



Performance Analysis by Segment

Personal Services Segment

(Years ended March 31)

The Personal Services segment provides services to individual customers.

In Japan, KDDI aims to provide new experience value by expanding and coordinating various life design services, including those related to energy, finance, commerce, and education, while focusing on conventional telecommunications services, chiefly under the “au” brand, such as those related to smartphones, cell phones, FTTH, and CATV. KDDI is working to provide dynamic services aligned with the market environment and customer needs through a multi-brand strategy encompassing the simple and secure price “UQ mobile” and “povo” with free-to-choose toppings, in addition to “au,” which offers unlimited use without anxiety.

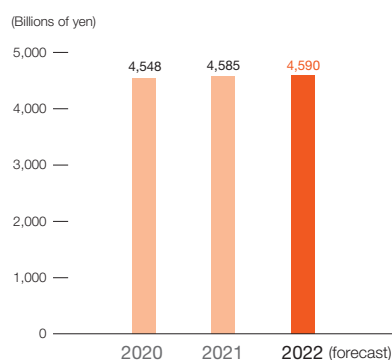
Overseas, we use know-how cultivated in Japan to actively engage in business with individual customers, especially those in Myanmar, Mongolia, and other Asian regions.

Overview of Operations in the Fiscal Year Ended March 31, 2021

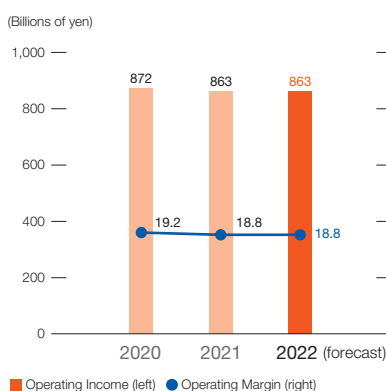
Operating revenue in FY2021.3 increased 0.8% year on year to ¥4,585.1 billion. A decrease in “au” communications ARPA revenues*¹ and mobile handset revenue was offset mainly by higher revenue from UQ mobile and the Group’s MVNOs and from the Life Design Domain, excluding the energy business.

Operating income fell 1.0% year on year to ¥862.9 billion, due mainly to a decrease in “au” communications ARPA and a temporary surge in wholesale prices in the electric power market (down ¥20.5 billion year on year) in the energy business despite strong performance in the Life Design Domain, especially the financial business (but excluding the energy business).

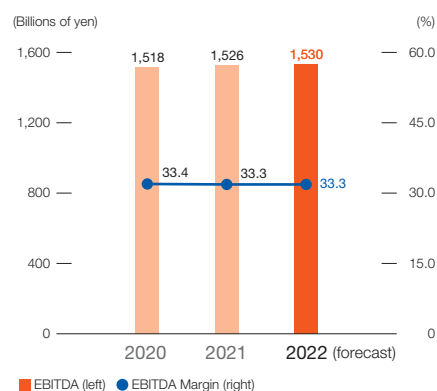
▼ Operating Revenue



▼ Operating Income/Operating Margin



▼ EBITDA/EBITDA Margin

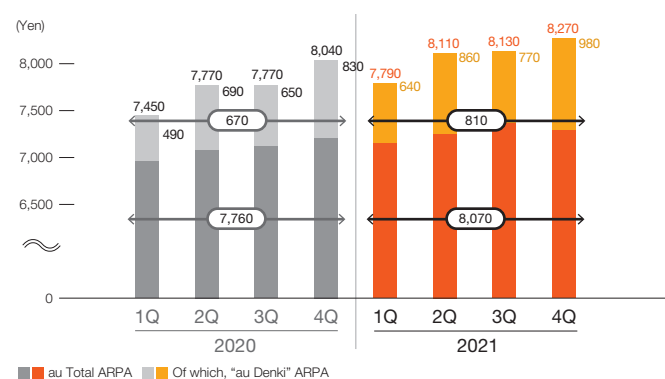


*¹ au communications ARPA revenues + Value-Added ARPA revenues + Handset Repair and Compensation revenues + au Denki revenues

au Total ARPA

au total ARPA rose ¥310 thanks to expansion in “au Denki” ARPA, which increased ¥140 year on year driven by a steady increase of au Denki, etc. subscriptions and to an increase in value-added ARPA that was driven by growth in the percentage of “au Smart Pass Premium” members and its expanded use for payments, finance, and commerce.

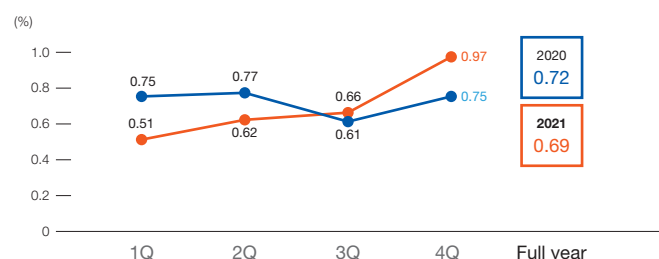
We aim to continue expanding the Multi-Brand total ARPA from the fiscal year ending March 31, 2022 onward mainly by meeting customer needs through the total strength of our multiple brands, including UQ mobile and povo, in addition to au.



au Churn Rate

The au churn rate remained at a low level up to the third quarter of the FY2021.3 due to KDDI implementing a multi-brand strategy and transitioning to 5G in addition to lower market activity caused by the impact of people staying at home to prevent the spread of the COVID-19 pandemic. In the fourth quarter, the au churn rate temporarily increased due to an increase in market activity due to the start of the back-to-school season as well as the launch of new brands and lower-priced plans from competitors. As a result, the full-year rate was 0.69%, down 0.03 percentage points year on year.

To reduce the Multi-Brand churn rate going forward, KDDI continues to further enhance engagement with customers by implementing a multi-brand strategy to promote differentiation and make life design services more attractive.



Life Design Domain

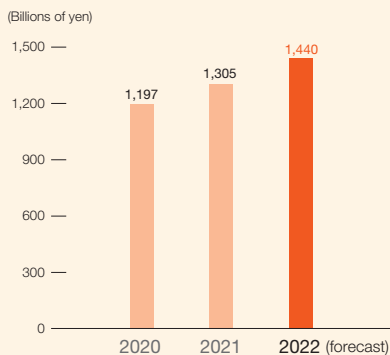
Overview of Operations in the Fiscal Year Ended March 31, 2021 for the Life Design Domain

Operating revenue expanded 9.0% year on year to ¥1,305.0 billion mainly owing to higher revenue from not only the financial business, but also “au Smart Pass Premium,” commerce, and repair and compensation.

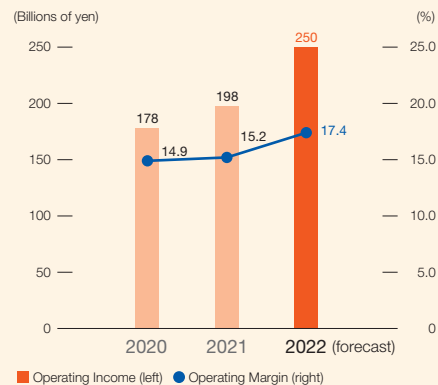
Operating income grew 11.2% year on year to ¥198.0 billion, driven

by strong results in the financial business, “au Smart Pass Premium,” commerce, and repair and protection, despite temporary effects of surging wholesale prices in the electric power market in the energy business.

Operating Revenue



Operating Income/Operating Margin

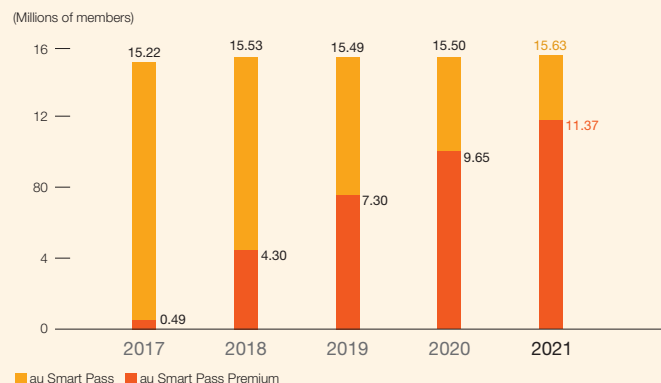


Number of “au Smart Pass” and “au Smart Pass Premium” Members

The number of “au Smart Pass” and “au Smart Pass Premium” members increased 130,000 compared with the end of the previous fiscal year to 15.63 million. Of this number, memberships of “au Smart Pass Premium,” which is a sophisticated version of “au Smart Pass,” increased 1.72 million year on year to 11.37 million.

The number of “au Smart Pass Premium” memberships steadily rose due to an expansion in services for non-au customers from December 2019 and the launch of content that enables customers to experience the charm of 5G. The ratio of premium memberships grew to 72.7% of all “au Smart Pass” memberships.

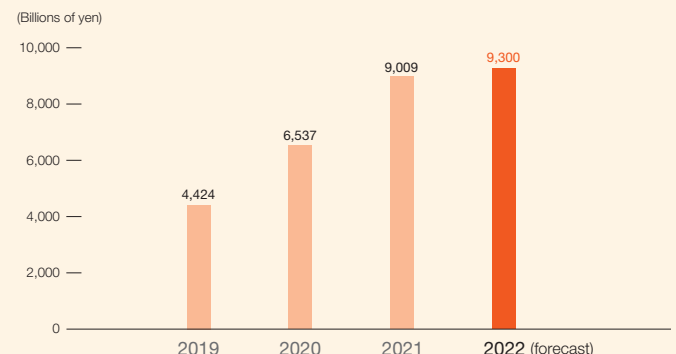
Reference: “au Smart Pass” is a package service for a monthly data fee of ¥372. Various apps, data storage services, coupons, repairs, protection and more are accepted. “au Smart Pass Premium” is a sophisticated version for a monthly data fee of ¥499. (au Smart Pass stopped enrolling new members on October 1, 2020.)



Transaction Volume of Settlement/Loan

In financial services, the growth driver of the Life Design Domain, the transaction volume of settlement/loan surpassed ¥9 trillion in the fiscal year ended March 31, 2021, achieving the current medium-term target of “¥6 trillion as of March 31, 2022” ahead of schedule. Of the ¥20.0 billion year-on-year increase in operating income in the Life Design Domain, the financial business accounts for ¥19.0 billion, proving that the expansion in settlement and financial transactions has helped expand profit.

The settlement business, including carrier settlements, was strong, and au Jibun Bank’s mortgage loan amount rose ¥550.0 billion year on year, surpassing ¥1,350.0 billion (cumulative) and leading the financial business.



Main Initiatives of the Personal Services Segment

au 5G Experience

The characteristic of KDDI's 5G service is providing new value experience to customers and creating AUGMENTED experiences through unlimited plans, devices, and services based on our hybrid network of advanced 5G and resilient 4G. For customers who use an iPhone 12 on a contract for an unlimited data*^{1,2} plan, from October 2020, we provide services that automatically upgrade video quality to high quality in 5G areas. In addition, these services began also being offered to 5G handsets installed with Android from April 2021.

Customers who have contracts for the video streaming platform TELASA (paid subscription), which is our joint venture with TV Asahi Corporation, and "au Smart Pass Premium" (paid subscription) can instantly and easily enjoy such entertainment as multi-angle videos and streaming 360-degree VR videos. Through au 5G Experience, we will maximize the inherent appeal of our content and offer richer 5G experiences as we work to expand new content markets using 5G.

*1 There is a limit to the data volume for tethering, data sharing, and global data plans (fee-based). The limit depends on the plan. Regarding services like videos and cloud gaming that use large volumes of data and long connection times, the data speeds are restricted to a range that does not hinder general use of au smartphones (for example, full HD quality videos on 5G and HD quality videos on 4G-LTE). Data speeds may be restricted during busy times for high volume data use that exceeds certain thresholds.

*2 Unlimited MAX 5G, Unlimited MAX 5G with Amazon Prime, Unlimited MAX 5G Netflix Pack (P), Unlimited MAX 5G TV Pack, Unlimited MAX 5G ALL STAR Pack

Alliance with Over-The-Top (OTT) Media Providers

Through au, KDDI began 5G commercial services in March 2020 and offers unique and appealing plans that combine data telecommunications with popular entertainment content. From March 2021, we began offering Unlimited MAX 5G/4G pricing plans for smartphones that offer unlimited data.

We offer the Unlimited MAX 5G/4G Netflix Pack (P), which combines popular entertainment content (Netflix (basic plan), TELASA, and Amazon Prime, and the Unlimited MAX 5G ALL STAR Pack, pairing unlimited Netflix (basic plan) and TELASA with Apple Music and YouTube Premium). These plans*¹ enable customers to enjoy content without paying attention to data limits.

We focused on growth in the Life Design Domain early on, and these plans were possible due to the strong relationships we built with partners. KDDI's strength is its ability to offer this kind of attractive lineup to customers. Our partner OTT providers*³ reaped the benefits of expanding marketing in Japan using the au customer base and expecting long-term use. These alliances provided top-line growth for both partners.

KDDI will continue working with various partners to develop and provide services that customers will choose.

*3 OTT (Over The Top) refers to messages, audio, video and other content sent over the internet without relying on a telecommunications provider or an internet service provider (ISP). An OTT provider is an operator who provides such services.


▼ Offering Unique Pricing Plans Incorporating Value-Added Services

Unlimited MAX 5G/4G Netflix Pack (P)


Two services

NETFLIX TELASA

Basic plan





60GB limit on tethering and other services




Unlimited MAX 5G ALL STAR Pack

Four entertainment services

NETFLIX  **MUSIC**  **TELASA**

Basic plan



80GB limit on tethering and other services

Cumulative 5G Unit Sales

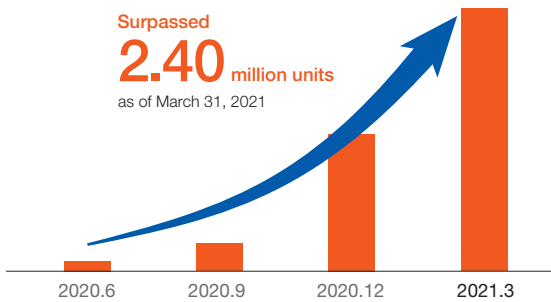
Sales for au 5G, which began commercial services from March 2020, remained steady and surpassed a cumulative total of 2.40 million unit sales as of March 31, 2021.

Since beginning 5G services, all smartphones offered by au are 5G capable, including the newest iPhones and Android phones. Our broad lineup meets customer needs, from highly durable models and high-spec models with ultra-fine displays and cameras to middle-range models with choice functions.

In addition, customer shopping is shifting from real stores to online ones due to the spread of the COVID-19 pandemic. Sales at “au Online shop” are expanding due in part to offering online-only handset purchase rewards.

With its uniquely appealing lineup, KDDI will continue working to expand 5G with its comprehensive capabilities going forward while nimbly responding to changes in the market and competitive environment.

▼ Cumulative 5G Units Sales



Creating New Experience Value that Helps Expand 5G

To convey the appeal of 5G to more customers, we are working to create new experience value in the 5G era. From May 2020, the Shibuya 5G Entertainment Project has been promoted by KDDI, Future Design Shibuya, and the Shibuya City Tourism Association Inc. Foundation. Through this project, we expanded “Virtual Shibuya” from May 2021 and began providing services in new areas in Harajuku. People can use their smartphone at home to freely manipulate their avatars on recreated Shibuya and Harajuku streets. It is possible to share the same space with friends and family in distant locations and shop together while talking with them.

As for sports, because entry to baseball stadiums is being restricted due to the COVID-19 pandemic, KDDI partnered with the YOKOHAMA DeNA BAYSTARS BASEBALL CLUB, INC. to use advanced technologies to provide “Virtual Hama Stadium,” which lets people watch baseball and feel the atmosphere of a baseball stadium right from home using VR. As for soccer, we are working with the Nagoya Grampus Eight to provide a new watching experience. We turned stadiums into 5G areas and are promoting new ways to enjoy sports through 5G, such as using smart glasses and au 5G handsets to provide services to offer information in real time through AR on various scenes during the match, such as team formations and shots. Going forward, we will continue working to further promote 5G by providing new experience value in various areas.

▼ Image of Virtual Hama Stadium



▼ Image of AR view of Nagoya Grampus Eight



Highlight

Solving Social Issues through the Telecommunications Business

Social issues

- Resilience to extreme weather events
- Reducing society’s environmental burden through ICT
- Infrastructure cut off during natural disasters
- Digital divide impacting the weakest in society



“Achieving a truly connected society” is the ultimate goal of the KDDI Group Mission Statement. To this end, as a telecommunications operator that provides social infrastructure, the Company has the important social mission of providing stable communications services on an ongoing basis, 24 hours a day and 365 days a year, regardless of conditions.

However, greenhouse gas emissions, which are a source of global warming, are increasing every year, and reducing these emissions is a social issue common to all people. Use of ICT leads to more efficient operations, including production and consumption, and can be expected to help reduce customers’

CO₂ emissions. In addition, as use of ICT expands, there are concerns about the growing environmental burden of data centers and base stations. Because of this, more energy efficient facilities and machines are being developed and installed.

In KDDI Sustainable Action, KDDI declared that it will reduce the environmental burden of society using ICT with the aim of achieving zero CO₂ emissions by 2050 and strongly promoting a shift toward renewable energy. Going forward, we will not only consider the risks of climate change and other social issues, we will strive to solve issues by leveraging KDDI’s strengths using 5G and IoT.



Performance Analysis by Segment

Business Services Segment

(Years ended March 31)

The Business Services segment mainly provides a wide range of corporate customers in Japan and overseas with TELEHOUSE brand data center services and a variety of solutions encompassing network and cloud services, smartphones and other devices.

We define the NEXT Core Business (DX) as business that will drive growth going forward. We will further expand our business domain by providing total support for customers' DX and generate synergy with the Core Business comprising mobile and fixed telecommunications with the aim of achieving growth in the entire Business Services segment.

Note: For details on the NEXT Core Business (DX), please see P. 18 Special Feature, Growth Fields—Business Services Segment.

Overview of Operations in the Fiscal Year Ended March 31, 2021

In the fiscal year ended March 31, 2021, operating revenue expanded 5.3% year on year to ¥991.6 billion. This increase mainly reflected higher revenue from mobile and fixed-line telecommunications business and from the NEXT Core Business.

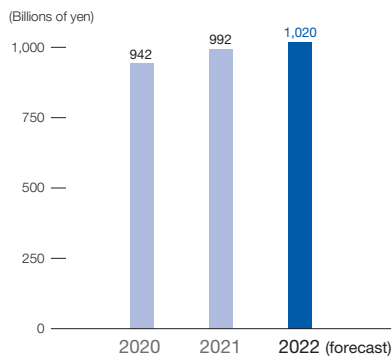
In the NEXT Core Business, revenue from corporate DX, business DX, and business infrastructure services all increased. In particular, business DX (including IoT and cloud services) achieved double digit growth.

Operating income climbed 11.9% to ¥166.7 billion, driven by strong results in the existing core business, especially mobile services. In addition, in the NEXT Core Business, revenue grew from IoT and cloud services in business DX and from call centers and data centers in business infrastructure services.

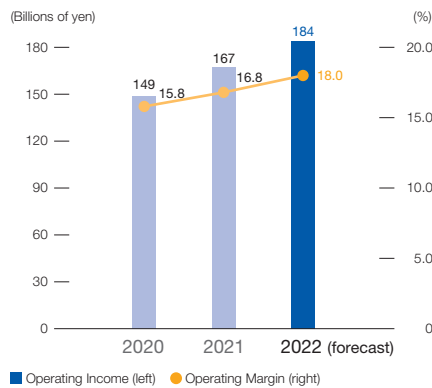
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P. 18 Special Feature, Growth Fields—Business Services Segment

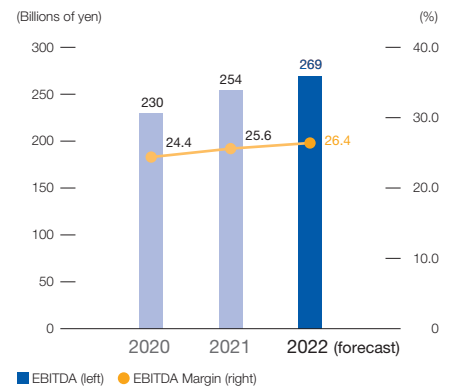
Operating Revenue



Operating Income/Operating Margin



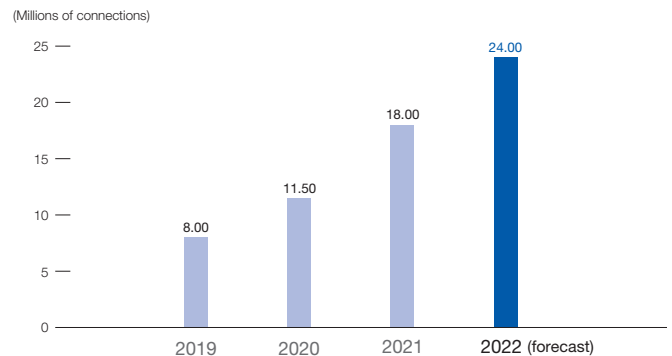
EBITDA/EBITDA Margin



IoT Connections

Going forward, the expansion of IoT and corporate DX is expected to accelerate.

We achieved our target of 18 million IoT connections under the current medium-term management plan one year ahead of schedule and aim to achieve 24 million by March 31, 2022. We can expect revenue in the Business Services segment to expand further as a net growth pace accelerates for connected cars and gas platforms and by bundling cloud and data utilization services. In addition, if we add in the connections from the Group company SORACOM, the number surpasses 21 million as of March 31, 2021.



Key Initiatives in the Business Services Segment

Accelerating Customers' DX

The KDDI Group utilized 5G and IoT technologies to provide one-stop solutions that help customers develop and expand business. In September 2018, we opened the new business creation base KDDI DIGITAL GATE. In December 2020, we opened KDDI research atelier, a new research base to offer lifestyles for the new normal era. We promote cooperation between these two open innovation bases located in the Toranomon area to create new value through DX. We aim to create a resilient future society through the advanced integration of physical spaces and cyber spaces, which is a goal of the next generation social concept of KDDI Accelerate 5.0.

▼ KDDI research atelier



Promotion with Partner Company

KDDI is cooperating with partner companies to help solve the issues facing various industries and companies and to make businesses more sophisticated. KDDI concluded an agreement with East Japan Railway Company in December 2020 to help realize the Free Space Project, a decentralized urban development project to create diverse workstyles and lives not bound by place or time through the convergence of transportation and telecommunications focusing on a post-pandemic society.

Both companies aim to jointly promote the development of Shinagawa, which will be the core city for the project, develop satellite cities in regions across Japan, and develop and provide mobility services.

▼ Shinagawa Development Project



Building Engagement with Customers

KDDI defined one of its corporate visions as "The company the customer can feel closest to." We continue contributing to the businesses of corporate customers and creating new experience value. In order to achieve sustainable growth, we are most focused on building engagement with customers.

KDDI was awarded first place in four categories of J.D. Power Japan's 2020 Business Service Satisfaction Study. In September 2020, in the 2020 Business Mobile Phone Service Satisfaction Study, KDDI was awarded first place in overall customer satisfaction in the Large Corporations/Medium-Sized Enterprises Market Segment*1 for the fifth consecutive year as well as first place in the Small/Medium Corporations Market Segment*2 for the first time. Moreover, in October 2020, KDDI was awarded first place in overall customer satisfaction in the Business IP Phone & Direct Line Phone Satisfaction Study*3 for the eighth consecutive year and, in November 2020, KDDI was awarded first place in overall customer satisfaction in the 2020 Business Network Service Satisfaction Study*4 in the Large Corporations Market Segment for the second consecutive year.

*1 J.D. Power Japan's 2020 Business Mobile Phone Service Satisfaction Study. The 2020 study was based on 2,634 replies from 2,068 companies with 100 or more employees related to the operators that provide them with mobile phone service.

*2 J.D. Power Japan's 2020 Business Mobile Phone Service Satisfaction Study. The 2020 study was based on 1,408 replies from 1,161 companies with 50 or more employees but less than 100 employees related to the operators that provide them with mobile phone service.

*3 J.D. Power Japan's 2020 Business IP Phone & Direct Line Phone Satisfaction Study. The 2020 study was based on 1,323 replies from 1,071 companies with 100 or more employees in Japan.

*4 J.D. Power Japan's 2020 Business Network Service Satisfaction Study. The 2020 study was based on 416 replies from 291 companies with 1,000 or more employees in Japan.

Source: jdpower-japan.com



Business Mobile Phone Service Satisfaction, fifth consecutive year at No. 1 in the Large Corporations/Medium-Sized Enterprises Market Segment Business Mobile Phone Service Satisfaction, No. 1 in the Small/Medium Corporations Market Segment
Business IP Phone & Direct Line Phone Satisfaction, eighth consecutive year at No. 1
Business Network Service Satisfaction, second consecutive year at No. 1 in the Large Corporations Market Segment

Highlight

Solving Social Issues through the Telecommunications Business

Currently, Japan is confronting declining productivity and shrinking rural economies due to rural depopulation and a declining working-age population caused by a low birth rate and graying population. Amid such circumstances, ICT is expected to be an effective tool to revitalize regional economies mainly by alleviating labor shortages.

KDDI is working with local municipalities, local companies, and NPOs to build sustainable business models and engage in numerous efforts for regional revitalization to solve local issues using ICT. In addition, to spur economic development, we are leveraging KDDI DIGITAL GATE and other business development bases to solve the issues faced by various companies through innovation. Going forward, KDDI aims to become a company that

Social issues

- Declining working-age population in rural areas
- Expanding economic gap between regions
- Falling industrial competitiveness
- Worries over knowhow transmission due to a lack of successors



helps solve social issues by combining its unique telecommunications and technologies.