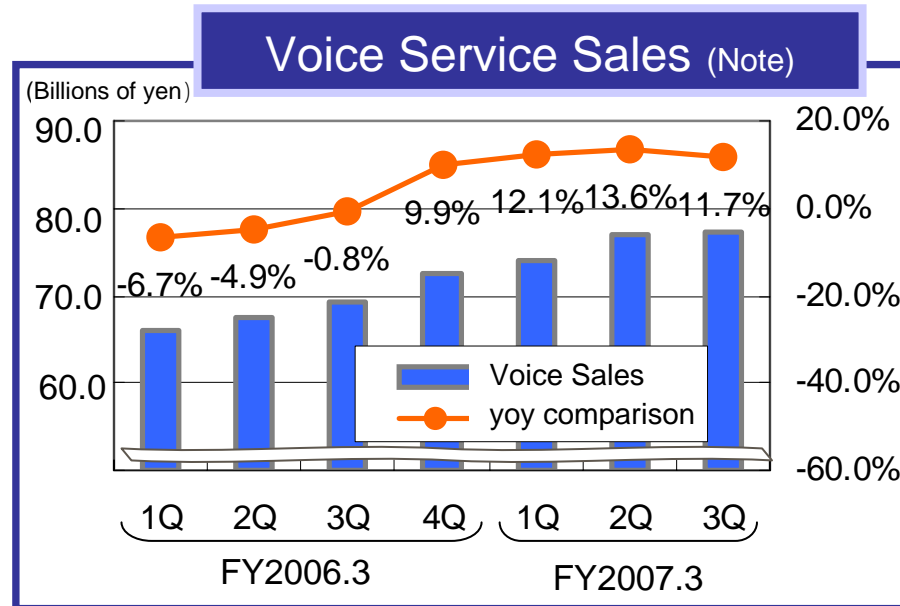
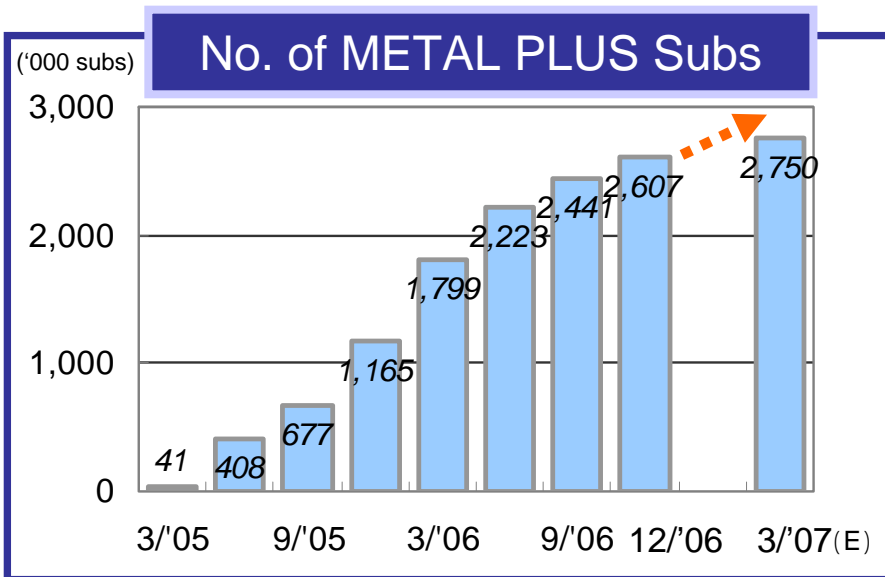


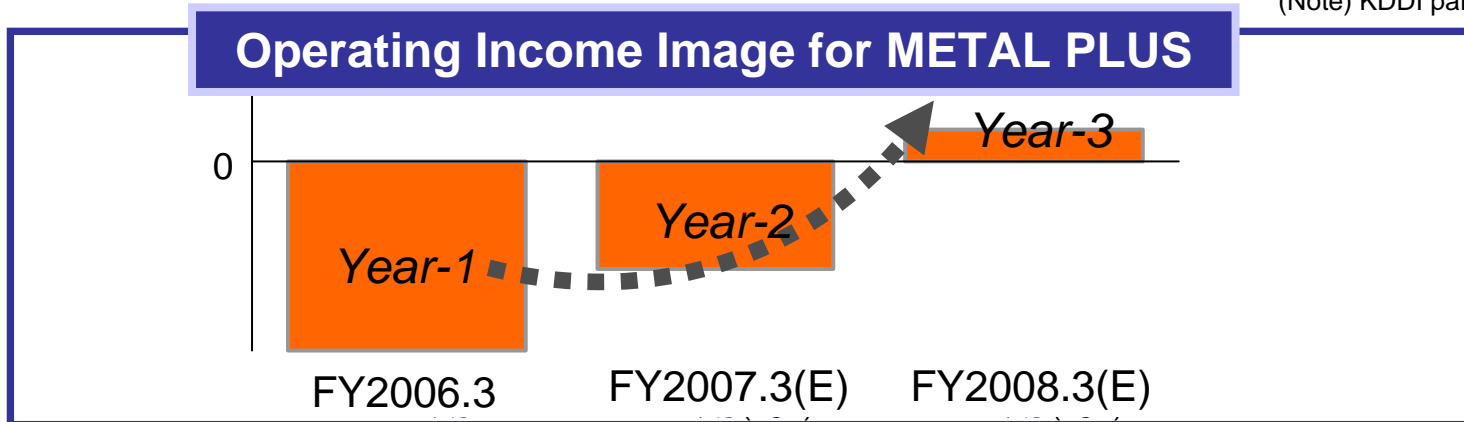
1. METAL PLUS

No. of METAL PLUS subs increased to 2.61M at end-Dec., leading to an upturn in voice sales.

In FY2008.3, expect to make a turnaround in METAL PLUS service in line with initial plan.



(Note) KDDI parent company base



2. FTTH Initiatives (1)

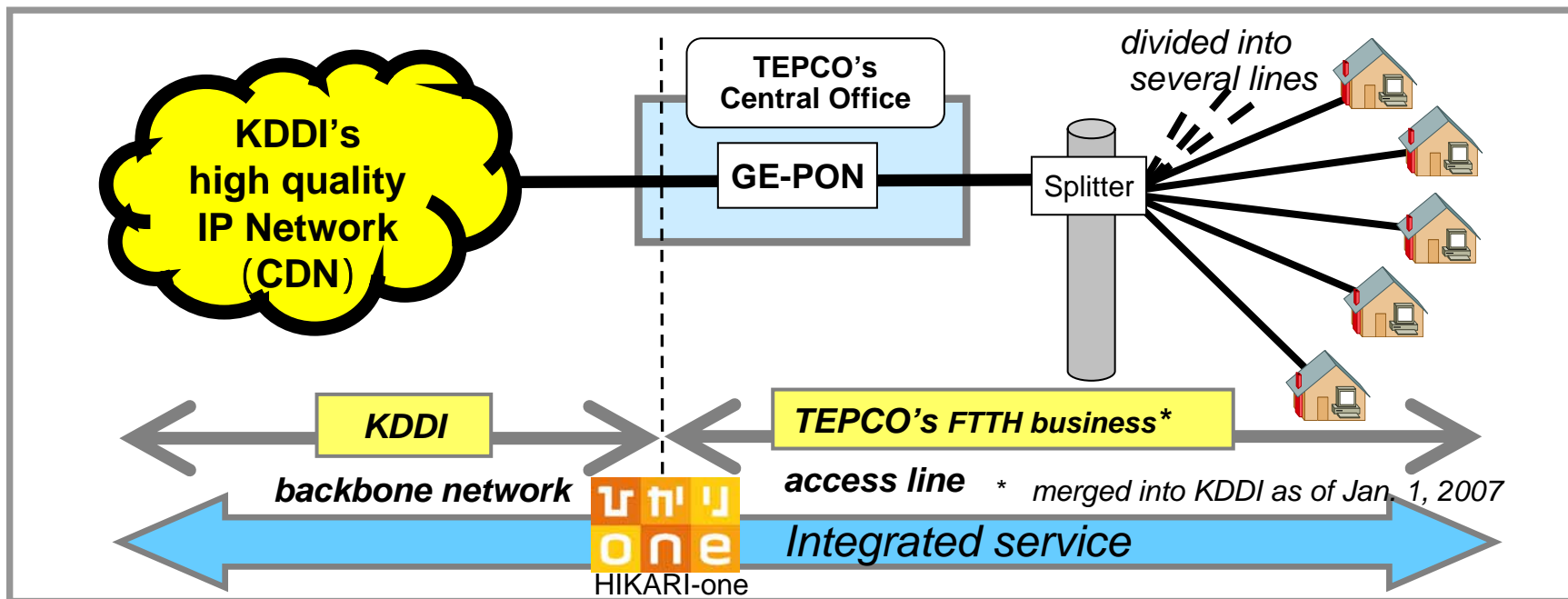
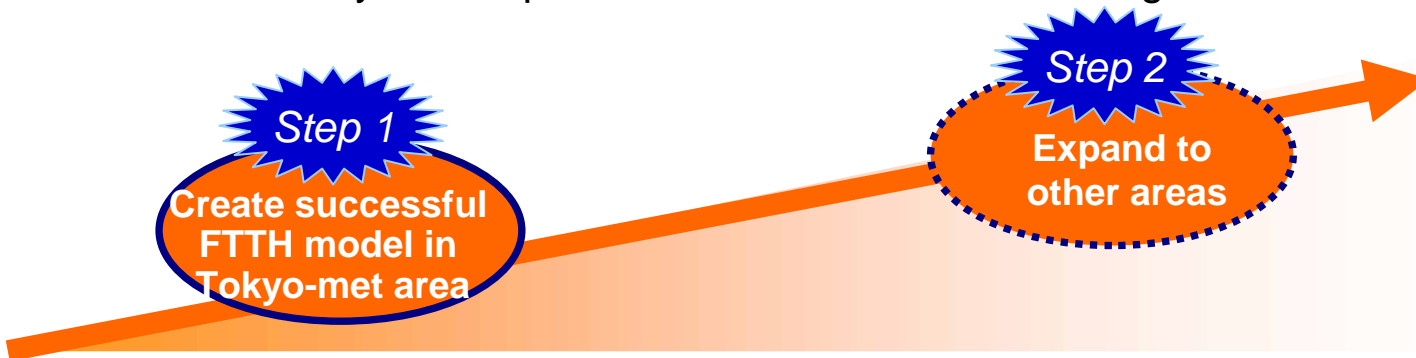


Fixed-line Business

Changed the name to “HIKARI-one” and started integrated FTTH service with TEPCO under new brand in June 2006.

Completed integration of TEPCO’s FTTH business (on Jan. 1, 2007).

Aim for a 30% share in Tokyo-Metropolitan service area over mid-long term.



2. FTTH Initiatives (2)



Synergy of Business Integration

- Enhanced FTTH biz base; 560k lines (KDDI:220k, TEPCO: 340k (end-Dec. '06))
- Can flexibly expand coverage in line with demand in each area by establishing own optical access network, leading to more efficient and agile business development.
- Efforts with PLC (Power Line Communications)

Note: TEPCO figure refers only to TEPCO Hikari lines.

Current Efforts

- Sales & Marketing:
 - Expand sales channels
 - Expand ISP connections: 7 ISPs (end-Dec. '06)
- Post-integration Organization (Engineering):
 - Set up a consistent construction & maintenance system within Engineering Sector and establish joint venture with TEPCO to ensure smooth operations.

Effect of Biz. Integration(4Q)

| | | | |
|--------------------------------------|---------|---|-------|
| Operating Revenues: | approx. | ¥ | 3.0B |
| Operating Expenses: | " | ¥ | 12.0B |
| (of Goodwill amortization: " ¥ 2.0B) | | | |
| <hr/> | | | |
| Operating Income : | " | ¥ | 9.0B |

Note: Outlook of aggregate goodwill is ¥ 55.0B, which is planned for amortization over 7 years.

3. Business Outlook for Fixed-line Biz.

In FY2008.3, expect to make a turnaround in Fixed-line Business (excl. FTTH).

Project operating loss to bottom out in FY2006.3 in Fixed-line Business incl. FTTH, even taking into account absorption of TEPCO's FTTH business.

Operating Income Image of Fixed-line Business

