New Mid-Term Management Strategy (FY23.3-FY25.3)

May 13, 2022
KDDI Corporation
President
Makoto Takahashi
Major Environmental Changes

- Diversification of values and work styles
- Creating new business through DX
- Increasing importance of sustainability
- Progress in Beyond 5G/6G research as well as next-generation technologies
Toward KDDI VISION 2030

2019-2021: Integration of Telecommunications and life design

Previous Mid-Term Management Strategy

2022-2024: Promoting business Transformation Centered on 5G

New Mid-Term Management Strategy

2030: A platformer supporting society

KDDI VISION 2030
Mid-Term Management Strategy

Defining new materiality and promoting the mid-term management strategy

- Promotion of innovation centered on telecommunications
- Realization of safe, secure, and prosperous society
- Carbon neutral
- Strengthening the group management base through progressing governance
- Human resources first
- Advancing stakeholder engagement

KDDI Vision 2030

Mid-Term Management Strategy - Sustainability Management –

- Strengthening of Management (Non-financial)

Business Strategy

Brand Message

Company Vision

The KDDI Group Mission Statement

Philosophy
Video
(About 4 minutes)
The creation of a society in which anyone can make their dreams a reality, by enhancing the power to connect.

KDDI VISION 2030
Sustainability Management
Working with partners to achieve sustainable growth and enhance corporate value

- Economic value
- Social value
- Environmental value

Corporate value improvement
Business Strategy
Strengthening of Management
Sustainable growth in society
Partnering
Satellite Growth Strategy

5G-driven evolution of the telecommunications business and expansion of focus areas with telecommunications at the core
Focus Areas

In the era of blending telecommunications, evolve businesses in each area by leveraging our strengths

DX
Using KDDI assets to accelerate DX centering on 5G

Finance
Providing platform services to expand B-to-B-to-X businesses

Energy
Leveraging data to expand businesses, including the VPP business

LX*
Revamping people’s life experience and behaviors through the prevalence of 5G and technological evolution

Regional Co-Creation -CATV, etc.-
Pursuing regional co-creation and eliminating the digital divide

Strengths (5G + Operational know-how cultivated over many years + Partnering)

*LX: Life Transformation (a business model that transforms diversifying consumption, life experience and behaviors with an eye to the future)
With 5G penetration, telecommunications will "blend in" with every scene. Era of New Value Creation

- **Smooth play**
- **Immersive, realistic experience**
- **Automobile Management**
- **Medical diagnoses**

5G
High speed high capacity low latency and guaranteed bandwidth
5G Area Construction
Reinforcing customers' lifeline and nationwide coverage also contributes to government targets

Areas along the customer's life line
Areas with high data traffic: analyze, predict and build efficiently

- Commercial districts
- Railroads Shinkansen
- Expressways

Nationwide coverage
Contributing to the 5G population coverage target (95% by FY2024.3) under the Vision for a Digital Garden City Nation

- Mountainous regions
- Isolated island areas

Partnering with SpaceX Promoting measures to prevent blind spots
Evolution of 5G Technology

New value opportunities expand with full-scale 5G SA

5G NSA  5G SA  Beyond 5G

FY20.3~  FY22.3~

Network slicing
Openness and Virtualization

5G SA Application Examples

“Entertainment experiences everywhere“
Co-creating through network slicing

NSA: Non-Standalone, SA: Standalone
5G Penetration / Communications ARPU Revenues

Goal: 80% by FY25.3

Plan to increase by FY25.3 versus FY22.3
Moreover, aiming faster rebound

Note) Personal Services segment
Note) After that, mid-term target is stated for FY25.3 notation
Maximize ARPU

Expand services to provide unique 5G experiences through partnering

**High-definition video experience**

**Real-time service experience**
Corporate Business

Aim for double-digit operating income CAGR through growth in NEXT Core businesses

<table>
<thead>
<tr>
<th>Operating Revenue</th>
<th>Operating Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>DX Promotion</td>
<td>Overall Business Services segment</td>
</tr>
<tr>
<td>NEXT Core</td>
<td>Double-digit CAGR growth</td>
</tr>
</tbody>
</table>

Aim for double-digit CAGR growth

Aiming for about 20% over KDDI Group Consolidated Operating Profit
**Outlook of DX leveraging our strengths**

Further evolution of operational management know-how optimized for era of blended communications

### IoT Connections

<table>
<thead>
<tr>
<th>Year</th>
<th>Value (Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY19.3</td>
<td>8.0</td>
</tr>
<tr>
<td>FY20.3</td>
<td>24.5</td>
</tr>
<tr>
<td>FY21.3</td>
<td></td>
</tr>
<tr>
<td>FY22.3</td>
<td></td>
</tr>
<tr>
<td>FY25.3</td>
<td><strong>44.0</strong></td>
</tr>
</tbody>
</table>

Reliable operation and maintenance system cultivated with global partners

### New Value Creation

Co-creating new value through DX in addition to the sense of security provided by constant connection

With Partners
New Value Creation

Business Development & Cloud

Communication Infrastructure and IoT operational know-how

(Unit: Million)
Accelerate DX of Customer Companies
Aiming to provide industry-specific platforms that support business creation

Examples
- Automotive industry: Self-driving cars
- Railroad industry: Image transmission
- Construction and Real Estate industry: Simulation of human flow
- Energy industry: Drone inspection
- Media industry: Viewing analysis

Network slicing

5G Platform
- Telecommunications
- ID and authentication
- Charging and billing
- Settlement
- Location data
- Data analysis, etc.

Partners
Business Co-Creation Case Studies

Promote business development with partners and co-create through DX

- Image transmission, etc.
- Simulation of human flow, etc.
- Drone inspection, etc.

Decentralize urban development to create work and lifestyles not restricted by location or time

Predicting the future through analyzing data on people and cities with proprietary algorithms

Equipment inspection automation of wind power facility inspections with autoflight and AI analysis

- Spatial Integration
- 4K video projection
- Emotion Recognition
- Facial Analysis

- Space Freedom Project
- MITSUI & CO.
- J POWER

Space Freedom Work Place

- Drone inspection, etc.

- Predicting the future through analyzing data on people and cities with proprietary algorithms

- Equipment inspection automation of wind power facility inspections with autoflight and AI analysis
DX Development System

Strengthening systems and expanding resources to create new value

With Partners - New Value Creation

Business Development & Cloud

Communication Infrastructure & IoT operational know-how

DX Solution Engineering Division

- Business Development/Consulting
- DX Service Planning
- System development

Newly organized

KDDI Digital Divergence Holdings

- KDDI Agile Development Center Corporation (Spin-out)
- iret
- KDDI Web Communications
- Scrum Inc., Japan
- Other Group Companies
- New M&A
Global Expansion of DX

Promoting global DX on strength of our worldwide IoT infrastructure

*More than 200 roaming partners have been agreed in principle, and services are scheduled to be launched by September 2022
Financial Business

Aim for double-digit operating revenue and income CAGR growth along with expansion of key indicators

Results from previous mid-term (FY20.3-FY22.3)

<table>
<thead>
<tr>
<th>FY20.3</th>
<th>FY21.3</th>
<th>FY22.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>177.8 billion yen</td>
<td>19.4 billion yen</td>
<td>Double-digit CAGR growth</td>
</tr>
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</table>

New mid-term targets (FY23.3-FY25.3)

Mortgage loans as a growth driver and expansion mainly in credit card membership

<table>
<thead>
<tr>
<th>FY20.3</th>
<th>FY21.3</th>
<th>FY22.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenue &amp; Operating Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank accounts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of credit card members</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mortgage Loan Balance</td>
<td></td>
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Mid-term

Double-digit CAGR growth

FY25.3

Over 3 trillion yen

Note: au Financial Holdings, IFRS basis
Financial Cross-Use
Accelerate collaboration across wide range of financial functions within financial group

Increase customer engagement

Growth of financial companies and promotion of cross-use

Examples of Cross-Use

au Collective Interest Rates

- With au PAY Account Linkage
  - 0.05% per year
- With au PAY Card By direct debit
  - 0.05% per year
- au Money Connect In the settings
  - 0.099% per year
- Normal 0.001% per annum

Max. 0.2% per year
Yen Savings Deposit Preferential interest rate

Customers using telecom services
Providing Platform Services
Expand business domain by developing B-to-B-to-X services in the future

Contribute to improving customer & employee satisfaction/engagement at client companies

B-to-B-to-C
Improved convenience of settlement and financing, etc.

B-to-B-to-E (Employee)
Loans, asset building, and other benefits

Store owners
Support for opening new stores through settlement and financing, etc.

For non-financial businesses

BaaS Service Delivery Platform

Product Service
- Financing and transfers
- Settlement
- Apps
- Yen savings
- Foreign currency savings
- Asset management
- Mortgage
- Card loans
- Sports betting
Energy Business

Aim for steady business growth by stabilizing earnings and expanding customer base

Business growth

- Stabilization of earnings
- Price spikes in wholesale power trading market
- Ensure stable power supply

Electricity retail business customer base

- Collaboration with telecommunications, financial businesses, etc. and expansion of alliances
- Expand collaboration with group's commercial products
- Increased Penetration

Operating Revenue

Double-digit CAGR growth

FY22.3 FY25.3

Customer contact

Customer base
Carbon Neutral-Related Business

Contributing to society’s carbon neutrality through business

Renewable Energy Generation

Solar panels installed on base stations, etc.
Further expansion with partners

Supply and Demand Adjustment to Support the Expansion of Renewable Energy

Growing instability in the supply and demand balance due to the expansion of renewable energy

Enhancing our ability to adjust supply and demand by promoting the VPP* business

Promoting initiatives to expand the VPP business, such as installing storage batteries

*VPP (Virtual Power Plant) : Using IT and other technologies to control decentralized solar power, storage batteries and other energy sources like they are one power plant
Life Transformation (LX)
Promoting research of technological areas centered on consumer perspectives to create future-oriented business models

Life Transformation (LX)
- Offering diverse value
- Promoting digitalization
- Using the latest technologies

LX Technologies
A technological area that offers new life styles geared toward 2030

Advanced technologies of the Beyond-5G/6G era

<table>
<thead>
<tr>
<th>Network</th>
<th>Security</th>
<th>Spatial recognition and visual analysis</th>
<th>AI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ultra high-speed,</td>
<td>Safety and security through</td>
<td>Ultra realistic experiences</td>
<td>Trust through</td>
</tr>
<tr>
<td>ultra multi-connection,</td>
<td>robust and ultra high-speed</td>
<td></td>
<td>ultra sophisticated</td>
</tr>
<tr>
<td>ultra low-latency</td>
<td>encrypted technologies</td>
<td></td>
<td>AI technologies</td>
</tr>
<tr>
<td>telecommunications environment</td>
<td></td>
<td></td>
<td></td>
</tr>
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</table>
Value Creation by LX (1)

**Web3.0/NFT**

Accelerating initiatives aimed at the autonomous and decentralized Web 3.0 era

- **Web 2.0** (Centralized)
  - Technological evolution such as Blockchain and NFTs

- **Web 3.0** (autonomous and decentralized)
  
- Community C2C
  
- Enabling direct content ownership and sharing through users (creator economy and fan communities, etc.)

**Metaverse**

Develop platform services to provide new value of Web 3.0 era

- New interactive communication with avatars
- A new digital economy comparable to the real economy
- Open environment for creation led by creators

Creating spaces where anyone can express themselves
Value Creation by LX (2)

**Drones**

Expanding services that vitalize regions and enrich lives

- Unmanned delivery
- Expanding video experiences

- Helping enhance the sophistication of distribution by realizing unmanned delivery anywhere
- Realizing new experiences by expanding spaces where videos can be taken

**Satellite telecommunications**

Offering an urban level of telecommunications quality to every corner of the country
Helping create new experiences

- Partnering with SpaceX to offer high-speed satellite telecommunications

- Mountains
- Camps
- Isolated islands
Regional Co-Creation
Addressing the challenges faced by local communities and realizing regional co-creation

Realization of regional co-creation

Mid-term cumulative total of 15 million people eliminated disparity

- Smartphone classes
- Municipality DX
- Smart agriculture
- On-demand transportation
- CATV

- Eliminating financial divides
- Supporting regional education

Local business and venture support mechanisms

- Funding
- Hands-on management support
- DX Human Resource Education

On-demand transportation
Co-creating optimal mobility with local residents

- Assistance in returning driver's license
- Elimination of mobility anxiety
- Childcare Support

Smartphone Classes
Creating a foundation for regional DX
Case Study Hidaka Village
Kochi Prefecture
“Digitizing the Entire Village”
Summary of Efforts in Focus Areas

Business Services segment to become second largest business after domestic telecommunications, aiming for about 20% of consolidated operating income.
Aim for double-digit mid-term CAGR growth in sales in DX.

Accelerate business growth through expansion of customer base and new initiatives aim for double-digit mid-term CAGR growth in sales.

Creating new businesses that transform the living experience with an eye on the future.

Contribute to solving social issues facing local communities.
Transforming into a Company that Puts Human Resources First
Evolving our unified three-part reform initiatives into Phase 2

**Phase 1**
- Introducing the KDDI Version Job Style Personnel System
- Full-scale start of DX personnel training (establishing DX University)
- Upgrading the foundation for the new normal

**Phase 2**
- Diverse human resource vitalization and D&I through HR system
- Improvement of DX skills of all employees and development of professional human resource
- New work styles to enhance engagement

1. New personnel system
2. Internal DX
3. Workstyle reforms
Human Resource Development
Maximizing organizational strengths to drive business strategy centered on DX

Professional Human Resources
- Penetration of KDDI Version Job Style Personnel System
  - In all specialized fields
  - Professional human resources ratio 30%

DX Human Resources
- DX basic skill acquisition
  - All employees over 11,000
- Expand to KDDI Group

Shifting essential personnel into focus areas

*In-house human resources development organization launched in 2020*
Carbon-Neutral

Aim to achieve carbon neutrality in FY2030*

Carbon Neutral Goal

Energy Conservation Efforts

Switching to renewable energy

Obtained SBT certification by KDDI Group (February 2022)

Energy Conservation Efforts

3G suspension → 5G transition

Base station AI control

Efficient 5G area construction

AI-based Power Consumption Control

Equipment sharing

Promotion of infrastructure sharing

Submerged liquid cooling for data centers

Reduced power consumption by technology

*KDDI non-consolidated basis
Respect for Human Rights
Thoroughly engraining respect for human rights in KDDI Group business activities

Observing the KDDI Group Human Rights Policy

- Respect for human rights in all business activities
- Avoid or reduce any negative impacts on human rights
- Avoid involvement in infringement of human rights
- Promote human rights enlightenment activities for all KDDI Group officers and employees, etc.

Global Human Rights Due Diligence

- Risk Identification/Plan for improvement
- Effectiveness verification
- Audit & Improvement
Cost Efficiency

Goal: achieve cost efficiencies of 100 billion yen in mid-term
Group Governance

Strengthened risk management and information security systems

Increase in the number of group companies and diversification of business in line with the promotion of the satellite growth strategy

Strengthen risk management system
- Strengthening the training and support systems for CFO human resources
- Utilizing shared services
- Establishment of a monitoring system

Strengthening information security
- Upgrading systems for inter-Group data connections
- Upgrading the privacy governance system
Cash Allocation Policy
Continue to strengthen investment in growth and shareholder returns for sustainable growth

**Operating CF (Excluding Financial Business)** 5 trillion yen in mid-term

**Capex 5G and Focused areas**
1.3 trillion yen in mid-term (Equivalent to approximately 70% of total consolidated Capex)

**Strategic Business Investment**
700 billion yen in mid-term

**Shareholder returns, etc.**
- Dividend payout ratio over 40%
- Conduct share repurchases in a flexible manner in consideration of status of investment for growth

1.5 trillion yen in mid-term
Consolidated Financial Forecast for FY23.3

Business Services segment and Financial Business to drive profit growth

<table>
<thead>
<tr>
<th></th>
<th>FY22.3</th>
<th>FY23.3 (E)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Services segment Operating Income</td>
<td>1130.0</td>
<td>+8.4%</td>
</tr>
<tr>
<td>Financial Business Operating Income</td>
<td>210.0</td>
<td>+18.1%</td>
</tr>
</tbody>
</table>

Excluding one-time effects
Aiming for double-digit CAGR growth

<table>
<thead>
<tr>
<th></th>
<th>FY23.3</th>
<th>YOY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenue</td>
<td>5,560.0</td>
<td>+2.1%</td>
</tr>
<tr>
<td>Business Services segment</td>
<td>1,130.0</td>
<td>+8.4%</td>
</tr>
<tr>
<td>Financial Business</td>
<td>210.0</td>
<td>+18.1%</td>
</tr>
<tr>
<td>Operating Income</td>
<td>1,100.0</td>
<td>+3.7%</td>
</tr>
<tr>
<td>Business Services segment</td>
<td>206.0</td>
<td>+10.7%</td>
</tr>
<tr>
<td>Financial Business</td>
<td>38.0</td>
<td>+95.9%</td>
</tr>
</tbody>
</table>

*1 au Financial Holdings, IFRS basis
*2 Includes temporary accounting effects

【Shareholder Return】
- Aiming for 21st consecutive DPS growth
- Resolved to repurchase its own shares
  - Up to ¥200 billion
DPS

Aiming for 21st consecutive DPS growth

Note) DPS for FY22.3 and FY23.3 are expected figures
# Mid-Term Management Strategy Summary

<table>
<thead>
<tr>
<th>Sustainability</th>
<th>Aiming for sustainable growth of society and enhancement of corporate value with partners through promoting satellite growth strategy and strengthening management base to support it</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Growth</td>
<td>ARPU revenue increase due to 5G promotion (FY22.3 vs. FY25.3)</td>
</tr>
<tr>
<td></td>
<td>Profit growth in focus areas</td>
</tr>
<tr>
<td></td>
<td>Cost efficiency</td>
</tr>
<tr>
<td>Financial Policy</td>
<td>● Prioritize capital expenditures and strategic business investments in 5G and focus areas</td>
</tr>
<tr>
<td></td>
<td>● Dividend payout ratio over 40%</td>
</tr>
<tr>
<td></td>
<td>● Flexible share repurchases</td>
</tr>
<tr>
<td>EPS Growth</td>
<td>Continue to aim for 1.5x growth versus FY19.3</td>
</tr>
</tbody>
</table>
Appendix
Multi-Brand IDs / Communications ARPU

**Multi-Brand IDs**

(Unit: Million)

<table>
<thead>
<tr>
<th></th>
<th>3/'21</th>
<th>3/'22</th>
<th>3/'23 (E)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>30.72</td>
<td>30.97</td>
<td>31.10</td>
</tr>
</tbody>
</table>

**Multi-Brand Communications ARPU**

(Unit: Yen)

<table>
<thead>
<tr>
<th></th>
<th>FY21.3</th>
<th>FY22.3</th>
<th>FY23.3 (E)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>4,400</td>
<td>4,200</td>
<td>4,000</td>
</tr>
</tbody>
</table>

Note: Personal Services segment. au, UQ mobile and povo
Operating Income: Factors for Change YoY

(Unit: Billions of yen)

1,037.4 (87.2)

- Multi-Brand communications ARPU revenues
- Group MVNO revenues + Roaming revenues

Focus Areas*1

+49.9 (15.1)

Of which:
- Business Services segment +18.6
- Financial Business +7.7

Others

1,060.6 (70.0) ~ (80.0)

- Multi-Brand communications ARPU revenues
- Group MVNO revenues + Roaming revenues

Approx. +80.0

Approx. +50.0

Focus Areas*1

+30.0 ~ 40.0

Others

1,100.0

FY21.3

+23.2

FY22.3

+39.4

FY23.3(E)

*1 Business Services segment, Financial Business (au Financial Holdings, IFRS basis) and Energy Business, etc.
*2 Includes temporary accounting effects
Consolidated FCF (Excluding Financial Business)

Factors for Change

(FY21.3) 778.0 +27.3 (35.7) (48.6) (162.1) Others (Including transient factors such as accounts payable)

(EBITDA) (CAPEX) (Payment of corporate tax, etc.)

(FY22.3) 558.9 +2.6 (3.5) +42.1

(EBITDA) (CAPEX) Others

(FY23.3(E)) 600.0

(Unit: Billions of Yen)

Note) Financial business is au Financial Holdings Corporation
Statements made in these documents with respect to the KDDI Group’s performance targets, projected subscriber numbers, future forecasts and strategies that are not historical facts are forward-looking statements about the future performance of the KDDI Group, based on company’s assumptions and beliefs in light of the information available at the time they were made. They therefore include certain risks and uncertainties. Actual results can differ from these statements due to reasons including, but not limited to, domestic and overseas situation, economic, trends, competitive position, formulation, revision or abolition of laws and ordinances, regulations or systems, government actions or intervention and the success or lack thereof of new services. Consequently, please understand that there is a possibility that actual performance, subscriber numbers, strategies and other information may differ significantly from the forecast information contained in these materials or other envisaged situations.