



INTEGRATED REPORT 2021

Our Management

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Realizing Sustainable Growth and Medium- and Long-Term Improvement in Corporate Value

As a telecommunications operator that provides social infrastructure, KDDI has the important social mission of enabling stable communications services on an ongoing basis, 24 hours a day and 365 days a year, regardless of conditions.

Furthermore, as a telecommunications operation, our business derives from utilizing radio waves—an important asset shared by all citizens. Accordingly, we recognize that we have the social responsibility to address the issues society faces and seek to resolve them through telecommunications.

To achieve this social mission and fulfill our social responsibility, KDDI is committed to sustaining growth and enhancing corporate value over the medium and long term through measures to achieve the medium-term management plan (April 2019 – March 2022).

Tomorrow

Editorial Policy: Disclosure of Financial and Non-Financial Information

This report is based on multiple guidelines and frameworks, including the principles outlined by the Value Reporting Foundation (VRF, which was launched through the merger of IIRC and SASB), providing basic information, financial data, management strategy descriptions, and environmental, social, and governance (ESG) data considered particularly necessary for investors. Additional sustainability and research & development (R&D) information that is not contained in this report can be found on KDDI's website, including the Sustainability Report, which contains expanded information about non-financial information from both environmental and social aspects.

KDDI has applied International Financial Reporting Standards (IFRS) since the fiscal year ended March 31, 2016. For this report, unless otherwise stated, figures up to the fiscal year ended March 31, 2014, are based on Japanese GAAP and figures for the fiscal year ended March 31, 2015, onward are based on IFRS.

Financial Information



Investor Relations • Summary of Financial Statements
• Corporate Governance • Business Risks
<https://www.kddi.com/english/corporate/ir/>

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The KDDI Group Mission Statement

The KDDI Group values and cares about the material and emotional well-being of all its employees, and delivers a thrilling customer experience by always going further than expected with the ultimate goal of achieving a truly connected society.

Brand Message



Company Vision

1. The company the customer can feel closest to
2. A company that continues to produce excitement
3. Contributing to the sustainable growth of society

Business Strategies and Financial Objectives

Medium-Term Management Plan **P. 07** Aiming for Sustainable Growth **P. 12**

Strengthen Management Infrastructure

CFO Message **P. 20**

, Together

Non-Financial Information



Sustainability (The Environment & Society)
<https://www.kddi.com/english/corporate/csr/>



Research & Development (R&D)
<https://www.kddi.com/english/corporate/r-and-d/>

Disclaimer Regarding Forward-Looking Statements
 Statements contained in this report concerning KDDI's plans, strategies, beliefs, expectations, or projections about the future, and other statements other than those of historical fact, are forward-looking statements based on management's assumptions in light of information currently available and involve risks and uncertainties. Actual results may differ materially from these statements. Potential risks and uncertainties include, but are not limited to, domestic and overseas economic conditions; fluctuations in currency exchange rates, particularly those affecting the U.S. dollar, euro, and other overseas currencies in which KDDI or KDDI Group companies do business; and the ability of KDDI and KDDI Group companies to continue developing and marketing services that enable them to secure new customers in the communications market—a market characterized by rapid technological advances, the steady introduction of new services, intense price competition, and others.



CEO Message

Tomorrow, Together

Offering new lifestyles centered on 5G technologies, we are striving toward the realization of a resilient future society through co-creation.

Looking back on the fiscal year ended March 31, 2021, the structure of day-to-day life as we know it was completely upended by the COVID-19 pandemic.

Telecommunications have taken on an increasingly important role amid an ongoing rapid digital shift affecting every aspect of society.

As customer needs change, the number of opportunities to offer new value is expanding. These opportunities include the increasing use of contactless payment services like “au PAY,” increasing opportunities for online events, and rapidly rising teleworking demand due to work style reforms. A growing proportion of activities that traditionally took place in physical spaces are now happening virtually in cyber space, where data is exchanged over the internet. We do not regard these changes as temporary but rather as ways to enrich life in the new normal era.

To help build a social foundation resilient to environmental change, we formulated KDDI Accelerate 5.0 and KDDI Sustainable Action for 2030.

Under KDDI Accelerate 5.0, we will accelerate the realization of Society 5.0 promoted by the government through the utilization of technology and the orchestration of seven fields that support the evolution of business layers, platform layers, and network layers centered on the 5G rollout collaboration with KDDI Research, Inc.

Under KDDI Sustainable Action, we will contribute to the sustainable growth of society by “Connecting and protecting lives,” “Connecting day-to-day lives,” and “Connecting hearts and minds” through business in cooperation with partners while utilizing this technology.

Under the medium-term management plan (April 2019–March 2022), the last year of which is the current

Looking Back on the Fiscal Year Ended March 31, 2021

► On Conclusion of the Second Year of the Medium-Term Management Plan

Under the current medium-term management plan, we aim to achieve both sustainable growth and enhanced shareholder returns.

Operating revenue and operating income in the growth fields of the Life Design Domain and the Business Services segment steadily expanded. Of the targets designated as medium-term targets, we achieved ahead of schedule the transaction volume of settlement/loan in the Life Design Domain and the cumulative number of IoT connections in the Business Services segment.

| | FY2021.3 Results | FY2022.3 |
|--|---------------------------|--|
| Life Design Domain Transaction Volume of Settlement/Loan | ¥9 trillion | Medium-term target: ¥6 trillion New forecast: ¥9.3 trillion |
| Business Services Segment Cumulative IoT Connections | 18 million connections | Medium-term target: 18 million connections New forecast: 24 million connections |



fiscal year, KDDI aims to achieve growth through both the “sustainable growth of existing businesses” and “endeavors in new innovation.”

In this section, I will look back on the fiscal year ended March 31, 2021, and explain our targets in the last fiscal year of the current medium-term management plan as well as our efforts to formulate a new medium-term management plan.

m. Takahashi

President, KDDI CORPORATION

As a result, consolidated operating income surpassed the initial forecast, driven by an expansion in growth fields that offset effects of a recent shift toward cheaper pricing plans, including budget smartphones, and temporary effects of soaring prices in the wholesale market of the energy business.

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P. 22 Financial Results Summary

▶ Multi-Brand Strategy and 5G Rollout

With new telecommunications providers entering the market and competition heating up, services and pricing plans are diversifying and the telecommunications industry itself is undergoing major changes. Under this environment, we strive to offer pricing plans that meet various needs and are adapted to diverse lifestyles through unlimited use without anxiety “au,” simple and secure price “UQ mobile,” and choose freely with toppings “povo” services. We will also rapidly create an environment that can fully realize our “AUGMENTED EXPERIENCE,” which provides experience value that is unique to 5G.

In March 2020 we began 5G service in 15 prefectures in Japan, and in December we began providing service in all 47 prefectures. Furthermore, in March 2021 we covered all major cities around the country and focused on rolling out service in areas that people often visit in their daily routines, such as in June enabling 5G service on the platforms of all Yamanote Line and Osaka Loop Line stations, which are used by many of our customers. We are accelerating the expansion of our service area aiming to cover around 90%* of the population by March 31, 2022, and working to enable more customers to use 5G without any break in coverage.

[Page Link](#)

P. 14 Special Feature: Multi-Brand Strategy

* Nationwide population coverage rate is calculated based on areas where telecommunications can be used in at least 50% of the approximately 500-meter blocks used in the national census. 700MHz is the target for this coverage ratio

Growth Field Initiatives

▶ Life Design Domain

As customer contact points, we are enhancing the smartphone payment service “au PAY” and “au Smart Pass Premium,” where customers can enjoy such exciting next-generation experiences as new entertainment using 5G. As for the circulation of points, we are working to expand the number of places where Ponta Points can be used and their attractiveness. We aim to maximize the “au Economic Zone,” especially in finance, energy, and commerce, by enhancing these customer contact points and circulating points. Through a recent business alliance with menu, inc. announced in June 2021, we will strengthen our real contact points, such as the restaurant industry (including food delivery), which act as a gateway for consumer behavior.

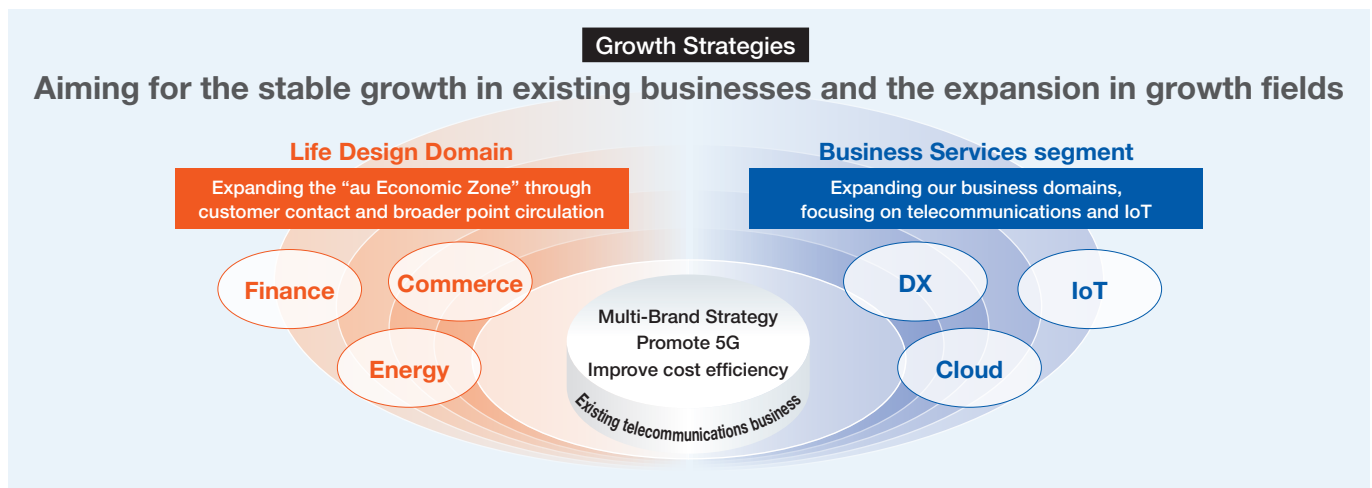
[Page Link](#)
 P. 16 Special Feature:
 Expanding the “au
 Economic Zone” in
 the Life Design
 Domain

▶ Business Services Segment

Corporate digital transformation (DX) is bringing about major changes in business models and relationships with customers. KDDI will accelerate customers’ DX centered on its strengths of telecommunications and IoT. We newly defined the NEXT Core Business centered on this DX and aim to achieve growth in the entire Business Services segment. The NEXT Core Business, which will drive results going forward, comprises 1. Corporate DX, which supports customers’ smart work, 2. Business DX, which contributed to customers’ business, and 3. Business infrastructure services, including data centers and call centers. We will expand this business domain, expand the number of customers, enhance engagement and take other measures to generate synergy with the existing Core Businesses of the mobile and fixed-line telecommunications businesses and comprehensively support customers’ businesses.

[Page Link](#)
 P. 18 Special Feature:
 Growth Fields —
 Business Services
 Segment

In addition, heading toward the full-scale 5G era, we will accelerate open innovation and promote collaboration between the new business development base of “KDDI DIGITAL GATE” and the research and development base “KDDI research atelier,” which offers new lifestyles.



Working to Enhance Customer Engagement

As we aim to achieve growth through both sustainable growth in existing businesses and endeavors in new innovations, we are most focused on enhancing customer engagement. Due to standardization as smartphones become dominant, the number of contact points with customers is decreasing, and I feel that there are fewer moments when customers might think, “it’s au.” Going forward, we are entering an era when it will be important to know customers.

After contracting KDDI services, we work diligently to be able to provide more suitable offers by analyzing customer data, such as how they continuously use the services in the “au Economic Zone.”

The situation is similar for corporate customers. We think that DX is transforming corporate customers' business models into resilient recurring models by infusing telecommunications so that the customers can maintain long-term relationships with their end users. We focus on connecting with customers over the long term through DX, not just a conventional one-shot support.

Initiatives in the Non-Financial Field

KDDI also promotes initiatives in the non-financial field.

In KDDI Sustainable Action, we work on various issues, such as building a resilient infrastructure for communication and disaster response, conserving the environment, and promoting diversity and inclusion.

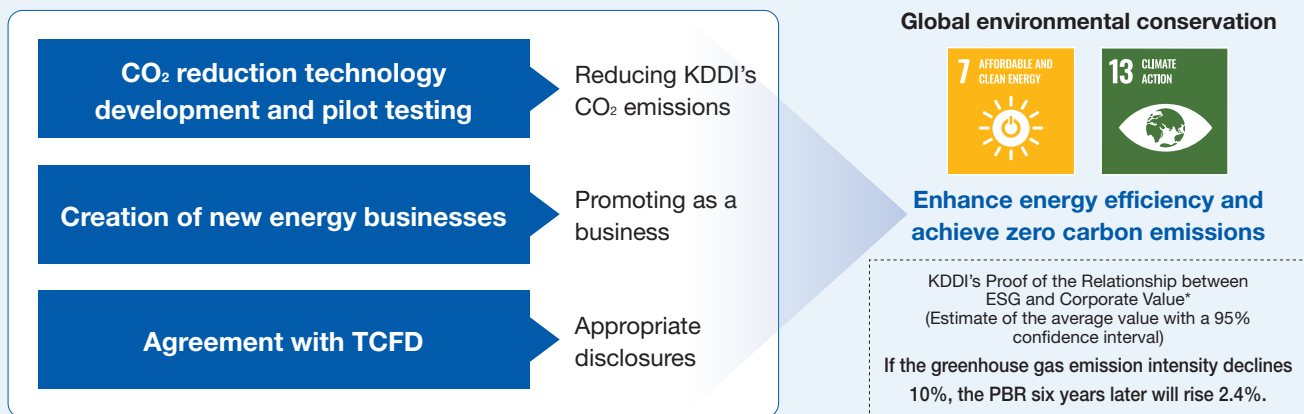
► Decarbonization Initiatives

In April 2021, we announced our support for the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). Going forward, we will disclose and disseminate information in line with the TCFD recommendations and forcefully promote the shift toward renewable energy. In line with the goal of realizing net zero CO₂ emissions by 2050, KDDI set a target of reducing its own CO₂ emissions 50% by fiscal 2030 compared with the fiscal 2019 level. To reduce CO₂ emissions, we are increasing energy efficiency, such as for mobile phone base stations and telecommunications equipment, and promoting a shift to renewable energy.

[Page Link](#)

P. 32 KDDI's Action on Climate Change

Promoting initiatives aimed at decarbonization across the entire KDDI Group



*Analyzed by ABeam Consulting ESG Platform based on the model developed by Mr. Ryohei Yanagi under the "CFO Policy (Chuokeizai-sha Holdings, Inc. 2020)" (January 2021)

► Transforming into a Company that Puts Human Resources First

KDDI believes people are its most important resource. We are working to transform into a company that puts human resources first by placing training at the base of management with the three pillars of "introducing KDDI Version Job Style Personnel System," "Declaration of KDDI New Work Styles," and "Internal DX."

As part of our Internal DX, we equipped all employees with secure zero-trust PCs and are working to visualize workstyle data with the aim of further boosting productivity.

We promote respect for diversity and proactively work to train DX personnel, who will facilitate the transformation of customers and KDDI internally.



We aim to build sustainable relationships and achieve growth by co-creating with customers and partners.

Formulating a New Medium-Term Management Plan

We are making preparations to formulate a new medium-term management plan to be announced in May 2022. We established the Business Exploration & Development Division to accelerate the creation of new businesses from April 2021. By consolidating and utilizing assets that cut across business divisions, we will promote open innovation through co-creation and will build a foundation for data utilization in the Group. In these and other ways, we will discover the next source of profit, focus on this as it scales up, and build the next pillars of the Life Design Domain and Business Services segment.

One example of business creation is the Free Space Project announced in December 2020. In collaboration with East Japan Railway Company, this decentralized urban development project is set to create diverse workstyles and lives not bound by place or time. Both companies will jointly promote the development of Shinagawa, which will be the core city for the project, develop satellite cities in regions across Japan as decentralized bases, and consider developing mobility services in the core city and neighboring areas with the aim of joint commercialization.

Page Link

P. 49 Performance Analysis by Segment: Business Services Segment

Aiming to Achieve Both Sustainable Profit Growth and Strengthen Shareholder Returns

Under the current medium-term management plan, KDDI targets growth of 1.5 times in basic earnings per share (EPS) by the fiscal year ending March 31, 2025, compared with the level in the fiscal year ended March 31, 2019, while sustaining growth in profits. EPS grew 3.1% to ¥284.16 in the fiscal year ended March 31, 2021. We continue aiming to achieve the medium-term management plan through profit growth.

We consider environmental changes to be business opportunities, such as lower telecommunications fees, intensifying competition, and major changes in lifestyles due to the COVID-19 pandemic. We aim to achieve both sustainable growth and enhance shareholder returns by giving our all to further expand growth fields, promote cost reductions in line with structural reforms, and enhance shareholder returns and growth investments, which are underpinned by stable cash flows.

Tomorrow Together

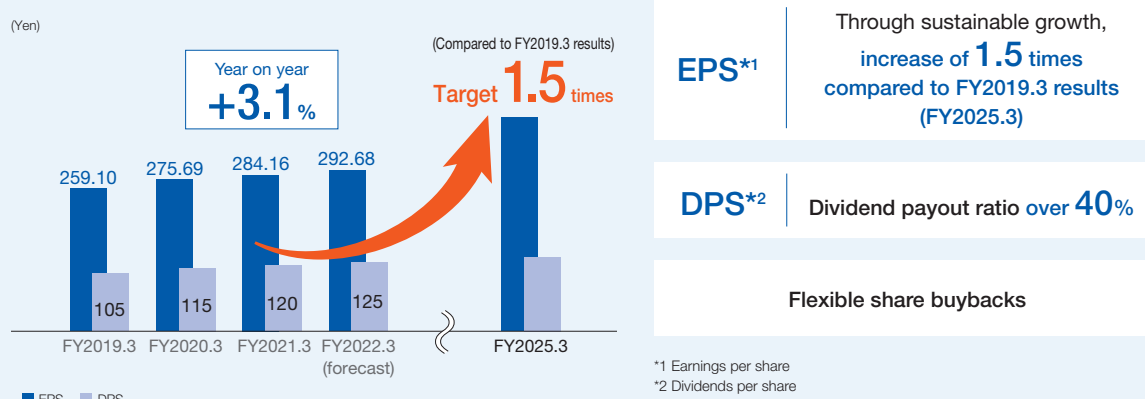
We aim to realize a more resilient future society by offering and co-creating new lifestyles centered on 5G as we pursue the development of a truly connected society as set out in the KDDI Group Mission Statement.

Going forward, I ask for your unwavering support and helpful guidance for the KDDI Group.

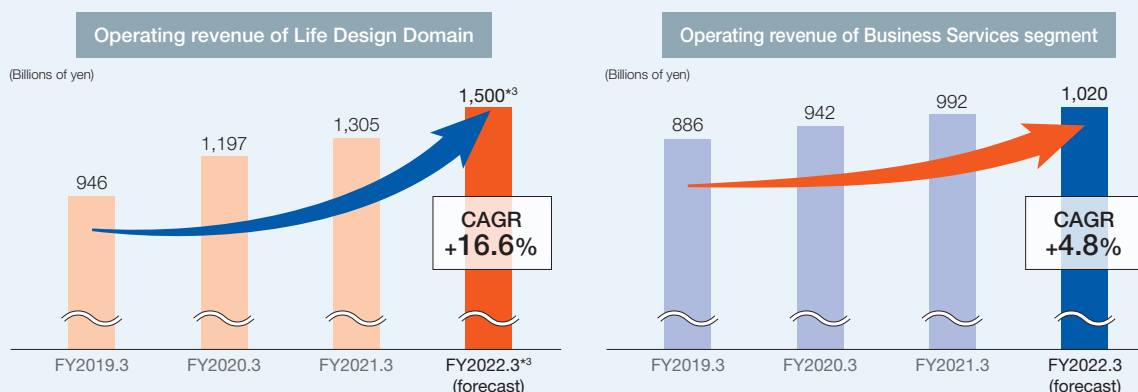
Progress Made under the Medium-Term Management Plan (April 2019 – March 2022)

Under the medium-term management plan unveiled in May 2019, KDDI targets growth of 1.5 times in basic earnings per share (EPS) by the fiscal year ending March 31, 2025, compared with the level in the fiscal year ended March 31, 2019, while sustaining growth in profits.

Regarding shareholder returns, KDDI has steadily increased dividends toward a dividend payout ratio of over 40%, while taking a flexible approach to buying back its own shares. Through these initiatives, we intend to continue to achieve both sustained profit growth with stronger shareholder returns.



► Made steady progress in operating revenue in both the Life Design Domain and Business Services segment toward the medium-term management plan targets



► Considering Environmental Changes to Be Business Opportunities and Aiming for Sustainable Growth

Lower telecommunication fees

Intensifying competition

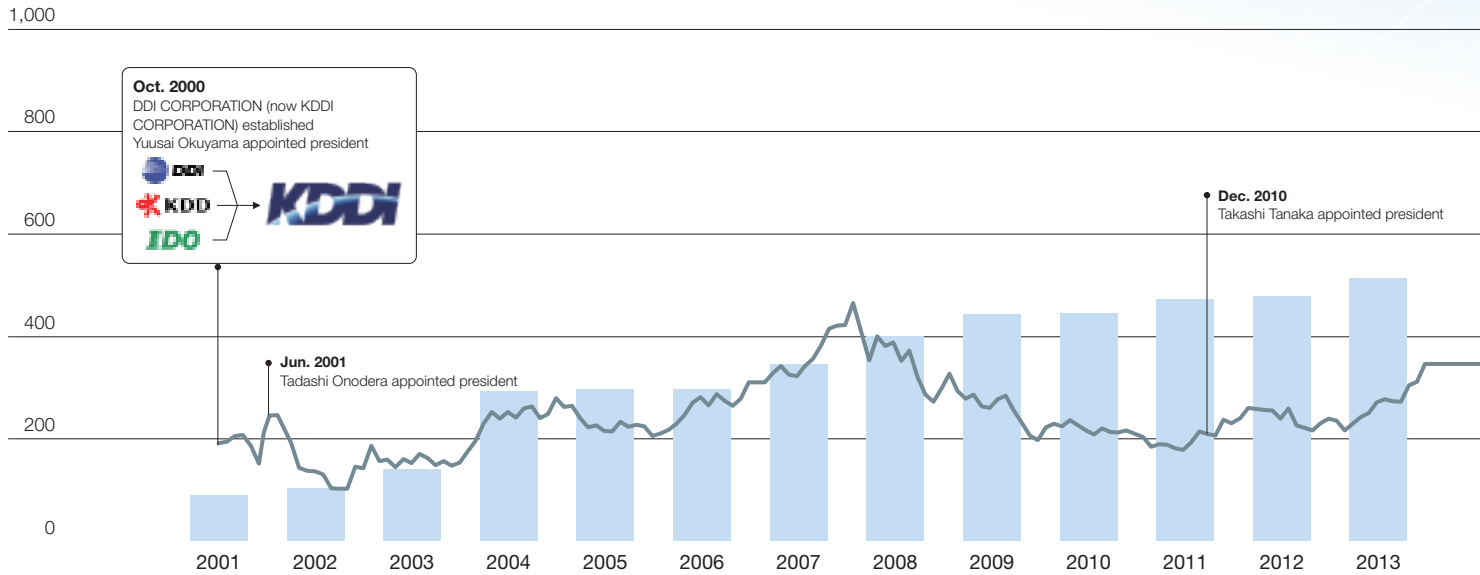
Major changes in lifestyles, etc.

- Aim to further expand growth fields
- Promote cost reductions
- Enhance shareholder returns through stable cash flow generation

The Path of Value Creation



(Billions of yen) ■ Operating income*¹ (left axis) — Market capitalization*² (right axis)



| | | | | | | | |
|--------------------------------------|---|--|---|---|--|--|--|
| Personal Services Segment | <p>Apr. 2002 Third-generation mobile phone service begins</p> <p>Oct. 2003 Launch of "KDDI Hikari Plus" optical fiber service (FTTH)</p> <p>Nov. 2003 CDMA 1X WIN service commences Industry's first flat-rate packet service introduced</p> | <p>Jan. 2007 Integrates FTTH business with Tokyo Electric Power Company, Incorporated</p> | <p>Apr. 2008 Consolidation of Chubu Telecommunications Co., Inc. (ctc)</p> <p>Feb. 2009 UQ Communications Inc. launches "UQ WiMAX" commercial service</p> | <p>Oct. 2011 KDDI launches its first iPhone</p> | <p>Mar. 2012 "au Smart Value" starts service</p> <p>Sep. 2012 "au 4G LTE" starts service</p> | <p>Apr. 2013 JCOM Co., Ltd. is consolidated</p> | |
| | Life Design Domain | <p>Jul. 2008 "Jibun Bank" begins service</p> | <p>May 2011 "au Insurance" begins service</p> | <p>Mar. 2012 "au Smart Pass" is launched</p> | <p>FY2004.3–FY2008.3 au spent five consecutive years at No. 1 for net additions in market share**</p> | | |
| Business Services Segment and Others | <p>1989 Started "TELEHOUSE" data center business</p> | <p>Jan. 2006 KDDI merges with POWERDCOM</p> | <p>Feb. 2011 KDDI Matomete Office Corporation is established</p> | <p>Apr. 2013 KDDI Matomete Office expands nationwide</p> | | | |
| Telecommunication Sector | <p>Oct. 2006 Mobile number portability (MNP) is launched</p> | <p>Mar. 2008 EMOBILE Ltd. begins voice service nationwide</p> <p>Jul. 2008 SoftBank Corporation launches Japan's first sales of the iPhone</p> <p>Mar. 2008–Oct. 2010 EMOBILE Ltd. signs a roaming agreement with NTT Docomo Inc.</p> | <p>Sep. 2013 NTT Docomo Inc. launches its first sales of the iPhone</p> | | | | |

Note: Company and service names are as of July 2021.

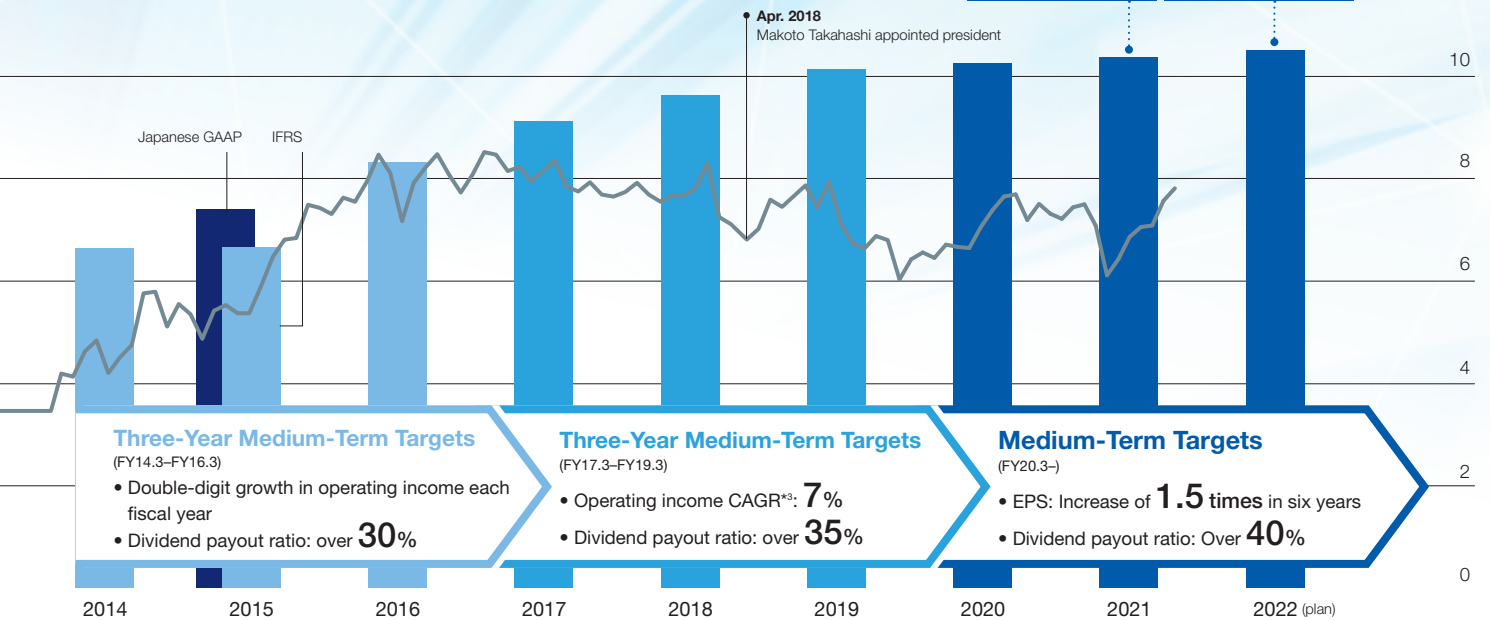
4G

The rising popularity of smartphones and the integration of telecommunications and life design

5G

Improve customer value using high-speed high-volume transfer for enhanced experience

| | | |
|--|--|--------------------|
| Fiscal year ended March 31, 2021 Operating income | Fiscal year ending March 31, 2022 Operating income target | (Trillions of yen) |
| ¥1,037.4 billion | ¥1.05 trillion | 12 |



Mar. 2014
Achieved an actual population coverage ratio of 99% for 800MHz "4G LTE"

Jul. 2014
Signed a joint business agreement with MPT*5 and Sumitomo Corporation on the launch of the Myanmar telecommunications business

Oct. 2015
UQ Communications' service "UQ mobile" starts*6

Mar. 2016
MobiCom Corporation LLC becomes a consolidated subsidiary

Jan. 2017
BIGLOBE Inc. becomes a consolidated subsidiary

Jul. 2017
"au Pitatto Plan" and "au Flat Plan" start service (industry's first unbundled plans)

Jul. 2019
"au Data MAX Plan," the first unlimited data plan in Japan, is launched

Mar. 2020
"Data MAX 5G Netflix Pack" is launched with the start of 5G

Jun. 2020
"Data MAX 5G ALL STAR Pack" is launched


Oct. 2020
UQ mobile's business is integrated

Feb.-Mar. 2021
au "Unlimited Data MAX 4G/5G", UQ mobile's "new carry over plan", and the new brand "povo" are launched

May 2021
5G enabled around all Yamamoto Line stations

Jun. 2021
UQ mobile's "Discount with Denki" is launched

May 2014
"au PAY Card" is launched



Aug. 2015
"au WALLET Market" is launched

Mar. 2016
Jupiter Shop Channel Co., Ltd. is consolidated

Apr. 2016
"au Denki" is launched
"au Insurance & Loans" is launched

Aug. 2016
A capital and operational alliance is formed with ENERES Co., Ltd.*7

Jan. 2017
"au PAY Market" is launched

Jan. 2018
AEON Holdings Corporation of Japan becomes a consolidated subsidiary

Feb. 2019
Initiated the "Smart Money Concept"

Apr. 2019
"au PAY" is launched
au Jibun Bank is consolidated

Jun. 2019
au Kabucom Securities Co., Ltd. becomes an affiliate

Apr. 2020
"TELASA" service is launched

May 2020
"au WALLET Points" and "Ponta Points" are integrated

Feb. 2021
Gold card privilege enhancement

Mar. 2021
"au" preferential interest discount is introduced

Jun. 2021
A capital alliance with menu, inc. is begun

Feb. 2017
Iret Inc. becomes a consolidated subsidiary
ARISE analytics Inc. is founded with Accenture Japan Ltd.

Aug. 2017
SORACOM, INC. becomes a consolidated subsidiary

Dec. 2017
KDDI Digital Design Inc. is founded with Nomura Research Institute, Ltd.

Feb. 2018
KDDI Digital Security Inc. is founded with LAC Co., Ltd.

Sep. 2018
"KDDI DIGITAL GATE" opens

Jan. 2019
Scrum Inc. Japan is founded with Scrum Inc.

Mar. 2019
KDDI IoT World Architecture begins accepting applications

Aug. 2020
"KDDI Accelerate 5.0" is formulated

Oct. 2020
The "KDDI 5G Business Co-Creation Alliance" is founded

Dec. 2020
The business alliance of the Flexible Life Design Project with East Japan Railway Company is launched
The "KDDI research atelier" is opened

May. 2021
The joint venture "DXGoGo Corporation" is founded with OPTIM Corporation

Dec. 2017
Rakuten, Inc. signals it will enter the telecommunications business

Sep. 2018
SoftBank Corporation begins offering "Ultra Giga Monster+" and "Mini Monster" (unbundled plans)

Jun. 2019
NTT Docomo Inc. begins offering "Giga Ho" and "Giga Light" (unbundled plans)

Oct. 2019
The amended Telecommunication Business Act enters into force

Apr. 2020
Rakuten Mobile, Inc. enters the telecommunications business as an MNO*8

Sep. 2020
Nippon Telegraph and Telephone Corporation announces that NTT Docomo Inc. is made a wholly owned subsidiary

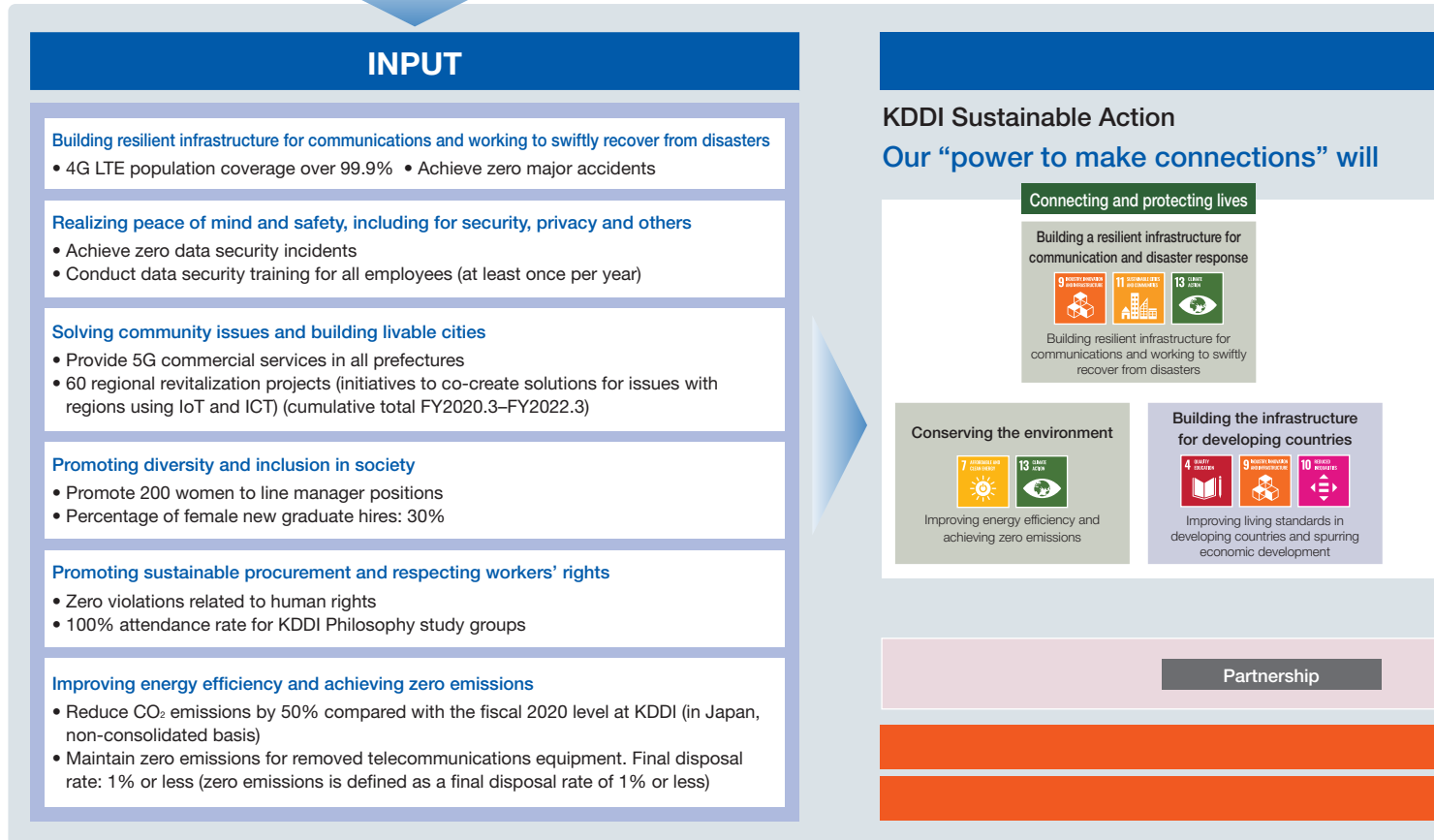
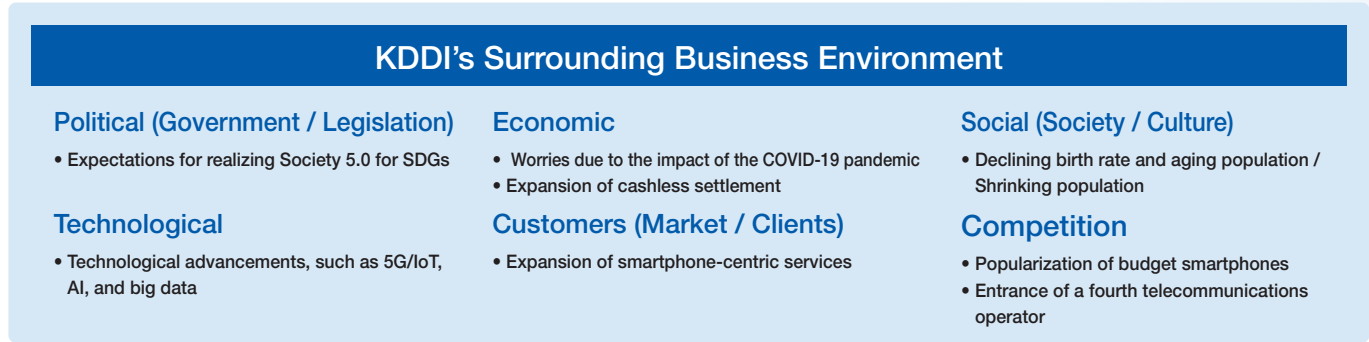
Mar. 2021
NTT Docomo Inc. begins offering the new "ahamo" pricing plan, SoftBank Corp. begins offering the new "LINEMO" pricing plan

*1 Results for fiscal years ended March 31. Figures up to the fiscal year ended March 31, 2014 are based on Japanese GAAP and figures for the fiscal year ended March 31, 2015 onward are based on IFRS (International Financial Reporting Standards).
*2 On a closing price basis for the end of October 2000 to the end of March 2020 (monthly)
*3 CAGR: Compound Average Growth Rate
*4 Share among NTT DOCOMO, INC. (NTT DOCOMO), SoftBank Corp. (SoftBank), and KDDI + Okinawa Cellular Telephone Company (au)

*5 MPT: Myanmar Posts & Telecommunications
*6 Slated to be integrated with KDDI in October 2020
*7 Made a consolidated subsidiary in December 2018
*8 MNO: Mobile Network Operator

Value Creation Process

KDDI formulated KDDI Sustainable Action—KDDI’s initiatives for the SDGs aimed at 2030 with a determination to continue working to solve various social issues through business going forward. By Connecting and protecting lives, Connecting Day-to-day Lives, and Connecting hearts and minds while using 5G, IoT and others, the Company will continue aiming to help solve social issues through business with its partners, achieve sustainable growth with society, and further enhance corporate value.



Main Risks, Issues, and Opportunities

| Material Sustainability | Issues Main Risks and Issues | Opportunities |
|---|--|---|
| 01 Safer and more resilient connected world | <ul style="list-style-type: none"> Resilience to extreme weather events Risk management | <ul style="list-style-type: none"> Maintenance of lifelines and building of the foundations for a safe and secure information society Telecommunications services that are resilient to natural disasters |
| 02 Cyber security and privacy protection | <ul style="list-style-type: none"> Utilization of information assets and tightening of security Data privacy | <ul style="list-style-type: none"> Protection of telecommunications privacy and customer information Sophisticated cyber security |
| 03 Fulfilled life brought through ICTs | <ul style="list-style-type: none"> Contribution to economic growth through robust information communication infrastructure Improvement of access to education, medicine and other public services through ICTs | <ul style="list-style-type: none"> Solutions to social issues through the “integration of telecommunications and life design” in the 5G/IoT era |

Company Vision

1.

The company the customer can feel closest to



2.

A company that continues to produce excitement



3.

Contributing to the sustainable growth of society



OUTPUT

help create a brighter future for all

Connecting Day-to-day Lives

Sustainable development for cities and communities



Solving community issues and building livable cities

Connecting hearts and minds

Creating a digital society for affluence and peace of mind



Realizing peace of mind and safety, including for security, privacy and others

Developing human resources for the next generation



Upgrading educational environments with ICT and developing human resources to support the future

Promotion of diversity and inclusion



Promoting diversity and inclusion in society

Fostering health and a purpose in life



Supporting healthy and full lives using ICT



Helping solve social issues through partnership

Medium-Term Management Plan P. 7

Corporate Governance P. 54-

OUTCOME

Material Sustainability



01 Safer and more resilient connected world



02 Cyber security and privacy protection



03 Fulfilled life brought through ICTs



04 Rewarding workplaces for diverse talents



05 Respect for human rights and fairness in business



06 An energy-efficient, circular economy

| Material Sustainability | Issues Main Risks and Issues | Opportunities |
|--|---|--|
| 04 Rewarding workplaces for diverse talents | <ul style="list-style-type: none"> Promotion of diversity and inclusion Human resource development and career development | <ul style="list-style-type: none"> Maximization of human resources value and enhancement of corporate competitiveness |
| 05 Respect for human rights and fairness in business | <ul style="list-style-type: none"> Pursuit of sustainable procurement Respect for workers' rights | <ul style="list-style-type: none"> Initiatives in the KDDI Supply Chain CSR Promotion Guidelines with our partners |
| 06 An energy-efficient, circular economy | <ul style="list-style-type: none"> Energy efficiency improvement and utilization of clean energy Zero emissions and 3Rs | <ul style="list-style-type: none"> Promotion of the shift toward renewable energy and achievement of zero CO2 emissions by 2050 |



Special Feature

Our

Business Strategies

- Creating innovation toward the 5G era
- The integration of telecommunications and life design
- Further expansion of global business
- Utilizing big data
- Expanding the finance business
- Growth as a Group
- Sustainability

Future

Aiming for Sustainable Growth

In 2019, KDDI created a medium-term management plan to help develop a truly connected society, which is a feature of the KDDI Group Mission Statement, and to achieve sustainable growth while swiftly responding to changes in the business environment.

The fiscal year ending March 31, 2022 marks the final year of the current medium-term management plan and will prove pivotal to building a base for sustainable growth.

In this section, we have highlighted three of the areas we are focusing on in the business strategies. As these three areas are of particular interest to investors, we explain them below in more detail.

Multi-Brand Strategy

Our Future 1

P. 14

Expanding the “au Economic Zone” in the Life Design Domain

Our Future 2

P. 16

Growth Fields— Business Services Segment

Our Future 3

P. 18

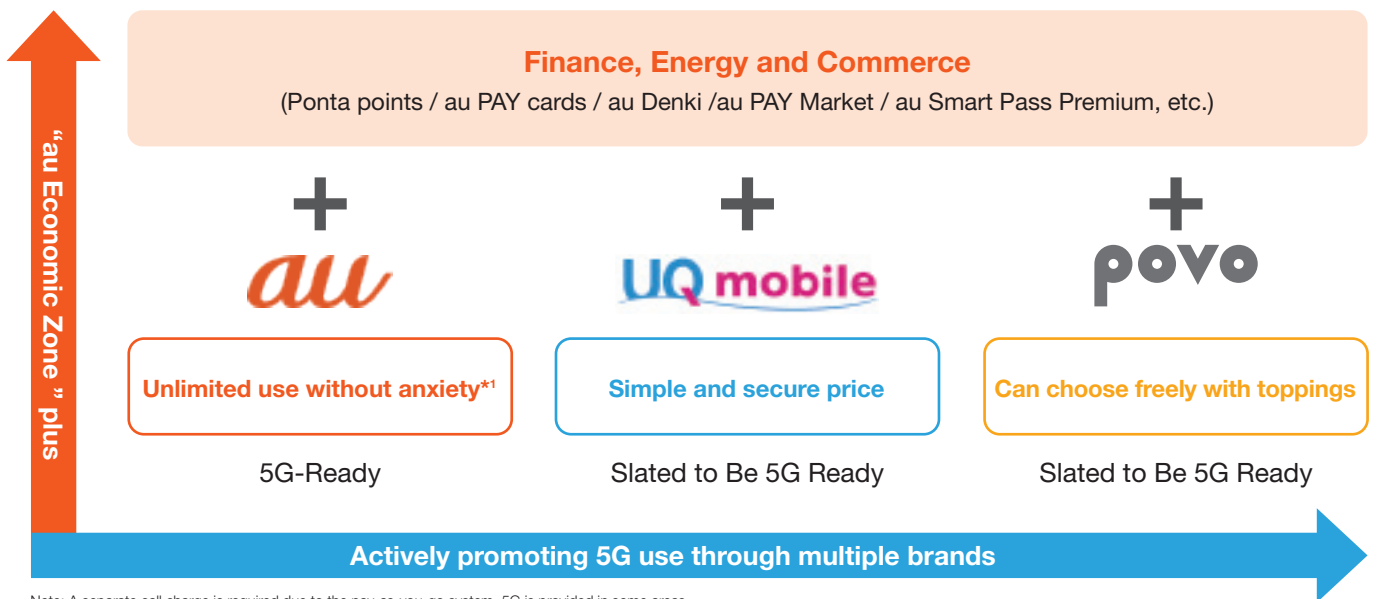
Our Future 1

Multi-Brand Strategy

In the mobile market in Japan, competition is being spurred by an expansion of budget smartphones, including MVNOs, and the market entry of a fourth telecommunications provider.

We will continue meeting customer needs, including pricing plans aligned to customer usage styles, as we aim to achieve growth in Multi-Brand Total ARPU by expanding 5G services and the “au Economic Zone.”

Aiming for Multi-Brand Total ARPU Growth through 5G × the “au Economic Zone”



Note: A separate call charge is required due to the pay-as-you-go system. 5G is provided in some areas.
*1 There are limits on data volumes for tethering and other functions. Speed may be controlled during congestion.

Multi-Brand Strategy

KDDI began offering “povo” with free-to-choose “toppings” from March 2021 in addition to unlimited-use “au” and the simple and secure price “UQ mobile.” UQ mobile will begin providing 5G service from September.

We will continue providing pricing plans that meet various needs and lifestyles and quickly create environments that enable the “AUGMENTED EXPERIENCE” value only possible with 5G. In this way, we aim to actively promote 5G use through multiple brands and increase data use by acquiring more new contract users and expanding 5G coverage.

In addition, from the perspective of “au Economic Zone” plus, we are bundling mobile services with services in the Life Design Domain, specifically financial services, including au PAY Card and mortgage, as well as energy services from au Denki, commerce services from au PAY Market, and au Smart Pass Premium. In this way, we will enhance engagement with customers as we strive to maximize the “au Economic Zone.”

We aim to achieve Multi-Brand Total ARPU growth by actively promoting 5G use and maximizing the “au Economic Zone.”

The Trusted au Network Building 5G Areas and Rolling Out Service Nationwide

As for building its 5G areas, KDDI is developing areas with an emphasis on the places our customers frequent most. From June 2021, we enabled use of our 5G network on all stations of the Osaka Loop Line and the Yamanote Line. In addition, we announced the au “Rail Line 5G Conversion” Declaration*² with the aim of turning rail lines into 5G areas. By the end of fiscal year 2022.3, we aim to create 5G areas at major stations along 5 lines in Kansai and 21 lines in Kanto (including JR and private railways), the platforms of those stations, as well as the trains that run on the lines.

In addition, when rolling out 5G nationwide, we will convert existing frequencies into 5G, in addition to utilizing new frequencies specifically for 5G. We expect to expand base stations to around 50,000 in March 2022, nationwide population coverage ratio 90%.

Under the slogan Zutto, Motto, Tsunagu Zo, au (Connecting more and always with au), we aim to provide communications services that continuously connect people, and we will continue providing 5G experiential value to customers going forward.

5G Area Nationwide Rollout

The end of March 2022

- Base Stations Approx. **50,000** stations (E)
- Nationwide population coverage ratio Approx. **90%***³ (E)

In addition to the new frequencies 3.7/4.0/28GHz, 5G conversion of existing frequencies is also underway
Promoting 5G network in preparation for the SA (Standalone) era

*² This does not guarantee use of 5G services inside train stations.
*³ -Nationwide population coverage ratio is calculated based on the area where communication is possible in 50% or more of the approximately 500 square meter sections used for the national census. 700MHz is the target for this coverage ratio

Simple and Secure Price “UQ mobile”

Following its merger with KDDI in October 2020, UQ mobile debuted as a new plan, and we began offering new carry over plan at simple and secure price from February 2021.

From June 2021, we began offering the “Discount with Denki (Electricity)” on telecommunications fees for individuals and families by joining eligible electric services. In early July 2021, all au Style and au shops locations nationwide began handling UQ mobile (excluding some stores).

As customer needs diversify, we aim to make UQ mobile a brand that is more closely aligned with customer lifestyles.

UQ mobile

Closer to customers' lives

Discount with Denki (Electricity)

Always a discount for families and individuals

Discount with Denki (Electricity) For Carry over Plan S

Pre-discount rate
¥1,480/month
(tax included ¥1,628)

Per person **¥900/month~ Forever** (tax included ¥990/month~)
Call charges of ¥22 per 30 seconds (tax included) will be charged separately

Data capacity 3GB/month

“au Economic Zone” services now also available on “UQ mobile”

Full support

Information at all au Style / au shops*⁴

Can choose Smartphone

We offer everything from the latest iPhones to the latest budget-friendly phones

*⁴ Excluding some stores

povo, Can Choose Freely with Toppings

From March 2021, we began offering the new pricing plan brand “povo.” povo is not a simple concept of being online only. We launched it with the aim of newly offering the unique value of “toppings.”

The plan features simple, speedy processing and can easily be customized to align with usage styles. Customers can choose from the toppings such as “5 Mins Voice” and “Unlimited Data 24h” depending on their usage style. Going forward, we will continue to add new toppings.

In addition, we opened the “povo Lab” in May 2021 as a co-creation place to promote development of toppings and services while incorporating customer feedback. By collaborating with customers and partner companies, we will continue adding toppings and providing new value to customers.

By building 5G areas and pursuing a Multi-Brand Strategy, we will evolve this into a more attractive brand based on customer needs.

povo

Providing unique value that we call “toppings”

What you want, only what you want, when you want it!

| | | | |
|----------------------------|-------------------------------|----------------------------------|-------------------|
| 5 Mins Voice* ⁶ | Unlimited Voice* ⁵ | Unlimited Data 24h* ⁷ | 1GB Data Addition |
|----------------------------|-------------------------------|----------------------------------|-------------------|

Plus service topping Sequentially added

Feel free

Quick and easy set-up

Customers customize their user experience

Co-creating toppings with customers through povo Lab

Customers

Collaboration

povo Lab

Partner companies

Note: povo is the online-only plan
*⁵ Some calls are not applicable. *⁶ A separate call charge is required for over 5 minutes.
*⁷ Control during congestion and communication with videos, etc.

Our Future 2

Expanding the “au Economic Zone” in the Life Design Domain



The Significance of Promoting the Life Design Domain

Utilizing its telecommunications business base, KDDI is more aggressively taking measures aimed at expanding non-telecommunications businesses as the Life Design Domain, including settlement and finances, energy, content, and commerce, with the aim of being a lifestyle partner for customers.

As competition in the telecommunications business heats up, we are promoting the Life Design Domain to enable the construction of an earnings structure not dependent on telecommunications, expecting the effect of enhancing engagement with customers.

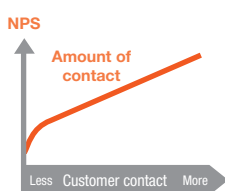
KDDI has long promoted initiatives to enhance NPS.*1 After analyzing the last few years, we saw a correlation where the more contact points we have with customers the more NPS improves. We have provided various life design products to enrich customers' lifestyles, helping expand our contact points.

Going forward, we aim to build robust, long-term engagement with customers. To this end, we will continue to further strengthen contact points that customers regularly use, like au PAY, and will become indispensable to daily life as customers use the type of services that are contracted over the long term, such as au Denki (electricity) and financial services.

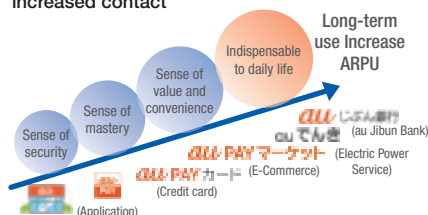
*1 Net Promoter Score

Life Design Services that Help Enhance Engagement

Correlation between customer contact and NPS



Enhancing engagement through increased contact



Growth Strategies in the Life Design Domain and the Expansion in the “au Economic Zone”

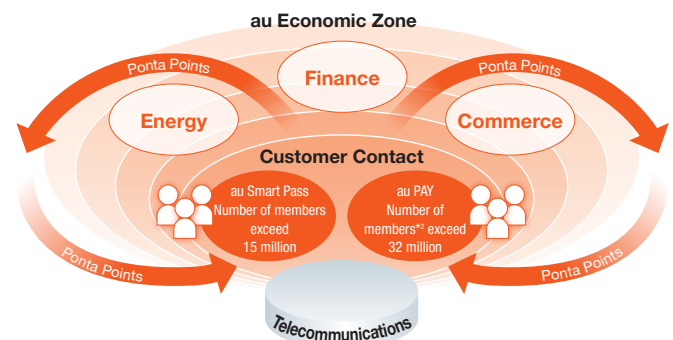
Growth in the Life Design Domain will accompany an increase in various service transactions and lead to an expansion in the “au Economic Zone.” To make the economic zone more attractive to customers, it is important to, of course, refine each product as well as to make greater use of KDDI's customer contact points.

In addition to its existing telecommunications customer base, KDDI also possesses the strong customer contact points detailed below. Then by having customers join the “au Economic Zone”, we award them Ponta Points. Moreover, KDDI is building an ecosystem where points circulate within the “au Economic Zone” by setting up the au PAY market as one place to use saved up points for bargains. Going forward, we aim to create a more virtuous cycle for points and maximize the “au Economic Zone.”

KDDI's Strong Customer Contact Points

1. Over 32 million au PAY members
2. Over 92 million Ponta members
3. Over 15 million au Smart Pass members

Growth Strategies in the Life Design Domain and Expansion of the “au Economic Zone”



Note: Figures listed are as of March 31, 2021
*2 au PAY members and au PAY Card members

au PAY is Steadily Expanding Centered on Customer Contact Points

With customer contact points as our center, the number of payment users, participating locations, and transaction volume are steadily growing. As of March 31, 2021, members of au PAY, which is the key to the “au Economic Zone” expansion, exceeded 32 million and the number of locations accepting smartphone payments and points exceeded 3.98 million.

In May 2020, we integrated “au WALLET” Points into Ponta Points, creating a point member base of over 100 million, one of the largest in Japan. With this member base as a foundation, we combined both groups' assets, such as KDDI's advanced technologies and Ponta partner Lawson's around 14,600 stores*3, to further expand contact and provide new experience value to customers.

In addition, the number of users is increasing as we promoted Ponta Point reward campaigns with Lawson, Uniqlo and other companies as well as drugstores, supermarkets, and other industries. Going forward, we will continue actively expanding the number of participating stores, especially those that customers regularly visit.

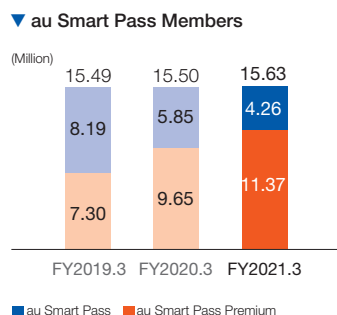


*3 As of May 2021

au Smart Pass, a Customer Contact Point and Robust Subscription Model

The number of members of au Smart Pass, which has attractive, bargain content services, is more than 15 million.

As a subscription model, au Smart Pass supports the earnings base of the Life Design Domain, and we are building it into a robust customer contact point like au PAY.



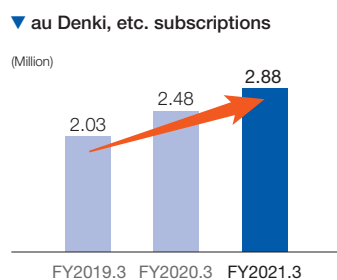
Contributing to the “au Economic Zone” in Tandem with an Expansion in the Number of Contracts, Including au Denki

By March 31, 2021, the number of contracts, including for au Denki, exceeded 2.88 million as the customer base steadily expands.

au Denki awards customers 1%, 3%, or 5% in points depending on their monthly electric bill.

Customers use the services at a bargain, significantly helping expand the “au Economic Zone.”

Going forward, we can expect the customer base to further expand, such as beginning the “Denki Discount” at UQ mobile.

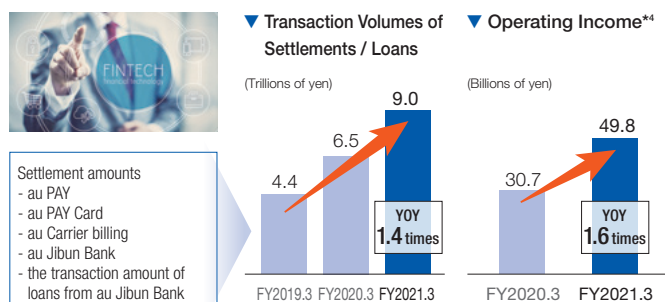


Settlement and Financial Business Leading Expansion in the “au Economic Zone”

The settlement and financial business is driving growth in the Life Design Domain.

The code settlement transaction amount expanded in the settlement business. Due in part to the effects of people isolating at home because of the COVID-19 pandemic, au Kantan settlements, which are au Carrier billing, grew significantly. As for the financial business, the au Jibun Bank settlement amount also grew significantly, including au Jibun Bank mortgage.

As a result, the transaction volume of settlement/loan in FY2021.3 exceeded ¥9 trillion, and operating income in the settlement and financial business significantly grew ¥49.8 billion, or 1.6 times, year on year.



*4 KDDI Group base and including au Financial Holdings

The Settlement and Financial Business Expect Further Growth

KDDI's Unique Product and Service Strengths

In FY2021.3, KDDI released unique, highly competitive products, such as Mortgage “au” mobile preferential discount of au Jibun Bank, enhanced au PAY gold card privilege, and au Kabucom Securities points investment. These were very well received by customers and helped steadily expand the number of contract customers.

au じぶん銀行

au Jibun Bank Mortgage“au” mobile preferential discount
(began offering in March 2021)

When used in a set with “Jibun Denki,” the interest rate is lowered by a maximum of 0.1% annually.*5



au PAY gold card privilege enhancement
(began offering in February 2021)

Using au telecommunications services and au-related services make it easier to save up Ponta points

au カブコム証券

au Kabucom Securities Co., Ltd. Point investment
(began offering in September 2020)

Begin easily investing with saved up Ponta points

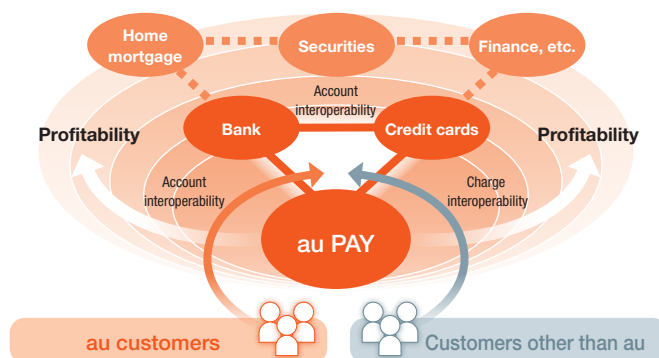
*5 A total of “Mortgage Jibun Denki preferential discount” (down 0.03% annually) and “Mortgage “au” mobile preferential discount” (down 0.07% annually)

Growth Strategies Going Forward

Going forward, based on au PAY, we will connect it with use of various settlement and financial services. To make it more convenient to use au PAY in daily life, collaboration between au Jibun Bank accounts and au PAY cards' au PAY charging is important.

Amid this situation, if the use of au PAY Card increases, it will also benefit bank account balances, and we expect finances to expand. In addition, possibilities of cross sales, such as mortgages, securities, and insurance, are expanding, and the base of the financial business will further expand.

Through au PAY, KDDI will continue to perpetuate this virtuous cycle.



New Services in the New Normal Era

In June 2021, we started smartphone-centric services for new lifestyles. Through collaboration with menu inc., we enhanced food and beverage services, including food delivery which is expected to see demand rise during the COVID-19 pandemic, and enabled total support for health and medical experiences through au Wellness.

With the aim of being closer with customers going forward, we will continue striving to create new value.



Our Future 3

Growth Fields— Business Services Segment

“DX Partner” Creating Businesses Together to Solve Customer Issues

Changes in the Environment Surrounding Companies and Expectations for KDDI

Japan faces increasingly diverse and complex issues. These include responding to the COVID-19 pandemic, a declining working-age population, issues related to employee working styles (namely balancing work with childcare and nursing care), and business issues related to achieving sustainable growth amid a challenging economic environment. Solutions to address these issues are essential.

Until several years ago, most customer demands centered on reducing telecommunication costs. Today’s demands are far wider ranging, from “flexibly responding to diverse workstyles that balance employee satisfaction and enhance cost efficiency” to “creating new businesses through digital transformation (DX) to nurture future growth pillars.”

KDDI is a DX Partner Creating New Businesses to Address Customer Issues

KDDI provides stable telecommunications services under any circumstances—24 hours a day, 365 days a year—to garner customer trust. As a result, we are also being chosen as a DX partner to create businesses with our customers as we work to genuinely solve their issues. Aiming to further enhance initiatives, we renamed the Corporate Business Division the Business Design Division in April 2021. The new name is imbued with the meaning of “actively visiting customers’ frontlines to uncover issues and contribute to business growth,” or in other words, “designing customer businesses.” Every employee will enhance their ability to understand customers and to solve issues. By combining KDDI Group assets, including 5G, IoT, and AI, we will solve customer issues through DX.

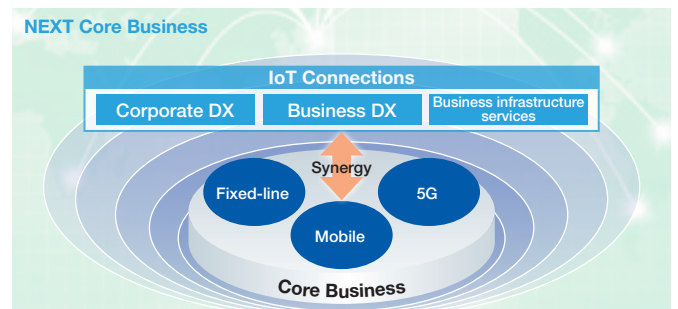
At the same time, we are integrating global divisions and establishing a system to globally roll out initiatives as a DX partner.

Business Services Segment Growth Strategies

As for the Business Services segment, we aim to achieve sustainable growth through double digit growth of the NEXT core business, which comprises corporate DX, business DX, and business infrastructure services, centered on the stable growth of the core business, which comprise mobile and fixed telecommunications.

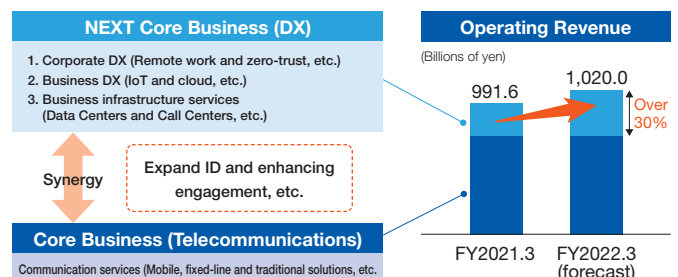
In the process of focusing on the NEXT core business, we need to enter our customers’ frontlines and gain a deeper understanding. To this end, we see a trend of greater engagement building up for customers who have contracts in the NEXT core business.

Furthermore, there are many cases of these kind of customers expanding contracts of the core business, leading to a virtuous cycle of generating synergy among the core business and the NEXT core business.



Focusing on NEXT Core Business (DX)

In the NEXT core business, operating revenue in the fiscal year ending March 31, 2022 will expand to over 30% of Business Services segment operating revenue.



1. Corporate DX

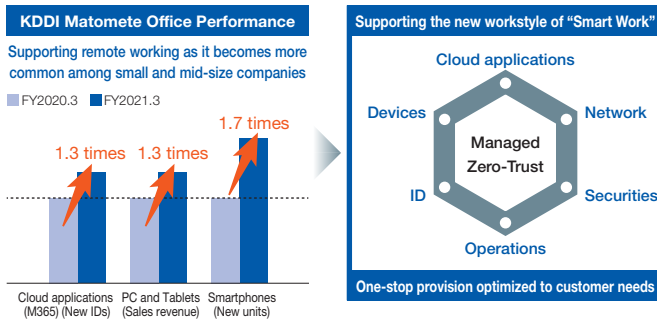
Through teleworking and zero trust solutions,*1 we will continue supporting companies' various workstyles.

Due to the COVID-19 pandemic, teleworking has become engrained in many companies. However, companies now face the urgent need to address looming threats in the existing perimeter-based security.*2

KDDI provides Managed Zero Trust in a one-stop place by optimally combining devices, networks, and security to solve customer issues by leveraging the know-how cultivated by practicing zero trust in its own operations.

*1 The concept of strengthening security by not trusting any internal or external traffic, inspecting each device when it accesses service, and makes a log.

*2 A security measure that blocks external attacks and ensures the safety of internal networks by constructing obstacles along the perimeter between external networks and internal networks.



2. Business DX

We will continue to help grow customer businesses through DX by leveraging 5G, IoT, cloud services, and other technologies. We have expanded the capabilities needed to support customer DX in order to address all the issues of different customers depending on their industry and business.

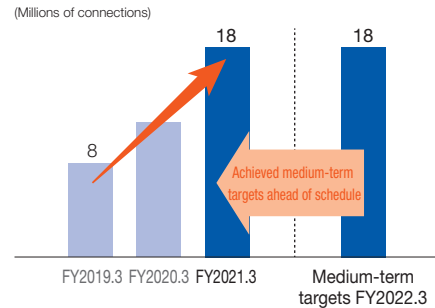
Abundant KDDI Group Capabilities



KDDI has supported customer businesses by providing machine-to-machine (M2M) services ahead of competitors from around 2000. Driven by automobiles, gas, and electricity, cumulative IoT connections grew significantly to over 21 million in March 2021, including connections with the Group company SORACOM.

Going forward, we aim to achieve further growth by globally rolling out the successful models we cultivated in Japan.

Cumulative IoT Connections (including SORACOM) Exceed 21 Million (March 2021)



3. Business infrastructure services

To support customer business growth, we are providing business infrastructure services, such as data and call centers that support business.

We have expanded our data centers to over 40 sites in 10 cities around the world, mainly in Europe. We are working to strengthen our base as a premium data center operator using high connectivity. In addition, as for our call centers, the Group company KDDI Evolva, Inc. has expanded its business base, and operating income in FY2021.3 has significantly grown 29% year on year.

Going forward, we will continue growing globally with customers and actively expand our business base.

Data Centers
(KDDI and TELEHOUSE)

Expanding European data centers that have high connectivity

- London: Plan to open new center in early 2022
- Paris: Expansion in February 2021
- Frankfurt: Expansion in June 2020

BPO4 and Contact Centers**
(KDDI Evolva, Inc.)

Operating income expanded +29% YOY

Opened the 5th contact center in the JR Sendai East Gate Building (March 2021)

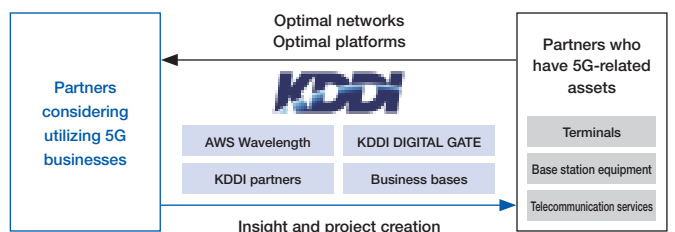
Now 14,700 seats at 37 sites nationwide**3

*3 As of March 31, 2021 *4 Business Process Outsourcing

Entering the Real 5G Era

In October 2020, we established the KDDI 5G Business Co-Creation Alliance. We will form a community with DX Business Partners who have various assets, such as technology and devices related to 5G, and will continue to support customer DX leveraging the special characteristics of 5G networks.

KDDI 5G Business Co-Creation Alliance



In December 2020, in collaboration with AWS, we began providing AWS Wavelength, the first telecommunications carrier in Japan to do so. By combining the au 5G network with AWS's mobile computing services, we will realize ultra-low latency telecommunications and continue providing new business chances for 5G to customers.

CFO Message



Through KDDI Sustainable Action, we aim to contribute to the sustainable growth of society and maximize corporate value.

Shinichi Muramoto
 Executive Vice President,
 Representative Director
 Executive Director, Corporate Sector

Corporate “Sustainable Growth” and Solutions for Social Issues

The COVID-19 pandemic completely upturned the day-to-day lives we had taken as a given and, due to this, many social issues were brought to the fore, including Japan’s lagging digitalization.

The key to resolving these issues is enhancing telecommunications and technologies. To realize Society 5.0, KDDI is implementing various initiatives with its partners. Everything will be connected through 5G and IoT in this more resilient society, which will utilize big data and AI extensively. In collaboration with many regional municipalities, we are working on solutions, for example, to such issues as smart agriculture

and smart fishing utilizing IoT, to achieve the sustainable development of regions and cities. We will contribute to building a sustainable society by continuing to provide new added value to customers and society based on big data collected by IoT.

Under the medium-term management plan (April 2019 –March 2022), KDDI clarified the relationship between the business plans of each department and the SDGs. Going forward, we aim to maximize corporate value by working hard to solve social issues through business.

KDDI Sustainable Action for 2030

KDDI’s Three Types of “Connecting”

For KDDI’s target SDGs, we clarified that we are connecting three ways: Connecting and protecting lives, Connecting Day-to-day Lives, and Connecting hearts and minds.

Under “Connecting and protecting lives,” we will build safe and reliable telecommunications infrastructure in preparation for intensifying large-scale natural disasters. Under “Connecting Day-to-day Lives,” we provide affordable, high-quality telecommunications services that serve

as the foundation of economies in developing Asian countries, thereby supporting people’s lives. Under “Connecting hearts and minds,” we promote initiatives related to supporting women and LGBTQ as a way to respect diversity as well as education to increase children’s IT literacy and enable them to properly and safely use smartphones.

[Page Link](#)

P. 29 KDDI Sustainable Action

▼ KDDI’s Three Types of “Connecting”

Connecting and Protecting Lives



This means ensuring communications during disasters with our resilient infrastructure.

It means implementing ICT technology to reduce environmental impact, helping our precious planet.

Connecting Day-to-Day Lives



This means helping resolve issues in communities, cities, and developing nations by bringing together new technologies and partners.

It involves developing human resources today, so that we can help create better lives tomorrow.

Connecting Hearts and Minds

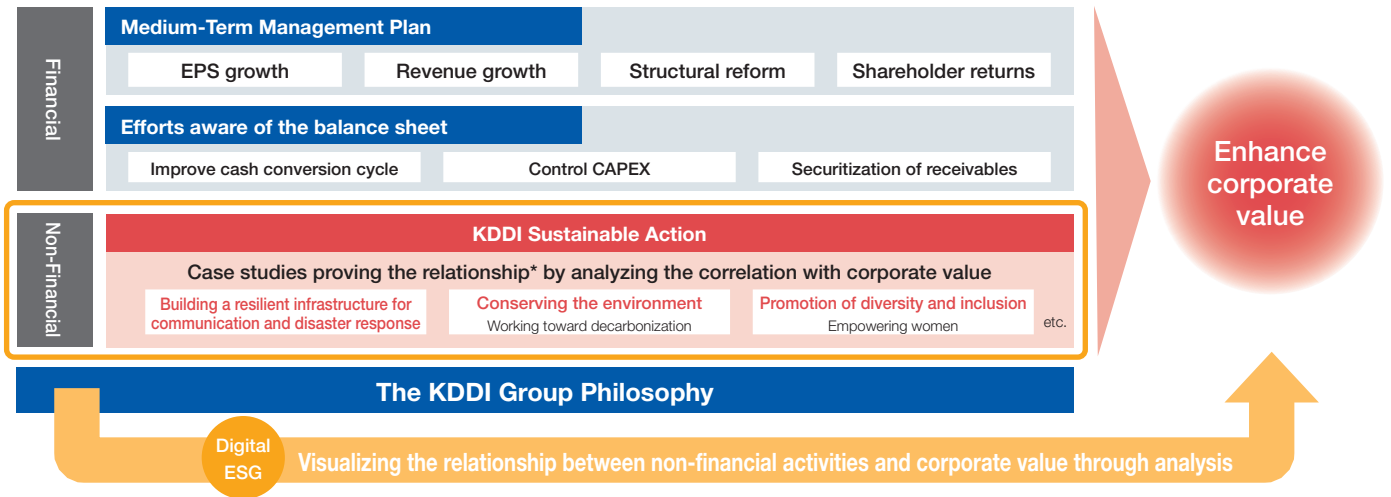


This means implementing initiatives aimed at creating a digital society characterized by affluence and peace of mind.

A society where diversity displaces isolation and all can enjoy healthy, fulfilling lives.

In this age of living beyond 100, this is more important than ever.

▼ Striving to Maximize Corporate Value



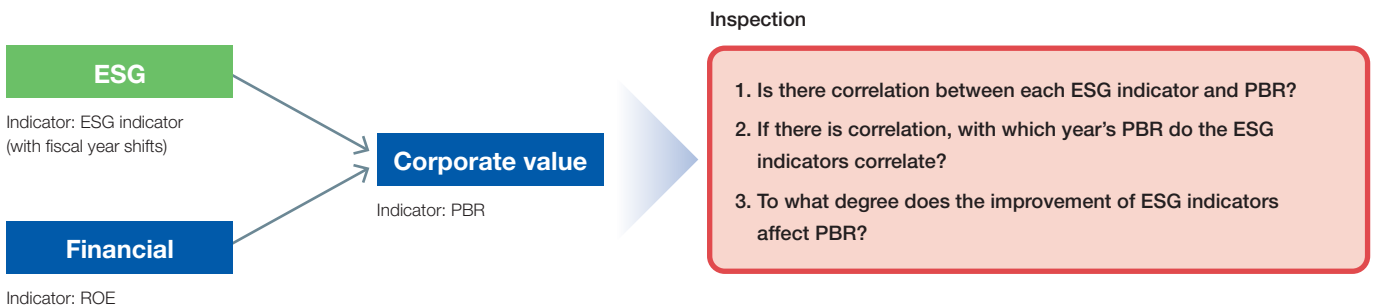
*Analyzed by ABeam Consulting ESG Platform based on the model developed by Mr. Ryohei Yanagi under the "CFO Policy" (Chuokeizai-sha Holdings, Inc. 2020) (January 2021)

Visualizing Non-Financials

We will promote KDDI Sustainable Action and undertake Digital ESG, for which we conduct practical data analysis of the relationship between non-financial activities and corporate value.

[Page Link](#) P. 30 Studying the Correlation between Non-financial Information and Corporate Value

▼ Analysis Method for Digital ESG Using Yanagi Model



Enhancing Cost Efficiency Accompanying Structural Reform

Under the current medium-term management plan, we aim to enhance cost efficiency by ¥100.0 billion over three years. The pillars of this effort are enhancing the efficiency of marketing as well as optimizing and enhancing the efficiency of network operations. We will give our best to undertake structural reform.

Cash Allocation and Shareholder Returns

Underpinned by the strong financial base and high cash flow generation ability, we prioritize growth investments for sustainable growth, conduct M&A centered around strengthening service capabilities in growth fields, and carry out capital investment centered around 5G. In addition, as for shareholder returns, we set a target of a dividend payout ratio of over 40% and dynamic share buybacks.

In Conclusion

We aim to achieve sustainable growth and enhance shareholder returns by informing management with the valued opinions gleaned from dialogue with shareholders and investors as well as the changes in behaviors of consumers who choose products and services from a perspective not limited to economic rationality or convenience.

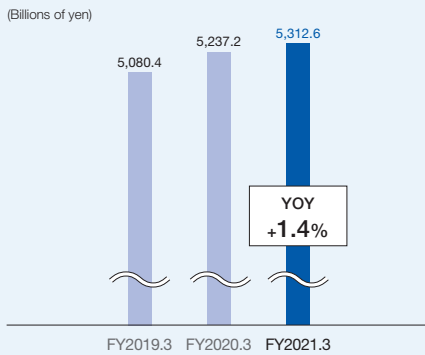
Financial Results Summary

Consolidated Financial Highlights for FY2021.3

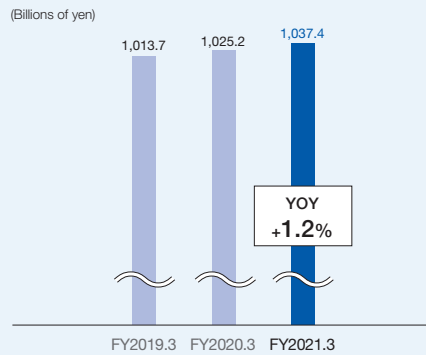
Consolidated operating revenue was ¥5,312.6 billion, up 1.4% year on year. Consolidated operating income was ¥1,037.4 billion, up 1.2% year on year, driven by higher income, especially in growth fields,

despite lower revenue from telecommunication revenues. Profit attributable to owners of the parent was ¥651.5 billion, up 1.8% year on year.

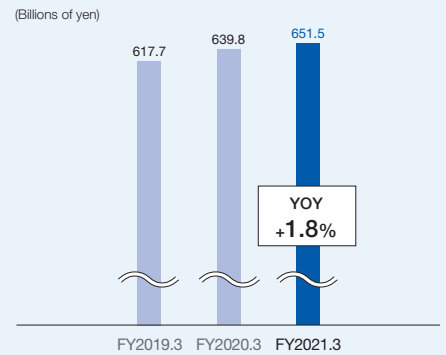
▼ Operating revenue



▼ Operating income



▼ Profit attributable to owners of the parent

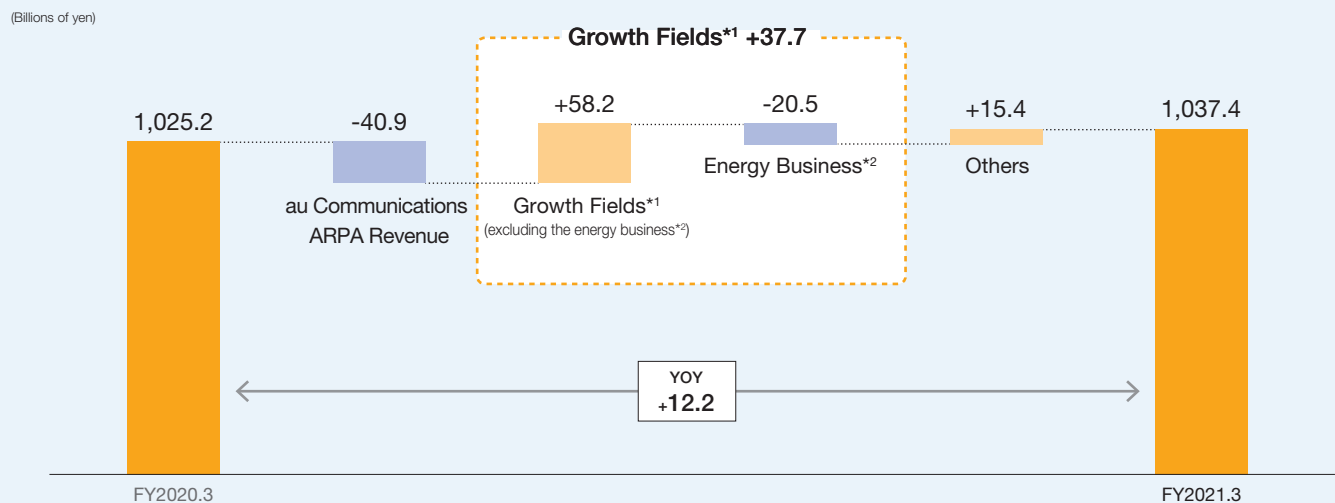


Operating Income: Factors for Change

Although au communications ARPA revenue was negative, higher income in growth fields drove financial results with the settlement and financial fields in the Life Design Domain driving profit growth and the Business Services segment steadily seizing teleworking and DX

demand. However, income in the energy business fell ¥20.5 billion, which we interpreted as a temporary effect while we implement measures to procure electric power sources going forward.

▼ Consolidated Operating Income for FY2021.3: Factors for Change



*1 The Life Design Domain and Business Services segment

*2 "au Denki" and other energy businesses of Group companies within the Life Design Domain

FY2022.3 Consolidated Operating Results Forecast

We expect consolidated operating revenue of ¥5,350 billion and operating income of ¥1,050 billion. Although we are expanding the number of Group IDs, we forecast revenue depressing effects due to lower Multi-Brand communications ARPU in line with a lowering of telecommunication revenues and will record costs related to the suspension of 3G, as

well as expenses to achieve further growth. Nevertheless, we aim to increase income on a consolidated basis by covering a decrease in revenue with roaming income in addition to generating profit mainly through the further expansion of strong growth fields and cost reductions accompanying structural reforms.

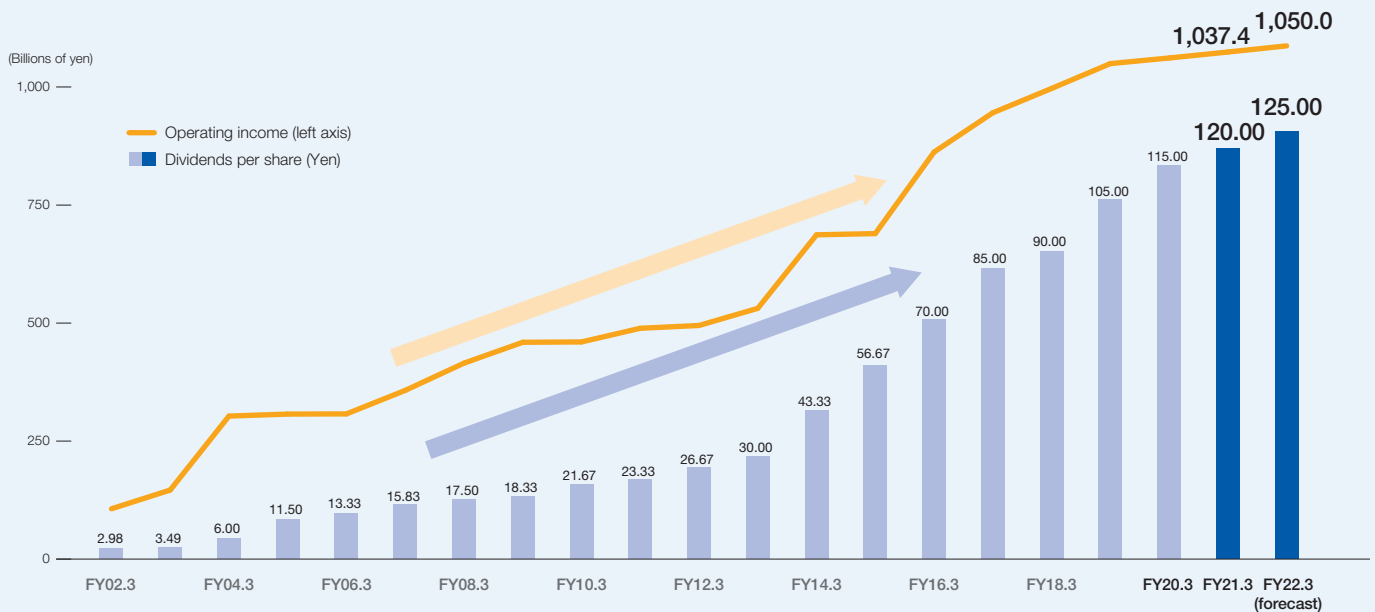
Shareholder Returns

Dividends per share in the fiscal year ended March 31, 2021 stood at ¥120 for the year (dividend payout ratio: 42.2%), a ¥5 increase year on year. The forecast for the current fiscal year is an increase of ¥5 to an annual dividend of ¥125, aiming for an increase in dividends for 20

consecutive fiscal years.

In addition, in line with steadily enhancing shareholder returns, we announced share buybacks of ¥150 billion in FY2022.3.

▼ Operating Income and Dividends per Share





Consolidated Financial Highlights*¹

(Years ended March 31)

| | Japanese GAAP | | | |
|--|---------------|------------|------------|------------|
| Consolidated | 2012 | 2013 | 2014 | 2015 |
| Operating Revenues/Operating Revenue ▶P. 41 | ¥3,572,098 | ¥3,662,289 | ¥4,333,628 | ¥4,573,142 |
| Operating Income ▶P. 41 | 477,648 | 512,669 | 663,245 | 741,299 |
| Operating Margin | 13.4% | 14.0% | 15.3% | 16.2% |
| EBITDA* ² | 908,499 | 959,571 | 1,186,069 | 1,292,597 |
| EBITDA Margin | 25.4% | 26.2% | 27.4% | 28.3% |
| Net Income/Profit for the Year Attributable to Owners of the Parent ▶P. 41 | 238,605 | 241,470 | 322,038 | 427,931 |
| Capital Expenditures ▶P. 43 | 421,568 | 467,020 | 571,799 | 576,197 |
| Depreciation and Amortization | 417,886 | 406,726 | 470,098 | 494,570 |
| Interest-Bearing Debt ▶P. 42 | 1,046,754 | 977,563 | 1,084,966 | 1,002,214 |
| Equity Ratio/Ratio of Equity Attributable to Owners of the Parent | 51.5% | 55.1% | 55.1% | 57.3% |
| Return on Equity/Ratio of Return on Equity Attributable to Owners of the Parent (ROE) | 11.5% | 11.2% | 13.0% | 14.9% |
| Return on Assets/Ratio of Return on Total Assets (ROA) | 12.3% | 12.7% | 14.7% | 14.5% |
| Earnings per Share/Basic Earnings per Share* ³ (yen/U.S. dollars) | 96.86 | 105.30 | 132.87 | 170.84 |
| Dividends per Share* ³ (yen/U.S. dollars) ▶P. 41 | 26.67 | 30.00 | 43.33 | 56.67 |
| Dividend Payout Ratio | 27.5% | 28.5% | 32.6% | 33.2% |
| Net Cash Provided by (Used in) Operating Activities | 725,886 | 523,908 | 772,207 | 962,249 |
| Net Cash Provided by (Used in) Investing Activities | (484,507) | (472,992) | (546,257) | (674,520) |
| Free Cash Flows* ⁴ ▶P. 43 | 241,379 | 50,916 | 225,950 | 287,729 |
| Net Cash Provided by (Used in) Financing Activities | (225,931) | (140,249) | (105,643) | (224,862) |
| Number of Consolidated Employees (people) | 19,680 | 20,238 | 27,073 | 28,172 |
| Number of Female Managers* ⁵ (people) | 113 | 124 | 140 | 177 |
| Number of Consolidated Foreign Employees (people) | — | — | 2,630 | 2,624 |
| CO ₂ Emissions* ⁶ (t) ▶P. 32 | — | 951,458 | 957,732 | 1,065,075 |
| Power Consumption* ⁷ (MWh) | 2,190,787 | 1,885,703 | 1,686,480 | 1,873,293 |

*¹ Terminology differences between Japanese GAAP and IFRS (adopted from the fiscal year ended March 31, 2016) will be presented as "Japanese GAAP/IFRS."

*² From the fiscal year ended March 31, 2013 and in the fiscal year ended March 31, 2015, the EBITDA calculation formula has been changed.

Until the fiscal year ended March 31, 2012 (JGAAP): EBITDA = Operating income + depreciation + noncurrent assets retirement cost

Until the fiscal year ended March 31, 2015 (JGAAP): EBITDA = Operating income + depreciation + amortization of goodwill + noncurrent assets retirement cost

Since the fiscal year ended March 31, 2015 (IFRS): EBITDA = Operating income + depreciation and amortization + noncurrent assets retirement cost + impairment loss

| | | | | | | | IFRS |
|------------|------------|------------|------------|------------|------------|-------------------|-----------------|
| | | | | | | | Millions of yen |
| 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | |
| ¥4,270,094 | ¥4,466,135 | ¥4,748,259 | ¥5,041,978 | ¥5,080,353 | ¥5,237,221 | ¥5,312,599 | |
| 665,719 | 832,583 | 912,976 | 962,793 | 1,013,729 | 1,025,237 | 1,037,395 | |
| 15.6% | 18.6% | 19.2% | 19.1% | 20.0% | 19.6% | 19.5% | |
| 1,284,553 | 1,410,971 | 1,524,207 | 1,560,061 | 1,598,670 | 1,750,861 | 1,786,170 | |
| 30.1% | 31.6% | 32.1% | 30.9% | 31.5% | 33.4% | 33.6% | |
| 395,805 | 494,878 | 546,658 | 572,528 | 617,669 | 639,767 | 651,496 | |
| 667,714 | 531,434 | 519,365 | 560,831 | 601,757 | 615,054 | 627,907 | |
| 518,708 | 532,442 | 545,177 | 546,609 | 562,282 | 689,473 | 727,438 | |
| 1,154,116 | 1,235,287 | 1,151,650 | 1,118,616 | 1,275,711 | 1,680,367 | 1,645,481 | |
| 54.5% | 56.3% | 56.7% | 57.4% | 57.1% | 45.8% | 45.2% | |
| 13.5% | 15.5% | 15.9% | 15.6% | 15.5% | 14.9% | 14.2% | |
| 12.1% | 14.5% | 15.0% | 15.0% | 14.6% | 12.1% | 10.3% | |
| 158.01 | 197.73 | 221.65 | 235.54 | 259.10 | 275.69 | 284.16 | |
| 56.67 | 70.00 | 85.00 | 90.00 | 105.00 | 115.00 | 120.00 | |
| 35.9% | 35.4% | 38.3% | 38.2% | 40.5% | 41.7% | 42.2% | |
| 968,752 | 884,538 | 1,161,074 | 1,061,405 | 1,029,607 | 1,323,356 | 1,682,166 | |
| (635,745) | (667,917) | (637,225) | (633,847) | (714,578) | (610,950) | (658,925) | |
| 333,006 | 216,621 | 523,849 | 427,558 | 315,028 | 712,406 | 1,023,241 | |
| (310,528) | (299,003) | (485,784) | (453,168) | (310,951) | (546,381) | (585,571) | |
| 28,456 | 31,834 | 35,032 | 38,826 | 41,996 | 44,952 | 47,320 | |
| 177 | 251 | 270 | 302 | 321 | 342 | 370 | |
| 2,624 | 4,380 | 4,423 | 4,308 | 4,208 | 4,393 | 4,581 | |
| 1,065,075 | 1,069,258 | 1,025,545 | 1,078,788 | 1,064,683 | 1,048,140 | 1,056,125 | |
| 1,873,293 | 1,939,115 | 1,913,747 | 2,086,626 | 2,151,456 | 2,262,524 | 2,360,349 | |

*3 Values are adjusted following stock splits conducted with effective dates of October 1, 2012, April 1, 2013, and April 1, 2015. Figures for previous fiscal years have been retroactively adjusted.

*4 Free cash flows = Net cash provided by (used in) operating activities + net cash provided by (used in) investing activities

*5 Including KDDI employees on loan outside of the Company in addition to full-time KDDI employees

*6 Non-consolidated basis. The power consumption is calculated using the emission factors furnished by electric utility operators (emissions including heat, steam, and hot/cold water).

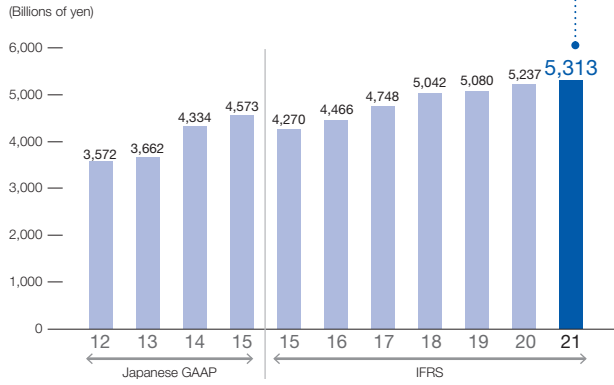
*7 Non-consolidated basis

Financial and Non-Financial Highlights

(Years ended March 31)

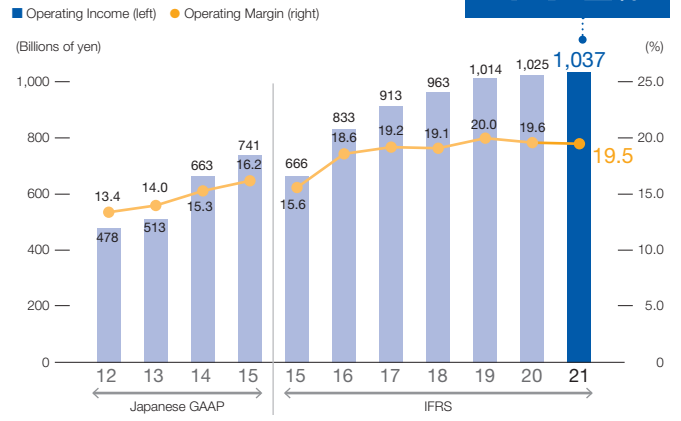
Operating Revenues/Operating Revenue

YOY
+1.4%



Operating Income

YOY
+1.2%



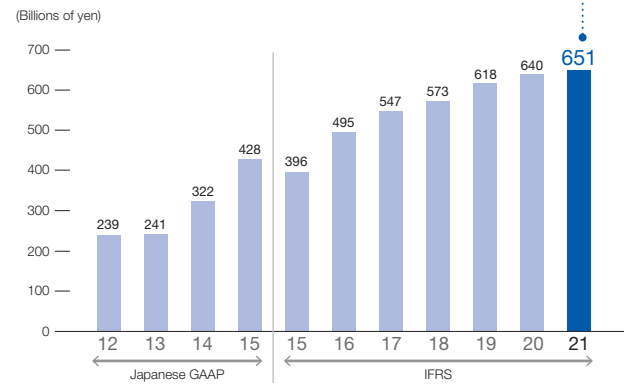
EBITDA

YOY
+2.0%



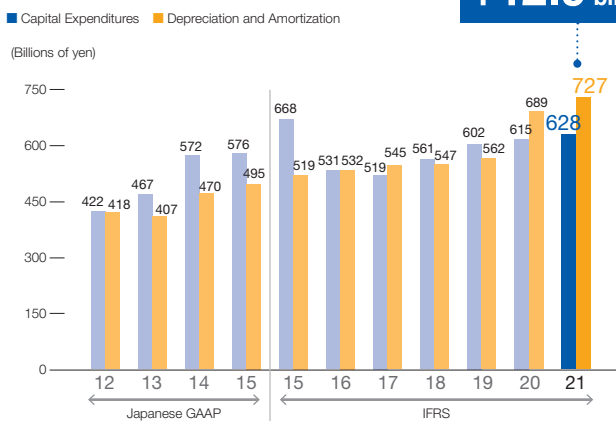
Net Income /Profit for the Year Attributable to Owners of the Parent

YOY
+1.8%



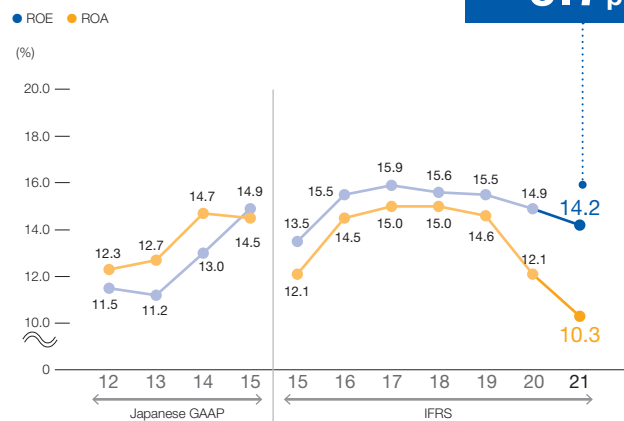
Capital Expenditures

YOY
+12.9 billion



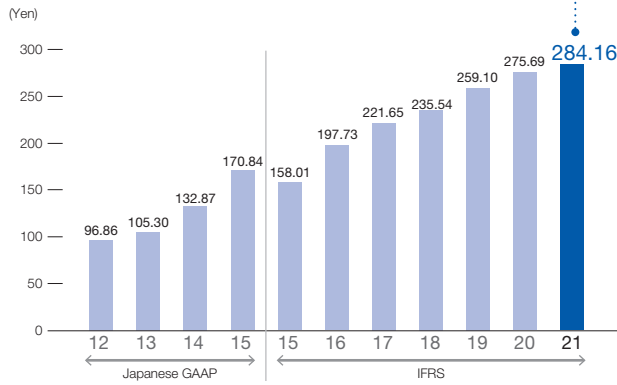
ROE

YOY
-0.7 pt



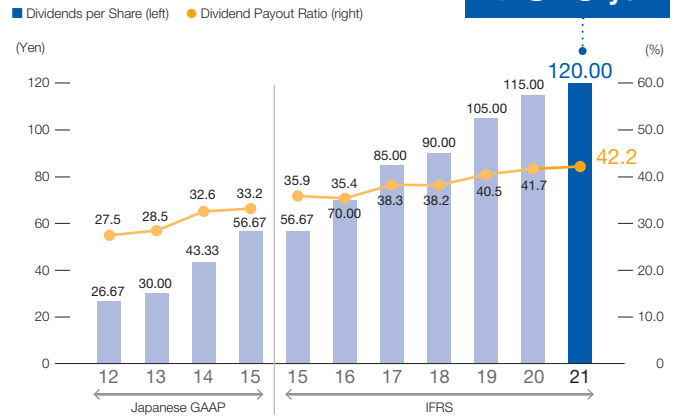
Earnings per Share/ Net Basic Earnings per Share (EPS)

YOY
+3.1%



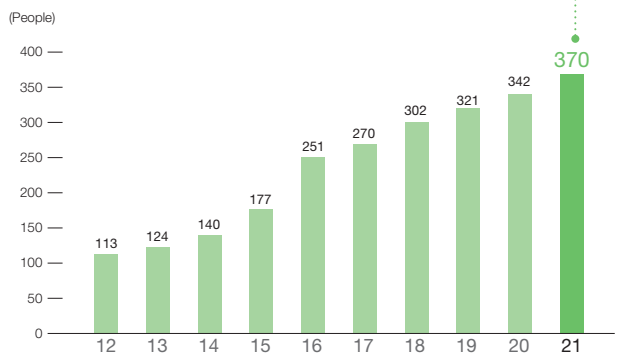
Dividends per Share

YOY
+5.0 yen



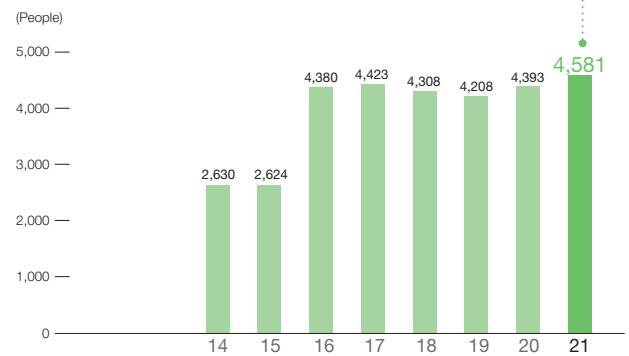
Number of Female Managers

YOY
+8.2%



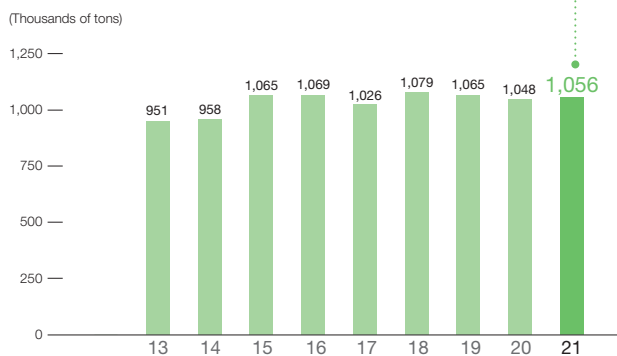
Number of Consolidated Foreign Employees

YOY
+4.3%



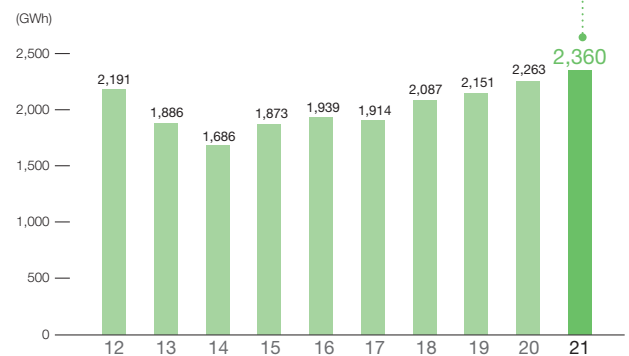
CO₂ Emissions (Non-consolidated)

YOY
+0.8%



Power Consumption (Non-consolidated)

YOY
+4.3%





KDDI Sustainable Action

Message from the Executive Officer of Sustainability

We work to strengthen sustainability management, aim to enhance corporate value, and return social value, environmental value, and financial value to all stakeholders.

Shinichi Muramoto

Executive Officer of Sustainability
Executive Vice President,
Representative Director
Executive Director,
Corporate Sector



Under the KDDI Group Mission Statement of “achieving a truly connected society,” KDDI works to solve social issues as an infrastructure company that underpins the information that serves as the basis for society.

In May 2019, we announced KDDI's target SDGs in conjunction with the medium-term management plan (April 2019 –March 2022). In May 2020, KDDI formulated “KDDI Sustainable Action”—KDDI's initiatives for the SDGs aimed at 2030. In consideration of the social issues and the business sectors KDDI can contribute to as a telecommunications operator, we revised KDDI's target SDGs into eight social fields.

Because I am both the Executive Officer of Sustainability and a financial officer, from both financial and non-financial perspectives, I work to strengthen sustainability management, aim to enhance corporate value, and return social value, environmental value, and financial value to all stakeholders.

Strengthening the Corporate Governance Framework

KDDI proactively adheres to the Corporate Governance Code and practices the KDDI Group Philosophy, the foundation of its corporate activities, even as business areas continue diversifying through initiatives in non-telecommunication fields.

In addition, under the Corporate Governance Code that was revised in June 2021, initiatives for issues surrounding sustainability have grown in importance. KDDI directly holds meetings with institutional investors on the topics of governance and sustainability as a part of its proactive approach toward communication with stakeholders to ensure their voices will be reflected in management.

Environmental Measures Centered on Climate Change Action

The accelerating momentum to address environmental issues is demonstrated by the Paris Agreement, the Sustainable Development Goals (SDGs), the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), the EU Taxonomy, and the Taskforce on Nature-related Financial Disclosures (TNFD), which was launched in June 2021. Through our core ICT operations, we contribute to improvements in work efficiency and reductions in the movement of people, helping to reduce CO₂ in society overall. However, these benefits are countered by the rather large environmental impact caused by the energy consumption of telecommunications equipment proportionate to the volume of telecommunications. Even considering that situation, KDDI declared it will lower the environmental burden of society

using ICT with the aim of achieving zero CO₂ emissions by 2050. Moreover, we expressed our support for the TCFD recommendations in April 2021 and, in July, raised our CO₂ emissions reduction target for FY2030 to a 50% reduction compared with FY2019. Going forward, we will work even harder to implement climate change action initiative that also cover the supply chain.

Transforming into a Company that Puts Human Resources First

As the productive population declines in Japan, it is imperative that companies provide attractive work environments that enable diverse work styles (times, places, employment types, etc.) so that employees can use their various skills to the fullest, with the ultimate aim of sustaining their growth as businesses and contributing to society. KDDI will continue to promote respect for diversity and build an organization that accommodates various personalities and abilities.

In addition, KDDI aims to transform into a company that puts human resources first by placing personnel training at the base of management. To this end, we are promoting three transformations by “introducing KDDI Version Job Style Personnel System,” “realizing Declaration of KDDI New Work Styles,” and “leveraging internal DX” to enhance employees' capabilities and productivity.

Initiatives for Issues Related to Human Rights

In the ICT industry, we face many potential human rights issues, including rights to privacy and freedom of expression, as well as requests from government authorities to disclose customer data for legitimate purposes. We will continue our efforts to identify and address human rights issues in our business activities while regularly holding relevant discussions with stakeholders and furthering understanding among employees of the KDDI Code of Business Conduct and the KDDI Group Human Rights Policy. In March 2020, we evaluated the impact on human rights in our overall business activities, and we will continue to highlight risks and opportunities in KDDI's businesses, take appropriate action, and continually monitor the effectiveness of those actions to improve even more.

Going forward, we will continue contributing to the sustainable growth of society and working to solve social issues and the SDGs while highly valuing communication with our stakeholders.

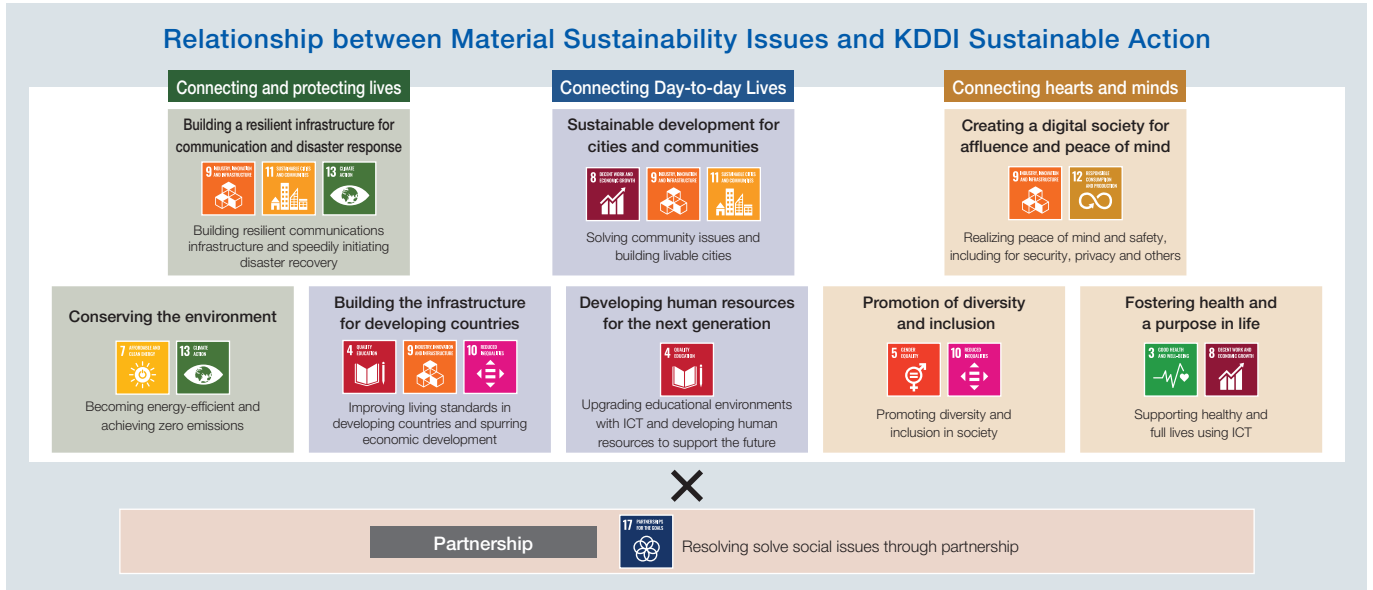
Reference The unabridged version of this message is available on page 20 of the Sustainability Report.

KDDI Sustainable Action

KDDI formulated KDDI Sustainable Action—KDDI’s initiatives for the SDGs aimed at 2030 with a determination to continue working to solve various social issues through business going forward.

By “Connecting and protecting lives,” “Connecting day-to-day lives,”

and “Connecting hearts and minds” while using 5G, IoT and other technologies, the Company will continue aiming to help solve social issues through business with its partners, achieve sustainable growth with society, and further enhance corporate value.



Relationship between Material Sustainability Issues and KDDI Sustainable Action

We have identified six material sustainability issues among the numerous issues we face in relation to our business activities. We have set KPIs for each issue and regularly check our progress.

The relationship between the material sustainability issues and the

eight social issue categories defined under KDDI Sustainable Action is explained in the table below. Promoting initiatives for the material sustainability issues will also lead to contributions to the SDGs.

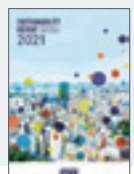
Relationship between KDDI’s Material Sustainability Issues and Eight Social Issue Categories (KDDI Sustainable Action)

| | | Social Issue Categories | | | | | | | |
|--------------------------------|--|---|----------------------------|--|--|--|--|--------------------------------------|--|
| | | Building a resilient infrastructure for communication and disaster response | Conserving the environment | Sustainable development for cities and communities | Building the infrastructure for developing countries | Developing human resources for the next generation | Creating a digital society for affluence and peace of mind | Promotion of diversity and inclusion | Fostering health and a purpose in life |
| Material Sustainability Issues | 1. Safer and more resilient connected world | ● | | ● | | | | | |
| | 2. Cyber security and privacy protection | | | | | | ● | | |
| | 3. Fulfilled life brought through ICTs | | | | ● | ● | | | |
| | 4. Rewarding workplaces for diverse talents | | | | | | | ● | ● |
| | 5. Respect for human rights and fairness in business | | | | | | | ● | |
| | 6. An energy-efficient, circular economy | | ● | | | | | | |
| Corresponding SDGs | | 9, 11, 13 | 7, 13 | 9, 11 | 4, 9, 10 | 4 | 9, 12 | 5, 10 | 3, 8 |

Sustainability Report 2021

All of KDDI’s sustainability activities are listed in the Sustainability Report 2021.

We recommend reading it in conjunction with this integrated report.





Studying the Correlation between Non-Financial Information and Corporate Value

KDDI's ESG Initiatives

- Striving to Enhance Corporate Value -

Nanae Saishoji

General Manager,
Corporate Management Division,
Corporate Sector
Executive Officer

KDDI utilized Digital ESG Analytics provided by ABeam Consulting to conduct a trial that analyzed the correlation between non-financial data and the price-to-book ratio (PBR), with an emphasis on expanding ESG disclosure. We held a dialogue regarding this initiative between Nanae Saishoji (executive officer and general manager of KDDI's Corporate Management Division) and Manami Konno (ABeam Consulting) on July 5, 2021.

Manami Konno

Senior Manager, Digital Process
Business Unit, FMC Sector,
ABeam Consulting Ltd.

History

Joined ABeam Consulting in 2006. Established the ESG sustainable management support service at the company and currently works as a manager for said service. Assigned to providing service to companies in Japan and abroad.

The COVID-19 Pandemic Has Brought Fundamental ESG Trends to the Fore

Saishoji KDDI formulated KDDI Sustainable Action in May 2020, publicly presenting its effort to enhance initiatives for social issues as a corporation. However, because the scope of the initiatives span a wide range, they have not progressed to the point where all the activities are visualized and quantified to publicly present the correlation with enhancing corporate value.

Although society has changed a lot due in part to the COVID-19 pandemic, the most significant change I felt was the sharp turn in the capital market from prioritizing shareholders to prioritizing stakeholders. I felt that it has become necessary to incorporate carbon neutrality and other ESG goals into management and rationally visualize those activities.

Konno ABeam Consulting's Digital ESG was conceived in 2017. ESG and sustainability have broken free of the framework of social contributions, we have worked in line with the idea that they should be incorporated into business management. The first company to introduce Digital ESG was Eisai Co., Ltd. in 2019.

I feel that rapidly increasing attention is being paid to what kind of impact ESG achievements and effects have on enhancing corporate value. Should profits be prioritized or shareholders, or should employees or the company's assets be protected, or should emphasis be placed on maintaining some economic activities? Amid the COVID-19 pandemic, a major change occurred in values, and we recognize the fundamental ESG trends received a huge boost.

I often hear that Japanese companies are behind on ESG goals. However, after studying the current situation of Japanese companies, I see that the public appeal of some various activities is insufficient and that the public do not know how management determines which ESG elements to incorporate into management issues. These two points have created an unfortunate situation. Japanese companies have the potential of rapidly growing investment and public opinion in ESG if they can overcome the situation.

Saishoji I also feel that Japanese companies haven't raised enough

awareness of the fact that they have imbued their strength of "coexisting with society" into their corporate value.

There is a strong correlation between enhancing corporate value and engraining the KDDI Philosophy, including eco-friendliness, R&D and promoting the advancement of female employees.

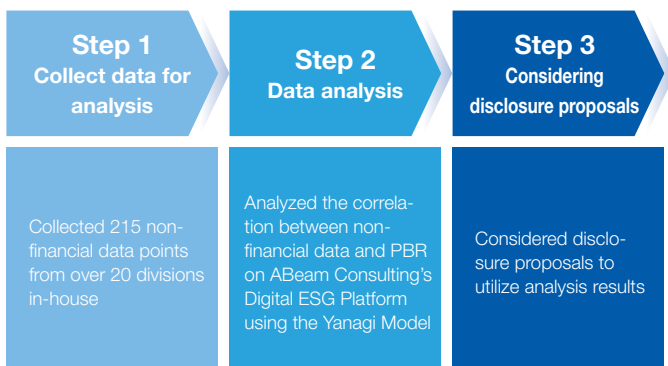
Saishoji Regarding co-existing with society, KDDI has the KDDI Group Philosophy, which outlines the policies, values, and code of conduct for employees. The Company aims to contribute to society and become a company that is beloved and trusted by all stakeholders, including customers and their cooperating partners. The philosophy is incorporated into the employees' daily corporate activities.

After receiving the suggestion from you, Ms. Konno, we worked to visualize the relationship between enhancing corporate value and promoting a wide range of non-financial initiatives, including activities related to the KDDI Group Philosophy, with an emphasis on enhancing IR disclosure as a trial.

Konno While it is positioned as a trial, we cooperated with various divisions with unlimited scope, gathering abundant data on 215 ESG indicators from over 20 departments and conducting an analysis. Looking at 45 indicators that showed promising correlations in line with KDDI's materiality, we realized that we were able to identify indicators that impact enhancing corporate value in fields that KDDI focuses its efforts on. We also saw that the more that the aforementioned the KDDI Group Philosophy becomes engrained in the frontline as an overarching purpose, the more that corporate value increases.

As the "correlation between greenhouse gas emission intensity and PBR" was highlighted in the full-year financial results presentation, the results showing that environmental initiatives help enhance corporate value are impressive. Among the many companies that incur costs responding to regulations, it is rare that a company actually conducts

▼ Digital ESG Trial



tests proving that environmental initiatives enhance corporate value.

Saishoji As a result of this analysis, I was impressed by the discovery of the correlation between R&D expenses and PBR. We have focused our efforts on basic research as well as commercial research and development with an emphasis on business.

Konno Even when verifying companies in the TOPIX 100 with a PBR over 1, we see a correlation between R&D expenses and PBR.

However, although a correlation emerges at these TOPIX 100 companies after six to 12 years, KDDI saw an impact on enhancing corporate value in a shorter time frame of just two to four years.

We recognize that the judgment criteria that management uses in its decision making or the development stance on the frontlines contribute to corporate value.

Saishoji Also, the results showed that raising the percentage of female employees leads to higher corporate value, and we reconfirmed the importance of incorporating the wide perspectives of diverse human resources.

**Analysis initiatives garner acclaim internally and externally
Aiming to evolve ESG management under the next
medium-term management plan**

Konno Although there had been an influx of different ESG-related guidelines, a trend toward unification has emerged. Accordingly, the trend is progressing in a visible way, such as whether to quantitatively assess the impact on corporate value and how to convert the impact into a financial amount and reflect it in accounting.

Through this trial, we realized ample data is readily available, and I imagine KDDI will move onto the stage of deciding how to utilize this data going forward.

Saishoji A major accomplishment of this Digital ESG initiative was centralizing the data that had been scattered about. I think it is important

▼ Examples of analysis results

| How much does PBR increase when the value of ESG indicators change (examples) |
|---|
| If we reduce greenhouse gas emission intensity by 10%, PBR six years later will increase 2.4%. |
| If we increase the number of KDDI Philosophy Workshops by 10%, PBR will increase 0.02% year on year. |
| If we increase the ratio of female employees by 10% (such as from 20% to 22%), PBR 13 years later will increase 3.4%. |
| If we increase R&D expenses by 10%, PBR two years later will increase 0.0009%. |

Note: Analyzed by Abeam Consulting ESG Platform based on the model developed by Mr. Ryohei Yanagi under the "CFO Policy" (Chuokeizai-sha Holdings, Inc. 2020)* (January 2021)

ant that we continuously organize and analyze the data. However, I feel that one issue is that because we disclose financial data on a consolidated basis in line with IFRS, when conducting ESG initiatives Group-wide, how should we collect information on that. And considering the different industries they span, that is a cause for concern.

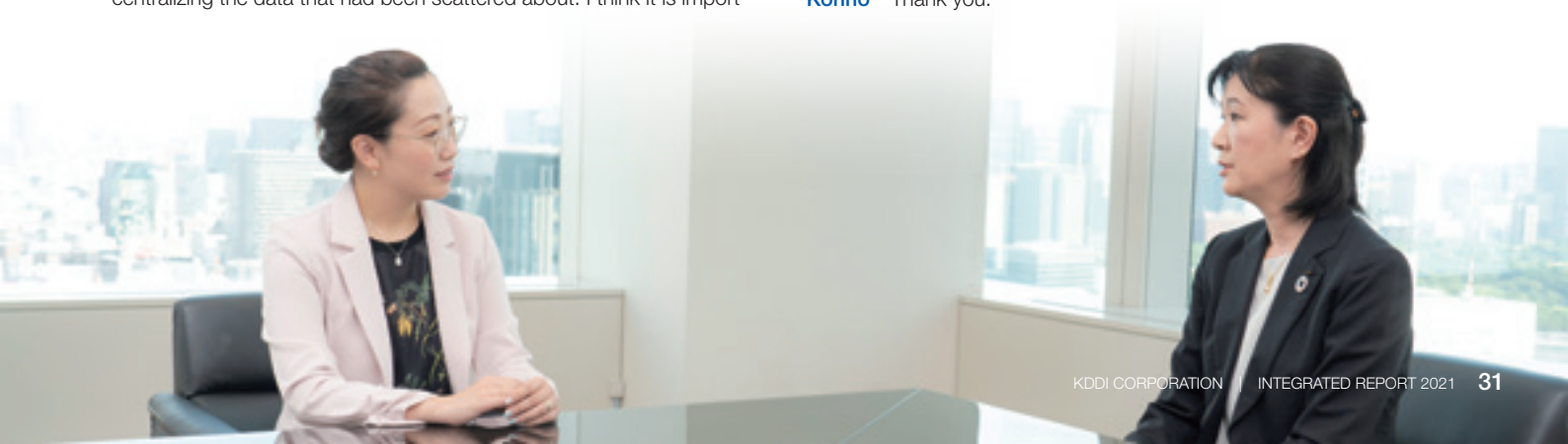
Konno The companies are located in different countries and regions and operate in different industries. I feel some very big issues are how much should be asked of companies using a universal ESG ruler and how should this standard be managed.

In addition, as for business management, what the data revealed is not all that is true. The key is to recognize how aligned and interconnected the data is with the KDDI Group Philosophy, strategies, policies, and initiatives, and to then leverage that. Regardless of the extent to which we quantified the value in ESG, it is important to figure out how we should utilize and analyze the data. Relying solely on the data and external index rankings would be moving in the wrong direction.

Saishoji At many of the recent meetings with institutional investors, much of the time spent on dialogue is dominated by ESG topics, and I really feel that the initiatives are being probed. Disclosure of the results of this analysis, as well as the content itself, received very high praise from the institutional investors. Internally too, the departments who participated in the analysis are saying that they too could feel the significance of their operations and the value they provide through Digital ESG.

And now that we are formulating a new medium-term management plan, we are discussing the setting of targets aimed at achieving true ESG management and establishing the mechanisms for that. We do not see these initiatives as temporary. We strive to continuously utilize and develop them. Thank you very much for speaking with me today.

Konno Thank you.



KDDI's Action on Climate Change

Aiming for net zero CO₂ emissions by 2050

KDDI Group recognizes the importance of fulfilling its duty as a responsible global corporate citizen to conserve and protect the Earth's irreplaceable environment so that it can be inherited by future generations. We are committed to pursuing our business in eco-conscious ways that fully respond to the global challenge of climate change.

In April 2021, KDDI announced its support for the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD).

We will continue strengthening our action on climate change with the aim of achieving net zero CO₂ emissions by 2050.

KDDI's Commitment: Tackling the Global Issue of Climate Change

The adoption of the Paris Agreement in 2015 initiated a trend in efforts to realize a decarbonized society among countries around the world.

In KDDI Sustainable Action, KDDI declared that it will reduce the environmental burden of society through the use of ICT with the aim of achieving net zero CO₂ emissions by 2050 as we strongly promote the shift toward renewable energy. Going forward, we will not only consider the risks of climate change and other social issues, we will also leverage KDDI's unique strengths utilizing 5G and IoT in an effort to solve those issues.



Climate Action

- Reduce KDDI's (Japan, non-consolidated) CO₂ emissions by 50% in FY2030 compared to FY2019^{*1}
- Use renewable energy, and upgrade to highly energy-efficient data centers and mobile phone base stations, etc.
- Contribute to reductions in society's CO₂ emissions by providing KDDI's information and communication technology (ICT) services

Creating a Society with Material Circularity

- Maintain zero emissions from retired telecommunication facilities^{*2}
- Maintain material recycling rate of 99.8% for used mobile phones

Conservation of Biodiversity

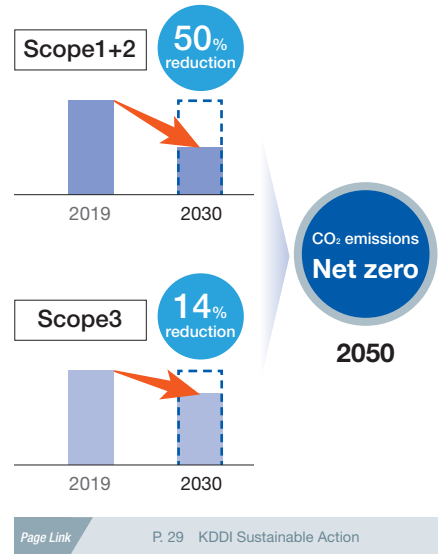
- Active promotion of initiatives using ICTs to conserve ecosystems

^{*1} This FY2030 target for CO₂ emission reductions is on the path for KDDI to achieve net-zero CO₂ emissions by 2050.

In order to achieve this target, KDDI will make use of various approaches to reduce CO₂ emissions, including the use of renewable energy.

^{*2} Zero emissions are defined as a final disposal rate of 1% or less.

CO₂ Emissions Reduction Targets



We consider promoting global environmental protection to be our important responsibility as a global company and are promoting various eco-friendly initiatives.

FY2020 Results (Scope 1 + Scope 2)

CO₂ emissions **1,056,125 t-CO₂**

We are working to reduce CO₂ to rein in the rapid rise in temperatures.
 • The CO₂ emissions are calculated using the emission factors furnished by electric utility operators. (Emissions from heat, steam and hot and chilled water consumption are included.)

FY2020 Results

Final disposal rate of removed telecommunications equipment **0.02%**

We are making effective use of waste as a new resource.

FY2020 Results

Material recycling rate of post-consumer mobile phones **99.8%**

We are promoting material recycling to make effective use of unneeded equipment and materials as a new resource.

FY2020 Results

Number of post-consumer mobile phone handsets collected **3,546,860**

We are collecting and recycling unneeded phones, batteries, and chargers.



The taskforce was established in December 2015 by the Financial Stability Board (FSB), which is formed by major countries' central banks, financial oversight agencies, financial ministries and other organizations. The purpose is to consider climate-related disclosures and financial institution actions.

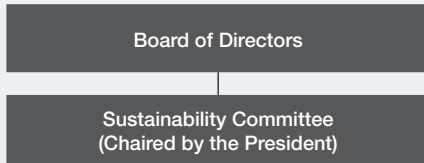
Disclosure Based on the TCFD Framework

In line with the TCFD recommendations, we strive to proactively disclose information based on the disclosure framework for “governance,” “strategies,” “risk management,” and “indicators and targets.”

Governance

The Sustainability Committee, which is chaired by the President and is primarily composed of the main members of the Board of Directors, convenes twice a year to deliberate sustainability-related issues.

The Board of Directors receives reports every quarter related to climate change from the Sustainability Committee and conducts oversight of and offers guidance on the implementation of measures for important issues and initiatives.



Risk Management

The Corporate Risk Management Division, which is charged with the KDDI Group's risk management, twice per year identifies all of the risks that have a significant impact on KDDI's finances and management strategies. The division manages climate change-related risks using environmental ISO systems and the environmental management system (EMS) approach. For risks that need to be managed, the division formulates yearly quantitative targets related to risk reduction in each relevant management department and assesses progress each quarter. Areas pointed out for improvement are reported to the Environmental Subcommittee, which is under the Sustainability Committee, then the risks and opportunities related to the entire Company and all departments are discussed at the Sustainability Committee, and the improvements are then approved.

Strategies

KDDI conducted two analyses. One was for the less than 2°C scenario (in which global average temperatures rise less than 2°C from preindustrial levels) where society rapidly realizes decarbonization. The other was for the 4°C scenario (in which global average temperatures rise 4°C from preindustrial levels) where climate change action is not taken and physical affects become prominent.

| | | KDDI's Risks | KDDI's Actions |
|------------------|---|---|---|
| Transition risks | Policies and rules | Carbon tax risks | |
| | Carbon taxes | Carbon tax risks | |
| | Tokyo Ordinances and Emission Regulations | Risk of increased cost for buying CO ₂ emission credits if unable to meet reduction targets (emission cap) | Purchased emission credits in the second compliance period to close the expected emission reduction gap (around 50,000 t-CO ₂) in the third compliance period |
| Transition risks | Introducing new technology | Risk of increased cost for developing AI technologies for base stations, new energy-saving technologies for various facilities, and CCUS technologies | Investing in the development of various technologies |
| | Markets and reputation | Risk of lower participation and reduced corporate valuation due to missed targets and delayed action to convert to renewable energy | Planning to switch from fossil fuel electric power to renewable energy electric power |
| Physical risks | Urgent risks | Risk of increased cost for human resources, etc. needed to rapidly respond to restore the telecommunications network | Preparing efficient restoration operations by revising BCPs and conducting training to restore networks during a disaster |
| | Chronic risks | Risk of increased electricity use for air conditioning at data centers | Installing highly efficient air conditioners and converting to renewable energy |

▼ Risk Management Process



Indicators and Targets

To achieve net zero CO₂ emissions by 2050, we revised our non-consolidated CO₂ emission reduction targets for fiscal 2030, lifting the targets to a 50% reduction in Scope 1+2 compared with 2019 and a 14% reduction in Scope 3 compared with 2019.

| FY2030 CO ₂ Emission Reduction Targets | |
|---|--|
| Scope1+2 | ▶ 50% reduction compared with FY2019 |
| Scope3 | ▶ 14% reduction compared with FY2019 |
| Reference | (2017 Announcement) FY2030 reduction target: 7% reduction compared with FY2013 |

Relationship with Enhancing Corporate Value (example of analysis results)

If we reduce greenhouse gas emission intensity by 10%, PBR six years later will increase 2.4%.

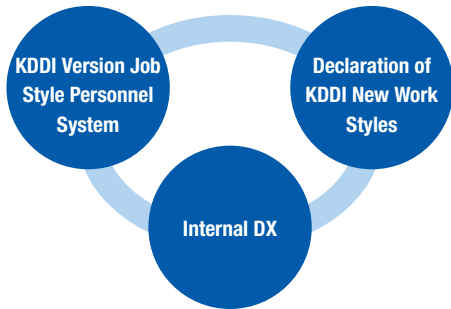
Note: Analyzed by ABeam Consulting ESG Platform based on the model developed by Mr. Ryohei Yanagi under the “CFO Policy” (Chuokezai-sha Holdings, Inc. 2020) (January 2021)

KDDI's Human Resources

Transforming into a Company that Puts Human Resources First

From fiscal 2020, under the Declaration of New Work Styles, KDDI promoted further work style reforms with the aim of transforming into a company that puts human resources first. To encourage a fundamental transformation of mindsets and behavior away from conventional work

styles and shift to highly productive work styles, we improved work environments, including by promoting DX, and formulated a new vision of work styles under KDDI Version Job Style Personnel System.



Improving Environments Supporting New Work Styles as Internal DX

Installing All Secure, Zero Trust PCs

Visualization of Work Style Data

KDDI Version Job Style Personnel System

The KDDI Version Job Style Personnel System was introduced in August 2020. The system creates and nurtures professionals by adopting job categories that clarify the scope of work duties and providing direct feedback to employees based on their accomplishments, endeavors, and abilities.

While maintaining its center in the telecommunications business,

Training Diverse Human Resources and Realizing Rewarding Work Environments

Regarding diversity and inclusion, which are indispensable to sustainable corporate growth, we declared “embracing diversity” as part of the KDDI Group Philosophy and are working to foster understanding internally.

Expanding Employment Opportunities and Advancement of Persons with Disabilities

A special KDDI subsidiary was established in 2008 to promote self-sufficiency and the flourishing of employees with disabilities. KDDI Challenged Corporation aims to expand and create work duties and occupations, such as operating cafes at three stores, to provide an environment where many types of people can work. To expand the employment of persons with mental disabilities, which was mandated in fiscal 2018, we conduct training prior to hiring in order to gain a better understanding of their particular characteristics. We continue to expand the scope of work duties and focus on developing various occupations to enable these employees to thrive and tap into their full potential in areas where they excel. Furthermore, KDDI's employment rate for persons with disabilities is 2.50%*1 (as of June 2021), surpassing the legally mandated rate of 2.30%.

*1 Including KDDI Challenged (special subsidiary) and KDDI Engineering

Declaration of KDDI New Work Styles

Let's Design Each Person's Work

We design work in line with employee life stages and values, connect their endeavors to personal growth, self-actualization, and the growth of the organization, and aim to become an attractive KDDI where employees are proud to work.

KDDI where employees are proud to work

Personal growth and self-actualization

Self endeavors

Growth of the organization

Employee change

Company change

| Workstyles | Mind set | Work environment | Rules and systems |
|---|---|--|---|
| Create new value through inter-organizational collaboration | A mind set where employees learn on their own, share their knowledge, and directly connect that to organizational achievement | Upgrade the environment using advanced technologies to enable employees to choose their times and places | A system that supports new workstyles and evaluates accomplishments and endeavors |

We accept diverse human resources, foster mutual trust and admiration, and make employee strengths the organization's strengths.

KDDI is expanding its new business fields, which also expands the fields in which employees can be active. All employees leverage the experience they cultivated in the existing telecommunications business and aim to actively acquire skills that can be used in new fields and become professionals who can be useful externally.

Promoting the Active Role of Senior Workers

KDDI has adopted systems that help its employees aged 50 years or older to play an active role in the workplace. We have established a post-retirement re-employment program for employees who have reached the mandatory retirement age of 60 and satisfy certain requirements, encouraging them to work as non-regular employees until age 65 at the latest. This system employs open recruiting, allowing the employees to select their desired job type and activity while creating a mechanism for former full-time employees to make full use of their skills and experience in various workplaces.

For employees nearing retirement age, we also hold seminars that inspire them to think about their life and work styles after 60. To create an environment to help senior employees further broaden their field of activities, since fiscal 2019 we have offered internal open recruiting opportunities and supported career development for employees aged 50 years or older.

Professional Advancement of Women

We strive to establish an environment and create a climate where diverse human resources can use their individual strengths to perform to the best of their abilities. We are focusing on cultivating female leaders, raising awareness while changing the behavior of management and improving the working environment, so that women can become ambi-

tious to build their own career and continue to work even while going through major life events, like giving birth and raising children.

In addition, KDDI has set the following targets related to the professional advancement of women up to fiscal 2022 for the introduction, implementation, and entrenchment of the new personnel system.

Targets

- 1 Percentage of women in upper management candidate training: at least 20%
- 2 Promoting women to core management positions: at least 200
- 3 Percentage of newly hired female graduates: at least 30%

Actions

- Train upper management candidates
KDDI has set a target of at least 20% of women participating in the management team training program and is expanding opportunities for training that lead to hiring in higher positions.
- Cultivate leaders consistently through the Female Line Manager Program
- Hold seminars for female students

By achieving our targets related to higher positions, core management positions, and hiring, we will continue supporting the formation of a pipeline for the professional advancement of women.

Cultivating and Promoting Female Leaders

Under the new personnel system introduced in fiscal 2020, KDDI defined “core management positions” as leaders of organizations who are authorized to conduct personnel evaluations and experts in specialized fields. We set a numerical target of promoting 200 women to core management positions up to March 31, 2022. Progress on this front is reported every six months to a meeting attended by managers. We are also striving to expand our female managers training program, which will lead to more female leaders.

At the same time, KDDI is collaborating with its Group companies on promoting the professional advancement of women in line with Japan’s Women’s Advancement Act, and we are working on further promotion across the entire Group.

(Persons)

| | | |
|---|--------------------|-----|
| Executives / directors | Executive officers | 2 |
| | Outside directors | 1 |
| Core managers and other managers | | 370 |
| | Core managers only | 175 |
| Line managers of 19 major subsidiaries in Japan | | 281 |

(as of April 1, 2021)

Cultivating Women (outside the company): Cross-Industry Forums

We encourage female employees to get motivated, raise their self-awareness and viewpoints as a leader, and further enhance their leader qualities through participation in various opportunities for personal exchanges. The opportunities include the “Eijo College” that aims to create a management model for female sales representatives, “J-Win” for development of female leaders, “the International Conference for Women in Business” where approximately 800 women gather from Japan and abroad to achieve self-growth, and “the Lead the Jibun Camp” designed for a person to lay the foundation as an innovative leader.

Cultivating Women (inside the company): Female Line Manager Program

Between fiscal 2016 and fiscal 2020, we conducted the Female Line Manager Program, which aims to establish a career path that leads officers and line managers to target female employees, currently just below section manager, as candidates for general manager positions.

Selected managerial candidates had the opportunity to participate in “Mind Up Seminars,” where they learned the skills necessary for leadership and adjusted their mindsets. In addition, we helped them develop leadership skills and grow further as leaders by promoting dialogue with female executive role models within the Company. We are continuously providing e-learning for all line managers, including male managers, to raise awareness of the necessity and method for cultivating female managers as we work to reform mindsets within the Company.

From fiscal 2021 on, we will continue focusing on promoting KDDI Version Job Style Personnel System, which is now in full force.

We will also continue implementing systems focused on each employee’s ambitions and individuality to ensure life events do not cause work disruptions.

Relationship with Enhancing Corporate Value (example of analysis results)

If we increase the ratio of female employees by 10% (such as from 20% to 22%), PBR 13 years later will increase 3.4%.

Note: Analyzed by ABeam Consulting ESG Platform based on the model developed by Mr. Ryohei Yanagi under the “CFO Policy” (Chuokeizai-sha Holdings, Inc. 2020) (January 2021)



Material KPIs

FY2020 Results

| ESG | Materiality | Issues | FY2020 Material KPIs | Boundary (scope of aggregation) | | FY2020 Results | |
|-----------------|---|---|---|---------------------------------|------------|--|--------------------|
| | | | | KDDI Unconsolidated | KDDI Group | Results | Evaluation** |
| S • Society | 1 Safer and more resilient connected world | <ul style="list-style-type: none"> Resilience to extreme weather events Risk management | 4G LTE population coverage rate over 99.9% (FY2021) | ● | | 99.9% | Still under way |
| | | | Implement measure to enhance the resilience of telecommunication routes | ● | | The Shikoku Route was made more resilient (February 2021) | Achieved |
| | | | Number of serious accidents: 0 (Note) Following the guidelines of the accident reporting criteria of Japan's Ministry of Internal Affairs and Communications | ● | | 0 (no accidents) | Achieved |
| | | | Implement measures to prevent leaks and enhance earthquake protections at communication stations (FY2021) | ● | | Measures to prevent leaks were taken at 11 additional communication stations (March 2021) | Still under way |
| | 2 Cyber security and privacy protection | <ul style="list-style-type: none"> Utilization of information assets and tightening of security Data privacy | Data security incidents: 0 (Note) Data breaches, complaints, etc., that are illegal or subject to regulatory guidance | ● | ● | 0 | Achieved |
| | | | Data security training for all employees: held at least once a year | ● | | 3 times (Implemented an e-learning program for all employees) | Achieved |
| | 3 Fulfilled life brought through ICTs | <ul style="list-style-type: none"> Contribution to economic growth through robust information communication infrastructure Improvement of access to education, medicine and other public services through ICTs Promotion of employment creation and capacity building Innovation management | Provide 5G services in all prefectures of Japan (FY2021) | ● | | All prefectures | Achieved |
| | | | 60 regional revitalization projects (initiatives to co-create solutions for issues with regions using IoT and ICT) (cumulative total FY2020.3–FY2022.3) | ● | | 20 (FY2020) | Still under way |
| | | | Reach 78 million mobile connections*2 in developing countries where KDDI has a communications business presence (FY2021) | ● | ● | 73,990,000 | Still under way |
| | | | Realize highly effective learning environments using adaptive learning*3 and other advanced techniques (FY2021) | ● | ● | Began providing "English Time," which enables dialogue-based English vocabulary training by talking with a device installed with Amazon Alexa (February 2021) | Still under way |
| | | | Transaction Volume of Settlement/Loan: 6.0 trillion yen (FY2021) | ● | ● | 9.0 trillion yen (FY2020) | Still under way |
| | 4 Rewarding workplaces for diverse talents | <ul style="list-style-type: none"> Promotion of diversity and inclusion Human resource development and career development Pursuit of employee satisfaction Promotion of health-focused management | <ul style="list-style-type: none"> Promoting measures to hire 200 female line managers (by the end of FY2020) Building KDDI's Group-wide system for the professional advancement of women | ● | | Female core managers 175 (as of April 1, 2021) | Not achieved yet |
| | | | Percentage of newly hired female graduates: 30% (by the end of FY2020) | ● | | 32.4% (FY2020) | Achieved |
| | | | Disability employment rate: statutory rate achieved | ● | *4 | 2.50% as of June 2021 | Achieved |
| | | | As a leading company in promoting the professional advancement of elder employees, establish a foundation for promoting such advancement (FY2021 target) | ● | | <ul style="list-style-type: none"> Established a scheme for elder employees to apply for in-house positions Implemented career seminars for elder employees as planned, and finished establishing a foundation for promoting advancement | Still under way |
| | | | Healthcare management initiatives <ul style="list-style-type: none"> Illness detection rate (legally mandated): 55% or less (target figure for FY2020 end) Rate of smokers: 18% or less (target figure for FY2020 end) | ● | | <ul style="list-style-type: none"> Illness detection rate: 63.7% (FY2020) Rate of smokers: 24.3% (FY2020) | Not achieved yet |
| G • Governance | 5 Respect for human rights and fairness in business | <ul style="list-style-type: none"> Pursuit of sustainable procurement Respect for workers' rights Prevention of corruption and bribery Promotion of fair and proactive communication | Number of cases of human rights violation: 0 Note: Human rights violation refers to abuse of human rights, such as power harassment, subject to disciplinary action. | ● | | 2 | Not achieved yet |
| | | | KDDI Group Philosophy Study Session attendance: 100% | ● | | 93.8% | Not achieved yet |
| | | | Measures for instilling the KDDI Code of Business Conduct company-wide: 12 or more per year | ● | | A direct link to the KDDI Code of Business Conduct was provided in the company cars of all employees, enabling them to reference it at any time | Achieved |
| | | | Collection rate of sustainable procurement surveys: 90% | ● | | 96% | Achieved |
| | | | KDDI Smartphone & Mobile Phone Safety Classes, Comprehension Rate, Satisfaction Rate <ul style="list-style-type: none"> For youths: satisfaction with lecturers: 99%; desire to reapply: 85%; start new types of courses For older people: comprehension rate: 86%; usage rate: 92% | ● | | <ul style="list-style-type: none"> For youths: satisfaction with lecturers: 98.9%; desire to reapply: 86.9%; start of online courses For older people: comprehension rate: 85.5%; usage rate: 94.1% | Partially achieved |
| E • Environment | 6 An energy-efficient, circular economy | <ul style="list-style-type: none"> Energy efficiency improvement and utilization of clean energy Zero emissions and 3Rs Mitigation of society's impact on environment through ICTs | 7% reduction in CO ₂ emissions in FY2030, compared to FY2013 for KDDI (in Japan, non-consolidated). | ● | | FY2020 target: 1,002,522t-CO ₂ *5 FY2020 results: 1,056,125t-CO ₂ *5 | Still under way |
| | | | Maintain zero emissions from retired telecommunication facilities Final disposal rate: 1% or less (Zero emissions is defined as having a final disposal rate of 1% or less) (FY2030) | ● | | Final disposal rate: 0.02% (FY2020) | Still under way |
| | | | Upgrading to highly energy-efficient data centers in Japan and abroad (FY2030) | ● | ● | Began providing the domestic data center TELEHOUSE TOKYO Tama5 (July 2020) | Still under way |
| | | | Maintain material recycling rate of 99.8% for post-consumer mobile phones (FY2030) | ● | | 99.8% (FY2020) | Still under way |
| | | | Post-consumer mobile phones collected over 5 years (aggregated): 6 million (Target for FY2018-FY2022) | ● | | FY2020 target: 3,600,000 (cumulative) FY2020 results: 3,546,860 (cumulative) | Still under way |

*1 The status of KPIs with a target set to achieve by FY2021 and beyond are indicated as "Still under way" across the board, including those progressing according to the FY2020 plan.

*2 Number of mobile connections: Number of activated SIM cards (GSMAs "Mobile connections, including licensed cellular IoT") We have revised upward the FY2021 target.

*3 Adaptive learning: The provision of study materials and learning methods optimized for each individual, based on each student's level of understanding and progress.

*4 Includes KDDI Challenged (special subsidiary) and KDDI Engineering

*5 The CO₂ emissions are calculated using the emission factors furnished by electric utility operators. (Emissions from heat, steam and hot and chilled water consumption are included.)

Material KPIs

FY2021 Targets

| ESG | Materiality | Issues | FY2021 Material KPIs | Boundary (scope of aggregation) | |
|---|---|---|--|---------------------------------|------------|
| | | | | KDDI Unconsolidated | KDDI Group |
| S • Society | 1 Safer and more resilient connected world | <ul style="list-style-type: none"> Resilience to extreme weather events Risk management | 4G LTE population coverage rate over 99.9% (FY2021) | ● | |
| | | | Create 5G areas at the platforms and stations of major legs of 21 Kanto train lines and 5 Kansai train lines, including JR and private train companies, as well as inside the trains that run between these stations (FY2021) | ● | |
| | | | Number of serious accidents: 0 * Following the guidelines of the accident reporting criteria of Japan's Ministry of Internal Affairs and Communications | ● | |
| | | | Implement measures to prevent leaks and enhance earthquake protections at communication stations (FY2021) | ● | |
| | 2 Cyber security and privacy protection | <ul style="list-style-type: none"> Utilization of information assets and tightening of security Data privacy | Data security incidents: 0 Note: Data breaches, complaints, etc., that are illegal or subject to regulatory guidance | ● | ● |
| | | | Data security training for all employees: held at least once a year | ● | |
| | 3 Fulfilled life brought through ICTs | <ul style="list-style-type: none"> Contribution to economic growth through robust information communication infrastructure Improvement of access to education, medicine and other public services through ICTs Promotion of employment creation and capacity building Innovation management | 60 regional revitalization projects (initiatives to co-create solutions for issues with regions using IoT and ICT) (cumulative total FY2019–FY2021) | ● | |
| | | | Reach 78 million mobile connections*1 in developing countries where KDDI has a communications business presence (FY2021) | ● | ● |
| | | | Realize highly effective learning environments using adaptive learning** and other advanced techniques (FY2021) | ● | ● |
| | | | Transaction Volume of Settlement/Loan: 9.3 trillion yen (FY2021) | ● | ● |
| | 4 Rewarding workplaces for diverse talents | <ul style="list-style-type: none"> Promotion of diversity and inclusion Human resource development and career development Pursuit of employee satisfaction Promotion of health-focused management | Promoting measures to hire 200 female line managers (by the end of FY2022) | ● | |
| | | | Percentage of newly hired female graduates: 30% (by the end of FY2021) | ● | |
| | | | Disability employment rate: statutory rate achieved | ●*3 | |
| | | | As a leading company in promoting the professional advancement of elder employees, establish a foundation for promoting such advancement (FY2021) | ● | |
| | | | Training security personnel: maintain 200 employees | ● | |
| | | | LGBTQ+ ally recognition rate: 70% (by the end of FY2021) | ● | |
| Usage rate of annual paid leave: 80% (by the end of FY2021) | | | ● | | |
| Rate of return from parental leave of absence for: 100% for both men and women (by the end of FY2021) | | | ● | | |
| Healthcare management initiatives <ul style="list-style-type: none"> Illness detection rate (legally mandated): 62.4% or less (by the end of FY2021) Rate of smokers: 20.3% or less (by the end of FY2021) | ● | | | | |
| G • Governance | 5 Respect for human rights and fairness in business | <ul style="list-style-type: none"> Pursuit of sustainable procurement Respect for workers' rights Prevention of corruption and bribery Promotion of fair and proactive communication | Number of cases of human rights violation: 0 Note: Human rights violation refers to abuse of human rights, such as power harassment, subject to disciplinary action. | ● | |
| | | | KDDI Group Philosophy Study Session attendance: 100% | ● | |
| | | | Conduct Group company executive officer training Post-training satisfaction survey rate: 95% | ● | ● |
| | | | Collection rate of sustainable procurement surveys: 90% | ● | |
| | | | KDDI Smartphone & Mobile Phone Safety Classes, Comprehension Rate, Satisfaction Rate <ul style="list-style-type: none"> For youths: satisfaction with lecturers: 99%; desire to reapply: 85%; establish online courses For older people: comprehension rate: 86%; usage rate: 92% | ● | |
| E • Environment | 6 An energy-efficient, circular economy | <ul style="list-style-type: none"> Energy efficiency improvement and utilization of clean energy Zero emissions and 3Rs Mitigation of society's impact on environment through ICTs | 50% reduction in CO ₂ emissions in FY2030, compared to FY2019 for KDDI (in Japan, non-consolidated). | ● | |
| | | | Achieve zero CO ₂ emissions by 2050 | ● | |
| | | | Maintain zero emissions from retired telecommunication facilities Final disposal rate: 1% or less (Zero emissions is defined as having a final disposal rate of 1% or less) (FY2030) | ● | |
| | | | Utilizing renewable energy and upgrading to highly energy-efficient data centers, mobile phone base stations and other equipment (FY2030) | ● | ● |
| | | | Maintain material recycling rate of 99.8% for post-consumer mobile phones (FY2030) | ● | |
| Post-consumer mobile phones collected over 5 years (aggregated): 6 million (Target for FY2018-FY2022) | ● | | | | |

*1 Number of mobile connections: Number of activated SIM cards (GSMA's "Mobile connections, including licensed cellular IoT")

*2 Adaptive learning: The provision of study materials and learning methods optimized for each individual, based on each student's level of understanding and progress.

*3 Includes KDDI Challenged (special subsidiary) and KDDI Engineering

The Japanese Market and KDDI

Mobile Communications Subscriptions

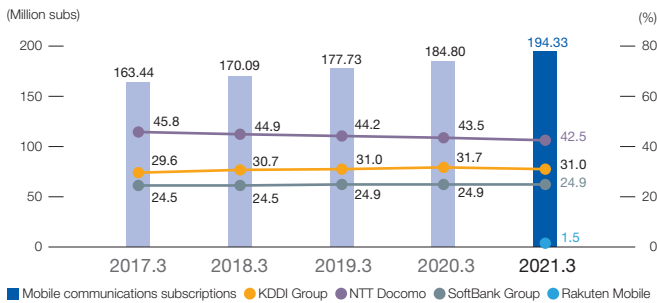
As of March 31, 2021, cumulative mobile communications subscriptions in Japan totaled 194.33 million,*¹ up 5.2% year on year. The mobile market continues to grow, driven by the spread of smartphones, lower fees stimulating the market, and increased use in business, including IoT.

Of this total, the KDDI Group's share fell 0.7 points year on year to 31.0%*².

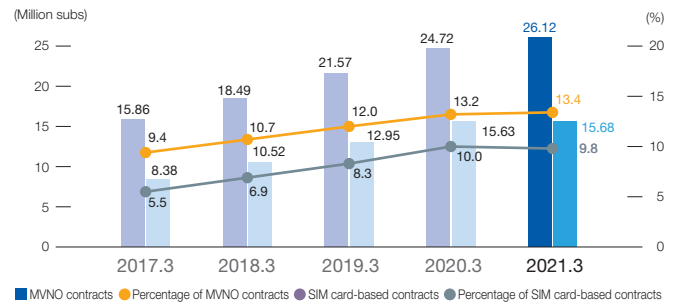
There has also been continued growth in the number of service contracts for MVNO,*³ up 5.6% from a year earlier to 26.12 million.*¹ The percentage of MVNO contracts among mobile telecommunications reached 13.4%.*⁴

Of this total, UQ mobile's and the KDDI Group's MVNO service contracts (BIGLOBE mobile, J:COM MOBILE) expanded 27.8% year on year to a combined total of 3.92 million.

Mobile Communications Subscriptions*¹



MVNO Service Contracts and Percentage of Contracts*⁴



*¹ Source: Official Announcement of Quarterly Data on the Number of Telecommunications Service Subscriptions and Market Shares (FY2020 Q4 (End of March 2021)), Ministry of Internal Affairs and Communications
 *² The KDDI Group includes KDDI, Okinawa Cellular Telephone Company (au), and UQ Communications. The SoftBank Group includes SoftBank and Y!Mobile. In addition, the figure includes subscriptions related to providing services to each company's MVNO.
 *³ MVNO: Mobile Virtual Network Operator
 *⁴ Percentage of MVNO contracts = MVNO service contracts / mobile telecommunications contracts
 Percentage of SIM card-based contracts = SIM card-based contracts / (mobile telecommunications contracts - telecommunications module contracts provided by MNOs)
 The number of SIM card-based contracts provided by MVNOs is a total of the numbers reported from MVNOs that have more than 30,000 contracts.

Market Trends for Mobile Phone Fees

In Japan, to spur competition in the mobile market and protect users, the Telecommunications Business Law was partially revised in October 2019. To lighten the burden on users, there have been subsequent discussions about lowering mobile phone fees.

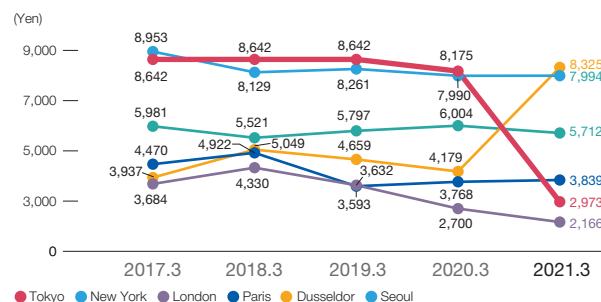
Mobile phone fees for 20GB of data remained the highest in Japan until 2019 among six major cities around the world. In October 2020, the Ministry of Internal Affairs and Communications announced an action plan to establish a fair competitive environment in the mobile market with the aim of lowering mobile phone fees. Following that, each MNO company launched new inexpensive brands and new pricing

plans, including for 20GB of data, by March 2021.

As a result, in the survey in May 2021, the same 20GB plan in Japan was the second lowest among the six cities around the world, achieving a major reduction in fees.

KDDI offers 20GB of data per month for ¥2,480 (excluding tax) and launched au's new online-only brand "povo" from March 2021. We aim to offset any reduction in profit across the Group by introducing this new brand, and maintain growth by further enhancing our mobile multi-brand strategy and the Life Design Domain, which is a non-telecommunications domain.

Fees for 20GB*⁵ of Data for 4G Smartphones in Tokyo and Five Other Cities (providers with the No. 1 MNO share)



*⁵ The 20GB data survey has been conducted monthly since 2016.
 Source: In May 2021, the Ministry of Internal Affairs and Communications announced the "Results of the Fiscal 2020 Internal and External Price Difference Survey Related to Telecommunications Services (Overview)."

Fixed-Line Telecommunications Business Domain

As of March 31, 2021, the number of fixed-line broadband subscriptions was up 3.6% year on year to 42.68 million.*1

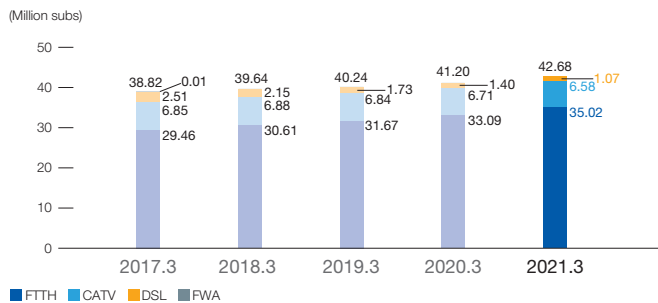
The market for fixed-line broadband service continues to expand gradually, driven by sales of discount bundled mobile and fixed-line services and the opening of new markets by new operators using the wholesaling fiber access service of NTT East and NTT West. In addition, we expect the fixed-line broadband service business to remain firm due in part to increased demand, including for telework, remote learning, and

video streaming, caused by the COVID-19 pandemic countermeasures.

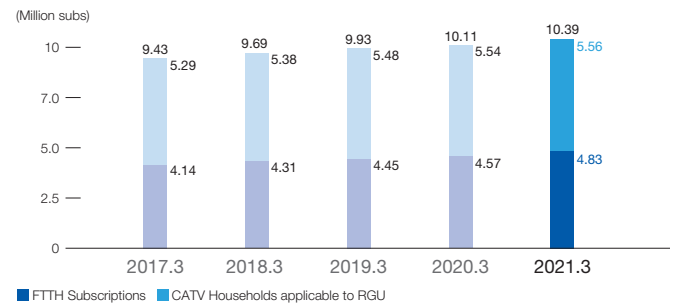
The number of KDDI's domestic broadband subscriptions (FTTH subscriptions + CATV Households applicable to RGU) slightly increased at 10.39 million, up 2.7% year on year.

By cross-selling FTTH and CATV to the au and the Group's MVNO services, we expect the KDDI Group customer base to continue growing stronger and expanding.

Number of Fixed-Line Broadband Subscriptions*1 in Japan



Total of FTTH Subscriptions*6 and CATV Households applicable to RGU*7



*6 FTTH subscriptions: au HIKARI + Commuf@-hikari + au HIKARI Chura (OCT) + HIKARI J + BIGLOBE HIKARI and others (Personal Services segment basis)
*7 RGU: Revenue Generating Units. Each household's subscription to CATV, high-speed Internet connection, or telephony services represents one RGU.

Impact of the COVID-19 pandemic and KDDI's Business Status

Due to the spread of the COVID-19 pandemic in Japan, three emergency declarations were made from April 2020 to April 2021. During this time, the government asked people to stay home to stop the rise in cases, causing a major shift toward online in people's lives and consumption as more people spent most of their time at home. As for KDDI's businesses, the English speaking school AEON and Kidzania, which operates work experience facilities, bore temporary impacts. But we developed new businesses adapted to the new normal, such as

conducting both online and offline lessons at AEON and, for Kidzania, conducting online work experiences and programs where children can deepen their knowledge of work.

In addition, due to the stay-at-home demand, in the Life Design Domain, sales expanded for the settlement business, commerce, content, and more, and in the Business Services segment, corporate teleworking demand increased, and the performance of cloud apps, PCs, tablets, and smartphones remained strong.

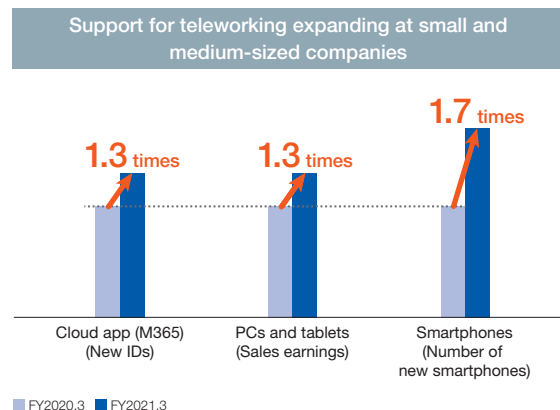
AEON's Free Online Lessons (August 2020–February 2021)



A child using Kidzania's online program



KDDI MATOMETE OFFICE Performance



Status of frequencies allocated to each telecommunications company and building high-quality networks

Smartphones and 5G devices have become more common, performance has improved, content services and applications have diversified, such as social media sites, videos, and video games, and telecommunications technologies have evolved. Due in part to this, Japan's mobile traffic volume has continued to increase. Average monthly traffic and peak traffic have both increased around 1.3 times over the most recent year (source: Ministry of Internal Affairs and Communications' Current Status of Japan's Mobile Telecommunications Traffic (for September 2020)).

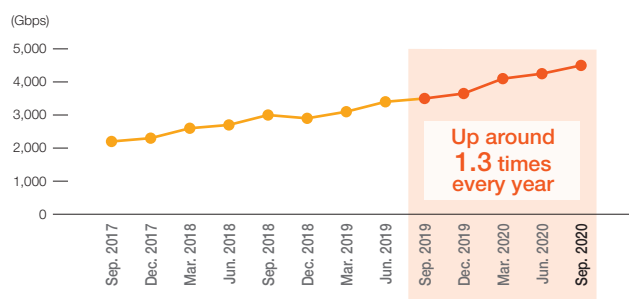
Going forward, as 5G and unlimited plans become more widespread, we expect larger volumes of data use as well as increases in traffic every year for business use, such as IoT business, teleworking, online education, and remote medicine.

KDDI was allocated a total of 240MHz for 3G and 4G and 600MHz for 5G for a combined total of 840MHz of frequencies and conducts mobile telecommunications business across a wide range of frequencies. To expand the service area, enhance connectivity, and respond to the increase in data traffic, we expanded and installed new wireless base stations and conversion equipment and are working every day to enhance the quality of our telecommunications.

We plan to end 3G service on March 31, 2022 to effectively utilize the limited frequencies. This will help enhance 4G-LTE quality, and we can consolidate telecommunications into the two 4G and 5G categories. In this way, we strive to reduce network operations cost and promote the reformation of the earnings structure of the mobile telecommunications business.

Going forward, we will continue striving to enhance the quality of the mobile telecommunications business, improve cost efficiency, and enhance customer satisfaction as a foundational business to support the growth fields of the Life Design Domain and the Business Services segment.

Average Monthly Traffic



Note: The collective mobile telecommunications traffic volume (non-voice) data for six mobile telecommunications providers. Measured and collected on a monthly and per-hour basis by transmission packet converter (GGSN/EPC) equivalent of both uploads and downloads.

Allocation of Bandwidth among Japan's Mobile Telecommunications Operators (As of April 30, 2021)

Excels in overall area coverage

- Large areas can be covered by one station
- Encompasses broad area, not easily blocked

Excels in high-volume transfers

- Only small areas can be covered by one station
- Allocated a broad frequency range, allowing high-speed transfer

| | 700MHz | 800MHz /900MHz | 1.5GHz | 1.7GHz | 2.1GHz | 2.6GHz | 3.5GHz | 4G Total | 3.7GHz /4.5GHz | 28GHz | 5G Total | Total bandwidth |
|----------------|--------------|----------------|---------|---------|--------------|---------------------|--------------|----------|----------------------|----------|----------|-----------------|
| au + UQ WIMAX | LTE/NR (FDD) | FDD-LTE 3G*1 | FDD-LTE | FDD-LTE | FDD-LTE 3G*1 | WIMAX 2 + (TDD-LTE) | LTE/NR (TDD) | | NR (TDD) | NR (TDD) | | |
| | 10MHz | 15MHz | 10MHz | 20MHz | 20MHz | 50MHz | 40MHz | 240MHz | 200MHz*3 (100MHz) x2 | 400MHz*3 | 600MHz | 840MHz |
| NTT DOCOMO | 10MHz | 15MHz | 15MHz | 20MHz*2 | 20MHz | | 80MHz | 240MHz | 200MHz*3 (100MHz) x2 | 400MHz*3 | 600MHz | 840MHz |
| | 10MHz | 15MHz | 15MHz | 20MHz*2 | 20MHz | | | | | | | |
| SoftBank | 10MHz | 15MHz | 10MHz | 15MHz | 20MHz | | 80MHz | 250MHz | 100MHz*3 | 400MHz*3 | 500MHz | 750MHz |
| | 10MHz | 15MHz | 10MHz | 15MHz | 20MHz | 30MHz AXGP | | | | | | |
| Rakuten Mobile | | | | 40MHz*4 | | | | 80MHz | 100MHz*3 | 400MHz*3 | 500MHz | 580MHz |
| | | | | 40MHz*4 | | | | | | | | |

*1 au 3G services using 800MHz and 2.1GHz will shut down on March 31, 2022.

*2 Only in Tokyo, Nagoya, and Osaka

*3 Newly allocated by the Ministry of Internal Affairs and Communications on April 10, 2019

*4 Of this 40MHz, 20MHz was newly allocated for nationwide use and the other 20MHz was newly allocated specifically for use outside of Tokyo, Nagoya, and Osaka on April 14, 2021.

Analysis of the Consolidated Statement of Income

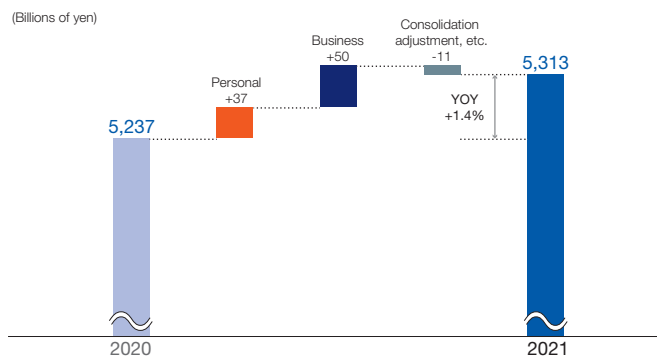
(Years ended March 31)

Operating Revenue

¥5,312.6 billion

YOY  Up **1.4%**

The decline in au communications ARPA revenue and handset sales revenue was offset by an increase in income in the growth fields of Life Design Domain and Business Services segment. As a result, operating revenue grew 1.4% year on year to ¥5,312.6 billion.

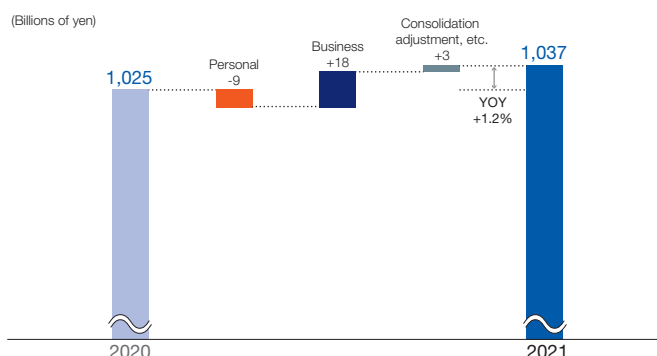


Operating Income

¥1,037.4 billion

YOY  Up **1.2%**

Higher income in the growth fields of Life Design Domain and Business Services segment offset temporary factors that reduced profit in the first half in the energy business and a decline in au communications ARPA revenue. As a result, operating income rose 1.2% to ¥1,037.4 billion.



Profit for the Year Attributable to Owners of the Parent

¥651.5 billion

YOY  Up **1.8%**

Profit for the year attributable to owners of the parent increased 1.8% year on year to ¥651.5 billion, reflecting a decline in non-controlling interests and improvement in financial expenditures in addition to growth in operating income.

Dividends per Share

¥120

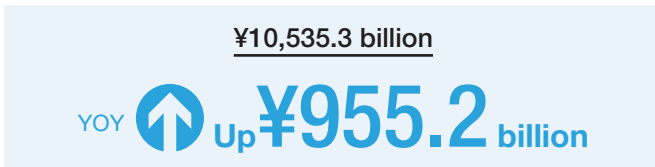
YOY  Up **¥5**

KDDI distributed an annual dividend of ¥120 per share, an increase of ¥5 compared with the previous year, for a consolidated dividend payout ratio of 42.2%. The Company's dividend policy from FY2020.3 to FY2022.3 is to continue increasing dividends in line with sustainable profit growth and maintain a consolidated payout ratio of over 40% while taking into consideration stable business operations and investment needed for growth.

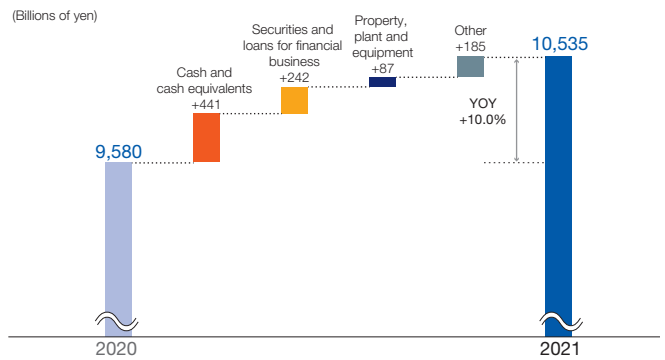
Analysis of the Consolidated Statement of Financial Position

(Years ended March 31)

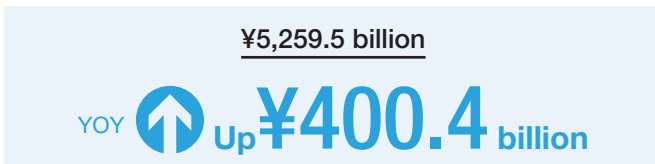
Total Assets



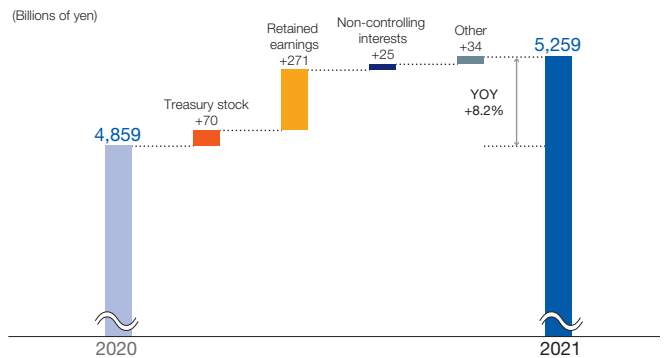
Total assets were ¥10,535.3 billion, an increase of ¥955.2 billion from the previous fiscal year-end. The increase was attributable mainly to an increase in loans for the financial business and cash and cash equivalents due to the securitization of mortgage loans.



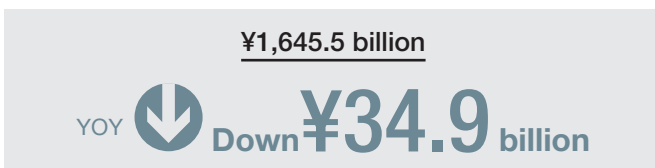
Total Equity



Total equity was ¥5,259.5 billion, up ¥400.4 billion, mainly due to an increase in retained earnings associated with the increase in profit and an increase in non-controlling interests, which outweighed share buybacks.

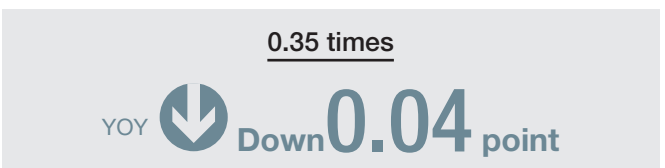


Interest-Bearing Debt



Interest-bearing debt fell ¥34.9 billion year on year to ¥1,645.5 billion, mainly because of a decrease in bonds and borrowings.

D/E Ratio



The D/E ratio fell 0.04 of a point to 0.35 times as equity attributable to owners of the parent increased along with the increase in retained earnings, and interest-bearing debt grew.

Analysis of Capital Expenditures and Cash Flows

(Years ended March 31)

Capital Expenditures (Payment Basis)

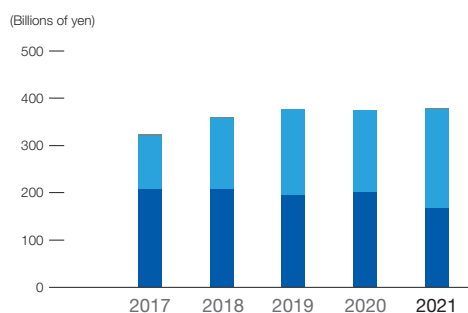
Consolidated capital expenditures increased ¥12.9 billion compared with the fiscal year ended March 31, 2020, to ¥627.9 billion.

Mobile

¥378.0 billion

YOY  Up **¥3.6 billion**


In the mobile business, capital expenditures were up ¥3.6 billion to ¥378.0 billion, mainly because investments for 5G have expanded despite a decrease in investments for 4G.



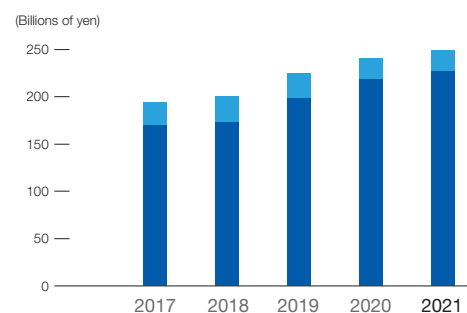
| | | | | | |
|------------------|------------|------------|------------|------------|------------|
| 3G | 4 | 1 | 1 | 1 | 1 |
| 4G LTE-5G | 114 | 152 | 181 | 174 | 211 |
| Common equipment | 207 | 207 | 195 | 200 | 167 |
| Total | 325 | 360 | 377 | 374 | 378 |

Fixed-Line and Others

¥249.9 billion

YOY  Up **¥9.3 billion**

In the fixed-line businesses and others, capital expenditures increased ¥9.3 billion year on year to ¥249.9 billion due to a temporary increase in investment in the overseas data center business despite a decrease in FTTH-related investment.



| | | | | | |
|--------------|------------|------------|------------|------------|------------|
| FTTH | 24 | 28 | 26 | 22 | 22 |
| Other | 170 | 173 | 199 | 219 | 228 |
| Total | 194 | 201 | 225 | 241 | 250 |

Cash Flows

Free Cash Flows

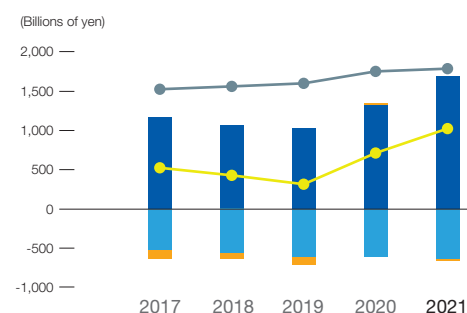
¥1,023.2 billion

YOY  Up **¥310.8 billion**

Net cash provided by operating activities was ¥1,682.2 billion, ¥358.8 billion more than in the previous fiscal year. The increase mainly reflects such temporary factors as an increase due to the effects of the financial business and an increase due to a decrease in installment sales receivable in addition to an increase in EBITDA.

Meanwhile, net cash used in investing activities was ¥658.9 billion, ¥48.0 billion higher than in the previous fiscal year. The decrease mainly reflects an expansion in capital expenditures, an increase in outflows from the financial business, and a decrease in proceeds from acquiring control of subsidiaries, despite a decrease in outflows due to acquiring shares of affiliates.

As a result, free cash flows, which are the total of net cash provided by operating activities and net cash used in investing activities, amounted to ¥1,023.2 billion, up ¥310.8 billion from the previous fiscal year.



| | | | | | |
|--|-------|-------|-------|-------|-------|
| Free Cash Flows | 524 | 428 | 315 | 712 | 1,023 |
| Net Cash Provided by (Used in) Operating Activities | 1,161 | 1,061 | 1,030 | 1,323 | 1,682 |
| Capital Expenditures | -519 | -561 | -602 | -615 | -628 |
| Other, Net Cash Provided by (Used in) Investing Activities | -118 | -73 | -113 | 4 | -31 |
| EBITDA | 1,524 | 1,560 | 1,599 | 1,751 | 1,786 |



Performance Analysis by Segment

Personal Services Segment

(Years ended March 31)

The Personal Services segment provides services to individual customers.

In Japan, KDDI aims to provide new experience value by expanding and coordinating various life design services, including those related to energy, finance, commerce, and education, while focusing on conventional telecommunications services, chiefly under the “au” brand, such as those related to smartphones, cell phones, FTTH, and CATV. KDDI is working to provide dynamic services aligned with the market environment and customer needs through a multi-brand strategy encompassing the simple and secure price “UQ mobile” and “povo” with free-to-choose toppings, in addition to “au,” which offers unlimited use without anxiety.

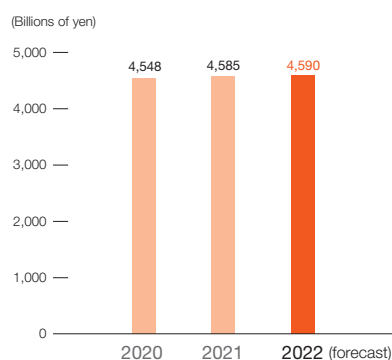
Overseas, we use know-how cultivated in Japan to actively engage in business with individual customers, especially those in Myanmar, Mongolia, and other Asian regions.

Overview of Operations in the Fiscal Year Ended March 31, 2021

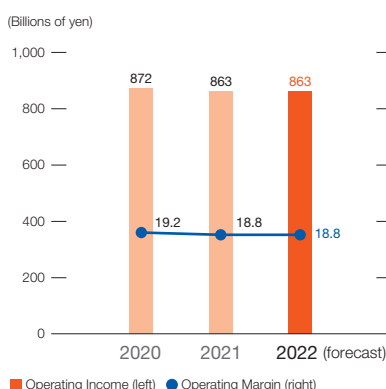
Operating revenue in FY2021.3 increased 0.8% year on year to ¥4,585.1 billion. A decrease in “au” communications ARPA revenues*¹ and mobile handset revenue was offset mainly by higher revenue from UQ mobile and the Group’s MVNOs and from the Life Design Domain, excluding the energy business.

Operating income fell 1.0% year on year to ¥862.9 billion, due mainly to a decrease in “au” communications ARPA and a temporary surge in wholesale prices in the electric power market (down ¥20.5 billion year on year) in the energy business despite strong performance in the Life Design Domain, especially the financial business (but excluding the energy business).

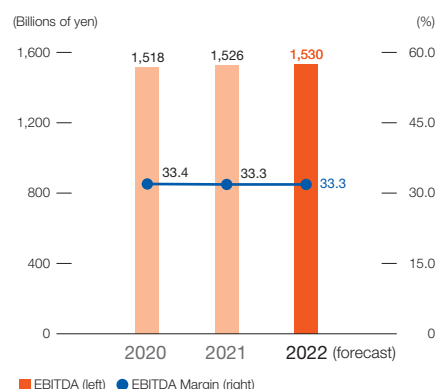
▼ Operating Revenue



▼ Operating Income/Operating Margin



▼ EBITDA/EBITDA Margin

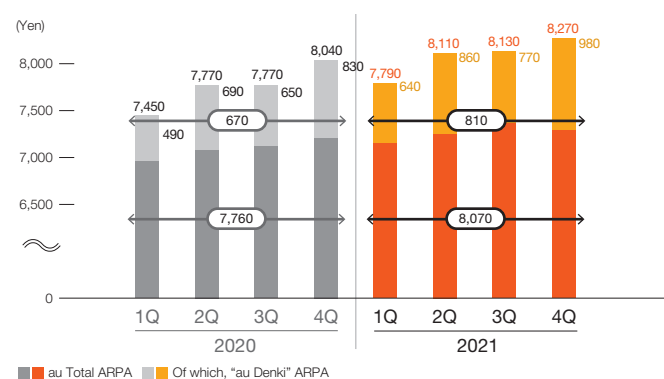


*¹ au communications ARPA revenues + Value-Added ARPA revenues + Handset Repair and Compensation revenues + au Denki revenues

au Total ARPA

au total ARPA rose ¥310 thanks to expansion in “au Denki” ARPA, which increased ¥140 year on year driven by a steady increase of au Denki, etc. subscriptions and to an increase in value-added ARPA that was driven by growth in the percentage of “au Smart Pass Premium” members and its expanded use for payments, finance, and commerce.

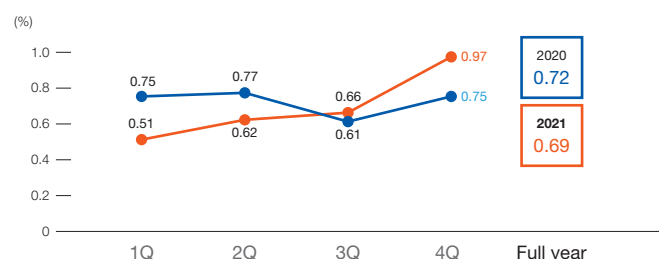
We aim to continue expanding the Multi-Brand total ARPA from the fiscal year ending March 31, 2022 onward mainly by meeting customer needs through the total strength of our multiple brands, including UQ mobile and povo, in addition to au.



au Churn Rate

The au churn rate remained at a low level up to the third quarter of the FY2021.3 due to KDDI implementing a multi-brand strategy and transitioning to 5G in addition to lower market activity caused by the impact of people staying at home to prevent the spread of the COVID-19 pandemic. In the fourth quarter, the au churn rate temporarily increased due to an increase in market activity due to the start of the back-to-school season as well as the launch of new brands and lower-priced plans from competitors. As a result, the full-year rate was 0.69%, down 0.03 percentage points year on year.

To reduce the Multi-Brand churn rate going forward, KDDI continues to further enhance engagement with customers by implementing a multi-brand strategy to promote differentiation and make life design services more attractive.



Life Design Domain

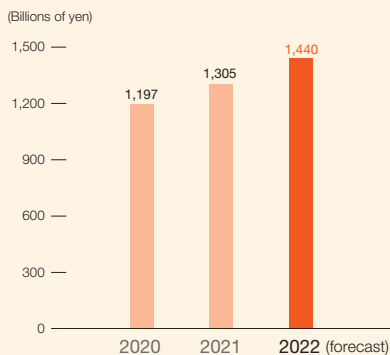
Overview of Operations in the Fiscal Year Ended March 31, 2021 for the Life Design Domain

Operating revenue expanded 9.0% year on year to ¥1,305.0 billion mainly owing to higher revenue from not only the financial business, but also “au Smart Pass Premium,” commerce, and repair and compensation.

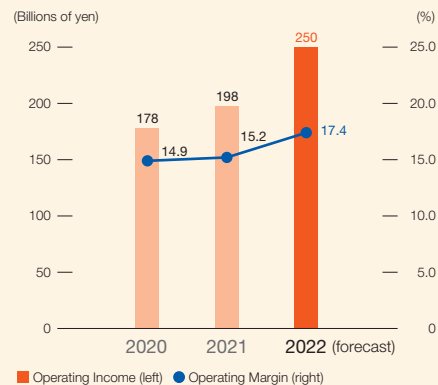
Operating income grew 11.2% year on year to ¥198.0 billion, driven

by strong results in the financial business, “au Smart Pass Premium,” commerce, and repair and protection, despite temporary effects of surging wholesale prices in the electric power market in the energy business.

Operating Revenue



Operating Income/Operating Margin



Number of “au Smart Pass” and “au Smart Pass Premium” Members

The number of “au Smart Pass” and “au Smart Pass Premium” members increased 130,000 compared with the end of the previous fiscal year to 15.63 million. Of this number, memberships of “au Smart Pass Premium,” which is a sophisticated version of “au Smart Pass,” increased 1.72 million year on year to 11.37 million.

The number of “au Smart Pass Premium” memberships steadily rose due to an expansion in services for non-au customers from December 2019 and the launch of content that enables customers to experience the charm of 5G. The ratio of premium memberships grew to 72.7% of all “au Smart Pass” memberships.

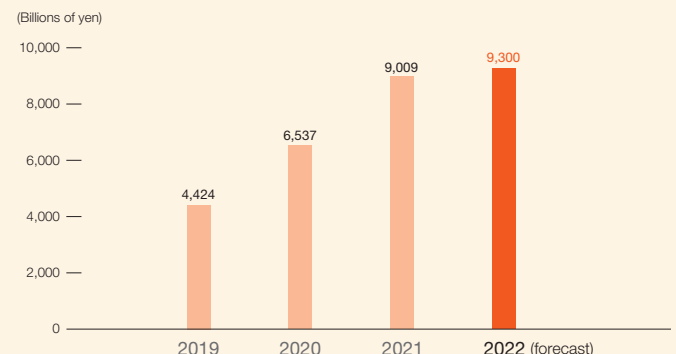
Reference: “au Smart Pass” is a package service for a monthly data fee of ¥372. Various apps, data storage services, coupons, repairs, protection and more are accepted. “au Smart Pass Premium” is a sophisticated version for a monthly data fee of ¥499. (au Smart Pass stopped enrolling new members on October 1, 2020.)



Transaction Volume of Settlement/Loan

In financial services, the growth driver of the Life Design Domain, the transaction volume of settlement/loan surpassed ¥9 trillion in the fiscal year ended March 31, 2021, achieving the current medium-term target of “¥6 trillion as of March 31, 2022” ahead of schedule. Of the ¥20.0 billion year-on-year increase in operating income in the Life Design Domain, the financial business accounts for ¥19.0 billion, proving that the expansion in settlement and financial transactions has helped expand profit.

The settlement business, including carrier settlements, was strong, and au Jibun Bank’s mortgage loan amount rose ¥550.0 billion year on year, surpassing ¥1,350.0 billion (cumulative) and leading the financial business.



Main Initiatives of the Personal Services Segment

au 5G Experience

The characteristic of KDDI's 5G service is providing new value experience to customers and creating AUGMENTED experiences through unlimited plans, devices, and services based on our hybrid network of advanced 5G and resilient 4G. For customers who use an iPhone 12 on a contract for an unlimited data*^{1,2} plan, from October 2020, we provide services that automatically upgrade video quality to high quality in 5G areas. In addition, these services began also being offered to 5G handsets installed with Android from April 2021.

Customers who have contracts for the video streaming platform TELASA (paid subscription), which is our joint venture with TV Asahi Corporation, and "au Smart Pass Premium" (paid subscription) can instantly and easily enjoy such entertainment as multi-angle videos and streaming 360-degree VR videos. Through au 5G Experience, we will maximize the inherent appeal of our content and offer richer 5G experiences as we work to expand new content markets using 5G.

*1 There is a limit to the data volume for tethering, data sharing, and global data plans (fee-based). The limit depends on the plan. Regarding services like videos and cloud gaming that use large volumes of data and long connection times, the data speeds are restricted to a range that does not hinder general use of au smartphones (for example, full HD quality videos on 5G and HD quality videos on 4G-LTE). Data speeds may be restricted during busy times for high volume data use that exceeds certain thresholds.

*2 Unlimited MAX 5G, Unlimited MAX 5G with Amazon Prime, Unlimited MAX 5G Netflix Pack (P), Unlimited MAX 5G TV Pack, Unlimited MAX 5G ALL STAR Pack

Alliance with Over-The-Top (OTT) Media Providers

Through au, KDDI began 5G commercial services in March 2020 and offers unique and appealing plans that combine data telecommunications with popular entertainment content. From March 2021, we began offering Unlimited MAX 5G/4G pricing plans for smartphones that offer unlimited data.

We offer the Unlimited MAX 5G/4G Netflix Pack (P), which combines popular entertainment content (Netflix (basic plan), TELASA, and Amazon Prime, and the Unlimited MAX 5G ALL STAR Pack, pairing unlimited Netflix (basic plan) and TELASA with Apple Music and YouTube Premium). These plans*¹ enable customers to enjoy content without paying attention to data limits.

We focused on growth in the Life Design Domain early on, and these plans were possible due to the strong relationships we built with partners. KDDI's strength is its ability to offer this kind of attractive lineup to customers. Our partner OTT providers*³ reaped the benefits of expanding marketing in Japan using the au customer base and expecting long-term use. These alliances provided top-line growth for both partners.

KDDI will continue working with various partners to develop and provide services that customers will choose.

*3 OTT (Over The Top) refers to messages, audio, video and other content sent over the internet without relying on a telecommunications provider or an internet service provider (ISP). An OTT provider is an operator who provides such services.


▼ Offering Unique Pricing Plans Incorporating Value-Added Services

Unlimited MAX 5G/4G Netflix Pack (P)


Two services

NETFLIX TELASA

Basic plan





60GB limit on tethering and other services




Unlimited MAX 5G ALL STAR Pack

Four entertainment services

NETFLIX  **MUSIC**  **TELASA**

Basic plan



80GB limit on tethering and other services

Cumulative 5G Unit Sales

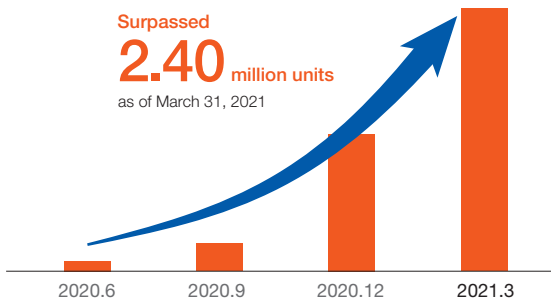
Sales for au 5G, which began commercial services from March 2020, remained steady and surpassed a cumulative total of 2.40 million unit sales as of March 31, 2021.

Since beginning 5G services, all smartphones offered by au are 5G capable, including the newest iPhones and Android phones. Our broad lineup meets customer needs, from highly durable models and high-spec models with ultra-fine displays and cameras to middle-range models with choice functions.

In addition, customer shopping is shifting from real stores to online ones due to the spread of the COVID-19 pandemic. Sales at “au Online shop” are expanding due in part to offering online-only handset purchase rewards.

With its uniquely appealing lineup, KDDI will continue working to expand 5G with its comprehensive capabilities going forward while nimbly responding to changes in the market and competitive environment.

▼ Cumulative 5G Units Sales



Creating New Experience Value that Helps Expand 5G

To convey the appeal of 5G to more customers, we are working to create new experience value in the 5G era. From May 2020, the Shibuya 5G Entertainment Project has been promoted by KDDI, Future Design Shibuya, and the Shibuya City Tourism Association Inc. Foundation. Through this project, we expanded “Virtual Shibuya” from May 2021 and began providing services in new areas in Harajuku. People can use their smartphone at home to freely manipulate their avatars on recreated Shibuya and Harajuku streets. It is possible to share the same space with friends and family in distant locations and shop together while talking with them.

As for sports, because entry to baseball stadiums is being restricted due to the COVID-19 pandemic, KDDI partnered with the YOKOHAMA DeNA BAYSTARS BASEBALL CLUB, INC. to use advanced technologies to provide “Virtual Hama Stadium,” which lets people watch baseball and feel the atmosphere of a baseball stadium right from home using VR. As for soccer, we are working with the Nagoya Grampus Eight to provide a new watching experience. We turned stadiums into 5G areas and are promoting new ways to enjoy sports through 5G, such as using smart glasses and au 5G handsets to provide services to offer information in real time through AR on various scenes during the match, such as team formations and shots. Going forward, we will continue working to further promote 5G by providing new experience value in various areas.

▼ Image of Virtual Hama Stadium



▼ Image of AR view of Nagoya Grampus Eight



Highlight

Solving Social Issues through the Telecommunications Business

Social issues

- Resilience to extreme weather events
- Reducing society’s environmental burden through ICT
- Infrastructure cut off during natural disasters
- Digital divide impacting the weakest in society



“Achieving a truly connected society” is the ultimate goal of the KDDI Group Mission Statement. To this end, as a telecommunications operator that provides social infrastructure, the Company has the important social mission of providing stable communications services on an ongoing basis, 24 hours a day and 365 days a year, regardless of conditions.

However, greenhouse gas emissions, which are a source of global warming, are increasing every year, and reducing these emissions is a social issue common to all people. Use of ICT leads to more efficient operations, including production and consumption, and can be expected to help reduce customers’

CO₂ emissions. In addition, as use of ICT expands, there are concerns about the growing environmental burden of data centers and base stations. Because of this, more energy efficient facilities and machines are being developed and installed.

In KDDI Sustainable Action, KDDI declared that it will reduce the environmental burden of society using ICT with the aim of achieving zero CO₂ emissions by 2050 and strongly promoting a shift toward renewable energy. Going forward, we will not only consider the risks of climate change and other social issues, we will strive to solve issues by leveraging KDDI’s strengths using 5G and IoT.



Performance Analysis by Segment

Business Services Segment

(Years ended March 31)

The Business Services segment mainly provides a wide range of corporate customers in Japan and overseas with TELEHOUSE brand data center services and a variety of solutions encompassing network and cloud services, smartphones and other devices.

We define the NEXT Core Business (DX) as business that will drive growth going forward. We will further expand our business domain by providing total support for customers' DX and generate synergy with the Core Business comprising mobile and fixed telecommunications with the aim of achieving growth in the entire Business Services segment.

Note: For details on the NEXT Core Business (DX), please see P. 18 Special Feature, Growth Fields—Business Services Segment.

Overview of Operations in the Fiscal Year Ended March 31, 2021

In the fiscal year ended March 31, 2021, operating revenue expanded 5.3% year on year to ¥991.6 billion. This increase mainly reflected higher revenue from mobile and fixed-line telecommunications business and from the NEXT Core Business.

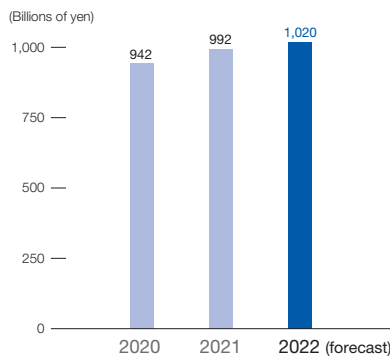
In the NEXT Core Business, revenue from corporate DX, business DX, and business infrastructure services all increased. In particular, business DX (including IoT and cloud services) achieved double digit growth.

Operating income climbed 11.9% to ¥166.7 billion, driven by strong results in the existing core business, especially mobile services. In addition, in the NEXT Core Business, revenue grew from IoT and cloud services in business DX and from call centers and data centers in business infrastructure services.

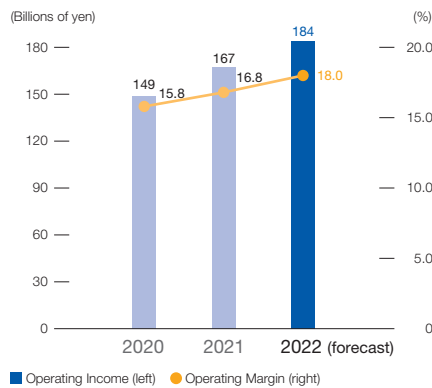
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P. 18 Special Feature, Growth Fields—Business Services Segment

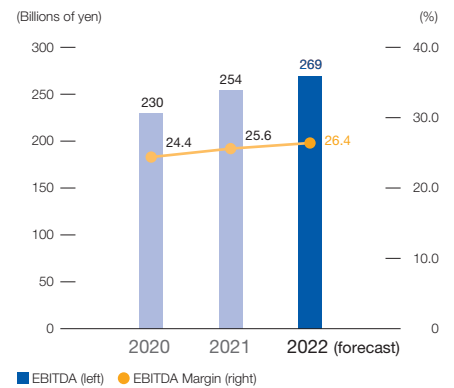
Operating Revenue



Operating Income/Operating Margin



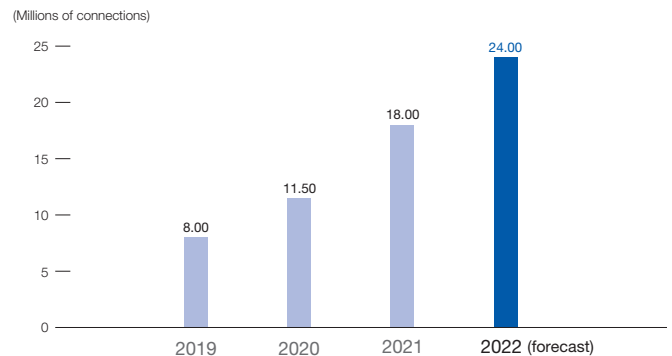
EBITDA/EBITDA Margin



IoT Connections

Going forward, the expansion of IoT and corporate DX is expected to accelerate.

We achieved our target of 18 million IoT connections under the current medium-term management plan one year ahead of schedule and aim to achieve 24 million by March 31, 2022. We can expect revenue in the Business Services segment to expand further as a net growth pace accelerates for connected cars and gas platforms and by bundling cloud and data utilization services. In addition, if we add in the connections from the Group company SORACOM, the number surpasses 21 million as of March 31, 2021.



Key Initiatives in the Business Services Segment

Accelerating Customers' DX

The KDDI Group utilized 5G and IoT technologies to provide one-stop solutions that help customers develop and expand business. In September 2018, we opened the new business creation base KDDI DIGITAL GATE. In December 2020, we opened KDDI research atelier, a new research base to offer lifestyles for the new normal era. We promote cooperation between these two open innovation bases located in the Toranomon area to create new value through DX. We aim to create a resilient future society through the advanced integration of physical spaces and cyber spaces, which is a goal of the next generation social concept of KDDI Accelerate 5.0.

▼ KDDI research atelier



Promotion with Partner Company

KDDI is cooperating with partner companies to help solve the issues facing various industries and companies and to make businesses more sophisticated. KDDI concluded an agreement with East Japan Railway Company in December 2020 to help realize the Free Space Project, a decentralized urban development project to create diverse workstyles and lives not bound by place or time through the convergence of transportation and telecommunications focusing on a post-pandemic society.

Both companies aim to jointly promote the development of Shinagawa, which will be the core city for the project, develop satellite cities in regions across Japan, and develop and provide mobility services.

▼ Shinagawa Development Project



Building Engagement with Customers

KDDI defined one of its corporate visions as "The company the customer can feel closest to." We continue contributing to the businesses of corporate customers and creating new experience value. In order to achieve sustainable growth, we are most focused on building engagement with customers.

KDDI was awarded first place in four categories of J.D. Power Japan's 2020 Business Service Satisfaction Study. In September 2020, in the 2020 Business Mobile Phone Service Satisfaction Study, KDDI was awarded first place in overall customer satisfaction in the Large Corporations/Medium-Sized Enterprises Market Segment*1 for the fifth consecutive year as well as first place in the Small/Medium Corporations Market Segment*2 for the first time. Moreover, in October 2020, KDDI was awarded first place in overall customer satisfaction in the Business IP Phone & Direct Line Phone Satisfaction Study*3 for the eighth consecutive year and, in November 2020, KDDI was awarded first place in overall customer satisfaction in the 2020 Business Network Service Satisfaction Study*4 in the Large Corporations Market Segment for the second consecutive year.

*1 J.D. Power Japan's 2020 Business Mobile Phone Service Satisfaction Study. The 2020 study was based on 2,634 replies from 2,068 companies with 100 or more employees related to the operators that provide them with mobile phone service.

*2 J.D. Power Japan's 2020 Business Mobile Phone Service Satisfaction Study. The 2020 study was based on 1,408 replies from 1,161 companies with 50 or more employees but less than 100 employees related to the operators that provide them with mobile phone service.

*3 J.D. Power Japan's 2020 Business IP Phone & Direct Line Phone Satisfaction Study. The 2020 study was based on 1,323 replies from 1,071 companies with 100 or more employees in Japan.

*4 J.D. Power Japan's 2020 Business Network Service Satisfaction Study. The 2020 study was based on 416 replies from 291 companies with 1,000 or more employees in Japan.

Source: jdpower-japan.com



Business Mobile Phone Service Satisfaction, fifth consecutive year at No. 1 in the Large Corporations/Medium-Sized Enterprises Market Segment Business Mobile Phone Service Satisfaction, No. 1 in the Small/Medium Corporations Market Segment
Business IP Phone & Direct Line Phone Satisfaction, eighth consecutive year at No. 1
Business Network Service Satisfaction, second consecutive year at No. 1 in the Large Corporations Market Segment

Highlight

Solving Social Issues through the Telecommunications Business

Currently, Japan is confronting declining productivity and shrinking rural economies due to rural depopulation and a declining working-age population caused by a low birth rate and graying population. Amid such circumstances, ICT is expected to be an effective tool to revitalize regional economies mainly by alleviating labor shortages.

KDDI is working with local municipalities, local companies, and NPOs to build sustainable business models and engage in numerous efforts for regional revitalization to solve local issues using ICT. In addition, to spur economic development, we are leveraging KDDI DIGITAL GATE and other business development bases to solve the issues faced by various companies through innovation. Going forward, KDDI aims to become a company that

Social issues

- Declining working-age population in rural areas
- Expanding economic gap between regions
- Falling industrial competitiveness
- Worries over knowhow transmission due to a lack of successors



helps solve social issues by combining its unique telecommunications and technologies.



Board Members

(As of June 23, 2021)

Directors

● Outside directors and Audit & Supervisory Board members ● Independent directors

Takashi Tanaka
Chairman,
Representative Director



Number of the Company's
shares held: 62,500

Feb. 1957 Born

Apr. 2003 Executive Officer
Jun. 2007 Managing Executive Officer, Director
Jun. 2010 Senior Managing Executive Officer, Representative Director
Dec. 2010 President, Representative Director
Apr. 2018 **Chairman, Representative Director (Current position)**
Jun. 2021 **Outside Director of Astellas Pharma Inc. (Current position)**

Makoto Takahashi
President,
Representative Director



Number of the Company's
shares held: 33,100

Oct. 1961 Born

Apr. 2003 Executive Officer
Jun. 2007 Managing Executive Officer, Director
Jun. 2010 Senior Managing Executive Officer, Representative Director
Jun. 2016 Executive Vice President, Representative Director
Apr. 2018 **President, Representative Director (Current position)**

Takashi Shoji
Executive Vice President,
Representative Director



Number of the Company's
shares held: 13,400

Sept. 1958 Born

Oct. 2010 Executive Officer
Apr. 2014 Managing Executive Officer
Jun. 2016 Managing Executive Officer, Director
Jun. 2018 Senior Managing Executive Officer, Director
Oct. 2019 **Executive Director, Personal Business and Global Consumer Business Sector (Current position)**
Jun. 2020 **Executive Vice President, Representative Director (Current position)**

Shinichi Muramoto
Executive Vice President,
Representative Director



Number of the Company's
shares held: 11,800

Mar. 1960 Born

Oct. 2010 Executive Officer
Apr. 2016 Managing Executive Officer
Jun. 2016 Managing Executive Officer, Director
Apr. 2018 **Executive Director, Corporate Sector (Current position)**
Jun. 2018 Senior Managing Executive Officer, Director
Jun. 2020 **Executive Vice President, Representative Director (Current position)**

Keiichi Mori
Senior Managing
Executive Officer, Director



Number of the Company's
shares held: 14,800

Feb. 1960 Born

Oct. 2014 Executive Officer
Apr. 2017 Managing Executive Officer
Jun. 2017 Managing Executive Officer, Director
Apr. 2019 **Executive Director, Solution Business Sector (Current position)**
Jun. 2019 **Senior Managing Executive Officer, Director (Current position)**

Kei Morita
Managing Executive Officer,
Director



Number of the Company's
shares held: 13,500

Nov. 1961 Born

Apr. 2015 Executive Officer
Apr. 2018 Managing Executive Officer
Jun. 2018 **Managing Executive Officer, Director (Current position)**
Apr. 2020 **General Manager, Business & Services Development Division (Current position)**

Toshitake Amamiya
Managing Executive Officer,
Director



Number of the Company's
shares held: 39,600

Jun. 1960 Born

Apr. 2012 Executive Officer
Apr. 2019 Managing Executive Officer
Jun. 2019 **Managing Executive Officer, Director (Current position)**
Apr. 2020 **General Manager, Personal Business Planning Division (Current position)**

Hirokuni Takeyama
Managing Executive Officer,
Director



Number of the Company's
shares held: 9,700

Nov. 1961 Born

Apr. 2016 Executive Officer
Apr. 2018 Managing Executive Officer
Apr. 2020 **General Manager, Consumer Sales Division (Current position)**
Jun. 2020 **Managing Executive Officer, Director (Current position)**

Kazuyuki Yoshimura
Executive Officer,
Director



Number of the Company's
shares held: 4,300

Apr. 1965 Born

Apr. 2020 **Executive Officer, Executive Director, Technology Sector (Current position)**
Jun. 2020 Executive Officer, Director
Apr. 2021 **Managing Executive Officer, Director (Current Position)**

Goro Yamaguchi ●
Outside Director



Number of the Company's
shares held: 9,700

Jan. 1956 Born

Jun. 2009 Director and Managing Executive Officer of Kyocera Corporation
Apr. 2013 President and Representative Director, President and Executive Officer of Kyocera Corporation
Apr. 2017 **Chairman of the Board and Representative Director of Kyocera Corporation (Current position)**
Jun. 2017 **Outside Director of KDDI (Current position)**

Keiji Yamamoto ●
Outside Director



Number of the Company's
shares held: 600

Mar. 1961 Born

Apr. 2016 Executive General Manager of TOYOTA MOTOR CORPORATION
Apr. 2017 Managing Officer of TOYOTA MOTOR CORPORATION
Jun. 2019 **Outside Director of KDDI (Current position)**
Jul. 2019 **Operating Officer, President, Connected Company of TOYOTA MOTOR CORPORATION (Current position)**
Jan. 2021 **Operating Officer, Chief Information & Security Officer (Current position)**
Jun. 2021 **Chief Product Integration Officer of TOYOTA MOTOR CORPORATION (Current position)**

Shigeo Ohyagi ● ●
Outside Director,
Independent Director



Number of the Company's
shares held: 3,100

May 1947 Born


Jun. 2005 Executive Officer, Member of the Board of Teijin Limited
Jun. 2006 Senior Executive Officer, Member of the Board of Teijin Limited
Jun. 2008 President and CEO, Representative Director of the Board of Teijin Limited
Apr. 2014 Chairman, Member of the Board of Teijin Limited
Jun. 2014 **Outside Audit & Supervisory Board Member of JFE Holdings, Inc. (Current position)**
Apr. 2018 Senior Advisor, Member of the Board of TEIJIN LIMITED
Jun. 2018 **Senior Advisor of TEIJIN LIMITED (Current position), Outside Director of KDDI (Current position), Member of the Board of Directors (Outside), Member of the Audit & Supervisory Committee of MUFG Bank, Ltd. (Current position)**
Jun. 2020 **Outside Director of Tokyo Electric Power Company Holdings, Incorporated (Current position)**

Riyo Kano ●●
 Outside Director,
 Independent Director



Number of the Company's
 shares held: 600

Shigeki Goto ●●
 Outside Director,
 Independent Director



Number of the Company's
 shares held: 2,000

May 1966 Born


- Apr. 1993 Registered as attorney at law
- Jan. 2005 **Partner, Tanabe & Partners (Current position)**
- Aug. 2014 **Member of Commission on Policy for Persons with Disabilities of Cabinet Office (Current position)**
- Jun. 2015 **Outside Director of The Yamanashi Chuo Bank, Ltd. (Current position)**
- Feb. 2017 **Member of Examination Committee for Relief Assistance of Ministry of Health, Labour and Welfare (Current position)**
- Jun. 2019 **Outside Director of KDDI (Current position)**

Dec. 1948 Born

- Apr. 1996 Professor, Department of Computer Science and Engineering, School of Science and Engineering of Waseda University
- Mar. 1997 **Trustee of JNIC (Currently Japan Network Information Center (JPNIC)) (Current position)**
- Apr. 2015 **Chairman of the Research and Development Strategies Expert Study Committee of the National center of Incident readiness and Strategy for Cybersecurity (NISC)**
- Apr. 2019 **Professor Emeritus of Waseda University (Current position)**
- Jun. 2020 **Outside Director of KDDI (Current position)**


Audit & Supervisory Board Members

Yasuhide Yamamoto
 Full-time Audit & Supervisory
 Board Member




Number of the Company's
 shares held: 14,600

Kenichiro Takagi
 Full-time Audit & Supervisory
 Board Member



Number of the Company's
 shares held: 39,300

Yukihiro Asahina ●●
 Full-time Audit & Supervisory
 Board Member




Number of the Company's
 shares held: 0

Toshihiko Matsumiya ●●
 Audit & Supervisory
 Board Member



Number of the Company's
 shares held: 0

Jun Karube ●●
 Audit & Supervisory
 Board Member



Number of the Company's
 shares held: 600

Composition of Directors and Advisory Committees

| Name | Representative rights | Independent | Outside | Execution of business | Nomination Advisory Committee | Remuneration Advisory Committee | Other |
|--------------------|-----------------------|-------------|---------|-----------------------|-------------------------------|---------------------------------|--------------------------------|
| Takashi Tanaka | ● | | | ● | ● | ● | Chairman of Board of Directors |
| Makoto Takahashi | ● | | | ● | ● | ● | |
| Takashi Shoji | ● | | | ● | | | |
| Shinichi Muramoto | ● | | | ● | | | |
| Keiichi Mori | | | | ● | | | |
| Kei Morita | | | | ● | | | |
| Toshitake Amamiya | | | | ● | | | |
| Hirokuni Takeyama | | | | ● | | | |
| Kazuyuki Yoshimura | | | | ● | | | |
| Goro Yamaguchi | | | ● | | ● | ● | |
| Keiji Yamamoto | | | ● | | ● | ● | |
| Shigeo Ohyagi | | ● | ● | | ● | ● | |
| Riyo Kano | | ● | ● | | ● | ● | |
| Shigeki Goto | | ● | ● | | ● | ● | |

* During the fiscal year ended March 31, 2021, the Nomination Advisory Committee met on one occasion and the Remuneration Advisory Committee met on one occasion.



Messages from Outside Directors



Striving to Transform Society
Promoting the “Integration of
Telecommunications and Life Design”

Shigeo Ohyagi
Outside Director and Independent Director



Actively Offering New Enriching Lifestyles and
Enhancing SDG Initiatives

Riyo Kano
Outside Director and Independent Director



Leading the Building of a Comfortable and Fun
Human Society through Information and
Telecommunication Technologies and Services

Shigeki Goto
Outside Director and Independent Director

Shigeo Ohyagi

Outside Director and
Independent Director

In fiscal 2020, under the emergency declaration due to COVID-19 infections, many companies faced head on the tough question of how to continue their in-person business through repeated trial and error. As in-person businesses struggled, KDDI utilized information and telecommunication infrastructure to support working from home and actively and boldly fulfilled its social mission. I was able to find out about the strength of the Company's ability to respond to the crisis from the Board of Directors report. To respond to crises, day-to-day preparation is critical. KDDI has continually invested management resources in upgrading and managing its telecommunication base, and the Company has received acclaim for its unique accomplishment.

The crisis calls for a social transformation through DX to

realize an advanced information and telecommunication-based society. The role of a corporation is to achieve sustainable growth while fulfilling its social mission, regardless of the situation being faced. In a new normal era after defeating an external enemy, people are more sensitive toward environmental and social issues. On this front, I think that KDDI can compete through its mainstay initiative of the "integration of telecommunications and life design."

I have accumulated business experience in Japan and overseas and will, of course, look at management from an external perspective as an outside director. I will provide support to KDDI through the Board of Directors to ensure the Company leverages those accumulated technologies to remain active at the core of this era's social transformation.

Riyo Kano

Outside Director and
Independent Director

Fiscal 2020 was a challenging year as future uncertainty increased during the pandemic. Amid this situation, KDDI's Board of Directors held robust exchanges of opinions regarding material management issues, actively promoted growth strategies, and fulfilled its function of monitoring management.

In the new normal era, based on the idea of enabling customers to more optimally use the lifeline of telecommunication services, KDDI will continue to produce excitement in all aspects of life through the "integration of telecommunications and life design." In short, the Company is expected to actively offer new enriching lifestyles and sustainably provide services that underpin and develop those lifestyles. In addition, as for the policy on SDGs, many relevant items have always been included in the KDDI Group Philosophy, and I think the

Company is expected to further enhance these initiatives. I am also paying attention to regional revitalization and diversity & inclusion initiatives, and I expect the Company's pilot tests of smart cities and agricultural support using ICT to lead to the future development of regional communities. I also think the initiatives to promote the advancement of women and employ people with disabilities lead to the sustainable development of society. As a female director, I am hopeful that this will further support the advancement of women. When speaking at Board of Directors meetings, I will continue striving to leverage the sense of balance and legal mind I have cultivated as a lawyer while simultaneously speaking from the position of being an "au" user.

Shigeki Goto

Outside Director and
Independent Director

KDDI is boldly working in growth fields while keeping a firm foothold in telecommunications. Measures are being taken in various facets of society to overcome the pandemic, with digitalization and an online shift being, in some sense, forcibly promoted. You could say the decline in social activities amid the pandemic has been stopped by utilizing information and telecommunication technologies and services. However, this has highlighted the issue that current technologies and services alone are insufficient to smoothly conduct all communication between people, especially in remote areas.

In university, I was involved in education and research for information and telecommunications, especially the internet and cyber security. As a researcher, my starting point is research into artificial intelligence. I participated in Japan's fifth

generation computer project and worked as a visiting researcher in the field of artificial intelligence at Stanford University. In current research on artificial intelligence, information and telecommunication are fully utilized.

That does not, however, mean that everything is progressing smoothly everywhere. Among the general public, the reality is that incidents still arise from software inadequacies and not everyone can sufficiently use computers. I think one of my roles is to raise awareness of this problem among the next generation.

The mission of information and telecommunications is to realize a comfortable and fun neural network for human society, and KDDI has been charged with the role of leading the way.

Corporate Governance



As a telecommunications operator that provides social infrastructure, the Company has the important social mission of providing stable communications services on an ongoing basis, 24 hours a day and 365 days a year, regardless of conditions. Furthermore, our telecommunications business derives from utilizing radio waves—an important asset shared by all citizens. Accordingly, we recognize that we have the social responsibility to address the issues society faces and seek to resolve them through telecommunications.

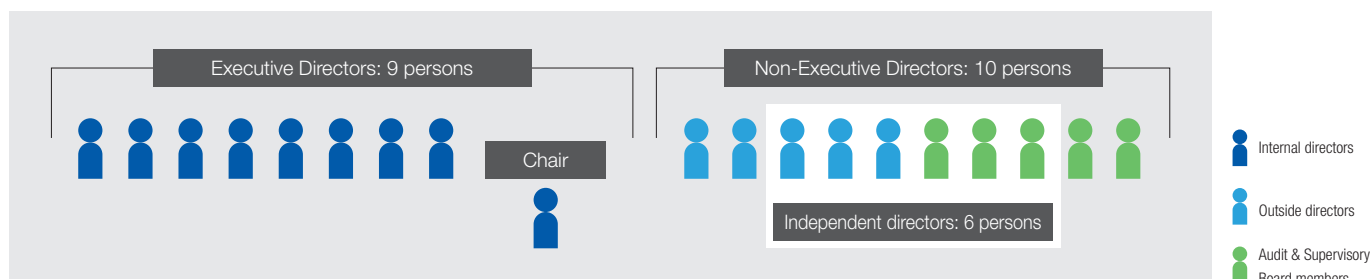
Attaining sustainable growth and increased corporate value over the medium to long term is essential to achieving this social mission and social responsibility. Furthermore, we strive to engage in dialogue with all our stakeholders (including customers, shareholders, business partners, employees, and local communities), and work in cooperation to proactively address societal issues. In this manner, we aim to contribute to the development of a safe, secure, and truly connected society.

We recognize reinforcing corporate governance as important to achieving sustainable growth and increasing corporate value over the medium to long term. Accordingly, we are in accordance with the tenets of the “Corporate Governance Code” defined by the financial instruments exchanges. While maintaining transparency and fairness, we endeavor to enhance our structures for ensuring timely and decisive decision-making.

In addition to our corporate credo and mission statement, we have formulated the “KDDI Group Philosophy,” which defines perspectives, values, and a code of conduct that officers and employees should share. We conduct activities to promote awareness of this philosophy throughout the Company.

By proactively adhering to Japan’s Corporate Governance Code and practicing the KDDI Group Philosophy, which we consider inseparable from the standpoint of corporate management, we will endeavor to enhance corporate governance throughout the KDDI Group, including its subsidiaries, to achieve sustainable growth and increase corporate value over the medium to long term.

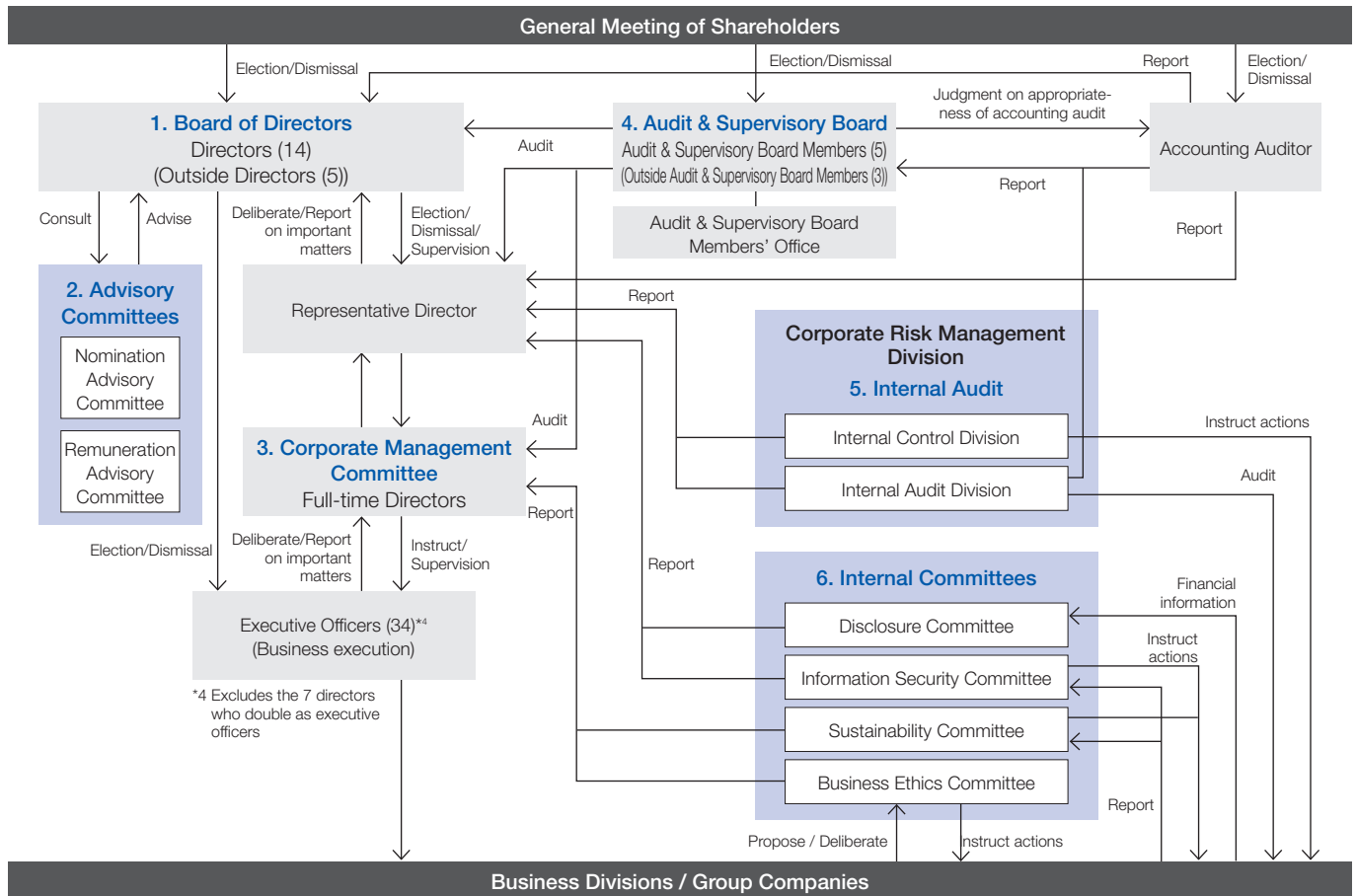
Composition of Board of Directors



Changes in the Corporate Governance Framework

| | | 2000— | | 2005— | | 2010— | | 2015— | | 2020— | | |
|--|---|---|----|--------------------------------|----|-----------------------------------|---|-------|---|---|--|---|
| | | Yuusai Okuyama | | From June 2001 Tadashi Onodera | | From December 2010 Takashi Tanaka | | | | From April 2018 Makoto Takahashi | | |
| President | | | | | | | | | | | | |
| Directors*1 | Number of directors | 53*2 | 13 | 12 | 11 | 10 | 13 | 12 | 13 | 14 | | |
| | Outside directors | | | 2 | 3 | 4 | 3 | 2 | 3 | 4 | 5 | |
| Assurance of diversity*1 | Number of female directors | | | | | | | | 1 | | | |
| Audit & Supervisory Board members | Number of Audit & Supervisory Board members | 5 | | 4 | | 5 | | | | | 4*4 → 5 → | |
| Ensure independence | Number of independent directors*3 | | | | | | 2 | 1 | 3 | 4 | 5 | 6 |
| | Advisory Committee | | | | | | | | | Nomination Advisory Committee established in 2015 | | |
| Transparency in executive remuneration | | Introduction of a stock option system in 2002 | | | | | | | | | | |
| | | Remuneration Advisory Committee established in 2011 | | | | | | | | | | |
| | | Introduction of a performance-based bonus system for executives in 2011 | | | | | | | | | | |
| | | | | | | | Introduction of stock compensation plan for directors in 2015 | | Revision of stock compensation plan for directors in 2018 | | Introduction of stock price-linked bonuses in 2019 | |
| The KDDI Group Philosophy | Enactment in October 2000 | | | | | | Revised, continued promotion activities from 2013 | | | | | |

*1 Number of people at the conclusion of each Annual General Meeting of Shareholders
 *2 Number of people at the launch of KDDI in October 2000
 *3 Independent officers pursuant to Rule 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc.
 *4 KDDI's outside director Shin Honto passed away on April 28, 2021 and his position as an Audit & Supervisory Board member concluded that day.



1. Board of Directors

At KDDI, Board of Directors resolutions determine:

- Matters prescribed by the Companies Act or other laws and regulations,
- Matters prescribed by the Articles of Incorporation,
- Matters delegated for resolution at the general shareholder meeting, and
- Other important management-related matters.

For other important management-related matters, their importance is determined according to such factors as the scale of money, business, assets, and investment involved.

The Board is composed of directors, including outside directors and independent outside directors. The Board of Directors reaches decisions on a variety of issues, including business plans and important matters outlined in laws and regulations. The Board also conducts supervision in an effort to ensure directors appropriately fulfill their work obligations.

2. Advisory Committees

KDDI has formed a Nomination Advisory Committee and a Remuneration Advisory Committee to discuss with and provide advice to the Board of Directors to

maintain both transparency and fairness in the system of nomination of executive candidates and Audit & Supervisory Board member candidates and the level of remuneration for executives.

The Chairman, Vice Chairman and at least half of the members of these committees are outside directors.

3. Corporate Management Committee

Comprised of internal directors, executive officers and others, the Corporate Management Committee deliberates and decides on important matters related to business execution at the Company and its subsidiaries.

4. Audit & Supervisory Board / Audit & Supervisory Board Members

Audit & Supervisory Board members conduct their audit work based on audit policies and plans established by the Audit & Supervisory Board and carry out their work by attending meetings of the Board of Directors, the Corporate Management Committee, and other major internal meetings. The Audit & Supervisory Board receives reports on the audit methods of Audit & Supervisory Board members and

their results, discusses them, and offers its opinions, as appropriate, at meetings of the Board of Directors.

5. Internal Audit

KDDI conducts periodic internal audits targeting all the operations of the Group, and regularly reviews the appropriateness and effectiveness of internal controls.

The results of these internal audits are reported to the president and the Audit & Supervisory Board members, along with recommendations for improvement and correction of any problems.

6. Internal Committees

- KDDI Group Business Ethics Committee: deliberates and makes decisions on compliance-related items for the Group (P. 62)
- Disclosure Committee: deliberates on financial results information to be disclosed at fiscal period-ends (P. 63)
- Information Security Committee: ensures overall information security regarding information assets
- Sustainability Committee: deliberates on sustainability related matters such as CSR and the environment.



Analysis and Evaluation of the Effectiveness of the Board of Directors

Objective of Board of Director Evaluations

To ensure a correct understanding of the current status of its Board of Directors and to work toward continuous improvement, KDDI has its Board of Directors conduct regular annual self-evaluations.

Overview of the Evaluation Process

KDDI verifies the effectiveness of its Board of Directors based on an evaluation by the directors and the Audit & Supervisory Board members. The evaluation is conducted in questionnaire form, combining a four-grade rating scale with free space for comments. This supports our efforts to validate the effectiveness of our initiatives and uncover any areas for improvement from both a quantitative and qualitative perspective.

The evaluation targets the most recent one-year period and is conducted regularly on an annual basis. The results are reported to the Board of Directors, which then considers future countermeasures. Key items for evaluation are as listed below.

- Operation of the Board of Directors (including composition, documentation and explanations, provision of information, etc.)
- Management supervision (including conflicts of interest, risk management, and management of subsidiaries, etc.)
- Medium- to long-term discussions (participation in medium-term management planning, monitoring of plan execution, etc.)

Overview of Evaluation Results Summary

The Company's Board of Directors was found to be managed appropriately.

Even amid the COVID-19 pandemic, the Board utilized the internet to meet as scheduled and was found to be fully functioning and performing decision making. The following two points were found to be rated particularly highly.

- Ensuring transparency in decision making

Personnel with backgrounds in different fields of expertise are appointed outside directors and provide a wide range of advice at Board of Directors meetings.

On the business execution side, the outside directors actively respond and ensure transparency in decision making through open discussion.

- Enhancing information provided to outside Board members

Outside directors are given many opportunities to deepen their understanding of KDDI's business, such as discussions with managers of each business, facility tours and frontline observations.

Improvements over the Previous Evaluation

In 2020, acknowledging the particular importance of monitoring subsidiaries, KDDI reorganized its management oversight process for companies it invests in. The Company conducts assessments that extend beyond financial status to encompass synergy, the business contribution ratio, and other factors, and holds discussions aimed at better business management for each company.

In addition, we clarified reporting standards to enable faster and stabler collection of risk data across the entire Group.











As a result, we confirmed that we made improvements on the issue, highlighted in the previous evaluation, of providing "timely and appropriate monitoring as a Group and considering better forms of supervision."

Future Issues to be Addressed

In this evaluation, there were suggestions from a big-picture perspective from directors and Audit & Supervisory Board members on various themes that should be discussed for the Company's sustainable growth.

In the process for formulating the next medium-term management plan, we will take up these themes and hold lively discussions informed by diverse experiences and expertise in an effort to further enhance the effectiveness of the Board of Directors.

Notable Expertise and Experience of Outside Directors and Audit & Supervisory Board Members

| Name (Major background) | Position in the Company | Experience as president of a listed company | Expertise in the information and communications field | Expertise in law, accounting, and administration |
|--|---|---|---|---|
| Goro Yamaguchi (KYOCERA Corporation) | Outside Director | ● | | |
| Keiji Yamamoto (TOYOTA MOTOR CORPORATION) | Outside Director | | ● | |
| Shigeo Ohyagi (TEIJIN LIMITED) | Outside Director | ● | | |
| Riyo Kano (Attorney at law) | Outside Director | | | ● |
| Shigeki Goto (Waseda University) | Outside Director | | ● | |
| Yukihiro Asahina (Ministry of Land, Infrastructure, Transport and Tourism) | Outside Audit & Supervisory Board Member | | | ● |
| Toshihiko Matsumiya (Certified Public Accountant) | Outside Audit & Supervisory Board Member | | | ● |
| Jun Karube (Toyota Tsusho Corporation) | Outside Audit & Supervisory Board Member | ● | | |
| Total |  Outside Director  Outside Audit & Supervisory Board Member |    |   |    |

Decision Standards for Independence of Outside Executives

In addition to the requirements of outside directors and Audit & Supervisory Board members defined in the Companies Act and the independence standards provided by financial instruments exchanges, the Company has formulated its own standards. Specifically, these

standards state that people hailing from business partners making up 1% or more of the Company's consolidated net sales or orders placed are not independent.

Support for Outside Directors and Audit & Supervisory Board Members

In addition to notifying outside directors and outside Audit & Supervisory Board members in advance of the schedule and agenda for meetings of the Board of Directors, proposal materials are also distributed prior to the meetings to encourage understanding of the agenda items and invigorate discussion at the meetings. Questions are also accepted in advance and are used to enhance explanations on the day of the meeting, in an effort to provide for deeper, more substantial deliberations.

Outside of the Board of Directors meetings, we also provide updates on the status of business strategy, management, R&D, and technology.

Regarding business outlines, the heads and general managers of each business headquarters explain the overall picture and issues in detail, and the management status of subsidiaries is regularly reported. We also have opportunities to inspect sites such as in-house exhibitions of research and development results, telecommunication facilities, and monitoring and maintenance centers. In addition, we report twice a year on corporate ethics and risk management activities.

In order for outside directors to maintain their independence and strengthen their ability to collect information, collaboration with auditors has been strengthened, and regular liaison meetings between outside directors and auditors have been held. Auditors also explain audit results to outside directors.

In addition, in order to strengthen information exchange and information sharing among outside directors, we hold liaison meetings exclusively for outside directors and joint liaison meetings for outside directors and part-time auditors.

Through these efforts, we are deepening our understanding of KDDI's business, thereby invigorating discussions on management strategies at the Board of Directors and improving the effectiveness of management supervision and monitoring.

On April 1, 2006, KDDI established the Auditing Office to support Audit & Supervisory Board members, including outside members.

Policy on Strategic Shareholdings

KDDI believes that participating in tie-ups with a variety of companies is essential to providing our customers with increasingly diverse and advanced services.

KDDI possesses strategic shareholdings if such possession will contribute to the sustainable growth of KDDI's business and the medium- to long-term increase of corporate value.

Every year, the Board of Directors reviews all the pros and cons of continuing the possession of each individual strategic holding by judging its

significance and economic rationale. When a strategic shareholding is found to have only tenuous significance, we will sell as promptly as possible.

The Company calculates the ratio of the contribution by the issuing company to the Company's profits within the most recent fiscal year. The economic rationale is verified by comparing the ratio with the valuation of each strategic shareholding at the end of the most recent fiscal year, and confirming whether the ratio satisfies the capital cost standard established by the Company.

Executive Remuneration

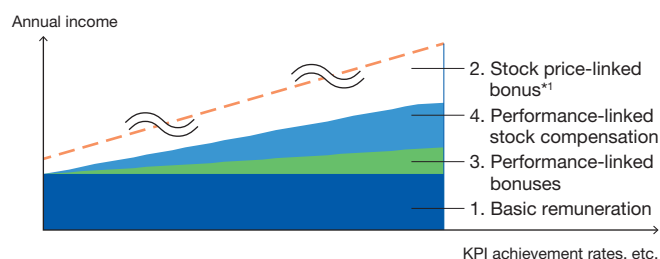
To ensure the transparency and fairness in executive compensation systems and levels, the Company has established a Remuneration Advisory Committee to conduct deliberations and provide advice to the Board of Directors in accordance with the consultation thereof. Compensation (base salary, bonus, stock compensation) for each director is decided at the Board of Directors meeting based on the

advice of the Compensation Advisory Committee. Furthermore, in determining performance-linked bonuses and stock compensation, we increased the ratio of KPIs related to the SDGs in the fiscal year ending March 31, 2022. For more details about the method of calculating executive remuneration, please refer to the securities report.

Types and Methods for Determining Remuneration

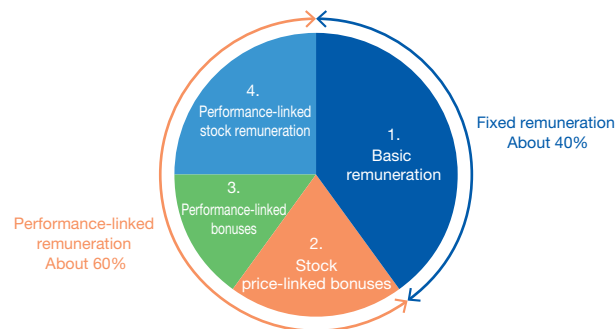
| | Type of Remuneration | Method of Determination | Maximum Amount of Remuneration | General Meeting of Shareholders Approval Date |
|-----------------------------------|--|--|---|---|
| Directors | 1. Basic remuneration | <ul style="list-style-type: none"> Based on such factors as directors' professional ranking and the management environment. Reference values are considered and set at appropriate levels using information from outside experts. | Maximum monthly remuneration of ¥50 million. | June 18, 2014 30th General Meeting of Shareholders |
| | 2. Stock price-linked bonuses | Determined in relation to the stock price change rate and EPS growth rate for the applicable fiscal year | Within 0.1% of consolidated net income (profit attributable to owners of the parent under IFRS) during the applicable fiscal year | June 16, 2011 27th General Meeting of Shareholders |
| | 3. Performance-linked bonuses | Bonuses are linked to and determined by the rate of achievement of the following: <ul style="list-style-type: none"> The Group's consolidated revenue, operating income, and profit attributable to owners of the parent targets for each fiscal year | | |
| | 4. Performance-linked stock compensation | <ul style="list-style-type: none"> Certain KPIs tied to performance targets for each period KPIs: <ul style="list-style-type: none"> Net increase in Group IDs Multi-Brand communications ARPU Multi-Brand value-added ARPU KDDI's SDGs targets, etc. | Applies to directors, executive officers and administrative officers: Total number of points (maximum) granted per fiscal year to those eligible: 357,000 points (Converted at a rate of 1 point = 1 share) | Introduced: June 17, 2015 31st General Meeting of Shareholders Revised: June 20, 2018 34th General Meeting of Shareholders |
| Audit & Supervisory Board members | Flat-rate remuneration only | Paid only basic remuneration that is not affected by fluctuations in the Company's operating performance. | Maximum annual remuneration of ¥130 million (for each business year) | June 22, 2016 32nd General Meeting of Shareholders |

Example of Compensation for Directors (excluding outside directors)



Note: The graph was created based on the remuneration model for the President.
*1 Because stock price-linked bonuses change in line with EPS growth rate and stock price changes, the graph is only an example.

Breakdown of Executive Remuneration



Note: The graph was created based on the actual remuneration of the President in FY21.3.

Reference: Performance-linked stock compensation and stock price-linked bonuses

Performance-linked stock compensation was introduced from 2015 for the compensation of directors engaged in business execution in order to increase the willingness to contribute to medium- to long-term performance improvement and corporate value improvement.

In addition, from the fiscal year ended March 31, 2020, the Company introduced "stock price-linked bonuses" with the aim of providing a strong

incentive to achieve medium-term management plan targets, and increasing the linkage between remuneration for Directors and the stock price. In this system, "EPS*2 growth rate," which was set as a target figure for the medium-term management plan, and "stock price change rate," which is directly linked to changes in share price, are used as performance indicators.

*2 Basic earnings per share

Results of Remuneration Advisory Committee Meeting (FY2021.3)

- The Remuneration Advisory Committee met one time, and all members attended.
- They discussed the amount of performance-linked compensation provided in the fiscal year ended March 31, 2020, the fairness of the level of compensation for the Company's directors and Audit & Supervisory Board members, and the general outline of the stock price-linked bonus system.

Risk Management and Internal Controls

Fundamental Thinking

In the ever changing business environment, the risks that companies face are more diverse and complicated.

We define factors and events that negatively influence the achievement of our business goals as risks and consider enforcing risk management a material business challenge. In order to be sustainable and responsible to society, we promote risk management initiatives throughout the KDDI Group.

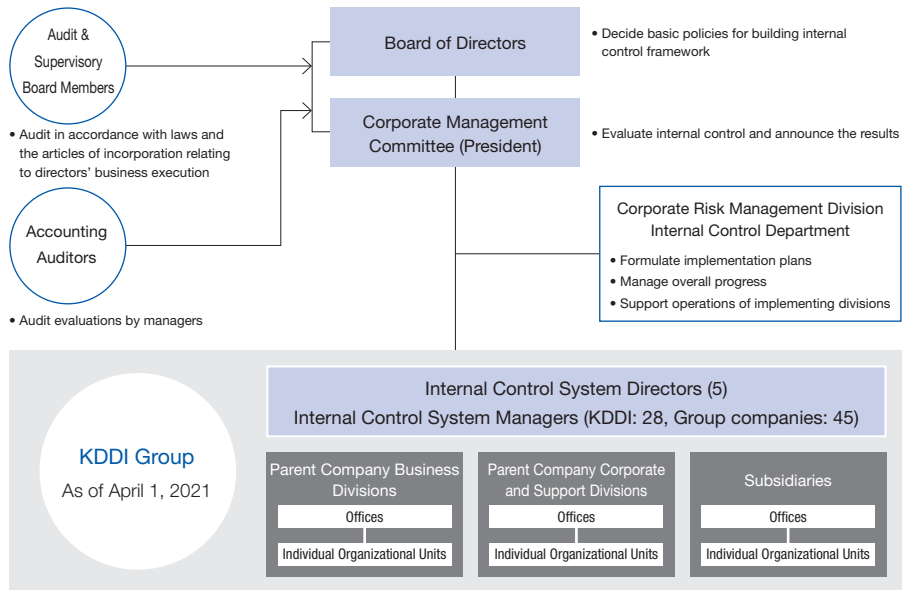
Our Risk Management and Internal Control

We have established a system to centralize the management of risks, which we define as factors that have the potential to block the achievement of our business goals, with the Corporate Risk Management Division at the core.

Furthermore, we are working to promote risk management throughout the KDDI Group, including subsidiaries, in order to realize continuous growth of the entire Group.

We have appointed 28 Internal Control System Managers within KDDI and 45 at Group companies, as well as 5 Internal Control System Directors to oversee their activities. Under their leadership, we introduce and run internal control systems, carrying out risk management activities, and run operational quality improvement activities to foster a company culture in which risks are less likely to arise.

Personnel in Charge of Internal Control



Risk Management Activity Cycle

In order to prevent critical events for the Company, we consider that it is important to recognize signs of danger and implement preventive measures before the situation worsens. Based on this idea, we follow the PDCA cycle for risk management. We also have an organizational framework for risk management in place to ensure any risks we find will be addressed promptly and appropriately.



Risk Identifying Process

We regularly examine information about risks to identify significant risks that seriously influence corporate business, and discuss measures to reduce such risks and their impacts as much as possible in case we face them. In order to ensure the achievement of our business goals, in the fiscal year ended March 31, 2021, we selected 29 significant risks based on issues that manifested in the past and changes in the business environment, and held internal audits based around risk prediction, reduction of significant risks, as well as risk approach. The selected significant risks include cyberattacks, which are becoming increasingly complex, global businesses and issues relating to new business fields we are entering such as e-commerce, finance and

settlement, and energy, which aim to make the integration of telecommunications and life design a reality. We have also identified risks arising from the expansion of the Group through M&A as significant risks and have implemented more robust measures against them.

In order to minimize information security risks, we have also established a common standard applicable group-wide to improve the level of information security across the Group including newly joined Group companies.

The status of these significant risks is also reflected on business risks that are revealed in the Securities Report* since it relates to finance as well.

*Japanese only



Basic Policy for Constructing an Internal Control System

Based on the provision of Article 362, Paragraph 5 of the Companies Act, we passed the Basic Policy for Constructing an Internal Control System at a meeting of the Board of Directors. In addition, we publicly announce resolutions and our operational status to ensure the fair,

transparent and efficient execution of our corporate duties and maintain an effective system for internal controls to raise the Company's quality level.

Reference Basic Policy for Constructing an Internal Control System

Initiatives in Response to the Internal Control Reporting System (J-SOX)

In response to the internal control reporting system based on the Financial Instruments and Exchange Law implemented in fiscal 2008, we conducted evaluations of the internal controls at KDDI and 11 major group subsidiaries (totaling 12 companies) in and outside Japan to ensure reliability of our financial reporting. The results of these evaluations were

compiled in an internal control report, which was submitted to Japan's Prime Minister in June 2021, as well as disclosed to investors.

Reference Securities Report / Internal Control Report (Japanese only)

▼ Main Operational Risks

| Risk | Risk background |
|--|---|
| Competitors, rival technologies and rapid market shifts | <ul style="list-style-type: none"> • The need to provide user support for product defects problems attributable to the rapid expansion of the commerce business • Inability to acquire needed bandwidth • Increased competition due to new high-speed wire-less data technology • Possible rise in connection fees with other telecommunications operators • Intensifying competition as a result of changes in the business landscape due to partnerships with other industries, sales packages that include other products (such as telecommunications + power), the emergence of MNOs and MVNOs in the market and other companies expanding their business fields |
| Protection of confidentiality of communications and customer privacy | <ul style="list-style-type: none"> • Internal privacy breaches • Unauthorized access from external networks |
| System failures due to natural disasters and other unforeseen events | <ul style="list-style-type: none"> • Natural disasters, such as earthquakes, tsunamis, typhoons, or floods, as well as secondary damage from the spread of toxic substances caused by natural disasters • Worldwide spread of an infectious disease (pandemic) • War, terrorism, accidents, or other unforeseen events • Power brownouts or blackouts • Computer viruses or other forms of cyber-attack and hacking • Operation system hardware or software failures • Flaws in communication equipment and services |
| Laws, regulations, and government policies relating to the telecommunications sector | <ul style="list-style-type: none"> • Revisions to the calculation formula for inter-operator connection fees and / or accounting methods • Revisions to designated telecommunications facilities system and / or the regulations on prohibited activities • Revisions to the universal service systems • The emergence of MNOs and MVNOs in the mobile communication market • Revisions to the frequency allocation system and / or spectrum user fee system • Rules regarding electricity retail and financial business • Rules regarding the usage of personal data |
| Acquisition of human resources, training and personnel management | <ul style="list-style-type: none"> • Rise in human resources investment costs in the future |

Note: For details, please see the Business Risks section of the Securities Report for the year ended March 31, 2021.

Reference Securities Report for the year ended March 31, 2021 (Japanese only)

Activities to Enhance Operational Quality

In conjunction with the internal control reporting system, we established an Internal Control Department that promotes initiatives for improving the overall operational quality of the whole company, and Internal Control System Managers in each department facilitate initiatives that enhance the efficiency and standardization of operations to do so.

Initiatives that are successful at improving business operations are added to a database, enabling all employees to put them into practice in their own departments.

Furthermore, to further raise each employee's awareness and motivation regarding the improvement of operations, we have introduced the Operational Quality Improvement Prize to recognize excellent and

ambitious initiatives. In addition, we have started working on the introduction of robotic process automation (RPA) across the Company as a way of improving operational quality, productivity, and efficiency at the same time, starting with the preparation of the RPA system environment and education programs.

Activities to Enhance Operational Quality

- e-learning training
- Sharing messages from executive officers and good examples of initiatives in e-mail newsletters and internal magazines
- Implementation of Operational Quality Improvement Prize (Once a year)

| Potential impact on KDDI | KDDI's response |
|---|---|
| <ul style="list-style-type: none"> • Negative impacts on the financial position and operations of the KDDI Group | <ul style="list-style-type: none"> • The creation of new value and the achievement of sustainable growth in the 5G / IoT era domestically and globally with a business strategy that focuses on the "integration of telecommunications and life design," which centers on telecommunications and expands peripheral businesses |
| <ul style="list-style-type: none"> • Could seriously damage the brand image of the KDDI Group. In addition to a possible loss of customer trust, we could also be forced to pay substantial compensation or fines • In the future, we may face higher costs to develop the framework necessary to protect the confidentiality of communications and customer privacy • Could have a negative impact on the financial position and / or earnings performance of the KDDI Group | <ul style="list-style-type: none"> • Establishment of the KDDI Code of Business Conduct, KDDI Security Policy, and KDDI Privacy Policy • Establishment of the Business Ethics Committee • Reinforcement of various technical, organizational and human safety management measures • Educating all employees on the protection of confidentiality of communications and customer privacy • Working with our external partners, particularly with our retail network of au Shops, to strengthen management through the improvement of shop operations, monitoring and training • Establishing Information Security Committee • Acquiring external authentication (ISMS) in the whole company • 24 / 7 monitoring of external attacks by specialists |
| <ul style="list-style-type: none"> • Service outages or interruptions as a result of large-scale natural disasters or accidents caused by climate change, etc. • Loss of opportunities to offer products and services due to service outages as a result of failures in network systems or communication equipment, substantial billing errors, closing of distributors, or suspension of distribution could damage the brand image of the KDDI Group and lead to loss of customer trust and decreased customer satisfaction, which could have a negative impact on the earnings performance • The Company's future business activities and earnings performance could be affected by loss of customer usage opportunities due to shortened hours at au Shops, reduced mobile data usage due to increased WiFi usage for remote work, and the various influences on our life design business and solution services for corporate customers | <ul style="list-style-type: none"> • Initiatives to improve reliability of our network and prevent service outages by implementing Business Continuity Planning • Establishing a disaster response headquarters as early as possible in the event of an emergency or disaster • Procedures can be completed 24 hours a day online • Initiatives to ensure the safety of customers and employees |
| <ul style="list-style-type: none"> • The KDDI Group's earnings performance could be negatively impacted by the revision or abolishment of laws and regulations or formulation of government policies relating to telecommunications and finance business • KDDI's earnings performance could be negatively impacted if the Company's competitive advantage is relatively diminished as a result of competition policies | <ul style="list-style-type: none"> • Taking appropriate actions based on laws, regulations and government policies • Advocating measures for fair competition with other telecommunications operators through various deliberation councils and study sessions as well as the public comment system of the Japan's Ministry of Internal Affairs and Communications |
| <ul style="list-style-type: none"> • If we are unable to handle matters appropriately in the future, the KDDI Group's brand image could be damaged, leading to loss of customer trust and a negative impact on our earnings performance | <ul style="list-style-type: none"> • Working together across the entire company to support personnel training and career development to keep up with technological innovations • Appropriate personnel management and the promotion of work style reforms based on the law |

Compliance



We recognize that in order to fulfill our social responsibilities through our business activities, raising compliance awareness throughout the Group is a fundamental issue of corporate management.

As a global corporate group, we continue to further enforce our group-wide compliance framework.

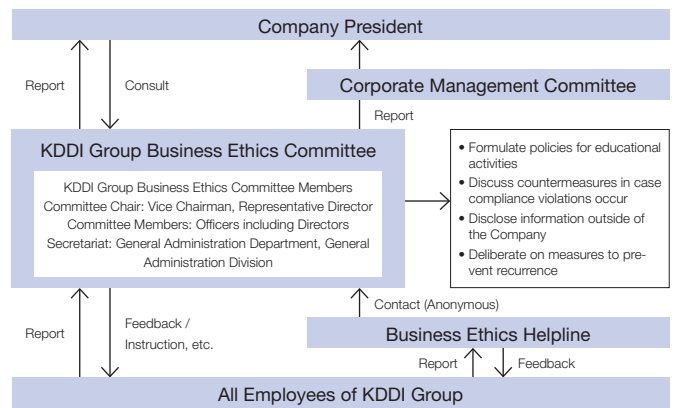
KDDI Group Compliance and Enforcement Framework

We created the KDDI Code of Business Conduct to support ethical behavior and ensure that every employee cultivates a compliance mindset. To ensure that the Code is shared and practiced, it is published on the intranet and a web link to the Code is put in business vehicles lent to employees, enabling employees to check it whenever they are unsure what action to take.

Also, we established the KDDI Group Business Ethics Committee as a decision-making body for KDDI Group's compliance related matters. The committee holds a meeting once every half-year, and in addition to assessing the conditions of Group companies, it builds and supports enhancement of compliance frameworks. The committee is also responsible for helpline issues, corruption prevention and compliance issues such as breaches of competition laws.

In addition, the report on their activities is made available to all employees via the intranet.

▼ KDDI Group Compliance and Enforcement Framework

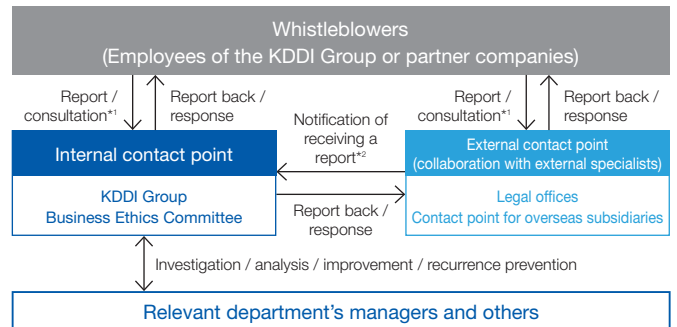


Business Ethics Helpline (Grievance Mechanism)

We established the Business Ethics Helpline in 2006 to serve as a contact point for all employees of KDDI, KDDI Group companies and business partners who have questions or concerns about business ethics and legal compliance, including those associated with human rights issues.

In the fiscal year ended March 31, 2020, we received 469 reports and inquiries, but there were no reports of serious issues that lead to disciplinary action or require external announcement. The KDDI Group Business Ethics Committee conducts investigation of the issues reported as required while protecting privacy, and when the problems are detected, the committee members as well as the management team and the Audit & Supervisory Board members receive the report and take corrective actions along with measures to prevent recurrence.

▼ Business Ethics Helpline



*1 KDDI's multilingual helplines receive anonymous consultation or reporting via e-mail or phone call in accordance with the Whistleblower Protection Act
 *2 Reports that the external contact point received are delivered to the internal contact point, keeping anonymity for the whistleblowers unless they agree to be named

Preventing Anti-Competitive Behaviors

The KDDI Code of Business Conduct defines rules that prohibit anti-competitive behaviors, and we make efforts to ensure that all employees comply with competition laws.

In addition to competition laws, we stipulate that local laws and regulations in each country and region on labor, tax, the environment, monopoly and consumer protection must be examined thoroughly to ensure full compliance.

Under the KDDI Guidelines for Sustainable and Responsible Procurement, we demand our business partners not engage in any activities that inhibit fairness, transparency or freedom of competition. However, in January 2021, KDDI became subject to administrative guidance issued by the Ministry of Internal Affairs and Communications due to false reporting

about 12 affiliate companies that should have been designated as electric telecommunication operations subject to the provisions of paragraph 2 of the Telecommunications Business Act, under Article 27-3. In line with this administrative guidance, the ministry demanded that thoroughgoing measures be taken to prevent recurrences.

KDDI is working hard to prevent recurrences by reviewing its internal check system.

Excepting the issues reported above, there were no legal actions against us concerning anticompetitive or monopolistic conduct in the fiscal year ended March 31, 2021. We will fully adhere to relevant regulations and continue appropriate business operations.

Disclosure and IR

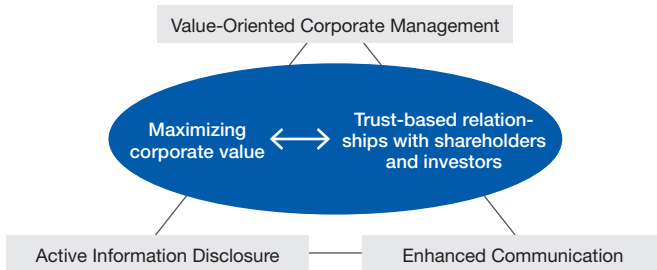
Fundamental Thinking

The Company is fully committed to undertaking fair and timely disclosure in an easily understandable manner of any information that could have a material bearing on the investment decisions of investors. Such disclosure is conducted on an ongoing basis, and is focused on the requirements of shareholders and investors. The Company's policy in this regard is in line with the Financial Instruments and Exchange Act and the Securities Listing Regulations of Tokyo Stock Exchange, Inc. governing the timely disclosure of information concerning the issuers of publicly listed securities. KDDI discloses its IR Basic Policy* on its website, explaining such matters as fundamental thinking regarding IR activities and the system for disclosing pertinent information. In particular, KDDI has set up a Disclosure Committee that concentrates on determining what information should be disclosed with the goal of improving business transparency and supplying appropriate information to the public.

* Matters to be decided by the Board of Directors.

IR Basic Policy

KDDI places top management priority on building a trusting relationship with its shareholders and investors, ensuring value-oriented corporate management, active information disclosure, and enhanced communication.



Three IR Activity Guidelines

Through IR based on the activity guidelines outlined below, KDDI strives to build long-term, trust-based relationships with shareholders and investors, as well as maximize its corporate value.



IR Activities in the Fiscal Year Ended March 31, 2021

Enhancing Communication

Earnings presentation meetings were held quarterly to allow management to directly communicate the Company's results. KDDI also held individual and small group meetings with investors from Japan and overseas, and participated in various conferences sponsored by securities companies for better communication.

KDDI takes the opinions expressed by shareholders and investors seriously, communicating them not only to management but also to employees in general. Such opinions are considered an extremely valuable reference in the formation of business and management strategies.

In line with our initiatives to prevent the spread of the COVID-19 pandemic, we currently employ our corporate website to simultaneously release key information to investors while incorporating teleconferencing and other communication methods that allow us to avoid in-person meetings.

Results of IR Activities in the Fiscal Year Ended March 31, 2021

| | |
|--|-------------------|
| Individual meetings with institutional investors | Approx. 660 times |
| Financial results briefings | 4 times |
| Overseas road shows | 10 times |
| Conferences in Japan and Overseas | 14 times |

Key External Recognition

| | | |
|----------|--|--|
| Overseas | <ul style="list-style-type: none"> FTSE4Good Index Series MSCI ESG Leaders Indexes Euronext Vigeo Eiris World Index 120 Ethibel PIONEER and Ethibel EXCELLENCE Investment Registers, etc. | |
| In Japan | <ul style="list-style-type: none"> S&P/JPX Carbon Efficient Index One of the "White 500" under the 2021 Certified Health & Productivity Management Organization Recognition Program Gold Award and Best Practice Award in the PRIDE Index Ranked first in the 15th Toyo Keizai CSR Corporation Ranking (2021) based on comprehensive ratings, etc. | |

Active Information Disclosure

KDDI provides webcasts of its results presentations on its website, and also posts an English-language version of its results presentations. Earnings reports, financial statements and operational data, information related to corporate governance, and other types of disclosure documents are made available. The data can also be viewed on our IR app and website, which are compatible with multiple devices.

Moreover, in our small meetings, we provided on-demand streaming of certain briefings on the Company website.

As a result of our IR activities, in the fiscal year ended March 31, 2021, KDDI has received excellent evaluations. The Company was selected for a fifth consecutive year to receive the Daiwa Investor Relations Internet IR 2020 Grand Prize. We were also ranked Gold Prize in the "Gomez IR Website Overall Ranking 2020" by Morningstar Japan K.K. In addition, we were commended for operating an outstanding website in the Nikko IR All Japanese Listed Companies' 2020 Website Ranking





Consolidated Financial Statements

Consolidated Statement of Financial Position

KDDI Corporation and its Subsidiaries

As of March 31

| | Notes | 2020 | Millions of yen 2021 |
|---|------------|------------|-------------------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 5, 7 | ¥2,406,231 | ¥ 2,492,985 |
| Right-of-use assets | 7, 35 | 378,870 | 396,772 |
| Goodwill | 6, 7 | 540,886 | 540,420 |
| Intangible assets | 6, 7 | 1,035,399 | 1,024,831 |
| Investments accounted for using the equity method | 8 | 233,225 | 233,921 |
| Long-term loans for financial business | 31, 32 | 952,070 | 1,148,805 |
| Securities for financial business | 31, 32 | 248,025 | 276,065 |
| Other long-term financial assets | 11, 31, 32 | 285,879 | 325,201 |
| Retirement benefit assets | 16 | — | 38,364 |
| Deferred tax assets | 15 | 23,783 | 11,396 |
| Contract costs | 24 | 436,675 | 466,316 |
| Other non-current assets | 12 | 15,975 | 21,321 |
| Total non-current assets | | 6,557,018 | 6,976,398 |
| Current assets | | | |
| Inventories | 9 | 75,366 | 69,821 |
| Trade and other receivables | 10, 31 | 2,168,355 | 2,229,435 |
| Short-term loans for financial business | 31, 32 | 216,601 | 233,605 |
| Call loans | 31 | 50,937 | 33,846 |
| Other short-term financial assets | 11, 31, 32 | 53,358 | 69,955 |
| Income tax receivables | | 4,712 | 7,969 |
| Other current assets | 12 | 84,600 | 104,496 |
| Cash and cash equivalents | 13 | 369,202 | 809,802 |
| Total current assets | | 3,023,131 | 3,558,928 |
| Total assets | | ¥9,580,149 | ¥10,535,326 |

Millions of yen

| | Notes | 2020 | 2021 |
|---|------------|------------|-------------|
| Liabilities and Equity | | | |
| Liabilities | | | |
| Non-current liabilities | | | |
| Borrowings and bonds payable | 14, 31, 32 | ¥1,147,551 | ¥ 1,151,664 |
| Long-term deposits for financial business | 31, 32 | 25,728 | 32,850 |
| Lease liabilities | 35 | 268,648 | 288,650 |
| Other long-term financial liabilities | 18, 31, 32 | 13,342 | 14,172 |
| Retirement benefit liabilities | 16 | 37,230 | 12,109 |
| Deferred tax liabilities | 15 | 98,570 | 100,071 |
| Provisions | 19 | 36,770 | 77,476 |
| Contract liabilities | 24 | 72,053 | 71,669 |
| Other non-current liabilities | 20 | 7,411 | 10,813 |
| Total non-current liabilities | | 1,707,303 | 1,759,474 |
| Current liabilities | | | |
| Borrowings and bonds payable | 14, 31, 32 | 153,262 | 92,892 |
| Trade and other payables | 17, 31 | 657,298 | 754,345 |
| Short-term deposits for financial business | 31, 32 | 1,401,691 | 1,817,240 |
| Call money | 31 | 72,100 | 115,815 |
| Lease liabilities | 35 | 110,906 | 112,275 |
| Other short-term financial liabilities | 18, 31, 32 | 3,496 | 1,655 |
| Income taxes payables | | 179,915 | 200,886 |
| Provisions | 19 | 44,966 | 38,925 |
| Contract liabilities | 24 | 107,897 | 100,889 |
| Other current liabilities | 20 | 282,209 | 281,461 |
| Total current liabilities | | 3,013,738 | 3,516,383 |
| Total liabilities | | 4,721,041 | 5,275,857 |
| Equity | | | |
| Equity attributable to owners of the parent | | | |
| Common stock | 22 | 141,852 | 141,852 |
| Capital surplus | 22 | 280,591 | 278,675 |
| Treasury stock | 22 | (156,550) | (86,719) |
| Retained earnings | 22 | 4,138,195 | 4,409,000 |
| Accumulated other comprehensive income | 22 | (19,665) | 16,912 |
| Total equity attributable to owners of the parent | | 4,384,424 | 4,759,720 |
| Non-controlling interests | 37 | 474,684 | 499,749 |
| Total equity | | 4,859,108 | 5,259,469 |
| Total liabilities and equity | | ¥9,580,149 | ¥10,535,326 |

Note: The notes 1 to 41 are an integral part of these consolidated financial statements.



Consolidated Statement of Income

KDDI Corporation and its Subsidiaries

For the years ended March 31

| | Notes | 2020 | 2021 |
|--|-------|------------|-------------------|
| Millions of yen | | | |
| Operating revenue | 24 | ¥5,237,221 | ¥5,312,599 |
| Cost of sales | 25 | 2,925,000 | 2,928,175 |
| Gross profit | | 2,312,221 | 2,384,424 |
| Selling, general and administrative expenses | 25 | 1,299,504 | 1,364,234 |
| Other income | 26 | 12,492 | 17,136 |
| Other expense | 26 | 3,228 | 4,815 |
| Share of profit of investments accounted for using the equity method | 8 | 3,256 | 4,884 |
| Operating income | | 1,025,237 | 1,037,395 |
| Finance income | 27 | 5,330 | 6,539 |
| Finance cost | 27 | 11,380 | 8,311 |
| Other non-operating profit and loss | 28 | 1,512 | 2,433 |
| Profit for the year before income tax | | 1,020,699 | 1,038,056 |
| Income tax | 15 | 325,298 | 331,451 |
| Profit for the year | | ¥ 695,401 | ¥ 706,605 |
| Profit for the year attributable to | | | |
| Owners of the parent | | ¥ 639,767 | ¥ 651,496 |
| Non-controlling interests | | 55,634 | 55,109 |
| Profit for the year | | ¥ 695,401 | ¥ 706,605 |
| Earnings per share attributable to owners of the parent | 34 | | |
| Basic earnings per share (yen) | | ¥275.69 | ¥284.16 |
| Diluted earnings per share (yen) | | 275.49 | 283.91 |

Note: The notes 1 to 41 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

KDDI Corporation and its Subsidiaries
For the years ended March 31

| | Notes | 2020 | 2021 |
|--|--------|----------|-----------------|
| Millions of yen | | | |
| Profit for the year | | ¥695,401 | ¥706,605 |
| Other comprehensive income | | | |
| Items that will not be transferred subsequently to profit or loss | | | |
| Remeasurements of defined benefit pension plans | 16, 29 | (13,835) | 46,106 |
| Changes measured in fair value of financial assets through other comprehensive income | 29, 31 | (2,598) | 26,086 |
| Share of other comprehensive income of investments accounted for using the equity method | 8, 29 | (3,694) | 254 |
| Total | | (20,127) | 72,445 |
| Items that may be subsequently reclassified to profit or loss | | | |
| Changes in fair value of cash flow hedge | 29, 31 | 802 | 1,436 |
| Translation differences on foreign operations | 29 | (10,201) | 15,174 |
| Share of other comprehensive income of investments accounted for using the equity method | 8, 29 | 286 | (322) |
| Total | | (9,113) | 16,288 |
| Total other comprehensive income | | (29,240) | 88,733 |
| Total comprehensive income for the year | | ¥666,161 | ¥795,339 |
| Total comprehensive income for the year attributable to | | | |
| Owners of the parent | | ¥612,402 | ¥736,709 |
| Non-controlling interests | | 53,759 | 58,630 |
| Total | | ¥666,161 | ¥795,339 |

Notes: 1. Items in the statement above are presented after income tax.

2. Income taxes related to each component of other comprehensive income are disclosed in "Note 29. Other comprehensive income."

3. The notes 1 to 41 are an integral part of these consolidated financial statements.



Consolidated Statement of Changes in Equity

KDDI Corporation and its Subsidiaries

Millions of yen

| | Notes | Equity attributable to owners of the parent | | | | | | Non-controlling interests | Total equity |
|---|-------|---|-----------------|-------------------|-------------------|--|-------------------|---------------------------|-------------------|
| | | Common stock | Capital surplus | Treasury stock | Retained earnings | Accumulated other comprehensive income | Total | | |
| As of April 1, 2019 | | ¥141,852 | ¥284,409 | ¥(383,728) | ¥4,144,133 | ¥ (3,174) | ¥4,183,492 | ¥429,440 | ¥4,612,932 |
| Cumulative effects of changes in accounting policies | | — | — | — | (181) | — | (181) | (149) | (329) |
| Restated balance | | 141,852 | 284,409 | (383,728) | 4,143,952 | (3,174) | 4,183,311 | 429,291 | 4,612,603 |
| Comprehensive income | | | | | | | | | |
| Profit for the year | | — | — | — | 639,767 | — | 639,767 | 55,634 | 695,401 |
| Other comprehensive income | | — | — | — | — | (27,365) | (27,365) | (1,875) | (29,240) |
| Total comprehensive income | | — | — | — | 639,767 | (27,365) | 612,402 | 53,759 | 666,161 |
| Transactions with owners and other transactions | | | | | | | | | |
| Cash dividends | 23 | — | — | — | (257,616) | — | (257,616) | (33,070) | (290,686) |
| Transfer of accumulated other comprehensive income to retained earnings | | — | — | — | (10,875) | 10,875 | — | — | — |
| Purchase and disposal of treasury stock | 22 | — | (75) | (150,000) | — | — | (150,075) | — | (150,075) |
| Retirement of treasury stock | 22 | — | (377,034) | 377,034 | — | — | — | — | — |
| Transfer from retained earnings to capital surplus | | — | 377,034 | — | (377,034) | — | — | — | — |
| Changes due to business combination | | — | — | — | — | — | — | 26,574 | 26,574 |
| Changes in interests in subsidiaries | | — | (6,515) | — | — | — | (6,515) | (1,870) | (8,385) |
| Other | | — | 2,772 | 144 | — | — | 2,916 | — | 2,916 |
| Total transactions with owners and other transactions | | — | (3,818) | 227,178 | (645,524) | 10,875 | (411,290) | (8,366) | (419,656) |
| As of April 1, 2020 | | 141,852 | 280,591 | (156,550) | 4,138,195 | (19,665) | 4,384,424 | 474,684 | 4,859,108 |
| Comprehensive income | | | | | | | | | |
| Profit for the year | | — | — | — | 651,496 | — | 651,496 | 55,109 | 706,605 |
| Other comprehensive income | | — | — | — | — | 85,213 | 85,213 | 3,520 | 88,733 |
| Total comprehensive income | | — | — | — | 651,496 | 85,213 | 736,709 | 58,630 | 795,339 |
| Transactions with owners and other transactions | | | | | | | | | |
| Cash dividends | 23 | — | — | — | (276,085) | — | (276,085) | (31,336) | (307,421) |
| Transfer of accumulated other comprehensive income to retained earnings | | — | — | — | 48,636 | (48,636) | — | — | — |
| Purchase and disposal of treasury stock | 22 | — | (3,298) | (80,153) | — | — | (83,451) | — | (83,451) |
| Retirement of treasury stock | 22 | — | (150,000) | 150,000 | — | — | — | — | — |
| Transfer from retained earnings to capital surplus | | — | 153,242 | — | (153,242) | — | — | — | — |
| Changes in interests in subsidiaries | | — | (2,851) | — | — | — | (2,851) | (2,229) | (5,080) |
| Other | | — | 991 | (17) | — | — | 974 | — | 974 |
| Total transactions with owners and other transactions | | — | (1,916) | 69,830 | (380,691) | (48,636) | (361,413) | (33,564) | (394,977) |
| As of March 31, 2021 | | ¥141,852 | ¥278,675 | ¥ (86,719) | ¥4,409,000 | ¥16,912 | ¥4,759,720 | ¥499,749 | ¥5,259,469 |

Note: The notes 1 to 41 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

KDDI Corporation and its Subsidiaries

For the years ended March 31

| | | Millions of yen | |
|---|--------|-----------------|------------|
| | Notes | 2020 | 2021 |
| Cash flows from operating activities | | | |
| Profit for the year before income tax | | ¥1,020,699 | ¥1,038,056 |
| Depreciation and amortization | 5, 6 | 689,925 | 727,745 |
| Impairment loss | 7 | 12,619 | 7,395 |
| Share of (profit) loss of investments accounted for using the equity method | 8 | (3,256) | (4,884) |
| Loss (gain) on sales of non-current assets | | 76 | (2,252) |
| Interest and dividends income | 27 | (5,027) | (3,710) |
| Interest expenses | 27 | 8,133 | 6,929 |
| (Increase) decrease in trade and other receivables | | (205,412) | (51,014) |
| Increase (decrease) in trade and other payables | | 10,070 | 75,449 |
| (Increase) decrease in loans for financial business | | (435,251) | (213,740) |
| Increase (decrease) in deposits for financial business | | 388,199 | 422,671 |
| (Increase) decrease in Call loans | | 9,278 | 17,091 |
| Increase (decrease) in Call money | | 12,100 | 43,715 |
| (Increase) decrease in inventories | | 15,060 | 5,495 |
| Increase (decrease) in retirement benefit assets | | — | (38,364) |
| Increase (decrease) in retirement benefit liabilities | | 23,874 | (25,120) |
| Other | | 85,734 | 8,425 |
| Cash generated from operations | | 1,626,821 | 2,013,889 |
| Interest and dividends received | | 8,718 | 6,959 |
| Interest paid | | (8,204) | (7,300) |
| Income tax paid | | (307,861) | (335,679) |
| Income tax refund | | 3,883 | 4,297 |
| Net cash provided by (used in) operating activities | | 1,323,356 | 1,682,166 |
| Cash flows from investing activities | | | |
| Purchases of property, plant and equipment | | (392,941) | (414,722) |
| Proceeds from sales of property, plant and equipment | | 2,557 | 4,468 |
| Purchases of intangible assets | | (226,363) | (209,914) |
| Purchases of securities for financial business | | (30,956) | (146,519) |
| Proceeds from sales and redemption of securities for financial business | | 59,137 | 122,038 |
| Purchases of other financial assets | | (11,166) | (18,774) |
| Proceeds from sales and redemption of other financial assets | | 6,339 | 4,848 |
| Acquisitions of control over subsidiaries | | — | (428) |
| Proceeds from acquisition of subsidiaries | | 84,171 | — |
| Purchases of stocks of associates | | (96,162) | (2,499) |
| Proceeds from sales of stocks of subsidiaries and associates | | 26 | 3,650 |
| Other | | (5,593) | (1,073) |
| Net cash provided by (used in) investing activities | | (610,950) | (658,925) |
| Cash flows from financing activities | | | |
| Net increase (decrease) of short-term borrowings | 30 | (32,000) | 19,517 |
| Proceeds from issuance of bonds and long-term borrowings | 30 | 180,000 | 77,500 |
| Payments from redemption of bonds and repayments of long-term borrowings | 30 | (118,662) | (153,301) |
| Repayments of lease liabilities | 30 | (126,947) | (133,226) |
| Payments from purchase of subsidiaries' equity from non-controlling interests | | (12,708) | (4,823) |
| Proceeds from stock issuance to non-controlling interests | | 4,226 | 9 |
| Payments from purchase of treasury stock | 22 | (150,000) | (136,087) |
| Proceeds from sale of treasury stock | | — | 52,214 |
| Cash dividends paid | | (257,009) | (275,993) |
| Cash dividends paid to non-controlling interests | | (33,277) | (31,379) |
| Other | | (4) | (3) |
| Net cash provided by (used in) financing activities | | (546,381) | (585,571) |
| Effect of exchange rate changes on cash and cash equivalents | 30 | (1,419) | 2,930 |
| Net increase (decrease) in cash and cash equivalents | 30 | 164,605 | 440,600 |
| Cash and cash equivalents at the beginning of the year | 13, 30 | 204,597 | 369,202 |
| Cash and cash equivalents at the end of the year | 13, 30 | ¥ 369,202 | ¥ 809,802 |

Note: The notes 1 to 41 are an integral part of these consolidated financial statements.



Notes to Consolidated Financial Statements

KDDI Corporation and its Subsidiaries

1 Reporting Entity

KDDI CORPORATION (“the Company”) was established as a limited company in accordance with Japanese Company Act. The location of the Company is Japan and the registered address of the headquarter is 2-3-2, Nishishinjuku, Shinjuku-ku, Tokyo, Japan. The Company’s consolidated financial statements as of and for the year ended March 31, 2021 comprise the Company and its consolidated subsidiaries (“the

Group”) and the Group’s interests in associates and joint ventures. The Company is the ultimate parent company of the Group.

The Group’s major business and activities are “Personal Services” and “Business Services.” For the details, please refer to “(1) Outline of reportable segments” of “4. Segment information.”

2 Basis of Preparation

(1) Compliance of consolidated financial statements with IFRSs

The Group’s consolidated financial statements have been prepared in accordance with IFRSs as prescribed in Article 93 of Ordinance on Consolidated Financial Statements as they satisfy the requirement of a “specific company” set forth in Article 1-2 of Ordinance on Consolidated Financial Statements.

(2) Basis of measurement

The Group’s consolidated financial statements have been prepared under the historical cost basis except for the following significant items on the consolidated statement of financial position:

- Derivative assets and derivative liabilities (measured at fair value)
- Financial assets or financial liabilities at fair value through profit or loss
- Financial assets at fair value through other comprehensive income
- Assets and liabilities related to defined benefit plan (measured at the present value of the defined benefit obligations, net of the fair value of the plan asset)

(3) Presentation currency and unit of currency

The Group’s consolidated financial statements are presented in Japanese yen, which is the currency of the primary economic environment of the Company’s business activities (“functional currency”), and are rounded to the nearest million yen.

(4) Use of estimates and judgement

The preparation of consolidated financial statements in accordance with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and assumptions are based on the management’s best judgments, through their evaluation of various factors that were considered reasonable as of the period-end, based on historical experience and by collecting available information. By the nature of the estimates or assumptions, however, actual results may differ from those estimates and assumptions.

The estimates and assumptions are reviewed on an ongoing basis. The effect of adjusting accounting estimates is recognized in the fiscal year in which the estimates are adjusted and in the subsequent fiscal years. Estimates that may have a risk of significant adjustment of carrying amounts of assets and/or liabilities in the subsequent fiscal years and the underlying assumptions are as follows:

In the first half of the fiscal year ended March 31, 2021, the Company had previously assumed that the impact of COVID-19 would last at least throughout the entire fiscal year. However, the business environment surrounding the Company continues to be unpredictable. Based on currently available information and in light of current conditions, the

Company has revised its assumptions used for the preparation of its consolidated financial statements for the fiscal year ended March 31, 2021, making accounting estimates that the impact of COVID-19 will continue at least throughout the fiscal year ending March 31, 2022. This change on the consolidated financial statements for the fiscal year under review is immaterial. However, if future circumstances change and it becomes necessary to revise these judgments, it is possible that there could be a significant impact on the consolidated financial results for subsequent fiscal years.

i. Estimates of useful lives and residual values of property, plant and equipment, intangible assets, and right-of-use assets

Property, plant and equipment is depreciated primarily using the straight-line method, based on the estimated useful life that reflects the period in which the asset’s future economic benefits are expected to be consumed. The depreciation charge for the period could increase if an item of property, plant and equipment becomes obsolete or repurposed in the future and the estimated useful life becomes shorter.

Intangible asset with a finite useful life is amortized on a straight-line basis in principle to reflect the pattern in which the asset’s future economic benefits are expected to be consumed by the Group. Estimated useful life of the customer relationships acquired in a business combination is determined based on the cancellation rate. The intangible assets related to the customer relationships are amortized over the useful life. Should actual sales volumes fail to meet initial projected volumes due to changes in the business environment etc., or should actual useful life in the future be less than the original estimate, there is a risk that amortization expenses for the reporting period may increase.

The content related to estimates of useful lives and residual values of property, plant and equipment, intangible assets and right-of-use assets are described in “3. Significant accounting policies (5) Property, plant & equipment, (7) Intangible asset and (8) Leases.”

ii. Impairment of property, plant and equipment, intangible assets including goodwill and right-of-use assets

The Group conducts impairment tests to property, plant and equipment, intangible assets including goodwill and right-of-use assets. Calculations of recoverable amounts used in impairment tests are based on assumptions set using such factors as an asset’s useful life, future cash flows, pre-tax discount rates and long-term growth rates. These assumptions are based on the best estimates and judgments made by management. However, these assumptions may be affected by changes in uncertain future economic conditions, which may have a material impact on the consolidated financial statements in future periods.

The method for calculating recoverable amounts is described in “3. Significant accounting policies (9) Impairment of property, plant and equipment, goodwill, intangible assets and right-of-use assets” and “7. Impairment of property, plant and equipment, goodwill, intangible assets and right-of-use assets.”

iii. Evaluation of inventories

Inventories are measured at historical cost. However, when the net realizable value ("NRV") at the reporting date falls below the cost, inventories are subsequently measured based on NRV, with the difference in value between the cost and NRV, booked as cost of sales. Slow-moving inventories and those outside the normal operating cycle are calculated at NRV that reflects future demand and market trends. The Group may experience substantial losses in cases where NRV drops as a result of deterioration in the market environment against the forecast.

The content and amount related to evaluation of inventories are described in "3. Significant accounting policies (15) Inventories" and "9. Inventories."

iv. Recoverability of deferred tax assets

In recognizing deferred tax assets, when judging the possibility of the future taxable income, the Group estimates the timing and amount of future taxable income based on the business plan.

The timing when taxable income arises and the amount of such income may be affected by changes in uncertain future economic conditions. If there are differences between the actual amounts and estimated amounts, this may have a material impact on the consolidated financial statements in future periods.

The content and amount related to deferred tax assets are described in "3. Significant accounting policies (24) Income taxes" and "15. Deferred tax and income taxes."

v. Measurement of defined benefit obligations

The Group has in place various post-retirement benefit plans, including defined benefits plans. The present value of defined benefit obligations on each of these plans and the service costs are calculated based on actuarial assumptions. These actuarial assumptions require estimates and judgments on variables, such as discount rates. The Group obtains advice from external pension actuaries with respect to the appropriateness of these actuarial assumptions including these variables.

The actuarial assumptions are determined based on the best estimates and judgments made by management. However, there is the possibility that these assumptions may be affected by changes in uncertain future economic conditions, or by the publication or the amendment of related laws, which may have a material impact on the consolidated financial statements in future periods.

These actuarial assumptions are described in "3. Significant accounting policies (16) Employee benefits" and "16. Employee benefits."

(6) Standards not yet adopted

The following new standards and amendments announced by the approval date of the consolidated financial statements are not mandatory as of March 31, 2021. The Group has not early adopted them.

| Standard | The title of Standard | Mandatory adoption (from the fiscal year beginning) | To be adopted by the Group from | Outline of new standards and amendments |
|----------|-----------------------|---|-----------------------------------|--|
| IFRS 17 | Insurance contracts | January 1, 2023 | Fiscal year ending March 31, 2024 | <p>IFRS 17 will replace IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.</p> <p>Under the IFRS 17 model, entities are required to estimate total fulfillment cash flows for insurance contracts and contractual service margin at initial recognition. Fulfillment cash flows comprise estimates of future cash flows, adjustments reflecting the time value of money, and risk adjustments for non-financial risk. At the time of reporting, fulfillment cash flows are remeasured using the latest basis for measurement. Unearned income (contractual service margin) is recognized over the coverage period.</p> |

All the standards and amendments above will be reflected in the consolidated financial statements for the relevant fiscal year described above. The Company is currently evaluating the impact of the application and an estimate is currently not available.

vi. Collectability of trade and other receivables

The Group has estimated the collectability of trade and other receivables based on the credit risk. Fluctuations in credit risk of customer receivables may have a significant effect on the amounts recognized the allowance for receivables on the consolidated financial statements in future periods.

The content and amount related to collectability of trade and other receivables are described in "3. Significant accounting policies (12) Impairment of financial assets" and "31. Financial Instruments."

vii. Valuation technique of financial assets at fair value without quoted prices in active markets.

The Group has used valuation techniques to utilize the inputs unobservable in the market when assessing the fair value of certain financial instruments. Unobservable input may be affected by changes in uncertain future economic conditions, which may have a material impact on the consolidated financial statements in future periods if it becomes necessary to review.

The content and amount related to fair value of financial assets are described in "3. Significant accounting policies (11) Financial instruments and (13) Derivatives and hedge accounting" and "32. Fair value of financial instruments."

viii. Provisions

The Group recognizes provisions, including asset retirement obligations and provisions for point program, in the consolidated statement of financial position. These provisions are recognized based on the best estimates of the expenditures required to settle the obligations, taking into account risks and uncertainty related to the obligations as of the current year end date. Expenditures necessary for settling the obligations are calculated by taking all possible future results into account; however, they may be affected by unexpected events or changes in conditions, which may have a material impact on the Group's consolidated financial statements in future periods.

The nature and amount of recognized provisions are stated in "3. Significant accounting policies (17) Provisions" and "19. Provisions."

(5) Application of new standards and interpretations

The Group does not have significant standards and interpretations applied from the fiscal year ended March 31, 2021.



3 Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the reporting periods presented, unless otherwise stated.

(1) Basis of consolidation

i. Subsidiaries

(a) Consolidation of subsidiaries

Subsidiaries are all entities over which the Group has control. An entity is consolidated as the Group controls it when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date when control is obtained and deconsolidated from the date when control is lost.

Intragroup balances and transactions, and unrealized gain or loss arising from intragroup transactions is eliminated in preparation of the consolidated financial statements.

The accounting policies of subsidiaries have been changed to conform to the Group's accounting policies, when necessary.

(b) Changes in ownership interest in a subsidiary that do not result in a change of control

The Group accounts for the transactions with non-controlling interests that do not result in loss of control as equity transactions. The difference between fair value of any consideration paid and the proportion acquired of the carrying amount of the subsidiary's net assets is recognized as equity. Gains or losses on disposals of non-controlling interests that do not result in loss of control are also recognized as equity.

(c) Disposal of a subsidiary

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value on the date when control is lost, with the changes in the carrying amount recognized in profit or loss. The fair value will be the initial carrying amount when the retained interests are subsequently accounted for as associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This means that any components of other comprehensive income that are attributable to the subsidiary are reclassified from equity to profit or loss or directly to retained earnings.

(d) Unification of reporting period

The consolidated financial statements include the financial statements of subsidiaries whose closing dates are different from that of the Company. For the preparation of the consolidated financial statements, such subsidiaries prepare financial statements based on the provisional accounts as of the Company's closing date.

ii. Associates

Associates are entities over which the Group does not have control but has significant influence over the financial and operating policies through participation in the decision-making of those policies. Investments in associates are accounted for using the equity method of accounting. Under the equity method, investment in an associate is initially recorded at cost, its amount is adjusted to recognize the Group's share of the profit or loss, and other comprehensive income of the associate from the date on which it has significant influence until the date when it ceases to have the significant influence is lost.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amount previously recognized in other comprehensive income is reclassified to profit or loss or transfers within equity, based on how the reserve should be

reclassified on the disposal of related assets or liabilities. When the Company's share of losses in an associate equals or exceeds its carrying amount of interest in the associate, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group's investment in associates includes goodwill recognized on acquisition. Accordingly, goodwill is not recognized or tested for impairment separately. The gross amount of investments in associates is tested for impairment as a single asset. Specifically, the Group evaluates on a quarterly basis whether there is objective evidence which indicates that the investment may be impaired or not on a quarterly basis. When objective evidence exists that the investments in associates are impaired exists, those investments are tested for impairment. Unrealized gains or losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. The accounting policies of associates have been changed to conform to the Group's accounting policies, when necessary.

iii. Joint arrangements

The Group enters into joint arrangements when the Group has joint control of a business or entity.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when the decisions about the relevant activities that significantly affect the returns of the arrangement require the unanimous consent of the parties sharing control.

For accounting, joint arrangements are classified as either joint operations or joint ventures. A joint operation is a joint agreement whereby parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

When a joint arrangement is classified as a joint operation, the Group's share of the assets, liabilities, revenue and expenses in relation to the arrangement are recorded directly in the financial statements. On the other hand, when a joint arrangement is classified as a joint venture, net assets related to the arrangement are recorded in the financial statements using the equity method.

(2) Business combination

The Group accounts for business combinations by applying the acquisition method. Consideration transferred to acquire subsidiaries is the fair values of the assets transferred, the liabilities incurred by former owners of the acquiree and the equity interests issued by the Group. Consideration transferred also includes the fair values of any assets or liabilities resulting from a contingent consideration arrangement. Each identifiable asset acquired, liability and contingent liability assumed in a business combination is generally measured at its acquisition-date fair value.

Non-controlling interests are identified separately from those of the Group and are measured as the non-controlling shareholders' proportionate share of the acquiree's identifiable net assets. For each acquisition, the Group recognizes the acquiree's non-controlling interests either at fair value or as the non-controlling interest's proportionate share of the amount recognized for acquiree's identifiable net assets.

Acquisition-related costs, including finder's fees, legal, due-diligence and other professional fees, are charged to expense when incurred.

Where the aggregate amount of consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree exceeds the fair value of the identifiable net assets acquired, such excess is recorded as goodwill. Where the aggregate amount of consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's

previously held equity interest in the acquire is less than the fair value of acquired subsidiary's net assets, such difference is recognized directly in profit or loss as a bargain purchase.

If the initial accounting for a business combination is not complete by the end of the reporting period in which the business combination occurs, the Group recognizes in its financial statements provisional amounts for the items for which the accounting is incomplete. Subsequently, the Group retrospectively adjusts the provisional amounts recognized on the date when control is obtained as measurement period adjustments to reflect new information obtained about facts and circumstances that existed as of the date when control is obtained and, if known, would have affected the amounts recognized for the business combination. However, the measurement period shall not exceed one year from the date when control is obtained.

(3) Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. The board of directors that makes strategic decisions has been identified by the Group as the chief operating decision-maker.

(4) Foreign currency translation

i. Functional currency and presentation currency

Foreign currency transactions of each Group company have been translated into their functional currencies at the exchange rate prevailing at the dates of transactions upon preparation of their financial statements. The consolidated financial statements of the Group are presented in Japanese yen, which is the functional currency of the Company.

ii. Foreign currency transactions

Foreign currency transactions are translated at the spot exchange rate of the date of transaction or the rate that approximates such exchange rate. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the fiscal year end date. Non-monetary items at fair value denominated in foreign currencies are translated at an exchange rate as of the date when their fair values are measured.

Exchange differences arising from the translation and settlement of monetary assets and liabilities denominated in foreign currencies are recognized as profit or loss. However, exchange differences arising from the translation of equity instruments measured through other comprehensive income and qualifying cash flow hedges are recognized as other comprehensive income.

iii. Foreign operations

For the purpose of the presentation of the consolidated financial statements, the assets and liabilities of the Group's foreign operations, including goodwill, identified assets and liabilities, and their fair value adjustments resulting from the acquisition of the foreign operations, are translated into presentation currency at the exchange rate prevailing at the fiscal year end date. Income and expenses of foreign operations are translated into Japanese yen, the presentation currency, at the average exchange rate for the period, unless the exchange rates fluctuate significantly during the period.

Exchange differences arising from translation of foreign operations' financial statements are recognized as other comprehensive income. In cases of disposition of whole interests of foreign operations, and certain interests involving loss of control or significant influence, exchange differences are accounted for as profit or loss on disposal of foreign operations.

(5) Property, plant and equipment

i. Recognition and measurement

Property, plant, and equipment of the Group is measured on a historical cost basis and carried at its cost less accumulated depreciation and impairment losses. The acquisition cost includes costs directly attributable to the acquisition of the asset and the initial estimated costs related to disassembly, retirement and site restoration, as well as borrowing costs eligible for capitalization.

In cases where components of property, plant, and equipment have different useful lives, each component is recorded as a separate property, plant, and equipment item.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognized as expenses during the financial period in which they are incurred.

ii. Depreciation and useful lives

Property, plant and equipment is depreciated mainly using the straight-line method over the estimated useful lives of each component. The depreciable amount is calculated as the cost of an asset less its residual value. Land and construction in progress are not depreciated. In cases where components of property, plant and equipment have different useful lives, each component is recorded as a separate property, plant and equipment item.

The estimated useful lives of major components of property, plant and equipment are as follows:

| | |
|-------------------------------|-------------|
| Communication equipment | |
| Machinery | 9 years |
| Antenna equipment | 10–21 years |
| Toll and local line equipment | 5–27 years |
| Other equipment | 9–27 years |
| Buildings and structures | 10–38 years |
| Others | 5–22 years |

The depreciation methods, estimated useful lives and residual values are reviewed at the end of each reporting period, and if there are any changes made, those changes are applied prospectively as a change in an accounting estimate.

iii. Derecognition

Property, plant, and equipment is derecognized upon disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in gain or loss when the item is derecognized.

(6) Goodwill

Goodwill is the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets of the acquiree on the date of acquisition.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortized. Instead, it is tested for impairment annually and if events or changes in circumstances indicate a potential impairment. For the impairment, please refer to "(9) Impairment of property, plant and equipment, goodwill, intangible assets and right-of-use assets."



(7) Intangible assets

i. Recognition and measurement

The Group applies the cost method in measuring intangible assets, excluding goodwill. Those assets are carried at its cost less accumulated amortization and impairment losses.

Intangible assets acquired separately are measured at cost at initial recognition. Intangible assets acquired in a business combination are recognized separately from goodwill and are measured at fair value at the acquisition date when such assets meet the definition of intangible asset and are identifiable, and their fair values can be measured reliably.

Expenditure on research activities to obtain new science technology or technical knowledge and understanding is recognized as an expense when it is incurred.

Expenditure on development is recognized as intangible asset in the case where the expenditure can be measured reliably, product or production process has commercial and technical feasibility, the expenditure probably generates future economic benefits, and the Group has intention to complete the development and use or sell the asset, and has enough resources for their activities. In other cases, the expenditure is recognized as expense when it is incurred.

ii. Depreciation and useful lives

Intangible assets are amortized using the straight-line method over their estimated useful lives. Estimated useful lives of major components of intangible assets are as follows. Intangible assets with indefinite useful lives are not amortized.

| | |
|----------------------------------|------------|
| Software | 5 years |
| Customer relationships | 4–30 years |
| Assets related to program supply | 22 years |
| Spectrum migration cost | 9–17 years |
| Others | 5–20 years |

The amortization methods, estimated useful lives are reviewed at the end of each reporting period, and if there are any changes made, those changes are applied prospectively as a change in an accounting estimate.

(8) Leases

At the inception of the lease, the Group determines whether the lease includes a lease or lease. Whether or not the contract includes a lease is determined based on whether or not the right to control the use of the identified asset is transferred to the consideration and exchange for a certain period.

When the contract includes a lease, right-of-use assets are initially recognized at the amount calculated by adding or subtracting the initial direct cost to the initial use of the lease liability. Lease liabilities are initially recognized at the present value of lease payments that are not paid at the inception of the lease.

Right-of-use assets are depreciated using the straight-line method over the period from the inception of the lease to the end of the useful life of the assets or the end of the lease term, whichever is earlier.

Lease liabilities are subsequently measured at an amount that reflects the interest rate on the lease liability, the lease payments made and, where applicable, the review of the lease liability or any change in the terms of the lease.

(9) Impairment of property, plant and equipment, goodwill, intangible assets and right-of-use assets

At the end of each reporting period, the Group determines whether there is any indication that carrying amounts of property, plant and equipment, identifiable intangible assets and right-of-use assets may be impaired. If any indication exists, the recoverable amount of the asset or the cash-generating unit to which the asset belongs is estimated. For goodwill and intangible assets with indefinite useful lives, the impairment test is undertaken annually or more frequently if events or circumstances indicate that they might be impaired. A cash-generating unit is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The recoverable amount is the higher of fair value less costs of disposal or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset.

When the impairment test shows that the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit or group of units, and then to the other assets of the unit or group of units pro rata on the basis of the carrying amount of each asset in the unit or group of units. Any impairment loss for goodwill is recognized in profit or loss and is not reversed in subsequent periods.

For assets other than goodwill, the Group determines at the end of each reporting period whether there is any indication that an impairment loss recognized in prior years has decreased or been extinguished. An impairment loss is reversed when there is an indication that the impairment loss may be reversed and there has been a change in the estimates used to determine an asset's recoverable amount. When an impairment loss recognized is reversed, the carrying amount of the asset or cash-generating unit is increased to its updated estimated recoverable amount. A reversal of an impairment loss is recognized, to the extent the increased carrying amount does not exceed the lower of the recoverable amount or the carrying amount (net of depreciation and amortization) that would have been determined had no impairment loss been recognized. A reversal of an impairment loss is recognized as other income.

(10) Non-current assets held for sale or disposal group

An asset or group of assets of which the carrying amount is expected to be recovered primarily through a sales transaction rather than through continuing use is classified into "Assets held for sale." To qualify for classification as "non-current assets held for sale", the sale of a non-current asset must be highly probable and it must be available for immediate sale in its present condition. In addition, management must be committed to a plan to sell the asset in which the sale is to be completed within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, and the criteria set out above are met, all assets and liabilities of the subsidiary are classified as held for sale, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Assets held for sale is measured at the lower of its "carrying amount" and "fair value less cost to sell." Property, plant and equipment and intangible assets classified as "assets held for sale" are not depreciated or amortized.

(11) Financial instruments

i. Financial assets

(a) Recognition and measurement of financial assets

The Group recognizes a financial asset when it becomes a party to the contractual provisions of the instrument. The Group initially recognizes trade and other receivables on the date of transaction. At initial recognition, the Group measures a financial asset at its fair value plus, in the case of financial assets not measured at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction cost of a financial asset measured at fair value through profit or loss is recognized as profit or loss.

(b) Classification of non-derivative financial assets

The classification and measurement model of non-derivative financial assets are summarized as follows. The Group classifies financial assets at initial recognition as financial assets measured at amortized cost, equity instruments measured at fair value through other comprehensive income or financial assets measured at fair value through profit or loss.

(i) Financial assets measured at amortized cost

A financial asset that meets both the following condition is classified as a financial asset measured at amortized cost.

- The financial asset is held within the Group's business model whose objective is to hold assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value plus transaction cost directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, net of impairment loss, if necessary.

(ii) Equity instruments measured at fair value through other comprehensive income

The Group makes an irrevocable election to recognize changes in fair value of investments in equity instruments through other comprehensive income, not through profit or loss. A gain or loss from fair value changes will be shown in other comprehensive income and will not be reclassified subsequently to profit or loss.

An equity instrument measured at fair value through other comprehensive income is recognized initially at fair value plus transaction cost directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included as "financial asset at fair value through other comprehensive income" in other comprehensive income. Accumulated gains or losses recognized through other comprehensive income are directly transferred to retained earnings when an equity instrument is derecognized or its fair value substantially decreased.

Dividends are recognized as "finance income" in profit or loss.

(iii) Financial assets measured at fair value through profit or loss

When any of the above-mentioned conditions for classification of financial assets is not met, a financial asset is classified as "at fair value through profit or loss" and measured at fair value with changes in fair value recognized in profit or loss.

A financial asset measured at fair value through profit or loss is recognized initially at fair value and its transaction cost is recognized in profit or loss when incurred. A gain or loss on a financial asset measured at fair value through profit or loss is recognized in profit or loss, and presented in "finance income" or "finance cost" in the consolidated statement of income for the reporting period in which it arises.

The Group does not designate any debt instrument as at fair value through profit or loss to remove or significantly reduce an accounting mismatch.

(c) Derecognition of financial assets

The Group derecognizes its financial asset if the contractual rights to the cash flows from the investment expire, or the Group transfers substantially all the risks and rewards of ownership of the financial asset. Any interests in transferred financial assets that are created or continuously retained by the Group are recognized as a separate asset or liability.

ii. Non-derivative financial liabilities

(a) Recognition and measurement of financial liabilities

The Group recognizes financial debt when the Group becomes a party to the contractual provisions of the instruments. The measurement of financial debt is explained in (b) Classification of financial liabilities.

(b) Classification of financial liabilities

Financial liabilities measured at amortized cost

A financial liability other than those measured at fair value through profit or loss is classified as a financial liability measured at amortized cost.

A financial liability at amortized cost is initially measured at fair value less transaction cost directly attributable to the issuance of the financial liability. After initial recognition, the financial liability is measured at amortized cost based on the effective interest rate method.

(c) Derecognition of financial liabilities

The Group derecognizes a financial liability when the financial liability is extinguished, i.e. when the contractual obligation is discharged, cancelled, or expired.

iii. Presentation of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position only when the Group currently has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(12) Impairment of financial assets

The Group recognizes 12-month expected credit loss as provision for doubtful receivables (non-trade receivables) when there is no significant increase in the credit risk since initial recognition. When there is a significant increase in credit risk since initial recognition, expected credit losses for such remaining life of the financial assets are recognized as provision for doubtful receivables. Whether credit risk is significantly increased or not is determined based on the changes in default risk. To determine if there is a change in default risk, the following factors are considered. However, the Group always measures provision for trade receivables, which do not include any material financial component at an amount equal to lifetime expected credit losses.

- External credit rating of the financial asset
- Downgrade of internal credit rating
- Operating results, such as decrease in sales, decrease in working capital, asset deterioration and increase in leverage
- Reduced financial support from the parent company or associated companies
- Delinquencies (Overdue information)

Expected credit losses are measured based on the discounted present value of the differences between the contractual cash flows and the cash flows expected to be received.



(13) Derivatives and hedge accounting

Derivatives are initially recognized at fair value as on the date that derivative contracts are entered into. After initial recognition, derivatives are remeasured at fair value at the end of each reporting period.

The Group utilizes derivatives consisting of exchange contracts, foreign exchange swaps and interest swaps to reduce foreign currency risk and interest rate risk etc.

The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates derivatives as cash flow hedge (hedges to the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction).

At the inception of the transaction, the Group documents the relationship between the hedging instrument and the hedged item, along with their risk management objectives and strategies to conduct various hedge transactions.

At the inception of the hedge and on an ongoing basis, the Group assess whether the derivative used in hedging transaction is highly effective in offsetting changes in cash flows of the hedged item.

Specially, when the Group assess whether the hedge relationship is effective, the Group assess whether all of the following requirements are met:

- (i) *There is an economic relationship between the hedged item and the hedging instrument.*
- (ii) *The effect of credit risk does not dominate the value changes that result from that economic relationship.*
- (iii) *The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.*

Hedge effectiveness is assessed on an ongoing basis and about whether the hedging criteria described above are met.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The ineffective portion is recognized in profit or loss. Cumulative profit or loss recognized through other comprehensive income is transferred to profit or loss on the same period that the cash flows of hedged items affects profit or loss.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, an entity should adjust the hedge ratio of the hedging relationship so that it meets the qualifying criteria again (rebalancing).

After rebalancing, hedge accounting will be discontinued in cases where it no longer meets the requirements of hedge accounting or hedging instruments are expired, sold, terminated or exercised, hedge accounting will be discontinued.

In the case that the hedge accounting is discontinued, the cumulative profit or loss on the hedging instrument that has been recognized in other comprehensive income when the hedge was effective will remain in other comprehensive income until the forecast transaction occurs. When forecast transactions are no longer expected to arise, the accumulated amount of profit or loss recorded in equity is transferred to profit or loss.

Aggregated fair values of hedging instrument derivatives whose maturities are over 12 months are classified as non-current assets or liabilities, and those whose maturities are less than 12 months are classified as current assets or liabilities.

(14) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents consist of cash, demand deposits and short-term investments with maturities of three months or less that are readily convertible to cash and subject to insignificant risk of change in value and bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown within in current liabilities.

(15) Inventories

Inventories mainly consist of mobile handsets and materials / work in progress related to construction.

Inventories are measured at the lower of cost and net realizable value. The cost is generally calculated using the moving average method and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realizable value represents the estimated selling price in the ordinary course of business less any estimated cost to sell.

(16) Employee benefits

i. Defined benefit plans

The Group primarily adopts defined benefit plans.

The asset or liability recognized on the consolidated statement of financial position in relation to the defined benefit pension plans (defined benefit asset or liability) is the present value of the defined benefit obligation less fair value of the plan assets at the end of the reporting period. The defined benefit obligation is determined annually by independent actuaries using the projected unit credit method. The discount rates are on the basis of the market yields of high-quality corporate bonds at the end of the reporting period, that are denominated in the currency in which the benefit will be paid, which corresponds to the estimated timing and amount of future benefits are to be paid.

Defined benefit cost includes service cost, net interest on the net defined benefit liability (asset), and remeasurements of the net defined benefit liability (asset). Service cost and net interest are recognized in profit or loss. Net interest is determined using the discount rate described above. The remeasurements comprise actuarial gains and losses and the return on plan assets (excluding amounts included in net interest). Actuarial gains and losses are recognized immediately in other comprehensive income when incurred, and past service costs are recognized as profit or loss.

The Group recognizes remeasurements of all the net defined benefit liability (asset) resulting from its defined benefit plans in other comprehensive income and reclassifies them immediately to retained earnings.

ii. Defined contribution plans

The Company and certain subsidiaries of the Group adopt defined contribution plans. Contributions to the defined contribution plans are recognized as expenses for the period over which employees provide services.

In addition, certain subsidiaries of the Group participate in multi-employer pension plans, and recognize the payments made during the fiscal year as profit or loss and contribution payable as a liability.

iii. Short-term employee benefits

Short-term employee benefits are measured at the amounts expected to be paid when the liabilities are settled and recognized as an expense. Bonus and paid annual leave accruals are recognized as a liability in the amount estimated to be paid under these plans, when the Group has legal or constructive obligations to pay them and reliable estimates of the obligation can be made.

(17) Provisions

Provisions are recognized when the Group has legal or constructive obligations as a result of past events, it is probable that outflows of economic benefits will be required to settle the obligations, and reliable estimates of the obligation can be made. To determine the amount of a provision, the estimated future cash flows are discounted using a pre-tax discount rate that reflects the time value of money and the risks specific to the liability where necessary. Unwinding of the discount over time is recognized in finance cost.

(18) Share-based payment

i. Stock options

The Group has equity-settled stock option plans as incentive plans for its directors and employees. Stock options are measured at fair value at the grant date, which is calculated using the Black-Scholes or other models.

The fair value of stock options at the grant date is recognized as an expense over the vesting period, based on the estimated number of stock options that are expected to vest, with corresponding amount recognized as increase in equity.

ii. Executive compensation BIP trust and stock-granting ESOP trust

The Group has introduced the executive compensation BIP (Board Incentive Plan) trust and a stock-granting ESOP (Employee Stock Ownership Plan) trust. These plans are accounted for as equity-settled share based payments and the shares of the Company held by the trust are included in treasury stock. The fair value of the shares of the Company at the grant date is recognized as expenses over the period from the grant date to the vesting date, with a corresponding increase in capital surplus. The fair value of the shares of the Company granted is determined by adjusting the market value, taking into account the expected dividend yield of the shares.

(19) Equity

i. Common stock

Common stock is classified as equity. Proceeds from the Company's issuance of common shares are included in common stock and capital surplus and its direct issue costs are deducted from capital surplus.

ii. Treasury stock

When the Group acquires treasury stocks, the consideration paid, net of direct transaction costs and tax, is recognized as a deduction from equity. When the Group sells treasury stocks, differences between the carrying amount and the consideration received upon sale are recognized as capital surplus.

(20) Revenue

i. Mobile telecommunications services

The Group generates revenue mainly from its mobile telecommunications services (including UQ mobile and MVNO services) and sale of mobile handsets. The Group enters into mobile telecommunications service agreements directly with customers or indirectly through distributors, and sells mobile handsets to its distributors.

Revenue from the mobile telecommunications services primarily consists of basic monthly charges and communication fees ("the mobile telecommunication service fees"), and commission fees such as activation fees. Revenue from the mobile telecommunication service fees and commission fees are recognized on a flat-rate basis and on a measured-rate basis when the services are provided to the customers, which is when the service is provided to the customer in accordance with

contract and the performance obligation is fulfilled. Discounts of communication charges are deducted from the mobile telecommunications service fees on a monthly basis.

Furthermore, the consideration for transactions related to revenue from mobile telecommunications services is received within approximately one month of the billing date.

Revenue from the sale of mobile handsets comprises proceeds from the sale of mobile handsets and accessories to customers or distributors.

The business flows of the above transactions consist of "indirect sales," wherein the Company sells mobile handsets to distributors and enters into communications service contracts with customers through those distributors, and "direct sales," wherein the Company and certain subsidiaries of the Company sell mobile handsets to customers and enter into communications service contracts directly with the customers. Revenue in each case is recognized as described below.

Revenue from the sale of mobile handsets is received within approximately one month following the sale to the distributor or other vendor.

(a) Indirect sales

As the distributor has the primary obligation and inventory risk for the mobile handsets, the Group sells to the distributors, the Group considers distributors as the principals in each transaction. Revenue from the sale of mobile handsets is recognized when mobile handsets are delivered to distributors, which is when control over the mobile handsets is transferred to the distributor and the performance obligation is fulfilled. Certain commission fees paid to distributors are deducted from revenue from the sale of mobile handsets.

(b) Direct sales

In direct sales transactions, revenue from the sale of mobile handsets and revenue from service fees, including mobile telecommunications service fees, are considered to be bundled. Therefore, contracts that are concluded for a bundled transaction are treated as a single contract for accounting purposes. The total amount of the transaction allocated to revenue from the sale of mobile handsets and mobile telecommunications service fees is based on the proportion of each component's independent sales value. The amount allocated to mobile handset sales is recognized as revenue at the time of sale, which is when the performance obligation is determined to have been fulfilled. The amount allocated to mobile telecommunications service fees is recognized as revenue when the service is provided to the customer, which is when the performance obligation is determined to have been fulfilled.

In both direct and indirect sales, activation fees and handset model exchange fees are deferred as contract liabilities upon entering into the contract. They are not recognized as a separate performance obligation, but combined with mobile telecommunications services. They are recognized as revenue over the period when material renewal options exist.

The consideration of these transactions is received in advance, when the contract is signed.

Points granted to customers through the customer loyalty program are allocated to transaction prices based on the independent sales values of benefits to be exchanged based on the estimated point utilization rate, which reflects points that will expire due to future cancellation or other factors. The points are recognized as revenue when the customers utilize those points and take control of the goods or services, which is when the performance obligation is considered fulfilled.

ii. Fixed-line telecommunications services (including the CATV business)

Revenue from fixed-line telecommunications services primarily consists of revenues from voice communications, data transmission, FTTH services, CATV services and related installation fees.

The above revenue, excluding installation fee revenue, is recognized when the service is provided, which is when the service is provided to



the customer in accordance with contact and the performance obligation is fulfilled. Installation fee revenue is recognized over the estimated average contract period based on the percentage remaining.

The consideration for these transactions is received within approximately one month of the billing date.

iii. Value-added services

Revenue from content services mainly comprises revenue from information fees, revenue arising from payment agency services, revenue through advertising businesses, agency fees on content services, and revenue from the energy business, etc.

Revenue from information fees comprises the revenue from membership fees for the content provided to customers on websites that the Group operates or that the Group jointly operates with other entities and the performance obligation is fulfilled over the period in which the service is provided. Revenue arising from payment agency services comprises the revenue from fees for collecting the receivables of content providers from customers as the agent of content providers together with the telecommunication fees and the performance obligation is fulfilled when the Group collects the receivables. Electric power revenue comprises the revenue generated from electric power retail services and the performance obligation is fulfilled when the Group provides the services.

These revenues are recognized over the period in which the service is provided based on the nature of each contract since the performance obligations identified based on the contract with customer are fulfilled over time or when the Group provides the service.

The Group may act as an agent in a transaction. To report revenue from such transactions, the Group determines whether it should present the gross amount of the consideration received from customers, or the net amount of the consideration received from customers less payments paid to a third party. The Group evaluates whether the Group has the primary obligation for providing the goods and services under the arrangement or contract, the inventory risk, latitude in establishing prices, and the credit risk. However, the presentation being on a gross basis or a net basis does not affect profit for the year.

The Group considers itself an agent for payment agency services, advertisement services and certain content services described above because it earns only commission income based on pre-determined rates, does not have the authority to set prices and solely provides a platform for its customers to perform content-related services. The Group thus does not control the service before control is transferred to the customer. Therefore, revenue from these services is presented on a net basis.

The consideration for these transactions is received within approximately one to three months after the performance obligation has been fulfilled.

iv. Global services

Global services mainly comprise solution services, data center services and mobile telephone services.

Revenue from data center services comprise the service charges the Group receives for using space, electricity, networks or other amenities at its self-operated data centers in locations around the world. In general, contracts cover more than one year, and revenue is recognized for the period over which the services are provided.

The consideration for these transactions is billed before the performance obligation is fulfilled and is received within approximately one month of billing.

Revenue from mobile telephone services comprises revenue from mobile handsets and mobile telecommunication services. Revenue from the sale of mobile handsets is recognized at the time of sale of the handsets, when the performance obligation is determined to have been fulfilled. Revenue from mobile telecommunication services is recognized

at the time the services are provided to the customer, when the performance obligation is determined to have been fulfilled.

v. Solution services

Revenue from solution services primarily consists of revenues from equipment sales, engineering and management services ("the solution service income"). The solution service income is recognized based on the consideration received from the customers when the goods or the services are provided to the customers and the performance obligation is fulfilled.

Payment for any performance obligation is received within approximately one month of the billing date.

(21) Finance income and costs

Finance income mainly comprises interest income, dividend income, exchange gains and changes in fair value of financial assets at fair value through profit or loss. Interest income is recognized using the effective interest method. Dividend income is recognized when the right to receive payment (shareholders' right) is established.

Finance costs mainly comprise interest expense, exchange losses and changes in fair value of financial assets at fair value through profit or loss. Interest expense is recognized using the effective interest method.

(22) Other non-operating profit and loss

Other non-operating profit and loss includes gain and loss on investment activities. Specifically, gain and loss on step acquisitions, gain and loss on sales of stocks of subsidiaries and associates, and gain and loss on deemed disposal are included.

(23) Borrowing costs

Borrowing costs directly attributable to the acquisition and construction of a qualifying asset, which takes a substantial period before it is ready for its intended use or sale, are capitalized as part of the cost of such asset. All other borrowing costs are recognized as expenses in the period they incurred.

(24) Income taxes

Income taxes are composed of current and deferred taxes and recognized in profit or loss, except for taxes related to items that are recognized directly in equity or in other comprehensive income.

Current tax is measured at the amount expected to be paid to or recovered from the taxation authorities on the current year's taxable income, plus adjustments to the amount paid in prior years. To determine the current tax amount, the Group uses the tax rates and tax laws that have been enacted or substantively enacted by the end of the fiscal year in the countries in which the Group operates and earns taxable income or losses.

Deferred tax assets and liabilities are, using asset and liability method, recognized on temporary differences between the carrying amounts of assets and liabilities on the consolidated financial statements and their tax base, and tax loss carry forwards and tax credits. However, no deferred tax assets and liabilities are recognized on following temporary differences:

- Taxable temporary differences arising from the initial recognition of goodwill;
- Temporary differences arising from the initial recognition of assets and liabilities related to transactions other than business combination, that affects neither the accounting profit nor the taxable profit (loss); and

- Taxable temporary differences associated with investments in subsidiaries and associates, where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized on all deductible temporary differences, unused tax loss carry forwards and tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences etc. can be utilized. Deferred tax liabilities are recognized on taxable temporary differences. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to realize all or part of the benefit of the deferred tax assets.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the temporary differences will reverse, based on tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and income taxes are levied by the same taxation authority on the same taxable entity.

(25) Dividends

For the purpose of the consolidated financial statements, dividends to owners of the parent company are recognized as a liability for the period over which the dividends are approved by the owners of the parent company.

(26) Earnings per share

The Group discloses basic and diluted earnings per share (attributable to owners of the parent) related to common stock.

Basic earnings per share is calculated by dividing profit for the year attributable to common stockholders of the parent by the weighted average number of common shares outstanding during the reporting period, adjusted for the number of treasury shares acquired. For the purpose of calculating diluted earnings per share, net profit attributable to owners of the parent and the weighted average number of common shares outstanding, adjusted for the number of treasury shares, are further adjusted based on the assumption that all dilutive potential common shares are fully converted. Potential common stocks of the Group are related to the BIP trust and ESOP trust.

4 Segment Information

(1) Outline of reportable segments

The reportable segments of the Group are units of the Group of which separate financial information is available, and which are periodically monitored so the board of directors can determine the allocation of the business resources and evaluate the performance results.

The Group has the two reportable segments of Personal Services and Business Services as well as operating segments.

The Personal Services segment provides services to individual customers.

In Japan, KDDI aims to provide new experience value by expanding and coordinating various life design services, including those related to commerce, finance, energy, entertainment, and education, while focusing on conventional telecommunications services, chiefly under the “au” brand, such as those related to smartphones, cell phones, FTTH, and CATV.

Overseas, we use know-how cultivated in Japan to actively engage in business with individual customers, especially those in Myanmar, Mongolia, and other Asian regions.

The Business Services segment mainly provides a wide range of corporate customers in Japan and overseas with “TELEHOUSE” brand data center services and a variety of solutions encompassing network and cloud services, smartphones and other devices, and the KDDI “IoT Worldwide Architecture”, which supports customers’ IoT businesses.

For small and medium-sized corporate customers in Japan, our consolidated subsidiary, the KDDI MATOMETE OFFICE GROUP is building a regional support network offering close contact throughout Japan.

In collaboration with partner companies and using 5G, IoT, and other technology, we support customers’ digital transformation by providing one-stop services and solutions that help customers develop and expand their businesses on a global scale.

The reportable segments for some subsidiary companies were changed due to organization change in the fiscal year ended March 31, 2021. Accordingly, the segment information for the fiscal year ended March 31, 2020 is presented based on the segment classification after this change.

(2) Calculation method of revenue, income or loss, assets and other items by reportable segment

Accounting treatment of reported business segments is consistent with “3. Significant accounting policies.”

Income of the reportable segments is based on the operating income.

Inter segment transaction price is determined by taking into consideration the price by arm’s length transactions or gross costs after price negotiation.

Assets and liabilities are not allocated to reportable segments.



(3) Information related to the amount of revenue, income or loss and other items by reportable segment

The Group's segment information is as follows:

For the year ended March 31, 2020

| | Reportable segment | | | | | Adjustment (Note 2) | Millions of yen Amounts on the consolidated financial statements |
|---|--------------------|----------|------------|-------------------|------------|------------------------|---|
| | Personal | Business | Sub-total | Other (Note 1) | Total | | |
| Revenue | | | | | | | |
| Revenue from external customers | ¥4,466,008 | ¥746,620 | ¥5,212,628 | ¥24,593 | ¥5,237,221 | ¥ — | ¥5,237,221 |
| Inter-segment revenue or transfers | 81,901 | 194,956 | 276,857 | 55,926 | 332,783 | (332,783) | — |
| Total | 4,547,908 | 941,576 | 5,489,485 | 80,519 | 5,570,004 | (332,783) | 5,237,221 |
| Segment income (loss) | 871,606 | 149,012 | 1,020,618 | 3,783 | 1,024,401 | 836 | 1,025,237 |
| Finance income and finance cost (Net) | | | | | | | (6,049) |
| Other non-operating profit and loss | | | | | | | 1,512 |
| Profit for the year before income tax | | | | | | | ¥1,020,699 |
| Other items | | | | | | | |
| Depreciation and amortization | 612,379 | 78,748 | 691,128 | 1,694 | 692,821 | (3,349) | 689,473 |
| Impairment loss | 12,042 | 578 | 12,619 | — | 12,619 | — | 12,619 |
| Share of profit of investment accounted for using the equity method | 1,469 | 478 | 1,948 | 1,309 | 3,256 | — | 3,256 |

For the year ended March 31, 2021

| | Reportable segment | | | | | Adjustment (Note 2) | Millions of yen Amounts on the consolidated financial statements |
|---|--------------------|----------|------------|-------------------|------------|------------------------|---|
| | Personal | Business | Sub-total | Other (Note 1) | Total | | |
| Revenue | | | | | | | |
| Revenue from external customers | ¥4,506,412 | ¥779,852 | ¥5,286,264 | ¥26,336 | ¥5,312,599 | ¥ — | ¥5,312,599 |
| Inter-segment revenue or transfers | 78,704 | 211,782 | 290,486 | 51,993 | 342,479 | (342,479) | — |
| Total | 4,585,116 | 991,634 | 5,576,750 | 78,329 | 5,655,079 | (342,479) | 5,312,599 |
| Segment income (loss) | 862,858 | 166,675 | 1,029,533 | 7,355 | 1,036,888 | 507 | 1,037,395 |
| Finance income and finance cost (Net) | | | | | | | (1,772) |
| Other non-operating profit and loss | | | | | | | 2,433 |
| Profit for the year before income tax | | | | | | | ¥1,038,056 |
| Other items | | | | | | | |
| Depreciation and amortization | 643,732 | 85,276 | 729,008 | 2,030 | 731,038 | (3,600) | 727,438 |
| Impairment loss | 6,730 | 659 | 7,389 | 6 | 7,395 | — | 7,395 |
| Share of profit of investment accounted for using the equity method | 2,593 | 62 | 2,655 | 2,229 | 4,884 | — | 4,884 |

Notes: 1. "Other" includes construction and maintenance of facilities, research and development of leading-edge technology, and other operations that do not constitute reportable segments.

2. Adjustment of segment income shows the elimination of inter-segment transactions.

(4) Information by product and service

Information by product and service is described in "Note 24. Revenue."

(5) Information by region

i. Revenue

Description is omitted as the revenue from external customers in Japan accounts for most of the revenue on the consolidated statement of income.

ii. Non-current assets (excluding financial assets, deferred income tax assets and retirement benefit assets)

Description is omitted as non-current assets located in Japan accounts for most of these assets on the consolidated statement of financial position.

(6) Information by major customer

Description is omitted as the revenue from a specific external customer is less than 10% of the revenue on the consolidated statement of income.

5 Property, Plant and Equipment

(1) Movements of property, plant and equipment

Movements of acquisition costs, accumulated depreciation and accumulated impairment loss of the property, plant and equipment are as follows:

Acquisition costs

| | Communication equipment | Buildings and structures | Land | Construction in progress | Other | Total |
|---|----------------------------|-----------------------------|----------|-----------------------------|-----------|------------|
| As of April 1, 2019 | ¥5,210,763 | ¥621,173 | ¥281,833 | ¥231,351 | ¥611,858 | ¥6,956,979 |
| Effects of changes in accounting policies | — | — | — | — | (141,114) | (141,114) |
| Acquisition | 2,884 | 284 | 3 | 327,860 | 437 | 331,467 |
| Transfer from construction in progress | 303,825 | 29,893 | 266 | (380,024) | 46,040 | — |
| Acquisition by business combination | — | 549 | — | 80 | 808 | 1,437 |
| Disposal | (72,899) | (5,937) | (165) | (2,243) | (18,909) | (100,152) |
| Exchange differences | (1,782) | (3,478) | (930) | (485) | (6,147) | (12,822) |
| Other | (1,389) | 884 | 6,517 | (1,492) | (5,864) | (1,344) |
| As of March 31, 2020 | 5,441,403 | 643,368 | 287,524 | 175,047 | 487,109 | 7,034,452 |
| Acquisition | 2,958 | 630 | 7 | 483,070 | 424 | 487,089 |
| Transfer from construction in progress | 313,235 | 66,721 | 788 | (425,668) | 44,924 | — |
| Acquisition by business combination | — | 3 | — | — | 14 | 17 |
| Disposal | (95,240) | (9,944) | (826) | (385) | (11,690) | (118,084) |
| Exchange differences | (46) | (575) | 2,011 | 288 | (5,132) | (3,454) |
| Other | (1,392) | 4,714 | (1,345) | (5,450) | 2,574 | (898) |
| As of March 31, 2021 | ¥5,660,918 | ¥704,918 | ¥288,161 | ¥226,901 | ¥518,224 | ¥7,399,122 |



Accumulated depreciation and accumulated impairment loss

| Millions of yen | | | | | | |
|---|-------------------------|--------------------------|-----------------|--------------------------|-------------------|---------------------|
| | Communication equipment | Buildings and structures | Land | Construction in progress | Other | Total |
| As of April 1, 2019 | ¥(3,650,387) | ¥(386,574) | ¥(4,082) | ¥(1,139) | ¥(368,617) | ¥(4,410,798) |
| Effects of changes in accounting policies | — | — | — | — | 65,068 | 65,068 |
| Depreciation | (306,398) | (24,684) | — | — | (34,672) | (365,754) |
| Disposal | 58,353 | 5,037 | — | (546) | 16,621 | 79,465 |
| Impairment loss | (471) | (18) | — | (45) | (4) | (537) |
| Exchange differences | 966 | 453 | — | — | 2,918 | 4,337 |
| As of March 31, 2020 | (3,897,936) | (405,786) | (4,082) | (1,730) | (318,687) | (4,628,221) |
| Depreciation | (326,490) | (27,187) | — | — | (37,733) | (391,410) |
| Disposal | 84,375 | 5,994 | — | — | 10,872 | 101,241 |
| Impairment loss | (2,768) | (281) | — | (1,610) | (341) | (5,000) |
| Exchange differences | 44 | 6,914 | — | — | 10,294 | 17,252 |
| As of March 31, 2021 | ¥(4,142,776) | ¥(420,345) | ¥(4,082) | ¥(3,340) | ¥(335,594) | ¥(4,906,137) |

Note: The depreciation of the property, plant and equipment is included in "cost of sales" and "selling, general and administrative expenses" in the consolidated statement of financial positions.

The carrying amounts of the property, plant and equipment are as follows:

Carrying amount

| Millions of yen | | | | | | |
|----------------------|-------------------------|--------------------------|-----------------|--------------------------|-----------------|-------------------|
| | Communication equipment | Buildings and structures | Land | Construction in progress | Other | Total |
| As of April 1, 2019 | ¥1,560,377 | ¥234,600 | ¥277,752 | ¥230,211 | ¥243,241 | ¥2,546,181 |
| As of March 31, 2020 | ¥1,543,467 | ¥237,582 | ¥283,442 | ¥173,317 | ¥168,423 | ¥2,406,231 |
| As of March 31, 2021 | ¥1,518,142 | ¥284,573 | ¥284,079 | ¥223,561 | ¥182,630 | ¥2,492,985 |

(2) Property, plant and equipment pledged as collateral

For the amount of property, plant and equipment pledged as collateral for liabilities including borrowings, please refer to "Note 14. Borrowings and bonds payable."

(3) Property, plant and equipment with limited ownership

There is no property, plant and equipment with limited ownership.

(4) Property, plant and equipment under construction

Expenditures included in the carrying amount of property, plant and equipment under construction are presented as construction in progress in the table above.

(5) Capitalization of borrowing costs

There are no significant borrowing costs included in the acquisition costs of the property, plant and equipment for the years ended March 31, 2020 and 2021.

6 Goodwill and Intangible Assets

(1) Movements of goodwill and intangible assets

The movements of the acquisition costs, accumulated amortization and accumulated impairment loss of the intangible assets are as follows:

Acquisition costs

| | Intangible assets | | | | | | | Millions of yen |
|---|-------------------|------------------|------------------|------------------------|-------------------------|-----------------|-------------------|-----------------|
| | Goodwill | Software | Customer related | Program supply related | Spectrum migration cost | Other | Total | |
| As of April 1, 2019 | ¥542,339 | ¥739,412 | ¥323,691 | ¥36,363 | ¥ 68,979 | ¥671,402 | ¥2,382,187 | |
| Effects of changes in accounting policies | — | — | — | — | — | (8,424) | (8,424) | |
| Individual acquisition | — | 214,364 | — | — | 19,154 | 53,239 | 286,756 | |
| Acquisition by business combination | 12,504 | 9,174 | 5,281 | — | — | 6,490 | 33,448 | |
| Disposal | — | (81,274) | — | — | — | (48,659) | (129,933) | |
| Exchange differences | (407) | (507) | — | — | — | (743) | (1,656) | |
| Other | (135) | 367 | — | — | — | (9,341) | (9,108) | |
| As of March 31, 2020 | 554,302 | 881,537 | 328,972 | 36,363 | 88,133 | 663,964 | 2,553,270 | |
| Individual acquisition | — | 133,221 | — | — | 23,380 | 51,765 | 208,366 | |
| Acquisition by business combination | 620 | 27 | — | — | — | — | 646 | |
| Disposal | — | (126,757) | — | — | — | (47,060) | (173,817) | |
| Exchange differences | 270 | 85 | — | — | — | 833 | 1,187 | |
| Other | — | 55 | — | — | (382) | (7,605) | (7,932) | |
| As of March 31, 2021 | ¥555,191 | ¥888,168 | ¥328,972 | ¥36,363 | ¥111,131 | ¥661,897 | ¥2,581,721 | |

Accumulated amortization and impairment

| | Intangible assets | | | | | | | Millions of yen |
|---|-------------------|-------------------|-------------------|------------------------|-------------------------|-------------------|---------------------|-----------------|
| | Goodwill | Software | Customer related | Program supply related | Spectrum migration cost | Other | Total | |
| As of April 1, 2019 | ¥ (2,645) | ¥(458,004) | ¥ (87,411) | ¥ (9,917) | ¥(13,947) | ¥(323,731) | ¥ (895,655) | |
| Effects of changes in accounting policies | — | — | — | — | — | 4,481 | 4,481 | |
| Amortization | — | (120,209) | (21,072) | (1,653) | (8,665) | (48,565) | (200,163) | |
| Impairment loss | (10,771) | (572) | — | — | — | (740) | (12,082) | |
| Disposal | — | 78,103 | — | — | — | 47,746 | 125,849 | |
| Exchange differences | — | 280 | — | — | — | 305 | 585 | |
| Other | — | — | — | — | — | — | — | |
| As of March 31, 2020 | (13,416) | (500,401) | (108,482) | (11,570) | (22,611) | (320,504) | (976,985) | |
| Amortization | — | (126,913) | (21,072) | (1,653) | (10,703) | (47,790) | (208,131) | |
| Impairment loss | (1,355) | (692) | — | — | — | (348) | (2,395) | |
| Disposal | — | 125,020 | — | — | — | 46,533 | 171,553 | |
| Exchange differences | — | (55) | — | — | — | (456) | (511) | |
| Other | — | — | — | — | — | — | — | |
| As of March 31, 2021 | ¥(14,771) | ¥(503,041) | ¥(129,554) | ¥(13,223) | ¥(33,315) | ¥(322,566) | ¥(1,016,469) | |

Note: The amortization of intangible assets is included in "cost of sales" and "selling, general and administrative expenses" in the consolidated statement of financial positions.



The carrying amounts of goodwill and intangible assets are as follows:
Carrying amount

| | Intangible assets | | | | | | Millions of yen |
|----------------------|-------------------|-----------------|------------------|------------------------|-------------------------|-----------------|-------------------|
| | Goodwill | Software | Customer related | Program supply related | Spectrum migration cost | Other | Total |
| As of April 1, 2019 | ¥539,694 | ¥281,408 | ¥236,280 | ¥26,446 | ¥55,032 | ¥347,671 | ¥1,486,532 |
| As of March 31, 2020 | ¥540,886 | ¥381,136 | ¥220,489 | ¥24,793 | ¥65,521 | ¥343,460 | ¥1,576,285 |
| As of March 31, 2021 | ¥540,420 | ¥385,126 | ¥199,418 | ¥23,140 | ¥ 77,816 | ¥339,331 | ¥1,565,251 |

(2) Total expenditures related to research and development expensed during the period

Research and development costs expensed as selling, general and administrative expenses for the years ended March 31, 2020 and 2021 are ¥24,007 million and ¥24,131 million, respectively.

(3) Intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives described above as of March 31, 2020 and 2021 is ¥63,379 million.

The details of intangible assets are trademark rights that were acquired through business combinations. As these trademark rights exist as long as businesses are continued, useful lives of these intangible assets are assumed to be indefinite.

7 Impairment of Property, Plant and Equipment, Goodwill, Intangible Assets and Right-of-use Assets

Impairment test of cash generating units including goodwill and intangible assets with indefinite useful lives

The Group tests for impairment of goodwill and intangible assets with indefinite useful lives at least annually, and whenever there is an indication of impairment.

The total carrying amounts of the goodwill and intangible assets with indefinite useful lives allocated to cash-generating units or cash generating unit groups are as follows:

Goodwill

| Cash-generating unit or cash-generating unit group | Millions of yen | |
|--|-----------------|-----------------|
| As of March 31 | 2020 | 2021 |
| Jupiter Telecommunication Co., Ltd. CATV business | ¥280,709 | ¥280,709 |
| Jupiter Shop Channel Co., Ltd. | 92,577 | 92,577 |
| AEON HD | 31,621 | 31,621 |
| ENERES Co., Ltd. | 14,199 | 14,199 |
| BIGLOBE Inc. | 14,072 | 14,072 |
| Other | 107,708 | 107,242 |
| Total | ¥540,886 | ¥540,420 |

Intangible assets with indefinite useful lives

| Cash-generating unit or cash-generating unit group | Millions of yen | |
|--|-----------------|----------------|
| As of March 31 | 2020 | 2021 |
| BIGLOBE Inc. | ¥26,374 | ¥26,374 |
| Jupiter Shop Channel Co., Ltd. | 19,859 | 19,859 |
| AEON HD | 17,146 | 17,146 |
| Total | ¥63,379 | ¥63,379 |

The recoverable amount of goodwill and intangible assets with indefinite useful lives allocated to cash-generating units or group of cash generating units is calculated using value in use.

In assessing value in use, the estimated future cash flows arisen from cash generating-units or group of cash generating unit are discounted to their present value. When the Group calculates the future cash flows and discount future cash flows, the business plan developed based on different type of forecasted revenue and cost such as cost of sales and selling, general and administrative expenses, growth rates and pre-tax discount rates are used as significant assumptions.

The forecast of cash flows used as a basis to estimate future cash flows is based on the recent business plan approved by the management, which reflects past experience and external information, and the maximum forecast is 5 years. After 5 years, a certain growth rate of profit before tax after consideration of a long-term average growth rate for the market is used.

The growth rates of estimated profit before tax in projection period, which are used to calculate value in use of cash-generating units, are as follows:

| Cash-generating unit or cash-generating unit group | 2020 | 2021 |
|--|-----------|-----------|
| As of March 31 | | |
| Jupiter Telecommunication Co., Ltd. CATV business | 0.0% | 0.0% |
| Jupiter Shop Channel Co., Ltd. | 0.0% | 0.0% |
| AEON HD | 0.0% | 0.0% |
| ENERES Co., Ltd. | 0.0% | 0.0% |
| BIGLOBE Inc. | 0.0% | 0.0% |
| Other | 0.0%–7.1% | 0.0%–6.5% |

The growth rates used in estimated cash flows of each cash-generating unit (CGU) or group of CGUs reflect the status of the country and the industry to which the CGU belongs, and does not exceed the long-term average growth rate for the market.

The pre-tax discount rates, which are used to calculate value in use of CGU or group of CGUs to which goodwill and intangible assets with indefinite useful lives, is allocated are as follows:

| Cash-generating unit or cash-generating unit group | 2020 | 2021 |
|--|------------|------------|
| As of March 31 | | |
| Jupiter Telecommunication Co., Ltd. CATV business | 5.1% | 5.1% |
| Jupiter Shop Channel Co., Ltd. | 6.1% | 6.7% |
| AEON HD | 4.8% | 5.3% |
| ENERES Co., Ltd. | 4.2% | 5.4% |
| BIGLOBE Inc. | 6.2% | 7.2% |
| Other | 5.1%–17.8% | 5.1%–16.7% |

Although goodwill and intangible assets with indefinite useful lives have a risk of impairment when major assumptions used for impairment test change, the Group has determined that a significant impairment loss is not probable in the cash generating units or cash generating unit group regardless of the reasonable change of business plan the growth rate and/or discount rate used for impairment test.

8 Investments Accounted for Using the Equity Method

(1) The carrying amounts of investments accounted for using the equity method

| | 2020 | 2021 |
|-------------------------|----------|----------|
| As of March 31 | | |
| Interests in associates | ¥233,225 | ¥233,921 |
| Total | ¥233,225 | ¥233,921 |

Millions of yen

(2) The Group's share of comprehensive income of associates accounted for using the equity method

i. Associates

Profit for the year, other comprehensive income and comprehensive income of associates accounted for using the equity method are as follows. As of and for the years ended March 31, 2020 and 2021, there is not individually significant associate accounted for using the equity method.

| | 2020 | 2021 |
|---|---------|--------|
| For the year ended March 31 | | |
| Profit for the year | ¥3,256 | ¥4,884 |
| Other comprehensive income, net of tax | (3,408) | (68) |
| Total comprehensive income for the year | ¥ (152) | ¥4,816 |

Millions of yen



9 Inventories

(1) The analysis of inventories

The analysis of inventories is as follows:

| | Millions of yen | |
|---------------------------------------|-----------------|---------|
| As of March 31 | 2020 | 2021 |
| Finished goods and manufactured goods | ¥71,626 | ¥66,250 |
| Work in progress | 3,121 | 3,385 |
| Other | 619 | 186 |
| Total | ¥75,366 | ¥69,821 |

There is no inventory to be sold after more than 12 months from March 31, 2020 and 2021.

(2) Write down of the inventories expensed during the period

Write down of the inventories expensed during the period is as follows:

| | Millions of yen | |
|---|-----------------|--------|
| For the year ended March 31 | 2020 | 2021 |
| Write down of the inventories expensed (Note) | ¥9,498 | ¥6,083 |

Note: Write down is recognized as costs of sales.

(3) Inventories pledged as collateral

There are no inventories pledged as collateral.

10 Trade and Other Receivables

The analysis of trade and other receivables is as follows:

| | Millions of yen | |
|--|-----------------|------------|
| As of March 31 | 2020 | 2021 |
| Current | | |
| Trade receivables | | |
| Accounts receivable—trade and notes receivable | ¥2,101,271 | ¥2,134,956 |
| Accounts receivable—other (Note) | 88,008 | 111,815 |
| Loss allowance | (20,924) | (17,336) |
| Total | ¥2,168,355 | ¥2,229,435 |

Note: Accounts receivable-other mainly consists of the receivable related to the payment agency service.

The amounts of trade and other receivables expected to be recovered after more than twelve months from March 31, 2020 and 2021 are ¥581,790 million and ¥481,835 million, respectively.

The amount of the trade and other receivables on the consolidated statement of financial position is presented less loss allowance.

11 Other Financial Assets

The analysis of other financial assets is as follows:

| As of March 31 | 2020 | 2021 |
|---|----------|----------|
| Millions of yen | | |
| Non-current assets (Other long-term financial assets) | | |
| Financial assets at fair value through profit or loss | | |
| Derivatives | ¥ 146 | ¥ 164 |
| Financial assets at fair value through other comprehensive income | | |
| Equity instruments | | |
| Equities | 121,740 | 177,224 |
| Financial assets at amortized cost | | |
| Debt instruments | | |
| Security deposits | 55,046 | 55,837 |
| Long-term accounts receivables | 11,076 | 11,879 |
| Lease receivables | 83,140 | 71,155 |
| Other | 25,845 | 20,911 |
| Loss allowance | (11,114) | (11,970) |
| Sub total | 285,879 | 325,201 |
| Current assets (Other short-term financial assets) | | |
| Financial assets at fair value through profit or loss | | |
| Derivatives | 1,933 | 4,085 |
| Financial assets at amortized cost | | |
| Debt instruments | | |
| Lease receivables | 34,201 | 35,597 |
| Short-term investment | 5,720 | 18,671 |
| Other | 11,505 | 11,601 |
| Sub total | 53,358 | 69,955 |
| Total | ¥339,237 | ¥395,155 |



12 Other Assets

The analysis of other non-current assets and other current assets is as follows:

| | | Millions of yen | |
|----------------------------|----------|-----------------|--|
| As of March 31 | 2020 | 2021 | |
| Non-current assets | | | |
| Long-term prepaid expenses | ¥ 14,017 | ¥ 19,617 | |
| Other | 1,957 | 1,704 | |
| Sub total | 15,975 | 21,321 | |
| Current assets | | | |
| Prepaid expenses | 60,766 | 66,740 | |
| Advance payments | 9,356 | 10,131 | |
| Other | 14,479 | 27,625 | |
| Sub total | 84,600 | 104,496 | |
| Total | ¥100,575 | ¥125,817 | |

13 Cash and Cash Equivalents

The analysis of cash and cash equivalents is as follows:

| | | Millions of yen | |
|--|----------|-----------------|--|
| As of March 31 | 2020 | 2021 | |
| Cash in hand and deposits held at call with banks | ¥356,528 | ¥806,770 | |
| Term deposits with original maturities of three months or less | 12,674 | 3,032 | |
| Total | ¥369,202 | ¥809,802 | |
| Cash and cash equivalents in consolidated statement of cash flow | ¥369,202 | ¥809,802 | |

14 Borrowings and Bonds Payable

(1) The analysis of borrowings and bonds payable

The analysis of borrowings and bonds payable is as follows:

| | | Millions of yen | | Average interest rate (%) (Note) | Due (Year) |
|--|------------|-----------------|------|----------------------------------|------------|
| As of March 31 | 2020 | 2021 | | | |
| Non-current | | | | | |
| Bonds payable (excluding current portion) | ¥ 329,225 | ¥ 329,384 | 0.30 | 2022-2029 | |
| Long-term borrowings (excluding current portion) | 818,326 | 822,280 | 0.39 | 2022-2029 | |
| Sub total | 1,147,551 | 1,151,664 | — | — | |
| Current | | | | | |
| Current portion of bonds payable | 39,997 | — | — | — | |
| Current portion of long-term borrowings | 113,265 | 73,375 | 0.24 | — | |
| Short-term borrowings | — | 19,517 | 0.06 | — | |
| Sub total | 153,262 | 92,892 | — | — | |
| Total | ¥1,300,813 | ¥1,244,556 | — | — | |

Note: Average interest rate represents weighted average interest rate to the ending balance of the borrowings and other debts.

(2) Terms of issuing bonds payable

The summary of terms of issuing bonds payable is as follows:

| Entity | Description | Issuance date | Millions of yen | | Interest rate (%) | Collateral | Due |
|------------|--------------------------------|--------------------|----------------------|----------------------|-------------------|------------|--------------------|
| | | | As of March 31, 2020 | As of March 31, 2021 | | | |
| KDDI Corp. | 19th series of unsecured notes | September 6, 2010 | 39,997 (39,997) | — — | 1.15 per year | Unsecured | June 19, 2020 |
| KDDI Corp. | 20th series of unsecured notes | December 13, 2013 | 29,953 | 29,966 | 0.80 per year | Unsecured | December 20, 2023 |
| KDDI Corp. | 21st series of unsecured notes | September 10, 2014 | 29,943 | 29,956 | 0.67 per year | Unsecured | September 20, 2024 |
| KDDI Corp. | 22nd series of unsecured notes | July 12, 2018 | 29,912 | 29,923 | 0.31 per year | Unsecured | July 12, 2028 |
| KDDI Corp. | 23rd series of unsecured notes | November 22, 2018 | 39,922 | 39,944 | 0.11 per year | Unsecured | November 22, 2023 |
| KDDI Corp. | 24th series of unsecured notes | November 22, 2018 | 29,923 | 29,937 | 0.25 per year | Unsecured | November 21, 2025 |
| KDDI Corp. | 25th series of unsecured notes | November 22, 2018 | 19,937 | 19,944 | 0.40 per year | Unsecured | November 22, 2028 |
| KDDI Corp. | 26th series of unsecured notes | April 26, 2019 | 29,934 | 29,951 | 0.13 per year | Unsecured | April 26, 2024 |
| KDDI Corp. | 27th series of unsecured notes | April 26, 2019 | 29,917 | 29,931 | 0.23 per year | Unsecured | April 24, 2026 |
| KDDI Corp. | 28th series of unsecured notes | April 26, 2019 | 39,875 | 39,889 | 0.36 per year | Unsecured | April 26, 2029 |
| KDDI Corp. | 29th series of unsecured notes | November 29, 2019 | 49,908 | 49,944 | 0.02 per year | Unsecured | November 29, 2022 |

Note: The amounts in () presents the current portion of the bonds payable.

(3) Assets pledged as collateral and secured liabilities

Assets pledged as collateral are as follows:

| As of March 31 | Millions of yen | |
|--|-----------------|----------|
| | 2020 | 2021 |
| Property, plant and equipment | ¥ 623 | ¥ 519 |
| Stocks of subsidiaries and associates (Note) | 768 | 768 |
| Securities for financial business | 177,664 | 223,947 |
| Other short-term financial assets | 7,770 | 6,030 |
| Total | ¥186,825 | ¥231,264 |

Obligations underlying to these assets pledged as collateral are as follows:

| As of March 31 | Millions of yen | |
|---|-----------------|----------|
| | 2020 | 2021 |
| Long-term borrowings (Note) | ¥ 80,000 | ¥ 80,000 |
| Current portion of long-term borrowings | 62 | — |
| Call money | 72,100 | 107,900 |
| Accounts payable | 200 | 200 |
| Total | ¥152,362 | ¥188,100 |

Note: Shares of Kagoshima Mega Solar Power Corporation, an affiliate accounted for using the equity method, are pledged as collateral for its borrowings from financial institutions. The amounts of borrowings as of March 31, 2020 and 2021 are ¥14,033 million and ¥12,628 million, respectively. These amounts are not included in long-term borrowings in the above table.

Certain subsidiaries of the Group have financed from financial institutions due to acquisitions and others. Except for certain loan agreements on insignificant amount of borrowings, these borrowings are subject to financial covenants such as maintenance of shareholder's equity, net asset and surplus of profit as prescribed in the terms of each agreement. The amounts of borrowings as of March 31, 2020 and 2021 are ¥457,112 million and ¥434,087 million, respectively.

Except for the borrowings above, there is no financial covenant on borrowings and bonds payable, which has a significant effect on the Group's financial activities. For the fair value and amounts by due dates of borrowings and bonds payable, please refer to "Note 31. Financial instruments" and "Note 32. Fair value of financial instruments."



15 | Deferred Tax and Income Taxes

(1) Movement by major cause of deferred tax assets and deferred tax liabilities

The balance of and the movement in recognized deferred tax assets and deferred tax liabilities are as follows:

For the year ended March 31, 2020

| | Millions of yen | | | | | | | |
|---|------------------------|---|------------------------------------|-------------------------------------|---|---|------------------|-------------------------|
| | As of April 1, 2019 | Impact by changes in accounting policies | Recognized as profit or loss | Recognized directly in equity | Recognized as other comprehen- sive income | Acquisition by business combina- tions | Other (Note) | As of March 31, 2020 |
| Deferred tax assets | | | | | | | | |
| Accrued bonuses | ¥ 10,111 | ¥ — | ¥ 260 | ¥ — | ¥ — | ¥ 12 | ¥ (33) | ¥ 10,350 |
| Accrued business tax | 8,389 | — | 1,572 | — | — | 17 | 90 | 10,068 |
| Inventories | 4,960 | — | (76) | — | — | — | — | 4,884 |
| Loss allowance | 9,091 | — | 900 | — | — | 4 | (8) | 9,988 |
| Property, plant and equipment and intangible assets | 45,557 | — | (3,486) | — | — | 109 | (22) | 42,157 |
| Lease liabilities | — | 97,825 | (3,078) | — | — | — | (83) | 94,664 |
| Deferred points | 19,203 | — | 2,752 | — | — | — | — | 21,954 |
| Retirement benefit liabilities | 4,194 | — | 1,086 | (9) | 6,325 | — | 94 | 11,690 |
| Accrued expenses | 5,773 | — | (94) | — | — | — | (47) | 5,632 |
| Contract liabilities | 106,457 | — | (7,516) | — | — | — | (62,128) | 36,813 |
| Other | 54,133 | — | (2,548) | 126 | (330) | 35 | (9,388) | 42,028 |
| Total | ¥267,867 | ¥97,825 | ¥(10,228) | ¥118 | ¥ 5,995 | ¥ 177 | ¥(71,525) | ¥290,228 |
| Deferred tax liabilities | | | | | | | | |
| Retained profits of foreign related companies | ¥ 1,752 | ¥ — | ¥ (1,302) | ¥ — | ¥ — | ¥ — | ¥ — | ¥ 450 |
| Special reserves | 381 | — | (66) | — | — | — | — | 315 |
| Appraisal gain on equity instruments | 7,807 | — | 279 | — | (1,076) | — | 1,239 | 8,249 |
| Property, plant and equipment, intangible assets and right-of-use assets | 14,406 | 97,742 | (8,508) | — | — | — | 17 | 103,658 |
| Identifiable intangible assets | 103,028 | — | (8,172) | (3) | — | 1,122 | — | 95,975 |
| Contract costs | 194,151 | — | 11,149 | — | — | — | (72,804) | 132,496 |
| Other | 31,796 | — | (9,136) | 126 | 35 | — | 1,053 | 23,873 |
| Total | ¥353,321 | ¥97,742 | ¥(15,757) | ¥124 | ¥(1,041) | ¥1,122 | ¥(70,495) | ¥365,015 |

For the year ended March 31, 2021

Millions of yen

| | As of April 1, 2020 | Recognized as profit or loss | Recognized directly in equity | Recognized as other comprehen- sive income | Acquisition by business combina- tions | Other (Note) | As of March 31, 2021 |
|--|------------------------|------------------------------------|-------------------------------------|---|---|-----------------|-------------------------|
| Deferred tax assets | | | | | | | |
| Accrued bonuses | ¥ 10,350 | ¥ 57 | ¥— | ¥ — | ¥— | ¥ 109 | ¥ 10,516 |
| Accrued business tax | 10,068 | 2,282 | — | — | — | 24 | 12,374 |
| Inventories | 4,884 | (678) | — | — | — | 115 | 4,321 |
| Loss allowance | 9,988 | 477 | — | — | — | 171 | 10,635 |
| Property, plant and equipment, intangible assets | 42,157 | 11,577 | — | — | — | (37) | 53,697 |
| Lease liabilities | 94,664 | 7,124 | — | — | — | — | 101,788 |
| Deferred points | 21,954 | (4,367) | — | — | — | 0 | 17,587 |
| Retirement benefit liabilities | 11,690 | 38,168 | — | (45,982) | — | (122) | 3,754 |
| Accrued expenses | 5,632 | 340 | — | — | — | 1 | 5,973 |
| Contract liabilities | 36,813 | (1,401) | — | — | — | 1 | 35,413 |
| Other | 42,028 | (3,993) | — | (895) | — | (2,153) | 34,987 |
| Total | ¥290,228 | ¥49,586 | ¥— | ¥(46,877) | ¥— | ¥(1,891) | ¥291,045 |
| Deferred tax liabilities | | | | | | | |
| Retained profits of foreign related companies | ¥ 450 | ¥ 775 | ¥— | ¥ — | ¥— | ¥ — | ¥ 1,225 |
| Special reserves | 315 | (140) | — | — | — | — | 174 |
| Appraisal gain on equity instruments | 8,249 | 111 | — | 11,246 | — | (2,257) | 17,349 |
| Property, plant and equipment, intangible assets and right-of-use assets | 103,658 | 2,142 | — | — | — | — | 105,800 |
| Identifiable intangible assets | 95,975 | (7,874) | — | — | — | — | 88,101 |
| Retirement benefit assets | — | 37,004 | — | (24,885) | — | — | 12,119 |
| Contract costs | 132,496 | 15,936 | — | — | — | — | 148,431 |
| Other | 23,873 | (17,850) | — | (283) | — | 779 | 6,520 |
| Total | ¥365,015 | ¥30,104 | ¥— | ¥(13,921) | ¥— | ¥(1,478) | ¥379,720 |

Note: "Other" includes exchange differences on foreign operations.

(2) The analysis of deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities on the consolidated statement of financial position are as follows:

| As of March 31 | 2020 | 2021 |
|--------------------------|-----------|-----------|
| Deferred tax assets | ¥ 23,783 | ¥ 11,396 |
| Deferred tax liabilities | 98,570 | 100,071 |
| Deferred tax assets, net | ¥(74,787) | ¥(88,675) |

The Group evaluates the recoverability of deferred tax assets at recognition by considering the possibility to utilize a part or all of deductible temporary differences or tax loss carryforwards for future taxable income. The Group considers the planned reversal of deferred tax liabilities as well as expected future taxable income and tax planning for evaluating the recoverability of deferred tax assets, and recognizes deferred tax assets to the extent that future taxable income is expected.

Deferred tax assets for tax losses in certain subsidiaries as of March 31, 2020 and 2021 are ¥5,878 million and ¥5,593 million, respectively.

All deferred tax assets related to these losses were determined recoverable as taxable income exceeding the tax losses is expected.



(3) Deductible temporary differences, net operating loss carryforwards and tax credit carryforwards, unaccompanied by the recognition of deferred tax assets

As a result of evaluating the recoverability of the deferred tax assets above, the Group has not recognized deferred tax assets on certain deductible temporary differences and tax loss carryforwards. The amounts of deductible temporary differences, net operating loss carryforwards and tax credit carryforwards, unaccompanied by the recognition of deferred tax assets are as follows:

| | Millions of yen | |
|----------------------------------|-----------------|---------|
| As of March 31 | 2020 | 2021 |
| Deductible temporary differences | ¥ 8,105 | ¥15,087 |
| Tax loss carryforwards | 26,791 | 55,209 |
| Total | ¥34,897 | ¥70,296 |

Expiration of tax loss carryforwards for which deferred tax assets have not been recognized is as follows:

| | Millions of yen | |
|-------------------------|-----------------|---------|
| As of March 31 | 2020 | 2021 |
| 1st year | ¥ 5,427 | ¥ 1,859 |
| 2nd year | 2,122 | 471 |
| 3rd year | 477 | 5,178 |
| 4th year | 5,063 | 2,982 |
| 5th year and thereafter | 13,702 | 44,718 |
| Total | ¥26,791 | ¥55,209 |

(4) Income taxes

The analysis of income taxes is as follows:

| | Millions of yen | |
|--|-----------------|----------|
| For the year ended March 31 | 2020 | 2021 |
| Current tax expenses | | |
| Current tax expenses on the profit for the year | ¥333,391 | ¥353,181 |
| Adjustments in respect of prior years ((): refund) | 88 | 203 |
| Previously unrecognized tax loss carryforwards of prior years that is used to reduce current tax expenses | (2,652) | (2,451) |
| Sub total | 330,828 | 350,933 |
| Deferred tax expenses | | |
| Origination and reversal of temporary differences | (6,155) | (18,288) |
| Impact of change of tax rates | 56 | (2) |
| Previously unrecognized tax loss carryforwards of prior years that is used to reduce deferred tax expenses | (1,935) | (1,504) |
| Review of the collectability of deferred tax assets | 2,506 | 312 |
| Sub total | (5,529) | (19,482) |
| Total | ¥325,298 | ¥331,451 |

(5) Income taxes recognized in other comprehensive income

Income taxes recognized in other comprehensive income are described in "Note 29. Other comprehensive income."

(6) Reconciliation of effective tax rates

Reconciliation of statutory effective tax rates and actual tax rates for the years ended March 31, 2020 and 2021 are as follows. The actual tax rate shows the ratio of income taxes incurred by all Group companies to the profit before income tax for the year.

| For the year ended March 31 | 2020 | 2021 |
|---|--------|--------|
| Statutory income tax rate | 31.4% | 31.4% |
| Non-taxable dividends received | (0.4%) | (0.3%) |
| Impact of tax differences of foreign subsidiaries | (0.0%) | (0.0%) |
| Tax credit | (0.0%) | (0.1%) |
| Valuation allowance | 0.7% | 0.7% |
| Other | 0.2% | 0.3% |
| Average actual tax rate to incur | 31.9% | 31.9% |

16 Employee Benefits

The Group operates defined benefit pension plans and lump-sum retirement plans (unfunded) as its defined benefit plans, as well as defined contribution pension plans.

The Group and its certain consolidated subsidiaries adopt point system in their retirement benefit plans, where the amount of benefits is calculated based on the accumulated points granted in proportion to the employees' entitlement and wage ranks.

Management, operation and benefit of the assets are mainly controlled by legally independent KDDI Corporate Pension Fund (the "Fund").

In accordance with Defined Benefit Corporate Pension Act and other laws, the Group is obliged to pay contributions to the Fund, which pays pension benefits. The trustee of the Fund is obliged to comply with laws, appointments by the Minister of Ministry of Health, Labour and Welfare or the Head of the Regional Bureau of Health and Welfare, by law of the Fund and resolutions of the board of representatives, as well as to fulfill fiduciary duties related to the management and operation of the funded money. The trustee is prohibited from abusing the appropriate management and operation of the funded money for self-interest or the interest of third party other than the Fund.

(1) Defined benefit pension plans

i. The amounts on the consolidated statement of financial position

The amounts related to the defined benefit pension plans on the consolidated statement of financial position are as follows:

| | Millions of yen | |
|---|-----------------|------------|
| As of March 31 | 2020 | 2021 |
| Present value of the defined benefit obligations (funded) | ¥421,178 | ¥401,044 |
| Present value of the defined benefit obligations (unfunded) | 12,468 | 12,085 |
| Fair value of plan assets | (396,416) | (439,384) |
| Status of the funding | ¥ 37,230 | ¥ (26,254) |
| Retirement benefit liabilities | ¥ 37,230 | ¥ 12,109 |
| Retirement benefit assets | — | (38,364) |
| Net retirement benefit liabilities | ¥ 37,230 | ¥ (26,254) |



ii. Movement in the defined benefit obligations and plan assets

The movement in the defined benefit obligations is as follows:

| | Millions of yen | |
|--|-----------------|----------|
| For the year ended March 31 | 2020 | 2021 |
| The movement in the present value of the defined benefit obligations | | |
| Opening balance | ¥415,699 | ¥433,646 |
| Current service cost | 15,075 | 15,492 |
| Interest expense | 1,843 | 1,144 |
| Sub total | 432,617 | 450,282 |
| Remeasurements | | |
| Amount from change in financial assumptions | 14,126 | (24,263) |
| Amount from change in demographic assumptions | 225 | 16 |
| Benefit payments | (13,073) | (12,937) |
| Exchange differences | (20) | 23 |
| New consolidation | 60 | — |
| Other | (290) | 8 |
| Ending balance | ¥433,646 | ¥413,130 |

The movement in the plan assets is as follows:

| | Millions of yen | |
|--|-----------------|------------|
| For the year ended March 31 | 2020 | 2021 |
| Changes in fair value of the plan assets | | |
| Opening balance | ¥(402,343) | ¥(396,416) |
| Interest income | (2,247) | (1,408) |
| Remeasurements | | |
| Return on plan assets | 6,143 | (43,090) |
| Benefit payments | 12,226 | 11,797 |
| Contribution to the plans | | |
| Contribution from employers | (10,117) | (10,267) |
| New consolidation | — | — |
| Other | (77) | — |
| Ending balance | ¥(396,416) | ¥(439,384) |

The weighted average duration of the defined benefit obligations for the years ended March 31, 2020 and 2021 are 16.3 years and 15.8 years, respectively.

iii. Components of plan assets

KDDI Corporate Pension Fund manages its funded money to secure long-term return required to cover the benefit of pensions and lump-sum payments over the future. Based on this, our investment policy is to basically analyse the risk/return characteristics by asset and evaluate the correlation among assets in order to invest in a diversified portfolio.

Specifically, it sets policy asset allocation with the efficient combination of various assets including equities and government and corporate bonds, designs corresponding manager structure, selects managing trustee and invests.

In accordance with the provision of the Defined Benefit Corporate Pension Act, bylaw of the Fund requires to the amount of contributions to be recalculated the amount of contributions at least every 5 years, with the financial year-end serving as the basis date to maintain balanced finances in the future. It is reviewed, as necessary, if there is a significant change in the circumstances surrounding the Fund.

The fair value of the plan assets as of March 31, 2020 and 2021 consists of the components below:

| As of March 31 | 2020 | | 2021 | | Millions of yen | |
|-----------------|--------------------------------------|---|----------|--------------------------------------|---|----------|
| | With quoted prices in active markets | Without quoted prices in active markets | Total | With quoted prices in active markets | Without quoted prices in active markets | Total |
| Equities | ¥ 54,609 | ¥ — | ¥ 54,609 | ¥ 78,277 | ¥ — | ¥ 78,277 |
| Debt securities | 181,721 | — | 181,721 | 185,050 | — | 185,050 |
| Other (Note) | 45,412 | 114,674 | 160,086 | 57,325 | 118,732 | 176,057 |
| Total | ¥281,742 | ¥114,674 | ¥396,416 | ¥320,652 | ¥118,732 | ¥439,384 |

Note: Other includes hedge funds, private equities and cash.

iv. The analysis of expenses related to defined benefit plans

The amount of expenses recognized related to defined benefit plans is as follows:

| For the year ended March 31 | 2020 | 2021 | Millions of yen |
|-----------------------------|---------|---------|-----------------|
| Current service cost | ¥15,075 | ¥15,492 | |
| Interest expense | 1,843 | 1,144 | |
| Interest income | (2,247) | (1,408) | |
| Total | ¥14,671 | ¥15,228 | |

The expenses above are included in the “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of income.

v. Actuarial assumptions

Major actuarial assumptions at the end of each period are as follows:

| As of March 31 | 2020 | 2021 |
|----------------|------|------|
| Discount rate | 0.3% | 0.7% |

Other than the component above, actuarial assumptions also include expected salary growth rate, mortality and expected retirement rate.

vi. Sensitivity analysis of actuarial assumptions

The movement in the defined benefit obligations due to changes in discount rates by the ratio below at the end of each period is as follows. This analysis assumes that actuarial assumptions other than those subject to the analysis are constant, but in reality, the movement of other actuarial assumptions may change.

Discount rates

| As of March 31 | 2020 | 2021 | Millions of yen |
|----------------|-----------|-----------|-----------------|
| 0.5% increase | ¥(29,974) | ¥(26,288) | |
| 0.5% decrease | 33,903 | 27,437 | |

vii. Contributions to the plan assets in the next financial year

The policy of the Group is to contribute the necessary amount to the plan in order to meet the minimum funding requirement, based on related regulations. The Group estimates the contributions to the plan assets for the year ending March 31, 2022 to be ¥8,204 million.

(2) Defined contribution pension plans

The amount of expenses recognized related to defined contribution pension plans is as follows:

| For the year ended March 31 | 2020 | 2021 | Millions of yen |
|--|--------|--------|-----------------|
| Expenses related to defined contribution pension plans | ¥3,136 | ¥3,259 | |



The expenses above are included in the “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of income.

Certain Group subsidiaries participate in a multiemployer plan, Sumisho Rengo Corporation Pension Fund.

Sumisho Rengo Corporation Pension Fund is a fund-type corporate pension established in accordance with Defined Benefit Corporate Pension Act, and co-operated by multiple Sumitomo Shoji Group companies. Certain Group subsidiaries cannot reasonably calculate the amount of pension assets corresponding to the amount of their contributions, and therefore the amount of contributions is recognized as retirement benefit expenses as defined contribution pension plans. The

expenses on the consolidated statement of income for the years ended March 31, 2020 and 2021 are ¥1,808 million and ¥1,804, respectively.

The Group can reduce its costs and practical burden related to administration and finance operation by participating in this fund and simultaneously reduce the risk of a pension plan's discontinuance, while the fund is co-operated by multiple companies and the Group cannot necessarily reflect its intent.

The financial position of the fund based on the latest annual report (closed by pension accounting) is as follows. The fund does not accept or succeed other funds, and does not incur benefit obligations by other employers.

(i) Status of funding in the overall plan

| | Millions of yen | |
|---|-----------------|-----------|
| For the year ended March 31 | 2020 | 2021 |
| Pension assets | ¥(43,105) | ¥(44,898) |
| Benefit obligations for the purpose of calculating pension financials | 38,115 | 41,102 |
| Difference | (4,990) | (3,796) |
| Ratio of the funded pension assets | 113.1% | 109.2% |
| Difference consists of | | |
| Surplus | (4,990) | (3,796) |

(ii) Ratio of contributions by the Group to the fund

| | Millions of yen | |
|--|-----------------|----------|
| For the year ended March 31 | 2020 | 2021 |
| Contributions by the Group | ¥(1,516) | ¥(1,599) |
| All contributions to the fund | (2,516) | (2,663) |
| Ratio to the all contributions to the fund | 60.3% | 60.1% |

In accordance with a provision of the Defined Benefit Corporate Pension Act, a bylaw of the Fund requires the amount of contributions to be recalculated every 5 years, with the financial year-end serving as the basis date to maintain balanced finances in the future. It is reviewed, as necessary, if there is a significant change in the circumstances surrounding the Fund.

(iii) Contributions to the multiemployer plans in the next financial year

The Group estimates the contributions to the multiemployer plans for the year ending March 31, 2022 to be ¥ 1,804 million.

17 Trade and Other Payables

The analysis of the trade and other payables is as follows:

| | Millions of yen | |
|-------------------------|-----------------|----------|
| As of March 31 | 2020 | 2021 |
| Current liabilities | | |
| Accounts payable (Note) | ¥476,749 | ¥578,024 |
| Accounts payable—trade | 147,637 | 142,163 |
| Accrued expenses | 32,549 | 33,778 |
| Other obligations | 363 | 380 |
| Total | ¥657,298 | ¥754,345 |

Note: Accounts payable mainly consists of the payables for capital investments and sale commission.

The amounts of trade and other payables expected to be settled after more than twelve months from the March 31, 2020 and 2021 are ¥1,299 million and ¥6,617 million, respectively.

18 Other Financial Liabilities

The analysis of other financial liabilities is as follows:

| | | Millions of yen | |
|---|---------|-----------------|--|
| As of March 31 | 2020 | 2021 | |
| Non-current liabilities (Other long-term financial liabilities) | | | |
| Financial liabilities at fair value through profit or loss | | | |
| Derivatives | ¥ 4,555 | ¥ 3,584 | |
| Financial liabilities at amortized cost | | | |
| Long-term account payables | 2,530 | 2,276 | |
| Other | 6,257 | 8,312 | |
| Sub total | 13,342 | 14,172 | |
| Current liabilities (Other short-term financial liabilities) | | | |
| Financial liabilities at fair value through profit or loss | | | |
| Derivatives | 3,496 | 1,655 | |
| Sub total | 3,496 | 1,655 | |
| Total | ¥16,838 | ¥15,827 | |

19 Provisions

(1) Movements of provisions

Changes in provisions are as follows:

| | | | | | Millions of yen |
|---|-----------------------------|-------------------------------|------------------|----------|-----------------|
| | Asset retirement obligation | Provision for customer points | Other provisions | Total | |
| As of April 1, 2019 | ¥32,990 | ¥31,771 | ¥ 3,637 | ¥ 68,399 | |
| Increase during the year | 1,404 | 54,276 | 10,828 | 66,508 | |
| Decrease during the year (intended use) | (1,612) | (51,136) | (424) | (53,171) | |
| Decrease during the year (reversal) | — | — | — | — | |
| As of March 31, 2020 | 32,783 | 34,912 | 14,041 | 81,736 | |
| Increase during the year | 40,597 | 39,583 | 5,838 | 86,017 | |
| Decrease during the year (intended use) | (483) | (47,285) | (3,583) | (51,351) | |
| Decrease during the year (reversal) | — | — | — | — | |
| As of March 31, 2021 | ¥72,896 | ¥27,210 | ¥16,296 | ¥116,401 | |
| Non-current liabilities | ¥71,819 | ¥ — | ¥ 5,657 | ¥ 77,476 | |
| Current liabilities | 1,077 | 27,210 | 10,639 | 38,925 | |

(2) Components of provisions

The main components of provisions of the Group are as follows:

i. Asset retirement obligation

Asset retirement obligations are recognized by the reasonably estimated amount required for the removal of equipment, such as base stations, certain offices, data centers and network centers. The estimate is based on present assumptions and is subject to changes if assumptions are revised in the future.

ii. Provision for customer points

The Group operates some points programs, including the au point program, and grants points to customers of the Group, for the purpose of sales promotions. In anticipation of the future use of such points by

customers, the Group has recorded these points, which are mainly granted by using au Pay and au Pay card, apps and product sales services provided by other companies to debt as a provision for customer points. The Group has measured the amounts of provision for customer point at an estimated amount to be used in the future based on historical experience.

There is an inherent uncertainty regarding the extent of usage of such points by customers, and once the points expire, the customers forfeits the right to use them.

iii. Other provisions

Other provisions include provision for contract loss and provision for warranties for completed construction.



20 Other Liabilities

The analysis of other liabilities is as follows:

| As of March 31 | 2020 | 2021 |
|----------------------------|----------|----------|
| Millions of yen | | |
| Non-current liabilities | | |
| Long-term deposits payable | ¥ 1,836 | ¥ 1,842 |
| Other | 5,575 | 8,970 |
| Sub total | 7,411 | 10,813 |
| Current liabilities | | |
| Deposits payable | 170,188 | 165,231 |
| Accrued bonuses | 32,192 | 32,144 |
| Consumption tax payable | 50,736 | 49,605 |
| Other | 29,093 | 34,481 |
| Sub total | 282,209 | 281,461 |
| Total | ¥289,620 | ¥292,273 |

21 Share-based Payment (Stock Grant Plans)

The Company and its certain consolidated subsidiaries have several stock compensation plans (hereafter, the "Plan") for directors, executive officers, and administrative officers (excluding directors residing overseas, outside directors and part-time directors) that have entered into engagement agreements with the Company (hereafter, "Directors and Other Executives").

For the directors, the Company and its certain consolidated subsidiaries have adopted the Board Incentive Plan (BIP). For the Group's senior management, the Company has adopted the Employee Stock Ownership Plan (ESOP).

BIP (Board Incentive Plan) is being initiated in order to link compensation for Directors and Other Executives with shareholder value and to

increase their awareness of contributing to increases in operating performance and corporate value over the medium to long term. This ESOP Trust is being introduced as an incentive plan to enhance corporate value over the medium to long term by increasing awareness among the Company's managers of operating performance and stock price.

Under BIP and ESOP, the right (the number) for stock granted is vested based on achievement based of Key Performance Indicators (KPIs) annually.

The expenses for the stock grant plans recognized in the consolidated statement of operations for the year ended March 31, 2020 and 2021 are ¥2,673 million and ¥1,349 million, respectively.

(1) KDDI CORPORATION

The Company has BIP trust and ESOP trust. The stocks of the Company are granted by the institution.

For the year ended March 31, 2020

| | Number of shares granted | Granted date | Fair value of granted date (Yen) (Note 1) | Vesting conditions |
|------------|--------------------------|---------------|---|--------------------|
| BIP trust | 240,480 | March 7, 2019 | ¥2,490.40 | (Note 2) |
| ESOP trust | 819,452 | March 7, 2019 | 2,490.40 | (Note 2) |

Notes: 1. With respect to stock grants, fair values are measured based on observable market prices. Moreover, the expected dividends are incorporated into the measurement of fair values.

2. Vesting conditions are subject to continued service from grant date to vesting date.

For the year ended March 31, 2021

| | Number of shares granted | Granted date | Fair value of granted date (Yen) (Note 1) | Vesting conditions |
|------------|--------------------------|----------------|---|--------------------|
| BIP trust | 214,068 | March 12, 2020 | ¥2,875.52 | (Note 2) |
| ESOP trust | 243,382 | March 12, 2020 | 2,875.52 | (Note 2) |

Notes: 1. With respect to stock grants, fair values are measured based on observable market prices. Moreover, the expected dividends are incorporated into the measurement of fair values.

2. Vesting conditions are subject to continued service from grant date to vesting date.

(2) Okinawa Cellular Telephone Company

Consolidated subsidiary Okinawa Cellular Telephone Company has BIP trust and ESOP trust. The shares in Okinawa Cellular Telephone Company are granted by the institution.

For the year ended March 31, 2020

| | Number of shares granted | Granted date | Fair value of granted date (Yen) (Note 1) | Vesting conditions |
|------------|--------------------------|----------------|---|--------------------|
| BIP trust | 3,088 | March 25, 2019 | ¥3,441.79 | (Note 2) |
| ESOP trust | 5,016 | March 25, 2019 | 3,441.79 | (Note 2) |

Notes: 1. With respect to stock grants, fair values are measured based on observable market prices. Moreover, the expected dividends are incorporated into the measurement of fair values.
2. Vesting conditions are subject to continued service from grant date to vesting date.

For the year ended March 31, 2021

| | Number of shares granted | Granted date | Fair value of granted date (Yen) (Note 1) | Vesting conditions |
|------------|--------------------------|----------------|---|--------------------|
| BIP trust | 3,088 | March 25, 2020 | ¥3,446.78 | (Note 2) |
| ESOP trust | 6,738 | March 25, 2020 | 3,446.78 | (Note 2) |

Notes: 1. With respect to stock grants, fair values are measured based on observable market prices. Moreover, the expected dividends are incorporated into the measurement of fair values.
2. Vesting conditions are subject to continued service from grant date to vesting date.

22 Common Stock and Other Equity Items

(1) Common stock and capital surplus

The number of authorized shares, outstanding shares, common shares and the balance of capital surplus in each consolidated fiscal year are as follows:

| | Stock | | Millions of yen | |
|--|----------------------|----------------------|-----------------|-----------------|
| | Authorized shares | Outstanding shares | Common stock | Capital surplus |
| Balance as of April 1, 2019 | 4,200,000,000 | 2,532,004,445 | ¥141,852 | ¥284,409 |
| Increase and decrease during the period (Note 3) | — | (176,630,845) | — | (3,818) |
| Balance as of March 31, 2020 | 4,200,000,000 | 2,355,373,600 | ¥141,852 | ¥280,591 |
| Increase and decrease during the period (Note 3) | — | (51,194,050) | — | (1,916) |
| Balance as of March 31, 2021 | 4,200,000,000 | 2,304,179,550 | ¥141,852 | ¥278,675 |

Notes: 1. Common stocks has no par value.
2. Outstanding shares are fully paid.
3. The decrease in the number of outstanding shares was due to the cancellation of treasury stocks.

Under the Companies Act of Japan (the "Companies Act"), at least 50% of the proceeds upon issuance of equity instruments shall be credited to common stock. The remainder of the proceeds shall be credited to additional paid-in capital. The Companies Act permits, upon approval at the general meeting of shareholders, the transfer of amounts from additional paid-in capital to common stock.



(2) Treasury stock

Changes in the number of treasury shares during each consolidated fiscal year are as follows:

| | Treasury stock (Shares) | Amount (Millions of yen) |
|---|----------------------------|-----------------------------|
| Balance as of April 1, 2019 (Note 3) | 180,953,773 | ¥(383,728) |
| Increase and decrease during the period | | |
| Purchase of treasury stock (Note 1) | 51,194,050 | (150,000) |
| Cancellation of treasury stock | (176,630,845) | 377,034 |
| Disposal of treasury stock (Note 2) | (52,018) | 144 |
| Balance as of March 31, 2020 (Note 3) | 55,464,960 | (156,550) |
| Increase and decrease during the period | | |
| Purchase of treasury stock (Note 1) | 42,968,889 | (136,087) |
| Cancellation of treasury stock | (51,194,050) | 150,000 |
| Disposal of treasury stock (Note 2) | (18,457,546) | 55,918 |
| Balance as of March 31, 2021 (Note 3) | 28,782,253 | ¥ (86,719) |

Notes: 1. The increase in the number of treasury shares in the fiscal year ended March 31, 2020 and 2021, are mainly due to the purchase from the market, 51,194,000 shares, and 42,968,800 shares, respectively.
 2. The decrease in the number of treasury stock in the fiscal year ended March 31, 2020 and 2021 are due to the allocation to third party and grant to beneficiaries of executive compensation BIP trust and stock grants ESOP trust.
 3. The balance of treasury stock as of March 31, 2020 and 2021 includes share of the Company owned by the executive compensation BIP trust and stock grants ESOP trust.

(3) Retained earnings

The Companies Act provides that 10% of the dividend of retained earnings shall be appropriated as legal capital surplus or as legal retained earnings until their aggregate amount equals 25% of common stock. The legal retained earnings may be used to eliminate or reduce a deficit or be transferred to retained earnings upon approval at the general meeting of shareholders.

(4) Changes in accumulated other comprehensive income

Changes in each component of accumulated other comprehensive income are as follows:

i. Changes in each component of accumulated other comprehensive income

For the year ended March 31, 2020

| | Millions of yen | | | | |
|--|---|---|--|--|-----------|
| | Translation differences on foreign operations | Changes measured in fair value of financial assets at fair value through other comprehensive income | Changes in fair value of cash flow hedge | Remeasurements of benefit pension plan | Total |
| Balance as of April 1, 2019 | ¥(14,922) | ¥13,983 | ¥(2,235) | ¥ — | ¥ (3,174) |
| Amount incurred during the year | (8,532) | (5,708) | (581) | (13,772) | (28,593) |
| Reclassified to consolidated statement of income | — | — | 1,228 | — | 1,228 |
| Transferred to retained earnings | — | (2,898) | — | 13,772 | 10,875 |
| Balance as of March 31, 2020 | ¥(23,454) | ¥ 5,377 | ¥(1,588) | ¥ — | ¥(19,665) |

Note: Amounts presented above are net of tax. Income taxes related to each component of other comprehensive income are set out in "Note 29. Other comprehensive income."

For the year ended March 31, 2021

Millions of yen

| | Translation differences on foreign operations | Changes measured in fair value of financial assets at fair value through other comprehensive income | Changes in fair value of cash flow hedge | Remeasurements of benefit pension plan | Total |
|--|---|---|--|--|-----------|
| Balance as of April 1, 2020 | ¥(23,454) | ¥ 5,377 | ¥(1,588) | ¥ — | ¥(19,665) |
| Amount incurred during the year | 12,912 | 25,542 | (335) | 45,991 | 84,110 |
| Reclassified to consolidated statement of income | — | — | 1,103 | — | 1,103 |
| Transferred to retained earnings | — | (2,645) | — | (45,991) | (48,636) |
| Balance as of March 31, 2021 | ¥(10,541) | ¥28,273 | ¥ (820) | ¥ — | ¥ 16,912 |

Note: Amounts presented above are net of tax. Income taxes related to each component of other comprehensive income are set out in "Note 29. Other comprehensive income."

ii. The analysis of accumulated other comprehensive income

Accumulated other comprehensive income includes following items.

(a) Translation differences on foreign operations

This represents the exchange differences incurred upon consolidation of the foreign operations' financial statements denominated in foreign currencies.

(b) Changes in fair value of financial assets at fair value through other comprehensive income

This represents the valuation differences on fair value of financial assets at fair value through other comprehensive income.

(c) Changes in fair value of cash flow hedge

This represents the effective portion of changes in fair value of derivative transactions designated as cash flow hedge, which is used by the Group to avoid the risk of future cash flows fluctuations.

(d) Remeasurements of defined benefit pension plan

Remeasurements of defined benefit pension plan are mainly the effects of differences between the actuarial assumptions at the beginning of the year and their actual results, and the effects of changes in actuarial assumptions.

23 Dividends

Dividends to common shareholders are as follows:

(1) Dividends paid

For the year ended March 31, 2020

| Resolution | Type | Aggregate amount of dividends (Millions of yen) | Dividends per share (Yen) | Record date | Effective date |
|---|--------------|---|---------------------------|--------------------|------------------|
| June 19, 2019 General meeting of shareholders (Note 1, 2) | Common stock | ¥129,308 | ¥55 | March 31, 2019 | June 20, 2019 |
| November 1, 2019 Board of directors (Note 1, 2) | Common stock | 127,733 | 55 | September 30, 2019 | December 3, 2019 |



For the year ended March 31, 2021

| Resolution | Type | Aggregate amount of dividends (Millions of yen) | Dividends per share (Yen) | Record date | Effective date |
|---|--------------|--|------------------------------|--------------------|------------------|
| June 17, 2020 General meeting of shareholders (Note 1, 2) | Common stock | ¥137,995 | ¥60 | March 31, 2020 | June 18, 2020 |
| October 30, 2020 Board of directors (Note 1, 2) | Common stock | 138,004 | 60 | September 30, 2020 | December 2, 2020 |

Notes: 1. Dividends of the Company's shares owned by the executive compensation BIP trust and stock grants ESOP trust are not included in the aggregate amount of the dividends above.

2. Other than that above, the Company also paid dividends to beneficiaries of the executive compensation BIP trust and stock grants ESOP trust in the year ended March 31, 2020 and 2021.

(2) Dividends whose record date is in the current fiscal year but whose effective date is in the following fiscal year are as follows:

For the year ended March 31, 2020

| Resolution | Type | Aggregate amount of dividends (Millions of yen) | Source of dividends | Dividends per share (Yen) | Record date | Effective date |
|---|--------------|--|---------------------|------------------------------|----------------|----------------|
| June 17, 2020 General meeting of shareholders (Note 1, 2) | Common stock | ¥137,995 | Retained earnings | ¥60 | March 31, 2020 | June 18, 2020 |

For the year ended March 31, 2021

| Resolution | Type | Aggregate amount of dividends (Millions of yen) | Source of dividends | Dividends per share (Yen) | Record date | Effective date |
|---|--------------|--|---------------------|------------------------------|----------------|----------------|
| June 23, 2021 General meeting of shareholders (Note 1, 2) | Common stock | ¥136,524 | Retained earnings | ¥60 | March 31, 2021 | June 24, 2021 |

Notes: 1. Dividends of the Company's shares owned by the executive compensation BIP trust and stock grants ESOP trust are not included in the aggregate amount of the dividends above.

2. Other than that above, the Company also paid dividends to beneficiaries of the executive compensation BIP trust and stock grants ESOP trust in the year ended March 31, 2020 and 2021.

24 Revenue

(1) Division of revenues

The Group divides revenues from contracts with customers into five categories depending on the contract: mobile telecommunications and value-added services (au Total ARPA), UQ mobile and MVNO services, fixed-line telecommunications services, business services and other services. Profit from each segment is divided as follows.

The name for some product and services were changed in the fiscal year ended March 31, 2021. Accordingly, Product / Service is presented based on the name after the change. There is no change in the numerical definition.

For the year ended March 31, 2020

| Segment | Product / Service | Millions of yen |
|---|-------------------------------|-------------------|
| Personal Services | | ¥4,466,008 |
| | au Total ARPA | 2,266,674 |
| | UQ mobile+MVNO | 66,015 |
| | Fixed-line telecommunications | 804,459 |
| | Others | 1,328,860 |
| Business Services | | 746,620 |
| Others | | 24,593 |
| Total | | ¥5,237,221 |
| Profit from contracts with customers | | 5,146,113 |
| Profit from other sources | | 91,108 |

Note: The amounts presented exclude inter-segment transactions.

For the year ended March 31, 2021

| Segment | Product / Service | Millions of yen |
|---|-------------------------------|-------------------|
| Personal Services | | ¥4,506,412 |
| | au Total ARPA | 2,303,938 |
| | UQ mobile+MVNO | 96,998 |
| | Fixed-line telecommunications | 814,059 |
| | Others | 1,291,417 |
| Business Services | | 779,852 |
| Others | | 26,336 |
| Total | | ¥5,312,599 |
| Profit from contracts with customers | | 5,213,762 |
| Profit from other sources | | 98,837 |

Note: The amounts presented exclude inter-segment transactions.

(2) Outstanding contract balances

The Group's assets and contract liabilities from contracts with customers are as follows:

For the year ended March 31, 2020

| | Millions of yen As of April 1, 2019 | Millions of yen As of March 31, 2020 |
|---|--|---|
| Receivables from contracts with customers | ¥1,810,042 | ¥1,984,185 |
| Contract liabilities | 193,511 | 179,950 |

For the year ended March 31, 2021

| | Millions of yen As of April 1, 2020 | Millions of yen As of March 31, 2021 |
|---|--|---|
| Receivables from contracts with customers | ¥1,984,185 | ¥2,003,196 |
| Contract liabilities | 179,950 | 172,558 |

The contract liabilities are earned from activation fees related to mobile communications services and "au HIKARI" brand services. Points granted to customers through the customer loyalty program are allocated to transaction prices based on the independent sales values of benefits with the advance payment.

Regarding revenue recognized for the years ended March 31, 2020 and 2021, ¥145,731 million and ¥90,428 million were included in outstanding contract liabilities at the beginning of the fiscal year, respectively.

In the fiscal year ended March 31, 2020 and 2021, the revenues recognized from performance obligation fulfilled (or partially fulfilled) in the past period are immaterial.



(3) Transaction amounts allocated to remaining performance obligations

The transaction amounts allocated to remaining performance obligations in the fiscal year ended March 31, 2020 and 2021 are ¥132,240 million and ¥132,804 million, respectively. The performance obligations mainly comprise the revenues from activation fees related to mobile communications services and "au HIKARI" brand services and assumes to be fulfilled when the service is provided. The revenues are expected to be recognized within approximately five years and six years, respectively, from March 31, 2020 and 2021. Approximately 50% of the transaction value allocated to the performance obligation is expected to be recognized as revenue within one year. In addition, the Group adopts the simplified method from paragraph 121 of IFRS 15 as a practical expedient and has not included information related to remaining performance obligations that have an original expected duration of one year or less.

(4) Assets recognized from the costs to obtain or fulfill contracts with customers

The Group's assets recognized from contract costs are as follows:

| | Millions of yen March 31, 2020 | Millions of yen March 31, 2021 |
|----------------------------|-----------------------------------|-----------------------------------|
| Costs to obtain contracts | ¥381,533 | ¥410,203 |
| Costs to fulfill contracts | 55,142 | 56,113 |

The portion expected to be recovered from the incremental costs to obtain contracts with customers and the costs directly related to fulfilling contracts is capitalized and recorded under contract costs in the consolidated statement of financial position. Incremental costs to obtain contracts comprise costs to obtain contracts with customers that would not have been incurred had the contracts not been obtained.

Incremental costs to obtain contracts that are capitalized are mainly sales commissions to agencies like au shop incurred when contracts are obtained. Costs to fulfill contracts mainly comprise necessary set-up and other fees incurred between the receipt of an application and the start of services. These capitalized costs comprise incremental costs that would not have been incurred had telecommunications contracts not been obtained. Furthermore, when capitalizing these costs, only the amount expected to be recovered is recognized after taking into account the estimated contract period for the telecommunications contracts. The resulting assets are amortized on a straight-line basis in line with the main estimated contract period for users of each service.

These assets are amortized on a straight-line basis based on two to three years of estimated contract period in the fiscal year ended March 31, 2020 and based on there to four years of estimated contract period in the fiscal year ended March 31, 2021, respectively.

The Group determines the recoverability of capitalized contract costs when they are capitalized and re-evaluates this each quarter. Specifically, the Group determines whether or not the book value of the assets exceeds the remaining amount of consideration the company expects to receive based on the telecommunications contract over the estimated contract period less the costs directly related to providing the service that have not yet been recognized as expenses. If the scenario used in estimates and assumptions changes, an impairment loss related to the asset is recognized in net profit or loss. This could therefore have a material impact on the value of assets capitalized from contract costs. Accordingly, the Group regards these estimates as material.

The amortization costs incurred from these assets in the years ended March 31, 2020 and 2021 amounted to ¥198,880 million and ¥199,932 million, respectively, and the impairment losses are not recognized.

25 Expenses by Nature

Expenses by nature that constitute cost of sales and selling, general and administrative expenses are as follows:

| | Millions of yen | |
|---|-----------------|-------------------|
| For the year ended March 31 | 2020 | 2021 |
| Handset sales cost, repair cost | ¥ 738,011 | ¥ 678,127 |
| Depreciation and amortization | 689,473 | 727,438 |
| Communication equipment usage fee and rentals | 323,057 | 324,276 |
| Staff cost | 438,814 | 450,831 |
| Operations outsourcing | 331,982 | 333,455 |
| Sales commission | 323,269 | 336,138 |
| Power retail sales cost | 350,241 | 381,983 |
| Rent | 54,876 | 64,117 |
| Utilities | 68,497 | 67,126 |
| Other (Note) | 906,285 | 928,919 |
| Total | ¥4,224,504 | ¥4,292,410 |

Note: Other mainly consists of advertising expense and maintenance costs for communication equipment, etc.

26 Other Income and Other Expense

(1) The analysis of other income

The analysis of other income is as follows:

| | Millions of yen | |
|-----------------------------------|-----------------|---------|
| For the year ended March 31 | 2020 | 2021 |
| Subsidy income, etc. | ¥ 1,164 | ¥ 5,044 |
| Gain on sale of fixed assets | 221 | 2,676 |
| Compensation income, etc. | 773 | 857 |
| Income from recovery of bad debts | 703 | 855 |
| Other | 9,632 | 7,704 |
| Total | ¥12,492 | ¥17,136 |

(2) The analysis of other expense

The analysis of other expense is as follows:

| | Millions of yen | |
|---|-----------------|--------|
| For the year ended March 31 | 2020 | 2021 |
| Reduction entry of land contribution for construction | ¥ 6 | ¥ 4 |
| Loss on sale of fixed assets | 297 | 425 |
| Other | 2,926 | 4,386 |
| Total | ¥3,228 | ¥4,815 |

27 Finance Income and Finance Cost

(1) The analysis of finance income

The analysis of finance income is as follows:

| | Millions of yen | |
|---|-----------------|--------|
| For the year ended March 31 | 2020 | 2021 |
| Interest income: | | |
| Financial assets at amortized cost | ¥ 930 | ¥ 529 |
| Dividend income: | | |
| Financial assets at fair value through other comprehensive income | 4,052 | 3,148 |
| Gain on foreign currency exchange | — | 2,497 |
| Other | 348 | 364 |
| Total | ¥5,330 | ¥6,539 |

(2) The analysis of finance cost

The analysis of finance cost is as follows:

| | Millions of yen | |
|--|-----------------|--------|
| For the year ended March 31 | 2020 | 2021 |
| Interest expense: | | |
| Financial liabilities at amortized cost | ¥ 7,250 | ¥6,122 |
| Financial liabilities at fair value through profit or loss | | |
| Derivatives | 882 | 807 |
| Loss on foreign currency exchange | 1,739 | — |
| Other | 1,508 | 1,382 |
| Total | ¥11,380 | ¥8,311 |



28 Other Non-operating Profit

The analysis of other non-operating profit is as follows:

| | | Millions of yen | |
|--|---|-----------------|---------------|
| For the year ended March 31 | | 2020 | 2021 |
| Gain or loss on change in equity | ¥ | 76 | ¥1,418 |
| Gain or loss on step acquisitions | | 1,426 | — |
| Gain or loss on sales of stocks of subsidiaries and affiliates | | 10 | 1,016 |
| Total | | ¥1,512 | ¥2,433 |

29 Other Comprehensive Income

Amounts arising during the year, amounts transferred to profit and tax effect included in other comprehensive income of the Group are as follows:

| | | Millions of yen | |
|---|---|------------------|----------------|
| For the year ended March 31 | | 2020 | 2021 |
| Items that will not be reclassified subsequently to profit or loss | | | |
| Remeasurement of the net defined benefit liability (asset) | | | |
| Gain (loss) arising during the year | ¥ | (20,160) | ¥67,203 |
| Tax effect | | 6,325 | (21,097) |
| After tax effect | | (13,835) | 46,106 |
| Net change in financial assets at fair value through other comprehensive income | | | |
| Gain (loss) arising during the year | | (3,674) | 37,332 |
| Tax effect | | 1,076 | (11,246) |
| After tax effect | | (2,598) | 26,086 |
| Share of investments accounted for using the equity method | | | |
| Gain (loss) arising during the year | | (3,694) | 254 |
| After tax effect | | (3,694) | 254 |
| Total | | (20,127) | 72,445 |
| Items that may be reclassified subsequently to profit or loss | | | |
| Changes in fair value of cash flow hedge | | | |
| Gain (loss) arising during the year | | (61) | 945 |
| Transferred to profit for the year | | 1,228 | 1,103 |
| Before tax effect | | 1,167 | 2,048 |
| Tax effect | | (365) | (613) |
| After tax effect | | 802 | 1,436 |
| Exchange differences on translating foreign operations | | | |
| Gain (loss) arising during the year | | (10,201) | 15,174 |
| Transferred to profit for the year | | — | — |
| Before tax effect | | (10,201) | 15,174 |
| After tax effect | | (10,201) | 15,174 |
| Share of investments accounted for using the equity method | | | |
| Gain (loss) arising during the year | | (121) | (322) |
| Transferred to profit for the year | | 408 | — |
| After tax effect | | 286 | (322) |
| Total | | (9,113) | 16,288 |
| Total other comprehensive income | | ¥(29,240) | ¥88,733 |

30 Cash Flow

An analysis of net debt and the movements in net debt for the periods presented are as follows:

| | Millions of yen | | | | | | |
|--|---------------------------------|-------------------|----------------------|------------------------------------|-----------------------------------|-----------------|--|
| | Cash/current bank account | Finance leases | Lease liabilities | Borrowings due within 1 year | Borrowings due after 1 year | Bonds | Hedge assets held for borrow. Due after 1 year |
| Net debt as of April 1, 2019 | ¥204,597 | ¥84,158 | ¥ — | ¥32,000 | ¥880,061 | ¥279,492 | ¥(5,810) |
| Effects of changes in accounting policies | — | (84,158) | 391,844 | — | — | — | — |
| Cash flows | 166,025 | — | (126,947) | (32,000) | 21,350 | 89,988 | — |
| Acquisitions | — | — | 113,903 | — | — | — | — |
| Movements by a subsidiary or other business fluctuations caused by gain or loss | — | — | — | — | 29,984 | — | — |
| Foreign exchange adjustments | (1,419) | — | 102 | — | (8) | — | — |
| Fair value movements | — | — | — | — | — | — | 1,257 |
| Other non-cash movements | — | — | 652 | — | 204 | (258) | — |
| Net debt as of April 1, 2020 | 369,202 | — | 379,554 | — | 931,591 | 369,222 | (4,553) |
| Cash flows | 437,670 | — | (133,226) | 19,517 | (35,801) | (40,000) | — |
| Acquisitions | — | — | 150,584 | — | — | — | — |
| Movements by a subsidiary or other business fluctuations caused by gain or loss | — | — | — | — | — | — | — |
| Foreign exchange adjustments | 2,930 | — | (170) | — | — | — | — |
| Fair value movements | — | — | — | — | — | — | 969 |
| Other non-cash movements | — | — | 4,183 | — | (135) | 162 | — |
| Net debt as of March 31, 2021 | ¥809,802 | ¥ — | ¥400,925 | ¥19,517 | ¥895,655 | ¥329,384 | ¥(3,584) |

Note: Borrowings due after 1 year includes the liabilities generated from operating activities.



31 Financial Instruments

(1) Risk management

The Group's operating activities are subject to influence from the business and financial market environment. Financial instruments held or assumed in the course of business are exposed to risks inherent in those instruments. Such risks include (i) Credit risk, (ii) Liquidity risk and (iii) Market risk. The Group has a risk management program in place to minimize effects on the Group's financial position and results of operations through establishing an internal management system and using financial instruments. Specifically, the Group manages these risks by using methods as described below.

i. Credit risk management

(a) Credit risks of financial assets owned by the Company

Credit risk is the risk that a party to the Group's financial instrument will cause a financial loss for the Group by failing to discharge its contractual obligation. Specifically, the Group is exposed to the following credit risks. Trade, lease, other receivables and loans for financial business of the Group are exposed to the credit risk of our customers. The debt securities held for surplus investment are exposed to the issuer's credit risk related to the deterioration of its financial condition. In addition, derivatives used by the Group to hedge exchange risk and interest rate risk and bank balances are exposed to the credit risk of the financial institutions that are counterparties to these transactions.

(b) Responses to the risk owned by the Company

With regard to credit risks to the customer, the Group has a system in place for assessing credit status as well as performing term administration and balance management for each counterparty based on the credit management guidelines of each Group company.

With regard to lease, other receivables and loans for financial business, the Group determines there has been a significant increase in credit risk of the financial assets since initial recognition in case the cash collection of the financial assets was delayed (as well as the case of request for grace period) after the trade date. However, even when late payment or request for grace period occurs, the Group does not determine that there has been a significant increase in credit risk if such late payment or request for grace period would be attributable to temporary cash shortage, the risk of default would be low, and the objective data such as external credit ratings reveals their ability to fulfil the obligation of contractual cash flow in the near future.

With regard to debt securities, the Group determines there has been a significant increase in its credit risk since initial recognition when the Group evaluates the risk of default is high based upon rating information provided by major rating agencies.

Expected credit loss is recognized and measured through transactions and financial information available in the course of such credit risk management, while taking macroeconomic condition such as the number of bankruptcies and actual or expected significant changes in the operating results of the debtor into consideration. Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

A default occurs when a debtor to a financial asset fails to make contractual payments within 90 days of when they fall due.

The Group directly writes off the gross carrying amount of the credit-impaired financial assets when all or part of the financial assets are evaluated to be uncollectible and determined that it is appropriate to be written off as a result of credit check.

The Group's receivables have no significantly concentrated credit risk exposure to any single counterparty or any group of counterparties.

The Group considers that there is substantially low credit risk resulting from counterparty default because counterparties of the Group's derivatives and bank transactions are limited to high credit quality financial institutions. For surplus investments and derivative transactions, the finance and accounting department, following internal rules of each Group company and accompanying regulations that prescribe details, arranges to have each transaction approved by an authorized person as designated in the authorization regulation on a transaction-to-transaction basis so that the Group can minimize credit risk. Counterparties to those transactions are limited to financial institutions with high credit rating.

Measurement of expected credit losses on trade receivables

As trade receivables do not contain a significant financing component, the Group measures loss allowance at an amount equal to the lifetime expected credit losses until the trade receivables are recovered. With regard to performing trade receivables, loss allowance is recognized by estimating the expected credit losses based on historical credit loss experience and forward-looking information for the tenor of each trade receivables.

Measurement of expected credit losses on lease, other receivables and loans for financial business

When credit risk related to lease and other receivables has not increased significantly since the initial recognition at the end of the reporting period, the Group calculates the amount of loss allowance of the financial instruments by estimating the 12-month expected credit losses collectively based upon both historical credit loss experience and forward-looking information.

On the other hand, when a significant increase in credit risk since initial recognition as of the end of fiscal year is presumed, the Group estimates the lifetime credit losses on the financial instruments individually and measures the amount of loss allowance based on historical credit loss experience and forward-looking information.

Measurement of the expected credit losses on other investments (debt securities)

When credit risk related to debt securities has not increased significantly since initial recognition at the end of the reporting period, the Group calculates the amount of loss allowance of the financial instruments by estimating the 12-month expected credit losses.

On the other hand, when a significant increase in credit risk since initial recognition as of the end of fiscal year is presumed, the Group estimates the lifetime credit losses on the financial instruments and measures the amount of loss allowance based on historical credit loss experience and forward-looking information.

(c) Quantitative and qualitative information on the amounts arising from expected credit losses
Loss allowance for trade receivables

| | Millions of yen |
|---|---|
| | Measured at the amount equal to the lifetime expected credit losses |
| Balance as of April 1, 2019 | ¥30,855 |
| Increase during the year | 26,450 |
| Decrease during the year (reversal) | (10,119) |
| Decrease during the year (intended use) | (15,602) |
| Other | (63) |
| Balance as of March 31, 2020 | 31,521 |
| Increase during the year | 25,465 |
| Decrease during the year (reversal) | (13,100) |
| Decrease during the year (intended use) | (15,546) |
| Other | 809 |
| Balance as of March 31, 2021 | ¥29,149 |

Loss allowance and reversal of loss allowance are recorded in "selling, general and administrative expenses" in the consolidated statement of income.

There is no contractual, uncollected balance for financial assets written off during the fiscal years ended March 31, 2020 and 2021 respectively, for which collecting efforts are still being made.

There are no significant loss allowances for lease receivables, other receivables, loans for financial business and other investments (debt securities).

(d) Maximum exposure to credit risks

The Group's maximum exposure to credit risks is as follows.

The Group's maximum credit risk exposure (gross) represents the amount of the maximum exposure with respect to credit risks without taking into account any collateral held or other credit enhancement.

Maximum exposure for trade receivables

For the year ended March 31, 2020

| | Millions of yen | | | |
|-----------------------|-----------------|----------------------------|----------------------------|------------|
| | Current | More than 30 days past due | More than 90 days past due | Total |
| Gross carrying amount | ¥2,143,991 | ¥12,730 | ¥43,635 | ¥2,200,355 |
| Expected loss rate | 0.5% | 13.3% | 44.7% | — |
| Loss allowance | 10,333 | 1,692 | 19,496 | 31,521 |

For the year ended March 31, 2021

| | Millions of yen | | | |
|-----------------------|-------------------|----------------------------|----------------------------|-------------------|
| | Current | More than 30 days past due | More than 90 days past due | Total |
| Gross carrying amount | ¥2,205,546 | ¥11,287 | ¥41,447 | ¥2,258,280 |
| Expected loss rate | 0.3% | 15.9% | 48.4% | — |
| Loss allowance | 7,277 | 1,796 | 20,076 | 29,149 |

Note: There is no collateral and other credit enhancement owned by the Group.



ii. Liquidity risk management

The Group is exposed to liquidity risk that the Group may be unable to meet the obligations such as notes and trade payables.

The Group finances necessary funds through bank borrowings, bond issuances and liquidation of receivables in the context of its capital expenditure project mainly to conduct telecommunications businesses. Any excess funds incurred are invested in short-term deposits etc.

Most of the trade and other payables are payable within one year. The Group's current liabilities including such trade payables are exposed to liquidity risk at the time of settlement, however, the Group avoids the risk using methods such as monthly financial planning review conducted by each Group company. In addition, to manage liquidity risk, the Group aims for continuously stable cash management through monitoring account activity by preparing monthly cash flow projection, and maintains liquidity at certain level. The Group has short-term deposits etc. that is considered to be readily convertible into cash to address liquidity risk. Please refer to "Note 13. Cash and cash equivalents" for details.

Long-term financing is conducted following approval by the Board of Directors of the annual financial plan prepared by the finance and accounting department. The Group minimizes its liquidity risk by entering into a number of long- and short-term unexpended commitment line contracts with domestic dominant financial institutions and leading financial institutions in foreign countries in addition to uncommitted credit facilities.

(a) Maturity analysis

The following tables analyse the Group's non-derivative financial liabilities and derivative financial liabilities to be settled on a net basis by category based on the remaining periods to contractual maturity at the end of each fiscal year. Amounts shown in the tables below are contractual undiscounted cash flows.

As of March 31, 2020

| | Millions of yen | | | | | | | | |
|--|-------------------|-----------------------|-------------------|----------------------------|-------------------------------|--------------------------------|-------------------------------|-----------------|--|
| | Carrying amount | Contractual cash flow | Within one year | Over one year to two years | Over two years to three years | Over three years to four years | Over four years to five years | Over five years | |
| Non-derivative financial liabilities | | | | | | | | | |
| Trade and other payables | ¥ 657,298 | ¥ 657,298 | ¥ 655,998 | ¥ 904 | ¥ 107 | ¥ 115 | ¥ 139 | ¥ 33 | |
| Short-term borrowings | — | — | — | — | — | — | — | — | |
| Long-term borrowings | 931,591 | 941,055 | 115,775 | 75,679 | 182,469 | 199,762 | 128,601 | 238,768 | |
| Bonds payable | 369,222 | 376,226 | 41,222 | 993 | 50,993 | 70,983 | 60,578 | 151,458 | |
| Deposits for financial business | 1,427,419 | 1,428,724 | 1,403,064 | 993 | 10,933 | 1,932 | 1,171 | 10,632 | |
| Lease liabilities | 379,554 | 385,503 | 114,260 | 87,110 | 62,413 | 47,192 | 27,903 | 46,624 | |
| Sub total | 3,765,084 | 3,788,805 | 2,330,318 | 165,680 | 306,915 | 319,983 | 218,393 | 447,516 | |
| Derivative financial liabilities (Note) | | | | | | | | | |
| Exchange contracts | 32 | 32 | 30 | 1 | 1 | — | — | — | |
| Foreign exchange swaps | 2,871 | 2,871 | 2,871 | — | — | — | — | — | |
| Interest rate swaps | 5,148 | 5,148 | 880 | — | — | 1,945 | — | 2,322 | |
| Sub total | 8,051 | 8,051 | 3,782 | 1 | 1 | 1,945 | — | 2,322 | |
| Total | ¥3,773,135 | ¥3,796,856 | ¥2,334,100 | ¥165,681 | ¥306,916 | ¥321,928 | ¥218,393 | ¥449,838 | |

Note: Credits and debts resulting from derivative transactions are presented on a net basis.

As of March 31, 2021

| | Millions of yen | | | | | | | | |
|--|-------------------|-----------------------|-------------------|----------------------------|-------------------------------|--------------------------------|-------------------------------|-----------------|--|
| | Carrying amount | Contractual cash flow | Within one year | Over one year to two years | Over two years to three years | Over three years to four years | Over four years to five years | Over five years | |
| Non-derivative financial liabilities | | | | | | | | | |
| Trade and other payables | ¥ 754,345 | ¥ 754,345 | ¥ 747,728 | ¥ 1,620 | ¥ 1,646 | ¥ 1,303 | ¥ 1,302 | ¥ 745 | |
| Short-term borrowings | 19,517 | 19,517 | 19,517 | — | — | — | — | — | |
| Long-term borrowings | 895,655 | 903,357 | 75,905 | 152,789 | 230,192 | 129,090 | 130,546 | 184,835 | |
| Bonds payable | 329,384 | 335,004 | 993 | 50,993 | 70,983 | 60,578 | 30,458 | 121,001 | |
| Deposits for financial business | 1,850,090 | 1,851,599 | 1,818,812 | 10,842 | 2,045 | 1,049 | 1,088 | 17,763 | |
| Lease liabilities | 400,925 | 407,593 | 140,307 | 80,218 | 58,752 | 39,828 | 24,439 | 64,049 | |
| Sub total | 4,249,916 | 4,271,415 | 2,803,262 | 296,461 | 363,618 | 231,849 | 187,833 | 388,393 | |
| Derivative financial liabilities (Note) | | | | | | | | | |
| Exchange contracts | — | — | — | — | — | — | — | — | |
| Foreign exchange swaps | 1,164 | 1,164 | 1,164 | — | — | — | — | — | |
| Interest rate swaps | 4,075 | 4,075 | 491 | — | 1,586 | — | 1,998 | — | |
| Sub total | 5,239 | 5,239 | 1,655 | — | 1,586 | — | 1,998 | — | |
| Total | ¥4,255,155 | ¥4,276,655 | ¥2,804,917 | ¥296,461 | ¥365,204 | ¥231,849 | ¥189,830 | ¥388,393 | |

Note: Credits and debts resulting from derivative transactions are presented on a net basis.

iii. Market risk management

Market risk management consists of (a) Exchange risk management, (b) Interest rate risk management and (c) Price risk management of equity instruments. A certain subsidiaries manage market risk by measuring their market risk volume using value at risk (VaR) on a daily basis.

To calculate VaR, the subsidiaries use the historical simulation approach (six-month holding period, 99% confidence interval). As of the previous fiscal year-end (March 31, 2020), overall market risk amounted to ¥1,652 million. As of March 31, 2021, overall market risk amounted to ¥3,105 million. VaR measures market risk using a certain statistically calculated probability based on past market variability. However, it is not always possible to ascertain risk in a market environment undergoing drastic changes that would ordinarily be inconceivable.

(a) Exchange risk

The Group is exposed to exchange rate fluctuation risk ("exchange risk") that results from translating foreign currency denominated trade receivables arising from transactions that the Group conducted using non-functional currencies into their functional currencies at the exchange rate prevailing at the end of reporting period.

The Group also operates in foreign countries. Currently, the Group is developing international businesses through capital contribution and establishment of joint ventures in Asia (Singapore and China etc.), North America and Europe etc. As a result of these international operating activities, the Group is exposed to various exchange risks primarily related to the U.S. dollar.

A certain subsidiary hedges exchange fluctuation risk by adopting forward exchange contracts as derivative transactions. The purpose is to fix the exchange fluctuation for broadcasting right related to foreign programs. For derivative transactions, the Company develops implementation plans on a transaction-to-transaction basis following internal rules approved by the Board of Directors, and obtains approval as stipulated in the authorization regulation, before conducting the transactions. The Group's policy is to use derivative transactions only to avoid risk and conduct no speculative transactions in order to gain trading profits.

(i) Sensitivity analysis of exchange rate

Sensitivity analysis of the impact of the 10% appreciation of the Japanese yen against the U.S. dollar, Pound and Euro at the end of each fiscal year against profit before tax of the Group is as follows.

This analysis assumes that all other variables (balance, interest etc.) are held constant, and the sensitivity analysis below does not contain impacts of translation of financial instruments denominated in functional currencies, and impacts of translation of revenues and expenses, assets and liabilities of foreign operations into presentation currency.

| | | Millions of yen | |
|-----------------------------|--|-----------------|----------|
| For the year ended March 31 | | 2020 | 2021 |
| Profit before tax | | | |
| U.S. dollar | | ¥(1,855) | ¥(2,051) |
| Pound | | (599) | (1,441) |
| Euro | | (707) | (1,079) |
| Total | | ¥(3,161) | ¥(4,572) |

If the Japanese yen depreciate 10% against the U.S. dollar, Pound and Euro and all other variables are held constant at the end of each fiscal year, the impact on the Group's profit or loss would be the exact reverse of the figures presented above assuming.

(ii) Derivatives (forward foreign exchange contracts, foreign exchange swaps)

Details of major exchange contracts existed at March 31, 2020 and 2021 are as follows:

Derivatives designated as hedges

Certain subsidiaries of the Group is to apply hedge accounting to foreign exchange risk

| | | Millions of yen | | | |
|------------------------------------|--|--------------------|---------------|---------------|---------------|
| | | 2020 | | 2021 | |
| | | Contractual amount | | Fair value | |
| As of March 31 | | Total | Over one year | Total | Over one year |
| | | Assets | Liabilities | Assets | Liabilities |
| Forward foreign exchange contracts | | ¥15,211 | ¥3,865 | ¥189 | ¥41 |
| | | ¥22,910 | ¥1,668 | ¥1,028 | ¥5 |

| | | Millions of yen | |
|---|--|-----------------------|-----------------------|
| As of March 31 | | 2020 | 2021 |
| Carrying amount | | ¥ 148 | ¥ 1,023 |
| Contractual amount | | 15,211 | 22,910 |
| Maturity date | | April 2020-March 2023 | April 2021-March 2023 |
| Hedge ratio (Note 1) | | 1 | 1 |
| Change in intrinsic value of outstanding hedging instrument | | (86) | 875 |
| Change in value of hedge item used to determine hedge effectiveness | | 86 | (875) |

Notes: 1. Since the Group enters into the foreign exchange contracts in the same currency that future purchase transactions are highly likely to occur, the hedge ratio of foreign exchange contracts is one-to-one.

2. The Group does not have a non-effective portion of the hedge.



Derivatives not designated as hedges

| | Millions of yen | | | | | | | |
|------------------------------------|--------------------|---------------|------------|-------------|--------------------|---------------|------------|-------------|
| | 2020 | | | | 2021 | | | |
| | Contractual amount | | Fair value | | Contractual amount | | Fair value | |
| As of March 31 | Total | Over one year | Assets | Liabilities | Total | Over one year | Assets | Liabilities |
| Forward foreign exchange contracts | ¥70,910 | ¥ — | ¥1,070 | ¥2,306 | ¥122,944 | ¥ — | ¥(835) | ¥2,430 |
| Foreign exchange swaps | 21,307 | 21,307 | 50 | (50) | 55,556 | 55,556 | (376) | 379 |

(b) Interest rate risk

Interest rate risk is defined as the risk that market interest rate fluctuation results in changes in fair value of financial instruments or future cash flows arising from financial instruments. The interest rate risk exposure of the Group mainly relates to payables such as borrowings or bonds, and receivables such as interest-bearing deposits. As amount of interest is influenced by market interest rate fluctuation, the Group is exposed to interest rate risk resulting from changes in future cash flows of interest.

The Group finances funds through bond issuance at fixed interest rates in order to avoid future increase in interest payments, primarily resulting from rising interest rates.

Certain subsidiaries stabilize their cash flows by using interest rate swap transactions to minimize interest rate risk on borrowings.

(i) Sensitivity analysis of interest rate

Sensitivity analysis of the impact of the a 1% increase in interest rates at the end of each fiscal year against profit before tax of the Group is as follows. This analysis assumes that all other variables (balance, exchange rate etc.) are held constant.

| | Millions of yen | |
|-----------------------------|-----------------|--------|
| For the year ended March 31 | 2020 | 2021 |
| Profit before tax | ¥(6) | ¥(198) |

(ii) Derivatives (interest swap contracts)

In interest swap contracts, the Group enters into agreements to exchange the differences between fixed rate and floating rate interest amounts calculated by reference to an agreed notional principal amount. Using these contracts, the Group minimizes its risk of cash flows fluctuations arising from floating rate borrowings

Derivatives designated as hedges

| | Millions of yen | | | | | | | |
|--------------------|--------------------|---------------|------------|-------------|--------------------|---------------|------------|-------------|
| | 2020 | | | | 2021 | | | |
| | Contractual amount | | Fair value | | Contractual amount | | Fair value | |
| As of March 31 | Total | Over one year | Assets | Liabilities | Total | Over one year | Assets | Liabilities |
| Interest rate swap | ¥250,000 | ¥130,000 | ¥— | ¥4,807 | ¥140,000 | ¥130,000 | ¥— | ¥3,556 |

| | Millions of yen | |
|---|-----------------------------|-----------------------------|
| As of March 31 | 2020 | 2021 |
| Carrying amount | ¥ (4,807) | ¥ (3,556) |
| Contractual amount | 250,000 | 140,000 |
| Maturity date | December 2020–December 2025 | December 2023–December 2025 |
| Hedge ratio (Note 1) | 1 | 1 |
| Change in intrinsic value of outstanding hedging instrument | 825 | 944 |
| Change in value of hedge item used to determine hedge effectiveness | (825) | (944) |

Notes: 1. Since the Group runs the borrowing (hedged item) and interest rate swap transaction (hedging instrument) in the same amount, hedge ratio of interest rate swap transaction is one-to-one.

2. The Group does not have any non-effective portion of the hedge.

(c) Price risk management of equity instruments

Price risk of equity instruments is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Group is exposed to such price risk as it holds equity instruments.

To manage price risk arising from those equity instruments, the corporate finance and accounting department documents policies of investment in the equity instruments and the entire Group complies with those policies. For material investments, it is obliged to report to and obtain approval from the Board of Directors in a timely manner. To manage those equity instruments, the Group continuously reviews its holdings by monitoring market value and the financial condition of the issuer (counterparty) taking into account the market condition and the relationship with the counterparty.

(i) Sensitivity analysis of price of equity instruments

Sensitivity analysis of the impact of the 10% decrease in the price of equity instruments at the end of each fiscal year against other comprehensive income of the Group (before tax effect) is as follows:

This analysis is on presumption that all other variables (balance, exchange rate etc.) are held constant.

| | Millions of yen | |
|--|-----------------|-----------|
| For the year ended March 31 | 2020 | 2021 |
| Accumulated other comprehensive income (before tax effect) | ¥(7,764) | ¥(11,555) |

(2) Capital management

The Group seeks to realize sustainable medium- and long-term growth and maximize its corporate value. To achieve those objectives, the Group's basic policy for equity risk management is to maintain adequate equity structure while monitoring capital cost, along with

maintaining current fund-raising capability and ensuring financial soundness. Major performance benchmarks used by the Group to manage its equity are Ratio of equity attributable to owners of the parent and debt / equity ratio ("D/E ratio").

Ratio of equity attributable to owners of the parent and D/E ratio at the end of each fiscal year are as follows:

| As of March 31 | Unit | 2020 | 2021 |
|---|-------|------|------|
| Ratio of equity attributable to owners of the parent (Note 1) | % | 45.8 | 45.2 |
| D/E ratio (debt/equity ratio) (Note 2) | ratio | 0.38 | 0.35 |

Notes: 1. Ratio of equity attributable to owners of the parent: Equity attributable to owners of the parent / Total assets × 100

2. D/E ratio (debt / equity ratio): Interest bearing debt / Equity attributable to owners of the parent

As of March 31, 2020 and 2021, the Group meets the material capital controls applicable to the Group (excluding general rules such as the Companies Act etc.).

(3) Classification of financial assets and financial liabilities

Classification of financial assets and financial liabilities of the Group is as follows:

As of March 31, 2020

| | Millions of yen | | | |
|---|---------------------------------------|--|---|------------|
| | Carrying amount | | | |
| | Financial assets at amortized cost | Financial assets at fair value through other comprehensive income | Financial assets at fair value through profit or loss | Total |
| Financial assets | | | | |
| Non-current assets | | | | |
| Long-term loans for financial business | ¥ 952,070 | ¥ — | ¥ — | ¥ 952,070 |
| Securities for financial business | — | 248,025 | — | 248,025 |
| Other long-term financial assets | 163,993 | 121,740 | 146 | 285,879 |
| Current assets | | | | |
| Trade and other receivables | 2,168,355 | — | — | 2,168,355 |
| Short-term loans for financial business | 216,601 | — | — | 216,601 |
| Call loans | 50,937 | — | — | 50,937 |
| Other short-term financial assets | 50,992 | — | 2,366 | 53,358 |
| Cash and cash equivalents | 369,202 | — | — | 369,202 |
| Total | ¥3,972,151 | ¥369,765 | ¥2,512 | ¥4,344,427 |



| | Millions of yen | | | Total |
|--|---|--|--|------------|
| | Carrying amount | | | |
| | Financial liabilities at amortized cost | Financial liabilities at fair value through other comprehensive income | Financial liabilities at fair value through profit or loss | |
| Financial liabilities | | | | |
| Non-current liabilities | | | | |
| Borrowings and bonds payable | ¥1,147,551 | ¥— | ¥ — | ¥1,147,551 |
| Long-term deposits for financial business | 25,728 | — | — | 25,728 |
| Lease liabilities | 268,648 | — | — | 268,648 |
| Other long-term financial liabilities | 8,787 | — | 4,555 | 13,342 |
| Current liabilities | | | | |
| Borrowings and bonds payable | 153,262 | — | — | 153,262 |
| Trade and other payables | 657,298 | — | — | 657,298 |
| Short-term deposits for financial business | 1,401,691 | — | — | 1,401,691 |
| Call money | 72,100 | — | — | 72,100 |
| Lease liabilities | 110,906 | — | — | 110,906 |
| Other short-term financial liabilities | — | — | 3,496 | 3,496 |
| Total | ¥3,845,971 | ¥— | ¥8,051 | ¥3,854,022 |

As of March 31, 2021

| | Millions of yen | | | Total |
|---|------------------------------------|---|---|------------|
| | Carrying amount | | | |
| | Financial assets at amortized cost | Financial assets at fair value through other comprehensive income | Financial assets at fair value through profit or loss | |
| Financial assets | | | | |
| Non-current assets | | | | |
| Long-term loans for financial business | ¥1,148,700 | ¥ — | ¥ 106 | ¥1,148,805 |
| Securities for financial business | — | 276,065 | — | 276,065 |
| Other long-term financial assets | 147,812 | 177,224 | 164 | 325,201 |
| Current assets | | | | |
| Trade and other receivables | 2,229,435 | — | — | 2,229,435 |
| Short-term loans for financial business | 233,605 | — | — | 233,605 |
| Call loans | 33,846 | — | — | 33,846 |
| Other short-term financial assets | 64,668 | — | 5,287 | 69,955 |
| Cash and cash equivalents | 809,802 | — | — | 809,802 |
| Total | ¥4,667,868 | ¥453,289 | ¥5,557 | ¥5,126,714 |

Millions of yen
Carrying amount

| | Financial liabilities at amortized cost | Financial liabilities at fair value through other comprehensive income | Financial liabilities at fair value through profit or loss | Total |
|--|--|---|--|------------|
| Financial liabilities | | | | |
| Non-current liabilities | | | | |
| Borrowings and bonds payable | ¥1,151,664 | ¥— | ¥ — | ¥1,151,664 |
| Long-term deposits for financial business | 32,850 | — | — | 32,850 |
| Lease liabilities | 288,650 | — | — | 288,650 |
| Other long-term financial liabilities | 10,588 | — | 3,584 | 14,172 |
| Current liabilities | | | | |
| Borrowings and bonds payable | 92,892 | — | — | 92,892 |
| Trade and other payables | 754,345 | — | — | 754,345 |
| Short-term deposits for financial business | 1,817,240 | — | — | 1,817,240 |
| Call money | 115,815 | — | — | 115,815 |
| Lease liabilities | 112,275 | — | — | 112,275 |
| Other short-term financial liabilities | — | — | 1,655 | 1,655 |
| Total | ¥4,376,319 | ¥— | ¥5,239 | ¥4,381,558 |

(4) Financial assets at fair value through other comprehensive income

The Group owns the equity instruments listed above as investment to maintain and strengthen the business relationship with investees, and therefore classifies them as financial assets at fair value through other comprehensive income.

i. The analysis and fair value by description of financial assets at fair value through other comprehensive income

The analysis and dividends received related to financial assets at fair value through other comprehensive income are as follows:

| | Millions of yen | |
|-----------------------------|-----------------|----------|
| As of March 31 | 2020 | 2021 |
| Fair value | | |
| Listed equities | ¥ 77,635 | ¥115,552 |
| Unlisted equities | 44,105 | 61,672 |
| Total | ¥121,740 | ¥177,224 |
| | | |
| For the year ended March 31 | Millions of yen | |
| | 2020 | 2021 |
| Dividends received | | |
| Listed equities | ¥2,052 | ¥2,169 |
| Unlisted equities | 1,999 | 911 |
| Total | ¥4,052 | ¥3,080 |



Major description of investments in financial assets at fair value through other comprehensive income is as follows:

| As of March 31 | 2020 | 2021 |
|---------------------------------------|----------|----------|
| Millions of yen | | |
| Listed equities | | |
| TOYOTA MOTOR CORPORATION | ¥ 51,972 | ¥ 68,881 |
| LAWSON, Inc. | 2,108 | 11,457 |
| J-Stream Inc. | 1,611 | 7,302 |
| PIA Corporation | 3,498 | 4,807 |
| GREE, Inc. | 3,336 | 4,472 |
| Japan Airport Terminal Co. Ltd. | 2,543 | 3,313 |
| gremz, Inc. | 1,700 | 3,234 |
| East Japan Railway Company | 2,442 | 2,342 |
| Internet Initiative Japan Inc. | 1,489 | 2,182 |
| COLOPL, Inc. | 2,030 | 1,946 |
| Other | 4,907 | 5,616 |
| Sub total | 77,635 | 115,552 |
| Unlisted equities | | |
| A-Fund, L.P. | 7,393 | 11,965 |
| COMMUNITY NETWORK CENTER INCORPORATED | 3,604 | 4,996 |
| Finatext Ltd. | 4,600 | 4,600 |
| WiL Fund II, L.P. | 2,141 | 2,718 |
| Other | 26,367 | 37,393 |
| Sub total | 44,105 | 61,672 |
| Total | ¥121,740 | ¥177,224 |

ii. Financial assets at fair value through other comprehensive income disposed during the period

The Group sells its financial assets at fair value through other comprehensive income as a result of periodic review of portfolio and for the management of risk assets. Fair value at the disposal date, accumulated gains / losses arising from sale and dividends received are as follows:

| For the year ended March 31 | 2020 | 2021 |
|--|--------|--------|
| Millions of yen | | |
| Fair value at the disposal date | ¥6,224 | ¥4,066 |
| Accumulated gains / losses arising from sale | 5,450 | 3,596 |
| Dividends received | 0 | 68 |

iii. Reclassification to retained earnings

The Group reclassifies accumulated gains or losses arising from changes in the fair value of financial assets at fair value through other comprehensive income into retained earnings, when it disposes the investments, etc. Accumulated gains or losses, net of tax, reclassified from accumulated other comprehensive income into retained earnings are ¥2,898 million and ¥2,645 million, respectively, for the years ended March 31, 2020 and 2021.

(5) Analysis of gains and losses arising from derecognition of financial assets measured at amortized cost and the reason for derecognition

| Loans for financial business | Gains and losses arising from derecognition of financial assets measured at amortized cost (():losses) |
|------------------------------|--|
| | Millions of yen |
| | ¥6,966 |

In the fiscal year ended March 31, 2021, au Jibun Bank Corporation derecognizes a portion of the loans for financial business listed on its consolidated balance sheet due to the sale of housing loan obligations aimed at ensuring an appropriate equity ratio.

32 Fair Value of Financial Instruments

The financial instruments that are measured at fair value are classified into 3 levels of fair value hierarchy according to the observability and significance of the inputs used for measurement. The levels of the fair value hierarchy are defined as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

The Group determines the hierarchy of the levels based on the lowest level input that is significant to the fair value measurement.

(1) The fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis.

i. The hierarchy of the fair value

The following table presents the classification by fair value hierarchy of the financial assets and financial liabilities recognized at fair value on the consolidated statement of financial position.

As of March 31, 2020

| | Millions of yen | | | |
|---|-----------------|---------|---------|----------|
| | Level 1 | Level 2 | Level 3 | Total |
| Recurring fair value measurements | | | | |
| Financial assets | | | | |
| Other financial assets | | | | |
| Financial assets at fair value through other comprehensive income | | | | |
| Equities | ¥ 77,635 | ¥ — | ¥44,105 | ¥121,740 |
| Securities for financial business | 229,749 | 18,275 | — | 248,024 |
| Financial assets at fair value through profit or loss | | | | |
| Derivatives | | | | |
| Exchange contracts | — | 181 | — | 181 |
| Foreign exchange swaps | — | 1,735 | — | 1,735 |
| Interest rate swaps | — | 163 | — | 163 |
| Investment trusts | — | 434 | — | 434 |
| Financial liabilities | | | | |
| Other financial liabilities | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| Derivatives | | | | |
| Exchange contracts | — | 32 | — | 32 |
| Foreign exchange swaps | — | 2,871 | — | 2,871 |
| Interest rate swaps | — | 5,148 | — | 5,148 |



As of March 31, 2021

| | Level 1 | Level 2 | Level 3 | Total |
|---|----------|---------|---------|----------|
| Millions of yen | | | | |
| Recurring fair value measurements | | | | |
| Financial assets | | | | |
| Other financial assets | | | | |
| Financial assets at fair value through other comprehensive income | | | | |
| Equities | ¥115,552 | ¥ — | ¥61,672 | ¥177,224 |
| Securities for financial business | 257,183 | 18,882 | — | 276,065 |
| Financial assets at fair value through profit or loss | | | | |
| Loans for financial business | — | 106 | — | 106 |
| Derivatives | | | | |
| Exchange contracts | — | 1,027 | — | 1,027 |
| Foreign exchange swaps | — | 2,755 | — | 2,755 |
| Interest rate swaps | — | 467 | — | 467 |
| Investment trusts | — | 1,202 | — | 1,202 |
| Financial liabilities | | | | |
| Other financial liabilities | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| Derivatives | | | | |
| Exchange contracts | — | — | — | — |
| Foreign exchange swaps | — | 1,164 | — | 1,164 |
| Interest rate swaps | — | 4,075 | — | 4,075 |

Any significant transfers of the financial instruments between levels are evaluated at each period end. There was no significant transfer of the financial instruments between levels for the years ended March 31, 2020 and 2021.

ii. Measurement method of the fair value of financial assets and financial liabilities

(a) Equities

Listed equities are based on the prices on exchange and within level 1 of the fair value hierarchy.

Unlisted equities are calculated by the valuation technique based on the discounted future cash flows, valuation technique based on the market prices of the comparative companies, valuation technique based on the net asset value and other valuation techniques, and are within the level 3 of the fair value hierarchy. Unobservable input such as discount rates and valuation multiples are used for fair value measurements of unlisted equities, adjusted for certain illiquidity discounts and non-controlling interest discounts, if necessary.

(b) Securities for financial business

Securities for financial business are measured using quoted prices in active markets for identical assets if such prices are available, and are classified as level 1 of the fair value hierarchy. If such prices are unavailable, they are measured using the prices based on available information like brokered markets and the valuation technique based on the discounted future cash flows using discounted rates reflecting risk free rates and credit spreads, and are classified as level 2 of the fair value hierarchy according to observability of inputs

(c) Loans for financial business

Loans for financial business are calculated by the present value of the future cash flows discounted using the interest rate adjusted for the remaining period until maturity and credit risk, and are classified as the level 2 of fair value hierarchy.

(d) Derivatives

(i) Exchange contracts

The fair value of forward foreign exchange contracts is determined using forward exchange rates at the end of each fiscal year, with the resulting value discounted back to present value. The financial assets and financial liabilities related to exchange contracts are classified as level 2 of the fair value hierarchy.

(ii) Foreign exchange swaps

The fair value of forward foreign exchange swap is determined using forward exchange rates at the end of each fiscal year, with the resulting value discounted back to present value. The financial assets and financial liabilities related to exchange swap are classified as level 2 of fair value hierarchy.

(iii) Interest rate swaps

Interest rate swaps are calculated by the present value of the future cash flows discounted using the interest rate adjusted for the remaining period until maturity and credit risk. The financial assets and financial liabilities related to interest rate swaps are classified as the level 2 of the fair value hierarchy.

(e) Investment trusts

Investment trusts are measured using quoted prices in inactive markets for identical assets based on market approach, and are classified as level 2 of fair value hierarchy.

iii. Reconciliation of level 3

The following table presents the movement of financial instruments within level 3 for the year ended March 31, 2020.

| | Millions of yen |
|---|---|
| | Financial assets at fair value through other comprehensive income |
| | Equities |
| As of April 1, 2019 | ¥37,804 |
| Acquisition | 9,298 |
| Gain recognized on other comprehensive income | (1,883) |
| Sale | (234) |
| Other | (880) |
| As of March 31, 2020 | ¥44,105 |

The following table presents the movement of financial instruments within level 3 for the year ended March 31, 2021.

| | Millions of yen |
|---|--|
| | Financial assets measured at fair value through other comprehensive income |
| | Equities |
| As of April 1, 2020 | ¥44,105 |
| Acquisition | 8,866 |
| Gain recognized on other comprehensive income | 6,828 |
| Sale | (1,126) |
| Other | 3,000 |
| As of March 31, 2021 | ¥61,672 |

iv. Evaluation process of level 3

Fair value measurements of unlisted equities are performed by a management department independent from sales departments in accordance with the prescribed rules. Fair value measurements including fair value models are examined for the adequacy by periodically evaluating the business descriptions and the availability of business plans of the companies issuing the equities, as well as comparative listed companies.

v. Quantitative information related to assets classified as level 3

Information related to evaluation technique and significant unobservable inputs of assets measured at fair value on a recurring basis classified as level 3 is as follows:

As of March 31, 2020

| | Fair value | | | |
|----------|-----------------|---------------------|---------------------|------------|
| | Millions of yen | Valuation technique | Unobservable inputs | Range |
| Equities | ¥44,105 | Income approach | Discount rate | 5.7%–11.2% |

As of March 31, 2021

| | Fair value | | | |
|----------|-----------------|---------------------|---------------------|------------|
| | Millions of yen | Valuation technique | Unobservable inputs | Range |
| Equities | ¥61,672 | Income approach | Discount rate | 3.2%–12.0% |

vi. Sensitivity analysis related to the changes in significant unobservable inputs

For financial instruments classified as level 3, no significant changes in fair value are expected to occur as a result of changing unobservable inputs to other alternative assumptions that are considered reasonable.

(2) The fair value of financial assets and financial liabilities that are not measured at fair value but disclosed on the fair value.

i. The hierarchy of the fair value

The following are the fair value of financial assets and financial liabilities that are not measured at fair value but disclosed on the fair value. The financial assets and financial liabilities that are measured at amortized cost are included.



As of March 31, 2020

| | Carrying amount | Fair value | | | Total |
|---------------------------------|-----------------|------------|------------|---------|------------|
| | | Level 1 | Level 2 | Level 3 | |
| Millions of yen | | | | | |
| Financial assets | | | | | |
| Loans for financial business | ¥1,168,671 | ¥ — | ¥1,162,160 | ¥— | ¥1,162,160 |
| Other financial assets | | | | | |
| Monetary claims bought | 21,808 | — | 20,290 | — | 20,290 |
| Financial liabilities | | | | | |
| Borrowing and bonds payable | | | | | |
| Borrowings | 851,591 | — | 858,682 | — | 858,682 |
| Bonds payables | 369,222 | 370,499 | — | — | 370,499 |
| Deposits for financial business | 1,427,419 | — | 1,428,422 | — | 1,428,422 |

Notes: 1. Loans for financial business in the table above include their current portion.
 2. Borrowings and bonds payable in the table above include their current portion.
 3. Financial assets and financial liabilities whose fair values are similar to the carrying amounts are not included in the table above.

As of March 31, 2021

| | Carrying amount | Fair value | | | Total |
|---------------------------------|-----------------|------------|------------|---------|------------|
| | | Level 1 | Level 2 | Level 3 | |
| Millions of yen | | | | | |
| Financial assets | | | | | |
| Loans for financial business | ¥1,382,305 | ¥ — | ¥1,372,083 | ¥— | ¥1,372,083 |
| Other financial assets | | | | | |
| Monetary claims bought | 16,881 | — | 16,574 | — | 16,574 |
| Financial liabilities | | | | | |
| Borrowing and bonds payable | | | | | |
| Borrowings | 815,655 | — | 821,554 | — | 821,554 |
| Bonds payables | 329,384 | 331,120 | — | — | 331,120 |
| Deposits for financial business | 1,850,090 | — | 1,851,319 | — | 1,851,319 |

Notes: 1. Loans for financial business in the table above include their current portion.
 2. Borrowings and bonds payable in the table above include their current portion.
 3. Financial assets and financial liabilities whose fair values are similar to the carrying amounts are not included in the table above.

ii. Measurement method of the fair value

(a) Loans for financial business

The fair value of loans for financial business is measured at the present value calculated by discounting each portion of future cash flows classified by period, for the corresponding remaining maturity using the applicable interest rate considering credit risk. Loans for financial business are classified as level 2 of the fair value hierarchy.

(b) Monetary claims bought

The fair value of monetary claims bought is measured using quoted prices in inactive markets for identical assets based on market approach and is measured at the present value calculated by discounting each portion of future cash flows classified by period, for the corresponding remaining maturity using the applicable interest rate considering credit risk. Monetary claims bought are classified as level 2 of the fair value hierarchy.

(c) Borrowings

For borrowings with variable interest rates, the carrying amount is used as fair value, as the rates reflect the market interest rate within a short term and there is no significant change expected in the Group entities' credit conditions after financing. For borrowings with fixed interest rates, fair value is estimated by discounting the total of principal and

interest using the current interest rate adjusted for the remaining maturity period of the borrowings and credit risk. Borrowings are classified as level 2 of the fair value hierarchy.

(d) Bonds payables

For bonds payable with quoted price, the fair value is estimated based on quoted price. For bonds payable without quoted price, the fair value is calculated by the present value of future cash flows discounted using the interest rate adjusted for the remaining maturity period and credit risk. Bonds payables with quoted price are classified as level 1 of fair value hierarchy and bonds payables without quoted price are classified as level 2 of the fair value hierarchy.

(e) Deposits for financial business

For demanded deposits of the deposits for financial business, amounts payable on request at the year-end closing date (carrying amount) are considered to represent fair value. The fair value of time deposits is measured at the present value calculated by discounting each portion of future cash flows classified by period. The discount rate is the interest rate used when accepting new deposits. In addition, the contract principal and interest of time deposits classified is measured at the amounts after classification. Deposits for financial business are classified as level 2 of the fair value hierarchy.

33 Commitments

Purchase commitments

| | Millions of yen | |
|-------------------------------|-----------------|-----------------|
| For the year ended March 31 | 2020 | 2021 |
| Property, plant and equipment | ¥174,379 | ¥337,306 |
| Intangible assets | 15,133 | 14,403 |
| Total | ¥189,512 | ¥351,708 |

Note: These amounts above do not reflect the contents of all contracts that the Group is expected to enter into in the future.

34 Earnings per Share

(1) Basic earnings per share

Basic earnings per share and its calculation basis are as follows:

| | Millions of yen | |
|--|-----------------|-----------|
| For the year ended March 31 | 2020 | 2021 |
| Profit for the year attributable to owners of the parent | ¥ 639,767 | ¥ 651,496 |
| Weighted average number of common shares outstanding (Thousands of shares) | 2,320,622 | 2,292,738 |
| Basic earnings per share (Yen) | ¥275.69 | ¥284.16 |

(2) Diluted earnings per share

Diluted earnings per share and its calculation basis are as follows:

| | Millions of yen | |
|--|-----------------|----------|
| For the year ended March 31 | 2020 | 2021 |
| Profit for the year attributable to owners of the parent | ¥639,767 | ¥651,496 |
| Adjustment of profit | — | — |
| Profit used in calculation of diluted earnings per share | ¥639,767 | ¥651,496 |

| | Thousands of shares | |
|--|---------------------|-----------|
| For the year ended March 31 | 2020 | 2021 |
| Weighted average number of common shares outstanding | 2,320,622 | 2,292,738 |
| Effect of dilutive potential common shares | | |
| BIP trust and ESOP trust | 1,665 | 1,967 |
| Weighted average number of common shares during the year | 2,322,287 | 2,294,705 |

| | Yen | |
|-----------------------------|---------|---------|
| For the year ended March 31 | 2020 | 2021 |
| Diluted earnings per share | ¥275.49 | ¥283.91 |

Note: In the calculation of basic earnings per share and diluted earnings per share, shares in the Company owned by the executive compensation BIP trust and the stock-granting ESOP trust are included in treasury stock. Therefore, the number of these shares is deducted in calculating the number of common shares outstanding at the end of the year and the weighted average number of common shares outstanding during the year.



35 Lease

(1) Lease as a lessee

The Group mainly leases office space, buildings for base stations, dark fiber and in-house customer premises equipment for CATV and communication. Lease contracts for office space, buildings for base stations and dark fiber include extension and termination options. However, the Group does not have any lease contracts that contain restrictions or covenants.

i. Amounts recognized in the Consolidated Statements of Financial Position

| | Millions of yen | |
|--|-----------------|----------|
| As of March 31 | 2020 | 2021 |
| Right-of-use assets | | |
| Real estate for base station as the underlying assets | ¥174,966 | ¥164,833 |
| Transmission line as the underlying assets | 29,108 | 31,922 |
| Real estate for office and telecommunication business as the underlying assets | 84,148 | 112,866 |
| Telecommunication equipment as the underlying assets | 19,757 | 15,099 |
| Other underlying assets | 70,891 | 72,052 |
| Total right-of-use assets | ¥378,870 | ¥396,772 |

| | Millions of yen | |
|---------------------------------|-----------------|----------|
| As of March 31 | 2020 | 2021 |
| Increase of right-of-use assets | ¥113,903 | ¥150,584 |

ii. Amounts recognized in the Consolidated Statements of Income

| | Millions of yen | |
|--|-----------------|----------|
| For the year ended March 31 | 2020 | 2021 |
| Depreciation associated with right-of-use assets | | |
| Real estate for base station as the underlying assets | ¥ 53,306 | ¥ 53,638 |
| Transmission line as the underlying assets | 6,967 | 6,523 |
| Real estate for office and telecommunication business as the underlying assets | 30,785 | 35,894 |
| Telecommunication equipment as the underlying assets | 7,847 | 7,733 |
| Other underlying assets | 24,651 | 24,109 |
| Total depreciation associated with right-of-use assets | ¥123,556 | ¥127,897 |
| Interest expense associated with lease liabilities | 2,082 | 1,799 |

iii. Cash flows associated with leases

| | Millions of yen | |
|--|-----------------|----------|
| For the year ended March 31 | 2020 | 2021 |
| Total cash outflows associated with leases | ¥129,029 | ¥135,025 |

(2) Lease as a lessor

i. Finance lease

KDDI Summit Global Myanmar Co., Ltd. (KSGM), one of the Group's consolidated subsidiaries, operates the telecommunication business in Myanmar jointly with Myanmar Posts & Telecommunications (MPT), an organization under the Ministry of Transport and Communications in Myanmar. KSGM mainly leases telecommunication equipment to MPT classified as finance lease in the joint operation.

(a) Income from lease

Not applicable.

(b) Maturity analysis

| As of March 31 | 2020 | 2021 |
|-------------------------------|------------|------------|
| Within one year | ¥ 40,414 | ¥ 41,437 |
| Over one year to two years | 35,261 | 33,797 |
| Over two year to three years | 28,111 | 22,825 |
| Over three year to four years | 17,663 | 13,525 |
| Over four years to five years | 8,817 | 6,843 |
| Over five years | 2,510 | 1,561 |
| Total | ¥132,776 | ¥119,988 |
| Unearned finance income | ¥ (15,435) | ¥ (13,235) |
| Net investment in the lease | 117,341 | 106,753 |

36 Non-cash Transactions

For the fiscal years ended March 31, 2020 and 2021, non-cash transactions (investment and finance transaction that don't require the use of cash and cash equivalents) comprise acquisition of right-of-use assets resulting from new leases of ¥113,903 million and ¥150,584 million, respectively.

37 Major Subsidiaries

(1) Organizational structure

Major subsidiaries of the Group are as follows. They have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

| Company name | Segment | Location | Key business | The proportion of voting rights (%) | |
|---|-------------------------------------|----------------------------|---|-------------------------------------|----------------------|
| | | | | As of March 31, 2020 | As of March 31, 2021 |
| Okinawa Cellular Telephone Company | Personal Services | Naha-shi, Okinawa | Telecommunications services (au mobile phone services) | 51.6 | 52.4 |
| Jupiter Telecommunications Co., Ltd. (Note 1) | Personal Services | Chiyoda-ku, Tokyo | Management of CATV operators and broadcasting service providers | 50.0 | 50.0 |
| J:COM West Co., Ltd. | Personal Services | Chuo-ku, Osaka | Management of CATV (broadcasting and telecommunication business) | 92.8 (92.8) | 92.8 (92.8) |
| UQ Communications Inc. (Note 2) | Personal Services | Chiyoda-ku, Tokyo | Wireless broadband services | 32.3 | 32.3 |
| BIGLOBE Inc. | Personal Services | Shinagawa-ku, Tokyo | Telecommunications services under Telecommunications Business Act | 100.0 | 100.0 |
| AEON Holdings Corporation of Japan | Personal Services | Shinjuku-ku, Tokyo | Operation of language schools starting with English conversation | 100.0 | 100.0 |
| Chubu Telecommunications Co., Inc. | Personal Services Business Services | Naka-ku, Nagoya-shi, Aichi | Telecommunications services under Telecommunications Business Act | 80.5 | 80.5 |
| Wire and Wireless Co., Ltd. | Personal Services | Chuo-ku, Tokyo | Wireless broadband services | 95.2 | 95.2 |
| au Financial Holdings Corporation | Personal Services | Chuo-ku, Tokyo | Holding company for financial business | 100.0 | 100.0 |
| Supership Holdings, Inc | Personal Services | Minato-ku, Tokyo | Holding company of internet service companies | 82.3 | 83.6 |
| Jupiter Shop Channel Co., Ltd. | Personal Services | Koto-ku, Tokyo | Mail order services | 55.0 (50.0) | 55.0 (50.0) |
| Jupiter Entertainment Co., Ltd. | Personal Services | Chiyoda-ku, Tokyo | Management of TV channels | 100.0 (100.0) | 100.0 (100.0) |



| Company name | Segment | Location | Key business | The proportion of voting rights (%) | |
|---|-------------------|------------------------|--|-------------------------------------|----------------------|
| | | | | As of March 31, 2020 | As of March 31, 2021 |
| ENERES Co., Ltd. | Personal Services | Chiyoda-ku, Tokyo | Energy information business | 59.0 | 59.0 |
| KDDI Matomete Office Corporation | Business Services | Shibuya-ku, Tokyo | IT support services for small and medium-sized companies | 95.0 | 95.0 |
| KDDI Evolva, Inc. | Business Services | Shinjuku-ku, Tokyo | Call center, temporary personnel services | 100.0 | 100.0 |
| Japan Internet Exchange Co., Ltd. | Business Services | Chiyoda-ku, Tokyo | Exchange port providing services for internet service providers | 70.7 (6.9) | 70.7 (6.9) |
| KDDI Engineering Corporation | Other | Shibuya-ku, Tokyo | Construction, maintenance and operation support for communication equipment | 100.0 | 100.0 |
| KDDI Research, Inc. | Other | Fujimino-shi, Saitama | Technology research and product development related to telecommunication services | 91.7 | 91.7 |
| Kokusai Cable Ship Co., Ltd. | Other | Kawasaki-shi, Kanagawa | Construction and maintenance of submarine cable | 100.0 | 100.0 |
| Japan Telecommunication Engineering Service Co., Ltd. | Other | Shinjuku-ku, Tokyo | Design, construction, operation support and maintenance for communication equipment | 74.3 | 74.3 |
| KDDI America, Inc. | Business Services | New York, U.S.A. | Diversified telecommunications services in US | 100.0 | 100.0 |
| KDDI Europe Limited | Business Services | London, U.K. | Diversified Telecommunications services in Europe | 100.0 (4.2) | 100.0 (4.2) |
| KDDI China Corporation | Business Services | Beijing, China | Sales, maintenance and operation of communication equipment in China | 85.1 | 85.1 |
| KDDI Singapore Pte Ltd | Business Services | Singapore | Diversified Telecommunications services in Singapore | 100.0 | 100.0 |
| TELEHOUSE International Corporation of America | Business Services | New York, U.S.A. | Data center services in America | 70.8 (2.3) | 70.8 (2.3) |
| TELEHOUSE Holdings Limited | Business Services | London, U.K. | Holding company | 100.0 | 100.0 |
| TELEHOUSE International Corporation of Europe Ltd. | Business Services | London, U.K. | Data center services in Europe | 92.8 (92.8) | 92.8 (92.8) |
| KDDI Summit Global Singapore Pte. Ltd. | Personal Services | Singapore | Holding company | 50.1 | 50.1 |
| KDDI Summit Global Myanmar Co., Ltd. | Personal Services | Yangon, Myanmar | Telecommunication business in collaboration with Myanma Posts & Telecommunications (MPT) | 100.0 (100.0) | 100.0 (100.0) |
| Mobicom Corporation LLC | Personal Services | Ulaanbaatar, Mongolia | Diversified telecommunications services in Mongolia | 98.8 (98.8) | 98.8 (98.8) |

Numbers in parentheses represent indirect voting rights.

- Notes: 1. The Group does not own a majority of the voting rights in Jupiter Telecommunications Co., Ltd. ("Jupiter Telecom"). However, the Group owns 50% of the voting rights of Jupiter Telecom and has the power to govern its financial and operating policies. Accordingly, Jupiter Telecom is controlled by the Group and included in the consolidated financial statements.
2. The Group does not own a majority of the voting rights in UQ Communications Inc. ("UQ"). However, UQ is consolidated by the Group because UQ is considered to be controlled by the Group on the grounds that the Group is the largest shareholder of UQ, the director dispatched from the Group has the right of representation, the directors dispatched from the Group have the executive power in the UQ's Board of Directors, and the operations of UQ are significantly dependent on the Company.

(2) Financial statements of the Group's subsidiaries with material non-controlling interests

Jupiter Telecommunication Co Ltd. ("Jupiter Telecom").

| As of March 31 | 2020 | 2021 |
|---|-------|-------|
| The proportion of ownership interests held by non-controlling interests | 50.0% | 50.0% |

The proportion of ownership interests by non-controlling interests held equals the voting rights by non-controlling interests.

Amounts before adjustments to internal transactions of the Group are as follows:

(a) Consolidated statements of financial position

| | Millions of yen | |
|-------------------------|-----------------|-----------|
| As of March 31 | 2020 | 2021 |
| Current assets | ¥ 135,043 | ¥ 154,139 |
| Non-current assets | 1,078,222 | 1,116,346 |
| Current liabilities | 254,085 | 184,158 |
| Non-current liabilities | 568,971 | 662,847 |
| Total equity | ¥ 390,209 | ¥ 423,479 |

Amounts equivalent to the interests in total equity of Jupiter Telecom attributable to the Group, and the non-controlling interests are as follows:

| | Millions of yen | |
|--|-----------------|----------|
| As of March 31 | 2020 | 2021 |
| Interests attributable to owners of the parent | ¥167,454 | ¥189,452 |
| Non-controlling interests | 222,755 | 234,026 |
| Total | ¥390,209 | ¥423,479 |

(b) Consolidated statements of income and comprehensive income

| | Millions of yen | |
|---------------------------------------|-----------------|----------|
| For the year ended March 31 | 2020 | 2021 |
| Revenue | ¥826,451 | ¥831,719 |
| Profit for the year before income tax | 113,999 | 117,038 |
| Income taxes | 37,786 | 38,070 |
| Profit, net of tax | 76,213 | 78,968 |
| Other comprehensive income | 866 | 2,292 |
| Total comprehensive income | ¥ 77,078 | ¥81,259 |

Amounts equivalent to the profit for the year and comprehensive income attributable to the Group, and the non-controlling interests are as follows:

| | Millions of yen | |
|--|-----------------|---------|
| For the year ended March 31 | 2020 | 2021 |
| Profit for the year attributable to owners of the parent | ¥38,416 | ¥40,128 |
| Profit for the year attributable to non-controlling interests | 37,796 | 38,840 |
| Sub total | 76,213 | 78,968 |
| Other comprehensive income attributable to owners of the parent | 420 | 1,144 |
| Other comprehensive income attributable to non-controlling interests | 446 | 1,148 |
| Sub total | 866 | 2,292 |
| Total comprehensive income attributable to owners of the parent | 38,836 | 41,271 |
| Total comprehensive income attributable to non-controlling interests | 38,242 | 39,988 |
| Total | ¥77,078 | ¥81,259 |

For the years ended March 31, 2020 and 2021, dividends paid by Jupiter Telecom to non-controlling interests were ¥30,304 million and ¥28,523 million, respectively.

**(c) Consolidated statement of cash flows**

Millions of yen

| For the year ended March 31 | 2020 | 2021 |
|--|----------|----------|
| Cash flows from operating activities (net) | ¥176,064 | ¥193,827 |
| Cash flows from investing activities (net) | (91,272) | (93,662) |
| Cash flows from financing activities (net) | (86,670) | (87,765) |
| Increase (decrease) of cash and cash equivalents | (1,878) | 12,399 |

38 Related Party Transactions**(1) Related party transactions**

For the year ended March 31, 2020

There are no significant related party transactions and balances to be disclosed, and the most common terms used by other entities include something like such transactions are negotiated in the ordinary course of business.

For the year ended March 31, 2021

There are no significant related party transactions and balances to be disclosed, and the most common terms used by other entities include something like such transactions are negotiated in the ordinary course of business.

(2) Remuneration of key management

Remuneration of key management is as follows:

Millions of yen

| For the year ended March 31 | 2020 | 2021 |
|------------------------------|--------|--------|
| Short-term employee benefits | ¥ 857 | ¥ 878 |
| Share-based payment | 209 | 182 |
| Total | ¥1,066 | ¥1,060 |

Remuneration of key management represents remuneration to directors and audit & supervisory board members of the Company, including outside directors and audit & supervisory board members.

39 Contingent Events**Commitment line lending contract**

Certain consolidated subsidiaries are engaged in consumer lending business through cash advances and credit card loans, which are related to the credit cards. With regard to such loans, of the amount established in a loan contract (the contracted limit), the contract allows customers to take out a loan at any time within the amount of credit limit approved by these consolidated subsidiaries (the loan limit).

Since some of these contracts expire without the actual loan being drawn, in addition to the Group Companies having discretion to increase or decrease the loan limit, the unused balance of these loans would not necessarily be drawn in its entirety.

The balances of the unused lending commitment lines are as follows:

Millions of yen

| As of March 31 | 2020 | 2021 |
|----------------------------------|----------|----------|
| Total commitment line borrowings | ¥602,448 | ¥620,485 |
| Amounts lent | 192,155 | 202,867 |
| Unused balance of lending | 410,293 | 417,618 |

40 Subsequent Events

Repurchase of treasury stocks

The Board of Directors of KDDI at its meeting held on May 14, 2021, resolved that KDDI would repurchase its own shares pursuant to Article 156 of the Companies Act of Japan, which applies pursuant to Article 165, Paragraph 3, of that law.

(1) Reason for repurchase of KDDI's own shares

To implement flexible capital policies in response to the change in the business environment and to provide shareholders return.

(2) Reason for repurchase of KDDI's own shares

- (a) Type of shares to be repurchased: Shares of common stock
- (b) Total number of shares to be repurchased: Up to 52,000,000 shares
- (c) Repurchase period: From June 1, 2021 to March 24, 2022
- (d) Total amount of repurchase price: Up to ¥150 billion

(3) Repurchase method

Market purchases: Market purchases through the Tokyo

41 Approval of the Consolidated Financial Statements

The consolidated financial statements for the year ended March 31, 2021 were approved by the Board of Directors on June 24, 2021.



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of KDDI CORPORATION

Opinion

We have audited the consolidated financial statements of KDDI CORPORATION and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at March 31, 2021, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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| Recoverability of goodwill (Notes to Consolidated Financial Statements, Note 3. Significant accounting policies, (6) Goodwill and Notes to Consolidated Financial Statements, 7. Impairment of property, plant and equipment, goodwill, intangible assets and right-of-use assets) | |
|--|---|
| Key audit matter description | How our audit addressed the key audit matter |
| <p>The amount of goodwill recorded in KDDI Corporation's consolidated statement of financial position is 540,420 million yen (5.13% of total assets on a consolidated basis). For a breakdown of goodwill allocated to each cash-generating unit ("CGU"), see Note 7. Impairment of property, plant and equipment, goodwill, intangible assets, and right-of-use assets in the Notes to the Consolidated Financial Statements.</p> <p>The recoverable amount is determined based on the value in use. The value in use is calculated by discounting future cash flows at a pre-tax discount rate. The estimation of future cash flows is based on the most recent business plan approved by management and is estimated for each CGU. The forecast period for the business plan is a maximum of five years, and beyond the forecast period, an assumed growth rate that takes into account the long-term average growth rate of the market is used. The growth rate is determined by taking into account the state of the country and industry in which the CGU operates. The discount rate applied to the future cash flows reflects the time value of money and the risks inherent in the asset. The value in use measurements includes significant assumptions about sales, cost of sales and selling, general and administrative expenses in the business plans, growth rates and pre-tax discount rates.</p> <p>Significant assumptions involving a high degree of estimation uncertainty are therefore required in management's judgement of the recoverability of goodwill. Depending on the outcome of the estimates, impairment losses may not be recognized or could be inaccurate. Also, the amount of goodwill recorded in the consolidated financial statements is quantitatively material. Based on these factors, it was determined that the audit of management's assessment of the recoverability of goodwill was a key audit matter.</p> | <p>We have performed the following principal auditing procedures to assess management's analysis of the recoverability of goodwill:</p> <ul style="list-style-type: none"> · We evaluated the design and operating effectiveness of the relevant internal controls which were implemented by management in order to ensure the appropriateness of the impairment test · We evaluated the appropriateness of the model used to determine value in use as well as the reasonableness of the pre-tax discount rate, with the assistance of valuation experts · We performed sensitivity analyses of the significant assumptions of the business plan, growth rate and pre-tax discount rate for each CGU · We evaluated the significant assumptions used by management to estimate net sales, cost of sales, and selling, general and administrative expenses, including growth rates for each CGU <p>This included the following principal procedures:</p> <ol style="list-style-type: none"> i. Assessed the growth rate used by management by comparing it to market forecasts and sector-specific forecasts ii. Recalculated the analysis underlying the pre-tax discount rate used by management and assessed the discount rate for reasonableness by evaluating the underlying assumptions used iii. Evaluated management's business plan with respect to significant assumptions included in estimates of net sales, cost of sales and selling, general and administrative expenses iv. Evaluated the historical performance of each CGU compared to previous estimates made for net sales, cost of sales and selling, general and administrative expenses v. Confirmed the consistency between the business plan used for impairment testing and the most recent business plan approved by management |



| Significant judgments and estimates regarding contract costs (Notes to Consolidated Financial Statements, Note 24.Revenue) | |
|--|--|
| Key audit matter description | How our audit addressed the key audit matter |
| <p>Contract costs included in KDDI Corporation's consolidated statements of financial position amounted to 466,316 millions of yen (4.43% of consolidated assets). Costs to obtain contracts consist primarily of selling commissions paid to au shops and other agencies incurred when acquiring customers, amounting to 410,203 million yen. In addition, costs to fulfill contracts were 56,113 million yen, primarily for commissions and upfront fees collected prior to the commencement of services.</p> <p>The capitalization of these costs requires management's judgment as to whether the applicable charges fall within the definition of contract costs under IFRS 15, Revenue from Contracts with Customers. Such judgment shall be made in accordance with the contractual and other information regarding agent commissions such as au shops, etc. In addition, in order to amortize the capitalized costs, management must make certain assumptions regarding the expected contract term and the determination of recoverability, which involves a high degree of estimation uncertainty. Depending on the outcome of the estimates and assumptions made, amortization expense of capitalized contract costs could be inaccurate. In addition, the amount of costs capitalized is quantitatively material to the consolidated financial statements. Based on these factors, it was determined that the audit of the capitalized contract costs was a key audit matter.</p> | <p>We have performed the following principal auditing procedures to assess the capitalized contract costs:</p> <ul style="list-style-type: none"> · We evaluated the design and operating effectiveness of the relevant internal controls implemented by management to ensure the appropriateness of accounting for contract costs · We recalculated of whether the incremental costs to acquire contracts and costs to fulfill contracts accounted for as expenses under Japanese GAAP have been accurately aggregated without omission · We tested the appropriateness of costs classified by the company as costs to obtain contracts by verifying that those costs related to sales commissions paid in connection with obtaining those customer contracts by examining the contractual and other information regarding agent commissions such as au shops, etc by testing on a sampling basis · In order to verify the reasonableness of the expected contract term, verification of the data used and comparing of the results obtained by reperforming and recalculating the expected term independently under the same conditions · We compared contract renewals to the expected contract term estimated to corroborate the reasonableness of management's estimate · We analyzed the recoverability of capitalized contract costs, including performing sensitivity analyses and other comparisons based on the approved business plan to corroborate that such capitalized costs are not impaired |

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.



Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the consolidated financial statement audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures of the consolidated financial statements are in accordance with IFRSs, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Toshimitsu Wakayama

Designated Engagement Partner
Certified Public Accountant

Ryoichi Iwasaki

Designated Engagement Partner
Certified Public Accountant

Tetsuro Iwase

Designated Engagement Partner
Certified Public Accountant

PricewaterhouseCoopers Kyoto

June 24, 2021

Corporate Overview

(As of March 31, 2021)

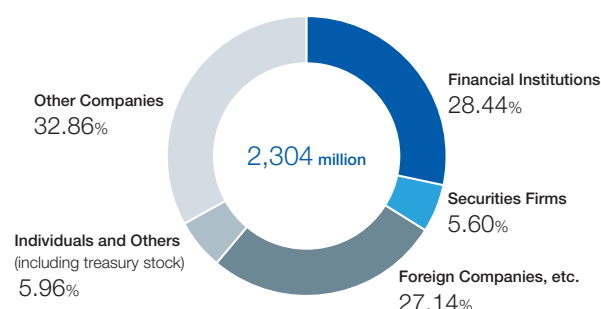
| | |
|------------------------------|--|
| Company Name | KDDI CORPORATION |
| Date of Establishment | June 1, 1984 (The KDDI CORPORATION was established in October 2000 through the merger of DDI CORPORATION, KDD Corporation, and IDO CORPORATION.) |
| Business Objective | Telecommunications business |
| Head Office | Garden Air Tower, 10-10, Iidabashi 3-chome, Chiyoda-ku, Tokyo 102-8460, Japan |
| Registered Place of Business | 3-2, Nishi-Shinjuku 2-chome, Shinjuku-ku, Tokyo 163-8003, Japan |
| President | Makoto Takahashi |
| Capital | ¥141,852 million |
| Number of Employees | 47,320 (consolidated) |

Stock Information

(As of March 31, 2021)

| | |
|---|--|
| SE Code | 9433 |
| Number of Shares Authorized | 4,200,000,000 shares |
| Number of Shares Issued and Outstanding | 2,304,179,550 shares (Note) Following a cancellation of treasury stock on May 22, 2020, the total number of issued shares decreased by 51,194,050 shares. |
| Number of Shareholders | 313,773 shareholders |

▼ Breakdown of Shareholding by Investor Type



▼ Major Shareholders

| Name of Corporate Entity | Number of Shares Held | Ratio of Controlling Share** (%) | Ratio of Voting (%) |
|--|-----------------------|----------------------------------|---------------------|
| KYOCERA Corporation | 335,096,000 | 14.54 | 14.70 |
| Toyota Motor Corporation | 316,794,400 | 13.74 | 13.90 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 245,945,100 | 10.67 | 10.79 |
| Custody Bank of Japan, Ltd. (Trust Account) | 137,220,200 | 5.95 | 6.02 |
| Custody Bank of Japan, Ltd. (Trust Account 7) | 42,584,800 | 1.84 | 1.87 |
| Barclays Securities Japan Limited | 29,171,900 | 1.26 | 1.28 |
| JPMorgan Securities Japan Co., Ltd. | 29,041,509 | 1.26 | 1.27 |
| State Street Bank West Client – Treaty 505234 | 27,557,575 | 1.19 | 1.21 |
| Custody Bank of Japan, Ltd. (Trust Account 4) | 26,835,300 | 1.16 | 1.18 |
| State Street Bank and Trust Company 505103 | 25,486,233 | 1.10 | 1.12 |

*1 The above ratio of controlling shares is calculated including treasury stocks (24,667,289 shares)**. KDDI excludes treasury stocks from the list of major shareholders above.

*2 For accounting purposes the Company's shares held in an executive remuneration Board Incentive Plan Trust account and Employee Stock Ownership Plan Trust account (4,114,964 shares as of March 31, 2021) are added to the number of treasury shares. These shares do not have voting rights.

Note 1: "iPhone" is a registered trademark of Apple Inc. in the U.S. and other countries.

The trademark of iPhone was used under license from AIPHONE CO., LTD.

Note 2: Other company and product names are registered trademarks or trademarks of their respective companies

