earliest date possible in FY2006.

■ Responses & Implications

Detailed specifications on how to actualize the system and allocate costs will be decided going forward. KDDI plans to comply with the introduction by the target date.

Open-up of Fiber Optics

■ Situation

Wider range of services offered via fiber optics, including FTTH, as access lines along with development of broadband. No. of FTTH subs was approx. 3.4 million as of June 2005.

■ Responses & Implications

Designated service providers, NTT East/NTT West, should maintain their fiber optics open for inexpensive broadband services. KDDI will advance FTTH biz for the merit of convenience for customers.

New 3G Market Entry

■ Situation

In Aug. 2005, it was announced that 1.7GHz and 2GHz are to be open to mobile phone base stations. In line with this authorization, two companies applied as new entrants for use of 1.7GHz and one for 2GHz (TDD) before the deadline of end-Sept. Decision to be made on this by year-end.

■ Responses & Implications

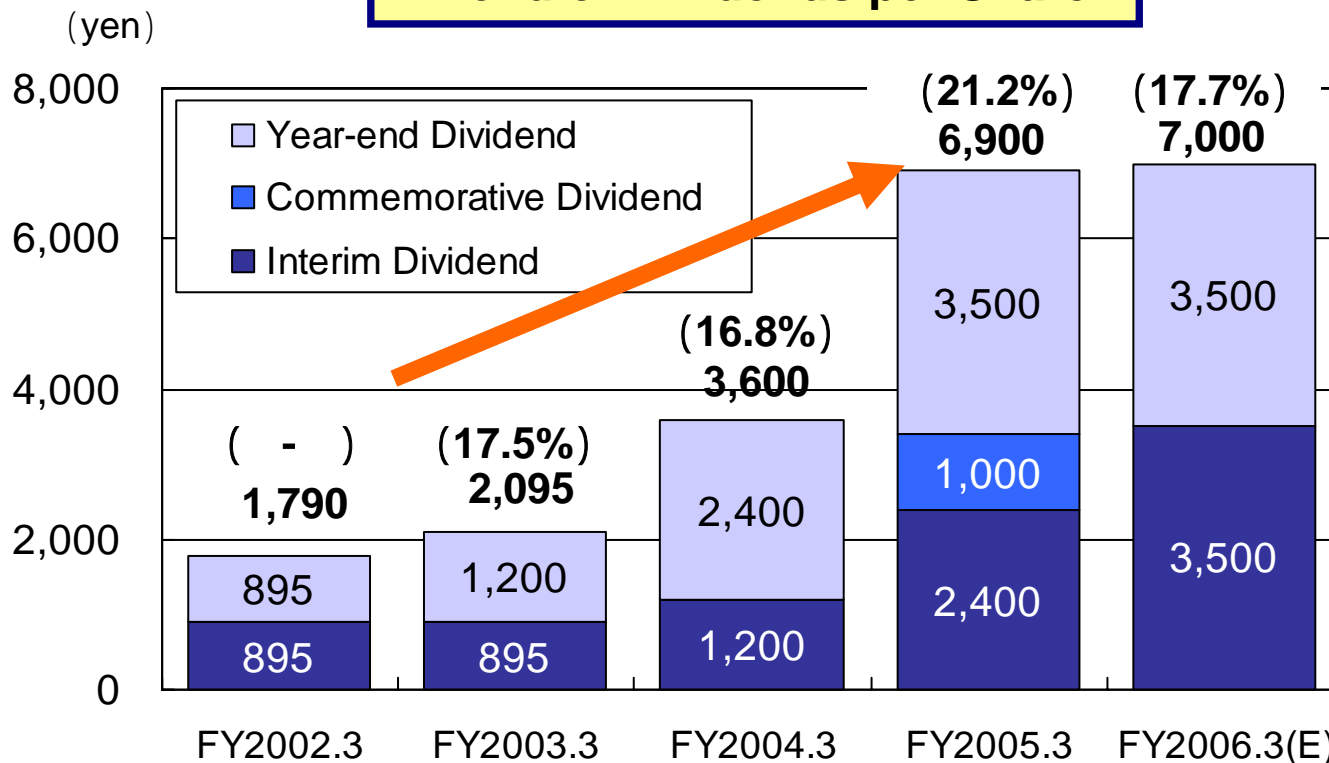
Maintain superiority on service front when new companies enter the market.

4. Shareholder Returns

Return to shareholders

Maintain stable dividend payment with considerations for investment for future growth.

Trend of Dividends per Share



Note: () refers to payout ratio. FY2002.3 posted net loss, therefore, shown as (-).