Business Services Segment:

Business Expansion through Collaboration

As IoT and AI technologies grow in leaps and bounds, communications connecting these technologies will become embedded throughout society. Beginning with infrastructure, a multiplicity of things will produce data, and traditional business models will change dramatically as a result of this digital transformation. During this period of change, KDDI is working with its partners to build business platforms to help its customers enable a digital transformation.

With our customers, we aim to sustain growth by creating recurring business centered on IoT as a driver of business growth.

Business Expansion Based on the Recurring Business Model

KDDI interacts with corporate customers facing an endless variety of issues. In our Business Services Segment, we focus on "operational contributions," that is, discovering the true nature of a customer's business issue and proposing a solution. This approach allows us to work closely with customers while sustaining growth in revenue and profit. In 2018, KDDI received first place in the J.D. Power 2018 Japan Business IP Phone & Direct Line Phone Service Satisfaction Study[1] for a sixth consecutive year, as well as first place in the J.D. Power 2018 Japan Business Mobile Phone and PHS Service Satisfaction Study (large and mid-sized corporation market segment)[2] for a third straight year.

KDDI provides a diverse range of business platforms and by linking them with the platforms of its partners aims to create new B2B and B2C bu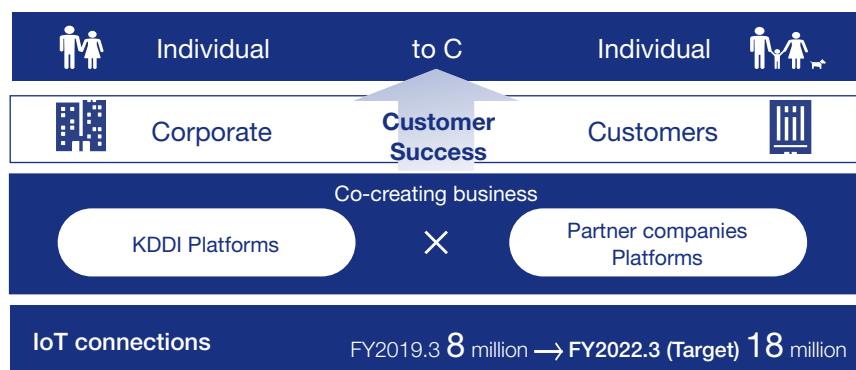sinesses. By utilizing the Big Data that customers accumulate through ubiquitous IoT, which connects everything together, KDDI's relationship with its customers is changing, and its engagement is deepening. As a result, our business model will evolve from the current one based on flat-rate subscriptions for the same services to a recurring business model where we propose ideas and provide value to customers in a never-ending cycle of value creation. KDDI aims to expand new business models based on recurring revenue as a driver of growth. With recurring business driving growth, KDDI aims to increase operating revenue in the new Business Services Segment to ¥1 trillion, and increase the total number of IoT connections to 18 million, by the fiscal year ending March 31, 2022.

[1] J.D. Power 2018 Japan Business IP Phone & Direct Line Phone Service Satisfaction Study
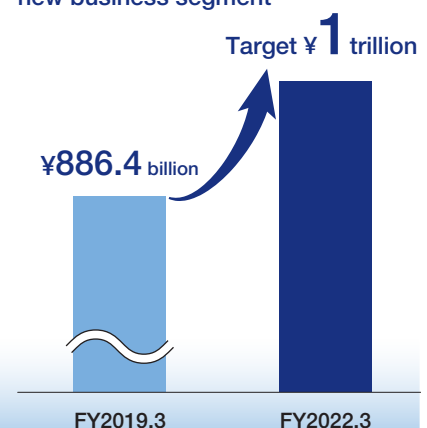[2] J.D. Power 2018 Japan Business Mobile Phone and PHS Service Satisfaction Study

Enhancing initiatives in new growth fields, centered on IoT businesses

Creation of Recurring Business

Individual	to C	Individual
Corporate	**Customer Success**	Customers

Co-creating business

KDDI Platforms ✕ Partner companies Platforms

IoT connections   FY2019.3 **8** million → **FY2022.3 (Target) 18** million

Operating revenue of new business segment

Target ¥ **1** trillion

¥886.4 billion

FY2019.3   FY2022.3

Providing IoT business overseas, from communications connectivity to service development and data analysis

with Partners

Supporting customer businesses with global partners
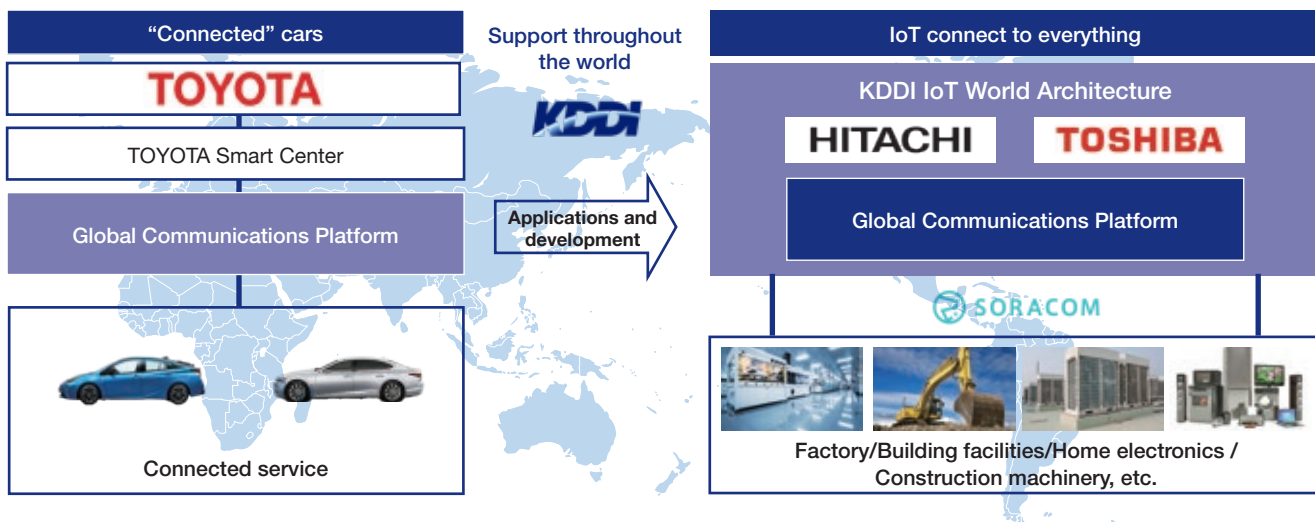
KDDI has been cooperating with Toyota Motor Corporation since 2016 on an initiative to build a global communications platform that provides high-quality and reliable communications services that link cloud computing services with the automotive equipment necessary for connected cars. After applying and developing this global communications platform, KDDI began offering trials of the KDDI IoT World Architecture platform in May 2019.

KDDI IoT World Architecture helps customers in various industries deploy IoT on a global basis. The platform identifies and offers a connection to the optimal network available, even when roaming, and provides data collection and analysis services in collaboration with Hitachi, Ltd. and Toshiba Corporation. In addition, it provides support for compliance with relevant laws and regulations as well as device authentication.

Moreover, through our work with subsidiary SORACOM, Inc., we are enabling the use of IoT applications in more than 120 countries and regions. With this strength,KDDI aims to further expand the global business.

What is SORACOM?

KDDI turned SORACOM, Inc., a leading company in the IoT domain, into a consolidated subsidiary in August 2017. The SORACOM communications platform fuses together communications and cloud computing services, providing reasonably priced and secure communications services that are ideal for IoT applications. Customers can control and manage all of their connections and devices from a web-based console or API on the SORACOM platform. Moreover, the platform facilitates the rapid deployment and operation of IoT systems through the utilization of various services, including links to cloud services, closed group connectivity, device management and remote monitoring. After launching domestic services in September 2015, SORACOM rolled out services in the United States and Europe. The service is now accessible in more than 130 countries and regions, with over 15,000 subscribers to the SORACOM platform worldwide.

The combination of KDDI's IoT business platform and SORACOM's platform has been a strong catalyst for building out domestic and global IoT platforms, and the IoT-related knowledge that KDDI has gained will be deployed alongside customer platforms to create new IoT businesses.

Building mobile core networks in the cloud with Amazon Web Service (AWS) 15,000 businesses already use IoT services
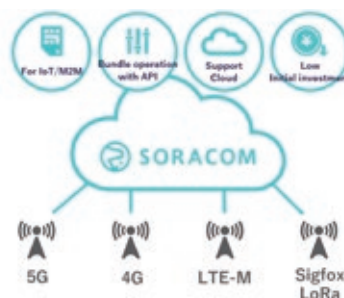
- Realize cutting-edge IoT services with the latest cloud technologies. Linking to the KDDI IoT World Architecture helps expand IoT coverage area for businesses to more than 130 countries and regions.

Creating value in new business domains by acquiring new capabilities