

CEO Message



Looking back on the fiscal year ended March 31, 2020, we see there were myriad environmental changes in the telecommunications industry, such as the amended Telecommunications Business Law going into force, the market entry of a fourth telecommunications provider, and the full start of 5G services.

In addition, the recent COVID-19 pandemic has had a tremendous impact on economic and social activities throughout the world. The new normal born of this unprecedented situation has upended society and simultaneously provided a major opportunity to accelerate change.

Amid this sea change, the entire KDDI Group has come together to help contribute to the sustainable growth of society as stated in the Company Vision and will continue focusing on achieving the goals of the medium-term management plan.

In this message, I will look back on the fiscal year ended March 31, 2020 and talk about our COVID-19 countermeasures and KDDI's post-pandemic future.

Accomplishments in the First Year of the Medium-Term Management Plan

Under the medium-term management plan unveiled in 2019, KDDI targets growth of 1.5 times in earnings per share (EPS) by the fiscal year ending March 31, 2025, compared with the level in the fiscal year ended March 31, 2019, while sustaining growth in profits. Converting that to compound average growth rate (CAGR) would require around 7% growth per year. In the fiscal year ended March 31, 2020, EPS grew 6.4% to ¥275.69 due to stable profit growth and share buybacks. I think we were able to make a solid step forward in achieving the goals of our medium-term management plan.

In the three years between March 31, 2020 and March 31, 2022, we expected to maximize profit in the final fiscal year by expanding growth domains and taking cost efficiency measures, but the results for the fiscal year ended March 31, 2020 exceeded our initial forecast and internal plan.

[Page Link](#) P. 11 Progress Made under the Medium-Term Management Plan (FY2020.3-FY2022.3)

Manifesting Profit Growth in Growth Fields

In the fiscal year ended March 31, 2020, the growth fields of Life Design Domain and Business Services segment drove the increase in operating income.

[Page Link](#) P. 14 Financial Results Summary

This, I believe, was a manifestation of the accomplishments of our approximately ¥500 billion in growth investments under the previous medium-term management plan (FY2017.3–FY2019.3) with the aim of achieving sustainable growth.

In the Life Design Domain, growth investments are connected to expanding the scale of the energy and finance fields. In addition, in the Business Services segment, we have set up a one-stop system that can offer use of devices, networks, cloud services, and data through growth investments with the aim of helping companies promote their digital transformation (DX). These combined strengths are now contributing to both our core and new businesses, boosting profits.

Formulating “KDDI Sustainable Action”

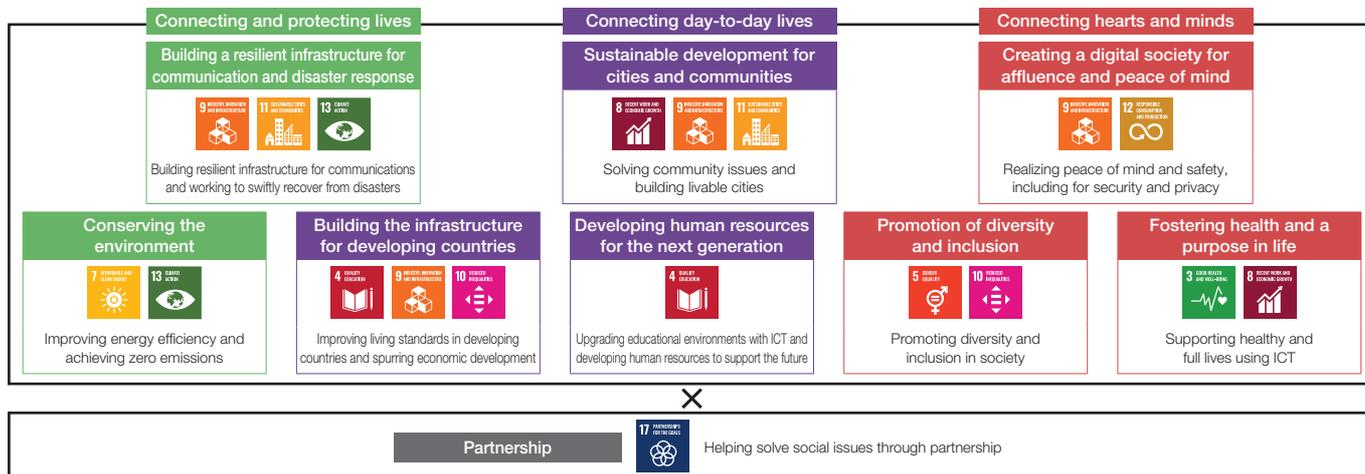
In 2020, KDDI formulated “KDDI Sustainable Action”—KDDI’s initiatives for the SDGs aimed at 2030 with a determination to continue working to solve various social issues through business going forward. In consideration of the social issues and the business sectors KDDI can contribute to as a telecommunications operator, we revised KDDI’s target SDGs, which were linked with the medium-term management plan, into eight social fields.

We do not view social issues merely as risks; we also consider them opportunities to leverage the unique strengths of KDDI. We strive to solve diverse social issues while raising profit as a business, such as by providing inexpensive, high-quality telecommunications services in developing countries and spurring regional revitalization using 5G, IoT, and other technologies.

[Page Link](#) P. 28 Our Future 4: The Sustainability Expected of a Telecommunications Company

KDDI Sustainable Action

Our “power to make connections” will help create a brighter future for all



Initiatives of Each Business

Personal Services Segment

In March 2020, we began to offer a commercial 5G service “au 5G” in some areas of 15 prefectures across Japan. We plan to expand the “au 5G” area to major cities in all prefectures from summer 2020 onward. In addition, we began offering smartphone pricing plans for “au 5G” that pair unlimited data with popular entertainment content, such as “Data MAX 5G ALL STAR Pack”^{*} and “Data MAX 5G Netflix Pack.” With “au 5G,” users can instantaneously, easily, and freely handle large amounts of data. Under the concept of “UNLIMITED WORLD au 5G,” which is free from conventional restrictions, we will collaborate with partners from various industries to provide a new augmented experience for all facets of life, such as entertainment, sports, and art.

Furthermore, KDDI aims to maximize Group IDs, engagement, and total ARPU by achieving the “integration of telecommunications and life design.” Specifically, we strengthened points of contact with customers (engagement) by working to heighten the appeal of “au PAY,” the smartphone payment service we started in 2019. We will also continue to expand Group IDs, which are the foundation of our existing telecommunications business, through appealing offers anchored to customer perspectives by using big data. Moreover, we have polished up the “au PAY” app to position it as a super app that acts as the entry point to all of a customer’s daily activities as we strive to maximize total ARPU by providing new experience value to customers.

^{*} Included content: Netflix (basic plan), Apple Music, YouTube Premium, and TELASA

[Page Link](#)
[P. 22 Our Future 1: Customer-Oriented Value Provision](#)
[Page Link](#)
[P. 24 Our Future 2: “au PAY” Targets](#)

Business Services Segment

Digital transformation (DX) is accelerating at companies across industries and usage areas, and business models themselves are significantly changing. We are stably growing our existing mobile and fixed-line telecommunications businesses. We are promoting the creation of new experience value and businesses unique to the 5G era with various partner businesses as a digital integrator for a time when all things are being incorporated into telecommunications. These efforts are centered around KDDI DIGITAL GATE, which is a business development base for the 5G/loT era supporting customers’ DX. And through our loT World Architecture, we will continue helping to build a foundation that is resilient to environmental changes by further expanding loT in Japan and overseas, as we maintain our efforts to expand the scale of our domestic and international business.

Taking Action Aimed at Diverse Social Issues, COVID-19, and the Post-Pandemic Era

In recent years full-scale digitization has continued to march forward with the advance of 5G, loT, AI, big data and other technologies, shifting toward a data-driven society that finds greater value in data. KDDI uses these technologies to solve various social issues people are facing, including taking action aimed at COVID-19 and the post-pandemic era, as we promote initiatives to ensure the safety and peace of mind of consumers and to make economic activity sustainable.

To this end, in August 2020, KDDI and KDDI Research, Inc. formulated KDDI Accelerate 5.0, which aims to build a resilient future society in the era of the new normal. We will accelerate the realization of Society 5.0 promoted by the government through the utilization of technology and the orchestration of seven fields that support the evolution of business layers, platform layers, and network layers, including 5G networks.

We will create an advanced, open platform for each industry using the resilient 5G/Beyond 5G network that supports the industrial foundations of Japan. Using this environment, we will integrate cyber spaces and physical spaces while working with various corporate partners to combine our knowhow and assets in each sector.

Through these efforts, if we can create new engagement with customers, KDDI will successfully evolve into a recurring, resilient business model.

The evolution of business models in each industry will likely create new life styles, net economic mechanisms, and new social systems.

KDDI will continue accelerating Society 5.0 with 5G to help build a resilient, future society.

Transforming into a Company that Puts Human Resources First

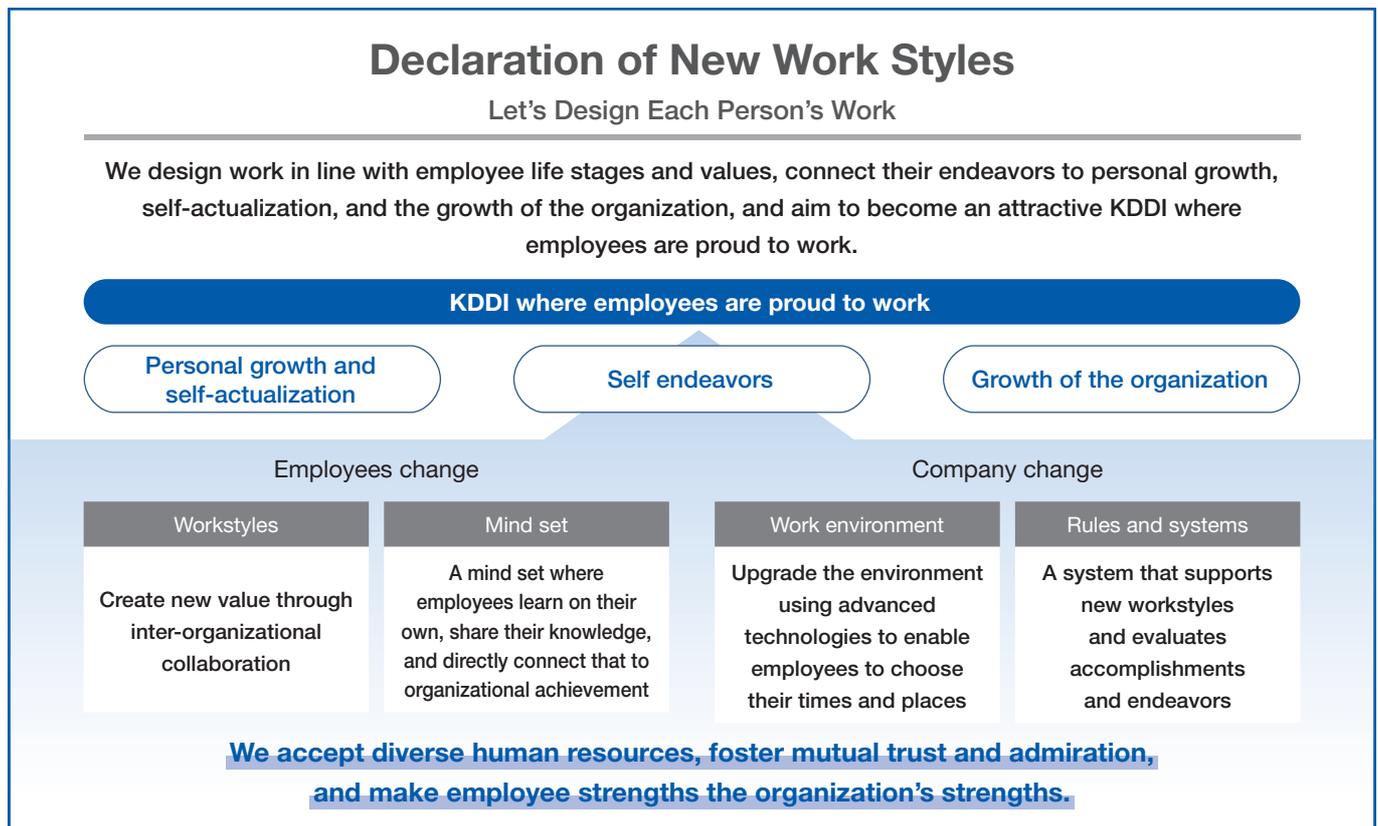
To continue outperforming the competition amid a business environment that drastically changes all the time, KDDI employees and organizations will need a high degree of autonomy and growth.

KDDI has long promoted a model of human resources focused on an ideal employee who continues growing given a high degree of autonomy based on management’s policy of putting human resources first. We have now also formulated the Declaration of New Work Styles centered on realizing workstyles that enable each employee to rack up accomplishments without being tied to specific times or places. Under this new approach, each employee will realize a workstyle that is suited to their personal preference, living environment and role in the organization.

In addition, to support these new workstyles, we steadily rolled out a new system for human resources from August 2020 with the purpose of evaluating and praising employees on their accomplishments, endeavors, and abilities (rather than hours worked) and accordingly reflecting these in compensation. We introduced human resource management that clarified the scope of work duties to promote the cultivation of expertise and a remuneration system based on market value. In this way, we will continue aiming to provide various growth opportunities in a wide range of business areas in the KDDI Group while leveraging the strengths of job-focused management.

Furthermore, by promoting internal DX to upgrade our offices and IT environment, we will continue realizing workstyles suited to each employee in a hybrid form combining telework and office work.

Declaration of New Work Styles: Framework





We formulated our initiative
KDDI Accelerate 5.0 aimed at
realizing Society 5.0 that is
promoted by the government



The KDDI Group Philosophy as the Basis of Sustainable Management

By practicing the KDDI Group Philosophy, KDDI aims to become a company that is beloved and trusted by all its stakeholders. As a telecommunications operator that provides social infrastructure, KDDI has the important social mission of enabling stable communications services on an ongoing basis, 24 hours a day and 365 days a year, regardless of conditions. Furthermore, as a telecommunications operation, our business derives from utilizing radio waves—an important asset shared by all citizens. Accordingly, we recognize that we have the social responsibility to address the issues society faces and earnestly help to resolve them. The KDDI Group Philosophy embodies this corporate stance and our employees' ideas, and I think this serves as the basis of sustainable management.

As we widely expand our business in Japan and overseas, I feel it is necessary that each business division strengthen collaboration and all employees take action with shared values. Going forward, all employees will continue to share the KDDI Group Philosophy and come together to promote sustainable management by carrying out the mission.

[Web Link](#)

[Sustainability Report 2020](#) [Inside Cover](#) [The KDDI Group Philosophy](#)

Aiming to Achieve both Sustainable Growth and Stronger Shareholder Returns

KDDI has stayed true to its basic aim of sustaining growth. Overcoming hardships since its founding in 2000, KDDI has achieved 19 consecutive fiscal years of profit growth. The view that the telecommunications industry is unlikely to grow much more, even on a global basis, is becoming more widespread. Yet, at KDDI, we are rallying our ingenuity to meet the challenge of sustaining growth.

October 1, 2020 will mark the 20th anniversary of KDDI's establishment.

Tomorrow, Together

We will continue to move forward, together with customers, partners, and society at large, sharing a faith in the future as we aim to both sustainably grow profit and reinforce shareholder returns from a long-term perspective.

As we move forward together, I would like to express my sincere appreciation for your continued support and guidance for the KDDI Group.

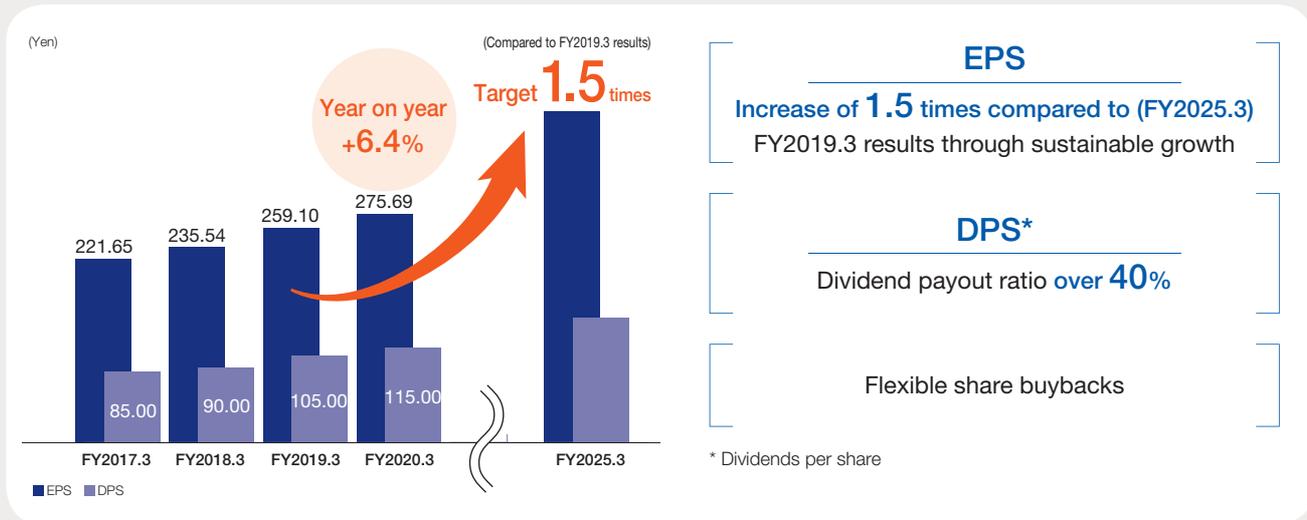
Progress Made under the Medium-Term Management Plan (FY2020.3-FY2022.3)

A Smooth Start toward the Successful Implementation of the Medium-Term Management Plan

Under the medium-term management plan unveiled in May 2019, KDDI targets growth of 1.5 times in basic earnings per share (EPS) by the fiscal year ending March 31, 2025, compared with the level in the fiscal year ended March 31, 2019, while sustaining growth in profits.

Regarding shareholder returns, KDDI has steadily increased dividends toward a dividend payout ratio of over 40%, while taking a flexible approach to buying back its own shares.

Through these initiatives, we intend to continue to **achieve both sustained profit growth with stronger shareholder returns.**

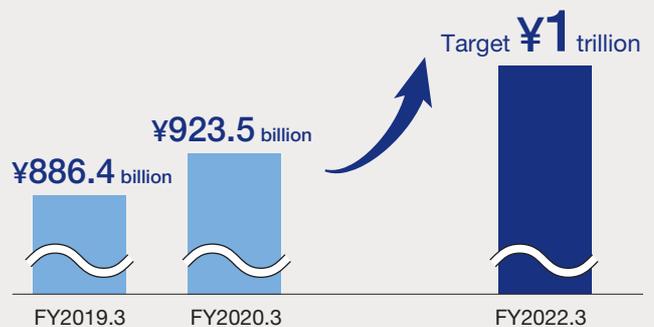


Net operating revenue in both the Life Design Domain and Business Services segment steadily expanded, helping grow EPS.

Operating revenue of Life Design Domain



Operating revenue of Business Services segment



Around 90% of our cost efficiency goals have come into clear view, and we will continue aiming for 100% achievement.



Generating approx. ¥100 billion profit through cost reductions, etc.