

Our Future 2

Expanding the “au Economic Zone” in the Life Design Domain



The Significance of Promoting the Life Design Domain

Utilizing its telecommunications business base, KDDI is more aggressively taking measures aimed at expanding non-telecommunications businesses as the Life Design Domain, including settlement and finances, energy, content, and commerce, with the aim of being a lifestyle partner for customers.

As competition in the telecommunications business heats up, we are promoting the Life Design Domain to enable the construction of an earnings structure not dependent on telecommunications, expecting the effect of enhancing engagement with customers.

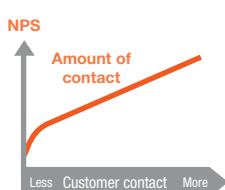
KDDI has long promoted initiatives to enhance NPS.*1 After analyzing the last few years, we saw a correlation where the more contact points we have with customers the more NPS improves. We have provided various life design products to enrich customers’ lifestyles, helping expand our contact points.

Going forward, we aim to build robust, long-term engagement with customers. To this end, we will continue to further strengthen contact points that customers regularly use, like au PAY, and will become indispensable to daily life as customers use the type of services that are contracted over the long term, such as au Denki (electricity) and financial services.

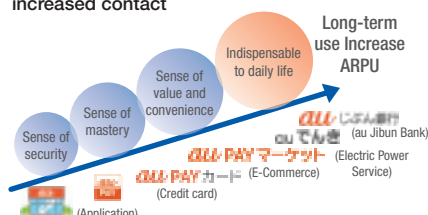
*1 Net Promoter Score

Life Design Services that Help Enhance Engagement

Correlation between customer contact and NPS



Enhancing engagement through increased contact



Growth Strategies in the Life Design Domain and the Expansion in the “au Economic Zone”

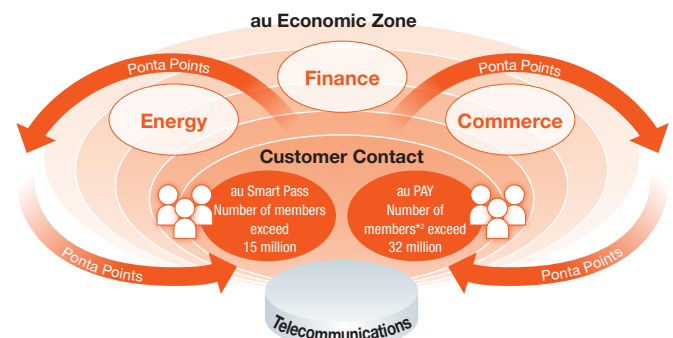
Growth in the Life Design Domain will accompany an increase in various service transactions and lead to an expansion in the “au Economic Zone.” To make the economic zone more attractive to customers, it is important to, of course, refine each product as well as to make greater use of KDDI’s customer contact points.

In addition to its existing telecommunications customer base, KDDI also possesses the strong customer contact points detailed below. Then by having customers join the “au Economic Zone”, we award them Ponta Points. Moreover, KDDI is building an ecosystem where points circulate within the “au Economic Zone” by setting up the au PAY market as one place to use saved up points for bargains. Going forward, we aim to create a more virtuous cycle for points and maximize the “au Economic Zone.”

KDDI’s Strong Customer Contact Points

1. Over 32 million au PAY members
2. Over 92 million Ponta members
3. Over 15 million au Smart Pass members

Growth Strategies in the Life Design Domain and Expansion of the “au Economic Zone”



Note: Figures listed are as of March 31, 2021
*2 au PAY members and au PAY Card members

au PAY is Steadily Expanding Centered on Customer Contact Points

With customer contact points as our center, the number of payment users, participating locations, and transaction volume are steadily growing. As of March 31, 2021, members of au PAY, which is the key to the “au Economic Zone” expansion, exceeded 32 million and the number of locations accepting smartphone payments and points exceeded 3.98 million.

In May 2020, we integrated “au WALLETT” Points into Ponta Points, creating a point member base of over 100 million, one of the largest in Japan. With this member base as a foundation, we combined both groups’ assets, such as KDDI’s advanced technologies and Ponta partner Lawson’s around 14,600 stores*3, to further expand contact and provide new experience value to customers.

In addition, the number of users is increasing as we promoted Ponta Point reward campaigns with Lawson, Uniqlo and other companies as well as drugstores, supermarkets, and other industries. Going forward, we will continue actively expanding the number of participating stores, especially those that customers regularly visit.

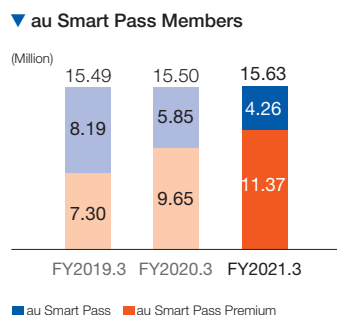


*3 As of May 2021

au Smart Pass, a Customer Contact Point and Robust Subscription Model

The number of members of au Smart Pass, which has attractive, bargain content services, is more than 15 million.

As a subscription model, au Smart Pass supports the earnings base of the Life Design Domain, and we are building it into a robust customer contact point like au PAY.

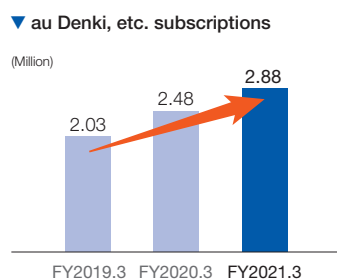


Contributing to the "au Economic Zone" in Tandem with an Expansion in the Number of Contracts, Including au Denki

By March 31, 2021, the number of contracts, including for au Denki, exceeded 2.88 million as the customer base steadily expands.

au Denki awards customers 1%, 3%, or 5% in points depending on their monthly electric bill.

Customers use the services at a bargain, significantly helping expand the "au Economic Zone." Going forward, we can expect the customer base to further expand, such as beginning the "Denki Discount" at UQ mobile.

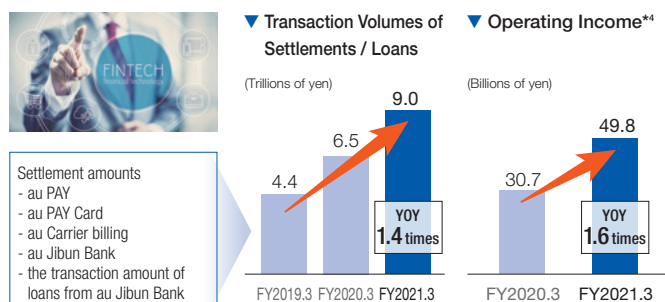


Settlement and Financial Business Leading Expansion in the "au Economic Zone"

The settlement and financial business is driving growth in the Life Design Domain.

The code settlement transaction amount expanded in the settlement business. Due in part to the effects of people isolating at home because of the COVID-19 pandemic, au Kantan settlements, which are au Carrier billing, grew significantly. As for the financial business, the au Jibun Bank settlement amount also grew significantly, including au Jibun Bank mortgage.

As a result, the transaction volume of settlement/loan in FY2021.3 exceeded ¥9 trillion, and operating income in the settlement and financial business significantly grew ¥49.8 billion, or 1.6 times, year on year.



*4 KDDI Group base and including au Financial Holdings

The Settlement and Financial Business Expect Further Growth

KDDI's Unique Product and Service Strengths

In FY2021.3, KDDI released unique, highly competitive products, such as Mortgage "au" mobile preferential discount of au Jibun Bank, enhanced au PAY gold card privilege, and au Kabucom Securities points investment. These were very well received by customers and helped steadily expand the number of contract customers.

au じぶん銀行

au Jibun Bank Mortgage "au" mobile preferential discount
(began offering in March 2021)

When used in a set with "Jibun Denki," the interest rate is lowered by a maximum of 0.1% annually.*5



au PAY gold card privilege enhancement
(began offering in February 2021)

Using au telecommunications services and au-related services make it easier to save up Ponta points

au カブコム証券

au Kabucom Securities Co., Ltd. Point investment
(began offering in September 2020)

Begin easily investing with saved up Ponta points

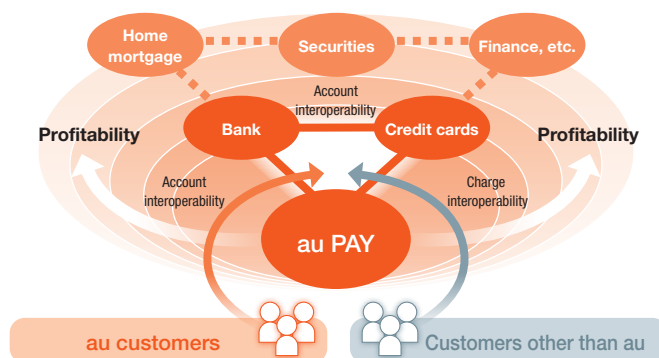
*5 A total of "Mortgage Jibun Denki preferential discount" (down 0.03% annually) and "Mortgage "au" mobile preferential discount" (down 0.07% annually)

Growth Strategies Going Forward

Going forward, based on au PAY, we will connect it with use of various settlement and financial services. To make it more convenient to use au PAY in daily life, collaboration between au Jibun Bank accounts and au PAY cards' au PAY charging is important.

Amid this situation, if the use of au PAY Card increases, it will also benefit bank account balances, and we expect finances to expand. In addition, possibilities of cross sales, such as mortgages, securities, and insurance, are expanding, and the base of the financial business will further expand.

Through au PAY, KDDI will continue to perpetuate this virtuous cycle.



New Services in the New Normal Era

In June 2021, we started smartphone-centric services for new lifestyles. Through collaboration with menu inc., we enhanced food and beverage services, including food delivery which is expected to see demand rise during the COVID-19 pandemic, and enabled total support for health and medical experiences through au Wellness.

With the aim of being closer with customers going forward, we will continue striving to create new value.

