

# KDDI Business and Strategies

Policy and System

KDDI Group

Policy

KDDI Group

Mid-term goals for FY2018

## Overview of Main KDDI Businesses

KDDI has expanded our base through mergers, and continued to grow as a comprehensive telecommunications company with both mobile and fixed-line operation.

Today in Japan, KDDI is working to secure new revenue streams, utilizing our domestic telecommunications customer base to more actively engage in a variety of initiatives aimed at generating revenue in non-telecommunications fields. In our global business, we are moving forward with efforts to establish sustainable growth, such as entering the mobile telecommunications markets in Myanmar and Mongolia.

## Mid-term Business Goal

There is an increase in severity in the business environment for the domestic telecommunications market due to homogenization of services provided by as well as the growth in popularity of low-priced SIM services through MVNOs. On the other hand, new business opportunities including IoT have started to emerge. In order to achieve sustainable growth by quickly responding to these environmental changes, we believe that KDDI must be accelerating transformation into a business that is not just an extension of conventional businesses in order to achieve sustainable growth by quickly responding to these environmental changes. Based on this background, in May 2016, KDDI announced its new mid-term goals towards FY2018.

### “Achieve continuous growth and enhance shareholder returns”

Profit growth	Operating Income	Target operating income; CAGR 7%
	Gross Merchandise Value of “au Economic Zone”	Over ¥2 trillion by the fiscal year ending March 31, 2019
	M&A for growth	Approx. ¥500 billion over three years
Shareholder returns	Dividend payout ratio	Lift payout ratio from “above 30%” to “above 35%”
	Repurchase own shares	Implement after growth investment
	Cancellation of treasury stock	Limit the amount of treasury stock to 5% of total shares outstanding, and will cancel any shares in excess of this limit

Business Segment	Business Overview	
Personal Services Segment	Provision of communications services for individuals and more	This segment provides mobile and fixed-line communications services for individual customers. In mobile, these chiefly include services under the mainstay “au” brand and MVNO services provided by consolidated subsidiaries such as UQ Communications Inc. Fixed-line services include “au HIKARI” brand FTTH services, CATV services and other services. The segment also provides non-telecommunications services such as the “au WALLET Market” product sales service making use of au shops, as well as energy services such as “au Denki.”
Value Services Segment	Provision of content and settlement services for individuals and more	This segment provides individuals with content, settlement and other value-added services both online and offline. The segment makes monthly subscription services, such as the digital content of “au Smart Pass/au Smart Pass Premium,” more attractive. It also strengthens the commerce business with “Wowma!” and other services, as well as insurance and other services in the financing business, with the goal of maximizing the “au Economic Zone” and expanding earnings of non-telecommunications services.
Business Services Segment	Provision of communications and solution/ cloud services for companies and more	This segment provides diverse solutions, including mobile devices such as smartphones and tablets and cloud services, that seamlessly utilize networks and applications to a wide range of corporate customers, ranging from small to major corporations. In addition, the segment is moving forward with a variety of initiatives in the IoT sector, in which all manner of things are connected with the Internet.
Global Services Segment	Overseas provision of communications for companies and individuals, as well as solution/ cloud services and more	This segment offers the one-stop provision of ICT solutions to corporate customers, centered on our “TELEHOUSE” data centers. In addition, KDDI is working aggressively to expand customer businesses, such as the telecommunications business in Myanmar and Mongolia.
Other	Construction of telecommunication facilities, maintenance, research and development	KDDI conducts research and development of information communication technologies in addition to construction and maintenance of facilities that support communication services.