

Tomorrow, Together



# Financial Business Presentation

August 29, 2023

KDDI Corporation

The creation of a society in which  
anyone can make their dreams a reality,  
by enhancing the power to connect.

 KDDI VISION 2030

宇宙 / STARLINK



スマートドローン



スマート漁業



# KDDI VISION 2030

The creation of a society in which anyone can make their dreams a reality, by enhancing the power to connect.

## Connecting and Protecting Lives



- ✓ Building a resilient infrastructure for communication and disaster response
- ✓ Conserving the environment

## Connecting Day-to-day Lives



- ✓ Sustainable development for cities and communities
- ✓ Building the infrastructure for developing countries
- ✓ Developing human resources for the next generation

## Connecting Hearts and Minds



- ✓ Creating a digital society for affluence and peace of mind
- ✓ Promotion of diversity and inclusion
- ✓ Fostering health and a purpose in life

# Medium-term Management Strategy (FY23-03-FY25-03)

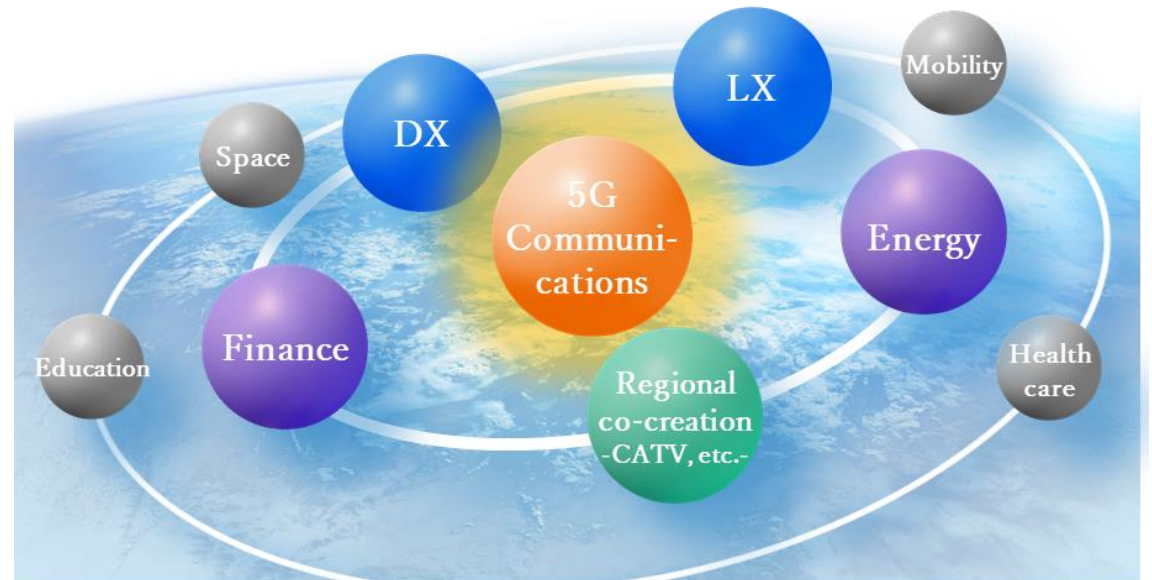
## Sustainability Management

With our partners, we are committed to the sustainable growth in society and aim to also increase corporate value



## Satellite Growth Strategy

Drive Telecom evolution through 5G and expand focus areas with telecom at the core

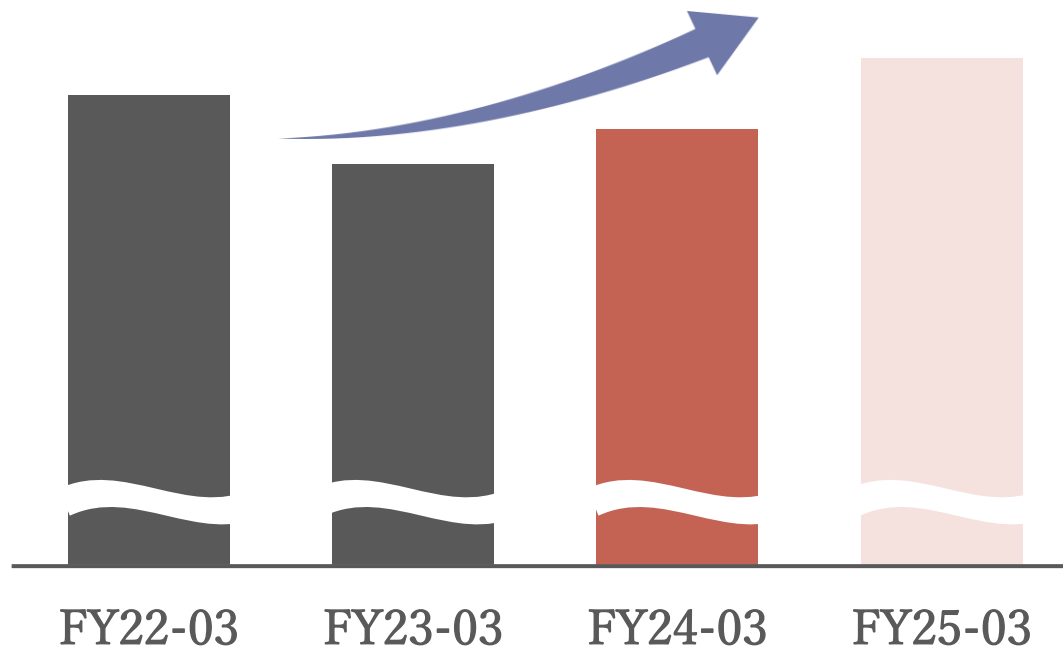


# Mid-term Target

Reversal of telecom ARPU revenues and  
double-digit growth in financial business

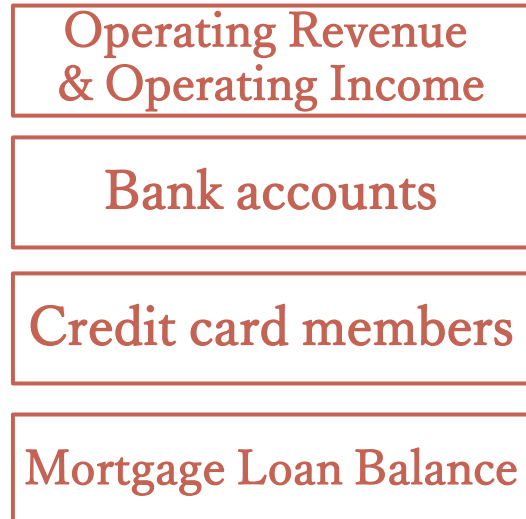
## Communications ARPU revenues

ARPU revenues increase due to 5G promotion  
Aiming for reversal in 1H FY24-03



## Financial business

In addition to expanding the customer base  
aim for double-digit CAGR growth in operating  
revenues and operating income at mid-term



Mid-term  
Double-digit  
CAGR growth  
FY25-03  
Over 3 trillion yen



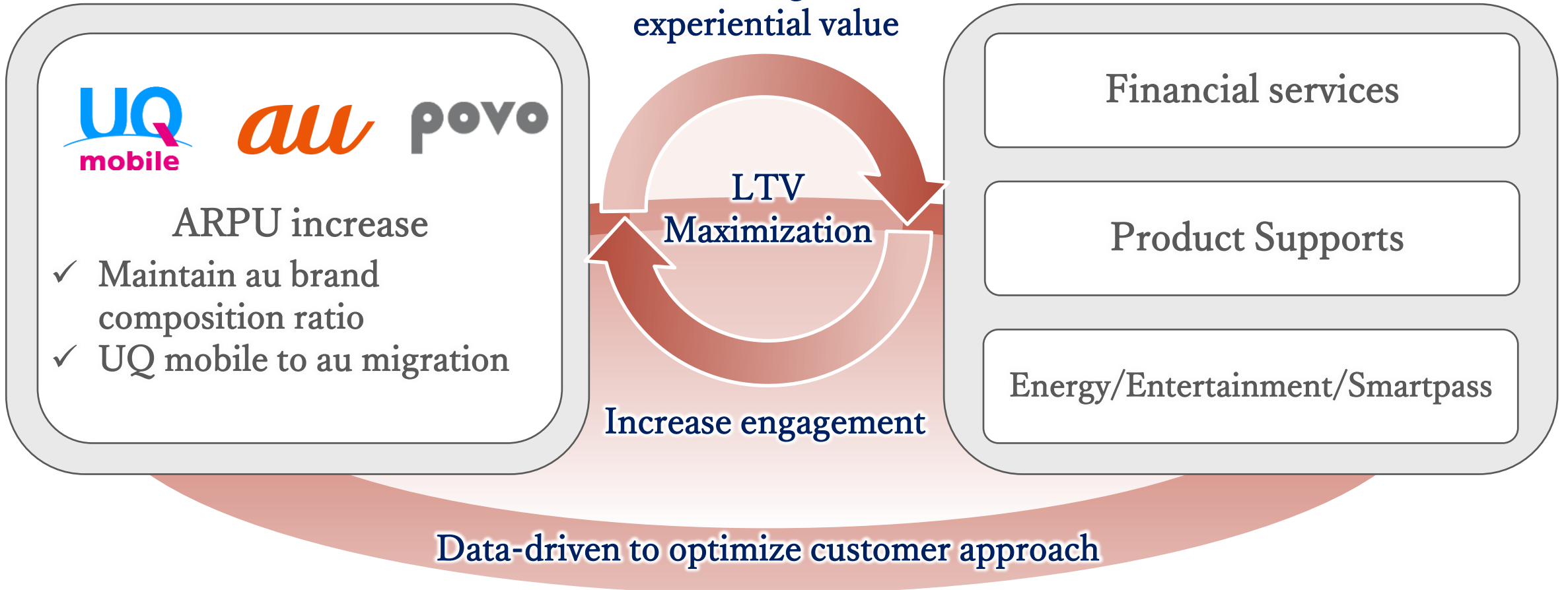
# Personal Business Strategy

Maximize LTV through telecommunications and value-added services leveraging partnerships

Telecom ARPU Revenues Rebound

Providing new experiential value

Accelerate value-added area growth



# Telecommunications + Value-Added Services

Increased engagement by offering set plans

Services that support your life with telecom

2012	au Smart Value	+ Fixed/CATV
2016	au Denki Set Discount	+ Electricity
2018	au Flat plan 25 with Netflix	+ Contents
2021	au Mobile Preferential Discount	+ Mortgage Loan
2023	<b>NEW</b> au マネ活 プラン au Money Activity Plan	+ Financial services (PAY, credit cards, banks, securities)

Increase engagement

ARPU  
increase



Churn Rate  
reduction



LTV  
maximization

From  
Sep.1

マネ活で賢く増やそう!

# au マネ活 プラン

au Money Activity Plan

そろそろ  
はじめちゃう?

家族もいるし。

将来のこともあるし。



# KDDI Group's Financial Services

au Financial Holdings Co.

Tomohiko Katsuki, President and Representative Director

# Telecommunications + Finance

Toshitake Amamiya, Representative Director,  
Executive Vice President, General Manager, Personal Business Division



**KDDI Group's financial services**

# au Financial Group Overview

## au Financial Holdings








Establishment	April 1, 2019
Capital Stock	25.0 billion yen
President and Representative Director	Tomohiko Katsuki
Shareholder Composition	KDDI Corporation 100%.

auFG employees  
1,130 persons\*1

(As of June 30, 2023)

Ratio of proprietary employees  
78%\*1

(As of June 30, 2023)

	Investment ratio*2	Joint venture partners	Main business
au Jibun Bank	74.8%	 MUFG 三菱UFJ銀行	Banking
au Financial Service	98.5%	 MUFG 三菱UFJニコス	Money lending Comprehensive credit purchase intermediary
au Payment	100.0%		Issuer of prepaid means of payment Fund transfer business
au Insurance	51.0%	 MS&AD あいおいニッセイ同和損保	Non-life insurance
au Reinsurance	100.0%		
au Asset Management	66.6%	 大和証券グループ本社 Daiwa Securities Group Inc.	Investment management DC pension plan administration and management
au Financial Partner	50.0%	 PARTNER 株式会社FPパートナー	Insurance agency Banking agency
au Kabucom Securities	49.0%	 MUFG 三菱UFJ証券ホールディングス	Financial instruments trading
LIFENET INSURANCE	 Stock code 7157 18.4%		Life insurance

# auFG Companies Business Highlights

Steady expansion of auFG companies' customer base

		FY23-03 Q1		FY24-03 Q1	YOY
au Jibun Bank	Accounts	4.77 million	▶	5.3 million	+11%
au Financial Service	Active members	7.9 million	▶	8.75 million	+11%
au Kabucom Securities	Brokerage accounts	1.45 million	▶	1.57 million	+9%
au Payment	au PAY members	30.13 million	▶	33.07 million	+10%
au Insurance	Bicycle insurance policies <sup>*1</sup>	0.82 million <sup>*2</sup>	▶	1.16 million <sup>*3</sup>	+41%

\*1 Total of au Bicycle Support, Bycle, Bycle Best, Bycle S, Cycle Partner, Cycle Light \*2 FY22-03 \*3 FY23-03

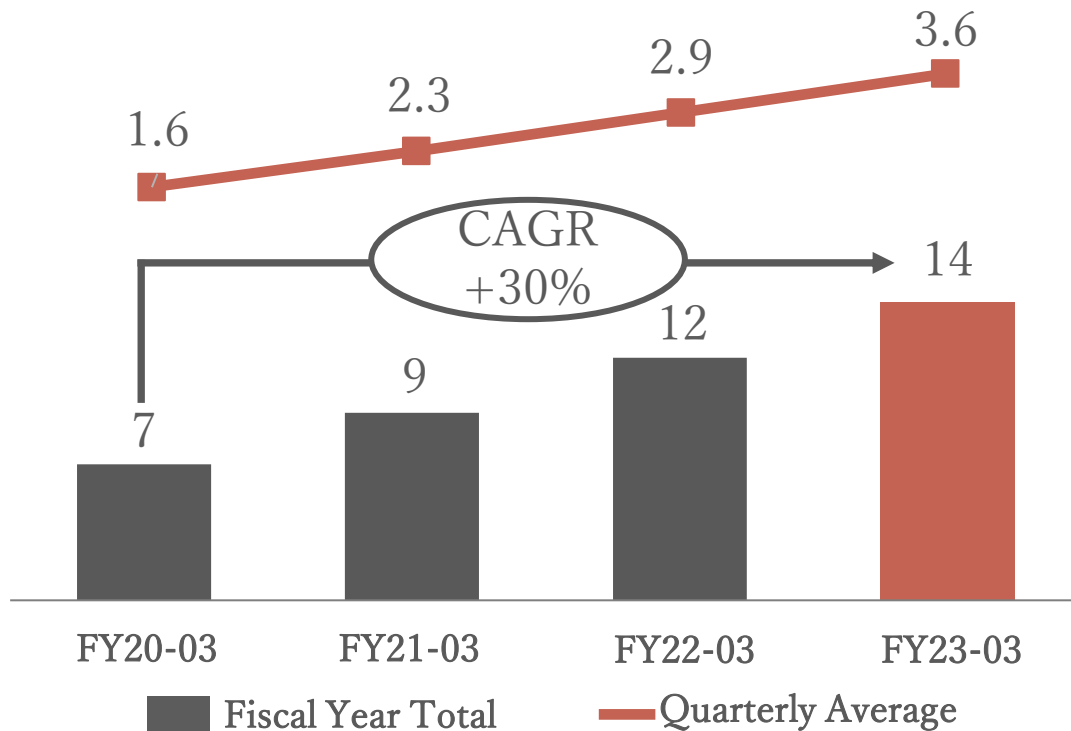
# auFG Business Trends

Sustained high growth of +30% CAGR in transaction volume of settlement / loan

## Transaction volume of settlement / loan\*

(Unit: trillion yen)

FY24-03 Q1 3.9 trillion yen (YOY +17%)



## Factors in business expansion

### Expansion of auFG customers

- Expansion of customers using au Jibun Bank, au Financial Service, and au PAY

### Expansion of service use

- Wide range products including banking services, card payment, code payment

\* Settlement amounts of (1) au PAY Settlement amount, (2) au PAY Card Settlement amount, (3) au carrier billing amount, (4) au Jibun Bank Settlement amount and (5) Loan amount



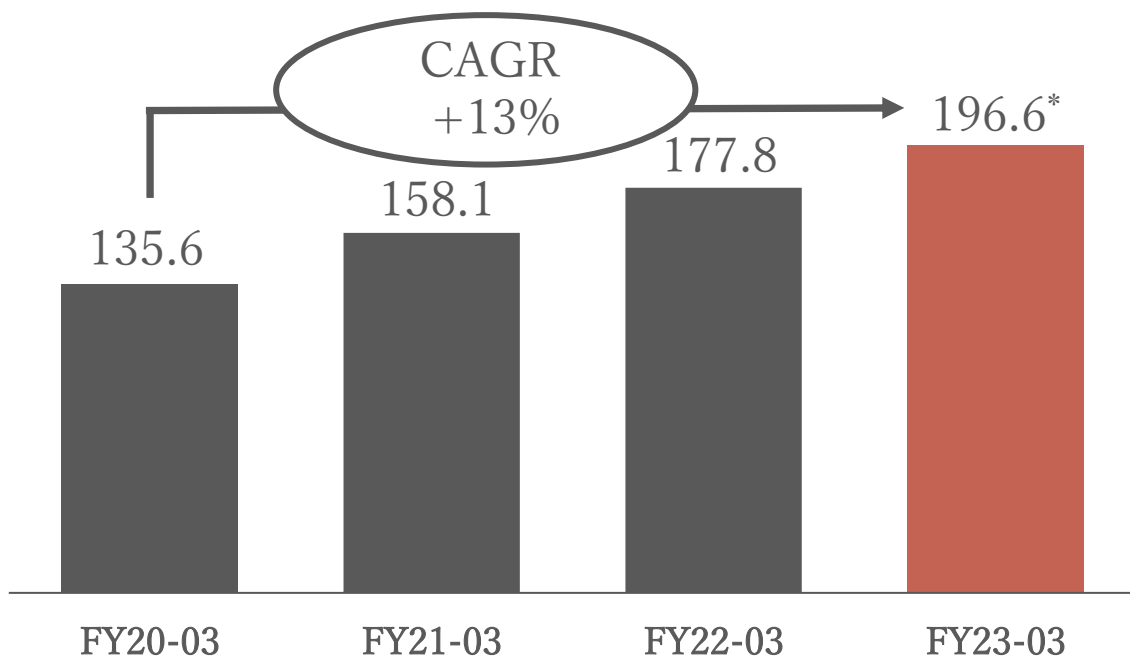
# auFG Financial Results

Continued high growth as KDDI's financial group

## Operating revenue

(Unit: yen billion)

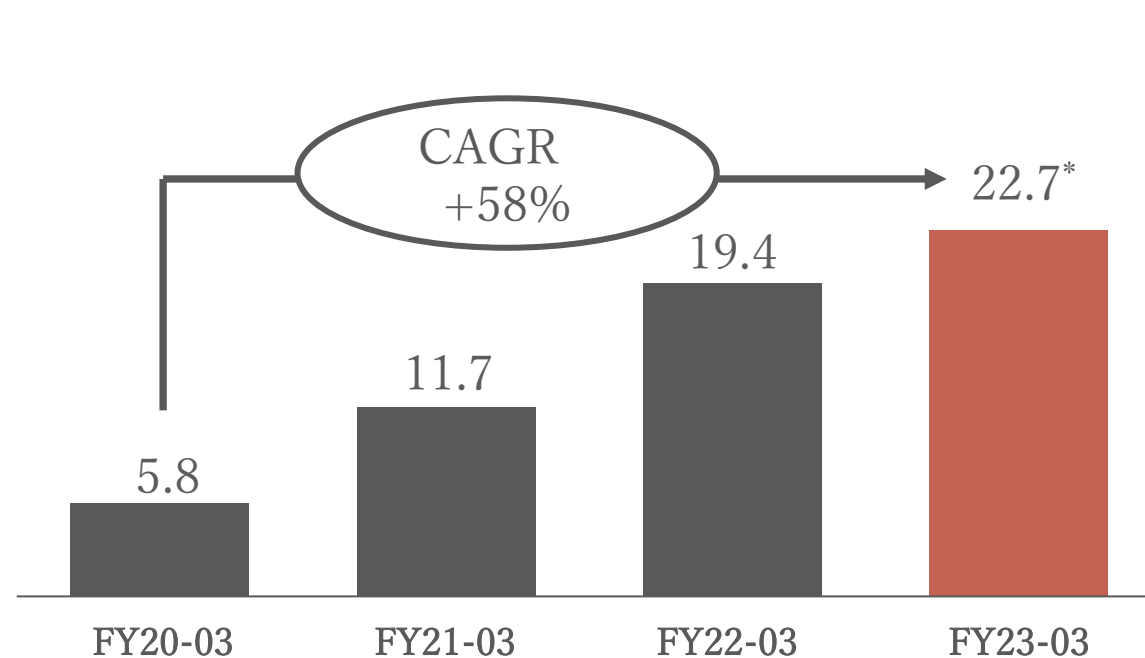
FY24-03 Q1 **52.8 billion yen\*** (YOY +14%)



## Operating income

(Unit: yen billion)

FY24-03 Q1 **7.5 billion yen\*** (YOY +70%)



Not) IFRS basis

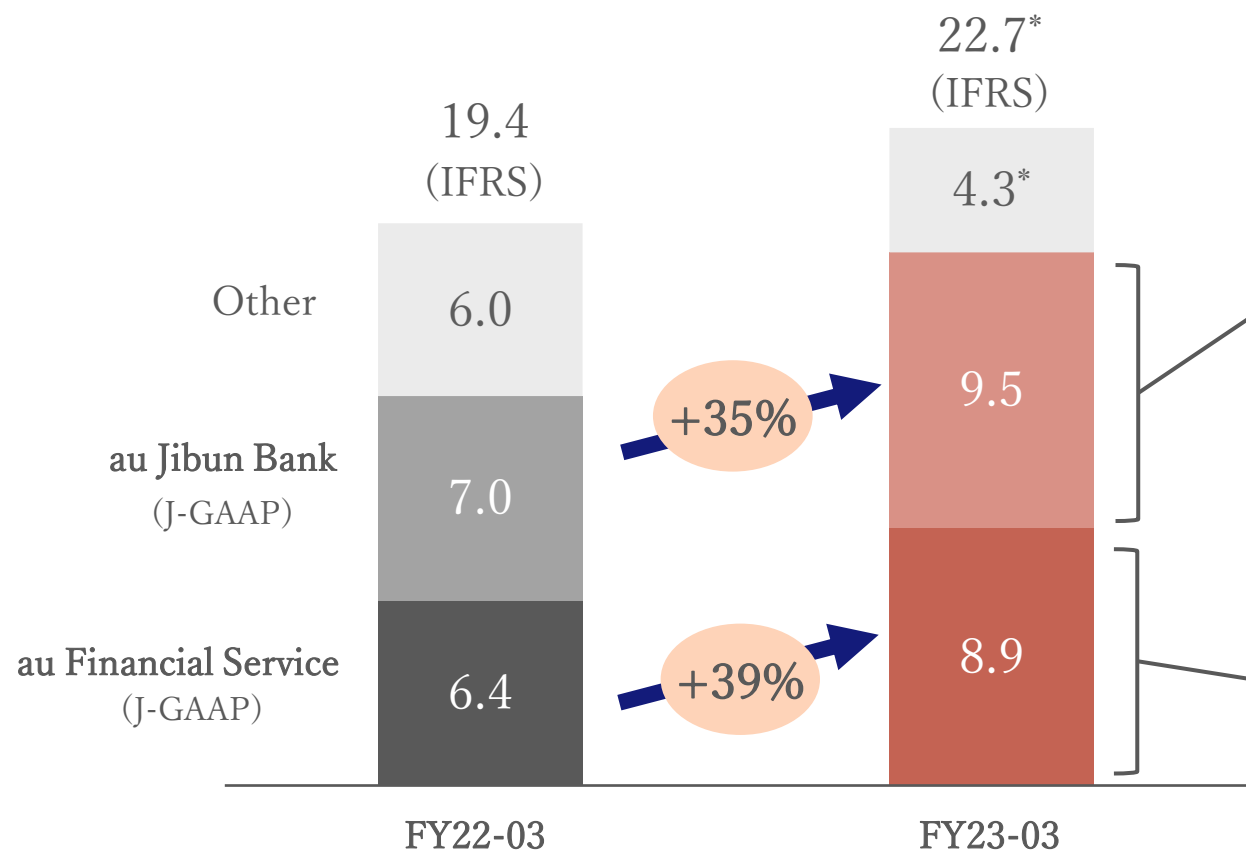
\* Excluding the effects of accounting changes, etc. and the effect of market value of mortgage loans

# auFG YOY Summary

## Core Businesses Drive Profit Growth

### auFG Operating income

(Unit: yen billion)



#### au Jibun Bank

- Strong performance in the loan business, including housing loans, led the way
- Steady growth in deposits and accounts  
→ Starting from slide 15

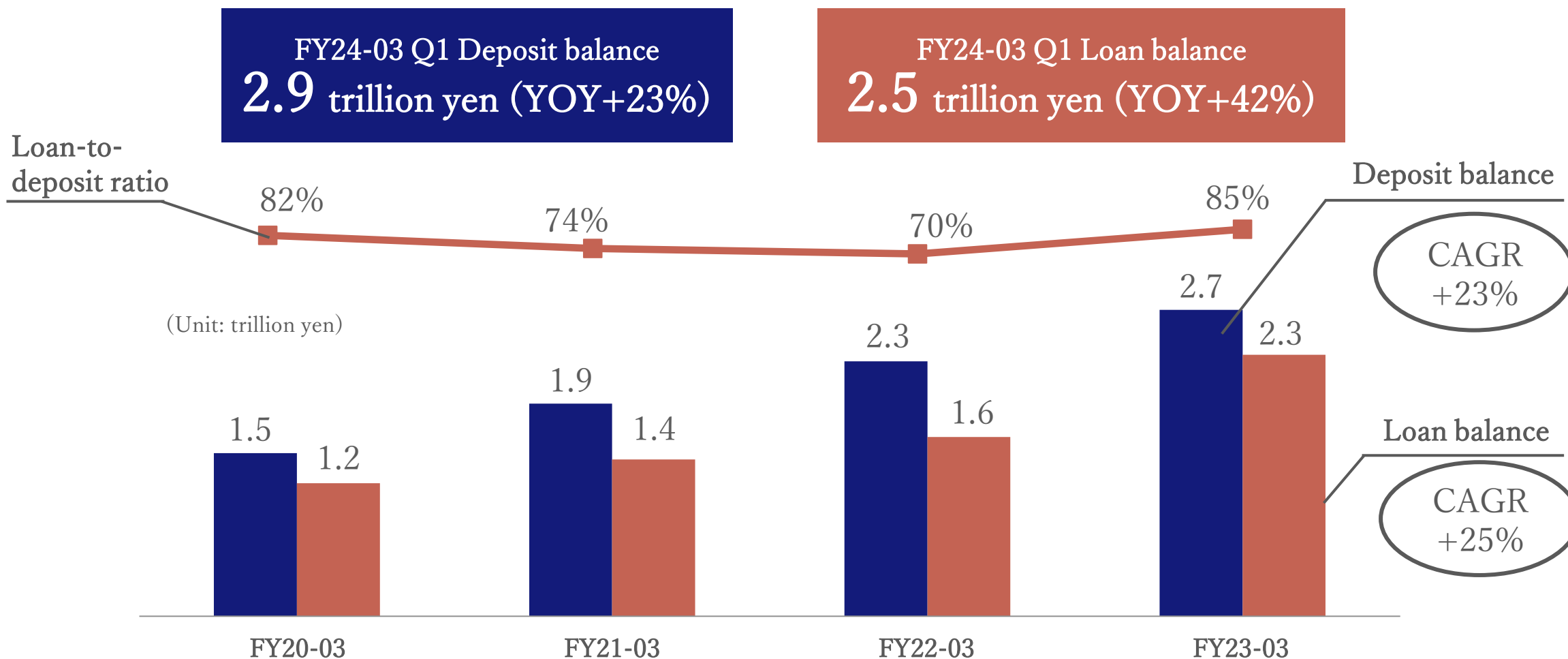
#### au Financial Service

- Driven by strong credit card business
- Steady growth in the number of active cardholders and shopping transaction volume  
→ Starting from slide 19

\* Excluding the effect of accounting changes etc. and the effect of market value of mortgage loans

# Growth of Banking Business

Expanding business scale with double-digit growth while maintaining favorable loan-to-deposit ratio



au Jibun Bank

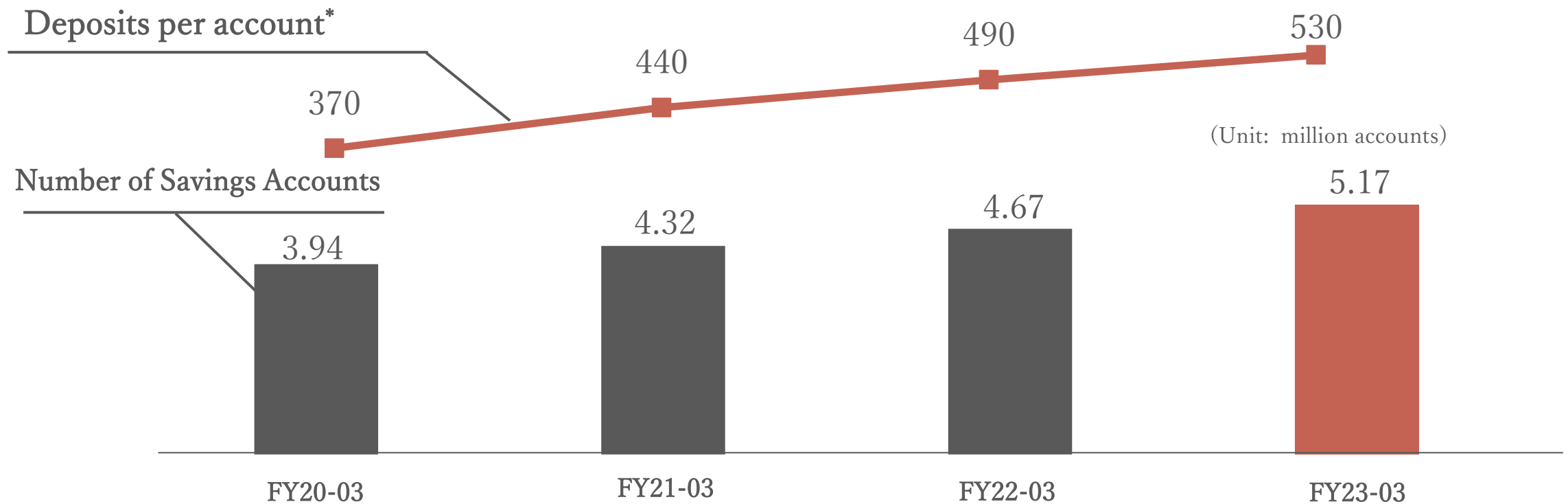
# Expansion of Deposits

Steady growth in both number of accounts and deposits per account

FY24-03 Q1 Number of savings accounts  
**5.3 million accounts**

FY24-03 Q1 Deposits per account\*  
**560,000 yen**

(Unit: thousand yen)



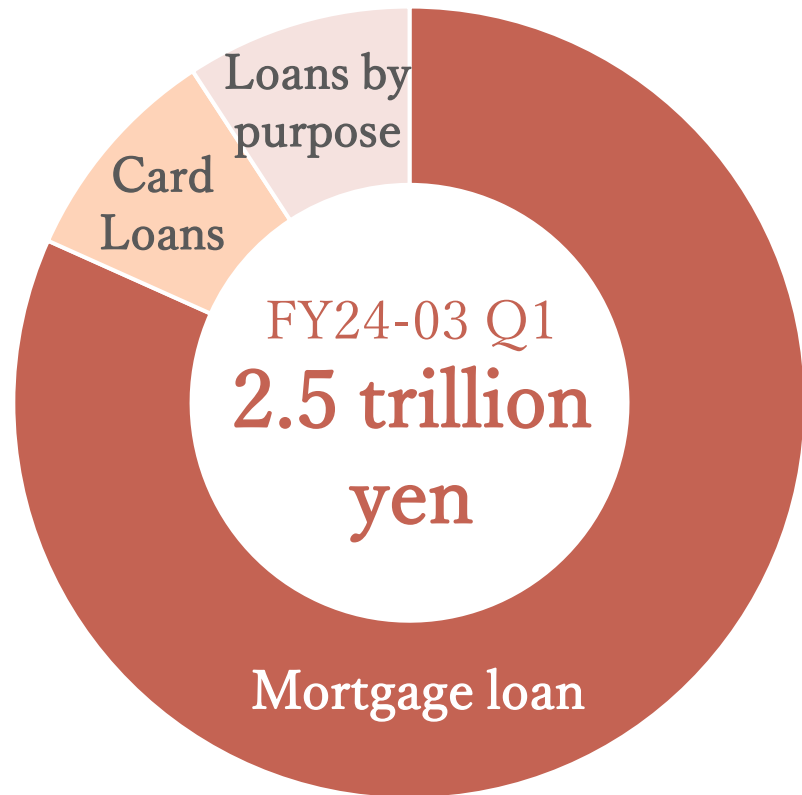
\* Deposit balance / number of savings accounts



# Expansion of Lending

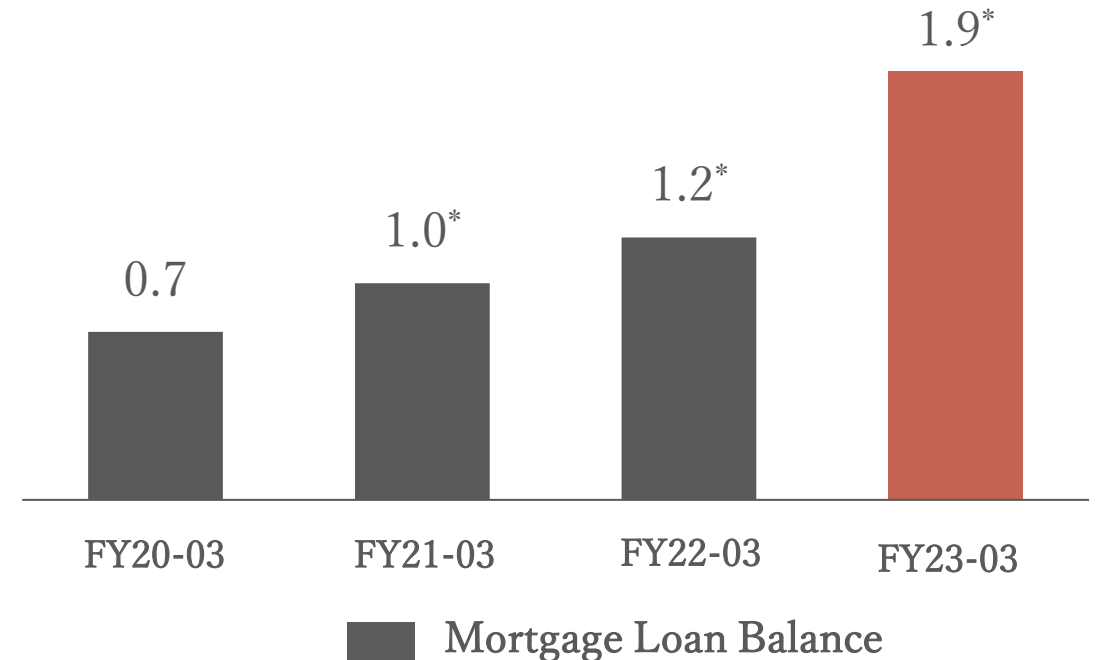
Expand lending based on our strength in mortgage loans

Breakdown of lending



Mortgage loan expansion

(Unit: trillion yen)



\* Mortgage loan balances after FY21-03 exclude mortgage loan securitization.

# Further Expansion of Mortgage Loans

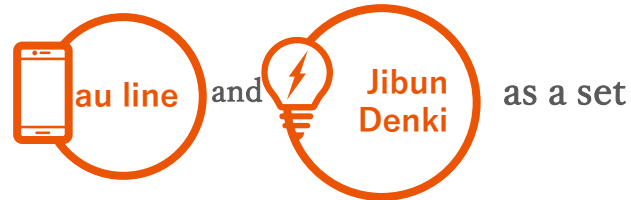
## Expansion of preferential mortgage interest rate discount eligibility through partner alliances

Attractive interest rates unique to an online bank

**0.319%** per year <sup>\*1</sup>

Floating rate  
(Full term reduction plan)

### au Preferential interest rate discount



→ **0.1%** annual reduction

**0.219%** per year <sup>\*2</sup>

### Partnership with J:COM



as a set with **0.02%** annual reduction  
+  
as a set with **0.03%** annual reduction  
=

**0.05%** annual reduction

**0.169%** per year <sup>\*3 \*5</sup>

### Partnership with ctc



as a set with **0.03%** annual reduction

**0.189%** per year <sup>\*4 \*5</sup>

\*1 Interest rates are current as of Aug. 2023 and will vary depending on the interest rate on the actual borrowing date.

\*2 The interest rate is the interest rate as of Aug. 2023 with the au preferential interest rate discount applied and will vary depending on the interest rate on the actual borrowing date.

\*3 The interest rate is the interest rate as of Aug. 2023 with the au preferential interest rate discount and the preferential interest rate through the alliance with J:COM applied and will vary depending on the interest rate on the actual borrowing date.

\*4 The interest rate is the interest rate as of Aug. 2023 with the au preferential interest rate discount and the preferential interest rate through the alliance with ctc applied and will vary depending on the interest rate on the actual borrowing date.

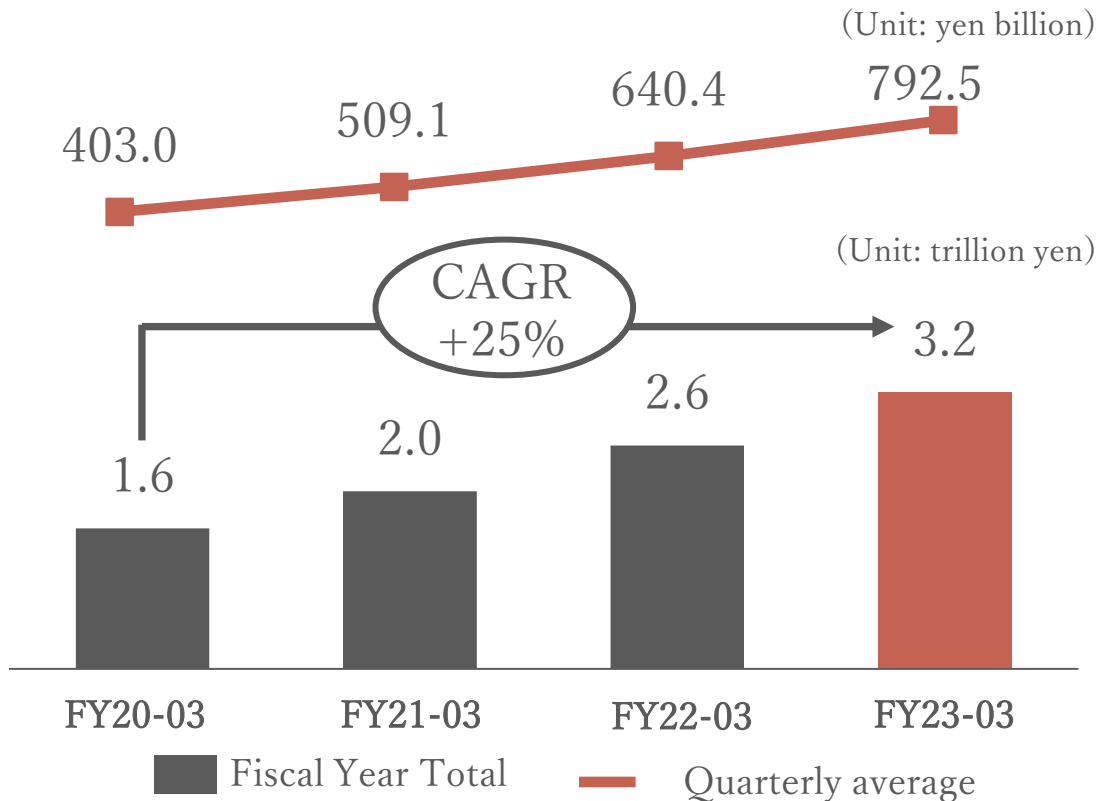
\*5 Preferential interest rates in cooperation with J:COM and ctc will be applied from 3 months after the fulfillment of the applicable conditions.

# Growth of Credit Card Business

Steady growth in shopping transaction volume due to increase in users and unit price per use

## Shopping transaction volume

FY24-03 Q1 **855.1 billion yen (YOY +15%)**



## Factors contributing to growth in shopping transaction volume

### Expansion of users

- Strong growth in membership
- Efforts to increase the active rate were successful

### Increase in unit cost per use

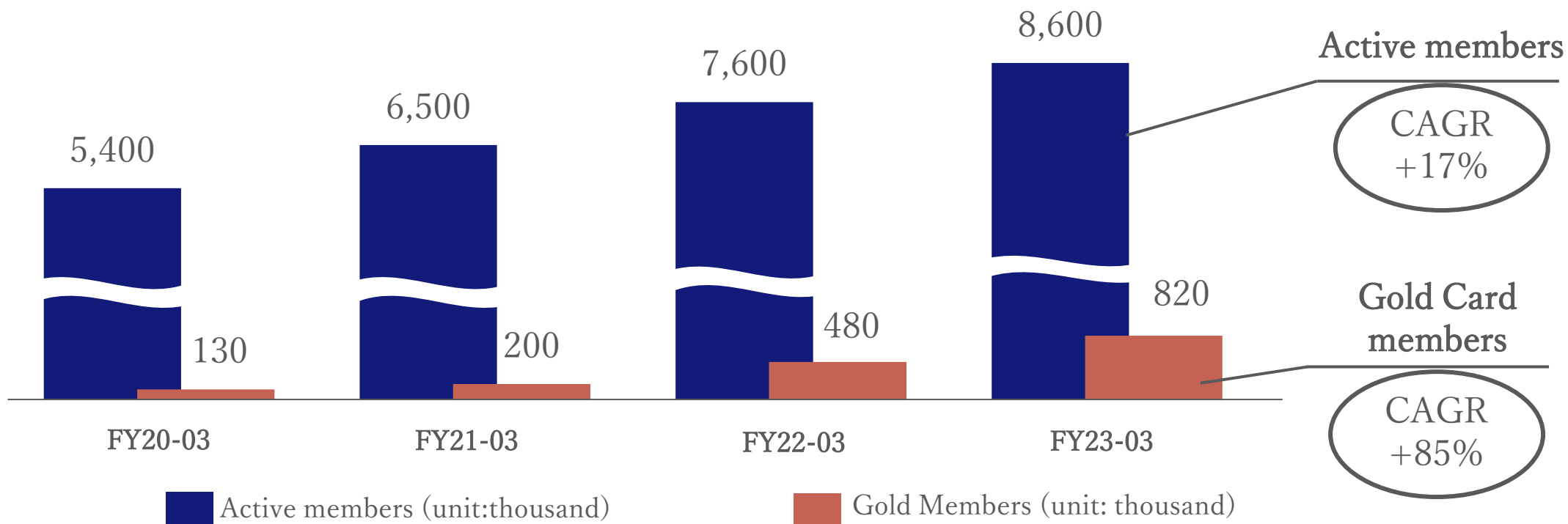
- Promotion of revolving credit
- Optimization of credit limit increase, etc.

# Expansion of Credit Card Business

Growth in Gold Card members in tandem with expansion of active members

FY24-03 Q1 Active members  
8.75 million (YOY +10%)

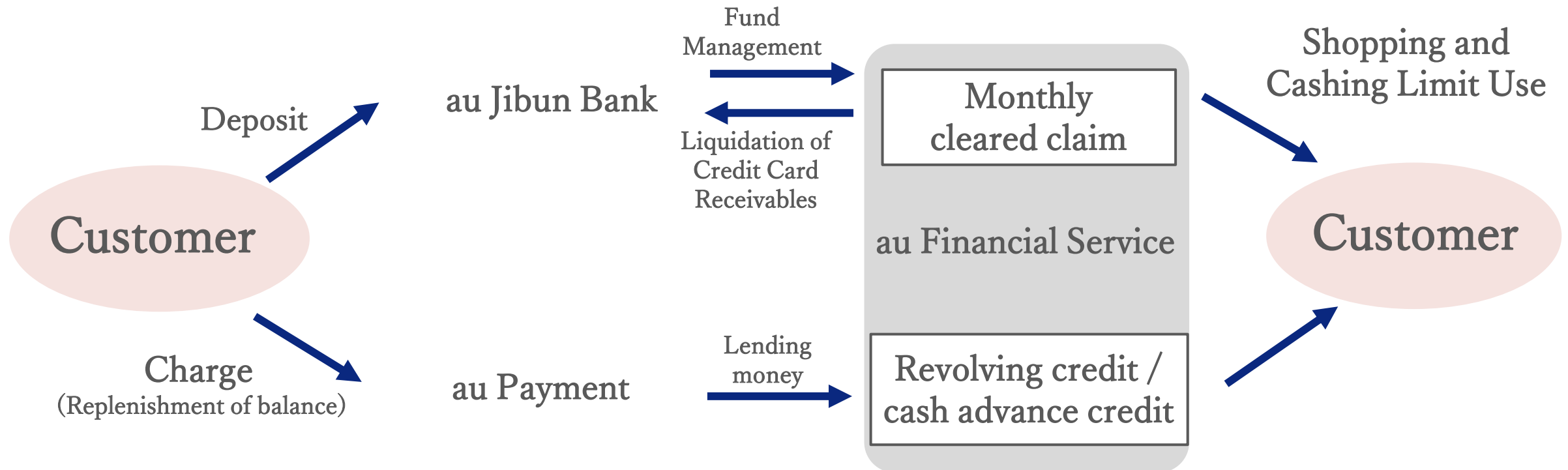
FU24-03 Q1 Gold Card members  
890,000 (YOY +58%)





# auFG integrated fund management

Streamlining fund management through auFG-united efforts



# Continue to provide various financial services Support for all customers

J:COM

UQ  
mobile

au

povo

etc

au PAY

au じぶん銀行

au カブコム証券

au かんたん決済

mortgage

Household  
Budget  
Consultation

au PAY ポイント運用

au PAY カード

自転車向け保険

auの生命ほけん

point investment

auのiDeCo

and more ...

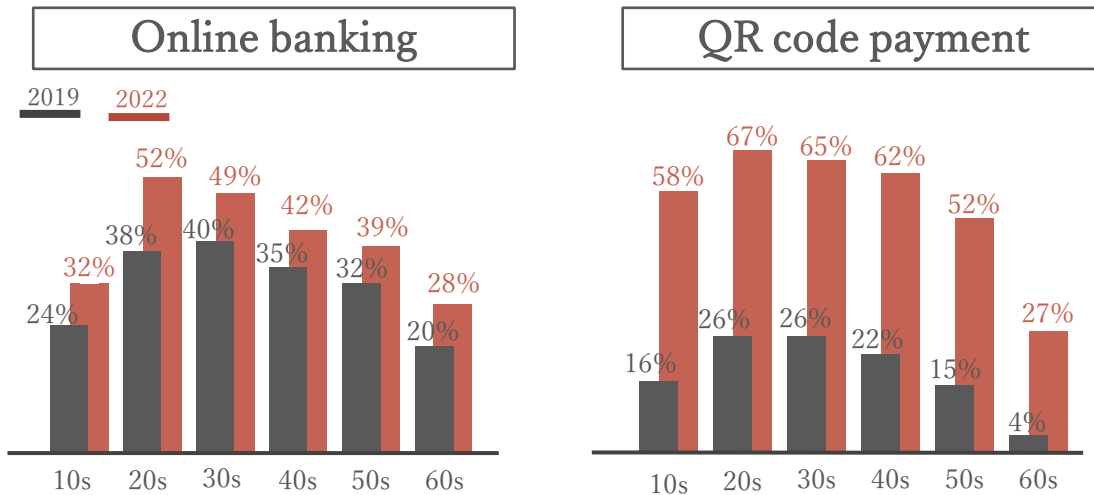
# Telecommunications + Finance

# Significance of Financial Business

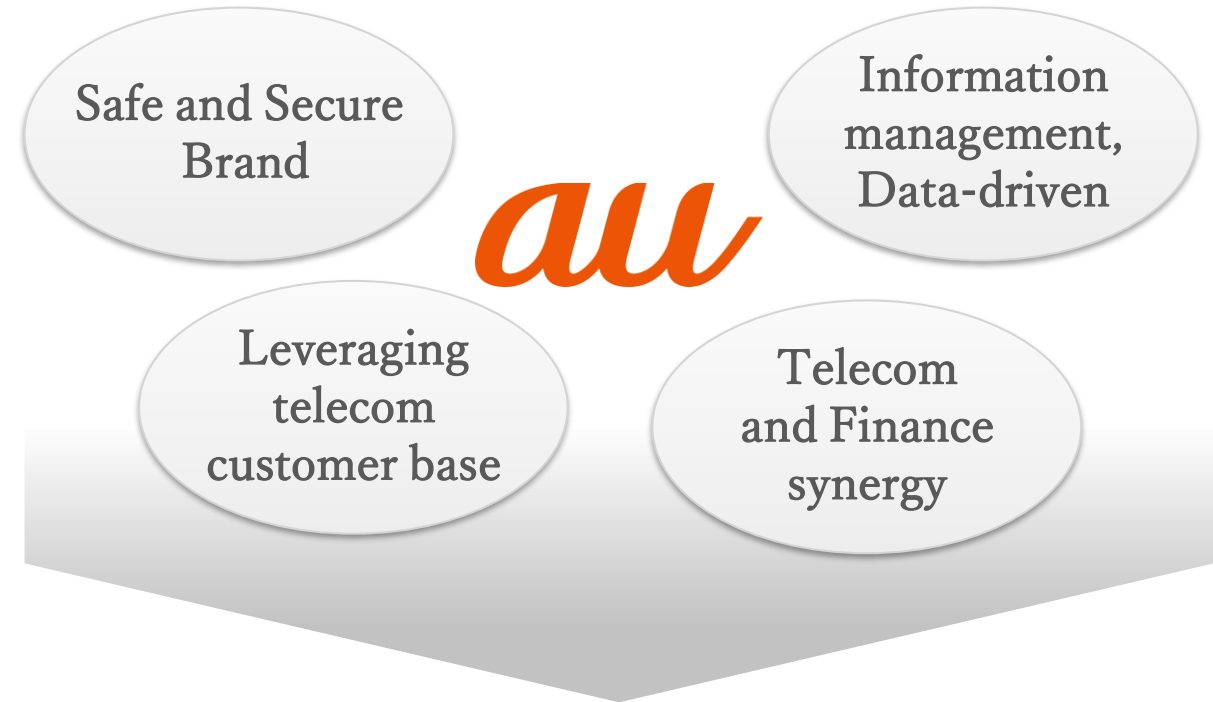
Providing financial services as part of infrastructure of daily life  
under the safe and secure au brand

## Penetration of digital financial services\*

Increased use of online banking and  
QR code payments



Digital financial services become  
daily life infrastructure



Providing safe, secure, and attractive services

\* Source: Nomura Research Institute, Ltd. "Survey of 10,000 Sei-katsu-sha (Financial)" (2022), used at least once every six months as a payment method when purchasing products or using services.

# Telecommunications + Finance

Integration of telecommunications and finance to achieve growth in telecom business and promote growth of auFG

Unique to the KDDI Group  
Attractive telecom + financial services



Growth of telecommunications  
business

ARPU increase

Churn Rate  
reduction

Leveraging telecom customer base  
promote growth of auFG

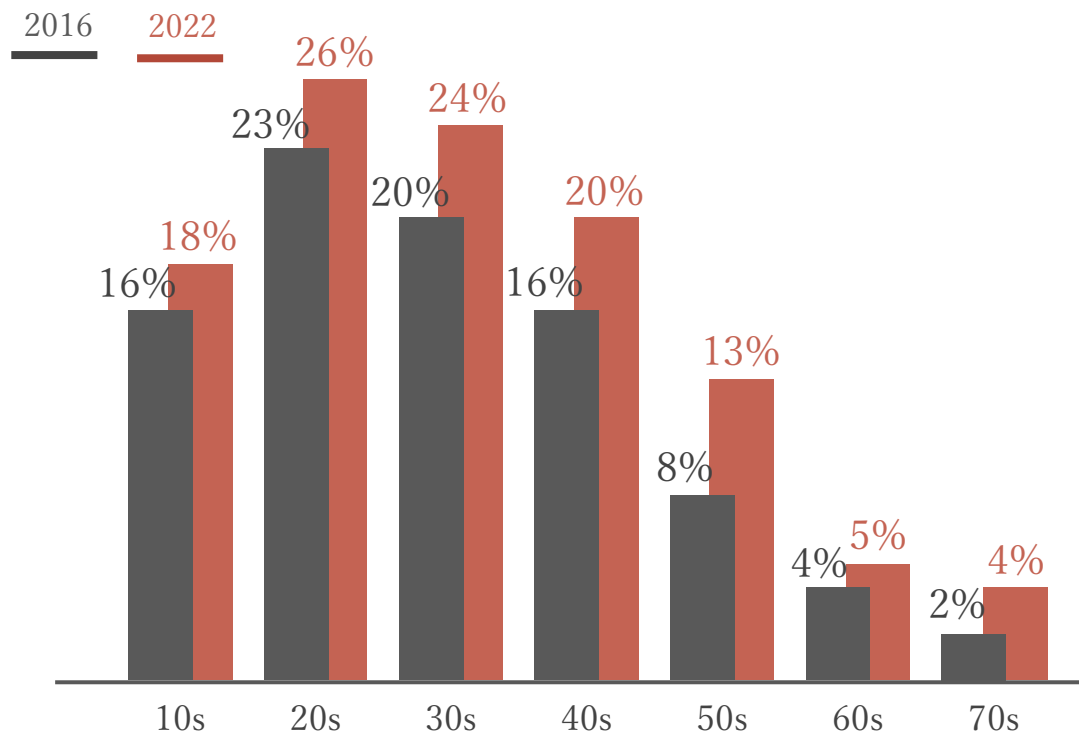
Cross-sell  
promotion

Acceleration of  
growth

# Growing Financial Awareness

Growing interest in asset management, especially younger demographics

Percentage respondents with no investment experience  
(interested in asset management)\*



Financial education for  
young people growing



\* Source: Nomura Research Institute, Ltd. "Survey of 10,000 Sei-katsu-sha (financial section)" (2022)

Experienced investors are those who have invested in stocks, bonds, investment trusts, and foreign currency deposits, etc. Those interested in asset management are "interested" or "somewhat interested" in asset management with stocks, bonds, investment trusts, and foreign currency deposits, etc. Excluding those who did not respond.



# au Money Activity Plan

New competitive plan accelerates growth efforts

## Price plan

Unlimited MAX



credit card

¥300/month



bank  
account

¥300/month



Communication fee  
payment using one of left

¥200/month

Total maximum ¥800/month  
au PAY balance redemption



## Financial benefits

Benefit #1  
(Settlement)



- Additional redemption rate (au PAY / au PAY Card)



Benefit #2  
(Asset Formation)

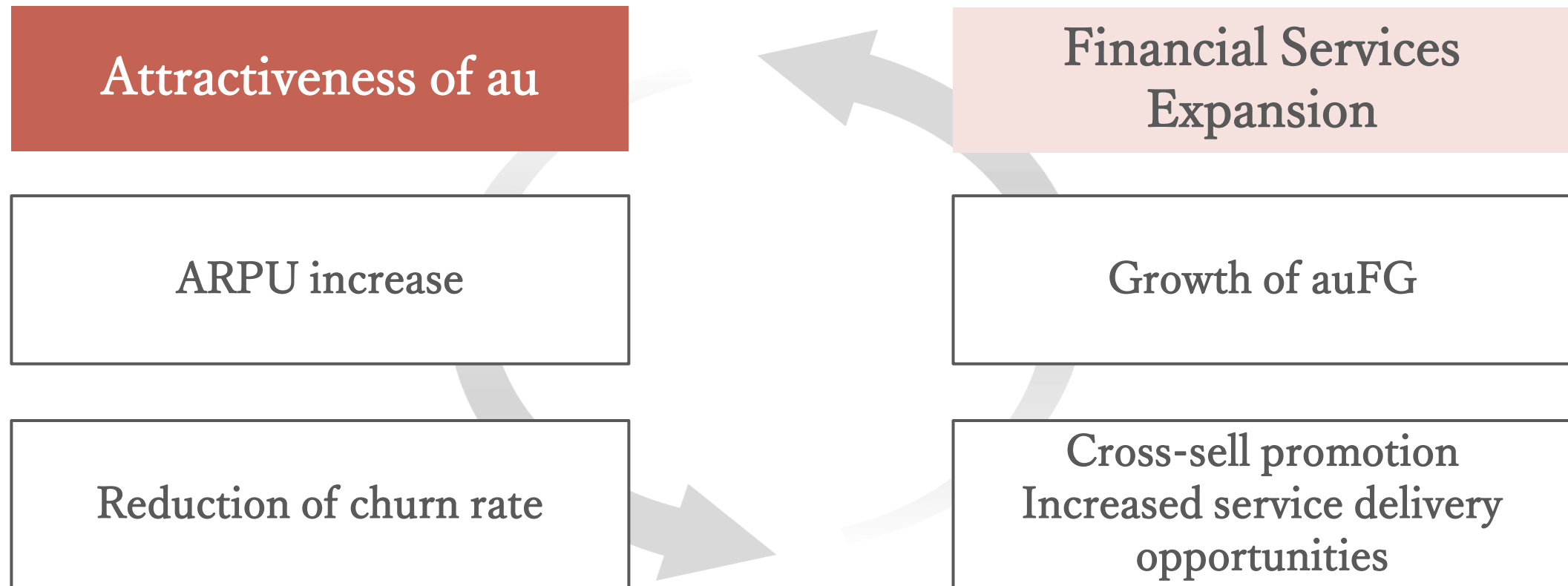


- Preferential interest rates & additional redemption rate (Saving account / reserving investment trust with credit card)

Attractive benefits for activation

# Creating Synergies with au Money Activity Plan

From growth in telecommunications  
to expansion of financial services by making au more attractive



# Attractiveness of au - ARPU increase

## Promoted expansion of financial services in addition to increase in unlimited use plan subscriptions

Communication ARPU / Increase in unlimited plans

Appeal to customers not eligible for family discount

Unlimited Use Plan

NEW

Financial Benefits



PAY balance  
¥ 800/month  
redemption

Appeal to customers not eligible for family discount

or

Family Discount Plus

More than 3 lines ¥1,100/month  
Discount

Family 2 lines ¥ 550/month  
Discount

Industry's first\* price plan



Attractiveness of au

- ✓ Increase in ratio of unlimited plans
- ✓ Increase in au selection rate and maintain au composition

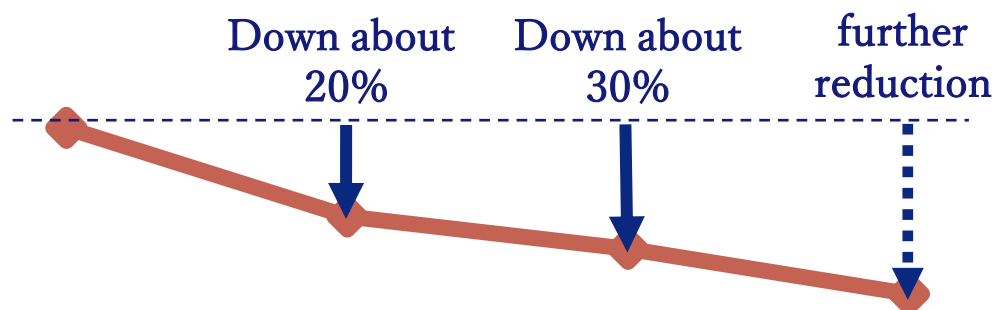
\* Compared to 4 carriers and 20 major MVNO brands (over the past 10 years) in terms of service features such as higher interest rates on bank deposits and securities investment trust point redemption rates for subscribing to rate plans. According to research by MMD LABO as of August 2023.

# Attractiveness of au - Reduction of churn rate

Further accelerating the effect of reducing the au churn rate

## au Reduction of churn rate\*

Multiple use of financial services expands the reduction effect



au only

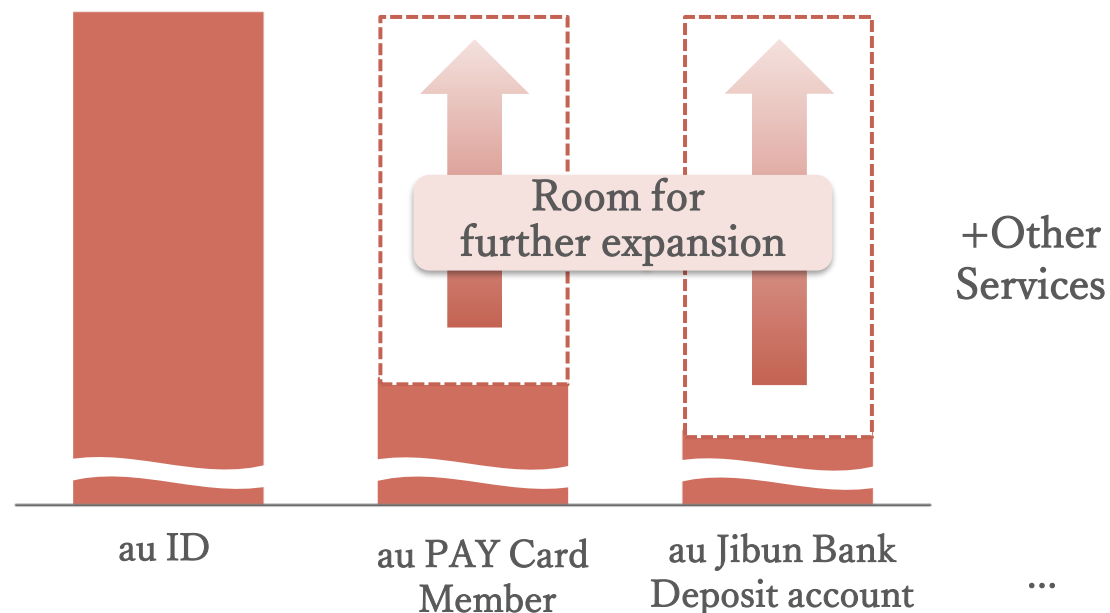
+ Credit card

+ Credit card  
+ Bank

+ Credit card  
+ Bank  
+ Securities

## Room for expansion of financial services

Promote use of financial services by leveraging au customer base



au ID

au PAY Card  
Member

au Jibun Bank  
Deposit account

...

\* Actual churn rate for au smartphones from Jan. to Mar. 2023. Short-term churn, intra-group transfers, and corporate subscriptions are not included.

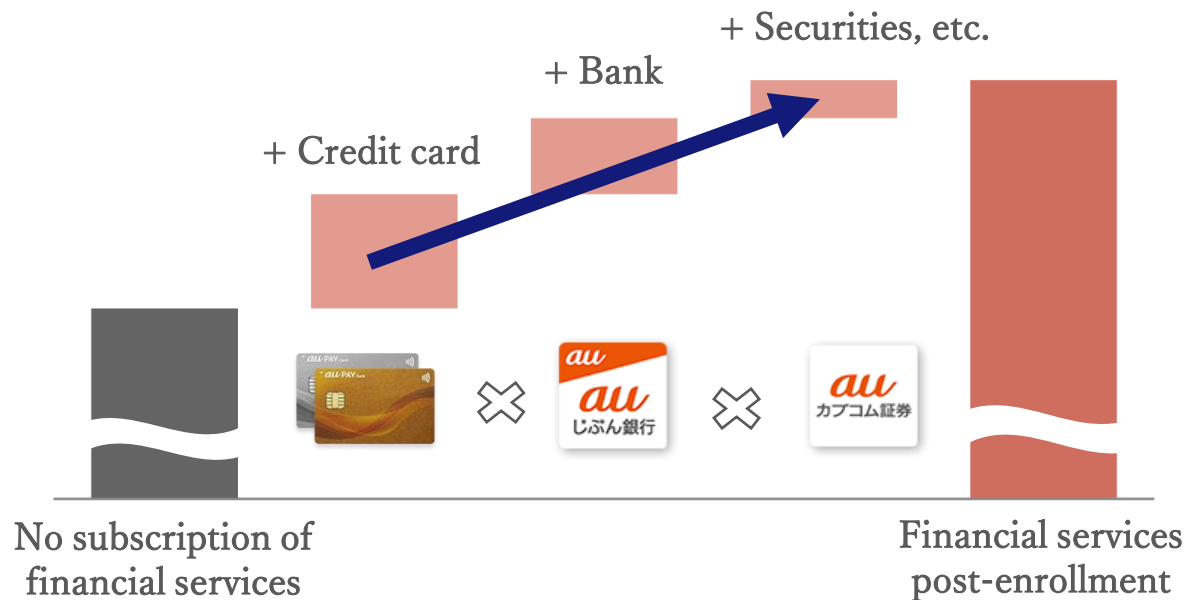
# Financial Services Expansion

Promote cross-selling and increase service opportunities

## Cross-sell promotion

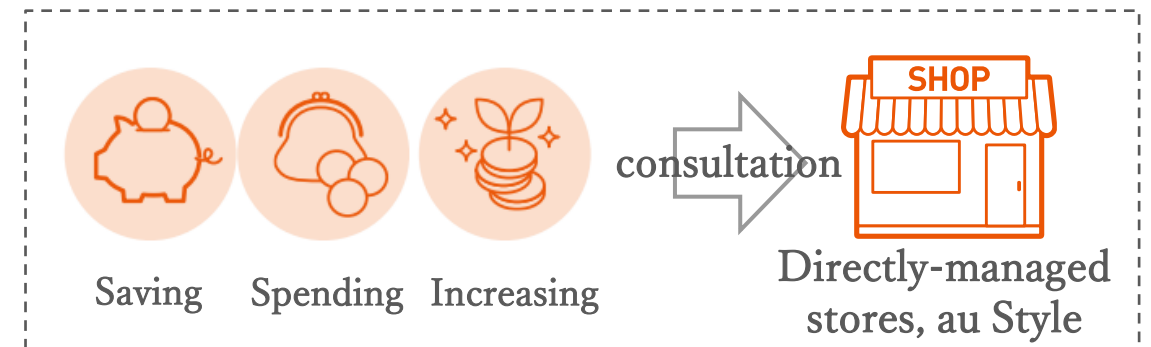
Promote cross-sell with competitive plans/benefits  
Increased value-added ARPU

### Financial services expansion (e.g.)



## Increased service delivery opportunities

### Creating new communication



au Money Seminar

Mortgage Consultation

Household Budget Consultation

Opportunities to provide services relate  
to new NISA also available

# Growth of auFG

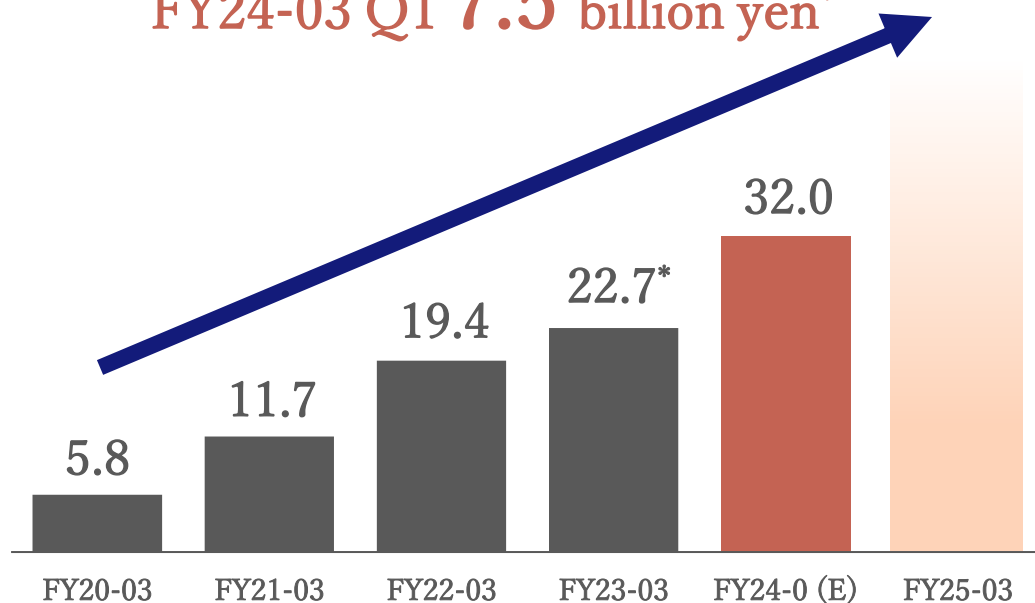
Continue profit growth momentum, aim for  
10% level of KDDI consolidated operating income

## Mid-term plan

(Unit: yen billion)

auFG consolidated operating income (IFRS)

FY24-03 Q1 7.5 billion yen\*



## Further medium- and long-term goals

10% of KDDI consolidated operating income

Bank accounts

5.3 million



15 million

Credit cards members

8.75 million



15 million

au マネ活 プラン

20 million accounts

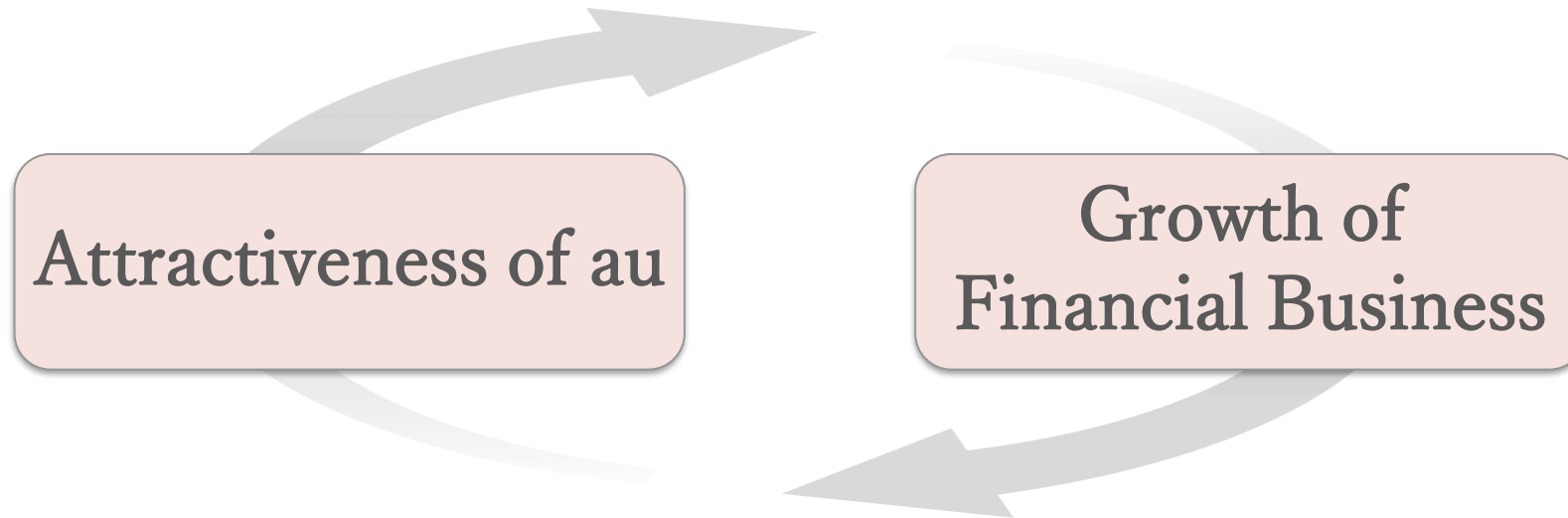
20 million members

\* Excluding the impact of accounting changes, etc. and the impact of market value of mortgage loans



# Summary

Creating a virtuous cycle of financial service expansion  
from telecom growth







- The industry's first "au Money Activity Plan", which combines telecom and finance services, makes au even more attractive
- Can contribute to ARPU increase and churn rate reduction in telecom
- Utilizing telecom customer base, auFG can accelerate growth

# Appendix

# au Money Activity Plan Financial Benefits

(As of Sep. 2023)

		 <b>au PAY</b> Card	 <b>au PAY</b>	 au Jibun Bank	 au Kabucom Securities	
		Communication fee redemption	Settlement redemption	Payment/charge redemption	Preferential interest rates for savings deposits	Credit card investment trust redemption
<b>au Money Activity Plan</b>						
	<b>Gold Card Benefits</b>	<b>20.0%<sup>*1</sup></b> (+19.0%)	<b>1.5%</b> (+0.5% / max 250 pts)	<b>2.0%</b> (+1.5%)	<b>300x = 0.30</b> (+100x / capped)	<b>NISA account required</b> <b>3.0%<sup>*2</sup></b> (+2.0%)
	Plan subscription only	<b>1.0%</b>	<b>1.0%</b>	<b>1.0%</b> (+0.5% / max 150 pts)	<b>250x = 0.25</b> (+50x / capped)	<b>1.5%</b> (+0.5%)
<b>Existing Unlimited MAX and other regular plans</b>						
	<b>With Gold Card</b>	<b>10.0%</b> (+9.0%)		<b>1.5%</b> (+1.0%)		
	Plan subscription only	<b>1.0%</b>	<b>1.0%</b>	<b>0.5%</b>	<b>200x = 0.20%</b>	<b>1.0%</b>
	UQ mobile					
	open user					

Note: Figures in parentheses indicate the difference in Gold Card benefits compared to plan subscription only \*1 Limited to 1 year; 10% redemption from the 2nd year \*2 Limited to 1 year; 2.0% redemption from the 2nd year

# Accelerate Growth through Money Activity Plan

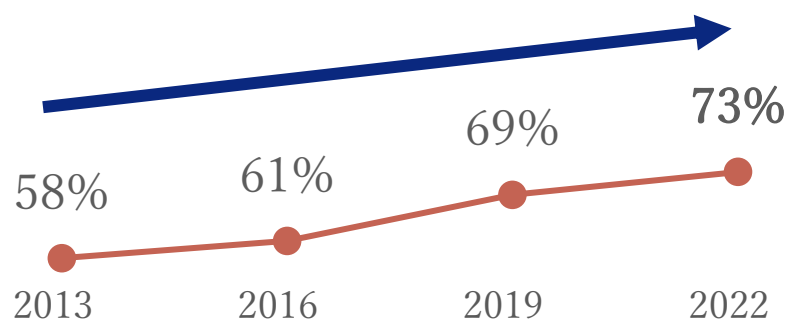
Introduction of benefits corresponding to  
projected expansion of cashless market

## Cashless market expected to expand

### Cashless payment ratio\*1

U.K. 64%      Japan 36%  
U.S.A. 56%      Government declaration  
to aim for 80%

### Credit card payment ratio\*2



## Expansion of transaction volume centered on gold cards

### Benefit 1



au PAY Gold Card  
Communication fee redemption

total maximum

10%

From following month  
1 year

20%

### Benefit 2



au PAY Balance Charge  
+ au PAY point redemption

maximum

1.5%

2%

### Benefit 3



Shopping point redemption

total maximum

1%

1.5%

\* 1 Source: Ministry of Economy, Trade and Industry website (2020 for U.K. and U.S., 2022 (calendar year) for Japan)

\* 2 Source: "NRI Survey of 10,000 Sei-katsu-sha (Financial) 2022," Nomura Research Institute, Ltd.

# Accelerate Growth through Money Activity Plan

Introduce benefits to increase online banking penetration and savings needs

## Room for growth in online banking penetration

Online Banking Usage Rate\*<sup>1</sup>

U.K. 81%	Japan 19%
U.S.A. 72%	

## Strong savings needs\*<sup>2</sup>

Financial assets currently held are savings accounts	97%
Financial assets to be held in the future are savings accounts	74%

## Expansion of deposit accounts and balances

### Benefit 4



au Jibun Bank  
Preferential interest rates  
on Yen Savings Deposits

total maximum  
0.20% per year > **0.30%**  
per year

# Accelerate Growth through Money Activity Plan

Introduction of benefits in response to trends of "from savings to investment" and "start of the new NISA"

## From savings to investment

Further asset management needs with start of new NISA

### Household Financial Asset Ownership Ratio\*

U.S.A. 55%	Japan 16%
Europe 32%	

## Benefit 5



au kabucom Securities points redemption for reserve with credit card

1%



Limited to 12 months

total maximum

3%

(2.0% after the second year)

\* Source: "Comparison of Flow of Funds between Japan, the U.S., and Europe," Research and Statistics Department, Bank of Japan, 2022. Total of stocks and other securities, mutual funds, and debt securities