

July 25, 2005

KDDI Corporation

## KDDI Announces Absorption of Wholly Owned Subsidiaries

Tokyo, July 25, 2005 - KDDI Corporation has agreed at its board meeting on July 25 that it will absorb Tu-ka Cellular Tokyo Inc., Tu-ka Cellular Tokai Inc. and Tu-ka Phone Kansai Inc. (hereinafter "Tu-ka group companies") on October 1, 2005. These mergers are in accordance with Commercial Code Article 413 No.3 Clause 1, and since KDDI remains the parent company, it does not require ratification by way of shareholder meeting.

### 1. Purpose of Merger

Tu-ka group companies are cellular phone service operators focusing on "simple" and "easy to use" services and have thereby differentiated themselves in main customer segment from "au" within KDDI group. To counter intensifying competition and drastic changes of environment in cellular phone market, KDDI aims to develop aggressive and effective measures in marketing strategies with use of the expertise and sales channels of both "au" and Tu-ka group companies. Also, KDDI expects synergy effect through use of facilities and integration of organizations. In order to realize these objectives, KDDI has decided to merge Tu-ka group companies effective as of October 1, 2005.

### 2. Outline of merger

#### (1) Planned merger timetable

Board meeting to approve merger agreement: July 25, 2005

Signing of merger memorandum: July 25, 2005

General shareholder meeting to approve merger agreement:

These mergers are in accordance with Commercial Code Article 413 No.3 Clause 1, and KDDI does not require ratification by way of shareholder meeting. Tu-ka group companies make written resolutions in place of holding shareholder meetings in accordance with Commercial Code Article 253.

Date of merger: October 1, 2005

Registration of merger: October 3, 2005

#### (2) Method of merger

Following the absorption, KDDI will remain as the surviving company, whilst Tu-ka group companies will be disbanded.

#### (3) Merger share ratios

No new stock will be issued and no new allocations will be made.

(4) There will be no merger subsidy to be paid.

### 3. Summary of the parties to the merger

(as of March 31, 2005)

(1)	Company name	KDDI Corporation (to merge)	Tu-ka Cellular Tokyo Inc. (to be merged)
(2)	Line of business	Telecommunications business	Telecommunications business
(3)	Incorporation	June 1, 1984	July 26, 1991
(4)	Principal office	3-2, Nishi-shinjuku 2-chome, Shinjuku-ku, Tokyo	10-11, Shiba-Daimon 1-chome, Minato-ku, Tokyo
(5)	Representative	President & Chairman Tadashi Onodera	President & Chairman Yuji Tsuda
(6)	Capital (millions of yen)	141,851	6,000
(7)	Total issued stock	4,240,880.38 shares	120,000 shares
(8)	Shareholder's equity (millions of yen)	1,161,250	10,376
(9)	Total assets (millions of yen)	2,296,669	113,796
(10)	Accounting period	March 31	March 31
(11)	Employees	8,384	472
(12)	Main shareholders and shareholdings	Kyocera Corporation 13.5% Toyota Motor Corporation 11.7%	KDDI Corporation 100%
(13)	Main dealing banks	Development Bank of Japan Mizuho Corporate Bank UFJ Bank	Development Bank of Japan Mizuho Corporate Bank

(1)	Company name	Tu-ka Cellular Tokai Inc. (to be merged)	Tu-ka Phone Kansai Inc. (to be merged)
(2)	Line of business	Telecommunications business	Telecommunications business
(3)	Incorporation	February 14, 1992	October 31, 1991
(4)	Principal office	102-10, Rokuno 2-chome, Atsuta-ku, Nagoya	3-10, Umeda 3-chome, Kita-ku, Osaka
(5)	Representative	President Hideaki Matsushita	President Makoto Yoshimuro
(6)	Capital (millions of yen)	3,000	18,110
(7)	Total issued stock	60,000 shares	4,964,000 shares
(8)	Shareholder's equity (millions of yen)	1,547	2,297
(9)	Total assets (millions of yen)	49,225	66,117
(10)	Accounting period	March 31	March 31
(11)	Employees	200	264
(12)	Main shareholders and shareholdings	KDDI Corporation 100%	KDDI Corporation 100%
(13)	Main dealing banks	Development Bank of Japan Mizuho Corporate Bank	Development Bank of Japan Mizuho Corporate Bank

#### (14) Relation of the parties

- Capital relation: KDDI holds 100% of the shares issued for Tu-ka group companies.
- Human relation: Two directors of KDDI hold additional posts of the directors of Tu-ka group companies.
- Business connection: KDDI provide long-distance telephony service to Tu-ka group companies.

\*Note: (5) and (4) as of July 25, 2005.

## (15) Financial results over the past three years

Fiscal year ended March 31	KDDI Corporation (to merge)			Tu-ka Cellular Tokyo Inc. (to be merged)		
	2003	2004	2005	2003	2004	2005
Operating revenues (millions of yen)	2,202,762	2,340,221	2,547,078	131,252	113,696	96,536
Operating income(millions of yen)	107,158	245,232	259,636	1,082	4,097	5,958
Ordinary income (millions of yen)	95,430	231,326	257,121	▲954	2,622	5,157
Net income (millions of yen)	50,396	90,617	137,363	▲1,234	2,612	4,270
Net income per share (yen)	11,913.95	21,483.07	32,601.49	▲10,287.16	21,769.12	35,590.02
Cash dividend per share (yen)	2,095	3,600	6,900	-	-	-
Shareholders' equity per share (yen)	232,866.16	254,246.44	277,948.96	29,110.90	50,880.02	86,470.05

Fiscal year ended March 31	Tu-ka Cellular Tokai Inc. (to be merged)			Tu-ka Phone Kansai Inc. (to be merged)		
	2003	2004	2005	2003	2004	2005
Operating revenues (millions of yen)	73,544	60,553	49,969	113,272	102,207	86,848
Operating income(millions of yen)	▲1,626	3,004	3,138	6,745	8,280	8,382
Ordinary income (millions of yen)	▲2,919	2,203	2,588	4,017	6,553	7,430
Net income (millions of yen)	▲4,779	2,604	2,783	2,787	3,837	4,544
Net income per share (yen)	▲79,664.56	43,410.05	46,387.05	23,231.15	31,977.29	20,093.97
Cash dividend per share (yen)	-	-	-	-	-	-
Shareholders' equity per share (yen)	▲64,007.23	▲20,597.17	25,789.88	▲252,535.66	▲220,558.37	462.86

## 4. Status after merger

- (1) Company name: KDDI Corporation  
(2) Line of business: Telecommunications business  
(3) Principal Office: 3-2, Nishi-shinjuku 2-chome, Shinjuku-ku, Tokyo  
(4) Representative: President & Chairman, Tadashi Onodera  
(5) Capital stock: 141,851 million yen  
(6) Total Assets: 2,399.4 billions yen

( Calculated based on total assets of KDDI and Tu-ka group companies as of March 31, 2005. )

- (7) Accounting period: March 31  
(8) Financial outlook after merger:

- KDDI parent	(millions of yen)	
	Fiscal year ending March 2006	
Operating revenues	2,781,000	+91,000
Ordinary income	266,000	+8,000
Net income	165,000	+5,000

There is no effect on consolidated financial outlook.

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