

Tomorrow, Together



# New Mid-Term Management Strategy (FY23.3-FY25.3)

May 13, 2022

KDDI Corporation

President

Makoto Takahashi



# Major Environmental Changes



Diversification of values and work styles

Creating new business through DX

Increasing importance of sustainability

Progress in Beyond 5G/6G research  
as well as next-generation technologies

# Toward KDDI VISION 2030





# Mid-Term Management Strategy

Defining new materiality and promoting the mid-term management strategy



# **KDDI VISION 2030**

Video  
(About 4 minutes)

The creation of a society in which anyone can make their dreams a reality, by enhancing the power to connect.

# KDDI VISION 2030



# Sustainability Management

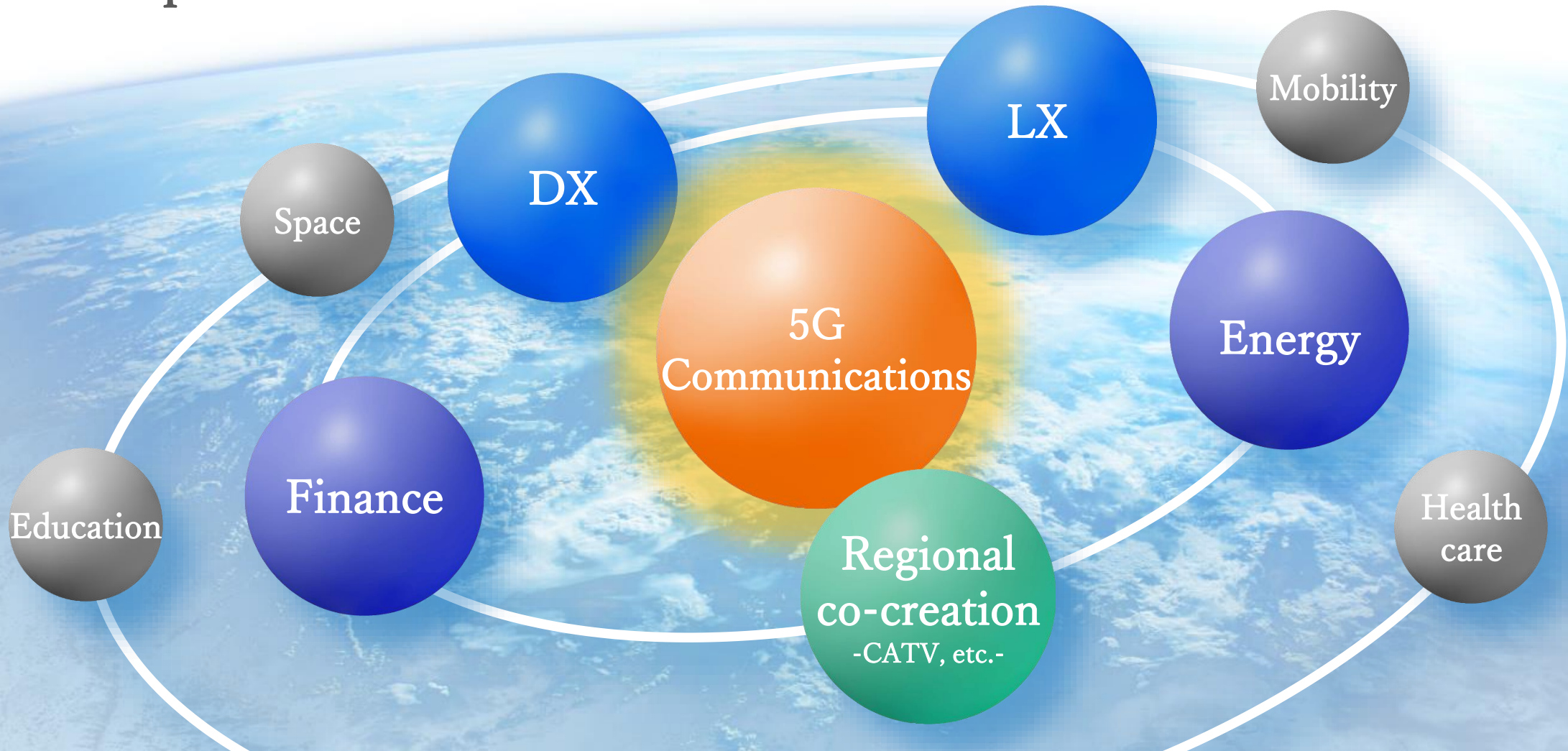
Working with partners to achieve sustainable growth  
and enhance corporate value





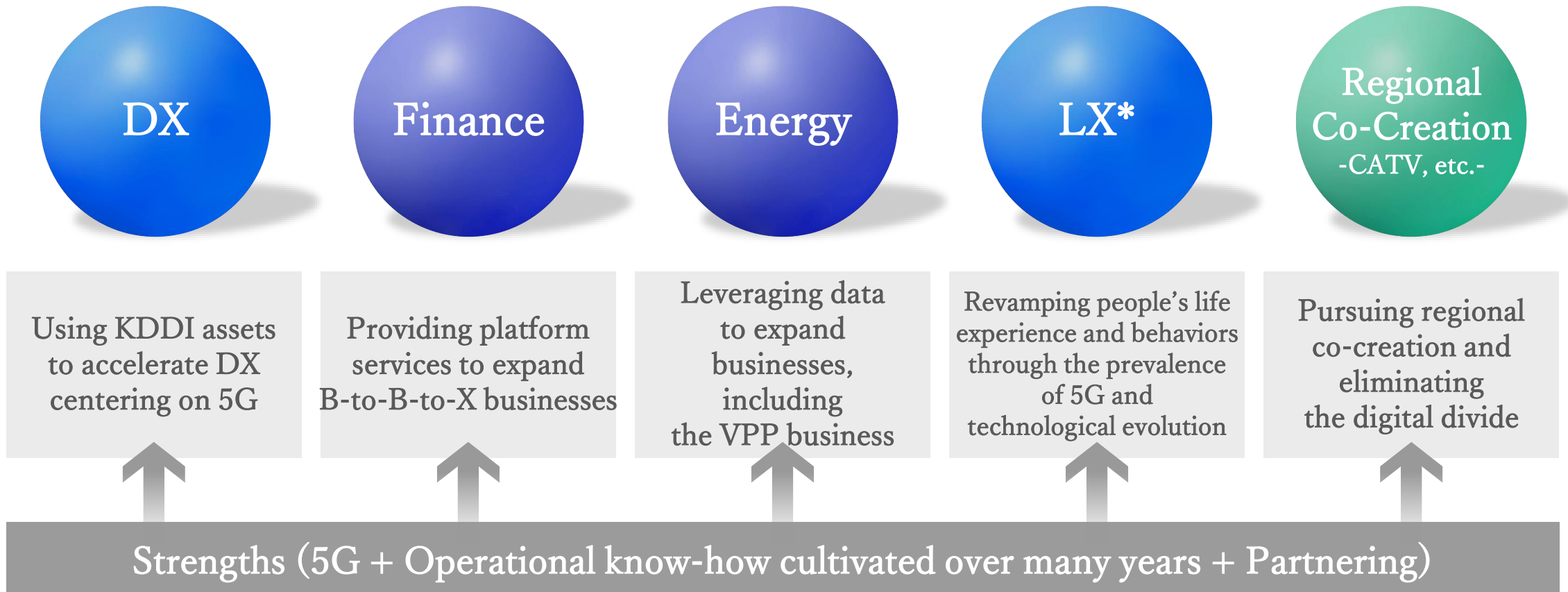
# Satellite Growth Strategy

5G-driven evolution of the telecommunications business and expansion of focus areas with telecommunications at the core



# Focus Areas

In the era of blending telecommunications, evolve businesses in each area by leveraging our strengths



\*LX: Life Transformation (a business model that transforms diversifying consumption, life experience and behaviors with an eye to the future)



# With 5G penetration, telecommunications will "blend in" with every scene. Era of New Value Creation

**5G**

High speed high capacity  
low latency and  
guaranteed bandwidth

**Smoothplay**

**Automobile Management**

**Immersive,  
realistic experience**

**Medical diagnoses**

# 5G Area Construction

## Reinforcing customers' lifeline and nationwide coverage also contributes to government targets

### Areas along the customer's life line

Areas with high data traffic:  
analyze, predict and build efficiently



Commercial districts



Railroads Shinkansen



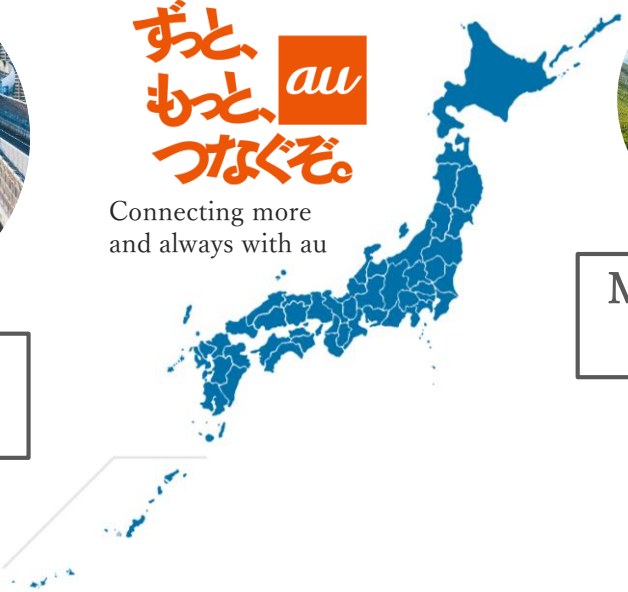
Expressways

### Nationwide coverage

Contributing to the 5G population coverage target (95% by FY2024.3) under the Vision for a Digital Garden City Nation



Connecting more and always with au



Mountainous regions



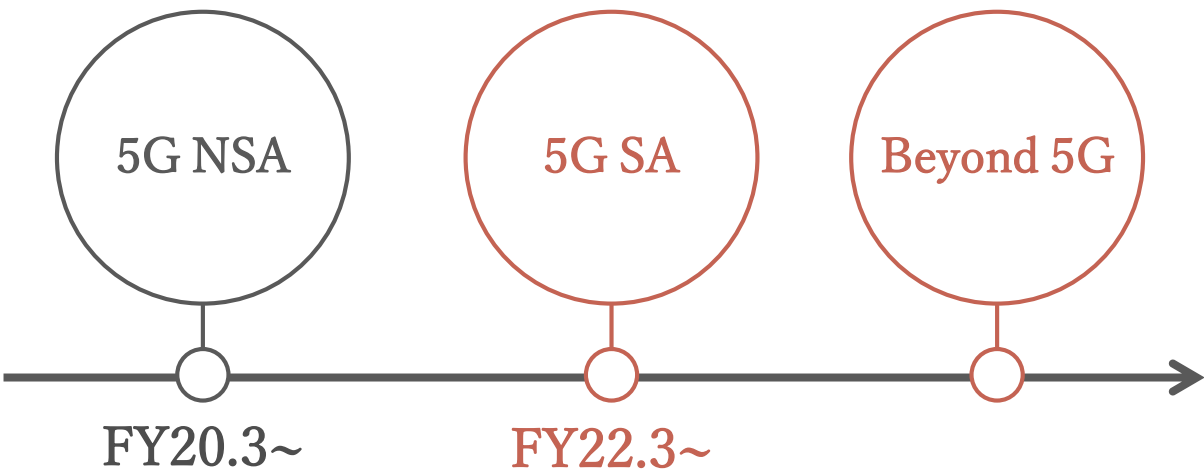
Isolated island areas

Partnering with SpaceX  
Promoting measures to prevent blind spots



# Evolution of 5G Technology

New value opportunities expand with full-scale 5G SA



Network slicing  
Openness and Virtualization

## 5G SA Application Examples



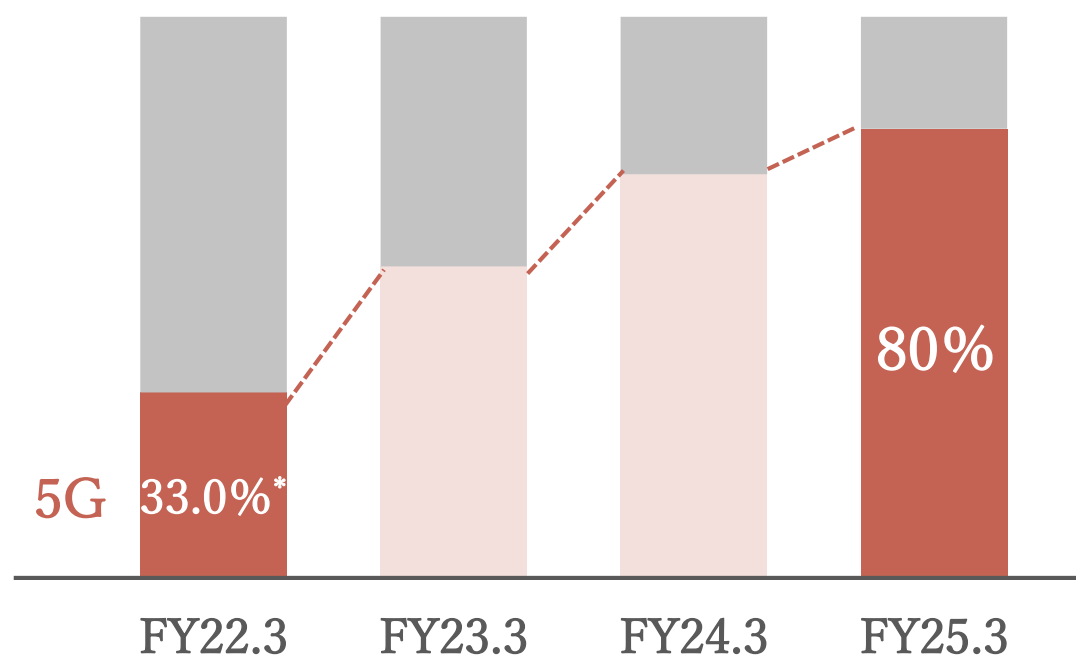
A collage of four images illustrating 5G SA applications. Top-left: 'Participate in events from satellite sites' with a red callout 'Live transmission Dedicated slices'. Top-right: 'Event VR viewing at home' with a red callout 'Live transmission Dedicated slices'. Bottom-left: 'Video streaming anywhere' showing a woman with a speed indicator of '93.1 Mbps' and a red callout 'Video Streaming Dedicated slices'. Bottom-right: 'Game streaming on the go' showing a person playing a game on a handheld device with a red callout 'Game Streaming Dedicated slices'.

“Entertainment experiences everywhere”  
Co-creating through network slicing

NSA: Non-Standalone, SA: Standalone

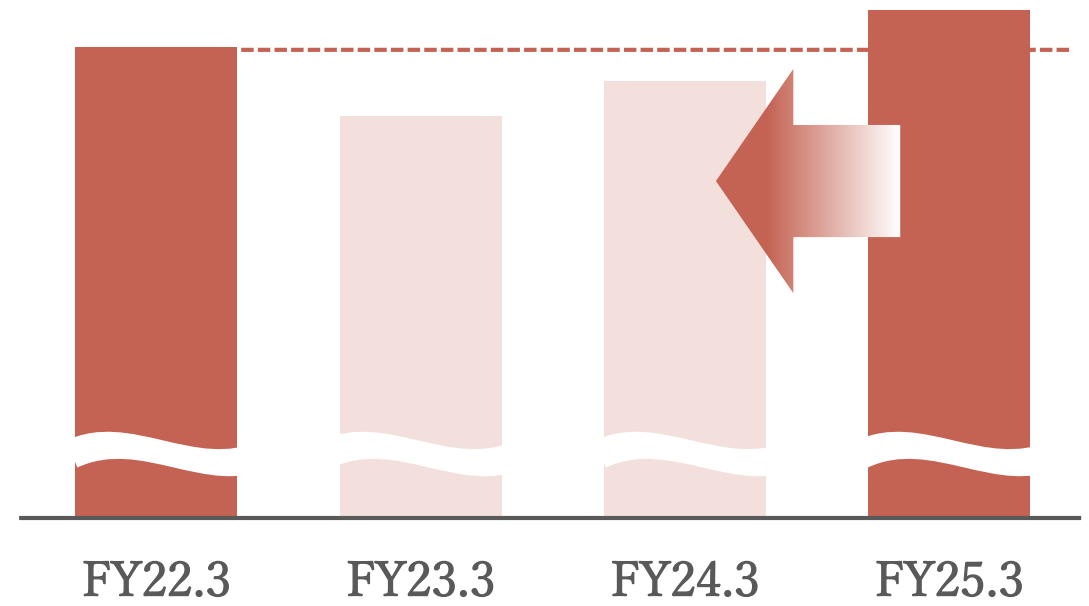
# 5G Penetration / Communications ARPU Revenues

5G Penetration



Goal: 80% by FY25.3

Multi-Brand Communications ARPU Revenues



Plan to increase by FY25.3 versus FY22.3  
Moreover, aiming faster rebound

Note) Personal Services segment  
 Note) After that, mid-term target is stated for FY25.3 notation  
 \* Stated figure for the end of FY22.3 is retroactively corrected at FY23.3 Q1

# Maximize ARPU

Expand services to provide unique 5G experiences through partnering



High-definition video experience



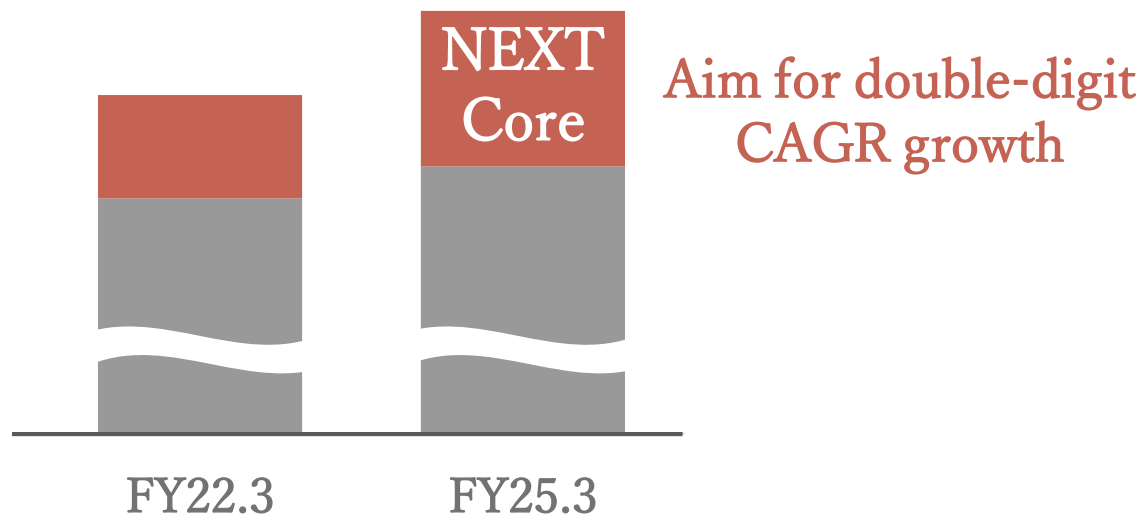
Real-time service experience

# Corporate Business

Aim for double-digit operating income CAGR through growth in NEXT Core businesses

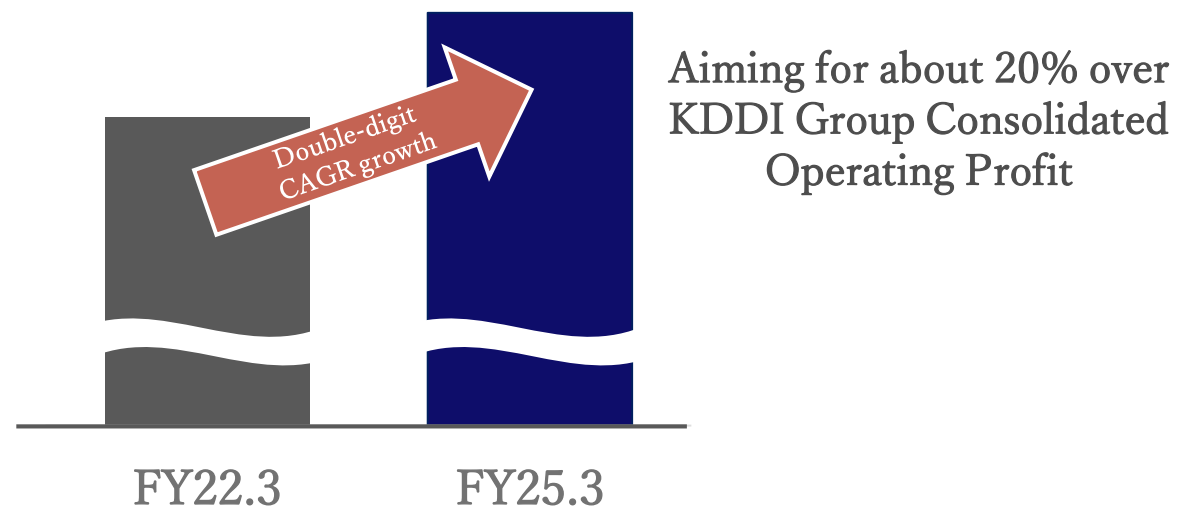
## Operating Revenue

DX Promotion  
NEXT Core business drives business growth



## Operating Income

Overall Business Services segment  
Double-digit CAGR growth



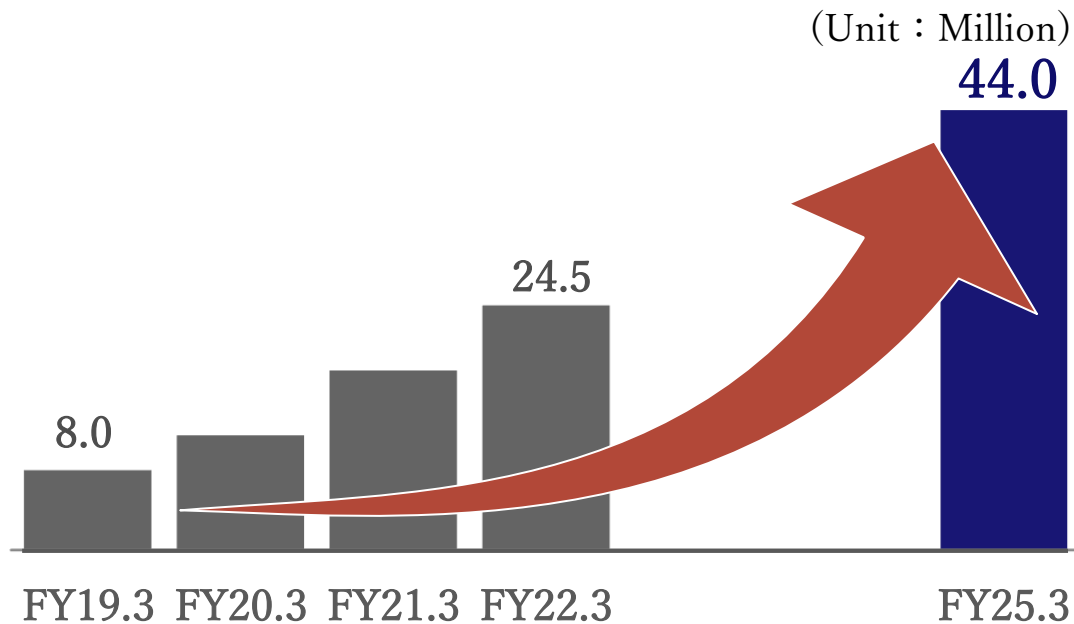


# Outlook of DX leveraging our strengths

## Further evolution of operational management know-how optimized for era of blended communications

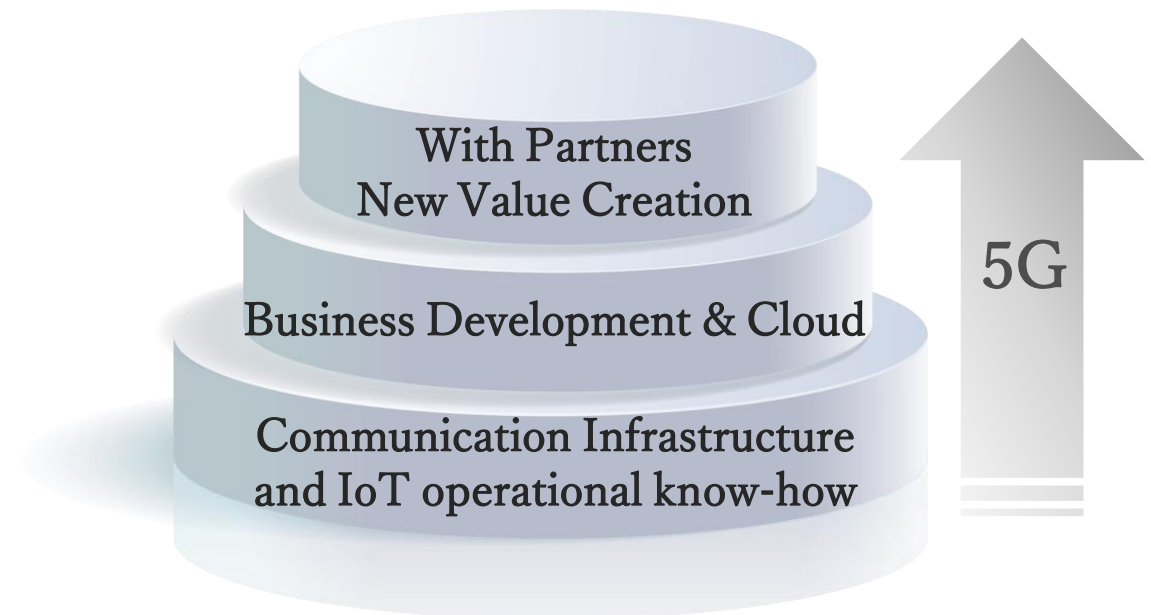
### IoT Connections

Reliable operation and maintenance system  
cultivated with global partners



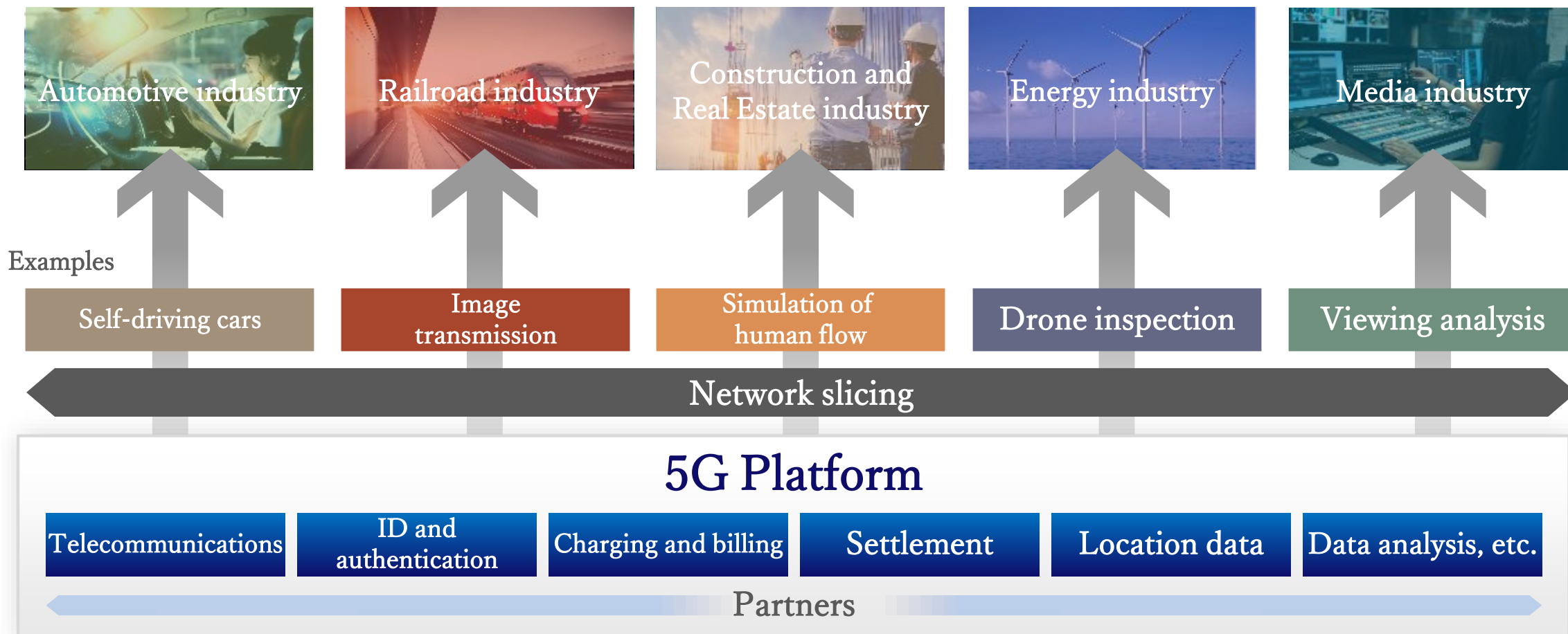
### New Value Creation

Co-creating new value through DX  
in addition to the sense of security provided  
by constant connection



# Accelerate DX of Customer Companies

Aiming to provide industry-specific platforms that support business creation



# Business Co-Creation Case Studies

Promote business development with partners and co-create through DX

Image transmission, etc.



Decentralize urban development to create work and lifestyles not restricted by location or time

Simulation of human flow, etc.



Predicting the future through analyzing data on people and cities with proprietary algorithms

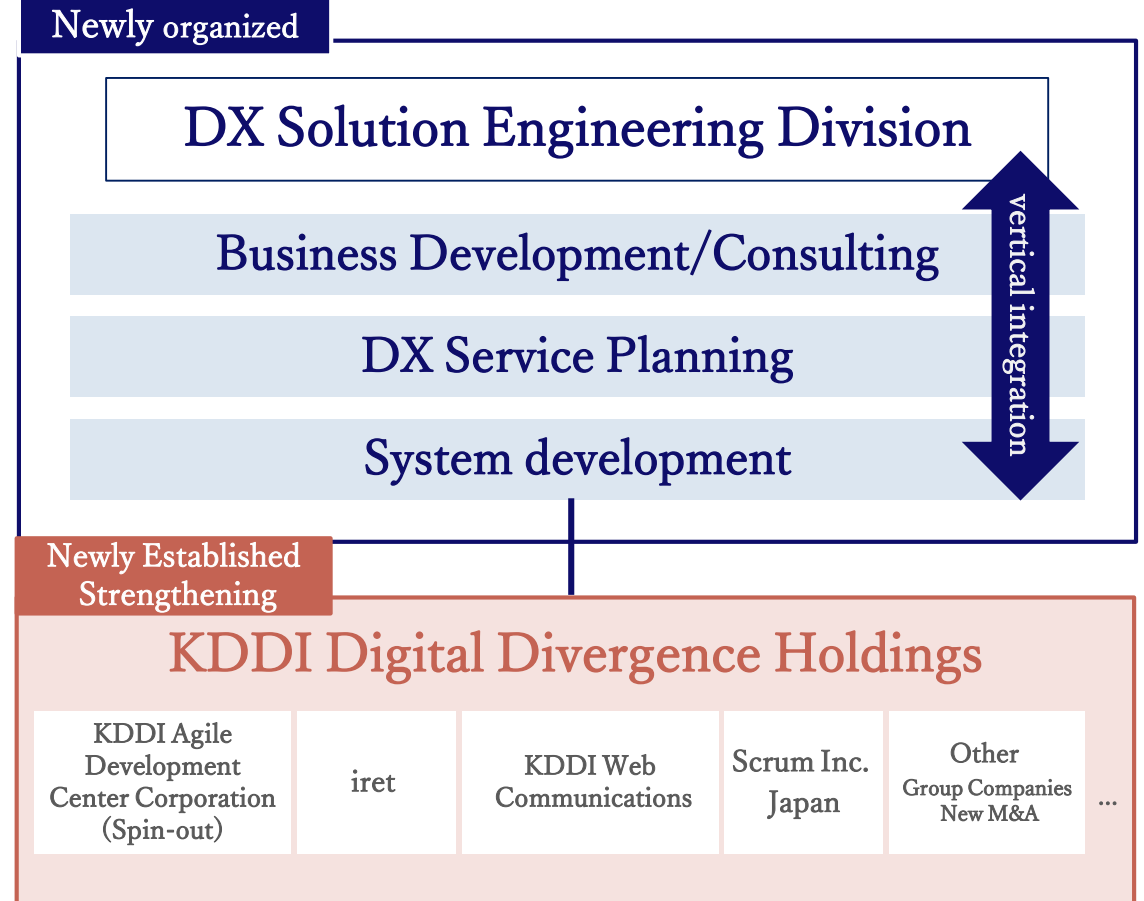
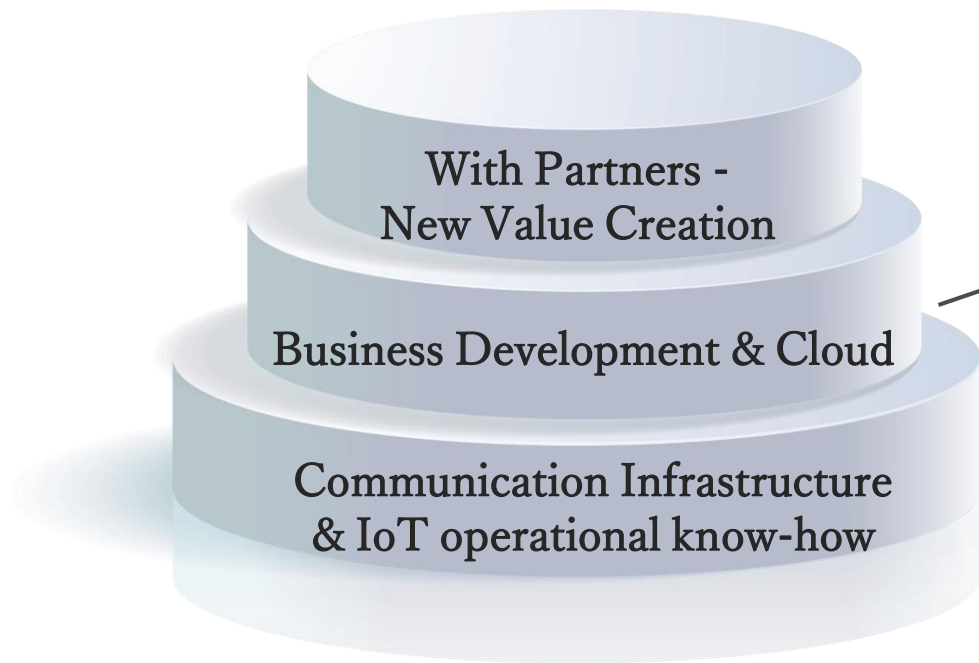
Drone inspection, etc.



Equipment inspection automation of wind power facility inspections with autoflight and AI analysis

# DX Development System

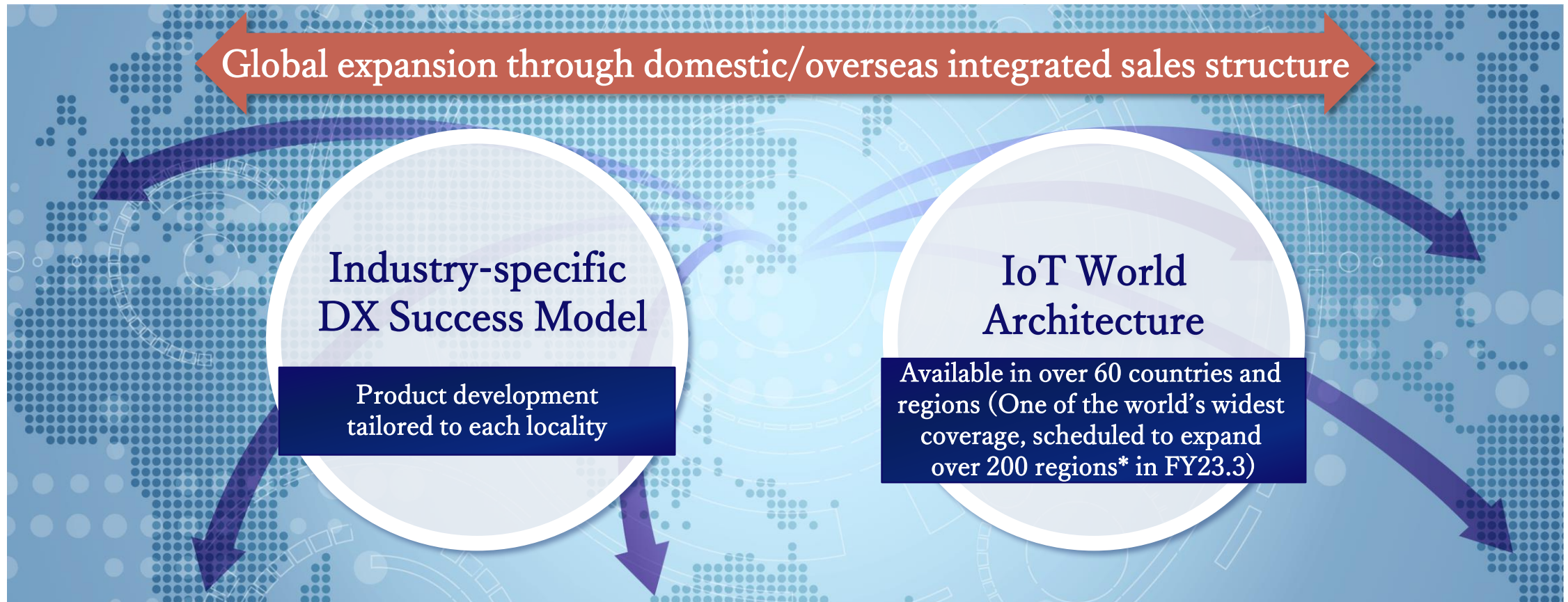
Strengthening systems and expanding resources to create new value





# Global Expansion of DX

Promoting global DX on strength of our worldwide IoT infrastructure



\*More than 200 roaming partners have been agreed in principle, and services are scheduled to be launched by September 2022

# Financial Business

Aim for double-digit operating revenue and income CAGR growth along with expansion of key indicators

## Results from previous mid-term (FY20.3-FY22.3)

Operating Revenue

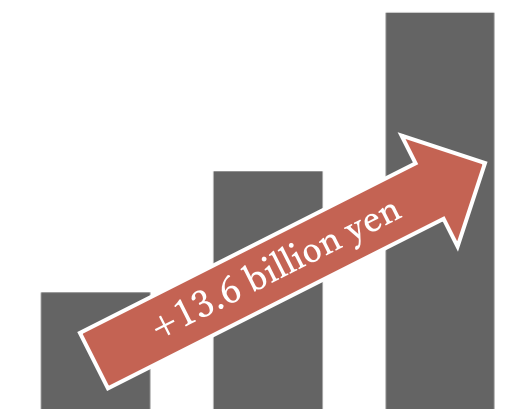
177.8 billion yen



FY20.3 FY21.3 FY22.3

Operating Income

19.4 billion yen



FY20.3 FY21.3 FY22.3

## New mid-term targets (FY23.3-FY25.3)

Mortgage loans as a growth driver and expansion mainly in credit card membership

Operating Revenue & Operating Income

Bank accounts

Number of credit card members

Mortgage Loan Balance

Mid-term  
Double-digit  
CAGR growth

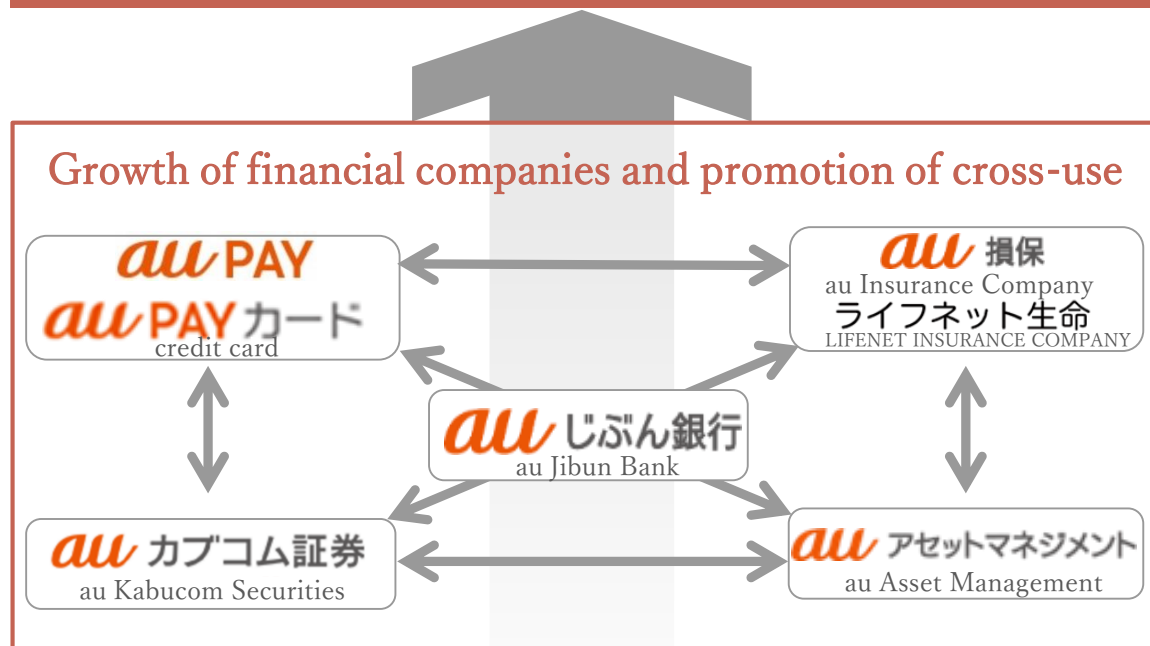
FY25.3  
Over 3 trillion yen

# Financial Cross-Use

Accelerate collaboration across wide range of financial functions within financial group



Increase customer engagement

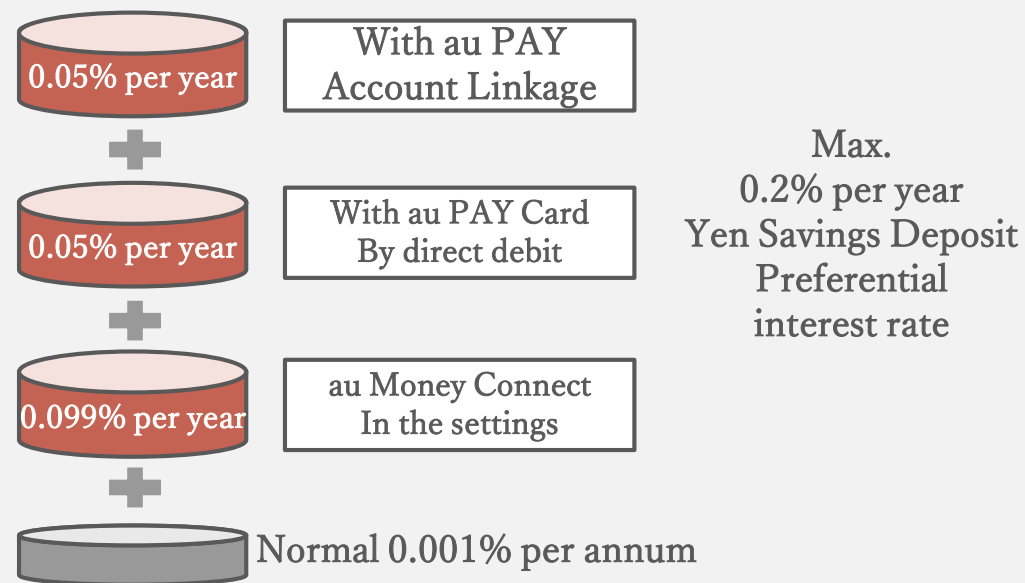


Customers using telecom services

## Examples of Cross-Use

**au じぶん銀行** au Jibun Bank

### au Collective Interest Rates



# Providing Platform Services

## Expand business domain by developing B-to-B-to-X services in the future

Contribute to improving customer & employee satisfaction/engagement at client companies

B-to-B-to-C

Improved convenience of settlement and financing ,etc.

B-to-B-to-E (Employee)

Loans, asset building, and other benefits

Store owners

Support for opening new stores through settlement and financing ,etc.

For non-financial businesses

### BaaS Service Delivery Platform

Product Service

Financing and transfers

Yen savings

Mortgage

Settlement

Foreign currency savings

Card loans

Apps

Asset management

Sports betting

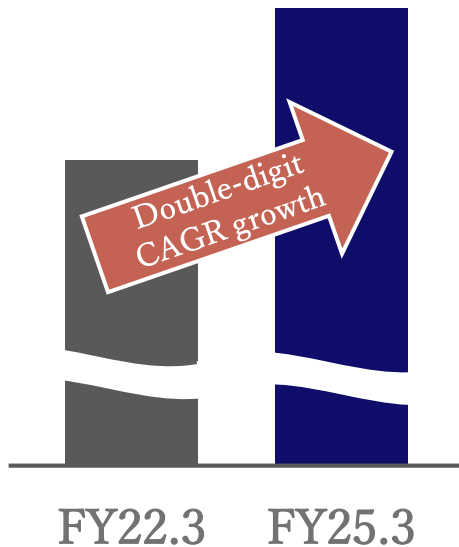


# Energy Business

Aim for steady business growth by stabilizing earnings and expanding customer base

## Business growth

Operating Revenue



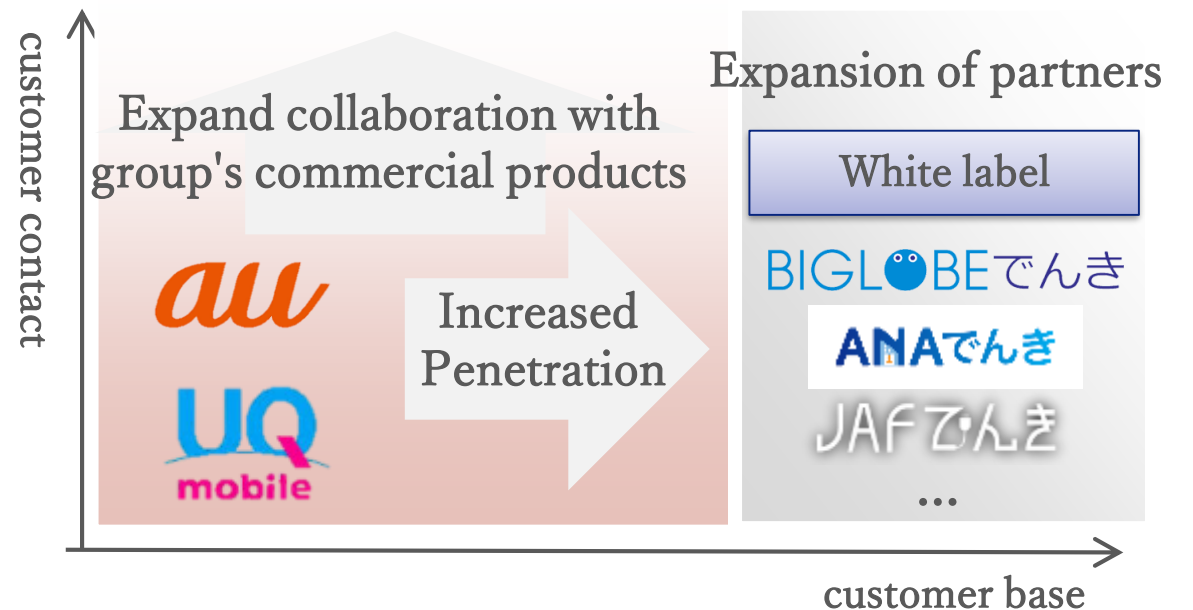
## Stabilization of earnings

Price spikes in wholesale power trading market

Ensure stable power supply

## Electricity retail business customer base

Collaboration with telecommunications, financial businesses, etc. and expansion of alliances



# Carbon Neutral-Related Business

Contributing to society's carbon neutrality through business

## Renewable Energy Generation



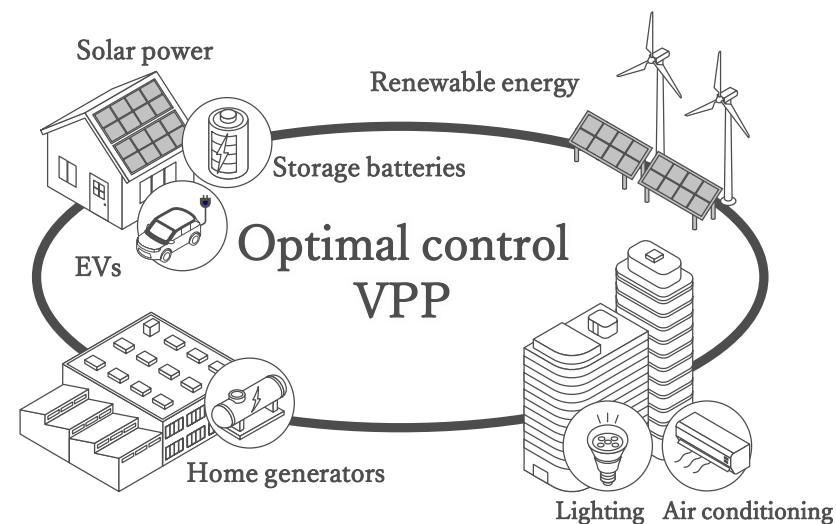
Solar panels installed on base stations, etc.  
Further expansion with partners

## Supply and Demand Adjustment to Support the Expansion of Renewable Energy

Growing instability in the supply and demand balance due to the expansion of renewable energy

Enhancing our ability to adjust supply and demand by promoting the VPP\* business

Promoting initiatives to expand the VPP business, such as installing storage batteries



\*VPP (Virtual Power Plant) : Using IT and other technologies to control decentralized solar power, storage batteries and other energy sources like they are one power plant

# Life Transformation (LX)

Promoting research of technological areas centered on consumer perspectives to create future-oriented business models

## Life Transformation (LX)

Offering diverse value

Promoting digitalization

Using the latest technologies



## LX Technologies

A technological area that offers new life styles geared toward 2030



## Advanced technologies of the Beyond-5G/6G era

### Network

Ultra high-speed,  
ultra multi-connection,  
ultra low-latency  
telecommunications environment

### Security

Safety and security through  
robust and ultra high-speed  
encrypted technologies

### Spatial recognition and visual analysis

Ultra realistic experiences

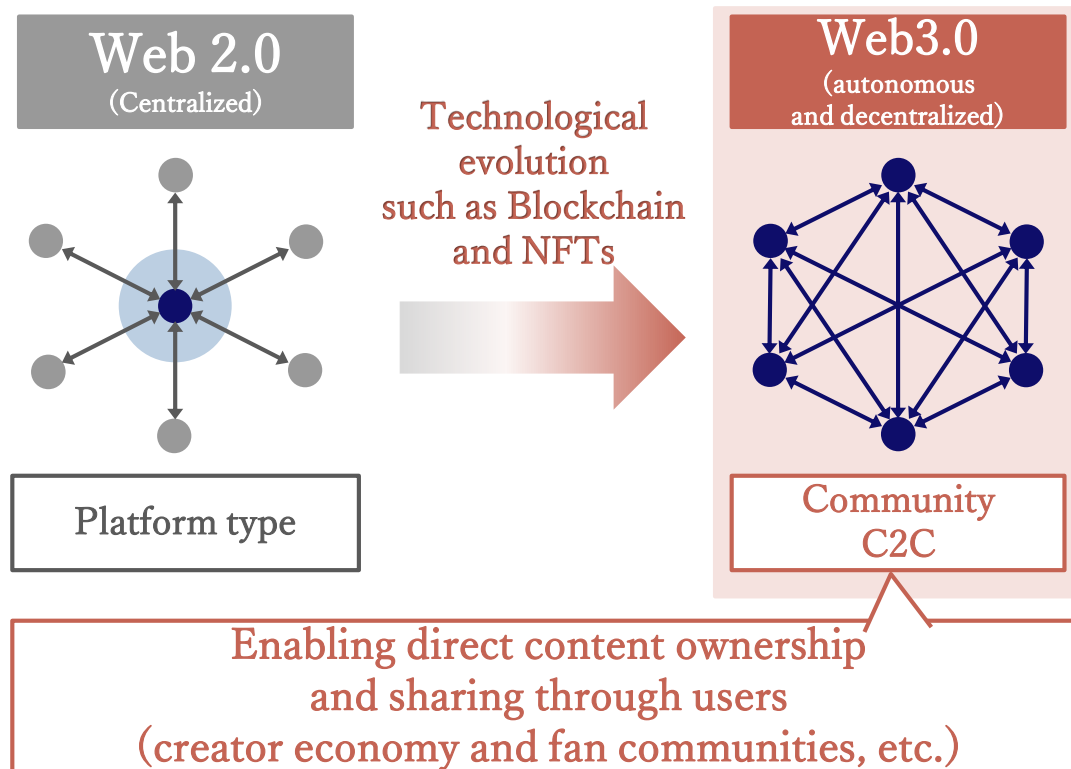
### AI

Trust through  
ultra sophisticated  
AI technologies

# Value Creation by LX (1)

## Web3.0/NFT

Accelerating initiatives aimed at the autonomous and decentralized Web 3.0 era

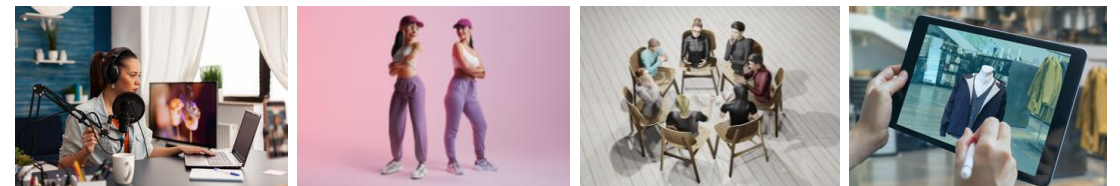


## Metaverse

Develop platform services to provide new value of Web 3.0 era



Creating spaces where anyone can express themselves



# Value Creation by LX (2)

## Drones

Expanding services that vitalize regions and enrich lives

Helping enhance the sophistication of distribution by realizing unmanned delivery anywhere



Unmanned delivery

Realizing new experiences by expanding spaces where videos can be taken



Expanding video experiences

## Satellite telecommunications

Offering an urban level of telecommunications quality to every corner of the country  
Helping create new experiences

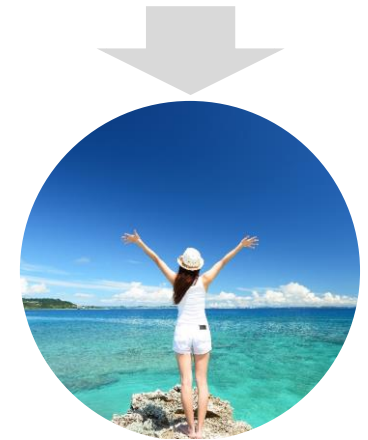
Partnering with SpaceX to offer high-speed satellite telecommunications



Mountains



Camps



Isolated islands

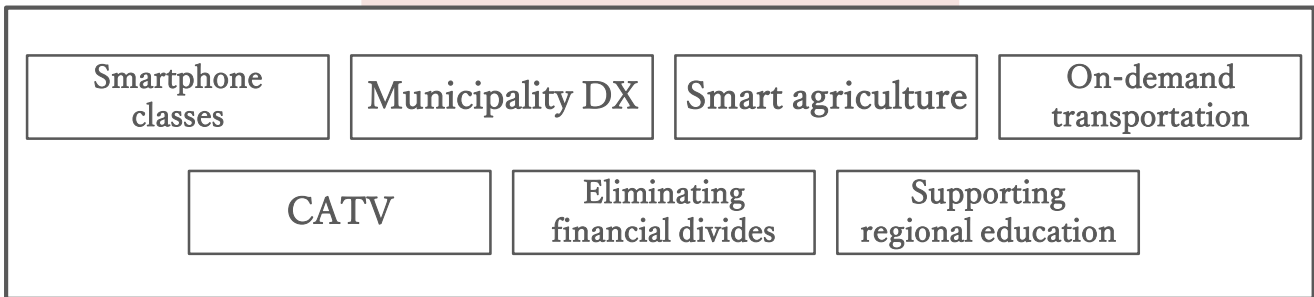


# Regional Co-Creation

## Addressing the challenges faced by local communities and realizing regional co-creation

### Realization of regional co-creation

Mid-term cumulative total of 15 million people eliminated disparity



### On-demand transportation

Co-creating optimal mobility with local residents



Assistance in returning driver's license



Elimination of mobility anxiety



Childcare Support

### Smartphone Classes



Case Study Hidaka Village Kochi Prefecture

Creating a foundation for regional DX "Digitizing the Entire Village"

# Summary of Efforts in Focus Areas



Business Services segment to become **second largest business** after domestic telecommunications, aiming for about 20% of consolidated operating income  
Aim for **double-digit mid-term CAGR growth** in sales in DX



Accelerate business growth through expansion of customer base and new initiatives aim for **double-digit mid-term CAGR growth** in sales



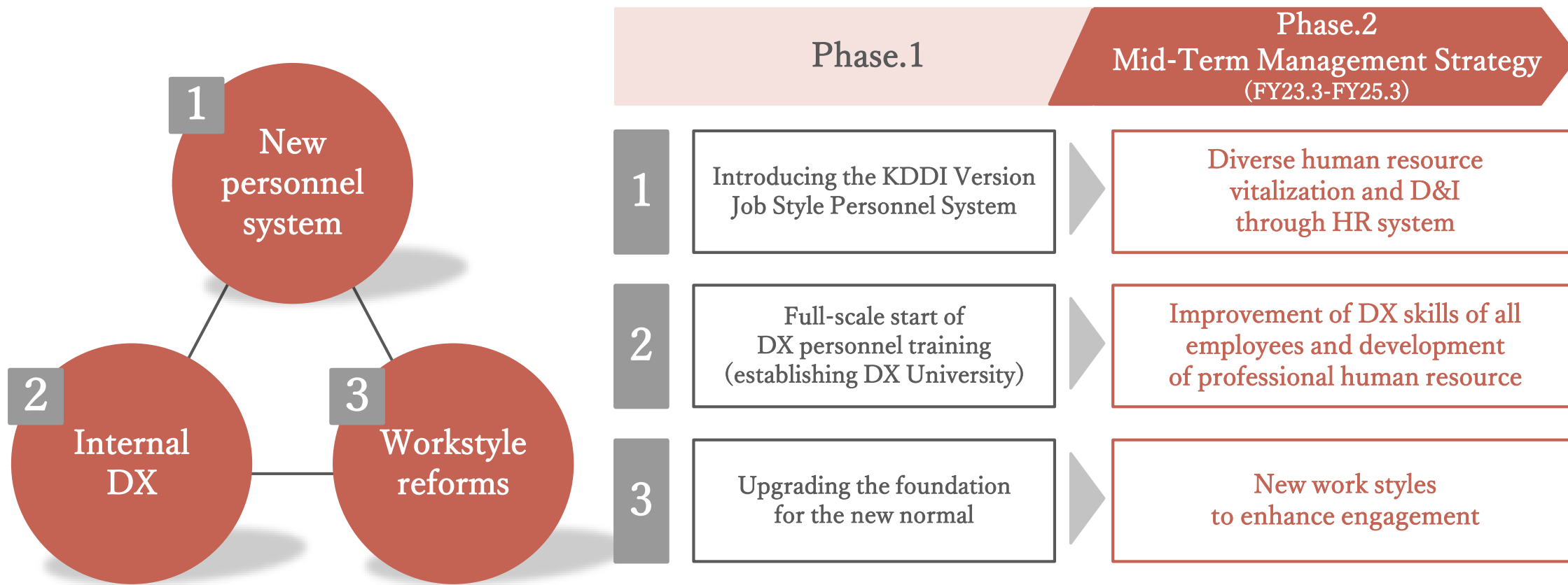
Creating new businesses that transform the living experience with an eye on the future



Contribute to solving social issues facing local communities

# Transforming into a Company that Puts Human Resources First

Evolving our unified three-part reform initiatives into Phase 2



# Human Resource Development

Maximizing organizational strengths  
to drive business strategy centered on DX

**KDDI DX University\***

## Professional Human Resources

Penetration of KDDI Version  
Job Style Personnel System



In all specialized fields  
Professional human resources ratio 30%

## DX Human Resources

DX basic skill acquisition  
All employees over 11,000



Expand to KDDI Group

Shifting essential personnel into focus areas

# Carbon-Neutral

Aim to achieve carbon neutrality in FY2030\*

## Carbon Neutral Goal

Energy Conservation Efforts

Switching to  
renewable energy



Obtained SBT certification by  
KDDI Group (February 2022)

Acceleration

Data centers  
carbon  
neutral

KDDI  
carbon  
neutral

KDDI Group  
carbon  
neutral

FY2026

FY2030

FY2050

## Energy Conservation Efforts

3G suspension  
→ 5G transition

Base station  
AI control

Efficient 5G area  
construction

AI-based  
Power Consumption Control

Equipment sharing

Submerged liquid cooling  
for data centers

Promotion of  
infrastructure sharing

Reduced power consumption  
by technology



# Respect for Human Rights

Thoroughly engraining respect for human rights  
in KDDI Group business activities

## Observing the KDDI Group Human Rights Policy

- Respect for human rights in all business activities
- Avoid or reduce any negative impacts on human rights
- Avoid involvement in infringement of human rights
- Promote human rights enlightenment activities for all KDDI Group officers and employees ,etc.



## Global Human Rights Due Diligence



# Cost Efficiency

## Technology

Promotion of  
infrastructure  
sharing

Efficiency  
through  
advanced  
technology

Appropriate control of investment

## Sales

Sales system  
transformation

Sales channels  
improving  
efficiency

Marketing efficiency

**Goal: achieve cost efficiencies of  
100 billion yen in mid-term**

# Group Governance

## Strengthened risk management and information security systems

Increase in the number of group companies and diversification of business in line with the promotion of the satellite growth strategy



Strengthen risk management system

Strengthening information security

Strengthening the training and support systems for CFO human resources

Utilizing shared services

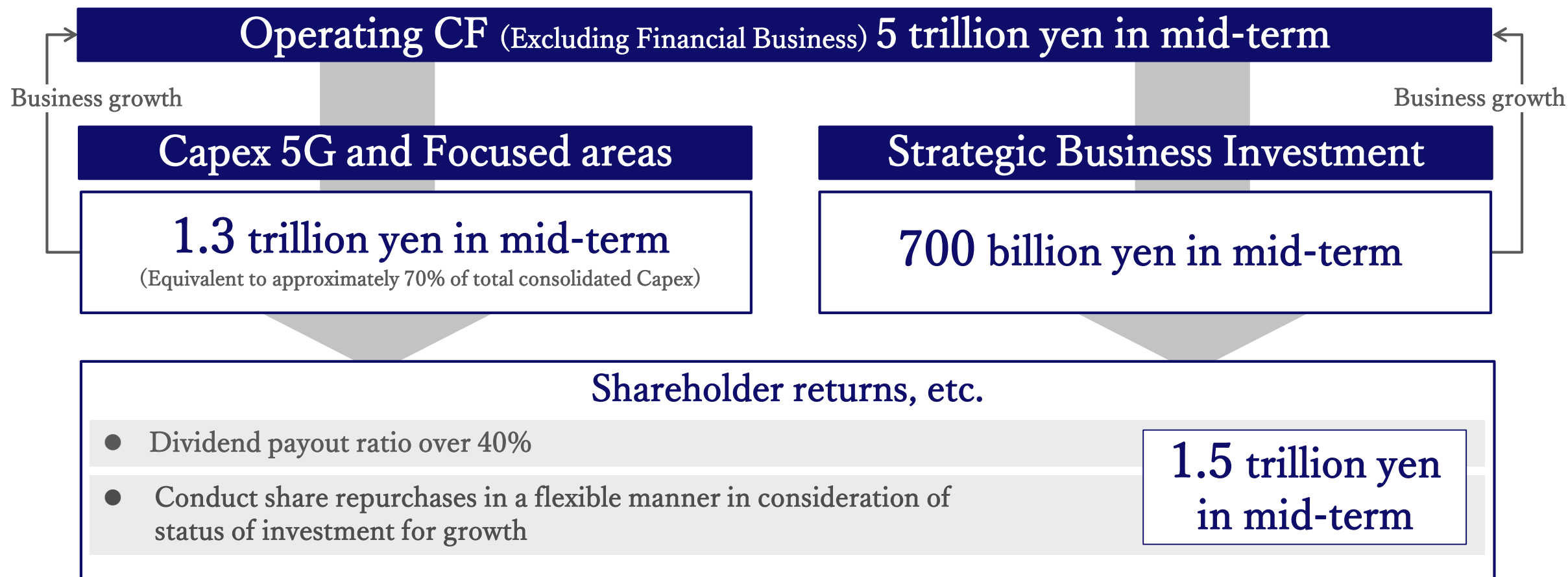
Establishment of a monitoring system

Upgrading systems for inter-Group data connections

Upgrading the privacy governance system

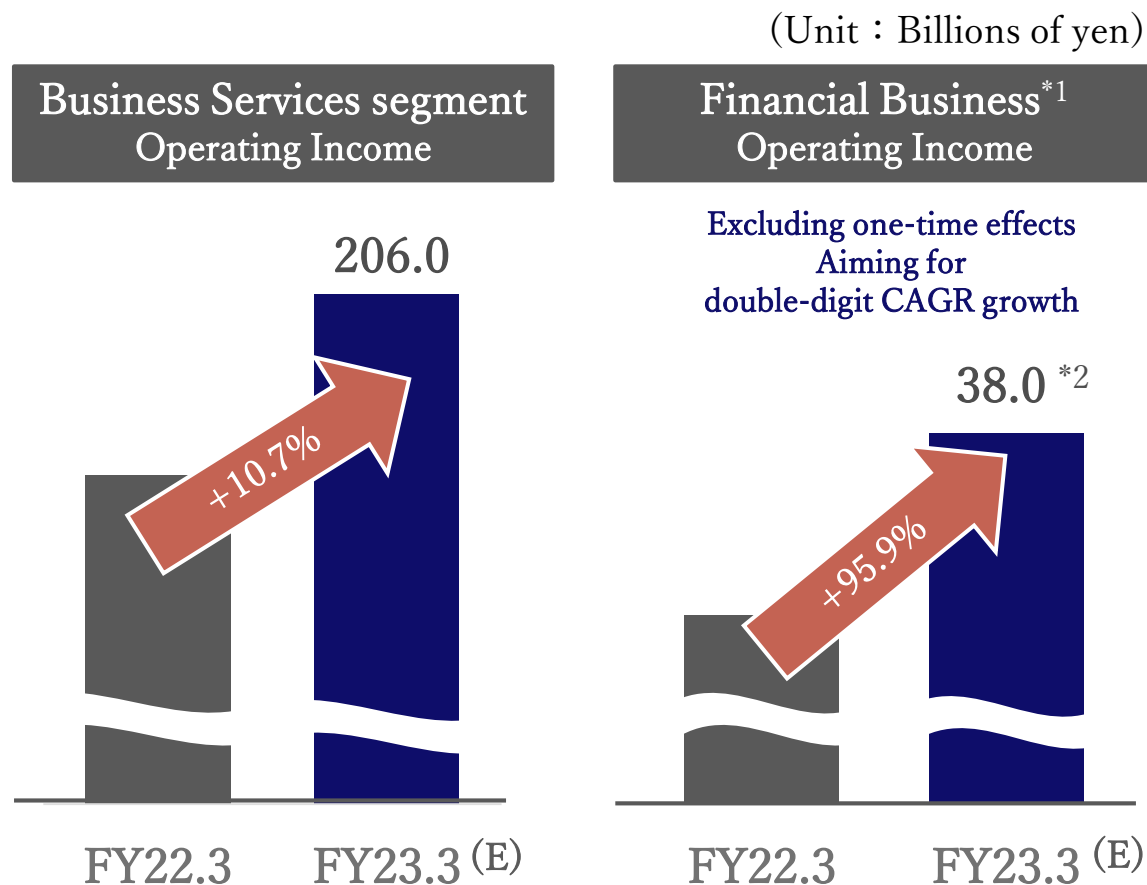
# Cash Allocation Policy

Continue to strengthen investment in growth and shareholder returns for sustainable growth



# Consolidated Financial Forecast for FY23.3

## Business Services segment and Financial Business to drive profit growth



(Unit : Billions of yen)

	FY23.3	YOY
Operating Revenue	5,560.0	+ 2.1%
Business Services segment	1,130.0	+ 8.4%
Financial Business	210.0	+18.1%
Operating Income	1,100.0	+ 3.7%
Business Services segment	206.0	+10.7%
Financial Business	38.0	+95.9%

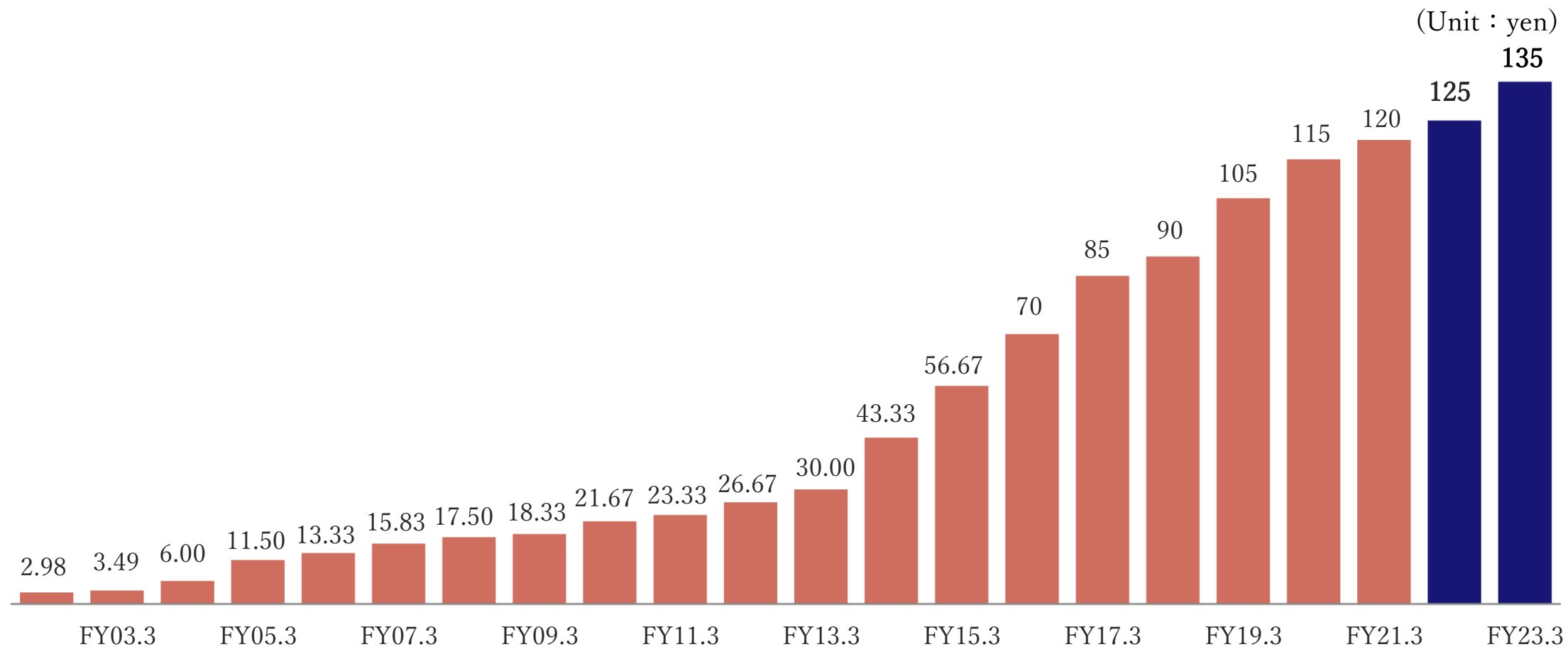
### 【Shareholder Return】

- Aiming for 21st consecutive DPS growth
- Resolved to repurchase its own shares  
– Up to ¥200 billion



# DPS

## Aiming for 21st consecutive DPS growth



Note) DPS for FY22.3 and FY23.3 are expected figures

# Mid-Term Management Strategy Summary

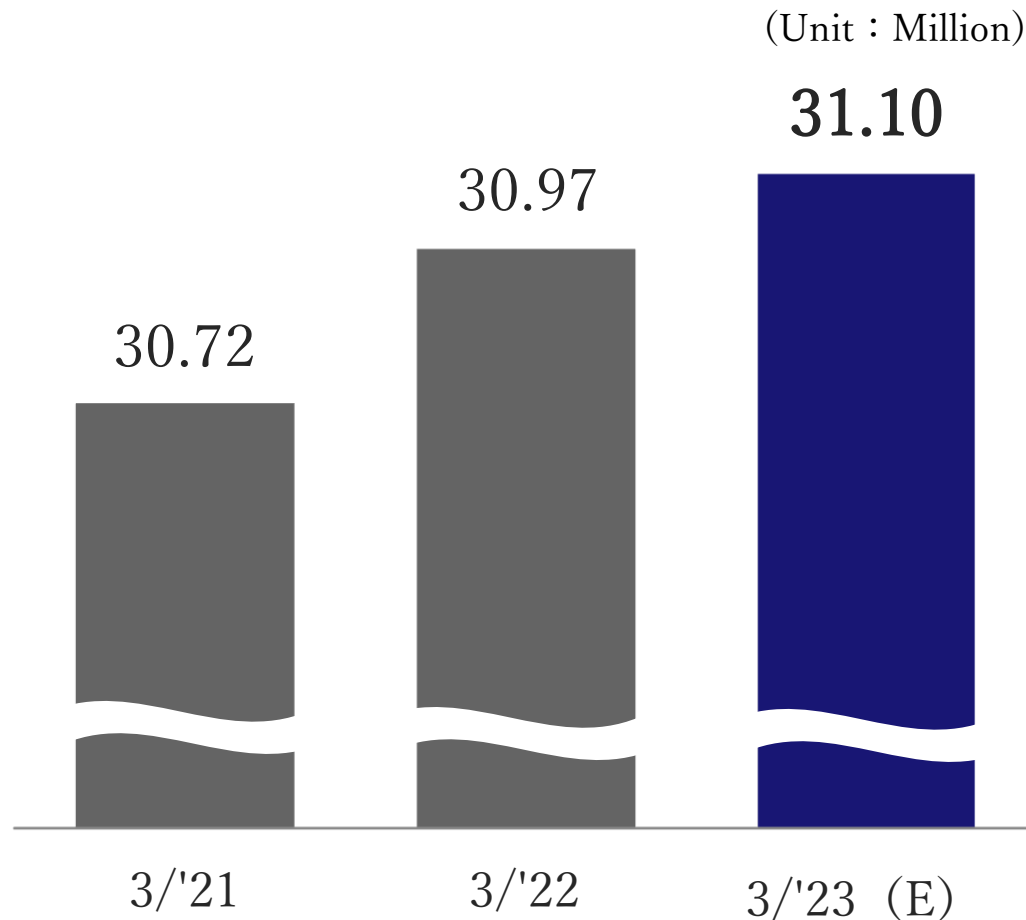
Sustainability	Aiming for sustainable growth of society and enhancement of corporate value with partners through promoting satellite growth strategy and strengthening management base to support it	
Business Growth	ARPU revenue increase due to 5G promotion (FY22.3 vs. FY25.3)	
	Profit growth in focus areas	100 billion yen or more
Financial Policy	<ul style="list-style-type: none"> <li>● Prioritize capital expenditures and strategic business investments in 5G and focus areas</li> <li>● Dividend payout ratio over 40%</li> <li>● Flexible share repurchases</li> </ul>	100 billion yen target
		EPS Growth

# Appendix

# Multi-Brand IDs / Communications ARPU

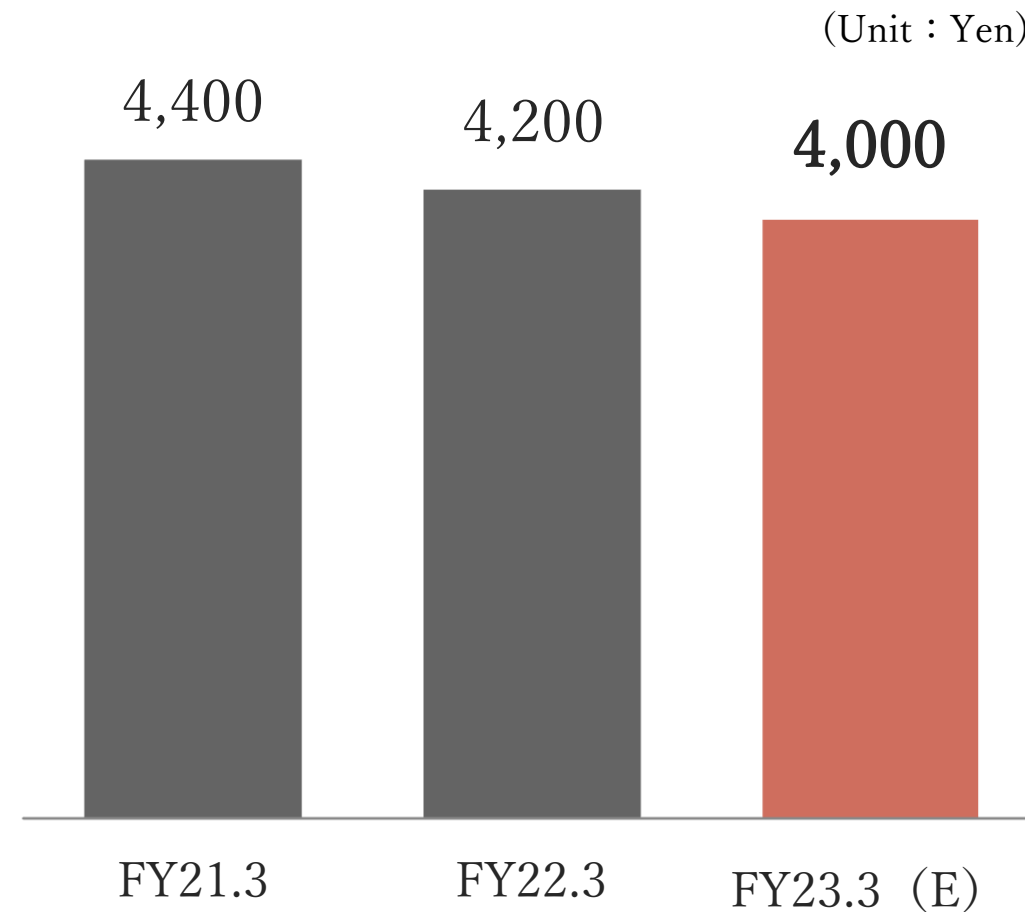
## Multi-Brand IDs

(Unit : Million)



## Multi-Brand Communications ARPU

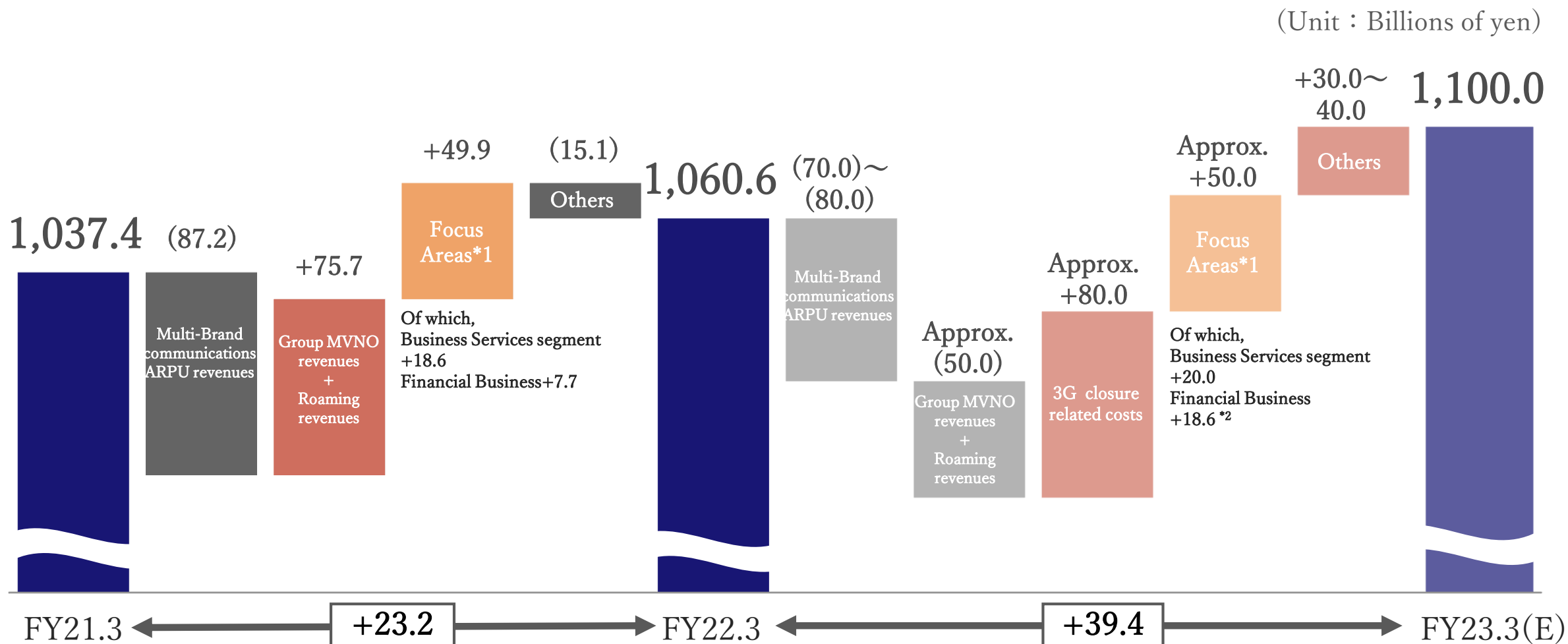
(Unit : Yen)



Note) Personal Services segment. au, UQ mobile and povo



# Operating Income : Factors for Change YoY

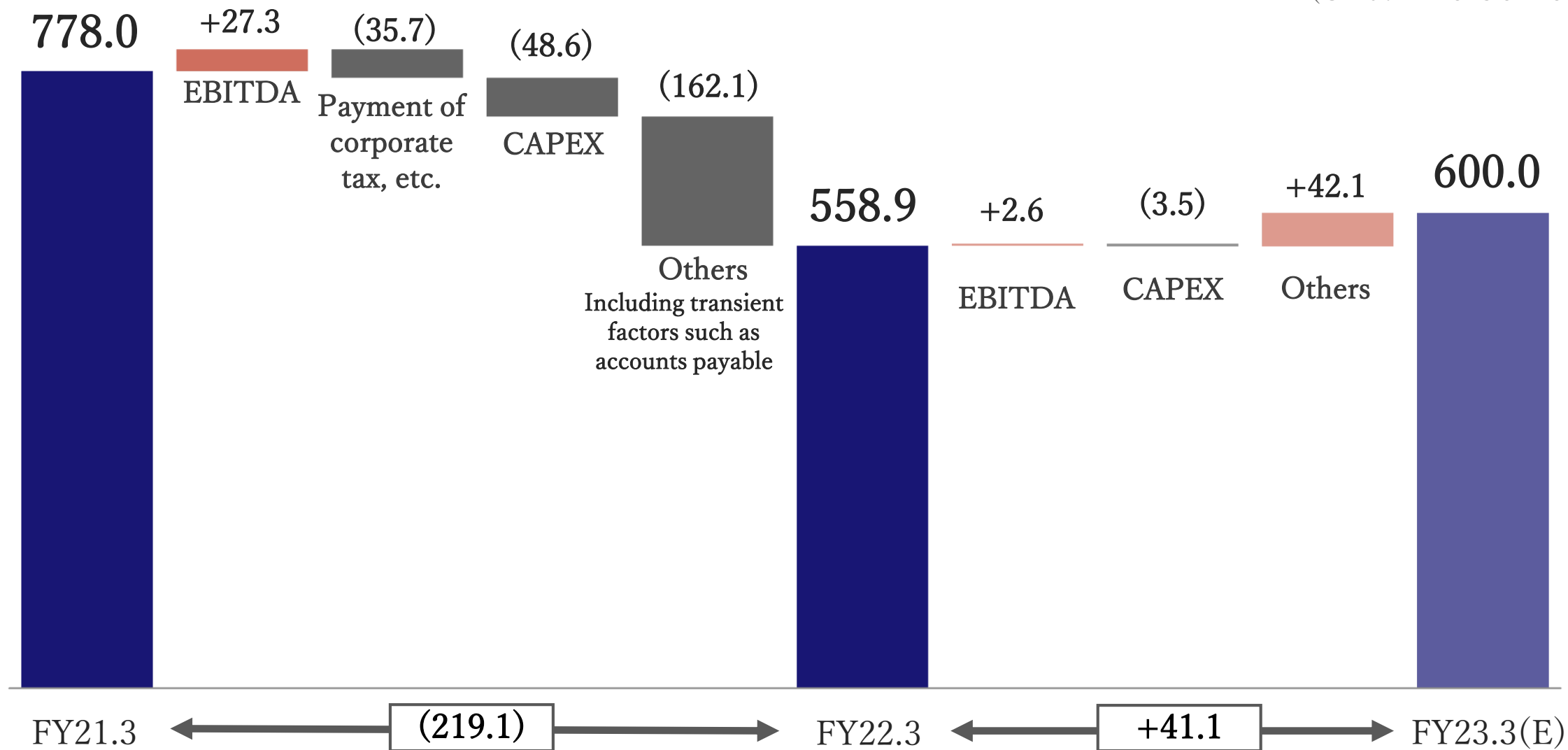


\*1 Business Services segment , Financial Business (au Financial Holdings, IFRS basis) and Energy Business ,etc. \*2 Includes temporary accounting effects

# Consolidated FCF (Excluding Financial Business)

## Factors for Change

(Unit : Billions of Yen )



Note) Financial business is au Financial Holdings Corporation

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## Disclaimer

Statements made in these documents with respect to the KDDI Group's performance targets, projected subscriber numbers, future forecasts and strategies that are not historical facts are forward-looking statements about the future performance of the KDDI Group, based on company's assumptions and beliefs in light of the information available at the time they were made. They therefore include certain risks and uncertainties. Actual results can differ from these statements due to reasons including, but not limited to, domestic and overseas situation, economic, trends, competitive position, formulation, revision or abolition of laws and ordinances, regulations or systems, government actions or intervention and the success or lack thereof of new services.

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