

Financial Results for the 1st Half of the Fiscal Year Ending March 2019

(from April to September 2018)

November 1, 2018

Makoto Takahashi
President
KDDI Corporation

Designing The Future
KDDI

あたらしい自由
au

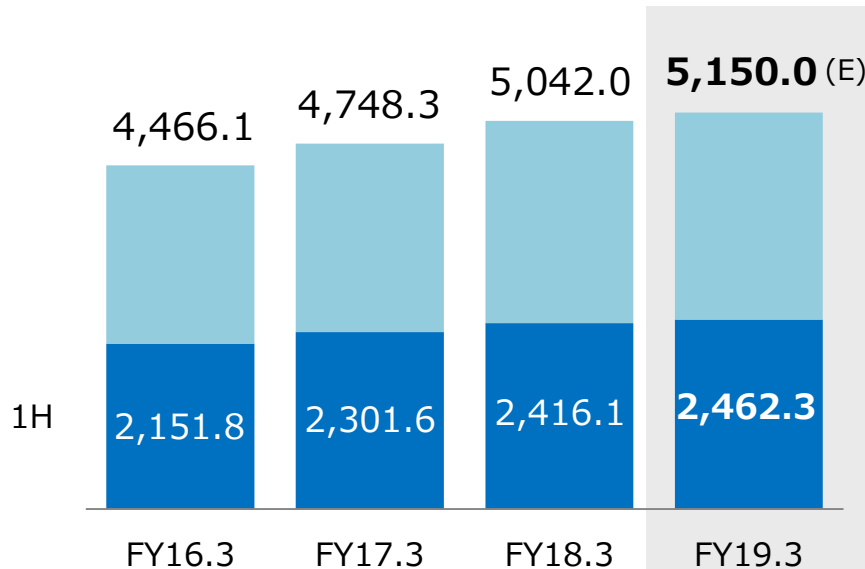


Highlights of Financial Results for the 1st Half

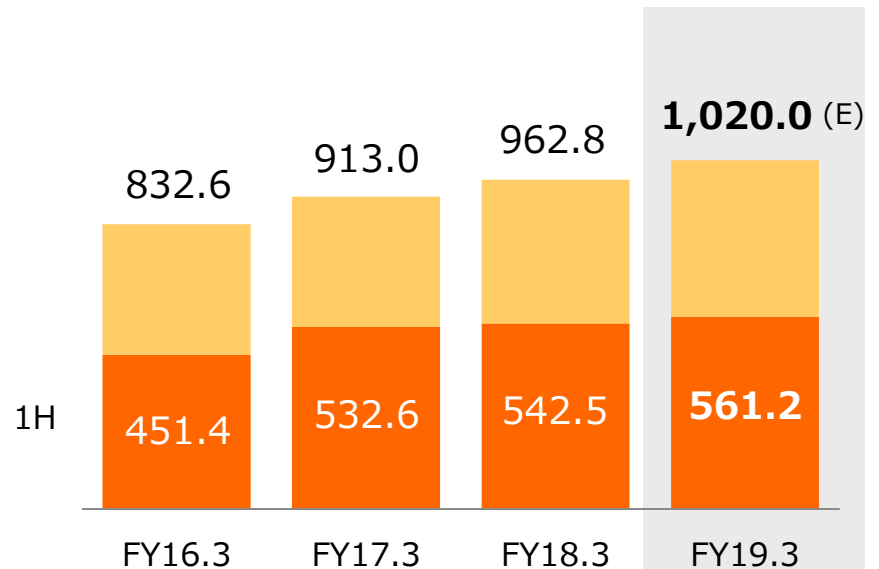


Highlights of 1H Performance

Operating Revenue (Unit: Billions of yen)



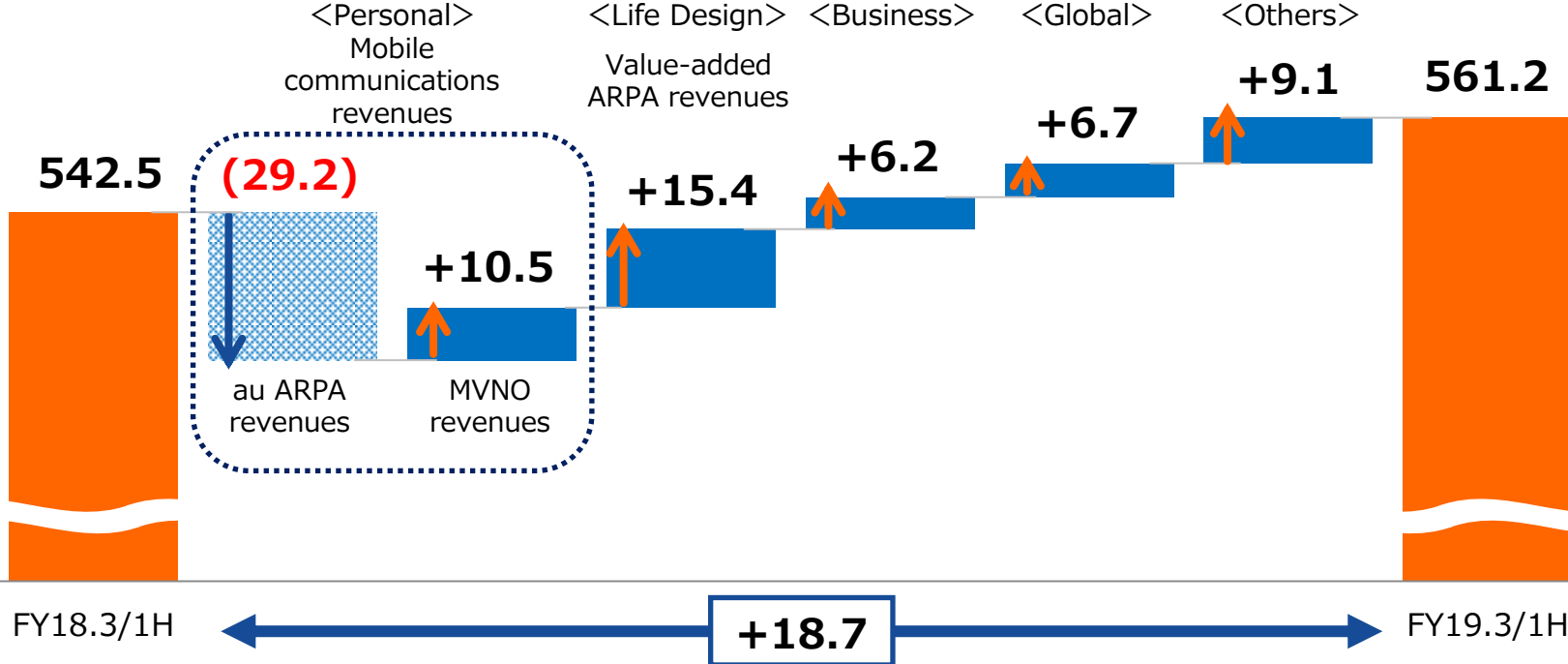
Operating Income (Unit: Billions of yen)



Steady progress towards the current mid-term targets

Operating Income: Factor for Change, YOY for 1H

(Unit: Billions of yen)



Mobile communications revenues decreased, new fields of growth drove the result

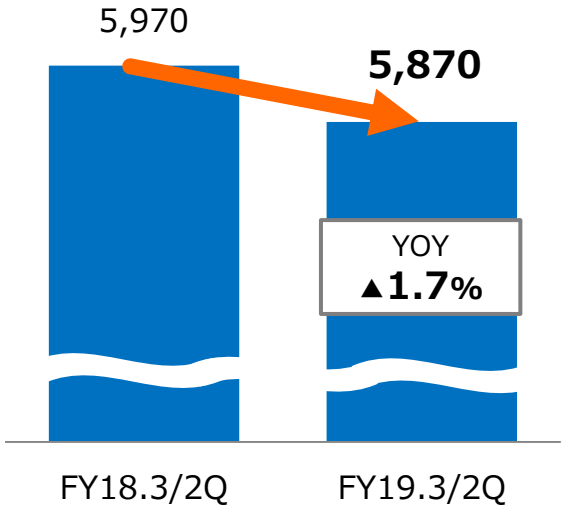
Domestic Telecommunications Business



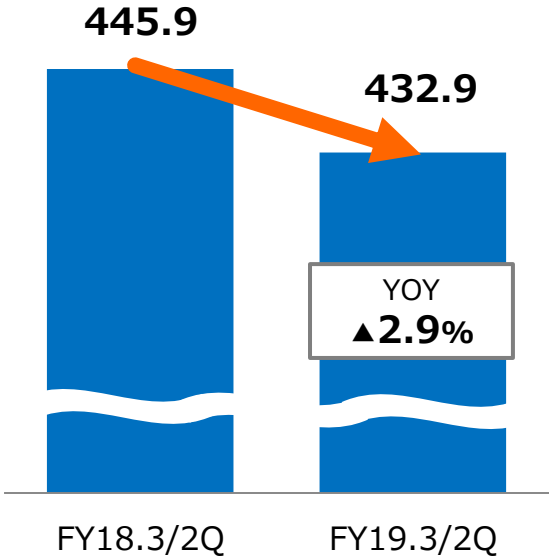
au ARPA / au ARPA Revenues

au ARPA (Unit: Yen)

* Telecommunications revenues of smartphone, feature phone, data card, tablet and module, per au account



au ARPA Revenues (Unit: Billions of yen)



Decreased YOY, due to the impact of au Pitatto Plan / Flat Plan

Price Plans for Smartphones

Promptly introduced price plans separating communications and handsets in the market (from July 2017)

au Pitatto Plan
au Flat Plan

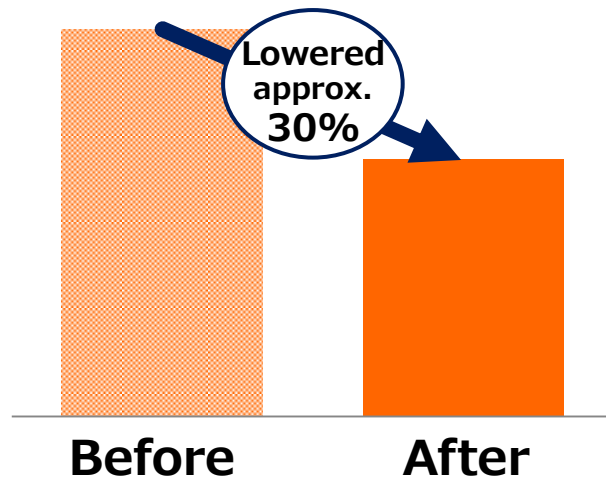


Exceeded **10M** subs

(as of September 23, 2018)

Average Billed Amount*

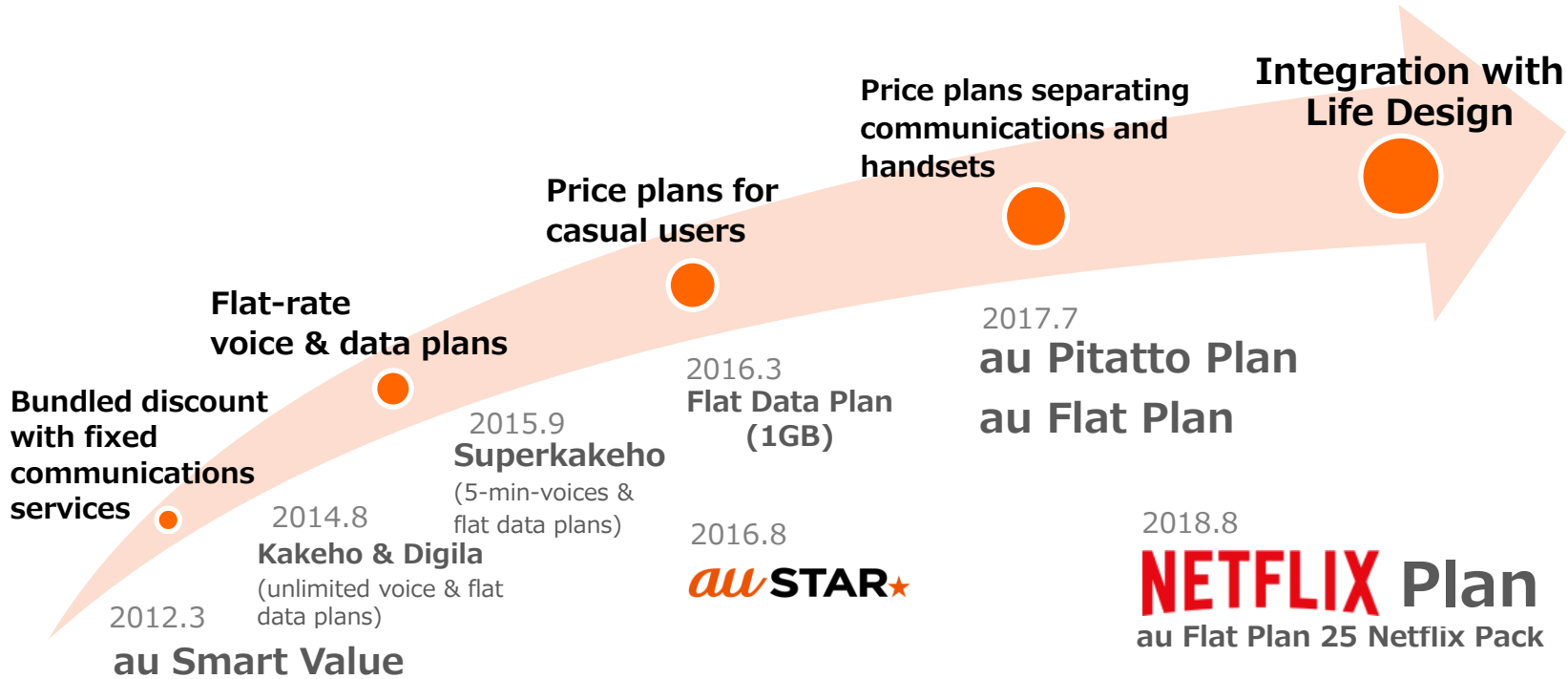
au Pitatto Plan



Proactively responded towards lower-priced, simplified price plans

* A comparison of bills of communications fee (average amounts) between July 2017 and July 2018 for smartphone users who changed to the “au Pitatto Plan” until June 2018

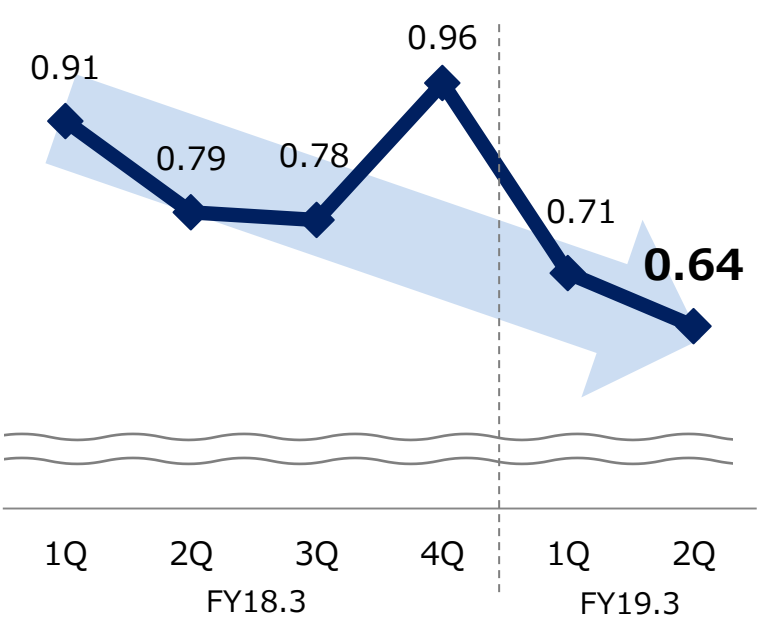
Promote Customer Returns



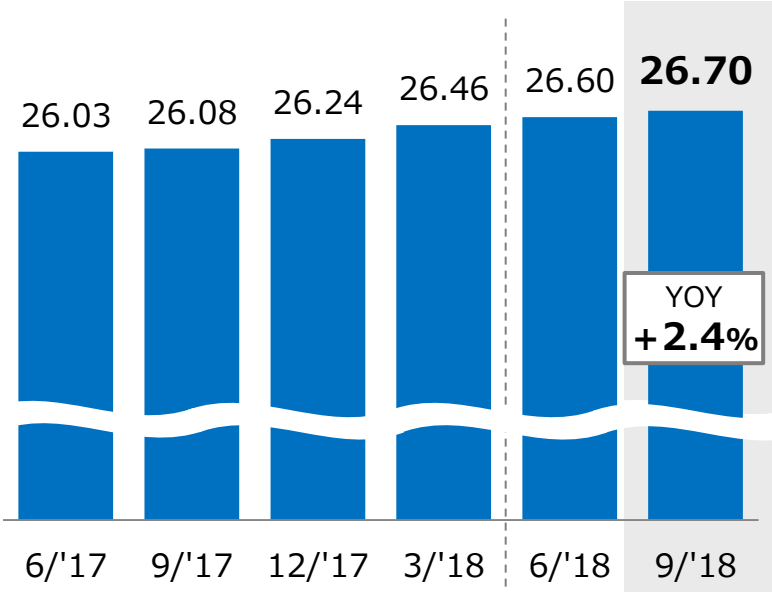
Promote customer returns with a wide variety of price plans

au Churn Rate / Mobile IDs

au Churn Rate (Unit: %)



Mobile IDs* (Unit: Millions)



au churn rate significantly improving, mobile IDs steadily growing

Note) Personal Services segment basis

*au accounts + MVNO subscriptions

Received top awards in individual and corporate customer satisfaction, in three consecutive years



J.D. Power “No.1 in Mobile Phone Service Satisfaction”

Best ranked in “Handsets,” “Services Offered,” “Cost,” and “After Support”

Source: J.D. Power 2016-2018 Mobile Phone Service Satisfaction Study.
Based on responses from 27,600 mobile phone users in Japan as for study in 2018. jdpower-japan.com



J.D. Power “No.1 in Business Mobile Phone Service Satisfaction”

<large and mid-sized corporation market segment>

Source: J.D. Power 2016-2018 Business Mobile Phone Service Satisfaction Study.
Based on 2,890 responses received from 2,287 companies with 100 or more employees in a survey regarding mobile phone service providers as for study in 2018 (evaluations obtained up to two services per company.)
jdpower-japan.com

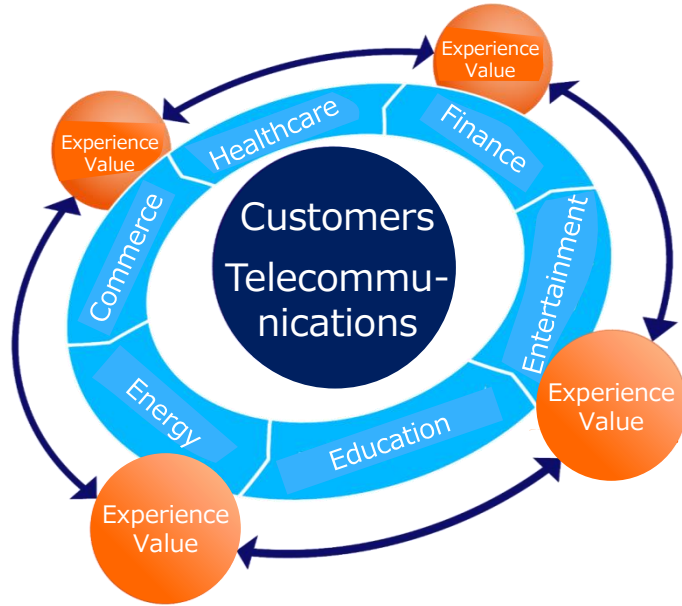
Pursue further improvement of customer satisfaction

New Fields of Growth

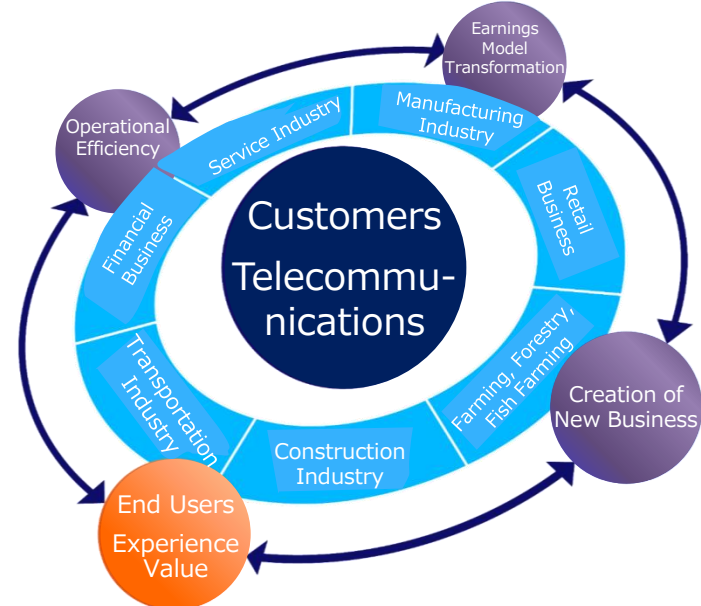


Integration of Telecommunications and Life Design

Consumer Business



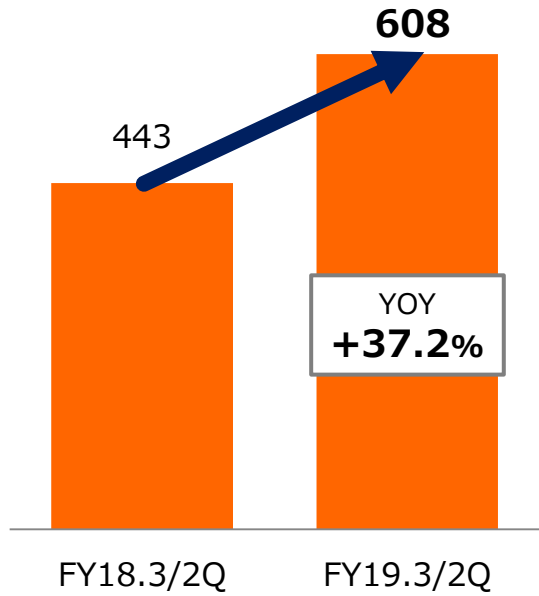
Enterprise Business



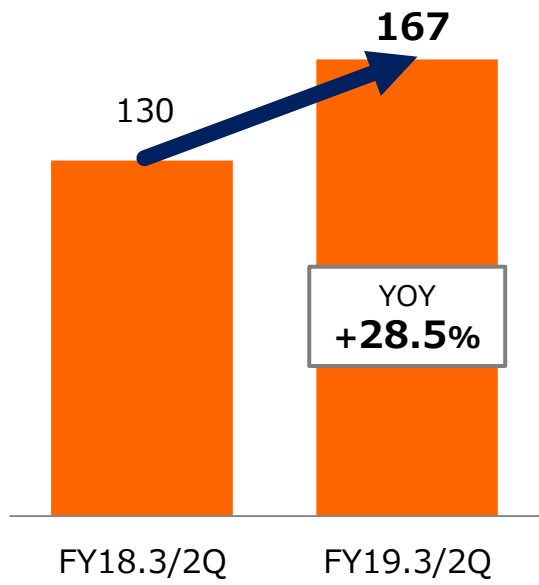
**Propose added value in all manner of domains
with telecommunications at the core**

au Economic Zone Gross Merchandise Value / Sales

au Economic Zone
Gross Merchandise Value
(Unit: Billions of yen)



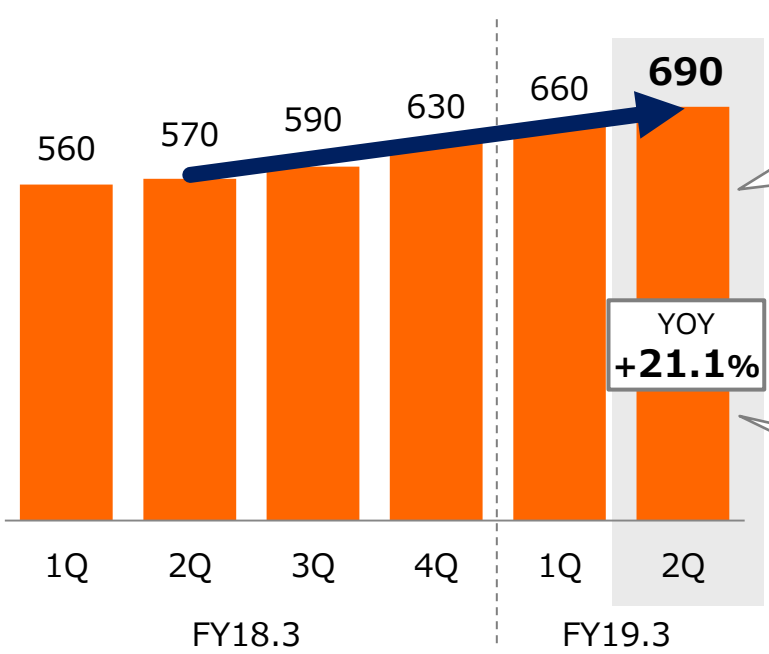
au Economic Zone Sales
(Unit: Billions of yen)



Significant growth YOY in both gross merchandise value and sales

Value-Added ARPA

Value-Added ARPA (Unit: Yen)



Main growth drivers

au Carrier Billing
au WALLET Prepaid & Credit Cards
24.2M (as of September 30, 2018)
NEW *au* PAY QR settlement service to be launched in April 2019

au Smart Pass Premium
Monthly Service Charge **¥499** (tax excluded) **5.74M** (as of September 30, 2018)

Steadily expanding the earnings base

Life Design Services



au Carrier Billing *au* WALLET

au Flat Plan25 Netflix Pack
au Smart Pass Premium

Wowma! *au* WALLET
Market

au でんき (electricity service)

Etc.

Expand Earnings Base

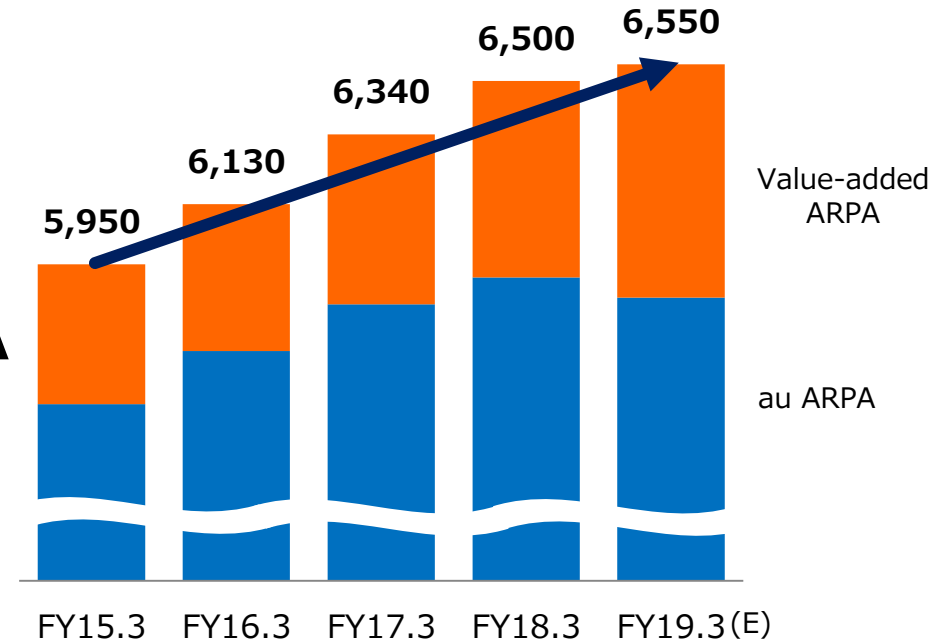
Reinforce Customer Touchpoints

Strengthen retention by enhancing customer satisfaction



Aiming to enhance customer satisfaction and earnings base

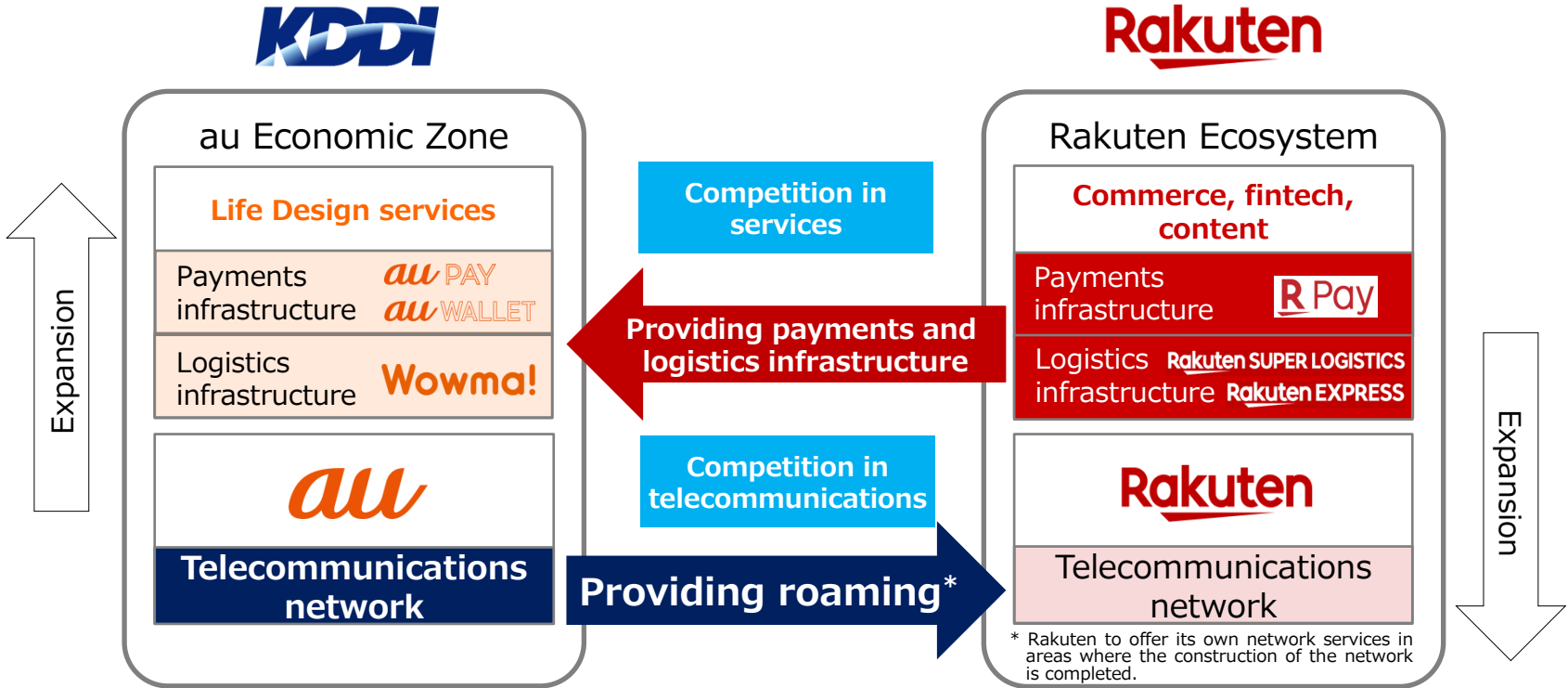
Total ARPA (Unit: Yen)



**Growth of Value-Added ARPA
Drove Expansion of Total ARPA**

**Towards expansion of Total ARPA,
through integration of telecommunications and life design**

New Framework for Cooperation and Competition



Mutual use of business infrastructure to promote service competitiveness

Construction of Social Infrastructure and Evolution on Services

KDDI



Rakuten

Rapid realization of cashless economy

Joint use/development of payments network and rapidly expand cashless payment capability

R Pay + **au PAY**

Rakuten Payments: more than 1.2M* locations

To be launched in April 2019



* Locations with merchant contracts for Rakuten Card, Rakuten Edy, Rakuten Point Card, and/or Rakuten Pay

Resolution of social issues in logistics field

Aggregation of logistics platforms

Wowma! **Rakuten**



Optimize logistic systems from pick-up to distribution

Fair and sound competition of telecommunications services

au 4G LTE

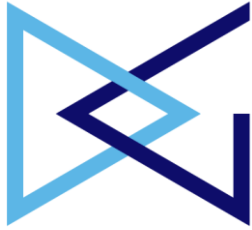
Rakuten

- Nationwide area except 23 Wards of Tokyo, Osaka City, Nagoya City and other network density areas
- Rakuten to offer its own network services in areas where the construction of the network is completed

Aim to boost customers' convenience dramatically in the market as a whole

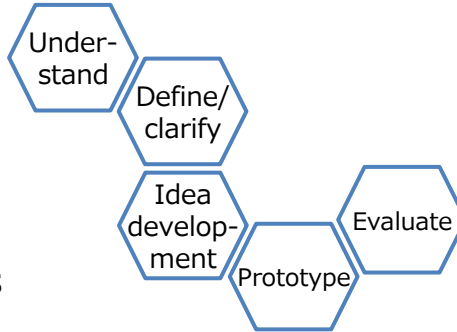
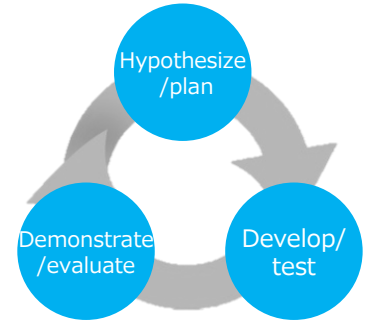
KDDI DIGITAL GATE

Started in September 2018
Business development site for
the 5G/IoT era



KDDI DIGITAL GATE

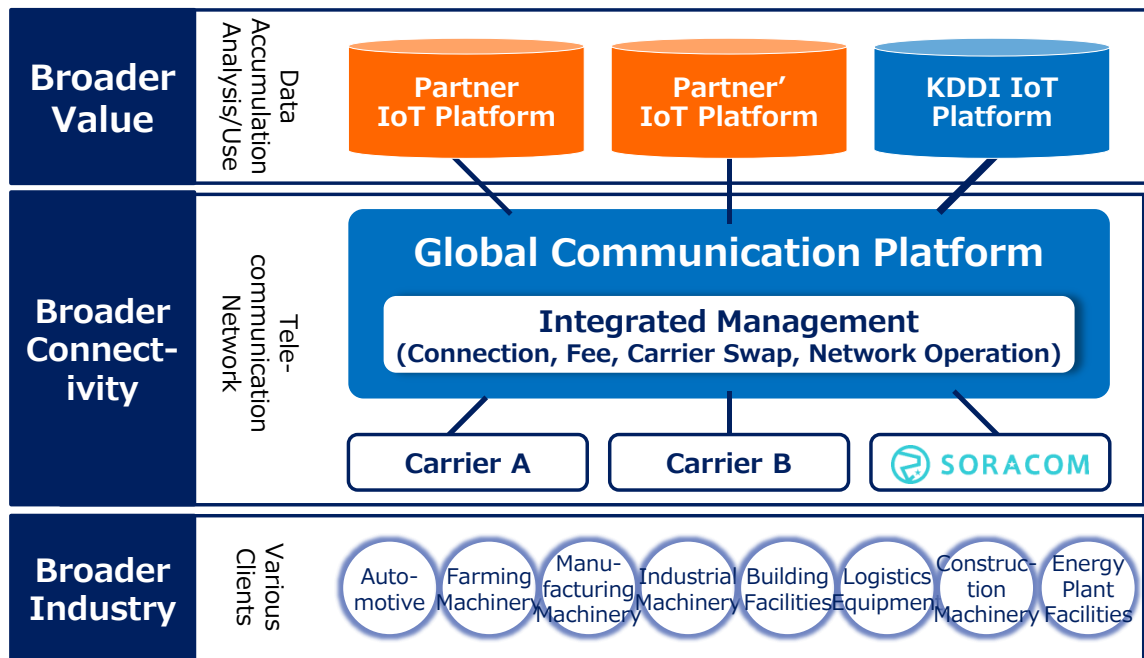
Accelerate the process from practical
implementation of ideas and hypotheses
to testing and improvement



Establish a base for creating value-added services for the 5G/IoT era

KDDI "IoT World Architecture"

19



✓ Together with global partners

TOYOTA **HITACHI**
Inspire the Next

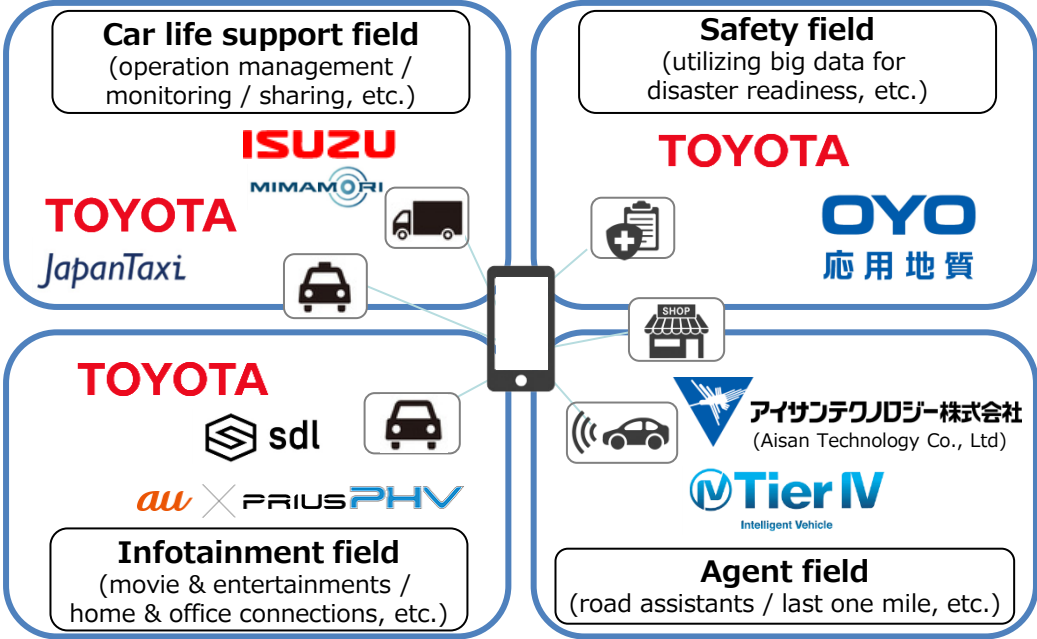
✓ For the launch in FY2019, to connect telecommunications carriers from more than 120 countries and regions

✓ Roll out telecommunications platform in other industries, originally built for automobiles

Expand initiatives with partners by leveraging strength of high quality telecommunications

Creating Further Value in the Mobility Field

Realizing mobility services together with partners



Assets of KDDI Group



Aiming to create safe and secure, exciting services together with partners

Towards Launch of 5G

Year 2019

Start from certain areas

- Distribution of high resolution images
- Solution for stadiums
- Drone security



2020

Full-scale development
in coordination with 4G

- High-volume mobile services
- Remote offices
- Remote operation, etc.



2021

Implementation of
5G core

- Launch of various services utilizing such as NW slicing and MEC.



Aim to establish 5G infrastructure to respond to various needs

Sustainability



Towards Safer and More Resilient Connected World

New submarine cable layer ship “KDDI Cable Infinity”

<Launching ceremony of
KDDI Cable Infinity >



Enables handling of electricity cable work in addition to telecommunications cables and observation and resource exploration cables (to start operation in May 2019)

Japan-first “ship-mounted base station” started operation for Hokkaido Eastern Iburi Earthquake

<KDDI Ocean Link>



<Ship-mounted base stations>



- Enable use of mobile phone services in disaster-affected areas where onshore base stations are not functioning adequately
- Load and carry emergency supplies such as drinking water and emergency food to disaster-affected areas

**Strengthen maintenance of communications infrastructure
and promote countermeasures for disaster events**

For Resolution of Social Issues

Comprehensive Partnerships



**Joint creation of a next-generation
KidZania utilizing advanced
technologies such as 5G/IoT**



- Provide “future work experiences” for the smart city era
- Contribute to regional development through provision of traditional industry experiences and edutainment combining advanced technology and primary industry, etc. in collaboration with local governments
- Planning to open “KidZania Nagoya” for fiscal 2020

**Aim to contribute to education and regional revitalization
through use of advanced technologies**

Sustainability

Selected as a component stock of ESG-related stock indexes continuously this fiscal year

MSCI

FTSE



2018 Constituent
MSCI Japan ESG
Select Leaders Index *



2018 Constituent
MSCI Japan Empowering
Women Index (WIN) *



FTSE4Good



FTSE Blossom
Japan

Promote initiatives aimed at increasing corporate value in medium to long term

Summary

1H Performance

- **Steady progress towards full-year forecasts**
- **Mobile telecommunications revenue decreased, new fields of growth drove the result**

Business Strategy

- **Expand earnings base in au Economic Zone**
- **Aim to create added value towards 5G/IoT era**
- **Promote initiatives for business growth in medium to long term**

Promoting business strategy towards the current mid-term targets



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.