

The Path of Value Creation

3G

Popularization of mobile phones

2000
KDDI
CORPORATION
established



2002
“Chaku-uta”
music download
service launched



FY2004.3-FY2008.3
au ranks
No. 1 for
net additions in
market share*1



2011
KDDI offers
its first iPhone



2012
“au Smart Value”
and “au Smart Pass”
services start



2014
“au WALLET”
service begins



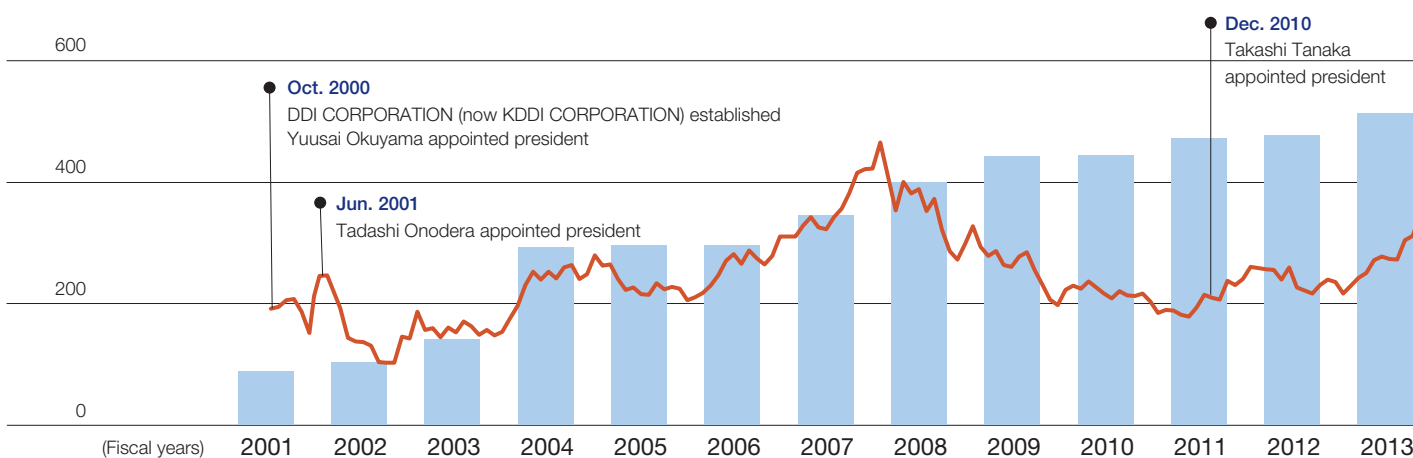
(Operating income*2: Billions of yen)

1,200

1,000

800

600



*1 Share among NTT DOCOMO, INC. (NTT DOCOMO), SoftBank Corp. (SoftBank), and KDDI + Okinawa Cellular Telephone Company (au)

*2 Results for fiscal years ended March 31. Figures up to the fiscal year ended March 31, 2014 are based on Japanese GAAP and figures for the fiscal year ended March 31, 2015 onward are based on IFRS (International Financial Reporting Standards).

*3 On a closing price basis for the end of October 2000 to the end of March 2019 (monthly)

*4 CAGR: Compound Average Growth Rate

*5 RGU: Revenue Generating Units. Each household's subscription to CATV, high-speed Internet connection, or telephony services each represent one RGU.

*6 J.D. Power 2016–2018 Mobile Phone Service Satisfaction Study. The 2018 study is based on responses from 27,600 mobile phone users in Japan. jdpower-japan.com

*7 J.D. Power 2018–2019 Low-Cost Smartphone Service Satisfaction Study. Based on the survey conducted in FY2019 responses from 4,000 users who

4G 5G

The rising popularity of smartphones and integration of telecommunications and life design

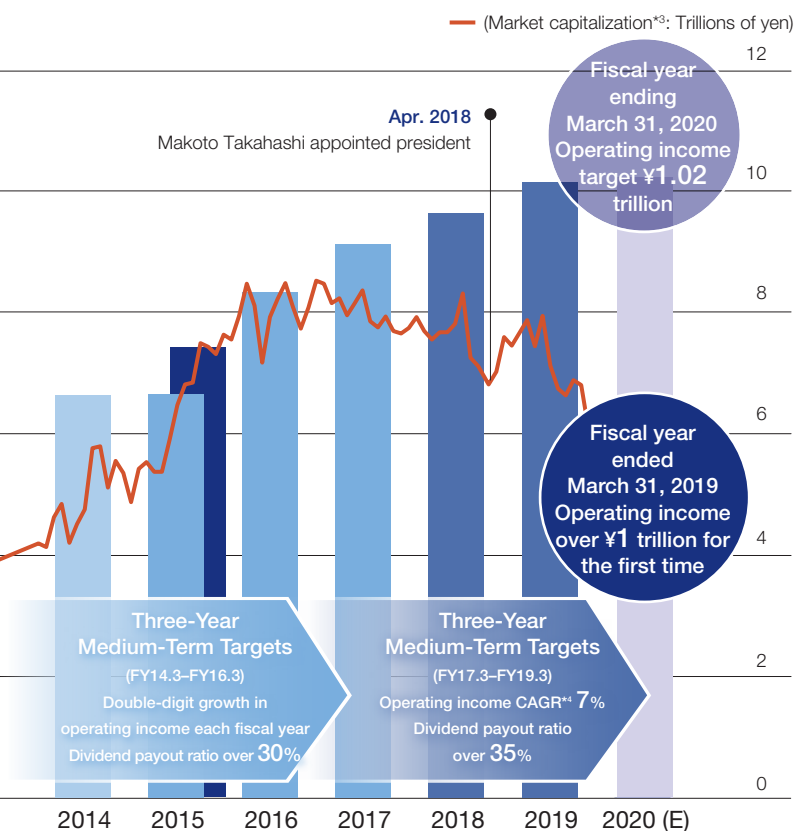
Improve customer value using high-speed high-volume transfer for enhanced experience

2016
“au Denki” begins

2017
“au Wowma!” begins

2018
KDDI entered the education business

2019
Smart Money Concept announced



bought and use smartphones or SIM cards with service from contracted operators. jdpower-japan.com

*8 J.D. Power 2016–2018 Business Mobile Phone Service Satisfaction Study. The 2018 survey is based on 2,890 responses received from 2,287 companies with 100 or more employees. jdpower-japan.com

Customer Base* Retaining a strong customer base inside and outside Japan

(As of March 31, 2019)
* Personal Services Segment

Mobile ID subscriptions	26.95 million
FTTH subscriptions	4.45 million
CATV RGU*5 households	5.48 million
Global Consumer Business	
No. 1 in domestic shares in both Myanmar and Mongolia	

Touchpoints

Touchpoints both online and offline

(As of March 31, 2019)



Approx. 2,300 au shops nationwide



15.49 million “au Smart Pass” and “au Smart Pass Premium” members

au WALLET

MAU over 10 million use “au WALLET” app

Innovativeness

Develop new pricing plans ahead of the industry

- Nov. 2003 Industry’s first flat-rate packet service introduced
- Mar. 2012 Launch of “au Smart Value” and “au Smart Pass”
- Jul. 2017 Start of “au Pitatto Plan” and “au Flat Plan”
- Aug. 2018 Start of “au Flat Plan 25 Netflix Pack”
- Jul. 2019 Start of “au Data MAX Plan”

Brand Strength

No. 1 in brand strength and customer satisfaction and in both corporate and individual services



J.D. Power “No. 1 in Mobile Phone Service Satisfaction”**6 for three years



(UQ mobile) J.D. Power “No. 1 in Low-Cost Smartphone Service Satisfaction”**7 for two years



J.D. Power “No. 1 in Business Mobile Phone Service Satisfaction” (Large Corporations / Medium-Sized Enterprises Market Segment)**8 for three years

KDDI's Value Creation Cycle

The four sources of KDDI's value are its "customer base," "touchpoints," "innovativeness," and "brand strength" that have been built over the years since its establishment. We will further refine and enhance these sources of value and optimally allocate the Company's management resources to maximize KDDI's corporate value. In doing so, we aim to achieve our medium-term management plan for the fiscal year ending March 31, 2022.

KDDI's Surrounding Business Environment

Political (Government / Legislation)

- Comprehensive verification of competition rules in the telecommunications business field
- Complete separation of telecommunication fees and handset prices

Economic

- Consumption tax hike, expansion of cashless settlement
- Development of economic and social infrastructure for the Tokyo Olympics

Social (Society / Culture)

- Declining birth rate and aging population / Shrinking population
- Decrease in local labor force, Regional revitalization

Technological

- 5G service starts
- Development of technologies such as IoT and AI
- Accelerating use of big data for a data-driven society
- Strengthening measures against cyber terrorism

Customers (Market / Clients)

- Further popularization of smartphone use
 - Expansion of sharing
- Expansion of fintech market
- Diversification of SNS

Competition

- Entry of new business operators into MNO^{*1} and price competition
- Expansion of business to fields beyond telecommunications
 - Accelerate collaboration with partner companies for 5G
 - Homogenization of services offered by mobile companies

*1 MNO (Mobile Network Operator)

INPUT

Financial capital

Fund procurement

Manufactured capital

Telecommunications, equipment and platforms

Intellectual capital

Brand strength and R&D

Human capital

Personnel

Social and relationship capital

Regions and communities

Medium-Term Targets (FY2017.3-FY2019.3)

Achieve continuous growth and enhance shareholder return

Business Strategies

Transform into a Business Providing Customer Experience Value

- (1) Sustainably grow the domestic telecommunications business
- (2) Maximize the "au Economic Zone"
- (3) Ambitiously develop global business

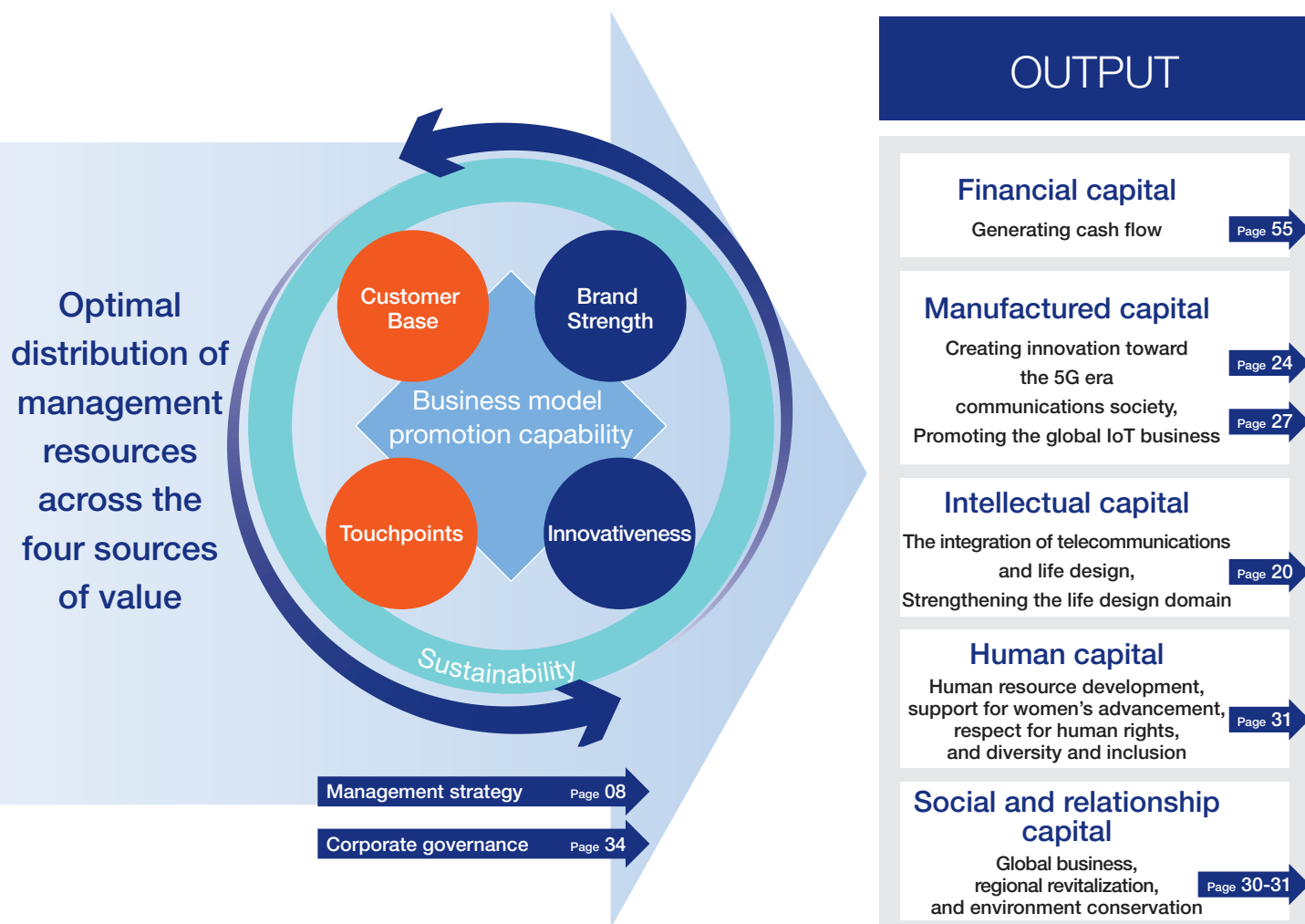
Profit Growth

- Target operating income; CAGR^{*2} of 7%
- Gross merchandise value of au Economic Zone; over ¥2 trillion
- M&As for growth; approx. 500 billion yen over three years

Shareholder Returns

- Lift dividend payout ratio from "above 30%" to "above 35%"
- Repurchase own shares after growth investment
- Limit the amount of treasury stock to approximately 5% of our total issued shares, and cancel any treasury stock held in excess of this limit

*2 CAGR (Compound Average Growth Rate)



Medium-Term Management Plan (FY2020.3-FY2022.3) Page 06

Medium-Term Management Plan Summary

FY2025.3 Target	EPS growth	FY2019.3 → FY2025.3	1.5 times
FY2020.3-FY2022.3 Initiatives	Operating revenue growth	• Operating revenue of life design domain Page 22	FY2022.3 target ¥1.5 trillion
		• Operating revenue of new Business Services segment Page 26	FY2022.3 target ¥1 trillion
	Cost reduction, etc.	Page 07	3 years total ¥100 billion (approx.)
	Shareholder returns		<ul style="list-style-type: none"> • Over 40% payout ratio • Flexible share buybacks • Cancel all treasury shares*3

We achieve sustainable profit growth and further strengthen shareholder returns

*3 Except KDDI shares owned by executives' compensation BIP Trust Account and ESOP Trust Account

Medium-Term Management Plan (FY2020.3-FY2022.3)

We aimed for continuous growth and enhance shareholder return by offering customer experience value which goes further than expected and it has brought us a secured solid customer base and a steady growth in consolidated operating income up to now.

From now on, full-scale digitization is speeding onward against the backdrop of continual technological advances encompassing 5G (5th Generation Mobile Communications System), and it will bring us big changes in the competitive environment of Japan's telecommunications market.

Amid this age of epochal change, KDDI drew up a new three-year medium-term management plan (FY2020.3-FY2022.3) to realize "the integration of telecommunications and life design."

Sustaining Profit Growth and Further Strengthening Shareholder Returns

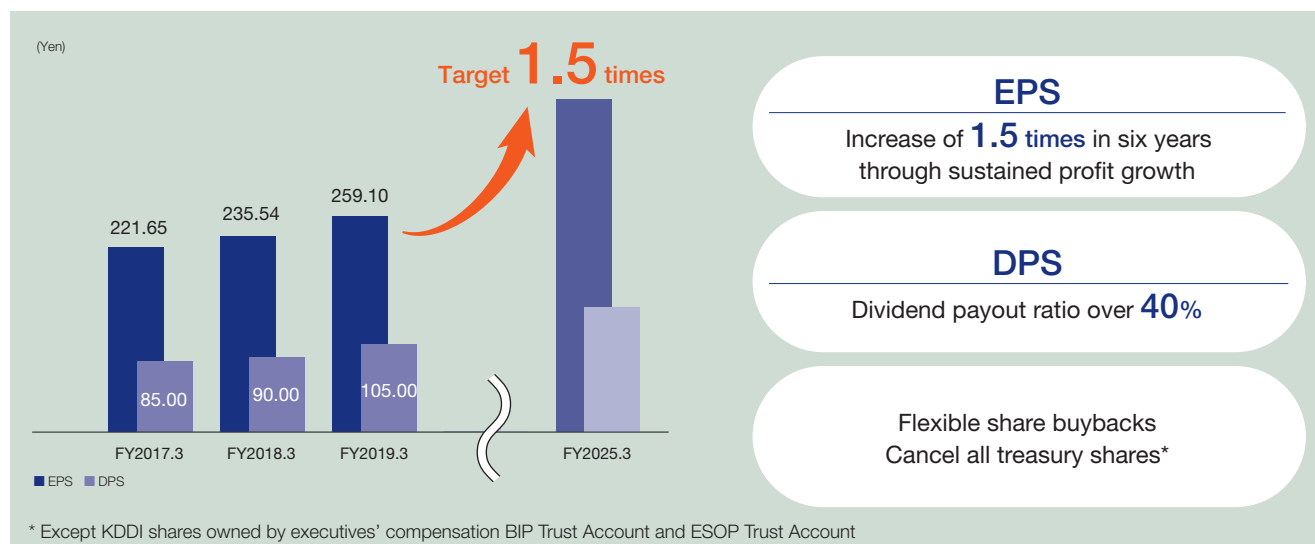
Since its establishment in October 2010, KDDI has achieved 18 straight years of growth in operating income, with its strengths as a comprehensive communications carrier translating into continued business growth. KDDI has also focused on enhancing shareholder returns, increasing dividends for 17 fiscal years in a row.

Under the new medium-term management plan unveiled in May 2019, KDDI targets growth of 1.5 times in earnings per share (EPS) by the fiscal year ending March 31, 2025,

compared with the level in the fiscal year ended March 31, 2019, while sustaining growth in profits.

Regarding shareholder returns, KDDI has steadily increased dividends toward a dividend payout ratio of at least 40%, while taking a flexible approach to buying back its own shares. In principle, KDDI retires all the shares it buys back.

Through these initiatives, we intend to continue balancing sustained profit growth with stronger shareholder returns.



Our Growth Story

01: Earnings expansion via "the integration of telecommunications and life design"

Although growth is gradually tapering off in the domestic mobile communications business, KDDI aims to sustain expansion by offering faster communications speeds and encouraging greater use of rich content in the coming 5G era.

Furthermore, KDDI will aggressively move forward on its growth strategy for "the integration of telecommunications and life design," with the aim of increasing earnings alongside growth in the life design domain.

KDDI is keen to expand both operating revenue and operating income in the life design domain, with growth driven by commerce, energy, finance, and other services.

Page 20 Special Feature 1: The Integration of Telecommunications and Life Design

Life Design	Commerce	FY2019.3	FY2022.3 (Target)
	GMV*1	¥ 250 billion	→ ¥400 billion
	Energy	FY2019.3	FY2022.3 (Target)
Telecommunications	au Denki subscriptions	Over 2 million	→ 3.4 million
	Finance	FY2019.3	FY2022.3 (Target)
	Transaction volume*2	¥ 4.4 trillion	→ ¥6.0 trillion
	Growth through 5G		

*1 Gross merchandise value

*2 Transaction volume of settlement/loan



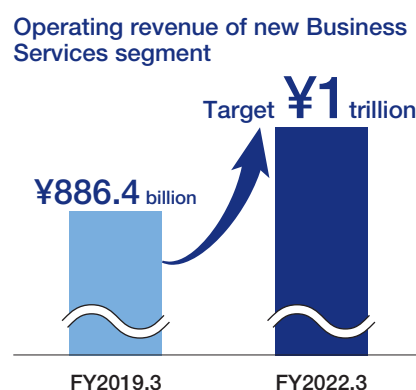
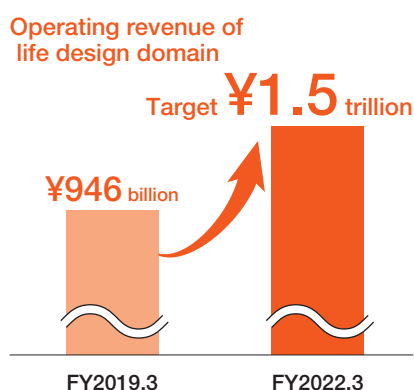
02: Operating revenue expansion via the strengthening of growth domains

Under our new medium-term management plan, we have positioned the new Business Services segment as a pillar of growth to accompany the life design domain.

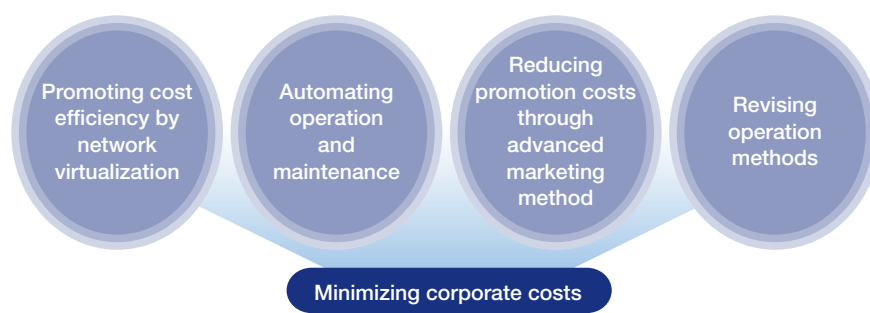
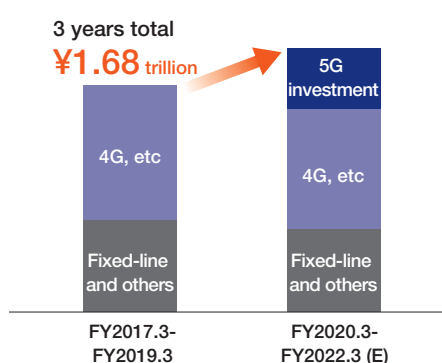
In the new Business Services segment, KDDI aims to increase the total number of IoT connections from eight million as of March 31, 2019 to 18 million by March 31, 2022, by creating recurring business centered on IoT operations and providing various business platforms in Japan and other countries around the world.

In both growth domains, KDDI is focusing on the targets it set for increasing operating revenue in the life design domain from ¥946 billion in the fiscal year ended March 31, 2019, to ¥1.5 trillion by the fiscal year ending March 31, 2022, and expanding operating revenue in the new Business Services segment from ¥886.4 billion to ¥1.0 trillion over the same time frame.

Page 26 Special Feature 3: Business Expansion through Collaboration with Partners



03: Capital expenditures and cost reductions



Generating approx. ¥100 billion profit through cost reductions, etc.

Over the course of the previous medium-term management plan, KDDI spent about ¥1.68 trillion on capital investments, mainly for maintaining and expanding its 4G network. Under the new medium-term management plan, management intends to keep annual capital investment at a little over ¥600 billion, including investments in 5G that are ramping up this fiscal year.

To sustain profit growth at the same time, KDDI is keen to reduce costs through the use of technology and the adoption

of new ideas that are not bound to conventional thinking. Specifically, KDDI is advancing measures to increase business efficiency through systemization and the reform of work processes as well as improvements in the cost efficiency of network operations through the use of network virtualization and AI. Management targets a total of ¥100 billion in cost reductions over the next three years that will translate into stronger profit growth.

Risks and Growth Opportunities

The business environment surrounding KDDI is constantly changing.

KDDI implements measures to quickly anticipate and avoid the many kinds of risks that exist in the changing business environment. At the same time, KDDI aims to maximize corporate value by turning these risks into growth opportunities for business success.

Below is a description of the risks and growth opportunities of particular interest to investors.

Main Risks	Measures to Avoid Risks
<p>■ Competition and Rapid Shifts in Markets and Business Environment</p> <p>Exodus of customers: There is a risk that the number of subscribers will fall if budget smartphones catch on or new telecommunications carriers enter the business.</p> <p>Cuts in communications rates: There is a risk that earnings will be adversely affected by tougher competition.</p>	<ul style="list-style-type: none"> • KDDI began offering plans that separate billing for telecommunications and handsets ahead of its rivals in July 2017 in response to these changes in the business environment, and its current telecommunications rates are as much as 40% lower than those prior to the introduction of the unbundled plans. • The au churn rate improved significantly due in part to customers quickly switching to rate plans they prefer. Before unbundling plans (fiscal year ended March 31, 2017): 0.83% After unbundling plans (fiscal year ended March 31, 2019): 0.76%  • Roughly two thirds of smartphone customers have switched to unbundled plans already, marking favorable progress (as of March 31, 2019).
<p>■ Telecommunications Security and Protection of Customer Information (Personal and Corporate Information)</p> <p>Data leaks and hacking attempts from external networks could undermine trust in and tarnish the brand of KDDI.</p>	<ul style="list-style-type: none"> • KDDI protects telecommunications secrecy. To protect customer information, KDDI has established the Information Security Committee to prevent information leaks from within and has drawn up Companywide measures for preventing hacking attempts from external networks. KDDI also complies with the European Union's General Data Protection Regulation (GDPR) and other global regulatory frameworks.
<p>■ Natural Disasters, Accidents and Other Events</p> <p>Stoppage and interruption of data communications services: There is a risk that information communications services could be cut off as a result of unforeseen events, including natural disasters, power shortages and outages, cyberattacks, and communications equipment failures and accidents.</p>	<ul style="list-style-type: none"> • To create a management structure for dealing with large-scale natural disasters, KDDI has formulated disaster response regulations and business continuity plans (BCPs), and undertaken a number of other initiatives, including building a disaster response framework. We have also entered into disaster management agreements with the Ministry of Defense, the Self-Defense Forces, and the Coast Guard, collaborating with relevant organizations to further strengthen our disaster response. • Effectiveness is assessed through biannual disaster response training. KDDI works to improve on any issues or problem areas identified through that training, and each year a PDCA cycle is employed to construct a more solid foundation for disaster response.
<p>■ Telecommunications Sector Regulations and Government Policies</p> <p>Revisions to Telecommunications Business Act: Complete separation of telecommunication fees and handset prices, and the prohibition of excessive enclosure customers, will become law.</p> <p>Allocation of frequencies: There are risks that network costs will increase when adapting to new frequencies, and that the necessary frequencies cannot be acquired.</p>	<ul style="list-style-type: none"> • In light of laws and regulations concerning upgrade programs, time constraints, and automatic renewals, for example, KDDI intends to change what is necessary and to legally comply by the deadline (estimated to be October 1, 2019). Moreover, KDDI aims to make steady progress toward its profit objectives for the fiscal year. • In April 2019, portions of the 5G frequencies were allocated by the government in Japan. Based on the ambitious plan it submitted, KDDI was allocated 600MHz in total bandwidth in the 3.7GHz and 28GHz bands, including frequencies likely to be used by other 5G networks around the world. We anticipate major advantages from the standpoint of improvements in cost efficiency, in terms of network development outlays, and terminal procurement costs.



Initiatives for Growth

- As stand-alone domestic mobile telecommunications face more challenges for existing business growth, KDDI aims to establish a presence in new growth areas.
- Specifically, KDDI aims for growth centered on existing telecommunications services tied into life design services encompassing commerce, finance, energy, entertainment, and education. While **further advancing “the integration of telecommunications and life design,”** the core of its business strategy, **KDDI aims to increase sales on a total ARPA basis by providing new experience value** to customers who use au and other services.
- Moreover, we are aiming for a deeper engagement with our customers by combining various life design services with telecommunications services that are essential to their lifestyles. This will lead to **the maximization of Life Time Value, an expression of the sum of customer numbers (IDs, including Group companies), total ARPA, and customer engagement.** Page 20

- With data-driven management using big data gaining attention these days, **KDDI makes concerted efforts every day to maintain service quality, which is a prerequisite for retaining customers, by ensuring security and protecting privacy through the strict management of customer information, an important asset.**
- Along with Group companies, KDDI will provide advanced information security and reliable ICT so **its customers can focus on their businesses, thereby contributing to the development of a digital society and economy.**

- Japan currently faces a variety of issues, such as a long-term decline in its population, and waning vitality in regional economies caused by the overconcentration of people in large cities. **KDDI is contributing to the advancement of Japanese society by helping to solve these various issues through the provision of high-quality telecommunications services over reliable mobile networks, a crucial component of social infrastructure.**
- In April 2019, the KDDI Regional Initiatives Fund No. 1 was established with the aim of financing local companies and venture firms that promote regional revitalization. **This put into place a structure for promoting regional revitalization** through 5G and IoT. **KDDI's system to promote regional economy will also serve to create and expand new business areas.**

- Although there is a risk that customers will leave KDDI as a result of coverage concerning the prohibition of billing tactics to retain customers, KDDI also anticipates an increase in opportunities to win new customers as market flow is stimulated. By latching onto these opportunities, **we aim to increase the number of customers (IDs), including Group companies, in a bid to expand the customer base.**
- KDDI aims to **improve the efficiency of investments in facilities** by leveraging the advantages of the 5G frequencies it has obtained, **sharing 4G, adding software functions and sharing equipment with other companies.** Page 24
- The Company plans to launch commercial 5G services in March 2020. As smartphone-centric services become more prevalent and data traffic increases alongside the spread of data-heavy content, KDDI views these changes as an excellent opportunity to **advance “the integration of telecommunications and life design” and increase total ARPA in the 5G era.**