

Tomorrow. Together



# Fiscal Year Ending March 31, 2024 Q3 Financial Results

(April-December 2023)

February 2, 2024

KDDI Corporation

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



Connecting people's lives, day-to-day lives,  
and hearts and minds through sustainable energy.



Bringing the joy of connecting hearts to ever more people.

- We gave an overview of the financial results for the Q3 of the fiscal year ending March 31, 2024.

To the victims of the  
2024 Noto Peninsula Earthquake, and their families,  
we offer our heartfelt support.

- First of all, we offer our heartfelt support to the victims and their families of the 2024 Noto Peninsula Earthquake.

# Restoration

Work with related parties to quickly restore telecommunication services and support

## Early restoration and securing communication

Portable/existing  
base stations  
utilize Starlink (200 units)



Providing Starlink to  
evacuation centers and  
disaster response  
agencies (550 units)



MNO  
cooperation



## Support for disaster areas

At evacuation centers:  
wireless LAN and  
charging facilities



- KDDI is working on early restoration of telecommunications services and support in coordination with related parties.
- From left, 200 units of Starlink were utilized to quickly restore base stations and secure telecommunications,
- In addition, 550 units of Starlink were provided to evacuation centers and disaster response agencies etc.
- MNO cooperation also took place, on mutual use of shipboard base station with NTT Docomo and refueling depot with SoftBank.
- On the right side, we are installing wireless LAN and charging facilities in evacuation centers so that people can stay there as peacefully as possible.
- We will continue our activities toward full restoration.

# 1. Consolidated Financial Results

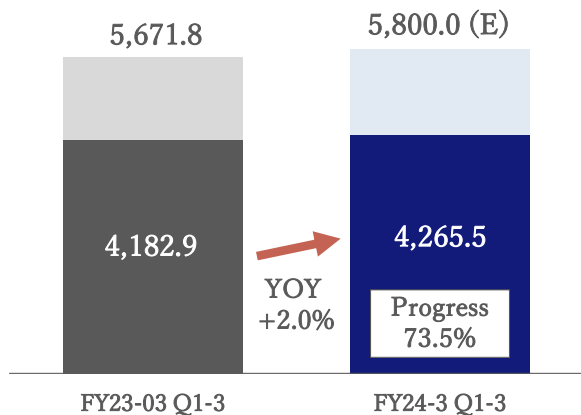
- From here, I gave an overview of the Q3 results. First, consolidated financial results.

# Financial Highlights

Revenue and income increased. Continue to aim for full-year forecasts

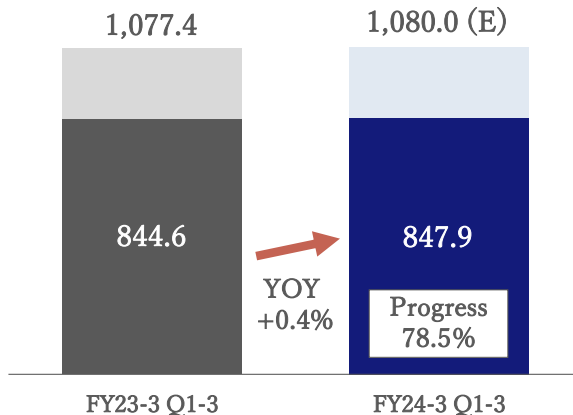
## Operating revenue

(Unit: billions of yen)



## Operating income

(Unit: billions of yen)

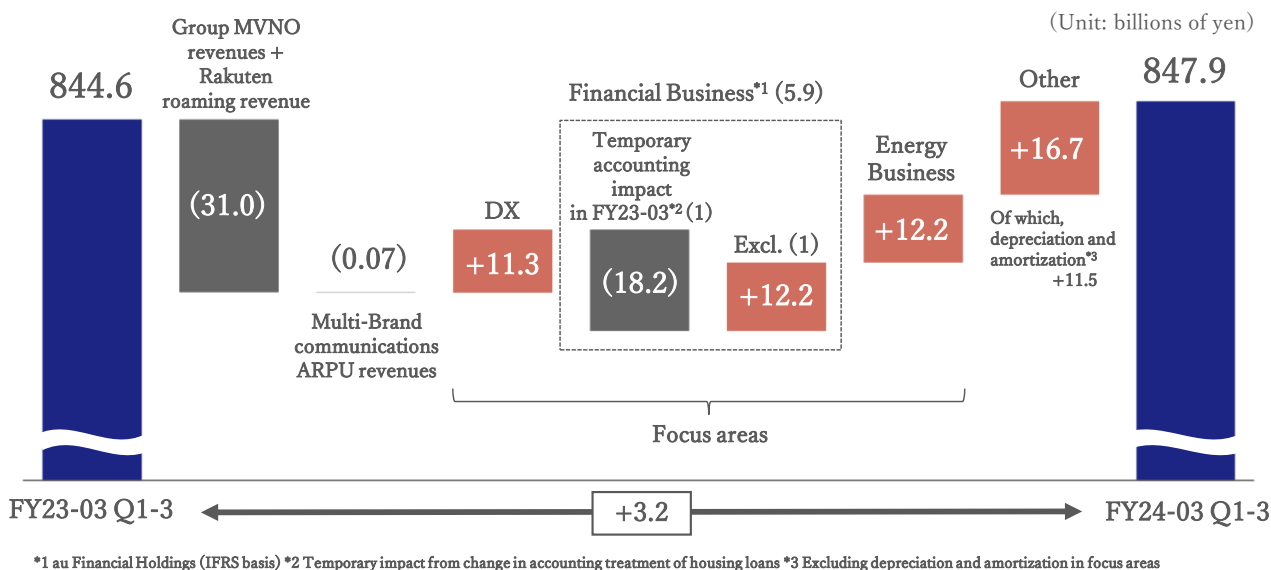


Note) Figures for FY2023-03 have been revised due to the adoption of IFRS 17 from FY2024-03

- FY24-03 Q1-3 show an increase in revenue and income.
- On the left, operating revenue was 4,265.5 billion yen, YOY+2.0%, progress rate of 73.5%,
- On the right, operating income was 847.9 billion yen, YOY+0.4% and progress rate of 78.5%.
- We continue to aim for the full year forecast.

# Q1-3 Operating Income - Factors for Change

Steady growth in focus areas overcame decrease in Rakuten roaming revenue



- Next are the factors for change in consolidated operating income.
- Steady growth in focus areas overcame decrease in Rakuten roaming revenue, led to an increase in income.
- From left,
  - ✓ Group MVNO and Rakuten roaming revenue was -31.0 billion yen,
  - ✓ Multi-brand Communications ARPU revenues were -0.07 billion yen,
  - ✓ DX was +11.3 billion yen,
  - ✓ Financial Business included -18.2 billion yen due to a temporary accounting change impact YOY, but excluding this, it was +12.2 billion yen,
  - ✓ Energy Business was +12.2 billion yen,
- As a result, operating income was 847.9 billion yen, +3.2 billion yen YOY.

## Multi-brand ARPU revenue

Expect full-year communications ARPU revenues growth.

Total ARPU revenues are on upward trend

### Communications ARPU revenues (YOY)

Expect higher revenue  
in Q4

Q1-3 total  
YOY flat

Q1-3

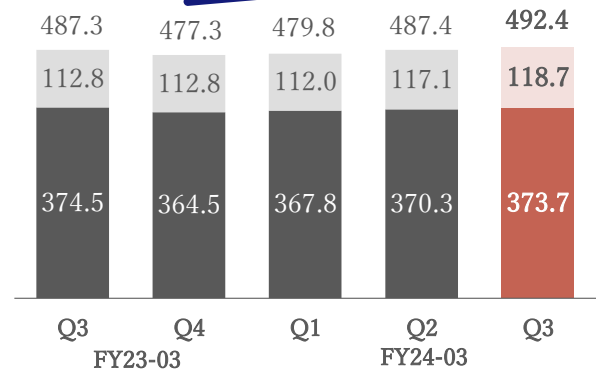
FY24-03

Q4 (E)

### Total ARPU revenues

(Unit: billions of yen)

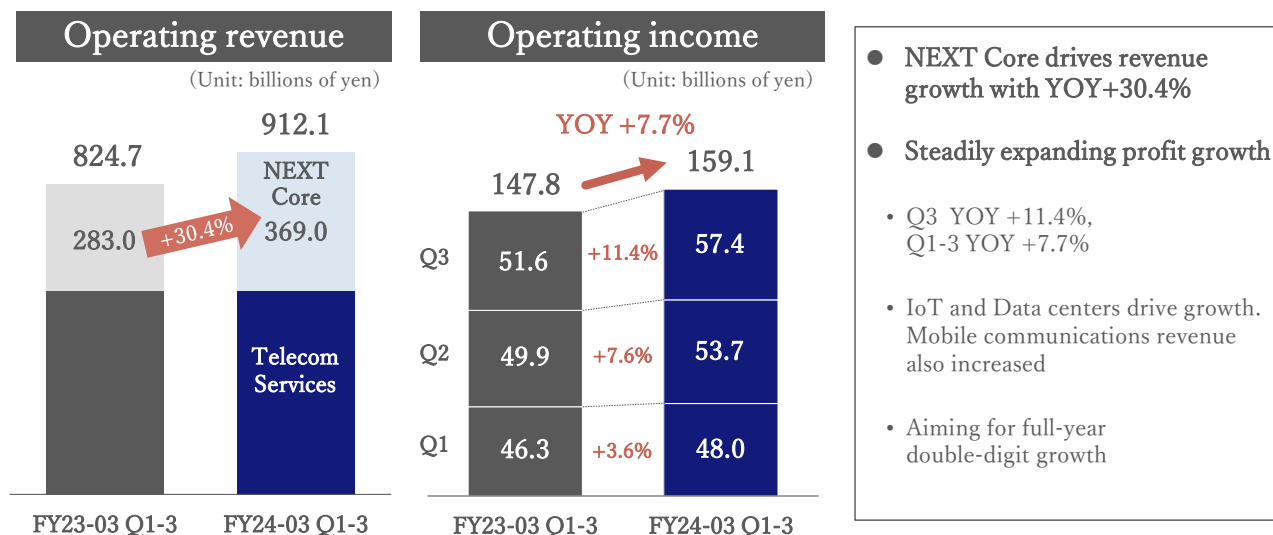
Value-added ARPU revenues  
Communications ARPU revenues



- Multi-Brand ARPU revenues.
- On the left, communications ARPU revenues for Q1-3 of FY24-03 were flat YOY, and are expected to increase in Q4.
- On the right, quarterly total ARPU revenues maintain upward trend.

# Business Segment

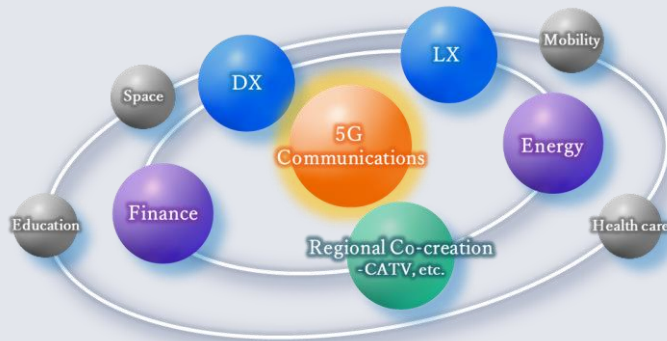
Steadily expanding profit growth. Aiming for full-year double-digit growth



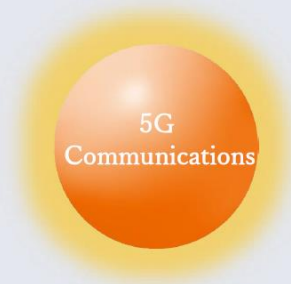
- Business Services segment results.
- On the left, operating revenue increased, with NEXT Core driving the increase in revenue +30.4% YOY
- To the right, operating income increased driven by growth of IoT and data centers, mobile telecommunications revenues increased as well, which grew +11.4% in Q3 alone and +7.7% in Q1-3.
- We are steadily increasing income and continue to seek double-digit growth in income for the full year.



## 2. Satellite Growth Strategy ~Toward a further growth orbit



- We then gave an overview of our satellite growth strategy initiatives for further growth orbit.

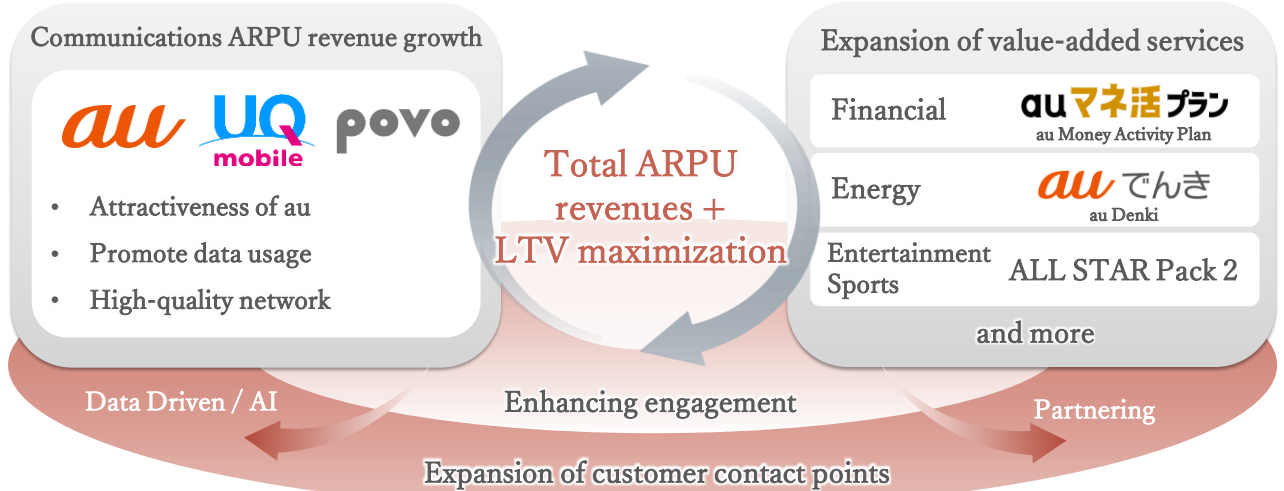


- Sustainable ARPU revenue growth
- Network quality improvement

- First is "5G telecommunications".
- We will focus on continued sustainable growth of ARPU revenues and improvement of network quality.

# Growth Strategy

Promote initiatives in both communications and value-added services  
Maximize total ARPU revenues and LTV

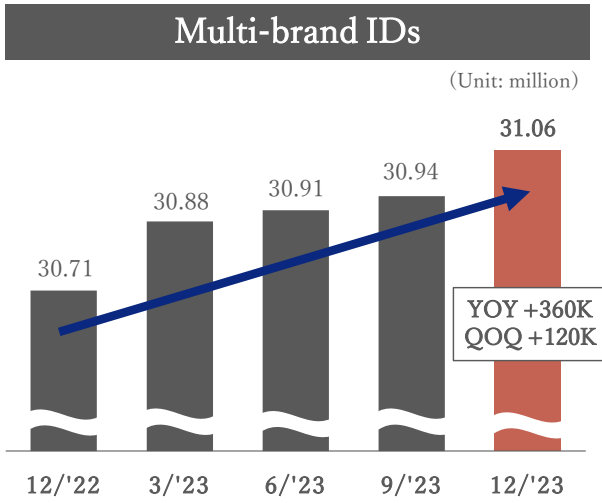


Note) LTV= Life Time Value

- 5G telecommunications growth strategy.
- We seek to maximize total ARPU revenues and lifetime value by driving forward initiatives in both telecommunications and value-added areas.
- On the left, Communications ARPU revenues will be further grown by driving forward the attractiveness of au, promoting data usage, and building high-quality networks.
- On the right, KDDI has a proven track record and strength in value-added offerings such as finance, energy, and entertainment that can be used in combination with telecommunications. We will further expand these services in the future.
- Bottom, in addition to driving forward these efforts to improve customer engagement, we will use data-driven, generative AI and partnering to expand customer contact points.

# Momentum

IDs performed well. Promoting initiatives for further growth



Note) Personal segment. au, UQ mobile, povo (billing users only)

**Initial target of 31.0 million achieved ahead of schedule**

- Increase in new contracts, especially for UQ mobile
- au to UQ mobile migration slowed



Strengthening initiatives to continue to be chosen by customers

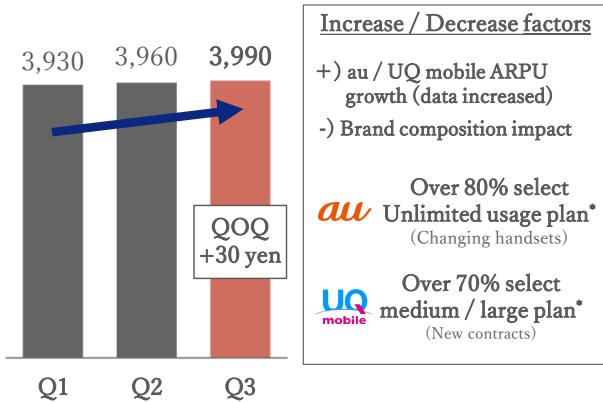
- Momentum in the telecommunications business.
- On the left, Multi-Brand IDs trended well at 31.06 million. The initial forecast of 31 million was achieved ahead of schedule.
- New subscriptions are increasing mainly for UQ mobile, while migration from au to UQ mobile slowed.
- We will continue to strengthen initiatives to continue to be chosen by customers such as attractiveness of au and improvement of network quality.

# Multi-brand ARPU

Maintain upward trend in both communications and value-added ARPU

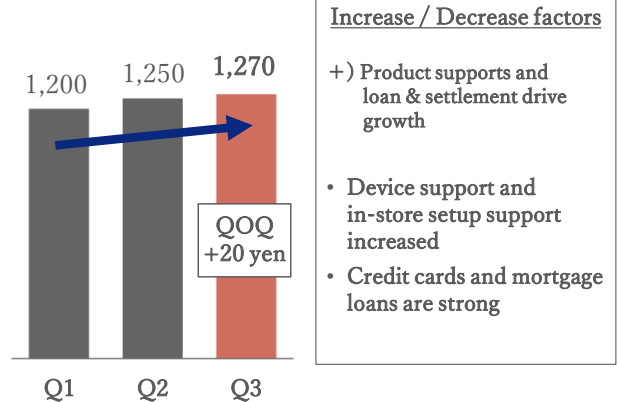
## Communications ARPU

(Unit: Yen)



## Value-added ARPU

(Unit: Yen)



Note) Personal segment. au, UQ mobile, povo (billing users only) \* Oct.-Dec. 2023 results

- Next is Multi-Brand ARPU. Both Communications and Value-added ARPU have maintained upward trends.
- On the left, Communications ARPU increased by QOQ plus 30 yen to 3,990 yen.
- ARPU for au and UQ mobile grew due to increased data usage, with over 80% of au customers selecting unlimited usage plan and over 70% of UQ mobile customers selecting medium/large capacity plan.
- On the right, Value-added ARPU increased by QOQ plus 20 yen to 1,270 yen.
- In addition to an increase in product support related needs, growth in credit cards and mortgage loans are driving the growth.

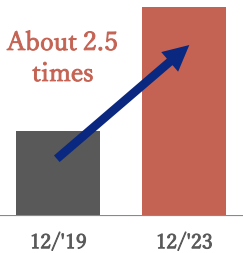
# Attractiveness of au

Expanding telecommunication + value-added services to meet customers' needs

## Changes in service use environment

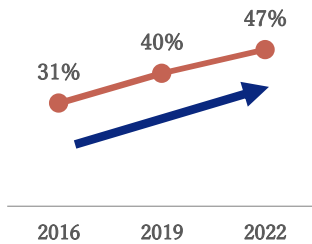
Growing demand for data

Data per smartphone\*1



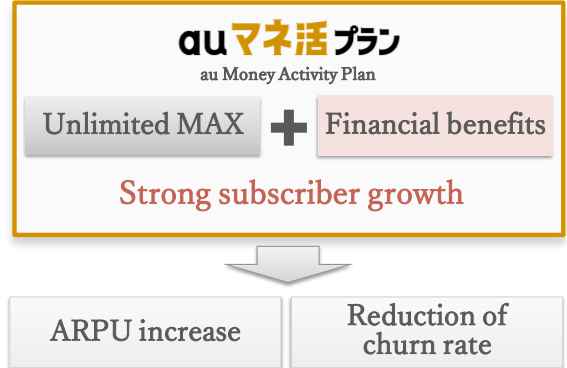
Growing interest in asset building

Investment experience, interest in investment\*2



## Accelerating synergy between telecom and value-added services

Meet customer needs and maximize value provided



\*1 Personal segment, au results \*2 Source: : Nomura Research Institute, Ltd. "Survey of 10,000 Sei-katsu-sha (Financial)" (2013-2022, every three years). Percentage of experienced and inexperienced investors (interested in investing)

- We are expanding our telecommunications + value-added set of services to meet the needs of customers for the attractiveness of au.
- To the left, customer needs are changing in line with changes in the service use environment.
- Demand for data is rising in line with the development of 5G, and interest in asset building is also increasing due to the new NISA and other factors.
- On the right, we are maximizing the value of our offerings by expanding our set of services in response to these changes.
- au Money Activity Plan, launched in September last year, has also been well received and is steadily increasing the number of subscribers.
- Through these initiatives, we seek to increase ARPU and reduce the churn rate.

# Connecting the everyday with 5G

Further refinement of communication quality  
in preparation for full-scale 5G SA deployment

NSA: FY2020-

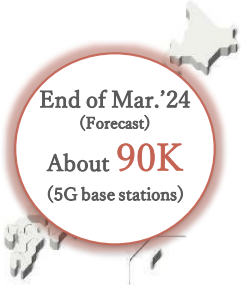
Full-scale SA: FY2024-

Promote area development along customer's life line

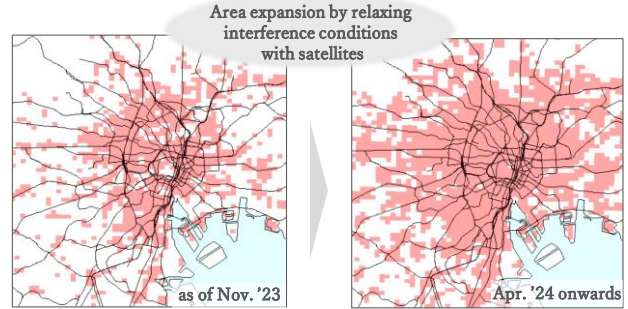
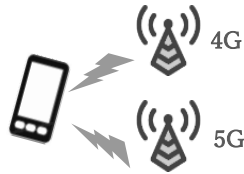
Full-scale utilization of new 5G frequencies  
High-speed, large-capacity, low-latency

Acceleration of  
area expansion

Quality enhancement for  
both 4G and 5G



Automatic transition to  
high quality bandwidth  
with tuning technology



Plans to deploy largest number Sub6 base stations  
(about 34K\*)

Note) NSA : Non-Standalone, SA : Standalone

\* Number of base stations planned to be opened at FY24-03 end, among the four carriers.

- Next are efforts to improve network quality.
- To connect customers' daily lives, KDDI has long been rolling out 5G coverage along customer's life line.
- To the left, we are accelerating area rollout and plan to open about 90,000 base stations by the end of March.
- In addition, we are enhancing 5G coverage and telecommunications quality to improve the quality of customer experience.
- On the right, from FY2024, the utilization of so called Sub6 will be in full swing, enabling high-speed, large-capacity, low-latency telecommunications over a wider area.
- We plan to deploy the largest number of Sub6 base stations in the industry this fiscal year, driving forward further refinement.

# Starlink Utilization

Promoting efforts to respond to diversification of use scenes

## Connecting the extraordinary

We support our customers in every situation

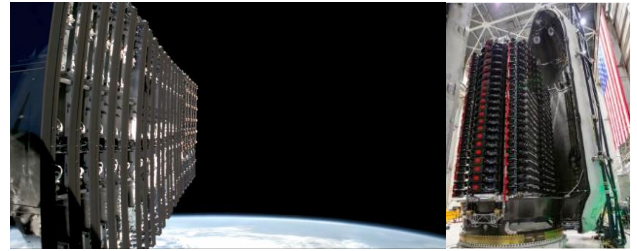



Use to secure communications during disasters

For disaster measures, scheduled to start handling Starlink in au stores\*<sup>1</sup>

## Direct communication between satellite and smartphone

SpaceX launched six satellites and succeeded in communications test in Jan. 2024



Direct Communication Satellite

Towards the start of service\*<sup>2</sup> in 2024, promote verification with SpaceX and telecom carriers in each country

\*<sup>1</sup> Specific release date, price, etc. will be announced as soon as details are finalized. \*<sup>2</sup> Scheduled to be provided based on the preparation of radio related laws and regulations. Service launch date will be announced as soon as details are finalized.

- We are also promoting efforts to respond to the diversification of use scenes through the utilization of Starlink.
- On the left, we are creating areas that will be close to customers' extraordinary scenes, such as mountainous areas, festivals, at sea, and during disasters.
- In response to customers' needs for disaster preparedness, we are now planning to start offering Starlink at our stores.
- On the right, regarding direct communications between satellites and smartphones, SpaceX launched six satellites responding to direct telecommunications in January 2024 and successfully conducted a communications test.
- We will promote verification together with SpaceX, telecommunications carriers in other countries and governments, towards the start of service in 2024.





## KDDI BUSINESS

- Expansion of customer contact points
- Promote partnering

- Next, DX.
- With KDDI BUSINESS, we will promote expansion of customer contact points and partnering.

# KDDI BUSINESS

Launch a new corporate business brand.

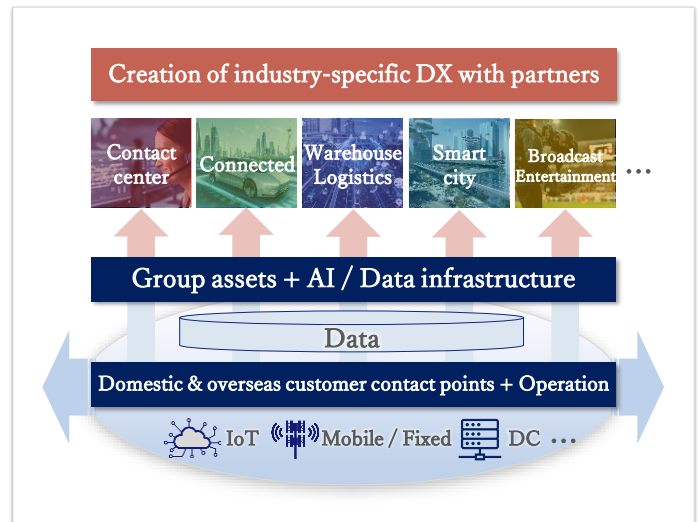
Accelerate customers' DX promotion based on strength in telecom

Toward strengthening corporate business

*Tomorrow, Together*

**KDDI BUSINESS**

Aim to promote customers' DX and contribute to solving social issues



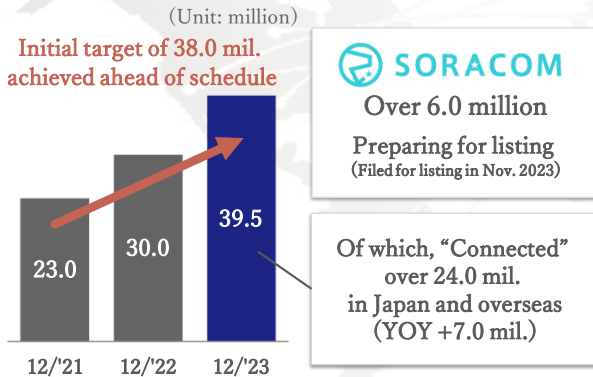
- To strengthen our corporate businesses in Japan and overseas, we have launched a new corporate business brand as "KDDI BUSINESS" to accelerate customers' DX promotion.
- On the right, KDDI's strength lies in its numerous domestic and overseas customer contact points, such as IoT, mobile, and data centers, as well as in the operational systems we've developed over the years.
- We will drive forward value-added data business by combining the vast amount of data obtained from these customer contact points with KDDI's abundant group assets and AI and data infrastructure.
- We will also strengthen partnering to create industry-specific DX solutions.
- KDDI BUSINESS will contribute to customers' DX promotion and solutions to social challenges.

# IoT / Data Centers

Global expansion of customer contact points to support data business

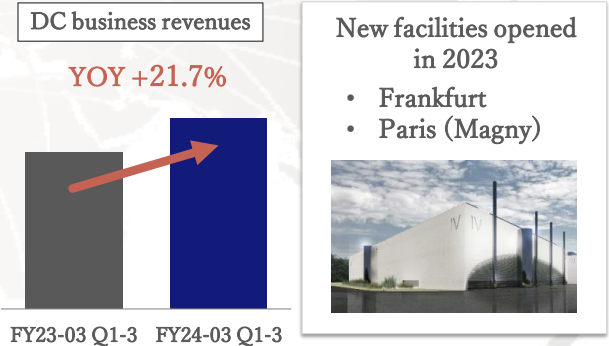
## Number of IoT connections

Over 45.5 million combined with SORACOM



## Connectivity Data centers

Double-digit revenue growth due to increased demand. Aggressive investment in Europe, North America and Asia



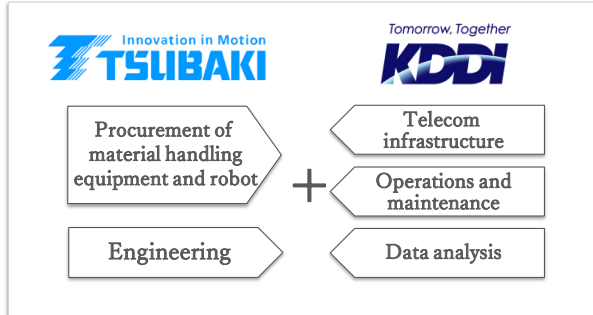
- IoT and data centers, which serve as customer contact points to support data business, are expanding globally.
- On the left, IoT connections exceeded 45.5 million combined with SORACOM.
- KDDI alone exceeded 39.5 million, achieving the target set at the beginning of the fiscal year ahead of schedule. Growth in connected cars is particularly strong.
- We will seek further expansion throughout the group in the future.
- On the right, the Connectivity Data Centers are growing with operating revenue of YOY plus 21.7% due to increased demands.
- We opened new facilities in Frankfurt and Paris in 2023 and have received many inquiries.
- We will continue to invest aggressively mainly in Europe, North America, and Asia.

## Promoting Partnerships

Accelerating initiatives with partners to solve social issues

### DX promotion in the logistics industry

Establish new company "Nexa Ware" in Jan. 2024  
Begin operations in April



Realize warehouse automation and optimization by data-driven

### Promote use of drones as social infrastructure

Japan Airlines and KDDI Smart Drone capital and business alliance in Nov. 2023



Aiming for safe and secure flight management and expansion of usage

- The following are our initiatives with our partners in DX promotion.
- On the left, we have established a new company, Nexa Ware, together with Tsubakimoto Chain, with the aim of promoting DX in the logistics industry. By combining the strengths of both companies, we seek to achieve warehouse automation and data-driven optimization to solve the challenges faced by the logistics industry.
- On the right, Japan Airlines and KDDI Smart Drone have formed a capital and business alliance for the social implementation of drones. By leveraging Japan Airlines' accumulated technology in the air transport business and KDDI Smart Drone's flight operation management system and telecommunications infrastructure, the two companies aim for safe, secure flight operation management and to expand the use of drones.

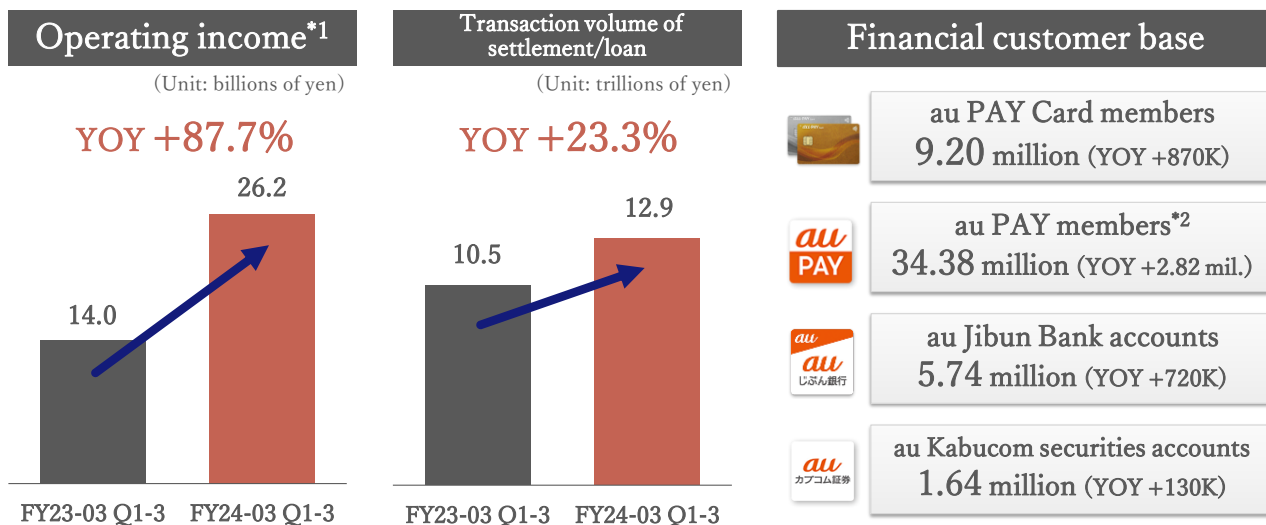


## Expansion of customer base by synergy with telecommunications

- Next, finance and energy business.
- We aim for further expansion of our customer base through synergy with telecommunications.

# Financial Business

Steady progress. Steady expansion of customer base



\*1 au Financial Holdings (IFRS basis) excluding the impact of accounting treatment changes in FY23-03 \*2 Prepaid, code payment, online payment

- Financial business results are progressing steadily.
- On the left, au Financial Holdings' operating income grew significantly by YOY +87.7%, excluding the impact of accounting treatment changes in the previous year.
- Middle, transaction volume of settlement/loan also expanded steadily by YOY +23.3%.
- On the right, the customer base for finance services such as credit card and banking services also expanded steadily.

# Credit card / Bank

Significant growth in focused services. Accelerate growth through synergy with telecom

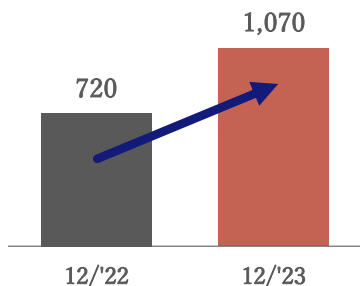
## Credit card business

au Financial Service

au PAY Gold Card members

(Unit: thousand)

YOY +48.6%



Synergy with telecom

**au マネ活プラン**

au Money Activity Plan

Further accelerating growth

au Money Activity Plan vs other rate plans

au PAY Card  
over-the-counter  
subscription rate\*

About 4.4 times

Of which, Gold Card  
selection rate\*

About 3.5 times

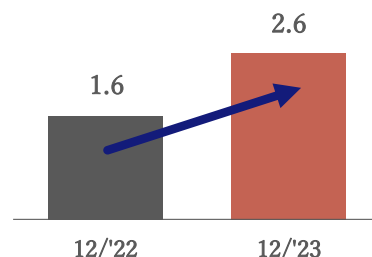
## Banking business

au Jibun Bank

Mortgage loan balance

(Unit: trillions of yen)

YOY +60.6%



\* Comparison of actual results for au Money Activity Plan applicants and other rate plan applicants at au shops, au Style, and UQ Spot from Oct. to Dec. 2023.

- Credit card business and banking business are the two key businesses.
- On the left, au PAY Gold card members grew significantly with 1.07 million members and YOY +48.6%.
- And the growth is accelerating by synergies with telecommunications.
- In the middle, the au Money Activity Plan has lifted the au PAY Card subscription rate by about 4.4 times, and furthermore, the Gold Card selection rate is about 3.5 times higher than the other rate plans.
- On the right, mortgage loan balance was 2.6 trillion yen, YOY +60.6%, also a significant increase.

# Telecommunications + Energy

In addition to expanding number of contracts,  
promote initiatives for carbon neutrality

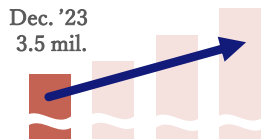
## au Denki

Stabilized business by review of  
procurement and sales method

- Ensure individual and stable procurement without price fluctuations
- Review of price structure and sales method



Toward sustainable  
business growth by an  
increase in contracts



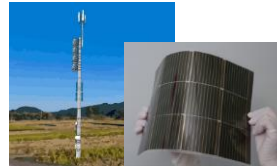
## Renewable energy generation

Utilize renewable energy generation for base stations



au Renewable Energy  
started operation of solar  
power plant

Supply to au base stations



Perovskite solar cell\*

Power generation wrapped  
around the base stations

\* Collaboration with Enecoat Technologies, Inc.

- Next, energy-related initiatives. In addition to expanding the number of contracts, we will drive forward carbon neutrality initiatives.
- On the left, au Denki is working on stabilizing the business by reviewing its procurement and sales methods.
- Going forward, we seek sustainable business growth through expanding the number of contracts.
- On the right, renewable energy power generation is being utilized for base stations.
- Upper row, au Renewable Energy started operation of a solar power plant in December 2023. The electricity generated is supplied to au base stations.
- Bottom row, we have started a demonstration experiment to generate power with bendable "Perovskite solar cell" wrapped around the base stations.



# Toward Further Growth

Further evolution of LX area for sustainable growth and realization of future society

February 2024 MWC Barcelona



Introducing DX and LX Initiatives for the future

For the next stage of growth

Evolving the LX area toward realization of future society

Consumption  
diversification

Mobility  
society

New technology  
utilization



Mobility, Space  
Web3 / Metaverse, etc.

- Efforts for further growth.
- MWC Barcelona is finally approaching later this month, and KDDI will be exhibiting for the first time under the theme "Life Transformation - Enhancing the power to connect."
- On the left, at MWC, KDDI will introduce its DX and Life Transformation (LX) initiatives for the future, including mobility, space, and the Metaverse.
- On the right, KDDI will evolve the Life Transformation (LX) area to seek the next growth and realize the coming future society of consumption diversification, mobility society, and utilization of new technologies.
- We will discuss these strategies in detail in our next financial results briefing.

# Summary

## Strengthening Satellite growth strategy initiatives for sustainable growth

Consolidated results	<ul style="list-style-type: none"> <li>● Revenue and income increased. Continue to aim for full-year forecasts</li> <li>● Steady growth in focus areas overcame decrease in Rakuten roaming revenue</li> </ul>
Toward a further growth orbit	<ul style="list-style-type: none"> <li>● Promote initiatives for sustainable ARPU revenue growth and network quality improvement</li> <li>● Promoting corporate business as “KDDI BUSINESS” Accelerating customers' DX promotion based on strength in telecom</li> <li>● In finance and energy, further expand customer base by synergy with telecommunications</li> <li>● Further evolve LX area for sustainable growth and realization of future society</li> </ul>

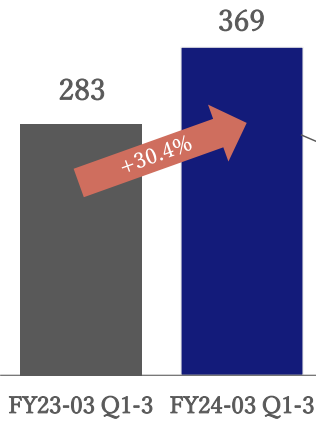
- Finally, here is today's summary.
- Consolidated results for the Q1-3 show an increase in revenue and income. We continue to aim for the full year forecast.
- Steady growth in focus areas overcame decline in Rakuten roaming revenue, led to a increase in income.
- We will promote initiatives of the satellite growth strategy toward further growth orbit.
  - ✓ In 5G telecommunications, promote efforts for sustainable growth in ARPU revenues and network quality improvement,
  - ✓ In corporate businesses, we will promote KDDI BUSINESS and accelerate customers' DX promotion based on our telecommunications strengths.
  - ✓ In Finance and Energy Business, further expand customer base through synergies with telecommunications
  - ✓ We will continue to evolve the Life Transformation (LX) area to seek sustainable growth and realize the the future society.
- That concludes my presentation.  
Thank you very much for your attention.

# Appendix

# NEXT Core Operating revenues

## NEXT Core revenue

(Unit: billions of yen)



### Corporate DX

- ✓ YOY double-digit growth. Over 90 billion yen
- ✓ Growth in cloud and managed services

### Business DX

- ✓ YOY double-digit growth. Over 120 billion yen
- ✓ IoT, including overseas connected, driving growth

### Business infrastructure services

- ✓ YOY double-digit growth. Over 150 billion yen
- ✓ Double-digit growth in both Data centers and Contact centers

# Statement of Financial Position

(as of the end of December 2023)

(Unit: billions of yen)

Property, plant and equipment Intangible assets Right-of-use assets 4,209.8	Interest-bearing debt 2,011.4
Goodwill 582.8	Trade and other payables 806.0
Trade and other receivables 2,575.1	Borrowings for financial business** <sup>2</sup> 521.1
Securities for financial business 473.6	Deposits for financial business* <sup>3</sup> 3,229.3
Loans for financial business** <sup>3</sup> * <sup>4</sup> 3,122.5	Other liabilities 1,115.3
Cash and cash equivalents 623.5	Equity 5,772.9
Other 1,868.7	

KDDI (Consolidated)\*<sup>1</sup>  
Total assets 13.46 trillion yen

(Unit: billions of yen)

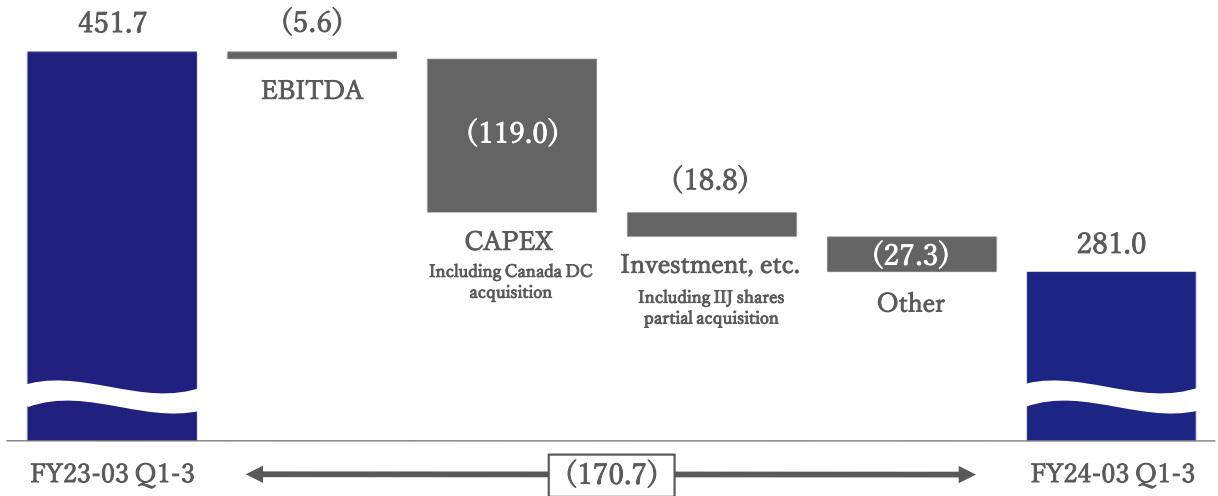
Cash and cash equivalents 445.1	Borrowings for financial business* <sup>2</sup> 535.1
Securities 473.6	Deposits 3,255.1
Loans 3,121.1	Other 1,224.1
Other 974.4	

au Financial Holdings (Consolidated)\*<sup>1</sup>  
Total assets 5.01 trillion yen

\*1 Figures for both KDDI (consolidated) and au Financial Holdings (consolidated) are based on IFRS. \*2 Borrowings for financial business are mainly from Bank of Japan with qualified collateral. \*3 Excluding inter company transactions \*4 Including loans of group companies other than au Financial Holdings

# Consolidated FCF (excluding financial business) Factors for Change

(Unit: billions of yen)



Note) Financial business is au Financial Holdings

*Tomorrow, Together*



## 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.

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