



CEO Message

Tomorrow, Together

Offering new lifestyles centered on 5G technologies, we are striving toward the realization of a resilient future society through co-creation.

Looking back on the fiscal year ended March 31, 2021, the structure of day-to-day life as we know it was completely upended by the COVID-19 pandemic.

Telecommunications have taken on an increasingly important role amid an ongoing rapid digital shift affecting every aspect of society.

As customer needs change, the number of opportunities to offer new value is expanding. These opportunities include the increasing use of contactless payment services like “au PAY,” increasing opportunities for online events, and rapidly rising teleworking demand due to work style reforms. A growing proportion of activities that traditionally took place in physical spaces are now happening virtually in cyber space, where data is exchanged over the internet. We do not regard these changes as temporary but rather as ways to enrich life in the new normal era.

To help build a social foundation resilient to environmental change, we formulated KDDI Accelerate 5.0 and KDDI Sustainable Action for 2030.

Under KDDI Accelerate 5.0, 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 centered on the 5G rollout collaboration with KDDI Research, Inc.

Under KDDI Sustainable Action, we will contribute to the sustainable growth of society by “Connecting and protecting lives,” “Connecting day-to-day lives,” and “Connecting hearts and minds” through business in cooperation with partners while utilizing this technology.

Under the medium-term management plan (April 2019–March 2022), the last year of which is the current

Looking Back on the Fiscal Year Ended March 31, 2021

► On Conclusion of the Second Year of the Medium-Term Management Plan

Under the current medium-term management plan, we aim to achieve both sustainable growth and enhanced shareholder returns.

Operating revenue and operating income in the growth fields of the Life Design Domain and the Business Services segment steadily expanded. Of the targets designated as medium-term targets, we achieved ahead of schedule the transaction volume of settlement/loan in the Life Design Domain and the cumulative number of IoT connections in the Business Services segment.

	FY2021.3 Results	FY2022.3
Life Design Domain Transaction Volume of Settlement/Loan	¥9 trillion	Medium-term target: ¥6 trillion New forecast: ¥9.3 trillion
Business Services Segment Cumulative IoT Connections	18 million connections	Medium-term target: 18 million connections New forecast: 24 million connections



fiscal year, KDDI aims to achieve growth through both the “sustainable growth of existing businesses” and “endeavors in new innovation.”

In this section, I will look back on the fiscal year ended March 31, 2021, and explain our targets in the last fiscal year of the current medium-term management plan as well as our efforts to formulate a new medium-term management plan.

m. Takahashi

President, KDDI CORPORATION

As a result, consolidated operating income surpassed the initial forecast, driven by an expansion in growth fields that offset effects of a recent shift toward cheaper pricing plans, including budget smartphones, and temporary effects of soaring prices in the wholesale market of the energy business.

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P. 22 Financial Results Summary

► Multi-Brand Strategy and 5G Rollout

With new telecommunications providers entering the market and competition heating up, services and pricing plans are diversifying and the telecommunications industry itself is undergoing major changes. Under this environment, we strive to offer pricing plans that meet various needs and are adapted to diverse lifestyles through unlimited use without anxiety “au,” simple and secure price “UQ mobile,” and choose freely with toppings “povo” services. We will also rapidly create an environment that can fully realize our “AUGMENTED EXPERIENCE,” which provides experience value that is unique to 5G.

In March 2020 we began 5G service in 15 prefectures in Japan, and in December we began providing service in all 47 prefectures. Furthermore, in March 2021 we covered all major cities around the country and focused on rolling out service in areas that people often visit in their daily routines, such as in June enabling 5G service on the platforms of all Yamanote Line and Osaka Loop Line stations, which are used by many of our customers. We are accelerating the expansion of our service area aiming to cover around 90%* of the population by March 31, 2022, and working to enable more customers to use 5G without any break in coverage.

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P. 14 Special Feature: Multi-Brand Strategy

* Nationwide population coverage rate is calculated based on areas where telecommunications can be used in at least 50% of the approximately 500-meter blocks used in the national census. 700MHz is the target for this coverage ratio

Growth Field Initiatives

Life Design Domain

As customer contact points, we are enhancing the smartphone payment service “au PAY” and “au Smart Pass Premium,” where customers can enjoy such exciting next-generation experiences as new entertainment using 5G. As for the circulation of points, we are working to expand the number of places where Ponta Points can be used and their attractiveness. We aim to maximize the “au Economic Zone,” especially in finance, energy, and commerce, by enhancing these customer contact points and circulating points. Through a recent business alliance with menu, inc. announced in June 2021, we will strengthen our real contact points, such as the restaurant industry (including food delivery), which act as a gateway for consumer behavior.

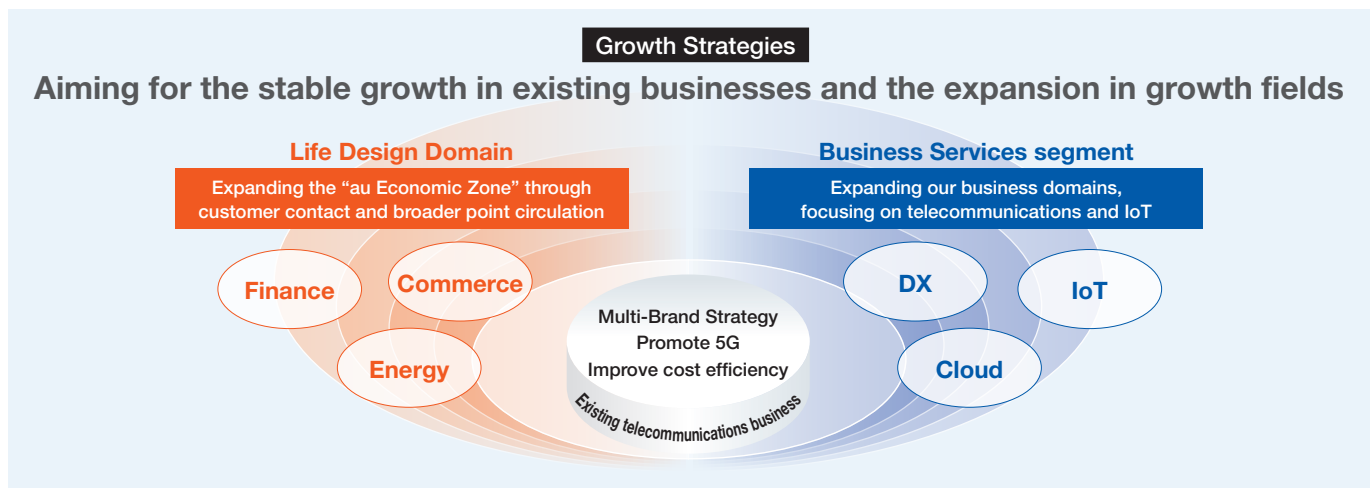
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P. 16 Special Feature: Expanding the “au Economic Zone” in the Life Design Domain

Business Services Segment

Corporate digital transformation (DX) is bringing about major changes in business models and relationships with customers. KDDI will accelerate customers’ DX centered on its strengths of telecommunications and IoT. We newly defined the NEXT Core Business centered on this DX and aim to achieve growth in the entire Business Services segment. The NEXT Core Business, which will drive results going forward, comprises 1. Corporate DX, which supports customers’ smart work, 2. Business DX, which contributed to customers’ business, and 3. Business infrastructure services, including data centers and call centers. We will expand this business domain, expand the number of customers, enhance engagement and take other measures to generate synergy with the existing Core Businesses of the mobile and fixed-line telecommunications businesses and comprehensively support customers’ businesses.

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P. 18 Special Feature: Growth Fields — Business Services Segment

In addition, heading toward the full-scale 5G era, we will accelerate open innovation and promote collaboration between the new business development base of “KDDI DIGITAL GATE” and the research and development base “KDDI research atelier,” which offers new lifestyles.



Working to Enhance Customer Engagement

As we aim to achieve growth through both sustainable growth in existing businesses and endeavors in new innovations, we are most focused on enhancing customer engagement. Due to standardization as smartphones become dominant, the number of contact points with customers is decreasing, and I feel that there are fewer moments when customers might think, “it’s au.” Going forward, we are entering an era when it will be important to know customers.

After contracting KDDI services, we work diligently to be able to provide more suitable offers by analyzing customer data, such as how they continuously use the services in the “au Economic Zone.”

The situation is similar for corporate customers. We think that DX is transforming corporate customers' business models into resilient recurring models by infusing telecommunications so that the customers can maintain long-term relationships with their end users. We focus on connecting with customers over the long term through DX, not just a conventional one-shot support.

Initiatives in the Non-Financial Field

KDDI also promotes initiatives in the non-financial field.

In KDDI Sustainable Action, we work on various issues, such as building a resilient infrastructure for communication and disaster response, conserving the environment, and promoting diversity and inclusion.

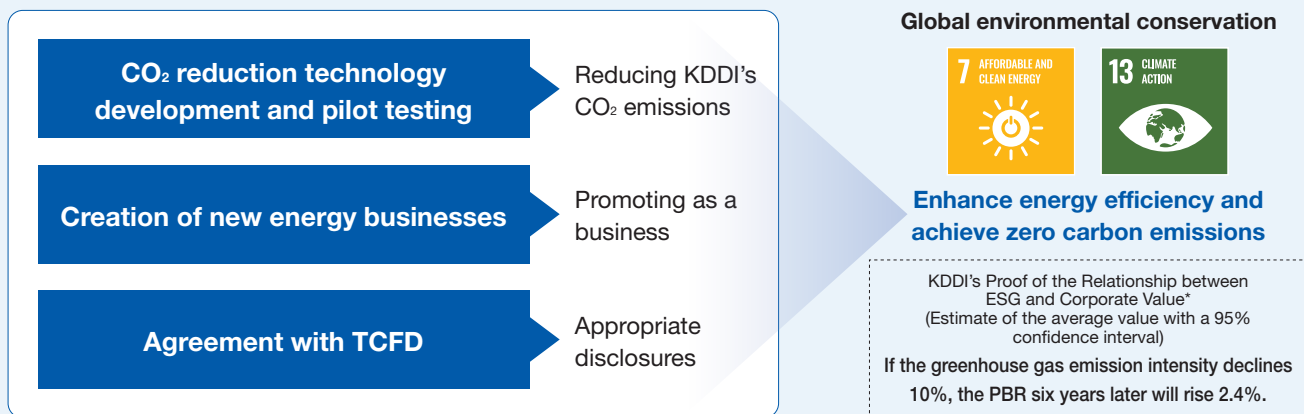
► Decarbonization Initiatives

In April 2021, we announced our support for the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). Going forward, we will disclose and disseminate information in line with the TCFD recommendations and forcefully promote the shift toward renewable energy. In line with the goal of realizing net zero CO₂ emissions by 2050, KDDI set a target of reducing its own CO₂ emissions 50% by fiscal 2030 compared with the fiscal 2019 level. To reduce CO₂ emissions, we are increasing energy efficiency, such as for mobile phone base stations and telecommunications equipment, and promoting a shift to renewable energy.

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P. 32 KDDI's Action on Climate Change

Promoting initiatives aimed at decarbonization across the entire KDDI Group



*Analyzed by ABeam Consulting ESG Platform based on the model developed by Mr. Ryohei Yanagi under the "CFO Policy (Chuokeizai-sha Holdings, Inc. 2020)" (January 2021)

► Transforming into a Company that Puts Human Resources First

KDDI believes people are its most important resource. We are working to transform into a company that puts human resources first by placing training at the base of management with the three pillars of "introducing KDDI Version Job Style Personnel System," "Declaration of KDDI New Work Styles," and "Internal DX."

As part of our Internal DX, we equipped all employees with secure zero-trust PCs and are working to visualize workstyle data with the aim of further boosting productivity.

We promote respect for diversity and proactively work to train DX personnel, who will facilitate the transformation of customers and KDDI internally.



We aim to build sustainable relationships and achieve growth by co-creating with customers and partners.

Formulating a New Medium-Term Management Plan

We are making preparations to formulate a new medium-term management plan to be announced in May 2022. We established the Business Exploration & Development Division to accelerate the creation of new businesses from April 2021. By consolidating and utilizing assets that cut across business divisions, we will promote open innovation through co-creation and will build a foundation for data utilization in the Group. In these and other ways, we will discover the next source of profit, focus on this as it scales up, and build the next pillars of the Life Design Domain and Business Services segment.

One example of business creation is the Free Space Project announced in December 2020. In collaboration with East Japan Railway Company, this decentralized urban development project is set to create diverse workstyles and lives not bound by place or time. Both companies will jointly promote the development of Shinagawa, which will be the core city for the project, develop satellite cities in regions across Japan as decentralized bases, and consider developing mobility services in the core city and neighboring areas with the aim of joint commercialization.

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P. 49 Performance
Analysis by
Segment: Business
Services Segment

Aiming to Achieve Both Sustainable Profit Growth and Strengthen Shareholder Returns

Under the current medium-term management plan, 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. EPS grew 3.1% to ¥284.16 in the fiscal year ended March 31, 2021. We continue aiming to achieve the medium-term management plan through profit growth.

We consider environmental changes to be business opportunities, such as lower telecommunications fees, intensifying competition, and major changes in lifestyles due to the COVID-19 pandemic. We aim to achieve both sustainable growth and enhance shareholder returns by giving our all to further expand growth fields, promote cost reductions in line with structural reforms, and enhance shareholder returns and growth investments, which are underpinned by stable cash flows.

Tomorrow Together

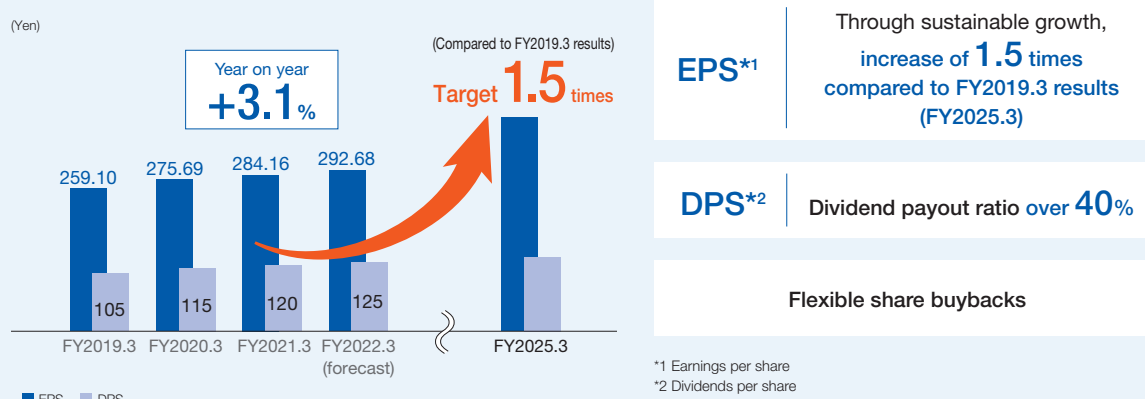
We aim to realize a more resilient future society by offering and co-creating new lifestyles centered on 5G as we pursue the development of a truly connected society as set out in the KDDI Group Mission Statement.

Going forward, I ask for your unwavering support and helpful guidance for the KDDI Group.

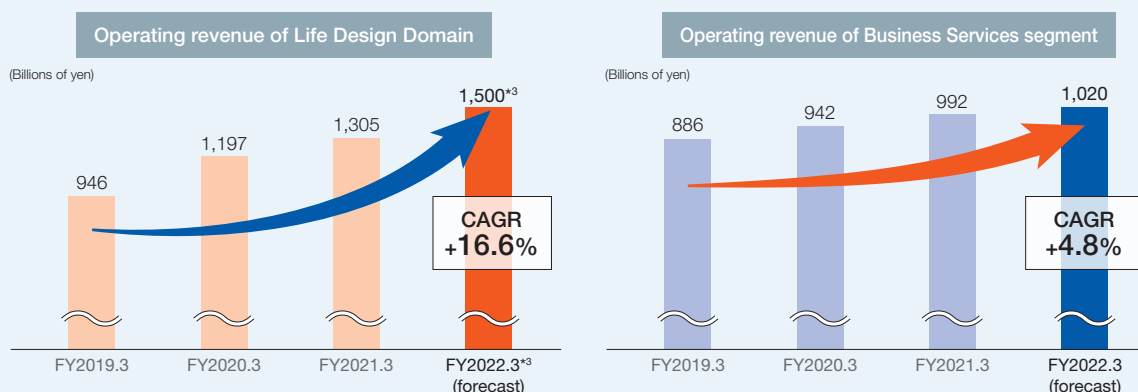
Progress Made under the Medium-Term Management Plan (April 2019 – March 2022)

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.



► Made steady progress in operating revenue in both the Life Design Domain and Business Services segment toward the medium-term management plan targets



► Considering Environmental Changes to Be Business Opportunities and Aiming for Sustainable Growth

Lower telecommunication fees

Intensifying competition

Major changes in lifestyles, etc.

- Aim to further expand growth fields
- Promote cost reductions
- Enhance shareholder returns through stable cash flow generation