

Performance Analysis by Segment

Personal Services Segment (Years ended March 31)

Communication Services (au and MVNO mobile services, FTTH, CATV), Energy, Education, and Other Services for Individuals

In mobile services, the segment offers the mainstay “au” brand services and MVNO services provided by consolidated subsidiaries such as UQ Communications Inc. Fixed-line services include “au Hikari” brand FTTH services, CATV service, and others.

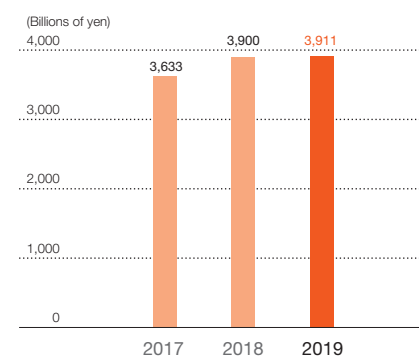
The segment also provides non-telecommunications services such as the “au WALLET Market” product sales service making use of au shops, as well as energy services such as “au Denki” and education services provided under the “AEON” brand.

→ Overview of Operations in the Fiscal Year Ended March 31, 2019

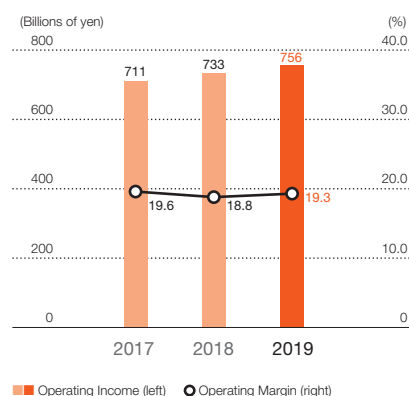
In the fiscal year ended March 31, 2019, operating revenue increased 0.3% year on year to ¥3,911.2 billion. A decrease in mobile telecommunications revenue was offset by higher revenue from the energy business, such as “au Denki,” as well as contributions from AEON Holdings Corporation, which was consolidated in January 2018, and higher revenues at subsidiaries.

Operating income rose 3.2% year on year to ¥756.3 billion, as reductions in noncurrent assets retirement costs and impairment losses more than offset the decline in mobile telecommunications revenues.

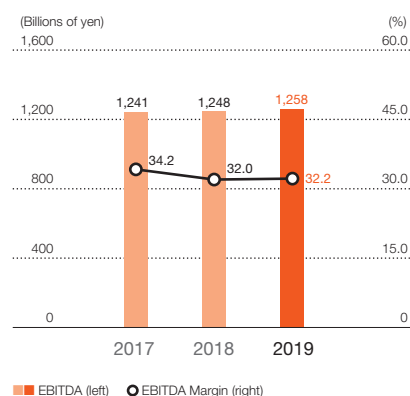
Operating Revenue



Operating Income/Operating Margin

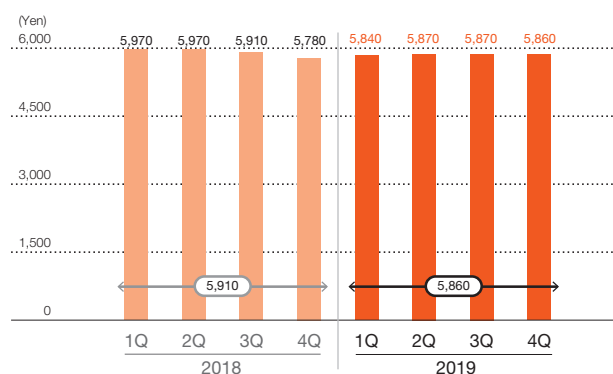


EBITDA/EBITDA Margin



au ARPA

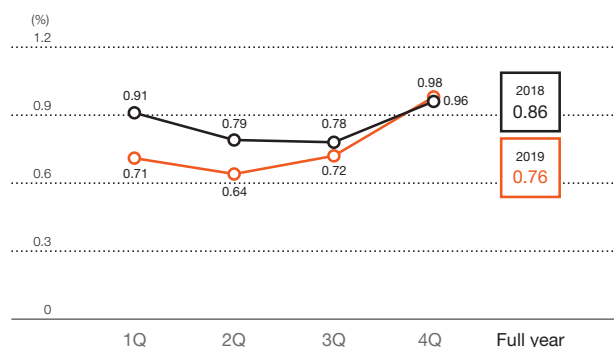
au ARPA decreased ¥50 year on year to ¥5,860, primarily due to the short-term adverse impact on revenue from the plans separating charges that were introduced in July 2017. In the fourth quarter alone, however, au ARPA was ¥5,860, up ¥80 compared with the previous year, underscoring the gradual lift to ARPA from increased expiration of limited-time discounts held by subscribers and a boost to revenue from the non-application of monthly discounts.



au Churn Rate

The au churn rate has gradually improved since the introduction of plans for separating charges in July 2017. In the fourth quarter, the au churn rate rose slightly due to the extension of the upgrade period for the “Everyone Discount” in March 2019, but remained low overall in line with expectations.

To reduce the au churn rate, KDDI continues to promote deeper engagement with customers through growth in bundles combining “au Smart Value” and telecommunications and life design services.

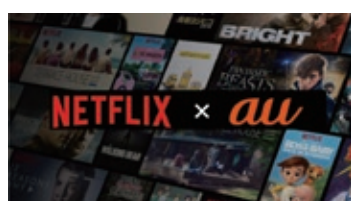


→ Key Initiatives

■ Pricing Plans in Tune with Customer Needs

In August 2018, KDDI launched the “au Flat Plan 25 Netflix Pack” as a rate plan that bundles smartphone telecommunications charges with monthly Netflix fees as a discounted package for customers who enjoy watching highly entertaining Netflix video content.

KDDI has long been a leader in rolling out pricing plans and services in tune with customer needs, beginning with “au Smart Value,” a discount bundle for mobile and fixed-line telecommunications services, and the “au Pitatto Plan” and “au Flat Plan” with charges set according to data usage tiers. The “au Pitatto Plan” and “au Flat Plan” have been quite popular with customers, as shown by the number of subscriptions rising above 13 million in March 2019.



■ Improving au Brand Value



With the quality of services becoming homogeneous on the domestic telecommunications market, improving brand value is essential to winning over more customers.

KDDI is making concerted efforts to improve the quality of interactions with customers, from the products and services it offers to advertising and customer services. In the fiscal year ended March 31, 2019, KDDI was selected as the BRAND OF THE YEAR 2018 for the popularity of its commercials by CM Soken Consulting. This marked the fourth consecutive year (since the fiscal year ended March 31, 2016) that KDDI has been selected as the number one brand.



Solving Social Issues through Business: Telecommunications Business



Through our telecommunications business, we contribute to a safer and more resilient connected world.

Social issues

- Decline in quality due to increase in data usage
- Existence of areas with weak signals
- Lifelines cut off during natural disasters
- Digital divide impacting the weakest in society
- Population decline, loss of industrial competitiveness

KDDI's Vision

KDDI envisions a society with high-quality telecommunications services that anyone can use without discrimination and aims to realize this vision through the provision of reliable fixed-line telephone and internet services while improving the quality of mobile telecommunications. Moreover, KDDI has built a robust network resilient to natural disasters, and has ensured the means to rapidly restore services in the event of damage.

In the fields of 5G and IoT, KDDI is contributing to a society where everyone can live in safety and security through initiatives aimed at solving social issues, including the declining working population and regional economic disparities.

KDDI's Initiatives

To improve the quality of mobile telecommunications, KDDI is sparing no effort to strengthen its networks, to this end expanding the 4G LTE coverage area while improving service quality and speed. At the same time, KDDI is developing technologies and building out foundations for the area rollout of 5G and IoT, which are essential for digital transformation.

To prepare for emergency situations, KDDI has built redundancy into its networks and put in place a structure with land, sea, and air capabilities to ensure the rapid reconstruction of damaged facilities. We also offer handsets and services that everyone can safely and securely use.

Performance Analysis by Segment

Life Design Services Segment (Years ended March 31)

Providing Commerce, Finance, Settlement, Entertainment, and Other Services for Individuals

This segment provides individuals with value-added non-telecommunications services both online and offline. The segment makes subscription services, such as the digital content of “au Smart Pass/au Smart Pass Premium,” more attractive.

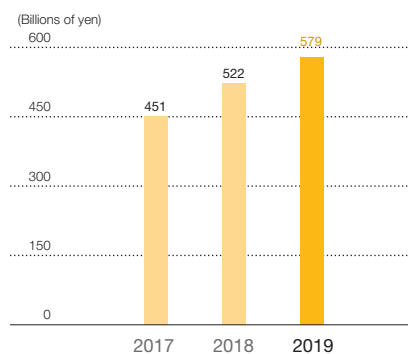
It also strengthens the commerce business with “au Wowma!” and other services, as well as insurance and other services in the financing business, with the goal of maximizing the “au Economic Zone” and expanding earnings.

→ Overview of Operations in the Fiscal Year Ended March 31, 2019

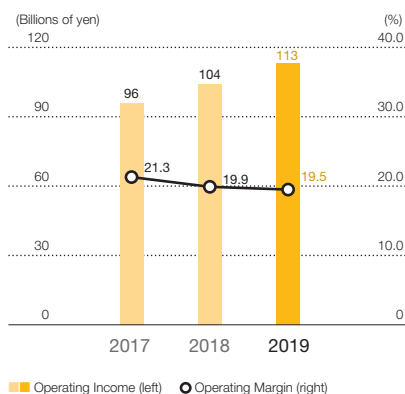
In the fiscal year ended March 31, 2019, operating revenue expanded 11.0% year on year to ¥579.4 billion, reflecting a revenue increase from the higher ratio of premium subscribers to “au Smart Pass.” It also reflected an increase in value-added ARPA revenue from growth in gross merchandise value, including settlements and commerce, in the “au Economic Zone,” and contributions from ENERES Co., Ltd. becoming a consolidated subsidiary.

Meanwhile, operating income grew 8.4% year on year to ¥112.8 billion, owing mainly to the increase in value-added ARPA revenue, despite higher costs associated with expansion in the commerce, as well as settlements and financial services, businesses.

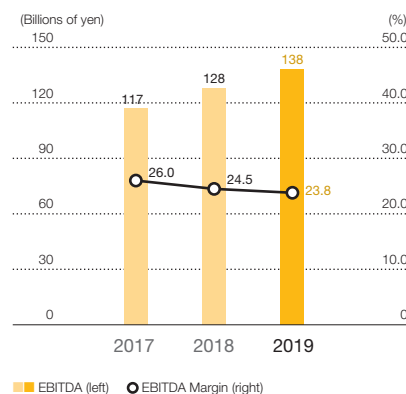
Operating Revenue



Operating Income/Operating Margin

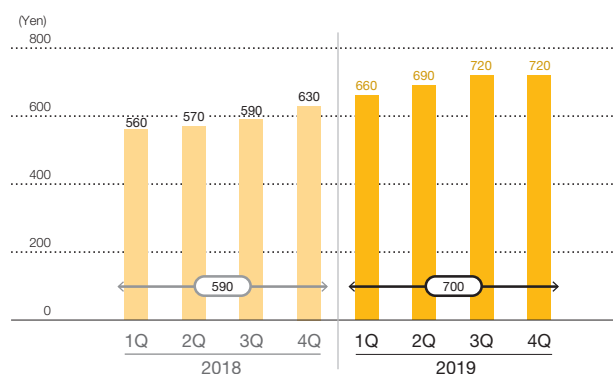


EBITDA/EBITDA Margin



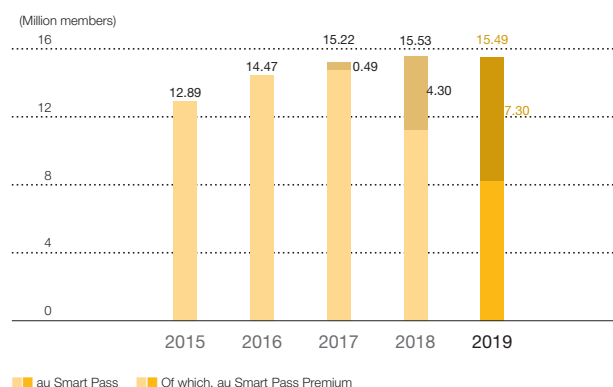
Value-Added ARPA

Value-added ARPA increased ¥110 compared with the previous year to ¥700, thanks to the higher ratio of premium subscribers to “au Smart Pass,” in addition to growth in settlement commissions for “au WALLET Credit card” and “au Carrier Billing” on top of higher commerce revenues.



Number of “au Smart Pass” and “au Smart Pass Premium” Members

The number of “au Smart Pass” and “au Smart Pass Premium” members declined 40 thousand compared with the end of the previous fiscal year to 15.49 million. Of this number, memberships of “au Smart Pass Premium,” which is a sophisticated version of “au Smart Pass,” increased 3 million year on year due in part to an effective campaign to sign people up at retail stores and the provision of more special benefits for members.



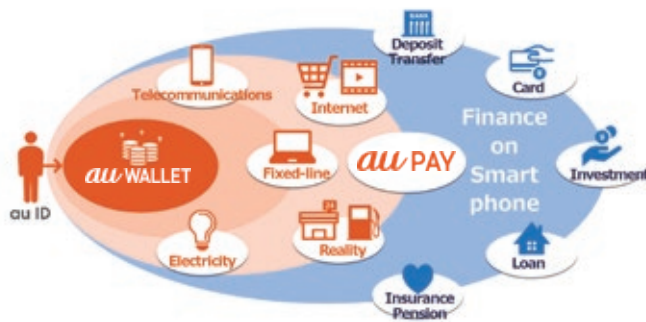
→ Key Initiatives

Smart Money Concept

In February 2019, au Financial Holdings Corporation was established as an intermediate financial holding company with the objective of strengthening the settlement and financial services business. At the same time, KDDI launched the “Smart Money Concept” to provide customers with settlement and financial services via their smartphones, which have become inseparable from their daily lives.

Over 25 million customers have applied for “au WALLEET Prepaid cards” and “au WALLEET Credit cards.” Balances on “au WALLEET” and WALLEET points have risen above ¥100 billion, and settlement and financial transaction volume has expanded to ¥4.4 trillion. In April 2019, “au PAY” was launched offering customers a new smartphone payment method centered on the “au WALLEET” app, encouraging cashless payments and strengthening points of contact with customers.

Building on “au WALLEET,” KDDI aims to offer customers a one-stop financial experience for savings, payments, investments, loans, and insurance. While supporting customers with their finances, we intend to offer superior services in tune with the life plans of each customer.



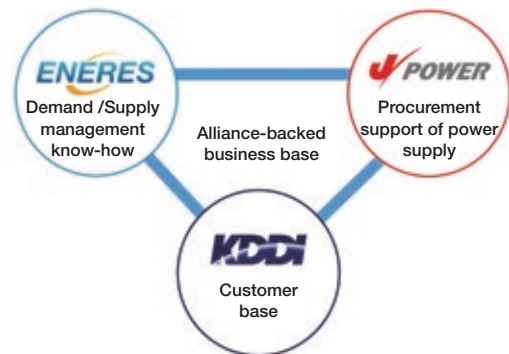
Strengthening the Energy Business

In August 2018, KDDI, Electric Power Development Co., Ltd. and ENERES Co., Ltd. entered into a business tie-up agreement with the objective of increasing corporate value by creating business opportunities through innovation in the rapidly changing electric power market. In December 2018, KDDI acquired additional shares in ENERES through a public offering, and turned ENERES into a consolidated subsidiary.

KDDI began to offer “au Denki” when the retail electric power sector was deregulated in April 2016. Since then, KDDI has outsourced the management of supply and demand operations for “au Denki” to ENERES, whose responsibility extended to the forecasting of demand for electric power and procuring the necessary power sources. By making ENERES a consolidated subsidiary, KDDI expects to accelerate decision-making at the entity and be able to more flexibly invest management resources, including the provision of support backed by the insight of KDDI and Electric Power Development. KDDI will continue to reinforce the energy business in the future.



Building the foundation of energy business to be one of core services in life design



Solving Social Issues through Business: Education Business



Through our education business, we contribute to the development of human resources that will lead the next generation.

- Social issues**
 - Need for training human resources responsive to globalization
 - Insufficient education opportunities for children to thrive in society
 - Insufficient learning opportunities for children in developing countries

KDDI's Vision

KDDI aims to broadly provide venues for children to learn life-long skills through work and social experiences while furnishing them with opportunities to learn foreign languages, with the intention of contributing to the development of a sustainable society by solving issues faced by the young in an increasingly diverse society.

By providing educational opportunities in developing countries, KDDI also contributes to the development of human resources who may guide their countries toward sustained growth.

KDDI's Initiatives

Through the foreign language education business, the KDDI Group offers services for learning in a new format, blending education with communications services, that can be provided anywhere. Moreover, KDDI offers learning experiences at KidZania based on the concept of edutainment (learning while having fun). In developing countries, KDDI creates opportunities for people to study English, PC operation, and music, subjects that tend to be neglected in these countries.

Performance Analysis by Segment

Business Services Segment (Years ended March 31)

Providing Telecommunication Services, ICT Solutions, Data Center Services, and Others for Corporate Customers

This segment provides diverse solutions, including mobile services using devices such as smartphones and tablets as well as networks, applications, and cloud services 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 to the Internet.

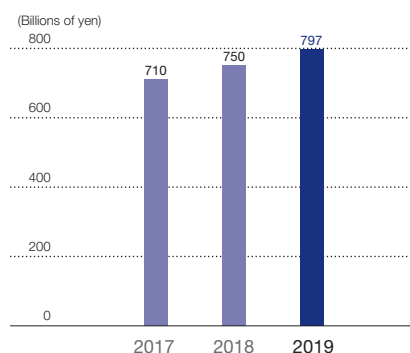
→ Overview of Operations in the Fiscal Year Ended March 31, 2019

In the fiscal year ended March 31, 2019, operating revenue expanded 6.3% year on year to ¥796.9 billion, despite a decline in voice communications revenue. This increase mainly reflected higher data telecommunications revenue, growth in the domestic data center business, stronger revenue at KDDI

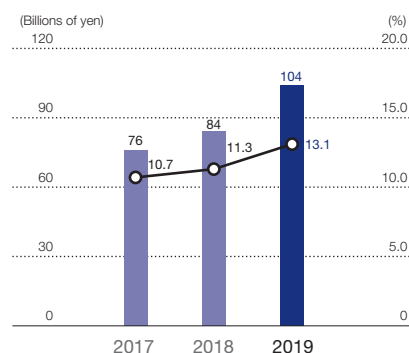
MATOMETE OFFICE CORPORATION and other subsidiaries, and higher revenue from retail electric power sales.

Operating income climbed 23.1% to ¥104.0 billion, thanks to controls on the cost of sales and SG&A expenses as revenue grew.

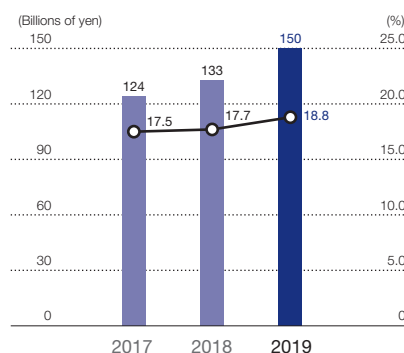
Operating Revenue



Operating Income/Operating Margin



EBITDA/EBITDA Margin



■ Operating Income (left) ● Operating Margin (right)

■ EBITDA (left) ● EBITDA Margin (right)

→ Key Initiatives

■ Promoting the IoT Business

KDDI has been promoting a platform for providing services to all industries based on the KDDI IoT World Architecture, an evolved version of the Global Communications Platform that KDDI is jointly developing with Toyota Motor Corporation.

KDDI IoT World Architecture is a business IoT platform for providing cloud-based services, applications and data analysis in addition to connectivity. It is designed around the Company's new recurring business model. The KDDI IoT World Architecture supports customers by selecting and making available the optimal network for them, offering data collection and analysis services in collaboration with KDDI's

partners, and providing support for compliance with relevant laws and regulations as well as device authentication.

KDDI plans to increase the number of collaborative partners and help corporate customers solve issues related to the global rollout of their IoT solutions, offering strong support for customers dealing with business change and growth.



Solving Social Issues through Business: Global Business

Infrastructure maintenance through its global business, KDDI encourages economic development in countries with inadequate

Social issues

- Slow development of telecommunications environments, economies and industries in developing countries
- Digital divides in developing countries

KDDI's Vision

In developing countries, KDDI aims to eliminate the digital divide by offering hardware and software assistance for information telecommunications and by helping improve the livelihoods of people in these countries through economic and industrial development and upgrades to telecommunications infrastructure.

Through these initiatives, KDDI will contribute to the realization of a society where everyone has easy access to telecommunications and information.

Providing Telecommunication Services, ICT Solutions, Data Center Services, and Others for Individuals and Corporate Customers Overseas

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

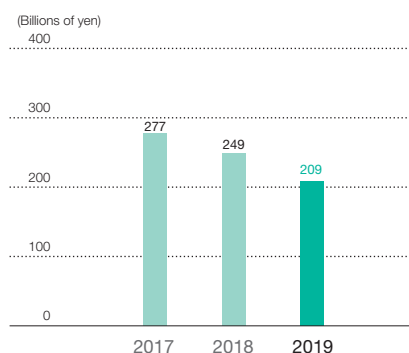
customer businesses, such as the telecommunications business in Myanmar and Mongolia.

→ Overview of Operations in the Fiscal Year Ended March 31, 2019

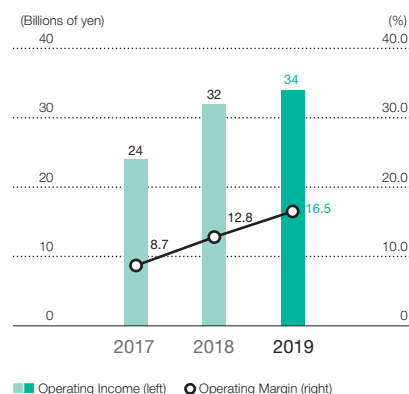
In the fiscal year ended March 31, 2019, operating revenue fell 16.0% year on year to ¥208.8 billion, reflecting the restructuring of low-profitability businesses, despite robust performance in the Myanmar telecommunications business, data center business and systems integration business.

However, operating income expanded 7.7% year on year to ¥34.4 billion, due to brisk performance in the Myanmar telecommunications, data center and systems integration businesses, even though foreign exchange rates had a negative impact on profits.

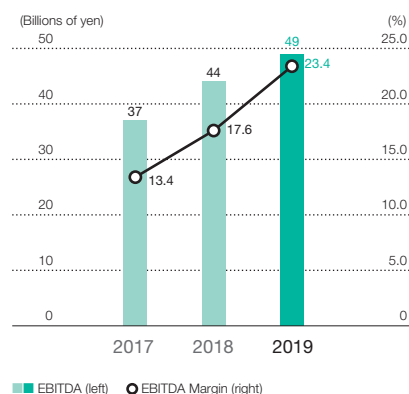
Operating Revenue



Operating Income/Operating Margin



EBITDA/EBITDA Margin



→ Key Initiatives

■ Initiatives to Develop the Telecommunications Business in Emerging Countries

In Myanmar, KDDI launched the MPT Club in May 2018 as the first point program in Myanmar, with the goal of improving customer retention. It is a shared point program that can be used at affiliated stores and, as of March 31, 2019, a total of 28 companies had signed on, including convenience stores, restaurants, and movie theaters.

As of March 31, 2019, our LTE+ services could be used at 314 of the nation's 330 townships. Just one year and eight months after launch, the service was providing 300Mbps* high-speed access across almost all of Myanmar.

As the telecommunications carrier with the No. 1 share in the country, we will continue efforts to expand operations.

* Best-effort service. The listed speed is the maximum speed based on technical specifications, and actual speeds may be slower.

KDDI's Initiatives

KDDI is leveraging the experience, know-how and technological capabilities it has accumulated around the world in the telecommunications services business to develop reliable, “Japan-quality” telecommunications services with expanded 4G LTE coverage in Myanmar, Mongolia, and other developing countries. By offering inexpensive and fair access to telecommunications networks, we will increase the number of mobile connections in these countries,

while contributing to economic development and the realization of more comfortable lifestyles. We are also involved in peripheral businesses around telecommunications that contribute to sustained growth in these countries. With the aim of eliminating digital divides in international society, we proactively participate in ICT projects and offer technological consultation in developing countries in addition to contributing to the training of technicians through education and training programs in the ICT field.

