

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.”

Key Initiatives

Providing Customer Experience Value

In August 2016, KDDI introduced “au STAR*,” a free membership program designed with the goal of encouraging customers to use au services for the long term, and began steadily expanding. The program offers three special benefits: “au STAR Loyal,” which presents customers with WALLET points every month depending on the number of years they have used au and their fixed rate fees on eligible plans; the “au STAR Passport,” which allows customers to make priority reservations at au shops; and “au STAR Gift,” available to all registered customers.

au STAR★



In December 2016, KDDI opened au SENDAI, its largest directly operated shop. Taking advantage of its wide space, the shop includes the “BLUE LEAF CAFÉ” and holds events and workshops, as well as exhibits covering the Tohoku reconstruction assistance efforts. In this way, au SENDAI presents a new type of shop that embodies the integration of communications and lifestyle.

* For individual users of au smartphones and au feature phones. Requires membership registration (free).



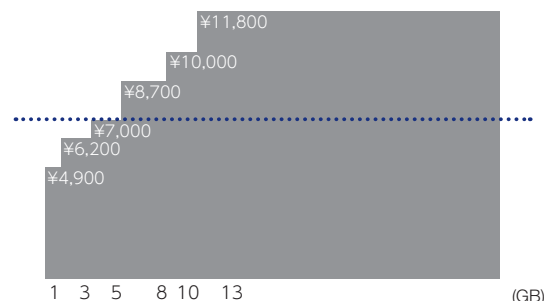
Inside the au SENDAI shop

Expansion of Pricing Plans

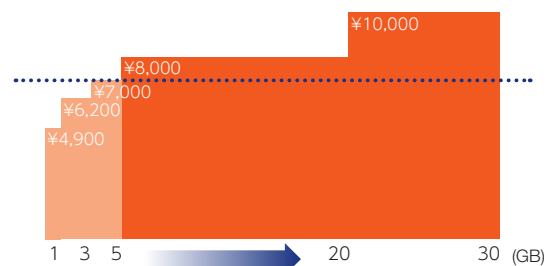
Since September 2016, KDDI has been offering “SUPER Dejira,” a new fixed-rate data service for au smartphone high-volume data users that expands data limits to 20GB or 30GB.

Compared to the conventional service, which offers an additional 3GB (from 5GB to 8GB) for an additional fee of ¥1,700, the new service “SUPER Dejira” quadruples the data allowance (from 5GB to 20GB) for just an additional ¥1,000. This has resulted in steady growth in the number of subscribers, mainly to 20GB plans.

Conventional Service



New Service “SUPER Dejira”



Note: All rates shown are exclusive of tax. Basic rate (when Everybody Discount is applied) + Fixed rate data service + Internet connection fee.

The basic rate provides unlimited free domestic calls for calls of five minutes or less. Each call in excess of five minutes will incur a separate charge of ¥20 yen for each 30 seconds over five minutes.

Operating Revenue

¥3,633.0 billion

Operating Income

¥711.1 billion

EBITDA

¥1,241.2 billion

Entering the Energy Business with “au Denki”

In April 2016, KDDI began providing the “au Denki” service nationwide*1. When used in conjunction with au feature phone and smartphone services, customers can receive the equivalent of up to 5% of their monthly “au Denki” bill in WALLEET points*2 on their “au WALLEET” prepaid card. In addition, the “au Denki App” helps users to enjoy benefits in their lives by providing information on electricity usage and rates at a glance, offering advice on energy saving in line with individual customer lifestyles.

*1 Excluding Okinawa Prefecture and some island locations

Enhancing the Value of the au Brand

As products and services become more homogeneous in the domestic telecommunications market, enhancing brand value is indispensable for ensuring more of our customers continue to support us.

KDDI is advancing efforts to improve the quality of every touch-point to our customers, not only through our products and services, but in everything such as advertising and customer service. Among these efforts, in advertising, we were named Brand of the Year in the CM Research Center’s 2016 TV Commercial Favorability Ranking, our third consecutive year as the No. 1 preferred commercial, and earning us the Best Advertiser Award.

Bigger Discounts on Monthly Electricity Payments

WALLEET points*2 are awarded depending on monthly electricity fees.

Up to ¥4,999

Up to ¥7,999

More than ¥8,000

1%

3%

5%

*2 The previous discount service that provided cash back to “au WALLEET” prepaid cards ended on August 28, 2017.



Initiatives to Improve Service

Providing Safe and Secure Products and Services

KDDI is engaged in a variety of initiatives intended to ensure that a wide range of customers, from children to seniors, can use our services safely and securely.

In products, we launched the “miraie f” smartphone for children. Our goal was to provide products for children and their parents to use with peace of mind by including functions to shield users from Internet dangers and prevent overuse, as well as a personal safety alarm and location tracker. For “BASIO2,” a smartphone for seniors, we have designed features to make the device easy to operate for first-time smartphone users. The

telephone, email, and camera have been made easy to use, and the device includes a typing assistant function that provides on-screen tips on how to type in characters.

In services, we provide an age-checking service to website providers where customers who consent have their age data (data on whether the user meets the age specified by the content providing company) provided to CGM*3 and social media websites.

*3 CGM: Consumer Generated Media. A collective name for media where consumers can distributed their own information, such as social media, blogs, and buzz marketing sites.

	Operating Revenue	Operating Income	EBITDA
Value Services Segment	¥451.1 billion	¥95.9 billion	¥117.3 billion

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.

Key Initiatives

“au Smart Pass Premium” Service Begins

In January 2017, KDDI began offering “au Smart Pass Premium,” an upgraded service of “au Smart Pass.” With “au Everyday,” which offers daily discounts on movies and karaoke and free gifts such as french fries, and “Recovery Support” for times when devices become damaged, the service provides special offers and peace of mind in an effort to enhance customer experience value.

Strengthening the Data Analysis Segment

With the goal of enhancing customer experience value and promoting partner businesses through the use of data analytics, KDDI established ARISE analytics Co., Ltd. as a premise for a joint venture with Accenture Japan Ltd. By focusing on development of next-generation chat services and recommendation engines incorporating the latest AI technology, and on supporting analysis of data owned by the KDDI Group, ARISE analytics will contribute to enhancing customer experience value across a wide variety of value-added services, including telecommunications and the IoT business.



Boosting the Commerce Business to Expand the “au Economic Zone”

As of the end of March 2017, KDDI’s online shopping service “au WALLET Market” had more than five million subscribers. We will continue to offer au users an enhanced lineup of carefully selected products in order to provide shopping services that suit individual customer lifestyles.

In January 2017, we also integrated the service brands of the “au Shopping Mall” and “DeNA Shopping” to offer “Wowma!,” a new shopping mall brand that delivers “Wow!” experiences daily to individual users. The “Wowma!” shopping mall site provides a comprehensive selection of the latest and most popular fashions, cosmetics, gourmet foods and everyday items. “Wowma!” will allow us to build points of contact even with customers who may not be au users, as we work to further boost the commerce business and expand the “au Economic Zone.”



Initiatives to Improve Service

Online Support System

KDDI provides the “Anshin Total Support” service for a fee to customers using the “au one net” Internet service provider with specialist operator support for various Internet problems from 9:00 a.m. till 11:00 p.m. each day, 365 days a year.

The “Anshin Total Support” service is an additional service for “au one net” where specialist operators answer questions about

how to connect, set up, use network equipment and more. The service caters to a wide range of customer needs concerning PC peripheral equipment and software settings, as well as KDDI equipment, to provide a more convenient Internet environment.

	Operating Revenue	Operating Income	EBITDA
Business Services Segment	¥637.3 billion	¥72.1 billion	¥119.7 billion

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.

Key Initiatives

Promoting Development of a Platform for “Connected Cars”

KDDI is working with Toyota Motor Corporation to promote “connected cars” by developing a global telecommunications platform that will enable high-quality, reliable telecommunications on a global basis between the cloud and on-board telecommunications devices.

With the approach of the IoT age, where all manner of things will be connected to the Internet, the KDDI Group is making an all-out effort to bring together its accumulated expertise in supporting the business growth of its corporate customers on a global scale.

Initiatives to Improve Service

Initiatives to Provide Satisfaction for Corporate Customers

The KDDI ENTERPRISE USERS’ GROUP is an organization run by corporate customers of KDDI’s services. KDDI provides office support for the group’s activities, where members from different industries gather to hold seminars, site visits, and workshops, working to interact, study, and build friendships. These activities also provide an opportunity for us to reflect the opinions of the members in improvements to KDDI services and new product development.

The KDDI ENTERPRISE USERS’ GROUP helps to invigorate our communication with members through site visits and seminars that can only be experienced through the group.

	Operating Revenue	Operating Income	EBITDA
Global Services Segment	¥277.2 billion	¥24.2 billion	¥37.0 billion

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, we are working aggressively to expand customer businesses, such as the telecommunications business in Myanmar and Mongolia.

Key Initiatives

Promoting the Telecommunications Business in Emerging Countries

In the telecommunications business in Myanmar, we worked to improve telecommunications quality through area optimization. For example, we expanded mobile phone base stations in major metropolitan suburbs and regional cities to improve area coverage for high-speed data networks. In October 2016, we launched 4G LTE service on the 2.1GHz band indoors in some areas of Yangon and Naypyidaw, and also began offering “LTE+” on our newly acquired 1.8GHz band at the end of May 2017.

In the telecommunications business in Mongolia, MobiCom Corporation LLC, which has the top share of domestic mobile communications subscriptions, began offering 4G LTE services in the capital of Ulaanbaatar in May 2016.

Initiatives to Improve Service

Maintaining and Operating a Global Network

KDDI connects the networks of telecommunications companies around the world, and works to maintain and operate a global network connecting regions worldwide in cooperation with those companies. In its international telecommunications services, KDDI also uses undersea optic cable, which offers outstanding reliability, as a backbone network to offer high-quality services. At the same time, KDDI is working to provide services that leverage new technology, primarily IP services.

Undersea cable, which handles 99% of Japan’s international traffic (according to KDDI research), is an important part of our social infrastructure. Demand for telecommunications is expected to grow even further in the Asia and Pacific regions, and we will respond to that demand by providing telecommunications services with an even higher level of reliability.