

Our Future 3

Growth Fields— Business Services Segment

“DX Partner” Creating Businesses Together to Solve Customer Issues

Changes in the Environment Surrounding Companies and Expectations for KDDI

Japan faces increasingly diverse and complex issues. These include responding to the COVID-19 pandemic, a declining working-age population, issues related to employee working styles (namely balancing work with childcare and nursing care), and business issues related to achieving sustainable growth amid a challenging economic environment. Solutions to address these issues are essential.

Until several years ago, most customer demands centered on reducing telecommunication costs. Today’s demands are far wider ranging, from “flexibly responding to diverse workstyles that balance employee satisfaction and enhance cost efficiency” to “creating new businesses through digital transformation (DX) to nurture future growth pillars.”

KDDI is a DX Partner Creating New Businesses to Address Customer Issues

KDDI provides stable telecommunications services under any circumstances—24 hours a day, 365 days a year—to garner customer trust. As a result, we are also being chosen as a DX partner to create businesses with our customers as we work to genuinely solve their issues. Aiming to further enhance initiatives, we renamed the Corporate Business Division the Business Design Division in April 2021. The new name is imbued with the meaning of “actively visiting customers’ frontlines to uncover issues and contribute to business growth,” or in other words, “designing customer businesses.” Every employee will enhance their ability to understand customers and to solve issues. By combining KDDI Group assets, including 5G, IoT, and AI, we will solve customer issues through DX.

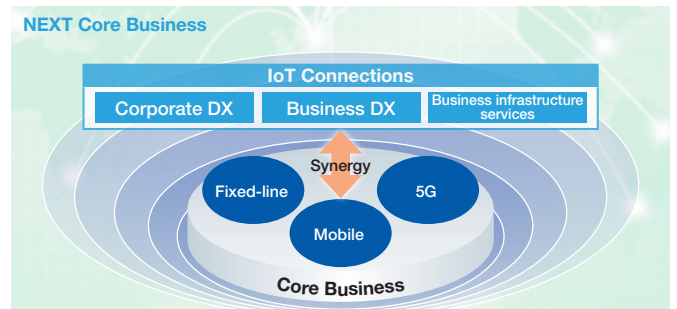
At the same time, we are integrating global divisions and establishing a system to globally roll out initiatives as a DX partner.

Business Services Segment Growth Strategies

As for the Business Services segment, we aim to achieve sustainable growth through double digit growth of the NEXT core business, which comprises corporate DX, business DX, and business infrastructure services, centered on the stable growth of the core business, which comprise mobile and fixed telecommunications.

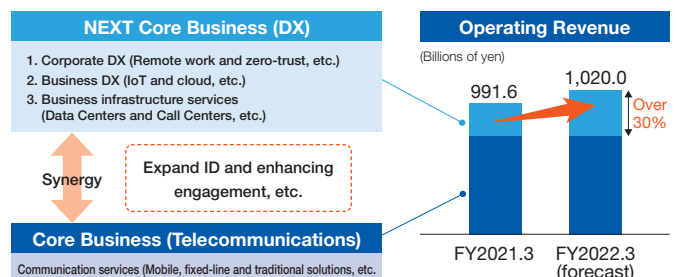
In the process of focusing on the NEXT core business, we need to enter our customers’ frontlines and gain a deeper understanding. To this end, we see a trend of greater engagement building up for customers who have contracts in the NEXT core business.

Furthermore, there are many cases of these kind of customers expanding contracts of the core business, leading to a virtuous cycle of generating synergy among the core business and the NEXT core business.



Focusing on NEXT Core Business (DX)

In the NEXT core business, operating revenue in the fiscal year ending March 31, 2022 will expand to over 30% of Business Services segment operating revenue.



1. Corporate DX

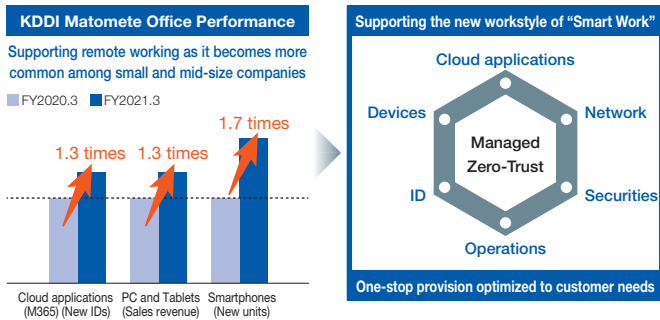
Through teleworking and zero trust solutions,*1 we will continue supporting companies' various workstyles.

Due to the COVID-19 pandemic, teleworking has become engrained in many companies. However, companies now face the urgent need to address looming threats in the existing perimeter-based security.*2

KDDI provides Managed Zero Trust in a one-stop place by optimally combining devices, networks, and security to solve customer issues by leveraging the know-how cultivated by practicing zero trust in its own operations.

*1 The concept of strengthening security by not trusting any internal or external traffic, inspecting each device when it accesses service, and makes a log.

*2 A security measure that blocks external attacks and ensures the safety of internal networks by constructing obstacles along the perimeter between external networks and internal networks.



2. Business DX

We will continue to help grow customer businesses through DX by leveraging 5G, IoT, cloud services, and other technologies. We have expanded the capabilities needed to support customer DX in order to address all the issues of different customers depending on their industry and business.

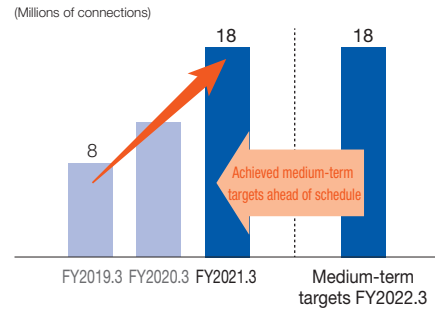
Abundant KDDI Group Capabilities



KDDI has supported customer businesses by providing machine-to-machine (M2M) services ahead of competitors from around 2000. Driven by automobiles, gas, and electricity, cumulative IoT connections grew significantly to over 21 million in March 2021, including connections with the Group company SORACOM.

Going forward, we aim to achieve further growth by globally rolling out the successful models we cultivated in Japan.

Cumulative IoT Connections (including SORACOM) Exceed 21 Million (March 2021)

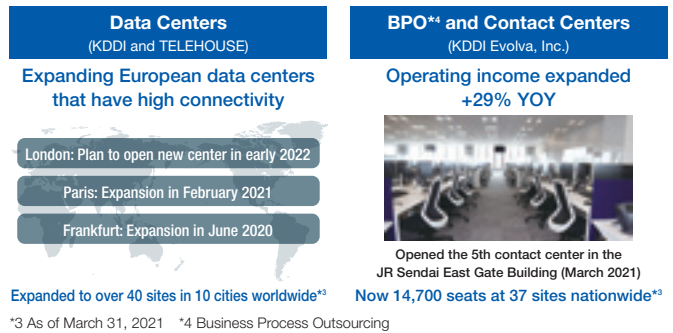


3. Business infrastructure services

To support customer business growth, we are providing business infrastructure services, such as data and call centers that support business.

We have expanded our data centers to over 40 sites in 10 cities around the world, mainly in Europe. We are working to strengthen our base as a premium data center operator using high connectivity. In addition, as for our call centers, the Group company KDDI Evolva, Inc. has expanded its business base, and operating income in FY2021.3 has significantly grown 29% year on year.

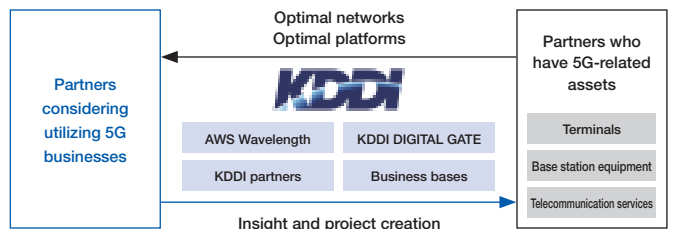
Going forward, we will continue growing globally with customers and actively expand our business base.



Entering the Real 5G Era

In October 2020, we established the KDDI 5G Business Co-Creation Alliance. We will form a community with DX Business Partners who have various assets, such as technology and devices related to 5G, and will continue to support customer DX leveraging the special characteristics of 5G networks.

KDDI 5G Business Co-Creation Alliance



In December 2020, in collaboration with AWS, we began providing AWS Wavelength, the first telecommunications carrier in Japan to do so. By combining the au 5G network with AWS's mobile computing services, we will realize ultra-low latency telecommunications and continue providing new business chances for 5G to customers.