

Strengthening the Life Design Business

Penetration of mobile phones in Japan had already exceeded 100%*1 as of March 31, 2014, and growth has been slowing since then. Further, because the MVNO market is expected to continue growing, in addition to shrinking customer flows among mobile network operators (MNOs) that have received spectrum allocations, we believe sustainable growth based on the domestic telecommunications business alone will be more difficult.

Given these market conditions, KDDI is aiming for sustainable growth by providing a comprehensive set of “au Life Design” services tailored to the life stage of each customer in addition to its traditional telecommunications services. We are also expanding the “au Economic Zone” based on our existing domestic telecommunications business customer base and settlement platforms.

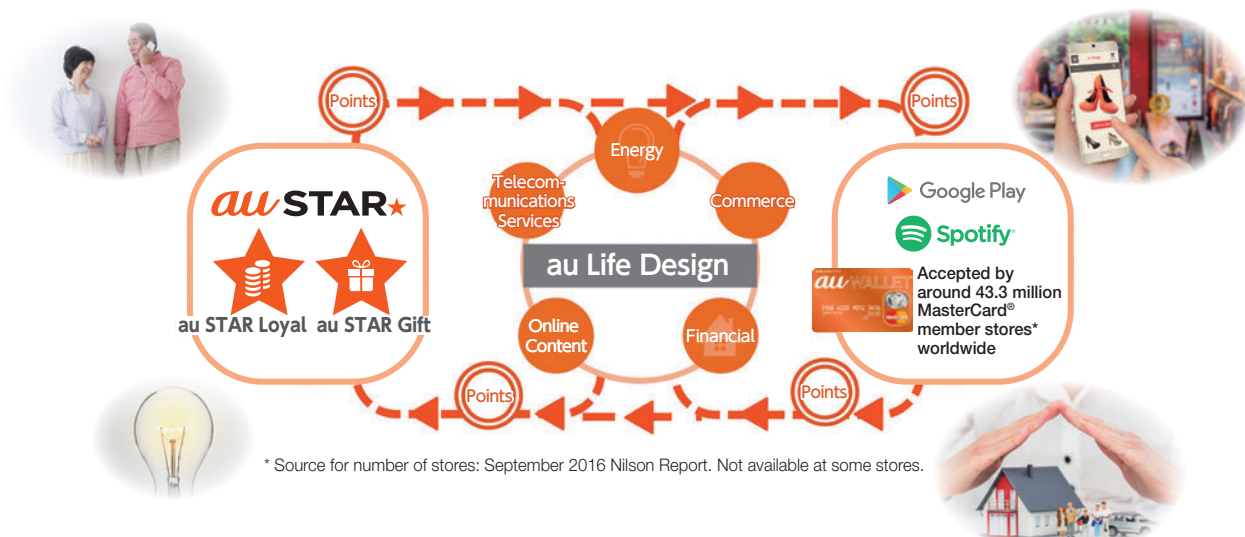
In the life design business, we provide customers



*1 Source: “Mobile Communications (Mobile Phones and PHS) Annual Population Penetration Rates,” Ministry of Internal Affairs and Communications
*2 As of the end of the fiscal year ended March 31, 2017 on a Personal Services segment basis or Value Services segment basis

subscribing to telecommunications services with a variety of services relevant to everyday life, in combination with settlement methods including carrier billing (“au Simple Payment”) and “au WALLET” (prepaid cards and credit cards), together with online touchpoints such as “au Smart Pass” and “au Smart Pass Premium,” and offline through au shops nationwide.

Leveraging its domestic telecommunications customer base, we will provide a variety of services that enable customers to accumulate WALLET points, and by circulating those points within the “au Economic Zone,” we will maximize the “au Economic Zone.”



Circulation of WALLET Points

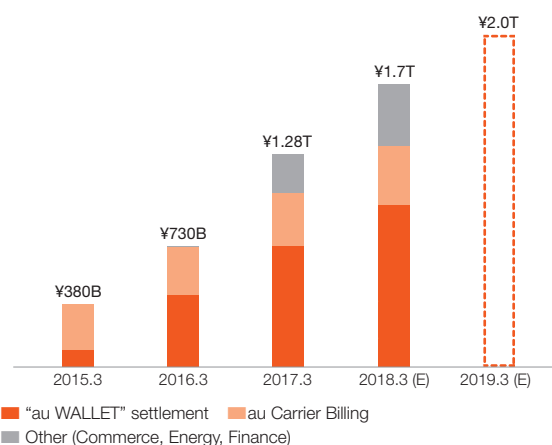
KDDI rewards WALLET points to its customers for monthly telecommunications service usage. “au STAR Loyal,” a benefit for long-term use of au, and life design services such as “au Denki,” a framework to accumulate points in a variety of situations easily. Previously, those points had limited applications. Today, they can be used for commerce services such as “Wowma!”, to pay for purchases with “au WALLET” prepaid cards, and just like cash at real stores, all of which contribute to the expansion of the “au Economic Zone.” Customers can accumulate even more points when they use their points or pay by “au WALLET” credit card. This makes a positive cycle of “use” and “accumulation” of points and also generates revenue for KDDI in the form of settlement fees from each of those transactions. As this circulation model increasingly grows, ecosystem functionality also expands leading to maximization of the “au Economic Zone” as well as its contribution to the Company’s performance.

Contributions to Performance

In addition to expanding and enhancing the services of the life design business, the WALLET point circulation model contributed to solid growth in “au Economic Zone” gross merchandise value from ¥730.0 billion in the fiscal year ended March 31, 2016 to ¥1.28 trillion in the fiscal year ended March 31, 2017. We aim to exceed ¥1.7 trillion in the fiscal year ending March 31, 2018 and ¥2.0 trillion in the fiscal year ending March 31, 2019, the final fiscal year of our current medium-term targets.

Along with this growth in gross merchandise value, the contribution of the “au Economic Zone” to the performance of KDDI has also steadily increased. We will continue working toward further expansion of the “au Economic Zone.”

Gross Merchandise Value of the “au Economic Zone”^{*3}



^{*3} Total amount in circulation, including from “au Simple Payment (Online Carrier Billing)” and “au WALLET,” as well as the scale of economic activities such as commerce, energy, and finance