Financial Results for the 1st Quarter of the Fiscal Year Ending March 2021

（from April to June 2020）

July 31, 2020
KDDI Corporation

5G on The Rise

Entering the Era
of New Normal

"New Normal" as New World

Example of "New Normal"

Digitization of real-world events

Expansion of interactive E-Commerce

Workplace diversification

Remote monitoring and control

DX that helps prevent the spread of infections and spur economic growth
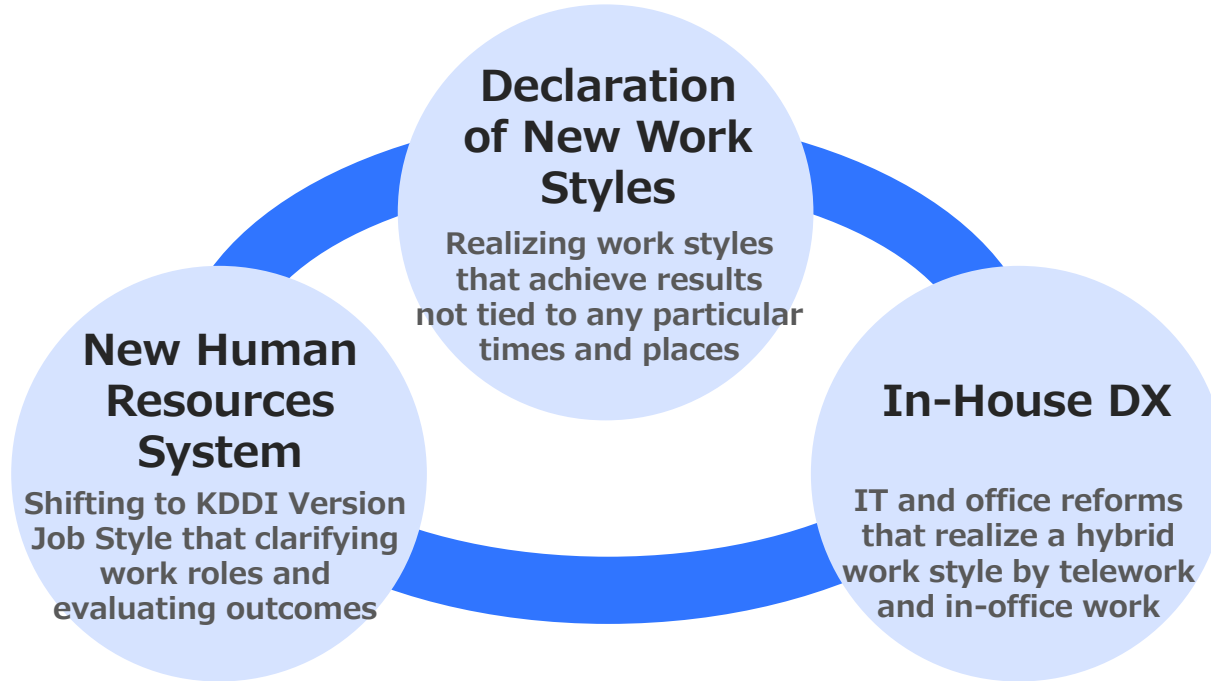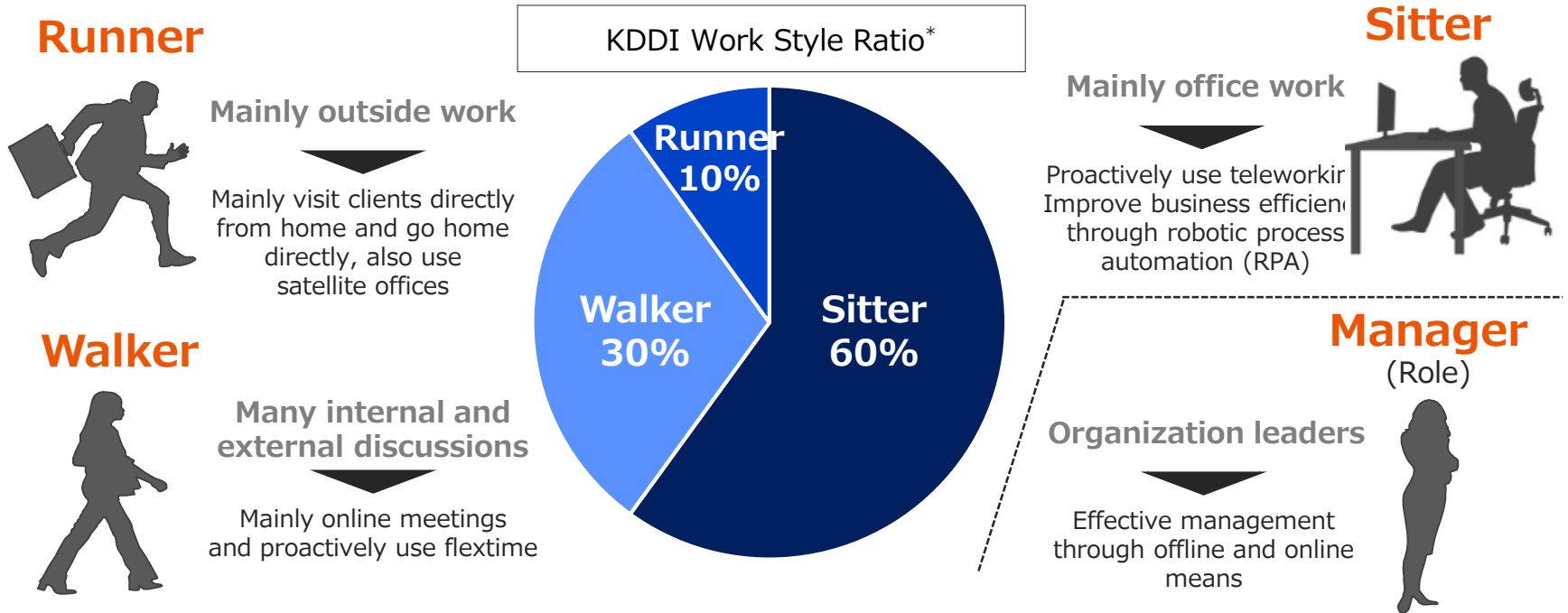
COVID-19

Economic Growth

Digital Transformation (DX)

5G   IoT   AI

Acceleration of DX to help build resilient social infrastructure

New Way of Working
in the Era of New Normal

Declaration of New Work Styles

Realizing work styles that achieve results not tied to any particular times and places

New Human Resources System

Shifting to KDDI Version Job Style that clarifying work roles and evaluating outcomes

In-House DX

IT and office reforms that realize a hybrid work style by telework and in-office work

Moving toward a management base
that can adapt to drastically changing environments

Declaration of New Work Styles

Runner

Mainly outside work

Mainly visit clients directly from home and go home directly, also use satellite offices

Walker

Many internal and external discussions

Mainly online meetings and proactively use flextime

KDDI Work Style Ratio*

Runner 10%

Walker 30%

Sitter 60%

Sitter

Mainly office work

Proactively use teleworking Improve business efficiency through robotic process automation (RPA)

Manager
(Role)

Organization leaders

Effective management through offline and online means

Shifting toward new work styles depending on work styles and roles

* Survey results :Survey related to company-wide teleworking status at April 2020 (8,485 respondents)

New Human Resources System and In-House DX

KDDI Version Job Style

✓ **Clarify the job boundaries and evaluation and reward based on performance, ambition, and capabilities rather than working hours**

✓ **Support of self-driven career development by providing diverse growth opportunities in the KDDI Group's business fields, etc.**

Hybrid Environment Upgrade

✓ **Upgrade the environment to make remote-friendly office**

✓ **All employees deploying secure mobile devices**

✓ **Expansion of cloud conference system, etc.**

Accelerating organizational permeation and environmental upgrade for new work style

Response to COVID-19

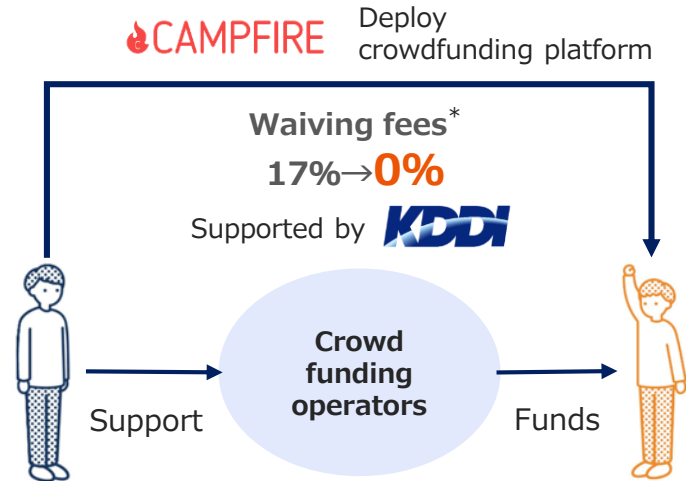|			
1	**The safety of our customers and employees**	**Checking the temperature of people entering building**	Conducting temperature checks of people entering KDDI Shinjuku building, etc. using a thermographic camera
		Freely lending transceivers	Freely lending IP transceivers to medical organizations, municipalities and corporate customers
2	**Maintain tele communication services**	**Operation monitoring**	Continued operational monitoring to maintain telecommunications quality while up to 10% increase in traffic is seen during peak hours (including mobile and fixed-line)
3	**Collaborate with governments and municipalities, etc.**	**Providing demographic variation analysis report**	Providing big data on the mobile location data to visualize the movement of people
		Notifying users of infection information based on au PAY use history	Chosen as one of Tokyo Prefecture's COVID-19 tech partner companies, and notifying users of infection cluster outbreaks
		Mobile Phone Safety Classes	Providing simulation videos on the internet and download of teaching materials
		Donating to organizations	Donated to the Central Community Chest of Japan and medical organizations
4	**Building a social infrastructure by promoting DX**	**Developing human resources for the next generation**	Supporting English language studies of young children and students who cannot attend classes due to school shutdowns
		Support start-ups and operators	·Supporting start-ups from KDDI∞Labo ·Supporting operators with CAMPFIRE through waiving fees
5	**Alleviate worries in life**	**Invigorating entertainment and sports**	·Providing Interactive audio and video technology "VR of Sound" ·Supporting for "Team au" by using the latest technologies such as AI
		Alliance with professional sports teams	·Working with the Yokohama DeNA BayStars to create "smart stadium" using au 5G and IoT ·Remote watching experience where fans and team connect with Nagoya Grampus Eight through official apps

Open Innovation

MUGENLABO Support Program 2020
using diverse assets of 46 partner companies
(start from July 30, 2020)

COVID-19 Support Program
support funding procurement by waiving fees

Deploy crowdfunding platform

Waiving fees*

17%→0%

Supported by KDDI

Support → Crowd funding operators → Funds

Encouraging solutions to social issues
through supporting start-ups and operators

* Application until July 31, 2020. KDDI will pay 5% settlement fee for projects applied to this program, and up to ¥300 million free

Developing Human Resources for the Next Generation

Supporting English language studies of young children and students who cannot attend classes due to school shutdowns

- Providing four months of AEON English conversation lessons for free to 10,000 high school students using online and offline methods[*1]

- Supporting elementary school students, whose English language learning is changing due to school shutdowns and new learning guidelines[*2]

Supporting DX of education environments to help build resilient social foundations

*1) Lessons start from August 31,2020 and eligible students are those who are enrolled in a high school or colleges of technology (up to the third year) within Japan *2) Distribution period is from August 1 to August 31,2020

Invigorating Entertainment and Sports

Interactive audio and video technology that spatially matches the sound and video

音のVR x *au* 5G

(New music listening experience)

New Japan Philharmonic
The Philharmonic Chorus of Tokyo (Remote performance)

**Start "au CLIMBING WALL"
Providing practice environments such as climbing analysis systems using AI**
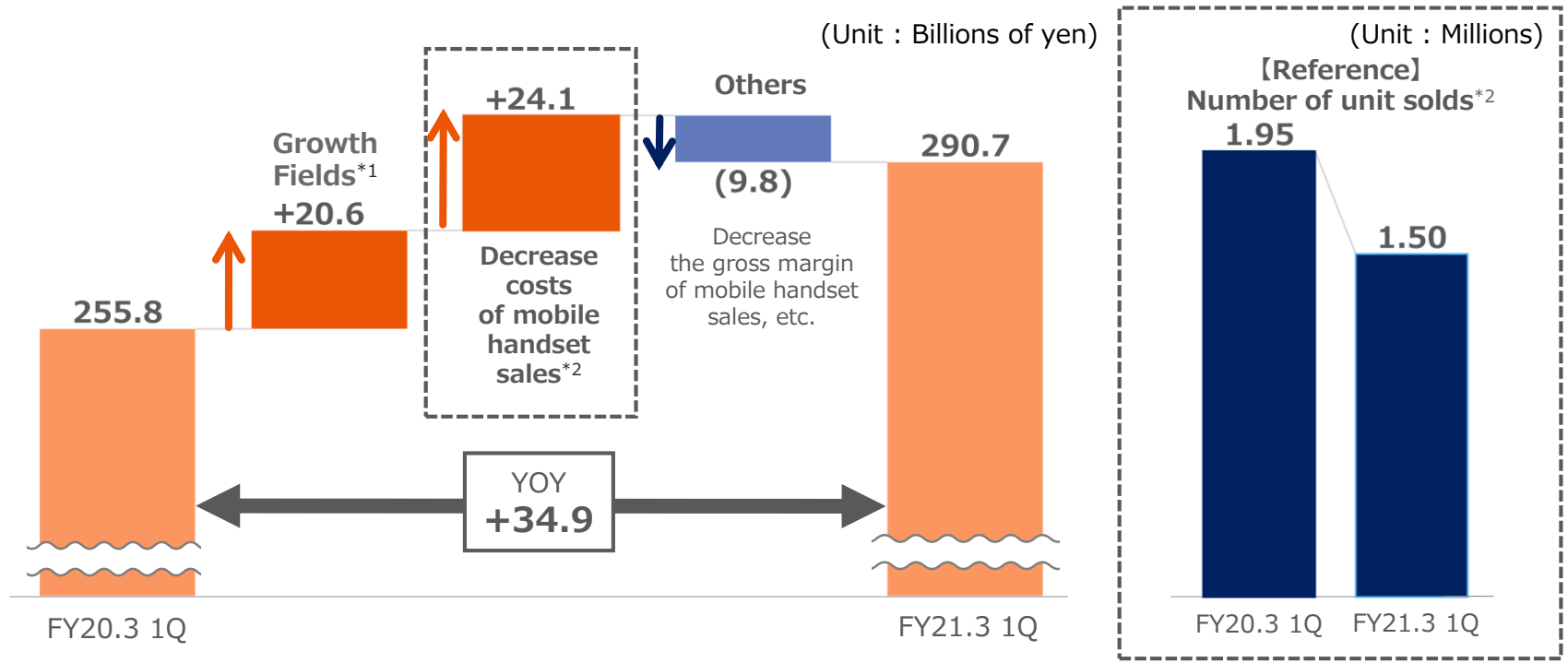

Providing new experience value through VR and AI

* Planning to use "sports action recognition AI" developed by KDDI Research, Inc.

Highlights of Consolidated Financial Results for the 1st Quarter

	FY20.3 1Q	FY21.3 1Q	(Full-Year Progress)	FY21.3 Full-Year (E)
Operating Revenue (Billions of yen)	1,246.1	**1,242.7**	**23.7%**	5,250.0
Operating Income (Billions of yen)	255.8	**290.7**	**28.2%**	1,030.0
Profit for the period attributable to owners of the parent (Billions of yen)	162.6	**182.3**	**28.5%**	640.0

Carefully analyzing the impact on operating results from 2Q onward and deferring forecasts modification

Operating Income : Factor for Change, YoY for 1st Quarter

(Unit : Billions of yen)

(Unit : Millions)

Growth Fields[1] **+20.6**

+24.1

Decrease costs of mobile handset sales[2]

Others

(9.8)

Decrease the gross margin of mobile handset sales, etc.

255.8

290.7

YOY **+34.9**

FY20.3 1Q

FY21.3 1Q

【Reference】 Number of unit solds[2]

1.95

1.50

FY20.3 1Q   FY21.3 1Q

Number of unit solds decreased sharply due to COVID-19

*1) Life Design Domain and Business Services segment   *2) Personal Services segment basis

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Performance impacts, etc. of COVID-19

	Impact on 1Q performance	**Correspondence after 2Q, etc.**
	⬆ **Temporary increase income due to decrease cost of mobile handset sales and increase the demand of teleworking, etc.**	⬇ **Expected to use costs for business promotion and growth fields to achieve the initial plan**
Personal Services segment	✓ Significant decrease the number of unit solds ✓ Slow transition from 3G and delay of 5G initial action ✓ Increase the contract number of fixed-line services ✓ Decrease the revenue of education and advertising business, etc.	✓ Transition from 3G and promotion of 5G ✓ Promotion of cashless payment such as au PAY ✓ Impact on advertising business, etc. ✓ Promotion of online shift including education business
Business Services segment	✓ Increased demand for telework	✓ Impact of economic trends ✓ Promotion DX for corporate customers
Others	–	✓ Social contribution including regional revitalization ✓ Environmental upgrade of In-house DX

Aim to achieve the initial plan at the same time as scrutinizing the impact on business results

Business Strategies

For Customer-Oriented Value Provision

Group IDs   **Engagement**   **Total ARPU**

 ✕ ✕

- **Double brand strategy Price system chosen by a wide rage of customers**
- **SUMAHO Plan R started steady**

- **Integrating Ponta points, boosting points return at Lawson stores**
- **Enhancing engagement by encouraging use of au PAY**

- **Increase au total ARPA YOY +4.6%**
- **Increase the number of Life Design services users**

Promoting business strategies across the entire Group

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Double Brand Strategy

Data MAX 5G ALL STAR Pack

Unlimited data use

* Data volume up to a total of 80GB, including tethering. There are telecommunications controls for video, during busy times, and other factors.

+

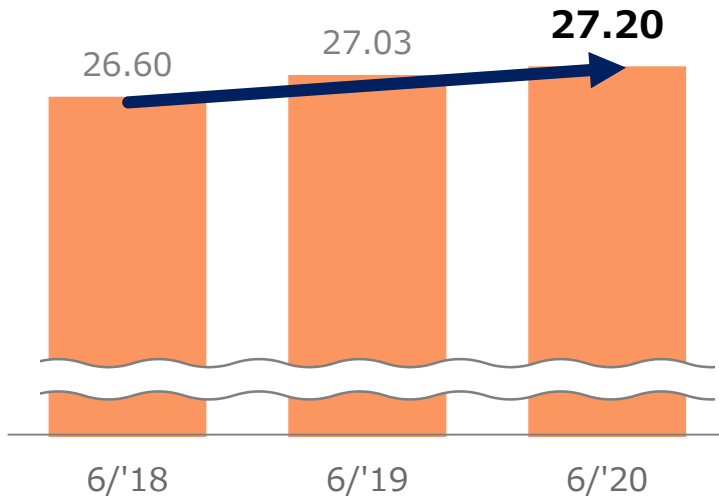### Unlimited to enjoy popular entertainment content !

NETFLIX ✦MUSIC

▶ YouTube Premium TELASA

SUMAHO Plan R Start from June 1

Even if you use up the plan data, you can use this at up to 1Mbps (UQ offer by ¥2,480 at every minute) *Please check the UQ website in details

Providing services
chosen by a wide range of customers

Note) 5G services is available only in some areas. Please check the au website for service areas

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Group IDs

Group IDs* (Unit : Millions)

UQ mobile Number of Net Increase

26.60   27.03   **27.20**

6/'18   6/'19   6/'20

Around half of new contracts in June applied for SUMAHO Plan R

YOY
2.4 times

YOY
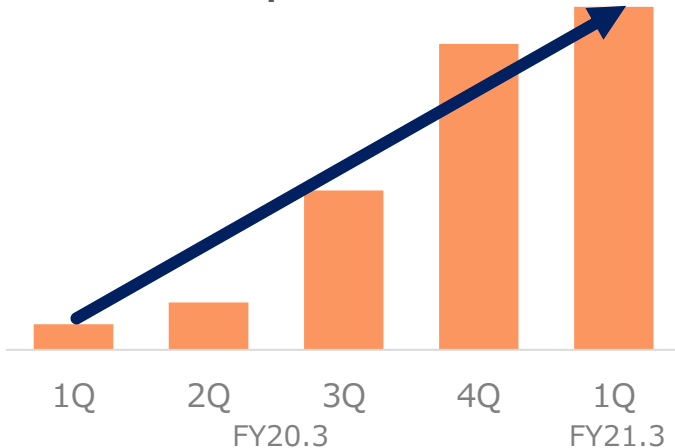**1.5 times**

June 2019   June 2020   FY20.3 1Q   FY21.3 1Q
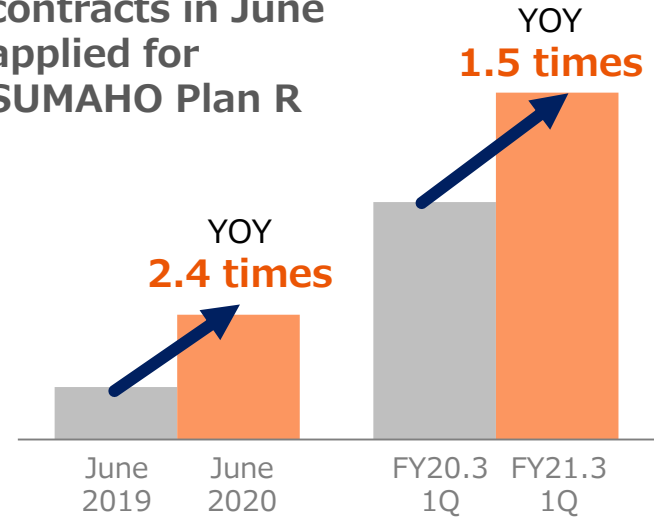
Group IDs steadily increased. SUMAHO Plan R started steady

*au accounts + MVNO subscriptions

au PAY

Number of au PAY Payment[1]	Common Point "Ponta Point"

Aiming to enhance engagement by expanding the number of payments and contact points with customers

Japan's largest class member base of over 100 million (start from May 21)

**Increase in points return by using au PAY[2] at Lawson stores**

1Q 2Q 3Q 4Q 1Q
FY20.3   FY21.3

4% for everyone, everyday
7% for 3rd, 13th and 23rd at month
Up to 13% for members of au Smart Pass Premium

Aiming to enhance engagement
by further encouraging use

*1) QR code payment
*2) au PAY (QR code payment), au PAY Prepaid cards (au WALLET prepaid cards), au PAY Cards (au WALLET Credit cards) and au PAY (QUICPay+)
    4% back with every ¥200 (tax included), maximum limit : 3,000 points per month for each au ID. Some devices (3G smartphones, etc.) are not eligible

Growth Driver of au Total ARPA

au Total ARPA   (unit :yen)

■ au Denki ARPA
in au Total ARPA

7,790

7,450

7,170

640

490

350

FY19.3 1Q   FY20.3 1Q   FY21.3 1Q
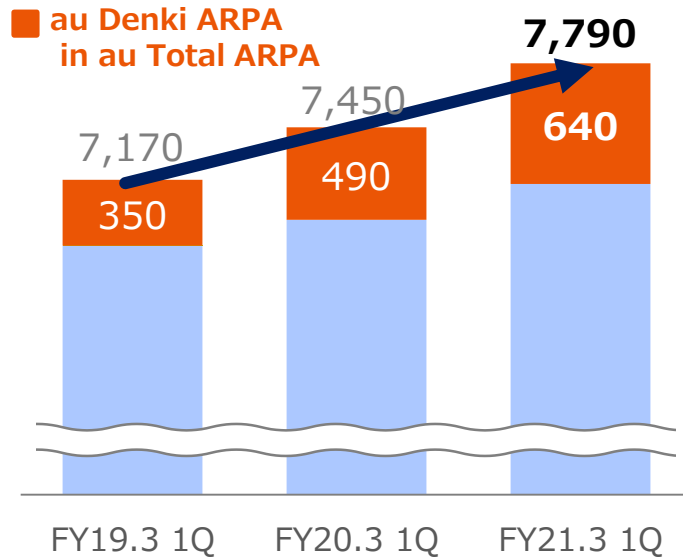
The Members of
au Smart Pass Premium (Unit : Millions)

9.94

7.81

5.00

6/'18   6/'19   6/'20
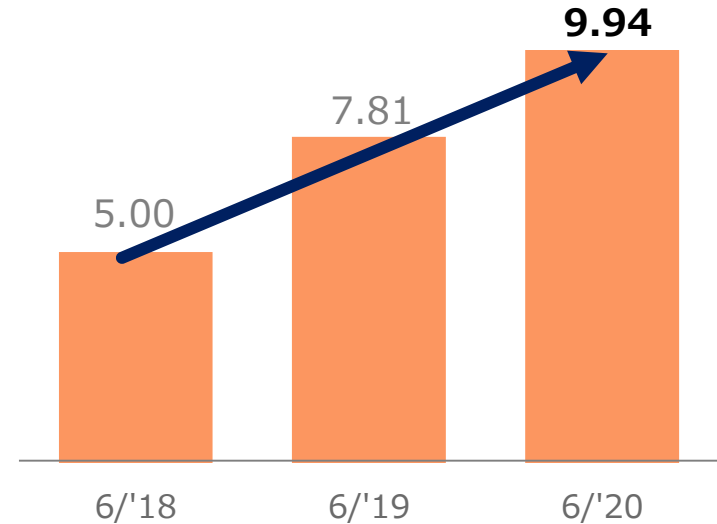
Number of Life Design services users steadily increased

Increase Demand for Telework

Telework Demand (The Number of KDDI Service Applications) (Comparison between Jan-Feb and Mar-Apr 2020)

Moving toward work styles not tied to any particular place

Cloud Applications[1] — Application **5** times

Remote Access[2] — Application **4** times

Video Conference[3] — Application **8** times

KDDI Matomete Office Number of New Contract (Comparison between Apr 2019 and Apr 2020)

Expand to small and mid-sized companies

YOY **1.6 times** — Smartphones

YOY **1.8 times** — Tablets

YOY **1.9 times** — Mobile routers
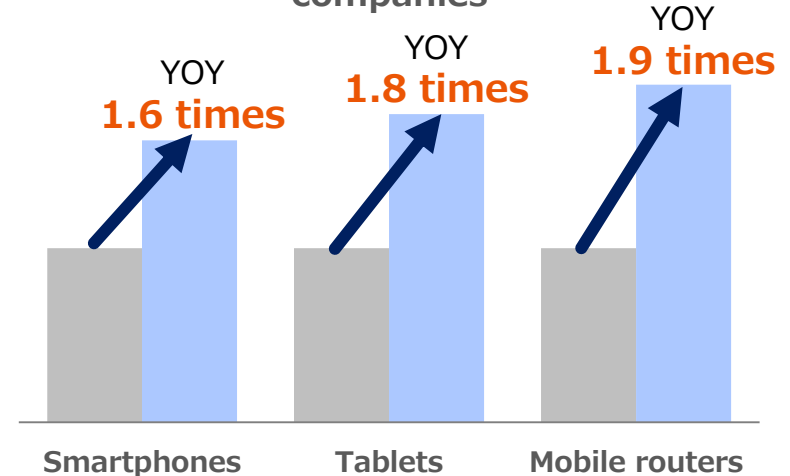
Expanding digitization and contactless methods from big companies to small, mid-sized companies

*1) Total of Microsoft365, Gsuite and LINEWORKS *2) FRE (Flex Remote Access) *3) Cisco Webex meeting

# DX That Supports a New Way of Working

Hybrid Zero Trust Solution *

**Providing optimal solutions
for customers' work styles
and system configurations**

Devices	Network	ID

Security	Cloud and Applications	Operation

| Establishment of New Base
for KDDI Sales Sector |
|---|

**Less 40% seats against staff numbers
Practice DX for way of working by ourselves**

Office system
Cloud
Internal network
Company
Home
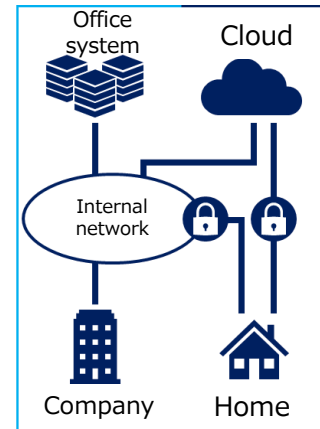
Example of system configurations

New base at Toranomon, Tokyo

Providing optimal solutions to customers
and practice by ourselves

*Zero trust : the idea is to strengthen security by not relying on all internal and external traffic, and by inspecting and logging each device when access services

5G for Corporate Customers

MVNO Business Adapted to 5G	Office Building DX Utilizing 5G

Aiming to realize new IoT possibilities leveraging the characteristics of 5G

Support work style reforms and solutions for issues at office buildings

SORACOM au 5G

三井不動産 MITSUI FUDOSAN

KDDI

Places and opportunities

Technology basement

Beginning pilot tests of ultra-low latency application environments using "AWS Wavelength" from July 2020

Utilizing 5G at "Mitsui's offices" including Nihonbashi Muromachi Mitsui Tower

Promoting together for a platform providing added value

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au 5G

Number of 5G Base Stations to be Deployed

Utilizing regional infrastructure sharing and existing frequencies to be 5G

The end of March 2021

Approx.
10 **thousand**
Base stations

(E)

The end of March 2022

Approx.
50 **thousands**
Base Stations

(E)
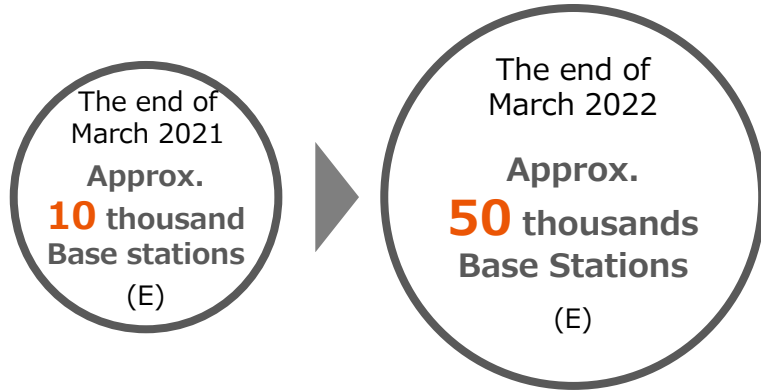
Accelerate early 5G nationwide expansion

Promoting for 5G consumer use and IoT market penetration in each industry

Summary

**Based on our Basic Policy toward COVID-19,
we aim to expand our role in society across a wide range
of fields surrounding telecommunications**

Entering the Era of New Normal	✓ **Acceleration of DX to help build resilient social infrastructure** ✓ **Moving toward a management base that can adapt to drastically changing environments by promoting new work style**
Financial Results and business strategies	✓ **FY21.3 1Q : The impact of COVID-19 has become apparent. Carefully analyzing the impact on operating results from 2Q onward and we aim to achieve the initial plan** ✓ **Growth fields : Life Design Domain and Business Services segment both progress steadily**

Promoting initiatives for social stability and solid management

Disclaimer