Highlights | Our Management | Our Value | Our Future | Our Governance | Financial Information

I KDDI's Value Creation Story   • Customer-Oriented Value Provision   • "au PAY" Targets   • KDDI Accelerate 5.0   • The Sustainability Expected of a Telecommunications Company

Our Future 1: Customer-Oriented Value Provision

Aiming to Maximize Group IDs

The competitive environment of Japan's mobile telecommunications market is changing drastically. For example, MVNOs and other budget smartphones continue to gradually expand, the amended Telecommunication Business Act went into effect in October 2019, and a fourth telecommunications carrier has entered the market.

To sustainably grow under this kind of environment, KDDI aims to further expand earnings by maximizing Group IDs, engagement, and total ARPU.
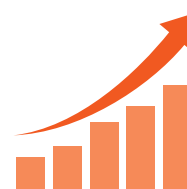
[01: Group IDs] × [02: Engagement] × [03: Total ARPU]

Enhance Customer Recommendation (NPS*)

A Brilliant Network

Easy-to-use Pricing Plans

Attractive Devices

Exciting Content

Expanding business with a top priority on building trusting relationships with customers

*Abbreviation for Net Promoter Score

Aiming to Provide Customer-Oriented Value

We are promoting strategies centered on engagement with the aim of maximizing Group IDs, engagement, and total ARPU, which comprise the axis of KDDI's sustainable growth.

Engagement refers to trust-based relationships with customers.

If we enhance engagement, customers will more frequently use our services and use them for longer. We can expect that, as a result, the churn rate will improve and Group IDs will further expand. In addition, we can work to maximize total ARPU in tandem with the expansion of both telecommunications

ARPU and value added ARPU by providing new experience value through further promoting the "integration of telecommunications and life design" as a basis for these robust trust-based relationships.

With the aim of enhancing engagement, KDDI will continue operating its businesses with the top priority of building trust-based relationships with customers by improving all points of contact with customers, such as a brilliant network, easy-to-use pricing plans, exciting content, and attractive devices.

Maximizing Group IDs and Enhancing Engagement

To build a robust ID base across the entire Group, KDDI promotes three specific initiatives to strengthen its momentum. First, [01] we stem outflow from the Group by leveraging the KDDI Group's brands, including MVNO, for customers wanting to move from "au" to a budget smartphone. Then, [02] we maximize Group IDs by more actively making new acquisitions from the highly liquid MVNO market while enhancing the competitiveness of the KDDI Group brands, including MVNO.

Furthermore, [03] for customers who want to use large capacity telecommunications without stress, we aim to ensure the high quality telecommunications and experience value of "au," establish a Group-wide circulatory structure by upselling to au, and further strengthening our momentum.

Furthermore, to accelerate these Group strategies, KDDI will integrate "UQ mobile" in October 2020. "UQ mobile" is already used by more than 2 million customers because it provides high-quality yet low-cost services. By creating a double brand with "UQ mobile," we will first 1) reinforce our sales organization by reorganizing and integrating the nationwide sales organizations and sales channels for "au" and "UQ mobile." In addition, we will 2) leverage the unique characteristics of both brands to provide easy-to-understand pricing plans that meet customer needs and thereby offer new value. And, finally, we will 3) streamline overlapping tasks and operations with the aim of strengthening our competitiveness through the consolidation of the Group's management resources.
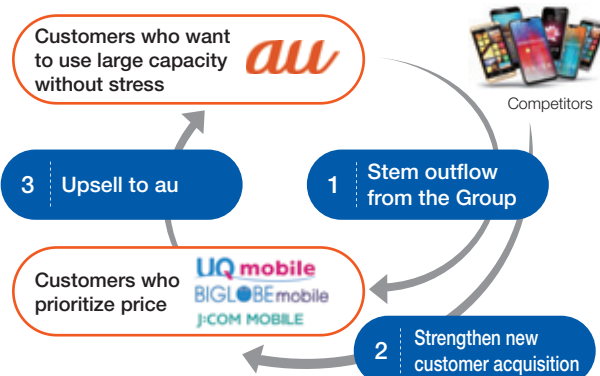
Aiming to Further Expand Our Growth Area

Deepening engagement with customers while expanding our points of contact will also help further expand our Life Design Domain, which is a growth fields for KDDI.

First, regarding customers who use the KDDI Group's telecommunications services, we aim to maximize total ARPU mainly by promoting rich content with the shift to 5G while expanding Group IDs, which form our foundation.

In addition, going forward, with a foothold in our alliance with Ponta, which is an open platform, we will continue reinforcing our approach toward new points of contact with customers. Specifically, we want customers to feel the merit of using KDDI's value added services by using payments and points with the aim of enhancing engagement through "au PAY" and other services, leading to further expansion in growth fields.

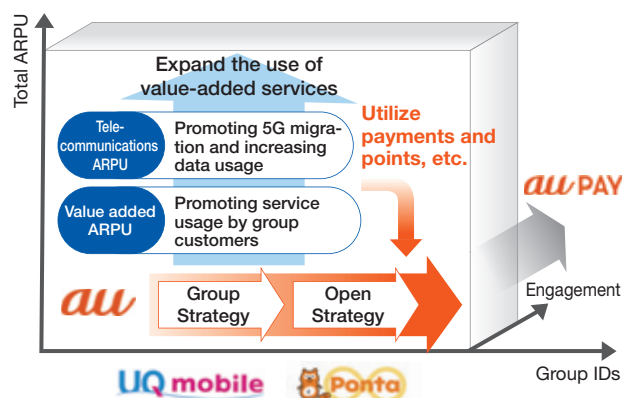[**01:** Strengthen ID Base Across Entire Group]

Customers who want to use large capacity without stress — au

Competitors

3 Upsell to au

1 Stem outflow from the Group

Customers who prioritize price — UQ mobile / BIGLOBE mobile / J:COM MOBILE

2 Strengthen new customer acquisition

Meet a wide range of needs and strengthen momentum with the Group's combined capabilities

[**02:** Enhancing Engagement]

au UQ mobile

1) Strengthening sales organization
+
2) Providing new value
+
3) Business efficiency

- "au" and "UQ mobile" reorganization and integration of sales organization and sales channels nationwide

- Providing easy-to-understand and various services that meet the needs of customers by utilizing the features of both brands

- Streamlining the overlapping tasks and operations
- Streamlining management resources for full-scale 5G

Aiming to strengthen competitiveness by consolidating Group management resources

[**03:** Further Expansion of Growth Area]

Total ARPU

Expand the use of value-added services

Tele-communications ARPU — Promoting 5G migration and increasing data usage

Value added ARPU — Promoting service usage by group customers

Utilize payments and points, etc.

au PAY

au — Group Strategy → Open Strategy

Engagement

UQ mobile Ponta

Group IDs

Expand by promoting ARPU growth measures and open strategy