

MAKING MONEY MOBILE



KDDI TURNS PHONES INTO WALLETS

Today, most people never leave home without three things: their wallet, their keys and their cell phone. KDDI is cutting that down to two by putting wallets inside mobile phones.

A prime example is **EZ FeliCa**, a leading-edge service that allows KDDI subscribers to make commerce transactions using their mobile handsets. They can shop online, at vending machines or retail stores, where they can buy thousands of products and services, including plane and train tickets, music, books and sodas. They

can even participate in loyalty programs, such as accruing and redeeming points for purchases. The service creates a real-time history of their spending and gives the subscriber an up-to-date balance on all their purchases.

The **EZ FeliCa** system uses "contactless" FeliCa technology, developed by Sony, that allows the secure exchange of transaction information between **EZ FeliCa** handsets and **EZ FeliCa** readers, such as those embedded in cash registers and vending machines. The **EZ FeliCa** handsets have a small integrated circuit (IC) that stores electronic cash, which is transferred instantly and securely when KDDI customers wave their phones a few centimeters from the reader. More than a dozen models of KDDI au handsets support **EZ FeliCa**, and the selection continues to grow.

EZ FeliCa is compatible with **Edy** – short for "Euro, Dollar, Yen" – a service that allows users to create and reload an e-cash account by transferring money from a bank account or credit card, or by depositing cash into an **Edy** terminal and then transferring the amount to the phone. To make it easier for their customers to use credit card transactions, KDDI has entered into agreement with JCB Co. Ltd., to add JCB's **QUICPay** electronic settlement software to their au (3G) phones.

FAST CASH, FAST GROWTH . . . *M-commerce is increasingly popular with KDDI subscribers. First introduced in 2005, EZ FeliCa services passed the 5 million user mark in March 2007. It is also one of the fastest growing revenue sources for the operator. In the quarter ending March 2007, KDDI generated ¥3.84 billion (\$33.4 million), close to 1.5 times more than in the previous year.*

EZ FeliCa also makes commuting easier through the **Mobile Suica** service, which allows customers to buy East Japan Railway tickets using their handsets. Rather than searching for change or a ticket in their pockets, they can simply swipe their handsets across the turnstile while rushing through the train station. The fare is instantly deducted from an electronic account with the railway. **Mobile Suica** can also be used as a monthly, three or six-month commuting ticket.

One reason **EZ FeliCa** is so successful is that KDDI is constantly expanding it to make it more useful by integrating it with other EZ services. For example, the **EZ Portal** web site lets customers search for merchants that support **EZ FeliCa** purchases. Plus, it is linked to **Gurunavi**, which provides information about local restaurants that support **EZ FeliCa**, including their menus and pricing.

In addition to **EZ FeliCa**, KDDI offers a whole range of services which allow customers to purchase products through their handsets and charges are automatically added to their monthly bills. For example, they can search for a book and pay for it using **EZ Book Land**. And, music enthusiasts can listen to a song and then download it or purchase an album using **EZ Chaku-Uta Full** service.

Between **EZ FeliCa** and its other cross-industry m-commerce offerings, KDDI is rapidly evolving the keitai (mobile phone) into a powerful **Osaifu-keitai**[®] (wallet phone).

KDDI OPENS MOBILE INTERNET BANK

Japan's financial industry is recognizing KDDI's success in the m-commerce space and is working with the operator to offer their services through the millions of au handsets that exist in the marketplace. One recent example is Bank of Tokyo-Mitsubishi UFJ, Ltd., which chose KDDI as its partner in creating a mobile Internet bank.

The bank isn't a niche play. It is available to all KDDI subscribers, who can use it to open accounts, transfer funds and conduct transactions with merchants. Just as KDDI's **EZ FeliCa** service is making wallets superfluous by moving them inside handsets, KDDI's mobile Internet bank is making checkbooks obsolete by allowing cell phones to handle those types of banking transactions.

KDDI's mobile bank is noteworthy for another reason: Bank of Tokyo-Mitsubishi UFJ is a unit of Mitsubishi Tokyo Financial Group, the largest banking group in Japan. Hence, the service is another sign of how some of Japan's largest companies see KDDI as a key partner for expanding into the lucrative mobile space – where m-commerce enabled phones are always with the customer, 24/7.

About KDDI

KDDI is a leading information and communications company in Japan and worldwide, providing a broad range of fixed and mobile services. Mobile services are the largest and the fastest growing business segment, accounting for three quarters of KDDI's revenues and the majority of their earnings.

CDMA2000[®] continues to provide KDDI with a significant advantage in the highly competitive Japanese mobile market, where it continues to gain market share and lead in data revenues. At the end of June 2007, KDDI had more than 28 million subscribers and is on target to achieve 30 percent market share.

Nearly all KDDI subscribers use 3G CDMA2000 services, and 57 percent of them have EV-DO broadband handsets. More than 85 percent of their customers use EZ mobile data services, and data already accounts for 33 percent of an average customer's spending. Content and media are the fastest growing businesses for the operator, generating close to ¥30 billion (\$US259 million) in revenues per year, which are growing at 150 percent on an annual basis.

KDDI will continue evolving CDMA2000 capabilities to support the next-generation "Ultra 3G" converged communication services to its customers.

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