

# **Financial Results for the 1<sup>st</sup> Half of the Fiscal Year Ending March 2022**

(from April to September 2021)

**October 29, 2021  
Makoto Takahashi  
President  
KDDI Corporation**



## Index

- 1. Consolidated Financial Results  
for the 1<sup>st</sup> Half**
- 2. Multi-Brand Strategy**
- 3. Growth Fields**
- 4. Initiatives for Non-Financial Activities**

# **1. Consolidated Financial Results for the 1<sup>st</sup> Half**

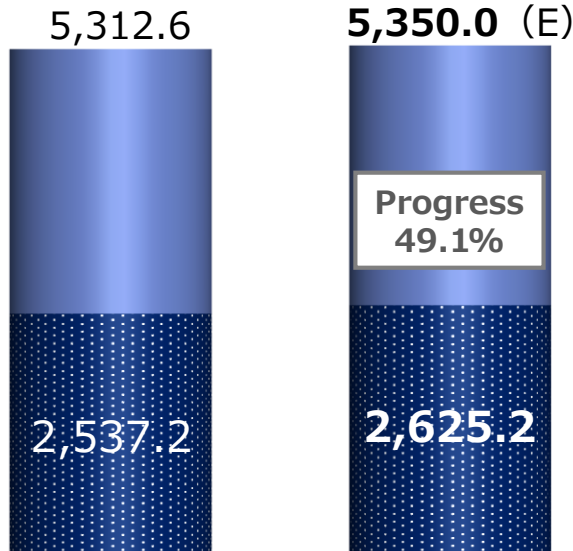
# Highlights of Consolidated Financial Results for the 1<sup>st</sup> Half

3

Steady progress towards full-year forecast

## Operating Revenue

(Unit : Billions of yen)

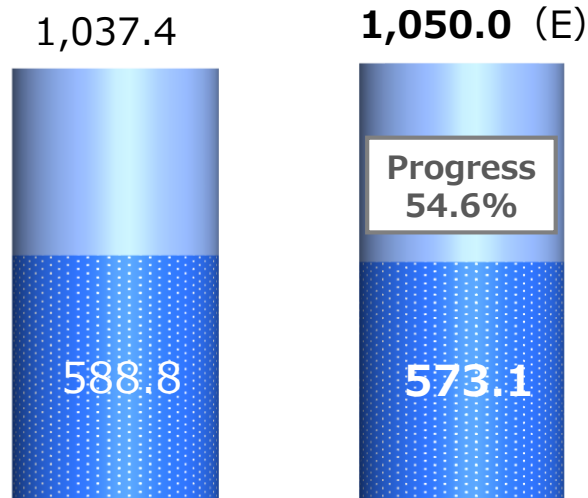


FY21.3 1H

FY22.3 1H

## Operating Income

(Unit : Billions of yen)



FY21.3 1H

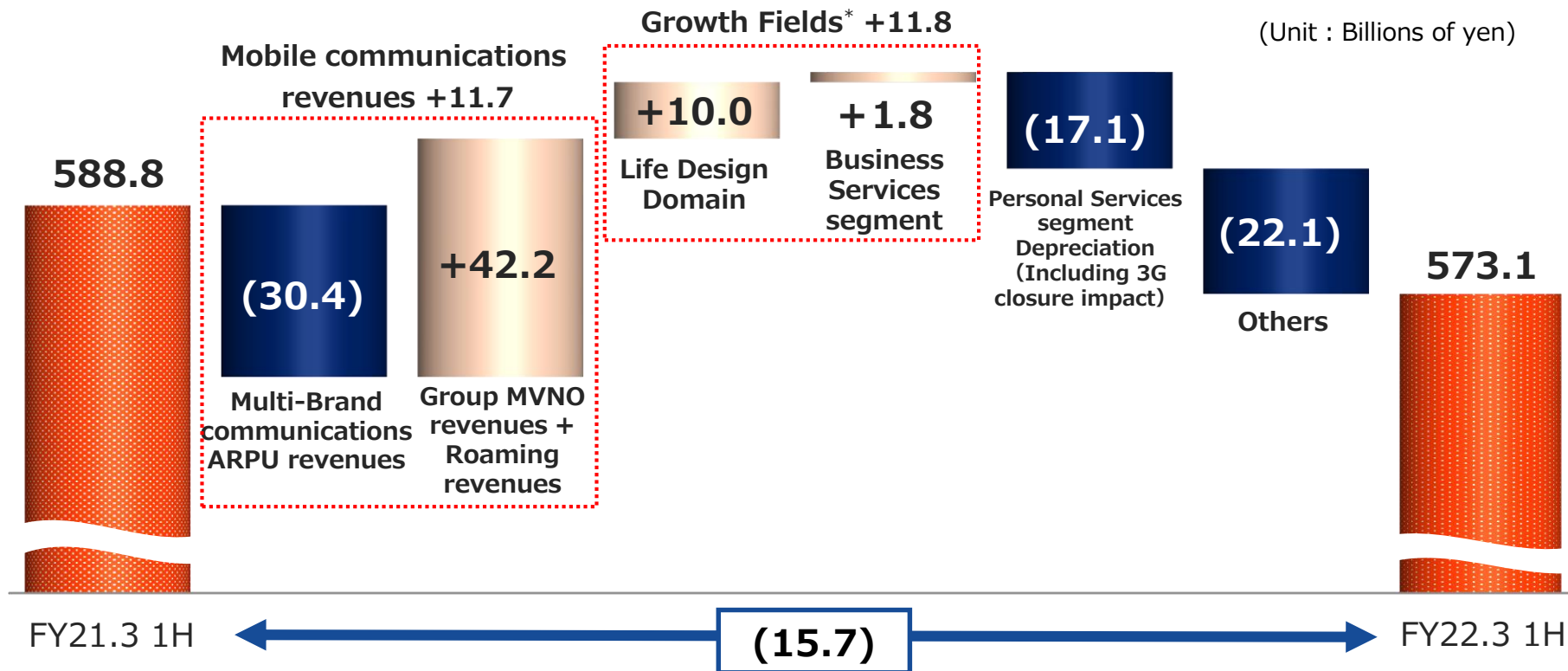
FY22.3 1H

# Operating Income :

## 1<sup>st</sup> Half Factors for Change YoY

Lower telecom revenues factored-into forecast.  
Operating looking ahead

(Unit : Billions of yen)



\*Life Design Domain and Business Services segment

## **2. Multi-Brand Strategy**

# Multi-Brand Strategy

Promoting 5G across all brands



au

UQ  
mobile

povo

# au 5G Network

## Connecting in places frequented by customers

### Covering Places Frequented by Customers

#### Train lines



47 platforms along  
4 Kanto train lines

2Q  
Results

#### Commercial districts



Expanded to 80  
commercial districts  
nationwide

End of March 2022\*

Kanto **21** routes<sup>(E)</sup>

Kansai **5** routes<sup>(E)</sup>



Connecting more  
and always with au

### Focus when Establishing Areas of Coverage

#### Focus on places frequented by customers



#### Focus on telecommunications quality

Setting base stations parameters  
to maximize the area and stem packet loss

\* 5G is available in some areas

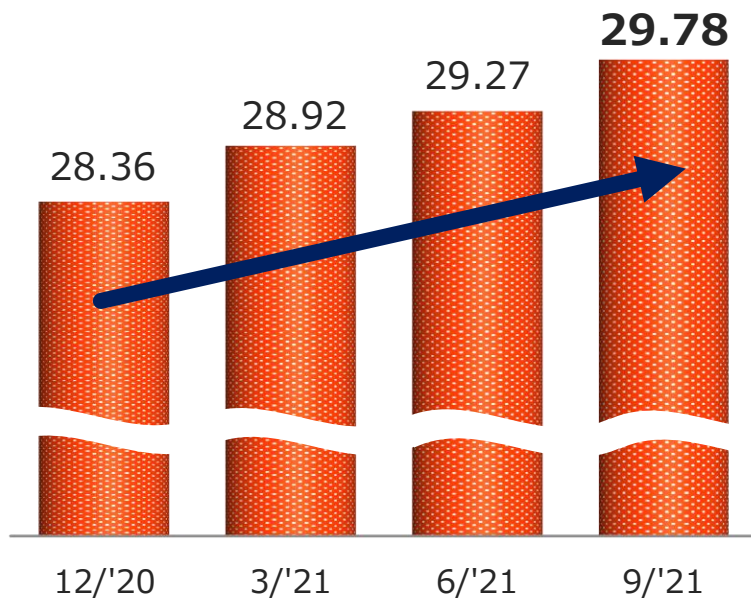


# Subscriptions / Unit Sales

5G unit sales is steadily increasing due to availability for all brands

## 4G LTE+5G total subscriptions

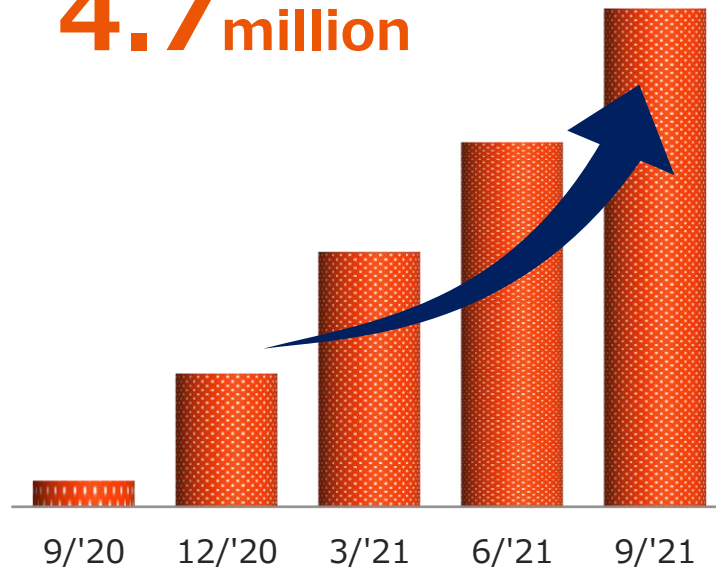
(Unit : Million)



## Cumulative 5G unit sales

The end of September, 2021

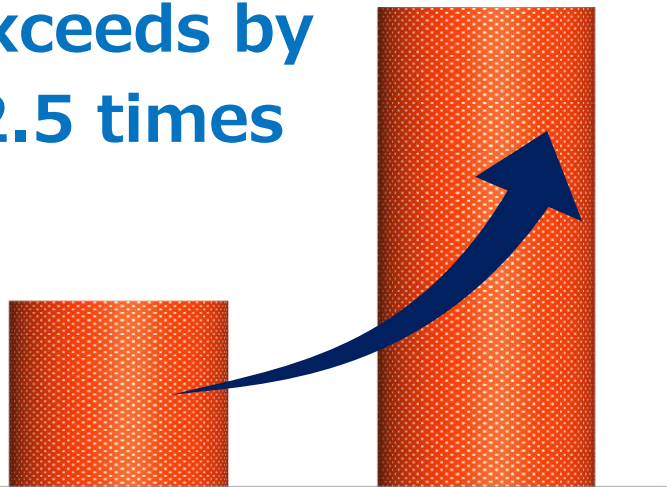
**4.7 million**



## Promoting a full lineup of 5G services

Mobile data traffic per person<sup>\*1</sup>

Exceeds by  
2.5 times



4G LTE

5G

<sup>\*1</sup> Actual results of au smartphone users in FY22.3 2Q

<sup>\*2</sup> Data capacities are limited when using tethering <sup>\*3</sup> 5G is available in some areas

Reliable and unlimited-use<sup>\*2</sup>

使い放題 MAX 5G<sup>\*3</sup> (5G Data Unlimited Plan)

Enhanced set plans



Purchases of handsets

Purchase new handsets including new iPhone at a great value

スマホトクする プログラム スマホトクする ボーナス

# Simple and secure price plans with reliable support

## Discount with Electricity/Internet



Discount with Denki (Electricity) or Internet  
For Carry over Plan S +5G<sup>\*1</sup>

**All family members<sup>\*2</sup>**

**¥990/month<sup>\*3</sup>**

Per person, tax included

Domestic call charges (tax included ¥22/30seconds)  
will be charged separately

Data  
capacity  
3GB  
/month

Pre-discount rate  
¥1,628/month~  
(tax included)

## Reliable support and enhanced services

**au 5G<sup>\*1</sup>**  
compatible

**au Shop**  
Available at all au stores<sup>\*4</sup>

**YouTube Premium**

**GEFORCE NOW** POWERED BY **au**

**TELASA**

**au Life Design**

**J.D. Power**  
**2021 Mobile Phone**  
**Service Satisfaction**  
**Study<sup>SM</sup>, Value Carrier**  
**Segment: 1st Place<sup>\*5</sup>**



<sup>\*1</sup> 5G is available in some areas <sup>\*2</sup> The number of family lines is limited

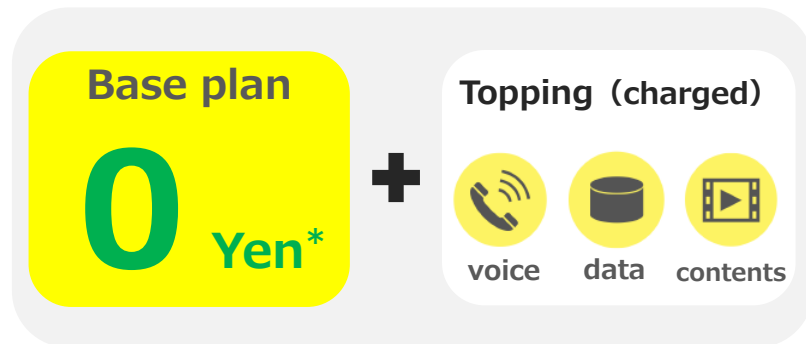
<sup>\*3</sup> Electricity or Internet contract (charged separately) is required <sup>\*4</sup> Excluding some stores

<sup>\*5</sup> For more details, refer to [jdpower-japan.com](http://jdpower-japan.com)

## Offering new experience value through povo2.0

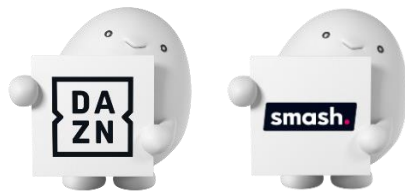
### Free services with diverse toppings

#### All toppings starting from zero



DAZN and smash. can be added

Call/ SMS : usage based rate  
Domestic Call charges : tax included ¥22/30seconds  
Domestic SMS : tax included ¥3.3 each



### New experience value

#### New methods of use in the eSIM and SIM-free era

- ✓ Only the amount necessary if data threshold exceeded
- ✓ Only when high-quality telecommunications are necessary

**Highly-active  
Digital native Tier**

ゼロから始める、もう一つの楽しみ方。

#Giga Katsu

Data is earned by povo,  
daily shopping and  
service use "#Giga  
Katsu" to be launched



# Metaverse

Creating new virtual and real experiences with partners

au 5G  
バーチャル渋谷 ハロウィンフェス

# HalloweenFes 2021

楽しむ、それが未来をつくる。  
FUN FOR GOOD

今年の渋谷のハロウィンは、ただ楽しいだけじゃない。

熱狂的なエンターテインメントと最先端のテクノロジーを掛け合わせ、"楽しむことが、より良い未来につながる"ハロウィンを実現します。

一人一人が楽しんだ分だけ、この街の未来が未来がっていく。誰もが、どこからでも楽しめるバーチャル渋谷でのハロウィン。開催です。

#バーチャル渋谷 #FunForGood  
10.16 Sat - 10.31 Sun

渋谷5G  
PLAY! SHIBUYA  
SHIBUYA

協力パートナー  
東急 東急不動産 SHIBUYA100 Adobe TOKYO MX LAWSON ENTERTAINMENT CHARGE

後援: 渋谷区 YDB



# Business Alliance with SpaceX's Starlink

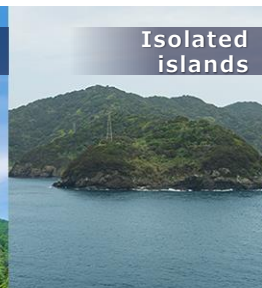
Agreed on a contract to use au's telecommunication network



Starlink is a dense satellite telecommunications network  
Over 1,500 satellites are in operation in low-earth orbit



Mountainous region



Isolated islands

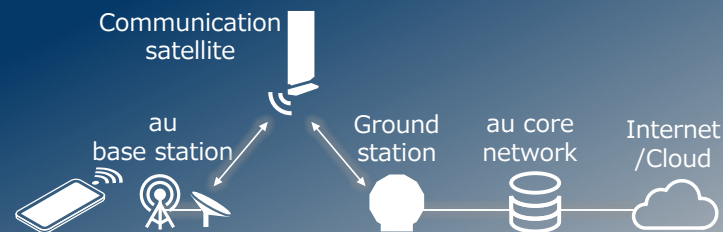


Disaster countermeasures

1,200 au base stations converted to high-speed with Starlink  
au's high-speed connectivity everywhere in Japan



Over 100,000 people around the world are already using the service  
Ultralow latency at over 100Mbps\*



Built earth-based stations at KDDI's Yamaguchi Satellite Communications Center  
Evaluating end-to-end performance

## **3. Growth Fields**



# Growth Fields - 1<sup>st</sup> Half Performance

15

## Steady progress towards full-year forecast

### Life Design Domain Operating Income

(Unit : Billions of yen)

**250.0 (E)**

198.0



FY21.3 1H

Progress  
48.0%

**120.0**

FY22.3 1H

### Business Services segment Operating Income

(Unit : Billions of yen)

**184.0 (E)**

167.5



FY21.3 1H

Progress  
50.1%

**92.3**

FY22.3 1H

### 【Life Design Domain】

**FY22.3 1H increased YOY by ¥10.0 billion**

- ✓ Financial business drove operating profit by YOY ¥4.9 billion
- ✓ FY22.3 2H expects profit increase in energy business effects of FY 21.3 2H

### 【Business Services segment】

**FY22.3 1H increased YOY by ¥1.8 billion**

- ✓ Both NEXT Core Business and Core Business increased profits
- ✓ Operating profit made steady progress of 50.1% towards full-year forecast

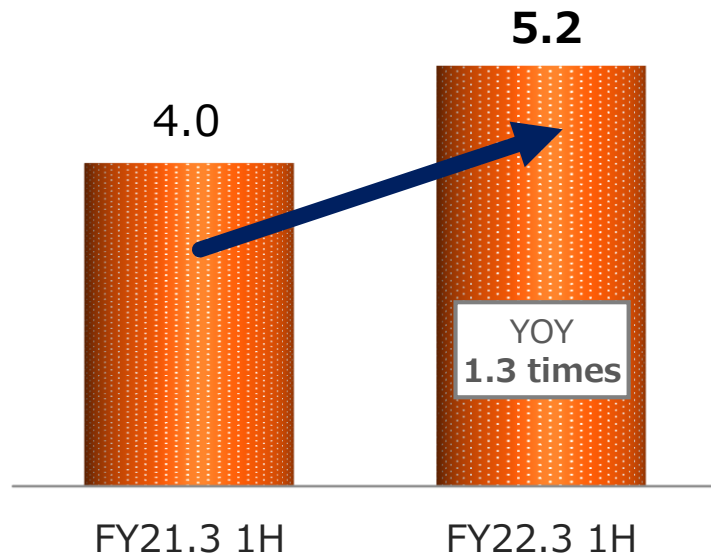


# Financial Business

Higher operating income growth  
along with transaction volume of settlement / loan

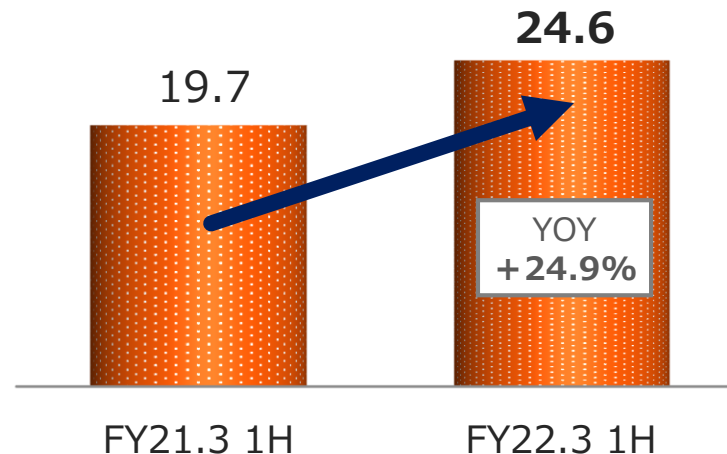
## Transaction Volume of Settlement / Loan

(Unit : Trillion yen)



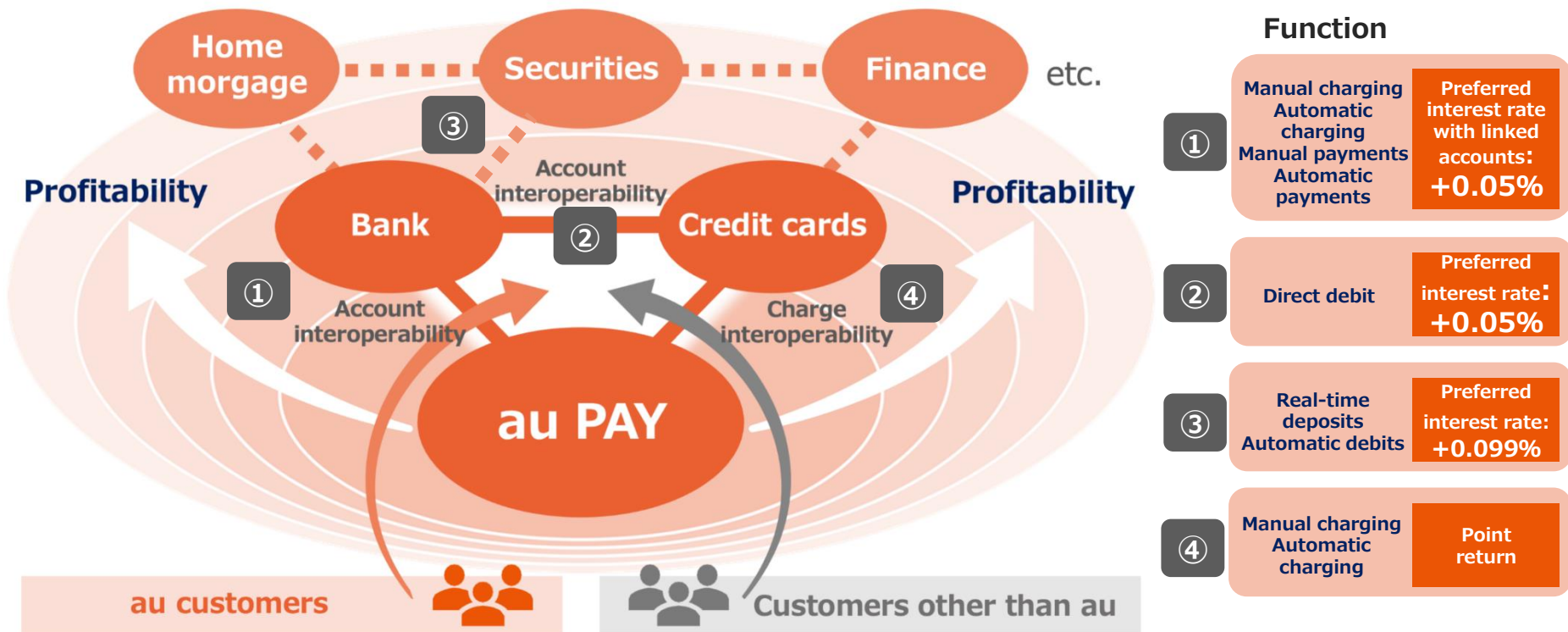
## Financial business Operating Income\*

(Unit : Billions of yen)



# Linking Financial Services

Promoting the linking of services mainly through a maximum 200-times\* preferred interest rate



Note) The interest rate preferential treatment is the yen ordinary deposit interest rate. Annual rate / before tax

\*Yen ordinary deposit interest rate 0.001% per year + interest rate preferential treatment (①+②+③)

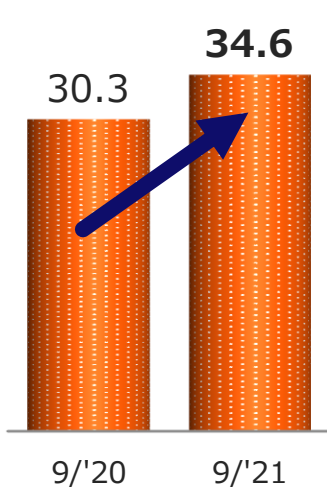
# Financial Services

Growing core services steadily due to successful service linkage

## au PAY members\*

(Unit : Million)

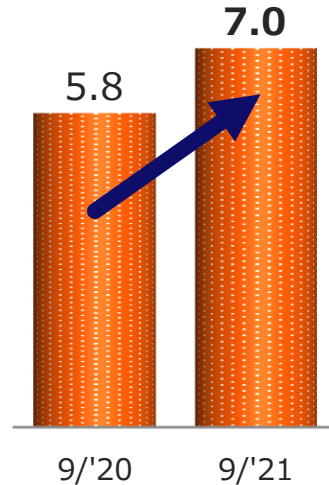
YOY **+4.3 million**



## au PAY Card members

(Unit : Million)

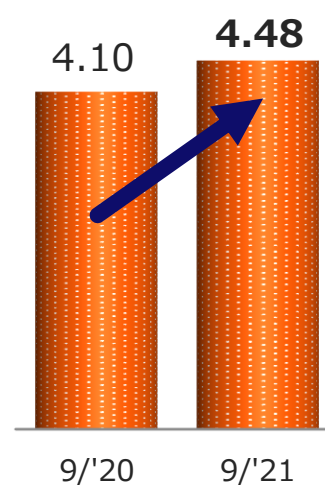
YOY **+1.2 million**



## Accounts at au Jibun Bank

(Unit : Million)

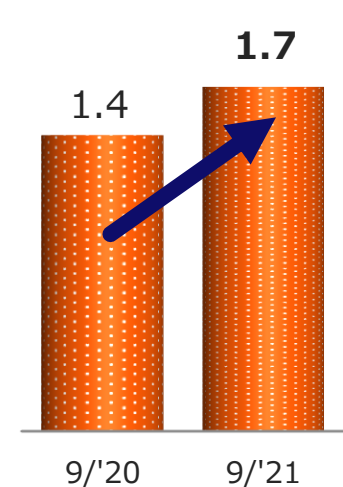
YOY **+0.38 million**



## au Jibun Bank Loan product balance

(Unit : Trillion yen)

YOY **+0.2 trillion yen**



\* au PAY members+au PAY card members

# Business Services Segment Operating Revenue

19

**NEXT Core Business growing by double digits**

## NEXT Core Business (DX)

- ① **Corporate DX** (Remote work, zero-trust\*, and SaaS, etc.)
- ② **Business DX** (IoT and cloud, etc.)
- ③ **Business infrastructure services**  
(Data Centers and Call Centers, etc.)



Expand ID and  
enhancing engagement, etc.

## Core Business (Telecommunications)

### Communication services

(Mobile, fixed-line and traditional solutions, etc.)

## Operating Revenue

(Unit : Billions of yen)

478.8

499.8

YOY  
+17%

FY21.3 1H

FY22.3 1H

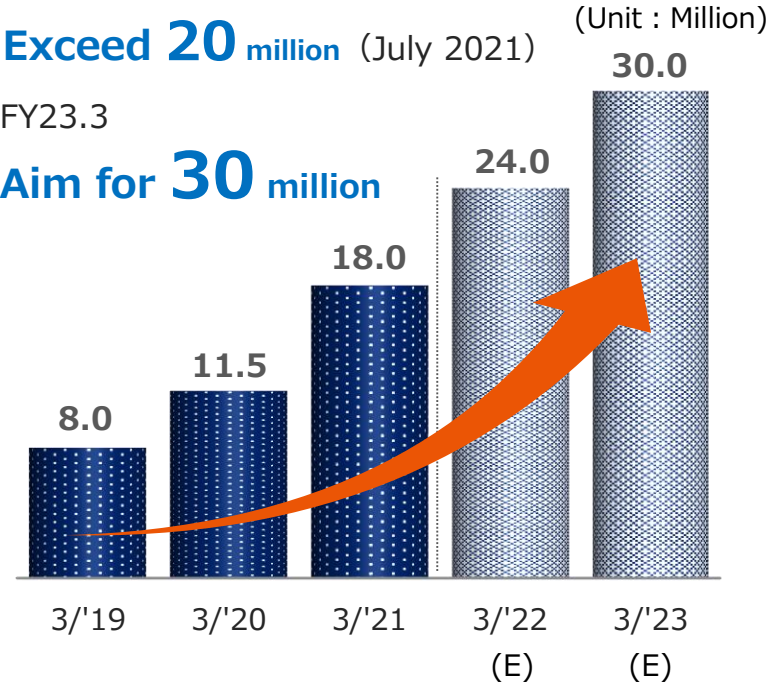
\* A concept of not trusting any internal or external traffic, inspecting each device when accessing services, and acquiring logs to strengthen security

# IoT

Expanding in Japan and overseas as a top runner of IoT



## IoT connections\*

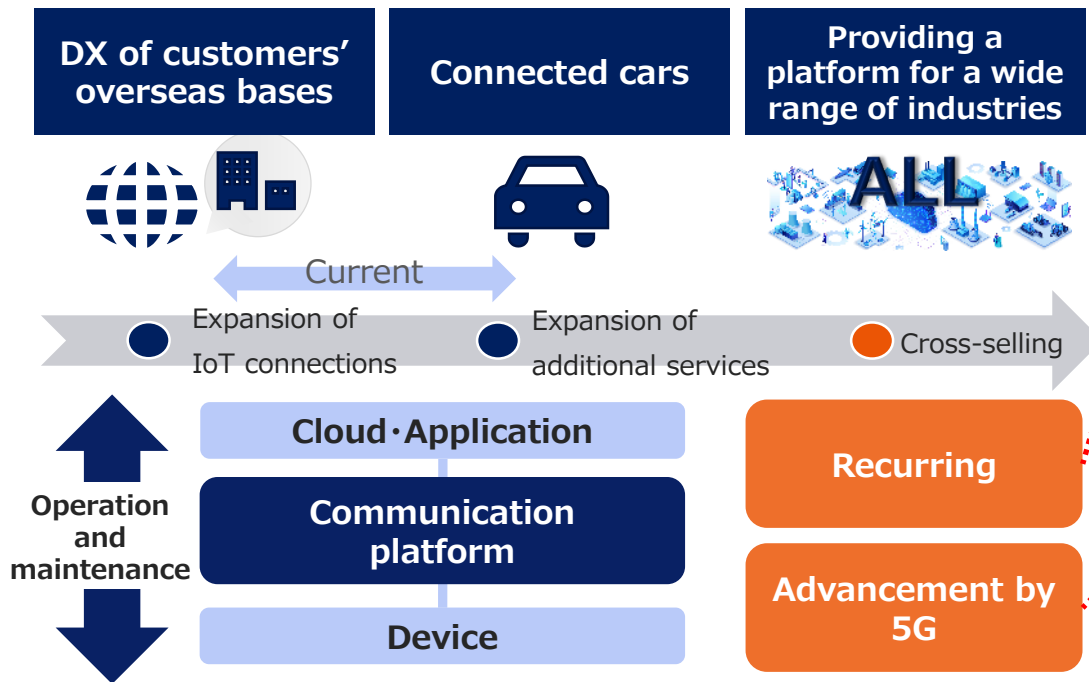


\* KDDI non-consolidated base

# Business DX

Co-creating new businesses with customers  
as communication technology advances

## KDDI "IoT World Architecture"



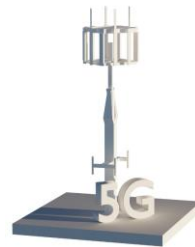
## 「KDDI ID manager」



Launched in September 2021

## 5G SA Stand Alone

September 2021  
Started  
communication test  
in commercial  
environment



## **4. Initiatives for Non-Financial Activities**





# Global Environmental Conservation

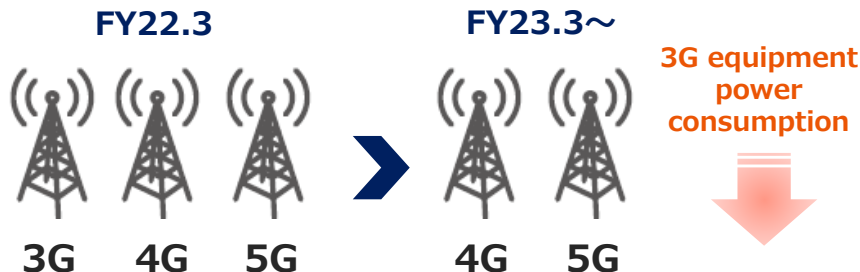
23

## Promoting carbon-neutral initiatives

### Progress of energy saving

Shifting to an electricity-efficient network

Closing 3G by March 31, 2022



### Established KDDI Green Partners Fund\*

Creating innovation with startups working to address climate change



### Purpose

- Reduce the KDDI Group's CO2 emissions
- Promoting carbon neutrality in society



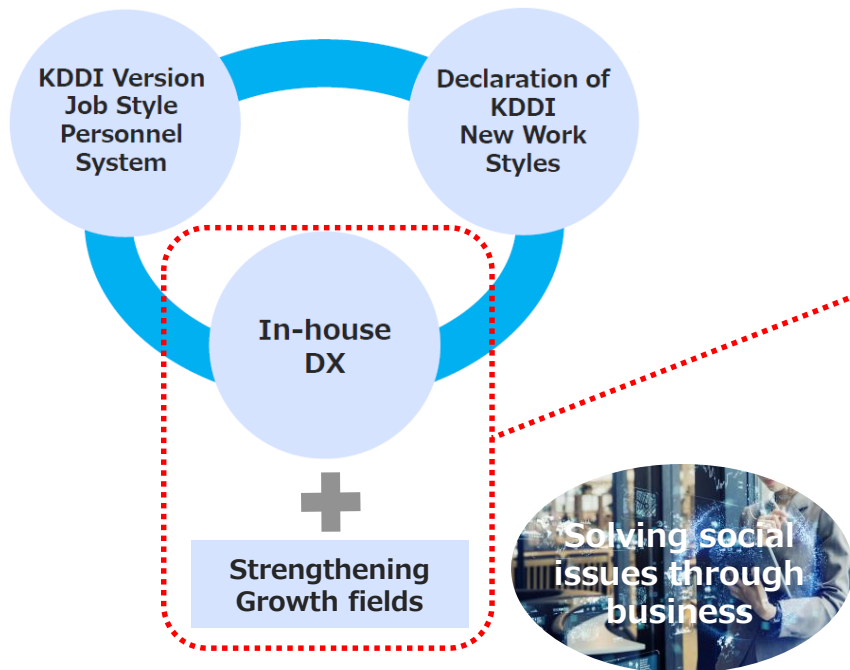
\* Scheduled to be established at the end of November 2021



# Expanding DX Personnel

Transforming into a Employee-Centered company  
and solving social issues

Promote change  
with three pillars



## Expanding the entire Group's DX personnel

Around 2,000 members as of October 2021

⇒ **4,000** members by March 31, 2024 (E)

Transforming  
business models  
in-house

Creating new  
value with  
external partners

**KDDI DX University**

Training  
core DX  
personnel

Training  
personnel  
responsible for  
our core

Hiring new and  
training DX  
personnel in  
various businesses

# Summary

## Capture environmental changes and promote business strategies

### Financial Results

- ✓ 1<sup>st</sup> Half results show steady progress.  
Lower telecom revenues factored-into forecast and operating looking ahead
- ✓ Growth fields are progressing steadily in both Life Design Domain and Business Services segment

### Towards Sustainable Growth

- ✓ Promote 5G with Multi-Brand. Providing new experience value to customers by building areas that are particular about the places frequented by customers and taking advantage of the characteristics of each brand
- ✓ Life Design Domain strengthens services collaboration in financial business
- ✓ In Business Services segment, top runner IoT status fuels NEXT Core Business growth

# Appendix

# Overview of consolidated financial results for the 1<sup>st</sup> Half

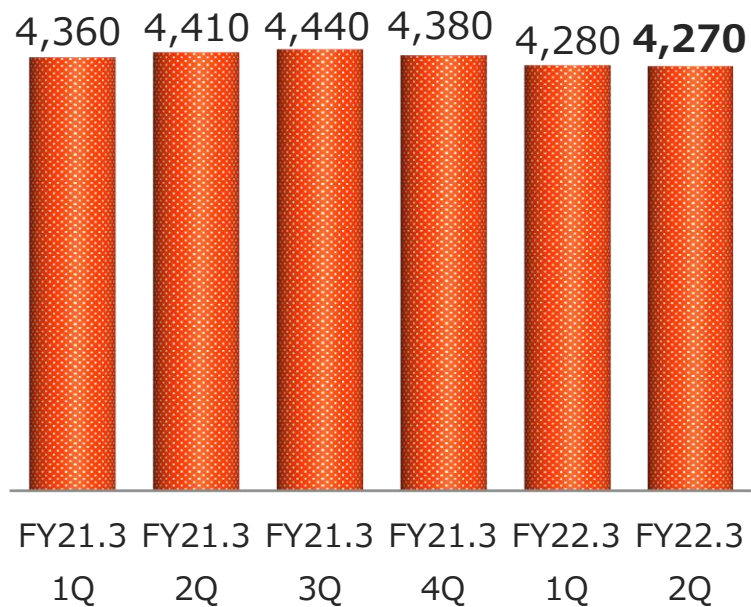
27

| Item   | Performance<br>YOY               | Overview   |
|--|----------------------------------|--|
| <b>Operating revenue</b>   | ¥2,625.2billion<br>+¥88.0billion | ✓ Sales increased in both Personal segment (including Life Design Domain) and Business Services segment  |
| <b>Operating income</b>  | ¥573.1billion<br>(¥15.7billion)  | ✓ Growth fields, roaming revenues, etc. contributed to profit increase<br>✓ Lower telecom revenues factored-into forecast<br>✓ Increased costs such as 3G-related costs (including depreciation) |
| <b>Free cash flows</b>   | ¥89.2billion<br>(¥286.1billions) | ✓ Increased cash out due to strong mortgage business in financial business   |
| <b>Multi-Brand communications ARPU(2Q)</b>   | ¥4,270<br>(¥140)                 | ✓ Progressed as expected for full-year forecast  |
| <b>Multi-Brand value-added ARPU</b> (Including Handset Repair and Compensation, au Denki, etc.) (2Q) | ¥1,690<br>+¥140                  | ✓ Settlement / finance, au Denki, handset repair and compensation, etc. contributed positively   |

# Main KPIs

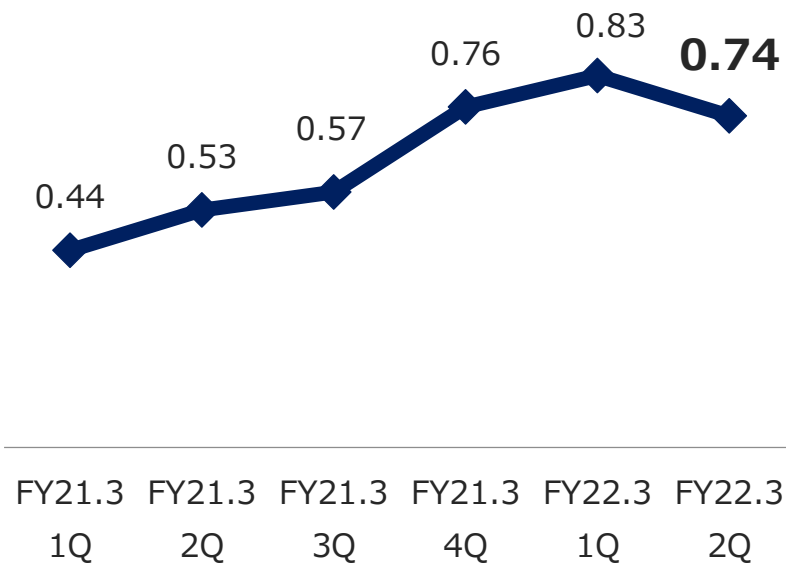
## Multi-Brand communications ARPU

(Unit : yen)



## Multi-Brand churn rate

(Unit : %)





## 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 situation, 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.