The Japanese Market and KDDI

Mobile Communications Subscriptions

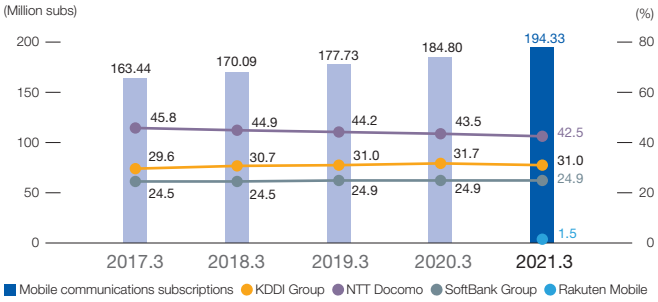
As of March 31, 2021, cumulative mobile communications subscriptions in Japan totaled 194.33 million,*1 up 5.2% year on year. The mobile market continues to grow, driven by the spread of smartphones, lower fees stimulating the market, and increased use in business, including IoT.

Of this total, the KDDI Group's share fell 0.7 points year on year to 31.0%*2.

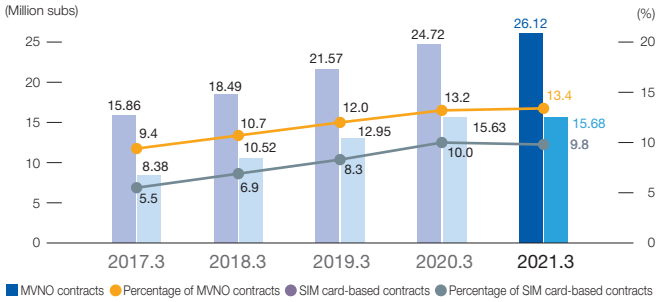
There has also been continued growth in the number of service contracts for MVNO,*3 up 5.6% from a year earlier to 26.12 million.*1 The percentage of MVNO contracts among mobile telecommunications reached 13.4%.*4

Of this total, UQ mobile's and the KDDI Group's MVNO service contracts (BIGLOBE mobile, J:COM MOBILE) expanded 27.8% year on year to a combined total of 3.92 million.

Mobile Communications Subscriptions*1



MVNO Service Contracts and Percentage of Contracts*4



*1 Source: Official Announcement of Quarterly Data on the Number of Telecommunications Service Subscriptions and Market Shares (FY2020 Q4 (End of March 2021)), Ministry of Internal Affairs and Communications
*2 The KDDI Group includes KDDI, Okinawa Cellular Telephone Company (au), and UQ Communications. The SoftBank Group includes SoftBank and Y!Mobile. In addition, the figure includes subscriptions related to providing services to each company's MVNO.
*3 MVNO: Mobile Virtual Network Operator
*4 Percentage of MVNO contracts = MVNO service contracts / mobile telecommunications contracts
Percentage of SIM card-based contracts = SIM card-based contracts / (mobile telecommunications contracts – telecommunications module contracts provided by MNOs)
The number of SIM card-based contracts provided by MVNOs is a total of the numbers reported from MVNOs that have more than 30,000 contracts.

Market Trends for Mobile Phone Fees

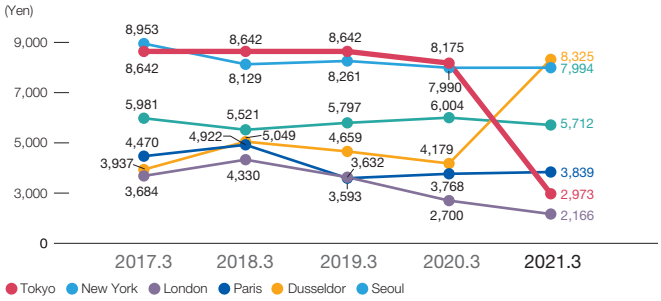
In Japan, to spur competition in the mobile market and protect users, the Telecommunications Business Law was partially revised in October 2019. To lighten the burden on users, there have been subsequent discussions about lowering mobile phone fees.

Mobile phone fees for 20GB of data remained the highest in Japan until 2019 among six major cities around the world. In October 2020, the Ministry of Internal Affairs and Communications announced an action plan to establish a fair competitive environment in the mobile market with the aim of lowering mobile phone fees. Following that, each MNO company launched new inexpensive brands and new pricing plans, including for 20GB of data, by March 2021.

As a result, in the survey in May 2021, the same 20GB plan in Japan was the second lowest among the six cities around the world, achieving a major reduction in fees.

KDDI offers 20GB of data per month for ¥2,480 (excluding tax) and launched au's new online-only brand "povo" from March 2021. We aim to offset any reduction in profit across the Group by introducing this new brand, and maintain growth by further enhancing our mobile multi-brand strategy and the Life Design Domain, which is a non-telecommunications domain.

Fees for 20GB*5 of Data for 4G Smartphones in Tokyo and Five Other Cities (providers with the No. 1 MNO share)



*5 The 20GB data survey has been conducted monthly since 2016.
Source: In May 2021, the Ministry of Internal Affairs and Communications announced the "Results of the Fiscal 2020 Internal and External Price Difference Survey Related to Telecommunications Services (Overview)."

Fixed-Line Telecommunications Business Domain

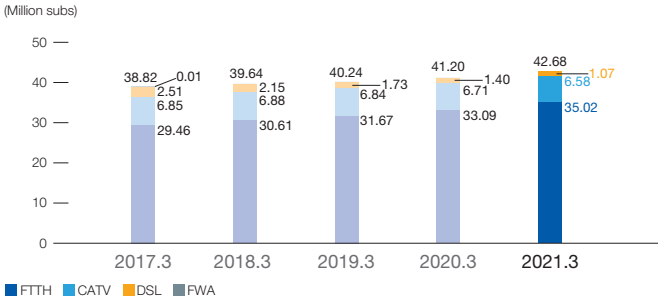
As of March 31, 2021, the number of fixed-line broadband subscriptions was up 3.6% year on year to 42.68 million.*1

The market for fixed-line broadband service continues to expand gradually, driven by sales of discount bundled mobile and fixed-line services and the opening of new markets by new operators using the wholesaling fiber access service of NTT East and NTT West. In addition, we expect the fixed-line broadband service business to remain firm due in part to increased demand, including for telework, remote learning, and video streaming, caused by the COVID-19 pandemic countermeasures.

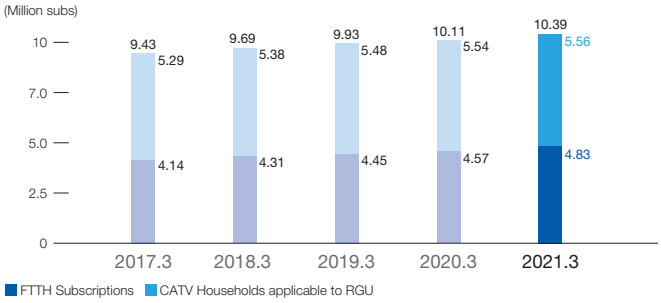
The number of KDDI's domestic broadband subscriptions (FTTH subscriptions + CATV Households applicable to RGU) slightly increased at 10.39 million, up 2.7% year on year.

By cross-selling FTTH and CATV to the au and the Group's MVNO services, we expect the KDDI Group customer base to continue growing stronger and expanding.

Number of Fixed-Line Broadband Subscriptions*1 in Japan



Total of FTTH Subscriptions*6 and CATV Households applicable to RGU *7



*6 FTTH subscriptions: au HIKARI + Commuf@-hikari + au HIKARI Chura (OCT) + HIKARI J + BIGLOBE HIKARI and others (Personal Services segment basis)
*7 RGU: Revenue Generating Units. Each household's subscription to CATV, high-speed Internet connection, or telephony services represents one RGU.

Impact of the COVID-19 pandemic and KDDI's Business Status

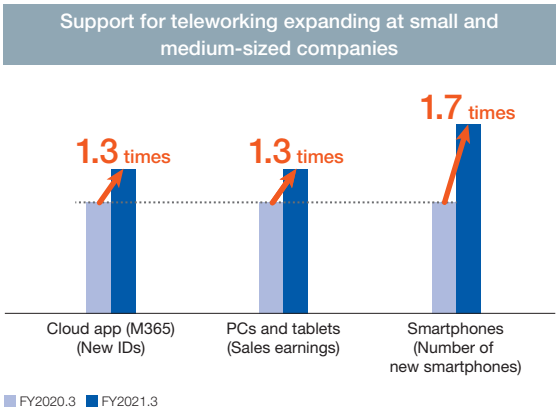
Due to the spread of the COVID-19 pandemic in Japan, three emergency declarations were made from April 2020 to April 2021. During this time, the government asked people to stay home to stop the rise in cases, causing a major shift toward online in people's lives and consumption as more people spent most of their time at home. As for KDDI's businesses, the English speaking school AEON and Kidzania, which operates work experience facilities, bore temporary impacts. But we developed new businesses adapted to the new normal, such as conducting both online and offline lessons at AEON and, for Kidzania, conducting online work experiences and programs where children can deepen their knowledge of work.

In addition, due to the stay-at-home demand, in the Life Design Domain, sales expanded for the settlement business, commerce, content, and more, and in the Business Services segment, corporate teleworking demand increased, and the performance of cloud apps, PCs, tablets, and smartphones remained strong.

AEON's Free Online Lessons (August 2020–February 2021)

A child using Kidzania's online program

KDDI MATOMETE OFFICE Performance



Status of frequencies allocated to each telecommunications company and building high-quality networks

Smartphones and 5G devices have become more common, performance has improved, content services and applications have diversified, such as social media sites, videos, and video games, and telecommunications technologies have evolved. Due in part to this, Japan's mobile traffic volume has continued to increase. Average monthly traffic and peak traffic have both increased around 1.3 times over the most recent year (source: Ministry of Internal Affairs and Communications' Current Status of Japan's Mobile Telecommunications Traffic (for September 2020)).

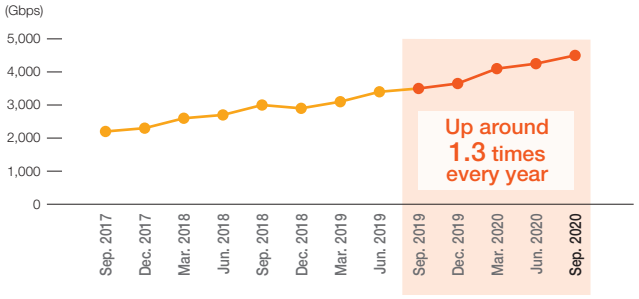
Going forward, as 5G and unlimited plans become more widespread, we expect larger volumes of data use as well as increases in traffic every year for business use, such as IoT business, teleworking, online education, and remote medicine.

KDDI was allocated a total of 240MHz for 3G and 4G and 600MHz for 5G for a combined total of 840MHz of frequencies and conducts mobile telecommunications business across a wide range of frequencies. To expand the service area, enhance connectivity, and respond to the increase in data traffic, we expanded and installed new wireless base stations and conversion equipment and are working every day to enhance the quality of our telecommunications.

We plan to end 3G service on March 31, 2022 to effectively utilize the limited frequencies. This will help enhance 4G-LTE quality, and we can consolidate telecommunications into the two 4G and 5G categories. In this way, we strive to reduce network operations cost and promote the reformation of the earnings structure of the mobile telecommunications business.

Going forward, we will continue striving to enhance the quality of the mobile telecommunications business, improve cost efficiency, and enhance customer satisfaction as a foundational business to support the growth fields of the Life Design Domain and the Business Services segment.

Average Monthly Traffic



Note: The collective mobile telecommunications traffic volume (non-voice) data for six mobile telecommunications providers. Measured and collected on a monthly and per-hour basis by transmission packet converter (GGSN/EPC) equivalent of both uploads and downloads.

Allocation of Bandwidth among Japan's Mobile Telecommunications Operators (As of April 30, 2021)

Excels in overall area coverage
- Large areas can be covered by one station
- Encompasses broad area, not easily blocked

Excels in high-volume transfers
- Only small areas can be covered by one station
- Allocated a broad frequency range, allowing high-speed transfer

	700MHz	800MHz /900MHz	1.5GHz	1.7GHz	2.1GHz	2.6GHz	3.5GHz	4G Total	3.7GHz /4.5GHz	28GHz	5G Total	Total bandwidth
au + UQ WiMAX	LTE/NR (FDD)	FDD-LTE 3G*1	FDD-LTE	FDD-LTE	FDD-LTE 3G*1	WiMAX 2 + (TDD-LTE)	LTE/NR (TDD)		NR (TDD)	NR (TDD)		
	10MHz	15MHz	10MHz	20MHz	20MHz	50MHz	40MHz	240MHz	200MHz*3 (100MHz) ×2	400MHz*3	600MHz	840MHz
	10MHz	15MHz	10MHz	20MHz	20MHz							
NTT DOCOMO	10MHz	15MHz	15MHz	20MHz*2	20MHz		80MHz	240MHz	200MHz*3 (100MHz) ×2	400MHz*3	600MHz	840MHz
	10MHz	15MHz	15MHz	20MHz*2	20MHz							
SoftBank	10MHz	15MHz	10MHz	15MHz	20MHz	30MHz AXGP	80MHz	250MHz	100MHz*3	400MHz*3	500MHz	750MHz
	10MHz	15MHz	10MHz	15MHz	20MHz							
Rakuten Mobile				40MHz*4				80MHz	100MHz*3	400MHz*3	500MHz	580MHz
				40MHz*4								

*1 au 3G services using 800MHz and 2.1GHz will shut down on March 31, 2022.
*2 Only in Tokyo, Nagoya, and Osaka
*3 Newly allocated by the Ministry of Internal Affairs and Communications on April 10, 2019
*4 Of this 40MHz, 20MHz was newly allocated for nationwide use and the other 20MHz was newly allocated specifically for use outside of Tokyo, Nagoya, and Osaka on April 14, 2021.