

Tomorrow, Together



Fiscal Year Ending March 2024 Q1 Financial Results

(April - June 2023)

July 28, 2023

KDDI Corporation

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



Space / STARLINK



Smart Drone



Smart Fisheries



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2. The Power to Connect
3. Satellite Growth Strategy and Strengthening of Management

Appendix

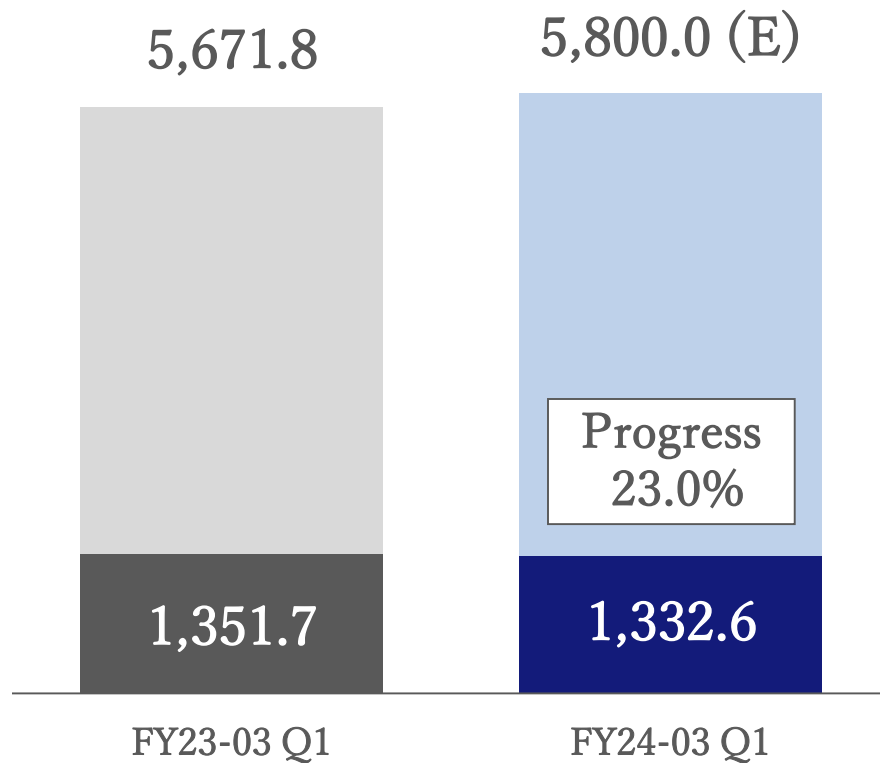
1. Consolidated Results: FY2024-03 Q1

Financial Highlights

Within expectations against full-year forecast

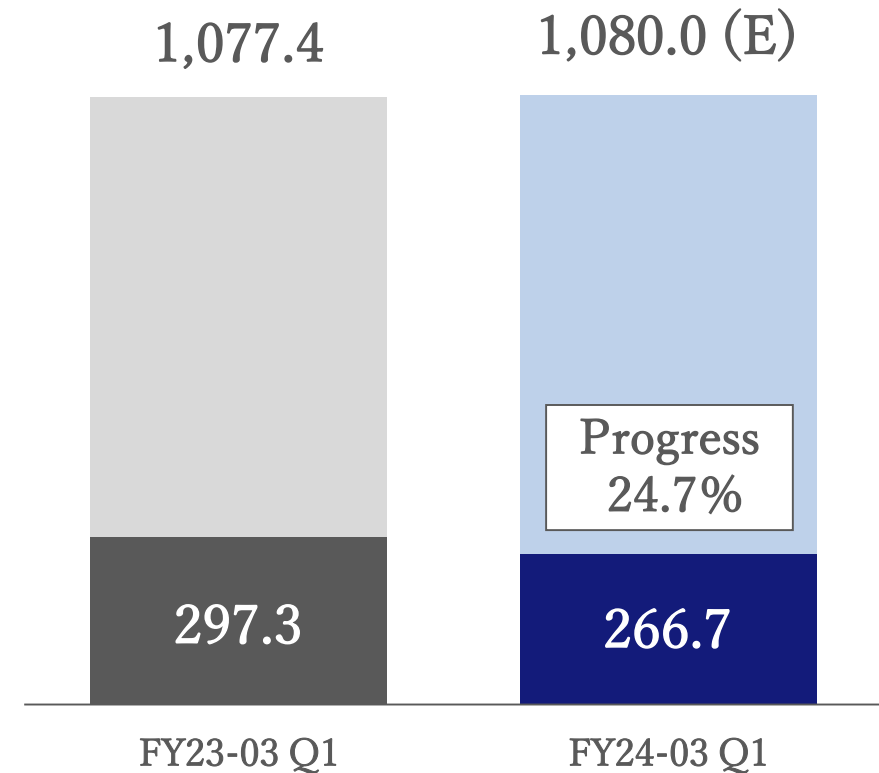
Operating revenue

(Unit: yen billion)



Operating income

(Unit: yen billion)

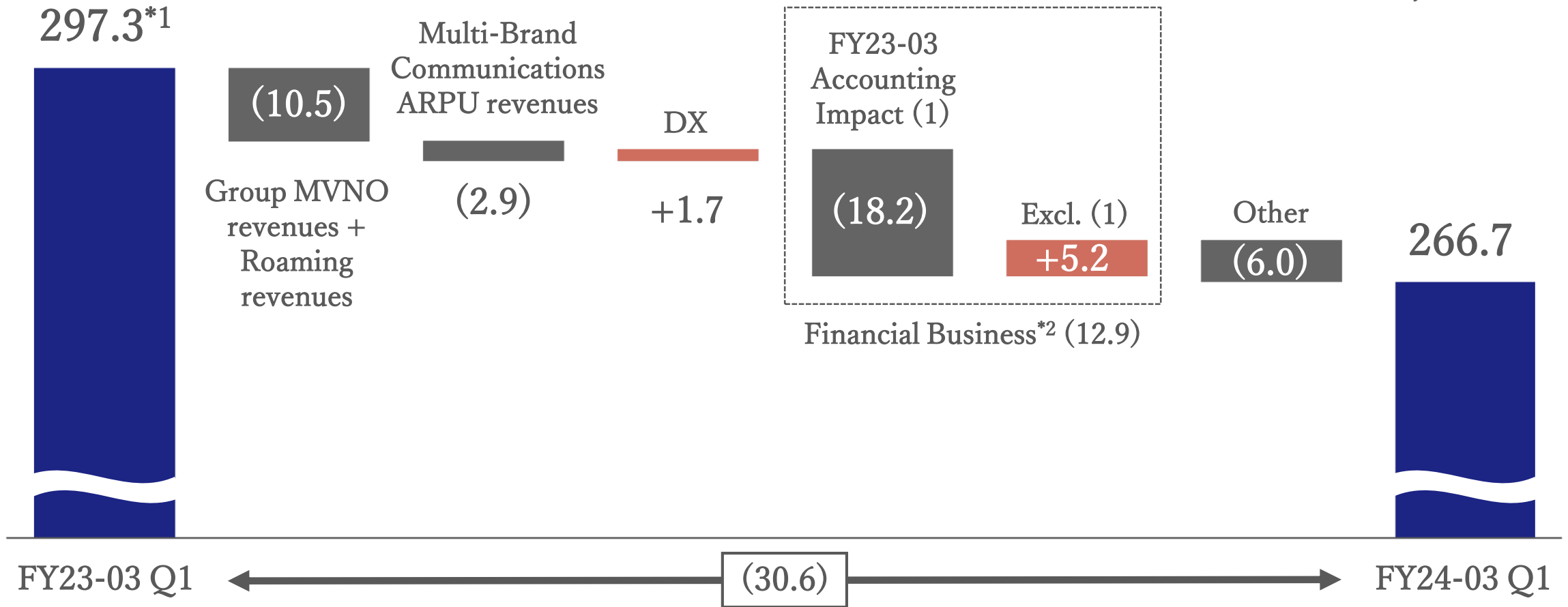


Note) IFRS 17 is adopted from FY24-03. FY23-03 figures are changed accordingly.

Operating Income - Factors for Change

Lower roaming revenues, accounting change impact YOY
Solid results in focus areas

(Unit: yen billion)



*1 IFRS 17 is adopted from FY24-03. FY23-03 figures are changed accordingly. *2 au Financial Holdings (IFRS basis)

2. The Power to Connect

KDDI's Mission

Strengthen infrastructure to support "tsunagu" (connecting)

Our mission: connecting 24/7/365



Monitoring



Automation

Ongoing fortification

**Additional Capex:
50 billion yen mid-term**

- ✓ Virtualizing core facilities
- ✓ AI-based operations and congestion detection
- ✓ Enhance organization and HR development

Connecting Lives, Livelihoods and Hearts

Promoting Safety and Security

Communications integrate into society,
strengthen “tsunagu” (connecting) with partners

Disaster Agreement



With Kanto Regional
Development Bureau
for disaster cooperation

Secondary Line Service



Prepare for outages and disasters
with other carriers

Starlink Portable Base Stations



Vehicle-mounted, portable,
shipboard base stations
Deploy about 200 units
by end FY24-03

Satellite Communication Starlink

Here, there, everywhere, throughout Japan

au Base Stations

- ✓ Expansion to 100 famous mountains, attractions
- ✓ Deploy 5G by end FY24-03



Expansion of coverage



Maritime use

- ✓ Information for safe navigation
- ✓ Improve passenger and crew satisfaction
- ✓ Fishery DX

Hut Wi-Fi / Festival Wi-Fi

- ✓ Safety confirmation, information gathering
- ✓ Cashless payments
- ✓ Promote DX in Mountain / Event



3. Satellite Growth Strategy and Strengthening of Management



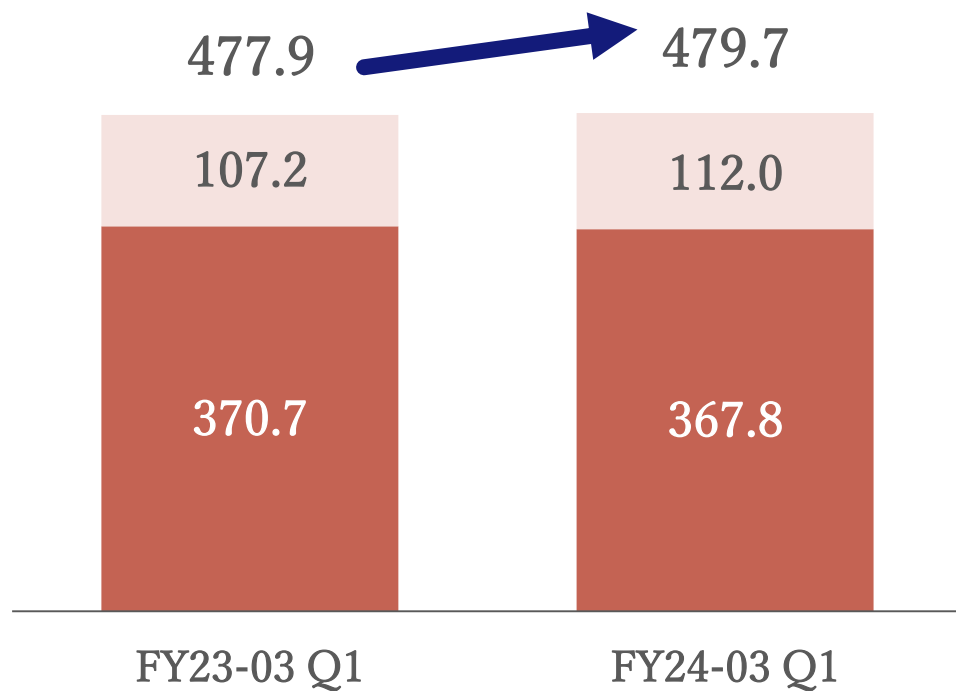
ARPU Revenues

Steady growth in Q1. Aiming for rebound during H1

Multi-brand total ARPU revenues

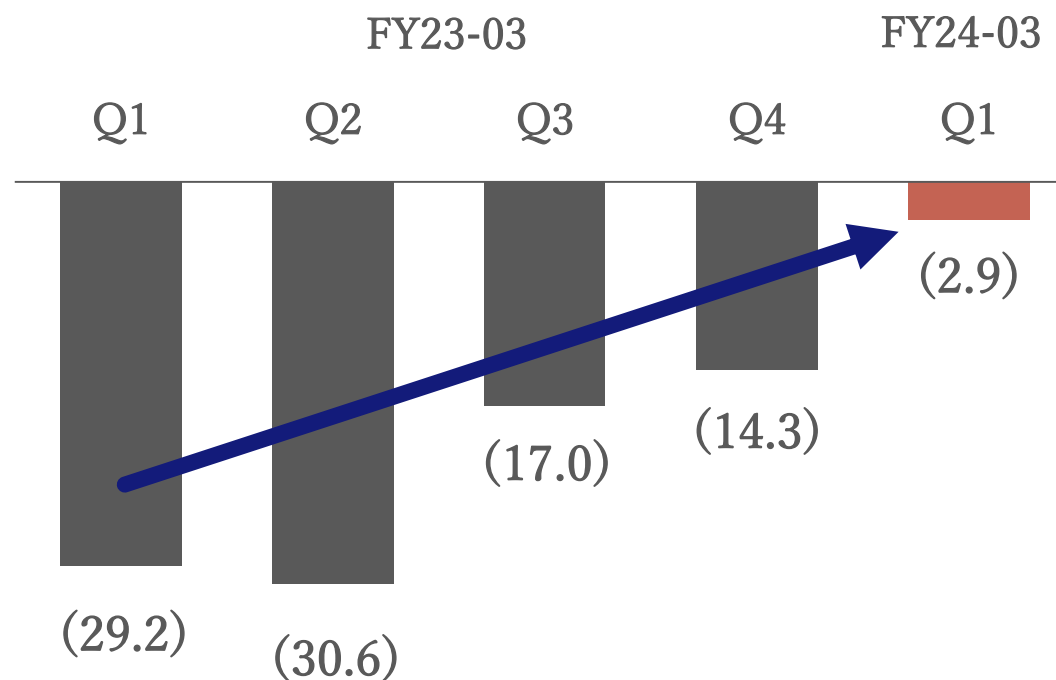
(Unit: yen billion)

■ Comm. ARPU Rev. ■ Val-add. ARPU Rev.*



Multi-brand Communications ARPU revenues (YOY)

(Unit: yen billion)



* New definition from FY24-03

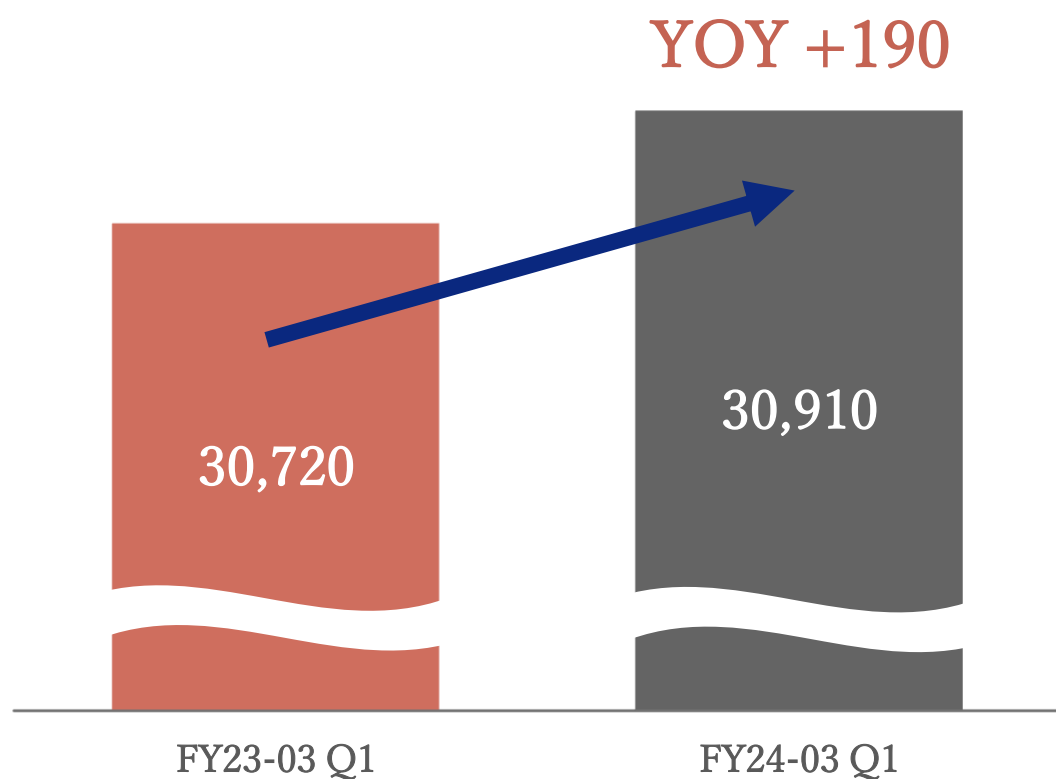


Multi-brand ID / 5G Penetration

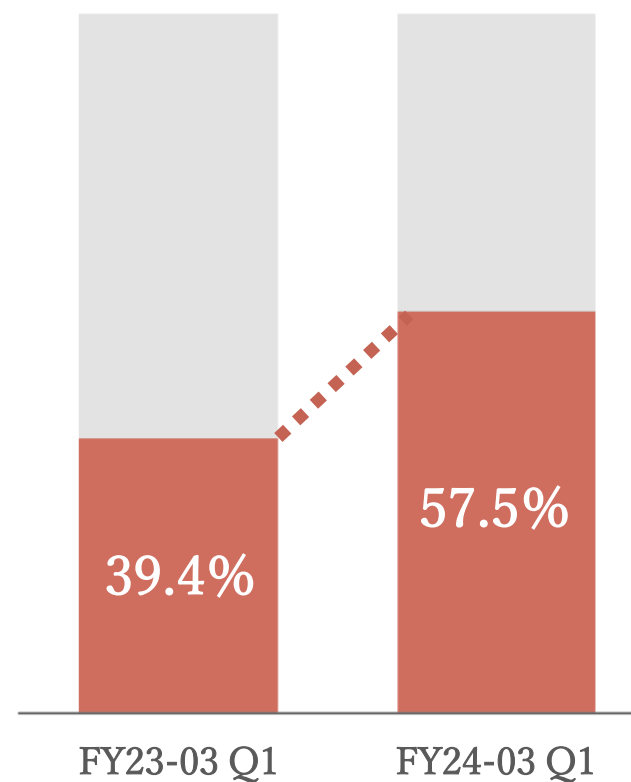
Steady Growth

Multi-brand ID*

(Unit: thousand)



5G Penetration Rate



About
60% customers
5G available

Note) Personal services segment * au, UQ mobile, povo (charged users only)

Worry-free unlimited plans meet growing needs for content

Attractiveness of au

Popular content also included

Video



Netflix, Amazon Prime,
DAZN, etc.

e-cartoon



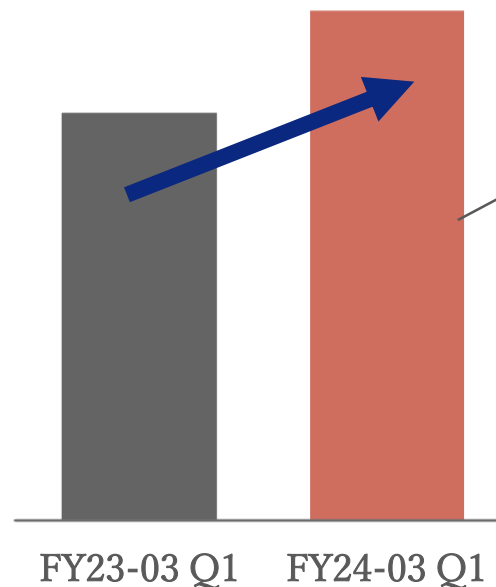
Piccoma

MAU over 10 million*1
New partnerships

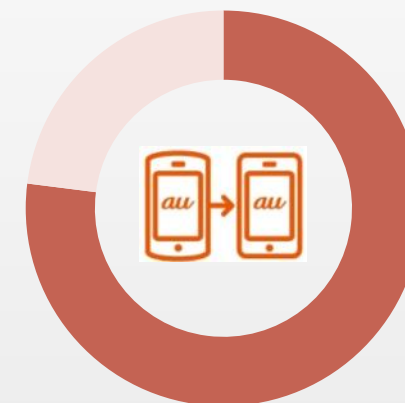
au Monthly Data Usage

Steady increase in data usage

YOY + 25%



When changing models,
about 80% choose
unlimited plan*2



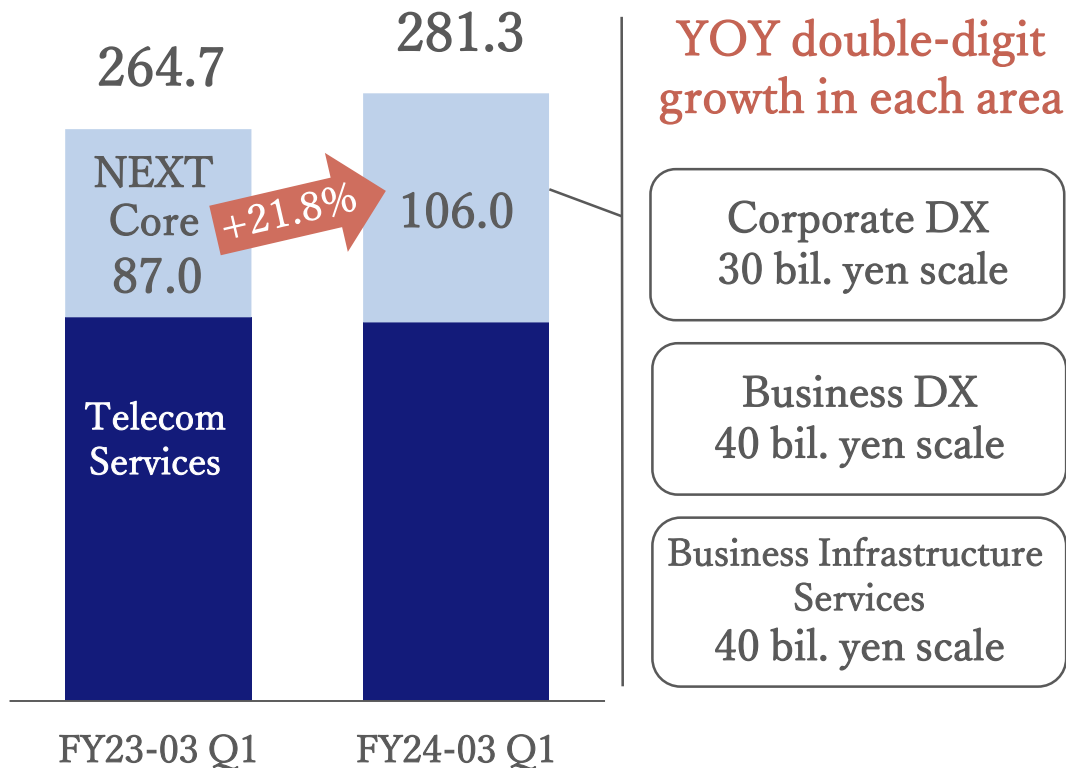
*1 May 2023 Piccoma applications and web services total *2 Apr. - Jun. 2023

Business Segment Results

NEXT Core drives growth. Performance within expectations

Operating revenues

(Unit: yen billion)



Q1 Topics

NEXT Core achieved double-digit top line / bottom line growth

- ✓ Business DX drives revenue/profit growth, especially in IoT
 - IoT connections : 34.5 mil. (YOY+8.5 mil.) of which, over 20 mil. Connected
- ✓ Strengthening Business Infrastructure Services
 - Connectivity DC Business Expansion
 - Contact Center / BPO Service Integration

Connectivity DC

Global presence with connectivity as a strength

TELEHOUSE Strengths

Provides space and equipment as well as interconnected environment



Customer needs

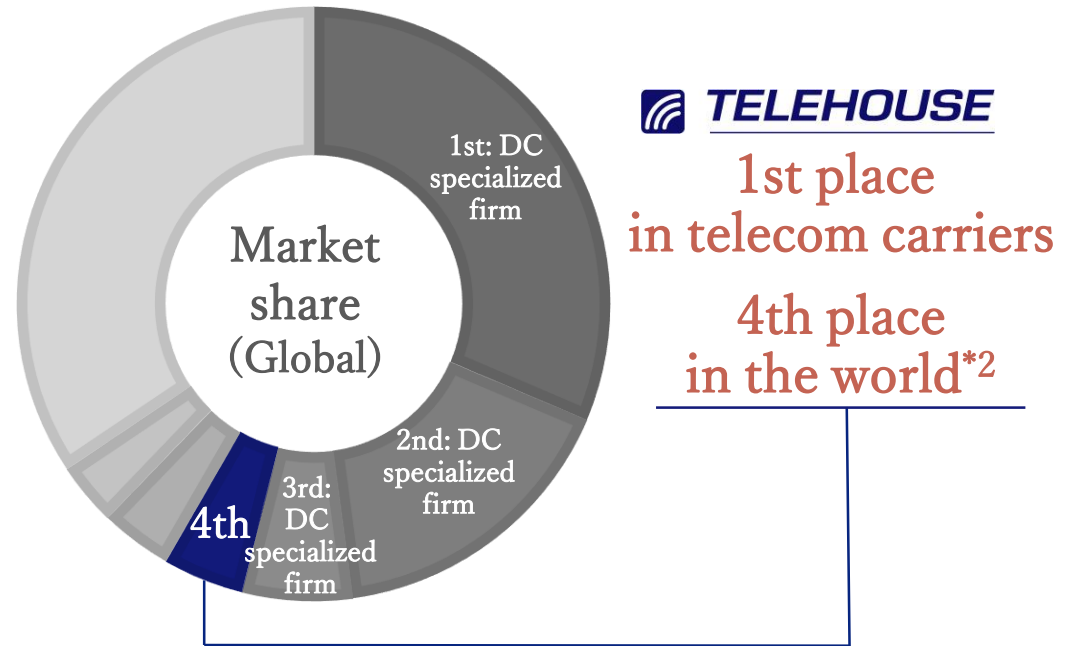
- ✓ Direct connection near end users

Conditions for selection/ Competitiveness

- ✓ Where traffic is concentrated
- ✓ Accumulation of hyperscalers

Share of connections*¹

TELEHOUSE Expands Global Connections



*1 Source: Structure Research 2023 *2 Actual results for 2022, excluding Canadian Connectivity DC, which signed a business transfer agreement in June 2023

DC Strategy

Focus on Connectivity DC

Strategic Direction

Steady market growth and high profitability aiming for further business growth

	<p>Market Growth (2023-2028)</p>	<p>Business Scale</p>	<p>Margins</p>
<p>Connectivity DC</p>	<p>CAGR* 11%</p>	<p>Medium</p>	<p>High</p>
<p>Hyper Scale DC</p>	<p>CAGR* 24%</p>	<p>Large</p>	<p>Lower</p>

Enhancing Connectivity in Canada

Canada's No. 1 Connectivity DC
Business transfer agreement signed June 2023



3 locations in heart of Toronto

Enhanced Connectivity

Expansion of space offered

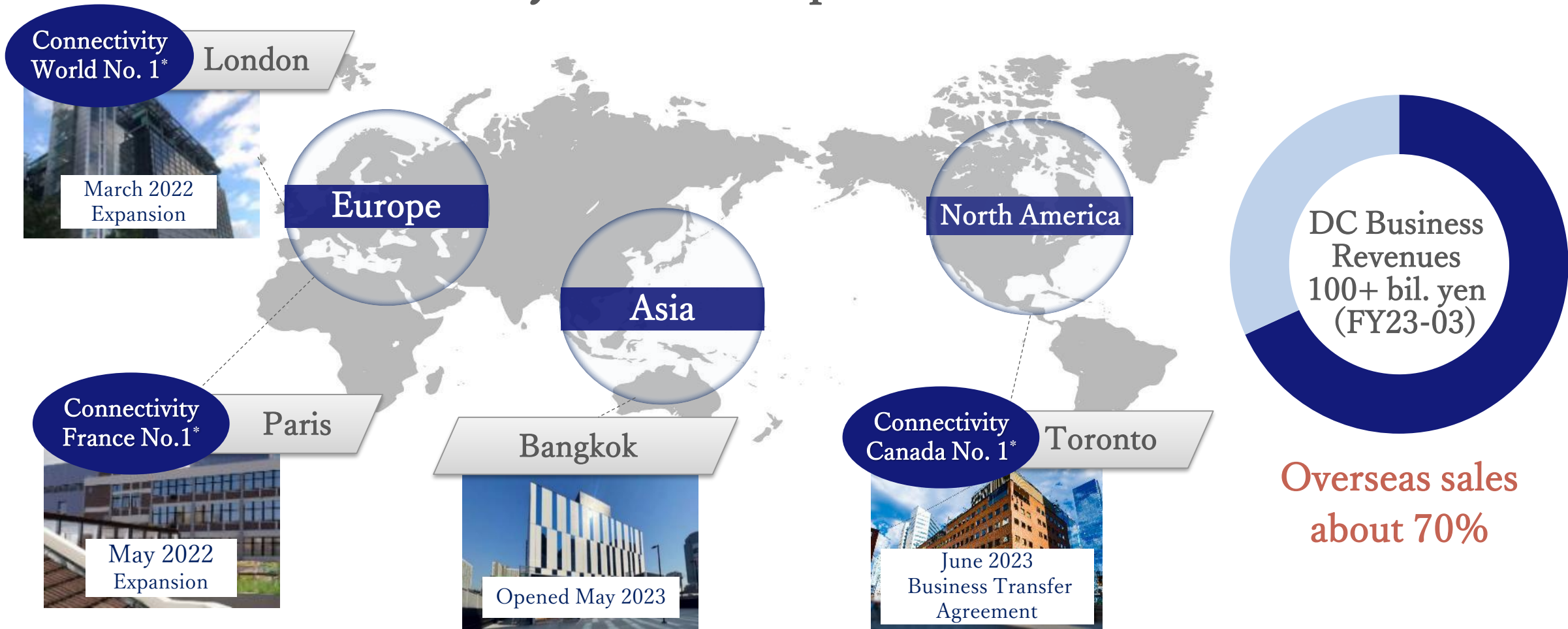
Further Value Enhancement

* Source: Structure Research 2023



DC Business Global Expansion

Establishment of three-pillar structure for Connectivity DC in Europe, Asia, North America



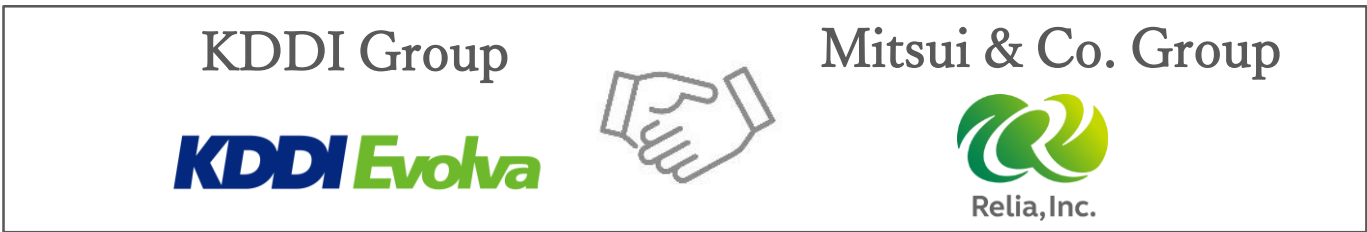
* Source: peeringdb.com as of March 2023



Contact Center / BPO

Integrating strengths of both companies to become leading digital BPO company

Formed new company via management integration



Strengths of New Company

CX improvement proposal through digital contact center

Global expansion including North America and Asia



Economies of scale and synergies for further growth

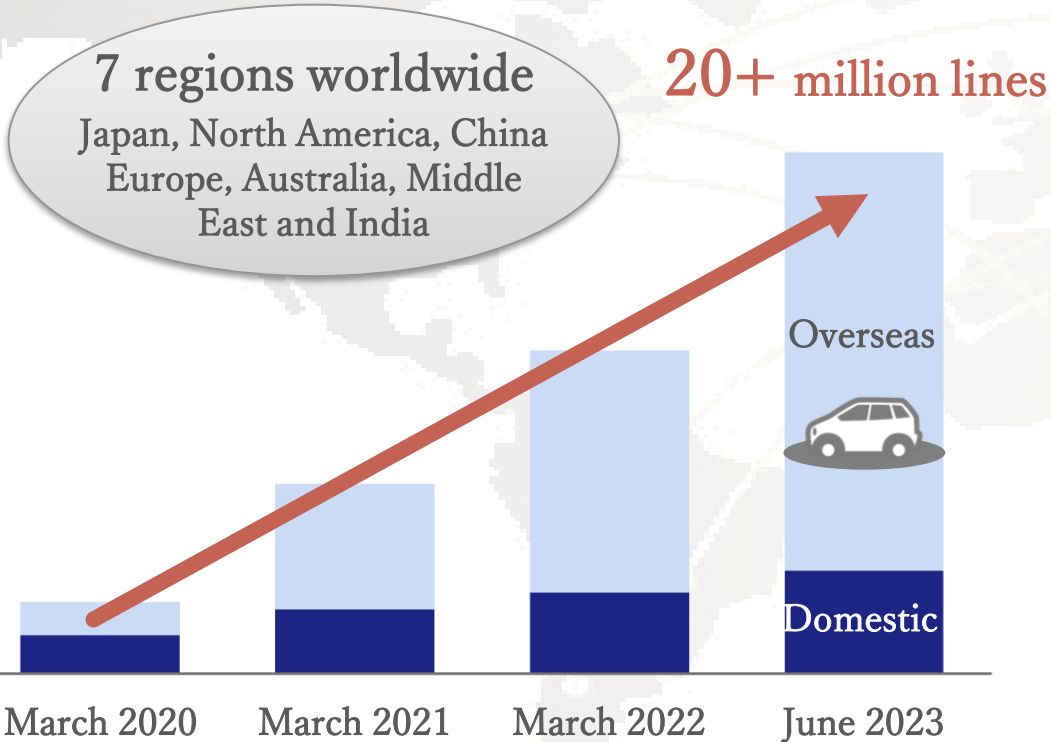
Note) Digital BPO: Method outsources series of operations through AI and other digital technologies to improve efficiency, rather than outsourcing only human resources
 * Aggregate of both companies' FY2022 full-year results; KDDI Evolva includes inter-group sales.

Connected

Develop global “tsunagu” (connecting) infrastructure with partners

Global expansion

Initiatives with TOYOTA



TOYOTA

KDDI

- 2002 Car telematics service collaboration
- 2016 Global Communications Platform to support car connectivity
- 2020 Start collaboration aiming to solve future issues through communications and mobility

Both work together to build
next-generation global communications platform

Financial Business

Steadily expanding customer base. Contributing to growth of entire Group

Expansion of customer base



Transaction volume of settlement/loan
3.9 trillion yen (YOY +17.0%)



Number of au PAY Card members
8.8 million (YOY +900K)



au Jibun Bank accounts
5.3 million (YOY +530K)



Mortgage loans disbursements
Exceeded 3 trillion yen (June 2023)

Effectiveness of Financial Business

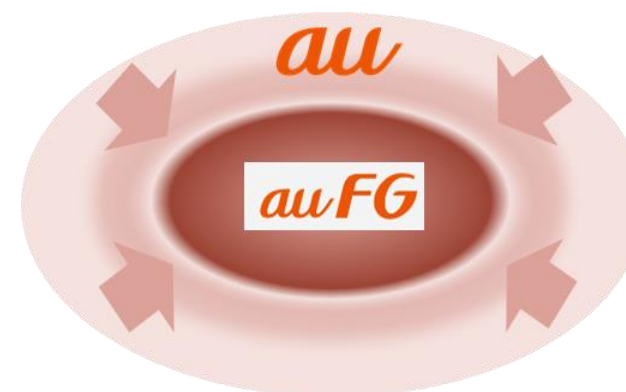
Synergies with au also contribute to telecom business

Synergies with au

Growth of auFG

Total ARPU Increase
Churn Rate Reduction

Customer base expansion
Sales promotion cost efficiency

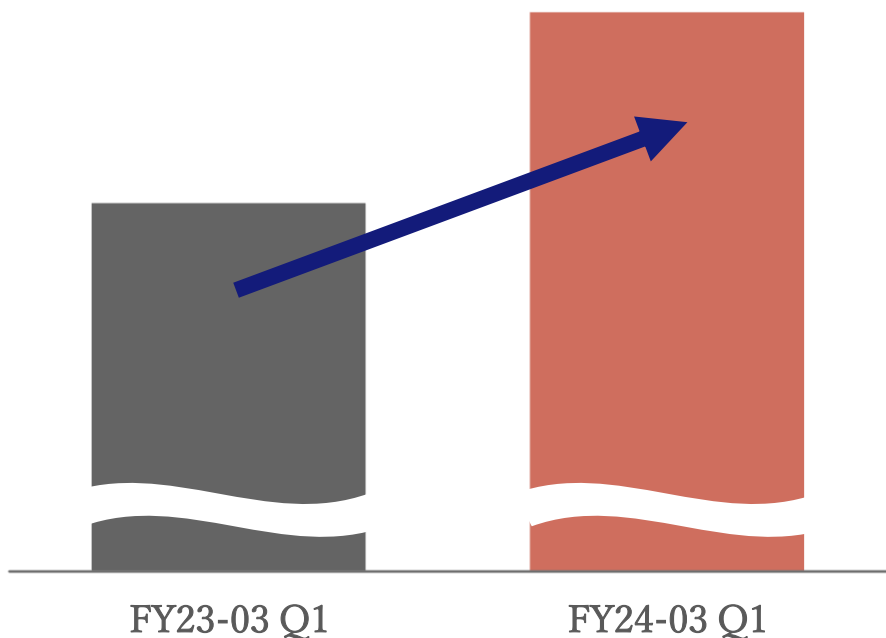


Synergies with au

Contribute to value-added ARPU revenue and Churn Rate reduction

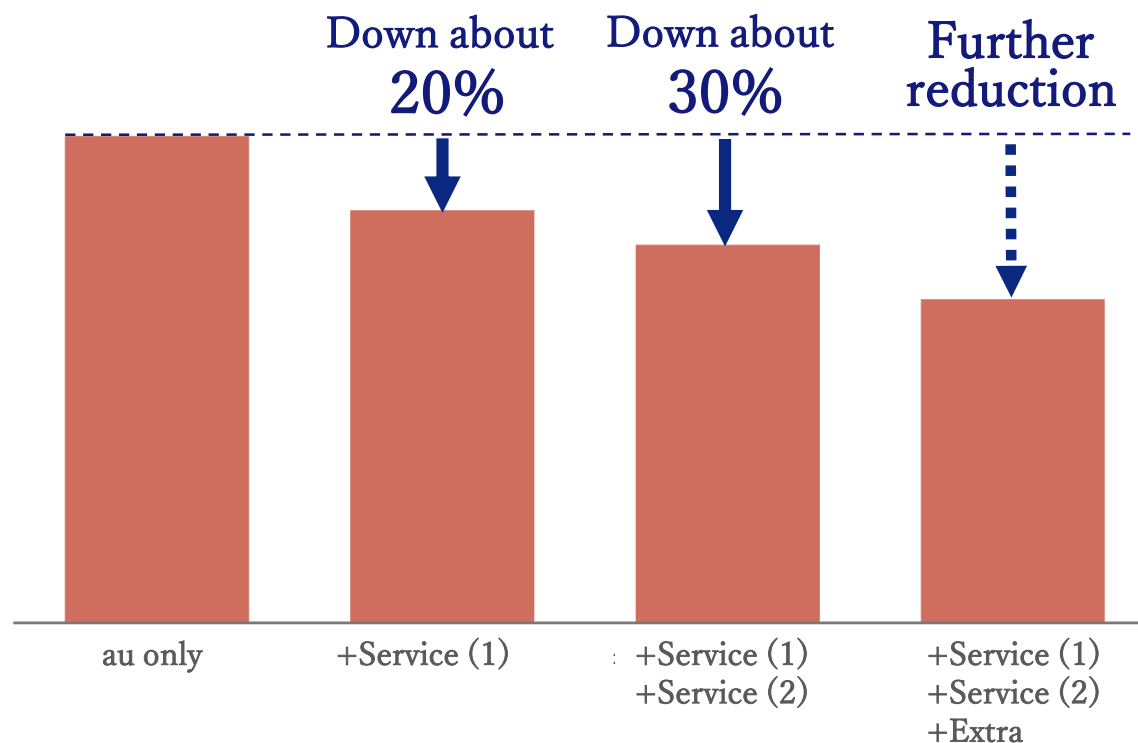
Finance-related value-added ARPU revenue*¹

YOY +13.7%



au Churn Rate*²

Use of multiple financial services increases effectiveness



*1 New definition from FY24-03

*2 Actual Churn Rate for au smartphones from Jan. to Mar. 2023. Excludes short-term churn, intra-group transfers, corporate subscriptions.

CATV

Consolidate CATV business into J:COM
Contribute to industry development and regional co-creation

Consolidation into J:COM

Maximize CATV business
By the strength of KDDI / J:COM



Provision system for
CATV operators



CATV business
Total asset



January 2024, transfer
CATV related business of KDDI to J:COM

Reinforce support for CATV operators

Enhance
customer service

Maximize
operation support

Solving regional issues
(DX, disaster measures, etc.)

Contribute to further development of
CATV industry and community
J:COM also expands further

Utilization of Generative AI

Promote internal use with a view to commercialization

Established company-wide
cross-functional organization

Create and share best practices within company
and link to commercialization

KGA
(KDDI Gen. AI CoE)

Development
Implementation

↓ ↑
Proposals

Personal

Solution

Corporate, others

α U (Metaverse)
New service

DX by Industry
Solution Proposal

Share and Expand
Use Case

AI R&D
Human Resources Development

AI specialized training
at KDDI DX University
and development practice at KGA



Carbon Neutral

Deploying renewable energy business

Furthering initiatives to net-zero carbon emissions

GX*¹ with Gunma Pref.

Strengthen cooperation
towards promotion of
renewable energy & VPP*²



Agreement signed June 2023

Sustainable Base Station

Achieve net-zero
carbon emissions 24/7/365



Launched May 2023

Membership in RE100

Goal of 100% renewable energy
across Group by 2050

RE100

Joined July 2023

*1 Green Transformation: Initiatives to transition from a fossil fuel-centered industrial and social structure to a clean energy-centered one.

*2 Virtual Power Plant: System collectively controls distributed power sources, such as storage batteries, located on premises of electric power users and bundles power generated to be used as if it were a single power plant.

Summary

Promoting initiatives for medium- to long-term sustainable growth

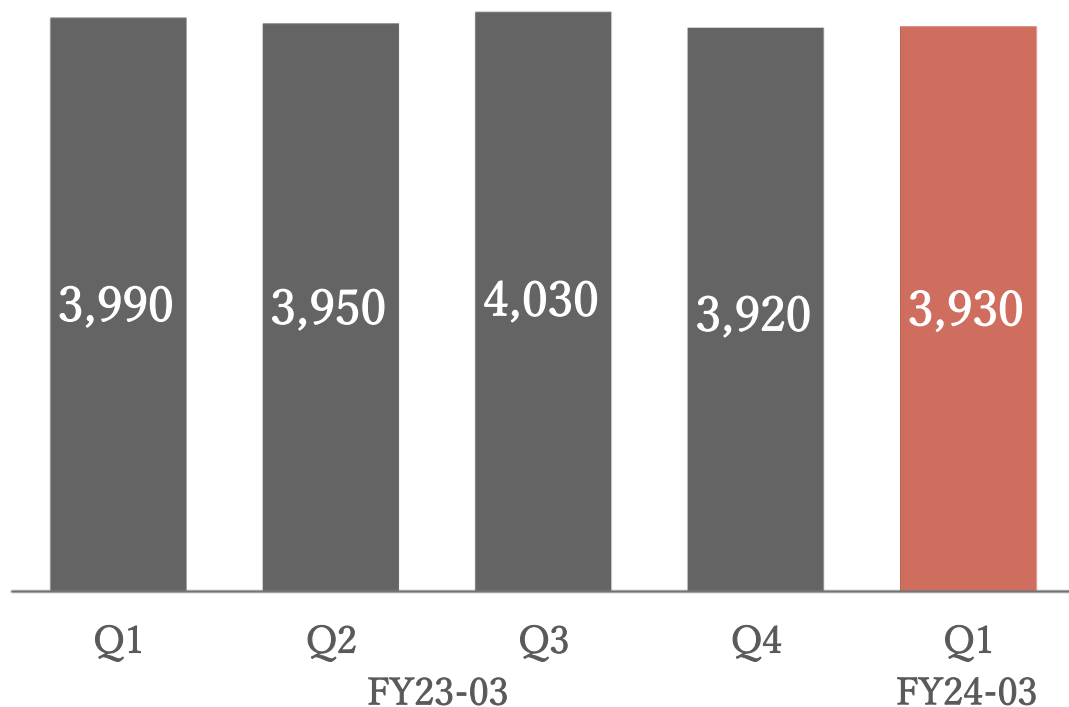
<p>Consolidated Results</p>	<ul style="list-style-type: none"> ● FY24-03 Q1 within expectations ● Profit affected by roaming revenue decrease and impact of accounting treatment in FY23-03 Q1. Solid results in focus areas
<p>The Power to Connect</p>	<ul style="list-style-type: none"> ● Strengthening “tsunagu”(connecting) through improving infrastructure and partner collaboration
<p>Satellite Growth Strategy and Strengthening of Management</p>	<ul style="list-style-type: none"> ● Steady progress in Communications ARPU revenues towards H1 rebound ● Business Segment NEXT Core grew steadily. Leveraging strengths, promote Connectivity DC, Digital BPO and Connected ● Financial business synergizing with au, achieving growth ● Consolidate CATV business into J:COM. Contribute to industry development and regional co-creation ● Promoting initiatives toward a decarbonized society and utilization of generative AI

Appendix

Multi-brand ARPU

Communications ARPU

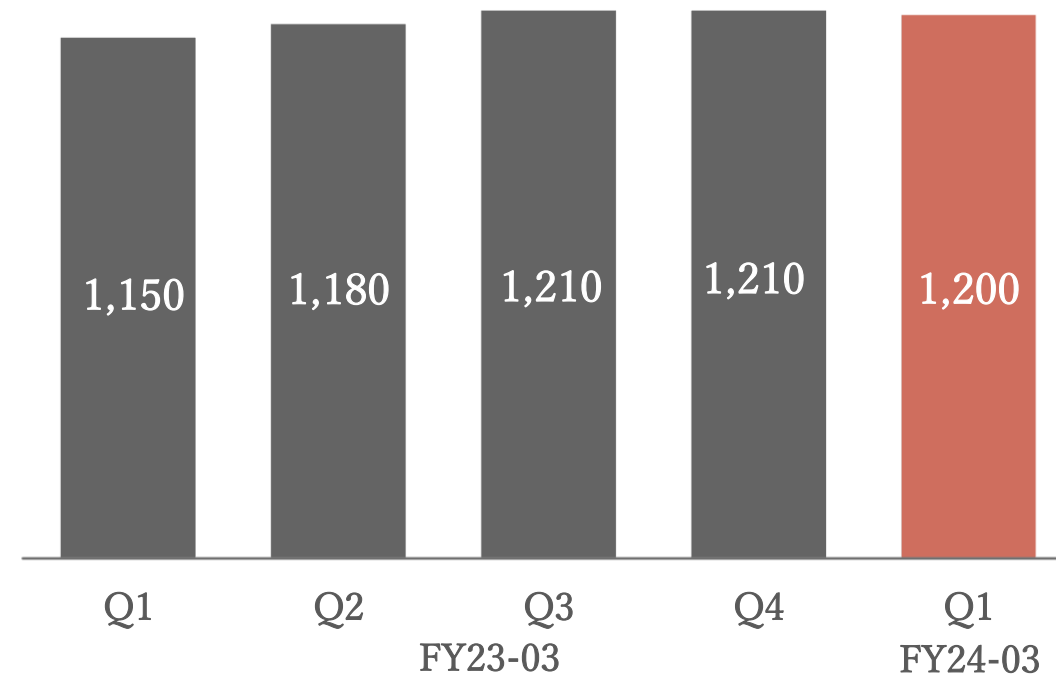
(Unit: Yen)



Factors for change (YOY) -60 yen
(-) Brand mix, etc.

Value-added ARPU*

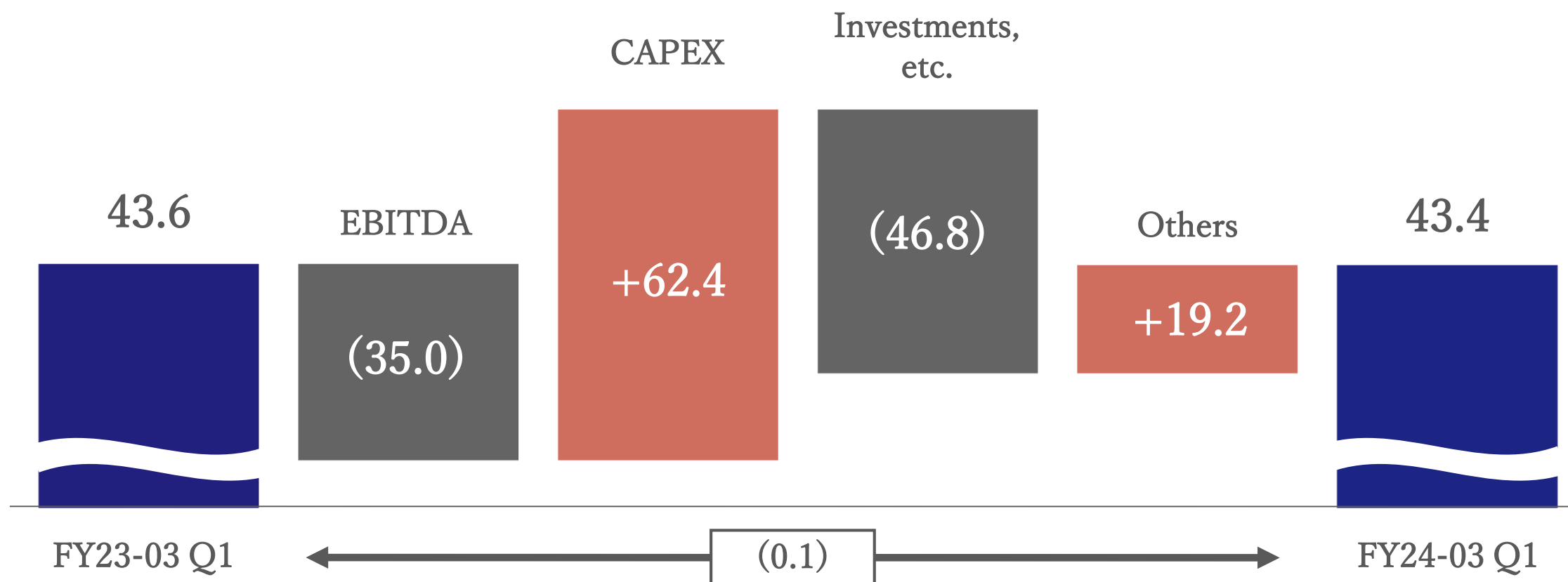
(Unit: Yen)



Factors for change (YOY) +50 yen
(+) Settlement, finance, product supports, content, etc. (-) Commerce, etc.

Consolidated FCF (excluding Financial Business) Factors for Change

(Unit: yen billion)



Note) Financial business is au Financial Holdings

Consolidated / Financial Business Balance Sheet

(as of the end of June 2023)

Total Assets 12.17 trillion yen

Property, Plant and equipment, Intangible assets and Right-of-use assets	Interest-bearing debt
	Trade and other payables
	Deposits for financial business
Goodwill	Other liabilities
Trade and other receivables	
Securities for financial business	Equity
Loans for financial business	
Cash and cash equivalents	
Others	

KDDI(Consolidated)

Total Assets 4.11 trillion yen

Cash and cash equivalents	Deposits
Securities	
Loans	
Others	Others

au Financial Holdings(Consolidated)

Note) KDDI(consolidated) is prepared in accordance with IFRS and au Financial Holdings(consolidated) is prepared in accordance with J-GAAP.

Changes in Multi-Brand Value-added ARPU Definition (Reposted)

Definition		Changes (from FY24.3)
Multi-Brand Value-added ARPU revenues	Value-added ARPU revenues	<p>[Addition] Interest on mortgage and card loan, administrative fee on mortgage, etc. (au ID-based) of au Financial Holdings Corporation</p> <p>[Exclusion] Advertising related</p>
	Product supports ARPU revenues	(No change)
	Electricity ARPU revenues	Exclusion

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