

Financial Results for the Fiscal Year Ended March 2018

May 10, 2018

President Makoto Takahashi
KDDI Corporation



Today's Presentation

- **Integration of Telecommunications and Life Design**
- **Financial Results for FY18.3**
- **Financial Forecasts for FY19.3**

Disclaimer

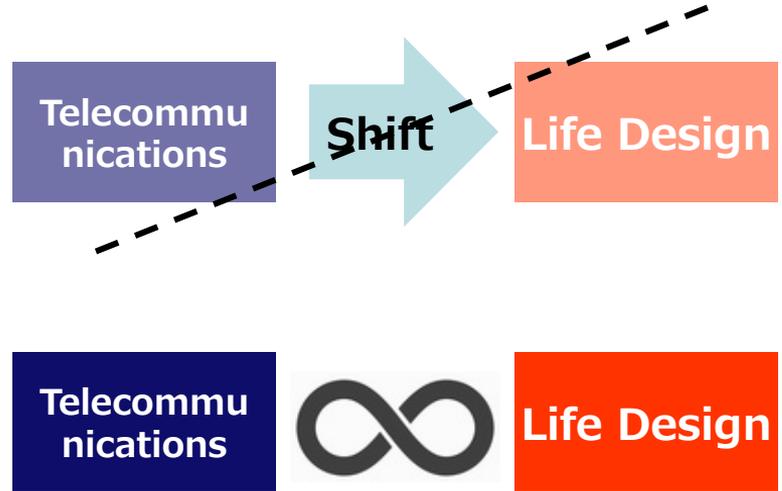
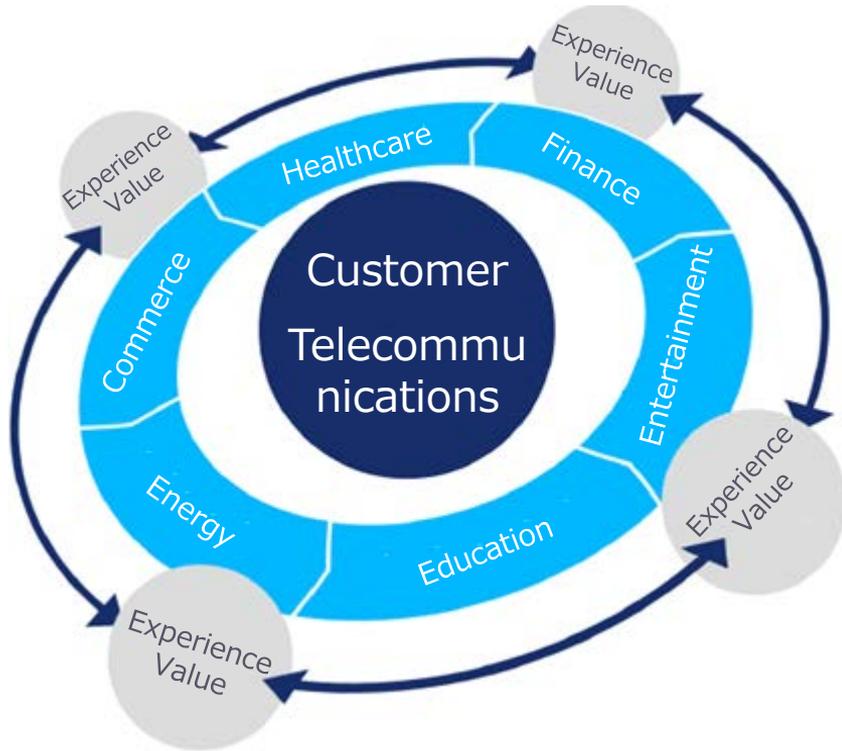
Statements made in these documents with respect to the KDDI Group's performance targets, projected subscriber numbers, future forecasts and strategies that are not historical facts are forward-looking statements about the future performance of the KDDI Group, based on company's assumptions and beliefs in light of the information available at the time they were made. They therefore include certain risks and uncertainties. Actual results can differ from these statements due to reasons including, but not limited to, domestic and overseas economic trends, competitive position, formulation, revision or abolition of laws and ordinances, regulations or systems, government actions or intervention and the success or lack thereof of new services. Consequently, please understand that there is a possibility that actual performance, subscriber numbers, strategies and other information may differ significantly from the forecast information contained in these materials or other envisaged situations.

Integration of Telecommunications and Life Design

Integrate Telecommunications and Life Design

3

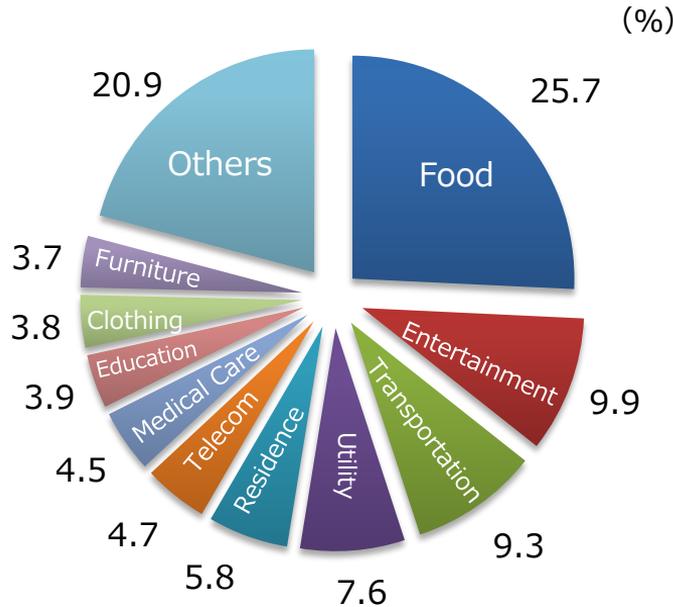
Connect with Customers via Telecommunications to Enhance Experience Value



Business Domain of Life Design

Expanding the Customer Touchpoints in Every Aspect of Life

Household Consumption Expenditure
Composition Ratio
(Household with two or more people)*

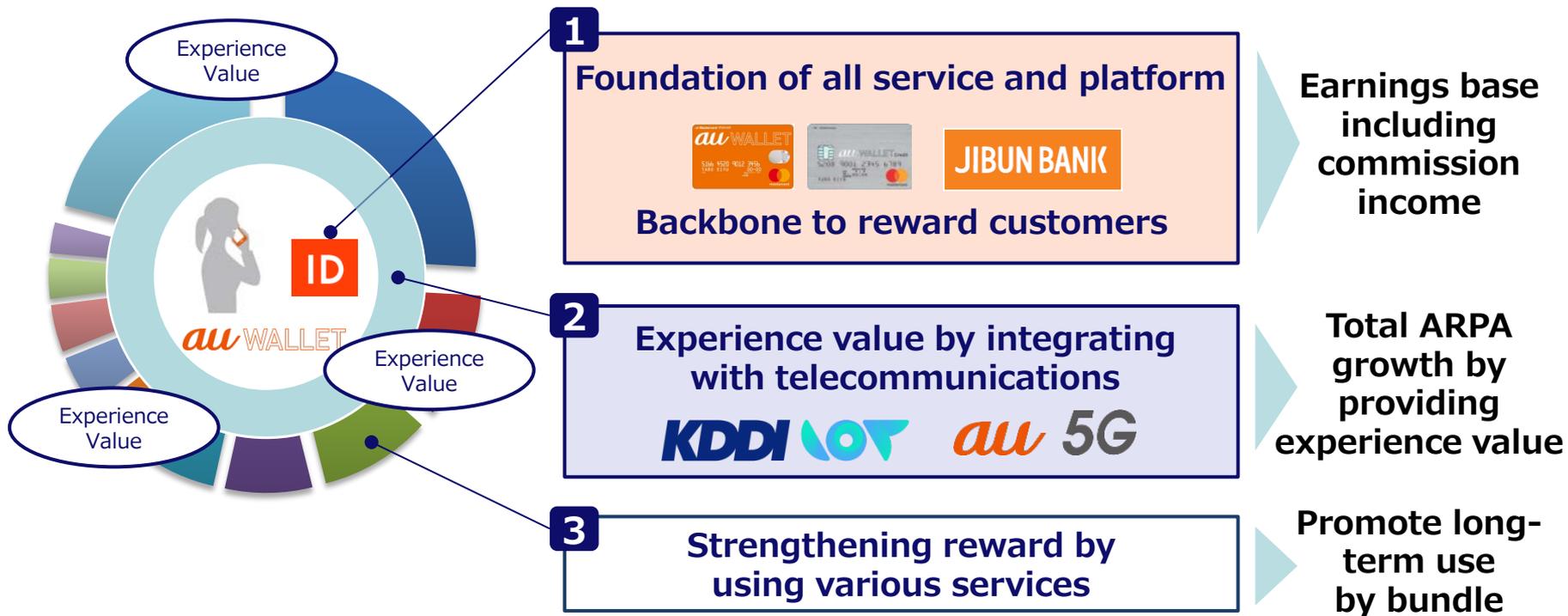


*Created by KDDI based on "Family Income and Expenditure Survey Report (Household Receipts and Disbursements) –Preliminary Average for 2017" issued by Ministry of Internal Affairs and Communications)

We Stand By You

KDDI provides the best & the most familiar service for you

Aim for Providing New Experience Value Focusing on Customers



Look Back over the Past

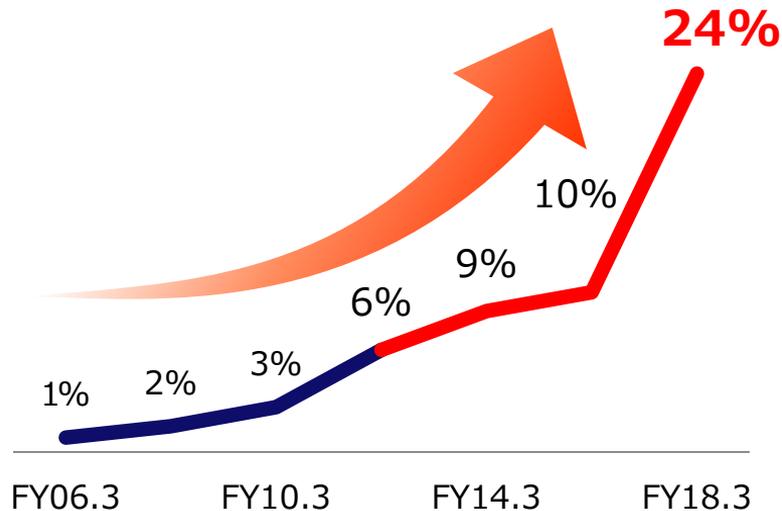
Ratio of Value-Added Revenues

Value-Added Revenues*1

$$\frac{\text{Value-Added Revenues} *1 + \text{Mobile Communications Revenues} *2}{\text{Value-Added Revenues} *1 + \text{Mobile Communications Revenues} *2}$$

Value-Added Revenues

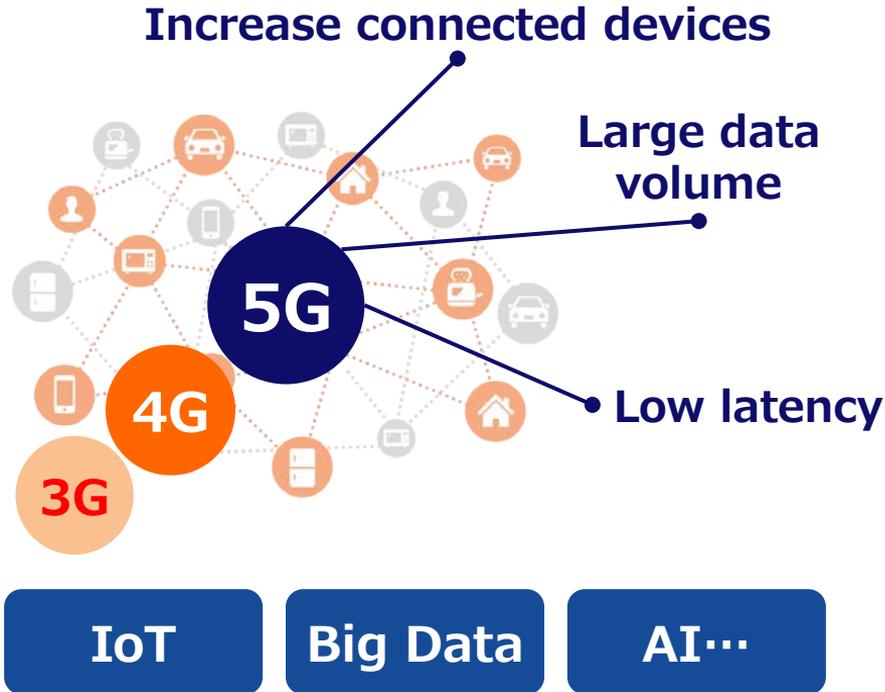
Steadily Expanded Value-Added Business from 3G to 4G Era



- *1) Prior to FY10.3, sales of content/media business. From FY12.3, revenue from external customers in Value Services segment.
From FY18.3, revenues of the energy, education and others from the Personal Services segment are added (au Economic Zone Sales)
- *2) Prior to FY10.3, sales outside the group of telecommunications business in Mobile Business

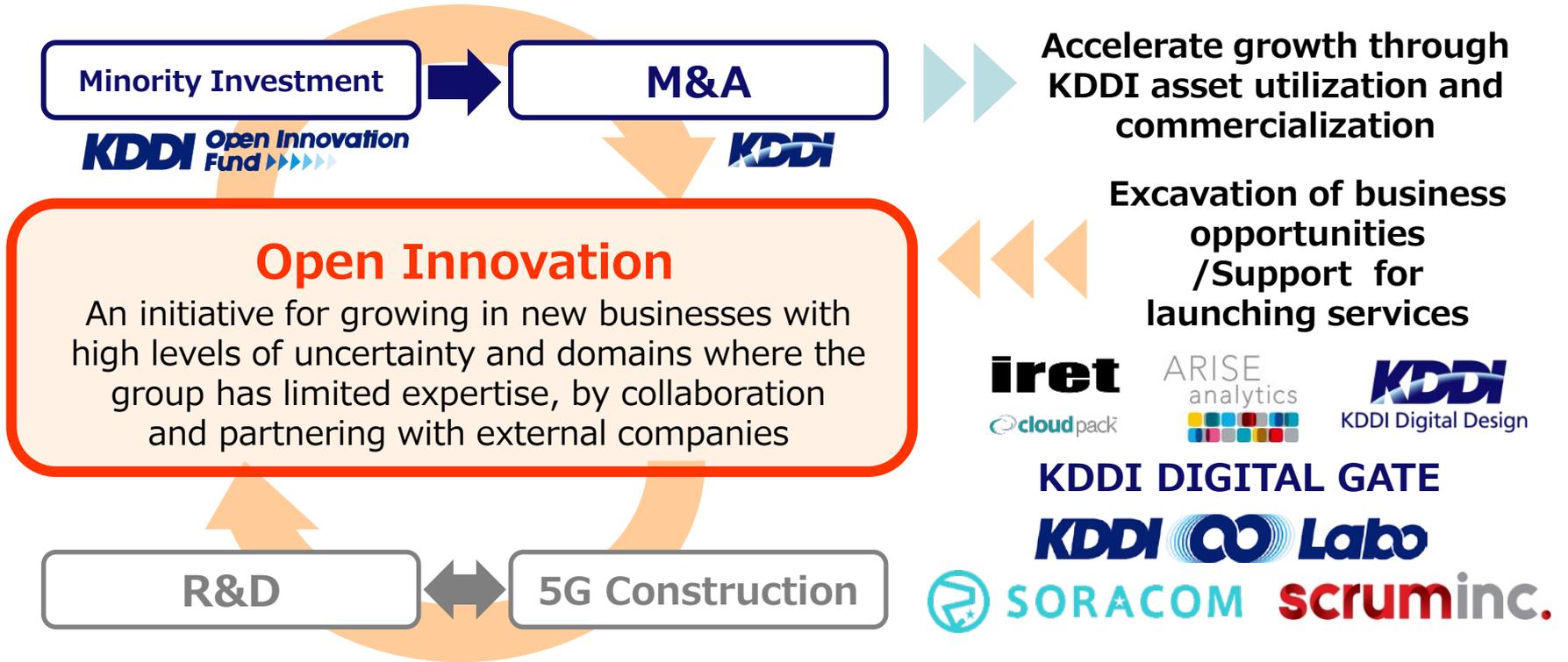
Strive at the Frontier of Technology

Accelerate Adaptation to New Technologies That Can Transform Experience Value



Strive at the Frontier of Technology

Create New Growth Through Open Innovation



Financial Results for FY18.3

Promoting Business Strategy toward the New Growth Stage

Operating Income

(Billions of yen)



Financial Results/Operations

- Operating income: YOY+5.5%
- Promoting new price plan
- Strengthened the life design business

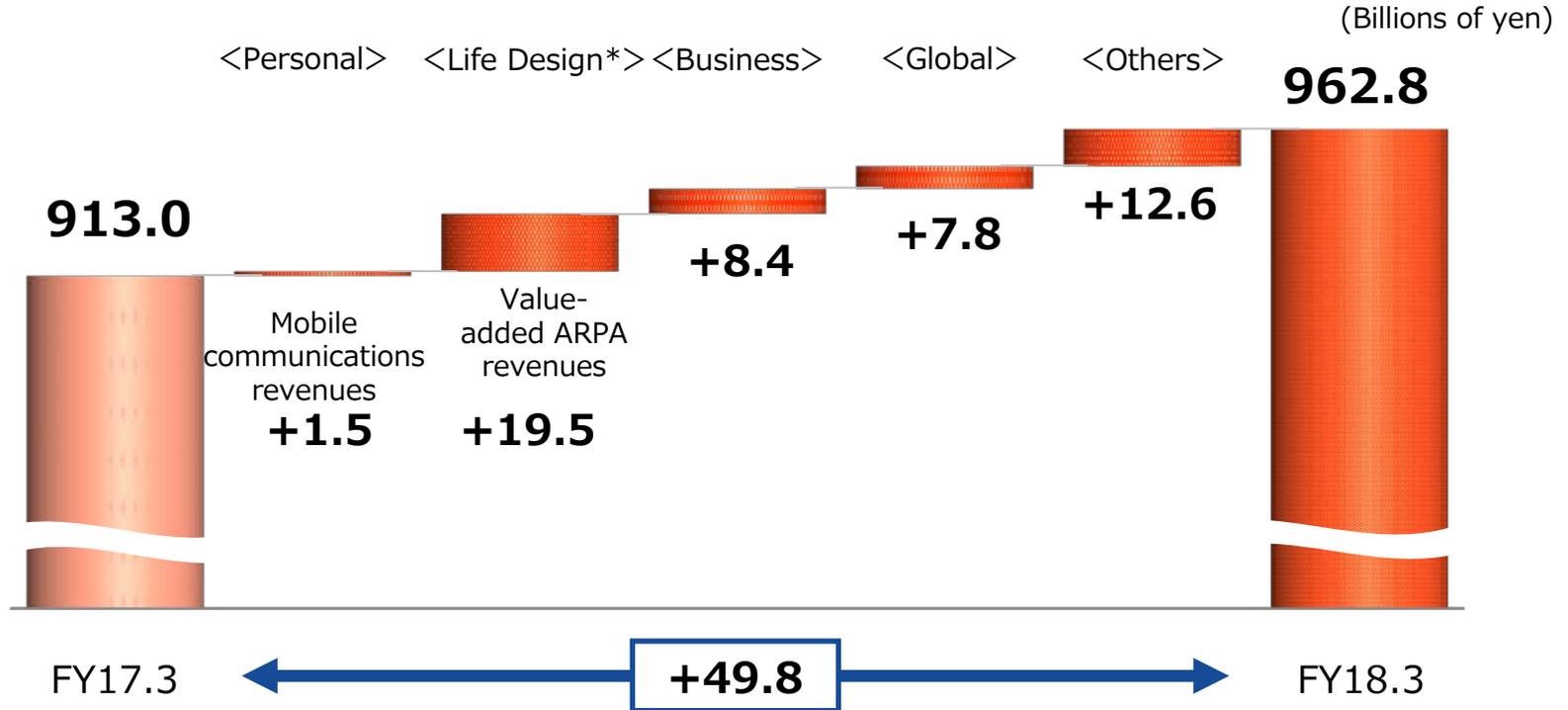
Shareholder Return/Capital Strategy

- Dividends per share : ¥90 (E)
- Repurchased own shares of ¥150 billion*
- Canceled portion of treasury shares exceeding 5% of total issued shares

*Aggregate number of shares: 33,526,600 shares (from May 12 to September 15, 2017) and 18,953,100 shares (from February 1 to March 23, 2018)

Operating Income: Factor for Change, YOY for FY18.3

Promoting Measures for Growth toward Next Year and Beyond

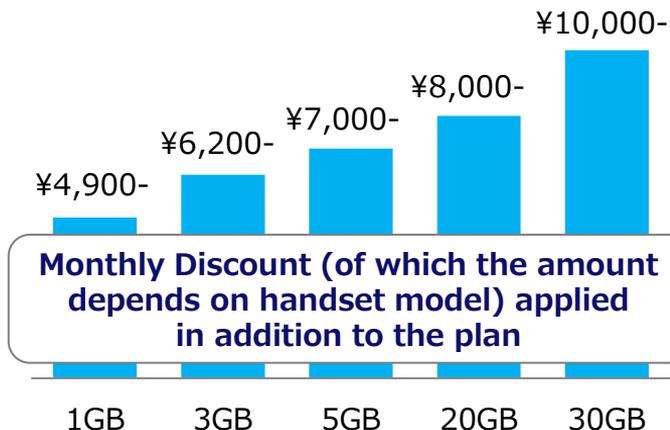


*From FY19.3, segment name of "Value Services segment" is changed to "Life Design Services segment"

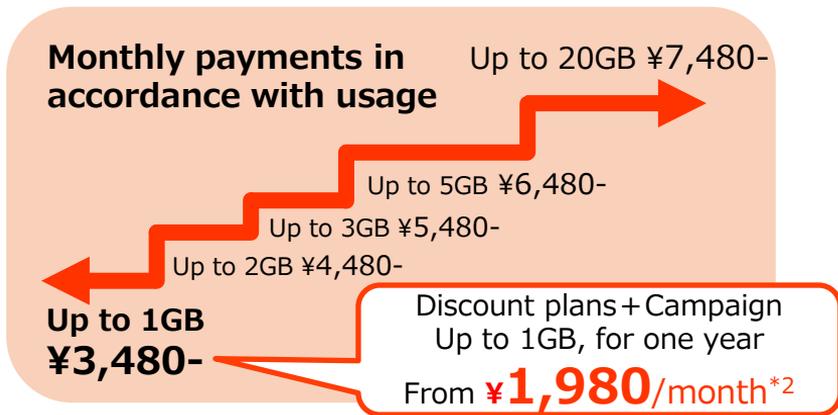
New Approach and Competitive Advantage in Mobile Price Plans



Existing Plan^{*1}



au Pitatto Plan (New Price Plan)



Note) Indicated figures are monthly charge and exclude taxes.

*1) "SuperKakeho" + "Data flat fee (1/3/5/20/30)"

*2) The amount shown is "au Pitatto Plan (SuperKakeho)" (Applied with "Everybody discount for two years contract," "au Smart Value" and "Big news campaign")

Basic charge (Everybody discount for two years contract) + Data flat fee + LTE NET

(New Price Plan)

The Number of Subscribers Increased Significantly, the Selectivity of High Volume Data Plan Also Increased

Cumulative Subscribers

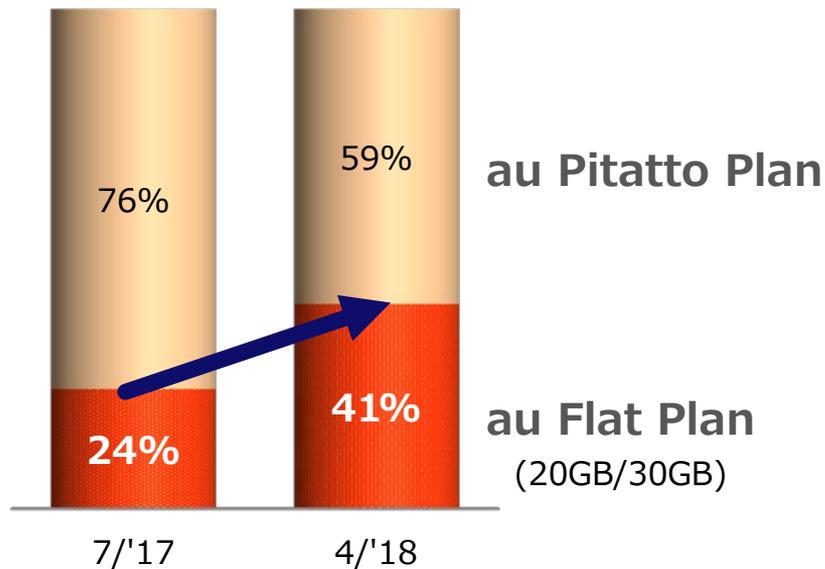
Exceeded **7** millions

(as of April 8)



Around one in three of
au smartphone users
signed up to
new price plans

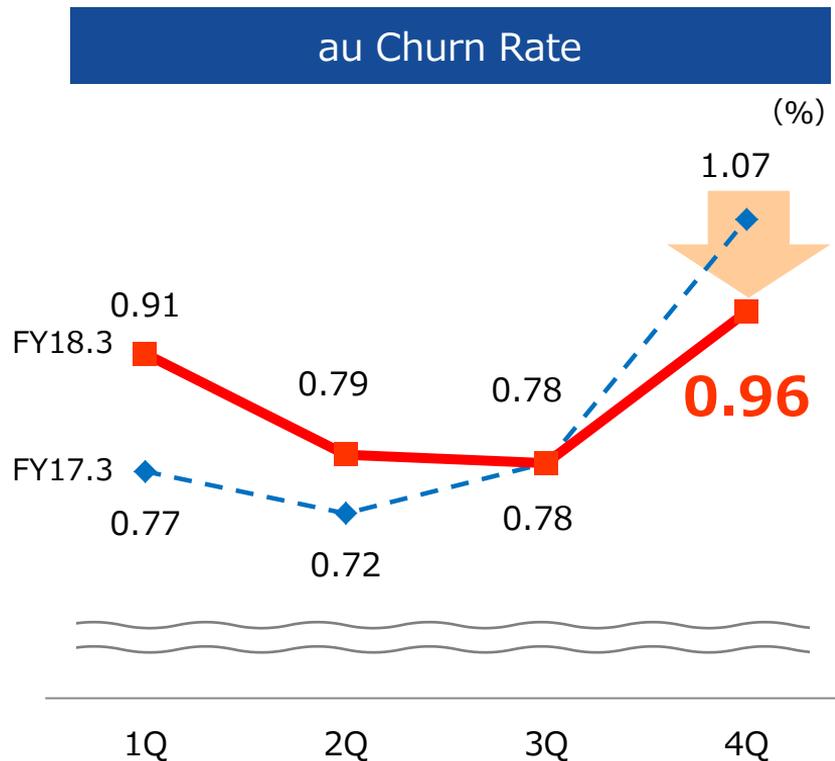
Selectivity*



*Based on 4G LTE smartphone sales (Counting period: [7/'17] from July 14 to 31, [4/'18] from April 1 to 22)

au Churn Rate

Improved YOY
due to the effect of
the new price plan

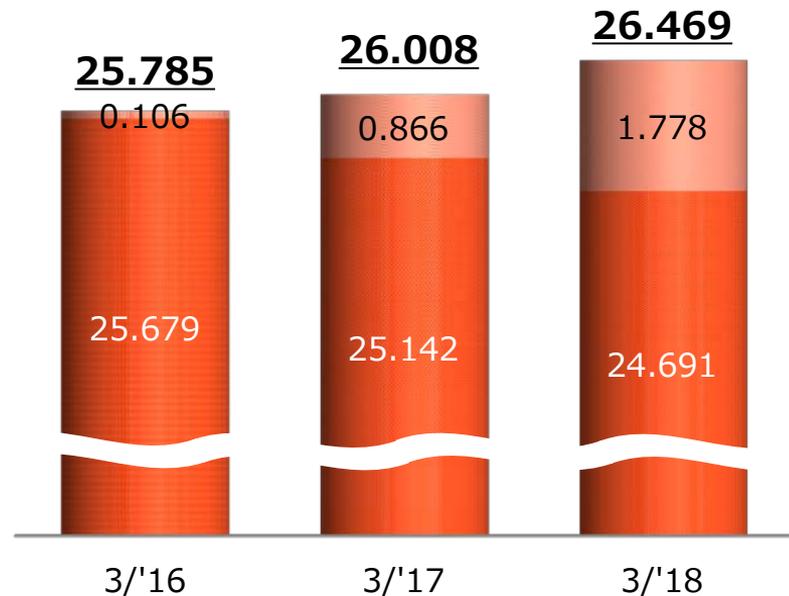


Mobile IDs

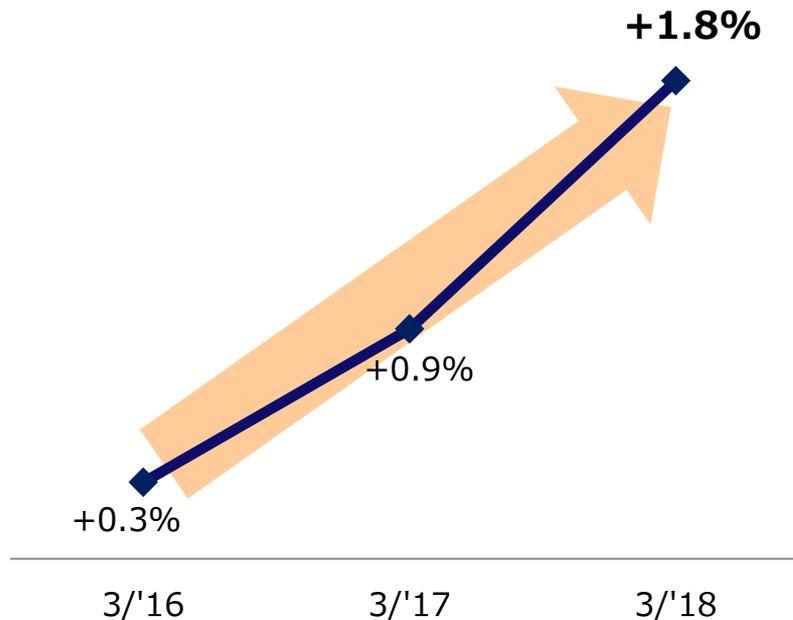
The Decline of au Accounts Narrowed, and Mobile IDs* is Steadily Growing

Full-Year Basis

■ au accounts ■ MVNO subscriptions (Millions)



YOY

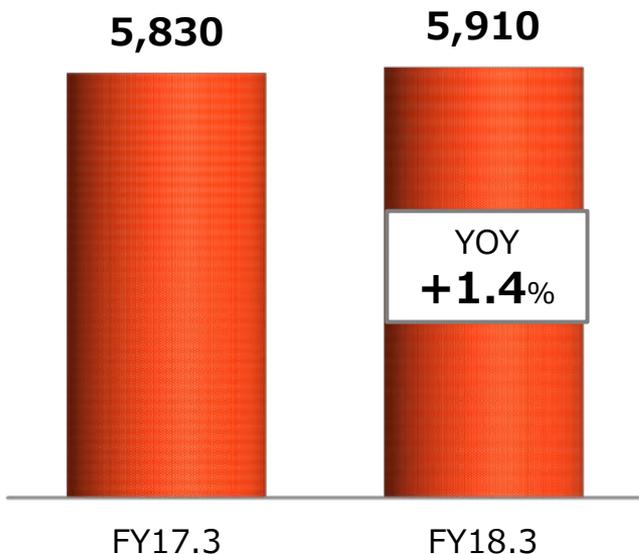


*au accounts + MVNO subscriptions

Temporary Impact of New Price Plan Absorbed by MVNO Revenues

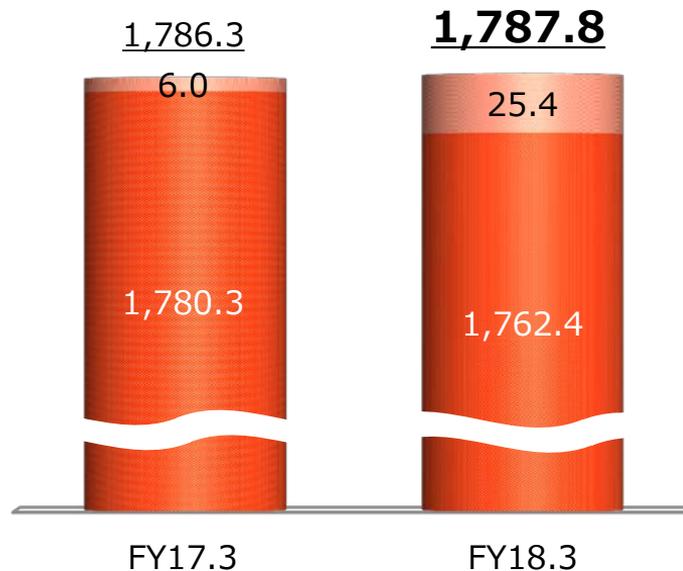
au ARPA

(Yen)



Mobile Communications Revenues*

■ au ARPA revenues ■ MVNO revenues (Billions of yen)

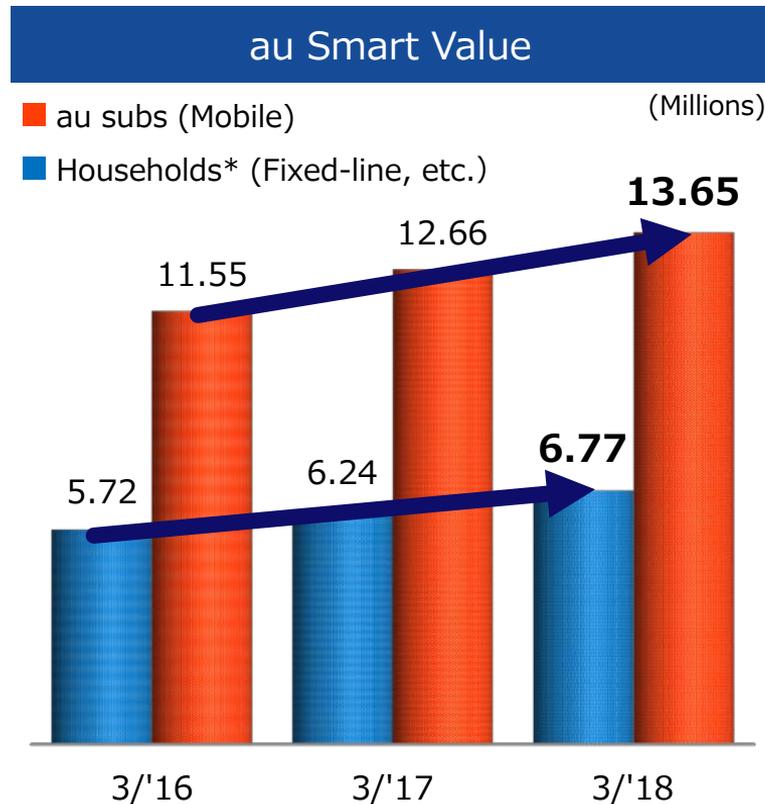


*au ARPA revenues + MVNO revenues

au Smart Value

(Bundled Plan)

**Growth in Both Mobile and
Fixed-Line Subscribers**

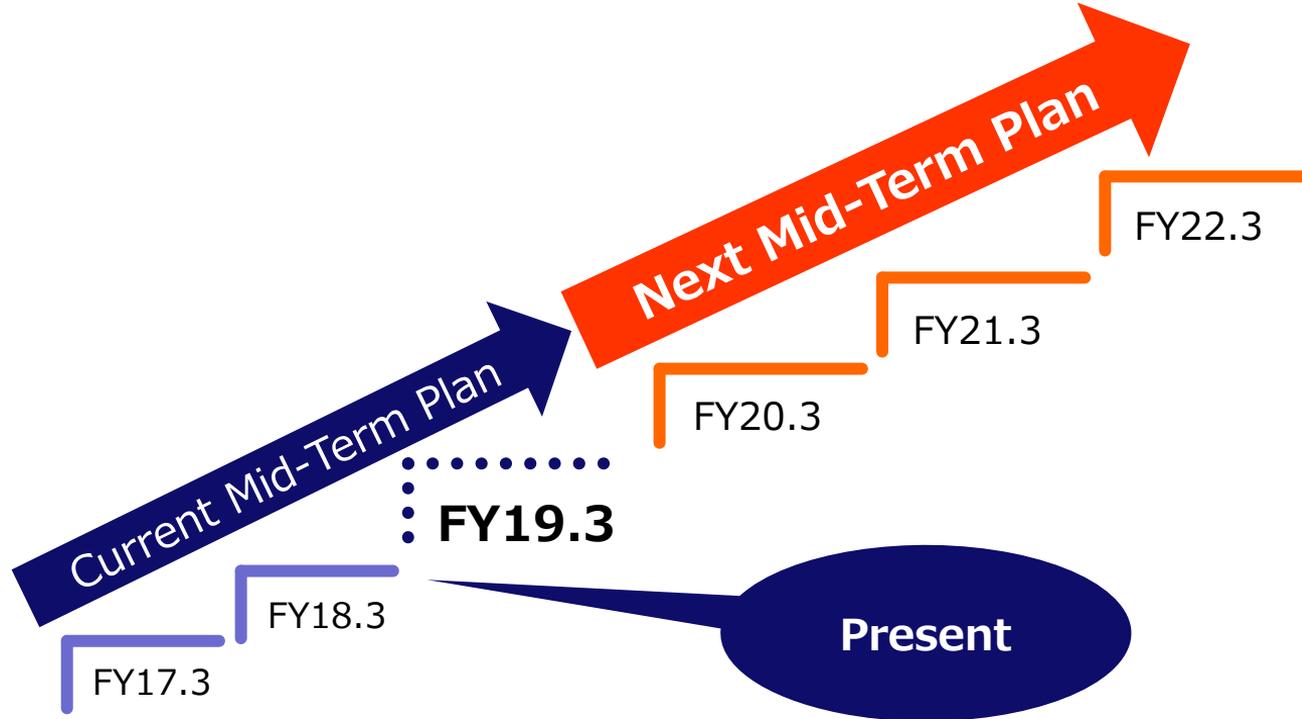


*Total for KDDI group companies and fixed-line allied companies

Financial Forecasts for FY19.3

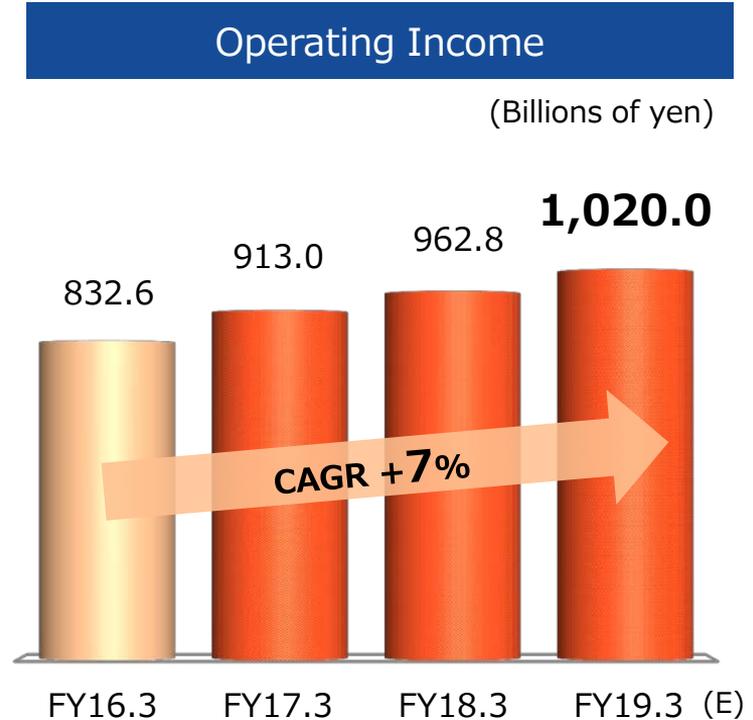
Positioning of FY19.3

Aim to Achieve the Current Medium-Term Targets



Operating Income

Aim to Achieve the Current
Medium-Term Targets
Toward **CAGR+7%**

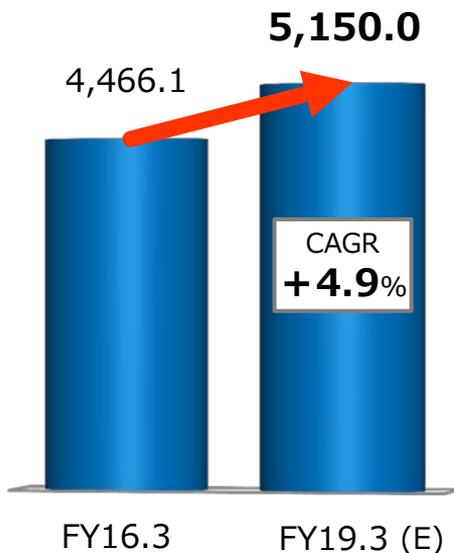


Highlights of Forecasts for FY19.3

Aim to Sustainable Business Growth

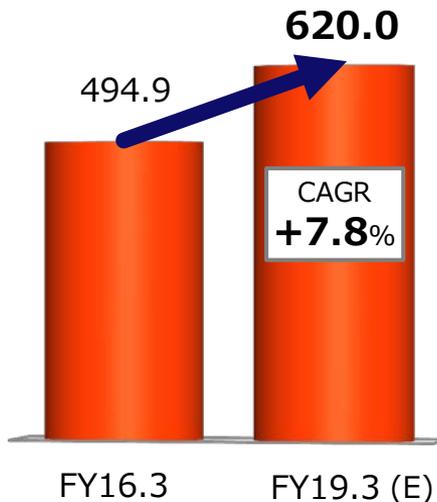
Operating Revenue

(Billions of yen)



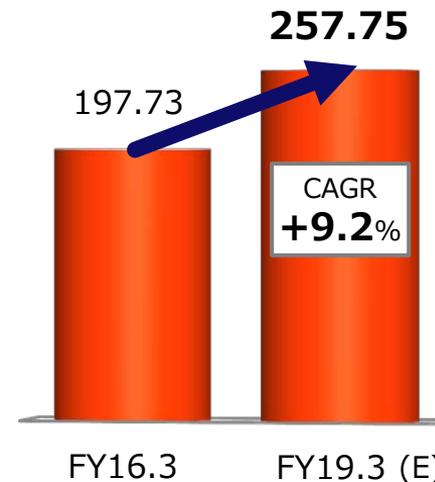
Profit for the period attributable to owners of the parent

(Billions of yen)



EPS*

(Yen)



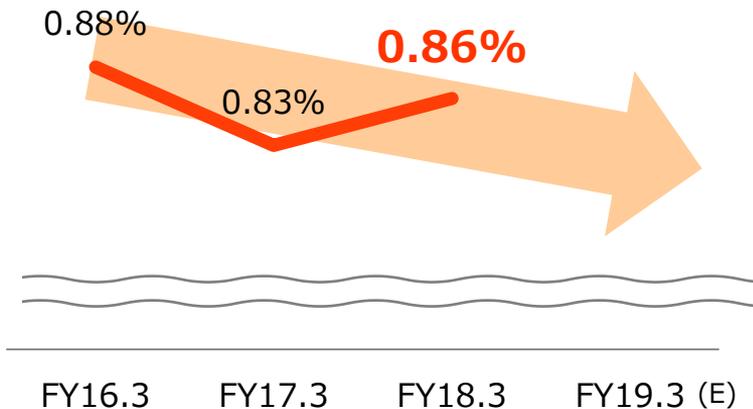
*Basic earnings per share

Maximizing Lifetime Value

Expand Lifetime Value by Customer Retention

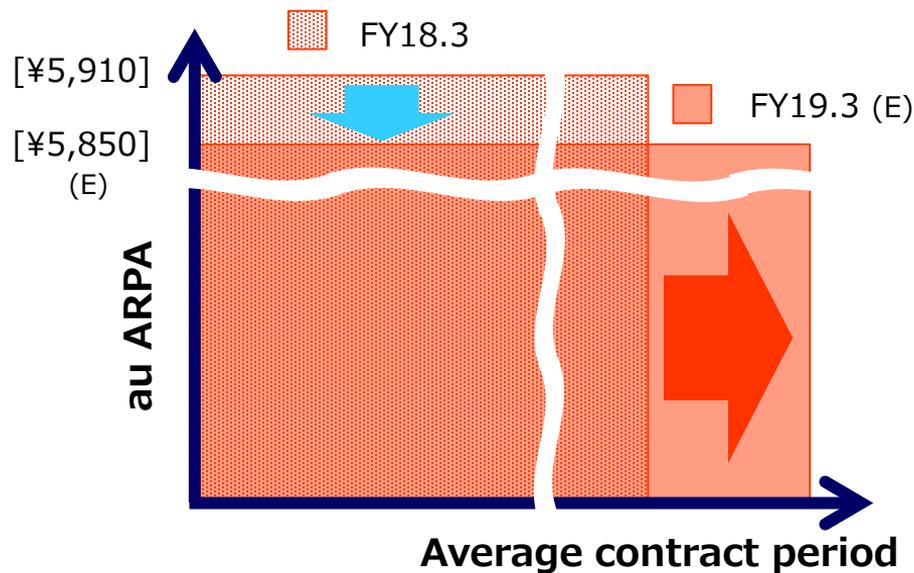
au Churn Rate

Aim for improvement with YOY



Lifetime Value

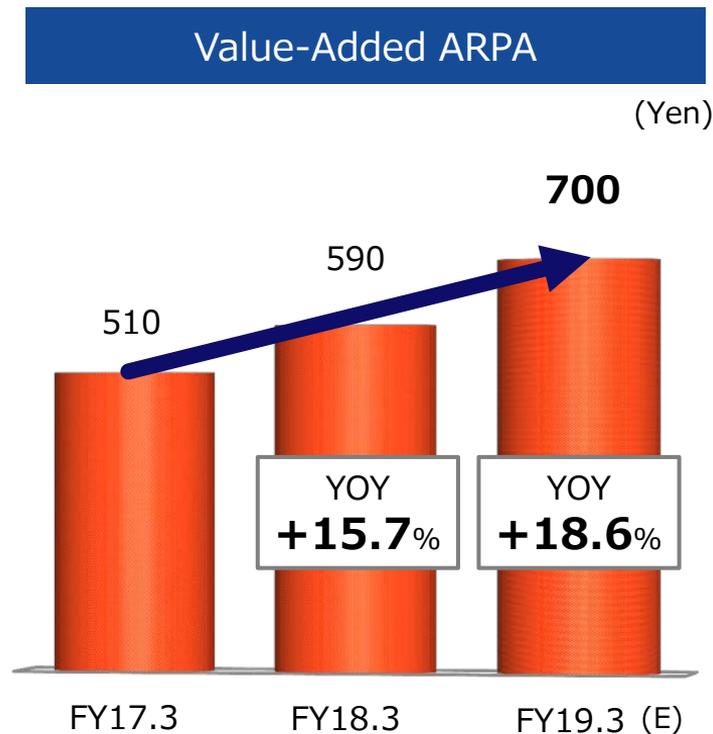
$$[\text{au ARPA}] \times [\text{Average contract period}^*]$$



*Based on au churn rate

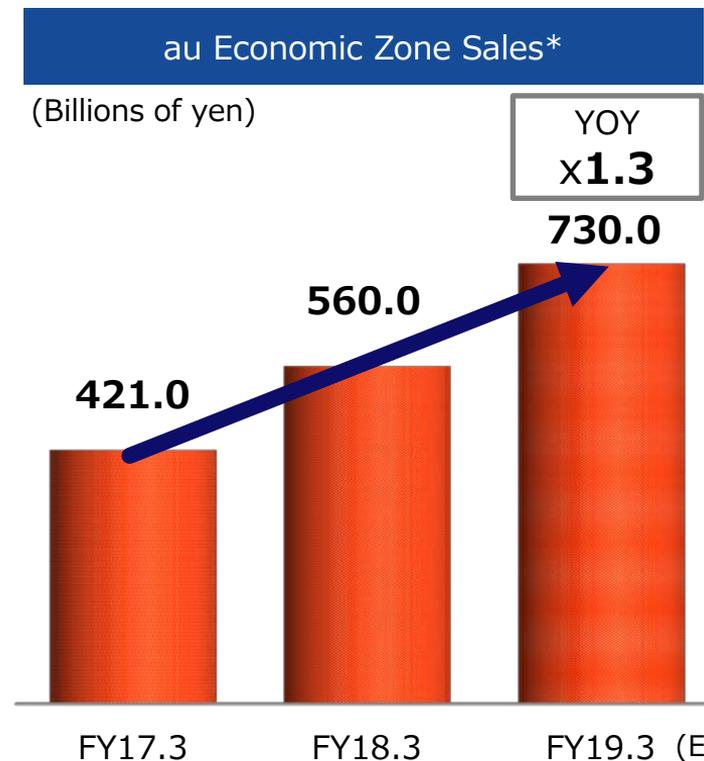
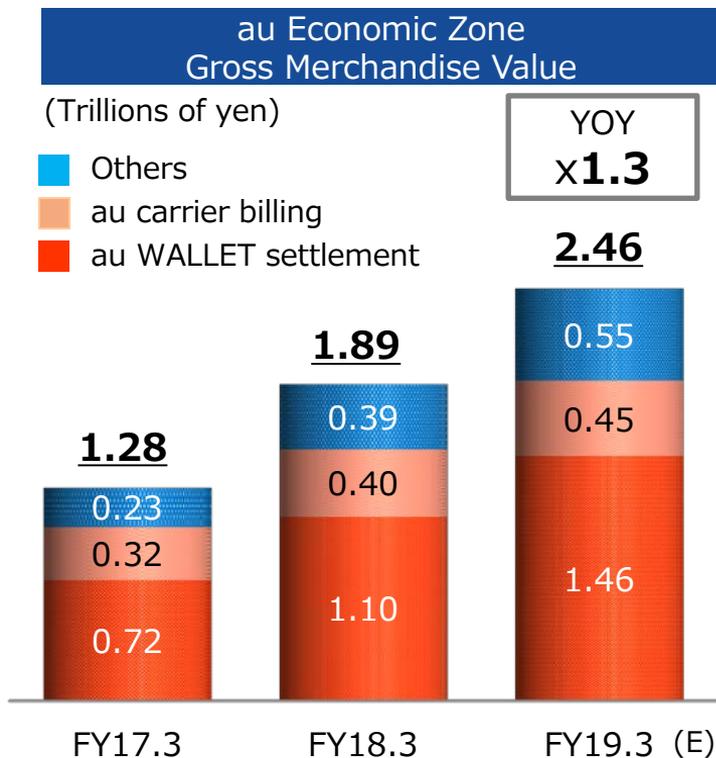
Value-Added ARPA

Accelerate Growth



au Economic Zone GMV / Sales

Accelerate Growth towards a New Stage



*Revenue from external customers of Life Design Services segment + Revenue from education, energy and others of Personal Services segment

Customer Base

Both Online Customer Touchpoint and Settlement Platform Growing Steadily

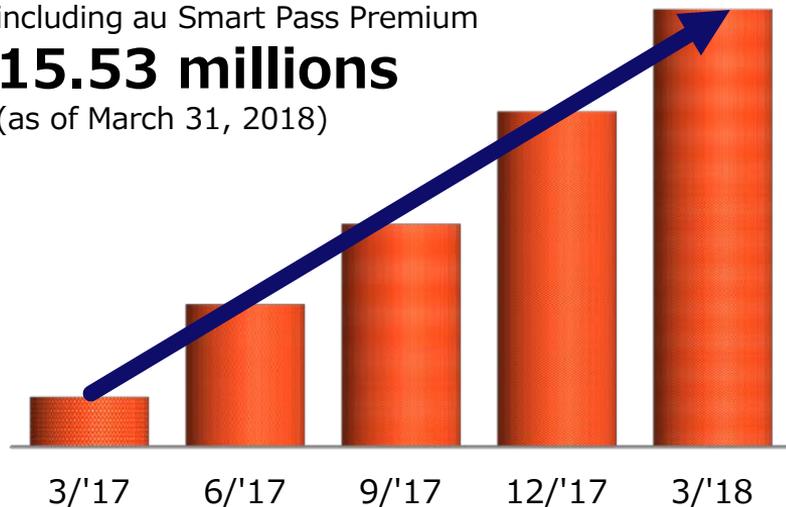
au Smart Pass Premium Members

More than **4M**

For the entire au Smart Pass members including au Smart Pass Premium

15.53 millions

(as of March 31, 2018)

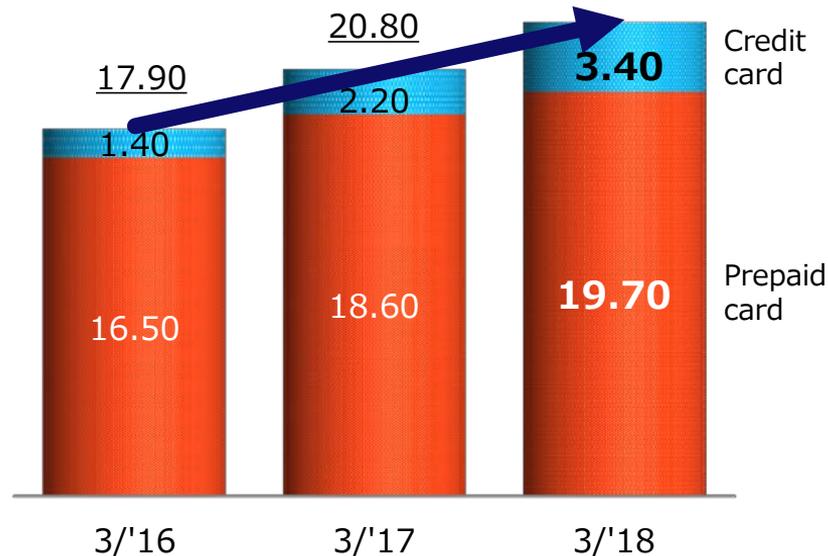


au WALLET Valid Cards

Credit cards

(Millions)

Reached **3.4M**

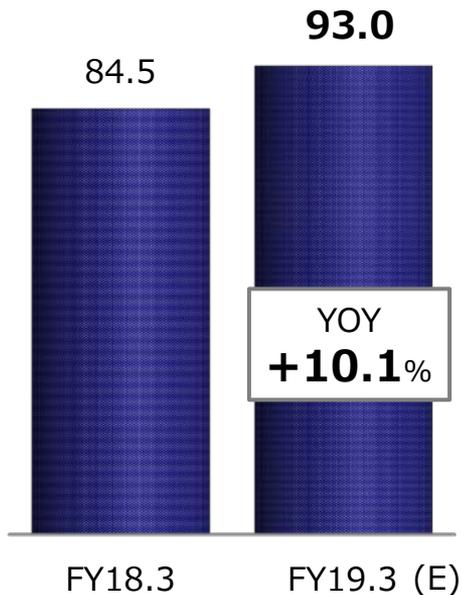


Business/ Global

Aim for Income Growth

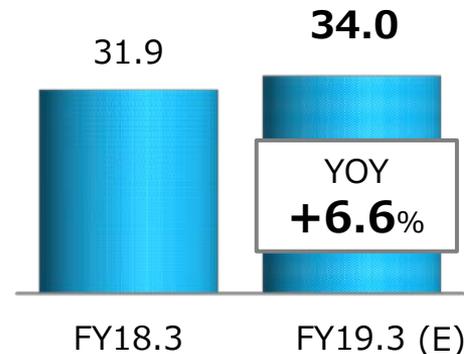
Business Services Segment Operating Income

(Billions of yen)



Global Services Segment Operating Income

(Billions of yen)



Business Services Segment

Promoting Digital Transformation by Utilizing IoT/5G

Accelerate new value creation by supporting customer's business design



Design thinking + Agile development

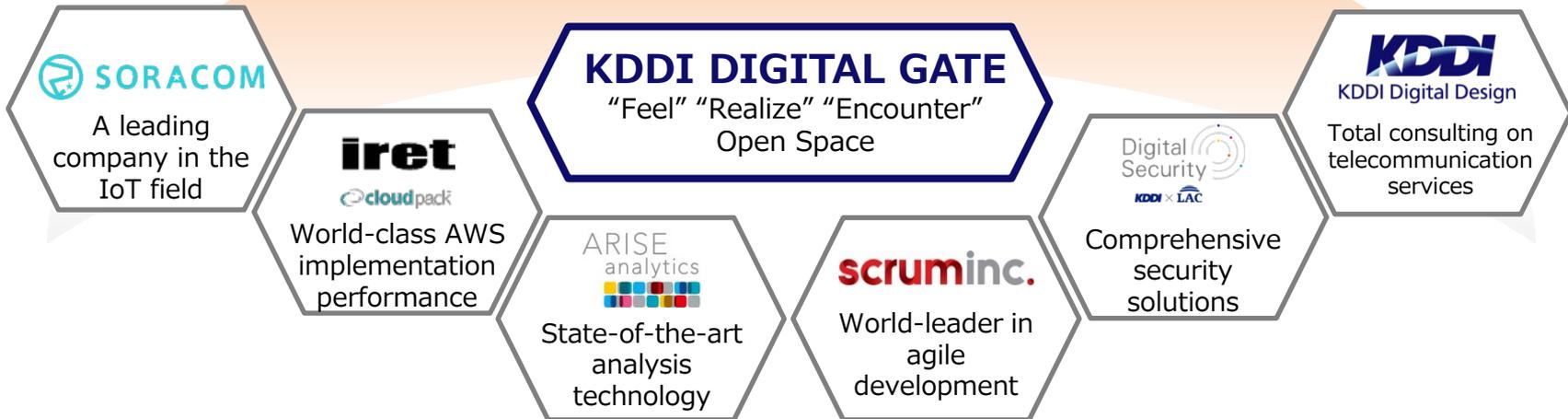


Generate New Business

Co-Creating New Value with Customers and Partners

Comprehensive support

Enterprise
Customers



Global Services Segment

Aim for Further Business Growth as No. 1 Operator



Introduced carrier aggregation,
launched movie service
(February 2018)

**Aim for
ARPU growth**



Completed LTE base station
installation in all provincial
government capitals
nationwide
(July 2017)

**Aim for area expansion
and quality improvement**



LONDON Docklands



Number of business operator
connections by site

World No.1 * 

**Aim for business
expansion by making
use of connectivity**

Material Sustainability Issues

Find Ways to Solve Issues through Business,
Seeking a Sustainable Society

Set material issues based on SDGs*

Material Sustainability Issues

Released in March 2018

SUSTAINABLE
DEVELOPMENT GOALS
17 GOALS TO TRANSFORM OUR WORLD



1. Safer and more robust connected world
2. Cyber security and privacy protection
3. Rewarding workplaces for diverse talents
4. An energy-efficient, circular economy
5. Fulfilled life brought through ICT
6. Respect for human rights and fairness in business

*Sustainable Development Goals : The 17 goals laid out for sustainable world by the United Nations

Dividends per Share

Aim for Consecutive Increase of DPS by Sustainable Business Growth



Note) Figures are adjusted to reflect stock split

Aim to Achieve the Current Medium-Term Targets

Business Strategy

- ✓ Aim to provide new experience value through the integration of telecommunications and life design
- ✓ Accelerate adaptation to new technologies that can transform experience value
- ✓ Promote initiatives in new growth areas

Financial Results and Forecasts

Shareholder Return

FY18.3

- Operating income exceeded the initial forecast
- New price plan acquired more than 7M subs. au churn rate improved
- Repurchased own shares of **¥150 billion**^{*1}

FY19.3(E)

- Aim to achieve the current medium-term targets
- **DPS^{*2} YOY +11.1%**
Plan to increase dividend for 17th consecutive year
- Resolution of repurchase of own shares up to aggregate amount of **¥150 billion**^{*3}

*1) Aggregate number of shares: 33,526,600 shares (from May 12 to September 15, 2017) and 18,953,100 shares (from February 1 to March 23, 2018)

*2) Dividends per share

*3) Aggregate number of shares: Up to 63,000,000 shares (from May 11, 2018 to March 22, 2019)

Designing The Future

KDDI

あたらしい自由。

au